



MEMORANDUM

DATE: November 21, 2022
TO: Honorable Mayor and City Councilmembers
 Dave Perrault, City Administrator
FROM: Gayle Bauman, Finance Director
SUBJECT: 2023 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 2023 Budget and CIP. The Truth-in-Taxation meeting is scheduled for December 12, 2022, where a final budget and tax levy will be adopted.

Background

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%, and Council adopted a maximum tax levy increase of 7.0% on September 26, 2022. The final levy and budget adoption meeting is scheduled for December 12, 2022.

Discussion

Wages and Benefits

The 2023 proposed budget is currently being prepared assuming a 3.0% wage adjustment for non-union and union 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. 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.

Benefit amounts have been adjusted based on renewal information. The City is switching health insurance plans in 2023 because of the big increase being proposed by PEIP. Overall, the city cost for insurance is increasing \$43,460 or 15.2%.

Total personnel costs increased by \$182,340 from 2022 to 2023. The breakdown of this increase is as follows:

2023 Step increases/position changes	\$56,590
2023 COLA adjustments	\$74,290
Insurance benefits	\$43,460
Work Comp insurance	\$8,000
TOTAL	\$182,340

General Fund

The General Fund is the primary operating fund of the City and its main source of revenue is property taxes. The 2023 revenue budget is projected to increase by \$337,000 over 2022 to \$5,436,510. The main reason for this increase is a proposed property tax increase of \$263,090.

Expenditures are projected to increase by \$288,260 over 2022 to \$5,527,770. The increase is mainly due to public safety and personnel costs.

- The police contract is expected to rise by 4.0%, or \$56,150 for 2023. 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; and \$100,000 contingency funding which will be returned at year end if it is not needed. Our portion is about \$12,790.
- 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.
- 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.

Special Revenue Funds

The City has five special revenue funds with activity in 2023 that finance various activities with restricted revenues. The allocation of property tax dollars is proposed to remain the same for the EDA General Fund (\$100,000). 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 2023. None of the three Tax Increment Financing Funds currently receives tax increment revenue. TIF #3 and TIF #4 have or will be decertified and have funds available for future eligible projects. TIF #5 was established at the end of 2019.

Capital Project Funds

The Council has previously reviewed the 2023-2027 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), remain the same for the Capital Improvement (PIR) Fund (\$250,000), and increase by \$50,000 for the Public Safety Capital Fund (\$220,000). The property tax allocation for the Public Safety Capital Fund will continue to need to be increased in future years.

CIP 2023-2027

Projects included in the 2023 Proposed Budget and CIP are as follows:

<u>Project</u>	<u>Fund Source</u>	<u>Amount</u>
City Hall Maintenance	Equip/Bldg Replacement	\$50,000
Arden Manor Park Improvements	PIR/Grant	\$239,700
Floral Park Hard Court Reconstruction	PIR	\$426,000
Floral Park Shelter Roof Replacements	PIR	\$30,000
Floral Park Playground Structure Replacement	PIR	\$150,000
Perry & Cummings Park Roof Maintenance	PIR	\$60,000
MVHS Trail Improvements	PIR/County/Grant	\$850,000
LJFD Capital Items	Public Safety Capital	\$39,770

Lift Station Rehab	Sewer	\$300,000
Sewer Lining/Rehabilitation	Sewer	\$415,000
Old Snelling/CR E Intersection Improvements	PIR/Utilities/State Aid	\$757,000
Karth Lake Retaining Wall	Surface Water	\$100,000
Storm Sewer Structure Rehabilitation	Surface Water	\$80,000
Water Meter Replacement	Water	\$25,000
Replace 2014 Bobcat Toolcat #453	Equip/Bldg Replace/Trade In	\$75,000
Replace 2012 Int'l Plow Wing Truck #115	Equip/Bldg Replacement	\$120,000
Replace F-450 Truck #211	Equip/Bldg Replace/Trade In	\$140,000

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 2023 Fee Schedule for the City. The proposed increases are as follows: Water – 0%; Sewer – 4%; Storm – 0%. Below is a comparison of utility fees for 2022 and 2023 based on proposed rates and for a household using 9,000 gallons per quarter with a ¾” meter size or smaller.

	2022	2023
Water	79.16	79.16
Sewer	120.47	125.31
Storm	16.56	16.56
TOTAL	216.19	221.03

Property Values, Taxes and Tax Rates

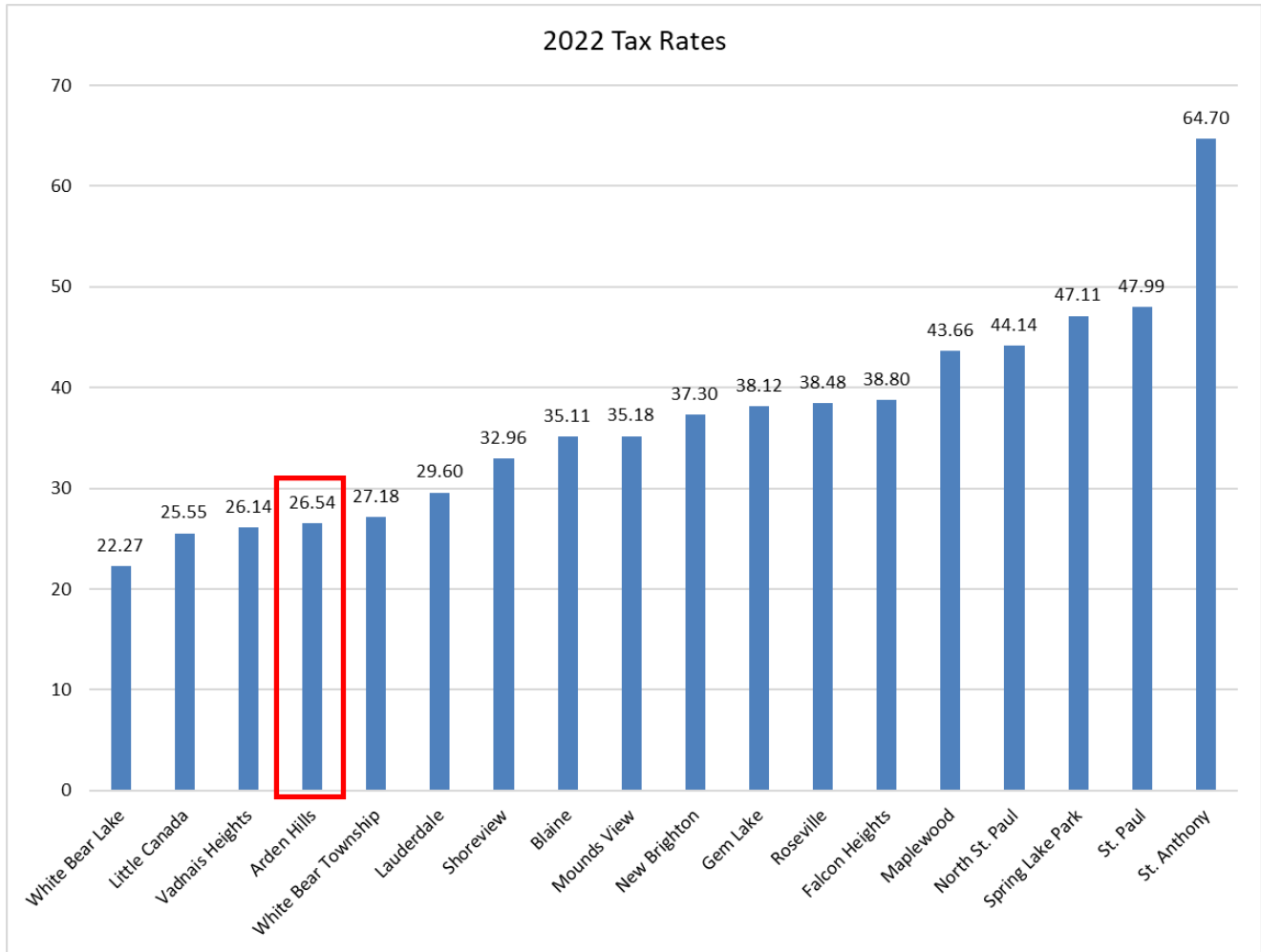
According to information provided by Ramsey County, the median home value in Arden Hills will increase from \$384,600 for 2022 taxes to \$443,550 for 2023 taxes, an increase of 15.33%. The annual impact of a 7.0% City levy increase to a residential homes is as follows (City tax amount only):

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	\$ 463	\$ 41	9.8%
\$ 270,000	\$ 311,400	\$ 302,200	\$ 682	\$ 741	\$ 59	8.6%
\$ 384,600	\$ 443,550	\$ 443,550	\$ 1,014	\$ 1,087	\$ 73	7.2%
\$ 410,000	\$ 472,800	\$ 472,800	\$ 1,087	\$ 1,159	\$ 72	6.6%
\$ 525,000	\$ 605,500	\$ 605,500	\$ 1,410	\$ 1,549	\$ 139	9.9%
\$ 650,000	\$ 749,600	\$ 749,600	\$ 1,825	\$ 1,991	\$ 166	9.1%

The 2022 City Tax Rate is 26.544%. The estimated City tax rate based on the most current information with a 7.0% levy increase is 24.516%.

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



Attachments

- A. Proposed 2023 Budget
- B. Proposed 2023-2027 CIP
- C. Presentation slides