

# Preliminary 2020 Budget Discussion

Council Workshop  
June 24, 2019

# 2020 Budget Process

Meeting Dates	Discussion Topics
<b>June 24</b>	<b>Preliminary Budget Discussion – Current Services and Budget Pressures</b>
August 26	Council Gives Direction to Staff to Prepare Maximum Tax Levy
September 9	Council Adopts Maximum Tax Levy
November 12	Enterprise Funds and CIP Discussion
November 25	Council Gives Direction to Staff on Proposed Final Budget & CIP
December 9	Council Adopts Tax Levies and Budget

# Agenda

- 2020 Tax Base
- Preliminary Property Tax Projections
- Council Policy Direction for 2020 Budget Preparation

# Financial Condition of the City

- AAA Bond Rating – strong financial management mentioned as a plus
- Stable fund balance and cash position
- Sound budgeting practices and multi-year financial planning

# Impact of Legislative Session & Other Governmental Action

- No tax levy limits at this time
- Victoria will receive \$0 in LGA in 2020
- Hands Free Distracted Driving Bill passed (effective Aug. 1, 2019)
- 2040 Comprehensive Plan approved by the Met Council

# 2019 Tax Levy Breakdown



City Tax Portion

<b>City</b>	\$0.23 per tax dollar
<b>County</b>	\$0.47 per tax dollar
<b>Schools (3 districts)</b>	\$0.23 per tax dollar
<b>Other (met council, mosquito control, watershed dist)</b>	\$0.07 per tax dollar

# Why Does Your Tax Bill Change?

- Market value changes
- Budgets and levies of various jurisdictions change
- Special assessments
- Voter approved referendums
- Federal and State mandates
- Change in aid from State and federal governments
- State legislative changes

# Levy Impact on Taxpayers

- Increase or decrease to individual property taxpayers will depend on the individual change in their property's value
- Focus is on the budget increase because the City's decisions directly impact that amount



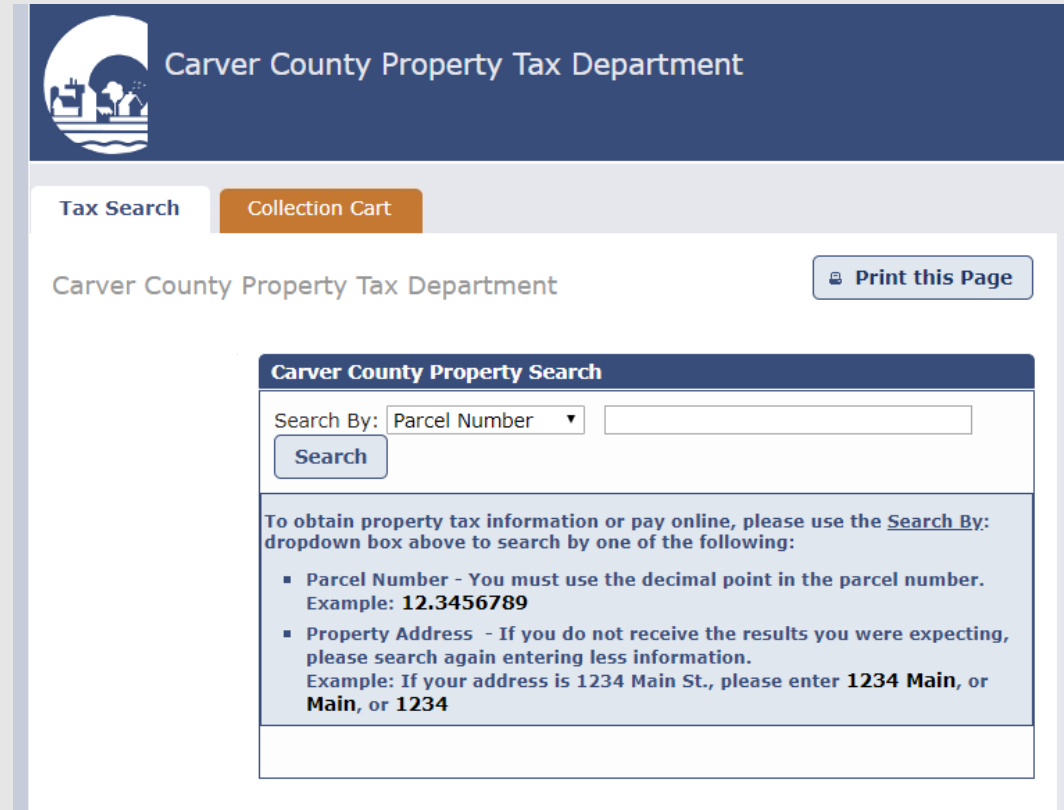
# Property Tax Process

- County assessor determines property values in year prior to taxes being paid
- City sets maximum levy in September
  - Other taxing districts set their own levies too
- Proposed property tax notices are mailed by the County in November
- Property taxes are finalized for the following year

# Calculate Your Property Tax

Carver County Property Tax Dept.

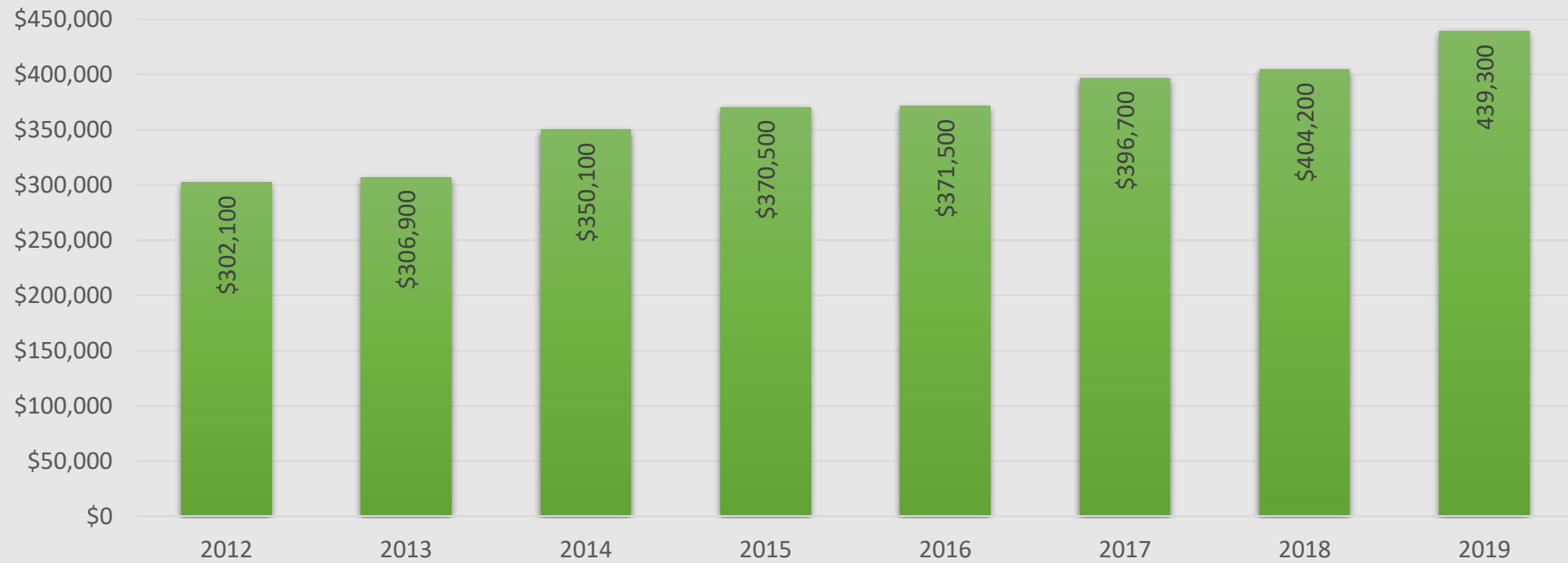
<https://mn-carver.manatron.com/Tabs/TaxSearch.aspx>



The screenshot shows the Carver County Property Tax Department website. At the top, there is a dark blue header with the department's logo and name. Below the header, there are two tabs: "Tax Search" (selected) and "Collection Cart". The main content area includes the text "Carver County Property Tax Department" and a "Print this Page" button. A search box titled "Carver County Property Search" contains a "Search By:" dropdown menu set to "Parcel Number", an empty text input field, and a "Search" button. Below the search box, there is a light blue box with instructions: "To obtain property tax information or pay online, please use the Search By: dropdown box above to search by one of the following:" followed by two bullet points: "Parcel Number - You must use the decimal point in the parcel number. Example: 12.3456789" and "Property Address - If you do not receive the results you were expecting, please search again entering less information. Example: If your address is 1234 Main St., please enter 1234 Main, or Main, or 1234".

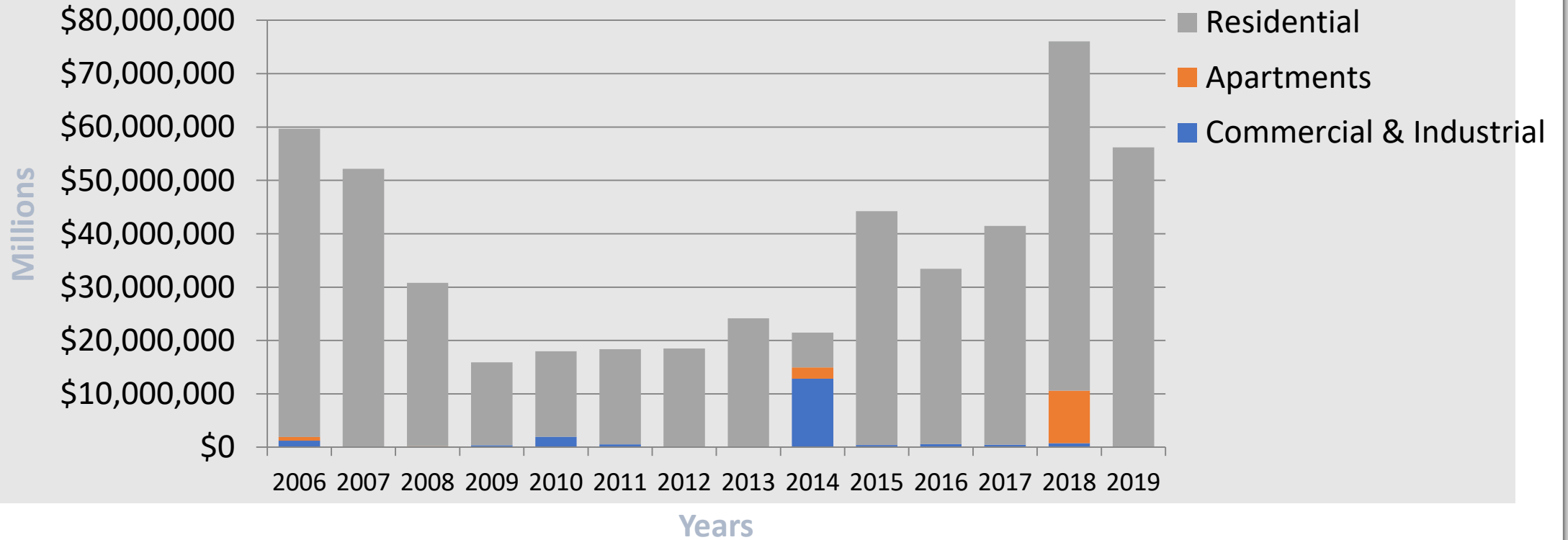
# Residential Values

## Median Home Value



# New Construction Value Added

by Property Type



# Preliminary Tax Levy for 2020

Projected Levy Increase - 9.4%

- Maintains current service levels
- Allows for implementation of adopted Strategic Plan priorities
- Considers planned capital expenditures and transfers
- Includes Wasserman Park land purchase
- Estimates for the unknown budgetary factors

# New Construction Tax Base Support

Projected Levy Increase - 9.4%

New Construction	\$56,000,000	\$163,000	33% of the Levy Increase
	Value Added	New Taxes	

# Projected Property Tax Changes 2019-2020

<b>Market Value 2019 (Median Valued Home)</b>	<b>\$404,200</b>
Taxable Market Value	\$404,200
Property Class Rate (Single Family Homestead)	X 1.00%
Tax Capacity	\$4,042
Estimated City Tax Rate (based on 9.4% levy increase)	32.41%
<b>Pay 2019 City Taxes (median valued home)</b>	<b>\$1,307.18</b> <b>\$108.93/mo</b>

<b>Est. Market Value 2020 (Median Valued Home)</b>	<b>\$439,300</b>
Taxable Market Value	\$439,300
Property Class Rate (Single Family Homestead)	X 1.00%
Tax Capacity	\$4,393
Estimated City Tax Rate (based on 9.4% levy increase)	33.42%
<b>Estimated Pay 2020 City Taxes (median valued home)</b>	<b>\$1,467.96</b> <b>\$122.33/mo</b>

# Projected Property Tax Changes 2019-2020

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2019 vs. 2020 Property Taxes  
Home Value - \$439,300

2019	2020
\$1,423.00	\$1,467.96

3% increase based on 9.4% levy increase  
Cost of inflation



# Monthly Bill Comparison

Monthly Costs for Services	
City Property Taxes (median value home \$439,300) <i>Sheriff and fire protection services, street maintenance, water and sewer sewers, park and rec amenities, trails, snowplowing</i>	\$122.33
Average Cable/Satellite TV	\$150.00
Average Electric Bill	\$127.00
Average Natural Gas Bill	\$78.00
Average Internet (50 mbps)	\$60.00

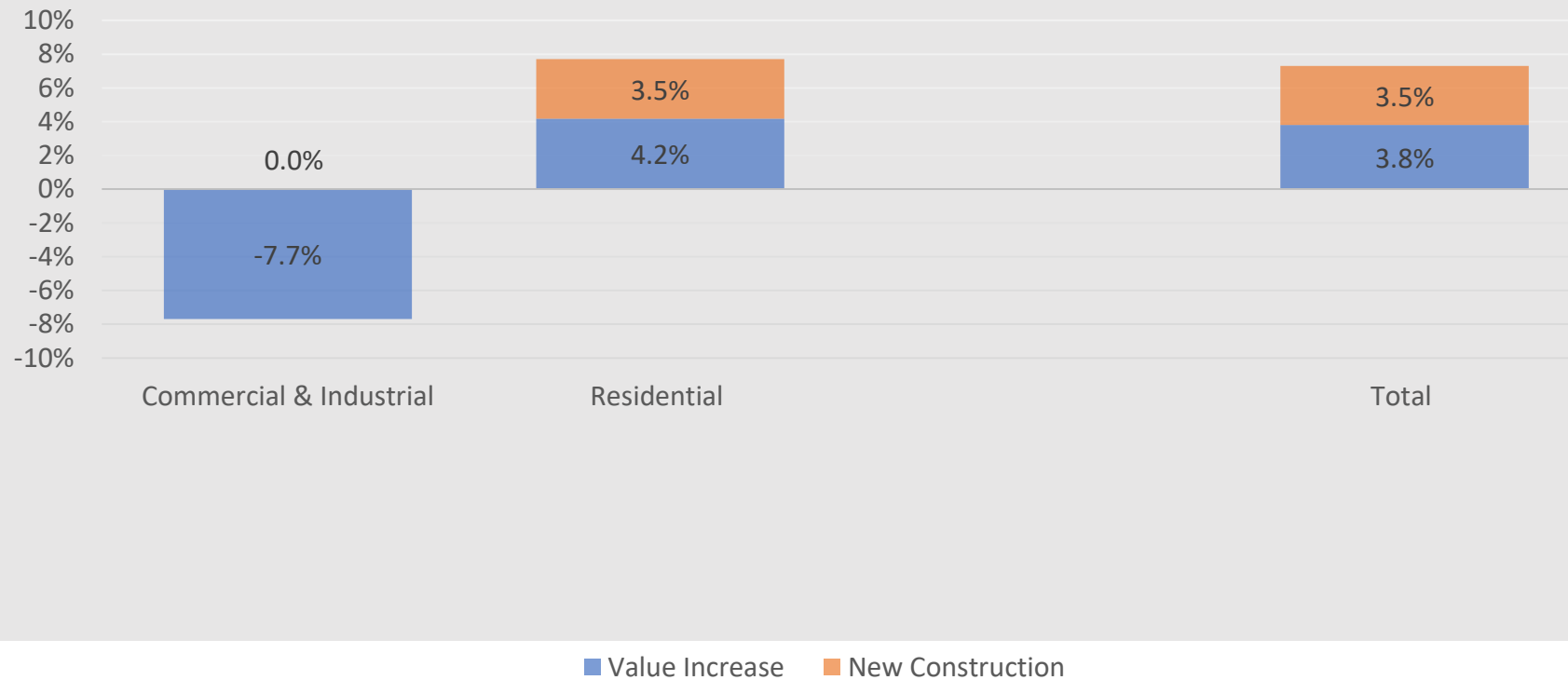
# Projected Property Tax Breakdown

Monthly Costs for Services	
Public Safety (Sheriff and Fire)	\$20.93
General Government (Admin, Planning, Building, Finance, Elections)	\$39.13
Parks and Recreation	\$11.60
Public Works (streets, plowing, trail maintenance)	\$25.09
Debt Service	\$25.58

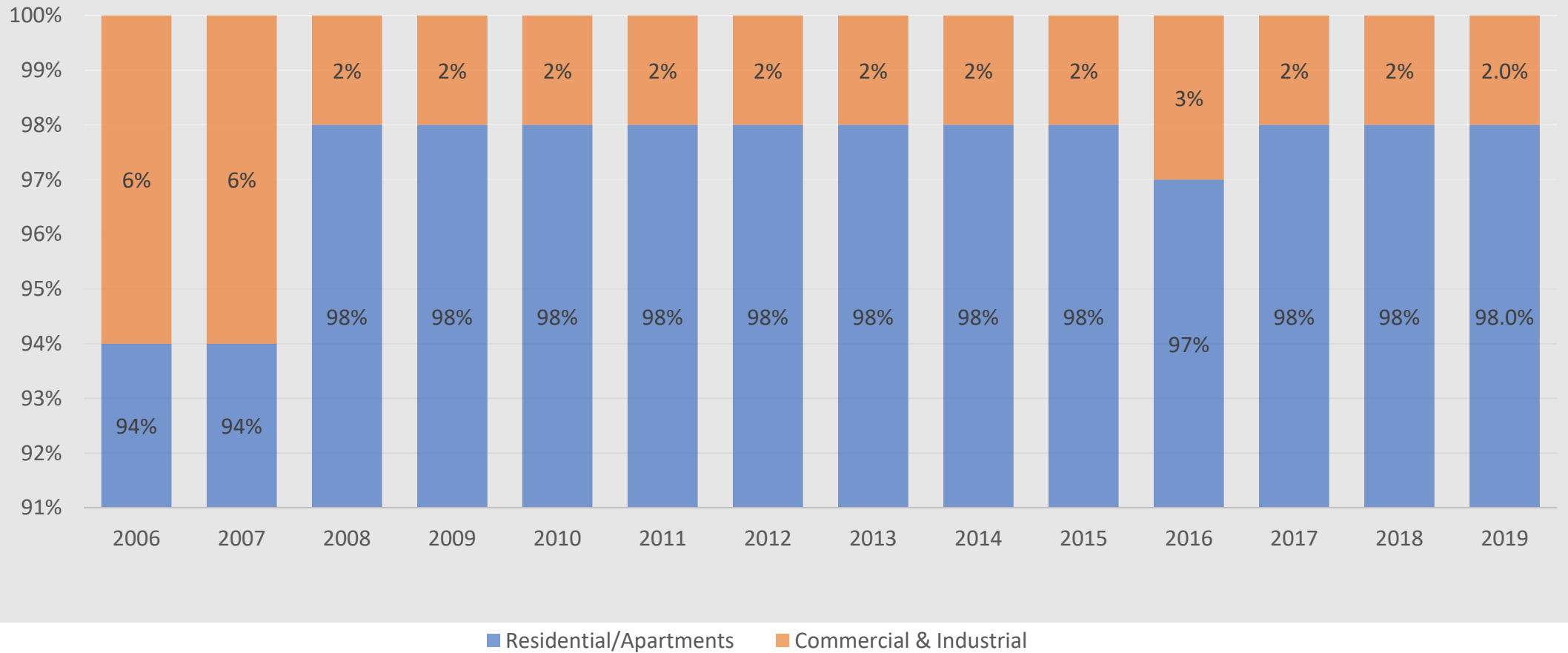
For a median valued home, \$122.33 per month in property taxes buys sheriff and fire services, street maintenance, park and recreation amenities, code enforcement and a variety of other city services

# 2020 Change in Estimated Value

by Property Type



# Gross Tax Capacity by Property Type



# Proposed Market Cities- Population and 2019 Levy

City of Victoria

Population 9,172

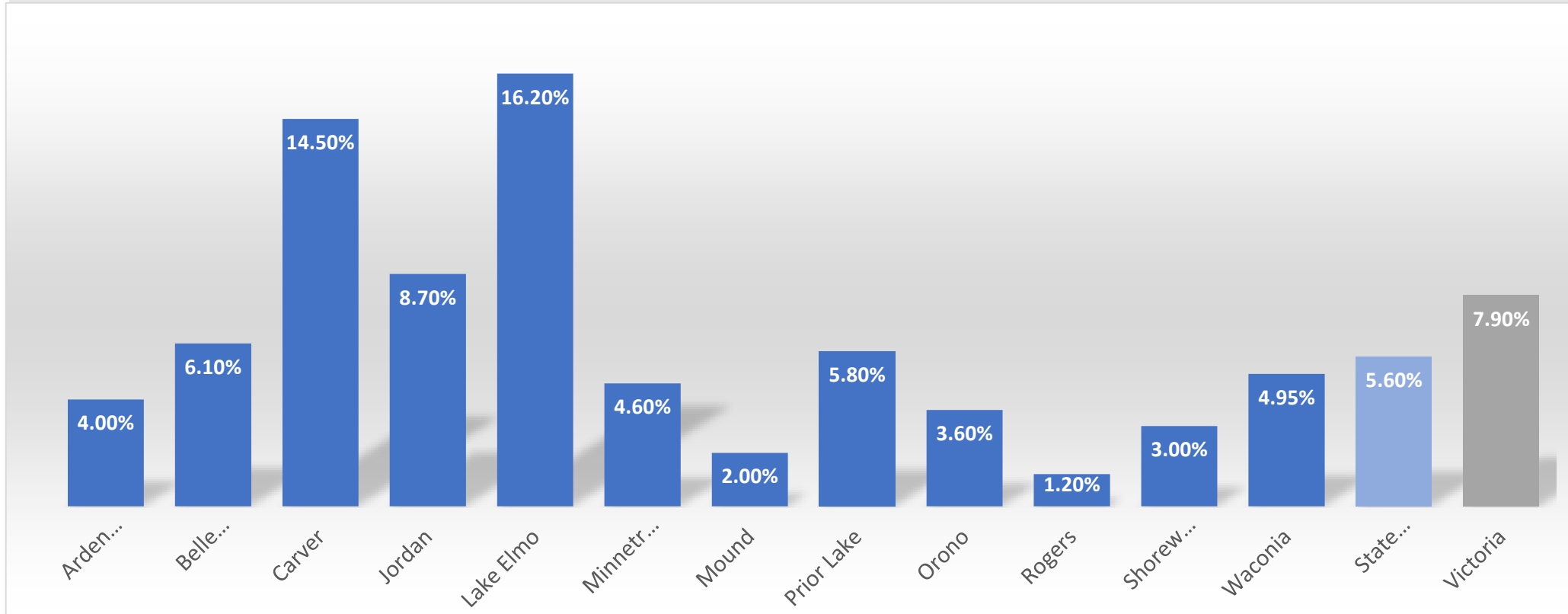
Levy: \$5,027,000

City	Population	Levy
Arden Hills	9,969	\$3,938,420
Belle Plaine	7,144	\$5,624,750
Carver	4,623	\$2,713,263
Jordan	6,106	\$4,309,418
Lake Elmo	9,481	\$4,179,839
Minnetrissa	7,526	\$4,678,750

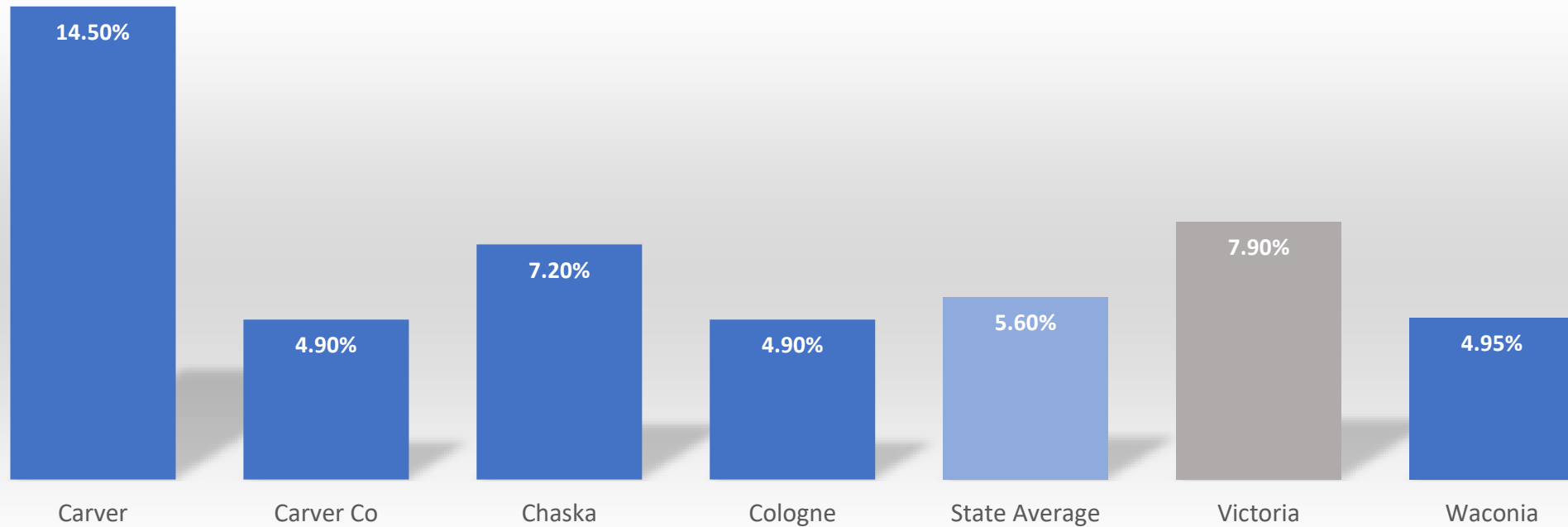
City	Population	Levy
Mound	9,494	\$5,818,797
Rogers	12,753	\$7,796,244
Waconia	12,633	\$8,398,680
Orono	7,883	\$5,635,450
Prior Lake	25,735	\$12,778,035
Shorewood	7,708	\$5,530,322

# Final 2019 Tax Levy Increase Comparable Cities

(comparable cities determined by salary comp study consultant)

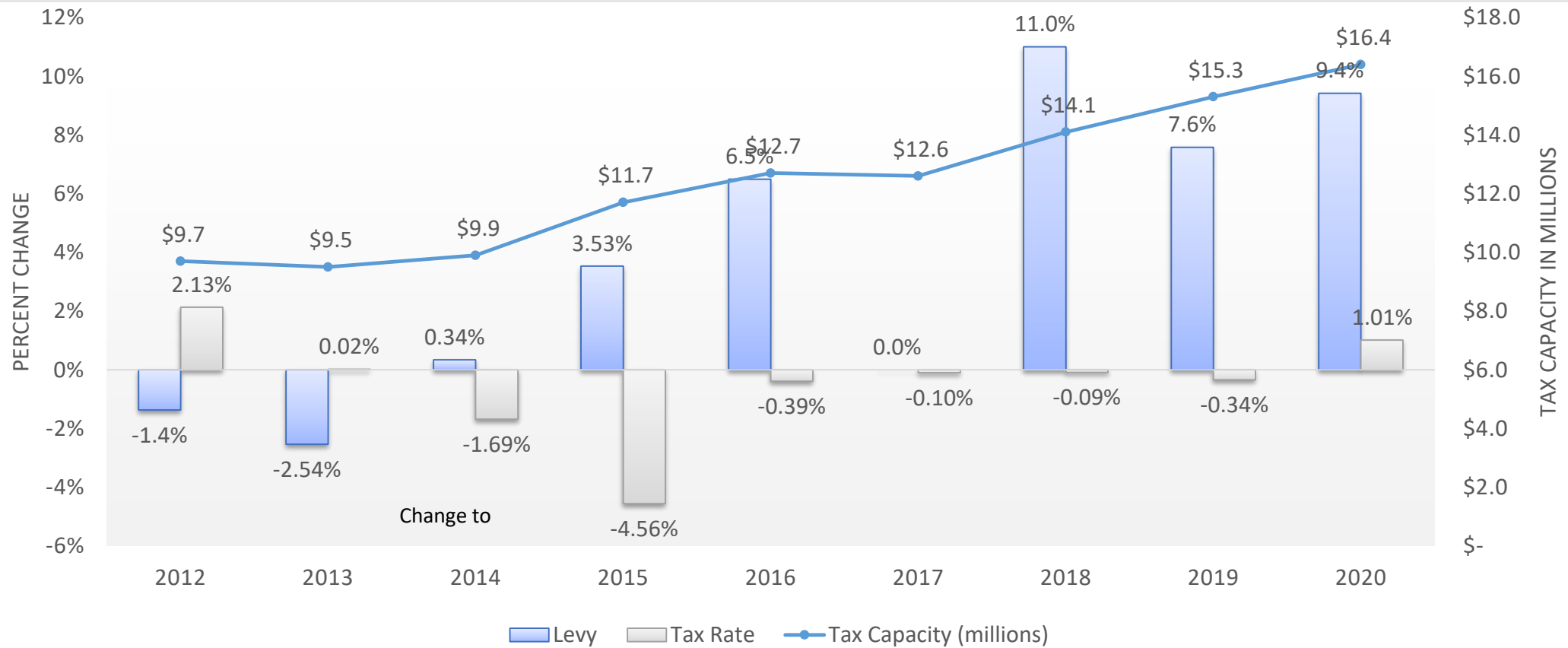


# Final 2019 Tax Levy Increase Carver County Cities



# Victoria

## Historical Levy Change vs. Rate Change





Estimated Market Value	\$ 1,640,734,400	<b>Levy Increase</b>	<b>9.42%</b>
Taxable Market Value	\$ 1,589,716,040	Proj Operating Expenditures	\$ 4,531,328
Adjusted Net Tax Capacity	\$ 16,403,135	Capital Expenditures (inc. minor street projects/studies)	\$ 59,000
Change in Market	\$ 41,018,360	Total Before Transfers	\$ 4,590,328
New Construction	\$ 48,762,300	Transfers Out	
Median Assessed MV Home	\$ 439,300	<i>PW Capital – 102 Cold storage from 2023 to 2021</i>	\$ 267,000
Number of New Home Permits	111	<i>Fire Capital – 809</i>	\$ 100,000
Number of Households	3,535	<i>Long Term St Maint – 808</i>	\$ 335,000
Year-end Population	10,808	<i>Capital Facilities Fund –Space Needs assessment</i>	\$ 20,000
		<i>Unfunded Trails</i>	\$ 200,000
Adopted/Projected Tax Levy	\$ 5,706,000	<i>Unfunded Projects</i>	\$ 80,000
Less Fiscal Disparities	\$ (265,765)	<i>Others: EDA, Concerts in Park</i>	\$ 10,000
Net Levy used to calc Tax Rate	\$ 5,440,235	Total Transfers	\$ 1,012,000
Tax Capacity Rate for urban service district home	<b>33.42%</b>	Total Oper Exp and Transfers	\$ 5,602,328
City Tax on MV Home	\$ 1,467.96		
Change in Tax on MV Home	\$ 161	Proj Bldg Permit Revenue	\$ 681,976
Total Outstanding Debt	\$ 20,980,000	Proj Other Revenues	\$ 457,214
Net Tax Supported Debt	\$ 9,151,100	Collected/Projected Levy	\$ 4,510,000
Net Tax Supported Debt as a % of EMV	0.56%	Total Revenues	\$ 5,649,190
<b>Levy Calculation:</b>			
General Fund	\$ 4,510,000	Difference between Rev & Exp	\$ 46,862
Debt Service:			
<i>2006 St/Util Impr – 520</i>	\$ 99,000	Beg Year Unassigned GF Balance	\$ 1,350,084
<i>2007 St/Util Impr - 521</i>	\$ 112,000	End Year Unassigned GF Balance	\$ 1,396,946
<i>2008 St/Util Impr - 522</i>	\$ 120,000	Fund Balance as % of next year operating expense	<b>30.03%</b>
<i>2009 St/Util Impr - 523</i>	\$190,000		
<i>2010 St/Util Impr - 524</i>	\$73,000		
<i>Aster Trail St/Util Imp - 525</i>	\$65,000		
<i>New PW &amp; City Hall - 526</i>	\$188,000		
<i>2016 St/Util Impr-DR/78th/Kochia - 527</i>	\$116,000		
<i>2016 Parking Improvements - 528</i>	\$ 40,000		
<i>2017 St Reclaims -530</i>	\$ 45,000		
<i>2018 St Reclaims</i>	\$48,000		
<i>2019-Marsh Lake Road (or other)</i>	\$100,000		
Debt Service Total	\$1,196,000		
<b>Total Levy</b>	<b>\$5,706,000</b>		

# How Many Dollars is a 1% Change in Levy

- Each 0.1% = \$5,200
- 1.0% = \$52,000
- 2.0% = \$104,000

# Current Service Levels Budget Pressures

## Personnel Cost Increases

COLA

3%

Salary/market adjustments

Unknown

Health Insurance premium increase

Unknown

Work Comp Increase

\$20,762

## Current Expense Cost Increases

IT Services Network and Security

est.>\$20,000

Inflationary pressures– Fuel, Contract Services

2%-3% increases on average

Parking, Subdivision and PUD Ordinances

\$25,000

Sheriff's Contract increase

Unknown

# Capital Fund Increases

## Roads

- Planned increase Long Term Street Maintenance  
\$335,000

## Facilities Fund

- Space Needs Assessment  
\$20,000
- Cold Storage (2020/2021 v. 2023 construction )  
\$77,000 increase

## Trails Fund

- Planned increase of \$50,000  
\$200,000

## Equipment & Vehicles Fund

- Fire Truck & Equipment Fund  
\$100,000
- Planned increase for PW Vehicle Fund  
\$200,000

# Service Level Changes

Proposed Service Level Changes and Other New Items

(May be in addition to base unless offset by other changes to current services)

- **Yard Waste Disposal Services**  
Up to \$30,000
- **Ordinance Review and Studies**  
Up to \$50,000
- **Strategic Plan Implementation**  
Year one work plan included in projections
- **Parks Capital**  
Future funding stream unknown

# What's Driving the Need for Additional Tax Levy Revenue in Future Years?

## Maintaining Current Service Levels

The cost of maintaining general government services police, fire, parks operation, and street maintenance is mainly tax levy funded

## Changes in Non-tax Revenue

Generally flat or declining revenues

## Proposed Service Level Changes

May be in addition to the base unless offset by other changes to current services

# Revenues & Fees – Criteria for Adjusting

## 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*

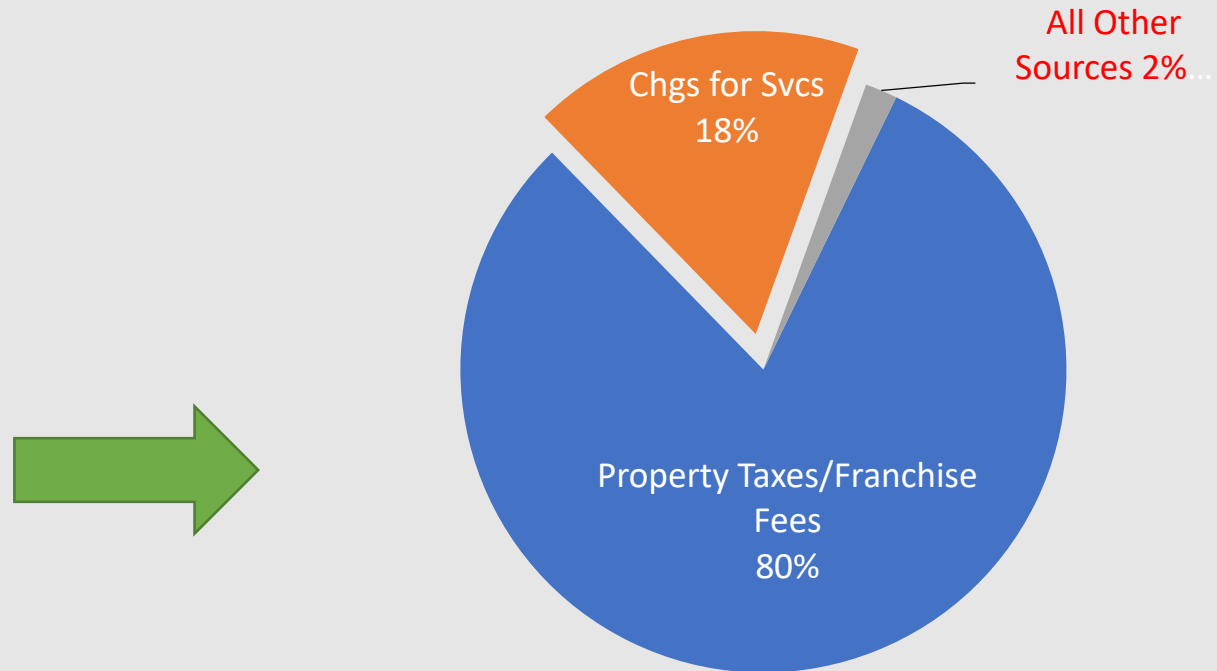
## Recover the cost of service

*Fees for the programs will be self-supporting where possible*

## Utility fees

*Fees based on annual rate study*

# Source of Revenue Funds





# Culture of Continuous Improvement

- **Partnerships/JPAs**
  - ISD 112 – Recreation Center/Ice Arena
  - Minnehaha Watershed District – Wasserman Park development
- **Fire Truck Purchase**
  - Replace two vehicles w/ one multi-purpose vehicle
  - Prepayment saves \$20,000 and allows us to purchase equipment for truck
- **Renegotiating and Consolidation of Copier Leases into One Master Lease**
  - 30% reduction in cost over three year contract

# Culture of Continuous Improvement - continued

- **Banking Services**
  - Rebate program (\$2,000 annually)
- **AV Upgrade for Recording and Streaming Council Meetings**
  - Use of PEG funds (not General Fund) for upgrades
  - Leveraged a AV Engineer for a low cost and reduced the quote from \$20-30,000 to \$6,500
- **State Programs – Performance Measurement Program**
  - \$0.14/capita = \$1,284.08 new revenue
  - Exemption from levy limits (if any)

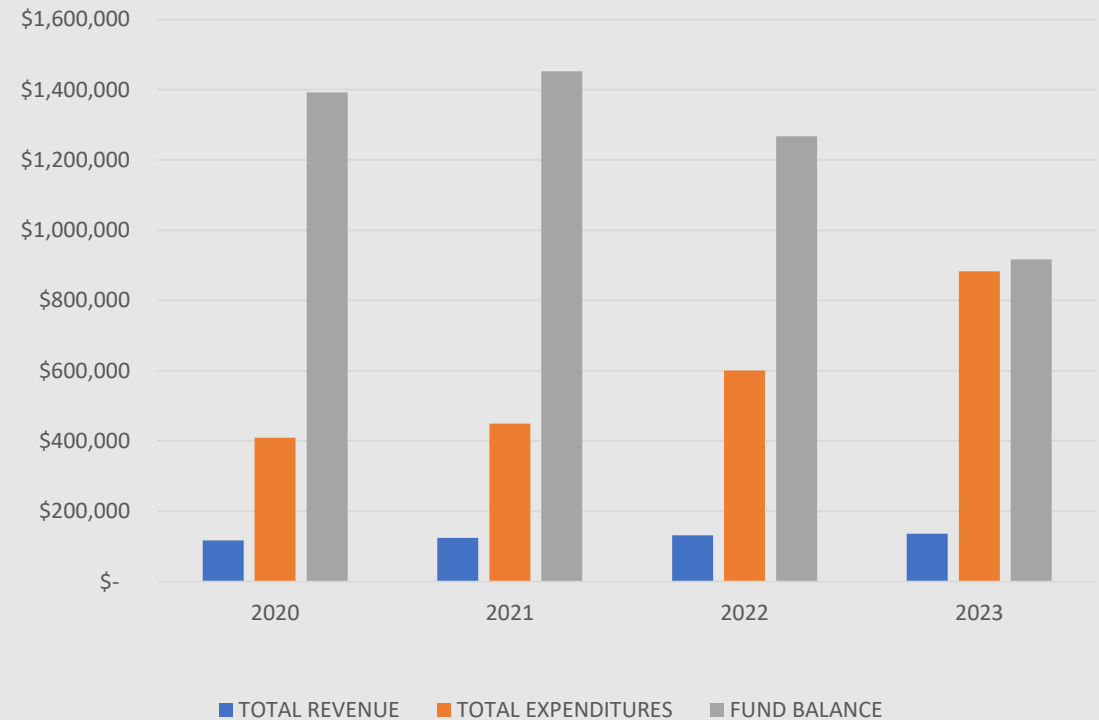
# Future Pressures

- Growth and the need to maintain service levels to a greater number of individuals
- Timing of development and valuation of growth areas uncertain
- Future Water Treatment Plant in south and west growth area
- Future Fire Station in south and west growth area
- Implementation of Space Needs Assessment/Long-term facilities needs
- Funding parks projects (e.g. Wassermann Park)
- Funding street maintenance projects

# Street Maintenance Fund

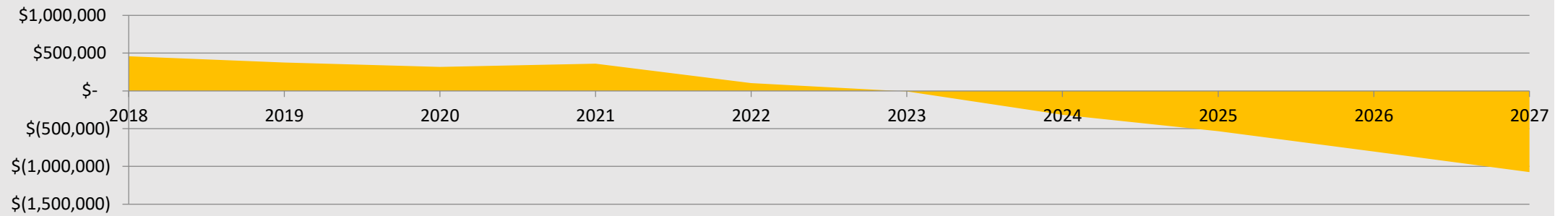
Street maintenance projects that extend the life of the existing street system and smaller roadway improvements and traffic control issues

- Sealcoat & crack sealing
- Traffic marking
- Right-of-Way maintenance



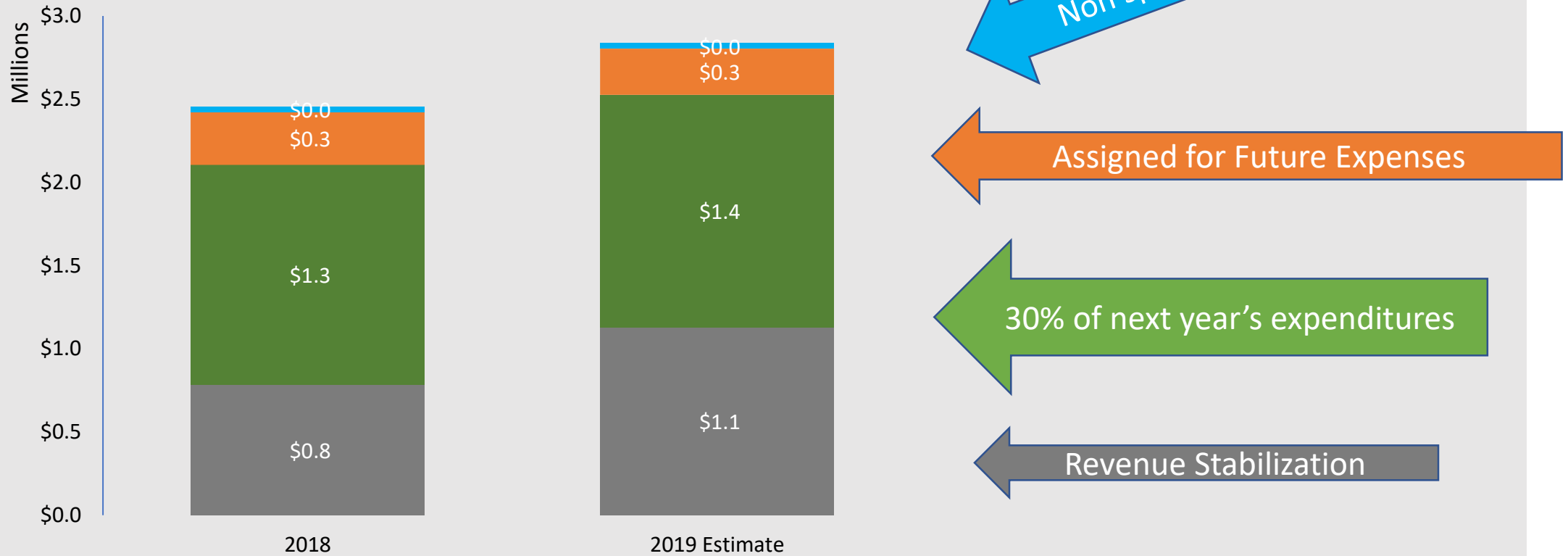
# Parks Capital Fund

## YEAR-END FUND BALANCES - ALL PARKS FUNDS



Without Funding, the Parks Fund will be depleted by 2023

# Fund Balances



# Maintaining City's AAA Bond Rating

- Improve property values & local economy
  - Maintain streets & infrastructure
  - Development activities
- Outside of control
  - Wealth indices
  - Broader economy and impacts on property values

# Council Discussion

- Does Council agree with the proposed market cities?
- Are there any additional items you would like to consider in future meetings?
- Is there Council direction to add/cut services to increase/reduce the levy?
- Are there additional revenue sources you would like to consider?
- What additional information would be helpful to the Council's policy decision-making?



# Council Discussion – Wassermann Park & Undergrounding

- Does Council intend to underground the connection from downtown to the 13.5 acre property and the 13.5 property?
- To keep the Parks Fund stable, does Council support funding the Wassermann Park land purchase as follows:
  - \$650,000 from undergrounding bond proceeds
  - \$200,000 from the Park Fund

# Future Discussions

Next Council Budget Discussions

August 26 5:30 p.m. - Max Tax Discussion

# APPENDIX

- Individual Property Tax Factors
- Used of Assigned Fund Balance
- General Fund Use of Funds Chart

# Individual Property Tax Factors

**2019 Tax Levy** = **2020 Tax Rate**  
**Tax Base**

## **City Controls: Property Tax Levy**

2019 Tax Levy  
**+ Increase in Levy**  
**2020 Tax Levy**

## **Tax Base and Other Factors in the Formula**

2019 Market Value on All Properties  
+ Market Value  
+ Value of New Construction  
+ Change in Fiscal Disparities Pool  
+ TIF District Decertifications (if any)  
+ Tax Petition Settlements (if any)  
- State Credit Programs

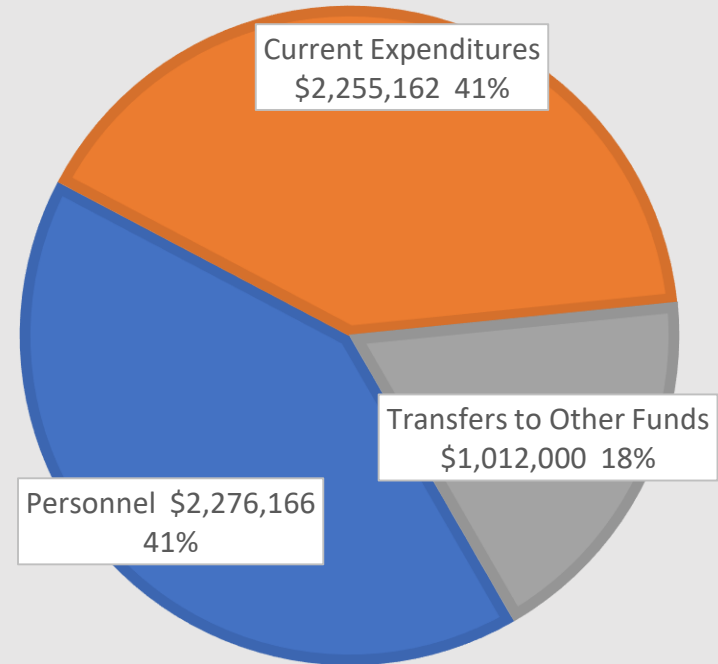
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**2020 Taxable Market Value**

# Use of Fund Balance

Assigned for Future Expenses \$276,186		2019 Balances
Employee Insurance-Contingency for large premium increase		\$25,000
Community Development		\$65,301
Sheriff's Contract		\$16,700
Warning Siren		\$17,685
Fire Relief Pension		\$15,000
Fire Department Training		\$10,500
Fire Department Radios		\$ 8,000
Strategic Planning		\$6,000
PTO Conversion/Severance-Set aside for accrued leave liability		\$42,000
Legal Expenses-Contingency for unexpected legal fees		\$60,000
Records Scanning		\$10,000

# General Fund Use of Funds



*Current expense includes contractual services/professional services, materials and supplies.*