

**City of Kenmore
City Council Regular Meeting
Minutes
November 5, 2018**

CALL TO ORDER – Deputy Mayor Herbig called the meeting to order at 7:00 p.m.

ROLL CALL

Mayor David Baker (Absent)
Deputy Mayor Nigel Herbig
Councilmember Joe Marshall
Councilmember Milton Curtis
Councilmember Debra Srebnik
Councilmember Stacey Denuski
Councilmember Brent Smith

FLAG SALUTE

AGENDA APPROVAL

CITIZEN COMMENTS

There were no public comments.

PUBLIC HEARING

Proposed Tax Levy for 2019 - Joanne Gregory, Finance and Administration Director

Finance Director Gregory explained that each year the City must set the tax levy for the ensuing year and hold a public hearing prior to approval of the levy. The City is allowed to increase its levy by the lesser of one (1) percent or the percentage increase in the July IPD (Implicit Price Deflator). The IPD this year is 2.169% (which is more than 1%). The state Department of Revenue (DOR) calculates the IPD using the most recent quarterly numbers reported by the federal Bureau of Economic Analysis (BEA). The IPD is a measure of inflation. Every month BEA publishes an estimate of the quarterly IPD numbers. These quarterly numbers are seasonally adjusted each year in July, and these seasonal numbers form the basis for the prior year IPD personal consumption expenditure number that is used by DOR to calculate inflation.

For 2019, the Proposed 2019-2020 Biennial Budget includes a 3% increase in the levy using banked tax capacity from years when the City Council did not raise the levy by the allowable 1%. The City's banked tax capacity is just over \$593,000.

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In 2018 the property tax levy was \$4,837,631. The County Assessor has only released preliminary assessed valuations and levy information at this time. Based on what has been received, the proposed property tax levy for 2019 would be \$5,024,414 which includes the 3.0 % increase over 2018 (\$145,128), plus new construction which adds about \$41,662 (or .86%) to the tax rolls. Overall, the 3% levy compared to a 1% levy provides an additional \$96,745 to the City in 2019 and provides a compounding benefit for future years.

The 3.0% increase in the property tax levy will not have a dramatic increase on the tax that a homeowner pays, especially in this era of rising home values. In fact, with the increase in assessed valuation for the entire City, the levy rate will decline from \$1.13 to about \$1.04 for each \$1,000 of assessed value. The preliminary assessed value is \$4,835,437,983, an increase of about 12.4% from 2018.

If the City Council were to take a 1% increase, the levy would be \$4,927,669 and the probable levy rate would be about \$1.02 per \$1,000 of assessed value. On a \$500,000 home in the City, the tax effect with a 3% levy increase and a rate of \$1.04 would be \$520. The tax effect with a 1% levy and tax rate of \$1.02 would be \$510, or \$10 less for the year.

If the City Council were to approve the increase of 3.00% to the levy for 2019, this would generate additional revenue of \$96,745 which will also provide a compounding revenue benefit in future levies. The City would continue to have "banked capacity" property tax remaining; approximately \$490,000.

The Mayor opened the public hearing for comments.

Susan Gardner
15428 62nd Avenue NE
Kenmore, Washington 98028

Ms. Gardner spoke against a property tax increase. She believes the City spends a lot of money. She gave an example of a City worker in her neighborhood that took all day for a job that should have taken 30 minutes.

Steve Colwell
15432 62nd Place NE
Kenmore, Washington 98028

Mr. Colwell spoke against the property tax increase. He stated that the numbers don't work out and that 3% is too much. He stated that Kenmore is not Kirkland and shouldn't try to be.

Will Netelenlos (spelling not confirmed)
15737 61st Street NE
Kenmore, Washington 98028

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He stated that he did not agree with a 3% increase in property taxes. He stated that he believes 3% is unrealistic and the citizens are already paying too much.

Bob Spigor (spelling not confirmed)
16087 Inglewood Drive
Kenmore, Washington 98028

He stated that he does not understand the banked capacity. He stated that a 3% increase is more than inflation and should not be approved.

Mayor Baker closed the public hearing at 7:34 p.m.

BUSINESS AGENDA

Continued Discussion of Proposed Department Budgets and Funds for 2019-2020 (as needed) - Rob Karlinsey, City Manager and Joanne Gregory, Finance and Administration Director

City Manager Karlinsey spoke about additional cuts that could be made if the property taxes were not increased. He handed out a memorandum of cuts that staff have identified.

Council discussed the potential cuts.

MOTION: Councilmember Smith made a motion to cut \$60,000 Arch contribution, Councilmember Curtis seconded the motion.

AMENDMENT TO THE MOTION: Councilmember Smith made a motion to not eliminate \$60,000 and eliminate only \$10,000 per year with a total of \$20,000, Councilmember Denuski seconded the motion. The motion passed 5-1-0 with Deputy Mayor Herbig voting no.

The original motion is now null and void.

MOTION: Councilmember Smith made a motion to move the \$100,000 for the Public Works Shop to Strategic Opportunity Fund, Councilmember Srebnik seconded the motion. The motion passed unanimously.

MOTION: Councilmember Smith made a motion to rescind the Recreation Coordinator motion from two weeks ago. Motion failed due to lack of second.

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Council and staff engaged in a discussion and reviewed all of the potential cuts to the proposed budget.

MOTION: Councilmember Smith made a motion to eliminate the HRA VEBA contributions for employees, Councilmember Curtis seconded the motion.

MOTION: Councilmember Curtis made a motion to table this discussion to next Tuesday's meeting, Councilmember Denuski seconded the motion. The motion passed 5-1-0 with Councilmember Smith opposed.

MOTION: Councilmember Curtis made a motion to analyze a 2% property tax increase and bring it back to the next meeting. The motion assed 5-0-1 with Councilmember Srebnik abstaining.

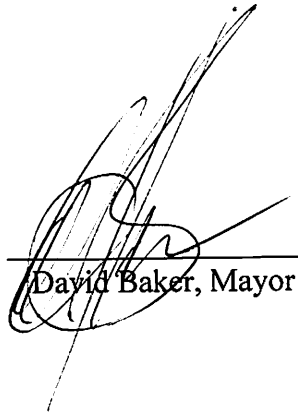
MOTION: Councilmember Curtis made a motion to direct staff to dedicate any extra funds to the street fund, Deputy Mayor Herbig seconded the motion. The motion passed 4-2-0 with Councilmember Marshall and Councilmember Smith voting no.

ADJOURNMENT

The meeting adjourned at 9:16 p.m.

ATTEST:


Kelly M. Chelin, City Clerk


David Baker, Mayor