



# 2019 Proposed Budget

November 19, 2018



# Agenda

- Budget Highlights
- Property Tax
- Tax Base
  - Taxable Market Value, Tax Capacity, Tax Levy, Tax Rate
  - Tax Impact on Homes & Businesses
  - Comparable City Tax Rates
- Council Member Freyberg Comments
- Capital Investment
  - Annual Allocation
  - Infrastructure and Maintenance
  - 2019-2028 CIP Discussion
    - Equipment and Vehicle Replacement
    - Facilities Replacement
    - Caswell Investment

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# Budget Highlights

- North Mankato is growing – Updated from County
  - 9% increase in market value ~102 million
    - New construction ~14 million (14% of increase)
    - Annexations ~1 million (1% increase)
    - Value increases account for balance
- Based on updated Assessor figures, tax rate estimated to decrease 0.8% to 51.3%
  - \$600K in new taxes to be captured

# Budget Highlights, cont.

- All funds meet budget reserve policies as established by the City Council
- No new FTEs for 2019, but includes new street and police employees approved in 2018 being added to budget moving forward
- Utility Rates
  - Recycling rate increases

All sizes - \$1.00/month

# Budget Highlights, cont.

- Expenditure highlights – Overall increase of \$992K
- Net of transfers increase of \$652,000 (3%)
  - 2010C Refunding Payment Increase ----- \$400,000
  - Facilities Replacement ----- \$250,000
  - New Street Employee ----- \$80,000
  - Employee Merit Pool (3%) ----- \$63,000
  - Temp. Labor - Parks & Fire Dept. Rental Insp. -- \$53,000
  - Parks Plan Budget Increase ----- \$50,000
  - Health Insurance Increase (7%) ----- \$46,000
  - Swim Facility Operations ----- \$30,000
  - Pavement Management Plan Increase ----- \$20,000

# Budget Highlights, cont.

- Revenue highlights, cont.

- Utility Funds – \$399K increase

- Water Utility collections ----- \$45,000
    - Water Fund interest collections ----- \$49,000
    - Wastewater Utility collections ----- \$35,000
    - Wastewater interest collections ----- \$9,000
    - Solid Waste Utility collections ----- \$6,000
    - Recycling Utility collections and facility rent - \$65,000
    - Recycling Transfer from D/S ----- \$30,000
    - Storm Water Utility collections ----- \$9,000
    - Storm Water One-time Transfer from D/S --- \$150,000

# Budget Highlights, cont.

- Revenue highlights, cont.
  - Capital Facilities Fund transfer ----- \$250,000
  - Joint Econ Dev. Fund transfer ----- \$250,000
  - CDBG Fund activity ----- (\$67,000)
  - Debt Service Fund assessments ----- (\$56,000)
  - Debt Service tax levy ----- (\$23,000)
  - Construction Fund Bond Proceeds -- (\$2,670,000)



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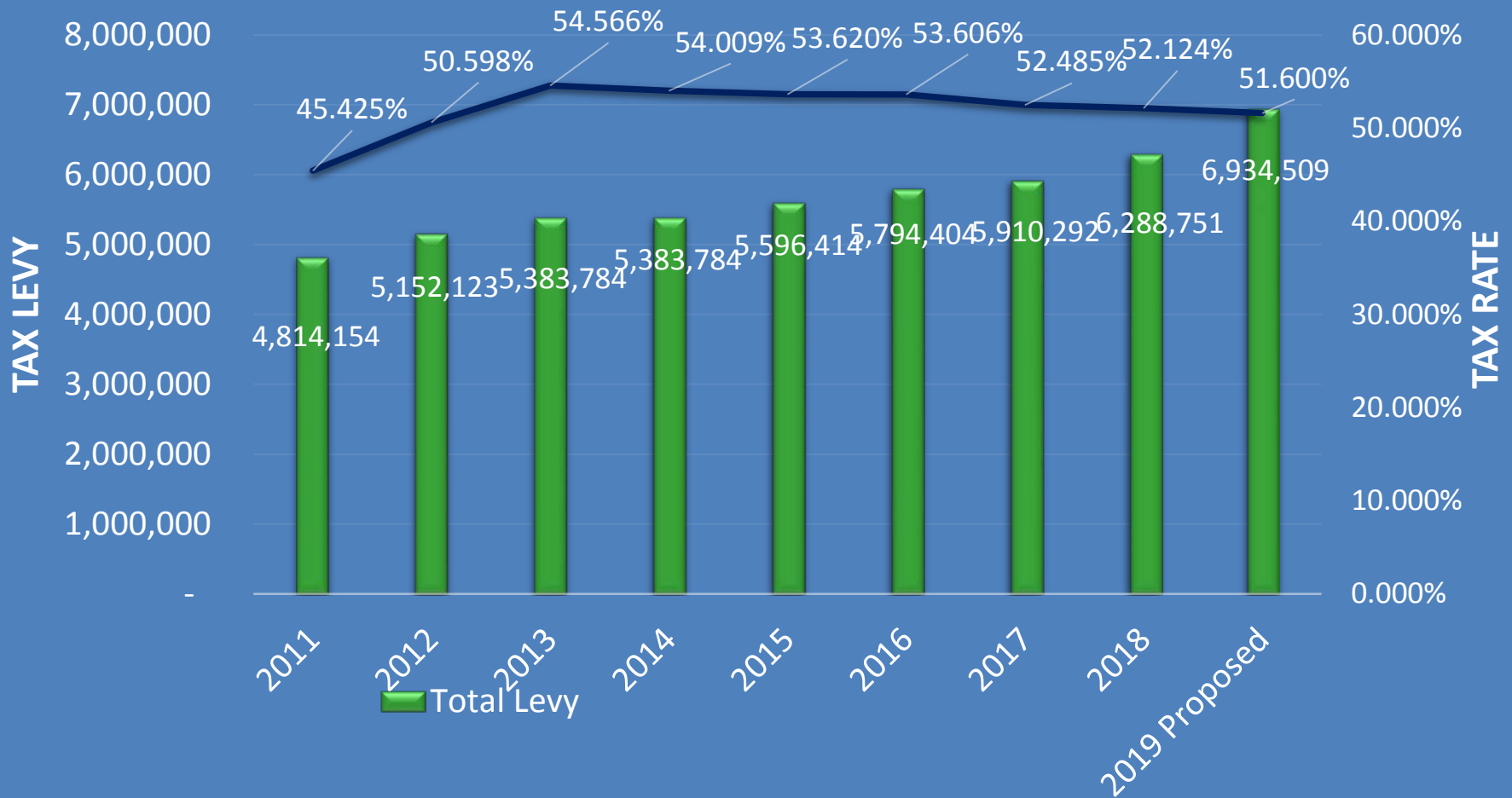
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# Property Tax, cont.

	2018 Amount	2019 Amount	Dollar Amount	% Change
General Fund Levy	\$ 4,621,889	\$ 5,290,719	\$ 668,830	14.47%
Port Authority	75,000	75,000	\$ -	0.00%
Debt Service	1,370,848	1,375,458	\$ 4,610	0.34%
Tax Abatement	221,014	193,332	\$ (27,682)	(12.52)%
<b>Total Tax Levy</b>	<b>\$ 6,288,751</b>	<b>\$ 6,934,509</b>	<b>\$ 645,758</b>	<b>10.27%</b>

# Property Tax, cont.



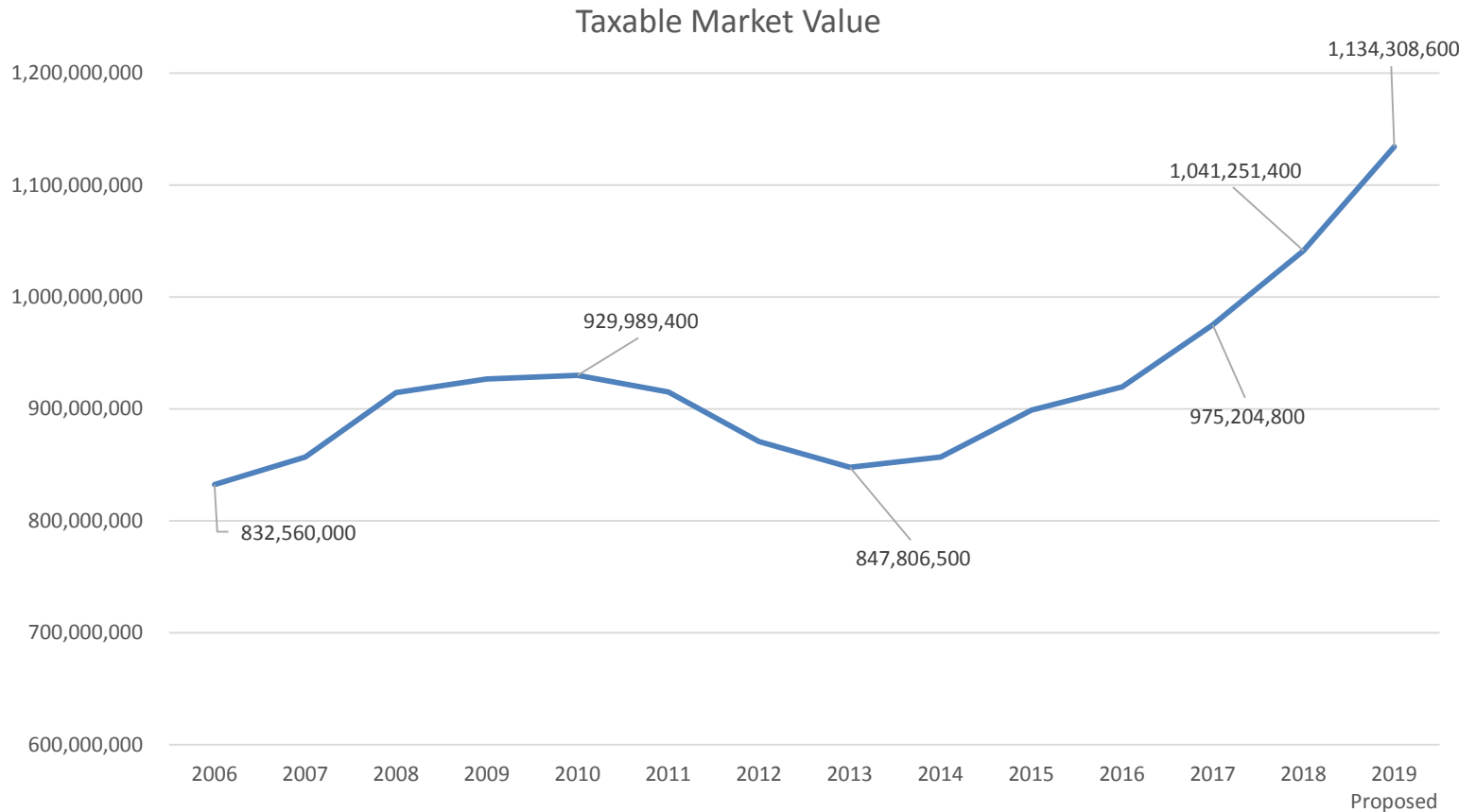
# Property Tax, cont.

Tax Payable Year (1)	Taxable Market Value	Total Tax Capacity	Change in Tax Capacity	Total Levy	Tax Rate
2011	874,093,000	10,244,392	-3.3%	4,814,154	45.425%
2012	870,672,800	10,177,574	-0.7%	5,152,123	50.598%
2013	934,541,100	9,861,666	-3.1%	5,383,784	54.566%
2014	856,913,400	9,963,464	1.0%	5,383,784	54.009%
2015	898,283,600	10,402,923	4.4%	5,596,414	53.620%
2016	920,184,000	10,809,230	3.9%	5,794,404	53.606%
2017	974,012,800	11,255,834	4.1%	5,910,292	52.485%
2018	1,041,251,400	12,373,308	9.9%	6,288,751	52.124%
2019 Proposed	1,134,308,600	13,438,971	8.0%	6,934,509	51.600%
2020 Est.	1,156,994,772	13,707,750	2.0%	7,073,199	51.600%

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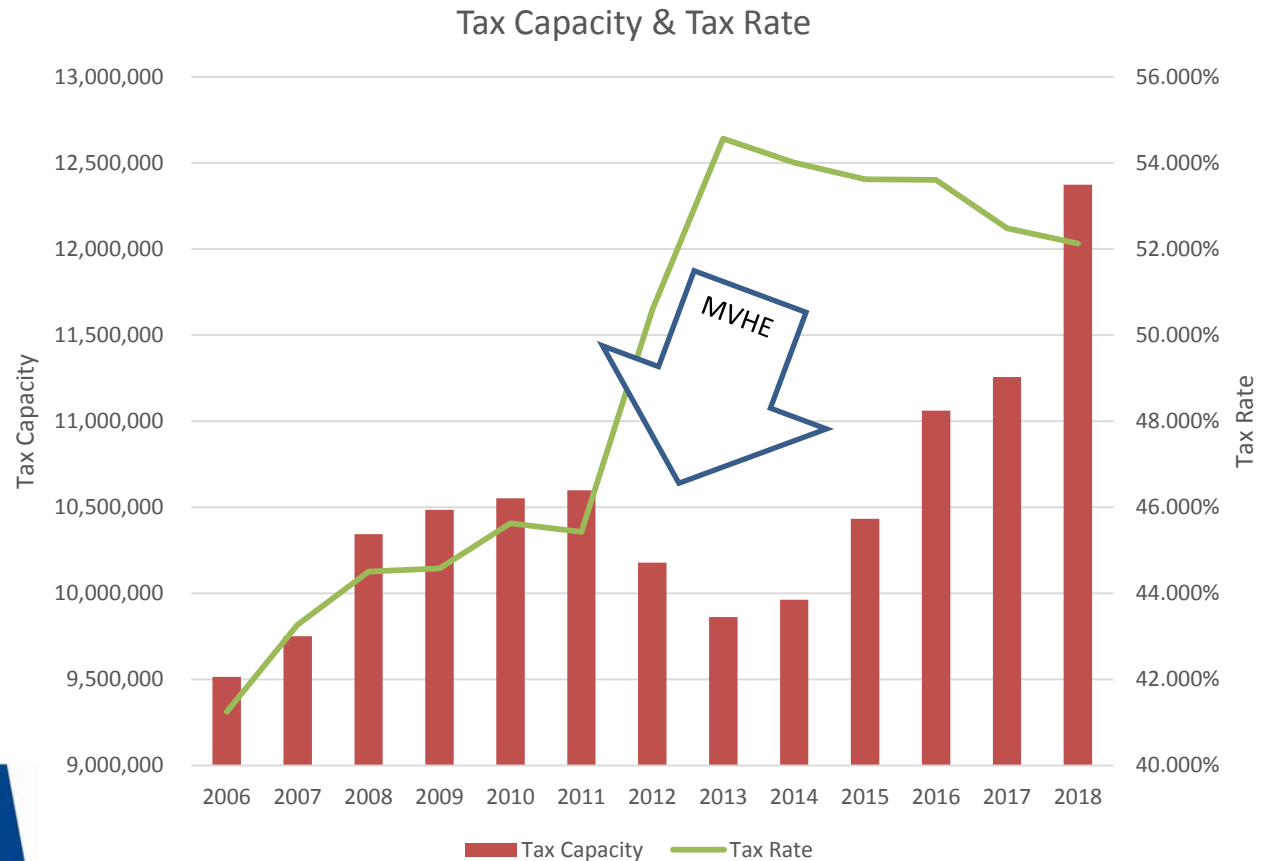
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# Taxable Market Value History



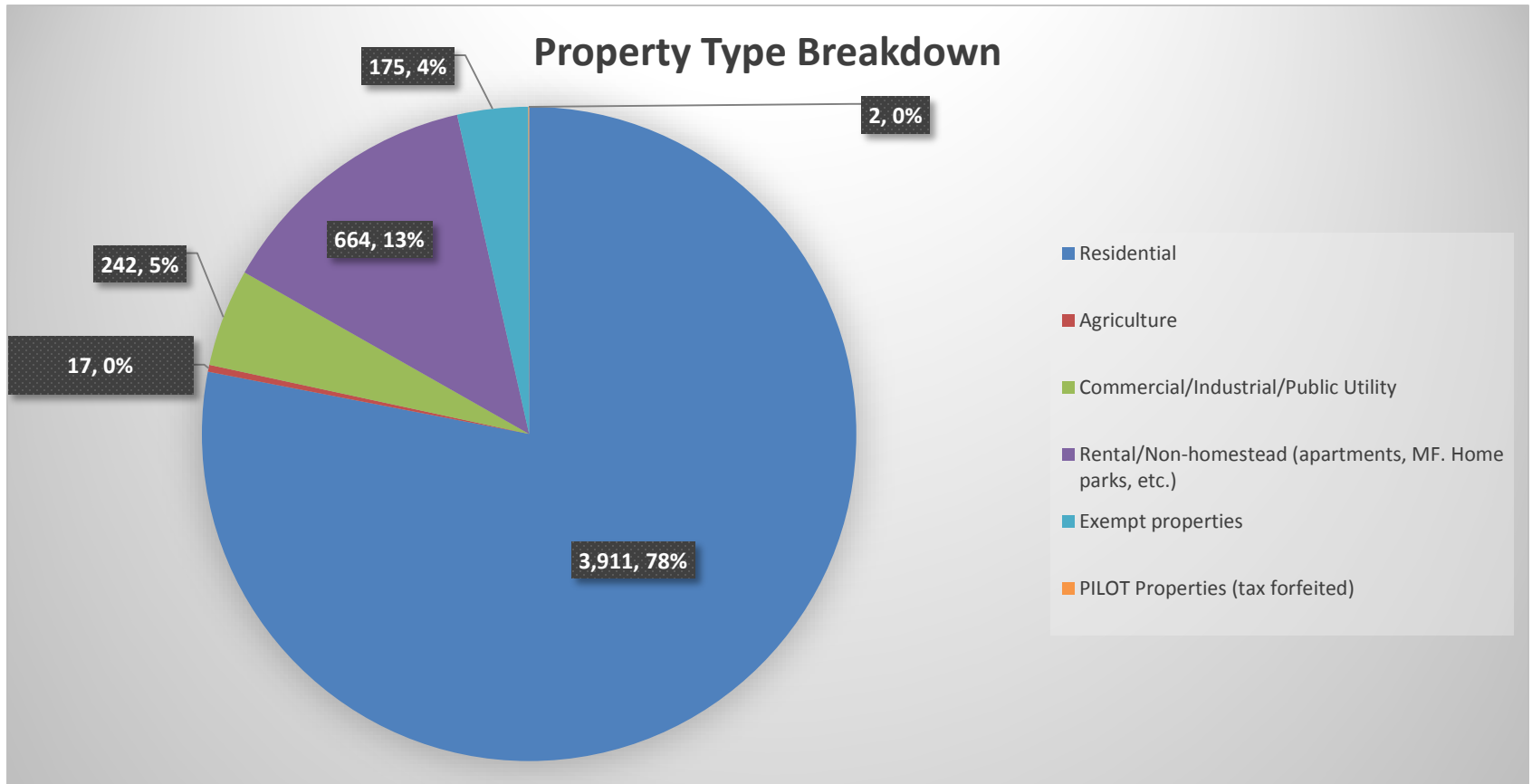
# Tax Capacity & Tax Rate

Tax capacity is a unique property taxing tool that is equivalent to multiplying the taxable market value of a property by its relevant class rate. The local tax rate of a taxing jurisdiction is determined by dividing the jurisdiction's levy by the jurisdiction's taxable net tax capacity. Rates often move in the opposite direction of tax capacity as shown in the chart above.

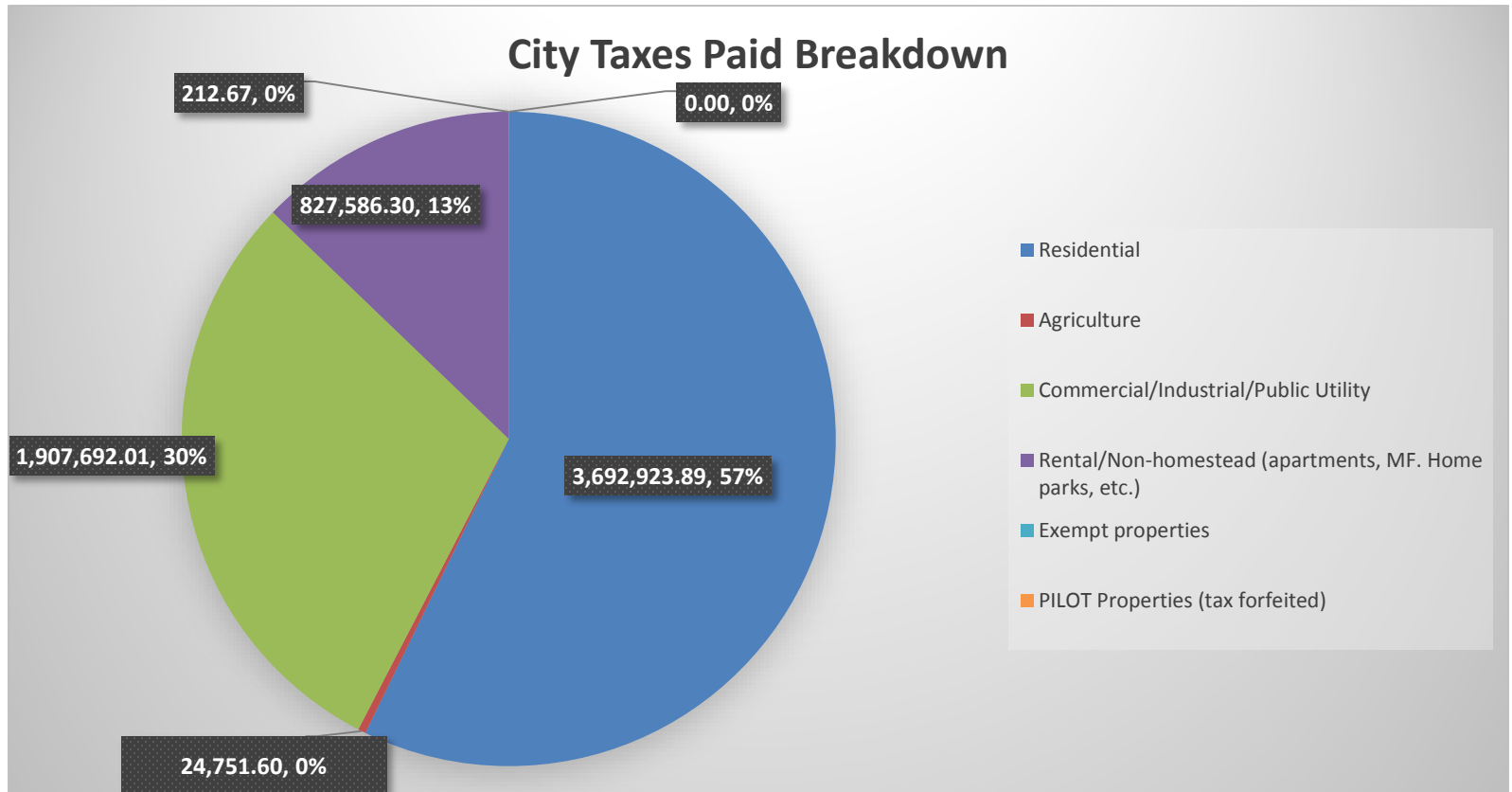




# North Mankato Property Types

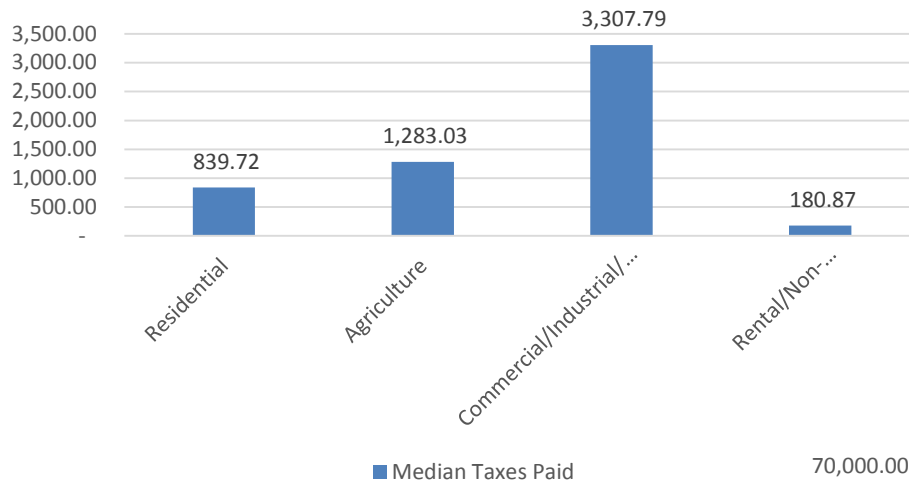


# North Mankato Taxes Paid by Property Type

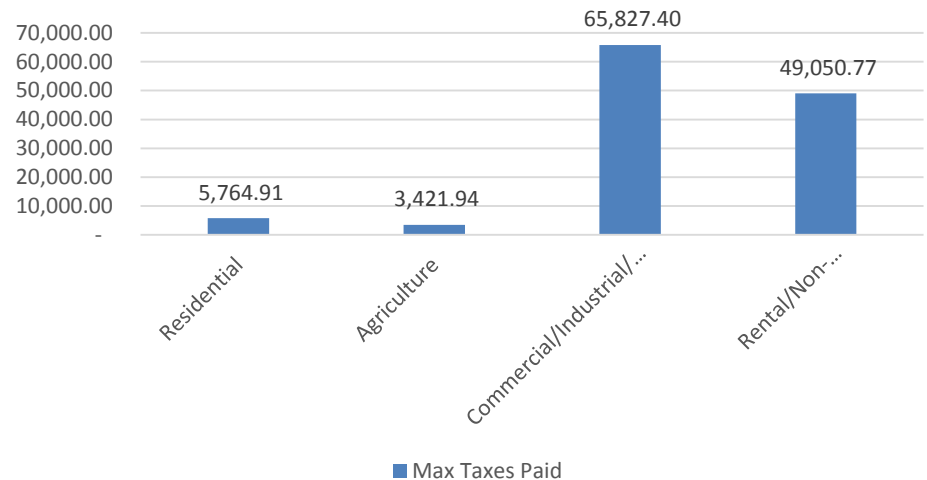


# Median and Maximum City Taxes Paid

## Median Taxes Paid



## Max Taxes Paid



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# Council Member Freyberg Comments

- Population has grown 7% while total tax levy increase of 28% and general levy increase of 50% in 10 years
- Only new construction and annexation should be used in growth calculation; not market value increases (too volatile)
- Local option sales tax and lodging tax trending down
- Average age increasing
- Need to create budget with modest increases

# Council Member, cont.

- Scenario of using only new construction for calculating tax rate and levy
  - Market Value increase of \$15 million vs. \$102 million
  - Tax Capacity increase of \$160,000 vs. \$1 million
  - Tax levy increase of \$178,000 vs. \$645,000
  - \$467,000 to cut from budget
- Recap of expenditure highlights – Possible cuts in red total \$320,000
- Tax rate decrease from 51.6% to 48.1% a decrease of 3.5%

# Budget Highlights, cont.

- Expenditure highlights – Overall increase of \$992K
- Net of transfers increase of \$652,000 (3%)
  - 2010C Refunding Payment Increase ----- \$400,000
  - ~~– Facilities Replacement ----- \$250,000~~
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# Budget Highlights, cont.

- Comparing population growth to tax levy growth is not an indicator of fiscal restraint
- Measure of two different variables
- Tax levy increase 1998-2008 of 70%
- Tax levy increase 2008-2017 of 35%
- The average increase over this timeframe was \$290,000/year
- When factoring in labor costs, capital set asides and inflation these



# Budget Highlights, cont.

- Development since 2008:
  - 292 single family homes
  - 8 twin homes
  - 95 townhome units
  - 18 apartments and assisted living facilities totaling 103 units
  - 300,000 sq. ft. of industrial/commercial development

# Budget Highlights, cont.

- City activity since 2008:
  - LGA allotments in 2008 & 2009
  - LGA reduction in 2010 & 2011
  - LGA freeze 2012 & 2013
  - Parks: Benson Park expansion, Reserve Park, Caswell North constructed
  - Taylor library expansion
  - Trail expansions
  - Increased Caswell Sports activities
  - Public art
  - Downtown parking lot

- Question of how to develop policy
- The policy question is how do you want the budget developed:
  - One side indicates only taxable growth
  - The other side consists of department head and citizen input, strategic plans, and funding flow impact of needs

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# Capital Investment Annual Allocation

	2015	2016	2017	2018	2019
Parks Plan	\$ 75,000	\$ 200,000	\$ 345,000	\$ 350,000	\$ 400,000
Street Maintenance Plan	\$ 200,000	\$ 350,000	\$ 400,000	\$ 380,000	\$ 400,000
Vehicle & Equipment Replacement	\$ 222,000	\$ 830,000	\$ 151,500	\$ 393,000	\$ 233,000
Building Maintenance	\$ 30,000	\$ 110,000	\$ 423,300	\$ 82,000	\$ 297,000
Sidewalk Maintenance	\$ -	\$ -	\$ -	\$ 5,000	\$ 24,000
Water Fund	\$ 165,000	\$ 165,000	\$ 367,800	\$ 297,300	\$ 300,000
Sewer Fund	\$ 300,000	\$ 145,000	\$ 245,500	\$ 250,000	\$ 250,000
Storm Water Fund	\$ 42,500	\$ 42,500	\$ 32,500	\$ 30,000	\$ 40,000
<b>TOTAL</b>	<b>\$1,034,500</b>	<b>\$1,842,500</b>	<b>\$1,965,600</b>	<b>\$1,787,300</b>	<b>\$1,944,000</b>

# Infrastructure & Maintenance

- Street Life Cycle

- Construct
- Seal Coat every 5-7 years
- Mill & Overlay every 15 years
- Hydrant, valves, manholes, and catch basins testing and inspections every 1-2 years
- Repairs as needed

- Facilities Life Cycle

- Construct
- Inspect every year
- HVAC 5-10 Years
- Furnishes and finishes 5-10 years
- Re-Roof 10-20 years
- Windows 10-20 years
- Parking Lot Maint. – follow streets

# 2019 Equipment & Facilities Replacement

Project or Activity	Strategic Program Area	2018-2022	2019-2023	Variance
Loader	Infrastructure	150,000	150,000	-
General Equipment - Trucks, Skid loaders, Mowers, etc.	Infrastructure	240,000	240,000	-
Police Cruiser	Public Safety	190,000	190,000	-
Squad Cameras	Public Safety	35,000	-	(35,000)
Detective Squad	Public Safety	40,000	40,000	-
Land purchase 233 Wheeler, 231 Wheeler	Comm. Dev.	284,000	272,000	(12,000)
Truck Community Development	Comm. Dev.		25,000	25,000
Sirens - Upgrade (from 2012), Plant #2, Expansion, City Shop	Public Safety	54,000	54,000	-
Tandem Dump Truck with Plow, Wing and Sander (3)	Infrastructure	675,000	500,000	(175,000)
Roller (2)	Infrastructure	60,000		(60,000)
Street department roof / Public Works Yard Evaluation	Infrastructure	20,000	-	(20,000)
Mechanics Shop - update doors	Infrastructure	15,000	-	(15,000)
Front Desk and Community Development Desk Remodel	Admin/Leg.	50,000	-	(50,000)
Lower Level Remodel	Admin/Leg.	15,000		(15,000)
Fire Engine	Public Safety	110,000	110,000	-
Overhaul Air Pack/Work Room		-	40,000	40,000
Overall FD Community Room Kitchen			25,000	25,000
Parks Mower Replacement			180,000	180,000
<b>Sub-Total Cash / Capital Facilities &amp; Equipment Replacement</b>		<b>1,938,000</b>	<b>1,826,000</b>	<b>(112,000)</b>

# 2019 Equipment & Facilities Replacement

- New for 2019-2023
  - Mowers: \$90,000/unit – 2019 & 2020
  - Snow Plows: \$250,000/unit – 2020 & 2022. One purchased in 2018
  - Truck for Community Development: \$25,000
  - Squad Cameras purchased in 2018
  - Land purchase final payments
  - Rollers allocated to future years
  - Street shop part of bigger project



# CIP Discussion

- \$2,000,000 used as annual capital set aside in CIP and debt issuance
- Projects Identified for 2019:
  - Tyler Ave. Reconstruction ---- \$ 500,000
  - Commerce Dr. City Portion --- \$ 500,000
  - TBD Project ----- \$1,000,000

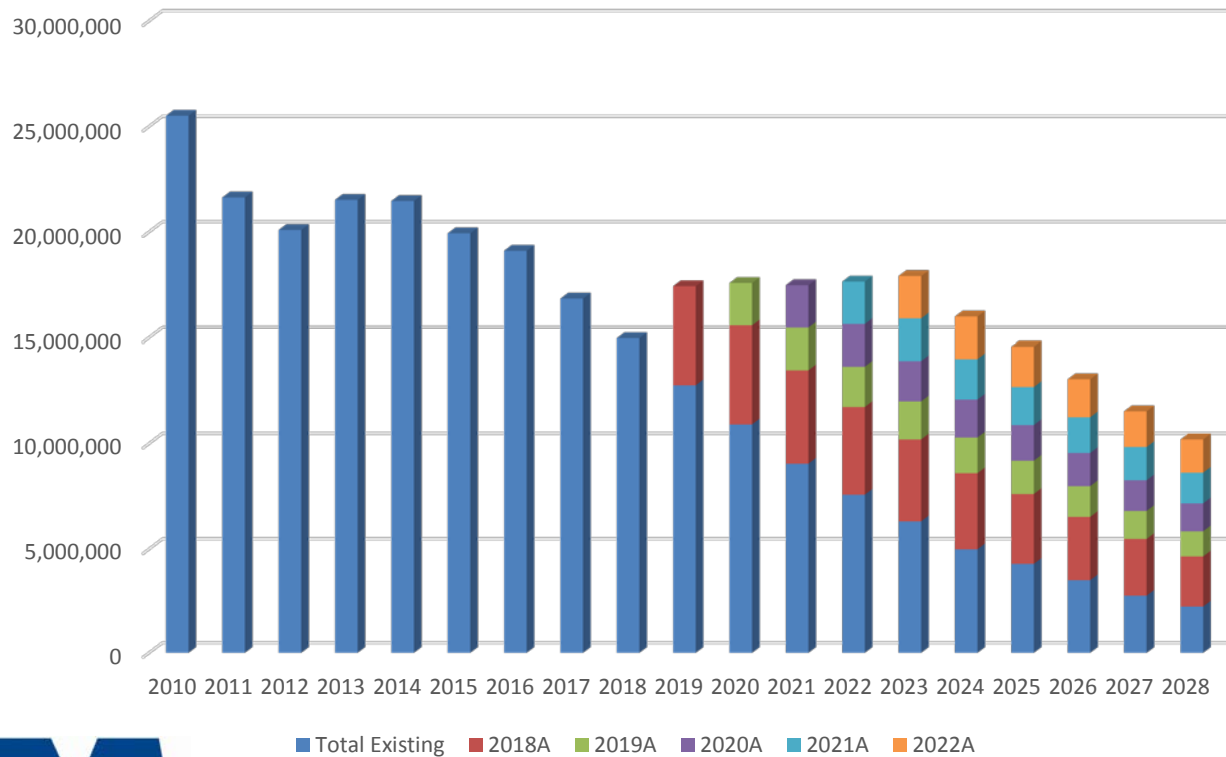
# CIP Discussion, cont.

- Aging City Facilities
  - Public Works Facility
  - Facilities maintenance plan
- Ravine Maintenance
  - Heavy rains lead to ravine slough
  - Ravine maintenance plan
- Recreational Facilities
  - Caswell over 30 years old
  - Sales tax extension, partly toward recreational facilities



# 2019 Debt Service Funds

Current & Future G.O. Debt of \$2.0 Million/Annually



# Next Steps

- Proposed Levy and Date(s) for Truth-in-Taxation (TnT) approved at Regular Meeting
- TnT – December 3<sup>rd</sup> 7:00 PM
- Final Levy and Budgets adopted – December 17<sup>th</sup>