



CITY ADMINISTRATOR'S 2023 SUPPLEMENTAL BUDGET - HIGH LEVEL PREVIEW

July 18, 2022



Strategic Priorities



Strategic Priority: Affordable Living

Areas of Focus

- Housing variety and affordability
- Transportation options and access
- Equitable regulatory landscape and creative incentives
- Access to opportunities and amenities

Strategic Priority: Economic Vibrancy and Growth Management

Areas of Focus

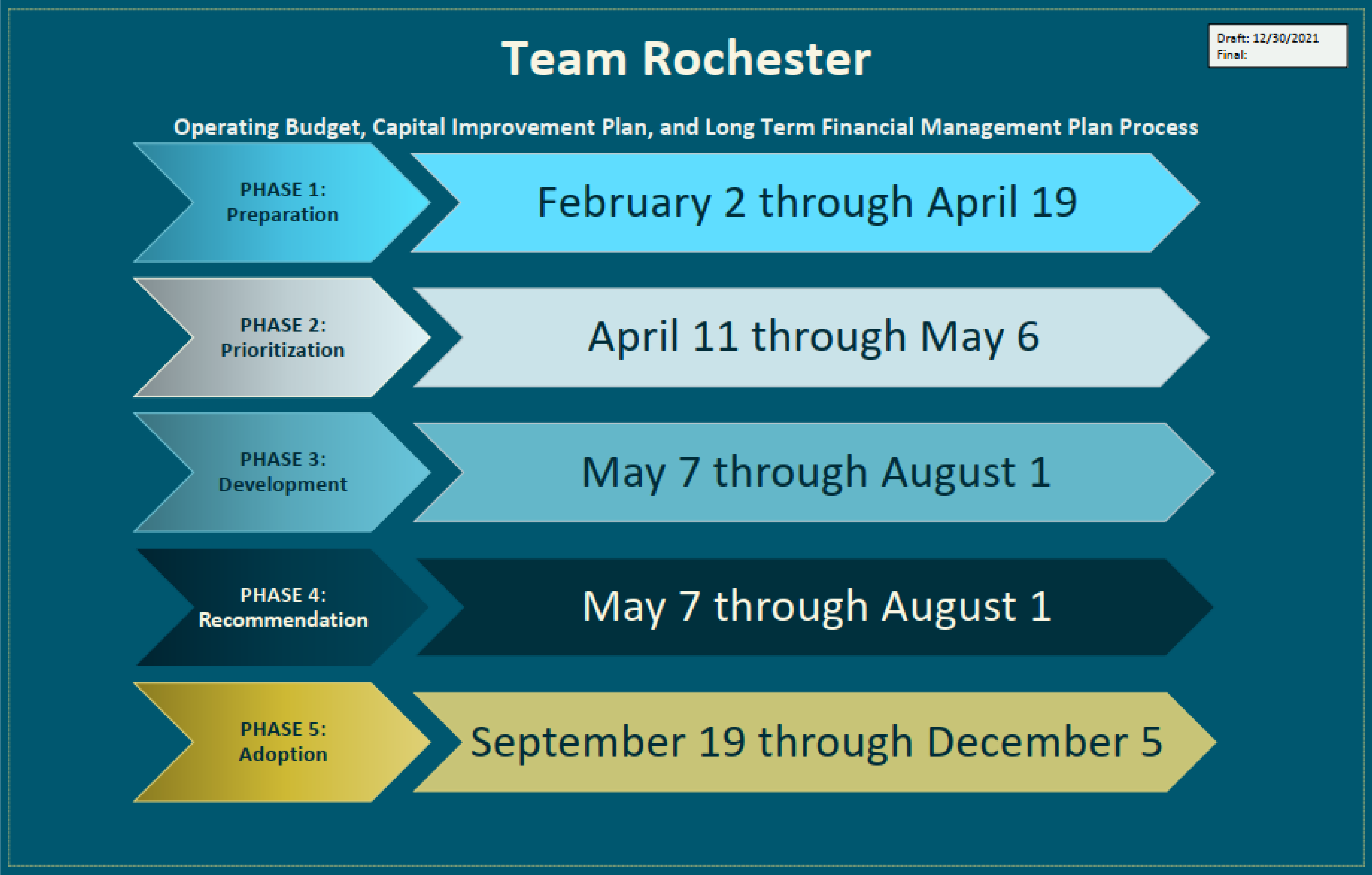
- Create clarity, alignment and unity with economic development partners in defining city leadership and community values
- Establish competitive and sustainable approach to effectively allocate DMC resources, Legislative allocations, and city revenue
- Develop implementation tools and strategies for Comprehensive Plan to ensure current decisions reflect future projections
- Adopt design guidelines that better reflect Council and community values

Strategic Priority: Quality Services for Quality Living

Areas of Focus

- Cultural and Recreational opportunities that provide access and equity
- The organization and Services reflect changing demographics and needs identified by community
- Operations are sustainable, integrated, and easy to navigate
- Service delivery is optimized, cost effective, and reflect our Foundational Principles

Budget Schedule



Scheduling

Budget Phase	Date	Link to Presentation	Focus
1: Preparation	04/11/2022 Study Session	Coming Soon	Factors Influencing the 2023 Supplemental Budget <i>(Complete)</i>
3: Development	06/27/2022 Study Session	Coming Soon	2021 Year-end Audit Presentation <i>(Complete)</i>
3: Development	07/18/2022 Study Session	We are here	City Administrator's 2023 Recommended Supplemental Budget Preview
4: Recommendation	08/22/2022 Study Session		Discussion of City Administrator's Recommended 2023 Budget and Discussion of 2023-2027 Capital Improvement Plan
4: Recommendation	9/7/2022 Study Session (If Needed)		2023 Recommended Supplemental Budget (Operating and Capital Improvement Plan)
4: Recommendation	09/19/2022		Approve Preliminary Budget and Set Preliminary Levy
4: Recommendation	11/2/2022		2023 Recommended Supplemental Budget (Operating and Capital Improvement Plan)
4: Recommendation	TBD		Check-in on Action Plan
5: Adoption	12/5/2022		Review of final 2023 Recommended Supplemental Budget & CIP

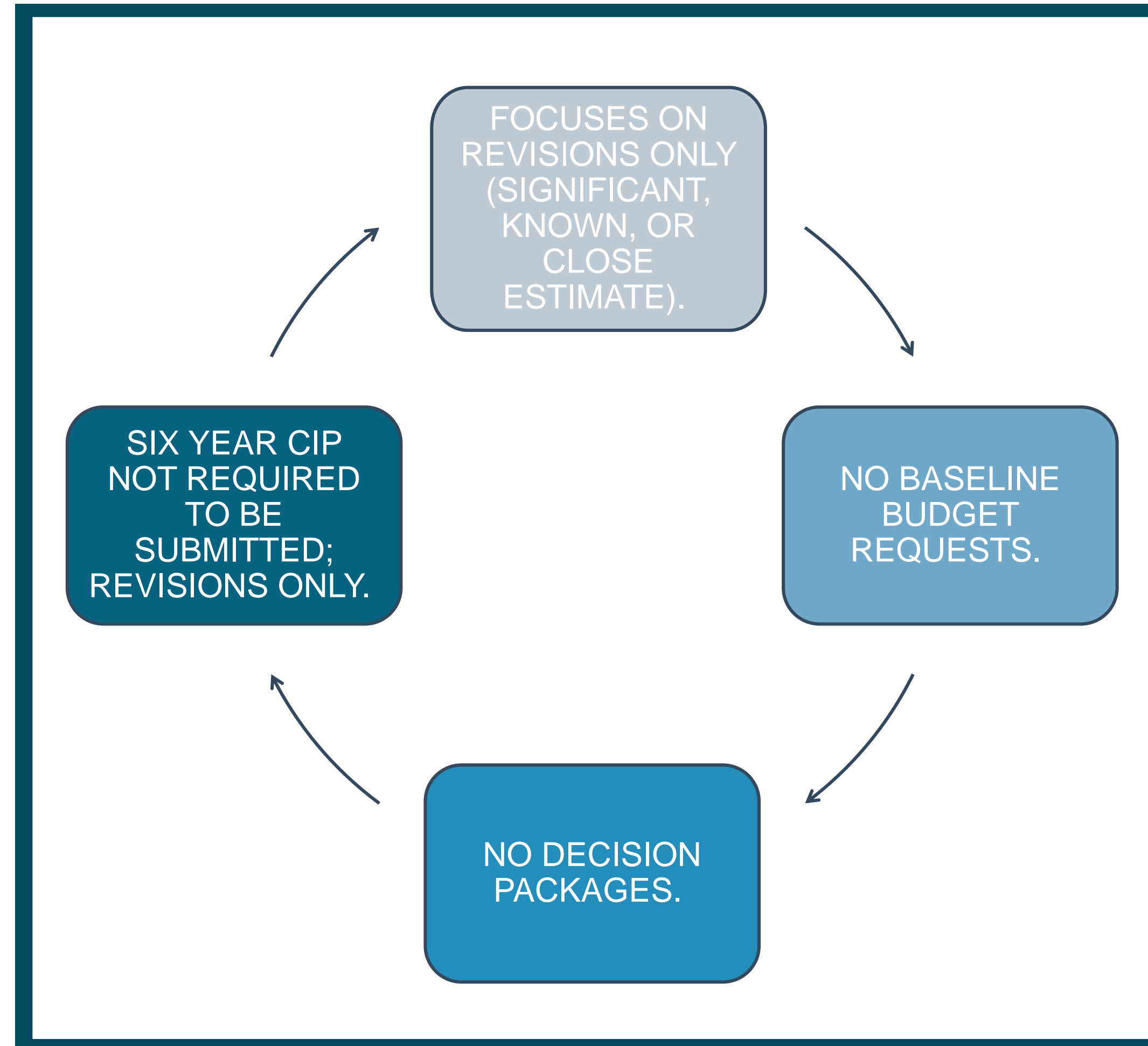
Link to [2022-2023 Budget Documents](#)

Policy Considerations

1. Are there any questions or preliminary feedback on the preview for the 2023 recommended supplemental budget?



2023 Supplemental Budget Process



2023 Supplemental Budget Process



THE 2023 TAX LEVY BUDGET IS CURRENTLY \$92,772,574 WHICH REPRESENTS A 6.85% INCREASE FROM 2022



THE 2023 GENERAL FUND BUDGET IS CURRENTLY \$105,402,709 WHICH REPRESENTS A 4.12% INCREASE FROM 2022



Q2 ACTION PLAN DATA IS BEING COLLECTED; UPDATE TO CITY COUNCIL AT A Q4 STUDY SESSION



2021 AUDIT AND ANNUAL COMPREHENSIVE FINANCIAL REPORT PRESENTED TO CITY COUNCIL AT 6/27 STUDY SESSION

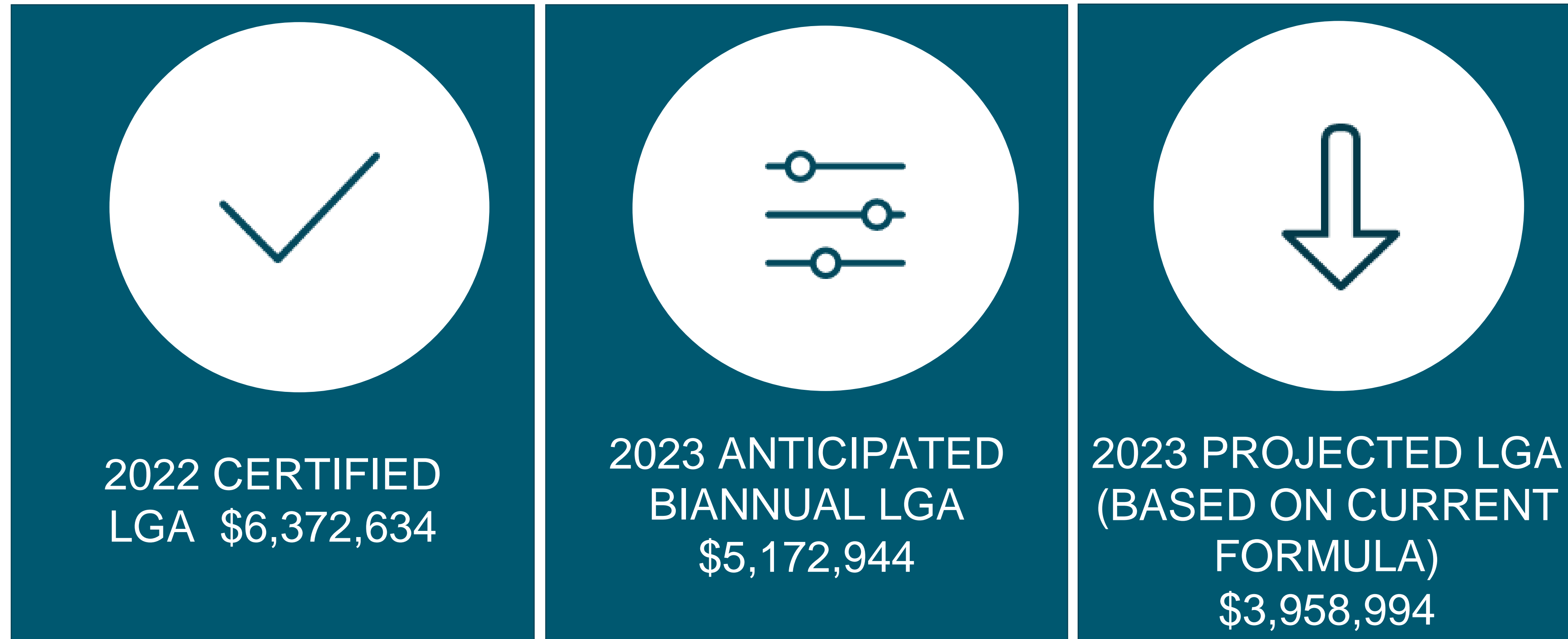


Significant 2023 Supplemental Budget Impacts

- **Local Government Aid (LGA) decreased** due to proposed formula adjustments & funding increases that were NOT approved by state legislature.
- **No state bonding bill.**
- **Inflation increases.**
- **Costs for resources** required to provide services such as gasoline, diesel fuel and natural gas have increased significantly during 2022 & could carry over into 2023.
- **These items require a shift in budget amounts and use of funding sources (tax levy, budget stability funds, contingency, etc.).**



Local Government Aid Uncertainty



*2022 Certified LGA includes supplemental city aid

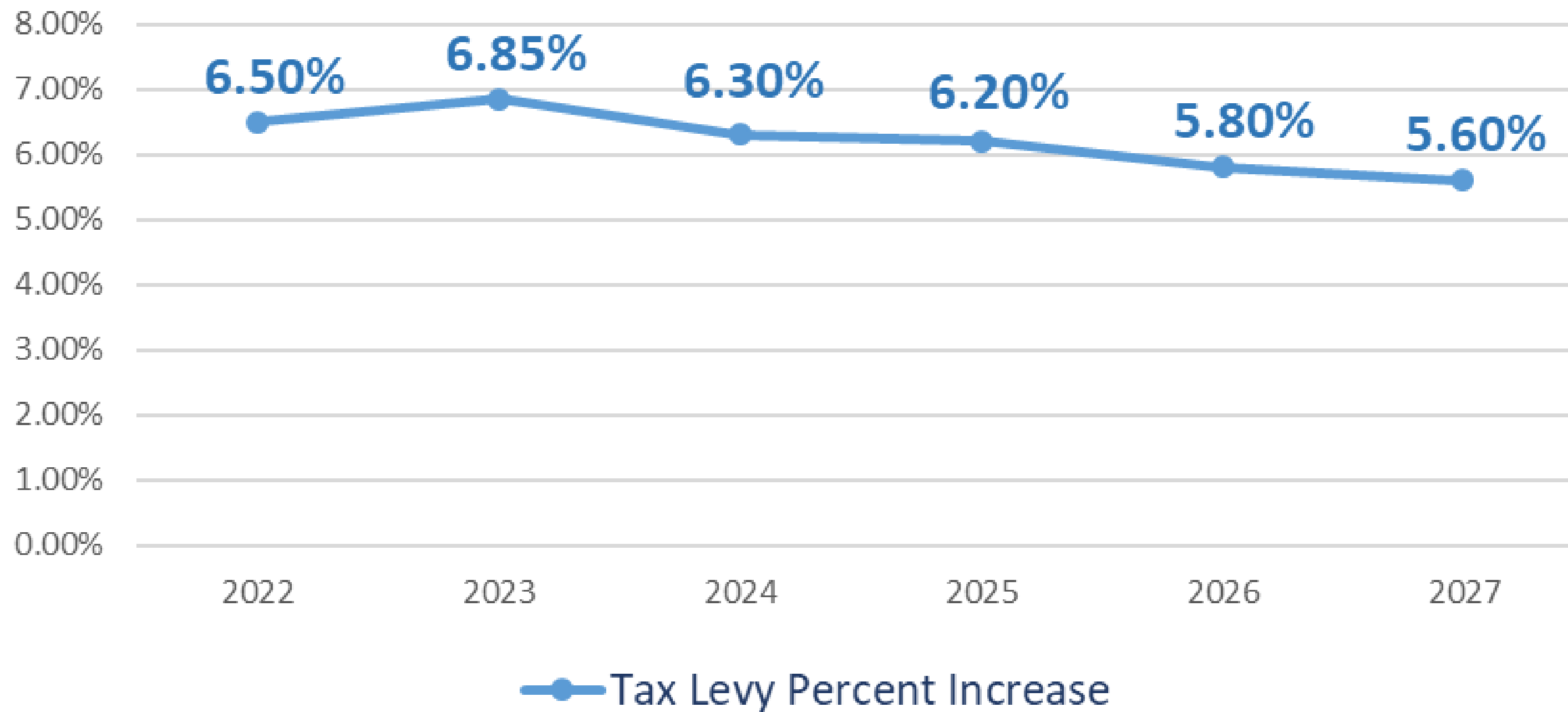
**2023 LGA will be certified by August 1, 2022





Long-Range Financial Management Plan

Tax Levy Percent Increase



- All percent increases include the use of holistic budget stability funds and **would be higher if not for those funds.**
- 2024-2027 do NOT include any new programming, positions or potential decision packages.
- Future tax levy will be impacted by the final decisions related to the downtown buildings energy transition project.
- General inflation is not included in the calculations (2024-2025).
- The 2023 anticipated Levy includes an inflationary adjustment to fuel, utilities, and is adjusted for finalized labor contracts.
- The **2023 Levy change is reduced from the April presentation (7%)** after accounting for all the supplemental adjustments.





Six Year Forecast –

Holistic Budget Stability Fund Support

This is one-time funding moderating levy increases allowing us to catch up from a 0% levy in 2021, \$721,000 in reserve utilization, and reestablishing essential expenditures that were part of \$3.5 Million of unsustainable expenditure reductions.



Budget Stability Funding (\$6.2M)

- 2022 - \$1,467,446
- 2023 - \$2,368,028
- 2024 - \$1,427,500
- 2025 - \$ 713,750
- 2026 - \$ 285,500
- 2027 - \$ 0



Percent of Total Revenues Derived From Property Taxes (Historic Information for MN)

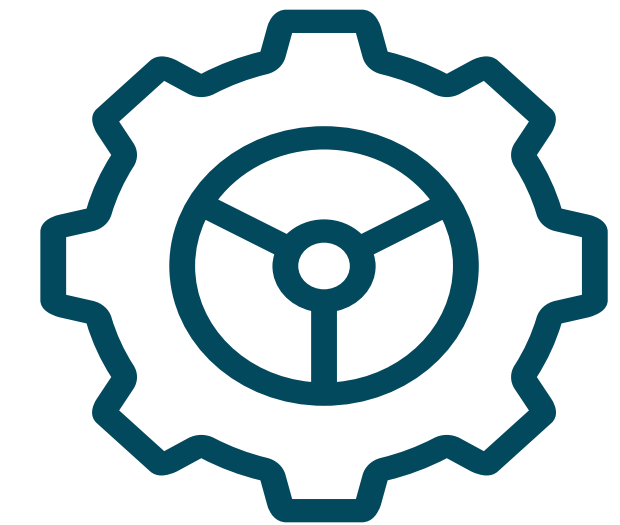
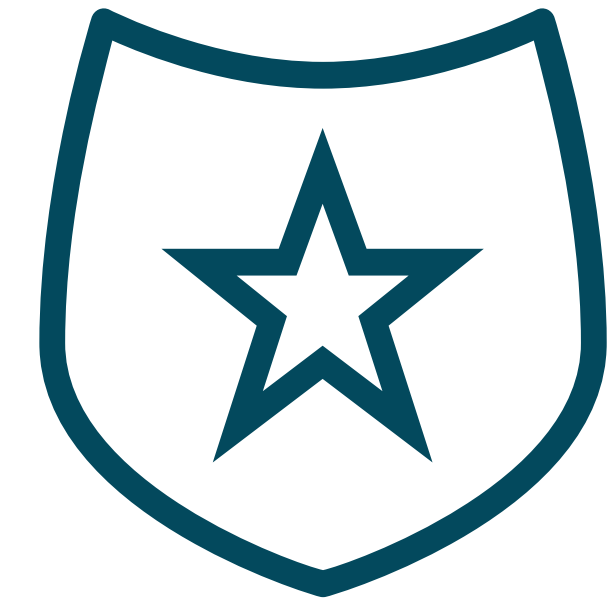
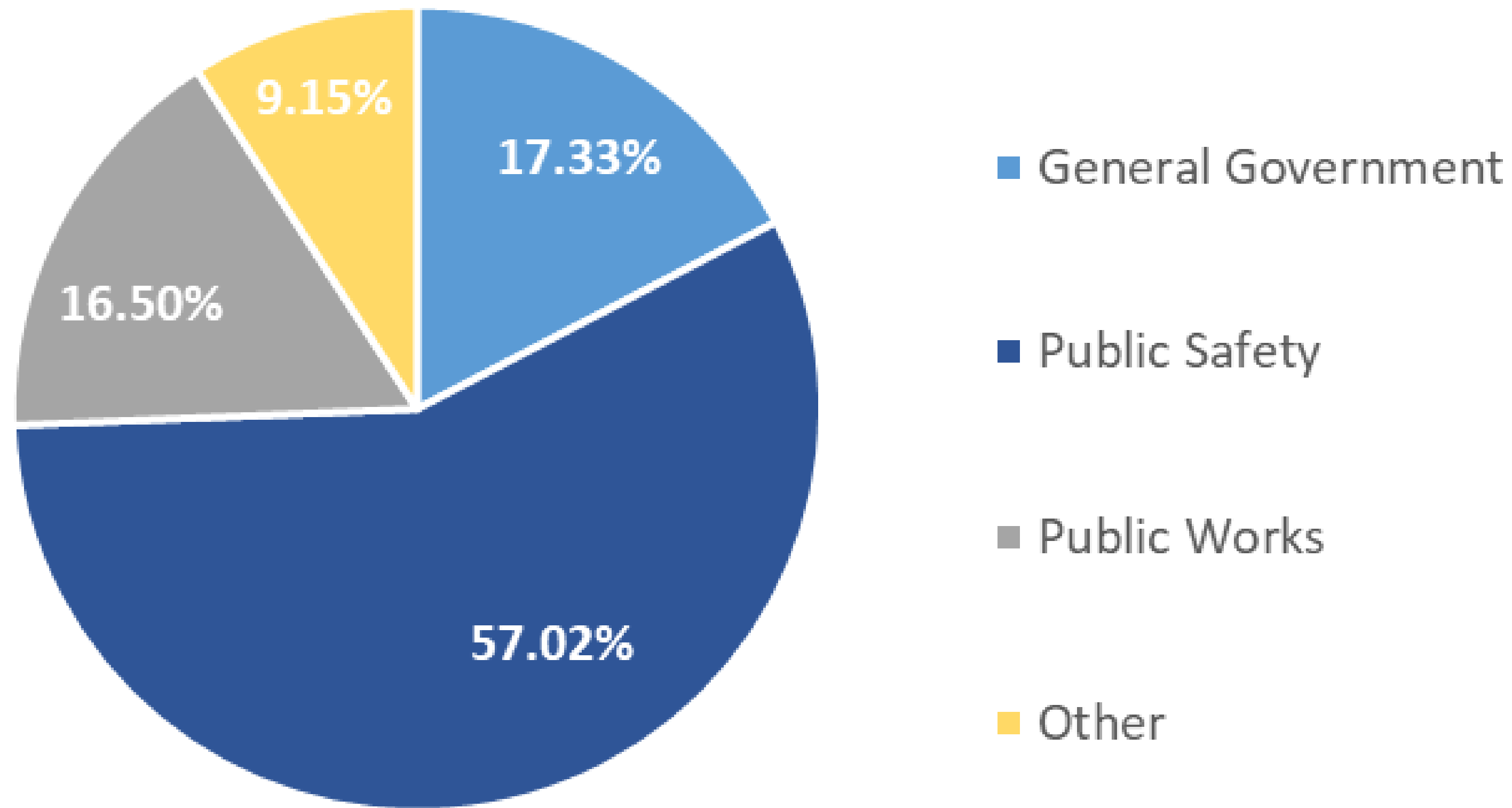
- The share of city, county and township revenue from property taxes increased as the share of revenue from state and other sources decreased over the past 20 years.

Percent of Total Revenues Derived From Property Taxes, 2001 - 2020



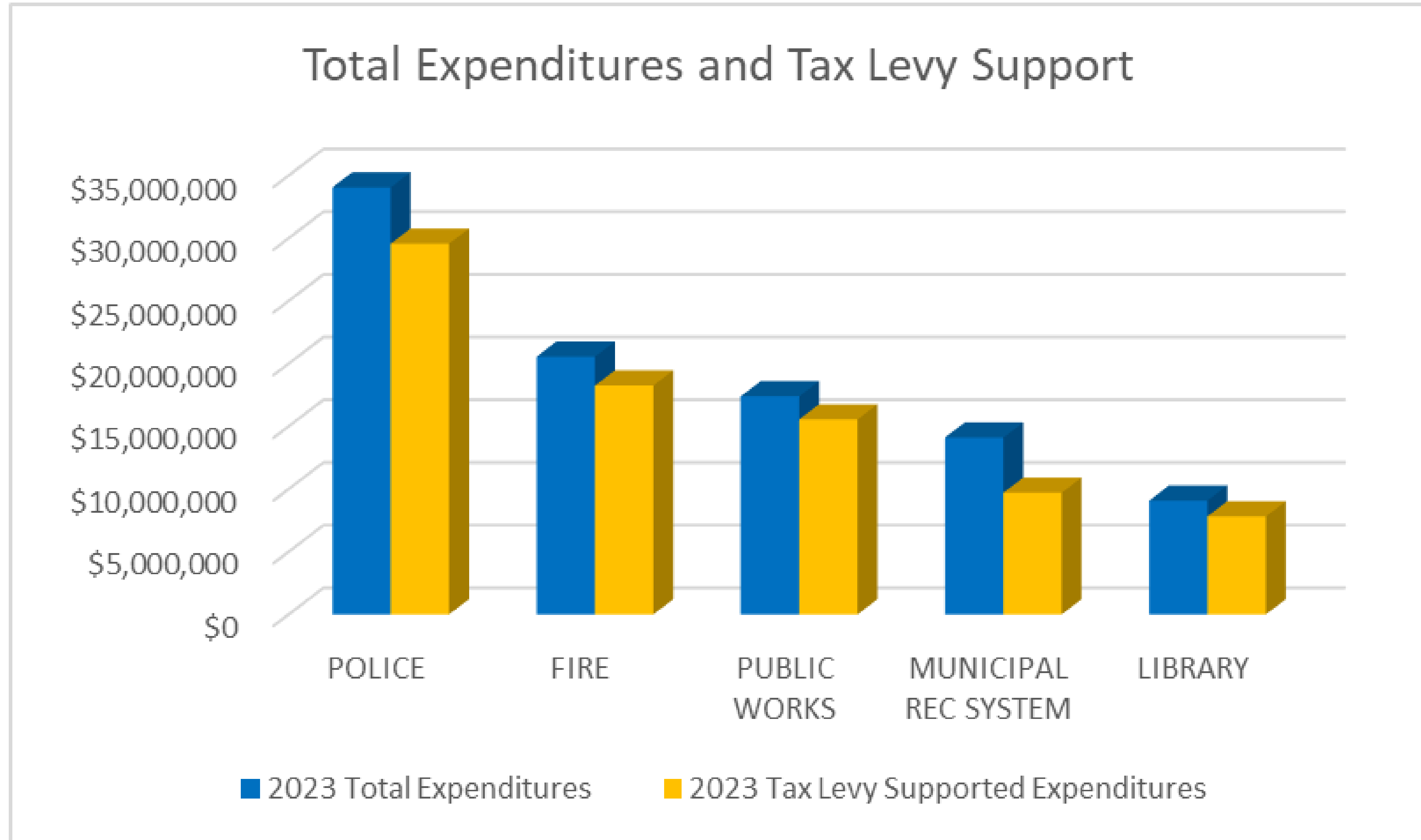
2023 Preliminary Supplemental Budget

2023 General Fund Expense
\$105,402,709





2023 Total Expenditures and Tax Levy Support





Benchmark Cities – Service Profiles

SERVICE	ROCHESTER	MINNEAPOLIS	ST. PAUL	DULUTH	ST. CLOUD	BLOOMINGTON	WOODBURY
AIRPORT	YES	NO	NO	YES	YES	NO	NO
LIBRARY	YES	NO	YES	YES	YES	NO	NO
WASTEWATER	COLLECTION AND TREATMENT	COLLECTION	COLLECTION	COLLECTION AND TREATMENT	COLLECTION AND TREATMENT	COLLECTION	COLLECTION
TRANSIT	FULL SERVICE	N/A	N/A	FULL SERVICE	FULL SERVICE	N/A	N/A
ELECTRIC	YES	NO	NO	NO	NO	NO	NO
REGIONAL PARKS	YES	NO	NO	YES	YES	NO	NO

Where the service indicator is "no" it is important to note that residents in these cities still pay for these services, just not as part of the city budget. Instead, they are provided by a separate taxing entity or a private company who bills the residents for the services provided.

2023 Supplemental Budget – Notable Expenditure Revisions

SLIDE 16

- **Fuel - Gas & Diesel:** Total budget increase \$382,859; Tax Levy Supported
- **Utilities – Natural Gas:** Total budget increase \$121,413; Tax Levy Supported
- **Salaries & Benefits:** Overall budget decrease due to most current benefit elections and employee demographics

2023 Supplemental Budget – Net Zero Changes

Refinements to Unfrozen Positions & Seasonal Staffing

SLIDE 17

- **Principal Planner** – Budgeted to return in 2023, recommend filling in November 2022 (other salary savings will cover)
- **Communication and Engagement Coordinator** – Included in 5 year Trend to return in 2024. Recommend eliminating position and replacing with a GIS Supervisor to start in 2023. Gap year is funded with salary and other savings encumbered from 2022. Visual/Spatial data is paramount to maximize existing tools and communication.
- **Library Associate I and Library Assistant II** – Recommend that both be classed as Librarian I's to provide the most flexibility in workload. 7-day staffing, collection maintenance, long-term planning, and programming. Cost shift absorbed with other changes in Library salary expenses.
- **Adaptive Recreation Staffing** – Reclassifying two seasonal positions to part time to assure consistent quality staffing. Possible within proposed 6.85% Levy and slight adjustment to program fee revenue.

Items Still Being Evaluated or Open

SLIDE 18

- **The RPU Board will review the 2023 budget at a special meeting on Wednesday, August 10, 2022. The RPU Board will consider final approval of the 2023 budget at their meeting on November 29, 2022.**
 - **Outside Agencies recommendations**
 - **Final aquatics strategy**
 - **Realignment of Human Resources Positions**
 - **Finalization of unallocated budget contingency recommendation**
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- **Financing of downtown heating and cooling**
 - **Reestablishment of HR leadership position**
 - **Enterprise & RPU PILOTs**
 - **Worker's Compensation fund impacts**

Remaining unrecovered items from 0% Tax Levy Increase

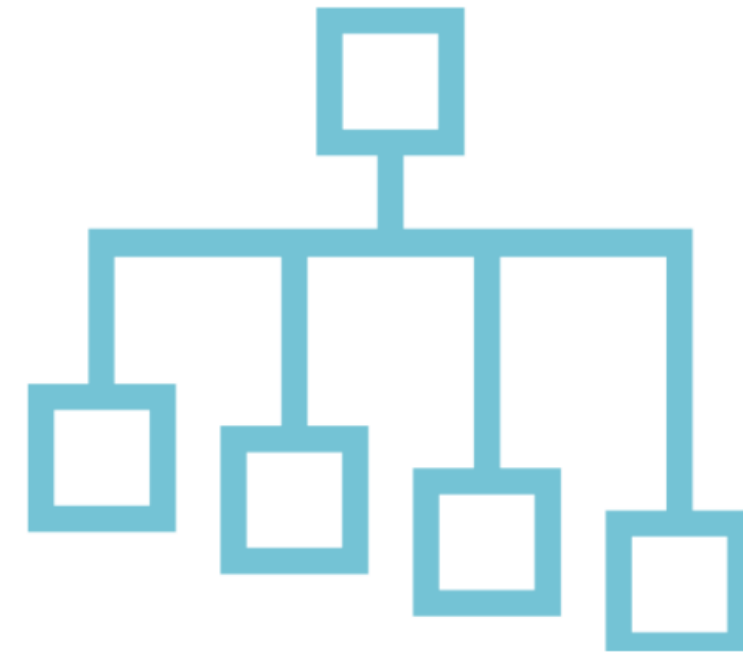
SLIDE 19

- **General fund travel and training, approximately \$200,000**
 - **One Frozen position**
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- **Recovery of base tax levy after use of budget stabilization (2025)**
 - **Parking Fund**
 - **Airport Activity**

2023 CIP Projects (not including RPU)



126 Projects



23 Categories



**\$156 Million
Total Investment**



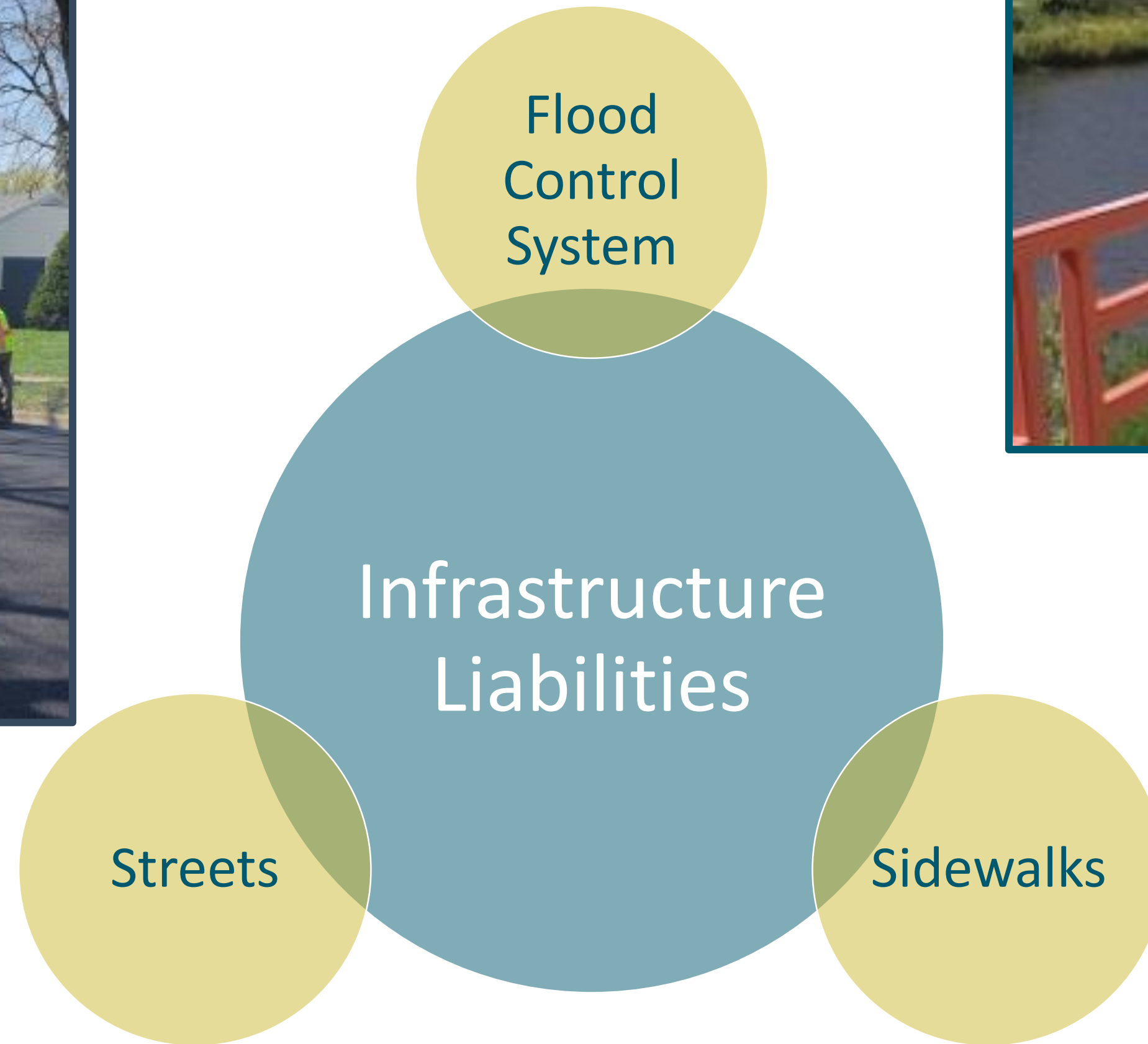
2023 Supplemental CIP Highlights



- No changes to total tax levy ask in any year.
- Revisions to Parks CIP to reflect changes per the Resolution "Authorizing a Budget Amendment to Parks and Recreation Capital Improvement Plan" adopted by City Council on February 23, 2022.
- New projects added based on funding sources becoming available (federal funds and grants).
- Downtown Buildings Energy Transition (formally District Energy) has been modified in scope and cost to reflect City Council's decision at the June 20, 2022 meeting. Final funding decision will increase 2024 and beyond tax levy.
- Known or expected cost revisions.
- DMC CIP is considered draft and not final as we work with the DMC team to review and revise.



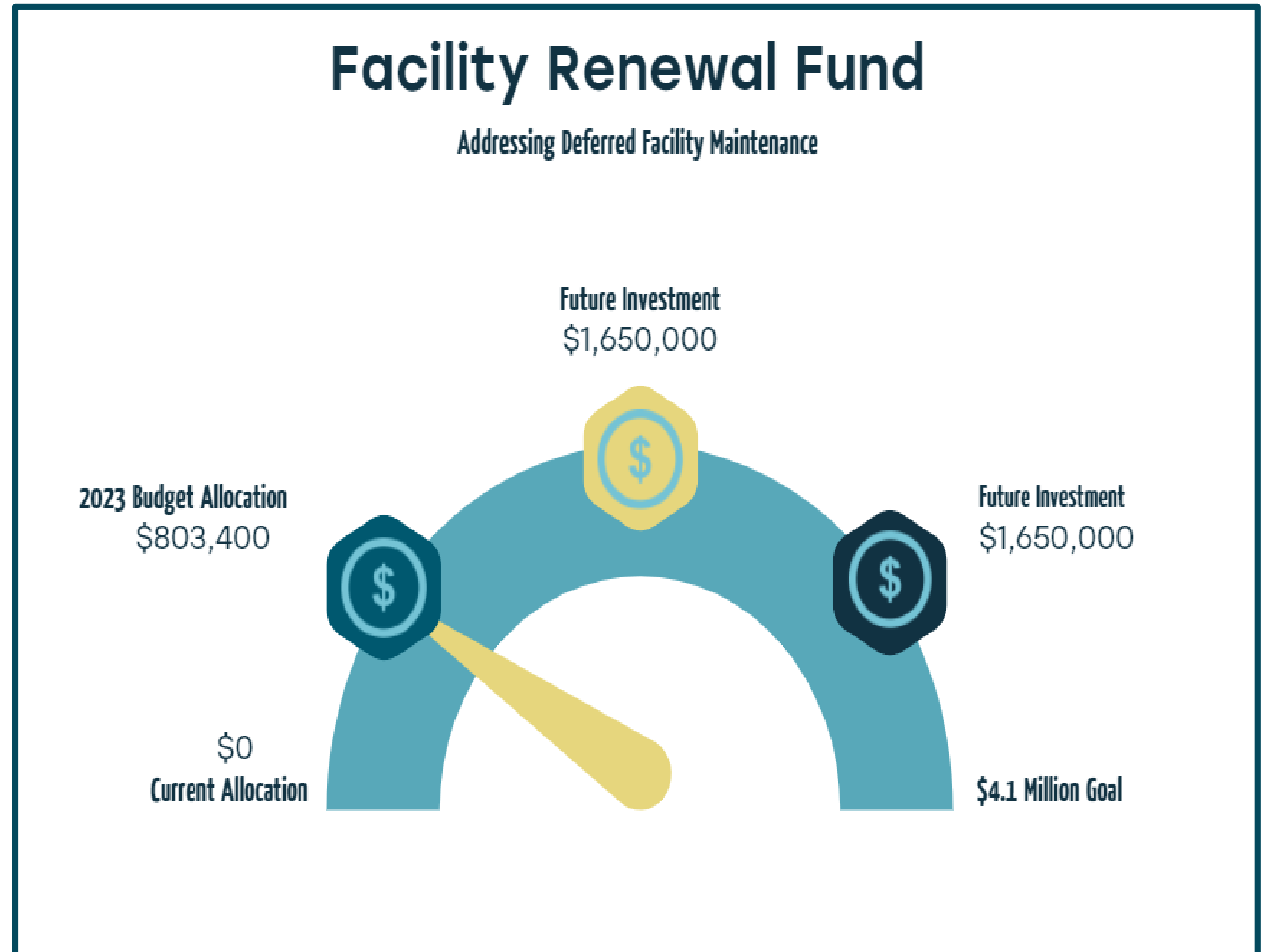
Infrastructure Liabilities





Other Funds

- **Equipment Revolving** – Limited replacements to save \$'s now create backlogs for future.
- **Workers Compensation Fund** - Trend challenges driving need to increase contribution rates.
- **Facility Renewal Fund** – Projected annual need of \$4.1 million with phased funding starting in 2023.



Policy Considerations

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DISCUSSION