



**REQUEST FOR ACTION
ROGERS CITY COUNCIL**

Meeting Date: September 8, 2015

Agenda Item: No. 7.04

Subject: Adoption and Certification of 2016 Proposed Preliminary Levy

Prepared By: Steve Stahmer, City Administrator
Lisa Wieland, Finance Director

Recommended City Council Action

Review and adopt the proposed preliminary levy for 2016.

Staff recommends the following motion:

Motion to approve Resolution 2015-74 certifying the 2016 Proposed Levy at \$7,081,239 (General Levy which includes the General Fund Operating levy \$5,019,999, RAC Operating Levy \$475,000, Capital Improvement Sinking Fund Levy \$543,339, PW Building Interfund Loan Levy \$110,000, Economic Development Abatement Levy \$94,000; and Special Debt Levies of \$838,901)

Overview / Background

As Council is aware, the City must adopt a proposed preliminary levy to be certified to the County by September 30, 2015.

Balancing the shared conservative budgetary philosophies of Council and staff, while at the same time meeting the demand for high-quality services in a growing community, proves challenging in most budget years. The 2016 budget is no exception. Critical review is taken to balance the community needs during the budget process with numerous workshops and meetings. With core services (public safety and infrastructure such as, streets and utilities) being placed high on the priority list, other core urban service demands also important to our taxpayers and being met, including parks, recreation, senior programming; while also meeting mandated legal requirements in many areas of administration and operations. Rogers has issued 24 new residential home building permits thru June, 2015 and over 314 new residential homes since 2012. Commercial/Industrial growth has also been on the rise with a different set of service level demands. Rogers has seen roughly \$80 million dollars in new commercial/industrial construction completed since 2012 with additional projects currently under construction. The City is not seeing this renewed growth slowing down any time soon. Whether it is new neighborhood parks, a newly constructed road, added population to serve, or construction on major thoroughfares, the Council and staff have risen to that challenge of providing sound and reliable services while maintaining our assets and infrastructure.

The Financial Management Plan (FMP) focusing on 5-10 years, has been a useful tool in assisting the Council with the vision of planning for Rogers future, while keeping our City tax bills/tax rate below those of our surrounding comparable cities and well below the Hennepin County average. In 2015, Rogers tax rate of 40.377% is among the lowest of the 10 surrounding comparable cities and 13% below the average of those communities. Rogers is also the only one of those 10 communities which is negatively affected by the Fiscal Disparities program, causing the City's tax rate and tax bills to be nearly 16% higher than if there were no Fiscal Disparities.

Financial Impact: Budgeted (Y/N, Year)? Source/Fund:

Notes, ongoing costs, etc:

The City is on solid financial ground as illustrated by the City's Financial Management Plan, Comprehensive Annual Financial Report (audit) as well as the City's bond rating, which was also recently affirmed in 2015 as AA+ which is one step below AAA (which is the highest rating possible). This is a significant accomplishment for a community with Rogers population and size while growth and development continues to occur.

Primary factors guiding the City toward a fiscally-sound budget - with a growth driven overall levy increase (while reducing the tax rate 5.38%) - include:

- Increase in tax capacity used for local rate of 9.96%, this includes new growth/development as well as, increasing valuations and stabilization of market values due to economic recovery
- Effects of tax rate due to fiscal disparities contribution (City rate is 16% higher due to Fiscal Disparities)
- Effects of stable tax rates for taxpayers to allow financial planning abilities
- No intentional use of Fund Balance to balance the 2016 budget.
- No increase in property taxes was implemented to meet the needs of a developing 20 year Pavement Management Plan for maintenance and reconstruction of existing roadways due to the implementation of Utility Franchise Fees approved by the City Council in 2015 for that purpose.
 - Utility Franchise Fees will add a **new fee of \$108/ yr per household**. This is a monthly flat fee for all homes assuming they are served by both electric (\$5) and natural gas service (\$4), if not served by gas, then only the \$5 electric fee will apply. This fee will not escalate with market values as is the case with property taxes. This franchise fee will prevent the need for increased property taxes and direct special assessments to properties for road reconstruction/major maintenance as the City's street system ages. **Franchise fees were analyzed along with other more traditional methods of street reconstruction funding and were found to be the method with the lowest overall cost to the City as a whole, as well as for the vast majority of homeowners (all homes with a property value of \$158,000 or more will pay less through franchise fees than through the current and most common method of taxes and special assessments)**. It is estimated that a total of \$1,081,000 will be collected annually from this fee starting in 2016.
- Continued reference to Financial Management Plan and 5 year planning goals
- Continued use of CIP Sinking Funds for buildings, equipment, unpaved streets, parks and trails to reduce future borrowing costs
- Council and staff continue to seek partners in meeting infrastructure needs through Federal, State, County, School funding as well as grants made available
- Council and staff continue to seek relief from the Fiscal Disparities Program as it drastically affects our ability to provide demanded service levels to our growing community by putting pressure on our tax rate and inability to use the full capacity gained by that very development
- Council and staff continue to attempt to find resources to decrease pressures to our financial capabilities through legislation (which often is clarifying existing laws) and when possible, other revenue sources than taxation

Proposed Preliminary Levy Options

At the September 1, 2015, budget work session, based on the draft budget and levy recommendations, Council directed staff to draft a preliminary proposed levy certification that reflects a stable/reduced tax rate while maintaining sinking funds for capital, the RAC levy, interfund loan, abatement, and special (debt) levies. In past years City Council has added an

additional \$100,000 cushion for the preliminary levy to protect against unforeseen circumstances should they occur between the preliminary and final levies. No such cushion is included in the preliminary 2016 levy. The public should note, as Council is aware, that the final levy may be lower than the preliminary levy certified in September, but cannot be higher. Given that no “cushion” will be included in the preliminary levy, staff would not expect substantial changes this year between the preliminary and final levies. Staff and Council will continue to refine line item budgets in order to identify any additional efficiencies in service delivery, cost reductions or revenue opportunities. Hennepin County also revises final tax capacity information used for tax rate calculation through year end, therefore tax rate estimates are subject to slight variations.

Recommended Preliminary Proposed Levy:

| | | |
|---|--------------------|----------------|
| General Fund Operating Levy | \$5,019,999 | |
| Special Revenue Fund (RAC) Operating Levy | \$ 475,000 | |
| Capital Improvement Sinking Fund Levy | \$ 543,339 | |
| Public Works Building Interfund Loan Levy | \$ 110,000 | (expires 2022) |
| Economic Development Abatement | \$ 94,000 | (expires 2023) |
| General Levy | <u>\$6,242,338</u> | |
| Special Levies (Debt) | <u>\$ 838,901</u> | |
| Total Tax Capacity Based Levy | <u>\$7,081,239</u> | |

Based upon the current draft budget discussed at budget workshops and Council direction, staff recommends Council adopt a preliminary total levy of \$7,081,239. This figure would result in an estimated 2016 tax rate of 38.206% as compared to the 2015 rate of 40.377%. Using the preliminary proposed levy number, the overall levy increase amounts to approximately 3.87%, a low figure for a rapidly-growing city like Rogers (tax capacity growth used for local rate of 9.96% for 2016). Based upon current tax capacity and preliminary levy, the 38.206% estimated tax rate would provide for a reduction of taxes on a \$250,000 residential property (assuming no change in taxable market value) of \$54 or decrease of 5.38% annually.

It is important to note that the levy increase is due primarily to:

- Inflationary and rate increases, contracted service agreements, utility, insurance, fuel and technology increases
- Union contracts/personnel costs programmed across all departments
- Growth-driven staffing/operational increases
- Planned Debt issuance for an equipment certificate included in the Financial Management Plan
- Reduction in Paved Streets Sinking Funds (as an offset to Franchise Fees)
- Expiration of COPS Grant

The proposed increase to the General Fund operating levy is approximately 8.66%, with General Fund Operating Expenditures increasing 2.40% over 2015.

The full line item budget and Financial Management Plan documentation will be provided at future budget work sessions for review.

Staff Recommendation

Staff recommends Council adopt Resolution No. 2015-74 establishing the proposed preliminary 2016 tax levy of \$7,081,239 to include a General Levy of \$6,242,338 and a debt/special levy of \$838,901.

RESOLUTION NO. 2015 - 74

**A RESOLUTION ESTABLISHING THE PROPOSED PRELIMINARY TAX LEVY
PAYABLE IN 2016 FOR THE CITY OF ROGERS, MINNESOTA**

WHEREAS, the City of Rogers City Council has held several work session discussions regarding development of the proposed 2016 budget; and

WHEREAS, the Rogers City Council has given direction to staff regarding the 2016 budget and recommended change in the total levy; and

NOW THEREFORE, BE IT RESOLVED, by the City Council of Rogers, County of Hennepin, Minnesota, that the following sums of money be levied for the current year, collectible in 2016, upon the taxable property in the City of Rogers:

| | |
|---|--------------------|
| General Fund Operating Levy | \$5,019,999 |
| Special Revenue Fund (RAC) Operating Levy | \$ 475,000 |
| Capital Improvement Sinking Fund Levy | \$ 543,339 |
| Economic Development Abatement Levy | \$ 94,000 |
| PW Building Interfund Loan Levy | <u>\$ 110,000</u> |
| General Levy | \$6,242,338 |
| Special Levies (including Debt Service) | <u>838,901</u> |
| Total Preliminary Levy | <u>\$7,081,239</u> |

Councilmember _____ moved, Councilmember _____ seconded the motion.

The following voted in favor of said resolution:

The following voted against said resolution:

The following abstained:

Whereupon said resolution was declared duly passed and adopted, and was signed by the Mayor, and attested by the Clerk dated this 8th day of September, 2015.

Mayor

ATTEST:

Assistant City Administrator/City Clerk