

Proposed 2023 Budget and Finance Plan

August 23, 2022



Work Session Goals

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

Work Session Overview

- Economic Expectations and Assumptions
- Special Revenue and Enterprise Funds Review (Selected)
- General Fund Review
- Property Tax Levy Review
- Recommendations

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 7	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	



Economic Expectations and Assumptions

Proposed 2023 Budget

Strategic Priorities



Economic Expectations

- Modest to slightly negative economic growth anticipated for the State of Minnesota (State) and region in 2022 and 2023
 - Increase in the Federal Funds Rate range to between 2.25% to 2.50%
 - 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	-0.9	2.4	0.0	-3.4	5.7	1.7	-0.4
Personal Consumption	11.4	12.0	2.0	2.5	1.8	1.0	2.0	-0.6	-3.8	7.9	2.3	-0.1
Consumer Price Index ²	1.9	4.8	5.3	6.7	8.0	8.6	8.2	7.2	1.2	4.7	8.0	3.5
"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	4.2
Quarter-End Interest Rates ³												
Federal Funds Target Rate	0.25	0.25	0.25	0.25	0.50	1.75	3.25	4.00	0.50	0.25	2.38	3.63
Conventional Mortgage Rate	3.17	3.02	2.88	3.11	4.42	5.81	5.20	5.25	3.12	2.95	5.17	4.83
10 Year Note	1.74	1.45	1.52	1.52	2.32	2.98	3.05	3.15	0.89	1.45	2.88	2.86

Forecast as of: August 11, 2022

¹ Compound Annual Growth Rate Quarter-over-Quarter

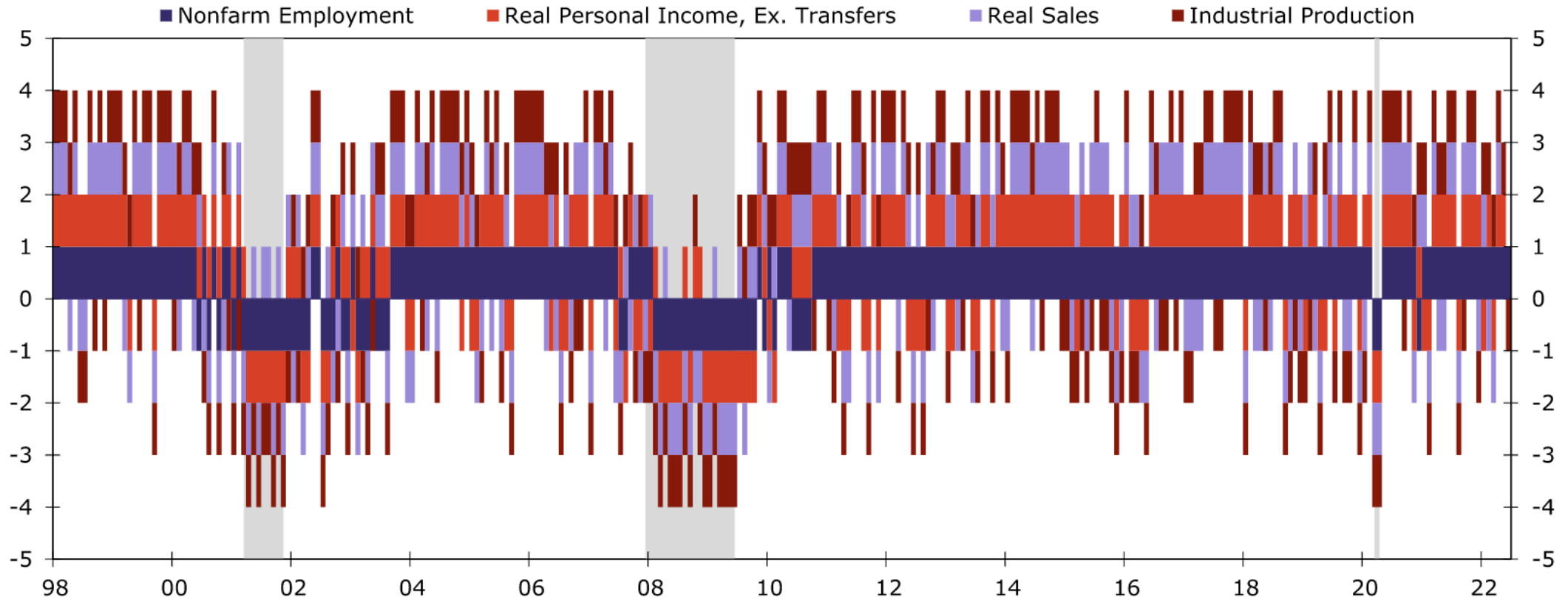
² Year-over-Year Percentage Change

³ Annual Numbers Represent Average

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

Eyes on the PIES: NBER Recession Monitor

+1=Positive Monthly Change, -1=Negative Monthly Change



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

General Assumptions and Other Factors

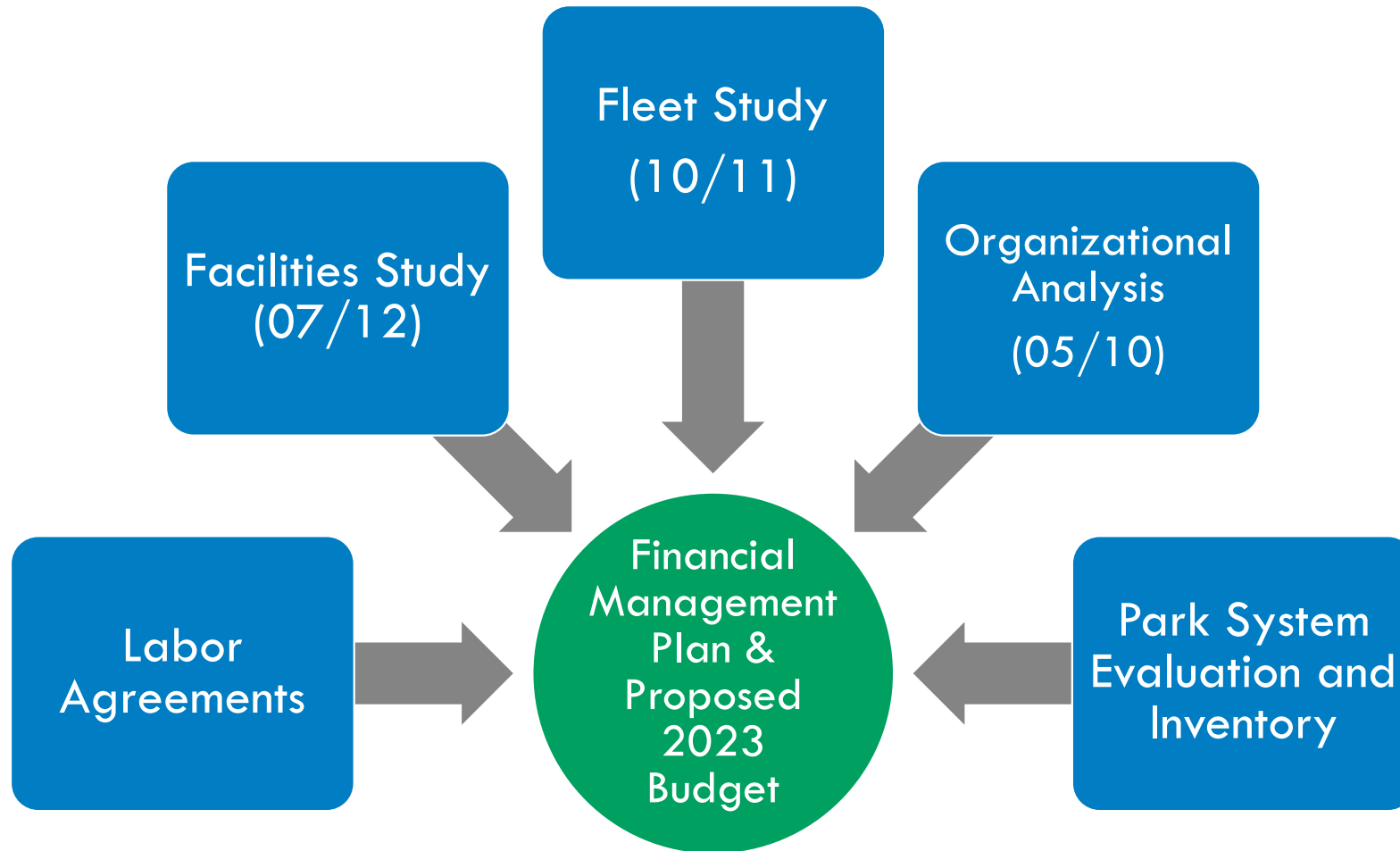
- Assumes \$3.0M of American Rescue Plan Act (ARPA) funds in 2023 and 2024 allocated to the General Fund
 - An increase from the \$2.0M previously planned in the 2022 Budget
- Created recommended fund balance requirements for all funds
 - General Fund: 40% of budgeted expenditures for the subsequent year
 - Capital Project Funds: 35% of rolling 5-year expenditure average
- All capital projects are funded per the respective Capital Improvement Plans
- Many projections reflect significant inflationary pressures

General Assumptions and Other Factors, Continued

Proposed 2023 Budget, Expenditures	
Category	Change (%)
Salaries and Wages	3.0%
Health Insurance Premiums	5.0%
Workers' Compensation Insurance Premiums	10.0%
Current Expenditures	2.0%

Proposed 2023 Budget, Revenues	
Category	Change (%)
Property Tax Levy	8.9%
Fees and Charges	2.5%
Investment Earnings	1.8%
All Other Non-Property Tax Revenues	1.0%

Pending Data and Studies (Selected)



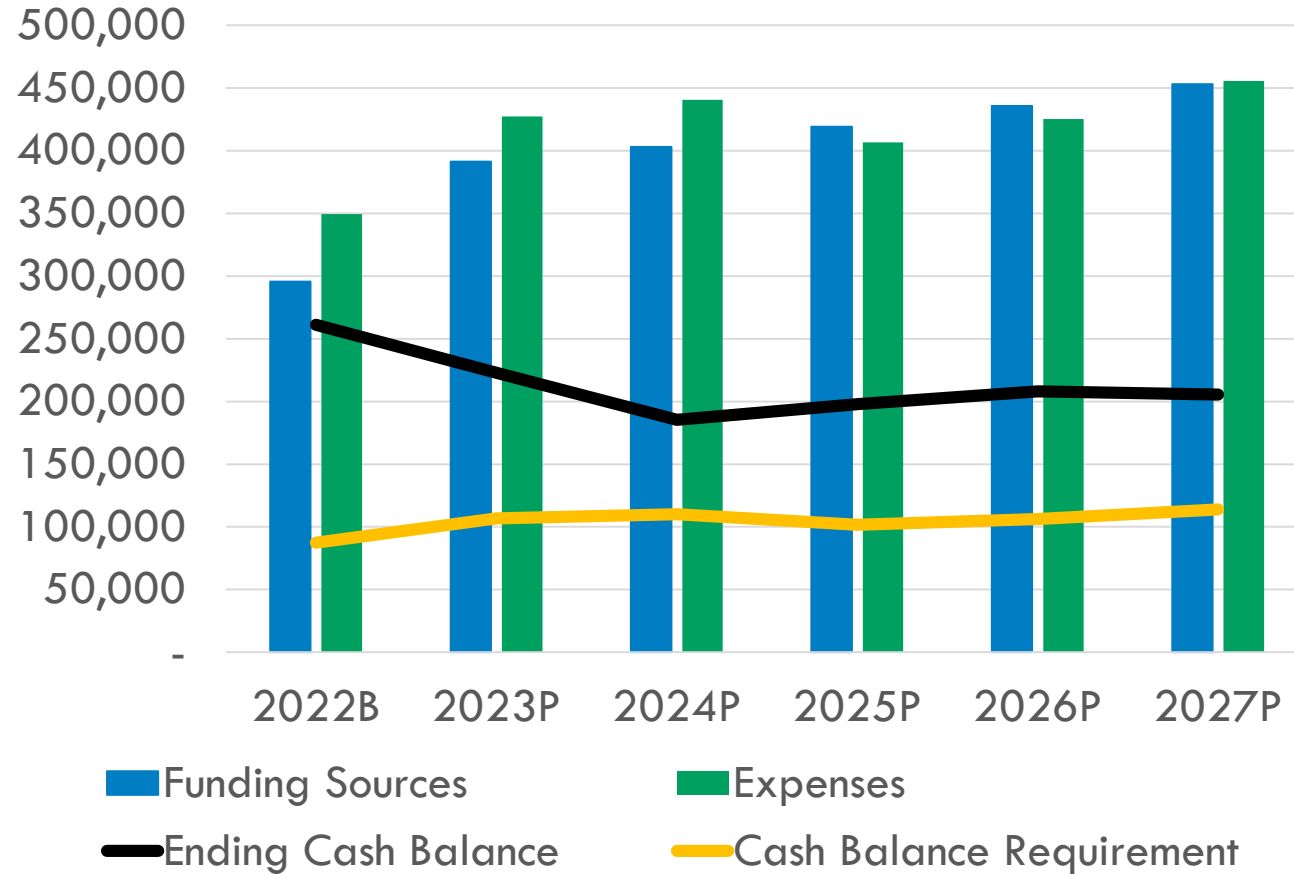


Special Revenue and Enterprise Funds (Selected)

Proposed 2023 Budget

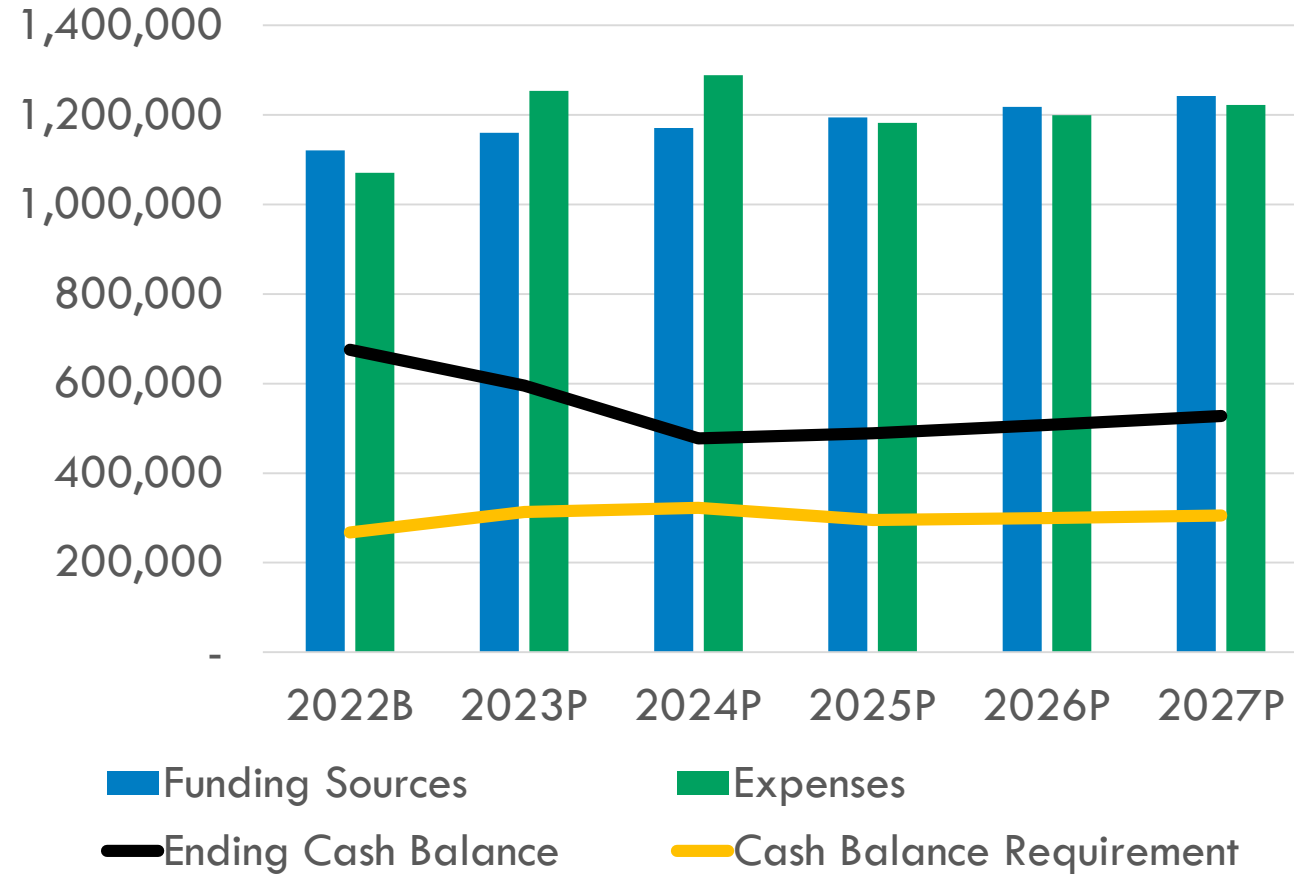
Golf Course Fund

Golf Course Fund 2022B-2027P



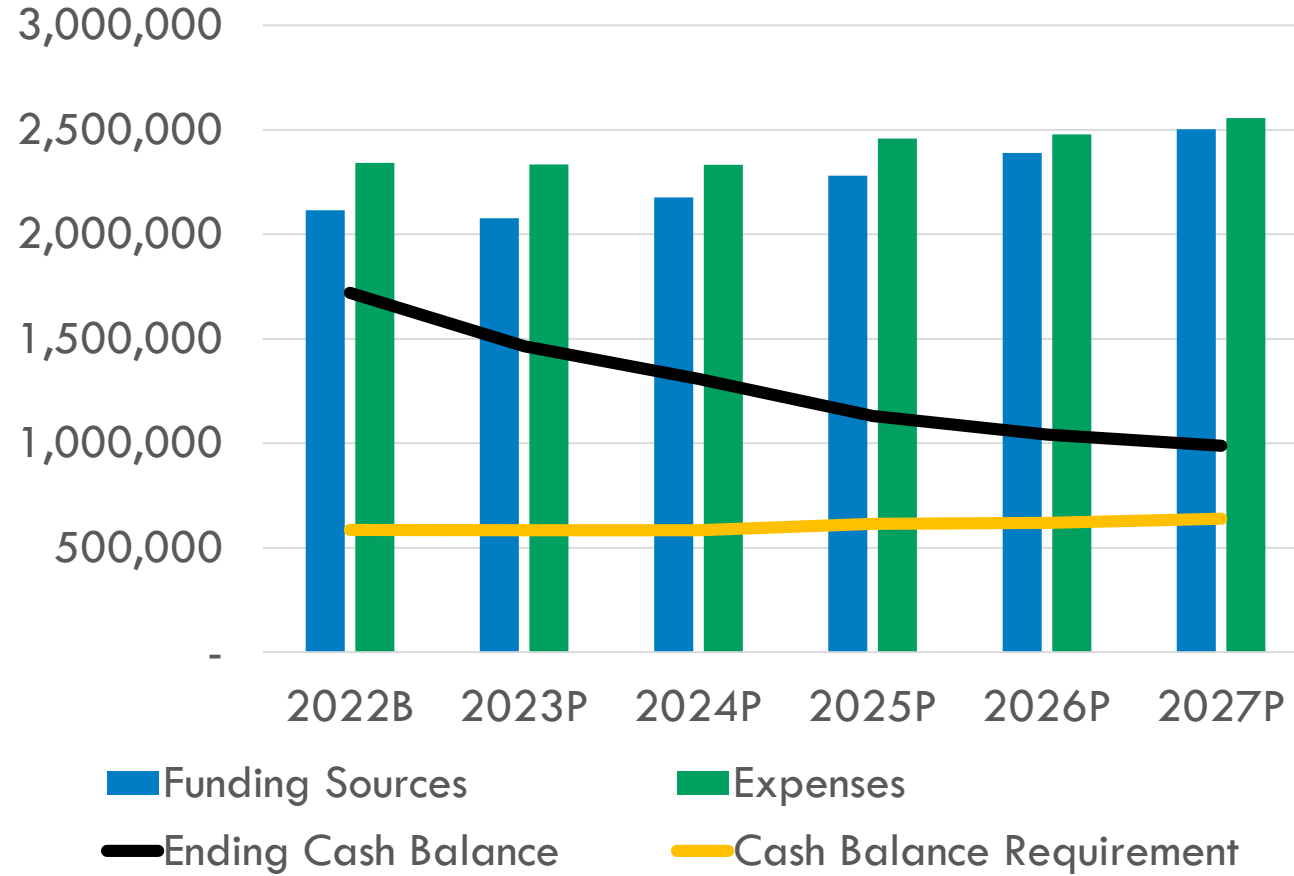
Ice Center Fund

Ice Center Fund 2022B-2027P



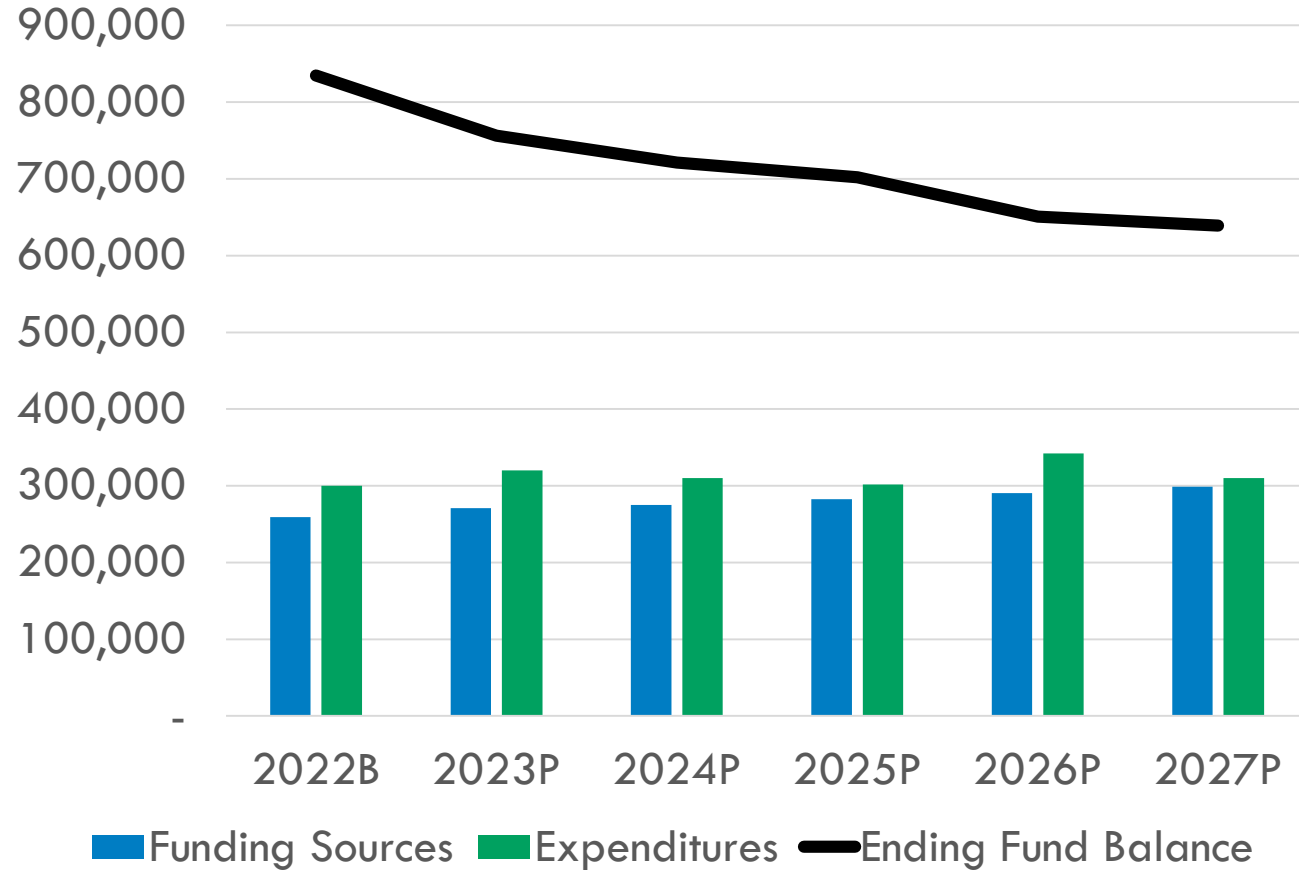
Ames Center Fund

Ames Center Fund 2022B-2027P



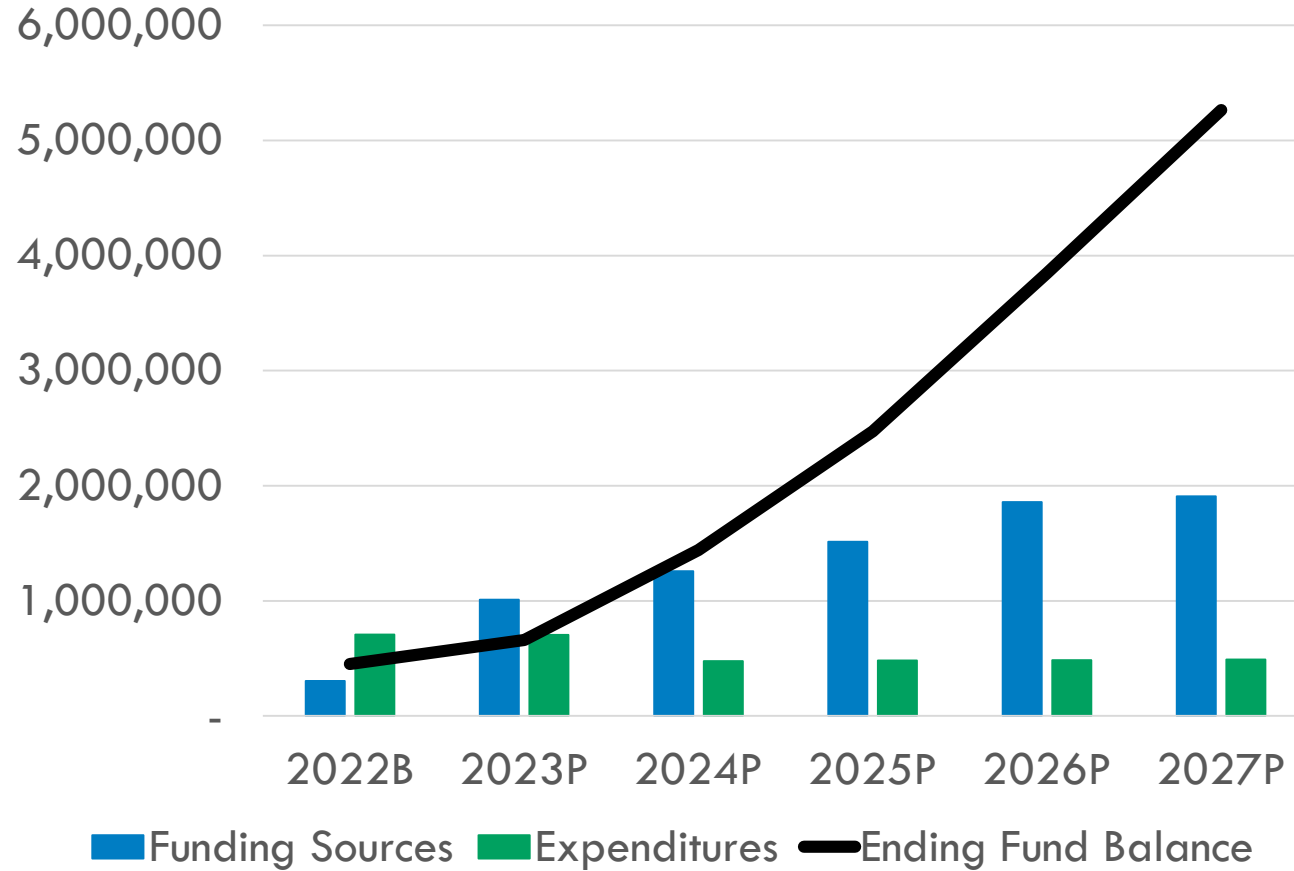
Forestry Fund

Forestry Fund
2022B-2027P



Economic Development Authority (EDA) Fund

Economic Development Authority Fund 2022B-2027P





General Fund

Proposed 2023 Budget

General Fund

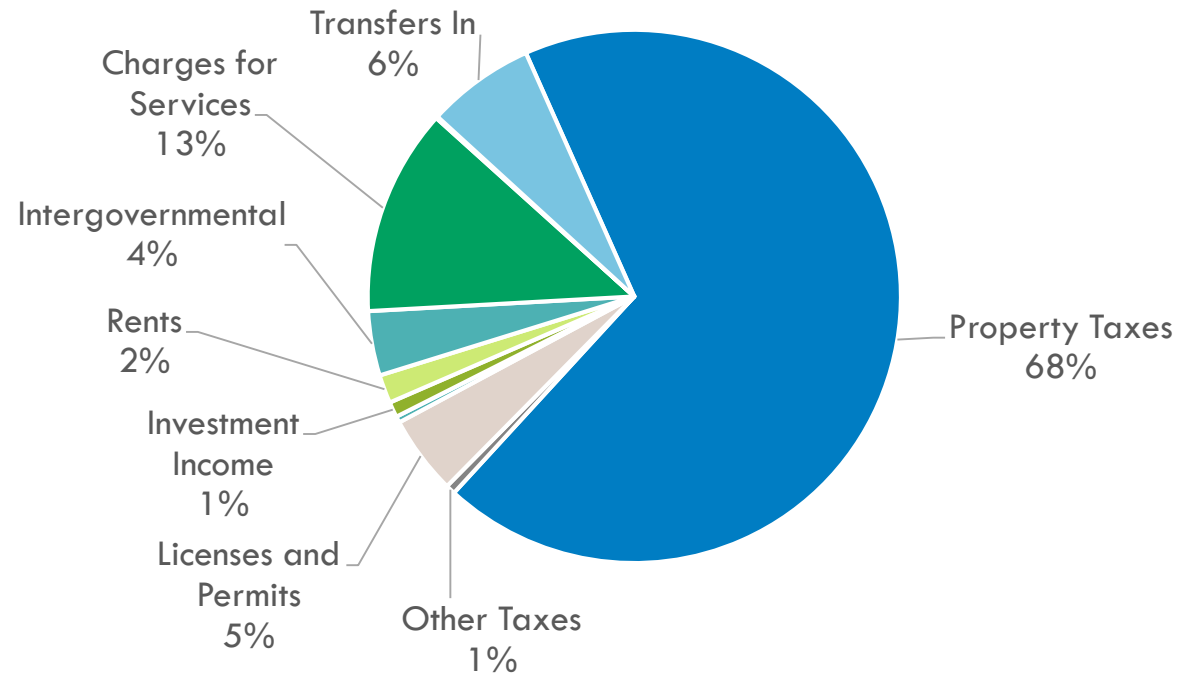
- The General Fund accounts for everything not accounted for in another fund
 - Supports most operating activities of the City (e.g., administration, fire, parks, police)

General Fund Revenues, Proposed 2023 Budget

- **Property Taxes**
 - 13.5% increase in the property tax levy (for the fund) compared to 2022
- **Charges for Services**
 - 5.0% increase compared to 2022 (includes the 3.0% standard adjustment)
- **Investment Income**
 - 46% increase in investment income compared to 2022
- **Transfers In**
 - \$3,000,000 transfer in from the Grant Fund; a \$1,000,000 increase compared to 2022

General Fund Revenues

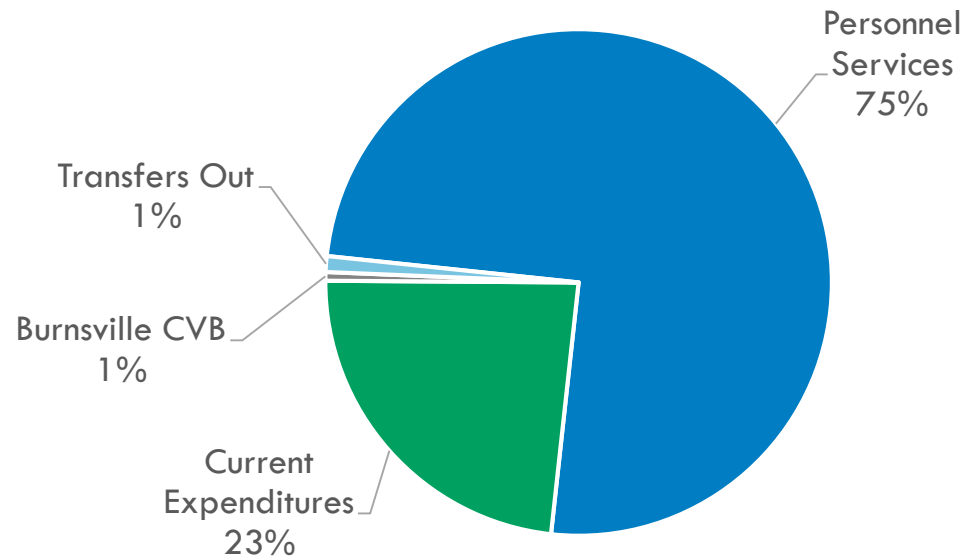
General Fund Funding Sources Proposed 2023 Budget



Total: \$50,929,448

General Fund Expenditures

General Fund Funding Sources Proposed 2023 Budget



Total: \$51,088,892

General Fund Expenditures, Proposed 2023 Budget

General Fund Cost Pressures, Proposed 2023 Budget

General Fund Category	2022B	2023P	Change (\$)	Change (%)
Personnel Services				
Change In Compensation Plan			1,171,169	3%
Organizational Analysis Implementation			2,377,136	7%
Health Insurance Premiums			639,507	2%
Workers' Comp. Insurance Premiums			391,906	1%
	33,774,461	38,354,179	4,579,718	14%
Current Expenditures				
Inflation Adjustment	11,011,793	11,735,655	723,862	7%
Fuel	402,300	484,185	81,885	20%
	11,414,093	12,219,840	805,747	7%
Transfers Out	869,558	514,873	(354,685)	-41%
Total Expenditures	46,058,112	51,088,892	5,030,780	11%

General Fund Expenditures, Continued

Proposed Full-Time Equivalents (FTEs), Proposed 2023 Budget				OA
Departments	Current	Proposed	Total	Proposal
City Manager's/City Clerk's Office	5.5	2	7.5	1
Comm. and Community Engagement	11	0	11	0
Community Development	20	0	20	0
Finance	9	1	10	0
Fire	45	3	48	3
Human Resources	5	2	7	2
Information Technology	9	1	10	1
Police	91	8	99	8
Public Works	73	2	75	2
Parks, Recreation and Facilities	20	0	20	0
Total	288.5	19	307.5	17

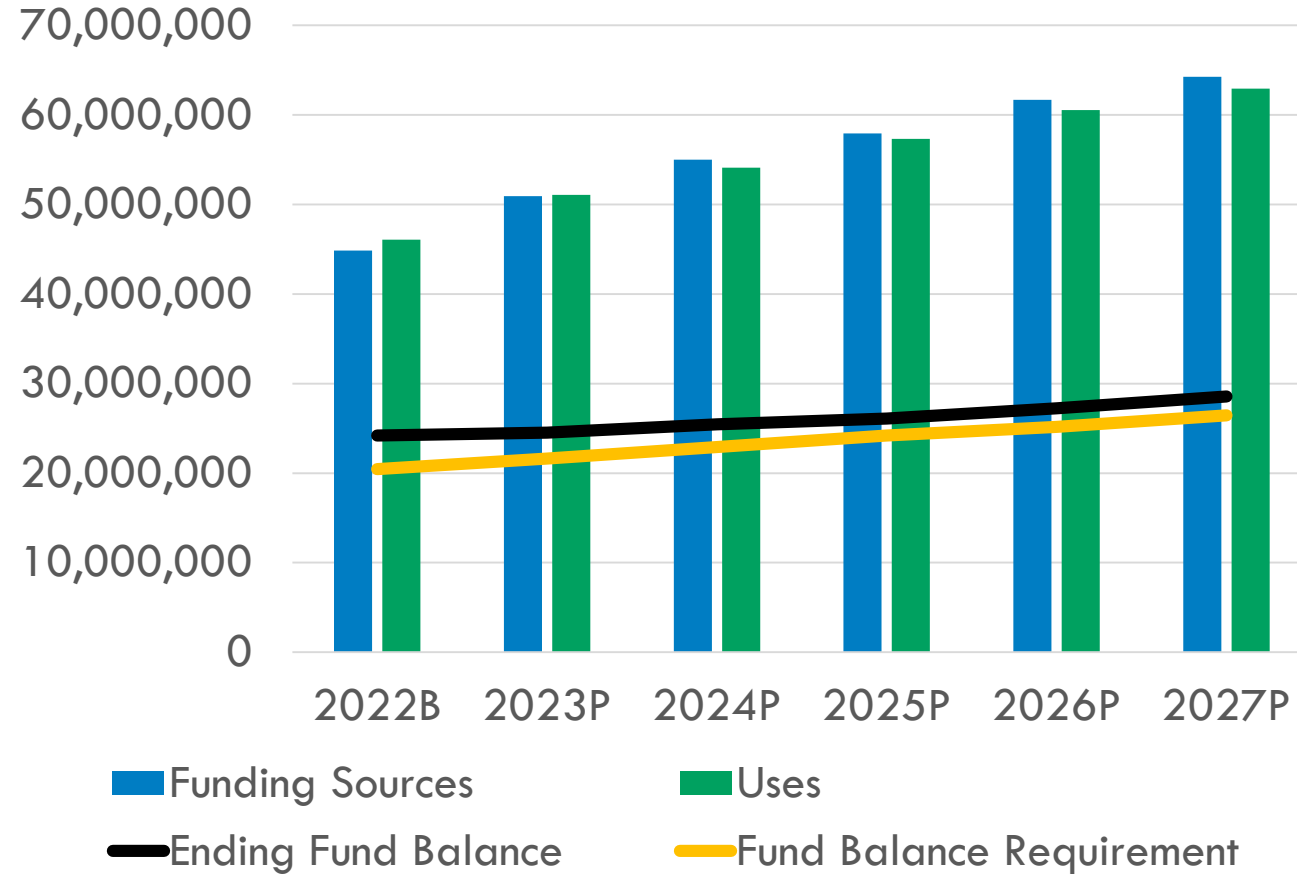
General Fund Expenditures, Proposed 2023 Budget

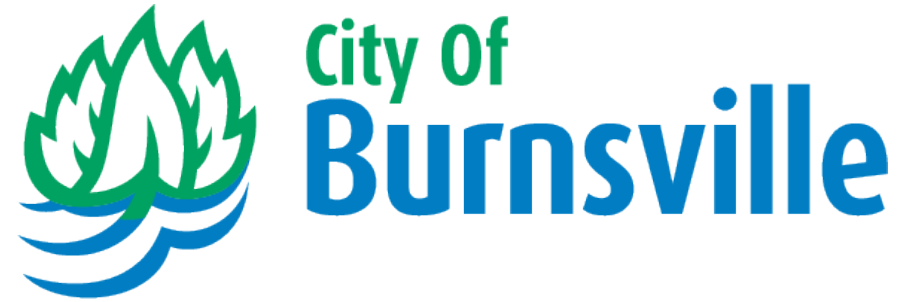
Annual Budget Savings, General Fund, 2015-2021

Year	Audited	COVID-19 Adjusted	Anticipated Budget Savings
2021	1,496,373	1,496,373	448,912
2020	2,342,174	779,647	233,894
2019	1,506,010	1,506,010	451,803
2018	940,514	940,514	282,154
2017	1,201,622	1,201,622	360,487
2016	1,334,982	1,334,982	400,495
2015	1,383,602	1,383,602	415,081
Average	1,457,897	1,234,679	370,404

General Fund Summary

General Fund
2022B-2027P





Proposed 2023 Property Tax Levy

Proposed 2023 Budget

Property Tax Levy Analysis, Background

- At the July 19 Budget Work Session, the City Council reviewed two property tax levy options
 1. Support the Organizational Analysis (OA)
 2. Maintain the Property Tax Rate

- The City Council guided staff to conduct more analysis of both options and report back

Meeting	2023P	2024P	2025P	2026P	2027P
FMP Review	10.9%	10.5%	13.6%	3.8%	2.2%
FMP Update	10.0%	10.1%	11.7%	3.8%	2.2%
CIP Review	8.9%	10.9%	12.9%	7.6%	3.3%

Property Tax Levy Alternatives, Continued

Organizational Analysis Implementation

Alternative No. 1



Levy Increase Reduction

Alternative No. 2



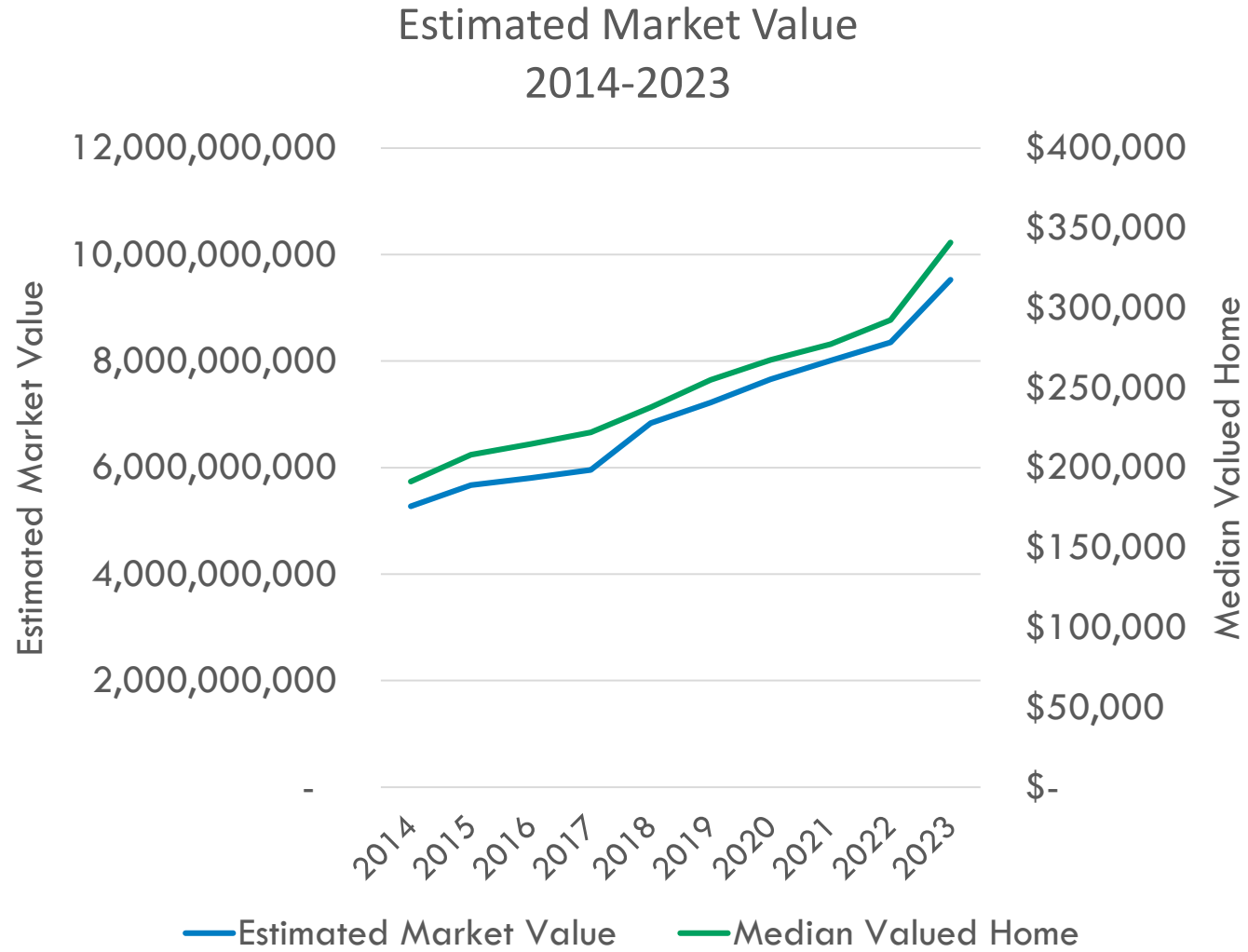
CIP Enhancement

Alternative No. 3



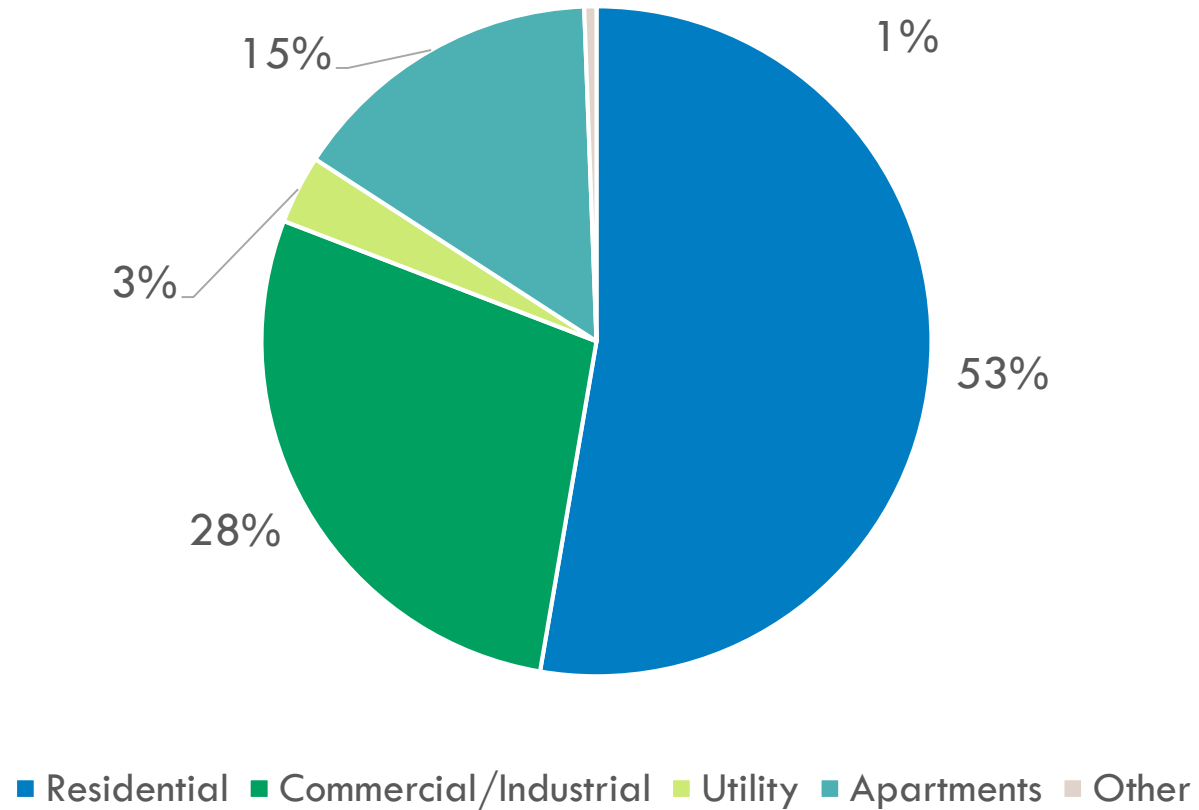
Each alternative only adjusts property tax revenue projections – proposed expenditures do not change

Estimated Market Values



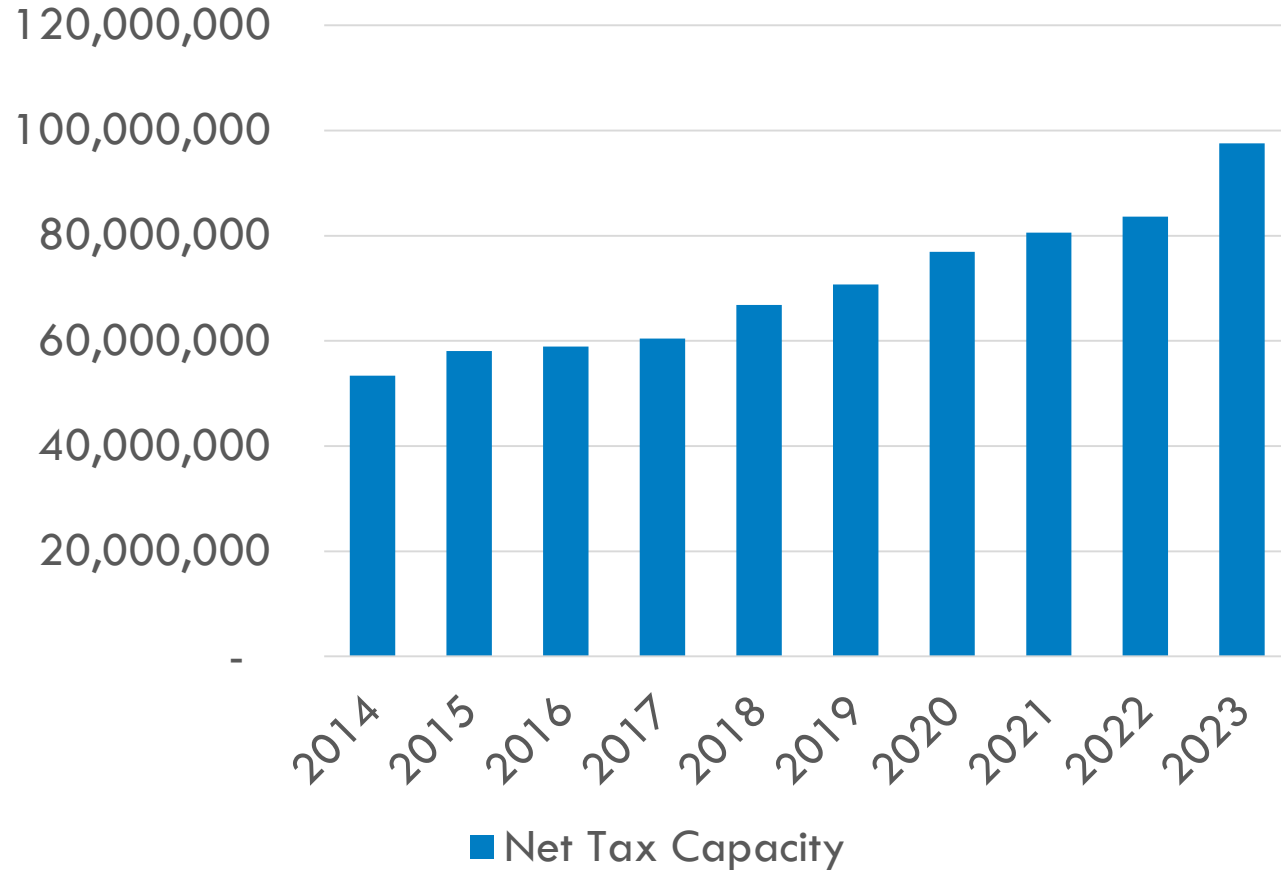
Taxable Market Value

Taxable Market Value For Property Taxes Payable in 2023



Net Tax Capacity

Net Tax Capacity 2014-2023



Property Tax Levy Summary, Alternative No. 1

Organizational Analysis Implementation

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 Property Tax Levy Impact, Alternative No. 1

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

Property Tax Levy Summary, Alternative No. 2

Levy Increase Reduction

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, Alternative No. 2

Category	Property Tax Payable		
	2022	2023P - A1	2023P - A2
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%	40.816%	43.206%
City and EDA Tax	\$ 1,220.75	\$ 1,364.65	\$ 1,444.54
Change (\$)	\$ 77.39	\$ 143.90	\$ 223.79
Change (%)	6.77%	11.79%	18.33%
Monthly Change (\$)	\$ 6.45	\$ 11.99	\$ 18.65

Property Tax Levy Summary, Alternative No. 3

CIP Enhancement

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	3,127,431	488,686	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	2,717,266	725,266	36.41%	1.76%
IT Capital	344,000	412,800	68,800	20.00%	0.17%
Parks Capital	1,462,000	2,171,366	709,366	48.52%	1.72%
Total City Levy	40,912,255	46,199,176	5,286,921	12.92%	12.83%
EDA Fund	297,500	1,000,000	702,500	236.13%	1.70%
Total City + EDA Levy	41,209,755	47,199,176	5,989,421	14.53%	14.53%

Potential Property Tax Levy Strategy, Alternative No. 3

Category	Property Tax Payable		
	2022	2023P - A1	2023P - A3
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%	40.816%	43.206%
City and EDA Tax	\$ 1,220.75	\$ 1,364.65	\$ 1,444.54
Change (\$)	\$ 77.39	\$ 143.90	\$ 223.79
Change (%)	6.77%	11.79%	18.33%
Monthly Change (\$)	\$ 6.45	\$ 11.99	\$ 18.65

Property Tax Levy Alternatives Summary

Alternative	For Property Taxes Payable In					Total	Difference, Alt. No. 1
	2023	2024	2025	2026	2027		
Alternative No. 1: Organizational Analysis Implementation							
Property Tax Levy Change (%)	8.88%	10.85%	12.87%	7.62%	3.30%	n/a	n/a
Property Tax Levy Change (\$)	3,658,489	4,869,991	6,398,903	4,275,592	1,990,603	21,193,578	n/a
Property Tax Rate (%)	40.82%	44.26%	49.32%	52.08%	52.90%	n/a	n/a
Additional Property Tax (\$)	143.90	148.01	210.43	136.43	71.19	709.96	n/a
Additional Property Tax, Monthly (\$)	11.99	12.33	17.54	11.37	5.93	59.16	n/a
Alternative No. 2: Levy Increase Reduction							
Property Tax Levy Change (%)	14.53%	7.63%	7.06%	7.40%	7.69%	n/a	n/a
Property Tax Levy Change (\$)	5,989,421	3,599,559	3,588,403	4,025,592	4,490,603	21,693,578	500,000
Property Tax Rate (%)	43.21%	45.32%	47.61%	50.15%	53.37%	n/a	n/a
Additional Cost (\$)	223.79	104.21	114.52	127.43	157.30	727.24	17.28
Additional Cost, Monthly (\$)	18.65	8.68	9.54	10.62	13.11	60.60	1.44
Alternative No. 3: CIP Enhancement							
Property Tax Levy Change (%)	14.53%	10.59%	12.28%	7.42%	3.28%	n/a	n/a
Property Tax Levy Change (\$)	5,989,421	5,000,359	6,410,403	4,349,792	2,067,003	23,816,978	2,623,400
Property Tax Rate (%)	43.21%	46.71%	51.74%	54.53%	55.38%	n/a	n/a
Additional Cost (\$)	223.79	151.89	211.19	139.55	74.22	800.63	90.67
Additional Cost, Monthly (\$)	18.65	12.66	17.60	11.63	6.19	66.72	7.56

Recommendations

- As a result of the analysis, staff recommends Alternative No. 2 (Levy Increase Reduction) for the Proposed 2023 Budget
- Generally, Alternative No. 2:
 - Implements the Organizational Analysis
 - Maintains appropriate General Fund balances
 - Stabilizes the property tax levy
 - Supports various EDA strategic plans and goals
 - Provides flexibility for the City Council in future years
 - Assumes one “double-digit” property tax levy increase
 - Less than \$20 more compared to Alternative No. 1 (over the five years)

Recommendations, Continued

Benefits	OA Implementation	Levy Increase Reduction	CIP Enhancement
• Funds Organizational Analysis Implementation	✓	✓	✓
• Funds EDA Strategic Priorities	✓	✓	✓
• Maintains General Fund Balances	✓	✓	✓
• Stabilizes Property Tax Levy		✓	
• Provides City Council Flexibility		✓	✓
• Assumes one “double-digit” property tax levy increase		✓	

Property Tax Levy Comparison

City	Proposed Levy
Apple Valley	9.0%
Blaine	5.0%
Bloomington	10.0%-12.0%
Brooklyn Park	7.0%
Burnsville	14.5%
Coon Rapids	9.1%
Eagan	6.0%
Eden Prairie	4.50%
Edina	9.0%-10.0%
Lakeville	10.0%-12.0%
Maple Grove	4.9%
Minnetonka	7.0%
Plymouth	7.1%
St. Louis Park	7.0%
Woodbury	6.8%
Average	8.0%



Thank You!

Questions?

Percent of Air Per Bag of Chips

Cheetos



59%
Air

Stacy's Pita Chips



50%
Air

Doritos



48%
Air

Cape Cod



46%
Air

Ruffles



50%
Air

TERRA



49%
Air

Kettle Brand



47%
Air

Popchips



45%
Air

Sun Chips



41%
Air

Tostitos Scoops



34%
Air

Fritos



19%

Lays



41%
Air

Lays Baked



39%
Air

Pringles



28%
Air

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