

Memorandum

Date: November 6, 2018

To: The Honorable Mayor and City Council
Cliff Moore, City Manager

From: Steve Groom, Finance Director

Re: 2019 Property Tax Levy

Property tax is a critical funding component of General Government services. Based upon the information provided in this memo, City management/budget staff respectfully requests the passage of both Ordinances A and B to set the 2019 property tax levy.

Council Action to be Taken

Review and Approve Ordinance A and Ordinance B, attached.

Background

State law requires several administrative and legal steps to establish the property tax levy. This agenda item includes two (2) separate ordinances. Ordinances A and B, described in further detail below, will set the property tax levy for collection in 2018, based on the limit of a 1% increase over the prior year base levy, plus new levies for construction and annexation. The law defines the rate of inflation as measured by the Implicit Price Deflator (IPD) for consumer goods. For this year, the IPD increased by 2.169% from June 2017 to June 2018 which exceeds the statutorily allowed increase of 1%. The 2019 budget was developed assuming a 1% increase in the overall levy.

- **Exhibit I** details the calculation of the property tax levy with a base of 101% of the prior year using preliminary information obtained from the County Assessor's office. According to state law, the certification of ad valorem taxes must be filed with the Board of Yakima County Commissioners on or before November 30, 2018 or the City will receive no funding from this source in 2019. The Commissioners have requested to receive this packet by November 20th so that they can incorporate all of the requests into their required legislation.
- **Ordinance A** identifies Council's intent to authorize an increase in the tax levy over 2018 levels. It is required by RCW 84.55.120. This is legally necessary to increase the 2019 tax collections by any amount over 2018 levels.
- **Ordinance B** fixes the maximum tax levy for collection by the City in 2019. This ordinance complies with RCW 35.33.135 and in accordance with Article VII, Section 2 of the City Charter, requires a super-majority approval (i.e. a minimum affirmative vote of five members) by City Council.

Discussion – Valuation and Property Tax

The total 2019 City of Yakima proposed property tax levy includes the 101% levy, and amounts for new construction and prior year refunds. The total operating tax rate for next year is estimated to be \$2.78 per \$1,000 of Assessed Valuation (AV), a *decrease* of approximately 20.9

cents per thousand of Assessed Valuation. The 2018 rate was \$2.99. It should be noted that the amount of the new levy in Exhibit I is slightly different from the budgeted amount due to the timing of collections. Some collections of prior year taxes are likely to occur in 2019.

According to the preliminary valuation estimate provided by the County Assessor, the underlying assessed value of all taxable property in the City grew by approximately 10.37%, and the total Revenue increased 2.6%, including new construction and State assessments, so the implicit tax rate decreased from \$2.99 to \$2.78. A home with an assessed value of \$100,000 in 2018 was assessed \$2.99 for the regular levy. That home, if its value increased by the countywide average would be valued at \$110,371 and would be assessed \$2.78 in 2019, an increase of \$7.83 or approximately 2.6%. If the assessed value remained at \$100,000, the property tax assessment decrease to \$278.47, a decrease of \$20.95 or 7.0%.

The 1% increase in Property Tax, excluding new construction and State-assessed value increases, is projected to generate about \$187,000 in additional revenue in 2019. The initial estimates from the County on the 2019 property tax levy included an additional growth rate for new construction that is 1.6% or \$295,000, along with a refund levy of \$256,219. These estimates, found on Exhibit I, have been included in the 2019 Budget projection.