



CITY OF
LONG LAKE

City Council Agenda Report

City of Long Lake

450 Virginia Avenue, PO Box 606

Long Lake, MN 55356

MEETING DATE / September 3, 2024

SUBJECT: Discussion of Preliminary 2025 Budget and Levy

Prepared By: Scott Weske, City Administrator

Report Date: 8/27/2024

Recommended City Council Action

Staff recommends the following:

Discuss Preliminary 2025 Budget and Levy and give staff direction

Overview / Background

The preliminary 2025 budget and levy will need to be certified at the September 17 City Council meeting. Once certified, the levy can be decreased from the preliminary amount, but it cannot be increased. The City will also need to establish a date for the annual Truth in Taxation hearing, usually held at the first Council meeting in December to allow time for residents and Council to discuss the final levy and budget prior to final levy adoption at the Council's second meeting in December.

Revenues

Local Government Aid (LGA) for the year 2025 will be \$0.

Expenditures

Employee Wages

A 3% COLA increase is budgeted for all employees, Council may want to think about a larger increase due to the cost of inflation and wages compared to peers.

Salary Allocations:

% of Total	<u>Budget</u>	<u>2025</u>	<u>2024</u>	<u>\$ Change</u>
40.92%	41500 General Fund Admin	\$ 288,328.57	\$ 279,931.00	\$ 8,397.57
16.47%	42280 Fire Dept. Admin	\$ 116,035.94	\$ 112,656.00	\$ 3,379.94
20.55%	43050 Public Works	\$ 144,790.87	\$ 148,250.00	\$ (3,459.13)
8.22%	601 Water Fund	\$ 57,916.35	\$ 59,300.00	\$ (1,383.65)
6.16%	602-Sewer Fund	\$ 43,437.26	\$ 44,475.00	\$ (1,037.74)
6.16%	603-Storm Water Fund	\$ 43,437.26	\$ 44,475.00	\$ (1,037.74)
0.76%	601 Water Fund (ON CALL)	\$ 5,362.71	\$ 6,582.00	\$ (1,219.29)
0.76%	602-Sewer Fund (ON CALL)	\$ 5,362.71	\$ 6,582.00	\$ (1,219.29)
100.00%	TOTAL	\$ 704,672	\$ 702,251.00	\$ 2,420.67

Police Contract

The annual estimated contract fee for 2025 will be \$341,960 resulting in a \$9,888 increase from the 2024 amount.

Fire Department

The budget was decreased \$34,418 which is 4.17%. The City's share is \$102,342 which is a \$7,595 increase.

Health Insurance

Staff is estimating a 10% increase; however, staff will know more in the coming months once plans and rates are provided by carriers. Staff is aware that a change in insurance carriers may be necessary based on expense.

Bond Debt Service

2023 – Estimated \$87,530

Go Bond 2016A - \$46,160

Go Bond 2017A - \$41,370

Final Levy History

	Tax Rate
2016 - \$1,064,579	43.79
2017 - \$1,064,579	39.18
2018 - \$1,064,579	37.15
2019 - \$1,064,579	36.417
2020 - \$1,118,585	36.576
2021 - \$1,232,677	36.58
2022 - \$1,277,908	36.245
2023 - \$1,406,740	33.441
2024 - \$1,577,558	33.441 (Flat)

Proposed Levy Option 1

2025 - \$1,874,024	Tax Rate
	35.9%

Under this scenario, the proposed levy is an increase of \$296,434 or 18.79% which is an increase in the tax rate of 2.5%.

Support for Budget Increase:

\$200,000 for Fire Department legal fees

\$74,000 to transfer into Fire Department Truck Replacement Fund, an additional \$74,000 again in 2026

\$51,500 for City Hall updates and maintenance, such as roof, paint, and siding

\$40,000 for tree removal of dead Ash trees in the City right of way.

Optional Levy Option2

2025 - \$1,745,662	Tax Rate
	33.441 (Flat)

Under this scenario, the proposed levy is an increase of \$188,071 or 9.4% which is no increase in the tax rate.

Current Capital Improvement Needs

\$75,000 Update Holbrook Park skating rinks (manual flooding system is overly labor intensive)

\$150,000 Replace Dexter Park playground equipment

Utilities

Water Fund- Rates will be increased the pre-approved 1.75%

Sewer Fund- Rates will be increased the pre-approved 4%

-Sewer base fee of \$5.50 will be removed

-Customers will not be charged for the first 1,000 gallons

-MCES sewer treatment fees for the city increased \$99,164 or 39.34%. The fees are \$351,225 compared to \$252,061 in 2024.

-Since this is a pass through line item on the utility bill, the proposed MCES base rate will be \$30.48 on bills including apartment units which is an increase of \$29.48 a month.

Storm Fund- Residential increase of \$.50 and Commercial increase of \$5 per acre.

Recycling Fund-Estimated Residential increase of \$.50 but all pending on the results of the awarded contract amount.

IN SUMMARY

While staff understands the economic times everyone is facing, staff recommends either maintain a flat tax rate or a tax rate increase for the following reasons:

- The current fire contract is coming to the end December 31, 2025, the tax levy will need to be increased to provide services to Long Lake residents.
- The Pavement Management Fund is underfunded per the Pavement Management Plan to repair streets.
- Utility Funds are running at a cash deficit and draining cash reserves that will result in tax rate increases in the future.
- Due to inflation, almost all purchases are greatly higher than in past years.

Supporting Information

- 2025 Preliminary Overview All Funds
- 2025 General Fund Budget
- 2025 Fire Department Budget
- 2025 Utility Funds
- 2025 Utility Rate Proposal