



Item: Resolution 10116 – Annual Tax Levy
From: Gregory T. Doyon, City Manager
Initiated By: Taxable Valuations from the Montana Department of Revenue
Presented By: Melissa Kinzler, Fiscal Services Director
Action Requested: Adopt Resolution No. 10116

Suggested Motion:

1. Commissioner moves:

“I move that the City Commission (adopt/deny) Resolution 10116.”

2. Mayor calls for a second, discussion, public comment, and calls the vote.

Summary: The City Commission is required to fix an annual tax levy by setting mills to generate property tax revenues to fund city operations. The City received its taxable valuation from the Montana Department of Revenue (MTDOR) on August 3, 2015. With this valuation, the City can now compute and set its annual mill levy.

During the FY 2016 Budget Adoption Process, the Fiscal Services Department conservatively projected the City’s newly taxable property revenue would be \$95,000. The projection was based on newly taxable property amounts over the prior three years (history attached). The trend showed a decline. The newly taxable revenue reported by MTDOR is actually \$822,535. This new revenue, based on new construction, is separate and distinct from the state’s recent appraisal process.

A majority of the value increase is due to the expansion of the Montana Refinery Company and other centrally assessed property purchased by Sprint. While this new taxable value will be rolled into future tax cap calculations, staff believes this year’s revenue increase is an anomaly which will not likely be typical in future revenue calculations (i.e., Great Falls has one refinery with limited expansion capacity, new centrally assessed properties for Sprint are unlikely to occur annually).

Background: This unexpected amount of new newly taxable property revenue means that the City will have significantly more tax revenue than projected. However, the City anticipates

property assessment appeals which means the City will not know definitively how much of this new projected tax revenue will be available until those appeals are processed.

The newly taxable property increases the taxable value per mill from \$75,052 in FY 2015 to \$86,964 in FY 2016. Although the taxable value per mill increased, the number of mills levied decreased in FY 2016. The increase in value also indicates that Great Falls tax base has expanded and offers some new flexibility to address budget needs.

One immediate benefit to the City's budget is the Great Falls Public Library. The library receives nine (9) mills under its agreement with the City. With the new taxable value, this translates into an additional \$107,208 for the library in FY 2016.

Included in the mills are the following:

Debt Service

- 1.97 mills for soccer park debt service payments (small increase from prior year)
- 3.12 mills for swimming pool debt service payments (small decrease from prior year)

The annual soccer and pool debt payments with expenses total \$437,688, which are included in the \$16,548,385 mill levy total.

The soccer park bonds were issued June 14, 2004, for \$2,500,000 for twenty years and refinanced in April, 2014. The outstanding balance of the soccer bonds as of June 30, 2015 was \$1,325,000. The bonds maturity date is July 1, 2024. The swimming pool debt service bonds were issued May 5, 2007, for \$2,270,000 and refinanced in April, 2014. The outstanding balance of the swimming pool debt services as of June 30, 2015, was \$510,000, the bonds maturity date is July 1, 2017.

Permissive Medical Levy

- 23.03 mills (increase from last year)

Total Mill Levy Summary

Last year's mill levy for Tax Year 2014 (Fiscal Year 2015) generated revenue of \$15,351,310. The differences between the mill levy of \$15.3 million (what the City milled last year) and \$16,548,385 million (what the City will mill this year) include the following:

General

- \$767,587 for newly taxable property,
- \$88,387 for the inflationary adjustment,
- \$286,319 for the "Permissive Medical Levy", and,
- \$54,956 from previous taxable value adjustments.

Voted General Obligation Debt

- \$190 for the increase in the revenue needed for the soccer park debt and,
- (\$364) for the decrease in the revenue needed for the swimming pool debt.

Fiscal Impact: The total mill levy for Tax Year 2015 (Fiscal Year 2016) is 190.29 mills totaling \$16,548,385. The revised new taxable value \$822,535 results in an additional \$620,327 in undesignated appropriations for the General Fund. This figure is derived by:

\$822,535 of new taxable value **minus** \$107,208 library allocation **minus** previous revenue estimate of \$95,000 = \$623,327

As proposed, the projected impact on a \$100,000 home with a taxable market value is as follows:

| | |
|-------------------------------------|---------------|
| Inflationary Adjustment (\$88,387) | \$2.91 |
| Permissive Medical Levy (\$286,319) | <u>\$9.36</u> |
| <i>Total</i> | \$12.27 |

Alternatives: State law requires that the City adopt a Fiscal Year 2016 Budget which includes setting the annual mill levy amounts on or before the first Thursday after the first Tuesday in September or 30 days after receiving taxable valuation from the Montana Department of Revenue whichever is later.

The City Commission could reduce the amount of its levies – both the inflationary adjustment and the Permissive Medical Levy. In doing so, the Commission may reduce the mill amount collected, but that does not necessarily guarantee a reduction in property tax because of the new property appraisals.

The City Commission could also accept the tax levies as presented, allow any tax appeals to run their course, and after the first of the year reconsider any deferred items that may be addressed with the new revenue. This timeframe also provides the City Commission with ample time to review, consider, and prioritize deferred capital and operational needs. Budget adjustments can then be made as necessary with review from city department heads and the public.

City departments have presented reduced or status quo budgets for the past three years. Departments have also deferred a significant amount of operational requests and capital needs. Since the new value was received on August 3, 2015 the City Commission has not had the opportunity to discuss and debate these deferred items. For example, the Capital Improvement Plan (Administrative Draft) totaled \$4.2 million in requests – of that \$977,378 was funded in the FY 2016 budget. Of the \$2.1 million in department operational requests, only \$1,083,337 was funded.

Concurrences: The Fiscal Year 2016 Budget was adopted July 21, 2015. Setting the mill levy for Tax Year 2015 (Fiscal Year 2016) is the last step in the adoption of the Fiscal Year 2016 City of Great Falls Budget.

Attachments/Exhibits:

1. Tax Levy Resolution 10116 with Appendix A.
2. Taxable Valuation History.
3. 2015 Certified Taxable Valuation Information (Montana Department of Revenue).

RESOLUTION NO. 10116
RESOLUTION TO FIX ANNUAL TAX LEVY
A RESOLUTION PROVIDING FOR THE ANNUAL TAX
LEVY IN MILLS FOR THE FISCAL YEAR BEGINNING
JULY 1, 2015 AND ENDING JUNE 30, 2016

WHEREAS, Montana Code Annotated (MCA), 7-1-114, states "(1) A local government with self-governing powers is subject to ... (g) except as provided in subsection (3), any law regulating the budget, finance, or borrowing procedures and powers of local governments... (3) (b) The provisions of 15-10-420 apply to self-governing local government units."

WHEREAS, The City of Great Falls, Montana adopted a self-governing charter in 1986. Article I, Section 3 of the Charter of the City of Great Falls, Montana states: "The total mill levy shall not exceed that allowed to general powers cities of the first class by Montana Law."

WHEREAS, Section 7-6-4036, MCA, requires the City Commission to fix the tax levy for each taxing jurisdiction by the later of the first Thursday after the first Tuesday in September or within 30 calendar days after receiving certified taxable values. Certified taxable values were received August 3, 2015.

WHEREAS, Section 15-10-420, MCA provides:

(1)(a) Subject to the provisions of this section, a governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3 years. The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax actually assessed in the governmental unit in the prior year based on the current year taxable value, less the current year's value of newly taxable property plus one-half the average rate of inflation for the prior 3 years.

(2) ... plus any additional levies authorized by the voters ...

(9) (a) The provisions of subsection (1) do not prevent or restrict:...(vi) the portion that is the amount in excess of the base contribution of a governmental entity's property tax levy for contributions for group benefits excluded under 2-9-212 or 2-18-703.

WHEREAS, Section 15-10-201, MCA, requires the City Commission to fix its tax levy in mills and tenths and hundredths of mills.

WHEREAS, The Department of Revenue's certified taxable value for the City of Great Falls is \$88,577,771 which equates to \$88,578 per mill; when the incremental value of the tax increment finance district is removed the value is \$86,964 per mill. This includes \$822,535 or \$5,072 per mill, of newly taxable property.

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

Section 1. - Determination of Mill Levy Limit

- Appendix A shows the determination of the total mill levy limit of 162.17 mills.
- An additional 23.03 “Permissive Medical Levy” is allowed under 15-10-420(9)(a)(vi) for increased health insurance premiums not included in the Appendix A calculation.
- An additional 1.97 mills is allowed under 15-10-420(2) for additional voter supported mills. On November 4, 2003, a \$2.5 million general obligation bond was approved by voters for construction of a soccer park. It has been determined that 1.97 mills for soccer park debt service payments is needed for Fiscal Year 2016.
- Lastly, an additional 3.12 mills is allowed under 15-10-420(2) for additional voter supported mills. On November 7, 2006, a \$2.27 million general obligation bond was approved by voters for repair and improvement of city pool facilities. It has been determined that 3.12 mills for swimming pool debt service payments is needed for Fiscal Year 2016.

Section 2. - Tax Levy Amounts

A 190.29 mill levy will generate:

- a. \$ 13,280,422 from the \$81,892 certified value per mill for Previously Taxable Property;
- b. \$ 822,535 from the \$5,072 certified value per mill for Newly Taxable Property;
- c. \$ 2,002,781 from the \$86,964 certified value per mill for increased Health Insurance premiums “Permissive Medical Levy”;
- d. \$ 171,319 from the \$86,964 certified value per mill for soccer park debt service payments, and,
- e. \$ 271,328 from the \$86,964 certified value per mill for swimming pool debt service payments.
- f. \$16,548,385 in total City tax for 2015 Tax Year from the \$86,964 total certified value per mill.

This does not reflect delinquent collections or tax increments withheld.

Section 3. - Tax Levy Required and Set

- a. 162.17 mill levy- The City Commission has determined a \$14,102,957 tax levy, requiring a 162.17 mill levy, is necessary to balance the General Fund Budget.
- b. 23.03 mill levy- The City Commission has determined a \$2,002,781 “Permissive Medical Levy”, requiring a 23.03 mill levy, is necessary for increased health premium costs to balance the General Fund Budget.
- c. 1.97 mill levy- The City Commission has determined a \$171,319 tax levy, requiring a 1.97 mill levy, is necessary for the soccer park debt service payment.
- d. 3.12 mill levy- The City Commission has determined a \$271,328 tax levy, requiring a 3.12 mill levy, is necessary for the swimming pool debt service payment.
- e. Total 190.29 - The City Commission of the City of Great Falls, Montana hereby fixes the tax levy for the fiscal year July 1, 2015 through June 30, 2016 at 190.29 mills.

PASSED AND ADOPTED by the City Commission of the City of Great Falls, Montana, August 18, 2015.

Michael J. Winters, Mayor

ATTEST:

Lisa Kunz, City Clerk

(Seal of the City)

APPROVED FOR LEGAL CONTENT:

Sara R. Sexe, City Attorney

**Resolution 10116 Appendix A. DETERMINATION OF TAX REVENUE AND MILL
LEVY LIMITATIONS
UNDER SECTION 15-10-420, MCA
GENERAL FUND
FYE JUNE 30, 2016
CITY OF GREAT FALLS**

The tax revenue and mill levy limitations will be computed automatically

**NOTE: When entering a number to be subtracted enter as a negative number
Where formulas exist (Salmon-shaded Cells), No Entry is Necessary**

MAXIMUM PROPERTY TAXES AUTHORIZED: (Note: appropriate statutes are referenced)

| | | |
|---|---------------|-------------------|
| Ad valorem tax revenue authorized to be assessed prior year (from prior year's determination form - (8a)) | <u>88,387</u> | <u>13,192,036</u> |
| Add: FISCAL YEAR 2016 INFLATION ADJUSTMENT @ 0.67% (Section 15-10-420(1a)(1c), MCA) | <u>88,387</u> | <u>88,387</u> |
| Less: Property taxes authorized to be assessed in the prior year for Class 1 and 2 property (net and gross proceeds, county only) (Section 15-10-420(6), MCA (enter as <u>negative</u> number)) | <u>0</u> | <u>0</u> |
| Adjusted ad valorem tax revenue | | <u>13,280,423</u> |

CURRENT YEAR LEVY COMPUTATION:

| | | |
|---|----------------|-------------------|
| Taxable value <u>per mill</u> (To figure per mill value divide by 1,000 or move decimal 3 places to left) | <u>88,578</u> | <u>88,578</u> |
| Less: <u>per mill</u> incremental value of tax increment financing district (TIF) (enter as <u>negative</u>) | <u>(1,614)</u> | |
| Adjusted taxable value (adjusted for removal of TIF per mill incremental district value) | | <u>86,964</u> |
| Less: Newly taxable property <u>per mill value</u> , (enter as <u>negative</u>) | <u>(5,072)</u> | |
| Taxable value <u>per mill</u> of net and gross proceeds (county only) (enter as <u>negative</u>) | <u>(5,072)</u> | <u>(5,072)</u> |
| Adjusted Taxable value per mill | | <u>81,892</u> |
| Authorized mill levy under Section 15-10-420, MCA (includes floating mills) | | <u>162.17</u> |
| Adjusted taxable value per mill | | <u>81,892</u> |
| Add: Newly taxable property per mill value | <u>5072</u> | |
| Taxable value per mill of net and gross proceeds (county only) | <u>0</u> | <u>5,072</u> |
| Taxable value per mill (including newly taxable property but excluding TIF per mill incremental value) | | <u>86,964</u> |
| Authorized mill levy under Section 15-10-420, MCA (includes floating mills) | | <u>162.17</u> |
| Current property tax revenue authorized limitation | | <u>14,102,957</u> |
| <u>RECAPITULATION:</u> | | |
| Adjusted ad valorem tax revenue | | <u>13,280,423</u> |
| Amount attributable to newly taxable property and net/gross proceeds | | <u>822,535</u> |
| Current property tax revenue authorized limitation | | <u>14,102,957</u> |

Taxable Valuation History

| Tax Levy Year | Fiscal Year | Total Taxable Value** | Tax Increment Districts | | | | | | Net Taxable Value | % increase (decrease) prior year net taxable value | New Property Value | % increase (decrease) prior year newly taxable property | Levy in Mills |
|---------------|-------------|-----------------------|-------------------------|-------------------------|-----------------------------|------------------------------|------------------------|----------------------|-------------------|--|--------------------|---|---------------|
| | | | Downtown | Pasta MT/ General Mills | International Malting Plant | West Bank Urban Renewal Plan | Gt Falls Int'l Airport | East Industrial Park | | | | | |
| 2001 | FY 2002 | \$65,437,840 | \$ 4,511,569 | \$ 552,276 | NA | NA | NA | NA | \$ 60,373,995 | 0.33% | \$ 1,011,770 | -47.79% | 111.32 |
| 2002 | FY 2003 | \$65,117,051 | \$ 4,364,549 | \$ 595,357 | NA | NA | NA | NA | \$ 60,157,145 | -0.36% | \$ 1,302,597 | 28.74% | 119.00 |
| 2003 | FY 2004 | \$65,328,553 | \$ 4,102,725 | \$ 700,009 | NA | NA | NA | NA | \$ 60,525,819 | 0.61% | \$ 1,041,336 | -20.06% | 124.33 |
| 2004 | FY2005 | \$66,377,650 | \$ 3,343,580 | NA | NA | NA | NA | NA | \$ 63,034,070 | 4.14% | \$ 2,030,124 | 94.95% | 131.64 |
| 2005 | FY2006 | \$68,609,562 | \$ 3,402,127 | NA | NA | NA | NA | NA | \$ 65,207,435 | 3.45% | \$ 2,748,377 | 35.38% | 138.27 |
| 2006 | FY2007 | \$70,990,415 | \$ 3,832,568 | NA | \$ 141,345 | NA | NA | NA | \$ 67,016,502 | 2.77% | \$ 2,873,541 | 4.55% | 140.94 |
| 2007 | FY2008 | \$73,776,332 | \$ 4,064,883 | NA | \$ 225,476 | NA | NA | NA | \$ 69,485,973 | 3.68% | \$ 2,387,436 | -16.92% | 158.21 |
| 2008 | FY2009 | \$76,405,690 | \$ 4,107,804 | NA | \$ 294,210 | \$ 30,733 | NA | NA | \$ 71,972,943 | 3.58% | \$ 2,138,961 | -10.41% | 162.68 |
| 2009 | FY2010 | \$76,862,700 | NA | NA | \$ 309,168 | \$ 205,857 | NA | NA | \$ 76,347,675 | 6.08% | \$ 6,947,574 | 224.81% | 169.04 |
| 2010 | FY 2011 | \$78,275,702 | NA | NA | \$ 195,477 | \$ 574,725 | \$ 728 | NA | \$ 77,504,772 | 1.52% | \$ 2,931,771 | -57.80% | 173.10 |
| 2011 | FY 2012 | \$78,709,035 | NA | NA | \$ 176,312 | \$ 553,480 | \$ 6,659 | NA | \$ 77,972,584 | 0.60% | \$ 5,295,716 | 80.63% | 183.24 |
| 2012 | FY 2013 | \$77,852,991 | NA | NA | \$ 157,225 | \$ 557,385 | \$ 6,333 | NA | \$ 77,132,048 | -1.08% | \$ 1,278,348 | -76% | 193.57 |
| 2013 | FY 2014 | \$78,054,590 | \$ 105 | NA | \$ 155,000 | \$ 560,136 | \$ 11,171 | NA | \$ 77,328,178 | 0.25% | \$ 787,945 | -38% | 198.74 |
| 2014 | FY 2015 | \$76,098,354 | \$ 41,765 | NA | \$ 386,390 | \$ 575,135 | \$ 11,275 | \$ 31,452 | \$ 75,052,337 | -2.94% | \$ 312,611 | -60% | 204.54 |
| 2015 | FY 2016 | \$88,577,771 | \$ 444,316 | NA | \$ 504,796 | \$ 579,885 | \$ 42,030 | \$ 42,557 | \$ 86,964,187 | 15.87% | \$ 5,072,060 | 1522% | 190.29 |

Note 1: Starting in 1999 mill levies were "floated" in order to achieve the statutory limited tax revenues. Voters approved a 2 mill increase for the Library in November, 2000.
 Voters approved a \$2.5 million general obligation bond for a soccer park November 4, 2003.
 Voters approved a \$2.27 million general obligation bond for repair and improvement of city pool facilities November 7, 2006.

**Total taxable value at time of certification

General Fund Increases with Newly Taxable Property, Inflation, and Entitlement Payments

| Fiscal Year | Total \$ Increase in mill levy due to newly taxable property | Taxable value of new property | Total \$ increase in mill levy due to inflationary factor | % increase of inflationary factor | % of Entitlement increases | Entitlement Dollar increase per year | Entitlement payment* | Total Increases |
|-------------|--|-------------------------------|---|-----------------------------------|----------------------------|--------------------------------------|----------------------|-----------------|
| 2002 | \$ 112,656 | \$ 1,011,770 | \$ 90,165 | 1.280% | 3.00% | New | \$4,597,248 | |
| 2003 | \$ 151,148 | \$ 1,302,597 | \$ 92,513 | 1.270% | 3.00% | \$ 144,453 | \$ 4,741,701 | \$ 388,114 |
| 2004 | \$ 124,223 | \$ 1,041,336 | \$ 92,154 | 1.220% | 3.38% | \$ 155,130 | \$4,896,831 | \$ 371,507 |
| 2005 | \$ 249,121 | \$ 2,030,124 | \$ 75,618 | 0.960% | 3.47% | \$ 173,569 | \$5,070,400 | \$ 498,308 |
| 2006 | \$ 355,678 | \$ 2,748,377 | \$ 101,905 | 1.251% | 3.23% | \$ 165,426 | \$5,235,826 | \$ 623,009 |
| 2007 | \$ 370,273 | \$ 2,873,541 | \$ 122,878 | 1.420% | 3.40% | \$ 85,338 | \$5,321,164 | \$ 578,489 |
| 2008 | \$ 331,540 | \$ 2,387,436 | \$ 140,415 | 1.535% | 4.23% | \$ 225,000 | \$5,546,164 | \$ 696,955 |
| 2009 | \$ 301,276 | \$ 2,138,981 | \$ 161,337 | 1.672% | 4.22% | \$ 233,836 | \$5,780,000 | \$ 696,449 |
| 2010 | \$ 1,026,130 | \$ 6,947,574 | \$ 112,728 | 1.112% | 5.00% | \$ 289,000 | \$6,069,000 | \$ 1,427,858 |
| 2011 | \$ 448,379 | \$ 2,931,771 | \$ - | 0.000% | 5.14% | \$ 311,000 | \$6,380,947 | \$ 759,379 |
| 2012 | \$ 869,937 | \$ 5,295,716 | \$ - | 0.000% | 0.00% | \$ - | \$6,386,864 | \$ 869,937 |
| 2013 | \$ 216,205 | \$ 1,278,348 | \$ 367,824 | 3.060% | 0.00% | \$ - | \$6,580,118 | \$ 584,029 |
| 2014 | \$ 135,678 | \$ 787,945 | \$ 134,366 | 1.030% | 3.50% | \$ 230,302 | \$6,810,420 | \$ 500,346 |
| 2015 | \$ 54,948 | \$ 312,611 | \$ 137,147 | 1.030% | 3.50% | \$ 238,365 | \$7,064,237 | \$ 430,460 |
| 2016 | \$ 822,535 | \$ 5,072,060 | \$ 88,387 | 0.670% | 3.50% | \$ 530,487 | \$7,594,724 | \$ 1,441,409 |
| Total | \$ 5,569,727 | | \$ 1,717,437 | | | \$ 2,251,419 | | |

*In Fiscal Year 2016 the Pers Property Reim of \$238,751 is included in the Entitlement payment.



2015 Certified Taxable Valuation Information

(15-10-202, MCA)

Cascade County
CITY OF GREAT FALLS

| | | |
|---|----|---------------|
| 1. 2015 Total Market Value* | \$ | 5,266,060,228 |
| 2. 2015 Total Taxable Value | \$ | 88,577,771 |
| 3. 2015 Taxable Value of Newly Taxable Property | \$ | 5,072,060 |
| 4. 2015 Taxable Value less Incremental Taxable Value** | \$ | 86,964,187 |
| 5. 2015 Taxable Value of Net and Gross Proceeds*** (Class 1 and Class 2) | \$ | - |

6. TIF Districts

| Tax Increment District Name | Current Taxable Value | Base Taxable Value | Incremental Value |
|--------------------------------|--------------------------|-----------------------|----------------------|
| INT'L MALTING PLANT | 866,920 | 362,124 | 504,796 |
| WEST BANK URBAN RENEWAL | 886,845 | 306,960 | 579,885 |
| GF INT'L AIRPORT | 149,179 | 107,149 | 42,030 |
| GF DOWNTOWN URBAN REP | 4,087,891 | 3,643,575 | 444,316 |
| EAST INDUSTRIAL PARK | 44,879 | 2,322 | 42,557 |

RECEIVED

AUG 03 2015

Accounts Payable

Total Incremental Value \$ 1,613,584

Preparer Brenda Ivers

Date 8/3/2015

*Market value does not include class 1 and class 2 value

**This value is the taxing jurisdiction's taxable value less total incremental value of all tax increment financing districts.

***The taxable value of class 1 and class 2 is included in the taxable value totals.

For Information Purposes Only

2015 taxable value of centrally assessed property having a market value of \$1 million or more, which has transferred to a different ownership in compliance with 15-10-202(2), MCA.

| | | |
|---|----|-----------|
| I. Value Included in "newly taxable" property | \$ | 348,122 |
| II. Total value exclusive of "newly taxable" property | \$ | 4,527,495 |