

**CITY OF ELKO NEW MARKET
CITY COUNCIL WORK SESSION AGENDA
CITY OF ELKO NEW MARKET
601 MAIN STREET
ELKO NEW MARKET, MINNESOTA
THURSDAY, AUGUST 9, 2018**

6:30 PM

- 1. Call to Order**
- 2. Presentations**
- 3. Reports**
- 4. General Discussion**
 - a. Draft 2019 Budget
- 5. Reports (Cont'd)**
 - a. Reports from the Business Agenda may be presented if time permits
- 6. Adjournment**



STAFF MEMORANDUM

SUBJECT:	2019 Draft Budget
MEETING DATE:	August 9, 2018
PREPARED BY:	Thomas Terry, City Administrator
REQUESTED ACTION:	Provide feedback and direction.

COMMUNITY VISION:

- A mature growing freestanding suburb of the Twin Cities Metropolitan Area, preserving historic landmarks and small town character while providing suburban amenities and services, as well as full range of employment, housing, business, service, social, technology infrastructure and recreational opportunities for citizens and visitors
- Promote a diverse commercial base including light industrial and facilitating planned redevelopment which will be aesthetically pleasing with architectural standards that promotes quality development
- Provide a full range of municipal services to its residents. The City will allocate sufficient resources to meet the growing needs of the community
- A comprehensive park and trails system that will have sufficient facilities, play fields and open space to meet the needs of residents
- An effective and efficient transportation system, including access to the greater metropolitan area, transit opportunities, and improved connectivity to the interstate
- Provide community oriented local government and be financially sound, engaging in long-term financial planning to provide municipal services without undue burden on tax payers

5 YEAR GOALS:

- Diverse tax base, employment opportunities, additional businesses and services, promote high quality broad spectrum of residential development
- Advance "shovel ready" status of areas guided for commercial and industrial development
- Acquisition of land for public purposes, position City to take advantage of land acquisition opportunities
- Enhance quality of life through parks, trails, recreational programming and cultural events
- The development of residential lots and an increase in residential building permit activity

COMMUNITY ORIENTED LOCAL GOVERNMENT:

- Community Involvement
- Organizational Improvement
- Problem Solving
- Performance Measurement
- Professionalism

BACKGROUND

At the Council Work Session on July 26, the Council reviewed background information and discussed factors impacting the 2019 budget. The Council provided direction on goals and priorities within the 2019 budget, as well as provide direction on the maximum tax impact assumption for preparing the draft budget. These parameters will be used in preparing the draft 2019 Budget.

Specifically, the Council discussed key assumptions for the projected 2019-2020 Budgets and how those should be applied in developing the draft 2019 Budget. Those assumptions included the hire of a full-time Police Officer in July 2018 with a full year expense for the officer in 2019, a \$20,000 annual incremental increase for 318 Debt Service Fund, and a \$8,500 increase in Capital Outlay for 2019. Another assumption was increasing financial flexibility through stepped reduction in the use of LGA to support General Fund operations and redirection to the Capital Projects Fund or Economic Development Fund, as well as re-establishing contingency with the General Fund Budget. The Council also discussed the inclusion of an Administration/Community Development Intern in the 2019 Budget, as well.

After significant discussion, the Council provided the following direction:

- Assume the full year expense for the officer hired in mid-2018
- Assume the annual incremental increase for 318 Debt Service Fund
- Assume Capital Outlay needs based on 2019 projected budget
- Not implementing stepped reduction in the use of LGA to support General Fund operations and redirection to the Capital Projects Fund or Economic Development Fund
- Assume a 1.5% contingency in the General Fund, and
- Include an Administration/Community Development Intern

The Council directed staff to work within a maximum increase in the tax impact for the typical home of 6%.

DISCUSSION:

Staff will provide a high level presentation on the draft budget at the workshop. At this workshop, the City Council will be asked to provide additional direction in order to refine the draft budget for adoption of the Preliminary General Fund Budget in September.

Preliminary information provided by the County Auditor indicates that the Net Tax Capacity for Elko New Market increased by approximately 8.56% from 2018. Also, the total estimated market value for improved residential properties increased by 8.20%. Single family homestead residential properties appreciated by an average of 3.5%.

Historically, the great majority of homes in the community were tightly banded with regards to their change in assessed value (appreciation/depreciation). For example, for the 2012 Budget, 75% of homes were within 5% of each other with regards to their change in assessed valuation. As a result, it allowed the City to estimate a fairly consistent tax impact for the large majority of the homes based on a proposed levy. However, for the 2013-2018 Budgets, the range of change in assessed value for the majority of homes has increased from what it had been historically. Accordingly, the range of tax impact that homes would experience based on a proposed levy has also increased.

The trend has continued for the 2019 Budget. Based on information provided by Scott County, 51% of homes experienced an increase in value of greater than 5% with 28% seeing a substantial increase greater than 10%. By contrast, 26% experienced modest appreciation of 5% or less and 22% experienced depreciation. The net result is a natural shift of tax burden to those homes that experienced greater appreciation. Those homes will see an increase in tax impact regardless of change in levy.

% EMV Value Range Inc/Dec	# of affected Properties	% of Total
+15.01+%	191	13%
+10.01-15.00%	224	15%
+5.01-10.00%	335	23%
+0.01-5.00%	381	26%
No Change	3	0%
-0.01-5.00%	243	17%
-5.01 - 10.00%	67	5%
-10.00 - 15.00%	11	1%
-15.01% +	4	0%
	1,459	100%

Based on the tax impact information provided by Scott County, the 2019 budget could include all of the items discussed at the July 26 Work Session, including the stepped reduction in the use of LGA to support General Fund operations and 3% contingency without exceeding the 6% tax increase parameter for the typical home that was identified by the Council. However, given the impact of changing property values and the shift in tax burden, the Council is being asked to confirm or provide further direction on budget goals and parameters.

Please contact the City Administrator or Consulting Accountant with any questions regarding the matter in this memorandum (952-461-2777 or 952-715-3074).