

City of Afton 2018 Proposed Budget Overview

The following is an overview of the City of Afton proposed 2018 budget. The proposed 2018 budget reflects the effort to cost-effectively maintain current service levels, while planning for the funding of future capital improvement needs.

Tax Levy, Tax Rate and Impact on Property Owners

Tax Levy

The proposed 2018 budget results in a total tax levy, including the General Fund levy and the debt service and transfer levies, of \$2,133,786. This is a \$91,886, or 4.5% increase over the total 2017 levy. The main items causing this increase are a \$33,000 increase in the levy for street improvements and a \$49,671 initial levy to begin funding for other capital improvement needs including bridge replacements. The proposed 2018 General Fund levy is \$1,007,067, which is a \$3,625, or 0.4% increase from the 2017 General Fund levy. The minor increase is due to the substantial reduction in street maintenance costs due to recent improvements to 16.9 miles of the City's streets that were in the poorest condition.

Tax Rate

Based on the proposed total levy, the City's tax rate would be reduced from 32.299% in 2017 to 32.275% in 2018.

Impact on Property Owners

The proposed budget and tax levy would result in the City's share of property taxes on a home valued at \$500,000 being \$1,694.50, an increase of \$79.53 or 4.92% over 2017. For a commercial property valued at \$500,000, the city's share of property taxes would be \$3,114.65, an increase of \$126.94 or 4.25%.

General Fund Budget

The General Fund Budget includes expenditures and revenues related to the general day-to-day operation of the City.

General Fund Expenditure Highlights

The proposed 2018 General Fund expenditures are \$1,243,890. This is an increase of \$10,714 or 0.09% from the 2017 budget. The proposed General Fund budget reflects a significant reduction in pothole repair expenditures due to the improvements to the 16.9 miles of streets that were in the poorest condition through the 2017 Pavement Management Project. The budget also addresses service needs and maintains current service levels of police and fire services.

An outline of the key items affecting the General Fund expenditures is as follows:

- Fire and Ambulance service operating expenditures are up \$5,870, or 2.4%
- Police Service expenditures are up \$5,000 or 2.9% based on the estimated cost increase from the Washington County Sheriff's Department
- A line-item for additional police patrols related to noise and speed enforcement has been added in the amount of \$5,000.
- Costs related to pothole patching are reduced by \$36,000 or 78.3%.
- The budget item that includes brush trimming along roadways has been increased by \$11,000 due to a substantial increase in the amount of brush trimming required.
- Costs related to street lights are up by \$7,000 or 140% to reflect additional electricity costs for the new street lights in the downtown area.
- Wages and benefits are up \$12,044, or 4.6%, mainly due to market adjustments for the City Clerk and Office Assistant positions.

General Fund Revenue Highlights

- All revenues are generally flat. While actual Building Permit revenue is higher than the amount budgeted, the City has been budgeting these revenues conservatively.

Tax levies and Transfers

- The remaining \$50,000 levy that was used to fund the high speed internet project in 2017 has been redirected to the Street Improvement Capital Fund. Along with a street improvement levy increase of \$33,000, the internet levy is now a funding source to increase the annual level of funding related to street improvements from \$375,000 to \$460,000. Of the \$460,000, \$390,000 is being budgeted in the 2017B Road Bond Debt Service account to pay the debt service on the \$3.5 million of bonds used to fund the 16.9 miles of street improvements completed in 2017. This leaves the remaining annual \$70,000 levy available for additional street improvements.

Street and Bridge Improvements Planning

Streets

While the original funding plan with the \$3.5 million bond issue anticipated completing 3.5 miles of reclamation and 6.5 miles of mill and overlays, the 2017 Pavement Management Project completed 16.9 miles of improvements, including all streets that required reclamation. This leaves only 7.5 miles of streets to be improved, all of which appear to need the lower cost mill and overlay vs. the higher cost reclamation.

The levy impact using the scenario of completing the remaining 7.5 miles of street improvements over the next six years is that, rather than increasing the street improvement levy by \$150,000 in 2018, as was anticipated in the original funding plan, the levy is proposed to be increased by \$33,000 in 2018.

Bridge Replacement Funding

The City has five bridges that are periodically inspected regarding the need for repair or replacement. Staff is working with the City Engineer to obtain information regarding the timing and costs of future bridge replacement needs. The City does not currently have a funding plan for bridge replacement. The proposed 2018 budget includes the initiation of a levy of \$49,671 for capital improvement needs including bridge replacement.

Downtown Village Improvement Project

The Downtown Village Improvement Project has been under construction since April of 2017. The Project is expected to be substantially complete in the fall of 2017. The proposed budget and tax levy reflect funding for the planned level of property tax support for the project.

Assessments

The property owners in the downtown village area will begin paying assessments to fund a portion of the Downtown Village Improvement Project costs in 2018. The property tax notices recently mailed to property owners by Washington County did not include these assessment payments. The first year's assessment payments will be included in the 2018 property tax bills.

New Downtown Village Area Wastewater Collection and Treatment System

New System in Operation

The new wastewater collection and treatment system serving the downtown village area is now in operation and available for connections.

Sewer Fees for Downtown Village Area

Beginning in late 2017, the City will begin to charge a sewer fee to those who have connected to the new wastewater collection and treatment system serving the downtown village area. This fee is needed to fund the operating costs of the wastewater collection and treatment system. The Council has approved a sewer fee of \$50 per month per sewer unit. Single-family residential properties all have one sewer unit. Commercial properties may have more sewer units, based on statutory criteria related to volume.

**The 2018 Proposed Budget is available at
City Hall or on the City's website at:**

www.ci.afton.mn.us

(Click the top tab: "City Finance Information")