

AGENDA REPORT

TO: City Council
FROM: Charles Ahl, Acting City Manager
SUBJECT: Consider Approval of Proposed Maximum Tax Levy Payable in 2009
DATE: September 3, 2008

INTRODUCTION/SUMMARY

State law requires that cities certify their proposed tax levies to the County Auditor by September 15 of each year. The proposed tax levy that is adopted and certified by the City Council to the County Auditor is the maximum amount that the City intends to collect and cannot be increased. The Council may reduce the amount of the levy based upon additional information and public testimony at the public hearing on the budget. A resolution is attached that should be adopted to set the maximum levy.

Summary of Options for Tax Levy

On August 25, 2008, the City Council reviewed preliminary information on the 2009 tax levy. The City of Maplewood sets its levy based upon the following revenue needs:

Operations:

- This portion of the levy is the largest and includes the General Fund that finance the majority of City operations; the Community Center Operations Fund and the Recreation Programs Fund which have, in the past, required a tax levy subsidy to operate. The portion of the levy for operations is restricted by the 2008 levy limits to a 3.9% increase plus an adjustment for growth. The levy limit for 2009 with the growth adjustment is a 4.8% increase.
- The 2008 amounts for each of these Funds and the percentage of the total levy is:

○ General Fund -	\$11,644,525 (74.9%)
○ Community Center Operations Fund -	\$ 230,000 (1.5%)
○ Recreation Programs Fund -	<u>\$ 250,000 (1.6%)</u>
○ Total 2008 Operations -	\$12,124,525 (78.0%)

Capital Improvements:

- This portion of the levy is dedicated to large purchases and on-going replacements. The funds are used for these purchases are the Capital Improvements Project Fund, the Fire Truck Replacement Fund, the Parks Development Fund and the Redevelopment Fund. No taxes were levied for these funds in 2008.

Debt Service:

- This portion of the budget is for the Debt Service Fund for payment of principal and interest on bonded indebtedness of the City. The 2008 tax levy for this fund is:

○ Debt Service Fund -	\$ 3,421,925 (22.0%)
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Summary of 2008 Levy:

- The Total Levy for 2008 as revenue for all Funds is \$15,546,450.

PROPOSED 2009 LEVY

Attached is the proposed maximum levy for 2009. The recommendation is for an operations levy increase at the maximum level of 4.8%. As part of the 2007 Audit, it was reported that the Employee Benefits Fund had met all liabilities and that excess funds existed. We are proposing that the extra funds that are estimated to be \$1.2 million at the end of 2008 be returned to the funds that they were collected from. That results in a transfer of approximately \$890,000 back to the General Fund. It is recommended that this money be used for levy relief over the next 2+ years as follows:

1. An allocation of \$348,780 to cover the levy proposed in 2009, 2010 and 50% of 2011 within the Capital Improvements Plan for Capital Improvement Projects such as the in car video system for police cars [\$126,280]; \$150,000 for park system replacements; and beginning to establish a fund for replacement of the boilers at City Hall.
2. An allocation of \$181,640 to the Fire Truck Replacement Fund. This would allow replacement of a fire truck in late 2009 and another truck in 2013, assuming additional funds are provided after 2011 to this fund.
3. An allocation of \$360,000 to reduce the tax levy increase in the Debt Service Fund to 10.4%.

2009 Expenditures

The Department Heads have presented requests for their department budgets for 2009 based upon estimated wage increases and benefit increases. Due to the full funding of the Employee Benefits Fund, departments who are heavily reliant upon personnel can be fully funded and still result in a budget reduction. This is most apparent in the Police Department. There have been no reductions and no cuts to the Police Department request, yet the resulting accounting shifts indicate that the Police budget shows a reduction of 2.2% over the 2008 allocation. A reference to the 2007 Police Budget shows that the 2009 request for Police is a 5.5% increase over the 2007 amount, which is more reflective of the actual increases.

Following are the current proposed expenditures by department:

<u>Department</u>	<u>2008 Budget</u>	<u>2009 Budget</u>
1. Citizen Services	\$ 970,827	\$ 1,019,200
2. Executive	\$ 1,069,653	\$ 1,203,300
3. Finance	\$ 594,502	\$ 619,690
4. Fire	\$ 1,812,357	\$ 1,868,490
5. Inspect, Plan, Bld Op	\$ 2,125,794	\$ 2,109,830
6. Legislative	\$ 156,128	\$ 153,030
7. Police	\$ 7,807,835	\$ 7,633,200
8. Public Works	\$ 3,490,363	\$ 3,671,750
9. Additional Insurance	\$ <u>0</u>	\$ <u>250,000</u>
10. Total Expenditures	\$18,027,459	\$18,528,490 [2.8% increase]

Note that additional revenues of \$5,900,000 are part of the General Fund that offset the need for additional levy. The \$250,000 listed as additional insurance is funding set aside to cover unanticipated expenses for lawsuits, funding for employee wage increases above that budgeted and other unanticipated expenses. Based upon this plan, the likely fund balance percentage will be set at 36.9% [with the additional \$250,000 in reserve] of revenues. During October, each Department will present their budget for consideration and discussion.

TAX BASE ISSUES

Preliminary information on Maplewood's tax base indicates that total property values will likely show a decrease of approximately 2.5%. Full breakdowns are not currently available, however, indications are that residential values will, on average, be down by 6%, while commercial / industrial values will be up over 9%. This confirms the reverse in the trend of the early 2000's that showed the percentage of property taxes collected from residential properties was quickly rising.

Following is current Estimated pay 2009 values for Maplewood:

<u>TAXABLE VALUE</u>	<u>2007</u>	<u>2008</u>	<u>2009 Estimate</u>
Real Estate	\$48,753,765	\$50,555,758	\$49,911,693
Personal Property	\$ 463,173	\$ 463,104	\$ 468,821
Tax Increment Districts	<u>(496,216)</u>	<u>(515,781)</u>	<u>(518,203)</u>
Sub-Total	\$48,720,722	\$50,503,081	\$49,862,311
Fiscal Disparities:			
Contribution	(6,002,384)	(7,013,611)	(7,211,843)
Distribution	<u>3,801,563</u>	<u>4,535,739</u>	<u>5,244,733</u>
Net Contribution	(2,200,821)	(2,477,872)	(1,967,110)
Total Taxable Value	\$46,519,901	\$48,025,209	\$47,895,201

RECOMMENDATION

It is recommended that the City Council adopt the attached resolution that establishes the maximum levy for 2008 payable in 2009 at 4.8% increase for the operating levy and an additional 1.2% increase for the Debt Service Levy.

Attachments:

1. 2009 Budget – Tax Levy by Fund
2. Resolution

RESOLUTION
PROVIDING PRELIMINARY APPROVAL
OF A PROPOSED TAX LEVY
PAYABLE IN 2009

WHEREAS, State law requires that the City Council give preliminary approval of a proposed tax levy for 2008 payable in 2009 by September 15, 2008, and

WHEREAS, the City Council has reviewed preliminary information on the Proposed Tax Levy by fund and has determined the amount of the proposed tax levy payable in 2009 which is the maximum amount that will be levied.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MAPLEWOOD THAT the proposed tax levy for 2008 payable in 2009 in the amount of \$16,481,820 is hereby approved and shall be certified to the Ramsey County Auditor.

**2009 BUDGET
TAX LEVY BY FUND**

	2008 <u>Levy</u>	Proposed 2009 <u>Levy</u>	<u>Change</u> <u>Amount</u>	<u>Percent</u>
<u>Operations:</u>				
General Fund	\$11,644,525	\$12,152,480	\$507,955	4.4%
Community Center Operations Fund	\$230,000	\$300,000	\$70,000	30.4%
Recreation Programs Fund	\$250,000	\$250,000	\$0	0.0%
Operations Total	\$12,124,525	\$12,702,480	\$577,955	4.8%
<u>Capital Improvements:</u>				
C.I.P. Fund	\$0	\$0	\$0	N/A
F.T.R. Fund	\$0	\$0	\$0	N/A
Park Development Fund	\$0	\$0	\$0	N/A
Redevelopment Fund	\$0	\$0	\$0	N/A
Capital Improvements Total	\$0	\$0	\$0	N/A
TOTAL LEVY FOR OP. & CAP. IMP.	\$12,124,525	\$12,702,480	\$577,955	4.8%
<u>Debt Service:</u>				
Debt Service Fund	\$3,421,925	\$3,779,340 A	\$357,415	10.4%
<u>Totals-All Funds</u>	\$15,546,450	\$16,481,820	\$935,370	6.0%

A-Amount per P\BUDGET\BUDMISC\2009\DEBT SERVICE LEVY less transfer from General Fund of \$360,000

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3-Sep-08