



# Memo

**To:** Mayor & City Council  
**From:** Trent Epperson, City Manager  
**CC:** Ron Fraser, Deputy City Manager  
 Victor Brownlees, Assistant City Manager  
 Rachel Wynslow, Head of OMB  
**Date:** August 7, 2024  
**Re:** No New Revenue Budget Option

## No New Revenue Option Goal

One of the City Manager’s goals established by the City Council is to “deliver a No New Revenue option as part of the budget process” for FY2025. The state Tax Rate Calculation Worksheet dictates the parameters by which we establish our tax rate, which includes establishing the No New Revenue Tax Rate (NNRR) and the Voter Approval Tax Rate (VATR).

## What is the No New Revenue Tax Rate

The NNRR is the tax rate that produces the same amount of tax dollars from the same properties as the prior year not accommodating for inflation, growth, unfunded mandates, or new initiatives/programs to support our Strategic Priorities. The VATR allows for a small 3.5% increase in the Operations & Maintenance (O&M) tax rate plus any unused increment between the NNRR and VATR from the past three years. The results for FY25 are a No New Revenue Tax Rate of \$0.599536 and a Voter Approval Tax Rate of \$0.733351.

## Revenue Impacts of the NNRR vs Recommended Budget

With \$0.30 of the total tax rate dedicated to Debt Service the NNRR leaves \$0.299536 available to support our General Fund budget for Operations & Maintenance versus the \$0.335 in the proposed budget. This translates to a net revenue reduction in the General Fund budget of \$5.0M, comprised of a \$4.8M reduction in property taxes, the resultant \$1.4M reduction in the Tax Increment Reinvestment Zone #2 (TIRZ2) administration fee, and a lower fund balance requirement of \$1.2M to deliver a No New Revenue Option.

Reduced Property Taxes at the O&M tax rate of \$0.299536	\$ 4.8M
Reduced TIRZ Admin Fee at the overall tax rate of \$0.599536	\$ 1.4M
<u>Lower Fund Balance Requirement</u>	<u>\$(1.2M)</u>
<b>General Fund Total Net Revenue Reduction</b>	<b>\$ 5.0M</b>

## Potential Budget Changes

To meet the NNRR threshold a combination of budget modifications can be considered including reducing/eliminating supplemental items, reducing/eliminating the transfer to the Infrastructure Fund for streets and sidewalks, reducing/eliminating the recommended pay plan, elimination of programs or events, general non-pay cost reductions, and increasing non-development fees.

### **NNRR Option**

In the elevated inflation environment, it is difficult to make general operating cuts or reduce the pay plan recommendation without long-term consequences. However, the following are specific suggestions that would result in a balanced budget at the NNRR of 0.599536:

Eliminate all budget supplementals (police, streets crew, etc.)	\$1.5M
Eliminate 100% of the transfer to streets and sidewalks	\$1.3M
Reduce the recommended Pay Plan by 25%	\$1.3M
General non-pay cost reductions	\$0.4M
Eliminate 2 events (Christmas & 4 <sup>th</sup> of July)	\$0.25M
Increase Non-Development Fees	\$0.25M
<b>Total Net Changes</b>	<b>\$5.0M</b>