

City of Bloomington, Minnesota
Annual Budget

Fiscal Year 2010

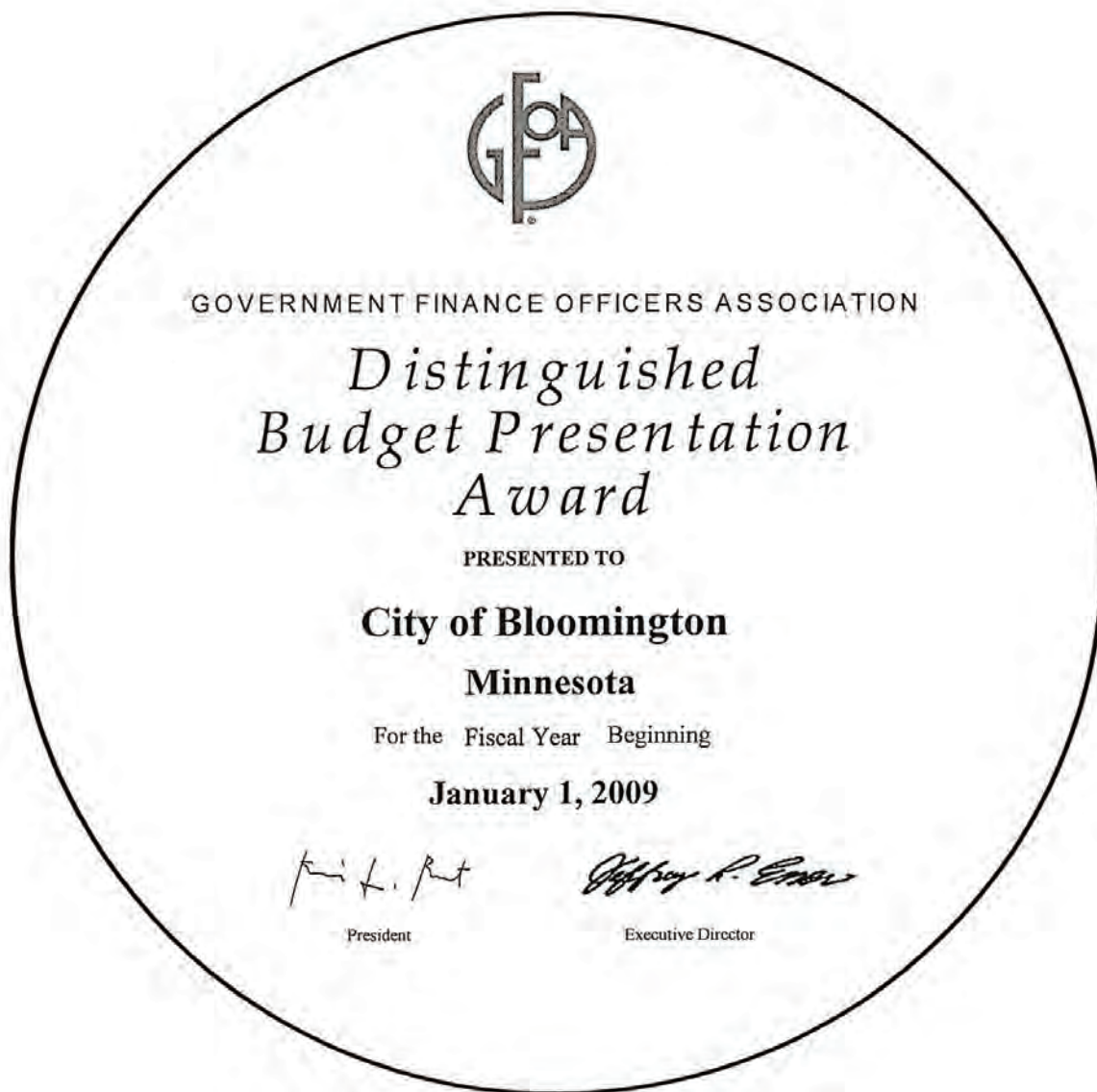


Introduction

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Budget Presentation Award



The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Bloomington for its annual budget for the fiscal year beginning January 1, 2009.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



March 1, 2010

Dear Reader:

The 2010 Budget theme “Dedicated to service: Working together for a stronger Bloomington” speaks to the commitment of City elected officials and staff to provide excellent customer service to the community. Moreover, the theme illustrates the City’s partnership with Bloomington residents and businesses in making Bloomington a desirable place to live, work and play.

The City’s long-term vision is to make Bloomington a more sustainable, safe, attractive and competitive community. We do this by providing quality services at reasonable, competitive costs and by supporting the long-term property investments of residents and businesses through City reinvestment and renewal.

Examples of our efforts can be found throughout the pages of this document, which presents the City’s approved 2010 budget. This document also includes budget summaries for all funds, working capital goals by fund, debt and capital overviews and operating program details. Background information used to develop the budget and to describe its impact and corresponding levies are included in the introduction to provide a more complete understanding of the 2010 Budget. Five-year, 10-year and 15-year budget models were used to determine the current levy and to consider the City’s long-term financial stability. The pro forma component of this budget is included herein and can also be found on our website at www.ci.bloomington.mn.us.

For more detailed financial information, please refer to the Comprehensive Annual Financial Report (CAFR) at www.ci.bloomington.mn.us.

The 2010 State of the City address was designed utilizing the same customer service theme and can also be found on the City’s website.

Lori Economy-Scholler
Chief Financial Officer

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City of Bloomington

City Council

Mayor



Gene Winstead

Council Members



Amy Darr Grady



Steve Elkins



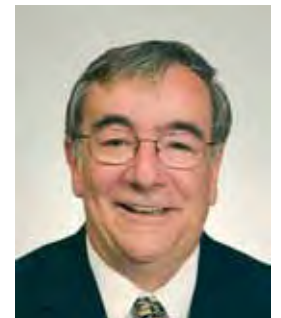
Thomas Hulting



Karen Nordstrom



Steve Peterson



Vern Wilcox

Executive Management Team

Mark E. Bernhardson, City Manager

Executive Management Community Development -----Lawrence Lee, Director
Community Services -----Diann Kirby, Director
Finance -----Lori Economy-Scholler, Chief Financial Officer
Fire -----Ulysses Seal, Fire Chief
Human Resources-----Kent T. Michaelson, Director
Legal -----Sandra Johnson, City Attorney
Police -----Jeff Potts, Police Chief
Public Works -----Karl Keel, Director
Technical Services Group
Assessing-----Matthew Gersemehl, Acting City Assessor
City Clerk's Office -----Thomas Ferber, City Clerk
Information Systems -----Amy Cheney, Manager

Mission Statement

Community Vision

To build and renew the community by providing services promoting community renewal and guiding growth in sustainable, fiscally sound ways.

Council's Goals and Strategies

Bloomington's vision recognizes that the City needs to grow and operate in a sustainable manner that meets the needs of today without reducing the ability of future generations to meet their own needs.

The City's sustainable strategies address energy use, accessibility, green infrastructure, choice of housing and transportation options and emphasis on using local and regional resources.

Land Use - LU

- § Focus commercial and residential growth in three mixed use districts (South Loop, Penn/American, and Normandale Lake) where it can be served by transit, encourage short-trip lengths, promote biking and walking and reduce vehicle miles traveled.

Transportation - T

- § Support transit improvements including additional transit service.
- § Implement the *Alternative Transportation Plan* including the creation of bikeway and walkway networks and their interfaces with transit and commercial and recreational destinations.
- § Operate a Pavement Management Plan to adequately renew the transportation infrastructure.
- § Encourage shared parking among land uses and developments.

Housing - H

- § Guide new high-density housing toward locations near transit, services, amenities and employment.
- § Encourage higher densities where appropriate as redevelopment occurs.

Utilities - U

- § Reduce energy and resource consumption by decreasing inflow and infiltration into the sanitary system and by encouraging water conservation.
- § Protect water quality using best management practices for surface and subsurface water.
- § Adopt an asset management program to preserve the excellent condition of Bloomington's utilities.

Organizational Strength - OS

- § Maintain a strong, sustainable organization in terms of the quality and affordability of services, financial strength and the professionalism and productivity of its operations.
- § Make community investments that in turn encourage private investments consistent with the City's sustainability objectives.

You will find these colored icons associated with appropriate departmental and divisional objectives later in this document.

Organization Mission

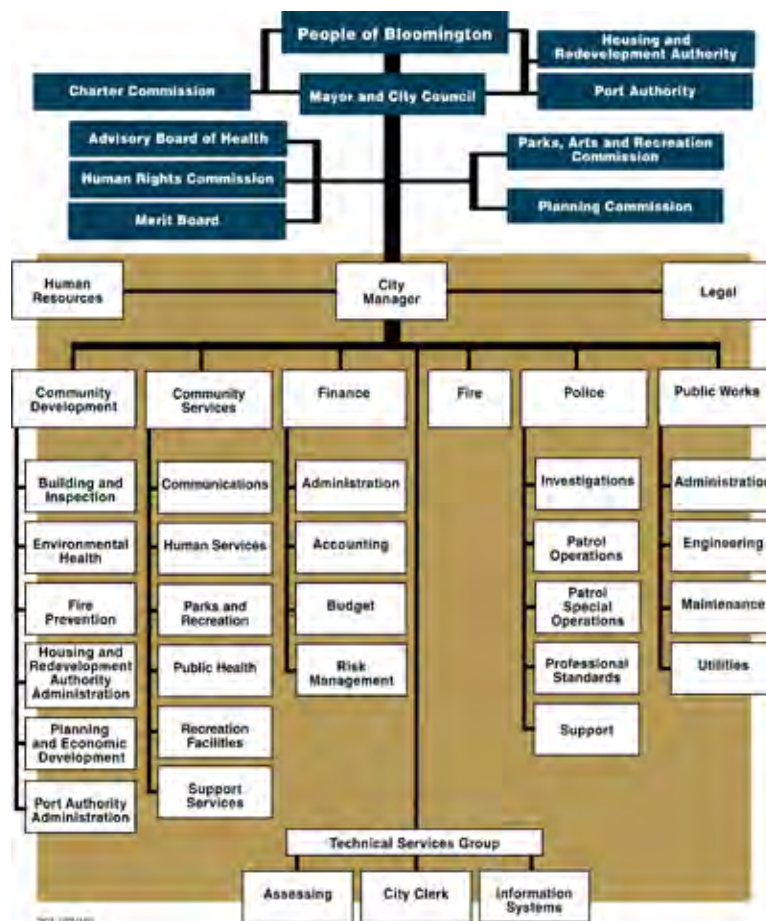
A professional, productive, learning organization that builds and renews the community by providing quality services at an affordable price.

Organization Structure and Chart

The home rule charter was adopted in November 1960. The City is a Council-Manager form of municipal government. The Council is comprised of the Mayor and six Council Members who serve four-year terms; the Mayor and two members are elected at large, the rest are elected by district. The City Manager, the chief administrative officer, is selected by the Council to serve an indefinite term. The City Manager controls and directs the administration of the City's affairs and supervises all departments and divisions.

Activities are managed through eight departments, each with a director appointed by and reporting to the City Manager. A description of the departments and their functions is included in this document. Within each department are several divisions managed by program managers who report to the directors. A description of each program, its objectives and budget is also in this document.

Cross-functional teams study, prioritize and implement projects throughout the year. For example, the Steering Committee, comprised of the City Manager and Department Directors, meets on citywide information systems, assessing and licensing policy, and operational matters. Other teams focus on issues such as neighborhood cleanup compliance, capital planning, liquor code enforcement, transportation, emergency preparedness and facility needs, among others.



Community Profile



Bloomington, the fifth largest city in Minnesota, has an expansive hospitality industry, diverse manufacturers and major retailers. The Mall of America, the largest enclosed mall in the United States, employs approximately 10,000 people. The City has achieved 99 percent of its original development capacity. To provide visual and physical relief from continuous urban development, one-third of the city is designated for public parks and conservation. Bloomington is also home to award-winning schools and colleges. Significant development is occurring in the City including McGough Development's \$700 million transit oriented development called Bloomington Central Station. The Mall of America Companies are working on an estimated \$1.7 billion second phase of Mall of America.

City Statistics –

Area - 38.3 sq. miles (24,540 acres)

City Bond Ratings

Aaa Moody's

AAA Standard & Poor's

AAA Fitch

One of only 24 cities out of more than 19,000 municipal governments in the U.S. that have achieved triple-A ratings from all three agencies.

Bloomington Residents Employed in Bloomington – 48,506 (November 2009)

Total Jobs in Bloomington – 84,520 (2nd Quarter 2009)

Household Size (Not in Group Quarters) – 2.27 Persons

Housing - Total Units – 37,626

93.25 Percent Single-Family Homes Owner Occupied

21,249 Single-family Detached Units

2,785 Single-family Attached Units

13,427 Multiple-family Units

105 Mobile Homes and Trailers

60 Commercial/Industrial Living Units

Population (2008 State Demographer Estimate) – 85,238

Median Age – 45.4 (2008 Census Bureau's American Community Survey)

Minnesota Unemployment Rate – 7.3% (December, 2009)

City of Bloomington Unemployment Rate – 7.0% (December, 2009)

Public Safety -

Civil Defense Warning Sirens – 22

Emergency Vehicle Pre-emption Systems – 121

Fire Protection – 6 Stations

140 Volunteer firefighters

ISO Class 3

Police Protection – 1 Central Station, 1 Satellite Station at Mall of America

116 Sworn Officers

Educational Institutions -

Colleges - 3

Bethany College of Missions – 105 Full-Time Students

Normandale Community College (part of Minnesota State Colleges and University System) – 10,092 Full and Part-Time Students (2009 Fall Enrollment)

Northwestern Health Sciences University – 931 Full-Time Students

Independent School District #271 – 10,070 Students (2009/10 Enrollment)

10 Elementary Schools – 4,480 Students

3 Middle Schools – 2,228 Students

2 Senior High Schools – 3,362 Students

Parochial Schools – 7 with a total enrollment of 1,068 students

Elections -

53,767 Registered Voters – 2009 General Election

8,676 Ballots Cast – 2009 General Election

16.14 Percent Voting

59,158 Registered Voters – 2008 General Election (Presidential)

51,376 Ballots Cast – 2008 General Election (Presidential)

86.8 Percent Voting

Utilities -

Municipal Sewer System – Metropolitan Council Environmental Services

25,225 Connections

348 Miles of Sanitary Sewer Mains

8.8 Million Gallons Average Daily Flow

28 Sanitary Lift Stations

Municipal Water System – City of Bloomington Water Plant (6 wells) –

14 Million Gallons per Day Capacity

410 Miles of Water Mains

Augments production by purchasing City of Minneapolis treated water - up to 30 million gallons per day with 2 million gallons per day average minimum purchase required

25,674 Connections

12.5 Million Gallons Daily Average Consumption

44 Million Gallons System Capacity

4,529 Public and Private Fire Hydrants

6,787 Water Gate Valves

Storm Sewer – 253 Miles

Sidewalks – 232 Miles on Street Rights-of-Way

630 Miles of Curb and Gutter

Streets – 345 Miles

Street Lights – 4,118

Traffic Signal Installations – 147

Recreation -

925 Acres of City parks, playgrounds and playfields –

97 parks, 80 baseball/softball fields, 31 soccer fields, 7 football fields, 35 outdoor basketball courts, 53 tennis courts, 33 park buildings, 14 picnic shelters, 19.25 miles of trails, 55 playgrounds

3,787 Acres of parks and open spaces including:

575 acres of playlots, neighborhood parks and playfields, 1,677 acres of conservation areas and ponds, 204 acres of special use areas, and 1,331 acres of large urban parks and regional parks

1,268 acres of regional park lands owned and operated by Three-Rivers Park District

4,211 acres in the Minnesota River Valley Wildlife Refuge owned and operated by the United States Fish & Wildlife Service and the Minnesota Department of Natural Resources

163 Acres golf courses (two courses) and ice garden (three indoor rinks)

2010 Budget Calendar

April 29 – May 27	Prepare payroll projections for 2010. Internal Service fund charges reviewed and loaded into budget.
May 5 – May 27	Revenue generating programs review fees.
May 28	General training session for departments.
May 28 – June 19	General Fund departments review, revise and submit 2010 budgets.
June 22 – July 8	Prepare budgets for recreation facilities to determine levy required. Editing by budget staff.
July 8 – August 20	General Fund department meetings with City Manager and budget staff to review requests. City Manager meets with other fund managers and budget staff to review requests.
August 24	City Manager's proposed general fund budget for 2010 and 2010 levy are presented to the City Council for discussion.
September 14	City Council adopts preliminary 2010 tax levy and general fund budget.
October/November/December	Special Revenue, Enterprise Fund and Internal Service Fund budgets presented to the City Council for approval.
December 7	Budget and Levy public hearing.
December 21	Final budget approval and tax levy certification.
December 28	Final 2010 levy certified to Hennepin County.

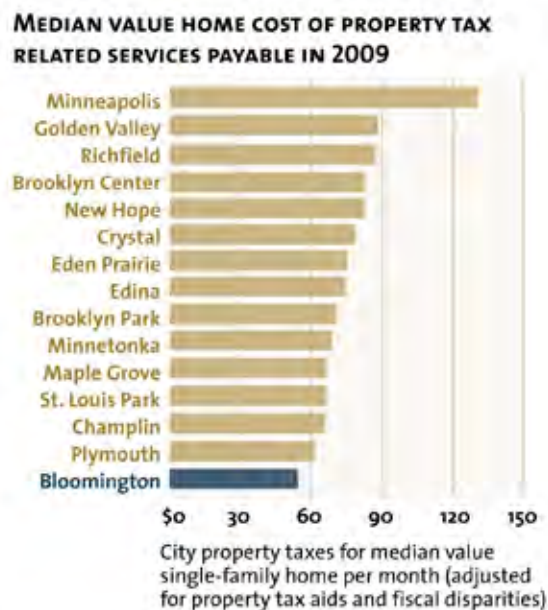
City Manager Budget Message



The following pages present the City of Bloomington’s Annual Budget for Fiscal Year 2010. The budget is formulated by using the City’s vision Imagine Bloomington 2025 and Organizational Mission as the major guiding principles. Additional guiding principles employed during the Budget Analysis Process are designed to ensure that we continue to meet the needs of our residents while balancing the City’s budget. The primary long-term objectives for the budget include:

Meeting Demands for Quality City Services

The City is continuing to meet the needs of its residents while finding ways to improve services and keep costs affordable. In a 2009 comparison of 15 communities in Hennepin County with more than 20,000 residents, the average monthly single-family cost of services in terms of property taxes and property tax aids (when adjusted for Fiscal Disparities) showed Bloomington ranking the lowest. *See graph below.*



Renewing Community

The City’s budget is aligned with ongoing efforts to provide housing alternatives and revitalize commercial areas that will continue to be the focus for 2010. Making Bloomington more sustainable by encouraging higher density, mixed-use and, where applicable, transit oriented development in selected areas continues to be the long-term sustainability goal. The following projects were approved and are currently in the planning or implementation stages:

- The Penn-American District Plan, now in its final stages, will create a more livable retail, office and residential neighborhood adjacent to the I-494 and I-35W interchange.
- The rebranding of the Airport South District to South Loop will help advance the redesign and development of this important commercial and employment center located immediately south of the Minneapolis-St. Paul International Airport. The South Loop District Plan will guide future land use, transportation, urban design and redevelopment of the area extending from I-494 on the north, TH-77 on the west, to the Minnesota River on the south and east. One objective of the plan is to establish a mixed-use area that takes advantage of South Loop’s unique location

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adjacent to the 12th-busiest airport in the United States and a National Wildlife Refuge.

- The former site of the Bloomdale Shopping Center on the southwest corner of France Avenue and Old Shakopee Road is now home to a Walgreen's pharmacy within its 36,724 square feet of retail space, and 10,000 square feet of office space.
- Older adult housing projects are proposed for Bethany Senior Housing, 6600 and 6820 Auto Club Road and Portland Commons, 8735 Portland Avenue South. Older adult housing projects that are at or near completion include Southtown Baptist Church, West 82nd Street, Penelope 35 Apartments Phase II on Beard Avenue, the Village on 9 Mile Creek final addition on Old Shakopee Road and Crossings at Valley View on Portland Avenue.
- Wealshire of Bloomington, a 130-bed memory-care facility, received approval for 10601 Lyndale Avenue South.
- The Richdale Group obtained permits to construct a 282-unit apartment complex at 82nd Street and Stanley Avenue.
- Green Valley Drive, just north of Normandale Lake Boulevard, is the proposed site of 250 luxury Covington Apartment units.
- Richfield Bloomington Credit Union has approval for a two-story development for Lyndale Avenue and West 96th Street that will include a financial institution, office and retail spaces and two restaurants.
- Wal-Mart, on American Boulevard East, completed a major project to completely remodel and expand the store. Improvements include a new full-service grocery and a drive-through pharmacy.

Retaining Excellent Financial Integrity

The City continues to make efforts to stabilize taxes through long-term strategic budgeting, systematic replacement of assets and establishing transitional reserves that allow for refinements to temper unexpected circumstances, as necessary. Strong financial management through such planning has resulted in numerous acclamations from our external auditors and financial advisors.

Bloomington is one of only 24 cities nationwide to obtain three triple-A bond ratings. The City maintains triple-A ratings from Moody, Standard & Poor and Fitch Ratings, the highest bond ratings awarded by those agencies. According to the agencies, Bloomington's triple-A status reflects the City's healthy economic growth, conservative fiscal management and manageable debt burden.

Local Outlook

During the 1990s, Bloomington began modeling the economic cycles traditionally found in market economies and developed strategies to deal with economic downturns. The City now creates a five-year General Fund financial model and 10- to 15-year models for other funds. This type of modeling allows the City to see which longer-term reinvestments and renewal are needed and what level and manner of services to provide over the long term. Modeling also allows the

City to react in the shorter-term and make the necessary changes to deal with economic cycles.

These strategies are not only used during downturns, but during good times as well. The City continually looks for ways to adapt services and increase its productivity to meet evolving needs, and staffs services only at levels that can be sustained during normal downturns.

A financially strong organization can take advantage of lower costs found during downturns. For example, the Pavement Management Program enables the City to save money in the long term and to position itself well for the upturn. How? The typical street with little or no maintenance will last less than 20 years before it needs to be completely rebuilt. By performing periodic pavement sealcoats or overlays at the correct time, a street's lifespan can be more than tripled before costly reconstruction is needed.

Key Budget Challenges

Market Value Credit

In setting the City's property tax levy for both 2009 and 2010, the City anticipated that it may again lose some or all of its Market Value Homestead Credit (State aid funding) and therefore did not budget to receive that money for its operations. If received, the Market Value Credit was to be directed to assist the community's overall renewal. The wisdom of this was confirmed when the Governor "unallotted" all of the City's payment for 2009, which would also seem to indicate the City would not see any of its 2010 credit.

Strategic Priorities

Since 1994, the Strategic Priorities program provided a means to utilize the positive year-end organizational performance to fund community and organizational renewal projects. In 1997, the program was expanded to utilize a portion of the City's property tax levy to fund priorities.

The Financial Management Policies currently require a working capital goal for the General Fund of 50 percent of the following year's General Fund levy, less the Market Value Credit. For 2009, the City achieved its required General Fund working capital goal. Any amount over 100 percent funding of the goal can be transferred to Strategic Priorities and other funds needing fund balance assistance.

Over the next year, the Council may explore other revenue options in conjunction with the Strategic Planning process and Community Renewal needs. Sources include utility or franchise fees that could provide flexibility should levy limits become even more restrictive.

The Fire Relief Pension plan will again receive a City contribution in 2010. Long-term modeling included pension bonds in 2011 to pay this obligation over a five-year period.

Health Insurance

The City had a three-year agreement with HealthPartners that included increases in premiums of 7.8 percent for 2007, 13.1 percent for 2008 and 13 percent for 2009. The City budgeted for a 15 percent increase for 2010. However, a negotiated two-year agreement for 2010 and 2011 resulted in a 6 percent increase each year.

In 2011, the City will be requesting proposals from other health insurance providers for 2012 and beyond.

Pavement Management Program

In 2009, the City's Pavement Management Program (PMP), which started in 1992, dedicated local resources of \$1.4 million in 2009 to stay abreast of infrastructure investment in streets. In 2010, the City levied \$1.3 million for the PMP. The City will utilize accumulated fund balances to support the planned number of overlay miles.

Budget Analysis

The 2010 Budget Analysis of key organizational budget issues is as follows:

Bloomington Housing Market Holds Steady

Overall, Bloomington's housing market has shown some growth over the past decade. Even with the recent downturn, a look at the 10-year trend shows that Bloomington's median home value has gained, with only a slight decline in 2009 property values for taxes payable in 2010. A strong development cycle for office and hotel markets resulted in new developments under construction and in the planning stages in 2009, which has helped to offset some of the current weakness in the market. In 2010, the City expects commercial and industrial property growth to decline by 5.4 percent and decline by more in 2011.

Property Tax Changes and Impact

In an effort to maintain an affordable price for City services, the City Council adopted a property tax levy for 2010 of \$44,606,281, an increase of 2.98 percent from 2009., approximately equal to the anticipated Market Value Credit loss from the State.

Based on this tax levy, the City's portion of 2010 total residential property taxes (approximately 29 percent) will be \$67.55 per month in 2010 for a median value home assessed at \$228,600. The average residential property decreased 5.8 percent in value for taxes payable in 2010. The overall average tax change for that property was a 1 percent increase. If a property maintained its value better than the average property, the share of the tax levy showed more than a 1 percent increase. Home sales in 2008 reflect the housing downturn and are the basis for the 2009 assessment for taxes payable in 2010. Home sales in 2009 will be the basis for 2011 taxes. Total market value for all Bloomington properties was nearly level at \$11.8 billion for taxes payable in 2008 and 2009 and dropped to \$11.2 billion for 2010.

General Fund Support through Property Tax

The City set a goal to remain under 60 percent property tax support of the General Fund if the Market Value Credit is received from the state. This measure will be exceeded in economically difficult years when reduction in other revenues shift to a greater dependence on property taxes. For the 2010 budget proposal, the goal is 65 percent given Market Value Credit decreases, as well as a reflection of years when it has not been received.

Succession Planning

In 2008, the Bloomington Police Department hired a new chief of police. In 2009, the City hired a new City Attorney.

Bloomington has strengthened itself as an employer of choice for top quality people. The City will continue with appropriate succession planning to better prepare staff to assume leadership roles in the future. Funding is budgeted for succession planning, training and external searches.

Mall of America Phase II

Bloomington continues to work with the Mall of America to help them define additional development on property located north of Lindau Lane. The City and Port Authority's development contract with the Mall of America Corporation (May 1988) sets out the terms for development of Phase II, including use of tax increment financing and other public subsidies. In 2008, the State of Minnesota authorized local taxes that the City of Bloomington, at its discretion, may use to fund public improvements related to Phase II. To the extent that the City Council and Port Authority agree to use additional local taxes for Phase II public improvements, they will be subject to an amended development contract between the Port Authority, City and the Mall of America Corporation.

Levy Limits

Levy limits are in effect for 2010-2011. The levy limit for 2010 is 3.9 percent with more than 20 exemptions from the limit. Initial calculations were that Bloomington, taking the allowed exemptions, could have levied more than 7 percent but chose to levy just under 3 percent. Under present State law, the City retains the unused levy limit capability.

Market Value Credit

The City has not anticipated receiving Market Value Credit in 2010. However, should the City receive these funds, they can either be used to lower the levy in future years or increase Strategic Priorities, depending on future expectations (although this amount continues to decrease as property values increase). Market Value Credit is based on property value.

Long-term Planning

The City of Bloomington continues to move forward with its goals and objectives with regard to land use, housing, transportation, parks, environmental resources and other elements. The City's organizational strength is evidenced in the quality and affordability of services, financial strength and the professionalism and

City of Bloomington, Minnesota

productivity of its operations. These strengths are behind much of the successes Bloomington achieved in 2009.

Examples of this success can be seen throughout the city and include:

- A balance of commercial and residential property values, resulting in one of the lowest monthly property tax costs on the average home in Hennepin County.
- One-third of the city set aside for parks and open spaces, including several parks of significance to the metro area.
- Continued development of a unique Alternative Transportation Plan, increasing transportation areas encouraging more physical active life styles.
- Preservation of natural drainage systems and wetlands in the Nine Mile Creek and Minnesota River watersheds.
- A mix of owner-occupied and rental housing, which includes a wide variety of housing options for growing families, as well as older adults.
- An efficient and cost-effective street system, providing easy access to regional highways and sewer and water systems.
- Rebranding of Airport South to South Loop to help advance the area's transformation beyond the Mall of America.
- Adoption of the Normandale Lake and Penn American plans.
- Opening of the American Boulevard Light Rail Transit Station.
- Providing E-Subscribe services with more than 3,000 subscribers signing up in 2009.
- Pursuing the Audubon Society's Cooperative Sanctuary Certification for Dwan Golf Club that also helped reduce operations costs.
- Opening of Lyndale Avenue bridge and interchange.
- Continuing to enhance our overall emergency management capabilities.

Council 2010 Budget Policy Decision

The Council works to have property tax increases that align with the long-term range for inflation plus community growth. While the 2010 preliminary levy increase was modeled to be as much as 11 percent, by mid-August the levy increase had been decreased to 4.23 percent. The decrease was the result of no wage increases for staff, a reduction in the Pavement Management Program levy and a freeze on internal service fund charges. No additional staff was added for 2010 and approximately 15 currently vacant positions will be held open. With a reduction in debt service and some reorganization of program areas, the preliminary proposed levy increase was reduced to 2.98 percent. The levy included an increase to offset the anticipated state aid loss of \$1.375 million in 2010. All utility fees were held at 2009 levels.

2010 Property Tax Levy and Budget Recommendation

On September 14, 2009, the City Council approved a preliminary general operating fund budget of \$54,710,503, a decrease of 0.09 percent. The Council

approved a preliminary levy of \$44,606,281 for 2010, a 2.98 percent increase from 2009.

Adopted Budget

On December 21, 2009, the City Council approved the 2010 General Fund Budget of \$54,710,503 and adopted a final property tax levy for 2010 of \$44,606,281, the same as the preliminary budget and levy. Other fund budgets, including Enterprise, Internal Service and Special Revenue funds, were approved by the City Council in October 2009 through December 2009.

Conclusion

The Budget for fiscal year 2010 is a strong financial plan that continues to move Bloomington toward its long-term goals and maintain flexibility by continuing to employ downturn strategies to keep expenditures below actual revenues. And as we move toward a better, more sustainable Bloomington, our commitment to excellence and a strong strategic plan will direct the course.

A handwritten signature in black ink, appearing to read 'Mark Bernhardson', with a long horizontal flourish extending to the right.

Mark Bernhardson
City Manager



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