

MOVING
BLOOMINGTON
Forward
creating our shared future

2025 Preliminary Tax Levy and Budget Discussion

August 19, 2024

Kari Carlson, Deputy Finance Officer

CITY OF
BLOOMINGTON
MINNESOTA

MOVING
BLOOMINGTON
Forward
creating our shared future



AGENDA

1. Budgetary Approach
2. Public Engagement
3. Revenue Analysis
4. Expense Drivers
5. Preliminary Tax Levy – working model
6. Council’s Consideration – Tax Levy Increase Options
7. GFOA Reserve Analysis
8. Budget Calendar

CITY OF
BLOOMINGTON
MINNESOTA

OUR MISSION

OUR MISSION IS TO CULTIVATE AN ENDURING AND REMARKABLE COMMUNITY WHERE PEOPLE WANT TO BE.

Budgetary Approach

Strategic Priorities



A connected, welcoming community

1. More connected neighbors
2. More welcomed by city
3. More valued community



A healthy community

1. Improved environment
2. Improved human health
3. Improved safety/security



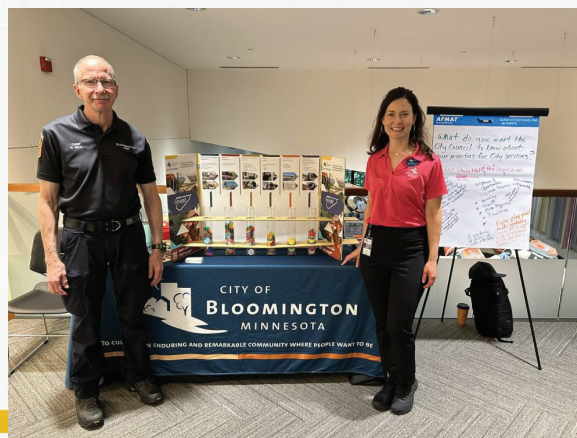
A community with equitable economic growth

1. More equitably distributed
2. Expanded business diversity
3. More equitable job growth



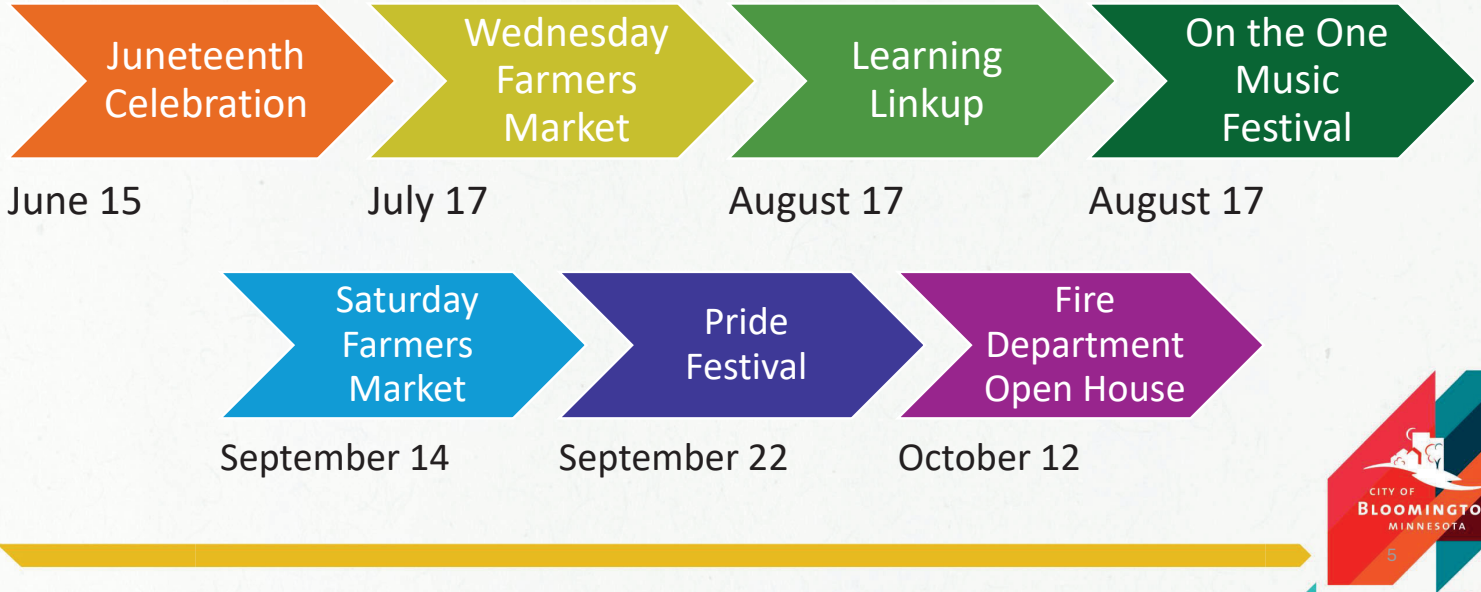
Public Engagement

Let's Talk Bloomington and Budget Engagement Tables at Events
June – October 2024





Budget Engagement Calendar



Budget Engagement

<p>CONNECTED, WELCOMING COMMUNITY</p> <ul style="list-style-type: none"> • People can connect with neighbors • People are welcomed by the city into the community • Residents are valued by the community <p>139 chips 14%</p>	<p>HEALTHY COMMUNITY</p> <ul style="list-style-type: none"> • Improved environmental health • Improved human health <p>190 chips 19%</p>	<p>EQUITABLE ECONOMIC GROWTH</p> <ul style="list-style-type: none"> • Affordable housing • Economic growth is more equitably distributed • Expanded diversity in business ownership • Equitable job growth for workers <p>212 chips 22%</p>	<p>PUBLIC SAFETY</p> <ul style="list-style-type: none"> • Increased safety and security • Police • Fire • Dispatch • Legal <p>161 chips 16%</p>	<p>FACILITIES AND INFRASTRUCTURE</p> <ul style="list-style-type: none"> • City facilities • Roads and bridges • Sewer and water <p>106 chips 11%</p>	<p>PARKS, ARTS, RECREATION AND NATURAL RESOURCES</p> <ul style="list-style-type: none"> • Playgrounds • Trails • Recreation programs • Arts programs • Protection of natural resources <p>179 chips 18%</p>
--	---	--	---	--	---

Let's Talk Bloomington Survey – Prioritizing from 1 to 6 with 1 being the highest priority.

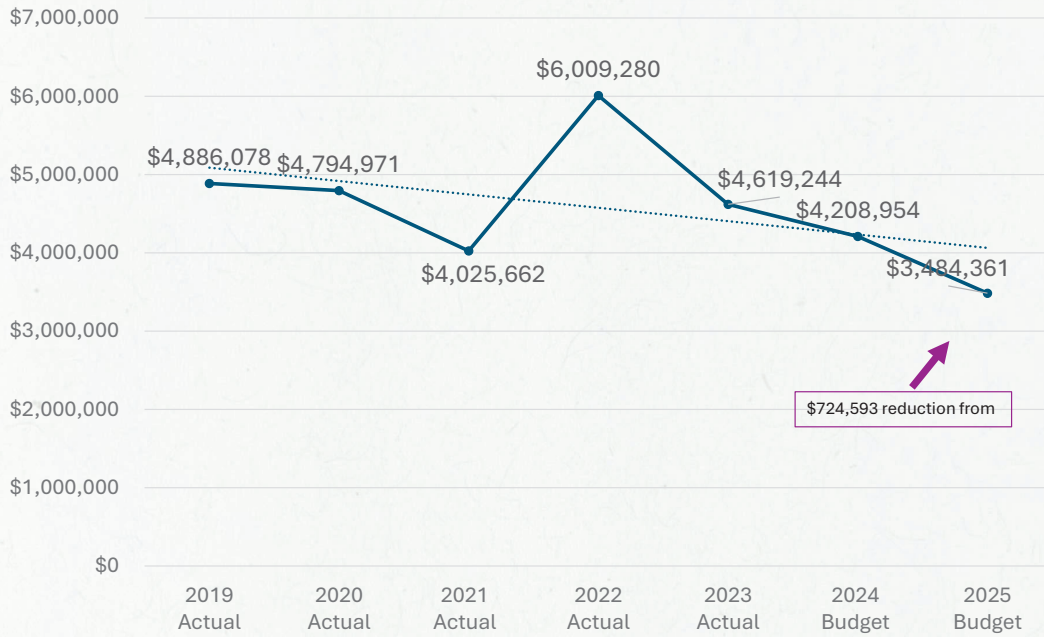
OPTIONS	AVG. RANK
Parks, Arts, Recreation, and Natural Resources: Including playgrounds, trails, recreation programs, arts programs, and protection of natural resources.	2.64
Facilities and Infrastructure: Including City facilities, roads and bridges, and sewer and water.	2.73
Public Safety: Including increased safety and security, police, fire, dispatch, and legal.	2.91
Equitable Economic Growth: Including affordable housing, economic growth is more equitably distributed, expanded diversity in business ownership, and equitable job growth for workers	3.82
Healthy Community: Including improved environmental health and improved human health.	4.18
Connected, Welcoming Community: Including people can connect with their neighbors, people are welcomed by the city into the community, and residents are valued by the community.	4.73

Revenue Analysis

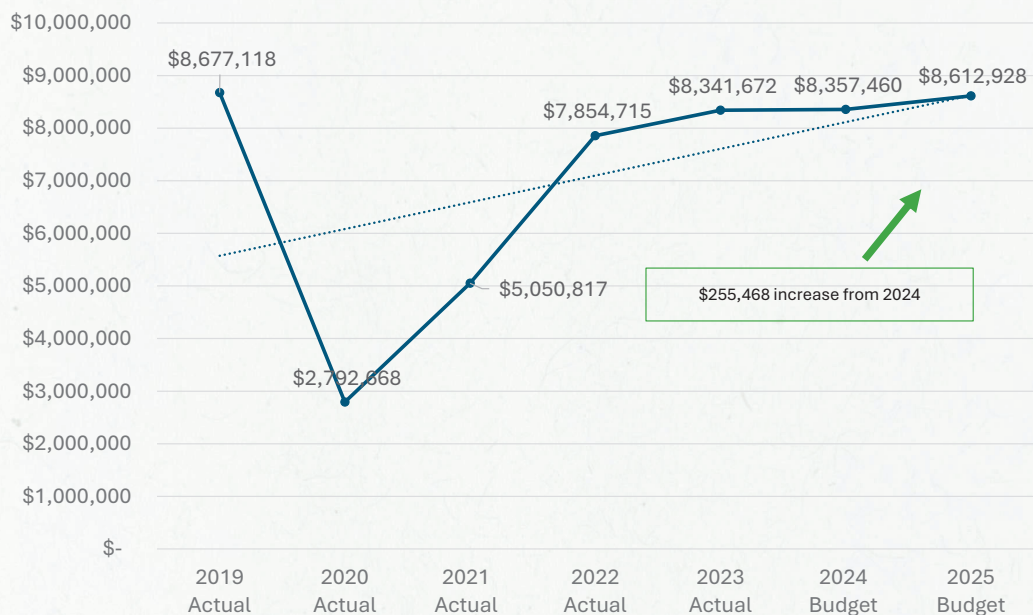
Trends of Lodging and Admission Taxes, Permit Revenue, and Grants



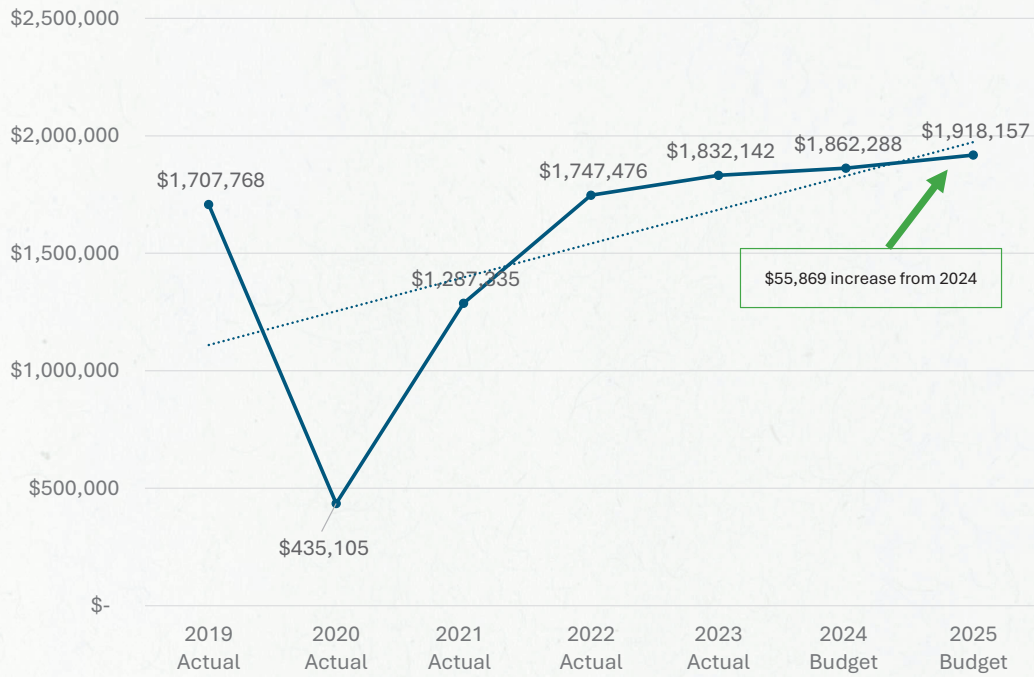
General Fund Revenue Analysis - Permits



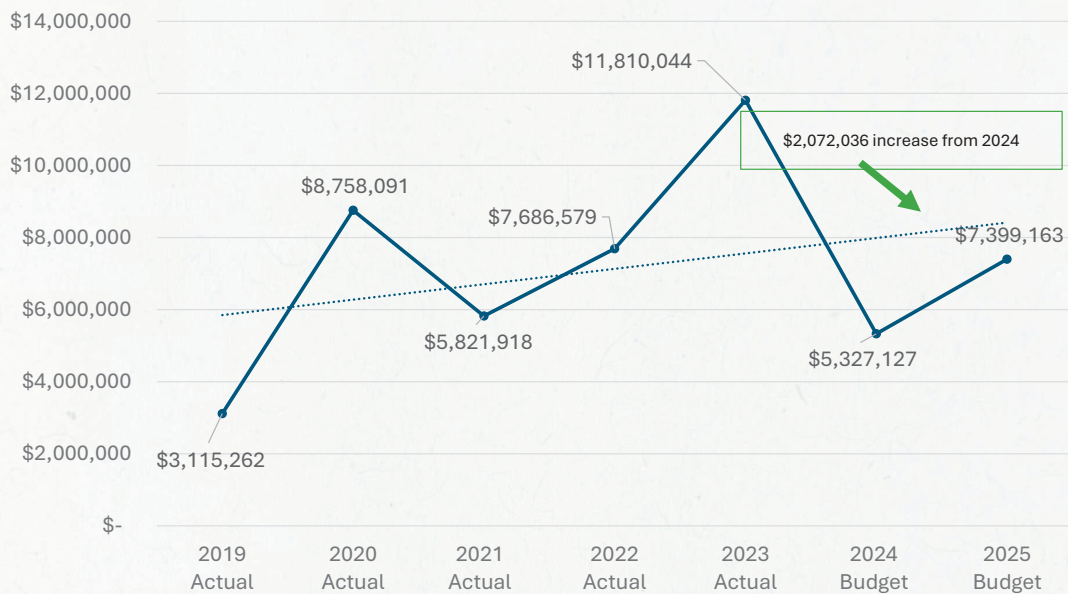
General Fund Revenue Analysis – Lodging Taxes



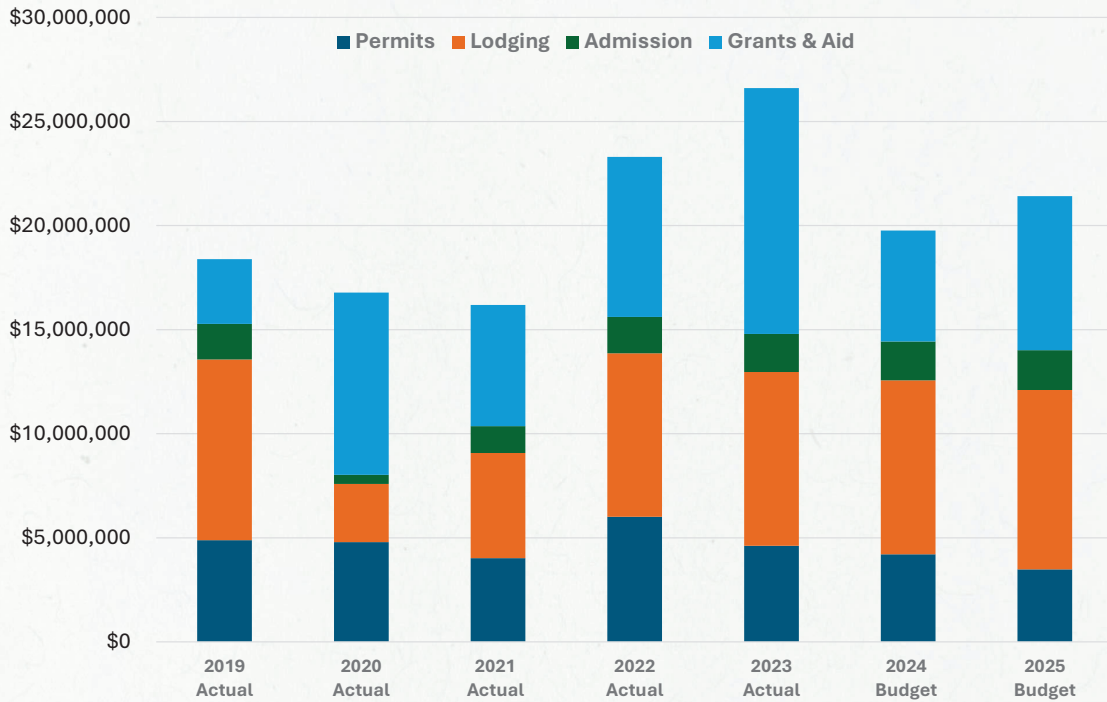
General Fund Revenue Analysis – Admission Taxes



General Fund Revenue Analysis – Grants & Federal/State Aid



Combined General Fund Revenue Analysis



Expense Drivers

Personnel Costs, Equipment, and Technology





Expense Drivers

- Personnel Costs (75% of General Fund Budget)
 - Competitive salaries and benefits to attract and retain skilled employees of over \$6 million
 - Health Insurance premium increase of 7.8% will have impact of over \$1 million
- Continued transition from part-time to hybrid PT and FT firefighters
 - 2025 Request includes 6 additional firefighters and 2 additional Assistant Fire Chiefs (\$1.14 million increase, won't be needed if we receive second SAFER grant)
 - American Rescue Plan funding of \$400K/year for 3 Fire Battalion Chiefs ending in 2024
 - 6 FT Firefighters added in Q2 of 2024 are now budgeted for full year in 2025



Expense Drivers

- Equipment and Technology
 - Increases to IT software, vehicle, and equipment costs
 - \$200K for Fire equipment charges to General Fund
 - \$300K for Police equipment charges to General Fund
 - \$310K for Police licenses, uniforms, professional services
 - \$639K for Fleet maintenance and replacement increase to the General Fund
 - \$772K for IT costs to the General Fund
- Park Maintenance
 - \$270,000 for Capital improvements in playgrounds, picnic tables and Natural Resources work
 - \$100,000 for evening and weekend park maintenance staff for Hrbek Fields



Expense Drivers

- Climate and Sustainability Efforts
 - \$141K for Initiatives and Projects to further City’s Climate and Sustainability Efforts
 - Partner with the Electrifying Everything program
 - Installing EV chargers at Public Works and Civic Plaza
- Racial Equity, Inclusion, and Belonging Initiatives
 - \$150K for expansion of services and programs like Bloomington Leadership Academy, Welcome to Bloomington program, and a race and gender-neutral Target Market Program for small local businesses.



2025 Tax Levy - Working Model

	2024 Tax Levy	2025 Tax Levy	Tax Levy \$ Change	Tax Levy % Change
General Revenues:				
General Fund	\$69,321,549	\$80,716,630	\$11,395,081	
Communications	\$400,000	\$700,000	\$300,000	
Forestry	\$185,000	\$350,000	\$165,000	
Fire Pension	\$1,050,000	\$1,050,000	\$0	
Aquatics	\$500,000	\$500,000	\$0	
Art Center	\$1,000,000	\$1,500,000	\$500,000	
Golf	\$105,565	\$0	(\$105,565)	
Ice Garden	\$125,000	\$200,000	\$75,000	
Strategic Priorities	\$0	\$0	\$0	
Tax Abatement	\$400,000	\$450,000	\$50,000	
<i>Potential Reductions</i>		(\$4,018,474)	(\$4,018,474)	
Total General Revenues	\$73,087,114	\$81,448,156	\$8,361,042	10.39%
Debt Service	\$7,397,156	\$7,848,711	\$451,555	0.56%
Total Tax Levy	\$80,484,270	\$89,296,867	\$8,812,597	10.95%



Homestead Market Value Exclusion

For taxes payable in 2024:

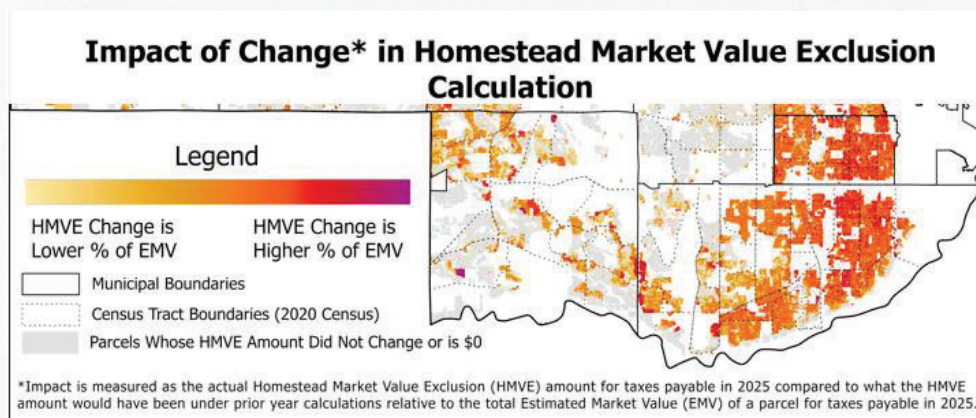
The maximum exclusion amount was \$30,400 for properties valued at \$76,000, with no exclusion for properties valued over \$413,800.

For taxes payable in 2025

The maximum exclusion amount increased to \$38,000 for properties valued at \$95,000, with no exclusion for properties valued over \$517,200.



Homestead Market Value Exclusion



This heatmap highlights the parcels affected by changes to the homestead market value exclusion. The deeper the red, the greater the exclusion these parcels are receiving compared to last year. East Bloomington is one of the most significantly impacted areas in Hennepin County.





Median Value Home & Homestead Market Value Exclusion

Median Value Home Reduction:

2024 \$361,800

2025 \$361,300 (reduction of -0.1%)

Market Value Exclusion Increase:

2024 \$ 4,678 reduced to taxable market value of \$357,122

2025 \$ 14,033 (200% increase) reduced to taxable market value of \$347,267



Impact on median value home of \$361,300 = 5.06%

\$1.38 / week
(\$27.35 to \$28.73)

\$6.00 / month
(\$118.50 to \$124.50)

\$71.97 / year
(\$1422.04 to \$1,494.01)

10.95% increase to the tax levy is a
5.06% increase for the median value home



Council's Consideration

Tax Levy Increase Options

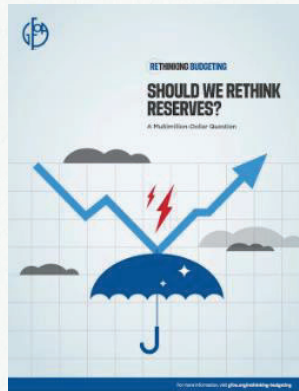


Tax Levy Increase Options

Tax Levy Increase %	% Impact to Median Value Home	Monthly \$ Impact to Median Value Home	Reduction needed from initial 2025 Budget Requests
15.94%	10.07%	\$11.93	\$ 0
12.50%	6.61%	\$7.84	\$ 2,772,561
10.95%	5.06%	\$6.00	\$ 4,018,474
9.00%	3.10%	\$3.68	\$ 5,587,487
8.00%	2.10%	\$2.49	\$ 6,392,329
7.00%	1.10%	\$1.30	\$ 7,197,173

GFOA Reserve Analysis

Data driven strategies used to determine the correct level of reserves



Government Finance Officers Association (GFOA)



- The GFOA represents public finance officials throughout the United States and Canada with more than 23,500 members. Its mission is to advance excellence in public finance.
- GFOA staff works with public finance professionals to advocate for best practices, advance interests critical to state and local governments, and provide guidance and subject matter expertise across a wide variety of public finance disciplines.



GFOA Rethinking Reserves Initiative

Reserves as Insurance

Addresses reserve's role in guarding against risks like revenue instability, catastrophic events, and cashflow instability.

Provides a lens that encourages new and savvy ways to manage risk across the government.

+

Reserves as Savings Account

Addresses reserve's role in accumulating cash to pay for future costs that would not be affordable within a single year's revenue. A capital asset is an example of such a cost.

Provides a lens that encourages multiyear financing strategies for large costs.

=

Savvy
Financial
Strategy



Reserve Analysis

- **Goal:** Assess appropriate fund reserve levels for the City of Bloomington
- **Approach:** Risk-based analysis considering probability, magnitude, and other influential factors
- **Risks:** Extreme events, liquidity, revenue stability, expenditure volatility, growth, leverage, capital projects
- **Drivers:** Commitments, borrowing capacity, budget practices, government size



Fund Specific Risks

Water, Wastewater, Stormwater Utility Funds: Capital projects, revenue uncertainty

Solid Waste Utility: Storm Cleanup costs, costs of every other year curbside clean-up

Self-Insurance Fund: Risk from large claims

Accrued Benefits Fund: Payouts exceeding fund capacity

Employee Benefits Fund: Rising costs of health insurance

Fire Pension Fund: Underperforming investments requiring City to make large obligation payment

General Fund: Cashflow risks property tax revenue receipt timing and lodging tax volatility



Analysis Tasks

- **Task 1: Preliminary Risk Analysis**

- Gather/analyze risk factors, map relationships, establish limits

- **Task 2: Complete Risk Analysis**

- Analyze factors/drivers, develop estimates, suggest reserve levels



Key Decisions

Choose Analysis Approach:

- **Fund-by-Fund:** Each fund analyzed as its own system.
- **All-Fund:** Funds analyzed individually and as an interrelated system.
 - Advantages: Diversification strategy, potential savings by pooling uncorrelated risks.
 - Drawbacks: Complexity in fund transfers, higher costs due to additional analysis steps.
- **Select Funds for Analysis:** Focus on funds with significant amounts of money, high uncertainties, and large potential downsides.

Decide on Analysis Leadership:

- **City staff vs. GFOA-Led:**
 - **City-Led:** Staff takes a larger role, reducing costs but requiring more time and potentially simpler analysis. GFOA offers training for City staff to provide subjective estimates, enhancing their ability to assess odds and probabilities.
 - **GFOA-Led:** More sophisticated analysis but higher costs.

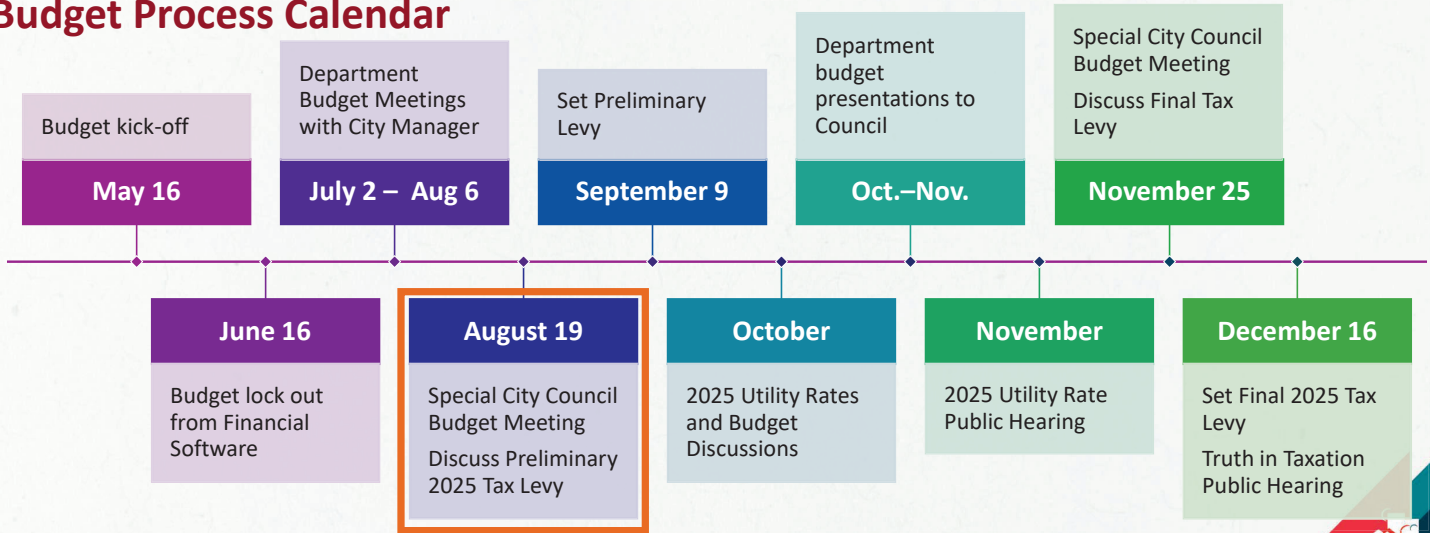


Budget Calendar

May – December 2024



Budget Process Calendar



Appendix



General Fund Revenue Analysis - Permits

- 2019 Actual \$ 4,886,078
- 2020 Actual \$ 4,794,971
- 2021 Actual \$ 4,025,662
- 2022 Actual \$ 6,009,280
- 2023 Actual \$ 4,619,244
- 2024 Budget \$ 4,208,954
- 2025 Budget \$ 3,484,361 (\$724,593 reduction from 2024)



General Fund Revenue Analysis – Lodging Taxes

- 2019 Actual \$ 8,677,118
- 2020 Actual \$ 2,792,668
- 2021 Actual \$ 5,050,817
- 2022 Actual \$ 7,854,715
- 2023 Actual \$ 8,341,672
- 2024 Budget \$ 8,357,460
- 2025 Budget \$ 8,612,928 (\$255,468 increase from 2024)



General Fund Revenue Analysis – Admission Taxes

- 2019 Actual \$ 1,707,768
- 2020 Actual \$ 435,105
- 2021 Actual \$ 1,287,335
- 2022 Actual \$ 1,747,476
- 2023 Actual \$ 1,832,142
- 2024 Budget \$ 1,862,288
- 2025 Budget \$ 1,918,157 (\$55,869 increase from 2024)



General Fund Revenue Analysis – Grants & Federal/State Aid

- 2019 Actual \$ 3,115,262
- 2020 Actual \$ 8,758,091
- 2021 Actual \$ 5,821,918
- 2022 Actual \$ 7,686,579
- 2023 Actual \$11,810,044
- 2024 Budget \$ 5,327,127
- 2025 Budget \$7,399,163 (\$2,072,036 increase from 2024)

