

ITEM #: 35
DATE: 04-25-23
DEPT: Finance

COUNCIL ACTION FORM

SUBJECT: RESOLUTION APPROVING FISCAL YEAR 2022/23 ADJUSTED BUDGET AND FISCAL YEAR 2023/24 BUDGET

BACKGROUND:

On April 11, 2023, the City Council approved the maximum levy amount of \$23,666,001 for all non-debt service property tax collections and set the public hearing for final budget adoption for April 25, 2023. Approval and adoption of this resolution is the final statutory step in approving the FY 2023/24 budget. It should be noted that the deadline for approving the FY 2023/24 budget was delayed by the Legislature from March 31 to April 30 to allow additional time for modifications necessary to mitigate the impact of the changes made at the state level regarding the residential rollback.

CITY OF AMES BUDGET AND PROPERTY TAX LEVY

The proposed budget and associated notices include a total City levy rate of \$10.20, resulting in total non-ag-related property tax collections of \$34,809,152. When compared to the previous year, this amounts to a 37-cent increase in the proposed tax rate and generates an additional \$1,216,233 or 3.62% more dollars.

It is difficult to determine the change in tax bill impact on each individual parcel. However, generally, staff expects the following average impacts per classification of properties:

Residential Property: an average increase of roughly \$26.22 or +4.93% per \$100,000 of assessed valuation

Commercial Property: an average decrease of roughly \$23.33 or -2.64% per \$100,000 of assessed valuation

Industrial Property: an average increase of roughly \$24.63 or +2.78% per \$100,000 of assessed valuation.

PREVIOUSLY PRESENTED ESTIMATED PROPERTY TAX IMPACTS:

The revised estimated property tax impacts outlined above are a change to the figures presented to the City Council in February as part of the original budget recommendation that required only a 13-cent increase in the proposed tax rate. The estimated property tax impacts provided at that time were:

Residential Property: an average increase of roughly \$31.56 or +5.93% per \$100,000 of assessed valuation

Commercial Property: an average decrease of roughly \$39.94 or -4.51% per \$100,000 of assessed valuation

Industrial Property: an average increase of roughly \$3.84 or +.43% per \$100,000 of assessed valuation.

As noted above, these changes to the estimated property tax impacts are the result of the State's changes to the residential rollback after the City Manager's recommended budget was finalized, which was amended from 56.49% to 54.65% and resulted in a decrease in taxable valuation of \$81,769,892. This modification was a highly unusual adjustment directed by State Legislative action after the Staff had presented the recommended budget to the City Council.

ADJUSTED BUDGET:

The totals reflected in the Adjusted FY 2022/23 City budget are the same as approved by the City Council at the Budget Wrap Up Session in February 2023. As is customary, Staff will be preparing a final amendment to the FY 2022/23 to the adjusted budget for City Council approval in May 2023.

ALTERNATIVES:

1. Adopt a resolution approving:
 - a. The Adjusted FY 2022/23 City Budget
 - b. The proposed FY 2023/24 City Budget
2. Delay adoption of the Adjusted FY 2022/23 and FY 2023/24 Budget.

CITY MANAGER'S RECOMMENDED ACTION:

State law requires that the City hold a public hearing and take action to adopt the Adjusted FY 2022/23 and FY 2023/24 Budgets. In the event the City delays the adoption of the annual budget and does not meet the required deadline, the City will be limited to the FY 2022/23 budget amount. The proposed budget documents contain the programs, revenues, and expenditures directed by the City Council to be included. Therefore, it is recommended that City Council approve Alternative No. 1 a & b, as described above.

	Previous Year Final FY 2022/23 Budget		Manager's Original Recommend FY 2023/24 Budget		Manager's Recommended FY 2023/24 Final Budget (Historical) After Rollback Adjustment		Manager's Recommended FY 2023/24 Final Budget After Rollback Adjustment	
	Valuation January 1, 2021 Property Tax Payable 22-23		Valuation January 1, 2022 Property Tax Payable 23-24		Valuation January 1, 2022 Property Tax Payable 23-24		Valuation January 1, 2022 Property Tax Payable 23-24	
Taxable Valuation		3,399,701,391		3,488,467,481		3,406,697,589		3,406,697,589
Percentage Change		4.4%		2.6%		0.2%		0.2%
TIF Valuation Available for Debt Service		57,260,674		17,675,578		17,675,578		17,675,578
Levy Type	Levy Rate Per \$1,000	Dollar Value of Levy	Levy Rate Per \$1,000	Dollar Value of Levy	Levy Rate Per \$1,000	Dollar Value of Levy	Levy Rate Per \$1,000	Dollar Value of Levy
General	7.36147	25,026,811	7.49016	26,129,176	7.66965	26,128,176	8.34869	28,441,446
State Repl. Tax	(0.11613)	394,820	(0.15452)	539,023	(0.15822)	539,023	(0.17655)	601,458
Fund Balance Use					-	-	(0.01614)	55,000
Local Option Tax	(1.73175)	5,887,438	(1.77207)	6,181,810	(1.81460)	6,181,810	(1.81460)	6,181,810
Net General	5.51359	18,744,553	5.56357	19,408,343	5.69682	19,407,343	6.34138	21,603,178
Employee Benefits	0.68420	2,326,059	0.66312	2,313,268	0.67904	2,313,268	-	-
State Repl. Tax	(0.01436)	48,804	(0.01790)	62,435	(0.01833)	62,435	-	-
Fund Balance Use	(0.02647)	90,000	(0.01577)	55,000	(0.01614)	55,000	-	-
Net Employee Benefits	0.64337	2,187,255	0.62945	2,195,833	0.64456	2,195,833	-	-
Transit	0.61137	2,078,474	0.60773	2,120,043	0.62232	2,120,043	0.62232	2,120,043
State Repl. Tax	(0.01306)	44,384	(0.01640)	57,219	(0.01680)	57,220	(0.01680)	57,220
Net Transit	0.59831	2,034,090	0.59133	2,062,824	0.60552	2,062,823	0.60552	2,062,823
Total W/O Debt Svc.	6.75527	22,965,898	6.78435	23,667,000	6.94690	23,666,001	6.94690	23,666,001
Debt Service	3.14015	10,855,367	3.28470	11,516,623	3.36313	11,516,623	3.36313	11,516,623
Fund Balance Use	-	-	(0.01569)	55,000	(0.01606)	55,000	(0.01606)	55,000
State Repl. Tax	(0.06605)	228,346	(0.09083)	318,471	(0.09300)	318,472	(0.09300)	318,472
Net Debt Service	3.07409	10,627,021	3.17818	11,143,152	3.25407	11,143,151	3.25407	11,143,151
TOTAL LEVIED TAXES	9.82936	33,592,919	9.96253	34,810,152	10.20097	34,809,152	10.20097	34,809,152
Previous Year Difference			0.13317	1,217,233	0.37161	1,216,233	0.37161	1,216,233

SAMPLE TAX CALCULATIONS

(Valuations Increased By Average Assessment Increase by Property Class)

	FY 2022/23 Tax Levy		FY 2023/24 Tax Levy	Dollar Change	Percentage Change
City Rate					
Per \$1,000 Taxable Valuation	9.82936		9.96255	0.13319	1.36%
<u>Residential</u>					
100% Valuation	\$ 100,000.00		100,146.59		
Rollback Adjustment	54.1302%		56.4919%		
Taxable Value	\$ 54,130.20	\$	56,574.71		
City Tax	\$ 532.07	\$	563.63	\$ 31.56	5.93%
<u>Commercial</u>					
100% Valuation	\$ 100,000.00		98,121.98		
Rollback Adjustment	90%		86.4107%		
Taxable Value	\$ 90,000.00	\$	84,787.89		
City Tax	\$ 884.64	\$	844.70	\$ (39.94)	-4.51%
<u>Industrial</u>					
100% Valuation	\$ 100,000.00		101,083.89 *		
Rollback Adjustment	90%		88.2262%		
Taxable Value	\$ 90,000.00	\$	89,182.47		
City Tax	\$ 884.64	\$	888.48	\$ 3.84	0.43%

The calculations above are samples only. The exact amount of city taxes will be based on specific valuation.

SAMPLE TAX CALCULATIONS

(Valuations Increased By Average Assessment Increase by Property Class)

	FY 2022/23 Tax Levy	FY 2023/24 Tax Levy	Dollar Change	Percentage Change
City Rate				
Per \$1,000 Taxable Valuation	9.82936	10.20097	0.37161	3.78%
<u>Residential</u>				
100% Valuation	\$ 100,000.00	100,145.19		
Rollback Adjustment	54.1302%	54.6501%		
Taxable Value	\$ 54,130.20	\$ 54,729.45		
City Tax	\$ 532.07	\$ 558.29	\$ 26.22	4.93%
<u>Commercial</u>				
100% Valuation	\$ 100,000.00	98,121.98		
Rollback Adjustment	90%	86.0502%		
Taxable Value	\$ 90,000.00	\$ 84,434.16		
City Tax	\$ 884.64	\$ 861.31	\$ (23.33)	-2.64%
<u>Industrial</u>				
100% Valuation	\$ 100,000.00	101,083.89 *		
Rollback Adjustment	90%	88.1797%		
Taxable Value	\$ 90,000.00	\$ 89,135.47		
City Tax	\$ 884.64	\$ 909.27	\$ 24.63	2.78%

The calculations above are samples only. The exact amount of city taxes will be based on specific valuation.