



City of Grand Island

Tuesday, September 13, 2016

Council Session

Item I-2

**#2016-219 - Consideration of Approving 1% Increase to the
Restricted Revenues Lid Limit**

Staff Contact: Renae Griffiths

Council Agenda Memo

From: Renae Griffiths, Finance Director

Meeting: September 13, 2016

Subject: Consideration of Approving 1% Increase to the Restricted Revenues Lid Limit

Presenter(s): Renae Griffiths, Finance Director

Background

In 1998, the Nebraska State Legislature passed LB989, which put a lid on the amount of restricted revenues a political subdivision can budget. The restricted revenues for the City of Grand Island included in the budget are Property Taxes, Local Option Sales Tax, Motor Vehicle Tax, Highway Allocation and Municipal Equalization Funds.

Discussion

Each year in the budget document sent to the State of Nebraska on or before September 20, political subdivisions are allowed by State Statute to raise the total restricted revenue funds authority amount from the prior year by 2.5%. This total may also be increased by an additional 1% with a 75% vote of the Political Subdivision governing board (City Council) approval.

The restricted revenue authority base amount of the prior year is used in the calculation of the maximum amount of restricted revenues the City can budget to receive in each proposed budget year. The restricted revenues in the proposed budget year less allowable exceptions cannot be higher than the prior year's restricted revenue base. Therefore each budget year, we want to increase the prior year's restricted revenue base with the additional 1% allowance in order to be able to budget all restricted revenues available for the proposed budget year.

For example, if local option sales taxes, motor vehicle taxes, highway allocation state gasoline taxes, municipal equalization funds, and property tax valuations increase each year at a rate greater than the 2.5% allowed by State Statute for restricted revenues to increase, the City may be placed in a position of not being able to budget all of the property tax revenues available for the new budget year in order to stay under the restricted revenue lid limit.

With limited funding sources for the general fund, and the increasing needs of our growing community, City Council should be the deciding authority as to the level of property tax funding needed; not the limit of the prior year restricted revenues total.

One long term factor to keep in mind is that should the City of Grand Island raise the local option sales tax sometime in the future, those funds are considered restricted. While many of the uses of these funds would also provide a LID exception (funds would not contribute towards the overall limit), not all uses of the funds would provide a LID exception. If the additional sales tax is approved this could force revenue reductions in the future. Even if it causes City services to suffer as a result.

The additional 1% increase for the FY2016-2017 State of Nebraska budget report will increase the prior year restricted revenues base by \$294,784.01. This increase in restricted funds authority is not an increase in budgeted revenues or authorized expenditures. Approving the additional 1% each year only provides the political subdivision the ability to increase the prior year's restricted revenues total in order to budget all restricted revenue funding sources each budget year.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Approve the additional 1% increase to the Restricted Revenue Lid Limit.
2. Disapprove or deny the additional 1% increase.

Recommendation

City Administration recommends that the Council approve the additional 1% increase to the Restricted Revenue Lid Limit.

Sample Motion

Move to approve the additional 1% increase to the Restricted Lid Limit for the 2016-2017 Budget.

RESOLUTION 2016-219

WHEREAS, pursuant to Neb. Rev. Stat. §13-519, the City of Grand Island is limited to increasing its total of budgeted restricted revenues to no more than the prior year's total of budgeted restricted funds plus two and one-half percent (2 1/2%) expressed in dollars; and

WHEREAS, §13-519 authorizes the City of Grand Island to exceed the foregoing budget limit by an additional one percent (1%) increase in budgeted restricted revenues upon the affirmative vote of at least 75% of the governing body; and

WHEREAS, the Annual Budget document for Fiscal Year 2016-2017 and Program for Municipal Services in the Lid Computation for Fiscal Year 2016-2017 supported by the detail relating to restricted revenue accounts, proposes an additional increase in the prior year's budgeted restricted funds of an additional one percent (1%) as provided by the statute; and

WHEREAS, approval of the additional one percent (1%) increase in budgeted restricted revenues provides maximum funding sources, does not increase authorized expenditures and is in the best interests of the City of Grand Island and its citizens.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that by affirmative vote by more than 75% of the City Council, budgeted restricted revenue funds for Fiscal Year 2016-2017 shall be increased by an additional one percent (1%) as provided by Neb. Rev. Stat. §13-519.

Adopted by the City Council of the City of Grand Island, Nebraska on September 13, 2016.

Jeremy L. Jensen, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
September 12, 2016	☐ City Attorney