



City of Bloomington

2012 Preliminary Tax Levy and General Fund Budget Agenda item 6.2 & 6.3

September 12, 2011

City of Bloomington Community Vision



To build and renew the community by providing services, promoting renewal and guiding growth in an even more sustainable, fiscally sound manner.

City of Bloomington Mission Statement



“A professional, productive, learning organization that builds and renews the community by providing quality services at an affordable price.”

Strategic Goals



- | Encourage Sustainable Land Use
- | Support Transportation Improvements
- | Guide Higher Density Mixed Use Transit Oriented Development Where Appropriate
- | Effectively and Efficiently Engage Resources and Continually Improve Quality
- | Maintain a Sustainable Organization

Achieve An Even More Financially Sustainable Organization

- | Developed Downturn Strategies in the late 1990's.**
- | Staff services only at the level that can be carried through a normal downturn.**
- | Used these Strategies successfully in the downturn in the early 2000's and returned to normal prior to the most recent downturn/recession.**
- | Anticipated Current Downturn - starting utilization of these Strategies since 2008.**

What's Happened?



- | General Fund Budget for 2010
 - \$54,759,553 in 2009,
 - \$54,710,503 in 2010
 - **Decrease of .09%**
- | General Fund Budget for 2011
 - \$54,710,503 in 2010,
 - \$54,436,064 in 2011
 - **Decrease of .52%**
- | General Fund Budget for 2012
 - \$54,436,064 in 2011
 - Recommended \$56,606,097 for 2012
 - **Increase of 3.99%**

What's Happened?



| Local Governmental Aid

- No LGA since 2003

| New for 2012 is the Market Value Homestead “exclusion” (no longer a credit)

- Thru 2011 the State did not pay \$11 million of MVHC to the City

§

Proposed 2012 General Fund Revenues



	Adopted 2011	Proposed 2012	Change In Budget
Property Tax (net)	\$35,607,226	\$37,590,304	
Hotel/Motel Adm. Tax	6,325,000	6,451,500	
Bus. Lic. & Permits?	1,550,000	1,631,521	
Non. Bus. Lic. & Permits	2,242,000	2,301,600	
Court Fines & Forfeits	1,200,000	1,230,000	
Program Income	2,019,351	2,017,935	
Intergovt. Revenue	2,154,032	2,053,975	
Interest Earnings	280,000	287,000	
Transf. from Other Funds	2,595,566	2,498,084	
All Other	462,889	544,178	
	\$54,436,064	\$56,606,097	3.99%

Proposed 2012 Expenditures



	Adopted 2011	Proposed 2012	Est. change in budget
City Council/Commissions	\$527,384	\$542,942	
City Manager	325,963	344,409	
Legal	1,132,400	1,158,904	
Human Resources	689,838	698,547	
Finance	958,177	1,032,334	
Police	20,339,481	20,758,639	
Fire	2,684,717	2,854,853	
Community Development	6,195,991	6,412,103	
Community Services	8,856,769	9,052,130	
Public Works	11,898,966	11,922,468	
Technical Services Group	2,404,070	2,515,030	
Offset for Est. Unspent	(3,364,042)	(2,517,351)	
Contingency	1,411,350	1,451,089	
Transfer Out	375,000	380,000	
	\$54,436,064	\$56,606,097	3.99%



2012 Preliminary Tax Levy

Recommended at: **-.25%**

General Fund	\$38,265,320
Debt Service	3,726,187
Recreation Facilities	1,173,587
PMP	930,219
Tax Abatement	<u>346,058</u>
Total Levy	\$44,441,371

Factors Impacting Individual Property Taxes

- | State
 - Ø Tax Classification Changes
 - Ø Market Value Homestead Credit
 - Ø Fiscal Disparities
- | Market value changes within and between property classifications
- | Property tax levy amount
- | Budget changes at County, School and City

Dividing up the Dollar 2011

(Residential - includes school referendum)



33¢ Hennepin County

29¢ City of Bloomington

29¢ Bloomington School District

9¢ Other agencies

Dividing up the Dollar 2011

(Commercial/Industrial - includes school referendum)



32¢ Fiscal Disparities

27¢ State General Tax

14¢ Hennepin County

12¢ City of Bloomington

11¢ Bloomington School District

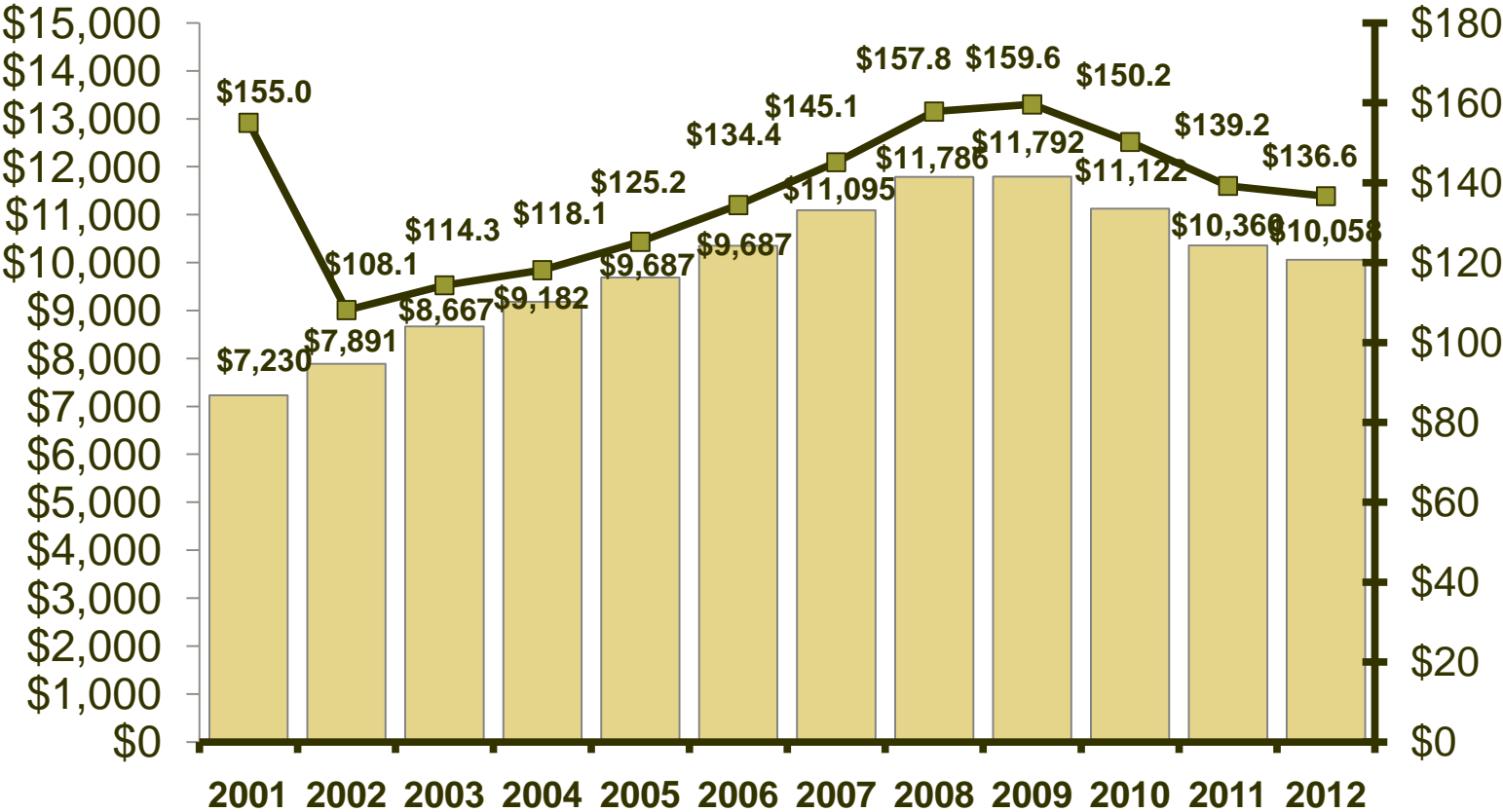
4¢ Other agencies

City Share of Property Tax Costs



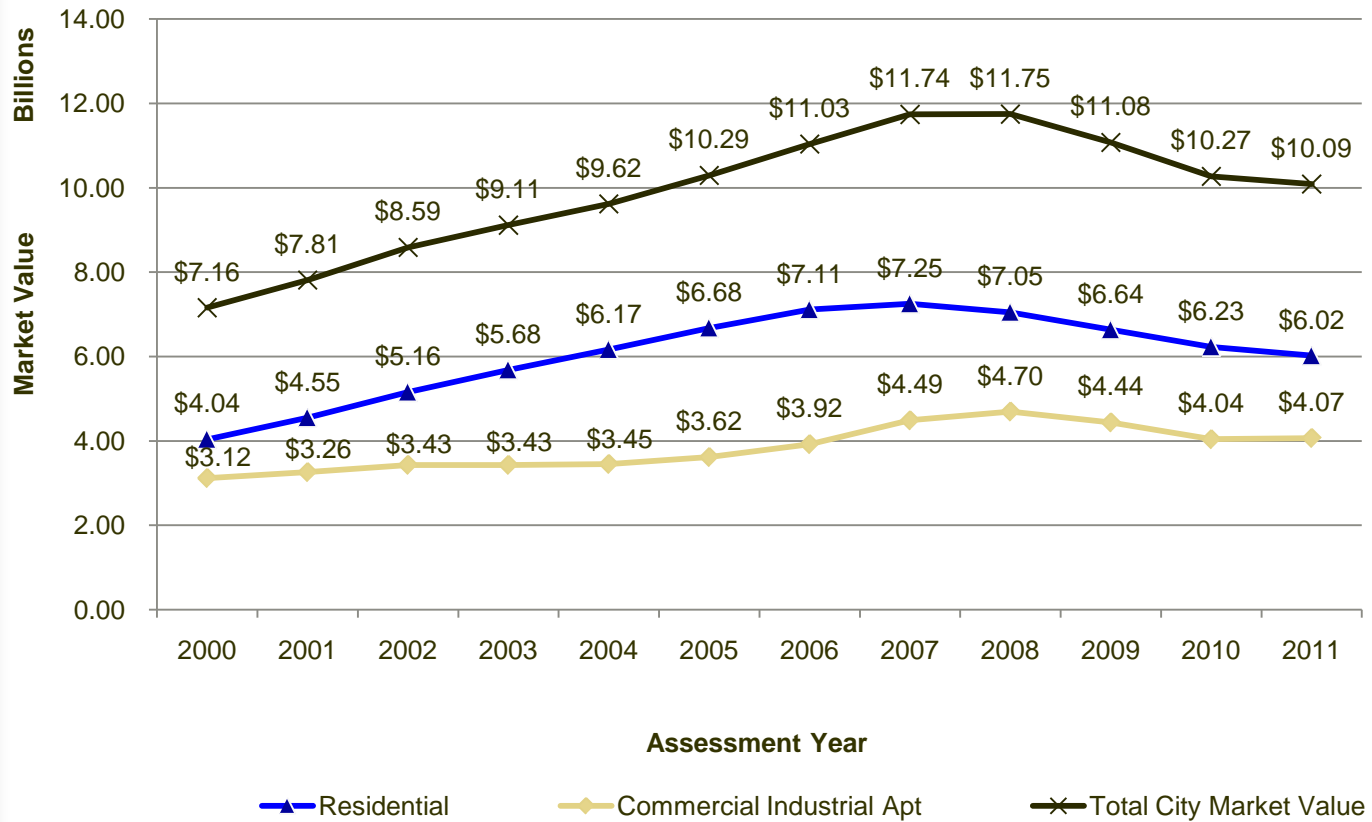
	<u>Median Home</u>	<u>Average Home/PerLot</u>
Pay 2010	\$67.82	\$78.01
Pay 2011	\$67.82	\$79.73
Pay 2012	\$67.82	\$78.58

Total City Market Value and Tax Capacity By Tax Year (\$ in millions)

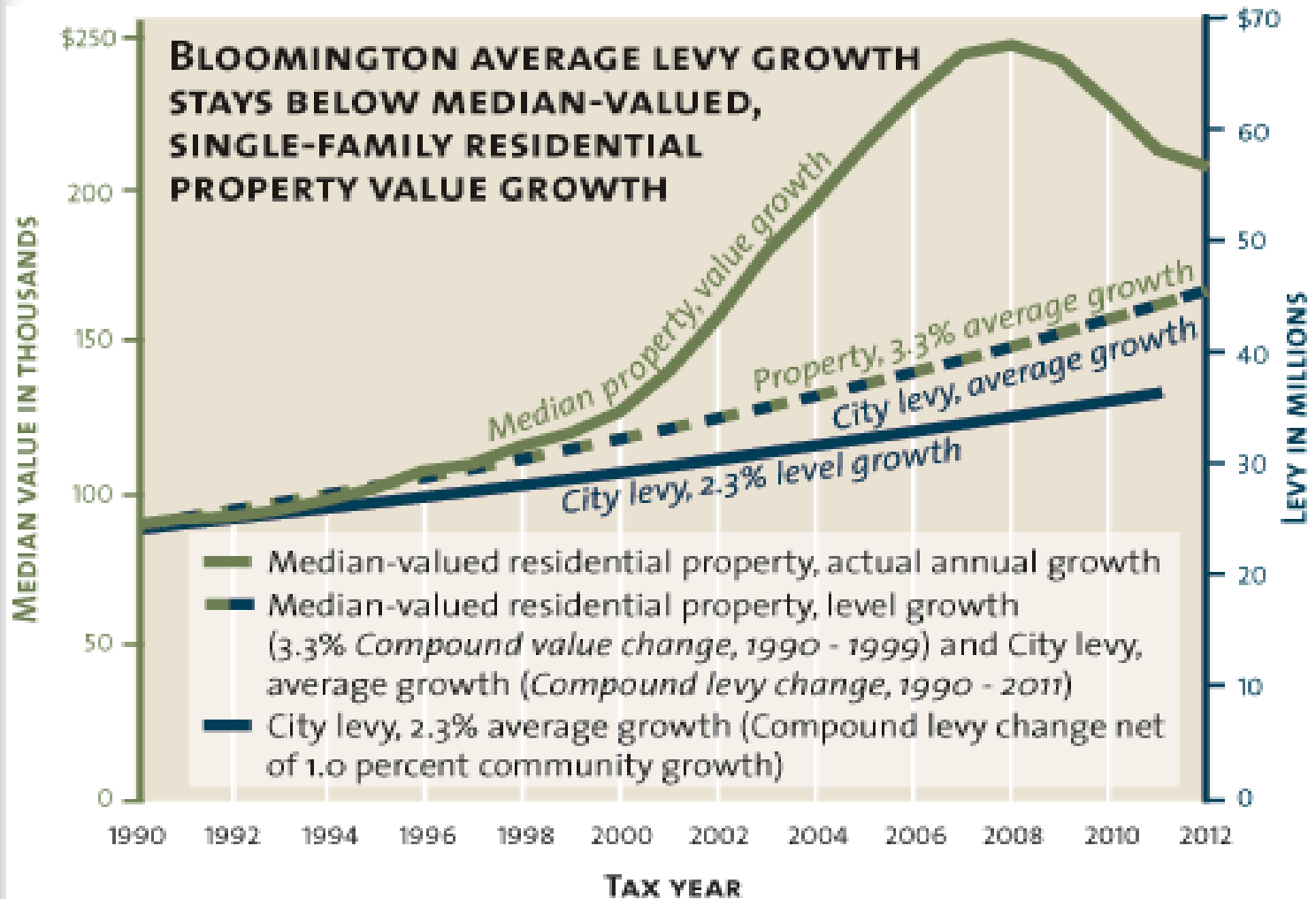


Market Value Tax Capacity

Real Property Market Value



Average Levy Growth



Community Comparisons

City Service Comparisons



| City Services to Homes Independent of Property Value

- | Police and Fire send same response services and same prevention regardless of size of property
- | Public Works provides the same level of snow removal, street repair and maintenance to a home regardless of size
- | Parks Maintenance and Parks and Recreation services are a function of who uses them

Community Investment and Renewal Costs



**| Older Communities have larger
community renewal and
infrastructure replacement
costs**

Community Comparisons



- | **Bloomington lowest or among the lowest in all 5 of the following Community Comparisons**

Looking at Comparison From Several Perspectives



- | **Average Valued Single Family Home ~ Cost of City Services (Not Adjusted for Aids)**
- | **Average Valued Single Family Home ~ Cost of City Services (Adjusted for Aids)**
- | **Median Valued Single Family Home ~ Cost of City Services (Not Adjusted for Aids)**
- | **Median Valued Single Family Home ~ Cost of City Services (Adjusted for Aids)**
- | **Average Household ~ Cost of Services (Adjusted for Aids)**

Average Single Family Taxes



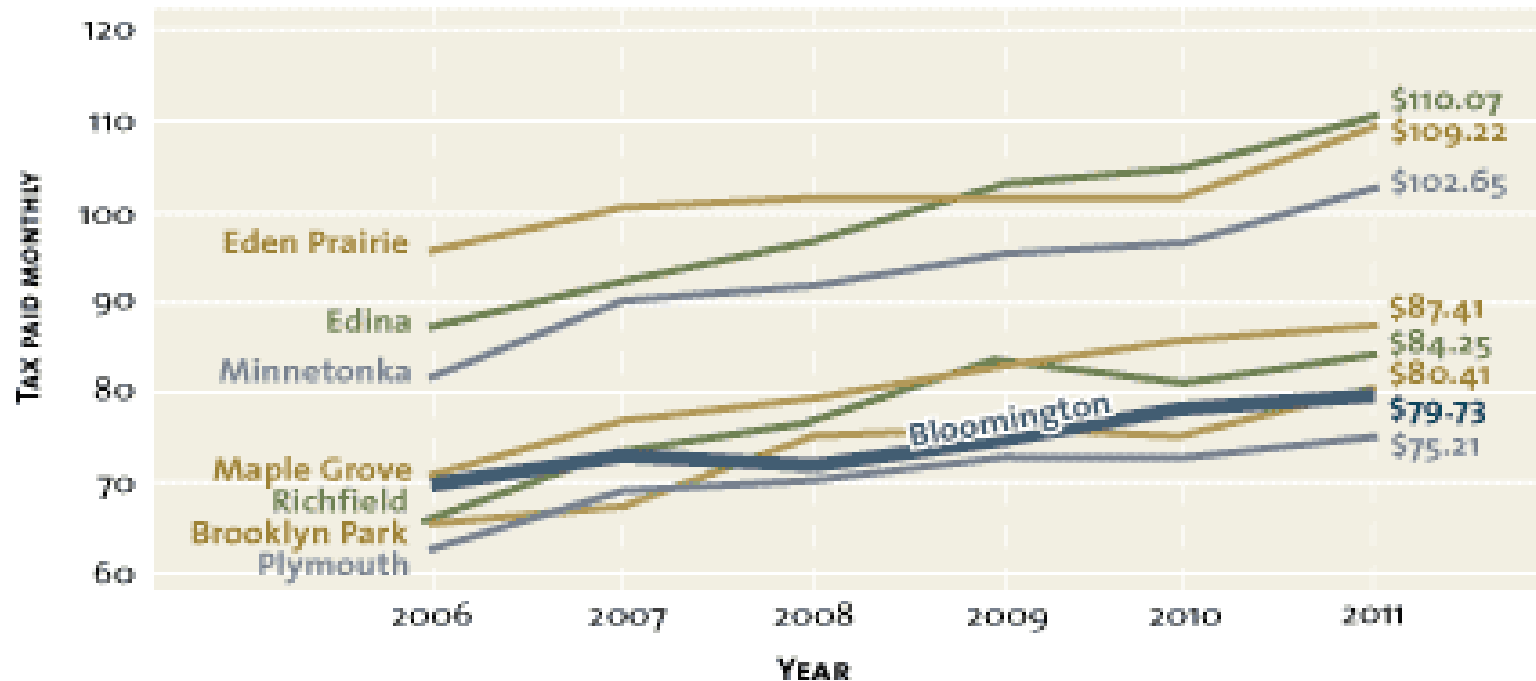
$$\frac{\text{Total City Taxes Paid by all Single Family Residential Properties}}{\text{Total Number of Single Family Homes}} = \text{Annual City Taxes per Single Family Home}$$

$$\frac{\text{Annual City Taxes per Single Family Home}}{12 \text{ Months}} = \text{Monthly Average Single Family Home City Taxes}$$

Single-Family City Tax Share Comparison – (Not Adjusted)



Not adjusted for property tax aids and Fiscal Disparities.

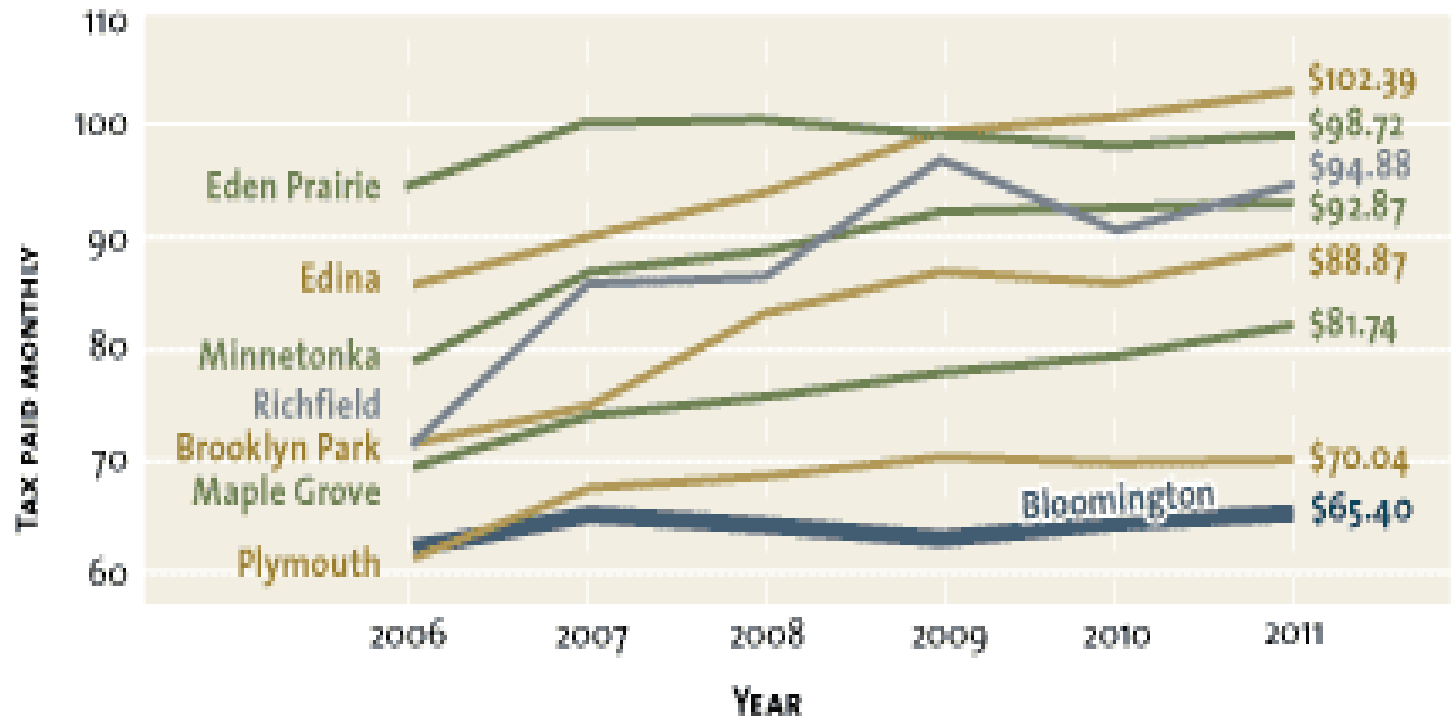


Single-Family City Tax Share Comparison – (Adjusted)



PROPERTY TAX AND AIDS COSTS PER SINGLE-FAMILY LOT

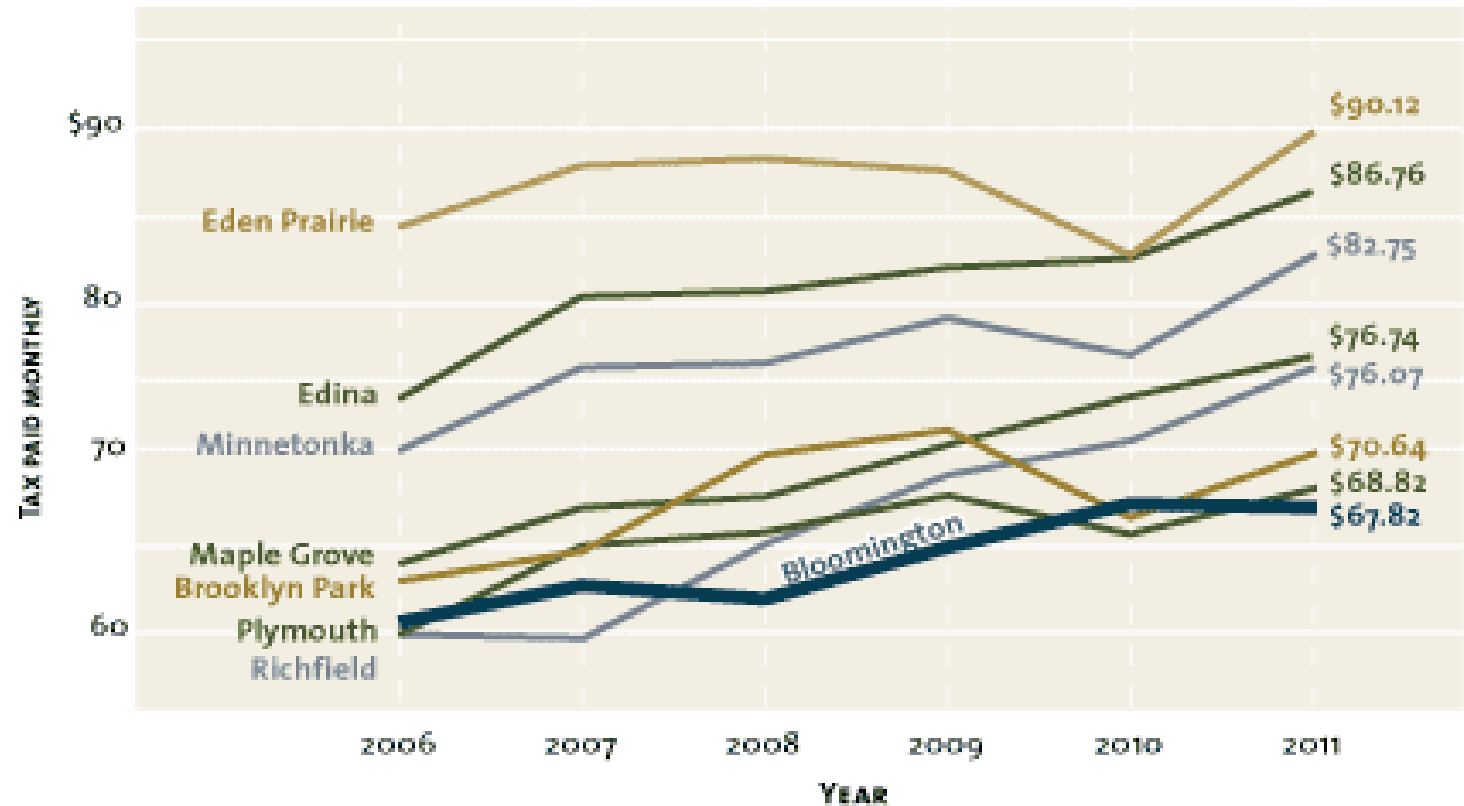
Adjusted for property tax aids and Fiscal Disparities.



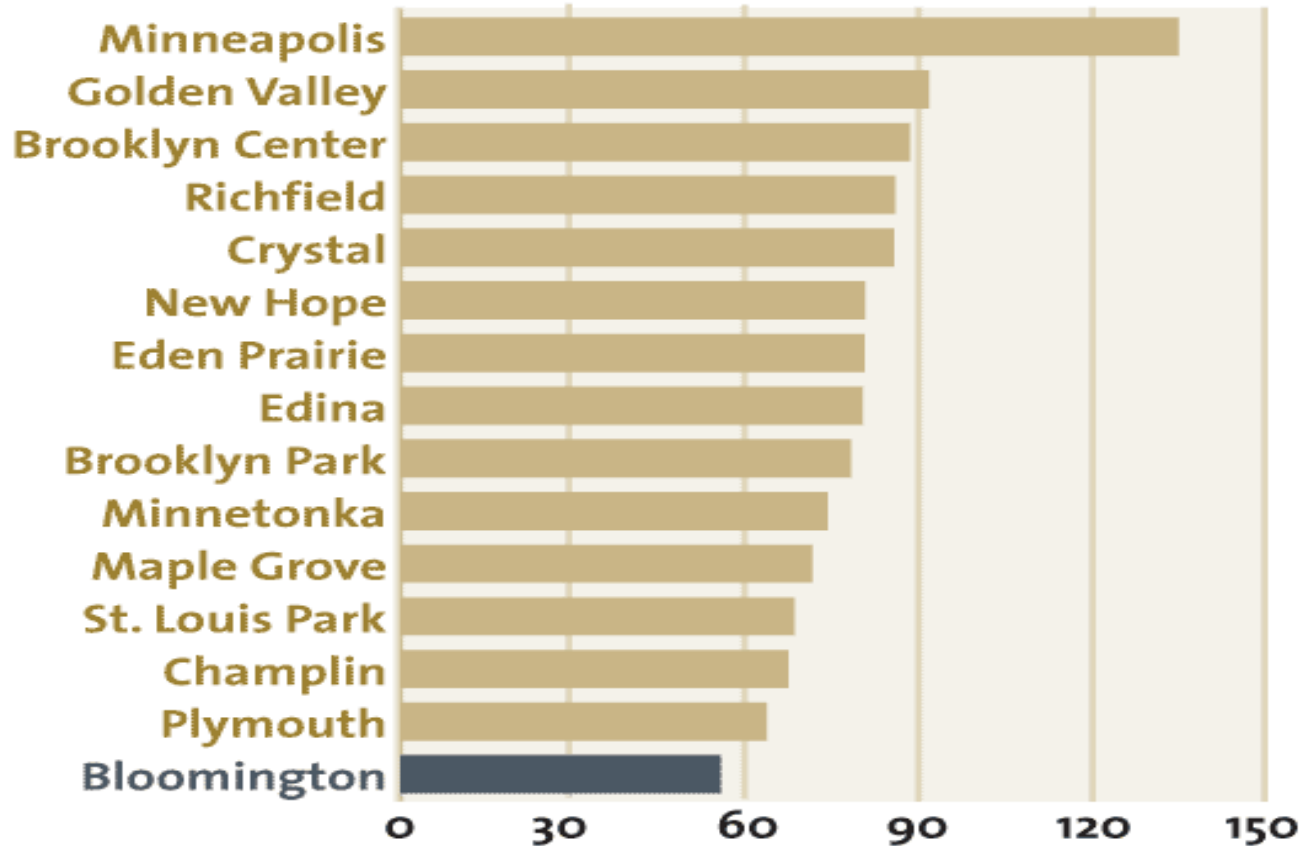
City Tax on Median Single-Family Value Home – (Not Adjusted)



Not adjusted for property tax aids and Fiscal Disparities.

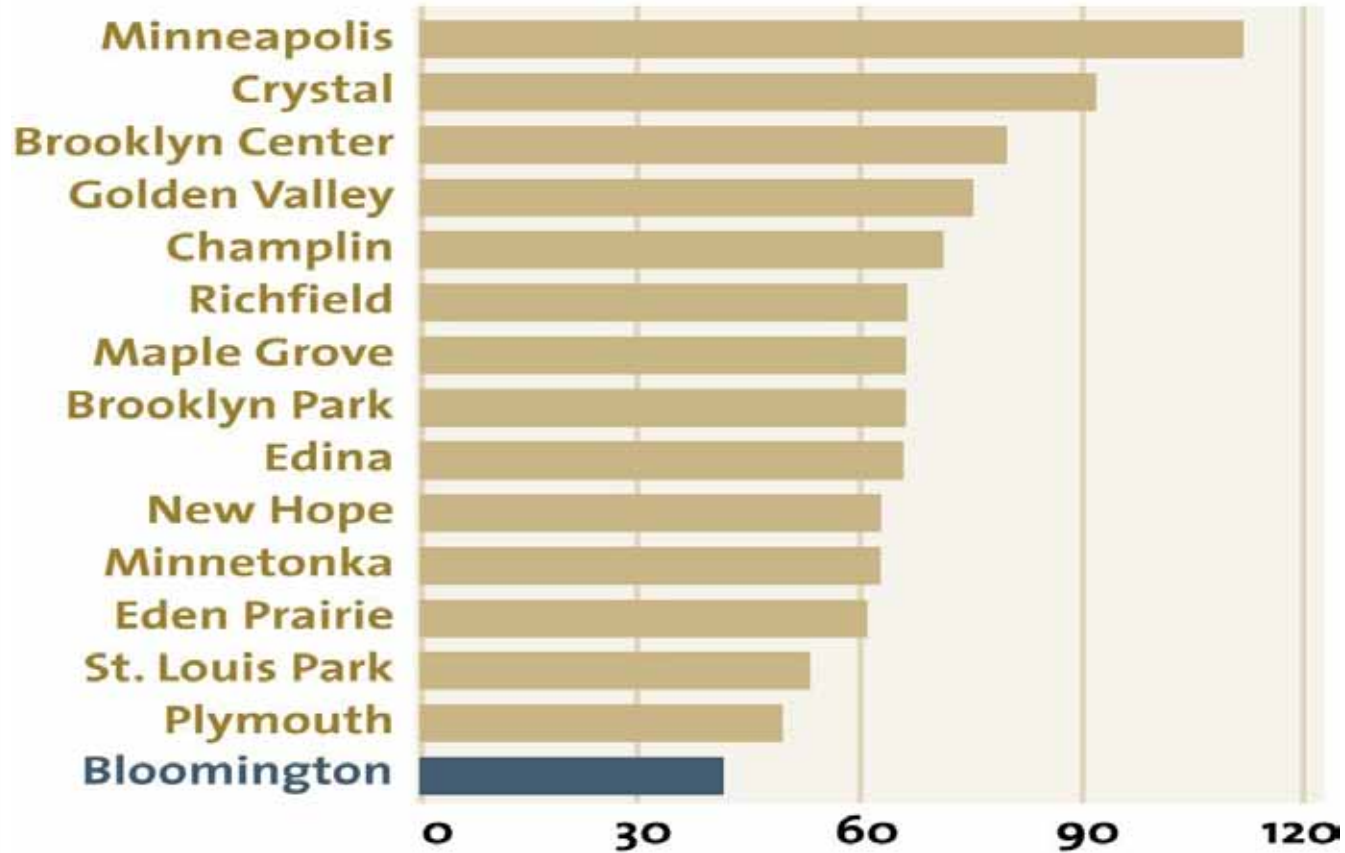


Median Value Single Family Home Cost of Property Tax Related Services Payable in 2011 (Adjusted)



City property taxes for median value single-family home per month (adjusted for property tax aids and Fiscal Disparities)

Average of All Household Cost of Property Tax Related Services in 2010 (Adjusted)



City property taxes per household per month (adjusted for property tax aids and fiscal disparities)

Recommended 2012 Preliminary Levy

- I Recommend adopting the 2012 Preliminary Levy at:
\$44,441,371 a decrease of **-.25%**

General Fund Budget

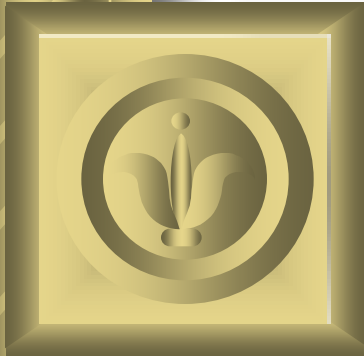
- I Recommend adopting the 2012 General Fund Budget at
\$56,606,097 3.99% increase

Next Steps



- I Taxation Public Hearing Schedule
 - December 5, 2011

- I 2012 General Fund Budget and Final Levy Adopted
 - December 19, 2011



Council Questions

Est. Levy 2013-2017



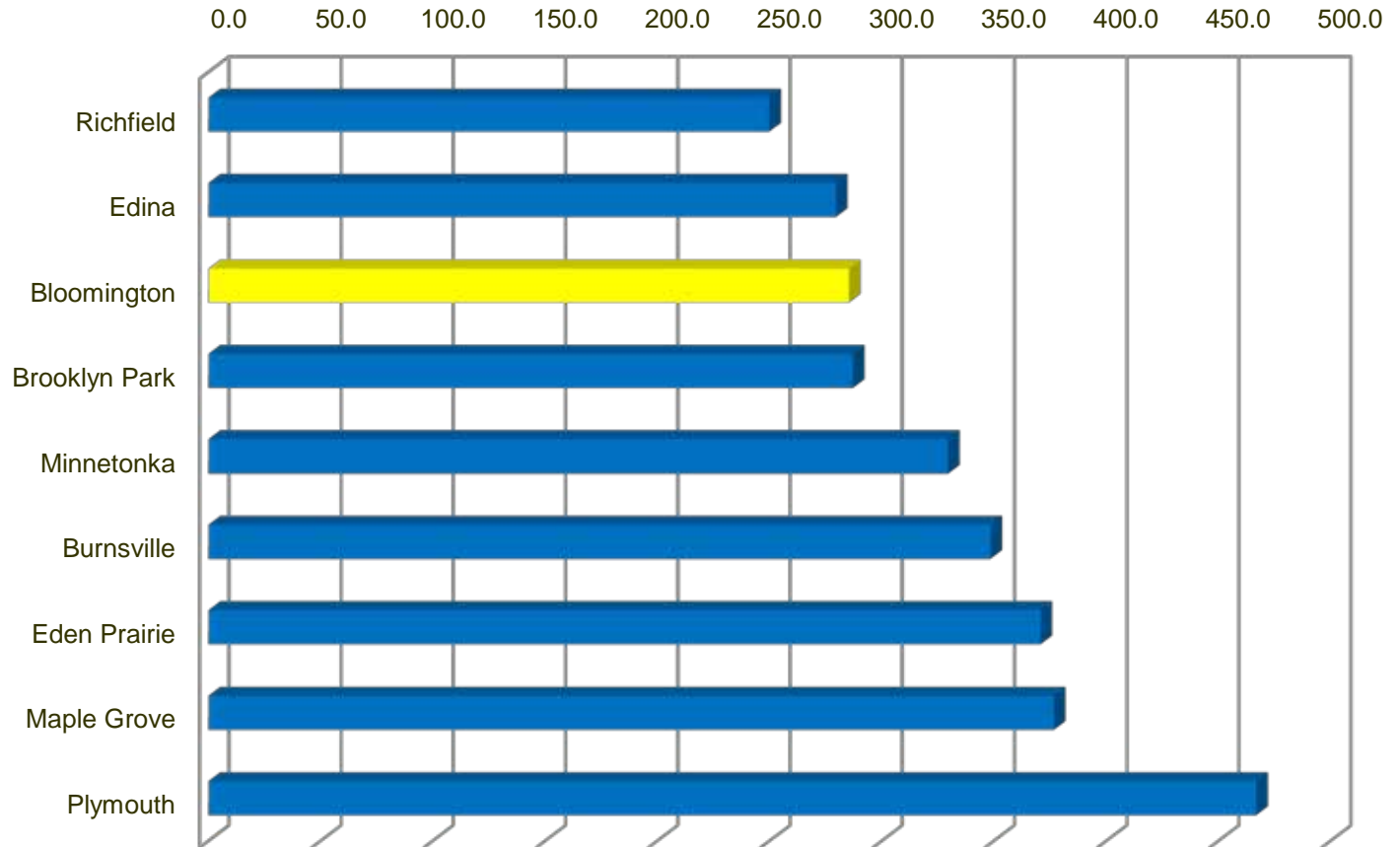
Financial Modeling-	2013	2014	2015	2016	2017
Estimated Property Tax Levy	4.96%	4.56%	3.90%	3.03%	3.04%

Full-Time Employees Wages & Benefits – 2010 & 2011

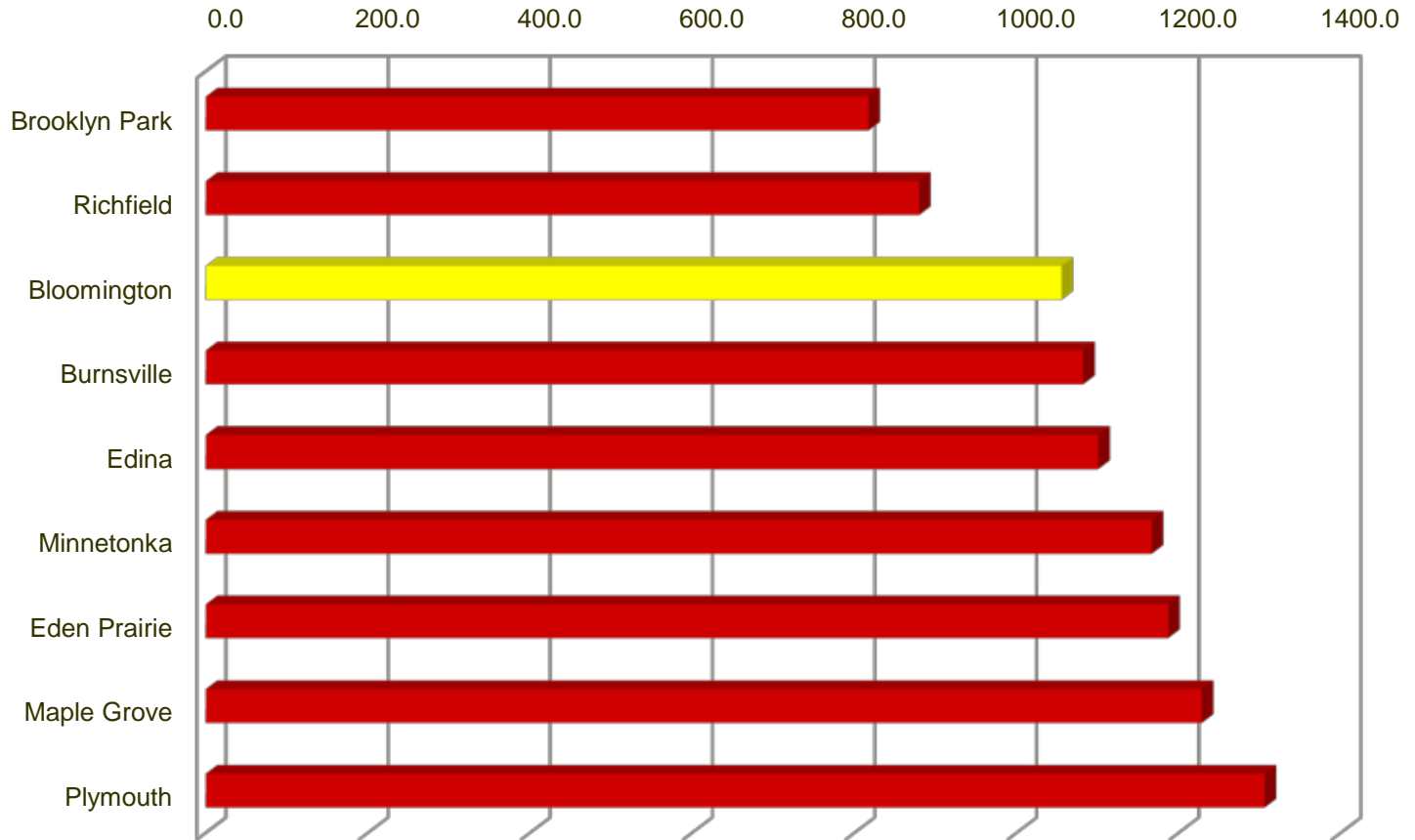


DESCRIPTION	2010 ORIG. BUDGET AVERAGE/MEAN	2010 MEDIAN	2011 ORIG. BUDGET AVERAGE/MEAN	2011 MEDIAN
FTE WAGES/SALARY	66,827	63,000	68,620	63,912
BENEFITS				
FICA/Medicare (1)	3,770	4,820	3,801	4,889
PERA (2)	5,547	4,410	5,840	4,634
Life Insurance	64	64	60	60
LTD Insurance	214	214	217	217
Health Insur.	11,702	11,702	12,152	12,152
Dental Insur.	731	731	747	747
TOTAL BENEFITS	22,028	21,940	22,817	22,700
TOTAL SAL+BEN.	88,855	84,940	91,438	86,612
Authorized Positions	569	569	569	569
Noted Differences in the Benefit amounts listed above:				
(1) FICA/Medicare:	Generally public safety employees do not pay into FICA/Medicare and the Orig Budget amount reflects that impact.			
	The "Median" employee is assumed to be non-public safety, the FICA rate is calculated at 7.65%.			
(2) PERA	There are two separate State PERA plans the City is required to pay into and the Original Budget amount reflects the impact of these two plans.			
	The "Median" employee is assumed to be non-public safety and the PERA rate is calculated for 2010 at 7.0% and for 2011 at the rate of 7.25%.			

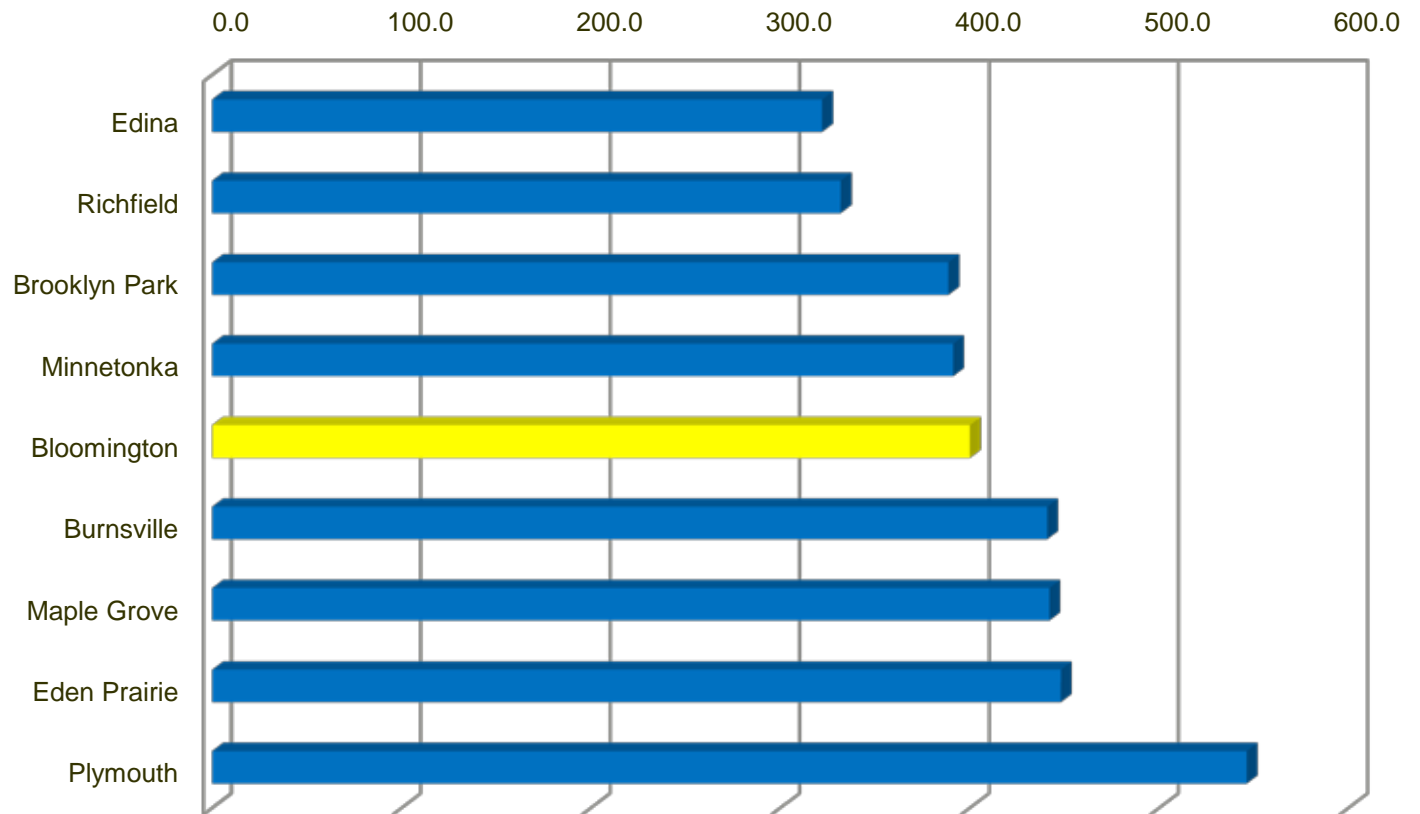
Household Share – Employee's Per Capita



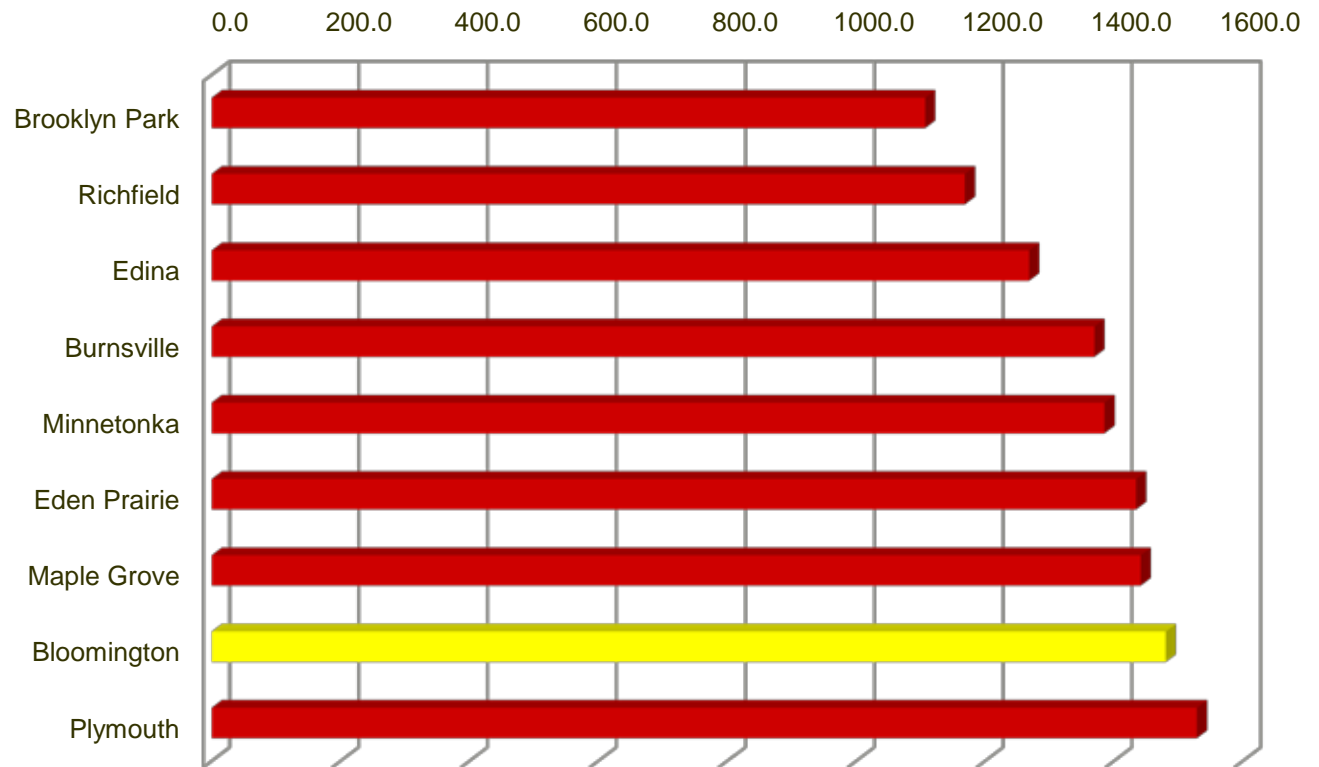
Household Share – Officer's Per Capita



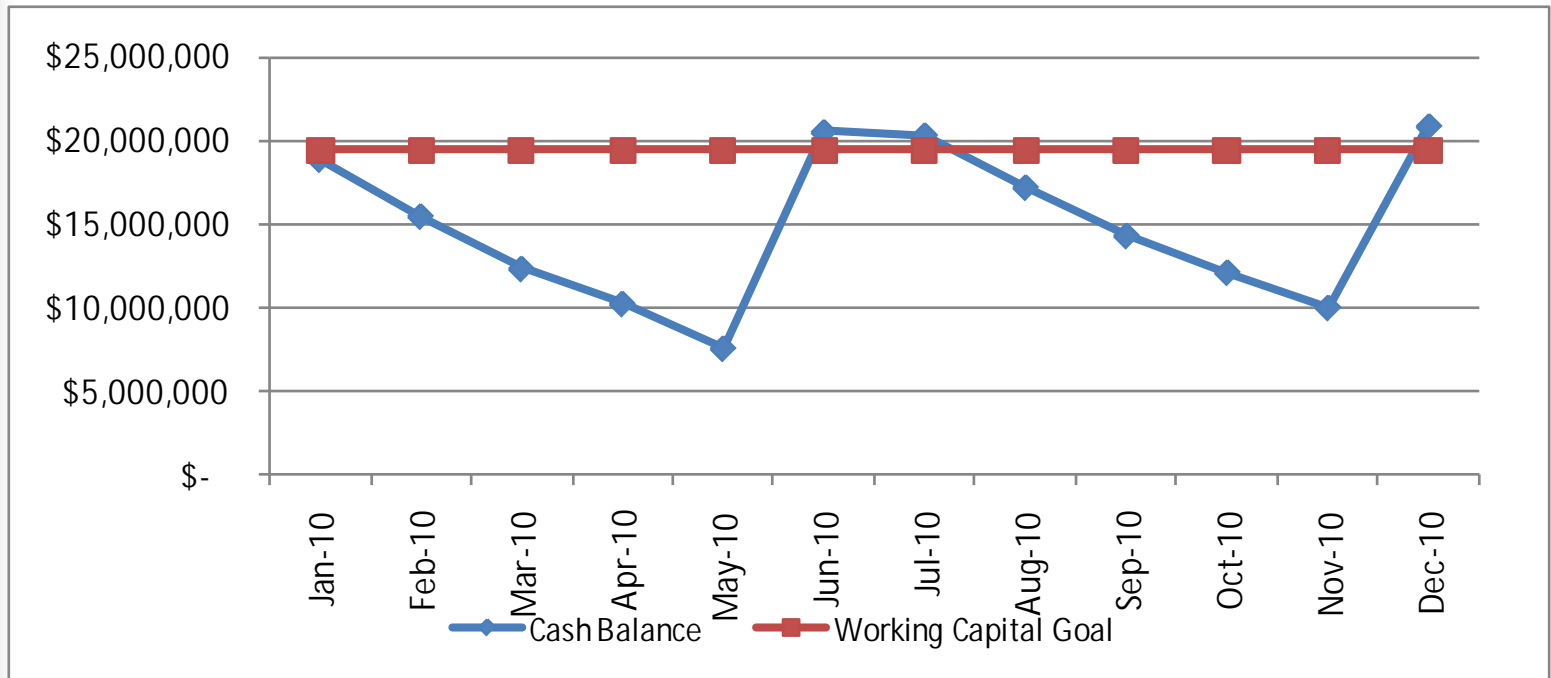
Household Share – Employee's Per Capita (Adjusted for Fiscal Disparities)



Household Share – Officer’s Per Capita (Adjusted for Fiscal Disparities)



2010 General Fund Cash Flow



City's Outstanding Debt



- | **80% of the City's Debt is paid in less than 10 years**
- | **The City can NOT issue debt for normal operations.**
- | **City issues debt mainly for road reconstruction** (75% property taxes and 25% special assessments).
- | **Only 44% of outstanding debt (P&I) is paid by property taxes.**

Real Property Market Value



Assessment Year	Residential	% of Total	Commercial Industrial Apt	% of Total	Total City Market Value
2000	4,039,739,500	56%	3,118,355,000	44%	7,158,094,500
2001	4,553,685,000	58%	3,258,768,900	42%	7,812,453,900
2002	5,158,405,500	60%	3,430,669,700	40%	8,589,075,200
2003	5,684,779,200	62%	3,429,843,000	38%	9,114,622,200
2004	6,166,765,500	64%	3,451,806,200	36%	9,618,571,700
2005	6,677,897,800	65%	3,616,400,500	35%	10,294,298,300
2006	7,111,813,000	64%	3,922,638,000	36%	11,034,451,000
2007	7,250,777,800	62%	4,488,417,400	38%	11,739,195,200
2008	7,049,258,400	60%	4,696,736,400	40%	11,745,994,800
2009	6,635,718,700	60%	4,439,445,700	40%	11,075,164,400
2010	6,231,621,100	61%	4,040,533,000	39%	10,272,154,100
2011	6,019,909,200	60%	4,068,797,300	40%	10,088,706,500

2011 Estimated Market Value for Tax Payable 2012



Average Value Change

Residential (SFR)	- 3.6%
Apartment	+1.2%
Commercial/Industrial	+0.6%

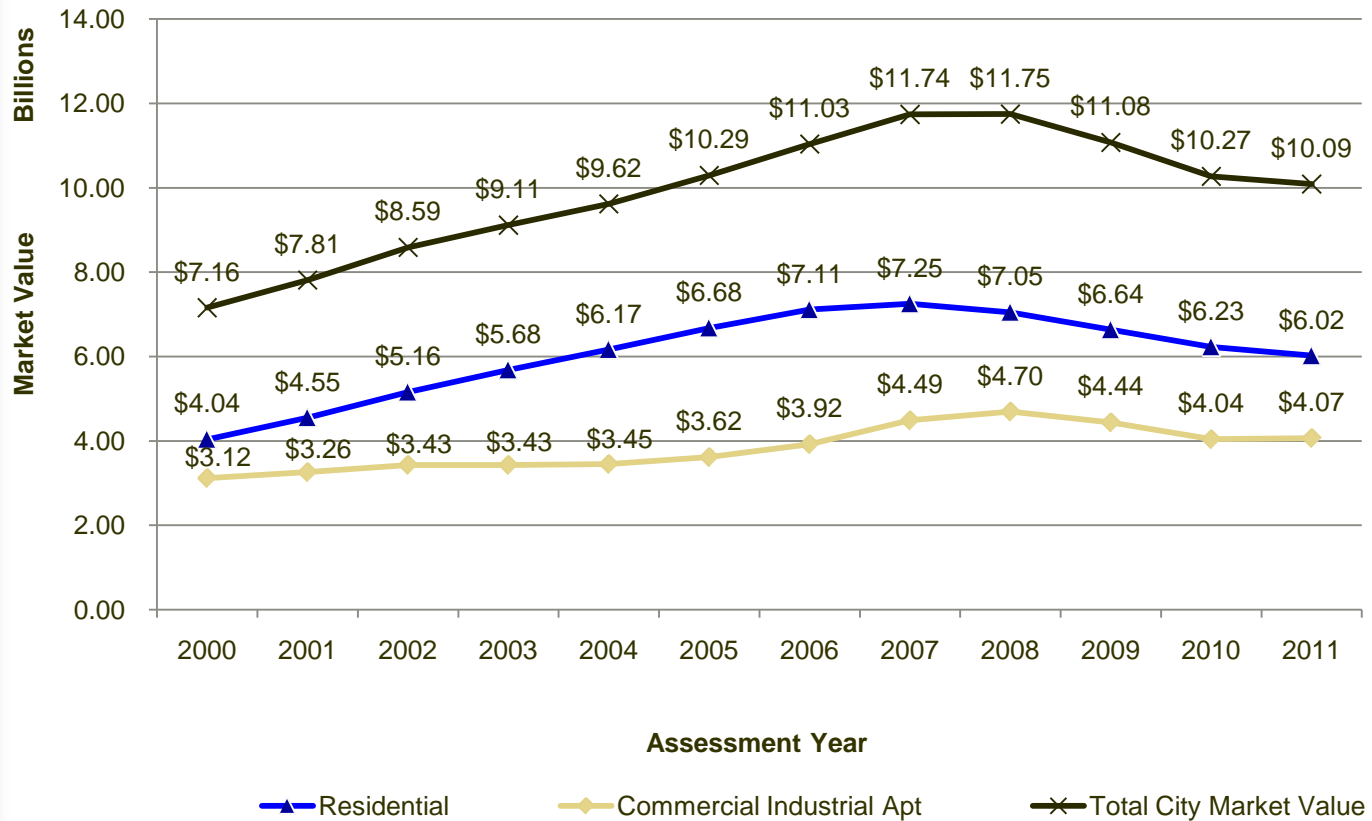
Residential Market Value History

Average & Median Valued Home



Assessment Year	Average Value	Annual Change	Median Value	Annual Change
2001	\$178,800	13.0%	\$156,800	13.0%
2002	\$202,500	13.3%	\$178,800	14.0%
2003	\$223,000	10.1%	\$195,700	9.5%
2004	\$242,400	8.7%	\$214,400	9.6%
2005	\$262,300	8.2%	\$231,200	7.8%
2006	\$278,100	6.0%	\$244,800	5.9%
2007	\$280,700	0.9%	\$247,900	1.3%
2008	\$273,400	-2.6%	\$242,800	-2.1%
2009	\$258,300	-5.5%	\$228,600	-5.8%
2010	\$244,100	-5.5%	\$212,800	-6.9%
2011	\$235,500	-3.5%	\$207,300	-2.6%

Real Property Market Value

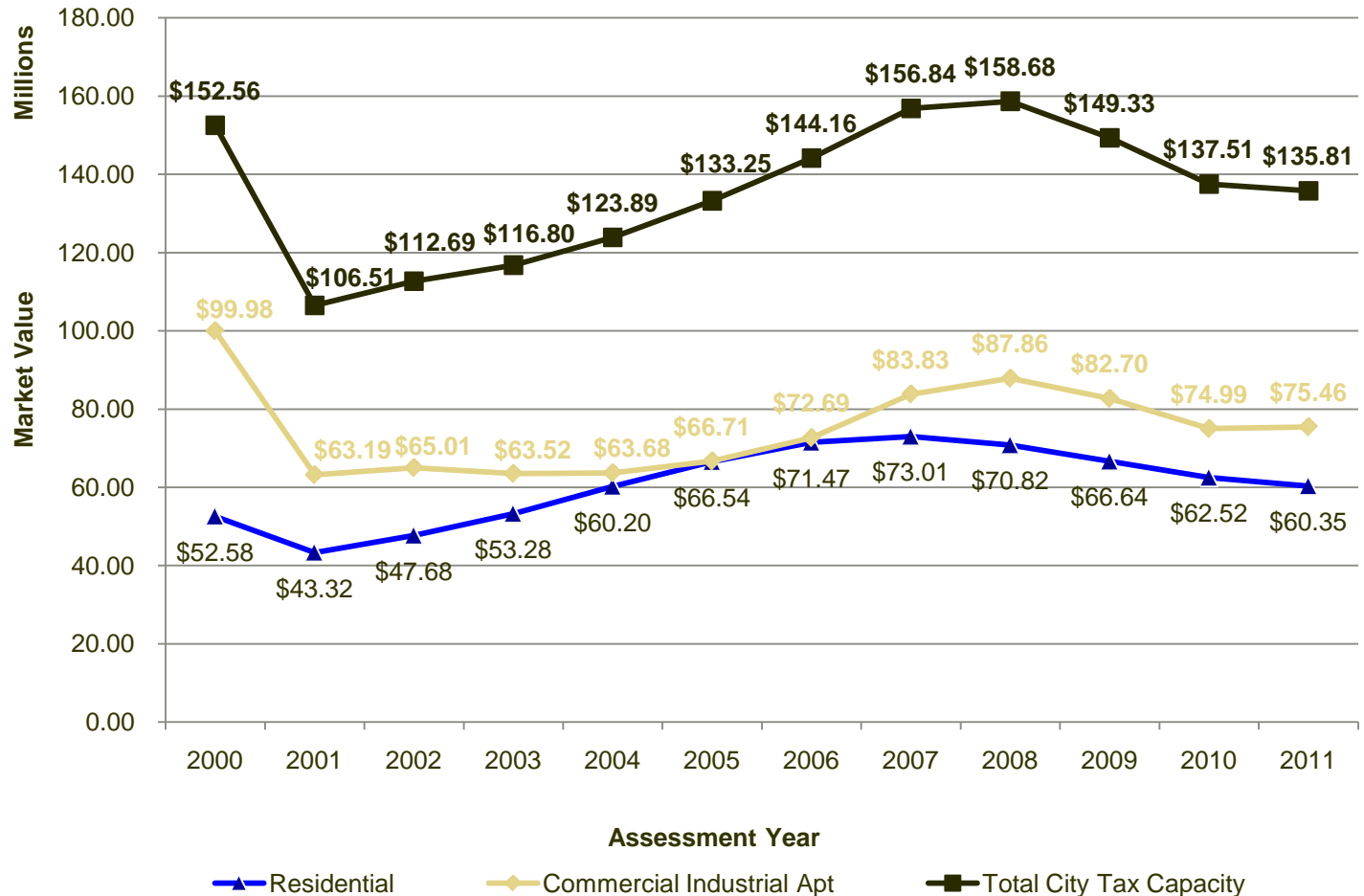


Real Property Tax Capacity

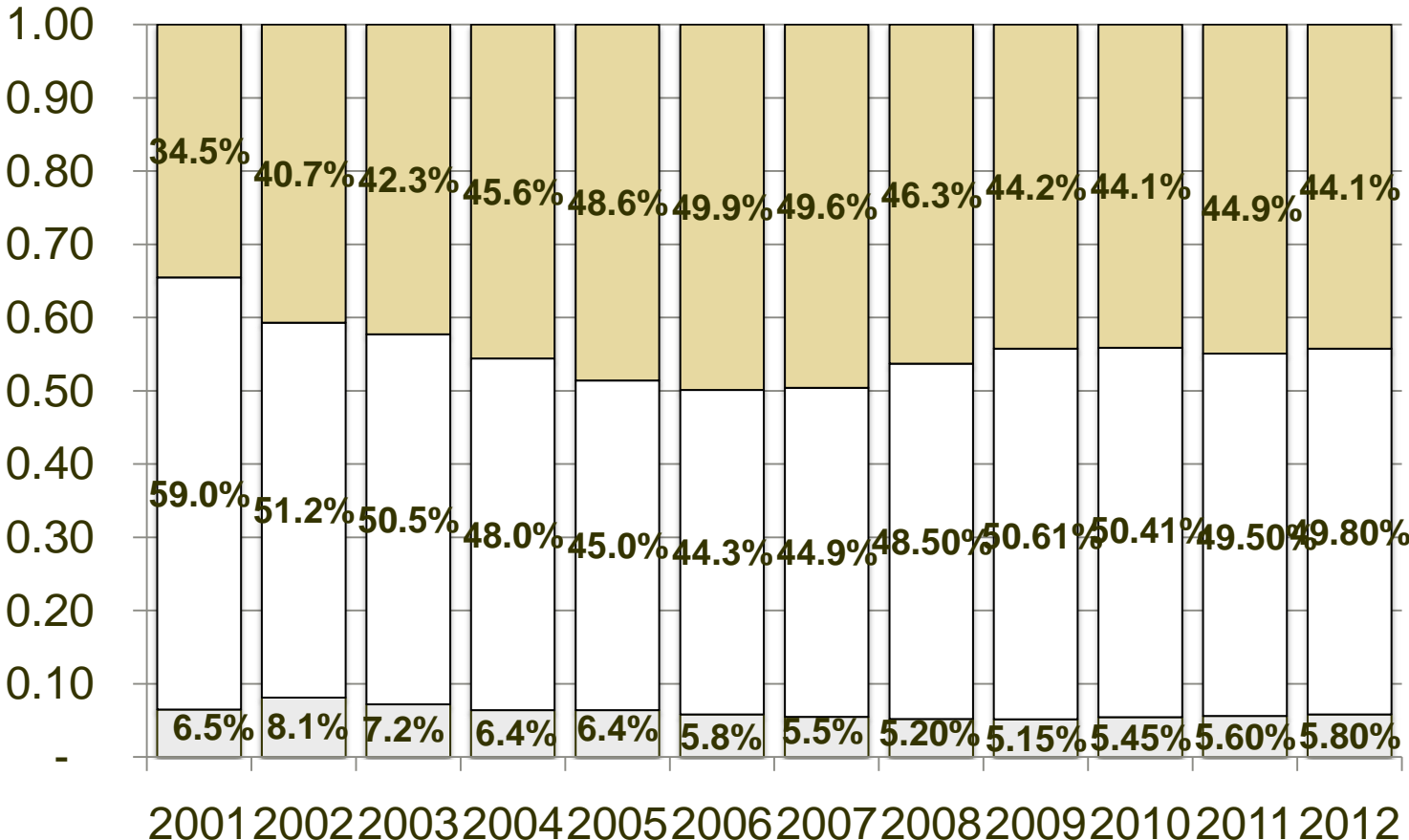


Assessment Year	Residential	% of Total	Commercial Industrial Apt	% of Total	Total City Tax Capacity
2000	52,578,337	34%	99,978,921	66%	152,557,258
2001	43,320,854	41%	63,190,913	59%	106,511,767
2002	47,682,979	42%	65,007,413	58%	112,690,392
2003	53,277,732	46%	63,519,886	54%	116,797,618
2004	60,204,652	49%	63,682,763	51%	123,887,415
2005	66,535,193	50%	66,714,350	50%	133,249,543
2006	71,471,236	50%	72,686,462	50%	144,157,698
2007	73,013,246	47%	83,831,281	53%	156,844,527
2008	70,817,154	45%	87,861,740	55%	158,678,894
2009	66,636,873	45%	82,697,707	55%	149,334,580
2011	62,515,090	45%	74,992,497	55%	137,507,587
2011	60,346,537	44%	75,459,640	56%	135,806,177

Real Property Tax Capacity



Total City Tax Capacity Comparison



□ Apt. □ CI □ Res.



	Bloomington Home	Edina Home
PID#:	29-027-24-11-xxxx	19-027-24-13-xxx
Year Built:	1958	1955
Bed/Bath:	3/2	3/2
Above Grade:	1,300 sf	1,533 sf
Total Finished:	1,820 sf	1,966 sf
Lot Size:	23,754 sf	9,375 sf
2009 EMV	\$249,000	\$433,200
2010 Taxes:	\$3,037.64 (total)	\$4,938.50 (total)
2010 Taxes:	\$897.95 (city)	\$1,021.40 (city)
2010 EMV:	\$221,100	\$415,900
2011 Taxes:	\$2,886.38 (total)	\$5,130.48 (total)
2011 Taxes:	\$857.57 (city)	\$1,025.61 (city)

League of MN Cities



The League's Property Tax calculator provides an accurate property tax calculation for the city portion of the tax bill for a specific property valuation based on each year's actual city tax rate. The overall tax calculation (for the combined city, county, school and special district levies) for a property may reflect weighted school and county tax burdens if the city is covered by more than one school district, more than one county or more than one special district.

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(continued)



The League's Property tax calculator may be of limited use if the goal of the user is to directly compare city budgets or to measure the city's efficiency or effectiveness relative to a group of cities. This is due to several important factors:

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(continued)



1) The market valuation of homes can vary dramatically from city-to-city.

For example, you can enter a \$250,000 home in Blackduck, MN, which will report a tax burden of \$1,572. However, there are probably few, if any, \$250,000 homes in Blackduck, which makes the result from the League's property tax calculator relatively meaningless. Although that is an extreme example, multi-city comparisons could benefit by controlling for these market differences among cities. One way to accomplish this would be to use an average or median value home for each community.

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(continued)



- 2) Local market fluctuations or value appeals can influence the taxes paid by an individual property owner, even if the city freezes its property tax levy.

For example, in a city with a large industrial facility whose owner successfully challenges the assessor's estimate of the property's value, the city's property tax rate would rise and tax burdens to other properties would increase solely because of the revaluation of the industrial facility. Likewise, market valuation fluctuations beyond the control of a city can influence on a year-to-year basis the tax burden comparisons among cities.

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(continued)



3) The state intervenes in the property tax system.

Programs like Fiscal Disparities effectively redistribute local tax base. For some cities, this redistribution increases the effective tax base upon which a city can spread its tax levy and as a result, the city taxes on individual properties are lower. For other cities, such as Bloomington, Fiscal Disparities reduces the city's tax base which has the effect of increasing the city's tax rate and therefore increases the taxes paid by an individual property owner within the city. Controlling for the effects of programs such as Fiscal Disparities can improve the comparison of multiple city clusters.

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(continued)



4) The state intervenes in budgets of local governments via state aid programs.

Some cities receive a large percentage of their general fund resources from programs like LGA, which allows the city to reduce the property tax levy paid by property owners for the services provided by the city. Other cities like Bloomington, receive little state assistance and therefore fund the vast majority of their operations from property taxes. Controlling for the distribution of state aids among cities can improve the comparison of multiple city clusters.

Ranked Priority Services



Tier I	\$45.65
Tier II	11.20
Tier II	<u>10.97</u>
Total	<u>\$67.82</u>

Definition of Terms



- | **Tier One** – Very important for the City to provide. There are few, if any, alternate providers of this service. Citizens depend on this service or consider having this service a quality of life issue.
- | **Tier Two** – This service is important to citizens, but is not a Tier One service.
- | **Tier Three** – Services provided that are not in Tier One or Two.

Budget Priority Setting Exercise

Tier One



Tier One	Tax Support/Month
Building Inspections	\$0.00
Capital/Debt Service	5.79
Crime Prevention	0.83
Fire Prevention – Community Development	0.90
Fire Suppression	3.43
Pavement Management Program	2.26
Police Investigations	6.53
Police Patrol (including EMS)	16.15
Street Maintenance	6.70
Traffic Control and Street Lights	3.06
Total Tier One	\$45.65

Budget Priority Setting Exercise – Tier Two



Tier Two	Tax Support/Month
Bomb Squad	\$0.05
Community Planning	1.84
Emergency Preparedness	0.30
Emergency Response Unit	0.29
Engineering	2.50
Environmental Health	1.99
Fire Prevention – Public Safety	0.02
Park Maintenance	4.02
Property/Cemetery Maintenance	0.19
Total Tier Two	\$11.20

Budget Priority Setting Exercise

Tier Three



Tier Three	Tax Support/Month
Animal Control	\$0.40
Aquatics Facilities	0.94
Center for the Arts	0.72
Cultural and Special Events	0.82
Deer Control	0.03
General Recreation	4.07
Human Services	2.74
Public Health Services	1.25
Total Tier Three	\$10.97



Market Values

2010 Market Value for Tax Payable 2011

Average Value Change

Residential (SFR)	- 5.6%
Apartment	- 4.6%
Commercial/Industrial	- 8.7%

Residential Market Value History

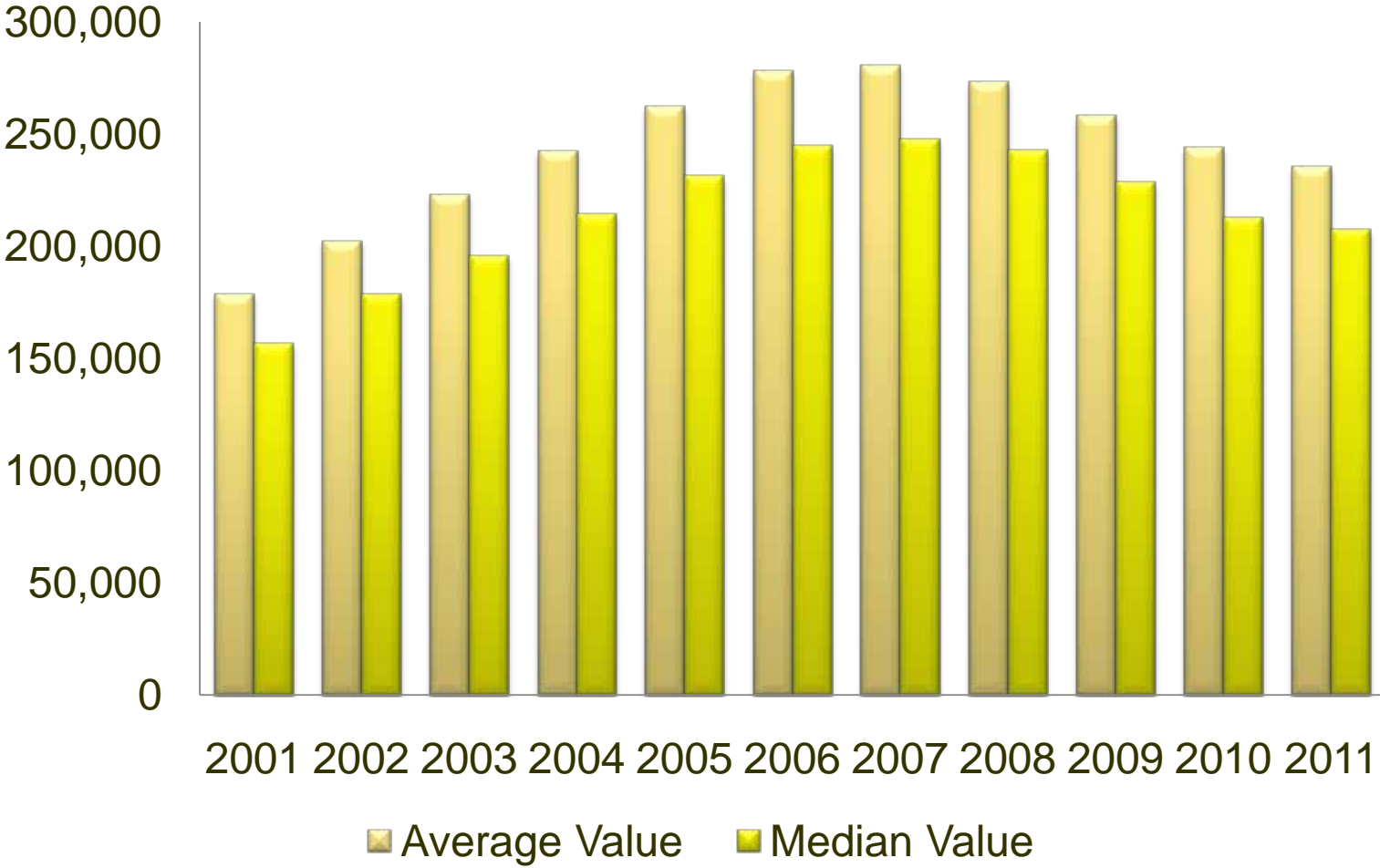
Average & Median Valued Home



Assessment Year	Average Value	Annual Change	Median Value	Annual Change
2001	\$178,800	13.0%	\$156,800	13.0%
2002	\$202,500	13.3%	\$178,800	14.0%
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2005	\$262,300	8.2%	\$231,200	7.8%
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Residential Market Value History

Average & Median Valued Home



What's Happened?



Market Value Homestead Credit:

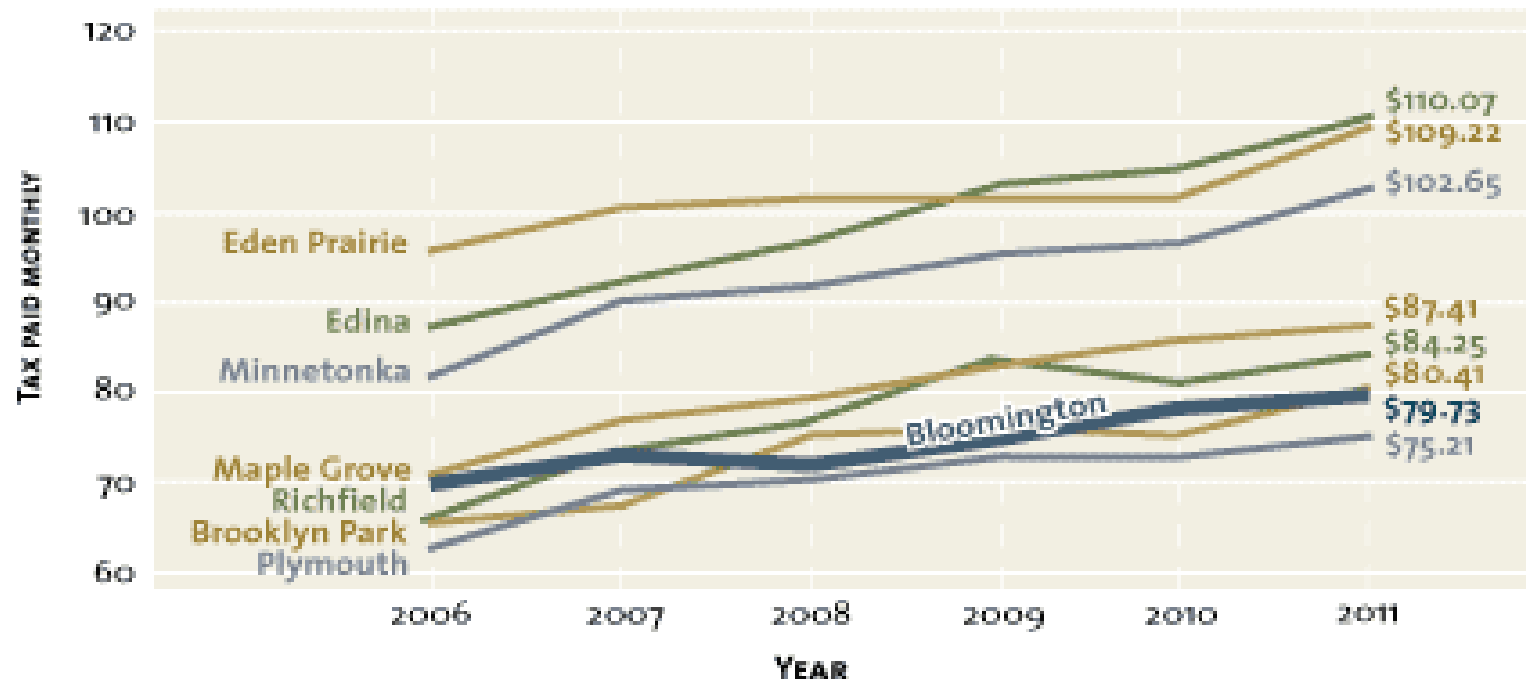
| State has given Credit to Homeowners but **not paid** to the City-

– 2003	\$1,696,280
– 2004	1,630,492
– 2005	1,488,406
– 2006	1,362,763
– 2008	598,530
– 2009	1,264,708
– 2010	1,375,348
– 2011	1,500,000
Total Not Paid	\$10,916,527

Property Tax and Aids Costs Per Single-Family Lot – Not Adjusted



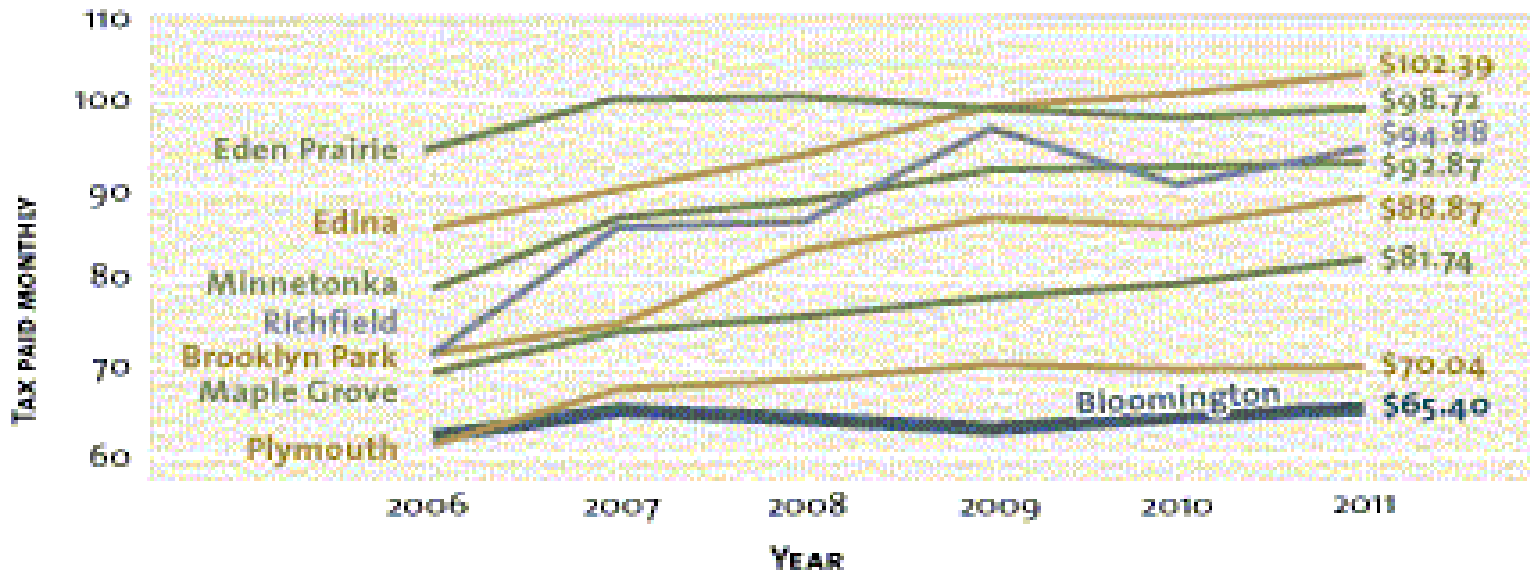
Not adjusted for property tax aids and Fiscal Disparities.



Property Tax and Aids Costs Per Single-Family Lot – Adjusted



Adjusted for property tax aids and Fiscal Disparities.



Preliminary Levy Survey



Preliminary Levy ~ Metro Community Comparison Survey

Identification Number	Increase or Decrease In Levy	Estimated Levy Percentage Change	Base Tax Capacity Change
Bloomington	Decrease	.12%	-7.90%

Preliminary Levy Survey



Preliminary Levy ~ Metro Community Comparison Survey

Identification Number	Increase or Decrease In Levy	Estimated Levy Percentage Change	Base Tax Capacity Change
Bloomington	Decrease	.12%	-7.90%
Plymouth	Increase	1.12%	
Golden Valley	Increase	1.48%	
Edina	Increase	2.34%	
Brooklyn Center	Increase	2.53%	
Eden Prairie	Increase	2.80%	
New Hope	Increase	2.97%	
Champlin	Increase	3.25%	
Minnetonka	Increase	3.40%	
Brooklyn Park	Increase	3.72%	
Crystal	Increase	3.81%	
St. Louis Park	Increase	4.88%	
Maple Grove	Increase	5.50%	
Richfield	Increase	7.00%	
Minneapolis	Increase	7.50%	

Preliminary Levy Survey



Preliminary Levy ~ Metro Community Comparison Survey

Identification Number	Increase or Decrease In Levy	Estimated Levy Percentage Change	Base Tax Capacity Change
Bloomington	Decrease	.12%	-7.90%
Plymouth	Increase	1.12%	-5.80%
Golden Valley	Increase	1.48%	-8.73%
Edina	Increase	2.34%	-6.20%
Brooklyn Center	Increase	2.53%	-11.40%
Eden Prairie	Increase	2.80%	-7.80%
New Hope	Increase	2.97%	-7.40%
Champlin	Increase	3.25%	-8.70%
Minnetonka	Increase	3.40%	-5.30%
Brooklyn Park	Increase	3.72%	-12.20%
Crystal	Increase	3.81%	-10.20%
St. Louis Park	Increase	4.88%	-4.60%
Maple Grove	Increase	5.50%	-4.30%
Richfield	Increase	7.00%	-10.20%
Minneapolis	Increase	7.50%	-8.60%

Property Value Changes



| The Median Value Single Family Home has averaged annual increases over the past:

- 15 years 1996-2011 4.44%
- 10 years 2001-2011 2.83%
- 5 years 2006-2011 **-3.27%**

| The Total City Market Value has averaged annual increases over the past:

- 15 years 1996-2011 4.16%
- 10 years 2001-2011 2.59%
- 5 years 2006-2011 **-1.78%**

2012 Preliminary Tax Levy



| Recommended:

– 2012 Preliminary Levy **-.25%**

| The average annual Property Tax Levy increase has been :

- 15 years 1998-2012 3.50%
- 10 years 2003-2012 3.77%
- 5 years 2008-2012 2.12%

Survey 2012 Preliminary Levy

City	Total City Levy % Change	EDA/HRA levy change
Brooklyn Park	6.00%	\$452,665
Edina	+5% to 5.5%	NA
St. Louis Park	4.05%	(\$45,314)
Richfield	4.00%	
Roseville	3.00%	\$0
Shoreview	2.90%	\$40,000
Golden Valley	1.84%	NA
Eden Prairie	1.50%	\$0
Plymouth	1.00%	\$0
Minnetonka	0.90%	\$0
Woodbury	0.00%	\$0
Bloomington	-0.25%	(\$51,527)
Maple Grove	-0.29%	\$0
Lakeville	-2.80%	NA
Apple Valley	-2.90%	NA
Eagan	-2.90%	NA
Burnsville	-3.14%	\$25,000



Monthly Cost of City Services



Police	\$23.89
Public Works	17.90
Community Services	10.60
Capital and Debt	7.19
Community Development	4.58
Fire	<u>3.66</u>
Total	<u>\$67.82</u>

Property Value Changes



I The Median Value Single Family Home

Year	Value	% Change
2010	\$228,600	-5.8%
2011	\$212,800	-6.9%
2012	\$207,300	-2.6%

I The Average Value Single Family Home

Year	Value	% Change
2010	\$258,300	-5.5%
2011	\$244,100	-5.5%
2012	\$235,500	-3.5%



City of Bloomington

Delivering Quality
Services at an Affordable
Price