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2 DATE: November 3, 2021  
3 TO: Lynnwood City Council  
4 FROM: Mayor Nicola Smith  
5 **RE: VETO OF ORDINANCE 3400 – Vehicle License Fees**

6  
7 Honorable Councilmembers:

8 As Mayor of Lynnwood, I am exercising my authority under Chapter 35A.12 RCW to veto  
9 Ordinance 3400, relating to the City’s vehicle license fees, adopted by the City Council on  
10 October 25, 2021. In accordance with RCW 35A.12.130, I am returning this unsigned ordinance  
11 to the City Council with the objections outlined below.

12 Throughout the COVID-19 pandemic, the City of Lynnwood has demonstrated its ability to  
13 adapt and respond to unforeseen circumstances through a blend of fiscal prudence, resiliency,  
14 collaboration, and innovation. Uncharacteristically, this decision by City Council to repeal the  
15 \$40 vehicle license fee without a full understanding of the true ramifications is an exception to  
16 our careful financial planning.

17 Procedural Missteps

18 None of the regular and important budgeting best practices were followed in the Council’s  
19 rushed process for Ordinance No. 3400. Normally, proposals that may significantly impact the  
20 City’s finances are initiated as a request by Council for analysis of the fiscal impacts of the  
21 proposal, including alternative courses of action. Next, the City Council refers the matter to the  
22 Council Finance Committee for detailed review. This process includes analysis of near-term and  
23 long-term impacts upon services, programs, and projects. Also, an assessment is made of the  
24 proposal’s consistency with adopted plans and policies, including Lynnwood’s Financial Policies  
25 and the Strategic Plan.

26 The City Council consistently requires public notification and a public hearing before important  
27 financial decisions are made. During these public hearings, the City Council and the public  
28 receive analysis and recommendations by subject-matter experts. For Ordinance 3400, the City  
29 Council disregarded proper procedure. In this instance, the rushed process used to adopt  
30 prepared legislation favored political expediency over thoughtful governance. In sidestepping  
31 the City’s established process for fiscal decision-making, the City Council’s action sets the stage  
32 for future initiatives that can circumvent Lynnwood’s careful and inclusive budget process. As  
33 Mayor, I cannot support the Council’s hurried and out-of-sequence financial decision.

34 Budgeting for Outcomes

35 As called for by Resolution 2015-07, the City embraces Budgeting for Outcomes (BFO) principles  
36 during the preparation of each biennial budget. The Government Financial Officials Association  
37 (GFOA) has repeatedly awarded Lynnwood its Distinguished Budget Presentation Award. BFO

38 begins with forecasting expected revenues and then allocates the funds available to create the  
39 most-important outcomes. Next, budget proposals are evaluated regarding 1) consistency with  
40 the Strategic Plan, 2018-2022; 2) legal mandates; and 3) fiscal sustainability. These steps were  
41 part of the deliberative process for the 2021-2022 Budget, but then disregarded as the Council  
42 considered repealing all vehicle license fees, which are a major revenue source for street  
43 maintenance and improvement.

44 No one knows what outcomes that will stem from Ordinance 3400. Ordinance No. 3400 was  
45 rushed through without the opportunity to understand, evaluate, and communicate outcomes.  
46 The most appropriate time to consider a budgetary change of this magnitude is during the  
47 biennial budget process, which begins in early 2022 for the 2023-24 biennium. This timing  
48 would allow administration to analyze the full impacts of this revenue reduction and identify  
49 options to either increase revenues elsewhere or make expenditure reductions. Decisions  
50 regarding vehicle license fees should follow BFO processes as called for by Resolution 2015-07.

#### 51 Upcoming budget for 2023-2024

52 Ordinance 3400 becomes effective in 2023 and would arguably usurp the budgetary authority  
53 of the City Council as it will be constituted in 2022-2023. Decisions regarding Lynnwood's  
54 budget in 2023 should be made by the elected officials in office at that time, who will have a  
55 better understanding of the conditions then. If the 2022-2023 City Council wishes to eliminate  
56 vehicle license fees, it can do so. Under the confines of Ordinance 3400, the next City Council  
57 may find it difficult to respond to the financial constraints imposed by today's City Council.  
58 Furthermore, Ordinance 3400 robs the general public of the opportunity to share its views  
59 regarding the relative merit of road upkeep verses other City services and projects—as would  
60 occur if this matter were addressed in our established budget process.

#### 61 Lynnwood's streets and sidewalks

62 Ordinance 3400 has the potential to jeopardize the safety and lifespan of Lynnwood's streets  
63 and roads. This infrastructure is critical to the economic vibrancy of our local businesses, and  
64 exists because of incalculable amounts of past investment of public monies. Lynnwood's  
65 heavily-traveled streets and sidewalks require continual maintenance. The cost to remedy the  
66 results of deferred maintenance are unaffordable. Approximately \$1 million in revenue for  
67 streets and sidewalks each year, or about one-third of Transportation Benefit District (TBD)  
68 revenue, come from vehicle license fees. Analyses of Lynnwood's TBD program indicates that  
69 current revenues do not meet the need now. Vehicle license fees fund ongoing road and traffic  
70 signal maintenance, street overlays, sidewalk and ADA improvements, and maintenance of  
71 crosswalks. At this time of rapid growth and the imminent arrival of light rail, the City should  
72 ensure our local transportation system is ready to meet these challenges.

#### 73 Community Priorities

74 While assessing the public's willingness to fund transportation system improvements, it would  
75 be inappropriate to rely solely on voters' response to I-976. In virtually every local public  
76 opinion survey, respondents consistently identify streets and traffic congestion as the number  
77 one community issue! Transportation safety is one form of public safety. For better or for

78 worse, Washington’s attention is focused on vehicle license fees. It is not known whether  
79 voters in support of I-976 were voting against the Regional Transit Authority (Sound Transit) tax  
80 or against local fees for local streets. Based upon my experience as Mayor, I believe the  
81 Lynnwood community shares my support for regular maintenance of our transportation  
82 network.

83 Financial uncertainties surround us

84 Ordinance 3400 imposes a significant revenue reduction while we are still in the midst of a  
85 global pandemic and navigating many financial challenges. Sales tax revenues have seemed to  
86 recover from the worst of 2020, however other sources have not. These include recreation  
87 fees, and admissions and fuel tax revenue. Meanwhile, some of the financial details of the  
88 Community Recovery Center and Community Justice Center are still being worked through and  
89 may impact future budgets. All of these issues are not well understood at this time and  
90 deferring the decision on vehicle license fees until 2022, when detailed financial forecasts are  
91 available, will support informed decision-making.

92 Summary

93 No one likes to pay taxes and fees, but vehicle license fees help offset the enormous cost of  
94 providing safe streets for Lynnwood’s drivers. My decision to veto Ordinance 3400 was made  
95 with solemn appreciation for the City Council, and in support for the safe travels of all  
96 Lynnwood residents, businesses, and visitors. In 2022, as we work together to create the  
97 budget for 2023-2024, it may become clear that elimination of the vehicle license fee is indeed  
98 the best decision. At this time however, the issues I have outlined here are considerable.  
99 Today, as I veto Ordinance 3400, I am confident the topic of vehicle license fees can be  
100 addressed collaboratively in 2022.

101 For each of the reasons I have articulated here, I veto Ordinance 3400.

102 Attachment: Ordinance 3400 (unsigned)

103

104 CC: Department directors  
105 City attorney Rosemary Larson  
106 Records for the 2023-2024 Budget