

TO: City Council for March 5, 2018, Council Meeting
FROM: Nancy Brewer, Finance Director NB
DATE: February 28, 2018
THROUGH: Mark W. Shepard, P.E., City Manager MWS
SUBJECT: Public Hearing on the Local Option Levy



Action Requested:

Staff recommends Council consider the information and options developed in response to the Council's February 8 work session and in preparation for the public hearing on March 5 and the Council Work Session on March 8.

Discussion:

At the February 8 work session the Council had a good discussion about the renewal/replacement of the current local option levy (LOL). At that meeting, Council worked on and discussed priorities for funding. Based on this work, Council asked staff to develop a representative budget and levy value assuming all public safety requests were fully funded from permanent rate revenue. This summary is included as Attachment 1. If all public safety services were fully funded, along with all current services and the added services for Majestic Theatre and Parks Deferred Maintenance, the total amount for a LOL would be \$8.4 million and a tax rate of \$1.70 per \$1,000 of assessed value.

Council has expressed a concern that there may not be community support for a levy ask of \$8 million. Staff shares this concern. Additionally, the potential for a 911 service district provides flexibility in how to structure a levy. In response to this, staff has developed several levy options. This information provides a structure to consider as the Council receives public input and continues the levy discussions at the March 8 Council Work Session.

Attachment 2 is a summary sheet that shows the five options staff developed. This allows a side-by-side comparison of the options. Following this summary, each option has a separate sheet (Exhibits A – E) with additional notes and information to provide more context where appropriate. Exhibit A and D include examples of potential levy structures. These levy examples are included to help guide discussion on any option the Council may choose to pursue.

The Council and the community should keep in mind that all levy options will require the City to continue to look for efficiencies and cost savings in order to offset continued growth in the cost of delivering services. Without a significant positive change in the revenue picture in the future, service cuts may be required regardless of the levy funding option selected.

Budget Impact:

Budget impact will depend on Council decisions.

Attachments: (7)

- Attachment 1 – Levy Discussion Follow-up
- Attachment 2 – Levy Options Summary
 - Exhibit A – Levy Option A
 - Exhibit B – Levy Option B
 - Exhibit C – Levy Option C
 - Exhibit D – Levy Option D
 - Exhibit E – Levy Option E

Levy Discussion Follow-Up

	<u>FY 19-20 Projected</u>
Total Non-Dedicated Revenue	36,254,400
ADD: Police Department Dedicated Revenue	793,100
ADD: Fire Department Dedicated Revenue	4,654,500
LESS: Debt Service	(694,300)
LESS: Admin overhead	(462,000)
LESS: POB Transfers	<u>(2,399,000)</u>
Total Available for Public Safety	37,684,700
Projected Expenditures:	
Fire Department	14,051,800
ADD: Response Time Costs	1,111,000
Police Department	14,454,100
ADD: 10 Hour Shifts	1,785,000
ADD: Community Services Officers	<u>440,000</u>
Total Public Safety with Adds.	31,841,900
Balance of Revenue Available for Other Operations	5,842,800
ADD: Other Ops Dedicated Rev	<u>5,864,300</u>
Total Available for Other Ops	11,707,100
LESS: Current projections for Other Ops	<u>(19,693,700)</u>
Needed Resources	(7,986,600)
ADD: Majestic	(130,000)
ADD: Parks Maintenance	<u>(240,000)</u>
Total Other Ops with Adds:	<u>(8,356,600)</u>

Option→	A	B	C	D	E
Levy revenue	\$4.1 Million	\$5.4 Million	\$5.4 Million	\$5.9 million	\$8.4 Million
New services added	None	Police 10-hour shifts; Police Community service officers; Fire response time; Parks deferred maintenance	Police 10-hour shifts; Parks deferred maintenance; Majestic Theatre;	Police 10-hour shifts; Police community service officers; Parks deferred maintenance; Majestic Theatre	All – Police 10-hour; Police community service officers; Fire response time; Parks deferred maintenance; Majestic Theatre.
Services cut (even with the passage of a levy)	None immediately; additional efficiencies and cost savings will be needed to offset continued growth in the cost of delivering services.	Chintimini Senior Center; Library reduced by \$951,000; Social services reduced to \$100,000.	Social services reduced to \$100,000.	Social services reduced to \$100,000.	Social services reduced to \$100,000
New services NOT added	No new services added	Majestic Theatre	Fire response time; Police community service officers	Fire response time	None.
Tax Rate (per \$1,000 AV)	\$0.82	\$1.07	\$1.07	\$1.20	\$1.70
Cost for Home with AV of \$300,000	\$246	\$321	\$321	\$360	\$510

Option A

Levy Amount	\$4.14 million
New Services Added	None
Services Cut (even with passage of levy)	None
New Service Requests NOT added	<ul style="list-style-type: none"> • Fire Response Time • Police 10-hour shifts • Parks Deferred Maintenance • Majestic Theatre
Tax Rate	\$0.82/\$1,000 AV
Cost for AV of \$300,000	\$246

- This is a straight replacement of the current levy in value
- Staff recommends the items funded by levy be simplified to increase understanding and the ability to communicate what services are being received as a result of the levy.
- When a 911 District is created additional funding will become available. This funding can be considered for increasing service delivery in public safety or livability.
- The City will continue to look for efficiencies and cost savings in order to offset continued growth in the cost of delivering services. Without a significant positive change in the revenue picture in the future, service cuts are likely even if this levy option is approved by the voters.

Possible Livability Levy Package

Parks <ul style="list-style-type: none"> • Osborn Aquatic Center • Senior Center • Majestic Theatre • Recreation Programs • Park Deferred Maintenance 	\$1.8 million
Library <ul style="list-style-type: none"> • Service days/hours • Collection • Programs • Staffing 	\$2.3 million
Total	\$4.1 million

Option B

Levy Amount	\$5.4 million
New Services Added	<ul style="list-style-type: none"> • Fire Response • Police 10-hour shifts • Police CSOs • Park Deferred Maintenance
Services Cut (even with passage of levy)	<ul style="list-style-type: none"> • Senior Center • Library reduced by \$951,000 • Annual social service funding reduced to \$100,000
New Service Requests NOT added	<ul style="list-style-type: none"> • Majestic Theatre
Tax Rate	\$1.07/\$1,000 AV
Cost for AV of \$300,000	\$321

- This option funds all public safety and offsets these service increases with service reductions in other areas.
- Service levels in police increase by eliminating 12-hour shifts and adding CSOs.
- Service levels in Fire increase by eliminating the either/or response.
- Services cuts to Parks and Library would remain in effect until alternative funding can be developed.
- Operations of the Majestic Theatre would not continue unless an alternative funding source was identified.
- Funding for Social Services would be decreased from the current level of \$360,000 per year to \$100,000 per year.
- City will continue to look for efficiencies and cost savings in order to offset continued growth in the cost of delivering services. Without a significant positive change in the revenue picture in the future, service cuts are likely even if this levy option is approved by the voters.

Option C

Levy Amount	\$5.4 million
New Services Added	<ul style="list-style-type: none"> • Police 10-hour shifts • Park Deferred Maintenance • Majestic Theatre
Services Cut (even with passage of levy)	<ul style="list-style-type: none"> • Annual Social Service Funding Reduced to \$100,000
New Service Requests NOT added	<ul style="list-style-type: none"> • Fire Response Time • Police CSO
Tax Rate	\$1.07/\$1,000 AV
Cost for AV of \$300,000	\$321

- Two public safety services not funded – Fire response time and Police CSOs.
- Fire response time can be added when a 911 Service District is created.
- Police CSO will not be funded even when a 911 District is created.
- City will continue to look for efficiencies and cost savings in order to offset continued growth in the cost of delivering services. Without a significant positive change in the revenue picture in the future, service cuts are likely even if this levy option is approved by the voters.

Option D

Levy Amount	\$5.9 million
New Services Added	<ul style="list-style-type: none"> • Police 10-hour shifts • Police CSO • Parks Deferred Maintenance • Majestic Theatre
Services Cut (even with passage of levy)	<ul style="list-style-type: none"> • Annual Social Service Funding Reduced to \$100,000
New Service Requests NOT added	<ul style="list-style-type: none"> • Fire response time
Tax Rate	\$1.20/\$1,000 AV
Cost for AV of \$300,000	\$360

- All service additions are included except Fire response time.
- Fire response time can be added when a 911 Service District is created.
- City will continue to look for efficiencies and cost savings in order to offset continued growth in the cost of delivering services. Without a significant positive change in the revenue picture in the future, service cuts are likely even if this levy option is approved by the voters.

Possible Livability Levy Package

Parks <ul style="list-style-type: none"> • Osborn Aquatic Center • Senior Center • Majestic Theater • Recreation Programs • Park Deferred Maintenance 	\$1.82 million
Library <ul style="list-style-type: none"> • Service days/hours • Collection 	\$3.54 million
Police <ul style="list-style-type: none"> • Community Service Officers 	\$440,000
Social Service Funding	\$100,000
Total	\$5.9 million

Option E

Levy Amount	\$8.64 million
New Services Added	All <ul style="list-style-type: none"> • Fire Response Time • Police 10-hour shifts • Parks Deferred Maintenance • Majestic Theatre
Services Cut (even with passage of levy)	None
New Service Requests NOT added	N/A
Tax Rate	\$1.70/\$1,000 AV
Cost for AV of \$300,000	\$510

- City will continue to look for efficiencies and cost savings in order to offset continued growth in the cost of delivering services. Without a significant positive change in the revenue picture in the future, service cuts are likely even if this levy option is approved by the voters.