CITY OF BLACK DIAMOND

January 18, 2024, Special Meeting Agenda

Council Chambers, 25510 Lawson Street, Black Diamond, WA 98010

THIS IS OFFERED AS A HYBRID MEETING AND MAY BE ATTENDED IN PERSON AT THE ABOVE NOTED ADDRESS OR BY JOINING VIRTUAL/TELEPHONICALLY. CALL IN AND JOINING INFORMATION FOLLOWS:

Zoom link to join meeting:
https://zoom.us/j/4454477047?pwd=eGxRY3ZEeU14SVM2cGRBcUxCSjdmZz09
(Note: You do not need a web cam to join the meeting, but you will need audio to hear the proceedings.)
Meeting ID: 445 447 7047
Password: Council

Telephone dial in options:
+1 253 215 8782 US (Tacoma)
+1 206 337 9723 US (Seattle)
Meeting ID: 445 447 7047
Password:426953 (phone in only)

5:30 P.M. – CALL TO ORDER, FLAG SALUTE, ROLL CALL

WORK SESSION:

1) Potential Levy Lid Lift Discussion, Review of Options

ADJOURNMENT

General Fund Financial Planning

City of Black Diamond
Presentation to City Council
January 18, 2024

FCS GROUP
Solutions-Oriented Consulting

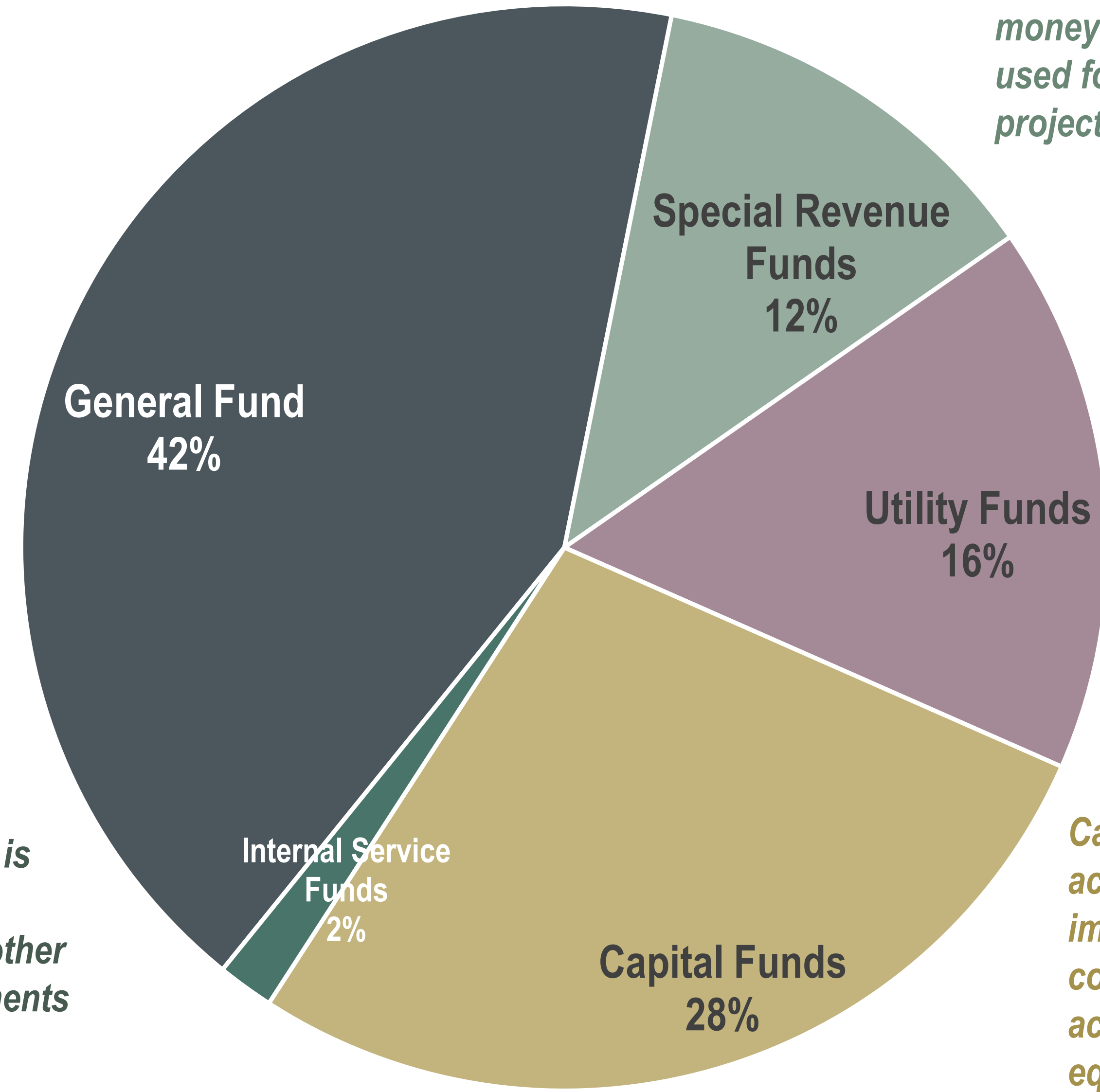
Agenda

- 2024 City Budget Overview
- Major sources of City General Fund Revenues
- Property Taxes 101
- Sources of funding for public safety
- Council discussion/direction

2024 City Budget

The General Fund is the primary fund of the City and provides resources to fund day-to-day City activities

Special Revenue Funds are used to collect money that must be used for a specific project.



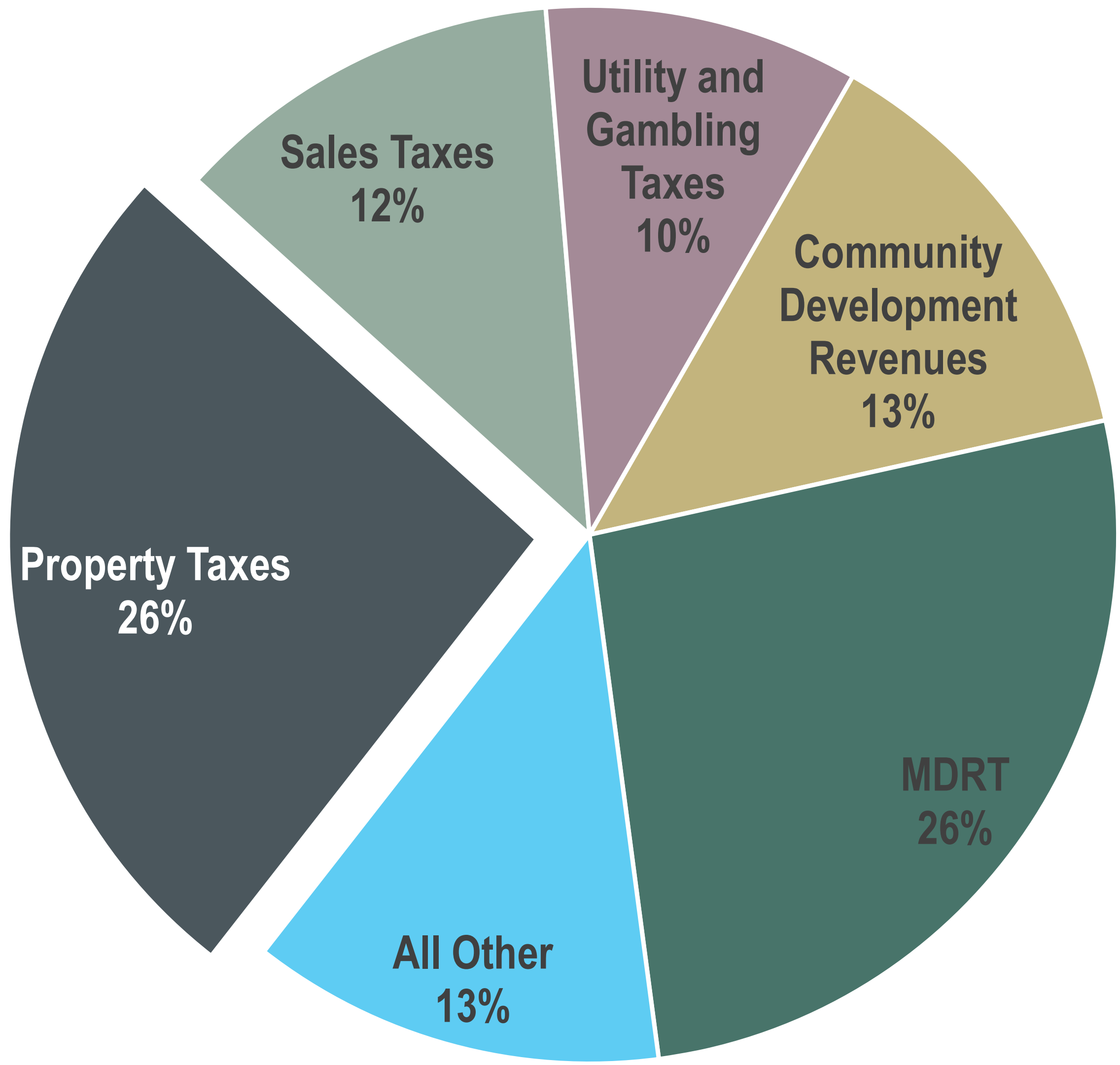
Utility Funds are used to provide public services on a user-charge basis (water, sewer and stormwater services).

Internal Service Funds is used to account for operations that serve other funds or other departments within the City.

Capital Funds are used to account for the improvement, construction or acquisition of buildings, equipment, and roads.

2024 General Fund Sources of Revenue

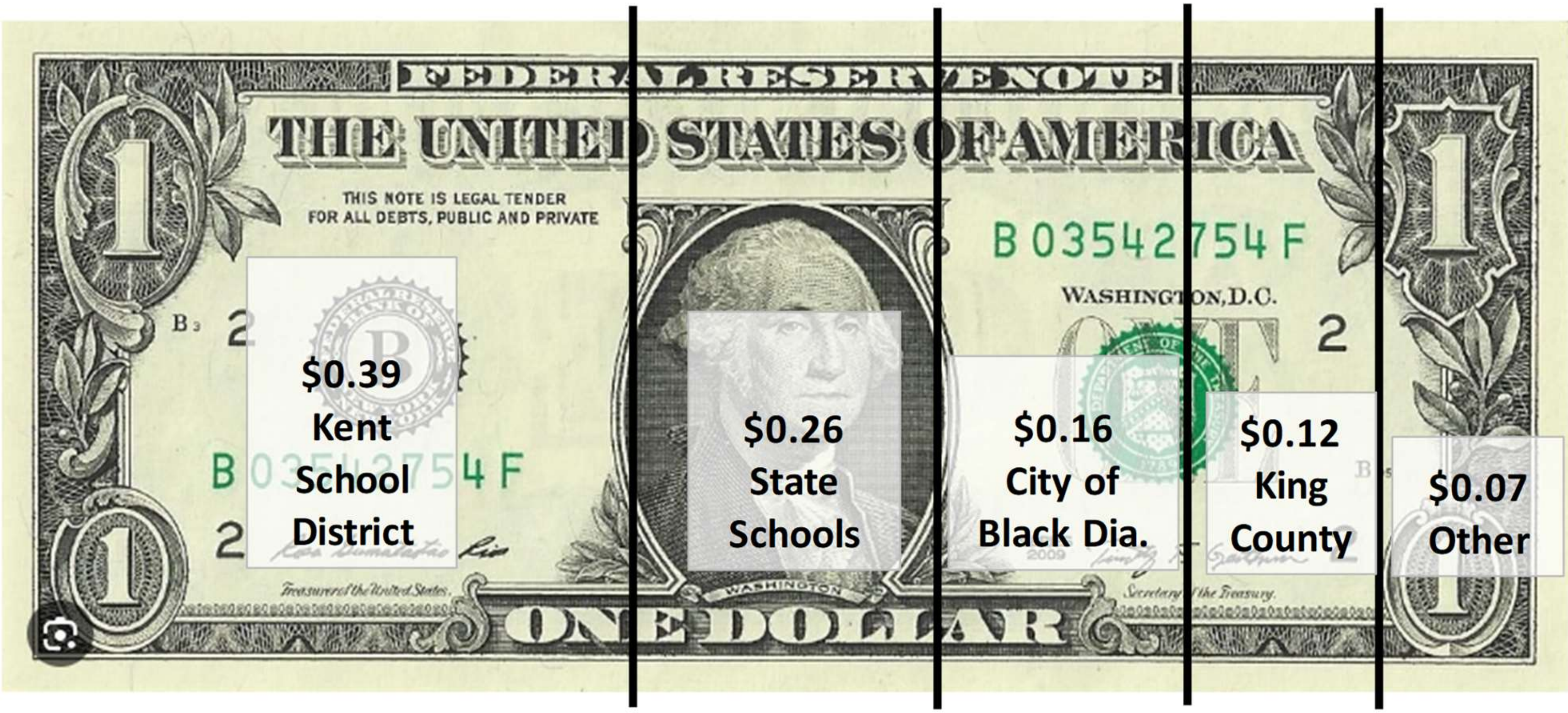
- **Based on assessed value of property**
- **Limited in growth to 1.0%/year**
- **Local levy max of $3.60/$1000 AV**
  - » Fire District
  - » Library
  - » City
- **Can exceed 1.0% limit with voter approval**



Property Taxes – Where does it go?

- **Source of funding for all levels of government**
  - State
  - Ports
  - Schools
  - Library
  - Hospital
  - Sound Transit
  - Emergency Medical Services
  - County
  - Fire District
  - Flood Control and Ferries
  - **City (16.0% of property tax bill goes to fund City services)**
    - Levy lid lift resources can be designated for a specific purpose (e.g. public safety)

Property Taxes – Where Does It Go



Others include: Library, EMS, Port, and Flood Control

$2,118/yr
$177/mo

$1,386/yr
$116/mo

$861/yr
$72/mo

$654/yr
$55/mo

$378/yr
$32/mo

$600,000 Home = $5,397 Property Tax Bill

Property Taxes and the $3.60/$1K AV Limit

- **Levy rate cannot exceed $3.60**
- **If annexed to MVFD and Library levies its full share, City tax limited to $1.60/$1000 AV**
- **Annual property tax growth limited to 1.0% (may exceed with a public vote – "levy lid lift"); but cannot exceed $3.60 ceiling**

Local Levy Rate per $1,000AV

	Current	Statutory Max W Annexation	Statuory Max City only
Fire District	$0	$1.50	$0
Library Dist.	$0.26	$0.50	$0.26
City	$1.44	$1.60	$3.34
Total	$1.70	$3.60	$3.60
Ann Prop Tax $600K home (total)	$1,020/yr	$2,160/yr	$2,160/yr
City Prop Tax Revenue*	~$3.0M	~$3.3M	~$6.9M

*Based on 2024 City AV of $2.069B.

Property Tax and Fire Services Survey (cities between 9K-10.5K)
General Fund Levy only

City (alpha order)	2023 Pop	2023 City Ptax Levy $1,000AV	Fire Service
Fife	11,150	$0.94	Annexed to Pierce County FD#10
Port Townsend	10,330	$0.95	Annexed to Jefferson County FD#1
Ridgefield	15,180	$0.65	Annexed to Clark County F&R
Snohomish	10,330	$0.53	Annexed to Snohomish FD#4
Sumner	10,800	$0.97	Annexed to FD#22
Airway Heights	11,280	$1.43	Airway Heights Fire Department
Buckley	5,555	$1.14	Buckley Fire Department
Burlington	9,905	$1.28	Burlington Fire Department
College Place	9,890	$1.54	College Place Fire Department
DuPont	10,180	$0.80	Dupont Fire Department
Toppenish	8,900	$1.58	Toppenish Fire Department
Black Diamond	6,880	$1.44 (2024)	Contract MVFD

Public Safety Funding

- **Additional resources needed for public safety (fire, police, courts)**
- **Property taxes major source of revenue for public safety**
- **Other sources of City revenue**
  - » Utility taxes (increase tax rate – councilmanic decision)
  - » Business and Occupation tax (new – public vote)
  - » Property tax levy lid lift (increase beyond 1.0% limit - public vote)

Utility Tax Options

Revenue	Current law	Maximum Tax Allowed	Current Yield (2024)	Remaining Capacity
Electric and Nat Gas Tax	6.0% tax	6.0%*	$440K	None
Cable TV Utility Tax	6.0% tax	6.0%	$102K	None
Telephone Utility Tax	6.0% tax	6.0%*	$41K	None
Solid Waste Utility Tax	6.0% tax	6.0%	$100K	None
Water Utility Tax	6.0% tax	No limit	$141K	+1.0% = $24K
Sewer Utility Tax	6.0% tax	No limit	$148K	+1.0% = $25K
Storm Utility Tax	18.0% tax	No limit	$160K	+1.0% = $9K
Total				***+1.0% = $58K***
Soos Creek and Covington Water/WWD – Utility tax on accounts within City jurisdictional boundaries (new revenue in 2024)				~$75K

*May exceed with voter approval. Marginal revenue yield by increasing UT is limited. Not a feasible source of revenue to fund increase in cost of fire services.

Levy Lid Lift

Amount to Raise	Required Increase to Levy Rate	2024 Levy Rate	Revised Levy Rate	$600K Home Bill Impact (City Share)
Current		$1.44		$861.00
$1.0M	$0.50		$1.94	$300.00
$1.5M	$0.75		$2.19	$450.00
$2.0M	$1.00		$2.44	$600.00
$2.5M	$1.20		$2.64	$720.00
$3.0M	$1.45		$2.89	$870.00
$3.5M	$1.70		$3.14	$1,020.00

Ballot Measure Timing – 2024 Gen. Election

BALLOT MEASURE PLANNING

If your jurisdiction is considering a voted revenue increase in the next year or two, such as a levy lid lift, bond measure, or voted sales tax, you must plan ahead and keep the various statutory requirements and deadlines in mind (see RCW 29A.04.321 for counties and RCW 29A.04.330 for cities and towns). Below are the key statutory deadlines for upcoming elections; you may also refer to the Secretary of State's Elections Calendar.

Key Dates for Voted Revenue Increases

Election	Filing deadline	Election date	Approved sales tax changes take effect (RCW 82.14.055)	Approved property tax changes take effect (RCW 84.52.070)
2023 Primary	Already passed	August 1, 2023	January 1, 2024	2024
2023 General	August 1, 2023	November 7, 2023	April 1, 2024	2024
2024 Feb. Special	December 15, 2023	February 13, 2024	July 1, 2024	2025
2024 Apr. Special	February 23, 2024	April 23, 2024	January 1, 2025	2025
2024 Primary	May 3, 2024*	August 6, 2024	January 1, 2025	2025
2024 General	August 6, 2024	November 5, 2024	April 1, 2025	2025

* As of this writing, the Secretary of State's elections calendar lists the filing deadline for the 2024 primary election as May 10, 2024. However, we calculate the filing deadline as May 3, 2024 due to new legislation (SB 5182) that moved up the first day of regular candidate filing to the first Monday in May. The deadline to file a ballot measure resolution for the primary election is the Friday immediately before the first day of regular candidate filing.

For more information on the ballot measure process – including election timing considerations, ballot titles, pro/con committees, validation (turnout) requirements, and more – see our webpage Local Government Ballot Measures.

Levy Lid Lift Planning Schedule (Draft)

Strategy	City Action	Outcome
January 18	• Public safety funding	• Council decision/direction
February	• Public safety funding (if needed) • Levy lid lift resolution worksession and ballot planning begins	• Council decision/direction
March	• Finalize levy lid lift ballot requirements • City Council Public Hearing	• Council decision/direction • Public review/comment
April	• Engage public relations firm • Elections planning	• Community education • Begin preparing explanatory statement and pros/cons statement
May	• Elections planning	• Community education
June	• Levy lid lift resolution adopted • Elections planning	• Council adoption

Levy Lid Lift Planning Schedule (Con't)

Strategy	City Action	Outcome
July	• Adopted resolution filed with WA State Secretary of State	• Elections filing completed (Aug6 is last day)
August	• Prepare materials for voter's pamphlet	• Explanatory statement • Voter's pamphlet pros/cons statement
September	• Finalize voter's pamphlet	• Approve voter's pamphlet proof
October	• Community education	• Voter's Pamphlets and Ballots mailed • Ballot drop boxes open • Deadline to register to vote
November	• Elections day (Nov5)	• Elections
November 29		• Election Results certified (Nov29)

Levy Lid Lift Ballot (Example)

Example of a Multi-Year Levy Lid Lift with an annual Levy Limit Factor City of Medina

November 5, 2019 General and Special Election

City of Medina
Proposition No. 1
Levy Lift to Maintain Public Safety and Other Core Governmental Services

The City Council of the City of Medina, Washington adopted Ordinance No. 970 concerning voter approval of its regular property tax levy.

This proposition would maintain police, fire, park and mandated community services by increasing Medina's regular property tax levy rate above the limit factor by $0.20/$1,000 assessed value to a maximum rate of $0.83712/$1,000 assessed valuation for collection in 2020, set a 5% limit factor for each year 2021-2025, use the 2025 levy amount as the base to compute subsequent levy limits, and exempt low income seniors and disabled; as set forth in Ordinance No. 970.

Should this Proposition be approved?

Yes

No

Proposition No. 1		
Yes	640	50.91 %
No	617	49.09 %

Fire Services Alternatives

	Pros	Cons
Annex into MVFD	❑ Fire services provided by another agency	❑ No local control ❑ City will lose up to $1.50 property tax levy capacity
Annex into Regional Fire Authority	❑ Fire services provided by another agency	❑ No local control ❑ City will lose up to $1.50 property tax levy capacity
Form City owned and operated Fire Department	❑ Local control maintained	❑ New department, staffing and funding required
Continue MVFD contract *(current contract expires Dec2027)*	❑ Local control maintained	❑ Renegotiation of contract required starting 2024

Council Discussion and Direction

- **What are Council's priorities?**
  - » Maintain local control of fire services
  - » New source of revenue needed for public safety services
- **Funding options**
  - » Property tax levy lid lift
  - » Utility tax rate increase not a viable option
- **FCS GROUP recommendations**
  - » Maintain local control
    - – Contract with MVFD or others
    - – Form own Fire Department
  - » Begin positioning City through a levy lid lift
    - – Timing: 2024 General Election

Thank you!
Questions?

www.fcsgroup.com