



City Council

Approval of an Ordinance Setting the 2020 Ad Valorem Tax

Agenda Date: 11/19/2019
Agenda Item Number: 4.J
File Number: 19-1048

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

Title

Approval of an Ordinance Setting the 2020 Ad Valorem Tax

Recommended Action

Committee Recommendation:

Not referred to a committee

City Manager Recommendation:

Approve the ordinance on second reading.

Report

Issue:

Whether to approve the ordinance setting the 2020 Ad Valorem Tax in the amount \$19,060,457.61 for the City's Regular Levy (including refunds) and \$1,196,967.77 for the Excess Levy on the Fire bonds (including refunds) on second reading.

Staff Contact:

Nanci Lien, Fiscal Services Director, Administrative Services, 360.753.8465

Presenter(s):

Nanci Lien, Fiscal Services Director, Administrative Services

Background and Analysis:

Background and analysis has not changed from first to second reading. *The ordinance has been revised from first to second reading to include the updated Assessed Value (AV) from the County. AVs for our New Construction, State Utilities and totals all decreased since the last AV update in September. The impact of this reduction in AV, results in a reduction in the General Expense Levy only in the amount of \$32,549.10.*

The City is required to adopt a property tax levy ordinance and file a levy certification with Thurston County by November 27, 2019. If no certification is filed, the County will levy the same amount as 2019.

A public hearing on General Fund revenue sources, including property tax, is required prior to

adopting the property tax levy (RCW 84.55.120). The schedule of proposed 2020 General Fund revenues is attached. Notice of the hearing was published on November 5.

The 2020 general levy is based on a 1 percent increase over the previous year's levy, plus allowable add-on items and a refund levy to be collected in 2020. This year the levy includes an additional \$499,474.15 of banked capacity.

Once a levy is set there may be adjustments which lower the amount of taxes to be collected (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 2020 Collections

The maximum regular levy rate is \$3.325 assuming the Timberland Regional District levies its full levy capacity of \$0.50 per \$1,000 of assessed value. The current levy rate of the District is \$0.362124.

The estimated regular levy for the City's 2020 collections is \$18,986,343.25 plus a refund levy of \$74,114.36. The estimated rate per \$1,000 of assessed valuation is \$2.447975. The current rate is \$2.457531. Assessed value for 2020 tax collections is estimated at \$7,755,935,904 -- an increase of \$607,973,831. The preliminary estimated increase in assessed valuation from new construction (included in above) is \$107,055,428. This will generate about \$272,840.34 in property tax revenue from new construction.

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 2020 will be \$1,196,967.77, which includes a refund levy of \$6,213.51. The estimated levy rate is \$0.157766. The tax levy to pay the debt service on the fire bonds is not part of the public hearing.

The most current assessment was received on September 18, 2019. The County has communicated there may be another slight adjustment and would notify the City by mid-November. Any changes to the General Levy and rate will be modest and reflected in the final ordinance prior to second reading.

Neighborhood/Community Interests (if known):

None

Options:

1. Approve the ordinance on second reading.
2. Do approve the ordinance on second reading and request changes. If the ordinance is not delivered to the County by November 27, 2019, then the amount of taxes to be levied for 2020 may be limited.
3. Do not pass the ordinance. The County will levy property taxes at the same level as 2019.

Financial Impact:

General Expense Levy

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|-----------------|--------------------------------------|
| \$18,713,502.91 | 1% increase over highest legal levy* |
| \$ 272,840.34 | New construction |

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|-----------------|-------------------------------|
| \$ 74,114.36 | Refund Levy - General Expense |
| \$19,060,457.61 | Total General Expense Levy |

*Includes the Public Safety Levy LID Lift and \$499,474.15 of banked capacity

Fire Bond Levy

| | |
|----------------|----------------------|
| \$1,190,756.26 | Base Levy |
| \$ 6,213.51 | Refund Levy |
| \$1,196,967.77 | Total Fire Bond Levy |

Attachments:

Ordinance

Estimated 2020 General Fund Revenue by Type