

Proposed 2023–2027 Capital Improvement Plan

July 19, 2022



Work Session Goals

- To continue the discussion from the All-Day and Financial Management Plan (FMP) Works Sessions
- To receive City Council guidance on the Proposed 2023–2027 Capital Improvement Plan (CIP)

Work Session Overview

- Economic Expectations and Assumptions
- Capital Improvement Plan Review
- Debt Service Review
- Property Tax Levy Review
- Budget Calendar and Next Steps



Economic Expectations and Assumptions

Strategic Priorities



Economic Expectations

- Slower to little economic growth anticipated for the State of Minnesota (State) and region in 2022 and 2023
 - Increase in the Federal Funds Rate range to between 1.50% to 1.75%
 - Possible \$12 to \$13 billion State budget surplus
- Several factors create uncertainty for economic forecasts, including:
 - Negotiations on State appropriations and tax policies
 - Geopolitical conflicts and associated challenges with commodity prices
 - Lingering economic pressures related to the COVID-19 pandemic
 - Increased potential for an economic recession

Wells Fargo U.S. Economic Forecast

	Actual				Forecast				Actual		Forecast	
	2021				2022				2020	2021	2022	2023
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product ¹	6.3	6.7	2.3	6.9	-1.6	3.5	1.7	0.8	-3.4	5.7	2.5	0.0
Personal Consumption	11.4	12.0	2.0	2.5	1.8	3.8	1.4	0.6	-3.8	7.9	3.1	0.1
Consumer Price Index ²	1.9	4.8	5.3	6.7	8.0	8.6	9.2	8.5	1.2	4.7	8.6	4.0
"Core" Consumer Price Index ²	1.4	3.7	4.1	5.0	6.3	6.0	6.2	6.1	1.7	3.6	6.2	4.0
Quarter-End Interest Rates ³												
Federal Funds Target Rate	0.25	0.25	0.25	0.25	0.50	1.75	3.00	4.00	0.50	0.25	2.31	4.38
Conventional Mortgage Rate	3.17	3.02	2.88	3.11	4.42	5.70	5.85	5.90	3.12	2.95	5.47	5.46
10 Year Note	1.74	1.45	1.52	1.52	2.32	3.55	3.70	3.80	0.89	1.45	3.34	3.44

Forecast as of: June 15, 2022

¹ Compound Annual Growth Rate Quarter-over-Quarter

² Year-over-Year Percentage Change

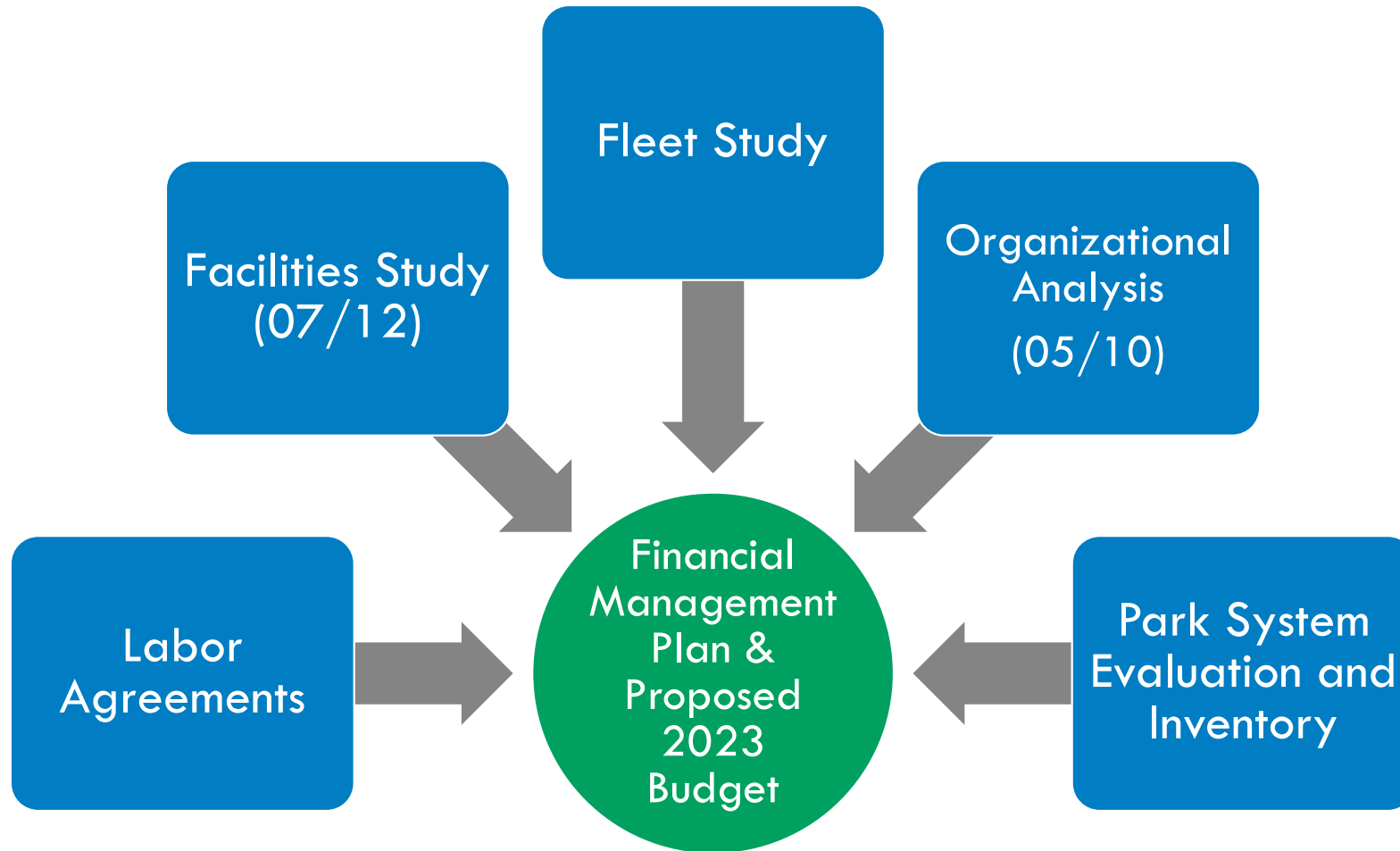
³ Annual Numbers Represent Average

Source: U.S. Dept. of Commerce, U.S. Dept. of Labor, Federal Reserve Board and Wells Fargo Economics

Assumptions and Other Factors

- Assumes \$3.0M of American Rescue Plan Act (APRA) funds in 2023 and 2024 allocated to the General Fund
 - An increase from the \$2.0M previously planned in the 2022 Budget
- Created recommended fund balance requirements for all funds
 - Capital Project Funds: 35% of rolling 5-year expenditure average
 - Enterprise Funds: Three months of operating expenses plus subsequent year capital outlay
- All capital projects are funded per the respective Capital Improvement Plans
- Many projections reflect significant inflationary pressures

Pending Data and Studies (Selected)

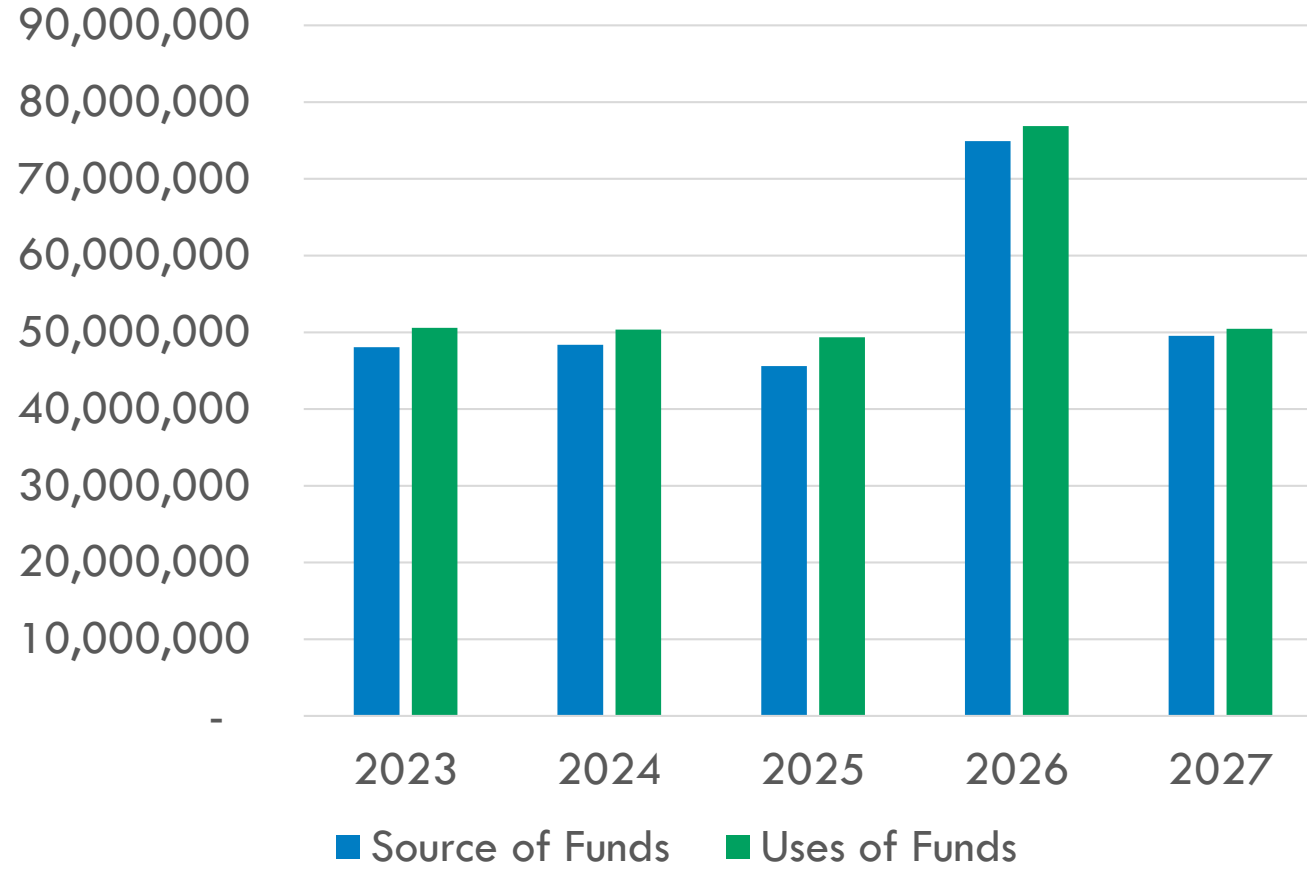




Proposed 2023–2027 CIP

Capital Projects and Enterprise Funds Summary (Selected)

Proposed 2023-2027 CIP Selected Funds

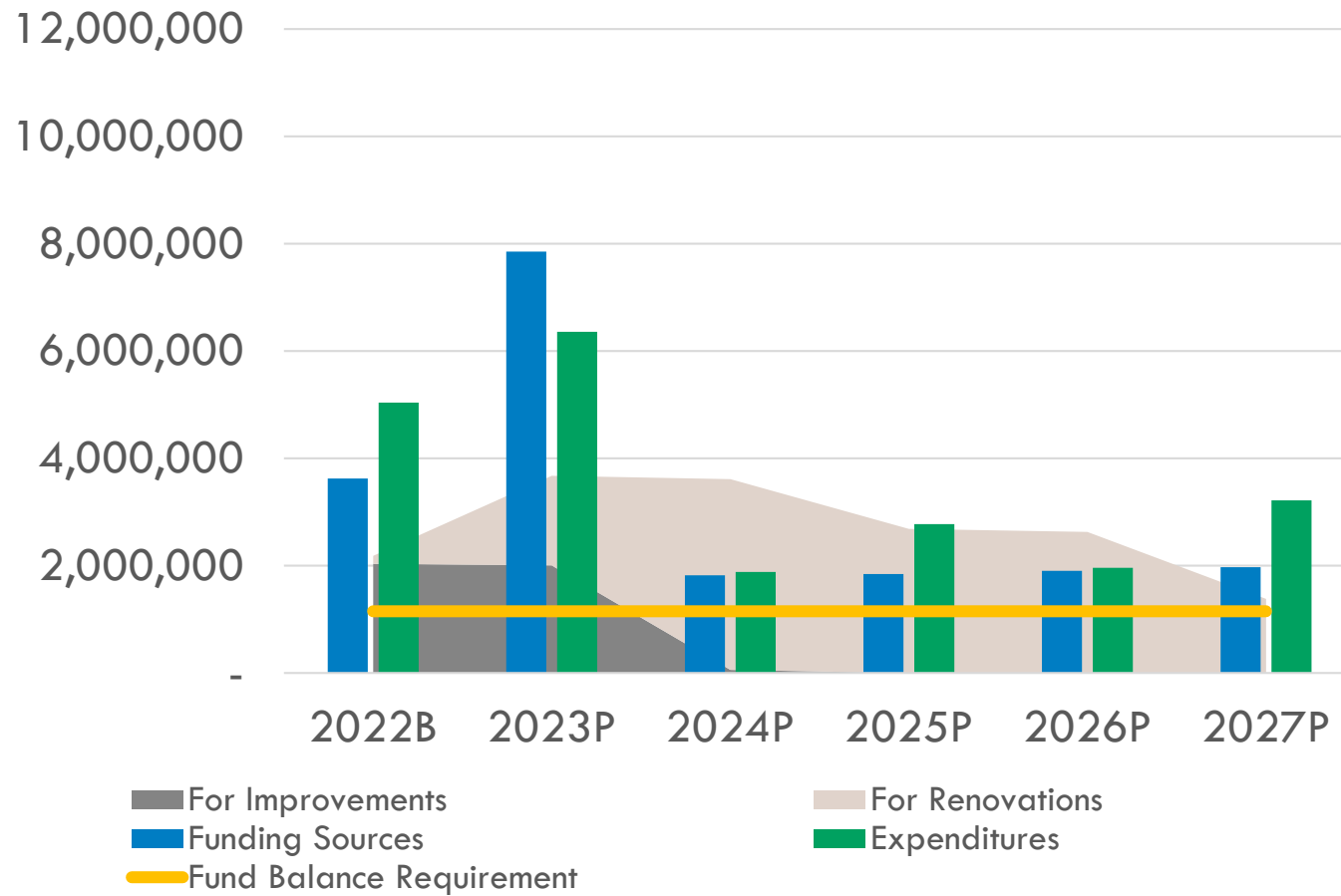


Parks Capital Projects Fund

- Major 2023 Projects
 - \$909,400 – Alimagnet Park
 - \$993,400 – Kelleher Park
 - \$500,000 – Minnesota River Trail Gap
- Key Assumptions
 - \$3.0M in debt issued in 2023
 - Annual 3.0% increase in the property tax levy thru 2027, following a \$500,000 reduction in 2023
 - \$600,800 in Host Community Fee revenues in 2023
 - \$500,000 in deferred park system maintenance annually between 2023 and 2025
 - Several capital projects not included in the next five years

Parks Capital Projects Fund, Continued

Parks Capital Projects Fund 2022B-2027P

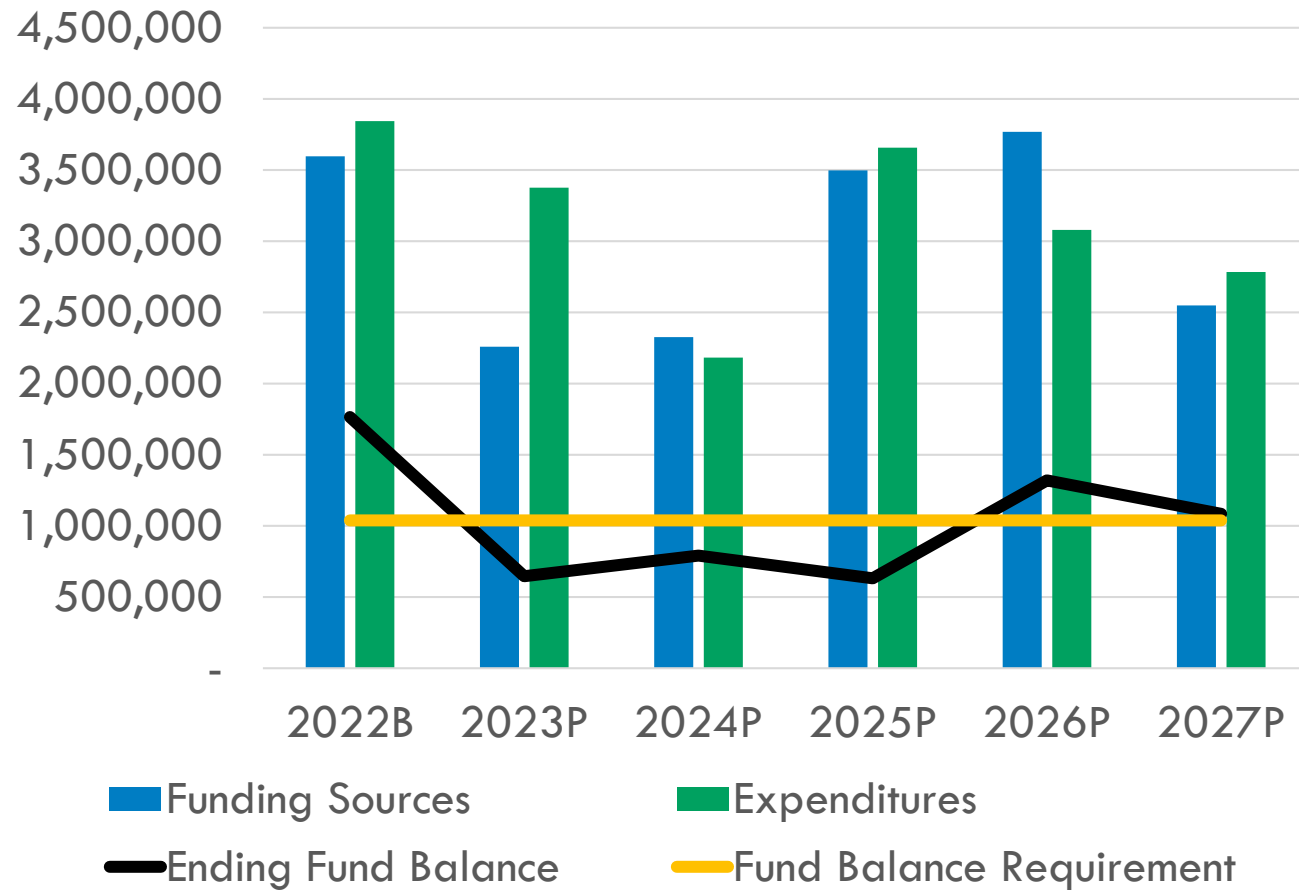


Equipment and Vehicle Capital Projects Fund

- Major 2023 Projects
 - \$1,100,000 – Rescue Pumper
 - \$790,000 – Dump/Plow Trucks
 - \$355,000 – Patrol Vehicles
- Key Assumptions
 - Annual 3.0% increase in the property tax levy thru 2027, following a \$500,000 reduction in 2023
 - Additional \$3.5M in debt issued between 2022 and 2027
 - \$600,800 in Host Community Fee revenues in 2023
 - Additional \$403,300 annually between 2023 and 2025 for equipment related to the Organizational Analysis

Equipment and Vehicle Capital Projects Fund, Continued

Equipment and Vehicle Capital Projects Fund
2022B-2027P

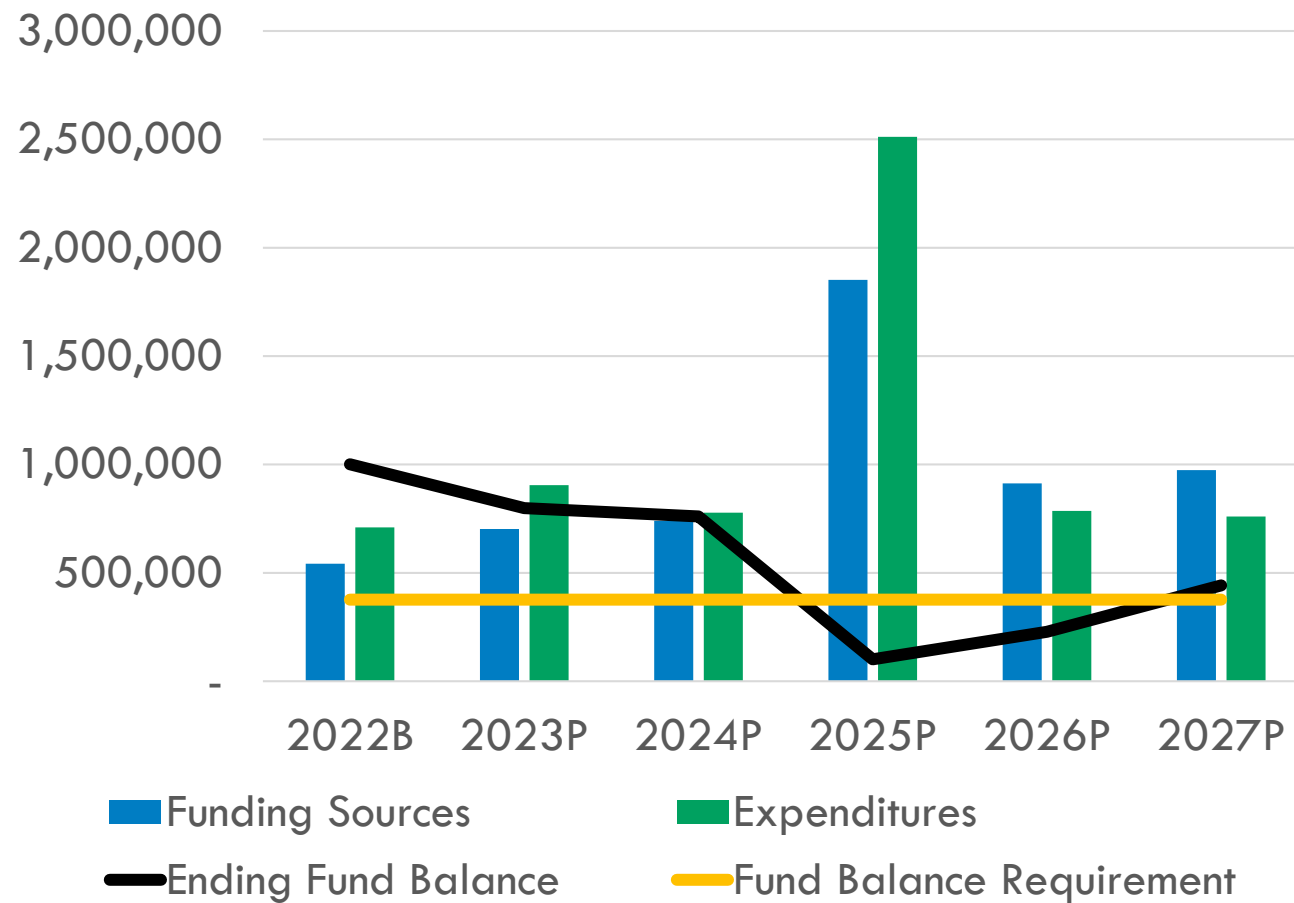


Information Technology Capital Project Fund

- Major 2023 Projects
 - \$393,600 – IT Infrastructure
 - \$226,800 – Personal Computers
 - \$60,000 – Security Systems
- Key Assumptions
 - Annual 20.0% property tax increase in 2023 and 2024 and 12.0% thru 2027
 - \$141,000 between 2023 and 2025 for equipment related to the Organizational Analysis

Information Technology Capital Project Fund, Continued

Information Technology Capital Project Fund
2022B-2027P

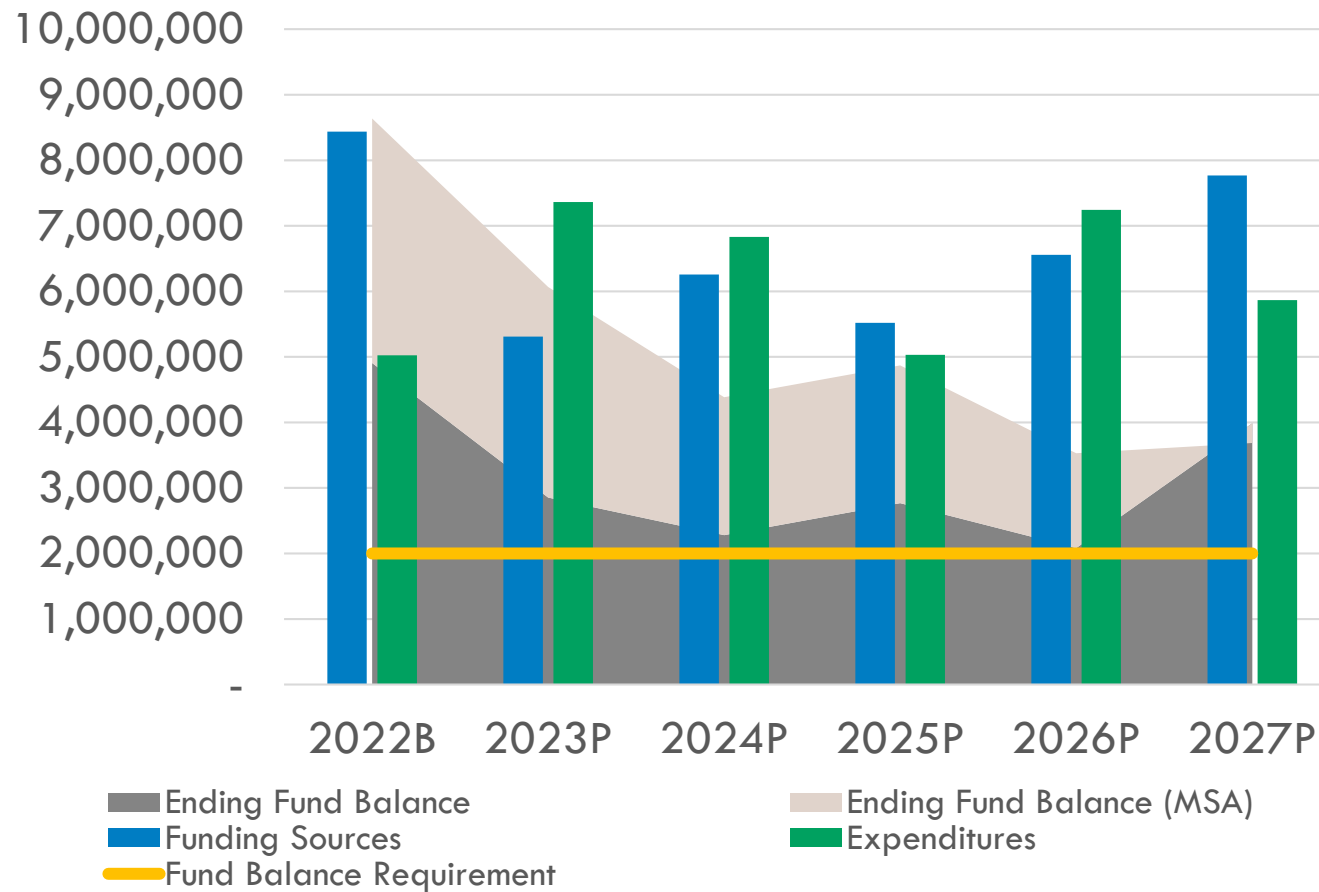


Infrastructure Trust Fund, Continued

- Major 2023 Projects
 - \$4,129,000 – Reconstruction
 - \$1,500,000 – Multi-Modal Transportation
 - \$831,800 – Maintenance Overlays
- Key Assumptions
 - Additional \$3.0M in debt issued in 2022
 - \$1M reduction in the property tax levy; phased return thru 2027
 - Annual 1.0% increase in Municipal State Aid (MSA) thru 2027

Infrastructure Trust Fund

Infrastructure Trust Fund 2022B-2027P

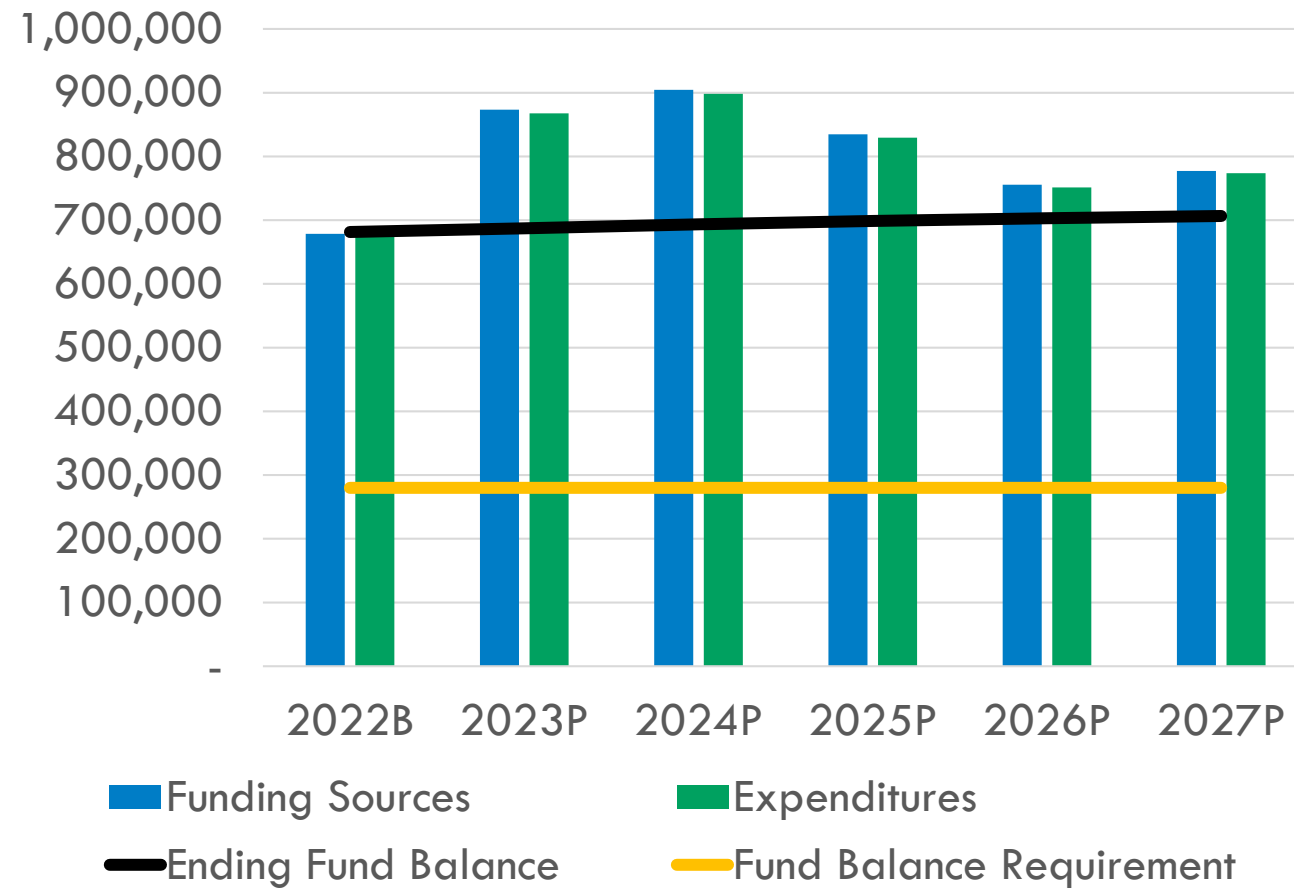


Street Maintenance Fund

- Major 2023 Projects
 - \$497,500 – Preventative Roadway Maintenance
 - \$180,000 – Monument Signage
 - \$95,000 – Pavement Markings
- Key Assumptions
 - Transfers of \$565,000 from the General Fund
 - Transfers of about \$261,000 from the Water/Sanitary Sewer and Storm Sewer Funds

Street Maintenance Fund, Continued

Street Maintenance Fund
2022B-2027P

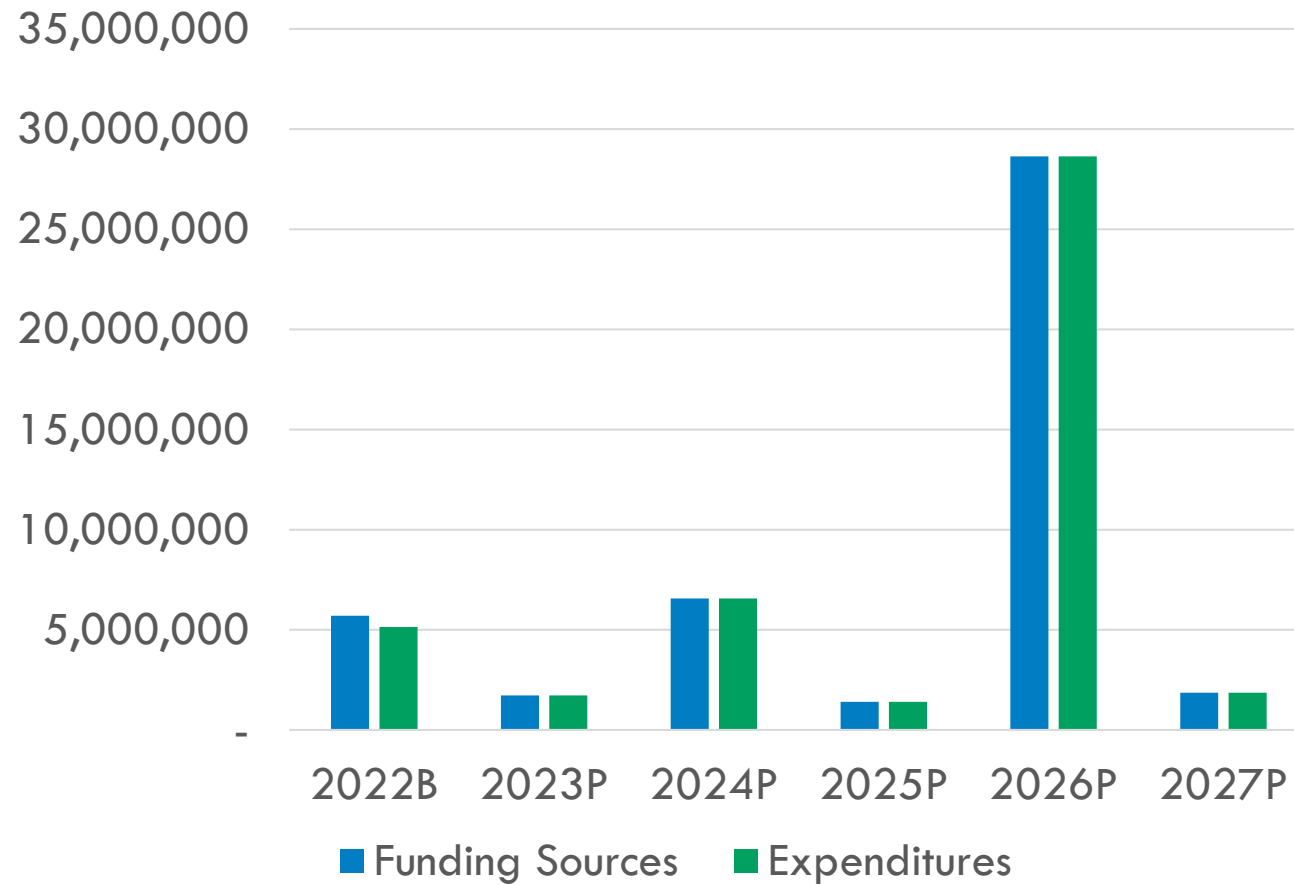


Improvement Construction Fund

- Major 2023 Projects
 - \$1,311,500 – Street Reconstruction
 - \$415,000 – Cliff Road Interchange
- Key Assumptions
 - A “zero balance” basis with all expenditures matched by corresponding funding sources
 - \$31M in intergovernmental aid to supported planned capital projects
 - No use of property tax revenues
 - \$415,000 Host Community Grant annually between 2023 and 2027

Improvement Construction Fund, Continued

Improvement Construction Fund
2022B-2027P

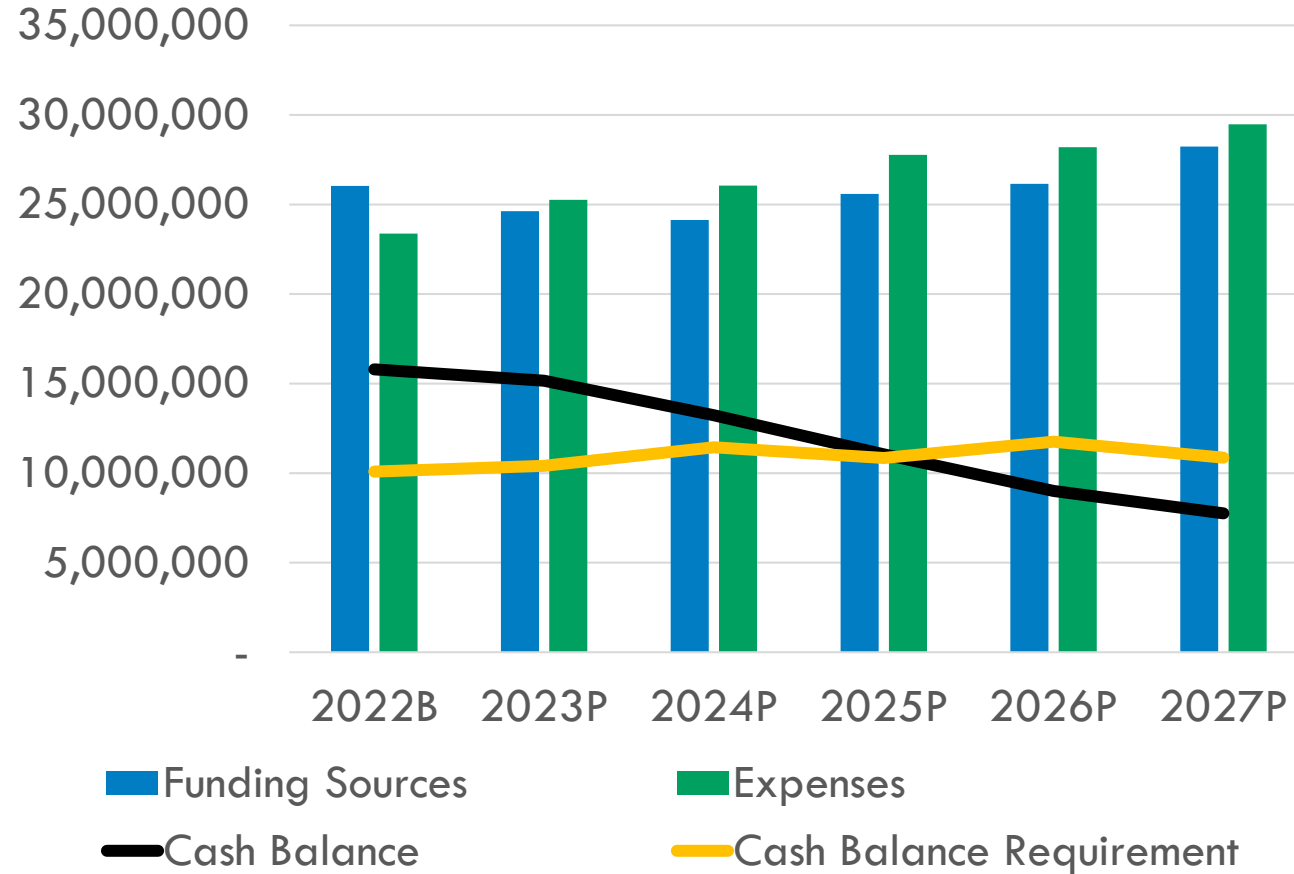


Water and Sanitary Sewer Utility Fund

- Major 2023 Water Projects
 - \$2,435,000 – Street Projects
 - \$900,000 – Lift Station Rehabilitation
 - \$475,000 – VFD Replacement
- Key Assumptions
 - Annual 4.5% rate increases thru 2027
 - 8.1% increase in the Metropolitan Council Environmental Services (MCES) Charge
 - Excludes FTEs recommended as part of the Organizational Analysis
 - Additional \$2.0M in debt issued between 2024 and 2025
 - Engaged Ehlers and Associates, Inc. (Ehlers) to update the utility rate study

Water and Sanitary Sewer Utility Fund, Continued

Water and Sanitary Sewer Utility Fund 2022B-2027P

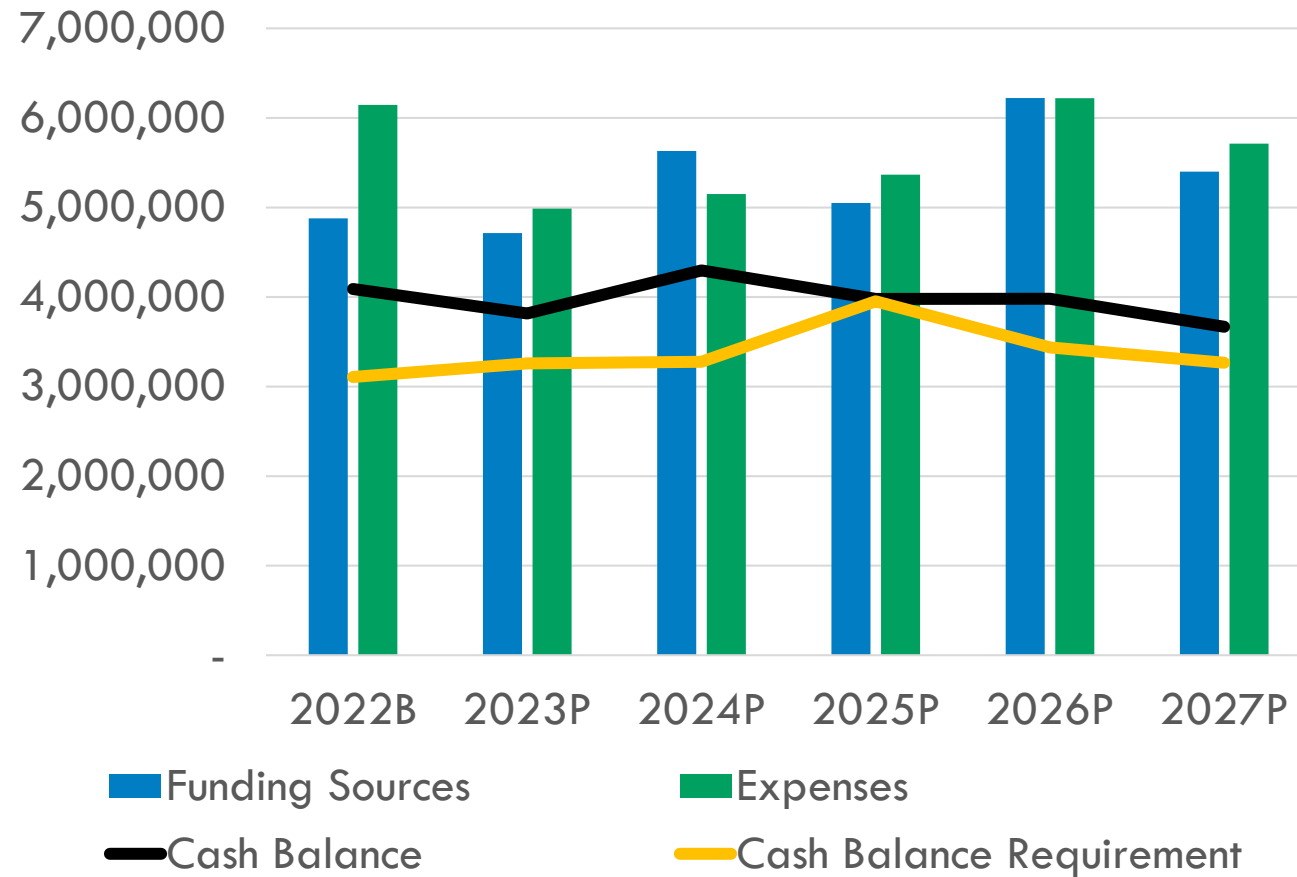


Storm Sewer Utility Fund

- Major 2023 Projects
 - \$659,000 – Street Improvements
 - \$425,000 – Pond Clean-Out
 - \$133,000 – Park Drainage Improvements
- Key Assumptions
 - Additional \$1.75M in debt issued between 2024 and 2026
 - Annual 3.5% rate increases thru 2027
 - Engaged Ehlers to update the utility rate study

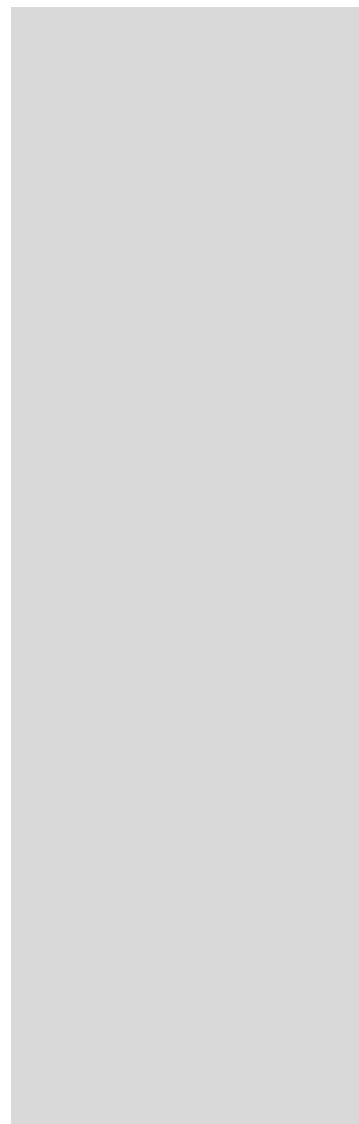
Storm Sewer Utility Fund, Continued

Stormwater Utility Fund 2022B-2027P



Debt Service Summary, Project Debt (Per 2022 Budget)

Fund	2022	2023	2024	2025	2026	2027	Total
Parks	-	-	-	-	-	-	-
Equipment and Vehicle	-	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-	-
Infrastructure Trust Fund	-	-	-	-	-	-	-
Street Maintenance	-	-	-	-	-	-	-
Improvement Construction	1,493,201	1,311,489	1,652,070	988,970	1,270,427	1,445,662	8,161,819
Water and Sanitary Sewer	5,769,600	5,363,228	4,003,471	3,600,000	3,330,408	4,886,000	26,952,707
Storm Water	-	-	-	-	-	-	-
Total	7,262,801	6,674,717	5,655,541	4,588,970	4,600,835	6,331,662	35,114,526



Debt Service Summary, Additional Debt

Fund	2022	2023	2024	2025	2026	2027	Total
Parks	-	3,000,000	-	-	-	-	3,000,000
Equipment and Vehicle	1,100,000	-	-	1,100,000	1,300,000	-	3,500,000
Information Technology	-	-	-	-	-	-	-
Infrastructure Trust Fund	3,000,000	-	-	-	-	-	3,000,000
Street Maintenance	-	-	-	-	-	-	-
Improvement Construction	-	-	-	-	-	-	-
Water and Sanitary Sewer	-	-	-	1,000,000	1,000,000	-	2,000,000
Storm Water	-	-	750,000	-	1,000,000	-	1,750,000
Total	4,100,000	3,000,000	750,000	2,100,000	3,300,000	-	13,250,000
Additional Debt Service, Levy	-	504,677	873,953	873,953	1,009,354	1,169,374	
Additional Debt Service, Utilities	-	-	-	87,923	87,923	205,154	

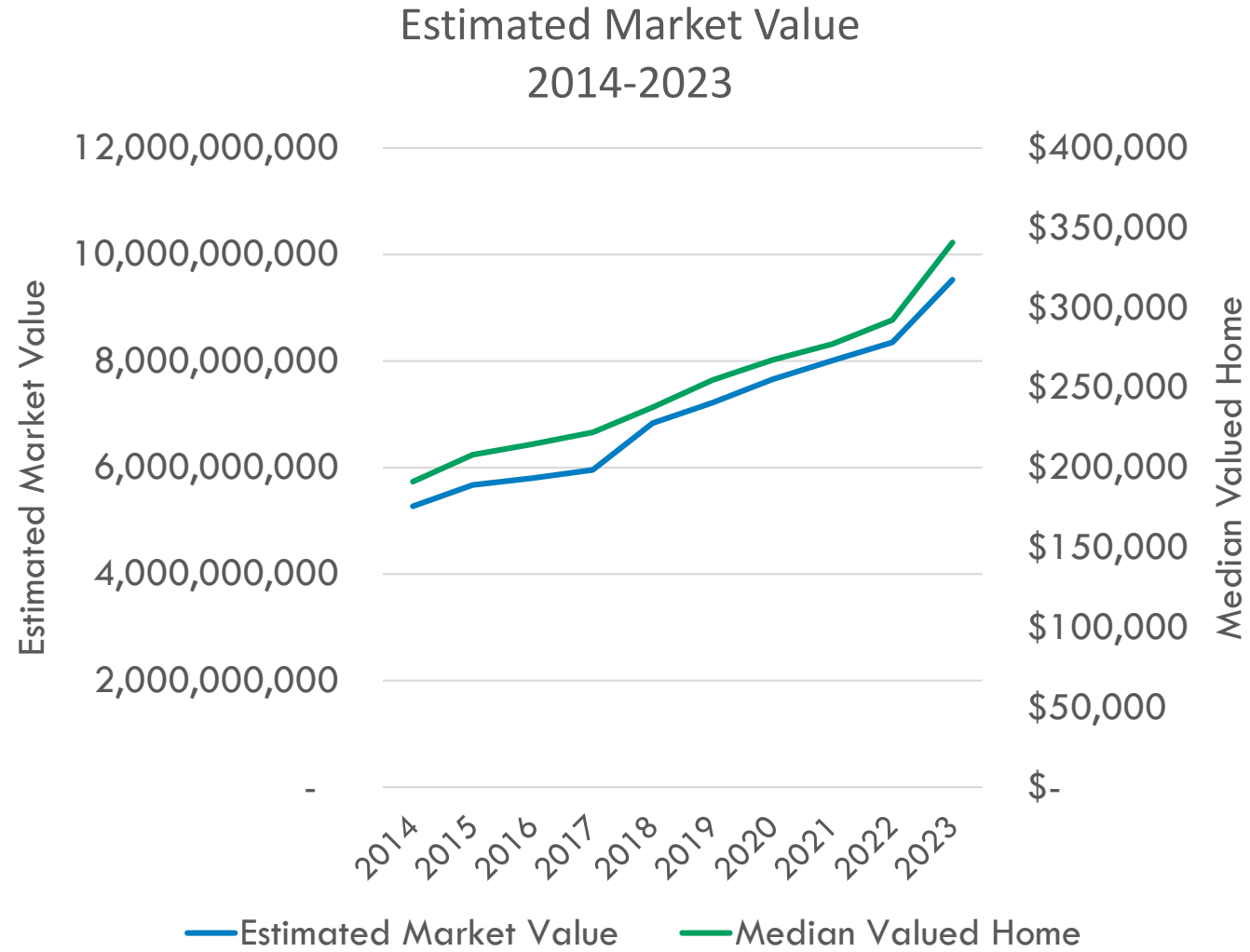


Proposed 2023–2027
Property Tax Levy

Property Tax Levy Summary

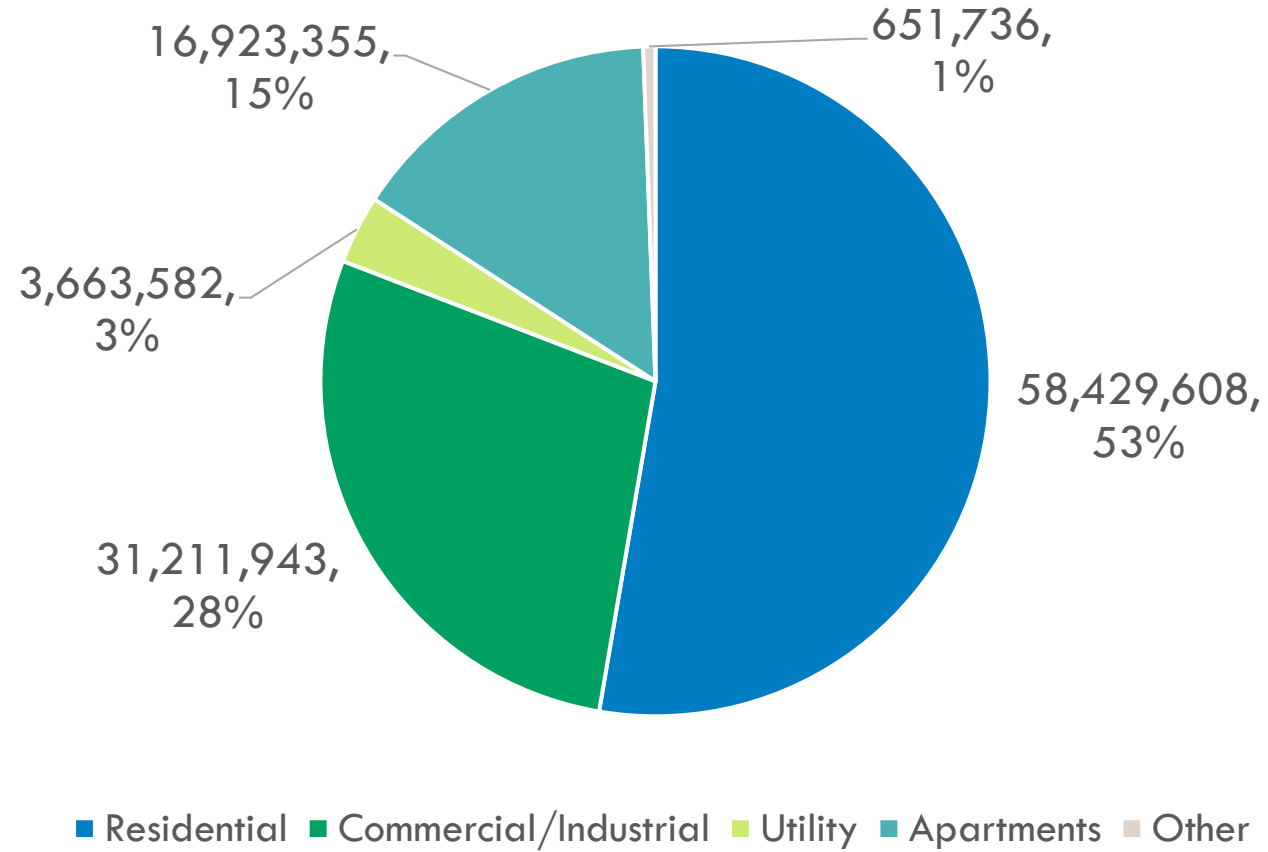
Fund	Final 2022	Proposed 2023	Change (\$)	Change (%) (previous year)	Change (%) (of Total Levy)
General Fund	30,979,156	35,169,068	4,189,912	13.52%	10.17%
Debt Service	2,638,745	3,127,441	488,696	18.52%	1.19%
Infrastructure Trust	3,246,354	2,343,745	(902,609)	-27.80%	-2.19%
Forestry	250,000	257,500	7,500	3.00%	0.02%
Facilities Capital	-	-	-	0.00%	0.00%
Equipment & Vehicle Capital	1,992,000	1,551,800	(440,200)	-22.10%	-1.07%
IT Capital	344,000	412,800	68,800	20.00%	0.17%
Parks Capital	1,462,000	1,005,900	(456,100)	-31.20%	-1.11%
Total City Levy	40,912,255	43,868,254	2,955,999	7.23%	7.17%
EDA Fund	297,500	1,000,000	702,500	236.13%	1.70%
Total City + EDA Levy	41,209,755	44,868,254	3,658,499	8.88%	8.88%

Estimated Market Values



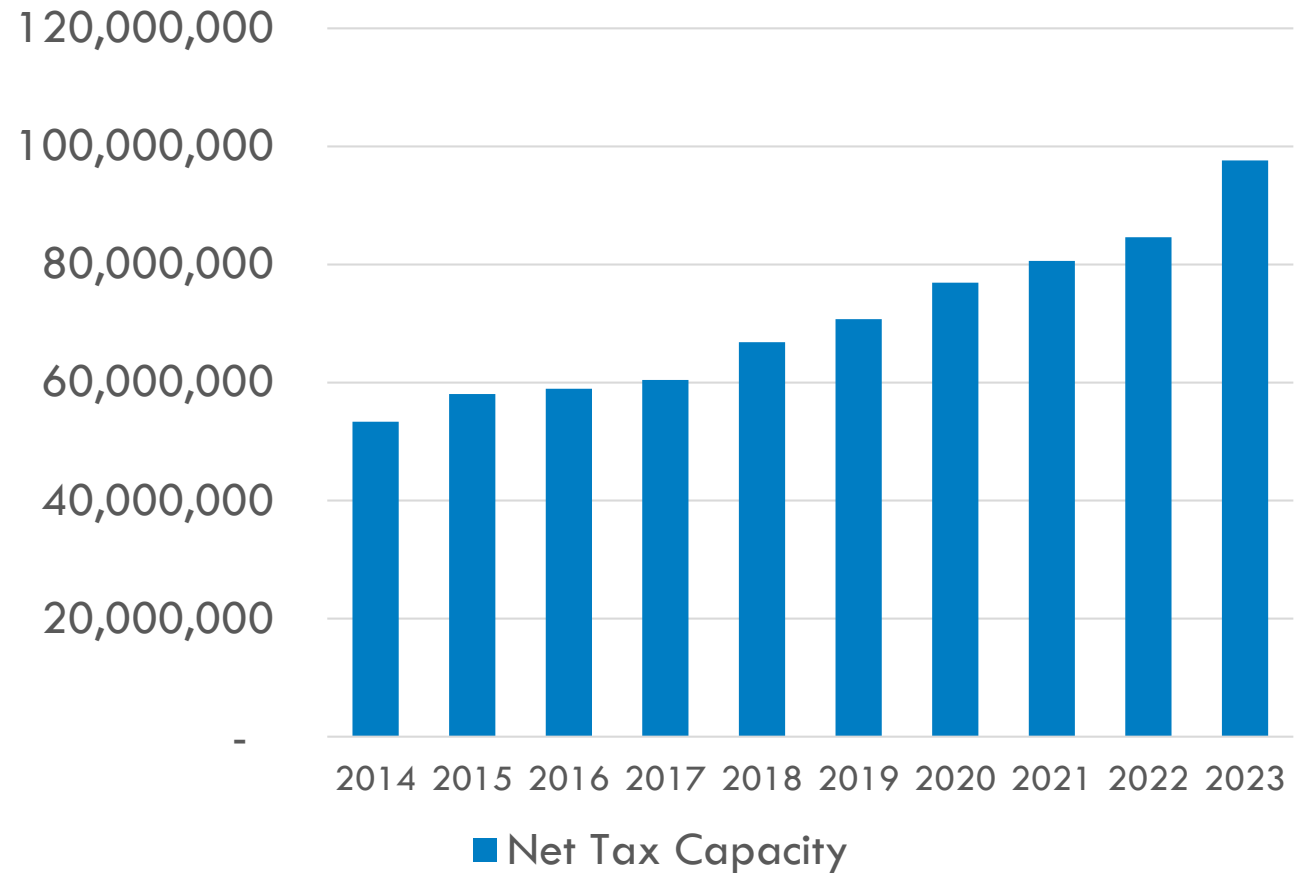
Taxable Market Value

Taxable Market Value For Property Taxes Payable in 2023



Net Tax Capacity

Net Tax Capacity 2024-2023



Estimated Property Tax Levy Impact

Category	Property Tax Payable	
	2022	2023
Median-Valued Home	\$ 292,400	\$ 340,900
Change (\$)	\$ 15,100	\$ 48,500
Change (%)	5.4%	16.6%
Property Tax Rate	43.370%	40.973%
City and EDA Tax	\$ 1,220.75	\$ 1,369.90
Change (\$)	\$ 77.39	\$ 149.15
Change (%)	6.77%	12.22%
Monthly Change (\$)	\$ 6.45	\$ 12.43

Potential Property Tax Levy Strategy

Fund	Final 2022	Proposed 2023	Change (\$)	Change (%) (previous year)	Change (%) (of Total Levy)
General Fund	30,979,156	37,500,000	6,520,844	21.05%	15.82%
Debt Service	2,638,745	3,127,441	488,696	18.52%	1.19%
Infrastructure Trust	3,246,354	2,343,745	(902,609)	-27.80%	-2.19%
Forestry	250,000	257,500	7,500	3.00%	0.02%
Facilities Capital	-	-	-	0.00%	0.00%
Equipment & Vehicle Capital	1,992,000	1,551,800	(440,200)	-22.10%	-1.07%
IT Capital	344,000	412,800	68,800	20.00%	0.17%
Parks Capital	1,462,000	1,005,900	(456,100)	-31.20%	-1.11%
Total City Levy	40,912,255	46,199,186	5,286,931	12.92%	12.83%
EDA Fund	297,500	1,000,000	702,500	236.13%	1.70%
Total City + EDA Levy	41,209,755	47,199,186	3,658,499	14.53%	14.53%

Potential Property Tax Levy Strategy, Continued

Category	Property Tax Payable		
	2022	2023P	2023R
Median-Valued Home	\$ 292,400	\$ 340,900	\$ 340,900
Change (\$)	\$ 15,100	\$ 48,500	\$ 48,500
Change (%)	5.4%	16.6%	16.6%
Property Tax Rate	43.370%	40.973%	43.367%
City and EDA Tax	\$ 1,220.75	\$ 1,369.90	\$ 1,449.93
Change (\$)	\$ 77.39	\$ 149.15	\$ 229.18
Change (%)	6.77%	12.22%	18.77%
Monthly Change (\$)	\$ 6.45	\$ 12.43	\$ 19.10

Potential Property Tax Levy Strategy, Continued

- By maintaining the property tax rate, the City could realize an additional \$2,331,000 in property tax revenue in 2023
- Those monies may be used to:
 - Support the cost of future positions contemplated by the Organizational Analysis
 - Offset future debt service levy requirements
 - Support other capital project funds
 - Accomplish other strategic priorities of the City Council

Proposed 2023 Budget Calendar

Date(s)	Discussion Topics	
January 24	All-Day Work Session	
February 15	“One-Time” Funding Sources, Budget Calendar	Plan
March 8	Review Financial Management Plan	
April 5	“Outlook and Objectives” Review	
June 21	Review Annual Comprehensive Financial Statements	
July 19	Discuss Proposed 2023-2027 Capital Improvement Plan	Review
July 25–29	Department Meetings with the City Manager	
August 23	Discuss Proposed 2023 Budget and Property Tax Levy	
September 13	Discuss Proposed 2023 Budget (if needed)	
September 20	Adopt Proposed City & EDA Property Tax Levy/Budget	
November 8	Discuss Proposed 2023 Budget (if needed)	Decide
November 29	Discuss Proposed 2023 Budget (if needed)	
December 6	TNT Hearing, Adopt City & EDA Property Tax Levy/Budget	



Thank You!

Questions?

