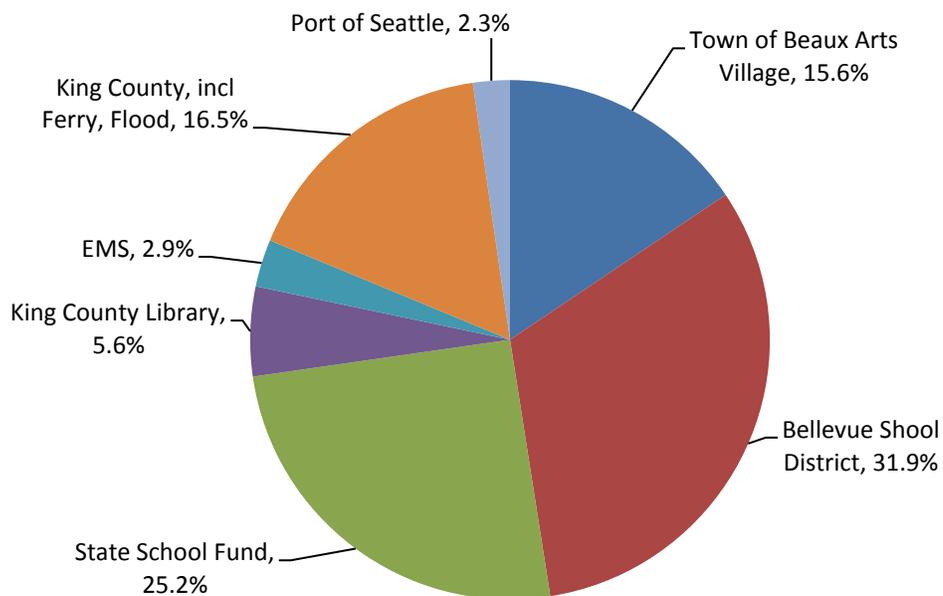


A PRIMER ON PROPERTY TAXES

The Town's 2014 budget incorporates a 1% property tax increase as allowed by state statute. This amounts to a total of \$1,477 for the entire Town – about \$12.75 per household for the average \$893,000 home in Beaux Arts Village. Unlike many cities in Washington, Beaux Arts's finances are in good order, so why is the Town increasing property taxes? The Council remains concerned about managing the Town's reserves given the current economic climate and believes it is prudent to increase the Town's property-tax levy to protect these reserves and ensure that the Town's financial condition remains healthy and stable. This chart depicts how your property-tax payment is split among the various taxing agencies.

Breakdown of 2013 Levy Components



If the Town only increased property taxes by 1% why does my tax bill increase by more than that? There are only two reasons why the taxes on your property increase by more than 1%:

1. Other taxing agencies outside of the Town's control have increased tax rates either by ballot or by action of the County Council. These increases are beyond the Town's control and may not be subject to the same 1% limit as the Town's increases.
2. Your property's assessed value has increased relative to the total assessed value of property in Beaux Arts, perhaps because of new construction or a change in the value of view vs. non-view property.

My home's assessed value just skyrocketed! The King County Assessor's office is in charge of determining the assessed value of each property within the County; the Town has no control over or say in this process. During times when property values are changing rapidly, changes in

the assessed value tend to lag changes in the market place. For more information about property assessments, please visit the County Assessor's website at www.kingcounty.gov/Assessor/QuickAnswers/Levies.aspx.

My home's assessed value increased and I'm now paying a lot more to the Town; what does the Town do with this new money? As mentioned above, some property owner's assessments decrease, while some are unchanged or modestly increase. As the value of an individual home increases, an individual homeowner may end up paying a higher proportion of the total property tax amount collected. It is important to emphasize that an increase in assessed value does not result in any "windfall" or new revenue for the Town. If your home's assessed value increases, you may find that you are paying a higher proportion of the total tax amount collected from property taxes. But, by law, the Town cannot increase ***the total dollars collected*** by more than 1% in a given year.

The Town uses these increases to fund ongoing operations. In Beaux Arts, the property-tax levy pays for about 2/3 of the cost of the providing Town services, including police, marine patrol and fire services. Revenues from sales taxes pay for the remaining 1/3. Because of prudent money management, the Town has not ever imposed utility taxes, which are paid by utility providers and passed through directly to their customers.

How does the Council set the property-tax levy?

In the fall the Mayor and Council work to develop a budget that accurately reflects the anticipated revenues and expenditures on a line-by-line basis for the coming year. An important part of that review is a look at how those revenues and expenditures may be affected over the next three to five years and at what level the Town should maintain its reserves to ensure that the Town remains financially healthy and viable. Because of the uncertainty in the current economic and because more than 90% of the Town's revenue comes from either property or sales taxes (a reality that the Town cannot change), the Council believes the 1% property-tax increase is a prudent measure.