

Unrestricted Revenue Options

City Council Meeting | October 15, 2024

Tonight's Presentation

Unrestricted revenue options not currently being utilized, and MPD

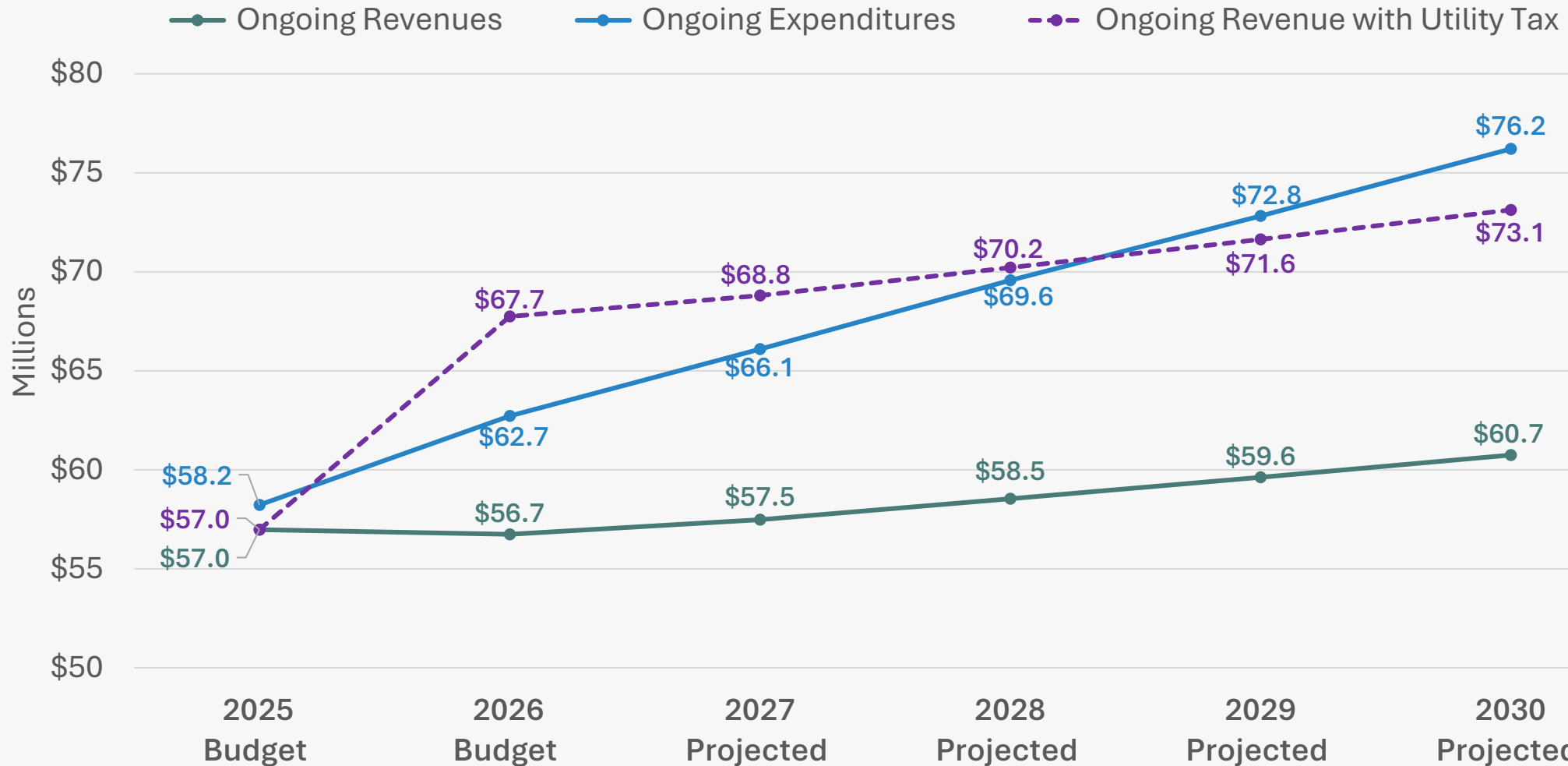
- Utility Tax
 - Brokered Natural Gas Use Tax
 - Metropolitan Park District Admission Tax
 - Business and Occupation (B&O) tax
 - Excess Levy – Maintenance & Operations
 - Public Safety Sales Tax
 - Levy Lid Lift
- How revenue source is enacted
- Estimate of revenue generated
- Impact to general fund
- Workload to implement and maintain

Utility Tax

- Tax up to 6% without a vote on gross operating revenues on electric, gas, steam, and telecommunications
- No limit on rate for water, sewer, solid waste, or stormwater
- Recommended by Fiscal Sustainability Taskforce: 6% on all utilities
- Estimated \$11 million annually
- Significant staff time to implement: legislation to be drafted, identification and outreach to utilities, education to community, ongoing effort to receipt revenues and compliance
- 189 cities in the state impose a utility tax

Utility Tax

Ongoing Revenues vs Ongoing Expenditures
With Utility Tax starting 2026



Brokered Natural Gas Use Tax

- Can be implemented if utility tax exists
- Same rate as utility tax
- Minimal time to implement and record receipts
- Creates equality: all natural gas taxed regardless of how it is delivered
- Less than \$100 thousand annually

Metropolitan Park District

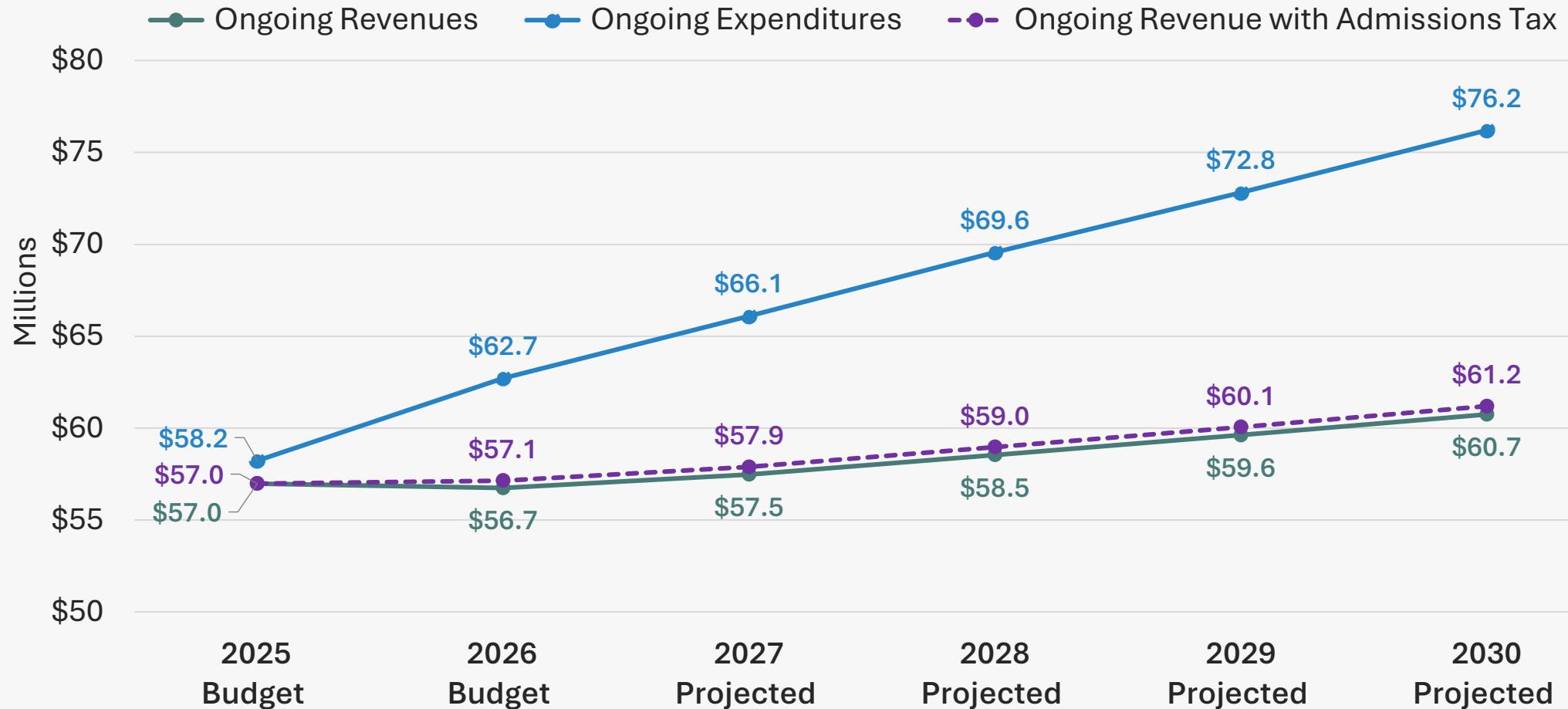
- Voter approved with simple majority
- Property tax levy up to \$0.75 per \$1,000 of assessed value
- Separate legislative body or City Council designated as ex officio capacity as board of commissioners
- Recommended by Fiscal Sustainability Taskforce
- At least 2 years to get to a ballot measure

Admission Tax

- Tax up to 5% of the admission charge
- Does not require voter approval
- Estimated revenue \$200,000 - \$400,000 annually
- Minimal work to implement unless challenged
- Not recommended by Fiscal Sustainability Taskforce

Admission Tax

Ongoing Revenues vs Ongoing Expenditures
With Admission Tax starting 2026

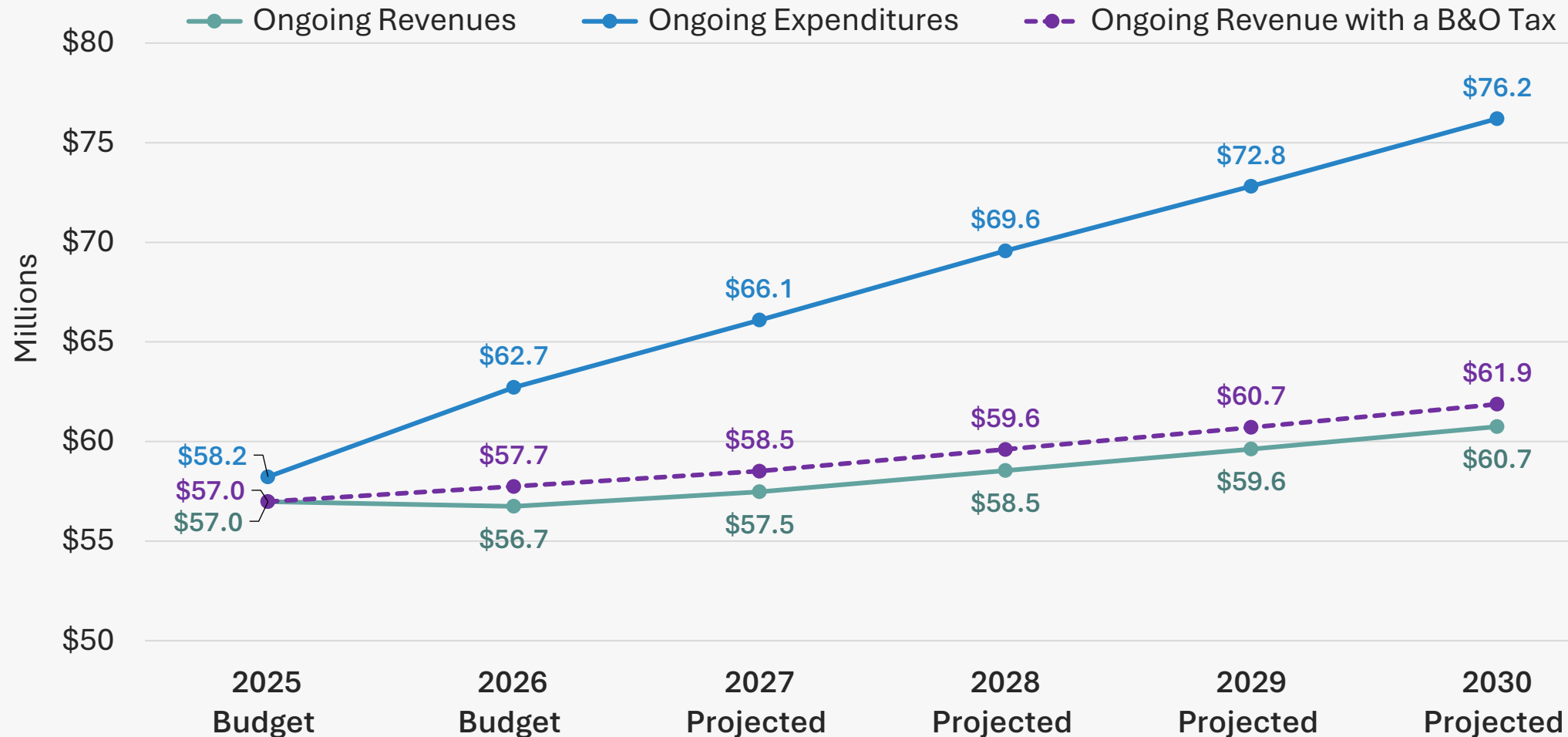


Business and Occupation (B&O) Tax

- Tax on local businesses, measured by value of products or gross income/proceeds
- Voter approval not necessary unless retail exceeds 0.2% of gross income/proceeds
- Difficult to estimate revenue but high-level estimates ~\$1 million
- Extensive time to implement and maintain
- Not recommended by Fiscal Sustainability Taskforce

Business and Occupation (B&O) Tax

Ongoing Revenues vs Ongoing Expenditures
With B&O tax starting 2026



Excess Levy for Operations & Maintenance

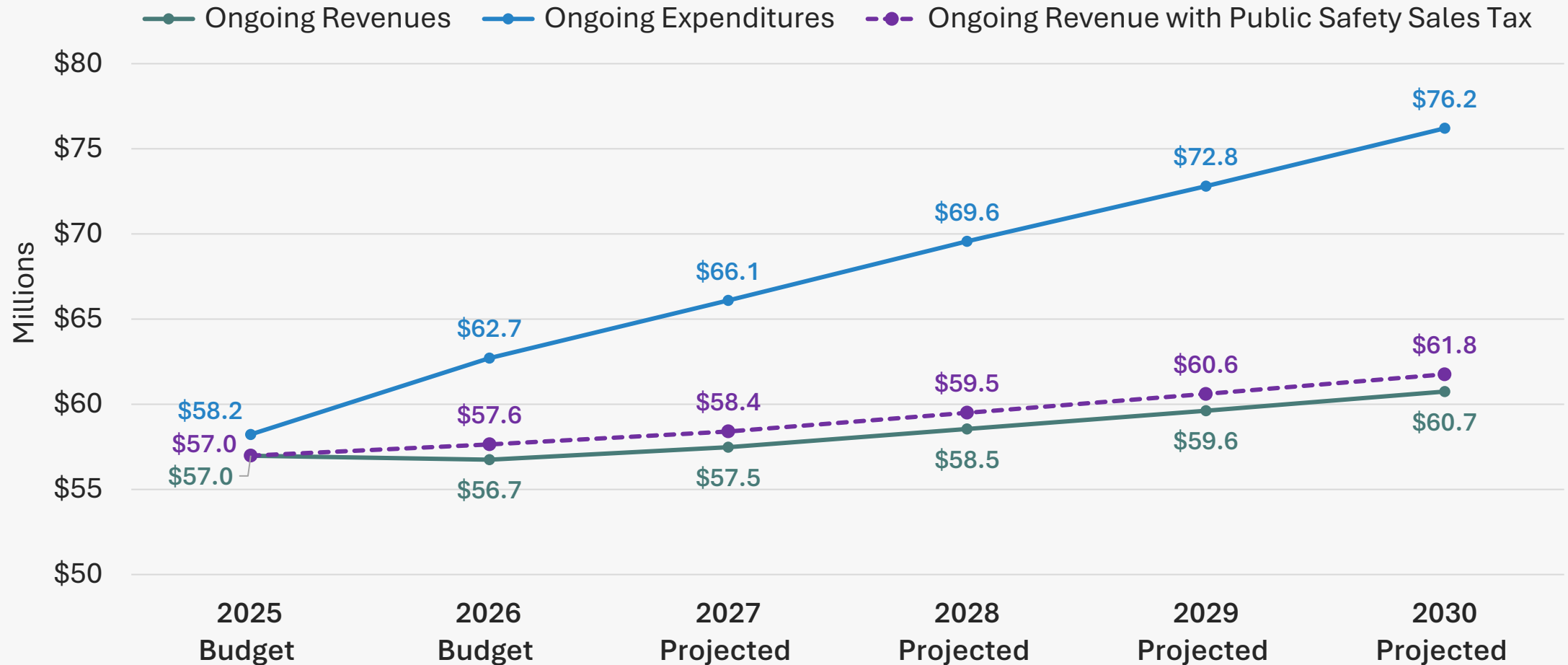
- Voter approval with 60% supermajority
- Must be renewed every year
- Must state purpose in ballot measure
- Every penny in an excess levy would generate \$318 thousand

Public Safety Sales Tax

- Cities can levy up to 0.1% sales tax for public safety, requires voter approval
- Ballot measure can only be on primary or general election, simple majority needed
- Vehicle sales and first 36 months of vehicle lease are exempt
- At least 1/3 must be used solely for criminal justice or fire protection, remaining 2/3 are unrestricted
- Cities keep 85% of tax collected and 15% goes to the County

Public Safety Sales Tax

Ongoing Revenues vs Ongoing Expenditures
With Public Safety Sales Tax starting 2026

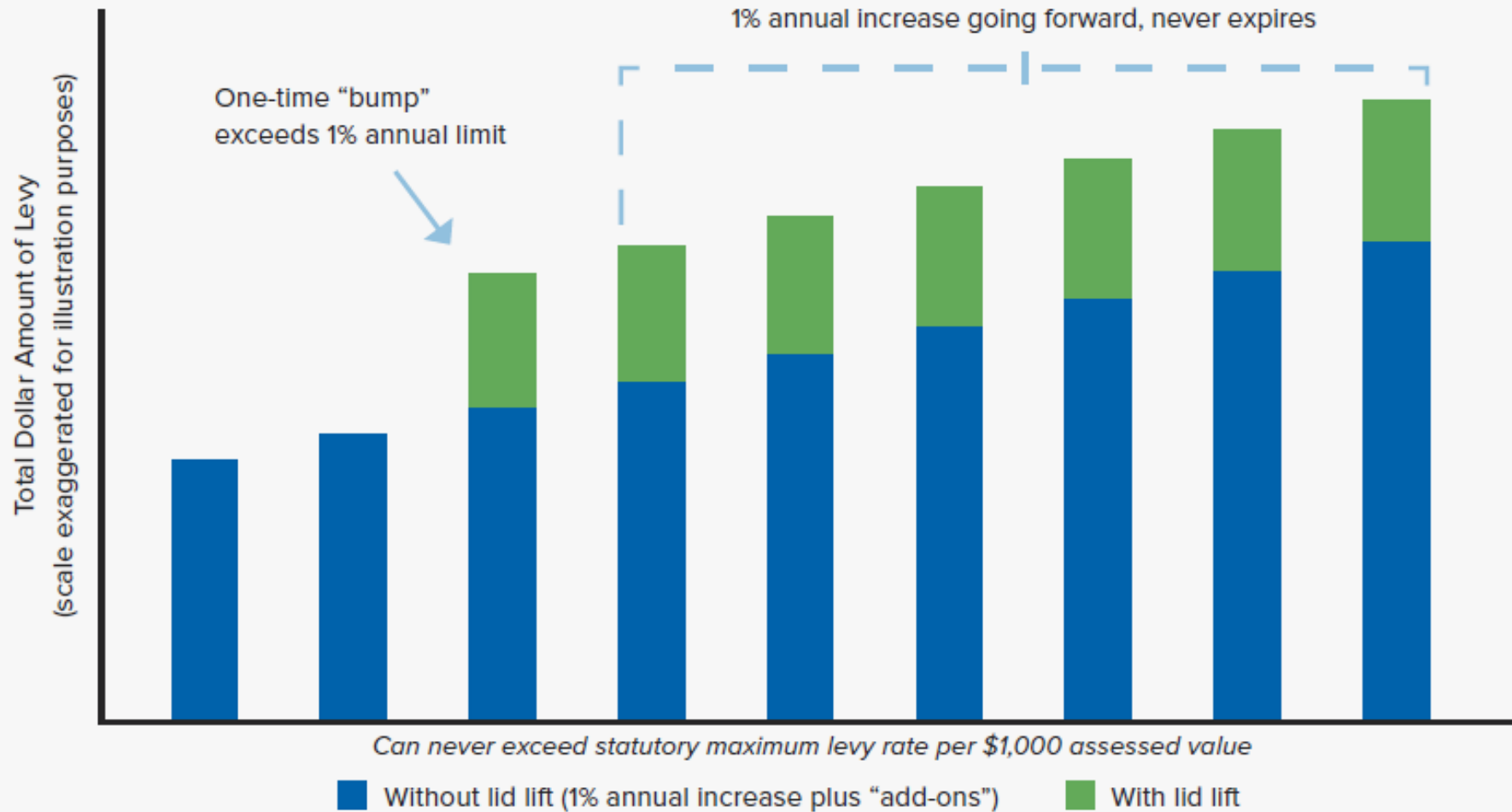


Levy Lid Lift

- Allows cities to exceed the 1% limit with voter approval
- Two kinds of lid lifts and 2 options for each: Single-year or multi-year, temporary or permanent
- Single-year is unrestricted, multi-year the purpose must be stated in the ballot measure
- Each additional penny of property tax levy generates \$318 thousand

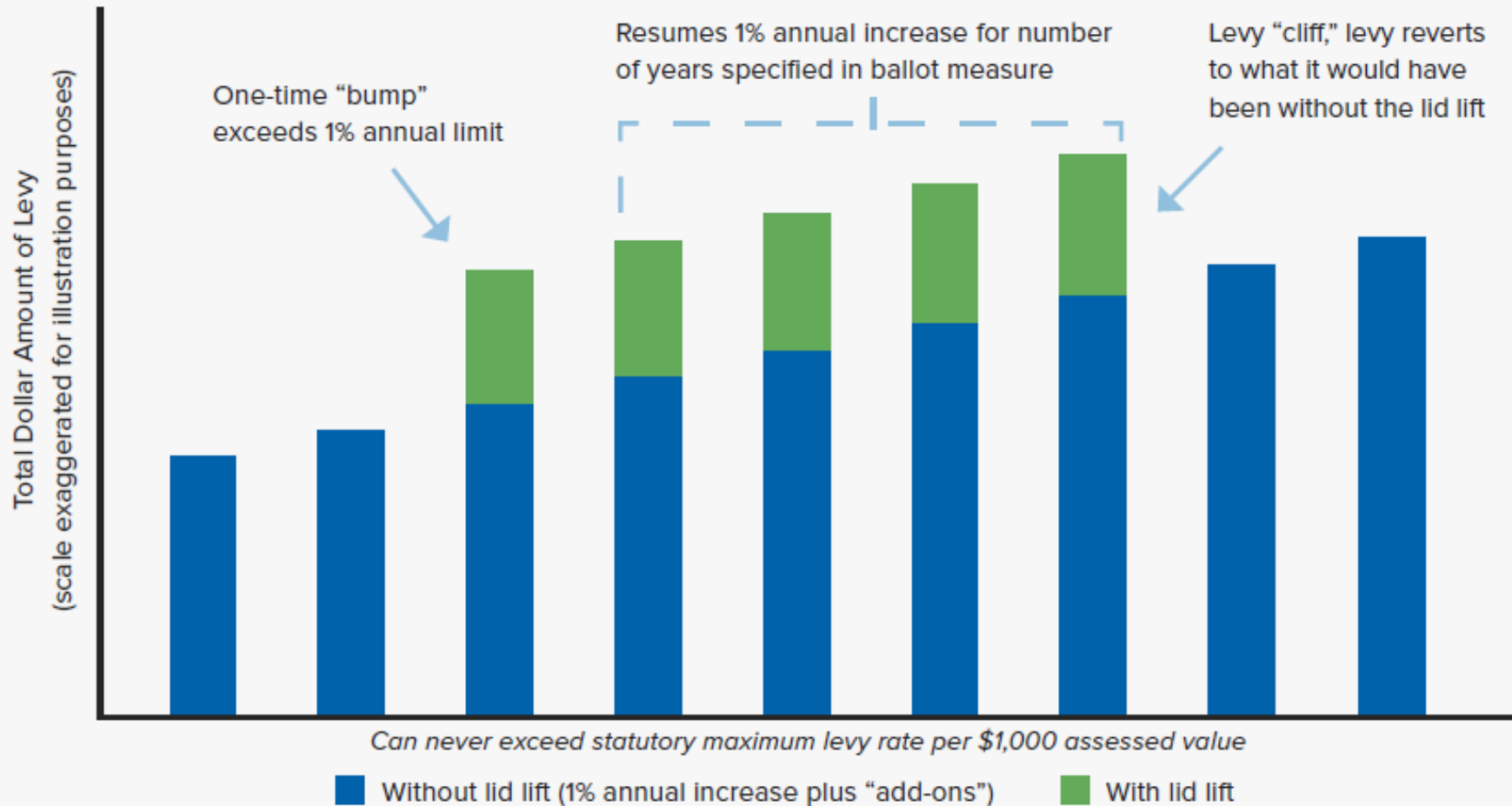
Levy Lid Lift

SINGLE-YEAR PERMANENT LEVY LID LIFT



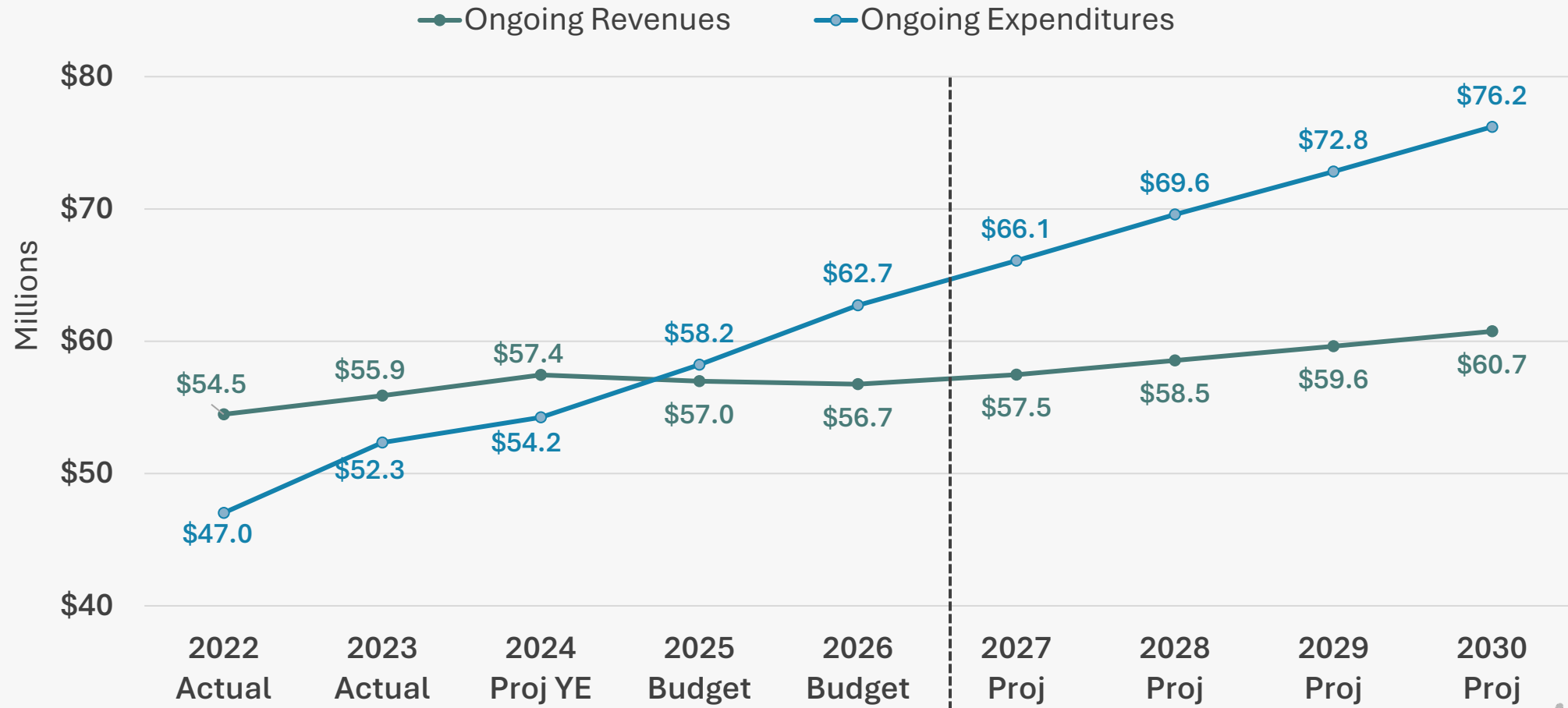
Levy Lid Lift

SINGLE-YEAR TEMPORARY LEVY LID LIFT



Why New Revenue is Necessary

Ongoing Revenues vs Ongoing Expenditures
as currently budgeted/projected



Budget Schedule

~~**Sept 3:** Discuss funds, the budget, and CIP document~~

~~**Sept 10:** Discuss the Capital Improvement Plan (CIP)~~

~~**Sept 17:** Focus on maintenance and operations~~

~~**Oct 1:** Full budget and CIP presented to Council~~

~~**Oct 8:** Department budget presentations~~

~~**Oct 15:** Department budget presentations / Revenue Options~~

Nov 5: Public hearing & Council deliberations

Nov 12: Public hearing & Council deliberations (continued)

Nov 19: Public hearing & Budget adoption