

City Council Agenda Item #14A
Meeting of August 27, 2012

Brief Description:

Items for the 2013 Preliminary Tax Levy:

- 1) Resolution setting preliminary 2013 tax levy
- 2) Resolution setting preliminary 2013 tax levy for the Bassett Creek Watershed Management Tax District
- 3) Resolution appropriating funds to pay 2013 debt service on G.O. Street Reconstruction Note of 2010 and cancelling 2013 debt service levy related to such note

Recommended Action: Adopt the resolutions

As discussed at our city council study session on August 20th, the 2013 levy is proposed within a budget with the following objectives in mind:

- Ensure Minnetonka's position of fiscal responsibility
- Preserve Minnetonka's standards of excellence
- Encourage innovative and creative thinking

Specifically, staff recommends ***increasing the levy for 2013 by only 1.5 percent***. This is below last year's projection for 2013, when we expected a 2.1 percent increase. Additionally, at this proposed level, ***city property taxes*** for the median valued home in Minnetonka are roughly estimated to ***decrease by about one percent***.

OUR PUBLIC PROCESS

State law requires cities to certify preliminary tax levies by September 15, 2012. This is the maximum amount the city can levy for 2013. Counties then report these preliminary levies to all property owners in November. When the budget is adopted in December, the final levy may be less than the preliminary amount, but cannot be greater.

The city of Minnetonka always encourages public budget input, and will hold a public hearing on Monday, December 3, 2012, during the regular city council meeting beginning at 6:30 pm in the City Hall Council Chambers. In addition, residents and businesses have an ongoing opportunity to provide feedback at the city's website: eminnetonka.com. Comments will be shared with council as budget options are considered prior to adoption of the 2013 budget on December 17, 2012.

ENSURING MINNETONKA'S POSITION OF FISCAL RESPONSIBILITY

Positive Financial Projections

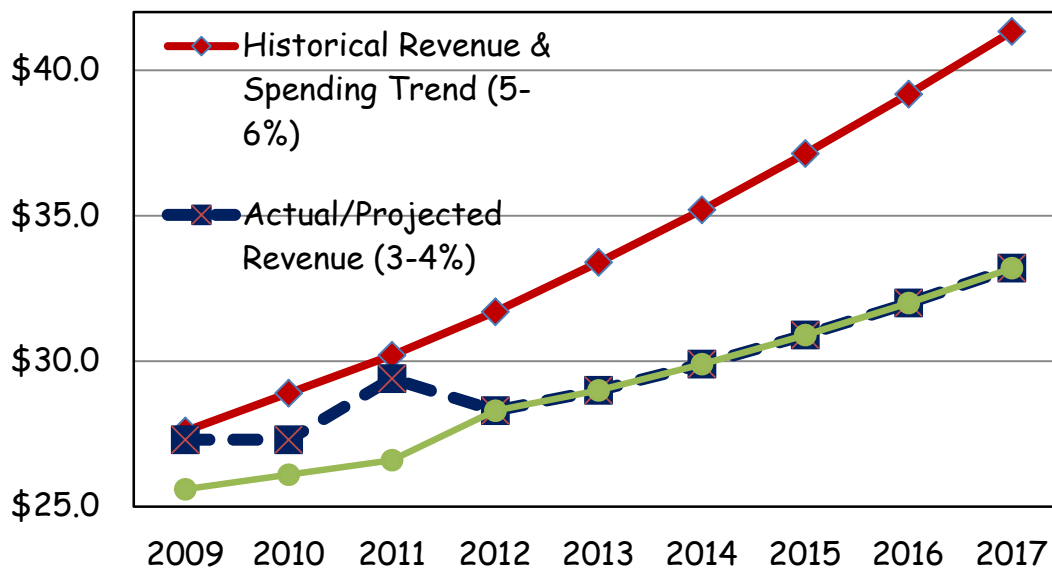
As detailed in the city's adopted Strategic Profile, the city of Minnetonka takes a responsible, long-term perspective with financial planning and management. Decisions are made with the future in mind to ensure the city's ongoing ability to provide quality services at a reasonable price.

The key long-term budget strategies enacted in 2009 in response to the permanent economic changes associated with the recession continue to serve the city well. These include: ongoing cooperative service agreements with other agencies, productivity investments that help deliver core services more efficiently, and a restructured organization that better serves our constituents. Costs have also been lowered with the refunding of park bonds.

Because the city is a service business, work force changes continue to have a significant impact on both the city's work and its finances. The proposed 2013 budget maintains the reduction in personnel-related costs enacted in 2009. **No new staff is proposed for 2013.** Labor costs are rising incrementally, aligned with low inflation rates.

Revenue projections are generally meeting expectations with cautious forecasts, and this trend is projected to continue through 2017.

**Actual & Projected
Long-Term Financial Trends**



PRESERVING MINNETONKA'S STANDARDS OF EXCELLENCE

One of the outstanding changes within the 2013 budget is the council's acceleration of its commitment to expand city trails and sidewalks, as adopted in the 2013-2017 CIP. The CIP increased the Park and Trail Improvement Fund levy to reflect the city's priority for improving, expanding and maintaining these amenities through capital investment. One-time funds from available general fund balances were appropriated this year to jump-start the capital rehabilitation.

While the cumulative effect requires a modest operating budget increase in 2013 for caretaking of the amenities, costs are kept to a minimum by judiciously using seasonal staff and contracted services for turf and field management, landscaping maintenance of city gateways, trails and parks as well as high profile plantings in public areas.

ENCOURAGING INNOVATIVE AND CREATIVE THINKING

As part of the city's continuous effort to stay alert to new ideas, the 2013 budget continues to incorporate enhanced use of technology to improve efficiencies and customer service. This includes costs for the citywide Geographic Information Software (GIS) license, which is reaping benefits in response to citizen inquiries and issues, along with allocation of staff resources, coordination and project work flow. It also includes funding for new applications of the city's recently purchased document management system to enhance staff productivity.

2013 PRELIMINARY LEVY

The 2013 budget will reflect the fourth year since repositioning the budget for the recession's permanent impact and continues the previously planned property tax levy restraint. The recommended 2013 preliminary city tax levy is only 1.5 percent higher than last year.

<u>Property Taxes (thousands)</u>	<u>2012</u>	<u>2013</u>	<u>Increase</u>
Operating & Capital Levies	\$29,416	\$29,955	
Park Bond Referendum	1,134	1,064	
Total City Levy	\$30,550	\$31,019	1.5%
EDA HRA Levy	175	175	--

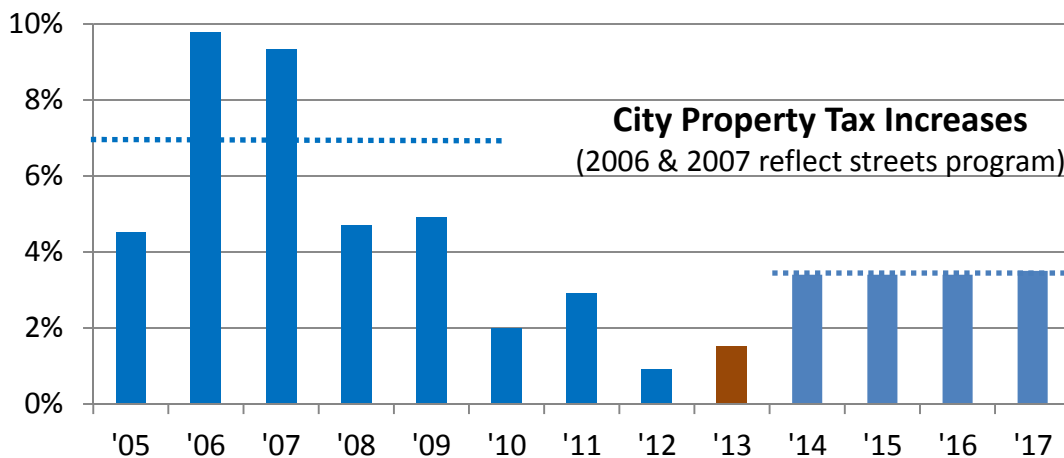
HRA levy. In other action tonight, the council will convene as the city's Economic Development Authority (EDA) to set a preliminary Housing and Redevelopment Authority (HRA) levy. As discussed at the recent budget study session, staff recommends maintaining the HRA levy flat at \$175,000 to continue the commitment made for housing reinvestment and down payment assistance.

Cancellation of PFA debt levy. As part of the 169/Bren Road interchange improvements, city council approved application and receipt of funds through the state office called the Minnesota Public Facilities Authority. Commonly known as the PFA, the authority purchases a General Obligation Street Reconstruction Note (the "Note") from the city, in accordance with a project loan agreement between the city and the PFA.

To date, the city has not yet drawn any of the PFA funding. As final costs for the interchange project are trickling in and interest rates continue to be stagnating and lower than anticipated, staff is now analyzing whether it is fiscally prudent to use the PFA loan as its final method of financing. At a later date, this issue will be discussed with council in more detail and actions recommended.

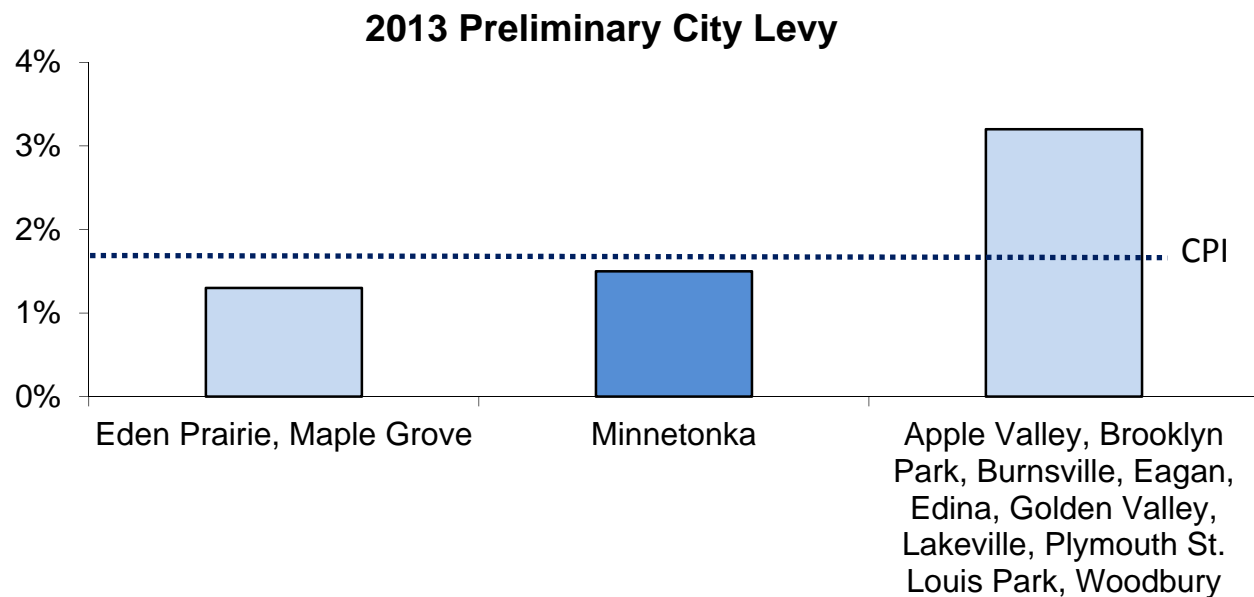
Nonetheless, because of the city's current legal obligation with the PFA and our intent from the beginning to use sources other than its levy authority to pay the debt service on the Note, the city must technically "cancel" its general obligation levy to pay this debt. Such a resolution must be passed annually and filed with the county. This the second year the council will pass this resolution.

City property tax trends. With inflationary costs below original expectations, the recommended increase of 1.5 percent follows the 0.9 percent levy increase in 2012, which is below the 2.1 percent increase we had expected for 2013 when we projected this last year.



The city's 2013 tax increase of 1.5 percent is the second year that will be *substantially below recent years*. The 1.5 percent increase is *still less* than the current 1.7 percent Consumer Price Index (CPI) and 1.8 percent official State of Minnesota Implicit Price Deflator (IPD).

Comparisons with other cities. The proposed 2013 city levy increase is likely to end up amongst the lowest increases of comparable cities. Unlike many other cities, no assessments for roads or extraordinary fees are proposed to supplement this very modest tax increase.



Homeowner impacts. With the proposed levy increase of 1.5 percent, city property taxes for the median valued home in Minnetonka (\$277,200 in 2012) are ***estimated to decrease by about one percent***. The reasons for the decline are as complex as the state's property tax system. Nonetheless, it is primarily due to a shift next year in the city property tax burden away from residential properties to commercial properties, a decrease in the city's contribution to the state's fiscal disparities program (first time in recent memory), and the decline in the median value of single family detached homes in this city as reported last spring with the City Assessment Report.

RECOMMENDATION

Responsible long-term financial planning has continued to well position the city of Minnetonka to accommodate the slow economic recovery, as well as federal and state political uncertainties. Staff recommends adoption of the attached resolutions to limit the preliminary city tax levy to an increase of only 1.5 percent for 2013. This increase

will likely remain amongst the lowest of comparable cities and will be below the current inflation rate. It will ensure our position of fiscal responsibility, preserve our standards of excellence, and encourage innovative and creative thinking.

As always, the city of Minnetonka will continue to provide the excellent services our residents and businesses have come to expect, and at a reasonable price, both in 2013 and well into the future.

Originated by:

Geralyn Barone, City Manager
Merrill King, Finance Director

RESOLUTION NO. 2012-

RESOLUTION SETTING A PRELIMINARY 2012 TAX LEVY AND 2013 BUDGET

BE IT RESOLVED by the City Council of the City of Minnetonka, Minnesota, as follows:

Section 1. Background.

- 1.01. As required by state legislation under M.S. 275.065, municipalities are required to adopt a preliminary budget and tax levy by September 15, 2012.
- 1.02. The law also requires that the City Council provide an opportunity for public input to its preliminary budget and tax levy prior to its final adoption in December, but before November 24, 2012.
- 1.03. The law further requires the final levy be adopted on or before December 28, 2012, and the final tax levy may not exceed the preliminary tax levy.

Section 2. Findings.

- 2.01. The City Manager's preliminary 2013 budget of \$47,476,300 appears reasonable and sufficient to fund the desired general fund municipal services, general fund debt service, and capital needs.
- 2.02. A preliminary tax levy of \$30,990,336 for levy in 2012, collectible in 2013, will fund the City Manager's preliminary budget.

Section 3. Authorization.

- 3.01. The preliminary budget and tax levy is hereby approved.
- 3.02. The City Clerk is hereby directed and ordered to transmit a certified copy of this resolution to the Hennepin County Director of Property Tax and Public Records.

Adopted by the City Council of the City of Minnetonka, Minnesota, on this 27th day of August 2012.

Terry Schneider, Mayor

ATTEST:

David E. Maeda, City Clerk

ACTION ON THIS RESOLUTION:

Motion for adoption:

Seconded by:

Voted in favor of:

Voted against:

Abstained:

Absent:

Resolution adopted.

I hereby certify that the foregoing is a true and correct copy of a resolution adopted by the City Council of the City of Minnetonka, Minnesota, at a duly authorized meeting held on the 27th day of August 2012.

David E. Maeda, City Clerk

RESOLUTION NO. 2012-

**RESOLUTION SETTING A PRELIMINARY 2012 TAX LEVY FOR THE
BASSETT CREEK WATERSHED MANAGEMENT TAX DISTRICT**

BE IT RESOLVED by the City Council of the City of Minnetonka, Minnesota, as follows:

Section 1. Background.

- 1.01. Minnesota state law requires municipalities to adopt a preliminary budget and tax levy by September 15 of each year.
- 1.02. The law also requires that the City Council provide an opportunity for public input to its preliminary budget and tax levy prior to its final adoption in December, but before November 24, 2012.
- 1.03. The law requires a final levy be adopted after that public input and the final tax levy may not exceed the preliminary tax levy.

Section 2. Findings.

- 2.01. A preliminary tax levy of \$28,464 for the Bassett Creek Watershed Management District for levy in 2011, collectible in 2012, will fund the City's expenses for that tax district.

Section 3. Authorization.

- 3.01. The preliminary tax levy of \$28,464 the Bassett Creek Watershed Management District is hereby approved.
- 3.02. The City Clerk is hereby directed and ordered to transmit a certified copy of this resolution to the Hennepin County Director of Property Tax and Public Records.

Adopted by the City Council of the City of Minnetonka, Minnesota, on this 27th day of August 2012.

Terry Schneider, Mayor

ATTEST:

David E. Maeda, City Clerk

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David E. Maeda, City Clerk

RESOLUTION NO. 2012-

RESOLUTION APPROPRIATING FUNDS TO PAY 2013 DEBT SERVICE ON GENERAL OBLIGATION STREET RECONSTRUCTION NOTE OF 2010 AND CANCELLING 2013 DEBT SERVICE LEVY RELATED TO SUCH NOTE

BE IT RESOLVED by the City Council of the City of Minnetonka, Minnesota (the "City") as follows:

Section 1. Background.

1.01. Pursuant to Minnesota Statutes, Section 475.58, subdivision 3b (the "Act") and Resolution 2010-113 approved by the City Council of the City on November 8, 2010, the City issued its General Obligation Street Reconstruction Note of 2010 (the "Note") in the original principal amount of \$5,000,000 on December 21, 2010. The Note was issued to finance a portion of the cost of the construction of improvements to the interchange of Bren Road and TH 169, as described in the City's 5-Year Street Reconstruction Plan dated March 8, 2010.

1.02. As required by the Act, the Note is secured by the full faith and credit of the City. As such, the City included in the resolution which authorized the issuance of the Note a promise to levy a property tax levy sufficient to pay 105% of the debt service due on the Note.

1.03. Although a tax levy has been pledged to pay the debt service on the Note, the City may use other revenues to pay annual debt service on the Note. The City intends to pay debt service on the Note with other revenues of the City.

Section 2. Council Action.

2.01. Pursuant to the City's 2013 Budget, the City has appropriated certain funds for deposit to the Street Reconstruction Note of 2010 Debt Service Fund (PFA Debt Service Fund) established pursuant to Section 9(a) of the resolution authorizing the issuance of the Note (Resolution 2010-113) to be used for debt service on the Note due in calendar year 2013. Together with funds already on deposit in the Street Reconstruction Note of 2010 Debt Service Fund (PFA Debt Service Fund), such funds are sufficient to pay 105% of the debt service on the Note due in calendar year 2013.

2.02. City Staff is hereby authorized and directed to cancel the tax levy levied to pay debt service on the Note for calendar year 2013 set forth in Exhibit A of the resolution authorizing the issuance of the Note (Resolution 2010-113).

Adopted by the City Council of the City of Minnetonka, Minnesota, on August 27, 2012.

Terry Schneider, Mayor

ATTEST:

David E. Maeda, City Clerk

ACTION ON THIS RESOLUTION:

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Voted against:

Abstained:

Absent:

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David E. Maeda, City Clerk