



CITY OF KIRKLAND
Department of Finance
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MEMORANDUM

To: David Ramsay, City Manager

From: Tracey Dunlap, Director of Finance and Administration
Sandi Hines, Financial Planning Manager

Date: November 30, 2006

Subject: **FINAL 2007 PROPERTY TAX LEVY**

RECOMMENDATION:

Council approve the attached ordinance, which repeals Ordinance 4071 approved on November 21, 2006 and establishes the final property tax levy for the 2007 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 21, 2006 in order to meet the County's deadline for 2007 levy information. As noted in the preliminary 2007 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. The attached ordinance reflects the final new construction figures received from King County on November 29, 2006.

Regular Levy

For 2007, there are three factors impacting the amount of the regular levy – the new construction levy, the optional increase, and the 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 rate (\$1.32 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 eight years:

<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	1.70%	\$170,575
2006	2.86%	\$273,577
2007	3.94%	\$428,058

The final new construction valuation for the 2007 levy is \$323,404,709, which translates into a new construction levy of \$428,058 $((\$323,404,709/\$1,000) \times \$1.3236)$. Relative to the 2007 total regular levy for the General and Street Operating funds of \$10,861,816, this represents an increase of 3.94%.

Optional Levy Increase

The 2007-2008 Final Budget assumes an optional increase of one percent in each year, so the 2007 levy includes the one percent increase. Each one percent increase in the regular levy equates to almost \$109,000 in additional revenue to the General Fund and about \$7,000 in additional revenue to the Parks Maintenance Fund, for a total of \$116,000 in 2007.

Banked Capacity

The current tax law also allows for the use of “banked” capacity, which is the amount of unused optional increases that have accumulated over previous years. The original 2007-2008 Preliminary Budget recommended use of \$275,000 per year of the banked capacity to fund the addition of four Corrections Officers. However, the Council provided direction at the November 9th study session to modify the Preliminary Budget to utilize increased property tax due to new construction (as described earlier in this document) to fund these Corrections Officers and to use banked capacity to fund a fifth Corrections Officer and a Communications Coordinator (\$162,400). The City will have approximately \$190,000 of available banked capacity after this recommended use.

On November 21st, the Council adopted resolution R-4614 which banked the maximum amount of levy capacity pursuant to RCW 84.55.0101 and .092 in the event that the Washington Supreme Court finds Initiative 747 unconstitutional. If that occurs, this action ensures the City’s ability to provide funding for current and future operating costs from the highest lawful levy as calculated under the statute before I-747 was adopted.

Excess Levy

The total excess levy, which relates to voted debt service, is increasing slightly from \$1,449,146 in 2006 to \$1,465,678 in 2007. This translates to a rate per \$1,000 assessed value of \$0.149.

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 11/29/06, indicate that the City’s total assessed valuation increased by 12.58% with 3.69% due to new construction and 8.89% 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.

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Based on the final levy worksheet, the new construction levy of \$428,058 and use of \$162,400 of banked capacity, the overall tax rate (regular levy only) would decrease from \$1.323 per \$1,000 of assessed valuation in 2006 to \$1.252 in 2007.

Final Levy Recap:

Base General Levy (2006 Rate)	\$10,861,816
1% Optional Increase (General Levy)	108,618
Optional Banked Capacity	162,400
Base Parks Maintenance Levy (2006)	732,366
1% Optional Increase (Parks Maint. Levy)	7,324
New Construction and Prior Yr. Adjustments*	<u>476,256</u>
Total Regular and Parks Maint. Levy	\$12,348,780
Excess Levy (for voted debt)	<u>1,465,678</u>
Total 2007 Final Levy	<u>\$13,814,458</u>

*New construction levy is \$428,058; the refund levy for 2007 is \$48,262; and the levy correction by King County for an error in 2005 is a reduction of \$64.

Attachment

CITY OF KIRKLAND
2007 PROPERTY TAX DISTRIBUTION (FINAL LEVY)

Taxable Assessed Valuation For 2007 Levy		\$9,862,547,464
REGULAR LEVY		
Operating Fund	Levy	Rate per \$1,000 AV
General Fund	\$8,803,457	\$0.893
Street Operating Fund	\$2,790,985	\$0.283
Parks Maintenance Fund	\$754,338	\$0.076
Total 2007 Regular Levy	\$12,348,780	\$1.252
EXCESS LEVY		
Unlimited General Obligation Bond Issue	Levy	Rate per \$1,000 AV
1993 Unlimited G.O. Refunding (Parks)	\$548,530	\$0.056
1995 Unlimited G.O. (Public Safety)	\$91,188	\$0.009
2001 Unlimited G.O. Refunding (Public Safety)	\$192,475	\$0.020
2003 Unlimited G.O. (Parks)	\$633,485	\$0.064
Total 2007 Excess Levy	\$1,465,678	\$0.149
TOTAL LEVY		
	Levy	Rate per \$1,000 AV
Total 2007 Levy	\$13,814,458	\$1.401

ORDINANCE NO. 4075

AN ORDINANCE OF THE CITY OF KIRKLAND LEVYING THE TAXES FOR THE CITY OF KIRKLAND, WASHINGTON, FOR THE YEAR 2007 AND REPEALING ORDINANCE 4071.

WHEREAS, the City Council held a public hearing on September 19, 2006, to consider revenue sources for the 2007-2008 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 2007; 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

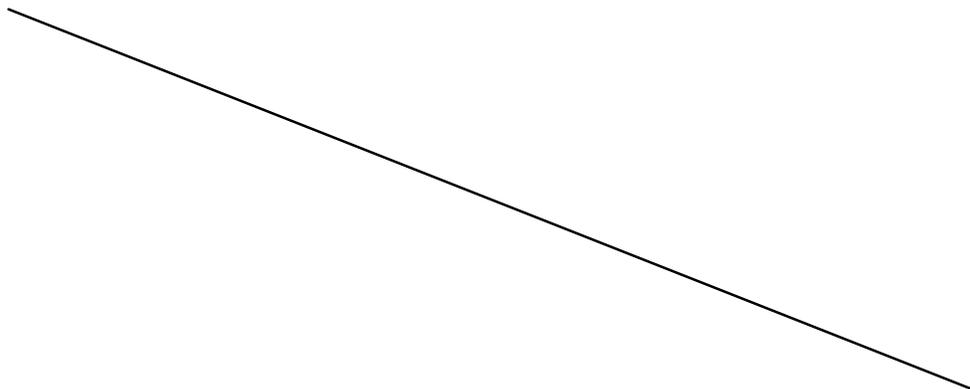
WHEREAS, on November 21, 2006, the City Council passed Ordinance 4071 which was the preliminary property tax levy; and

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 4071 passed November 21, 2006, is hereby repealed.



Section 2. The regular property tax levy for the year 2007 is hereby fixed and established in the amount of \$12,348,780.

	<u>2006</u>	<u>2007</u>	<u>Increase/ (Decrease)</u>
Assessed Valuation	\$8,760,457,455	\$9,862,547,464	\$1,102,090,009
Base Levy	\$ 9,550,083	\$ 10,861,816	\$ 1,311,733
Optional Increase on Base Levy			
–Dollars	\$ 95,501	\$ 108,618	\$ 13,117
–Percent	1.00%	1.00%	0.00%
Parks Maintenance Levy	\$ 725,115	\$ 732,366	\$ 7,251
Optional Increase on Parks Maintenance Levy			
–Dollars	\$ 7,251	\$ 7,324	\$ 73
–Percent	1.00%	1.00%	0.00%
Optional Banked Capacity	910,000 8.86%	162,400 1.40%	(747,600) (7.46%)
Prior Year Levy Adjustments and New Construction	<u>\$ 306,232</u>	<u>\$ 476,256</u>	<u>\$ 170,024</u>
Total Regular Levy in Dollars	\$ 11,594,182	\$ 12,348,780	\$ 754,598
Rate per \$1,000 of Assessed Valuation	\$ 1.323	\$ 1.252	\$ (0.071)

Section 3. 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	548,530
1995 Unlimited Public Safety	91,188
2001 Unlimited Refunding	192,475
2003 Unlimited Parks	<u>633,485</u>
Total Excess Levy	1,465,678

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 _____, 2006.

Signed in authentication thereof this _____ day of _____, 2006.

MAYOR

Attest:

City Clerk

Approved as to Form:

City Attorney