

Park Levies, Districts and Service Areas

Discussion of Levy Rate Limits on Property Taxes

The \$5.90 property tax limit

The aggregate regular levy rates of senior taxing districts (counties and cities) and junior taxing districts (fire districts, metropolitan park districts, cemetery districts, library districts, park and recreation district, etc.) may not exceed \$5.90 per thousand dollars assessed valuation.

If this limit is exceeded, the levy of at least one junior taxing district must be *prorated*. Some property tax levies not subject to this limit include state levies; levies for public utility districts; excess property tax levies; special levies for local school districts; levies for acquiring conservation futures; emergency medical service levies; low income housing levies; ferry district levies; the county criminal justice levy; and, under certain restrictive conditions, the 25 cent metropolitan park district levy and 25 cents of the fire district levy under RCW 52.16.140 or.160. Some of these are, however, subject to the one percent constitutional limit. (RCW 84.52.043)

The One-Percent Constitutional Property Tax Limit

In addition to the other levy rate limits, both statutory law and the state constitution limit regular property tax levies (including the state levy) to one percent of the true and fair value of the property. This limit does not apply to port or public utility districts. The limit may be exceeded when 60 percent of the voters approve excess or special levies for operations and maintenance (school levies fall in this category) or for the payment of debt service on general obligation bonds. Both kinds of levies have voter turnout requirements.

Prorating

If either the \$5.90 statutory limit or the one percent constitutional limit is exceeded, one or more of the levies involved are reduced according to a statutory formula. This reduction process is known as prorating.

The county current expense levy, the county road fund levy, city general fund levies, and the state school levy are all protected from prorating. Which levies are lowered in prorating, by how much, and in what order depends upon whether the \$5.90 limit or the one percent limit has been exceeded.

If the \$5.90 limit has been exceeded, levies are reduced or eliminated in the following order until the total tax rate is at \$5.90. Note that within each grouping, the levy rates of the districts are reduced on a pro rata basis. (RCW 84.52.010(2))

1. **Parks and Recreation Districts - RCW 36.68 .525 (up to \$0.60)**
Parks and Recreation Service Areas - RCW 36.69.145 (up to \$0.60)
Cultural Arts, Stadiums & Convention Districts - RCW 67.38.130 (up to \$0.25)

2. Flood Control Zone Districts - RCW 86.15.160 (up to \$0.50)
3. Hospital Districts - RCW 70.44.060 (up to \$0.25)
Metropolitan Parks Districts - RCW 35.61.210 (up to \$0.25)
All other districts not otherwise mentioned
4. Metropolitan Park Districts formed on January 1, 2002 or after - RCW 35.61.210 (up to \$0.50)
5. Fire Districts - RCW 52.16.140 (up to \$0.25)
Fire Districts - RCW 52.16.160 (up to \$0.25)
Regional Fire Protection Service Authorities - RCW 52.26.140(1)(b) (up to \$0.50)
Regional Fire Protection Service Authorities - RCW 52.26.140(1)(c) (up to \$0.50)
6. Fire Districts - RCW 52.16.130 (remaining \$0.50)
Regional Fire Protection Service Authorities - RCW 52.26.140(1)(a) (up to \$0.50)
Library Districts - RCW 27.12.150 (up to \$0.50)
Hospital Districts - RCW 70.44.060 (up to \$0.50)
Metropolitan Parks Districts formed before January 1, 2002 - RCW 35.61.210 (up to \$0.50)
(Note that the levies of metropolitan park districts formed after January 1, 2002, are two steps lower of the prorationing ladder than that of Tacoma's, formed before that date.

Several Options to Increase Revenues for Park and Recreation in Pierce County

Debt Service Funding

Voter Approved Bonds/Levys

- General Obligation Bonds Must be approved by at least 60% of resident voters during an election which has a turnout of at least 40% of those who voted in the last state general election. Issued with the belief that a municipality will be able to repay its debt obligation through taxation or revenue from projects.
- Levy Lid Lift The County may seek voter approval to increase its levy more than 1%, up to the statutory maximum rate, for a specified amount of time.
 - Single-Year Lid Lift – the 1% annual limit can be exceeded for only one year, and then future increases are limited to 1% (or inflation) for the remainder of the levy. Single-year lid lifts can be used for any purpose, and there are no supplanting limitations.
 - Multi-Year Lid Lift – the 1% annual limit can be exceeded for up to six consecutive years. Multi-year lid lifts can be used for any purpose, but the ballot must state the limited purposes for which the increased levy will be used. The lift must state the tax rate for the first year only. They can be used for debt service for up to nine years.
 - King County Model (Multi-year lift) – The County forwards a proposition to the voters. Requires 50% plus one vote for adoption. The King County 2014-2019 Parks, trails and open space Levy is 18.77 cents per \$1000 of assessed valuation and provides an estimated \$66 million dollars annually. Provides for maintenance and operation as well as capital improvements.

Non-Voter Approved Bonds

- Councilmanic (Limited Tax General Obligation) Bonds May be issued without voter approval by the Council/Board for any facility development purpose. Council/Board pledges its full faith and credit to the payment of principal and interest on LTGO bonds, and must be fulfilled within its statutory property tax limitations. Obligation debt may not exceed 1.5% of the assessed valuation of all district property.
- Revenue Bonds Backed by a specific revenue stream or source. May be issued for development purposes, and often cost more and carry a higher rate than General Obligation Bonds. Generally require that the revenues received annually would have to equal twice the annual debt service payment. Revenue Bonds are payable from income generated by an enterprise activity.

Pierce County's 2006 Limited Tax General Obligation Bonds

- In 2005, the Pierce County Council adopted Ordinance No. 2005-116s contracting \$31.8 million dollars in indebtedness for the purpose acquiring parks and open space. Currently the County expends \$2.2 million annually to service the bond debt from the Conservation Futures Fund and from the Parks Sales Tax Fund. The bonds will be retired in the year 2026.

Metropolitan Park Districts

- Three metro park districts exist in Pierce County (Tacoma, Gig Harbor and Key Peninsula).
 - A proposal to form a Metro park district in University Place failed in 2016.
- Authorized in State law (RCW 35.61).
- Initiated by the County (or a city) via resolution or may be initiated via petition 15% of registered voters.
 - Requires 50% plus one vote for adoption.
- Authority to levy property taxes at \$.50 per \$1000 and \$.25 per thousand.
 - Metro park districts can also issue general obligation debt to 2.5% of their assessed valuations may also issue revenue bonds.
- May charge fees or other direct charges for use of facilities or for participation.
- The County Council established a citizens advisory committee in 2010 to study the feasibility of establishing a metro park district in the unincorporated portions of the County that were outside of the existing park districts.
- The committee met for a year and concluded that due to the "great recession" and collapse of the housing market, it was not the right time to have voters consider the formulation of a new Park tax district.
- Governing body may be five elected commissioners, legislative authority of county, city or town or board members may be appointed by the legislative authority
- Of the three park district types, the metros offer the most flexibility in terms of revenue collection.

Park and Recreation District

- One Park and Recreation District in Pierce County (Anderson Island)
- Authorized by state law (RCW 36.69).

Outdoor Sport and Recreation Committee

October 29, 2018

- Initiated via petition 15% of registered voters. Would require a resolution from the legislative body if a park district was petitioned to location within the County or city or town.
 - Requires 50% plus one vote for adoption.
- Authority to levy property taxes at \$.60 per \$1000 of assessed value.
 - May issue general obligation debt equal to 1.25% of the assessed valuation within the district.
 - May issue Local Improvement District Bonds or revenue bonds.
- May charge fees or other direct charges for use of facilities or for participation.
- Governed by board of five elected commissioners.
- Most popular park and recreation special purpose district option throughout the state.

Park and Recreation Service Areas

- There are no Park and Recreation Service areas in Pierce County (only a handful statewide).
- Authorized by state law (RCW 36.68.400-.620).
- Initiated via petition 10% of registered voters. Would require a resolution from the legislative body if a park district was petitioned to location within the County or city or town.
 - Requires 50% plus one vote for adoption.
- Authority to levy property taxes at \$.60 per \$1000 of assessed value.
 - May issue general obligation debt equal to 2.5% of the assessed valuation within the district.
 - May issue Local Improvement District Bonds or revenue bonds.
 - Requires voters exceeding 60% of the voters within the service area to approval the proposed levy.
- May charge fees or other direct charges for use of facilities or for participation.
- County legislative authority composes the governing body when established in the unincorporated area.

Contact: Mike Kruger, Council Legislative Analyst, 253-798-6067