

TO: Mayor and City Council

FROM: David Chanski, City Administrator/Clerk

RE: 2024 Draft Preliminary Budget & Levy

DATE: August 15, 2023



The DRAFT 2024 Preliminary Budget for the City of Breezy Point is attached. The proposed DRAFT 2024 Levy as shown below is \$3,163,350. This DRAFT preliminary levy is a \$210,611 (7.1%) increase over 2023.

The full DRAFT 2024 Levy breakdown is as shown below:

	Current 2023	Draft 2024
General Fund Levy	\$2,940,209	\$3,139,700
EDA Levy	\$ 3,530	\$ 3,650
Cemetery Fund Levy	\$ 9,000	\$ 20,000
Debt Service Fund Levy	\$ 0	\$ 0
Total	\$2,952,739	\$3,163,350

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

GENERAL FUND

Revenues

The adjustments received by the majority of 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. Additionally, the PLFD will reimburse the City for 100% of the cost for its 2023 Audit, which will also be managed by the City. The estimated cost for the PLFD's audit is \$5,000.

- 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 Cemetery Fund: The Cemetery Commission approved a \$3,000 increase over previous years to better cover the time the Public Works Department spends on work at the cemetery.

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 for all departments is that wages and benefits increased across the board. This is due to annual employee step increases, 3% Cost of Living Adjustment (COLA), and insurance premium increases. While the City Council is considering increasing wages beyond the planned 3% COLA, such a change is not reflected in the DRAFT budget as a decision has yet to be made.

Additionally, the City Council has discussed hiring of a full-time Planning & Zoning Administrator to replace the current part-time, contract employee. This is also represented in the DRAFT 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.
- Capital Outlay: The vast majority of city records are still paper. Staff would like to be moving toward paperless records. As such, staff is requesting \$5,000 to purchase desktop scanners for all City Hall staff.

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 at the August 1 budget kickoff, 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.
- Auditing & Accounting: Increased to account for the estimated costs of the Pequot Lakes Fire District 2023 audit as well as audit assistance.
- Engineering: Reduced by \$5,000 based on historical actuals and anticipated 2024 expenditures.
- Pequot Lakes Fire District: Increase is primarily to fund the District's new Capital Improvement Plan.
- Transfer to Other Fund: The 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 proposed 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 optional weekend patrols throughout the summer. These extra, optional 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.

- 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 tazers 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.
- Seasonal Wages: moved to the parks budget per the Parks & Recreation Committee recommendation.
- 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 for the time the Public Works Department spends 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 was 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 in and the number of portable restrooms for the disc golf course.
- Capital Outlay: The Parks & Recreation Committee has requested an increase of \$90,000 in capital outlay funds to cover future projects. However, the Committee does not have a specific project planned for 2024 at this time.
- 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

All together, the DRAFT 2024 budget has a general fund budget of \$3,603,700. This is an increase of \$353,585 (10.9%) over 2023. It should be noted that \$275,000 (~78%) 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 DRAFT 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

Most Cemetery Fund revenues are estimated to be roughly the same as those of 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 hire a company to conduct 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

Proposed Capital Fund revenues for 2024 are the same as 2023.

The proposed expenditures in the Capital Fund total \$502,000 and include:

- \$125,000 for an update to the Zoning Code
- \$25,000 for an update to the administrative sections of the City Code
- \$12,000 for the implementation of budget management and transparency software.
- \$280,000 for final design and engineering of Buschmann should the City Council move forward with that project once preliminary design is complete.
- \$60,000 for the development of a streets plan.

Capital Fund revenues are currently projected to exceed expenditures by almost \$290,000. This fund balance is saved for use for future capital projects. This allows the City to pay for significant projects while minimizing impacts to the levy.

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 \$90,000 (24.7%). Just over 35% of this increase is due to increases in wages and benefits. The majority of the remaining increases are due to the needed rehab of wet wells #6 and #7 (\$40,000) and 50% of the proposed budget management and transparency software (\$9,500).

The DRAFT 2024 budget for the Sewer Enterprise Fund shows a projected fund balance of \$25,842. 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 sole anticipated expenditure in the fund is \$25,000 for next steps in the sewer expansion process.

Sewer Capital Project Fund revenues are currently projected to exceed expenditures by almost \$100,000. 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.