ROSEVILLE

REQUEST FOR COUNCIL ACTION

Date: 1/26/2015
Item No.: 13.a

Department Approval

City Manager Approval

Item Description: Receive a Summary Recap of the 2015 Adopted Tax Levy and Budget

BACKGROUND

During the 2015 budget process, the Council indicated a desire to receive a summary recap of the formal actions taken on the tax levy and budget and to revisit the projected budget surplus from 2014. A brief summary for each of these items is presented below.

Projected 2014 Budget Surplus

In early December, Staff projected a 2014 General Fund budget surplus of approximately $200,000. The projected surplus was calculated by observing aggregate expenditures through November and extrapolating that amount over the remainder of the year. At the time, it was noted that the City typically incurs over $1 million dollars in expenditures during the months of December and January that need to be recorded in 2014 before an accurate measure of the surplus can be determined.

Based on known expenditures through January 16th, it appears that the 2014 General Fund budget surplus will be closer to $225,000. Again, this estimate could change over next month as final payments and audit corrections for 2014 are recorded. The surplus was largely the result of less-than-expected personnel costs due to staff turnover, which was somewhat offset by lower-than-expected tax collections due to valuation appeals.

Employee positions that remain unfilled for a period of time create vacancy savings. Additional savings are also realized when the City hires less-experienced staff that begin at the lower end of the pay scale compared to the previous employee that held the position.

With this amount, the unrestricted General Fund cash reserve would be approximately $5,991,480, for a reserve level of 43% compared to the 2015 General Fund Budget. The City's Cash Reserve Policy calls for reserve level of 35-45% of the Budget. The 2015 Budget projects a draw-down of these reserves in the amount of $375,500. If this proves accurate, the cash reserve level would be at 40% by the end of 2015.

2015 Tax Levy

As adopted on December 8, 2014, the 2015 Tax Levy was $18,276,902, an increase of $273,181 or 1.5%. This was $382,148 lower than the amount presented at the truth-in-taxation hearing, and $617,648 lower than the amount presented in the City Manager Recommended Budget.

The $382,148 final levy reduction made in December was enacted in conjunction with the draw-down of *additional* General Fund and License Center Fund reserves above and beyond what had already been programmed into the Recommended Budget. The Budget was already reliant on $175,500 in reserves from General Fund and $141,275 from the License Center before the additional amounts were committed on December 8th. In total, the 2015 Budget is relying on nearly $700,000 in cash reserves to sustain day-to-day operations.

With this action, the General and License Center Funds will remain in compliance with the Council-adopted cash reserve policy. However, it will require some consideration in future budget cycles to achieve structurally balanced budgets.

A summary of the tax levy increase is shown in the table below.

2014 Tax Levy	$	18,003,721
2015 Levy Reductions		
Supplies, materials, contractual services	$	(57,080)
Contribution to Fire Relief Association		(11,000)
Debt Service		(220,000)
Change in non-levy revenue sources		(102,921)
Total Levy Reductions	$	(391,001)
2015 Levy Additions		
Supplies, materials, contractual services	$	175,830
Employee cost-of-living-adjustment		177,135
Employee wage step increases		129,000
Employee position changes/reorg.		101,865
PERA pension increases		67,000
Capital replacements		220,000
Funding to eliminate use of reserves (partial)		175,500
Total Levy Additions	$	1,046,330
Net Levy Change Before Use of Reserves	$	655,329
Less *Additional* Use of General Fund Reserves	$	(200,000)
Less *Additional* Use of License Center Fund Reserves	$	(182,148)
2015 Tax Levy	$	273,181
% Increase		*1.5%*

For a median-valued home that experiences an 11% valuation increase (citywide average), the property tax impact will be $4.89 per month, an increase of 7.5%.

Staff will note that the Council also made changes to the utility rates in 2015 which resulted in a reduction of $0.89 per month for a typical single-family home. When combined with the property tax impact, a typical home will pay an additional $4.00 per month. This is depicted in the chart below.

Monthly Impact on a Single-Family Home

	2014	2015	Increase	%
Property Tax	$ 64.85	$ 69.75		
Utility Bill	57.37	56.47		
Total	$ 122.22	$ 126.22	$ 4.00	3.3 %

2015 Budget

As adopted on December 8, 2014 the 2015 Budget is $52,045,290. The Budget for the tax-supported programs is $26,055,340, an increase of $1,332,055 or 5.4% *including* capital-related expenditures. If we exclude capital items, the spending increase is only $608,485 or 2.5%.

Spending increases in the tax-supported programs including capital is shown in the table below.

2014 Operating Budget	$	24,723,285
2015 Budget Reductions		
Supplies, materials, contractual services	$	(57,080)
Contribution to Fire Relief Association		(11,000)
Debt Service		(220,000)
Total Budget Reductions	$	(288,080)
2015 Budget Additions		
Supplies, materials, contractual services	$	251,430
Employee cost-of-living-adjustment		203,135
Employee wage step increases		168,000
Employee position changes/reorg.		174,000
PERA pension increases		100,000
Capital replacements		723,570
Total Budget Additions	$	1,620,135
Net Budget Change	$	1,332,055
2015 Operating Budget	$	26,055,340
% Increase		*5.4%*

POLICY OBJECTIVE

Not applicable.

FINANCIAL IMPACTS

Not applicable.

STAFF RECOMMENDATION

Not applicable.

REQUESTED COUNCIL ACTION

For information purposes only. No formal Council actioin is required.

Prepared by: Chris Miller, Finance Director
Attachments: A: Not applicable