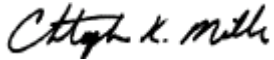



ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: 10/21/2013
Item No.: 12.a

Department Approval



City Manager Approval



Item Description: Continue Discussion on the 2014 Tax Levy and Budget

BACKGROUND

At the September 9, 2013 City Council meeting, the Council adopted the 2014 preliminary property tax levy and budget. The preliminary budget includes some assumptions on new costs related to maintaining existing programs and services. Many of these programs require significant advanced planning on how resources need to be allocated. As a result, City Staff would like to receive Council direction on a number of key assumptions embedded in the preliminary Budget.

Those assumptions include:

- ❖ 2% employee cost-of-living adjustment (COLA)
- ❖ New Park Maintenance position (budgeted)
- ❖ New Volunteer Coordinator position (not budgeted)
- ❖ 2014 CIP Funding Plan

Each of these items is described in further detail below, along with supporting budget-related information.

2% COLA

The City Council recently approved a 3.26% one-time wage adjustment to non-union employees. This adjustment helped offset the effects of having wage increases lag behind local inflationary impacts over the past few years. It also narrowed the gap in wages compared to other peer cities.

As previously reported by Staff, most peer cities have already approved or are poised to approve a 2% COLA for employees in 2014. The 2% figure is consistent with the inflationary predictions being made by national economic experts. If Roseville does not provide for a similar increase it will once again fall behind other cities for which we compete with for talented employees.

Park Maintenance Position

Over the next few years the City expects to make a significant investment in new park shelters and other amenities as part of the Parks Renewal Program. This will require added maintenance to ensure that these facilities are kept in the proper condition.

34 In recognition of this added maintenance effort, the Council tentatively included funding in the 2014
 35 Budget for the creation of a new Park Maintenance position at a cost of approximately \$60,000
 36 annually. The Council is asked to affirm whether this position should remain in the Budget.

37
 38 **Volunteer Coordinator Position**

39 Over the past couple of years, there have been a number of Council discussions on the creation of a
 40 Volunteer Coordinator position. As it currently stands, the 2014 preliminary Budget and tax levy does
 41 not have any funding available for this position.

42
 43 If the Council wants to establish this position it will need to identify a funding source. This could
 44 include a redirection of existing funds or the use of cash reserves. If the latter is being considered, the
 45 Council should take note that cash reserves are already being sought to fund a number of programs and
 46 services. They are identified in the chart below.

47
 48 **2014 Recommended Budget – Use of General Fund Cash Reserves**

49

Program	Description	Amount
N/A	2% Employee cost-of-living adjustment	\$ 165,000
N/A	Employee wage step increases	80,000
N/A	Employee Healthcare - 3% increase **	50,000
Police & Fire	PERA increase mandate	30,000
Police & Fire	Dispatching	65,000
N/A	General Inflation	47,000
N/A	Reduction from sales tax exemption	(40,000)
Fire Relief	Reduced City Contribution per actuarial study	(80,000)
	Total	\$ 317,000

50
 51 The planned use of cash reserves amount is less than originally projected, but remains significant in the
 52 context of reaching a structurally-balanced budget for 2015.

53
 54 **CIP Funding Plan**

55 The CIP Funding Plan expects to receive a boost of \$225,000 in 2014 thanks to newly-funded Local
 56 Government Aid (LGA) provided by the 2013 Legislature. This has been tentatively earmarked for
 57 Information Technology (\$75,000) and Building Replacement (\$150,000) consistent with the
 58 recommendations put forth by the previous CIP Subcommittee. The Council is asked to affirm this
 59 funding allocation.

60
 61 The CIP Funding Plan for 2015 and beyond is expected to be revisited during an upcoming Council
 62 Goal-setting session(s) and/or the 2015 budget process.

63
 64 **2014 Preliminary Tax Levy**

65 For 2014, the preliminary tax levy is \$18,028.721, an increase of \$758,895 or 4.4%. Of this amount,
 66 \$560,000 has been set aside to pay for the added debt service associated with the Parks Renewal
 67 Program. The remaining \$198,895 represents the amount designated for day-to-day operations; an
 68 increase of 1.4% over the current operating levy.

69
 70

71 As previously adopted, the \$198,895 in new levy dollars were allocated as follows:

72
73
74

2014 Preliminary Tax Levy (excluding debt service)

Program	Description	Amount
Compensation Study – 2.6%	Adjustment to be implemented January 1 st	\$ 104,565
Compensation Study – 2.0%	Adjustment to be implemented July 1 st	40,215
Park Maintenance	Full-time Park Maintenance Operator position	60,000
Police Patrol	Additional overtime	10,000
Police Community Services	New American outreach materials	1,000
N/A	Unallocated	3,115
Wellness Program	Budget Reduction	(20,000)
	Total	\$ 198,895

75
76 Since the adoption of the preliminary levy, the Council agreed to a 3.26% wage adjustment plus a
77 supplemental adjusted for a handful of employees that were more significantly behind the marketplace
78 average. The Council also suspended the Merit Pay Program and budget reduction for the Wellness
79 Program. This required a net levy of \$127,000. Therefore the adjusted 2014 preliminary Tax Levy is
80 as follows:

81
82 **2014 ADJUSTED Preliminary Tax Levy (excluding debt service)**

83

Program	Description	Amount
Compensation Study – 3.26%	Adjustment to be implemented January 1 st	\$ 157,190
Compensation Study – Add'l	Add'l market adjustment for 8 employees	20,000
Wellness Program	Budget Reduction	(20,000)
Merit Pay Program	Suspend Merit Pay Program	(30,000)
Park Maintenance	Full-time Park Maintenance Operator position	60,000
Police Patrol	Additional overtime	10,000
Police Community Services	New American outreach materials	1,000
N/A	Unallocated	705
	Total	\$ 198,895

84
85 **2014 Preliminary Budget**

86 The 2014 preliminary Budget for the tax-supported programs is \$23,008,060, an increase of \$1,223,258
87 or 5.6%. The increase includes \$560,000 for the remaining debt obligations associated with the Parks
88 Renewal Program. It also includes \$225,000 in additional capital funding that was made possible by an
89 appropriation of Local Government Aid.

90
91 The preliminary Budget for the non tax-supported programs is \$27,682,665, an increase of \$4,028,697
92 or 17.0%. The increase is due to higher planned capital outlays (\$1.5 million), tax increment financing
93 activities (\$1.7 million), and added costs associated with the purchase of water from the City of St. Paul
94 and wastewater treatment charges from the Met Council.

95
96 A broader discussion on these non tax-supported programs is planned for later this year.

97
98

99 **Tax Levy and Impact on Homeowners**

100 A summary of the tax levy impact on homeowners based on the Recommended Budget is presented
 101 below. In an effort to provide added insight not only on the 2014 Budget but also future budgets, a 7-
 102 year projection of the tax levy is shown below. The 7-year period coincides with the same period
 103 referenced in the recommendations set for the by the City Council and CIP/Budget Committee.
 104

105 **Proposed Tax Levy & Estimated Impact**

106

Levy Purpose	2013	2014	2015	2016	2017	2018	2019	2020
Operations (a)	\$ 12,543,826	\$ 12,742,721	\$ 13,540,003	\$ 13,946,203	\$ 14,364,589	\$ 14,795,526	\$ 15,239,392	\$ 15,696,574
Capital (b)	1,586,000	1,586,000	1,796,000	2,106,000	2,266,000	2,761,000	2,961,000	3,611,000
Debt (c)	3,140,000	3,700,000	3,480,000	3,330,000	3,330,000	3,055,000	2,995,000	2,230,000
Total	\$ 17,269,826	\$ 18,028,721	\$ 18,816,003	\$ 19,382,203	\$ 19,960,589	\$ 20,611,526	\$ 21,195,392	\$ 21,537,574
\$ Levy Increase	-	\$ 758,895	\$ 787,282	\$ 566,200	\$ 578,386	\$ 650,938	\$ 583,866	\$ 342,182
% Levy Increase	-	4.4%	4.4%	3.0%	3.0%	3.3%	2.8%	1.6%
Monthly Impact (d)	-	\$ 4.47	\$ 3.26	\$ 2.34	\$ 2.39	\$ 2.69	\$ 2.41	\$ 1.42
% Increase		7.3%	5.0%	3.4%	3.4%	3.7%	3.2%	1.8%

107 **2014 Property Tax Impact:**

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- 109
- 110 ❖ Under the 2014 Recommended Budget, the monthly impact on a median-valued home
 111 will be \$4.47 per month. Only \$0.83 of this amount is for day-to-day operations. The
 112 remaining is for debt service.
 - 113 ❖ In total, a median valued home will pay approximately \$65 per month in property
 114 taxes. This is comparable to what that same home will pay independently for gas,
 115 electric, mobile phone, and internet connectivity.
 - 116 ❖ This 7-year tax levy projection demonstrates that the City is nearing a period of
 117 stability that will allow for inflationary-type increases moving forward in order to
 118 maintain current service levels. However, if the Council establishes new programs or
 119 initiatives, additional taxes will be likely.
- 120
- 121
- 122
- 123
- 124

125 **POLICY OBJECTIVE**

126 Not applicable.

127 **FINANCIAL IMPACTS**

128 See above.

129 **STAFF RECOMMENDATION**

130 Staff Recommends the Council provide further direction on the 2014 Budget to allow for advanced
 131 planning of resource allocations.

132
133
134

REQUESTED COUNCIL ACTION

The Council is asked to provide further direction on the 2014 Budget.

Prepared by: Chris Miller, Finance Director
Attachments: A: Not applicable