



MEMORANDUM

TO: The Honorable Mayor and Members of City Council
Bob Harrison, City Manager

FROM: Jennifer Ferrer-Santa Ines, Finance Director
Kimberly Dominé, Finance Division Manager

DATE: November 1, 2022

RE: 2023 Property Tax Levy

Staff respectfully recommends the approval of both Ordinances A and B, necessary to set the 2023 property tax levy.

Council Action to be Taken

Review and Approve Ordinance A and Ordinance B, attached.

Background

This agenda item includes two (2) separate ordinances, steps required by statute to establish the property tax levy. Property tax is a tax based on ownership of a piece of real estate. A "levied property tax" is a tax imposed on property owners, based on the value of their property and the municipal government's needs.

Ordinances A and B will set the property tax levy for collection in 2023, 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, as confirmed by MRSC, the IPD increased to 6.457% which statutorily allows for an increase of 1% if city council determines there is substantial need. The 2023 budget was developed assuming a 1% increase in the overall levy.

- **Exhibit I** is the County Assessor's communication of assessed valuation.
- **Exhibit II** 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, 2022 or the City will receive no funding from this source in 2023.
- **Exhibit III** is the County Treasurer's communication of prior year refunds.

- **Ordinance A** identifies Council's intent to authorize an increase in the tax levy over 2022 levels. It is required by RCW 84.55.120. This is legally necessary to increase the 2023 tax collections by any amount over 2022 levels.
- **Ordinance B** fixes the maximum tax levy for collection by the City in 2023. 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 majority plus one or five members) by City Council.

Discussion – Valuation and Property Tax

The maximum rate the City of Yakima can levy is \$3.10/\$1,000 assessed valuation (AV) plus \$0.225/\$1,000 AV specifically for Firemen's Relief and Pension Fund. According to RCW 84.55.0101, a city can levy up to 101% plus new construction, annexation, and refunds. In order to bring the current levy rate to the maximum allowed, a levy lid lift is required and the City of Yakima residents will need to approve this ballot measure. If the City were to levy the maximum rate (levy lid lift approved by City of Yakima residents), the estimated increase in property tax revenue would be an additional \$13,000,000.

The total 2023 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 \$1.98 per \$1,000 of Assessed Valuation (AV), a *decrease* of approximately \$0.36 per thousand of Assessed Valuation. The current rate is \$2.34 per \$1,000 of Assessed Valuation (AV).