



City of Burnsville, Minnesota

Financial Management Plan Update

March 26, 2024

Goals for the Work Session

- To continue the discussion from the 2024 Budget process about strategic direction and organizational needs
- To review the Financial Management Plan (FMP) Update and receive guidance from the City Council on:
 - ✓ Property Tax Levy Changes
 - ✓ Franchise Fees Changes
 - ✓ Debt Issuance Assumptions
- To begin the development of the Proposed 2025 Budget

What is a Financial Management Plan?

- A multi-year fiscal plan for all tax-supported funds
- Integrates:
 - ✓ Existing debt
 - ✓ Capital Improvement Plans
 - ✓ Future debt
 - ✓ Tax base growth
 - ✓ Future operating costs
- Assures all capital, maintenance, staffing needs are met and there are sustainable funding sources



FMP Update Funds

- ★ General
- ★ EDA
- ★ Cable Franchise Fee
 - Forestry
- ★ Facilities Capital
- ★ Parks Renovation
- ★ Parks Investment (New!)
- ★ Equipment and Vehicle

- ★ Information Technology
- ★ Infrastructure Trust
 - Street Revolving
 - Improvement Construction
- ★ Ames Center
- ★ Golf Course
- ★ Ice Center

Economic Expectations

- Economic outlooks continues to remain stable for the State of Minnesota (State)
 - ✓ Growth expected to persist over the next year
 - ✓ Projected State budget surplus of about \$3.7 billion
- Several factors continue to create economic uncertainty
 - ✓ Geopolitical conflicts
 - ✓ Shifts in Federal fiscal and monetary policies
 - ✓ Negotiations on the State budget and tax polices

Economic Expectations, Continued

	Actual 2023				Forecast 2024				Actual		Forecast		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2022	2023	2024	2025	
Real Gross Domestic Product ¹	2.2	2.1	4.9	3.5	2.4	1.3	1.3	1.4	1.9	2.5	2.5	1.8	
Personal Consumption	3.8	0.8	3.1	3.2	2.4	1.5	1.1	1.4	2.5	2.2	2.2	1.7	
Consumer Price Index ²	5.7	4.0	3.6	3.2	3.2	3.2	3.0	2.9	8.0	4.1	3.1	2.4	
"Core" Consumer Price Index ²	5.5	5.2	4.4	4.0	3.8	3.5	3.5	3.3	6.2	4.8	3.5	2.7	
Quarter-End Interest Rates ³													
Federal Funds Target Rate ⁴	5.00	5.25	5.50	5.50	5.50	5.25	4.75	4.50	2.02	5.23	5.00	3.88	
Conventional Mortgage Rate	6.54	6.71	7.20	6.82	6.85	6.65	6.45	6.15	5.38	6.80	6.53	5.85	
10 Year Note	3.48	3.81	4.59	3.88	4.05	3.90	3.80	3.70	2.95	3.96	3.86	3.61	

Forecast as of: March 22, 2024

¹ Compound Annual Growth Rate Quarter-over-Quarter

² Year-over-Year Percentage Change

³ Quarterly Data - Period End; Annual Data - Annual Averages

⁴ Upper Bound of the Federal Funds Target Range

Source: U.S. Dept. of Commerce, U.S. Dept. of Labor, Federal Reserve Board and Wells Fargo Economics

Source: Wells Fargo, Weekly Economic & Financial Commentary

Assumptions and Other Factors

- Recommended fund balance requirements for all funds
 - ✓ General Fund: 40% to 50% of expenditures and at 45% throughout the planning window
 - ✓ Capital Project Funds: 35% of rolling 5-year expenditure average
 - ✓ Enterprise Funds: 6 months of operating expenses
- Assumes \$3M of American Rescue Plan Act (ARPA) funds in 2024 allocated to the General Fund
- All capital projects are funded per the respective Capital Improvement Plans and most recent project estimates

Assumptions and Other Factors, continued...

- Added Full-Time Equivalents (FTEs) per the recent Organizational Analysis to the General Fund
 - ✓ Also included the Lead the Market Compensation Strategy
- New development growth built in through 2026 and 2% thereafter
- 2.5% increase in revenues, 3.5% increase in expenditures
- \$221.9M in projected debt over next 10 years
 - ✓ Primarily driven by anticipated facilities projects
 - ✓ Designed to support the rating evaluation service process

Pending Data and Studies



Fleet Study



Information Technology Plan



Municipal Facilities Inventory



Parks Plan



Pavement Management Plan

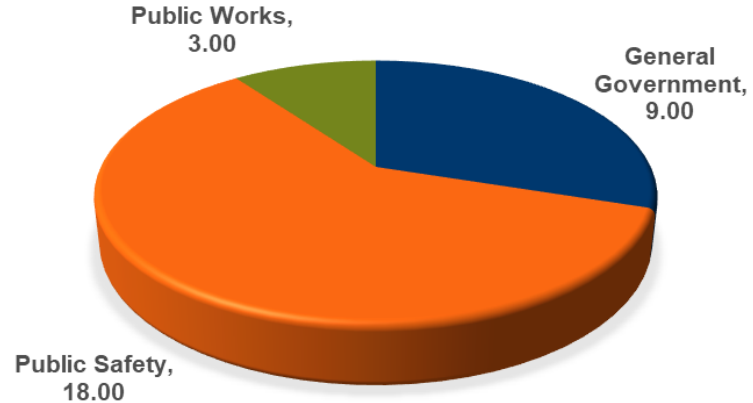


Water Treatment Master Plan

General Fund – New Positions

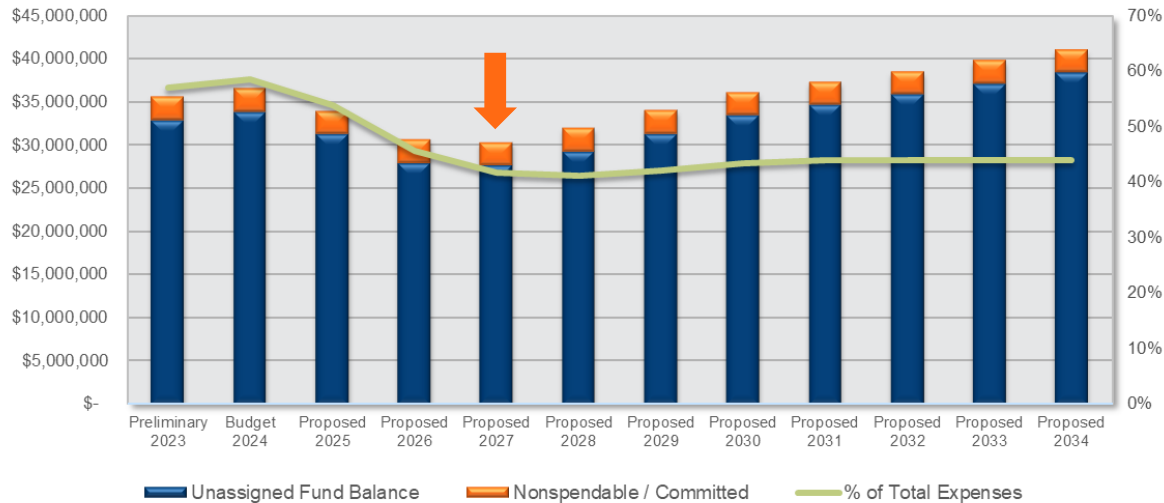
- 30.0 new staff positions over next 5 years
 - ✓ 12 in 2025 = \$1.6M
 - ✓ 12 in 2026 = \$1.4M
 - ✓ 1 in 2027 = \$157k
 - ✓ 2 in 2028 = \$348k
 - ✓ 3 in 2029 = \$473k

New FTE's by Department through 2029



General Fund

General Fund Balances



Key Takeaways

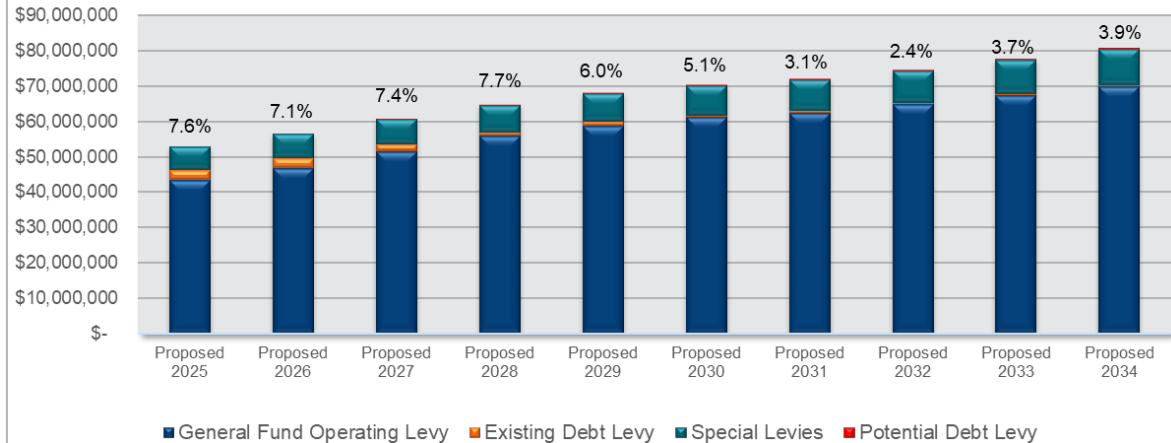
- Stronger than expected Preliminary 2023 results
 - ✓ Revenues higher by nearly \$4.6M
 - ✓ Expenses down by nearly (\$1.8M)
- Future projections show stable balances

Property Tax Levy Trends

Key Takeaways

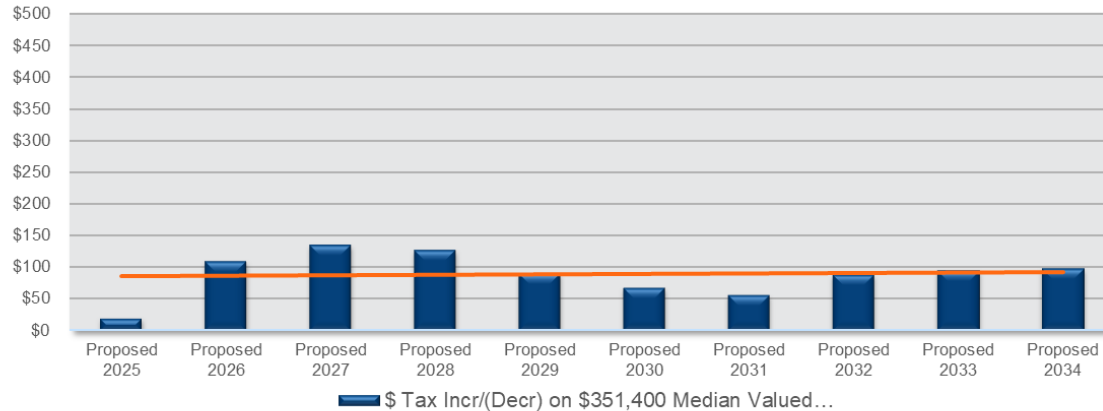
- Includes non-binding, annual levy changes
- Facilities debt paid with Franchise Fees
- Inflationary levy increases expected after 2027

Tax Levy Trends
With Projected New Debt Levies



Impact on Median-Valued Home

Projected Increase on Median Valued Home



Assumes 2% annual increase in existing property values

Next 10 Years

- State law changes impact Residential Homesteads
- 2025: **\$20/year**
 $(\$1.66/\$.05) = 1.4\%$
- 2026: **\$109/year**
 $(\$9/\$.30) = 7.3\%$
- 2027: **\$135/year**
 $(\$11/\$.38) = 8.4\%$
- Other Years: **\$89/year** average

Preliminary Payable 2025 Market Values

Taxable Market Values By Classification				
Classification	2024	2025	Change (\$)	Change (%)
Residential	5,971,745,883	5,864,966,136	(106,779,747)	-1.79%
Commercial	937,416,300	985,012,900	47,596,600	5.08%
Industrial	863,095,700	919,923,500	56,827,800	6.58%
Utility	179,078,100	179,766,200	688,100	0.38%
Apartments	1,487,173,400	1,524,198,800	37,025,400	2.49%
Railroads	8,035,500	8,035,500	-	0.00%
Personal Property	24,731,600	24,865,400	133,800	0.54%
Total	9,471,276,483	9,506,768,436	35,491,953	0.37%

Estimated Market Value				
Classification	2024	2025	Change (\$)	Change (%)
All	9,632,867,600	9,785,029,700	152,162,100	1.58%

Source: Dakota County Assessor, Preliminary Payable 2025 Market Values

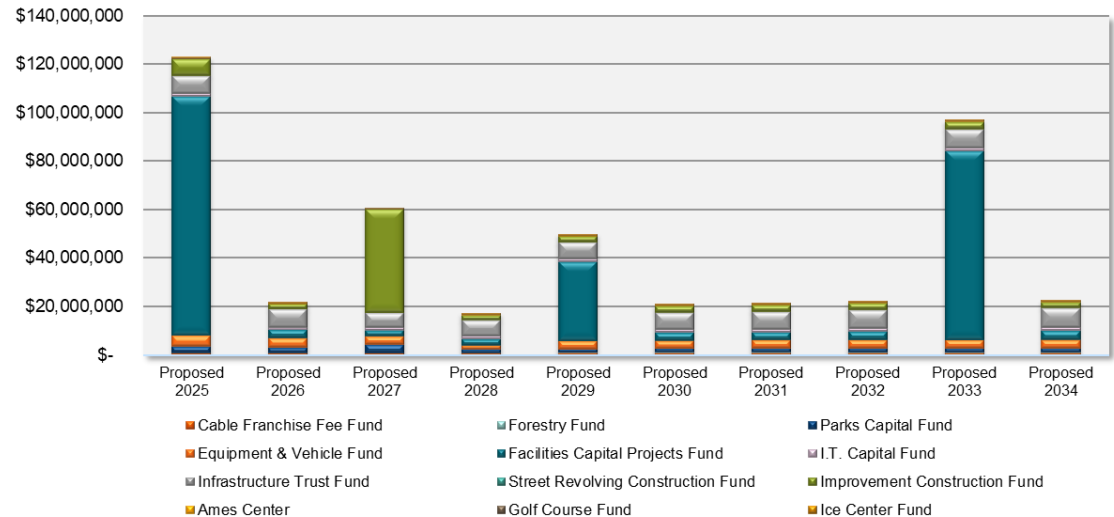
Overall Capital Project Needs

- **\$455M** in capital projects over next ten years (2025–2034)
 - ✓ Excludes utility funds not included in the FMP

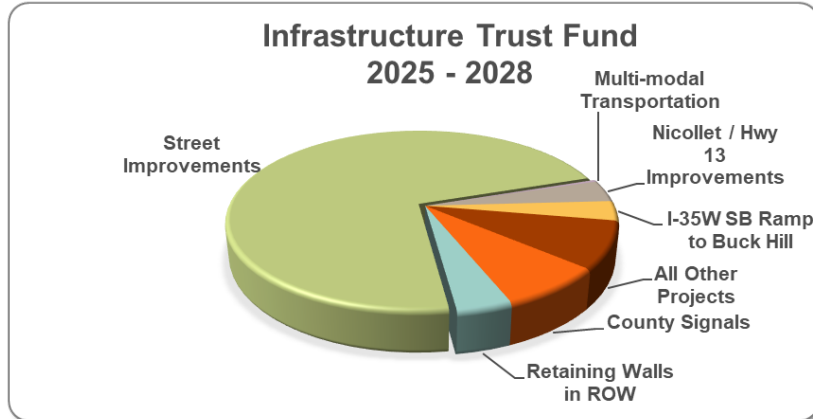
By Fund

- Streets/ITF: \$142.8M
- Facilities: \$231.0M
- Vehicles & Equip: \$33.8M
- Parks: \$22.0M
- I.T. Capital: \$11.8M
- All Others: \$13.8M

Capital Projects by Fund



Infrastructure Trust Fund



2029–2034: Placeholder of \$6.0M per year, inflated 3% per year

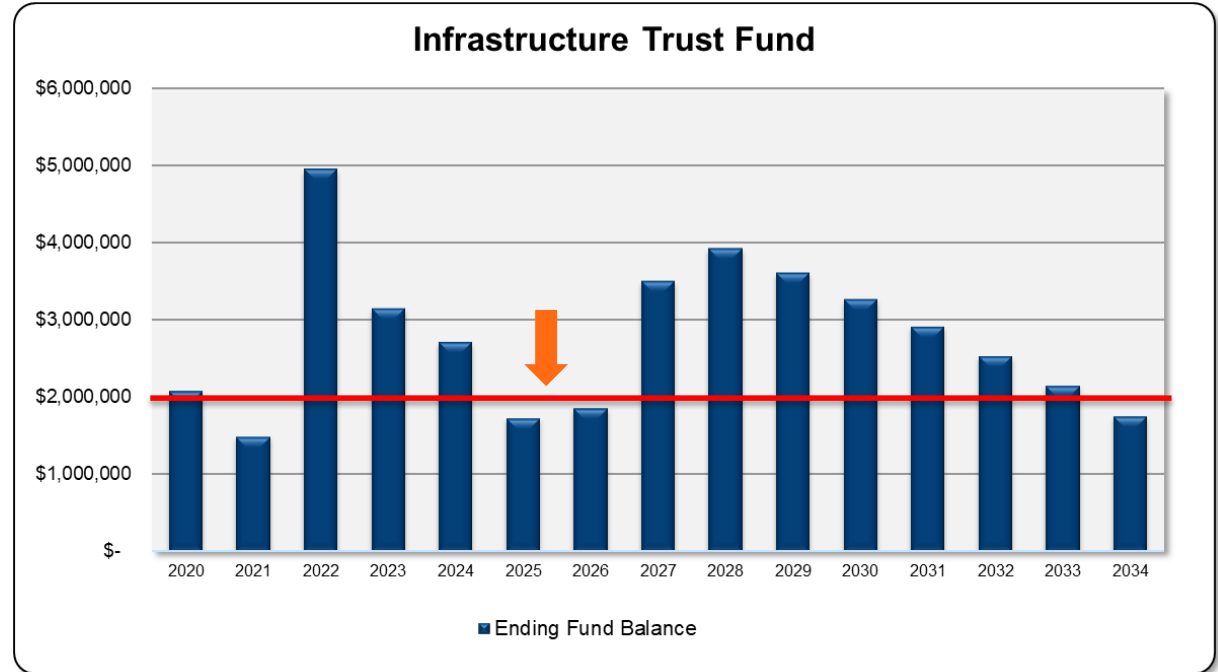
2025–2028 Projects	Amount*
Street Improvements	\$20,063,000
County Signals	2,134,000
Multi-Modal Transportation	101,000
Retaining Walls in ROW	1,112,000
Nicollet/Hwy 13 (MSAS)	1,069,000
I-35W SB Ramp/Buck Hill Rd	978,000
Other Projects	2,356,000
Total	\$27,814,000

*Project costs inflated 3% per year

Infrastructure Trust Fund

Next 10 Years

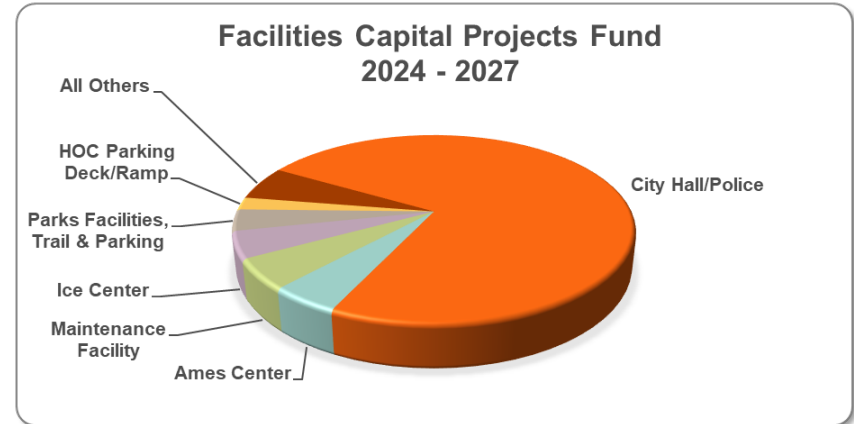
- Property Tax levy reduced for 2023, built back through 2026
- MSA funds vary, but average **\$3.1M** per year
- No bonding recommended



Facilities Capital Project Fund

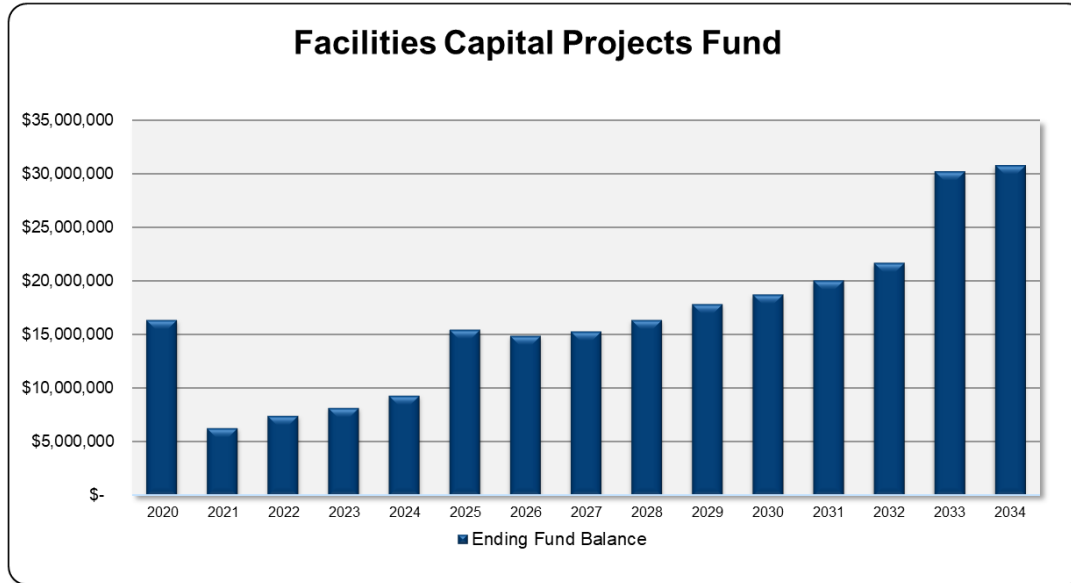
2025–2028 Projects	Amount*
Police City Hall	95,440,000
Ames Center	3,505,000
Maintenance Facility	2,243,000
Ice Center	2,254,000
Parks Facilities, Trail & Parking	1,284,000
HOC Parking Deck/Ramp	525,000
All Others	1,870,000
Total	\$107,121,000

*Project costs inflated 3% per year.



2029–2034: Placeholder of \$2.5M per year, inflated 4% per year

Facilities Capital Project Fund



Next 10 Years

- Anticipated Bonding:
 - ✓ 2025: **\$100M**, Police City Hall
 - ✓ 2029: **\$30M**, Fire Station No. 2
 - ✓ 2033: **\$80M**, Main. Facility
- Annual debt service projected under **Option A: 100% Franchise Fees**
 - ✓ Full franchise fee study underway
 - ✓ Higher funds balances needed to support anticipated debt service

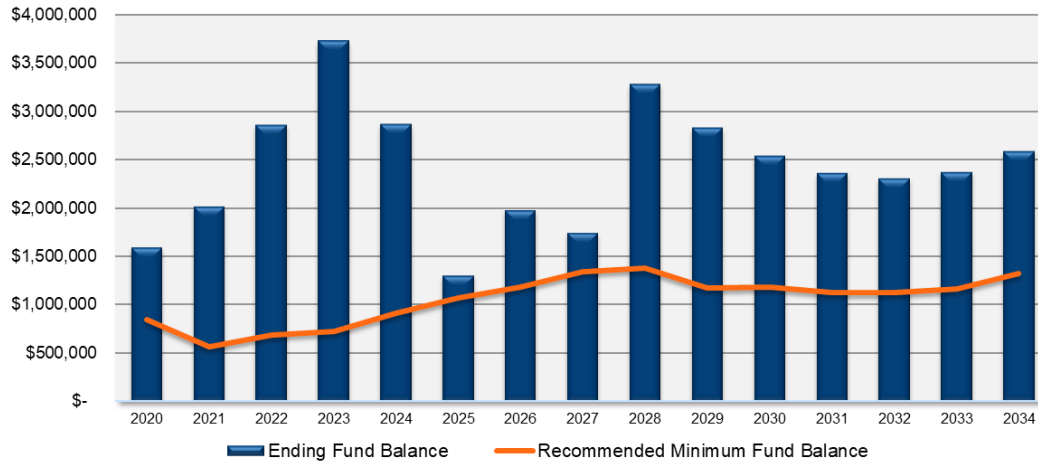
Equipment and Vehicle Fund

- 2025–2028 Capital Costs
 - ✓ Fire: \$4.3M
 - ✓ Police: \$4.0M
 - ✓ Streets: \$3.1M
 - ✓ Parks: \$1.2M
 - ✓ Other: \$520k
- 2029–2034
 - ✓ Placeholder of \$3.5M/year
 - ✓ All other costs inflated 1%/year



Equipment and Vehicle Fund

Equipment & Vehicle Fund



Recommended Minimum Fund Balance is 35% of rolling 5-Year Average of Capital Projects

Next 10 Years

- Property Tax Levy
 - ✓ 2025 to 2027: 3% increase annually
 - ✓ 2028 to 2034: 6% increase annually
- Potential Bonding:
 - ✓ \$1.6M: 2026 for Rescue Pumper and Ambulance

Parks Renovation Fund



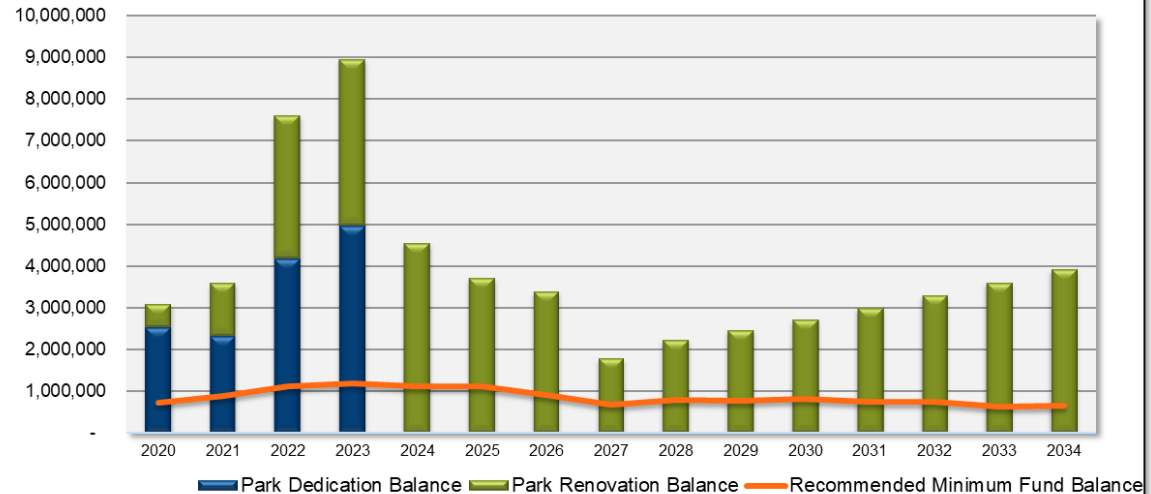
- Park Dedication moved to new Parks Investment Fund in 2024
- 2025–2028 Capital Costs
 - ✓ Park Renovations: **\$9.8M**
- 2029–2034
 - ✓ Placeholder of **\$1.5M**/year
 - ✓ All other costs inflated **3%**/year

Parks Renovation Fund

Next 10 Years

- Property Tax Levy
 - ✓ 3.0% annual increase
- May be used for any parks capital projects
- Potential Bonding
 - ✓ No bonding recommended

Parks Renovation Fund



Recommended Minimum Fund Balance is 35% of rolling 5-Year Average of Capital Projects

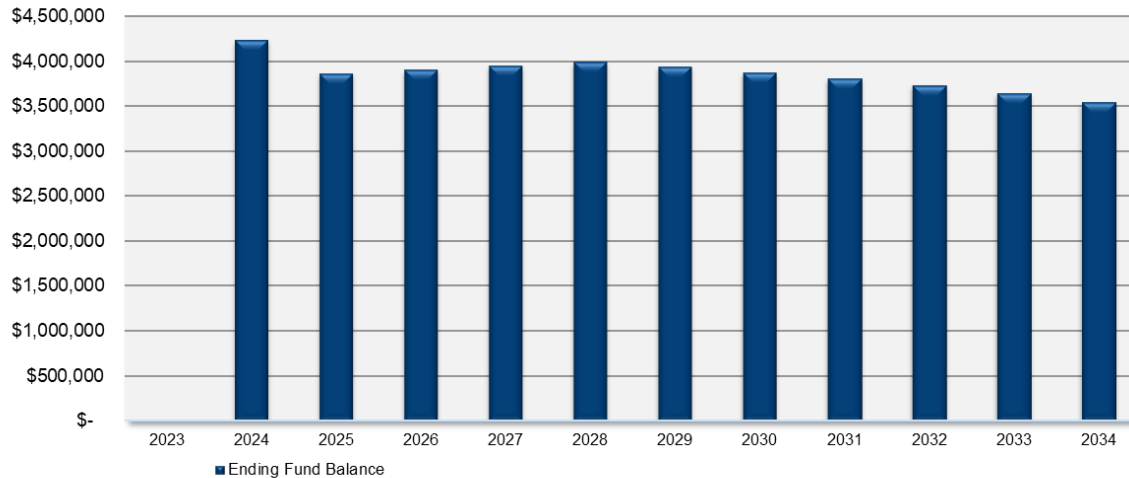
Parks Investment Fund

- New fund for 2024
- Park dedication fees only
- 2025–2028 Capital Costs
 - ✓ Park Improvements: **\$170k**
 - ✓ Tech. & Security: **\$388k**
 - ✓ Trail Systems: **\$412k**
- 2029–2034
 - ✓ Placeholder of **\$200k/year**
 - ✓ All costs inflated **3%/year**



Parks Investment Fund

Parks Investment Fund



Recommended Minimum Fund Balance is 35% of rolling 5-Year Average of Capital Projects

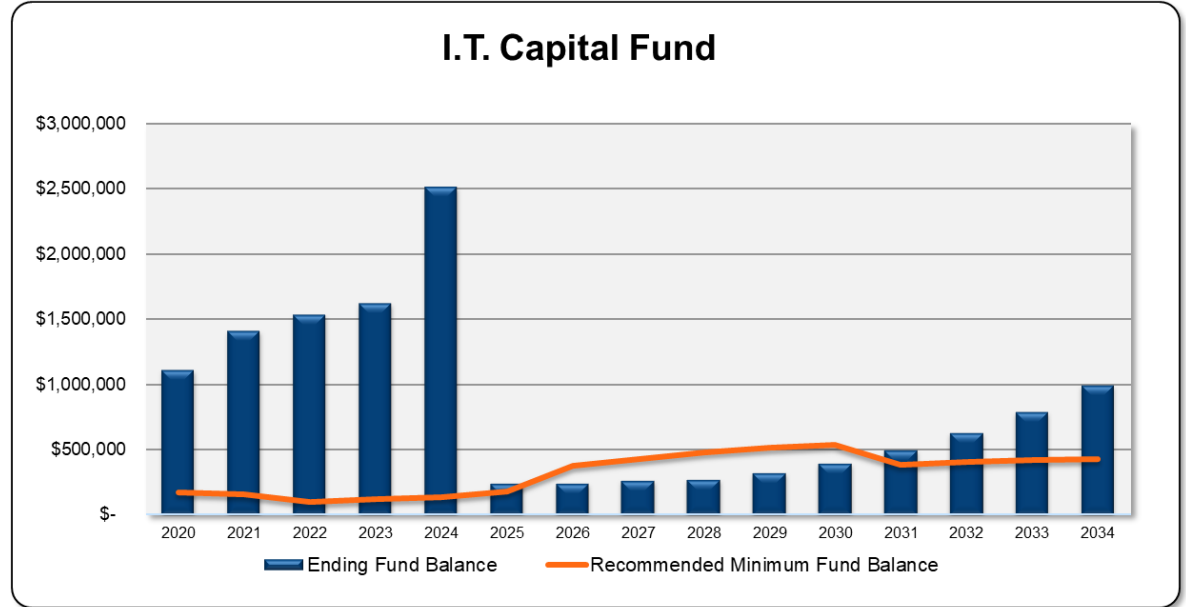
Next 10 Years

- No property tax levy
 - ✓ Only funded with park dedication fees
- Potential Bonding
 - ✓ No bonding recommended

Information Technology Capital Fund

Next 10 Years

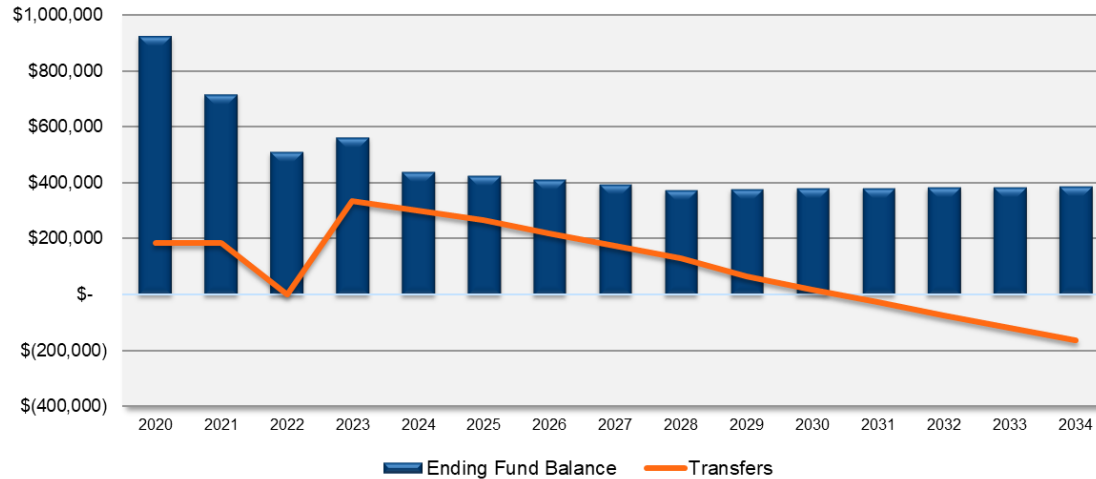
- **\$2.3M** for ERP System in 2025
 - ✓ Paid with reserves & transfers in
- **\$14M** in capital projects Property tax supported
 - ✓ 2024 about **\$495K**
 - ✓ 2025 to 2028: **12%** annual increases
 - ✓ 2029 to 2034: **6%** annual increase



Recommended Minimum Fund Balance is 35% of rolling 5-Year Average of Capital Projects

Cable Franchise Fee Fund

Cable Franchise Fee Fund



Next 10 Years

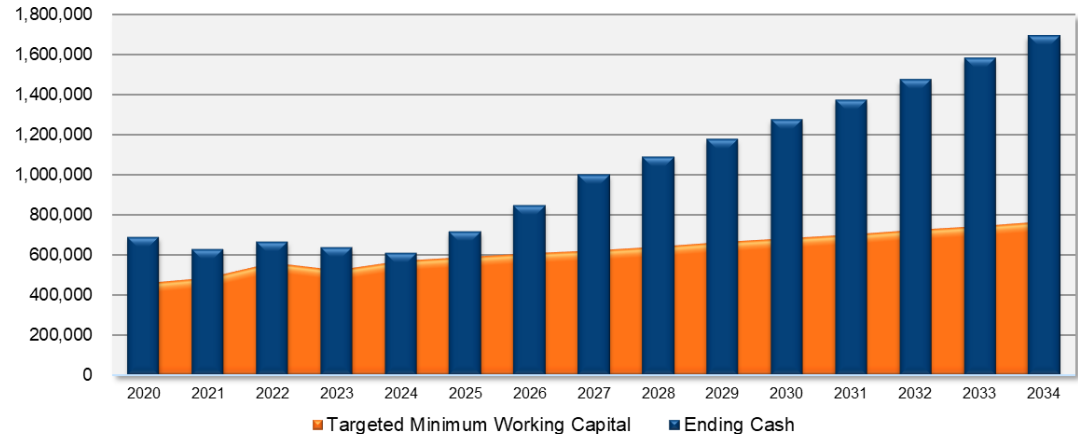
- Supported with cable franchise and PEG fees
- Assumes franchise fees decline 4.25% annually
 - ✓ Transfers to General Fund ending in 2030
 - ✓ Goal is to maintain stable balance over long term

Ice Arena Fund

Next 10 Years

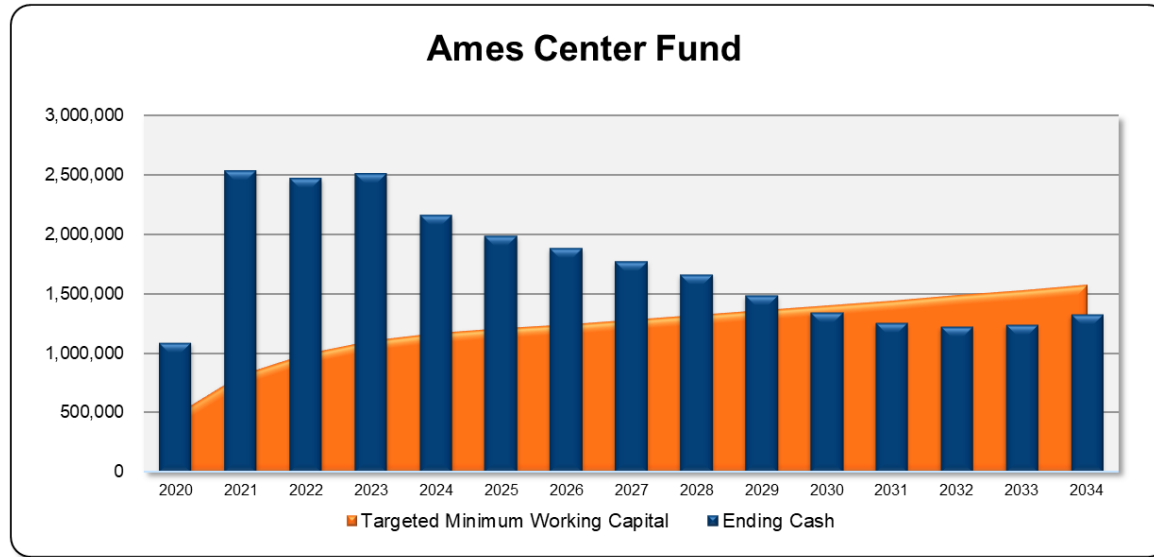
- Operating revenues currently cover operating costs
- Recommend increasing fees **3%** annually
- About **\$777k** in capital projects
 - ✓ Excludes **\$2.25M** for activities supported by the Facilities Capital Fund

Ice Arena Fund



Targeted Minimum Working Capital is 6 months of operating costs, excluding depreciation

Ames Center Fund



Targeted Minimum Working Capital is 6 months of operating costs, excluding depreciation

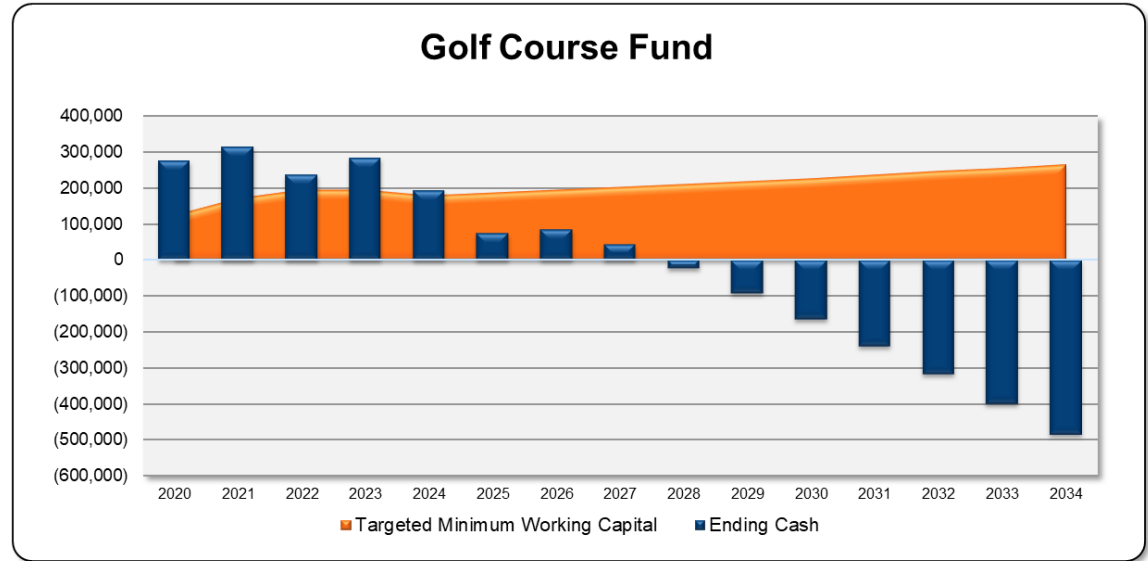
Next 10 Years

- Operating revenues do not cover operating costs
 - ✓ Assumes annual fee increases of 5%
 - ✓ Naming Rights decrease to \$50k beginning 2029
- About \$2.5M in capital projects
 - ✓ Does not include \$3.5M activities supported by the Facilities Capital Fund

Golf Course Fund

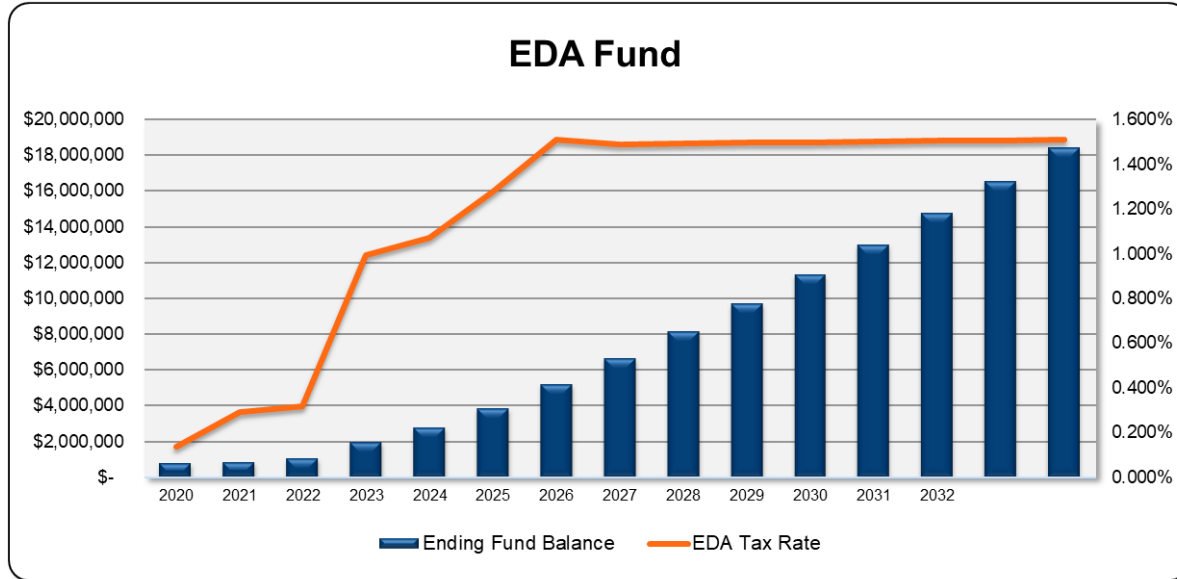
Next 10 Years

- Current operating revenues covers operating, but not enough for capital needs
 - ✓ Assumes annual fee increases of 4%
- About \$1M in capital projects
 - ✓ Does not include \$400k activities supported by the Facilities Capital Fund



Targeted Minimum Working Capital is 6 months of operating costs, excluding depreciation

EDA Fund

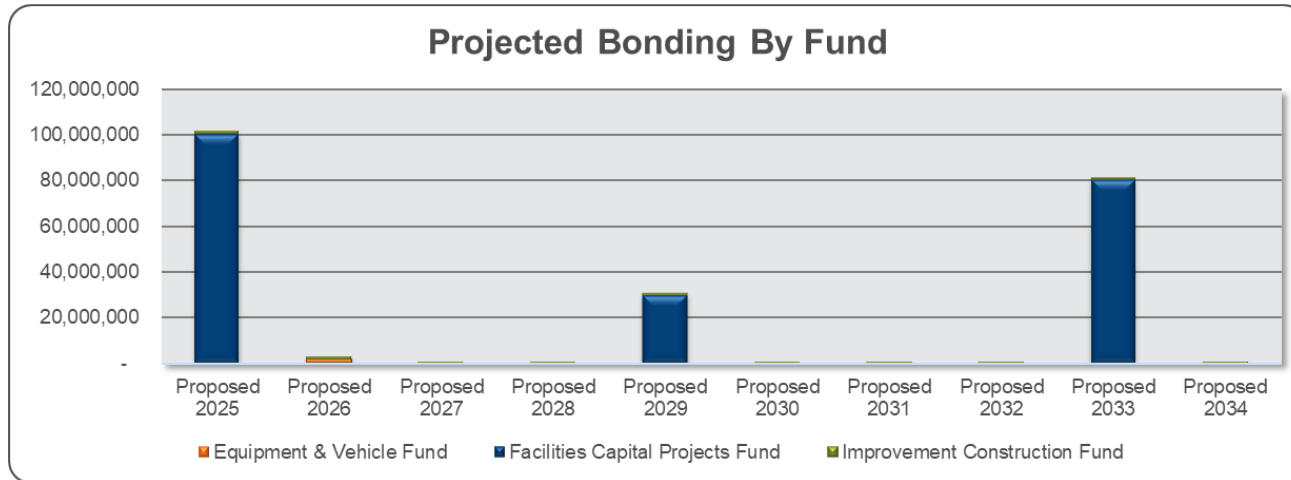


Next 10 Years

- 2024 Property Tax Levy of **\$1.25M**
 - ✓ Property Tax Levy increases by **\$250k** for 2025
 - ✓ Maximum levy thereafter
- Does not include any new program costs

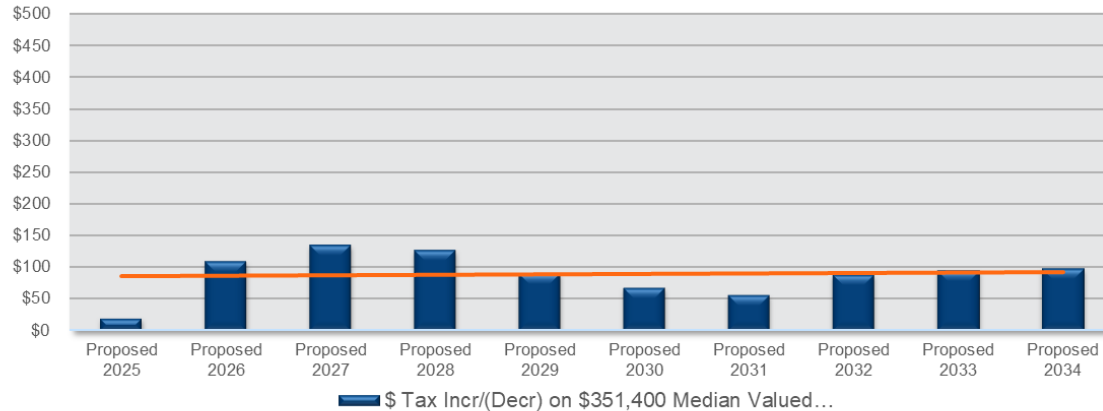
Potential Bonding

Projected Bonding by Fund	Proposed 2025	Proposed 2026	Proposed 2027	Proposed 2028	Proposed 2029	Proposed 2030	Proposed 2031	Proposed 2032	Proposed 2033	Proposed 2034
Equipment & Vehicle Fund	-	1,600,000	-	-	-	-	-	-	-	-
Facilities Capital Projects Fund	100,000,000	-	-	-	30,000,000	-	-	-	80,000,000	-
Infrastructure Trust Fund	-	-	-	-	-	-	-	-	-	-
Improvement Construction Fund	1,500,000	1,600,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000
Total Projected Bonding by Fund	\$ 101,500,000	\$ 3,200,000	\$ 900,000	\$ 900,000	\$ 30,900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 80,900,000	\$ 900,000



Impact on Median-Valued Home

Projected Increase on Median Valued Home



Assumes 2% annual increase in existing property values

Next 10 Years

- State law changes impact Residential Homesteads
- 2025: **\$20/year**
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- 2026: **\$109/year**
 $(\$9/\$.30) = 7.3\%$
- 2027: **\$135/year**
 $(\$11/\$.38) = 8.4\%$
- Other Years: **\$89/year average**

Conclusion

- The FMP Update responds to the strategic direction of the City Council as well as the needs of the Burnsville community
 - ✓ Some of the issues may take a few year to address
 - ✓ Biggest impact found in 2025 through 2027
- Need to balance financial needs with Strategic Priorities
 - ✓ Non-binding property tax levy changes in effect until 2027
 - ✓ Limited property tax support debt for capital projects to reduce tax impact
 - ✓ Monitor the balances of various funds

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THANK YOU! QUESTIONS?