



City of Grand Island

Thursday, August 29, 2013

Special Meeting

Item I-2

#2013-295 - Consideration of Approving 1% Increase to the Lid Limit

Staff Contact: Jaye Monter, Finance Director

Council Agenda Memo

From: Jaye Monter, Finance Director

Meeting: August 29, 2013

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

Item #'s: I-2

Presenter(s): Jaye Monter, 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 has a direct tie to 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 in each new budget year, we want to increase the prior year's restricted revenue base with the additional 1% allowance in order to budget the maximum restricted revenues available for the proposed budget year.

One way to think about this is, if local option sales taxes, motor vehicle taxes, highway allocation state gasoline taxes, municipal equalization funds, and property tax valuations continue to increase at a rate greater than the 2.5% allowed by State Statute, the City may be in a position of not being able to accept/budget all of the property tax revenues for the new budget year. Since Council has no control over any of the restricted revenues other than property taxes; property taxes would be the only restricted revenue affected by this calculation.

With limited funding sources for the general fund, and the increasing needs of our growing community, the city should position itself to budget the full allocation of property taxes available.

Another scenario might occur if the City was in need for new services for citizens and the only funding solution was to increase property taxes. If the needed increase in property tax revenue caused the budgeted restricted revenues to exceed the prior year base amount, the City would not be able to increase property taxes for the required expansion of citizen services.

The additional 1% increase in the FY2013-2014 State of Nebraska budget report will increase the prior year restricted revenues base by \$269,865. 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 ability to increase the prior year's restricted revenues total in order to provide maximum funding sources for future budget years.

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 Lid Limit.
2. Disapprove or deny the additional 1% increase.

Recommendation

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

Sample Motion

Move to approve the additional 1% increase to the Lid Limit for the 2013-2014 Budget.

LID COMPUTATION FY2013-2014

Total 2012-2013 Restricted Funds	20,477,230
ADD:	
Unused 2012-2013 Restricted Funds	6,509,259
PRELIMINARY RESTRICTED FUNDS LIMIT	<u>26,986,489</u>
Total 2013-2014 Restricted Revenues	30,261,061
LESS Restricted Funds Budgeted For:	
Capital Improvements	(9,786,755)
Bonded Indebtedness	(1,232,356)
Interlocal Agreements	(1,162,266)
Total Lid Exceptions	<u>(12,181,377)</u>
TOTAL 2012-2013 RESTRICTED FUNDS	<u>18,079,684</u>
Base Limitation	2.50%
Allowable Growth	0.03%
Additional 1%	1.00%
Total Allowable % Increase	<u>3.53%</u>
Preliminary Restricted Funds Limit	26,986,489
Allowable Dollar Amount Increase to Restricted Funds	952,623
Total Restricted Funds Authority	<u>27,939,113</u>
FY2013-2014 Restricted Funds	18,079,684
Unused Restricted Funds Authority	<u>9,859,429</u>

RESTRICTED REVENUE ACCOUNTS

<u>ACCOUNT #</u>	<u>DESCRIPTION</u>	<u>2013 - 2014 BUDGET</u>
10033501-74307	INCENTIVE PAYMENT-Motor Vehicle Tax Prorate	4,000
10055001-74005	PROPERTY TAXES	7,756,116
10055001-74006	MOTOR VEHICLE TAX	902,370
10055001-74065	SALES TAX	15,224,971
10055001-74241	MUNICIPAL EQUALIZATION FUNDS	590,676
21030001-74317	HIGHWAY ALLOCATION	4,142,572
21030001-74406	MOTOR VEHICLE TAX	400,000
27110010-74005	PROPERTY TAXES (Parking Ramp)	8,000
31050101-74005	PROPERTY TAXES - DEBT SERVICE	1,232,356
	TOTAL	<u>30,261,061</u>

RESOLUTION 2013-295

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 2013-2014 and Program for Municipal Services in the Lid Computation for FY2013-2014 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; and

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 2013-2014 shall be increased by an additional one percent (1%) as provided by Neb. Rev. Stat. §13-519.

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Adopted by the City Council of the City of Grand Island, Nebraska on August 29, 2013.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
August 26, 2013	☐ City Attorney