

City Manager's Budget Message



The Shape of Things to Come

The 2015 theme for the State of the City and the City's publications, "The Shape of Things to Come" highlights the significant development and redevelopment happening throughout Bloomington.

As a community ages, so does its infrastructure. Much of Bloomington's infrastructure, including streets, utilities and more, was built decades ago. The City has many programs in place to address aging infrastructure, including the Pavement Management Program that strategically plans for and implements the repair and replacement of streets, and the Comprehensive Asset Management Program. Updating commercial areas also plays a major part in revitalizing the city. Infrastructure improvements are being planned or constructed in the city's South Loop, Normandale Lake and Penn American districts.

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 2015 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 2015 budget process, the City Council again reviewed and ranked all of the major property tax-supported services. The Council used the objectives of *Imagine Bloomington 2025* to rank strategic initiatives for possible funding in 2015 to 2017. A few of these initiatives are funded for 2015.

Strategic Direction

The planning and public infrastructure groundwork the City of Bloomington completed during the downturn years is paying dividends now. Bloomington residents and businesses are seeing the shape of the future as land use, housing, transportation, open space and public safety objectives are achieved. The City's stakeholders enjoy high quality, affordable services, a financially strong organization and productive City operations. This budget is built around these strategic goals:

Organizational Strength - OS

- A balance of commercial (53% of total) and residential (47% of total) 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 that have metropolitan significance.
- A major redesign of the City's website, BloomingtonMN.gov, last updated in 2006, makes the website more useful.
- 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 that introduces public art projects to the South Loop District.

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 2015 update of the original 2008 plan.
- Construction began last spring to prepare for future development in the South Loop area. Lindau Lane has been lowered and a bridge deck constructed to connect further development of the Mall of America to the north to the Met Center property. Work continues on the extension of Lindau Lane to the east which is expected to be completed in 2015.
- Preliminary design work on the 35W/494 Interchange was completed in 2014. Funding for the first phase of the project, the northbound to west ramp and Orange Line BRT Station will be sought in 2015.
- Bids will be received in early 2015 and construction started for the Old Cedar Avenue Bridge renovation project.

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 dedicates resources to implement plans for three key growth districts to provide higher density, mixed-use and transit-oriented housing, hotel and commercial development. This development district strategy also has the effect of protecting and enhancing established single family neighborhoods. In 2014, Bloomington continued to thrive, setting a record for the value of building permits issued in a year. Hotels, retail, senior housing, single family housing, rental housing and office buildings broke ground in 2014.

The following projects, most directly meeting the City’s strategic renewal objective, were approved and are currently under construction:

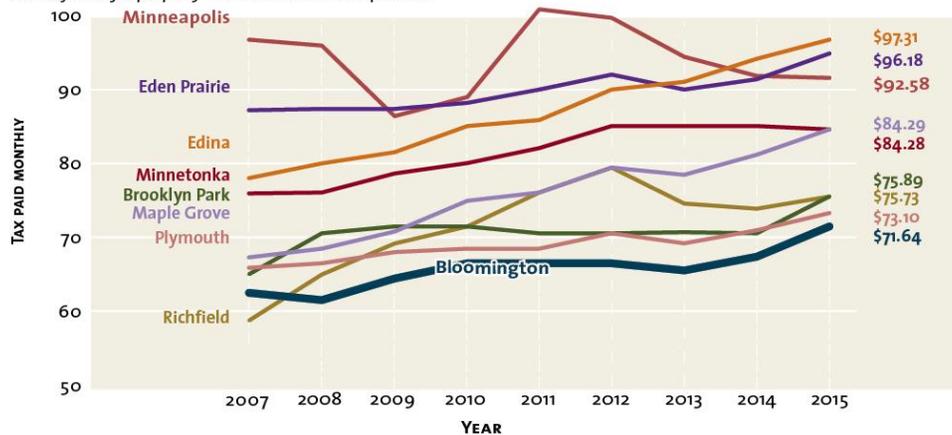
- The Mall of America (MOA) expansion including 127,000 square feet of retail and 34,000 square feet of restaurant space, a 180,000 square foot office tower, a 342-room JW Marriott hotel and two levels of underground parking
- A 118-room extended stay Marriott Towne Place Suites Hotel
- A 303-room Hyatt Regency Hotel at Bloomington Central Station
- A Hard Rock Café in the Mall of America
- Toro’s 75,000 square foot office headquarters expansion
- Penn American District Phase II including a 107-room Home2 Suites by Hilton Hotel, 37,700 square feet of retail including a Fresh Thyme grocery store, a 200-seat restaurant and one level of underground parking
- A two-story Luther Infiniti auto sales and service facility
- A 37,000 square foot Ski Chalet at the Hyland Ski and Snowboard Area
- A 100-room Hampton Inn & Suites hotel in the Normandale Lake District
- Open Access Technology International South Campus, a 110,000 square foot office building and data center
- Applewood Pointe at Valley West, a 77-unit independent senior housing cooperative
- The Summit at Chelsea Ridge (Rahr subdivision), 15 single-family lots.

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 2015 comparison of communities in Hennepin County with more than 20,000 residents, the monthly single-family cost of services for the median-value home in terms of property taxes showed Bloomington ranking the lowest. *See graph below.* Note that Bloomington compares even more favorably when adjusted for State provided property tax aids to cities and the Fiscal Disparities program.

CITY PROPERTY TAX ON MEDIAN VALUE SINGLE-FAMILY HOME

Not adjusted for property tax aids and Fiscal Disparities.



To ensure Bloomington remains a vibrant, innovative and healthy community, the City Council reviews and prioritizes all property tax

supported City services. See page 36. 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 budgeting, systematic replacement of assets and establishing strategic 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

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 lower commodity prices in the downturn, which contributes to Bloomington being cost competitive in comparison to similar cities in Hennepin County.

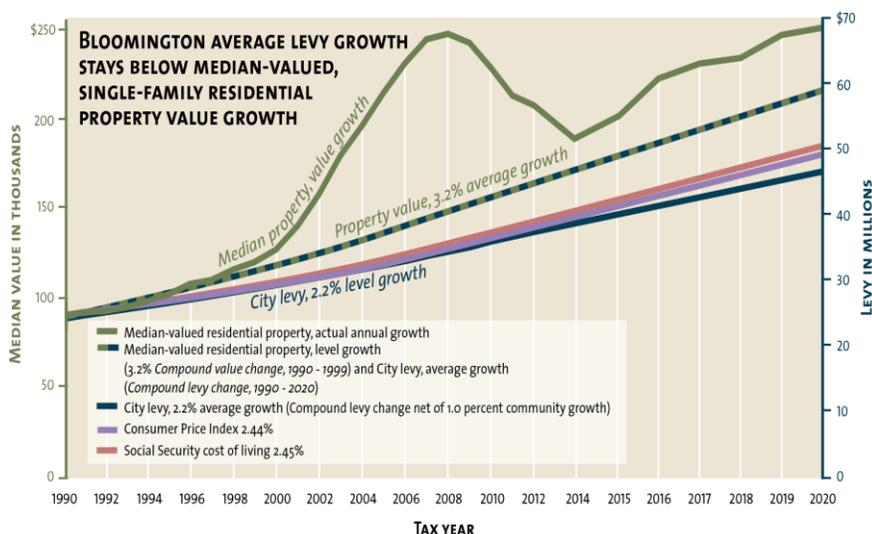
Bloomington Housing Market

The value of the median home rose 10 percent in 2014 and is now nearly back to the level it was at in 2004. In the past 15 years, even factoring in the declines from 2008 through 2013, the median home value has increased an average of 3.4 percent per year. A strong development cycle for office, hotel and retail properties is currently underway, and there is also significant price appreciation in the real estate markets for the highest class

of commercial properties. In 2015, the City expects strength from all property types leading to continued tax base growth.

General Fund Support through Property Tax

The City Council approved a general operating fund budget of \$63,990,682, a 4.13 percent increase from the 2014 budget. The City uses multiyear modeling to track revenue and expenditures to predict upcoming trends for 2015. City staff also uses a five-year planning model that considers both the short-term and future needs of the community to recommend a preliminary levy. In providing quality City services that meet public demand, the City continues to be cost effective.



Key Budget Opportunities

The 2015 Budget analysis of key organizational budget opportunities is as follows:

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 2015, the City levied just over \$950,000 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

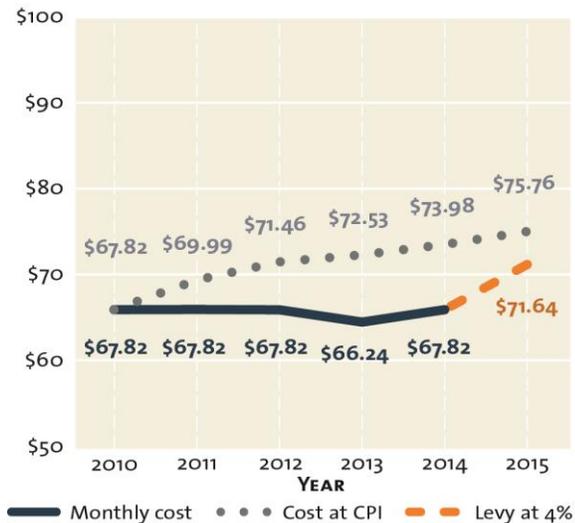
One additional employee is added in Motor Vehicle Licensing. This enterprise fund is adding additional services and needs an additional employee to maintain acceptable wait times.

Council 2015 Budget Policy Decision

2015 Property Tax Levy and Budget Recommendation

After months of budget meetings, the City Council adopted a property tax levy increase of four percent to \$49,971,775. This means the monthly cost of tax-supported services for the owner of a \$206,900 median value home is \$71.64 for 2015. Four out of the past five years this cost was \$67.82. The increase of \$3.82 from 2014 is the result of a shift in tax base value from commercial properties to residential properties. From 2013 to 2014, the median valued home increased from \$188,000 to \$206,900, a growth of 10 percent. Commercial values grew an average of one percent during this same timeframe. This differential increase in value results in residential properties paying a larger share of the property tax levy.

PRELIMINARY LEVY AND MEDIAN MONTHLY COST VS. CPI



Conclusion

The budget for fiscal year 2015 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. Economic growth, community vitality and fiscal strength will continue to be priorities for 2015 and beyond.