

City Council Regular Meeting December 1, 2020

<b>AGENDA ITEM:</b> 2021 Budget	<b>AGENDA SECTION:</b> Public Hearing
<b>PREPARED BY:</b> Logan Martin, City Administrator Jeff May, Finance Director	<b>AGENDA NO.</b> 7.a.
<b>ATTACHMENTS:</b> Resolution, 2021 Budget	<b>APPROVED BY:</b> LJM
<b>RECOMMENDED ACTION:</b> Adopt a Resolution approving the 2021 General Fund Operating Budget, the 2021 C.I.P. Budgets, the 2021 Insurance Budget, the 2021 Port Authority Operating Levy and the 2021 Levy required by the City of Rosemount.	

## BACKGROUND

In response to direction received from the City Council at work sessions in July, August, and September, staff is prepared to present the City's Preliminary Operating Budget and Preliminary Levy for 2021. The City is required to establish a "ceiling" for the tax levy by the end of September, which allows the City the opportunity to reduce the levy after the ceiling is set until final certification in December. The work session in November discussed the final changes to the budget prior to final certification.

The 2021 General Fund Budget shows an increase of 2.21% (\$316,500) to the Operating Budget, which results in a 3.53% increase (\$457,300) in the property tax levy. This is the same preliminary levy that was established in September. The impact of this levy increase on a median valued home assuming a 7% property value increase is projected to be \$33 per year (City share of taxes).

The City's tax rate (the percentage used to calculate the City's portion of the property tax) is projected to be reduced to 36.8%, as compared to 38.6% in 2020. This rate continues to be lower than it was in 2016 (43%), which is a reflection of the growth of the City in recent years and the effect of added taxable value. Because of this tax rate decrease, a home seeing less than 4% value growth could pay less in City property taxes than 2020.

Specifically, a house seeing no value growth (which is unlikely) would pay \$55 less in City taxes in 2021 compared to 2020. In 2021, the median value home is estimated to be \$314,600 which reflects a 7.01% value growth over last year's median valued home. This is the 3<sup>rd</sup> highest value per median-valued home in Dakota County.

A summary of key characteristics of the proposed 2021 Budget is shown in the following table:

<i>Budget Facts at a Glance</i>	
Growth of Property Tax Base from '20	+ 7.76%
Avg. value increase on Median-Valued Home	+ 7.01%
Change in General Fund Budgets	+ \$316,500 or 2.21%
City Tax Increase on Median Valued Home	+ \$33
% Tax Change on Median Valued Home	+ 3.1%
Change in Estimated City Tax Rate	- 4.57% (from 0.38580 to 0.36818)

A summary of the main expenditures leading to the budget increase is discussed later in this memo. The budget shows some increased personnel costs reflecting new full time employees, increased costs for necessary equipment and projects, and overall increased wages and benefits for 2021 based on the negotiated contracts with the City's four bargaining units.

## **BUDGET PROCESS**

The drafting of the 2021 Budget ultimately began with and was inspired by the City Council's goal setting retreat in March. The goals and five year strategic initiatives discussed during that process were instrumental in the creating of each department's budget request.

After each department submitted their 2021 request, Finance Director May and I met individually with each Department Head to discuss all requests and receive further explanation as to their necessity. A number of items were removed via those discussions and 3 drafts were completed internally prior to Council review, along with 2 drafts after Council input.

In addition, as a part of the budget review we have looked at 10-year needs projections for street improvements, equipment replacement, buildings and the Ice Arena. We have also reviewed our long term needs for major maintenance for parking lots, playgrounds, etc. Of note in 2021 is the decision to reduce the reliance on levy funds to support those plans, but rather a utilization of internal funding capacity to inject dollars into those accounts to sustain them for the forthcoming years. Major reductions were made in the amount of levy dollars needed within each long-range plan.

Staff also compiled long-range growth projections in housing, population, and service requirements to generate future budget & levy projections that the Council reviewed during the preparation of this Budget.

Finally, as has been the direction in year's past, staff looked at the overall budget strategically for its overall balance and consistency, effect on taxpayers, and long-term impacts on finances for 2020 and beyond. Our intent was to develop the most conservative budget possible that:

- (1) is consistent with Council goals
- (2) is consistent with previous Council direction on levels of service
- (3) does not weaken the City's long range financial outlook
- (4) is balanced not only between revenues and expenditures, but also is well balanced internally between personnel, equipment, technology, operating needs and capital expenditures

According to state law, the preliminary budget and levy must be adopted by September 30<sup>th</sup> and the final budget must be adopted by December 28<sup>th</sup> after a public hearing. The action scheduled for December 1 includes the required public hearing on the budget.

## **GENERAL FACTORS AFFECTING THE BUDGET**

### ***Tax Base***

For the eighth consecutive year, the overall tax base in the community has increased. The overall tax capacity value within the City is estimated to be 7.76% higher in 2021 than it was in 2020. The increase in market value of the median home in Rosemount is 7.01%.

### ***State Budget and Legislative Impacts***

There were no significant changes in State legislation in 2020 impacting the Budget, and there are no levy limits in place for 2021.

## REVENUES

Property taxes fund 73.5% of the General Fund budget. However, there are several other categories of General Fund revenues that are also important to the City. The chart below compares budgeted revenue for several key categories.

	<u>2020 Budget</u>	<u>2021 Estimated</u>	<u>Change</u>
Licenses & Permits	\$800,300	\$833,000	+ \$32,700
Intergovernmental	\$1,104,800	\$1,135,400	+ \$30,600
Chargers for Services (no SKB)	\$683,800	\$662,300	- (\$21,500)
SKB Revenue	\$375,000	\$375,000	+ \$0
Fines & Forfeits	\$95,000	\$95,000	+ \$0
Recreational Revenues	\$298,400	\$296,400	- (\$2,000)
Miscellaneous Revenue	\$215,000	\$170,500	- (\$44,500)

The current global health pandemic is impacting some revenues, and uncertainty about the housing market going forward must be considered as well. Staff continues to project at least 250 housing units built in 2021. That projection, along with the knowledge of forthcoming housing developments, gave staff comfort to suggest a modest increase in Building Permit revenues for 2021. Revenues received from the SKB site remain flat in the General Fund for next year, after last year's significant reallocation of \$300,000 annually to the Building CIP to prepare for future construction projects.

## EXPENDITURES

### **Salaries**

Rosemount currently has 92 full time employees (FTE), which compares with 81 FTE at the beginning of 2008. The only new FTEs shown in the 2021 Budget exist in the Police Department, with a Sergeant promotion backfilled by a new Patrol Officer slated for January 1 and October 1. The contracts for all four labor bargaining units expire at the end of 2021, and staff will begin negotiations with those groups in mid-2021.

### **Health Insurance**

The main factor leading to the change in budget from September to December is the City's health insurance premiums. Despite our efforts to receive competitive bids from numerous providers, the City's health insurance costs are increasing 18% in 2021. A number of factors impact this change, including the City's claim history and the market-wide adjustments from the "pool" of groups that we are a part of. An increase of 8% was budgeted for, so additional funding from the City's Health Insurance Fund will be utilized to fund the difference and no impact to the levy will be experienced.

### **Capital Budgets**

The City currently has three capital improvement program (CIP) funds: Equipment, Streets, and Buildings. The Council will review the CIP Budgets at a work session this fall. The levy for the Equipment CIP is proposed to be \$813,200, an increase of \$173,200 due to the annual lease payment for the Ladder Truck.

The Street CIP is proposed to have a levy of \$904,234, an increase of \$26,257 to account for upcoming street / County road projects.

### **Enterprise Fund Budgets**

Proposed water, sewer and storm water utility rates and budgets were reviewed by the Utility Commission this fall and approved for 2021.

## Departmental Review

A summary of each Department's budgetary changes for next year is shown below.

### City Council

Initiative	Increase over '20 Budget
Remove Citywide Resident survey (will be completed in 2021 with assigned funds from 2020)	(\$16,000)

### Administration

This category includes Elections, Administration, and the General Government budgets.

Initiative	Increase over '20 Budget
Increase in fees for Cable JPA	\$6,000
Processing fees for Credit Card transactions (begin charging fees to customers in 2021)	(\$52,500) reduction from August Budget draft

### Finance

Initiative	Increase over '20 Budget
Annual subscriptions to Microsoft 365 included <ul style="list-style-type: none"> <li>• Added the "Teams" feature and add'l users</li> </ul>	\$7,000

### Community Development

Initiative	Increase over '20 Budget
Add'l hours for PT GIS Technician	\$7,000

### Police

Initiative	Increase over '20 Budget
Add'l Sergeant positions to ensure 24/7 supervision (1/1 hiring and a 10/1 hiring)	\$11,500
Hire 2 FTE Patrol Officer to backfill vacated position due to Sgt. Promotion (1/1 hiring and a 10/1 hiring)	\$127,500

### Fire

Initiative	Increase over '20 Budget
Annual lease payment for Ladder Truck (*Equipment CIP item)	\$153,000
Increase stipend for Fire Chief & Assistant Chief	\$10,000
Add'l hours and increased hourly rate	\$30,000

### Public Works

This category includes Gov't Buildings, Fleet Maintenance, Street Maintenance, and Parks Maintenance budgets.

Initiative	Increase over '20 Budget
<b>Decreased</b> funding for long-term Building Maintenance program (due to internal fund transfers)	(\$75,000)
<b>Decreased</b> funds for HVAC maintenance due to new systems	(\$3,500)

<b>Decreased</b> funding for gas & electric utilities due to new systems	(\$9,000)
<b>Decreased</b> funding for preventative maintenance needs	(\$5,000)
Add'l funds for Equipment / Parts due to internal repairs on equipment and vehicles (non-warranted fleet)	\$10,000
<b>Decreased</b> funding for Parking Lot Maintenance long-term plan (due to internal fund transfers)	(\$145,000)
Add'l funds for sealcoat / crack sealing of City streets	\$20,000
Needed repairs & safety imp. on aging playground equipment	\$8,000
<b>Decreased</b> funds for chalk / paint / field supplies due to efficiencies of GPS Painter ("Speedy McStripes")	(\$5,000)
<b>Decreased</b> funding for Park Maintenance long-term plan (due to internal fund transfers and project delays)	(\$145,000)

Parks and Recreation

<b>Initiative</b>	<b>Increase over '20 Budget</b>
Increased costs and new initiatives for Special Events programming (Food Truck Fest, Arts Festival, etc.)	\$9,000
Annual rent payment to National Guard	\$5,200
Snow removal contract at facilities	\$11,000

Port Authority

<b>Initiative</b>	<b>Increase over '20 Budget</b>
Transfer ED Coord. Salary / Benefits to Port Budget	\$78,600
Elimination of contract with 3 <sup>rd</sup> party retail-recruiter	(\$40,000)
Add'l funds for marketing / recruitment initiatives	\$15,000

**RECOMMENDATION**

The 2021 Budget and Levy reflect modest adjustments to account for the growth that the community has experienced in recent years and anticipates continuing to see into the future. The proposed levy of increase of 3.53% would mean that Rosemount would have the 3<sup>rd</sup> lowest City tax amount and the lowest municipal levy increase in the County in 2021 (based on current info available), while still maintaining the City's service levels and long-range equipment and facility improvement schedules.

Staff recommends the City Council adopt a resolution setting the 2021 General Fund Operating Budget, the 2021 C.I.P. Budgets, the 2021 Insurance Budget, the 2021 Port Authority Operating Levy and the 2021 Levy.

**CITY OF ROSEMOUNT  
DAKOTA COUNTY, MINNESOTA**

**RESOLUTION 2020 - 125**

**A RESOLUTION APPROVING THE 2021 GENERAL FUND OPERATING BUDGET,  
THE 2021 CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGETS,  
THE 2021 INSURANCE BUDGET, THE 2021 PORT AUTHORITY OPERATING LEVY  
AND THE 2021 LEVY REQUIRED BY THE CITY OF ROSEMOUNT**

**WHEREAS**, the City Council of the City of Rosemount has determined that budgets and special needs for the year 2021 will be in the amount of \$23,481,634 for the General Operating Fund, the three CIP funds, the Insurance Fund levy, the Port Authority operating levy and the Enterprise funds; and

**WHEREAS**, the City Council has determined that special levies for Bonded Indebtedness total \$177,004 for 1 City issue (G.O. Capital Improvement Plan Refunding Bonds 2015B) and no levy necessary for any other City issues (utilizing other revenue sources); and

**WHEREAS**, the City Council has determined that actual incomes, fund transfers and anticipated aids will total \$10,233,800; and

**WHEREAS**, the City Council has determined that budgeted expenditures for all Debt Service Funds total \$1,097,600; and

**WHEREAS**, the City Council has determined the budget for the Arena Fund to be \$580,500; and

**WHEREAS**, the City Council has received the Port Authority and the Utility Fund budgets approved by the Rosemount Port Authority and the Utility Commission.

**NOW, THEREFORE BE IT RESOLVED**, that the total levy certified to the Dakota County Auditor shall be \$13,424,838; and

**BE IT FURTHER RESOLVED**, that the City Council approves the 2021 General Fund operating budget as presented to them at the Public Hearing held this evening; and

**BE IT FURTHER RESOLVED**, that the City Council approves the three 2021 CIP Fund budgets, the 2021 Insurance Fund budget, the 2021 Port Authority operating levy and the 2021 Arena Fund budget as presented to them at the Public Hearing held this evening.