

Overview of the 2017 Proposed Budget

City of Burnsville
November 15, 2016



2017 Budget Process

Meeting Dates	Discussion Topics
June 14	Financial Management Plan Review Budget Pressures
August 8	Council Gives Direction to Staff to Prepare Maximum Tax Levy
September 6	Council Adopts Maximum Tax Levy
October 25	Department Budget Presentations at Worksession
October 31	Virtual Open House Video Release
November 15	Council Worksessions on the Budget: General Fund & Other Property Tax Supported Funds
November 29	Capital Projects, CIP, & Enterprise Funds
December 6	Council Adopts Tax Levies and Budget



Meeting Agendas

November 15

Overview of budget

Fees & Charges (excluding enterprise funds)

General Fund

Special Revenue Funds

Tax Increment Finance (TIF) Funds

November 29

Capital Improvement Program

Debt Service Funds

Enterprise Funds



Financial Condition of the City

- AAA Bond rating – strong financial management mentioned as a plus
- Outstanding city debt remains low
- Stable fund balance and cash position
- Sound budgeting practices and multi-year financial planning



Levy Increase Estimate

- June – estimated 3.7% for current service level & adopted plans
- September - approved 3.6% max tax
 - 3.6% for current service level & adopted plans
- Proposed budget remains at 3.6%



Proposed Property Tax Levies for 2017

6

	Total Levy	Increase	Annual % Chg
General Fund Levy	\$27,029,000	\$1,074,000	3.4%
Debt Fund (existing)	1,126,674	-	-
Forestry Emerald Ash Borer (EAB) Fund	250,000	-	-
Infrastructure Trust Fund (streets, parks, etc.)	3,250,000	50,000	0.1%
Economic Development Authority (EDA) Levy	617,500	25,000	0.1%
City + EDA Levy	\$32,693,174	\$1,149,000	3.6%



New Tax Base Support

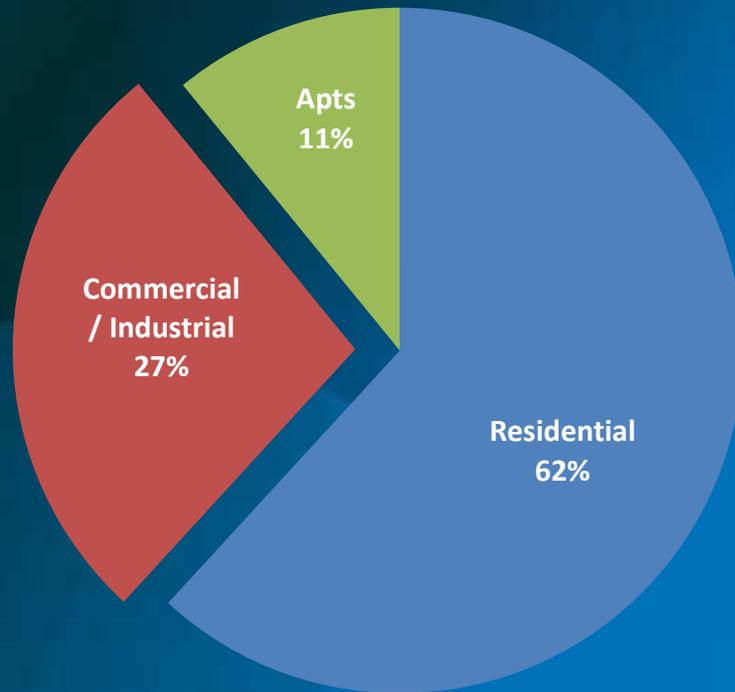
Total Tax Levy Increase	\$1,149,000	3.6%
New Construction	\$125,000	0.4%
Existing Tax Base	\$1,024,000	3.2%

Updated Nov 2016

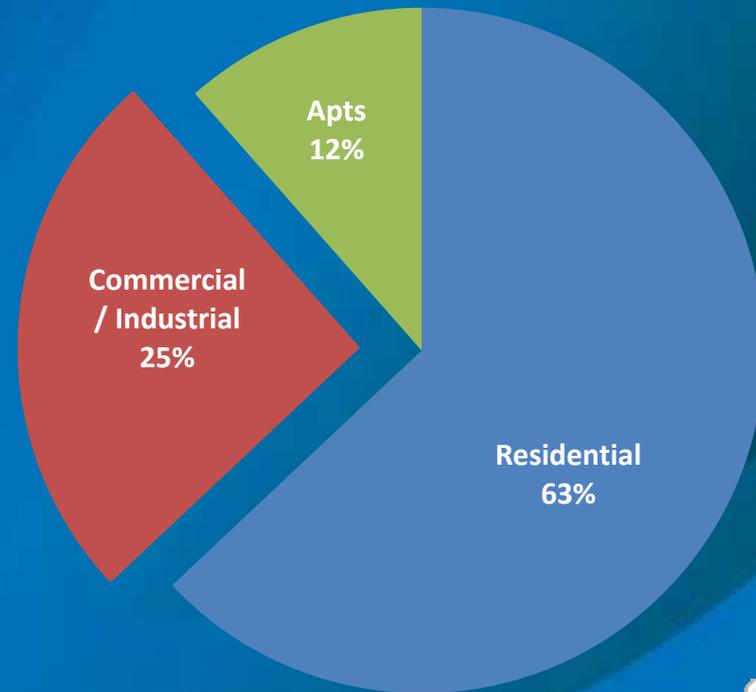


Residential Values Increasing Faster than Commercial & Industrial

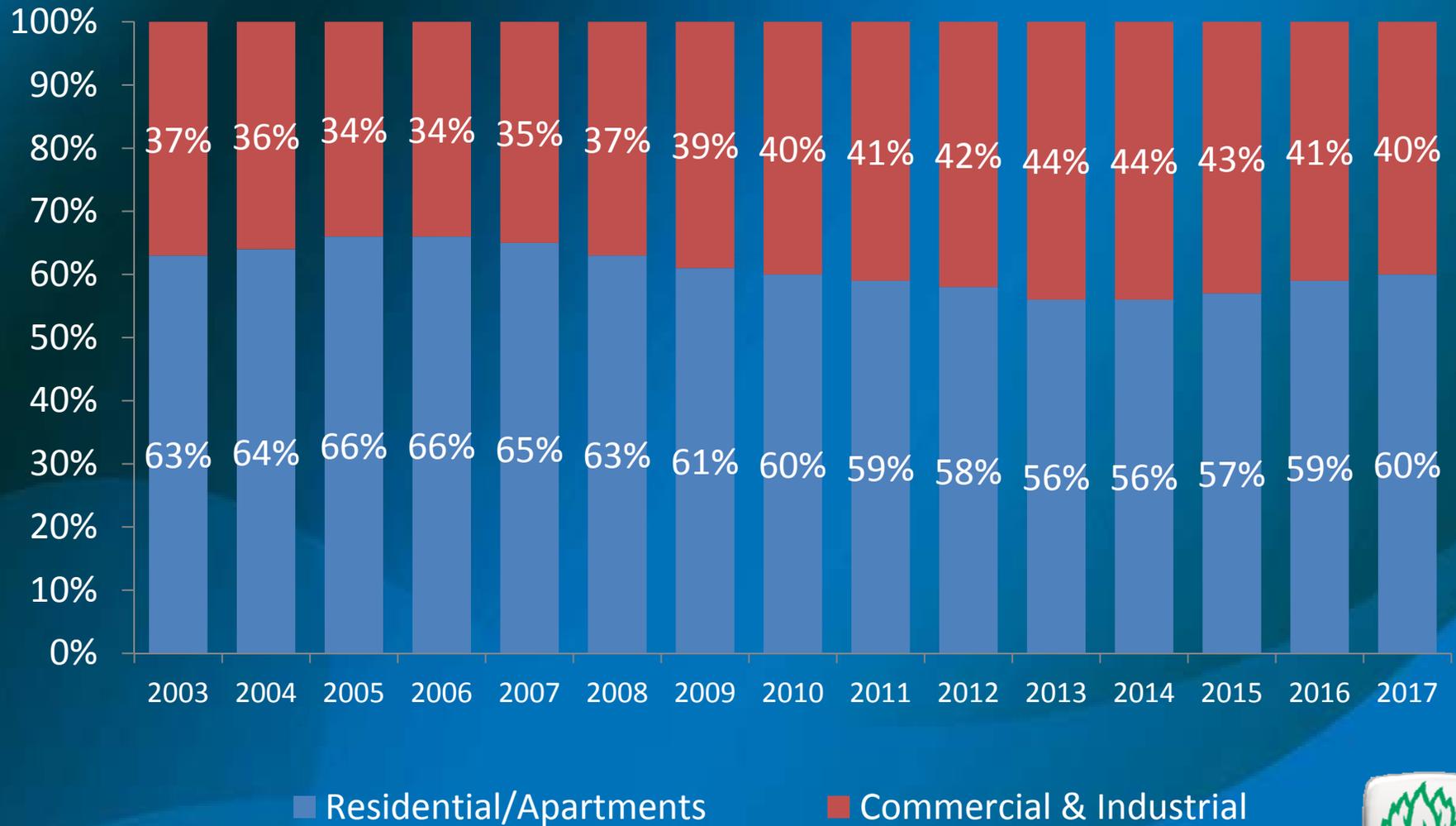
2016 \$5.5 billion



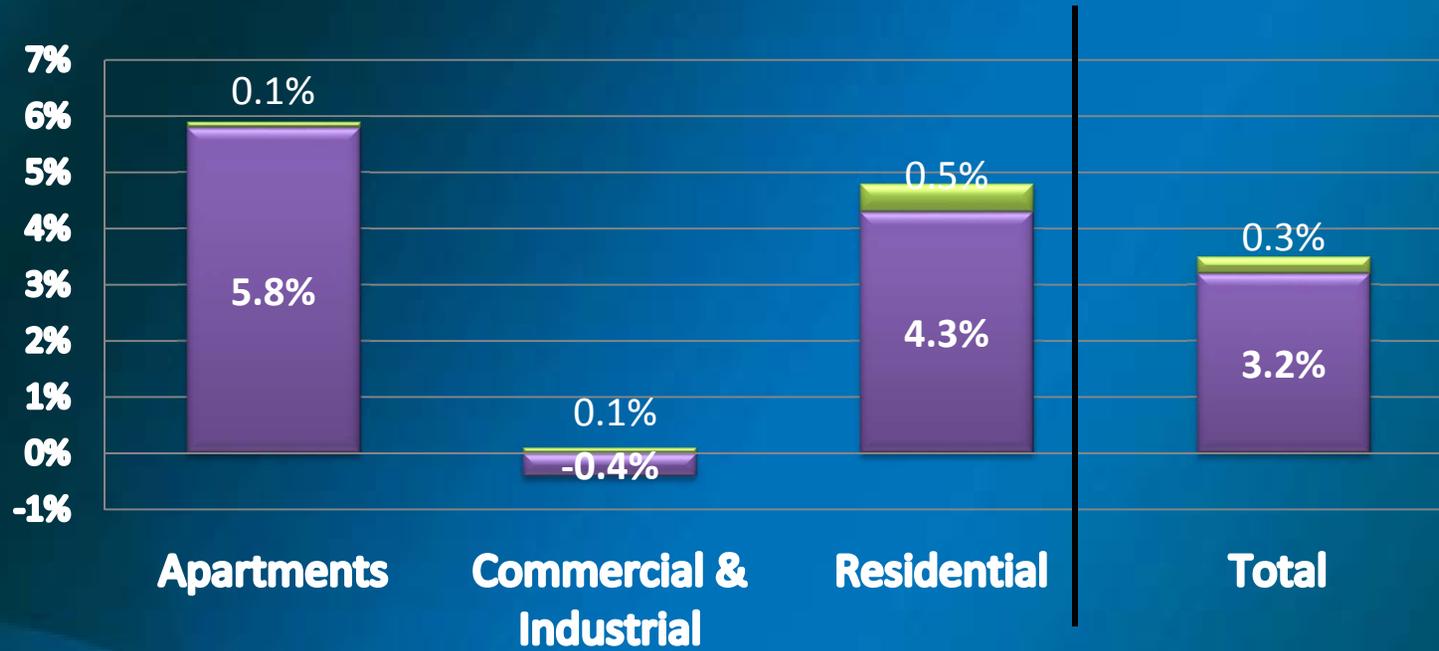
2017 \$5.7 billion



Gross Tax Capacity by Property Type Residential/Apartments Versus Commercial/Industrial



2017 Change in Estimated Value by Property Type



■ Value Increase ■ New Construction

Estimated Impact of 3.6% Levy Increase



Effect on Residential
Average Home \$222,000
(Home value growth 3.4%)



Effect on a \$1 Million
Commercial Property
(Property value growth 0%)

Comparison to Prior Year Budget

- Proposed levy is \$32.7 million – a 3.6% increase
- Total proposed budget is \$105 million, compared to \$105 million for 2016



Proposed Change in Property Tax Levy

Current Level of Services	\$863,000	2.7%
Parks Capital Fund	100,000	0.3%
Debt Service	-	-
Equipment & IT	98,000	0.3%
Infrastructure Trust Fund	50,000	0.1%
EAB Fund	-	-
EDA Fund	25,000	0.1%
Street Maintenance Fund	<u>13,000</u>	<u>0.1%</u>
Total Increase	\$1,149,000	3.6%



Total Budget

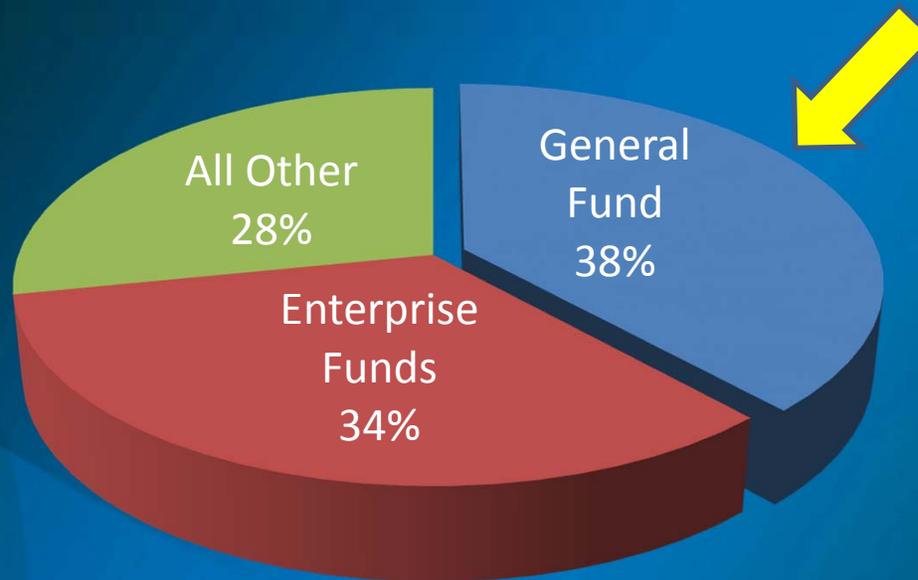
2017 \$105 million
 2016 \$105 million
 Varies from year to year

- Capital projects
- Debt payments
- Enterprise Capital



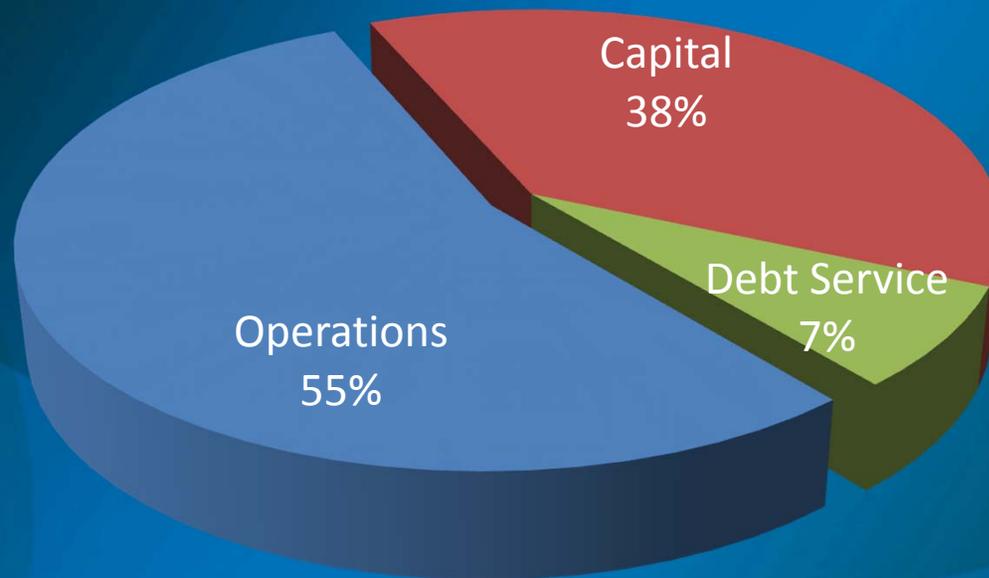
2017 Budget by Fund

Total \$105 million



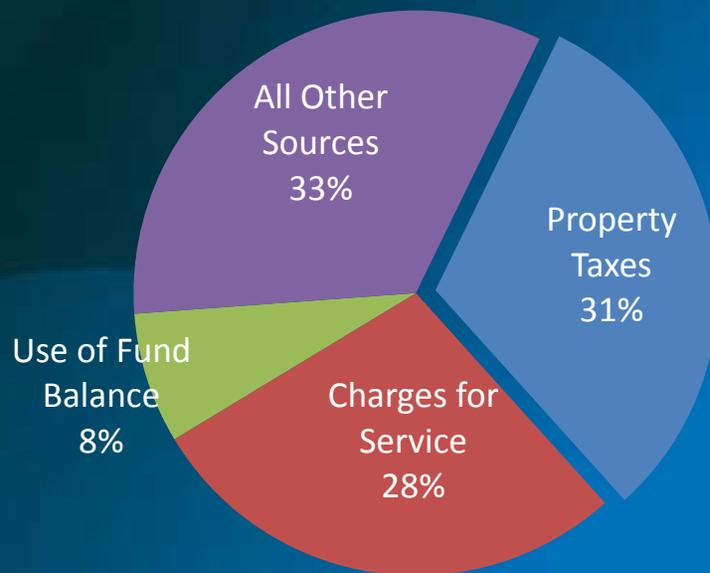
Budget by Expenditure Type

Total \$105 million



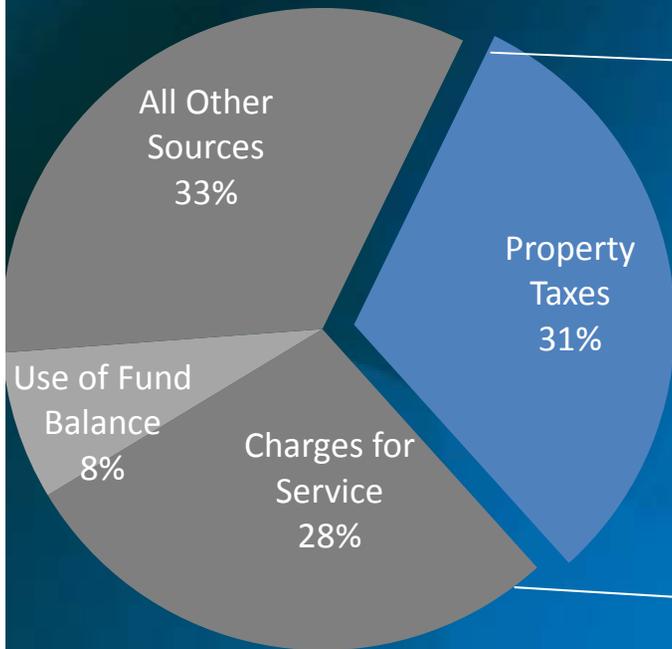
Source of Funds

All Sources of Revenue
\$105 million

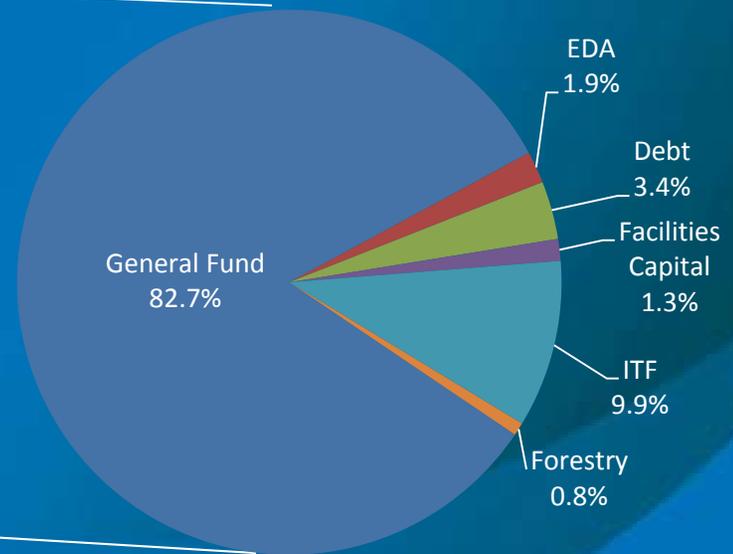


Source of Funds – Property Tax Portion

All Sources of Revenue
\$105 million



Property Tax Revenue by Fund
\$32.7 million



2017 Proposed Budget: Major Items

- Total tax proposed Levy increase of 3.6%
- As of November, 2 of 5 labor contracts have been settled for 2017
- Non-property-tax revenue in the General Fund is \$12.8 million, a \$0.9 million increase from 2016



Enterprise Funds

- Fees
 - Water/sanitary sewer - increase of 4.5%
 - Storm water – no increase 0.0%
 - Street light - no increase 0.0%
- Capital
 - Water & Sewer Fund – Water plant design
 - Ames Center finance plan includes a 5-year capital plan, major capital replacement is not funded at this time



Proposed Levy and Impact on Taxpayers

- Based on the 2017 proposed budget, the combined City and EDA tax rate is estimated to be 46.924 compared to 47.416 for the 2016 budget
- Increase or decrease to individual property taxpayers will depend on the individual change in their property's value
- Focus is on budget increase because the City's decisions directly impact that amount

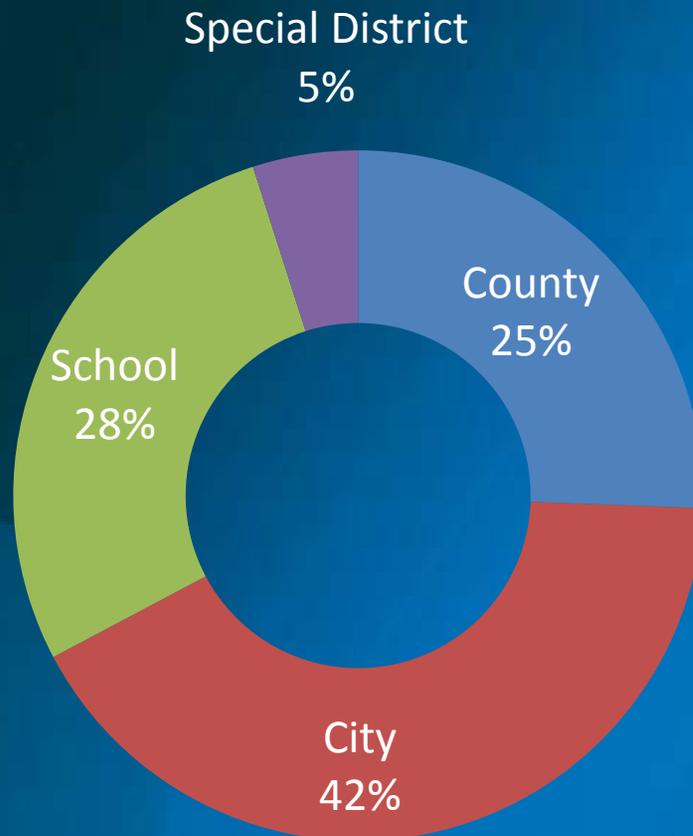
Updated information from Dakota County – Nov 2016



Levy Change vs. Rate Change



Where do Burnsville Residential Property Taxpayer Dollars Go?



Special District includes taxes for Mosquito Control District, Met Council, Transit District, Dakota County CDA, Burnsville EDA, Watershed District.

Depending on where you live in Burnsville – this distribution varies somewhat because of school districts and special taxing districts. This graph is for property within ISD 191 and within the MN Watershed District.

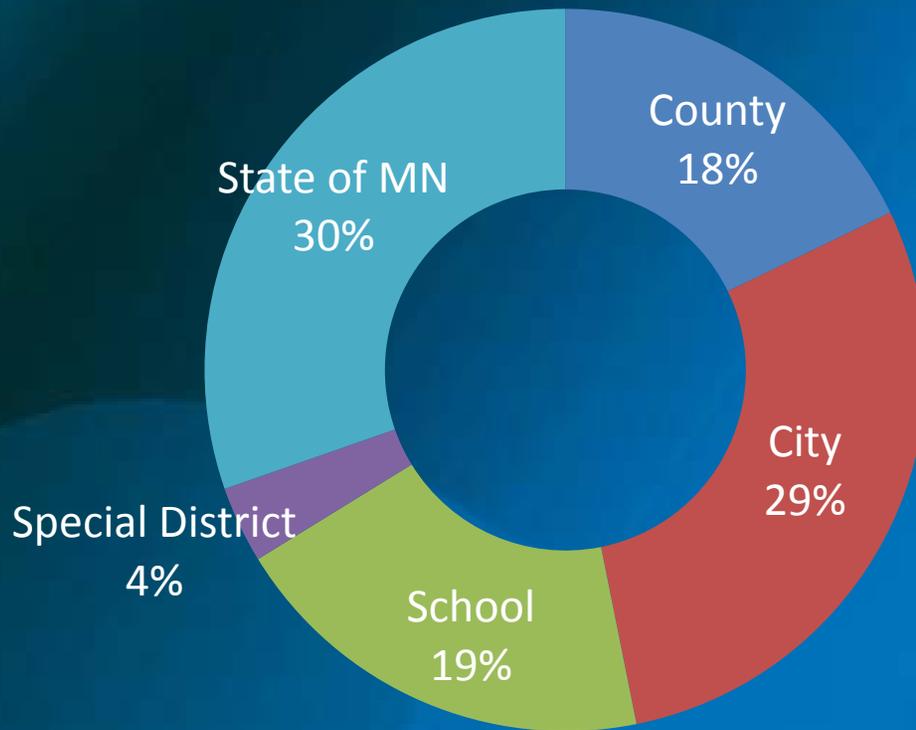


Where do Burnsville Commercial/Industrial Property Taxpayer Dollars Go?

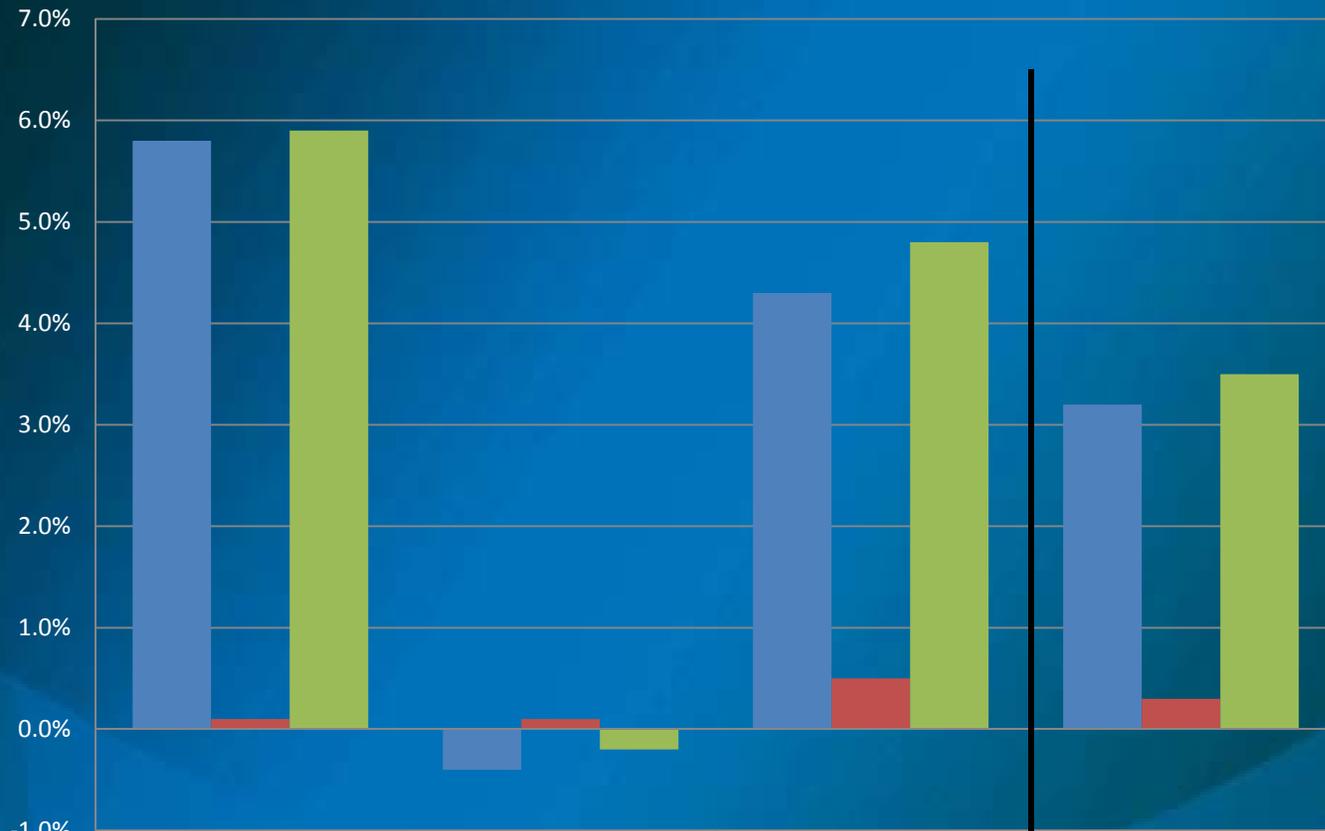
Commercial /Industrial property also pays a “State Property Tax” at a rate of 0.49 of taxable value.

Special District includes taxes for Mosquito Control District, Met Council, Transit District , Dakota County CDA, Burnsville EDA, and Watershed District.

Depending on where you live in Burnsville – this distribution varies somewhat because of school districts and special taxing districts. This graph is for property within ISD 191 and within the MN Watershed District.



Change in Estimated Value by Property Type For Taxes Payable in 2017 *



	Apts	Comm & Indust	Residential	Total
■ Valuation Change on Existing Properties	5.8%	-0.4%	4.3%	3.2%
■ Added Value from New Construction	0.1%	0.1%	0.5%	0.3%
■ Net Change	5.9%	-0.2%	4.8%	3.5%

- Note: Based on preliminary 2017 values from Dakota County as of Nov 2016.



Updated Projections



What's Driving the Need for Additional Tax Levy Revenue in Future Years?

- Increases in non-tax revenue will not be sufficient to cover the cost of maintaining police, fire, parks operation, and street maintenance
 - These services are funded mostly by tax levy and not charges for service
- Continued rebuilding of tax levy support for parks capital
- Continued increase of funding for tree management in preparation for Emerald Ash Borer infestation



What's Driving the Need for Additional Tax Levy Revenue in Future Years?

- Annual tax levy increase for street maintenance (ITF levy)
- Restoration of funding for acquisition of equipment & vehicles
- Personnel costs increases



Financial Policy Changes

Page 193-214 in the budget materials



Proposed Changes

- **Utility Franchise Fees Designated for Facilities Fund**
- **LGA will not be budgeted in the future until after it is received**
- **Add language clarifying budgeting of capital replacement in the Enterprise Funds versus depreciation.**

City Fees & Charges

Page 145-191 in the budget materials



END Statement

FINANCIAL MANAGEMENT – People find the City of Burnsville is managed in a cost-effective responsible manner, maintaining the highest standards of service to enhance the community's quality of life for a reasonable investment.



Criteria for Adjusting Fees

Financial Management Plan

Market comparison

Fees set at upper quartile of the market

Maximum set by external source

Fees set by legislation or International Building Code

Entrepreneurial approach

Fees set at the top of the market

Recover the cost of service

Fees for the programs will be self-supporting where possible

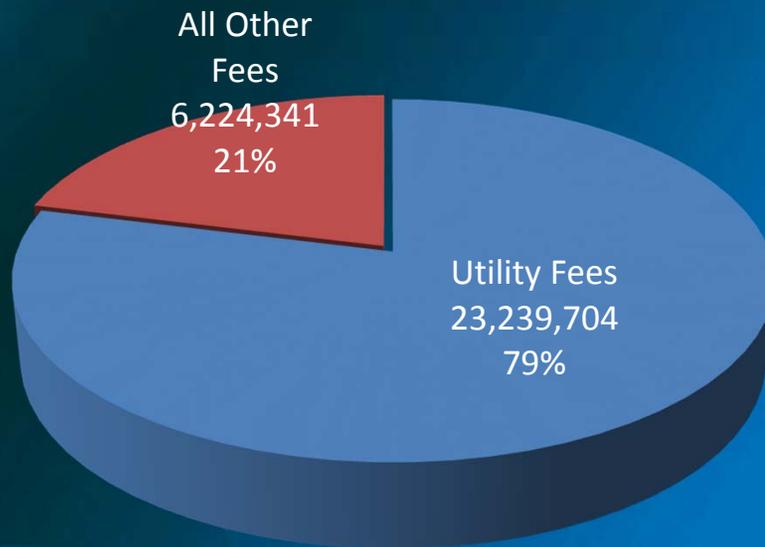
Utility fees

Fees based on annual rate study



Budget by Fee Type

Total of \$29.5 million for Charges for Services



- ▶ Budget document includes a listing of all charges for services or fees the City has in place and the proposed amount for year 2017
- ▶ Other fee adjustments included in the schedule are based on Council policy as included in the City's Financial Management Plan

Utility fees comprise the largest share of total fees. "Total fees" combines charges for services and licenses and permit fees, as shown in the City budget.



New Fees

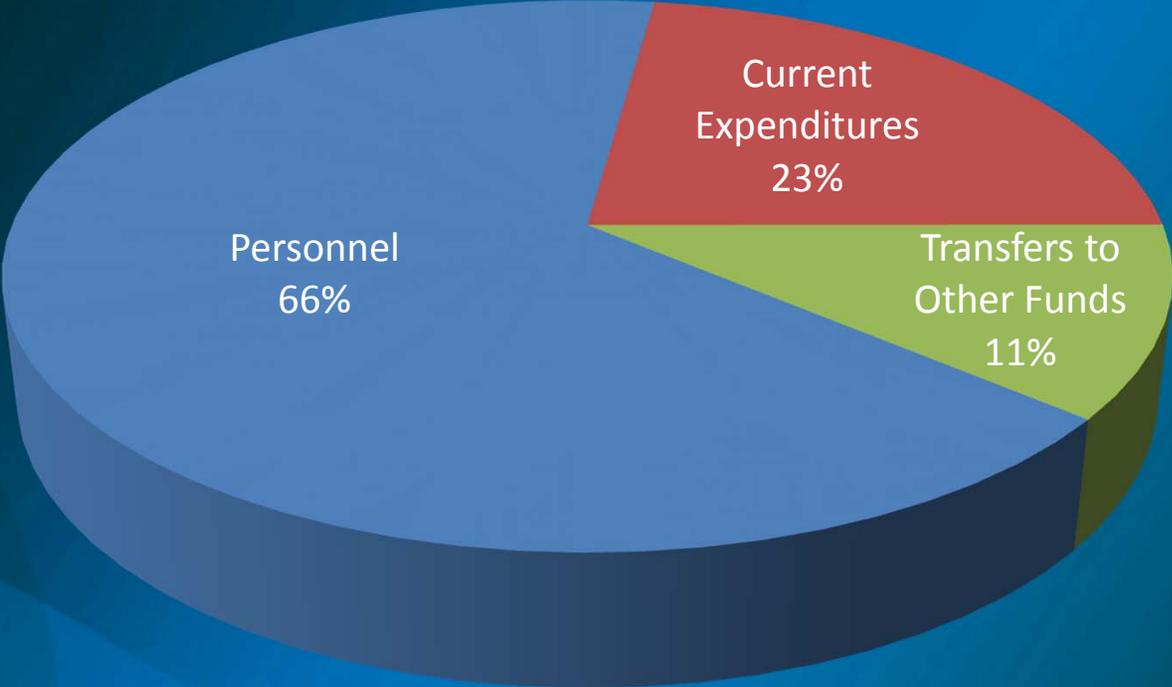
- New utility manual read fee



Next – General Fund Overview



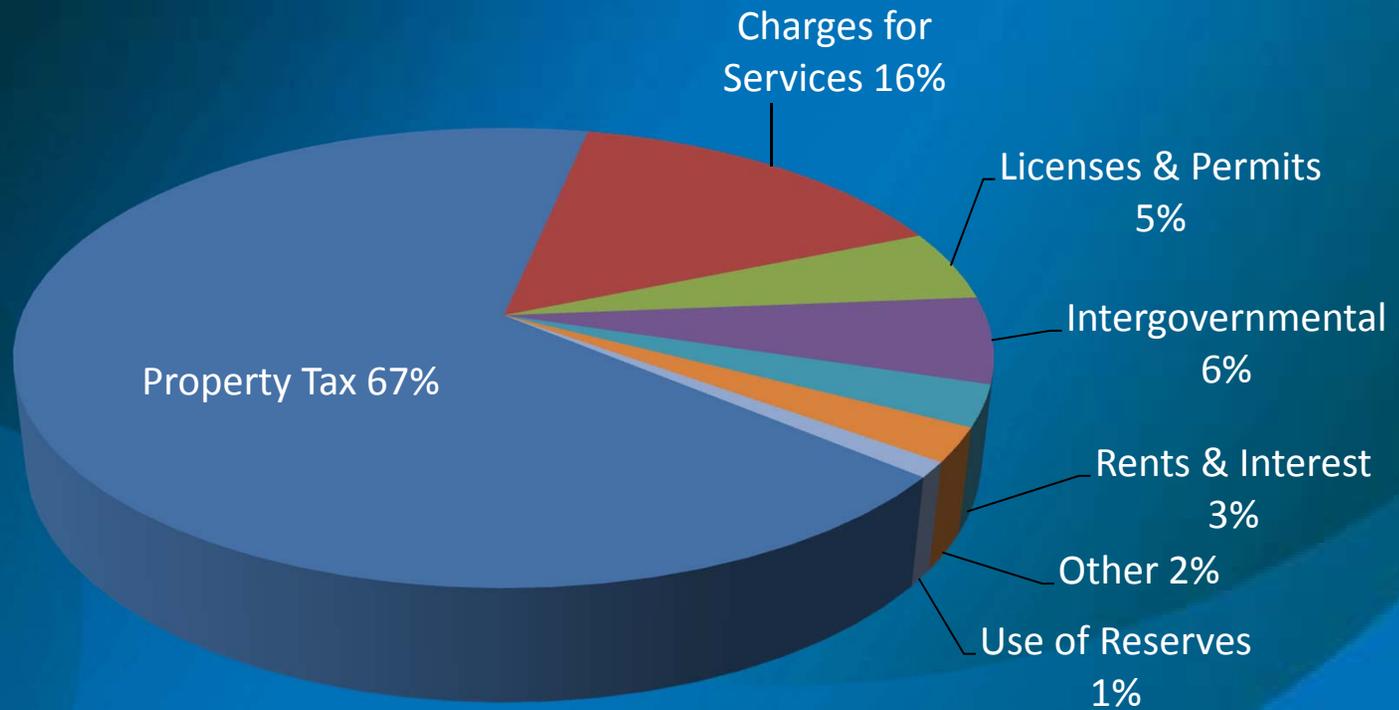
General Fund Use of Funds - \$40.2 million



Current expense includes contractual services/professional services, materials and supplies.



General Fund Source of Funds \$40.2 million



Proposed General Fund Budget

- General Fund accounts for “general governmental services” such as police and fire, recreation, and public works
- Nearly 66% of the total General Fund budget is for personnel costs
- Includes increase of 4 FTE (full time equivalent positions) for SAFER Grant
- 2 of 5 of the City’s union labor contracts are settled for 2017



Proposed General Fund Budget - continued

- Current expenditures in the General Fund are estimated at \$8.8 million for 2017
 - Comprehensive Plan Update \$120,000



General Fund Projected Change in Non-Property Tax Revenue

- **\$431,000** use of fund balance including:
 - \$141,000 annual use of restricted tipping fees
 - \$140,000 annually to fund debt service for Ice Center improvements
 - \$120,000 Comprehensive Plan Update (2nd of 2 years)
 - \$30,000 GIS Implementation (one-time use)



General Fund Balance



Special Revenue Funds

Cable Franchise Fee Fund

Forfeiture Fund

Forestry (EAB) Fund

Youth Center Fund

Sustainability Fund

Grant Fund

EDA Fund



Cable Franchise Fee Fund \$994,000

- Fund is projected to be financially stable over the next five-years
- 2017 Capital purchases are \$22,500
 - 2018 includes the replacement of the mobile studio
- Fund transfers \$185,000 annually to the General Fund which is equivalent to about 0.6% tax levy savings
- Negotiation franchise agreement continues



Youth Center Fund - "The GARAGE" \$146,110

- General Fund support \$56,000 to support building maintenance expenses and roof replacement
- Grant Revenue
 - Grant expenditures are planned to match grant revenue
 - CDBG grant revenue is designated for BYC
- Unspent operating funds from 2016 are planned to be available for use in 2017 for operations



Sustainability Fund

\$325,521

- **Lakeville added for 2017 to the combined Recycling Program with Apple Valley & Eagan**
- **Fund accounts for the combined recycling grant we receive from the County for the four cities**
- **Burnsville-specific sustainability activities and the Hazardous Waste collection days are funded from transfers from the reserved landfill abatement balance in the General Fund**
- **Funding will be monitored to keep spending and revenue in balance over the long term**



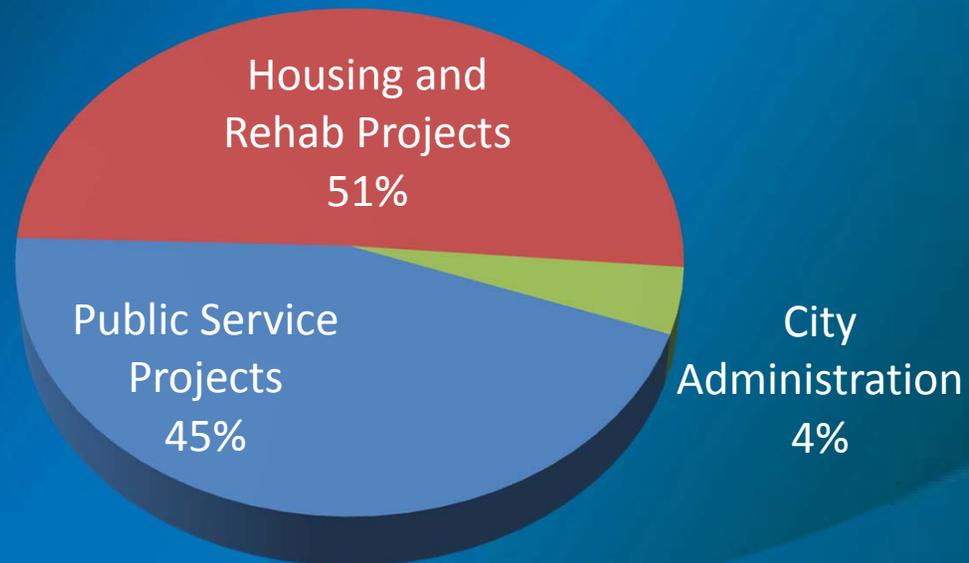
Grant Fund Total of \$16,000

- **Most on-going grants are in other funds**
- **CDBG provides the most significant source of grant funds**
- **Council will adopt a CDBG plan that will be forwarded to the CDA later this year**
- **Council has discretion to reprioritize or reallocate unspent funds at a later date**



Community Development Block Grant

\$234,700 CDBG for Fiscal Year 2017/2018



Proposed allocation is similar to Fiscal Year 2016/2017



Economic Development Authority (EDA) Fund Total of \$694,613

- EDA property tax levy is scheduled to increase \$25,000
- \$479,642 of the EDA levy is pledged for debt on the Ames Center
- Fund balance has a planned decrease of \$376,000 over the next five-years, still well-above required policy
- No transfer from the General Fund Balance is proposed for 2017



Forestry EAB Fund \$369,591

- Established fund in 2011 in preparation for future Emerald Ash Borer infestation
- Funding is property tax levy
- No increase planned for 2017 Budget due to sufficient fund balance from prior years and favorable cost changes. Assumes funding increases of \$50,000 resume annually in future years.
- Expenses currently planned for treatment & capital equipment for tree removal



Forfeiture Fund \$30,000

- **Proceeds from police forfeitures are restricted by law for certain expenditures**
- **Mainly from DUI forfeitures restricted for spending on seizure expenses and DUI enforcement activities**



Active TIF Districts

Five Year Financial Plans

- City has two active Tax Increment Financing Funds
 - TIF District 6, Heart of the City
 - TIF District 7, MRQ
- Budgets adopted for TIF Districts when a TIF Plan is adopted are based on the entire estimated life of the district and are not annual budgets
- Finance plans are maintained for each District
- The State does not require TIF Districts be included in the City's annual budget process



TIF District 6 Heart of the City

- **Established in 2002 and will decertify in Year 2019**
- **Renewal and Renovation District, created for the purpose of enabling redevelopment of the Heart of the City**
- **Tax increment of \$813,000 anticipated in 2017**
- **Use of funds is for debt service payments on \$2.2 million of outstanding bonds for public improvements and \$3.3 million for outstanding pay-go developer payments**



TIF District 7 Minnesota River Quadrant (MRQ)

- **Established in 2012**
- **Soils Deficiency District, created for the purpose of enabling redevelopment within the MRQ**



Remaining Key 2017 Budget Process Dates

- November 29 Council Work Session
(discussion on CIP & Enterprise Funds)
- December 6 Budget Adoption at 6:30 p.m.
- Virtual budget open house video can be viewed at www.burnsville.org/budget

For more information on the City's budget, including these dates and other frequently asked questions, as well as staff contact information, citizens may go to the City's website

www.burnsville.org



Council Discussion



Council Discussion Items – Items to Consider

2017 Tax Levy increase of 3.6 percent

- *Does the Council want staff to proceed in preparing a 3.6 percent increase in the total tax levy?*



Council Discussion Items – Items to Consider

The Five Year Plan for the General Fund includes projections of future tax levy increases.

Future estimates will continue to be refined and efficiencies will be pursued through the 2017 budget process.

- *Does Council have any direction to give staff regarding the magnitude of the future General Fund tax levies or reductions to pursue at this time?*



Council Discussion Items – Items to Consider

Does the Council support uses of Fund Balance as proposed?



Council Discussion Items – Items to Consider

Does the Council support financial policy changes proposed?

