

# CITY COUNCIL AGENDA ITEM COVER SHEET

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ITEM NO: Consent C 4

DATE: December 2, 2010

SUBJECT: Adoption 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 the adoption of Ordinance 1094-10 (Attachment A) which sets the property tax levy for the 2011 at \$689,408. The ordinance was introduced for a first reading on November 18, 2010.

A public hearing as required by RCW 84.55.120 on the proposed use of 2011 property taxes was held October 28, 2010. There was no public comment submitted on the proposed tax levy.

**STAFF RECOMMENDATION:**

Staff recommends the Council adopt Ordinance 1094-10 setting the property tax levy for 2011 at the maximum amount of \$689,408.

**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 levied for collection at \$689,408. The Council elected to levy the tax at the full 101% of the prior year collection ( $\$678,378 \times 101\% = \$688,557$  plus new construction of \$3,425 plus refunds of \$851 = \$689,408) to ensure property taxes received are the maximum allowed by state law.

If all taxing districts are collecting the maximum amount, the statutory limit for the city without voter approval to raise the limit breaks 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

It does not appear that the Library District will levy at the \$.50 rate. This means the City may be able to collect at a higher levy rate. Based on the statutory limits, the City will not be able to exceed the aggregate total of \$3.60 per \$1000 of assessed value. Due to uncertainty of the library levy, the levy rate is set at \$689,408, however, the 2011 budget anticipates receiving \$616,448 in property taxes (maximum rate).

**DISCUSSION:**

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. This is 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 declining assessed value is a decrease in the amount of property tax revenues that may be collected by the city. The City will collect less in 2011 than it collected in 2010.

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.

**STAFF RECOMMENDATION**

Adoption of Ordinance 1094-10 setting the 2011 property tax levy.

**Attachments:**                      A. Ordinance 1094-10

**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 PROVIDING FOR SEVERABILITY; AND ESTABLISHING AN EFFECTIVE DATE

**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 \$689,408, which is a increase in property tax revenue from the previous year, based on 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; now therefore,

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

Section 1. The regular property tax levy is hereby authorized for the 2011 levy in amount of \$689,408 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. 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 pre-empted by state or federal law or regulation, such decision or pre-emption shall not affect the validity of the remaining portions of this Ordinance or its application to other persons or circumstances.

Section 3. Effective Date. This Ordinance shall be published in the official newspaper of the City, and shall take effect and be in full force five (5) days after the date of publication.

**ADOPTED** BY THE CITY COUNCIL AT A REGULAR MEETING THEREOF ON THE 2<sup>nd</sup> DAY OF DECEMBER, 2010.

CITY OF SULTAN

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Carolyn Eslick, Mayor

ATTEST/AUTHENTICATED:

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Laura Koenig, City Clerk  
Approved as to form:

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Margaret J. King, City Attorney