



City of Grand Island

Tuesday, August 27, 2002

Council Session

Item I4

#2002-271 - Consideration of Approving 1% Increase to the Lid Limit

In 1998 the Nebraska State Legislature passed LB 989, which put a cap on the amount of restricted revenues a political subdivision can budget for. The restricted revenues that the City of Grand Island includes in the budget are Property Taxes, Payments in Lieu of Property Tax, Local Option Sales Tax, Motor Vehicle Tax and State Aid. Of these restricted revenues, property tax is the only revenue that the City can control. The increase in restricted funds authority using the 1% additional amount and the population growth (when available) is not an increase in budgeted revenues. It only provides the ability to increase restricted revenues, particularly property tax, in a future year if necessary. Approval is recommended. A MOTION is in order.

Staff Contact: David Springer

City Of
GRAND  **ISLAND**

*INTEROFFICE
MEMORANDUM*

*Working Together for a
Better Tomorrow. Today.*

DATE: August 6, 2002

TO: Ken Gnadt, Mayor
Councilmembers,
Marlan Ferguson, City Administrator
David Springer, Finance Director

FROM: Paul Mueller, Controller *pm*

RE: Adoption of additional 1% increase in restricted funds lid

Background:

During the Council budget meetings last year there were a lot of questions concerning restricted funds and the impact the restricted funds have on property taxes. Hopefully this will help clarify what restricted funds are all about.

In 1998 The Nebraska State Legislature passed LB 989, which put a cap on the amount of restricted revenues a political subdivision can budget for. The restricted revenues that The City of Grand Island includes in the budget are Property Taxes, Payments in Lieu of Property Tax, Local Option Sales Tax, Motor Vehicle Tax, and State Aid. Of these restricted revenues, property tax is the only revenue that the City can control. In other words, The City can levy any amount for property tax, subject to levy limits. The other restricted revenues are dependent on how much is collected or other formulas, i.e.: sales tax.

Discussion:

Each political subdivision budgets amounts for restricted funds. The total amount of these funds is reduced by restricted funds budgeted for debt service and inter-local agreements to come to a total restricted funds for 2002 – 2003.

Each year, the political subdivisions are allowed by State Statute to raise the base from the prior year by 2.5%. Political Subdivisions can also increase the base if the growth in taxable valuation is higher than the allowed 2.5%. This is called allowable growth and is increased by the difference between the growth percentage and the 2.5%. A third way to increase the base is to have the Political Subdivision governing board (City Council) vote to increase the base by an additional 1% over the allowable 2.5%. The allowable dollar increase is computed by taking the prior year base times the allowable %growth to come to a total restricted funds authority. The amount of unused restricted funds authority is carried over to the next year and added to the current year amount of restricted funds to be next years base.

The increase in restricted funds authority using the 1% additional amount and the population growth (when available) is not an increase in budgeted restricted revenues. It only **provides the ability** to increase restricted revenues in a future year if necessary.

Fiscal Implications:

Provides more fiscal flexibility in future years. Since the passage of the statute in 1998 through the 2002 - 2003 budget, we have lost approximately \$812,500 in unused restricted funds **authority**.

Recommendation: Pass additional 1% increase in restricted funds lid.

RESOLUTION 2002-271

WHEREAS, pursuant to Neb. Rev. Stat. §13-519, the City of Grand Island is limited to increasing its total of budgeted restricted funds to no more than the last prior year's total of budgeted restricted funds plus population growth 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 for a fiscal year by up to an additional one percent (1%) increase in budgeted restricted funds upon the affirmative vote of at least 75% of the governing body; and

WHEREAS, the Annual Budget for Fiscal Year 2002-2003 and Program for Municipal Services in the Lid Computation FY 2002-2003 supported by the detail relating to restricted revenue accounts, purposes an additional increase in budgeted restricted funds of one percent (1%) as provided by the statute; and

WHEREAS, approval of the additional one percent (1%) increase in budgeted restricted funds is prudent fiscal management, 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 upon affirmative vote by more than 75% of the City Council, of budgeted restricted funds for Fiscal Year 2002-2003 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 27, 2002.

RaNae Edwards, City Clerk

Approved as to Form ? _____ August 23, 2002 ? City Attorney
