



2022 PRELIMINARY BUDGET

New Hope City Council Presentation • Dec. 13, 2021

Presentation Outline

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- Review budget process
- Review past tax levies and bonds
- Review Local Government Aid (LGA)
- Present preliminary general tax levy
- Review specific tax levy detail
- Property tax levy limits



Review Budget Process

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- September 13, 2021 Council Meeting
 - ▣ Approved 2022 preliminary tax supported budgets
 - ▣ Approved 2022 preliminary tax levy (maximum amount)
- September – November, 2021
 - ▣ Reviewed general fund budget detail
 - ▣ Reviewed enterprise fund budget detail
- December 6, 2021
 - ▣ Public input meeting



Review Budget Process

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- December 2021
 - ▣ Present budget and tax levy - final meeting December 13, 2021
 - ▣ Certify final levy to Hennepin County Auditor and Department of Revenue



Past Levies and Bonds, LGA Used For Equipment Replacement Funding

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- 2019 Budget
 - 18.50% levy increase over 2018 (13.24% was for addition of bonds for new police station/city hall facility). The levy increase would have been 5.26% without the facility bonds.
 - \$697,864 in LGA received (\$4,750 increase from 2018)
 - Full LGA used for general fund equipment replacement costs (100%)
 - LGA not used for general operations



2020 Tax Levy, Bonds and Use of LGA

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- 2020 Budget
 - 10.08% levy increase over 2019 (8.72% was for addition of bonds for new pool and park improvements). The levy increase would have been 1.36% without the pool/park bonds.
 - \$815,623 received in LGA (\$117,759 increase from 2019)
 - Full LGA used for general fund equipment replacement costs (100%)
 - LGA not used for general operations



2021 Tax Levy, Bonds and Use of LGA

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- 2021 Budget
 - 3.4% levy increase over 2020
 - No new bonds for 2021. Four of the previous debt bond tax levies decreased.
 - \$861,726 received in LGA (\$46,103 increase over 2020)
 - Full LGA amount used for General Fund central garage equipment/building replacement costs (100%)
 - LGA not used for general operations



Proposed 2022 Tax Levy, Bonds and Use of LGA

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- 2022 Budget
 - 4.67% levy increase over 2021
 - No new bonds for 2022. Total bond debt tax levies are decreasing \$1,797.
 - Scheduled to receive \$866,642 in LGA (\$4,916 increase over 2021)
 - Full LGA amount to be used for General Fund central garage equipment/building replacement costs (100%)
 - LGA not used for general operations



Central Garage Fund Equipment/ Vehicle Replacement

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- Funds are budgeted for both:
 - ▣ Operations (gas, oil, tires, maintenance)
 - ▣ Replacement (savings for future replacement)
- Includes variety of city vehicles/equipment (snowplows, police vehicles, trucks, etc.)
- Equipment replaced only when necessary – often delayed
- New for 2021-22: Leasing agreement for new police vehicles to achieve savings on replacement costs

General Fund Budget

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2020 Adopted Budget	2021 Adopted Budget	2020 to 2021 Increase	2020-2021 % Increase
\$15,410,550	\$15,936,977	\$526,427	3.5%

2021 Adopted Budget	2022 Preliminary Budget	2021 to 2022 Increase	2021-2022 % Increase
\$15,936,977	\$16,179,193	\$242,216	1.5%



Major General Fund Budget Changes

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- ❑ \$281,056 increase to fund 3% increase in wages/benefits; increase in Council salaries; EDA reallocation.
- ❑ \$105,200 increase in IT charges; includes \$30,000 for WatchGuard/PD body camera software and 10% of HR personnel costs.
- ❑ \$65,859 increase in West Metro Fire-Rescue District joint powers agreement (includes aerial lease payment).
- ❑ \$50,000 increase for Emerald Ash Borer removal/replacement program on public property.
- ❑ \$39,000 increase in elections budget for election judge costs; 2022 is a gubernatorial election year.
- ❑ \$315,454 decrease in central garage charges in the police department (leasing vehicles) and street department (reduced equipment purchases).



Street & Park Infrastructure

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□ Key points:

- New Hope does not assess taxable properties for street improvements.
- Street and Park infrastructure improvements are paid through the general property tax levy.
- A 5% increase for street infrastructure is proposed in the 2022 budget (increase of \$77,035).
- A 5% increase for park infrastructure is proposed in the 2022 budget (increase of \$19,283).
- Overall tax rate may appear high when compared to other cities due to New Hope including infrastructure improvements in general property tax levy rather than assessing to benefitting property owner (street levy is approximately 13% of local tax levy).



2022 Budget Initiatives

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□ Key points:

- Continue to provide existing services/programs with current resources.
- Public safety is a high priority; continue community engagement programs with the Joint Community Policing Partnership with Crystal and Robbinsdale, expand officer wellness program and complete CIP purchases.
- Support/coordinate with West Metro Fire-Rescue District in partnership with Crystal; including emergency preparedness training, support of long-term capital plan and station 3 improvements.
- Redevelopment of city center and other areas is a high priority, potential improvements at St. Therese Nursing Home campus and new medical equipment facility at 27th and Nevada.



2022 Budget Initiatives

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□ Key points (continued):

- Property maintenance and inspections to continue as top priority; continue aggressive scattered site housing program to remove or renovate deteriorated homes and increase property values with new construction or rehabilitation.
- Continue infrastructure/environmental improvements; complete street and water infrastructure improvements in Liberty Park neighborhood, including Bass Lake Road watermain loop; coordinate with Hennepin County on Bass Lake Road mill and overlay project; continue coordination on Boone and 42nd Avenue signal replacement and future 42nd Avenue bridge replacement, continue annual seal coat/crack repair/fog seal improvements and sewer lining, coordinate on Meadow Lake drawdown and golf course culvert improvements. Continue coordination with Joint Water Commission and maintain partnerships with Northwood Lake and Meadow Lake Watershed Associations.

2022 Budget Initiatives

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□ Key points (continued):

- Operate new aquatic facility for second season, replace playground equipment at Hidden Valley Park, replace additional picnic tables at Northwood Park picnic shelter, replace park name signage and make park lighting improvements.
- Facility improvements to include:
 - Ice Arena – Replacement of glass and boards at north rink and HVAC upgrades.
 - Golf Course – Clubhouse interior improvements and addition of cart parking area.
- Continue dance, gymnastics, and Movies and Music in Park Program and coordinate with OBMT on musical performances.
- Continue Emerald Ash Borer removal/replacement program on public property and buckthorn removal in parks.



2022 Budget Initiatives

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□ Key points (continued):

- Continue contractual arrangement with Solution Builders for IT services.
- Continue financial services contract with AEM, update ten-year financial plan, pavement management plan and long-term capital improvements plan.
- Conduct professional city-wide survey with Morris Leatherman to solicit resident feedback on city services/programs/issues, encourage public participation on city projects and promote inclusiveness.
- Continue MN Green Step Cities Program
- Cost of living increase (3%) and shared increase for insurance contributions included for employees; Council salary adjustments.



2022 Budget Initiatives

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- Key points (continued):
 - 2022 is gubernatorial election year; funds are budgeted for election judge costs and additional staffing; orient any new residents elected to serve on City Council to city departments, programs and operations.



2021 Performance Measures

Overview

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- City Services Survey conducted July 1 to Oct. 1, 2021
- 663 total responses
 - ▣ 366 paper surveys returned
 - ▣ 297 surveys completed online
- Decrease from 2020, but similar response rate when compared to past years.

2020	2019	2018	2017
839	610	679	632

2021 Performance Measures

General

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- City Services Survey conducted July 1 to Oct. 1, 2021; 663 responses
- Rating of the overall quality of city services
 - * 82% excellent or good; 12% neutral; 5% fair; 1% poor
- Percent change in the taxable property market value
 - ▲ 7.72% increase (\$2,021,382,123 payable in 2020 to \$2,177,389,934 payable in 2021; 10.37% increase 2019 to 2020)
- Citizens' rating of the overall appearance of the city
 - * 79% excellent or good; 11% neutral; 8% fair; 1% poor
- Bond rating
 - * AA
- Citizens' rating of the quality of city recreational programs & facilities
 - ▲ 75% as excellent or good; 18% neutral; 4% fair; 2% poor
- Citizen's rating of the quality of communication/distribution of information
 - * 73% excellent or good; 18% neutral; 6% fair; 2% poor

* = No significant change from last year
▲ = Increase from last year
▼ = Decrease from last year

2021 Performance Measures

Public Safety

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- Part I and II crime rates (for 2020)
 - ▼ Part I – 600; Part II – 503
- Citizens' rating of safety in the community
 - ▼ 88% very or somewhat safe; 11% somewhat unsafe; 0% very unsafe
- Average police response time (for 2020)
 - ▼ 4.03 minutes for Priority 1 calls
- Insurance industry rating of fire services
 - * 3
- Citizens' rating of the quality of fire protection services
 - * 76% excellent or good; 21% neutral; 1% fair; 0% poor
- Fire calls per 1,000 population
 - ▼ 48.33 (983 calls for service in 2020)

* = No significant change from last year
▲ = Increase from last year
▼ = Decrease from last year

2021 Performance Measures

Public Works

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- Average city pavement rating index
 - ▲ 80 (76 in 2017, 2018, 2019, 2020)
- Citizens' rating of overall condition of city streets
 - ▲ 72% excellent or good; 15% neutral; 11% fair; 1% poor
- Citizens' rating of quality of snowplowing on city streets
 - * 82% excellent or good; 7% neutral; 7% fair; 3% poor
- Citizens' rating of dependability & overall quality of city water supply
 - * 87% excellent or good; 8% neutral; 4% fair; 0% poor
- Citizens' rating of the quality of stormwater management in the city
 - ▲ 75% excellent or good; 17% neutral; 5% fair; 1% poor
- Citizens' rating of the dependability & quality of city sanitary sewer service
 - ▲ 83% excellent or good; 15% neutral; 2% fair; 0% poor
- Number of sewer blockages on city system
 - * 0 in 2021 (through 11/1)

* = No significant change from last year
▲ = Increase from last year
▼ = Decrease from last year

Hennepin County Assessor Information

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- Single-family residential property valuation in city increased approximately 7% for 2021
- Total taxable property market value in city increased 7.72% from 2019 to 2020 (payable 2021)
- Taking total tax levy into consideration (city/school district/county):

Out of a total 4,774 single-family properties, approximately 2% will see a decrease, 28% will see an increase between 0 and 4.9%, and 53% will see an increase between 5 and 9.9%.



Utility Rates

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	Increase	Rate 2021	Rate 2022
Water – base rate	4%	\$9.32	\$9.69
Water – 1 to 10,000 gallons	4%	\$6.87	\$7.14
Water – 10,001 to 20,000 gallons	4%	\$7.47	\$7.76
Water – 20,001+ gallons & irrigation	4%	\$8.40	\$8.73
Water – commercial	4%	\$7.02	\$7.30



Utility Rates

	Increase	Rate 2021	Rate 2022
Sewer – 1 to 1,000 gallons	4%	\$9.34	\$9.71
Sewer – 1,001+ gallons	4%	\$6.20	\$6.45
Street lights	5%	Non-decorative \$1.39 Decorative \$1.99	Non-decorative \$1.45 Decorative \$2.09
Storm drainage	4%	Residential \$8.78 Non-residential \$13.17	Residential \$9.13 Non-residential \$13.70
Recycling	6.67%	\$3.75	\$4.00



2022 Utility Rates

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- Increases necessary to pay for:
 - ▣ Increasing water purchase costs from Minneapolis
 - ▣ Sewage disposal costs from MCES
 - ▣ Infrastructure improvements
 - ▣ Increasing cost of bulky waste curbside collection
- Impact on average residential user (5,000 gallons H₂O):
 - ▣ Overall rate increase of \$3.90 per month
 - ▣ Increase for 2021 was \$4.30 per month (5%)



2021 Legislative Session Impacts

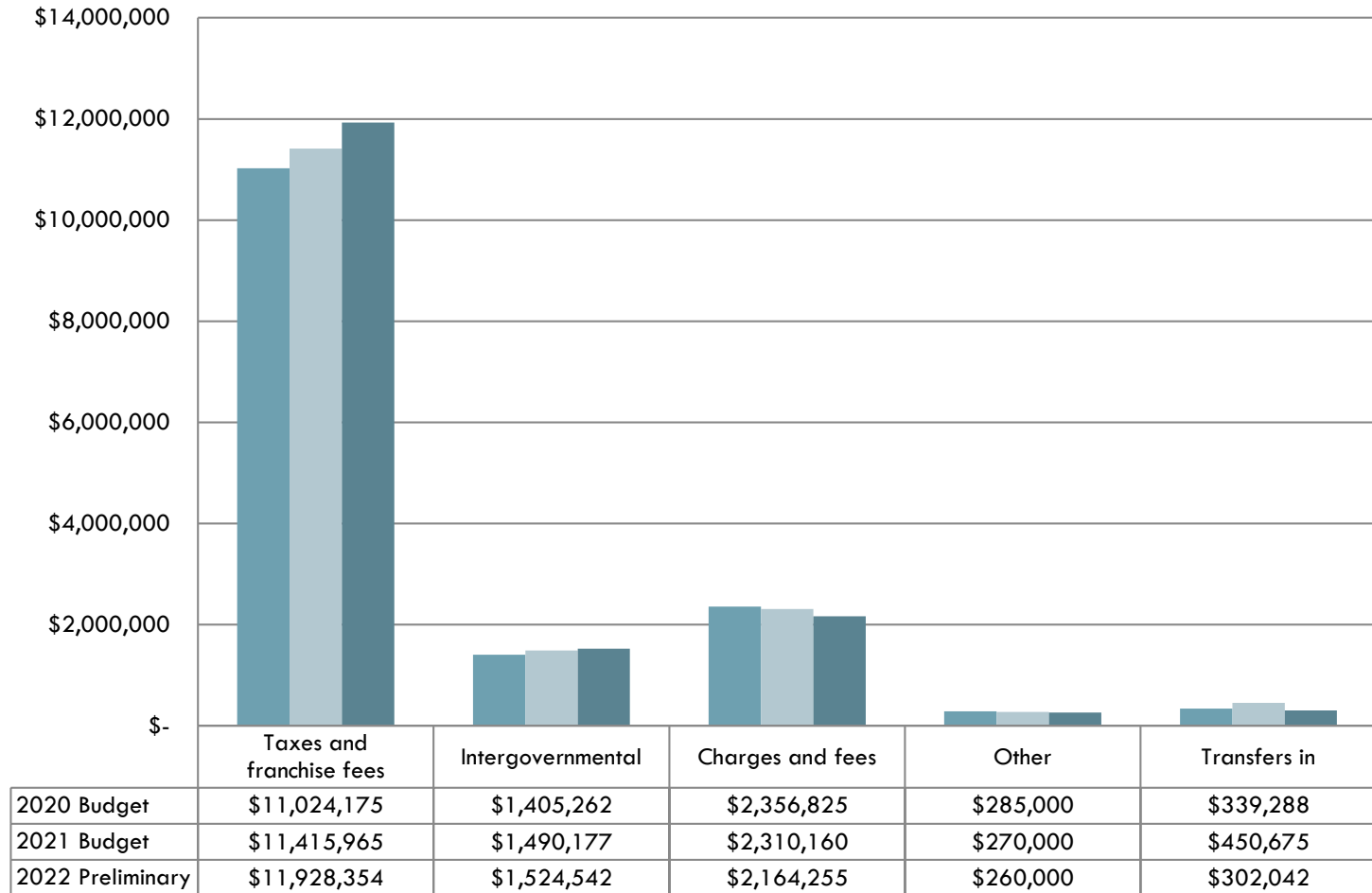
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- No levy limits
- LGA budget increased to \$866,642
- No change in PERA employer retirement contributions for 2022

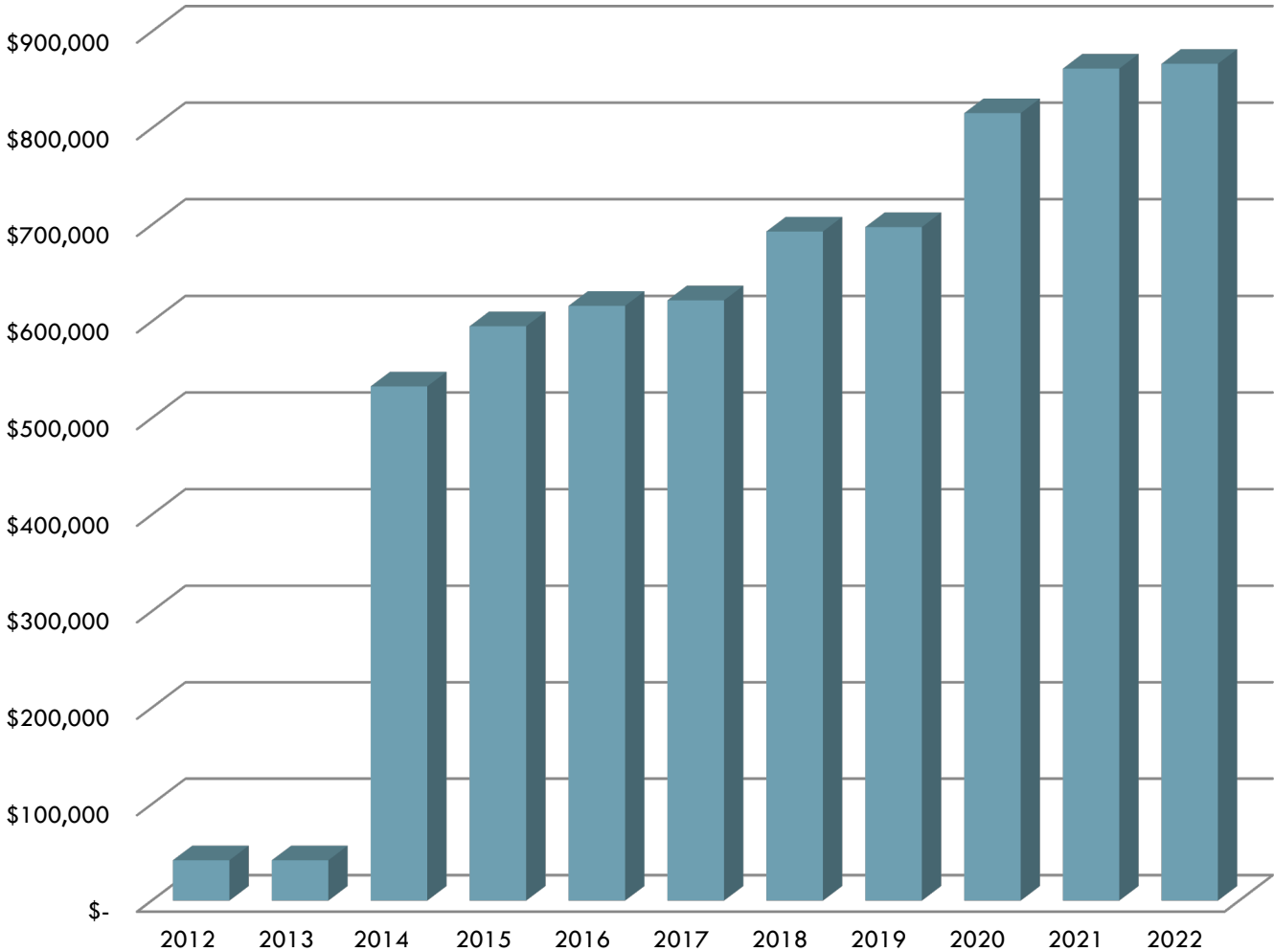


General Fund Revenues

2020 & 2021 Adopted Budgets & 2022 Preliminary Budget

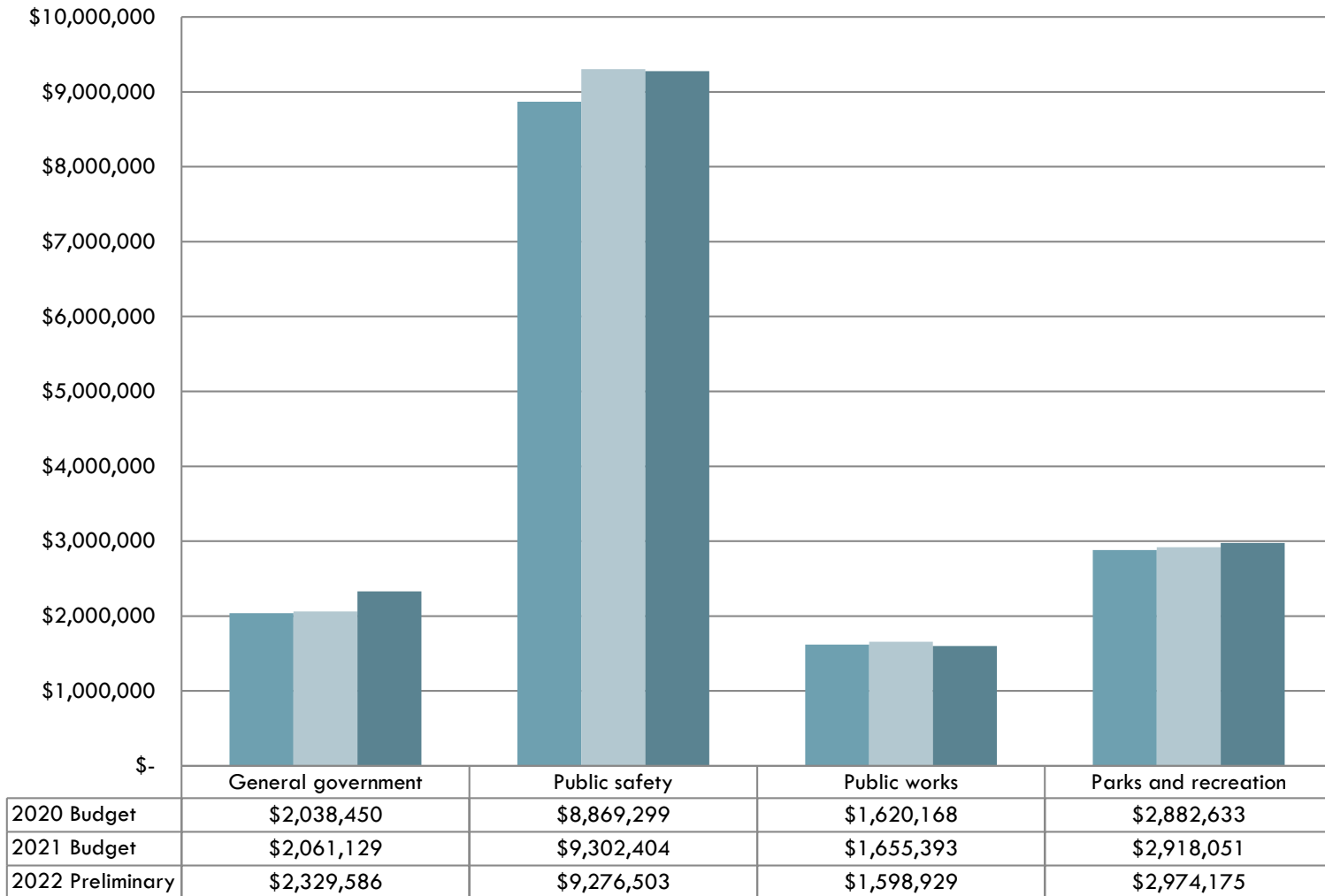


2022 LGA Compared With Last 10 Years



General Fund Expenditures

2020 & 2021 Adopted Budgets & 2022 Preliminary Budget



Proposed Property Tax Levy

Program or service	2021 Levied	2022 Requested	Increase / Decrease	% Change from Prior Year	% of Total Change
Base Levy					
General fund	\$ 10,879,465	\$ 11,393,354	\$ 513,889	4.72	2.95 %
Street Improvements	1,540,700	1,617,735	77,035	5.00	0.44
Park Improvements ⁽¹⁾	885,655	904,938	19,283	2.18	0.11
Economic Development Authority	365,000	153,000	(212,000)	(58.08)	(1.22)
Housing and Redevelopment Authority ⁽²⁾	-	417,000	417,000	100.00	2.39
Debt Service					
2015A GO TIF Bonds (City Center)	237,747	235,227	(2,520)	(1.06)	(0.01)
2015B GO Imp Bonds (Northwoods South)	206,828	205,240	(1,588)	(0.77)	(0.01)
2016A GO Imp Bonds (Northwoods North)	260,979	262,502	1,523	0.58	0.01
2017A GO Bonds (Police Dept/City Hall)	1,705,515	1,706,828	1,313	0.08	0.01
2018A GO Tax Abatement Bonds (Pool and Park)	867,464	862,739	(4,725)	(0.54)	(0.03)
2019A GO Tax Abatement Bonds (Pool and Park Ph. 2)	468,248	472,448	4,200	0.90	0.02
Total Property Taxes	\$ 17,417,601	\$ 18,231,011	\$ 813,410	4.67	4.67 %

(1) Includes an increase of 5% as the annual Park Infrastructure Levy increase, plus an additional \$500,000 levy to support Ice Arena debt service.

(2) Proposed to be administered as a separate taxing district levy.



Tax Capacity Information

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- 2022 Tax levy impact will vary by property type
- Commercial/Industrial properties have higher tax rates than Residential/Apartment properties
- Tax impact is based on estimated market value
- Parcel specific tax estimates prepared by county



Summary of Tax Capacities

New Hope Tax Capacities per the Assessor's Annual Report

Property Type	2019 Pay 2020	2020 Pay 2021	2021 Pay 2022	Percent
Residential	\$ 11,976,482	\$ 12,717,695	\$ 13,791,310	8.44%
Commercial / Industrial	8,715,299	9,465,719	9,594,259	1.36%
Apartment	4,358,251	4,843,947	5,150,623	6.33%
Total	<u>\$ 25,050,032</u>	<u>\$ 27,027,361</u>	<u>\$ 28,536,192</u>	5.58%

Source: Hennepin County Assessor's Annual Assessment Report. The report does not include personal property values. Tax capacity estimates in the Assessor's Report will vary from the tax capacity that is certified for use in calculating the City's tax rate.



Local Tax Rate

	Payable 2020	Payable 2021	Payable 2022
Tax Capacity	25,296,074	27,338,807	28,762,427 (1)
TIF Captured Value	(1,378,781)	(1,565,751)	(1,636,594) (1)
Fiscal Disparities Contribution	(2,941,213)	(3,317,874)	(3,682,171) (1)
Net Tax Capacity	20,976,080	22,455,182	23,443,662
Certified Levy	16,496,716	17,052,601	17,814,011
Fiscal Disparities Distribution	(2,920,937)	(2,996,822)	(3,110,358) (2)
Local Levy	13,575,779	14,055,779	14,703,653
Tax Rate Trends			
	2020	2021	2022
City Tax Rate	64.721%	62.596%	62.719%
HRA Tax Rate	1.368%	1.344%	1.535% (3)
County Tax Rate	41.084%	38.210%	38.210% (3)
School Tax Rate	26.447%	25.529%	25.529% (3)
Other Tax Rate	8.376%	8.598%	8.598% (3)
Total Tax Rate	141.996%	136.277%	136.591%

(1) Source: Hennepin County Tax Capacity Values by City/Town for Taxes Payable 2022 Proposed.

(2) Source: Hennepin County Table VIII Computation of Area Wide Distribution Levy for Taxes payable in 2022.

(3) Amounts for county, school and other districts are not known at this time. Prior year actual tax rates have been used for this illustration.

- The city tax rate is projected to increase from
 - 62.596% in 2021 to
 - 62.719% in 2022
- The total tax rate is projected to increase from
 - 136.277% in 2021 to
 - 136.591% in 2022



Estimated Tax Impact

- Median home value in 2022 is \$275,000, which is a 7% increase from 2021
- Current estimated impact on residential homes based on 4.67% increase in city tax levy is 7%
- For homes valued between \$150,000 and \$400,000 the tax increase estimate is \$57 to \$180.

2021 Market Value of a Home	Taxable Market Value	2021 Actual	2022 Estimated	\$ Increase / (decrease)	% Increase / (decrease)
\$ 150,000	\$ 126,300	\$ 791	\$ 848	\$ 57	7%
175,000	153,500	961	1,030	69	7%
200,000	180,800	1,132	1,213	82	7%
225,000	208,000	1,302	1,396	94	7%
250,000	235,300	1,473	1,579	106	7%
300,000	289,800	1,814	1,945	131	7%
350,000	344,300	2,155	2,311	155	7%
400,000	398,800	2,496	2,676	180	7%

City Tax Rate For Past 10 Years

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	<u>City Rate</u>	<u>% Change</u>	<u>EDA Rate</u>	<u>% Change</u>
2013	58.81	7.30%	0.00	N/A
2014	58.60	-0.37%	0.00	N/A
2015	54.93	-6.25%	1.04	N/A
2016	56.67	3.16%	0.74	-29.41%
2017	58.88	3.90%	1.05	42.88%
2018	57.71	-1.98%	0.88	-16.43%
2019	66.60	15.40%	1.39	57.95%
2020	64.72	-2.82%	1.37	-1.58%
2021	62.60	-3.28%	1.34	-0.02
2022	62.72	0.20%	TBD	TBD

Data obtained from Hennepin County Rate Cards for 2013-2021. The 2022 tax rate is estimated based on preliminary tax capacity information. The final rate will vary from the rate estimated in this presentation.



2022 Current Budget Summary

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- Fund balance maintains close to 50% of expenditures if this budget is maintained
- Overall levy increase is 4.67%. Prior year increase was 3.4%
- LGA to be used for equipment replacement savings – not general operations



2022 Preliminary Budget Data

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- Council and staff will continue to review budgets and programs
- Tax supported and rate supported budgets will be reviewed and finalized
- Final document will be submitted to Council in December 2021 for adoption
- Budget document also available at city hall
 - ▣ 763-531-5117
 - ▣ cityhall@newhopemn.gov



Property Tax Relief Programs

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- State provides direct property tax relief to taxpayers
 - ▣ Homestead credit refund
 - ▣ Renter's refund
 - ▣ Special property tax refund (referred to as the targeting program)
 - ▣ Senior Citizen Property Tax Deferral Program.
 - ▣ Contact MN Dept of Revenue 651-296-4444 or www.revenue.state.mn.us

