



**FINANCE & HUMAN
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MEMORANDUM

DATE: October 18, 2022
TO: Finance and Administration Committee
FROM: Drew Bouta, Budget Manager
SUBJECT: Adopting the 2023 City of Snoqualmie Property Tax Levy

SUMMARY

Per the requirements outlined in RCW 35A.33.050 and RCW 84.52.020, the City Council must annually approve an ordinance(s) estimating the “amounts to be raised by taxation on the assessed valuation” of property within the City and file the ordinance(s) with the county clerk “on or before the thirtieth (30th) day of November.

BACKGROUND

Ordinance #1: The Property Tax Levy Ordinance

Annually, Council adopts an ordinance levying a “regular” property tax amount. If voters approve a bond that pledged property taxes as the source of repayment, then Council may need to levy an “excess” property tax amount within the same ordinance. The City of Snoqualmie (“City”) uses the amount of regular property tax collected to fund important services such as police, fire, and parks maintenance in addition to other necessities. Over the past 20 years, the City used the amount of excess property tax collected to make an annual principal and interest payment on the 2002 voted fire station bond, which allowed the City to build the fire station across from Kimball Creek Village. In 2023, the City does not need to levy an excess property tax amount because the Fire Station bond will be fully repaid this year.

Ordinance #2: The Increase Ordinance

Furthermore, Council annually adopts a separate ordinance referred to as the “increase ordinance”. The adoption of this ordinance would allow the City to increase the amount of regular property tax collected up to an “allowable percentage increase”, or less, over the amount of regular property tax assessed in 2022. In the State of Washington, the increase in total property tax collected by the City is not based on the increasing value of property, but rather on the amount of property tax assessed citywide in the prior year (“last year’s actual regular levy”).

COUNCIL DECISIONS

The City of Snoqualmie Council must certify two ordinances before November 30th, 2022. Following certification, Finance will send the ordinances to the King County Assessor’s Office for inclusion into a King County ordinance that requires passage. Prior to certification, Council will need to answer the following questions:

Question #1: Should the City of Snoqualmie increase the regular property tax levy amount **up to the allowable percentage increase, or less**, over the amount of regular property tax assessed in 2022 (the “increase ordinance”)?

If Council decides to increase the regular property tax levy amount less than the allowable percentage increase, but greater than zero percent, then Council must still certify the “increase ordinance”.

If Council declines to increase the regular property tax levy amount by any percentage (zero percent), then Council will need to answer the following conditional question:

Question #2: Should the City of Snoqualmie **“bank” the allowable percentage increase?**

If Council decides to “bank” or preserve the 2023 allowable percentage increase for future levying and use, then Council must certify an “increase ordinance” that states a zero percent increase. The adoption of this modified ordinance effectively allows the City of Snoqualmie to retain the ability to approve the 2022 allowable percentage increase in a future year.

CALCULATING THE 2023 PROPERTY TAX LEVY AMOUNT

The following information in the below table is subject to change. The King County Assessor’s Office is still collecting data that may alter two values, the assessed valuation of new construction, and as a consequence, the overall assessed valuation for the City. In addition, the “increase in utility value” is completely unknown. It will not be known until the Washington State Department of Revenue releases the change in valuation of state-assessed utility infrastructure (power, gas distribution, cable, telephone, etc.) to the King County Assessor’s Office in early December, well after the November 30th deadline. Therefore, to capture property tax from increases in utility infrastructure valuation, the City will insert a high estimate into the property tax levy ordinance. If the increase in utility value is determined to be less than estimated, the King County Assessor’s Office will reduce the regular property tax amount appropriately. If Council passes an ordinance underestimating the increase in utility value, the King County Assessor’s Office will not increase the regular property tax amount accordingly. This is because passage of the property tax levy ordinance represents the Council’s commitment to a maximum “no more than” amount of regular property tax. The ensuing table estimates the amount of property tax the City anticipates collecting in 2023 and compares the amount to the previous year.

	2022	2023
Last Year’s Actual Regular Levy	\$8,303,654	\$8,414,225
Allowable Percentage Increase	0.97%	0.83%
Allowable Increase Amount	\$80,616	\$69,895
Increase in New Construction	\$15,849	\$28,040
Increase in Utility Value	\$0	\$104,186
Refunds	\$14,106	\$9,436
Regular Property Tax Amount¹	\$8,414,225	\$8,625,781
Excess Property Tax Amount	\$230,000	-
Total City Property Tax Amount	\$8,644,225	\$8,625,781

¹ The estimated regular property tax amount for 2023 assumes passage of the increase ordinance with the 0.83% allowable percentage increase.

Last Year’s Actual Regular Levy: Represents the amount of property tax actually levied in the previous year inclusive of any council approvals, new construction, increases in utility value, or refunds.

Allowable Percentage Increase: The allowable percentage increase authorized or proposed in the “increase ordinance” from last year’s actual regular levy.

Allowable Increase Amount: If City of Snoqualmie Council passes the “increase ordinance” with a 0.83% allowable percentage increase, then the City can expect to collect an additional \$69,895 in regular property taxes proportionally shared by property owners.

Increase in New Construction: This captures the construction or improvement of any property which resulted in an increase in the value of property. The City receives an amount equal to the increase in assessed value due to construction multiplied by the current year levy rate. The City of Snoqualmie expects at present time to collect \$28,040 in property tax due to such construction improvements in 2022.

Increase in Utility Value: This captures the change in valuation of state-assessed utility infrastructure (power, gas distribution, cable, telephone, etc.). The City receives an amount equal to the increase in utility assessed value multiplied by the current year levy rate. Given the lack of information regarding this value until after November 30th deadline to pass ordinances, the City has incorporated \$104,186 into the table as an estimate, which is equal to a \$50,000,000 increase in the valuation of state-assessed utility infrastructure. The only year in which the City exceeded \$104,186 over the past decade was in 2015. 2016 was the last year that the City generated any significant increase in utility value.

Refunds: Tax refunds are made by King County for various reasons. Refunds are “reassessed” to the balance of taxpayers and represent an added revenue for the City.

Regular Property Tax Amount: The sum of last year’s actual regular levy, levy increase amount, increase in new construction, increase in utility value, and any refunds. The City expects to collect \$8,625,781 in 2023 from regular property tax. This represents a 2.5% increase over 2022 equal to \$211,556. However, if the increase in utility value equals \$0, then the City expects to collect \$8,521,595 in 2023 regular property tax. This new value represents a 1.3% increase over 2022 equal to \$107,371.

Excess Property Tax Amount: The levy of additional taxes over and above the regular property tax amount. Voters in 2002 approved an excess levy to fund the construction of the fire station. In 2023, this excess levy is no longer needed.

Total City Property Tax Amount: The sum of the regular property tax and excess property tax amounts.

Total Assessed Valuation for the City of Snoqualmie:

The total assessed valuation for the City is critical to calculating the City’s levy rate. Once the levy rate is known, then individual property owners can calculate their 2023 City property tax burden. The total assessed valuation for the City represents the summed value of all properties inside the boundaries of the City.

	2022	2023
City Assessed Valuation	\$4,038,095,969	\$5,491,165,046
Change from Previous Year	15.1%	36.0%

Between 2022 and 2023, the total assessed valuation for the City is anticipated to increase \$1,453,069,077 equivalent to a 36.0% increase. However, if the increase in state-assessed utilities equals \$0, then the City anticipates total assessed valuation increasing only \$1,403,069,077, equivalent to a 34.8% increase.

The Levy Rate for the City of Snoqualmie:

The City levy rate allows individual property owners to calculate how much they will owe the City in 2023 property taxes. The levy rate is determined by dividing the total City property tax amount by the City assessed valuation.

	2022	2023
Regular Property Tax Levy Rate Per \$1,000/Assessed Value	\$2.08	\$1.57
Excess Property Tax Levy Rate Per \$1,000/Assessed Value	\$0.06	-
Total Property Tax Levy Rate Per \$1,000/Assessed Value	\$2.14	\$1.57

A decreasing levy rate occurs when the percentage change in total assessed valuation minus the change in assessed valuation due to new construction and utility value is more than the proposed allowable levy percentage increase. That is, the 0.83% increase of \$69,895 is diffused over a valuation of established properties that increased \$1,389,620,912.

CHANGES IN CONSTITUENT PROPERTY TAXES

Calculating the 2023 property tax levy amount is a highly complex endeavor. While this memorandum attempts to simplify where possible, it can be difficult to provide an immediate answer to a question you may receive from constituents and property owners:

How much will the property tax I pay go up (or down) in 2023?

The correct answer is that *it depends*. Not only does it depend on the actions of Council, but also on the actions of other overlapping jurisdictions such as King County, the State of Washington, and the Snoqualmie Valley School District. In addition, to find an answer, we would need to calculate how the assessed valuation of your constituent's home or property changed relative to the change in assessed valuation for the City of Snoqualmie as a whole. It is possible that your constituent's property taxes may decrease despite an increase in their assessed valuation. For the City of Snoqualmie's portion of property tax, Finance has put together a model that can help you and your constituent answer this important question.

THE IMPACT OF THE ALLOWABLE LEVY PERCENTAGE INCREASE

The 0.83% allowable levy percentage increase is equal to \$69,895. When divided by the total assessed valuation for the City, the 0.83% allowable levy percentage increase adds approximately \$0.013 cents per \$1,000 of assessed valuation to the levy rate. The following table, while acknowledging the statements made in the previous section, estimates the contribution of the 0.83% increase to the property taxes of a homeowner with a certain 2023 assessed value.

Assessed Value of a Home	2023 Property Tax
\$500,000	\$6.36
\$600,000	\$7.64
\$700,000	\$8.91
\$800,000	\$10.18
\$900,000	\$11.46
\$1,000,000	\$12.73

\$1,100,000	\$14.00
\$1,200,000	\$15.27
\$1,300,000	\$16.55
\$1,400,000	\$17.82
\$1,500,000	\$19.09

THE IMPACT OF THE FIRE STATION BOND MATURITY

If a debt service payment on the fire station bond was required in 2023, then the City would have asked for an excess levy of approximately \$230,000. When divided by the total assessed valuation for the City, the excess levy amount would have added approximately \$0.042 cents per \$1,000 of assessed valuation to the levy rate. The following table, which acknowledging the statements made two sections ago, estimates the reduction to the property taxes of a homeowner with a certain 2023 assessed value due to the maturity of the fire station bond.

Assessed Value of a Home	2023 Property Tax
\$500,000	-\$20.95
\$600,000	-\$25.13
\$700,000	-\$29.32
\$800,000	-\$33.51
\$900,000	-\$37.70
\$1,000,000	-\$41.89
\$1,100,000	-\$46.08
\$1,200,000	-\$50.27
\$1,300,000	-\$54.46
\$1,400,000	-\$58.65
\$1,500,000	-\$62.84

RECOMMENDATION

The City of Snoqualmie uses the amount of regular property tax collected to fund important services such as police, fire, and parks maintenance in addition to other necessities. Given the inclusion of the allowable percentage increase in the development of the 2023-2024 Biennial Budget, the increase in consumer prices (i.e., inflation), and the potential wage adjustments for multiple bargaining units, the exercise of the 0.83% allowable percentage increase is prudent.