

Parks Funding Exploratory Committee Funding Options

January 10, 2012
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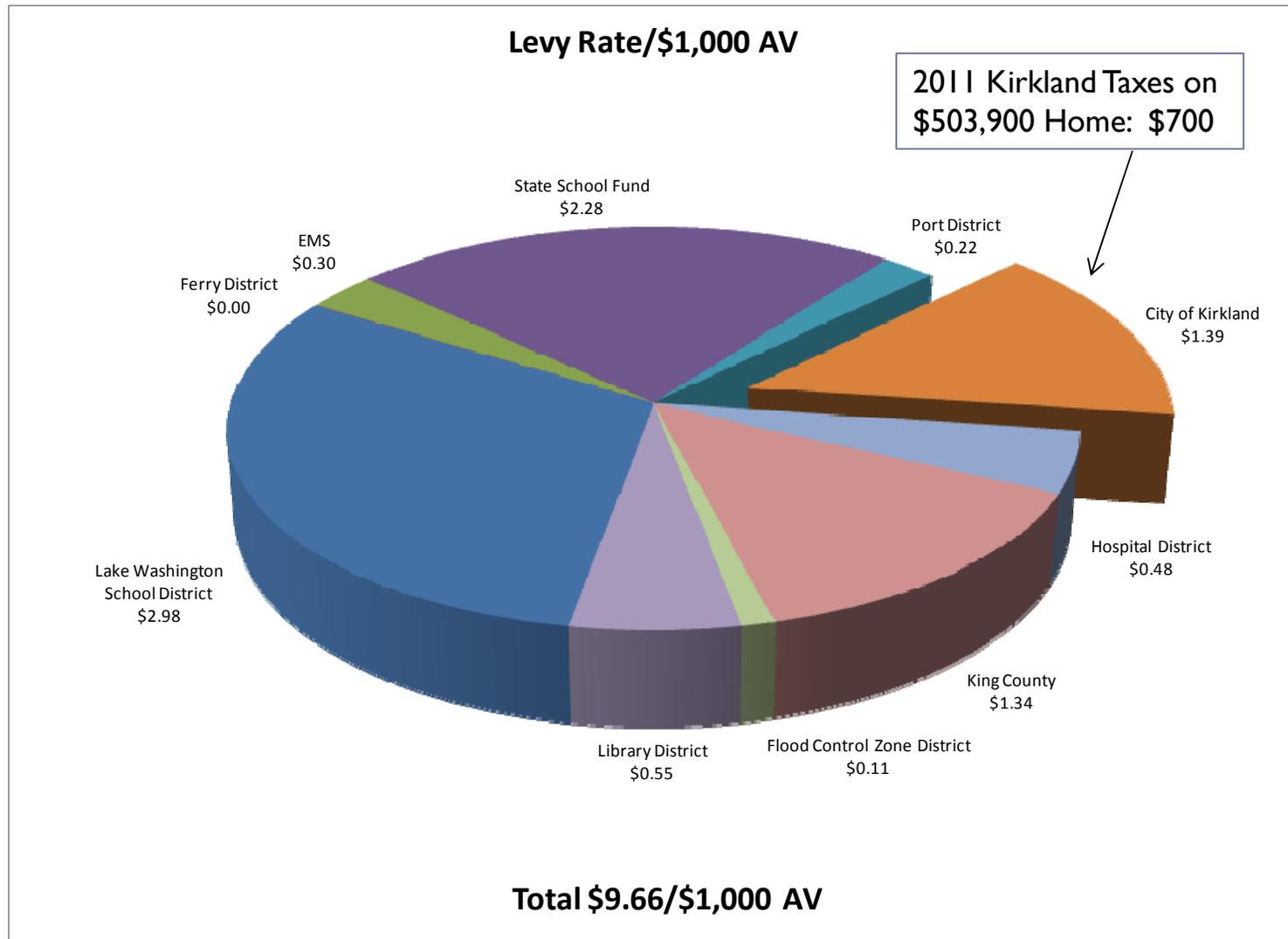
Agenda

- ▶ Overview of Property Taxes
- ▶ Property Tax Funding Options
 - ▶ “Original Flavor” Levy Lid Lift
 - ▶ Multiyear Levy Lid Lift
 - ▶ Excess Levy
 - ▶ Metropolitan Park District (MPD)
- ▶ Applicability to Parks Needs
- ▶ Potential Impacts on Average Household

Overview of Property Taxes

- ▶ Annual tax levied on real and personal property
- ▶ How it works:
 - ▶ County Assessor establishes the assessed value (AV) of real and personal property at fair market value annually
 - ▶ Taxing districts set annual levy to be collected (in dollars)
 - ▶ Rate is result of dividing the levy by $AV/\$1,000$
 - ▶ County collects property taxes and distributes to City and other taxing districts

2011 Property Tax Distribution



Types of Property Tax Levies

▶ Regular Levy:

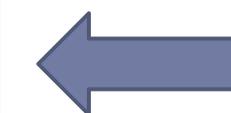
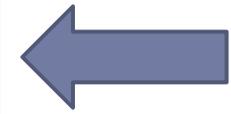
- ▶ Ongoing resource for annual operating and maintenance costs (and any other general government costs, including debt service)
- ▶ Annual increase limited to new construction and optional increase (lesser of 1% or the implicit price deflator)
- ▶ Subject to statutory maximum of \$3.10 per \$1,000 AV
- ▶ Voter approval required for increases above annual limit – **Levy Lid Lift**

▶ Excess Levy:

- ▶ Funds voter-approved debt payments for capital projects and expires when debt is repaid
- ▶ Based on annual debt service payments and in place for the life of the bonds

Components of 2011 Kirkland Rate

REGULAR LEVY		
Operating Fund	Levy	Rate per \$1,000 AV
General Fund and Street Operating	\$13,121,800	\$1.22520
Parks Maintenance Fund (approved Nov. 2002)	\$840,687	\$0.07850
Total 2011 Regular Levy	\$13,962,487	\$1.30370
EXCESS LEVY		
Unlimited General Obligation Bond Issue	Levy	Rate per \$1,000 AV
1995 Unlimited G.O. (Public Safety)	\$87,528	\$0.00817
2001 Unlimited G.O. Refunding (Public Safety)	\$186,253	\$0.01739
2003 Unlimited G.O. (Parks)	\$640,205	\$0.05978
Total 2011 Excess Levy	\$913,986	\$0.08534
TOTAL LEVY		
	Levy	Rate per \$1,000 AV
Total 2011 Levy	\$14,876,473	\$1.38904



Property Tax Funding Options

- ▶ **“Original Flavor” Levy Lid Lift**
 - ▶ Can be for any purpose
 - ▶ Can be for any amount of time or permanent
 - ▶ Unless proceeds used for debt service on bonds, which has maximum period of nine years
 - ▶ Initial “lift” occurs in first year, with annual increases in subsequent years limited to 1%
 - ▶ Simple majority vote on any election date
 - ▶ Example: November 2002 Parks Maintenance Levy

Property Tax Funding Options

▶ Multiyear Levy Lid Lift

- ▶ Purpose must be stated in ballot measure title
 - ▶ If used for debt service on bonds, maximum period of nine years applies
- ▶ New funds raised cannot supplant existing funds
- ▶ Lid can increase each year for up to six years
 - ▶ After first year, lift can increase by a percentage specified for each year
 - ▶ If final year is designated as the base amount after six years on ballot , increase is limited to 1% thereafter
- ▶ Simple majority vote at primary or general election

Property Tax Funding Options

- ▶ **Excess Levy**
 - ▶ For capital purposes only
 - ▶ Term is determined by the life of the proposed bonds
 - ▶ Requires a supermajority (60% approval)
 - ▶ Plus minimum 40% turnout based on last general election (validation)
 - ▶ Election can occur on any election date
 - ▶ Example: 2003 Park Bond (ends in 2022)

Property Tax Funding Options

- ▶ **Metropolitan Parks District (MPD)**
 - ▶ Separate taxing authority formed by:
 - ▶ Simple majority vote or
 - ▶ Petition signed by 15% of registered voters in proposed area
 - ▶ Governing body can be:
 - ▶ Five elected commissioners or
 - ▶ Governing body if contained within city
 - ▶ Maximum tax rate is \$0.75 per \$1,000 AV (up to \$11 million annually)
 - ▶ Subject to 1% levy increase limit
 - ▶ Junior taxing district, which can be limited to less than maximum if statutory limits are reached by senior districts
 - ▶ Can issue non-voted or voted debt (subject to supermajority) within set limits

Applicability to Parks Needs

Tool	Vote Required	Could be used for:		Comments
		O&M	Capital	
"Original Flavor" Levy Lid Lift	50% + 1	X	X (max 9 yr debt)	After year 1, increases limited to 1%
Multi Year Levy Lid Lift	50% + 1	X	X (max 9 yr debt)	Subject to non-supplanting Can increase by more than 1% for up to 6 years
Excess Levy	60% with validation		X	Can only be used for capital
MPD	50% + 1 or Petition to form	X	X*	*subject to 60% w/validation Overlapping junior taxing district

Potential Impacts on Average Homeowner

- ▶ Estimated average assessed valuation of single family home (2011 value reduced by 4.1% AV decline): \$483,000
- ▶ 2012 total levy rate: \$1.456 per \$1,000 AV (regular levy of \$1.367 plus excess levy of \$0.089)
- ▶ Current total property tax bill paid to Kirkland for \$483,000 household is about \$704 per year
- ▶ For simplicity, examples are based on \$480,000 average household

Potential Impacts on Average Homeowner

- ▶ 2012 regular levy rate: \$1.367 per \$1,000 AV
- ▶ Each 1% increase to regular levy:
 - ▶ Equates to \$0.01367 per \$1,000 AV
 - ▶ Generates \$200,000 in additional annual revenue which can support:
 - ▶ 2-3 staff positions or
 - ▶ \$1.6 million in debt (9 years at 2.0%) or
 - ▶ \$2.9 million in debt (20 years at 3.25%) – *if excess levy*
 - ▶ Impact on \$480,000 household: \$6.56 per year

Operations and Maintenance Example

OO Denny Park Maintenance	
Ongoing Operating Cost	\$125,000
Multi-year Levy Lid Lift (0.63%)	\$.0085 per \$1,000 AV
Annual Cost for a \$480,000 Home	\$4.10

Notes:

- Would need to evaluate supplanting issue



Capital Only - “Preserve”

Waverly Beach Park Renovation	
Capital Cost	\$745,000
Multi-year Levy Lid Lift (3.73%)	\$.0509 per \$1,000 AV
Annual Cost for a \$480,000 Home	\$24.45

Notes:

- Assumes cost is covered by levy funds versus debt



Capital Only - “Enhance”

Peter Kirk Park Field Synthetic Turf	Option I – Lid Lift
Capital Cost	\$1,500,000
Multi-year Levy Lid Lift (0.94%)	\$.0128 per \$1,000 AV
Annual Cost for a \$480,000 Home	\$6.15

Notes:

- Assumes 9-year bond funded by multi-year levy lid lift at 2.0%
- Annual debt service of \$187,500



Capital Only - “Enhance”

Peter Kirk Park Field Synthetic Turf	Option 2 – Excess Levy
Capital Cost	\$1,500,000
Excess Levy	\$.0071 per \$1,000 AV
Annual Cost for a \$480,000 Home	\$3.40

Notes:

- Assumes 20-year bond funded by excess levy at 3.25%
- Annual debt service of \$103,500



Combined Capital & Operating - “Expand”

		New Neighborhood Park	
Capital	}	Capital Cost	\$2,500,000
		Excess Levy	\$.0118 per \$1,000 AV
		Annual Cost for a \$480,000 Home	\$5.66
Operating	}	Ongoing Operating Costs (annual)	\$50,000
		Levy Lid Lift (0.25%)	\$.0034 per \$1,000 AV
		Annual Cost for a \$480,000 Home	\$1.64
		TOTAL ANNUAL IMPACT	\$7.30

Notes:

- Assumes 20-year capital bond funded by excess levy
- Annual debt service of \$172,500
- Similar structure to 2002 Election Process (\$8.4 million 20-year bond funded with excess levy plus \$0.10/\$1,000 AV maintenance levy)



Rules of Thumb for Evaluating Projects

Each \$10 per year for a \$480,000 household supports:

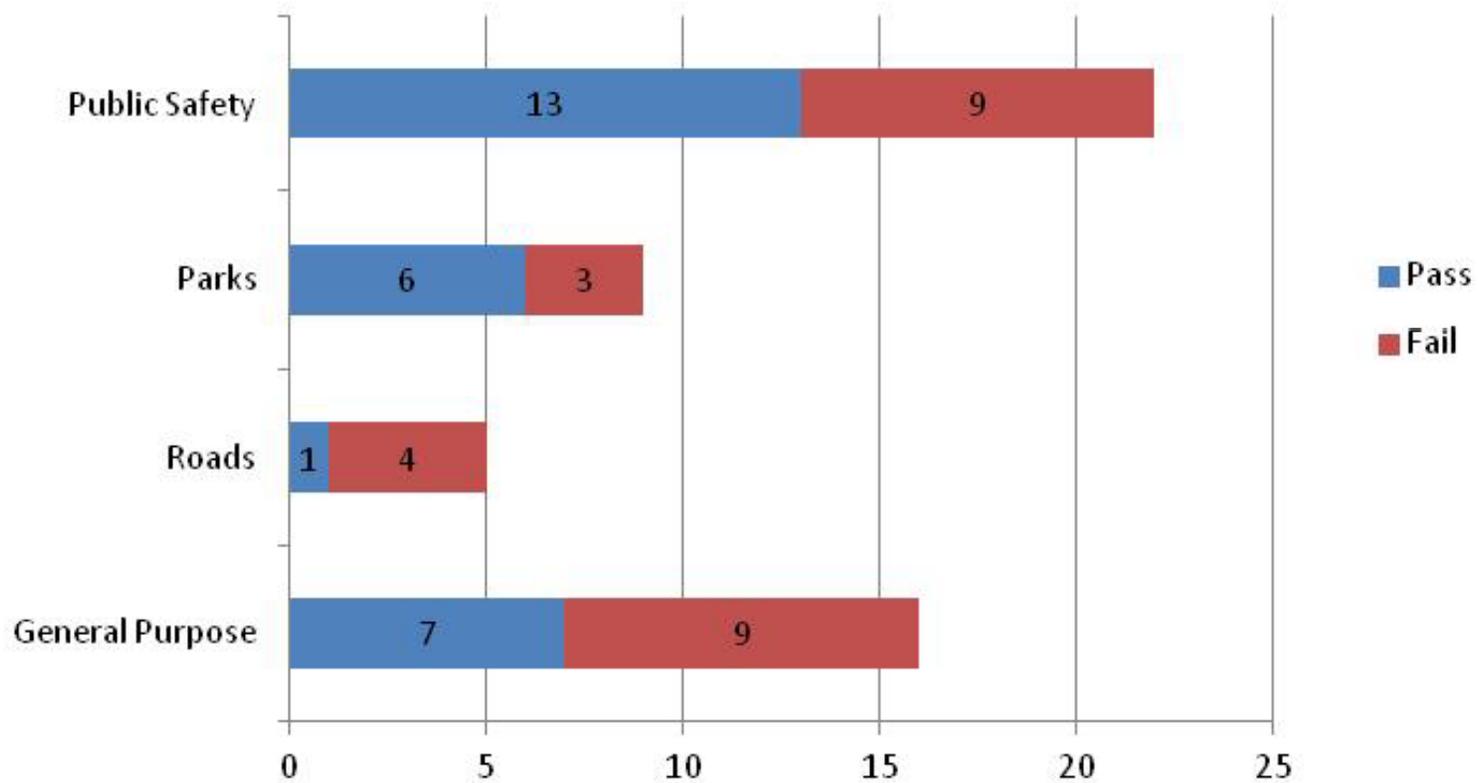
Annual Funding for O&M or Pay-as-you-go Capital		\$305,000
	OR	
9-year Bond for Capital		\$2.4 million
	OR	
20-year Bond for Capital		\$4.4 million

Other Considerations

- ▶ Relationship to Finn Hill Park District Levy and existing Kirkland Parks Maintenance Levy
- ▶ Voted tax measures on the ballot for other jurisdictions
- ▶ Recent results for levy lid lifts for other jurisdictions

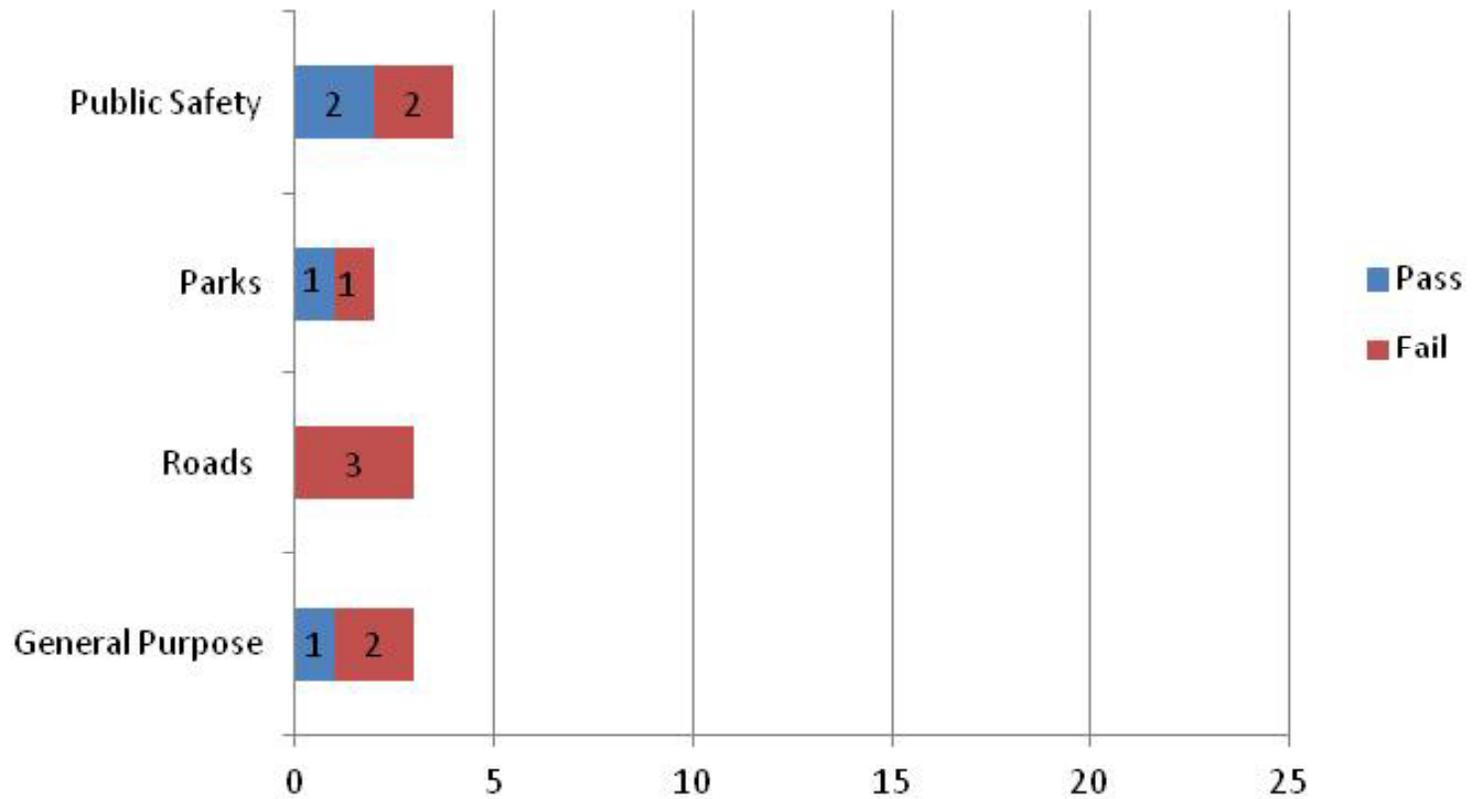
Results for Other Jurisdictions

Levy Lid Lift Election Results
2007 - 2011



Results for Other Jurisdictions

Levy Lid Lift Election Results
2011



Other Issues/Questions

- ▶ Final configuration dependent on types and scale of projects selected
- ▶ Questions?