

From: [Dan Jacoby](#)
To: [City Council](#)
Subject: Levy Lid Lift – an alternate rate
Date: Wednesday, July 20, 2016 12:54:58 AM
Attachments: [Report_July20.pdf](#)

Please find attached a report that looks at the numbers underlying the levy lid lift, and proposes an alternate levy rate.

Best regards,
Dan Jacoby

Shoreline City Council

July 20, 2016

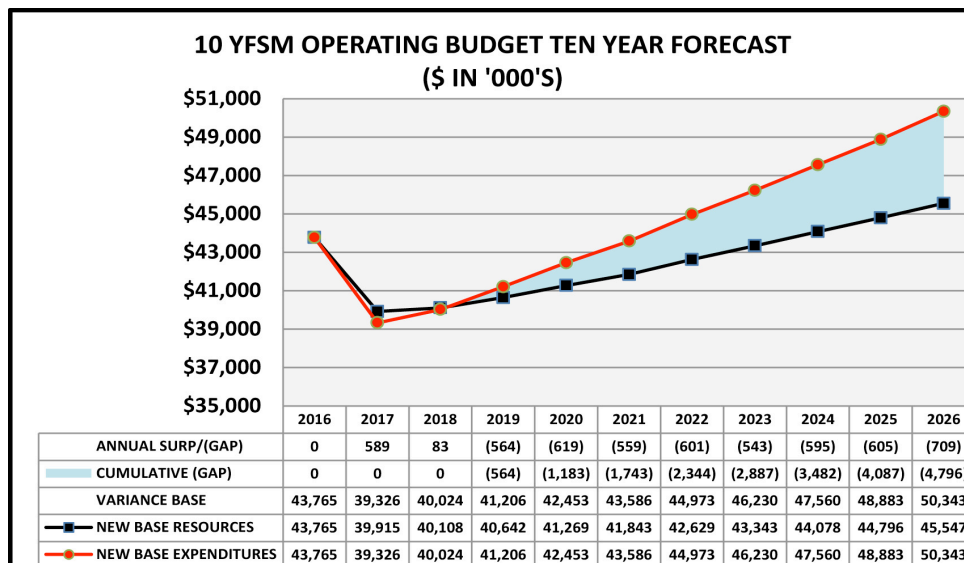
Re: Proposed Levy Lid Lift

To the City Council:

This is a report on the city's finances, compiled by numbers provided by city staff (it will all be sourced, as usual), that sheds a new light on the question of the levy lid lift. Specifically, it demonstrates that city staff's own numbers show that we don't need a levy lid lift, an increased car tab fee, or the implementation of a B&O tax, for at least the next six years. Furthermore, we will have sufficient funds to raise program spending on human services to 1% of the budget immediately, subject only to logistical, and not financial, limitations.

How is this possible, when the staff's projections regarding the levy lid lift show a deficit starting in 2019? It's because those numbers have no basis in history, either the history of actual revenues to the city, or the history of staff projections for future revenues.

Let us begin with staff projections prepared for the levy lid lift discussion (see chart below).¹ Under those projections, without a levy lid lift expenses will exceed income in 2019, resulting in a \$564,000 deficit absent new revenues and/or spending cuts, which would then be mandated by state law.



For now, we will accept the expenditure levels as stated. Let us turn now to the revenue line. In this chart, revenues are expected to grow slowly, while expenses rise much more quickly (see table below for year-over-year revenue percentage increases). But where did these numbers come from? They certainly don't match the numbers provided by city staff to the Council in its Fiscal Year 2016 budget presentation.²

1 <http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2016/staffreport071116-9c.pdf>, page 9c-3.
2 <http://www.shorelinewa.gov/home/showdocument?id=22237>

Starting on page 74 of this 491 page document, and running through page 87, we see actual revenues from 2013 and 2014, expected revenues for 2015, proposed budget planned revenues for 2016, and projected revenues from 2017 through 2021. These numbers are very, very different from the numbers presented for the levy lid lift, and the difference is all the difference.

The table below shows the revenue numbers, compiled from this budget presentation. These are the actual numbers in the budget document:

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021
Property Tax	\$9,654,834	\$10,255,323	\$10,570,659	\$10,860,481	\$11,566,412	\$11,832,440	\$12,104,586	\$12,382,991	\$12,667,800
Sales Tax	\$7,336,806	\$7,462,887	\$7,552,351	\$7,747,700	\$7,989,558	\$8,213,464	\$8,447,002	\$8,703,091	\$8,922,502
Gambling Tax	\$1,651,314	\$1,548,567	\$1,597,325	\$1,587,425	\$1,587,425	\$1,587,425	\$1,587,425	\$1,587,425	\$1,587,425
Utility Taxes	\$4,018,976	\$3,922,430	\$4,039,679	\$4,131,535	\$4,218,222	\$4,307,091	\$4,395,879	\$4,486,709	\$4,576,746
Natural Gas	\$885,253	\$849,543	\$889,590	\$906,500	\$923,896	\$941,660	\$959,258	\$977,178	\$994,751
Phone/Cell	\$1,503,328	\$1,415,043	\$1,421,640	\$1,421,640	\$1,448,921	\$1,476,780	\$1,504,379	\$1,532,482	\$1,560,041
Sanitation	\$531,888	\$534,410	\$538,648	\$548,880	\$559,413	\$570,169	\$580,825	\$591,675	\$602,315
Cable TV	\$899,856	\$911,428	\$975,230	\$1,014,240	\$1,033,703	\$1,053,579	\$1,073,269	\$1,093,318	\$1,112,980
Storm Drainage	\$198,651	\$212,006	\$214,571	\$240,275	\$252,289	\$264,903	\$278,148	\$292,056	\$306,659
Franchise Fees	\$4,217,682	\$4,332,255	\$4,145,189	\$4,367,482	\$4,460,581	\$4,555,877	\$4,651,329	\$4,748,843	\$4,845,863
Cable TV	\$816,147	\$841,767	\$862,890	\$888,780	\$905,836	\$923,253	\$940,507	\$958,076	\$975,306
Sewer	\$787,000	\$811,000	\$834,002	\$859,022	\$884,793	\$911,336	\$938,677	\$966,837	\$995,842
Water	\$859,787	\$895,350	\$754,197	\$780,700	\$795,682	\$810,981	\$826,137	\$841,569	\$856,704
Electricity	\$1,754,748	\$1,784,138	\$1,694,100	\$1,838,980	\$1,874,270	\$1,910,307	\$1,946,008	\$1,982,361	\$2,018,011
Recreation Fees	\$1,462,441	\$1,501,048	\$1,573,060	\$1,406,815	\$1,610,437	\$1,641,402	\$1,672,077	\$1,703,313	\$1,733,944
Criminal Justice	\$1,324,950	\$1,427,106	\$1,513,430	\$1,569,991	\$1,628,808	\$1,681,268	\$1,738,019	\$1,798,201	\$1,855,268
Liquor Excise Tax	\$514,529	\$577,727	\$621,964	\$710,680	\$726,129	\$741,941	\$757,696	\$773,780	\$789,664
Development Fees	\$1,188,103	\$1,503,170	\$1,331,989	\$1,200,000	\$1,189,267	\$1,134,459	\$1,122,449	\$1,112,762	\$1,087,829
Right-of-Way Fees	\$292,504	\$272,765	\$220,000	\$250,000	\$254,796	\$259,697	\$264,550	\$269,492	\$274,338
Grants	\$405,857	\$207,541	\$207,541	\$207,541	\$207,541	\$207,541	\$207,541	\$207,541	\$207,541
Fuel Tax	\$1,101,243	\$1,107,076	\$1,145,668	\$1,175,565	\$1,143,149	\$1,111,626	\$1,080,973	\$1,051,166	\$1,022,180
Surface Water Fees	\$3,329,557	\$3,525,985	\$3,576,183	\$4,004,586	\$4,204,815	\$4,751,301	\$4,988,866	\$5,238,309	\$5,500,224
TOTAL REVENUES	\$36,498,796	\$37,643,880	\$38,095,038	\$39,219,801	\$40,787,140	\$42,025,532	\$43,018,392	\$44,063,623	\$45,071,324
% Increase		3.14%	1.20%	2.95%	4.00%	3.04%	2.36%	2.43%	2.29%

Unfortunately, these are not useful totals, partly because they include two items (Fuel Tax revenues and Surface Water Fees) which do not go into the general operating fund, and partly because there are missing revenue lines. Without those lines, and subtracting the two lines that don't belong, the revenue totals are millions of dollars short of the actual numbers.

What's missing? It's impossible for me to say, because city staff has refused to provide useful data. I have asked repeatedly, and have been given partial data, stonewalled, and referred to the budget document. Therefore, after charting actual end of year data from the last 11 years, from 2005 through 2015, I have looked at trends, both longer-term and more recent, taken into account the years of the Great Recession (and the fact that the recovery cannot be expected to continue as robustly as it has in recent years), and compiled a forecast of expected annual revenue changes for the next six years, broken down by various categories.

Based on the best information I have been able to glean from various sources, the result of these projected annual revenue changes is that, with a modest 7% property tax increase for 2011, we will have the following bottom line (all numbers in 000s):

Year	2017	2018	2019	2020	2021	2022
Revenues	\$40,057	\$40,996	\$41,964	\$42,964	\$43,995	\$45,059
Expenses	\$39,326	\$40,024	\$41,206	\$42,453	\$43,586	\$44,973

As you can see, these figures show budget surpluses for the next six years, including an \$86,000 surplus for 2022. But there are a few items that could concern people, and these concerns need to be addressed.

One concern is that it's entirely possible that another economic downturn over the next six years could reduce income, resulting in budget shortfalls. There are three answers to this concern.

1. The projections are slightly conservative; it would take a serious recession for revenue numbers to fall below projections.
2. There are alternative revenue sources available, such as an increased car tab fee or the imposition of a B&O tax.
3. During the final two years of this period we should see extra development fee and sales tax revenue from new construction in anticipation of the pending light rail stations. This extra revenue is not figured into the numbers presented above.

The other concern is that there is no money for increased program spending on human services, something the Council clearly wants, and I believe most people would approve. Therefore, I propose that we raise the levy rate to reflect a planned 8.5% local property tax increase. This would provide over \$160,000 in extra revenue in the first year, rising with inflation. It would be more than enough to pay for the desired increase in human services spending.

Getting an 8.5% local property tax increase, assuming that the preliminary (and incomplete) figure of 10.15% for the increase in the city's aggregate assessed value holds, would mean that the new levy rate would be set at \$1.31. That is the figure I am recommending.

Should the Council adopt this rate as the levy rate for 2017, I will withdraw my name from consideration for the "con" committee and urge the army that I have been organizing to declare victory and support it. Should the Council adopt a higher rate, however, then you will almost certainly have to deal with the fallout from a failed levy lid lift. The damage shouldn't be too bad for a year or two, since even city staff's pessimistic projections call for surpluses for the next two years.

The lasting damage, however, will be to the reputation of the City Council, and to the Shoreline city government in general. There is currently a general feeling that things here are run pretty well. There are dissenters, but that is the general feeling. Put a double-digit local property tax measure on the ballot, however, and that feeling will disappear, and will take a long time to recover.

Therefore, I strongly urge that the Council adopt \$1.31 as the levy rate to put on the ballot for this fall.

Respectfully submitted,
Dan Jacoby