

**NOTICE OF SPECIAL MEETING**  
**Mount Vernon City Council**

**PLEASE TAKE NOTICE** that the Mount Vernon City Council will be holding a special meeting on Wednesday, October 30, 2019 at 7:00 p.m. The meeting will be held in the Council Chambers of the Police/Court Campus, 1805 Continental Place, Mount Vernon, WA.

The purpose of this meeting is to discuss and take action on the items listed on the attached agenda.

\_\_\_\_\_  
Doug Volesky, Finance Director

Copies provided to:

\_\_\_\_ Beaton  
\_\_\_\_ Brocksmith  
\_\_\_\_ Carias  
\_\_\_\_ Hudson  
\_\_\_\_ Hulst  
\_\_\_\_ Moberg  
\_\_\_\_ Molenaar  
\_\_\_\_ KBRC  
\_\_\_\_ KAPS  
\_\_\_\_ Skagit Valley Herald  
\_\_\_\_ Skagit County Commissioners



**CITY OF MOUNT VERNON  
SPECIAL CITY COUNCIL STUDY SESSION**

**Agenda**

**October 30, 2019 - 7:00 p.m.**

Police/Court Campus

- A. **Public Hearing – Continuation of Regulations for Severe Weather Shelters**  
(This is a public hearing to allow testimony regarding severe weather shelters. Council adopted interim regulations by ordinance in March 2019 allowing severe weather shelters for the homeless. This ordinance would continue these regulations with a work plan.)  
*(required action – ordinance)*  
*(staff contact – Rebecca Lowell)*
  
- B. **Open Record Public Hearing – Review Revenue Sources for the 2020 Budget and Discuss Setting 2020 Property Taxes**  
(Staff will review revenue estimates for 2019 and 2020, and will discuss with Council setting the 2020 property taxes for the City.)  
*(required action – none)*  
*(staff contact – Doug Volesky)*

**COMMITTEE MEETINGS**

Committee of the Whole

6:00 p.m.

Next Ordinance 3794

Next Resolution 972



**DATE:** October 30, 2019  
**TO:** Mayor Boudreau and City Council  
**FROM:** Doug Volesky, Finance Director  
**SUBJECT:** REVIEW REVENUE SOURCES AND DISCUSS SETTING 2020 PROPERTY TAXES

**RECOMMENDED ACTION:**

None. Informational only.

**INTRODUCTION/BACKGROUND:**

A major part of the City's budget process is establishing revenue estimates for the budgeted year. The City's revenue policies include:

1. Current revenues will be sufficient to support current expenditures,
2. Calculated using an objective, analytical process, and will be neither overly optimistic nor overly conservative,
3. Estimates will be performed utilizing accepted analytical techniques, and shall access the full spectrum of resources available to finance City programs and services.

Estimated total revenue included in the 2020 Preliminary Budget is \$67,995,677. This is a decrease of \$4,719,472 or -6.5% from the City's 2019 budgeted revenue amount. This decrease is due mainly to a decrease of \$5,532,609 in intergovernmental revenue which included large funding amounts for capital projects budgeted in 2019. Total city-wide tax revenue is increasing by \$480,843 which includes new tax revenue of \$500,000 from the Local Infrastructure Finance Tool (LIFT) state program. Sales tax is estimated to remain consistent with 2019 budgeted numbers. Decreases are projected in utility taxes in the amount of \$146,320 and Real Estate Excise Tax (REET) of \$200,000 from 2019 budgeted numbers.

Per MRSC, "As part of the budget process, the taxing jurisdiction establishes the amount of property tax revenue needed to fund the budget. That amount needed to fund the budget is called the levy. It is the total amount to be collected from the taxpayers by a taxing district. In Washington, property tax increases are not based on the increasing value of properties. They are based on last year's property tax levy, which is simply the amount of the property taxes that were assessed in the prior year.

By November 30 of each year, the amount of taxes to be levied by taxing districts are certified to the

county assessor in a dollar amount. In Mount Vernon, our tax levy amount in 2019 was \$7,810,740. The county assessor calculates the levy rate necessary by dividing the total levy amount by the assessed value of taxable property in the district. By law, this number is expressed in terms of a dollar rate per \$1,000 of valuation. For example, a rate of \$0.00025 is expressed as 25¢ per \$1,000 of assessed value. The formula for property tax collections is expressed as:  $Levy = Levy Rate \times Assessed Value (AV)$ .

The City of Mount Vernon is required by law to hold a public hearing to review revenue sources for the coming year and also to set property taxes for the coming year. The City's property tax increase is limited to the lesser of one percent (1%) or the implicit price deflator (IPD) for the year. Additionally, a City may capture 100% of all new construction and may take any "banked capacity" available to them.

Some important facts to consider when setting the 2020 property tax include:

1. The IPD for the year is over 1% so tax districts will be allowed to levy 1% more than they collected in 2019. A 1% adjustment to the property tax is \$85,579. This amount is currently included in the 2020 Preliminary Budget.
2. Banked Capacity. As a result of the City of Mount Vernon not taking the maximum regular tax which could lawfully be levied in past years, the City has accumulated banked levy capacity of \$747,176. The amount of banked capacity changes each year because the highest lawful levy and the actual levy are recalculated. Having banked capacity for one year does not guarantee the city will have the same amount the following year. The City realized a loss of \$20,472 in banked capacity from last year.
3. New construction value per the County Assessor's Office is \$59M which will generate \$131,233 of new revenue to the City in 2020. The new construction has been included in the 2020 Preliminary Budget.

**FINDINGS/CONCLUSIONS:**

No action is being requested of Council at this time; however, for future consideration, staff recommends that City Council:

- Set the property taxes in 2020 at 100% of the 2019 revenue amount and consider taking the 1% adjustment,
- Take all new construction allowed to the City,
- Council consider applying an amount of banked capacity to help fund operational needs of the City in the proposed 2020 Preliminary Budget.

**RECOMMENDATION:**

None.

**ATTACHED:**

None.