



# STAFF REPORT

TO: Mayor Keis and Members of City Council

FROM: Sam Magureanu, Finance Director

REVIEWED BY: Chris Heineman, City Administrator

DATE: September 14, 2022

RE: 2023 Preliminary Levy

**ACTIONS TO BE CONSIDERED:**

The Council is asked to consider motions to approve the 2023 Preliminary Levy, set a date and time for the Budget Hearing, and set the bonded debt tax levy at zero.

**BACKGROUND:**

The City of Little Canada is required to establish a preliminary levy by September 30<sup>th</sup>. The preliminary levy may be decreased before the final adoption in December, but it may not be increased.

The preliminary levy was presented at City Council workshops on August 24<sup>th</sup> and September 14<sup>th</sup>.

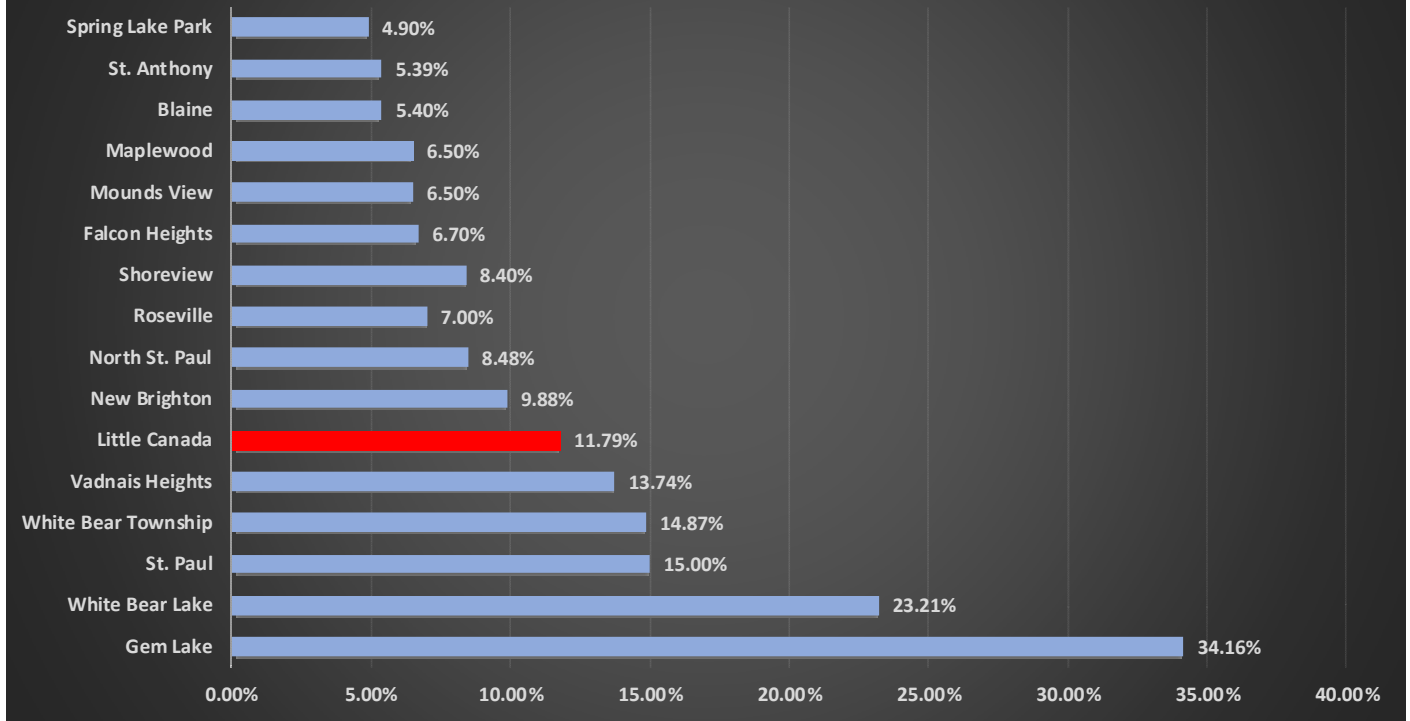
**2023 Proposed Levy:**

The preliminary levy presented at the workshop on September 14<sup>th</sup> was as follows:

2023 Proposed Gross Levy Compared with 2022								
Fund	2022 Certified Levy	3.30% COLA			4.70% COLA			
		2023 Levy	\$ Change	% Change	2023 Levy	\$ Change	% Change	
General Fund	\$3,479,210	\$3,869,208	\$389,998	11.21%	\$3,884,944	\$405,734	11.66%	
Fire Equipment	160,000	160,000	\$0	0.00%	160,000	\$0	0.00%	
<b>Infrastructure Fund</b>	<b>122,200</b>	<b>160,000</b>	\$37,800	30.93%	<b>160,000</b>	\$37,800	30.93%	
<b>Total</b>	<b>\$3,761,410</b>	<b>\$4,189,208</b>	<b>\$427,798</b>	<b>11.37%</b>	<b>\$4,204,944</b>	<b>\$443,534</b>	<b>11.79%</b>	

Staff has contacted other municipalities in Ramsey County to determine their estimated preliminary levy increase. The estimated average increase for these municipalities is 4.90% to 34.16%. The levy increases may increase or decrease when the preliminary levies are approved by each municipality.

## 2023 City Property Tax Levy Increases in Ramsey County



**2023 Proposed Tax Rates:** The 2022 Tax Rate was a 6.54 % increase from 2021. Please note that both 2023 scenarios will result in a minimal tax rate increase ranging 0.38% and 0.82%, when compared with the 2022 tax rate.

2023 Proposed Tax Capacity Rates Compared with 2022							
Fund	2022 Rate	3.30% COLA			4.70% COLA		
		2023 Rate	Change	% Change	2023 Rate	Change	% Change
General Fund	23.634	23.690	0.06	0.24%	23.799	0.17	0.70%
Fire Equipment	1.087	0.980	(0.11)	-9.87%	0.980	(0.11)	-9.82%
Infrastructure Fund	0.830	0.980	0.15	18.01%	0.980	0.15	18.08%
<b>Total</b>	<b>25.551</b>	<b>25.649</b>	<b>0.10</b>	<b>0.38%</b>	<b>25.759</b>	<b>0.21</b>	<b>0.82%</b>

The largest increases to the 2023 budget expenditures for the City of Little Canada are as follows:

- Personnel Services – an increase of \$139,400 if a 3.30% COLA is adopted or a \$154,900 if a 4.70% COLA is adopted.
- Increase in the police service contract \$92,085 or 5.70%.
- Increase fire services contract \$49,655 or 10.36%. It should be noted that the budget for fire is still under review by the Fire Department Board of Directors and it could change.
- Contracted Services - Overall \$147,632 increase or 190.22 %. The 2023 Budget includes a lump-sum line item for contracted services totaling \$135,000.

- \$35,000 – Contracted services for the proposed administration/communications FTE position as part of the Strategic Plan
- \$100,000 – Local Police transition contracted services for implementation plan
- Motor Fuels & Lubricants – 32.15% increase or \$5,565.
- Electric & Gas Utilities – 23.67% increase or \$29,300
- Worker’s Compensation Insurance – 52.77% or \$6,770

<b>Largest Expenditure Increases</b>		
<b>Category</b>	<b>Amount</b>	<b>%</b>
Personnel Services	\$154,900.00	33.50%
Police Service Contract	92,085.00	19.91%
Fire Service Contract	49,655.00	10.74%
Other Contracted Services	147,632.00	31.93%
Motor Fuel & Lubricants	5,565.00	1.20%
Utilities - Electric & Gas	29,300.00	6.34%
Worker's Compensation	6,770.00	1.46%
Other	(23,474.00)	-5.08%
<b>Total</b>	<b>\$462,433.00</b>	<b>100%</b>

**Ways to reduce the Levy:**

- Specific line-item reductions
- Additional revenues
- Reduction in the levy for the Fire Equipment Fund or Infrastructure Fund
- Utilize existing fund balance
- Reduce Council Contingency – Budgeted at \$15,000
- Reduce market salary adjustment. For each market salary rate adjustment decrease of .50%, the savings is approximately \$9,000 in the General Fund.

Based on different levy scenarios, the impact to the median home that increased in value by 19.35% from \$290,300 in 2022 to \$319,330 in 2023 are as follows:

		<b>MEDIAN HOME</b>		
<b>2023 Market Value Adjustment County</b> <b>19.35%</b>	<b>COLA 3.30% Levy increase 11.37%</b>			
		<b>Taxable Market Value</b>	<b>Tax Rate</b>	<b>Resident Pays \$\$\$</b>
	<b>2022</b>	270,550	0.256%	\$ 691.28
	<b>2023</b>	322,901	0.256%	\$ 828.21
	<b>\$ Change</b>			<b>\$ 136.93</b>
	<b>% Change</b>			<b>19.81%</b>
	<b>COLA 4.70% Levy increase 11.79%</b>			
		<b>Taxable Market Value</b>	<b>Tax Rate</b>	<b>Resident Pays \$\$\$</b>
	<b>2022</b>	270,550	0.256%	\$ 691.28
	<b>2023</b>	322,901	0.258%	\$ 831.77
<b>\$ Change</b>			<b>\$ 140.49</b>	
<b>% Change</b>			<b>20.32%</b>	

**Debt Service Levy:**

The City issued the 2014A Bonds for building the Public Works facility. These bonds contain a levy component. Since the City has been using the Water & Sewer Capital Replacement Fund to pay these bonds instead of the levy, a motion must be passed each year to waive the debt service levy.

<b>Bond Issue</b>	<b>Original Principal</b>	<b>Date Issued</b>	<b>2023 Levy Portion per Bond Register</b>	<b>Reduction in Levy</b>	<b>2023 Certified Debt Levy</b>
<b>2014A Bonds</b>	\$3,400,000	03-11-14	\$180,468.75	(\$180,468.75)	\$0

**Documents Included with the Packet**

- 1) General Fund Summary – Revenues
- 2) General Fund Summary – Expenditures
- 3) General Fund Summary – Expenditures by Department
- 4) Contract Request – Fire
- 5) Budget Draft – Police

**STAFF RECOMMENDATION:**

1. Motion to approve the 2023 Preliminary Levy at \$4,204,944 (11.79% Increase) or another amount as directed by the City Council.
2. Motion to set the Budget Hearing for December 14<sup>th</sup>, 2022 at 7:30 pm
3. Motion to approve the 2023 bonded debt tax levy reductions which will result in a zero bonded debt tax levy for 2023.