

**CITY OF BURNSVILLE  
WORKSESSION MINUTES  
JUNE 9, 2009**

The City Council of the City of Burnsville met for a Worksession at the Burnsville City Hall, 100 Civic Center Parkway, Burnsville, Minnesota on the 9<sup>th</sup> day of June, 2009.

The meeting was called to order at 6:30 p.m. by Mayor Kautz.

Council Present: *C. Crichton, D. Gustafson, E. Kautz, D. Kealey, M. Sherry*  
Council Absent: *None*  
Staff Present: *C. Ebeling, T. Omdal, M. Brooks, T. Hansen, B. Osmundson, T. Venables*  
Others Present: *J. Gessner, S. Briggs, E. Delmoro, J. Flemming, L. Schutz, V. Loher, E. Narum, D. Haqq, K. Kastner, K. Hattman*

**ITEM 1. FIVE YEAR FINANCIAL PLAN**

Tammy Omdal, Deputy City Manager/CFO, reviewed the Five Year Budget Overview Property Tax Supported Funds.

**Presentation Outcomes**

- Shared understanding of the projected cost of funding Council Ends/Outcomes (including current service levels, adopted plans and commitments) over the next five-years compared to projected revenues
- Impact of direction already given to staff, on May 26<sup>th</sup>, for preparing the 2010 budget recommendation and multi-year finance plans

**Strong Financial Condition**

- Bond rating of Aa1
- Outstanding debt is at a very low level
- Strong fund balance and cash position (recent budget discussions will continue to support this condition)
- Sound budgeting practices
- Multi-year financial planning

**Items to be Covered**

- Impact of State Law on 2010 Budget
- Background Information on Sources and Uses of Funds
- Preliminary Budget Projections for Tax Supported Funds
- Strategies for Balancing the 2010 Budget

**Impact of State Law on 2010 Budget**

- Levy limit law remains in effect
- Sustained PERA contributions for both city and employee share
- Anticipate an elimination of Market Value Homestead Credit for Burnsville

**2009 Adopted Budget by Source of Funds: \$78 Million**

- Property Taxes – 34.0%
- Charges for Services – 29.5%
- Use of Fund Balance – 0.4%
- All other sources – 36.2%

June 9, 2009

**ITEM 1. FIVE YEAR FINANCIAL PLAN (continued)****2009 Adopted Budget By Expenditure Type: \$78 Million**

- Operations – 60%
- Capital – 26%
- Transfer between Funds – 8%
- Debt Service – 6%

**2009 Adopted General Fund Source of Funds: \$35 Million**

- Property Taxes – 66%
  - The majority of funding for the General Fund comes from the property tax. In total, property tax revenue is about one-third of the total funding for the City.
- All other – 34%

**2009 Adopted General Fund Use of Funds by Category: \$35 million**

- Personnel – 64%
- Current Expense – 25%
  - Includes contractual services/professional services, materials, and supplies, etc.
- Transfers to Other Funds – 10%
- Capital Outlay – 1%

**2009 Adopted General Fund Use of Funds: \$35 Million**

- Police, Fire & Emergency Medical Services – 50%
- Public Works & Parks – 24%
- Administration – 14%
- Non-Operating – 5%
  - Includes transfer to other funds, payment of lodging tax to CVB, City Insurance, etc.
- Development/Redevelopment – 4%
- Recreation – 3%

**2010 Preliminary Budget Projections**

- Property tax levy *does not* increase unless the Council acts to certify an increase in the amount of taxes to be collected
- Preliminary projections made in 2008 for 2010 indicated the property tax levy would need to increase by about 7% or \$2 million from 2009 to 2010
- Council has given preliminary direction for staff to prepare the 2010 budget based on tax levy increase of that ranged from no more than 1%, with a possibility of no increase
- Discussion on cuts to date would result in a 0.4% increase for 2010
- Property tax provides a majority of the funding for the General Fund and other property tax supported funds, nearly 70% of the revenue for these funds
- Current service levels could not be maintained without additional property tax revenue
- Increases in other non-tax revenue would provide some relief, but is not a significant enough portion of the total revenue to offset the need for additional property tax revenue or service cuts

June 9, 2009

**ITEM 1. FIVE YEAR FINANCIAL PLAN (continued)**

**2010 Budget – Preliminary Details for the Tax Levy Before and After Implementing Proposed Cuts**

Item	Estimated Change in Tax Levy <u>before</u> Implementing Cuts	Estimated Change in Tax Levy <u>after</u> Implementing Cuts
• Employee Personnel Costs	\$1,100,000	\$ (971,000)
• Infrastructure Trust Fund (incremental inc.)	70,000	(442,500)
• Funding to implement Parks Capital Plan	50,000	50,000
• Funding increase for Ice Center Fund support	122,000	122,000
• Inflationary increases to current expenditures	395,000	(5,000)
• Funding increase for equipment and IT	202,000	72,000
• Increase in Non-tax Revenue (offset)	<u>(3,000)</u>	<u>(1,061,000)</u>
o Total Increase in Property Tax for 2010	\$1,936,000	\$ 113,500
o % Change in Tax Levy from 2009 2010	7.3%	0.4%

**Estimated Impact of a 0% Increase for the 2010 Tax Levy Impact on Property Taxpayers**

- Based on no increase in the tax levy and using estimated tax capacity figures, the combined City/EDA tax rate, would be approximately 38.7 in 2010 compared to 36.7 for 2009
- A residential home valued at the citywide average of nearly \$227,000 would have an estimated \$30 decrease in the amount of city taxes paid
- Most commercial and industrial property will have an increase in the amount of city taxes paid, with the amount varying depending on change in valuation

**Five-Year Projections for Tax Levy**

- Current services, even at the proposed reduced level, cannot be maintained without future tax levy increases
- Growth in non-tax revenue will not be sufficient to cover projected cost increases
- Decertification of TIF 1 and TIF 2 will provide approximately \$4.5 million in additional tax base, or about a 7% increase in tax base over the next five-years
- \$4.5 million of tax base increase would equate to \$1.8 million in new general city tax revenue (based on estimated 2010 tax rate)
- If Council does not increase the levy when TIF 1 and TIF 2 decertify, this new revenue will not be available for general city purposes

**Five-Year Projections for Tax Levy – Property Tax Pressures**

- An average annual increase of \$1.4 million of tax levy revenue will be needed between 2011 and 2014 to support current services, as modified based on recent budget discussions
- Personnel costs will increase over time (for wages and benefits)
- Normal cost increases/decreases for materials, supplies, professional contract support, and equipment
- Funding for Parks capital maintenance program (program has been significantly reduced over the last two years)
- Funding for the Ice Center major capital replacement (replacement of ice making plant)
- Performing Arts Center operations (to be offset by change from TIF Districts 1 and 2)
- Other non-tax revenue is projected to increase to offset a portion of the cost of providing services, non-tax revenue provides about 30% of the funding for general government services – tax levy provides the balance

June 9, 2009

**ITEM 1. FIVE YEAR FINANCIAL PLAN (continued)****Future Estimated Annual % Change in Tax Levy that Would be Needed to Pay for City Services and Capital Projects**

- 2009 Adopted Levy – 3.7%
- 2010 Prior Projection – 7.3%, adjusted for proposed cuts – 0.4%
- 2011 Prior Projection – 7.1%, adjusted for proposed cuts – 6.8%
- 2012 Prior Projection – 5.1%, adjusted for proposed cuts – 4.4%
- 2013 Prior Projection – 4.2%, adjusted for proposed cuts – 4.9%
- 2014 Projection including proposed cuts – 4.6%

**History of Annual % Change in Property Tax Levy Compared to % Change in Tax Capacity Rate**

- 2003 Property Tax Levy – 4.8%, 2003 Property Tax Capacity Rate – (5.3%)
- 2004 Property Tax Levy – 1.3%, 2004 Property Tax Capacity Rate – (5.2%)
- 2005 Property Tax Levy – 3.3%, 2005 Property Tax Capacity Rate – (4.8%)
- 2006 Property Tax Levy – 4.0%, 2006 Property Tax Capacity Rate – (6.2%)
- 2007 Property Tax Levy – 5.1%, 2007 Property Tax Capacity Rate – (1.8%)
- 2008 Property Tax Levy – 4.7%, 2008 Property Tax Capacity Rate – 1.1%
- 2009 Property Tax Levy – 3.7%, 2009 Property Tax Capacity Rate – 3.1%
- Estimated 2010 Property Tax Levy – 0%, Estimated 2010 Property Tax Capacity Rate – 5.6%

**Performing Arts Center**

- The impact of the PAC was planned for and scheduled to coincide with TIF District decertification in order to avoid a tax impact on taxpayers necessitated by the PAC
- The increase in tax base from TIF 1 and 2 (Southcross Area) will more than offset the tax levy impact of the PAC
- Since 2008 the budget has included \$265,000 annually for payment of principal on the PAC debt, paid from non-tax revenue (host fee) scheduled to be available for this purpose until Year 2011
- Year 2011 is the first year the PAC Enterprise Fund is programmed to receive financial support from the General Fund estimated at \$250,000
- The projected net increase of \$565,000 to the budget in 2011 related to the PAC will be more than offset by an estimated \$2.0 million increase in the City's tax base from decertification of the first of two TIF Districts in the Southcross Area
- In year 2014, the City's tax base will again increase due to decertification of the second TIF District in the Southcross Area, the estimated increase in tax base is \$2.5 million

**Future Project Property Tax Rates (assuming no growth as estimated for 2010)**

- 2010: Before TIF decertification – 0.387, after TIF decertification – 0.387
- 2011: Before TIF decertification – 0.416, after TIF decertification – 0.402
- 2012: Before TIF decertification – 0.434, after TIF decertification – 0.420
- 2013: Before TIF decertification – 0.455, after TIF decertification – 0.440
- 2014: Before TIF decertification – 0.476, after TIF decertification – 0.442

**Budgeted Use of General Fund Reserve**

- Preliminary 2010 Budget Projection does not include any planned use of reserves in the General Fund
- City's financial management plan states:
  - "City Council shall annually review the fund balance in the General Fund to determine whether sufficient unreserved fund balance is available for transfer from the General Fund to the EDA Fund. The decision on transfer of funds shall be made at the time the annual EDA tax levy is established. If other sources of revenue are not available, the EDA may set the tax levy at the maximum allowed."

June 9, 2009

**ITEM 1. FIVE YEAR FINANCIAL PLAN (continued)**

- Council could always decide to approve a transfer of reserves from the General Fund to the EDA at a later date, if funds are believed to be sufficient
- Updated five year financial plan anticipates the EDA tax levy would be increased in the future to pay for economic development operating costs, beginning with \$25,000 per year incremental increases starting in year 2013 – it shall be up to the Council whether it is reasonable to carry this as an option in the city’s five-year financial plan

**Preliminary Estimate of Market Value Growth for Taxes Payable in Yr 2010**

- |   |                            |
|---|----------------------------|
| • 2009 Taxable Market Value                           | \$6.35 Billion             |
| • 2010 Taxable Market Value*                          | \$5.98 Billion preliminary |
| ○ Total Decrease of -5.8%                             | \$0.37 Billion             |
| • Estimated Market Value Growth from New Construction | \$10 Million preliminary   |
| • Estimated Tax Levy from New Construction            | \$145,000 preliminary      |

**Next Steps**

- Based on input and direction from the Council, Management will develop a balanced 2010 budget recommendation for consideration by the Council
  - Staff has direction from the Council on a preliminary target for the “maximum property tax levy” for 2010
  - Staff has direction on cuts that the Council indicated acceptance
  - For those cuts that will be implemented in 2009, the Council will be asked to take formal action at a regular council meeting to approve
  - For those cuts that are proposed to be implemented in 2010, the items will be before the Council in November/December for final approval as part of the 2010 budget adoption

**Key Dates: 2010 Budget Process**

- |                   |   |
|-------------------|---|
| • June 9          | Financial Management Plan Review: multi-year financial plan     |
| • August 11       | Council Worksession to discuss maximum 2010 property tax levies |
| • September 8     | Council adopts maximum property tax levies                      |
| • November 10, 24 | Council Worksessions to discuss 2010 budget                     |
| • December 7      | Estimated date for Truth-in-Taxation Public Hearing             |
| • December 22     | Council adopts 2010 tax levies and budget                       |

Council discussed the future budget projections and the need to maintain the City’s infrastructure assets and the ITF funding. Though a ‘pay-go’ system is preferred, bonding may be a necessary tool to keep up with the pavement management plan and other infrastructure improvements.

Council consensus to review current amenities within the City (i.e. parks, golf course, ice center, ice rinks, recreation programs, etc.) for use/participation.

**ITEM 2. UPDATE ON MUNICIPAL FIBER AND BROADBAND IN THE COMMUNITY AND SEEK COUNCIL DIRECTION ON POTENTIAL FOR FUTURE PRIVATE/PUBLIC PARTNERSHIPS**

Tammy Omdal, Deputy City Manager/CFO, and Tom Venables, IT Coordinator, provided an update on the plan to seek requests for proposals (RFP) for a private entity to manage open access to the city’s municipal fiber infrastructure. The City’s SCADA system was recently updated, including replacement and upgrade to existing hardware at multiple infrastructure sites and construction of fiber loops to connect the sites across the city.

June 9, 2009

**ITEM 2. UPDATE ON MUNICIPAL FIBER... (continued)**

Now that construction is completed it allows for the opportunity to proceed with a request for proposal process (RFP) to seek responses from companies that may be interested in maintaining the fiber and managing open private access to the fiber. The company awarded the contract would also have the right to use the fiber with terms to be defined in the contract but they will not have a monopoly over use of the fiber. The city anticipates that a "whole sale rate" or fee would be charged to companies or other governmental units using the city owned fiber at a level to offset the maintenance costs. Any net revenue generated from charging a fee to utilize the fiber would be considered revenue to the city's sewer and water fund, since the sewer and water fund provided the revenue to pay for the fiber infrastructure. If this asset can generate revenue for the utility it would help to offset customer utility fees.

Staff reported that the next step would be for the Council to consider approval of a contract with a consultant to draft the 'Fiber Management RFP.' Staff proposes this contract be paid for from the sewer and water fund.

Council discussed community interest in private access to the fiber and the possibilities of expanding our current infrastructure. Councilmember Crichton noted that the terms of any future expansion should be included in the management contract. Allowing private access to this existing asset would provide a great benefit to our businesses and residents, but would require outside management.

Council consensus to move forward with retaining a consultant to prepare the Fiber Management RFP.

**ITEM 3. ROUNDTABLE****➤ Pawn Broker/Reseller Fees**

Mayor Kautz presented information received from Mr. Brad Rixmann (PawnAmerica) regarding the current APS system and proposed alternatives. Council discussed the associated fees, affected businesses, and the required 60 day hold period. Staff reported that there has been recent research on the issue that could be presented to the Council. Council directed staff to review the proposed alternatives and report back to the Council at a future Worksession.

**➤ Monthly Financial Statements for the Performing Arts Center**

Staff reported that detailed enterprise fund reporting is routinely conducted annually. However, Councilmember Crichton has proposed that reporting for the PAC enterprise fund be conducted more often, such as monthly. This is a new enterprise that may need more initial oversight. Staff noted that a scheduled meeting with VenuWorks management is set for June 23<sup>rd</sup> and a subsequent 'informative report' on the PAC's performance could be presented in July. Council directed staff to proceed and to afterward provide simple quarterly updates to the Council including revenues, expenses, profit (loss) and also include how these figures compare against the projected budget. Council discussed marketing support for VenuWorks and the impact of this economy on projected ticket sales.

**➤ Schedule a Closed Special Meeting to Discuss Pending Litigation with Kraemer Mining & Materials Inc**

Council scheduled a Closed Special Meeting for **Tuesday, June 23, 2009 at 5:00 p.m.** to discuss pending litigation with Kraemer Mining & Materials, Inc. (*This meeting was rescheduled to after the Governance Meeting at 8:00 p.m.*)

June 9, 2009

**ITEM 3. ROUNDTABLE (continued)**

➤ **Safety in our City Parks for our Children**

Councilmember Kealey reported receiving a complaint about a youth soccer team that encountered an unfriendly group of young adults in North River Hills Park. Councilmember Kealey conveyed that he had been told that one parent spoke to a nearby police officer and was cautioned that there has been some recent problems with this group involving violence, fighting, not respecting other users in the park. Tom Hansen, Deputy City Manager of Operations, will check the facts with the Police Department and report back.

➤ **New Funding Model for City Parks**

Councilmember Kealey stated that in light of recent heavy blows to parks maintenance and park infrastructure through budget cuts, Council may wish to consider ideas for private companies to get involved in our parks possibly allowing advertising and ‘adopt-a-park’ type programs as potential revenue sources. He requested Council explore what other cities do as well. The City’s current ‘adopt-a-park’ program involves only volunteers to clean up, but no revenue. Council noted that private advertising in City parks would require another revision of the Sign Ordinance, but agreed to revisit the issue if it provided significant funding support for the parks.

➤ **Reports on Advisory Boards and External Organizations**

Councilmember Crichton - none

Councilmember Sherry

- Convention and Visitors Bureau
  - Working with PAC for a new publication piece
  - Including promotion business use of the PAC
- LACA Board
  - Board is regrouping, considering a new name.
  - Moving out of Alimagnet House.
  - Considering the space at Neil Park.
- BV Community Foundation
  - Proceeding with the feasibility study for ice proposal in Nicollet Commons Park
  - Preparing a new website

Councilmember Gustafson

- 35W Solutions will meet Thursday, June 11th

Councilmember Kealey

- 35W Solutions
  - Many of the projects discussed over the last few years are now underway.

Mayor Kautz

- MN Valley Transit Authority
  - Urban Partnership Agreement – Groundbreaking for Cedar Grove yesterday.
  - MVTA is the third largest transit provider in the state and have the lowest subsidy
  - Funded through the motor vehicle sales tax

## WORKSESSION MINUTES

June 9, 2009

8

### ITEM 3. ROUNDTABLE (continued)

- Suburban Transit Authority
  - Debriefing now that legislature is in recess
  - Will honor some legislators that have helped with our efforts
- Regional Council of Mayors
  - Continuing our work on housing and regional branding
- Cedar Avenue Corridor has not met
- DCC Board meets Thursday, June 18th
  - Main focus has been working on the budget
  - Expect to vote on the proposed budget next week
    - Seeing some decreases as mentioned at last week's City Budget Meeting
- International Festival Committee
  - Saturday, June 20<sup>th</sup> from 3-9 pm
  - Planning is going well and they are selling tickets for the 2 shows at the PAC
    - PAC shows are at 6:30 p.m. & 7:30 p.m.
    - \$10 main floor - \$5 balcony
  - Free salsa lessons if you buy a ticket
  - All shows in Nicollet Commons Park except the last 2 in the PAC
  - Raffle tickets for roundtrip airfare are also available courtesy of Casa Travel.

The meeting was adjourned at 8:29 p.m.

Respectfully submitted,

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Macheal Brooks, Deputy City Clerk

Approved by the City Council of the City of Burnsville this 16<sup>th</sup> day of June, 2009.

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Elizabeth B. Kautz, Mayor