

TO: Mayor and City Council
 FROM: David Chanski, City Administrator/Clerk
 RE: Final 2024 Budget & Levy
 DATE: December 4, 2023



The Preliminary 2024 Budget levy for the City of Breezy Point as approved by the City Council on September 5 was 3,226,922. This preliminary levy was a \$274,183 (9.3%) increase over 2023.

The proposed Final 2024 Budget levy is \$3,213,518, which is a \$260,779 (8.8%) increase over 2023 and a \$13,404 (0.5%) decrease from the Preliminary Levy.

The full Final 2024 Levy breakdown is as shown below:

	Current 2023	Final 2024
General Fund Levy	\$2,940,209	\$3,189,868
EDA Levy	\$ 3,530	\$ 3,650
Cemetery Fund Levy	\$ 9,000	\$ 20,000
Debt Service Fund Levy	<u>\$ 0</u>	<u>\$ 0</u>
Total	\$2,952,739	\$3,213,518

The remainder of this memo outlines the significant changes and additions that are reflected in the Final 2024 Budget.

GENERAL FUND

Revenues

The adjustments received by most revenue sources were to reflect historic and anticipated actuals. Some notable items include:

- LGA/HACA/MVHC: Increased to \$99,000 as the City will be receiving just shy of \$100,000 in 2024 from the State of Minnesota through the Small Cities Assistance Program. This is new funding that came out of the Spring 2023 legislative session.
- Reimbursements for Services: In 2024, the City will become the fiscal agent for the Pequot Lakes Fire District. The City will charge the PLFD \$8,500 for this service. While the City will be the PFLD's fiscal agent in 2024, the City of Pequot Lakes will conduct the District's 2023 audit as they were the fiscal agent during that period.
- Pelican Police Contract: In 2023, the City agreed to a two-year contract with Pelican Township for patrol services. This contract included fee increases in both 2023 and

2024 to account for increased Police Department operating costs. The service fee for 2023 was \$58,500, and the fee for 2024 is \$62,500.

- Lease Payments: The City has had a land lease with Charter Communications since 2012. However, the City Council released Charter from that lease in 2023.
- Transfer from Other Funds: The Cemetery Commission increased the annual transfer from the Cemetery Fund to the General Fund from \$2,000 to \$5,000 to better cover the time the Public Works Department spends on work at the cemetery. Additionally, \$125,000 is being transferred from the Capital Fund to the General Fund to cover 50% of the implementation of the new salary plan.

Expenditures

Notable changes to department expenditures are identified below. Increases not specifically called out are increases based on anticipated cost increases, not new expenditures.

One item to note is that wages and benefits increased across the board due to the new salary plan being instituted by the City Council. This as a result of a competitive wage analysis that the City Council ordered and reviewed in August.

Additionally, the City Council authorized the hiring of a full-time Planning & Zoning Administrator to replace the current part-time, contract employee. The new full-time Planning & Zoning Administrator is schedule to beginning employment after the new year. This is also represented in the budget.

City Council

- Professional Services: Reduced to \$5,000. 2022 professional services were for the City Administrator recruitment, and 2023 professional services were for the City Hall Facility Assessment.

Administration

- Elections: 2024 is a presidential election year. As such, there will be 3 elections held: Presidential Nominating Primary on March 5, Primary Election on August 13, and General Election on November 5. Staff estimates a cost of \$7,000 to pay election judges for all three elections plus training.

City Attorney

- No change from 2023.

General Government

- Motor Fuels: Administrative staff do not currently have a dedicated staff car. Therefore, personal vehicles must be used to complete tasks such as bank runs, mail runs, site inspections, out of office meetings, trainings events, etc. As was done in 2023, staff is recommending transferring the police squad being replaced to the

Public Works Department, which would dedicate the 2021 Ford Explorer for use by administrative staff.

- Professional Services: As discussed with the City Council during the development of the Preliminary Budget, staff is seeking to implement budget management and transparency software in 2024. The annual cost of the software (approximately \$19,000 in 2024) would be split 50/50 between the General Fund and the Sewer Fund. The one-time implementation cost of approximately \$12,000 would be paid for out of the Capital Fund. The City Council approved a contract with Questica for this new software on November 6.
- Auditing & Accounting: Increased to account for new audit contract as well as audit assistance.
- Engineering: Reduced by 7,500 based on historical actuals and anticipated 2024 expenditures.
- Pequot Lakes Fire District: Increase is primarily to fund the District's new Capital Improvement Plan. Broken down, the City's 2024 contribution to the PLFD is \$114,840 for operating, \$176,529.53 for capital, and \$14,644 for the relief association. This increase alone accounts for approximately 34% of the total levy increase.
- Transfer to Other Fund: This item is transfers to the Capital Fund comprised of \$342,000 for future road improvements, \$230,000 for future debt payments, and \$10,000 for employee liabilities (retirement payouts). There is no proposed increase from 2023.

Planning and Zoning

- Wages and Benefits: As mentioned above, wages increased due to the hiring of a full-time Planning & Zoning Administrator.
- Training: Increased to account for professional development training for the Planning & Zoning Administrator.

Public Safety

- Overtime: Increased to account for wage increases and the proposal of creating weekend patrols throughout the summer. These weekend patrols would be primarily for golf cart enforcement and park patrols. These patrols are contingent on the Police Department replacing its current side-by-side as it is much easier to conduct golf cart enforcement and park patrols from a side-by-side than from a squad car. Acquisition of a new side-by-side will either be through grant funds or through public safety funding being provided by the State.
- Professional Services: In 2023, the Police Department implemented body worn cameras (BWCs) and replaced all squad cameras. Implementation in 2023 was paid out of Capital Outlay, but the annual contract fee is now being moved to Professional

Services. Additionally, the Police Department is requesting to implement a subscription style contract for new tasers as well as additional data storage.

- Capital Outlay: Reduced by \$30,000 from 2023 and is comprised of the annual squad replacement.

Public Works

- Wages and Benefits: While wages and benefits increased in the Public Works Department, the public works budget doesn't appear to increase at the same rate of other departments because some of the wages and benefits were transferred to the parks budget per a recommendation from the Parks & Recreation Committee.
- Part Time: The seasonal wages that have been used primarily for mowing and park maintenance were moved to the parks budget per the Parks & Recreation Committee's recommendation. However, \$5,000 is still included in the public works budget for additional part time help.
- Capital Outlay: There are no Public Works capital items proposed in the 2024 budget.
- Transfer: The City has transferred \$50,000 to the Capital Fund each year to help fund future Public Works capital equipment.

Parks & Recreation

- Wages and Benefits: As mentioned above, the Parks & Recreation Committee has made a recommendation that the wages and benefits the Public Works Department's time spent on parks be reallocated from the public works budget to the parks budget.
- Motor Fuels: In addition to wages and benefits, certain operating costs that can be attributed to parks but were historically budgeted in public works were also reallocated.
- Landscaping: Increased by \$2,000 to cover the cost of additional mulching.
- Professional Services: Increased by \$3,000 to cover the increased costs resulting from the number of portable restrooms at the disc golf course.
- Capital Outlay: The Parks & Recreation Committee requested an increase of \$90,000 in capital outlay funds to cover future projects but did not have a specific project planned for 2024 at this time. As such, the City Council reduce parks capital to \$0 and allocated \$50,000 in the Capital Fund should the Parks & Recreation Committee identify a project for 2024 as part of the Parks Master Plan and Parks Capital Improvement Plan update process.
- Transfer: The City has transferred \$10,000 to the Capital Fund each year to help fund future Parks capital equipment such as playground replacements.

General Fund Expenditure Summary

Altogether, the 2024 budget has a general fund budget of \$3,795,368. This is an increase of \$545,253 (16.8%) over 2023. It should be noted that \$183,651 (~34%) of that increase is due to the increased cost of the Pequot Lakes Fire District.

OTHER FUNDS

EDA Fund

The sole EDA Fund expenditure is an annual payment to the Brainerd Lakes Area Economic Development Corporation (BLAEDC) for economic development services. While staff has not yet received the 2024 budget request from BLAEDC, an increase of roughly 3.5% has been placed in the 2024 budget.

TIF Fund

The TIF Fund receives revenues from existing TIF Districts and then refunds those revenues back to property owners as determined by the development agreements approved at the creation of said TIF districts. The revenue received is dependent on the increase in TIF District property values year over year.

Cemetery Fund

Cemetery Fund revenues are estimated to be roughly the same as the last few years. However, the Cemetery Commission is proposing a levy increase of \$20,000. This is to address an increase in expenditures due to the need to contract out general landscaping maintenance. This work historically has been done by the Cemetery Commission members themselves, but they are no longer able to do this work.

Debt Service Fund

As the City Council paid off the 2012 General Obligation Bond in 2022, the City is currently debt free, and, therefore, there are no expenditures and revenues budgeted in the Debt Service Fund for 2024.

Capital Fund

Capital Fund revenues for 2024 are the same as 2023.

The expenditures in the Capital Fund total \$992,000 and include:

- \$125,000 for an update to the Zoning Code.
- \$125,000 transferred to the General Fund.
- \$25,000 for an update to the administrative sections of the City Code.
- \$12,000 for the implementation of budget management and transparency software.
- \$330,000 for final design and engineering of Buschmann should the City Council move forward with that project once preliminary design is complete.

- \$250,000 for the final design and construction administration of the proposed city hall building.
- \$60,000 for the development of a streets plan.
- \$50,000 for parks capital.
- \$60,000 for a County Road 11 trail feasibility study.
- \$5,000 for scanners.

Capital Fund expenditures are currently projected to exceed revenues by just over \$250,000. However, it is anticipated that the Capital Fund will end 2023 with a fund balance of over \$4,000,000. As such, this overrun will have no effect on the levy, which is the very purpose of the Capital Fund.

Sewer Enterprise Fund

As an enterprise fund, the Sewer Enterprise Fund is funded through fee revenue, not tax revenue. Revenues are anticipated to be slightly higher than 2023 based on previous year actuals and increased number of sewer connections.

Fund expenditures are anticipated to increase by just over \$100,000 (22%). Approximately 78% of this increase is due to increases in wages and benefits. The majority of the remaining increases are due increase in audit costs (\$8,000 over 2023), and 50% of the proposed budget management and transparency software (\$9,500).

The 2024 Budget for the Sewer Enterprise Fund shows a projected fund balance of \$15,148. It is the City's policy to transfer any fund balance at the end of the year to the Sewer Capital Project Fund.

Sewer Capital Projects Fund

Revenues in the Sewer Capital Projects Fund are anticipated to be the same as 2023. The anticipated expenditures in the fund are \$40,000 for the rehabilitation of wet wells #6 and #7 and \$25,000 for next steps in the sewer expansion process.

Sewer Capital Project Fund revenues are currently projected to exceed expenditures by \$60,000. This fund balance is saved for use for future sewer capital projects. This allows the City to pay for significant projects while minimizing increases in sewer rates.

POTENTIAL TAX IMPLICATIONS

To help further understand the impact of this Preliminary Levy & Budget, *estimated* city property taxes were calculated for 20 properties from throughout the community. This analysis was done using the preliminary taxable market value for each property as currently listed by Crow Wing County.

City Administrator Chanski selected these properties from various neighborhoods throughout the community, but individual properties selected within each neighborhood were random. The only exception was that 5 of the properties selected belong to the 5 members of the City Council. The only constant factor between all 20 properties is that they had to be residentially homesteaded.

Tax year City of Breezy Point property values, as received from Crow Wing County, had a city-wide increase of 12.7%. As the 20 properties shown below have an average value increase of 11%, this analysis appears to be representative of the community as a whole.

2023 Property Value	2023 City Taxes	2024 Property Value	Value Change	Est. 2024 City Taxes	Difference	% Change	Change from Preliminary
\$ 297,281	\$ 1,098.86	\$ 358,212	20%	\$ 1,279.69	\$ 180.83	16.5%	\$ (12.21)
\$ 474,100	\$ 1,752.34	\$ 494,800	4%	\$ 1,767.64	\$ 15.30	0.9%	\$ (16.87)
\$ 435,300	\$ 1,608.92	\$ 468,300	8%	\$ 1,672.97	\$ 64.06	4.0%	\$ (15.97)
\$ 793,700	\$ 3,204.90	\$ 789,200	-1%	\$ 2,819.37	\$ (385.53)	-12.0%	\$ (26.91)
\$ 383,173	\$ 1,416.36	\$ 408,570	7%	\$ 1,459.59	\$ 43.23	3.1%	\$ (13.93)
\$ 503,800	\$ 1,865.80	\$ 504,400	0%	\$ 1,801.94	\$ (63.86)	-3.4%	\$ (17.20)
\$ 214,755	\$ 793.94	\$ 268,233	25%	\$ 958.25	\$ 164.31	20.7%	\$ (9.15)
\$ 449,300	\$ 1,660.66	\$ 468,200	4%	\$ 1,672.62	\$ 11.96	0.7%	\$ (15.96)
\$ 450,200	\$ 1,664.00	\$ 473,400	5%	\$ 1,691.19	\$ 27.19	1.6%	\$ (16.14)
\$ 391,830	\$ 1,448.14	\$ 475,600	21%	\$ 1,699.05	\$ 250.91	17.3%	\$ (16.22)
\$ 159,178	\$ 588.42	\$ 189,698	19%	\$ 677.69	\$ 89.27	15.2%	\$ (6.47)
\$ 336,079	\$ 1,242.26	\$ 356,939	6%	\$ 1,275.14	\$ 32.88	2.6%	\$ (12.17)
\$ 490,600	\$ 1,813.30	\$ 511,900	4%	\$ 1,828.73	\$ 15.43	0.9%	\$ (17.45)
\$ 646,700	\$ 2,525.92	\$ 652,100	1%	\$ 2,329.59	\$ (196.33)	-7.8%	\$ (22.23)
\$ 266,325	\$ 984.28	\$ 348,947	31%	\$ 1,246.59	\$ 262.31	26.7%	\$ (11.90)
\$ 685,200	\$ 2,703.70	\$ 694,600	1%	\$ 2,481.42	\$ (222.28)	-8.2%	\$ (23.68)
\$ 437,900	\$ 1,618.54	\$ 520,400	19%	\$ 1,859.10	\$ 240.56	14.9%	\$ (17.74)
\$ 472,400	\$ 1,746.04	\$ 497,800	5%	\$ 1,778.36	\$ 32.32	1.9%	\$ (16.97)
\$ 134,871	\$ 498.60	\$ 186,210	38%	\$ 665.22	\$ 166.62	33.4%	\$ (6.35)
\$ 474,000	\$ 1,751.96	\$ 494,600	4%	\$ 1,766.93	\$ 14.97	0.9%	\$ (16.86)
\$ 424,835	\$ 1,599.35	\$ 458,105	11%	\$ 1,636.56	\$ 37.21	6.5%	\$ (15.62)