

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Adoption of Ordinance No. 902 - Setting the 2021 Regular and Excess Property Tax Levies
DEPARTMENT:	Administrative Services
PRESENTED BY:	Sara Lane, Administrative Services Director Rick Kirkwood, Budget and Tax Manager
ACTION:	<input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

PROBLEM/ISSUE STATEMENT:

The City of Shoreline is required to adopt its 2021 property tax levies by ordinance and certify the amount to the County Assessor by November 30, 2020.

The preliminary estimate for City property taxes that will be collected in 2021 totals \$14.106 million, assumes a 100% collection rate, and is \$190,000, or 1.4%, more than the projected 2020 tax collections. This revenue is discussed in more detail on pages 71, 80 and 81 in the 2021-2022 Proposed Biennial Budget and 2021-2026 CIP book.

Property tax levy increases by local governments are limited to the lower of the Implicit Price Deflator (IPD) or 101% without voter approval. The Revised Code of Washington (RCW) Chapter 84.55.005 and Washington Administrative Code (WAC) Section 458-19-005 provide limit factors and processes which the City must follow in adopting its property tax levy. For cities with a population of 10,000 or greater, the limit factor is the lesser of 100% plus inflation, as measured by the IPD, or 101% of the previous year's levy. State law also limits the levy rate to \$1.60 per \$1,000 of assessed valuation (AV). The July IPD was 0.60%. Therefore, if Shoreline Proposition 1 was not approved by voters, the City Council would be required to adopt a resolution of substantial need in order to increase the levy by 1.0% from the 2020 levy plus new construction and refunds.

However, City of Shoreline Proposition 1, which was approved by voters in 2016, allows the City to increase its property tax levy annually by the June-to-June percentage change in the Consumer Price Index for All Urban Consumers for the Seattle/Tacoma/Bellevue Area (CPI-U). When this CPI-U is applied for 2021, it results in an increase of 0.87%. Since inflation is less than 1.0%, Council may adopt a resolution of "substantial need" allowing it to increase the levy up to the full one percent (1.0%) as allowed by statute.

On November 2, staff recommended that Council direct staff to draft a resolution of “substantial need”. The impact of using the 1.0% instead of the 0.87% is \$18,059 for 2021 prior to the adding the value of new construction and re-levy for prior year refunds to the levy. As was mentioned, this would become part of the levy basis grown in future years. It is projected that CPI-U for 2022 will be 1.73%, and therefore the delta added to the 2022 levy would be \$18,371. The total delta for the biennium would be \$36,430. Assuming the Levy Lid Lift is not approved in 2023 and the limit factor returns to 1% annually, the total delta for the ten-year forecast period of 2021-2030 would be approximately \$190,000.

Following this Council discussion on November 2, Council provided direction to staff to draft a resolution of “substantial need”. Proposed Resolution No. 468, which is also on tonight’s Council agenda, provides for this declaration of “substantial need”.

In either case, the levy is allowed to also increase by the actual value of new construction determined by the King County Assessor as of October 29 to be \$179.236 million, and re-levy for prior year refunds of \$15,771. As a result, the total levy may increase approximately \$369,000, or 2.7%. Given that AV has increased more than the increase allowed in the City’s property tax levy, the City’s property tax levy rate is estimated to decrease from the current rate of \$1.19583 to \$1.19390 per \$1,000 of AV.

Based on the latest information provided by the King County Assessor’s Office and with adoption of Resolution No. 468 providing the declaration of “substantial need”, the regular property tax levy represents a dollar increase of \$138,916 and a percentage increase of 1.00% from the levy amount of the previous year, excluding the addition of new construction, improvements to property, any increase in the value of state assessed property, and administrative refunds made as shown below:

	Amount
2021 Regular Levy	\$14,260,625
Less 2020 Levy	13,891,601
Less New Construction	214,337
Less Refunds	15,771
Total Increase	\$138,916
Percent Increase	1.00%

The City also levies an excess property tax levy to collect monies to repay the general obligation bonds issued in December 2006 as approved by the voters in May 2006 for open space acquisition and park improvements. The total general obligation bond levy for 2021 is \$1,135,144.

Proposed Ordinance No. 902 (Attachment A), which is the ordinance that adopts both the regular property tax levy and the excess property tax levy to repay the 2006 General Obligation Bonds, has been updated to reflect the latest information provided by the King County Assessor’s Office and adoption of Resolution No. 468.

FINANCIAL IMPACT:

It is anticipated the 2021 Regular Levy will total approximately \$14.261 million and the excess property tax levy to repay the general obligation bonds issued in December

2006 will total approximately \$1.135 million. Based on the latest information provided by the King County Assessor's Office and adoption of Resolution No. 468, the regular property tax levy represents a dollar increase of \$138,916 and a percentage increase of 1.00 percent from the levy amount of the previous year, excluding the addition of new construction, improvements to property, any increase in the value of state assessed property, and administrative refunds.

RECOMMENDATION

Staff recommends that the City Council adopt Ordinance No. 902 establishing the City's 2021 regular and excess property tax levies.

ATTACHMENTS:

Attachment A: Proposed Ordinance No. 902

Approved By: City Manager **DT** City Attorney **MK**

ORDINANCE NO. 902

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, 2021, THE FIRST YEAR OF THE CITY OF SHORELINE'S 2021-2022 FISCAL BIENNIUM, 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 SAID FISCAL YEAR AS REQUIRED BY LAW, AND LEVYING AN EXCESS LEVY FOR THE REPAYMENT OF UNLIMITED GENERAL OBLIGATION BONDS.

WHEREAS, as required pursuant to RCW 35A.33.135, the City Council for the City of Shoreline and the City Manager have considered the City's anticipated financial requirements for 2021 and the amounts necessary and available to be raised by ad valorem taxes on real, personal, and utility property; and

WHEREAS, on November 8, 2016, Shoreline Proposition No. 1 (Basic Public Safety, Parks & Recreation, and Community Services Maintenance and Operations Levy) limiting annual levy increases for the years 2018 to 2022 to the June-to-June percentage change in the Seattle/Tacoma/Bellevue CPI-U was approved by the voters; and

WHEREAS, RCW 84.55.0101 provides that a taxing jurisdiction may levy taxes in any amount that does not exceed the limit factor, and RCW 84.55.005(2)(c) sets the limit factor for a taxing jurisdiction with a population of 10,000 or greater is the lesser of 101 percent or 100 percent plus inflation; and

WHEREAS, RCW 84.55.0101 authorizes the use of a limit factor of up to 101 percent with a finding and declaration by the City Council of "substantial need;" with the passage of Resolution 468, the City Council made such a finding and declaration; and

WHEREAS, as required pursuant to RCW 84.55.120, a public hearing was held on November 2, 2020 to consider the revenue sources for the City's current expense budget for the 2021-2022 Biennial Budget, including the consideration of possible increases in property tax revenues; and

WHEREAS, Shoreline Proposition No. 1 (2016), which authorized the issuance of \$18,795,000.00 in unlimited general obligations bonds, limits annual levy increases to the June-to-June percentage change in the consumer price index which, for calculating the 2021 regular levy would be 0.87 percent applied to the City's highest previous levy of \$13,891,601.00; and

WHEREAS, use of a limit factor of 101 percent, as opposed to 100.87 percent, results in an additional \$18,059 for 2021 prior to adding the value of new construction and re-levy for prior year refunds to the levy;

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

Section 1. Regular Property Tax Levy. Based on the voter-approved limitation on annual levy increases, the City Council of the City of Shoreline has determined that the property tax levy for the year 2021 is fixed and established in the amount of \$14,260,625.00. This property tax levy represents a dollar increase of \$138,916.00 and a percentage increase of 1.00 percent from the levy amount of the previous year, excluding the addition of new construction, improvements to property, any increase in the value of state assessed property, any annexations that have occurred, and administrative refunds made as shown below:

	Amount
2021 Regular Levy	\$14,260,625
Less 2020 Levy	13,891,601
Less New Construction	214,337
Less Refunds	15,771
Total Increase	\$138,916
Percent Increase	1.00%

Section 2. Voter-Approved Excess Tax Levy for Unlimited General Obligation Bonds. In addition, a further tax is hereby levied to raise revenue to provide for the interest and redemption of the 2006 voter-approved unlimited general obligation bonds for the fiscal year of 2021 in the amount of \$1,135,144.00. This tax is applicable to all taxable property within the City of Shoreline.

Section 3. 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 Administrative Services 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 non-charter code cities.

Section 4. Corrections by City Clerk or Code Reviser. Upon approval of the City Attorney, the City Clerk and/or the Code Reviser are authorized to make necessary corrections to this Ordinance, including the corrections of scrivener or clerical errors; references to other local, state, or federal laws, codes, rules, or regulations; or ordinance numbering and section/subsection numbering and references.

Section 5. 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.

Section 6. Effective Date. This Ordinance shall be in full force five days after publication of this Ordinance, or a summary consisting of its title, in the official newspaper of the City, as provided by law.

ADOPTED BY THE CITY COUNCIL ON NOVEMBER 16, 2020.

Mayor Will Hall

ATTEST:

APPROVED AS TO FORM:

Jessica Simulcik Smith
City Clerk

Margaret King
City Attorney

Date of Publication: , 2020
Effective Date: , 2021