

## **STAFF REPORT NO. 163-09**

**TO:** Mayor and City Council  
**FROM:** Pat McDonnell, City Manager

**DATE:** 11/23/09  
12/7/09

**Subject:** Substantial Need for a 1% Property Tax Increase in 2010.

**Objective:** To provide funding for the 2009-2010 biennial budget.

**Present Situation:** City Council must approve its regular property tax levy for 2010 in order to collect City property taxes needed to fund the City's General Fund Budget. On November 6, 2001, Washington voters approved Initiative 747 (I-747) which limits the allowable increase in the property tax levy to 1.0%, or the rate of inflation, whichever is less. As defined by the Implicit Price Deflator (IPD), inflation for 2010 levy calculations is negative 0.848 percent (-0.848%).

Based on last year's levy of \$39,038,902, and with the IPD rate of -.848%, the property tax levy would be reduced by \$331,049.89, which would result in a base levy amount of \$38,707,852 plus the value of new construction. Staff recommends that City Council approve a 1.0% increase in the property tax levy based on a finding of substantial need. Due to the economic recession, City revenues have declined dramatically. Over the past year, the City has significantly reduced its operating budget, while striving to maintain service levels. Additional property tax revenue losses would result in severe reductions in core services provided to citizens in the City of Vancouver. Under these circumstances, there is substantial need to allow a 1% increase for the 2010 levy in order to mitigate the effect of deep budget cuts affecting critical services provided to City residents. By increasing the property tax levy rate by 1%, the 2009 property tax levy of \$39,038,902 would increase by \$390,389.02. Authorization of this increase requires a majority plus one vote of City Council.

In addition to the 1% increase in the base levy, the City collects new property tax revenue based on the value of new construction added to the assessment rolls during the prior year. The revenue to the City is calculated using the assessed value of new construction multiplied by the prior year's levy rate. The value of new construction will not be finalized by the County Assessor's Office until late November and includes the value of utility new construction provided to the County Assessor by the State.

**Advantage(s):** Continued funding will be available from the City's primary revenue source to pay the cost of essential City services.

**Disadvantage(s):** Regular property taxes will increase; however, the increase is small and the specific impact on a property owner is dependent on the change in their assessed value.

**Action Requested:**

1. On November 23, 2009, approve the Ordinance on first reading, setting the date of second reading and public hearing for December 7, 2009.
2. On December 7, 2009, subject to second reading and public hearing, approve the Ordinance.

Attachment: Ordinance

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