

AGENDA REPORT

City Council Work Session - 12 Nov 2019



TITLE

2020 Budget Discussion

Presenter(s) Kelly Strey, Finance Director and Ryan Peterson, Public Works Director

ACTION REQUESTED

There is no policy decision or action needed until December 3, 2019 when the Council will consider adoption of the 2020 Budget and Capital Improvement Plan.

BACKGROUND

Annually, the City of Burnsville is required to adopt a maximum tax levy and preliminary budget by September 30. This levy sets the maximum increase the Council can consider for the next budget year and is used for the parcel-specific Truth-in-Taxation notices mailed to property owners. Once set, the final levy cannot exceed the adopted preliminary levy amount. The purpose of tonight's meeting is to review the proposed 2020 budget and receive Council feedback and direction on the overall budget, levy, EDA levy, and franchise fees.

A budget is a reflection of a community's priorities and the 2020 budget as prepared has been developed in alignment with the City's Vision:

"People find Burnsville an attractive, well-balanced city of residences and businesses, which through a combination of amenities and public/private partnerships, provides a wide range of opportunities for citizens to live, work, learn and play, for a reasonable investment"

And to develop a budget based on the following priorities:

- Sound financial policies and Council priorities;
- Investment in community vitality and economic development initiatives;
- Sustainable;
- Consistent service levels;
- High quality services;
- Competitive compensation structure;
- Maximize cost recovery through fees;
- Decisions made based on indicators of quality and efficiency

The City's overall tax capacity increased 7.2% for Pay 2020. Commercial tax capacity increased by 7.9% slightly ahead of the residential increase of 7.0% and the apartment increase of 5.8%. The City Council adopted a preliminary 6% levy increase at the September 16 Council meeting.

The Council also discussed future facilities needs and expanded use of franchise fees, recommending an increase to the franchise fees based on the following:

- Provides a sustainable funding source for facility needs, similar to the Infrastructure Trust Fund (ITF) for City infrastructure needs;

- Broadens payees to more users;
- Allows the City to reduce debt and increase pay-go funding for Phases 3 (City Hall Renovations) providing flexibility on the timing of the improvements; and
- Provides for major capital replacement at all facilities – reduces future levies otherwise requiring a debt service tax levy.

The recommended franchise fee increase is \$4 per meter per month for residential with proportionate increases to the commercial tiers. Per month per meter proposed rates are:

- Residential \$4
- Commercial Small \$12
- Commercial Medium \$40
- Commercial Large \$180

Implementation will take 60-90 days for agreements, required utility notifications, and billing cycle implementation.

The proposed budget includes a number of changes to clarify our funds, retire debt, and provide sustainable services. This budget includes the changes to move economic development staffing from the EDA fund to the General Fund reducing the EDA levy and increasing the General Fund levy. The resulting change provides future capacity in the EDA levy to fund economic development initiatives to meet future Council priorities.

Impact on Taxpayers

Staff have been continually refining projections and the new impact on the median valued home is \$27 annually or 2.5%.

Personnel Investment

The City employs 283 regular, full time equivalent (FTE) staff and over 250 seasonal employees. The 2020 budget includes increases related to increased health insurance, workers compensation, and police and fire pension contributions.

The Council has established a high service expectation for our services. The 2020 budget includes continued phased implementation of the compensation plan. It also includes additional investment in the Community Development and Fire Departments to address increased service pressure from expanded economic development and changing demographics. This includes an additional building inspector, building inspections assistant and a fire inspector. The City is also investing in organizational development with transition in seasonal employee funding to a maintenance worker trainee program to support department succession planning needs. Additional organizational development investment is also planned for 2020 to support a healthy, engaged workforce that continues to serve the community well.

Capital Improvement Plan (CIP)

The Capital Improvement plan for 2020 calls for continual investment in the following areas:

- Street Improvements
- Nicollet Commons Park water feature repairs
- Capital equipment replacement
 - Community warning siren replacement (multi-year program)
 - SCBA replacement
 - Cardiac monitors

- Ballistic vest & gas mask replacement
- Vehicles
 - Fire Truck
 - Various vehicle replacements across departments
- Fire Station #1
- Utility Fund Capital Improvements
 - Water Tower Rehabilitation
 - Ground Water Treatment Plant Electrical Repairs
 - Storm water drainage improvements
 - Sustainability plan update
- City Entry Monument Sign
- Lake Marion Trail

EDA Fund

The expenditures in the EDA fund include placeholder estimates of \$200,000 for Center Village EAW and design guidelines if these were to move forward. There is also \$100,000 estimate for professional expense related to Freeway Landfill closure. Ongoing expenses are budgeted at \$315,503 for other economic development activities including analytics and branding/marketing.

Personnel and debt service were moved to the General Fund for 2020 and the future. The EDA levy was reduced and the General Fund levy was increased accordingly.

The EDA levy was reduced to \$197,500 for 2020. The finance plan calls for incremental increases to the EDA Levy to fund ongoing economic development activities. The maximum levy allowed by State Statute is approximately \$1.2 million. This allows the Council significant capacity to discuss future economic development investments.

Cable Franchise Fee Fund

The City will be doing a review of the City's communications plan in 2020. We will also monitor the cable franchise fee trends and update the plan as needed in future budget years. There is a \$185,000 transfer from this fund to the General Fund that will likely be phased out in future years.

Equipment & Vehicle Fund

The plan includes future funding to study fleet vehicle usage and best practices to manage increasing costs of the City's fleet including right sizing our fleet.

Utility Funds

A comprehensive utility rate study in 2020 will provide an analysis of the rate structure and financial sustainability of the utility funds. Also, an update to the Sustainability Plan will guide future priorities for the Storm Water Fund. Major capital projects in the Water and Sewer Utility Fund include Heather Hills Tower recoating and painting, Ground Water Treatment Plant electrical repairs and Variable Frequency Drives. The plan will use a PFA low interest loan for the tower project instead of bonding which will save on interest costs.

Ames Center Fund

The plan has been updated to reflect consolidating the debt funding to the debt service fund. The Ames Center plan now consists of operating activity and capital activity. We think this will provide a more concise picture of the financial condition of the operations and capital needs of the building. Also, the host fee consolidation is shown in the plan and with the reduction of the outstanding loan to the General Fund over the next two years.

CDBG Funding

The budget includes redirecting a portion of the CDBG allocation to housing loan program administered by the CDA. This results in the General Fund supporting the Senior programs from the property taxes at the same level as currently funded by CDBG. The program which provides EMS grants would be redesigned to be internally administered. We feel we can develop a streamlined program to assist more patient while encouraging partial payments (sliding scale) on accounts that are currently uncollectible for a net zero impact to the fund this also eliminates administrative grant reporting overhead. The BYC program would continue to be funded from CDBG and passed through to the school district.

Fees & Charges

The fees and charges schedule included in the budget document includes changes to the fee schedule which are consistent with the Council's policy to maximize cost recovery through user fees. The fee for liquor license is proposed to increase and will require a public hearing on December 3 during the budget adoption.

Staff will present a PowerPoint presentation providing additional budget and CIP overview during the work session.

A Sustainable Financial Future

This budget is a reflection of the organization's priorities and the ambitious goals to provide high quality services. We understand the importance of being financially responsible with the public's investment into the community. We have developed five-year financial plans that allow us to understand the future impacts of today's decisions and how they align with the Council's overall community vision. The Council's Financial Management Plan policies provide sound principals on which to build the budget and we appreciate the Council's vision and input during the budget process.

Thank you to the Council for your leadership and vision which has been instrumental in developing the 2020 budget to serve Burnsville community in 2020 and into the future.

RELATED ENDS & OUTCOME STATEMENT(S)

Financial Management: People find the City of Burnsville 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.

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