



CITY OF KIRKLAND
Department of Finance & Administration
123 Fifth Avenue, Kirkland, WA 98033 425.587.3100
www.ci.kirkland.wa.us

MEMORANDUM

To: David Ramsay, City Manager

From: Tracey Dunlap, Director of Finance and Administration
Sri Krishnan, Senior Financial Analyst

Date: December 6, 2007

Subject: **FINAL 2008 PROPERTY TAX LEVY**

RECOMMENDATION:

Council approve the attached ordinance, which repeals Ordinance 4117 approved on November 20, 2007 and establishes the final property tax levy for the 2008 fiscal year.

BACKGROUND DISCUSSION:

The attached ordinance reflects the final property tax levy data received from King County. This ordinance replaces the interim ordinance that was approved on November 20, 2007 in order to meet the County's deadline for 2008 levy information. As noted in the preliminary 2008 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 December 5, 2007.

Regular Levy

For 2008, 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 multiplying the quotient by the current year's regular levy tax rate (\$1.25175 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 and the projected growth for 2008:

<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
2008	3.57%	\$441,061 (new construction as of 12/5/07)

The final new construction valuation for the 2008 levy is \$352,355,765, which translates into a new construction levy of \$441,061 ($\$352,355,765 / \$1,000 \times \1.25175).

Optional Levy Increase

The 2007-2008 Budget assumes an optional increase of one percent in each year, so the 2008 levy includes the one percent increase. Each one percent increase in the regular levy equates to almost \$116,000 in new revenue to the General Fund and about \$7,500 in new revenue to the Parks Maintenance Fund, for a total of about \$123,500 in 2008.

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 2007-2008 Budget used banked capacity to fund a fifth Corrections Officer (four Corrections Officers were funded by the new construction property tax) and a Communications Coordinator (\$162,400). After this use, the City had approximately \$190,000 of available banked capacity remaining. However, the banked capacity remaining under the 2008 allowable levy has been reduced to \$147,000 due to the impact of the “relevy for prior year refunds” associated with a court ordered refund to Qwest.

On November 20th, the Council adopted resolution R-4677 which banked the maximum amount of levy capacity available from the highest lawful levy, pending any new statutory changes under consideration.

Excess Levy

The total excess levy, which relates to voted debt, is decreasing slightly from \$1,465,678 in 2007 to \$1,452,838 in 2008. This translates to a rate per \$1,000 assessed value 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 12/5/07, indicate that the City’s total assessed valuation increased by 15.66% with 3.57% due to new construction and 12.09% due to revaluations.

The increase in existing 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.

Based on the final levy worksheet, the new construction levy of \$441,061 and the 1% optional increase the overall tax rate (regular levy only) would decrease from \$1.25175 per \$1,000 of assessed valuation in 2007 to \$1.13633 in 2008.

Final Levy Recap:

Base General Levy (2008 Rate)	\$ 11,594,442
1% Optional Increase (General Levy)	115,944
Optional Banked Capacity	0
Base Parks Maintenance Levy (2008)	754,338
1% Optional Increase (Parks Maint. Levy)	7,543
New Construction and Prior Yr. Adjustments*	<u>490,153</u>
Total Regular and Parks Maint Levy	\$ 12,962,420
Excess Levy (for voted debt)	<u>1,452,838</u>
Total 2008 Final Levy	<u>\$14,415,258</u>

*Prior-year adjustments include new construction levy, relevel for prior-year refunds, and any other levy changes or omissions. The prior-year refund levy for 2008 is \$39,573 and other changes total \$9,519.

Attachment

Cc: Sandi Hines, Financial Planning Manager

**CITY OF KIRKLAND
2008 PROPERTY TAX DISTRIBUTION (FINAL LEVY)**

Taxable Assessed Valuation For 2008 Levy		\$11,407,260,325
REGULAR LEVY		
Operating Fund	Levy	Rate per \$1,000 AV
General Fund	\$9,222,153	\$0.80845
Street Operating Fund	\$2,946,807	\$0.25833
Parks Maintenance Fund	\$793,459	\$0.06956
Total 2008 Regular Levy	\$12,962,420	\$1.13633
EXCESS LEVY		
Unlimited General Obligation Bond Issue	Levy	Rate per \$1,000 AV
1993 Unlimited G.O. Refunding (Parks)	\$542,258	\$0.04754
1995 Unlimited G.O. (Public Safety)	\$88,068	\$0.00772
2001 Unlimited G.O. Refunding (Public Safety)	\$186,287	\$0.01633
2003 Unlimited G.O. (Parks)	\$636,225	\$0.05577
Total 2008 Excess Levy	\$1,452,838	\$0.12736
TOTAL LEVY		
	Levy	Rate per \$1,000 AV
Total 2008 Levy	\$14,415,258	\$1.26369

ORDINANCE 4126

AN ORDINANCE OF THE CITY OF KIRKLAND LEVYING THE TAXES FOR THE CITY OF KIRKLAND, WASHINGTON, FOR THE YEAR 2008 AND REPEALING ORDINANCE 4117.

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 2008; 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

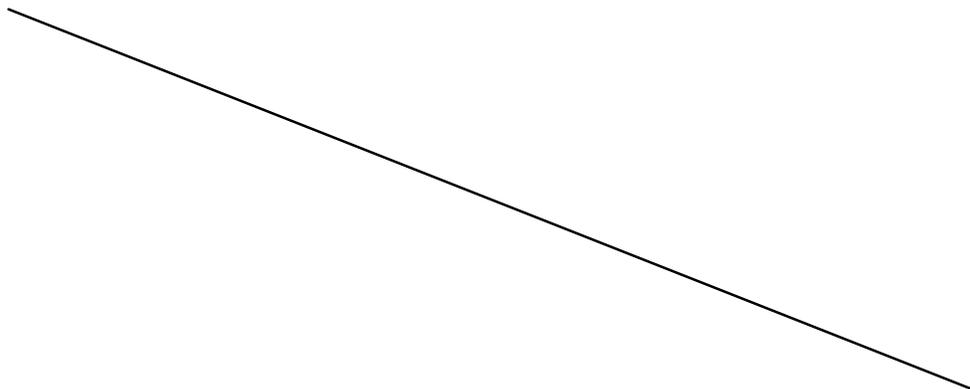
WHEREAS, on November 20, 2007, the City Council passed Ordinance 4177 which was the preliminary property tax levy; and

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 4117 passed November 20, 2007, is hereby repealed.



Section 2. The regular property tax levy for the year 2008 is hereby fixed and established in the amount of \$12,962,420.

	<u>2007</u>	<u>2008</u>	<u>Increase/ (Decrease)</u>
Assessed Valuation	\$ 9,862,547,464	\$11,407,260,325	\$ 1,544,712,861
Base Levy	\$ 10,861,816	\$ 11,594,442	\$ 732,626
Optional Increase on Base Levy			
–Dollars	\$ 108,618	\$ 115,944	\$ 7,326
–Percent	1.00%	1.00%	0.00%
Parks Maintenance Levy	\$ 732,366	\$ 754,338	\$ 21,972
Optional Increase on Parks Maintenance Levy			
–Dollars	\$ 7,324	\$ 7,543	\$ 219
–Percent	1.00%	1.00%	0.00%
Optional Banked Capacity			
–Dollars	\$ 162,400	\$ 0	\$ (162,400)
–Percent	1.40%	0.00%	-1.40%
Prior Year Levy Adjustments and New Construction	<u>\$ 476,256</u>	<u>\$ 490,153</u>	<u>\$ 13,897</u>
Total Regular Levy in Dollars	\$ 12,348,780	\$ 12,962,420	\$ 613,640
Rate per \$1,000 of Assessed Valuation	\$ 1.252	\$ 1.13633	\$ (0.11576)

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	542,258
1995 Unlimited Public Safety	88,068
2001 Unlimited Refunding	186,287
2003 Unlimited Parks	<u>636,225</u>
Total Excess Levy	1,452,838

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 _____, 2007.

Signed in authentication thereof this _____ day of _____, 2007.

MAYOR

Attest:

City Clerk

Approved as to Form:

City Attorney