

MEMORANDUM

DATE: December 13, 2022

TO: Mayor Stille, City Council Members, City Manager Yunker

FROM: Shelly Rueckert, Finance Director

ITEM: **2023 Final Levy / General Fund Budget**

At the September 13th City council meeting, the city staff presented the proposed 2023 general fund operating budget and the 2023 overall levy.

Staff's has affirmed the proposed 2023 overall levy is **\$8,687,425**, which represents an increase of **\$444,333** or a **5.39%** increase compared to the 2022 overall levy.

	2022	\$ Change	2023	% Change
General Fund	\$ 5,080,297	399,333	\$ 5,479,630	7.86%
HRA Fund	209,414	-	209,414	0.00%
CIP Fund	308,200	30,000	338,200	9.73%
Debt Service Funds	2,487,181		2,487,181	0.00%
Infrastructure Fund	65,000	5,000	70,000	7.69%
Building Improvement Fund	88,000	5,000	93,000	5.68%
Park Improvement Fund	5,000	5,000	10,000	NA
Total	\$ 8,243,092	\$ 444,333	\$ 8,687,425	5.39%

The standard parameters used for preparing the **General Fund Budget and Levy** include:

- City revenues budgeted at current run rates for sources that are subject to trends and conservative baseline estimates for re-occurring aids and charges for services.
- Expenses budgeted at amounts that will maintain present level of City services.
- Liquor transfers to the General Fund are based on liquor operating results.

The **General Fund Budget and Levy** details:

Each year the General Fund revenue and expenditure budget line items are examined for changes in expected collections/charges, labor adjustments, changes in contract rates, insurance rates, utility costs, usage of various materials or needs, etc. The findings of this examination produce the drivers associated with the proposed 5.39% increase in the Overall Levy - see below:

General Fund Expenditures:

- Personnel costs – 70.9% of expenditures, overall budgeted costs increased by \$615,423 or 10.98%

- The 2023 base wage increases reflect the Union contracts settlements, at a cost of \$177,719 or 3.5%. Please note that Union Longevity and Step increases occurring in 2023 are also included. This amount and rate of change represent the effects of the annual wage adjustment. Other factors creating the additional \$437,707 of costs are as follows:
 - Wages and benefits of \$226,630 as a placeholder for two additional fulltime fire fighters. A Safer Grant has been submitted that will substantially support these additional costs. The net levy impact to phase in support for these potential positions is estimated at \$54,591 for 2023.
 - Includes an allowance of \$27,209 for employee retention in 2023.
 - A Paramedic position will be added to the Firefighters Union contract in 2023. The added cost of this wage distinction will be \$10,550. Currently three firefighters are certified paramedics.
 - Added 3.5-month training period wages of \$44,250 as a placeholder for two new Police Officers, anticipating retirements in 2023. Budgeting training costs vs using overtime for training is a more economical outcome.
 - The contracted communications position was included in contracted services in 2023 budget. Now the position is part-time and is included here at cost of \$37,211. Therefore, costs shifted budget categories. Actual net impact to the levy has been reduction by approximately \$5,000.
 - Part-time Finance position became Full-time in 2022 due to need and succession planning, wage impact approximately \$28,500.
 - Health Insurance premium increase of 10.85 % is shared 50/50 by the City and the employees, expected cost is \$66,699.
- Contracted services – 10.3% of expenditures, overall increase of \$15,914.
 - Construction permits inspections budgeted at an increasing baseline activity has results in greater expense of \$40,006. This increase has no impact on the levy as the inspection fee is a percentage of permit revenue received.
 - Assessor, Attorney, Auditor, Engineer and Planner services reflect rate and activity increases. The net result of these factors is cost impact of \$9,226.
 - Contracted Information Technology costs up \$30,110.
 - Miscellaneous service contracts are estimated to decrease by \$63,426 due to moving communications position in house and taking on the maintenance duties for Salo park.
- Other Insurance costs – 4.3% of expenditures, overall costs up by \$25,077.
 - Workman's Compensation experience rating improved 8% in the 2022-2023 renewal a cost benefit of approximately \$27,200. However, this was offset an increase in police coverage rates creating an additional cost of \$58,900. Police rates are increasing due to the rising number of PTSD claims. These factors substantially account for the \$31,672 increase in worker's compensation premiums. This equates to a 17.4% increase cost for 2023.

- Liability, Property and Casualty premiums are projected decline by \$6,595 in 2023.
- Pass through costs – 2.3% of expenditures, costs up \$18,522.
 - The substantial portion of the increase represents an \$14,526 increase in the rent transfer to the City Hall/Community Center Fund.
- Remaining budget line items – 12.2% of overall expenditures or \$1,067,109 costs are up \$85,835. Energy costs make up \$41,687 of this increase. Then anticipated inflationary factors of 5% to 6% have been applied to many of the supplies and services purchases.
 - Costs include repairs and maintenance, utilities, fuels, training, supplies, communications, sustainability programing, road maintenance, printing and publications etc.

General Fund Revenues:

- Liquor transfer to the General Fund will increase from \$250,000 to \$275,000 in 2023.
- 2023 State funded Local Government Aid reflects an increase of \$12,321, less than originally anticipated.
- Police contracted services has increased by \$58,027.
- Excess Tax Increment collections are projected to increase by \$104,780 in 2023, more than originally anticipated.
- Federal Grants reflects \$172,039 of potential SAFER grant proceeds to be used for hiring two additional firefighters.

The **2023 HRA Budget and Levy** is proposed at the same amount as 2022, 0% Levy increase.

The **2023 Debt Related Levies are proposed to increase by \$0** over the 2022 combined debt levies. The last step of the Peak to Plateau debt plan was the bonding of the 2022 street improvement. The second phase of the program continues to stabilize the street improvement program's impact on the annual levy, while also reducing the reliance on debt to fund construction costs.

In the Phase II Street Improvements and related bonding will be skipped in 2023 and resumed in 2024. The goal associated with Phase II is a modified pace of improvements to reduce reliance on bond financing and transition to levy support for construction cost. **Again, the debt levy for 2023 will not increase, which will be the fourth year in a row of a flat levy. The combined program phases have served to lower annual levy impact of street reconstruction by \$3,166,000 over the last 9 years.**

The **2023 Capital Improvement Program (CIP)** levy is proposed to increase by \$30,000. The 2023 Building Improvement, Infrastructure and Park Improvement levies are each proposed at a \$5,000 increase. These levy increases are consistent with the city's long-term capital improvement plans.

For **2023**, the median taxable valuation for a single-family home in Saint Anthony is **\$396,000**, an increase of **8.2%** over 2022. Based on the median valuation of \$366,000, the “City Portion” of 2023 property taxes is **\$2,430.96**. A breakdown of the taxes is as follows:

General Fund Budget	\$1,571.21
Road Improvements	570.35
Public Facilities	92.99
Capital Improvements	146.58
Tax Abatement	49.83
Total	<u>\$2,430.96</u>

In **2022** the median taxable valuation for a single-family home in Saint Anthony was **\$366,000** with City taxes of \$2,341.39 **Therefore, the increase in “City taxes” for a median value home will be \$87.57 in 2023 or 3.83% increase.**

The **overall taxes** on a median value single-family home will be **\$6,144.32 in 2023** compared to **\$6,042.34 in 2022**. The **2023 overall** increase of **\$101.98** reflects increases in County, City and School taxes.

At tonight’s Council meeting a resolution needs to be passed adopting the 2023 budgets and certifying the final tax levy to Hennepin and Ramsey Counties.

Recommendation

Staff recommends that Council approves resolution 23-xxx; Adopting the 2023 General Fund operating budget of \$8,744,588 (based on 2023 General Fund expenditures) and certifying the final Property Tax Levy of \$8,687,485 to Hennepin and Ramsey Counties

Path to the 2023 Tax Levy

Cost of Services Less Operational Revenues Leaves a Funding Gap, Which Equals Levy

Operating Funds	Cost of Services:	City Revenues Generated:	Gap:	Levy Amount
	\$8,970,976 Police, Fire, Public Works, Parks, Emergency Mgmt, Finance, Administration, HRA	\$3,281,931 Licenses and Permits Intergovernmental Aids Charges for Services, Fines, Reimbursements and Transfers	\$5,689,044	\$5,689,044



Replacement Costs Less Generated Revenues Leaves a Funding Gap, Which Equals Levy

Capital Improvement	Buildings Maintenance & Equipment Replacement:	City Revenues Generated:	Gap:	Levy Amount
	\$350,000 - \$50,000* City Buildings, Fleet, Snow Plows, Fire Engines, Equipment, Technology, Park Shelters	\$220,500 Transfers, Equipment Sales, Park Dedication Fees, Grants, Fees	\$511,200*	\$511,200

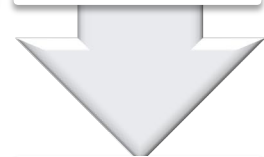
* Annual needs range from \$350,000 - \$950,000 based on timing of replacement.

* Gap determined by monitoring fund balance annually to maintain 15-year replacement plan.



Debt Payments Less Debt Reduction Resources Leaves a Funding Gap, Which Equals Levy

Debt Levy	2022 Debt Service Obligations:	Debt Levy Reduction Program Resources:	Gap:	Levy Amount
	\$3,072,797 Street and Utility Reconstruction, Flood Mitigation, Parks and City Facilities	\$585,616 Municipal State Aid, Excess Bond Funds, Project Savings, Stormwater Fees	\$2,487,181	\$2,487,181



Total Levy Amount
\$8,687,425