



TO: Elizabeth Pauli, City Manager
FROM: Katie Johnston, Budget Officer, Office of Management and Budget
Andy Cherullo, Director of Finance
COPY: City Council and City Clerk
SUBJECT: Ordinance – State the Dollar and Percent Increase for Property Tax Levy – October 29, 2024
DATE: October 17, 2024

SUMMARY AND PURPOSE:

An Ordinance stating the dollar and percentage increases for the property tax levy for the City of Tacoma. The City of Tacoma is required by State law to annually approve the regular levy on property taxes. Staff recommends that the City Council authorize a 0.645% or \$477,012.64 dollar increase to the City’s actual levy from 2024. By authorizing the increase, the City is allowing the regular levy be set at the highest allowable levy amount.

BACKGROUND:

This Department’s Recommendation is Based On: In order to increase the City’s highest lawful levy, the City is required to authorize the percent and dollar increase over the City’s actual levy from the previous year.

The City of Tacoma must take two actions to set the regular property tax levy for 2025:

- Approve the total regular levy amount to be collected – State law requires that the City adopt an ordinance that states how much in property taxes the City is requesting to collect in 2025.
- Approve the percentage and dollar increase over the prior year’s actual levy – State law requires that the City Council approve a separate ordinance or resolution that states the percentage and dollar increase of this year’s levy request over the prior year’s actual levy. This action establishes the City’s highest allowable levy amount.

This ordinance will authorize a 0.645% or \$477,012.64 dollar increase over previous year’s actual levy of \$73,985,000.31. By authorizing the increase, the City is allowing the regular levy be set at the highest allowable amount levy amount. This is consistent with the 2025 revenues projected in the 2025 - 2026 Proposed Budget.

Jurisdictions with populations of 10,000 or greater are limited to increasing the City’s levy by the lower of 1% or the rate of inflation. The implicit price deflator, used to measure inflation, is 2.57%.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

A public hearing will be held on October 29, 2024.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility:

The City’s budget is one of the most basic and important ways that we demonstrate our commitment to the community. In the budget development process, and with this Budget Modification, we are honoring City Council Resolution No. 40622, which directs staff to keep anti-racism as a top priority in budget development and to prioritize anti-racism in the planning of an economic recovery strategy.



ALTERNATIVES:

The City of Tacoma is required to authorize the percent and dollar increase in order to increase the City’s highest levy; therefore, staff has not identified an alternative.

EVALUATION AND FOLLOW UP:

The Office of Management and Budget will continue to produce reports for budget versus actuals in the 2025-2026 biennium and provide quarterly updates to City Council.

STAFF/SPONSOR RECOMMENDATION:

Staff recommends that the City Council approve the ordinance to appropriate the estimated expenditures and revenues from Property Tax Levy.

FISCAL IMPACT:

Through a separate action, an ordinance sets the levy amount will set the property tax levy at \$74,462,012.95 exclusive of new construction and refunds. With new construction, refunds, change in state assessed valuation, and annexations, property tax is estimated at \$75,670,132.56 which is consistent with the property tax projected in the 2025-2026 Adopted Budget. In 2025, staff anticipates property tax revenues to be approximately \$72.8 million due to historical collection rates of 97.5%. \$4.7 million will fund the City’s Streets Initiative and \$69.1 million will support the City’s General Fund.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
0010 – General Fund	Various	Various	\$ 69,091,886.64
1085 – Voted Streets Initiative	Various	Various	\$ 4,686,492.62
TOTAL			\$ 73,778,379.26

What Funding is being used to support the expense?

Revenues collected from Property Tax.

Are the expenditures and revenues planned and budgeted in this biennium’s current budget?

YES

This Ordinance adopts expenditures and revenues for the next biennium.

Are there financial costs or other impacts of not implementing the legislation?

YES

Failing to adopt the 2023-2024 Revenues from Property Tax Levy result in the City being out of compliance with RCW 84.52.020 and RCW 84.52.070.

Will the legislation have an ongoing/recurring fiscal impact?

YES

Will the legislation change the City’s FTE/personnel counts?

NO