

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Adoption of Ordinance No. 403, the 2006 Property Tax Levy
DEPARTMENT: Finance
PRESENTED BY: Debbie Tarry, Finance Director

PROBLEM/ISSUE STATEMENT:

The City of Shoreline is required to adopt its 2006 levy ordinance and certify the amount to the County Assessor by December 2, 2005. The 2006 proposed budget includes a recommended 1% property tax levy increase plus new construction.

ALTERNATIVES ANALYZED:

Property Tax

Initiative 747 limits property tax levy increases to 1%, unless voter approval is received for a greater increase. The Council can choose to adopt a levy with an increase that is less than 1% and make a corresponding reduction in expenditures to maintain a balanced 2006 budget. The 1% levy increase will generate approximately \$68,700 in revenues for the General Fund. Due to the estimated new construction value of \$39.2 million, the levy will increase by approximately \$48,800 resulting in a 2006 levy increase of \$117,500 as compared to the 2005 levy, for a total estimated 2006 levy of \$7 million.

FINANCIAL IMPACT:

The total resources used in the proposed 2006 budget are \$78,936,984. Revenue from property taxes in the amount of \$6,935,415 is equal to approximately 99% of the requested 2006 property tax levy and represents approximately 9% of the overall City resources. If the Council does not approve the proposed property tax levy, the 2006 proposed revenues and expenditures would need to be decreased.

RECOMMENDATION

Staff recommends that Council approve Ordinance No. 403, establishing the 2006 property tax levy for the City.

Approved By: City Manager  City Attorney 

INTRODUCTION

The City of Shoreline is required to adopt its 2006 levy ordinance and certify the amount to the County Assessor by December 2, 2005. A public hearing was held on November 14 to receive public comment on the proposed 2006 property tax levy.

BACKGROUND

Property Tax

In 2001, voters approved Initiative 747 (I-747) in a statewide election. The provisions of I-747 limit property tax levy increases by local governments to the lower of the Implicit Price Deflator (IPD) or 1% without voter approval. This excludes any new property tax revenues generated as a result of new construction. The IPD for the July 2004 to July 2005 period was 2.541%. Therefore, without voter approval, the maximum increase allowed is 1% plus the value of new construction.

The 2006 proposed budget includes the allowed 1% levy increase. The revenue generated from this proposed levy increase is approximately \$68,700. The King County Assessor has provided an estimated amount for new construction that totals nearly \$39.2 million, resulting in an increase in revenue of nearly \$48,800. These two factors result in an overall 2006 levy increase of \$117,500 when compared with the 2005 levy.

We are projecting an average property valuation increase of 7.7% for Shoreline in 2006. With the values of new construction and the overall valuation increase, the current assessed valuation of \$5,533,893,618 will increase to \$5,957,643,224. As a result, the City's levy rate is projected to decrease by approximately 5.5% in 2006 from \$1.24456 to \$1.17607. The City's levy rate has decreased each year since 2000 when the rate was \$1.60

Property taxes collected for 2005 will be based upon the assessed valuation established during 2005. With the projected valuation increase of 7.7%, an average priced home valued at \$289,000 in 2005 is projected to increase to a value of \$311,253 in 2006. A homeowner of an average priced home could expect that the property tax that they pay to the City will increase from \$360 in 2005 to \$366 in 2006, a \$6 increase. The homeowner will pay additional taxes to other jurisdictions such as King County, Shoreline School District, local Fire District, and the State School levy. The City's property tax collections represent only 10.5% of the total property tax paid by City of Shoreline property owners in 2005.

ALTERNATIVES ANALYZED:

The City Council can choose to adopt a smaller property tax levy increase or no levy increase at all. This would necessitate a reduction in the proposed 2006 City revenues and expenditures to reflect the reduced levy.

During the 2006 budget review process including the public hearings, the Council had an opportunity to hear from stakeholders on any possible concerns that they have with the proposed 2006 property tax levy.

RECOMMENDATION

Staff recommends that Council approve Ordinance No. 403, establishing the 2006 property tax levy for the City.

ATTACHMENTS

Attachment A – Ordinance No. 403

ORDINANCE NO. 403

AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON LEVYING THE GENERAL TAXES FOR THE CITY OF SHORELINE IN KING COUNTY FOR THE FISCAL YEAR COMMENCING JANUARY 1, 2006, ON ALL PROPERTY BOTH REAL AND PERSONAL, IN SAID CITY WHICH IS SUBJECT TO TAXATION FOR THE PURPOSE OF PAYING SUFFICIENT REVENUE TO CONDUCT CITY BUSINESS FOR THE ENSUING YEAR AS REQUIRED BY LAW

WHEREAS, the City Council of the City of Shoreline has considered the City's anticipated financial requirements for 2006 and the amounts necessary and available to be raised by ad valorem taxes on real, personal, and utility property; and,

WHEREAS, the City Council after hearing and after duly considering all relevant evidence and testimony presented, determined that the City of Shoreline requires a regular levy in the amount of \$7,025,000, which includes an increase in property tax revenue from the previous year, and amounts resulting from the addition of new construction and improvements to property and any increase in the value of state-assessed property, and amounts authorized by law as a result of any annexations that have occurred and refunds made, in order to discharge the expected expenses and obligations of the City and in its best interest;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Levy Changes. An increase in the regular property tax levy is hereby authorized for the 2006 levy in the amount of \$68,729, which is a percentage increase of 1% from the previous year. This increase is exclusive of additional revenue resulting from the addition of new construction and improvements to property and any increase in the value of state assessed property, and any additional amounts resulting from any annexations that have occurred and refunds made.

Section 2. Levy Limit. The City will use a levy limit of 101.0% of the statutory maximum levy, plus new construction, annexation, and any increase in the assessed value of state-assessed property for establishing the 2006 levy for collection in 2006 for a total 2006 levy of \$7,025,000.

Section 3. 2006 Levy Rate. There shall be and hereby is levied on all real, personal, and utility property in the City of Shoreline, in King County, current taxes for the year commencing January 1, 2006, a levy at the estimated rate of \$1.18 per thousand dollars of assessed valuation.

The said taxes herein provided for are levied for the purpose of payment upon the general indebtedness of the City of Shoreline, the General Fund, and for the maintenance of the departments of the municipal government of the City of Shoreline for the fiscal year beginning January 1, 2006.

Section 4. Notice to King County. This ordinance shall be certified to the proper County officials, as provided by law, and taxes herein levied shall be collected to pay to the Finance Department of the City of Shoreline at the time and in the manner provided by the laws of the State of Washington for the collection of taxes for noncharter code cities.

Section 5. Effective Date. This ordinance shall be in full force and effect five days after publication of this ordinance, or a summary consisting of its title, in the official newspaper of the City.

Section 6. Severability. Should any section, paragraph, sentence, clause or phrase of this ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this Ordinance be preempted by State or Federal law or regulation, such decision or preemption shall not affect the validity of the remaining portions of this ordinance or its application to other persons or circumstances.

PASSED BY THE CITY COUNCIL ON NOVEMBER 28, 2005.

Mayor Ronald B. Hansen

ATTEST:

APPROVED AS TO FORM:

Scott Passey
City Clerk

Ian Sievers
City Attorney

Date of Publication:
Effective Date:

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