

September 20, 2016

Council Report 2016-091

**APPROVE PROPOSED 2017 LEVY,
PROPOSED 2017 GENERAL FUND BUDGET
AND SET BUDGET MEETING DATE**

Proposed Action

Staff recommends adoption of the following motion:

Move to approve Resolution 2016-062 “Approving proposed 2017 tax levy, debt service levies at levels under those required in the bond covenants, proposed 2017 general fund budget, and setting budget meeting dates”.

Adoption of resolution 2016-062 will set a maximum tax levy for 2017, will set debt levies at amounts sufficient to pay debt service requirements taking into consideration other revenue sources and fund reserves, and approve a proposed 2017 general fund budget. Actual budget and tax levy adoption will not occur until December 2016.

Overview

The City is required to certify a proposed tax levy and submit it to the county by September 30th. There is also a requirement to hold a public meeting on the budget where public comments are taken. Staff is suggesting December 6, 2016 as an appropriate date to discuss the budget. This will allow us to take into consideration comments from the public prior to adopting the budget. If there are no changes to the proposed budget it can be approved at that same meeting.

A proposed general fund budget has been established and is attached for your review. Adoption of the actual budget will occur in December 2016 following the public comment meeting, and at that time, the final levy may not exceed the approved proposed levy. The city council is charged with the authority to establish a budget for 2017 and set the preliminary levy. Levy limits were removed for 2015 and have not been reinstated, however the Financial Management Plan adopted by the Council in February 2014 was the basis for establishing the levy and budget.

Staff is recommending that council approve the resolution setting the proposed levy for general fund operations; approve the levy adequate for the payment of debt, and to set budget meeting dates as set forth in the resolution.

Primary Issues to Consider

- Legislative impacts
- 2017 budget concerns

Supporting Information

- Power point presentation
- 2017 proposed general fund budget and tax levy
- Resolution 2016-062
- Financial Management Plan overview

Christine M. Harkess

Christine M. Harkess, CPA, CGFM
Finance Director

Financial Impact: \$ 12,859,823	Budgeted: Y/N	<input checked="" type="checkbox"/> X	<input type="checkbox"/> N	Source: Taxes and other revenues
Related Documents (CIP, ERP, etc.):	2017 budget		Notes:	

Staff Analysis

- **2015/2016 Legislative Actions**

Local government aid (LGA), a property tax relief program to cities, that ensures residents have access to basic services, regardless of where in Minnesota they live, was reinstated in 2014. Our allocation was increased for 2017 by 2.41% or \$9,972. We are required to use these funds to reduce the tax levy.

There are no levy limits for 2017.

- **2017 Levy**

The tax levy proposed totals \$13,064,543 which includes levies for the General Fund, Arts Center, Pavilion and bonded debt. Details are included in the attached summary of tax levy.

- **2017 Budget Analysis**

The 2017 general fund budget, and the 2017 general operating tax is proposed at \$12,859,823 and \$10,401,177 respectively. The proposed levy based on the budget and FMP and can only be reduced from this point forward. The general fund budget is currently proposed to increase by 8.29% over the 2016 budget and is balanced. Personnel related expenditures include wage increases for employees, request for two additional police officers, one new public works employee, and increased hours at the activity center. New programs/initiatives are the race & equity program, class and comp worth study, a scanning initiative and enterprise software maintenance agreements. Also included are costs for the leased fire and police vehicles along with small capita items.

Because we are a service related operation, salaries and benefits compose 77% of current general fund expenditures and any labor negotiations have a tremendous impact on the budget. The council and staff will continue to work on a final budget that will allow for essential programs and services to be accomplished. Attached to this report is a summary of 2017 general fund budget revenues by revenue type and expenditures by department.

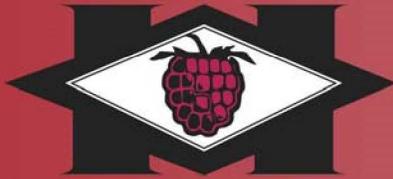
- **2016 Budget Meeting for the 2017 Budget and 2017 Tax Levy**

The 2009 Legislature made significant changes to the truth-in-taxation (TNT) requirements, essentially abolishing the old scheme. The new law now requires that on or before September 30th at a regularly scheduled meeting at which the city council adopts a proposed tax levy, the city council must also announce:

- The time and place of the council's next regularly scheduled meetings at which the budget and levy will be discussed and must not be held before 6 pm.
- The date and time of the regularly scheduled meeting at which a final budget and levy will be determined.
- That the public will be allowed to speak at these subsequent meetings.

On or before September 30th, the time as place of regularly scheduled meetings dealing with the budget and levies must be included in the minutes.

Therefore, staff is recommending the City Council budget meeting be set for December 6, 2016 with possible adoption of the final budget at that same meeting.



City of
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2017 Preliminary

Levy and Budget

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Truth in Taxation Process

- Council adopts proposed levy and budget by Sept 30th
- Council sets budget meeting date to discuss budget and receive public comments
 - Budget Meeting – Tuesday, December 6th
 - Budget Approval – at that same meeting or next scheduled council meeting
- Parcel specific notices are mailed by County

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Legislative Changes

- Local Government Aid increased for 2017
- Levy Limits were removed in 2015 and were not reinstated

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City Planning

- Priority – balanced budget
- Equipment Replacement Plan (ERP)
- Capital Improvement Plan (CIP)
- Financial Management Plan (FMP)
- Utility Rate Study

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2017 Proposed General Fund Budget

- Prepared according to the Financial Management Plan
- Includes funding two new police officers, one public works employee and increased hours at Activity Center
- Takes into consideration staffing reorganization due to retirements
- Other – Race & Equity, class and comp worth study, scanning initiative, software maintenance agreements, leases on vehicles, small capital items

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What is a Financial Management Plan?

- A multi-year fiscal plan for all tax-supported funds
- Integrates:
 - Existing Debt
 - Capital Improvement Plans
 - Future Debt
 - Tax base growth
 - Future operating expenses
- Compares entity to standards
 - Government Finance Officers Association (GFOA)
 - Similar entities

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What Makes it Practical?

- Helps to manage expectations
 - New spending proposals evaluated against other identified priorities
 - Weigh proposals vs. predefined affordability parameters
- Helps to maintain assets
 - Regular replacements
 - Large periodic repairs
- Reduces stress during budget process
 - Previously agreed spending guidelines
 - Better understanding of the effect decisions have
- Rating Agencies like multi-year planning
- Reduces reactivity amidst an unpredictable fiscal environment and unfunded mandates

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2017 Proposed General Fund Budget

- Revenues & Expenditures - \$12,859,823
 - Budget is balanced
 - Local Government Aid totals \$423,916, a \$9,972 increase
 - Other state aid increases
 - Levy is in line with the Financial Management Plan adopted in 2014

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2017 Proposed General Fund Budget

- Budget Impacts – Personnel related
 - Salary adjustments per bargaining agreements
 - Two new police officers
 - One new public works employee
 - Increased hours at the Activity Center

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2017 Proposed General Fund Budget

- Budget Impacts – Other
 - Race & equity initiative
 - Class & comp worth study
 - Scanning initiative
 - Enterprise software maintenance agreements
 - Leases on police & fire vehicles
 - Small capital items

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2017 General Fund Expenditures

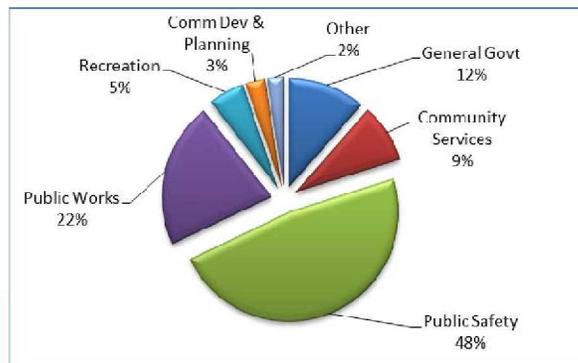
	2016	2017	% Change
General Government	\$1,372,281	\$1,464,201	6.70%
Community Services	1,089,843	1,124,134	3.15%
Public Safety	5,842,844	6,146,209	5.19%
Public Works	2,580,621	2,764,616	7.13%
Recreation	632,894	685,459	8.31%
Comm Dev & Planning	275,747	365,004	32.37%
Other	81,500	310,200	280.61%
	\$11,875,730	\$12,859,823	8.29%

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2017 General Fund Expenditures



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2017 General Fund Revenues

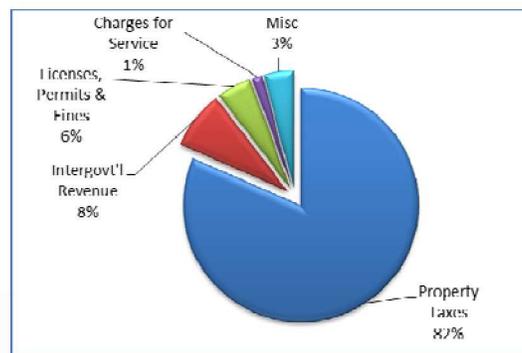
	2016	2017	% Change
Property Taxes	\$9,796,951	\$10,486,177	7.04%
Intergov't Revenue	891,954	1,028,426	15.30%
License, Permits & Fines	578,275	612,225	5.87%
Charges for Service	186,400	192,850	3.46%
Miscellaneous	422,150	540,145	27.95%
Total	\$11,875,730	\$12,859,823	8.29%

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2017 General Fund Revenues



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Preliminary 2017 Levy

Purpose	2016	2017 Net Levy Proposed
General Operations		
General Fund	\$9,711,951	\$10,401,177
Capital Levy	\$125,000	\$310,000
Arts Center Levy	\$140,000	\$250,000
Pavilion Levy	\$65,000	\$0
Subtotal	10,041,951	10,961,177
Special Levies:		
Debt Levies	1,907,878	2,103,316
TOTAL LEVY	11,949,829	13,064,493

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Preliminary 2017 Levy

- Arts Center Levy
 - Needed to eliminate deficit
 - Helps with obtaining grant funds
- Capital Levy
 - To balance levy needs

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Purpose of Levies

- Arts Center
 - Visitors stimulate local economy
 - Make Hopkins a more desirable place to live
 - Needed to restore Arts Center to sound financial status
 - Strengthens position when requesting grant funds
- Bond Rating reaffirmed at AA+
 - Direct result of implementing the FMP

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Tax Impact on Median Home (\$233k)

- Currently scheduled at a \$107 increase
- Updated Net Tax Capacity information
 - New tax capacity
 - Growth in tax capacity
 - TIF 2-9 will be decertified adding to the tax base

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What this budget/levy gets us:

- Funding for general city operations
 - Additional personnel
 - New programs
 - New initiatives
- Funding for road projects
- Funding to reduce Arts Center deficit
- Funding for debt service payments

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Next Steps

- Adopt proposed budget and levy at September 20th Council meeting and certify to County
- Parcel specific notices mailed by County
- Hold the Public Meeting on the budget and levy at the December 6th Council meeting
- Approve levy & budget by December 29th

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**CITY OF HOPKINS
PROPOSED GENERAL FUND REVENUE BUDGET**

Department	2016 Budget	2017 Budget	% Incr/(Decr)
Property Taxes	9,796,951	10,486,177	7.04%
Intergovernmental Revenue			
PERA Aid	20,510	20,510	0.00%
Local Government Aid	413,944	423,916	2.41%
Intergovernmental Revenue - other	457,500	584,000	27.65%
Total Intergovernmental Revenue	891,954	1,028,426	15.30%
Licenses, Permits & Fees			
Court Fines & penalties	176,500	176,500	0.00%
Building Permits & Inspections	275,660	290,660	5.44%
Inspections fines & citations	8,000	8,000	0.00%
City Clerk - Business Licenses	6,000	7,050	17.50%
PD - Liquor , Animal Licenses & Pen:	95,600	95,600	0.00%
Fire Licenses & Permits	3,600	3,800	5.56%
PW - Licenses & Permits	9,415	27,115	188.00%
P&Z - License & Permits	3,500	3,500	0.00%
Total Licenses, Permits & Fines	578,275	612,225	5.87%
Charges for Service			
Finance Department	9,750	9,750	0.00%
Assessing	2,000	3,000	50.00%
Inspections	74,900	74,850	-0.07%
Police	33,000	33,000	0.00%
Fire	3,000	3,000	0.00%
Public Works	2,250	2,750	22.22%
Activity Center	61,500	66,500	8.13%
Total Charges for Service	186,400	192,850	3.46%
Miscellaneous Revenue			
Franchise Fees	290,000	290,000	0.00%
Miscellaneous	20,250	20,250	0.00%
Finance Department	4,800	5,100	6.25%
Elections	0	20,000	--
Police	2,000	2,000	0.00%
Fire	3,500	3,500	0.00%
Public Works	4,600	4,600	0.00%
Acitivity Center	10,000	10,000	0.00%
Planning	0	94,695	--
Community Development	87,000	90,000	3.45%
Total Miscellaneous Revenue	422,150	540,145	27.95%
Total Revenues	\$11,875,730	\$12,859,823	8.29%

CITY OF HOPKINS
PROPOSED GENERAL FUND EXPENDITURE BUDGET

Department	2016 Budget	2017 Budget	Budget % Incr/(Decr)
City Council	79,708	82,898	4.00%
Administrative Services			
Administration	185,872	192,898	3.78%
Personnel	59,108	95,869	62.19%
Wellness	2,000	2,500	25.00%
Information Services	284,989	324,494	13.86%
Total Administrative Services	531,969	615,761	15.75%
Finance			
Debt Management	0	0	0.00%
General Accounting	185,819	183,093	-1.47%
Payroll	82,174	80,515	-2.02%
TIF Administration	0	0	0.00%
Utility Billing	9,000	9,000	0.00%
Total Finance	276,993	272,608	-1.58%
Legal	150,000	150,000	0.00%
Municipal Building	333,611	342,934	2.79%
Receptionist	42,088	42,060	-0.07%
Assessing	206,617	220,322	6.63%
City Clerk			
City Clerk	63,774	108,260	69.76%
Elections	83,494	57,794	-30.78%
Total City Clerk	147,268	166,054	12.76%
Inspections			
Building Code Inspections	283,310	284,825	0.53%
Fire Inspections	40,870	40,892	0.05%
Heating & Plumbing Inspections	96,966	96,958	-0.01%
Housing Inspections	180,853	181,112	0.14%
Misc. Community Inspections	87,001	87,041	0.05%
Vacant Property Management	4,870	4,870	0.00%
Total Inspections	693,870	695,698	0.26%
Police			
Police Administration	447,204	486,032	8.68%
Patrol	3,144,357	3,318,946	5.55%
SWAT	79,271	79,773	0.63%
Reserves	20,474	20,499	0.12%
Investigations	465,405	487,003	4.64%
Metro Drug Task Force	129,387	134,957	4.30%
Outreach	113,722	113,747	0.02%
Reception-Records	278,971	279,098	0.05%

Department	2016 Budget	2017 Budget	Budget % Incr/(Decr)
Systems Management	58,943	64,091	8.73%
Total Police	4,737,734	4,984,146	5.20%
Total Fire	1,105,110	1,162,063	5.15%
Public Works			
PW Building	44,309	53,147	19.95%
Equipment Services	108,117	120,092	11.08%
Administration	57,145	57,190	0.08%
Engineering	141,447	143,573	1.50%
Street & Alleys	944,226	1,114,067	17.99%
Snow & Ice Removal	221,996	220,638	-0.61%
Parks	789,147	772,286	-2.14%
Forestry	274,234	283,623	3.42%
Total Public Works	2,580,621	2,764,616	7.13%
Recreation			
Playground	22,110	22,755	2.92%
Ice Rink	31,080	31,618	1.73%
Park Service	26,840	27,162	1.20%
Joint Recreation	165,300	169,500	2.54%
Skate Park	7,776	8,676	11.57%
Total Recreation	253,106	259,711	2.61%
Activity Center			
Act Ctr - Community Use	315,138	353,798	12.27%
Act Ctr - Maintenance	64,650	71,950	11.29%
Total Activity Center	379,788	425,748	12.10%
Planning & Zoning	153,872	243,162	58.03%
Community Development	121,875	121,842	-0.03%
Tuition Reimbursement	15,200	15,200	0.00%
Contingency	51,300	280,000	445.81%
Total Expenditures	11,860,730	12,844,823	8.30%
Other Financing Uses			
Transfers to other funds	15,000	15,000	0.00%
Total Other Financing Uses	15,000	15,000	0.00%
Grand Total Expenditures	\$ 11,875,730	\$ 12,859,823	8.29%
Total Revenues	\$ 11,875,730	\$ 12,859,823	
Revenues Over (Under) Expenditures	\$ -	\$ -	

**CITY OF HOPKINS
ANALYSIS OF TAX LEVY**

9/8/2016

Purpose	2015	2016	2017
General Levy			
General Fund	\$ 9,224,729	\$ 9,711,951	\$ 10,401,177
Capital Levy	53,000	125,000	310,000
Arts Center	85,000	140,000	250,000
Pavilion	65,000	65,000	-
PERA Levy	35,500	-	-
Total General Levy	\$ 9,463,229	\$ 10,041,951	\$ 10,961,177
B2679 2010A GO Improvement Bonds	82,194	79,437	81,472
B2832 2012A GO CIP Bonds	220,000	220,000	220,000
B2833 2012B GO Bonds	70,000	141,970	140,000
B2833 2012B Equipment Certificates	96,285	96,285	94,605
B2883 2013A GO Bonds	75,000	-	93,388
B2964 2014A GO Bonds	88,471	87,993	97,000
B2983 2014B GO Refunding (formerly 2007A & B)	882,894	881,975	821,625
B3031 2015A GO SROP Bonds		264,261	264,576
2015B GO Tax Abatement		135,957	139,792
B3123 2016A GO Improvement Bonds			111,413
B3122 2016B Tax Abatement Bonds			39,495
Subtotal - Debt Levies	1,514,844	1,907,878	2,103,366
TOTAL LEVIES	\$ 10,978,073	\$ 11,949,829	\$ 13,064,543
Tax Capacity Rate (per HC rate cards)	61.008%	63.988%	63.755% est
Chnge from prior year			-0.233%

CITY OF HOPKINS
Hennepin County, Minnesota
RESOLUTION NO. 2016-062

RESOLUTION APPROVING THE PROPOSED 2017 TAX LEVY, SETTING
DEBT SERVICES LEVIES AT LEVELS UNDER THOSE REQUIRED IN THE BOND
COVENANTS, APPROVING THE PROPOSED 2017 BUDGET, AND
SETTING BUDGET MEETING DATE

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF HOPKINS, MINNESOTA,

That the following sums be levied for 2017 upon the taxable property in the City of Hopkins, for the following purposes.

General Levy

General	\$10,961,177
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Special Levies

Debt Levies

2010A GO Improvement Bonds	81,472	
2012A GO Capital Improvement Bonds	220,000	
2012B GO Bonds	140,000	
2012B Equipment Certificates	94,605	
2013A GO Bonds	93,388	
2014A GO Bonds	97,000	
2014B GO Refunding Bonds	821,625	
2015A GO Street Reconstruction Bonds	264,576	
2015B GO Tax Abatement Bonds	139,792	
2016A GO Improvement Bonds	111,413	
2016B GO Tax Abatement Bonds	<u>39,495</u>	
Subtotal Special Levies		<u>2,103,366</u>

Total Levy	<u>\$13,064,543</u>
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That based upon staff analysis of specials assessments currently levied for Permanent Improvement Bonds, alternative revenue sources for the Capital Improvement Bonds and Equipment Certificates, and available reserves within all debt service funds listed below, that the debt service levies for 2017 for the following issues be levied at amounts less than that provided by the bond covenants.

<u>Bond Issue</u>	<u>Net Debt Service Levy</u>
\$5,505,000 G.O. Bonds of 2012B (B2833)	\$ 140,000
\$1,895,000 G.O. Improvement Bonds of 2014A (B2964)	\$ 97,000
\$6,345,000 G.O. Refunding Bonds of 2014B (B2983)	\$ 821,625

That the Proposed 2016 General Fund Budget be set at \$12,859,823.

That the budget meeting to discuss the 2017 budget and tax levy be set for December 6, 2016 at 7:00 pm in the City Council Chambers.

BE IT FURTHER RESOLVED that the City Clerk is hereby ordered and directed to transmit a certified copy of this resolution to the County Auditor of Hennepin County, Minnesota.

Adopted by the City Council of the City of Hopkins this 20th day of September 2016.

By _____
Molly Cummings, Mayor

ATTEST:

Amy Domeier, City Clerk