From:	Dan Jacoby
To:	City Council
Subject:	Levy Lid Lift, 7/11 discussion
Date:	Friday, July 08, 2016 11:37:08 AM
Attachments:	LevyLidLift_email.pdf

Please find attached a letter regarding the upcoming discussion on the proposed levy lid lift.
Best regards,
Dan Jacoby

Shoreline City Council

July 8, 2016

Re: Levy Lid Lift

To the members of the Shoreline City Council,

I am writing today as someone who was on the Financial Sustainability Citizen Advisory Committee, having attended every one of the meetings, and having been one of the very few members of the committee who did any independent research. I came to the conclusion that while some levy lid lift is necessary, as limiting property tax revenue increases to 1% per year is insufficient to meet the revenue needs of city government, a double-digit local property tax increase is both unnecessary and bad policy.

First, however, I would like to refute the notion that city staff's numbers are accurate.

Specifically, the staff claims that a $1.48/$1,000AV ("AV" meaning "assessed value" of a property) for 2017 would result in a tax increase for a median-value property owner of $62. This claim is easily debunked.

City staff begins by noting that the median value of a home in Shoreline, based on 2015 King County assessments, is $350,000. At the current levy rate of $1.33098, this results in a local property tax of $466 (rounded to the nearest dollar). The staff claims that the new rate of $1.48 will result in a local property tax of $466 + $62, or $528. However, the value of a property, taxed at a $1.48 rate, that results in a tax of $528, is $356,757, or an increase of 1.93% over current value.

If anyone among you buys the notion that the city's assessed value will rise by less than 2% this year, I have a bridge for sale.

(As a side note, city staff is using three different figures for median household assessed value for the 2016 assessments, which would be used for the 2017 taxes. First, there is the 1.9% figure noted above. Second, in the packet prepared for the July 11 meeting[1], they repeatedly use an assessed value of only $353,000 (less than 1% increase), which is even more ridiculous given the current housing market. Third, in Debbie Tarry's July 7th email to Mayor Roberts[2], she claims that they are projecting a 3.1% increase in assessed value – a third level that is higher than either of the two levels that city staff seems to be using for the levy lid lift.)

Last year's rate was $1.43328. The inflation level used to determine this year's levy rate was 1.6%. If the city raised taxes by 1.6%, and the result was a rate change from $1.43328 to $1.33098, that means the assessed value of the city's properties rose by 9.4% from 2014 to 2015. Since the house-buying frenzy in Shoreline has certainly not diminished over the past year, there is no reason to believe that this year's assessments will show a smaller increase; indeed, there is every reason to believe that the assessed value of the city's properties will rise by double digits.

1 http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2016/staffreport071116-9c.pdf page 9c-6

2 http://www.shorelinewa.gov/Home/ShowDocument?id=26245

If, however, we choose an assessed value increase that only matches last year's 9.4%, which given recent house sale prices is a reasonable choice, then a $1.48 levy rate will result in a tax bill for that median homeowner, whose home will now be valued at $382,900, of $567 – a $101 increase, or more than 60% higher than city staff claims.

There are more problems with staff projections. For example, their projected revenues for the next 10 years based on no levy lid lift versus a lift now, and another one six years down the road, where the first year of each lift would cover inflation only, are incompatible.

In this case, we can see their projections on slides 31 and 32 of the packet from the April 14th meeting of the Financial Sustainability Citizen Advisory Committee.[3] Page 31 shows the projections for a no-levy situation (the same projections that are on 9c-3 of the meeting packet), while page 32 shows projections assuming property taxes rise with inflation. In their public meetings, held at the Richmond Beach and Shoreline libraries, they also showed a chart in which inflation is expected to run at about 2.3% per year – keep that number in mind.

The chart on page 31 shows revenues rising, from 2017 to 2026, from $39.915M to $45.547M, an average annual increase of about 1.48%. On page 32, revenues rise from $40.070M to $46.597M, an average annual increase of 1.69%. The problem is that it does not adequately reflect a change in property tax revenue increases from 1% (no levy lid lift) to 2.3% (inflation-based increases). Rather, the difference is just over half the required 1.3% for these numbers to be legitimate. Property taxes currently make up 29% of total revenue. A difference in the rise in property taxes of 1.3% should result in an annual difference of total revenues of 0.37%, not the 0.21% the staff claims.

Whatever the reason, every time we take a close look at the numbers city staff presents they turn out to be demonstrably inaccurate. That's not opinion, it's math, and the city staff's command of math seems to be seriously lacking.

Getting away from the math, let's deal with the situation as the voters will see it:

A proposed $1.48 rate, or more specifically the actual tax increase that it would cause, won't pass. For that matter, even a $62 tax increase (which, assuming a 9.4% AV increase, would mean a levy rate of $1.38) won't pass. I know this not from any formal survey, but from talking with people from all across the city. When I even mention the words “property tax increase,” without specifying an amount, people's reactions are very, very strong – and very, very negative.

Voters understand that constantly rising taxes are not sustainable. It doesn't matter that staff's 10-year projections show costs rising faster than inflation with revenues lagging behind. We simply can't pay the bills indefinitely with tax increase after tax increase; voters will rebel. There must be a better way.

What can we do about this?

First of all, we don't need the specter of additional non-property taxes, like an increased car tab fee or a new B&O tax, or at least not for a while. Put those on the back burner, and make it clear that they won't be discussed for the next couple of years. Even a mention of those additional taxes, on top of a double-digit property tax hike, will just anger voters even more.

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3 http://www.shorelinewa.gov/home/showdocument?id=25735

Secondly, a much smaller levy rate for 2017 is in order. We can pay our bills for the next six years without a double-digit (and especially without a 20-25%) property tax hike. Even without a levy lid lift, according to staff's presumably pessimistic projections, we will still have a surplus for the next two years, and a middle single-digit property tax hike for next year will almost certainly provide enough revenue to pay our bills for the next six years. Then we can talk about finding new ways to raise revenue, such as finding ways to be more welcoming to new small businesses (eliminating the TIF was a good start). But at least we would have a successful levy lid lift under our belts, the bills paid, and time to figure out how to improve the long-term financial situation.

This should all be a part of the discussion on Monday, and should figure in to the final rate chosen by the Council to submit to the voters in November. In addition, city staff should be questioned closely about how they arrived at their various numbers, including the three different assumptions (all clearly wrong) regarding the increase in assessed value this year.

I look forward to seeing this Monday's meeting.

Best regards,
Dan Jacoby
Shoreline