

Preliminary Tax Levy Discussion

Commission Retreat
August 6, 2020



Topics

- Introduction & Background
- Tax Levy Uses
 - Capital
 - Non-Capital
- Tax Levy Scenarios
- Additional Information

Introduction

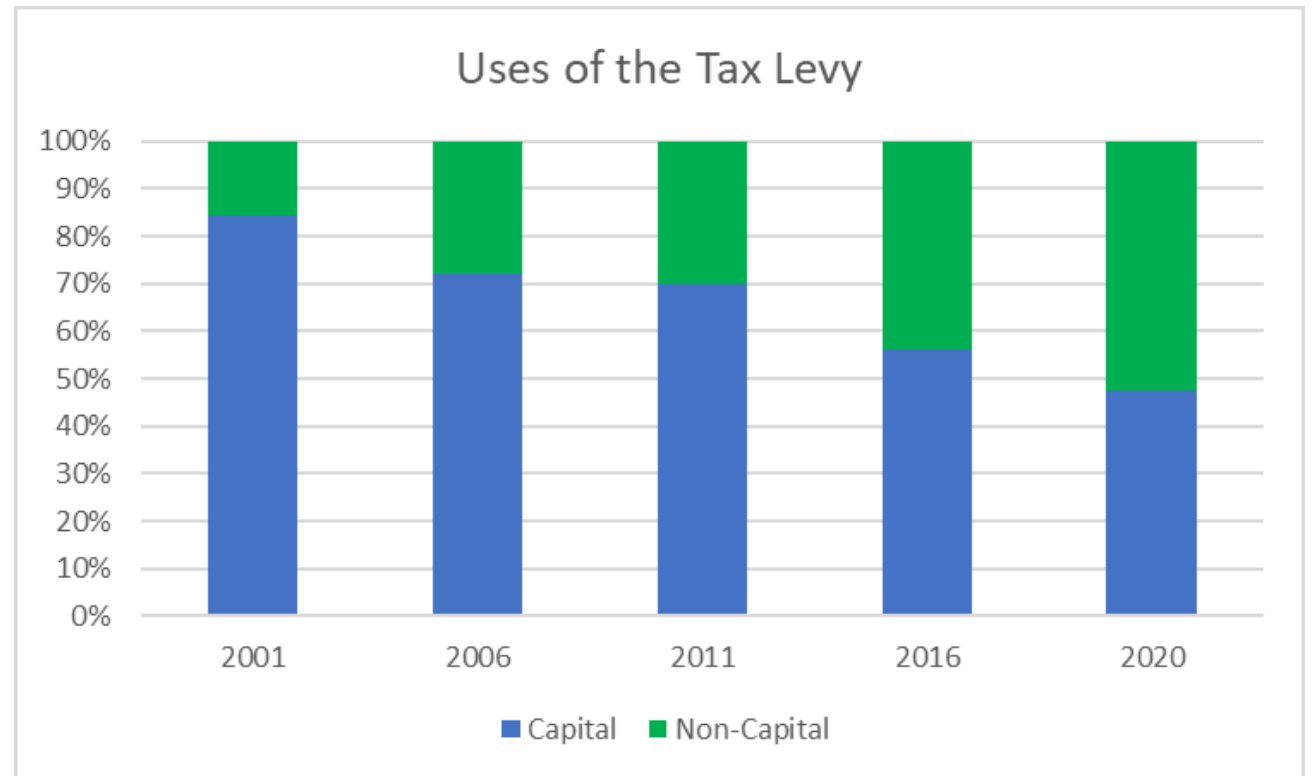
- July 29 retreat included preliminary funding information
- Key take-aways impact tax levy discussion
 - Negative cash flow in 2020 and anticipated in 2021 and 2022 impact the ability to fund investments from the general fund
 - Tax levy will need to fund all of the Maritime and Economic Development projects in the near-term
 - Tax levy funding includes the use of G.O. bonds (paid from the tax levy)
- The pandemic reality factors into decisions on the 2021 levy amount and uses

Tax Levy Background

- In the budget, Commission sets the tax levy
 - Dollar amount up to the maximum allowable
 - Budgeted uses
- 2020 levy = \$76.4 million (3% increase from 2019)
- 2021 estimated maximum levy is \$108.7 million
- Tax levy may be used for any Port purpose except payment of revenue bond debt service
- Industrial Development District Levy can provide up to \$1.8 billion over 20 years

Tax Levy Uses

- Most significant use has been capital investments - both cash and G.O. bonds
- The levy has also been used for certain non-capital expenses



Criteria for Levy Funding Projects

Current criteria – revised in 2017

	Operating Cash	Tax Levy
Asset Renewal & Replacement	Positive net income from business unit	Economic benefit
Strategic Initiatives	Short payback/ Self funding	No or long payback
Location	South Harbor	North Harbor

Tax Levy Used at Most Facilities ⁽¹⁾

Consistently Supported

- Fishermen's Terminal
- Cargo Facilities
- T91 docks and infrastructure

Periodically Supported

- Cruise - P66 funded with tax levy
- Recreational Marinas – purchase of Salmon Bay Marina

(1) Excluding Airport facilities

Non-Capital Uses

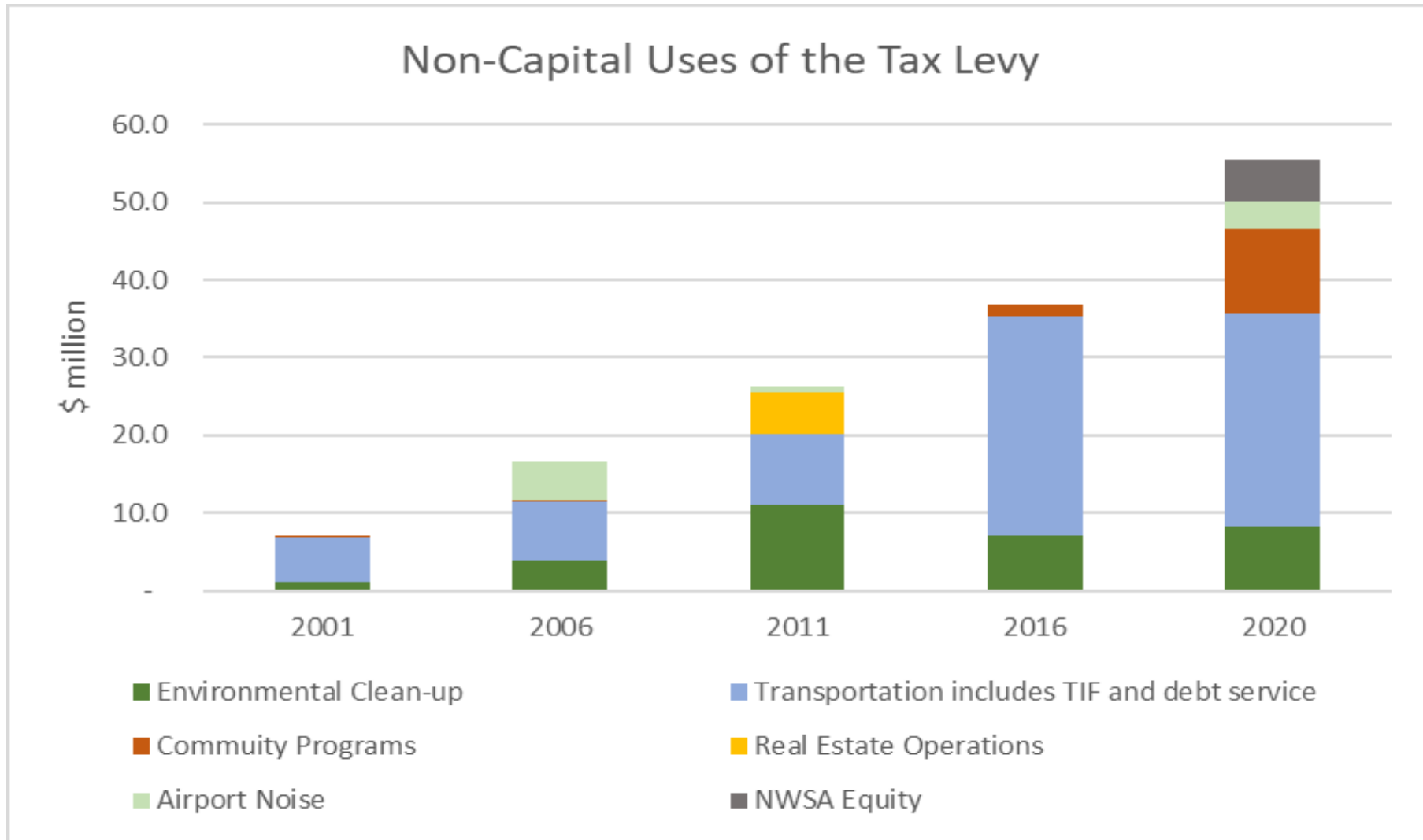
Consistently Supported

- Regional Transportation – interlocal freight mobility
- Environmental Clean-up – Non-Airport legacy contamination
- Noise Mitigation – Highline school costs ineligible for Airport funding

Periodically Supported

- Real Estate operating losses
- NWSA Equity – one-time revaluation of T5
- Community programs

Non-Capital Uses

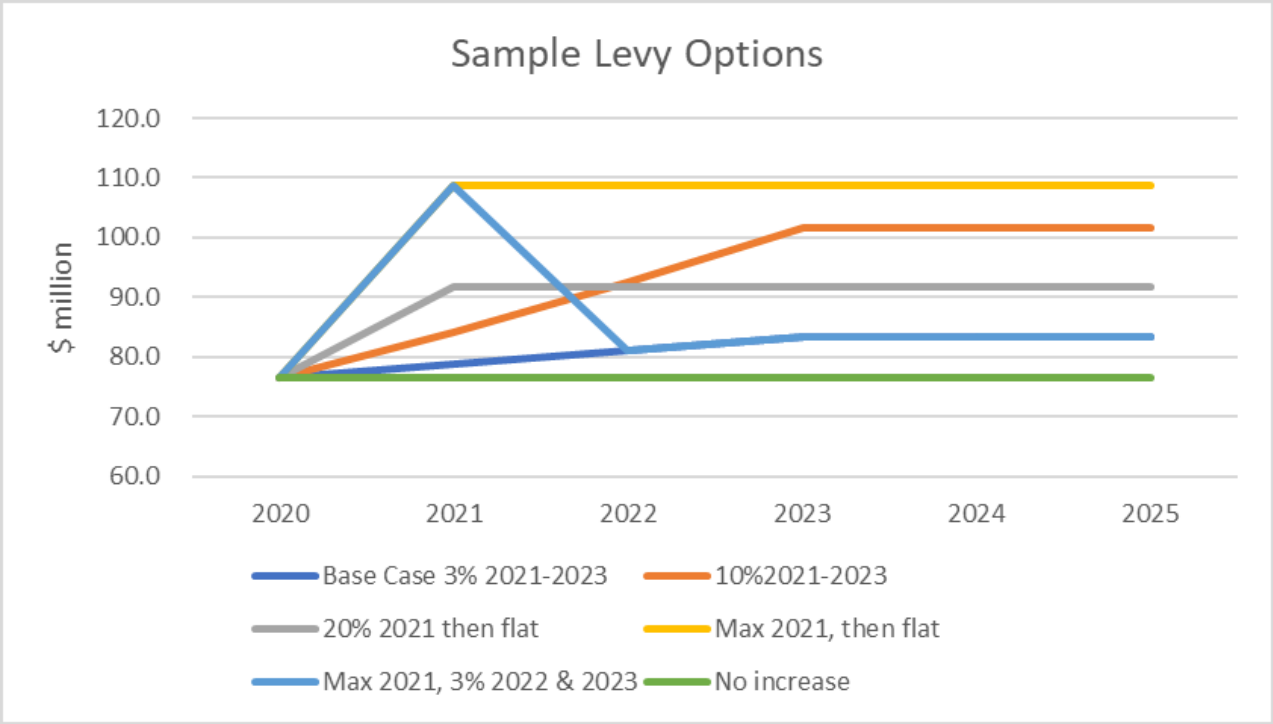


Levy Options to Add Funding Capacity 2021-25

Preliminary Tax Levy Scenarios (\$ mil)

	<u>Additional Funding ⁽¹⁾</u>
Base Case 3% 2021-2023	
10% 2021-2023	163
20% 2021, then flat	129
Max 2021, then flat	344
Max 2021, 3% 2022 & 2023	30
No increase	(57)

(1) Includes bond proceeds and cash



Tax Payer Impacts

2020

- Port tax rate is 12 cents per \$1000 of assessed value
- Median King County home value is \$600,000
- Median Port tax is about \$72

<u>Preliminary 2021 Tax Payer Impacts</u>				
	Levy (\$ mil.)	Rate (\$ per \$1000)	Median Tax (\$)	change from 2020 (\$)
Base Case 3% 2021-2023	78.7	0.122	73.5	1.8
10% 2021-2023	84.0	0.131	78.5	6.8
20% 2021, then flat	91.7	0.143	85.6	13.9
Max 2021, then flat	108.8	0.169	101.6	30.0
Max 2021, 3% 2022 & 2023	108.8	0.169	101.6	30.0
No increase	76.4	0.119	71.7	-

Note: Based on 2020 assessed value and median home value per King County Assessor

Watch List Items

- **Transportation Infrastructure Fund**
 - New or accelerated spending could reduce the ability to “borrow” \$30 million from future years
- **COVID costs**
 - Potential health screening or other costs related to COVID management
- **Downside risk**
 - Potential need to support Airport or Non-Airport businesses if outcomes are worse than projected

Recommendations

- Staff Recommendation for next planning iteration
 - Allow the tax levy to fund any Non-Airport capital investments
 - Plan for continuation of a 3% levy increase 2021-2023
 - Adhere to budget guidelines for non-capital levy expenditures
 - Amounts above that will be funded with an additional levy increase
 - Any new items (e.g. watch list) would also be funded with an additional levy increase

Additional Information

2020 Community Programs

Community Programs Summary

Program (in \$000)	2019 Budget	2019 Actual	2020 Budget	2020 Cost Reductions	2020 Additions	2020 Revised Budget
1) Airport Community Ecology (ACE) Fund	500	260	522	-	-	522
2) Duwamish Valley Community Equity Program	-	-	292	-	-	292
3) South King County (SKC) Fund	750	-	1,500	-	-	1,500
4) EDD Partnership Grants	960	763	960	-	-	960
5) City of SeaTac Community Relief	1,400	1,400	1,400	-	-	1,400
6) Airport Spotlight Ad Program	354	934	1,148	-	-	1,148
7) Energy & Sustainability (E&S) Fund	250	283	250	(100)	-	150
8) Maritime Innovation Center	-	-	150	-	-	150
9) Tourism Program	1,521	1,338	1,536	(194)	1,500	1,342
10) Workforce Development	2,920	1,771	3,119	(216)	1,500	2,903
11) Diversity in Contracting (formerly Small Business)	1,197	883	1,520	(188)	-	1,331
12) High School Internship Program	634	629	775	(26)	-	749
13) Equity, Diversity & Inclusion	648	565	1,346	(420)	-	925
14) Sustainable Aviation Fuels & Air Emissions Program	375	-	40	-	-	40
15) Low Carbon Fuel Standard Support	-	-	150	(45)	-	105
TOTAL	11,508	8,826	14,708	(1,190)	3,000	16,519

Port's Taxing Authority

Port taxing limitations: Port is limited by the most restrictive – currently the 1% limit

- **1% limit**

- The maximum levy is increased each year by the 1% limit factor
- Based on prior year's maximum
- Increased by the lessor of 1% or inflation plus an addition for new construction
- The maximum levy for 2020 is estimated to be ~\$106.3 million

- **45 cent limit**

- The amount of the tax levy in any given year is limited to 45 cents per \$1000 of assessed value
 - (Port 2020 rate is estimated to be 12 cents based on a \$76.4 million levy)
- For 2020, this limit is ~\$286.6 million
- Excludes the amount needed to pay G.O. bond debt service of \$39.8 million

IDD Levy - Background

- Port can levy property tax within an Industrial Development District (IDD)
 - In addition to regular property tax
 - A port can form multiple districts
 - Coextensive with port district, or
 - Smaller area within the Port district
 - The Port already has two Industrial Development Districts
- Port can implement the levy twice - Port of Seattle implemented first round in 1963
- Purpose is to provide for harbor improvements or industrial development of marginal lands
 - Broadly defined
 - Includes areas of poor planning or declining tax receipts

IDD Levy - Implementation

- Port may implement a second round based on a new formula
 - Maximum of \$1.8 billion over a period of up to 20 years
 - Average amount = \$88 million (for 20 years)
 - Maximum annual amount = \$287 million (45 cents for 6 years)
 - Port can establish a smaller IDD or collect a lesser amount, but cannot bank the unused capacity
- Process to implement
 - Publish notice by April 1 to begin collecting the next year
 - If within 90 days a petition of 8% of voters (voting in the most recent gubernatorial election) opposes, the Port must hold a special election to approve the levy

IDD Levy Information: “Marginal lands” are defined to include property subject to the following (RCW 53.25.030) conditions:

1. An economic dislocation, deterioration, or disuse resulting from faulty planning.
2. The subdividing and sale of lots of irregular form and shape and inadequate size for proper usefulness and development.
3. The laying out of lots in disregard of the contours and other physical characteristics of the ground and surrounding conditions.
4. The existence of inadequate streets, open spaces and utilities.
5. The existence of lots or other areas which are subject to being submerged by water.
6. By a prevalence of depreciated values, impaired investments, and social and economic maladjustment to such an extent that the capacity to pay taxes is reduced and tax receipts are inadequate for the cost of public services rendered.
7. In some parts of marginal lands, a growing or total lack of proper utilization of areas, resulting in a stagnant and unproductive condition of land potentially useful and valuable for contributing to the public health, safety and welfare.
8. In other parts of marginal lands, a loss of population and reduction of proper utilization of the area, resulting in its further deterioration and added costs to the taxpayer for the creation of new public facilities and services elsewhere.
9. Property of an assessed valuation of insufficient amount to permit the establishment of a local improvement district for the construction and installation of streets, walks, sewers, water and other utilities.
10. Lands within an industrial area which are not devoted to industrial use but which are necessary to industrial development within the industrial area.