

Contents

Meeting #7: Kirkland Budget, Funding Mechanisms & Ballot Measure History	2
Guest Speaker Biography	3
Background Materials.....	4
Ballot Measure Options in Washington State	5
Levy Lid Lift Comparison Chart.....	6
Recent Local Levy & Bond Ballot Measures.....	7
Parks-related Ballot Measure History in Kirkland	8
Metropolitan Park Districts in Washington	9



Meeting #7: Kirkland Budget, Funding Mechanisms & Ballot Measure History

When: Thursday, December 8: 6:00 – 8:30 p.m.

Location: North Kirkland Community Center: 12421 103rd Ave NE, Kirkland, WA 98034

Dinner: Jasmine Kitchen

Agenda overview:

Time	Topic	Leading
6:00 p.m.	Team Connecting Time & End of Year Appreciation	All
6:15 p.m.	Agenda overview & Update	Hillary De La Cruz, Kurt Triplett
6:25 p.m.	WA State Property Tax & Property Tax in Kirkland	Michael Olson
6:45 p.m.	Funding mechanisms available for ballot measures	Alice Ostdiek, Bond Counsel
7:15 p.m.	Break (10 minutes)	
7:25 p.m.	City Budget Overview	George Dugdale
7:45 p.m.	Committee Discussion & Questions	All
8:20 p.m.	Closing	

Staff present at today's meeting:

- Kurt Triplett, City Manager
- Lynn Zwaagstra, Director, Parks & Community Services (PCS)
- Michael Olson, Director of Finance and Administration (FA)
- George Dugdale, Financial Planning Manager, FA
- Heather Lantz-Brazil, Administrative Assistant, PCS
- Hillary De La Cruz, Management Analyst, PCS
- John Lloyd, Deputy Director, PCS
- Sarah Rock, Communications Program Specialist, PCS
- Pat Hughes, Trillium Leadership Consulting

Special guests:

- Alice Ostdiek, Bond Counsel, Stradling Yocca Carlson & Rauth, PC



Guest Speaker Biography



Alice M. Ostdiek

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Alice Ostdiek is a public finance attorney serving clients in the Pacific Northwest as bond counsel, disclosure counsel, underwriters' counsel, and in other related roles on public infrastructure financing transactions. For more 20 years, Alice has employed her knowledge of contracting, tax and securities laws to help state and local government entities and financial institutions finance and structure major utility, transportation and redevelopment projects that have transformed cities across Washington state. Alice's particular passion is to create tools to develop sustainable communities and improve infrastructure that support residents with increased access to critical resources long into the future. Alice holds a J.D. and an M.P.A. from the University of Washington, and a B.A. from Grinnell College.



Background Materials

1. **Property Tax in Washington State** - MRSC.org
<https://mrsc.org/Home/Explore-Topics/Finance/Revenues/The-Property-Tax-in-Washington-State>
A copy of this page was included in the first binder packet.
2. **Property Tax - How the one percent property tax levy limit works** – Washington State Department of Revenue
<https://dor.wa.gov/forms-publications/publications-subject/tax-topics/property-tax-how-one-percent-property-tax-levy-limit-works>
3. **Washington State Property Tax [VIDEO]** – City of Kirkland
https://www.youtube.com/watch?v=4y97Wr_aEMk
4. **Understanding Property Tax in Washington State [VIDEO]** – MRSC.org
<https://www.youtube.com/watch?v=vZIwa1YerK8>
5. **City of Kirkland Budget**
<http://www.kirklandwa.gov/budget>



Ballot Measure(s) Options to generate revenue to fund Parks & Recreation in WA State

Ballot Measure Type (Revenue Source)	Vote Required	Could be used for:			Duration	Limitations on Revenue Source
		Capital	O&M	Notes about use		
"One-bump" Single-Year* Property Tax Levy Lid Lift	50% + 1	X	X	Any lawful government purpose. Purpose does not need to (but may) be specified in ballot measure.	Temporary or permanent Limit 9 years if used for debt service on bonds.	Can increase by more than 1% for first year. Future years limited to 1% annual increase.
Multi-Year* Property Tax Levy Lid Lift	50% + 1	X	X	Any limited purpose stated in the ballot measure. No supplanting: Cannot be used to pay for existing programs.**	Temporary or permanent If permanent: increases by more than 1% for 6 years, then only increases by 1% in remaining years. Limit 9 years if used for debt service on bonds.	Can increase by more than 1% for up to 6 years. After 6 years, limited to 1% annual increase. Ballot states total tax rate for year 1 and maximum "limit factor" which total levy amount may not exceed. The limit factor can differ each year.
Excess Property Tax Levy Measure/ General Obligation Bond	60% with validation ***	X		Can only be used for capital.	Collected for as many years as necessary to repay bonds, often 20+ years depending on initial structure of bonds.	No 1% limit. Levy amount for each year calculated to repay the exact amount of debt for that year. Calculated according to length of obligation and associated amortization schedule prepared at the time of the bond sale.
Metropolitan Park District (MPD)	50% + 1	X	X	Depends on funding mechanism. If using excess property tax levy/bonds for capital expenses above a certain threshold, subject to 60% with validation.	Once created an MPD is an independent governing body and has junior taxing district authority. Duration of taxing impact depends on specific taxing mechanism.	Statutory maximum levy amount is \$0.75/\$1,000 of assessed property tax valuation, but this maximum levy amount may be set at a lower level in the initial MPD formation ballot measure.****

Notes:

Use types: Capital (construction of facilities, specific project, etc.); O&M: Operating and Maintenance (annual costs to operate and maintain system)

*Note about "years" in type of levy lid lift: A good way to think of the difference between "single-year" and "multi-year" lid lifts is: How many years can your total levy increase by more than 1%? With a single-year lid lift, you can exceed the 1% annual limit for one year only, and then future increases are limited to 1% (or inflation) for the remainder of the levy. With a multi-year lid lift, you can exceed the 1% annual limit for up to 6 consecutive years. Both types of levy lid lifts can be temporary or permanent. More details: [MRSC Levy Lid Lifts](#).

**Supplanting allowed if levy funds would be replacing lost funding due to lost federal funds or state grants/loans.

***Validation: 40% voter turnout based on the prior year General Election voter turnout.

**** State law changed in 2017 with [SSB 5138](#) to allow voters to set a maximum levy amount in the initial ballot measure. This provision was not in place when Kirkland voted on establishing a MPD in 2015. See [RCW 35.61.210](#).

Updated 12/5/2022 for Kirkland PFEC

Resources:

[Municipal Research and Services Center](#) (MRSC) is a nonprofit organization in Washington that provides legal and policy guidance to local governments across the state. Their resources are comprehensive and useful when evaluating what types of revenue sources may be best for a local City. Information summarized in this table comes from:

- [MRSC Metropolitan Park Districts](#)
- [MRSC Levy Lid Lifts](#)
- March 2022 [Revenue Guide for Washington Cities and Towns](#) – very detailed
- [Lessons Learned from Two Successful Levy Lid Lifts](#) (in Kirkland) - 2013 MRSC post written by Tracey Dunlap, Deputy City Manager

Comparison of Levy Lid Lift Mechanisms:

(updated through December 2022)



Alice M. Ostdiek, AOstdiek@stradlinglaw.com

	"Basic" Option – ONE YEAR INCREASE (RCW 84.55.050(1))	"Multi-year" Option – INCREASE FOR UP TO SIX YEARS (RCW 84.55.050(2))
Summary	<p>The "Basic" option is voter authorization to increase the levy amount by more than would otherwise be allowed for <u>ONE YEAR</u>.</p> <p>May use new levy to "reset" base. See "Carry Forward Options" below.</p>	<p>The "Multi-Year" option is voter authorization to increase levy amount by more than would otherwise be allowed in each year for up to <u>SIX YEARS</u>, for a specified purpose.</p> <p>May use new levy to "reset" base. See "Carry Forward Options" below.</p>
Elections	<p>Any election date. Election must be held not more than 12 months before levy collection year.</p>	<p>Primary or general election date only. Election must be held not more than 12 months before first levy collection year.</p>
Purpose Limitation	<p>Optional. <u>May</u> be limited to specified purposes for a period of time if set forth in ballot proposition.</p> <ul style="list-style-type: none"> <i>If limited purpose includes repaying bonds, carry-forward expires after 9 years. (Except Thurston County.)</i> 	<p>Required. <u>Must</u> be restricted to specific purpose for the initial period of up to six years, optional after that.</p> <ul style="list-style-type: none"> <i>Non-supplanting restriction applies in King County (2023)¹</i> <i>If limited purpose includes paying debt service on bonds, carry-forward expires after 9 years. (Except Thurston County.)</i>
Expiration?	<p>One-year initial bump. See "Carry Forward Options" below.</p>	<p>Year 1 initial bump plus "limit factor" increases for following 5 years. (Total 6 years.) See "Carry Forward Options" below.</p>
Levy Year 1 Levy Years 2-6	<p>Year 1: Ballot measure sets maximum levy <i>rate</i> for Year 1.</p> <p>Future Years: Unless carried forward, levy base for calculating Highest Lawful Levy (HLL) reverts and is calculated as if the measure were never approved.</p> <p>See Carry-Forward Options, below.</p>	<p>Year 1: Ballot measure sets maximum levy <i>rate</i> for Year 1.</p> <p>Years 2-6: "Limit Factor" stated in ballot measure sets the Highest Lawful Levy (HLL) in Years 2-6.</p> <ul style="list-style-type: none"> <i>Limit Factor may be any increment or variable index (e.g. CPI); need not be the same each year</i> <p>Future Years: Unless carried forward, levy base for calculating HLL reverts and is calculated as if the measure were never approved.</p> <p>See Carry-Forward Options, below.</p>
Carry-Forward Options	<p>"Carry Forward" – Optional after Year 1, only if stated in ballot title.</p> <ul style="list-style-type: none"> Allows levy base to reset based on Year 1 levy amount. Statutory 1% (or IPD) limit on increases applies after Year 1. <p><i>Optional: May restrict length of time or purpose for which the lid lift will be carried forward after Year 1.</i></p>	<p>"Carry Forward" – Optional after Year 6, only if stated in ballot title.</p> <ul style="list-style-type: none"> "Carry Forward" allows base reset based on Year 6 (or final year). Statutory 1% (or IPD) limit on increases applies after Year 6. <p><i>Optional: May restrict length of time or purpose for which the lid lift will be carried forward after Year 6.</i></p>

¹ For measures proposed by jurisdictions located in King County beginning in 2023, additional funds may not supplant "existing funds" used for the specified purpose. "Existing funds" means operating expenditures for the calendar year in which the ballot measure is approved, excluding lost federal funds, lost or expired state grants or loans, extraordinary events not likely to reoccur, changes in contract provisions beyond the control of the taxing district receiving the services, and major nonrecurring capital expenditures.

Recent Local Levy & Bond Ballot Measures

Ballot Measure	On the Ballot	Type	Amount	Years Obligated	Voter Approved?	Yes	No
Maple Valley: General Obligation Bonds Park and Recreation Facility Improvements	2016 April	Bond	\$0.54	20	No	36.97%	63.03%
Bellevue: Neighborhood Safety, Connectivity, and Congestion	2016 Nov	Levy	\$0.15	20	Yes	54.13%	45.87%
Bellevue: Fire Facilities	2016 Nov	Levy	\$0.125	20	Yes	56.98%	43.02%
Bothell: Transportation, Street Maintenance	2016 Nov	Levy	\$0.50	9	Yes	54.12%	45.88%
Duvall: Parks, Recreation, Other	2016 Nov	Levy	\$0.325	9	Yes	50.99%	49.01%
Maple Valley: General Obligation Bonds Park and Recreation Facility Improvements	2017 Feb	Bond	\$0.35	20	No	52.76%	47.24%
Bothell: Safe & Secure Capital Bond	2018 Nov	Bond	\$0.26	20	Yes	64.97%	35.03%
Bothell: Safe & Secure Levy	2018 Nov	Levy	\$0.44	12	Yes	61.24%	38.76%
Mercer Island: Levy Lid Lift for Public Safety, Youth, Family & Senior Services, and Parks & Recreation	2018 Nov	Levy	\$0.238	Permanent	No	42.51%	57.49%
Shoreline: Aquatic, Recreation and Community Center and Parks and Recreation Improvements	2019 Nov	Bond	\$0.51	20	No	54.01%	45.99%
KIRKLAND: Fire and EMS	2020 Nov	Levy	\$0.235	Permanent	Yes	71.28%	28.72%
Si View Metropolitan Park District: Levy Lid Lift for Parks and Recreation Services and Operations	2020 Nov	Levy	\$0.069	Permanent	Yes	53.97%	46.03%
Si View Metropolitan Park District: New Aquatic Center Bond	2020 Nov	Bond	\$0.218	30	No	56.29%	43.71%
Lake Forest Park: Walkways, Safe Connections, Parks, and Recreation	2021 Nov	Levy	\$1.57	Permanent	No	34.91%	65.09%
Shoreline: Park Improvements and Park Land Acquisition	2022 Feb	Bond	\$0.20	20	Yes	69.97%	30.03%
Si View Metropolitan Park District: New Aquatic Center Bond	2022 Aug	Bond	\$0.195	30	No	57.87%	42.13%
Bellevue: Parks and Open Space	2022 Nov	Levy	\$0.20	9	Yes	55.21%	44.79%
Mercer Island: Park Operations and Maintenance	2022 Nov	Levy	\$0.096	15	Yes	64.27%	35.73%
Redmond: Public Safety	2022 Nov	Levy	\$0.366	permanent	No	47.08%	52.92%

Levy measures need 50%+ yes votes to pass.
Bond measures need 60%+ yes votes to pass.
Green cells in "Yes": measure received 50%+ of votes

"Amount" is based on first year measure rate in cents per \$1,000 Assessed Value



Parks-related Ballot Measure History in Kirkland

Year	Purpose	Passed?	Type	Amount in year passed	Amount in 2022 dollars ¹
1920	Waverly Beach	Passed		\$18,000	\$262,211
1966	Waterfront parks (Houghton Beach)	Passed	20-year bond	\$199,000	\$1,864,918
1976	Senior Center, Juanita Bay Park, Opportunity Fund	Passed	20-year bond	\$1,600,000	\$8,090,590
1984	Juanita Bay Park, Heritage Park	Passed	20-year bond	\$2,240,000	\$6,180,290
1989	Parks Bond: NK Community Center, Juanita Bay Park, Parks for Rose Hill, Everest & Crestwoods	Passed. 9/1989 vote failed to validate, had 78% support. 11/1989 vote: 77% approval	20-year bond	\$5,760,000	\$13,372,523
1992	<i>David E. Brink Park Expansion</i>	<i>Failed</i>	<i>20-year bond</i>	<i>\$1,980,000</i>	<i>\$4,030,942</i>
2002	Parks Bonds: Juanita Beach, Carillon Woods, School Playfields, N. Rose Hill Woodlands Park, Acquisition Opportunity Fund	Passed with 64.28% of vote	20-year bond (final payment in 2022) \$0.107 cents per \$1,000 AV in 2002	\$8,400,000	\$13,335,083
2002	Parks Maintenance Levy	Passed with 64.85% of vote	Permanent Levy Lid Lift: \$0.10 cents per \$1,000 AV	\$663,279 in 2003, then capped to 1% increase / year	2022 levy collection amount: \$1,572,376
2012	Parks Levy: Maintenance, restoration, enhancement. Details fact sheet	Passed with 57.87% of vote	Permanent Levy Lid Lift: \$0.16 cents per \$1,000 AV	\$2,271,404 in 2013, then capped to 1% increase / year	2022 levy collection amount: \$2,933,531
2015	<i>Formation of Kirkland Aquatics and Recreation District</i>	<i>Failed (36.77% yes, 63.23% no)</i>	<i>Metropolitan Park District (MPD) Note: A main factor that some voters did not like was the MPD structure of allowing any rate to be set up to \$.75 per \$1,000 AV. After 2015, Kirkland went to the State Legislature which passed changes to the MPD structure allowing an upper limit to be set at any point below the maximum of \$.75. To be discussed 12/8 PFEC.</i>		

¹U.S. Bureau of Labor Statistics CPI Inflation Calculator: https://www.bls.gov/data/inflation_calculator.htm



Metropolitan Park Districts in Washington

Name of District	Election Date	Boundaries	Governance	Purpose
Bainbridge Island Metropolitan Park and Recreation District	Sept. 2004	Bainbridge Island	Elected board	Maintain and operate park and recreation facilities, replacing an earlier park and recreation district with less stable funding.
Chuckanut Community Forest and Recreation District	Feb. 2013	Part of Bellingham	Elected board	Pay off an interfund loan that Bellingham used to purchase a tract of forest used as an informal park. Board intends to dissolve district upon repayment.
Colfax Metropolitan Park District	Nov. 2016	Colfax	City council (ex officio)	Operate and maintain existing swimming pool and parks.
Des Moines Pool Metropolitan Park District	Nov. 2009	Des Moines	Elected board	Maintain and operate existing Mt. Rainier Pool (with additional funding from Normandy Park MPD and Highline School District).
Eastmont Metro Parks and Recreation	May 2004	East Wenatchee and nearby unincorporated areas of Douglas County	Elected board	Maintain existing park services and facilities, replacing the Eastmont Park and Recreation Service Area which lacked adequate funding
Fall City Metropolitan Park District	March 2009	Fall City area (unincorporated King County)	Elected board	Maintain, improve, and acquire park and recreation facilities.
Greater Clark Parks District	Feb. 2005	Vancouver unincorporated growth area (Clark County)	County council (ex officio)	Maintain, operate, and construct neighborhood parks, sports fields, and trails.
Key Peninsula Metropolitan Park District	Feb. 2004	Key Peninsula (unincorporated Pierce County)	Elected board	Maintain and operate park and recreation facilities, replacing the Key Peninsula Park and Recreation District.
Metro Parks Tacoma	1907	Tacoma and nearby unincorporated Pierce County, including Browns Point & Dash Point	Elected board	First MPD in state. Operates extensive parks, community centers, and zoo/nature facilities.
Normandy Park Metropolitan Park District	Nov. 2009	Normandy Park	City council (ex officio)	Help fund existing Mt. Rainier Pool (along with Des Moines Pool MPD and Highline School District).
Odessa Metropolitan Park District	Nov. 2020	Odessa School District within Lincoln County	Elected board	Maintain and improve Odessa swimming pool facilities.



Name of District	Election Date	Boundaries	Governance	Purpose
Olympia Metropolitan Park District	Nov. 2015	Olympia	City council (ex officio)	Improve and expand city park system
Peninsula Metropolitan Park District	May 2004	Unincorporated Pierce County near Gig Harbor	Elected board	Maintain and improve park and recreation facilities. Replaced earlier park and recreation district following series of ballot measures that fell narrowly short of the required 60% approval.
Pullman Metropolitan Park District	Sept. 2002	Pullman	City council (ex officio)	Maintenance and operation of park facilities due to general fund shortfalls
Seattle Park District	Aug. 2014	Seattle	City council (ex officio)	Maintenance and improvement of existing park facilities to address \$267 million backlog
Shelton Metropolitan Park District	April 2010	Shelton	City council (ex officio)	Fund park and recreation facilities owned by the city.
Si View Metropolitan Park District	Feb. 2003	North Bend and nearby unincorporated King County	Elected board	Operate the Si View Park Community Center and Pool, which had been closed due to county budget cuts, as well as other park facilities.
Stevenson Community Pool District	Feb. 2021	City of Stevenson and urban growth area	Elected board	Maintain and operate Stevenson swimming pool.
Tukwila Pool Metropolitan Park District	April 2011	Tukwila	Elected board	Operate the Tukwila Pool, preventing potential closure following recession and general fund shortfalls.
Tumwater Metropolitan Park District	Nov. 2018	Tumwater	City council (ex officio)	Maintain and improve city parks
Village Green Metropolitan Park District	Aug. 2008	Kingston area (unincorporated Kitsap County)	Elected board	Pay a portion of the capital costs for the new Village Green community center
White Salmon Valley Pool Metropolitan Park District	Nov. 2018	Bingen-White Salmon	Elected board	Construct, operate, and maintain White Salmon Valley swimming pool
William Shore Memorial Pool Park District	May 2009	Port Angeles School District No. 121 (City of Port Angeles and part of unincorporated Clallam County)	2 county commissioners, 2 city councilmembers, 1 resident elected by the board	Operate the William Shore Memorial Pool, preventing its closure.

Source: Municipal Research and Services Center of Washington (MRSC.org)

