



## City Council

### Approval of Ad Valorem Tax Ordinance

**Agenda Date:** 11/26/2013  
**Agenda Item Number:** 4.E  
**File Number:** 13-0941

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**Type:** ordinance **Version:** 3 **Status:** Passed

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**Title**

Approval of Ad Valorem Tax Ordinance

**Recommended Action**

**Committee Recommendation:**

Not referred to a committee.

**City Manager Recommendation:**

Move to approve the Ad Valorem Tax Ordinance on second reading.

**Report**

**Issue:**

Approval of ordinance to set the Ad Valorem Tax for 2013 collections.

**Staff Contact:**

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

**Presenter(s):**

N/A

**Background and Analysis:**

***[Same Background and Analysis as November 12 and 19, 2013 meetings]***

The City is required to adopt a property tax levy ordinance and file a levy certification with the County by November 30, 2013. If no certification is filed, the County will levy the lesser of the amount levied for 2013 or any other legal limit which may be applied to the levy.

A public hearing on General Fund revenues sources, including property tax, is required prior to the adoption of the property tax levy (RCW 84.55.120). Schedule of proposed 2014 General Fund revenues is attached. Notice of the hearing was published on October 29<sup>th</sup> and November 5, 2013. A public hearing was held on November 12, 2013.

The 2014 general levy is based on a 1% increase over the 2013 levy excluding the 2013 refund levy, plus estimated amounts for new construction, a contingency, and a refund levy to be collected in 2014. To increase the levy beyond these limits requires voter approval (levy lid lift).

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 to be 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 for 2014 collections is \$13,223,328 including a refund levy and contingency. The estimated rate per \$1,000 of assessed valuation is \$2.4853. The current rate is \$2.5567. The decrease in rate is due to an assessed value increase of 5.14% and an increase of 1.98% in taxes including new construction, refund levy and the contingency. Assessed value for 2014 tax collections is estimated at \$5.32 billion an increase of \$260 million. Preliminary estimated increase in assessed valuation from new construction (included in above) is \$72.28 million.

The maximum regular levy rate is \$3.325, assuming the Timberland Library District levied its full levy capacity of \$0.50 per \$1,000 of assessed value. The current levy rate of the District is \$0.415.

Additionally, the city will collect property tax to pay debt service on bonds issued with voter approval (2008) to fund fire facilities and equipment. This levy for 2014 will be \$1,214,903, estimated levy rate is \$0.2283. The 2013 levy for the fire bonds is \$0.2420. The tax levy to pay the debt service on the fire bonds is not part of the public hearing.

The ordinance approving the levy must include the amount and percentage of change compared to the prior year (2013). The comparison is based on the 2013 levy less the refund levy when calculating the 1% increase, but includes the refund levy when calculating the dollar and percent of change.

\$12,938,026.26	2013 levy
<u>Less (99,609.17)</u>	refund portion of the levy
\$12,838,417.09	amount to which the 1% is applied
\$ 12,966,801.26	101% of above
<u>Less 12,938,026.26</u>	2013 levy including refund levy
\$ 28,775.00	increase over 2013 levy 0.2224%

**Neighborhood/Community Interests (if known):**

N/A

**Options:**

- 1) Move to approve the ordinance on second reading. This ordinance would allow for the maximum property tax collections.
- 2) Move the ordinance to second reading with changes as identified by the Council.
- 3) Do not pass the ordinance. The County would levy property taxes at the same level as 2013.

**Financial Impact:**

Financial impact below is based on information in the preliminary budget plus, refund levy and contingency. The ordinance is based on the most recent information from the County Assessor's

Office and is \$235 less than the information below.

Levy Calculations:

\$12,966,801	1% increase over 2013 levy, excluding the 2013 refund levy.
\$ 184,804	New construction
\$ 46,723	Refund levy
<u>\$ 25,000</u>	Contingency pending final values from the County.
\$13,223,328	

Proposed allocation of the regular levy:

\$ 9,811,770	General Fund, Preliminary Budget
\$ 1,686,055	Debt Service, City Hall Bonds
\$ 565,921	Debt Service, Public Works Trust Fund, 4 <sup>th</sup> /5 <sup>th</sup> Avenue Corridor Loans
\$ 1,134,582	Firemen's Pension Fund
<u>\$ 25,000</u>	General Fund, contingency
\$ 13,223,328	