

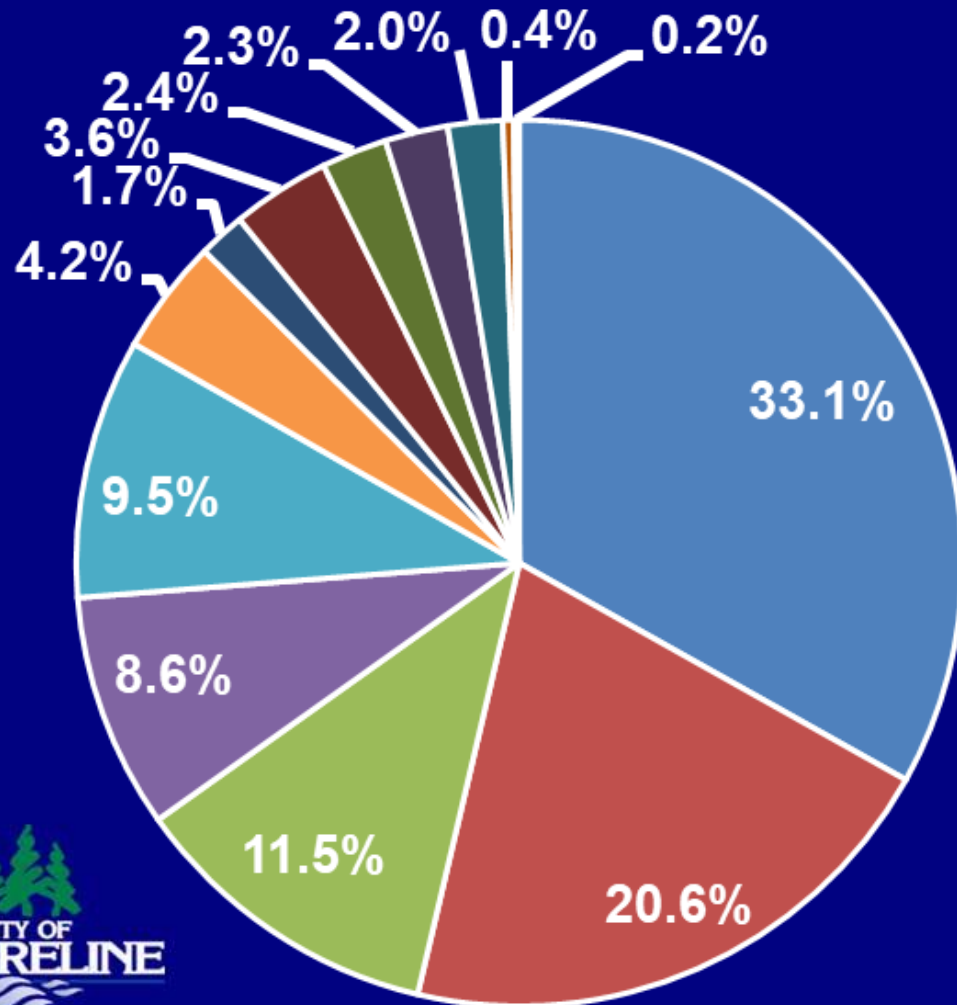
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Revenue Review & Reauthorization of LLL Issue Paper



General Operating Revenue: \$86.052M

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- Property Tax
- Sales Tax
- Franchise Fee / Contract Payment
- Utility Tax
- Other
- Criminal Justice
- Park and Recreation Revenue
- Development Revenue
- Gambling
- Business and Occupation Tax
- State-Shared
- Grant
- Interest Income



10 YFSP Strategies

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- ✓ Development Targets
- ✓ Efficiencies & cost savings to slow expenditure growth
- ✓ Increase Investment Returns
- ✓ Cost Recovery Studies
- ✓ Replace Annual General Fund Contribution to Roads Capital
- ✓ Business & Occupation Tax
- ✓ Levy Lid Lift Renewal



✓ Efficiencies & cost savings to slow expenditure growth

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- Jail Contract with Yakima
- Janitorial Contract – consolidated service providers and reduced service levels for internal services
- “Insourcing” of grounds maintenance & durable road striping programs
- Process Improvements – large & small
 - Contract routing
 - Electronic Plan Review
 - Restitution
 - Mailing
 - Copier replacement
 - New hires
- Pandemic Response



Major Operating Revenues

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- Sales Tax - 20.6% of Operating Revenues
 - Grows with inflation & development
 - Provides both “One Time” and “Ongoing” revenue
 - Voters approved .2% Sales Tax for Sidewalk Rehabilitation to replace General Fund Contribution



Major Operating Revenues

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- Utility Taxes (+Franchise) – 20.1% of Operating Revenues
 - Tax on the business but pass through to the consumer
 - Consistent @ 6% except where legally restricted
- Growth Impacted by Consumption and Development

Major Operating Revenues

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- Fees – 6% Operating Revenues
 - Permitting
 - Recreation
- Cost Recovery reviews to ensure cost recovery goals are met

Major Operating Revenues

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- Property Taxes – 33.1%
 - Limited to 1% growth without a LLL
 - Inflation generally
- Area of Focus for FSAC

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Reauthorization of the City's Levy Lid Lift

March 4, 2022



Overview

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- 2008 Voters Approved Initiative 747
 - limited the property tax levy increase to IPD or 1%
 - Exception is through a voter approved Levy Lid Lift (LLL)
 - Limited to maximum six-year term
- City Council sought voter approval for a LLL in 2010 and 2016
 - Reset the rate in 2010 and 2016; and
 - Allowed Shoreline's Property Tax to grow by CPI for the next 5 years
- Replacement of the LLL is a key strategy of the 10YFSP
 - Financial Sustainability Advisory Committee-2022 will provide input to the City Manager on the replacement of the 2016 Levy Lid Lift



Review of Model Assumptions

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- CPI current rate in model
- CPI Impacts:
 - Salaries and Some Benefits
 - Some Professional Services
- Property Tax New Construction: 2020-2030 assumes growth based on 10-Year average of total new construction
- Revenue
 - Criminal Justice Tax -0.1% of King County taxable retail sales forecast
 - B&O Tax -Forecast grows by total retail trade sector annual % change
 - Sales Tax:
 - Retail Sector: Based on Puget Sound Economic Forecaster July Forecast
 - Construction & Other Sector: 5-year average of construction sector as % of total Local Sales & Use Tax

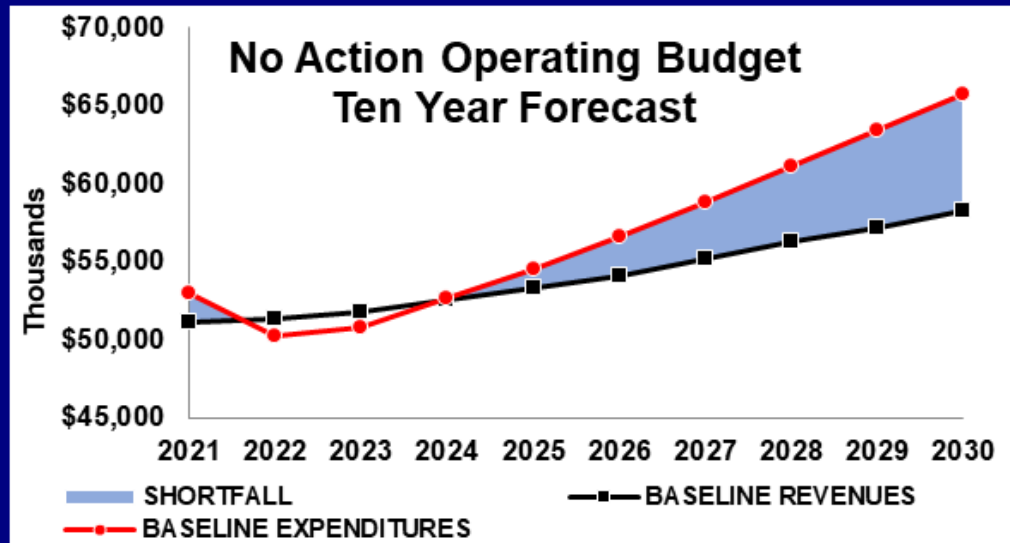
Index	2023	2024	2025	2026	2027	2028
Seattle CPI-U	2.18%	2.22%	2.19%	2.19%	2.25%	2.29%



10YFSM with “No Action”

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- Ten Year Forecast
 - 2024-2028 Cumulative Shortfall: \$12.291M



Estimated impact to the median homeowner if the Levy Lid Lift is not replaced.

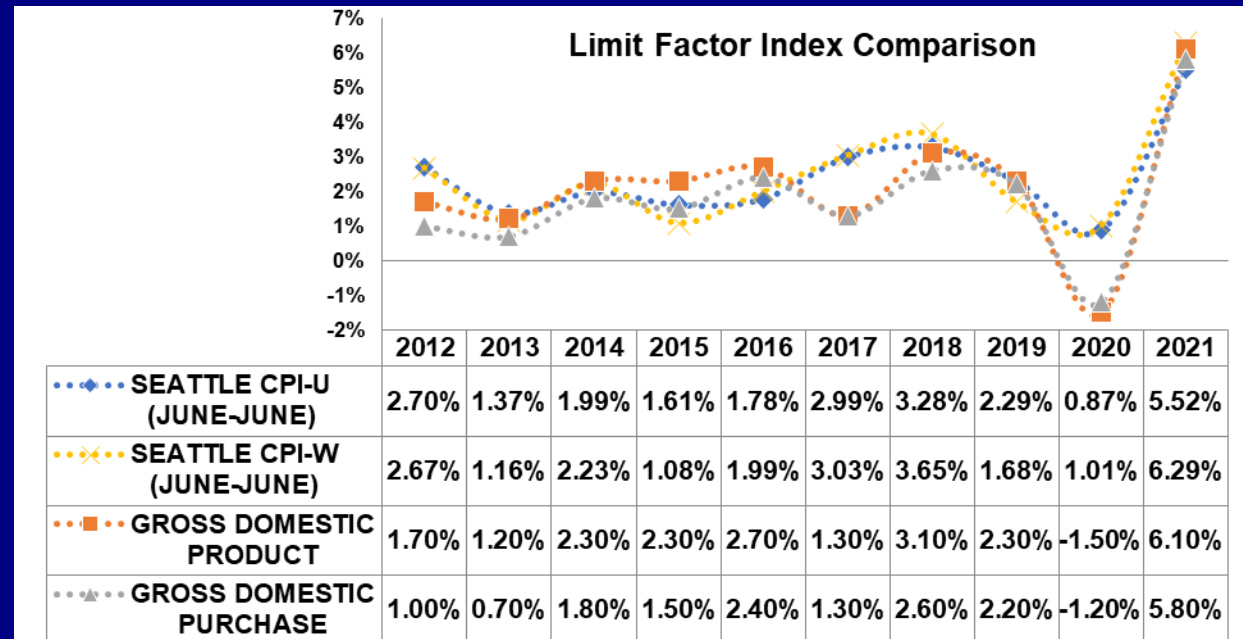
Year	Assessed Value	Per \$1,000 (AV/\$1,000)		Levy Rate		City Assessment
2023	\$540,900	\$541	X	\$1.13	=	\$613
2023	\$750,000	\$750	X	\$1.13	=	\$849
2023	\$1,000,000	\$1,000	X	\$1.13	=	\$1,133



Policy Questions

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- Limit Factor: Use a different index? Or a stated %?
 - Objective to increase property tax levy at rate that matches increase in costs
 - Must be published in time for budgeting and certifying levy to King County



Policy Questions

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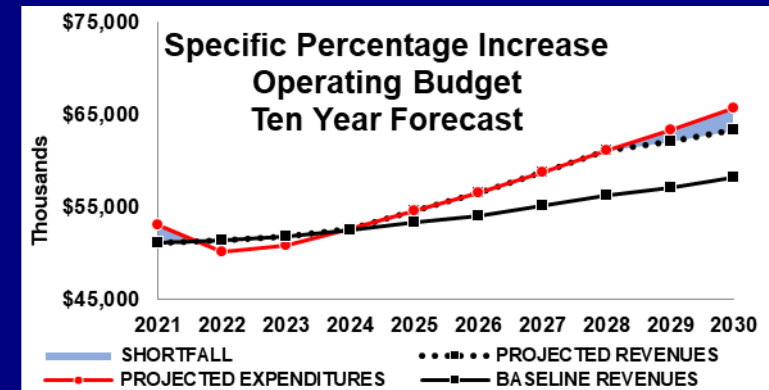
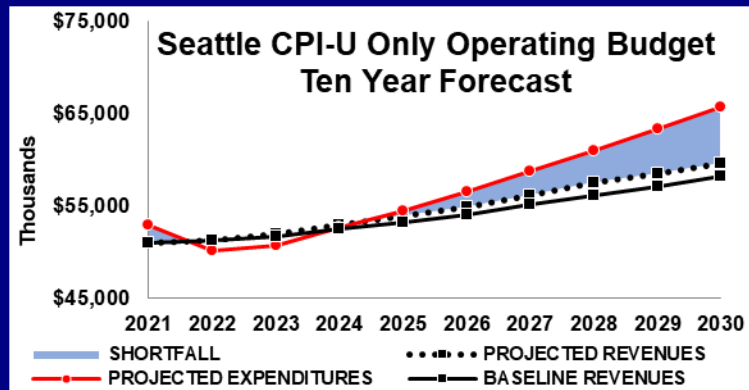
- Initial Rate Reset for 2023
 - Ballot measure must state the limited purposes for which the levy will be used
 - Rate could be reset to balance the current forecast; or
 - Reset at a rate to fund additional services
- Property Tax Exemptions
 - Ballot measure must state the exemption for senior citizens and persons with disabilities



Limit Factor Scenario

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- Seattle CPI-U Is published in July
 - Pro: Published in July during middle of budget process
 - Con: Varies every year
- Balanced Budget
 - Pro: Provides transparency to the voters of expected increases
 - Con: Is only as accurate as the forecast



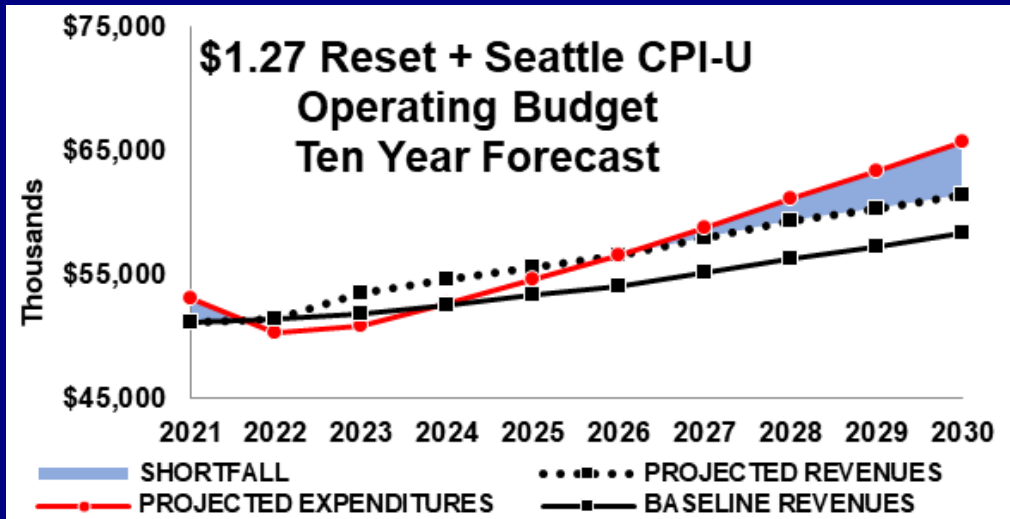
Index	2023	2024	2025	2026	2027	2028
Seattle CPI-U	2.18%	2.22%	2.19%	2.19%	2.25%	2.29%

Index	2023	2024	2025	2026	2027	2028
Balanced Budget	1.00%	1.69%	8.22%	8.15%	6.70%	6.89%

Rate Reset Scenario

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- \$1.27 Rate Reset + Future CPI Adjustments
 - 2023-2028 Net Surplus: \$2.999M



Estimated impact to the median homeowner if the Levy Rate is reset to \$1.27/\$1,000 AV in 2023 and 2024-2028 the Levy Lid Lift allows the levy to increase by CPI-U.

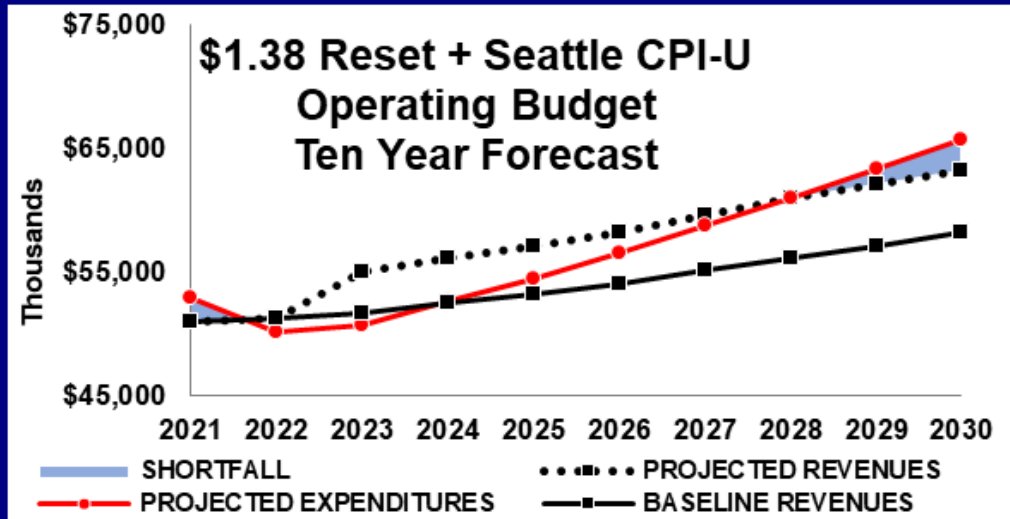
Year	Assessed Value	Per \$1,000 (AV/\$1,000)		Levy Rate		City Assessment	Difference to No Action (1% Limit)	Monthly
2023	\$540,900	\$541	X	\$1.27	=	\$687	\$74	\$6
2023	\$750,000	\$750	X	\$1.27	=	\$953	\$103	\$9
2023	\$1,000,000	\$1,000	X	\$1.27	=	\$1,270	\$137	\$11



Rate Reset Scenario

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- \$1.38 Rate Reset + Future CPI Adjustments
 - 2023-2028 Net Surplus: \$12.918M



Estimated impact to the median homeowner if the Levy Rate is reset to \$1.38/\$1,000 AV in 2023 and 2024-2028 the Levy Lid Lift allows the levy to increase by CPI-U.

Year	Assessed Value	Per \$1,000 (AV/\$1,000)	Levy Rate	City Assessment	Difference to No Action (1% Limit)	Monthly
2023	\$540,900	\$541	X \$1.38 =	\$748	\$136	\$11
2023	\$750,000	\$750	X \$1.38 =	\$1,038	\$188	\$16
2023	\$1,000,000	\$1,000	X \$1.38 =	\$1,384	\$251	\$21



Rate Reset

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- Reset Rate to Fund additional Services
 - Staff have estimated the cost and timing to address emerging issues identified by staff:
 - Emerging Issues to maintain level of service
 - Emerging Issues to enhance level of service

Maintain Level of Service Scenario

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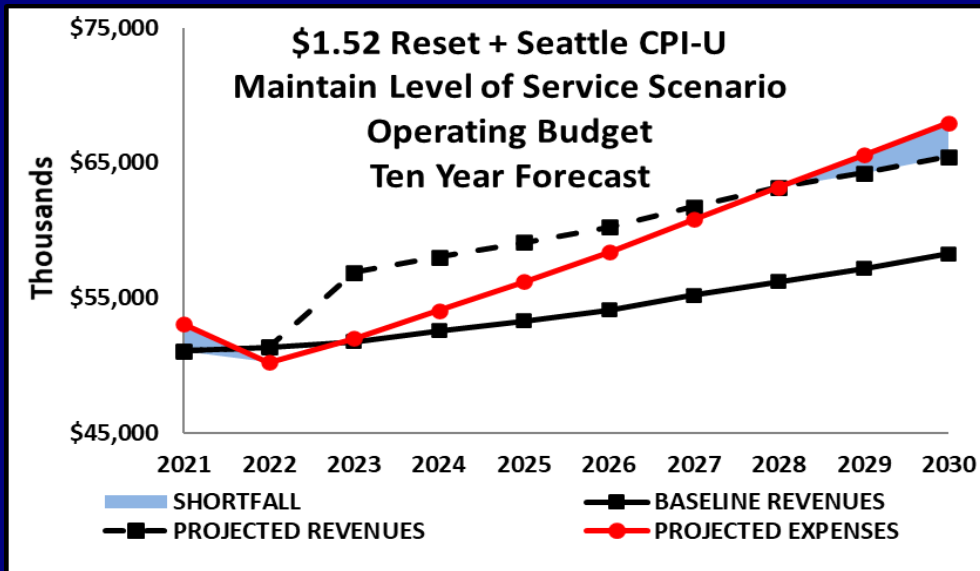
- **Maintain Program Support Service Levels**
 - IT -Maintaining our technology infrastructure and application portfolio is critical to support operations (4.75 FTE).
 - HR - The workload in these areas has expanded as the City takes on more projects, number of city staff and functions (1.0 FTE).
 - Finance -The workload in these areas has expanded as the City takes on more projects, number of city staff and functions (1.0 FTE).
 - Legal Services –Increase in project load will need new staff in 2025 & 2026 (1.5 FTE).
- **Maintain Program Service Levels**
 - Code Enforcement - With increased development, current staffing is unable to keep up with Code Enforcement demands (1.0 FTE).
 - Recreation Programs –Additional staff needed for growth in programming (1.4 FTE).
 - Park Maintenance –Additional park purchases means additional staff needed for maintenance -2027 (1.5 FTE)



Rate Reset Scenario

Zoom Video
is shown here

- \$1.52 Rate Reset + Future CPI Adjustments
- Maintain Service Level
 - 2023-2028 Net Surplus: \$14.520M



Estimated impact to the median homeowner if the Levy Lid Lift is reset @ 1.52 in 2023- This level accounts for maintaining level of service impacts

Year	Assessed Value	Per \$1,000 (AV/\$1,000)	Levy Rate	City Assessment	Difference to No Action (1% Limit)	Monthly
2023	\$540,900	\$541	X 1.52 =	\$822	\$209	\$17
2023	\$750,000	\$750	X 1.52 =	\$1,140	\$290	\$24
2023	\$1,000,000	\$1,000	X 1.52 =	\$1,519	\$387	\$32



Council Goal: Human Services Expansion

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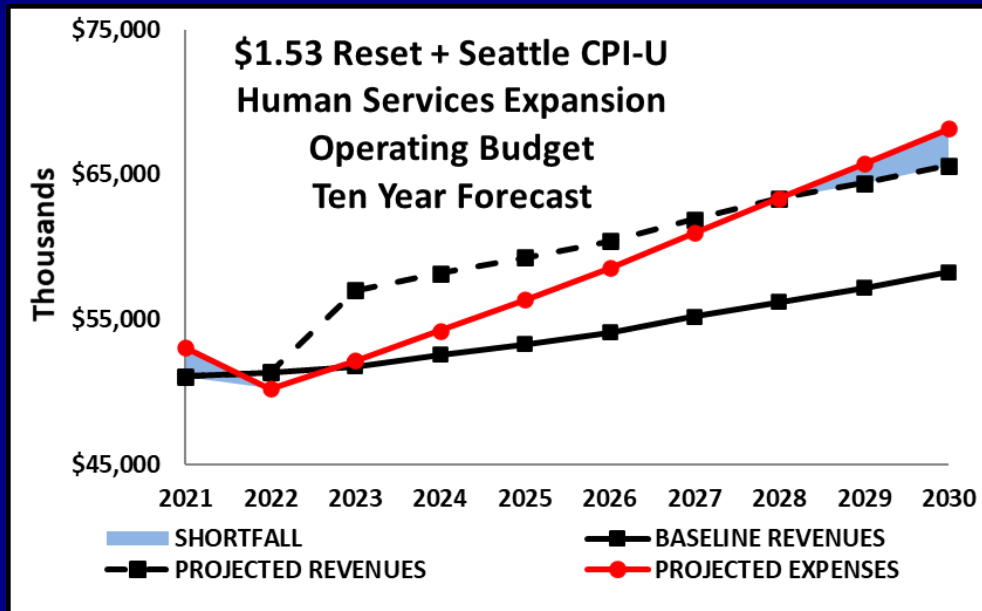
- Add a Housing and Human Services Program Manager
 - Assist with overseeing the services provided by Community Services which includes housing, equity and social justice, neighborhoods, environmental services, and emergency management
 - Manage the contracts and to provide support to the community partners.
 - Help with successfully implementing all of our human services programs.



Rate Reset Scenario

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- \$1.53 Rate Reset + Future CPI Adjustments
- Council Goal: Human Services Expansion
 - 2023-2028 Net Surplus: \$14.534M



Estimated impact to the median homeowner if the Levy Lid Lift is reset @ 1.53 in 2023- This level accounts for Council Goal: Human Services Expansion impacts

Year	Assessed Value	Per \$1,000 (AV/\$1,000)		Levy Rate		City Assessment	Difference to No Action (1% Limit)	Monthly
2023	\$540,900	\$541	X	\$1.53	=	\$828	\$215	\$18
2023	\$750,000	\$750	X	\$1.53	=	\$1,148	\$298	\$25
2023	\$1,000,000	\$1,000	X	\$1.53	=	\$1,530	\$398	\$33



Council Goal: Alternative Policing-Expansion

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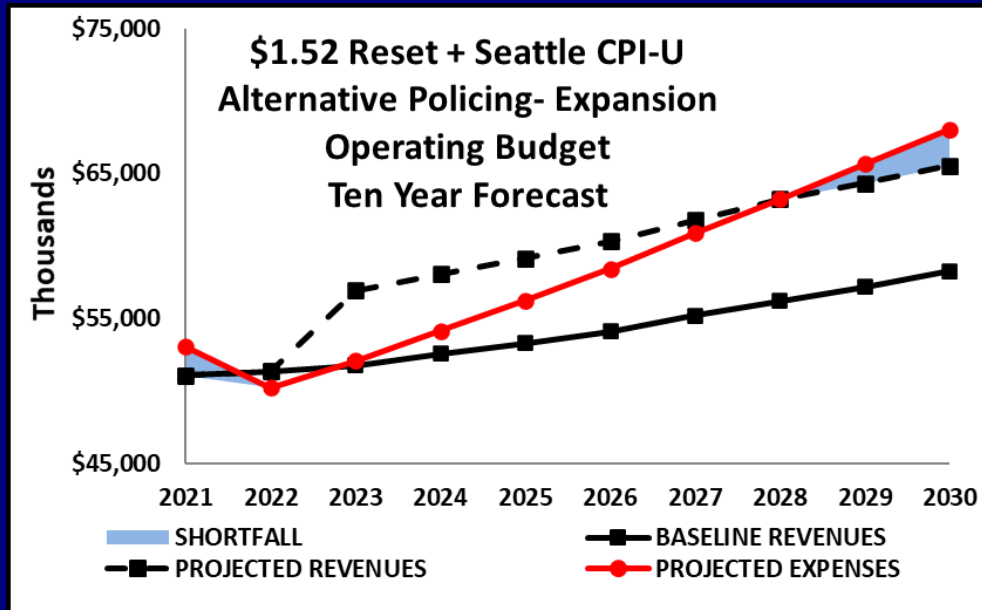
- RADAR (Response Awareness, De-escalation and Referral) Program
 - Expand the RADAR program to have co-response/alternative response available seven days per week between during the most used hours of 10:00 a.m. – 8:00 p.m. (currently 1-2 days per week for 4-6 hours per week)
 - Significantly supported by reallocation of police FTE savings from School Resource Officer position no longer desired by Shoreline School District



Rate Reset Scenario

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- \$1.52 Rate Reset + Future CPI Adjustments
- Council Goal: Alternative Policing- Expansion
 - 2023-2028 Net Surplus: \$14.513M



Estimated impact to the median homeowner if the Levy Lid Lift is reset @ 1.52 in 2023- This level accounts for Council Goal: Alternative Policing- Expansion impacts

Year	Assessed Value	Per \$1,000 (AV/\$1,000)		Levy Rate		City Assessment	Difference to No Action (1% Limit)	Monthly
2023	\$540,900	\$541	X	\$1.52	=	\$824	\$212	\$18
2023	\$750,000	\$750	X	\$1.52	=	\$1,143	\$293	\$24
2023	\$1,000,000	\$1,000	X	\$1.52	=	\$1,524	\$391	\$33



Council Goal: Urban Forestry Expansion

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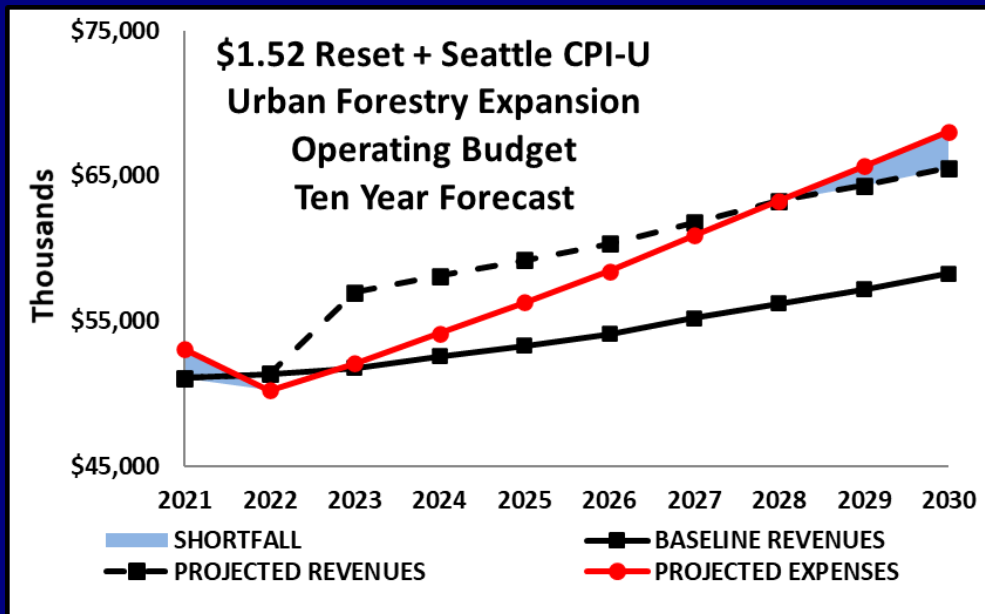
- GIS Technician/Certified Arborist 0.5 FTE Increase
 - Additional resources will expand our ability to:
 - Implement the Council adopted Urban Forest Strategic Plan through expansion of the City's Tree Inventory & Canopy
 - Completion of the Urban Forestry Strategic Plan
 - Review of the expansion of watershed riparian restoration efforts and expand our volunteer outreach to increase the City's ability to manage our urban forest.



Rate Reset Scenario

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- \$1.52 Rate Reset + Future CPI Adjustments
- Council Goal: Urban Forestry Expansion
 - 2023-2028 Net Surplus: \$14.526M



Estimated impact to the median homeowner if the Levy Lid Lift is reset @ 1.52 in 2023- This level accounts for Council Goal: Urban Forestry Expansion impacts

Year	Assessed Value	Per \$1,000 (AV/\$1,000)	Levy Rate	City Assessment	Difference to No Action (1% Limit)	Monthly
2023	\$540,900	\$541	X \$1.52 =	\$825	\$212	\$18
2023	\$750,000	\$750	X \$1.52 =	\$1,143	\$294	\$25
2023	\$1,000,000	\$1,000	X \$1.52 =	\$1,525	\$392	\$33



Enhance Recreation Programs

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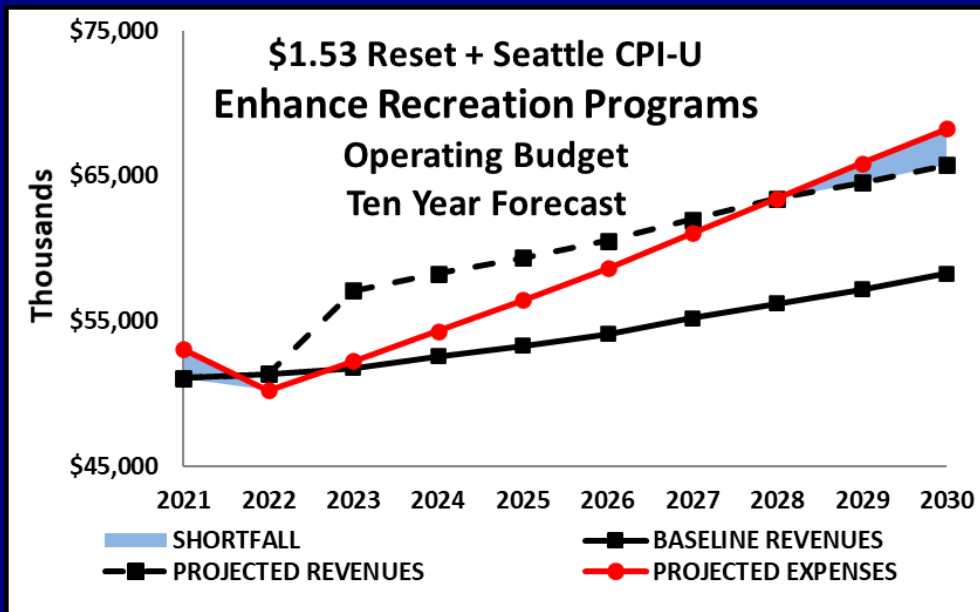
- Increase in Recreational Staff 2.0 FTE
 - Additional resources will be needed continue serving growing areas of programming including:
 - Active Adult Programs
 - Community Gardens
 - Youth Camps
 - Specialized Recreation



Rate Reset Scenario

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- \$1.53 Rate Reset + Future CPI Adjustments
- Enhance Recreation Programs
 - 2023-2028 Net Surplus: \$14.539M



Estimated impact to the median homeowner if the Levy Lid Lift is reset @ 1.53 in 2023- This level accounts for Enhance Recreation Programs impacts

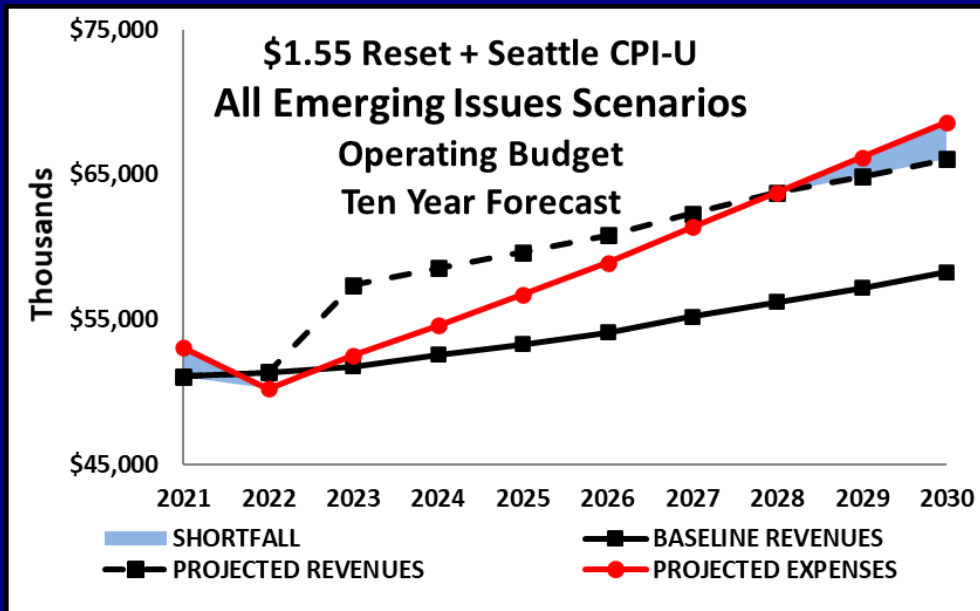
Year	Assessed Value	Per \$1,000 (AV/\$1,000)		Levy Rate		City Assessment	Difference to No Action (1% Limit)	Monthly
2023	\$540,900	\$541	X	\$1.53	=	\$827	\$215	\$18
2023	\$750,000	\$750	X	\$1.53	=	\$1,147	\$298	\$25
2023	\$1,000,000	\$1,000	X	\$1.53	=	\$1,530	\$397	\$33



Rate Reset Scenario

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- \$1.55 Rate Reset + Future CPI Adjustments
- All Emerging Issues Scenarios
 - 2023-2028 Net Surplus: \$14.551M



Estimated impact to the median homeowner if the Levy Lid Lift is reset @ 1.56 in 2023 - This level accounts for all of the emerging issues impacts

Year	Assessed Value	Per \$1,000 (AV/\$1,000)	Levy Rate	City Assessment	Difference to No Action (1% Limit)	Monthly
2023	\$540,900	\$541	X \$1.55 =	\$839	\$226	\$19
2023	\$750,000	\$750	X \$1.55 =	\$1,163	\$313	\$26
2023	\$1,000,000	\$1,000	X \$1.55 =	\$1,550	\$418	\$35



Next Steps

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- Answer other Committee Questions
- Discussion and Recommendations
 - Complete survey by Wed, April 27