



Administration and Finance Committee Meeting Minutes

July 25, 2019
4:00 PM

SeaTac City Hall - Riverton Room 128

Members:	Present:	Absent:	Commence:	4:02 P.M.
			Adjourn:	5:50 P.M.
Erin Sitterley, Chair	X			
Peter Kwon	X			
Clyde Hill	X			

Other Council Members Present: Joel Wachtel, Pam Fernald

Staff Coordinator: Gwen Pilo, Finance & Systems Director

1. Call to Order	<i>Committee Chair Erin Sitterley called the meeting to order at 4:02 PM</i>
2. Public Comment	<i>None</i>
3. Review of the Minutes	<u> X </u> Recommended for Approval <i>A copy of the 07/11/19 minutes was provided to the committee for review. The committee approved the minutes as written.</i>
4. Council/City Manager Travel Pre-Approval or Final Approval	<i>None</i>
5. City Center Plan Update Phase 1 Contract Amendment	<u> X </u> Recommended for Approval <i>Planning Manager Jennifer Kester and Senior Planner Kate Kaehny provided an overview of the City Center Plan Update and proposed contract amendment. The amendment provides 8 additional tasks and will increase the amount of the contract \$25,000, for a total not to exceed \$70,000. Discussion ensued. The Committee recommended the Contract Amendment be put on the Consent Agenda for the August 13, 2019 Council Meeting.</i>
6. 2020 Legislative	<u> X </u> Informational Update

<p>Agenda Brainstorm</p>	<p><i>Government Relations and Communications Manager Kyle Moore along with Gordon Thomas Honeywell representative Trevor Justin provided draft Legislative Agenda and back page Legislative Policy documents which were discussed at the July 11 A&F meeting. Moore and Justin are participating in the AWC subcommittees to shape their Legislative Agenda and an update was provided. Moore will send out notes to the entire council for comment and bring the identified priorities back to a future A&F meeting for more discussion and finalizing.</i></p>
<p>7. 2nd Quarter Financial Reports</p>	<p><u> X </u> Informational Update</p> <p><i>Finance & Systems Director Gwen Pilo presented the 2nd Quarter Financial Reports.</i></p>
<p>8. Future Meeting Schedule</p>	<p><i>The next A&F Meeting is scheduled for August 6 at 4:00 PM in Riverton Room 128.</i></p>
<p>9. Adjourn</p>	<p><i>Committee Chair Erin Sitterley adjourned the meeting at 5:50 PM.</i></p>



Current Vacancies

Updated September 6, 2019

Vacancy	AFSCME	Position Funding	Dept	Notes/Status
Asset Management Coordinator	Y	100% 403 Fund	PW	Justin Alipro Hired, Start Date 9/23/19
Civil Engineer 1	Y	100% 307 Fund	PW	Internal Posting Pending
Engineering Technician (LT)	Y	100% 102 Fund	PW	Interviews Scheduled 9/9/19
Maintenance Operations Supervisor	N	100% 403 Fund	PW	Daniel Smith Hired, Start Date 9/23/19
Maintenance Operations Worker	Y	100% 102 Fund	PW	Applications Forwarded to Hiring Manager
Maintenance & Operations Manager	N	50% 102 Fund, 50% 403 Fund	PW	Reposted, Applications Forwarded to Hiring Manager
Park Operations Worker	Y	100% General Fund	PCPS	To Be Filled In 2020
Permit Coordinator	Y	100% General Fund	CED	Interviews Scheduled 9/11/19, 9/12/19 & 9/17/19
Public Works Inspector - Eng Review	Y	50% 102 Fund, 50% 403 Fund	PW	Offer Pending Acceptance

Fund Key

- 102 Fund = Street
- 307 Fund = Public Works Engineering / Transportation CIP
- 403 Fund = Surface Water Management
- 404 Fund = Solid Waste
- 501 Fund = Equipment Rental

Employee Headcount as of 09/01/2019

-
- Regular Full Time: 114
 - Regular Part Time: 7
 - Variable Hour: 32
 - Seasonal: 12
 - Total Headcount: 165***
 - *Does not include contracted Fire and Police*

	TOTAL	REG F/T	REG P/T	VARIABLE	SEASONAL
2019 FEB	146	109	8	25	4
2019 MAR	147	110	7	27	3
2019 APR	148	108	7	27	6
2019 MAY	150	112	8	23	7
2019 JUNE	161	118	8	28	7
2019 JULY	166	114	7	34	11
2019 AUG	166	114	7	34	11
2019 SEPT	165	114	7	32	12
2019 OCT	0				
2019 NOV	0				
2019 DEC	0				
2020 JAN	0				
2020 FEB	0				
2020 MAR	0				
2020 APR	0				
2020 MAY	0				
2020 JUNE	0				
2020 JULY	0				
2020 AUG	0				
2020 SEPT	0				
2020 OCT	0				
2020 NOV	0				
2020 DEC	0				

Note - on staffing report from Balvir, non PERS eligible seasonals are actually variable hour employees
True seasonals are PERS eligible



MEMORANDUM

To: Administration and Finance Committee
Through: Carl Cole, City Manager
From: Steve Pilcher, Community and Economic Development Director
Lawrence Ellis, Parks, Recreation and Community Services Director
Gwen Pilo, Finance And Systems Director
Date: September 24, 2019
Re: House Bill 1406 Affordable Housing Sales Tax Credit

History:

HB 1406 provides authority for cities and counties to retain a portion of sales taxes that would otherwise be paid to the State. Cities and counties may retain .0073% (.0146% with a “qualifying local tax”) that is credited against the state’s share of the sales tax. (The City of SeaTac has not adopted any “qualifying local taxes,” so the higher amount is not available). The tax credit can be in place for 20 years from the effective date of adoption.

Tax revenues can be used to provide rental assistance to tenants that are at or below 60% of the median income for King County. The funds can also be used for the acquisition, construction or rehabilitation of affordable housing or facilities providing supportive housing and for the operations and maintenance costs of affordable or supportive housing. Additionally, the City may enter into an interlocal agreement with other cities, counties, and/or housing authorities to pool and allocate the tax revenues received under SHB 1406 to fulfil the intent of the legislation.

Because it is credited against the state’s share of the sales tax, the imposition of this tax **will not result in any increase in the sales tax the consumer pays**. Citizens of SeaTac will not experience a tax increase. In order to impose the sales tax, the City must adopt a notice of intent to impose the sales tax no later than January 31, 2020, and subsequently, adopt an ordinance imposing the sales tax no later than July 27, 2020. The sooner the City adopts the ordinance; the sooner it will begin receiving this revenue. (The City of Tacoma has already enacted this tax and will begin receiving funds in September).

If the City opts to not take advantage of this legislation by the statutory deadline, the ability to access the tax revenues is transferred to King County.

Analysis:

Budgetary Impacts: HB 1406 sets a cap on the maximum sales tax revenues to be credited within any state fiscal year (July 1 to June 30) and the cap will be calculated based upon the taxable retail sales during the state's 2019 fiscal year. The estimated distribution cap for the City of SeaTac is \$132,732.

Actual distributions will base on actual taxable retail sales during the state fiscal year, which will vary from year to year

These funds will need to be separately tracked for accounting purposes.

Recommendation:

Staff recommends the City take advantage of this opportunity. The Human Services program of the Parks, Recreation and Community Services Department, through its contracts with various human service agencies, provides minor home repair and rental assistance to low income individuals within the SeaTac community. Accessing the sales tax revenues will allow the City to augment those funds or, as deemed appropriate, replace current General Fund revenues with these restricted sales tax revenues. That would allow the Council to deploy the saved General Fund revenues in other areas as it so determines.



King County

Claudia Balducci
Councilmember, District 6
Metropolitan King County Council

August 2, 2019

Re: Implementing House Bill 1406, State Sales Tax for Local Housing

Dear Mayor:

As you know, our region is facing a shortage of housing that our residents can afford that can legitimately be called a crisis. In recognition of this crisis, King County, Seattle and the Sound Cities Association formed the Regional Affordable Housing Task Force, which issued a series of recommendations in December 2018. Key among the recommendations was for the region to build, preserve or subsidize 44,000 new affordable units in the next five years. A new Affordable Housing Committee of the Growth Management Planning Council has recently formed to take on the task of implementing this and other Task Force recommendations. The Committee will be a place for the cities, King County, and stakeholders to come together to coordinate our efforts to meet our shared crisis.

House Bill 1406, which the State Legislature passed in its last session, provides the Committee with an early opportunity to facilitate regional collaboration. The bill created a new funding tool in the form of a sales tax credit that cities and counties can use to accelerate investments in affordable and supportive housing. House Bill 1406 directs the funding to populations earning up to 60% of county median income, which in 2018 was \$62,000 per year for a family of four. Based on 2018 tax figures, this funding is estimated to provide approximately \$10 million annually across all the jurisdictions within and including King County.

At the Affordable Housing Committee, we have begun discussions about ways this new revenue tool could be deployed to maximize its impact. Committee members expressed excitement that cities and King County are already working on legislation to take advantage of this opportunity. We plan to provide a set of recommendations that will, if implemented, maximize the impact of the funding throughout our communities. The Committee will be taking up a proposed set of formal recommendations at our meeting on September 20th.

Recognizing that discussions about how to invest the sales tax credit are already underway in many cities and at the County, I am writing to share the ideas the Committee discussed at its July 30th meeting and to ask that you take into account the recommendations of the regional Affordable Housing Committee when they are available in late September. Some key topics of discussion included:

- Pooling money to maximize impact. The annual amount to individual cities is not large compared to the magnitude of the need and pooling the revenue from multiple jurisdictions would maximize the impact of the revenue source for affordable housing. An idea was floated at the Committee meeting to consider pooling *all* of the revenue into one, countywide bucket for maximum impact. If this was not possible, we considered a recommendation that cities who are members of subregional partnerships, like ARCH and SKHHP, pool their resources through those entities, while cities that are not members consider joining or forming other partnerships to maximize the use of funding. We also considered recommendations that King County offer technical support to cities that are not members of a subregional partnership, and that Seattle and King County continue to coordinate with the subregional partnerships.
- Directing funding to the highest need. There was a strong interest among Committee members to target the funds to support the population with the greatest need - households earning less than 30% of Area Median Income. Committee members discussed the challenge of funding new projects to serve very low-income households, while also supporting the cost of operating and maintaining these facilities and providing services to their residents. As part of this discussion, the Committee considered the need to be flexible about serving households up to 50% Area Median Income to make sure the sales tax credit is effectively deployed throughout the county. We also discussed the possibility of King County offering an incentive through its capital fund request for a proposal process that prioritizes those jurisdictions that contributed HB 1406 proceeds to 0-30% Area Median Income projects to encourage prioritizing lower income households throughout the county.
- Prioritizing spending to protect against displacement. We discussed the need to explore ways to use the funding to protect existing communities of color and low-income communities from displacement in gentrifying communities, including looking to existing successful models like the Seattle Equitable Development Initiative to determine what works.
- Speed. Finally, there was a strong interest among Committee members to find ways to deploy this resource effectively and quickly, in light of the urgent need for housing in all of our jurisdictions. Some ideas for expediting funding including focusing the funds on preservation, programs for preventing homelessness, rental assistance, and shovel-ready projects. Bonding against future revenue was also discussed as a way to maximize deployment as quickly as possible.

I want to emphasize that these are not final recommendations of the Affordable Housing Committee. I am sending this information to share our discussions to date and to encourage as many local jurisdictions as possible to partner with the Affordable Housing Committee and each other to make the most out of this unique opportunity. As you begin discussions and focus on the needs of your community, please consider ways that we can all participate together to do the most good.

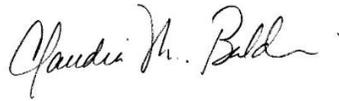
King County Mayors

August 2, 2019

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Thank you for taking this information into consideration in your early discussions. Please do not hesitate to share any thoughts your jurisdiction may have about maximizing our regional impact, either by response to this letter or through your representative/s to the Affordable Housing Committee. Thank you for your service to our collective communities and all your efforts to make sure our residents have safe, healthy and affordable places to live.

Sincerely,

A handwritten signature in black ink, appearing to read "Claudia M. Balducci". The signature is fluid and cursive, with a small dot at the end.

Claudia Balducci

Chair of the Affordable Housing Committee

cc: Brian Parry, Senior Policy Analyst, Sound Cities Association
McCaella Daffern, Regional Affordable Housing Implementation Manager, King County
Department of Community and Human Services
Affordable Housing Committee members

SHB 1406: Understanding the Affordable Housing Sales Tax Credit

July 17, 2019 by [Toni Nelson](#)

Category: [Housing](#) , [New Legislation and Regulations](#) , [Sales and Use Taxes](#)



Editor's note: Due to the high-profile and fast-moving nature of this topic, we will be updating this post with new information and examples as they become available. Readers are encouraged to bookmark this page and check back frequently, or eligible government agencies may also submit questions about SHB 1406 to our [Ask MRSC service](#). Recent updates include:

- *August 28, 2019: Clarified timing of adoption of enacting ordinances and calculation of maximum distribution caps, emphasizing need for counties to adopt their ordinances first to maximize revenues; added Pacific County ordinance.*
- *August 20, 2019: Added links to WSAC resources and Pierce County ordinance.*
- *August 8, 2019: Updated revenue estimate worksheet with Q1 2019 sales tax data from DOR; added sample resolutions of intent.*
- *July 24, 2019: Added examples of resolutions of intent.*

The 2019 legislative session produced a plethora of bills, but [SHB 1406](#) has generated significant buzz as it will provide a new affordable housing revenue stream for those counties, cities, and towns that choose to participate. This sales tax option is actually a credit against the state sales tax rate of 6.5%, so it will not increase the tax rate for

consumers. However, cities, towns, and counties have a limited time to take advantage of this option and must act rather quickly if they wish to participate.

It is imperative that cities and counties communicate and coordinate closely to implement this legislation, or else both cities and counties may lose out on some revenues. See the "tax rates for participating cities" and "annual maximum distribution cap" sections below for more information.

In order to understand the foundation of this bill, it's important to understand what is considered a participating and non-participating city or county. A "participating" city or county is one that chooses to impose the affordable housing sales tax credit provided in SHB 1406 and completes the required steps for adoption within the next 12 months, while a "nonparticipating" city or county is one that chooses not to implement the affordable housing sales tax credit.

In this blog we discuss this complicated piece of legislation and some of the key decisions that eligible local governments will need to make within the next few months.

How Can This Revenue Be Used?

The intent of the legislation is to encourage local government investments in affordable and supportive housing, and as such, the funds will be considered a restricted revenue subject to reporting requirements and audit review for compliance. The use of this sales tax partially depends upon the size of your jurisdiction:

For counties over 400,000 population and cities over 100,000 population: The funds may only be used for (a) acquiring, rehabilitating, or constructing affordable housing, which may include new units within an existing structure or facilities providing supportive housing services under [RCW 71.24.385](#) (behavioral health organizations); **OR** (b) operations and maintenance costs of new units of affordable or supportive housing.

For counties under 400,000 population and cities under 100,000 population: The funds may be used for the same purposes listed above, but they may also be used to provide rental assistance to tenants that are at or below 60% of the median income of the county or city that is imposing the tax.

For any city or county, they may finance loans or grants to nonprofit organization or public housing authorities to carry out the purposes of the bill and may pledge the tax proceeds from SHB 1406 for repayment of bonds in accordance with debt limitations imposed by the state constitution or statute.

Additionally, any participating city or county may enter into an interlocal agreement with other cities, counties, and/or housing authorities to pool and allocate the tax revenues received under SHB 1406 to fulfill the intent of the legislation.

How Much Revenue Will We Receive?

The answer to this question depends on whether your entity has a "qualifying local tax" (see below), the local economy, and the calculation of the revenue cap included in SHB 1406. Participating jurisdictions will receive revenues for 20 years, and the amount that you receive annually will be equivalent to either 0.0073% or 0.0146% of taxable retail sales in your jurisdiction, up to an annual maximum distribution cap that is based on FY 2019 taxable retail sales.

Tax rates for participating counties

Counties do not need a “qualifying local tax” and will automatically receive the maximum 0.0146% rate within the unincorporated areas, up to the annual maximum distribution cap described later. Within the boundaries of each city or town, you will receive 0.0146%, minus the rate being received by the city/town. Here are the variables:

- If the city chooses not to participate but the county does participate, the county will receive the full 0.0146% within the city boundaries.
- If a city elects to participate but does not have a “qualifying local tax” (see below), the city will receive the 0.0073% “half share” and the county will also receive a 0.0073% half share within the city boundaries.
- If a city elects to participate and imposes a “qualifying local tax” by the deadline, the city will receive the full 0.0146% share and the county will not receive any revenues within the city boundaries.

As the legislation is currently written, if the county elects not to participate, cities located within said county that have not enacted a qualifying local tax will not receive SHB 1406 revenues after the first year.

Tax rates for participating cities

The rate your city receive depends on whether it enacts a local qualifying tax (see below) prior to the deadline of July 27, 2020, as well as whether or not your county participates.

- For cities that impose a qualifying local tax by the deadline, you will receive the maximum 0.0146% rate, up to the annual maximum distribution cap described below, regardless of whether your county participates.
- For cities that do not have a qualifying local tax, you will receive the 0.0073% “half share,” up to the annual maximum distribution cap, but *only if* your county also elects to participate.

If your county declares it will not participate or does not adopt the required resolution of intent by the end of January 2020, you will receive the full 0.0146% through July 27, 2020, but after that you will not receive any further revenues. In discussions with both Association of Washington Cities (AWC) and the Department of Revenue it is believed that this is due to a drafting error in the bill. AWC does not anticipate this scenario but asks that you let them know if your city finds itself in this situation!

Annual maximum distribution cap

SHB 1406 sets a cap on the maximum sales tax revenues to be credited to local government within any state fiscal year (July 1 to June 30). The cap will be calculated based upon the jurisdiction's taxable retail sales during the state's 2019 fiscal year (July 1, 2018 – June 30, 2019). Just like the state shared revenue cycle, distributions will start July 1, and the state will cease distribution until the beginning of the next fiscal cycle if at any time during the fiscal period your distributions meet the cap.

It is very important that counties adopt the enacting legislation prior to cities and towns, or else the counties may lose out on some revenues. (This applies only to the enabling “legislation” – the order of adoption of the “resolutions of intent” does not matter.) If the county adopts the imposing legislation prior to the city(s) within its boundaries, the county's revenue cap will be calculated based on the total countywide taxable retail sales in FY 2019, including both the unincorporated and incorporated areas of the county. But if any city adopts their enabling ordinance before the county, that city's taxable retail sales will be subtracted from the county's taxable retail sales, resulting in the county's annual maximum distribution cap being reduced for the entire 20-year state tax sharing period. (See section 4(a) of the legislation.)

It's also important to remember that retail sales can fluctuate from year to year depending upon a number of economic factors, so your revenues being generated from this sales tax credit (particularly in the early years when some jurisdictions might not hit their annual caps) may fluctuate as well.

Revenue Estimates

We have developed a [worksheet for your revenue forecasting](#) that was updated on August 9, 2019 to include Q2 2018-Q1 2019 taxable sales with projections for both the 0.0073% and 0.0146% tax credit options. This data comes from DOR's [Retail Sales for Cities and Counties](#).

How Do We Impose This New Tax Option?

To receive the affordable housing sales tax credit, you must:

- **Pass a resolution of intent by January 27, 2020** that indicates intention to impose the sales tax credit at the maximum capacity by a simple majority vote of the legislative body. *This is the single most important step in being able to receive this sales tax credit option.* If this deadline is missed, there are no other opportunities to access the tax. Here is a [sample resolution of intent](#) that has been prepared by Pacifica Law Group for the Association of Washington Cities (AWC) that will assist you in this process. Also see the sample resolutions at the end of this article.
- **Adopt legislation to authorize by July 27, 2020** to impose the maximum capacity of the affordable sales tax credit. This step must be completed in order to continue to access this sales tax credit whether you decide to impose a qualifying local tax or not. See the examples at the end of this article.

Since the bill explicitly requires both a “resolution of intent,” which must be adopted by January 27, 2020, and “legislation to authorize the maximum capacity of the tax” (an ordinance for most jurisdictions, but for some counties this may be a resolution), which must be adopted by July 27, 2020, it is our recommendation that these documents be adopted separately.

What Is a Qualifying Local Tax?

A “qualifying local tax” (QLT) is a local property or sales tax that a city has imposed, separately from SHB 1406, to address affordable housing or related issues. This provision within the bill *only applies to cities and towns*, and it allows them to double the sales tax credit.

The QLT options are:

- An affordable housing levy ([RCW 84.52.105](#));
- A sales and use tax for affordable housing ([RCW 82.14.530](#));
- A levy lid lift ([RCW 84.55.050](#)) that is restricted solely to affordable housing; or
- A mental health and chemical dependency sales tax ([RCW 82.14.460](#)), which is only authorized by statute for those cities of at least 30,000 population located within Pierce County.

According to our data, there are currently only six cities that have implemented at least one of these qualifying local taxes: Bellingham, Ellensburg, Olympia, Seattle, Tacoma, and Vancouver. Port Angeles has also placed a qualifying local tax on the ballot for November 2019 – see the resolution at the end of this article which also provides a good analysis of election timing and costs.

All of the qualifying local taxes require voter approval with a simple majority vote (with the exception of the mental health and chemical dependency sales tax) and may be presented at any special, primary, or general election. (For more detailed information on any of these qualifying local taxes, refer to our [Revenue Guide for Cities and Towns](#).)

Deciding to present a qualifying local tax before the voters in order to gain the full tax credit will require some timing considerations, as the legislation requires that the qualifying local tax must be “instated” (which DOR is interpreting to mean “approved by voters”) within 12 months of the effective date of SHB 1406. This deadline is July 27, 2020. The deadline for placement on the general election ballot is fast approaching (August 6), and the only other elections before the July 2020 deadline are the special elections in February and April. (See our Key Deadlines for voted sales and property taxes in the recently updated Revenue Guides for [Cities/Towns](#) and [Counties](#)).

When Will We Start to Receive Revenues from SHB 1406?

The Department of Revenue (DOR) typically requires a 75-day notice for sales tax rate changes, but since this is a sales tax credit (not a new sales tax) it will therefore only require a 30-day wait period. The credit will take effect on the first day of the month following the 30-day period ([RCW 82.14.055\(2\)](#)). For example, if you adopt the resolution of intent and then the enabling legislation (ordinance/resolution) during August 2019, the tax will take effect on October 1. The sales tax revenues from October will be remitted by retailers to DOR by the 25th of the following month (November), and you will receive your first distribution of this tax credit on your end-of-month December disbursement from the State Treasurer’s office. *Editor’s note: In this example, the original article incorrectly stated that the revenues would be distributed at the end of November.*

For cities that have a qualifying local tax in place, you will receive the full credit of 0.0146% as soon as you adopt the enacting ordinance. For all other cities and towns that have adopted the enacting ordinance, you will collect a tax credit of 0.0073% until your ballot measure for a qualifying local tax has passed.

This piece of legislation is complex and a bit confusing. We have worked closely with the DOR and the AWC to bring you as much information as possible to assist with your decisions to take the first step in the process – which is to pass a resolution of intent. MRSC is ready to answer any further questions that you may have. Please do not hesitate to [send me an email](#) or give me call.

AWC and WSAC Resources

For cities, the Association of Washington Cities (AWC) has prepared an [implementation guide and flowchart](#) to help in your decision-making process.

For counties, the Washington State Association of Counties (WSAC) has prepared an [implementation guide and flowchart](#),

Sample Resolutions

In addition to the [Pacifica Law Group sample resolution of intent](#) provided by AWC, below are a few examples of SHB 1406 resolutions we have come across. This is not a comprehensive list of all the cities and counties that are adopting resolutions. Many of the resolutions that have been adopted use very similar language based on the Pacifica

Law Group example, but we will continue to monitor this topic and periodically add distinct or noteworthy examples to this list.

Counties

- [Pierce County Resolution No. R2019-103](#) (2019) – Resolution of intent for county over 400,000 population
- [Thurston County Resolution No. 15801](#) (2019) – Resolution of intent for county under 400,000 population, with intent to enter into interlocal agreement with cities to pool revenue.

Cities

- [Port Angeles Resolution No. 14-19](#) (2019) – Submitting 0.1% affordable housing sales tax ([RCW 82.14.530](#)) to voters as a qualifying local tax under SHB 1406. Includes analysis of election timing and costs, concluding it is much less expensive to submit a measure at the November 2019 general election (filing deadline: August 6) than at the February or April special election.
- [Tumwater Resolution No. R2019-006](#) (2019) – Resolution of intent for city under 100,000 population.
- [Vancouver Resolution No. M-4026](#) (2019) – Resolution of intent for city over 100,000 population. Includes staff report; note that Vancouver qualifies for the maximum 0.0146% because it already has a qualifying local tax.

Sample Adopting Ordinances

We will post selected examples of enacting ordinances that we receive below.

- [Pacific County Ordinance No. 188](#) (2019) – Adopting maximum sales tax credit for county under 400,000 population. Ordinance clearly indicates which cities plan to participate; note that "qualifying local taxes" apply only to cities and are not required for counties to receive maximum distribution.
- [Pierce County Ordinance No. 2019-57s](#) (2019) – Adopting maximum sales tax credit for county over 400,000 population.

MRSC is a private nonprofit organization serving local governments in Washington State. Eligible government agencies in Washington State may use our free, one-on-one [Ask MRSC service](#) to get answers to legal, policy, or financial questions.



About Toni Nelson

Toni has over 24 years of experience with Local Government finance and budgeting. Toni's area of expertise include "Cash Basis" accounting and reporting, budgeting, audit prep and the financial issues impacting small local government.

[VIEW ALL POSTS BY TONI NELSON](#) ▶

Multi-Family Tax Exemption (MFTE)

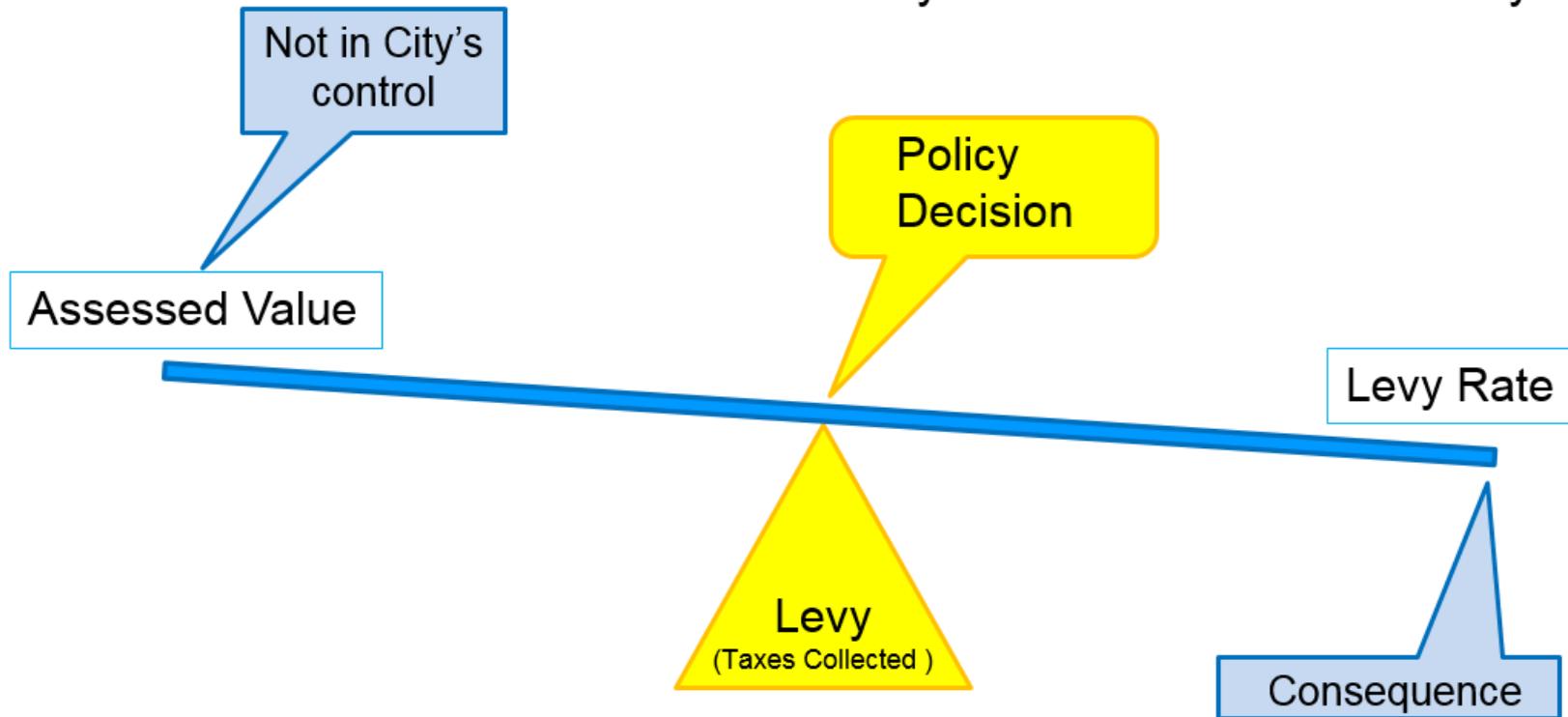


Property Tax Overview

- Three main components:
 - Assessed Valuation
 - Levy
 - Levy Rate (Millage)
- Property valuation by KC = Assessed Valuation
- Council establishes the amount required to fund budget
 - Amount needed = Levy
 - Levy can increase by lesser of IPD or 101% limit factor
 - Can levy less than 101%
 - Banks Capacity for future use
- KC Assessor computes Levy Rate
 - Levy / Assessed Valuation = Levy Rate

Property Tax Overview

$$\text{Levy} / \text{Assessed Valuation} = \text{Levy Rate}$$



Multi-Family Tax Exemption Overview

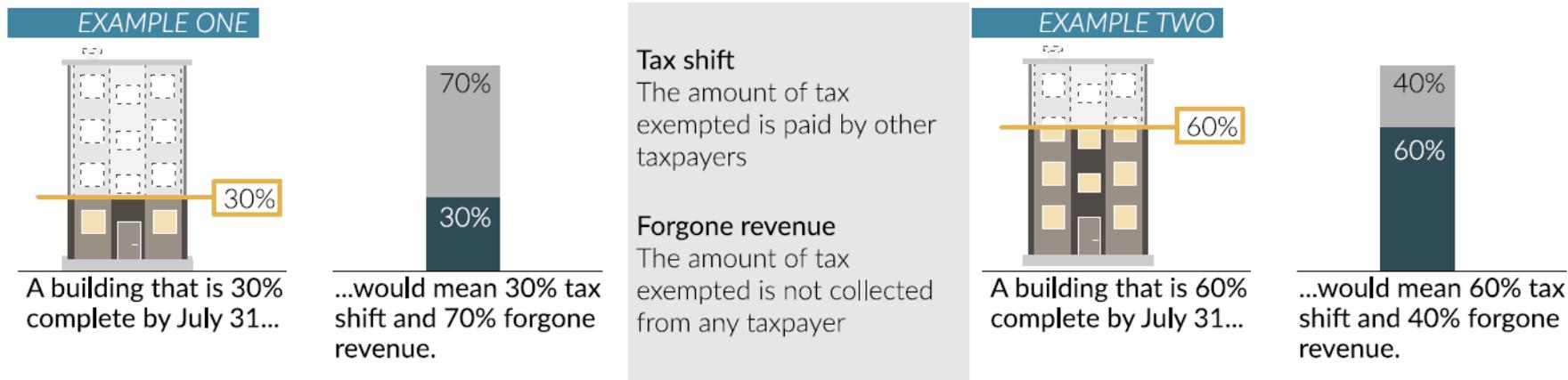
- Program exempts residential square footage
 - Does not exempt land or commercial space
- Exempts from entire Levy, not just City portion
- There *will* be foregone and deferred revenue
- There *may* be a tax shift to other non-exempt residents
- Timing Matters!
 - MFTE must be processed before end of year to avoid the following year's taxes

MFTE Effect on City Revenue

- City receives Levy; regardless of exempt properties
- Deferral of revenue
 - New construction received at the end of MFTE program
- Foregone revenue
 - Taxes that would be paid on residential value if development occurred without MFTE program

MFTE Effect on Residents

- Depends on multiple factors including levy limits and timing of assessment



Source: JLARC staff analysis.

- If AV continues to increase faster than Levy increase, Levy Rate impacts will be minimal
- If AV decreases, Levy Rate will increase and residents will feel greater impact
- Exact amount of tax shift cannot be determined

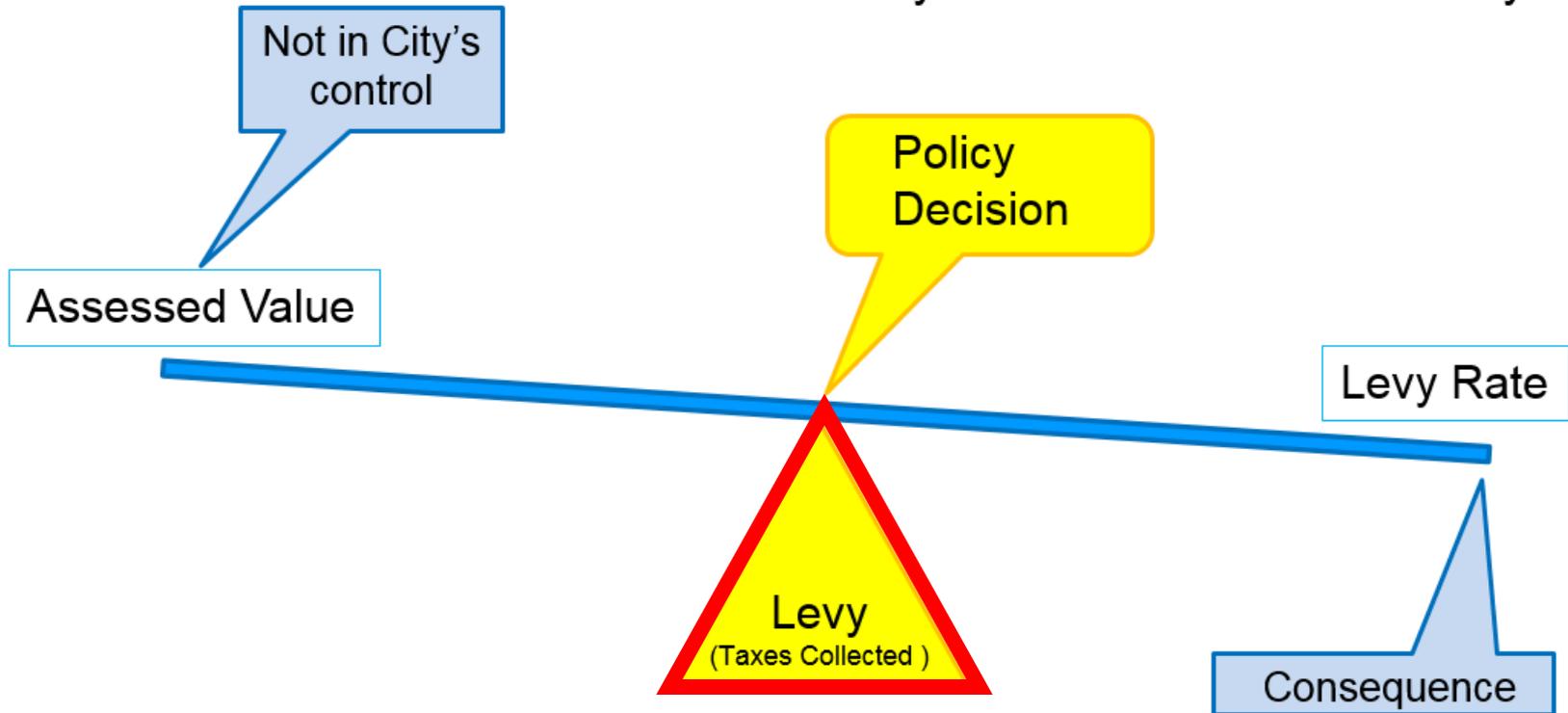
Example Timeline

Property Tax Treatment for Multi-Unit Residential Project					
	January - June	July	August	September-November	December
Year 0	Plans Approved; Construction begins	Project 30% complete	Tax Assessor determines value of project completed	Value added to City AV; City Council determines levy	Property owner pays tax on project
Year 1	Project completed; Tax exemption approved		Tax Assessor determines value of project completed	Tax Assessor removes value of project from AV; land remains in AV	Property owner pays tax on land only
Year 2	During exemption period, the assessed value of the exempt property (both land and improvements) continues to be adjusted to reflect changes in property values for area				
Year 3					
Year 4					
Year 5					
Year 6					
Year 7					
Year 8					
Year 9	City gets bump in legal levy limit. Tax Assessor adds value of new construction to AV as if it were completed the previous year.				



Review: The LEVY MATTERS

$$\text{Levy} / \text{Assessed Valuation} = \text{Levy Rate}$$





MEMORANDUM

To: Administration and Finance Committee
Through: Carl Cole, City Manager
From: Gwen Pilo, Finance And Systems Director
Date: September 12, 2019
Re: 2019–2020 Budget Amendment

History:

Various one-time and ongoing requests were submitted by the City Manager for consideration and presentation at the September 12, 2019 A&F Committee meeting.

Exhibit B provides the Committee with a total summary of all funds, after the addition of the requested expenditures, by fund. The General Fund has available fund balances that can be allocated for the decision cards and other adjustments. Decision cards are attached as Exhibit C.

Exhibit A shows the requests classified into two groups; Decision Cards and Other Adjustments. Decision Cards are new programs not included in a previous budget. Other Adjustments detailed descriptions are provided in the analysis below.

Analysis:

General Fund (001) requests total \$354,322 for the biennium.

Decision Cards include:

- \$296,224 for Deputy City Manager
- \$8,098 for Digital Channel Platform Services

Other Adjustments include:

- \$25,000 for Special Legal Services from unexpected litigation and pre-litigation matters resulting in additional outside counsel services for 2019.
- \$25,000 for City Center Plan Update Contract Increase for the change order approved by Council on August 13, 2019.

The Street Fund (102) adjustments total \$4,700 as a Transfer Out to the Transportation CIP fund (307) and the corresponding revenue as a Transfer In in the 307 fund. Also, the authorization to spend the money from the 307 fund for software subscriptions.

The LTGO Bond Fund (206) adjustments include \$23 in Investment Interest Revenue and \$815 as a Transfer Out to the Hotel/Motel Tax Fund (107) to close out the fund and the corresponding Transfer In to the Hotel/Motel Tax Fund.

The grand total of all funds equals \$354,322 for Decision Cards and \$60,215 for Other Adjustments.

Budgetary Impacts:

In the General Fund, the Decision Cards are both on-going programs that will impact future budgets. The other adjustments are considered one-time items.

The Street Fund Transfer to the Transportation Fund will be included in future budgets, however the impact is minimal (less than \$5,000 per biennium).

If all requests are approved the budgeted ending fund balance across all funds will be reduced \$359,000 to \$81,170,401.

Current projections show expenditures less than budgeted for 2019 and revenues tracking between the optimistic projection and the actual budget (less than 5% over budget).

Revenue

107	107.397.35.00.000
206	206.361.11.00.000
307	307.397.25.00.000

<u>Decision Cards</u>		<u>Other Adjustments</u>		<u>TOTAL</u>
2019	2020	2019	2020	2019-2020
		\$815		\$815
		\$23		\$23
		\$2,200	\$2,500	\$4,700
\$0	\$0	\$3,037	\$2,500	\$5,537

Transfer In - Fund 206
Investment Interest
Transfer In - Fund 102

Expenditures

<u>FUND #</u>	<u>To Acct #</u>
001	001.000.03.513.10.XX.XXX
	001.000.03.513.10.31.008
	001.000.03.513.10.35.000
	001.000.03.513.10.42.028
	001.000.03.513.10.43.031
	001.000.03.513.10.43.032
	001.000.03.513.10.43.033
	001.000.03.513.10.49.054
	001.000.03.513.10.49.061
	001.000.03.518.90.49.053
	001.000.06.515.41.41.022
	001.000.06.515.45.41.022
	001.000.13.558.60.41.000
Subtotal General Fund (001)	
102	102.000.11.597.25.00.000
Subtotal Street Fund (102)	
206	206.000.04.597.35.00.000
Subtotal LTGO Bond Fund (206)	
307	307.000.11.595.30.49.053
Subtotal Transp CIP Fund (307)	
Grand Total - ALL FUNDS	

\$52,786	\$227,438			\$280,224
\$5,000				\$5,000
\$2,000				\$2,000
\$1,500	\$1,500			\$3,000
\$500	\$500			\$1,000
\$250	\$250			\$500
\$500	\$500			\$1,000
\$1,500	\$1,500			\$3,000
\$250	\$250			\$500
\$1,637	\$6,461			\$8,098
		\$2,500		\$2,500
		\$22,500		\$22,500
		\$25,000		\$25,000
\$65,923	\$238,399	\$50,000	\$0	\$354,322
		\$2,200	\$2,500	\$4,700
\$0	\$0	\$2,200	\$2,500	\$4,700
		\$815		\$815
\$0	\$0	\$815	\$0	\$815
		\$2,200	\$2,500	\$4,700
\$0	\$0	\$2,200	\$2,500	\$4,700
\$65,923	\$238,399	\$55,215	\$5,000	\$364,537

Description
Deputy City Manager - S&B
Deputy City Manager - Office & Operating
Deputy City Manager - Small Tools & Minor Equip
Deputy City Manager - Telephone
Deputy City Manager - Lodging
Deputy City Manager - Meals
Deputy City Manager - Transportation
Deputy City Manager - Memberships
Deputy City Manager - Registration
Digital Channel Platform Services
Special Legal Service
Special Legal Service
City Center Plan Update Contract Increase

Transfer Out - Fund 307

Transfer Out - Fund 107

Subscriptions

CITY OF SEATAC, WASHINGTON
2019-2020 BIENNIAL BUDGET: EXHIBIT B

9/24/2019

2019-2020 BIENNIAL BUDGET (EXPENDITURES + ENDING BALANCES) = \$ 236,184,970					
FUND		BEGINNING BALANCE 2019-2020	REVENUES & OTHER SOURCES 2019-2020	EXPENDITURE APPROPRIATION 2019-2020	ENDING BALANCE 2019-2020
001	General Fund	\$ 29,090,983	\$ 80,457,131	\$ 81,053,558	\$ 28,494,556
102	Street Fund	15,681,557	21,642,044	19,676,739	\$ 17,646,862
105	Port ILA	1,609,124	2,940,579	3,125,920	\$ 1,423,783
106	Transit Planning	367,000	1,151,990	1,167,793	\$ 351,197
107	Hotel/Motel Tax	8,359,594	3,716,226	2,608,040	\$ 9,467,780
108	Building Management	3,453,957	1,610,560	2,148,874	\$ 2,915,643
110	Facility Repair & Replacement	-	-	-	\$ -
111	Des Moines Creek Basin ILA	2,487,282	700,000	374,866	\$ 2,812,416
206	2009 LTGO Bond Fund	16,203	23	16,226	\$ (0)
207	SCORE Bond Servicing	266,456	415,463	405,197	\$ 276,722
301	Municipal Capital Improvements	7,257,432	3,254,291	4,469,096	\$ 6,042,627
306	Facility Construction CIP	1,767,848	20,000	25,000	\$ 1,762,848
307	Transportation CIP	15,658,987	12,441,487	25,469,024	\$ 2,631,450
308	Light Rail Station Areas CIP	1,907,243	3,004,282	2,995,625	\$ 1,915,900
403	SWM Utility	4,299,891	8,719,182	8,273,566	\$ 4,745,507
404	Solid Waste & Environmental	427,982	753,240	553,287	\$ 627,935
501	Equipment Rental	1,094,797	1,612,134	2,651,756	\$ 55,175
TOTAL BIENNIAL BUDGET		\$ 93,746,338	\$ 142,438,632	\$ 155,014,568	\$ 81,170,401

Exhibit C
Decision Cards
(5 pages)

**City of SeaTac 2019-2020 Budget
Decision Card**

<p>Title: Deputy City Manager</p> <p>Amount: \$ 296,224.00</p> <p>BARS#: Various</p> <p>On-Going <input checked="" type="checkbox"/> Mandatory <input type="checkbox"/> One-Time <input type="checkbox"/> Discretionary <input checked="" type="checkbox"/></p>	<p>Department: City Manager's Office</p> <p>Division: City Manager's Office</p> <p>Director: Carl Cole</p> <p>Preparer: City Manager Carl Cole</p>
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Description: (Provide a brief overview of *what* is being requested)

This request is for the addition of a Deputy City Manger to the City Manager's Office.

Justification: (Explain *why* this is being requested and/or how the request will benefit the City):

See attached pages.

Alternatives: (List possible alternatives and/or risks if funding is not approved):

The risk of not approving this request is the continued vulnerability of being unable to implement Continuity of Operations in the event of a natural or human-made disaster, or the sudden, unplanned and long-term absence of the City Manager. This position will be instrumental in implementing strategies aimed at reducing costly employee turnover and in developing training to improve the supervisory and management skills of leaders at all levels of the City.

City Goal: (Identify one or more City Goal addressed by this request):

This position will provide support for all six (6) city goals: City Operations, Community Engagement, Infrastructure Investment, Lifelong Learning, Public Safety, and Revenue and Development

Funding Source: (How will this request be funded):

<u>Source/Fund (be specific)</u>	<u>2019 Amount</u>	<u>2020 Amount</u>
Current Operations: General Fund	\$ 64,286.00	\$ 231,938.00
Ending Fund Balance:		
Grant:		
Other:		
TOTAL	\$ 64,286.00	\$ 231,938.00

City of SeaTac
New Position Request Worksheet

(Required for all decision cards requesting a new position)

Title of Associated Decision Card: Deputy City Manager

Position Title *(Provided by HR)*: Deputy City manager

Salary Range/Step *(Provided by HR)*: 80 C

Limited Position?: No

Primary Duties/Responsibilities:

Under the direction of the City Manager, the Deputy City Manager will provide high-level support and assistance to the City Manager in the day-to-day operations of the City of SeaTac; to provide leadership and supervision to assigned departments or functions; to oversee and evaluate the effectiveness of city operations or support services as assigned, to assist in promoting policies set by Council; to provide responsible staff assistance to the City Manager, City Council, and Department Heads; effectively assist in the development and implementation of Council strategies. As a member of the Leadership Team, the position is expected to demonstrate and foster excellent communication skills to actively and effectively engage in strategic planning and organizational development.

Essential functions will include but not be limited to:

- Provide complex, analytical assistance and support to the City manager in the resolution of operational policy and intergovernmental issues, including day-to day operations of the City of SeaTac
- Oversight of internal programs designed to promote and realize professional development at all levels of the city
- Coordinate and respond to Council requests for information
- Represent the City's interests and positions before all legislative and rule-making authorities at all levels of government; act as the City's official representative through personal contacts in the community and appearances before citizens groups and service clubs
- Serve as Acting City Manager in the City Manager's absence or as designated during the response to an emergency event
- Oversight of internal programs aimed at improving efficiencies in processes

	2019	2020
Total Salary <i>(provided by Finance)</i>	37,725.00	159,755.00
Total Benefits <i>(provided by Finance)</i>	15,061.00	67,683.00
Subtotal Salary and Benefits	\$ 52,786.00	\$ 227,438.00
Furniture and Office Equipment	5,000.00	
Computer Hardware and Software	2,000.00	
Uniform		
Vehicle <i>(provided by Public Works)</i>		
Equipment Rental Charges <i>(from 501 Fund - provided by Public Works)</i>		
Training	1,500.00	1,500.00
Telephone <i>(cell/pager, etc.)</i>	1,500.00	1,500.00
Other <i>(specify)</i> : Membership in Professional Organizations	1,500.00	1,500.00
Subtotal Associated Costs	\$ 11,500.00	\$ 4,500.00
TOTAL:	\$ 64,286.00	\$ 231,938.00

A Deputy City Manager is crucial to moving SeaTac forward in three critical areas.

1. Recruiting, Hiring, Training, and Retaining Employees.

We have suffered significant turnover of personnel in the last three years, losing more than 60 positions in the union alone. High turnover is extremely expensive and I judge it to be the most inefficient factor governing costs and effective project implementation. Taking the time to bring a new person "up to speed" is not only inefficient in that the new person has not developed the SeaTac specific skill set necessary to perform efficiently, but it also takes away from the efficiency of the person charged with training the new person. When this occurs more than once in the same job classification within short time frames, the inefficiency is multiplied. There are two subsets to this issue that I have identified.

a. Supervisory and Leadership Training

SeaTac does a good job of keeping supervisors current in the mandatory subjects of training such as workplace harassment, FMLA, etc. While those trainings are important to reduce risk to the City, teaching people 'how' to supervise is equally, if not more, important. This is the leadership component that serves to inspire and motivate and often leads people to produce more than is expected and to come up with new ideas on how to do things better.

b. Morale

Low morale is inefficient. People who do not like coming to work often do not produce the best product, certainly do not produce the most product, and in the end are ambivalent towards situations that could result in future issues and risk to the City. For instance, they may see a situation that if not addressed could lead to a more severe situation and not mention it because, "it's not my job." This is the condition I personally guard against the most. Public service is an honor and to permeate that belief throughout the organization is critical to optimizing efficiency.

2. Operational Tempo

Since moving from Study Sessions to Council Committees a couple of years ago, the operational tempo of the council, and subsequently of staff, has increased dramatically. Under the Study Session model, staff was limited to about 3 hours of presentation time in front of Council per month during the two scheduled study sessions. With the establishment of Council Committees, the number of hours staff have to present in front of Council/committee is over 12 hours per month. This has resulted not only in a significant increase in the amount of time it takes staff to prepare their presentations, but also a significant increase in the subsequent council approval of more projects and programs that staff are then responsible for overseeing to completion.

3. Continuity of Government/Operations

WAC 118-30-040 establishes the responsibilities of Cities to implement an emergency management plan as authorized by RCW 38.52 and codified by the City of SeaTac under SMC 2.75. Periodic plan updates are required and we are currently engaged in a process of updating our Continuity of Government / Continuity of Operations Plan. Of note is that the last time this was revised, most of the Departments and the City Manager's Office had specific, titled, dedicated, number 2's. I do not know what precipitated the removal of the Assistant Parks, Finance, and Public Works Directors, or the Assistant City Manager, but I suspect an idea of fiscal responsibility or economy was

involved. I am completely in favor of conservancy budgeting but that must include the basic components of the base line services our constituencies expect to be delivered, especially in an emergency. We are currently not positioned to respond well to any crisis that lasts more than one operational period.

Adding a Deputy City Manager would give the City the capacity to address these critical areas and more, as well as provide the redundancy necessary to continue to function as a first class government in our rapidly growing economy and environment.

**City of SeaTac 2019-2020 Budget
Decision Card**

Title: Digital Channel Platform Services	
Amount: \$ 8,098.00	Department: CMO
BARS#: 001.000.03.518.90.49.053	Division: Communications
On-Going <input checked="" type="checkbox"/>	Mandatory <input type="checkbox"/>
One-Time <input type="checkbox"/>	Discretionary <input checked="" type="checkbox"/>
	Director: Carl Cole
	Preparer: Kyle Moore

Description: *(Provide a brief overview of what is being requested)*

Yearly subscriptions to WordPress Blog website hosting, HootSuite Social Media Platform Management Service, Archive Social Media Platform Software, the Associated Press Stylebook Online and Search Engine Optimization.

Justification: *(Explain why this is being requested and/or how the request will benefit the City):*

The City of SeaTac will be launching or relaunching several social media platforms including Facebook, Twitter, WordPress Blog, Instagram, and NextDoor Media. After researching multiple options, the below recommendations are the most economical and/or robust software to provide necessary oversight and protection.

The most economical solution to launching a blog is WordPress which is \$25/month for unlimited storage. The Associated Press Stylebook Online subscription allows the City to comply with current blogpost standards. The cost is \$29/year. In order to manage and monitor multiple platforms, a social media platform management software (HootSuite) is needed. The cost of this software is \$29/month. All social media posts and comments also need to be archived in order to comply with public disclosure laws. Archive Social will best protect the City from risk of public disclosure lawsuits. The cost of the software is \$399/month. Because the City of SeaTac is launching all social media platforms from scratch, it will take time to build an audience and for residents to find our social media channels. In order to accelerate the reach of these social media platforms, utilizing Search Engine Optimization (SEO) and Facebook Ads will increase engagement. A projected cost for this is \$83/month. If approved, the City would begin these subscriptions in Q4 of 2019.

Alternatives: *(List possible alternatives and/or risks if funding is not approved):*

Without the proposed software, it would be difficult to monitor social media traffic and comments on multiple platforms. If the City does not have archiving software, the municipality is at risk of public disclosure lawsuits as the Washington Public Records Act (RCW Chapter 40.14) requires that government agencies preserve public records regardless of physical form.

City Goal: *(Identify one or more City Goal addressed by this request):*

The social media software proposal supports the City goal of Community Engagement: Actively engage the community to gather input on the City governance and issues of concern.

Funding Source: *(How will this request be funded):*

<u>Source/Fund (be specific)</u>	<u>2019 Amount</u>	<u>2020 Amount</u>
Current Operations: General Fund	\$ 1,637.00	\$ 6,461.00
Ending Fund Balance:		
Grant:		
Other:		
TOTAL	\$ 1,637.00	\$ 6,461.00