



City Council

Public Hearing on an Ordinance Setting the 2021 Ad Valorem Tax

Agenda Date: 11/10/2020
Agenda Item Number: 5.C
File Number: 20-0921

Type: public hearing **Version:** 1 **Status:** Filed

Title

Public Hearing on an Ordinance Setting the 2021 Ad Valorem Tax

Recommended Action

Committee Recommendation:

Not referred to a committee

City Manager Recommendation:

Hold a public hearing on an ordinance setting the 2021 Ad Valorem tax in the amount \$19,609,492.81 for the City's Regular Levy (including refunds) and \$1,063,356.45 for the Excess Levy on the Fire bonds (including refunds).

Report

Issue:

Whether to hold a public hearing on an ordinance setting the 2021 Ad Valorem tax in the amount \$19,609,492.81 for the City's Regular Levy (including refunds) and \$1,063,356.45 for the Excess Levy on the Fire bonds (including refunds).

Staff Contact:

Nanci Lien, Finance Director, Finance, 360.753.8465

Presenter(s):

Nanci Lien, Finance Director, Finance

Background and Analysis:

The City is required to adopt a property tax levy ordinance and file a levy certification with Thurston County by November 30, 2020. If no certification is filed, the County will levy the same amount as 2020.

A public hearing on General Fund revenue sources, including property tax, is required prior to setting the property tax levy (RCW 84.55.120). The schedule of 2021 estimated General Fund revenues is attached. Notice of the public hearing was published on November 3, 2020.

Under state law, the City is limited to increasing the regular property tax levy to the lesser of 1% of

last year's levy, or the rate of the implicit price deflator (IPD), plus any allowable add-ins. The IPD is a figure used to measure inflation and is calculated by the State Department of Revenue. As of August 2020, the IDP is 0.60152%.

When the IPD rate falls below 1%, the City may adopt a resolution of "substantial need" allowing to increase the levy up to the full 1% increase by approval of a majority of Council plus one. If not levied, the excess capacity can be "banked" to be available for a future levy.

The 2021 general levy is based on a 1% increase over the previous year's levy, plus allowable add on items and a refund levy to be collected in 2021. This year the levy includes an additional \$25,644 of banked capacity.

Should the County adjust the assessed valuation or refund levies between first and second ordinance reading, an amended ordinance will be presented at second reading.

Once a levy is set there may be assessed value adjustments made by Thurston County which may lower the amount of taxes to be collected (example: lower assessed valuations). The amount not collected due to adjustments can be added to next year's levy as a refund levy.

Estimated Regular Levy for 2021 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 \$0.34.

The estimated regular levy for the City's 2021 collections is \$19,426,110.38 plus a refund levy of \$183,382.43, for a total Regular Levy of \$19,609,429.81. The estimated rate per \$1,000 of assessed valuation is projected to be \$2.43. The current rate is \$2.46. Assessed value for 2021 tax collections is estimated at \$8,058,775,005 -- an increase of \$317,360,699. The preliminary estimated increase in assessed valuation from new construction (included in above) is \$94,076,572. New construction will generate about \$231,234 in property tax revenue included in regular levy noted above.

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 2021 will be \$1,063,356.45, which includes a refund levy of \$15,856.45. The estimated levy rate per \$1,000 of assessed value is \$0.13. The current rate is approximately \$0.15. The tax levy is used to pay the debt service on the fire bonds is not part of the public hearing.

The most current assessed value was received from Thurston County on October 29, 2020. The County has communicated there may be another adjustment prior to the end of the year. If available, any changes to the General Levy and estimated rate will be modest and reflected in the final ordinance prior to second reading.

Neighborhood/Community Interests (if known):

None

Options:

1. Hold the public hearing.

2. Do not hold the public hearing.
3. Direct staff to amend the ordinance and hold the public hearing at a future meeting. If the ordinance is not delivered to the County by November 30, 2020, the amount of taxes to be levied for 2020 may be limited.

Financial Impact:

General Expense Levy

| | |
|----------------------|--------------------------------------|
| \$19,194,876.10 | 1% increase over highest legal levy* |
| \$ 231,234.28 | New construction |
| <u>\$ 183,382.43</u> | Refund Levy - General Expense |
| \$19,609,492.81 | Total General Expense Levy |

*Includes the Public Safety Levy LID Lift and \$25,643.79 of banked capacity

Excess Fire Bond Levy

| | |
|---------------------|-----------------------------|
| \$1,147,500.00 | Base Levy |
| <u>\$ 15,856.45</u> | Refund Levy |
| \$1,063,356.45 | Total Excess Fire Bond Levy |

Attachments:

Ordinance
Estimated 2021 General Fund Revenue by Type