



AGENDA

City Council Workshop

Special Workshop

August 31, 2022

5:30 PM

HADLEY CONFERENCE ROOM

5:30 PM 2023 Budget and Capital Improvement Plan (CIP)



COUNCIL MEMORANDUM

To:	Honorable Mayor and City Council
From:	Jason Zimmerman, Finance Director
Date:	August 31, 2022
Subject:	2023 Budget and Capital Improvement Plan (CIP)

BACKGROUND

Tonight's discussion regarding the 2023 budget, capital improvement plan, and property tax levy will be the third meeting in this series of budget planning, which began on July 19, 2022 and was continued on August 4, 2022. Finance staff, along with City Administrator Volkers and the City's department/division heads used the previous meetings to present the 2023 department requested budgets for the General Fund, Enterprise Funds, and Special Revenue Funds and seek council intent and feedback. The levy for Capital Project Funds was also included in these conversations, although the discussion regarding the specific projects for 2023-2027 were not yet considered.

As the budgetary planning process continues, staff has been asked to use the following budgetary principals as a guide:

- Budget decisions to consider and acknowledge both the short and long-term impacts.
- Stabilize revenues and expenditures, and eliminate unanticipated variances.
- Fund operations at a level to provide quality services at a reasonable cost.
- Maintain structural balance and appropriate fund balance levels.
- Consider additional investments when they help achieve City goals and provide a significant return to the community.
- Seek to make a connection between resources and results.

Assumptions and factors impacting the department requested 2023 budget/tax levy include:

- Full implementation of the classification and compensation program, which includes proposed grade/step and cost of living adjustments.
- Contingency for Medical, Dental, Life, and Disability insurance premium increases.
- Reductions in Local Government Aid, Cable Franchise Fees, and Antenna Revenues.
- Software improvements/agreements to modernize budgeting, reporting, permitting, licensing, employee recruitment, utility billing, and meeting agenda creation.
- Reduction of transfers into the General Fund from other funds
- Higher commodity costs (fuel, utilities, road materials, personal protective equipment, etc.) as a result of 8.2 percent inflation from one year ago (*as of July 2022 – Minneapolis-St. Paul-Bloomington area*).
- Prefunding capital improvements and vehicles in lieu of further debt.
- Increased membership/service fees from the City's information management consortium.
- New positions:
 - Three firefighters to complete the transition to a career Fire Department.
 - Full year costs of an addition three firefighters hired in July 2022.
 - A Facility Manager to oversee the maintenance of all City owned properties and consolidate facility work requests to free up staff in police administration and public works parks.
 - A Patrol Officer to help address Oakdale's evolving community policing needs.

- A Public Works Manager hired in early 2022 to oversee the operations and long-term needs of this department.
- A Communications Specialist approved in fall 2021 and hired in spring 2022 to improve the dissemination of City news and business.

Budgetary process changes for 2023 discussed to-date include:

- A new chart of accounts was created in 2022 to provide improved clarity regarding Oakdale's financial performance and operations.
- Consolidating the Summerfest Fund into to the Recreation Department under the General Fund.
- Consolidating the Veteran's Memorial Fund into the Parks Maintenance Department under the General Fund.
- Consolidating the Ambulance Fund into the Fire Department, all now under the General Fund.

The updated draft budget is being presented to continue the dialog about the use of City resources and the alignment of these resources with current initiatives. Because this document is being prepared in August, many assumptions continue to be made based on trends in prior year financial performance. Several factors may impact the final budget, including legislative changes, state mandates, economic shifts, and union negotiations. Assessed values for taxes payable 2023 are not final, but estimated figures have been provided by the Washington County Property Tax Department for preliminary tax calculations.

City Levy

The following preliminary tax calculations are listed below to provide a frame of reference regarding the impact to the median value residential property within the City, as discussed during each of the three 2023 budget workshops. Note the actions taken at previous budget workshop(s) has decreased the estimated tax levy. *As a reminder, assessed values are not final.*

- July 19, 2022 Council Workshop - the requested budget was:
 - A \$16,984,786 tax levy, which is a \$2,641,164 or 18.41% increase from 2022.
 - This represents a 40.91% tax capacity rate, which is a 3.497% increase from 2022.
 - At this levy amount the median residential property in Oakdale (\$315,000), that experienced a 19.2% increase in value, is estimated to see the City share of their property tax bill increase by \$260.93 annually or 26.32% for 2023.
- August 4, 2022 Council Workshop - the requested budget was:
 - A \$16,343,622 tax levy, which is a \$2,000,000 or 13.94% increase from 2022.
 - This represents a 39.145% tax capacity rate, which is a 0.982% decrease from 2022.
 - At this levy amount the median residential property in Oakdale (\$315,000), that experienced a 19.2% increase in value, is estimated to see the City share of their property tax bill increase by \$206.73 annually or 20.85% for 2023.
- August 31, 2022 Council Workshop - requested budget was:
 - A \$16,206,858 tax levy, which is a \$1,863,236 or 12.99% increase from 2022.
 - This represents a 38.768% tax capacity rate, which is a 1.937% decrease from 2022.
 - At this levy amount the median residential property in Oakdale (\$315,000), that experienced a 19.2% increase in value, is estimated to see the City share of their property tax bill increase by \$195.17 annually or 19.68% for 2023.

Direction Requested

With the September 13 City Council meeting set as the target date for the Council to consider passing the preliminary tax levy for 2023, staff would like to hear from the Council on:

- The proposed 2023 budget reductions and strategies.

- The proposed one-time 2023-2027 Capital Improvement Projects.
- What is an appropriate/responsible levy target to support the desired city services for 2023?

Remaining Budget Calendar

- August 31 City Council Work Session:
 - 2023 operating budget finalize proposed 2023
 - 2023 tax levy finalize proposed 2023
 - 2023-2027 Capital Improvement Plan (CIP)
- September 13 City Council Meeting:
 - City Council certifies 2023 Proposed Property Tax Levy and sets the date for the Truth-in-Taxation meeting to adopt the final 2023 Budgets and Property Tax Levy
- Mid-November
 - Proposed Property Tax (Truth in Taxation) notices sent by County to all property owners.
- December 13 City Council Meeting:
 - Finance presents at the annual Truth in Taxation meeting. City Council adopts 2023 Budget, 2023 Tax Levy and 2023-2027 Equipment and Capital Improvement Plan (CIP).

Links

[2023 Department Requested Budget as of August 31, 2022](#)