

SKAGIT COUNTY COORDINATING COUNCIL PUBLIC SAFETY JAIL PROJECT

Funding Considerations and Options
August 6, 2012

1

OVERVIEW

- ◉ City Considerations Relating to Jail
- ◉ Capital versus Operating
- ◉ Basic County Options for Jail Project
- ◉ New Funding Options
 - Property taxes
 - Sales and use taxes
- ◉ Conclusions - Discussion

Susan Musselman, SDM Advisors Inc. (susan@sdmadvisors.com)

2

ERRATA - SUBSEQUENT INFORMATION

- ◉ This presentation was initially provided to the Coordinating Council for the Public Safety Jail Project on August 6, 2012
- ◉ Subsequently, it was brought to our attention that the County Commissioners imposed the 1/10 of 1% sales tax provided under RCW 82.14.340 (as described on Pages 15 and 16) by Ordinance No. 15126, effective January 1, 1994 and that the remaining, unused 1/10 of 1% sales tax authority is the option available under RCW 82.14.350
- ◉ The cities in the County each receive a proportionate distribution of sales tax for criminal justice purposes, based on population, as required by RCW 82.14.340
- ◉ Accordingly, the 1/10 of 1% sales tax authority that remains available to the County per RCW 82.14.350 is described on Page 14

3

CITY CONSIDERATIONS

- ◉ Role and interest in the process - *rhetorical at this point*
 - Are you an interested customer?
 - Will you be an equity partner?
 - Will you be a "committed" customer - committing to a particular level of bed nights?
 - Are you looking to preserve your current level of access to jails, or would you expand average bed days for the City if beds were available
 - How much of jail bed demand is tied to the City's budget

4

CAPITAL VS. OPERATING

- ◉ Capital costs -
 - what are they and how will they be paid or allocated
- ◉ Operating costs -
 - What are they and how will they be paid or allocated
 - ◉ Fixed and variable
 - ◉ Increased/expanded programs
- ◉ Scope of Project will have significant impact on both capital and operating costs

5

COUNTY OPTIONS

- ◉ Build/remodel the jail to meet County needs and some City needs
 - Charge bed rates based on market or cost formula
 - Consider how capital costs fit in the bed rates
- ◉ Build/remodel jail to meet County needs and "committed" level of City needs
 - Expected impact on project cost and cost
 - Probable impact on bed rates/obligations
- ◉ Propose capital and/or operating funding options to reduce direct-billed bed rates

6

NEW FUNDING OPTIONS

- ◉ New Operating Revenue
 - “Regular” property tax
 - Sales and use tax

- ◉ New Capital to Support Bonds
 - “Regular” property tax
 - “Excess” property tax
 - Sales and use tax

7

PROPERTY TAXES

- ◉ Levy lid lift
 - Increase in “regular” property tax levy rate
 - Cities are limited to \$3.60 overall rate (including library or fire districts within the City)
 - Counties are limited to \$1.80 overall rate
 - Voter approval is required (50% +1)
 - Multi-year lift for limited purpose, or permanent
 - Purpose and any limitations (i.e. term or use) must be stated in the ballot title
 - If revenue is used to make bond payments, the financing term is limited to nine years

8

POTENTIAL LIFT REVENUE (CITY)

- ◉ Potential revenue from a lid lift in the cities

	AV for 2012 Taxes	\$0.10/1000
Anacortes	\$2,545,635,473	\$ 254,564
Burlington	1,182,072,646	118,207
Concrete	57,509,516	5,751
Hamilton	28,339,978	2,834
LaConner	139,264,787	13,926
Lyman	29,083,043	2,908
Mount Vernon	2,485,713,804	248,571
Sedro Woolley	724,366,210	72,437

9

POTENTIAL LIFT REVENUE (COUNTY)

- ◉ Potential revenue from a lid lift in the county
- ◉ Could be used for bond or operating

Lift Rate	Annual Revenue	Potential Bond Proceeds
\$ 0.10	\$ 1,449,000	\$11,460,000
0.20	2,898,500	22,960,000

- ◉ Maximum nine year bond term for lid lift

10

COUNTYWIDE BOND PROPOSITION “EXCESS” TAX LEVY

- ◉ Request voter approval for a maximum bond size, and a maximum bond term
- ◉ Can be used for capital purposes only
- ◉ Requires super-majority (60%) approval

Levy Rate	Revenue	25-Year Bond Term	30-Year Bond Term
\$ 0.30	\$5,565,500	\$84,035,000	\$89,805,000
0.20	4,174,000	62,995,000	67,340,000
0.10	2,782,500	41,985,000	44,870,000

11

SALES AND USE TAXES - WITH VOTER APPROVAL

- ◉ Countywide tax up to 0.3% for criminal justice purposes (82.14.450)
- ◉ Requires majority vote (50% +1)
- ◉ Sales of motor vehicles, or leases of motor vehicles for up to the first 36 months, are exempt
- ◉ Statutory distribution formula based on population (60% County/40% cities)
- ◉ Revenue can be used for capital or operating (or some of both)

12

ESTIMATED REVENUE FROM 0.3% SALES AND USE TAX

Sample Revenue Distribution	
Skagit County	\$ 3,704,400
Anacortes	566,460
Burlington	300,730
Concrete	25,360
Hamilton	10,715
LaConner	31,610
Lyman	15,715
Mount Vernon	1,140,780
Sedro Woolley	<u>378,235</u>
Estimated Total	\$ 6,174,000

13

SALES AND USE TAXES - WITH VOTER APPROVAL

- ◉ Countywide tax up to 0.1% to provide funds for costs associated with financing or operating, juvenile detention facilities and jails (82.14.350)
- ◉ Requires majority vote (50% +1)
- ◉ There is no distribution formula, so 100% of the revenue is available to the County
- ◉ Revenue can be used for capital or operating
- ◉ Estimated annual revenue is \$2.1 million, based on taxable retail sales

14

SALES AND USE TAXES - WITHOUT VOTER APPROVAL

- ◉ Imposed by the County by Ordinance No. 15126, effective January 1, 1994
- ◉ Countywide tax up to 0.1% for criminal justice purposes (82.14.340)
- ◉ No voter approval required, but subject to referendum provisions
- ◉ Statutory distribution formula based on population (10% County/90% cities and county)
- ◉ Can be used for capital or operating (or a portion for each purpose)

15

ESTIMATED REVENUE FROM 0.1% SALES AND USE TAX

<u>Sample Revenue Distribution</u>	
Skagit County	\$ 986,850
Anacortes	255,330
Burlington	135,550
Concrete	11,430
Hamilton	4,830
LaConner	14,245
Lyman	7,085
Mount Vernon	514,195
Sedro Woolley	<u>170,485</u>
Estimated Total	<u>\$ 2,100,000</u>

16

REVIEW OF REVENUE OPTIONS

◎ Property Tax

- Regular levy lid lift - county or cities
 - Can be used for nine-year bond, but not longer
 - Can be used for operating costs/bed rates
 - Consider impact on current revenues and others
 - Requires majority voter approval
- Excess levy for bonds
 - Specify maximum amount and term of financing
 - Levy at a rate required to pay debt service
 - Can be used for capital costs only (not operating)
 - Requires super-majority voter approval (60%) and validation (40% of voters in last general election)

17

REVIEW OF REVENUE OPTIONS

◎ Sales and Use Tax

- 3/10 of 1% county-wide
 - Can be used for capital and/or operating
 - Statutory formula based on relative populations
 - May use interlocal agreement for distribution
 - Motor vehicle exemption
 - Requires majority voter approval
- 1/10 of 1% county-wide
 - Can be used for capital and/or operating
 - No statutory distribution formula- revenue is disbursed to the County only
 - No motor vehicle exemption
 - Requires majority voter approval

18

NEXT STEPS (FUNDING)

- ◎ Participants consider the City's role in the jail planning process
 - Will you continue to be a rental customer, or an equity partner; at risk or not at risk?
 - Are you willing to commit to a particular level of bed nights, or specific annual payment?
 - Is goal to preserve current level of access to jails or to increase bed use - how much of this is tied to the City budget?
 - If sales taxes were used, would you "pool" funds?
 - What additional information does your City need on financing options?