



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, Senior Financial Analyst

Date: December 2, 2008

Subject: **FINAL 2009 PROPERTY TAX LEVY**

RECOMMENDATION:

Council approve the attached ordinance, which repeals Ordinance 4154 approved on November 18, 2008 and establishes the final property tax levy for the 2009 fiscal year.

BACKGROUND DISCUSSION:

The attached ordinance reflects the final property tax levy data received from King County on December 2, 2008. This ordinance replaces the interim ordinance that was approved on November 18, 2008 in order to meet the County's deadline for 2009 levy information. As noted in the preliminary 2009 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 be adopting a budget for the 2009-2010 biennium. Accordingly, the attached ordinance relates to 2009 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 2009, there are three factors impacting the amount of the regular levy – the new construction levy, the optional increase, and banked capacity.

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 rate¹ (\$1.14882 per \$1,000 of assessed valuation). The final new construction valuation for the 2009 levy (as of December 2, 2008) is \$197,788,657, which translates into a new construction levy of \$227,224 (\$197,788,657/\$1,000 x \$1.14882). Over the past

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

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eight 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 2009 new construction levy of \$227,224 is 1.75% of the total base regular levy for 2009. The final new construction levy is lower than the preliminary estimate provided by the King County Assessor's Office on October 27, 2008, which King County indicates is not uncommon.

Optional Levy Increase

The 2009-2010 Budget assumes an optional increase of one percent in each year, so the 2009 final levy includes the one percent increase. Each one percent increase in the regular levy equates to almost \$122,000 in new revenue to the General and Street Funds and about \$8,000 in new revenue to the Parks Maintenance Fund, for a total of about \$130,000.

Banked Capacity

The law also allows the use of "banked" capacity, which is the amount of unused optional increases that have accumulated over the years. The banked capacity remaining under the 2008 allowable levy was estimated at \$145,000. The 2009-2010 Budget assumes the use of all remaining banked capacity which is at \$108,436 based on the data from the King County Assessor's Office on December 2, 2008. According to King County, the reduction in banked capacity from \$145,000 to the current estimate of \$108,436 is due to re-levy for prior-year refunds and any levy corrections or omissions.

This use of the City's remaining banked capacity means that \$108,436 will be added to the 2009 levy, which will then become part of the City's base levy in 2010. No additional banked capacity amount will be available after the Council authorizes this use.

Excess Levy

The total excess levy, which relates to voted debt, is increasing from \$1,452,838 in 2008 to \$1,456,986 in 2009. This translates to a rate per \$1,000 assessed value of \$0.11115 (a decrease from the 2008 rate of \$0.12736).

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 12/2/08, indicate that the City's total assessed valuation increased by 14.91% (\$1,700,928,013) with 1.73% (\$197,788,657) due to new construction and 13.18% (\$1,503,139,356) due to revaluations.

The increase 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 further lowering the rate applied to each \$1,000 of assessed valuation.

The use of the remaining banked capacity (\$108,436), the new construction levy (\$227,224), and the 1% optional increase the overall tax rate (regular levy only) will decrease from \$1.14882 per \$1,000 of assessed valuation in 2008 to \$1.02581 in 2009. 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 2009).

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Final Levy Recap:

Base General Levy (2009 Rate)	\$ 12,168,960
1% Optional Increase (General Levy)	121,690
Optional Banked Capacity	108,436
Base Parks Maintenance Levy (2009)	793,459
1% Optional Increase (Parks Maint. Levy)	7,935
New Construction and Prior Yr. Adjustments*	<u>245,962</u>
Total Regular and Parks Maint Levy	\$ 13,446,442
Excess Levy (for voted debt)	<u>1,456,986</u>
Total 2009 Final Levy	<u>\$14,903,428</u>

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

Attachments

Cc: Sandi Hines, Financial Planning Manager

**CITY OF KIRKLAND
2009 PROPERTY TAX DISTRIBUTION (FINAL LEVY)**

Taxable Assessed Valuation For 2009 Levy		\$13,108,188,338
REGULAR LEVY		
Operating Fund	Levy	Rate per \$1,000 AV
General Fund	\$9,457,846	\$0.72152
Street Operating Fund	\$3,174,166	\$0.24215
Parks Maintenance Fund	\$814,430	\$0.06214
Total 2009 Regular Levy	\$13,446,442	\$1.02581
EXCESS LEVY		
Unlimited General Obligation Bond Issue	Levy	Rate per \$1,000 AV
1993 Unlimited G.O. Refunding (Parks)	\$544,613	\$0.04155
1995 Unlimited G.O. (Public Safety)	\$89,888	\$0.00686
2001 Unlimited G.O. Refunding (Public Safety)	\$185,100	\$0.01412
2003 Unlimited G.O. (Parks)	\$637,385	\$0.04862
Total 2009 Excess Levy	\$1,456,986	\$0.11115
TOTAL LEVY		
	Levy	Rate per \$1,000 AV
Total 2009 Levy	\$14,903,428	\$1.13696

ORDINANCE NO. 4160

AN ORDINANCE OF THE CITY OF KIRKLAND ESTABLISHING THE AMOUNT OF PROPERTY TAXES TO BE LEVIED FOR THE YEAR 2009, THE FIRST YEAR OF THE CITY OF KIRKLAND'S 2009-2010 FISCAL BIENNIUM AND REPEALING ORDINANCE 4154.

WHEREAS, the City Council previously held a public hearing on September 16, 2008, 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 2009; 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 18, 2008, the City Council passed Ordinance 4154 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 4154 passed November 18, 2008, is hereby repealed.

Section 2. The regular property tax levy for the year 2009 is hereby fixed and established in the amount of \$13,446,442. This property tax levy represents a dollar increase of \$484,023 and a percentage increase of 3.73% 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)
2008 Regular Property Tax Levy	12,962,419	
Less Prior Year Refund	0	
Plus New Construction Levy	227,224	1.75%
Plus Annexation Levy	0	0.00%
Plus Refund Levy	18,738	0.14%
Plus Property Tax Increase	238,061	1.84%
2009 Regular Levy	13,446,442	3.73%

Section 3. There is hereby levied for 2009 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 \$1,456,986 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 _____, 2008.

Signed in authentication thereof this _____ day of _____, 2008.

MAYOR

Attest:

City Clerk

Approved as to Form:

City Attorney