BOZEMAN MT

Memorandum

REPORT TO: City Commission

FROM: Melissa Hodnett, Finance Director
Chuck Winn, City Manager

SUBJECT: Resolution Establishing and Affixing Property Tax Mill Levies for Fiscal Year 2027 (FY27)

MEETING DATE: August 18, 2026

AGENDA ITEM TYPE: Finance

RECOMMENDATION: **Consider the Motion:** *I move to adopt the resolution establishing and affixing property tax mill levies for Fiscal Year 2027.*

STRATEGIC PLAN: 7.5. Funding and Delivery of City Services: Use equitable and sustainable sources of funding for appropriate City services, and deliver them in a lean and efficient manner.

BACKGROUND:

Each year, the City Commission sets property tax rates, called mill levies, based on certified property values provided by the Montana Department of Revenue. The City Commission adopted the 2027 Biennium Budget and FY27 Annual Operating Budget on June 23, 2026, using estimated taxable values and estimated revenue generated by the City's mill levies. Certified property values are received after adoption of the budget.

Recent changes to Montana property tax law significantly reduce the tax burden for many primary residences. Based on current estimates, the typical primary homeowner is projected to pay over $100 less in annual City property taxes in FY27 than in FY26 even if the City levies its full statutory mill authority.

FY27 certified values reflect significantly less newly taxable value than assumed in the adopted budget. While total taxable value increased, the lower level of newly taxable value reduces recurring property tax revenue growth available to support General Fund services in FY27 and future years.

Incorporating the certified values into the City's six-year General Fund forecast resulted in a structural imbalance in the later years of the forecast.

In response, staff reduced ongoing General Fund expenditures and incorporated a modest level of annual operating savings into the model. Even with those adjustments, the forecast does not maintain the City's 16.67% minimum General Fund reserve throughout the six-year period. Staff therefore recommends levying the City's full available mill authority for FY27 to provide additional recurring revenue needed to maintain minimum reserves and strengthen the long-term financial position of the General Fund.

Each mill of property tax authority generates approximately $235,000 annually based on FY27 certified taxable values. Leaving four mills unlevied would therefore reduce ongoing General Fund revenue by approximately $940,000 annually.

UNRESOLVED ISSUES: None.

ALTERNATIVES:

The City Commission may choose to levy fewer than the full statutory mill authority. A lower levy would reduce property taxes collected in FY27, and would also reduce recurring General Fund revenue available in future years. Each mill not levied represents approximately $235,000 in annual recurring revenue based on FY27 certified taxable values.

If the Commission chooses a lower levy, the City would need to accommodate the reduced recurring revenue through some combination of additional expenditure reductions, changes to planned service levels or ongoing commitments, and/or greater reliance on General Fund fund balance and future operating savings.

FISCAL EFFECTS: Adoption of the resolution at the statutory maximum levy will provide the recurring property tax revenue reflected in the updated FY27 General Fund forecast. The final number of mills and estimated property tax revenue are in the attached resolution.

The recommended levy, together with General Fund expenditure reductions and other budget management actions, supports maintenance of the City's 16.67% minimum reserve over the six-year forecast and reduces reliance on one-time resources to support ongoing expenditures.

Attachments:
ResolutionEstablishingMillLeviesFY27-FINAL.docx

Report compiled on: August 6, 2026