



STAFF REPORT

TO: Mayor Keis and Members of City Council

FROM: Sam Magureanu, Finance Director

REVIEWED BY: Chris Heineman, City Administrator

DATE: September 14, 2022

RE: Financial Policy Revision – Other Revenues Policy

ACTION REQUESTED:

Approve the Financial Policy revision as presented

BACKGROUND:

It is the current City Policy that a “safe margin” to allow for property tax collections of 97.5% (Rather than 100%) in any given budget year be in place. As a result of this policy the City has been levying an additional 2.5% of the tax levy revenues each year. As noted in the graph bellow there were several years 2006-2009 when the City collected under the 97.5%. It is important to note that the graph only looks at the current portion of the levied amount collections and excludes any delinquent amounts typically collected each year in addition to the current levied amounts.

Further, for the past twelve years the City current portion of the tax levy has been over the 97.5% threshold with an average of 98.55% collection rate and for the past six years the average collection rate has been 98.90%.

The policy revision recommended will allow city staff and city council the flexibility to make decision on the “safe margin” amount each year rather than use a predetermined amount.

Current Policy:

Other Revenues Policy

The City will maintain a diversified and stable revenue system to shelter it from short-run fluctuations in any one revenue source. The City will conservatively estimate its annual revenues by an objective, analytical process. All existing and potential revenue sources will be re-examined annually. The following considerations and procedures will be used to comply with this policy.

- ~~The total sum appropriated for the General Fund shall be less than the total estimated revenue by a safe margin. It is the policy of the City that this “safe margin” will allow for property tax collections of 97.5% in any given budget year.~~ A safe margin for property tax revenue collections shall be determined in any given budget year for the General Fund by city staff and presented to city council for approval. The “safe margin” should take in consideration the average property tax revenue collection rate for the past ten years

and other current economic factors. At its discretion city council could approve a higher or not include a safe margin in its levied property tax revenues.

- Financial planning should consider the instability of intergovernmental sources and the limits and demands on property taxes. Therefore, City must continue to make effective use of fees, charges, and other non-tax revenues.
- Planning must recognize the relationship between finance and community development. Significant fee revenue associated with redevelopment and commercial expansions should not be considered reoccurring in nature. Given the City's substantially developed status, the revenue from development-related charges (building permits, plan check fees, etc.) fees should be based on reasonable levels of repairs and renovation activity.
- The City will establish all user charges and fees for General Fund program activities at a level related to the cost of providing the services, or as adjusted for particular program goals. Each year, the City will review the full cost of activities supported by user fees in order to identify the impact of inflation and other cost increases. These fees, along with the resulting net property tax costs, will be reviewed with the City Council at budget time.
- Transfers between funds shall not be used as a source of revenue to balance fund deficits.

STAFF RECOMMENDATION:

Approve the Financial Policy revision as presented