



MEMORANDUM

DATE: November 18, 2019
TO: Honorable Mayor and City Councilmembers
 Dave Perrault, City Administrator
FROM: Gayle Bauman, Finance Director
SUBJECT: 2020 Proposed Budget and CIP

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 proposed 2020 Budget and CIP. The Truth-in-Taxation meeting is scheduled for December 9, 2019, where a final budget and tax levy will be adopted.

Background

A budget workshop was held with the Council on August 19, 2019. Staff was not directed to make any changes to the proposed 2020 General Fund Budget and Council adopted a maximum tax levy increase of 5% on September 23, 2019. The final levy and budget adoption meeting is scheduled for December 9, 2019.

Discussion

Wages and Benefits

The 2020 proposed budget is currently being prepared assuming a 3.0% wage adjustment for all staff which is consistent with what other cities are doing in the area. Benefit amounts have been adjusted based on renewal information. Health insurance is set to increase by less than 2% and dental is set to increase by 2.9%. The city’s payment toward employee health insurance is increasing \$7.50 per month for an employee on a single plan and \$11.72 per month for an employee on a family plan. This is approximately a 1.3% increase or a \$2,910 increase in the budget.

The Foreman position has been removed from the budget but an Office Support Specialist has been added to Public Works. This resulted in a savings to the 2020 Budget of \$12,510. Other changes to personnel costs include changes in the allocation between departments and funds for various positions.

Total personnel costs increased by \$13,020 from 2019 to 2020. The step and COLA increases were offset by removing the Foreman position from Public Works and adding an Office Support Specialist, and a reduction in the budget for work comp and pension costs.

General Fund

The General Fund is the primary operating fund of the City and its main source of revenue is property taxes. The 2020 revenue budget is projected to increase by \$92,300 over 2019 to \$4,896,720. This increase is mainly due to the proposed tax levy increase which increases the General Fund revenue by \$146,920.

Expenditures are projected to increase by \$26,920 over 2019 to \$5,018,310. Besides personnel costs, the increase is mainly due to public safety costs. The police contract is expected to rise by 7.7%, or \$95,870 for 2020. This is due to the following: addition of another investigator (\$18,000), investigator squad (\$5,700), increase in the County garage rate (\$2,800), body worn camera equipment (\$16,000), additional personnel for body worn camera program (\$8,180), wifi and office space (\$4,500) and COLA and PERA rate increases. The fire costs are expected to rise by 8.2%, or \$47,310 for 2020. This increase is partially due to an increase in evening/weekend shifts (\$7,000) in preparation for staffing a third station; an increase in fire run compensation (\$1,900) based on recent trends; and an increase in training costs (\$3,400).

Special Revenue Funds

The City has four special revenue funds with activity in 2020 that finance various activities with restricted revenues. The City Council approved \$120,000 in tax revenues for the EDA as part of the 2019 budget (via a transfer from the General Fund). The proposal is to reduce this amount to \$100,000 for the 2020 budget. The audio/video equipment was updated in the Council Chambers during 2019 so there are no major purchases budgeted in the Cable TV Fund for 2020. The two Tax Increment Financing Funds are both projected to have positive cash flows in 2020.

Capital Project Funds

The Council has previously reviewed the 2020-2024 CIP. Much of this information is reflected in the capital funds of the City. The allocation of property tax dollars is proposed to remain the same for the Equipment and Building Replacement Fund (\$50,000), increase by \$50,000 for the Capital Improvement (PIR) Fund (\$250,000), and increase by \$20,000 for the Public Safety Capital Fund (\$70,000). The Public Safety Capital Fund, which accounts for Fire Department capital items, currently has a deficit balance. The property tax allocation will need to be increased in future years.

CIP 2020-2024

Projects included in the 2020 Proposed Budget and CIP are as follows:

Project	Fund Source	Amount
City Hall Parking Lot	Equip/Bldg Replacement	\$175,000
Hard Court Reconstruction	Capital Improvement (PIR)	\$275,000
Hazelnut Park Improvements	PIR/Insurance	\$75,000
Playground Replacements	Capital Improvement (PIR)	\$210,000
LJFD Capital Items	Public Safety Capital	\$67,480
Lift Station Rehab	Sewer	\$100,000
Sewer Lining/Rehab	Sewer	\$200,000
Utility Communication System	Sewer/Water	\$58,100
Hamline Avenue retaining wall	Capital Improvement (PIR)	\$130,000
Hamline Avenue crosswalks	PIR/County	\$120,000
2021 PMP	PIR/Utilities	\$175,000
Lexington Avenue improvements	PIR/Utilities	\$20,000
Karth Lake Retaining Wall	Surface Water/Taxing District	\$142,000
Storm Pond Maintenance	Surface Water Mgmt	\$100,000

Shorewood Drive drainage improvements	Surface Water Mgmt	\$50,000
Replace 2010 Bobcat Toolcat	Equip/Bldg Replacement	\$40,000
Replace 2012 F-350 Truck	Equip/Bldg Replacement	\$48,000
Replace 2010 F-350 Truck	Equip/Bldg Replacement	\$46,000

Enterprise Funds

The City has four enterprise funds that finance business-type activities. A rate study was completed in 2018 for the Water, Sewer and Surface Water Management funds. The recommended rate increases are reflected in the revenue budgets and will be included on the 2020 Fee Schedule for the City. The proposed increases are as follows: Water – 3%; Sewer – 6.5%; Storm – 3%. The drinking water service connection fee enforced by the State is being increased from \$1.59 to \$2.43 per quarter. Below is a comparison of utility fees for 2019 and 2020 based on proposed rates and for a household using 9,000 gallons per quarter with a ¾” meter size or smaller.

	2019	2020
Water	70.79	73.74
Sewer	102.57	109.27
Storm	15.16	15.61
TOTAL	188.52	198.62

Property Values, Taxes and Tax Rates

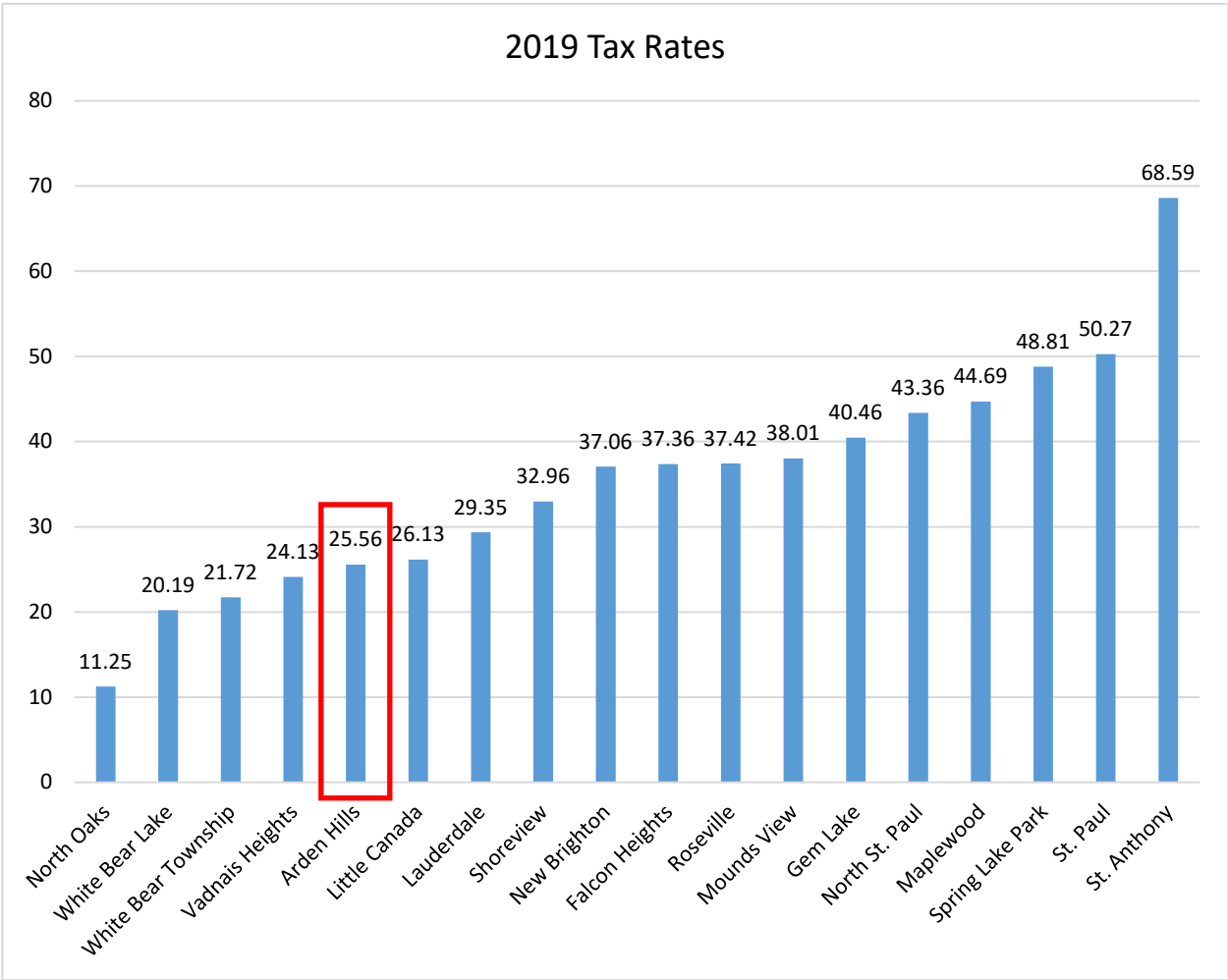
According to information provided by Ramsey County, the median home value in Arden Hills will increase from \$346,900 for 2019 taxes to \$372,400 for 2020 taxes, an increase of 7.4%, which is less than the countywide average of 8.3%. The annual impact of a 5% City levy increase to a residential homes is as follows (City tax amount only):

Set levy at \$4,135,340 (an increase of \$196,920 or 5.0% over 2019)

Value of Property for Pay 2019	Value of Property for Pay 2020	Taxable Value for Pay 2020	CITY TAX		\$ CHANGE	% CHANGE
			Pay 2019	Pay 2020		
\$180,000	\$193,200	\$173,300	\$406	\$436	\$30	7.4%
\$346,900	\$372,400	\$368,700	\$871	\$928	\$57	6.5%
\$380,000	\$407,900	\$407,400	\$963	\$1,026	\$62	6.5%
\$450,000	\$483,100	\$483,100	\$1,150	\$1,216	\$66	5.8%
\$650,000	\$697,800	\$697,800	\$1,757	\$1,881	\$124	7.1%

The 2019 City Tax Rate is 25.555%. The estimated City tax rate based on the most current information with a 5% levy increase is 25.176%.

2019 tax rates for other cities in Ramsey County are as follows:



Attachments

- A. Proposed 2020 Budget
- B. Proposed 2020-2024 CIP