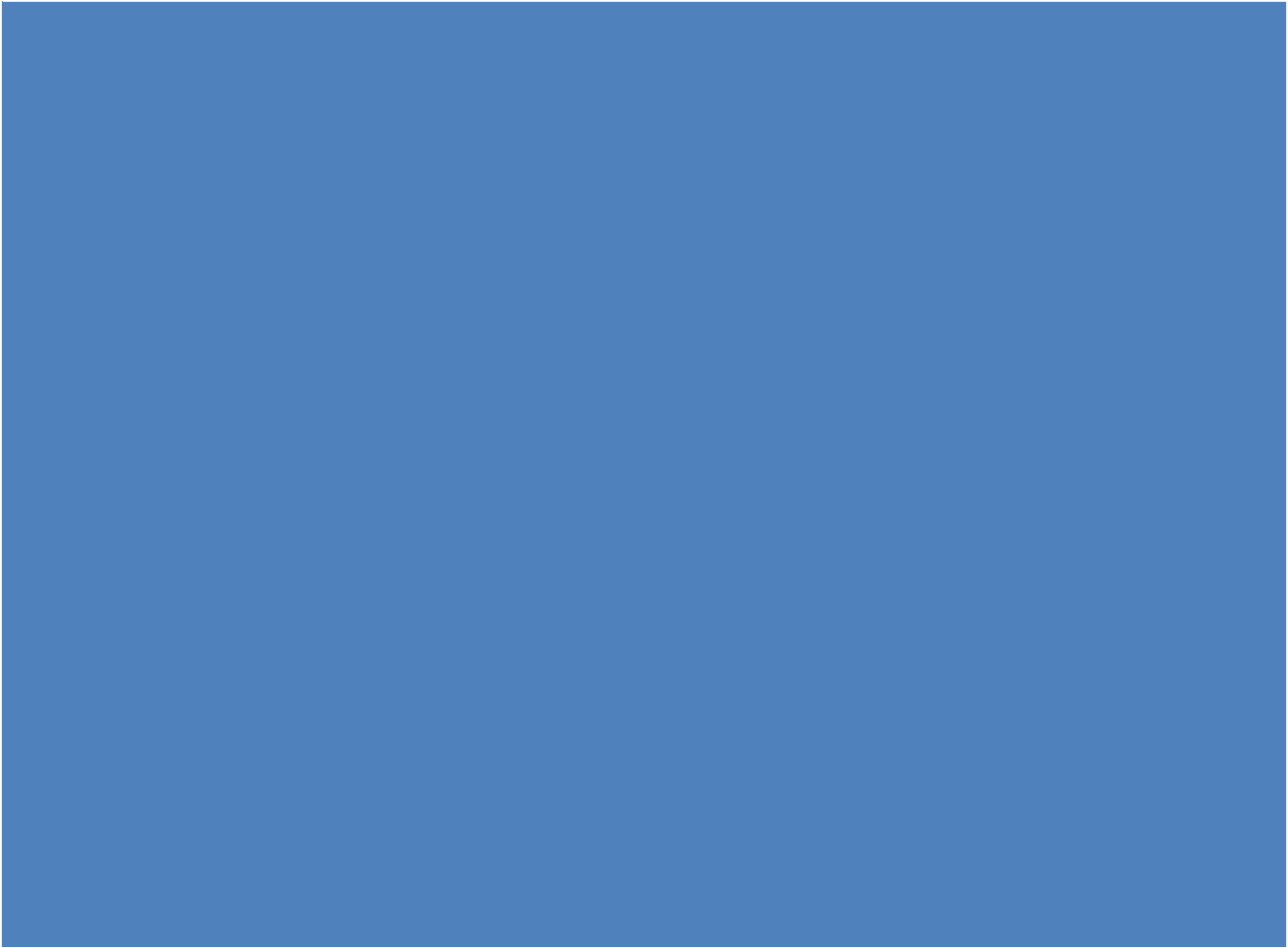


City of Eden Prairie  
2021 Adopted Budget  
December 1, 2020



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## BUDGET OVERVIEW

The 2021 budget provides the resources to achieve the City's goals for Eden Prairie citizens. These goals are part of the Eden Prairie Promise and are embedded in the City's vision, mission and performance measures. We are continuing to meet the needs of residents while finding ways for improvement and keeping costs affordable.

As part of the two year budget process, the City developed objectives. Due to COVID-19, some objectives have changed. Below are the City Council 2020/2021 budget objectives with added objectives for 2021 in bold type.

### Achieve City Goals

- Community Well-being & Safety
- High Quality Efficient Services
- Preserved & Beautiful Environment
- Sense of Community
- Innovative & Sustainable Practices
- Economic Vitality

### Provide Value to Citizens

- Maintain High Quality City Services
- Reasonable Tax Impacts

### Maintain Employee Morale and Engagement

- Implement efficiencies and innovations that motivate employees to continually improve the organization and providing salary changes that are consistent with public and private sector trends

### Maintain Strong Financial Position

- Maintain Bond Rating
  - Approve a Balanced Budget
  - Maintain Fund Balance Policies
  - Prepare Conservative Estimates of Revenues and Expenditures
  - Review fees and charges annually, at a minimum adjust for

inflation

- Engage in Capital Planning Process

The City Council is emphasizing the following areas to achieve City Goals for this budget cycle:

- **Race Equity Initiative**
  - **Areas of Inquiry and Focus**
    - **City Emergency Response**
    - **City Program Accessibility and Culture**
    - **City Recruiting, Hiring and Retention**
    - **Connection to Community**
    - **Community Experience**
    - **Developing Future Leaders**
- Affordable Housing
  - Accept Housing Task Force Reports and Consider Implementation of Task Force Recommendations
- Sustainability
  - City-wide Energy Action Plan
  - City Solar
  - LED Lights
  - Organics
  - Yard Waste Drop-Off Site
  - Pollinators/”Keep the Prairie in Eden Prairie”
  - Fleet Electrification
  - Emerald Ash Borer Program
- Transportation
  - Oversee Light Rail Transit construction in Eden Prairie and over \$20,000,000 in road improvement projects
  - Bridge Inspections and MSA Counts

- Sense of Community/Community Identity
  - PeopleFest – **on-line 2020**
  - Hometown Celebration: July 3-4 - **on-line 2020**
  - Art Events and Initiatives
  - Entry Monument signs
  - Promoting historic properties
  - Provide ways to engage with City Government:
    - City Government Academy – **Cancelled 2020**
    - “Real Talk with Rick” Podcast
    - Engagement through technology: Online Engagement Platform, Social Media, City Website, Email/Text Subscriptions, EP See Click Fix
- Public Safety
  - Add two additional police officers due to increased mental health and other calls, increased training requirements, and maintenance of minimum staffing levels. Add Officer to the Joint Terrorism Task Force.
- Parks and Recreation
  - Open new Staring Lake Building

The two year budget process began in March of 2019. Activity pertaining to the 2021 budget started again in May 2020. The process to date and future planned activities include the following:



## CITY SURVEY

The 2018 Quality of Life Survey provided residents the opportunity to rate the quality of life in the City of Eden Prairie, as well as the quality of service delivery and overall workings of local government. The survey also permitted residents to provide feedback to government on what is working well and what is not, and to share their priorities for community planning and resource allocation. The City uses the biannual citizen survey as one input tool for the budget.

### Key Findings

Eden Prairie is a desirable place to live and raise a family.

- Eden Prairie residents continue to boast a high quality of life, with 95% awarding excellent or good marks in 2018, which eclipsed

averages seen across the nation, Minnesota and Central Region municipalities with populations over 15,000.

Residents' high ratings for safety services contribute to their quality of life, though they have increasing concerns regarding youth crime and drugs.

- Residents commended safety services, such as fire, Hennepin County EMS, police and crime prevention, with each assigned excellent or good marks by 9 in 10 or more. Eden Prairie participants' reviews for police and crime prevention outperformed all other municipality comparisons.

Community parks, recreation and natural environment continue to be a highlight.

- More than 9 in 10 residents revealed admiration for the overall natural environment and opportunities for education and enrichment, maintaining standards set in previous years and outshining national, Minnesota and North Central communities with populations over 15,000.

Residents praise their City services.

- In 2018, about 9 in 10 residents assigned high scores to the overall quality of services provided by the City of Eden Prairie, on par with 2016, but higher than 2014 levels. This measure eclipsed national, North Central and Minnesota comparisons.

Eden Prairie's economy shines, but affordability could be an issue in the future.

- Ninety-two percent of survey participants provided excellent or good assessments to the overall economic health of Eden Prairie, which surpassed ratings in communities elsewhere in the U.S., Minnesota and communities in the North Central Region with populations over 15,000.

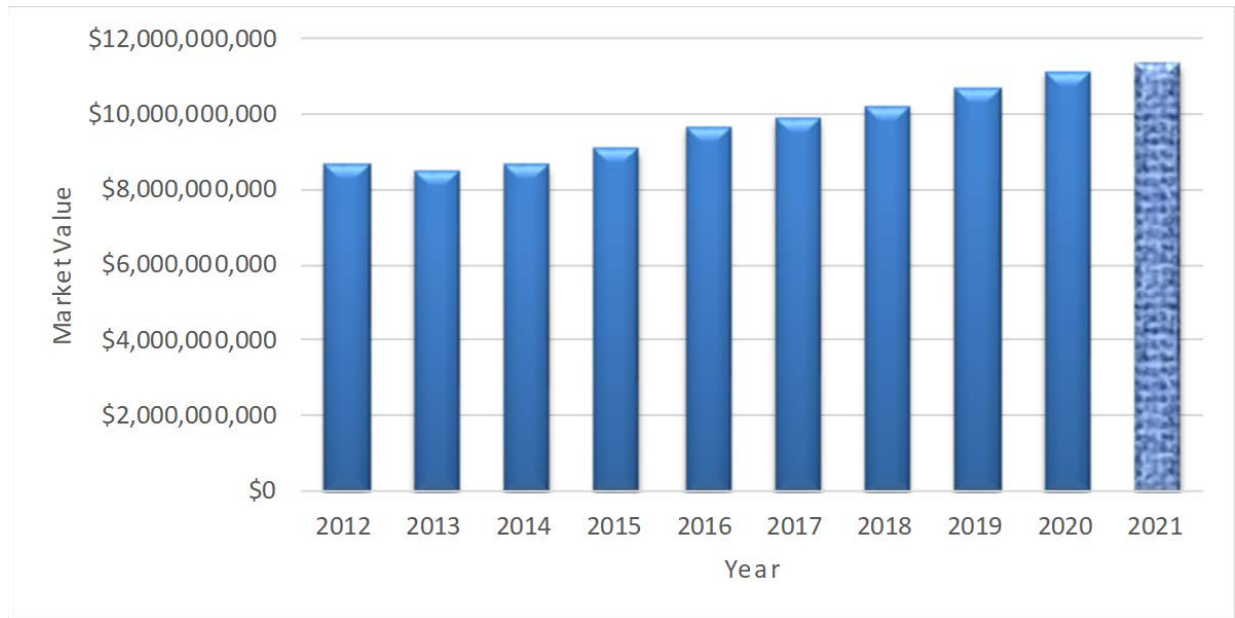
The survey provides valuable input and demonstrates evidence of overall satisfaction with City services. The survey provided feedback on some

concerns regarding affordable housing. The City Council goals include initiatives on affordable housing.



## TAX BASE

The ability to levy and collect taxes is based on property market values, tax capacities, and the City tax rates. Below is a history of the City's market value of all residential and commercial property.



The current estimated market value for taxes payable in 2021 is a market value increase to \$11.4 billion, which is a 2.9% increase over 2020. The table below shows the history of market value, adjusted net tax capacity and the City tax rate since 2018.

	2018	2019	2020	2021
Market Value	\$10.2 Billion	\$10.6 Billion	\$11.1 Billion	\$11.4 Billion
Adjusted Net Tax Capacity	\$106,602,759	\$112,559,846	\$116,554,959	\$120,934,049
City Tax Rate	32.34%	31.52%	31.51%	31.34%

Below summarizes the **City's tax impact** for residential, apartment, and commercial properties based on current information from the County.

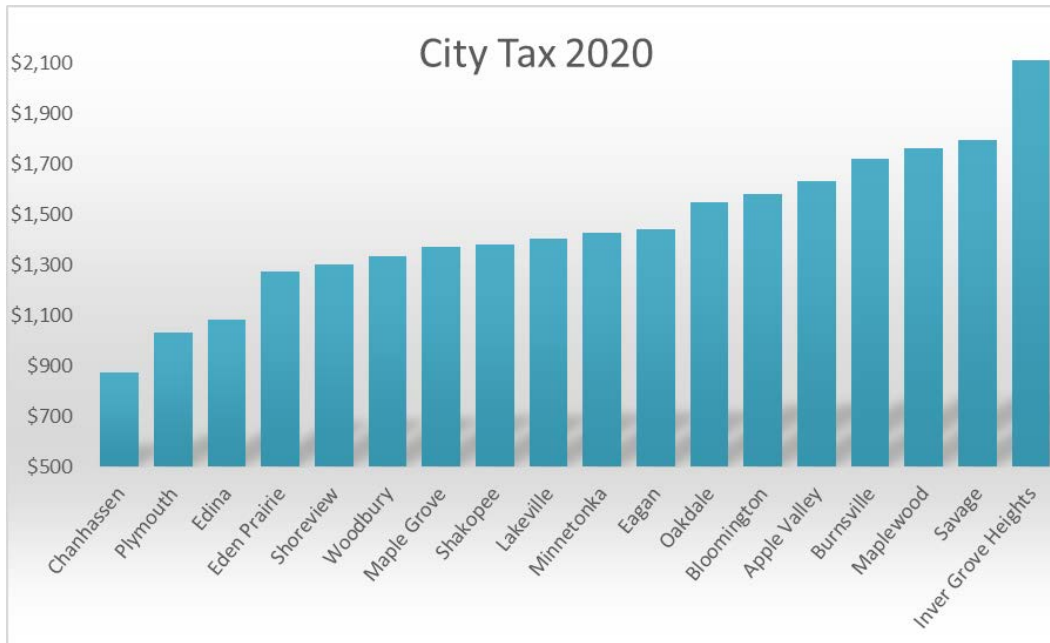
<b>Property Type</b>	<b>2019/2020</b>	<b>2020/2021</b>	<b>Difference</b>	<b>Percent Change</b>
Residential (\$415,800)	\$ 1,339	\$ 1,335	\$ (4)	(0.3%)
Apartment (\$5M)	\$ 18,906	\$ 19,974	\$ 1,068	5.7%
Commercial (\$2M)	\$ 7,683	\$ 7,948	\$ 265	3.4%

Staff has calculated that a \$390,000 change in the tax levy will impact the median value home by 1% or \$14.00.

Below summarizes the total tax impact by taxing authority for the median value home.

<b>Entity</b>	<b>2020</b>	<b>2021</b>	<b>Difference</b>	<b>Percent Change</b>
Hennepin County	\$ 1,705	\$ 1,583	\$ (122)	(7.2%)
City of Eden Prairie	1,339	1,335	(4)	(0.3%)
School District	1,763	1,748	(15)	(0.9%)
Metro Spec Tax District	102	94	(8)	(7.8%)
Other Districts	335	319	(16)	(4.8%)
<b>Total</b>	<b>\$ 5,244</b>	<b>\$ 5,079</b>	<b>\$ (165)</b>	<b>(3.1%)</b>

One of the goals of the budget is to continue to improve Eden Prairie's relative position in fiscal comparisons with comparable cities. Eden Prairie is in the lower half of taxes paid for the single value home when compared to the other Minnesota Legislative Commission (MLC) cities as can be seen by the graph below.



The cities that belong to the commission have similar characteristics including receiving limited revenue from the State and are contributors to the fiscal disparity pool.

## TAX LEVY AND BUDGET

Below summarizes the total tax levy and budget.

### Tax Levy

<b>Fund</b>	<b>2020 Adopted</b>	<b>2021 Adopted</b>	<b>Difference</b>	<b>Percent Change</b>
<b>General Fund</b>	\$ 36,668,102	\$ 38,061,490	\$ 1,393,388	3.8%
<b>Capital Improvement Fund</b>	400,000	400,000	-	0.0%
<b>Debt Levy</b>	2,553,000	2,553,000	-	0.0%
<b>Sub-total</b>	39,621,102	41,014,490	1,393,388	3.5%
<b>Less Fiscal Disparity Distribution</b>	(2,046,407)	(2,233,830)	(187,423)	9.2%
<b>Total Levy</b>	<b>\$ 37,574,695</b>	<b>\$ 38,780,660</b>	<b>\$ 1,205,965</b>	<b>3.2%</b>

### Budget

<b>Fund</b>	<b>2020 Adopted</b>	<b>2021 Adopted</b>	<b>Difference</b>	<b>Percent Change</b>
<b>General Fund</b>	\$ 48,657,456	\$ 50,102,474	\$ 1,445,018	3.0%
<b>Debt</b>	2,553,000	2,553,000	-	0.0%
<b>Capital Levy</b>	400,000	400,000	-	0.0%
<b>Total City Budget</b>	<b>\$ 51,610,456</b>	<b>\$ 53,055,474</b>	<b>\$ 1,445,018</b>	<b>2.8%</b>

## DEBT LEVY

For 2021 debt payments supported by the tax levy are projected to remain 5% to 6% of the general fund budget. The City has a policy of maintaining a percentage of 5% to 15% of the general fund budget as we consider this to be a moderate debt burden.

Moody's Investors Service has assigned a rating of Aaa to the City of Eden Prairie's (MN) bond for every debt issue since 2003, the highest rating from Moody's. Standard & Poor's has also assigned a rating of AAA to the City of Eden Prairie's bonds outstanding, their higher rating as well. This ensures the City receives the most competitive interest rates. The City's bond ratings

reflect Eden Prairie’s extensive and diversified tax base, low amount of rapidly amortized debt, and capably managed operations.

For 2021, the total debt levy is the same as 2020 or \$2,553,000. The City currently has three bonds that are supported by the debt levy. These include bonds for the SouthWest Fire Station, for Park Improvements including the community center, park, and trails, and for the aquatics expansion at the Community Center. In October, the City refinanced the 2012A, 2012B bonds and two special assessment bonds for a savings of approximately \$311,000. Due to the timing of the levy submittal to the County, The 2021 levy below still shows the old debt but will be switched over to the new debt issued for future reporting.

Below summarizes the detail of the 2021 debt levy.

<b>Debt Levy</b>	<b>2020 Adopted</b>	<b>2021 Adopted</b>	<b>Difference</b>	<b>Percent Change</b>
<b>Debt Levy on Tax Capacity</b>				
2012B SouthWest Fire Station	\$ 310,000	\$ 280,000	\$ (30,000)	(9.7%)
2014 Tax Abatement	1,397,000	1,397,000	-	0.0%
Sub-total	1,707,000	1,677,000	(30,000)	(1.8%)
<b>Debt Levy on Market Value</b>				
2011C Parks Referendum	165,000	-	(165,000)	(100.0%)
2012A Parks Referendum	681,000	876,000	195,000	28.6%
Sub-total	846,000	876,000	30,000	3.5%
<b>Total</b>	<b>\$ 2,553,000</b>	<b>\$ 2,553,000</b>	<b>\$ -</b>	<b>0.0%</b>

**CAPITAL LEVY**

The City prepares a ten-year capital improvement plan and updates the plan every other year. The Capital Improvement and Maintenance fund (CIMF) pays for capital projects that do not have another funding source, for example, playground replacement, repair and expansion of trails, parking lot maintenance (parks), public safety radio replacement, etc. The CIMF is funded through liquor operations profit, rental income, antenna revenue, a tax levy, miscellaneous revenue, and one-time funds the City receives. For

example, when the general fund has positive operating results, amounts not needed to meet the fund balance policy have been transferred to the CIMF. The capital levy is the same amount as 2020 and is \$400,000 annually.

## GENERAL FUND REVENUE BUDGET

Below summarizes the 2021 General Fund Revenue Budget.

<b>Revenue</b>	<b>2020 Adopted</b>	<b>2021 Adopted</b>	<b>Difference</b>	<b>Percent Change</b>
Taxes	\$ 35,959,740	\$ 37,325,260	\$ 1,365,520	3.8%
Licenses and Permits	3,854,780	3,855,780	1,000	0.0%
Intergovernmental Revenue	1,299,222	1,299,222	-	0.0%
Charges for Services	6,331,556	6,468,995	137,439	2.2%
Other Revenue	1,212,158	1,153,217	(58,941)	(4.9%)
<b>Total</b>	<b>\$ 48,657,456</b>	<b>\$ 50,102,474</b>	<b>\$ 1,445,018</b>	<b>3.0%</b>

### COVID-19

The City of Eden Prairie has been impacted by the COVID-19 Pandemic. We have been most impacted by decreases in revenue at our Community Center. Lesser impacts include decreases in our fine revenue. We have also seen substantial savings at the Community Center and in our Facilities and Fleet operations. The 2020 and 2021 budgets have not been updated to reflect COVID-19 impacts. We have projected a 2020 deficit of \$1,300,000. Our total 2020 budget is \$50,102,000. In 2021, we may potentially have similar results.

The City received \$4,700,000 in CARES ACT funding. Most of these funds were used by the City to reimburse ourselves for our response to the crisis. With the CARES ACT funding we are in a good position to manage our finances during the crisis.

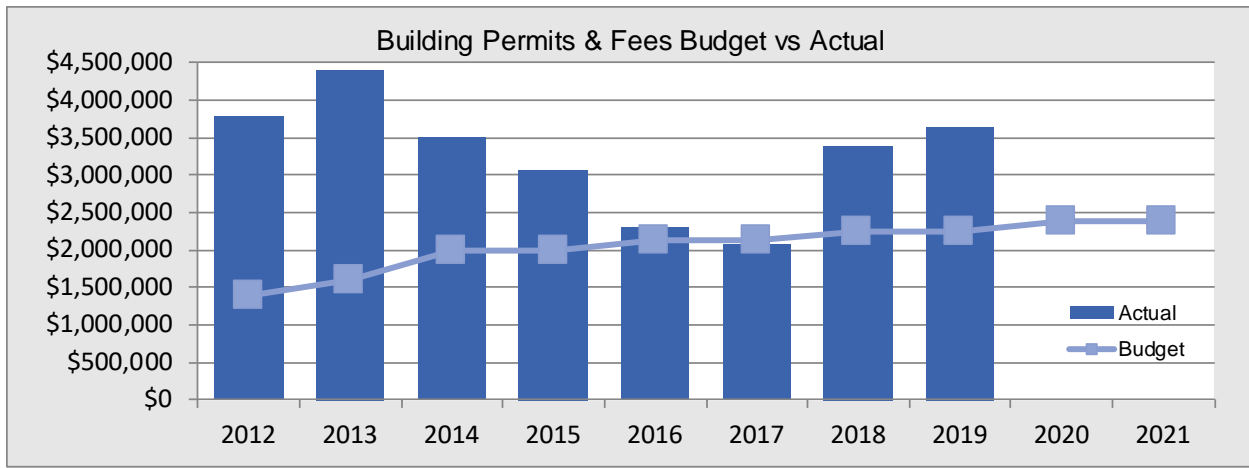
**Property tax revenue** is the single largest source of revenue and the City strives to balance increases in property taxes with the demand for City services. Property taxes account for 74% of the General Fund budget. The tax levy is increasing 3.8% for 2021.

**Charges for services** is the second largest revenue source and accounts for 13% of the General Fund Budget. Charges for services are increasing \$137,439 or 2.2% in 2021.

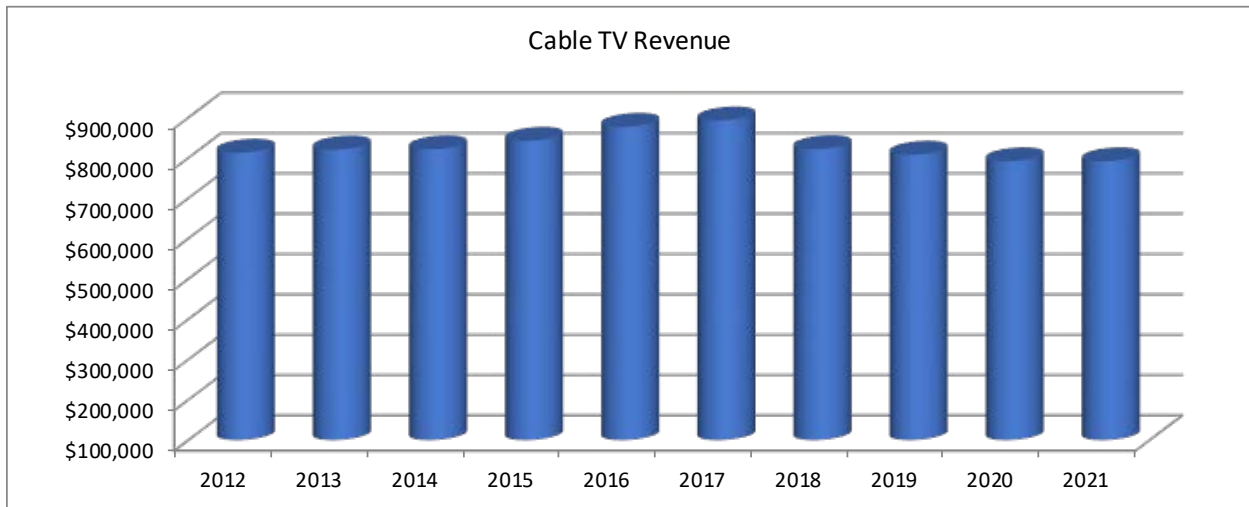
**Licenses and permits revenue** is the third largest revenue source to the General Fund and accounts for 8% of the General Fund revenues. Licenses and permits remains flat for 2021.

Significant items to note include the following:

- Building permit and fees revenue was held flat for 2021 as we budget a higher increase every other year. The below history shows actual amounts to 2019 and then budgeted amounts to 2021.

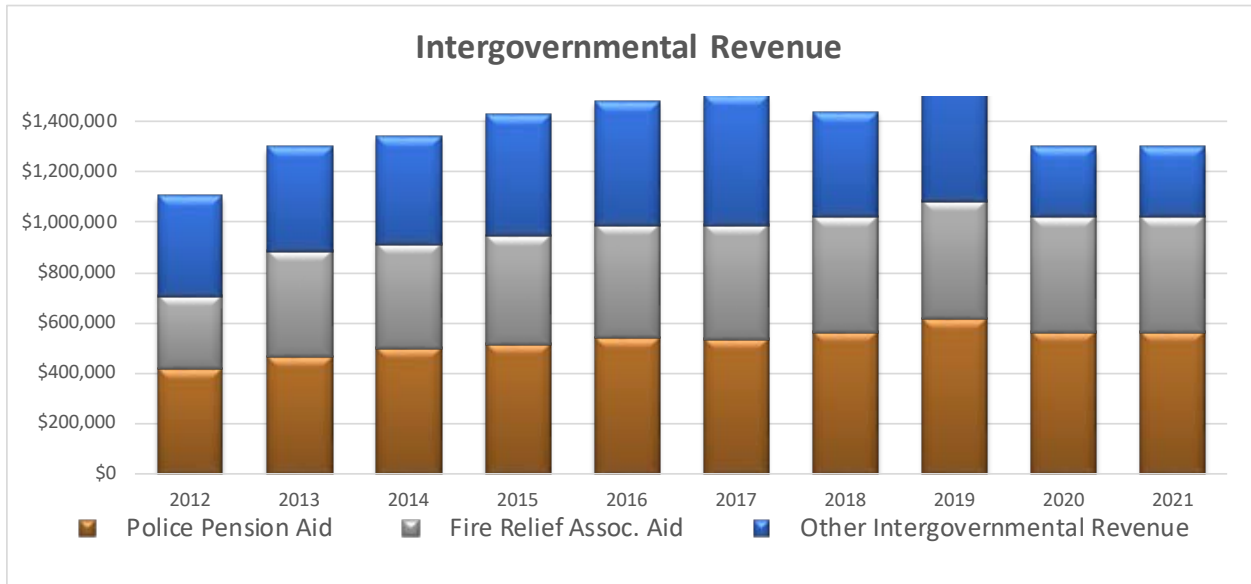


- Cable TV remains flat for 2021. As you can see from the graph below, cable revenue dropped for the first time in 2018.





**Intergovernmental revenue (IGR)** includes Federal and State grants, State aid, and other local grants. During the legislative session PERA aid was eliminated as the legislature did not reauthorize this revenue source. Below is a history of Intergovernmental Revenue.

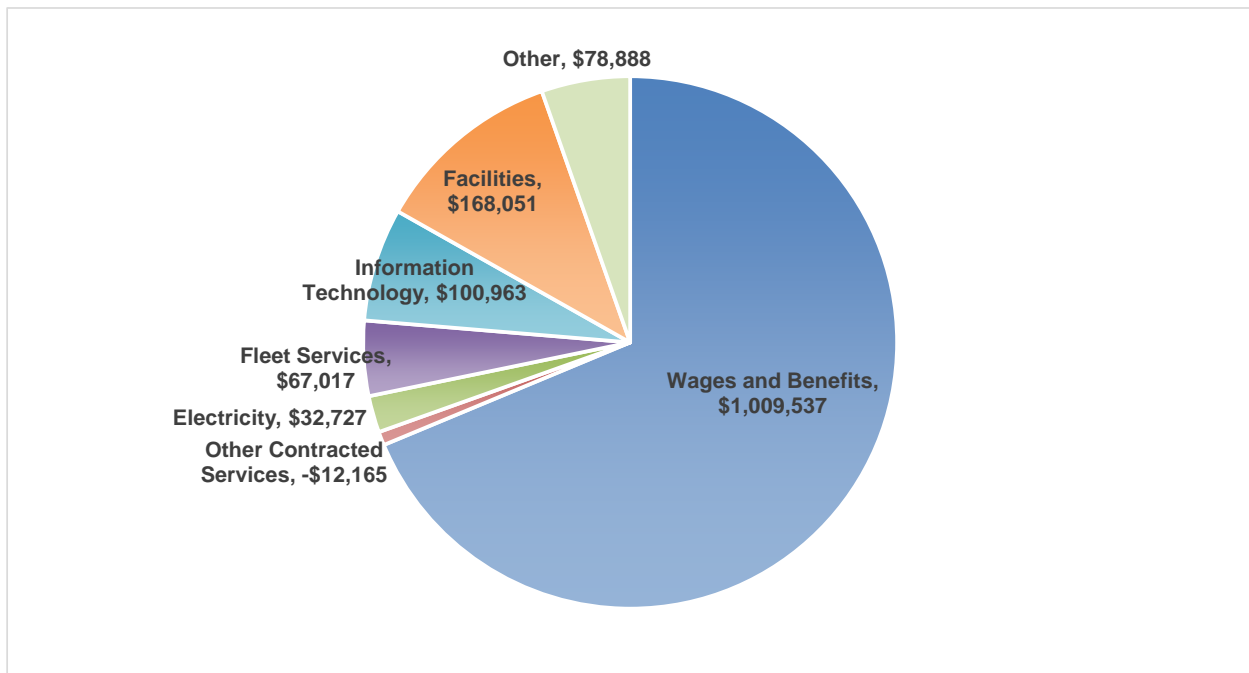


**Other revenues** that the General Fund receives consist of fines and penalties, contributions, interest income, reimbursements and transfers-in. These revenues make-up 2% of the General Fund Revenues.

GENERAL FUND EXPENDITURE BUDGET

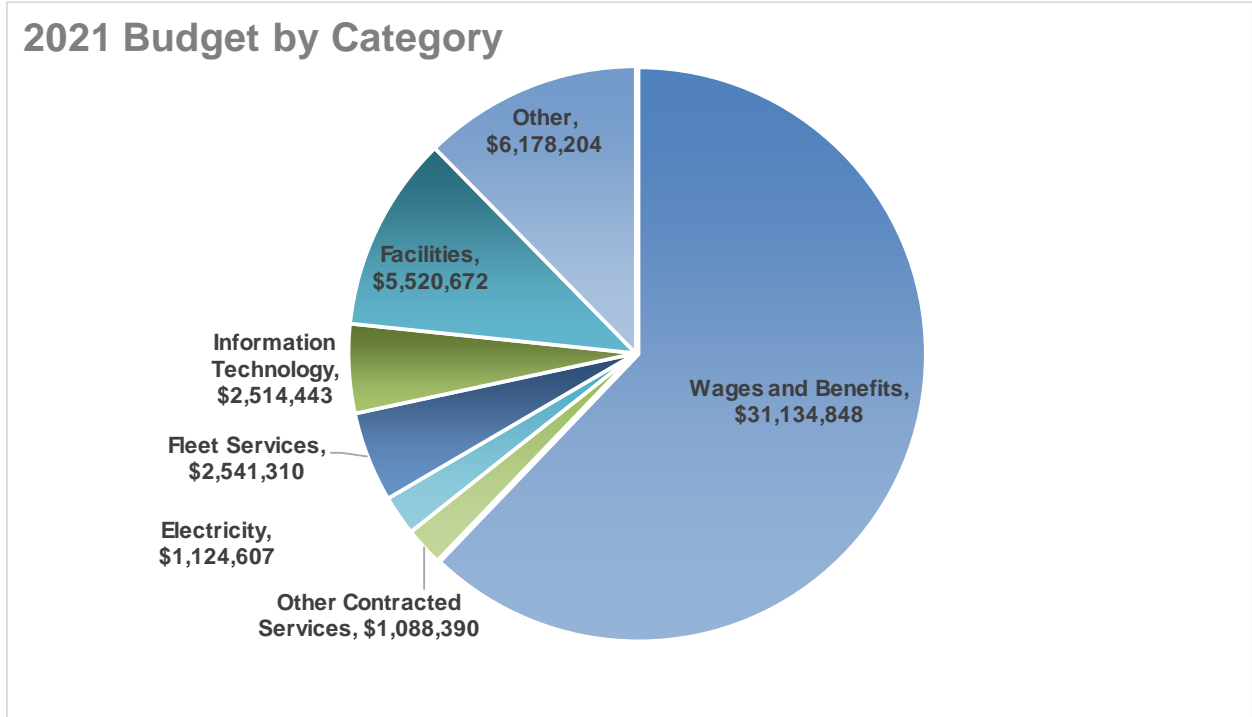
Expenses	2020 Adopted	2021 Adopted	Difference	Percent Change
Administration	\$ 4,752,098	\$ 4,717,537	\$ (34,561)	(0.7%)
Community Development	2,427,180	2,506,395	79,215	3.3%
Parks and Recreation	13,041,401	13,434,873	393,472	3.0%
Police	15,686,374	16,348,761	662,387	4.2%
Fire	6,350,622	6,538,449	187,827	3.0%
Public Works	6,379,781	6,536,459	156,678	2.5%
Transfers	20,000	20,000	-	0.0%
<b>Total</b>	<b>\$ 48,657,456</b>	<b>\$ 50,102,474</b>	<b>\$ 1,445,018</b>	<b>3.0%</b>

Expenditures are increasing 3.0% in 2021. The following graph shows the budget changes by category:



Since the City provides significant services to the community, wages and benefits make up 62% percent of the general fund budget. The most significant categories include wages, pension and taxes, health insurance, part-time wages, and workers compensation insurance. Other significant costs include amounts to maintain facilities, fleet services, information technology, and electricity. These items make up another 23% of the budget.

All other items make up 15% of the budget. The chart below illustrates the make-up of the budget.



Below provides information on the significant items in the budget.

### **Full-Time Wages**

With a staff of 227 full-time employees, the City provides its residents and businesses with a full range of municipal services consisting of police and fire protection, street maintenance, recreation programs, park maintenance, community and economic development, and building inspections.

Wages are increasing 3.8% in 2021. This includes a 3% base increase, step increases and performance pay. In addition, a police officer position has been added. Through staff turnover, the City usually sees budget reduction as new staff are many times hired at a lower rate. However, new employees earn step increases and performance pay until they reach the target rate for their position, which then adds additional increases to the budget.

The City prepares the budget for wages by looking at trends within the private sector labor market and our local government peer group. Based on the compensation trends we are seeing, we are proposing a 3% wage increase in 2021. This proposal is in line with our peer cities and the private sector. We must continue to provide similar increases as the private sector and our public sector peer cities to remain competitive.

### **Part Time Wages**

Wages part-time are decreasing \$65,652 or 2.4% in 2021. For 2021, the election budget was decreased as we move into a year without an election.

### **Duty Crew**

Duty crew wages are increasing \$28,426 or 3% in 2021. The duty crew model was implemented in July of 2012.

## **Fire Relief Pension Plan**

Firefighters of the City of Eden Prairie are members of the Eden Prairie Firefighter Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2019, membership includes 94 active participants, 106 retirees and beneficiaries currently receiving benefits, and 20 terminated employees entitled to benefit but not yet receiving them.

Minnesota Statutes specifies minimum support rates required on an annual basis by the City. The Association completes an actuarial study every two years which documents the required contribution from the City. For 2020, the required amount is \$677,535 annually, which was \$290,991 less than 2019. We have budgeted the same amount for 2021. The City receives Fire Relief Pension Aid from the State of approximately \$450,000, which offsets the City's required contribution.

## **PERA**

The City pays public employees retirement (PERA) benefits for all eligible employees. Generally all full time employees and part-time employees, who earn more than \$5,100 (\$3,800 for 9/10 month school year) annually, are PERA eligible. The City currently contributes 7.50% of salary for PERA except for the police and fire employees where the percent is 17.7% for 2021. The City also pays 7.65% of salary for FICA except for police and fire where the percentage is 1.45%. The City has budgeted \$3,720,979 for PERA/FICA in 2021.

## **Health Insurance**

The City periodically conducts a Request for Proposal (RFP) process to procure health insurance. State law requires that the City issue a RFP every five years. In 2017, the City Council approved a five-year health insurance contract with HealthPartners for 2018 to 2022.

For 2021, the rate cap is 9%, but the increase came in at 5.95%. The budget is increasing 7% due to the addition of the affordable care act fees. We are

keeping the HSA/HRA payments to employees the same which reduces the increase. Also, every year employees can choose different plan options which affects the change in costs.

## INTERNAL SERVICE FUNDS

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### FACILITIES USER CHARGES

The Facilities Division is responsible for building related operations, preventative maintenance, remodeling, and long-term maintenance programs of the facilities owned by the City. The buildings include the City Center, Community Center, Senior Center, Outdoor Center, Art Center, Maintenance Facility, four Fire Stations, park shelters, and historical buildings. Facilities charges back to the internal users for these services.

Facility user charges are increasing from \$5,352,621 in 2020 to \$5,520,672 in 2021 which is a 3.1% increase.

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### IT USER CHARGES

The Information Technology Division is responsible for providing strategic technology direction and managing and implementing IT governance processes in support of City leadership. IT develops and implements IT operational policies and standards, manages contracts for IT services with various service providers, and coordinates major citywide activities including:

- General PC/Phone Systems Support;
- Network Wellness (Network Hardware/Servers/Enterprise Applications);
- Application Analysis, Implementation and Support and;
- Technology Analysis, Recommendation and Implementation.

IT charges back to the internal users for these services. For the General Fund, IT user charges are increasing from \$2,413,480 in 2020 to \$2,514,443 which is a 4.2% increase.

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### FLEET SERVICES USER CHARGES

Fleet services provides and maintains a safe, high quality, reliable and efficient fleet of vehicles and equipment. They manage approximately 300

vehicles and large pieces of equipment. The fleet includes police and fire vehicles, snowplows, dump trucks, pickup trucks and autos. Fleet Services is also continuing sustainability efforts this budget cycle to implement additional plug-in electric vehicles and improve building electrical infrastructure to support more electric vehicle charging stations. Fleet Services charges back to the internal users for these services.

Fleet services user charges for the general fund are increasing 2.7% in 2021 to \$2,541,310. The Fleet Services budget is able to hold fairly constant through this budget cycle primarily due to the relative stability of fuel prices, regular maintenance of the fleet, and the City's continued efforts to conserve fuel and improve vehicle and equipment fuel economy.

#### HOUSING AND REDEVELOPMENT AUTHORITY (HRA)

In 1980, the City of Eden Prairie established a Housing and Redevelopment Authority for the City. The HRA may spend resources for the following:

- to provide a sufficient supply of adequate, safe, and sanitary dwellings in order to protect the health, safety, morals, and welfare of the citizens of this state;
- to clear and redevelop blighted areas;
- to perform those duties according to comprehensive plans;
- to remedy the shortage of housing for low and moderate income residents, and to redevelop blighted areas, in situations in which private enterprise would not act without government participation or subsidies.

Housing and Redevelopment Authorities can levy a tax of up to .0185 percent of estimated market value. The levy limit for the City of Eden Prairie HRA is approximately \$2.1M. In 2006, the Council approved the HRA levy for the first time.

The HRA levies and pays for wages and benefits related to the support of housing in the City. It includes staff time from Housing and Community Services, Community Development, Planning, and Administration of Rental Housing Licensing. Wages and benefits total \$196,469 for 2021.



## CONCLUSION

This document is intended to provide information on the 2021 City of Eden Prairie budget. If you have any questions about the budget contact a member of the finance team or the individual operating areas.