



CITY OF KIRKLAND

Department of Finance

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www.ci.kirkland.wa.us

MEMORANDUM

To: David Ramsay, City Manager

From: Marilynne Beard, Director of Finance and Administration
Sandi Miller, Financial Planning Manager

Date: December 2, 2005

Subject: **FINAL 2006 PROPERTY TAX LEVY**

RECOMMENDATION:

Council approve the attached ordinance, which repeals Ordinance 4023 approved on November 15, 2005 and establishes the final property tax levy for the 2006 fiscal year.

BACKGROUND DISCUSSION:

The attached ordinance reflects the most recent property tax levy data received from King County. This ordinance replaces the interim ordinance that was approved on November 15, 2005 in order to meet the County's deadline for 2006 levy information. As noted in the preliminary 2006 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. As of this writing, we have received final new construction figures, however, the increase in state assessed utility value is still not available. Utility value increases have the same effect as new construction, increasing the property tax revenue. The attached ordinance reflects the revised new construction figures. If state assessed utility values are received prior to the December 13th council meeting, a revised ordinance will be presented to the City Council as soon as we have the updated information.

Regular Levy

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 (\$1.305 per \$1,000 of assessed valuation).

The following table shows new construction growth trends (as a percentage of each year's total regular levy and as a levy amount) for the past seven year:

<i>Levy Year</i>	<i>% Increase</i>	<i>New Construction Levy</i>
2000	2.34%	\$185,860
2001	2.53%	\$208,632
2002	2.94%	\$250,496
2003	1.56%	\$136,590
2004	1.36%	\$132,113
2005	1.65%	\$165,193
2006	2.32%	\$238,569

The final new construction valuation for the 2006 levy is \$182,772,104, which translates into a new construction levy of \$238,569 $((\$182,772,105/1,000)*1.305)$. Relative to the 2005 total regular levy of \$10,275,198, this represents an increase of 2.32%. The 2005-2006 Biennial Budget assumed an increase of \$205,504 from the new construction levy, which equates to two percent of the 2005 regular levy for the General Fund, the Street Operating Fund only and the Parks Maintenance Fund.

Optional Levy Increase

Annual increases in the property tax levy are legally limited to the lesser of one percent or the implicit price deflator (2.54% for 2006 levies). The 2005-2006 Biennial Budget assumes an optional increase of one percent in each year and so the 2006 preliminary levy includes the one percent increase. Each one percent increase in the regular levy equates to about \$95,501 in new revenue to the General Fund and Street Fund and about \$7,324 in new revenue to the Parks Maintenance Fund.

Banked Property Tax

The law also allows the use of "banked" capacity, which is the amount of unused optional increases that have accumulated over the years. The adjusted 2005-2006 Biennial Budget uses \$910,000 of the \$1.26 million in banked capacity for 13 new public safety positions (see related budget adjustment memo for details).

Excess Levy

The total excess levy, which relates to voted debt, is decreasing slightly from \$1,499,539 in 2005 to \$1,449,146 in 2006.

Trends in Assessed Valuation

Growth in assessed valuation is composed of new construction and revaluation of existing properties. Final valuation figures from King County indicate that the City's total assessed valuation increased by 11.11% with 2.32% due to new construction and 8.79% due to revaluations.

The increase in valuation does not in itself generate additional revenue for the City. If the Council takes no optional increase in the levy and the assessed valuation increases, it has the effect of lowering the rate applied to each \$1,000 of assessed valuation.

Final Levy Recap:

Base General Levy (2005)	\$9,550,083
1% Optional Increase (General Levy)	95,501
Optional Banked Capacity	910,000
Base Parks Maintenance Levy (2005)	725,115
1% Optional Increase (Parks Maint. Levy)	7,251
New Construction and Prior Yr. Adjustments*	<u>271,224</u>
Total Regular and Parks Maint Levy	\$11,559,174
Excess Levy (for voted debt)	<u>1,449,146</u>
Total 2006 Final Levy	\$13,008,320

*New construction levy is \$238,569 and the refund levy for 2006 is \$32,655.

CITY OF KIRKLAND

ATTACHMENT A

2006 PROPERTY TAX DISTRIBUTION (PRELIMINARY LEVY)

Taxable Assessed Valuation For 2006 Levy		\$8,747,002,501
REGULAR LEVY		
Operating Fund	Levy	Rate per \$1,000 AV
General Fund	\$8,117,114	\$0.928
Street Operating Fund	\$2,709,694	\$0.310
Parks Maintenance Fund	\$732,366	\$0.084
Total 2006 Regular Levy	\$11,559,174	\$1.322
EXCESS LEVY		
Unlimited General Obligation Bond Issue	Levy	Rate per \$1,000 AV
1993 Unlimited G.O. Refunding (Parks)	\$542,673	\$0.062
1995 Unlimited G.O. (Public Safety)	\$88,993	\$0.010
2001 Unlimited G.O. Refunding (Public Safety)	\$188,075	\$0.022
2003 Unlimited G.O. (Parks)	\$629,405	\$0.072
Total 2006 Excess Levy	\$1,449,146	\$0.166
TOTAL LEVY		
	Levy	Rate per \$1,000 AV
Total 2006 Levy	\$13,008,320	\$1.487

ORDINANCE NO. 4025

AN ORDINANCE LEVYING THE TAXES FOR THE CITY OF KIRKLAND, WASHINGTON, FOR THE YEAR 2006 AND REPEALING ORDINANCE 4023.

WHEREAS, the City Council held a public hearing on September 21, 2004 to consider revenue sources for the 2005-2006 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 2006; 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, RCW 84.55.120 requires that the increase in the levy over the prior year shall be stated both as to dollars and percentage;

WHEREAS, this ordinance will replace Ordinance 4023 which was intended solely as an interim action;

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

Section 1. The regular property tax levy for the year 2006 is hereby fixed and established in the amount of \$11,628,861.

	<u>2005</u>	<u>2006</u>	<u>Increase/ (Decrease)</u>
Assessed Valuation	\$ 7,872,486,056	\$ 8,747,002,501	\$ 874,516,445
Base Levy	\$ 9,263,387	\$ 9,550,083	\$ 286,696
Optional Increase on Base Levy			
–Dollars	\$ 92,634	\$ 95,501	\$ 2,867
–Percent	1.00%	1.00%	0.00%
Parks Maintenance Levy	\$ 717,936	\$ 725,115	\$ 7,179
Optional Increase on Parks Maintenance Levy			
–Dollars	\$ 7,179	\$ 7,251	\$ 72
–Percent	1.00%	1.00%	0.00%
Optional Banked Capacity	0	910,000	910,000
	0	8.86%	8.86%
Prior Year Levy Adjustments and New Construction	<u>\$ 194,062</u>	<u>\$ 271,224</u>	<u>\$ 77,162</u>
Total Regular Levy in Dollars	\$ 10,275,198	\$ 11,559,174	\$ 1,283,976
Rate per \$1,000 of Assessed Valuation	\$ 1.305	\$ 1.322	\$.017

Section 2. The special tax levies, as heretofore approved by the voters of the City of Kirkland, as to the following general obligation bonds are hereby fixed and established as follows:

<u>Kirkland Taxing Limit #0 and #6</u>	<u>Levy Amount</u>
1993 Unlimited Refunding	542,673
1995 Unlimited Public Safety	88,993
2001 Unlimited Refunding	188,075
2003 Unlimited Parks	<u>629,405</u>
Total Excess Levy	1,449,146

The total amounts to be levied pursuant to this section shall be so levied within each of the respective City of Kirkland taxing limits so as to reflect the senior citizens exemption as required by Chapter 228, 1971 Session Laws of the State of Washington, First Extraordinary Session.

Section 3. 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 _____, 2005.

Signed in authentication thereof this _____ day of _____, 2005.

MAYOR

Attest:

City Clerk

Approved as to Form:

City Attorney