



Request for Council Action Memorandum

Item: Adoption of 2019 Tax Levy and General Fund

Meeting Date: December 10, 2018

Presented By: Margaret McCallum, City Administrator

Recommendations/Council Action/Motion Requested:

To approve Resolutions 12-10-18-44 and 12-10-18-45 setting the property tax levy and establishing the 2019 budget for General Fund.

Details:

Summary of General Fund Budget Recommendation

Based on what the Council has been reviewing over the past months, and with the establishment of the 2019 preliminary tax levy in September, Staff is presenting the recommended General Fund Operating Budget, which would be \$1,197,881,78 for 2019. This would be an increase of 12.7%% in expenditures over 2018, which an actual dollar increase in expenditures of \$125,751.00.

2019 Revenue

From a revenue perspective, the recommended budget would have a tax levy of \$908,734.00 for 2019, increasing the total tax levy for the General Fund by 13.6% from the 2018 tax levy of \$799,650.

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.

In 2018, we saw a 3.54% increase in market values due to new construction and an 11.47% increase in market change for a total of 15.57%.

Budgeting Objectives

In preparing for the proposed 2019 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 2019

For 2019, there are positive environmental factors at work as we put together the General Fund Budget. Specifically:

- *Market Values across the community have increased 15.57%*
- *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 2019 would be to have a 12.7% increase in our tax levy. As mentioned as well, this would include the 3.54% increase in new construction Market Value, 11.57% increase on market change for a total market value change of 15.57%.

To understand what the impact of raising the operational levy by 12.7% 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 2019, 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 12.11% in value for taxes payable 2019. For Mayer, this means that the average home valued at \$214,000 in 2018 would on average increase to \$239,915.00 in 2019. With the change in our tax rate, this example of a house in 2018 would have paid \$1,082.98 and \$1,177.98 (+95.14) in 2019.

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.

City of Mayer 2018 Assessment Summary

	Residential	Commercial/Industrial	Apartment	Ag	Total
2018 EMV	\$178,469,000	\$10,307,100	\$756,600	\$1,384,800	\$190,917,500
2017 EMV	\$153,507,600	\$9,604,000	\$704,100	\$1,384,800	\$165,200,500
Total Value Change	\$24,961,400	\$703,100	\$52,500	\$0	\$25,717,000
New Construction	\$6,376,100	\$387,200	\$0	\$0	\$6,763,300
Market Change	\$18,585,300	\$315,900	\$52,500	\$0	\$18,953,700
% New Construction	3.57%	3.76%	0.00%	0.00%	3.54%
% Market Change	12.11%	3.29%	7.46%	0.00%	11.47%
2018 Total % Increase	16.26%	7.32%	7.46%	0.00%	15.57%

Based on the discussions above, the following would be the proposed revenue budget for 2019:

	2018	2019	Increase	% Increase
Property Taxes	\$481,930.97	\$639,645.64	\$167,714.67	32.73%
Fees, Licenses and Permits	\$101,310.00	\$109,000.00	\$7,690.00	7.59%
Aids and Grants	\$343,036.00	\$350,558.00	\$7,522.00	2.19%
Fire Contracts	\$68,362.00	\$68,178.14	-\$183.86	-0.27%
Other	\$81,103.00	\$30,500.00	-\$50,603.00	-62.39%
	\$1,075,741.97	\$1,197,881.78	\$122,139.81	11.35%

2019 Proposed Expenditures

As mentioned previously, the proposed expenditure budget for 2019 is \$1,197,881.78 which would be a 11.35% increase from the 2018 budget of \$1,075,741.97, or a dollar increase of \$122,139.81.

Below is a summary of major changes in expenditures being programmed for 2019.

- *Assume no draw-down on General Fund reserves*
- *A wage increase in 2019 for City Council.*
- *A decrease in Planning and Zoning Budget due to completion of the 2040 Comprehensive Plan.*
- *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.*
- *Wage Increase for Fire Protection Services.*
- *Budgeting for new Fire Department Capital including new pagers.*
- *Setting up an IT Contract instead of paying as needed.*
- *Public Works Capital Equipment including \$30,000 for trail seal coating, \$40,000 for a vehicle, and \$4,000 for a mower.*

- *Employee salary increases and benefits increases.*
- *\$100,000 in Capital Reserve for Future Street Improvements.*

	2018	2019	Increase	% Increase	Notes
Council	\$18,371.00	\$21,300.00	\$2,929.00	15.94%	
Administration	\$124,434.85	\$129,131.78	\$4,696.93	3.77%	
Administrative Services	\$71,300.00	\$80,800.00	\$9,500.00	13.32%	
Assessor	\$13,500.00	\$14,000.00	\$500.00	3.70%	
Legal	\$10,000.00	\$15,000.00	\$5,000.00	50.00%	
Planning & Zoning	\$53,110.00	\$9,610.00	-\$43,500.00	-81.91%	
Engineering	\$15,000.00	\$15,000.00	\$0.00	0.00%	
Elections	\$2,550.00	\$1,050.00	-\$1,500.00	-58.82%	
Police	\$102,100.00	\$102,100.00	\$0.00	0.00%	
Fire	\$214,832.00	\$242,674.00	\$27,842.00	12.96%	
Government Buildings	\$70,460.00	\$55,960.00	-\$14,500.00	-20.58%	
Public Works	\$159,007.06	\$184,253.00	\$25,245.94	15.88%	
Park and Recreation	\$134,487.06	\$139,913.00	\$5,425.94	4.03%	
Misc	\$61,590.00	\$162,090.00	\$100,500.00	163.18%	\$100,000 in Capital
Building Inspection	\$25,000.00	\$25,000.00	\$0.00	0.00%	
TOTAL	\$1,075,741.97	\$1,197,881.78	\$122,139.81	11.35%	

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:

2019 Proposed General Fund

Resolution 12-10-18-45 – 2019 Budget

Resolution 12-10-18-44 – 2019 Levy