

REVISED AGENDA MEMO
City Council
Meeting Date: October 21, 2024

Issue Statement

Motion to approve the tax levy determination for general and special purposes and SSA #1 for Fiscal Year 2024-2025.

Background/History

The process for setting a tax levy is to determine how much revenue to collect from the property tax, and request that the County levy a tax to generate that amount of money. The first approval required is the tax levy determination, which takes place prior to the approval of the tax levy ordinance. Not less than 20 days prior to the adoption of the aggregate levy, the Council shall determine the amounts of money to be levied. There are also special requirements if the aggregate amount of the Corporate and Special Purpose levy is more than 105% or of the preceding year's extension and abatements.

Unfortunately, we are still subject to a timing constraint that requires us to make our initial request by the end of December, a few months before we are far enough into the budget process to make a final judgment on what we will need. In previous years the City has approached the process with an underlying assumption that the Council will not increase property taxes for the combined general corporate purpose (general fund) and special corporate levy (police pension fund).

At the same time, the Council can approve additional abatements up to the end of March. This gives the Council the ability to request a "ceiling" amount, while allowing us to review the budget early next year and consider abatements to the original request.

The attached ordinance requests a general corporate purpose (general fund=\$zero) and special corporate levy (police pension fund=\$2,971,285) for a total of \$2,971,285. The police pension actuary report recommended a city contribution of \$2,971,285 for FYE 26. This is a 14.72% increase (\$381,350) compared to last year's police pension contribution of \$2,589,935. In order to maintain last year's tax extension and not increase the property tax the city would contribute \$459,325 from other revenue sources. Last year, in order to maintain the previous year's levy, the city contributed \$83,297 from other revenues. It is obvious that the shortage on the tax levy will continue to grow annually. Making up the shortage from other revenues reduces our annual contribution from the general fund to the capital projects fund. If the city council considers levying the full amount for the pension contribution, and not use other revenues to make up the shortage, the owner of a home with a fair market value of \$465,200 would pay an estimated \$62.00 more in property taxes. The last property tax levy increase was in 2009, which included a 2.4% increase. If the council determines to levy an amount equal to the full recommended pension contribution of

\$2,971,285, you can still abate any amount until the end of March 2025. A draft ordinance requesting a levy of \$2,971,285 is also attached.

Additionally, a debt levy for any outstanding bonds has been filed upon the adoption of the bond ordinances. The 2023 levy amount to pay for the principal and interest on these bonds totaled \$692,825. The 2024 levy amount to pay for the principal and interest on these bonds totals \$683,100. After the water fund bond abatements, the total bond amount to be paid is \$-0-. All of the bond abatement will be presented in conjunction with our budget review. Aggregate refunds are also in the debt extension category provided by the county. This is not included in our levy but provided by the county in the final levy extension. The aggregate refund in this the 2024 extension was \$5,166.52

With respect to the tax levy for Special Service Area #1, we have a plan for maintenance expenses for these wetlands and storm water infrastructure, and the recommended revenue from this levy is proposed to be maintained at \$5,000.

Staff/Committee Recommendation

The Administrative/Finance Committee and staff recommend approval of the levy determination and ordinances which:

- Set the City's 2024 general property tax levy and special corporate tax levy (police pension fund) at \$2,971,285 (which is equal to the full-recommended pension contribution) and consider an abatement after the FYE 26 budget discussions.
- Set the City's 2024 Special Service Area I property tax levy at \$5,000.

Alternate Consideration

- Set the City's 2024 general property tax levy and special corporate tax levy (police pension fund) at \$2,511,960, which is equal to last year's extension.

Decision Mode

The tax levy determination will be on the October 21, 2024, Council meeting for formal consideration. This final tax levy ordinance will be on the November 18, 2024, City Council agenda for formal consideration.