



REQUEST FOR COUNCIL ACTION

Date: 06/13/11
Item No.: 13 . b

Department Approval

Acting City Manager Approval

Item Description: Continue Discussion on a Preliminary 2012 Property Tax Levy

BACKGROUND

As part of the Council's 2012 Budget Calendar, the Council agreed to establish a preliminary not-to-exceed property tax levy at the May 23, 2011 Council meeting. The Council held a brief discussion on this topic at this meeting, but decided to defer any decision until such time that the CIP Task Force has submitted their report at the 6/13/11 Council meeting.

A preliminary levy will guide the development of a City Manager Recommended Budget, and could be used to provide citizens with a preliminary tax impact projection.

In an effort to assist the Council in setting the preliminary property tax levy, Staff has prepared a number of 'decision packages' that highlight the projected need for property tax increases in 2012 and 2013. These decision packages are shown below.

2012 Property Tax Levy Decision Packages

\$60,000 - New Contractual Obligations including dispatch, legal, and audit services.

\$16,000 - Property, Casualty, and Work Comp insurance premiums.

\$46,000 - Motor Fuel & Energy-related costs.

\$20,000 - Supply and Maintenance materials inflationary costs.

\$400,000 - Vehicle & Equipment replacement funding.

\$101,000 - Employee cost-of-living wage and healthcare costs.

In total, these tax levy decision packages amount to \$643,000 in new obligations for 2012.

2013 Property Tax Levy Decision Packages

\$100,000 - New Contractual Obligations including dispatch, legal, and audit services.

\$10,000 - Property, Casualty, and Work Comp insurance premiums.

\$50,000 - Motor Fuel & Energy-related costs.

\$30,000 - Supply and Maintenance materials inflationary costs.

\$100,000 - Vehicle & Equipment replacement funding.

\$150,000 - Employee cost-of-living wage and healthcare costs.

\$xxx,xxx - Fire Station and Park Improvements funding.

In total, these tax levy decision packages amount to a minimum of \$440,000 in new obligations for 2013. This figure will rise significantly depending on the Council's decisions on Fire Station and Park Improvement funding needs.

For comparison purposes, the following table depicts the current 2011 Property Tax Levy Summary:

Program / Function	Levy Amount
Public Safety, Streets, Admin, Legal, & Finance	\$ 10,714,120
Parks & Recreation	2,213,924
Pathway and Boulevard Maintenance	210,000
Building Maintenance & Information Systems	75,000
Debt Service	1,490,000
Total	\$ 14,703,044

It should be noted that the City has already made significant on-going budget reductions over the past several years. Since 2004, the City eliminated or held vacant 10 employee positions in the core service areas of public safety, public works, parks & recreation, finance, and administration. This represents a staffing reduction of 10% in programs that residents have historically rated as a high priority, and resulted in budget savings of \$605,000 annually.

During this same timeframe, the City also reduced supplies and materials, and monies set aside for vehicle and infrastructure replacements.

Property Tax Impact

As noted above, the combined total of the 2012 decision packages is \$643,000. The following chart depicts the monthly property tax impact on a median valued home in Roseville based on varying tax levy increases.

**Monthly Property Tax Increase
For a Median Valued Home**

Current Amount	\$ 51.78
Additional Levy:	
@ \$250,000	\$ 1.00
@ \$300,000	1.20
@ \$400,000	1.60
@ \$500,000	2.00
@ \$600,000	2.40
@ \$700,000	2.80
@ \$800,000	\$ 3.20

As the table indicates, a levy increase of \$250,000 will result in a monthly impact of \$1; a \$500,000 increase will result in an impact of \$2 per month, and so on. Under all of these property tax increase scenarios, the City's local tax rate would remain 25% - 26% below the average for peer communities in the metro area.

These increases are necessary to fulfill the capital infrastructure goals and objectives identified in the Imagine Roseville 2025 process and 20-Year Capital Investment Plan (CIP), as well as maintain the highly-rated services identified in the 2011 Citizen Survey. Alternatively, the Council could choose instead to re-purpose existing budget dollars that are assigned to on-going programs and services. This action however, will reduce service levels.

It should also be noted that the majority of the tax levy increases in the past 5 years were in response to a decline in state aid, interest earnings, and other non-tax revenues; as well as the desire to increase funding for capital replacements such as the arena refrigeration system, park and street improvements, and vehicles.

Staff will be available at the Council meeting to address these decision packages in greater detail.

POLICY OBJECTIVE

Adopting a 2012 property tax increase is consistent with meeting the capital infrastructure goals and objectives identified in the Imagine Roseville 2025 process and CIP, and will help ensure that the City maintains the high priority programs and services identified in the 2011 Citizen Survey.

FINANCIAL IMPACTS

See above.

STAFF RECOMMENDATION

Not applicable.

106 **REQUESTED COUNCIL ACTION**

107 For information purposes only. No formal Council action is necessary.

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Attachments: A: