



## FINANCE DEPARTMENT

**DATE:** August 6, 2016  
**FROM:** Sheila Hillman *SH*  
**ITEM:** 2017 Budget Request: Mill Levy

### REQUEST

Consider approval of the Budget Committee Recommendations for the mill levy for property taxes

Please place this item on the August 15, 2106 City Commission meeting.

### BACKGROUND INFORMATION

The estimated value of a mill for the 2017 budget is \$351,555 as compared to the actual value of \$324,137 in 2016. This represents an increase of \$27,418 or 8.46 % from the prior year with 4.51% of the average increase attributed to growth. The Budget Committee developed the tentative 2017 budget request with a mill levy of 56.92 with a reduction of 2.15 mills. This includes funding for salary policy, the recommended priority initiatives and General Fund capital improvement projects. A brief summary of the level of the mill was shared with Mayor Seminary in conjunction of the review the recommendations for the budget.

The recommended mill levy of 56.92 provides a 4.51% increase in revenue. The goal was to try to limit the recommended funding increase to the average increase in the 2016 mill that was attributed to growth from new tax base and to also consider the impact to property tax. The 2.15 mill reduction equates to \$1.86 increase on a home valued at \$200,000 that was adjusted for a 4.14% increase in value. The 4.14% is the average increase in market value for residential property. This mill reduction represents only the City's portion of the property taxes which is 24.25% of the total for 2016. The levy for the 2017 budget also assumes that 25 mills will continue to be funded from Sales Tax. This represents an 8.56% increase in tax relief which is attributed to the increase in the value of the mill.

Attached is the 2016 mill levy that reflects the recommended levies for the 2017 General and Special Funds.

The General Fund mill changes reflect an increase of 4.86 mills and a decrease of 5.67 mills for Building Construction for a total decline of .81 mills. The Building Construction mill was 9.99 in 2016 but it was reduced to help fund the General Fund priority initiative requests and salary policy. The mill levy of 4.32 will provide funding for the capital improvement projects in the 2017 and provide some funding for the future building plans for the City/Co. Building, Public Health, Police and Combined Communications. The estimated costs for future building renovations and new construction range from \$22 million to \$48 million over the next five years. The Budget Committee noted that these are also priorities that will need to be addressed in future budgets.

Please note that with the consolidation of the mills in 2016, the mill levy for Forestry and Weed/Leafy Spurge was combined with the General Fund mill. This is equivalent to 2.14 mills which will be transferred to Roads & Streets – Forestry for those expenses in 2017. In 2016 the Budget Committee recommended that the cost of social security and pension for the Special Funds be paid by those departments. This change made the funding the same as the Enterprise and Internal Service Funds that fund all of those employee benefit costs. With the projected decrease in motor fuel tax revenue tax for Roads & Streets in 2017, the Committee is recommending that the social security and pension costs for Roads & Streets be funded again by the mill. This change amounts to \$282,035 and is reflected in the General Fund mill. The revenue will be transferred to Roads & Streets to fund those employee benefit costs.

The General Fund mill includes the City pension contribution of 10.4% for the City plan of the General Fund Departments and 14.53% for Police and Fire based on actual pay of the covered pension salaries. The General Fund also includes the funding for the recommended priority initiatives and salary and benefit adjustments. The overall decrease of .81 mills is attributed in part to the increase in the value of the mill, Sales Tax for 25 mills and the decrease in the mills for Building Construction.

In Special Funds 2 mills are recommended for Special Deficiency to help fund the City's share of Special Assessment projects which totals an estimated \$945,000 in 2017. The mill levy did not change for E/H Transit and the revenue increase represents the increase in the value for the authorized mills. The .34 mill decrease in Library reflects the increase in the value of the mill and a funding increase for a 3% salary increase for all employees.

## **RECOMMENDED CITY COMMISSION ACTION**

Approve the mill levy of 56.92 for the 2017 budget

## **STAFF CONTACT INFORMATION**

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**City of Bismarck**  
**Recommended Levies for 2017 Budget**

8/4/2016

	<b>Actual 2015</b>	<b>Est 2016</b>
Value of Mill	324,137	351,555
Value of Mill change	33,368	27,418
% of value change	11.49%	8.46%
% of value change attributed to growth	4.64%	4.51% *
% with Zero Mill Increase	4.81	4.64%

	<u>2015 Levy</u>		<u>2015 Amount</u>		<u>2016 Levy</u>		<u>2016 Amount</u>		<u>Change</u>		
									Levy	Amount	
<b>General:</b>											
General Fund	62.09	20,117,627	66.95	23,536,607	4.86	3,418,980					
Building Construction	9.99	3,238,125	4.32	1,518,718	(5.67)	(1,719,407)					
General Fund Subtotal	72.08	23,355,752	71.27	25,055,325	(0.81)	1,699,573					
Less 25 Mills/Sales Tax	(25.00)	(8,095,400)	(25.00)	(8,788,600)	-	(693,200)					
General Fund Total	47.08	15,260,352	46.27	16,266,725	(0.81)	1,006,373					
<b>Special Revenue:</b>											
Special Deficiency	3.00	972,410	2.00	703,110	(1.00)	(269,300)					
E/H Transit	3.00	972,410	3.00	1,054,665	-	82,255					
Library	5.99	1,941,578	5.65	1,986,286	(0.34)	44,708					
	11.99	3,886,398	10.65	3,744,061	(1.34)	(142,337)					
Total	59.07	19,146,750	56.92	20,010,786	(2.15)	864,036					
Amount % Change						4.51%					

Total change for growth per State Tax Dept. definition of zero increase mills is 56.989.

\* Commercial growth is 7.02% and Residential growth is 3.13%