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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, 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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2022 Tax Levy : Based on Budget Model

	2021 Tax Levy	2022 Tax Levy	Tax Levy \$ Change	Tax Levy % Change
General Revenues:				
General Fund	\$57,520,260	\$58,827,219	\$1,306,959	
Communications	\$175,000	\$295,000	\$120,000	
Forestry / Diseased Trees (Solid Waste Fund)	\$185,000	\$185,000	\$0	
Fire Pension	\$1,050,000	\$1,050,000	\$0	
Aquatics	\$515,000	\$515,000	\$0	
Art Center	\$1,000,000	\$1,000,000	\$0	
Golf	\$161,343	\$161,343	\$0	
Ice Garden	\$80,000	\$80,000	\$0	
Tax Abatement	\$300,000	\$300,000	\$0	
Total General Revenues	\$60,986,603	\$62,413,562	\$1,426,959	2.15%
Debt Service	\$5,482,231	\$6,049,337	\$567,106	0.85%
Total Tax Levy	\$66,468,834	\$68,462,899	\$1,994,065	3.00%

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2023 Tax Levy : Based on Budget Model

	2022 Tax Levy	2023 Tax Levy	Tax Levy \$ Change	Tax Levy % Change
General Revenues:				
General Fund	\$58,827,219	\$60,592,036	\$1,764,817	
Communications	\$295,000	\$400,000	\$105,000	
Forestry / Diseased Trees (Solid Waste Fund)	\$185,000	\$235,000	\$50,000	
Fire Pension	\$1,050,000	\$1,050,000	\$0	
Aquatics	\$515,000	\$567,000	\$52,000	
Art Center	\$1,000,000	\$1,000,000	\$0	
Golf	\$161,343	\$300,000	\$138,657	
Ice Garden	\$80,000	\$80,000	\$0	
Tax Abatement	\$300,000	\$300,000	\$0	
Strategic Priorities		\$500,000	\$500,000	
Total General Revenues	\$62,413,562	\$65,024,036	\$2,610,474	3.81%
Debt Service	\$6,049,337	\$7,076,280	\$1,026,943	1.50%
Total Tax Levy	\$68,462,899	\$72,100,316	\$3,637,417	5.31%

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2024 Tax Levy : Based on Budget Model

	2023 Tax Levy	2024 Tax Levy	Tax Levy \$ Change	Tax Levy % Change
General Revenues:				
General Fund	\$60,592,036	\$62,409,797	\$1,817,761	
Communications	\$400,000	\$450,000	\$50,000	
Forestry / Diseased Trees (Solid Waste Fund)	\$235,000	\$235,000	\$0	
Fire Pension	\$1,050,000	\$1,050,000	\$0	
Aquatics	\$567,000	\$650,000	\$83,000	
Art Center	\$1,000,000	\$1,040,000	\$40,000	
Golf	\$300,000	\$300,000	\$0	
Ice Garden	\$80,000	\$80,000	\$0	
Tax Abatement	\$300,000	\$300,000	\$0	
Strategic Priorities	\$500,000	\$500,000	\$0	
Total General Revenues	\$65,024,036	\$67,014,797	\$1,990,761	2.76%
Debt Service	\$7,076,280	\$8,157,785	\$1,081,505	1.50%
Total Tax Levy	\$72,100,316	\$75,172,582	\$3,072,266	4.26%

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2021 Comparison to other Cities – Total Cost

Location	2021 monthly cost of single-family property taxes	2021 Monthly cost for single-family water and sewer charges	Water softened at this city's water treatment plant?	Additional cost for home softening of water	2021 Franchise Fees	2021 Total monthly cost: city property taxes plus water, sewer & softening and Franchise Fees
Edina	\$132.31	\$59.33	No	\$32.46	\$5.80	\$229.90
Minnetonka	\$115.88	60.07	No	\$32.46	\$9.00	\$217.41
St. Louis Park	\$106.01	65.65	No	\$32.46	\$12.25	\$216.37
Richfield	\$104.06	103.23	Yes	--	\$8.20	\$215.49
Brooklyn Park	\$97.82	64.10	No	\$32.46	\$14.00	\$208.38
Minneapolis	\$121.78	70.86	Yes	--	\$14.00	\$206.64
Plymouth	\$89.12	49.10	No	\$32.46	\$4.58	\$175.26
Eden Prairie	\$111.58	50.30	Yes	--	\$8.00	\$169.88
Bloomington	\$91.06	54.02	Yes	--	\$7.50	\$152.58

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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

