



Request for Council Action Memorandum

Item: Adoption of 2020 Tax Levy and General Fund

Meeting Date: December 9, 2019

Presented By: Margaret McCallum, City Administrator

Recommendations/Council Action/Motion Requested:

To approve Resolutions 12-9-19-49 and 12-9-19-50 setting the property tax levy and establishing the 2020 budget for General Fund.

Details:

General Fund Budget

Based on what the Council has been reviewing over the past months, and with the establishment of the 2020 preliminary tax levy in September, Staff is presenting the recommended General Fund Operating Budget, which would be \$1,001,403.06 for 2020. Compared to \$1,197,881,78 for 2019. This would be a decrease of 16.39% in expenditures over 2019, which an actual dollar decrease in expenditures of \$196,478.72. Nonetheless, it must be noted that some of the funds have been shifted away from the General Fund budget into a Capital Fund Budget.

Capital Levy (New Fund)

The new capital funds established maintain that funds levied go directly into the capital funds.

The Capital funds include the Fire Department Capital Fund, the Street Capital Fund and Park and Recreation Capital Fund.

The proposed levies for these funds are as follows:

Fire Department - \$100,000.00

Streets- \$125,000.00

Park and Recreation - \$100,000.00

Therefore the total capital levy would be \$325,000.00

Debt

The Debt for the 2020 General Fund will be like 2019, except for the Fire Station debt fell off in 2019.

The schedule for debt is as follows:

Go Improvement and Utility Refunding Bonds (2014A) - \$150,000.00

Fire Truck- \$21,749.00

GO Bonds (2015A) - \$46,961.00

GO Bonds – Water and Sewer Refunding - \$254,500.00

2020 Revenue

From a revenue perspective, the recommended budget would have a tax levy of \$1,226,159.92 for 2020, increasing the total tax levy for the General Fund by 9.7% from the 2019 tax levy of \$1,117,624.00 (or +\$108,535.92).

It should be noted that 3 factors can increase the cost of service in the community. The first would be the increase in market values due to new construction in the community, the second would be to account for any inflationary increase in the market, and the third would be any additions to support new initiatives coming on board.

The General Fund budget revenues include streams of cash from Property Taxes, Fees/Licenses/Permits, government aid, Fire Contracts and other sources. (see below).

2020 General Fund Revenues -

	Preliminary	Proposed Final
Property Taxes	\$431,921.27	\$427,949.92
Fees, Licenses and Permits	\$96,900.00	\$96,000.00
Aids and Grants	\$373,375.00	\$373,375.00
Fire Contracts	\$68,178.14	\$68,178.14
Others	\$35,000.00	\$35,000.00
	\$1,005,374.41	\$1,001,403.06

Tax Levy Total

The total tax levy consists of the part of the general fund not covered by other revenue streams, the Capital Funds and Debt. (see below).

	2020 Preliminary	2020 Proposed
TAXES LEVIED FOR GENERAL	\$431,934.87	427,949.92
TAXES LEVIED FOR CAPITAL FUNDS		
Street Capital Fund	\$112,500.00	\$125,000.00
Fire Capital Fund	\$100,000.00	\$100,000.00
Parks Capital Fund	\$100,000.00	\$100,000.00
TOTAL CAPITAL	\$312,500.00	\$325,000.00
TAXES LEVIED FOR DEBT		
Fire Station	\$0.00	\$0.00
GO Improvement and Utility Refunding Bonds 2014A	\$218,079.00	\$150,000.00
Fire Truck	\$21,749.00	\$21,749.00
GO Bonds 2015A	\$46,961.00	\$46,961.00
GO Water & Sewer Refunding Bonds - 2007A	\$254,500.00	\$254,500.00
TOTAL DEBT	\$541,019.00	\$473,210.00
Total Levy (Gen +Capital+Debt)	\$1,285,453.87	\$1,226,159.92
- Fiscal Disparities	\$226,107.00	\$226,107.00
New Actual Levy	\$1,059,346.87	\$1,000,052.92
Actual (Projected) Tax Cap.	\$2,134,422.00	\$2,134,422.00
- FD Contribution	\$96,240.00	\$96,240.00
Adjusted Tax Capacity	2,038,182.00	\$2,038,182.00
Actual (Projected) Tax Rate (Actual Levy/Adj TC)	52.00%	49.1%

Budgeting Objectives

In preparing for the proposed 2020 General Fund Budget, the following objectives were used by Council and Staff:

1. Maintain existing quality service levels, while funding new programs only after our existing, necessary programs are funded.
2. Fully fund scheduled maintenance and replacement of equipment/property.
3. Development a budget plan that is sustainable from a resource perspective to support service levels residents expect.

Staff does feel confident that based on the proposed budget, the City would meet each of the budgeting objectives above.

Environmental Factors for 2020

For 2020, there are positive environmental factors at work as we put together the General Fund Budget. Specifically:

- *Market Values across the community have increased 9.76%*
- *Residential Building Permits continue to remain steady*
- *There is a steady increase in population*

The positive change will allow the City of focus on new Capital Improvements, which will allow us to make sure that we reinvest back into all of the assets we have already invested into, and to ensure that they are in good shape for future years.

Proposed City Tax Levy

As mentioned, the recommendation for 2020 would be to have a 9.7% increase in our tax levy dollar amount. As mentioned, this would relate to the 4.52% increase in new construction Market Value, 4.72% increase on market change for a total market value change of 9.76%.

To understand what the impact of raising the operational levy by 9.7% would have on the average residential property, it is important to understand what is occurring with property values, and with our general tax capacity in the city, with is the percentage of the overall market value on properties that are taxable. Below are charts illustrating both the taxable market value changes that Mayer will experience in 2020, along with the impact that this will have on our tax capacity in the community.

As you will see in the Market Value Chart, the existing residential property in the City went up by 4.72% in value for taxes payable 2020. For Mayer, this means that the average home valued at \$214,000 in 2019 would on average increase to \$224,100.80 in 2020. Not factoring in Home Exclusion, with the tax rate (49.1), this example of a house in 2019 would have paid \$1,050.74 and \$1,100.33 (+49.59) in 2020.

As always, the actual impact on City taxes paid on a home comes down to what exactly occurs with an individual property's change in market value.

The tax rate in 2019 was 49.1%. The preliminary for 2020 was 52%. The final proposed for 2020 is to maintain the 49.1%.

City of Mayer 2019 Assessment Summary

	Residential	Commercial/Industrial	Apartment	Ag	Total
2019 EMV	\$195,714,400	\$11,394,600	\$835,900	\$1,584,900	\$209,529,800
2018 EMV	\$178,446,900	\$10,307,100	\$756,600	\$1,384,800	\$190,895,400
Total Value Change	\$17,267,500	\$1,087,500	\$79,300	\$200,100	\$18,634,400
New Construction	\$8,838,900	\$0	\$0	\$0	\$8,838,900
Market Change	\$8,428,600	\$1,087,500	\$79,300	\$200,100	\$9,795,500
% New Construction	4.52%	0.00%	0.00%	0.00%	4.22%
% Market Change	4.72%	10.55%	10.48%	14.45%	5.13%
2018 Total % Increase	9.68%	10.55%	10.48%	14.45%	9.76%

2020 Proposed Expenditures

As mentioned previously, the proposed expenditure budget for 2020 is \$1,001,403.06 which would be a 16.39% decrease from the 2019 budget of \$1,197,881.78, or a dollar decrease of \$196,478.72.

Nonetheless, we have shifted some funds from the General Fund to the Capital Fund. That amount is \$325,000.00.

Therefore, if added to the General Fund, the total expenditure between the General and Capital Funds would be \$1,326,403.06. With that it would be a \$128,521.28 increase or 10.7% increase.

Below is a summary of major changes in expenditures being programmed for 2020.

- *Assume no draw-down on General Fund reserves*
- *A 5% total (COLA and wage increase) wage increase in 2020 for staff.*
- *An increase in Capital for the Streets Department and Park and Recreation Department.*
- *Continuation of services from Abdo, Eick and Meyer for the administration of quarterly City financial reports.*
- *Slight increase on contracted services for County Assessor, Police Services, County Attorney.*
- *Setting up an IT Contract instead of paying as needed. Reviewing IT Capital.*
- *.67 to .88 FTE increase in Police Contract*
- *2020 Street Project*

Based on the proposed budget, and the recommendation for the tax levy, Staff feels that all of the budgeting objectives can be achieved, and is therefore recommending the adoption of both the proposed tax levy and General Fund Budget.

Attached Items:

2020 General Fund Expenditures and Revenues

Resolution 12-9-19-49 – 2020 Budget

Resolution 12-9-19-50 – 2020 Levy