

CITY COUNCIL AGENDA

Budget Workshop

City of Brainerd, Minnesota

City Hall, 501 Laurel Street, Council Chambers

Monday, November 28, 2022 @ 6:00 pm (following Special Meeting)

The public is invited to attend these meetings in person

Meeting is also streamed live on YouTube: www.youtube.com/CityOfBrainerdMN

1. Call to Order

2. Roll Call

3. 2023 Budget and Levy

4. Adjourn

___ G. Johnson
___ W. Bieser
___ T. Stenglein
___ T. Erickson
___ M. O'Day
___ K. Stunek
___ K. Bevans
___ D. Badeaux

Any individual needing special accommodations, please call 828-2307



Brainerd City Council Agenda Request

Requested Meeting Date:

Title of Item:

Agenda	Action Requested:	
CONSENT AGENDA	Approve/Deny Motion	Direction Requested
P&F COMMITTEE	Adopt Resolution (attach draft)	Discussion Item
SPW COMMITTEE	Ordinance 1 st Reading	Hold Public Hearing*
MAIN AGENDA	<i>*provide copy of published hearing notice</i>	

Submitted by:

Department:

Presenter:

Estimated Time Needed:

Summary of Issue:

Alternative, Options, Effects on Others/Comments:

Recommended Action/Motion:

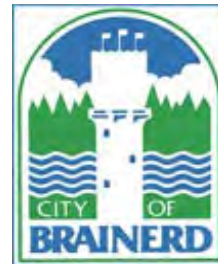
Financial Impact:

Is there a cost associated with this request:

What is the total cost, with tax and shipping:

Is this budgeted? (Please Explain)

MEMO



TO: Mayor and Council

FROM: City Administrator Bergman
Finance Director Connie Hillman

DATE: November 23, 2022

RE: 2023 Budget and Levy

The workshop on November 28, 2022 will focus on the working funds - General, Public Safety, Parks, and Streets – as the operations of these funds are supported by property taxes as well as the capital fund, and the amount needed for debt. The other funds (i.e. Recycling, Library, Parking lots etc.) will be discussed at the December 5, 2022 council 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:

Attachment A is a summary of the current budget and levy. The overview shows the adopted budget for 2022, the grey column is the status of the budget when the preliminary levy was set in September, the current 2023 budget is highlighted in green, and the last 2 columns compare the current 2023 budget with the 2022 adopted budget.

In September, the budget showed that the City needed \$596,740 of additional levy (9.54% increase over the 2022 levy) for a balanced budget. The Council set the preliminary levy at a 9.54% increase over the 2022 levy at \$6,852,566.

The current proposed column for 2023, shows that the final levy could be set at \$6,623,459, or a 5.88% increase over the 2022 levy for a balanced budget.

Total Expenditures:

Since September and as a reminder:

- The budget includes an estimate for the settlement of the Streets and Parks 49ers contracts and the IBEW Administrative Support contract.
- We are only budgeting for 25.5 sworn officers rather than 27 but planning on having 27 sworn officers.
- The budget has been updated with actual 2023 insurance renewal rates, with the exception of workers' comp and property and casualty insurance. Staff did revise the premium percentage increase for the property and casualty insurance based on

information received from the LMCIT. One thing LMCIT did mention is that they expect to see an increase in premiums due to an increase in property values. The current budget does not account for an increase in the City's property values.

- The budget has been updated to include ten staff members moving to steps 7 or 8 based on 2021-2022 reviews.
- The budget has been updated for 2023 elections based on preliminary open enrollment data. It is assumed that any new hires in 2023 would elect the \$3,000 family plan option.
- Staff has reviewed budget line items and updated based on new estimates received and activity through 2022 as well.

Total Capital:

Attachment B is a detailed list of the proposed capital purchases for 2023. Some cost estimates have been changed based on additional information that has been received. In September, the proposed capital expenditures were \$1,946,100 and the estimated non-levy funds were estimated to be \$73,018 for a net of \$1,873,082. Currently the proposed purchases are estimated to be \$1,083,100 and revenues of \$108,600 for a net of \$974,500.

Staff revised an updated trade-in value for the street grader, and any proceeds from the sale of leased vehicles are now being recognized in the operating accounts. Council authorized \$300,000 of APRA funding to be used on 2023 capital items, and the Park Board delayed many of their projects to 2024 to finish their master planning.

Attachment C is a portion the 30-year capital plan summary. The plan has been updated with the 2023 estimated park projects being delayed until 2024, the annex update being delayed until 2027 and the police HVAC system at an estimated cost of \$330,000 to replace both units in 2024 but using \$140,000 of APRA dollars.

Council President Bevans and Personnel & Finance Chair would like Council to discuss the individual items on the proposed capital list for 2023. They would like to remove, \$400,000 from the capital budget for Parks, by not funding the lights at Memorial Park. This would result in \$167,500 for capital to the Park Board, plus the ARPA dollars that were allocated to parks.

Total Debt Levy:

The 2023 debt levy is to pay the August 1, 2023 and the February 1, 2024 debt service. There is \$100,000 in the levy to be able to structure for a bond issue for the 2023 road construction projects. The current debt levy assumes a 10-year repayment schedule to BPU and paying half of the LMCIT loan interest free in 2023. The plan would be in 2025 to be able repay the BPU loan double after the LMCIT loan is paid off in 2024 to lessen the cost of interest to be paid on the debt issued to pay for the IAFF lawsuit.

Other Levies:

The levies for the Permanent Improvement, Senior Activity, Green Space and Communities Festivals have been updated in 2023 to reflect the change to the Charter making these levies a percentage of the previous years levy rather than based on the mill rate. The change resulted in

1 mill equating to 3% of the previous years levy. The Permanent Improvement levy is allowed to be 9% of the previous years levy and is currently at 6%.

The Library Board requested a 2% increase in the levy and the EDA Board requested the maximum amount allowed by state statute. The current budget reflects both of these requests.

Total Revenues:

Since September, staff has reviewed the estimated revenue numbers and have updated the estimates, such revenue from Sourcewell to assist with compensation study, the amount of police and fire state aid, and includes a 10% administrative fee from Baxter and Nisswa on the joint prosecution service agreements.

Recovering Fund Balance from Lawsuit:

In September, the preliminary levy included an increase of \$250,000 to the levy for the lawsuit. Since then, the Council closed the debt service funds no longer needed as the issues have been paid off into the General Fund (\$83,900) and the EDA passed a motion to have the proceeds from the sale of the industrial park property to VCV (\$227,815) to be transferred for the City to recoup the cost of the infrastructure put in by the Council. This is more than the \$250,000 needed in September. The current budget took the difference of \$61,715 and reduced the amount of proposed fund balance to be used. The preliminary budget planned to reduce fund balance from 39% to 37%.

Summary:

As stated above, the final levy could be set at \$6,623,459, or a 5.88% increase over the 2022 levy for a balanced budget. The chart below illustrates the additional amount of change that would be needed for a balanced budget if Council chose to lower the preliminary levy:

Levy Increase over 2022 Levy	Levy Amount	Budget Adjustment Needed
5.88%	\$6,623,459	\$0
5%	\$6,568,617	\$54,842
4%	\$6,506,059	\$117,400
3%	\$6,443,501	\$179,958
2%	\$6,380,943	\$242,516
1%	\$6,318,384	\$305,075
0%	\$6,255,826	\$367,633

Staff thoughts on how the budget adjustments could be accomplished and the cons of each:

- Keep the estimated use of fund balance from the lawsuit at the estimated \$250,000. The con of this is we don't know how 2022 will end up for sure at this point. At 12/31/2021 we were at 39% from 42% at 12/31/2020. Using \$250,000 assumed we would be at 37%. In

doing this option as well, consideration of the timing of the payment of the lawsuit, as well as the sale of the property to VCV should be taken into account.

- Reduce the debt levy for 2023. The Council could use more of the prepaid assessments to offset the levy or restructure the proposed debt repayments to BPU and the LMCIT differently. The con of this option is future years levy needs and a higher total cost of the lawsuit. There is \$100,000 in the budget for the issuance of debt for the 2023 construction projects. The levy projected to be needed to repay the 2023A issue will need to be more than \$100,000. This leads to the question, is \$100,000 a good estimate and would the adjustments that could be made for 2023 be better used in future years.
- Transfer funds from the Capital Fund. Per the fund balance policy, when the City is in range of 35-50%, the range can only increase by 1%. Any additional funds would be transferred to the Capital Equipment and Facility Fund. As a result for calendar years 2017 – 2021 the following amounts were transferred to fund 400 respectively, \$329,000, \$0, \$133,000, \$564,000 and \$0, respectively. The Council could choose to transfer funds back to the General Fund to lower the levy for 2023. The con is by transferring \$100,000 to the general fund, the City needs to include the cash balance of the Fire Capital Equipment fund to remain positive. Fund 400 could have a negative cash flow balance in years 2026 and 2027. Another con is that we don't know the results of the parks master plan and there are no costs for inflation currently built into the plan.
- Combination of all the above.

The 2023 preliminary levy was set at \$6,623,459 which was a 9.54% increase over the 2022 levy (\$6,255,826), and results in \$596,740 of new money. The 2023 preliminary levy results in a calculated City tax rate of 62.237%, a 8.674% **decrease** from the 2022 tax rate of 70.911%.

At the workshop, Staff will go into more detail of the differences of the current budget and the budget used in September to set the preliminary levy, show the estimated impact to residents and business owners, and will be looking for Council direction on what Staff should use as the 2023 levy for the public hearing on December 12, 2022.

If you have any questions before the meeting, please contact us.

2023 Levy Overview
As of 11/23/2022

	Adopted Budget 2022	2023 Preliminary Budget	2023 Budget as of 11/23/2022	Difference in Budgets - Current vs 2022 Budget	% Difference Current vs 2022 Budget
TOTAL OPERATING EXPENDITURES					
Personnel Services	\$ 7,668,965	\$ 7,967,142	\$ 7,966,914	\$ 297,949	3.89%
Supplies	522,100	615,400	615,400	93,300	17.87%
Services	2,598,082	2,797,076	2,834,414	236,332	9.10%
Transfers Out	432,873	437,932	437,932	5,059	1.17%
Total Expenditures	\$ 11,222,020	\$ 11,817,550	\$ 11,854,660	\$ 632,640	5.64%
TOTAL CAPITAL	\$ 1,255,927	\$ 1,255,927	\$ 1,255,927	\$ -	0.00%
TOTAL DEBT LEVY	\$ 800,615	\$ 870,000	\$ 920,000	\$ 119,385	14.91%
OTHER LEVIES					
Perm Improvement	\$ 426,990	\$ 375,350	\$ 375,350	\$ (51,640)	-12.09%
Hydrant	-	-	-	-	0.00%
Sr Activity/Green Space/Comm Fest.	320,244	281,511	281,511	(38,733)	-12.09%
Library	146,851	149,788	149,788	2,937	2.00%
EDA	145,036	152,861	152,861	7,825	5.40%
Airport	155,500	155,500	155,500	-	0.00%
Total Other Levies	\$ 1,194,621	\$ 1,115,010	\$ 1,115,010	\$ (79,611)	-6.66%
TOTAL ESTIMATED EXPENDITURES	\$ 14,473,183	\$ 15,058,487	\$ 15,145,597	\$ 672,414	4.65%
TOTAL REVENUE - NON-PROPERTY TAX					
Other Taxes	\$ (288,800)	\$ (274,000)	\$ (274,000)	\$ (14,800)	-5.12%
Licenses & Permits	(487,470)	(440,990)	(440,990)	(46,480)	-9.53%
Grants & Aids	(5,059,977)	(5,148,468)	(5,197,468)	137,491	2.72%
Revenue from Other Gov'ts	(286,468)	(309,295)	(324,512)	38,044	13.28%
Charges for Services	(961,193)	(966,036)	(968,036)	6,843	0.71%
Fines & Forfeitures	(146,500)	(127,000)	(127,000)	(19,500)	-13.31%
Other Revenues	(849,149)	(1,032,632)	(1,032,632)	183,483	21.61%
Transfers In	(122,800)	(172,500)	(172,500)	49,700	40.47%
Total Revenues	\$ (8,202,357)	\$ (8,470,921)	\$ (8,537,138)	\$ 334,781	4.08%
(USE)/ADDITION TO FUND BALANCE					
Election	\$ (15,000)	\$ 15,000	\$ 15,000	\$ (30,000)	
Estimated Levy	\$ 6,255,826	\$ 6,602,566	\$ 6,623,459	\$ 367,633	5.88%
Actual Levy / <i>Proposed</i>	\$ 6,255,826	\$ 6,602,566	\$ 6,623,459		
% Increase	2.00%	5.54%	5.88%		
\$ Increase	122,663	346,740	367,633		
Recovering Fund Balance from Lawsuit					
Total City Share		\$ 1,900,000	\$ 1,900,000		
Reduction of Fund Balance		(250,000)	(188,285)		
Transfer from Insurance Fund		(150,000)	(150,000)		
Loan from LMCIT		(250,000)	(250,000)		
Loan from BPU		(1,000,000)	(1,000,000)		
Close out of Bond Funds		-	(83,900)		
Transfer from Sale of Industrial Park Land		-	(227,815)		
Unfunded		\$ 250,000	\$ -		
Total Proposed Levy		\$ 6,852,566	\$ 6,623,459		
% Increase		9.54%	5.88%		
\$ Increase		\$ 596,740	\$ 367,633		

2023 Proposed Capital

		<u>Subtotals</u>	
City Facilities			
Annex	\$ -	} \$ 110,000	
Office Furniture	10,000		
Generator	100,000		
Administration			
Scanner	3,600	} \$ 48,600	
Wage Study	45,000		
Engineering			
Leased 1/2 ton lease buildup	2,500	} \$ 5,000	
Leased 1/2 ton lease buildup	2,500		
IT			
Server Replacement	15,000	} \$ 55,000	
UPS (Battery Backup)	5,000		
Phone System	-		
Security Cameras	15,000		
Door Control Access	20,000		
Police			
Leased Squads Build Up	86,000	} \$ 89,000	
Office Furniture	3,000		
Community Development			
Parks			
Demo of Lum Park Offices	-	} \$ 567,500	
Lum Park - Pavilions	-		
Jaycees - Concession/Warming House/Restroom	-		
Memorial - Concession/Lockers/Restrooms	-		
Memorial - Shelter	-		
Walk behind snow blower	4,000		
Mower	22,000		
Sod Cutter	5,000		
Tree Replacement	25,000		
Picnic Table/Grilling Station/Trash Can Replacement	15,000		
Park Weed and Feed Program	25,000		
Bench Installation Program	5,000		
Park ADA Upgrades	25,000		
Park Sign Replacement	5,000		
Security Cameras	6,500		
Memorial Park Lights	400,000		
Triangle - Shade Structure	-		
Buster Gazebo	30,000		
Fire			
Purchase of Squad 1	35,000		} \$ 63,000
Build up of leased Car 1	10,000		
Apparatus iPad Replacement	3,000		
Radios and Pagers	15,000		
Streets			
Tree Replacement	25,000	} \$ 145,000	
Motor Grader	385,000		
ARPA Funds	(300,000)		
Garage Gate Opener	20,000		
Garage Cameras	15,000		
Total	\$ 1,083,100		

Revenue/Trade-in Value

2023 Proposed Capital

Subtotals

General Office Furniture	\$	100
Squads - In General Fund		-
Walk behind snow blower		500
Mower		4,000
Sod cutter		500
Grader		90,000
Survey Trucks - In General Fund		-
Sale of SUV		3,500
Grant for Gate Opener		10,000
Total	\$	108,600

City of Brainerd

Capital Plan: Summary - Working Funds Only - Includes Fire Capital

2023-2052 - 30 Years

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Tax Levy: Current	\$ 1,255,927	\$ 1,255,927	\$ 1,255,927	\$ 1,255,927	\$ 1,255,927	\$ 1,255,927
Tax Levy: Add/Sub	301,602	307,332	351,349	357,666	364,299	371,264
Bonds	-	-	-	-	-	-
Other/Grants	-	78,000	-	-	-	-
Under budget	120,600	-	-	-	-	-
Sale of Assets	43,300	135,600	50,850	70,600	75,100	82,000
General Fund		(37,000)	(35,000)	(25,000)	(50,000)	(30,000)
Interest Earnings	3,594	418	1,878	1,363	1,032	3,140
Dedicated to Fire Buildings	65,000	65,000	65,000	65,000	65,000	65,000
Revenues	\$ 1,790,023	\$ 1,805,277	\$ 1,690,004	\$ 1,725,556	\$ 1,711,358	\$ 1,747,331
Vehicles	\$ 691,500	\$ 126,000	\$ 517,500	\$ 466,500	\$ 136,000	\$ 91,500
Equipment	736,000	332,100	574,500	373,900	639,100	719,500
Furniture & Fixtures	5,000	10,000	5,000	5,000	5,000	5,000
Buildings	470,000	65,000	1,120,000	606,000	637,000	407,000
Improvements	115,000	550,000	495,000	441,000	112,111	355,000
Transfers Out	-	-	-	-	-	-
Expenditures	\$ 2,017,500	\$ 1,083,100	\$ 2,712,000	\$ 1,892,400	\$ 1,529,211	\$ 1,578,000
Beginning Cash Balance	\$ 2,590,630	\$ 2,363,153	\$ 3,085,330	\$ 2,063,334	\$ 1,896,490	\$ 2,078,637
Annual Surplus (deficit)	(227,477)	722,177	(1,021,996)	(166,844)	182,147	169,331
Cash Balance	\$ 2,363,153	\$ 3,085,330	\$ 2,063,334	\$ 1,896,490	\$ 2,078,637	\$ 2,247,969
Savings (Water Tower/Riverfront)	387,500	387,500	387,500	387,500	387,500	387,500
Dedicated for Fire Buildings	130,000	195,000	260,000	325,000	390,000	455,000
Rollover of Budgeted Items **	730,639	722,639	722,639	722,639	722,639	722,639
	\$ 1,115,014	\$ 1,780,191	\$ 693,195	\$ 461,351	\$ 578,498	\$ 682,830

** Memorial Park Project, Zoning Code, Street Tree Replacement, Updated Street Garage Cost