



Memorandum

Date: 11/15/2022

Meeting of: Committee of the Whole - Public Safety and Human Services

File No. CM 22-695

Type: Committee Memo

TO: Committee of the Whole - Public Safety and Human Services

FROM: Mayor Angela Birney

DEPARTMENT DIRECTOR CONTACT(S):

Finance	Chip Corder	425-556-2189
---------	-------------	--------------

DEPARTMENT STAFF:

N/A	N/A	N/A
-----	-----	-----

TITLE:

2023 Property Tax Levy

OVERVIEW STATEMENT:

Per state law, a taxing jurisdiction must set its levy annually for the coming fiscal year. The deadline for submitting the 2023 property tax levy to King County is November 30, 2022.

Additional Background Information/Description of Proposal Attached

REQUESTED ACTION:

Receive Information **Provide Direction** **Approve**

REQUEST RATIONALE:

- **Relevant Plans/Policies:**
N/A
- **Required:**
RCW 84.55.120
- **Council Request:**
N/A
- **Other Key Facts:**

Per state law, a taxing jurisdiction with a population of 10,000 or more can raise its property tax levy by the lesser of the implicit price deflator (IPD), which is a measure of inflation, or 1.0 percent plus new construction and other miscellaneous adjustments (e.g., refunds) with a simple majority vote of the legislative body. Given that the IPD was 6.457%, the 1.0% increase limitation applies to the 2023 levy.

The 2023-2024 preliminary budget assumes the Council will support a 1.0 percent increase in the City’s 2023 and 2024 levies. Following is a breakdown of the 2023 proposed levy, which is based on preliminary numbers from the King County Department of Assessments for new construction, refund levy, and assessed valuation as

of November 3, 2022. In addition, a public safety levy lid lift was on the November 8, 2022 ballot. Because its passage is unclear as of November 9, 2022, two property tax levy scenarios are provided below.

Scenario 1: 2023 Property Tax Levy (If 2022 Public Safety Levy is not Approved)

Property Tax Levy Element	2023 Tax Year
Base Levy:	
2022 Base Levy - 2022 Refund Levy	\$23,678,892
1.0% Optional Increase	236,789
New Construction	1,141,079
Refund Levy	38,293
Total Base Levy	\$25,095,053
Levy Lid Lifts:	
1986 Parks M&O Levy	793,699
1.0% Optional Increase	7,937
2007 Public Safety/Parks Levies	5,831,587
1.0% Optional Increase	58,316
Total 2023 Levy	\$31,786,592
Assessed Valuation:	
2023 Total Assessed Valuation	38,876,268,411
2022 Total Assessed Valuation	30,688,387,157
% Increase in Total Assessed Valuation	26.7%

Scenario 2: 2023 Property Tax Levy (If 2022 Public Safety Levy is Approved)

Property Tax Levy Element	2023 Tax Year
---------------------------	---------------

Base Levy:	
2022 Base Levy - 2022 Refund Levy	\$23,678,892
1.0% Optional Increase	236,789
New Construction	1,141,079
Refund Levy	38,293
Total Base Levy	\$25,095,053
Levy Lid Lifts:	
1986 Parks M&O Levy	793,699
1.0% Optional Increase	7,937
2007 Public Safety/Parks Levies	5,831,587
1.0% Optional Increase	58,316
2022 Public Safety Levy	11,625,000
Total 2023 Levy	\$43,411,592
Assessed Valuation:	
2023 Total Assessed Valuation	38,876,268,411
2022 Total Assessed Valuation	30,688,387,157
% Increase in Total Assessed Valuation	26.7%

In both scenarios, the current new construction estimate from King County is \$991,079. An additional \$150,000 was added to the estimate, which will not be finalized until the end of November. The 2023 levy amount will be adjusted based on the final new construction amount.

If the 2022 public safety levy is approved by voters, the City will be authorized to levy \$0.366 per \$1,000 assessed valuation, which would generate \$14.23 million in 2023. This is significantly more than what the City needs and is due to the 26.7% increase in total assessed valuation. The ballot measure was based on a \$11.23 million levy amount in 2023 plus a 5.0% annual growth factor in 2024-2028 and a 1.0% annual growth factor thereafter to fully fund services for 12 years. However, due to the recently settled Police Officers’ labor contract, which includes a 7.0% COLA in 2023, and an expected significant increase in the Firefighters’ labor contract, which expires on December 31, 2023, staff recommends increasing the \$11.23 million levy amount by 3.5% to \$11.63 million, if the levy is approved by voters.

Total assessed valuation increased from \$30.69 billion to \$38.88 billion, or 26.7%, which breaks down as follows: 1) 23.4% increase for existing properties, and 2) 3.2% increase for new construction.

If the 2022 public safety levy is not approved by voters, the total estimated levy rate for 2023 is \$0.81763 per \$1,000 assessed valuation, which represents a \$0.17778 decrease from the 2022 total levy rate of \$0.99541.

If the 2022 public safety levy is approved by voters, the total estimated levy rate for 2023 is \$1.11666 per \$1,000 assessed valuation, which represents a \$0.12125 increase from the 2022 total levy rate of \$0.99541. The estimated levy rate for the 2022 public safety levy lid lift is \$0.29903 per \$1,000 assessed valuation, which is significantly less than the \$0.366 levy rate noted in the ballot measure.

Lastly, the City currently has \$1,532,655 in banked capacity, which the Council can use to address general

government funding needs.

OUTCOMES:

The annual property tax levy is needed to help fund general government services. If the 2022 public safety levy is not approved by voters, the total estimated 2023 levy is \$31,786,592. If the 2022 public safety levy is approved by voters, the total estimated 2023 levy is \$43,411,592.

COMMUNITY/STAKEHOLDER OUTREACH AND INVOLVEMENT:

- **Timeline (previous or planned):**
A public hearing was held on October 18, 2022 to gather public comments on the 2023 property tax levy and other revenue sources.
- **Outreach Methods and Results:**
N/A
- **Feedback Summary:**
N/A

BUDGET IMPACT:

Total Cost:
N/A

Approved in current biennial budget: Yes No N/A

Budget Offer Number:
N/A

Budget Priority:
N/A

Other budget impacts or additional costs: Yes No N/A
If yes, explain:
N/A

Funding source(s):
Property tax

Budget/Funding Constraints:
N/A

Additional budget details attached

COUNCIL REVIEW:

Previous Contact(s)

Date	Meeting	Requested Action
N/A	Item has not been presented to Council	Provide Direction

Proposed Upcoming Contact(s)

Date	Meeting	Requested Action
12/6/2022	Business Meeting	Approve

Time Constraints:

The deadline for submitting the 2023 property tax levy to King County is November 30, 2022.

ANTICIPATED RESULT IF NOT APPROVED:

N/A

ATTACHMENTS:

N/A