BISMARCK CITY COMMISSION
PUBLIC MEETING NOTICE

TO: Board of City Commissioners
Media

FROM: Keith Hunke, City Administrator

DATE: July 23, 2020

SUBJECT: Special Meeting Notice

Board of City Commissioners
Thursday, July 23, 2020
5:15 p.m.
City/County Building
Tom Baker Meeting Room
221 N. 5thth St.
Bismarck, N.D. 58501

AGENDA

1. Receive a briefing from Dmitriy Chernyak, Finance Director, and consider discussion regarding Budget 2021.

For more information, please contact the Administration Department at 355-1300.

2021 Preliminary Budget Special Meeting

July 23, 2020

Budget Committee Process

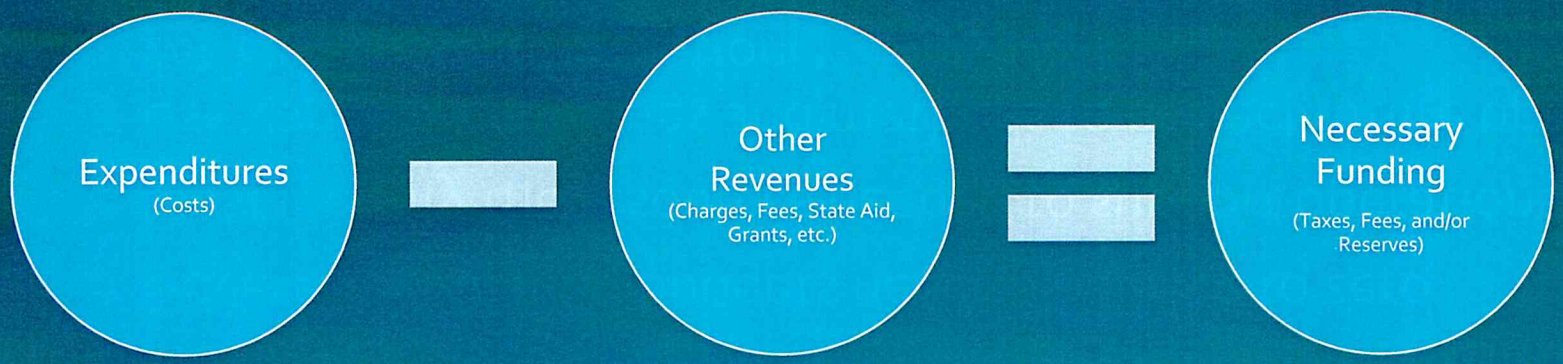
- Met with all City departments to discuss critical needs
- Focused on sustaining services for City of Bismarck citizens and efficiently using taxpayer money
- Requests from departments were narrowed down to critical needs due to the current economic situation as a result of the COVID-19 pandemic and the decline in oil and gas prices
- Identified each fund's financial situation and revenue source in order to make prudent and fiscally conservative recommendations
- Budget Committee had clear goals:
  1. Sustain City services
  2. Understand current financial and economic situation
  3. Address critical needs to sustain services to citizens
  4. Reduce costs, where possible

Budget Methodology

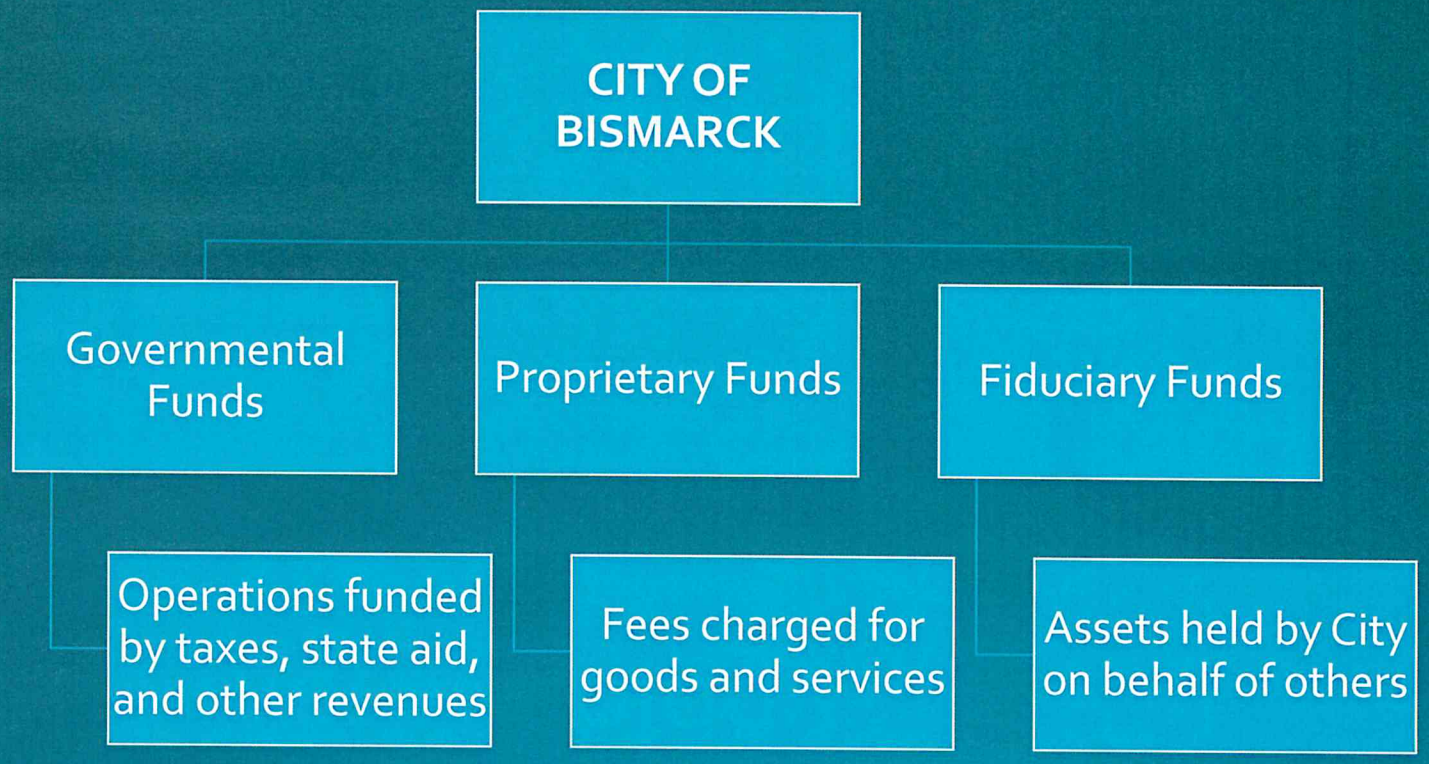
- Governmental fund budgets need to balance to zero
- Must identify the resources needed to support operations
- Use various techniques and methods to project future operations with available information
- Use the most efficient and conservative budget methods to address critical needs

Budget Methodology

Budget for each required fund must balance to zero based on the following formula



Budget Methodology



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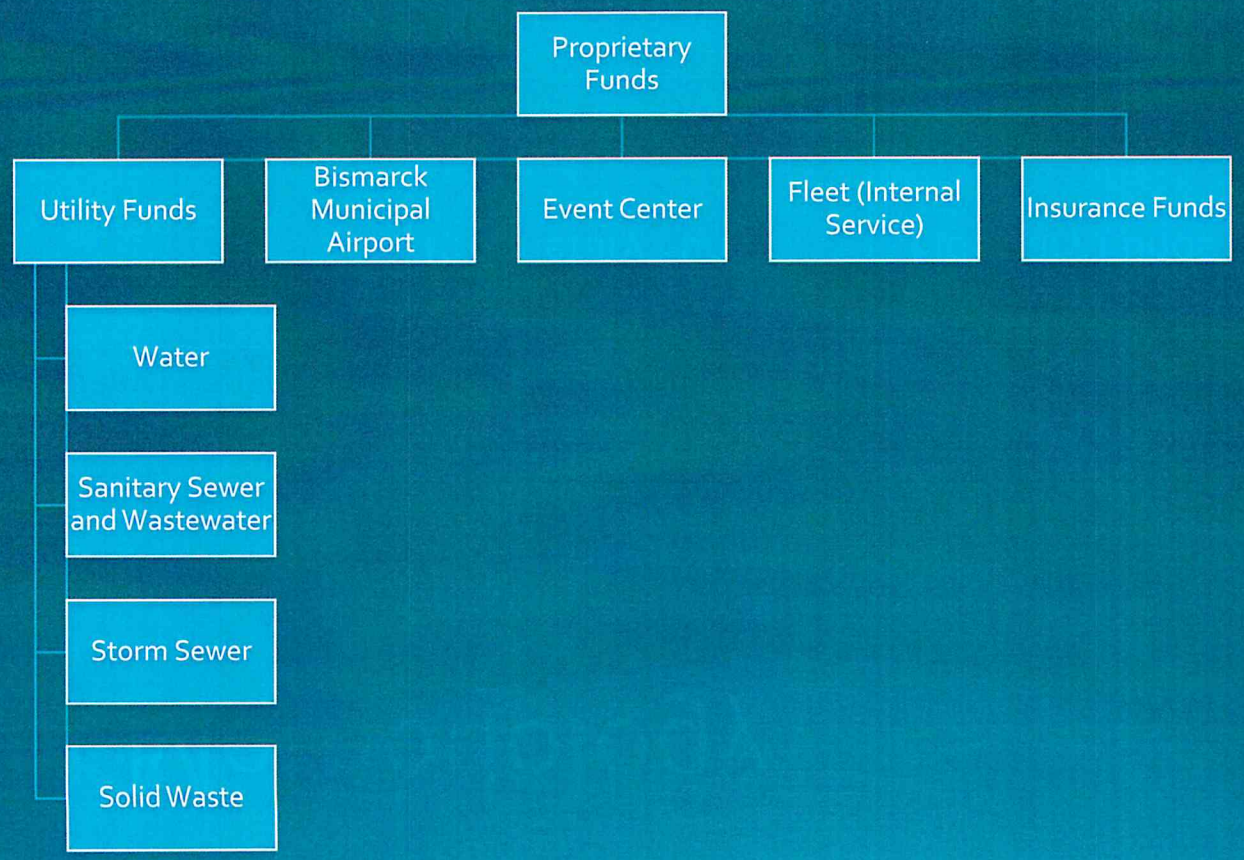

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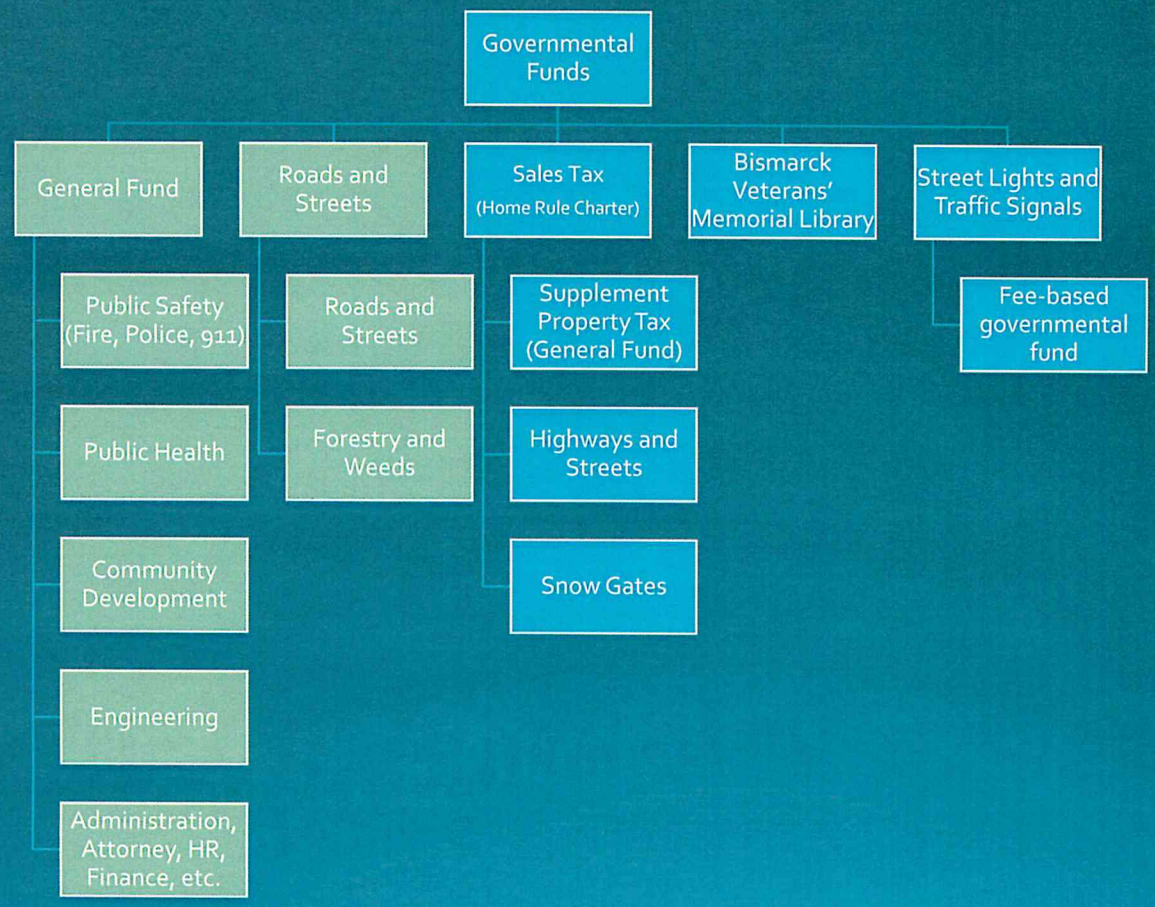
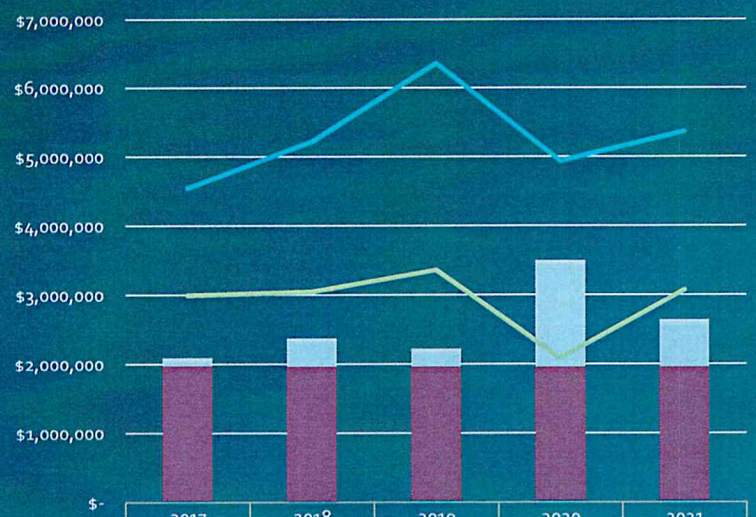


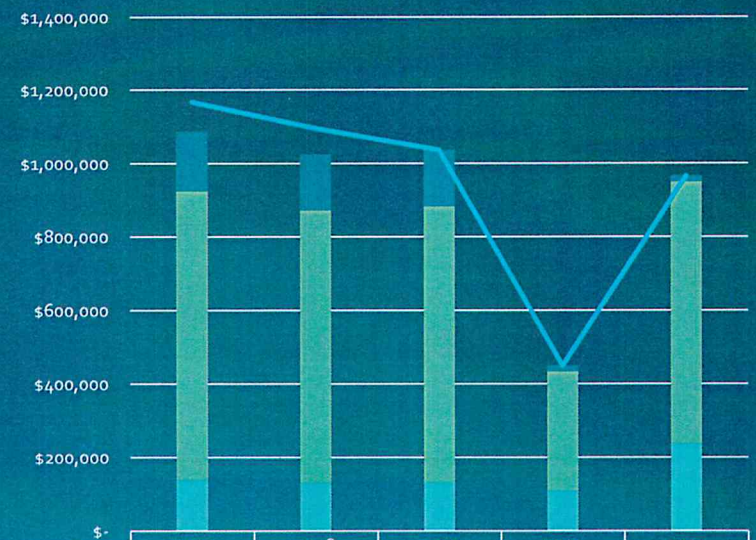
Governmental Funds

Liquor, Lodging, and Restaurant Tax Fund



	2017	2018	2019	2020	2021
Requests for EC	110,353	403,858	251,361	1,533,148	679,029
Debt Service	1,959,756	1,948,856	1,942,356	1,940,106	1,936,956
Operating Expenses	18,798	17,941	24,494	24,473	24,844
Revenues	2,990,161	3,043,916	3,359,678	2,080,800	3,068,800
Fund Balance	4,540,709	5,213,970	6,355,437	4,938,510	5,366,481

Hotel / Motel Tax Fund



	2017	2018	2019	2020	2021
Administrative Expense	162,824	153,579	155,420	17,329	17,329
CVB Subsidy	784,754	740,252	749,132	324,503	711,087
Event Center Subsidy	138,486	130,633	132,200	108,168	237,029
Revenues	1,166,871	1,095,771	1,036,752	450,000	965,445

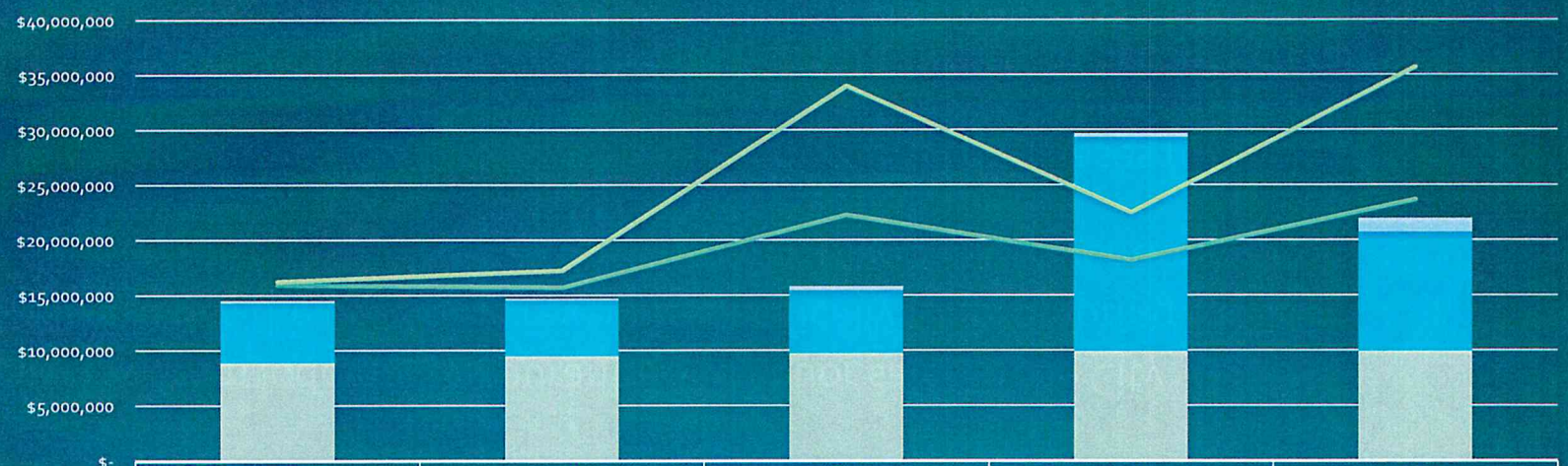
Governmental Funds

Hotel / Motel Tax and Liquor, Lodging, and Restaurant Tax

- Taxes collected from lodging, restaurants, and liquor sales in the City
- State statute guides the use of the revenue specifically for promoting tourism
- 2% hotel / motel tax is distributed to the Bismarck Mandan Convention Visitors Bureau (75%) and the City's Event Center (25%)
- 1% Liquor, Lodging, and Restaurant Tax is used for capital purchases for the Event Center
- Significantly impacted by COVID-19 with significant reduction in occupancy rates in hotels and motels as well as reduction in spending at restaurants
- 2021 budget is projecting that activity and operations will recover to "normal"
- LLR Fund has a healthy fund balance and will continue to support the Event Center
- Hotel/Motel Tax Fund's is a zero-balance fund, because the revenues are distributed to the CVB and Event Center

Governmental Funds

SALES TAX FUND



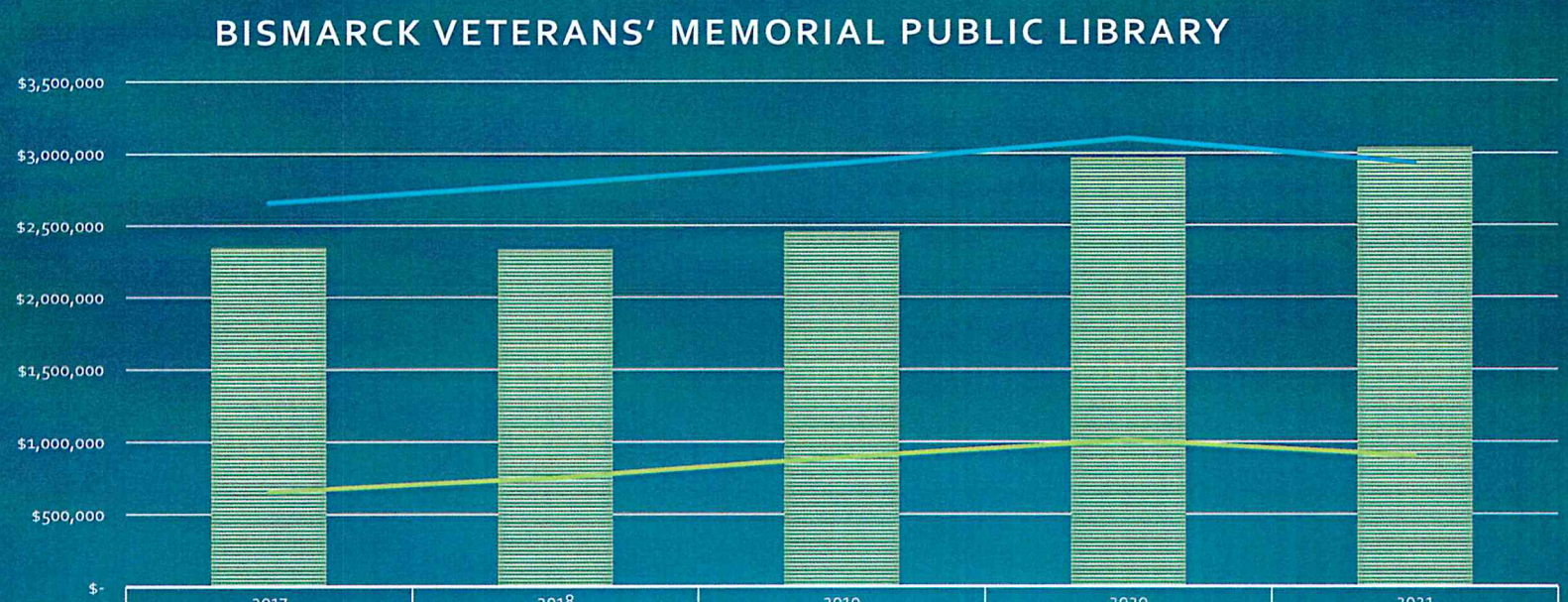
	2017	2018	2019	2020	2021
Snow Removal	214,191	197,230	417,526	400,765	1,282,596
Capital Projects	5,456,433	5,070,528	5,718,504	19,404,350	10,803,050
Property Tax Subsidy	8,846,208	9,444,149	9,680,464	9,853,526	9,853,526
Revenues	15,934,347	15,709,269	22,270,435	18,160,000	23,652,533
Ending Fund Balance	16,229,326	17,226,688	33,965,253	22,466,612	35,678,614

Governmental Funds

Sales Tax

- Collects 1.5% in sales tax revenue
- Use of the revenue is restricted based on ballot measures approved by voters
- Used for the following purposes:
  - $9.8M reduction to property tax in General Fund
  - Snow removal costs
  - Street and highway improvement projects
- Impacted by COVID-19 due to reduction in sales, but expected to fully recover in 2021
- The following are the <u>significant</u> budget committee recommendations for this fund:
  - Asphalt Street Resurfacing and Reconstruction ($6.1M)
  - Reconstruction of 43rd Avenue ($1.1M)
- This fund has adequate fund balance and continues to operate effectively

Governmental Funds



	2017	2018	2019	2020	2021
Expenditures	2,343,005	2,328,324	2,456,812	2,967,150	3,037,141
Revenues	2,654,884	2,790,829	2,929,768	3,101,281	2,931,815
Ending Fund Balance	653,513	750,337	893,054	1,008,185	902,859

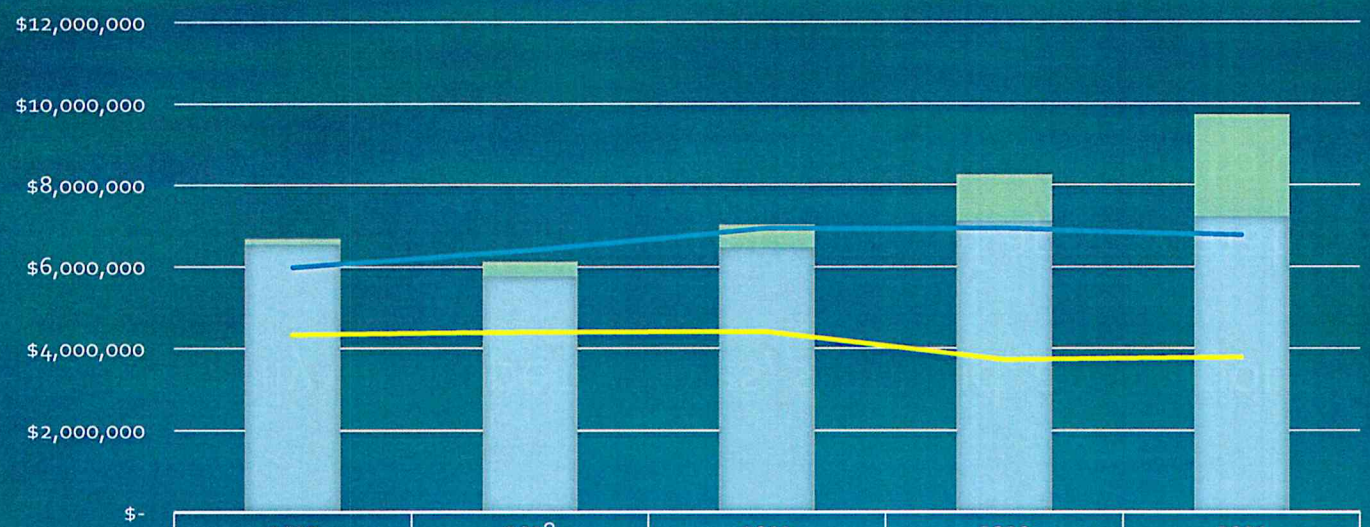
Governmental Funds

Bismarck Veterans' Memorial Public Library

- Operates primarily on property taxes, state aid, and various fees and charges
- Library anticipates a 2021 loss in operations of approximately $105K
- Library is anticipating a 2021 reduction in state aid due to COVID-19 and oil and gas price decline
- Assuming that the loss continues with operations and increased costs, the Library may be required to use its limited fund balance to sustain operations, which is NOT recommended
- Library Board requested a property tax increase of $182,000 to sustain operations going for 2021 and the future
- In 2020, the Library property tax revenue is anticipated to be $2,222,245

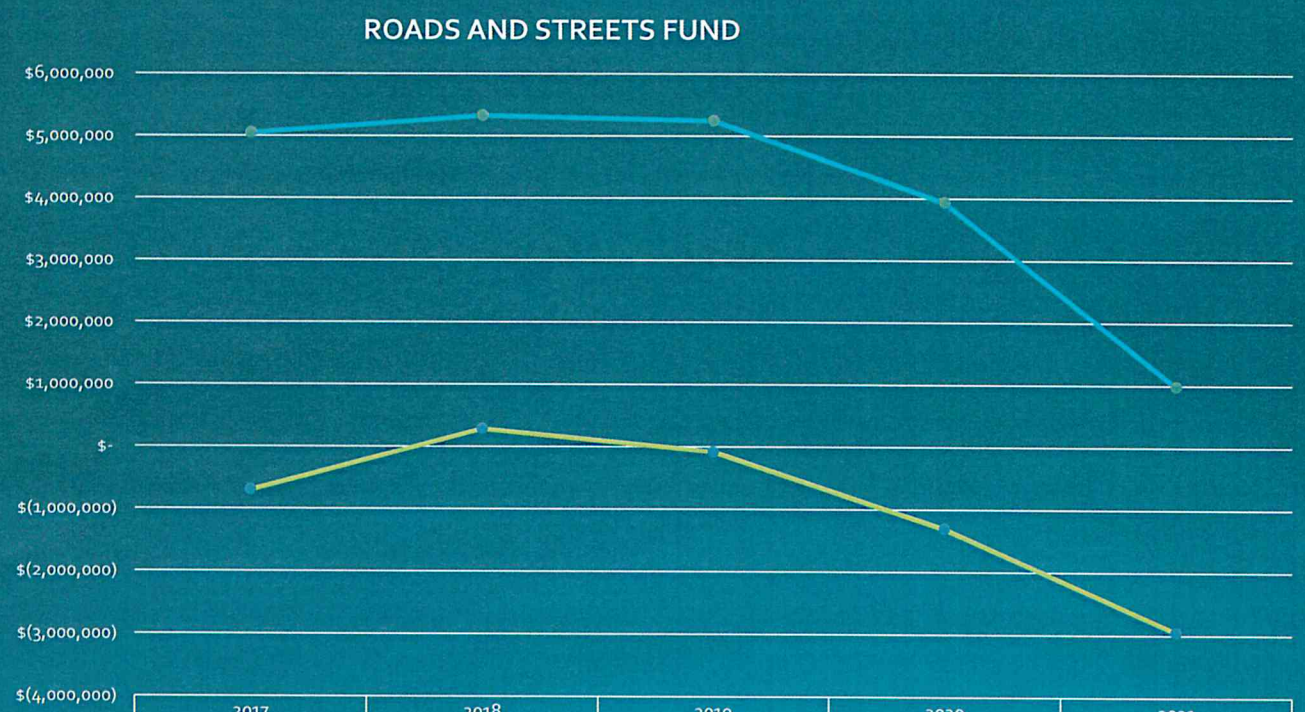
Governmental Funds – Public Works

ROADS AND STREETS FUND



	2017	2018	2019	2020	2021
Fleet Replacement	124,000	348,589	540,326	1,115,300	2,489,608
Operating Expenditures	6,553,201	5,769,207	6,473,268	7,125,557	7,232,484
Revenues	4,326,636	4,390,330	4,401,564	3,715,274	3,778,444
Revenues and Transfers	5,976,981	6,401,222	6,931,889	6,932,241	6,767,966

Public Works - Roads and Streets Fund



	2017	2018	2019	2020	2021
Change in Fund Balance	(700,220)	283,426	(81,705)	(1,308,616)	(2,954,126)
Ending Fund Balance	5,043,804	5,327,230	5,245,525	3,936,909	982,783

Governmental Funds – Public Works

Roads and Streets

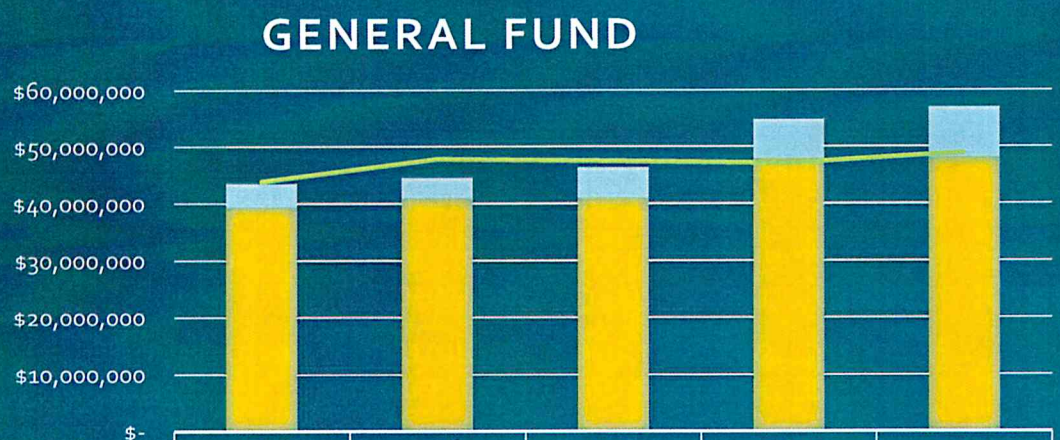
- Consists of roads and streets, forestry, and weeds
- Roads and streets provides pot hole patching, paving, chip/crack sealing, street sweeping, pavement marking, snow removal, and ice control
- Forestry and weeds is responsible for the design, planting, management, and maintenance of trees and weed control of the City's landscape beds and Bismarck Parks and Recreation District properties
- Operates primarily from the following:
  - Highway Tax / Vehicle Registration Fee revenue distributed by the State of North Dakota
  - Sales Tax subsidy for snow removal operations
  - General Fund subsidy to cover the remaining operating costs
  - General Fund subsidy to finance equipment replacement purchases
- City is anticipating a 2021 reduction in Highway Tax by 25% due to COVID-19 and oil and gas price decline
- In 2021, this fund is anticipated to have an approx. $1M loss on operations alone

Governmental Funds – Public Works

Roads and Streets

- Declined primarily due to reduction in Highway / Motor Vehicle Tax and inflationary increases to costs and break-down of obsolete equipment
- This decline in revenues is forcing the General Fund to additionally subsidize the Roads and Streets Fund to sustain operations
- In addition, the City's roads and streets and forestry equipment is becoming obsolete and increasing repair and maintenance costs for the City
- City's Public Works Operations Department created a critical needs fleet replacement plan which outlines a City-wide equipment replacement needs
- Based on this recommended plan, the City determined that roads and streets and forestry need $2.5M in order to replace obsolete equipment
- Equipment that relates to snow removal is recommended to be financed by the Sales Tax Fund of approximately $860K
- Current revenues cannot support the operating costs nor the replacement equipment, totaling approximately $3M
- Assuming that the decline continues in 2021, this fund's reserves will not be enough to operate by 2022

Governmental Funds



	2017	2018	2019	2020	2021
One-Time Expenditures	4,099,371	3,541,550	5,275,571	6,862,201	8,816,151
Operating Expenditures	39,400,225	40,963,004	41,053,888	47,948,360	48,130,692
Revenues	43,847,899	47,785,093	47,414,766	47,025,656	48,889,264

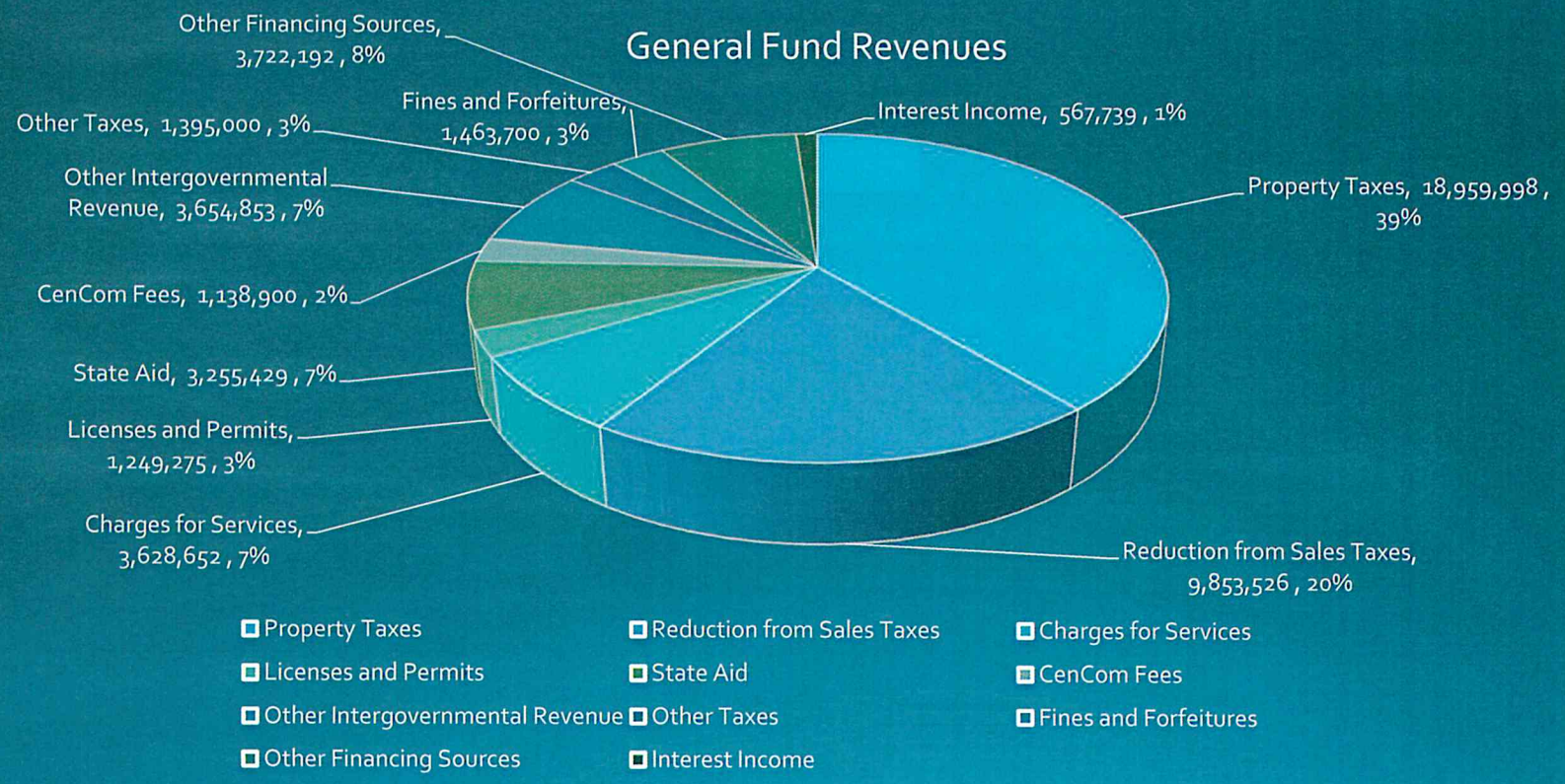
Operating Expenditures One-Time Expenditures Revenues

Departments:

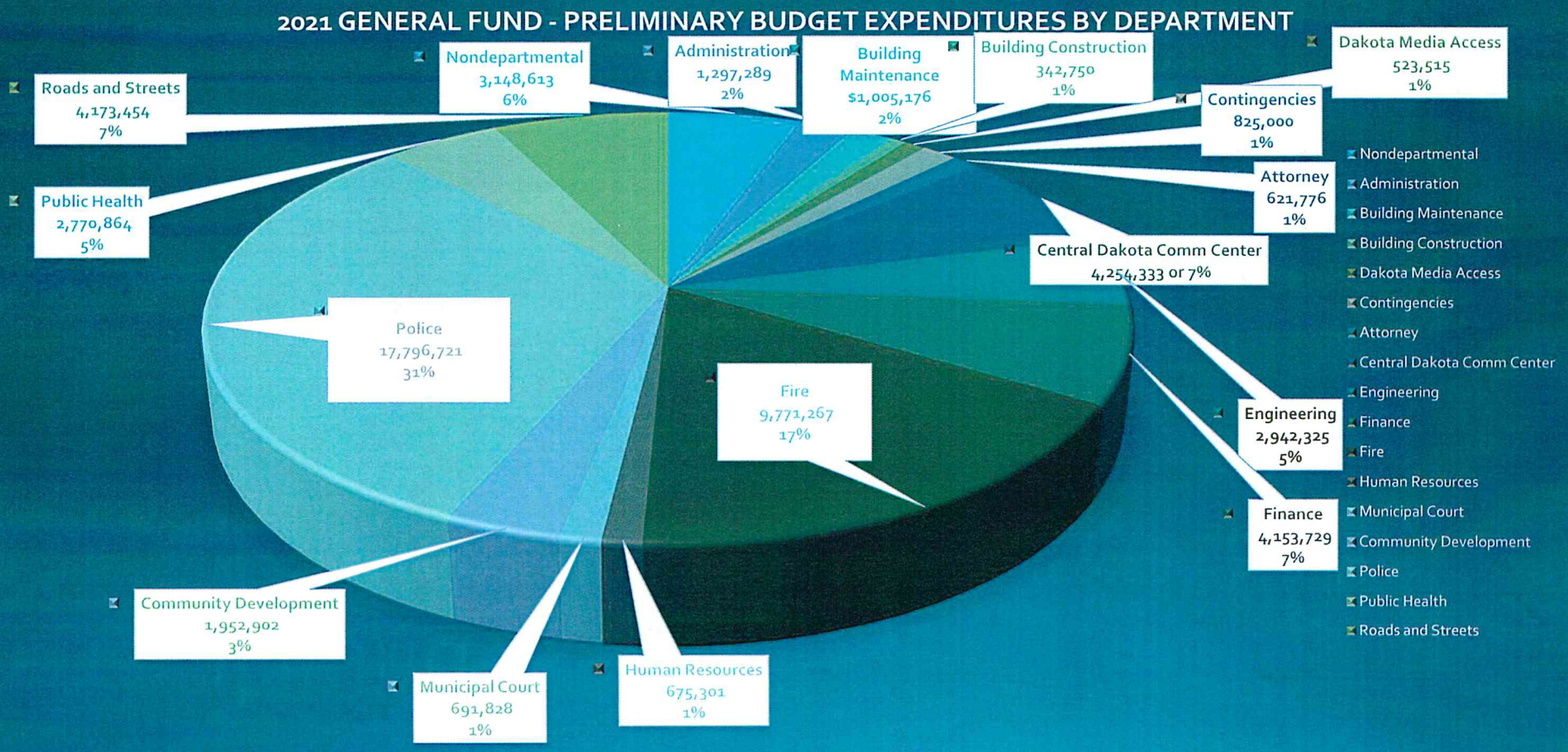
- Police
- Fire
- CenCom (911)
- Public Health
- Municipal Court
- Engineering
- Community Development
- PW - Building Maintenance
- Attorney
- Administration
- Human Resources
- Finance

General Fund

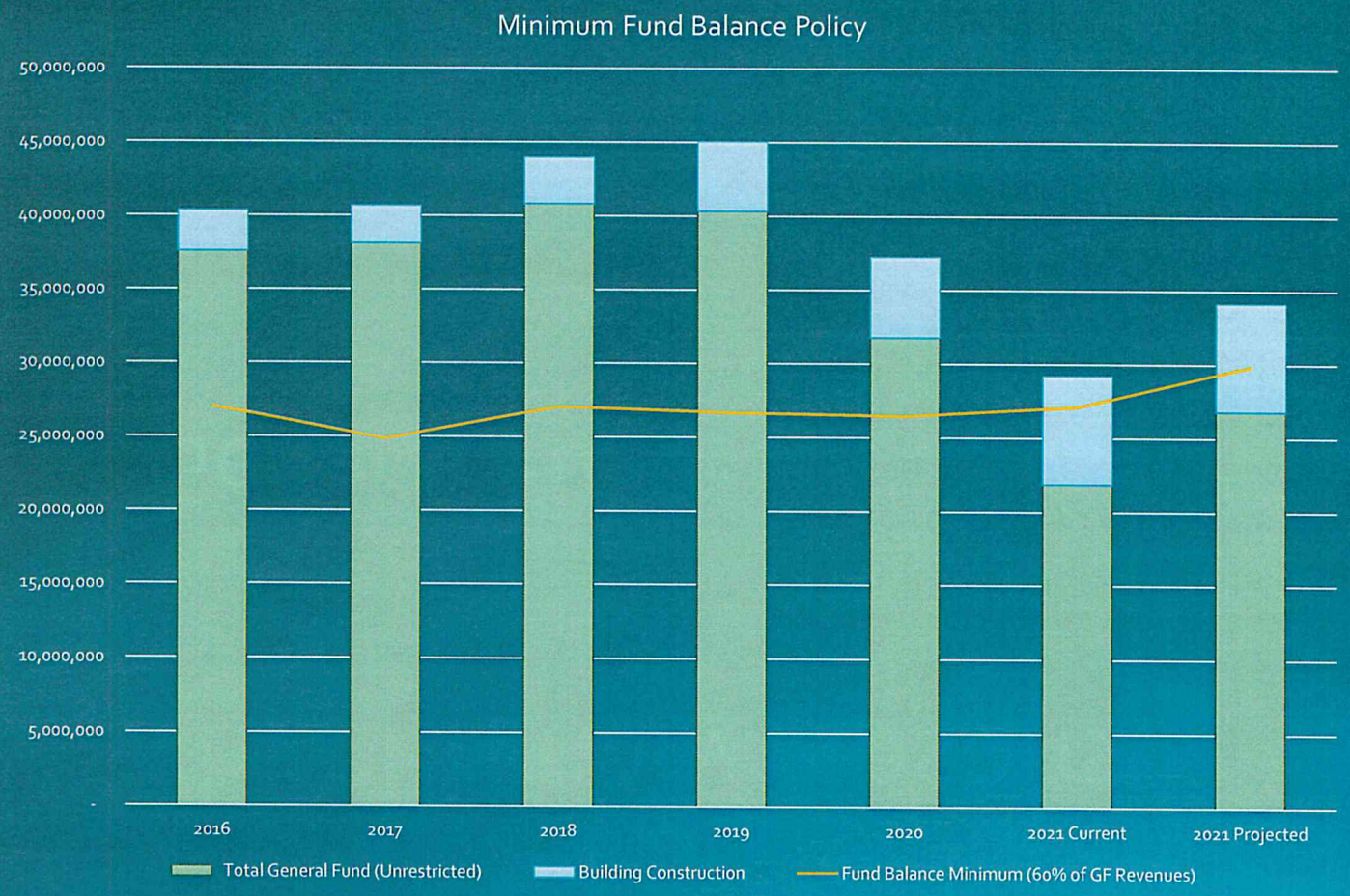
- General Fund's 2021 proposed budgeted revenue sources are as follows:



General Fund



Governmental Funds



Departments:

- Police
- Fire
- CenCom (911)
- Public Health
- Municipal Court
- Engineering
- Community Development
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- Attorney
- Administration
- Human Resources
- Finance

Why? Primary reasons

General Fund

- $1.3M State Aid revenue projected reduction
- 2020 recovery of $700K increase in salaries to Police and Fire Departments from 2020
- Priority initiatives of $5.5M, including vehicle replacement plan for police vehicles

Roads and Streets

- $1.2M for R&S operating expenditures in excess of operating revenue
- $1.2M for R&S equipment replacement needs (including leasing)
- Replacement of obsolete equipment

General Fund

- Primary revenue sources:
  - Property tax (39%)
  - Contribution from sales tax to reduce mill levy (20%)
  - State aid (7%)
- State aid is based on state-wide sales tax collections
  - Anticipated to decline by approximately 35% in 2021, a reduction of $1.3M for the City of Bismarck
- General Fund is anticipated to have an overall expenditures in excess of projected revenue of $5.2M in General Fund as a result of:
  - State aid decrease due to COVID-19 and oil and gas decline
  - Increased cost of priority initiatives and CIPs
- Significant general fund budget committee recommendations:
  - Fire Department one-time priority initiatives and CIPs ($544K)
    - This includes firefighter overtime, equipment, boiler and generator replacement
  - Police Department one-time priority initiatives and CIPs ($3.2M)
    - This includes police radios, additional cost for prisoner care, vehicle replacement, and overtime
  - CenCom (911) priority initiatives for lease of new HQ ($314K) (continuous)
  - Public Health building rent due to sale of old building ($120K) (continuous)

Priority Initiatives (All Funds)

New/reclassified employees

- Requested: $547,357
- Recommended: $128,261

Operations and Maintenance

- Requested: $954,272
- Recommended: $871,047

One-Time Purchases

- Requested: $13,672,231
- Recommended: $9,122,944

Property Tax Basics

How are property taxes calculated?

- Assessed Valuation on Property
  - Determined by City, County, and State Assessors
  - Based on various factors including sales of similar property
  - Amount of mill levies within the jurisdiction (area)
  - Follow formula (in the next slides)
- Mill Levies set by local and state entities per State Statute

Property Tax Basics - Calculating

Property Tax Statement

	2020 Mill Levy	Percentage
City of Bismarck	58.88	24.39%
Burleigh County	40.13	16.62%
Bismarck Parks and Recreation District	34.22	14.17%
Bismarck School District	107.19	44.40%
State of North Dakota	1.00	0.41%
Total Mill Levies in City of Bismarck	241.42	100.00%

Budget Committee Recommendations

- **ALL FUNDS:**
  - Priority initiatives, as recommended
  - Capital improvement projects, as recommended
  - Fees and charges for services with changes, as recommended
  - 3% increase in employee salaries with an employee cost index adjustment of 2.7%, as recommended in the Condrey plan (2015)
  - Maintain current health insurance plan for City employees (8% increase)
- **GENERAL FUND:**
  - Property taxes increase by $8M - SUSTAIN General Fund and Roads and Streets Operations going forward
  - Implement critical needs plan to replace obsolete equipment (equipment, vehicles, and machinery)
    - Police Department
    - Roads and Streets (snow removal, pot hole filling, street sweeping, forestry, weeds, etc.)
    - Other Departments
  - Additional CIP: $1.1M Library siding, window, and door replacement (from General Fund Building Reserve)
- **BISMARCK VETERANS' MEMORIAL PUBLIC LIBRARY:**
  - Property Tax Increase by $180K - SUSTAIN operations for future
  - $1.1M for siding, window, and door replacement (from General Fund Building Reserve)
- This increase equates to $239.82 annually per residential property with a median value in 2019 of $274K
  - $239.82 annually, $19.99 monthly, or $0.65 daily

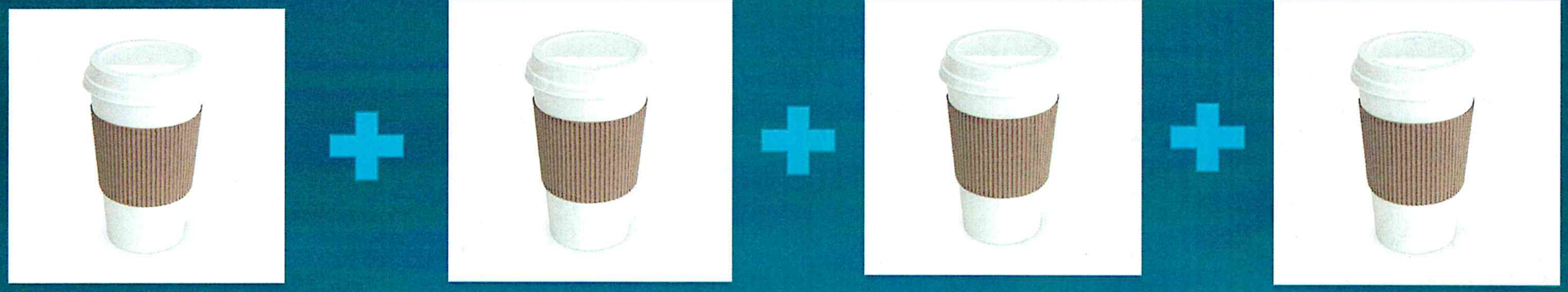
Commission Discussion Points

- Potential property tax increases
  - Priority Initiatives and CIPs
    - Additional CIP: $1.1M Library siding, window, and door replacement (from General Fund Building Reserve)
  - General Fund (including Roads and Streets)
    - Currently proposed $8M increase in property tax
      - All at-once
      - Borrow from fund balance and recover over time
        - Comply with City fund balance reserve policy (60% of revenues)
  - Bismarck Veterans' Memorial Public Library
    - Currently proposed $180K increase in property tax
- Other discussion?

Amount Needed to SUSTAIN

- General Fund
  - Priority Initiatives $5.3M
- Roads and Streets
  - Operations $1.3M
  - Equipment Replacement $1.4M
- Library $180K
  - Total $8.1M

Proposed Property Tax Increase
$19.99 per month



THANK YOU! SEE YOU NEXT TUESDAY!