



City of Grand Island

Monday, July 25, 2011

Special Meeting

Item -1

**Discussion Concerning Municipal Equalization Funding and
Property Taxes**

Staff Contact: Mary Lou Brown

Council Agenda Memo

From: Mary Lou Brown, Finance Director
Meeting: July 25, 2011
Subject: Municipal Equalization Funding and Property Taxes
Item #'s: 1
Presenter(s): Mary Lou Brown, City Administrator

Background

The State of Nebraska offers a funding source to municipalities through State Statute sections 77-27,139.01 to 77-27,139.04. Based on the calculation of state aid, municipalities may receive dollars from the Municipal Equalization Fund. Grand Island has not qualified for the MEF funds in the past several years due to the fact that the City's property tax levy is lower than the State average rate. Population is also a factor in the calculation. The last time that Grand Island received MEF funds was in 2004-2005. This payment was based on the mill levy of 2003-2004. In 2004-2005 the City's levy was reduced below the average level and the City no longer qualified.

Discussion

The study session will focus on an overview of the property tax levy and its relationship to the MEF funds. Based on estimates, it appears that the current property tax levy would need to be increased from .2725 to a minimum of .3097247 in order to qualify for MEF funds at the lowest level. At the highest level, the increase would be .07722472 which would increase the levy from .2725 to .3497247. Incremental revenue to the City is identified along with the impact to property owners.

As Council considers the 2012 budget proposal, this information is presented for educational purposes. The proposed budget does not include an increase in the City's property tax levy.

Conclusion

This item is presented to the City Council in a study session to allow for any questions to be answered and to create a greater understanding of the subject.

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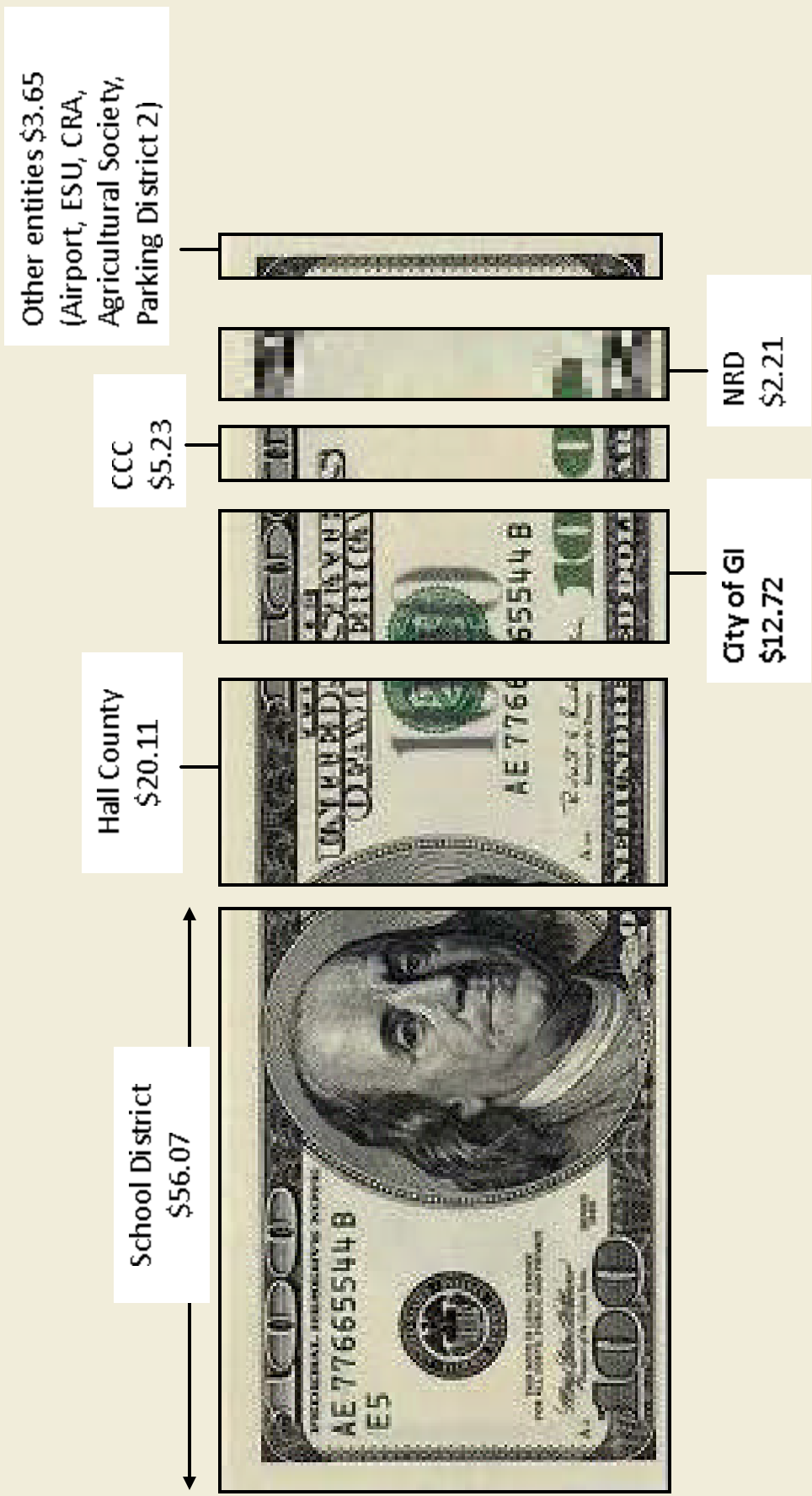
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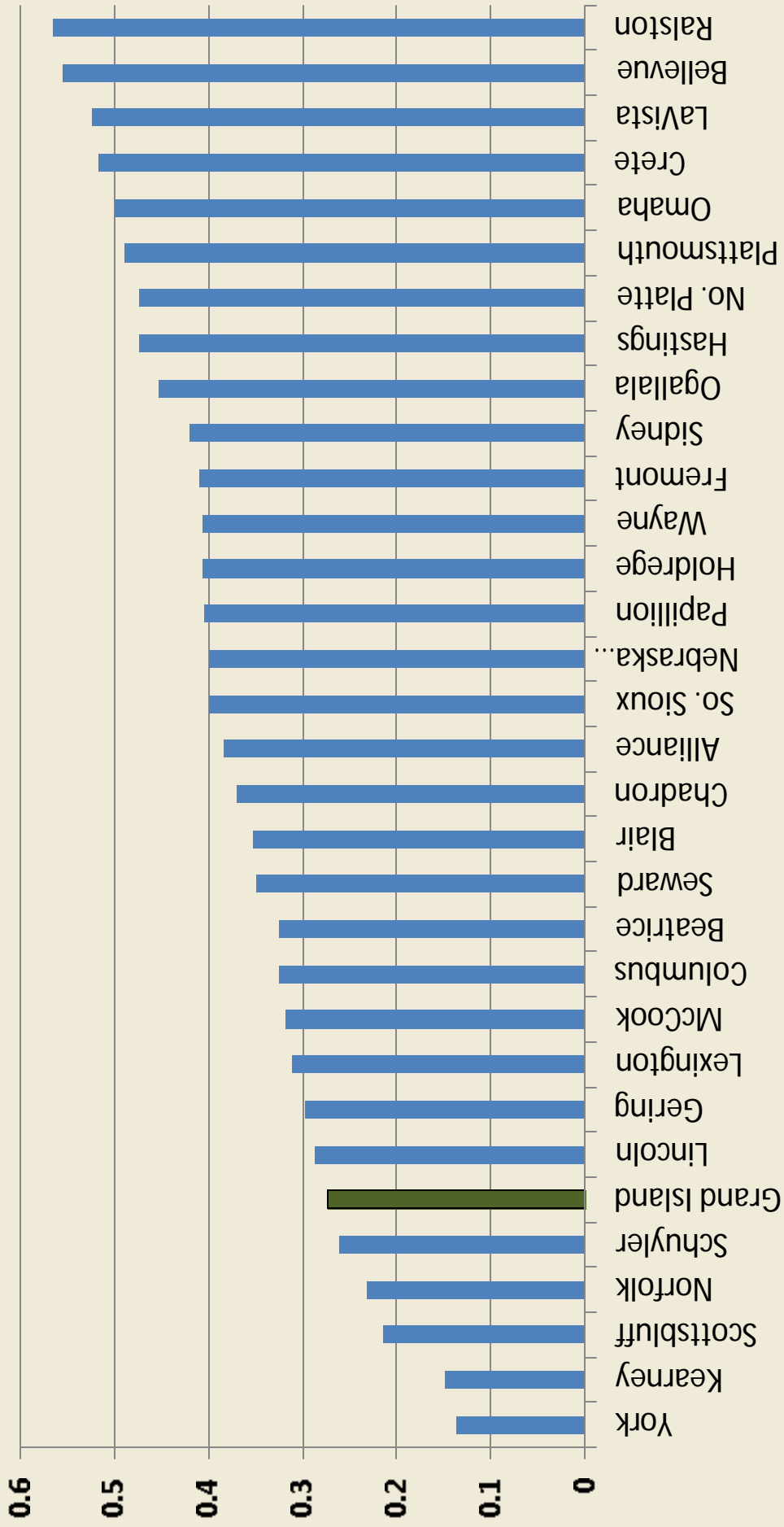
Municipal Equalization Funding and Municipal Property Tax Overview

July 25, 2011

Your Property Tax Dollar



2011 Property Tax Levies of 1st Class Cities, Omaha & Lincoln



A \$100,000 City homeowner currently pays \$22.71 a month for City services – streets, police, fire, library, parks, etc.

Rank	Municipality	2011 Levy	Rank	Municipality	2011 Levy
1	York	0.137076	17	So. Sioux	0.399119
2	Kearney	0.14887	18	Nebraska City	0.399999
3	Scottsbluff	0.214	19	Papillion	0.405106
4	Norfolk	0.231788	20	Holdrege	0.405987
5	Schuyler	0.26213	21	Wayne	0.406868
6	Grand Island	0.2725	22	Fremont	0.409606
7	Lincoln	0.28788	23	Sidney	0.420347
8	Gering	0.29777	24	Ogallala	0.453554
9	Lexington	0.31151	25	Hastings	0.47276605
10	McCook	0.319044	26	No. Platte	0.474637
11	Columbus	0.32583	27	Plattsmouth	0.489675
12	Beatrice	0.325839	28	Omaha	0.499
13	Seward	0.3484	29	Crete	0.516604
14	Blair	0.353324	30	LaVista	0.5235
15	Chadron	0.37	31	Bellevue	0.554876
16	Alliance	0.38387	32	Ralston	0.56495

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What does a Mill Levy Represent

2012 Forecasted Valuation for City of Grand Island property:	\$2,431,429,948
City's Current Mill Levy:	.2725
Every Mill Equals:	\$243,143 to the City
Increase of .01 mill levy to Owner of \$100,000 Home:	\$0.83/month increase



What is the Municipal Equalization Fund?

- Funding is provided by the State.
- State obtains its funds through the insurance premium tax and the state administration fee on local option sales taxes collected by the State.
- Payments are based on a formula that compares municipalities' population and valuation with the statewide averages.
- Calculation based on the non-bond property tax levy.

Municipal Equalization Funding (MEF) Scenarios

FY 2012

Total Estimated Valuation for 2012	2,431,429,948
City of Grand Island levy	
General Fund	0.175309
Debt Service	0.052950
Interlocal Agreements	0.044241
Total City of Grand Island Levy	0.272500
Less Debt	(0.052950)
Non Bond Property Tax Levy	<u>0.219550</u>

Municipal Equalization Fund Program

100% Level	80% Level	60% Level	40% Level	20% Level
Statewide Average Property Tax Levy	0.29677472	0.27677472	0.26677472	0.25677472
reduced by .01 for each 20% level				
City of Grand Island Non-Bond Levy	0.21955	0.21955	0.21955	0.21955
Required Levy Increase	0.07722472	0.06722472	0.05722472	0.03722472
Maximum MEF Calculated Aid for GI	789,659	789,659	789,659	789,659
MEF to be received in 2013	789,659	631,727	473,795	315,864
				157,932

\$17,462,000 distributed to Cities across the state for 2011-2012 Grand Island's share \$0
 Calculation based on statewide average remaining at .29677472 for 2012-2013

What is the Impact of Increasing the Levy?

MEF LEVEL	100%	80%	60%	40%	20%
Required Levy Increase	.07722472	.06722472	.05722472	.04722472	.03722472
Incremental Property Tax Receipts	\$1,877,665	\$1,634,522	\$1,391,379	\$1,148,236	\$905,093
Potential MEF Dollars	\$789,659	\$631,727	\$473,795	\$315,864	\$157,932
Total Incremental Dollars	\$2,667,324	\$2,266,249	\$1,865,174	\$1,464,100	\$1,063,025
Increase to Homeowner (\$100,000 valuation)					
Monthly	\$6.44	\$5.60	\$4.77	\$3.94	\$3.10
Daily	\$0.21	\$0.18	\$0.16	\$0.13	\$0.10



MIEF Dollars to be Received by Other Cities for 2011-2012

Hastings	\$947,153	Fremont	\$395,529
So. Sioux City	\$551,735	Wayne	\$384,972
Lexington	\$505,063	Chadron	\$374,433
North Platte	\$448,155	Bellevue	\$348,842
Crete	\$406,621	Falls City	\$345,015
	Grand Island	\$0	

\$17,462,000 distributed to cities across the state for 2011-2012



Summary

- State dollars used for creating the fund should be sustainable. Funding should exist into the future.
- Mill levy would need to be increased for 2012 in order to receive MEF dollars in 2013.