



City of Grand Island

Tuesday, September 9, 2014

Council Session

Item I-6

**#2014-287 - Consideration of Approving 1% Increase to the
Restricted Revenues Lid Limit**

Staff Contact: Jaye Monter, Finance Director

Council Agenda Memo

From: Jaye Monter, Finance Director

Meeting: September 9, 2014

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

Item #'s: I-6

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 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.

Think about it this way, 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.

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

The additional 1% increase for the FY2014-2015 State of Nebraska budget report will increase the prior year restricted revenues base by \$276,692. 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 2014-2015 Budget.

LID COMPUTATION FY2014-2015

Total 2013-2014 Restricted Funds	18,039,729
ADD:	
Unused 2013-2014 Restricted Funds	9,629,519
PRELIMINARY RESTRICTED FUNDS LIMIT	<u>27,669,248</u>
Total 2014-2015 Restricted Revenues	31,996,668
LESS Lid Exceptions Budgeted For:	
Capital Improvements	(11,738,649)
Bonded Indebtedness	(731,789)
Interlocal Agreements	(1,070,846)
Total Lid Exceptions	<u>(13,541,284)</u>
FY2014-2015 RESTRICTED FUNDS	<u>18,455,384</u>
Base Limitation	2.50%
Allowable Growth	0.00%
Additional 1% - 75% Approval from Governing Body	1.00%
Total Allowable % Increase	<u>3.50%</u>
Preliminary Restricted Funds Limit	27,669,248
Allowable Dollar Amount Increase to Restricted Funds	968,424
Total Restricted Funds Authority	<u>28,637,673</u>
FY2014-2015 Restricted Funds	18,455,384
Unused Restricted Funds Authority	<u>10,182,289</u>

RESTRICTED REVENUE ACCOUNTS

<u>ACCOUNT #</u>	<u>DESCRIPTION</u>	<u>2014 - 2015 BUDGET</u>
10033501-74307	INCENTIVE PAYMENT-Motor Vehicle Tax Prorate	8,000
10055001-74005	PROPERTY TAXES	8,576,094
10055001-74006	MOTOR VEHICLE TAX	929,781
10055001-74065	SALES TAX	15,701,813
10055001-74241	MUNICIPAL EQUALIZATION FUNDS	425,000
21030001-74317	HIGHWAY ALLOCATION	4,554,875
21030001-74406	MOTOR VEHICLE TAX	350,000
27110010-74005	PROPERTY TAXES (Parking Ramp)	8,000
31050101-74005	PROPERTY TAXES - DEBT SERVICE	731,789
400 Fund	PRIOR YEAR CAPITAL IMPROVEMENTS	711,316
	TOTAL	<u><u>31,996,668</u></u>

RESOLUTION 2014-287

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 2014-2015 and Program for Municipal Services in the Lid Computation for Fiscal Year 2014-2015 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 2014-2015 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 9, 2014.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
September 5, 2014	☐ City Attorney