



CITY OF NORTH MANKATO

August 24, 2011

Honorable Mayor and City Council

RE: Proposed 2012 Budget

The enclosed budget is the City Administrator's recommendation for FY2012. The supporting documentation reflects the impact of the decisions made by the 2011 Legislature and the budget adjustments we have proposed in response. In addition to the current year reductions, the Legislature also permanently reduced the Local Government Aid pool. That decision, along with the Legislature's deferral of significant liabilities to the next biennium, means we must find more local revenues to support our future budgets.

The budget as proposed includes a levy-back of 100 percent of the 2012 LGA loss of \$497,323.

The proposed General Fund Expenditure Budget for 2012 is \$5,720,240. The tax levy necessary to support the budget as proposed is \$5,400,223. This is an increase of 12.17 percent over the current year's levy. Of the 12.17 percent, 9.77 percent relates to the levy-back and 2.40 percent to increased costs in the proposed budget.

The General Fund Budget as proposed provides for all currently authorized departmental positions and operations including the Swim Facility and Mass Transit. The budget continues the pay freeze that has been in effect for 2010 and 2011. In 2010 we did reduce staffing by two full-time personnel. The budget as proposed does not provide for any furloughs or layoffs. We continue to have one of the lowest staffing ratios of any comparable community. As of August 1, 2011, we have 60 full-time and 6 part-time employees. I believe we need to maintain employment at this level in order to properly maintain our facilities and accomplish all the required tasks. The Police Chief has requested an additional officer; however, we have not included that in our budget proposal at this time. In the supporting documentation you will find a comparison of North Mankato's police staffing and budget to a number of cities of similar size. In the supporting documentation you will find information on fuel prices as well as information on the increased cost of insurance coverages. These are some of the primary drivers of increased costs in the proposed budget.

Beginning with the unallotment at the end of 2008, we have absorbed \$1.94 million of lost Local Government Aid (LGA) and Market Value Homestead Credit (MVHC) through the end of this fiscal year. We have utilized a combination of reserves, staff reductions and expenditure reductions to account for that loss. While it is difficult to



contemplate property tax increases such as the one I am proposing, I believe it is necessary for the successful long-term operation of the City.

A proposed debt service levy schedule is enclosed for your consideration. Our goal has been to maintain the debt service tax levy at approximately \$1.5 million per year on a continuing basis. That structure has been developed including the issuance of Equipment Certificates on a rotating basis to fund equipment as outlined in the Five-Year Capital Improvement Plan. As there is no longer room in the General Fund Budget for the purchase of items of major equipment, the use of Equipment Certificates is our only available means of equipment acquisition. Continued operational efficiency with limited staff requires good equipment and spare units wherever possible. The units we are proposing to retire are 20 years old or greater and on those units we typically encounter problems with parts availability or functional obsolescence.

Library funding in the proposed budget remains at the 2011 level.

As a result of budget reductions from the State of Minnesota, I recommend that we redouble our efforts to have the State of Minnesota withdraw any and all unfunded mandates and to impose no new unfunded mandates in the future. This issue should be a legislative priority.

Attached you will find a chart reflecting our current operating expenditures per capita with a group of 20 cities we consider comparables. In 2009, we expended \$481 per capita while the average for the 20 comparable cities was \$706. That placed us 32 percent below the average of our comparables. We have been able to accomplish this by operating with a very lean staff and by having a group of employees who are capable and willing to perform whatever tasks are needed.

I request your consideration of this proposed budget as a way to stabilize our General Fund Budget. To plan and operate effectively, we need dependable sources of revenue on a continuing basis.

Very truly yours,

THE CITY OF NORTH MANKATO



Wendell Sande
City Administrator

WS:ng

**CITY OF NORTH MANKATO
BUDGET CALENDAR
FISCAL YEAR 2012 BUDGET**

| | |
|-----------------------|--|
| June 30 | Finance Director distributes budget calendars, budget worksheets and capital improvement worksheets to all Department Heads. |
| July 8 | Department Heads submit budget and capital improvement requests. |
| July 8-22 | Finance Director assembles preliminary City budget. |
| July 31 | Deadline for Department of Revenue to certify Local Government Aid to be paid in 2012. |
| August 1 | Last day for Volunteer Firefighters Relief Association officers to project accrued liability of the fund and certify requirements to City Council. |
| August 1 (5:00 p.m.) | Council Workshop with Department Heads. |
| August 29 (6:00 p.m.) | Council Budget Workshop. |
| Sept. 6 (6:00 p.m.) | Council Budget Workshop. |
| September 6 | Proposed 2012 Budget submitted to City Council. |
| September 6 | City certifies proposed levy. |
| Sept. 13 (7:30 a.m.) | Preliminary budget presented to North Mankato Port Authority Commission for approval. |
| September 15 | Deadline for counties, cities, towns, school districts and special taxing districts to certify proposed tax levies to county auditors. |
| September 19 | Proposed 2012-2016 Capital Improvement Plan to City Council. |

| | |
|-----------------------------|--|
| October 3 (6:00 p.m.) | Council Budget Workshop. |
| October 17 (6:00 p.m.) | Council Budget Workshop. |
| November 10-24 | Period for county auditors to prepare and county treasurers to mail notices of proposed tax levies to taxpayers. |
| November 14 (6:00 p.m.) | Council Budget Workshop. |
| November 23 | Publish notice of public hearing. |
| November 29- December 20 | Period for counties, cities and school districts to hold public hearings to adopt final tax levies. |
| December 5 (Monday) | City Council holds required Public Hearing (1st hearing). |
| December 12 (Monday) | City Council holds Public Hearing (continuation hearing). (If necessary) |
| December 19 | City Council adopts 2012 Budget and Tax Levy (subsequent hearing). |
| December 19 | City Council holds public hearing on 2012-2016 Capital Improvement Plan. |
| December 28 | Deadline for all local governments to certify final tax levies to county auditors. No extension authorized. |
| December 28 | Deadline for counties, cities, towns and school districts to certify compliance with Truth in Taxation Law to Department of Revenue. |
| January 31 | Deadline to submit summary budget information to State Auditor. Publish budget summary in newspaper. |

MEMORANDUM

TO: Mayor and City Council
FROM: Wendell Sande, City Administrator
DATE: August 12, 2011
SUBJECT: 2011 Budget Adjustments

Attached to the memo please find a Minnesota Department of Revenue Property Tax Research run indicating the 2011 reductions to the City of North Mankato as follows:

| | |
|---|----------------|
| Local Government Aid Reduction | \$497,323 |
| Market Value Homestead Credit Reduction | <u>240,903</u> |
| Total Reductions | \$738,226 |

In order to account for the \$738,226 in reductions, I have developed a proposal that I believe is reasonable in the circumstance. As we approach the end of August, it is not possible to make large-scale expenditure reductions for the remaining four months of the year. Therefore, the adjustments need to come in the form of transfers, the use of some reserves and a limited amount of expenditure reductions in the General Fund.

At the end of fiscal year 2010, we had a surplus just slightly in excess of \$200,000. I am recommending that we utilize that surplus along with the other items identified in the following chart.

| | |
|--|------------------|
| 2010 Surplus | \$200,000 |
| 2011 Building Permit Revenues | 130,000 |
| Construction Administration/Inspection | 50,000 |
| Miscellaneous Reimbursement/CDBG | 18,000 |
| Transfers | |
| Storm Water Fund | 100,000 |
| Port Authority | 100,000 |
| Contingency | 30,000 |
| Community Development | 20,000 |
| Expenditure Reductions | <u>90,000</u> |
| TOTAL | <u>\$738,000</u> |

The 2011 building permit revenues of \$130,000 are the amount by which we expect building permit revenues to exceed the budget. The \$50,000 in construction administration and inspection is also the amount by which we expect revenues to exceed the 2011 budget. We anticipate miscellaneous reimbursements and the allowable administrative overhead from Community Development Block Grant Funds to add another \$18,000.

Under transfers, I will be recommending a transfer from the Storm Water Fund in the amount of \$100,000, a request to the Port Authority for a transfer of \$100,000 from 2011 land sale proceeds, \$30,000 from the Contingency Fund, \$20,000 from the Community Development Fund and the last item would be miscellaneous expenditure reductions throughout the various departments of \$90,000. This brings the total amount of budget adjustments to \$738,000 by fiscal year end 2011.

I expect to present this proposal to you at your meeting of September 6, 2011 for approval. Please let me know if you have questions.

| CITY NAME | LGA Pay 2011 Certified | Est. MVC Pay 2011 Certified | LGA & Est. MVC Pay 2011 Certified | LGA Pay 2011 Reduction | Est. MVC Pay 2011 Reduction | LGA & Est. MVC Pay 2011 Reduction | LGA Pay 2011 Proposed | Est. MVC Pay 2011 Proposed | LGA & Est. MVC Pay 2011 Proposed |
|-----------------------|------------------------|-----------------------------|-----------------------------------|------------------------|-----------------------------|-----------------------------------|-----------------------|----------------------------|----------------------------------|
| TOTALS | 527,100,646 | 60,246,987 | 587,347,633 | (101,755,298) | (48,098,479) | (149,853,777) | 425,345,348 | 12,148,508 | 437,493,856 |
| NEW BRIGHTON | 156,405 | 15,958 | 172,363 | (156,405) | (15,958) | (172,363) | 0 | 0 | 0 |
| NEW GERMANY | 11,743 | 14,745 | 26,488 | 0 | (9,451) | (9,451) | 11,743 | 5,294 | 17,037 |
| NEW HOPE | 643,705 | 362,961 | 1,006,666 | (601,862) | (362,961) | (964,823) | 41,843 | 0 | 41,843 |
| NEW LONDON | 315,869 | 36,528 | 352,397 | (41,009) | (25,641) | (66,650) | 274,860 | 10,887 | 285,747 |
| NEW MUNICH | 69,686 | 12,761 | 82,447 | 0 | (5,958) | (5,958) | 69,686 | 6,803 | 76,489 |
| NEW PRAGUE | 815,168 | 215,322 | 1,030,490 | (299,690) | (176,643) | (476,333) | 515,478 | 38,679 | 554,157 |
| NEW RICHLAND | 373,257 | 48,471 | 421,728 | (47,658) | (22,217) | (69,875) | 325,599 | 26,254 | 351,853 |
| NEW TRIER | 779 | 3,554 | 4,333 | 0 | (1,561) | (1,561) | 779 | 1,993 | 2,772 |
| NEW ULM | 4,841,927 | 523,019 | 5,364,946 | (730,165) | (375,659) | (1,105,824) | 4,111,762 | 147,360 | 4,259,122 |
| NEW YORK MILLS | 386,667 | 40,058 | 426,725 | (44,517) | (24,827) | (69,344) | 342,150 | 15,231 | 357,381 |
| NEWFOLDEN | 75,781 | 12,431 | 88,212 | 0 | (5,807) | (5,807) | 75,781 | 6,624 | 82,405 |
| NEWPORT | 747,826 | 92,911 | 840,737 | (158,950) | (92,911) | (251,861) | 588,876 | 0 | 588,876 |
| NICOLLET | 209,289 | 28,932 | 238,221 | (33,753) | (21,333) | (55,086) | 175,536 | 7,599 | 183,135 |
| NIELSVILLE | 21,942 | 2,393 | 24,335 | 0 | (2,082) | (2,082) | 21,942 | 311 | 22,253 |
| NIMROD | 2,542 | 2,542 | 5,084 | 0 | (676) | (676) | 2,542 | 1,866 | 4,408 |
| NISSWA | 12,288 | 4,136 | 16,424 | (12,288) | (4,136) | (16,424) | 0 | 0 | 0 |
| NORCROSS | 16,497 | 2,743 | 19,240 | 0 | (1,232) | (1,232) | 16,497 | 1,511 | 18,008 |
| NORTH BRANCH | 510,476 | 203,650 | 714,126 | (364,344) | (165,497) | (529,841) | 146,132 | 38,153 | 184,285 |
| NORTH MANKATO | 1,855,430 | 314,867 | 2,170,297 | (497,323) | (240,903) | (738,226) | 1,358,107 | 73,964 | 1,432,071 |
| NORTH OAKS | 0 | 1,134 | 1,134 | 0 | (1,134) | (1,134) | 0 | 0 | 0 |
| NORTH ST PAUL | 2,425,177 | 179,930 | 2,605,107 | (561,451) | (179,930) | (741,381) | 1,863,726 | 0 | 1,863,726 |
| NORTHFIELD | 2,977,754 | 334,339 | 3,312,093 | (734,357) | (334,339) | (1,068,696) | 2,243,397 | 0 | 2,243,397 |
| NORTHOME | 65,984 | 6,569 | 72,553 | 0 | (4,089) | (4,089) | 65,984 | 2,480 | 68,464 |
| NORTHROP | 46,369 | 9,634 | 56,003 | (925) | (3,182) | (4,107) | 45,444 | 6,452 | 51,896 |
| NORWOOD YOUNG AMERICA | 240,138 | 102,333 | 342,471 | (131,656) | (69,021) | (200,677) | 108,482 | 33,312 | 141,794 |
| NOWTHEN | 0 | 10,110 | 10,110 | (200,000) | (10,110) | (292,517) | 0 | 0 | 0 |
| OAK GROVE | 200,000 | 92,517 | 292,517 | 0 | (92,517) | (92,517) | 0 | 0 | 0 |
| OAK PARK HEIGHTS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| OAKDALE | 0 | 55,190 | 55,190 | 0 | (55,190) | (55,190) | 0 | 0 | 0 |
| ODESSA | 37,973 | 3,276 | 41,249 | 0 | (2,113) | (2,113) | 37,973 | 1,163 | 39,136 |
| ODIN | 24,822 | 4,500 | 29,322 | 0 | (1,939) | (1,939) | 24,822 | 2,561 | 27,383 |
| OGEMA | 26,614 | 4,492 | 31,106 | 0 | (1,819) | (1,819) | 26,614 | 2,673 | 29,287 |
| OGILVIE | 123,218 | 6,292 | 129,510 | 0 | (6,292) | (6,292) | 123,218 | 0 | 123,218 |
| OKABENA | 49,544 | 10,687 | 60,231 | 0 | (4,185) | (4,185) | 49,544 | 6,502 | 56,046 |
| OKLEE | 107,276 | 15,010 | 122,286 | 0 | (7,696) | (7,696) | 107,276 | 7,314 | 114,590 |
| OLIVIA | 828,465 | 106,881 | 935,346 | (132,313) | (65,297) | (197,610) | 696,152 | 41,584 | 737,736 |
| ONAMIA | 241,630 | 15,776 | 257,406 | (2,514) | (13,788) | (16,302) | 239,116 | 1,988 | 241,104 |