

City of St. Louis Park City Budget Preparation Process

Preliminary Procedures

The Finance Department begins the budget process in April by preparing electronic spreadsheets for distribution to all City departments. Preliminary estimates of wages and benefits are prepared by Human Resources and input into the electronic budget documents by the Finance Staff. At the same time, department directors are meeting to discuss proposed changes in business practices, service delivery, new mandates the City is required to comply with, and any staffing proposals necessary to deliver services.

In addition to discussing proposed changes, department directors also discuss guiding principles for the budget. These guiding principles are first approved by the City Manager and then presented to the City Council.

Electronic budget documents are distributed to departments in mid-April. Departments are expected to prepare preliminary budgets within the guiding principles and recognizing budget constraints.

2006 Budget Guiding Principles

- The budget must be balanced using current revenues and current expenditures.
- Programs and services should remain stable unless additional resources are identified.
- Department should budget for what they need, recognizing the City's budget constraints.
- Capital (construction/infrastructure) needs will not be ignored.
- All staffing requests must be made during phase I of the budget process.
- The 2006 budget must preserve the mission, vision, and values of the City of St. Louis Park.

While departments are preparing preliminary budget estimates, the Finance Department is analyzing revenue and preparing forecasts for discussion with departments. Individual departments are responsible for assisting with these forecasts.

Capital Improvement Program

The Capital Improvement Program is a critical component to the budget process. Each year a 5-year Capital Improvement Program is developed in conjunction with the budget. All capital improvements are integrated with the budgeted expenditures/expenses and incorporated in the revenue analysis. This is critical because the City must be responsive to needs for infrastructure and park improvements, building renovations/upkeep, and technology and fleet requirements. By looking at long-term needs, the City can limit significant increases to property taxes, fees, and utility rates.

Department directors are required to submit Capital Improvement Program proposals by the end of May and budget proposals by the end of June. Finance staff continually works with departments during this time to address questions, concerns, and prepare additional analysis as requested. Once all proposals are submitted to Finance, staff compiles this information for the City Manager's review. After the City Manager has reviewed this information, discussions are held with department directors, and, when additional revisions have been completed, staff presents the preliminary information to the City Council. When the first draft of the preliminary budget and Capital Improvement Program is presented to council, the budget does not usually balance. There is still a great deal of work to do.

Fee Analysis

In addition to preparing the Capital Improvement Program budget, fees are also analyzed. A study is conducted by the Finance Department to ensure all staff time, overhead and other costs associated with performing the service are incorporated into the fee. Minnesota State Statutes limit fee amounts to the cost it takes to deliver the service.

Budget and Capital Improvement Program Discussions

June 2005

In June, the first budget discussion was held with the City Council. This session was intended to give council members an overview of the budget process, expectations, legal requirements, and general information. In addition, the guiding principles for the 2006 budget were reviewed and discussed.

August 1, 2005

Council met to discuss the 2006 budget and five year capital improvement program. Staff presented a budget indicating a "gap" of \$625,813 and a property tax levy increase of 4.19% relative to the General Fund (operating budget). In addition to the General Fund the City also budgets for Debt Service Funds, Special Revenue Funds, Capital Projects Funds, Enterprise Funds, and Internal Service Funds.

These topics were discussed at this meeting –

- Significant budget proposals
- Funding of the visioning process
- Addition of Management Assistant position
- Park Perspective redesign
- Technology Support Services functions
- Police liaison officers
- Property taxes
- Debt repayment schedules
- HRA levy
- Reserve balances
- Capital Improvement program and funding
- Utility rates
- Public art.

Staff was directed to continue refining proposals, analyze funding mechanisms for the Pavement Management Program, and develop additional forecasting information.

August 15, 2005

Staff presented the General Fund (operating) Budget showing a “gap” of \$154,417. The primary objective of this meeting was to receive direction as to the amount of the property tax levy increase. The City of St. Louis Park is required to submit a preliminary property tax levy to Hennepin County by September 15, 2005 for property taxes payable in 2006. The preliminary property tax levy can be reduced after September 15th; however, it cannot be increased. Staff presented information on General Operations, Debt Service Obligations, and the Pavement Management Program relative to property taxes. The council also debated a levy for pavement management instead of increasing the franchise fee; ultimately, they opted to use the levy approach.

Staff identified the areas in which property taxes are allocated along with the justification for each area. This summary is outlined below.

General Operations	3.00%
Debt service - infrastructure	1.58%
Pavement Management	2.40%
Total Levy Increase	<u><u>6.98%</u></u>

Council also discussed utility increases and how decisions related to utilities, infrastructure improvements, and property taxes impact the community. The end result of this meeting was Council giving direction to staff to certify a 7 percent property tax levy increase for the 2006 taxes, recognizing there is much discussion necessary before finalizing the budgets.

August 22, 2005

The primary focus during this discussion was the 2006 – 2010 Capital Improvement Program and 2006 Utility Rates. This discussion concentrated on the higher level/big picture perspective of infrastructure improvements and reviewed long term strategies related to improvements within the city.

The City of St. Louis Park has developed a five-year Capital Improvement Program that accounts for substantially all improvements that are known throughout the City. This program provides for operational impacts as well as capital expenditures. There are five primary areas analyzed. Each of these areas has a variety of funding sources and is subject to change based on revised cost estimates and priority as assigned by Council.

The areas analyzed are:

- Park Improvements
- Technology Replacement
- Pavement Management
- Municipal Building
- Enterprise Funds

Based on this discussion, Council directed staff to continue to refine the five year Capital Improvement Program focusing on both short term and long term impacts to the community.

September 6, 2005

This discussion was held at a regular City Council meeting and the primary purpose was to approve the preliminary property tax levy and budget for the 2006 fiscal year, approve the revisions to the 2005 adopted budget, set a Public Hearing date for proposed budget and property tax levy, and approve HRA levy for taxes payable in 2006.

A resolution approving the preliminary property tax levy and budget is required by Truth in Taxation legislation. Information contained in the resolution will appear on the individual tax notices prepared by Hennepin County. The County will mail out parcel specific notices to affected taxpayers after November 11 and on or before November 22, 2005.

In addition to the General Property Tax levy, the City will levy for the 1999 General Obligation Bond, 2003 General Obligation Bond, 2005 General Obligation Bond, and an HRA levy.

Council approved all these items and directed staff to continue refining the budget and capital improvement program.

October 17, 2005

The purpose of this meeting was to review and discuss projects within the 2006 – 2010 Capital Improvement Program and continue discussion on 2006 Utility Rates. This discussion reviewed specific capital improvement projects and addressed questions related to projects.

As part of this discussion, the Asset Management program was presented to the council. This presentation outlined how inventories are established and maintained, how assets are rated, and the structure for determining what assets are either built, upgraded, replaced, or purchased.

October 24, 2005

This meeting continued discussion on the 2006 Budget, utility rates and the 5-year Capital Improvement Program. Impacts to the Community as well as the necessity for infrastructure improvements were discussed. The objective for this meeting is to start to finalize the budget and capital improvement program process.

Council gave direction to staff on these items:

- 2006 Budget recommendations including budget assumptions, staffing modifications/additions, and overall budget direction
- 2006 Proposed Property Tax Levy – currently at 7 percent and includes an allocation for Pavement Management
- 2006 Utility Rates

Next Steps

December 5, 2005 Truth in Taxation Public Hearing (budget hearing)
December 19, 2005 Final adoption of 2006 budget and 2006 – 2010 Capital
Improvement Program

For questions related to either the 2006 budget process or the 2006 – 2010 Capital Improvement Program process, contact Jean McGann, Director of Finance at 952-924-2511 or jmcgann@stlouispark.org.