



CITY OF KIRKLAND
Department of Finance & Administration
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MEMORANDUM

To: David Ramsay, City Manager

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

Date: December 4, 2009

Subject: **FINAL 2010 PROPERTY TAX LEVY**

RECOMMENDATION:

Council approve the attached ordinance, which repeals Ordinance 4216 approved on November 17, 2009 and establishes the final property tax levy for the 2010 fiscal year.

BACKGROUND DISCUSSION:

The attached ordinance reflects the final property tax levy data received from King County on December 4, 2009. This ordinance replaces the interim ordinance that was approved on November 17, 2009 in order to meet the County's deadline for 2010 levy information. As noted in the preliminary 2010 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 has already adopted a budget for the 2009-2010 biennium. Accordingly, the attached ordinance relates to 2010 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 2010, there are two factors impacting the amount of the regular levy – the new construction 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

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multiplying the quotient by the current year's regular levy tax rate¹ (\$1.02548 per \$1,000 of assessed valuation). The final new construction valuation for the 2010 levy (as of December 4, 2009) is \$99,901,830, which translates into a new construction levy of \$102,447 (\$99,901,830/\$1,000 x \$1.02548). 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 1% and 4%. The 2010 new construction levy of \$102,447 is 0.76% of the total base regular levy for 2010.

Optional Levy Increase

The 2009-2010 Budget assumes an optional increase of one percent in each year. The Council adopted a resolution of substantial need (R-4782) at the November 17 meeting, so the 2010 final levy includes the one percent increase. Each one percent increase in the regular levy equates to a little more than \$126,000 in new revenue to the General Fund and about \$8,000 in new revenue to the Parks Maintenance Fund, for a total of about \$134,000. Note that this figure is net of a levy correction by King County of \$18,919.

Excess Levy

The total excess levy, which relates to voted debt, is decreasing from \$1,456,986 in 2009 to \$921,776 in 2010, due to the retirement of the 1993 Unlimited General Obligation Refunding. This translates to a rate per \$1,000 assessed value of \$0.08148 (a decrease from the 2009 rate of \$0.11115).

Trends in Assessed Valuation

Growth in assessed valuation is composed of new construction and revaluation of existing properties. Final valuation figures from King County dated 12/04/2009, indicate that the City's total assessed valuation decreased by 13.69% (\$1,794,589,019) comprised of a 0.76% increase due to new construction (\$99,901,830) and a 14.45% decrease due to revaluations (\$1,894,490,849).

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 2009, 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.

The overall tax rate increases from \$1.13712 per \$1,000 of assessed valuation in 2009 to \$1.29076 in 2010. The rate per \$1,000 increases as the result of dividing the total levy dollars by an assessed valuation that has decreased almost 14% from the 2009 levy. Note that the total dollar amount of the levy is fixed but the final rate per \$1,000 of assessed valuation (AV) can change based on the final AV at the time King County finalizes the levy rates (in early 2010).

¹ Levy rate per the Final Levy Limit Worksheet from the King County Assessor's Office.

Final Levy Recap:

Base General Levy (2010 Rate)	\$ 12,632,012
1% Optional Increase (General Levy)	126,320
Base Parks Maintenance Levy (2010)	814,430
1% Optional Increase (Parks Maint. Levy)	8,144
New Construction and Prior Yr. Adjustments*	<u>100,284</u>
Total Regular and Parks Maint Levy	\$ 13,681,190
Excess Levy (for voted debt)	<u>921,776</u>
Total 2010 Final Levy	<u>\$ 14,602,966</u>

*Prior-year adjustments include new construction levy, re-levy for prior-year refunds, and any levy corrections or omissions.

Attachments

CITY OF KIRKLAND
2010 PROPERTY TAX DISTRIBUTION (FINAL LEVY)

Taxable Assessed Valuation For 2010 Levy		\$11,313,599,319
REGULAR LEVY		
Operating Fund	Levy	Rate per \$1,000 AV
General Fund	\$9,812,795	\$0.86735
Street Operating Fund	\$3,037,672	\$0.26850
Parks Maintenance Fund	\$830,723	\$0.07343
Total 2010 Regular Levy	\$13,681,190	\$1.20928
EXCESS LEVY		
Unlimited General Obligation Bond Issue	Levy	Rate per \$1,000 AV
1993 Unlimited G.O. Refunding (Parks)	\$0	\$0.00000
1995 Unlimited G.O. (Public Safety)	\$91,378	\$0.00808
2001 Unlimited G.O. Refunding (Public Safety)	\$188,513	\$0.01666
2003 Unlimited G.O. (Parks)	\$641,885	\$0.05674
Total 2010 Excess Levy	\$921,776	\$0.08148
TOTAL LEVY		
	Levy	Rate per \$1,000 AV
Total 2010 Levy	\$14,602,966	\$1.29076

ORDINANCE NO. 4230

AN ORDINANCE OF THE CITY OF KIRKLAND ESTABLISHING THE AMOUNT OF PROPERTY TAXES TO BE LEVIED FOR THE YEAR 2010, THE SECOND YEAR OF THE CITY OF KIRKLAND'S 2009-2010 FISCAL BIENNIUM AND REPEALING ORDINANCE 4216.

WHEREAS, the City Council previously held a public hearing on November 17, 2009, to consider revenue sources for the 2009-2010 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 2010; 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 17, 2009, the City Council passed Ordinance 4216 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 4216 passed November 17, 2009, is hereby repealed.

Section 2. The regular property tax levy for the year 2010 is hereby fixed and established in the amount of \$13,681,190. This property tax levy represents a dollar increase of \$234,748 and a percentage increase of 1.75% from the previous year, including 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)
2009 Regular Property Tax Levy	13,446,442	
Less Prior Year Refund	0	
Plus New Construction Levy	102,447	0.76%
Plus Annexation Levy	0	0.00%
Plus Refund Levy	16,756	0.13%
Plus Property Tax Increase	134,464	1.00%
Plus Levy Corrections by King County	(18,919)	-0.14%
2010 Regular Levy	13,681,190	1.75%

Section 3. There is hereby levied for 2010 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 \$921,776 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 _____, 2009.

Signed in authentication thereof this _____ day of _____, 2009.

MAYOR

Attest:

City Clerk

Approved as to Form:

City Attorney