

CITY COUNCIL STUDY SESSION

July 15, 2024 | City Hall

5:30-6:15 p.m.

Members Present:

Members Absent:

Others Present:

Topic: Notice of Intent to Exceed the Revenue Neutral Rate

Background

At the July 15, 2024, regular City Council meeting, City Council will be presented with a recommendation from staff to file a *Notice of Intent to Exceed the Revenue Neutral Rate*. This does not necessarily mean that the final budget *will* exceed the Revenue Neutral Rate, but because it could, it is a prudent measure to file the notice. This is because the *Notice of Intent to Exceed the Revenue Neutral Rate* must be provided to the McPherson County Clerk no later than end of business on July 20, 2024, whereas final budgets are due to the County Clerk by Oct. 1, 2024. The draft budget being developed currently has the mill levy at 55.000 mills; this is budget-neutral to FY2024 Operating Budget but is 1.324 mills higher than the RNR of 53.676 mills.

The budget that staff is currently drafting with Council direction from the May 13, 2024, Capital Improvement Program (CIP) meeting is conservative yet realistic in today's volatile environment of rising costs and ongoing workforce and deferred maintenance challenges. Budget line items such as health insurance increases, property & casualty insurance increases, aging infrastructure concerns, public safety, outside budget requests, etc. are being carefully studied as staff works towards the final draft that will be presented to City Council.

The final budget adopted by Council cannot exceed the rate specified in the notice, but it can be less. Any property tax revenue generated over the rate in the notice must be returned to property owners. There is a two-month gap between when the *Notice of Intent to Exceed the Revenue Neutral Rate* and the approved budget is due to the County. During this time, staff will take Council direction, including from the Aug. 12, 2024, Budget Working Session, to finalize the budget.

As review, the Revenue Neutral Rate (RNR) is a mill levy that will generate the same amount of property tax revenue that was levied the prior year. For FY2024, McPherson County set the RNR at 52.003, and the mill levy for Lindsborg was 55.000 mills, which generated \$1,689,329 in property tax revenue. The RNR mill levy from the County for FY2025 budget has been set at 53.676 to generate the same property tax revenue.

The RNR mill levy from the McPherson County Clerk is based upon *estimated* assessed property valuation and *not* the final assessed property valuation; the estimated assessed property valuation does not include property valuation appeals and protests. The final assessed property valuation released in November will include the outcome of those protests and appeals. Therefore, there is a variation between the estimated and final property valuation amounts.

History of Lindsborg Mill Levy vs. RNR

2021: 48.233 mills (RNR 47.530)

2022: 57.753 mills (RNR 46.359)

2023: 55.912 mills (RNR 53.495)

2024: 55.000 mills (RNR 52.003)

Current proposed 2025: 55.000 mills (RNR 53.676)

This session will be facilitated by City Administrator Kristi Northcutt and Finance Director David Hay.