

2015 BUDGET LEGISLATION FISCAL NOTE

Department:	Contact Person/Phone:	CBO Analyst/Phone:
FAS	Dave Hennes/4-0537	Dave Hennes/4-0537

Legislation Title: AN ORDINANCE relating to the levy of property taxes; fixing the rates and/or amounts of taxes to be levied, and levying the same upon all taxable property, both real and personal, in The City of Seattle, to finance the departments and activities of City government and to provide for the general obligation bond interest and redemption requirements for the year beginning on the first day of January 2015; and ratifying and confirming certain prior acts.

Summary of the Legislation:

This ordinance imposes the City’s property tax for 2015 to pay for City government activities and for general obligation bond interest and redemption.

Background:

RCW 84.55.010 provides that the City may, with a simple majority vote of the Council, levy a property tax increase equal to inflation but not greater than a 1% increase over the prior year’s regular property tax collection. If inflation is lower than 1%, the law requires a majority plus one vote, with a finding of substantial need, to have a tax increase exceed inflation to the maximum of 1%. Inflation is measured by the implicit price deflator for the United States published in September. In most years, the inflation rate will exceed 1%. This year the rate is 1.3%. Thus, the Council does not need to make a finding of substantial need with approval by a majority plus one vote. The Council may not increase regular property taxes above 1% without a vote of the people.

Other than the 1% increase in the regular non-voted current expense property tax levy proposed in the attached Bill, the same 1% increase is applied to the Bridging the Gap Transportation levy lid lift, the Families & Education levy lid lift and the Library levy lid lift per the terms of their respective ordinances. Two lid lifts expired in 2014, the Pike Place Market levy and the Parks levy. The City’s regular levy includes for 2015 collection, the new 4-year, Pre-School For All levy lid lift with a first year levy amount of \$14,566,630. Altogether, these changes result in an overall decrease from 2014 of \$14,315,712, which does not include changes in the excess levy for redemption of general obligation bonds, the “refund fund levy” or additional taxes resulting from new construction, construction of wind turbine facilities classified as personal property, improvements to property, or increases in the value of state-assessed property.

It also does not include levy amounts for the newly approved (August, 2014) creation of a Metropolitan Parks District (MPD). Pursuant to RCW 35.61, the MPD is a legally separate taxing jurisdiction from the City of Seattle, whose property tax levy authority of \$0.75 per

\$1,000 assessed value is outside of the City’s statutory rate limit of \$3.60 per \$1,000 assessed value. The MPD will not levy and collect any tax revenues until the 2016 tax collection year.

Additionally, this ordinance includes a levy of \$18,739,206 for interest on and redemption of voter-approved general obligation bonds for the fiscal year 2015, an approximate \$950,000 increase from the amount levied for collection in 2014. This amount includes payment amounts against the Libraries and Seawall bonds.

Please check one of the following:

This legislation does not have any financial implications.

This legislation has financial implications.

Anticipated Total Revenue from Entire Program, Including Changes Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	Total 2015 Revenue	Total 2016 Revenue
00100 General Subfund	General Fund	Property Tax	230,322,472	236,907,756
10300 Transportation Fund	Transportation	Property Tax	43,786,900	0
16416 Low Income Housing Levy Subfund (2009)	Office of Housing	Property Tax	20,714,286	20,714,286
17857 2011 Education Support Services Subfund	Neighborhoods	Property Tax	33,073,692	33,404,429
18100 Library Levy Fund	Seattle Public Library	Property Tax	17,341,700	17,515,117
17861 Preschool Services Fund	Dept. of Education & Early Learning	Property Tax	14,566,630	14,566,630
20140 Unlimited Tax Levy GO Bonds	FAS	Property Tax	18,739,206	18,723,481
TOTAL			378,544,886	341,831,699

Total Revenue Notes: Due to the levy’s design, the transportation lid lift also receives a portion of new construction revenues, which accounts for the difference between the numbers reflected in the ordinance and fiscal note.

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
 Yes, please see section b) below.
- b) **What is the financial cost of not implementing the legislation?** Without this legislation, no **increase** in property tax revenue, other than that resulting from new construction, improvements to property, construction of wind turbine facilities classified

as personal property, and any increase in the value of state-assessed property, may be authorized. The cost of not implementing this legislation is the 1% increase over the 2014 current expense levy, Transportation levy lid lift, Families and Education levy lid lift and Library levy lid lift, estimated to be \$3.08 million. If not passed, the County Assessor will levy the same amounts (general expense and levy lid lifts) as levied for the 2014 tax collection year plus amounts resulting from new construction, improvements to property, construction of wind turbine facilities classified as personal property, and any increase in the value of state-assessed property.

- c) **Does this legislation affect any departments besides the originating department?**
See b) above and the “Anticipated Revenue” Table above for affected departments.
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?**
Without voter approval, there is no other mechanism to increase property tax revenue.
- e) **Is a public hearing required for this legislation?**
Yes. Public hearings will take place on October 7, 2014 and October 23, 2014.
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?** No
- g) **Does this legislation affect a piece of property?** No
- h) **Other Issues:** None

List attachments to the fiscal note below: