

To: **Mayor and City Council**  
 Through: **Ryan Schroeder, City Manager**  
 From: **Charlene Stark, Finance Director**  
 Date: **August 17, 2020**

## 2021 Preliminary Budget and 2022 Conceptual Budget

### BACKGROUND INFORMATION:

Presented here are the preliminary 2021 and conceptual 2022 budgets. Below is the budget comparison for 2020 through 2022.

#### Total Budget Comparison:

2020-2022 Summary Budget City and EDA Levy							
Highlights	2020 Budget	2021 Budget	Change to Net City Cost	% Change	2022 Forecast	Change to Net City Cost	% Change
Salaries/Benefits	10,454,644	10,857,416	402,772	3.85%	11,354,786	497,371	4.58%
Supplies	765,960	883,705	117,745	15.37%	869,585	(14,120)	-1.60%
Other Charges and Services	10,424,687	10,749,322	324,635	3.11%	11,175,675	426,353	3.97%
<b>Total Operating Budget</b>	<b>21,645,291</b>	<b>22,490,443</b>	<b>845,152</b>	<b>3.90%</b>	<b>23,400,046</b>	<b>909,604</b>	<b>4.04%</b>
Capital Outlay	5,593,870	17,199,638	11,605,768	207.47%	5,028,600	(12,171,038)	-70.76%
Other Financing Uses - Transfers Out	650,000	600,000	(50,000.00)	-7.69%	650,000	50,000	8.33%
Debt Service-Enterprise Funds	1,019,627	732,179	-287,448	-28.19%	739,654	7,475	1.02%
Debt Service-Governmental Funds	4,354,162	4,058,658	-295,504	-6.79%	3,833,620	(225,038)	-5.54%
<b>Total Capital and Debt Budgets</b>	<b>11,617,659</b>	<b>22,590,475</b>	<b>10,972,816</b>	<b>94.45%</b>	<b>10,251,874</b>	<b>(12,338,601)</b>	<b>-54.62%</b>
<b>TOTAL BUDGET</b>	<b>33,262,950</b>	<b>45,080,918</b>	<b>11,817,968</b>	<b>35.53%</b>	<b>33,651,920</b>	<b>(11,428,998)</b>	<b>-25.35%</b>

- Operational increases for 2021 are 3.90% over 2020 and for 2022 4.04% over 2021. Stable increases from budget year to budget year.
  - There are several open positions in 2020 that will remain open until the COVID-19 situation is controlled. These positions are in the 2021 and 2022 budgets.
    - Building Inspection Technician-currently being filled by the Park & Rec Programmer
    - Engineering Project Manager
    - Planning Administrative Assistant on hold.
- A separate department for the Robert Street maintenance was created in the Street Maintenance fund. All of the expenses associated with Robert Street have been allocated to the one department vs. having funds in streets, parks and street maintenance fund. The total budget for this department is \$164,345.
- In 2021, capital increases by \$11,605,768 from 2020. This is due to the following factors:

- In 2020, no road construction program for the year.
- Larger Lift station and Force-main project for 2021.
- Reporting capital infrastructure improvements funded by third parties.
  - Arena-Locker Room and Fitness (Hockey Boosters)
  - Marthaler trail-Dakota County
  - River to River Trail-Dakota County
  - Thompson Park Master Plan-Dakota County
- Debt is declining as anticipated with the early redemption of bonds and no new street improvement bonds have been issued.
- Additional tax levy dollars allocated for:
  - Sidewalks increased from \$35,000 to \$500,000
  - Road Improvement for local road improvements increase of \$300,000
  - Increased the street paving budget from \$80,000 to \$145,000
    - The rationale for these increases are in the CIP this year. New within the 2021 CIP is a recognized need to address local and neighborhood roadways that have not had a funding source for the public portion of major maintenance projects beyond debt issuance. Proposed, starting in 2021 is a property tax levy to provide a non-debt approach toward major maintenance of the \$64 million in neighborhood street maintenance needs within the pavement management program. The initial 2021-2022 levies are modest. However, it is proposed that as debt levy requirements are reduced in future years (through retirement of existing debt and avoidance of new debt) the neighborhood street levy grows in a corresponding fashion. Thus, the benefits of debt reduction accrues directly to residents realizing improved neighborhood streets within the community.

Tax Levy Comparison:

Below is the tax levy allocation for the 2019-2022 budgets.

	Final 2019	Final 2020	Preliminary 2021	% Change	\$ Change	Conceptual 2022	Notes-2021
<b>Fund</b>							
General	10,825,926	11,022,962	11,505,749	4.38%	482,787	12,123,374	Operating
EDA	335,538	383,879	368,886	-3.91%	(14,993)	379,088	
Insurance	466,300	479,615	475,339	-0.89%	(4,276)	514,158	
Innovation Fund		25,000		-100.00%	(25,000)		Reallocated to Local street plan
Debt Service	3,755,657	4,354,162	4,058,658	-6.79%	(295,504)	3,833,620	Called bonds early 2021 reduces levy requirement
Street Maintenance	-	115,000	201,845	75.52%	86,845	200,000	Increased Asphalt supplies for paving/Robert street maintenance
Local Street Pavement Plan			300,000		300,000	300,000	<b>New</b>
Pedestrian Improvements		35,000	500,000	1328.57%	465,000	500,000	<b>New</b>
Vehicle & Equipment Reserve	58,000				-		FF and LGA have been allocated to capital fund
Ice Arena	-	55,248	147,125	166.30%	91,877	160,864	Increase for depreciation
Pool	100,404	93,529	44,668	-52.24%	(48,861)	105,909	For 2nd level priority and operating
Regional Athletic Center	231,820	236,719	231,820	-2.07%	(4,899)	272,122	Debt on facility
					-		
<b>Total Levy</b>	<b>\$ 15,773,645</b>	<b>\$16,801,114</b>	<b>\$17,834,090</b>		<b>\$ 1,032,976</b>	<b>\$18,389,135</b>	

General-operating increase of \$482,787 or 4.38% for 2021.

Street Maintenance (75.52% or \$86,845) - increase for street paving to prolong the life of the local streets. The Robert Street costs were all combined into this fund as well to help keep track of the maintenance costs of this major thoroughway in West St. Paul.

A new Local Street Pavement Plan (+\$300,000) - was created to provide for funding of paving of the local streets within West St. Paul.

Pedestrian sidewalks and trails (\$465,000 increase) - was created as planned for during the 2020-2021 budget process.

Arena (+\$91,877 or 166.30%) – for operating and depreciation.

Debt-levy decrease for general debt due to the early redemption of debt in 2021.

Below is the calculation of the annual City Tax Rate for the Preliminary 2021 and Conceptual 2022 budgets.

Due to the increase in tax capacity growth for 2021 the City’s tax rate is anticipated to decrease from 70.312% to 69.119%. The conceptual tax rate is calculated to increase slightly. This is due to the conservative estimate increases in tax capacity growth for 2022. It is anticipated the growth will actually increase by more than the 3% being used in the calculation.

Below is the effect of the tax rate on residential and commercial properties.

2020-2022 CITY TAXES ON A MEDIAN SINGLE FAMILY HOME				
	Final 2020	Conceptual 2021	Proposed 2021	Conceptual 2022
Total Tax Capacity	21,985,058.00	23,141,605.20	23,796,820.00	24,510,724.60
Captured Tax Increment Tax Capacity	(597,461.00)	(597,461.00)	(597,461.00)	(597,461.00)
Fiscal Disparity Contribution	(1,920,823)	(1,940,031)	(1,940,031)	(1,959,431)
Value for Local Rate (Taxable Net Tax Capacity)	19,466,774	20,604,113	21,259,328	21,953,832
City Tax Levy	16,801,114	17,925,820	17,834,090	18,389,135
Fiscal Disparity Distribution	(3,113,648.70)	(3,120,328.39)	(3,120,328.39)	(3,213,938.24)
Net City Tax Levy	13,687,465.30	14,805,491.61	14,713,761.61	15,175,196.76
	13,687,465.30	14,805,491.61	14,713,761.61	15,175,196.76
Calculated City Tax Rate	70.312%	71.857%	69.211%	69.123%

**Residential:**

ESTIMATED MARKET VALUE-MEDI	223,100.00	229,793.00	239,000.00	246,170.00
Homestead Exclusion	(17,161.00)	(16,558.63)	(15,730.00)	(15,084.70)
Taxable Market Value	205,939.00	213,234.37	223,270.00	231,085.30
Class Rate	1%	1%	1%	1%
Net Tax Capacity	2059	2132	2233	2311
Estimated City Tax	\$ 1,448.00	\$ 1,532.24	\$ 1,545.27	\$ 1,600.39
Increase due to average change in MV fro	148.69	52.43	119.95	54.13
Increase/decrease due to change in City ta	-42.73	31.82	-22.68	0.99
Total Increase Year over Year	\$ 105.96	\$ 84.24	\$ 97.28	\$ 55.12
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\*Italicized=estimate

Commercial Tax:

Calculated City Tax Rate		70.312%	72.057%	69.211%	69.255%
BUSINESS VALUE		530,000	545,900	573,672	590,882
Class Rate					
1.5% OF 1ST \$150,000		2250	2250	2250	2250
2.0% OF		7600	7918	8473.44	8817.64
Less Fiscal Disparitie estimate		-925	-955	-1007	-1007
Net Tax Capacity		8925	9213	9717	10061
Estimated City Tax		\$ 6,275.40	\$ 6,638.81	\$ 6,724.91	\$ 6,967.60
Total Increase Year over Year		228.71	363.41	449.51	242.70

Summary:

The 2021 and 2022 conceptual budgets are created to meet several of the Council’s goals. The budget increases for street maintenance, street improvement, pedestrian sidewalks and trails and a new local street pavement plan are designed to improve the City’s infrastructure and improve walkability in the City. As noted in the City’s CIP plan in 2021, the City will be able to use Sales Tax revenues toward critical collector roadway infrastructure as adopted by the State Legislature in 2019. This funding is allocated over the next twenty years toward the approximately \$70 million in Priority One and Two collector street maintenance needs within the pavement management program.

New within the 2021 CIP is a recognized need to address local and neighborhood roadways that have not had a funding source for the public portion of major maintenance projects beyond debt issuance. Proposed, starting in 2021 is a property tax levy to provide a non-debt approach toward major maintenance of the \$64 million in neighborhood street maintenance needs within the pavement management program. The initial 2021-2022 levies are modest. However, it is proposed that as debt levy requirements are reduced in future years (through retirement of existing debt and avoidance of new debt) the neighborhood street levy grows in a corresponding fashion. Thus, the benefits of debt reduction accrues directly to residents realizing improved neighborhood streets within the community.

Tax Levy allocation for Pedestrian sidewalks and trails will be used in conjunction of a street improvement project. This will allow the City to maximum use of funds available.

Tax rate is remained stable with a slight decrease for 2021 and an anticipated decrease for 2022. Working to keep this stable while being able to increase tax levy revenue for increased infrastructure needs.

**FISCAL IMPACT:**

		Amount
<b>Fund:</b>		
<b>Department:</b>		
<b>Account:</b>		

**STAFF RECOMMENDATION:**

Discussion of preliminary budget and give staff direction on preliminary tax levy.

