



MEMORANDUM

DATE: September 26, 2022
TO: Honorable Mayor and City Councilmembers
 Dave Perrault, City Administrator
FROM: Gayle Bauman, Finance Director
SUBJECT: Consider Approval of Preliminary Tax Levy Payable in 2023 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 2022-042 setting the Preliminary Levy for Taxes Payable in 2023
- Resolution 2022-043 adopting Truth In Taxation Public Hearing Date for Proposed Taxes Payable in 2023

All items need a simple majority for action unless otherwise noted.

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 2023 Budget. The City Council needs to decide the maximum levy that it is willing to approve and then adopt the attached resolution. The final levy will be set in December 2022.

A budget workshop was held with the Council on August 15, 2022. Staff was directed to provide proposed maximum levy increase options from 4% to 7%. 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 2023 preliminary budget is currently being prepared assuming a 3.0% wage adjustment for all staff. There was a survey completed of neighboring communities and many are at 3.5% or higher. It is important for the City to remain competitive in the marketplace. There is also a 6.5% increase assumed for health, a 3% increase for dental and a 0.0% increase for life insurance premiums. The number of positions included in the budget is remaining the same. There are changes to some of the wage allocations, the City

Planner was promoted to the Community Development Director and the City Clerk was promoted to the Assistant to the City Administrator.

If an increase in the COLA from 3.0% to 3.5% is requested, the budget impacts would be as follows:

	Non-Union	Union
General Fund	5,750.00	1,370.00
Cable TV Fund	220.00	-
EDA Fund	260.00	-
Utility Funds	3,120.00	1,670.00
Total	9,350.00	3,040.00

The Union contract is already settled at 3.0% for 2023.

Below is a table showing the recent history of approved COLA's.

Year	Non Union	IUOE Union
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

2023 budget information was received from Ramsey County and Lake Johanna Fire Department for public safety.

POLICE

The police contract is expected to rise by 4.0%, or \$56,150 for 2023. Information provided by Ramsey County on this increase is as follows:

The major cost drivers include:

- Personnel costs, including a one-time market adjustment for each job classification and a 2.25% cost of living adjustment.
- An increase in Information Services fees due to budget increases and an increase in the percentage charged to contract communities.
- Increases in county fleet rates and gasoline prices.
- \$100,000 contingency funding which will be returned at year end if it is not needed. Our portion is about \$12,790.

DISPATCH

Dispatch costs will be increasing by 11.2%, or \$6,930. This is mainly due to an error that was discovered in 2020 in the way report queries undercounted medical calls in previous years for cities served by Allina. This means an increase in call counts and an increase in cost sharing for the years 2021 - 2023. The impact of this shift will happen 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 costs are expected to rise by 7.8%, or \$54,510 for 2023. This is mainly due to increased wages for full time staff (\$33,750), part time staff (\$87,700), training (\$38,250), clothing (\$13,680), IT services (\$16,650) and fuel/supplies (\$19,100), all of which Arden Hills’ cost share portion is 24.9%. These numbers do not take into account any of the new staffing models.

The levy increase needed to cover police and fire services is \$117,590.

Revenues

There are no significant projects included in the 2023 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 2022 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.

Gem Lake	34.16%	North St. Paul	8.48%
White Bear Lake	23.21%	Shoreview	6.93%
St. Paul	15.00%	Falcon Heights	6.70%
White Bear Township	14.87%	Mounds View	6.50%
Vadnais Heights	13.00%	Maplewood	6.50%
Little Canada	10.20%	Blaine	5.40%
New Brighton	9.88%	St. Anthony	5.39%
Roseville	8.90%	Spring Lake Park	4.90%

Based on the 2022 County Assessor’s Report, values for the different property types have changed as follows:

All Residential	15.80%
Single Family Residential	15.33%
Apartments	(27.52%)
Commercial	3.43%
Industrial	18.50%

Because the values for residential properties are increasing by about the same percentage rate as the total taxable value for Arden Hills, an increase in the property tax levy will cause a similar increase in a residential property’s city tax amount.

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 15.33%, which is the median amount.

Set levy at \$4,651,590 (an increase of \$178,910 or 4.0% over 2022)

Value of Property for Pay 2022	Value of Property for Pay 2023	Taxable Value for Pay 2023	CITY TAX		\$ CHANGE	% CHANGE
			Pay 2022	Pay 2023		
\$ 180,000	\$ 207,600	\$ 189,000	\$ 422	\$ 448	\$ 26	6.2%
\$ 270,000	\$ 311,400	\$ 302,200	\$ 682	\$ 717	\$ 35	5.1%
\$ 384,600	\$ 443,600	\$ 443,600	\$ 1,014	\$ 1,052	\$ 38	3.8%
\$ 410,000	\$ 472,800	\$ 472,800	\$ 1,087	\$ 1,122	\$ 34	3.1%
\$ 525,000	\$ 605,500	\$ 605,500	\$ 1,410	\$ 1,499	\$ 89	6.3%
\$ 650,000	\$ 749,600	\$ 749,600	\$ 1,825	\$ 1,926	\$ 102	5.6%

Set levy at \$4,696,310 (an increase of \$223,630 or 5.0% over 2022)

Value of Property for Pay 2022	Value of Property for Pay 2023	Taxable Value for Pay 2023	CITY TAX		\$ CHANGE	% CHANGE
			Pay 2022	Pay 2023		
\$ 180,000	\$ 207,600	\$ 189,000	\$ 422	\$ 453	\$ 31	7.4%
\$ 270,000	\$ 311,400	\$ 302,200	\$ 682	\$ 724	\$ 42	6.2%
\$ 384,600	\$ 443,600	\$ 443,600	\$ 1,014	\$ 1,063	\$ 49	4.9%
\$ 410,000	\$ 472,800	\$ 472,800	\$ 1,087	\$ 1,133	\$ 46	4.2%
\$ 525,000	\$ 605,500	\$ 605,500	\$ 1,410	\$ 1,515	\$ 105	7.4%
\$ 650,000	\$ 749,600	\$ 749,600	\$ 1,825	\$ 1,947	\$ 122	6.7%

Set levy at \$4,741,040 (an increase of \$268,360 or 6.0% over 2022)

Value of Property for Pay 2022	Value of Property for Pay 2023	Taxable Value for Pay 2023	CITY TAX		\$ CHANGE	% CHANGE
			Pay 2022	Pay 2023		
\$ 180,000	\$ 207,600	\$ 189,000	\$ 422	\$ 458	\$ 36	8.5%
\$ 270,000	\$ 311,400	\$ 302,200	\$ 682	\$ 732	\$ 50	7.3%
\$ 384,600	\$ 443,600	\$ 443,600	\$ 1,014	\$ 1,074	\$ 61	6.0%
\$ 410,000	\$ 472,800	\$ 472,800	\$ 1,087	\$ 1,145	\$ 58	5.3%
\$ 525,000	\$ 605,500	\$ 605,500	\$ 1,410	\$ 1,530	\$ 120	8.5%
\$ 650,000	\$ 749,600	\$ 749,600	\$ 1,825	\$ 1,967	\$ 142	7.8%

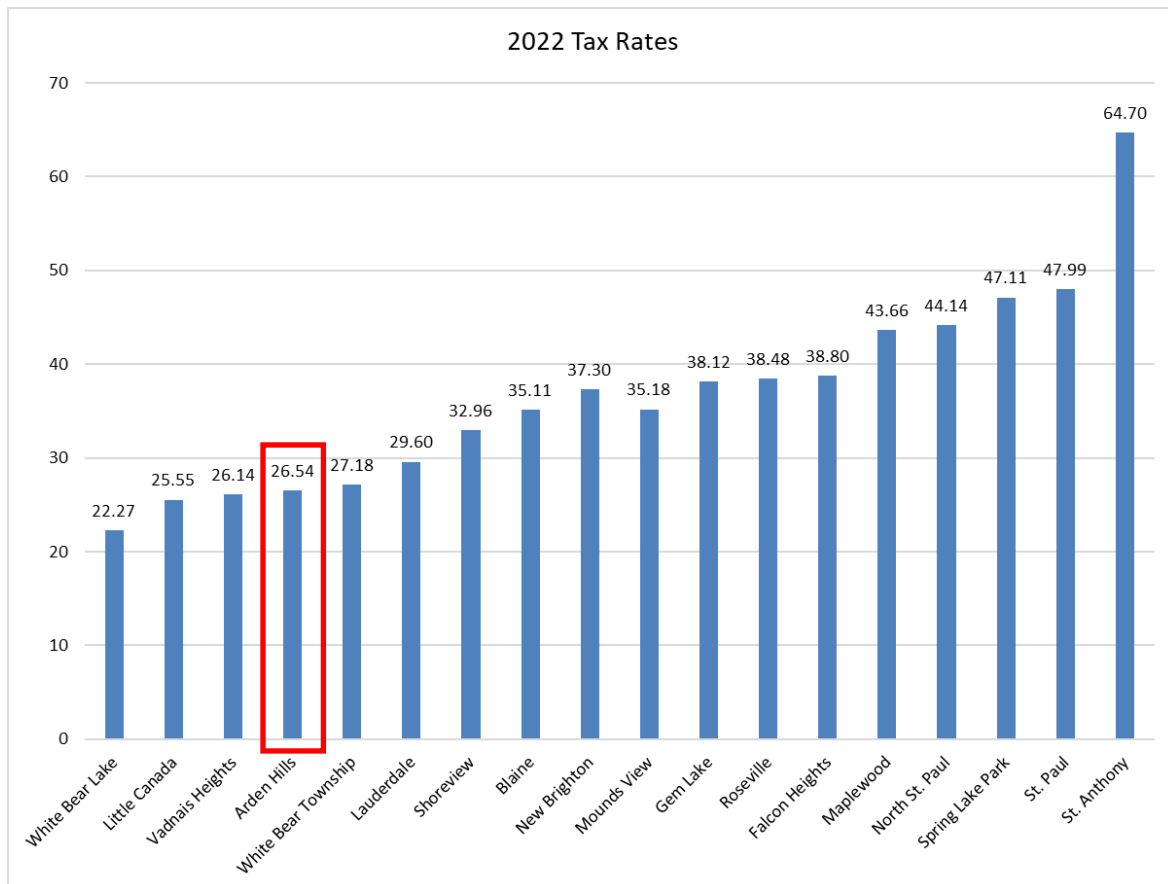
Set levy at \$4,785,770 (an increase of \$313,090 or 7.0% over 2022)

Value of Property for Pay 2022	Value of Property for Pay 2023	Taxable Value for Pay 2023	CITY TAX		\$ CHANGE	% CHANGE
			Pay 2022	Pay 2023		
\$ 180,000	\$ 207,600	\$ 189,000	\$ 422	\$ 462	\$ 40	9.6%
\$ 270,000	\$ 311,400	\$ 302,200	\$ 682	\$ 739	\$ 57	8.4%
\$ 384,600	\$ 443,600	\$ 443,600	\$ 1,014	\$ 1,085	\$ 72	7.1%
\$ 410,000	\$ 472,800	\$ 472,800	\$ 1,087	\$ 1,157	\$ 69	6.4%
\$ 525,000	\$ 605,500	\$ 605,500	\$ 1,410	\$ 1,546	\$ 136	9.7%
\$ 650,000	\$ 749,600	\$ 749,600	\$ 1,825	\$ 1,987	\$ 162	8.9%

The 2022 City Tax Rate is 26.544%. The estimated 2023 City tax rate based on the most current information is calculated as follows for the different tax levy increases:

- 0.0% 22.729%
- 4.0% 23.724%
- 5.0% 23.973%
- 6.0% 24.221%
- 7.0% 24.470%

2022 tax rates for other cities in Ramsey County are as follows:



Budget Impact

None.

Attachments

- A. Resolution 2022-042, setting preliminary levy
- B. Resolution 2022-043, adopting TNT public hearing date
- C. Preliminary 2023 Property Tax Levy PowerPoint Presentation
- D. Preliminary 2023 General Fund Budget with 5% levy
- E. General Fund budget to actual comparison for 2021 and 2020