



2018 Budget Summary

New Brighton City Hall
803 Old Highway 8 NW
New Brighton, MN 55112

www.newbrightonmn.gov



December 31, 2017

Dear New Brighton Resident:

In preparing the City of New Brighton's 2018 operating and capital replacement budgets, the City Council reconfirmed its commitment to maintaining the services, programs and facilities in a fiscally responsible manner that make the City of New Brighton the "preferred place to live, work, and play" in the Twin Cities.

The 2018 Budget includes the following Council adopted strategic priorities:

1. **Financial Sustainability**- By maintaining adequate reserves, operating in a cost-effective manner, diversifying the revenue base, and adopting a Capital Improvement Plan to address and plan for capital and infrastructure replacements.
2. **Community Engagement** – By seeking the input from a broad range of stakeholders including the residents of New Brighton and the non-profit and for-profit sectors. Efforts to engage the community will be transparent, responsive, and will include the utilization of volunteers and City commissions.
3. **Economic Development** – By focusing on broadening the tax base (residential, commercial and industrial) that is consistent with the needs and values of the community. Development and redevelopment will be undertaken consistently within adopted framework and policies.
4. **Effective Service Quality** – By defining service levels, aligning services with priorities, and pursuing partnering opportunities and alternative methods whenever feasible to support a healthy, safe and sustainable community.
5. **Workforce Engagement and Development** – By establishing a work environment that promotes trust, cooperative goals, and employee empowerment. A supportive culture that values employees, develops future leadership opportunities, strives for continuous improvement, and works to retain a high quality workforce.

During the 2018 budget planning process, all new initiatives, goals, and objectives were based on meeting one or more of these strategic priorities.

We hope that you find the 2018 Budget Summary informative in explaining how the City uses your tax dollars to pay for various services in the community. If you have any questions or concerns regarding the City budget, please contact City Hall at 651.638.2100.

Sincerely,

Dean R. Lotter
City Manager

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Budget Objectives

The budget and capital replacement programs are developed and redefined throughout the year. The budget process begins in May and concludes with the City Council adopting the annual budget in December. The primary objectives of the City's annual budget are:

- Provide those services that are desired by the community- Effective Service Quality and Community Engagement;
- Recover utility operation costs through user fees – Financial Sustainability and Effective Service Quality;
- Meet debt obligations – Financial Sustainability;
- Provide services to the community in the most cost effective manner-Effective Service Quality;
- Provide for the City's infrastructure and capital needs – Financial Sustainability
- Position the City to effectively address future challenges and opportunities (revitalize neighborhoods, encourage reinvestment, assist redevelopment opportunities, and utilize technology to improve services and communications) – Economic Development

2018 Key Budget Items

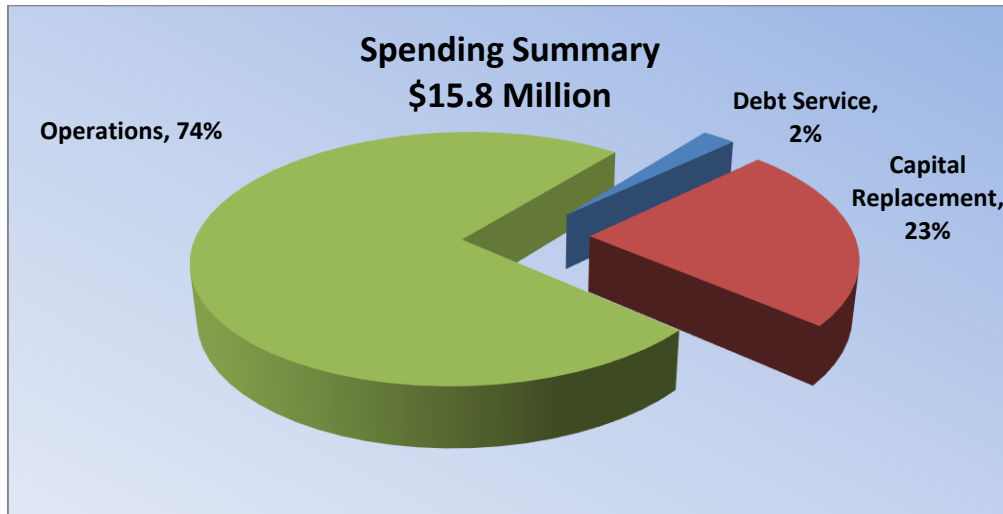
The following listing provides a summary of key points discussed during the budget process:

1. Funding for future street reconstruction projects.
2. New non-tax supported personnel for the License Bureau.
3. New tax supported personnel for Parks Maintenance and Information Technology.
4. Transfer of portion of LGA funding from the general fund to stormwater utility and street reconstruction fund.
5. Funding for the 2018 State Gubernatorial election (just as busy as Presidential elections)
6. The use of no general fund reserves which allows the general fund to maintain a reserve level above 40%.

General Fund Budget Summary

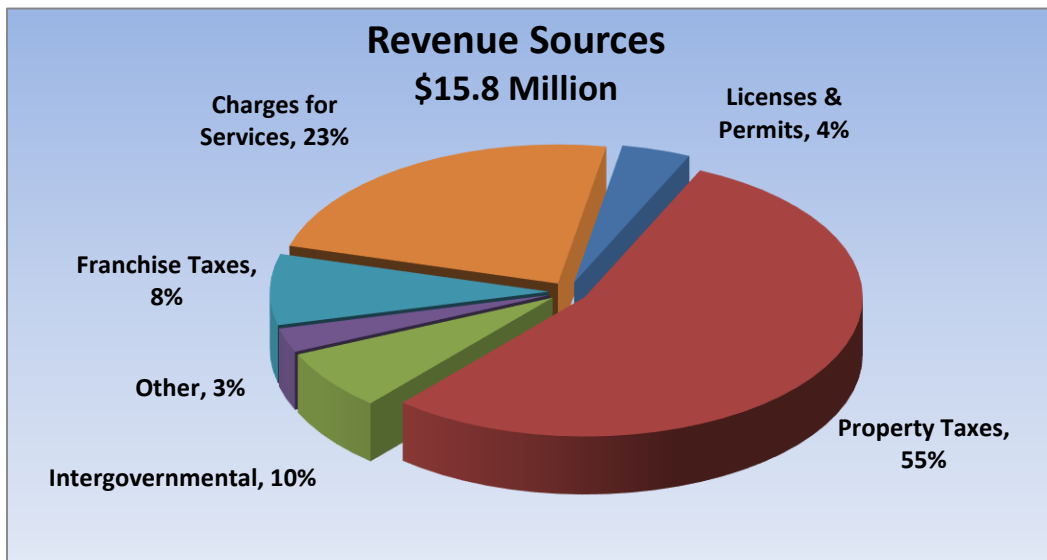
2018 Revenue and Spending*

City spending for all purposes, including operations such as such as administration, police, fire, public works, community development, parks and recreation as well as debt payments, and capital total \$15.8 million.



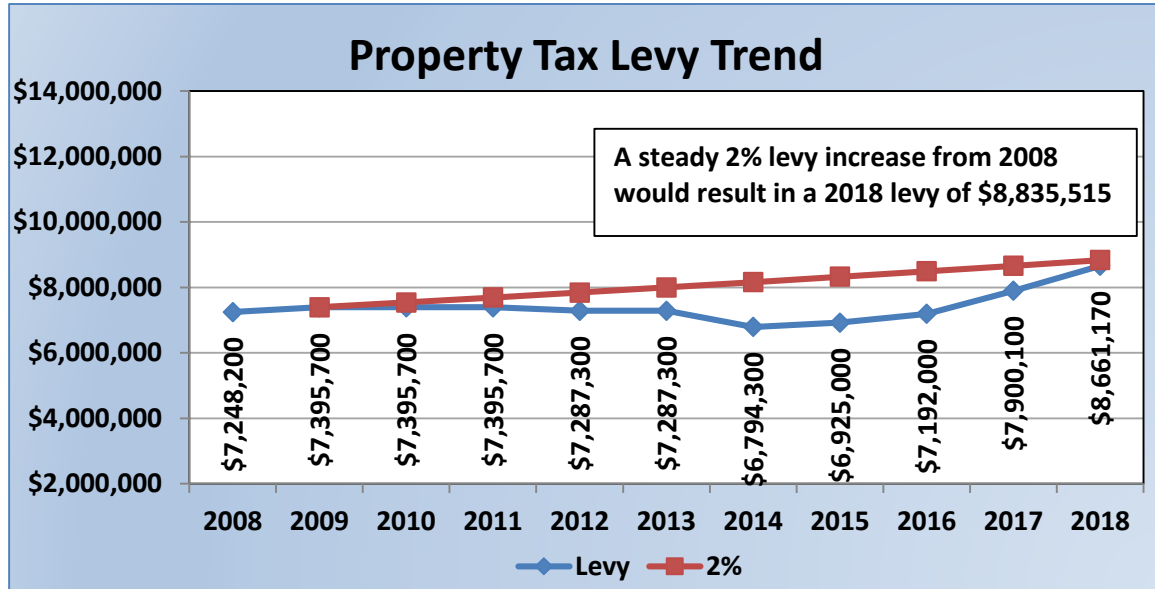
**The information provided in the “Budget Summary” document is in summary format. For more detailed information, the reader should refer to the Budget Document located under the “Government” heading on our website at www.newbrightonmn.gov.*

Primary revenue source for financing the budget (55%) comes from property taxes. “Other” revenues include investment income, transfers, rentals, and fines.

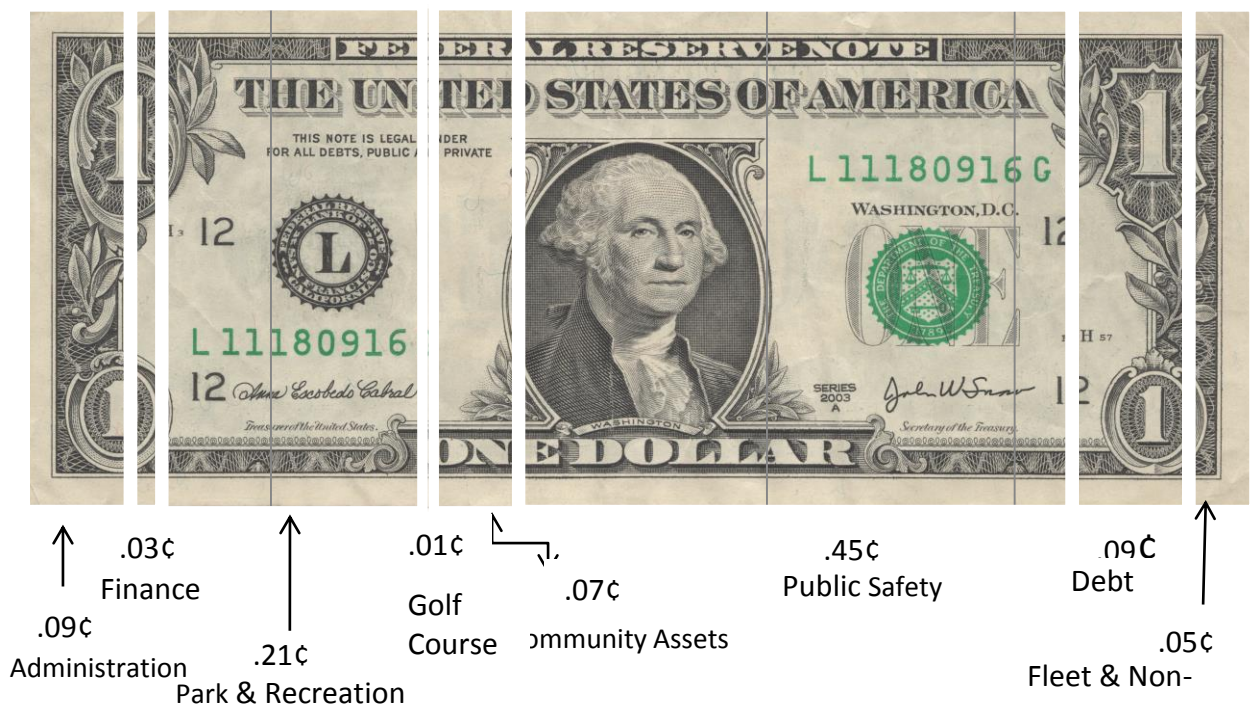


Taxes

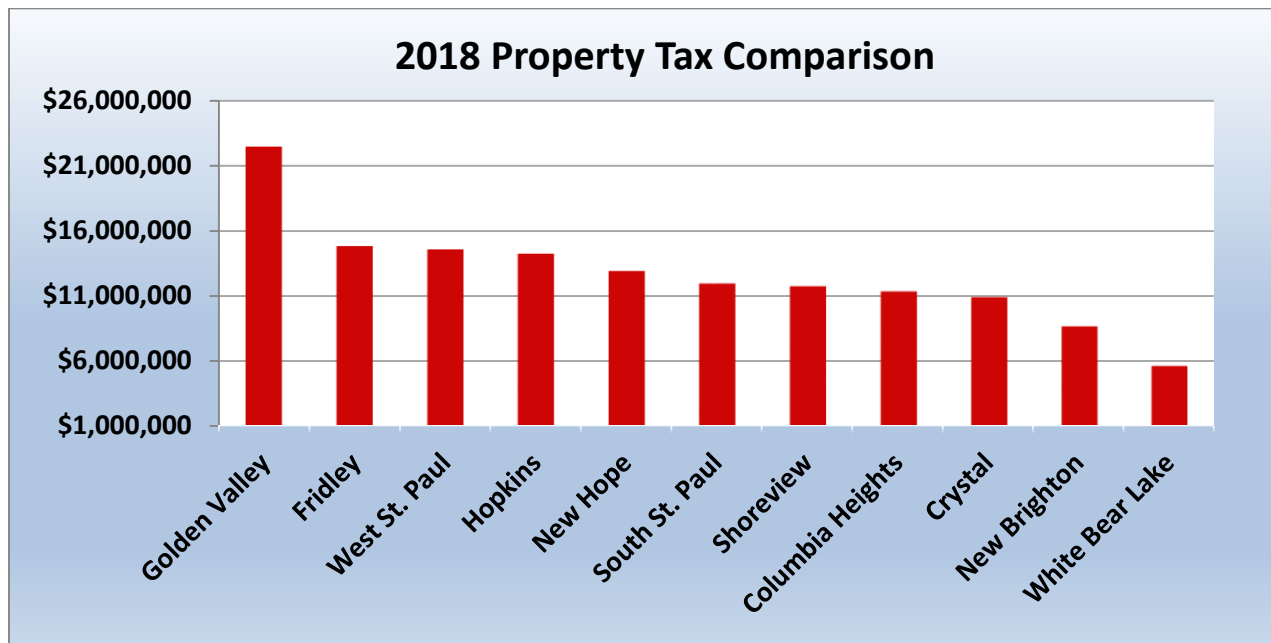
The City Council adopted a 2018 City tax levy in the amount of \$8,661,170. This represents an additional investment of \$761,070 from payable 2017. The adopted levy will result in an estimated \$72 increase on the median value home (\$242,400).



How is My Property Tax Dollar Spent?



How Does New Brighton Compare To Other Cities?



How Can My Property Value Go Down and My Taxes Go Up?

Several factors influence property values and taxes. The following are two of the most common factors:

1) Taxable market values change at different rates from year to year. These changes include the proportion of total value in the taxing area belonging to each separate classification of property (residential, commercial, apartment and other) and property value changes within the individual property classifications. These changes shift taxes from properties with greater decreases in value onto those that had smaller decreases in value, had no change in value, or increased in value.

2) Taxes are based on levy requests from local units of government including the city, county, school districts and special districts. Tax levies are subject to change every year.

The League of Minnesota Cities (LMC) has co-produced a short video called "14 Reasons Property Taxes go up or down". The internet address is:

<http://www.youtube.com/watch?v=C70drDdHHIA>

Calculation of Property Taxes

ESTIMATED HOMESTEAD TAX CALCULATION

Assumptions: 2018 Median Established Value

Example of a tax calculation for 2018 on a HOMESTEAD PROPERTY in

New Brighton (School District # 621) that has a taxable market value of: **\$242,400**

| | |
|--|------------------|
| Market Value Homestead Exclusion | |
| First \$76,000 of Estimated Market Value X 40% = | (30,400) |
| Less 9% of excess over \$76,000 up to \$414,000 | <u>14,976</u> |
| Rounded to nearest \$100 | <u>(15,400)</u> |
| Taxable Market Value | \$227,000 |

STEP 1: CALCULATE THE NET TAX CAPACITY

| | |
|---|---------------------|
| 1.00% x first \$500,000 of Taxable Market Value | \$2,270 |
| 1.25% x Taxable Market Value in excess of \$500,000 | <u>0</u> |
| Total Net Tax Capacity | <u><u>2,270</u></u> |

STEP 2: CALCULATE THE LOCAL TAX

| | | | | | |
|------------------|----------|---------------|-------|---|---------------------|
| Local Tax Rate = | 120.929% | multiplied by | 2,270 | = | <u><u>2,745</u></u> |
|------------------|----------|---------------|-------|---|---------------------|

STEP 3: CALCULATE THE MARKET TAX

| | | | | | |
|------------|----------|---------------|---------|---|-----|
| Market Tax | 0.19688% | multiplied by | 242,400 | = | 477 |
| ISD # 621 | | | | | |

STEP 6: ADD NET LOCAL & MARKET TAXES

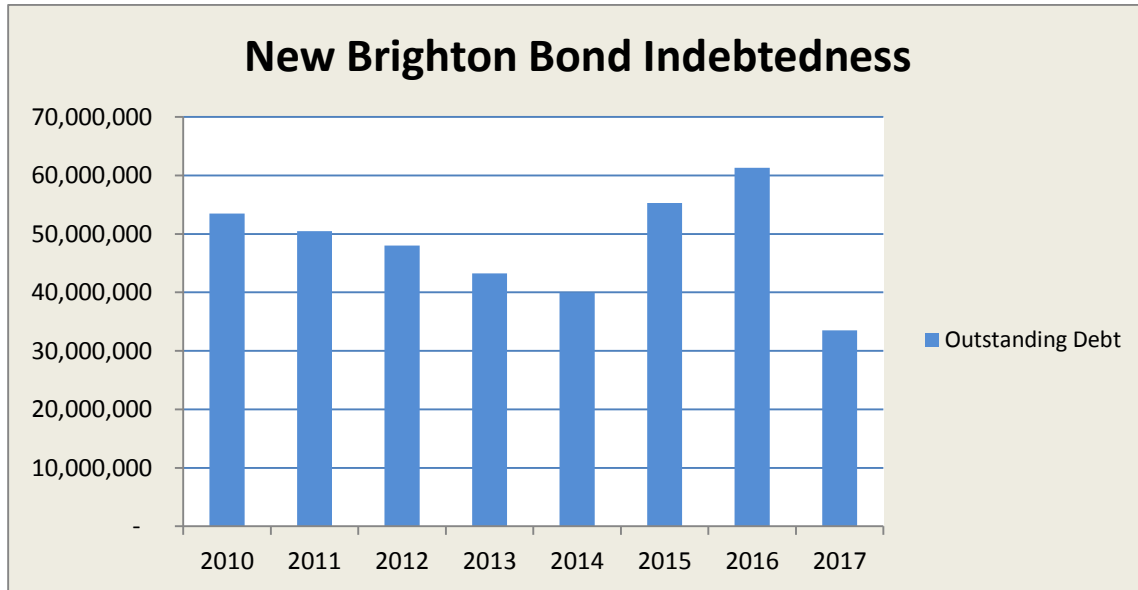
| | |
|--|------------------------------|
| Net Local Tax | 2,745 |
| Plus: Market Tax | <u>477</u> |
| TOTAL ESTIMATED 2018 HOMESTEAD PROPERTY TAX | <u><u>\$3,222</u></u> |

Assumptions to Total Tax Rate:

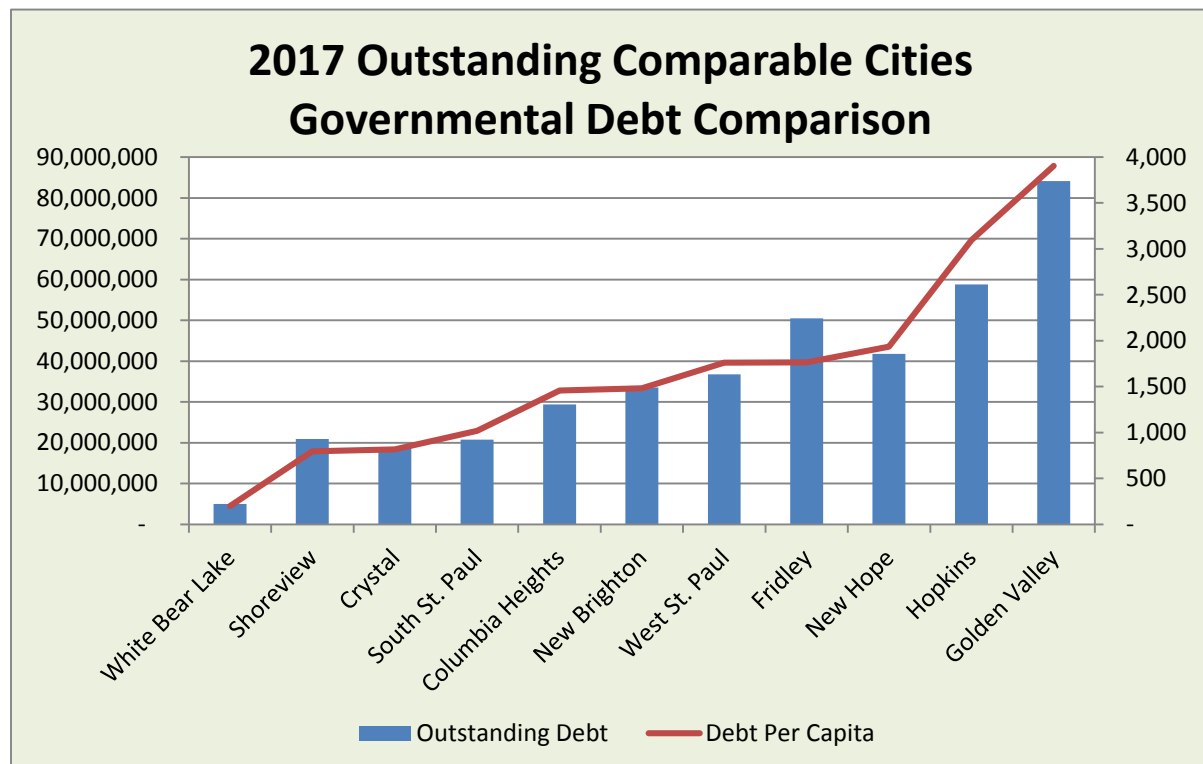
| Taxing Jurisdiction- | 2018 Tax Rates | Estimated 2018 Taxes |
|----------------------------------|-------------------------------|------------------------------|
| Ramsey County | 53.692% | \$1,219 |
| City of New Brighton | 37.211% | 845 |
| ISD # 621 | 21.811% | 495 |
| Total Misc. Taxing Jurisdictions | <u>8.215%</u> | <u>186</u> |
| Total | <u><u>120.929%</u></u> | <u><u>\$2,745</u></u> |

Debt

As of December 31, 2017, The City of New Brighton's external outstanding debt is \$33,515,000, of which \$31,420,000 is G.O. Tax Increment debt. In 2018, the City will be issuing roughly \$3.8 million in G.O. Improvement bonds for the 2018 and 2019 Street Reconstruction projects.

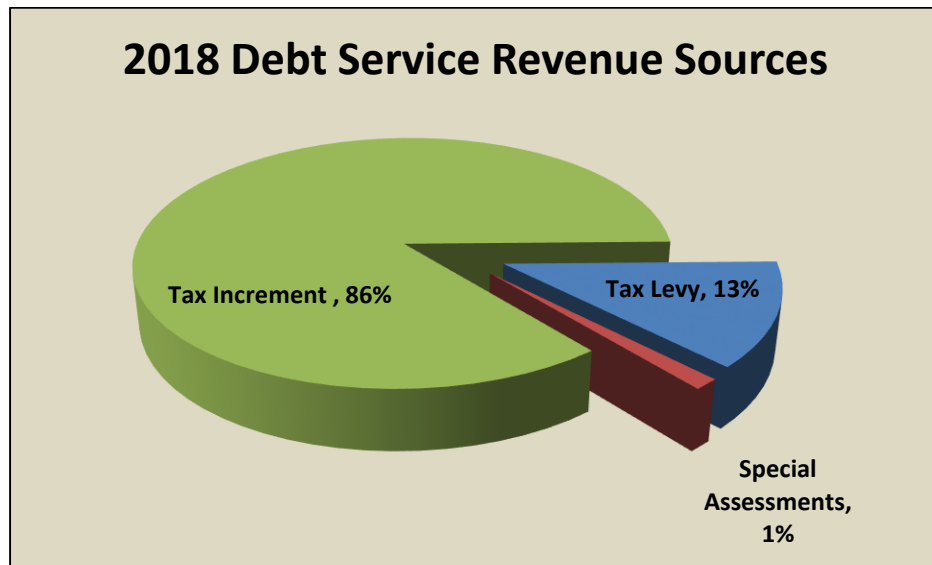


Standard and Poor's Credit Rating AA



Debt (Continued)

Revenue derived from the levy and special assessments will provide 14% of the funding needed for the external principal and interest payments in 2018. These revenues are legally restricted to the payment of the debt, and therefore are held within the corresponding debt fund until the debt issue is paid in full. The remainder of the funding for debt payments is provided by internal sources, interest earnings, and tax increment collections.



Enterprise Funds

The City of New Brighton operates four utility (water, sanitary sewer, storm water, and street lights) enterprise funds. These funds account for services that are supported through quarterly utility fees designed to cover operating costs, debt service, depreciation expense and capital replacement costs.

One major change to the utility rate analysis for 2018 was to create a two-tier water rate; one for single and two-family residences and another for all other accounts. This was done to fairly price out the services by placing a larger emphasis on those properties whose distribution capital costs are higher.

Projected capital replacements include:

- Watermain Reconstruction Costs
 - 2018-2027 ~ 21 miles of streets replaced \$7,879,000
 - 2028-2037 ~ 21 miles of streets replaced \$8,725,000
- 2018 Water Treatment Plants Radium & Reclamation \$625,000

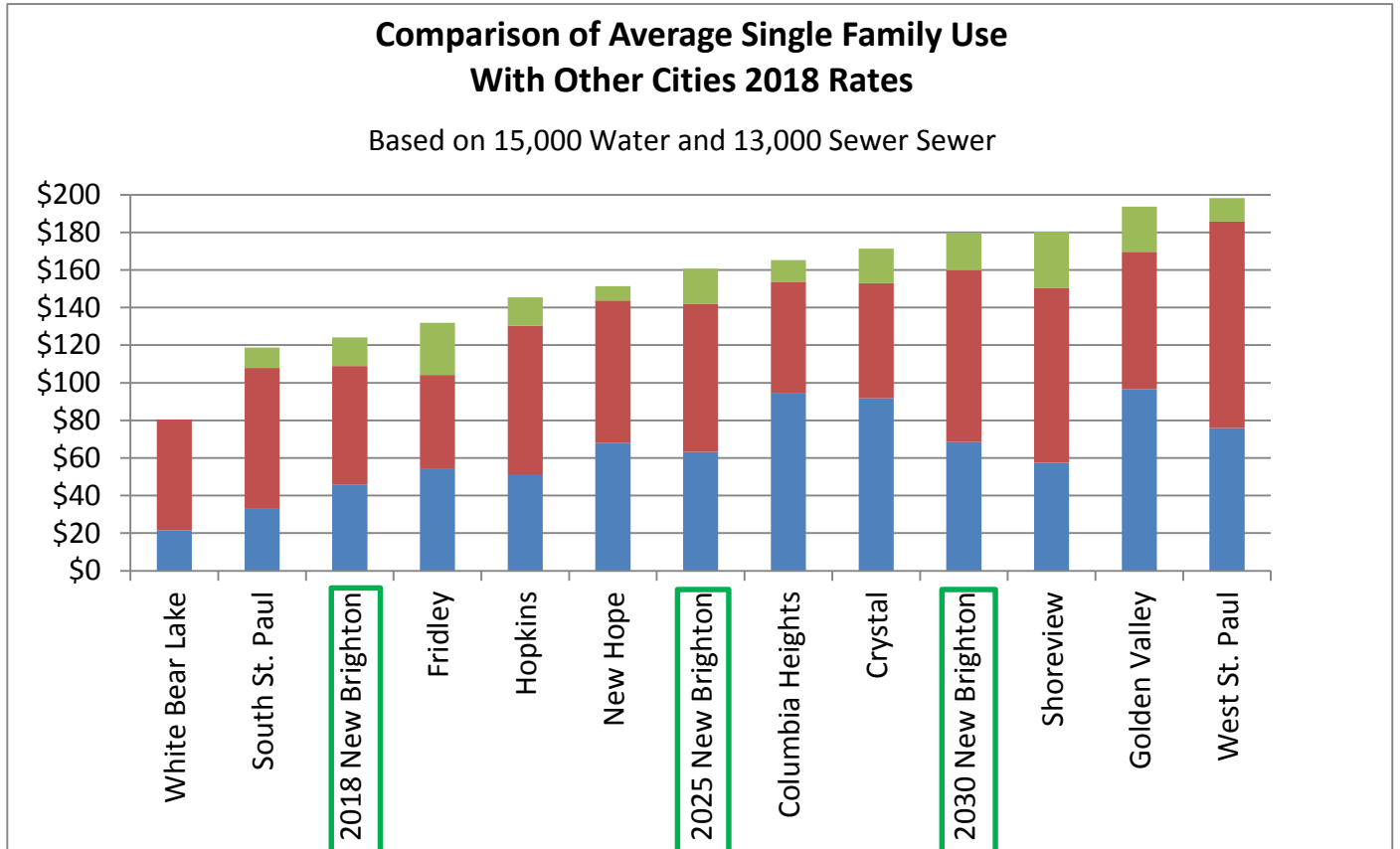
Enterprise Funds (Continued)

- 2018-2033 Repainting Water Towers \$3,675,000
- 2018 -2020 Replace Water Meters \$2,281,000
- 2019 County Road D Watermain Upgrade \$340,000
- 2026-2027 Old Highway 8 Watermain Upgrade \$840,000
- Sanitary Sewer Reconstruction Costs
 - 2018-2037 ~ 42 miles of streets replaced \$1,360,000
- 2018 -2037 Sanitary Sewer Lining \$2,000,000
- 2018 – 2037 Lift Station Equipment Replacements \$563,000
- Storm Sewer (result of June 2013 flooding study)
 - 2018 Freedom Park Project \$610,600
 - 2024 Storm Sewer 4th Street Low Area \$524,000
- Storm Sewer Reconstruction Costs
 - 2018-2027 ~ 21 miles of streets replaced \$2,632,000
 - 2028-2037 ~ 21 miles of streets replaced \$2,754,500

| 2018 Utility Rates | | |
|---|--|---|
| Water | Single and Two-Family Residential | \$3.07 per 1,000 gallons |
| | All Other | \$3.96 per 1,000 gallons |
| Sewer | City Wide | \$4.84 per 1,000 gallons |
| Storm Water | Single Family Residence | \$15.20 per quarter |
| | Park, Cemetery, Golf Course | \$4.17 per acre/per quarter |
| | School | \$45.36 per acre/per quarter |
| | Townhouse/Mobile Home Park | \$61.69 per acre/per quarter |
| | Church | \$84.52 per acre/per quarter |
| | Apartment, Condominium, Senior Housing, & Nursing Home | \$100.71 per acre/per quarter |
| | Commercial, Industrial, & Warehouse | \$188.76 per acre/per quarter |
| | Unimproved, Vacant Land | \$0.00 per acre/per quarter |
| Street Lights | Single and Two Family Residential | \$10.16 per quarter |
| | All Other Properties | \$30.46 per quarter |
| Single Family Average Water & Sewer Consumption in New Brighton | 15,000 Gallons of Water and 13,000 gallons of Sewer Per Property | Average Quarterly Utility Cost is \$134.33 Per Property |

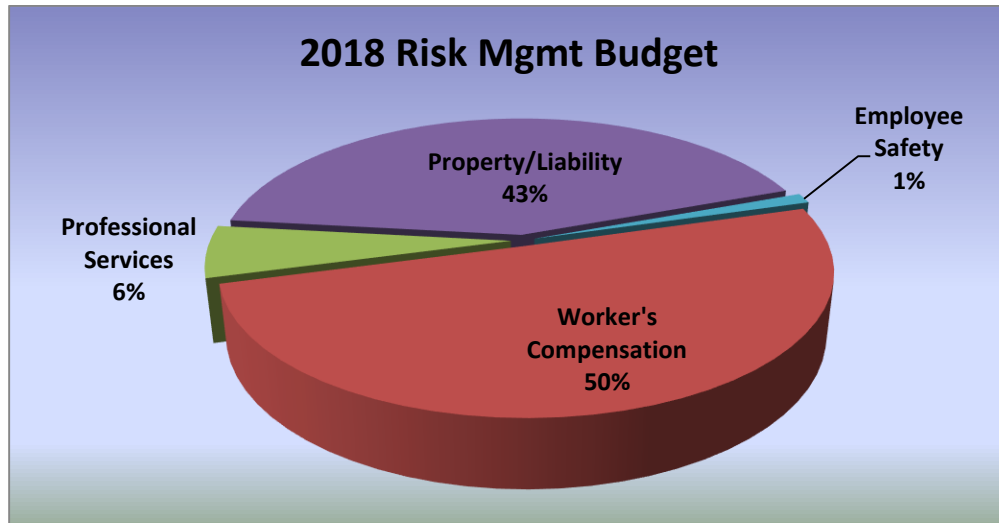
Enterprise Funds (Continued)

New Brighton's 2018 – 2030 Projected Utility Rates Compared to Other Cities

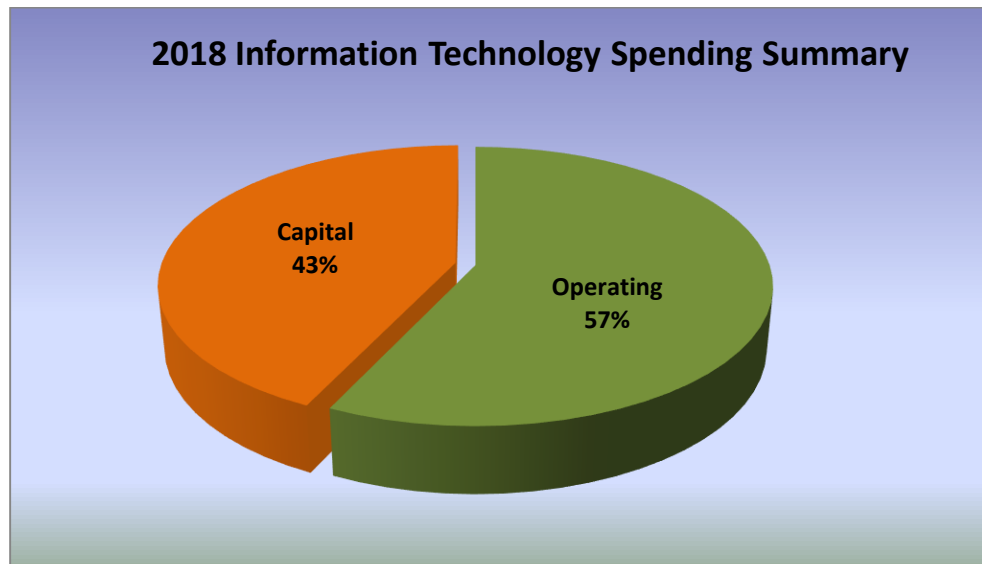


Internal Service Funds

The City of New Brighton operates five internal service funds. These funds account for services that are supported primarily through internal charges to the City's various departments. One such fund is the Risk Management Fund which provides funding for the City's various insurance coverages, employee safety programs, and workers compensation.



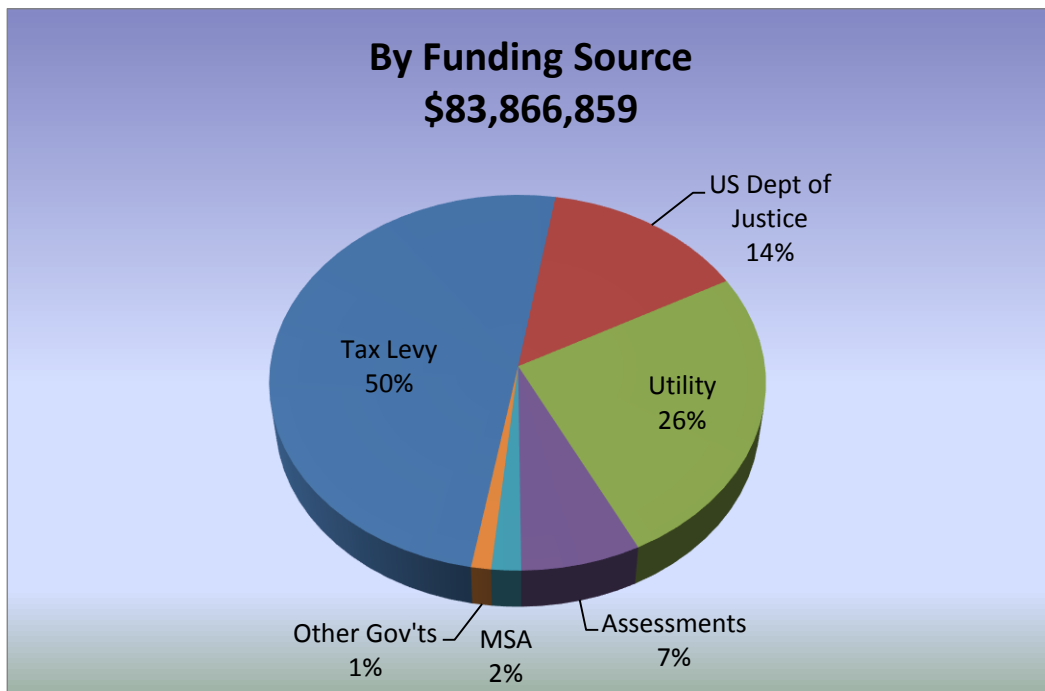
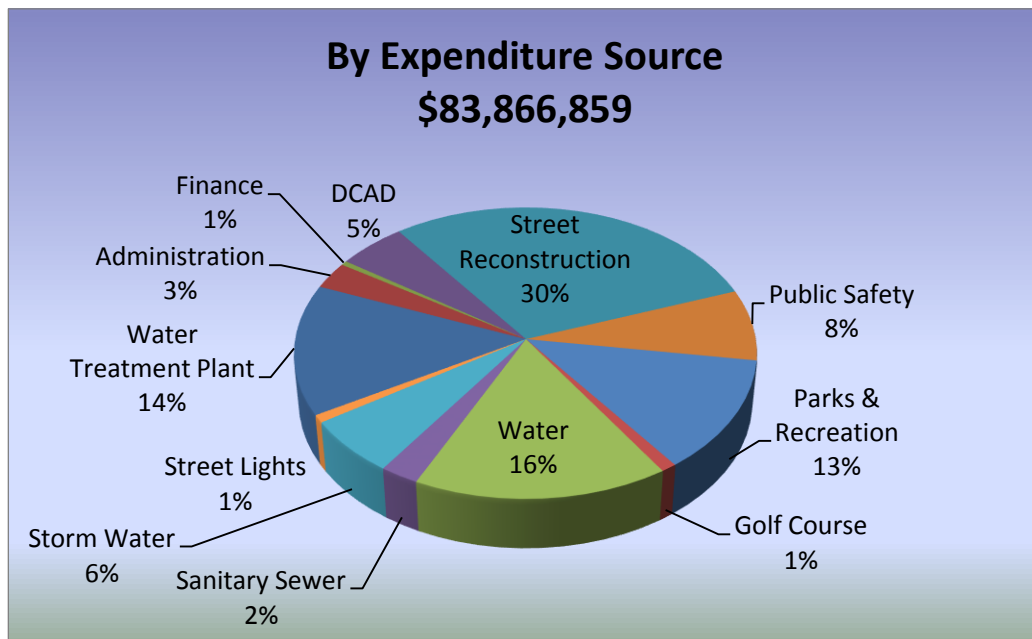
Another is the Information Technology Department which is responsible for maintaining and updating the City's technological resources such as computers, telephones, electronic security systems, cell phones, copiers, and other technological needs for the City.



Capital Improvement Plan

The City of New Brighton, along with most other local governments, both large and small, faces the challenges of meeting infrastructure and equipment needs with limited financial resources. Ongoing service delivery can be assured only if adequate consideration is given to capital needs. In order to meet these needs, the City has established a Capital Improvement Plan (CIP).

The Capital Improvement Plan is a multiyear plan that identifies capital needs to be financed during the planning period. The long-term financing plan currently models out the projected costs from 2018 through 2027. The plan will be reviewed and updated annually.



Capital Improvement Plan (Continued)

Categories

Street Reconstruction includes the reconstruction of all City & MSA streets. The primary funding sources are Tax Levy, Assessments, and MSA funding.

Administration includes the replacement of capital items such as miscellaneous equipment, furnishings, and city hall facility items, computers, computer network systems, copiers, printers, and telephone network systems which have a value of \$5,000 or more and a useful life of at least two years. The primary funding source is tax levy.

Finance includes the replacement of capital items such as miscellaneous equipment and furnishings which have a value of \$5,000 or more and a useful life of at least two years. The primary funding source is tax levy.

DCAD includes the replacement of capital items such as miscellaneous equipment, furnishings, maintenance garage facility items, and vehicles including heavy equipment which have a value of \$5,000 or more and a useful life of at least two years. The primary funding source is tax levy.

Public Safety includes the replacement of capital items such as miscellaneous equipment, furnishings, public safety facility items, and vehicles including fire trucks which have a value of \$5,000 or more and a useful life of at least two years. The primary funding source is tax levy.

Parks & Recreation includes the replacement of capital items such as miscellaneous equipment, furnishings, New Brighton Community Center and park shelter facility items, playgrounds, and vehicles including heaving equipment which have a value of \$5,000 or more and a useful life of at least two years. The primary funding source is tax levy.

Golf Course includes the replacement of capital items such as miscellaneous equipment, furnishings, Brightwood Club house and maintenance facility items, and vehicles which have a value of \$5,000 or more and a useful life of at least two years. The primary funding source is tax levy.

Water includes the construction and major maintenance of all water systems such as wells, towers, meters, and the underground distribution system. The primary source of financing is through utility user fees.

Sewer includes the construction and major maintenance of the sanitary sewer system and lift stations. The primary source of financing is through utility user fees.

Storm Water includes flood mitigation, pond dredgings, curb replacements, and construction and major maintenance of the storm sewer system. The primary source of financing is through utility user fees.

Water Treatment Plant includes the construction of a treatment process to remedy the Dioxane present in the City's wells which are part of the New Brighton Contaminated Groundwater Recovery System (NBCGRS). The primary funding source is the United States Department of Justice.

All Budgeted Funds Combined

The City of New Brighton prepares an annual budget for all operating funds. The table below summarizes the City of New Brighton's annual expenditures for all 2018 budgeted funds:

| General Fund | 2018 Budgeted Expenditures | Difference from Adopted 2017 Budgeted Expenditures |
|-------------------------------------|-----------------------------------|---|
| Administration | \$1,412,670 | \$197,070 |
| Finance | 1,059,500 | 159,200 |
| License Bureau | 152,000 | 270,800 |
| Community Assets and Development | 2,400,400 | 48,400 |
| Parks & Recreation | 3,819,700 | 218,500 |
| Public Safety | 5,886,000 | 160,200 |
| Transfers | 1,408,800 | 3,600 |
| Turnover Ratio | (100,900) | (7,400) |
| Total General Fund | \$15,886,170 | \$779,570 |
| Special Revenue Fund | | |
| Golf Course | \$364,100 | \$10,900 |
| Enterprise Funds | | |
| Water | \$4,716,200 | \$1,870,150 |
| Sewer | 3,239,450 | 349,650 |
| Storm Water | 1,556,490 | 523,590 |
| Street Lighting | 340,320 | (84,580) |
| Total Enterprise Funds | \$9,852,460 | \$2,658,810 |
| Internal Service Funds | | |
| Risk Management | \$ 557,100 | \$ 70,600 |
| Information Technology | 961,480 | 257,080 |
| Fleet | 975,200 | 343,100 |
| Non-Fleet | 958,200 | (96,800) |
| Pavement Management | 45,200 | 45,200 |
| Total Internal Service Funds | \$3,497,180 | \$619,180 |
| Total Budgets | \$29,599,910 | \$4,068,460 |

Achieved Goals and Objectives

In summary, below is a listing of areas the 2018 Budget achieved the goals and objectives of the Strategic Plan:

- Created a financial document that represents the City's vision – not just next year, but beyond – Financial Sustainability, Economic Development, and Community Engagement
- Reallocating Local Government Aid to the street reconstruction plan to become external debt free by 2025 – Financial Sustainability, Effective Service Quality
- Service level employee staffing is addressed – Workforce Engagement and Effective Service Quality
- Median valued household City taxes will increase \$72 for the year under the proposed 2018 budget an increase of \$19 from payable 2011 – Effective Service Quality

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