

## Executive summary

**Title:** 2020 preliminary property tax levy certification

**Recommended action:** Motion to adopt Resolution approving 2020 preliminary property tax levy and setting the budget public hearing date for December 2, 2019.

**Policy consideration:**

- Does the city council desire to set the 2020 preliminary property tax levy at \$34,985,521, which is a 5.61% change over the 2019 final property tax levy?
- Does the city council desire to hold the public hearing at which the budget and levy will be discussed on Monday, December 2, 2019 and then take action on the 2020 budgets, final property tax levy, final HRA levy, and 2020-2029 capital improvement plan at the regular city council meeting on December 16, 2019?

**Summary:** Included is information pertaining to the 2020 preliminary property tax levy. In addition, a proposed calendar of upcoming budget discussions dates is shown.

Once the preliminary levy is set, **it can be decreased but not increased**. As we move ahead with our 2020 budget process and planning, we will continue to have discussions and provide more information prior to the December 2 public hearing and final adoption on December 16.

**Financial or budget considerations:** The proposed tax levy will help support necessary city services to be provided during 2020.

**Strategic priority consideration:**

All areas of the adopted strategic priorities are impacted by the city's budget.

- St. Louis Park is committed to being a leader in racial equity and inclusion in order to create a more just and inclusive community for all.
- St. Louis Park is committed to continue to lead in environmental stewardship.
- St. Louis Park is committed to providing a broad range of housing and neighborhood-oriented development.
- St. Louis Park is committed to providing a variety of options for people to make their way around the city comfortably, safely and reliably.
- St. Louis Park is committed to creating opportunities to build social capital through community engagement.

**Supporting documents:** Discussion  
Resolution

**Prepared by:** Tim Simon, chief financial officer

**Reviewed by:** Nancy Deno, deputy city manager/HR director

**Approved by:** Tom Harmening, city manager

## Discussion

**Background:** On May 13, 2019, staff met with the city council to discuss the 2020 budget process and the “systems thinking” approach. Staff has prepared the recommendations based on continued quality and timely delivery of core services in addition to continuing to support and align with the five strategic priorities and the key organizational cultural behaviors of *collaboration, quality and responsiveness* when preparing the 2020 budget. Council discussed a goal of targeting 4.00-6.00% for the preliminary levy.

At the June 17, July 22, August 12 and September 3, 2019 city council study sessions, the city council reviewed information regarding the 2020 budget and consensus was for staff to prepare a 2020 preliminary property tax levy increase of 5.61% when compared to the 2019 final property tax levy.

### 2020 preliminary property tax levy

There are some important key items to keep in mind for the 2020 preliminary tax levy:

- There are no levy limits in place for 2020.
- Local Government Aid (LGA) for 2020 has been certified, St. Louis Park will receive \$267,271 which is \$299,320 less than the \$566,591 certified in 2018. These dollars go into the capital replacement fund and will be part of the long-range financial management plan.
- The strategic priorities are factored into the proposed 2020 budget.
- The 2020 preliminary property tax levy once adopted on September 16, 2019, ***can be decreased but not increased*** after that date.

### 2019 city final levy and 2020 city preliminary levy

A synopsis of prior year levy information and the 2020 proposed preliminary levy is shown below:

1. The 2019 preliminary levy was \$33,392,261, which was 5.18% more than 2018.
2. The 2019 final levy was \$33,128,261, which was 4.35% more than 2018.
3. Considering the budgets which have been submitted, strategic priorities and debt service needs, the 2020 preliminary property tax levy is proposed at 5.61%.

	2019 Final Levy	2020 Proposed	\$ Change 2019 to 2020	% Change 2019 to 2020
<b>TAX CAPACITY BASED TAX LEVY</b>				
General Fund	\$ 26,880,004	\$ 27,786,200	\$ 906,196	3.37%
Environment and Sustainability (2)	-	498,510	498,510	
Race Equity and Inclusion (2)	-	324,018	324,018	
Park Improvement Fund	810,000	860,000	50,000	6.17%
Capital Replacement Fund	1,767,700	1,567,700	(200,000)	-11.31%
Debt Service-current (1)	3,420,557	3,799,093	378,536	11.07%
Employee Benefit Fund	150,000	150,000	-	0.00%
Housing Rehabilitation Fund (3)	100,000	-	(100,000)	-100.00%
	<b>\$ 33,128,261</b>	<b>\$ 34,985,521</b>	<b>\$ 1,857,260</b>	<b>5.61%</b>

1= Debt service levy changes for 2020 primarily due to the 2019A bonds issued for sidewalks/trails/fiber/SWLRT.  
 2=Line items are part of the General Fund, separated so council can start seeing investment in strategic priorities.  
 3=See HRA levy discussion, but offset tax levy line item with allocation from HRA levy in 2020.

**HRA property tax levy:** Council will consider the HRA levy which is recommended to be set at the maximum allowed .0185% of estimated market value, which is consistent with previous years. The amount for 2020 is estimated at \$1,332,978. Per council consensus at this time a significant portion will be used for the newly created housing trust fund and housing related salaries. A final budget amount/allocation will be approved in December.

Based on the discussion at the study session regarding pooled tax increment financing (TIF) for affordable housing, pooled dollars available from the Aquila Commons district are proposed to be transferred to the Housing Rehab Fund for program expenses thereby allowing the unrestricted revenues from the private activity revenue bond fees to be used in the General Fund.

#### **Additional tax levy information**

By law, the city council is required to approve a 2020 preliminary property tax levy which must be certified to Hennepin County by September 30, 2019. Hennepin County will mail out parcel specific notices in mid to late November.

#### **Setting dates for public hearing and 2020 budget adoption**

The city is required to hold a regularly scheduled meeting at which the budget and levy will be discussed and public input is allowed, prior to final budget and levy determination. This public input meeting must occur after November 24, 2019. Past practice has been to hold the public input meeting and then schedule a subsequent meeting to adopt the final budget. If the city council chooses to continue this practice, then the dates would be the regular meeting on December 2, 2019 for the public input meeting and December 16, 2019 for adoption of the 2020 budget, tax levy, HRA levy, and 2020-2029 capital improvement plan.

**Next steps:** The following preliminary timeline has been developed for council:

September 16	Council establishes 2019 preliminary property tax levy and HRA levy. (Levies can be reduced, but not increased for final property tax levies.)
October 7	1 <sup>st</sup> reading of fees – public hearing
October 14	Review and discussion of 2020 budget, CIP, utility rates and the LRFMP. Directors or their designees in attendance as needed.
October 21	2 <sup>nd</sup> Reading of Fees, and adoption of 2020 Utility Rates
November 4	(If necessary) Budget and CIP discussion prior to Truth in Taxation Public Hearing and budget presentation. 2 <sup>nd</sup> Reading of Fees on Consent.
November	Live Facebook chat on 2020 budget and CIP.
December 2	Truth in Taxation Public Hearing and budget presentation
December 16	Council adopts 2019 Revised Budget, 2020 Budgets, final tax levies (City and HRA), and 2020 - 2029 CIP.

**Resolution No. 19-\_\_\_\_\_**

**Resolution approving 2020 preliminary property tax levy, and setting public hearing date for the 2020 budget and final property tax levy**

**Whereas**, The City of St. Louis Park is required by Charter and State law to approve a resolution setting forth an annual tax levy to the Hennepin County Auditor; and

**Whereas**, Minnesota Statutes require approval of a preliminary property tax levy on or before September 30th of each year; and

**Whereas**, the city council has received the proposed budget information;

**Be it further resolved** that the truth in taxation public hearing will be held on December 2, 2019; and

**Be it further resolved** that the City Council of the City of St. Louis Park, Hennepin County, Minnesota, that the following sums of money be levied for collection in 2020 upon the taxable property in said City of St. Louis Park for the following purposes:

	<b>2020 Preliminary Levy</b>
<b>TAX CAPACITY BASED TAX LEVY</b>	
General Fund	\$28,608,728
Debt Service	3,799,093
Capital Replacement Fund	1,567,700
Park Improvement Fund	860,000
Employee Administration Fund	150,000
<b>TOTAL TAX LEVIES</b>	<b><u>\$34,985,521</u></b>

And

**Be it further resolved** that the chief financial officer is hereby authorized and directed to transmit this information to the County Auditor of Hennepin County, Minnesota and the Minnesota Department of Revenue, if applicable, in the format requested as required by law.

Reviewed for Administration

Adopted by the City Council September 16, 2019

\_\_\_\_\_  
Tom Harmening, city manager

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Jake Spano, mayor

Attest:

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Melissa Kennedy, city clerk