



## STAFF REPORT

TO: Mayor Keis and Members of City Council

FROM: Chris Heineman, City Administrator  
Brenda Malinowski, Finance Director

DATE: September 08, 2021 City Council Workshop

RE: Discussion on 2022 Levy and Other Funds

### DISCUSSION:

The purpose of this workshop discussion is to review the 2022 Property Tax Levy and review other funds.

### OPERATING LEVY:

During the workshop on August 25<sup>th</sup>, the 2022 General Fund Operating Budget and 2022 Property Tax Levy were reviewed. Based on discussion at the workshop, staff has identified possible changes to the General Fund Budget that will lower the 2022 Property Tax Levy. These proposed changes will bring the levy from a 6.19% increase to a 4.62% increase.

Taxes Levied from 08-25-2021 Workshop			
	Certified 2021	Recommended Payable 2022	2021 to 2022 % Change
General Fund	\$3,300,130	\$3,521,880	6.72%
Fire Equipment Fund	160,000	160,000	0.00%
Infrastructure Fund	122,200	122,200	0.00%
Gross Levy	3,582,330	3,804,080	6.19%

	Amount
Proposed Gross Property Tax Levy as of 8-25-2021	\$3,804,080
Move Strategic Plan to General Capital Improvements Fund (400)	(7,000)
Fund Compensation Study in 2021 with Council Contingency	(10,000)
Increase Falcon Heights inspection revenue to max reimbursement amount per contract	(9,530)
Increase Building Permit revenue	(36,300)
Decrease engineering services to amounts spent	(2,000)
Add \$5,000 to Council Contingency for possible salary adjustments identified in Compensation Study	5,000
Miscellaneous changes to insurance and software maintenance contracts	4,970
<b>Proposed Gross Property Tax Levy after changes</b>	<b>\$3,747,810</b>

Taxes Levied with Changes			
	Certified 2021	Recommended Payable 2022	2021 to 2022 % Change
General Fund	\$3,300,130	\$3,465,610	5.01%
Fire Equipment Fund	160,000	160,000	0.00%
Infrastructure Fund	122,200	122,200	0.00%
Gross Levy	3,582,330	3,747,810	<b>4.62%</b>

Per information received from a survey of estimated preliminary tax levy increases of municipalities in Ramsey County, the average increase is 6.16% to 6.76%, or 5.23% to 5.87% when excluding White Bear Township.

While the primary purpose of this workshop will be to focus on the Operating Levy, it is also helpful to understand how other funds that will be utilized for proposed improvements over the next few years. These funds are as follows:

**General Capital Improvements Fund (400):** This fund has been funded in the recent past with Local Government Aid (LGA) and periodic transfers from the General Fund. Park improvement projects, public works equipment, small fire equipment, computers, and building improvements are funded from this fund. In addition, Emerald Ash Borer tree removal and replacement is proposed to be funded in this fund.

Due to the current LGA funding formula, the City was to receive a reduction of LGA funding of \$105,800 for 2022. Fortunately, special legislation was passed to hold LGA at the 2021 levels for 2022. Other funding sources for this fund will need to be identified if the LGA funding formula does not change in the near future.

In 2022, \$203,000 has been included in this fund for some of the items identified in the Facility Assessment that was presented in workshop in August. This Assessment included \$658,300 in facility improvements for 2022 and an additional \$2,813,377 for years 2023-2031. During the CIP discussion this fall, projects can be moved or removed within the CIP per Council direction.

Pioneer Park Improvements have been included in the fund at the amounts presented in the 2021-2026 CIP that was approved last fall in the amount of \$325,000. Additional improvements have been identified in the Pioneer Park Master Plan. These improvements will need to be incorporated in the CIP discussion this fall.

**Infrastructure Capital Improvements Fund (450):** This fund is funded with a portion of the property tax levy, franchise fees for electric and gas, and special assessments from street projects. Expenditures in this fund are street projects, storm water improvements, and trail improvements. As identified in the 10-Year Pavement Management Plan that was reviewed at the last meeting, the current property tax levy is sufficient to fund the projects identified for the next ten years.

**Fire Equipment Fund (457):** An annual property tax levy also funds this fund. In addition, donations from the LCFD are added to this fund. Fire equipment vehicles are funded through this fund. There will be approximately \$1,361,613 in this fund as of 12/31/2021. This is enough to fund the aerial truck that will be purchased in 2022 and is budgeted at \$1,352,000.

**Cell Tower Sale:** The closing on the two cell towers occurred in 2020. As part of the sale, the City received a lump sum payment of \$324,873 and will receive \$72,774 per year for the next nine years. All transactions related to the sale of these cell towers have been recorded in the Owasso/Woodlyn Redevelopment Fund (474). The current cash balance in Fund 474 is \$672,618. A transfer from the EDA Fund (105) in the amount of \$350,000 occurred in 2013 when Fund 474 was created. It is proposed to return these funds plus interest to the EDA Fund in the amount of \$443,370. The remaining funds of \$322,618 can be left in Fund 474 or the funds can be transferred to another fund.

**Storm Water Utility:** Over the past few years, the City Council has been considering establishing a Stormwater Utility due to the increasing costs of maintaining the City's stormwater system. If the utility is established, property owners will pay for stormwater fee based on their impact to the stormwater system. The fee will be added to the quarterly utility bill. In addition, approximately \$16,490 in General Fund operating expenditures will shifted to the new utility fund and there will be a corresponding reduction in the property tax levy. It is proposed to include \$24,600 in the Infrastructure Capital Projects Fund (450) to move the establishment of the storm water fund forward.

**PRESENTATION:**

Staff will present the attached PowerPoint on the 2022 Budget and Operating Levy at the workshop.