

**CITY OF BURNSVILLE  
WORKSESSION MINUTES  
NOVEMBER 9, 2010**

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 November, 2010.

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, J. Hansen, K. Strey, S. Olstad*

Others Present: *J. Gessner, D. VonHeldon, N. Linden*

**ITEM 1. RECOMMENDED 2011 BUDGET**

Craig Ebeling, City Manager, and Tammy Omdal, Deputy City Manager/CFO, presented the 2011 Proposed Budget:

**OVERVIEW OF THE 2011 PROPOSED BUDGET**

**Meeting Agendas**

- November 9<sup>th</sup>
  - Overview of budget
  - General Fund
  - Special Revenue Funds
  - Tax Increment Finance (TIF) Funds
- November 23<sup>rd</sup>
  - Capital Improvement Program
  - Debt Service Funds
  - Enterprise Funds

**Financial Condition of the City**

- Bond rating of AAA
- Outstanding city debt remains low
- Stable fund balance and cash position
- Sound budgeting practices
- Multi-year financial planning

**Comparison to Prior Year Budget**

- Total 2011 proposed budget is \$81 million, including all uses of funds, compared to \$77 million for 2010
- City's total budget varies from year to year based on timing of capital projects and debt payments
- Total proposed expenditures/use of funds (\$66.5 million), not including Debt and Inter-fund Transfers, is shown to be to be down by almost 2.5% from 2010 to 2011

**2011 Budget by Fund: \$81 M**

- General Fund – 42%
- Enterprise Funds – 33%
  - Includes utility funds, golf course, ice arena, and performing arts center
- All Other Funds – 25%
  - Includes debt service funds, capital funds, and special revenue funds

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**ITEM 1. RECOMMENDED 2011 BUDGET (continued)****2010 Budget by Expenditure Type: \$77.3 Million**

- Operations – 65%
- Capital – 25%
- Debt Service – 10%

**Comparison to Prior Year Budget**

- Total 2010 budget is \$77.3 Million compared to \$77.9 Million for 2009
- City's total budget varies from year to year based on timing of capital projects and debt payments
- Adjusting for capital and debt, the total budget (including all city funds) is up by approximately 1%

**2011 Budget by Source of Funds**

- Property Taxes – 34%
  - General Fund – 30%
  - EDA Fund – 0.6%
  - Infrastructure Trust Fund – 2%
  - Debt Fund – 1%
- Charges for Services – 29%
- All other sources – 37%

**2011 Proposed Budget: Major Items**

- Total combined Tax Levy increase of 4.9%
  - \$612,000 less than the amount allowed under State levy limits
  - \$175,000 under the maximum levy set by the Council
  - Tax levies paid by existing taxpayers will increase by 1.2%
  - New taxpayers will provide about \$1.0 million of the \$1.3 million increase in tax levy proposed
- All five labor contracts will be open by year-end 2010
- Staff is proposing several service level changes in order to reduce overtime costs
- Non-tax revenues in the General Fund are improving (e.g., interest income, delinquent tax payments, rents, etc.)
- MVHC loss of \$1.2 million, \$0.2 million more than 2010
- Tax levy support for Youth Center Fund will need to increase in future years to maintain program or other adjustments will need to be made
- EDA finance plan anticipates bonding in year 2014 for Hwy 13/CR 5 Interchange, tax levy increase will be needed for debt payments at that time
- Infrastructure Trust Fund (for streets) projected at negative cash by 2015
  - Policy direction needed on funding and/or direction to reduce streets that will be improved each year
  - A tax levy increase could be planned for to coincide with next TIF District decertification
- Parks Capital Fund needs tax levy support to maintain, other revenue is not sufficient to support capital improvement plan
- Water/Sanitary Sewer fee increase of 4.2%
  - Met Council charge for handling of waste is increasing
  - New CIP project proposed - to replace nozzles on fire hydrants to improve response time
  - Proposed bonding for major water/sewer infrastructure projects
- Storm Water fee increase of 2.9%
- Street Light Utility fee increase of 3.1% for residential and 4.1% for commercial for those properties that pay this fee
- Proposed Performing Arts Center finance plan now includes a 5-year capital plan

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**ITEM 1. RECOMMENDED 2011 BUDGET (continued)**

**Summary of Changes Impacting the Levy**

<b>2010 Property Tax Levy, as Certified</b>	<b>\$26,489,715</b>
Payment to Itasca Group (EDA levy increase)	25,000
Infrastructure Trust Fund, incremental restoration of funds for streets	50,000
Tree management, begin to establish funding for Emerald Ash Borer	50,000
Ice Center project, payment of debt on the project	226,000
Employee retirement fund, includes mandated increase to PERA	115,858
Parks capital funding, multi-year plan to restore funding	125,000
Equip, Vehicle, & Facilities Fund, multi-year plan to restore funding	167,000
Maintain current city services, net of increases to other revenues	(55,863)
Increase in loss of MVHC payment from State of MN to \$1.2 million	200,000
Service reductions/changes to reduce tax levy increase	(175,000)
Performing Arts Center, for debt and operations	570,000
<b>Total Increase (Decrease) in Tax Levy from 2010 to 2011</b>	<b>\$1,297,996</b>
<b>2011 Proposed Property Tax Levy</b>	<b>\$27,787,711</b>

**Estimated Levies to be Paid by Difference Parcels and Total Levy by Fund**

Estimated Levies to be Paid by Different Parcels	Incremental Increase in Tax Levy	% Increase Supported by these Parcels
Parcels within TIF I, which will decertify at end of 2010	\$885,000	3.3%
Parcels that added value from new construction, estimated	\$107,000	0.4%
Parcels already contributing to general tax base, existing taxpayers	\$305,996	1.2%
<b>Total Increase in Tax Levy from 2010 to 2011</b>	<b>\$1,297,996</b>	<b>4.9%</b>

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**ITEM 1. RECOMMENDED 2011 BUDGET (continued)**

Tax Levies by Fund	Total Amount	Annual % Chg
General Fund Levy	24,197,711	3.5%
Debt Levy	1,180,000	47.5%
ITF Levy	1,950,000	2.6%
EDA Levy	460,000	12.2%
Total Levy	27,787,711	4.9%

**Proposed Tax Levy and Impact on Taxpayers**

- Decline in the city’s tax base is estimated to be about 6.7% for a total tax capacity valuation of \$70.8 million
  - This decline is driven by the drop in values across all property types
  - The City ‘s net tax base for taxes payable in 2011 is based on what the County Assessor estimated the value of properties to be as of 1/2/2010 based on open market sales data beginning 10/1/2008 and ending 9/30/2009
- Decline in residential values again outpaced the decline in commercial/industrial values for taxes payable in 2011
  - Estimated assessed residential property values decreased by about 8.5% in total while CI values decreased by about 5% in total
- Based on the 2011 proposed budget, the combined City and EDA tax rate is estimated to be 43.41 compared to 39.17 for the 2010 budget
- Amount of increase or decrease to individual property taxpayers will depend on the individual change in their property’s value plus how they are impacted by state programs
- A residential home valued at the citywide average of nearly \$208,000 will have about a \$15 increase in the amount of city taxes paid
  - Taxes for 2011 would be less than the amount paid in 2009 for this average property example
  - This will vary for properties that had more or less of an increase in assessed market value compared to the norm
- A commercial/industrial property valued at approximately \$1,000,000 (*with 5.4% reduction in value over 2010*) will pay about \$368 more

**Where do Burnsville RESIDENTIAL Property Taxpayer Dollars Go?**

- City – 43%
- County – 29%
- School – 22%
- Special District – 6%
  - Includes taxes for Mosquito Control District, Met Council, Transit District, Dakota County CDA, Burnsville EDA, and for some property a Watershed District tax.

**Where do Burnsville COMMERCIAL/INDUSTRIAL Property Taxpayer Dollars Go?**

- State of MN – 33%
- City – 29%
- County – 19%
- School – 15%

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**ITEM 1. RECOMMENDED 2011 BUDGET (continued)**

- Special District – 4%
  - Includes taxes for Mosquito Control District, Met Council, Transit District, Dakota County CDA, Burnsville EDA, and for some property a Watershed District tax.
- Commercial and Industrial property also pays a “State Property Tax” at a rate of 0.50 of taxable value. There was a 9% increase in the rate from 2010 to 2011.
- Depending on where you live in Burnsville – this distribution varies somewhat because of school districts and special taxing districts. This graph is for property within ISD 191 and within the MN Watershed District.

**Change in Estimated Market Value by Property Type**

- Total Market Value for Tax Year 2010 \$5.9 Billion
  - Residential – 65%
  - Commercial/Industrial – 26%
  - Apartments – 9%
- Total Market Value for Tax Year 2010 \$5.5 Billion
  - Residential – 64%
  - Commercial/Industrial – 27%
  - Apartments – 9%

**What’s driving the need for additional tax levy revenue in future years?**

- Increase in non-tax revenue will not be sufficient to cover the cost of maintaining police, fire, parks operation, and street maintenance
  - These services are funded mostly by tax levy and not charges for service
- State mandate for public pension contributions
- Grant funding for two police officers goes away after 2011, positions will require tax levy support to be continued
- Restoration of tax levy support for parks capital renovation
- New funding for tree management in preparation for Emerald Ash Borer infestation
- Restoration of tax levy for street maintenance (ITF levy)
- Restoration of funding for acquisition of equipment, vehicles, and improvements to facilities (deferred maintenance)
- Funding to pay for City’s estimated share of the Hwy 13/5 Interchange

**City Fees**

- Service fees and charges are adjusted annually based on one of the following criteria which is outlined in the City’s Financial Management Plan:
  - Market comparison – Fees set at upper quartile of the market
  - Maximum set by external source – Fees set by legislation or International Building Code
  - Entrepreneurial approach – Fees set at the top of the market
  - Recover the cost of service – Fees for the programs will be self-supporting where possible
  - Utility fees – Fees based on annual rate study

**Budget by Fee Type - Total of \$23.6 Million for Fees**

- Utility Fees – 71%
  - Utility fees comprise the largest share of total fees. Total fees is the combination of charges for services and licenses and permit fees
- All other fees – 29%
  - Budget document includes a listing of all charges for services or fees the City has in place and the proposed amount for 2011

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**ITEM 1. RECOMMENDED 2011 BUDGET (continued)****Proposed Utility Fee Adjustments for 2010**

- 4.2% increase for Water and Sanitary Sewer
- 2.9% for Storm Water
- Street Light Utility is proposed to go up by 3.1% for residential and 4.1% for commercial for those properties that pay this fee
- Utilities fees will be going up approximately the same amount that was indicated at this time last year for the 2011 budget

**Proposed Capital Projects in Sanitary Sewer and Water Fund Impacting Rates**

- Inspection/testing has identified a need for several infrastructure maintenance projects that are more immediate than what was projected in previous planning documents
- Proposed CIP includes a new project for replacing nozzles on existing fire hydrants, improving fire response time
- Bonding is proposed in the CIP to provide cash for a portion of the utility capital project costs, bonding is proposed for several years
- Even with proposed bonding, expenditures will meaningfully reduce fund balance
- Future rate increases will need to cover debt service expense and restoration of fund balance over time

**Burnsville's Utility Fees Compared to Other Market Cities**

- Burnsville's utility fees have been on average above other market cities
  - In some cases, other cities do not pay for utility reconstruction through collection of utility fees, but instead rely on other fees
- Burnsville's fees were increased for a number of years in order to provide for the following:
  - Annual pay-go funding for capital infrastructure replacement plan and water resources management plan
- Stepped-up inspection/testing has identified a need for several infrastructure maintenance projects that are more immediate than what has been projected in previous planning documents
- Expenditures will meaningfully reduce fund balance
- Future rate increases will need to reflect this need

**GENERAL FUND OVERVIEW****General Fund Budget Proposal - Use of Funds by Expense Category (\$33.8M)**

- Personnel – 66%
- Current Expenditures & Other – 34%
  - Include contractual/professional services, materials, and supplies, etc

**General Fund Budget Proposal - Source of Funds, \$33.8 Million**

- Property Tax – 68%
- Charges for Services – 13%
- Intergovernmental – 5%
- Licenses and permits – 5%
- Other – 7%
- Use of Reserves – 2%

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**ITEM 1. RECOMMENDED 2011 BUDGET (continued)****Proposed General Fund Budget**

- Nearly 70% of the total General Fund budget is for personnel costs
- General Fund is used to account for “general governmental services” such as police and fire, recreation, and public works
- Increase to the General Fund operating budget, not including transfers to other funds, is 1.8% from 2010 to 2011 proposed
- No changes in FTEs (full time equivalent positions)
- All of the City’s union labor contracts are open for 2011
- Employee health insurance premiums will increase in 2011 and so will the employee cost of this benefit
- Final mandated increase in PERA (public pension plan) will occur in 2011, unless State makes further changes
- Current expenditures in the General Fund are estimated at \$7.7 million for 2011, which is near the same amount that was included in the 2010 budget
- Staff is proposing service level changes in 2011 in order to reduce overtime costs
  - How are overtime decisions made?
- Total General Fund cost (need for tax levy) is \$175,000 less than what was shown when the “max” tax levy was set in September by the Council due to proposed service level changes and other updates to other revenue estimates

*Council discussed the impacts of proposed cuts in overtime for public safety. Also discussed using outsourcing as a means to reduce costs. Staff reported that previous experience to use outsourcing has had mixed results but they continue to consider it as a viable option whenever appropriate.*

**Summary of General Fund Budget Proposal: Change in Non-Property Tax Revenue from 2010 to 2011 Proposed Budget**

- \$200,000 additional loss of revenue from MVHC
- \$185,000 increase in net payments on delinquent property tax
  - 2010 budget included a \$200,000 reduction
- \$175,000 increase in estimated interest income
  - 2010 budget included a \$300,000 reduction
- \$175,000 increase in revenue from rent collected from tower sites/use of city assets
- \$265,000 planned elimination of transfer from the PAC to the General Fund

**Summary of General Fund Budget Proposal Use of Fund Balance**

- Proposed budget includes \$97,000 related to the planned 3-yr draw-down of the lump sum payment made by Dakota Communication Center to the City in 2009 – this is year 2 of the 3 year draw down plan
- Reserved landfill tipping fees of \$108,000 are proposed to be spent on environment related and eligible costs versus using property tax levy to support these existing activities – this would be the second year of planned draw down of the remaining reserved tipping fee balance
- Fire Station I improvements are proposed to be funded from a \$600,000 use of reserves
- Use of fund balance has been traditionally limited to “one-time” expenditures for capital outlay or “sunset” operational costs
- Fund balance has not been considered as a funding source for on-going expenditure items, whether capital or operational

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**ITEM 1. RECOMMENDED 2011 BUDGET (continued)**

**SPECIAL REVENUE FUNDS**

**Cable Franchise Fee Fund - Total of \$1.0 Million**

- Fund is projected to be financially stable over the next five-years
- Fund will transfer \$185,000 of cash to the General Fund operating budget which is equivalent to about 0.7% tax levy savings
  - This now third year savings to the General Fund is a direct result of the new community television partnership with ISD 191 and from the decision made in 2009 to reduce the number of BV Bulletin publications and frequency of citizen/business surveys

**Youth Center Fund - “The Garage” - Total of \$0.3 Million**

- Proposed 2011 budget continues the \$74,000 transfer from the General Fund (same amount as prior year)
- In total, CDBG and other grant revenue for this Fund is projected as stable over the next five years, recognizing actual revenue collection is subject to annual grant appropriations
- Fund balance is projected to decline over the next five-years
- Policy direction needed in the next few years on revenue support for this Fund

**Sustainability Fund - Total of \$0.2 Million**

- Fund accounts for the combined recycling grant we receive from the County for the cities of Apple Valley, Eagan, and Burnsville
- Funding will be monitored to keep spending and revenue in balance over the long term

**Grant Fund - Total of \$70,000**

- This fund is used to account for the majority of the grants the City receives
- CDBG provides the most significant and on-going source of grant funds to the City
- Council will adopt a CDBG plan that will be forwarded to the CDA later this year, the Council always has discretion to reprioritize or reallocate unspent funds at a later date

**Grant Fund - Community Development Block Grant**

- Housing and Rehab Projects – 53%
- Public Service Projects – 40%
- City Administration – 7%

**Economic Development Authority Fund - Total of \$584,000**

- EDA property tax levy is proposed to increase from \$410,000 to \$460,000, a \$50,000 increase
- \$25,000 annual incremental increase in the EDA levy will provide on-going funding for the City’s Economic Development Department, which includes one full time position and related expenses, which Council moved from the General Fund to the EDA Fund in 2010
- \$25,000 in the proposed budget for annual payment to the Itasca Group, as directed by the Council
- \$410,000 of the EDA levy is pledged for debt on the PAC
- Year 2013 anticipates the issuance of \$4 million in bonds for Highway 13/5 Interchange, requiring additional tax levy of \$310,000 beginning in 2014
- Fund balance is projected to decrease over the next five-years by over \$650,000

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**ITEM 1. RECOMMENDED 2011 BUDGET (continued)**

**TAX INCREMENT FINANCE (TIF) FUNDS**

**Active TIF Districts - Five Year Financial Plans**

- City has four active Tax Increment Financing Districts
  - TIF District 1, Southcross South of CR 42 (will decertify at end of 2010)
  - TIF District 2, Southcross North of CR42
  - Pooled Development Fund TIF Districts 1 and 2
  - TIF District 6, Heart of the City
- Budgets are adopted for TIF Districts when a TIF Plan is adopted and are based on the entire estimated life of the district and are not annual budgets
- Finance plans are maintained for each District
- It is not a requirement by the State that the TIF Districts be included in the City's annual budget process, but rather a decision by the City

**TIF District 1 - Southcross South of CR42**

- Established in 1984 and will decertify in Year 2010
  - Redevelopment District, created to redevelop a portion of the Southcross Corporate Center by correcting terrain and soil deficiencies
- Tax increment of \$1.7million in 2010

**TIF District 2 - Southcross North of CR42**

- Established in 1987 and will decertify in Year 2013
- Redevelopment District, created to redevelop a portion of the Southcross Corporate Center
- Financial condition is sound
- Tax increment of \$2.2 million in 2010

**Pooled Development Fund - TIF Districts No. 1 and 2**

- Established in 1995 and will decertify in Year 2013
- Allows pooling of excess increment from Districts 1 and 2
- Revenue is projected to be sufficient to cover expenditures in the Pooled Fund
- Current estimate is for \$3.3 million of funds to be available for eligible projects/debt prior to decertification

**TIF District 6 - Heart of the City**

- Established in 2002 and will decertify in Year 2019
- Renewal and Renovation District, created for the purpose of enabling redevelopment of the area now known as the Heart of the City
- Tax increment of \$0.8 million in 2010
- Use of funds is for debt service payments on \$3.4 million of outstanding bonds for public improvements and \$4.2 million for outstanding pay-go developer payments

**BUDGET PROCESS DATES**

**Remaining Key 2010 Budget Process Dates**

- November 23            Council Work Session
- November 30           Budget Open House
- December 7            Budget Adoption

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**ITEM 1. RECOMMENDED 2011 BUDGET (continued)**

**Council Discussion Items – Items to Consider**

- The proposed budget for the General Fund includes service level changes that will result in less overtime dollars being spent. The service areas impacted are street sweeping, traffic enforcement, planning and leadership efforts in the fire department, and support for legacy community celebrations. The total combined savings in these areas is about \$60,000 in overtime costs.
  - *Council consensus was to retain the current street sweeping schedule as the incurred overtime is not significant compared to the increased costs for stormwater cleanup and effects of a delayed street patching season. Councilmember Kealey was not supportive.*
  - *Council consensus was to move forward with the proposed cuts to police and fire overtime citing that these cuts would not affect overall public safety.*
  - *Council consensus was to retain support at 50% for Community Legacy Celebration events citing the benefits to our citizens and community. Council suggested police staff review current staffing levels for each event to see if some reductions can be safely made.*
  
- The Council has collectively expressed concern regarding service levels in the property maintenance code enforcement area. Budget cuts were made to this area as part of the 2010 budget adoption, a seasonal inspector position was eliminated. If the Council wants to add back funding to this area it would require additional tax levy resources beyond what is included in the proposed budget, an additional \$25,000 or 0.1% increase in the levy would be needed to restore the prior position.
  - *Council consensus was to restore funding for a seasonal inspector position, increasing the proposed property tax levy by additional 0.1%.*
  
- The Five Year Plan for the General Fund demonstrates tax levy increases that would be necessary to deal with the financial pressures that the City will have in delivering the scope of services that the City presently delivers, even though that scope has been reduced.
  - *Council consensus was to continue review of the budget document and five-year financials and report back to staff at the November 23 Worksession.*
  
- The Five Year Plan for the Youth Center Fund shows that additional revenue is needed over the next five years in order to maintain current programming. If grant funding is not secured beyond what is shown in the Five Year Plan than additional tax levy will be needed in the form of an increase in the transfer from the General Fund.
  - *Council consensus was to gather more information on how to broaden the programming of The Garage, thereby increasing participation and revenue/fundraising opportunities. The Council has some time to consider the future direction of The Garage dependent upon the progress of this directive.*
  
- The Five Year Plan for the EDA Fund anticipates future tax levy increases to fund economic development operating activities and in year 2014 to fund anticipated debt service on bonds to be issued for Highway 13/5 Interchange, assuming that projects moves forward.
  - *Council consensus was to support future tax levy increases to fund debt service bonds for the Highway 13/County Rd 5 Interchange and the Itasca Project for regional economic development. Councilmember Crichton was not supportive of supporting the Itasca program.*

Council thanked staff for the information provided.

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**ITEM 2. ROUNDTABLE**➤ **Discussion on Process for Sign Ordinance Review**

Tammy Omdal, Deputy City Manager/CFO requested Council direction on the upcoming review of the Sign Ordinance. Council consensus was to have the Economic Development Commission begin the ordinance review, taking into account the business and overall aesthetic considerations. The EDC should address the identified areas and also provide recommendations as to any other possible amendments. The proposed amendments would then go to Planning Commission for review and additional recommendations.

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

Councilmember Crichton - Nothing to report

Councilmember Sherry

- BV Community Foundation
  - Winter Lighting Festival – Wed. Nov 24<sup>th</sup> @ 5:30pm in Nicollet Commons Park
- Dakota County Communications Center
  - Diane Lind still interim director
    - Search for new director will resume in January
- Burnsville Medical Alliance
  - Meeting more frequently to consider expanding scope

Dan Gustafson

- Art & All that Jazz meets Saturday
  - Electing Board
  - Planning for 2011
- Convention & Visitors Bureau Board meets Thursday morning
  - Hotel Managers meets Thursday afternoon
- 35W Solutions
  - New legislature
- TAB meets in couple weeks

Councilmember Kealey

- Black Dog WMO
  - Third update of Watershed Management Plan
  - Planning Advisory Group
  - Extending Impaired Waters TMDL to finish up work
- Minnesota Valley Transit Authority
  - Eagan facility is getting \$9M expansion and renovation
  - Rosemount will get new Park N Ride funded by CMAQ grant, includes bus support
  - Capital Improvement Projects baseline analysis – outsourcing
  - Met Council – attempting to impose new policies over opt-outs
  - Met Council Transportation Committee
  - Executive Director review - positive

Mayor Kautz

- USCM Business Council
  - Behrain Economic Dev Authority looking to do business in our region
  - Working with Regional Council of Mayors, Itasca & DEED
  - Advance team will come Nov 11th

**WORKSESSION MINUTES**

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The meeting was adjourned at 9:10 p.m.

Respectfully submitted,

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Macheal Brooks, City Clerk

Approved by the City Council of the City of Burnsville this 16<sup>th</sup> day of November, 2010.

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Elizabeth B. Kautz, Mayor