



MEMORANDUM

09/08/15 CC Meeting Item 12(a)

Re: 2016 General Fund Budget & Tax Levy

Date: September 1, 2015

To: City Council

From: Heidi Tumberg, Finance Director

The Council and staff have met a number of times to discuss the preliminary 2016 budget and tax levy. Attached to this memo is the most current version of the 2016 Preliminary Budget and Tax Levy.

Minnesota Statutes 275.065 states on or before September 30, each taxing authority shall adopt a proposed budget and shall certify to the county auditor the proposed property tax levy for taxes payable in the following year.

Once the Council sets the preliminary levy, that amount cannot be increased but it may be decreased.

2016 Preliminary Budget

The 2016 Preliminary Budget reflects an increase of \$68,144, or 3.52% over the 2015 budget. There are some major revenue and expense changes which are outlined below.

Significant changes in revenues include:

- Property Taxes
 - Property Tax Levy increase of 2.90%
- License and Permit Revenues
 - Alcoholic Beverage License revenues increased to reflect the number of licenses that have been issued
 - Building, Plumbing and Mechanical Permit revenues increased to reflect an increase in activity over the past three consecutive years
- Charges for Services
 - Parking Meter revenue increased to more accurately reflect actual receipts over the past number of years
- Fines and Forfeits
 - Municipal court fines increased to bring them in line with actual revenues received over the past number of years
- Rent Revenues
 - Water Tower Antenna lease revenues increased five percent per contract with T-Mobile, plus \$4,200 for additional antennas that were added in 2015
 - Kayak Rental Revenue Sharing increased to more closely reflect actual revenues received
- Miscellaneous Revenues
 - Decrease in refunds and reimbursements due to a decrease in actual insurance dividends received by the City
- Transfers From Other Funds
 - This category has decreased to phase out indirect cost allocations from the City's enterprise funds, which are now recognizing costs directly

Significant changes in expenses include:

- City Manager/Clerk
 - Decrease in employer paid health insurance premiums (due to an employee waiving coverage)
 - Decrease in full-time salaries due to reallocating staff wages to more closely align with where staff time is actually spent
- Elections
 - There will be a presidential election in 2016, therefore expense has been added to pay for the costs of administering the primary and general election
- Finance
 - Decrease in full-time salaries and benefits due to reallocating staff wages to more closely align with where staff time is actually spent
- Planning and Zoning
 - Decrease in health insurance premiums (due to an employee electing to waive coverage)
- City Administration
 - Increase in professional services for the addition of a Communications/Event Coordinator position
 - Decrease in electric and gas utility costs due to the City leasing out the 810 Excelsior Boulevard building
- Heritage Preservation
 - Decrease because there was a one-time allocation of \$5,000 included in the 2015 budget for update and revision of design standards and guidelines that is not in the 2016 budget
- Police
 - Increase in operations of 3.13%
 - Increase in facility debt service of about 4.00%
- Fire Contract
 - Increase in operations of 2.86%
 - Increase in debt service of 7.12%
 - Excelsior's share of the overall budget increased significantly due to the change in tax capacity versus the other member cities' change in tax capacity
- Engineering
 - Increase in engineering services due to a rate increase in consulting services
- Streets
 - Decrease in employee wages and benefits due to the reallocation of staff time to more accurately reflect where time is spent
 - Decrease in equipment repair and maintenance costs
- Park Maintenance
 - Increase in staff wages and benefits due to the reallocation of staff time to more accurately reflect where time is spent
- Recreation
 - Decrease in costs related to lifeguards per the City's two-year agreement
- Cemetery
 - Increase in staff wages and benefits due to the reallocation of staff time to more accurately reflect where time is spent
- Transfers to Other Funds
 - Increase in transfer to debt service fund to prepare for the Phase III Street Project which is slated for 2016

Levy Increase

The attached preliminary 2016 budget reflects a 2.90% percent overall increase in the City's property tax levy when compared to the 2015 levy. The City's operating levy is set to increase 0.97% and there is an additional 1.94% levy increase to prepare for future debt. The operating levy includes the debt service levy of \$100,000 for repayment of the 2010A bonds which were issued for the 2010-2011 Street Projects.

An additional levy increase has been factored into the 2016 tax levy in order to prepare for the Phase III Street Project. The Phase III Street Project is currently slated to begin in 2016. By increasing the levy incrementally over the past few years, the increase is more palatable than a one-time major increase in the levy. The additional funds allocated toward future debt are \$26,733 over the 2015 allocation.

The Consumer Price Index – All Urban Consumers (CPI-U) for Minneapolis-St. Paul grew 1.40% from 2013 to 2014. The City's Preliminary Levy increase for operations is 0.97% and is considerably lower than the CIP-U. When factoring in the levy increase for the future Phase III Street Project, the increase is 2.90% and exceeds the CPI-U.

The preliminary levy increase of 2.90% is also lower than the projected increase which was included in the 2015 Long Term Financial Plan of 3.50%.

Staff recommends the Council set the preliminary levy at a 2.90% increase. Once the preliminary tax levy is set, the City Council can reduce the proposed property tax levy but it cannot increase the levy.

Minnesota Statute requires the Council to set a public budget meeting to allow public input on the final budget and tax levy. The meeting must be held at or after 6 p.m. and the public must be allowed to speak at the meeting before adoption of the final budget. Staff recommends the Council set the public budget meeting at the regularly scheduled Council meeting on Monday, December 7, 2015 at 7:00 p.m. in the Council Chambers.

Council Action: The City Council should adopt Resolution 2014- 47 – A Resolution Certifying the 2015 Proposed Property Tax Levy Collectible in 2016, Proposed General Fund Budget and Public Meeting Date, Time, and Location.

City of Excelsior

Resolution No. 2015-47

A Resolution Certifying
2015 Preliminary Property Tax Levy Collectible 2016,
Proposed General Fund Budget,
Public Meeting Dates, Times, and Location

WHEREAS, a Preliminary Budget has been prepared by the City Manager and presented to the Council for review; and

WHEREAS, the Minnesota Truth in Taxation Law requires the City Council to establish a Preliminary Property Tax Levy and Proposed General Fund Budget prior to September 30, 2015, for Tax Payable in 2016.

NOW THEREFORE, BE IT RESOLVED, by the City Council of the City of Excelsior, Minnesota, that the following sums of money be certified as the Preliminary 2015 Property Tax Levy, Collectible 2016, upon the properties in the City of Excelsior:

General Fund	\$ 1,318,952
Debt Service	<u>100,000</u>
Total Tax Levy	\$ 1,418,952

BE IT FURTHER RESOLVED, the City Manager is hereby instructed to transmit a certified copy of this Resolution to the County Auditor of Hennepin County, Minnesota.

BE IT FURTHER RESOLVED, the Preliminary 2016 General Fund Budget, totaling \$2,005,413, be hereby adopted.

BE IT FURTHER RESOLVED, the City Council will hold a public meeting and take public comment regarding the levy for taxes payable in 2016 and the 2016 Budget on Monday, December 7, 2015, at 7:00 p.m. in the Excelsior City Council Chambers, 339 Third Street, Excelsior, Minnesota 55331. The City Council is scheduled to adopt the final property tax levy and final budget at their regularly scheduled meeting on Monday, December 21, 2015.

Adopted by the City Council of the City of Excelsior, Minnesota, this 8th day of September, 2015.

Mark W. Gaylord, Mayor

ATTEST:

Ann Orlofsky, City Clerk

Kristi Luger, City Manager

**City of Excelsior
2016 General Fund Revenue & Expense Budget Summary**

GENERAL FUND	<u>2013 Actual</u>	<u>2014 Actual</u>	<u>2015 Budget</u>	<u>2016 Preliminary Budget</u>	<u>\$ Chg vs 2015 Budget</u>	<u>% Chg vs 2015 Budget</u>
Revenues						
Property Taxes*	1,238,391	1,226,716	1,271,651	1,311,262	39,611	3.11%
Franchise Fees	69,495	69,532	69,750	69,750	-	0.00%
Licenses and Permits	240,224	315,699	221,625	242,200	20,575	9.28%
Intergovernmental Revenues	3,095	4,095	3,095	3,095	-	0.00%
Charges for Services	142,241	168,183	117,800	122,050	4,250	3.61%
Fines and Forfeits	67,663	73,175	62,000	67,550	5,550	8.95%
Rents	83,350	33,993	31,648	39,206	7,558	23.88%
Interest Earnings	(21,844)	46,443	18,500	18,500	-	0.00%
Miscellaneous Revenue	42,810	29,808	26,200	25,200	(1,000)	-3.82%
Transfers From Other Funds	88,000	85,200	115,000	106,600	(8,400)	-7.30%
	<u>1,953,425</u>	<u>2,052,844</u>	<u>1,937,269</u>	<u>2,005,413</u>	<u>68,144</u>	<u>3.52%</u>
Expenditures						
Council	30,097	20,165	23,835	23,084	(751)	-3.15%
City Manager/Clerk	156,677	115,463	115,492	102,660	(12,832)	-11.11%
Elections	173	5,264	600	6,800	6,200	1033.33%
Finance	55,731	52,613	55,966	41,898	(14,068)	-25.14%
Planning and Zoning	91,027	98,227	105,417	99,968	(5,449)	-5.17%
City Administration	238,323	199,255	216,875	265,425	48,550	22.39%
Heritage Preservation	941	1,263	6,060	1,085	(4,975)	-82.10%
Police	667,211	685,236	707,890	728,617	20,727	2.93%
Fire Contract	158,988	168,924	181,120	189,522	8,402	4.64%
Building Inspection	42,195	36,682	15,000	15,000	-	0.00%
Engineering	10,450	10,827	11,000	12,000	1,000	9.09%
Streets	195,303	218,134	211,554	198,208	(13,346)	-6.31%
Park Maintenance	147,113	142,309	166,005	174,359	8,354	5.03%
Recreation Programs	33,312	30,216	36,000	34,463	(1,537)	-4.27%
Cemetery	19,794	20,631	19,395	20,531	1,136	5.86%
Transfers To Other Funds	385,000	379,116	65,060	91,793	26,733	41.09%
	<u>2,232,335</u>	<u>2,184,325</u>	<u>1,937,269</u>	<u>2,005,413</u>	<u>68,144</u>	<u>3.52%</u>
Net Income (Loss)	(278,910)	(131,481)	-	-		
Beginning Fund Balance	1,597,270	1,318,360				
Ending Fund Balance	1,318,360	1,186,879				
Nonspendable	2,153	25,421				
Committed						
Self Insurance	110,454	101,780				
Compensated Absences	84,632	43,973				
Cemetery	55,468	40,037				
Unassigned	<u>1,065,650</u>	<u>975,666</u>				
Total Fund Balance	<u>1,318,357</u>	<u>1,186,877</u>				
Unassigned Fund Balance as a Percentage of Expenditures	59%	50%				

* Property Taxes include current taxes, delinquent taxes and fiscal disparities.

	<u>Levy Amounts</u>	<u>Capture Rate</u>	<u>Revenue Amounts</u>	
Current Ad Valorem Taxes	1,268,952	99%	1,256,262	(Levy x Capture Rate = Expected Revenue)
Delinquent Taxes	-		5,000	Delinquent Tax Revenue
Fiscal Disparities	<u>50,000</u>		<u>50,000</u>	Fiscal Disparity
Total General Fund Levy	1,318,952		1,311,262	Total GF Revenue Amount
Debt Levy (Special Levy)	<u>100,000</u>		<u>100,000</u>	Debt Levy Revenue Amount
Grand Total Excelsior Levy	<u>1,418,952</u>		<u>1,411,262</u>	Grand Total Levy-Related Revenue
Prior Year Grand Total Levy	1,378,895			
Increase (Decrease) in Levy	40,057			
% Increase (Decrease) in Levy	2.90%			
% Increase (Decrease) in CPI (2013 vs. 2014)	1.40%			

**CITY OF EXCELSIOR
2016 PRELIMINARY BUDGET
General Fund Expenditures by Department**

	2012 <u>ACTUAL</u>	2013 <u>ACTUAL</u>	2014 <u>ACTUAL</u>	2015 <u>BUDGET</u>	2016 <u>BUDGET</u>	Dollar Change	Percent Change
GENERAL FUND							
<u>COUNCIL</u>							
Wages and Benefits	14,210	14,209	14,210	14,209	14,209	-	0.00%
Professional Services	2,079	-	-	2,100	2,100	-	0.00%
Education and Training	527	628	-	1,025	625	(400)	-39.02%
Community Events	6,150	15,260	5,955	6,500	6,150	(350)	-5.38%
Total Council	<u>22,966</u>	<u>30,097</u>	<u>20,165</u>	<u>23,834</u>	<u>23,084</u>	<u>(750)</u>	<u>-3.15%</u>
<u>CITY MANAGER/CITY CLERK</u>							
Wages and Benefits	112,119	151,858	109,415	110,092	97,360	(12,732)	-11.56%
Education and Training	3,336	4,819	6,048	5,400	5,300	(100)	-1.85%
Total City Manager/City Clerk	<u>115,455</u>	<u>156,677</u>	<u>115,463</u>	<u>115,492</u>	<u>102,660</u>	<u>(12,832)</u>	<u>-11.11%</u>
<u>ELECTIONS</u>							
Election Judge Pay	3,180	-	2,179	-	3,500	3,500	n/a
Operating Supplies	2,797	173	2,579	-	2,700	2,700	n/a
Repairs and Maintenance	602	-	507	600	600	-	0.00%
Total Elections	<u>6,579</u>	<u>173</u>	<u>5,265</u>	<u>600</u>	<u>6,800</u>	<u>6,200</u>	<u>1033.33%</u>
<u>FINANCE</u>							
Wages and Benefits	43,924	52,518	50,699	54,396	39,978	(14,418)	-26.51%
Professional Services	22,466	923	-	-	-	-	n/a
Education and Training	1,069	2,290	1,912	1,570	1,920	350	22.29%
Total Finance	<u>67,459</u>	<u>55,731</u>	<u>52,611</u>	<u>55,966</u>	<u>41,898</u>	<u>(14,068)</u>	<u>-25.14%</u>
<u>PLANNING AND ZONING</u>							
Wages and Benefits	42,988	53,257	52,434	60,567	55,368	(5,199)	-8.58%
Professional Services	41,953	35,560	44,522	42,000	42,000	-	0.00%
Education and Training	711	1,296	395	1,850	1,600	(250)	-13.51%
Meeting Expense (Taping Meetings)	1,095	914	876	1,000	1,000	-	0.00%
Total Planning and Zoning	<u>86,747</u>	<u>91,027</u>	<u>98,227</u>	<u>105,417</u>	<u>99,968</u>	<u>(5,449)</u>	<u>-5.17%</u>
<u>CITY ADMINISTRATION</u>							
Operating Supplies	16,859	17,246	20,295	18,900	18,750	(150)	-0.79%
Professional Services	132,898	149,356	125,714	158,632	200,083	41,451	26.13%
Utilities	20,135	21,340	26,869	22,000	20,000	(2,000)	-9.09%
Repair and Maintenance	8,958	8,738	11,585	12,300	10,000	(2,300)	-18.70%
Other Services and Charges	13,449	13,898	14,598	14,853	14,592	(261)	-1.76%
Taxes	33,164	26,070	-	-	-	-	n/a
Contingency	-	-	-	(11,810)	-	11,810	-100.00%
Capital Outlay	7,702	1,675	195	2,000	2,000	-	0.00%
Total City Administration	<u>233,165</u>	<u>238,323</u>	<u>199,255</u>	<u>216,875</u>	<u>265,425</u>	<u>48,550</u>	<u>22.39%</u>
<u>HERITAGE PRESERVATION</u>							
Education and Training	613	941	1,263	6,060	1,085	(4,975)	-82.10%
<u>POLICE</u>							
Contracted Services	593,629	607,303	622,272	643,669	661,827	18,158	2.82%
Debt Service	58,112	59,908	62,964	64,221	66,790	2,569	4.00%
Total Police	<u>651,741</u>	<u>667,211</u>	<u>685,236</u>	<u>707,890</u>	<u>728,617</u>	<u>20,727</u>	<u>2.93%</u>
<u>FIRE CONTRACT</u>							
Contracted Services	83,933	84,812	91,932	104,128	107,051	2,923	2.81%
Debt Service	73,998	74,176	76,992	76,992	82,471	5,479	7.12%
Total Fire Contract	<u>157,931</u>	<u>158,988</u>	<u>168,924</u>	<u>181,120</u>	<u>189,522</u>	<u>8,402</u>	<u>4.64%</u>

**CITY OF EXCELSIOR
2016 PRELIMINARY BUDGET
General Fund Expenditures by Department**

	2012 <u>ACTUAL</u>	2013 <u>ACTUAL</u>	2014 <u>ACTUAL</u>	2015 <u>BUDGET</u>	2016 <u>BUDGET</u>	Dollar Change	Percent Change
GENERAL FUND							
BUILDING INSPECTION							
Professional Services	14,005	42,195	36,682	15,000	15,000	-	0.00%
ENGINEERING							
Professional Services	17,593	10,450	10,827	11,000	12,000	1,000	9.09%
STREETS							
Wages and Benefits	113,675	117,851	132,140	126,012	113,668	(12,344)	-9.80%
Operating Supplies	36,202	37,352	31,574	38,800	38,300	(500)	-1.29%
Professional Services	7,030	4,765	4,402	4,940	4,940	-	0.00%
Education and Training	593	558	318	700	600	(100)	-14.29%
Utilities	4,267	6,576	7,359	7,100	7,500	400	5.63%
Repair and Maintenance	14,237	12,363	14,976	17,000	16,200	(800)	-4.71%
Tree Care	12,637	15,838	27,364	17,000	17,000	-	0.00%
Total Streets	188,641	195,303	218,134	211,554	198,208	(13,346)	-6.31%
PARK MAINTENANCE							
Wages and Benefits	79,418	91,309	92,739	107,056	114,409	7,353	6.87%
Operating Supplies	22,006	24,058	21,761	25,700	25,700	-	0.00%
Professional Services	11,604	11,584	9,865	12,450	12,450	-	0.00%
Education and Training	253	447	249	500	500	-	0.00%
Utilities	8,285	7,704	8,551	8,200	8,800	600	7.32%
Repair and Maintenance	16,068	12,011	9,145	12,100	12,500	400	3.31%
Total Park Maintenance	137,634	147,113	142,309	166,005	174,359	8,354	5.03%
RECREATION							
Lifeguards	19,302	19,500	19,798	22,000	20,463	(1,537)	-6.99%
Concerts in the Park	5,745	13,812	10,418	14,000	14,000	-	0.00%
Total Recreation	25,047	33,312	30,216	36,000	34,463	(1,537)	-4.27%
CEMETERY							
Wages and Benefits	15,082	17,847	18,466	15,795	17,531	1,736	10.99%
Operating Supplies	1,781	1,153	1,185	2,100	1,800	(300)	-14.29%
Professional Services	1,047	794	980	1,200	1,200	-	0.00%
Repair and Maintenance	326	-	-	300	-	(300)	-100.00%
Total Cemetery	18,236	19,794	20,631	19,395	20,531	1,136	5.86%
INTERFUND TRANSFERS							
Transfer to PW Equipment Fund	20,000	20,000	-	-	-	-	n/a
Transfer to Capital Improvement Fur	156,100	350,000	379,116	65,060	91,793	26,733	41.09%
Transfer to Park Improvement Fund	10,000	15,000	-	-	-	-	n/a
Transfer to Debt Service Fund	-	-	-	-	-	-	n/a
Total Interfund Transfers	186,100	385,000	379,116	65,060	91,793	26,733	41.09%
TOTAL GENERAL FUND	1,929,912	2,232,335	2,184,325	1,937,270	2,005,413	68,143	3.52%