



## City Council

### Public Hearing and 1st Reading of the 2016 Ad Valorem Tax Ordinance

**Agenda Date:** 11/24/2015  
**Agenda Item Number:** 4.C  
**File Number:** 15-1075

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**Type:** ordinance **Version:** 2 **Status:** Passed

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#### **Title**

Second reading of the 2016 Ad Valorem Tax Ordinance

#### **Recommended Action**

##### **Committee Recommendation:**

Not referred to a committee.

##### **City Manager's Recommendation:**

Forward to second reading.

#### **Report**

##### **Issue:**

To set the Ad Valorem Tax amount and the amount of increase for the budget year 2016, and approval of ordinance on first reading to set the Ad Valorem Tax for 2016 collections.

##### **Staff Contact:**

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

##### **Presenter(s):**

Dean Walz, Fiscal Services Director, Administrative Services Department  
Jane Kirkemo, Administrative Services Director, 360.753.8499

#### **Background and Analysis:**

Background and analysis have not changed from first to Second Reading.

The City is required to adopt a property tax levy ordinance and file a levy certification with the County by November 30, 2015. If no certification is filed, the County will levy the lesser of the amount levied for 2015 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). The schedule of proposed 2016 General Fund revenues is attached. Notice of the hearing was published on November 3 and November 10, 2015.

The 2016 general levy is based on a 1% increase over the previous highest legal levy, plus estimated amounts for new construction, a contingency, and a refund levy to be collected in 2016. An increase in the levy is limited to the lower of 1% or the inflation rate as measured by the implicit price deflator (IPD) plus new construction. The IPD affecting 2016 tax assessments is 0.251%. To increase the levy beyond the IPD to 1% requires the Council to pass a resolution of substantial need with a super majority off the Council present. To increase the levy beyond these limits requires voter approval (levy lid lift).

A contingency of \$50,000 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.

***Estimated Regular Levy for 2016 Collections -***

The estimated regular levy for 2016 collections is \$13,955,601.43 including new construction, a refund levy, and contingency. The estimated rate per \$1,000 of assessed valuation is \$2.41. The current rate is \$2.40. Assessed value for 2016 tax collections is estimated at \$5.78 billion - an increase of \$105 million. Preliminary estimated increase in assessed valuation from new construction (included in above) is \$57.46 million. This will generate about \$140,000 in annual property tax revenue.

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 \$0.4107.

Additionally, the City will collect property tax to pay debt service on bonds issued with voter approval to fund fire facilities and equipment. (In 2008, voters approved an excess levy to pay for a fire station, fire training facility, and equipment. Bonds were issued in 2009.) This levy for 2016 will be \$1,206,074.43 including a refund levy. Estimated levy rate is \$0.210. The 2014 levy for the fire bonds is \$0.228. 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 levy (2015). The comparison is based on the highest legal levy.

\$13,554,508.83	Highest legal levy
13,690,053.92	101% of above
<u>Less 13,598,435.66</u>	2015 levy
\$ 91,618.26	Increase of 0.67375%

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

N/A

**Options:**

1) Close the hearing and move to approve the ordinance on first reading and forward to 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) Continue the hearing to another date and direct staff to present the ordinance at another date. If the ordinance is not delivered to the County by November 30, then the amount of taxes to be levied for 2016 may be limited.
- 4) Do not pass the ordinance. The County would levy property taxes at the same level as 2015.

**Financial Impact:**

The proposed ordinance will provide an increase in the general levy of \$332,166:

\$13,690,053.92	1% increase over highest legal levy
\$ 140,683.00	New construction
\$ 74,864.60	Refund levy
<u>\$ 50,000.00</u>	Contingency pending final values from the County
\$13,955,601.52	