City of Blaine
City Council Workshop

December 2, 2024 | 5:30 PM
Blaine City Hall
10801 Town Square Drive NE
Blaine, MN 55449

AGENDA

NOTICE OF WORKSHOP MEETING
In accordance with the provisions of Section 3.01 of the Blaine City Charter, a Council Workshop meeting is scheduled for the following purpose:

1. Call to Order

2. Roll Call

3. New Business

3.1. 2024-575 Closed Session Pursuant to Minnesota Statute 13D.05, Subd. 3(a) - City Manager Performance Review
Sponsors: Scott Johnson, Director of Administrative Services

3.2. 2024-572 2025 General Fund Budget and City Property Tax Levy
Sponsors: Jason Zimmerman, Finance Director

4. Other Business

5. Adjournment

City of Blaine
Staff Report

File Number: 2024-575

Agenda Date	Status
December 2, 2024	
In Control	**File Type**
City Council	Workshop Item

New Business - Scott Johnson, Director of Administrative Services

Agenda Item # 3.1

Closed Session Pursuant to Minnesota Statute 13D.05, Subd. 3(a) - City Manager Performance Review

Background

City Council will begin their annual performance evaluation for City Manager Wolfe.

Staff Recommendation

Questions for Council

Attachment List

None

City of Blaine
Staff Report

File Number: 2024-572

Agenda Date	Status
December 2, 2024	
In Control	**File Type**
City Council	Workshop Item

New Business - Jason Zimmerman, Finance Director

Agenda Item # 3.2

2025 General Fund Budget and City Property Tax Levy

Background

To begin the 2025 budget and property tax levy setting process, Council members were invited to participate in two rounds of small group discussions between May 13-29 and July 16-23. The first round of meetings centered around known changes and assumptions based on recent trend data. The second round of meetings was conducted after departments submitted their baseline budgets, with the direction to hold existing services flat.

At the July 15 City Council Workshop, staff provided a long-term staffing plan, including an overview of each department's functional responsibilities, current service levels, historical staffing, long-range direction, operational considerations, and future staffing requests. The future staffing requests were reviewed by the City Manager with a focus on correlating requests to the City's strategic plan, identifying expected outcomes, and measuring community impact.

At the August 19 City Council Workshop, staff presented information on the 2025 General Fund budget, including a baseline budget, levy assumptions, levy components, levy scenarios, and preliminary tax levy options, which ranged from a 15.24 percent to 18.26 percent increase from the 2024 levy. During the budget process, staff was asked to adhere to the following principals as a guide:

- Evaluate and acknowledge both the short and long-term impacts of all budgetary decisions
- Stabilize revenues and expenditures, and eliminate unanticipated variances
- Fund operations at a level to provide quality services at a reasonable cost
- Preserve structural balance and appropriate fund balance levels to mitigate future risks
- 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

At the September 4 City Council Workshop, staff provided additional information on the General Fund budget, which included a 2025 tax levy of $50,248,907 or 17.1 percent increase from the 2024 levy. The flexibility provided at this preliminary levy target was intended to provide the Council with an opportunity to gather more information regarding potential investment in additional staff and programming before the final levy is set in December. This additional capacity will also serve to be useful as the City has yet to issue bonds for the 2024 pavement management program and acquisition of capital equipment, and while the anticipated levy was set with existing market conditions in mind, it is subject to change prior to the anticipated sale date in November.

On September 16, Council formally adopted the 2025 proposed property tax levy at $50,248,907, which represents a 17.1 percent increase from the 2024 levy and set the 2025 Truth-in-Taxation meeting for 7:00 p.m. on Monday, December 16, 2024. As a reminder, the final levy that must be adopted in December may not exceed the proposed levy. Significant assumptions and factors impacted the General Fund budget/2025 preliminary property tax levy:

- Removal of one-time expenditures and revenues from the 2024 budget to the 2025 budget
- No new initiatives or programs not already provided for within the 2024 budget
- Proposed progression through the City's compensation plan for union and non-union employees as well as a three percent cost of living adjustment
- Increased contributions to full-time benefit eligible employees' insurance coverage/cafeteria plan
- Funding to further address the operation of the City's internal service functions, including Workers' Compensation, Self-Insurance, and Facility Funds
- Inflationary impacts on commodities, supplies, and professional services
- Additional capital levy to assist in pre-funding capital equipment to reduce future debt requirements
- Increased debt service levy to support the City's street improvement program.
- Implementation of an Enterprise Asset Management System (EAMS) to improve management of resources, coordination of work, and community responsiveness
- Bonding in 2024 to finance transportation improvements and capital equipment purchases; new tax levy in 2025 to support debt service

At the November 13 City Council Workshop, staff presented the City Council with two budget scenarios. The base option, which was previously noted as "scenario 1" when establishing the preliminary levy, represents staff's best effort to prepare a budget and tax levy that provides for the ability to fund all current operating obligations while making historic progress in pre-funding specific capital items including parks, trails, and capital equipment. The maximum option, consistent with the funding available through the preliminary levy, builds on the base option and dedicates an additional $800,000 to Police, Public Works, and Building Inspections to provide for additional services as prioritized by the City Manager, consistent with the City's strategic plan. With no consensus provided in November, staff is seeking informal direction from the Council in order to prepare for the December 16 truth-in-taxation meeting.

<u>2025 General Fund budget / Preliminary Property Tax Levy:</u>
Finance staff worked with the City Manager to review budget submissions with a focus on connecting requests to the City’s strategic plan, identifying expected outcomes, and measuring community impact.

Throughout the budget and levy setting process, staff has worked to align Council priorities with available financial resources to provide property owners, residents, and visitors with quality City services at a responsible tax level. In creating the 2025 baseline budget, staff began with the 2024 adopted levy on the premise that those service levels were to be maintained, then identified additional investments needed to appropriately fund current services, advance the City's pavement management program, and increase the dedicated levy for pre-funding the acquisition of core capital equipment. The proposed property tax levy better positions the City for long-term financial sustainability, in reducing future debt, supporting the five-year capital improvement plan, and providing flexibility to respond to the evolving needs of the community.

Category	Description	Amount	Levy Impact	Levy
2024 Adopted Levy		-	-	$42,909,600
Personnel	City-Wide Steps/Cafeteria Plan/COLA	$1,524,000	3.55%	$44,433,600
Internal Service Fund	Self-Insurance/Work Comp/Facilities	$782,300	1.83%	$45,215,900
Operational	Commodities/Services	$863,840	2.01%	$46,079,740
Operational	Internal Chargeback - Reduce Engineering Charges	$250,000	0.58%	$46,329,740
Operational	Miscellaneous Revenue Increase	$(278,100)	-0.65%	$46,051,640
City Charter Requirement	Safe Margin	$82,880	0.19%	$46,134,520
Capital	Pre-funding - PMP/Equipment/Parks/SBM	$1,619,752	3.77%	$47,754,192
Debt Service	Debt Levy	$1,1894,435	2.78%	$48,943,707
Debt Service	105th Abatement	$505,200	1.18%	$49,448,907
2025 Baseline Levy		$6,539,307	15.24%	$49,448,907

Between the baseline and the proposed (maximum) tax levy is approximately 1.86 percent or $800,000 of funding. As noted, this contingency was authorized to gather more information regarding potential investment in additional staff and programming before the final levy is set in December. This additional capacity was also established as the City has yet to issue bonds for the 2024 pavement management program and acquisition of capital equipment, which may require a greater tax levy than currently modeled.

Assuming the levy currently incorporated for the 2024 bonds is sufficient to meet the City's debt covenants, the following table is a prioritized list of the City Manager's requested allocation of funding, with focus on maintaining public safety, investing in forestry management, and commitment to customer service.

Category	Description	Amount	Levy Impact	Levy
2025 Baseline Levy		-	15.24%	$49,448,907
Personnel	Police Officer - 1.0 FTE	$153,000	0.36%	$49,601,907
Personnel	Police Officer - 1.0 FTE	$153,000	0.36%	$49,754,907

Personnel	Forester - 1.0 FTE	$143,566	0.33%	$49,898,473
Personnel	Commercial Building Inspector - 1.0 FTE	$132,974	0.30%	$50,031,447
Personnel	Parks and Recreation Receptionist (MAYC) - 0.5 FTE	$38,630	0.09%	$50,070,077
Personnel	Public Works Seasonal	$98,830	0.23%	$50,168,907
Operational	SWAT Expense - Anoka County Sheriffs Office	$24,000	0.06%	$50,192,907
Operational	CSO Squad Cameras - Jail Transports	$6,000	0.01%	$50,198,907
Operational	Vehicle Maint Costs - Aging units, advanced electronics/emissions, specialized equip	$50,000	0.12%	$50,248,907
2025 Maximum Levy		$800,000	17.10%	$50,248,907

A copy of the presentation will be attached before noon on the day of the meeting.

Staff Recommendation

Staff is requesting a consensus from Council on a levy target to allow ample time to prepare materials for the December 16 Truth-in-Taxation meeting.

Questions for Council

Is there a consensus regarding the appropriate City property tax levy for 2025? As a reminder, the final tax levy adopted in December may not exceed the preliminary levy set in September.

Is any further information needed before adopting the final 2025 General Fund budget and City property tax levy in December?

Attachment List

1. Proposed 2025 Property Tax Levy - Exhibit A
2. Proposed 2025 Property Tax Levy - Exhibit B

City of Blaine, Minnesota					
Exhibit A					
2025 Property Tax Levy - Summary					
Levy Item	**Fund**	**2024 Final Levy**	**2025 Proposed Levy**	**Total Change From '24**	**Percent Change From '24**
	General Fund	$ 36,385,585	$ 36,385,585		
1	City-Wide Steps/Cafeteria Plan/COLA	-	1,524,000		
2	Self-Insurance	-	297,300		
3	Workers Compensation	-	350,000		
4	Facilities Fund Internal Service Charges	-	135,000		
5	Commodities/Services (non itemized)	-	678,190		
6	Striping & Signal Repair	-	68,000		
7	GIS Software (ESRI & Azure) Existing Cost	-	53,000		
8	Civil & Criminal Legal Fees	-	38,500		
9	SeeClickFix Integration with Cartegraph	-	30,000		
10	Park Shelter Entry Doors	-	30,000		
11	Beach Dock Replacement	-	30,000		
12	Licensing Revenue Errors	-	77,500		
13	EAMS	-	80,000		
14	Reduce Engineering Charges for City Projects	-	250,000		
15	2025 Non Election Year	-	(143,850)		
16	Increased Plan Review Fees	-	(175,000)		
17	Misc Revenue Increase	-	(180,600)		
18	Additional Safe Margin - City Charter Requirement	-	82,880		
	Total General Fund	**36,385,585**	**39,610,505**	**3,224,920**	**8.86%**
	Capital				
19	Transportation (Pavement Management)	100,000	250,000		
20	Capital Equipment	100,000	500,000		
21	Parks & Trails	-	500,000		
22	SBM Capital Equipment	-	569,752		
	Total Capital	**200,000**	**1,819,752**	**1,619,752**	**809.88%**
23	**Debt Service**				
	GO Improvement Bonds 2013A	573,615	439,539		
	GO Improvement Bonds 2014A (68a)	91,604	-		
	GO Improvement Bonds 2014A (68b)	93,744	-		
	GO Equipment Capital Note 2016A (NMTV)	-	-		
	GO Improvement Bonds 2016A (71a)	200,443	196,633		
	GO Improvement Bonds 2016A (71b)	166,160	163,892		
	GO Improvement Bonds 2016A (71d)	711,952	707,490		
	GO Taxable Improvement Bonds 2017A	254,153	251,711		
	GO Improvement Bonds 2019A	559,550	555,697		
	GO Capital Improvement Plan Bonds 2019B	490,613	486,938		
	GO Capital Improvement Plan Bonds 2020A	515,200	514,683		
	GO Improvement Bonds 2021A (78A)	465,451	466,088		
	GO Improvement Bonds 2021A (78B)	119,178	110,358		
	GO Improvement Bonds 2022 (79A)	678,442	680,313		
	GO Improvement Bonds 2023A	713,825	715,783		
	GO Equipment Certificates 2023A	690,085	689,325		
	GO Improvement Bonds 2024B	-	800,000		
	GO Equipment Certificates 2024B	-	735,000		
24	105th Ave Tax Abatement Debt Service	-	505,200		
	Debt Service Total	**6,324,015**	**8,018,650**	**1,694,635**	**26.80%**
	Baseline Tax Levy	**42,909,600**	**49,448,907**	**6,539,307**	**15.24%**
25	Police Officer - 1.0 FTE	-	153,000		
25	Police Officer - 1.0 FTE	-	153,000		
26	Forester - 1.0 FTE	-	143,566		
26	Commercial Building Inspector - 1.0 FTE	-	132,974		
26	Parks & Recreation Receptionist (MAYC) - 0.5 FTE	-	38,630		
26	Public Works Seasonal	-	98,830		
27	SWAT Expense - Anoka County Sheriffs Office	-	24,000		
27	CSO Squad Cameras - Jail Transports	-	6,000		
27	Vehicle Maint Costs - Aging units, adv electronics/emissions, specialized equip	-	50,000		
	Proposed Maximum Tax Levy	**$ 42,909,600**	**$ 50,248,907**	**$ 7,339,307**	**17.10%**

City of Blaine, Minnesota			
Exhibit B			
2025 Property Tax Levy - Detail			
Levy Item	**Fund/Category**	**Detail**	**Amount**
1	**City-Wide Steps/Cafeteria Plan/COLA**	New positions NOT included Step progression/unsettled contracts assumed 3% Cafeteria Plan - assumed $600/year increase (same as previous years)	$ 1,524,000
2	**Self Insurance**	Current funding $682,700; 2023/2024 Premium $700,000; Deductible $200,000 2024/2025 Premium $755,000 for Standard and MEL premium: July 15 to July 15 Ending 2023: Cash $440,151; Net Position $10,000 $100k deductible per occurrence/$200k standard aggregate/$4MM MEL aggregate No current/proposed funding for new vehicle/equipment replacement (residual vs new)	297,300
3	**Workers Compensation**	Current funding $1,520,000; 2023/2024 Premium $1,232,000 2024 Retro-Premium $(281,825); 2023 Audit Adjustment $(263,640) 2024/2025 Premium $1,358,794; July 15 to July 15 2024/2025 Standard Policy; $10,000 deductible per Occurrence Ending 2023: Cash $(30,000); Net Position $(30,000)	350,000
4	**Facilities Fund Internal Service Charges**	Assumes 10.3% increase year over year	135,000
5	**Commodities/Services (Non Itemized)**	28% of General Fund expenditures Figure Represents 7% increase for 2025 (items 5-11); Excluding EAMS Historical increases: 18% for 2022 Actuals; 10% for 2023 Actuals; 14% for 2024 Budget	678,190
6	**Striping & Signal Repair**	Typically paint 2-4 signals annually; obligated to paint as outlined in JPA with MnDOT/ACHD Streets are striped to keep the reflectivity at minimum standard in accordance with state statute	68,000
7	**GIS Software**	ESRI & Azure; increase needed based on usage and number of users	53,000
8	**Civil & Criminal Legal Fees**	Approved rate increase per 2024 contract and additional utilization	38,500
9	**SeeClickFix Integration**	Quoted price to provide integration between SeeClickFix and Cartegraph (EAMS)	30,000
10	**Park Shelter Entry Doors**	Replacement of doors and frames at Happy Acers & Aurelia Park; original to structures	30,000
11	**Beach Dock Replacement**	This dock is original to the beach; is becoming a concern due to safety hazards	30,000
12	**Licensing Revenue Errors**	Business & Liquor license budget error in 2024 2025 budget consistent anticipated 2024 actual revenue	77,500
13	**EAMS**	Asset Management System: projected annual license costs	80,000
14	**Engineering Fees**	Engineering staff track their time spent on City projects then charge this time back to the associated project account (capital project or utility fund) In addition to the administrative time spent, most of the projects this time is allocated to are funded through debt The current revenue budget for this activity in the General Fund is $750,000; recommending a 3-year timeline to eliminate this chargeback	250,000
15	**2025 Non Election Year**	2025 is a non-election year; costs fluctuate accordingly	(143,850)
16	**Increased Plan Review Fees**	Consistent with anticipated development	(175,000)
17	**Misc. Revenue Increase**	Various anticipated revenues not individually identified	(180,600)
18	**Additional Safe Margin**	City safe margin to be established in an amount between 1% and 1.5%; the adjustment brings the 2025 safe margin to $400,000, City Charter Requirement	82,880

City of Blaine, Minnesota			
Exhibit B			
2025 Property Tax Levy - Detail			
Levy Item	**Fund/Category**	**Detail**	**Amount**
19	**Transportation (PMP)**	Crack sealing program; 2024-2028 CIP increased funding from $100k to $250k in 2025	150,000
20	**Capital Equipment**	Lack of prefunding capital needs may impact credit rating	400,000
21	**Parks & Trails**	2024 levy eliminated; used strategic priority funds; proposed to refund in 2025	500,000
22	**SBM Capital Equipment**	2024 capital contribution; not previously included in levy; assumes no increase from 2024	569,752
-	**Compensated Absences**	2018-2023: Funding $914,540; Payouts $1,380,202; total shortfall $465,662	-
		Ending 2023 cash balance was $1,330,000	
23	**Debt Service**	Main funding source for Capital Projects	1,189,435
		Assumes 25% of all improvements will be assessed for the 2024 Transportation projects	
		Assumes current interest rate environment at time of sale for 2024 projects	
		No buffer for assessment/interest rate changes related to 2024 bonding	
24	**105th Ave Tax Abatement Bond - 2024A**	Intended to be funded by values generated by new development	505,200
		TOTAL BASELINE TAX LEVY	**6,539,307**
25	**Two Police Officers**	Two Additional Police Officers $47.49/hr. $99,159/yr.	306,000
		Taxes/Benefits $47,553/each	
		Gear/Equipment $6,000/each	
26	**Three Additional FTE**	Details provided in agenda item/presentation	450,000
27	**Operational Requests**	Details provided in agenda item/presentation	44,000
		TOTAL PROPOSED MAXIMUM TAX LEVY	**7,339,307**