



CITY OF LE SUEUR
REQUEST FOR COUNCIL ACTION

TO: Mayor and City Council

FROM: Joe Roby, Finance Director
Jasper Kruggel, City Administrator

SUBJECT: Approve 2022 Proposed Final General Fund and EDA Levy

DATE: For the City Council meeting of December 13, 2021

PURPOSE/ACTION REQUESTED

Enclosed is the 2022 proposed final budget as prepared by city staff. A final budget and tax levy will be approved and certified with the County before December 28, 2021. As you are aware, the construction of the City's budget is a year-long process which includes Mayor, City Council, staff, and budget work sessions, culminating with a final document to be approved by City Council.

SUMMARY

Key items in this year's budget:

- Overall City-wide levy increased by 17.39 percent. The increase in the levy relates primarily to the items listed below:
- Tax Abatement Fund
 - Increased funding to contribute to the Highway 169 Corridor Tax Abatement that was developed in 2006 but was not properly funded until 2021. The proposed 2022 budget includes a \$15,000 annual increase in levy dollars to continue back-funding this abatement.
- Wages and benefits
 - Increase in wages and benefits based on contract negotiations that occurred in 2020/2021 that were not fully implemented in the 2021 budget but are now fully recognized in the 2022 budget.
 - Pay Scale is being adjusted 5.5% as a market rate adjustment for the minimum and maximum salary in each grade. This is not a salary change for any employee. Rather, this is a pay range adjustment to remain competitive within the market based on the Compensation and Class study completed and approved on November 12, 2019.
- General Fund Expenses
 - Between October 2020 and October 2021, the Consumer Price Index (CPI) increased by 6.2%, the largest 12-month increase since November 1990. Municipalities are not immune to market changes such as this, and prices for goods/services purchased by the City in 2022 are expected to increase.
 - Contingency set at \$100,000
 - City will begin charging itself standard utility rates in 2022. Previously, the City

charged discounted “governmental rates” to itself.

- General Fund Revenue
 - Decrease in Miscellaneous Revenue of \$15,000
 - Budgeting for \$ 200,000 in remaining COVID-19 America Rescue Plan Act (ARPA) funding
 - Slight Local Government Aid (LGA) increase of \$8,000
 - CSAH Maintenance Agreement increase of approx. \$6,000

- Community Center
 - Budgeting for a \$60,000 contingency to continue a 10-year plan of paying off this fund's deficit
 - Improved allocation of expenses between various service areas
 - Increase in utility expense as City moves away from discounted “governmental rates”
 - Revenues conservatively estimated based upon slow recovery from COVID-19 membership losses, resulting in increased levy of \$195,171

- Fire
 - Relatively conservative charges for fire protection services revenue estimated for 2022
 - Decrease in overall expenses by 6%

- Airport
 - No material changes noted.

Deadline for certification of final levy

The final levy is to be certified to Le Sueur County no later than five business days following December 20, 2021. This would be December 28, 2021.

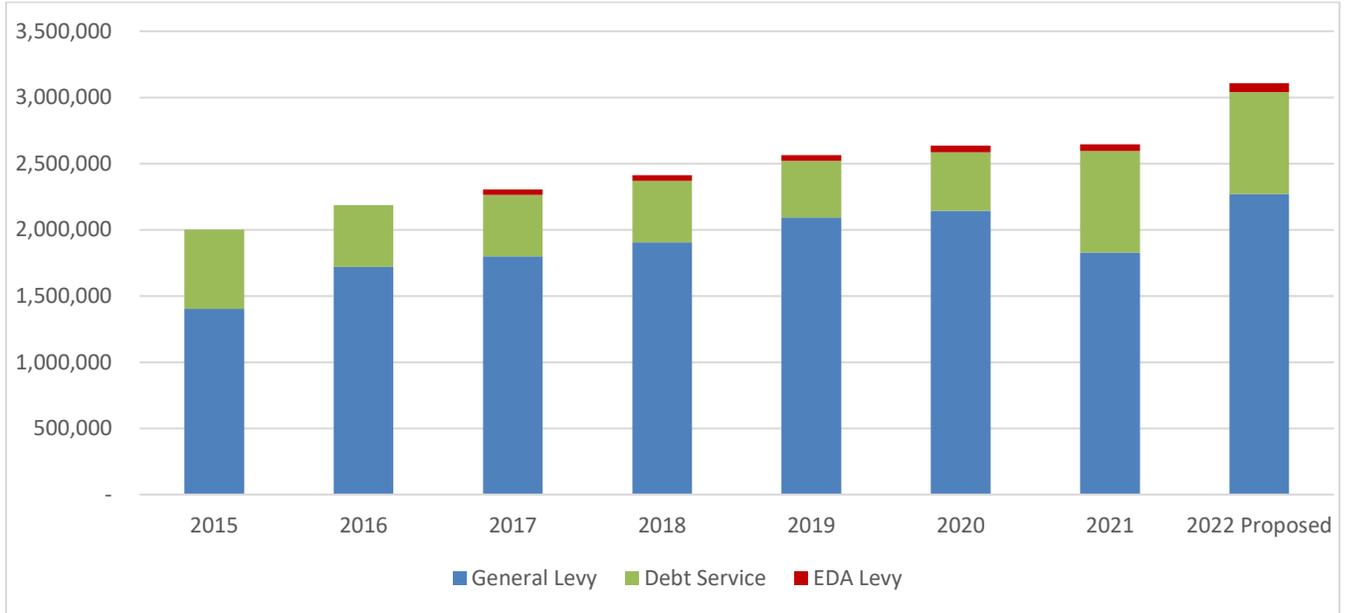
Tax Levy Summary

Overall, the tax levy includes levies for general operations, city infrastructure, debt service, and the EDA. The levy increased by 17.39 percent when compared to 2021. The 2021 budgeted and 2022 proposed tax levies are listed below:

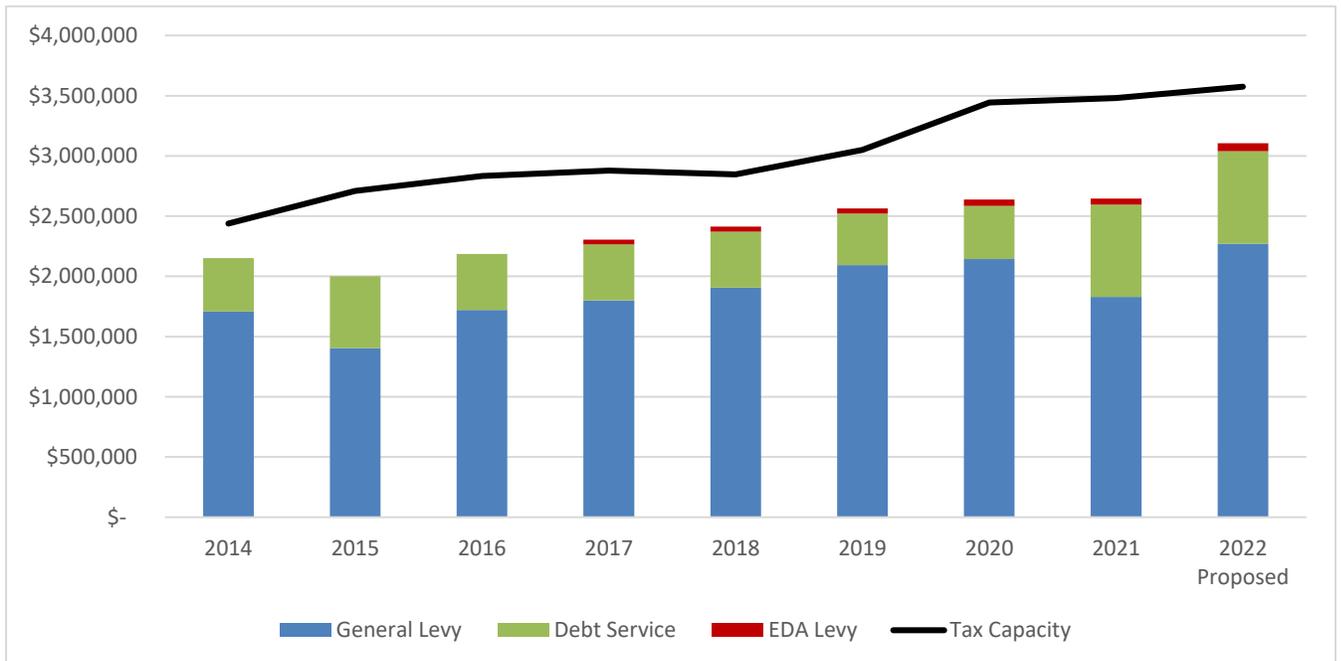
	2021 Budget	2022 Proposed Budget	Increase (Decrease)	% Change
Base Levy				
General Fund	\$ 772,598	\$ 688,903	\$ (83,695)	-10.83%
Community Center	500,550	\$ 695,721	195,171	38.99%
Capital Improvement Plan	341,000	700,000	359,000	105.28%
HWY 169 Abatement	170,000	185,000	15,000	8.82%
Total Base Levy	1,828,148	2,269,624	441,476	21.10%
Debt Service				
2010D GO Capital Improvement	53,000	56,000	3,000	5.66%
2013B GO Street Reconstruction	75,000	79,000	4,000	5.33%
2014B Go Refunding Bonds - Library	70,000	64,000	(6,000)	-8.57%
2017A GO Street Improvement	159,000	162,000	3,000	1.89%
2019 Equipment Lease	240,000	260,308	20,308	8.46%
2021A GO Main St / Water Tower	-	54,704	54,704	100.00%
2014B GO Refunding bonds - fire	95,000	94,000	(1,000)	-1.05%
Total Debt Service Levy	766,000	770,012	4,012	0.94%
Total General Levy	\$ 2,594,148	\$ 3,039,636	\$ 445,488	17.17%
EDA Levy				
EDA General Fund	52,000	66,800	14,800	28.46%
Total EDA Levy	52,000	66,800	14,800	28.46%
Total City Wide Levy	\$ 2,646,148	\$ 3,106,436	\$ 460,288	17.39%

The increase in the 2022 Final Tax Levy can be primarily attributed to the factors listed at the beginning of this memo or in fund statements at end of this memo.

Levy Summary 2015 to 2022 Proposed



Tax Capacity in Relation to Tax Levy Graph



Summary of the City's Tax Capacity

The past four years with comparison to the average percentage change for Le Sueur County is listed below:

Property Type	2017 Pay	2018	2018 Pay	2019	2019 Pay	2020	2020 Pay	2021 (final)	2021 Pay	2022	% Change	\$ Change
Commercial/Industrial	\$	1,130,349	\$	1,184,639	\$	1,177,594	\$	1,199,513	\$	1,194,796	-0.39%	(4,717)
Apartment		206,152		215,675		231,669		231,827		233,138	0.57%	1,311
Residential		1,462,175		1,597,757		1,985,108		2,000,405		2,097,065	4.83%	96,660
Agriculture		25,157		30,404		27,934		27,993		28,214	0.79%	221
Other		22,805		20,099		21,836		19,423		21,038	8.31%	1,615
Total	\$	2,846,638	\$	3,048,574	\$	3,444,141	\$	3,479,161	\$	3,574,251	2.73%	95,090

Estimated Impact on Homeowner Tax Bill

The chart below reflects the estimated impact on a homeowner's tax bill based on an increase in tax capacity and an increase in tax levy. This is an estimate and does not consider factors such as the homestead credit.

CITY OF LE SUEUR IMPACT ON TAX BILL

Value of Home	2021 Actual	2022 Proposed	\$ Increase / (decrease) Annual	2021 Monthly Payable	2022 Monthly Payable	\$ Increase / (decrease) Monthly
\$ 125,000.00	\$ 939.00	\$ 1,073.00	\$ 134.00	\$ 78.25	\$ 89.42	\$ 11.17
\$ 150,000.00	\$ 1,127.00	\$ 1,288.00	\$ 161.00	\$ 93.92	\$ 107.33	\$ 13.42
\$ 200,000.00	\$ 1,502.00	\$ 1,717.00	\$ 215.00	\$ 125.17	\$ 143.08	\$ 17.92
\$ 206,000.00 *	\$ 1,547.00	\$ 1,769.00	\$ 222.00	\$ 128.92	\$ 147.42	\$ 18.50
\$ 250,000.00	\$ 1,878.00	\$ 2,146.00	\$ 268.00	\$ 156.50	\$ 178.83	\$ 22.33
\$ 300,000.00	\$ 2,253.00	\$ 2,576.00	\$ 323.00	\$ 187.75	\$ 214.67	\$ 26.92
\$ 350,000.00	\$ 2,629.00	\$ 3,005.00	\$ 376.00	\$ 219.08	\$ 250.42	\$ 31.33

* Average 2022 home value.

Conclusion

The purpose of the summary overview was to give a high-level perspective of the overall budget. The remainder of this budget document outlines each fund and proposed changes. As a reminder, once the preliminary 2022 levy is set, City Council can decrease the levy but cannot increase it. The preliminary levy was approved on September 13, 2021, and the final levy must be approved and submitted no later than December 28, 2021.

CITY OF LE SUEUR, MINNESOTA
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - SUMMARY
GENERAL FUND
 ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2019-2020, PERIOD TO DATE JUNE 30, 2021 AND
 BUDGET FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2022

	Actual 2019	Actual 2020	YTD Jun-21	Budget 2021	Budget 2022	Percent Change
REVENUES						
Taxes	\$ 760,599	\$ 768,118	\$ 700,484	\$ 772,598	\$ 688,903	-11% (1)
Licenses and permits	103,838	123,712	124,564	98,500	98,500	0%
Intergovernmental	1,134,211	1,898,350	74,987	1,171,797	1,385,719	18% (2)
Charges for services	14,669	23,876	6,862	14,250	10,250	-28% (3)
Fines and forfeits	29,761	26,061	17,828	27,500	27,500	0%
Investment earnings	30,444	7,689	8,036	1,000	1,000	0%
Miscellaneous	130,394	162,150	346,847	105,500	105,500	0%
TOTAL REVENUES	2,203,916	3,009,956	1,279,607	2,191,145	2,317,372	6%
EXPENDITURES						
Mayor and council	32,759	28,960	14,064	34,550	34,180	-1%
Administration	607,113	1,080,930	250,166	338,075	376,852	11% (4)
Accounting	102,503	60,108	29,042	51,630	51,000	-1%
City attorney	10,062	22,466	14,069	15,000	25,000	67% (5)
Planning and zoning	84,949	100,356	42,042	99,760	104,260	5%
Police	1,072,730	1,061,350	478,609	1,086,630	1,147,490	6%
Building inspection	112,458	119,928	54,272	124,330	130,900	5%
Public Works	1,029,200	789,028	301,573	801,490	770,890	-4%
Library utilities	31,001	19,770	9,945	29,680	26,800	-10% (6)
TOTAL EXPENDITURES	3,082,775	3,282,897	1,193,782	2,581,145	2,667,372	3%
EXCESS REVENUES (EXPENDITURES)	(878,858)	(272,942)	85,825	(390,000)	(350,000)	-10%
OTHER FINANCING SOURCES (USES)						
Transfers in	500,000	500,000	250,000	500,000	500,000	0%
TRANSFER OUT	-	(183,999)	(55,000)	(110,000)	(150,000)	36% (7)
TOTAL OTHER FINANCING SOURCES (USES)	500,000	316,001	195,000	390,000	350,000	-10%
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES						
	\$ (378,858)	\$ 43,059	\$ 280,825	\$ -	\$ -	

Explanation of Budget Changes in revenue and expenditures over 10%

- (1) This is a backfilled number based on total revenues and expenditures
- (2) Slight increase in LGA and Highway Grant, plus ARPA funds
- (3) More conservative budget based upon 2021 YTD actuals
- (4) More conservative budget, including increased utility expenses
- (5) Budgeting higher than 2021 due to YTD actuals - planning/zoning + personnel legal services
- (6) Decrease in YtY janitorial services
- (7) Increased IT expenses and Fire Service Assessment YtY

CITY OF LE SUEUR, MINNESOTA
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - SUMMARY
COMMUNITY CENTER - 615
ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2019-2020, PERIOD TO DATE JUNE 30, 2021 AND
BUDGET FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2022

	Actual	Actual	YTD	Budget	Budget	Percent
	2019	2020	June-21	2021	2022	Change
REVENUES						
Taxes	\$ 445,283	\$ 506,043	\$ -	\$ 500,550	\$ 695,721	39% (1)
Charges for services	634,297	318,883	152,694	424,950	311,420	-27% (2)
Miscellaneous	46,006	31,702	2,380	50,000	20,000	-60% (3)
TOTAL REVENUES	1,125,587	856,628	155,074	975,500	1,027,141	5%
EXPENDITURES						
General Facility	1,189,524	805,457	262,541	337,324	316,309	-6%
Fitness Center	-	-	4,595	97,526	123,848	27% (4)
Gym/Raquetball	1,035	-	113	40,855	54,213	33% (4)
Indoor Pool	-	-	-	-	-	0%
Outdoor Pool	96,531	83,062	31,888	138,875	127,103	-8%
Ice Arena	-	2	10,295	91,378	123,833	36% (4)
Programs	-	-	2,775	78,202	96,382	23% (4)
TOTAL EXPENDITURES	1,287,090	888,520	312,207	784,160	841,688	7%
EXCESS REVENUES (EXPENDITURES)	(161,503)	(31,892)	(157,133)	191,340	185,453	-3%
OTHER FINANCING SOURCES (USES)						
Transfers in	-	191,302	-	-	-	0%
TRANSFER OUT	(174,263)	(175,303)	(94,227)	(188,453)	(185,453)	-2%
TOTAL OTHER FINANCING SOURCES (USES)	(174,263)	15,999	(94,227)	(188,453)	(185,453)	-2%
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES						
	\$ (335,766)	\$ (15,893)	\$ (251,359)	\$ 2,887	\$ -	

- (1) This is a backfilled number based on total revenues and expenditures
- (2) Budgeting decrease in YtY budgeted revenue based upon YTD actual
- (3) More conservative budgeting for miscellaneous revenue
- (4) Increases in utility, liability insurances

CITY OF LE SUEUR, MINNESOTA
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - SUMMARY
FIRE - 225
ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2019-2020, PERIOD TO DATE JUNE 30, 2021 AND
BUDGET FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2022

	Actual	Actual	YTD	Budget	Budget	Percent
	2019	2020	June-21	2021	2022	Change
REVENUES						
Intergovernmental	\$ 52,421	\$ 43,971	\$ -	\$ 42,000	\$ 42,000	0%
Charges for services	129,866	169,342	95,657	150,000	140,000	-7%
Miscellaneous	5,823	6,117	101,891	5,000	5,000	0%
TOTAL REVENUES	188,109	219,430	197,548	197,000	187,000	-5%
EXPENDITURES						
Public Safety	99,956	73,933	18,839	102,170	80,570	-21% ⁽¹⁾
Fire fighting	45,975	37,016	16,629	45,400	47,900	6%
Prevention	13,582	3,458	10,795	5,500	9,500	73% ⁽²⁾
Training	14,833	5,275	-	10,500	10,500	0%
Communications	1,661	3,437	591	6,250	6,250	0%
Repair services	6,656	13,504	7,659	19,500	19,500	0%
Other services and charges	9,598	25,176	10,168	14,500	16,500	14% ⁽³⁾
Capital outlay	16,131	3,383	629	3,000	3,000	0%
TOTAL EXPENDITURES	208,392	165,181	65,309	206,820	193,720	-6%
EXCESS REVENUES (EXPENDITURES)	(20,283)	54,249	132,238	(9,820)	(6,720)	-32%
OTHER FINANCING SOURCES (USES)						
Transfers in	-	54,660	10,000	20,000	21,000	5%
TRANSFER OUT	-	-	-	-	-	0%
TOTAL OTHER FINANCING SOURCES (USES)	-	54,660	10,000	20,000	21,000	5%
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (20,283)	\$ 108,909	\$ 142,238	\$ 10,180	\$ 14,280	

- ⁽¹⁾ Decrease in fire pension contribution
- ⁽²⁾ Conservative expense increase in miscellaneous prevention expense
- ⁽³⁾ Increase in utility expense

CITY OF LE SUEUR, MINNESOTA
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - SUMMARY
AIRPORT - 235
 ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2019-2020, PERIOD TO DATE JUNE 30, 2021 AND
 BUDGET FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2022

	Actual	Actual	YTD	Budget	Budget	Percent
	2019	2020	June-21	2021	2022	Change
REVENUES						
Intergovernmental	\$ 15,266	\$ 25,970	\$ 27,711	\$ 20,000	\$ 20,000	0%
Charges for services	55,358	43,269	11,809	44,400	46,400	5%
Miscellaneous	-	-	-	-	-	0%
TOTAL REVENUES	70,624	69,239	39,520	64,400	66,400	3%
EXPENDITURES						
Airport	82,421	63,423	40,460	73,990	74,410	1%
TOTAL EXPENDITURES	82,421	63,423	40,460	73,990	74,410	1%
EXCESS REVENUES (EXPENDITURES)	(11,798)	5,816	(940)	(9,590)	(8,010)	-16%

ACTION REQUESTED

Staff is requesting City Council consider adoption of Resolution R2021-048 – 2022 Proposed Final Levy. Adoption of this resolution would result in a final 2022 levy of \$3,106,436, an increase of 17.39% over the final 2021 levy.

**CITY OF LE SUEUR, MINNESOTA
CITY COUNCIL RESOLUTION R2021-048**

**APPROVING THE 2022 PROPOSED FINAL GENERAL FUND BUDGET
AND 2022 FINAL PROPERTY TAX LEVY**

WHEREAS, the City of Le Sueur is required by State law to approve a resolution setting forth an annual tax levy to the Le Sueur County Auditor; and

WHEREAS, Minnesota Statute require approval of a final property tax levy and preliminary budget with a respective EDA levy on or before December 30th of each year; and

WHEREAS, the City Council has received the proposed budget document;

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL THAT:

CITY OF LE SUEUR 2022 PROPOSED GENERAL REVENUE				
	<u>Actual</u>	<u>Budget</u>	<u>Proposed</u>	<u>Percent</u>
	2020	2021	2022	Change
Taxes	\$ 768,118	\$ 772,598	\$ 688,903	-10.83%
Licenses and permits	\$123,712	98,500	98,500	0.00%
Intergovernmental	\$1,898,350	1,171,797	1,385,719	18.26%
Charges for services	\$23,876	14,250	10,250	-28.07%
Fines and forfeits	\$26,061	27,500	27,500	0.00%
Investment earnings	\$7,689	1,000	1,000	0.00%
Miscellaneous	\$162,150	105,500	105,500	0.00%
Transfer in	\$500,000	500,000	500,000	0.00%
Total Revenue	\$ 3,509,956	\$ 2,691,145	\$ 2,817,372	4.69%

CITY OF LE SUEUR 2022 PROPOSED GENERAL EXPENDITURES				
	<u>Actual</u>	<u>Budget</u>	<u>Proposed</u>	<u>Percent</u>
	2020	2021	2022	Change
General Government	\$ 1,292,821	\$ 539,015	\$ 591,292	9.70%
Public Safety	1,181,278	1,210,960	1,278,390	5.57%
Public Works	789,028	801,490	770,890	-3.82%
Library Utilities	19,770	29,680	26,800	-9.70%
Transfers out	183,999	110,000	150,000	36.36%
Total Expenditures	3,466,897	2,691,145	2,817,372	4.69%

BE IT FURTHER RESOLVED that the City Council of the City of Le Sueur, Le Sueur County, Minnesota, directs the following sums of money be levied for collection in 2022 upon the table property in said City of Le Sueur for the following purposes:

	2021 Budget	2022 Proposed Budget	Increase (Decrease)	% Change
Base Levy				
General Fund	\$ 772,598	\$ 688,903	\$ (83,695)	-10.83%
Community Center	500,550	\$ 695,721	195,171	38.99%
Capital Improvement Plan	341,000	700,000	359,000	105.28%
HWY 169 Abatement	170,000	185,000	15,000	8.82%
Total Base Levy	1,828,148	2,269,624	441,476	21.10%
Debt Service				
2010D GO Capital Improvement	53,000	56,000	3,000	5.66%
2013B GO Street Reconstruction	75,000	79,000	4,000	5.33%
2014B Go Refunding Bonds - Library	70,000	64,000	(6,000)	-8.57%
2017A GO Street Improvement	159,000	162,000	3,000	1.89%
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Total Debt Service Levy	766,000	770,012	4,012	0.94%
Total General Levy	\$ 2,594,148	\$ 3,039,636	\$ 445,488	17.17%
EDA Levy				
EDA General Fund	52,000	66,800	14,800	28.46%
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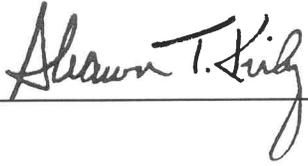
BE IT FURTHER RESOLVED that the Finance Director is hereby authorized and directed to transmit this information to the County Auditor of Le Sueur County, Minnesota and the Minnesota Department of Revenue, if applicable, in the format requested as required by law.

Reviewed for Administration:
December 13th, 2021

Adopted by the City Council



City Administrator



Mayor

ATTEST



City Clerk

VOTE: Y HUNTINGTON Y KIRBY Y KROGMANN
Absent LOOSE N SCHLUETER Y SULLIVAN Y SWANBERG