



City of Blue Earth

To: Blue Earth City Council
From: Administrator Timothy P. Ibisch
Date: December 4, 2017
Subject: 2018 Final Blue Earth Budget

The City Council had several work sessions on the Proposed 2018 Budget in September, October, and November. The City Council directed that a reduction of the proposed levy of 14% increase should be made. The goal they set was 3.5%. The City Administrator reviewed and discussed the proposed changes with department heads and the levy increase was reduced to 3.5%. The final budget will be voted on, after the Truth and Taxation Hearing for the 2018 Budget & Levy, at the December 4th City Council Meeting.

2017 Final Revenue Changes

The overall levy is proposed to increase 3.5% from \$1,237,439.14 to \$1,351,778.52. According to the County Auditor, Blue Earth taxable value is up about 1%. Therefore, a 1% change to the levy means no change in taxes. Every 1% over that equates to \$6.50 of increase. At 3.5% there is a \$16.25 change in tax based on \$100,000.00 of property value.

Operating levy will increase from \$619,908.00 to \$622,450.00. Additional revenue will be provided by an LGA increase of \$56,010 and some growth in general fund line items. However, we do forecast a decrease in the overall General fund balance. The balance decrease is largely due to the \$100,000 hit from the Fire Department SCBA purchase will continue. The City does not expect to see any reduction in debt service in 2018. Due to holding off on projects in 2017 the City will not see dramatic increases in debt either, however with the knowledge that in 2019 the amounts will significantly increase.

HRA Fund levy will increase from \$ 24,475.00 in 2017 to \$ 27,433.00 in 2018. 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. Also, the HRA is looking to pursue a 6 unit townhome project in 2018.

EDA Fund levy will increase from \$ 73,000.00 in 2017 to \$ 80,650.00 in 2018. The EDA had a difficult year dealing with personnel and communication issues at FCDC. The 3 Sisters project is my top priority for them next year, as well as marketing the housing development. We anticipate the AgCenter running at a small deficit in 2018 and as the cost of the parking lot project levels out, it should be able to pay for itself. We anticipate 2% increases in general rents at the AgCenter.

Health and Sanitation levy will increase from \$142,236.88 to \$168,650. This is due to rapidly increasing costs of street lighting. We may want to consider a street lighting fee in the future.

Debt Service Levies

Debt Service 319 will stay the same as 2017 with \$88,381.13 in 2018. 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 321 will increase from \$186,102.02 in 2017 to \$235,790.09 in 2018. 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 stay the same as 2017 with \$135,427.13 in 2018. 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 stay the same as 2017 with \$60,074.85 in 2018. 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 stay the same as 2017 with \$15,458.65 in 2018. 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 increase from \$57,190.47 in 2017 to \$107,190.49 in 2018. 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 stay the same as 2017 with \$104,741.51 in 2018. 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 \$136,365.95 in 2017 to \$133,095.44 in 2018. It covers the 2015A G.O. Improvement Bonds (North Industrial Park, & 2nd Street). It is scheduled to end in 2031.

Debt Service 328 will increase from \$34,528.27 in 2017 to \$71,131.09 in 2018. It covers the 2016A G.O. Improvement Bonds (Smith/No. Circle/ Tanglewood & Main Street). It is scheduled to end in 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 2017 \$246,183.00 was utilized to provide subsidies to debt fund #321, #325, #326, and #327, and #328. The current budget forecasts drawing this fund down by \$100,000 to subsidize funds #326 and future bond #329. In addition, any new state transportation monies will subsidize our debt funds.

The rest of the revenue sources should be flat from 2017 to 2018. 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 **\$188,000** for capital expenses for 2018. This will go towards replacement of the SCBA's as well as a new commercial dryer. I am concerned that the Department is spending too much of the allocated capital reserve. Originally, this money was intended to help purchase a new pumper truck.

In addition, **\$42,500** is allocated for the **Police Department** vehicle purchase authorized by the City Council earlier this year. Additionally, the Police contracts for 2018-2020 are unresolved, and arbitration may be necessary.

The **Public Works Department** allocation is declining this year with lower 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. \$20,000 is anticipated for the Capital line item.

Budget Wrap-Up

The City's goal with the 2018 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.

This year's budget is a very conservative one and reflects the smallest increase in the levy since I started here in 2014. This is in line with the Council's stated goal to keep the levy increase down to 3.5%. I believe that this may be the last year we can keep it down to that level.