

**RECORD OF THE PROCEEDINGS
SKAGIT COUNTY BOARD OF COMMISSIONERS
THURSDAY, SEPTEMBER 4, 2014**

The Skagit County Board of Commissioners met in special session on Thursday, September 4, 2014, with Chair Ron Wesen, Commissioner Kenneth A. Dahlstedt, and Commissioner Sharon D. Dillon present.

I. CALL TO ORDER:

Chair Wesen called the proceedings to order at 2:00 p.m.

II. PLEDGE OF ALLEGIANCE:

Chair Wesen led the gallery in the salute to the flag.

III. AGENDA:

a) 2:00 p.m. - 3:30 p.m. Special Public Meeting - Discussion/Possible Action: Impact of the Washington State Department of Revenue's Property Tax Advisory

Will Honea, Chief Civil Deputy Prosecuting Attorney, said that the purpose of the meeting was to provide information regarding the ramifications of a Federal Court decision by the Ninth Circuit Court of Appeals, *Confederated Tribes v. Thurston County*. He noted that the decision involved the Great Wolf Lodge Water Park (Great Wolf Lodge) decision and provided some background information.

Mr. Honea said that in the broad sense, the issue involved how we as a community paid for essential services, things like education for children, fire protection, emergency medical response, roads, bridges, libraries, and various other things. He noted that people pay taxes on the property they own in order to fund the basic services they use.

Mr. Honea explained the mechanics of property taxation and noted that County governments did not tax tribes or tribal members who live on the reservation. He explained that funding was contributed to the taxing districts in a variety of ways, such as by payments directly from the tribe through interlocal agreements, or money from the Federal Government. He said that the Great Wolf Lodge decision related to non-Indians who lived on reservation trust lands and explained the meaning of reservation trust land which he noted was land the U.S. Government held in trust and managed for various tribes.

Mr. Honea explained that the Skagit County Prosecuting Attorney's office had been asked to look at the question of whether the properties owned by non-tribal members on the Swinomish Reservation must be removed from the tax rolls.

He explained that the financial impact of this decision would fall heaviest on the La Conner School District, Fire Protection District 13, and the La Conner Library District. He said that the County's principal role was that of a collection and distribution service. He went on to explain that while the decision about whether to remove the properties from the tax roll was ultimately the County's, the County had had extensive discussions with the La Conner School District's attorneys and others that would be affected by the decision.

Mr. Honea noted that the Skagit County Assessor was an independently elected official and had the ultimate decision about whether to remove the properties from the tax rolls. He said the purpose of the meeting today was to provide the public and taxing districts an opportunity to weigh in, and that the Commissioners, with the assistance of legal counsel would provide formal guidance to the Assessor.

Tim Bruce with the La Conner School District provided a description of the District and noted that the District encompassed approximately 100 square miles in Skagit County. He said that the Swinomish Indian Reservation and the Town of La Conner were wholly contained within the District. He said that the District had approximately 650 students' aged pre-twelfth grade. Mr. Bruce said that the 2014-2015 operating budget was approximately \$935,000; and went on to explain the impact to the District if tax refunds were issued. Mr. Bruce further addressed concerns about tax refunds; the inability to reassess beyond one year and that taxpayers were confused and that there were many questions and misconceptions about the impact of the Great Wolf Lodge decision.

Mr. Bruce said the La Conner School District believed that several options existed to address the taxing implications raised by the Great Wolf Lodge decision. He said to ensure the financial well-being and function of the La Conner School District, both in the short-term and the long-term, the District would strongly urge the County to refrain from removing the non-Indian properties on the Swinomish Indian Reservation from the 2015 Skagit County tax rolls. He said that the La Conner School District hoped to work cooperatively with the Swinomish Tribe, State of Washington, and Skagit County to find a solution.

There was a discussion about the timing of removing the properties from the tax rolls and whether the District received funding from the State and the Federal governments.

Mr. Honea commented on the option to assess a leasehold excise tax and explained that that option was currently being litigated by the Ninth Circuit so that would not be a solution that the District could use at this time. He said that the Great Wolf Lodge decision uniquely impacted Skagit County.

Deborah McFarlane, Secretary Fire Protection District 13, said that the Fire District had not had an opportunity to have a meeting about this matter and were not prepared to make a statement.

Alice Takehara, Trustee La Conner Regional Library District, explained that the Library District was a Partial Rural Library District that encompassed the same geographic footprint as the School District. She said that 90% of Library District's revenue came from property taxes and that by exempting the tribal lands with leasehold improvements would reduce operating funds by approximately 24%. She explained that the Library would have to cut services and staff to make up for the shortfall. Ms. Takehara asked the County to slow down the process and not to take the parcels off the tax rolls in order to allow for additional time to understand the ramifications and be able to formulate a plan to continue to provide services to the community.

Nancy Beals of La Conner addressed concerns about how much tax would be distributed to the remaining taxpayers if the properties on trust lands were removed from the tax rolls.

Herman Wolz said that he resided on leasehold land and confirmed that the School District received Federal funds to support students from the Swinomish Reservation.

Larry Allan of La Conner said he lived on leasehold land in Shelter Bay and that he had no objections to paying taxes to Skagit County. He addressed concerns about the Tribe taxing leasehold homeowners because they were not permitted to attend the Tribal Council meetings. He felt that that would be taxation without representation and that giving the Tribe authority to impose taxes could compromise the leasehold negotiation process.

Rick Loop of Bow addressed concerns about the volunteer fire department refusing to provide services because the Tribe was not paying taxes. He asked if the Federal Government could offset some of the shortfall. He requested that the Assessor delay removing the properties from the tax rolls in order to allow time to prepare a transition plan.

Jon Walton of La Conner addressed concerns regarding the symptom of structural problems with the current taxation system. He said he did not want to have perceived inequality and said that maybe the Tribe could be given an opportunity to backfill lost dollars.

Gary Hagland of Anacortes and President of the Skagit Citizens Alliance for Property Rights commented on his concerns about being able to resolve the taxation issue amicably. He suggested that the County Commissioners write letters to Senators and Legislatures asking for relief. He announced a Town Hall meeting taking place on Wednesday, September 17 at Emmanuel Baptist Church.

Carol Ehlers of West Fidalgo Island addressed concerns about there being large sections of the County that were not allowed to be built on and therefore could not pay property taxes; problems with the Shoreline Master Plan buffers; not enough time provided for public comment, and that there needed to be more facts with sufficient time provided to allow people to make a thoughtful contribution.

Jack Harrington of Anacortes asked how the tribes increased their property ownership. He commented on the amount of land that the Tribes had acquired and whether they could use the land to create zones where people did not pay property tax.

Mr. Honea responded that the Swinomish Tribe have said that they had no intention to create tax-free zones. He said that the Great Wolf Lodge decision uniquely impacted Skagit County.

Scott Thomas of Mount Vernon said he had a couple of clients in Shelter Bay and asked when the Assessor would make the decision. He asked about whether taxes paid under protest could be segregated by the Treasurer.

Dave Thomas, Residential Appraiser, said that the Assessor would make a decision in the near future.

Katie Jungquist, Treasurer, explained that taxes paid under protest were noted and explained the process for paying taxes under protest.

Zak Barborinas of Mount Vernon asked about the process to pay taxes under protest and obtaining public records.

John Dubin of Shelter Bay believed that this issue should not divide the community.

Ted Hage of La Conner asked how many households there were in the La Conner taxing district if the 931 properties were removed from the tax rolls.

Mr. Thomas responded by stating that information would be provided on the Assessor's website.

Deborah McFarlane said was the Secretary for Fire Protection District No. 13 but was speaking as a taxpayer and asked about the allocation of taxes.

Commissioner Dahlstedt thanked everyone for attending the meeting. He said he believed that everyone should get the services and everyone should pay.

Commissioner Dillon said that this was a complex issue and looked forward to working with the Tribe to find a solution.

Wiley Clark of Anacortes said that the decision should be taken to the Supreme Court.

Commissioner Dahlstedt said that all the Districts were in the process of working through the 2015 budget process and it would be difficult to delay a decision on property taxes because they needed to have some direction about this issue in order to move forward.

Commissioner Wesen announced that the Board of County Commissioners would render guidance to the Skagit County Assessor as to whether improvements on the reservation trust land owned by non-Indians ought to be removed from the tax rolls, on Tuesday, September 9, at 11:00 a.m.

IV. ADJOURNMENT:

Chair Wesen adjourned the proceedings at 3:26 p.m.

**BOARD OF COMMISSIONERS
SKAGIT COUNTY, WASHINGTON**

Ron Wesen, Chair

Kenneth A. Dahlstedt, Commissioner

Sharon D. Dillon, Commissioner

ATTEST:

Clerk of the Board