



City Council

Approval of an Ordinance Setting the Ad Valorem Tax for 2017 Collections

Agenda Date: 11/22/2016
Agenda Item Number: 4.E
File Number: 16-1217

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

Title

Approval of an Ordinance Setting the Ad Valorem Tax for 2017 Collections

Recommended Action

Committee Recommendation:

Not referred to a committee.

City Manager's Recommendation:

Move to approve the ordinance on second reading.

Report

Issue:

Whether to approve the ordinance on second reading to set the Ad Valorem Tax for 2017 collections.

Staff Contact:

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

Presenter(s):

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

Background and Analysis:

The City is required to adopt a property tax levy ordinance and file a levy certification with the County by November 30, 2016. If no certification is filed, the County will levy the lesser of the amount levied for 2016 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 2017 General Fund revenues is attached. Notice of the hearing was published on November 1 and November 8, 2016.

The 2017 general levy is based on a one percent increase over the previous highest legal levy, plus estimated amounts for new construction, a contingency, and a refund levy to be collected in 2017. An increase in the levy is limited to the lower of 1 percent or the inflation rate as measured by the implicit price deflator (IPD) plus new construction. The IPD affecting 2017 tax assessments is 0.953 percent.

To increase the levy beyond the IPD to one percent 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 2017 Collections -

The estimated regular levy for 2017 collections is \$14,455,444.27 including new construction, a refund levy, and contingency. The estimated rate per \$1,000 of assessed valuation is \$2.3060. The current rate is \$2.4084. Assessed value for 2017 tax collections is estimated at \$6.384 billion, an increase of \$599 million. Preliminary estimated increase in assessed valuation from new construction (included in above) is \$116.5 million. This will generate about \$280,625 in property tax revenue from new construction.

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 \$0.4095.

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 2017 will be \$1,187,851 including a refund levy. Estimated levy rate is \$0.1908. The 2016 levy for the fire bonds is \$0.2096. 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 (2016). The comparison is based on the highest legal levy which is calculated prior to addition of a refund levy.

\$13,858,835.61	Highest legal levy
13,997,423.96	101% of above
<u>Less 13,933,700.21</u>	2016 levy
\$ 63,723.76	Increase of 0.457336%

Neighborhood/Community Interests (if known):

N/A

Options:

- 1) Hold a public hearing; then 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) Hold the public hearing; then 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 2017 may be limited.

4) Do not pass the ordinance. The County would levy property taxes at the same level as 2015.

Financial Impact:

General Expense Levy

\$13,997,423.96	1% increase over highest legal levy
\$ 280,625.63	New construction
\$ 127,394.68	Refund levy
\$ 50,000.00	Contingency pending final values from the County
<u>\$14,455,444.27</u>	

Fire Bond Levy

\$ 1,172,394.70
\$ 15,267.30
<u>\$ 1,187,851.00</u>

Attachments:

- Ordinance
- Estimated 2017 General Fund Revenue by Type