

City of Eden Prairie
2020/2021 Proposed Budget
City Council Meeting
September 3, 2019

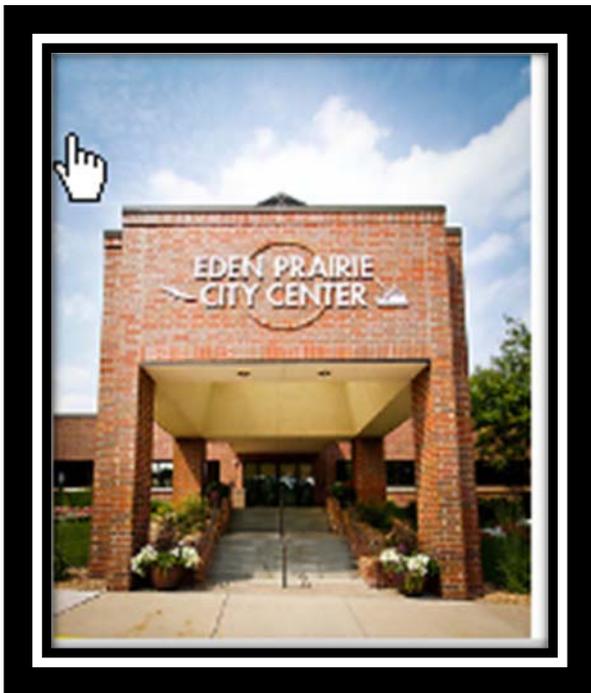


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Budget Overview

The 2020/2021 proposed budget provides the resources to achieve the City's goals for Eden Prairie citizens. These goals are part of the Eden Prairie Promise and are embedded in the City's vision, mission and performance measures. We are continuing to meet the needs of residents while finding ways for improvement and keeping costs affordable.

The City Council 2020/2021 budget objectives include the following:

Achieve City Goals

- Community Well-being & Safety
- High Quality Efficient Services
- Preserved & Beautiful Environment
- Sense of Community
- Innovative & Sustainable Practices
- Economic Vitality

Provide Value to Citizens

- Maintain High Quality City Services
- Reasonable Tax Impacts

Maintain Employee Morale and Engagement

- Implement efficiencies and innovations that motivate employees to continually improve the organization and providing salary changes that are consistent with public and private sector trends

Maintain Strong Financial Position

- Maintain Bond Rating
 - Approve a Balanced Budget
 - Maintain Fund Balance Policies
 - Conservative Estimates of Revenues and Expenditures
 - Review fees and charges annually, at a minimum adjust for inflation
 - Capital Planning

The City Council is emphasizing the following areas to achieve City Goals for this budget cycle:

- Affordable Housing
 - Implement Housing Task Force

- Sustainability
 - City-wide Energy Action Plan
 - City Solar
 - LED lights
 - Organics
 - Yard Waste Drop-Off Site
 - Pollinators/”Keep the Prairie in Eden Prairie”
 - Fleet Electrification
 - Emerald Ash Borer Program

- Transportation
 - Oversee Light Rail Transit construction in Eden Prairie and over \$20,000,000 in road improvement projects
 - Bridge Inspections and MSA Counts

- Sense of Community/Community Identity
 - PeopleFest
 - Hometown Celebration: July 3-4
 - Art Events and Initiatives
 - Entry Monument signs
 - Promoting historic properties
 - Provide ways to engage with City Government:
 - City Government Academy
 - “Real Talk with Rick” Podcast
 - Engagement through technology: Online Engagement Platform, Social Media, City Website, Email/Text Subscriptions, EP See Click Fix

- Public Safety
 - Add two additional police officers due to increased mental health and other calls, increased training requirements, and maintenance of minimum staffing levels. Add Officer to the Joint Terrorism Task Force.

- Parks and Recreation
 - Open new Starring Lake Building

These goals and the related costs are interwoven in various sections of the budget. Many times the costs are almost entirely staff time, and do not require significant financial investment. Some of the costs are capital costs and included in the City’s Capital Improvement Plan, which is separate from the general fund budget.

The budget process started in March with the review of the Community Survey and will end in December with final approval and adoption of the budget. The process to date and future planned activities include the following:

Internal Budget Process

- 2018 – Complete City-Wide work plans
- March/April - Internal service fund budgets prepared by managers
- April 18 - Budget kick-off meeting
- May/June – Department meeting held on 2018 financial results
- May 24 - Staff budget preparation work due
- June - Departmental budget meetings held
- City Manager, Directors, and Finance prepare for City Council Workshop

Council Process

- March 2 – City Council Planning Session
- March 5 – City Council Workshop on the Community Survey
- May 21 – City Council Workshop
 - Council accepts 2018 financial results
 - Council adopts financial policies
- July 16 - City Council Workshops
- September 3 - Council adopts a preliminary tax levy and budget
- November 12 – City Council Workshop on Enterprise Funds
- December 3 - Public Meeting and Council adopts final tax levy and budget

City Survey

The 2018 Quality of Life Survey provided residents the opportunity to rate the quality of life in the City of Eden Prairie, as well as the quality of service delivery and overall workings of local government. The survey also permitted residents to provide feedback to government on what is working well and what is not, and to share their priorities for community planning and resource allocation. The City uses the biannual citizen survey as one input tool for the budget.

Key Findings

Eden Prairie is a desirable place to live and raise a family.

- Eden Prairie residents continue to boast a high quality of life, with 95% awarding excellent or good marks in 2018, which eclipsed averages seen across the nation, Minnesota and Central Region municipalities with populations over 15,000.

Residents' high ratings for safety services contribute to their quality of life, though they have increasing concerns regarding youth crime and drugs.

- Residents commended safety services, such as fire, Hennepin County EMS, police and crime prevention, with each assigned excellent or good marks by 9 in 10 or more. Eden Prairie participants' reviews for police and crime prevention outperformed all other municipality comparisons.

Community parks, recreation and natural environment continue to be a highlight.

- More than 9 in 10 residents revealed admiration for the overall natural environment and opportunities for education and enrichment, maintaining standards set in previous years and outshining national, Minnesota and North Central communities with populations over 15,000.

Residents praise their City services.

- In 2018, about 9 in 10 residents assigned high scores to the overall quality of services provided by the City of Eden Prairie, on par with 2016, but higher than 2014 levels. This measure eclipsed national, North Central and Minnesota comparisons.

Eden Prairie's economy shines, but affordability could be an issue in the future.

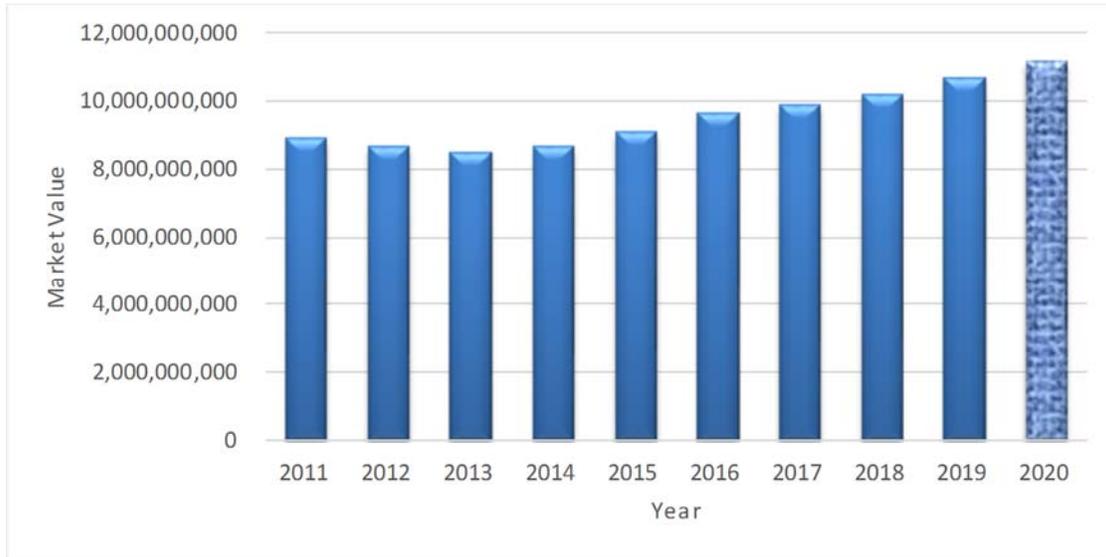
- Ninety-two percent of survey participants provided excellent or good assessments to the overall economic health of Eden Prairie, which surpassed ratings in communities

elsewhere in the U.S., Minnesota and communities in the North Central Region with populations over 15,000.

The survey provides valuable input and demonstrates evidence of overall satisfaction with City services. The survey provided feedback on some concerns regarding affordable housing. The City Council goals include initiatives on affordable housing.

Tax Base

The ability to levy and collect taxes is based on property market values, tax capacities, and the City’s tax rate. Below is a history of the City’s market value of all residential and commercial property since 2011.



The current estimated market value for taxes payable in 2020 is a market value increase to \$11.1 billion, which is a 4.4% increase over 2019. The table below shows the history of market value, adjusted net tax capacity and the City tax rate since 2017.

	2017	2018	2019	2020
Market Value	\$9.9 Billion	\$10.2 Billion	\$10.6 Billion	\$11.1 Billion
Adjusted Net Tax Capacity	\$102,110,421	\$106,602,759	\$112,559,846	\$116,680,538
City Tax Rate	32.48%	32.34%	31.52%	31.48%

The City’s 2020 tax rate is currently projected to slightly decrease from 2019.

Below summarizes the City's tax impact for residential, apartment, and commercial properties based on current information from the County.

Property Type	Percent			
	2018/2019	2019/2020	Difference	Change
Residential (\$413,800)	\$ 1,292	\$ 1,334	\$ 42	3.3%
Apartment (\$5M)	\$ 19,327	\$ 20,056	\$ 729	3.8%
Commercial (\$2M)	\$ 7,879	\$ 7,950	\$ 71	0.9%

Staff has calculated that a \$360,000 change in the tax levy will impact the median value home by 1% or \$13.00.

Tax Levy and Budget

Below summarizes the proposed total tax levy and budget.

Tax Levy

Fund	2019	2020	Difference	Percent	2021	Difference	Percent
	Adopted	Proposed		Change	Proposed		Change
General Fund	\$ 35,325,724	\$ 36,668,102	\$ 1,342,378	3.8%	\$ 38,061,490	\$ 1,393,387	3.8%
Capital Improvement Fund	400,000	400,000	-	0.0%	400,000	-	0.0%
Debt Levy	2,553,000	2,553,000	-	0.0%	2,553,000	-	0.0%
Sub-total	38,278,724	39,621,102	1,342,378	3.5%	41,014,490	1,393,387	3.5%
Less Fiscal Disparity Distribution	(1,954,297)	(2,046,407)	(92,110)	4.7%	(2,046,407)	-	0.0%
Total Levy	\$ 36,324,427	\$ 37,574,695	\$ 1,250,268	3.4%	\$ 38,968,083	\$ 1,393,387	3.7%

Budget

Fund	2019 Adopted	2020 Proposed	Difference	Percent Change	2021 Proposed	Difference	Percent Change
General Fund	\$ 47,101,720	\$ 48,657,456	\$ 1,555,736	3.3%	\$ 50,102,474	\$ 1,445,018	3.0%
Debt	2,553,000	2,553,000	-	0.0%	2,553,000	-	0.0%
Capital Levy	400,000	400,000	-	0.0%	400,000	-	0.0%
Total City Budget	\$ 50,054,720	\$ 51,610,456	\$ 1,555,736	3.1%	\$ 53,055,474	\$ 1,445,018	2.8%

Debt Levy

For 2020 and 2021 debt payments supported by the tax levy are projected to remain 5% to 6% of the general fund budget. The City has a policy of maintaining a percentage of 5% to 15% of the general fund budget as we consider this to be a moderate debt burden.

Moody's Investors Service has assigned a rating of Aaa to the City of Eden Prairie's (MN) bond for every debt issue since 2003, the highest rating from Moody's. Standard & Poor's has also assigned a rating of AAA to the City of Eden Prairie's bonds outstanding, their higher rating as well. This ensures the City receives the most competitive interest rates. The City's bond ratings reflect Eden Prairie's extensive and diversified tax base, low amount of rapidly amortized debt, and capably managed operations. Of the 854 cities in Minnesota, there are only 14 rated Aaa by Moody's Investors Service and 19 rated AAA by Standard & Poor's.

For 2020 and 2021, the total debt levy is the same as 2019 or \$2,553,000. The City currently has four bonds that are supported by the debt levy. These include bonds for the SouthWest Fire Station, for Park Improvements including the community center, park, and trails, and for the Aquatics expansion at the Community Center.

Below summarizes the detail of the 2020/2021 debt levy.

Debt Levy	2019 Adopted	2020 Proposed	Difference	Percent Change	2021 Proposed	Difference	Percent Change
Debt Levy on Tax Capacity							
2012B South West Fire Station	310,000	310,000	-	0.0%	280,000	(30,000)	(9.7%)
2014 Tax Abatement	1,397,000	1,397,000	-	0.0%	1,397,000	-	0.0%
Sub-total	1,707,000	1,707,000	-	0.0%	1,677,000	(30,000)	(1.8%)
Debt Levy on Market Value							
2011C Parks Referendum	696,000	165,000	(531,000)	(76.3%)	-	(165,000)	(100.0%)
2012A Parks Referendum	150,000	681,000	531,000	354.0%	876,000	195,000	28.6%
Sub-total	846,000	846,000	-	0.0%	876,000	30,000	3.5%
Total	\$ 2,553,000	\$ 2,553,000	\$ -	0.0%	\$ 2,553,000	\$ -	0.0%

Capital Levy

The City prepares a ten-year capital improvement plan and updates the plan every other year. The Capital Improvement and Maintenance fund (CIMF) pays for capital projects that do not have another funding source, for example, playground replacement, repair and expansion of trails, parks – parking lot maintenance, public safety radio replacement, etc. The CIMF is funded through liquor operations profit, rental income, antenna revenue, a tax levy, miscellaneous revenue, and one-time funds the City receives. The capital levy is the same amount as 2019 and is \$400,000 annually.

General Fund Revenue Budget

Below summarizes the 2020/2021 proposed General Fund Revenue Budget.

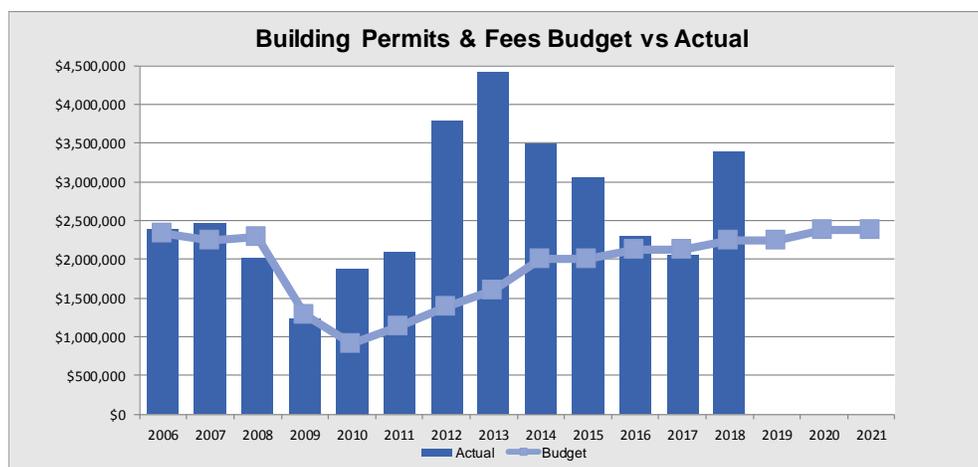
Revenue	2019 Adopted	2020 Proposed	Difference	Percent Change	2021 Proposed	Difference	Percent Change
Taxes	\$ 34,644,210	\$ 35,959,740	\$ 1,315,530	3.8%	\$ 37,325,260	\$ 1,365,520	3.8%
Licenses and Permits	3,801,034	3,854,780	53,746	1.4%	3,855,780	1,000	0.0%
Intergovernmental Revenue	1,311,182	1,299,222	(11,960)	(0.9%)	1,299,222	-	0.0%
Charges for Services	6,238,695	6,331,556	92,861	1.5%	6,468,995	137,439	2.2%
Other Revenue	1,106,599	1,212,158	105,559	9.5%	1,153,217	(58,941)	(4.9%)
Total	\$ 47,101,720	\$ 48,657,456	\$ 1,555,736	3.3%	\$ 50,102,474	\$ 1,445,018	3.0%

Property tax revenue is the single largest source of revenue and the City strives to balance increases in property taxes with the demand for City services. Property taxes account for 74% of the General Fund budget. The tax levy in the proposed budget is increasing 3.8% for 2020 and 2021.

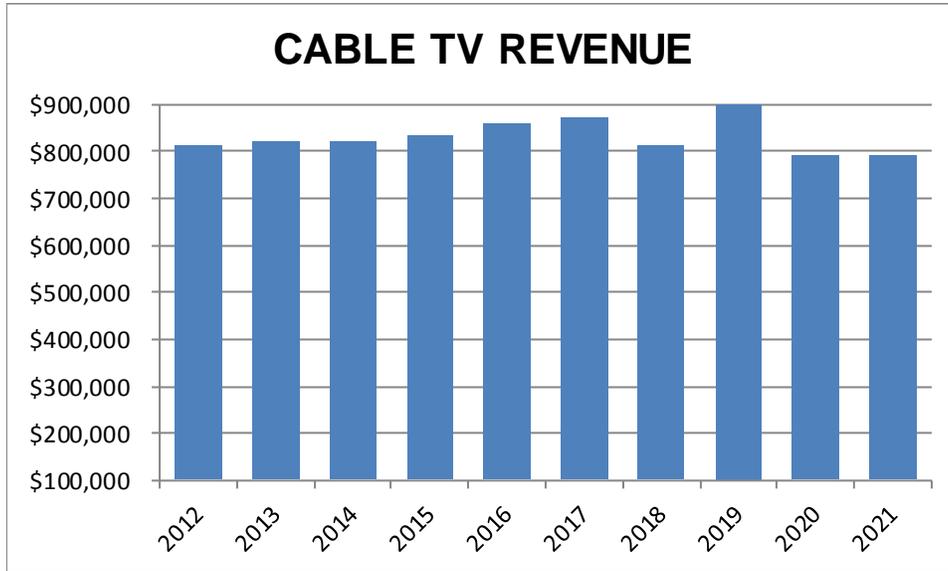
Charges for services is the second largest revenue source and accounts for 13% of the General Fund Budget. Charges for services are increasing \$92,861 or 1.5% in 2020 and \$137,439 or 2.2% in 2021.

Licenses and permits revenue is the third largest revenue source to the General Fund and accounts for 8% of the General Fund revenues. Licenses and permits is increasing \$53,746 or 1.4% for 2020 and remains flat for 2021. Significant items to note include the following:

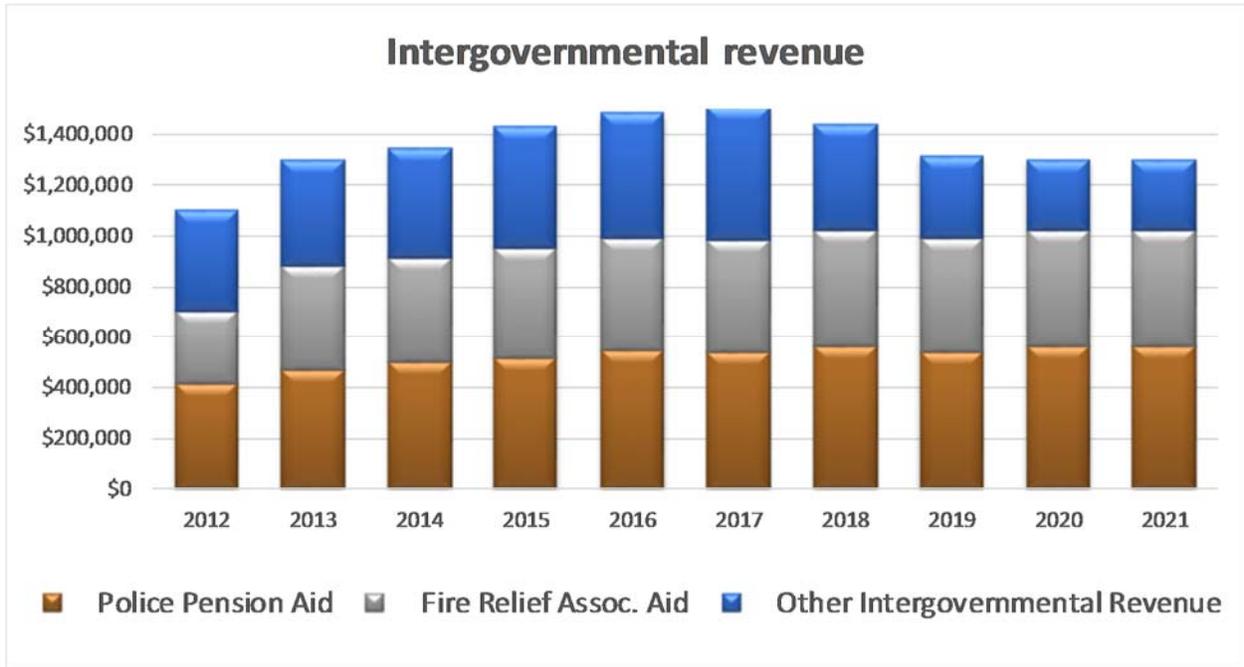
- Building permit and fees revenue is budgeted to increase \$134,680 or 6% in 2020. This budget was held flat for 2021 as we budget a higher increase every other year. The below history shows actual amounts to 2018 and then budgeted amounts to 2021.



- Cable TV is decreasing \$124,000 or 13.6% in 2020 and remains flat for 2021. As you can see from the graph below, cable revenue dropped for the first time in 2018. Staff budgeted 2019 revenue based on the positive trend that did not occur.



Intergovernmental revenue (IGR) includes Federal and State grants, State aid, and other local grants. During the legislative session PERA aid (\$52,384) was eliminated as the legislature did not reauthorize this revenue source. Below is a history of Intergovernmental Revenue.

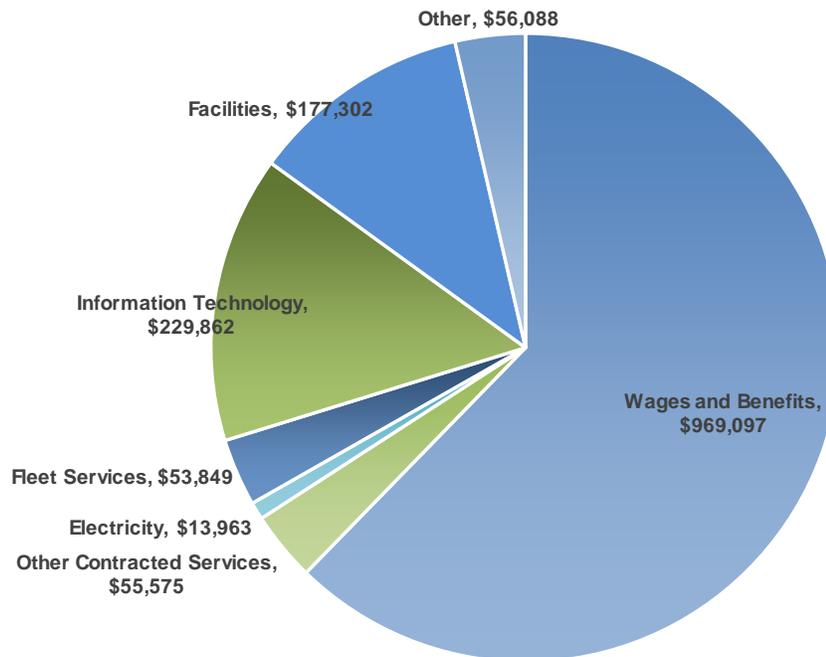


Other revenues that the General Fund receives consist of fines and penalties, contributions, interest income, reimbursements and transfers-in. These revenues make-up 2.5% of General Fund revenues.

General Fund Expenditure Budget

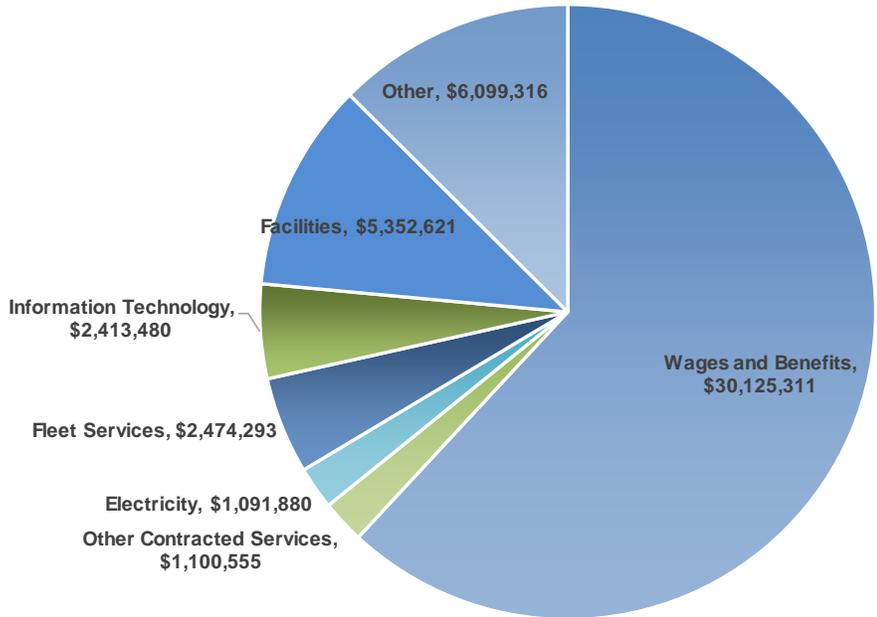
Expenses	2019 Adopted	2020 Proposed	Difference	Percent Change	2021 Proposed	Difference	Percent Change
Administration	\$ 4,430,402	\$ 4,734,458	\$ 304,056	6.9%	\$ 4,707,669	\$ (26,789)	(0.6%)
Community Development	2,485,582	2,450,407	(35,175)	(1.4%)	2,538,978	88,571	3.6%
Parks and Recreation	12,365,693	13,020,985	655,292	5.3%	13,382,734	361,749	2.8%
Police	15,216,401	15,729,265	512,864	3.4%	16,385,600	656,335	4.2%
Fire	6,383,002	6,348,571	(34,431)	(0.5%)	6,579,014	230,443	3.6%
Public Works	6,070,640	6,353,770	283,130	4.7%	6,488,479	134,709	2.1%
Transfers	150,000	20,000	(130,000)	(86.7%)	20,000	-	0.0%
Total	\$ 47,101,720	\$ 48,657,456	\$ 1,555,736	3.3%	\$ 50,102,474	\$ 1,445,018	3.0%
Revenues Less Expenses	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%

Expenditures are proposed to increase 3.3% in 2020 and 3.0% in 2021. The following graph shows the budget changes by category:



Since the City provides significant services to the community, wages and benefits make up 62% percent of the general fund budget. The most significant categories include wages, pension and taxes, health insurance, part-time wages, and workers compensation insurance. Other significant

costs include amounts to maintain facilities, fleet services, information technology, and electricity. These items make up another 23% of the budget. All other items make up 15% of the budget. The chart below illustrates the make-up of the budget.



Below provides information on the significant items in the budget.

Full-Time Wages

With a staff of 228 full-time employees, the City provides its residents and businesses with a full range of municipal services consisting of police and fire protection, street maintenance, recreation programs, park maintenance, community and economic development, and building inspections.

Wages are proposed to increase 4.4% in 2020 and 3.1% in 2021. This includes a 3% base increase, step increases and performance pay. Through staff turnover, the City usually sees budget reductions as new staff are many times hired at a lower rate. However, new employees earn step increases and performance pay until they reach the target rate for their position, which then adds additional increases to the budget. The budget includes hiring two new police officers and the addition of a Deputy City Clerk position.

The City prepares the budget for wages by looking at trends within the private sector labor market and our local government peer group. Based on the compensation trends we are seeing, we are proposing a 3% wage increase in 2020 and 2021. This proposal is in line with our peer cities and the private sector. We must continue to provide similar increases as the private sector and our public sector peer cities to remain competitive.

Wages – Part time

Wages part-time are increasing \$279,479 or 11.1% in 2020 and decreasing \$65,652 or 2.4% in 2021. The 2020 increase includes \$120,000 for elections, \$17,000 for a sustainability intern, \$30,000 for the new yard waste drop-off site, \$28,000 increase for the art center to increase offerings, additional trainings, and new studio tech staff, and \$12,000 for a planning intern to implement Aspire Eden Prairie. For 2021, the election budget was decreased as we move into a year without an election.

Volunteer Wages/Duty Crew

Volunteer wages are increasing \$58,000 or 6.5% in 2020 and \$28,000 or 3% in 2021. The duty crew model was implemented in July of 2012. The budget is increasing due to increases in duty crew wages and additional duty crew coverage.

Fire Relief Pension Plan

Firefighters of the City of Eden Prairie are members of the Eden Prairie Firefighter Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2017, membership includes 100 active participants, 97 retirees and beneficiaries currently receiving benefits, and 20 terminated employees entitled to benefit but not yet receiving them.

Minnesota Statutes specifies minimum support rates required on an annual basis by the City. The Association completes an actuarial study every two years which documents the required contribution from the City. For 2020, the required amount is \$677,535 annually, which is \$290,991 less than 2019. An updated actuarial will be completed for the 2021 budget. The City receives Fire Relief Pension Aid from the State of approximately \$450,000, which offsets the City's required contribution.

PERA

The City pays public employees retirement (PERA) benefits for all eligible employees. Generally, all full time employees and part-time employees, who earn more than \$425 a month, are PERA eligible. The City currently contributes 7.50% of salary for PERA except for the police and fire employees where the percent is 17.7% for 2020 and 2021. The City also pays 7.65% of salary for FICA except for police and fire where the percentage is 1.45%. The City has budgeted \$3,569,818 and \$3,720,979 for PERA/FICA in 2020 and 2021.

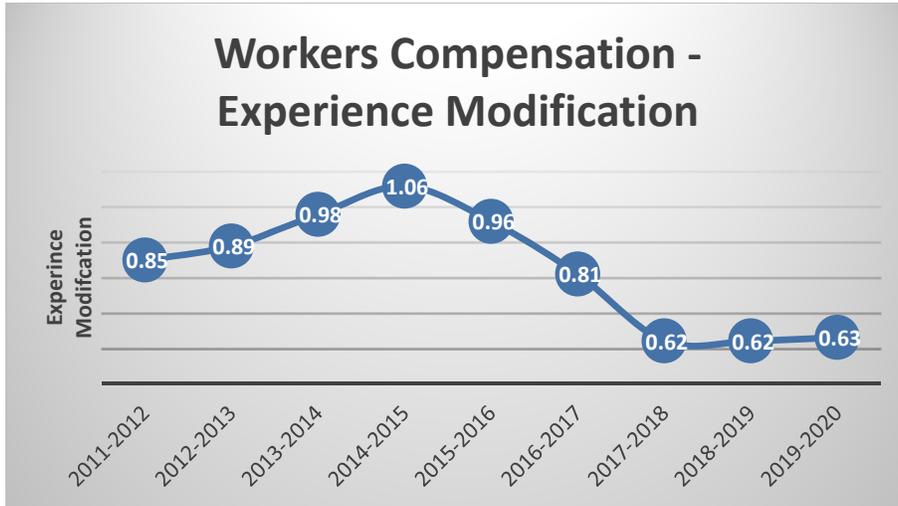
Health Insurance

The City periodically conducts a Request for Proposal (RFP) process to procure health insurance. State law requires that the City issue a RFP every five years. In 2017, the City Council approved a five-year health insurance contract with HealthPartners for 2018 to 2022. The rate cap for 2020 and 2021 is 8% but our rates are increasing 7.0% each year due to keeping the HSA/HRA payments to employees the same.

Workers Compensation

The workers compensation user charge is changing from \$570,496 in 2019 to \$538,215 in 2020 which is a 5.7% decrease. Our current experience modification rating (EMR) is .63. Since 2011, the number has ranged from 1.06 to .62. When the EMR is lower, our workers compensation costs are less due to positive claims experience. The average EMR, or the point at which the City is said

to be no more or no less risky than another, is 1.0. If our EMR dips below 1.0, we are considered safer than most, which translates to lower premiums. Also, workers compensation rates for each employee category can change (increase and decrease) every year. For 2021 the charge is budgeted to increase to \$554,285 which is a 3% increase.



Facilities User Charges

The Facilities Division is responsible for building related operations, preventative maintenance, remodeling, and long-term maintenance programs of the facilities owned by the City. The buildings include the City Center, Community Center, Outdoor Center, Art Center, Maintenance Facility, four Fire Stations, park shelters, and historical buildings. Facilities charges back to the internal users for these services.

Facility user charges are increasing from \$5,175,319 in 2019 to \$5,352,621 in 2020, which is an increase of \$177,302, or a 3.4% increase. For 2021, charges are increasing to \$5,520,672 or 3.1%.

IT User Charges

The Information Technology Division is responsible for providing strategic technology direction and managing and implementing IT governance processes in support of City leadership. IT develops and implements IT operational policies and standards, manages contracts for IT services with various service providers, and coordinates major citywide activities including:

- General PC/Phone Systems Support;
- Network Wellness (Network Hardware/Servers/Enterprise Applications);
- Application Analysis, Implementation and Support and;
- Technology Analysis, Recommendation and Implementation.

IT charges back to the internal users for these services.

For the General Fund, IT user charges are increasing from \$2,183,618 in 2019 to \$2,413,480 in 2020 a 10.5% increase. For 2021, \$2,514,443 is budgeted which is a 4.2% increase. Some changes for 2020 software maintenance going forward include:

- Upgrade to Office 365 single enterprise license includes Office, Exchange, Windows 10, SQL, and Data Center licenses from 2019 to 2021, \$55,000
- Move Website hosting maintenance from Communications to IT \$13,000
- Move several applications from Fire to IT, \$18,000
- Ultipro adjustment, \$30,000

The Information Technology Division helps to manage approximately 90 different software applications.

Fleet Services User Charges

Fleet services provides and maintains a safe, high quality, reliable and efficient fleet of vehicles and equipment. They manage approximately 300 vehicles and large pieces of equipment. The fleet includes police and fire vehicles, snowplows, dump trucks, pickup trucks and autos. Fleet Services is also continuing sustainability efforts this budget cycle to implement additional plug-in electric vehicles and improve building electrical infrastructure to support more electric vehicle charging stations. Fleet Services charges back to the internal users for these services.

Fleet services user charges for the general fund are increasing 2.2% in 2020 to \$2,474,293 and increasing 2.7% in 2021 to \$2,541,310. The Fleet Services budget is able to hold fairly constant through this budget cycle primarily due to the relative stability of fuel prices, regular maintenance of the fleet, and the City's continued efforts to conserve fuel and improve vehicle and equipment fuel economy.

Housing and Redevelopment Authority (HRA)

In 1980, the City of Eden Prairie established a Housing and Redevelopment Authority for the City. The HRA may spend resources for the following:

- to provide a sufficient supply of adequate, safe, and sanitary dwellings in order to protect the health, safety, morals, and welfare of the citizens of this state;
- to clear and redevelop blighted areas;
- to perform those duties according to comprehensive plans;
- to remedy the shortage of housing for low and moderate income residents, and to redevelop blighted areas, in situations in which private enterprise would not act without government participation or subsidies.

Housing and Redevelopment Authorities can levy a tax of up to .0185 percent of taxable market value. The levy limit for the City of Eden Prairie HRA is approximately \$1.9M. In 2006, the Council approved the HRA levy for the first time.

The HRA levies and pays for wages and benefits related to the support of housing in the City. It includes staff time from Housing and Community Services, Community Development, Planning, and Administration of Rental Housing Licensing. Wages and benefits total \$187,050 for 2020 and \$196,470 for 2021.

Other City resources for housing on an annual basis include:

- Tax Increment Financing, \$1,400,000
- Community Development Block Grant, \$300,000 to \$500,000
- General Fund – Housing Inspections, 125,000
- HRA, \$200,000

Amounts provided are 2020 estimates.

Conclusion

This document is intended to provide information on the proposed 2020/2021 City of Eden Prairie budget. If you have any questions about the budget contact a member of the finance team or the individual operating areas.