

# CITY COUNCIL AGENDA ITEM COVER SHEET

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ITEM NO: Public Hearing PH 1 and Action A 2

DATE: October 28, 2010

SUBJECT: First Reading of Ordinance 1094-10 Setting the tax levy for the 2011 Property Taxes

CONTACT PERSON: Laura Koenig, Clerk/Deputy Finance Director

**ISSUE:**

The issue before the Council is to hold a public hearing on the proposed use of 2011 property taxes and to have the first reading of Ordinance 1094-10 (Attachment A) which sets the property tax levy for the 2011.

**SUMMARY:**

In accordance with RCW 84.55.120, a taxing district with regular levies must hold a public hearing on the proposed increase and use of property tax funds. The ordinance must be adopted and filed with the County on or before November 30<sup>th</sup>.

Ordinance 1094-10 sets the regular property tax levy for 2011 with the amount to be assessed for collection at \$616,448. The budget provides for \$584,046 to be used for General Fund purposes and \$36,676 to be used for Street maintenance and operations. The preliminary budget presented at the retreat included \$81,300 in property tax revenues for the Street fund. Due to the decrease in assessed value and reduction in the amount of property tax the city will collect, the Street fund was reduced to \$36,676 in revenues.

Based on the City's estimated 2011 assessed value of \$385,279,747, the amount to be collected is \$1.60 per thousand of assessed property value which is the statutory limit for the city without voter approval to raise the limit. The maximum amount allowed under state law for the City is broken down as follows:

Statutory Levy Rate	\$3.60 per \$1000 of assessed value
Less Fire District	-\$1.50
Less Library District	<u>-\$ .50</u>
City maximum	\$1.60

The average house worth \$200,000 will pay \$320 in taxes to the City in 2011. The Fire District will receive \$300 from the property owner.

The City has seen a decline in assessed property values for the past two years (Attachment B). The assessed value has dropped from a high in 2009 of \$477,161,966 to the current estimated value for 2011 of \$385,279,747. A drop of \$91,882,219 in assessed values over a two year period. The current assessed values of properties are now below the 2007 amounts.

The financial impact of the declining assessed value is a decrease in the amount of property tax revenues that may be collected by the city. The City will collect \$60,631 less in 2011 than it collected in 2010.

State law allows the city to assess 101% of the prior year collection. Based on that formula the city would have been able to assess \$687,275 for 2011 if the assessed values had remained the same or increased (Attachment C). Based on the statutory limit (\$1.60/\$1,000 assessed value) the City will collect \$616,448.

People often ask why if assessed value is falling their property taxes are not decreasing. Voter approved levies for EMS, School Districts and special projects (such as the Police Bond the city issued after voter approval) impact the amount of total property taxes paid.

**STAFF RECOMMENDATION**

Introduce Ordinance 1095-10 setting the 2011 property tax levy for a first reading.

**Attachments:**

- A. Ordinance 1094-10
- B. 2010 Property Tax Spreadsheet
- C. Levy Calculation

CITY OF SULTAN  
SULTAN WASHINGTON  
ORDINANCE 1094-10

AN ORDINANCE OF THE CITY OF SULTAN FIXING THE AMOUNT  
OF TAXES TO BE LEVIED ON TAXABLE PROPERTY WITHIN THE  
CITY OF SULTAN FOR THE YEAR 2011

**WHEREAS**, the City of Sultan has met and considered its budget for the calendar year 2011;  
and

**WHEREAS**, the City Council of the City of Sultan after hearing and after duly considering all relevant evidence and testimony presented, determined that the City of Sultan requires a regular levy in the amount of \$620,724, which is a decrease in property tax revenue from the previous year, based on amounts resulting from the decrease in assessed values, 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; now therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SULTAN that the regular property tax levy is hereby authorized for the 2011 levy in amount of \$620,724 which is a percentage increase of 0% 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.

Severability: If any provisions of this ordinance or its application to any person or circumstance are held invalid, the remainder of the ordinance or applications of the provisions of the ordinance to other person or circumstances is not affected.

Effective Date: This ordinance shall be in full force and effect five days after publication as required by law.

REGULARLY ADOPTED this day of    day of November, 2010.

\_\_\_\_\_  
Carolyn Eslick, Mayor

Attest:

\_\_\_\_\_  
Laura J. Koenig, City Clerk

Approved as to form:

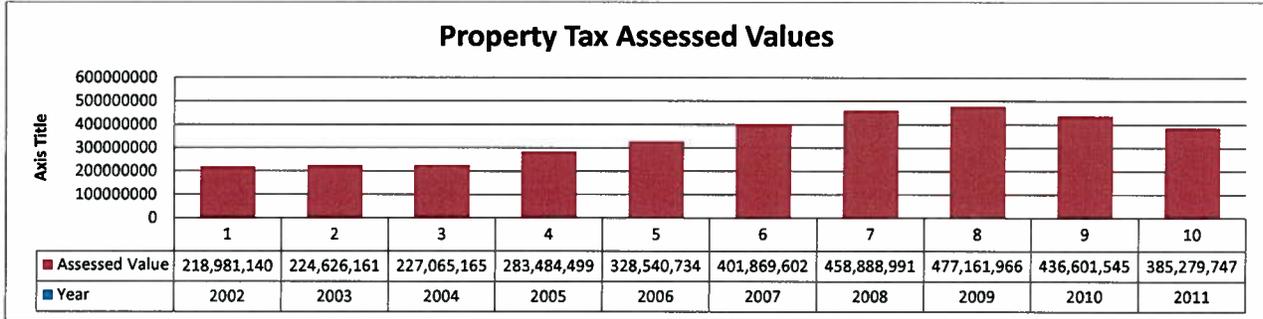
\_\_\_\_\_  
Margaret King, City Attorney

Published:

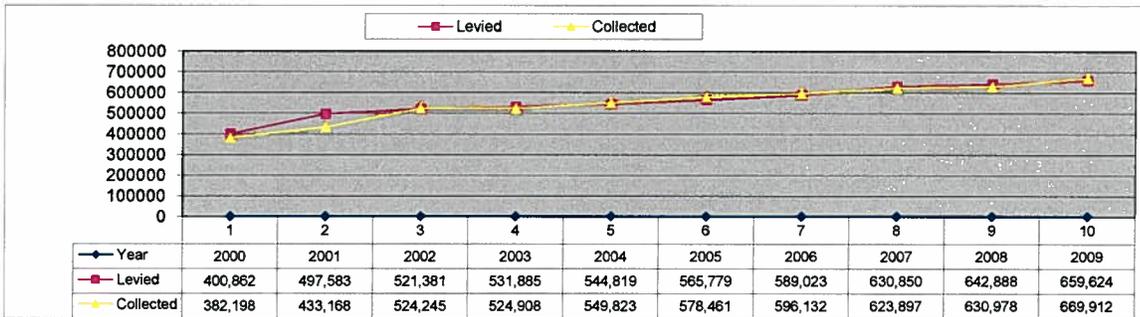
**Property Taxes:**

General Property taxes are, by state law, limited to a 1% increase over the prior year's collections plus assessments on new construction. The County treasurer acts as an agent to collect property taxes and distributes those collections on a monthly basis to the city. The State Statutory limit for property taxes for the City is \$3.60 per thousand. This amount is reduced by the amount collected by the Fire District and the Library District. Currently the maximum amount the City can collect is \$1.60 per thousand of assessed value.

Year	Assessed Value
2002	218,981,140
2003	224,626,161
2004	227,065,165
2005	283,484,499
2006	328,540,734
2007	401,869,602
2008	458,888,991
2009	477,161,966
2010	436,601,545
2011	385,279,747



Year	Levied	Collected
2000	400,862	382,198
2001	497,583	433,168
2002	521,381	524,245
2003	531,885	524,908
2004	544,819	549,823
2005	565,779	578,461
2006	589,023	596,132
2007	630,850	623,897
2008	642,888	630,978
2009	659,624	669,912



Year	Levied	Assessed Value	Levy Rate		
2002	521,381	218,981,140	2.3809		
2003	531,885	224,626,161	2.3679	Statutory Levy Rate	\$ 3.60 Per \$1000 of Assessed value
2004	544,819	227,065,165	2.3994	Less Fire District	\$ (1.50)
2005	565,779	283,484,499	1.9958	Less Library District	\$ (0.50)
2006	589,023	328,540,734	1.7928	City Max	\$ 1.60
2007	630,850	401,869,602	1.5698		
2008	642,888	458,888,991	1.4010		
2009	659,624	477,161,966	1.3824		
2010	677,079	436,601,545	1.5508		
2011	616,448	385,279,747	1.6000	Maximum levy rate allowed by law.	



### ACTUAL LEVY CALCULATION

TAXING DISTRICT \_\_\_\_\_ estimate for Sultan \_\_\_\_\_ Levy For \_\_\_\_\_ Taxes \_\_\_\_\_

Population:  Less than 10,000     10,000 or more

Was a resolution/ordinance adopted authorizing an increase over the previous year's levy?     Yes     No

If so, what was the percentage increase?    101.00%

Was a second resolution/ordinance adopted authorizing an increase over the IPD?     Yes     No     N/A

If so, what was the percentage increase?    \_\_\_\_\_

A. Previous year's actual levy times the increase as stated in ordinance or resolution (RCW 84.55.120). If the taxing district did not provide an ordinance or resolution use 100% in the field increasing the previous year's actual levy.

Year <u>2010</u>	<u>\$678,348.00</u>	×	<u>101.000000000000%</u>	=	<u>\$685,131.48</u>
	Previous Year's Actual Levy		100% Plus the Percentage Increase		

B. Amount for new construction, improvements, and newly constructed wind turbines (Line B, page 1) ..... = \$3,425.13

C. Amount for increase in value of state-assessed property (Line C, page 1) ..... = \_\_\_\_\_

D. Regular property tax limit: ..... A+B+C = \$688,556.61

Parts E through G are used in calculating the additional levy amounts due to annexation.

E. To find the rate to be used in F, divide the levy amount as shown in D above by the current assessed value of the district, excluding the annexed area.

<u>\$688,556.61</u>	÷	<u>\$385,279,747</u>	×	<u>\$1,000</u>	=	<u>1.787160148857</u>
Total in Line D		Assessed Value				

F. Annexed area's current assessed value including new construction and improvements, multiplied by the rate in E.

_____	×	<u>1.787160148857</u>	÷	<u>\$1,000</u>	=	_____
Annexed Area's A.V.		Rate in Line E				

G. Total levy amount authorized, including the annexation ..... D+F = \$688,556.61

H. Total levy amount authorized by resolution (G) plus amount refunded or to be refunded (RCW 84.55.070).

<u>\$688,556.61</u>	+	<u>\$851.00</u>	=	<u>\$689,407.61</u>
Total from Line G		Amount to be Refunded		Amount allowable per Resolution/Ordinance

I. Total amount certified by county legislative authority or taxing district as applicable. (RCW 84.52.020 and RCW 84.52.070) ..... = \_\_\_\_\_

J. Levy limit from line G on page 1, plus amount refunded or to be refunded (RCW 84.55.070).

<u>\$687,274.92</u>	+	<u>\$851.00</u>	=	<u>\$688,125.92</u>
Line G, Page 1		Amount to be Refunded		Total

K. Amount of taxes recovered due to a settlement of highly valued disputed property (RCW 84.52.018).

<u>\$688,125.92</u>	-	_____	=	<u>\$688,125.92</u>
Lesser of H, I, or J		Amount Held in Abeyance		Total

L. Statutory limit from line H on page 1 (dollar amount, not the rate) ..... = \$616,447.60

M. Lesser of K and L ..... \$616,447.60

N. Levy Corrections    Year of Error: \_\_\_\_\_

1. Minus amount over levied (if applicable) ..... \_\_\_\_\_

2. Plus amount under levied (if applicable) ..... \_\_\_\_\_

O. Total: M +/- N ..... \$616,447.60

Regular Levy Rate Computation: Lesser of L and O divided by the assessed value in line J1 on page 1.

<u>\$616,447.60</u>	÷	<u>\$385,279,747</u>	×	<u>\$1,000</u>	=	<u>1.600000012458</u>
Lesser of L and O		Amount on line J1 on page 1				