

To: Mayor and City Council Members

From: Nate Burkett, City Manager

Date: August 4, 2022

Subject: 2023-24 Budget

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### Summary of Attachments

- 2023-24 Budget Plan – this document summarizes the major changes to the 2023 budget. The document is a summary of substantial changes, not an exact detail of the budget.

For ease in understanding the columns have the following meaning:

- Change – amount of the change proposed
- Funded – Yes means it is included in the budget, no or blank and the item is not.
- Required – Yes means the city is contractually or practically obligated to the additional expenditure.
- Levy/LGA/Cash – the funding source and amount

It is important to note that not all changes proposed have an impact on the levy. If an item is funded by LGA or cash, the item does not impact the levy. All items that were under consideration for 2023 are listed in this document. Those that are not funded may be added at council direction.

- 10 Year CIP/CEP – this document summarizes planned expenditures in all capital funds and shows cash flows and fund balances for each.
- Strategic Plan Summary - This budget is presented in the context of the strategic plan and the objectives contained therein. Many, if not all of the initiatives are completed or in progress, and many of them do not require new funding to accomplish. However, several priorities and objectives do require funding to accomplish, notably:
  - **Stable Workforce:** Recruiting and retaining talent is getting more and more expensive. COLA, time in service adjustments, market adjustments and contributions to health insurance are all extremely important pieces to ensure we are competitive in the market to obtain the talent we need to serve the West St. Paul community.
  - **Quality Infrastructure:** This priority comes down to maintenance. As you are aware maintenance of infrastructure (particularly streets) was delayed in the past. The city is now playing catch up with sewers, streets, parks and trails. Rehabilitating and building new has costs associated that cannot be avoided by increasing efficiency alone.

- **Safe Community:** Some safety can be created through increased communication and building community. These efforts are well underway. Some safety needs to be created through investments in staff, and investments in technology. This budget does both. One of the measures in this strategic priority is the number of calls per public safety employee. This budget, through its investments meets or exceeds the target of reducing calls per officer by 5% or more. There is still work to do to maintain public safety and keep the calls down as well – but this budget sets a foundation for that to happen.

### Summary of Proposed 2023 Budget

- Levy Impact Summary

	2019	2020	2021	2022	2023 (Proposed)
Levy	15,773,545	16,801,114	17,745,026	18,657,430	19,792,776
Change %		6.51%	5.62%	5.14%	6.09%
Change \$		1,027,569	943,912	912,404	1,135,346
Tax Capacity	20,377,899	22,039,624	23,738,205	24,709,792	28,020,038
Tax Rate	72.60%	70.66%	69.43%	70.69%	66.88%
Impact on Average Home					
City Tax	994.20	1,089.44	1,131.66	1,279.38	1,453.10
City Tax Change \$		95.24	42.22	147.72	173.72
City Tax Change %		9.58%	3.88%	13.05%	13.58%

- Major expense side pressures for 2023 budget, impacting levy
  - **Supports: Stable Workforce.** Existing employee expenses (Wages, time in service adjustments, market adjustments, health insurance) – approx \$775,000
  - Payments to Dakota County for public safety – approx \$93,000
  - **Supports: Quality Infrastructure.** Additional Parks Maintenance employee – approx \$90,000
  - **Supports: Safe Community.** Technology for security cameras, mobile camera – approx \$150,000
  - **Supports: Safe Community.** Three new police officers (two funded partially by COPS grant, one to add School Resource Officer) – approx \$180,000
  - Fuel cost increases – approx \$50,000
- Major capital investment changes from previous CIP/CEP
  - **Supports: Stable Workforce.** Public Works Breakroom addition. The current PW break room is very small. There is an outdoor patio space that is unused because the staff working in this area are typically working outside all day and want to take their breaks indoors. This proposal is to enclose the patio and make the space more useful. This project is dependent upon cash available in the building fund – \$300,000
  - **Supports: Quality Infrastructure.** Funding toward Ice Arena parking lot. As part of the renovation site plan the city is required to improve the ice arena parking lot. This funding is being allocated in 2023 for anticipated construction in 2024 or 2025 –\$200,000
  - **Supports: Quality Infrastructure.** Funding toward the city share of a joint project with MnDOT to repair Robert Street sidewalks, also additional ongoing maintenance funding for capital needs on Robert Street – \$180,000

- **Supports: Quality Infrastructure.** Funding toward neighborhood street maintenance including mill/overlay and eventual reconstruct. The long term goal is approximately \$2 mil annually, this budget puts the city at about \$312k in 2023 and \$843k in 2024.
- **Supports: Quality Infrastructure.** Funding an evaluation and potential renovation of the Horseshoe pit at Sports Complex. This is a great structure but is very underutilized. As part of the evaluation we intend to assess the possibility of a skate park at Sports Complex and take on any potential construction under a joint contract to manage cost.

## **Budget Philosophies and History**

For the last several years, budgets have been intended to meet a few major financial objectives, these objectives continue for 2023-24:

- **Supports: Financial Stability.** Build funds toward reasonable cash balances – Many funds have been re-evaluated for what is a “reasonable” cash balance and most funds are at or near that balance and focus is now primarily on maintaining balances as opposed to building. This budget does, in certain funds, spend down balances that we do not anticipate needing as cash flow or for long term savings. There is no advantage to sitting on cash in a high inflationary environment.
- **Supports: Financial Stability.** Pay down debt by taking advantage of early debt call options – The next debt call is in February 2024. The city council approved loaning funds from the debt retirement fund to the ice arena fund to finance the ice arena addition, repayments are currently ahead of schedule. It is anticipated the city will have sufficient cash on hand to make the February 2024 call. The next call is in February 2029, and long term planning suggests the city will have cash on hand for that as well, provided the plan is adhered to.
- **Supports: Financial Stability & Quality Infrastructure.** Build stable funding mechanisms for infrastructure projects such as sewer, streets and trails – The last major sewer project is funded and slated for completion in 2023, providing major relief and opportunity for funds to be committed toward local streets and trail improvements. The proposed budget continues to allocate funds toward these priorities:
  - Increasing the allocation to local streets by \$125,000 in 2023 and approximately \$300,000 in 2024 for a total of approximately \$850,000 per year toward this priority.
  - Maintaining the allocation of \$500,000 to sidewalks and trails. In subsequent years the city will have to resolve a planned fund deficit in the sidewalks and trails fund of approximately \$650,000. Staff anticipates resolving a majority of this deficit through obtaining grants and funding from other sources.
- **Supports: Financial Stability.** Stabilize and ultimately decrease the property tax rate – This budget continues toward establishing long term trend of decreasing the property tax rate. The tax rate for 2023 under this proposed budget decreases from 70.69% in 2022 to 66.88% in 2023. Staff continues to anticipate potential for future property tax rate decreases between 2024 and 2030.

Last year, the city made some targeted changes to advance some strategic priorities:

- **Supports: Safe Community.** Added two police officers – Both have been hired. One is dedicated to multi-family housing and community policing work the other is a patrol officer.
- **Supports: Stable Workforce.** Added a recreation programmer – This position has been hired and has helped to expand our capacity in recreation programming and community events. We anticipate additional future growth. Demand for recreation programming for youth has remained high and even increased from what we have seen in past years, the primary challenge for the city has been staffing the programming due to difficulty in hiring summer employees.
- **Supports: Expanded Communication & Financial Stability.** Added a grants/communication specialist position – This position has not been hired yet, but is anticipated in September 2022. This position will support expanded communication efforts as well as financial stability by focusing on bringing in grant revenues.

### **Options/Request of City Council**

Staff requests that the City Council review the budget and levy implications and give guidance for further refinement. Options include:

- Status Quo – proceed with detail preparations.
- Reduce/Increase the levy – direct staff to reduce/increase the levy generally and give a targeted amount or percentage.
- Identify items included to eliminate/reduce – direct staff to eliminate or reduce a specific proposal in the budget AND provide guidance as to where to direct funds formerly allocated to that item.
- Identify items not included in the budget for inclusion – direct staff to include an item in the budget AND provide guidance as to where to allocate funds from.