



City of Grand Island

Tuesday, August 24, 2004

Council Session

Item I1

**#2004-218- Consideration of Approving 1% Increase to the Lid
Limit**

Staff Contact: David Springer

Council Agenda Memo

From: David Springer, Finance Director

Meeting: August 24, 2004

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

Item #'s: I-1

Presenter(s): David Springer, Finance Director

Background

In 1998, the Nebraska State Legislature passed LB989, which put a cap on the amount of restricted revenues a political subdivision can budget. The restricted revenues that the City of Grand Island includes in the budget are Property Taxes, Local Option Sales Tax, Motor Vehicle Tax and State Aid. Of these restricted revenues, property tax is the only revenue which the City can control.

Discussion

Each year political subdivisions are allowed by State Statute to raise the restricted revenue base from the prior year by 2.5%. The base may also be increased if the growth in taxable valuation is higher than the allowed 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%. The base amount is then the maximum amount of restricted revenues the City can receive. If the City is not at the base amount, the remaining amount is carried forward as unused authority. The increase in restricted funds authority using the 1% additional amount and the population growth factor is **not** an increase in budgeted revenues. It only provides the ability to increase restricted revenues, particularly property tax, in a future year as necessary, if council so decides. Approval of the 1% increase does not increase authorized expenditures and is prudent fiscal management.

Alternatives

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

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

Recommendation

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

Sample Motion

Approve the 1% increase to the Lid Limit.

LID COMPUTATION FY2004-2005

Total 2003-04 Restricted Funds	14,134,974
PLUS:	
Restricted Funds for 5 yr Property	
Lease-Purchase Contracts	10,310
Unused 2003-2004 restricted Funds	4,714,476
SUBTOTAL	<u>18,859,760</u>
Total 2004-2005 Restricted Revenues (Agrees to schedule A)	20,965,524
LESS Restricted Funds Budgeted For:	
Capital Improvements	(1,705,000)
Bonded Indebtedness	(753,383)
Interlocal Agreements	(372,897)
Repairs Due to Natural Disaster	
Judgements	
Refunds of Property Taxes	
TOTAL 2004-2005 RESTRICTED FUNDS	<u>18,134,244</u>
Base Limitation	2.50%
Allowable Growth	
Additional 1%	1.00%
Total Allowable % Increase	<u>3.50%</u>
Initial Restricted Funds Limit	18,859,760
Allowable Dollar Amount Increase to Restricted Funds	660,092
Total Restricted Funds Authority	<u>19,519,852</u>
FY04-05 Restricted Funds	18,134,244
Unused Restricted Funds Authority	<u>1,385,608</u>

On Tuesday evening, the City Council will be voting on whether or not to approve the 1% lid increase. We did a survey to determine what some of the other Nebraska cities were doing. As you can see by the results below, virtually every city we surveyed has approved the measure, with the exception of Waverly, which has an extremely high growth rate:

Alliance	Approved 1% increase in budget authority for the past two years.
Alma	Approves this every year.
Blair	Has used this in the past. Did not propose it this year, as they are carrying an unused authority equal to about 75% of actual taxes levied. They also traditionally have 4-10% new valuation annually.
Columbus	Has always passed the lid but doesn't use it.
David City	Have approved it for three years, and will likely to it again this year.
Gering	Has approved the 1% increase since the lid law was enacted.
Gothenburg	Approve this every year.
Kearney	Approves the 1% increase every year.
Laurel	Approved.
La Vista	Has approved the increase each year, even though they are not using their full authority.
Minden	Has approved the increase every year.
Ogallala	Has approved the increase every year.
Papillion	Approved.
Ralston	Approved.
Seward	Has approved the increase every year, but has never used it.
Sidney	Has approved this the past three years.
South Sioux City	Has approved the increase every year, but has never used it.
Springfield	Has approved the increase every year, but has never used it.
Sutton	Has approved this every year, and will likely do so again this year.
Waverly	Their growth rate has been so rapid, they have never needed it, however, if growth were to slow down, they would consider it.
Wayne	This issue is also on their agenda – they will likely approve it.

RESOLUTION 2004-216

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 2004-2005 and Program for Municipal Services in the Lid Computation FY 2004-2005 supported by the detail relating to restricted revenue accounts, proposes 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 2004-2005 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 24, 2004.

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
August 19, 2004	☐ City Attorney