

PROPOSED 2024 BUDGET AND PRELIMINARY LEVY

CITY MANAGER'S RECOMMENDATION

SEPTEMBER 25, 2023



AGENDA

- Introduction
- Economic Expectations and General Assumptions
- Proposed 2024 General Fund Budget
- Property Tax Levy Analysis
- Next Steps/Questions
- Staff Recommendation

BUDGET GOALS AND OBJECTIVES

- The Proposed 2024 Budget builds upon previous efforts to provide excellent public services at a fiscally responsible cost
- Under this general goal, the City relies upon a series of guidelines to inform the development of the annual budget:
 - To stabilize ongoing revenues and expenditures, and eliminate unanticipated variances
 - To maintain structural balance and appropriate cash or fund balance levels
 - To increase accountability and transparency throughout the budget process
 - To make greater use of existing City resources
 - To ensure a financially competitive organization while maintaining exceptional service levels

FRIDLEY'S FINANCIAL STRENGTH

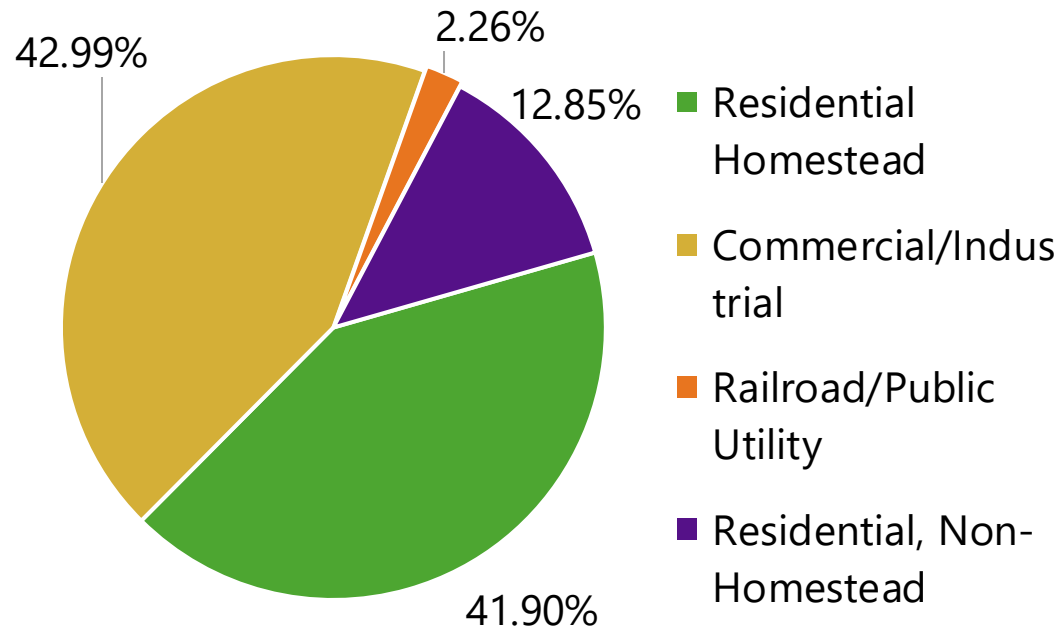
- Aa2 credit rating
- Strong Financial Position (healthy fund balance and cash balance)
- Growing tax base located favorably in the Twin Cities metropolitan area
- Strong financial policies & practices
 - Conservative budgetary approach
 - Multi-year operating and capital budget forecasting

OVERVIEW

- Proposed levy increase of 4.88%
- Median value home (283,100 down 1.80% from 288,300 last year) could see annual decrease to City property taxes of approximately \$51
 - Based on preliminary valuation/tax capacity information received from Anoka County

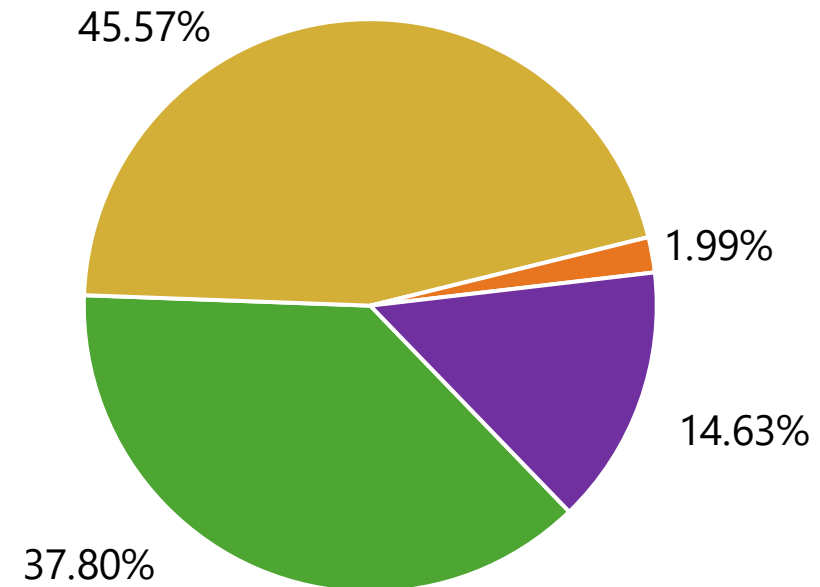
NET TAX CAPACITY BY PROPERTY CLASS

Net Tax Capacity by Classification



Property Taxes Payable for 2023
Median Value Homestead: \$288,300

Net Tax Capacity by Classification

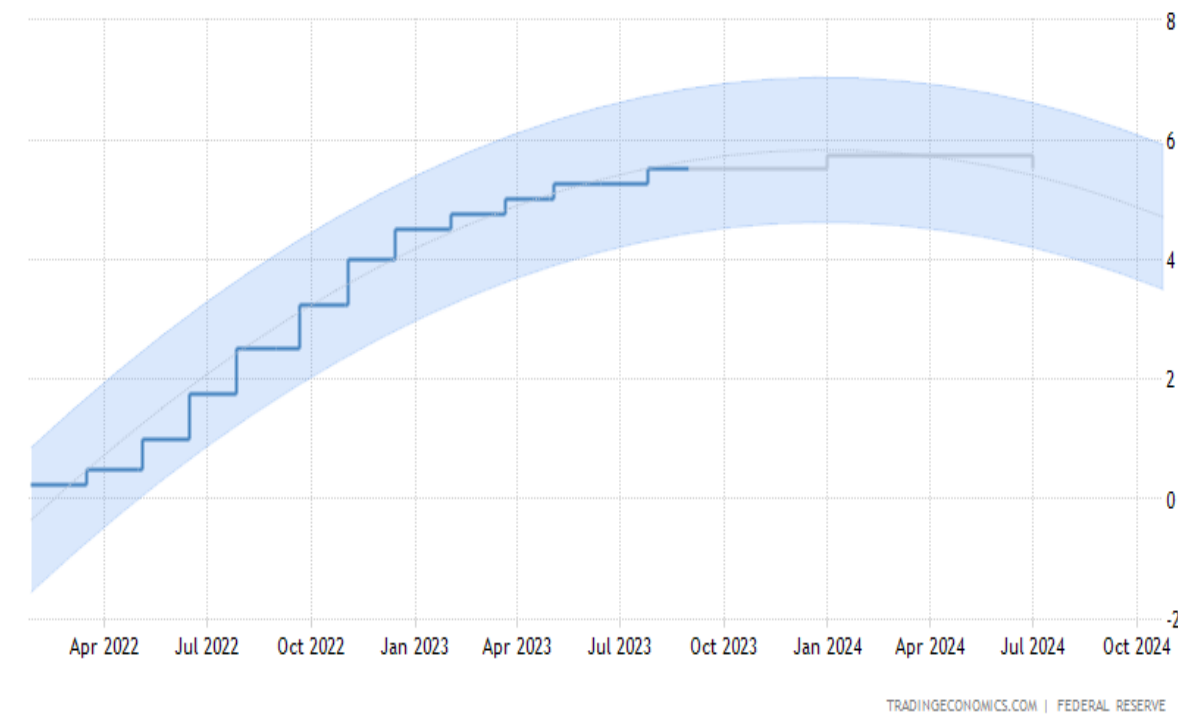
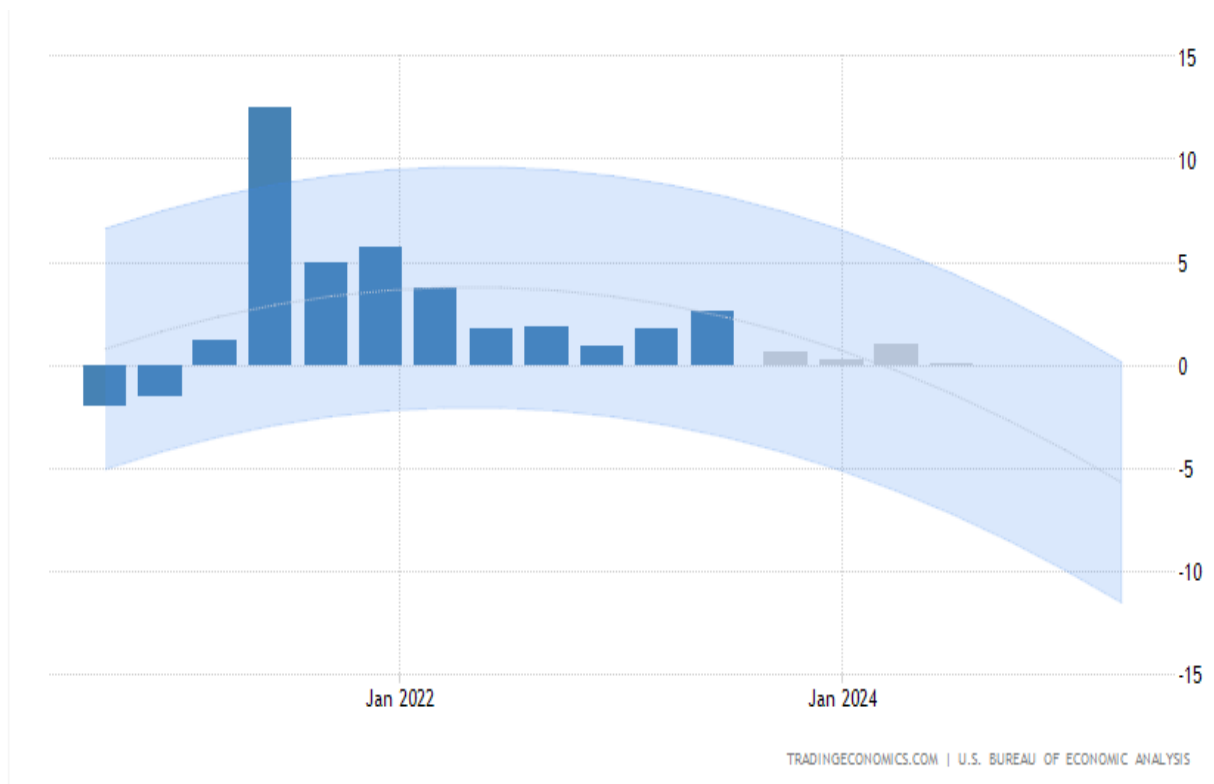


Property Taxes Payable for 2024
Median Value Homestead: \$283,100

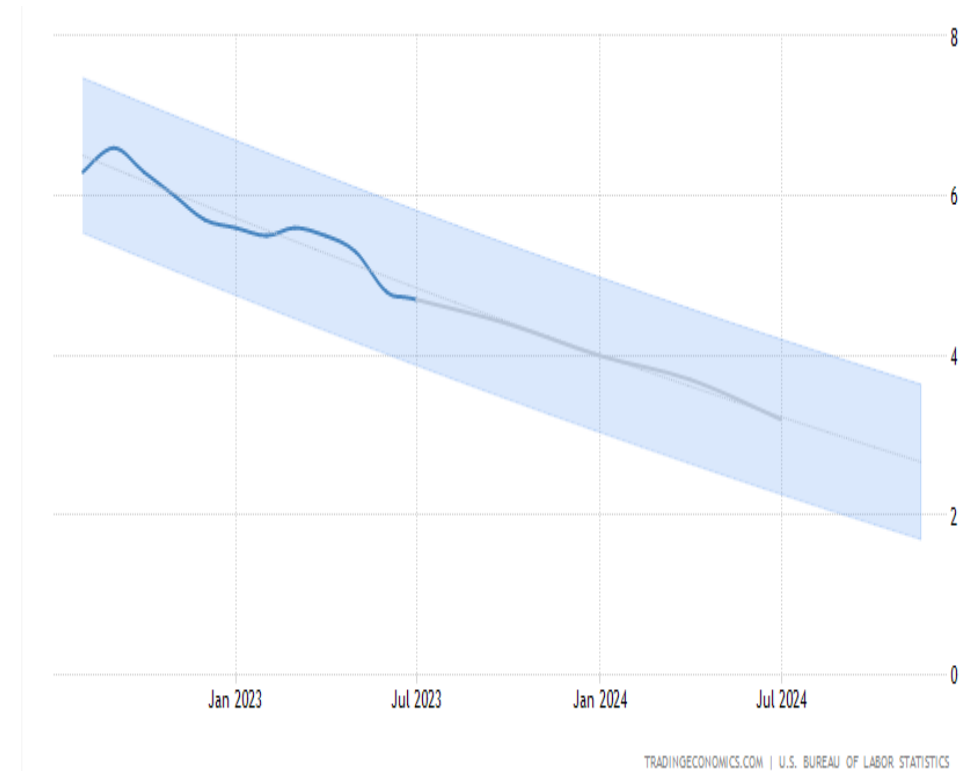
ECONOMIC EXPECTATIONS

- Growth has decelerated moving into 2024 as monetary policy trended away from accommodative (lower rates) to more restrictive (higher rates)
 - The Federal Reserve has increased the Federal Funds Rate from 0.25% at the end of 2021 to current target of 5.25-5.50%.
 - Rates note changed at September meeting
- Multi-decade high inflation has generally decreased over the last year but continues to be impactful
 - July 2023 inflation rate slowed to 4.7% (versus 8.5% in July 2022)

ECONOMIC EXPECTATIONS – GDP GROWTH RATE, FEDERAL FUNDS RATE



ECONOMIC EXPECTATIONS, INFLATION



GENERAL ASSUMPTIONS

- Conservative budgetary approach
- Increase in certified Local Government Aid (LGA)
- Increased investment income
- Contractual obligations for wages and benefits
- Arbitrage/fund balance considerations for 2017A Bonds (debt service levy) for Civic Campus

Major Budget Assumptions, Expenditures (Selected)	
Category	Adjustment
Health Insurance	0.0%
Worker's Compensation Insurance	7.5%
Property/Liability Insurance	10.0%
Salaries and Wages (not including step movement)	3.0%

GENERAL FUND

PROPOSED 2024 BUDGET

GENERAL FUND REVENUES

- Property Taxes
 - The Proposed 2024 Budget assumes a certified property tax levy of \$14,950,600 or \$1,105,900 (7.99%) more than 2023.
- Licenses and Permits
 - Per recent trend and average redevelopment activity, the Proposed 2024 Budget decreases by about \$55,800, or 4.97%, compared to the previous fiscal year
- Charges for Services
 - Assumes an increase of about \$51,900 or 1.89%, primarily due to security services provided by Public Safety and interfund chargebacks
- Miscellaneous
 - Assumes an increase of about \$140,500, or 47.32%, primarily due to an increase interest revenue on the investment of City general funds

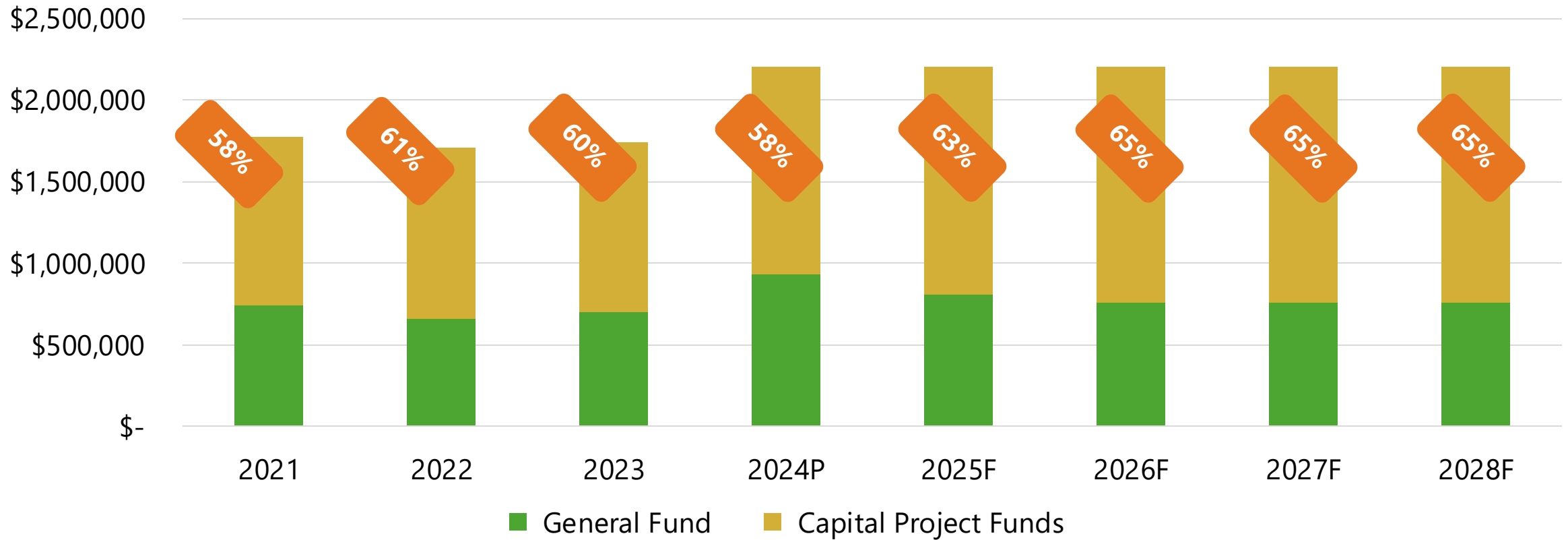
GENERAL FUND REVENUES, CONTINUED

- Intergovernmental Grants and Aids
 - Assumes an increase of about \$384,000, or 17.76%, primarily for Police Aid, Fire Aid(pass through to Fire Relief) and Local Government Aid(LGA)
 - The Proposed 2024 Budget adds \$235,500 of LGA to the General Fund

Intergovernmental Aid, as a Percentage of the General Fund						
Revenue Source	2021B	2021	2022B	2022	2023B	2024B
LGA	4.01%	3.97%	3.27%	3.37%	3.32%	3.70%
All Intergovernmental Aid	9.72%	10.34%	10.74%	11.06%	10.27%	11.29%

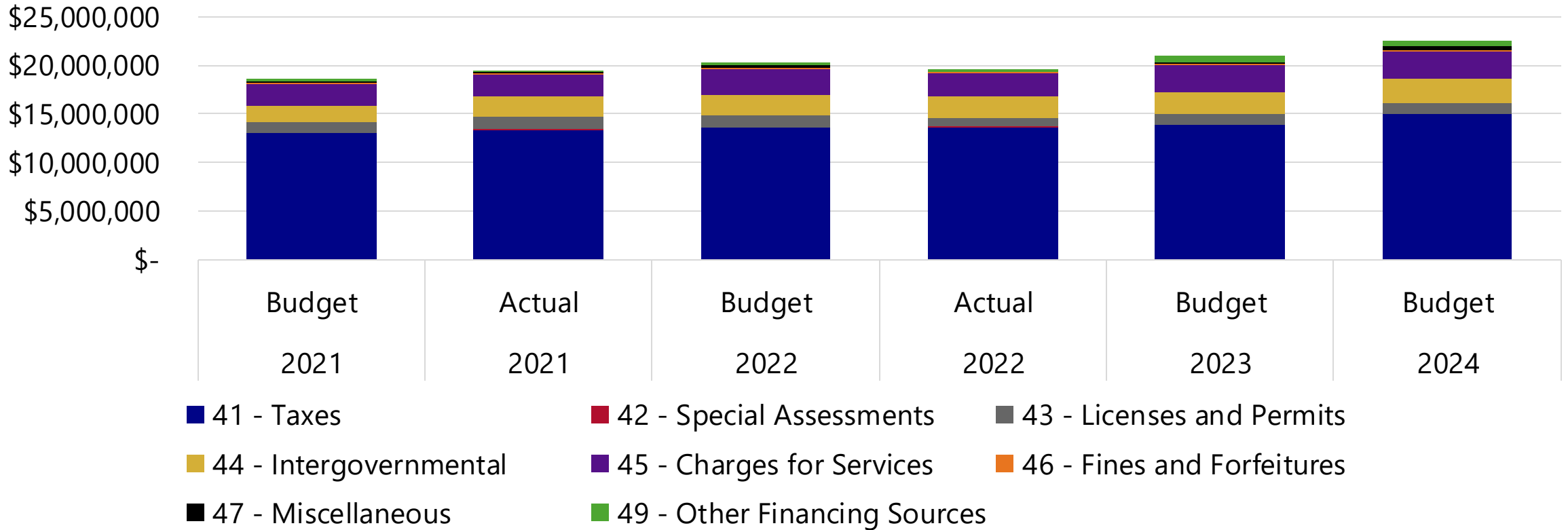
LOCAL GOVERNMENT AID

Local Government Aid Allocation, 2021–2028



GENERAL FUND REVENUES, CONTINUED

General Fund, Revenue Summary

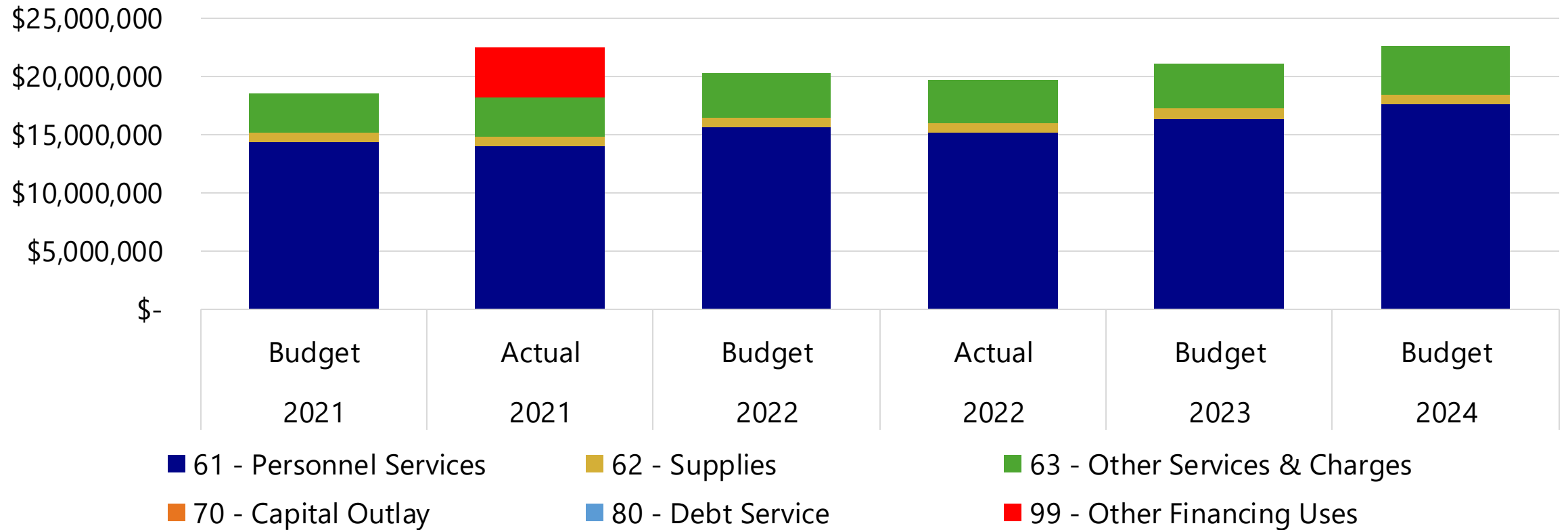


GENERAL FUND EXPENDITURES

- Personnel Services
 - Comparable to previous fiscal years, Personnel Services comprises 77.54% of all General Fund expenditures (77.66% for 2023)
 - For the Proposed 2024 Budget, Personnel Services increased approximately \$1,220,800, or 7.48%, compared to Adopted 2023 Budget
 - Workers Compensation increase of \$104,300 versus 2023
 - Elections increase of \$100,500 for 2024, versus \$0 budgeted for 2023.
- Supplies
 - Assumes an increase of about \$43,200, or 4.91%, compared to the previous fiscal year
- Other Services and Charges
 - Assumes an increase of about \$331,900, or 8.63%, compared to the previous fiscal year, primarily for inflationary cost increases for Public Safety and Information Technology and Property/Liability Insurance

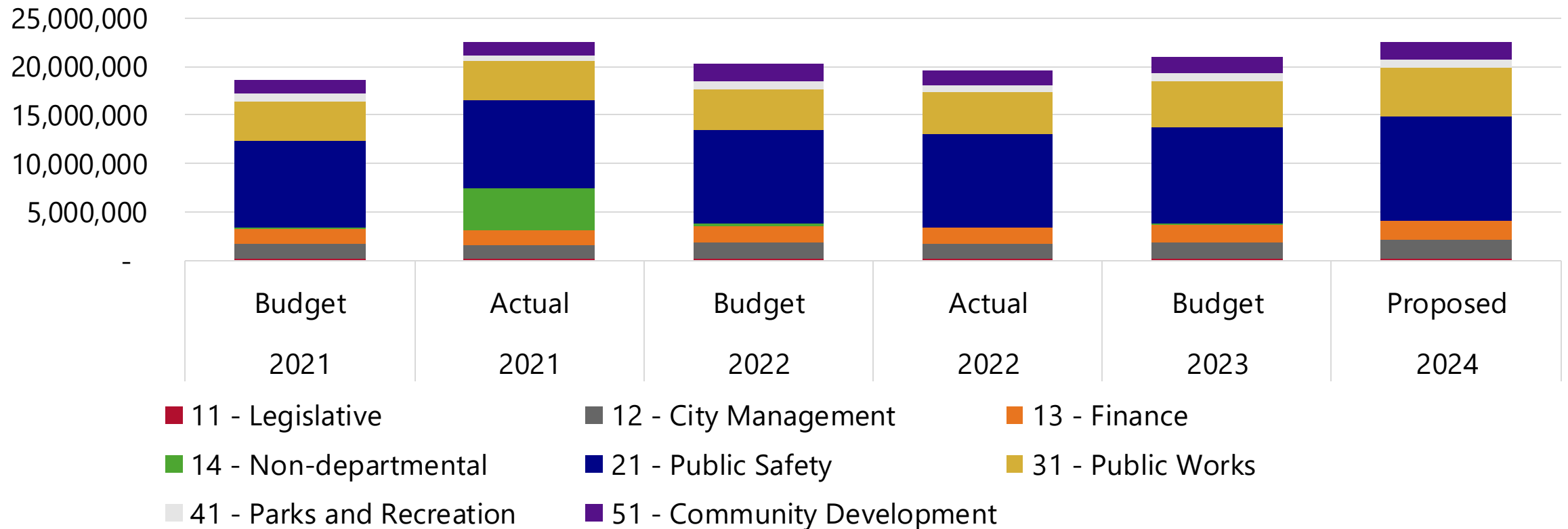
GENERAL FUND EXPENDITURES, CONTINUED

General Fund, Expenditure Summary



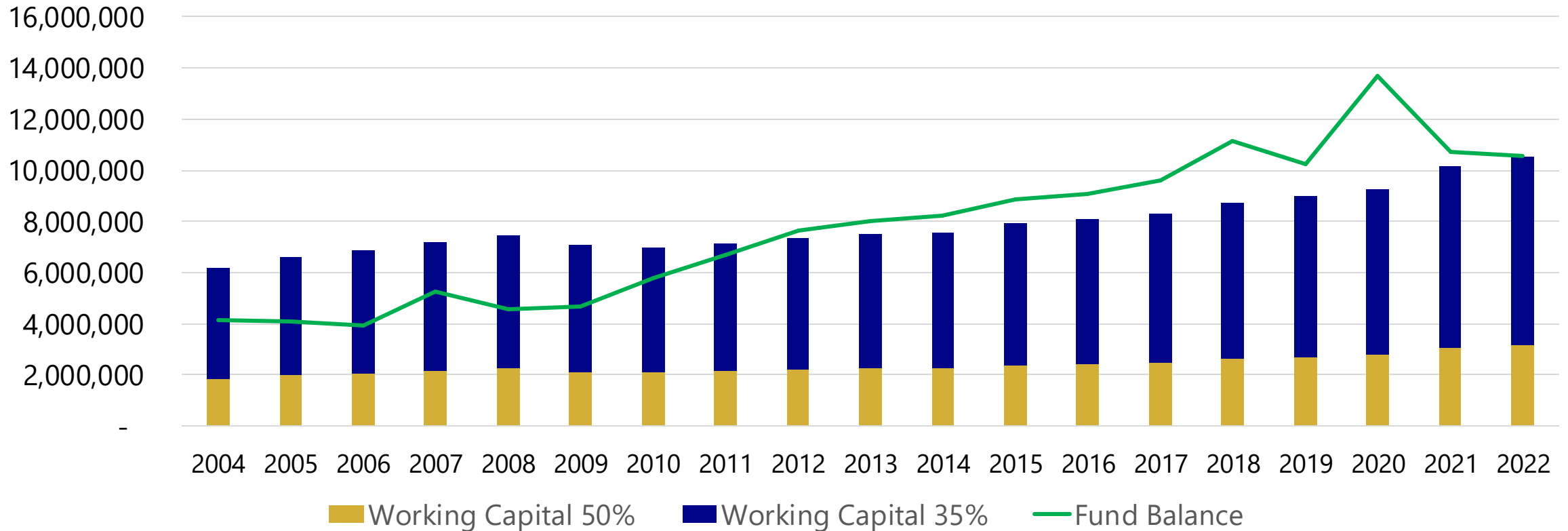
GENERAL FUND EXPENDITURES, CONTINUED

General Fund Expenditures by Department



GENERAL FUND, BALANCE HISTORY

General Fund Balance History, 2004-2022



DEBT SERVICE LEVIES

PROPOSED 2024 BUDGET

DEBT SERVICE FUND ARBITRAGE

- Arbitrage must be factored in when the fund balance of the debt service exceeds the annual obligations + 1/12
- Due to levying 105% (general obligation bonds) and consistently strong property tax collections, the debt service fund related to the bonds issued for Civic Campus (2017A) is projected to be above the arbitrage threshold
- Investment interest rates have risen significantly, which could lead to positive arbitrage
- Positive arbitrage could lead to payment to the IRS
- The 2024 Proposed Budget/Levy includes a reduction of the scheduled levy in the amount of \$200,000
- This fund, along with the debt service fund for the Park System Improvement Plan bonds (2022A), should be monitored on an annual basis moving forward due to the higher interest rate earnings environment

PROPERTY TAX LEVY

PROPOSED 2024 BUDGET

PROPERTY TAX LEVY

- The Proposed 2024 Budget assumes an overall property tax levy increase of about 4.88%. Generally, this change supports:
 - Contractual obligations for wages and benefits
 - Cost pressures on various City activities; and the
 - Debt service obligations for Civic Campus and the Park System Improvement Plan

PROPERTY TAX LEVY, CONTINUED

Property Tax Levy History and Detail

Levy Component	2021	2022	2023	2024P	23-24 Change %
General Fund	13,220,201	13,682,908	13,844,706	14,950,600	7.99%
IT Capital Projects Fund	63,405	68,477	73,955	79,872	8.00%
SNC Fund	427,249	461,429	498,343	538,211	8.00%
Bonded Indebtedness (2017A & 2022A)	3,179,229	3,179,256	5,203,866	5,009,116	-3.74%
Totals	16,890,084	17,392,070	19,620,870	20,577,799	4.88%

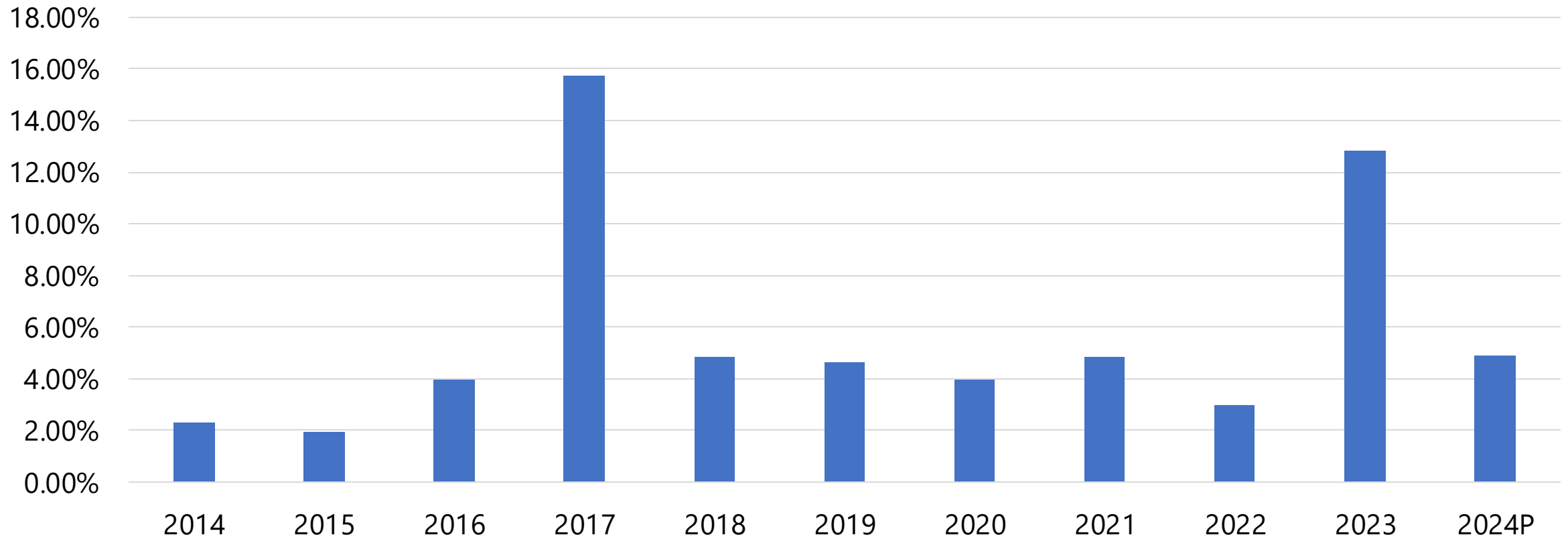
PROPERTY TAX LEVY, CONTINUED

City Property Taxes Payable (Residential Homestead)					
Payable Year	Levy Change	Median Value	Est. City Taxes	Change (\$) vs. PY	
2020	3.97%	217,200	954	68	
2021	4.85%	234,000	1,014	60	
2022	2.97%	247,200	1,051	37	
2023	12.82%	288,300	1,223	172	
2024	4.88%	283,100	1,172	(51)	

- Between 2022 and 2023, the median-valued residential homestead decreased about 1.8%, compared to an increase of 16.6% the previous year
- Assuming the proposed property tax levy change, a property owner with a \$283,100 residential homestead could pay an estimated \$51 less per year.
- Assuming the proposed property tax levy change, a property owner with a \$417,334 residential homestead could pay an estimated \$73 less per year.
- Assuming the proposed property tax levy change, a property owner with a \$220,942 residential homestead could pay an estimated \$39 less per year.

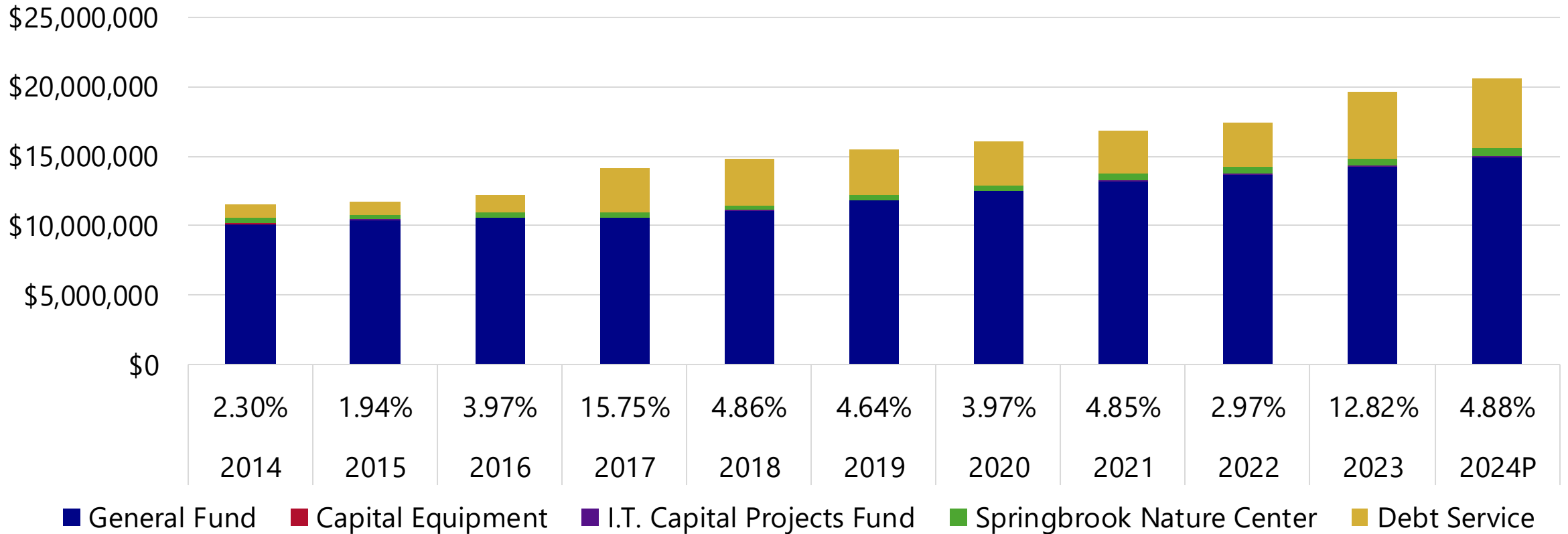
PROPERTY TAX LEVY, CONTINUED

Property Tax Levy %, 2014-2024P



PROPERTY TAX LEVY, CONTINUED

Property Tax Levy \$, 2013–2024P



PROPERTY TAX LEVY, CONTINUED

City	2024P Change (%)
Spring Lake Park	3.72%
Fridley	4.88%
New Hope	5.36%
Shoreview	6.69%
Coon Rapids	6.80%
Maplewood	7.00%
Savage	7.37%
Mounds View	7.50%
Lino Lakes	8.16%
Columbia Heights	8.40%
Roseville	8.99%
New Brighton	9.18%
Lexington	10.00%
Crystal	11.00%
Ramsey	11.21%

Average = 7.75%



NEXT STEPS/OTHER INFORMATION

PROPOSED 2024 BUDGET

PROPOSED 2024 BUDGET CALENDAR

September 11	Discuss Proposed 2024 General Fund Budget/Levy with City Council
September 25	Adopt Proposed 2024 General Fund Budget and Property Tax Levy
September 25	Adopt Final Housing and Redevelopment Authority Property Tax Levy
<i>Skipping ahead...</i>	
October 23	Discuss Utility Budgets and Rates, Special Revenue, Capital Project Fund Budgets
November 13	Adopt Utility Rates and Discuss 2024 Budget, including CIP
November 27	Conduct Truth-in-Taxation Public Hearing
December 11	Adopt Final 2024 Budget, Levy and 2024-2028 CIP

TAXATION LEGISLATION CHANGES - 2023

› Homestead Credit Refund and Special Property Tax Refund

- A recent law change provides a one-time increase to the 2022 Homestead Credit Refund (for homeowners) and Renter’s Property Tax Refund ([Form M1PR](#))
 - › Refunds for homeowners and renters were increased by 20.572%. Taxpayers who already filed a 2022 Form M1PR may see a larger refund than originally claimed. The income requirements did not change.
 - › Homeowners may now qualify for a special (or "targeting") refund if their property tax increased by more than 6% — rather than 12% — from 2022 to 2023.

› Senior Citizen Property Tax Deferral

- Increased the maximum amount of household income allowable for an applicant to qualify for the program from \$60,000 to \$96,000.
- The requirement that the home have been owned and occupied by at least one qualifying homeowner is lowered from 15 years to 5 years.
- Effective for applications for deferral of taxes payable in 2024 and thereafter.
- Program details/application - <https://www.revenue.state.mn.us/property-tax-deferral-senior-citizens>

› TNT Notice and Supplement

- Adds website address to the items a taxing jurisdiction must provide, along with a telephone number, to be published on the notice of proposed property taxes
- Amends the supplemental statement requirements to refer instead to “supplemental information” and removes a significant amount of the information required last year.
- Effective beginning with property taxes payable in 2024



RECOMMENDATION

- **Based on the process to date, staff recommend the Council adopt:**

- Resolution No. 2023-111, Approving the Proposed 2024 Property Tax Levy for 2023, Collectible in 2024.
- Resolution No. 2023-112, Approving the Proposed 2024 General Fund Budget for the City of Fridley.

- **Assuming the Council adopts the resolutions, staff will transmit them to Anoka County on or before September 30**

THANK YOU! QUESTIONS?

PROPOSED 2024 BUDGET AND PRELIMINARY LEVY

