

City of Credit River

To: Mayor and City Council

From: Dominique Hill, Treasurer
Mark McNeill, Interim City Administrator

Subject: FY 23 Preliminary Budget and Levy

Date: September 19, 2022

Comment:

Introduction:

At its meeting of September 19th, the City Council will be asked to consider adoption of the preliminary levy, and preliminary operating budget for FY 2023.

Background:

In June, the Council approved the establishment of a Budget Committee to review and present recommendations for a preliminary operating budget for the City of Credit River for FY 23. The Budget Committee consisted of Mayor Kostik, Councilor Lawrence, the Treasurer, and the Interim City Administrator.

The City Council met in a work session on August 22nd to consider the Committee's recommendations for the budget. Because of an uncertainty surrounding the receipt of a grant to help fund fire services, the Council then met in another work session on September 7th.

Overview:

The Council has discussed needs and funding sources for the next fiscal year. Additions to Public Safety expenditures account for a significant portion of the increase in the levy for property taxes in FY 23..

Police—Police services are provided to Credit River through an agreement with the Scott County Sheriff's Office. The FY 22 budget funded 40 hours each week of a deputy which is assigned exclusively to Credit River. For FY 23, the Council determined that Credit River will need to provide for additional law enforcement staffing.

In view of that, the FY 23 preliminary budget provides for a second deputy which would be assigned to Credit River. Like the current deputy, that deputy would have a shared workstation in City Hall. *The full cost of this additional deputy is approximately \$190,000.*

Fire—Credit River's Fire protection is provided by the City of Prior Lake. Prior Lake has informed Credit River (and Spring Lake Township, which is the third jurisdiction in this partnership) that it is going to need to add full-time fire fighters to augment the paid on-call staff upon which it has relied for years. Currently, Prior Lake is able to fill only 34 of the authorized strength of 50.

What Prior Lake will do is to add 12 full-time fire fighters, and place those individuals into service on July 1, 2023. The funding formula in place (based on tax base) would mean that Credit River would pick up 18% of the costs.

The original plan was for the 12 new hires to start January 1st. To offset the added costs, the City of Prior Lake applied for a federal SAFER grant which, if successful, will fund 100% of the costs of the additional firefighters for three years. If we are successful, the SAFER grant would fund \$329,000 for 2023. After three years, the grant would expire, and the three jurisdictions would be responsible for the entire cost—some \$566,000.

Unfortunately, news of the grant status has not been announced as of the time of this writing. Therefore, in order to keep the additional costs more manageable, the July 1st start was determined to be a compromise. *This six months' of staffing would add \$133,000 to the FY 23 budget over this year.*

Non-Public Safety Costs—There are several other costs which will increase the budget.

- Staffing—The FY 22 Budget provided for a full-time City Administrator to start this year. Instead, the Council chose to hire an interim City Administrator on an hourly basis to help with the transition to the full-time employee. The FY 23 budget anticipates the full-time Administrator will start May 1, 2023, and therefore provides for 8 months of that salary, plus the benefits (medical insurance, FICA, PERA) normally associated with a full-time employee.

\$20,000 is proposed for a PT Office/worker 15 hours/week, to assist with clerical and financial duties, and other staffing needs.

\$20,000 compensation is provided for salary adjustments to keep pace with market conditions.

Funding of \$20,000 for prorated medical insurance for PT employees, where required.

- City Hall Furnishings/Modifications—Provides \$20,000 for remodeling in the existing City Hall for the full-time Administrator, and Sheriff's Deputies in City Hall for security and privacy needs. It also would fund the replacement of chairs in City Hall, which could be moved into a new facility, once that is provided.
- Professional Services-- \$62,000 is there for the 2023 cost of a professional recruitment firm to seek the new City Administrator; the partial-year continuation of the Interim City Administrator to serve until the FT is hired, plus additional funding for transition and training if needed; and funding for a long term financial study.

- General Maintenance—The budget continues an additional \$10,000 in funding for general maintenance (road grading, snow and ice control, trees, parks, etc).

CIP--This budget provides the following highlights:

- Continuation of the City’s micro-surfacing pavement management program
- Replacement of culverts on 170th and 195th Streets--\$250,000

Other Non-CIP Investments

- Space Needs study, miscellaneous “soft costs”, and preliminary design for a new City Hall--\$100,000
- Area comprehensive Sewer and Water Studies--\$25,000

Budget Impact:

If no changes are made, the estimated certified tax levy would go from the FY 22 tax rate of 15.563%, to 17.28%. That would still be—by far—the lowest rate of taxation for cities in Scott County. For comparison, the most recent year’s (2021) rates are:

Belle Plaine	84.38%
Jordan	73.92
New Prague	51.38
Elko New Market	45.99
Savage	42.25
Shakopee	32.10
Prior Lake	30.27
Credit River	15.70 (proposed 17.28 for 2023)

For the average market value home of \$630,085 in FY 23, it would mean an annual increase of \$274, or \$22.83 per month.

Next Steps

The preliminary budget and levy must be provided to the County by September 30th by means of the attached resolution. The County will then mail notices of the proposed increases to property owners in November. The Council will then take public input at a City Council meeting on December 5th.

It should be noted that the preliminary amount will be the “worst case” scenario—the levy can stay the same or be reduced, but it cannot be increased after it is adopted.

Action Required:

After discussion, the Council should, by motion, approve the following resolution:

A Resolution Adopting a Preliminary Levy and Operating Budget for the City of Credit River, Minnesota, for the Fiscal Year 2023

Dominique Hill,
Treasurer

Mark McNeill
Interim City Administrator