



**CITY OF BURIEN  
AGENDA BILL**

<b>Agenda Subject:</b> Motion to Adopt Resolution No. 305, Opposing Initiative Measure No. 1033 Concerns State, County and City Revenue		<b>Meeting Date:</b> October 5, 2009
<b>Department:</b> Finance	<b>Attachment:</b> 1. <u>Impact to City of Burien Presentation</u> 2. <u>Potential Effects of I-1033 on Burien excluding Annexation</u> 3. <u>Potential Effects of I-1033 on Burien w/ Annexation</u> 4. <u>Resolution No. 305</u> 5. <u>RCW 42.17.130</u> 6. <u>Initiative 1033</u>	<b>Fund Source:</b> N/A <b>Activity Cost:</b> N/A <b>Amount Budgeted:</b> N/A <b>Unencumbered Budget Authority:</b> N/A
<b>Contact:</b> Tabatha Miller, Director		
<b>Telephone:</b> (206) 439-3150		
<b>Adopted Work Plan Priority:</b> Yes    No <input checked="" type="checkbox"/>	<b>Work Plan Item Description:</b> N/A	
<b>PURPOSE/REQUIRED ACTION:</b> The purpose of this agenda item is for Council to adopt Resolution No. 305 opposing Citizen Initiative No. 1033 (I-1033), which is on the ballot for the November 3, 2009, election.		
<b>BACKGROUND (Include prior Council action &amp; discussion):</b> On September 14, 2009, the City Council provided an opportunity for interested parties to offer comments (“pro” or “con”) concerning I-1033. On September 28, 2009 the Council indicated that it would support a resolution opposing I-1033 and directed staff to place the resolution on the October 5, 2009 Business Agenda.  I-1033 requires the State, county and city governments to limit their general fund revenues to the amount resulting from inflation, based on the implicit price deflator (IPD) for the U.S., and population growth. Any revenue exceeding that formula must be used to reduce property taxes. I-1033 excludes voter-approved revenue increases but makes no accommodation for commercial growth or annexation within the jurisdiction. This is problematic for Burien, in that the formula established by I-1033 does not take into account commercial growth like that envisioned in the Northeast Development Area (NERA). The IPD is a national indicator of inflation on consumer goods but does not reflect commercial growth at the local level. In essence, any commercial growth in the NERA or elsewhere which increased the City’s revenues could not be used to provide the supporting city services, but instead would decrease the next year’s property taxes. Nor does the I-1033 formula adjust so that general fund annexation revenues and the increased population correspond to ensure that additional revenue from the annexation area can be used for city services in the annexation area. Instead, under I-1033 a portion of the annexation revenue will be used to lower property taxes.  This also has the effect of state and local governments providing a benefit only to property owners rather than spending general fund revenues on services to benefit the entire community. Services such as education, economic development, transportation, parks, and public safety that have been adversely affected by recent revenue shortfalls are at risk of never recovering under I-1033.  Under I-1033, 2009 is the base year to which the growth/inflation formula is applied. This means that long-term state and local revenues are tied to revenue levels in a year in which revenue shortfalls caused service reductions, furloughs, layoffs, and discontinued programs in many jurisdictions. Moreover, it is not likely that federal economic stimulus money or one-time fund balances will be available to bridge shortfalls, as they were in 2009. After budget cuts, Burien closed its 2009 general fund revenue shortfall with \$900,000 in one-time fund balance. This means that if I-1033 passes, Burien would have to cut an additional \$900,000 from its general fund going forward.		
<b>Administrative Recommendation:</b>		
<b>Committee Recommendation:</b> N/A		
<b>Advisory Board Recommendation:</b> N/A		
<b>Suggested Motion:</b> Motion to Adopt Resolution No. 305, Opposing Initiative No. 1033		
Submitted by: Tabatha Miller <b>Administration</b>  <b>City Manager</b> 		
<b>Today’s Date:</b> September 29, 2009	<b>File Code:</b> R:\CC\Agenda Bill 2009\100509cm- I1033Reso.docx	





# INITIATIVE 1033

September 28, 2009

City of Burien

# INITIATIVE 1033 OVERVIEW

- Beginning in 2010
- State, Counties and Cities in Washington limited to annual growth in their General Fund Revenue, equal to Inflation + Increase in Population
- Base Year for calculation is 2009
- Revenue base for future years is the lesser of current year's actual revenue or current year's I-1033 revenue limit
- Revenue collected over the growth formula deposited into "Lower Property Tax Account"

# I-1033 ANNUAL FORMULA



# I-1033 FORMULA COMPARISON

## *Burien's Estimated I-1033 Formula 2010*



## *Burien's Average Annual Growth (Last 10 years)*

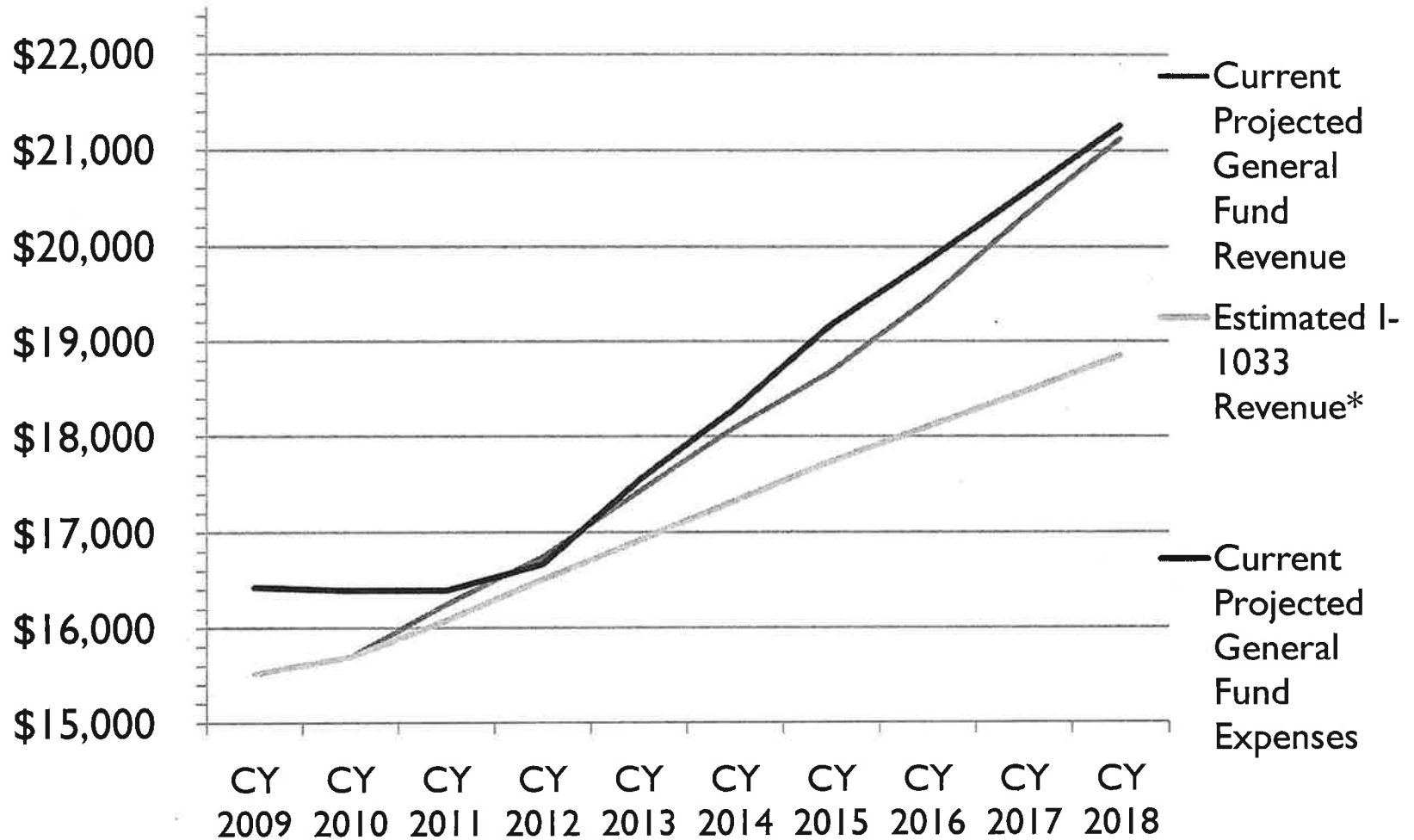


# IMPACTS OF I-1033

- Disincentive for commercial growth and economic development.
  - *IPD measures inflation on national level for consumer goods and is not tied to local commercial growth*
- Residential Growth may not be captured in I-1033 formula
  - *Revenue not received in the same year as the population increase is measured maybe subject to “Ratchet Effect”*
- Revenue impacted in 2009 by recession may never recover
  - *Budget reductions implemented in 2009 would be permanent and fixes such as federal stimulus funds and 1-time fund balance will need to be replaced by further reductions for future years.*

# IMPACT TO BURIEN

## Excluding Annexation (in 1,000s)

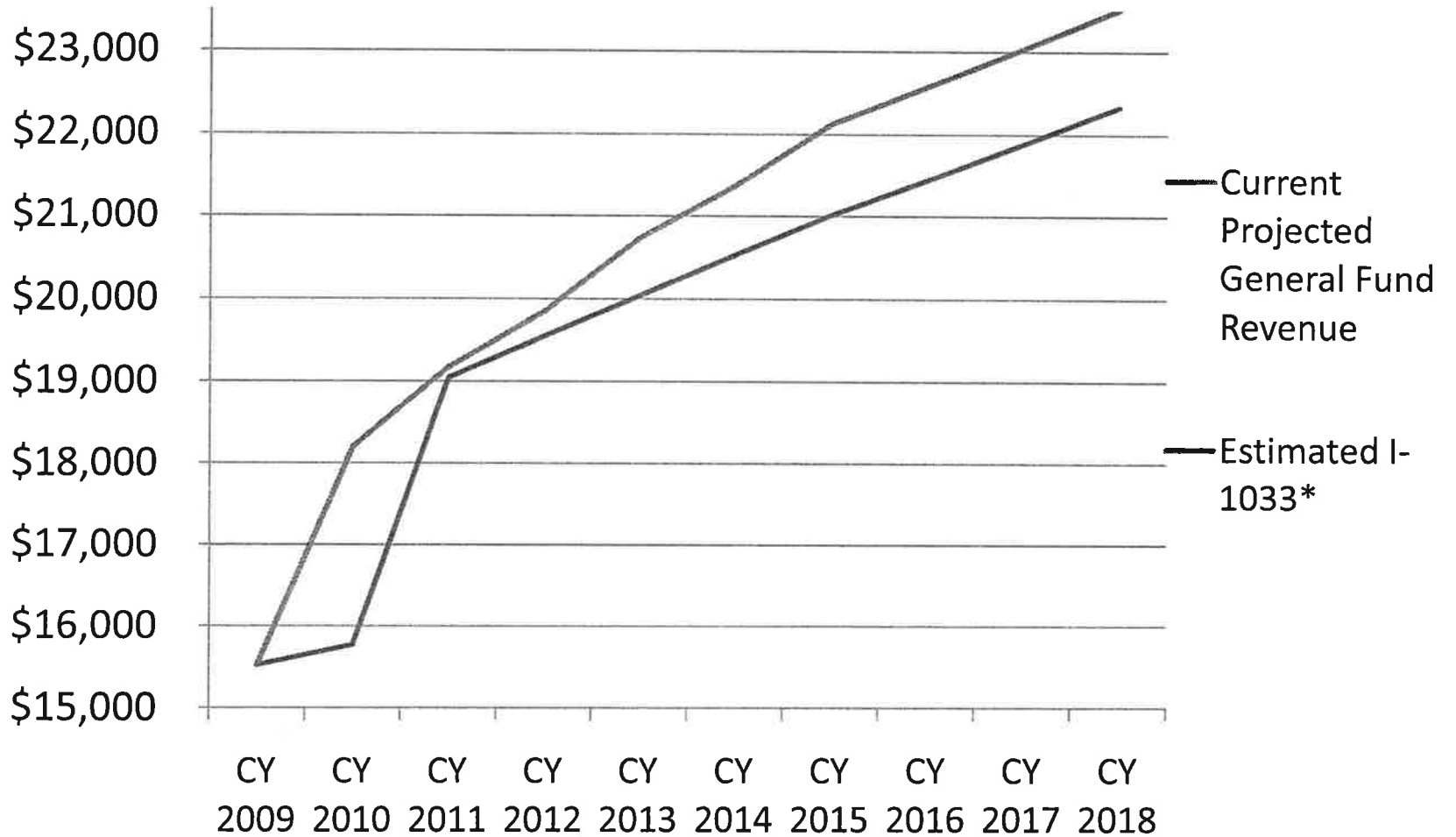


\* Estimated I-1033 Revenues based on Association of Washington Cities (AWC) template projections.



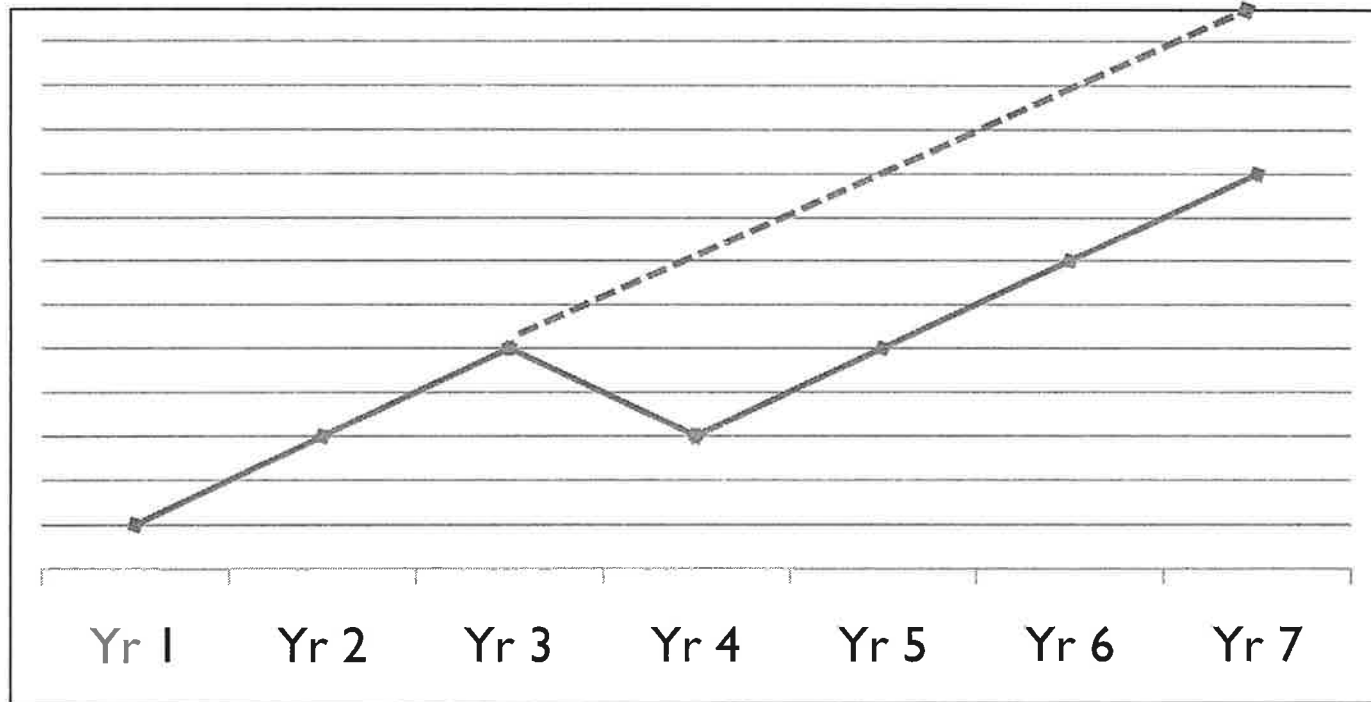
# IMPACT TO BURIEN

Including Annexation (in 1000's)



\* Estimated I-1033 Revenues based on Association of Washington Cities (AWC) template projections.

# I-1033 RATCHET EFFECT



Assuming that revenue grows for first 3 years at level that meets or exceeds I-1033 formula, then in year 4 a recession resets the revenue base.\* Future allowable revenue is permanently “ratcheted” down or in other words a recovery (dash line) will never be realized by the jurisdiction. Future recessions will further increase the gap.

\*Current revenue base for formula is the lesser of prior year actual revenue or prior year’s I-1033 Limit

**ESTIMATING IMPACTS OF INITIATIVE 1033**

Assumptions outlined by the Association of Washington Cities (see more on assumptions below)  
 Updated by City of Burien September 21, 2009 - excluding impacts from annexation area

\* Shaded cells should be filled out by jurisdiction depending upon local conditions and forecasts

	IPD (March to March) (Note 1)	Population Growth Estimate* (Note 2)	GF Forecast w/out I-1033 (Note 3)	Forecasted Growth in GF Revenues* (Note 3)	Levy w/out "Lower City Property Tax Account" Transfer* (Note 4)	Growth in Prop Tax w/out "Lower City Property Tax Account" Estimated* (Note 4)	Estimated Actual GF Revenues w/out Limit (Note 5)	Gen Fund Revenue w/ Limit (Note 6)	Lesser of GF Revenue Limit (J) or GF Actuals growing at rate in column F (I) (I-J)	% Increase in Gen Fund Limit or Actual Revenues (Column K)	Amount Over/Under Revenue Limit (I-J)	Transfer to "Lower City Property Taxes Account"	Property Tax After "Lower City Property Tax Account" Transfer (Note 7)
CY 2009	0.50%	1.11%	15,516,098	-10.60%	5,399,539	15,516,098	15,516,098	15,516,098					5,399,539
CY 2010	1.60%	0.65%	15,692,982	1.14%	5,467,033	15,692,982	15,766,768	15,692,982	1.14%	-73,787	0	0	5,467,033
CY 2011	2.00%	0.65%	16,250,082	3.55%	5,540,838	16,250,082	16,079,296	16,079,296	2.46%	170,787	0	0	5,540,838
CY 2012	1.80%	0.65%	16,744,085	3.04%	5,621,180	16,738,893	16,507,487	16,507,487	2.66%	231,406	170,787	170,787	5,450,394
CY 2013	1.80%	0.65%	17,425,569	4.07%	5,702,687	17,410,748	16,913,852	16,913,852	2.46%	496,896	231,406	231,406	5,471,282
CY 2014	1.70%	0.65%	18,092,968	3.83%	5,785,376	18,058,548	17,330,220	17,330,220	2.46%	728,328	496,896	496,896	5,288,481
CY 2015	1.70%	0.65%	18,726,222	3.50%	5,869,264	18,665,106	17,739,396	17,739,396	2.36%	925,710	728,328	728,328	5,140,937

- NOTES:**
- (1) IPD estimates for CY 2009-CY 2011 are from the June 2009 Washington State Economic and revenue Forecast. Inflation estimates for CYs 2012-15 are from the June 2009 HIS Global Insight forecast (OFM)
  - (2) Population growth estimates provided are based on OFM's forecasted population increases for cities in urban counties; cities should replace with own estimates
  - (3) General fund revenues and revenue growth should reflect current forecasts without I-1033
  - (4) Growth should reflect anticipated councilmanic increases plus increases due to new construction/improvements, annexation, electric generation wind turbine facilities and state-assessed property
  - (5) CY 2010 revenue calculated as: (CY 2009 GF REV X GF forecasted growth) + CY 2009 GF REV; CY 2011 and subsequent years calculated as ((CY 2010 GF REV - transfer to Lower City Property Tax Account) X % GF forecasted growth) + CY 2010 GF REV; For simplicity the same forecasted growth rate is assumed with or without passage of I-1033.
  - (6) CY 2010 revenue limit calculated as: CY 2009 GF REV X (1 + 2009 % Change Pop) X (1 + 2009 % Change IPD); CY 2011 and subsequent years limit calculated as: CY 2010 GF REV - transfer X (1 + 2010 % Change Pop) X (1 + 2010 % Change IPD)
  - (7) Lower City Property Taxes Account is applied to previous year's full levy, reflecting any limit factor increase (plus new construction/improvements, annexation, electric generation wind turbine facilities and state-assessed property). Reflects the amount of the levy set for collection in following year

**OFM GENERAL ASSUMPTIONS**

CY 2010 revenue limit calculated as: CY 2009 GF REV X (1 + 2009 % Change Pop) X (1 + 2009 % Change IPD)  
 CY 2010 GF revenues exceeding CY 2010 revenue limit are transferred into "Lower City Property Tax Account"  
 First transfer to the "Lower City Property Tax Account" takes place in CY 2011  
 First property tax levy to be reduced is levy set in CY 2011 for CY 2012 collection  
 General fund revenues defined as taxes, fees and other governmental charges. Revenues coded for the general fund in the BARS chart of account included, excluding the following categories:  
 Federal and state direct and indirect grants  
 State shared taxes or revenues  
 Charges for contracted services performed  
 Charges for enterprise activities or charges that are not governmental in nature  
 Inter-fund and inter-department charges  
 Interest and investment earnings

**AWC ADDITIONAL INFORMATION**

Using the assumptions outlined in Office of Financial Management's fiscal impact statement, in addition to some of our own, AWC has developed this spreadsheet that cities can use to estimate their individual jurisdiction's impacts. In building this spreadsheet, AWC worked with a group of finance directors to interpret the language in I-1033 and test the model.

Cities should note that neither OFM nor AWC is a regulatory agency, and this impact model outlines assumptions for estimating fiscal impacts only. It does not serve as an implementation guide should the Initiative pass. The impact model is intended to provide cities with an idea of the magnitude of change under the initiative, rather than a specific dollar amount.

Once your city has estimated the impacts of I-1033, please forward this spreadsheet to Alicia Seegers Martinelli, [aliciam@awcnet.org](mailto:aliciam@awcnet.org), to be included on our website.

**ATTACHMENT 2**



**ESTIMATING IMPACTS OF INITIATIVE 1033**

Assumptions outlined by the Association of Washington Cities (see more on assumptions below)  
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CY 2010	1.80%	45.65%	18,206,589	17.34%	5,464,333	18,206,589	15,766,768	15,766,768	1.62%	2,439,821	0	0	5,464,333
CY 2011	2.00%	0.65%	19,175,160	5.32%	5,532,638	19,045,381	23,377,655	19,045,381	20.79%	-4,332,274	2,439,821	2,439,821	3,092,817
CY 2012	1.80%	0.65%	19,846,311	3.50%	6,868,770	19,711,970	19,552,560	19,552,560	2.66%	159,410	0	0	6,868,770
CY 2013	1.80%	0.65%	20,731,457	4.46%	6,868,367	20,584,014	20,033,885	20,033,885	2.46%	550,129	159,410	159,410	6,808,957
CY 2014	1.70%	0.65%	21,374,132	3.10%	7,069,408	21,205,064	20,527,060	20,527,060	2.46%	678,005	550,129	550,129	6,519,279
CY 2015	1.70%	0.55%	22,122,227	3.50%	7,171,915	21,923,512	21,011,714	21,011,714	2.36%	911,798	678,005	678,005	6,493,910

**NOTES**

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**ATTACHMENT 3**



**CITY OF BURIEN, WASHINGTON**  
**RESOLUTION NO. 305**

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**A RESOLUTION OF THE CITY OF BURIEN, WASHINGTON,  
OPPOSING “INITIATIVE MEASURE NO. 1033 CONCERNS  
STATE, COUNTY AND CITY REVENUE”**

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WHEREAS, Initiative 1033 qualified for the November 2009 ballot and would require the state, counties and cities to limit the annual growth of their general fund revenue to the rate of inflation and population growth, not including voter-approved revenue increases. Revenue collected above the limit would reduce property tax levies; and

WHEREAS, Initiative 1033 would make 2009 the year for calculating the general fund revenue base, above which 2010 revenues would be transferred into a new “Lower Property tax Account”; and

WHEREAS, the national and local recession has caused the state and local governments to significantly reduce their budgets in 2009; and

WHEREAS, Initiative 1033 defines “general fund revenues” as revenue from taxes, fees and other governmental charges; and

WHEREAS, the City of Burien depends upon general fund revenues in order to provide governmental services such as recreational programming, human service and arts funding, parks maintenance and public safety; and

WHEREAS, according to the State Office of Financial Management, Initiative 1033 would result in state revenue transfer to the Lower Property Tax Account of \$676 Million in 2011, increasing to more than \$1.8 Billion by 2015; and

WHEREAS, the use of these funds to lower property taxes would benefit only property owners and not other residents of the State, and would establish that the funding of this benefit for property owners would be of greater importance than the funding of state and local government services that could be provided with those diverted revenues, such as education, economic development, transportation, parks, public safety and numerous other services needed by our residents and businesses; and

WHEREAS, by limiting revenue that may be obtained by city government through economic development and related growth in commercial activities, Initiative 1033 could undermine such growth by creating a disincentive for the city to support economic development such as efforts to revitalize the downtown and Northeast Redevelopment Area adjacent to the Sea-Tac Airport third runway; and

WHEREAS, passage of Initiative 1033 will significantly limit the ability of the City of Burien to

**ATTACHMENT 4**

fund general governmental services and would likely result in layoffs of employees and budget reductions that would reduce service levels to the community; and

WHEREAS, the Suburban Cities Association of King County (SCA) Board has voted to oppose Initiative 1033.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BURIEN, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City Council of the City of Burien hereby declares its opposition to Initiative Measure No. 1033, appearing on the ballot for the November 3, 2009, State General Election.

Section 2. The City Council of the City of Burien urges the voters in Burien and throughout the State of Washington to reject Initiative Measure No. 1033.

Section 3. Effective Date. This resolution shall take effect immediately upon approval.

ADOPTED BY THE CITY COUNCIL OF THE CITY OF BURIEN, WASHINGTON, AT A REGULAR MEETING THEREOF THIS \_\_\_ DAY OF \_\_\_\_\_, 2009.

CITY OF BURIEN

\_\_\_\_\_  
Joan McGilton, Mayor

ATTEST/AUTHENTICATED:

\_\_\_\_\_  
Monica Lusk, City Clerk

Approved as to form:

\_\_\_\_\_  
Christopher Bacha  
Interim City Attorney

Filed with the City Clerk: September \_\_, 2009  
Passed by the City Council:  
Resolution No.



**RCW 42.17.130****Use of public office or agency facilities in campaigns -- Prohibition -- Exceptions.**

91

No elective official nor any employee of his [or her] office nor any person appointed to or employed by any public office or agency may use or authorize the use of any of the facilities of a public office or agency, directly or indirectly, for the purpose of assisting a campaign for election of any person to any office or for the promotion of or opposition to any ballot proposition. Facilities of a public office or agency include, but are not limited to, use of stationery, postage, machines, and equipment, use of employees of the office or agency during working hours, vehicles, office space, publications of the office or agency, and clientele lists of persons served by the office or agency. However, this does not apply to the following activities:

- (1) Action taken at an open public meeting by members of an elected legislative body or by an elected board, council, or commission of a special purpose district including, but not limited to, fire districts, public hospital districts, library districts, park districts, port districts, public utility districts, school districts, sewer districts, and water districts, to express a collective decision, or to actually vote upon a motion, proposal, resolution, order, or ordinance, or to support or oppose a ballot proposition so long as (a) any required notice of the meeting includes the title and number of the ballot proposition, and (b) members of the legislative body, members of the board, council, or commission of the special purpose district, or members of the public are afforded an approximately equal opportunity for the expression of an opposing view;
- (2) A statement by an elected official in support of or in opposition to any ballot proposition at an open press conference or in response to a specific inquiry;
- (3) Activities which are part of the normal and regular conduct of the office or agency.

[2006 c 215 § 2; 1979 ex.s. c 265 § 2; 1975-'76 2nd ex.s. c 112 § 6; 1973 c 1 § 13 (Initiative Measure No. 276, approved November 7, 1972).]

**NOTES:**

**Finding -- Intent -- 2006 c 215:** "(1) The legislature finds that the public benefits from an open and inclusive discussion of proposed ballot measures by local elected leaders, and that for twenty-five years these discussions have included the opportunity for elected boards, councils, and commissions of special purpose districts to vote in open public meetings in order to express their support of, or opposition to, ballot propositions affecting their jurisdictions.

(2) The legislature intends to affirm and clarify the state's long-standing policy of promoting informed public discussion and understanding of ballot propositions by allowing elected boards, councils, and commissions of special purpose districts to adopt resolutions supporting or opposing ballot propositions." [2006 c 215 § 1.]

**Disposition of violations before January 1, 1995:** "Any violations occurring prior to January 1, 1995, of any of the following laws shall be disposed of as if chapter 154, Laws of 1994 were not enacted and such laws continued in full force and effect: RCW 42.17.130, chapter 42.18 RCW, chapter 42.21 RCW, and chapter 42.22 RCW." [1994 c 154 § 226.]

**ATTACHMENT 5**



**Assigned Number:** 1033

**Filed:** 01/05/2009

**Sponsor**

Mr. Tim Eyman

Mr. Leo Fagan

Mr. M.J. Fagan

PO Box 18250

Spokane, WA 99228

425-493-8707

Fax: 425-493-1027

[jakatak@comcast.net](mailto:jakatak@comcast.net)

**Ballot Title**

Initiative Measure No. 1033 concerns state, county and city revenue.

This measure would limit growth of certain state, county and city revenue to annual inflation and population growth, not including voter-approved revenue increases. Revenue collected above the limit would reduce property tax levies.

Should this measure be enacted into law? Yes [ ] No [ ]

**Ballot Measure Summary**

This measure would limit growth in state revenues deposited in funds subject to the state expenditure limit, and limit growth in county and city revenues deposited into the county and city current expense funds. The limit would be adjusted based on annual growth in inflation and population. The limit also would apply to revenues transferred out of these funds. The limit would exclude voter-approved revenue increases. Revenues above the limit would reduce property tax levies.

315,444 signatures were turned in on July 2, 2009. A random check was performed and the initiative was statistically found to have sufficient signatures.

**\*Certified to Ballot on July 15, 2009**

