

Estimated Effect of Initiative 1033

City of Kent

Assumes No Change and Annexation

What is Initiative - 1033

- This measure would limit growth in State revenues deposited in funds subject to the state expenditures limit.
- It would also limit growth in county and city revenues deposited into the General Fund.
- The growth limit would be the product of the change in population times the change in the GNP Implicit Price Deflator.

State OFM Estimates of Impact

- The Office of Financial Management estimates that through 2015 Initiative 1033 will reduce general funds revenues by:
 - State \$5.900 billion
 - Counties \$.694 billion
 - Cities \$2.100 billion
 - Total Impact \$8.694 billion

The Way I-1033 Works

- The limit under I-1033 is based on actual revenues the previous year times the product of the change in the IPD times the change in population:

Assume the IPD is 2% and the population change is 1% then and last year revenues were \$10,000,000;

$$(1.02 \times 1.01) \times 10,000,000 = \$10,302,000$$

City of Kent Policy Impacts

- Takes away the ability to manage the ups and downs of the economic cycle.
- Provides a disincentive for economic development.
- Effectively reduces available general fund revenues.
- Limits the City's ability deal with unanticipated costs, such as flooding, H1N1 flu, or other issues.
- Builds in a structural deficit, where recurring revenues are less than recurring expenditures.

City of Kent Fiscal Impact

Assumes No Annexation and No RFA

- The process would begin with 2009 revenues estimated to be \$80,868,831 with an assumed .5% IPD and .75% population growth to produce a 2010 limit of \$81,882,724.
- Since we predict revenue growth higher than this, it would cause a transfer to the “Lower Property Tax Account” of \$1,614,344 in 2011.

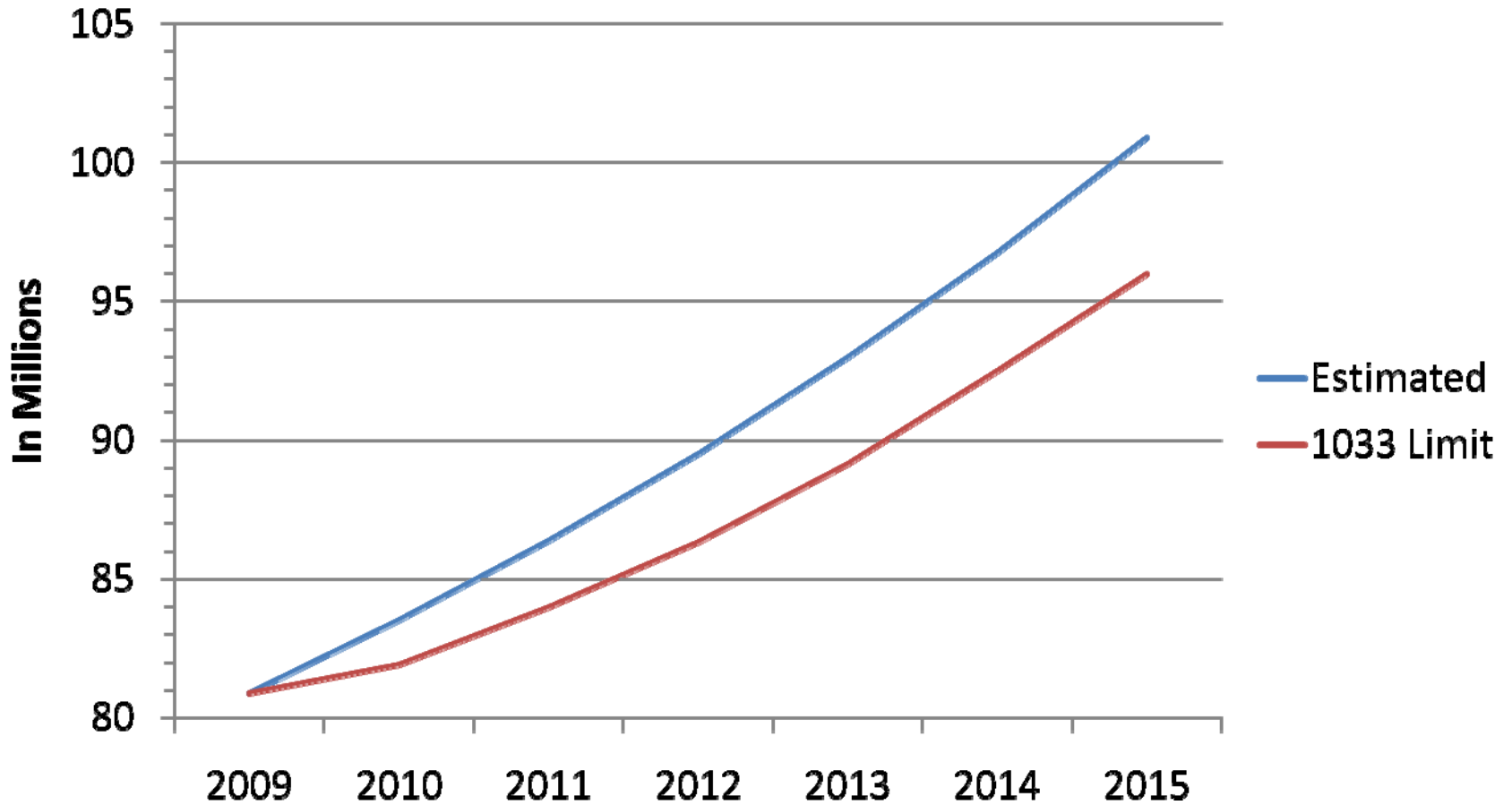
City of Kent Fiscal Impact

Assumes No Annexation and No RFA

- The process would continue annually as listed below:

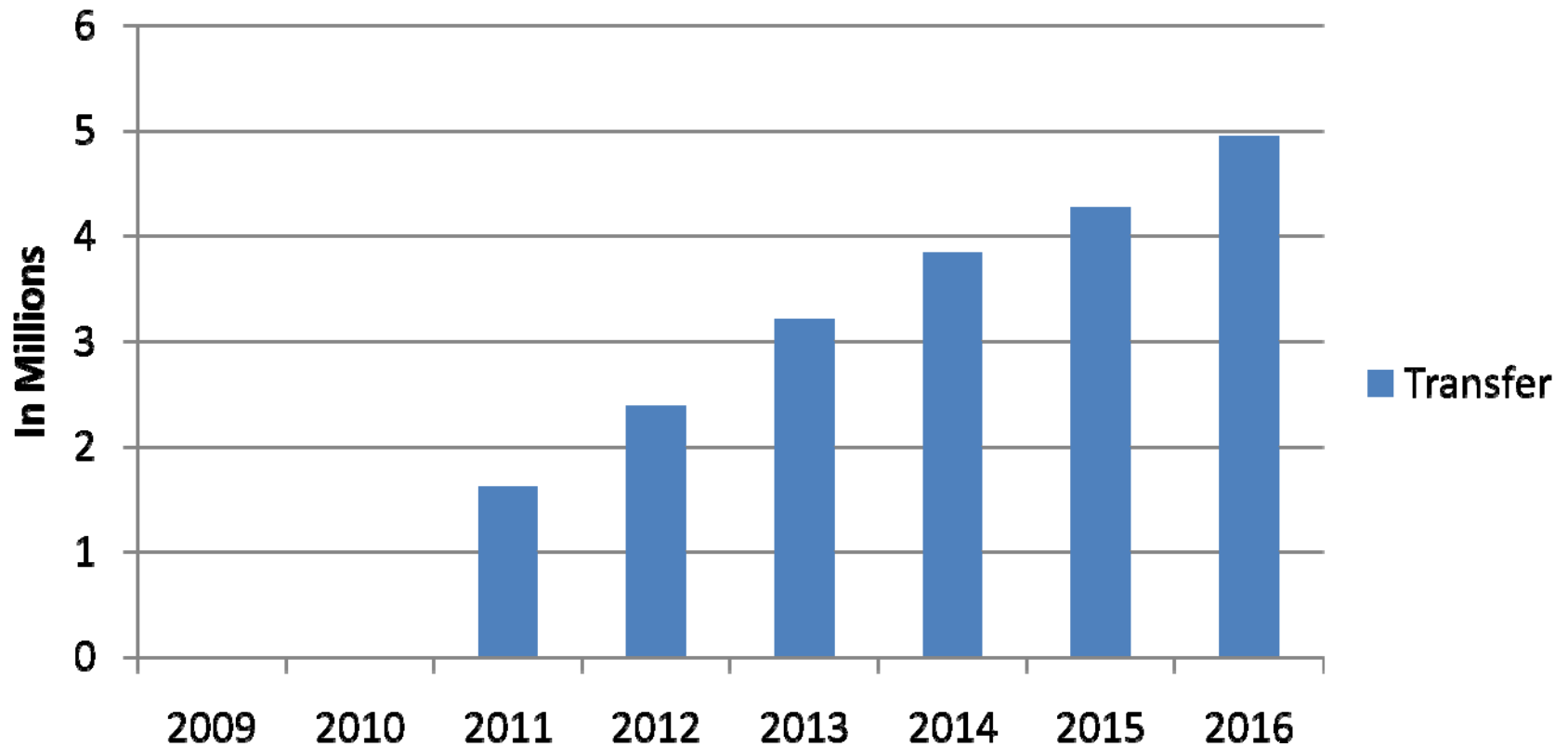
<u>Year</u>	<u>Estimated Revenues</u>	<u>Limit Revenues</u>	<u>Transfer LCPTA</u>
2011	\$86,362,963	\$83,981,788	\$2,381,176
2012	\$89,512,280	\$86,303,884	\$3,208,396
2013	\$92,964,436	\$89,124,942	\$3,839,494
2014	\$96,752,246	\$92,487,181	\$4,265,065
2015	\$100,914,169	\$95,976,260	\$4,937,909

Effect of I-1033 Limit Assumes No Annexation



I-1033 Transfer to “Lower Property Taxes Account”

Transfer Total \$20,246,384



Effect of Annexation

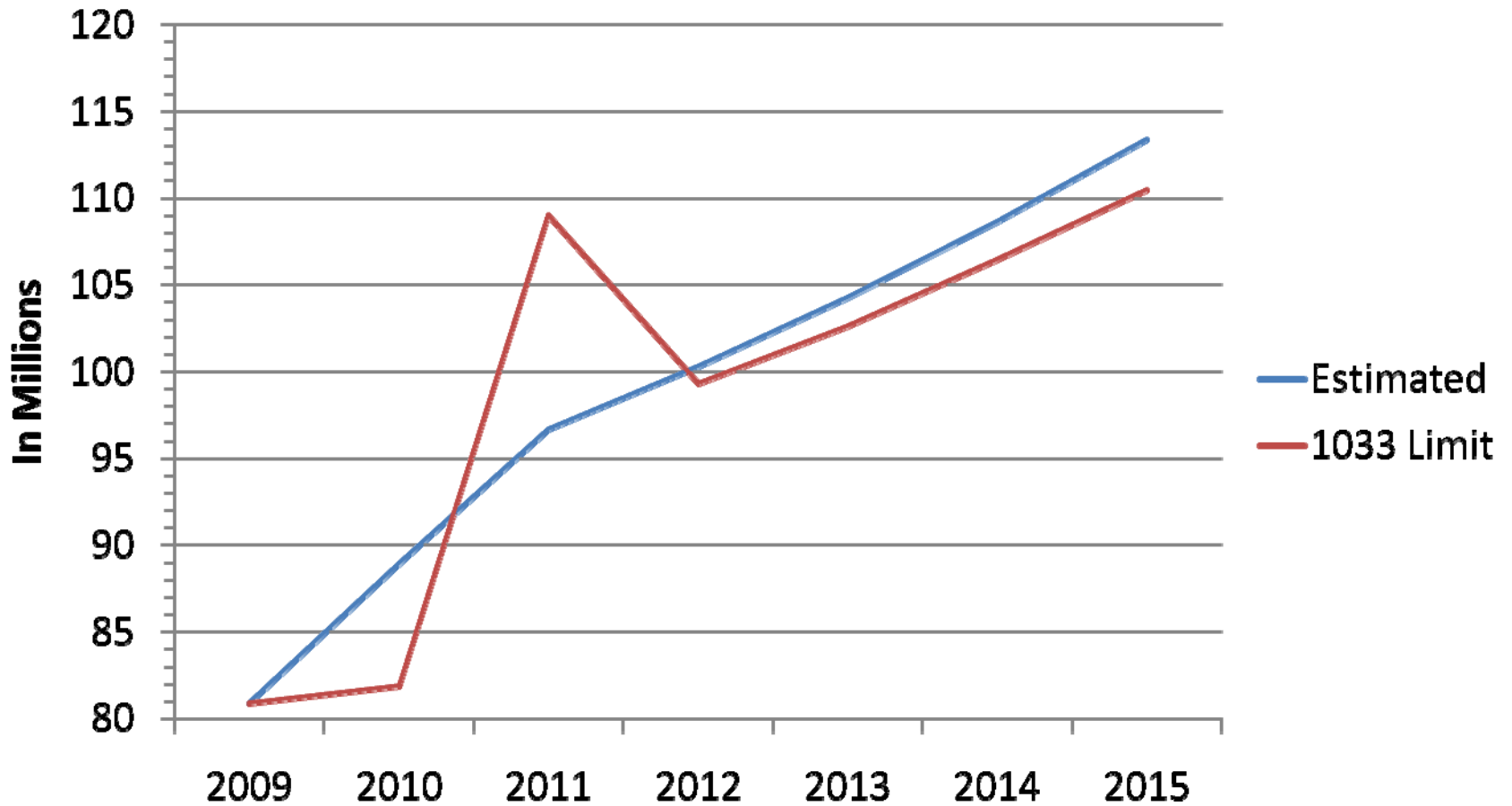
- If the annexation of Panther Lake occurs, the effect under I-1033 is enhanced for 2010.
- Since the IPD and population changes affect the revenue limit the following year, the additional revenues received during the last half of 2010 would basically go to the “Lower City Property Tax Account”
- The year by year effect is in the following chart.

Annexation Effect of I-1033

<u>Year</u>	<u>Estimated Revenues</u>	<u>Limit Revenues</u>	<u>Transfer To LCPTA</u>
2009	\$ 80,868,831	\$	\$
2010	\$ 88,955,714	\$ 81,882,724	\$7,072,990
2011	\$ 96,652,690	\$108,988,771	\$ 0
2012	\$100,277,166	\$ 99,325,137	\$ 952,029
2013	\$104,250,172	\$102,571,827	\$1,678,344
2014	\$108,609,474	\$106,441,350	\$2,168,125
2015	\$113,399,335	\$110,456,850	\$2,942,485

Effect of I-1033

Assumes Annexation of Panther Lake



I-1033 Lower Property Taxes Transfer Assumes Annexation

Transfers Total \$14,813,973

