



MEMORANDUM

DATE: August 21, 2023

TO: Honorable Mayor and City Councilmembers
Dave Perrault, City Administrator

FROM: Gayle Bauman, Finance Director

SUBJECT: Preliminary General Fund Budget

Budgeted Amount:	Actual Amount:	Funding Source:
N/A	N/A	N/A

Council Should Consider

Staff is requesting City Council to review and provide feedback to the attached preliminary General Fund budget for the 2024 fiscal year.

Background

Annually, City staff prepares and submits a preliminary budget to the City Council for review and feedback. Attached to this memo is the City’s preliminary General Fund budget for the 2024 fiscal year. Each department provided their respective forecasts for this budget.

The proposed 2024 budget is \$6,226,460, an increase of \$696,280 or 12.6%. For the purpose of this discussion, there is a 13.2% (\$621,270) tax levy increase reflected in the budget, all for the General Fund. As presented, the General Fund Budget is underfunded by \$218,260 (\$160,760 + \$57,500), which is more than the budget shortfall projected in the 2023 budget of \$160,760. This practice is not sustainable in the long term. Direction given at the July 2023 work session was to apply \$57,500 of the 2022 fund balance to some one time operational expenditures included in the 2024 Budget (\$40,000 for ordinance updates and \$17,500 for a comp study). This would cause the 2024 Budget to be underfunded by a minimum of \$57,500. A tax levy increase of 16.6% (\$782,030) would be needed to balance the budget in 2024. The table below shows the amount the General Fund Budget is underfunded at different tax levy increase amounts, not including the \$57,500 which is being covered by 2022 fund balance.

Tax Levy Increase	Underfunded Amount
5%	\$546,100
10%	\$310,160
13.2%	\$160,760
16.6%	\$0

The preliminary 2024 property value data has not yet been provided by Ramsey County so no projections can be made on our local tax rate.

Wages and Benefits

The 2024 preliminary budget is currently being prepared assuming a 3.0% wage adjustment for all staff. Below is a table showing the recent history of approved COLA's.

<u>Year</u>	<u>Non Union</u>	<u>IUOE Union</u>
2023	3.00%	3.00%
2022	3.00%	3.00% + addition of Fleet Lead
2021	2.00%	3.00%
2020	3.00%	Market adjustment; minimum increase was 5.80%
2019	2.50%	2.50%
2018	2.10%	2.25%

There is a 10.0% increase assumed for health, a 4.0% increase for dental and a 0.0% increase for life insurance premiums. The number of positions included in the budget is increasing as the Communications Coordinator position was updated from part time to full time and there are changes to some of the wage allocations.

Public Safety

2024 budget information was received from Ramsey County and Lake Johanna Fire Department for public safety.

POLICE

The police contract is expected to rise by 11.7%, or \$169,550 for 2024. Information provided by Ramsey County on this increase is as follows:

The major cost drivers include:

- Withdrawal by City of Falcon Heights from county contract.
- Labor contracts and increased costs related to employee health insurance.
- Increased costs related to county fees for insurance and administrative overhead/indirect costs.

DISPATCH

Dispatch costs will be increasing by 2.4%, or \$1,650. An error was discovered in 2020 in the way report queries undercounted medical calls in previous years for cities served by Allina. This meant an increase in call counts and an increase in cost sharing for the years 2021 - 2023. The impact of this shift occurred over a three-year period (2021-2023) as the use of a three-year rolling average of call counts smooths out variability in annual call fluctuations.

FIRE

The fire operating costs are expected to rise by 21.6%, or \$162,330 for 2024. This is mainly due to the addition of 6 full time captains, a significant wage increase for the two deputy chiefs, an increase in supplies related to the 6 new positions and an increase in repairs and maintenance, all of which Arden Hills' cost share portion is 24.4%.

The \$621,270 tax levy increase being proposed for the General Fund is \$287,740 more than the increase needed to cover police and fire services (\$333,530).

General Overview

There are no significant projects included in the 2024 budget which would affect the permit revenue. The permit revenue included reflects only the estimated recurring “base” amount, similar to what was included in the 2023 budget.

A summary of the major changes in the 2024 budget is as follows:

<u>Description</u>	<u>Effect on Levy</u>
Decrease use of fund balance	-
Decrease in antenna rental (Sprint/T-Mobile merger)	30,780
Increase in building permits fees	(23,680)
Transfer to Cable Fund	50,000
Increase in RamCo Sheriff	169,550
Increase in LJFD	162,330
Council retreat/strategic planning	10,000
NYFS contract	23,300
Election services	8,950
Property insurance	20,250
Sand & salt for roads	10,000
Pavement condition survey	20,000
Step increases and position changes	89,600
COLA adjustments	45,600
Insurance benefits	30,880
Net changes in other GF budget areas	(26,290)
	<u>621,270</u>

The table below shows the original adopted budget for the General Fund compared with the final audited numbers from 2013 - 2022. As you can see, the City has come in better than the budget for all the years shown. Reasons for this difference include conservative budgeting and we don't budget for position vacancies. Please note that the 2020 actuals include revenue from the CARES Act in the amount of \$459,614, and this was a one-time occurrence. The Transfers Out column shows the funds that were transferred to cover capital projects within the City.

<u>Year</u>	<u>Original Budget</u>	<u>Operating Activity</u>	<u>Transfers Out</u>
2013	(16,100)	44,795	(30,000)
2014	(185,402)	142,649	(162,417)
2015	(58,305)	736,465	-
2016	(160,326)	427,521	(565,121)
2017	(195,955)	694,505	-
2018	(237,225)	101,055	(400,000)
2019	(186,970)	235,217	(360,000)
2020*	(121,590)	642,918	(478,000)
2021	(90,720)	337,316	(548,000)
2022	(140,000)	298,955	(102,540)

Discussion

Staff is respectfully requesting the City Council to review the preliminary budget and provide feedback for future budget meetings. The 2024 proposed levy and public meeting date need to be set prior to the end of September 2023. Direction is needed from the City Council on the following items:

- Current wage and benefit assumptions include a 3% COLA, 10% health insurance and 4% dental insurance increase. Should any of these assumptions be changed?
- This preliminary budget does not include any significant building projects for 2024. Should one be added?
- This preliminary budget contains a 13.2% levy increase. Is another work session needed to further discuss this issue?

Attachments

- A. Preliminary 2024 General Fund Budget PowerPoint Presentation
- B. Preliminary 2024 General Fund Budget