



MEMORANDUM

DATE: September 11, 2023
TO: Honorable Mayor and City Councilmembers
FROM: Dave Perrault, City Administrator
SUBJECT: Consider Approval of Preliminary Tax Levy Payable in 2024 and Setting Budget Public Hearing Date

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

Council Should Consider

Motions to approve, table or deny the following:

- Resolution 2023-045 setting the Preliminary Levy for Taxes Payable in 2024
- Resolution 2023-046 adopting Truth In Taxation Public Hearing Date for Proposed Taxes Payable in 2024

Background

State law requires that cities certify their proposed property tax levies to the county auditor by September 30th. The proposed tax levy that is given preliminary approval may be lowered but cannot be increased. Therefore, it is important that the proposed tax levy provides adequate revenues to finance the 2024 Budget. The City Council needs to decide the maximum levy that it is willing to approve and then adopt the attached resolution. In December, the City will hold its Truth and Taxation Hearing and set the final tax levy.

A budget workshop was held with the Council on August 21, 2023. Staff was directed to provide proposed maximum levy increase options from 0% to 16% (the amount needed to balance the General Fund). There will be another budget workshop in either October or November, prior to the final levy and budget adoption meeting in December.

Discussion

Wages and Benefits

The 2024 preliminary budget is currently being prepared assuming a 3.0% wage adjustment for all staff. It is important for the City to remain competitive in the marketplace. There is also a 10% increase assumed for health, a 4% 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. It should be noted, Union negotiations are ongoing and will likely have an impact on final wage and benefit amounts.

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%

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 10.7%, or \$155,480 for 2024 (a decrease of \$14,070 from the work session). 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 levy increase needed to cover police and fire services is \$319,460.

Revenues

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 plus 50% of the average of major projects over the past 10 years, similar to what was included in the 2023 budget.

General Fund budget to actual comparisons for the past two years is included as Attachment E.

Property Tax Levy

A survey was recently routed to various cities in the metro asking about proposed levy amounts being considered. Below are the results of that survey.

Vadnais Heights	16.95%	Maplewood	7.00%
New Brighton	9 - 9.8%	Mounds View	6.50%
Roseville	8.99%	Falcon Heights	5 - 7%
White Bear Township	7.77%	St. Anthony	5.80%
North St. Paul	7.67%	St. Paul	3.70%
Little Canada	7.21%	Spring Lake Park	3.50%

Based on the 2023 County Assessor’s Report, values for the different property types have changed as follows:

All Residential	5.43%
Single Family Residential	5.74%
Apartments	159.49%
Commercial	12.13%
Industrial	29.85%

The total Value for Local Rate for the city is projected to increase by 10.5%, from 18,337,217 to 20,259,379. Total residential values are increasing by less than the total taxable value for the City. Apartments, commercial and industrial properties are picking up a bigger share of the tax increase.

Below are tables showing the impact of various levels of a city levy increase to Arden Hills’ homes assuming that a home’s value is increasing by 5.74%, which is the median amount.

Set levy at \$4,718,680 (an increase of \$0 or 0.0% over 2023)

Value of Property for Pay 2023	Value of Property for Pay 2024	Taxable Value for Pay 2024	CITY TAX		\$ CHANGE	% CHANGE
			Pay 2023	Pay 2024		
\$ 180,000	\$ 190,300	\$ 170,200	\$ 376	\$ 367	\$ (9)	-2.4%
\$ 270,000	\$ 285,500	\$ 274,000	\$ 608	\$ 591	\$ (17)	-2.8%
\$ 443,550	\$ 469,000	\$ 469,000	\$ 1,048	\$ 1,011	\$ (37)	-3.6%
\$ 500,000	\$ 528,700	\$ 528,700	\$ 1,182	\$ 1,155	\$ (27)	-2.2%
\$ 575,000	\$ 608,000	\$ 608,000	\$ 1,403	\$ 1,369	\$ (34)	-2.5%
\$ 650,000	\$ 687,300	\$ 687,300	\$ 1,625	\$ 1,582	\$ (42)	-2.6%

Set levy at \$5,048,990 (an increase of \$330,310 or 7.0% over 2023)

Value of Property for Pay 2023	Value of Property for Pay 2024	Taxable Value for Pay 2024	CITY TAX		\$ CHANGE	% CHANGE
			Pay 2023	Pay 2024		
\$ 180,000	\$ 190,300	\$ 170,200	\$ 376	\$ 395	\$ 19	5.0%
\$ 270,000	\$ 285,500	\$ 274,000	\$ 608	\$ 635	\$ 28	4.6%
\$ 443,550	\$ 469,000	\$ 469,000	\$ 1,048	\$ 1,087	\$ 39	3.7%
\$ 500,000	\$ 528,700	\$ 528,700	\$ 1,182	\$ 1,242	\$ 61	5.2%
\$ 575,000	\$ 608,000	\$ 608,000	\$ 1,403	\$ 1,472	\$ 69	4.9%
\$ 650,000	\$ 687,300	\$ 687,300	\$ 1,625	\$ 1,702	\$ 77	4.8%

Set levy at \$5,143,360 (an increase of \$424,680 or 9.0% over 2023)

Value of Property for Pay 2023	Value of Property for Pay 2024	Taxable Value for Pay 2024	CITY TAX		\$ CHANGE	% CHANGE
			Pay 2023	Pay 2024		
\$ 180,000	\$ 190,300	\$ 170,200	\$ 376	\$ 403	\$ 27	7.1%
\$ 270,000	\$ 285,500	\$ 274,000	\$ 608	\$ 648	\$ 40	6.7%
\$ 443,550	\$ 469,000	\$ 469,000	\$ 1,048	\$ 1,109	\$ 61	5.8%
\$ 500,000	\$ 528,700	\$ 528,700	\$ 1,182	\$ 1,267	\$ 86	7.3%
\$ 575,000	\$ 608,000	\$ 608,000	\$ 1,403	\$ 1,502	\$ 99	7.0%
\$ 650,000	\$ 687,300	\$ 687,300	\$ 1,625	\$ 1,736	\$ 112	6.9%

Set levy at \$5,237,730 (an increase of \$519,050 or 11.0% over 2023)

Value of Property for Pay 2023	Value of Property for Pay 2024	Taxable Value for Pay 2024	CITY TAX		\$ CHANGE	% CHANGE
			Pay 2023	Pay 2024		
\$ 180,000	\$ 190,300	\$ 170,200	\$ 376	\$ 410	\$ 35	9.2%
\$ 270,000	\$ 285,500	\$ 274,000	\$ 608	\$ 661	\$ 53	8.8%
\$ 443,550	\$ 469,000	\$ 469,000	\$ 1,048	\$ 1,131	\$ 83	7.9%
\$ 500,000	\$ 528,700	\$ 528,700	\$ 1,182	\$ 1,292	\$ 111	9.4%
\$ 575,000	\$ 608,000	\$ 608,000	\$ 1,403	\$ 1,531	\$ 128	9.1%
\$ 650,000	\$ 687,300	\$ 687,300	\$ 1,625	\$ 1,771	\$ 146	9.0%

Set levy at \$5,328,450 (an increase of \$609,770 or 12.92% over 2023)

Value of Property for Pay 2023	Value of Property for Pay 2024	Taxable Value for Pay 2024	CITY TAX		\$ CHANGE	% CHANGE
			Pay 2023	Pay 2024		
\$ 180,000	\$ 190,300	\$ 170,200	\$ 376	\$ 418	\$ 42	11.3%
\$ 270,000	\$ 285,500	\$ 274,000	\$ 608	\$ 673	\$ 66	10.8%
\$ 443,550	\$ 469,000	\$ 469,000	\$ 1,048	\$ 1,152	\$ 104	9.9%
\$ 500,000	\$ 528,700	\$ 528,700	\$ 1,182	\$ 1,316	\$ 135	11.4%
\$ 575,000	\$ 608,000	\$ 608,000	\$ 1,403	\$ 1,560	\$ 157	11.2%
\$ 650,000	\$ 687,300	\$ 687,300	\$ 1,625	\$ 1,803	\$ 179	11.0%

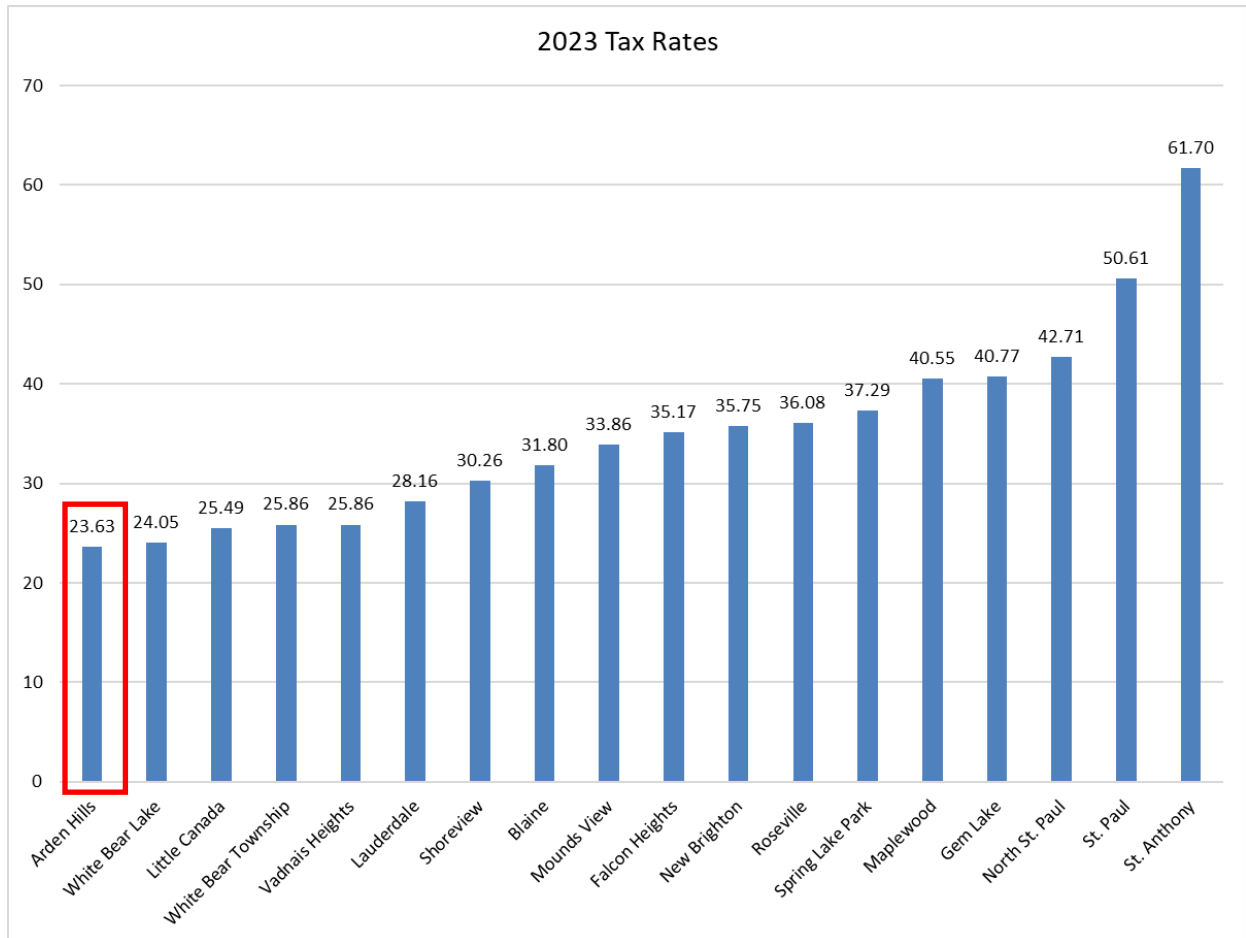
Set levy at \$5,489,210 (an increase of \$770,530 or 16.33% over 2023)

Value of Property for Pay 2023	Value of Property for Pay 2024	Taxable Value for Pay 2024	CITY TAX		\$ CHANGE	% CHANGE
			Pay 2023	Pay 2024		
\$ 180,000	\$ 190,300	\$ 170,200	\$ 376	\$ 432	\$ 56	14.9%
\$ 270,000	\$ 285,500	\$ 274,000	\$ 608	\$ 695	\$ 87	14.4%
\$ 443,550	\$ 469,000	\$ 469,000	\$ 1,048	\$ 1,189	\$ 141	13.5%
\$ 500,000	\$ 528,700	\$ 528,700	\$ 1,182	\$ 1,359	\$ 177	15.0%
\$ 575,000	\$ 608,000	\$ 608,000	\$ 1,403	\$ 1,610	\$ 207	14.8%
\$ 650,000	\$ 687,300	\$ 687,300	\$ 1,625	\$ 1,862	\$ 237	14.6%

The 2023 City Tax Rate is 23.6318%. The estimated 2024 City tax rate based on the most current information is calculated as follows for the different tax levy increases:

0.0%	21.555%
7.0%	23.186%
9.0%	23.651%
11.0%	24.117%
12.92%	24.565%
16.33%	25.359%

2023 tax rates for other cities in Ramsey County are as follows:



Budget Impact

None.

Attachments

- A. Resolution 2023-045, setting preliminary levy
- B. Resolution 2023-046, adopting TNT public hearing date
- C. Preliminary 2024 Property Tax Levy PowerPoint Presentation
- D. Preliminary 2024 General Fund Budget with 12.92% levy
- E. Estimated tax impacts on commercial and mobile home properties
- F. General Fund budget to actual comparison for 2022 and 2021