



To: Mayor Hicks & City Councilmembers
From: Melanie Mesko Lee, City Administrator
Rebecca Petersen, Finance Manager
Date: December 1, 2016
Item: Truth in Taxation Hearing for 2017 Recommended Budget

Council Action Requested:

Conduct the Truth in Taxation hearing for the 2017 budget. The Council will be asked to consider adopting the final budget at their December 19, 2016 meeting.

Background Information

Purpose of the Budget

The budget represents the financial plan and priorities of the City of Hastings. It is intended to clearly communicate the City's goals and how resources are allocated to those priorities in an easy to understand manner. The recommended budget is the result of an ongoing process whereby priorities and goals are established and funded in alignment with Council directives and our CORE values.

Council and Committee Meetings

A Council workshop was held on June 1st to provide preliminary budget projections to the full Council, and obtain direction as to 2017 budget parameters and tax levy amount.

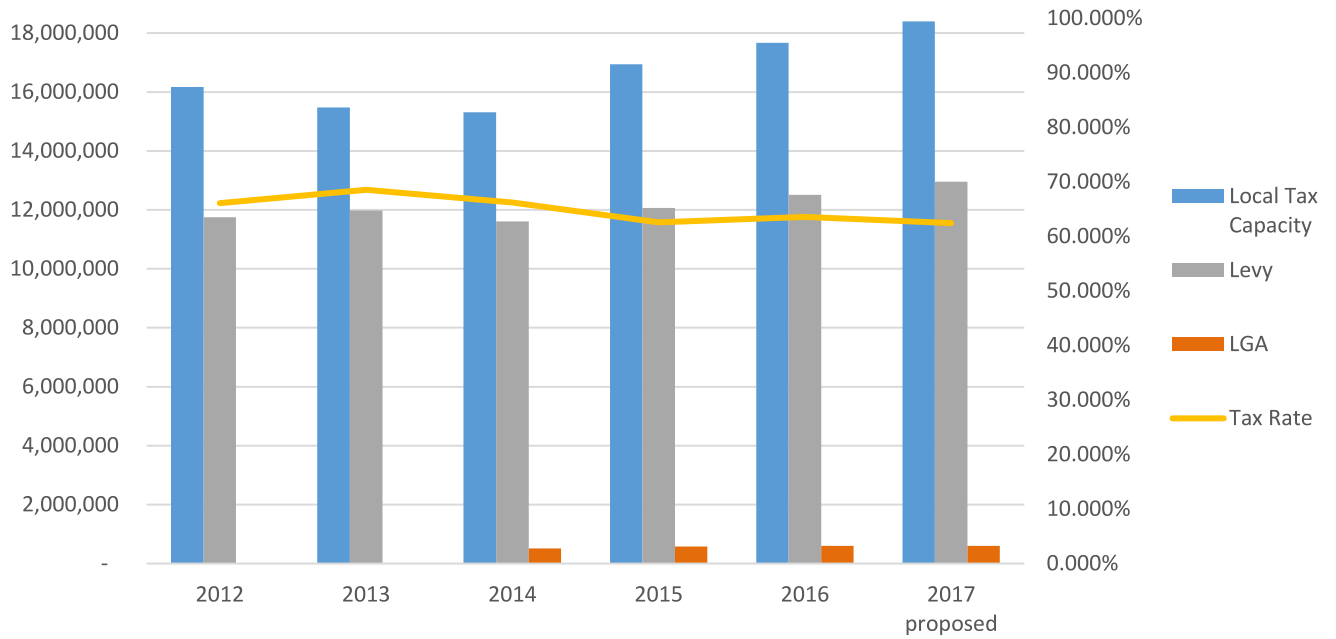
The Finance Committee (Schultz*, Alongi, Nelson) met on four separate dates — July 5th, August 15th, August 17th and October 24th to review 2017 budget information and proposals. Comprehensive information on revenues, expenses, and department requests for capital, new initiatives, and personnel were brought forward for discussion and explanation.

At their meeting on August 17th, the committee directed staff to develop a 2017 budget with a 3.6% levy increase (\$450,000) and balanced operations. This calculates to a 2017 preliminary tax levy of \$12,960,920.

A proposed 2017 budget meeting those directives (along with spending options for one-time revenues) was presented to finance committee on October 24th. Finance committee reviewed the proposed budget and recommended that any underused ongoing revenues be allocated to operations and underused one-time sources be allocated to the City's budget stabilization fund. The recommended 2017 budget is a result of those directives.

Historical Information

Following several years of declining tax capacity, the City has experienced an increase over the last three years. For 2017, the tax capacity is projected to increase approximately 4%.



The City’s tax rate has been declining from a high in 2013 to a projected 62.44% with the proposed 2017 tax levy. Additionally, the City’s debt levy (the portion of the tax levy needed to make debt payments) has averaged approximately \$3,000,000 over the past six years.

<u>Year</u>	<u>Tax Rate</u>	<u>Year</u>	<u>Debt Levy</u>
2012	66.08%	2012	\$3,399,000
2013	68.55%	2013	3,155,000
2014	66.25%	2014	2,700,000
2015	62.58%	2015	2,800,000
2016	63.58%	2016	3,035,000
2017*	62.44%	2017*	3,350,000

* final proposed rate

* final proposed

Recommended Budget

The recommended budget is balanced operationally and makes use of Local Government Aid for one time projects and initiatives. As part of the proposed levy and budget, we have the following significant items identified within the recommendations.

- LeDuc roof repair
- Medical and fire equipment
- Computer/IT updates
- Two squad cards for the police department
- Playground equipment at Lions and Wilson parks
- Economic development initiatives
 - Vermillion Street Corridor Redevelopment Consultant
 - Shovel Ready certification in Business Park
- Comprehensive Plan updates
- Infrastructure improvements
 - Neighborhood improvement project
 - Riverfront Renaissance alley reconstruction
 - Continue sanitary sewer trunk lining program
 - Continue water meter replacement program
 - Continue mill and overlay program

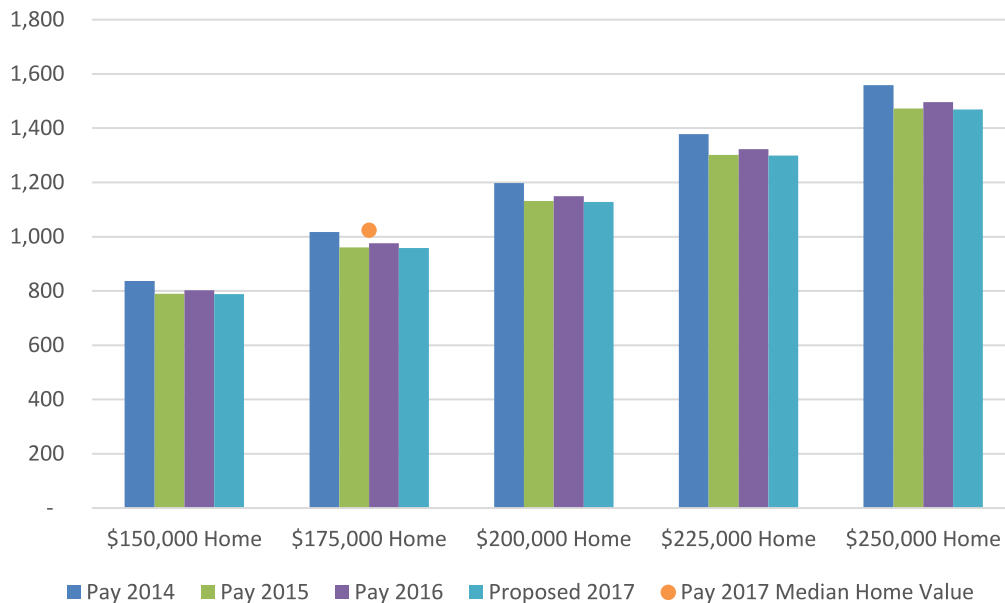
Impact on Taxpayers

The City Council has consistently shown a high sensitivity to how budget decisions impact the Hastings taxpayers. Accordingly, we have prepared the following analyses:

Homeowners

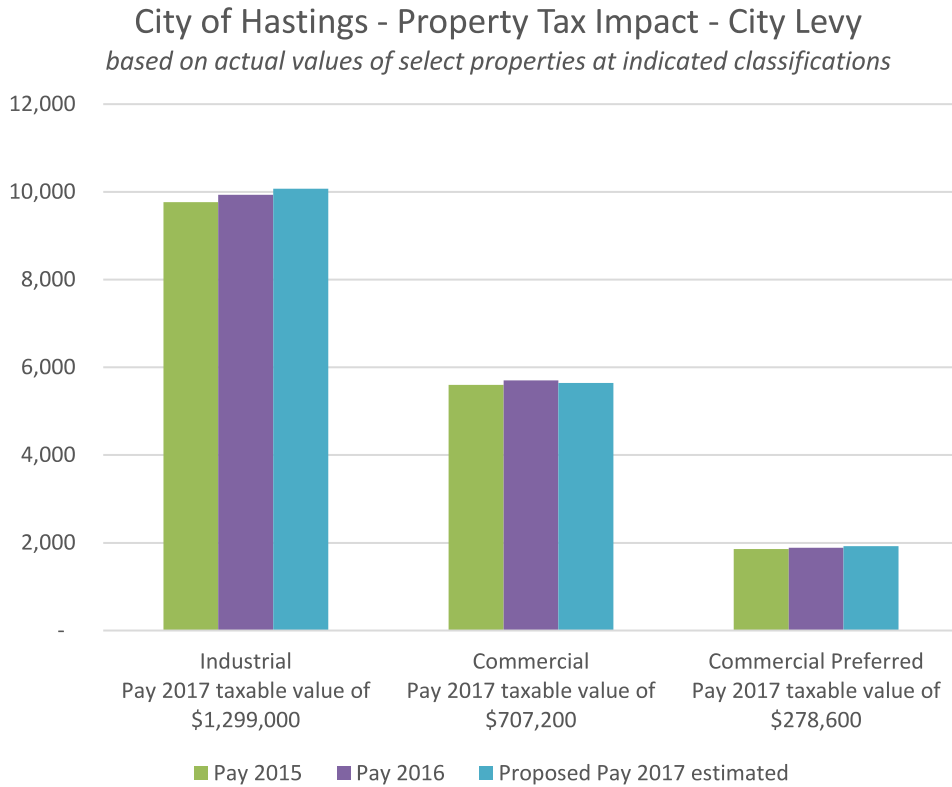
The City’s median home value for 2017 is approximately \$184,600 and would pay an estimated \$1,024 in property taxes annually at the proposed tax rate.

City of Hastings - Property Tax Impact - City Levy
estimated annual payment - residential homestead property



Businesses

Property taxes for commercial properties are impacted by a variety of factors including valuation, fiscal disparities and tax classification, such that a comparison by property value alone (as for homeowners) does not provide an accurate picture of tax impact. The comparison below looks at the tax history of a sampling of actual properties that represent the various types of commercial properties that exist within the City.



Additional Information

Additional detail on the 2017 proposed budget is available in the attached “2017 City of Hastings Budget at a Glance” and the 2017 proposed budget book.

Next Steps

Following the Truth in Taxation hearing on December 5th, the Council will be asked to consider the full and final 2017 budget, levy, and HEDRA levy.

I would like to extend a sincere appreciation to the leadership of the Finance Committee as well as our staff for their work and involvement thus far on the 2017 budget. We continue to approach the budget process in a strategic and holistic manner. Our goal is to seek and develop requests which focus on responsibly maintaining our assets while also recognizing the changing evolution of providing responsive public services.