

**AGENDA  
COUNCIL WORKSESSION  
BURNSVILLE CITY COUNCIL  
Tuesday, June 14, 2011  
6:30 p.m.**

- 1) Five Year Financial Plan 6:30 p.m.
- 2) Round Table 7:30 p.m.
- Fee Consideration for DIY Homeowner Projects
  - Renaming City Asset in Honor of Council Member Crichton
  - Discussion on Council Computers
  - First Regular August Council Meeting set for Monday, August 1<sup>st</sup>
    - Night To Unite
  - International Festival Cultural Exhibit Opening Reception
  - Reports on Advisory Boards & External Organizations

**CITY OF BURNSVILLE  
COUNCIL WORKSESSION BACKGROUND**

Meeting Date 06/14/2011  
Item number 1

**PRESENTERS:**

Craig Ebeling, City Manager  
Tammy Omdal, Deputy City Manager/CFO

**ITEM:**

Financial Management Plan Review: Multi-Year Financial Planning

**POLICY DECISION / ACTION TO BE CONSIDERED:**

Staff is seeking Council direction on consideration of the 2012 property tax levies. At the August Worksession, the Council will be asked to provide direction for the preparation of resolutions necessary for the Council to establish the maximum property tax levy at the September 6, 2011 Council meeting, as required by State law.

Last November, the Council was presented with an updated five year plan that demonstrated tax levy increases that would be necessary to deal with the financial pressures that the City will have in delivering the current level of services. The current scope of services has been significantly reduced in recent years. The Council was asked whether future tax levies in the order of magnitude presented to them was acceptable. Council discussed the issue and made some preliminary decisions regarding future year budgets in the area of the Infrastructure Trust Fund (ITF). Previously the Council has made some decisions about the multi-year need to restore the Parks Capital Fund and the Vehicle and Equipment Replacement Fund as well as to engage in a new effort to address the Emerald Ash Borer threat. Beyond that Council was not able to offer much guidance for staff as to targets for 2012.

As Council begins to consider the 2012 budget, it should be noted that State imposed levy limits are **not** in effect for tax year 2012. The Council has historically levied below the allowable limit imposed by the State for Burnsville. Thus, in recent years the State imposed levy limit has not been a factor because the Council has not sought to levy up to this greater amount that would have been allowable under State law. There has been no change for Burnsville regarding the State Market Value Homestead Credit Program. What may or may not happen in a special legislative session is unknown at this time.

As is our practice, budget information is being shared with the Council several months in advance of the September deadline when the Council must establish the maximum property tax levy amounts for taxes payable in year 2012. Staff is seeking direction as to what tax levy the Council would deem to be acceptable. Of course there is significant budget work to be done throughout the balance of the process including the new steps that were incorporated by Council in 2011 and requested to continue for 2012. Still if the Council's desire for the levy is far below the level needed to deal with what we have typically called the "tax pressures" it would be best for the staff to know this as soon as possible, certainly now versus August or September when the Council will act on the "maximum" tax levy. The more time that can be made available for staff to prepare options for additional cuts, the more-well-thought-out the ideas will be. Staff has prepared some preliminary ideas. If Council felt that these had merit staff would want to firm them up. Additionally if these preliminary ideas are unacceptable or insufficient to reach the desired levy, the more time provided to conceive additional approaches the better.

**FACTS:**

As we have said in the past, the City is in sound financial condition. The bond rating agencies seem to agree inasmuch as they have maintained and even upgraded our classification. This is a testament to the Council's good stewardship of the resources provided by the taxpayers. The fact the City is in sound financial condition does not mean the City has unlimited resources at its disposal or that service levels have not declined due to constrained and

declining resources. The City is in sound financial condition because the Council has consistently adopted budgets and managed the city's finances to ensure that the City is not spending more than the revenues estimated to be available, both in the short-term and long-term. Both staff and the Council consider the long term financial impact of decisions made and plan for the future. City debt levels remain low. Fund balance and cash levels remain within policy parameters and in fact improved in 2011. Annually, the Council reviews its Financial Management Plan.

City staff has updated the multi-year analysis of projected growth in expense and revenue for the tax supported funds based on certain assumptions for continuing to fund the current level of services and adopted Council plans and policies. The preliminary multi-year decisions noted above especially relating to the ITF are reflected as well. This analysis is meant to inform the Council about future demands on the property tax. This analysis of future property tax levies should not be considered a final "plan" as it does not reflect future budget decisions yet to be made by the Council. The result of this analysis shows that annual growth in expenses for years 2012 through 2016, offset by annual growth in non-tax revenue such as charges for services, would require annual tax levy increases to balance the budget. The tax levy is the single largest source of revenue the City has to pay for general city services which is why additional levy is needed to maintain current level of services. Revenue from the tax levy does not increase unless the Council acts to increase the amount to be collected. Again, bear in mind that the purpose of this analysis is to identify the nature and general magnitude of the various demands on the tax supported funds of the city over the planning period. Certain assumptions are made in order to complete this analysis.

Present economic conditions aside, it would not be reasonable to assume that costs could be "frozen" at current budget levels from now through 2016 while continuing the same current level of services. There will be personnel cost increases at some level over time and cost of materials, energy, fuel, equipment, and other goods needed to deliver current city services will increase over this same period. The city's capital improvement plan also anticipates additional funding, specifically for streets, parks capital maintenance, and other improvements.

The machinery of tax collection and the rules about how taxes are allocated to us as individuals are dictated by the State. But the number of dollars to be collected by the city is at the discretion of the Council. The purpose of this review is to present the Council with the general level of property tax revenue that would be needed should the Council decide to adopt a funding plan that would allow for the current level of city services to be offered going forward. Property tax revenue provides nearly 70% of the funding to pay for general city services, including police, fire, and street maintenance. Without an annual increase in tax levy, these services will need to continue to be reduced and or restructured each and every year depending on the actual "tax pressure" that is in place in those years. Increases in other non-tax revenues, while helpful in offsetting the need for additional tax levy, are simply not adequate ("a large enough piece of the pie") to pay for the full cost of these services. Regular review of how service is delivered in order to ensure it is being done effectively and efficiently does help to keep costs down, but the capacity to do so is not significant enough to avoid the need for any tax levy increase. This is known - if the city's five-year plan is to be based on no tax levy increase over this same period of time, than very significant changes beyond what has been considered by the Council to date, would need to be planned for over this same period.

As stated, these projections are based on certain assumptions and are intended to inform the policy discussion the Council will be having over the course of the next several months. The final property tax levy amount for 2012, as well as for future years, will be set annually and will be based on decisions made by the Council to balance the city's budget. Any updated guidance the Council can offer to staff at this time regarding both immediate and long term tax levy policy, with consideration given to the Council's Financial Management Plan, will be helpful in supporting multi-year financial planning efforts.

**PRELIMINARY ESTIMATED TAX LEVY FOR 2012 BUDGET:**

Preliminary projections based on prior Council direction on the budget, indicate that city property taxes would need to increase by about 2.7 percent or roughly \$750,000 to fund city services in 2012. This past November the percent

increase had been estimated at 5.6 percent or roughly \$1,500,000. Updated information that has changed the prior levy estimate for 2012 include the following:

- Two contract settlements have been approved by the Council, with three remaining open;
- Position turnover is resulting in additional savings not previously included in projection;
- Action, as recommended by city employees, was taken to reduce the cost of health insurance both for the employees and the City;
- Current expense for payment to Dakota Communication Center will be less than projected;
- Combined current expenditures are anticipated to be less based on prior year experience; and
- Revenue increase from non-tax sources is projected to be greater than previously estimated.

Table A below provides explanation on the estimated change in tax levy from 2011 to 2012 that would be needed to fund city services. This is an estimate given information available at this time and prior Council direction on funding plans.

<b>Table A</b> Change in Tax Levy Change in Expenditure Items, Net of Other Non-Tax Revenues	Year 2012	
	Incremental Increase in Tax Levy	% Increase in the Levy for this Item
<b>Fund Current Level of Services:</b>		
Employee services (wages and benefits)	\$211,162	0.8%
General election expense <sup>1</sup>	\$100,000	0.4%
Current expenditures (materials, supplies, contracts, etc.)	\$97,543	0.3%
Net increase in non-tax revenues	(\$188,465)	-0.7%
Transfer of Levy for Performing Arts Center Debt and Operations <sup>2</sup>	\$40,000	0.1%
Subtotal – Increase in Tax Levy to Fund Current Level of Services	\$260,240	0.9%
<b>Restore Funding for Adopted Plans:</b>		
Infrastructure Trust Fund – Streets – Restoration	\$50,000	0.2%
Emerald Ash Borer Fund – Newly adopted plan beginning in 2011	\$50,000	0.2%
Street Revolving Fund – Maintenance – Restoration	\$11,480	0.0%
Parks Capital Fund – Restoration	\$150,000	0.5%
Equipment, Vehicles, and Facilities Fund – Restoration	\$54,080	0.2%
Police Officers 2.0 FTE - Grant funding expires in 2012 <sup>3</sup>	\$157,000	0.6%
EDA Operations – Restoration	\$25,000	0.1%
Subtotal – Increase in Tax Levy to Restore Funding for Adopted Plans	\$497,560	1.8%
<b>Service Reductions/Changes to Reduce Tax Levy Increase<sup>4</sup></b>	<b>TBD</b>	<b>TBD</b>
<b>Total Combined Increase in Tax Levy</b>	<b>\$757,800</b>	<b>2.7%</b>

Footnotes to Table A:

- 1 The Council could decide to utilize fund balance for this expense in lieu of current property tax levy.
- 2 This amount of increase is the same as estimated for the 2012 Budget last November. This would bring the total tax support for the BPAC to \$1,040,000, a \$40,000 increase from 2011 to 2012. The \$1,040,000 breaks down as follows: \$410,000 from the EDA levy for debt; \$330,000 from the General Fund tax abatement levy; and \$300,000 from the General Fund for covering BPAC operations. In recent months, the City was informed by ISD 191 of the closure of the Envision Academy at the BPAC next school year. VenuWorks and the BPAC Commission are in the process of considering how this revenue loss will be made up with other events or leasing strategies. The 2012 budget will be based on final plans, plans which are presently under review.
- 3 When Council approved the restoration of 2.0 Police Officer Positions that were to be cut in 2009, the direction was for Council to review retaining the positions in the year the grant funding expires.
- 4 The amount of change in levy resulting from possible service reductions will depend on Council direction yet to be given.

The prior table, Table A, splits the Change in Expenditure Items into two categories – expenditures necessary to maintain the Current Level of Services and previous direction by the Council to **Restore Funding for Adopted Plans**. Further explanation is offered on the second category below to assist the Council in discussion of these items.

Change to Levy for Infrastructure Trust Fund (ITF) \$50,000 Increase - Council has been concerned that the present level of funding for the ITF will necessitate a program that will cause the City infrastructure's overall condition to deteriorate. Towards that end additional modest increases have been planned for 2012 and 2013 with a significant increase slated for 2014 when Tax Increment Financing (TIF) District No. 2 decertifies, returning significant tax base previously diverted for tax increment purposes.

Change to Levy for Emerald Ash Borer (EAB) \$50,000 Increase - After studying the looming threat of the EAB, Council determined last year to establish an EAB Fund with a small first-infusion of dollars to be supplemented each year with an increasing amount.

Change to Levy for Street Revolving Fund \$11,480 Increase - Historical data indicates that the present funding level for this fund was resulting in a depletion of fund balance. Council determined to make an increase in the dollars levied for the fund to negate this depletion.

Change to Levy for the Parks Capital Fund \$150,000 Increase - The Council considered a very detailed analysis of the Park Capital Fund and proposed parks projects in 2009. The conclusion was that an increase was needed simply to maintain the existing complement of parks facilities going forward. The City had been deferring and eliminating projects for several years in a row in order to reduce the need for tax levy. Absent an increase going forward there will need to be a reduction in the number of parks assets.

Change to Levy for the Equipment, Vehicles and Facilities Fund \$54,080 - The funding level for equipment, vehicles and facilities was reduced in successive budgets 2009 and 2010. Council determined that there would be erosion in the quality of the equipment and facilities of the city and associated increased operational costs if supplemental restorative funding was not adopted. The plan calls for incremental increase in tax levy support for this Fund.

Change to Levy to Offset COPS Grant Expiration \$157,000 - The City was able to restore two officer positions lost in the 2009 budget cuts via a Federal Grant. That grant ends at the end of 2011. When these positions were restored to the budget with grant funding, the Council understood that they would need to consider whether to continue these positions at full City cost. The cost per officer is about \$100,000 (wage and benefits). The 2011 budget includes \$157,000 of grant funding towards the total cost of \$200,000 for the two positions. The balance of

funding for these two positions, \$43,000, is from tax levy. If the Council were to decide to not fund the positions beginning in 2012, but rather eliminate the positions, the total reduction in expense and estimated levy for 2012 would be \$200,000.

Change to Levy to Continue Transition of Economic Development Staffing Costs \$25,000 - A part of the 2009 budget reduction strategies was to move costs for economic development staffing from the General Fund to the Economic Development Fund. In order to cushion the necessary offsetting increase to the EDA levy a transition from using EDA fund balance to pay-as-you go funding was implemented. This increase would continue that transition and reduce the fund balance impacts of the new approach.

**IMPACT ON INDIVIDUAL PROPERTY TAXPAYERS:**

Table B that follows provides a break-down of the Change in Tax Levy that is estimated to be paid by parcels already contributing to the general tax base (existing taxpayers) versus parcels that added value from new construction and will owe taxes on that value beginning in 2012. Preliminary estimates indicate that existing property taxpayers would need to contribute about 2% or about \$550,000 more in tax levy in 2012 compared to 2011. The balance of the \$210,000 increase in levy to be collected would come from revenue collected from new tax base. While these figures are preliminary and will change, they are reasonable estimates at this time given the information that is available.

<p style="text-align: center;"><b>Table B</b>                      Change in Tax Levy                      Paid by the Following Types of Parcels</p>	Year 2012	
	Incremental Increase in Tax Levy	% Increase Supported by these Parcels
Parcels within TIF 2, which will decertify at the end of 2013	\$0	0.0%
Parcels that added value from new construction	\$210,000	0.8%
Parcels already contributing to general tax base, existing taxpayers	\$547,801	1.9%
<b>Total Combined Increase in Tax Levy</b>	<b>\$757,801</b>	<b>2.7%</b>

While the County does not have final tax values available for tax year 2012, preliminary information is available for some of the key components and the city is able to make some early assumptions on other information that is not yet available in order to provide some early figures on what impact a tax levy increase for 2012 may have on individual property taxpayers. An increase of about \$750,000 in the property taxes collected by the City/EDA would impact individual properties differently based on the change in valuation of individual properties. However, using an example average residential property, preliminary estimates suggest that a residential property valued at the approximate mean value of \$202,000 for taxes payable in 2012 (a 2.6% reduction in value from prior year) would contribute about \$13 more in City/EDA taxes. An example commercial property valued at approximately \$1,000,000 for taxes payable in 2012 (which is a 2.1% reduction in value from prior year) would pay about \$160 more in City/EDA taxes. These figures are preliminary and will change as valuation information is finalized by the County in the months ahead.

**POTENTIAL OPTIONS TO REDUCE THE ESTIMATED TAX LEVY INCREASE:**

Inasmuch as Council was not able to give staff a lot of preliminary guidance in the autumn of 2010, staff has made the assumption that Council may want to consider levy amounts of less than those outlined above. To assist in that discussion, should the Council determine to have it, the following concepts listed below have been developed in a preliminary fashion. Staff is not recommending these concepts or ideas to the Council; but rather these are put forward as policy choices for the Council. As is the case with many policy choices, there would be service

consequences to the decision to proceed. The Council may have other ideas in addition or in place of these that staff could be directed to explore further. Before continuing on with the details for each of these concepts, the list of items is summarized in the next Table.

<b>Table C</b> Summary of Potential Options to Reduce the Estimated Tax Levy Increase	
Elimination of COPS positions, 2.0 Police Officers	\$200,000
Health Insurance budget reduction	\$50,000
Set goal for Current Expense reductions (detailed line items/strategies yet to be identified)	\$100,000
Emerald Ash Borer Fund - Postpone increase by one year	\$50,000
ITF Increase – Postpone planned increase until 2014	\$50,000
Parks Capital Fund – Postpone funding restoration and/or implement program changes	\$150,000
Use of Fund Balance for long term Debt Service reduction	\$100,000
<b>Total</b>	<b>\$700,000</b>

Elimination of COPS Positions (Salaries & Benefits) - During the reductions in 2009, two police positions were initially included as part of the reductions. Subsequent to the reductions, the City was able to backfill the positions utilizing funding from the COPS Federal grant program. Unlike previous versions of the COPS program in this particular authorization of the program the city was NOT obligated to retain the positions for an extended period of time. The tax pressure projections above assume that Council will increase the levy to offset the lost grant funding for these positions. The City is not REQUIRED to do so. Council could opt to maintain one, both, or none of the positions. This is a potential budget reduction of \$200,000.

Health Insurance Premium Savings - The City’s employee health insurance committee continues to review all options for containing health insurance costs. Staff has identified continued and expanded provisions that the committee believes will allow health insurance expenditures to be below the previous estimates included in the tax pressures projections. Potential budget reductions would be approximately \$50,000.

Current Expense Reductions - Staff continues to review all non-personnel expenditures. Through different purchasing arrangements and closer scrutiny of the need for purchases, reductions have been realized. Staff proposes that an aggressive goal for an additional reduction of \$100,000 could be set for 2012. The implication of these cuts is not yet known. This goal to reduce costs would occur at a time when some line item costs, such as fuel, are rising.

Emerald Ash Borer – Postpone Increase by One-Year - When Council established the EAB Fund a tried-and-true approach was utilized. The approach is to begin work on the problem immediately and to “ramp-up” our capabilities each year as the problem becomes more pronounced. The EAB problem is certainly real. When the full impact will be realized is less clear. Council has established the base funding level for the program in 2011. The planned \$50,000 increase could be postponed for one year.

Infrastructure Trust Fund (ITF) Increase – Postpone Increases to Year 2014 - Council has become very uncomfortable with the erosion of the ITF commitment that has occurred over the last few stressful years. Because of this feeling two years ago the Council began a modest effort to restore the funding levels over a period of years – increasing the levy by \$50,000 each year. In spite of this plan being in place the Council determined that a more dramatic action was necessary to preserve the infrastructure for the long term. There was also an understanding that there will be a one-time opportunity in 2014. In that year Tax Increment Financing District #2 will decertify and end. This will provide for a very significant one-time general fund tax base enhancement bringing in an estimated \$1,200,000 in new revenues. Council directed staff to plan for utilizing \$1,000,000 of those new dollars to go directly to strengthening the ITF. Significant relief is on the way for the ITF. Because of this plan the Council could forego the much smaller planned 2012 increases - \$50,000.

Postponement of Parks Capital Funding Level Restoration - The Council had serious discussions regarding the Parks program during the 2010 budget work. The staff indicated that present levels of Parks Capital Funding would not allow for any parks expansions nor would it even sustain the present complement of parks facilities. The staff memo suggested that if 2009 funding levels were required that Council should begin steps to reduce the number of parks facilities in the City. Staff estimated the funding levels that would be required to maintain the existing complement of parks facilities. Council determined to again ramp up parks capital funding over a period of years to meet the challenge of maintaining the existing parks assets. Council could reconsider that decision or postpone the increases by one year. The latter would affect a reduction in the estimated tax levy of \$150,000 for 2012.

Use of Fund Balance for Long Term Debt Service Reduction - In considering tax policy, fund balance is always a consideration. It is important for the financial stability of the city to maintain reserve funds for unanticipated expenditures or unforeseen emergencies, as well as to provide adequate capital for current operating needs to avoid short-term borrowing. The City's Financial Management Plan states that the fund balances in the General and Special Revenue Funds will be maintained at a target level of 35% of the operating budget; however, this could fluctuate with each year's budget objectives and appropriations such as large capital expenditures and variation in the collection of revenues. The financial management plan directs that the use of one-time revenues be used for one-time expenditures.

Present fund balance levels are consistent with adopted Council policy. The total balance in the General Fund at the end of 2010 increased from about \$17.5 million to \$18.8 million, an increase of nearly \$1.2 million. The following factors impacted the change in fund balance:

- Expenditures were at about 98% of budget or \$0.6 million less than budget. Insurance expenditures were below budgeted amounts because actual claims in 2010 were less than projected. Additional budget savings were spread throughout all departments and were a result of savings in current expenditures.
- Revenues were at about 102% of budget or \$0.6 million greater than budget. There were several factors contributing to the change in revenue. Property tax revenue exceeded budget mostly because of greater than expected delinquent tax collections during 2010. Building permits & licenses were greater than budgeted by \$149,000. The increase is due to a several large permits issued during the year. Also, intergovernmental revenue was \$240,000 higher than budgeted. The increase was mainly due to payment received from the Dakota Communications Center in 2010 for a return of accumulated fund balance to members under the joint powers agreement.

Of the total 2010 year-end fund balance of \$18.7 million, \$2.8 million is reserved for landfill abatement purposes and not available for appropriation for other general city purposes. The remaining fund balance that is not reserved is \$15.9 million and is available for general city purposes, including meeting cash flow requirements. More details on fund balance are included in an attachment to this Background, in Table H.

The total amount of contingency reserve available after meeting cash flow requirement is approximately \$3.5 million (\$15.9 million in total contingency reserve less \$0.6 million for capital designation for Fire Station #1 improvements less \$11.8 million for cash flow = \$3.5 million). In recent years, there has been Council consideration to maintain a minimum of \$2.0 million in the contingency reserve above cash flow requirements for emergency needs. Given future cash flow requirements that will need to be met at the end of 2011, the preliminary estimate is that approximately \$1.0 million plus could be appropriated by the Council for one-time purposes.

The City's Financial Management Plan discusses and defines appropriate fund balances and the appropriate uses for dollars in excess of these amounts. As noted above approximately \$1.5 million is available. In summary, the Plan says that the funds should be viewed as a one-time source that should be used for a one-time expenditure. In the past Council has met the intent of that provision by funding capital improvements listed for future implementation

in the Capital Improvements Plan (CIP). The most recent example is the Fire Station #1 Rehabilitation / Addition. In this case the City made a one-time expenditure that resulted in a long-term saving over the alternative which would have been to borrow money and make periodic payments of principal and interest over a period of time. There are no obvious pending CIP projects that are parallel to that usage. However staff has devised an approach that would allow a one-time usage of the dollars to effect a longer term reduction in the overall levy.

The concept would be to reserve/ transfer cash from the General Fund to debt service for payment on debt issued in 2010 to finance improvements at the Ice Center. Council may recall that the debt instrument for the Ice Center improvements was a lease revenue bond issued by the Economic Development Authority. Under the terms of the lease the Council must each year appropriate dollars to transfer to the debt service fund for the bonds. The source of funding for the appropriation is tax levy. These lease-revenue bonds are not “callable”. That is, prepayment of principal is not a financially feasible option. However, dollars could be transferred to the debt service fund. Those dollars then could be used over a number of years to reduce the need for debt service levy resulting in a lower overall levy for the City. By properly structuring the reserve/transfer, a reduction in the debt service tax levy of approximately \$100,000 could be realized for approximately ten years by using cash on-hand. The annual debt payment on the ice center debt is about \$400,000. Under what is proposed, for a ten year period, \$300,000 would come from the tax levy and \$100,000 from cash in reserve. After the cash would be depleted the levy would need to return to the original amount required for debt service on the bonds.

**COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUNDING:**

The City receives federal CDBG funds administered through an agreement with the Dakota County CDA. The anticipated allocation for the fiscal year July 1, 2011 through June 30, 2012 time period was \$259,400. With some limitations and requirements, CDBG funds may be spent in three areas: to aid in the prevention or elimination of slums or blight; to meet an urgent community need, and to support programs and activities that benefit low & moderate income persons (including certain presumed benefit groups, such as Senior Citizens). CDA has set a maximum of 40% of our total allocation for Public Service Projects, and a 15% maximum for Administrative costs, with the remaining 45% going to Project Costs (Home Remodeling Grants and CDA Rehabilitation Loans).

The most recent available version of the proposed CDBG Activity Statement for activities to be funded after July 1, 2011 indicates a 16.6% cut to CDBG from the prior year budget. HUD has not yet sent the County the final budget amounts, so some further minor proportional adjustments will likely need to occur up or down.

The cuts to CDBG will impact the City’s 2011 and 2012 budget with less dollars being available. The original adopted 2011 budget is shown below by activity as well as the estimated actual spending after taking into account the Federal cut. The amounts are as follows:

<b>Table D</b> Community Development Block Grant (CDBG) Allocation of Funds		
Activity	Adopted 2011 Budget	Est. Actual 2011 (After Federal Cut)
THE GARAGE	\$54,500	\$45,500
360 Communities	\$6,000	\$5,000
Senior Services	\$42,000	\$35,000
EMS Grants (Ambulances Services)	\$2,500	\$2,250
Home Remodeling Grants	\$30,000	\$25,000
CDA Rehab Loans	\$106,400	\$88,600
Administrative Costs	\$18,000	\$15,000
Total Allocation	\$259,400	\$216,350

Staff will be seeking direction from the Council as part of the 2012 budget process regarding allocation of what will be a reduced CDBG amount for Burnsville. The Council may recall that the adopted Five Year Financial Plan for the Youth Center Fund already had shown that annual revenue would be insufficient to continue operations in the long term, past 2015, unless additional revenue were to be added. Fund balance is being spent down to cover operating costs. The cut to CDBG as well as anticipated reduction in other grant funding for The GARGE will likely necessitate the Council having to make some decisions regarding funding and/or service levels sooner than what may have been anticipated. This can happen as part of the 2012 budget process when all sources and uses of funds are before the Council for consideration.

**DIRECTION TO STAFF:**

As was noted in the introductory paragraphs of this memo, the City is in sound financial condition. But having this solid foundations does NOT shelter the City from the continued financial malaise that inflicts the economy, the City's state and federal partners, and most importantly the City's tax and rate payers. So this is another difficult year – perhaps the new normal. Council may not consider ANY of the potential reductions to be acceptable, or you may conclude that they have not gone far enough. If the decision is the latter, staff needs to begin work immediately to identify still more options for Council consideration. The intention of this memorandum and the ensuing discussion is to begin to focus the necessary policy and staff work that is necessary for the Maximum Tax action in September and the balance of the process culminating in budget and levy adoption in December.

**ATTACHMENTS:**

- ***Estimate of Future Tax Levy Increases for Years 2013 through 2016***  
Tables E, F, and G provide additional summary information on future estimated tax levy increases for the years 2012, 2013, 2014, 2015, and 2016.
- ***Fund Balance Summary for the General Fund***  
Table H provides information on financial performance for the General Fund.
- ***Policy No. 1.250 – Financial Management Plan***  
The Adopted Financial Management Plan is included as an attachment to this Background. Annually in June, the Council is presented with a copy of the Plan. Staff is not proposing any changes to the Plan at this time.

Table E  
Estimated Change in Property Tax Levy

Change in Expenditure Items, Net of Other Non-Tax Revenues	Year 2012		Year 2013		Year 2014		Year 2015		Year 2016	
	Incremental Increase in Tax Levy	% Chg in Tax Levy	Incremental Increase in Tax Levy	% Chg in Tax Levy	Incremental Increase in Tax Levy	% Chg in Tax Levy	Incremental Increase in Tax Levy	% Chg in Tax Levy	Incremental Increase in Tax Levy	% Chg in Tax Levy
<b>Increase to Fund Current Level of Services:</b>										
Employee wages and benefits	211,162	0.8%	597,515	2.1%	605,133	2.0%	621,320	1.9%	637,941	1.9%
General Election expense	100,000	0.4%	-100,000	-0.3%	0	0.0%	0	0.0%	0	0.0%
Current expenditures	97,543	0.4%	171,551	0.6%	238,803	0.8%	292,932	0.9%	268,318	0.8%
Net increase in non-tax revenue	-188,465	-0.7%	-86,441	-0.3%	-213,683	-0.7%	-220,872	-0.7%	-226,668	-0.7%
Net increase for PAC Debt and Ops	40,000	0.1%	40,000	0.1%	40,000	0.1%	40,000	0.1%	15,000	0.0%
<b>Subtotal</b>	<b>260,241</b>	<b>0.9%</b>	<b>622,625</b>	<b>2.2%</b>	<b>670,253</b>	<b>2.3%</b>	<b>691,667</b>	<b>2.3%</b>	<b>694,591</b>	<b>2.1%</b>
<b>Increase to Fund Adopted Plans / Restoration of Prior Plans:</b>										
ITF Streets	50,000	0.2%	50,000	0.2%	1,050,000	3.6%	50,000	0.2%	50,000	0.2%
Emerald Ash Borer Fund	50,000	0.2%	50,000	0.2%	50,000	0.2%	50,000	0.2%	50,000	0.2%
Street Maintenance Revolving Fund	11,480	0.0%	11,939	0.0%	12,417	0.0%	12,913	0.0%	13,430	0.0%
<b>Parks Capital Fund</b>	<b>150,000</b>	<b>0.5%</b>	<b>150,000</b>	<b>0.5%</b>	<b>145,000</b>	<b>0.5%</b>	<b>155,000</b>	<b>0.5%</b>	<b>30,750</b>	<b>0.1%</b>
Equip, Vehicles, and Facilities Fund	54,080	0.2%	56,243	0.2%	58,493	0.2%	60,833	0.2%	63,266	0.2%
Police Officers, COPS Grant ending	157,000	0.6%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
EDA Ops and Hwy13/5 in 2014/2015	25,000	0.1%	25,000	0.1%	332,505	1.1%	172,164	0.5%	25,000	0.1%
<b>Subtotal</b>	<b>497,560</b>	<b>1.8%</b>	<b>343,182</b>	<b>1.2%</b>	<b>1,648,415</b>	<b>5.6%</b>	<b>500,910</b>	<b>1.6%</b>	<b>232,446</b>	<b>0.7%</b>
<b>Service Changes to Reduce Tax Levy (To be Determined)</b>	<b>0</b>	<b>0.0%</b>								
<b>Total Combined Increase in Tax Levy</b>	<b>757,801</b>	<b>2.7%</b>	<b>965,807</b>	<b>3.4%</b>	<b>2,318,667</b>	<b>7.8%</b>	<b>1,234,290</b>	<b>3.9%</b>	<b>927,037</b>	<b>2.8%</b>

**Table F**  
**Estimated Change in Property Tax Levy by Taxpayer Types of Parcels**

Paid by the Following Type of Parcels	Year 2012		Year 2013		Year 2014		Year 2015		Year 2016	
	Incremental Increase in Tax Levy	% Chg in Tax Levy	Incremental Increase in Tax Levy	% Chg in Tax Levy	Incremental Increase in Tax Levy	% Chg in Tax Levy	Incremental Increase in Tax Levy	% Chg in Tax Levy	Incremental Increase in Tax Levy	% Chg in Tax Levy
Parcels within TIF 1 & 2, which will decertify at end of 2010 & 2013	0	0.0%	0	0.0%	1,107,000	3.7%	0	0.0%	0	0.0%
Parcels that added value from new construction	210,000	0.8%	150,000	0.5%	150,000	0.5%	150,000	0.5%	150,000	0.5%
Parcels already contributing to general tax base, existing taxpayers	547,801	1.9%	815,807	2.9%	1,061,667	3.6%	1,084,290	3.4%	777,037	2.3%
<b>Total</b>	<b>757,801</b>	<b>2.7%</b>	<b>965,807</b>	<b>3.4%</b>	<b>2,318,667</b>	<b>7.8%</b>	<b>1,234,290</b>	<b>3.9%</b>	<b>927,037</b>	<b>2.8%</b>

**Table G**  
**Total Property Tax Levy by Fund**

Tax Levies by Fund	Year 2012		Year 2013		Year 2014		Year 2015		Year 2016	
	Total Amount	% Chg in Tax Levy	Total Amount	% Chg in Tax Levy	Total Amount	% Chg in Tax Levy	Total Amount	% Chg in Tax Levy	Total Amount	% Chg in Tax Levy
General Fund Levy	24,950,512	2.8%	25,841,319	3.6%	26,777,481	3.8%	27,789,608	3.8%	28,641,644	3.1%
Debt Levy	1,180,000	0.0%	1,180,000	0.0%	1,180,000	0.0%	1,180,000	0.0%	1,180,000	0.0%
ITF Levy	2,000,000	2.6%	2,050,000	2.5%	3,100,000	51.2%	3,150,000	1.6%	3,200,000	1.6%
EDA Levy	485,000	5.4%	510,000	5.2%	842,505	65.2%	1,014,669	20.4%	1,039,669	2.5%
<b>Total Levy</b>	<b>28,615,512</b>	<b>2.7%</b>	<b>29,581,319</b>	<b>3.4%</b>	<b>31,899,986</b>	<b>7.8%</b>	<b>33,134,276</b>	<b>3.9%</b>	<b>34,061,313</b>	<b>2.8%</b>

Table H  
 General Fund  
 Summary of Fund Balance

	Year 2007		Year 2008		Year 2009		Year 2010	
	Amount	% of Budget						
Minimum required for cash flow	11,939,200	35.0%	12,259,100	35.0%	11,290,650	35.0%	11,852,552	35.0%
Designated for capital/operations in preceding year	0	0.0%	620,878	1.8%	0	0.0%	600,000	1.8%
Contingency reserve	3,625,940	10.6%	1,542,384	4.4%	3,394,608	10.5%	3,516,382	10.4%
Total Unreserved Fund Balance	15,565,140	45.6%	14,422,362	41.2%	14,685,258	45.5%	15,968,934	47.2%
Reserved Fund Balance	2,854,064	8.4%	2,942,875	8.4%	2,890,405	9.0%	2,785,405	8.2%
Total Fund Balance	18,419,204	54.0%	17,365,237	49.6%	17,575,663	54.5%	18,754,339	55.4%

**ROUND TABLE ITEMS**

➤ **Fee Consideration for DIY Homeowner Projects**

At the Council's all day worksession in January, the Council requested staff to look into providing some educational videos for the do-it-yourselfers that would help people understand the rules and processes in Burnsville. Staff has reviewed the concept. Because of the City's regulator role and reduced staffing level in inspections, the City is not in a position to perform project design or specific instruction; however, the City can provide limited guidance and assistance in meeting the building codes. Staff believes it would be of benefit to residents for the City to help educate them about resources that are already available to them in the community. In lieu of creating something new, staff can leverage what is already available to those interested in doing construction work themselves if they decide not to hire a contractor. To that end, ISD 191 and other school districts provide regular Community Education classes related to DIYers. In addition, we can promote what retail businesses offer in the way of classes. Classes are available for the homeowner in the areas of electrical, plumbing, deck building, windows and siding, and landscaping, etc. The classes through ISD 191, for example, are typically one evening (3 hours) and cost \$19-29 each. **Staff is proposing to the Council that the City provide a permit discount or refund in the amount of the class registration for any homeowner who takes a related class prior to getting a permit.** This way the information gathered is more comprehensive than the City could provide and by refunding the class amount, the City is benefited by having more educated DIYers resulting in less City resources needed to assist those that may need it. The City would plan to promote this in the Bulletin, on Cable, on Web Site, and on inspections hand-outs.

➤ **Renaming City Asset in Honor of Councilmember Crichton**

Councilmember Kealey has requested the Council discuss renaming a city asset in honor of Councilmember Crichton.

➤ **Discussion on Council Computers**

Council Member Gustafson has requested that this item be discussed.

➤ **First Regular August Council Meeting set for Monday, August 1st - Night To Unite**

Reminder that the first Regular Council Meeting in August is set for Monday, August 1<sup>st</sup> so the Council may participate in Night To Unite on Tuesday, August 2<sup>nd</sup>.

➤ **International Festival Cultural Exhibit Opening Reception**

Mayor Kautz is the liaison for the International Festival but will be out of town for this year's event. Council may wish to have a representative there for the Cultural Exhibit Opening Reception from 6-8pm.

➤ **Reports on Advisory Boards & External Organizations**

**ATTACHMENTS**

List of Advisory Boards and External Organizations

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## ADVISORY BOARDS AND EXTERNAL ORGANIZATIONS

### ELIZABETH KAUTZ

#### Regional Agencies

Municipal Legislative Commission  
Regional Council of Mayors

#### City Commissions/Committees/Community Interests

Planning Commission  
International Festival Board  
BV Convention & Visitors Bureau Advisory Board  
THE GARAGE Advisory Committee, Alternate

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#### Regional Agencies

Metro Cities Policy Committee-Municipal Revenue  
LMC Policy Committee-Improving the Fiscal Futures  
Cedar Avenue Corridor Advisory Committee  
Dakota Communication Center Board of Dir., Alternate

#### City Commissions/Committees/Community Interests

Fire Muster Board  
Multi-Family Housing Managers  
Parks & Natural Resources Commission  
Black Dog Watershed Management Organization

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### DAN KEALEY

#### Regional Agencies

Minnesota Valley Transit Authority  
Metro Cities Policy Transportation & General Gov't  
I-35W Solutions Alliance

#### City Commissions/Committees/Community Interests

THE GARAGE Advisory Committee

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### DAN GUSTAFSON

#### Regional Agencies

Metro Cities Policy Committee-Metropolitan Agencies  
Metropolitan Transportation Advisory Board (TAB)

#### City Commissions/Committees/Community Interests

BV Performing Arts Center Advisory Commission  
Art & All That Jazz Committee

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### MARY SHERRY

#### Regional Agencies

Metro Cities Policy Committee-Housing & Econ Dev  
LMC Policy Committee-Improving Local Economics  
Burnsville Community Foundation  
Dakota Communication Center Board of Directors  
I-35W Solutions Alliance, Alternate

#### City Commissions/Committees/Community Interests

Economic Development Commission  
Multi-Family Housing Managers, Alternate  
Burnsville Medical Alliance

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**ALL** – Ad Hoc Committees