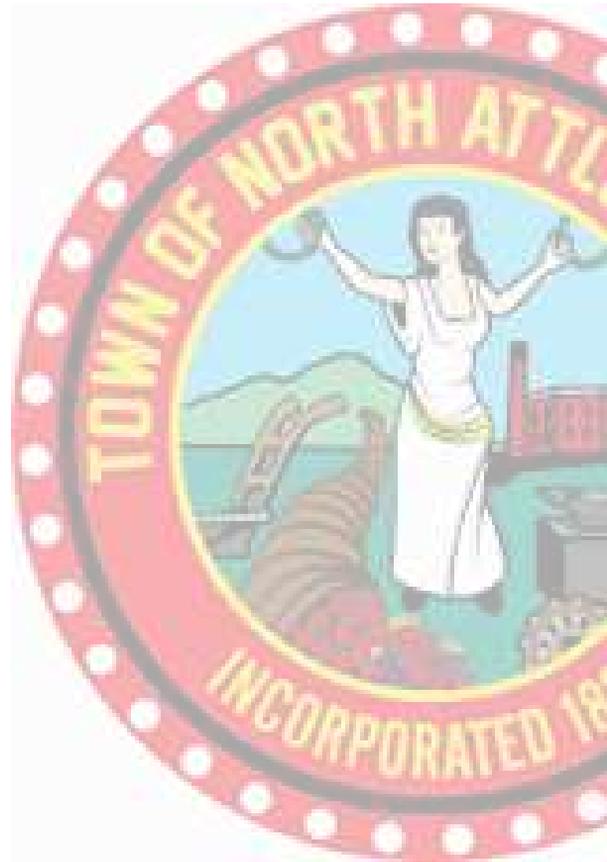


Citizen's Petitions Public Hearings

Town Manager's Response

Cathcart Conference Room
February 10, 2025

Mike Borg, Town Manager



Agenda

- Citizen's Petitions Key Concerns
- Levy and Tax Impact of Current Proposals
- Practical Impacts on Budget
- Conclusion

Citizen's Petitions Key Concerns (1 of 2)

Key Concerns with Proposals:

- Lacks understanding of municipal finances; myopic, one-year focus
- Appealing but potentially misleading without considering long-term impacts
- Oversimplifies complex issues, undermines Town Council and Town Administration efforts
- Overlooks critical **Tax Classification Hearing**, which offers greatest savings for residents

Citizen's Petitions Key Concerns (2 of 2)

Specific Issues:

- Revokes residents' rights to approve increases above Prop 2 ½ limits
- Short-term reduction leads to larger tax increases in future years; fails to consider the broader budget impact
- Disproportionately benefits large businesses (e.g., Emerald Square Mall) over residents

| Proposed Cut | Residential Savings | Ex. Emerald Square Mall |
|----------------|--------------------------------------|-------------------------|
| \$1 Million | \$91.17 per year (\$7.60/month) | \$13,200 per year |
| \$1.75 Million | \$159.55 per year (\$13.30/month) | \$22,800 per year |

- Tax Classification process delivers the largest reduction in residential property taxes.
 - The **0.27 tax shift** saved residents **\$2,758,384**, while other **tax exemptions**, including the Senior Work Off Program, saved an additional **\$380,000**. In total, the Town Council approved **\$3,138,384** in tax relief for FY25 (approximately **\$310-315 per resident**)

Levy and Tax Impact of Current Proposals

- Current proposal **shifts authority** to approve any increase over 2.5% (Proposition 2 ½) from **taxpayers to Town Council**
- Proposals would reduce the levy, but the levy limit would still increase year over year based on new growth and Proposition 2 ½ unless an override is implemented
- Current FY25 levy: **\$72,117,804**
- Projected levy limit for FY26: **\$74,420,749**

Levy and Tax Impact of Current Proposals

Lead Petitioner Gould's proposal to reduce the levy by \$1 million to create excess levy capacity:



Lead Petitioner Kieltyka's proposal to pay down the levy by \$1.75 million during annual recap with Free Cash:



****Proposed reductions in the levy could allow the Town Council to increase taxes by 5-6%, above the standard 2 ½%, without an override due to the rising levy limit.****

Practical Impacts on Budget

- **Healthcare increase:** Forecasted 15% or \$1.7 million
 - Do we consider shifting the 75/25 contribution? Takes money from employees with no guaranteed pay increases. Is this worth \$7.60/month?
- **Pension obligations:** 8% increase projected at \$500,000
 - Do we inform the Retirement Board and retirees that their pensions are potentially at risk?
- **OPEB liabilities:** Current obligations exceed \$150 million
 - Should we ignore this for the sake of saving residents \$7.60/month?
- **Bargaining negotiations:** 10 upcoming negotiations for FY26 contracts
 - Should we tell teachers, paraprofessionals, and laborers that we know that healthcare costs are rising and that proposed petitions aim to remove cost-of-living increases?

**What services do we cut? Public Safety? Schools? Public Works?
Community Services?**

Conclusion

- Failure to understand the impact of short-term reductions on the budget as a whole
- Jeopardizes any cost-of-living increase for employees already expecting health care increases
- Overlooks the work of the Administration and Town Council, who are already returning \$3.1 million through the Tax Classification Hearing, and will instead benefit the Emerald Square Mall
- Removes residents from the decision-making process, allowing a heavy-handed government to increase taxes above proposition 2 1/2 **without tax paying residents' input.**

Is allowing the municipal government to raise taxes with no resident input worth \$7.60/month or \$13.30/month?

Bill Impact

| Levy Option | Levy | Residential Rate | C/I Rate | Personal Prop Rate |
|-----------------------------|---------------|------------------|----------|--------------------|
| Original Levy - FY2025 | \$ 72,117,804 | \$ 11.79 | \$ 15.72 | \$ 15.68 |
| \$1m off Levy - FY2025 | \$ 71,117,804 | \$ 11.63 | \$ 15.50 | \$ 15.46 |
| \$\$1.75m off Levy - Fy2025 | \$ 70,367,804 | \$ 11.51 | \$ 15.34 | \$ 15.29 |

| Levy Option | Levy | Residential Rate | Difference | % Change | Average Single Family \$569,820 Tax Bill |
|-----------------------------|---------------|------------------|------------|----------|--|
| Original Levy - FY2025 | \$ 72,117,804 | \$ 11.79 | | | \$ 6,718.18 |
| \$1m off Levy - FY2025 | \$ 71,117,804 | \$ 11.63 | \$ (0.16) | -1.36% | \$ 6,627.01 \$ (91.17) -1.36% |
| \$\$1.75m off Levy - Fy2025 | \$ 70,367,804 | \$ 11.51 | \$ (0.28) | -2.37% | \$ 6,558.63 \$ (159.55) -2.37% |

| Levy Option | Levy | C/I Rate | Difference | % Change | Mall Tax Bill Value \$60,000,000 |
|-----------------------------|---------------|----------|------------|----------|------------------------------------|
| Original Levy - FY2025 | \$ 72,117,804 | \$ 15.72 | | | \$ 943,200.00 |
| \$1m off Levy - FY2025 | \$ 71,117,804 | \$ 15.50 | \$ (0.22) | -1.40% | \$ 930,000.00 \$(13,200.00) -1.40% |
| \$\$1.75m off Levy - Fy2025 | \$ 70,367,804 | \$ 15.34 | \$ (0.38) | -2.42% | \$ 920,400.00 \$(22,800.00) -2.42% |

Future Levy Impact

| | FY2025 | Est. New Growth | 2.50% | Est. FY2026 Levy | Increase from FY2025 | % change |
|--------------------|---------------|-----------------|--------------|------------------|----------------------|----------|
| Original Levy | \$ 72,117,804 | \$ 500,000 | \$ 1,802,945 | \$ 74,420,749 | \$ 2,302,945 | 3% |
| \$1m off Levy | \$ 71,117,804 | \$ 500,000 | \$ 1,802,945 | \$ 74,420,749 | \$ 3,302,945 | 5% |
| \$\$1.75m off Levy | \$ 70,367,804 | \$ 500,000 | \$ 1,802,945 | \$ 74,420,749 | \$ 4,052,945 | 6% |

*Note: The Levy is calculation starts with the prior year levy which is \$72,117,804 + New Growth

Future Bill Impact

| Levy Option | Levy | Residential Rate | C/I Rate | Personal Prop Rate |
|-----------------------|---------------|------------------|----------|--------------------|
| Estimated Levy FY2026 | \$ 74,420,749 | \$ 12.71 | \$ 16.22 | \$ 16.18 |

| Levy Option | Residential Rate FY2025 | Difference | % Change | Average Single Family \$569,820 Tax Bill | Residential Rate FY2026 | Average Single Family \$569,820 Tax Bill | Difference from FY2025 | % Change from FY2025 |
|-----------------------------|-------------------------|------------|----------|--|-------------------------|--|------------------------|----------------------|
| Original Levy - FY2025 | \$ 11.79 | | | \$ 6,718.18 | \$ 12.17 | \$ 6,934.71 | \$ 216.53 | 3.22% |
| \$1m off Levy - FY2025 | \$ 11.63 | \$ (0.16) | -1.36% | \$ 6,627.01 | \$ 12.17 | \$ 6,934.71 | \$ 307.70 | 4.64% |
| \$\$1.75m off Levy - Fy2025 | \$ 11.51 | \$ (0.28) | -2.37% | \$ 6,558.63 | \$ 12.17 | \$ 6,934.71 | \$ 376.08 | 5.73% |

| Levy Option | Levy | C/I Rate | Difference | % Change | Mall Tax Bill Value | C/I FY2026 | Mall Tax Bill Value | Difference from FY2025 | % Change from FY2025 |
|-----------------------------|---------------|----------|------------|----------|---------------------|------------|---------------------|------------------------|----------------------|
| Original Levy - FY2025 | \$ 72,117,804 | \$ 15.72 | | | \$60,000,000 | \$ 16.22 | \$ 973,200.00 | \$ 30,000.00 | 3.18% |
| \$1m off Levy - FY2025 | \$ 71,117,804 | \$ 15.50 | \$ (0.22) | -1.40% | \$930,000.00 | \$ 16.22 | \$ 973,200.00 | \$ 43,200.00 | 4.65% |
| \$\$1.75m off Levy - Fy2025 | \$ 70,367,804 | \$ 15.34 | \$ (0.38) | -2.42% | \$920,400.00 | \$ 16.22 | \$ 973,200.00 | \$ 52,800.00 | 5.74% |

Impact - single rate to shift

| Total Residential Savings resulting from Shift | |
|---|------------------|
| Current Rate | Single Rate |
| \$ 5,015,243,073 | \$ 5,015,243,073 |
| <u>0.01179</u> | <u>0.01234</u> |
| \$ 59,129,716 | \$ 61,888,100 |
| Savings to Residential Class as a result of shift | |
| \$ (2,758,384) | |

| Total Commercial Impact resulting from Shift | |
|---|----------------|
| Current Rate | Single Rate |
| \$ 723,496,327 | \$ 723,496,327 |
| <u>0.01572</u> | <u>0.01234</u> |
| \$ 11,373,362 | \$ 8,927,945 |
| Savings to Residential Class as a result of shift | |
| \$ 2,445,418 | |

| Savings to Average Single Family | |
|----------------------------------|----------------|
| \$ 569,820 | \$ 569,820 |
| <u>0.01179</u> | <u>0.01234</u> |
| \$ 6,718 | \$ 7,032 |
| \$ (313) | |

| Impact to Mall | |
|-------------------|----------------|
| \$ 60,000,000 | \$ 60,000,000 |
| <u>0.01572</u> | <u>0.01234</u> |
| \$ 943,200 | \$ 740,400 |
| \$ 202,800 | |