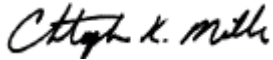


REQUEST FOR COUNCIL ACTION

Date: 03/29/10
Item No.: 13.c

Department Approval



City Manager Approval



Item Description: Discussion on Preliminary 2011 Revenue, Tax Levy, and Expenditure Forecast

BACKGROUND

In an effort to provide information for initial 2011 budget discussions, a preliminary forecast of non-property tax revenues is enclosed. It should be noted that these estimates are based on prior year trends and assumptions on future economic conditions.

For purposes of this report, the forecast pertains only to the property tax-supported services in the General and Parks & Recreation Funds. Forecasts for fee-supported programs will be developed later in the budget process based on program participation levels, customer demand for services, and future economic conditions.

2011 Preliminary General Fund Revenue Forecast

For budgeting purposes, revenues in the City's General Fund are categorized as follows:

- ❖ Property taxes
- ❖ Licenses & Permits
- ❖ Court Fines
- ❖ Intergovernmental Revenues
- ❖ Charges for Services
- ❖ Interest Earnings
- ❖ Miscellaneous

For 2011, it is projected that all non-tax General Fund revenues will total \$2,438,000; a decrease of \$287,170 from 2010. As a result of this decline, a property tax increase will be needed to maintain current service levels. General Fund programs include; police, fire, street maintenance, elections, legal, engineering, administration and finance, and others.

Alternatively, the City could eliminate programs, reduce service levels, or consider alternative revenue sources such as street light utility fees or gas & electric franchise fees. For background purposes, a copy of the Staff memo dated February 22, 2010 regarding this subject is attached.

Additional detail for each revenue category is presented below.

Property Taxes

The amount of property taxes is directly dependent on the property tax levy set by the Council each year. Contrary to what is oftentimes reported, the construction of new housing or commercial buildings does not result in additional property taxes. The City gets what it levies for and nothing more. The presence of the new development simply means there are more properties available to shoulder the overall property tax burden.

For 2011 the City will remain under state mandated level limits which will somewhat inhibit our ability to raise property taxes. The City has approximately \$500,000 in available levy capacity (citywide) excluding any special levies that are exempt from levy limits. For 2011, the City will have an expiring debt levy in the amount of \$490,000 that was earmarked for a street improvement project. This will somewhat alleviate property tax increases for other purposes.

Licenses & Permits

Licenses & permits include the following:

- ❖ General business licenses
- ❖ Alcohol & tobacco licenses
- ❖ Pet licenses
- ❖ Fire inspection fees
- ❖ Pawn shop transaction fees

For 2011, it is projected that licenses and permits revenue will be \$269,000; a slight increase of \$2,000 from 2010. It is conceivable that license and permit fees could be increased but it would have to be commensurate with the increase in associated regulatory costs. This estimate is based on prior year revenues, and assumes that all existing establishments will seek renewal of their licenses where applicable.

Court Fines

Court fines include fines paid for traffic violations and criminal offenses occurring within the City limits. Fine revenues can fluctuate from year to year depending on the amount of crimes and the level of enforcement efforts.

For 2011, it is projected that Court fine revenue will be \$215,000; a decrease of \$48,000 from 2010. Court fines have declined each year since 2006.

Intergovernmental Revenue

Intergovernmental revenues include street maintenance aid, police and fire aid, PERA aid, School Liaison monies, and federal and state grants.

For 2011, it is projected that intergovernmental revenue will be \$834,000; a decrease of \$50,000 from 2010, largely due to a decline in fire state aid as compared to the current budgeted amount.

Charges for Services

Charges for services revenues include administrative charges between funds, false alarm fees, fire surcharge fees, and recreation program fees.

For 2011, it is projected that charges for services revenue will be \$965,000; an increase of \$10,000 from 2010. The increase will be distributed as internal charges to various funds that receive General Fund administrative services.

Interest Earnings

Interest earnings represent investment earnings on cash reserves held in the City's investment portfolio. Earnings are expected to decline in 2011 due to market conditions and a smaller investment portfolio. For 2011, it is projected that interest earnings will be \$50,000; a decrease of \$150,000 from 2010.

Miscellaneous

Miscellaneous revenues include one-time monies such as special police enforcement grant monies, and public works right-of-way fees.

For 2011, it is projected that miscellaneous revenues will be \$105,000; a decrease of \$50,000 from 2010.

2011 Preliminary Parks & Recreation Fund Revenue Forecast

For budgeting purposes, revenues in the City's Parks & Recreation Fund are categorized as follows:

- ❖ Property taxes
- ❖ Charges for Services
- ❖ Interest Earnings

Additional detail for each revenue category is presented below.

Property Taxes

As noted above, for 2011 the City will remain under state mandated level limits which will somewhat inhibit our ability to raise property taxes. The City has approximately \$500,000 in available levy capacity (citywide) excluding any special levies that are exempt from levy limits. For 2011, the City will have an expiring debt levy in the amount of \$490,000 that was earmarked for a street improvement project. This will somewhat alleviate property tax increases for other purposes.

Charges for Services

Charges for services include program registration fees. The amount expected for 2011 will be dependent on the number of registrations and fee amounts. However, inasmuch as these fees can only be used to support the direct and indirect costs of the programs themselves, a forecast is not presented at this time. Program costs will be commensurate with expected program revenues.

Interest Earnings

Interest earnings represent investment earnings on cash reserves held in the City's investment portfolio. Earnings are expected to decline in 2011 due to market conditions and a smaller investment portfolio. For 2011, it is projected that interest earnings will be \$6,500; the same amount budgeted for in 2010.

2011 Budget Impacts

City Staff are in the process of formulating preliminary 2011 budgets. However, we do not expect to finalize a recommended budget until the Council provides general direction on budget priorities and spending targets.

128 Based on projected costs and assuming the Council desires to provide the same programs and service
129 levels, a number of significant budgetary impacts in the tax-supported funds are expected for 2011. They
130 include:

131

- 132 ❖ \$600,000 for employee cost-of-living adjustments, and increased pension and healthcare costs
- 133 ❖ \$450,000 to fully fund the City's vehicle replacement program
- 134 ❖ \$250,000 for general inflationary increases in supplies, maintenance, utilities, etc.

135

136 In total, these expected new budget impacts total \$1,300,000. This amount does not reflect the additional
137 monies needed for the Parks Improvement Program (PIP), and for the repair and replacement of City
138 facilities. Annual funding for the PIP and City facility needs is estimated to be approximately \$3 million
139 per year over the next 10 years.

140

141 City Staff will be available at the meeting to address any Council inquiries.

142 **POLICY OBJECTIVE**

143 Producing revenue and expenditure forecasts are consistent with industry best practices and the City's
144 Financial Policies. Although it represents estimated revenues, the forecast should be used as a primary tool
145 in making resource allocation decisions.

146 **FINANCIAL IMPACTS**

147 Not applicable.

148 **STAFF RECOMMENDATION**

149 Not applicable.

150 **REQUESTED COUNCIL ACTION**

151 For information purposes only. No formal Council action is required.

152

Prepared by: Chris Miller, Finance Director

Attachments: A: Staff Memo dated February 22, 2010 Regarding Alternative Revenue Sources

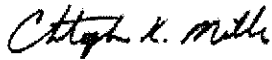
ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: 02/22/10

Item No.:

Department Approval

City Manager Approval



Item Description: Discussion on Alternative Revenue Sources

BACKGROUND

At the May 11, 2009 and November 9, 2009 City Council meetings, Staff presented a brief overview of alternative revenue sources that could be used to support City programs and services. While there was some interest expressed by individual Councilmembers in pursuing these further, the Council chose not to implement any of the new revenue sources at that time.

The 2010-2019 Financial Plan and 2010-2019 Capital Investment Plan identified a substantial gap in the funding sources needed to maintain services at current levels. However, State-imposed levy limits and stagnant non-tax revenues will inhibit the City's ability to generate new monies from traditional sources. It's imperative that the City remain diligent in identifying additional means of funding City programs – a sentiment shared by the community during the Imagine Roseville 2025 process. The Council-adopted Revenue Policy prescribes the same approach.

During prior discussions a number of potential new revenue sources were identified. However, it is acknowledged that only two sources would produce significant revenue; a street light utility, and a gas/electric franchise fee. If the City enacted a street light utility it could be set at such a rate to generate \$300,000 annually. Gas and electric franchise fees would garner even more. A 1% franchise fee charged to gas and electric customers would equate to approximately \$620,000 annually.

City Staff will be available at the meeting to provide some general comments and address any Council inquiries on these alternative revenue sources.

POLICY OBJECTIVE

The use of varied revenue sources provides greater stability in preserving programs and service levels, and can produce a more equitable distribution of program costs. This is further supported in the Council-adopted Revenue Policy as well as the Imagine Roseville 2025 Goals and Strategies.

FINANCIAL IMPACTS

The potential revenues that could result from implementing these new funding sources vary substantially, but could be significant and may allow the City to preserve program and services at current levels.

STAFF RECOMMENDATION

Staff recommends the continued diversification of revenue streams to support City programs and services.

01 **REQUESTED COUNCIL ACTION**

02 City Staff is seeking direction on whether to pursue the alternative revenue sources identified above.

03
Prepared by: Chris Miller, Finance Director