



## FINANCE DEPARTMENT

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## MEMORANDUM

DATE: November 5, 2019  
TO: Finance and Administration Committee  
FROM: Drew Bouta, Budget Analyst  
SUBJECT: The 2020 City of Snoqualmie Property Taxes

## SUMMARY

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

## BACKGROUND

### ***Ordinance #1: The Property Tax Levy Ordinance***

Annually, City of Snoqualmie Council adopts an ordinance levying two property tax amounts: a “regular” property tax amount and an “excess” property tax amount. The City of Snoqualmie (CoS) uses the amount of regular property tax collected to fund important services such as Police, Fire, and Parks maintenance in addition to other necessities. CoS uses the amount of excess property tax collected to make an annual principal and interest payment on the 2002 voted Fire Station general obligation bond. The voter approval of this bond allowed CoS to build the Fire Station across from Kimball Creek Village. In 2016, CoS refunded the 2002 bond to take advantage of the low interest rate environment. This refunding is expected to save taxpayers greater than \$100,000 over the maturity of the bond and is scheduled for redemption in 2022.

### ***Ordinance #2: The Increase Ordinance***

In addition, City of Snoqualmie Council annually adopts a separate ordinance referred to as the “increase ordinance”. The adoption of this ordinance would allow CoS to increase the amount of regular property tax collected in 2020 by one percent (1%) plus banked capacity, or less, over the amount of regular property tax assessed in 2019. In the State of Washington, the increase in total property tax collected by CoS 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”). The one percent cap is often referred to as the “levy lid limit”.

## COUNCIL DECISIONS

The City of Snoqualmie Council must certify the two ordinances before November 30<sup>th</sup>. 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 question:

**Question #1:** Should the City of Snoqualmie increase the regular property tax levy amount **one percent plus current banked capacity, or less**, over the amount of regular property tax assessed in 2019?

If Council decides to increase the regular property tax levy amount less than one percent plus current banked capacity, 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 one percent increase plus current banked capacity?**

If Council decides to “bank” or preserve the 2020 one percent levy increase plus current banked capacity 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 2020 one percent levy increase plus current banked capacity in a future year.

## CALCULATING THE 2020 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 CoS. 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 30<sup>th</sup> deadline. Therefore, to capture property tax from increases in utility infrastructure valuation, CoS 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 CoS 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 City of Snoqualmie Council’s commitment to a maximum “no more than” amount of regular property tax. The ensuing table estimates the amount of property tax CoS anticipates collecting in 2020 and compares the amount to the previous year.

	2019	2020
<b>Last Year’s Actual Regular Levy</b>	\$7,813,872	\$8,035,092
<b>Levy Increase Percentage</b>	0.50%	1.11%
<b>Levy Increase Amount</b>	\$38,943	\$89,478
<b>Increase in New Construction</b>	\$176,946	\$32,197
<b>Increase in Utility Value</b>	\$816	\$115,918
<b>Refunds</b>	\$4,515	\$6,875
<b>Regular Property Tax Amount<sup>1</sup></b>	<b>\$8,035,092</b>	<b>\$8,279,560</b>
<b>Excess Property Tax Amount</b>	<b>\$248,408</b>	<b>\$247,607</b>
<b>Total CoS Property Tax Amount</b>	<b>\$8,283,500</b>	<b>\$8,527,167</b>

<sup>1</sup> The estimated regular property tax amount for 2020 assumes passage of the 1% levy increase plus banked capacity.

**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.

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

**Levy Increase Amount:** If City of Snoqualmie Council passes the “increase ordinance” with a 1.11% increase, equivalent to the 1% increase plus current banked capacity, then CoS can expect to collect an additional \$89,478 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. CoS 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 \$32,197 in property tax due to such construction improvements in 2020.

**Increase in Utility Value:** This captures the change in valuation of state-assessed utility infrastructure (power, gas distribution, cable, telephone, etc.). CoS 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 30<sup>th</sup> deadline to pass ordinances, CoS has incorporated \$115,918 into the table as an estimate.

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

**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. CoS expects to collect \$8,279,560 in 2020 from regular property tax. This represents a 3.04% increase over 2019 equal to \$244,468. However, if the increase in utility value equals \$0, then CoS expects to collect \$8,163,642 in 2020 regular property tax. This new value represents a 1.60% increase over 2019 equal to \$128,550.

**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.

**Total CoS 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 CoS is critical to calculating the CoS levy rate. Once the levy rate is known, then individual property owners can calculate their 2020 CoS property tax burden. The total assessed valuation for CoS represents the summed value of all properties inside the boundaries of CoS.

	2019	2020
<b>CoS Assessed Valuation</b>	\$3,469,519,169	\$3,557,973,866
<b>Change from Previous Year</b>	13.1%	2.6%

Between 2019 and 2020, the total assessed valuation for CoS is anticipated to increase \$88,454,697 equivalent to a 2.6% increase. However, if the increase in state-assessed utilities equals \$0, then CoS anticipates total assessed valuation increasing only \$38,454,697 equivalent to a 1.1% increase.

***The Levy Rate for the City of Snoqualmie:***

The CoS levy rate allows individual property owners to calculate how much they will owe CoS in 2020 property taxes. The levy rate is determined by dividing the total CoS property tax amount by the CoS assessed valuation.

	2019	2020
<b>Regular Property Tax Levy Rate Per \$1,000/Assessed Value</b>	\$2.32	\$2.33
<b>Excess Property Tax Levy Rate Per \$1,000/Assessed Value</b>	\$0.07	\$0.07
<b>Total Property Tax Levy Rate Per \$1,000/Assessed Value</b>	<b>\$2.39</b>	<b>\$2.40</b>

An increasing 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 less than the proposed levy increase percentage. That is, the 1.11% increase of \$89,478 is diffused over a valuation of established properties that increased \$24,566,864.

## CHANGES IN CONSTITUENT PROPERTY TAXES

Calculating the 2020 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 2020?

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 ONE PERCENT + BANKED CAPACITY LEVY INCREASE

The 1.11% levy increase is equal to \$89,478. When divided by the total assessed valuation for CoS, the 1.11% levy increase adds approximately \$0.025 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 1.11% increase to the property taxes of a homeowner with a certain 2020 assessed value.

Assessed Value of a Home	2020 Property Tax
\$300,000	\$7.54
\$400,000	\$10.06
\$500,000	\$12.57
\$600,000	\$15.09
\$700,000	\$17.60
\$800,000	\$20.12
\$900,000	\$22.63

## **RECOMMENDATION**

The City of Snoqualmie (CoS) 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 1% levy increase in the development of the 2019-2020 biennial budget, the cost-of-living adjustments included in both the Teamsters, International Association of Firefighters (IAFF), and Snoqualmie Police Association (SPA) collective bargaining agreements (CBAs), general inflation, and the risk of state shared revenue diversion, the exercise of the 1.11% levy increase is prudent.

# PRELIMINARY

## LEVY LIMIT WORKSHEET – 2020 Tax Roll

TAXING DISTRICT: City of Snoqualmie

The following determination of your regular levy limit for 2020 property taxes is provided by the King County Assessor pursuant to RCW 84.55.100.

Annexed to Library District

(Note 1)

Estimated Library rate: 0.32320

Using Limit Factor For District	Calculation of Limit Factor Levy	Using Implicit Price Deflator
8,044,129	Levy basis for calculation: (2019 Limit Factor) (Note 2)	8,044,129
<b>1.0100</b>	x Limit Factor	<b>1.0140</b>
8,124,570	= Levy	8,156,425
13,887,833	Local new construction	13,887,833
0	+ Increase in utility value (Note 3)	0
13,887,833	= Total new construction	13,887,833
2.31836	x Last year's regular levy rate	2.31836
32,197	= New construction levy	32,197
<b>8,156,767</b>	Total Limit Factor Levy	<b>8,188,622</b>
<b>Annexation Levy</b>		
0	Omitted assessment levy (Note 4)	0
8,156,767	Total Limit Factor Levy + new lid lifts	8,188,622
3,507,973,866	÷ Regular levy assessed value less annexations	3,507,973,866
2.32521	= Annexation rate (cannot exceed statutory maximum rate)	2.33429
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
8,156,767	+ Limit Factor Levy	8,188,622
<b>8,156,767</b>	= Total RCW 84.55 levy	<b>8,188,622</b>
6,875	+ Relevy for prior year refunds (Note 5)	6,875
8,163,642	= Total RCW 84.55 levy + refunds	8,195,497
	Levy Correction: Year of Error _____ (+or-)	
<b>8,163,642</b>	<b>ALLOWABLE LEVY (Note 6)</b>	<b>8,195,497</b>
<b>Increase Information (Note 7)</b>		
2.32717	Levy rate based on allowable levy	2.33625
8,035,092	Last year's ACTUAL regular levy	8,035,092
89,478	Dollar increase over last year other than N/C – Annex	121,333
1.11%	Percent increase over last year other than N/C – Annex	1.51%
<b>Calculation of statutory levy</b>		
	Regular levy assessed value (Note 8)	3,507,973,866
	x Maximum statutory rate	3.27680
	= <b>Maximum statutory levy</b>	<b>11,494,929</b>
	+Omitted assessments levy	<b>0</b>
	=Maximum statutory levy	<b>11,494,929</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.

Notes:

- 1) Rates for fire districts and the library district are estimated at the time this worksheet is produced. Fire district and library district rates affect the maximum allowable rate for cities annexed to them. These rates *will* change, mainly in response to the actual levy requests from the fire and library districts. Hence, affected cities may have a higher or lower allowable levy rate than is shown here when final levy rates are calculated.
- 2) This figure shows the maximum *allowable levy*, which may differ from any actual prior levy if a district has levied less than its maximum in prior years. The maximum allowable levy excludes any allowable refund levy if the maximum was based on a limit factor. The maximum allowable levy excludes omitted assessments if the maximum was determined by your district's statutory rate limit. If your district passed a limit factor ordinance in the year indicated, that limit factor would help determine the highest allowable levy. However, if the statutory rate limit was more restrictive than your stated limit factor, the statutory rate limit is controlling.
- 3) Any increase in value in state-assessed property is considered to be new construction value for purposes of calculating the respective limits. State-assessed property is property belonging to inter-county utility and transportation companies (telephone, railroad, airline companies and the like).
- 4) An omitted assessment is property value that should have been included on a prior year's roll but will be included on the tax roll for which this worksheet has been prepared. Omitted assessments are assessed and taxed at the rate in effect for the year omitted (RCW 84.40.080-085). Omitted assessments tax is deducted from the levy maximum before calculating the levy rate for current assessments and added back in as a current year's receivable.
- 5) Administrative refunds under RCW 84.69.020 were removed from the levy lid by the 1981 legislature.
- 6) A district is entitled to the lesser of the maximum levies determined by application of the limit under RCW 84.55 and the statutory rate limit. Levies may be subject to further proration if aggregate rate limits set in Article VII of the state constitution and in RCW 84.52.043 are exceeded.
- 7) This section is provided for your information, and to assist in preparing any Increase Ordinance that may be required by RCW 84.55.120. The increase information compares the allowable levy for the next tax year with your ACTUAL levy being collected this year. The actual levy excludes any refund levy and expired temporary lid lifts, if applicable. New construction, annexation and refund levies, as well as temporary lid lifts in their initial year, are subtracted from this year's *allowable* levy before the comparison is made.
- 8) ***Assessed valuations shown are subject to change from error corrections and appeal board decisions recorded between the date of this worksheet and final levy rate determination.***

**ORDINANCE NO.**

**AN ORDINANCE OF THE CITY OF SNOQUALMIE, WASHINGTON CERTIFYING AN INCREASE IN THE GENERAL TAXES FOR THE CITY OF SNOQUALMIE FOR THE FISCAL YEAR COMMENCING JANUARY 1, 2020, ON ALL PROPERTY BOTH REAL AND PERSONAL, IN SAID CITY WHICH IS SUBJECT TO TAXATION. THE GENERAL TAXES ARE FOR THE PURPOSE OF PAYING SUFFICIENT REVENUE TO CARRY ON THE DEPARTMENTS OF SAID CITY FOR THE ENSUING YEAR.**

**WHEREAS**, the City of Snoqualmie has properly given notice of the public hearing held November 12<sup>th</sup> and November 25<sup>th</sup>, 2019 to consider the City's current expense budget for the 2020 calendar year, pursuant to RCW 84.55.120; and,

**WHEREAS**, the City Council of the City of Snoqualmie, after hearing, and after duly considering all relevant evidence and testimony presented, has determined that the City of Snoqualmie requires a regular levy in the amount of **\$8,279,560** which includes an increase in property tax revenue from the previous year, and amounts resulting from the addition of new construction and improvements to property and any increase in the value of state-assessed property, and amounts authorized by law as a result of any annexations that have occurred and refunds made, in order to discharge the expected expenses and obligations of the district and in its best interest;

**BE IT ORDAINED** by the City Council of the City of Snoqualmie, Washington as follows:

**SECTION 1:** That an increase in the regular property tax levy is hereby authorized for the 2019 levy in the amount of **\$89,478** which is a percentage increase of **1.11%** from the previous year.

The increase is exclusive of additional revenue resulting from the addition of new construction and improvements to property and any increase in the value of state-assessed property, and any additional resulting from any annexations that have occurred and refunds made.



**SECTION 2:** This ordinance shall be published in the official newspaper of the City, and shall take effect and be in full force five (5) days after the date of publication.

**ADOPTED** by the City Council of the City of Snoqualmie, Washington this 25th day of November, 2019.

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Matthew R. Larson, Mayor

Attest:

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Jodi Warren, MMC City Clerk

Approved as to form:

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Bob Sterbank, City Attorney