



## City Council Special Meeting AGENDA

**CITY COUNCIL SPECIAL MEETING  
MONDAY, AUGUST 23, 2021  
COUNCIL CHAMBERS  
BLOOMINGTON CIVIC PLAZA  
1800 W. OLD SHAKOPEE RD.  
BLOOMINGTON, MN 55431  
6:00 PM**

**Mayor:** Tim Busse

**Councilmembers:** Dwayne Lowman Patrick Martin  
Jenna Carter Shawn Nelson  
Jack Baloga  
Nathan Coulter

### **ANNOUNCEMENT**

This meeting will be held in the Council Chambers at Bloomington Civic Plaza. Some members of the City Council may participate electronically as permitted by law. For this meeting, at least one council member will be participating electronically at 2105 West 143rd Street, Burnsville, MN 55306; this location is open and accessible to the public. Members of the public may attend in person or watch/listen electronically.

To watch or listen to the meeting:

- Attend in person
- Watch BTV (Comcast channels 859 or 14)
- Watch online at [blm.mn/btv-live](http://blm.mn/btv-live) or the City's YouTube channel [blm.mn/youtube](http://blm.mn/youtube)
- Listen in by phone: 1-415-655-0001, access code 177 989 8880, password 0823222

### **1. CALL TO ORDER**

The City Council requests that attendees silence phones during the meeting. A copy of the full City Council packet is available to the public, located at the entrance of the Council Chambers.

### **2. ORGANIZATIONAL BUSINESS**

2.1 2022 Preliminary Tax Levy and General Fund Budget Discussion

2.2 City Manager / Council Updates

### **3. ADJOURNMENT**

**View regular meetings** live or via archive at [blm.mn/meetings](http://blm.mn/meetings). Catch the replay on Comcast cable by tuning to Bloomington TV channels 14(SD) and 859(HD) the the Thursday after the meeting at 12:00 a.m., 6:00 a.m. and 12:00 p.m.

**BloomingtonMN.gov:** A yearly meeting schedule, agendas, and the official minutes once approved are available. If you require a reasonable accommodation, please call 952-563-8733 (MN Relay 711) as soon as possible, but no later than 9:00 a.m. one business day before the meeting day.





## Request for Council Action

Originator <b>Finance</b>	Item <b>2022 Preliminary Tax Levy and General Fund Budget Discussion</b>
Agenda Section <b>ORGANIZATIONAL BUSINESS</b>	Date <b>August 23, 2021</b>

Requested Action:

Discussion item only. No action requested.

Item created by: Briana Eicheldinger, Finance

Item presented by: Kari Carlson, Budget Manager  
Lori Economy-Scholler, CFO  
Jamie Verbrugge, City Manager

Description:

The City Council is required to set a preliminary tax levy for 2022 in September. The preliminary levy sets the maximum amount of money that may be collected through property taxes for the coming year. The Council may lower the levy when the final tax levy and general fund budget is adopted in December.

In December 2020, the City Council approved a 2021 budget with a 2.75% levy increase. Because the City develops a 2-year budget each year, the conceptual budget for 2022 was forecasted with no levy increase due. The flat levy was forecasted in consideration of uncertainty about the continuing economic effects of the pandemic on household incomes and increasing market valuations for single-family residential properties. It is important to note that the second year of the 2-year budget process is primarily included as a financial planning exercise to identify future-year impacts and issues.

Budget planning for 2022 began very early in 2021 and has been dynamic throughout the year given the changing conditions related to the COVID-19 pandemic, the economy, the Federal government, and local issues. As part of the presentation, staff will provide:

- Recap of the December 2020 Action, including:
  - Reminder of process and environment in 2020
  - Assumptions made for 2021 and 2022
  - Market Valuation for pay 2021 and pay 2022

- 2021 Environment, including:
  - Economic recovery and ARPA funds
  - Organizational Issues
  - 2021 Survey Snapshots (Bloomington resident and business surveys)
- 2022 Forecast
  - Admissions and Lodging Tax
  - Personal service cost increases (salary and benefit)
  - Departmental Requests for 2022 Budget compared to 2021 Conceptual
  - Comparison to metro peer communities
  - Market value impact of various level increases 0-5%

Departmental preparation of the 2022 budget has largely tracked with the conceptual budgets submitted in Fall 2020. Discussion of the 2022 Preliminary Levy and General Fund Budget will largely focus on areas that have arisen during 2021 and are mostly familiar to City Council, including:

- Strategic priorities and Council-directed activity
- Public safety staffing issues, primarily in the Fire Department
- Increasing service delivery demands

Given the continuously evolving environment and the Council's key priorities, the 2022 levy may need to deviate from the projected 0% increase and instead be something closer to last year's 2.75% - especially for the preliminary levy.

Staff will have a full presentation consistent with this outline at the meeting.

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Attachments:

[August\\_23,\\_2021-2022\\_Prelim\\_Tax\\_Levy\\_and\\_Gen\\_Fund\\_Bud\\_Discussion.pdf](#)



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City Council Special Meeting  
2022 Preliminary Tax Levy and General Fund Budget  
August 23, 2021



## Agenda

- Recap of Last Year's Budget Process & Decisions
- 2021 Environment
- 2022 Changes to Conceptual Budget
- Discussion

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# Recap of Last Year's Budget Process & Decisions

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## Last Year Budget Assumptions

- Facing a \$7.2 million decline in Lodging and Admission tax revenues for 2020.
- 2021 Budget forecasted a \$5.6 million decline in Lodging and Admission tax revenues from 2019 (\$4.8 compared to \$10.4)
- Did not know until late in the year if property taxes would be paid in full.
- Did not know until late in the year that \$5.2 million of the CARES federal assistance could be used to offset public safety and public health COVID related expenditures in the General Fund.

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## Last Year's Budget Process & Decisions

- Community Budget Advisory Committee met weekly from June – October 2020 to produce three different budget scenarios with prioritized budget reduction options for the Council to consider.
- 2021 Preliminary Property Tax Levy set at 5.00% in September 2020.
- 2021 Final Property Tax Levy set at 2.75% in December 2020.



## Last Year's Budget Process & Decisions

- In December 2020, proposed a 2022 Conceptual Tax Levy at a 0.00% increase over the 2021 Tax Levy.
- The 2022 conceptual 0.00% tax levy increase allowed for modest increases in expenses offset with forecasted increases in lodging and admission taxes as well as tax stabilization reserves transferred to the General Fund.





## Last Year's Budget Process & Decisions

- Full-time positions reduced down by 23 positions. (585 FTE down to 562 FTE).
- Closure of the Motor Vehicle Office
- Reduction in services at Bush Lake Beach – no lifeguards or concessions
- Reopening Creekside with reduced services
- Downsized from 14 outdoor skating rinks down to 9 and closed warming houses
- Half year wage freeze for majority of employees (except for Police Unions that had settled contracts in early 2020)
- Decrease to training and travel expenses



## Tax Levy Stabilization Funds

- Identified tax stabilization funds to partially offset declines in lodging and admission taxes to transfer from Strategic Priorities to the General Fund to reduce pressure on the Tax Levy
- \$1,165,000 transferred to the General Fund in the 2021 Budget
- \$1,100,000 designated to transfer to the General Fund each year from 2022-2025 in the current Strategic Priorities long-term model.







## Impact of Market Property Valuations

- The 2021 Property Tax Amount Levied by the City was \$66,468,834
- The City's total property tax amount is allocated among property owners based on the value and type of their property.
- Even if the overall property tax amount levied by the City is not increased in 2022, more of the share of property taxes will be paid by residential properties than commercial properties in 2022 than 2021 because residential values increased while commercial values declined.



## Impact of Market Property Valuations

- For taxes paid in 2021, Median Value Home (MVH) increase 0.9%
  - 2.75% tax levy increase resulted in a 1.5% property tax increase to MVH
  - 2.75% tax levy increase was \$1.33/month property tax increase for MVH
- For taxes paid in 2022, Median Value Home (MVH) increase 7.3%
  - A 0.00% tax levy increase would result 7.7% property tax increase to MVH
  - A 0.00% tax levy increase would result in a \$7.03/month property tax increase for MVH





# 2021 Environment

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## Economic Recovery

- Bloomington unemployment improving from peak high in May 2020 of 12.2% vs pre-pandemic rate of 2.8% in February 2020 (June 2021 Minnesota at 4.4%, Bloomington at 5.0%, US at 6.1%)
- Household income is stabilizing
- Inflationary impact of pandemic (cost of goods)
- Staff 2021 forecast of Admissions and Lodging taxes tracking with recovery - budgeting that 2022 will still be more than \$2.5m less than 2019 revenues
- ARP Funding of \$11.4 million (received half in 2021 and half in 2022)
- Delta variant impact on economy uncertain

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## Highlights from 2021 Resident Survey

- Bloomington Residents continue to enjoy a high quality of life (91% rated as “Excellent” or “Good”)
- High ratings on street maintenance, snow removal, and traffic flow
- Safety-related ratings are strong
- Resident sentiment toward diversity and inclusion in the City has improved



## Highlights from 2021 Resident Survey

The overall direction that Bloomington is taking :

- 67% excellent or good
- 21% fair
- 12% poor

The value of services for the taxes paid to Bloomington :

- 66% excellent or good
- 27% fair
- 7% poor





## Highlights from 2021 Resident Survey

What impact, if any, do you think the economy will have on your family income in the next 6 months? Do you think the impact will be:

- 30% positive
- 50% neutral
- 20% negative

We know the COVID-19 pandemic is challenging in many ways. Please rate how much of a problem, if at all, the following are for your household CURRENTLY.

- Loss of employment income
  - 20% major/moderate problem
  - 79% minor/not a problem
- Loss of income from retirement savings
  - 18% major/moderate problem
  - 82% minor/not a problem



## Highlights from 2021 Business Survey

Is There anything the City government of Bloomington can do to improve the business climate in the city?

- 6% of respondents selected "Lower taxes"
- 1% of respondents selected "City spending"

Outside of the pandemic, what do you think is the most serious issue facing your business in Bloomington?

- 3% of respondents selected "High taxes"





## Highlights from 2021 Business Survey

### Amount of City taxes?

- 13% Very serious issue
- 45% Somewhat serious issues
- 42% Not a serious issue

### All in all, do you think things in Bloomington are headed in a positive direction, or are things off on the wrong track?

- 87% of respondents selected "Positive direction"



## Highlights from 2021 Business Survey

### When you consider the property taxes you pay and the quality of city services you receive, would you rate the general value of city services as excellent, good, only fair, or poor?

- 8% of respondents selected "Excellent"
- 74% of respondents selected "Good"

### For your information, approximately 15% of business property taxes goes to the City of Bloomington to fund city services. Does this information change your perception of the value of city services? (If "Yes" does it make it a much better value, somewhat worse value or much worse value?)

- 10% of respondents selected "Much better"
- 42% of respondents selected "Somewhat better"
- 47% of respondents selected "No change"
- 1% of respondents selected "Somewhat worse"





## Organizational Issues affecting 2022 Budget

- Wage Assumptions changed
  - Labor market seeing sizable wage growth, labor shortages, and increasing inflation concerns
  - No other metro city in comparison group imposed a similar wage freeze for 2021
  - 1.5% general wage increase effective July 10, 2021 and reinstated wage step increases for eligible employees
  - 2022 Budget includes projected cost of living adjustment salary increases and wage step increases
- Council Directed Initiatives (ESSL, CT ban, OHO, Organics, Racial Equity)
  - New positions identified to carry out Council initiatives require additional resources not in the original 2022 Conceptual budget.



## Organizational Issues affecting 2022 Budget

- Service delivery/demand issues (Fire Staffing, Increasing workload/demand)
  - Fire Department Paid-on-call model – continuing to struggle with recruiting and retention of qualified, capable, and willing candidates
  - Using ARP Funds for three years to hire 3 Full-time Battalion Fire Chiefs
  - Need additional funds for critical costs associated with Fire Department duty crews – increasing both pay and hours
  - Other Departments also facing increased workload – Planning, Purchasing, Payroll, Grant Compliance, Police Property and Records





## Organizational Issues affecting 2022 Budget

- Auditing/Accounting Changes (\$0 net effect to budget, but affects amounts in revenues and expenditures)
  - Park Maintenance moving from Parks and Recreation to Public Works
    - Direct charges to Public Works instead of internal charge from Facility Maintenance Fund
  - Change in Accounting for \$1.5 million in Non-Cash WIC (Women, Infants, and Children) assistance to WIC clients to purchase supplemental food.
    - In recent audit, external auditors requested the City account for these non-cash transactions as a revenue and expenditure



## Comparison Cities

Bloomington would be an outlier compared to other metro cities with a 0.00% preliminary tax levy increase. Average of cities in chart 5.1%

Comparison City	Proposed 2022 Tax Levy Increase
City 01 (MLC)	4.4%
City 02 (MLC)	3.9%
City 03 (MLC)	5.0%
City 04 (MLC)	6.0%
City 05 (MLC)	6.3%
City 06 (MLC)	5.6%
City 07 (MLC)	3.0%
City 08 (MLC)	5.0%
City 09 (MLC)	4.5%
City 10 (MLC)	7.5 – 8.5%
City A	3.0%
City B	4.5%
City C	5.0%
Minneapolis	5.45%
St Paul	6.9%





# 2022 Changes to Conceptual Budget

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## 2022 Changes to Conceptual Budget – General Fund

- **Major changes to the General Fund 2022 Budget Request from the Conceptual Budget Request:**
  - \$ 829K Staffing changes for Council initiatives and increased service demand
  - \$ 982K increase for adjusted base Salary and Benefits
  - \$1 million for increased paid-on-call Fire Department Duty Crew hours**\$2.8 million increase**
- **Other Changes that have a \$0 net impact to the General Fund Budget:**
  - \$400K for 3 new Fire Department Battalion Chiefs (paid for by ARP funds)
  - \$1.5 million in non-cash WIC assistance (offset by non-cash revenue)
  - \$5.8 million shift between Parks and Recreation and Public Works for Park Maintenance expenses

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## Detail of Staffing changes for Council initiatives and increased service demand

- Costs includes both salary and benefits (FICA/Medicare/PERA/Workers Comp/Health/Dental/Life/etc.):
  - \$234K 2 new positions for compliance (ESSL, CT Ban, OHO)
  - \$109K 1 new Racial Equity position and expanding current RE position
  - \$ 36K Add back a part-time HR position
  - \$106K 1 new Planner
  - \$106K 1 new Public Health Specialist
  - \$ 50K Changing PT to FT position in Police Property Room
  - \$105K Grant Coordinator (could be offset with some Grant revenues)
  - \$ 83K Accounting Assistant for Purchasing and Payroll
  - **\$829K General Fund Staffing Requests (8 new Full-Time, 1 new Part-Time)**

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## Tax Levy Impact on Median Value Home

2022 Requested	0%	1%	2%	3%	4%	5%
Tax Levy \$\$	\$0	\$664,688	\$1,329,376	\$1,994,064	\$2,658,752	\$3,323,440
Tax Levy Impact	\$7.03	\$8.09	\$9.15	\$10.20	\$11.26	\$12.32
TLI Independent MV*	\$0.00	\$1.06	\$2.12	\$3.17	\$4.23	\$5.29
Use of Tax Stabilization	\$2,816,970	\$2,152,282	\$1,487,594	\$822,906	(\$506,470)	(\$1,835,846)
Tax Stabilization Goal	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000
Gap	(\$1,716,970)	(\$1,052,282)	(\$387,594)	\$277,094	\$1,606,470	\$2,935,846

\* - "Tax Levy Impact Independent Market Value" isolates the increase directly attributable to City Levy increase

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## City Manager Recommendation

- 3% increase for the Preliminary Property Tax Levy for 2022
- Tax Levy Impact independent of Market Value = \$3.17/month \$38/year
- The Preliminary Tax Levy is the highest that the 2022 tax levy can be. Final Tax Levy can be lower, but cannot be higher.
- 2022 Preliminary Tax Levy and budget will be set by the Council at the September 13, 2021 Council Meeting.



## Discussion





## Request for Council Action

Originator City Manager's Office	Item <b>City Manager / Council Updates</b>
Agenda Section ORGANIZATIONAL BUSINESS	Date August 23, 2021

Requested Action:

Item created by: Matt Brillhard, City Manager's Office  
Item presented by: Jamie Verbrugge, City Manager

Description:

Updates to Council by the City Manager