



City Council

Ordinance to Set the Ad Valorem Tax Amount and Amount of Increase for the Budget Year 2013

Agenda Date: 11/20/2012
Agenda Item Number: 4.E
File Number: 12-0195

Type: ordinance **Version:** 1 **Status:** Passed

Agenda Item:

Ordinance to Set the Ad Valorem Tax Amount and Amount of Increase for the Budget Year 2013

Issue:

A public hearing was held and closed on November 13, 2012 on the property tax levy for 2013 collections, and adoption of the Ad Valorem (Property) Tax Ordinance.

Committee Recommendation:

None

City Manager's Recommendation:

1. Public Hearing held November 13, 2012 to consider testimony, approve first reading and forward to second reading.
2. Move to adopt on second reading the Ordinance setting the ad valorem tax amount and amount of increase for the budget year 2013.

Staff Contact:

Dean Walz, Fiscal Services Director, Administrative Services Department, 360.753.8465

Presenter(s):

Dean Walz

Background and Analysis:

The City is required to adopt a levy ordinance and file a levy certification with the County by November 30, 2012. If no certification is filed, the County will levy the lesser of the amount levied for 2012 or any other legal limits which may be applied to the levy.

A public hearing on General Fund revenue sources, including property tax, is required prior to the adoption of the property tax levy. RCW 84.55.120. Schedule of proposed 2013 General Fund revenues is attached. Notice of the hearing was published on October 30th and November 6th, 2012.

The 2013 general levy is based on a 1% increase over the 2012 levy excluding the 2012 refund levy, plus estimated amounts for new construction, a contingency, and a refund levy to be collected in 2013.

A contingency is included because the final values and changes in State assessed properties (utilities) are not known at this time. The maximum the City can collect in property taxes is limited to the lesser of the legal limit or the amount specified in the authorizing ordinance.

Once a levy is set there may be adjustments made which lower the amount of taxes collected, e.g. lower assessed valuations. The amount not collected due to adjustments can be added to the next year's levy as a refund levy.

The estimated regular levy is \$12,967,000 including a refund levy and contingency. The estimated rate per \$1,000 of assessed valuation is \$2.5625. The current rate is \$2.3945. The increase in levy rate is primarily due to a reduction of assessed valuation of 5.8%, net of new construction. Assessed value for 2012 tax collections was \$5,308,051,162. The current estimate of assessed value for 2013 collections is \$5,060,336,972 which includes \$63,287,942 from new construction.

The maximum regular levy rate is \$3.325, assuming the Timberland Library District assessed its full levy capacity of \$0.50. The current levy rate of the District is \$0.3830. To the extent the District does not levy \$0.50 the City may increase its levy subject to legal limitations. To increase the City levy beyond the above rate requires voter approval (levy lid lift).

Additionally, the City will collect property tax to pay for bonds issued for fire facilities and equipment in 2009. The levy for 2013 will be \$1,214,505. The levy rate for the fire bonds is estimated at \$0.24 per \$1,000 of assessed valuation. The 2012 levy for the fire bonds is \$0.2263. The tax levy to pay the debt service on the fire bonds is not part of the public hearing.

The ordinance must include the amount and percentage of change compared to the prior year. This comparison excludes for the prior year any refund levy and only the base change for the next year, which excludes additions such as new construction, annexations and refund levies.

Neighborhood/Community Interests (if known):

None known. Comment will be accepted at the Public Hearing.

Options:

- 1) After the public hearing, close the hearing and pass the ordinance on first reading. Move to second reading as presented. The ordinance provides resources for the General Fund, general debt obligations and provides funding for the Firemen's Pension Fund. This ordinance would allow for maximum property tax collections.
- 2) After the public hearing, close or continue the hearing and consider the ordinances at a later time. If the ordinance adoption is postponed until November 20th, the council will have to pass it that day on final reading to meet the requirement to file with the County by November 30th. The Council is not scheduled to meet on November 27th.

Financial Impact:

Levy Calculation:

\$12,687,455	1% increase over 2012 levy, excluding the 2012 refund levy.
\$ 150,931	New construction
\$ 99,609	Refund Levy
<u>\$ 29,005</u>	Contingency, pending final values from the County.
\$12,967,000	

Proposed allocation of the regular levy:

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\$ 9,492,468	General Fund, Preliminary Budget
\$ 1,684,437	Debt Service, City Hall Bonds
\$ 570,392	Debt Service, Public Works Trust Fund, 4 th /5 th Avenue Corridor Loans
\$ 1,091,700	Firemen's Pension Fund
\$ 128,003	General Fund, refund levy, contingency and adjustments.
<u>\$12,967,000</u>	