



City of Grand Island

Tuesday, September 14, 2010

Council Session

Item I3

**#2010-256 - Consideration of Approving 1% Increase to the Lid
Limit**

Staff Contact: Mary Lou Brown

Council Agenda Memo

From: Mary Lou Brown, Finance Director

Meeting: September 14, 2010

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

Item #'s: I-3

Presenter(s): Mary Lou Brown, 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, Highway Allocation 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

Move to approve the 1% increase to the Lid Limit for the 2010-2011 Budget.

RESOLUTION 2010-256

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 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 2010-2011 and Program for Municipal Services in the Lid Computation for FY2010-2011 and Program for Municipal Services in the Lid Computation for FY2010-2011 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; 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 2010-2011 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 September 14, 2010.

Margaret Hornady, Mayor

Attest:

RaNae Edwards, City Clerk