

Maximum Tax Levy Discussion

August 8, 2016

Council Worksession



2017 Budget Process

Meeting Dates	Discussion Topics
June 14	Financial Management Plan Review Budget Pressures
August 8	Council Gives Direction to Staff to Prepare Maximum Tax Levy
September 6	Council Adopts Maximum Tax Levy
October 20	Virtual Open House Video Release
October 25	Department Budget Presentations at Worksession
November 15	Council Worksessions on the Budget: General Fund & Other Property Tax Supported Funds
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December 6	Council Adopts Tax Levies and Budget

Decision

Council will consider adoption of the maximum tax levy on Tuesday Sept 6

- (Required by Law on or before Sept 30 for City & Sept 15 for EDA)
- No Levy limits in place for 2017
- Proposed tax statements mailed to property owners in November

Staff is seeking direction for preparation of the necessary documents

Summary of Proposed Levy Change

Preliminary estimate 3.7% increase in tax levy

The current proposed max tax levy is a 3.6%

Proposed Budget

City departments are currently in the process of preparing detailed proposed budgets

- Continue to refine revenue estimates & identify efficiency savings
- Department presentations to Council on Oct 25
- Council will receive complete proposed 2017 budget Nov 1
- Final tax levy to be considered for adoption December 6

Projected 2017 Levy

	2016 Levy	Projected 2017 Levy	Planned Increase	
EDA	\$ 592,500	\$ 617,500	\$ 25,000	0.1%
Debt Service	1,126,674	1,126,674	0	0%
Facility Plan	420,000	420,000	0	0%
ITF	3,200,000	3,250,000	50,000	0.1%
Forestry EAB	250,000	250,000	0	0%
General Fund	25,955,000	27,029,000	1,074,000	3.4%
Total Levy	31,544,174	32,693,174	1,149,000	3.6%

What are the Cost Pressures?

<u>Fund Current Level of Services:</u>		
Employee services (wages and benefits)	\$ 608,000	1.9%
Health Insurance Increase	130,000	0.4%
Minimum Wage	25,000	0.1%
Current expenditures	200,000	0.6%
Transfer for PAC Debt/Ops	40,000	0.1%
Net increase in non-tax revenues & decrease in use of reserves	<u>(140,000)</u>	<u>-0.4%</u>
Total Current Services	863,000	2.7%
<u>Funding for Adopted Plans:</u>		
Debt levy	-	-
Parks Capital Fund (Restoration)	100,000	0.3%
Equip/Veh/Facilities & IT Capital Funds	98,000	0.3%
Infrastructure Trust Fund – Streets	50,000	0.1%
Emerald Ash Borer Fund	-	-
EDA Operations	25,000	0.1%
Street Revolving Fund – Maintenance	<u>13,000</u>	<u>0.1%</u>
Total Adopted Plans	286,000	0.9%
Total Combined Increase in Estimated Tax Levy	<u>\$1,149,000</u>	<u>3.6%</u>

New Tax Base Support

Total Tax Levy Increase	\$1,149,000	3.6%
New Construction	\$120,000	0.4%
Existing Tax Base	\$1,029,000	3.2%



Estimated Impact of 3.6% Levy Increase



Effect on Residential
Average Home \$222,000
(Home value growth 3.4%)



Effect on a \$1 Million
Commercial Property
(Property value growth 0%)

Fire SAFER

- Grant request \$800,000 - 4 fire fighters for 2 years
- Expect additional EMS revenue \$350,000-\$440,000
- Start up costs \$320,000
 - additional ambulance approx. \$200,000
- Increased EMS revenue would offset some startup over 2 years
 - Would need to use approx. \$200,000 of General Fund Balance the first year
 - \$100,000 payback in second year
- Years 3-5 include approx. \$300,000 annual property tax increase to fund after grant ends

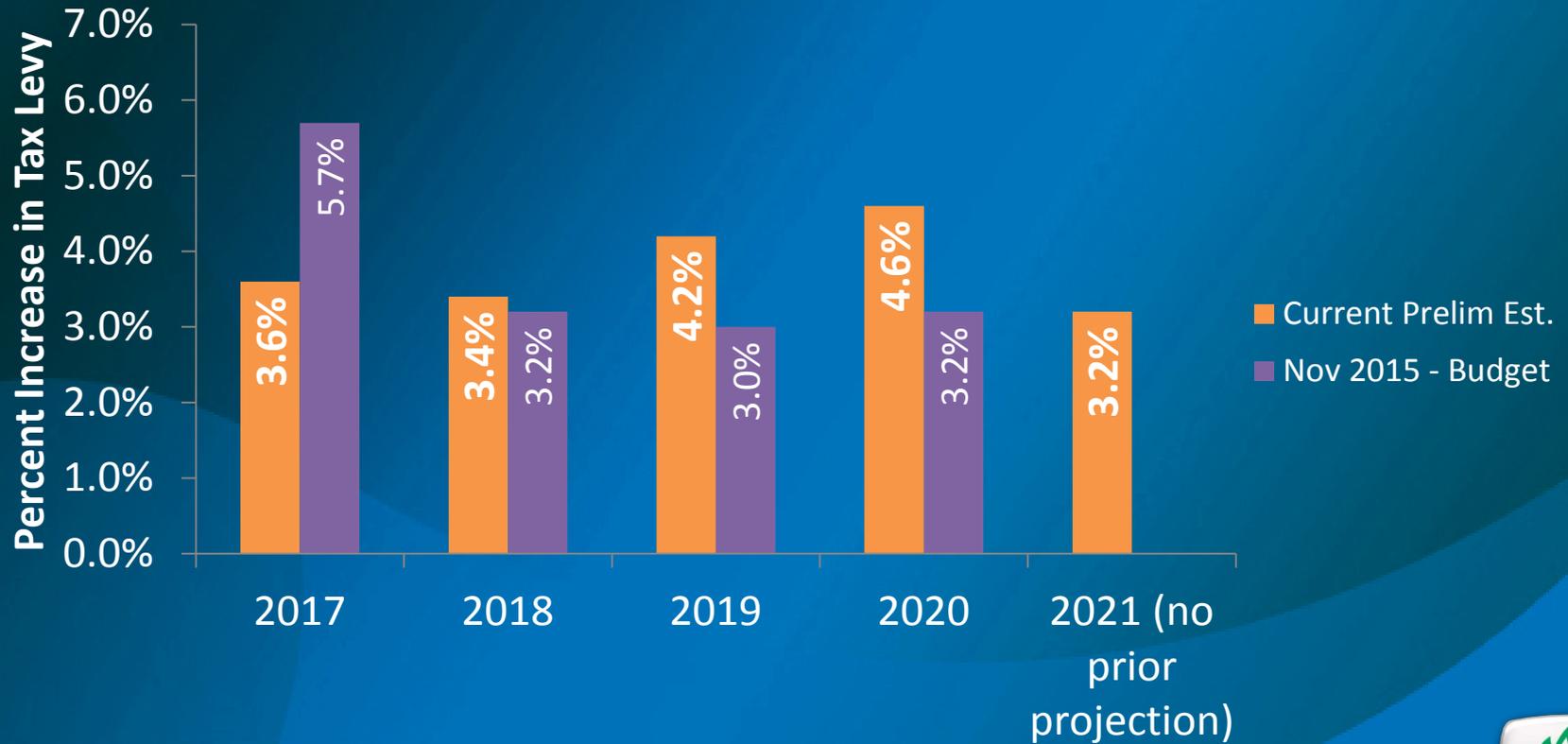
What's Driving the Need for Additional Tax Levy Revenue in Future Years?

- Costs of maintaining police, fire, parks operation, and street maintenance are mostly by tax levy and not charges for service
- Health Care costs continue to increase
- Continued increase of funding preparation for Emerald Ash Borer
- SAFER Grant Phase in starting in 2019

What's Driving the Need for Additional Tax Levy Revenue in Future Years? (continued)

- Annual increase in support for parks capital \$25,000
- Restoration of tax levy for street maintenance (ITF levy)
- Restoration of funding for acquisition of equipment, vehicles, and improvements to facilities (deferred maintenance)
- Debt structured increase in 2020 for HOC decertification – larger tax base

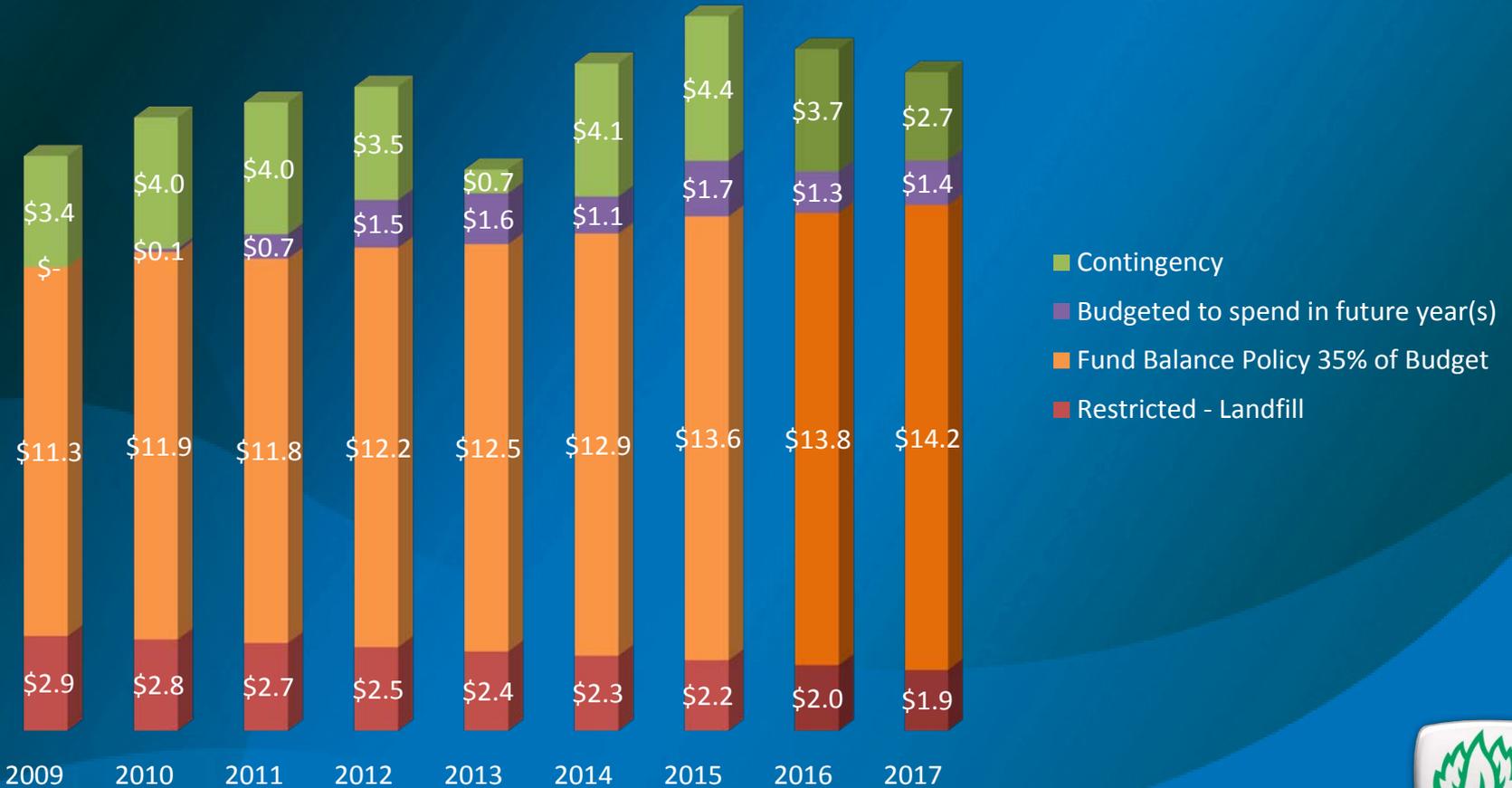
Updated Projections



Use of Fund Balance

- Reserved Landfill Abatement \$141,000
- Ice Center Debt Service \$140,000
- Comprehensive Plan Update \$200,000
- Election Equipment \$30,000
- SAFER Grant startup costs \$200,000
- \$711,000
- Possible use for other one-time expense
TBD

Fund Balance



Infrastructure Trust Fund

Direction to Stay the Course on the 5-year Plan

- Increase levy \$50,000 as planned

Goal to be Pay-Go for Streets Achieved

- No new debt being proposed for ITF fund

Fund Balance

- Remains within the 2016 goals for fund balance

Other Capital Plans

Parks Capital Funding

- Proposed max tax includes \$100,000 increase in General Fund Support as planned

Capital Replacement Funds

- Equipment & Vehicle / Facilities / I.T.
 - \$98,000 increase
 - planned increase was lowered due to franchise fees for facilities fund

Facilities Fund

**Debt Service Levy for facilities phase 1
2016 budget -debt issuance of \$7.7m**

Preliminary Phase 1 projected debt service

- **2017 - \$840,000**
- **Remaining years average \$960,000**
- **Level debt service**

Phased approach to Facilities plan

Spread issuance of debt over time to maintain a level debt load and debt service

Facility Fund

Revenue Sources

– Annual General Fund Transfer	\$402,000
– Property Tax Levy	\$420,000
– Franchise Fees	<u>\$800,000</u>
	\$1,422,000

Expenditures:

– Debt Service (avg)	\$960,000
• Phase 1 Police/City Hall 2016 budget (\$7.7m)	
– Pay-Go: (avg)	\$462,000

- Deferred maintenance on buildings in the facility study
- Regular replacements for all other buildings & other capital items

Discussion

- Staff is seeking direction from the Council for preparation of the necessary documents to establish the “Max” Tax Levy

Questions on Maximum Tax Levies

In June, Council provided preliminary direction for staff to prepare the levies, which included a total 3.7% increase

The current proposed max tax levy is a 3.6%

Maximum Tax Levies

Council adopted plans include funding levels as planned. In June there was Council direction to keep funding levels as planned.

Parks Capital - \$100,000 (0.5%)

ITF - \$50,000 (0.2%)

EAB – No increase for 2017

Other Capital & Facilities - \$98,000 (0.2%)

EDA - \$25,000 (0.1%)

Debt Overview

- New debt this year
- Rating agency has already factored this debt into the most recent

Questions on Maximum Tax Levies

Staff is currently working on specifically identifying efficiencies & savings which will be incorporated into the final proposed budget.

A 1% reduction of the tax levy requires \$330,000 in budget cuts

- Does the Council have suggestions for reductions to specific services for staff to prepare to reduce the 3.6% increase?

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