

# Lake Forest Park City Council

## Agenda Cover Sheet

Meeting Date 11/9/2017 and 11/16/2017

Title **Ordinance 1166/Establishing the 2018 Property Tax Levy and Banking Unused Property Tax Capacity for Future Use**

### Item Type

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|--|--|
| <input type="checkbox"/> Work Session              | <input checked="" type="checkbox"/> Ordinances & Resolutions |
| <input type="checkbox"/> Proclamation              | <input checked="" type="checkbox"/> Introduction/Referral    |
| <input type="checkbox"/> Special Presentation      | <input checked="" type="checkbox"/> Council Discussion       |
| <input checked="" type="checkbox"/> Public Hearing | <input checked="" type="checkbox"/> Action                   |
| <input type="checkbox"/> Consent Calendar          | <input type="checkbox"/> Council Discussion/Action           |
| <input type="checkbox"/> Final Confirmation        |  |

Originating Department Finance

Contact Person Chris Bothwell

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### Legislative History

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- Budget and Finance Committee, September 21, 2017
- Budget and Finance Committee, October 19, 2017
- City Council, November 9, 2018

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### Attachments:

1. Ordinance 1166
2. Preliminary Levy Limit Worksheet (11/2/17)

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### Executive Summary

Ordinance 1166 establishes the property tax levy rate for 2018. Preliminary information from the County Assessor's Office calculates the City of Lake Forest Park maximum allowable levy to be \$3,171,486; which includes: the prior year regular levy, the allowable one percent increase compared to the 2017 regular levy, an additional levy amount for new construction, and the re-levy of prior year refunds.

The levy proposed with this legislation includes the value of the 2017 levy, plus additional amounts for new construction and a re-levy of 2017 refund amounts, but does not include the allowable one percent increase. The proposed levy value is \$3,140,389, an accounting of the proposed levy is found in the table on the following page. The allowable one percent increase that is not taken in 2018 will be "banked" for use in a future year.

It should be noted that the above levy value is based on preliminary information provided by King County; the value of new construction and refunds will change before

the final levy is certified. The City will benefit from any additional new construction and refund values that are added to the levy amount before the final levy is certified.

### **Background**

Each year the City must consider the property tax levy for the coming year as part of its budget proceedings. The property tax levy is made up of several components: the prior year regular levy, the allowable one percent levy increase compared to the prior year levy, the levy on construction that is new since the prior year levy, and a re-levy of refunds issued as a result of valuation disputes in the prior year. All of these components taken together represent the maximum allowable levy that a local jurisdiction can impose in a given year. The primary consideration in establishing the property tax levy amount is the funding needs of the General Fund.

The adopted 2017-2018 budget assumed that the City would avail itself of the maximum allowable levy in both years of the biennium; consistent with this assumption the 2017 levy was the maximum allowable levy. The City's General Fund budget is budgeted for a small deficit during the biennium, so the legal basis for the City to levy the maximum allowable levy exists.

The State recently increased the State School Levy in order to fully fund basic education throughout the state. As a result, Lake Forest Park property owners will see an increase in their 2018 property tax. Despite satisfying the legal requirements to take the allowable one percent property tax increase, the Lake Forest Park City Council is proposing to forego the allowable one percent property tax increase in recognition of the additional burden that will be placed on Lake Forest Park property owners as a result of the State's increased levy. Below is an accounting of the proposed 2018 levy.

<u>Proposed 2018 Lake Forest Park Property Tax Levy</u>	
2017 Levy	\$ 3,109,659
Plus: New Construction	30,143
Plus: Re-Levy of Prior Year Refunds	587
2018 Levy	<u>\$ 3,140,389</u>

As a practical matter, the one percent increase that the City Council has proposed to forego in 2018 is banked and can be levied at the discretion of the City Council in any year that the budget satisfies the legal requirements for imposing the additional one percent. The one percent that is carried over is referred to as "banked capacity".

It should be noted that the above levy value is based on preliminary information provided by King County; the value of new construction and refunds will change before the final levy is certified. The City will benefit from any additional new construction and refund values that are added to the levy amount before the final levy is certified.

### **Fiscal & Policy Implications**

This ordinance was prepared based on preliminary information from King County. Staff will update the City Council if the final amounts received from King County differ significantly from the preliminary information. The proposed levy is approximately \$30,000 less than the value in the original adopted budget, the reduction is included in the mid-biennial budget adjustment. The result is an additional \$30,000 deficit in the biennial budget.

**Alternatives**

<i>Options</i>	<i>Results</i>
<ul style="list-style-type: none"> <li>• Levy the 1%</li> </ul>	Reduces the operating deficit
<ul style="list-style-type: none"> <li>• Choose a lesser levy amount</li> </ul>	Reduce levels of service or identify alternate funding for the General Fund.

**Staff Recommendation**

Hold a public hearing on the proposed ordinance close the public hearing and move to adopt the 2018 property tax levy.

**Legal Review**

Type of Document	Title of Document	Date Reviewed by Legal Counsel
<i>Ordinance</i>	<i>Property Tax Levy</i>	<i>11-03-2017</i>

ATTACHMENT 1

ORDINANCE NO.1166

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LAKE FOREST PARK, WASHINGTON, LEVYING PROPERTY TAX FOR THE CALENDAR YEAR 2018 AND MAKING PROVISION FOR INCREASES AS ALLOWED BY LAW AND BANKING THE UNUSED ONE PERCENT INCREASE CAPACITY FOR FUTURE USE, PROVIDING FOR SEVERABILITY; AND ESTABLISHING AN EFFECTIVE DATE**

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**WHEREAS**, the City Council of the City of Lake Forest Park has met and considered its budget for calendar years 2017-2018; and

**WHEREAS**, the City Council, in the course of considering the budget for 2017-2018, has reviewed all sources of revenue and examined all anticipated expenses and obligations; and

**WHEREAS**, the City Council, after hearing and duly considering all relevant evidence and testimony from the citizens of Lake Forest Park, determined that the City of Lake Forest Park adopt a regular levy in the amount of \$3,140,389. The levy includes an increase resulting from the addition of new construction and improvements to property, and any increase in the value of state-assessed property, and a re-levy of prior year refunds. The levy amounts are requested in order to discharge the expected expenses and obligations of the City; and

**WHEREAS**, the proposed levy does not include the allowable one percent increase compared to the prior year levy, the allowable one percent is therefore banked for use in any future year that the legal requirements to impose the additional tax are satisfied and at the City Council's discretion; and

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAKE FOREST PARK, WASHINGTON, DO ORDAIN AS FOLLOWS:**

Section 1. Property Tax Levy. The City of Lake Forest Park hereby levies a 2018 regular property tax in the amount of Three Million, One Hundred Nine Thousand, Six Hundred, Fifty-Nine and 00/100 dollars (\$3,109,659). The levy amount is exclusive of additional revenue resulting from the addition of new construction and improvements to property, any increase in the value of state assessed property, and any additional amounts resulting from any annexations that have occurred and refunds made.

Section 2. One (1.0) Percent Property Tax Levy Capacity Banked for Future Use. The regular property tax levy above does not include the allowable one percent increase compared to prior year. That taxing capacity is banked for future use at the discretion of the Governing Body in any year that the legal requirements are met to

impose the additional levy amount. The regular property tax levy above is also exclusive of new construction and improvements to property and any increase in the value of state assessed property, and any additional amounts resulting from any annexations that have occurred and refunds made. The City of Lake Forest Park is, however, taking the additional levy value attributable to those items.

Section 3. SEVERABILITY. Should any portion of this ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, such decision shall not affect the validity of the remaining portions of this Ordinance or its application to other persons or circumstances.

Section 4. CORRECTIONS. The City Clerk is authorized to make necessary corrections to this Ordinance including, but not limited to, the correction of scrivener's/clerical errors, references, ordinance numbering, section/subsection numbers and any references thereto.

Section 5. EFFECTIVE DATE. This ordinance shall take effect five (5) days after passage and publication.

**APPROVED BY A MAJORITY** of the Lake Forest Park City Council this 9th day of November, 2017.

APPROVED:

\_\_\_\_\_  
Jeff Johnson  
Mayor

ATTEST/AUTHENTICATED:

\_\_\_\_\_  
Evelyn Jahed  
City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Kim Adams Pratt  
City Attorney

Introduced: \_\_\_\_\_  
Adopted: \_\_\_\_\_  
Posted: \_\_\_\_\_  
Published: \_\_\_\_\_  
Effective: \_\_\_\_\_

ATTACHMENT 2

**PRELIMINARY**

**LEVY LIMIT WORKSHEET – 2018 Tax Roll**

**TAXING DISTRICT: City of Lake Forest Park**

*The following determination of your regular levy limit for 2018 property taxes is provided by the King County Assessor pursuant to RCW 84.55.100.*

Annexed to Fire District 16 Estimated Fire rate: 0.73356  
 Annexed to Library District (Note 1) Estimated Library rate: 0.36796

Using Limit Factor For District	Calculation of Limit Factor Levy	Using Implicit Price Deflator
3,109,659	Levy basis for calculation: (2017 Limit Factor) (Note 2)	3,109,659
<b>1.0100</b>	x Limit Factor	<b>1.0155</b>
3,140,756	= Levy	3,157,859
25,318,400	Local new construction	25,318,400
0	+ Increase in utility value (Note 3)	0
25,318,400	= Total new construction	25,318,400
1.19055	x Last year's regular levy rate	1.19055
30,143	= New construction levy	30,143
<b>3,170,899</b>	Total Limit Factor Levy	<b>3,188,002</b>
<b>Annexation Levy</b>		
0	Omitted assessment levy (Note 4)	0
3,170,899	Total Limit Factor Levy + new lid lifts	3,188,002
2,923,369,930	÷ Regular levy assessed value less annexations	2,923,369,930
1.08467	= Annexation rate (cannot exceed statutory maximum rate)	1.09052
0	x Annexation assessed value	0
<b>0</b>	= <b>Annexation Levy</b>	<b>0</b>
<b>Lid lifts, Refunds and Total</b>		
0	+ First year lid lifts	0
3,170,899	+ Limit Factor Levy	3,188,002
<b>3,170,899</b>	= Total RCW 84.55 levy	<b>3,188,002</b>
587	+ Relevy for prior year refunds (Note 5)	587
3,171,486	= Total RCW 84.55 levy + refunds	3,188,589
	Levy Correction: Year of Error _____ (+or-)	
<b>3,171,486</b>	<b>ALLOWABLE LEVY (Note 6)</b>	<b>3,188,589</b>
<b>Increase Information (Note 7)</b>		
1.08487	Levy rate based on allowable levy	1.09072
3,110,830	Last year's ACTUAL regular levy	3,110,830
29,926	Dollar increase over last year other than N/C – Annex	47,029
0.96%	Percent increase over last year other than N/C – Annex	1.51%
<b>Calculation of statutory levy</b>		
	Regular levy assessed value (Note 8)	2,923,369,930
	x Maximum statutory rate	2.49848
	= <b>Maximum statutory levy</b>	<b>7,303,981</b>
	+Omitted assessments levy	0
	=Maximum statutory levy	<b>7,303,981</b>
	Limit factor needed for statutory levy	Not usable

ALL YEARS SHOWN ON THIS FORM ARE THE YEARS IN WHICH THE TAX IS PAYABLE.  
 Please read carefully the notes on the reverse side.