



FINANCE AND INFORMATION TECHNOLOGY COMMITTEE AGENDA

October 1, 2025

5:00 PM

Sedro-Woolley Municipal Building

Council Chambers

325 Metcalf Street

- a. Call to Order**
- b. Roll Call**
- c. Unfinished Business**
- d. New Business**
 - 1. 2026 Biennial Budget Update
 - 2. Property Tax Calculation
- e. Adjournment**

Next Meeting Finance and Information Technology Committee - Tuesday, November 25, 2025

The City of Sedro-Woolley complies with applicable Federal civil rights laws and does not discriminate on the basis of race, color, national origin, limited English proficiency, age, disability, or sex. The City of Sedro-Woolley doesn't exclude people or treat them differently because of race, color, national origin, limited English proficiency, age, disability, or sex.

The City of Sedro-Woolley also complies with applicable state laws and doesn't discriminate on the basis of creed, gender, gender expression or identity, sexual orientation, marital status, religion, honorably discharged veteran or military status, or the use of a trained dog guide or service animal by a person with a disability.



**Finance and Information Technology
Committee Agenda Item**

Agenda Item No.: d.1.

Date: October 1, 2025

From: Kelly Kohnken, Finance Director / City Clerk

Subject: 2026 Biennial Budget Update

RECOMMENDED ACTION:

Discussion only, no recommended action.

BACKGROUND/SUMMARY INFORMATION:

The city has a two-year, biennial budget, 2025-2026. Therefore, the city already has a 2026 approved budget. The city is required to update the second year of the biennial budget by December 31, 2025. The 2026 budget update will be a continuation of the approved 2026 budget, not a new budget. Council will review the budget as Amendment No. 1 to the 2026 Budget.

The city currently has the first read of the 2026 Budget Amendment No. 1 scheduled for November 12, 2025, and the second read scheduled for November 25, 2025.

FISCAL IMPACT, IF APPROPRIATE:

ATTACHMENTS:

None



**Finance and Information Technology
Committee Agenda Item**

Agenda Item No.: d.2.

Date: October 1, 2025

From: Kelly Kohnken, Finance Director / City Clerk

Subject: Property Tax Calculation

RECOMMENDED ACTION:

Discussion only, no recommended action.

BACKGROUND/SUMMARY INFORMATION:

See document attached.

FISCAL IMPACT, IF APPROPRIATE:

ATTACHMENTS:

1. 2025-2026 Property Tax Infor_2025.09.26

2025-2026 Property Tax



How is Property Tax Calculated?

Long answer: There are many factors that play into the budgeted levy.

- The city starts with the prior year budgeted levy.
- The city can increase the budgeted levy by 1% of the highest regular tax which could have been lawfully levied. The highest lawful levy in 2025 was \$5,081,946, 1% of this amount would be \$50,819.
- The city can also increase the levy by the banked capacity, \$48,863. Banked capacity is the difference between the prior year actual budgeted levy, \$5,033,083, and the prior year's highest lawful levy, \$5,081,946.
- The budgeted levy is also increased based on the assessed value of new construction and improvements multiplied by the current levy rate. New construction of \$25,000,000 (divided by \$1,000), multiplied by the 2025 levy rate of \$2.5794, would result in an increase in the budgeted levy of \$64,485.
- Based on the amounts above, the estimated 2026 budgeted levy would be \$5,197,251, broken out between the regular levy of \$5,165,962 and senior exemptions of \$31,289.
- The regular budgeted levy amount, \$5,165,962, is divided by the assessed value of regular property within city limits, estimated at \$2,016,685,751 (divided by \$1,000), resulting in a levy rate of \$2.5616. Assessed value is calculated by the Skagit County Assessor.

Short answer: The prior year budgeted levy, plus 1% (if approved by council), plus the banked capacity, plus the value of new construction.

	Prior Year Budgeted Levy	\$5,033,083
+	1% (Approved by Council)	\$50,819
+	Banked Capacity	\$48,863
+	New Construction	\$64,485
=	Regular Budgeted Levy Amount	\$5,165,962
	Exemptions	\$31,289
	Total Budgeted Levy Amount	\$5,165,962
÷	Assessed Value/\$1,000 <small>(calculated annually by Skagit County Assessor)</small>	\$2,016,685
=	Levy Rate	\$2.5616

How Does this Impact Individual Properties?

The levy rate is multiplied by the assessed value of the individual property, divided by \$1,000.

×	Levy Rate	\$2.5616
=	Assessed Value of Property	$\$532,448 / \$1,000 = \$532.45$
	Property Tax	\$1,373

In the example of a \$532,448 home, with a \$2.5616 levy rate, the city property tax would be \$1,373.

Does an Increase in Assessed Value Result in an Increase in Property Tax?

No. The total assessed value of all property within city limits does not determine the total amount of property tax collected. The total amount of property tax collected is called the budgeted levy. The budget levy is set by city council, with restrictions described above.

Does an increase in the assessed value of an individual home increase property tax for the homeowner? It depends. In the example below, if the total of all assessed value in the city increases by 4% and an individual property value increases by 4%, there is no change in the property tax assessment for that property, all other things remaining the same. If the assessed value of an individual property increases by a greater percentage than the assessed value of all property, property taxes will increase for the individual property.

Description	2025 Actuals	2026 Example 1	2026 Example 2	2026 Example 3
Budgeted Levy	5,001,794	5,001,794	5,001,794	5,001,794
Assessed Value	1,939,120,914	2,016,685,751	2,016,685,751	2,016,685,751
Levy Rate	2.5794	2.4802	2.4802	2.4802
Individual Property Value	532,448	553,746	564,395	543,097
City Property Tax	1,373	1,373	1,400	1,347
Percent Increase		0%	2%	-2%

Increased in Assessed Value of All Properties		4%	4%	4%
Increased in Assessed Value of All Individual Properties		4%	6%	2%

You can see in this example, the budgeted levy is staying the same, but the assessed value is increasing. This results in a decrease in the levy rate.

How Does the City’s 1% Increase Impact an Individual Property?

A 1% increase in the budgeted levy, will likely results in a 1% increase for the individual property. As noted above, the increases to the assessed value of the individual property compared to the increases in assessed value for all properties within city limits plays a significant role as well. Assuming the increase is 4% for both, if the budgeted levy is increased 1%, property tax for a \$532,448 home would increase 1% or \$14 from 2025 to 2026.

Description	2025 Actuals	2026 Example 1
Budgeted Levy	5,001,794	5,051,812
Assessed Value	1,939,120,914	2,016,685,751
Levy Rate	2.5794	2.5050
Individual Property Value	532,448	553,746
City Property Tax	1,373	1,387
Percent Increase		1%

Does New Construction Increase Property Taxes for Existing Homes?

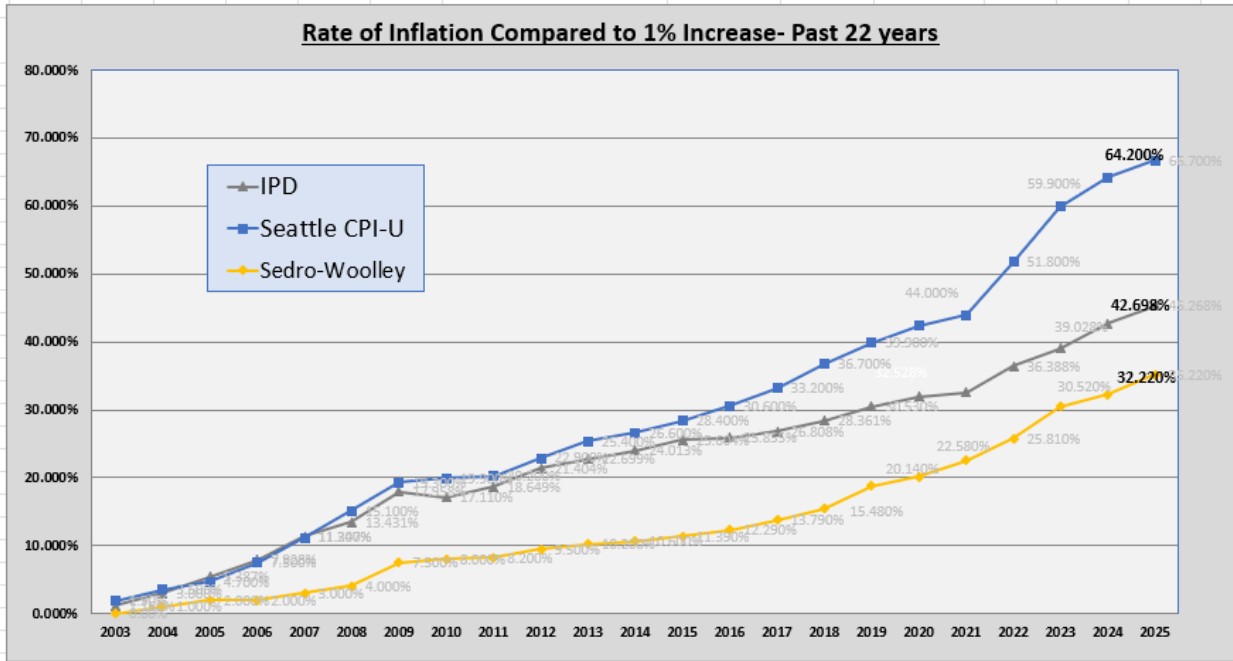
No. In the below example, if new construction resulted in \$25,000,000 of new assessed value, it would also increase the budgeted levy by \$64,485 ($\$25,000,000 / \$1,000 \times \2.5794). If the assessed value increased 4%, similar to other examples, there would be no increase to property tax for existing properties.

Description	2025 Actuals	Increase from New Construction	2026 Example
Budgeted Levy	5,001,794	5,066,279	5,066,279
Assessed Value	1,939,120,914	1,964,120,914	2,042,685,751
Levy Rate	2.5794		2.4802
Individual Property Value	532,448		553,746
City Property Tax	1,373		1,373
Percent Increase			0%

Does Property Tax Keep Up with Inflation?

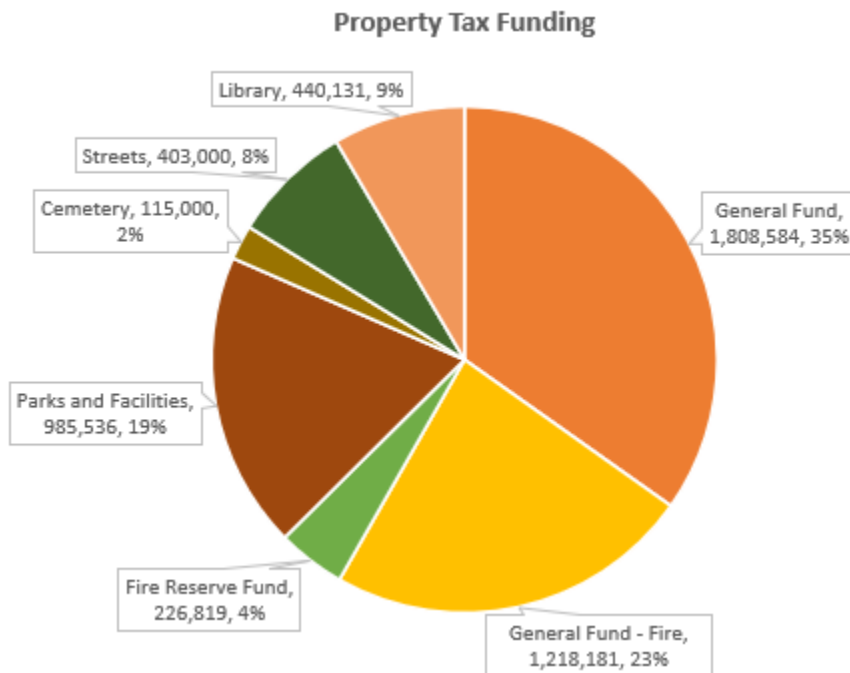
No. The chart displays two inflation indicators in relation to the city's property tax growth. The CPI-U is the Consumer Price Index for All Urban Consumers, an inflation measure from the U.S. Bureau of Labor Statistics that tracks the price changes of a market basket of goods and services. IPD is the Implicit Price Deflator, a measure of inflation calculated by the U.S. Bureau of Economic Analysis, it reflected a broader range of goods and services than the CPI-U.

Inflation since 2003 has increased by approximately 64.2% according to the CPI-U or 42.70% according to the IPD. The city's property tax has increased by 32.22%. The chart does not include levy lid lifts as these increases have direct associated services and expenditures.



What Does Property Tax Fund?

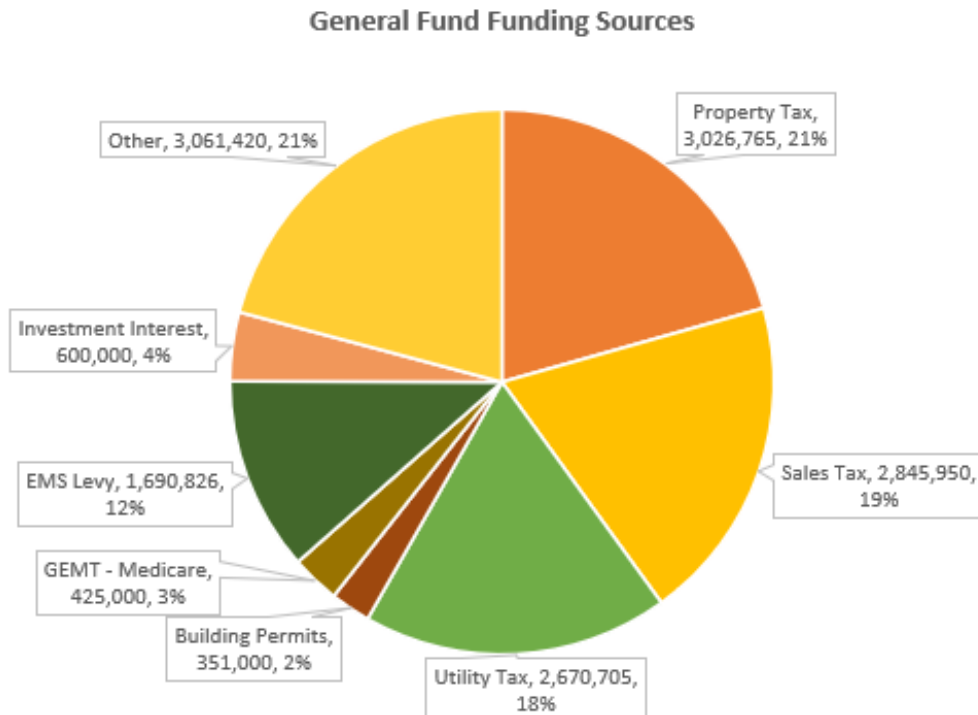
Property tax funds the General Fund, Fire Reserve Fund, Parks and Facilities Fund, Cemetery Fund, Street Fund, and Library Fund.



Fund	2026 Amount
General Fund	1,808,584
General Fund - Fire	1,218,181
Fire Reserve Fund	226,819
Parks and Facilities	985,536
Cemetery	115,000
Streets	403,000
Library	440,131
Total	5,197,251

How Much Does Property Tax Fund the General Fund?

In the current 2026 budget, property tax funds 21% of the General Fund. Combined with the EMS levy, property tax funds 33% of the General Fund.



What's Next?

Skagit County provides a preliminary assessed value document to the city. It includes the city's new assessed value of all property within city limits and the dollar value of new construction. The city will use this data and present an ordinance to council approving the 2026 budgeted levy. A first read of the ordinance is scheduled for the November 5, 2025, study session, and a second read for November 12, 2025. The final ordinance and other documentation is due to Skagit County by November 28, 2025. Skagit County Assessor Danny Hagen will also be presenting to council on October 8, 2025.