



**CITY OF KIRKLAND**  
**Department of Finance & Administration**  
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## **MEMORANDUM**

**To:** Kurt Triplett, City Manager

**From:** Tracey Dunlap, Director of Finance and Administration  
Sri Krishnan, Financial Planning Manager

**Date:** November 30, 2010

**Subject:** **FINAL 2011 PROPERTY TAX LEVY**

### **RECOMMENDATION:**

Council approves the attached ordinance, which repeals Ordinance 4273 approved on November 16, 2010 and establishes the final property tax levy for the 2011 fiscal year.

### **BACKGROUND DISCUSSION:**

The attached ordinance reflects the final property tax levy data received from King County on November 30, 2010. This ordinance replaces the interim ordinance that was approved on November 16, 2010 in order to meet the County's deadline for 2011 levy information. As noted in the preliminary 2011 property tax levy memo, the initial levy was set intentionally high to ensure that the City would capture any additional new construction and state assessed valuation that was not recorded at the time of the preliminary levy.

It should be noted that the property tax levy needs to be established annually even though the Council will adopt a budget for the 2011-2012 biennium. Accordingly, the attached ordinance relates to 2011 only.

The following discussion explains how the final levy numbers were calculated for each of the variable factors in the levy. There are two components to the property tax levy — the regular levy, which funds operating costs, and the excess levy, which funds debt service on voter-approved bonds.

#### **Regular Levy**

For 2011, there are three factors impacting the amount of the regular levy – the new construction levy, the annexation levy, and the optional increase.

#### **New Construction**

New construction represents additional property taxes to be received from the construction of new buildings and additions to existing structures. The new construction levy increases revenue to the City but does not increase the tax levy on existing taxpayers. The new construction levy is calculated by dividing the new construction valuation by \$1,000 and

multiplying the quotient by the current year's regular levy tax rate<sup>1</sup> (\$1.20942 per \$1,000 of assessed valuation). The final new construction valuation for the 2011 levy is \$38,071,222 which translates into a new construction levy of \$46,044 ( $\$38,071,222 / \$1,000 \times \$1.20942$ ). Over the past several years, the increase in new construction levy as a percentage of each year's total base regular levy has ranged between 0.74% and 4%. The 2011 new construction levy of \$46,044 is 0.34% of the total base regular levy for 2011.

### Annexation Levy

In addition to new construction, the assessed valuation has increased to reflect the new properties added to the City's tax rolls by the Bridleview annexation. The increased assessed valuation is \$36,739,000 which results in an additional levy amount of \$47,664.

### Optional Levy Increase

The 2011-2012 Budget assumes the optional increase of one percent in 2011. The July Implicit Price Deflator for Personal Consumption Expenditures was 1.539%, so the City Council will not have to consider a finding of substantial need in order to implement the optional one percent increase. Each one percent increase in the regular levy equates to a little more than \$128,500 in new revenue to the General Fund and about \$8,300 in new revenue to the Parks Maintenance Fund, for a total of about \$136,800.

### **Excess Levy**

The total excess levy, which relates to voted debt, is decreasing from \$921,776 in 2010 to \$913,986 in 2011. This translates to a rate per \$1,000 assessed value of \$0.08534.

### **Trends in Assessed Valuation**

Assessed valuation is composed of new construction and revaluation of existing properties. Final figures from King County dated 11/30/2010, indicate that the City's total assessed valuation decreased by 5.34% (\$603,648,436) comprised of a 0.34% increase due to new construction (\$38,071,222), a 0.32% increase due to annexation valuation (\$36,739,000), and a 6.0% decrease due to revaluations (\$678,473,752).

The change in valuation does not in itself generate additional revenue for the City. If the Council took no optional increase in the levy and the assessed valuation increases, it would have the effect of lowering the rate applied to each \$1,000 of assessed valuation. Conversely, if the assessed valuation decreases, as it has in 2011, it results in an increase in the rate applied to each \$1,000 of assessed valuation, since the levy is set as a total dollar amount, which is divided by the assessed valuation.

Based on the final levy worksheet data for new construction (\$46,044) and the 1% optional increase, the regular levy tax rate would increase from \$1.20942 per \$1,000 of assessed valuation in 2010 to \$1.30370 in 2011. The rate per \$1,000 increases even though the total assessed valuation (AV) has decreased by 5.34% over the same period. When the excess levy is added in, the total tax rate goes from \$1.29137 to \$1.38904. Note that the total dollar amount of the levy is fixed but the final rate per \$1,000 of AV can change slightly based on the

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<sup>1</sup> Levy rate per the Levy Limit Worksheet from the King County Assessor's Office.

final AV at the time King County finalizes the levy rates (in early 2011). The table below summarizes the calculation of the City's final property tax levy for 2011.

**Final Levy Recap:**

Base General Levy (2011 Rate)	\$	12,850,467
1% Optional Increase (General Levy)		128,505
Base Parks Maintenance Levy (2011)		830,723
1% Optional Increase (Parks Maint. Levy)		8,307
New Construction and Other Adjustments*		120,396
Total Regular and Parks Maint. Levy	\$	13,938,398
Excess Levy (for voted debt)		913,986
<b>Total 2011 Final Levy</b>	<b>\$</b>	<b>14,852,384</b>

\*Prior-year adjustments include new construction levy, re-levy for prior-year refunds, and any levy corrections or omissions. New construction levy is \$46,044. The prior-year refund levy for 2010 is \$43,612. The Bridleview annexation levy of \$47,664 for 2010 is included in the final figures.

Attachments

ORDINANCE NO. 4278

AN ORDINANCE OF THE CITY OF KIRKLAND ESTABLISHING THE AMOUNT OF PROPERTY TAXES TO BE LEVIED FOR THE YEAR 2011, THE FIRST YEAR OF THE CITY OF KIRKLAND'S 2011-2012 FISCAL BIENNIUM AND REPEALING ORDINANCE 4273.

WHEREAS, the City Council previously held a public hearing on September 21, 2010, to consider revenue sources for the 2011-2012 Biennial Budget; and

WHEREAS, the City Council and the City Manager have considered the anticipated financial requirements of the City of Kirkland for the fiscal year 2011; and

WHEREAS, pursuant to RCW 35A.33.135, the City Council is required to determine and fix by ordinance the amount to be raised by ad valorem taxes; and

WHEREAS, on November 16, 2010, the City Council passed Ordinance 4273 which was the preliminary property tax levy; and

WHEREAS, the City Council wishes to repeal the preliminary property tax levy and pass the final tax levy based upon the most recent property tax levy data provided by King County; and

WHEREAS, RCW 84.55.120 requires that the increase in the levy over the prior year shall be stated both as to dollars and percentage;

NOW, THEREFORE, the City Council of the City of Kirkland do ordain as follows:

Section 1. Ordinance 4273 passed November 16, 2010, is hereby repealed.

Section 2. The regular property tax levy for the year 2011 is hereby fixed and established in the amount of \$13,938,398. This property tax levy includes the optional 1.0% increase which represents a dollar increase of \$136,812 from the previous year. The total levy increase of \$257,208 represents a percentage increase of 1.88% from the previous year and includes the optional 1.0% increase, the increase resulting from the addition of new construction, improvements to property, any increase in state-assessed property, and administrative refunds as shown below:

	Amount	% Increase (Decrease)
2010 Regular Property Tax Levy	13,681,190	
Less Prior Year Refund	0	
Plus Property Tax Increase	136,812	1.00%
Plus New Construction Levy	46,044	0.34%
Plus Annexation Levy	47,664	0.35%
Plus Refund Levy	43,612	0.32%
Less Levy Adjustments by King County	(16,924)	-0.12%
<b>2011 Regular Levy</b>	<b>13,938,398</b>	<b>1.88%</b>

Section 3. There is hereby levied for 2011 upon all property, both real and personal, within the City of Kirkland, Washington, and within the area subject to tax levies for the principal

and interest of all general obligation bond issues, a total voted property tax of \$913,986 on the total of assessed valuation for such property.

Section 4. This ordinance shall be in force and effect five days from and after its passage by the Kirkland City Council and publication, as required by law.

Passed by majority vote of the Kirkland City Council in open meeting this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

Signed in authentication thereof this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_  
MAYOR

Attest:

\_\_\_\_\_  
City Clerk

Approved as to Form:

\_\_\_\_\_  
City Attorney