



Department of Administration
Budget and Management Division

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MEMORANDUM

To: Finance and Personnel Committee Members

From: Dennis Yaccarino, Budget and Management Director

Subject: 2020 Property Tax Levy Limit

This memorandum raises concerns about the 2020 property tax levy limit given the proposed amendments to the 2020 budget. The levy limit is a complicated calculation that allows for various adjustments, but the base limit is net new construction. Net new construction is 1.13%.

The City has used allowable adjustments to the property tax levy limits imposed by the State from the inception of the levy limit law. These adjustments have allowed the City to increase its property tax levy above the increase in net new construction. Unfortunately, there is a limit to the amount of adjustments available to the City.

The amount of adjustments used in a year directly impacts the allowable percentage growth of future property tax levies. The 2020 proposed budget increases the property tax levy by 3.5% which requires the City to use a significantly higher amount of adjustments. The higher levy leaves a smaller amount of adjustments available for the 2021 budget. Allowable growth in the property tax levy in 2021 will be less than 2020.

Several proposed 2020 budget amendments add a significant amount to the property tax levy. Even if these amendments do not put the City over the levy limit for 2020, these amendments will reduce future allowable growth in the levy. Future growth would probably be limited to less than 2%. Given the City's normal budget shortfall and known future growth in pension costs, further increases to the levy will require more service reductions in future budgets. I encourage the Finance and Personnel Committee and Common Council to adopt amendments that have offsetting savings to prevent increases in the property tax levy beyond the proposed level.

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