



Resolution No. R2020-22 and Resolution R2020-23

2021 Property Tax Levy

Meeting:	Date:	Type of action:	Staff contact:
Board	11/19/2020	Final action	Tracy Butler, Chief Financial Officer Ryan Fisher, Director FPA & Budget, Finance Shahnaz Ghazi, Senior Financial Planner, Finance

Proposed action

Resolution No. R2020-22: Makes a finding of substantial need for the purposes of setting the limit factor for the 2021 property tax levy.

Resolution No. R2020-23: (1) Authorizing a 1.0 percent statutory increase in the property tax levy for 2021, (2) certifying the total property tax levy amount inclusive of levy increases per RCW 84.55.010, and (3) authorizing the preparation of the levy certification forms.

Key features summary

- These actions authorize a statutory increase of 1.0% to the levy for 2021 in accordance with RCW 84.55.010 (effective increase of 0.86% or \$1,326,418 over last year's actual levy inclusive of refunds, per preliminary King County Assessor data as of 11/05/20).
- The statutory levy increase is the lessor of the implicit price deflator (IPD) or 1.0%. The 2020 IPD for the 2021 property tax levy is 0.602%, lower than the 1.0% cap. To increase the levy above the IPD and up to 1.0%, the Board must make a finding of a substantial need by approving Resolution No. R2020-22.
- Upon Board approval of the regular increase and substantial need resolutions, Sound Transit will seek the statutorily maximum allowable levy for 2021 by submitting a levy of \$161,000,000 to the King County Assessor, which includes the statutory increase of 1.0%, plus \$4,816,905 for estimated exempt increases per RCW 84.55.010, including new construction, improvements to property, increases in state-assessed property, increases in assessed value due to the construction of new renewal electric generation facilities, as well as annexations, levy corrections and prior year refunds. The levy rate is estimated to be \$0.197 per \$1,000 of assessed value, based on preliminary King County Assessor data as of 11/5/2020.
- Annual collection of the statutorily allowable property tax levy is assumed in Sound Transit's long-range financial plan, and contributes to sufficient financial capacity to deliver and operate the regional transit system.
- This action also authorizes staff to prepare levy certification forms and submit them to King, Pierce, and Snohomish Counties by November 30, 2020, and authorizes the Board Administrator to take any actions deemed necessary or useful to implement this resolution.

Background

In June 2016, through Resolution No. R2016-17, the Board acted to place the Sound Transit 3 (ST3) plan on the November 8, 2016, general election ballot. The ST3 plan, placed on the ballot as Proposition 1, asked voters to approve certain local taxes to implement Sound Transit 3 in parts of King, Pierce, and Snohomish Counties. Funding would be utilized to continue developing regional high capacity transit by expanding Link light rail, Sounder commuter rail, and Stride bus rapid transit, and by continuing interim ST Express bus service to connect the region's population, employment, and growth centers.

Proposition 1 included a property tax to be levied at a rate up to twenty-five cents (\$0.25) per \$1,000 of assessed value. On November 29, 2016, election officials certified that a majority of the votes cast in the November 8, 2016, general election approved Proposition 1 to implement ST3.

Based on voter approval of ST3, Section 1 of Resolution No. R2016-29 levied a regular property tax on property within the Central Puget Sound Regional Transit Authority Boundary, as set forth in Resolution No. R2016-17, at a rate of \$0.25 per \$1,000 of assessed value for the 2017 tax year, and a property tax budget of \$150,000,000. The final levy of \$141,376,225 was based on assessed value of \$565,504,900,891, and a rate of \$0.25 per \$1,000 of assessed value.

In 2017, by Resolution No. R2017-41, the Board authorized a 2018 levy of \$150,000,000 based on preliminary assessed valuation for the district. The final levy of \$145,845,096 was based on assessed value of \$641,206,638,784, and a rate of \$0.227 per \$1,000 of assessed value.

In 2018, by Resolution No. R2018-47, the Board authorized a 2019 levy of \$151,500,000 based on preliminary assessed valuation for the district. The final levy of \$150,575,263 was based on assessed value of \$727,386,289,152, and a rate of \$0.207 per \$1,000 of assessed value.

In 2019, by Resolution No. R2019-28, the Board authorized a 2020 levy of \$155,500,000 based on preliminary assessed valuation for the district. The final levy of \$154,910,743 was based on assessed value of \$777,233,277,091, and a rate of \$0.199 per \$1,000 of assessed value.

Fiscal information

Sound Transit is a joint taxing district covering portions of three counties. King County, as the county with the highest assessed value and location of Sound Transit's head office, is charged with calculating Sound Transit's levy and assessed value, in conjunction with Pierce and Snohomish Counties.

The proposed 2021 revenue & other financing sources (excluding TIFIA loan proceeds) are budgeted at \$2.3 billion and the proposed 2021 expenses and outlays are budgeted at \$3.1 billion, resulting in a funding gap of \$826 million. Property taxes represent 5% of the proposed 2021 revenue & other financing sources budget. Sound Transit will submit a 2021 levy of \$161,000,000 to the assessor, which includes the statutory increase of 1.0% comprising of the regular levy increase at the IPD inflation rate of 0.602% plus the substantial need increase of 0.398%. The effective increase is estimated to be 0.86% or \$1,326,418 over last year's actual levy inclusive of refunds. The 2021 levy also includes \$4,816,905 for estimated exempt increases per RCW 84.55.010, including new construction, improvements to property, increases in assessed value due to construction of wind turbine, solar, biomass, and geothermal facilities, increases in state-assessed property, as well as annexations, levy corrections, and prior year refunds. The preliminary district assessed valuation is \$805,458,009,911 as of November 5, 2020.

The assessor will certify the final assessed value and levy in January or February 2021. The 2021 levy rate is currently estimated to be \$0.197 per \$1,000 of assessed value, lower than the 2020 levy rate of \$0.199 per \$1,000 of assessed value, and the statutory levy limit of \$0.25 per \$1,000 of assessed value, due to the growth in district's assessed valuation and statutory levy limits.

If the Board declines to authorize this resolution, then the revenue loss in 2021 is estimated to be \$1.5 million. However, there is a more significant and permanent reduction in the levy base as included in the long range financial plan projections with an estimated revenue loss through 2041 of \$15.1 million to \$35.4 million.

Disadvantaged and small business participation

Not applicable to this action.

Public involvement

A public hearing was held on the Proposed 2021 Budget and Property Tax Levy on November 12, 2020.

Time constraints

The levy certification form authorized by the Board must be submitted to King County by November 30, 2020, in order to begin collecting the proposed 2021 property taxes.

Prior Board/Committee actions

Resolution No. R2019-28: Authorized the following to allow for the collection of property taxes in 2020: (1) a 1.0 percent statutory increase in the property tax levy for 2020, (2) certifying the total property tax levy amount inclusive of levy increases per RCW 84.55.010, (3) the preparation of levy certification forms, and (4) the chief executive officer to execute all necessary contracts for collection and/or administration services.

Resolution No. R2019-11: Amended Sound Transit's existing legal boundary description to include annexations to the City of Renton and clarifies certain boundary references.

Resolution No. R2018-47: Authorized the following to allow for the collection of property taxes in 2019: (1) a 0.98 percent increase in the regular property tax levy for 2019, (2) the preparation of levy certification forms, and (3) the chief executive officer to contract for any necessary contracts for tax collection and/or administration services.

Resolution No. R2017-41: Authorized the following to allow for the collection of property taxes in 2018: (1) a 1.0 percent increase in the regular property tax levy for 2018, (2) the preparation of levy certification forms, and (3) the chief executive officer to contract for any necessary contracts for tax collection and/or administration services.

Resolution No. R2016-29: Fixed, levied, and imposed a twenty-five cents (\$0.25) per \$1,000 of assessed valuation property tax as authorized by the voters during the November 8, 2016, general election, authorizing the preparation of the levy certification, and authorizing the chief executive officer to contract for tax collection and administration services.

Environmental review – KH 11/13/20

Legal review – MT 11/13/20



Resolution No. R2020-22

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority making a finding of substantial need for the purposes of setting the limit factor for the 2021 property tax levy.

WHEREAS, the Central Puget Sound Regional Transit Authority, commonly known as Sound Transit, was formed under chapters 81.104 and 81.112 of the Revised Code of Washington (RCW) for the Pierce, King, and Snohomish Counties region by action of their respective county councils pursuant to RCW 81.112.030; and

WHEREAS, Sound Transit is authorized to plan, construct, and permanently operate a high-capacity system of transportation infrastructure and services to meet regional public transportation needs in the Central Puget Sound region; and

WHEREAS, in general elections held within the Sound Transit district on November 5, 1996, November 4, 2008, and November 8, 2016, voters approved local funding to implement a regional high-capacity transportation system for the Central Puget Sound region; and

WHEREAS, RCW 84.55.0101 provides that a taxing jurisdiction may levy taxes in an amount that does not exceed the limit factor multiplied by the highest levy of the most recent three years plus additional amounts resulting from new construction and improvements to property; and

WHEREAS, under RCW 84.55.005(2)(c) the limit factor for a taxing jurisdiction with a population of 10,000 or over is the lesser of 101 percent or 100 percent plus inflation; and

WHEREAS, RCW 84.55.005(1) defines "inflation" as the percentage of change in the implicit price deflator for personal consumption expenditures for the United States as published for the most recent 12-month period by the Bureau of Economic Analysis of the federal Department of Commerce in September of the year before the taxes are payable; and

WHEREAS, "inflation" for July 2020 is 0.602 percent and the limit factor is 100.602 percent, with an estimated revenue loss of \$0.6 million for property taxes collected in 2021, except for the amounts resulting from new construction and improvements to property and all other exempt increases per RCW 84.55.010; and

WHEREAS, when the limit factor is below 101 percent of previous year's property tax levy, a taxing jurisdiction may increase the levy by the full 101 percent maximum on a finding of substantial need; and

WHEREAS, there is a more significant and permanent reduction in the levy base as included in the long range financial plan projections with an estimated property tax revenue loss of \$14.2 million through 2041; and

WHEREAS, revenue and other financing sources for the proposed 2021 budget excluding TIFIA loan proceeds are \$2.3 billion, and expenditures are budgeted at \$3.1 billion, resulting in a funding gap of \$826 million; and

WHEREAS, after considering all of the relevant information, the Sound Transit Board has determined a substantial need increase to the property tax levy is necessary to generate sufficient funds to continue implementation of the Sound Transit 3 Regional Transit Plan for Central Puget Sound (ST3 Plan), which was approved by voters on November 8, 2016;

NOW, THEREFORE, BE IT RESOLVED by the Board of the Central Puget Sound Regional Transit Authority that:

Section 1. A finding is made of substantial need under RCW 84.55.0101, which authorizes a limit factor of 101 percent for the property tax levy for 2021 to maintain sufficient funding to continue implementation of the voter approved plans, given the projected budget shortfall in 2021 and more significant impact on the long range financial plan projections.

ADOPTED by a super majority of the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on November 19, 2020.



Kent Keel
Board Chair

Attest:



Kathryn Flores
Board Administrator