## STAFF REPORT

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| **Agenda Item:** | 9 | **Name:** | Jake Tracy  April Sanders |
| **Proposed No.:** | 2019-0381 | **Date:** | September 24, 2019 |

**SUBJECT**

Proposed Ordinance (PO) 2019-0381 would make a supplemental appropriation of $114,704,000 to the parks, recreation, trails, and open space levy fund, $53,234,000 to the parks and recreation operating fund, and $54,456,000 to parks capital project fund.

**SUMMARY**

In April 2019, the Council passed Ordinance 18890, which placed on the August 2019 ballot a proposition authorizing a six-year property tax levy to support parks and open space throughout King County. The ordinance set an initial levy rate of 18.32 cents per $1,000 of assessed value (AV) and was expected to generate approximately $810 million over the life of the levy. However, due to a shift in economic forecasts, the levy is now expected to generate only $787.1 million, a 3% reduction from the initial forecast. The Council also passed a concurrent Motion 15378 which detailed the Council’s intent for the use of the 2020-2025 levy funds. Executive staff has stated that they are proposing to apply the 3% reduction evenly across all expenditure categories as specified in the levy ordinance and motion.

PO 2019-0381 would appropriate $114,704,000 to the newly established parks, recreation, trails, and open space levy fund, which would be spent in accordance with the levy ordinance and motion.[[1]](#footnote-1)

PO 2019-0381 would also appropriate an additional $53,234,000 to the parks and recreation operating fund. $42,441,000 would be funded by a transfer from the parks, recreation, trails, and open space levy fund and the remainder would be funded by a transfer from the parks capital fund for staff and resources that support the capital program as well as new interest earnings, delinquent levy proceeds from the previous levy, and a levy administration fee. The proposed ordinance would also appropriate 19 additional FTEs.

Finally, PO 2019-0381 would appropriate an additional $54,456,000 to the parks capital fund. The appropriation would be funded by a transfer from the parks, recreation, trails, and open space levy fund and be used in accordance with the levy ordinance and motion and to provide parks levy funding to all projects recommended for such by the Conservation Futures Tax Advisory Committee.

Title Amendment T1 would correct the amount of appropriations to each fund, to conform to the body of the ordinance.

**BACKGROUND**

In April 2019, the Council passed Ordinance 18890, which placed on the August 2019 ballot a proposition authorizing a six-year property tax levy to support parks and open space throughout King County. The ordinance set an initial levy rate of 18.32 cents per $1,000 of assessed value (AV) and was expected to generate approximately $810 million over the life of the levy, to fund various projects and programs including:

* Up to $8 million of the levy proceeds for a capital construction project at the Seattle Aquarium;
* Up to $44 million of the levy proceeds to for pool maintenance, capital improvements and construction;
* Up to $22 million of the levy proceeds for integrated floodplain management;
* 47% of the remaining proceeds for acquisition of open space, continued development of regional and other public trails, other capital improvement projects and major maintenance of the county’s open space system, and community partnerships and grants;
* 40% of the remaining proceeds for King County’s park system operations and maintenance, with no more than $10 million of this amount being used for targeted equity grants;
* 8% of the remaining proceeds for distribution to the towns and cities of King County for their town or city parks system operations and capital improvement projects; and
* 5% of the remaining proceeds for environmental education, maintenance and conservation programs at the Woodland Park Zoo.

The initial levy rate of 18.32 cents per $1,000 AV marked a decrease from the initial levy rate of 18.91 cents per $1,000 AV that King County voters passed in August 2013, but due to the increase in total assessed property value over this period, the total anticipated funding from the 2020-2025 levy was $810 million at passage, nearly double the $420.2 million estimated to be generated by the 2014-2019 levy.

Concurrent with the levy ordinance, the Council passed Motion 15378, which detailed the Council’s intent for the use of the 2020-2025 levy funds. The motion included guidelines for the four grant programs identified in the parks, trails and open space levy: (1) capital project and open space acquisitions; (2) aquatic centers; (3) open space for river corridors; and (4) targeted equity.[[2]](#footnote-2) The motion also included the following requirements:

1. A levy spending plan as detailed in Table 2 below;
2. A reporting process for the Department of Natural Resources and Parks (DNRP) to report to council if it anticipates requesting a reallocation of moneys for projects or programs listed in the levy spending plan;
3. $8 million of the allocation for public pools be allocated to the Weyerhaeuser King County aquatic center;
4. A reporting process for DNRP to report to council on community outreach efforts and recommendations resulting from the community outreach efforts;
5. Remaining funding of the Lake to Sound Trail to be spent on the Soos Creek Trail project if there is funding left over or unspent during the levy period;
6. DNRP to conduct a feasibility assessment and cost estimate for the south extension of the Green to Cedar Rivers trail, including connections to a Black Diamond open space area and closing gaps in the Snoqualmie Valley Trail including the Mill site in Snoqualmie;
7. Remaining/unspent Eastside Rail Corridor (ERC) funding to be prioritized for new ERC connections in the city of Renton
8. Department of Natural Resources and Parks (DNRP) to undertake community outreach processes with the Redmond Ridge Residential Owners Association, in the Hobart and Fairwood communities, and around Duvall Park and to transmit a report on the community outreach efforts and recommendations resulting from the community outreach efforts by December 31, 2020;
9. DNRP to include in contracts with towns and cities a requirement to report to county councilmembers on upcoming major milestones (such as groundbreaking and opening dates) for Parks capital projects; DNRP to consult with Department of Local Services on use of levy proceeds in unincorporated King County;
10. DNRP to develop a plan to implement a youth conservation corps beginning in 2020; and DNRP to transmit a proposed ordinance by January 31, 2020 to implement one or more advisory committees that will include city representatives to review grant applications and make recommendations for the four grant programs identified in the parks, trails and open space levy.

**ANALYSIS**

The proposed ordinance makes appropriations to three funds: the parks, recreation, trails, and open space levy fund; the parks operating fund; and the parks capital fund.

**Parks, Recreation, Trails, and Open Space Levy Fund.** The proposed ordinance would appropriate $114,704,000 to the Parks, Recreation, Trails, and Open Space Levy Fund ("the levy fund"), a new non-general fund appropriation unit.

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| **Parks recreation trails and open space levy** | **$114,704,000** |
| **2019 – 2020 Adopted Budget:** | **$0** |
| **Supplemental Appropriations to Date:** | **$0** |
| **Total Appropriation to Date:** | **$0** |

Due to a 3% net reduction in forecasted property taxes for the 2020-2025 Parks Levy in the August 2019 Office of Economic and Financial Analysis (OEFA) forecast,[[3]](#footnote-3) the proposed appropriation reflects an approximately 3% reduction in each category of spending. In addition to the changes associated with the 3% reduction, the estimated reimbursement for election costs decreased from the $3 million anticipated at time of levy passage to $1.52 million in actual election costs. Table 1 below shows the proposed expenditures from the levy fund for the 2019-2020 biennium. Projected numbers for future biennia can be found in the levy 2019-2020 financial plan.

**Table 1. Proposed Levy Appropriation – 2019-2020 Biennium**

| **Expenditures** | **2019-2020 Proposed** |
| --- | --- |
| Reimbursement of Election Costs | $1,522,000 |
| Seattle Aquarium | $1,941,750 |
| Public Pools Capital Grants | $3,425,000 |
| Open Space River Corridors Grants | $1,712,500 |
| King County Parks Operating Fund | $42,440,714 |
| King County Parks Capital Fund | $49,867,839 |
| Cities within King County | $8,488,143 |
| Woodland Park Zoo | $5,305,089 |
| **Total Expenditures** | **$114,703,035** |

As shown in the table above, expenditures are made to Parks' operating and capital funds. The following sections give further detail on appropriations within these funds.

Table 2 below shows the comparison of the total levy amounts from the March forecast to the August forecast. Table 3 below shows how the total levy proceeds were intended to be distributed by the levy motion, as well as the distribution of proceeds with 3% reduction being applied evenly across all expenditure categories as proposed by the executive.[[4]](#footnote-4) In addition to the changes associated with the 3% reduction, and the assumed undercollection and exemptions decreased from $10 million to $7.87 million. DNRP states that the change in undercollection and exemptions is primarily due to the fact that the rounded number included in the levy spending plan (Attachment C to the levy motion) was associated with the original 16.82 cent proposal and the current forecasts from OEFA now build the fixed income exemption within its semi-annual forecasts for the Parks Levy.

**Table 2. Updated Forecasts – Total Levy (2020-2025)**

|  |  |  |  |
| --- | --- | --- | --- |
| Rate | March Forecast | August Forecast | Difference |
| $0.1832 | $810.22 million | $787.1 million | ($23.16 million) |
| *$0.0100[[5]](#footnote-5)* | *~$44.2 million* | *~$42.9 million* | *($1.3 million)* |

**Table 3. High Level Comparison of Funding – Total Levy (2020-2025)**

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| --- | --- | --- | --- |
| Categories | Levy Motion  (Motion 15378) | ~3% Reduction | Difference |
| 2020-2025 Levy Proceeds (Gross) | $810.22 million | $787.06 million | ($23.16 million) |
| *<1% Under Collection>* | ($10 million) | ($7.87 million) | $2.13 million |
| 2020-2025 Levy Proceeds (Net) | **$800.22 million** | **$779.19 million** | **($23.03 million)** |
| Reimbursements of Election Costs[[6]](#footnote-6) | $3 million | $1.52 million | ($1.48 million) |
| Seattle Aquarium | $8 million | $7.77 million | ($230 million) |
| Pools Capital Grant Program | $44 million | $42.74 million | ($1.26 million) |
| Open Space Floodplains Grant Program | $22 million | $21.37 million | ($0.63 million) |
| KC Parks Operating Fund (40%) | $287 million | $282.32 million | ($4.68 million) |
| KC Parks Capital Program (47%) | $340.22 million | $331.72 million | ($8.5 million) |
| KC Towns and Cities (8%) | $60 million | $56.46 million | ($3.54 million) |
| Woodland Park Zoo (5%) | $36 million | $35.29 million | ($0.71 million) |
| 2020-2025 Levy Programs | **$800.22 million** | **$779.19 million** | **$21.03 million** |

Councilmembers may choose to modify the reduction approach in this or future biennia by way of this appropriation ordinance and appropriation ordinances in future biennia. Given that Ordinance 18890 was approved by the voters, the expenditure category allocations required by the ordinance may not be changed. However, for expenditure categories that are characterized as "up to" a certain dollar amount[[7]](#footnote-7), the Council may change funding amounts within that limit. Additionally, the council may change allocations to projects and programs detailed in Motion 15378 but not specifically required by Ordinance 18890.

**Parks Operating Fund.** The proposed ordinance would appropriate $53,234,000 to the Parks and Recreation operating fund, which is a non-general fund appropriation unit. The fund began the biennium with an allocation of around $48 million and has been amended in subsequent budget ordinances in the amount of $229,000.[[8]](#footnote-8)

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| **Parks and Recreation** | **$53,234,000** |
| **2019 – 2020 Adopted Budget:** | **$48,494,000** |
| **Supplemental Appropriations to Date:** | **$229,000** |
| **Total Appropriation to Date:** | **$48,723,000** |

This appropriation would also add 19.0 FTEs to the currently appropriated 234.10 FTEs and 1.0 TLT, bringing the total to 253.1 FTEs, five of which will provide overall business support within the Parks operating fund.

Of this appropriation, $42,440,714 would be funded by a direct transfer from the Parks, Recreation, Trails, and Open Space Levy fund. The remainder of the appropriation would be funded by a transfer from the Parks Capital fund for staff and resources that support the capital program as well as new interest earnings, delinquent levy proceeds from the previous levy, and a levy administration fee.

Given the 3% reduction in OEFA forecasts over the life of the levy, the Parks and Recreation operating fund sees a similar across-the-board reduction over what was anticipated in Ordinance 18890. The breakdown of that reduction is discussed at the end of this section.

Due to the fact that the 2019-2020 Adopted Biennial Budget did not assume 2020-2025 Parks Levy funding, the expected business revenue lowered to $5.8 million, whereas with the passage of the levy, business revenues are expected to return to where they were in previous biennia—or approximately $11 million for the current biennium. Business revenue includes user fees and entrepreneurial efforts to support the parks system.

Under this proposed ordinance, the Parks Capital fund would reimburse the parks and recreation operating fund $3.5 million for Parks Capital and Grants Administration in order to fund staff and resources that support both the overall capital program as well as new grant programs allocated in Motion 15378.

Of the total proposed appropriation to the Parks and Recreation operating fund, $48.6 million would go towards Parks Operations and Maintenance. This is consistent with Ordinance 18890 which specified that 40% of the levy would go towards King County Parks Operations and Maintenance after the dedicated funding for the Seattle Aquarium, Pool Maintenance, capital improvements and construction, and integrated floodplain management.

The Targeted Equity Grants called for in Ordinance 18890 would be housed in this fund, with $1.5 million being allocated in the 2019-2020 Biennium. Community Partnerships and Grants, which were previously funded through the Parks and Recreation operating fund would be moved to the Parks Capital fund beginning in 2020, so as shown in the Parks and Recreation Operating Financial Plan (Attachment 5 to this staff report), that line item would be zeroed out in future biennia and the 2019-2020 budget would reflect the $1 million allocated to fund grants funded by the previous levy.

The 2019-20 Adopted Biennial Budget (Ordinance 18835) included a proviso on the DNRP-Administration Budget requiring the Executive to transmit a report outlining funding options for King County search and rescue, which was required to include options for supporting King County search and rescue with funding, if approved by voters, from the Parks levy.[[9]](#footnote-9) The Council passed Motion 15361, acknowledging receipt of a search and rescue funding options report, on March 20, 2019. The report states that “the proposed [Parks Levy] ordinance includes annual funding for KCSAR, starting at $100,000 in 2020, to support search and rescue operations in King County”. This $100,000 funding is reflected in the Financial Plan for the Parks and Recreation operating fund beginning in 2020.

The proposed Parks and Recreation operating fund would result in a $5 million underexpenditure. Underexpenditure estimates are 5% of the total budget, an increase from 3% previously assumed in previous budgets. Executive staff indicate that the assumption more closely aligns with actual expenditure patterns in the fund over the last six years.

As seen in the Parks and Recreation Operating Financial Plan, the across-the-board 3% reduction due to lower OEFA forecasts over the life of the levy is reflected only for Parks Operations and Maintenance and Parks Capital and Grants Administration in the amount of approximately $5 million less than anticipated. Executive staff have indicated that this reduction would result in fewer parks maintenance staff additions and less operating reserves. The funding for the WSU Cooperative and King County Search and Rescue would not see a comparable 3% reduction.

**Parks Capital Fund.** The proposed ordinance would appropriate $54,456,000 over the 2019-2020 biennium, which would be funded by a transfer of the same amount from the Parks Levy Fund, bringing the total Parks Capital appropriation to $124,567,521 over the two-year period.

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| **Parks Capital** | **$54,456,000** |
| **2019 – 2020 Adopted Budget:** | **$70,111,370** |
| **Supplemental Appropriations to Date:** | **$50,151** |
| **Total Appropriation to Date:** | **$70,161,521** |

Table 4 below shows how the proposed appropriation would be distributed, as well as the previously adopted appropriations.[[10]](#footnote-10) As the levy ordinance and motion distributed funding over the six-year life of the levy, rather than specifying amounts to be spent per-biennium, the numbers shown in Table 4 are less than those found in attachment C to the motion.

**Table 4. Adopted and Proposed Parks Capital Appropriation**

| **Capital Appropriation** | **2019-2020 Adopted (including supplementals)** | **PO 2019-0381** | **Total** |
| --- | --- | --- | --- |
| Regional Trail System | $33.8 million | $25.8 million | $59.7 million |
| Regional Open Space Acquisition and Stewardship | $7.6 million | $13.5 million | $21.1 million |
| Critical Infrastructure and Major Maintenance | $14.0 million | $8.2 million | $22.1 million |
| Parks Grant Programs | - | $7.0 million | $7.0 million |
| Grant Contingency | $13.7 million | - | $13.7 million |
| Emergency Contingency | $2.4 million | - | $2.4 million |
| Administration and Central Rates | $3.5 million | - | $3.5 million |
| **Total** | **$70.1 million** | **$54.5 million** | **$124.6 million** |

A more detailed breakdown of the proposed capital appropriation, with project-specific proposals, can be found in Attachment A to this ordinance. Of note, the proposed appropriation includes:

* Funding for all projects and in the amounts recommended by the Conservation Futures Tax (CFT) Advisory Committee;
* Approximately $1.1 million in pool grants;
* Approximately $1.7 million in open space river corridor grants;
* Approximately $1.4 million for community partnerships and grants;
* Approximately $2.8 million for city capital and open space grants.

Attachment A does not contain projected funding for capital projects and grants in the 2021-2022 and 2023-2024 biennia. DNRP has stated that the 3% revenue forecast reduction has presented a challenge in how to balance the reduction over the six-year period. DNRP has further stated that the approximately $9 million reduction to the CIP will likely be spread proportionately across programs but will require further negotiation with stakeholders.

**AMENDMENTS**

Title Amendment T1 corrects the amount of appropriations to each fund, to conform to the body of the ordinance.

**INVITED**

* Doug Hodson, Finance Director, Department of Natural Resources and Parks
* Katherine Taylor, Government Relations Director, Department of Natural Resources and Parks

**ATTACHMENTS**

1. Proposed Ordinance 2019-0381 (and its attachments)
2. Title Amendment 1
3. Transmittal Letter
4. Fiscal Note
5. Parks and Recreation Operating Fund Financial Plan
6. Parks and Recreation Capital Fund Financial Plan
7. Parks and Recreation Levy Financial Plan

1. Ordinance 18890 and Motion 15378 [↑](#footnote-ref-1)
2. The guidelines for the four grant programs can be found in Attachments A, B, D, and E to Motion 15378. [↑](#footnote-ref-2)
3. <https://www.kingcounty.gov/~/media/business/Forecasting/documents/August2019_Forecast_pdf.ashx?la=en> [↑](#footnote-ref-3)
4. There is some variance in the numbers provided by the executive, i.e. the numbers shown are not exactly a 3% reduction. [↑](#footnote-ref-4)
5. This is illustrative of what the County receives for each penny of levy collection. [↑](#footnote-ref-5)
6. Note that this is not a 3% reduction, but rather that election costs were lower than projected. [↑](#footnote-ref-6)
7. This includes allocations for the Seattle Aquarium, publicly owned pools, and habitat restoration, open space acquisition or recreational opportunities, or any combination thereof, associated with integrated floodplain management capital improvement projects. [↑](#footnote-ref-7)
8. The Parks and Recreation operating fund was amended by Ordinance 18888 (2019-20 Total Compensation) and Ordinance 18930 (2019 1st Omnibus). [↑](#footnote-ref-8)
9. 2019-2020 Biennial Budget Ordinance, Ordinance 18835, Section 94, Proviso P1 [↑](#footnote-ref-9)
10. Numbers in the table are rounded and thus do not sum exactly. [↑](#footnote-ref-10)