

Item # A5

M E M O R A N D U M

DATE: July 2, 2004
TO: City Council Members
FROM: Russell Weeks
RE: Salt Lake City Public Library Budget
CC: Cindy Gust-Jenson, Nancy Tessman, Gary Mumford, Michael Sears, Sylvia Jones

This memorandum is intended to address potential City Council options in its consideration of the proposed budget for the Salt Lake City Public Library System for Fiscal Year 2004-2005.

ISSUE

On June 17 the City Council adopted the final budget for the Salt Lake City Public Library Fund with the following motion:

I move that the City Council adopt a motion to set the Fiscal Year 2004-2005 Library Fund Budget at \$13,116,345 to reflect:

1. An amount of \$166,605 scheduled to fall to fund balance as a hedge against the potential change of value in Salt Lake City Redevelopment Agency assessed values.
2. A property tax increase of \$1,315,523.

The motion was based on three assumptions:

- The City Council supported the Library System Board of Directors total budget request of \$12,946,338 that included property tax revenue of \$11,934,338.
- A certified property tax rate of .000803 – without the property tax increase adopted by the City Council – from Salt Lake County for the 2004-2005 fiscal year. The rate was .000026 higher than the Fiscal Year 2003-2004 property tax rate of .000777.
- The potential that a change in assessed property values within Salt Lake City Redevelopment Agency project areas could cost the Library System \$166,605.

After the City Council adopted the budget for the Library System Fund, Salt Lake County revised the certified property tax rate downward for the 2004-2005 fiscal year. The revised tax rate was .000762. The rate is .000015 less than the 2003-2004 certified tax rate of .000777. In addition, the .000762 rate is .000041 less than the .000803 certified tax rate originally issued by Salt Lake County on June 17.

According to the attached budget request memorandum from the Library System, the certified tax rate of .000762 would result in a figure roughly \$156,000 less than the Library System's alternate reduced services budget that projected property tax revenue of \$10,547,013.

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Again, it should be noted that the Library System Fund budget adopted by the City Council on June 17 was \$13,116,345. The figure includes a total general property tax revenue request of \$11,934,338 *plus* \$166,605 scheduled to fall to fund balance as a hedge against a potential change of value in Salt Lake City Redevelopment Agency assessed values. The two figures together equal \$12,100,943.

However, according to Library System administrators, the \$11,934,338 figure includes a rough projection of \$1 million in collections from delinquent property taxes and motor vehicle taxes. According to System administrators, the System would need to collect \$10,906,797 in property tax revenue subject to a certified tax rate plus the \$166,605 identified as a hedge against the potential change of value in Salt Lake City Redevelopment Agency assessed values.

System administrators indicate that a property tax rate of .000901 would result in a property tax increase of \$1,710,424. The increase would meet the System's projections of meeting its \$10,906,797 plus the \$166,605 hedge against the potential change of value in Salt Lake City Redevelopment Agency assessed values. If the City Council decides not to include the \$166,605 hedge, System administrators project that a certified tax rate of .000887 would result in a property tax increase of \$1,543,819.

Adopting the proposed property tax rate of .000901 would add \$13.38 to a home valued at \$175,000. It would bring the total tax for the Library Fund to \$86.72 on a home valued at \$175,000. The rate also would increase property taxes on a commercial property valued at \$2 million by \$278, bringing the total property tax on that commercial property to \$1,802.

Adopting the alternate proposed rate of .000887 would add \$12.03 to a home valued at \$175,000. It would bring the total tax for the Library Fund to \$85.37 on a home valued at \$175,000. The alternate rate also would increase property taxes on a commercial property valued at \$2 million by \$250, bringing the total property tax on that commercial property to \$1,774.

In the fiscal year that ended June 30, the property tax for the Library Fund was \$74.77 on a house valued at \$175,000, and \$1,554 on a commercial property valued at \$2 million.

OPTIONS

Given the City Council's decision on June 17 regarding the Library System Fund, the Council appears to have two options:

- Adopt the Library System Fund budget with a tax rate of .000901 to reflect a property tax increase and a hedge against the potential change of value in Salt Lake City Redevelopment Agency assessed values.
- Adopt the Library System Fund budget with a tax rate of .000887 to reflect a property tax increase but not fund the hedge against the potential change of value in Salt Lake City Redevelopment Agency assessed values.

POTENTIAL MOTIONS

I. I move that the City Council adopt a motion to set the Fiscal Year 2004-2005 Library Fund Budget at \$13,116,345 to reflect:

- A tax rate of .000901.

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- An amount of \$166,605 scheduled to fall to fund balance as a hedge against the potential change of value in Salt Lake City Redevelopment Agency assessed values.
- A property tax increase of \$1,710,424.

II. I move that the City Council adopt a motion to set the Fiscal Year 2004-2005 Library Fund Budget at \$12,949,740 to reflect:

- A tax rate of .000887.
- A property tax increase of \$1,543,819.