

ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: 8/24/09
Item No.: 13.a

Department Approval

City Manager Approval

Christopher K. Miller

W. J. Mahinen

Item Description: Continue Discussion on the City's 2010 Budget and Property Tax Levy

BACKGROUND

Over the past several months, the City Council has held numerous meetings on 2010 budget-related items including discussions on the budget, property tax levy, capital investment plan, and the budgeting for outcomes process.

While this represents a considerable increase in the budget-related workload for both the Council and Staff, it is necessitated by the City's urgent need to respond to the continued loss of state aid and the need to achieve fiscal sustainability.

As required by State Statutes, the City Council will be establishing a preliminary, not-to-exceed property tax levy at its September 14, 2009 meeting. While it is especially challenging to set a preliminary levy without full knowledge of cost inputs or projected non-tax revenues, the Council is advised to establish this preliminary levy based on citywide global needs. The Council can then dedicate the next few months to finalize city priorities and desired outcomes before setting a final levy in December.

While this approach is significantly different than previous years, and may require greater faith that the end result will be a successful one, it is a necessary piece to establishing a new budget decision-making process.

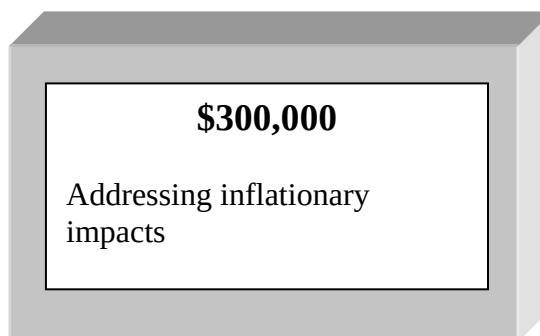
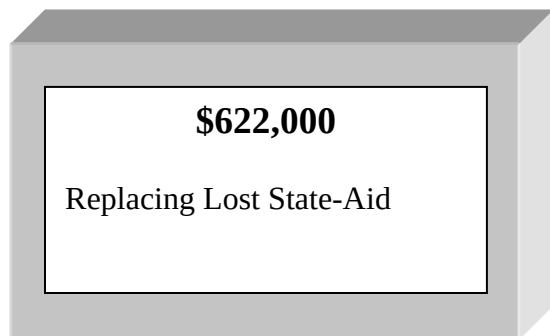
For 2010, the City is facing several citywide budget and tax levy concerns. They include:

\$453,000

New Legal or Contractual
Obligations

\$900,000

Re-establishing Funding for
Vehicle replacements



These concerns are addressed in greater detail below.

2010 New Legal or Contractual Obligations

The following represents new legal or contractual obligations that will come on-line in 2010.

<u>Description</u>	<u>Amount</u>
Debt service for the Arena refrigeration project	\$ 100,000
Fire Relief pension obligation	250,000
Elections	50,000
Police and Fire dispatch	30,000
Janitorial, Legal, and Audit Contract	13,000
Police, Fire, Finance software maintenance	<u>10,000</u>
	\$ 453,000

For 2010, the City can expect \$453,000 in new costs that it is legally or contractually obligated to pay.

Re-establishing Funding for Vehicle Replacements

With the adoption of the 2009 Budget, the City Council voted to eliminate funding for all police, fire, streets, and parks & recreation vehicles. This necessitated the City to extend the life of city vehicles beyond their useful lives. While this can be done as a temporary measure, it is not a sustainable practice.

The 2010-2019 Capital Investment Plan has identified the need to set aside \$900,000 annually just to replace existing vehicles in our fleet. This assumes that we continue to provide the same services and same levels of services as we do currently. This funding need is independent of what we'll need to address our facility or park improvement needs.

Replacing Lost State-Aid

The City lost \$200,000 and \$422,000 in market value homestead credit aid in 2008 and 2009 respectively. This resulted in the draw down of General Fund reserves, reduced staffing, and delayed replacement of equipment. Under current levy limits, the City is allowed to levy back this lost state aid. However, under levy limits we must levy back these amounts in 2010. If the City chooses not to do this, it will forfeit the ability to do so in future years.

In other words, the City has a one-time opportunity to levy back \$622,000 in 2010 independent of what our levy limits might be.

Addressing Inflationary Impacts

The 2009 Budget was frozen at '08 levels for most supplies, materials, vehicle and building repairs, etc. In many instances, the 2008 funding level did not adequately provide for inflationary impacts from the previous year.

It is estimated that the City has absorbed in excess of \$300,000 in inflationary costs over the past two years. This has resulted in reduced street and park maintenance efforts, delayed replacement of police and fire equipment, as well as other operational changes. Continuing to ignore these inflationary impacts will result in a permanent reduction in service levels.

2010 Property Tax Levy

The 2009 property tax levy was \$13,138,860. With regard to the items detailed above, the following are exempt from levy limits:

<u>Description</u>	<u>Amount</u>
Debt service for the Arena refrigeration project	\$ 100,000
Fire Relief pension obligation	250,000
2008 and 2009 State aid	<u>622,000</u>
	\$ 972,000

In other words, the City could increase the property tax levy by \$972,000 for these purposes without impacting our 2010 levy limit. With regard to the remaining items noted above, and based on preliminary estimates, it appears that the City has an additional \$800,000 in available and unrestricted levy dollars that can be used for any lawful purpose; including new legal and contractual obligations, vehicle replacements, and inflationary-type costs.

In total, the City could increase the levy by approximately \$1.8 million subject to the restrictions noted above.

The Council is reminded that the 2010 property tax levy will be reduced by that year's market value homestead credit. For 2010 this is estimated to be \$450,000. Therefore, in order to achieve fiscal sustainability, the City needs to establish a levy that is \$450,000 higher than the adopted budget.

City Staff will be available at the meeting to provide some general comments and address any Council inquiries.

POLICY OBJECTIVE

Not applicable.

FINANCIAL IMPACTS

Projected impacts on households based on varying property tax levy increases is attached.

STAFF RECOMMENDATION

Not applicable.

111 **REQUESTED COUNCIL ACTION**

112 City Staff is seeking direction on the Council's property tax levy priorities.

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Prepared by: Chris Miller, Finance Director

Attachments: A: Property tax levy impacts

City of Roseville
2010 Property Tax Levy Impact (estimated)

Levy Increase = 3%

	@ 179,120	@ 201,510	@ 223,900	@ 246,290	@ 268,680
2009	\$ 440	\$ 495	\$ 550	\$ 605	\$ 659
2010	468	527	585	644	703
\$ Diff. / month	2	3	3	3	4
% Diff.	0.5%	0.5%	0.5%	0.5%	0.5%

Levy Increase = 5.0%

	@ 179,120	@ 201,510	@ 223,900	@ 246,290	@ 268,680
2009	\$ 440	\$ 495	\$ 550	\$ 605	\$ 659
2010	479	539	599	658	718
\$ Diff. / month	3	4	4	4	5
% Diff.	0.7%	0.7%	0.7%	0.7%	0.7%

Levy Increase = 8.0%

	@ 179,120	@ 201,510	@ 223,900	@ 246,290	@ 268,680
2009	\$ 440	\$ 495	\$ 550	\$ 605	\$ 659
2010	495	556	618	680	742
\$ Diff. / month	5	5	6	6	7
% Diff.	1.0%	1.0%	1.0%	1.0%	1.0%

Levy Increase = #####

	@ 179,120	@ 201,510	@ 223,900	@ 246,290	@ 268,680
2009	\$ 440	\$ 495	\$ 550	\$ 605	\$ 659
2010	505	568	631	694	757
\$ Diff. / month	5	6	7	7	8
% Diff.	1.2%	1.2%	1.2%	1.2%	1.2%

Levy Increase = #####

	@ 179,120	@ 201,510	@ 223,900	@ 246,290	@ 268,680
2009	\$ 440	\$ 495	\$ 550	\$ 605	\$ 659
2010	531	598	664	730	797
\$ Diff. / month	8	9	10	10	11
% Diff.	1.7%	1.7%	1.7%	1.7%	1.7%