



Item: Resolution 9969 – Intent to Increase Property Tax

From: Gregory T. Doyon, City Manager

Initiated By: Statutory Budget Requirements

Presented By: Melissa Kinzler, Fiscal Services Director

Action Requested: Conduct the Public Hearing and Adopt Resolution 9969 – Intent to Increase Property Tax

Public Hearing:

1. Mayor conducts public hearing, calling three times each for opponents and proponents.
2. Mayor closes public hearing and asks the will of the Commission.

Suggested Motion:

1. Commissioner moves:

“I move the City Commission (adopt /deny) Resolution 9969 – Intent to Increase Property Tax.”

2. Mayor calls for a second, discussion, and calls for the vote.
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Staff Recommendation: Staff recommends the City Commission conduct the public hearing and adopt Resolutions 9969 - Intent to Increase Property Tax.

Background: Prior to the adoption of the City’s annual budget the City is required to hold public hearings on 1) the intent to increase revenue from property taxation, and 2) the proposed annual budget. The purpose of this hearing is to have public discussion on the City Commission’s Intent to Increase Property Tax.

The City of Great Falls has a limited ability to increase property tax revenue. Under Section 15-10-420, MCA, the City is authorized to increase property tax revenue by “one-half of the average rate of inflation for the prior 3 years.”

For Fiscal Year 2011 (Tax Year 2010), the City Commission did not use the allowable increase of 1.14%. This amounts to \$128,775 of additional revenue.

For Fiscal Year 2012 (Tax Year 2011), the City Commission did not use the allowable increase of .72%. This amounts to \$85,345 of additional revenue.

For Fiscal Year 2013 (Tax Year 2012) as provided by the Montana Department of Administration, the allowable inflationary adjustment is 1.2%. This amounts to \$153,704 of additional revenue.

The City Commission is authorized a 3.06% property tax increase using the inflationary adjustment. The total additional revenue for inflationary adjustment to the General Fund would be \$367,824. The increase is needed to fund priority items in the Fiscal Year 2013 General Fund budget.

Sections 15-10-420 and 2-9-212(2)(a), MCA, also allow property tax levy increases for premium contributions for group benefits. The City's Health Insurance Fund has loss of \$728,521 this year. Premium increases of 10% are required for Fiscal Year 2013. The City is proposing an additional 1.40% property tax levy increase for health insurance premiums. This would provide \$179,416 in additional revenue to help offset the FY 2013 premium health insurance increases in the General Fund.

The total proposed allowable property tax levy increase is 4.46%.

The hearing is for the Intent to Increase Property Tax, additional action by the City Commission will be needed in the future to set the increased mill levy. This will occur after the City receives its certified taxable value from the Montana Department of Revenue in August.

Concurrences: A Preliminary Revenue and Budget Overview was presented at the June 19, 2012 City Commission Work Session. The proposed Fiscal Year 2013 budget was presented by the City Manager at July 3, 2012 City Commission Work Session.

Fiscal Impact: The fiscal impact of the proposed increase for inflation for a residential home with a taxable market value of \$100,000 would be approximately \$12.84, \$4.68 for Fiscal Year 2011, \$3.11 for Fiscal Year 2012, and \$5.05 for Fiscal Year 2013. The fiscal impact of the proposed increase for the "Permissive Medical Levy" is \$6.26. The total impact on a residential home with a taxable market value of \$100,000 would be \$19.10 for the year. The fiscal impact of not authorizing the increase for inflation mills to the General Fund would result in a revenue shortfall of \$547,240 for the proposed budget.

Alternatives: If the Intent to Increase Property Taxes is not adopted, the General Fund would need to determine alternative revenues from non-property tax sources. Other options include reducing proposed expenditures by \$547,240 or using General Fund fund balance of \$547,240. The General Fund fund balance is projected to be \$5.9 million (24.5% of expenditures) at the end of Fiscal Year 2013 without any additional use of General Fund fund balance. The City of Great Falls fund balance policy set in the Annual Budget resolution is 17%.

Attachments/Exhibits: 1) NOTICE OF BUDGET INCREASE FROM PROPERTY TAXES
2) RESOLUTION NO. 9969 –RESOLUTION OF INTENT TO INCREASE PROPERTY TAX

NOTICE OF BUDGET INCREASE FROM PROPERTY TAXES

The City of Great Falls intends to budget an increase in revenue from property taxation by approximately 4.46%, as allowed by Section 15-10-420, MCA.

All concerned persons are invited and encouraged to attend a public hearing on budgeting the increased property tax revenue and on the budget as a whole to be held on July 17, 2012, at 7:00 p.m., City Commission Chambers, Civic Center Building.

A decision on budgeting the increased property tax revenue will be made after considering comments made at this hearing.

For further information, please contact: City Clerk's Office, Room 202, Civic Center, 455-8451.

Lisa Kunz
City Clerk

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Publication Dates: July 8, 2012
July 15, 2012

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RESOLUTION NO. 9969
RESOLUTION OF INTENT TO INCREASE PROPERTY TAX
FOR THE FISCAL YEAR BEGINNING JULY 1, 2012 AND ENDING JUNE 30, 2013

- WHEREAS**, Section 15-10-203(1), MCA, requires the City to hold a public hearing and subsequently adopt a resolution of its intent to increase property tax revenue, prior to budgeting for any increase in property tax revenue from existing property, and
- WHEREAS**, Section 15-10-420(1)(a), MCA, allows the City to increase its annual property tax levy by "one-half of the average rate of inflation for the prior 3 years" , and
- WHEREAS**, Section 15-10-420(1)(c), MCA, provides for the average rate of inflation to be calculated "using the consumer price index, U.S. City average, all urban consumers, using the 1982-1984 base of 100, as published by the bureau of labor Statistics of the United States department of labor", and
- WHEREAS**, the applicable consumer price indexes had a three year average of 2.28% and an allowed tax levy increase of **1.14%** for Tax Year 2010, and
- WHEREAS**, the applicable consumer price indexes had a three year average of 1.44% and an allowed tax levy increase of **.72%** for Tax Year 2011, and
- WHEREAS**, the applicable consumer price indexes had a three year average of 2.40% and an allowed tax levy increase of **1.2%** for Tax Year 2012, and
- WHEREAS**, the total allowed tax levy increase for inflation is **3.06%**, and
- WHEREAS**, MCA 2-9-212(2a) excludes a portion of a governmental entity's property tax levy for premium contributions for group benefits from the mill levy calculation limitation provided for in 15-10-420.
- WHEREAS**, MCA 2-9-212(2a) allows additional mill levy's for premium contributions for group benefits beyond the amount of contributions in effect.
- WHEREAS**, the applicable contributions increase allows the City to levy additional mills under MCA 2-9-212(2a), an allowed tax levy increase of **1.40%**.
- WHEREAS**, the notice of hearing on the City's intent to budget an increase in revenue from property taxation by **4.46%**, was published in accordance with Section 7-1-4127, MCA, as required by Section 15-10-203, MCA, and Section 2-9-212(2)(b), MCA, and

WHEREAS, the hearing on the City's intent to budget an increase in revenue from property taxation was held in accordance with Section 7-1-4131, MCA, and Section 15-10-203 MCA,

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF GREAT FALLS, MONTANA:

Section 1. - Intent to budget additional property tax revenue

The City Commission intends to budget the **4.46 percent** increase in property tax revenue allowed by Section 15-10-420, MCA.

PASSED AND ADOPTED by the City Commission of the City of Great Falls, Montana, July 17, 2012.

Michael J. Winters, Mayor

ATTEST:

Lisa Kunz, City Clerk

(Seal of the City)

APPROVED FOR LEGAL CONTENT:

James W. Santoro, City Attorney