CITY COUNCIL SPECIAL WORK SESSION
September 6, 2022 – After the Regular City Council Meeting
Robbinsdale City Hall
4100 Lakeview Avenue North

AGENDA

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1. CITY COUNCIL WORK SESSION CALLED TO ORDER BY MAYOR PRO TEM
2. ROLL CALL: Webb, Selman, Backen, Mayor Blonigan
3. Discussion: 2023 Budget Discussion (Attachment 1)
4. Update: Hubbard Avenue Project (Attachment 2)
5. ADJOURNMENT

City of Robbinsdale

September 06, 2022

Dear Honorable Mayor and Council Members:

As required by City Charter, the 2023 proposed annual budget for the City is being submitted for your consideration. This first part of the proposed budget includes the operations of the General Fund. During the budget work session, the City Council is being asked to review the funding levels proposed and offer comment and direction to staff.

- General Fund Expenditures
- Internal Service Fund Activities
- General Fund Revenues
- Property Tax Levy (includes Debt Service)

In 2019, the legislation approved a new formula allocation that restored a significant portion of Local Government Aid (LGA). For 2021 and 2022, the formula allocation of LGA was $2,045,422 and $2,066,556. The LGA for 2023 is $2,104,927, an increase of $38,371.

Employee health insurance will see a scheduled decrease of 8% across all plan options as part of a new 3-year agreement (2022-2024) with Health Partners through the LOGIS group. The contract does include rate caps in year 2 and 3 of 9.5%. In addition, the City could shift bands based on claims which is a 2.5% impact between bands. There is a proposed adjustment to the city contribution for each category above single coverage. Labor negotiations are currently underway with the four union groups.

Change in Fiscal Disparities

There is a decrease in the Fiscal Disparities allocation of $149,946. The change in the city's tax rate between years is the key factor affecting the formula. The impact of the decrease in this one revenue source is a decrease of 8.7% in fiscal disparity revenue compared to 2022. The average valued home increased 21% in 2022, whereas the levy was set at 8.44% for the 2022 budget. The final 2021 tax rate was 49.52% and 2022 was 49.38%.

Compensation

The labor agreements cost of living adjustments impact on the 2023 budget is estimated to be $227,000. In addition, most employees are progressing through their respective step program, which will have an additional $82,000 impact on personnel services. The updated step program is a result of the compensation study performed by a consultant in 2017 to get closer to average wages for similar positions in the metro area cities of similar size. Staff are gathering information on current market compensation to assure we don't fall behind again.

Staffing Level Demands

This budget includes 1 new position request. Human Resources Intern ($5,000).

General Fund Expenditures

The 2022 proposed General Fund Expenditures (including transfers) are $13,057,497, which, represents a $878,329 or 7.2% increase from the 2022 Adopted Budget of $12,179,168.

Internal service fees were reviewed and the current budget includes a small increase in amounts allocated based on expected operating costs and future capital expenditures for buildings and equipment. This area will be reviewed and adjusted based on council input.

Department information and highlights of the 2022 Proposed General Fund Expenditures:

Administration

The Admin Department consists of 5 full-time employees and 1 part-time employee. The City Manager is responsible for overseeing all operations of the City ensuring that the City Council's adopted policies and actions are carried. The other functions of the department are communications, elections, licensing, human resources, human rights commission, charter commission and risk management.

2022 Budget	2023 Proposed	% Change
383,967	486,339	26.7%

The increase in the proposed budget is due to the elections, conference & School in 2023. In addition, there is $50,000 budgeted in contingency.

Assessing

The City contracts with Hennepin County to provide services related to the value assessment of real and personal property within the City. The special assessments related to city projects, admin citations, emergency water/sewer repair, and tree removals are handled within the Finance Department.

2022 Budget	2023 Proposed	% Change
144,623	144,209	-0.3%

Hennepin County took over the homestead process in September 2020, therefore the major budgeted item is the contract for the services described above estimated to be about $135,000 in 2023.

City Council

The City Council is the elected body that exercises the corporate powers of the City, shapes policy, enacts legislation, and overseas the implementation of those policies. The budget includes staff support for Council meetings and City organization memberships including National League of Cities, Minnesota League of Cities and Metro Cities.

2022 Budget	2023 Proposed	% Change
125,029	151,833	21.4%

There are two items that will have caused the increase in the Council budget. The first is cost Audit performed by the City's auditors. Also, an increase in internal service charges.

Community Development

The Community Development department consists of 4 full-time employees. This department is responsible for Code Enforcement, Rental Licensing, Point of Sale, Redevelopment and Planning & Zoning. The revenue received from rental licensing, code enforcement fees, and the transfer in from the solid waste fund to support the inspections time pay for those programs. The EDA is reimbursing the General Fund for staff time related to redevelopment on an annual basis including the City Manager's work as Executive Director of REDA.

2022 Budget	2023 Proposed	% Change
535,457	554,400	3.5%

The change is related to personnel cost of living adjustments and employees moving through their respective step program.

Engineering

The Engineering departments consists of 6 full-time employees, including a building inspector, admin support, 3 engineer technicians, and the public works director. The Building Inspections portion of the department provides for the inspection of properties for compliance with City ordinances and state building codes when permits are issued. The permit revenue covers about 88% of the building inspector/admin support wages/benefits. The other members provide management and coordination for the City's infrastructure projects, work with other agencies regarding infrastructure issues, and provide GIS mapping services. The direct engineering time spent on city projects is reimbursed to the general fund by the street or utility funds.

2022 Budget	2023 Proposed	% Change
1,080,929	1,126,255	4.2%

The increase in 2023 is associated with personnel cost of living adjustments and employees moving through their respective step program. In addition, increases in technology charges related to the GIS software had an impact on the budget.

Finance

The Finance Department consists of 5 full-time and 1 part-time employees. The department is responsible for the accounting services, payroll, and utility billing of the City. This includes preparation of the annual budget and audit. The new finance software will improve efficiencies within the department and present customers and vendors with an online payment option on any invoice.

2022 Budget	2023 Proposed	% Change
356,234	413,634	16.1%

The increase is due to 1 part-time position changed to full-time position and cost of living adjustments and employees respective step program. In addition, the significant impact is due to internal service charges calculation for enterprise fund reimbursement as it's based on previous year expenditures for the department.

Fire Department

The Fire department is currently made up of 29 paid on call firefighters. The services provided are fire suppression coverage for the City, fire inspection services for businesses and multi-family units, and education of the community on fire prevention issues. The department is also responsible for providing support as required by statute of the fire relief association. Six public works staff and one liquor store employee are also members of the Fire Department and respond to fire calls as allowed by work schedules. The intention is that all will respond, although some are quickly released, if not needed.

2022 Budget	2023 Proposed	% Change
916,391	951,866	3.9%

The increase in the fire department budget is related to wage adjustments for paid on call hourly rates and stipends for line officers. The internal charges related to technology and equipment replacement have been increased in the budget. The pension increases to $9,500 per year of service impacted the city contribution to the fire relief association. Lastly, a capital outlay request for the encryption of 17 fire department radios is included at an estimated cost of $17,000.

Forestry

The Forestry department is made up of 1 full-time employee. The forester is responsible for tree trimming, reforestation, weed inspections, and management of public and private hazardous and disease/stressed control, as well as trimming of accessible branches affecting right-of-way safety including intersection impacts from private landscaping. The City is split into 6 pruning zones and as of last winter, 4 zones were completed. It is anticipated that there will be 1 more season of intense catch up pruning.

2022 Budget	2023 Proposed	% Change
292,750	336,768	15%

The 2023 contracts costs are estimated at $150,000.

Legal

The legal service department accounts for the services associated with the legal needs of the City. Those needs include criminal prosecution and general legal counsel of all city affairs. The contracts are approved by City Council and monitored by Administration.

2022 Budget	2023 Proposed	% Change
92,685	107,281	15.7%

The contract with the city prosecutor, Eckberg Lammers, commenced 1/1/18 for a four-year term. The increase is related to the general council and operating supplies.

Parks

The Parks department consists of 5 full-time employees, including a working supervisor. The department is responsible for the upkeep and maintenance of city parks, government buildings, shares streetscape work with the Streets Department, and assists with snow and ice control.

2022 Budget	2023 Proposed	% Change
542,815	621,564	14.5%

The change is related to personnel cost of living adjustments and employees moving through their respective step program and brochures, and Water & Sewer service.

Police Department

The Police Department is made of 40 employees: 27 sworn officers, 6 police clerks, 1 full-time community service officer and 6 part-time community services officers. The department provides for the everyday services associated with maintaining the safety of the public. Those include investigation of crimes at the scene, investigations of traffic accidents, responding to medical emergencies, and enforcement of traffic laws. The current goal is to have 3 squads on the streets, but due to staffing levels, that is not always possible. That has resulted in swings in the fines & forfeitures over the years. The current budget anticipates $231,000 of revenue.

2022 Budget	2023 Proposed	% Change
5,719,196	6,182,028	8.1%

The change is related to personnel cost of living adjustments and employees moving through their respective step program. The budget includes a shared social worker with neighboring cities to aid on mental health cases. Added for 2023 is a contract with Hennepin County for Joint Community Police Partnership to enhance communication and understanding between law enforcement and the multicultural residents of the city. Also, Supplies, Allocated vehicles maintenances, and Allocated Mobile Equipment Replacement.

Recreation
The Recreation department consists of 3 full-time employees and provides for the planning and implementation of a comprehensive program of recreation activities for the residents of the City. The department is responsible for overseeing the operations of the community gym and fitness center. The department is transitioning to respond to changing community interest in programs. Typically, fees cover part-time staffing costs.

2022 Budget	2023 Proposed	% Change
615,915	641,555	4.2%

The change is related to personnel cost of living adjustments and employees moving through their respective step program. The offsetting decrease is due to the change in recreation software.

Streets
The Streets department consists of 5 full-time employees, including a working supervisor. The department is responsible for all work functions related to preserving and maintaining of our street system. The street supervisor oversees the purchasing of city vehicles and equipment in coordination with the Public Works Director and Finance Director. During the winter the group focuses on snow and ice control on city streets, alleys, and walkways.

2022 Budget	2023 Proposed	% Change
1,267,596	1,279,367	0.9%

The change is related to personnel cost of living adjustments and employees moving through their respective step program. In addition, there is increased funding for repair and maintenance of city streets and alleys.

General Fund Revenues

Revenue Projections for the General Fund
The General Fund Revenues for 2023 are projected to be $ 12,180,488, which represents a $ 244,570 or 2% increase from the 2022 Adopted Budget.

Highlights of the revenues (excluding the property tax levies, which will be discussed below) are as follows:

- The Local Government Aid formula has been modified by legislative action in 2019, which provides for increased annual allocation to the total program. For 2023, certified LGA is $ 2,104,927, which is an increase of $ 38,371 from the amounts received in 2022.

- Licenses and Permit revenue is anticipated to remain stable in 2022.

- Fines and Forfeitures for 2023 are projected to be $200,000. The vacancies in the police department have resulted in less time being available for the traffic position. We anticipate filling the traffic car position as staffing levels improve.

- Franchise Fees for 2023 allocate $ 437,950 to the general fund. The proposed budget is a 50/50 allocation between the General and PIR funds. Total franchise fees have seen a slight increase. The City extended through June 2023, a franchise fee on revenues that electric utility receives from customers located within the City. The franchise agreement with gas expires end of June 2024. The City Council approved a fee increase to 5 percent effective July 1, 2019 through July 1, 2023. This fee has been in place since 2003. This fee helps support some basic governmental services and provides additional funds towards the City's long-term street replacement program.

- Investment earnings for 2023 are expected to be less than 2022 Investment earnings.

- Antenna lease revenue is expected to be stable in 2023.

- Transfers from other funds for 2022 are proposed to be $325,000, included in the amount is $245,000 from the PIR Capital Project Fund and the Utility Enterprise Funds to account for direct project charges by the Engineering Department. The other proposed transfers are: $30,000, which is a reimbursement from the Solid Waste Enterprise Fund to help fund the Code Enforcement Program for nuisance garbage issues and $50,000 from the Liquor Enterprise Fund to help fund recreation programs.

Property Taxes

There are no levy limits in effect for the 2023 levy year.

Property Values (Tax Burden)

Overall property values are higher, though the "piece of the pie" from each property would remain relatively the same if the levy stayed constant. The budget is developed including a levy which will provide for a 2023 budget with a significant deficit at this time. Staff is prepared to discuss other budget options.

City's Market Value and Tax Capacity Estimates, final information is not yet available

The taxable market value for the City is projected to increase by $ 215,176,389 or 18.89% to $ 1,354,187,200. From this, the Tax Capacity is calculated (for residential properties it equates to 2% of Taxable Market Value, and varies by property type for all others). The City's Tax Capacity for calculating taxes is projected to increase by $ 1,363,349 or 9.5% to $ 15,714,395.

Median Valued Home

The Estimated Market Value of the median valued home within the City is projected to increase by $50,000, from $236,000 to $286,000 or 21.19%.

Property Tax Levies

By September 30, 2022, the City Council must certify its preliminary property tax levies to Hennepin County. These levies can be reduced, but cannot be raised.

The preliminary levies proposed include the following

➢ General Ad Valorem, and Fiscal Disparities	$7,978,855
➢ 2013A General Obligation Street Reconstruction Bonds	199106
➢ 2015A General Obligation Street Improvement Bonds	322,713
➢ 2017A General Obligation Street Improvement Bonds	6,775
➢ 2018A General Obligation Street Improvement Bonds	69,445
➢ 2020A General Obligation Street Improvement Bonds	56,314
➢ 2018A Equipment Certificate	193,568
➢ 2020A Equipment Certificate	116,026
Total City Levy	**$ 8,945,164**
➢ HRA Levy -	274,836
Total Levy	**$ 9,220,000**

The Total City and HRA levy being proposed is $9,220,000. This represents a $498,759 or 8.1% increase from the 2022 levy of $8,531,413. The change is the result of changes in the debt service levies, increase in the HRA levy (see discussion below) and an increase to the general fund levy to provide for a 8.4% increase from the 2022 total levy.

General Fund - General Ad Valorem and Fiscal Disparities

The General Ad Valorem and Fiscal Disparities levies represent the amounts that are collected for the City's General Fund Operations. The table below shows the components that comprise the tax levy amount.

	2022 Budget	2023 Proposed	Change
General Ad Valorem	$5,841,688	$5,905,466	$63,778
Fiscal Disparities	1,518,879	1,384,984	-133,895
Levy Amount	7,360,567	7,978,855	618,288

Anoka County sets the Fiscal Disparities levy for the entire Seven County Metropolitan Area. This levy was established by the legislature in the 1970's as a means to more evenly distribute the property tax benefit derived by commercial properties. The Fiscal Disparity Levy is a piece of the overall tax levy. It offsets a portion of the various levies to reduce the amount of tax levy that is spread to each property.

Fiscal Disparity Levy

	2022 Budgeted	2023 Proposed	Change
General Levy	1,518,879	1,384,984	-133,895

HRA Levy

The HRA Levy is a separate levy that can be issued by the City on behalf of the Robbinsdale Economic Development Authority. The levy is reported separately on each individual's tax statement and is limited in dollar amount to 0.0185% of the city's estimated market value. This levy is $274,836. This is a $24,311 increase from the 2022 levy of $250,525. This levy is certified at the maximum allowed under Statute. The collectable 2023 levy is based on the 2022 Taxable Market Value which is the prior year tax value.

General Obligation Street Reconstruction Bond Debt Service - 2013

In October 2013, the City issued Street Reconstruction Bonds to fund the County Road 9 Project. The 2021 levy for the bond issue will be $198,109, which is a $977 increase from the 2022 levy of $198,109. The bonds will be paid off in 2024.

General Obligation Street Improvement Bond Debt Service – 2015A

In July 2015, the City issued Street Improvement Bonds to fund the 37th Ave – Indiana to Halifax and Grimes/Halifax/Indiana south of 36th Ave Reconstruction Projects. The 2023 levy for the bond issue is scheduled to be $ 322,713, which is an $1,470 decrease from the 2022 levy of 324,183. The bonds will be paid off in 2026.

General Obligation Street Improvement Bond Debt Service – 2017A

In August 2017, the City issued Street Improvement Bonds to fund the Noble Ave and adjacent streets reconstruction project. The 2023 levy for the bond issue is scheduled to be $6775, which is a $3,045 increase from the 2021 levy of $ 3,730.00. The bonds will be paid off in 2028.

General Obligation Street Improvement and Equipment Certificates Bond Debt Service – 2018A

In October 2018, the City issued bonds to fund the Toledo/38th and equipment (dump trucks, pickup trucks, and fire truck). The 2021 levy for the bond issue is scheduled to be $ 263,013, which is a $1,575 decrease from the 2022 levy of $264,588. The bonds will be paid off in 2029.

<u>General Obligation Street Improvement and Equipment Certificates Bond Debt Service – 2020A</u>

In August 2020, the City issued bonds to fund the Beard and Chowen Avenue street reconstruction and equipment (dump trucks, pickup trucks, loader, and grader). The 2023 levy for the bond issue is scheduled to be $ 172,340. The bonds will be paid off in 2030.

General Fund Reserves

The proposed 2023 General Fund Budget presented anticipates a significant use of reserves. This will be discussed and adjusted as the budget process goes forward. The 2021 actual results as a surplus of $768,125, bringing the reserve balance at the end of 2021 to $6,693,284 or 52.8% of the proposed 2021 General Fund Expenditures and Transfers. The City Fund Balance Policy recommends maintaining a reserve for the General Fund of between 40% and 50%.

Internal Service Funds

Internal service funds include the Central Garage Fund, Central Services Fund, Equipment Replacement Fund, and the Risk Insurance Fund. Internal Service Funds have been updated and charges to city departments have been adjusted based upon department use and planned capital purchases.

Internal Service Fund charges for 2023 as included in the current budget reflect an overall decrease in charges to departments. This is the result of operating costs and capital asset expenditures as reflected in the 2023-2032 Capital Improvement Plan. The rates for the internal service funds are reviewed and adjusted to maintain the internal service funds cash balances to provide for scheduled capital expenditures. The cash balances and capital outlay requirements for the funds will continue to be monitored to provide that adequate funds are available for future requested capital improvements.

Highlights of the 2023 proposed Internal Service Fund budgets are as follows:

<u>Central Garage</u>

The Central Garage Fund includes the operational costs for the Public Works Facility, vehicle maintenance for all city vehicles and equipment, and a replacement component for the City vehicles and heavy equipment. Operations are funded through interest earnings and charges to the General and Enterprise Funds. The 2023 budgets include purchases of various vehicles and capital equipment (squad cars, dump truck, and pickup trucks), various repairs, and other improvements as proposed in the CIP. Future year CIP purchases include several large pieces of equipment which will require a significant amount of expenditures over prior CIP plans.

<u>Central Services</u>

The Central Service Fund accounts for citywide information technology operations (computers and telephones); general office services (shared services for operations, office machines, and general supplies); and government building operations and improvements (City Hall and Police and Fire Buildings). Scheduled building improvements include City Hall Storage Facility ($130,000), IT servers and network equipment ($80,000), and other improvements.

Equipment Replacement

The Equipment Replacement Fund provides for the systematic replacement of equipment purchased out of the General Fund other than vehicles and heavy equipment. **Contributions to this fund have been eliminated over the past decade in response to local government aid reductions.**

The Equipment Replacement fund cash balance projected for the end of 2021 is $1,047,000.

Risk Insurance

The Risk Insurance Fund provides for city-wide insurance for property, liability, workers compensation and other requirements. The budgets include a charge-back rate to all funds at 100% of insurance costs. The City's main insurance coverage is with LMCIT and keeping this coverage will continue to shield us some from the dramatic increases being seen in insurance costs within the private sector. Beginning in 2012, a component of the charge has been included to begin to create a reserve to self-insure excess liability coverage. In 2023, this component change is $90,000.

Conclusion

This year the City is continuing to feel the impact of the downturn in the economy although seeing an uptick in business and housing upgrades. LGA amounts were increased as the result of legislative action.

At this work session, the City Council is being asked to review the proposed levies and budgets provided herein and provide staff direction on the following:

- Property Tax Levy for General & Debt Service Funds
- Proposed 2023 General Fund Budget
- Proposed 2023 Internal Service Funds Charges
- Set a date for public comment on 2023 Budget

The Council will need to set the Preliminary Tax Levy prior to September 30, 2022; this is scheduled to take place at the second regular meeting in September. Once set, this levy cannot be increased, but may be lowered at the Council's discretion. The final budget will not be adopted until the second City Council meeting in December.

Respectfully submitted,

Tim Sandvik,
City Manager

Concurrence:

Diaa Tahoun
Finance Director

Hubbard Avenue Project

A second information session including the amended layout was held on Monday August 22nd. All comments received from residents will be shared with City Council at tonight's work session.

Further direction will be sought as to whether City Council would like to have a listening session as part of a City Council Meeting to hear directly from residents within the project area prior to the presentation of the Feasibility Report and scheduling of formal hearings.