

CITY COUNCIL BUDGET WORKSHOP

**Brainerd, Minnesota
August 30, 2021
6:00 P.M.**

City Council Chambers

_____ M. O'Day
_____ K. Stunek
_____ G. Johnson
_____ D. Pritschet
_____ T. Stenglein
_____ T. Erickson
_____ K. Bevans
_____ Mayor Badeaux

- 1. Call to Order**
- 2. Roll Call**
- 3. Pledge of Allegiance**
- 4. 2022 Parks Budget Presentation by Park Board**
- 5. 2022 Budget and Levy Discussion**
- 6. Adjourn**

**ANY INDIVIDUAL NEEDING SPECIAL ACCOMMODATIONS,
PLEASE CALL 828-2307.**

MEMO



TO: Mayor & Council

FROM: City Administrator Jennifer Bergman
Finance Director Connie Hillman

DATE: August 27, 2021

RE: 2022 Budget and Levy

Per the City Charter, the Council President, Personnel and Finance Chair and the City Administrator are to submit a budget to the City Council. The three of us along with Finance Director Hillman have met, and the information that will be presented on Monday night is a result of the meeting.

The budget process includes trying to estimate all expenses (i.e. personnel cost, supplies, services, capital, debt service etc.), and estimating all of the non-tax revenues (i.e. fees, fines, LGA, grants etc.). The difference between the two is the levy needed. Per the LMC Handbook for MN Cities, Chapter 20 Municipal Budgeting- budgeting is basically planning and prioritizing goals for the coming year based on experiences in the past year or years.

Levy Overview:

Attached is a summary of the current budget and levy. The summary focuses on the working funds – General, Public Safety, Parks, and Streets – as the operations of these funds are supported by property taxes. Other funds the Council adopts a budget for i.e. Transit, Parking, etc. are operated using other means of funding sources. The overview is a summary of:

- Actual 2020 (does not reflect any CARES dollars)
- Adopted budget for 2021
- *REQUESTED* Budget for 2022 – this is the budget using the amounts requested by department heads
- *PROPOSED* budget 2022
- Two columns comparing the requested and proposed to the 2021 adopted budget.

After meeting and going through the budget with Departments Heads, the Finance Director took a 3-year average of each line item and compared it to the budget requested by Department Heads. If there was a couple thousand dollar difference the Finance Director reviewed further. Maybe the 3-year average is not a good indicator or additional information was received when meeting with the City Administrator. The Finance Director also reviewed the lease expenditure budgeted line items. The *PROPOSED* column represents any changes made as a result of the budgeted line item review.

The Council President and Personnel and Finance Chair recommended using the Proposed budget. However, Staff included the requested budget to show the full Council that there were not lot of adjustments made by the Finance Director, and to provide reassurance that Department Heads do a good job budgeting.

The summary shows that for 2022, as of today, the levy would need to be increased by \$15,781 to achieve a balanced budget. This does not take into account, the \$159,000 of "levy stabilizer" the Council has levied the last two years.

Operating Expenditures:

- Personnel Services:

- Assumed that everyone eligible to move a step (currently not on step 6) will do so.
- The current budget includes 5 employees moving to step 7. However, there may be additional employees going to step 7 and sworn officers are eligible to go to step 8. The forementioned step changes are dependent on performance reviews that will take place in September and therefore, are not reflected in the current budget.
- There is an assumed COLA for the 2 unions whose contract expire 12/31/2021, as well as for Department Heads and Non-union Supervisors.
- Addition/Deduction of employees from 2021 Budget:
 - An HR Administrative position – a full-time employee. Assumed a starting date of February 1, 2022.
 - Temporary employee for IT/GIS. This would allow for a summer temporary employee and one for this winter to complete the tree inventory and other projects.
 - Reduction of the number of sworn police officers for the budget only, from 27 to 26 officers. The last couple of years, we have been budgeting for 27 sworn officers. We have phased in the number over the year to get to 27, for example, 2 start March 1st, 2 more June 1st etc. for the budget to be more realistic. For 2022, we suggested to plan for 27 officers but to budget for 26. The estimated cost for a first year sworn officer is about \$100,000. With taking an officer out of the budget for 2022, yet the plan being to have 27 officers, there is a risk if the plan is achieved in 2022 and then there will be an impact on future budgets as well.
 - Included temporary staff for the 2022 election judges, and well as increases in temporary full-time and CSO's hourly wages.

- Staff is aware of a possible pending retirement and the budget currently reflects backfilling for the position with an overlap in Staffing for about 3 months.
- Historically the City has budgeted for 50% of the HR Directors wages and benefits with the other 50% being accounted for by BPU. For the 2022 budget, 100% of the HR Director's wage and benefits is reflected in the City's budget. Staff took the HR Director and proposed new HR Administrative employee's wages and benefits, prorated the budgeted cost based on the number of full-time employees, and recognized BPU and HRA's portion as revenue (Revenue from Other Gov'ts). Agreements with BPU and HRA have not been finalized.
- The City received a 6.5% increase in HealthPartners insurance premiums, and the current budget assumes a 5% premium increase for Teamsters and 49er health insurance plans.
- The current budget assumes that all employees will elect the same HealthPartners plans that they currently have today, and new employees will elect the \$2,800 family plan option. The budget does reflect the updated employer premium splits and HSA contribution amounts.
- The LMC is recommending to budget for a rate increase of 5-15% for workers comp premiums. However, the LMC suggested it may be safer to budget closer to a 20% rate increase. 2019 and 2020 data is showing a large increase in PTSD claims. The current budget includes a 20% increase in rates and an experience mod rate of .75 from .79 in 2021. The experience mod rate is based on preliminary data received by our local insurance agent.
- No changes to the PERA, and long-term disability premiums rates and there is a concession for an increase in rates for the employer paid life insurance premium.
- Supplies:
 - The biggest contributor to the increase is the increase to the repairs and maintenance line item in the budget for streets and snow removal.
- Services:
 - There was a significant decrease to the professional services for Community Development, going from a \$60,000 to \$15,000 budgeted line item. We are planning for the City's Building Official will be able to be certified by the State in 2022. The State has not confirmed.
 - Increase in Computer Support for NeoGov for onboarding employees, budgeted increase in Microsoft 365 licenses fees and additional computer

licenses, an additional WIFI charge, and new scheduling software for police officers.

- Increase in Lodging Tax Remittance since we increased the budget for collection. The City remits 95% of what is collected to Visit Brainerd.
 - Budgeted as in the year past, 50% of the amount of the Franchise Fee collected will be used for meeting broadcasting costs.
 - For insurance, we used a 12% increase for general insurance, 10% for property and 7% for auto. We take the actual renewal rates for the 2021-2022 renewal period and applied those percentage increases. The allocation of the property insurance cost was also updated with the March 2021 renewal.
 - The City is budgeting to continue to lease vehicles. When the leases are renewed, the revenue from the sale of the vehicle will be recognized in the Capital Fund rather than reducing the amount of the monthly lease payment.
 - The budget for Special Projects is left at \$28,000. However, there is currently a \$20,000 request included in the budget to go for the operations of the Evergreen Cemetery by the Cemetery Board.
- Transfers Out:
 - For the 2021 budget there was an increase in the amount of transfers out as a result of timing issues how when funds are received from the Fire Advisory Board members and what is included in the total costs to be allocated. We see a decrease in 2022, as a result of the timing issue.

2020 Capital

- Attached is a detailed list of the proposed capital purchases for 2022 compared to what the items were in March of 2021 when the 2022 capital budget was discussed, and what was anticipated to be needed for 2022 when we were doing the 2021 budget.
- The overall decrease is the amount of the levy, is the difference between the Library Board's final request and what was in the preliminary levy in 2021.

Debt Levy

- The 2022 debt levy is to pay the August 1, 2022 and the February 1, 2023 debt service. In June when the Council reviewed the 2022 debt levy, it was anticipated that the debt levy could be lowered by approximately \$86,000. Now having the

tentative debt schedule for the pending 2021A debt issue and taking into account potential assessments for the projects, it is now believed that the debt levy can be lowered by \$126,000. In 2022 the City will no longer need to levy for the Airport debt and the 2011 improvement bonds as the last payment will be made February 1, 2022.

Other Levies

- Permanent Improvement /Sr Center/Arb/Community Action:
 - Based on very preliminary information received from the County, it is currently estimated that the mill rate will increase by 4.6%. The County will compute the mill rate in November. The Permanent Improvement Levy is transferred to the infrastructure capital fund.
- Hydrant:
 - This levy requirement was removed from the Charter with the recent amendment. This levy was transferred into the General Fund. The amount levied in 2021 will now be part of the general tax levy. This is also why you see the significant reduction in Other Revenues.
- Library:
 - The Library Board met on Wednesday, August 25, 2021. The amount approved by the Library Board for the preliminary 2022 levy is \$146,851. The minimum library levy per state statute is \$116,790.
- EDA:
 - This is the maximum allowed by state statute which is .01813% of the previous years estimated market value as requested by the EDA Commission.

Total Revenue – Non-Property Tax

- Other Taxes/Licenses and Permits/Charges for Services/Fines & Forfeitures/Transfers In:
 - Updated budget estimates.
- Grants & Aids:
 - The budget reflects the increase in additional LGA certified for 2022. The certified LGA amount is \$4,615,097, an increase of \$59,951 or 1.3%, from 2021 budgeted amount.

- Revenue from Other Governments:
 - Change in how HR services are recorded.
- Other Revenues:
 - The elimination of the Hydrant levy from the Charter.

Use/Addition to Fund Balance

- The year 2022 is an election year. The City has been budgeting for half of the cost of the election in odd years. Since in 2021 the City budgeted to have revenue exceeding expenditures and was not an election, 2022 will have expenditures exceeding revenues by half of the budgeted election costs.

Levy Information and Tax Rate Information

The chart below shows the history of the City's Levy and tax rates.

Levy Year Collected	Levy Amount	% Change	Tax Rate
2010	\$4,112,308	3.8%	45.839%
2011	\$4,055,836	-1.4%	48.003%
2012	\$3,953,486	-2.5%	54.540%
2013	\$3,953,486	0.0%	58.941%
2014	\$4,453,486	12.6%	64.879%
2015	\$4,898,835	10.0%	71.659%
2016	\$5,217,260	6.5%	74.579%
2017	\$5,373,778	3.0%	75.058%
2018	\$5,561,860	3.5%	77.420%
2019	\$5,895,572	6.0%	80.385%
2020	\$6,072,439	3.0%	79.332%
2021	\$6,133,163	1.0%	73.430%

Additional information on the estimated tax rate for 2022 will be presented on Monday night.

Please let us know if you have any questions and we look forward to the budget workshop.

Enclosures

/clh

2022 Levy Overview
Initial Budget - 8/30/2021

	Actual 2020	Adopted Budget 2021	REQUESTED Budget 2022	PROPOSED Budget 2022	Difference in Adopted and REQUESTED	Difference in Adopted and PROPOSED
TOTAL OPERATING EXPENDITURES						
Personnel Services	6,539,476	7,122,383	7,601,849	7,601,849	479,466	479,466
Supplies	481,188	511,550	535,450	517,100	23,900	5,550
Services	2,240,704	2,531,501	2,595,859	2,598,568	64,358	67,067
Transfers Out	1,010,296	533,681	432,873	432,873	(100,808)	(100,808)
Total Expenditures	10,271,664	10,699,115	11,166,031	11,150,390	466,916	451,275
TOTAL CAPITAL	1,155,927	1,266,281	1,255,927	1,255,927	(10,354)	(10,354)
TOTAL DEBT LEVY	1,264,451	912,212	785,934	785,934	(126,278)	(126,278)
OTHER LEVIES						
Perm Improvement	368,564	403,532	422,096	422,096	18,564	18,564
Hydrant	184,282	605,298	-	-	(605,298)	(605,298)
Sr Center/Arb/Community Action	274,271	302,649	316,572	316,572	13,923	13,923
Library	154,123	146,851	146,851	146,851	-	-
EDA	127,817	133,789	145,036	145,036	11,247	11,247
Airport	155,500	155,500	155,500	155,500	-	-
Total Other Levies	1,264,557	1,747,619	1,186,055	1,186,055	(561,564)	(561,564)
TOTAL ESTIMATED EXPENDITURES	13,956,599	14,625,227	14,393,947	14,378,306	(231,280)	(246,921)
TOTAL REVENUE - NON PROPERTY TAX						
Other Taxes	(341,161)	(285,000)	(288,800)	(288,800)	3,800	3,800
Licenses & Permits	(466,505)	(437,845)	(449,470)	(454,470)	11,625	16,625
Grants & Aids	(4,923,085)	(5,016,526)	(5,076,977)	(5,076,977)	60,451	60,451
Revenue from Other Gov'ts	(176,668)	(188,308)	(284,473)	(284,473)	96,165	96,165
Charges for Services	(895,616)	(982,508)	(991,193)	(991,193)	8,685	8,685
Fines & Forfeitures	(102,545)	(127,000)	(140,000)	(147,000)	13,000	20,000
Other Revenues	(1,179,240)	(1,415,877)	(844,149)	(849,149)	(571,728)	(566,728)
Transfers In	(31,546)	(111,000)	(122,300)	(122,300)	11,300	11,300
Total Revenues	(8,116,366)	(8,564,064)	(8,197,362)	(8,214,362)	(366,702)	(349,702)
(USE)/ADDITION TO FUND BALANCE						
Election		15,000	(15,000)	(15,000)	30,000	30,000
Levy Stabilizer **		57,000			57,000	57,000
Estimated Levy	5,840,233	6,133,163	6,181,585	6,148,944	48,422	15,781
Actual Levy / <i>Proposed</i>	6,072,439	6,133,163	6,181,585	6,148,944		
% Increase		1.00%	0.79%	0.26%		
\$ Increase		60,724	48,422	15,781		

** Total Levy Stabilizer, \$102,000 from 2020 and \$57,000 for 2021, grand total of \$159,000

2022 Proposed Capital 8/23/2021- Working Funds

	2022 Capital	2022 Capital - March 2021	2021 Budget Planning Process
City Facilities			
Annex **	160,000	382,000	380,000
Other items from facility study	-	-	331,068
Office Furniture	5,000	5,000	5,000
City Hall Bathrooms	-	-	50,000
Lum Park- Warehouse/office Demo	-	-	-
Kiwanis Park - Gazebo	10,000	-	-
Kiwanis Park - Restroom/Picnic Shelter	75,000	-	-
Kiwanis Park - Pavilion	20,000	-	-
Finance			
Scanner	2,000	2,000	2,000
Engineering			
Trimble GPS Receiver	26,000	26,000	-
Mobile Laptops	-	-	2,000
IT			
Computers - City wide	80,000	80,000	80,000
Server	15,000	15,000	15,000
Police			
Leased Squads Build Up	74,000	74,000	68,000
Office Furniture	3,000	3,000	3,000
Cold Storage Facility	205,000	205,000	205,000
Community Development			
	-	-	-
Fire/Civil Defense			
	-	-	-
Parks			
Walk Behind Mower	1,000	1,000	-
Field Groomer	15,000	15,000	-
800 MHz Radios	11,000	11,000	9,000
Tree Replacement	25,000	25,000	25,000
Diesel Mower	-	-	22,000
Park Upgrade/Beautification		75,000	75,000
Picnic table/Grilling Station/Trash Cans	15,000	-	-
Park Weed and Feed Program	25,000	-	-
Bench Installment Program	5,000	-	-
Parks ADA Upgrades	25,000	-	-
Park Sign Replacements	5,000	-	-
Park Security Cameras	6,500	2,500	2,500
Security Camera	-	2,500	2,500
Appliances	10,000	-	-
Jaycees Playground Equipment	120,000	80,000	80,000
Memorial Park - Parking Lot Resurfacing	-	150,000	150,000
Memorial Park - Disc Golf Course	10,000	-	-
Memorial Park - Small Rink Lights	30,000	-	-
Memorial Park - Small Rink Dasher Board	75,000	-	-
Streets			
Tree Replacement	25,000	25,000	25,000
800 MHz Radios	26,000	26,000	22,000
Plow Truck	260,000	260,000	260,000
Lease Truck Build Up	2,500	2,500	-
GRAND TOTAL	1,367,000	1,467,500	1,814,068

2022 Proposed Capital 8/23/2021 - Fire ****

	2022 Capital	2022 Capital - March 2021	2021 Budget Planning Process
Engine	630,000	630,000	630,000
Radios and Pagers	7,000	7,000	-
GRAND TOTAL	637,000	637,000	630,000

2022 Proposed Capital 8/23/2021- Enterprise Funds - Excludes BPU

	2022 Capital	2022 Capital - March 2021	2021 Budget Planning Process
Sewer Pump & Hose Trailer	50,000	50,000	50,000
Rodder with Trailer	50,000	50,000	50,000
Gas Monitors	1,000	1,000	1,000
GRAND TOTAL	101,000	101,000	101,000