

# Carnation Currents



## Proposition 1—Property Tax Measure on the November 3rd Ballot

**What?** A property tax measure on the November 3 ballot

**Why?** To fund public safety including police services

**Impact?** The measure would raise approximately \$58,500 in additional property tax revenue in 2010

The Council has placed a property tax measure on the ballot to fund public safety. The Council is looking for ways to increase the City's ability to continue to fund basic services like police. Proposition 1 "a Levy Lid Lift for Public

Safety" is a property tax measure that will be on the ballot on November 3. Proposition 1 will raise approximately \$58,500 in additional property tax revenue in 2010 to fund public safety including police services.

The Council has been evaluating the City's budget and making difficult decisions about reducing or even eliminating services. The Council cut around \$50,000 when they adopted the 2009 budget. Even with those reductions the City still faces a shortfall for 2010. As the City works to adopt a 2010 budget, the Council is still looking to find additional ways to balance the budget while preserving public safety fund-

ing. In the most recent budget priorities survey, citizens ranked police as their highest priority. That is one of the many reasons the Council is working so hard to preserve public safety funding.

### Why is the City seeking a property tax increase?

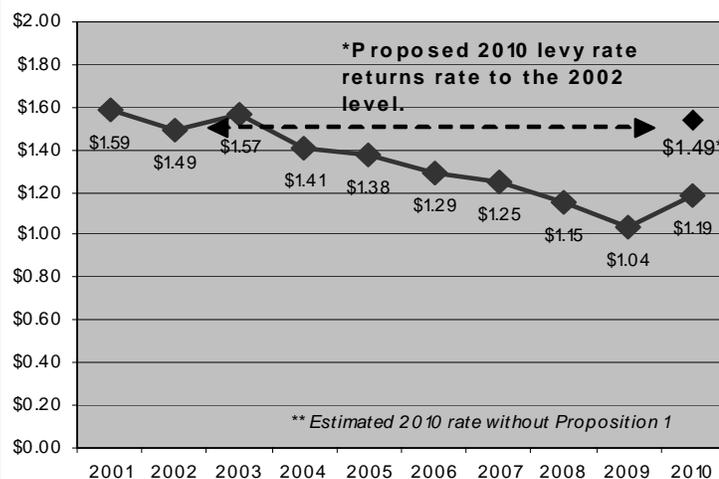
The Council is concerned about the City's ability to maintain current levels of basic City services like police and public safety. The City's major revenue sources (property and sales tax) have been relatively stagnant and are not keeping up with rising costs. For 2009 the City is seeing a decrease in sales tax revenues, and expects sales tax to continue to be lower in 2010. Without a voter approved levy lid lift, the property tax rate can only be increased by 1% per year. With inflation typically rising more than 1% each year, it has put the City of Carnation in a difficult budget position. Inflation, or the change in CPI, has grown over the past few years reaching a high of 5.8% for 2009 but rarely dropping below 2% for the past few years. The current inflation rate is -1.4% (CPI-U), but this year is considered by many to be an anomaly. This means that the City's revenues have not kept pace with the cost of services provided.

### What will the money be used for?

If approved, the entire increase in property tax will be dedicated to police and public safety services. The City contracts for police services with Duvall. That contract also includes the cost of 911 dispatch services provided through the City of Redmond. In addition to paying for police and 911 dispatch, the City must also pay for jail space, criminal prosecution, public defenders and victim advocates.

In 2008, the contract for police services was \$462,681. That equated to 43% of the City's entire General Fund budget. Police services for 2009 is \$488,000, a 5% increase over 2008. For 2010, we are estimating an increase in costs of about 3%.

**Property Tax Levy Rate History**



Police costs are expected to increase around 4 to 5% annually for the next few years and could be higher depending on inflation.

In addition to the contract costs, the City must also regularly replace our two police cars. We need to replace the cars every five years due to heavy use, after five years they are typically no longer serviceable for regular patrol usage. The last police car cost about \$25,000 to purchase. Carnation budgets about \$3,000 annually for vehicle maintenance.

**Other public safety costs.** The City budgets approximately \$13,000 for prosecution, \$11,000 for a public defender and \$2,000 for victim advocate services. The City also budgets approximately \$16,800 for jail space. We share Duvall's jail contract with the Issaquah Jail and we also use the King County Jail.

**Doesn't the police department pay for itself with tickets?** There is often the assumption that the fines for traffic tickets and other infractions or violations help pay for police services. However, the City collects almost none of the fines. The majority of all revenue from the fines goes to the State. The rest goes to the District Court to cover the Court's costs. In 2008 the City received \$877 back from the Court. In 2009, the City had to pay District Court about \$2,500 to cover the City's share of Court costs.

### How will this impact my tax bill?

Carnation's current levy rate is \$1.04 per \$1,000 assessed value. So for a home valued at \$400,000, the property owner pays \$416 in Carnation property taxes for 2009. If Proposition 1 is approved by voters, the 2010 rate would be \$1.49. However, property values are expected to decrease by 12% for 2010. So a home valued at \$400,000 in 2009 would be valued at \$352,000 in 2010. The owner of a \$352,000 home would pay \$524.48 in property tax to the City. That means an additional \$9.04 per month in property taxes in 2010 for this example.

**What will happen to the property tax rate in the future?** Proposition 1 sets the percent change in the CPI-U (consumer price index for all urban consumers) as the basis for rate increases in 2011 through 2015. So for each of those years, the tax rate would increase by the percent change in the

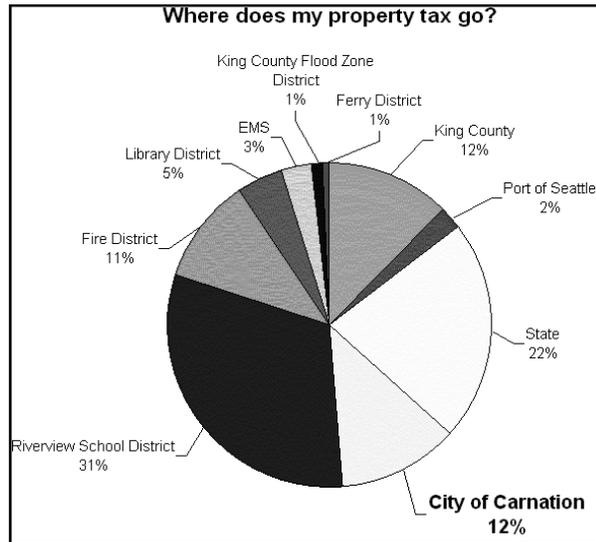
CPI-U. The property tax rate for 2016 would be the 2015 rate with up to a 1% increase if authorized by the City Council. By using the CPI, Carnation's future property tax rate will be able to better keep up with the rate of inflation and allow the City to maintain a constant level of service in the face of rising costs.

### More Information

Proposition 1 would set the City's property tax levy rate at \$1.49 per \$1,000 assessed value. This would return the rate to where it was in 2002, but still lower than its historical high of \$1.59. This new rate would result in about \$58,500 in additional tax revenue.

The current levy rate is \$1.04. The rate has steadily decreased due to the 1% limit on property tax revenue increases. However, in 2010, per the County Assessor, we anticipate a 12% decrease in property values, which would mean that the levy rate would automatically go up to \$1.19 without any significant increase in property tax revenue. The rate of \$1.49 was calculated

with the assumption of the 12% decrease in valuation in order to still achieve the \$58,500 increase in revenue.



**Your annual property tax bill includes taxes for 10 different jurisdictions—Carnation is 12% of your total bill.**

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