

City of Excelsior



2018 Budget

CITY OF EXCELSIOR

2018 BUDGET DOCUMENT

Elected and Appointed Officials

Mark W. Gaylord	Mayor
John Beattie	Council Member
Todd Carlson	Council Member
Jennifer Caron	Council Member
Greg Miller	Council Member
Kristi Luger	City Manager
Teah Malecha	Finance Officer
Ann Orlofsky	City Clerk

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CITY OF EXCELSIOR

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EXCELSIOR, MINNESOTA 55331
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www.excelsiormn.org

December 5, 2017

To the Honorable Mayor, Members of the City Council, and the Citizens of Excelsior:

I am pleased to present the 2018 budget for the City of Excelsior. The 2018 budget for each City fund was thoughtfully assembled to continue providing the standard of service Excelsior residents expect, while doing so in a fiscally responsible manner.

The preliminary 2018 tax levy was set at \$1,477,591, which is a \$43,051 or 3.0% increase over the 2017 levy. The majority of the increase is to prepare for future capital projects, such as street improvements. Operating expenses are budgeted to be slightly higher than 2017, so there is a increase in the levy for operations. The overall increase of 3.0% exceeds the Consumer Price Index – All Urban Consumers (CPI-U) for Minneapolis-St. Paul increase of 1.6%.

The overall General Fund budget is increasing 5.82% or \$123,679. The budget increase of \$35,405 or 2.47% is for future capital projects. Major increases in operating expenses include:

- Increase in employee wages of 2.75%, per the settled union contract
- Increase in elections to account for an election year
- Increase in operating supplies to account for parking meter software
- Increase in police services and facility debt service of 4.28%
- Increase in fire services and facility debt service of 5.75%

The operating increases noted above are being offset by increased revenues from parking meters and refunds and reimbursements. Because of the increases in revenues, the operating expense increases are offset, which results in little impact on the levy.

The City maintains one special revenue fund, the parking lot maintenance fund. There were only minor changes to wage and benefit costs.

The City's debt service funds budgets are for the 2010A bonds issued for the 2010-2011 street projects and the 2017A bonds issued for the 2017 street project. Revenues and expenses for this fund are consistent from year to year. During 2013, the federal government reduced the interest credit they were reimbursing on these types of bonds. Staff anticipates the reduction of credit will

continue, thus has incorporated these reductions into the preliminary 2018 debt service fund budget.

The 2018 budget includes the City's 2018 – 2028 Capital Improvement Plan. This plan shows significant projects that the City Council and staff have identified within the City. The projects to be undertaken in 2018 have been included in the appropriate budgets according to the funding sources identified. Major projects for 2017 include replacing the lift station at Excelsior Boulevard, dock extensions, and sewer lining.

A budget for each Enterprise Fund is included. Staff and the City Council realize that increasing utility rates is a sensitive issue for residents and took that into consideration when making rate adjustment recommendations. There is a 5.0% increase to the water rates for 2018. There is also an increase of 3.0% to the street lighting rate.

The Enterprise Fund budget for 2018 shows major changes for the dock extensions. The only other changes are minor increases to wages, benefits, and staff time allocations.

The City continues to see growth and improvement in the local economy. Property values are on the rise in Excelsior and the City Council and staff are aware of the effect this has on property owner's overall property taxes. With that in mind, the City's levy increase was set at a modest increase of 3.0%. City Council and staff will continue to explore additional revenue options to help keep the City's levy at a reasonable level going forward.

As always, if you have any questions or comments regarding the budget and tax levy, feel free to contact myself or the City's Finance Officer, Teah Malecha, at (952) 653-3677 or email tmalecha@excelsiormn.org.

Respectfully submitted,



Kristi Luger
City Manager |

General Information

Fund Types

The City maintains the following fund types:

General Fund – the primary operating fund of the City which is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund – used to account for specific revenues that may only be used for certain specified purposes.

Debt Service Fund – established to account for activity related to general long term debt principal and interest.

Capital Project Funds – used to account for resources to be used for the acquisition or construction of major capital projects.

Enterprise Funds – established to account for the activities of a government which provide goods or services primarily to the public at large on a consumer charge basis. Most business-type activities of a government are accounted for and reported in this type of fund.

Trust/Agency Fund – used to account for assets held by the City in a trust capacity or as an agent.

Fund Balance

The City's current fund balance policy was established in 2006 and updated in 2011 and includes the following:

- The minimum unrestricted General Fund balance percentage should be 40% of the next year's budgeted expenditures which is approximately \$899,021 (40% of 2018 expenditures). The December 31, 2016 unassigned General Fund Balance was \$1,155,752 or 59.9% of the 2017 General Fund Budget.

The Office of the State Auditor recommends that, at year-end, local governments maintain an unassigned fund balance in their general fund and special revenue funds of approximately 35 to 50 percent of fund operating revenues or no less than five months of operating expenditures.¹ The City's independent auditors recommend that the City have approximately 50 percent of the following year's expenditures on hand at the end of the year. The City will continue to monitor fund balances to ensure compliance with the State Auditor's recommendations as well as City policy.

¹ Otto, Rebecca. State of Minnesota. Office of the State Auditor. *Fund Balances for Local Governments (GASB 54 Version)*. 2010. Print.

Property Tax Information

Property Taxes

What do your property tax dollars pay for?

All the taxing districts noted in the table below collect a portion of your property tax dollars.

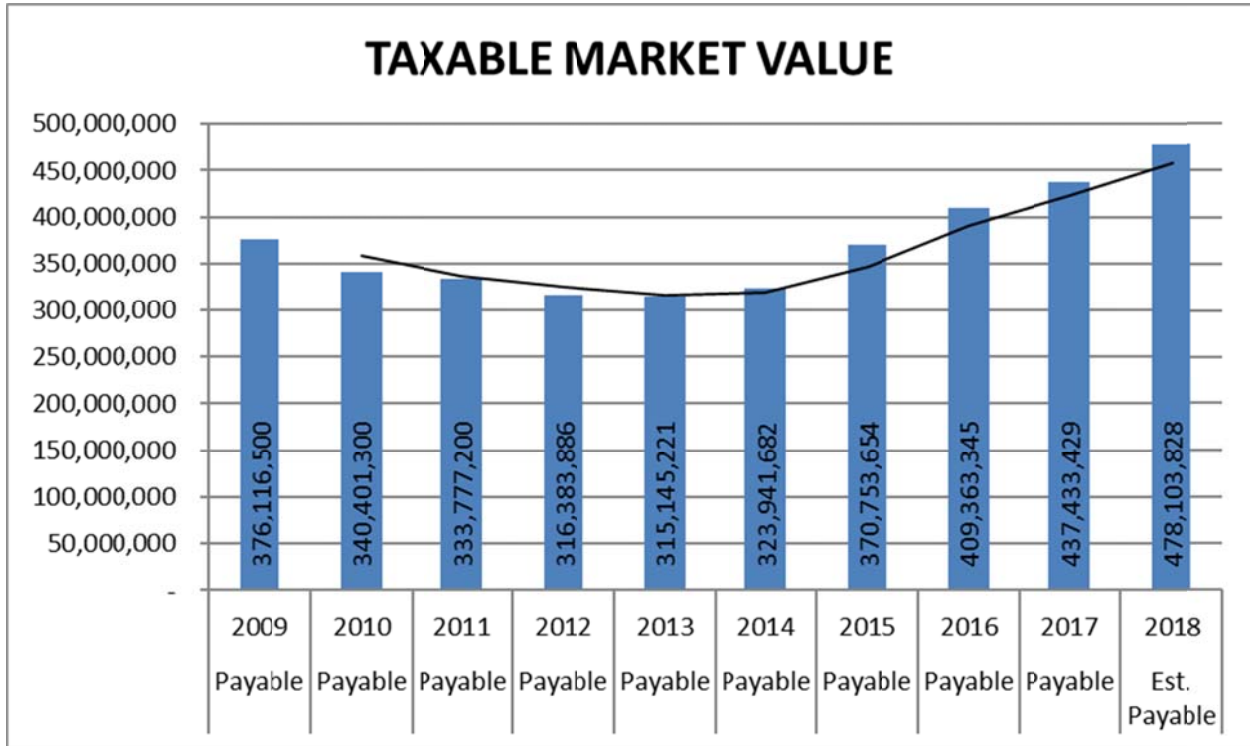
Services by Taxing Districts				
Hennepin County	City of Excelsior	Minnetonka School District	Metropolitan Special Taxing Districts*	Other Special Taxing Districts**
Social Services	Roads and Streets	K-12 Education	Transportation	Regional Parks
Public Health	Police and Fire	Community Education	Regional Sewer Systems	Regional Railroads
Road and Highways	Parks and Recreation		Mosquito Control (public health)	Museums
Libraries	Building Safety			Watershed Management
Corrections				Public Housing
Sheriff				
Environmental Services				

*Metropolitan Special Taxing Districts include the Metropolitan Council, Metropolitan Mosquito Control and Metropolitan Council Transit.

**Other Special Taxing Districts include the Minnehaha Creek Watershed District, Hennepin County Regional Railroad Authority, Three Rivers Park District and the Hennepin County Housing and Redevelopment Authority.

City's Taxable Market Value

The City's taxable market value had declined from its peak in 2008 of \$383,850,700 to a low of \$315,174,271 for taxes payable in 2013. In 2016, the taxes rose above the peak values in 2008. The 2018 projection is showing a significant increase in taxable market value. As depicted by the red line in the chart below, taxes payable 2018 values are now over the peak 2017 values by about \$40 million.



Note: 2018 Taxable Market Value is projected based on Hennepin County's 11/07/17 report

The table below shows market value growth and decline over the past number of years per property type. Most property types had an increase in 2017. The largest increase is shown in the residential off lake properties, which results in a shift of tax burden away from other types of properties.

Market Value Growth/Decline by Property Type								
Property Type	2010	2011	2012	2013	2014	2015	2016	2017
Residential Lakeshore	-6.30%	-0.60%	-2.00%	3.50%	15.00%	8.40%	2.20%	-2.10%
Residential Off Lake	-6.20%	-4.20%	-5.40%	0.40%	23.00%	8.10%	4.90%	15.00%
Apartment	-11.50%	-3.00%	0.00%	3.30%	1.30%	10.40%	8.20%	8.50%
Commercial & Industrial	-14.80%	0.00%	4.80%	0.08%	5.70%	6.90%	5.30%	6.00%
Condominium	-8.50%	1.70%	-15.90%	-2.30%	12.70%	16.40%	3.10%	3.30%

Sample Property Tax Notice Key

1. The taxpayer's name and mailing address.
2. The property's identification number.
3. The address of the property.
4. These are property classifications and the market values used to determine the property taxes on the property, as each appears in the records of the county at the time of printing. The Taxable market value is the estimated market value, as determined by the assessor, less any exclusions or deferrals that apply to the property.
5. The percentage change between the taxes payable in the current year and the proposed taxes payable in the following year.
6. The address and telephone number for each taxing authority that taxpayers may call if they have questions related to the notice and an address where comments will be received by mail.
7. The actual tax for taxes payable in the current year in total and for each taxing authority.
8. The amount of property taxes each taxing authority proposes to collect for taxes payable the following year, in total and by taxing authority.
9. If the school district held a referendum at the November general election, and it was approved by the voters, the tax amount may be higher than shown on the notice.
10. The time and place of the regularly scheduled meeting, of each taxing authority, in which the budget and levy will be discussed and the public is invited to speak at the meeting.

Below is a sample property tax notice and on the next page is a legend that identifies key areas of the notice. The City's portion of your property taxes is identified by the arrows below.

Hennepin County
 A-600 Government Center
 300 S. Sixth Street
 Minneapolis, MN 55487-0060
 612-348-3011 www.hennepin.us

Property ID NO: 26-129-2441-0001
 123 Main St NW

Property taxes statement schedule

Step 1 Value & classification

TAX YEAR PAYABLE CLASS:	2017 HOMESTEAD	2018 HOMESTEAD
Estimated Market Value:	\$176,000	\$204,000
Homestead Exclusion:	421,000	\$10,760
Other Exclusion/Deferral:	\$0	\$0
Taxable Mkt Values:	\$194,000	\$193,240

Step 2 Proposed levies & taxes

2017 TAX	\$2,478.38
2018 PROPOSED	\$2,898.13
School Bond Credit	\$43.00
Percent change	18.4%

John J Doe
 123 MAIN ST NW
 ANYTOWN MN 12345-6789

Proposed levies & taxes 2018
 2017 values for taxes payable in 2018

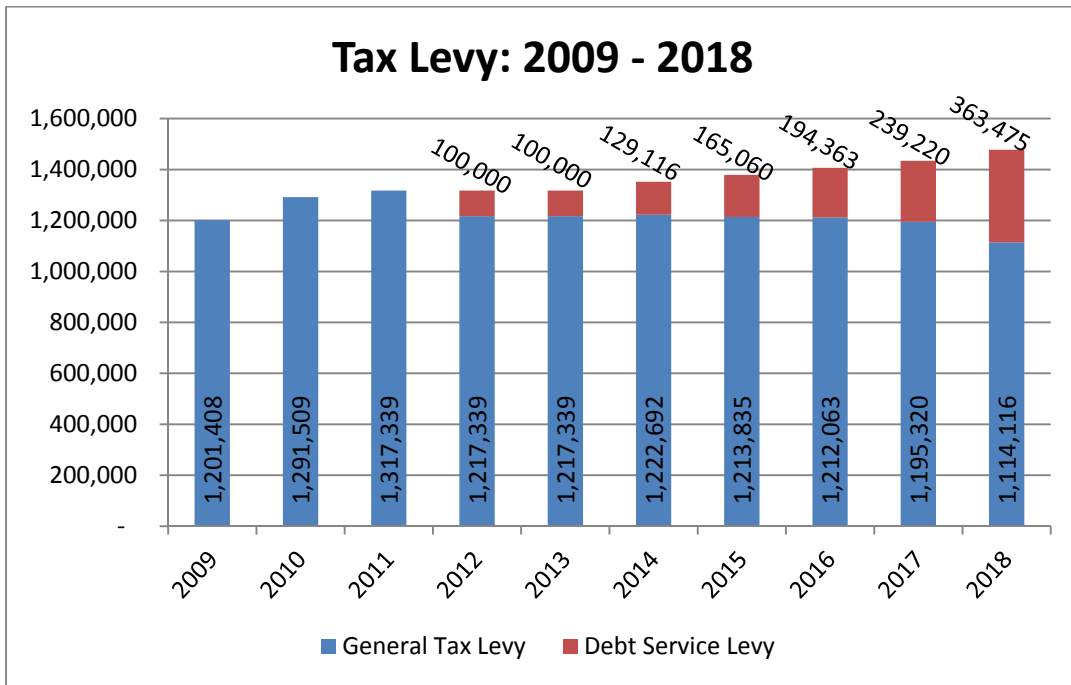
THIS IS NOT A BILL — DO NOT PAY

[\(Click Here for Taxing Authority Web Sites\)](#)

[Budget Meeting Dates Times and Locations](#)

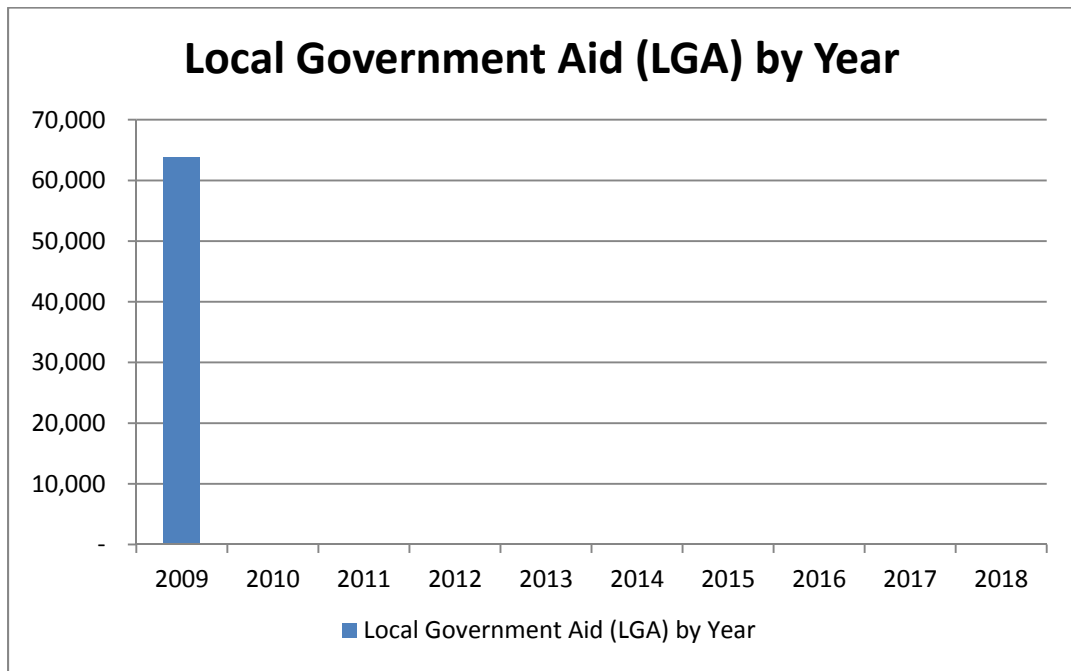
Addresses for correspondence	Actual 2017	Proposed 2018	Meeting date & location
Hennepin County A2400 Government Center Minneapolis MN 55487 612-348-3011	\$799.83	\$997.71	Dec 1, 2017 6:00 PM Commissioner Board Room A2400 Government Center Minneapolis MN 55487
City of GREENFIELD Greenfield City Hall 7728 Commerce Circle Greenfield MN 55357 763-677-6464	\$585.34	\$692.59	Dec 6, 2017 7:00 PM Greenfield City Hall 6599 Town Hall Drive Greenfield MN 55357
STATE GENERAL TAX			No meeting required
School District 003 Voter Approved Levys	\$582.90	\$667.08	Dec 14, 2017 6:30 PM Heritage Room - room 592 Rockford High School 7400 County Road SE Rockford MN 56371
Other Local Levies:	\$377.82	\$592.18	
School District Total	\$960.72	\$1,149.24	
Rockford - ISD 003 4051 Ash Street Rockford MN 56371 763-477-9145			
Metro Special Taxing Dist. Metropolitan Council 390 Robert Street North St Paul MN 55101-1805 651-682-1447	\$25.25	\$27.75	Dec 8, 2017 6:00 PM Metropolitan Council 390 Robert Street North St Paul MN 55101-1805
Other Spec. Taxing Dist: Fiscal Disparity Tax: Tax Increment Tax:	\$86.26	\$93.02	No meeting required No meeting required No meeting required
TAX EXCLUDING SPECIAL ASSESSMENTS	\$2,478.38	\$2,898.13	

Learn about property taxes: www.hennepin.us/propertytaxes **THIS IS NOT A BILL — DO NOT PAY**



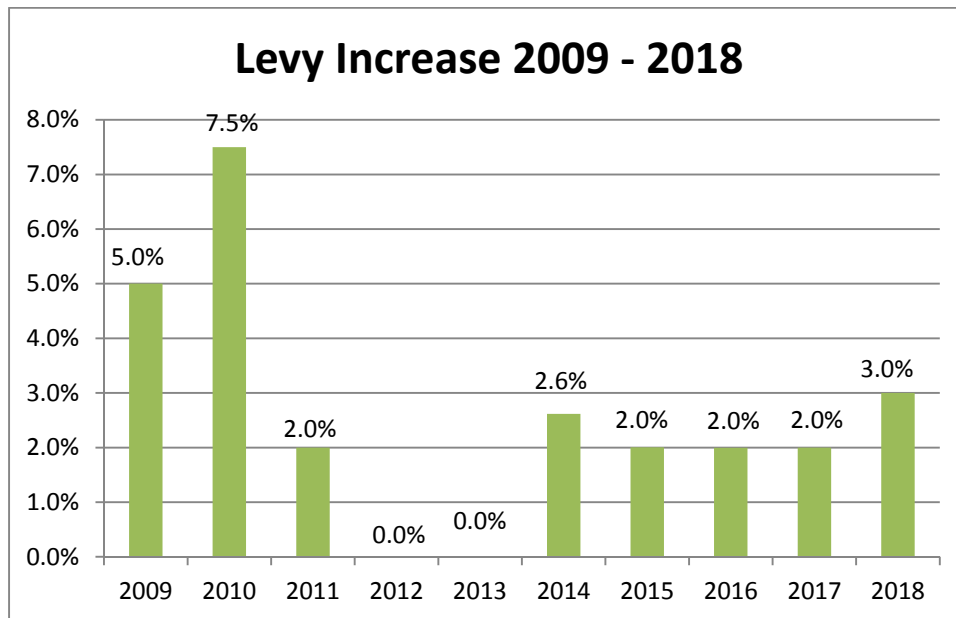
Local Government Aid

The City is not budgeting or assuming any Local Government Aid (LGA) will be disbursed to the City now or in the future. Previously, the City received substantial LGA in relation to the City's budget. The graph below shows LGA by year. The City continues to explore additional revenue options and expense reductions to help offset levy increases and to fund capital improvements, since the City is no longer a recipient of LGA.



Tax Levy

The City's total levy is made up of two main components: the general levy and debt service levy. The City's overall levy increase by year is in the graph below.



General Levy

The General Levy is collected to provide funding for basic governmental services that are part of the City's General Fund. The 2018 General Levy is \$1,114,116 which is a decrease of 6.7% from the 2017 General Levy.

Debt Service Levy

The City has two debt service levies related to the 2010-2011 Street Reconstruction project and 2017 Street Reconstruction project. The City has been planning for street reconstruction projects for a number of years and is increasing the general levy to prepare for upcoming projects. The City makes transfers from the general fund to the capital projects fund in order to help fund the projects. Once a project begins and bonds are issued the amount that was being levied under the general levy is then levied under the debt service levy and accounted for directly in the debt service fund.

The careful planning for anticipated debt service expenses allows the City to absorb an increase in the levy that would occur after the issuance of bonds. Continuing in this fashion, the 2018 proposed levy includes an increase in the debt service levy in order for the City to prepare for future capital projects and potential related debt. The City has been following its pavement management plan which includes three phases of street construction. During 2010-2011 Phase I was completed. Phase II consisted of the 2014-2015 Metropolitan Council Forcemain Project. The majority of Phase III is completed at this point. The pavement will be lifted in the spring of 2018 finalizing the project. The Council is working to create an updated plan for future street projects.

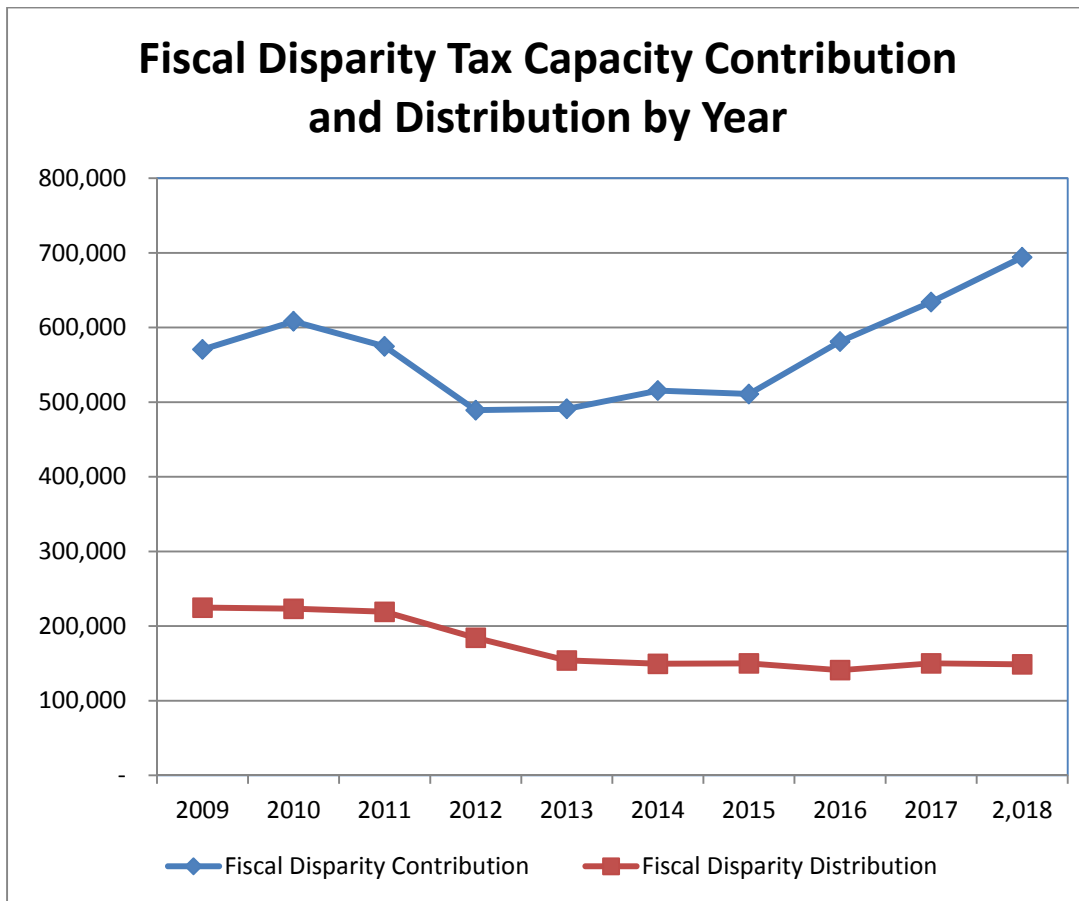
Fiscal Disparities

The fiscal disparities program is a tax base sharing program where the taxing jurisdictions in the seven-county metro area contribute into an area-wide shared pool. Since 1971, forty percent of the growth in commercial and industrial property tax base has been contributed to this pool. The pool is redistributed to each taxing jurisdiction based on population and the value of the jurisdiction's property, relative to the value of the entire pool.

The City is a net contributor to the Fiscal Disparities program. In 2018, the City is projected to contribute \$694,186 worth of commercial/industrial tax capacity to the metro-area pool and receive a distribution from the pool based on \$148,757 worth of commercial/industrial tax capacity. This results in a net contribution of \$545,429 in commercial/industrial tax base, or approximately \$149,393 in actual tax dollars. (Actual tax dollars are calculated by taking the tax base times the City's tax rate.)

Fiscal Disparity Program Tax Capacity Contribution and Distribution by Year										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fiscal Disparity Contribution	570,522	608,282	574,768	489,211	491,004	515,487	510,901	581,167	634,148	694,186
Fiscal Disparity Distribution	224,664	223,253	219,176	184,321	153,910	149,422	149,955	140,973	150,058	148,757
Fiscal Disparity Net Contribution	345,858	385,029	355,592	304,890	337,094	366,065	360,946	440,194	484,090	545,429

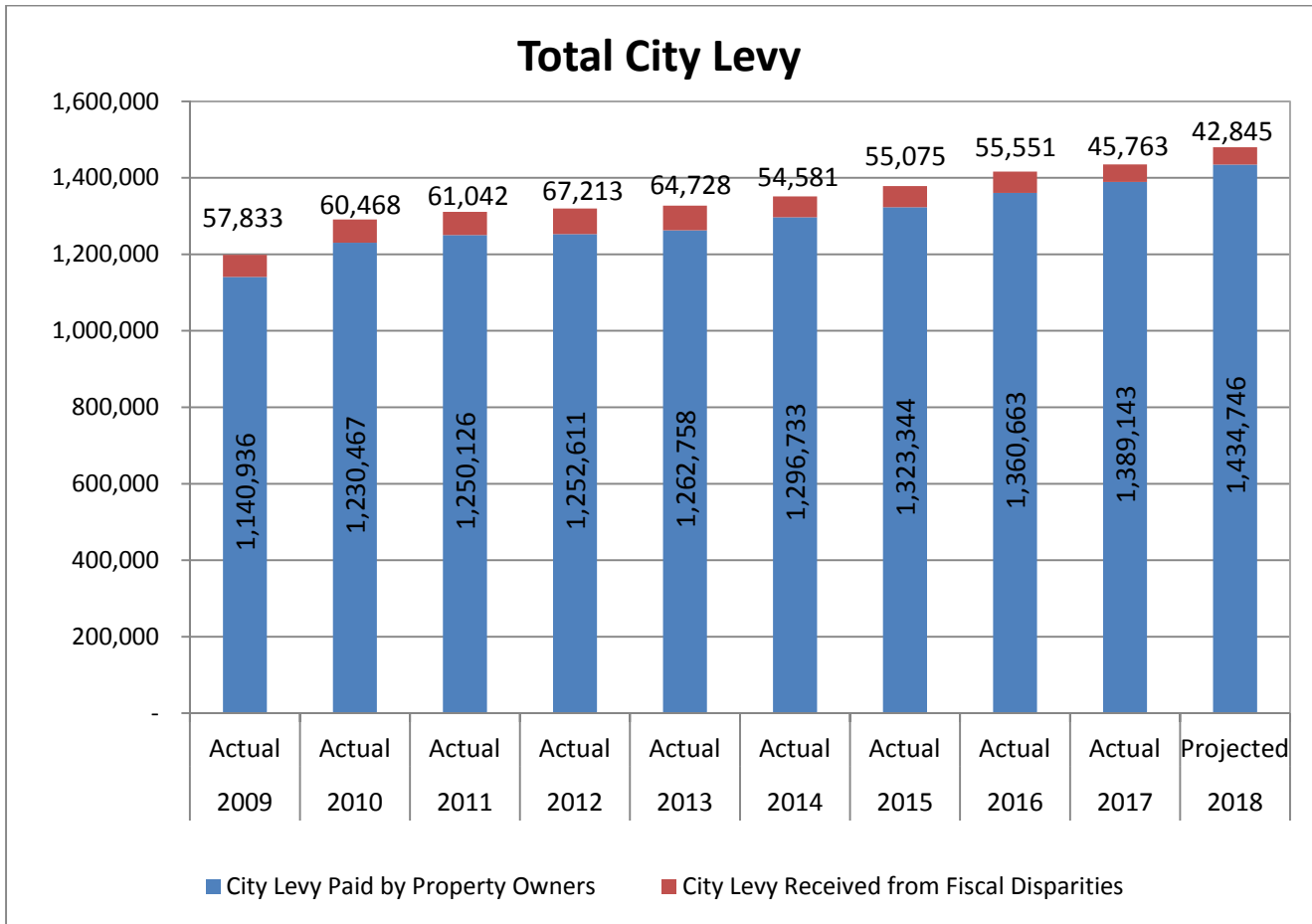
*2018 values are based on the 8/11/17 Fiscal Disparity Report from Hennepin County



*2018 values are based on the 8/11/17 Fiscal Disparity Report from Hennepin County

City Property Tax Levy

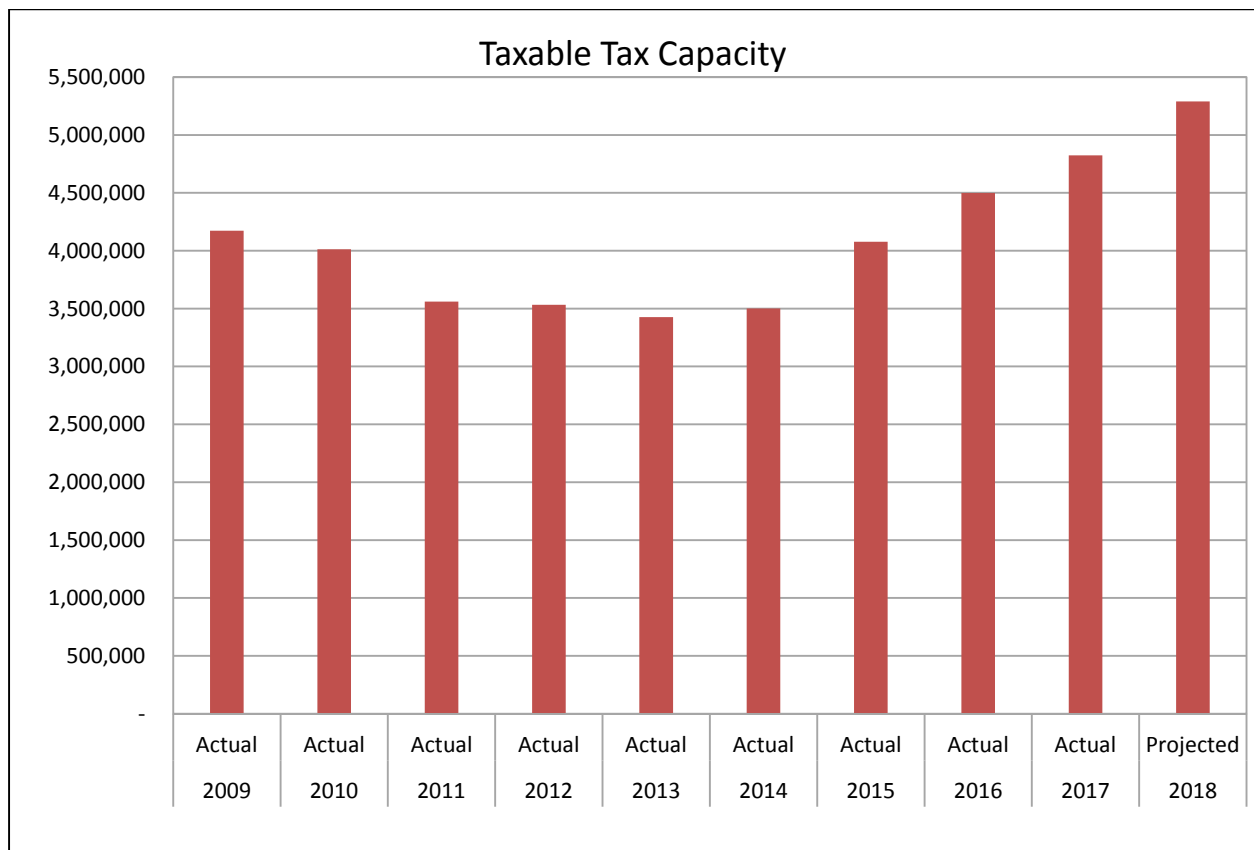
The City is proposing an increase in the levy of three percent. With property values finally increasing, the increase in the levy doesn't result in an increase in the tax rate. The City will still ultimately collect more tax dollars; however, it will be spread over a larger tax base.



City's Tax Capacity and Tax Rate

The tax capacity under current legislation is used as the denominator to determine the property tax rate of a jurisdiction. All properties are divided into several classes: residential, commercial/industrial, farm, apartments, and personal property. An individual property's tax capacity value is determined by applying various rules governing the class which that property is classified in to the taxable market value of that property. The City's overall tax capacity is then reduced by the City's contribution of tax capacity to the Fiscal Disparities Program and the tax capacity of the values within all active Tax Increment Financing (TIF) districts within the City.

The City's overall tax capacity used for calculating the property tax rate had declined from its peak of \$4,172,846 in 2009 to a low of \$3,425,184 in 2013. The projected tax capacity for 2018 is projected to be approximately \$5,290,193, which surpasses the peak of 2017 by about \$467,000.



The tax capacity increased substantially for taxes payable 2017 and 2018 which caused the tax rate to decrease, even though the levy is increasing.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Proposed
Excelsior Tax Rate	27.34%	30.67%	35.12%	35.46%	36.86%	37.04%	32.46%	30.25%	28.80%	27.12%