

Property Tax Levies

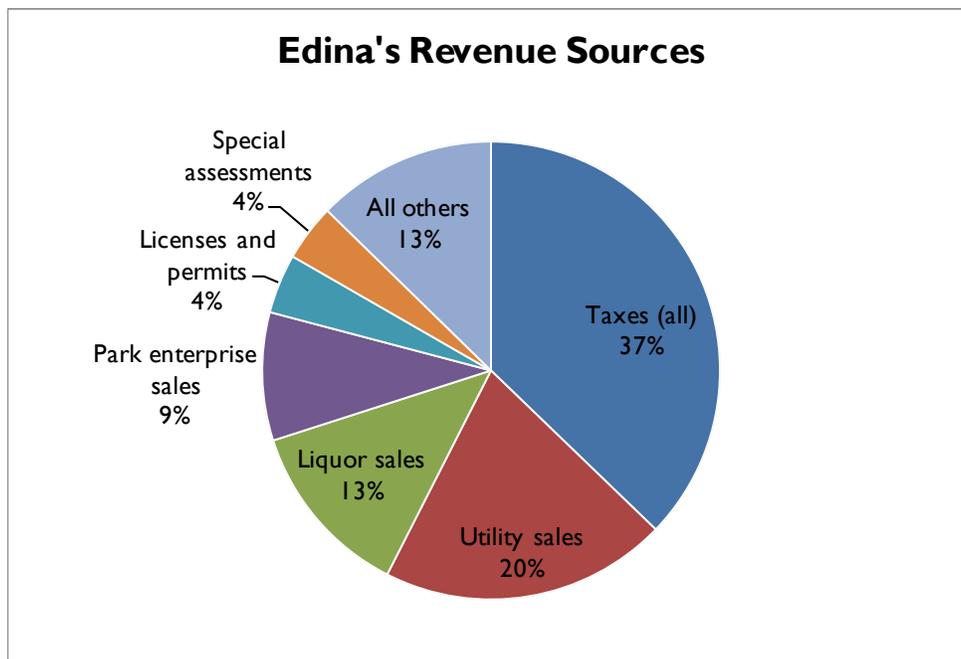
PROPERTY TAX LEVIES ANNUAL BUDGET— ALL YEARS

	2013	2014	2015	Budget 2016	Budget 2017
General Fund Levies					
General Operating Levy	\$ 21,824,894	\$ 22,509,403	\$ 22,933,958	\$ 25,023,952	\$ 26,360,319
General Fund Subtotal	<u>21,824,894</u>	<u>22,509,403</u>	<u>22,933,958</u>	<u>25,023,952</u>	<u>26,360,319</u>
Increase From Prior Year (%)	1.02%	3.14%	1.89%	9.11%	5.34%
Arts and Culture Fund Levies					
Arts and Culture	-	-	20,000	20,000	20,000
Arts and Culture Fund Subtotal	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
Increase From Prior Year (%)				0.00%	0.00%
Debt Service Fund Levies					
City Hall Debt Service	949,850	947,600	944,400	946,000	946,000
Gymnasium Debt Service	396,444	409,244	409,440	385,901	388,000
Fire Station Debt Service	431,544	441,944	441,940	443,000	443,000
Public Works Facility Debt Service	1,536,743	1,526,809	1,546,600	1,561,000	1,696,000
Park Bond Market Value Levy	615,837	627,800	618,600	571,650	-
Sports Dome	-	-	1,168,000	1,167,620	1,162,500
Weber Woods ^{NOTE 1}	-	-	-	-	400,000
Debt Service Fund Subtotal	<u>3,930,418</u>	<u>3,953,397</u>	<u>5,128,980</u>	<u>5,075,171</u>	<u>5,035,500</u>
Increase From Prior Year (%)	7.63%	4.31%	29.74%	-1.05%	-0.78%
Construction Fund Levies					
Capital Improvement Plan Levy	-	-	-	-	100,000
Equipment Levy	992,072	992,072	1,617,072	1,680,000	1,750,000
Construction Fund Subtotal	<u>992,072</u>	<u>992,072</u>	<u>1,617,072</u>	<u>1,680,000</u>	<u>1,850,000</u>
Increase From Prior Year (%)	0.00%	0.00%	63.00%	3.89%	10.12%
HRA Fund Levies					
HRA Operating Levy	-	-	-	-	95,000
HRA Fund Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,000</u>
Increase From Prior Year (%)					
Total Property Tax Levy	<u>\$ 26,747,384</u>	<u>\$ 27,454,872</u>	<u>\$ 29,700,010</u>	<u>\$ 31,799,123</u>	<u>\$ 33,360,819</u>
Increase From Prior Year (%)	1.90%	2.65%	8.18%	7.07%	4.91%

NOTE 1: The City made an offer to purchase a portion of Weber Woods from the City of Minneapolis. The financing plan for the purchase was not completed or approved by the publication date for this document. The estimate shown here is subject to change based on final financing decisions to be made in 2016.

Revenues

The City of Edina has many diverse sources of revenue. Most residents know that the City collects property taxes, franchise taxes and tax increments, but some people are surprised to learn that these taxes combined represent only about 37% of the City's annual revenue. In Edina, there are many parks enterprise facilities that generate revenue, in addition to the Utility fund and Liquor fund which are also significant sources of the "Park enterprise sales" category in the chart below. Special assessments and licenses and permits are significant contributors to the City's revenue, at about 4% each. Other sources include aid from federal and state government agencies, police fines, investment income, ambulance charges, park rentals and program registrations, donations, advertising sales, revenue earned from providing dispatch services to other communities, and many others.



Property taxes account for \$31,799,123 and \$32,860,819 of the City's budgeted revenue in 2016 and 2017, respectively. Property taxes are difficult to compare across jurisdictions due to differences in tax bases, growth and development issues, and the quantity as well as quality of services delivered. However, we believe Edina compares favorably according to the comparison on the following page with other Municipal Legislative Commission (MLC) cities, which tend to share many similarities with Edina. This comparison chart on the next page shows what the buyer of a \$400,000 home would pay to each City in annual taxes if the buyer would choose to live in that City. The buyer of a \$400,000 home in Edina would pay the lowest City taxes in this comparison group.

REVENUES

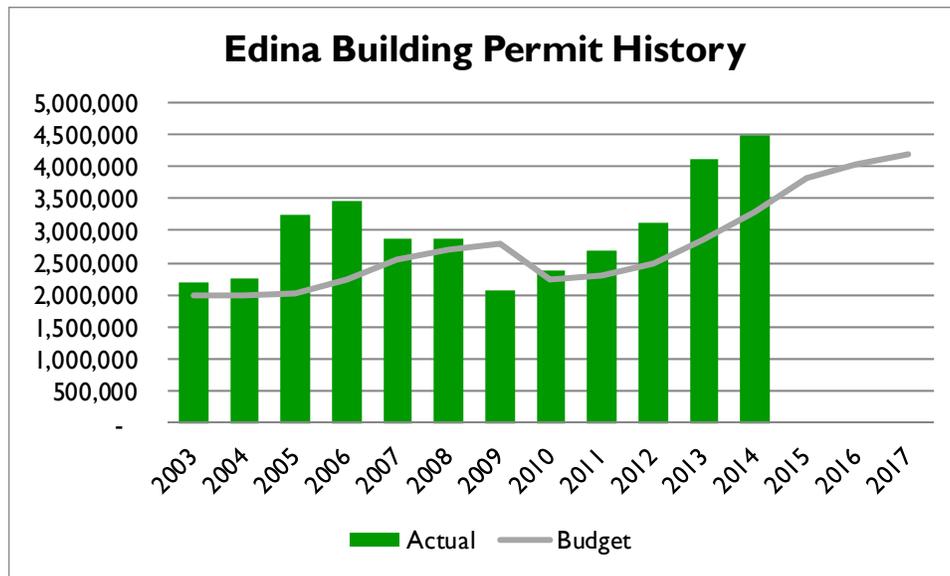
MLC Cities Comparison:		
2015 estimated taxes on \$400,000 house		
1 Edina	\$	1,086
2 Plymouth	\$	1,138
3 Eden Prairie	\$	1,386
4 Shoreview	\$	1,391
5 Woodbury	\$	1,434
6 Minnetonka	\$	1,513
7 Eagan	\$	1,519
8 Shakopee	\$	1,531
9 Lakeville	\$	1,553
10 Maple Grove	\$	1,581
11 Burnsville	\$	1,786
12 Bloomington	\$	1,821
13 Maplewood	\$	1,883
14 Apple Valley	\$	1,887
15 Inver Grove Heights	\$	1,937
16 Savage	\$	2,123

Source: LMC Property Tax calculator

The property buyer approach:			
2015 estimated taxes on \$400,000 house			
	City Taxes	All Districts	Notes
1 Edina	\$ 1,086	\$ 5,305	ISD#273 & WS #1
2 Eden Prairie	\$ 1,386	\$ 5,566	ISD#272 & WS #4
3 Minnetonka	\$ 1,513	\$ 5,782	ISD#276 & WS#3
4 Bloomington	\$ 1,821	\$ 5,976	ISD#271 & WS#1
5 St. Louis Park	\$ 1,904	\$ 6,139	ISD#283 & WS#3
6 Richfield	\$ 2,398	\$ 6,397	ISD#280 & WS#3
7 Hopkins	\$ 2,433	\$ 6,719	ISD#270 & WS#1
8 Minneapolis	\$ 2,748	\$ 6,651	ISD#001 & WS#3

Source: LMC Property Tax calculator

REVENUES



License and permit revenue is historically one of the most volatile revenue categories for the City, so our practice has been to budget for this revenue conservatively. License and permit revenue is collected primarily from builders and developers for residential or commercial building projects, but also includes smaller amounts for a variety of City-issued licenses, including liquor licenses, restaurant licenses, etc. The chart above shows the history of building permit revenue collected in the general fund. As of the publication date for this document, it appears 2016 will continue the trend from 2014-2015, and be another record year for building permit revenue.

Special assessments include assessments levied against benefitting properties for various infrastructure improvements and street reconstruction projects. In a typical Edina street reconstruction project, benefitting properties are assessed the full cost of the street repairs. The City's utility fund typically pays for costs related to underground water and sewer infrastructure as well as curbs and gutters. The special assessment process is guided by the City's special assessment policy as well as state law for special assessments.

Enterprise operating revenue is the largest source of City revenue according to the chart presented in the first part of this section. However, there are many smaller sources of revenue that contribute to this category. The largest part of enterprise operating revenue (\$19.7M in 2016) comes from the Utility fund for sales of water, sewer, storm sewer and recycling services. The second largest part is sales of "off-sale" liquor at the three municipally owned liquor stores, which are budgeted to combine for about \$12.4M in annual sales in 2016. Operating revenue is also collected at the aquatic center (about \$1M), golf course (about \$2.9M), ice arena (about \$2.2M), art center (\$450K), Edinborough Park (about \$1.3 M) and Centennial Lakes Park (about \$780K). The City's financial advisor prepared a long-term rate study in the fall of 2015 that recommended 4.75% annual increases to water rates, 4.50% annual increases to sewer rates, and a 10% increase to storm sewer rates in 2016, with the annual increase thereafter dropping to 6.50%. The water and sewer increases are primarily to cover increasing costs of rebuilding, maintaining, and improving existing infrastructure. The storm increase is higher than previous years due to a one-time change to better align of costs for street sweeping into the storm fund from the general fund. These increases will ensure that enterprise funds are maintained in a healthy and sustainable manner.

2017 Budget by Fund

GOVERNMENTAL FUNDS

The City uses two basic fund types to account for our financial activities, governmental fund types and enterprise fund types. In general, governmental funds are used to account for traditional government services and enterprise funds are used to account for business-type activities. All of the City's governmental funds are shown here.

2017 GOVERNMENTAL FUND BUDGETS

	General Fund	HRA Fund	PACS Fund	CAS Fund	CDBG Fund	Police SR Fund	Braemar Memorial Fund	Arts & Culture Fund	Debt Service Fund	Environmental Efficiency Fund	Construction Fund	Total
REVENUES AND OTHER FINANCING SOURCES												
Property tax levy	\$ 26,360,319	\$ 95,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ 5,035,500	\$ -	\$ 1,850,000	\$ 33,360,819
Reductions	-	-	-	-	-	-	-	-	-	-	-	-
Net tax revenue	26,360,319	95,000	-	-	-	-	-	20,000	5,035,500	-	1,850,000	33,360,819
Tax increments	-	2,500,000	-	-	-	-	-	-	-	-	-	2,500,000
Franchise fees & other taxes	810,000	-	1,200,000	250,000	-	-	-	-	-	-	105,000	2,365,000
Special assessments	-	-	-	-	-	-	-	-	-	-	3,878,724	3,878,724
Licenses and permits	4,192,660	-	-	-	-	-	-	-	-	-	90,000	4,282,660
Intergovernmental	1,195,550	-	-	-	125,000	36,000	-	-	-	-	-	1,356,550
Charges for services	4,017,973	7,275,000	-	-	-	-	-	-	-	-	35,000	11,327,973
Fines and forfeitures	975,000	-	-	-	-	-	-	-	-	-	-	975,000
Investment income	120,000	62,000	-	-	-	300	200	-	10,000	-	70,000	262,500
Other revenue	478,800	-	-	-	-	134,061	5,000	5,350	-	-	100,000	723,211
Transfers	50,000	-	-	-	-	-	-	-	2,733,625	-	200,000	2,983,625
Debt issued	-	-	-	-	-	-	-	-	-	-	3,193,204	3,193,204
Other financing sources	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	38,200,302	9,932,000	1,200,000	250,000	125,000	170,361	5,200	25,350	7,779,125	-	9,521,928	67,209,266
EXPENDITURES AND OTHER FINANCING USES - BY DEPARTMENT												
Administration	1,839,504	12,985,433	-	-	-	-	-	-	-	-	38,750	14,863,687
Communication & tech.	1,204,517	-	-	-	-	-	-	-	-	-	539,700	1,744,217
Human resources	812,755	-	-	-	-	-	-	-	-	-	-	812,755
Finance	880,745	-	-	-	-	-	-	-	-	-	-	880,745
Public works	9,227,954	-	-	-	-	-	-	-	-	-	1,237,935	10,465,889
Engineering	1,642,170	-	1,167,265	157,495	-	-	-	-	-	-	4,285,605	7,252,535
Police	11,438,368	-	-	-	-	113,000	-	-	-	-	272,410	11,823,778
Fire	7,746,806	-	-	-	-	-	-	-	-	-	187,000	7,933,806
Parks & recreation	1,597,506	-	-	-	-	-	22,450	-	71,295	-	205,000	1,896,251
Community development	1,809,977	-	-	-	125,000	-	-	-	-	-	200,000	2,134,977
Debt service	-	-	-	-	-	-	-	-	7,620,640	-	-	7,620,640
Transfers	-	-	-	-	-	-	-	-	-	-	2,733,625	2,733,625
TOTAL EXPENDITURES AND OTHER FINANCING USES	38,200,302	12,985,433	1,167,265	157,495	125,000	113,000	-	22,450	7,620,640	71,295	9,700,025	70,162,905
EXPENDITURES AND OTHER FINANCING USES - BY TYPE												
Personal services	26,745,744	129,068	117,265	107,495	-	-	-	-	-	-	107,237	27,206,809
Contractual services	5,296,577	679,865	20,000	35,000	125,000	98,000	-	20,425	-	-	221,203	6,496,070
Commodities	2,128,165	1,500	20,000	15,000	-	15,000	-	2,025	-	-	26,933	2,208,623
Central services	4,029,816	-	-	-	-	-	-	-	-	-	1,968	4,031,784
Equipment	-	-	-	-	-	-	-	-	-	-	1,024,054	1,024,054
Capital outlay	-	12,175,000	1,010,000	-	-	-	-	-	-	71,295	5,585,005	18,841,300
Debt service	-	-	-	-	-	-	-	-	7,620,640	-	-	7,620,640
Transfers	-	-	-	-	-	-	-	-	-	-	2,733,625	2,733,625
TOTAL EXPENDITURES AND OTHER FINANCING USES	38,200,302	12,985,433	1,167,265	157,495	125,000	113,000	-	22,450	7,620,640	71,295	9,700,025	70,162,905
CHANGE IN FUND BALANCE												
FUND BALANCE	\$ -	\$ (3,053,433)	\$ 32,735	\$ 92,505	\$ -	\$ 57,361	\$ 5,200	\$ 2,900	\$ 158,485	\$ (71,295)	\$ (178,097)	\$ (2,953,639)

2017 BUDGET BY FUND

ENTERPRISE FUNDS

The City uses two basic fund types to account for our financial activities, governmental fund types and enterprise fund types. In general, governmental funds are used to account for traditional government services and enterprise funds are used to account for business-type activities. All of the City's enterprise funds are shown here.

2017 ENTERPRISE FUND BUDGETS

	Utilities Fund	Liquor Fund	Aquatic Center Fund	Golf Course Fund	Arena Fund	Sports Dome Fund	Art Center Fund	Edinborough Fund	Centennial Fund	Risk Management Fund	Total
REVENUES AND TRANSFERS IN											
Operating revenues	\$ 20,680,555	\$ 12,667,946	\$ 1,014,186	\$ 1,273,301	\$ 2,250,500	\$ 401,810	\$ 453,350	\$ 1,362,800	\$ 784,000	\$ 731,508	\$ 41,619,956
Intergovernmental	112,000	-	-	-	-	-	-	-	-	-	112,000
Investment income	79,889	-	3,000	9,000	4,000	5,000	1,000	13,000	3,000	-	117,889
Other revenue	10,000	10,000	-	-	-	-	1,500	-	-	-	21,500
Transfers	-	-	-	200,000	200,000	-	100,000	-	100,000	-	600,000
TOTAL REVENUES AND TRANSFERS IN	20,882,444	12,677,946	1,017,186	1,482,301	2,454,500	406,810	555,850	1,375,800	887,000	731,508	42,471,345
EXPENSES AND TRANSFERS OUT - BY DEPARTMENT											
Administration	-	12,025,686	-	-	-	-	-	-	-	-	12,025,686
Human resources	-	-	-	-	-	-	-	-	-	665,000	665,000
Finance	309,404	-	-	-	-	-	-	-	-	-	309,404
Public works	15,375,873	-	-	-	-	-	-	-	-	-	15,375,873
Engineering	243,254	-	-	-	-	-	-	-	-	-	243,254
Police	507,724	-	-	-	-	-	-	-	-	-	507,724
Parks and recreation	-	-	938,173	2,023,015	2,654,073	736,043	709,507	1,671,496	1,095,584	-	9,827,891
Transfers	100,000	750,000	-	-	-	-	-	-	-	-	850,000
TOTAL EXPENSES AND TRANSFERS OUT	16,536,255	12,775,686	938,173	2,023,015	2,654,073	736,043	709,507	1,671,496	1,095,584	665,000	39,804,832
EXPENSES AND TRANSFERS OUT - BY TYPE											
COGS	-	9,517,071	42,000	37,120	105,500	-	2,750	85,000	14,000	-	9,803,441
Personal services	2,141,629	1,551,432	343,354	584,204	905,311	60,424	456,631	807,256	661,099	60,000	7,571,340
Contractual services	7,605,022	526,879	179,200	367,175	729,950	149,930	107,950	351,750	183,925	605,000	10,806,781
Commodities	1,116,700	75,032	89,150	104,085	104,750	3,725	73,800	169,800	123,800	-	1,860,842
Central services	696,132	260,772	37,956	139,392	71,628	11,964	44,376	80,940	70,260	-	1,413,420
Depreciation	4,499,500	94,500	246,500	710,000	610,000	510,000	24,000	176,750	42,500	-	6,913,750
Interest	377,272	-	13	81,039	126,934	-	-	-	-	-	585,258
Transfers	100,000	750,000	-	-	-	-	-	-	-	-	850,000
TOTAL EXPENSES AND TRANSFERS OUT	16,536,255	12,775,686	938,173	2,023,015	2,654,073	736,043	709,507	1,671,496	1,095,584	665,000	39,804,832
CHANGE IN NET POSITION											
	\$ 4,346,189	\$ (97,740)	\$ 79,013	\$ (540,714)	\$ (199,573)	\$ (329,233)	\$ (153,657)	\$ (295,696)	\$ (208,584)	\$ 66,508	\$ 2,666,513

Transfers

TRANSFERS

Interfund transfers allow the City to reallocate assets to the funds where those assets can be used to achieve desired outcomes. For example, for many years in Edina, the three municipal liquor stores generated excess income that has been reinvested in other purposes. This tradition is expected to continue through 2016, as shown on the next two pages.

	<u>2016 Transfer Out:</u>			
	<u>Construction</u>	<u>Utilities</u>	<u>Liquor</u>	<u>Total</u>
2016 Transfer in:				
General Fund	\$ -	\$ -	\$ 100,000	\$ 100,000
Construction	-	100,000	100,000	200,000
Debt Service	2,630,628	-	-	2,630,628
Golf Course	-	-	150,000	150,000
Arena	-	-	200,000	200,000
Art Center	-	-	100,000	100,000
Centennial Lakes	-	-	50,000	50,000
Total	<u>\$ 2,630,628</u>	<u>\$ 100,000</u>	<u>\$ 700,000</u>	<u>\$ 3,430,628</u>

Budgeted transfers in 2016 include:

1. \$2,630,628 in total transfers out of the Construction Fund to the Debt Service Fund to provide financing for principal and interest payments for special assessment bonds. In previous years, special assessment revenue was primarily recorded in the Debt Service Fund and special assessment funded project expenses were recorded in the Construction Fund. Beginning in 2015, and going forward, both special assessment revenue and special assessment funded project expenses are being recorded in the Construction Fund, and a transfer is made into the Debt Service Fund to pay Special Assessment bond payments when due. This change in accounting procedure allows the City more investment flexibility throughout the year.
2. \$700,000 in total transfers from the Liquor Fund to the General Fund, Construction Fund, and to various park enterprise funds, to help finance the basic operating purposes of these funds.
3. \$100,000 transfer from the Utilities Fund to the Construction Fund.

TRANSFERS

	<u>2017 Transfer Out:</u>			
	<u>Construction</u>	<u>Utilities</u>	<u>Liquor</u>	<u>Total</u>
2017 Transfer in:				
General Fund	\$ -	\$ -	\$ 50,000	\$ 50,000
Construction	-	100,000	100,000	200,000
Debt Service	2,733,625	-	-	2,733,625
Golf Course	-	-	200,000	200,000
Arena	-	-	200,000	200,000
Art Center	-	-	100,000	100,000
Centennial Lakes	-	-	100,000	100,000
Total	<u>\$ 2,733,625</u>	<u>\$ 100,000</u>	<u>\$ 750,000</u>	<u>\$ 3,583,625</u>

Budgeted transfers in 2017 include:

1. \$2,733,625 in total transfers out of the Construction Fund to the Debt Service Fund to provide financing for principal and interest payments for special assessment bonds. In previous years, special assessment revenue was primarily recorded in the Debt Service Fund and special assessment funded project expenses were recorded in the Construction Fund. Beginning in 2015, and going forward, both special assessment revenue and special assessment funded project expenses are being recorded in the Construction Fund, and a transfer is made into the Debt Service Fund to pay Special Assessment bond payments when due. This change in accounting procedure allows the City more investment flexibility throughout the year.
2. \$750,000 in total transfers from the Liquor Fund to the General Fund, Construction Fund, and to various park enterprise funds, to help finance the basic operating purposes of these funds.
3. \$100,000 transfer from the Utilities Fund to the Construction Fund.

In addition to budgeted transfers, the City Council will periodically authorize interfund transfers mid-year. The most common example of this is when our General Fund has unassigned fund balance at year-end according to our fund balance policy. Typically we know this amount when the annual audit is finished around June, and the process to reach a decision on where to allocate this money starts then. The fund balance policy also states that, to the extent possible, such excess funds should be transferred to the Construction Fund to support capital improvements and equipment.

As of December 31, 2014, the City had \$708,294 in excess funds in our General Fund according to our fund balance policy. During 2015, the City Council decided to allocate this cash to the Construction Fund for 2015-2016 projects.