



CITY COUNCIL MINUTES

November 10, 2015

15728 Main Street, Mill Creek, WA 98012 # 425-745-1891

Pam Pruitt, Mayor
Brian Holtzclaw, Mayor Pro Tem
Sean Kelly
Donna Michelson
Vince Cavaleri
Mike Todd
Mark Bond

November 10, 2015
Regular City Council Meeting
6:00 p.m.

CALL TO ORDER

Mayor Pruitt called the meeting to order at 6:00 p.m.

FLAG SALUTE

Flag Salute was conducted.

ROLL CALL

Roll was called by the City Clerk with all Councilmembers present.

AUDIENCE COMMUNICATION:

There were no comments from the public.

PUBLIC HEARING

Property Tax Levies for 2016

(Rebecca C. Polizzotto, City Manager)

Mayor Pruitt opened the public hearing at 6:08 p.m.

The following agenda summary information was presented:

Highest Lawful Levy:

The basis for the City's maximum property tax levy for 2016 begins with the highest lawful levy from the preceding year. The highest lawful levy for 2015 for Mill Creek is **\$5,965,311**. This compares to our actual 2015 levy of **\$5,748,412**. The difference between these figures is our banked capacity of \$216,899.

For 2016, the City is entitled to calculate its highest lawful levy based on an increase of: (1) the lesser of 1% or the Implicit Price Deflator (IPD) over the 2015 highest lawful levy; **plus** (2) new construction; **plus** (3) changes in the value of State utilities plus/minus refunds.

For 2016 the IPD is below 1% at .251%. If the IPD is lower than 1%, as it is this year, the City may still increase the 2016 highest lawful levy by 1% if it finds "substantial need".

A finding of "substantial need" preserves the City's maximum banked capacity. Thus, a finding of

substantial need allows the City to bank more capacity for future use or, in the alternative, make more banked capacity available for 2016.

By failing to make a finding of substantial need, the City will forego future banked capacity in the amount of \$44,680.

For many cities, the highest lawful levy and the actual levy for 2015, are the same amount meaning they have zero banked capacity. Thus, a finding of substantial need would allow for a 1% property levy increase for 2016 for the City of Mill Creek instead of the lower IPD.

Regular Property Tax Levy

As noted above, the City, by law, is limited to the lesser of 1% or the IPD unless the Council passes an ordinance of substantial need by a super majority vote. For the property tax levy, the lower of the IPD or 1% applies only to the City's highest lawful levy (a maximum ceiling that includes all banked levy capacity) and not to annual increases in the amount levied. The Council can by simple majority vote levy taxes up to the highest lawful levy amount.

Emergency Medical Services Levy:

The impact of the IPD falling below 1% affects the EMS levy differently. Because the EMS levy has no banked capacity the City would need to follow the process of passing an ordinance of substantial need if the City wanted a 1% EMS levy. Otherwise the levy limit would be .251%. The City can levy \$9,209 more if a substantial need is declared.

The 2015-2016 budgeted General Fund expenditures exceed budgeted revenues by approximately \$1.8 million. The budgeted deficit would be \$2.4 million without the REET subsidy. By law, the ability to subsidize the General Fund with REET monies sunsets in 2016. While year-to-date budget actuals are good, costs continue to outpace revenues. The City faces a substantial fire/EMS cost increase in 2016, and an unknown fire/EMS contract that will have substantial future fiscal impacts. Passing the substantial need ordinance could help provide some fiscal relief in future years.

Regular Property Tax Levy:

In 2016, the City's Assessed Value (AV) increased by 8.9% to \$3.058 billion. New construction in the City exceeded \$50 million. This is the highest level of new construction since the onset of the recession in 2008.

For 2016, the City Council can raise, by simple majority vote: (1) the property tax levy up to the 2015 highest lawful levy amount; (2) plus 1%; (3) plus new construction. This calculation results in a maximum regular levy of \$6,129,153, assuming a substantial need ordinance is passed. This compares to an actual levy amount for 2015 of \$5,748,412. The City has existing banked capacity of \$216,899 which may be tapped by the City without a finding of substantial need. The table below shows levy rates, and property tax revenues, for various levy increases up to the maximum levy. Each one percent increase results in about \$57,000 in revenue to the City.

Regular Property Tax Levy Considerations

A		B		C		Substantial need?
% Levy Increase	2015 Levy	Revenue Increase over 2015 Levy	Levy Rate	New construct. & Refunds	Tax Revenue (A + B + C)	
0.251%	5,748,412	14,429	1.876	104,189	5,867,029	no yes
1.0%	5,748,412	57,484	1.890	104,189	5,910,085	
2.0%	5,748,412	114,968	1.909	104,189	5,967,569	
3.0%	5,748,412	172,452	1.927	104,189	6,025,053	
4.034%	5,748,412	231,872	1.946	104,189	6,084,472	
4.811%	5,748,412	276,552	1.960	104,189	6,129,153	

Emergency Medical Services Levy:

As mentioned above, the EMS levy is limited to .251% unless a substantial need ordinance is passed. The table below shows levy rates and property tax revenues for various EMS levy increases and the maximum levy.

EMS Property Tax Levy Considerations

A		B		C		Substantial need?
% Levy Increase	2015 Levy	Revenue Increase over 2015 Levy	Levy Rate	New construct. & Refunds	Tax Revenue (A + B + C)	
0.251%	1,229,547	3,086	0.401	22,288	1,254,921	no
Max 1%	1,229,547	12,295	0.404	22,288	1,264,130	yes

It is important to keep in mind the compounding nature of increasing the levy each year. Although it is a small amount relative to a \$13 million annual budget, if consistently applied over time, it has a cumulative effect that can make a significant impact on revenues and balancing the budget.

Impact on a Single-Family Home Owner:

The impact to an average single-family homeowner depends on both the change in the total tax levied and the change in the City's total assessed value. Overall, the City's AV increased by 8.9% so it is assumed that the value of an average residence increased by a similar amount.

The actual increase/decrease for a specific home would be dependent upon the change in AV for each individual property (e.g. if the City raises tax revenues by 3%, an individual homeowner's tax bill may change by more or less than the 3% depending on their property's change in assessed value).

Mayor Pruitt closed the public hearing. Council discussed the ordinance presented.

MOTION: Councilmember Todd made a motion to approve Ordinance #2015-799, Authorizing an Increase in the Regular and Emergency Medical Services Levy limits due to substantial need, Councilmember Kelly seconded the motion. The motion passed unanimously.

NEW BUSINESS

Appoint One Member to the Art and Beautification Board with a Term Expiring October 31, 2018 (Council Interview Committee)

Councilmember Michelson explained that the Council committee of Mayor Pro Tem Holtzclaw, Councilmember Cavaleri and Councilmember Michelson, interviewed incumbent Matt Buchanan. Mr. Buchanan was rescheduled from two weeks ago because he was unable to make the first set of interviews.

MOTION: Councilmember Michelson made a motion to appoint Matt Buchanan to the Art and Beautification Board with a term expiring October 31 2018, Councilmember Cavaleri seconded the motion. The motion passed unanimously.

CONSENT AGENDA

Approval of Checks #54493 through #54554 and ACH Wire Transfers in the Amount of \$132,254.65.

(Audit Committee: Councilmember Bond and Mayor Pruitt)

Payroll and Benefit ACH Payments in the Amount of \$172,596.01.

(Audit Committee: Councilmember Bond and Mayor Pruitt)

Mayor Pruitt and Councilmember Bond stated they had no exceptions to the vouchers.

City Council Meeting Minutes of October 27, 2015

MOTION: Councilmember Bond made a motion to approve the consent agenda, Councilmember Kelly seconded the motion. The motion passed unanimously.

2015 Comprehensive Plan Updates (Chapters 6 through 10)

(Rebecca C. Polizzotto, City Manager)

Discussion.

Comprehensive Plan update is to make revisions necessary to guide future development in the City and its Municipal Urban Growth Area (MUGA) through 2035. As updated, the Comprehensive Plan continues to focus on maintaining Mill Creek as a predominantly residential community, promoting the development of the City's commercial core, maintaining urban densities that can be served by transit, ensuring the provision of urban services, planning for the construction of capital facilities, such as roads and sidewalks, providing for the recreational needs of the community, and protecting natural resources.

The update process began in early 2014 when the City staff and the Planning Commission prepared an audit of the existing Comprehensive Plan for consistency with the Countywide Planning Policies (CPPs) and GMA requirements. The result of the audit was that the majority of the updates would be "housekeeping" in nature and that significant revisions were not necessary.

To facilitate review, the revisions will be presented in three groups scheduled as follows:

Meeting Date	Chapters	Comments
11/10/15	Land Use; Housing; CFP; Utilities; Transportation	Redline and clean versions of second five elements, and Transportation related code amendments delivered to Council (1 week early).
11/24/15	Streetscape; Environmental Features; Parks and Open Space; Glossary	Redline and clean versions of last four elements delivered to Council. Code amendments related to Streetscape, Best Available Science and Amendment Criteria. Planning Commission Resolution
12/1/15	Adoption	Council Ordinance

City Manager Polizzotto thanked the planning staff for working on the comprehensive plan updates for over a year. Director Rogers, City Attorney Moloney and City Engineer Smith joined the table for the discussion. The next meeting on November 24 will review Streetscape, Environmental Features, Parks and Open Space chapters and the Glossary.

AUDEINCE COMMUNICATION:

There were no comments from the audience.

REPORTS

Mayor Pruitt reported that the Veterans Day events are scheduled for tomorrow.

Councilmember Todd reminded Council about the upcoming AWC Elected Officials webinar on December 5.

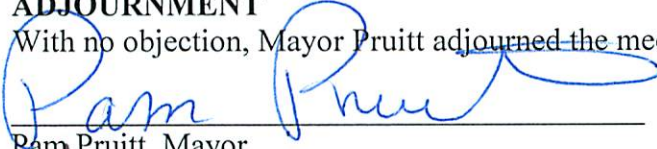
City Manager Polizzotto thanked Director Gathmann and Special Events Coordinator Olson for all of their work on the Veterans Day events.

Director Chelin reported that any Councilmembers that want to attend the Veterans Day events need to be at City Hall tomorrow at 8:15 a.m.

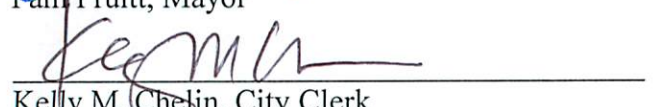
Councilmember Todd thanked the Police Department for all their work with the New World software launch.

ADJOURNMENT

With no objection, Mayor Pruitt adjourned the meeting at 8:23 p.m.



Pam Pruitt, Mayor



Kelly M. Chelin, City Clerk