

RESOLUTION NO. 21-09

A RESOLUTION of the City Council of the City of Port Angeles, Washington, authorizing an increase in the regular property tax levy limit due to substantial need.

WHEREAS, pursuant to RCW 35A.33.135, the City Manager is required to provide the City Council with current information on estimates of revenues from all sources, together with estimates submitted by the Finance Director, for consideration of the City's total anticipated financial requirements for the ensuing fiscal year, and the City Council is required to determine and fix by ordinance the amount to be levied by ad valorem taxes; and

WHEREAS, the City general fund revenues are decreasing for the second year in a row; these decreases include an almost 15% decrease in 2009 sales tax with a further decrease of over \$55,000 in 2010; collections for licenses and permits are projected to be 15% below 2009 estimates, a reduction of nearly \$70,000; in 2010, collections for services are expected to decrease almost \$60,000 from the 2009 estimated budget; and interest revenue is projected to decline by 55% in 2009, with a further reduction of 23% in 2010; and

WHEREAS, these are funds that would be used for public safety, street maintenance, economic development, and preservation of the City's basic, core services; and

WHEREAS, the City Council, after duly considering relevant evidence and factors, has determined that, in order to discharge the expected expenses and obligations of the City, there is a substantial need to set the levy limit at 1%.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Port Angeles that:

Section 1. After thoroughly reviewing the information relating to revenues and

expenses for 2010, and to ensure adequate funding in future years , the City Council finds and determines that, pursuant to and for purposes of Chapter 84.55 RCW, there is a substantial need to set the 2010 levy limit at 1%.

PASSED by the City Council of the City of Port Angeles at a regular meeting of said Council held on the 6th day of October, 2009.

[NOTE: requires 5 affirmative votes for passage.]



MAYOR

ATTEST:



Janessa Hurd, City Clerk

APPROVED AS TO FORM:



William E. Bloor, City Attorney



CITY COUNCIL MEMO

DATE: OCTOBER 6, 2009

TO: CITY COUNCIL

FROM: KENT MYERS, CITY MANAGER

SUBJECT: FINDING OF SUBSTANTIAL NEED FOR 2010 PROPERTY TAX LEVY

Summary: The negative rate of implicit price deflator (IPD) in 2009 has affected the City's ability to raise property taxes in 2010 as outlined in State law. However, Council has the authority to establish a levy limit of 1% by passing a resolution of substantial need with a vote of the majority of the Council, plus one.

Recommendation: Staff recommends the Council pass the attached resolution in order to preserve the City's 1% levy limit capacity in 2010.

Background / Analysis: The City's General Fund revenues have decreased substantially in 2009 and this trend is projected to continue in 2010. For example, sales tax revenue is projected to be down almost 15% in 2009 (\$435,000), with a further decrease of \$55,000 budgeted for 2010. Interest revenue is projected to decrease 55% in 2009, or approximately \$238,000. We have estimated an additional 23% decrease in interest revenue in 2010.

In 2010, license and permit revenue is expected to drop 15% below 2009 estimates, or approximately \$70,000. In addition, we project a 3% decrease in charges for services, or nearly \$150,000 from 2009 year-end estimates. These General Fund revenues are used to fund the city's priorities of economic development, public safety, street maintenance and improvements, and other core services and mandates.

State law allows cities to increase property tax levy amounts annually by the implicit price deflator (IPD), or 1%, whichever is less. The IPD, which measures inflation, is -0.848% for 2009. However, the law allows the City to establish a levy limit up to a maximum of 1%, is by making a finding of "substantial need". The Council can accomplish this by passing the attached resolution.

The attached resolution is the first of three Council actions required no later than November 30 in order to set the 2010 property tax levy. Staff later will be providing a resolution to establish the level amount in dollars and percent, and the ordinance setting the 2010 levy amount.

If the Council does not pass the attached resolution, the County will automatically reduce the City's property tax levy amount by the IPD (-0.848%).

Staff recommends that Council pass the attached resolution in order to preserve the General Fund revenues for the purpose of providing core and mandatory services.

Attachments:

- A. Resolution – Finding of Substantial Need