



Presentation Preview of
Public Hearing 2018 Budget & Tax Levy
November 20th, 2018

Draft 11/15/18

Agenda

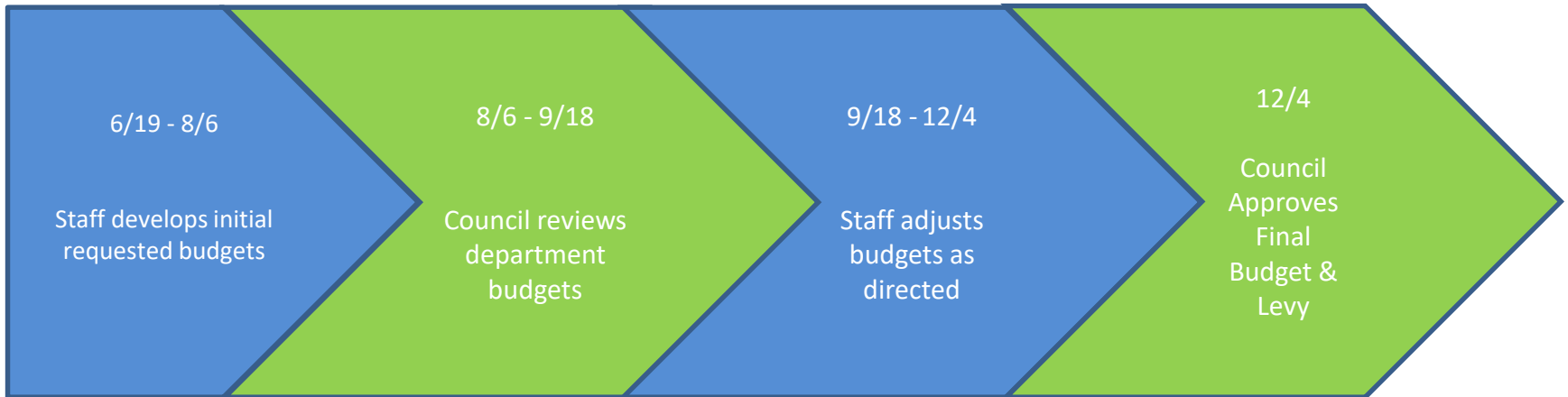
City of Northfield
2019 Budget & Levy Public Hearing
Tuesday, December 4, 2018 6:00 pm
Council Chambers, 801 Washington St

1. Public Hearing on 2019 Budget and Levy
 - Staff Presentation
 - Public Comment
2. Adoption of 2018 Property Tax Levy/Budget

Alternative Action: Adoption at December 11, 2018 meeting

Budget Timeline

- The City budget is a 6 month planning process



- Key Dates in the planning process



Property Tax Rate

- How is Property Tax Calculated?

$$\text{City Tax Rate} = \frac{\text{Total \$ City Levy}}{\text{Net Tax Capacity}}$$

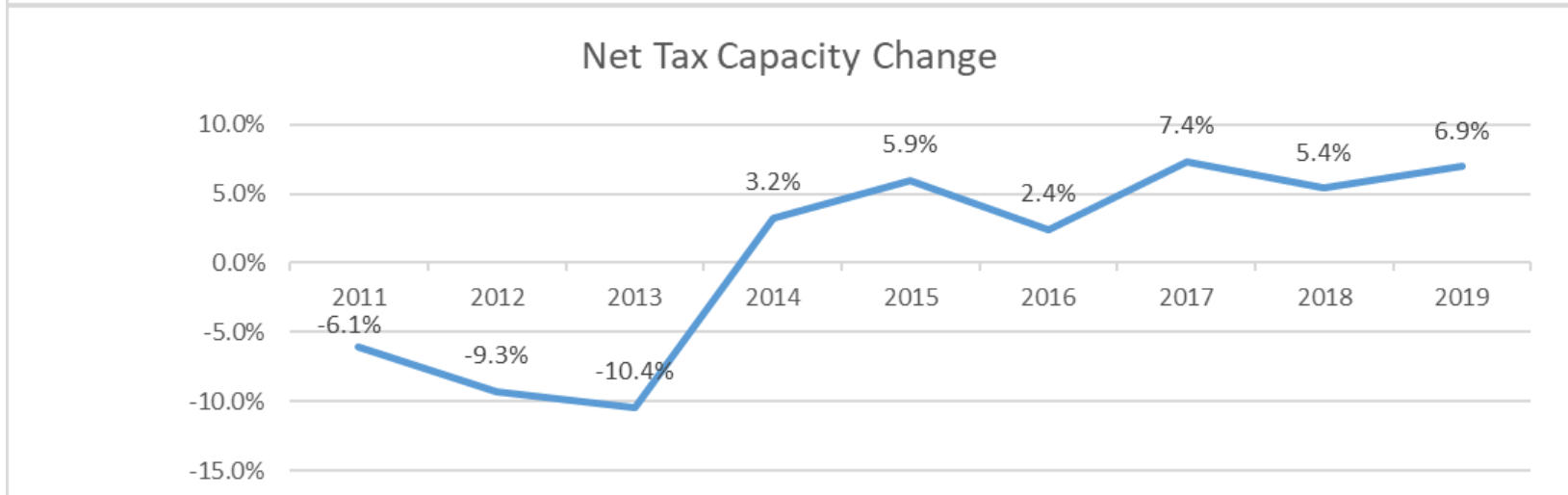
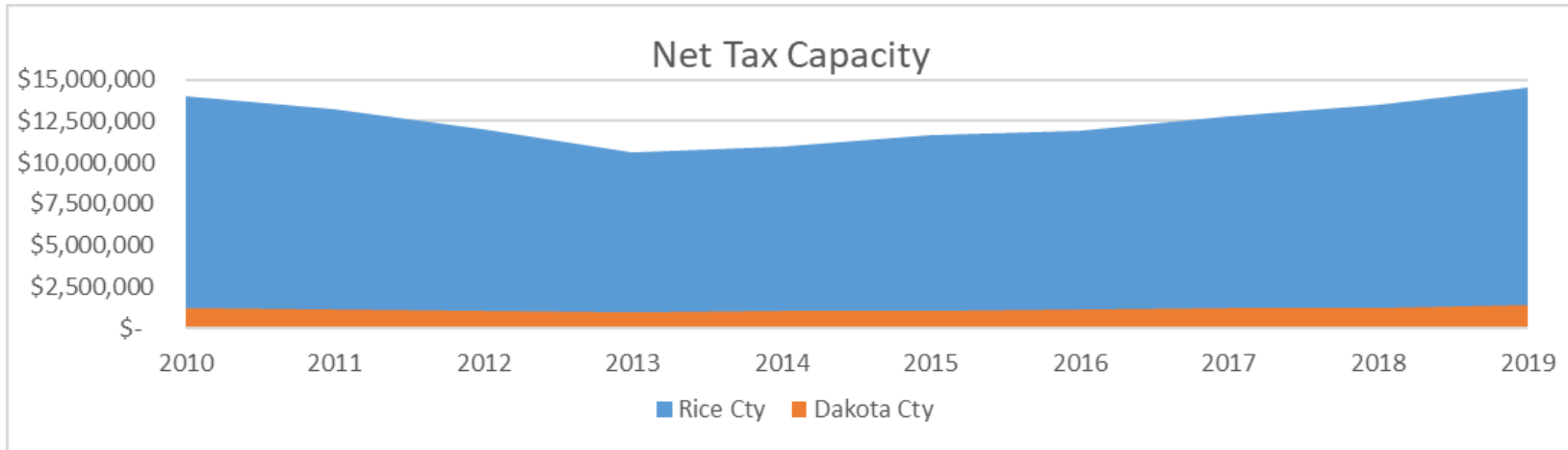
$$\text{Individual Tax Bill} = \text{Parcel Tax Capacity} * \text{City Tax Rate}$$

- Total \$ City Levy = City Budget – Non-Property Tax Revenue
- Tax Calculation with Residential Homestead Example:
 - Taxable Market Value = Estimated Market Value - Homestead exclusion
 - Parcel Tax Capacity = Taxable Market Value * (1.0% of first \$500,000 + 1.25% of taxable market value > \$500,000)

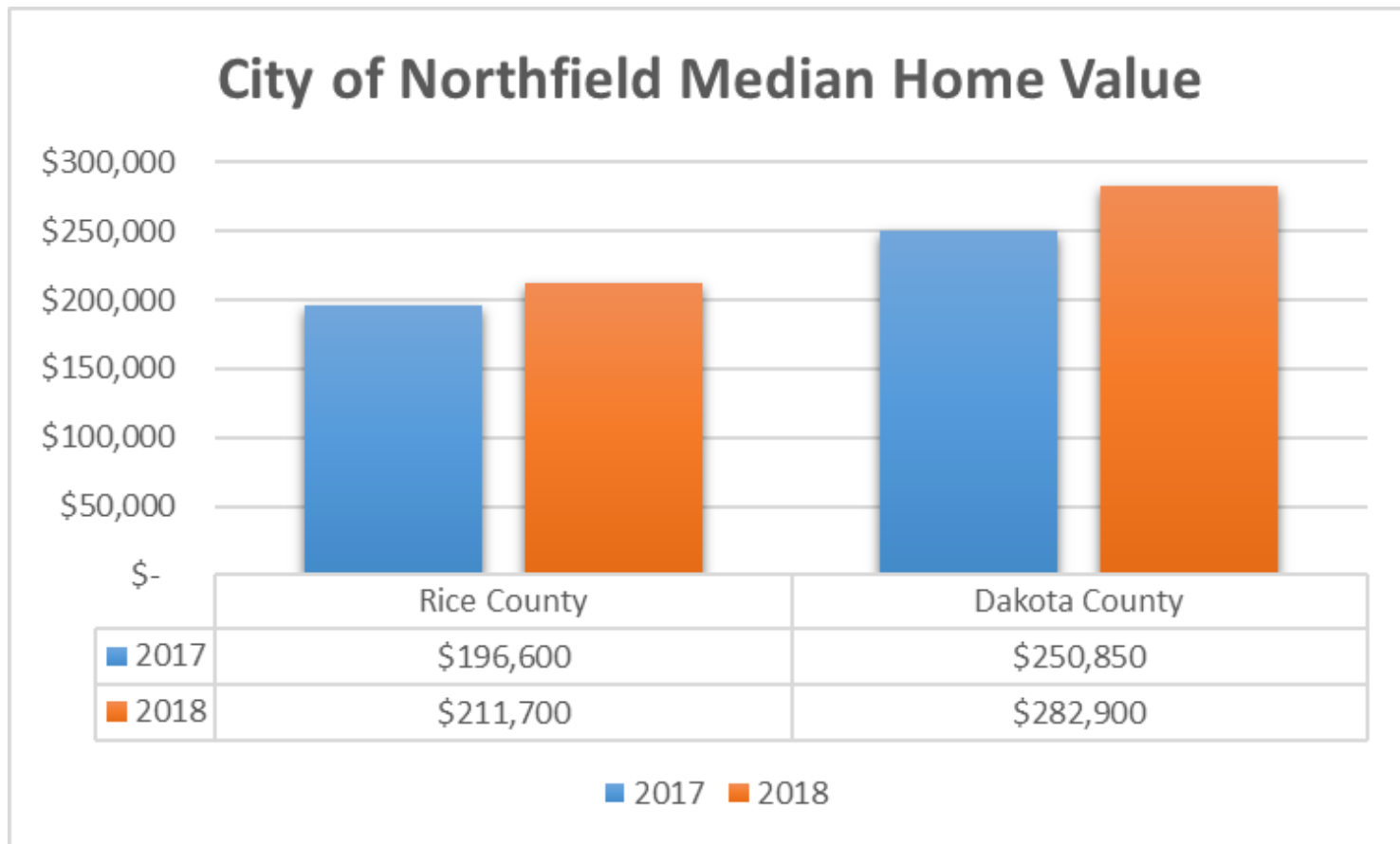
Estimated Market Value Changes

- Estimated Market Value (EMV) increased 6.4%
 - 2018 valuation payable in 2019 \$1,476,302,700
 - 2017 valuation payable in 2018 \$1,387,176,300
- Northfield includes properties in both Rice & Dakota County
 - Rice County EMV represents 91% of total and increased 6.3%
 - Dakota County EMV represents 9% of total and increased 7.7%
- Net Tax Capacity increased 6.9% (Estimated Market Value adjusted for homestead exclusion and class rate)
 - 2018 valuation payable in 2019 \$15,785,634
 - 2017 valuation payable in 2018 \$14,760,814

Net Tax Capacity Trend

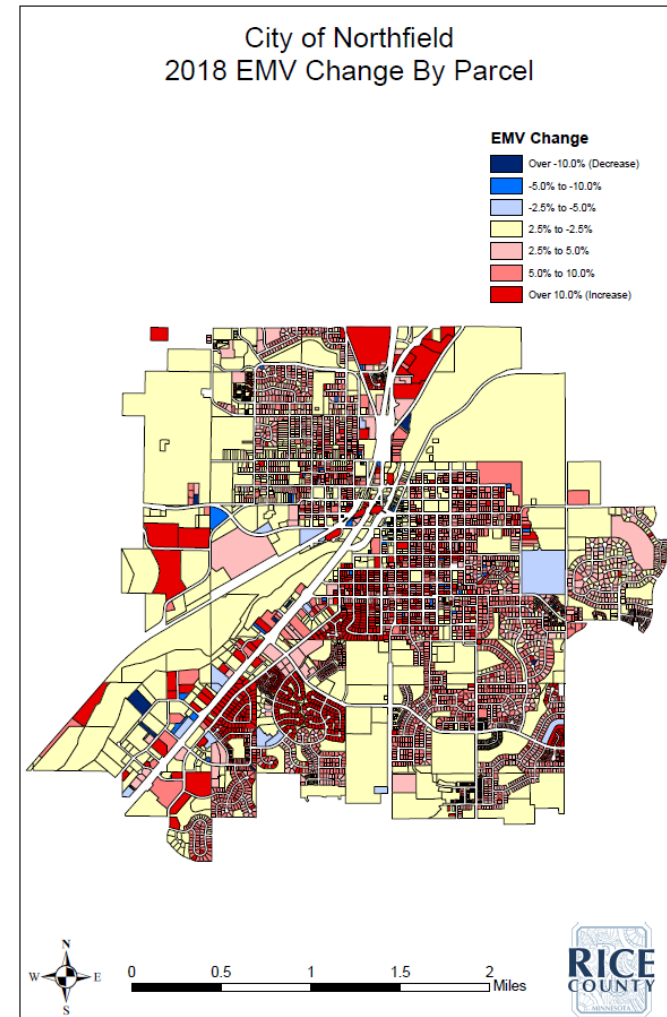


City of Northfield Median Home Value



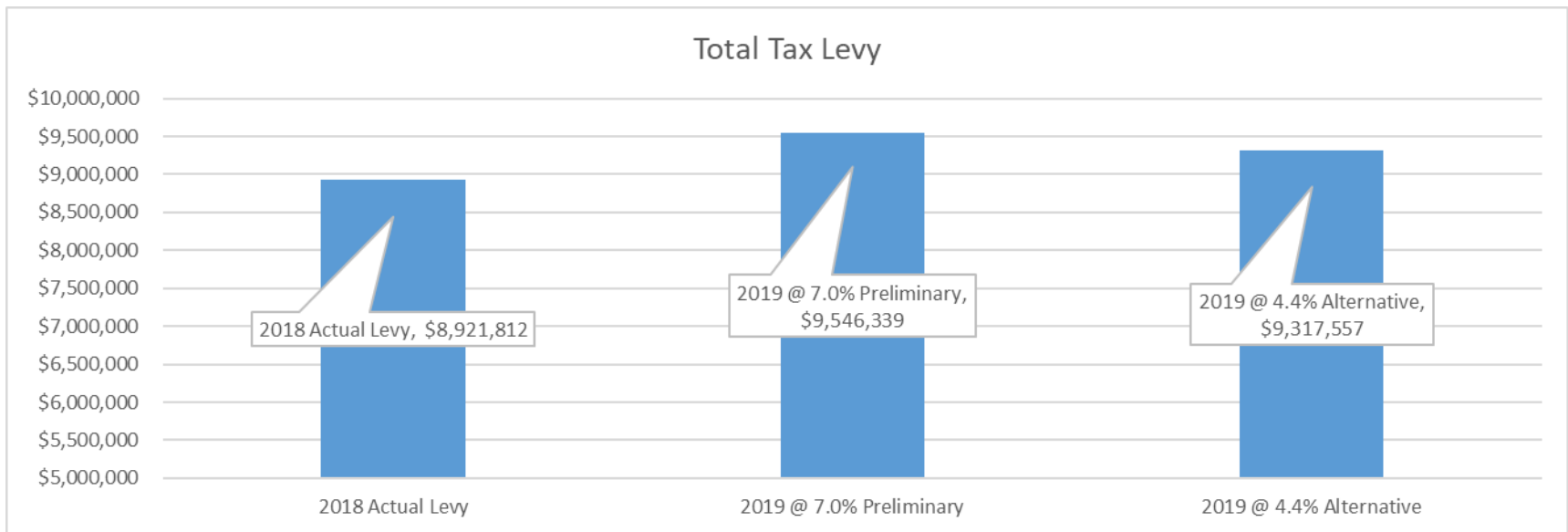
Tax Change by Parcel Map

- 2019 Net Tax Capacity for Northfield increased 7.7%
 - Rice County increased 7.6%
 - Dakota County increased 8.9%
- Individual parcel tax changes vary according to the map
- Rice and Dakota County Auditors parcel specific notices have been sent

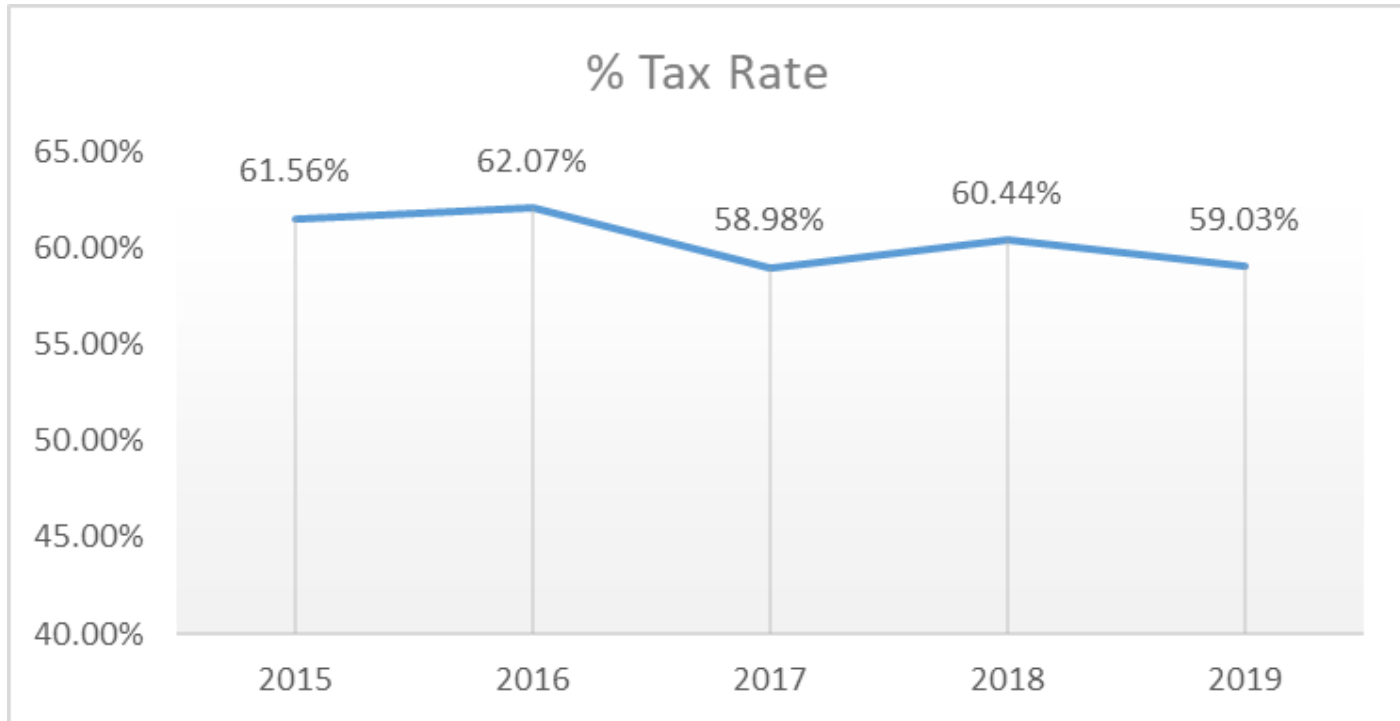


Proposed Levy

- Certified 2018 Levy \$8,921,812
- Certified Preliminary 2019 Levy \$9,546,339, 7.0% increase
- Alternative 2019 Levy \$9,317,557, 4.4% increase
 - All future schedules use the 4.4% increase alternative



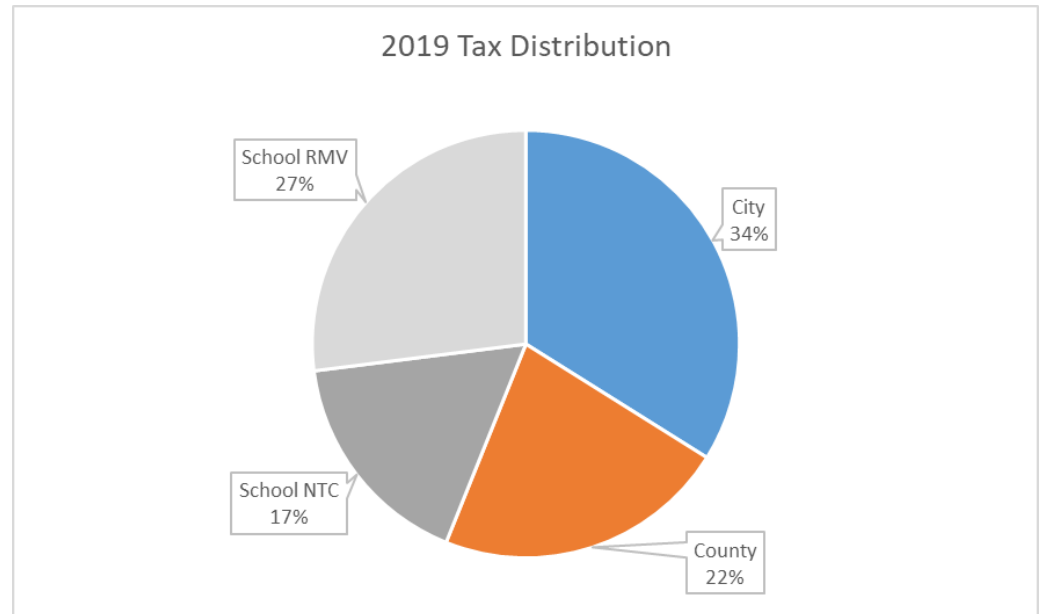
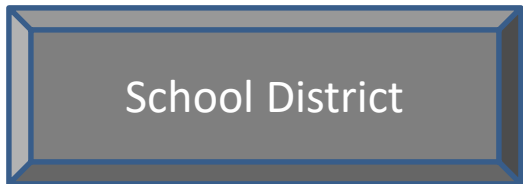
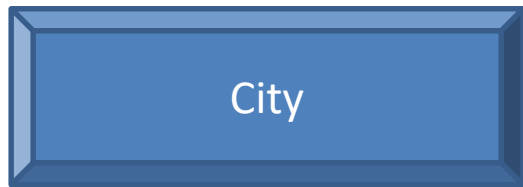
City Tax Rate Trend



* Combined Tax Rate for both Dakota and Rice Counties; 4.4% levy increase

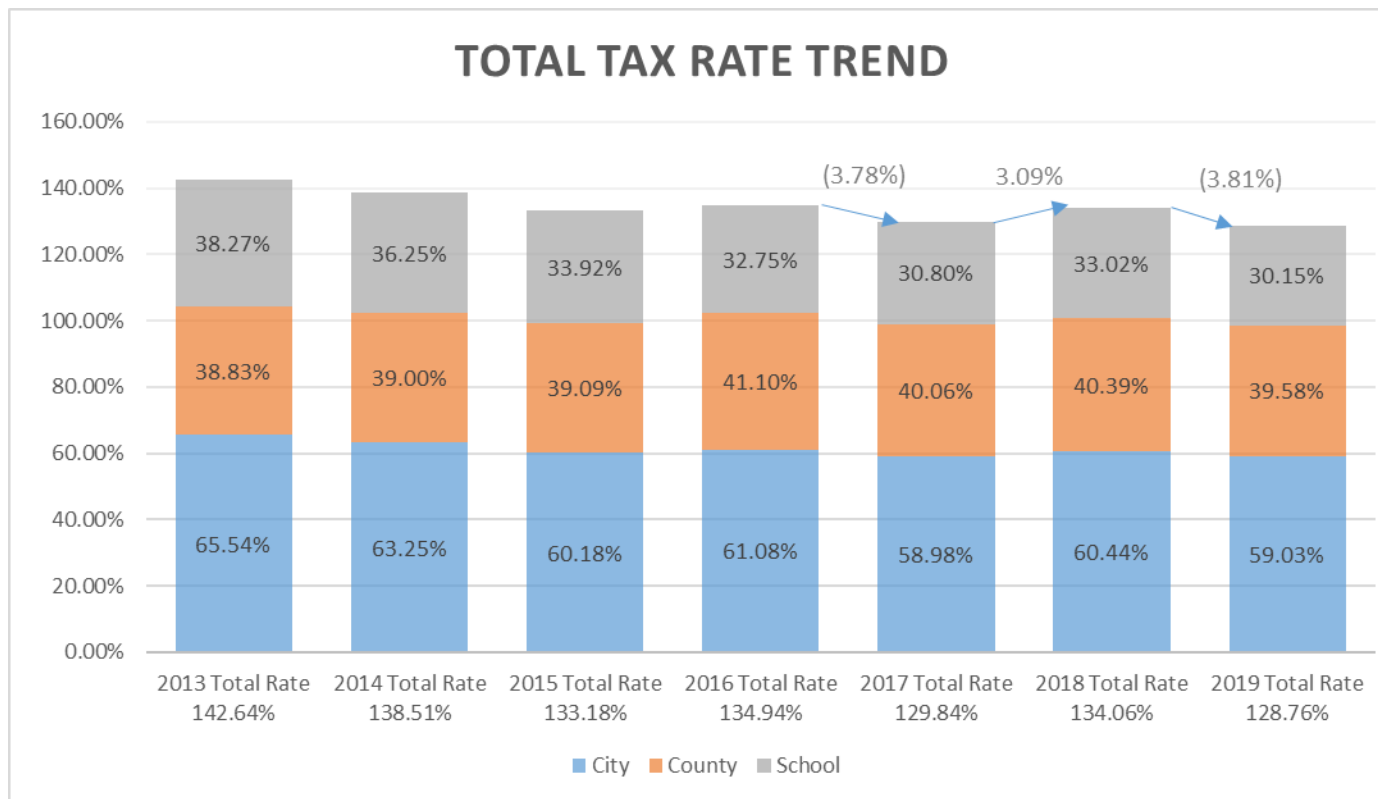
Property Taxes

- Who levies property taxes?



- Percentages based on current Rice County example at median home value
- Net Tax Capacity (NTC) and Referendum Market Value (RMV)

Total NTC Tax Rate Trend



- Tax Rate based on Net Tax Capacity (NTC), does not include the portion of school tax based on Referendum Market Value
- Source: Rice County Assessors Office

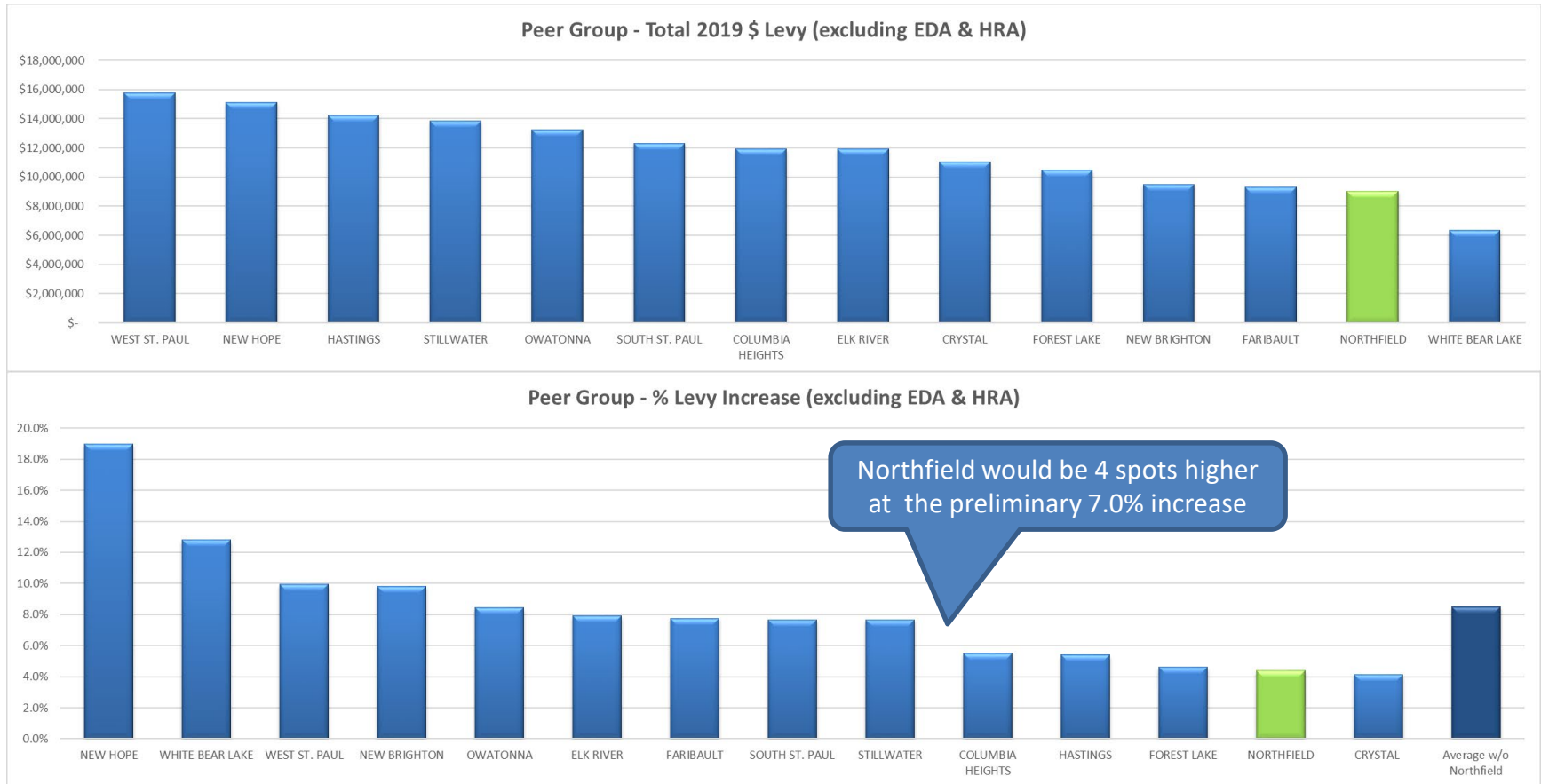
Total Tax Rate Comparisons

- 2019 Rate comparison
 - Northfield 128.76%
- 2016 Rate comparison (most recent available data)
 - Average All MN Cities 125.06%
 - Region 10 (SE MN) 131.81%
 - Greater MN, 10,000-24,999 129.71%
 - Peer Group Comparable Cities (mean) 130.79%
 - Peer Group Comparable Cities (median) 132.29%

* Peer Group Comparable Cities (Population range 19,754-25,782, average total tax range 106.91%-152.54%)

Levy Comparison

- Northfield's Preliminary 2019 levy is lower than most peers



- Based on 2019 Preliminary Levy Data from Peer Group Cities, Northfield included at 4.4% levy increase

Residential Total Tax Rate Impact

| Homestead Residential Property | | | | | | | | | |
|--------------------------------|------------|----------|----------|----------|----------|----------|----------|----------|----------|
| | | 2016 | | 2017 | | 2018 | | 2019 | |
| Entity | | Tax Rate | Tax Paid | Tax Rate | Tax Paid | Tax Rate | Tax Paid | Tax Rate | Tax Paid |
| County | \$ 150,000 | 41.101% | \$ 519 | 40.059% | \$ 506 | 40.388% | \$ 510 | 39.580% | \$ 500 |
| City | \$ 150,000 | 61.083% | \$ 771 | 58.975% | \$ 745 | 60.443% | \$ 763 | 59.026% | \$ 745 |
| School | \$ 150,000 | 32.753% | \$ 955 | 30.803% | \$ 903 | 33.023% | \$ 1,080 | 30.148% | \$ 1,043 |
| Total | \$ 150,000 | 134.937% | \$ 2,245 | 129.837% | \$ 2,154 | 133.854% | \$ 2,353 | 128.754% | \$ 2,288 |
| County | \$ 175,000 | 41.101% | \$ 631 | 40.059% | \$ 615 | 40.388% | \$ 620 | 39.580% | \$ 608 |
| City | \$ 175,000 | 61.083% | \$ 938 | 58.975% | \$ 905 | 60.443% | \$ 928 | 59.026% | \$ 906 |
| School | \$ 175,000 | 32.753% | \$ 1,134 | 30.803% | \$ 1,073 | 33.023% | \$ 1,280 | 30.148% | \$ 1,235 |
| Total | \$ 175,000 | 134.937% | \$ 2,703 | 129.837% | \$ 2,593 | 133.854% | \$ 2,828 | 128.754% | \$ 2,749 |
| County | \$ 200,000 | 41.101% | \$ 743 | 40.059% | \$ 724 | 40.388% | \$ 730 | 39.580% | \$ 716 |
| City | \$ 200,000 | 61.083% | \$ 1,104 | 58.975% | \$ 1,066 | 60.443% | \$ 1,093 | 59.026% | \$ 1,067 |
| School | \$ 200,000 | 32.753% | \$ 1,314 | 30.803% | \$ 1,242 | 33.023% | \$ 1,481 | 30.148% | \$ 1,428 |
| Total | \$ 200,000 | 134.937% | \$ 3,161 | 129.837% | \$ 3,033 | 133.854% | \$ 3,304 | 128.754% | \$ 3,211 |
| County | \$ 250,000 | 41.101% | \$ 967 | 40.059% | \$ 943 | 40.388% | \$ 950 | 39.580% | \$ 931 |
| City | \$ 250,000 | 61.083% | \$ 1,437 | 58.975% | \$ 1,388 | 60.443% | \$ 1,422 | 59.026% | \$ 1,389 |
| School | \$ 250,000 | 32.753% | \$ 1,673 | 30.803% | \$ 1,582 | 33.023% | \$ 1,881 | 30.148% | \$ 1,813 |
| Total | \$ 250,000 | 134.937% | \$ 4,077 | 129.837% | \$ 3,912 | 133.854% | \$ 4,254 | 128.754% | \$ 4,133 |
| County | \$ 300,000 | 41.101% | \$ 1,191 | 40.059% | \$ 1,161 | 40.388% | \$ 1,170 | 39.580% | \$ 1,147 |
| City | \$ 300,000 | 61.083% | \$ 1,770 | 58.975% | \$ 1,709 | 60.443% | \$ 1,752 | 59.026% | \$ 1,711 |
| School | \$ 300,000 | 32.753% | \$ 2,031 | 30.803% | \$ 1,921 | 33.023% | \$ 2,282 | 30.148% | \$ 2,198 |
| Total | \$ 300,000 | 134.937% | \$ 4,993 | 129.837% | \$ 4,791 | 133.854% | \$ 5,204 | 128.754% | \$ 5,056 |

Assumes a 4.4% levy increase
and no EMV increase

City portion is a decrease of
(\$18)/year, (2.3%)

City portion is a decrease of
(\$26)/year, (2.3%)
or (\$2)/month

City portion is a decrease of
(\$41)/year, (2.3%)

Impact analysis based on Rice County rates
Tax rate shown is of Net Tax Capacity (NTC)
School Tax Paid includes taxes on referendum market value

Residential Total Tax Rate Impact

- 2019 vs 2018 Total Tax Rate comparison
 - Scenario of Estimated Market Value increasing 6.4%
 - 6.4% average increase for Northfield
 - Total tax change impact is approximately (2.8%)
 - Remaining increase is due to valuation changes

| Homestead Residential Property | | | | | | |
|--------------------------------|---------------|------------------|------------------|-----------------|----------|--|
| 2018 Value | 2019 Value | 2018 Tax Paid | 2019 Tax Paid | 19v18 Change | % Change | |
| \$ 150,000 | \$ 150,000 | \$ 2,353 | \$ 2,288 | \$ (65) | -2.76% | |
| \$ 150,000 | \$ 159,600 | \$ 2,353 | \$ 2,465 | \$ 111 | 4.74% | |
| \$ 175,000 | \$ 175,000 | \$ 2,828 | \$ 2,749 | \$ (79) | -2.79% | |
| \$ 175,000 | \$ 186,200 | \$ 2,828 | \$ 2,955 | \$ 128 | 4.52% | |
| \$ 200,000 | \$ 200,000 | \$ 3,304 | \$ 3,211 | \$ (93) | -2.81% | |
| \$ 200,000 | \$ 212,800 | \$ 3,304 | \$ 3,446 | \$ 143 | 4.32% | |
| \$ 250,000 | \$ 250,000 | \$ 4,254 | \$ 4,133 | \$ (121) | -2.84% | |
| \$ 250,000 | \$ 266,000 | \$ 4,254 | \$ 4,428 | \$ 174 | 4.09% | |
| \$ 300,000 | \$ 300,000 | \$ 5,204 | \$ 5,056 | \$ (149) | -2.86% | |
| \$ 300,000 | \$ 319,200 | \$ 5,204 | \$ 5,409 | \$ 205 | 3.94% | |

(2.81%) (\$93) Tax Change Impact

7.13% \$236 Valuation Impact

4.32% \$143 Total Impact or
\$12/month increase,
City portion only is an increase of
\$4.5/month

Commercial Total Tax Rate Impact

- 2019 vs 2018 Total Tax Rate comparison
 - Scenario of Valuations increasing 6.4%
 - Rice County average for Northfield
- Tax change impact is (3.6%)-(3.9%)
- Remaining increase is due to valuation changes

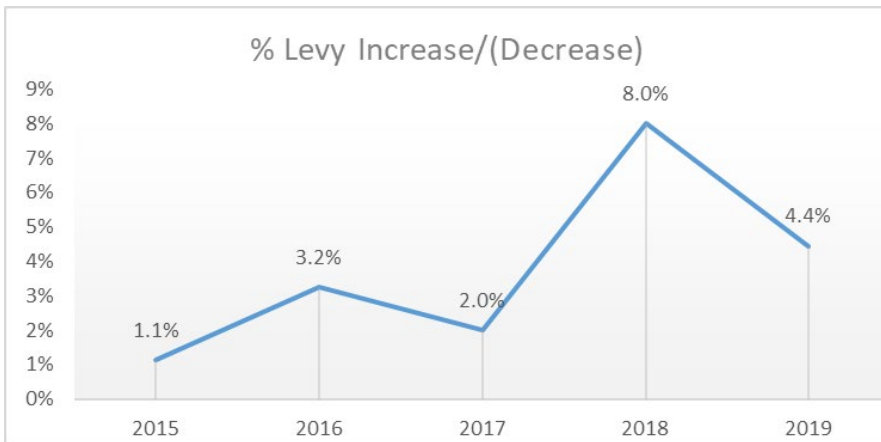
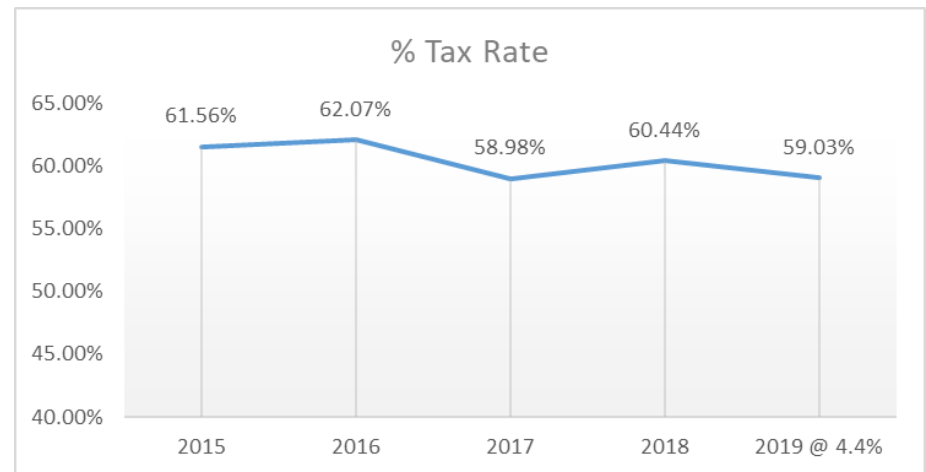
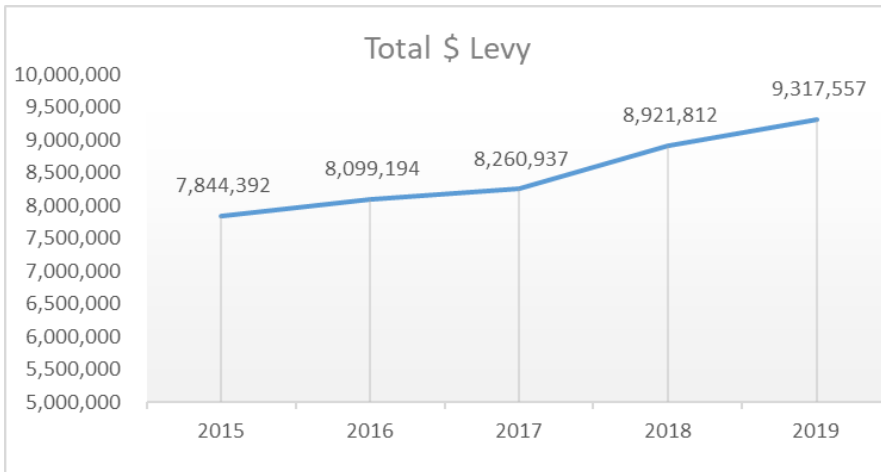
| Commercial Property | | | | | |
|---------------------|---------------|------------------|------------------|-----------------|----------|
| 2018 Value | 2019 Value | 2018 Tax Paid | 2019 Tax Paid | 19v18 Change | % Change |
| \$ 200,000 | \$ 200,000 | \$ 6,001 | \$ 5,785 | \$ (216) | -3.61% |
| \$ 200,000 | \$ 212,800 | \$ 6,001 | \$ 6,276 | \$ 275 | 4.58% |
| \$ 500,000 | \$ 500,000 | \$ 17,990 | \$ 17,294 | \$ (695) | -3.86% |
| \$ 500,000 | \$ 532,000 | \$ 17,990 | \$ 18,522 | \$ 533 | 2.96% |

(3.86%) (\$695)/year Tax Change Impact

6.82% \$1,228/year Valuation Impact

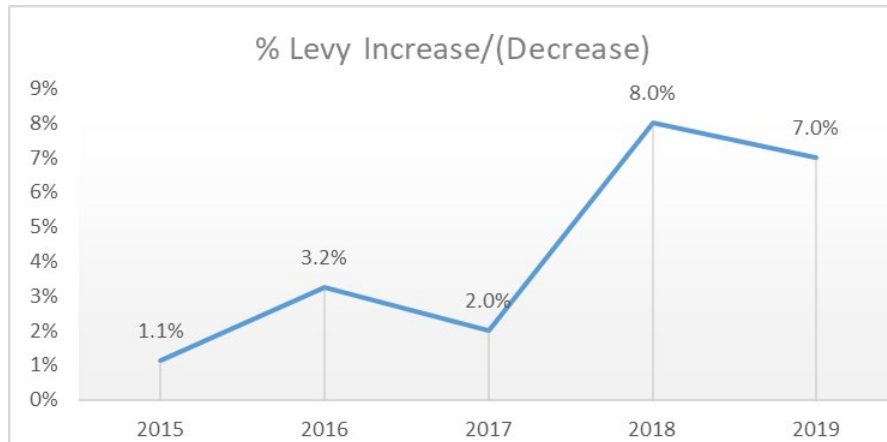
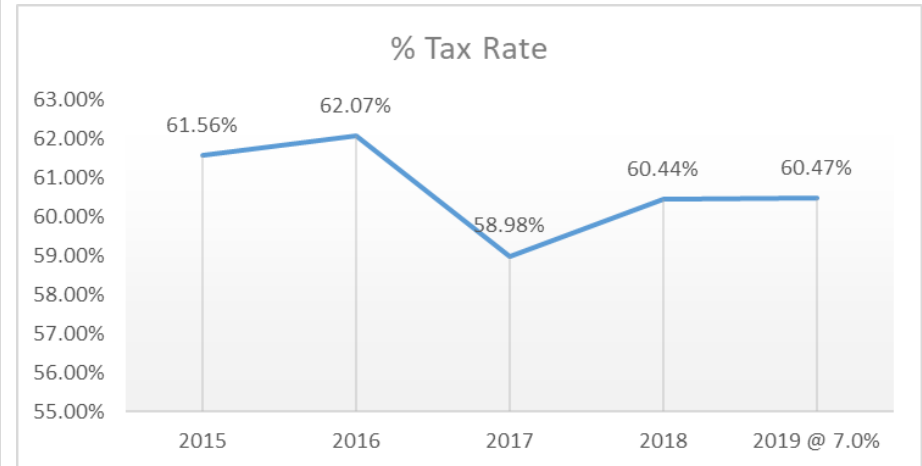
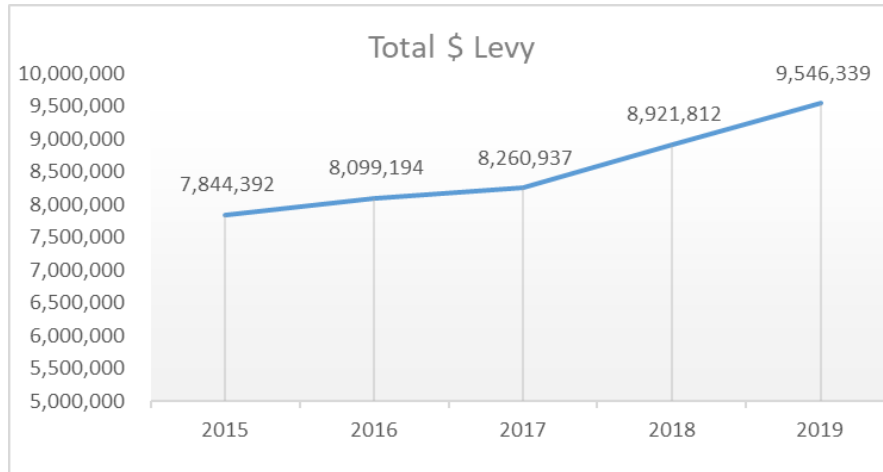
2.96% \$533/year Total Impact
\$44/month

4.4% Levy increase



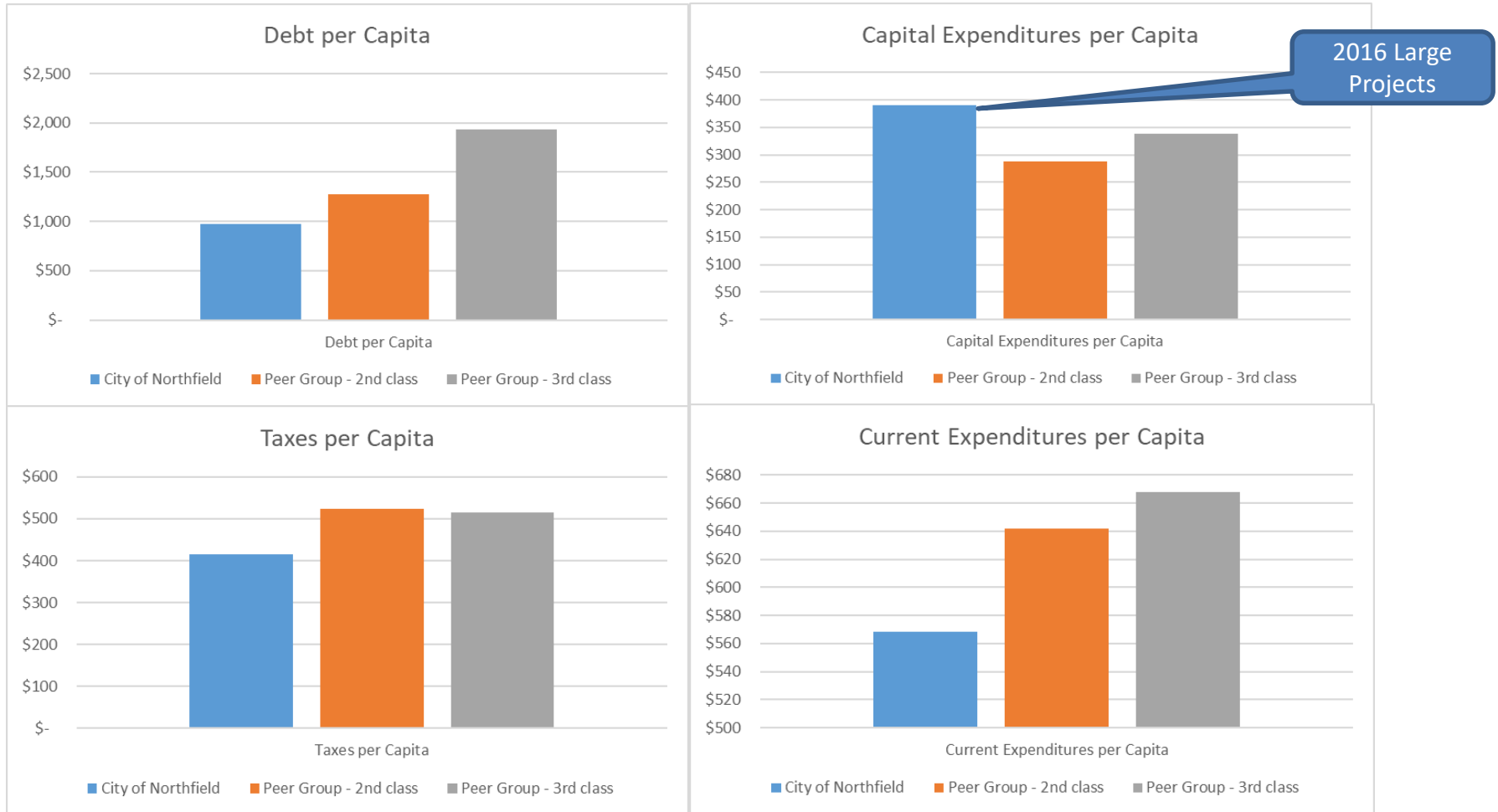
- At a 4.4% levy increase, the city-wide tax rate decreases from 60.44% to 59.03%
- City tax on an average \$200,000 house, with a 6.4% increase in Estimated Market Value, will increase \$56/year or \$5/month.

7.0% Levy increase



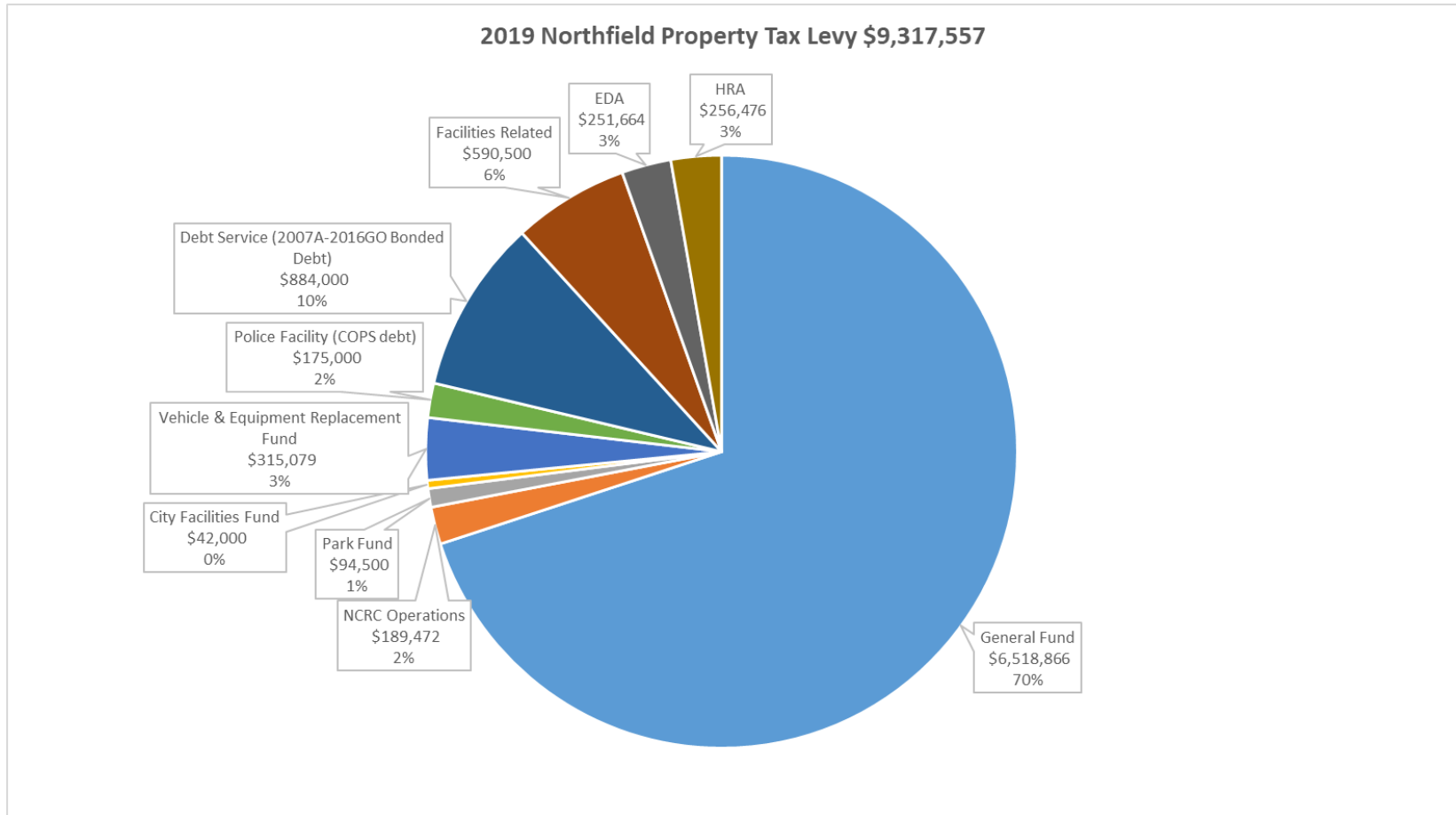
- Preliminary 7.0% increase levy approved in September keeps city wide tax rate flat
- City tax on an average \$200,000 house, with a 6.4% increase in Estimated Market Value, will increase \$85/year or \$7/month
 - This alternative is \$2/month more than the 4.4% increase

Ratio Comparison to Peer Groups

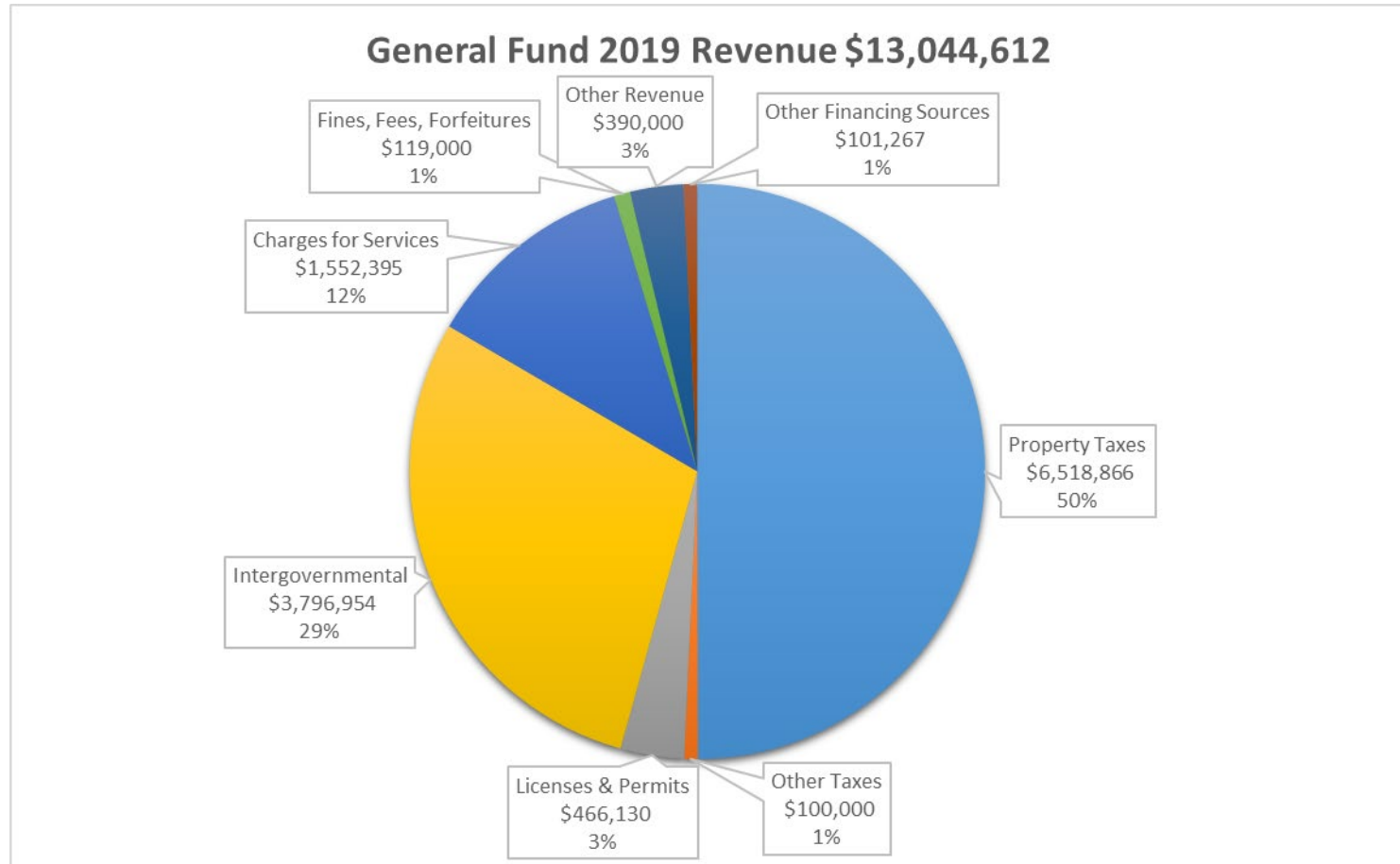


Source: 2017 Abdo Eick & Meyers Audit Management Letter, page 20, (2016 comparisons)
 Peer Group 2nd class – City populations of 20,000-100,000, Peer Group 3rd class – City populations of 10,000-20,000

2019 Tax Levy

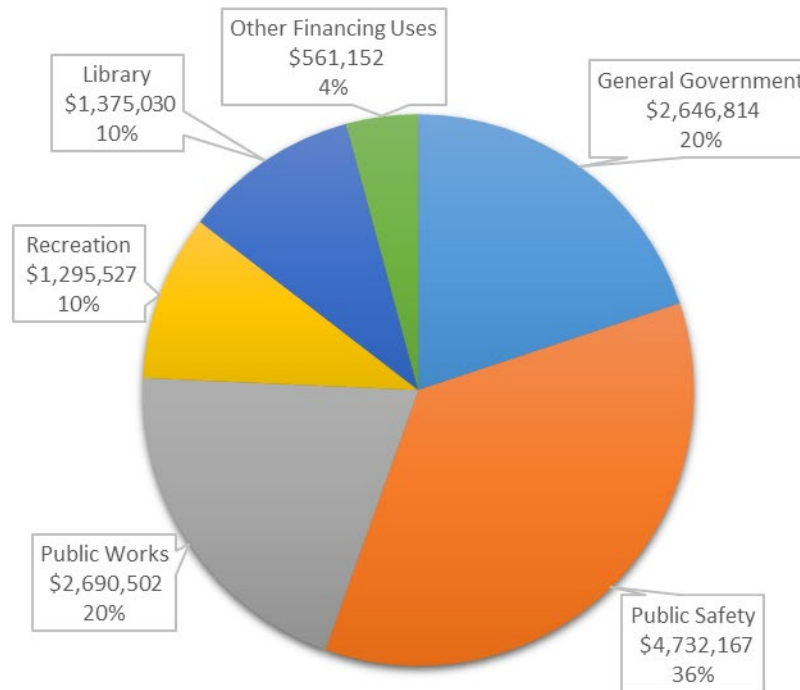


2019 General Fund Revenue



2018 General Fund Expenditures

General Fund 2019 Expenditures \$13,301,192



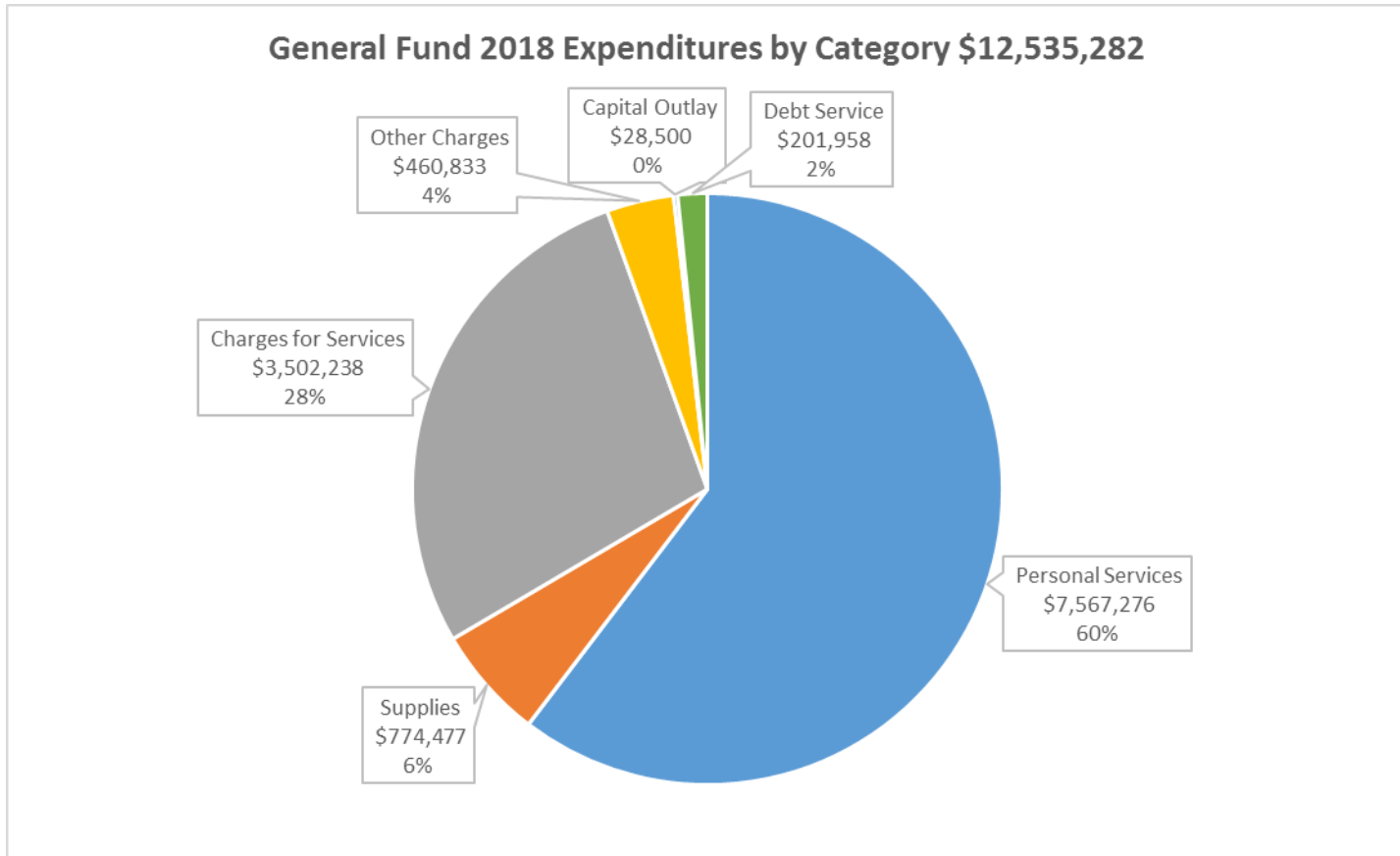
2018 General Fund Expenditures

| EXPENDITURES BY MAJOR FUNCTION | 2018 Budget Adopted | % of Total | 2019 Budget Proposed | % of Total | Difference |
|---------------------------------------|------------------------|---------------|-------------------------|---------------|-------------------|
| PUBLIC WORKS | | | | | |
| Engineering | \$ 555,536 | 4.4% | \$ 550,273 | 4.1% | \$ (5,263) |
| Streets | \$ 1,464,621 | 11.7% | \$ 1,551,272 | 11.7% | \$ 86,651 |
| Street Lighting | \$ 300,000 | 2.4% | \$ 300,000 | 2.3% | \$ - |
| Facilities | \$ 279,588 | 2.2% | \$ 288,957 | 2.2% | \$ 9,369 |
| Total Public Works | \$ 2,599,745 | 20.8% | \$ 2,690,502 | 20.2% | \$ 588,732 |
| CULTURE & RECREATION | | | | | |
| Ice Arena | \$ 350,793 | 2.8% | \$ 379,061 | 2.8% | \$ 28,268 |
| General Parks | \$ 307,366 | 2.5% | \$ 329,020 | 2.5% | \$ 21,654 |
| Athletic Facilities | \$ 134,800 | 1.1% | \$ 143,891 | 1.1% | \$ 9,091 |
| Outdoor Pool | \$ 236,868 | 1.9% | \$ 226,892 | 1.7% | \$ (9,976) |
| Recreation Administration | \$ 219,226 | 1.8% | \$ 216,663 | 1.6% | \$ (2,563) |
| Total Culture & Recreation | \$ 1,249,053 | 10.0% | \$ 1,295,527 | 9.7% | \$ 644,575 |
| LIBRARY | \$ 1,263,831 | 10.1% | \$ 1,375,030 | 10.3% | \$ 111,199 |
| OTHER FINANCING USES | \$ 393,091 | 3.1% | \$ 561,152 | 4.2% | \$ 168,061 |
| TOTAL EXPENDITURES | \$ 12,493,976 | 100.0% | \$ 13,301,192 | 100.0% | \$ 807,216 |

2018 General Fund Expenditures

| EXPENDITURES BY MAJOR FUNCTION | 2018 Budget Adopted | % of Total | 2019 Budget Proposed | % of Total | Difference |
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| TOTAL EXPENDITURES | \$ 12,493,976 | 100.0% | \$ 13,301,192 | 100.0% | \$ 807,216 |

2018 General Fund Expenditures



2019 General Fund Expenditures

4.4% levy increase includes the following additional staffing requests:

- Police Officers
 - \$102,000 Investigator
- Streets and Parks Operators
 - \$90,350 for one
- Communication Specialist PT to FT
 - \$40,000 Benefits & additional hours
- Building Permit Technician PT
 - \$23,000
- Paid Parental & Family Leave Policy
 - \$25,000 (2 weeks)

Increase funded from
the Communications
Fund

Funded by offset of
increased revenue

2019 General Fund Expenditures

Additional Items for consideration:

- Police Officers
 - \$122,000 Sergeant (1.4% levy increase)
- Streets and Parks Operators
 - \$90,350 for one (1.0% levy increase)
- Paid Family & Parental Leave Policy
 - \$38,000 (to expand to 6 weeks & 2 weeks) (.4% levy increase)

2019 One-Time Use of General Fund Reserves

- \$149K NAFRS Fire Truck
(\$286K initial portion authorized in 2018)
- \$ 50K Accounting Software Upgrade
- \$ 10K Northfield Historical Society
Bank Raid Exhibit update
- \$100K Temporary Project Manager - Strategic
Initiatives (\$200K total over 2 years)

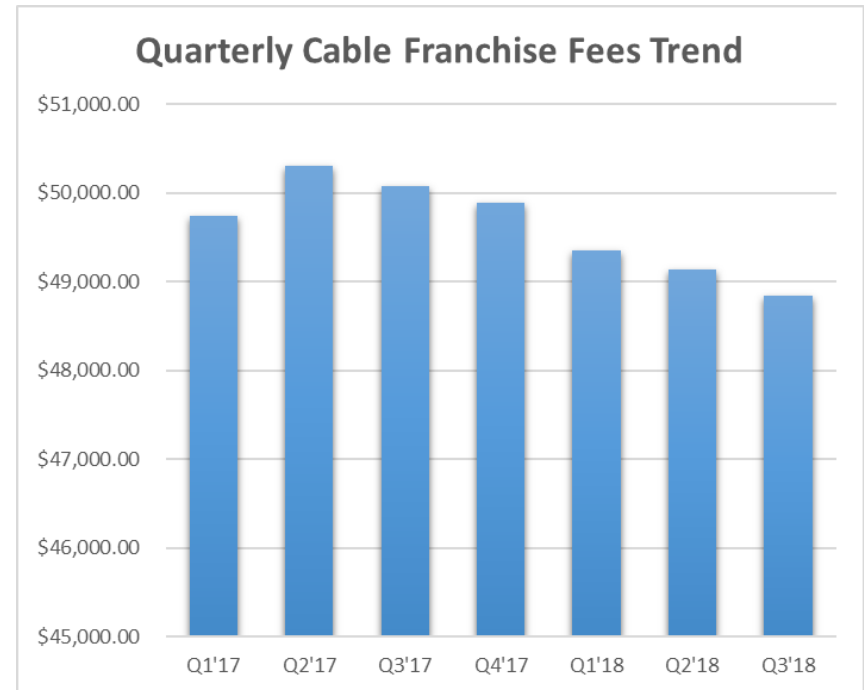
New from staff proposed

- \$20K Riverfront Initiative Additional Funding
- \$30K Employee Accruals & Benefits Analysis

Note: These items (\$359K) included in preliminary budget and levy, utilizing general fund reserves above target, will look like an unbalanced budget

2019 Communications Fund

- Revenue \$236,000
 - Increased PEG fees from \$0.75 to \$1.00, generates \$10K annually
 - Caution regarding Franchise Fee stability as households cut the cord and concerns regarding recent legislative challenges
- Expense \$237,945
 - New 50% of the FT Communication Position will be funded here (\$38K)
 - Capital Expenditures – (PEG Fee funded) Communications Equipment update
- Net Revenue/(Expense) \$2K
- Fund Balance \$600K (12/31/18)



2019 NCRC Fund

- Revenue \$247,078
- Expense \$206,502
- Net Revenue/(Expense) \$40,576
- Current subsidy partially relates to the Senior Center
- Fund Balance \$393K (12/31/17)
 - Roof repair in 2018 to reduce balance

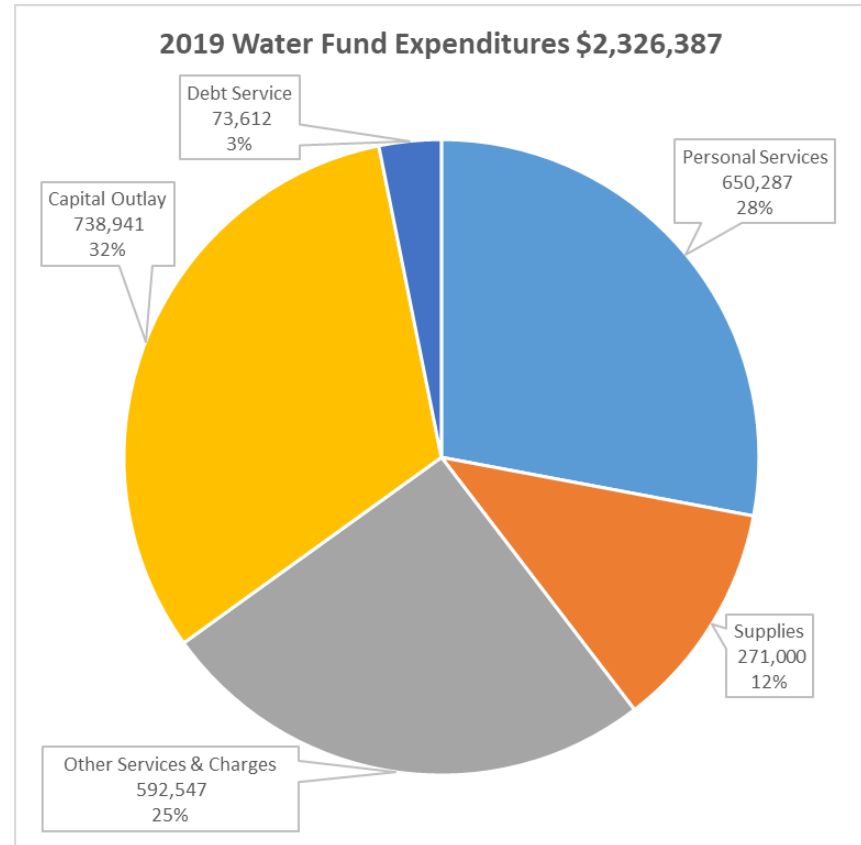
2019 Utility Funds

- City completed a new Utility Rate Study in 2018
 - Projects rates from 2019-2028
- All 2019 increases adopted were recommended by the 2018 Utility Rate Study
 - Water 1.0% increase
 - Waste Water 1.75% increase
 - Storm Water 5.0% increase
 - Garbage no change
- Estimated impact per average user is \$1.08/month
 - Average bill will increase from \$67.68/month to \$68.76/month



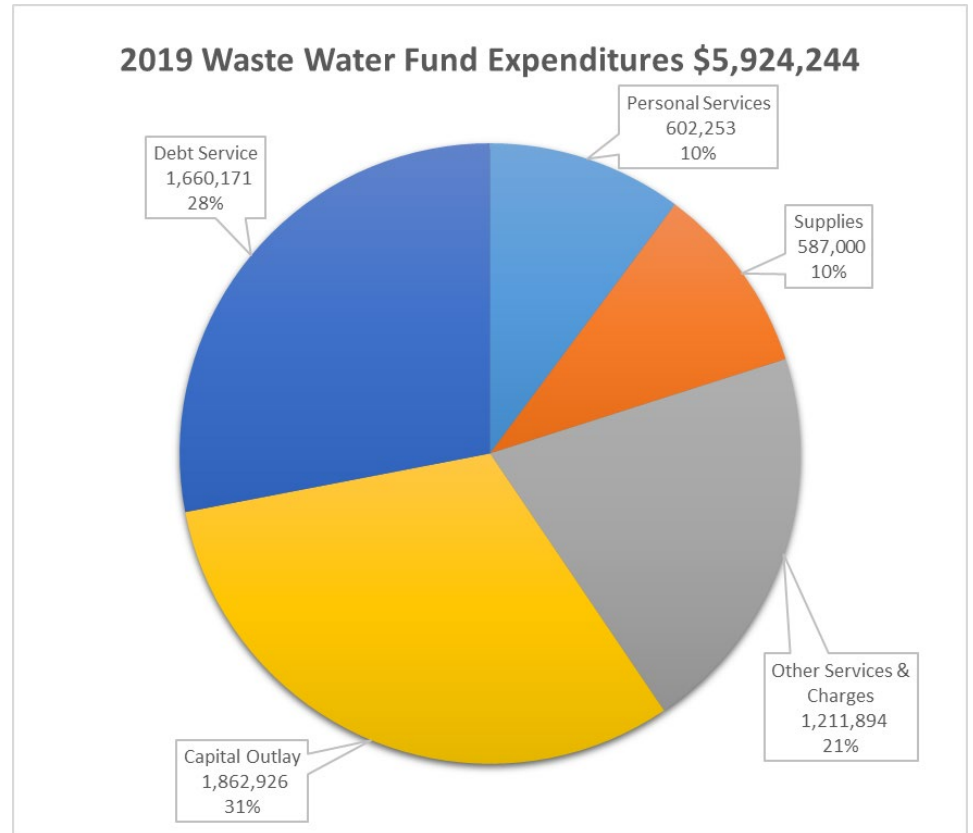
2019 Water Fund

- 1% increase in 2019
 - per 2018 rate study
- Revenue \$2,086,645
- Net Revenue/(Expense) \$242,811, excluding capital outlay
- Fund Balance \$6.4 million
 - 2019 Street Projects utilizing \$733,941 of fund balance
 - 2019 will also make a \$1.7M interfund loan to WasteWater fund.



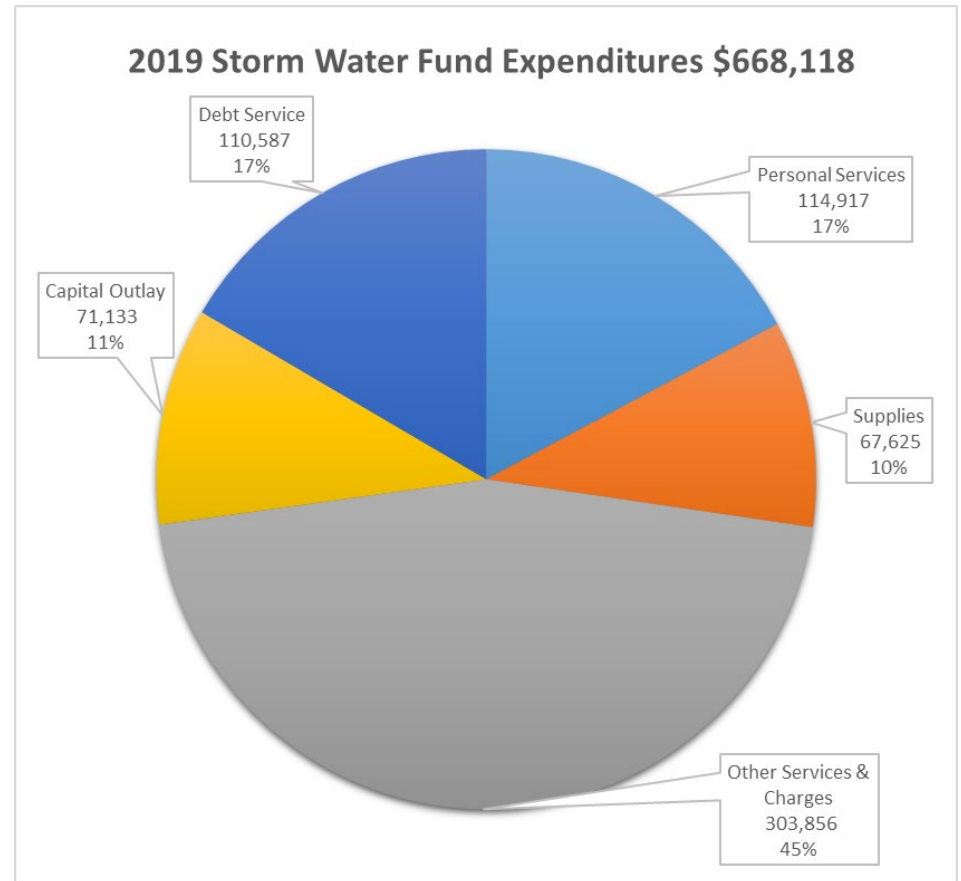
2018 Waste Water Fund

- 1.75% increase in 2019
 - per 2018 rate study
- Revenue \$4,503,949
- Net Revenue/(Expenses) \$957,802 excluding capital outlay
- Fund Balance \$3.2 million
 - 2019 Street Projects & Plant upgrades utilizing \$1,555,544 of fund balance
 - 2019 will also receive a \$1.7M interfund loan from Water fund



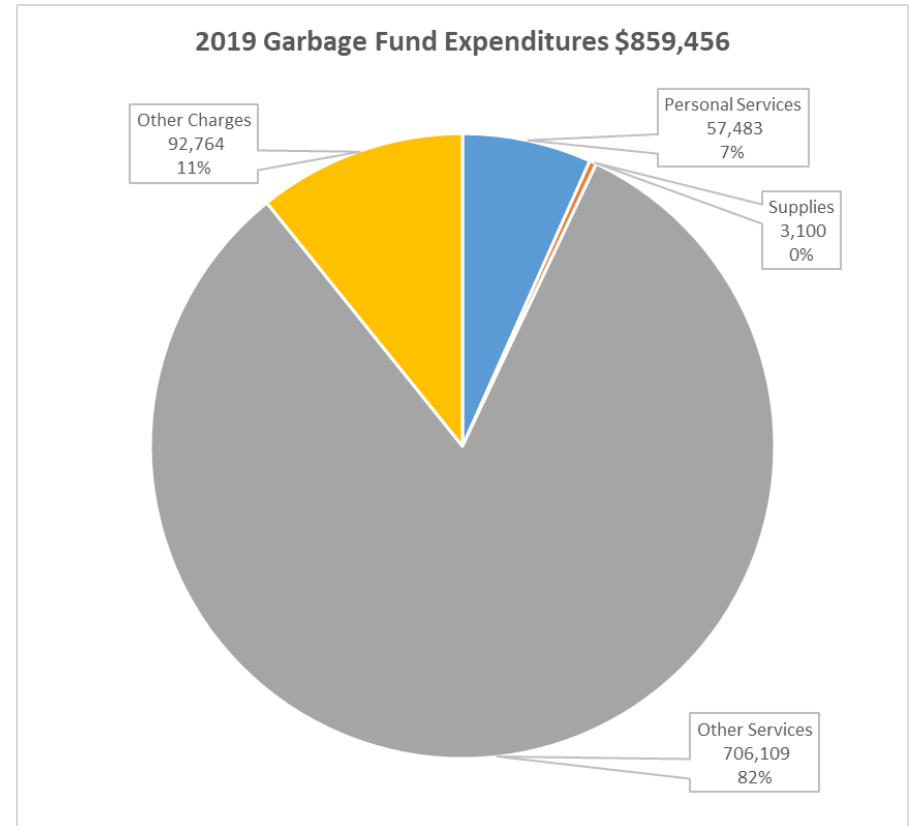
2019 Storm Water Fund

- 5% increase in 2019
 - per 2018 rate study
- Revenue \$924,384
- Net Revenue/(Expense) \$212,986, excluding capital outlay
- Fund Balance \$417K
 - 2019 Street Projects utilizing \$338,599 of fund balance



2019 Garbage Fund

- 0% increase in 2019
 - per 2018 rate study
- Revenue \$911,043
- Net Revenue/(Expense) \$51,587
- Fund Balance \$1.1 million
 - The garbage hauling contract and landfill charges make up 82% of the expenditures
 - 54% contract with DSI and 21% landfill charges
 - Currently negotiating new contract with DSI



Strategic Plan Summary 2018-2020

VISION

Northfield is an open, safe and welcoming community, recognized for its world-class colleges and historic riverfront downtown, and is dedicated to sustainably enhancing and preserving its vibrant culture, celebrated arts, strong economy, and an excellent quality of life where all can thrive.

MISSION

The City of Northfield works for the common good of our residents and businesses and the improvement of our community by providing excellent, innovative municipal services that carry out the City's vision for a high quality of life for all.

Strategic Plan Summary 2018-2020

STRATEGIC PLAN SUMMARY 2018-2020 City of Northfield

| STRATEGIC PRIORITY | DESIRED OUTCOME | KEY OUTCOME INDICATOR | TARGET | STRATEGIC INITIATIVES |
|--|---|--|---|---|
| ECONOMIC DEVELOPMENT A Community That's Economically Thriving | Expanded commercial & industrial tax base | - Commercial EMV - Industrial EMV | - Commercial and industrial tax value increase \$ _____ by 12/30/20 | a) Comprehensive redevelopment b) Business expansion c) New growth expansion d) Develop tourism strategy e) Downtown revitalization f) Riverfront enhancement |
| | Enhanced tourism | - Lodging and sales tax - Events attendance - Full factors | - Inc. _____ lodging tax - Inc. _____ sales tax non-NP - Inc. targeted full factors | |
| | Expanded downtown | Downtown sq. ft. | _____ add'l sq. ft. | |
| AFFORDABLE HOUSING A Community Where Everyone Can Afford to Live | Grow & maintain affordable housing | Affordable units - Workforce units | _____ total units by 2020 | a) Cottage Court preservation b) Revise res. rehabs prog. for income-eligible homeowners c) Barrier removal strategy off. hsg. d) Develop senior housing plan e) Develop Southbridge property f) Workforce housing strategy |
| | More senior units | Senior unit inventory | _____ new affordable senior units | |
| | Expanded supportive & emergency housing | Supportive & emergency hsg units | _____ new units | |
| INFRASTRUCTURE A Community Where Infrastructure Supports Its Objectives | Improved infrastructure systems | - System indicators: PCL, breaks, back-ups, etc. | - Targeted improvements achieved each system | a) Coordinate Fire Station project b) Plan & develop new Liquor Store c) Coordinate decision process for Ice Arena d) Develop community internet strategy e) Update pavement mgmt. system f) Create stormwater main plan g) Update pedestrian/bike, parks & trails plan |
| | Resolution of major facility projects | Project timelines each project | - Fire Station: 1/1/19 - Liquor Store: 1/1/18 - Arena, building 6/1/18 | |
| | Increased satisfaction with high speed internet | Internet speed measurements | - > 20% increase in citizen satisfaction with internet services | |
| DIVERSITY, EQUITY, INCLUSION A Community that Welcomes Everyone | Increased transit options for all | - Existing routes - Surveys - Ridership | - # _____ new routes for underserved - _____ new rides created | a) Develop equitable service access strategy b) Develop and implement the "acial Equity Action Plan" c) Develop a recruitment plan for volunteers, board/commission members, interns d) Implement recruitment, hiring and retention plan for city staff positions |
| | Staff and volunteers reflect community | Staffing statistics | Increase from _____ to _____ by 2020 | |
| | Improved access to City services for all over-regions | - Surveys - Access statistics | - > 75% of targeted access improvements met | |
| OPERATIONAL EFFECTIVENESS A Community with a Government that Works | Adequate staff to meet demands | Staffing analyses | Approved targets met | a) Dev. operating effectiveness b) Eval comp. training programs c) Establish internal work plan d) Develop Council/Staff relationship trust-building process e) Community engagement plan f) Communication plan |
| | Improved respect/trust internal | Council/Staff survey | - > 80% w/e improvement | |
| | Improved external communication | - Survey - Feedback mechanisms | - > 75% of stakeholders say meets or exceeds | |
| CLIMATE CHANGE IMPACTS A Community that's Resilient and Sustainable | A clear vision for climate action | CAI development timeline | Adopted CAI | a) Climate communication/outreach program b) Develop/deploy awareness survey c) Comprehensive stormwater plan d) Develop and implement Climate Action Plan |
| | Air economy resilient to energy & environment impacts | Road damage Climate benchmarks | Meet CAP targets | |
| | Reduced net carbon emissions | Carbon measurements | Carbon neutral city by _____ | |

Note: Specific Strategic Plan "Targets" will be developed in the Action Plan Phase.

The plan consists of six *strategic priorities* the issues of greatest importance to the City over the next three years.

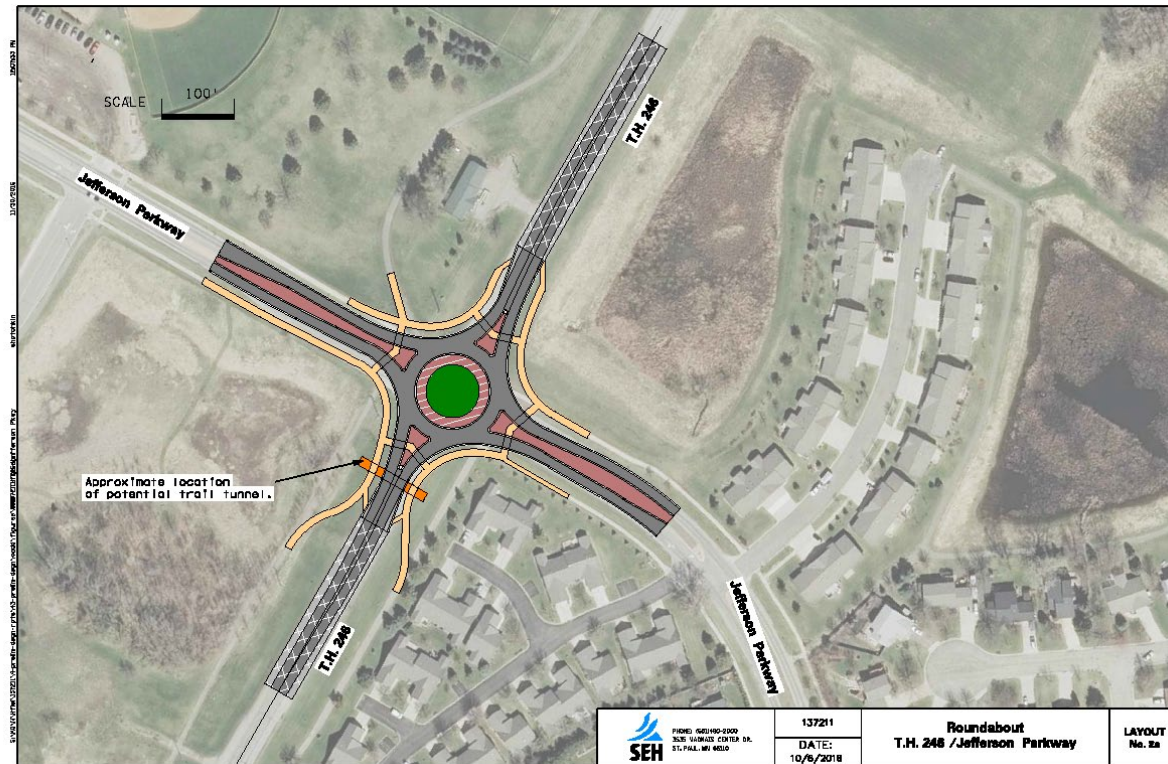
Associated with each priority is a set of *desired outcomes*, *key outcome indicators*, and *performance targets*, describing expected results and how the results will be measured.

The plan also includes strategic initiatives that will be undertaken to achieve the targeted outcomes.

2019 Project Highlights (CIP)

- **3 Street Projects**

- TH 246 & Jefferson Pkwy Roundabout (2019 Design, 2020 Construction)
- NW Area Street Reclamation
- Spring Creek Road Reconstruction



Summary

- Resolutions are attached representing the alternative 4.4% increase and the preliminary levy increase of 7.0%
 - The 7.0% target is the preliminary levy approved
 - An 4.4% target can be achieved based on modifications and the resulting tax reduction is noted below
 - Includes Administrative Charge adjustment from Utility Funds
 - Includes added Positions described earlier
 - Includes 2 year Temporary Project Manager for Strategic Initiatives
 - Does not include the Police Sergeant or the 2nd Streets and Parks Operator
 - \$4 estimated property tax increase on a \$200,000 value house

Public Comment