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MEMORANDUM

To: David Ramsay, City Manager

From: Tracey Dunlap, Director of Finance and Administration

Date: June 19, 2008

Subject: Ballot Timing Considerations for Voted Utility Tax Increase

At the June 17 City Council meeting, the Council requested that staff bring back the timing of a potential voted increase in private utility tax. This memo summarizes the information provided regarding this option at the May 29 Study Session, a summary of how this tool is currently reflected in the budget strategy discussed on June 5, and the pros and cons of an election in 2008 versus 2009.

Getting a Measure on the Ballot

A voted private utility tax increase in Kirkland would require a simple majority vote or 50% + 1. To place a measure on the ballot the following timelines apply:

- A resolution calling for a special election on a date other than the primary or general election must be presented to the county auditor at least fifty-two days prior to the election date.
- A resolution calling for a special election on a primary or general election date must be presented to the county auditor at least eighty-four days prior to the election date.

To place a measure on the November 4, 2008 general election ballot, a resolution calling for a special election, the ballot title and a summary of the measure as it will appear on the ballot must be submitted to the county auditor by August 12, 2008. The first special election in 2009 is February 3, which would require the information to be submitted by December 13, 2008.

Other than for the primary and general election, the King County local voters' pamphlet is not automatically produced. To have a ballot measure included in the voters' pamphlet, it must be specifically requested by the City Council through an ordinance or resolution. For elections that are not the primary or general the City must fully pay for the voters' pamphlet. The City is responsible for preparing the explanatory statement and appointing committees to draft the arguments for and against.

The key dates for these elections are summarized in Attachment A. For the general election on November 4, 2008, the public hearing and resolution would need to take place no later than the August 5 City Council meeting and the statements for and against would need to be completed within two weeks thereafter. For the February 3, 2009 special election, the public hearing and resolution would need to be completed by the first meeting in December. If other special election dates in 2009 are considered (March 10, April 28, May 19, or the primary August 18) the due dates would move accordingly.

Voted Measure Observations

Reviewing the requirements of the election process and the experiences of other jurisdictions produced a number of observations that included:

- It would be difficult, but not impossible, to pursue a ballot measure in November 2008. However, it may not be possible to mobilize active "pro" groups, which appear to be one key factor in successful voted measures.
- The voted utility tax and levy lid lift measures that were approved by other jurisdictions were for increases in service levels rather than restoration of service reductions.
- The voted utility tax option has fewer limitations than the levy lid lift, both in terms of the timing of the revenue received and the growth in revenues over time.
- One option to consider is to close the existing budget gap without use of the voted option, and save that option for potential future increases in service levels.

Utility Taxes on Private Utilities

The City of Kirkland currently has a 6% tax on private utilities which include: electric, gas, telephone, and cable[1] utilities. For the City to increase the tax rate above the current 6%, voter approval would be required. If the City put a measure on the ballot and voters approved the ballot measure, the rate change for the tax on private utilities would not take effect until at least sixty days following the enactment of an ordinance establishing the tax. Each 1% increase in the private utility tax would generate $1.2 million for the City of Kirkland. Attachment B is the Budget Strategy sheet the reflects placing a private utility tax increase of 1.5% on the ballot in 2009.

Pros and Cons for Election Date

As discussed at the June 5 Budget Study Session, the following is a summary of some of the pros and cons associated with the 2008 versus 2009 election options:

General Election in 2008:

Pros

- Expect very good demographics and high turnout in this general election, which may represent a supportive electorate.
- If we placed the issue on the ballot in 2008 and were not successful, we would have a second opportunity to try again in 2009 with a modified approach.
- A successful measure in 2008 would make additional revenues available in 2009 to deal with the budget gap.

Cons

- There will be very little time to conduct a public process to educate the electorate on the issue, which could adversely impact the success of the measure. In addition, current economic conditions, which include rising gas and food prices and a weak housing market, are creating angst in the community that may impact support for a voted tax increase.
- The time available to draft the ballot title and appoint the groups to draft the statements for and against will be very short.

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[1] Increasing the tax on cable does not require a vote but is subject to other rules that will be explored in more detail if this option is chosen.

- There are a number of competing tax-related ballot measures under consideration by other jurisdictions on the general election ballot.

Special Election in 2009:

Pros

- More time for public education and community involvement,
- Higher likelihood that an active "pro" campaign in support of the measure will mobilize.
- A single issue election may have more chance of success, since it is not competing with the needs of other jurisdictions.

Cons

- The City would bear the full cost of a special election (estimated cost range $80,000 to $100,000 if it is the only thing on the ballot), although we could choose to put the measure on the general election ballot and forego any revenue in 2009.
- The City would begin receiving revenues later than under a 2008 election.

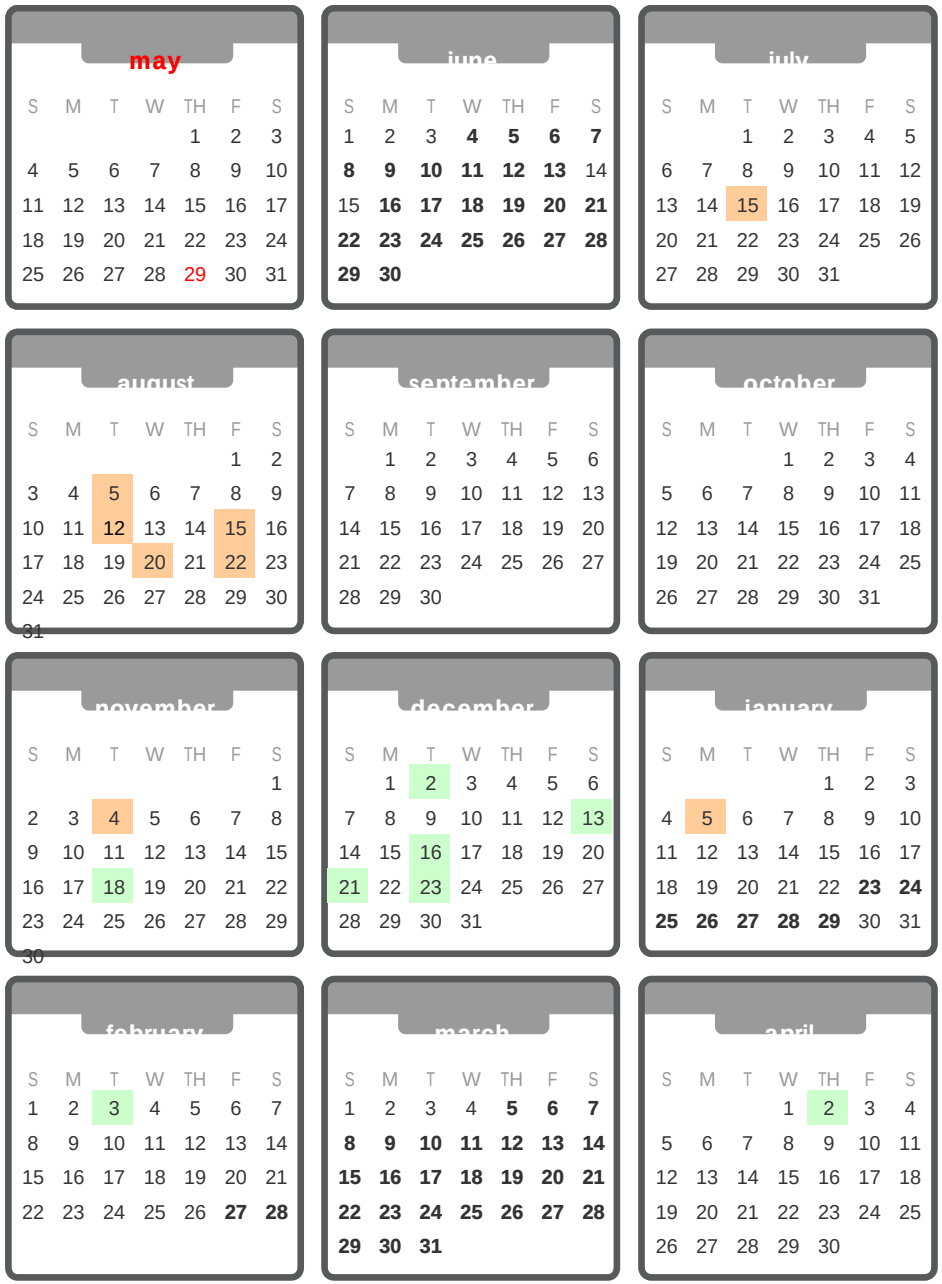
Staff will be available to provide additional information at the July 1 City Council meeting.

BALLOT SCHEDULE PLANNER

2008-2009

GENERAL ELECTION NOVEMBER 4, 2008	DEADLINE
Last day to hold public hearing on proposed resolution (2)	07.15.08
Last day to approve resolution/ordinance	08.05.08
General election ordinance/resolution filed	08.12.08
Submit ballot title and a summary of the measure as it will appear on the ballot	08.12.08
Explanatory statement reviewed and approved by City Attorney describing effects of the measure if passed	08.15.08
Names of the persons selected to serve on the pro and con committees	08.15.08
Arguments for and against the measure written by the committees	08.20.08
Arguments prepared by the pro and con committees available to the opposing committee for rebuttal	08.22.08
Election Date	11.04.08
Begin receiving revenue from utility tax increase (1)	02.05.09
Begin receiving revenue from property tax levy lid lift	MAY 2009

SPECIAL ELECTION FEBRUARY 3, 2009	DEADLINE
Last day to hold public hearing on proposed resolution (3)	11.18.08
Last day to approve resolution/ordinance	12.02.08
Special election ordinance/resolution filed	12.13.08
Submit ballot title & summary of the measure as it will appear on the ballot	12.13.08
Explanatory statement reviewed and approved by City Attorney describing effects of the measure if passed	12.16.08
Names of the persons selected to serve on the pro and con committees	12.16.08
Arguments for and against the measure written by the committees	12.21.08
Arguments prepared by the pro and con committees available to the opposing committee for rebuttal	12.23.08
Election Date	02.03.09
Begin receiving revenue from utility tax increase (1)	05.02.09
Begin receiving revenue from property tax levy lid lift	MAY 2010



1) Receipt of funding from utility Tax increase accounts for a one month lag in revenue.
2) Assuming hearing is held at Council meeting. Could hold hearing up to the day the resolution is passed
3) Could be held in coordination with scheduled proposed revenue sources hearing

Attachment B

2009-10 Budget Strategy
6/5/2008

	2009	2010	2009-10
Forecasted Ongoing Deficit (as of 6/5/08)[1]	(2,954)	(4,432)	(7,386)
Basic Budget Items			
Fleet Replacement Charge Reduction	240	220	460
Telecom Utility Tax Revenue Increase	500	500	1,000
	(2,214)	(3,712)	(5,926)
Strategy			
Expenditure Reductions			
0% Growth in Non-Labor Costs	250	250	500
Service Level/Expenditure Cuts	450	450	900
Revenue Increases			
Property Tax Banked Capacity	145	146	291
City Utility Tax Increase (3%)	690	700	1,390
Business Head Tax	700	700	1,400
Voted Private Utility Tax Inc. (1.5%)[2]	-	1,800	1,800
Reserves	-	-	-
Ongoing (Deficit)/Surplus	**21**	**334**	**355**
One-time Funded Positions/Programs[3]	(3,415)	(3,009)	(6,424)
Reallocated from CIP	282	282	564
One-time Resources	350	350	700
Reserves	500	500	1,000
Service Level/Expenditure Cuts	2,283	1,877	4,160
One-time (Deficit)/Surplus	**-**	**-**	**-**
Total (Deficit)/Surplus	**21**	**334**	**355**

Summary	2009	2010	2009-10
Total Deficit	**(6,369)**	**(7,441)**	**(13,810)**
Revenue Increases	2,035	3,846	5,881
Service Level/Expenditure Cuts	2,983	2,577	5,560
Policy Changes/Reserves/One-time Resources	1,372	1,352	2,724
Net (Deficit)/Surplus	**21**	**334**	**355**

NOTES	2009	2010	2009-10
Sales Tax Risk	(1,382)	(2,019)	(3,401)

Assumptions:

6.8% decrease in 2008 over 2007 actuals (vs. 0%), 0% growth for 2009 (vs. 2%), and 2% growth for 2010 (vs. 6%)

[1] Forecasted deficit includes estimate for ongoing NORCOM costs and additional ongoing funding for firefighter overtime.

[2] If the ballot measure failed, address the $1.8 million shortfall half from reserves and half from additional service level/expenditure cuts.

[3] Includes NORCOM one-time costs.