

SKAGIT COUNTY COORDINATING COUNCIL PUBLIC SAFETY JAIL PROJECT

Funding Overview
December 13, 2012

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OVERVIEW

- ◎ Funding Options
 - New property taxes
 - New sales and use taxes
 - Increased bed rates (capital and/or operating)

- ◎ Conclusions - Discussion

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CAPITAL VS. OPERATING

- ◎ Capital costs -
 - What they are and how will they be paid
- ◎ Operating costs -
 - What they are and how will they be paid or allocated
 - Fixed and variable
 - Increased/expanded programs

The final project scope will have significant impact on both capital and operating costs

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NEW FUNDING OPTIONS

- Voted Bonds: Excess property tax levy for bonds (Bond Proposition)
 - Specify maximum amount and term of financing
 - Can be used for capital costs only (not operating)
 - Levy at a rate required to pay debt service
 - Requires super-majority voter approval (60%) and validation (40% of voters in last general election)
- Sales and Use tax for public safety purposes
 - Can be used for capital and/or operating
 - Statutory distribution formula- revenue is distributed 60% to the County and 40% to the Cities, by population
 - Motor vehicles sales are exempt (and 36-months of lease)
 - Requires majority voter approval (50%) and validation (40% of voters in the last general election)

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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 per \$1,000	Par Supported for 25-Year Term	Annual Cost for \$250,000 AV
\$0.40	\$85,880,000	\$100.00
0.35	75,145,000	87.50
0.30	64,410,000	75.00
0.25	53,675,000	62.50
0.20	42,940,000	50.00

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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 are exempt
- Statutory distribution formula based on population (60% County/40% cities)
- Revenue can be used for capital or operating (or some of both)

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CITY AND COUNTY AUTHORITY FOR PUBLIC SAFETY SALES AND USE TAX

- ◎ Beginning in 2011, the Cities have authority to request voter approval of 0.1% for public safety under this statute (82.14.450)
 - 85% of the revenue from 0.1% goes to the City
 - 15% of the revenue from 0.1% goes to the County

- ◎ If certain cities have imposed 0.1% under this statute, and the County has imposed 0.3%
 - The overall rate would be 0.3% Countywide
 - 0.2% would be collected by County within those cities and distributed under 60/40 formula
 - 0.3% would be collected elsewhere in the County and distributed under 60/40 formula

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FOUR CITIES HAVE APPROVED OR ARE CONSIDERING 0.1% SALES AND USE TAX

- Town of La Conner - approved November 2012
- City of Sedro Woolley- approved November 2012
- City of Burlington - proposed for August 2013
- City of Mount Vernon - considering for August 2013

- ◎ If the County puts into place a 0.3% sales and use tax under this statute, it precludes cities from later imposing the tax

- ◎ If City proposition is approved before County tax is imposed, they may impose it

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**ESTIMATED REVENUE DISTRIBUTION
REFLECTING APPROVED 0.1% OF 0.3% TAX
IN LA CONNER AND SEDRO WOOLLEY**

Sample Revenue Distribution			
	<u>From 0.1%</u>	<u>Balance</u>	<u>Total 0.3%</u>
Skagit County	\$22,728	\$3,312,233	\$3,334,961
Anacortes	-	506,491	506,491
Burlington	-	268,894	268,894
Concrete	-	22,674	22,674
Hamilton	-	9,581	9,581
La Conner	33,615	28,263	61,878
Lyman	-	14,051	14,051
Mount Vernon	-	1,020,008	1,020,008
Sedro Woolley	<u>95,176</u>	<u>338,194</u>	<u>433,370</u>
Estimated Total	\$151,519	\$5,520,389	\$5,671,908

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**ESTIMATED REVENUE DISTRIBUTION IF
ANACORTES, BURLINGTON AND MOUNT
VERNON ALSO IMPOSE 0.1% OF 0.3% TAX**

Sample Revenue Distribution			
	<u>From 0.1%</u>	<u>Balance</u>	<u>Total 0.3%</u>
Skagit County	\$230,659	\$2,480,510	\$2,711,169
Anacortes	290,257	379,308	669,565
Burlington	483,158	201,373	684,531
Concrete	-	16,980	16,980
Hamilton	-	7,175	7,175
La Conner	33,615	21,166	54,781
Lyman	-	10,523	10,523
Mount Vernon	404,859	763,878	1,168,737
Sedro Woolley	<u>95,176</u>	<u>253,271</u>	<u>348,447</u>
Estimated Total	\$1,537,724	\$4,134,184	\$5,671,908

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POTENTIAL SALES TAX REVENUE AVAILABLE TO SKAGIT COUNTY

- ◉ Assuming 3/10 of 1% sales tax is approved countywide, and given that La Conner and Sedro Woolley have imposed 1/10 of 1%
 - \$3,334,961

- ◉ Assuming 3/10 of 1% sales tax is approved countywide, and assuming Anacortes, Burlington and Mount Vernon also impose 1/10 of 1%
 - \$2,711,169

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POTENTIAL INCREASE IN OPERATING COSTS

- ◉ DLR Feasibility Review reports additional staffing costs of \$1.15 million (new construction) or \$1.7 million (renovation), plus transportation costs of \$107,000 for either option

- ◉ DLR Review does not address additional costs, including new programs, increased building maintenance, utilities, etc

- ◉ Is it reasonable to assume \$2 million to \$2.5 million of additional operating costs?

- ◉ \$2.7 million of sales and use tax may be used to cover this

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POTENTIAL CAPITAL FUNDING OPTIONS

- ⦿ Voter approved bonds
- ⦿ Limited ability to use sales and use tax, after application of revenue to operating costs
- ⦿ Increased bed rates to cover a capital charge and increased operating costs
- ⦿ Combinations of the above

DLR Feasibility Review estimates
 \$52 million to \$61 million for New Jail and
 \$56 million to \$68 million for Expansion
 Bond issuance costs est. at \$500 to \$550,000

Bond Size Range: \$52.5 million to \$68.5 million
 Used mid-point for analysis: \$60.5 million

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POTENTIAL BOND LEVY RATES

- ⦿ 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

Bond Amount	Levy Rate for 25-Year Term	Annual Cost per \$100,000 AV
\$52.5 million	\$0.245	\$24.50
\$56.5 million	\$0.263	\$26.30
\$60.5 million	\$0.282	\$28.20
\$65.5 million	\$0.305	\$30.50
\$68.5 million	\$0.319	\$31.90

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POTENTIAL FUNDING SCENARIO 1

Voted Bonds for Capital; Increased Bed Rates to cover Increased Operating Costs

- ⦿ Voter approved bonds \$60.5 million
 - Levy rate for 25 year term: \$0.282/\$1,000 *
 - Cost for \$200,000 AV = \$56.40 / year
 - Cost for \$500,000 AV = \$141.00 / year

- ⦿ Additionally, the increased operating costs, would need to be addressed through sales and use tax increase or increased bed rates
 - Increased bed rate estimated at \$18.37

*Based on estimated AV for 2013 of \$14,109,155,502, which is subject to change, and assuming 4.25% average interest rate.

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POTENTIAL FUNDING SCENARIO 2

- ⦿ Non-voted bonds for \$60,500,000
- ⦿ Annual debt service of \$4,080,000
- ⦿ Potential bed rate increase of \$37.26, for capital, assuming 300 new beds
 - $(\$4,080,000/300/365 = \$37.26)$
- AND
- ⦿ Potential bed rate increase of \$18.37, for operations, assuming 300 new beds
 - $(\$2,000,000/300/365 = \$18.37)$

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POTENTIAL BED RATE FOR INCREASED OPERATING COSTS

- Potential bed rate increase of \$18.37, for operations, assuming 300 new beds
($\$2,000,000/300/365 = \18.37)

Additional Costs, by Entity, assuming 50% Increases in Beds and Increased Bed Costs

Entity	Increase in Beds by 50% (current rate)	Increase in Beds by 50% and \$55.63 Increase	Increase in Beds by 50% and \$18.37 Increase	Additional Revenue in excess of 0.1%
Anacortes	\$ 80,782	\$ 245,252	\$ 135,092	\$ 379,308
Burlington	136,493	422,793	231,034	201,373
Mount Vernon	208,156	640,651	350,974	763,878
Sedro Woolley	51,454	155,010	85,650	253,271
Skagit County	<u>2,410,349</u>	<u>7,448,006</u>	<u>4,073,872</u>	<u>2,480,510</u>
Estimated Total	\$2,887,234	\$8,911,712	\$4,876,622	\$4,078,340

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COMPARISON OF OPTIONS

	Bond Proposition	Sales and Use Tax
Use of Revenue	Capital purposes only; does not provide for operations	Capital and/or operating
Who Pays	People who <u>own property</u> Countywide	People who <u>spend money</u> Countywide
Term of Tax	Maximum term to be specified, up to 30 yrs	Term may be specified, or may be perpetual
Potential to Impact Schools	Property tax is the only local source of funding for schools	Sales tax is not available for schools
Estimated Cost	\$25 to \$30 per year for \$100,000 assessed valuation	\$3/\$1,000 of taxable retail sales (new vehicles are exempt)
Borrowing Cost	Slightly lower interest rates on bonds	Slightly higher interest rates on bonds

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VOTER APPROVAL

- ◎ **Bond proposition**
 - Excess property tax
 - Requires 60% approval/40% validation
 - May run proposition at special election, so could be February, April, August or November

- ◎ **Sales and use tax proposition**
 - Requires 50% approval/40% validation
 - May run only in primary or general election, so could be August 2013 or November 2013

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ELECTION TIMING

- ◎ Bond proposition requires 60% approval
- ◎ Sales and use tax requires 40% approval
- ◎ 4 possible dates for Bonds
- ◎ 2 possible dates for sales and use tax

Election Date in 2013	Resolution Submitted to Auditor By	Bond Proposition	Sales and Use Tax
February 12	December 28	Yes	No
April 23	March 8	Yes	No
August 6	May 10	Yes	Yes
November 5	August 6	Yes	Yes

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DISCUSSION/Q&A

- What additional information does your City need on financing options?
- What additional information should be presented to the Coordinating Council?