

ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: 09/25/2017
Item No.: 7.d

Department Approval

Christopher K. Miller

City Manager Approval

Sam J. Truog

Item Description: Adopt a Preliminary 2018 Tax Levy and Budget

BACKGROUND

At the March 20, 2017 City Council meeting, the Council endorsed a general timeline for the 2018 budget process with the understanding that the calendar could change. The general timeline is as follows:

2018 Budget Process Timeline			Estimated
Discussion Topic	Date	Regular or	Discussion
		Worksess.	Time (mins.)
Review Ramsey County Assessed Market Value Data	5/15/2017	w/s	15
Receive 2018-2037 Capital Improvement Plan	5/15/2017	w/s	45
Review Impacts from the 2017 Legislative Session (a)	6/19/2017	regular	10
Review Citizen Comments on 2018 Budget Priorities (a)	6/19/2017	regular	30
Receive City Council Budgetary Goals	7/17/2017	w/s	30
EDA Budget & Tax Levy Discussion	7/18/2017	w/s	30
Receive the 2018 City Manager Recommended Budget	8/28/2017	regular	45
Receive Budget Recommendations from the Finance Commission	9/18/2017	w/s	30
Adopt Preliminary Budget, Tax Levy, & EDA Levy	9/25/2017	regular	20
Review & Adopt 2018 Proposed Utility Rates	11/13/2017	w/s	30
Review & Adopt 2018 Proposed Fee Schedule	11/13/2017	w/s	30
Final Budget Hearing (Truth-in-Taxation Hearing)	12/4/2017	regular	20
Adopt Final EDA Tax Levy	12/11/2017	regular	10
Adopt Final Budget, CIP & Tax Levy	12/11/2017	regular	20

The City Council is now asked to adopt a preliminary 2018 Tax Levy and Budget.

State Statute requires all cities in excess of 2,500 in population, to adopt a preliminary tax levy by September 30th for the upcoming fiscal year. Once the preliminary levy is adopted it can be lowered, but not increased. Historically, the City has also adopted an accompanying preliminary Budget which establishes the need for a tax levy.

The adoption of a preliminary tax levy and budget does not preclude further review. It is anticipated that additional budget-related discussions will be held later this year leading up to the adoption of the final 2018 tax levy and budget tentatively scheduled for December 11, 2017.

19 **2018 Recommended Tax Levy & Budget**

20 The City Council received the 2018 City Manager Recommended Tax Levy and Budget on August 28,
21 2017. The 2018 Recommended Tax Levy is \$20,175,505, an increase of \$662,445 or 3.39%. The impact
22 on residents will vary depending on the property’s value and change in value relative to other properties
23 in the city.

24
25 With this recommended levy, a median-valued home that experiences an expected 4.3% increase in value,
26 can expect to pay approximately \$75.75 per month; a decrease of \$0.21. This is independent of the
27 impacts that will result from a higher EDA Levy and utility rate increases which are estimated to be a
28 decrease of \$0.05 and an increase of \$1.98 respectively. This is depicted in the table below.

29

Budget Impact on Median-Valued Home (monthly)				
	<u>2017</u>	<u>2018</u>	<u>\$ Chg.</u>	<u>% Chg.</u>
Property Tax Levy: City (a)	\$ 75.96	\$ 75.75	\$ (0.21)	-0.3%
Property Tax Levy: EDA	1.50	1.45	(0.05)	-3.3%
Utility Rates	56.17	58.15	1.98	3.5%
	\$ 133.63	\$ 135.35	\$ 1.72	1.3%

30 (a) **3.39%** City Levy increase, 1% EDA Levy increase, 3.5% Utility Rate Increase

31
32 The overall 2018 City Manager Recommended Budget is \$54,239,230, an increase of \$2,275,495 from
33 the previous year. The Budget for the property tax-supported programs is \$30,443,715, an increase of
34 \$1,173,375 or 4.0%.

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36 A summary and reconciliation of the 2018 Recommended Tax Levy & Tax-Supported Operating Budget
37 is included in *Attachment D*. Budget (spending) highlights include:

- 38
- 39 ■ \$122,515 in net new funding for three additional full-time firefighters
- 40 ■ \$35,140 in new funding for the Police Cadet position
- 41 ■ \$166,000 in new funding for the Pavement Management Program and \$14,000 for the Building
42 Replacement Fund
- 43 ■ Approximately \$700,000 in additional funding to address employee wage & benefits impacts
- 44

45 As noted in the narrative portion of the Recommended Budget presented on 8/28/17, the projected impact
46 on residents is relatively small thanks in large part to the significant growth in the City’s tax base. This
47 presents an opportunity to address a couple of structural budget challenges including our continued
48 reliance on the use of cash reserves and the long-term funding gap in our Capital Improvement Plan.
49 *Attachment E* provides a variety of tax levy options, along with the impact on the median single-family
50 home.

51
52 While there is value in any decision that creates greater financial sustainability, Staff recommends that
53 the Council consider the near-term financial challenges of having a structurally-balanced budget before
54 addressing longer-term concerns.

55 **POLICY OBJECTIVE**

56 Adopting a preliminary budget and tax levy is required under Mn State Statutes.

57

58 **FINANCIAL IMPACTS**

59 See above.

60 **STAFF RECOMMENDATION**

61 Staff Recommends the Council adopt the preliminary 2018 Tax Levy and Budget as outlined in this
62 report and in the attached resolutions.

63 **REQUESTED COUNCIL ACTION**

64 The Council is asked to take the following separate actions:

65

66 a) Motion to approve the attached Resolution to adopt the 2018 Preliminary Tax Levy

67 b) Motion to approve the attached Resolution to adopt the 2018 Preliminary Debt Levy

68 c) Motion to approve the attached Resolution to adopt the 2018 Preliminary Budget

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Prepared by: Chris Miller, Finance Director

Attachments: A: Resolution to adopt the 2018 Preliminary Tax Levy

B: Resolution to adopt the 2018 Preliminary Debt Levy

C: Resolution to adopt the 2018 Preliminary Budget

D: Summary of the City Manager Recommended Tax Levy Changes

E: Alternative Tax Levy Options

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**EXTRACT OF MINUTES OF MEETING OF THE
CITY COUNCIL OF THE CITY OF ROSEVILLE**

* * * * *

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Roseville, County of Ramsey, Minnesota was duly held on the 25th day of September, 2017 at 6:00 p.m.

The following members were present: and , and the following were absent:

Member introduced the following resolution and moved its adoption:

RESOLUTION

**RESOLUTION SUBMITTING THE PRELIMINARY PROPERTY TAX LEVY
ON REAL ESTATE TO THE RAMSEY COUNTY AUDITOR
FOR THE FISCAL YEAR OF 2018**

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Roseville, Minnesota, as follows:

The City of Roseville is submitting the following tax levy on real estate within the corporate limits of the City to the County Auditor in compliance with the Minnesota State Statutes.

Purpose	Amount
Programs & Services	\$ 16,845,505
Debt Service	3,330,000
Total	\$ 20,175,505

The motion for the adoption of the foregoing resolution was duly seconded by member and upon a vote being taken thereon, the following voted in favor thereof: and , and the following voted against the same:

WHEREUPON, said resolution was declared duly passed and adopted.

State of Minnesota)
) SS
County of Ramsey)

38 I, undersigned, being the duly qualified City Manager of the City of Roseville, County of Ramsey, State
39 of Minnesota, do hereby certify that I have carefully compared the attached and foregoing extract of
40 minutes of a regular meeting of said City Council held on the 25th of September, 2017 with the original
41 thereof on file in my office.

42
43 WITNESS MY HAND officially as such Manager this 25th day of September, 2017.

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47 _____
48 Patrick Trudgeon
49 City Manager

50 Seal

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**EXTRACT OF MINUTES OF MEETING OF THE
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The following members were present:
, and the following were absent:

Member introduced the following resolution and moved its adoption:

RESOLUTION _____

**RESOLUTION DIRECTING THE COUNTY AUDITOR TO
ADJUST THE APPROVED TAX LEVY FOR 2018 BONDED DEBT**

WHEREAS, the City will be required to make debt service payments on General Obligation Debt in 2018; and

WHEREAS, there are reserve funds sufficient to partially reduce the originally scheduled levy for General Obligation Series 2009A, 2011A, 2012A, and 2013A; and

WHEREAS, General Obligation Series 2008A requires a higher amount.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Roseville, Minnesota, that

The Ramsey County Auditor is directed to change the 2018 tax levy for General Improvement Debt by \$55,433.55 from that which was originally scheduled upon the issuance of the bonds as follows:

	Originally Scheduled	Additions or Reductions	Certified Debt Levy
<u>Bond Issue</u>	<u>Levy Amount</u>		
GO Equip Certs 2008A	\$ -	\$ 355,000.00	\$ 355,000.00
GO Housing Imp 2009A	113,596.88	(113,596.88)	-
GO 2011A	842,517.07	(7,517.07)	835,000.00
GO 2012A	1,434,877.50	(59,877.50)	1,375,000.00
GO 2013A refunding	883,575.00	(118,575.00)	765,000.00
Total	\$ 3,274,566.45	\$ 55,433.55	\$ 3,330,000.00

The motion for the adoption of the foregoing resolution was duly seconded by member and upon a vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

90 WHEREUPON, said resolution was declared duly passed and adopted.

91

92 I, undersigned, being the duly qualified City Manager of the City of Roseville, County of Ramsey, State
93 of Minnesota, do hereby certify that I have carefully compared the attached and foregoing extract of
94 minutes of a regular meeting of said City Council held on the 25th day of September, 2017, with the
95 original thereof on file in my office.

96

97 WITNESS MY HAND officially as such Manager this 25th day of September, 2017.

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Patrick Trudgeon
City Manager

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104 Seal

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**EXTRACT OF MINUTES OF MEETING OF THE
CITY COUNCIL OF THE CITY OF ROSEVILLE**

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The following members were present:
and the following were absent:

Member introduced the following resolution and moved its adoption:

RESOLUTION _____

**RESOLUTION ADOPTING THE PRELIMINARY 2018 ANNUAL BUDGET
FOR THE CITY OF ROSEVILLE**

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Roseville, Minnesota, as follows:

The City of Roseville's Budget for 2018 in the amount of \$54,239,230, of which \$30,443,715 is designated for the property tax-supported programs, be hereby accepted and approved

The motion for the adoption of the foregoing resolution was duly seconded by member and upon a vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

WHEREUPON, said resolution was declared duly passed and adopted.

State of Minnesota)
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145 original thereof on file in my office.

146
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151 _____
152 Patrick Trudgeon
153 City Manager

154 Seal

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2018 Proposed Budget Reconciliation: *Tax-Supported Funds (excluding capital)*

	Operating Budget <u>Expenditures</u>	Tax Levy <u>Revenues</u>	<u>Notes (Pertains to budget impacts unless otherwise noted)</u>
2017 Adopted Budget / Levy	\$ 24,886,815	\$ 19,513,060	
2018 Proposed Subtractions			
S1: Reduced costs for one-time spending	(30,000)	-	See Appendix S1
S2: Reduced costs for supplies & materials	(52,915)	(47,915)	See Appendix S2, less IT-related items
S3: Reduced costs for contractual services, other charges	(131,525)	(131,525)	See Appendix S3
S4: Reduced costs for labor: position reductions	(139,645)	(139,645)	See Appendix S4
S5: Reduced costs for labor: health insurance & benefits	-	-	
S6: Reduced costs for debt service	-	-	
S7: Reduced levy due to increased non-tax revenues	-	(423,490)	\$153K IT, \$244K GF, \$26K P&R
S8: Reduced contributions to capital reserve funds	-	-	
Total Subtractions	\$ (354,085)	\$ (742,575)	
2018 Proposed Additions			
A1: Increased costs for one-time spending	27,000	12,000	See Appendix A1, Less GARE
A2: Increased costs for supplies & materials	18,300	16,800	See Appendix A2, less IT-related items
A3: Increased costs for contractual services, other charges	575,680	201,020	See Appendix A3, less IT-related items
A4: Increased costs for labor: cost-of-living adjustment	357,374	321,874	Less IT-related items
A5: Increased costs for labor: wage steps (net)	324,346	269,346	Less IT-related items
A6: Increased costs for labor: new positions	297,300	297,300	See Appendix A6
A7: Increased costs for labor: health insurance & benefits (net)	137,680	127,680	Less IT-related items
A8: Increased costs for debt service	-	-	
A9: Increased contributions to capital replacement funds: IT Equip.	4,880	174,000	Add'l IT Capital Spending / \$160K for PMP + \$14K
A10: Make up of use of reserves for general tax relief in previous years	-	781,610	for Golf Course Clubhouse Replacement (future)
A11: Increased levy due to decline of non-tax revenues	-	-	
Total Additions	\$ 1,742,560	\$ 2,201,630	
Proposed for 2018 (Before Tax Relief Measures)	\$ 26,275,290	\$ 20,972,115	
\$ Change	1,388,475	1,459,055	
% Change	5.6%	7.5%	
Less Use of Reserves for Property Tax Relief (Discretionary)	-	\$ (796,610)	
Note: Per Cash Reserve Policy, reserves may be used for tax relief if over target levels, or they may be allocated for other funds			
Proposed for 2018 (After Tax Relief)	\$ 26,275,290	\$ 20,175,505	
\$ Change	1,388,475	662,445	
% Change	5.6%	3.4%	

City of Roseville

Alternative 2018 Tax Levy Options & Impact

For a **\$236,900** Median-Valued Home

Alternative Tax Levy Options

City Levy Only	City Manager Recommended	Option A	Option B	Option C	Option D	Options B + C	Options B + D	Options A + C	Option E	Option B, D, E
Operating Levy	\$ 14,375,505	\$ 14,375,505	\$ 14,375,505	\$ 14,375,505	\$ 14,375,505	\$ 14,375,505	\$ 14,375,505	\$ 14,375,505	\$ 14,375,505	\$ 14,375,505
Capital Levy	2,470,000	2,470,000	2,470,000	2,470,000	2,470,000	2,470,000	2,470,000	2,470,000	2,470,000	2,470,000
Debt Levy	3,330,000	3,330,000	3,330,000	3,330,000	3,330,000	3,330,000	3,330,000	3,330,000	3,330,000	3,330,000
Add'l: Use of Reserves	-	390,805	781,610	-	-	781,610	781,610	390,805	-	781,610
Add'l: CIP Funding Gap	-	-	-	580,595	1,161,190	580,595	1,161,190	580,595	-	1,161,190
** Add'l: Utility CIP Trsfr from Rates	-	-	-	-	-	-	-	-	3,600,000	3,600,000
Total	\$ 20,175,505	\$ 20,566,310	\$ 20,957,115	\$ 20,756,100	\$ 21,336,695	\$ 21,537,710	\$ 22,118,305	\$ 21,146,905	\$ 23,775,505	\$ 25,718,305
Median-Valued Home Impact (Monthly)	\$ 75.75	\$ 77.33	\$ 78.91	\$ 78.10	\$ 80.44	\$ 81.25	\$ 83.59	\$ 79.67	\$ 90.28	\$ 98.12
2017 (Current) Monthly Impact	75.96	75.96	75.96	75.96	75.96	75.96	75.96	75.96	75.96	75.96
\$ Change from 2017 Amount	\$ (0.21)	\$ 1.37	\$ 2.94	\$ 2.13	\$ 4.47	\$ 5.28	\$ 7.63	\$ 3.71	\$ 14.31	\$ 22.15
% Change from 2017 Amount	-0.3%	1.8%	3.9%	2.8%	5.9%	7.0%	10.0%	4.9%	18.8%	29.2%

City Levy + EDA Levy + Utility Rates

2017 (Current) Monthly Impact	\$ 133.63	\$ 133.63	\$ 133.63	\$ 133.63	\$ 133.63	\$ 133.63	\$ 133.63	\$ 133.63	\$ 133.63	\$ 133.63
\$ Change from 2017 Amount	1.72	3.30	4.87	4.06	6.40	7.21	9.56	5.64	16.24	24.08
% Change from 2017 Amount	1.3%	2.5%	3.6%	3.0%	4.8%	5.4%	7.2%	4.2%	12.2%	18.0%

** Less Savings from Utility Bill \$ (17.48) \$ (17.48)
 Net \$ Change (1.24) 6.60
 Net % Change -0.9% 4.9%

Alternative Tax Levy Options
 Option A = Eliminate 50% Use of Reserves
 Option B = Eliminate 100% Use of Reserves
 Option C = Eliminate 50% CIP Funding Gap
 Option D = Eliminate 100% CIP Funding Gap
 Option E = Transfer Utility CIP Funding from Base Rates to Tax Levy