

PROPOSED 2022 BUDGET AND PROPERTY TAX LEVY

CITY MANAGER'S RECOMMENDATION

DECEMBER 13, 2021



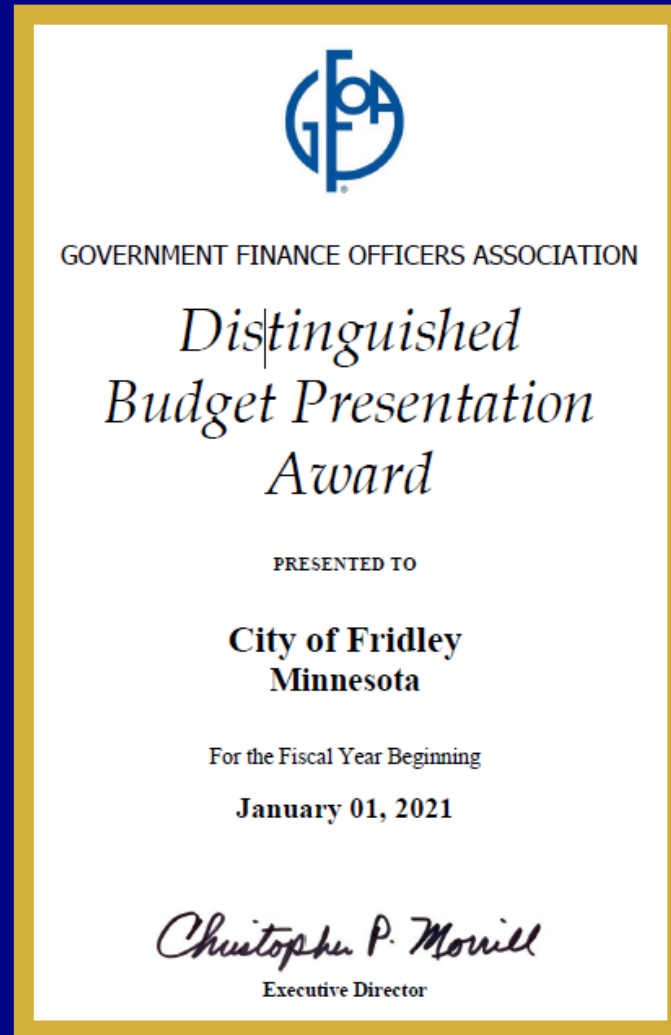
OVERVIEW

- Introduction and Process
- Economic Expectations
- Proposed 2022 Budget
- Property Tax Levy Analysis
- Next Steps

PROPOSED 2022 BUDGET CALENDAR

April 26	2022 Outlook and Objections Review with City Council
June 21	Discuss Proposed 2022–2026 CIP with the City Council
September 20 City	Discuss Proposed 2022 Budget and Property Tax Levy with the Council
September 27	Adopt the Proposed 2022 Budget and Property Tax Levy
November 8 sections	Discuss Proposed 2022 Public Utility Rates and Revised CIP with the City Council
November 22	Adopt the Proposed 2022 Public Utility Rates
December 13 Taxation)	Conduct Proposed 2022 Budget Meeting (Truth-in–

BUDGET GOALS AND OBJECTIVES



BUDGET GOALS AND OBJECTIVES

- The Proposed 2022 Budget builds upon previous efforts to provide excellent public services at a fiscally responsible cost
- Under this general goal, the City relies upon a series of guidelines to inform the development of the annual budget:
 - To stabilize ongoing revenues and expenditures, and eliminate unanticipated variances
 - To maintain structural balance and appropriate cash or fund balance levels
 - To increase accountability and transparency throughout the budget process
 - To make greater use of existing City resources
 - To ensure a financially competitive organization while maintaining exceptional service levels

ECONOMIC EXPECTATIONS

- Economic expansion anticipated for the State of Minnesota (State) and region in 2021 and 2022
 - The Federal Reserve maintained the Federal Funds Rate at 0.00% to 0.25%
 - The State adopted a budget surplus of about \$127 million through FY 2023
- Several factors continue to cause uncertainty in economic forecasts, including:
 - Fluctuations in Novel Coronavirus Disease 2019 (COVID–19) pandemic
 - Shifts in Federal fiscal, monetary and trade policies, and related impacts
 - Changes in business and consumer habits
 - Negotiations on Federal budget appropriations and tax policies

GENERAL ASSUMPTIONS

- Reallocation of current resources based on history and need
 - Budget adjusted to better reflect actual expenditures
 - Limited adjustments to external revenues
- Consistent with the City Charter and City Council actions and guidance
 - Limit pressure on the property tax rate
 - Reallocate resources internally to support a Compensation Plan Update
- Supports current complement of Full–Time Equivalent (FTE) employees
- The Proposed 2022 General Fund Budget will be structurally balanced

Major Budget Assumptions, Expenditures (Selected)	
Category	Adjustment
Health, Dental and Similar Insurance Products	10.5%
Materials and Supplies	17.9%
Other Services and Charges	10.5%
Salaries and Wages	3.0%

GENERAL ASSUMPTIONS, CONTINUED

Major Budget Assumptions, Revenues (Selected)	
Category	Adjustment
Property Taxes	4.9%
Special Assessments	35.3%
Licenses and Permits	11.4%
Intergovernmental	31.3%
Charges for Service	0.2%
Fine and Forfeitures	-1.1%
Miscellaneous	-6.9%
Other Revenues	13.0%

- The Proposed 2022 Budget does not include any adjustments for the:
 - Pending Park System Improvement Plan
 - Expiring Collective Bargaining Agreements
 - Pending Fiscal Recovery Funds Allocation Plan

GENERAL FUND

PROPOSED 2022 BUDGET



GENERAL FUND REVENUES

- Property Taxes

- Per previous Council guidance, the Proposed 2022 Budget assumes a 4.7% increase, or \$605,700, in the property taxes compared to 2021

Property Tax Revenue, General Fund

Property Tax Levy	2020R	2020A	2021B	2022P
Certified	\$ 12,458,025	\$ 12,458,025	\$ 13,220,201	\$ 13,682,908
Estimated Collection Rate	95.63%	99.51%	97.82%	99.50%
Estimated Revenue	11,913,609	12,396,841	12,932,001	13,614,493
Estimated Delinquent	(18,900)	80,044	100,100	22,900
Estimated Total Revenue	\$ 11,894,709	\$ 12,476,885	\$ 13,032,101	\$ 13,637,393
Estimated Change (\$)	(563,316)	18,860	(188,100)	(45,515)

GENERAL FUND REVENUES

- Licenses and Permits
 - Per recent and average redevelopment activity, the Proposed 2022 Budget increases by about \$149,900, or 14.5%, compared to the previous fiscal year
- Charges for Services
 - Assumes an increase of about \$105,900 or 5.0%, primarily due to a return of parks and recreation activities and an increase in Administrative Charges
- Miscellaneous
 - Anticipates a reduction of about \$33,300, or 17.3%, primarily due to a decrease in insurance reimbursements and gambling taxes

GENERAL FUND REVENUES, CONTINUED

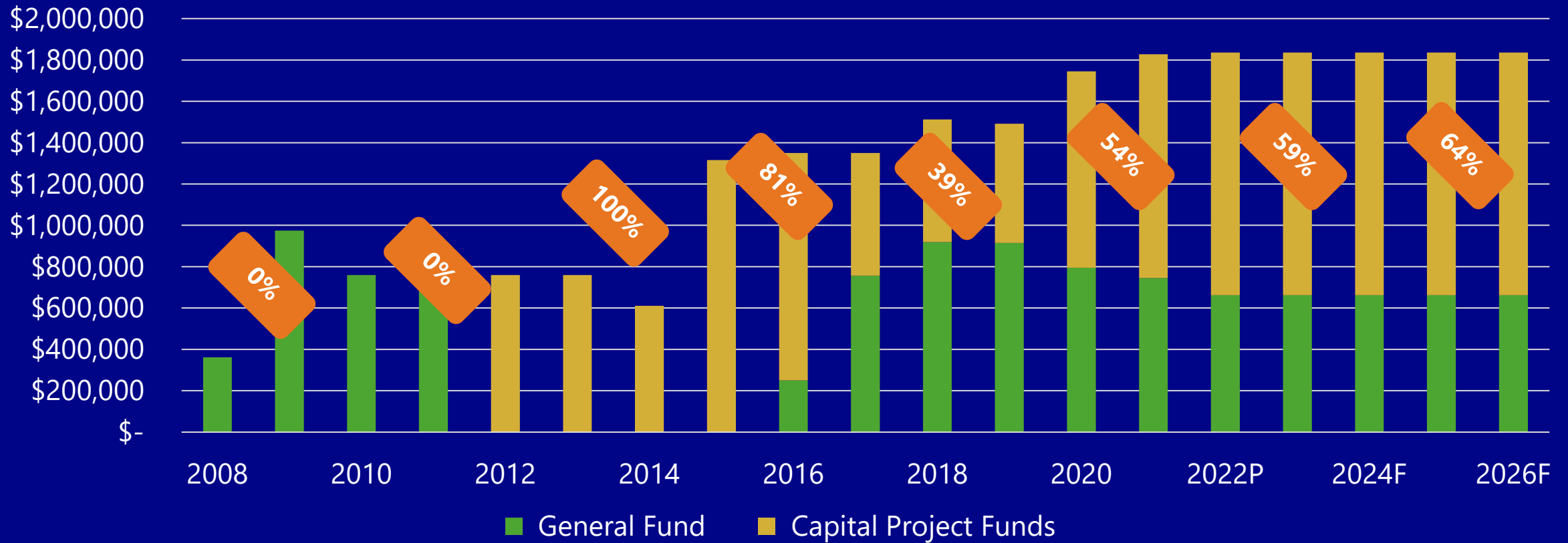
- Other Financing Charges
 - Continued no longer using the “Closed Bond” Fund to support City operations
- Intergovernmental Grants and Aids
 - Assumes an increase of about \$244,900, or 13.6%, primarily for an automobile theft prevention grant and MSA for street maintenance
 - The Proposed 2022 Budget also reallocates about \$82,400 of LGA from the General Fund to the Capital Projects Fund for 2022

Intergovernmental Aid, as a Percentage of the General Fund

Revenue Source	2020	2021	2022P
LGA	3.84%	4.01%	3.37%
All Intergovernmental Aid	9.91%	9.72%	10.44%

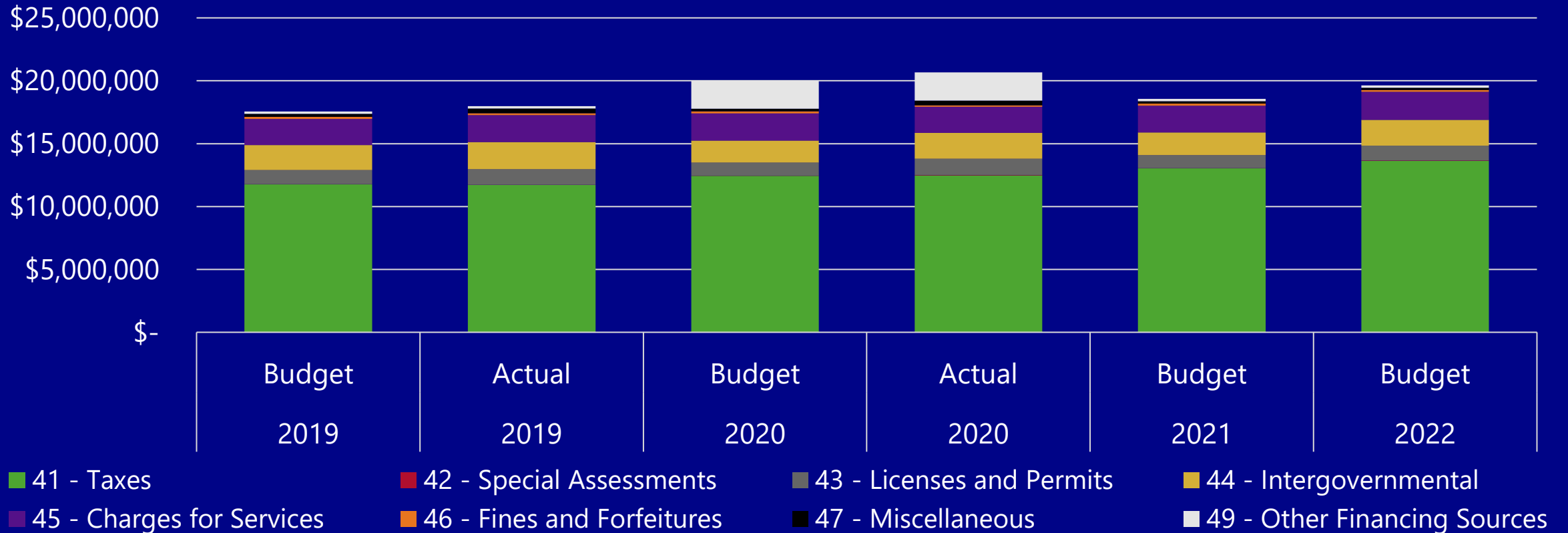
LOCAL GOVERNMENT AID

Local Government Aid Allocation, 2016–2026



GENERAL FUND REVENUES, CONTINUED

General Fund, Revenue Summary by Category, 2019–2022P

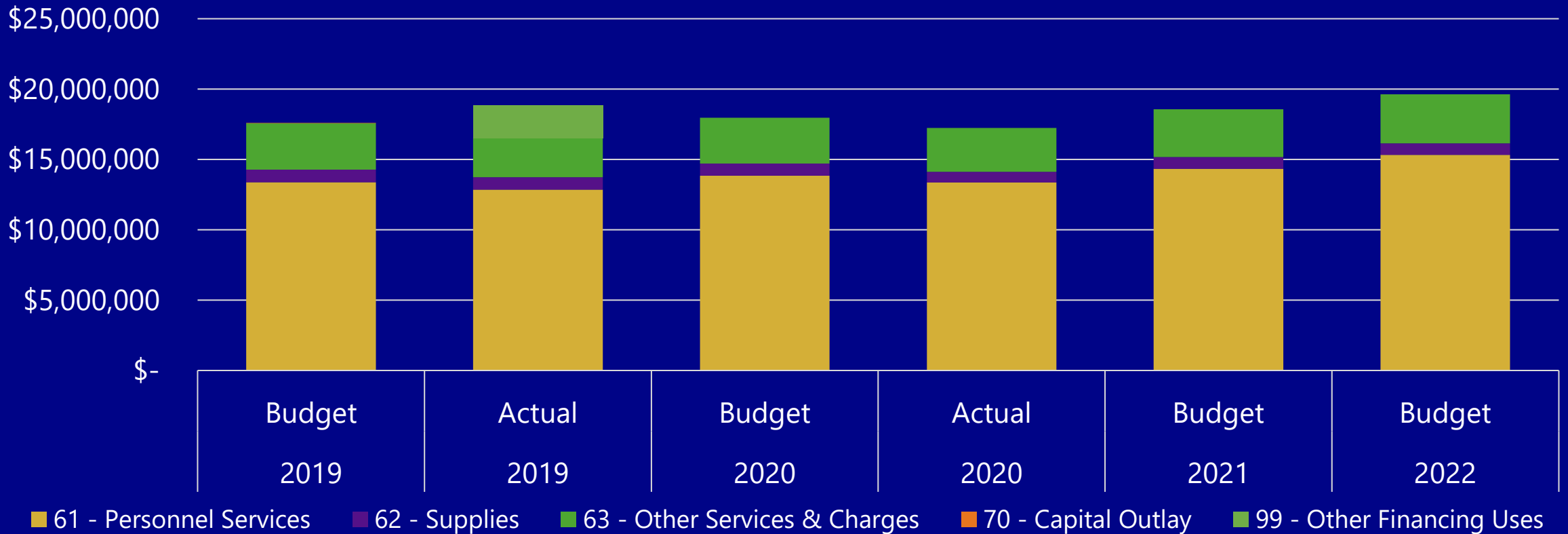


GENERAL FUND EXPENDITURES

- Personnel Services
 - Like previous fiscal years, Personnel Services comprised about 78% of all General Fund expenditures
 - For the Proposed 2022 Budget, Personnel Services increased approximately \$976,900, or 6.8%, compared to Adopted 2021 Budget
- Supplies
 - Assumes an increase of about \$3,600, or .4%, compared to the previous fiscal year
- Other Services and Charges
 - Assumes an increase of about \$89,100, or 2.6%, compared to the previous fiscal year, primarily for redistricting and compensation plan consulting

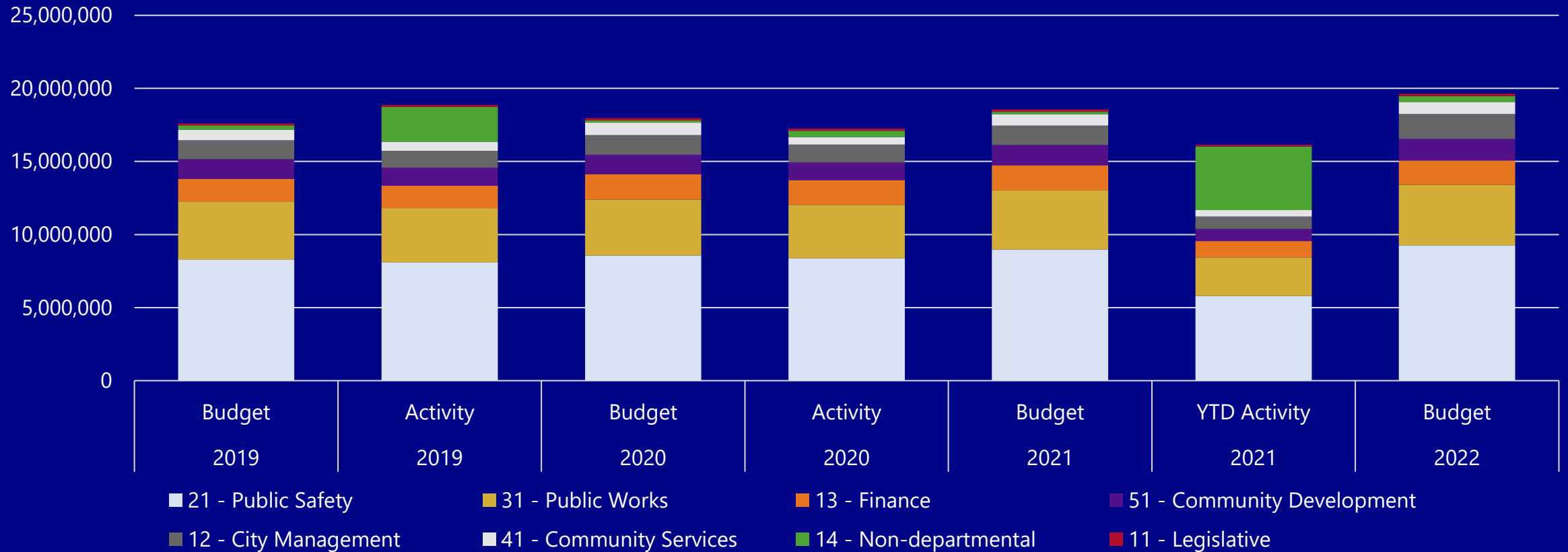
GENERAL FUND EXPENDITURES, CONTINUED

General Fund, Expenditure Summary by Category, 2019–2022P



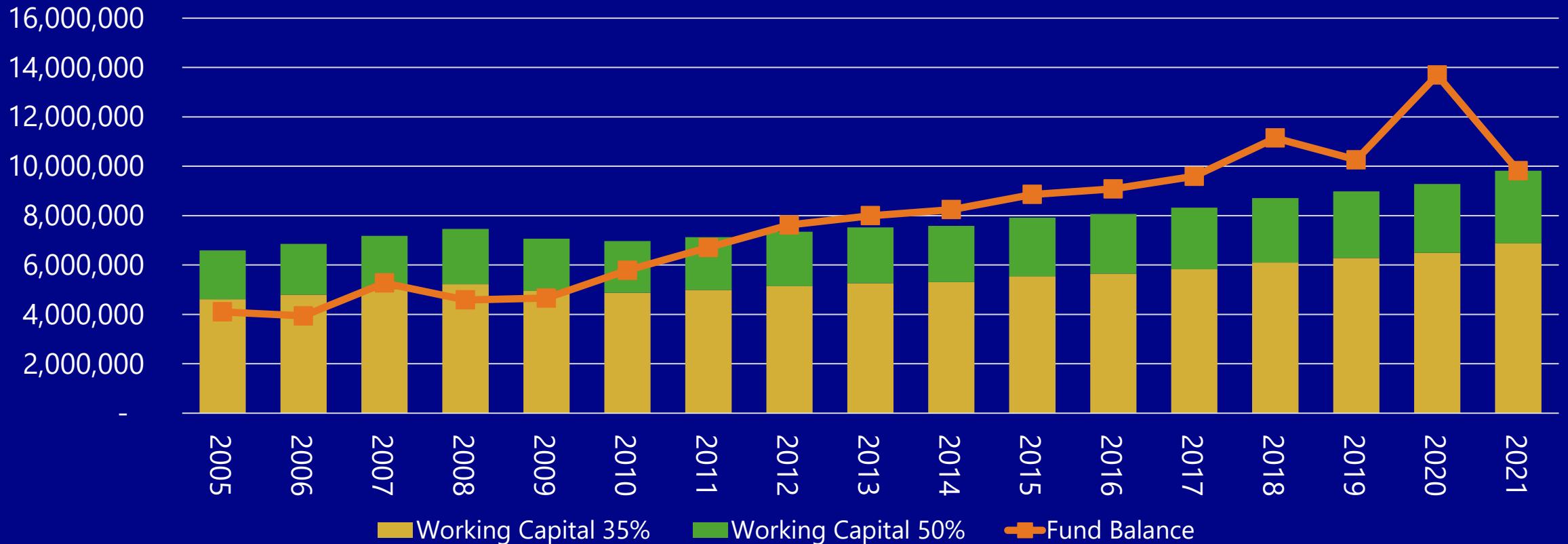
GENERAL FUND EXPENDITURES, CONTINUED

General Fund, Expenditure Summary by Department, 2019–2022P



GENERAL FUND, BALANCE HISTORY

General Fund Balance History, 2005–2020B



SPECIAL REVENUE FUNDS

PROPOSED 2022 BUDGET

SPECIAL REVENUE FUNDS

- **Generally, Special Revenue Funds are funds designed to account for the activities of specific revenue sources and are legally restricted for a specific purpose(s). They may support both capital and operating expenditures**
- **The City currently maintains four Special Revenue Funds:**
 1. Cable Television Fund
 2. Solid Waste Abatement Fund
 3. Police Activity Fund
 4. Springbrook Nature Center Fund

SPECIAL REVENUE FUNDS, CONTINUED

- **Cable Television**

- Assumes a decrease in franchise fees of about \$3,500, or 1.4%, compared to 2021
- The Proposed 2022 Budget includes \$83,100 use of fund balance

- **Solid Waste Abatement**

- Assumes Select Committee on Recycling and the Environment (SCORE) grant funds remain relatively flat for 2022
- Includes a decrease of about \$24,900, or 5.2%, for the recycling services contract, due to an increase in the value of recyclable materials
- Based on these factors, the Proposed 2022 Budget plans for a decrease in the quarterly residential fee from \$11.20 in 2021 to \$10.20 in 2022, a decrease of \$1.00 or approximately 9.0%
- Assumes a contribution of about \$2,500 to fund balance

SPECIAL REVENUE FUNDS, CONTINUED

- **Police Activity Fund**

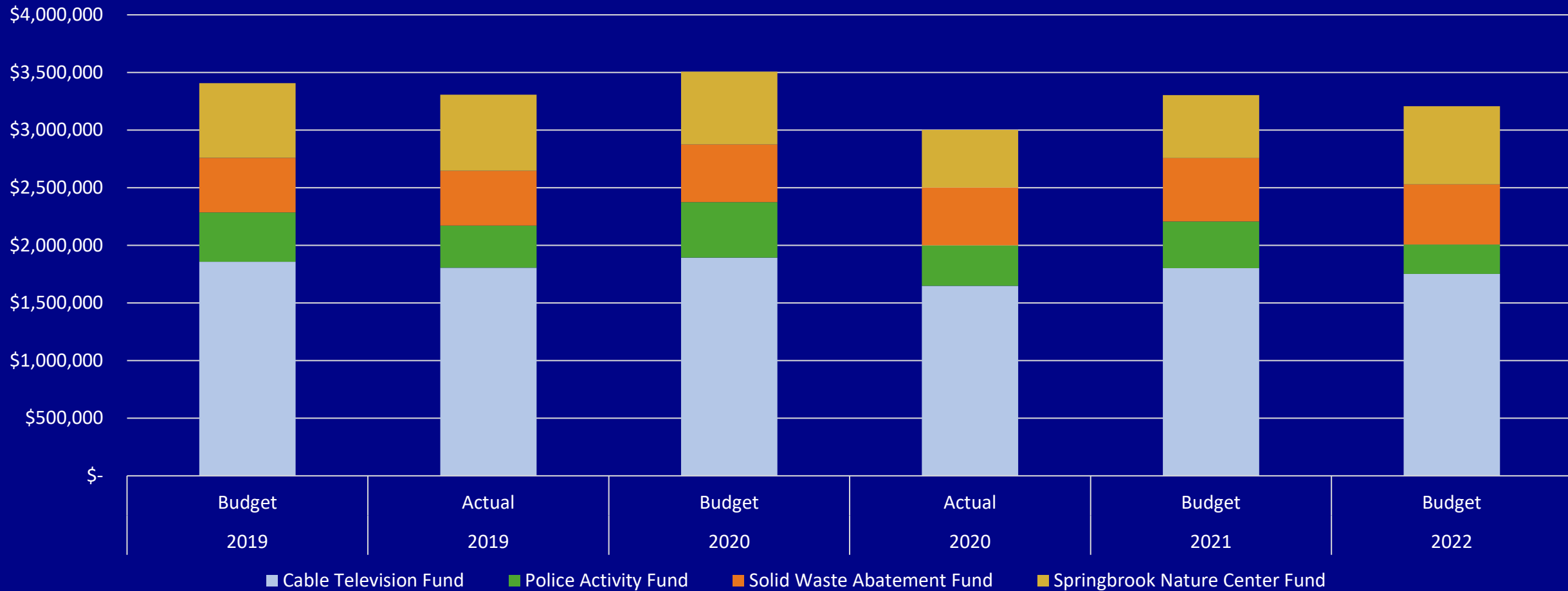
- Includes a decrease of about \$149,400, or 36.9%, as the City will no longer administer the county-wide Toward Zero Deaths grant
- Assumes no use of or contribution to fund balance

- **Springbrook Nature Center**

- Assumes a \$46,000, or 11.1% increase in property tax revenues, including an 8.00% increase, or about \$34,200, in the Property Tax Levy
- Includes an increase of \$131,800, or 24.1% in revenues, and \$112,700, or 19.5%, in expenditures, compared to last year
- Assumes \$12,900 use of fund balance

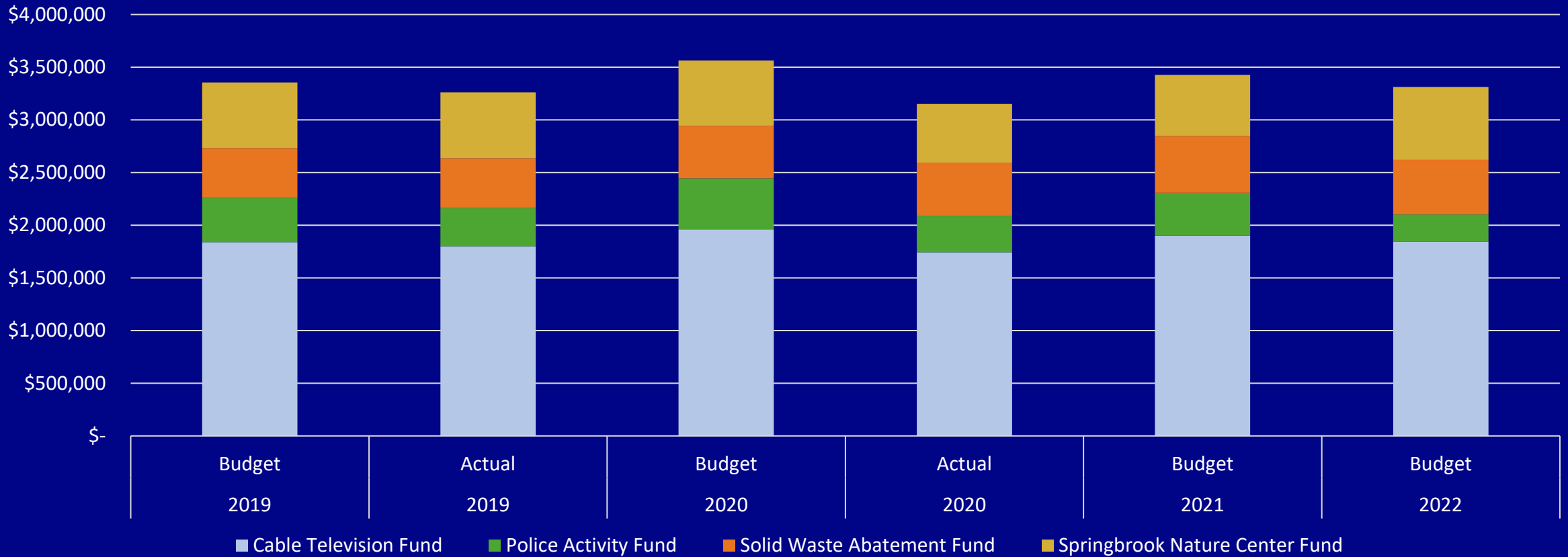
SPECIAL REVENUE FUNDS, CONTINUE

Special Revenue Funds, Revenues Summary by Fund, 2019–2022P



SPECIAL REVENUE FUNDS

Special Revenue Funds, Expenditures Summary by Fund, 2019–2022P



CAPITAL PROJECT FUNDS

PROPOSED 2022 BUDGET

CAPITAL PROJECT FUNDS

- **The Proposed Capital Investment Plan (CIP) consists of a collection of Capital Project Funds designed to coordinate the financing of capital equipment, improvements and other projects**
- **The City currently maintains six Capital Project Funds**
 1. Building Capital Improvement Fund
 2. Street Improvement Fund
 3. Parks Capital Improvement Fund
 4. Information Technology Projects Fund
 5. Capital Equipment Fund
 6. Community Investment Fund (non-budgeted)

CAPITAL PROJECT FUNDS, CONTINUED

- Building Improvement
 - Anticipating approximately \$500,000 in revenue between 2019 and 2022
 - Does not support any costs related to the Park System
 - Assumes a use of about \$198,000 of fund balance in 2022
 - Relatively flat budget
- Street Improvement
 - Use of Municipal State Aid (MSA) reimbursements to fund other portions of the street improvement program
 - Assume maximum use of MSA
 - Assumes a use of about \$960,800 of fund balance in 2022
 - 15% \$298,600 increase in revenue, 25% \$636,700 increase in expenditures

CAPITAL PROJECT FUNDS, CONTINUED

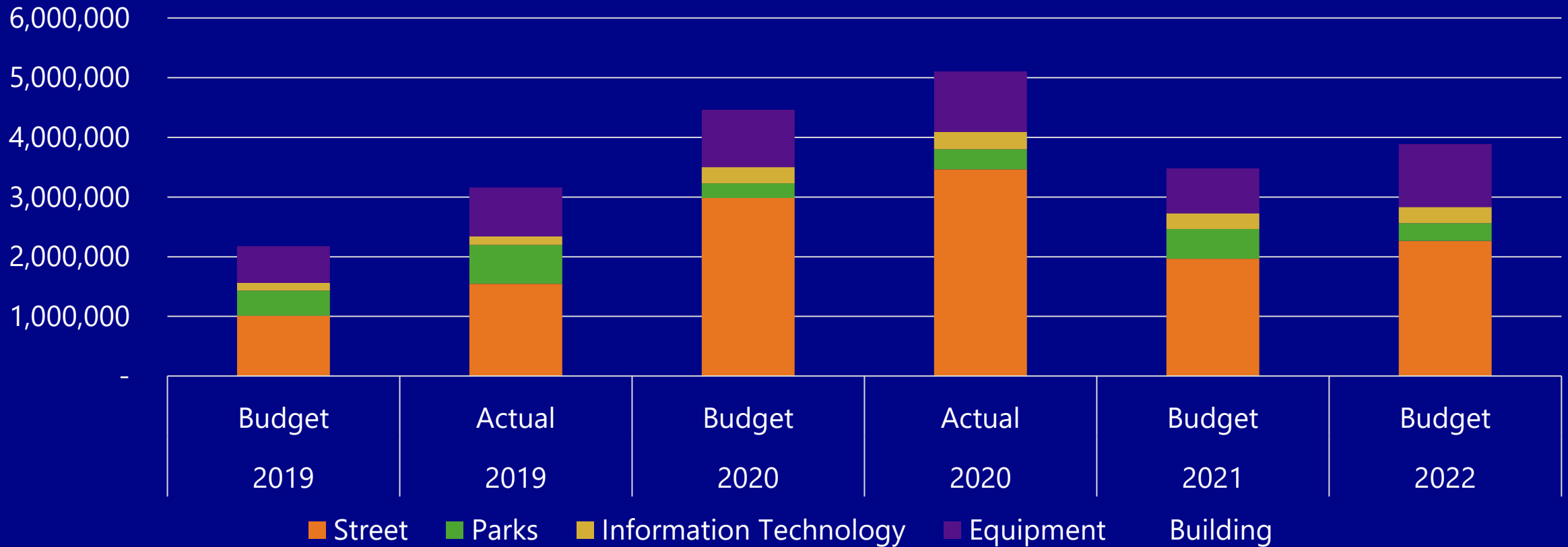
- Parks Improvement
 - The Proposed budget suspends most fund activities pending the adoption of the Park System Improvement Plan
 - Assumes \$100,000 transferred from the Community Investment Fund
 - Assumes a use of about \$380,000 of fund balance in 2022
 - The fund presently supports any capital project costs related to Springbrook Nature Center improvements

CAPITAL PROJECT FUNDS, CONTINUED

- Information Technology (IT)
 - Assumes an 8.00% increase in the Information Technology (IT) Capital Project Property Tax Levy in 2022
 - Assumes a use of fund balance of about \$96,000 in 2022
- Capital Equipment
 - Assumes an additional \$170,000 of LGA in 2022
 - Includes a reallocation of \$75,000 of municipal liquor proceeds to the Equipment Capital Projects Fund in 2022
 - Assumes a use of about \$577,500 of fund balance in 2022
 - In 2022 the fund exceeds the fund balance threshold

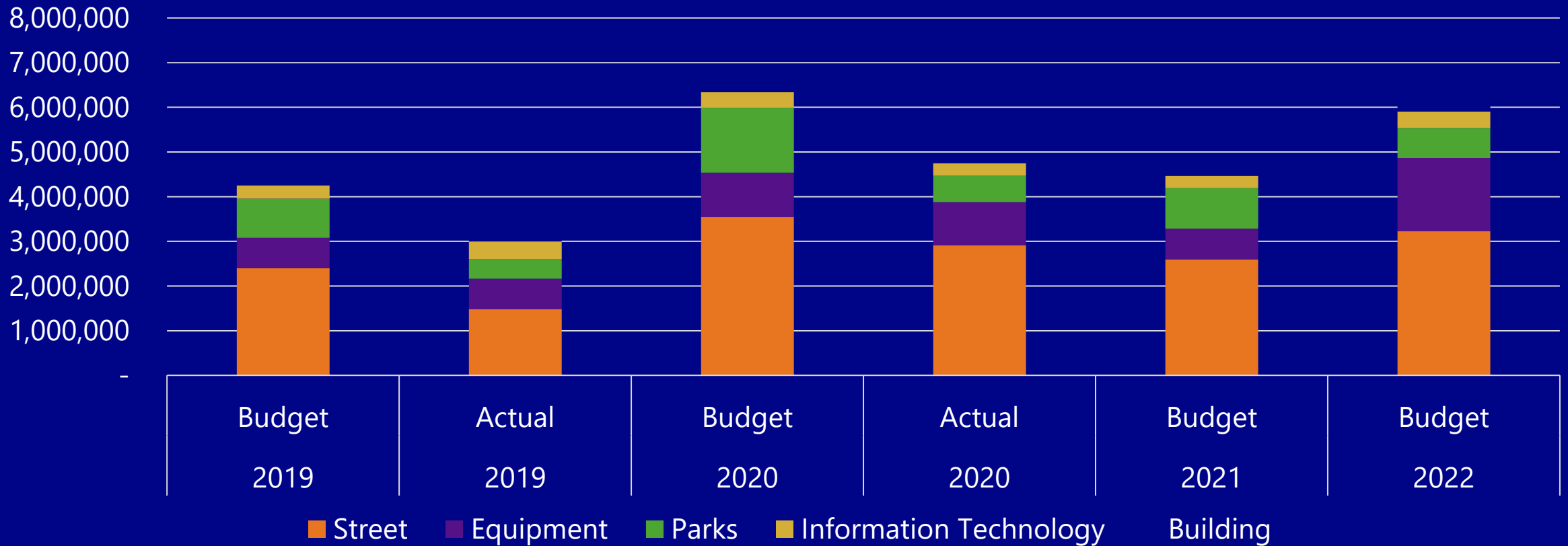
CAPITAL PROJECT FUNDS, CONTINUED

Capital Project Fund Revenues by Fund, 2019-2022P



CAPITAL PROJECT FUNDS, CONTINUED

Capital Project Fund Expenditures by Fund, 2019-2022P



ENTERPRISE FUNDS

PROPOSED 2022 BUDGET

ENTERPRISE FUNDS

- **Generally, Enterprise Funds are designed to account for certain proprietary activities for which fees or rates are charged to external users for goods or services**
- **The City currently maintains four Enterprise Funds:**
 1. Water Utility Fund
 2. Sanitary Sewer Utility Fund
 3. Storm Water Utility Fund
 4. Municipal Liquor Fund

ENTERPRISE FUNDS, CONTINUED

- Based on previous Council guidance and City policy, the enterprise funds should support their operating expenses less depreciation, plus any debt payments and ordinary capital costs
- Generally, the utility rates respond to various cost pressures, most notably changes in inflation, planned capital projects and regulatory requirements

Proposed 2022 Budget, Utility Rate Changes

Fund	2022P	2023P	2024P	2025P	2026P
Water Utility Rate	3.00%	3.00%	3.00%	3.00%	3.00%
Sanitary Sewer Utility Rate	3.00%	3.00%	3.00%	3.00%	3.00%
Storm Water Utility Rate	10.00%	10.00%	10.00%	10.00%	3.00%

ENTERPRISE FUNDS, CONTINUED

- **Water Utility Fund**
 - Assumes a 3.00% increase in the utility rates in 2022
 - Water consumption leveled off
 - Assumes a contribution of about \$101,800 of cash balance
- **Sanitary Sewer Utility Fund**
 - Cancellation of a \$840,000 CI Fund Interfund Loan in 2021
 - Assumes a 3.00% increase in the utility rates in 2022
 - Metropolitan Council Environmental Services charges comprises more than 76.8% of the total fund expenses
 - Assumes a contribution of about \$559,600 cash balance

ENTERPRISE FUNDS, CONTINUED

- **Storm Water Utility Fund**

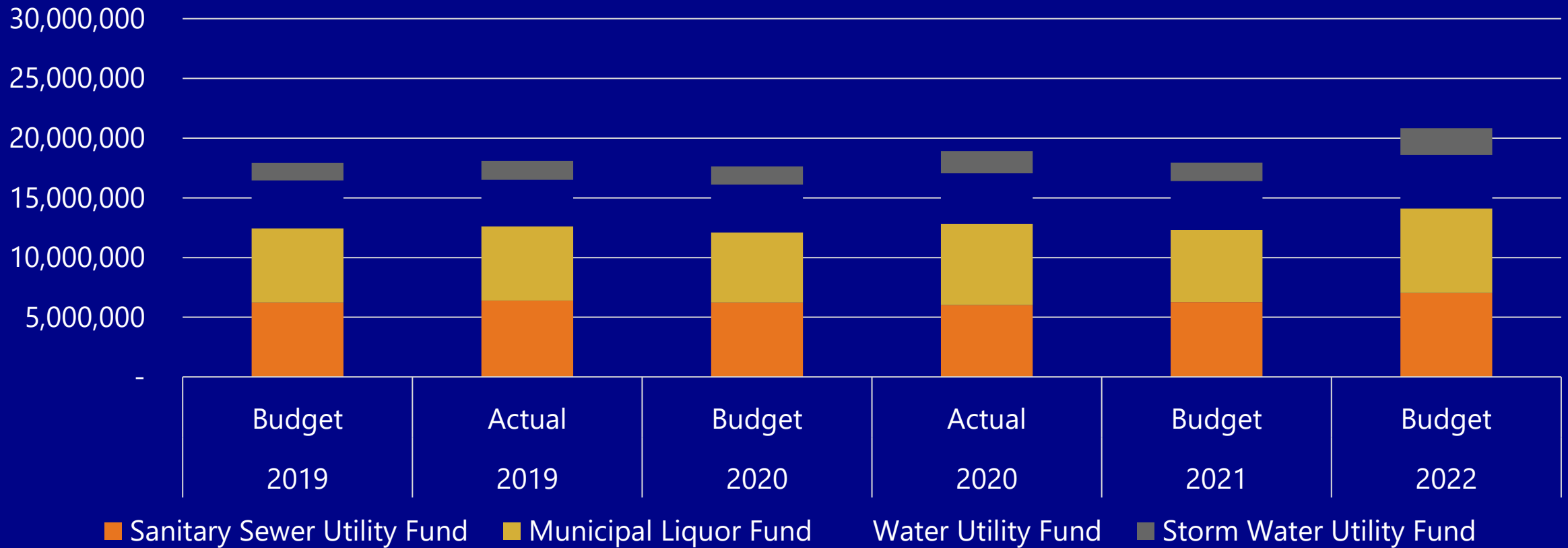
- Assumes a 10.00% increase in the utility rates in 2022
- Assumes a contribution of about \$710,800 of cash balance in 2022

- **Municipal Liquor Fund**

- Assumes a 27.8% Gross Profit Margin
- Increase in revenue of about \$1,011,600 or 17% compared to 2021 budget
- Continues to transfer \$338,500
- Assumes a contribution of about \$160,000 to fund balance

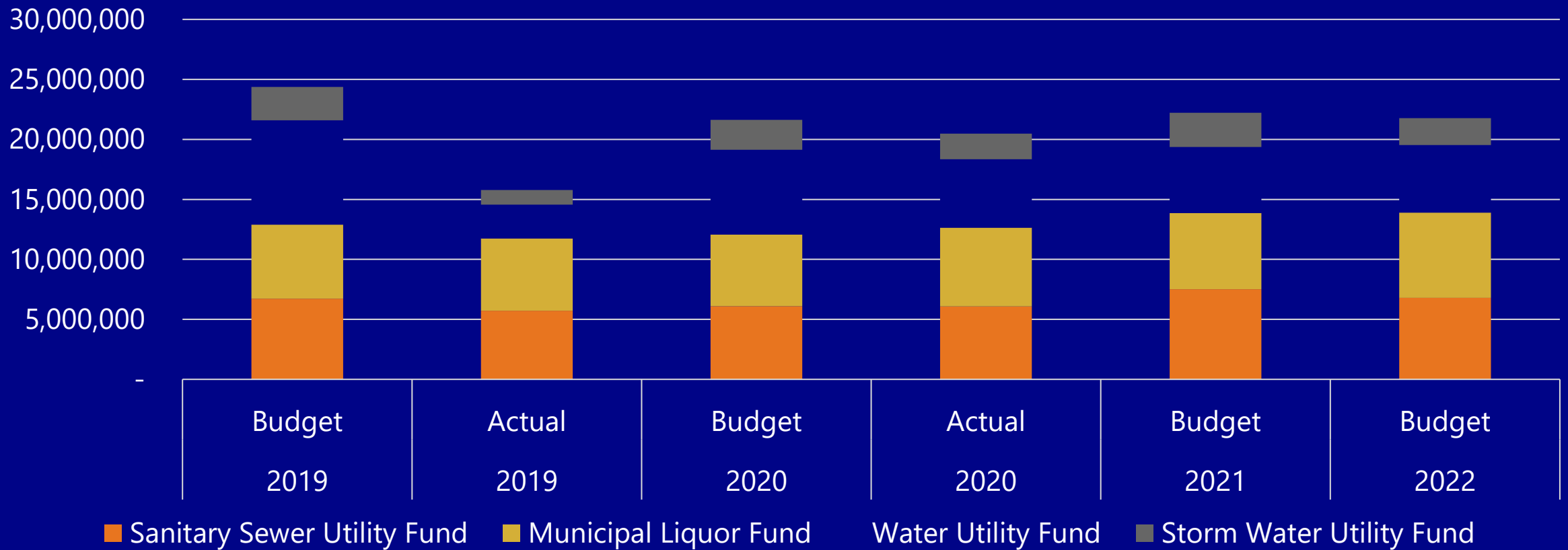
ENTERPRISE FUNDS, CONTINUED

Enterprise Funds, Revenues Summary by Fund, 2019–2022P



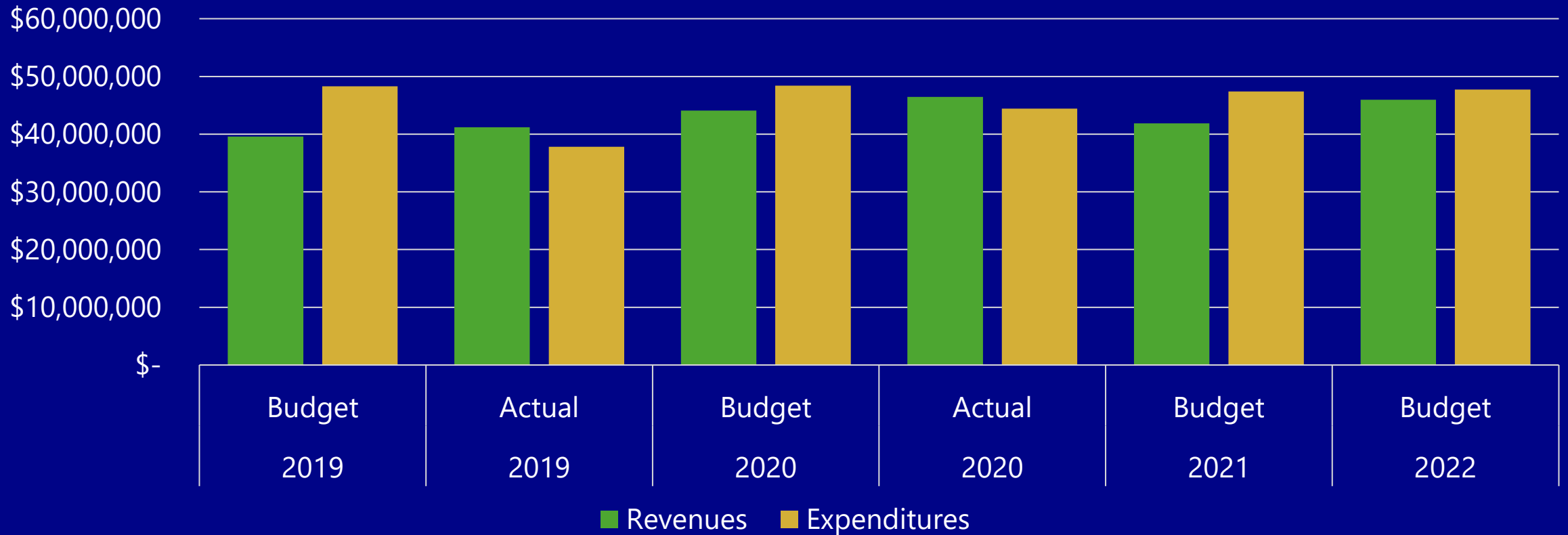
ENTERPRISE FUNDS, CONTINUED

Enterprise Funds, Expenditures Summary by Fund, 2019–2022P



PROPOSED 2022 BUDGET

Revenues and Expenditures Summary, All Budgeted Funds



PROPERTY TAX LEVY

PROPOSED 2022 BUDGET

PROPERTY TAX LEVY

- **The Proposed 2022 Budget assumes an overall property tax levy increase of about 2.97%. Generally, this changes supports:**
 - Cost pressures on various City activities; and the
 - Long-term financial plans for both the Springbrook Nature Center and IT Capital Projects Fund

Property Tax Levy History and Detail

Levy Component	2019	2020	2021	2022P	Change (%)	Change (\$)
General Fund	\$ 11,783,833	\$ 12,458,025	\$ 13,220,201	\$ 13,682,908	3.50%	\$ 462,707
IT Capital Projects Fund	55,913	58,708	63,405	68,477	8.00%	5,072
SNC Fund	392,197	411,807	427,249	461,429	8.00%	34,180
Debt Service Funds	3,262,476	3,181,017	3,179,229	3,179,256	0.00%	26
Total	\$ 15,494,419	\$ 16,109,557	\$ 16,890,084	\$ 17,392,070	2.97%	\$ 501,986

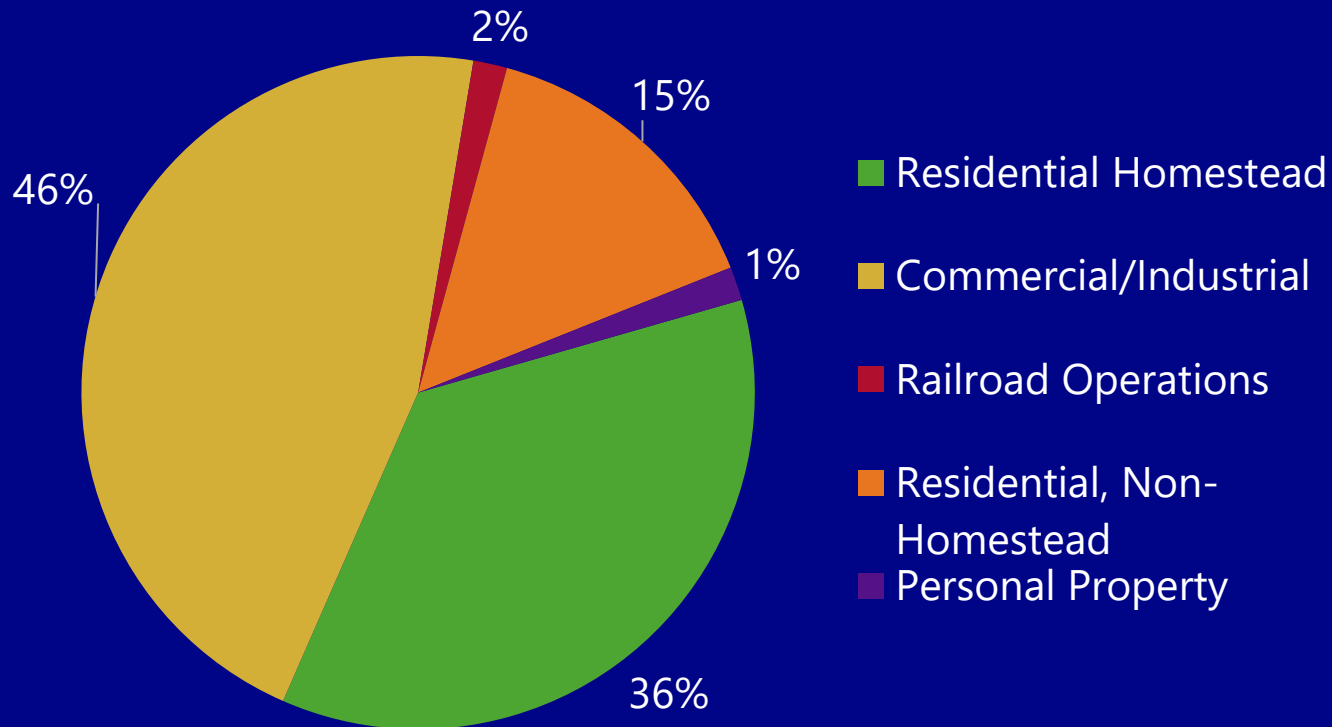
PROPERTY TAX LEVY, GENERAL FUND

Proposed 2022 Budget, General Fund		Property Tax Levy Change, General Fund	
External Revenues	5,996,500	Change, 2021F v. 2022P	3.5%
Expenditures	19,633,900	General Property Tax Levy	13,682,908
Property Tax Supported	(13,637,400)	Surplus/(Deficit)	45,508
		Estimated Property Tax Revenues	13,614,493
		Estimated Delinquent Property Tax Revenue	22,907
		Total Property Tax Revenue	13,637,400
		Total Property Tax Levy Loss	(45,508)
		Total Use of Fund Balance	-
		Percent of Operating Budget	0.2%



PROPERTY TAX LEVY, NET TAX CAPACITY

Net Tax Capacity by Classification



- Median Residential Homestead, \$247,200
 - Current MLS \$259,700

PROPERTY TAX LEVY, CONTINUED

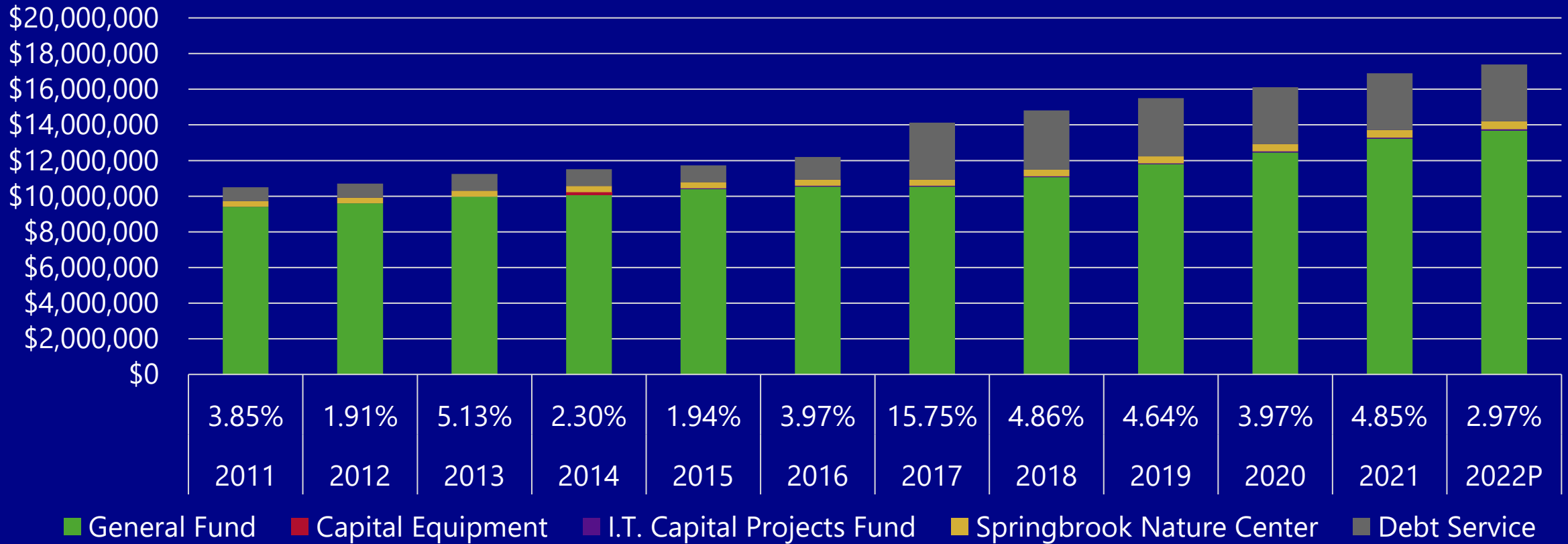
City Property Taxes Payable (Residential Homestead)

Payable Year	Property Tax Levy Change	Median Value	Estimated City Taxes	Change (\$) vs Previous Year	Change (%) vs Previous Year
2019	4.64%	\$202,900	\$860	\$37	4.49%
2020	3.97%	\$217,200	\$928	\$67	7.84%
2021	4.85%	\$234,000	\$988	\$60	6.49%
2022	2.97%	\$247,200	\$1,025	\$37	3.73%

- Between 2021 and 2022, the median-valued residential homestead increased about 5.7%, compared to 8% the previous year
- Assuming the proposed property tax levy change, a property owner with a \$247,200 residential homestead would pay an estimated \$3.07 more per month.

PROPERTY TAX LEVY, CONTINUED

Property Tax Levy, 2012–2022P



PROPERTY TAX LEVY, CONTINUED

Proposed Property Tax Levy	
City	2022P Change (%)
Savage	2.62%
Fridley	2.97%
Coon Rapids	4.46%
Blaine	4.50%
Shoreview	4.56%
New Hope	4.67%
Roseville	4.92%
Richfield	4.98%
Maplewood	5.00%
Crystal	5.27%
Oakdale	6.99%
New Brighton	8.50%

Average
4.95%

