

City of East Bethel
City Council Agenda
Work Meeting - 7:00 PM
Date: September 25, 2013



Item

- | | | |
|---------|------------|--------------------------------------|
| 7:00 PM | 1.0 | Call to Order |
| 7:01 PM | 2.0 | Adopt Agenda |
| 7:02 PM | 3.0 | 2014 Budget Review/Discussion |
| 9:00 PM | 4.0 | Adjourn |



City of East Bethel City Council Agenda Information

Date:

September 25, 2013

Agenda Item Number:

Item 3.0

Agenda Item:

2014 Budget Discussion and Strategic Planning

Requested Action:

Work Meeting for continued 2014 Budget Discussion, Debt Management and Strategic Financial Planning

Background Information:

The City of East Bethel integrates the annual budgeting process with a modified strategic planning process. The City currently includes public projects, utilities, roads, parks and equipment and building replacement needs as part of the budget process to identify those activities that address our five year goals for these purposes.

As we move forward and confront our financial challenges, we will need to factor in other considerations as we prepare future budgets. The most critical item is the development of a strategy and a consensus or policy as to the management of future debt due to our obligations for the repayment of the bonds for the water and sewer system. The development of a plan to address this matter will enable Council and Staff to consistently plan for and provide future resources to be identified and ultimately allocated to deal with this problem.

In addition to the basic financial aspects of the budget and budgeting, we need to examine a way to plan and account for and manage the debt of the Municipal Utilities Project that will be due during the next five years. For this purpose we need to consider the following:

- 1.) The exposure of any legal liability in this project. It is recommended that Staff contact the City Attorney and request an opinion and that this matter be considered potential litigation and be addressed as appropriate to this situation ;
- 2.) A legislative approach to our situation and determine the interest of our legislatures to sponsor and vigorously advocate a political solution to our problem;
- 3.) A procedure to negotiate fees, rates and repayment obligations with Metropolitan Council Environmental Services (MCES);
- 4.) The benefits of becoming a member of Metro Cities and their role and involvement with our negotiations with MCES; and/or,
- 5.) A plan or policy as to the allocation of fund balances to address bond debt for 2014 and beyond.

These legal and political approaches need to be answered as soon as possible to enable us to pursue them as solutions, either partial or total, or in the event they hold no potential, eliminate our pursuit on these fronts and concentrate our efforts on those things we can directly control.

As to further budget reductions for 2014, the attachments are presented for your review and consideration. Should the desire of Council be that of leaving 2014 General Fund Budget unchanged, I would suggest that we still consider what we discuss other fund balances in regard to the 2014 budget in particular and the 2015, 2016, 2017 and 2018 Budgets in general.

Attachments

2014 Preliminary Budget Attachments 1 & 2

Fiscal Impact:

As noted above

Recommendation(s):

Staff requests that Council continue the review for further potential budget reductions for the 2014 Levy and begin discussions for strategic planning initiatives to address financial and growth issues within the City.

City Council Action

Motion by: _____

Second by: _____

Vote Yes: _____

Vote No: _____

No Action Required: _____

Overall Levy to balance 2014 Budget

	2013	2014	% Change
<i>General Levy</i>	\$4,123,317	\$4,114,317	-.2%
<i>Debt Service Levy</i>	\$329,638	\$1,116,425	238.7%
<i>Total Levy</i>	\$4,452,955	\$5,230,742	17.5%

City of East Bethel
2014 Preliminary General Fund Budget (Summary)

back	General Fund	Account Description	2011 Actual	2012 Actual	Actual - 7/31/13	FY 2013 Budget	FY 2014 Budget	% Change
Revenues								
		Property Tax	4,428,762.00	4,225,662.00	2,158,497.40	4,123,317.00	4,114,317.00	0%
		Franchise Taxes	37,875.00	40,227.00	22,809.29	37,000.00	41,000.00	11%
		Licenses and Fees	39,103.00	38,325.00	28,960.00	37,250.00	35,900.00	-4%
		Building Inspection Permits	107,181.00	152,980.00	149,643.48	155,700.00	216,000.00	39%
		State Aid	223,929.00	222,965.00	186,825.50	216,506.00	250,488.00	16%
		Fines and Forfeits	49,292.00	52,470.00	31,230.48	50,000.00	55,000.00	10%
		Intergovernmental Charges	37,548.00	97,809.00	81,664.54	93,000.00	73,000.00	-22%
		Other Fees	7,529.00	11,419.00	2,264.48	6,360.00	6,430.00	1%
		Cemetery Revenue	8,775.00	6,200.00	4,750.00	5,000.00	6,000.00	20%
		Other / Gambling Proceeds	40,707.00	49,384.00	22,851.72	38,000.00	41,500.00	9%
		Interest Earnings	1,715.00	2,100.00	3,922.41	2,000.00	2,000.00	0%
Total Revenues - General Fund			4,982,416.00	4,899,541.00	2,693,419.30	4,764,133.00	4,841,635.00	1.6%
Expenditures								
General Government								
		Council	76,911.00	76,008.00	45,395.02	87,059.00	84,517.00	-3%
		City Administration	242,927.00	206,887.00	111,493.85	210,061.00	218,701.00	4%
		Elections	-	8,709.00	-	2,170.00	13,355.00	515%
		City Clerk	102,205.00	102,918.00	53,659.06	103,331.00	102,182.00	-1%
		Finance	224,841.00	225,500.00	152,647.60	226,086.00	228,213.00	1%
		Assessing	45,456.00	45,804.00	25,640.76	51,700.00	51,700.00	0%
		Legal	154,469.00	157,727.00	81,080.37	150,500.00	150,500.00	0%
		Human Resources	26,166.00	-	3,164.00	2,975.00	3,250.00	9%
		Government Buildings	34,063.00	47,106.00	17,815.36	44,750.00	43,750.00	-2%
		Risk Management	97,629.00	96,210.00	103,123.00	99,800.00	105,150.00	5%
		Central Services	79,330.00	77,758.00	44,931.48	99,405.00	97,864.00	-2%
Total General Government			1,083,997.00	1,044,627.00	638,950.50	1,077,837.00	1,099,182.00	2%
Community Development								
		Planning and Zoning	201,518.00	169,260.00	101,219.94	208,391.00	176,771.00	-15%
		Building Inspection	232,508.00	139,412.00	84,404.37	186,940.00	238,685.00	28%
Total Community Development			434,026.00	308,672.00	185,624.31	395,331.00	415,456.00	13%
Public Safety								
		Police Protection	1,036,087.00	959,924.00	502,798.15	961,144.00	989,512.00	3%
		Fire Protection	513,332.00	511,145.00	309,983.54	537,783.00	555,101.00	3%
Total Public Safety			1,549,419.00	1,471,069.00	812,781.69	1,498,927.00	1,544,613.00	3%
Engineering								
		Engineering	35,406.00	29,196.00	7,952.66	46,000.00	40,000.00	-13%
Total Engineering			35,406.00	29,196.00	7,952.66	46,000.00	40,000.00	-13%
Public Works								
		Public Works - Parks Maintenance	372,692.00	376,067.00	198,129.66	397,567.00	398,079.00	0%
		Public Works - Streets	679,882.00	719,920.00	449,806.29	755,971.00	791,805.00	5%
Total Public Works			1,052,574.00	1,095,987.00	647,935.95	1,153,538.00	1,189,884.00	3%
Civic Events								
		Civic Events	4,737.00	2,501.00	2,500.00	2,500.00	2,500.00	0%
Total Culture and Recreation			4,737.00	2,501.00	2,500.00	2,500.00	2,500.00	0%
Other								
		Transfer to Building Capital	-	50,000.00	50,000.00	50,000.00	50,000.00	0%
		Transfer to Street Capital	400,000.00	425,000.00	425,000.00	425,000.00	425,000.00	0%
		Transfer to Parks Capital	94,120.00	100,000.00	75,000.00	75,000.00	75,000.00	0%
		Transfer to Trail Capital	58,484.00	5,000.00	-	-	-	N/A
		Contingency	-	-	-	40,000.00	-	-100%
Total Other			552,604.00	580,000.00	550,000.00	590,000.00	550,000.00	-7%
Total Expenditures - General Fund			4,712,763.00	4,532,052.00	2,845,745.11	4,764,133.00	4,841,635.00	1.6%
Excess of Revenues over Expenditures - General Fund			269,653.00	367,489.00	(152,325.81)	-	-	-
Tax Levies - City								
		General Fund Tax Levy	4,681,345.00	4,191,470.00	-	4,123,317.00	4,114,317.00	0%
		2005 A	144,756.00	147,328.00	-	149,638.00	146,425.00	-2%
		2008 A	109,500.00	158,000.00	-	180,000.00	180,000.00	0%
		2010 A	-	-	-	-	490,000.00	N/A
		2010 B	-	-	-	-	300,000.00	N/A
		2010 C	-	-	-	-	-	N/A
Total Levy - City			4,935,601.00	4,496,798.00	-	4,452,955.00	5,230,742.00	17.5%
Tax Levies - Special Levies								
		City HRA	126,058.00	-	-	-	-	-
		County HRA	187,920.00	-	-	-	-	-
		City EDA	-	163,428.00	-	144,670.00	133,022.00	-
Total Levy - Special			313,978.00	163,428.00	-	144,670.00	133,022.00	-8.1%

City of East Bethel
Preliminary 2014 Debt Service Budget (Summary)

Debt Service

Fund Description Fund Number	2005 A 301	2005 B 303	2008 A 308	2010 309	2010A 310	2010B 311	2010 C 312	Total
Revenue								
Levy	146,425		180,000		490,000	300,000	-	1,116,425
Special Assessments		28,125	17,500					45,625
Hook Up Fees								-
Reimbursement from Federal Government					315,152	120,312		435,463
Transfer from General				5,000				5,000
Total Revenue	146,425	28,125	197,500	5,000	805,152	420,312	-	1,602,513
Expenditures								
Debt Service - Principal	85,000	55,000	150,000	3,000				293,000
Interest	55,983	5,305	46,560	596	767,073	376,563	41,733	1,293,812
Fiscal Agent Fees	500	500	500		500	500	500	3,000
Total Expenditures	141,483	60,805	197,060	3,596	767,573	377,063	42,233	1,589,812
Revenue over Expenditures	4,942	(32,680)	440	1,404	37,579	43,249	(42,233)	12,702

City of East Bethel
Preliminary 2014 Special Revenue Fund Budget (Summary)

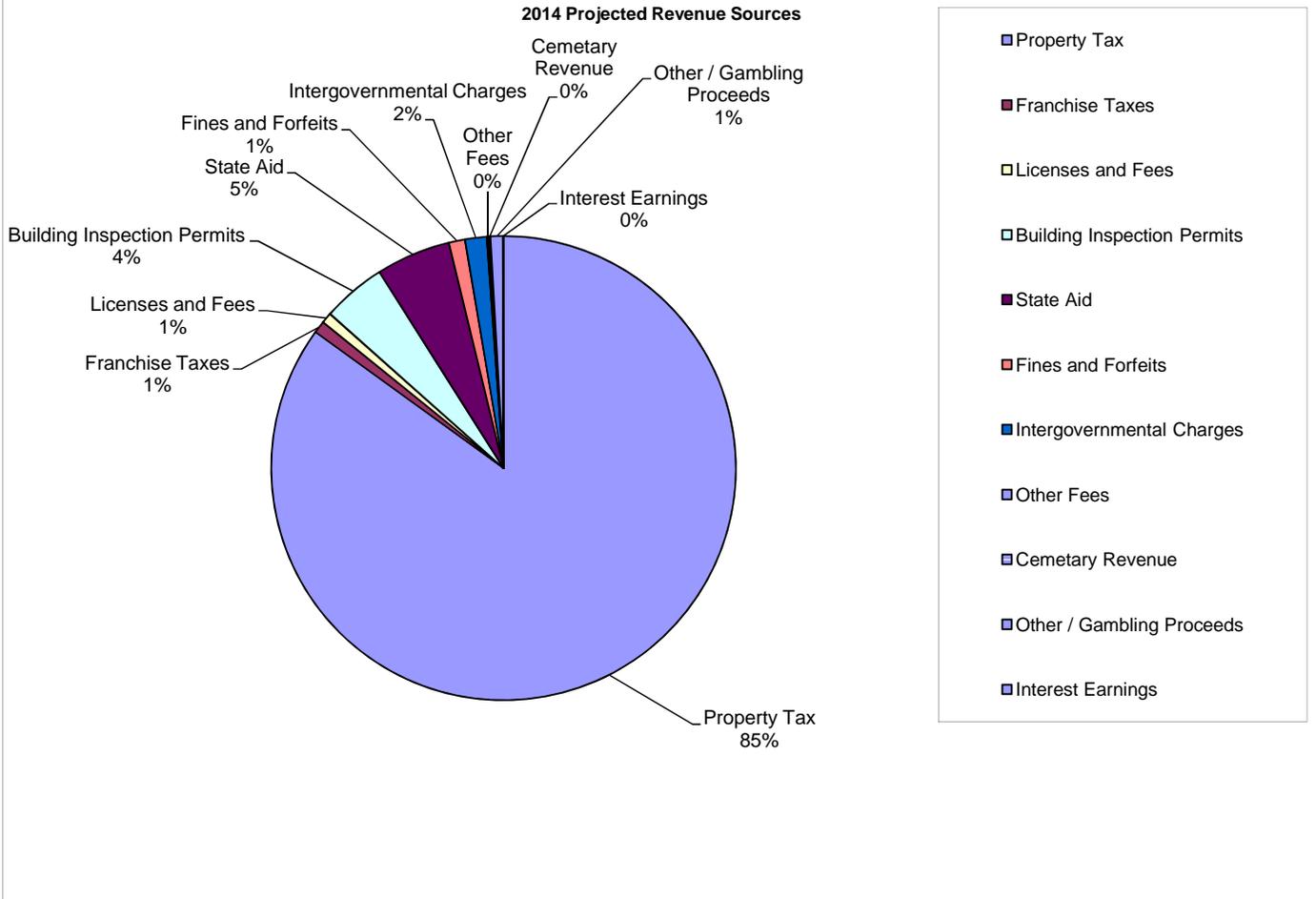
Special Revenue Funds

Fund Description Fund Number	EDA	HRA	Recycling	Total
Revenue				
Levy	133,022			133,022
County Grants			30,660	30,660
Fees			2,500	2,500
Total Revenue	133,022	-	33,160	166,182
Expenditures				
Salaries and Wages		-	510	510
Supplies	200	100	550	850
Fees for Service	48,914	7,800	32,100	88,814
Contingency	27,908			27,908
Transfer to General	56,000	15,000		71,000
Total Expenditures	133,022	22,900	33,160	189,082
Revenue over Expenditures	-	(22,900)	-	(22,900)

2014 General Fund Revenue Sources

Property Tax	4,114,317
Franchise Taxes	41,000
Licenses and Fees	35,900
Building Inspection Permits	216,000
State Aid	250,488
Fines and Forfeits	55,000
Intergovernmental Charges	73,000
Other Fees	6,430
Cemetary Revenue	6,000
Other / Gambling Proceeds	41,500
Interest Earnings	2,000

Total Revenue 4,841,635

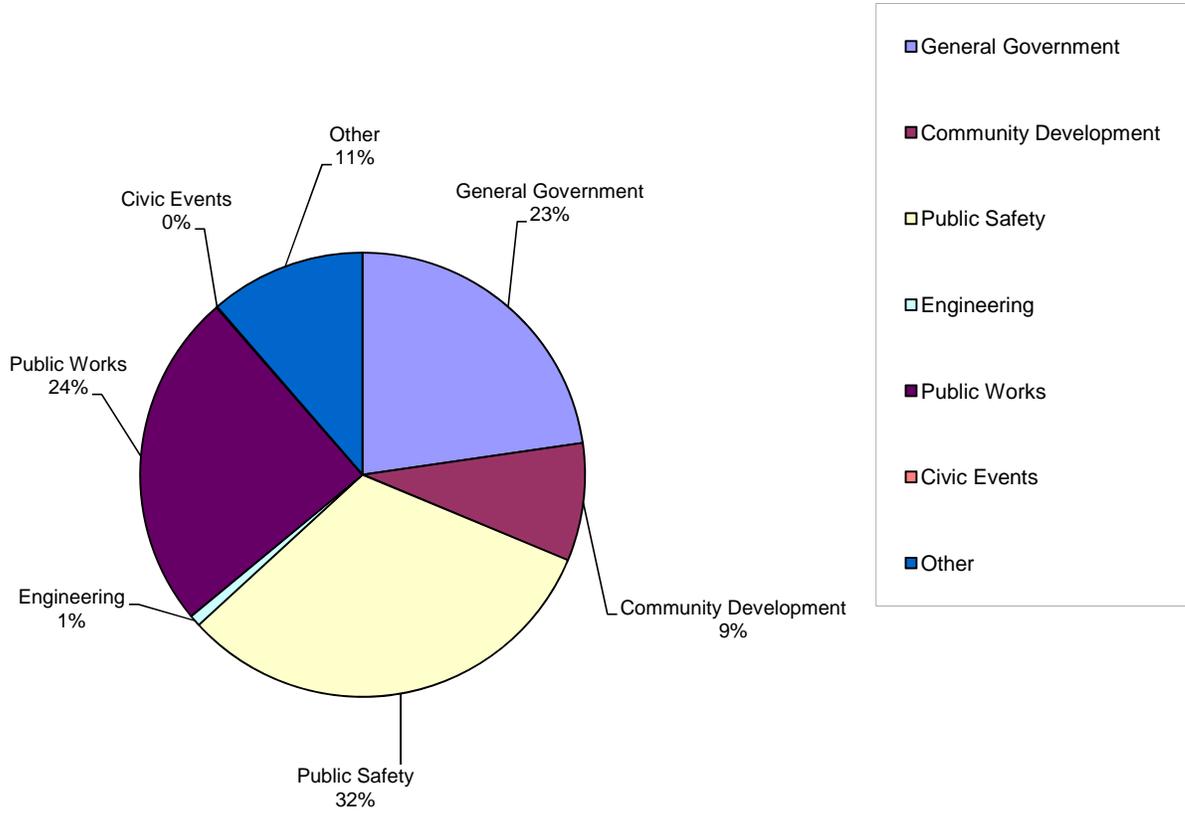


2014 General Fund Expenditures

General Government	1,099,182
Community Development	415,456
Public Safety	1,544,613
Engineering	40,000
Public Works	1,189,884
Civic Events	2,500
Other	550,000

Total Expenditures **4,841,635.00**

2014 Projected Expenditures



Tax Capacity

	Payable 2011	Payable 2012	Payable 2013	*Payable 2014
Tax Capacity	9,486,806	8,433,841	7,725,613	7,531,689
TIF Captured Value		-11.1%	-8.4%	-2.5%
AW Contribution	(459,634)	(402,060)	(395,562)	(356,230)
Net Tax Capacity	9,027,172	8,031,781	7,330,051	7,175,459

Levies

Certified General Levy	4,681,345	4,191,470	4,123,317	4,114,317
Certified Bond Levy	109,500	158,000	180,000	970,000
Area-Wide Contribution	(827,280)	(831,039)	(768,555)	(768,555)
Local Levy	3,963,565	3,518,431	3,534,762	4,315,762

2005A Referendum Levy	144,756	147,328	149,638	146,425
Total Referendum Levy	144,756	147,328	149,638	146,425
Taxable Market Value	873,234,900	839,805,900	780,015,900	714,502,336

Tax Rates

City Tax Rate	43.91%	43.81%	48.22%	60.15%
2005 A Referendum Rate	0.01658%	0.01754%	0.01918%	0.02049%

Total Tax Rate

43.92%	43.82%	48.24%	60.17%
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Sample Taxes

300,000 Home	1,317.71	1,314.72	1,447.26	1,805.00
200,000 Home	878.47	876.48	964.84	1,203.33
150,000 Home	658.85	657.36	723.63	902.50
100,000 Home	439.24	438.24	482.42	601.67

* Tax Capacity is calculated by multiplying market values by each classifications class rate

*Tax Capacity and Fiscal Disparity calculations are preliminary at this stage

*AW Contribution is fiscal disparities related as a certain percentage of commercial properties valued are shared within the metro area

Attachment #2
Budget Categories for Reduction Consideration

There are still opportunities to reduce the impact of the bond deficit for the 2014 levy and these include but are not limited to the following:

- 1.) The potential to refinance the 2010 A & B Bond and other bond issuances;
- 2.) Confirmation of connections to the system for 2014;
- 3.) Transfer of General Fund balances at an amount to be determined to subsidize the deficit;
- 4.) Assignment of special assessments for properties in the sewer to the debt service; and/or
- 5.) Assignment of other rents and royalties to the debt service and/or
- 6.) Additional reductions to the City Budget which could include the following:

Level 1 Budget Reductions for Consideration

Conferences - Mayor and Council	\$ 2,000
Equipment Replacement- Mayor & Council	\$ 800
Conferences-City Administrator	\$ 500
Equipment Replacement-Planning	\$ 500
Fire Department Outreach Programs	\$ 1,500
Portable Toilets for Parks	<u>\$ 2,000</u>
	\$7,300

Level 2 Budget Reductions

Seasonal Employees for Parks and Roads	\$11,766
City Administrator- Travel	\$ 600
Seasonal Employees for Parks and Roads	\$11,766
Professional Service Fees-Planning	<u>\$ 3,000</u>
	\$25,366

Level 3 Budget Reductions

Relief Association Pension Contribution	\$17,500
CSO position for Sheriff's Contract	\$44,579
Public Works Overtime	\$ 6,000
Booster Day Fireworks	\$ 2,500
Parks Capital Transfer	\$25,000
City newsletter reduction to 2x per year	<u>\$ 4,500</u>
	\$100,079

Total Level 1, 2 and 3 Budget Reductions \$132,745

Other One-Time Reductions

General Fund Transfer (excess over 50% balance)	\$200,000 *
Trail Capital Fund	<u>\$144,000**</u>
	\$344,000

*This could be spread over a three year period @\$70,000, \$65,000 and \$65,000

**This could be spread over a three year period @ \$48,000 per year

Total potential budget cuts = \$0 to \$459,245.

Proposed Levy increase with a \$163,900 reduction would be 13.8%

Proposed Levy increase with a \$309,666 reduction would be 10.5%

Proposed Levy increase with a \$459,245 reduction would be 7.2%

Other Funds for potential transfers and their respective cash balances at 8/25/13 (These funds are not recommended for consideration of application to the bond debt at this time)

Street Capital Fund	\$ 886,417
Equipment Replacement Fund	\$1,398,583
Parks Capital Fund	\$ 111,940
Parks Acquisition and Development Fund	\$ 26,057
Building Capital Fund	\$ 132,096

There may also be a fund balance in the 2005B Bond Fund Account (209th St. Service Road) due to the difference in the bond interest rates and the interest rates assessed on the properties for this project. We've identified a potential of \$144,673 in this account that could be transferred for other obligations. We are still checking to see if this balance has any additional encumbrances or restrictions as to use.

The following Departments were evaluated but could not be recommended for reductions due to contractual agreements or other factors that would not affect the budget.

Elections
City Clerk
Finance
Assessing
Legal
Human Resources
General Government Buildings
Building Inspection
Engineering
Risk Management
HRA

The extent of potential savings, additional sources of revenue, special assessments and impacts of further budget reductions have not been established at this time due to ongoing negotiations, finalization of hearing requirements and assessment of consequences. The final affect for these potential budget reductions will not be known until November 20, 2013.

Other Important Considerations

Keep in mind that once a reduction is made it is difficult to restore both from a perception and a fiscal perspective. If the reduction, in fact, needs to be reinstated, it then becomes another tax increase. Another important consideration concerning further budget reductions are the levy limits imposed upon the City by the State Legislature. Any budget cuts that may need to be restored, may not be able to be returned to their original amount due to the restrictions on the amounts budgets can be increased as a result of the levy limits. Drastic budget reductions can lead to additional problems and unintended consequences of these actions.

We also have to weigh the expectations from our residents regarding the value they receive for their taxes. Finding the balance point between further budget cuts, that may have wide range impacts on services, and the lowest levy possible, is the challenge that has no precise formula for determination. We can make certain assumptions but may not recognize the total effect of the impact until these decisions are actually implemented. There is a minimum cost to running the City and meeting the basic requirements that property owners expect for their taxes.

There is also the impact that drastic budget reductions may have on the City's economic development efforts. There is a certain amount of activity that must be sustained to provide a minimum level of stimulus and investment in the future of the City if we are to address our financial challenges. Reverting to a budgetary survival mode could possibly be detrimental to all the efforts to proactively engage our problem with the water and sewer debt.

The preliminary budget, that must be submitted to Anoka County by September 15, 2013, can be reduced but not increased prior to the adoption of the final budget in December of 2013. Even though the preliminary tax statements that will be issued to City residents in November will indicate the maximum tax increase proposed, Staff and Council will have additional time to seek alternatives to minimize this increase and impact of rates created by the bond deficits for Municipal Utilities Project.

A Special Meeting on October 10, 2013 and the Town Hall Meeting on November 21, 2013 will be dedicated to explaining and discussing the 2014 budget and levy.