

City Manager Budget Message



The Art of Creating Community

The 2014 theme for the State of the City and the City's publications, "The Art of Creating Community" highlights the significant element of art, creative thinking and imagining that goes into creating a quality community of choice. Over time, communities of choice grow and evolve in new and different ways as peoples' visions, interests and opportunities make things happen. Moving toward this vision will make our community competitive well beyond *Imagine Bloomington 2025*, our strategic plan, to a community we can all be proud to have been a part of.

The following pages present the City of Bloomington's Annual Budget for the Fiscal Year 2014 that connects the priorities and financial planning with community needs and expectations outlined in *Imagine Bloomington 2025*. Additional guiding principles employed during the budget process are designed to ensure that the City continues to meet the needs of residents while balancing the City's budget. During the 2014 budget process, the City Council again reviewed and ranked all of the major property tax-supported services. The Council also, utilizing the key objectives of *Imagine Bloomington 2025*, developed and ranked further strategic initiatives for possible funding in 2014 through 2017. Several of these initiatives were funded for 2014.

Strategic Direction

The City of Bloomington continues to move at a healthy pace toward its goals and objectives with regard to land use, housing, transportation, parks, environmental resources and safety. The City's organizational strength is evidenced in the quality and affordability of its services, financial strength and productivity of its operations. The strategic goals around which this budget is based include:

Organizational Strength - OS

- A balance of commercial and residential property values, resulting in one of the lowest property tax rates in Hennepin County.
- One-third of the city is set aside for parks and open spaces, including several parks of significance to the metro area.
- A major redesign of the City's website, BloomingtonMN.gov, which was last updated in 2006, will make the website more user-friendly and accessible.
- The City is partnering with Bloomington Theatre and Art Center (BTAC), Mall of America, the Bloomington Convention and Visitor's Bureau and others, to develop a plan to introduce public art projects to the South Loop District over the next two years.

Transportation – T

- An efficient and cost-effective street system, providing easy access to regional highways and sewer and water systems.
- Continued development of a unique Alternative Transportation Plan with a 2014 update of the original 2008 plan.

- Construction began last spring to prepare for future development in the South Loop Area. Lindau Lane is being lowered and a bridge deck is being constructed to connect further development of the Mall of America to the north to the Met Center property.
- Continued work by the Minnesota Department of Transportation on the 35W/494 Interchange which moves forward as funding is made available.
- Construction of the Hyland Multi-modal Trail, a new bike and pedestrian trail linking Hyland Park to the Bloomington Ferry Bridge river crossing.

Utilities – U

- Continued preservation of natural drainage systems and wetlands in the Nine Mile Creek and Minnesota River watersheds.
- Continue the “Green Streets for Blue Waters” program that includes development of rain gardens in conjunction with the City’s Pavement Management Program to improve surface water quality.

Housing – H

- A mix of owner-occupied and rental housing, which broadens the variety of housing options for growing families, as well as both younger and older adults.

Safety and Security – S

- Implementation of a new Citizen Alert system that sends time-sensitive emergency notifications directly to citizens’ home phones, cell phones and e-mail addresses.
- Continue proactive policing, targeting spots for crime deterrence.
- Explore the possibility of a new community center to bring the community together.
- Enhance support for members of the community as they age.

Land Use – LU

- Implementation of the South Loop District Plan to advance the area’s transformation beyond the Mall of America. The plan includes extending Lindau Lane to connect the Mall of America to Bloomington Central Station.
- Penn American and Normandale Lake District improvements.

Renewing Community

The City’s budget is aligned with implementation in three key growth districts to provide higher density, mixed-use and transit-oriented housing, hotel and commercial development for 2014. This strategy also has the effect of protecting and enhancing established single family neighborhoods. In 2013, Bloomington continued to thrive, as evidenced by the number of new businesses, hotels, restaurants, senior, rented and single family housing and academic institutions approved or constructed.

The City continues to see a healthy rate of growth and renewal as evidenced by the value of new building permits issued in 2013. The following projects, most directly meeting the City’s strategic renewal objective, were approved and are currently in the planning or implementation stages:

South Loop District

- The South Loop District Plan was approved by the City Council in 2012. The plan envisions a mixed-use urban density district that takes advantage of South Loop's unique location served by four Light Rail Transit stations. City acquisition of land parcels and receipt of transportation grants has helped facilitate construction of the Lindau Link between the Mall of America (MOA) and Bloomington Central Station and foster new development. Projects taking place in 2013 and continuing into 2014 include:
 - Lindau Lane grade separation - preparing for future phases north of Mall of America. A plaza over Lindau will connect to subsequent phases of the Mall of America.
 - Lindau Lane extension - creating a new, walkable street lined with storefronts between 24th and 30th Avenues.
 - 30th Avenue reconstruction between American Boulevard and East Old Shakopee Road - converting a private access to a public street that connects Lindau Lane to arterial streets north and south of Lindau Lane.
 - Local street way finding to help motorists determine the best routes to take when navigating the South Loop.
- Construction of three new hotels, one at Bloomington Central Station and one at the northeast corner of 24th Avenue and Lindau Lane and one in the MOA described below.
- Groundbreaking work is being completed on the next phase of the MOA from the north face of the current Mall up to the new bridge being constructed over Lindau Lane. This groundbreaking project will allow for an additional 342 room J.W. Marriott hotel and 100,000 square feet of additional retail and underground structured parking as well as multistory office buildings that will be constructed on top of the underground parking. This will complete Phase 1-C of the Mall's expansion.
- Bloomington continues to work with Mall of America on developing property located north of Lindau Lane. The City and Port Authority's development contract with the Mall of America Corporation (May 1988) sets out the terms for development of Phase II, including use of tax increment financing and public funding of infrastructure.

Normandale Lake District

- Covington Apartments on Green Valley Drive, just north of Normandale Lake Boulevard is nearing completion. The development includes 250 luxury rental apartments.
- The Luxembourg, a 282-unit luxury apartment development is under construction just west of Normandale Boulevard and north of West 84th Street. The apartment is anticipated to be ready for occupancy in late 2014/ early 2015.
- Developers are seeking City approval for a 100 – room Hampton Suites Hotel just west of Highway 100.
- Open Access Technology International is planning an office and data center at I-494 and Normandale Boulevard.

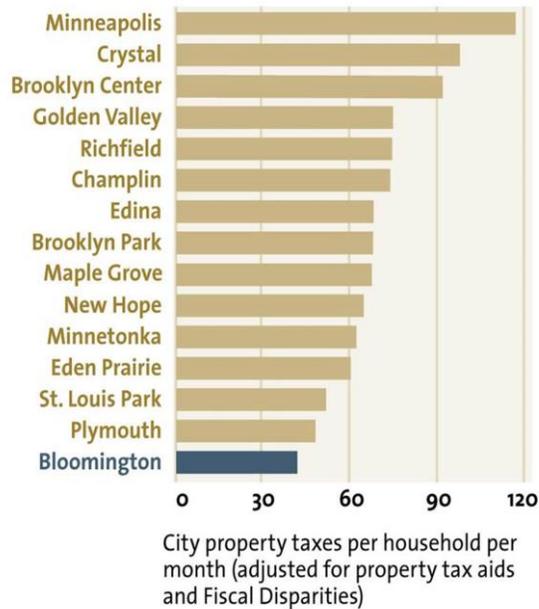
Penn American District

- Council adopted the overall Penn – American District Plan in January 2014 and is proceeding with rezoning to implement the plan’s vision.
- United Properties Penn-American District, Phase 2 begin in Spring 2014 and includes:
 - 108 room Hilton hotel with a restaurant and retail on first floor
 - Fresh Thyme grocery store
 - Underground and surface parking

Meeting Demands for Quality City Services

The City is continuing to meet the needs of its residents while finding ways to improve the quality of its services keep costs affordable and retain its cost competitiveness. In a 2013 comparison of 15 communities in Hennepin County with more than 20,000 residents, the average monthly single-family cost of services in terms of property taxes and property tax aids (when adjusted for Fiscal Disparities) showed Bloomington ranking the lowest. See graph below.

MEDIAN VALUED SINGLE FAMILY HOME COST OF PROPERTY TAX RELATED SERVICES PAYABLE IN 2013 (ADJUSTED)



To ensure Bloomington remains a vibrant, innovative and healthy community, the City Council reviews and prioritizes all property tax supported City services. See page 38. The most critical services, such as public safety and infrastructure, entail 70 percent of the City’s total expenditures. Community safety, planning and maintenance services as well as quality of life services, such as arts and recreation programs constitute approximately 15 percent each of homeowner’s monthly City property tax dollar. Many arts and recreation services generate significant user revenue. In addition, these services help reduce public safety costs and add to the health and well-being of all Bloomington residents.

Bloomington has strengthened itself as an employer of choice for top quality people. The City's financial strength and long-term strategy of staffing at levels it can carry through a normal economic downturn allows the City to continue to maintain its current quality service levels.

Retaining Excellent Financial Integrity

The City continues to make efforts to stabilize taxes through long-term strategic budgeting, systematic replacement of assets and establishing transitional reserves that allow for refinements to temper unexpected circumstances, as necessary. Strong financial management through such planning has resulted in numerous acclamations from our external auditors and financial advisors. Bloomington is one of only 27 cities nationwide to obtain three triple-A bond ratings. The City maintains triple-A ratings from Moody's, Standard & Poor's and Fitch Ratings, the highest bond ratings awarded by those agencies. According to the agencies, Bloomington's triple-A status reflects the City's healthy economic growth, conservative fiscal management and manageable debt burden.

Local Outlook

Taking the Long View in Community and Organizational Development

During the 1990s, Bloomington began modeling the economic cycles traditionally found in market economies and developed strategies to deal with economic downturns. The City now creates a five-year General Fund financial model and 10- to 15-year models for other funds. This type of modeling allows the City to see which reinvestments and renewals are needed and what level and manner of services to provide over the long term as well as context for its more strategic policy decisions in terms of their longer term impact. Modeling also allows the City to respond in the short term and make the necessary changes to deal with economic cycles and the impacts of some strategies long-term effects. These strategies, particularly improving quality while remaining cost competitive and effective, are not only used during downturns, but during good times as well. The City's strong financial position, coupled with long-term budgeting strategies, help us manage in good and bad economic times. This allows the City to take advantage of the lower commodity prices in the downturn, which contributes to Bloomington being cost competitive in comparison to similar cities in Hennepin County.

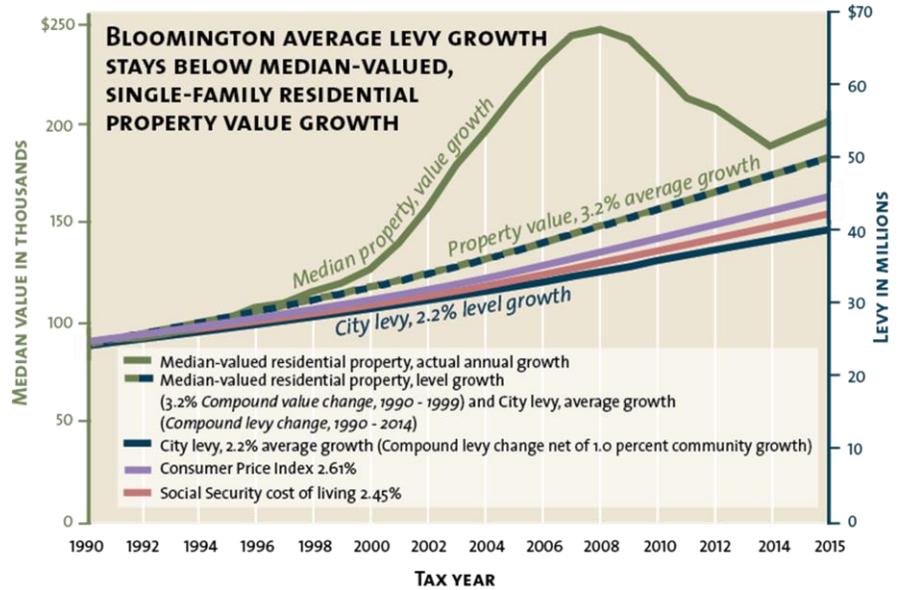
Bloomington Housing Market

The value of the median home now matches what it was in 2003. In the past 14 years, even factoring in the declines of the past six years, the median home value has increased an average of 2.9 percent per year. A strong development cycle for office and hotel properties from 2009 through 2013 helped to offset some of the weakness in the residential market during this time period. In 2014, the City expects commercial and industrial values to continue to stabilize, with very good prospects for additional new development to begin. The residential market has strengthened significantly and will again be a contributing factor to tax base growth.

General Fund Support through Property Tax

The City set a goal to maintain a property tax levy increase that is not greater than inflation plus community growth. Since 1990 the City's annual average levy growth has been less than 2.3 percent on existing properties

with an annual average additional community growth beyond inflation on existing properties of 1 percent. Even with the recent downturn in housing values, the City's levy plus community growth is far below the appreciation of property values since 1990.



Key Budget Opportunities

The 2014 Budget Analysis of key organizational budget opportunities is as follows:

Property Tax Changes and Impact

The City Council, in evaluating its property tax levy for 2014, looked to its 2014 budget objective of keeping the monthly property tax supported cost for the median value home of \$188,000 at \$67.82, essentially the same level since 2010.

Health Insurance

The City's Insured Benefits Fund is modeled out 10 years. While the City did receive a zero percent lock in for its 2012-2014 health insurance contract, it has utilized modeling to budget for longer term rate increases. The City has a rate guarantee not to exceed 15 percent for 2015.

Pavement Management Program

The Pavement Management Program that was started in 1992 completed its first 21 years in proactively managing the City's streets. In 2014, the City levied just under \$900,000 for the overlay portion of its Pavement Management Program (PMP), which is a funding and implementation plan for repair, maintenance and reconstruction of Bloomington roadways. In addition, approximately \$2 million is levied for debt service on the reconstruction portion which is funded by ten-year bonds. After needs are identified, funding is provided through State aids, assessments and the City's annual levy. The City will continue to utilize accumulated fund balances to support the planned number of overlay miles.

Staff Changes

Two additional staff are added in Community Development for nuisance ordinance enforcement. This area was ranked a high priority by the City Council on a list of neighborhood initiatives. An additional Recreation Supervisor is added to help run the Art Center and a nurse position is removed from Public Health to coincide with the end of grant funding.

Council 2014 Budget Policy Decision

While early modeling showed a preliminary levy in excess of community growth plus inflation, work during the budget process, based on Council direction, Council ranking of City services and improving economically sensitive revenues, resulted in a preliminary levy increase of 3.22 percent for 2014. A slate of community initiatives was included in the preliminary levy. The City Council ranked these initiatives for funding.

2014 Property Tax Levy and Budget Recommendation

At a September 2013 meeting, the City Council, in adopting its property tax levy of \$48,143,066, achieved its 2014 budget objective of keeping the monthly property tax supported cost for the median value home of \$188,000 at \$67.82, essentially the same level since 2010. It also approved a preliminary general operating fund budget of \$61,527,748, a 3.08 percent increase from the 2013 budget.

Adopted Budget

Between September and December 2013, the Council was able to reduce the proposed levy increase from 3.22 percent to 3.02 percent. The increase results in a \$48,049,784 levy. The General Fund Budget now is \$61,452,110, a 2.96% increase. Other fund budgets, including Enterprise, Internal Service and Special Revenue funds, were approved by the City Council in October 2013 through December 2013.

Conclusion

The budget for fiscal year 2014 is a strong financial plan that continues to move Bloomington toward its long-term goals. Bloomington is at the top of the class for financial strength and stability and ranked very well by its residents in many of its aspects. As one of only 27 cities out of more than 19,000 municipal governments in the U.S. that has achieved triple-A ratings from all three credit rating agencies it uses its resources strategically in its efforts to move the city closer to its *Imagine Bloomington 2025* vision of being a healthier, more sustainable community with a variety of recreation opportunities, housing alternatives, quality services and revitalized commercial areas, will continue to be a priority for 2014 and beyond.



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