



City of  
**Blue Earth**

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**To:** Blue Earth City Council  
**From:** Administrator Timothy P. Ibisch  
**Date:** December 5, 2016  
**Subject:** 2017 Final Blue Earth Budget

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The City Council had several work sessions on the Proposed 2017 Budget in August, September, and November. The City Council directed that a reduction of the proposed levy of 12% increase should be made. The City Administrator reviewed and discussed the proposed changes with department heads and the levy increase was reduced by 5.6%. The final budget will be voted on, after the Truth and Taxation Hearing for the 2017 Budget & Levy, at the December 5<sup>th</sup> City Council Meeting.

### **2016 Final Revenue Changes**

The overall levy is proposed to increase 6.4% from \$1,237,439.14 to \$1,351,778.52. According to the County Auditor, Blue Earth taxable value is up about 3.4% (1,510,144 in 2016 vs 1,561,488 in 2017). Therefore, a 3.4% change to the levy means no change in taxes. Every 1% over that equates to \$6.50 of increase. At 6.4% there is a \$19.50 change in tax based on \$100,000.00 of property value.

**Operating levy** will increase from \$329,130.73 to \$619,908.00, additional revenue will be provided by an LGA increase of \$5,000 and some growth in general fund line items. However, we do still forecast an increase in the overall General fund balance. The balance increase will continue, but not at the pace it has been projected to in recent years. Some of that has to do with Local Government Aid projecting out to be higher (\$1,816,351) in 2015 and \$ 1,821,758 in 2016). The City does not expect to see any reduction in debt service in 2017. The 2017 currently scheduled reduction of \$50,000.00 was precipitated by the early payoff of the 2005B G.O. Improvement Bond, as well as a reduction of cost in the 2011A G.O. refunding bond issuance. The increase in levy will aid the City in placing more money toward the debt service funds, particularly the 2016 issuances related to the Main Street and the Smith/Circle projects. We should see continued state sales tax exemption – assisting the City to the tune of \$6500/year.

**HRA Fund levy** will decrease from \$ 34,463.44 in 2016 to \$ 24,475.00 in 2017. Additional costs related to the demolition of substandard housing have driven up the costs to the City. This commitment the City is making to improve housing stock, which should yield dividends in terms of increased property values for neighboring residents as well as opening up a certain number of lots in the City itself. The HRA continues to promote in-fill housing as an option to solve short term housing needs.

**EDA Fund levy** will decrease from \$ 90,950.00 in 2016 to \$ 73,000.00 in 2017. This is part of the EDA's commitment to become self-sufficient as well as part of its promise to not spend any taxpayer dollars on the AgCenter project. We anticipate the AgCenter running at a small deficit in 2017 and as the cost of the parking lot project levels out, it should be able to pay for itself. There are a number of projects scheduled that will impact its profitability, however additional revenues may also become available as the rents revenue increases. We anticipate 2% increases in general rents at the AgCenter. What are unknown at this time are the costs for renovations at the "3 Sisters" site and additional budget requests regarding this project may be forthcoming.

**Health and Sanitation levy** will increase from \$ 119,007.49 to \$ 142,236.88. This is due to increases in the cost of street lighting, something that has been under budgeted for some time and reflects our real costs.

## **Debt Service Levies**

**Debt Service 317** was closed out in 2016. The City will roll any additional past due assessments into the street designated fund. We do not anticipate significant additional revenues.

**Debt Service 319** will increase from \$83,745.38 in 2016 to \$88,381.13 in 2017. This fund covers the 2013A G.O. Refunding Bond. This is the Public Safety Building, and it is due to expire in 2027.

**Debt Service 320** was closed out in 2016. The City will roll any additional past due assessments into the street designated fund. We do not anticipate significant additional revenues. The early call of this fund generated \$4000 in interest savings for the City.

**Debt Service 321** will increase from \$185,670.50 in 2016 to \$186,102.02 in 2017. This fund covers the 2012A G.O.Improvement & Refunding Bonds (Pool, Lift Station, 10th&Galbraith). The final payment is due in 2027 and 2028.

**Debt Service 322** will decrease from \$181,730.00 in 2016 to \$135,427.13 in 2017. This fund covers the 2009A G.O. Refunding Bonds (Equip. & refunds 2001 issue) and is due to expire in 2017 and 2022. This is a phased completion bond with the equipment portion coming off first.

Debt Service 323 will increase from \$9,117.60 in 2016 to \$60,074.85 in 2017. This fund covers the 2010A G.O. Improvement & Refunding Bonds (10th&Moore, 4th St H20 & L&W refund). The final payment is scheduled for 2026.

Debt Service 324 will decrease from \$56,953.18 in 2016 to \$15,458.65 in 2017. This fund covers the 2011A G.O. Refunding Bonds (refunds 1998, 2003A, 2004A, and 2004C issues). It is due to be completed in 2020.

Debt Service 325 will decrease from \$71,817.50 in 2016 to \$57,190.47 in 2017. This fund covers the 2013B G.O. Improvement Bonds (Equipment Cert. and Gorman Street). The Equipment Certificate ends in 2019 and the bond terminates in 2029.

Debt Service 326 will decrease from \$113,024.65 in 2016 to \$104,741.51 in 2017. The fund covers the 2014A G.O. Improvement Bonds (Valley Highland and TH169 & 3rd Street). In 2016 we began paying on the principal as well. It is scheduled to end in 2030.

Debt Service 327 will decrease from \$240,583.45 in 2016 to \$136,365.95 in 2017. It covers the 2015A G.O. Improvement Bonds (North Industrial Park, & 2nd Street). It is scheduled to end in 2031.

Debt Service 328 is a new issuance. It covers the 2016A G.O. Improvement Bonds (North Industrial Park, & 2nd Street). It is \$34,528.27 in 2017 and is not scheduled to end until 2032.

Street Dedicated Fund 101 is the City's fund established with the idea of subsidizing street projects in the off year and allowing for less inconsistent tax changes on a yearly basis. In 2016 \$220,217.22 was utilized to provide subsidies to debt fund #321 and debt fund #323. The current budget forecasts drawing this fund down by \$246,183 to subsidize funds #321, #325, #326, and #327, and #328. In addition, any new state transportation monies will subsidize our debt funds.

The rest of the revenue sources should be flat from 2016 to 2017. The budgeted revenues from a number of categories are anticipated to be quite level. Some previous general revenue estimates have been corrected and that has led to the need for rightsizing revenue collections in the general fund tax levy.

### **Highlights on Expenses:**

General Fund Expenses include the **Fire Department** adding **\$78,000** for capital expenses for 2017. This will go towards replacement of the grass rig truck as well as the preparation for the purchase of new pumper truck in the next 4 years.

In addition, **\$3500** is allocated for the **Police Department** radio equipment purchase authorized by the City Council earlier this year. This will allow us to limit maintenance expenses for several years with 2 new vehicles being worn out at the same pace.

The **Public Works Department** allocation is upshifting this year with larger amounts of money being spent on sealcoating, also a new process is being pursued. Also lower bituminous costs and lower utility costs have allowed us to recalculate the amount spent. **\$50,500** is the current capital expenditure number with the total coming in 22% higher than 2016, this will also encompass a potential truck replacement as detailed in PWD report of September 2016.

### **Budget Wrap-Up**

The City's goal with the 2017 budget will be a blueprint for all spending. Our responsibility is to:

1. Create a strong, sustainable economic base;
2. Promote a City organization that is sustainable and maintains employee morale, productivity and effectiveness;
3. Maintain and enhance our City's cultural, historical, and recreational assets;
4. Improve the partnerships between neighborhoods, schools, community organizations and the City to support and promote thriving, inclusive, and diverse neighborhoods;
4. Commit to making Blue Earth a healthy community where people feel safe to live, work, and play.

I believe that this budget provides for all of these needs and also gives us the flexibility to make changes as needs arise.