

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Adoption of Ordinance No. 448, the 2007 Property Tax Levy
DEPARTMENT: Finance
PRESENTED BY: Debbie Tarry, Finance Director

PROBLEM/ISSUE STATEMENT:

The City of Shoreline is required to adopt its 2007 levy ordinance and certify the amount to the County Assessor by December 1, 2006. The 2007 proposed budget includes a recommended 1% regular property tax levy increase along with new property tax revenues from an estimated \$39 million in new construction. The 2007 general property tax levy is estimated at \$7,137,889.

The City must also establish an excess levy to collect monies to repay the general obligation bonds that will be issued in December 2006 as was approved by the voters this last May. The general obligation bond levy for 2007 is estimated at \$1,800,000.

ALTERNATIVES ANALYZED:

Regular Property Tax Levy

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 2007 budget. The 1% levy increase will generate approximately \$70,039 in revenues for the General Fund. The City's property tax collections represent only 9.93% of the total property tax paid in 2006 by City of Shoreline property owners.

FINANCIAL IMPACT:

The total resources used in the proposed 2007 budget are \$68,206,170. Property tax represents 10% of the overall City resources in the amount of \$7,066,510. If the Council does not approve the proposed property tax levy, the 2007 proposed revenues and expenditures would need to be decreased.

RECOMMENDATION

Staff recommends that Council approve Ordinance No. 448, establishing the City's 2007 regular property tax levy and the 2007 excess voter approved levy.

Approved By:

City Manager  City Attorney 

INTRODUCTION

The City of Shoreline is required to adopt its 2007 levy ordinance and certify the amount to the County Assessor by December 1, 2006. A public hearing was held on November 13 to receive public comment on the proposed 2007 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 one percent without voter approval. This excludes any new property tax revenues generated as a result of new construction.

The 2007 proposed budget includes the allowed 1% levy increase. The revenue generated from this proposed levy increase is approximately \$70,039. The King County Assessor has not yet provided an estimated amount for the new construction. We are estimating an amount of \$39,090,910, resulting in an increase in revenue of nearly \$45,848. These two factors along with estimated refunds of \$1,937 result in an overall 2007 levy increase of \$117,824 when compared with the 2006 levy.

We are projecting an average property valuation increase of 5.89% for Shoreline in 2007. With values of new construction and the overall valuation increase, the current estimated assessed valuation of \$6,036,457,123 will increase to \$6,316,966,318. As a result, the City's levy rate is projected to decrease by approximately 4% in 2007 from \$1.17407 to \$1.12709. This projected rate is slightly lower than projected in the 2007 Proposed Budget. This is a result of an update in the City's assessed valuation. The city's levy rate has decreased each year since 2000 when the rate was \$1.60

Property taxes collected for 2006 will be based upon the assessed valuation established during 2006. With the projected valuation increase of 5.89%, an average priced home values at \$314,000 in 2006 is projected to increase to a value of \$332,495 in 2007. A homeowner of an average priced home could expect that the property tax that they pay to the City will increase from \$367.38 to \$374.75 in 2007, a \$7.37 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 9.93% of the total property tax paid by City of Shoreline property owners in 2006.

In addition to the regular property tax levy, the City Council will be adopting an excess levy to start the repayment of the \$18.795 million of Parks Bonds that voters authorized in May 2006. Although the City will not actually close on the bonds until December 13, 2006, it is necessary for the Council to proceed in setting a levy for 2007 collections in order to meet the levy setting process for King County. Staff will be recommending that the Council set a levy of \$1,800,000 for 2007 for bond debt service. The estimated levy rate is 28.5 cents per \$1,000 assessed valuation. Again, if the City's assessed valuation is greater than current projections, then the levy rate will be slightly lower.

ALTERNATIVES ANALYZED:

The City Council can choose to adopt a smaller regular property tax levy increase or no levy increase at all. This would necessitate a reduction in the proposed 2007 City revenues and expenditures to reflect the reduced levy.

The Council cannot reduce the excess voter approved levy.

During the 2007 budget review process including the public hearings, the Council had an opportunity to hear from stakeholders on any possible concerns that they would have with the proposed 2007 property tax levy.

RECOMMENDATION

Staff recommends that Council approve Ordinance No. 448, establishing the City's 2007 regular property tax levy and the 2007 excess voter approved levy .

ATTACHMENTS

Attachment A – Ordinance No. 448

ORDINANCE NO. 448

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, 2007, 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 AND LEVYING AN EXCESS LEVY FOR THE REPAYMENT OF UNLIMITED GENERAL OBLIGATION BONDS

WHEREAS, the City Council of the City of Shoreline has considered the City's anticipated financial requirements for 2007 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 an estimated regular levy in the amount of \$ 7,137,889, 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 district and in its best interest;

WHEREAS, the voters of the City of Shoreline approved the issuance of \$18,795,000 in unlimited general obligation bonds on May 16, 2006; and,

WHEREAS, the City will issue the bonds on December 13, 2006, and begin making debt service payments on the bonds beginning June of 2007;

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

Section 1. Regular Property Tax Levy Changes. An increase in the regular property tax levy is hereby authorized for the 2007 levy in the amount of \$70,039, 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. Regular Property Tax 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 2007 levy for collection in 2007 for a total estimated 2007 levy of \$ 7,137,889.

Section 3. 2007 Regular Property Tax 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, 2007, a levy at the estimated rate of \$1.14 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, 2007.

Section 4. 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 voter-approved general obligation bonds for the fiscal year of 2007 in the amount of \$1,800,000. This tax is applicable to all taxable property within the City of Shoreline.

Section 5. 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 non-charter code cities.

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.

Section 7. 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 27, 2006.

Mayor Robert Ransom

ATTEST:

APPROVED AS TO FORM:

Scott Passey
City Clerk

Ian Sievers
City Attorney

Date of Publication:
Effective Date:

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