

2024 Budget Presentation



Good News Budget

- Property Tax Decrease
 - Local Government Aid - \$4,367,252 (equivalent to a 10.6% levy increase)
 - Sales Tax Revenue: post-pandemic stability & economic recovery
- Investing in our Organization and our People
 - One-time staff payments
 - One-time investment in capital equipment purchases
- Investing in Streets and Downtown Safety
 - 50 miles in Streets over the next three years
 - Increased Parking Ramp Safety & Cleaning

2024 Proposed General Property Tax Levy

2024 Approved Property Tax Levy

	2023 Approved Levy	2024 Approved Levy	Change In Levy
General Operations Levy			
General Operations	\$ 28,114,076	\$ 28,731,915	\$ 617,839
Provision for Tax Delinquency	\$ 150,000	\$ 150,000	\$ -
Total General Operations Levy	\$ 28,264,076	\$ 28,881,915	\$ 617,839
Supplemental Parks Levy	\$ 280,000	\$ 280,000	\$ -
Capital Projects Levy			
Debt Service	\$ 7,357,600	\$ 7,564,200	\$ 206,600
Infrastructure Permanent Improvements	\$ 280,000	\$ 280,000	\$ -
Total Capital Projects Levy	\$ 7,637,600	\$ 7,844,200	\$ 206,600
Street Light Levy	\$ 2,547,200	\$ 2,547,200	\$ -
Street Maintenance Levy	\$ 2,300,000	\$ 2,300,000	\$ -
Duluth Housing Trust Fund Levy	\$ 292,500	\$ 182,500	\$ (110,000)
Housing Inspector Levy		\$ 110,000	\$ 110,000
Total City Property Tax Levy	\$ 41,321,376	\$ 42,145,815	\$ 824,439
General Operations Levy Increase		\$ 617,839	1.50%
Capital Projects Levy - Capital Equipment needs		\$ 206,600	0.50%
Duluth Housing Trust Fund Levy		\$ (110,000)	-0.27%
Housing Inspector Levy		\$ 110,000	0.27%
2024 City Tax Levy Increase		\$ 824,439	2.00%



Decreasing Taxes: Proposed 2024 City of Duluth Property Tax Levy

\$175,000 Residential	\$ (51)
\$225,000 Residential	\$ (69)
\$275,000 Residential	\$ (87)
\$250,000 Commercial	\$ (136)
\$500,000 Commercial	\$ (295)
\$750,000 Commercial	\$ (454)

*Assumes no change in the assessed property valuation from 2023



Where Does Your Money Go?

City of Duluth Proposed Tax Levy 2024



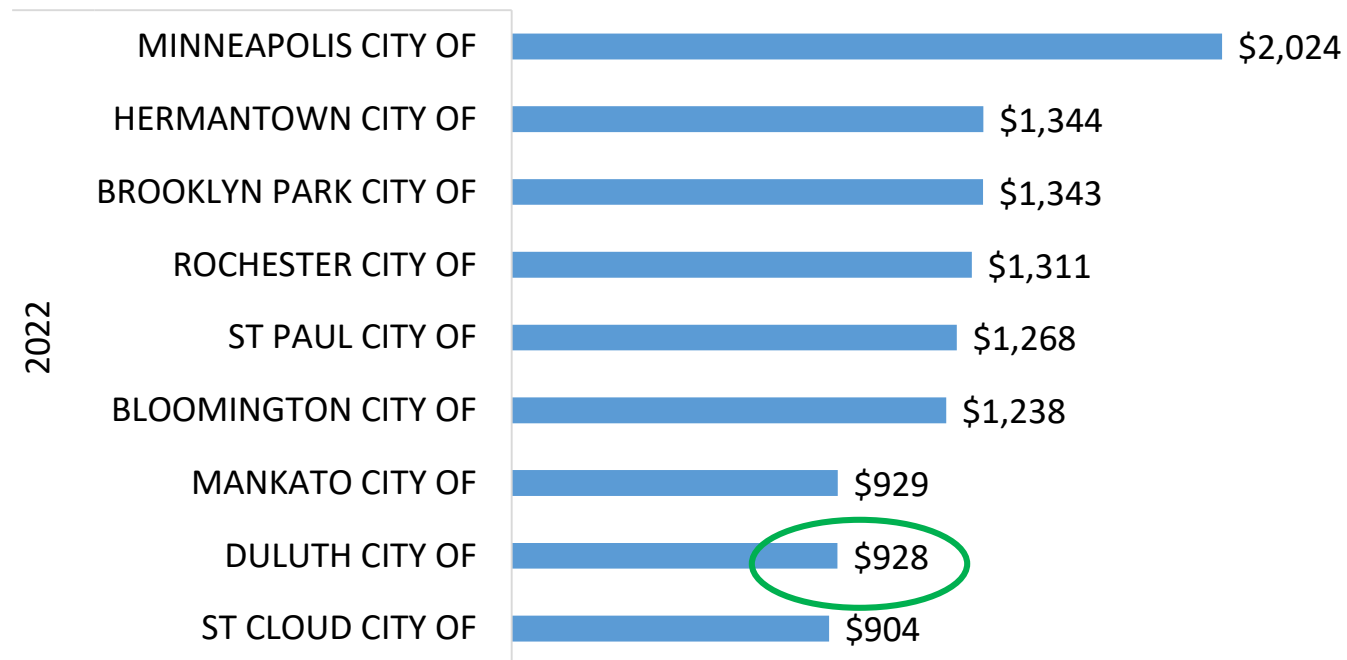
Internal City Services - \$15

Such as:

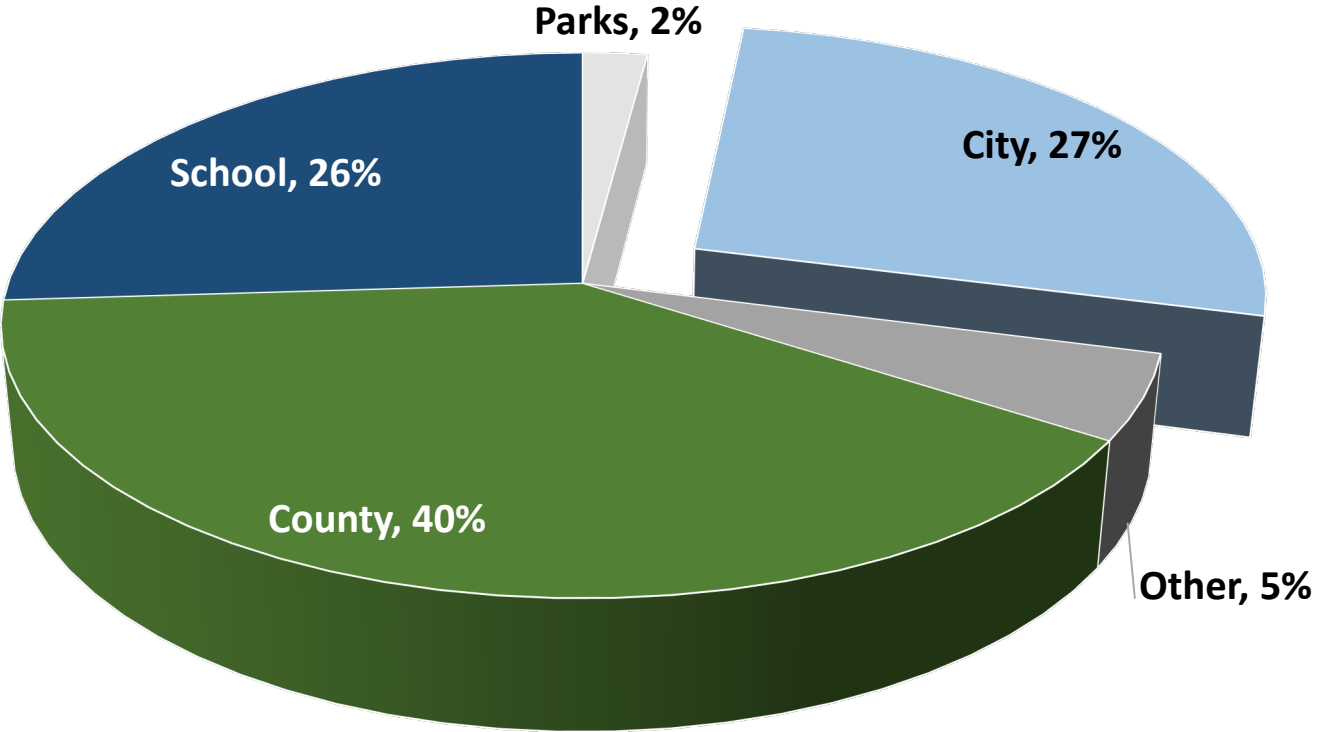
- Attorneys
- Boards & Commissions
- Elections
- Finance
- Human Resources
- Information Technology
- Planning
- City Council

Tax Comparison with Other Cities for 2022

Total City Tax Payment based on Average Residential Home EMV

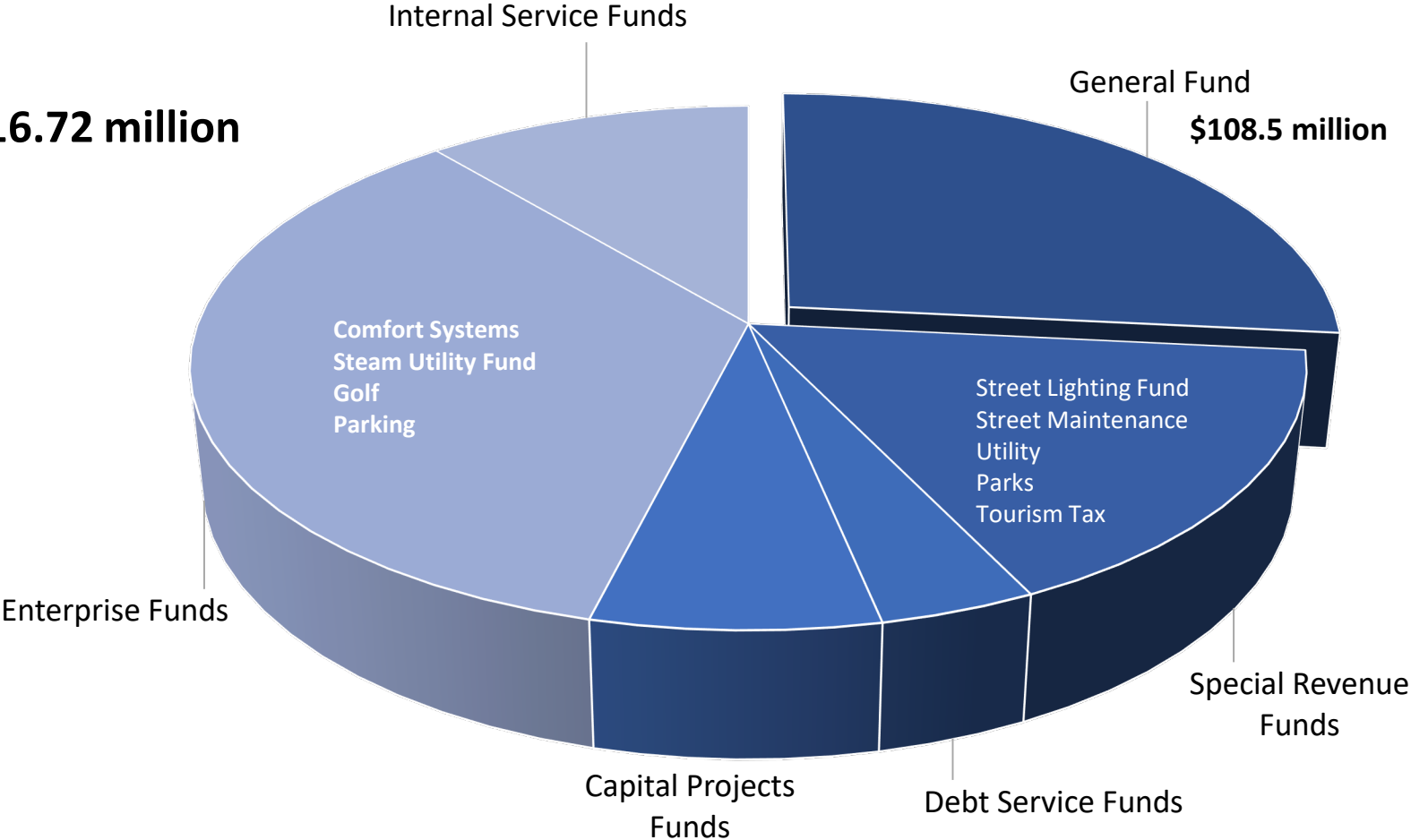


Average Property Tax Bill by Taxing Entity

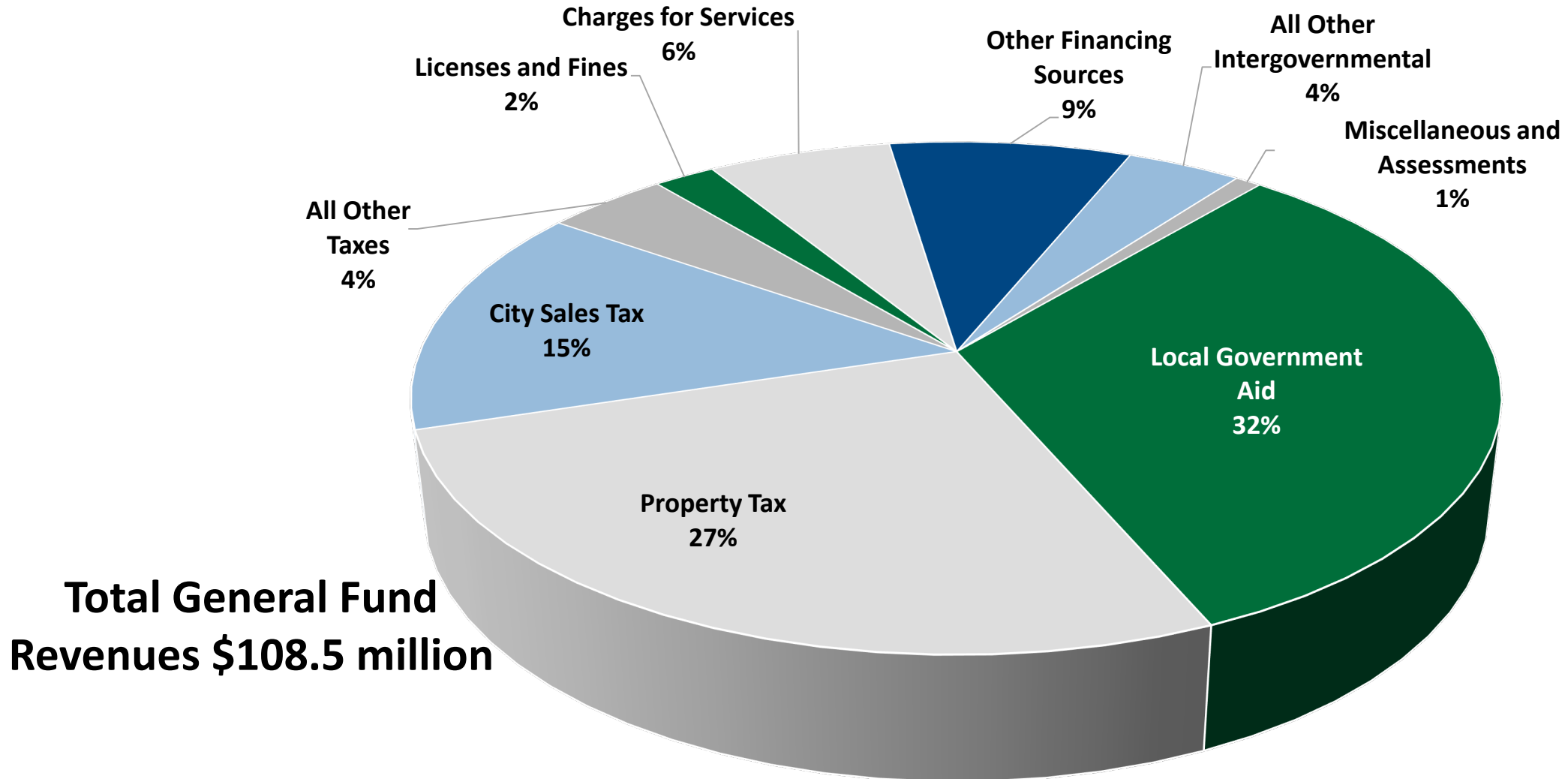


2024 Proposed Budget by Fund Type

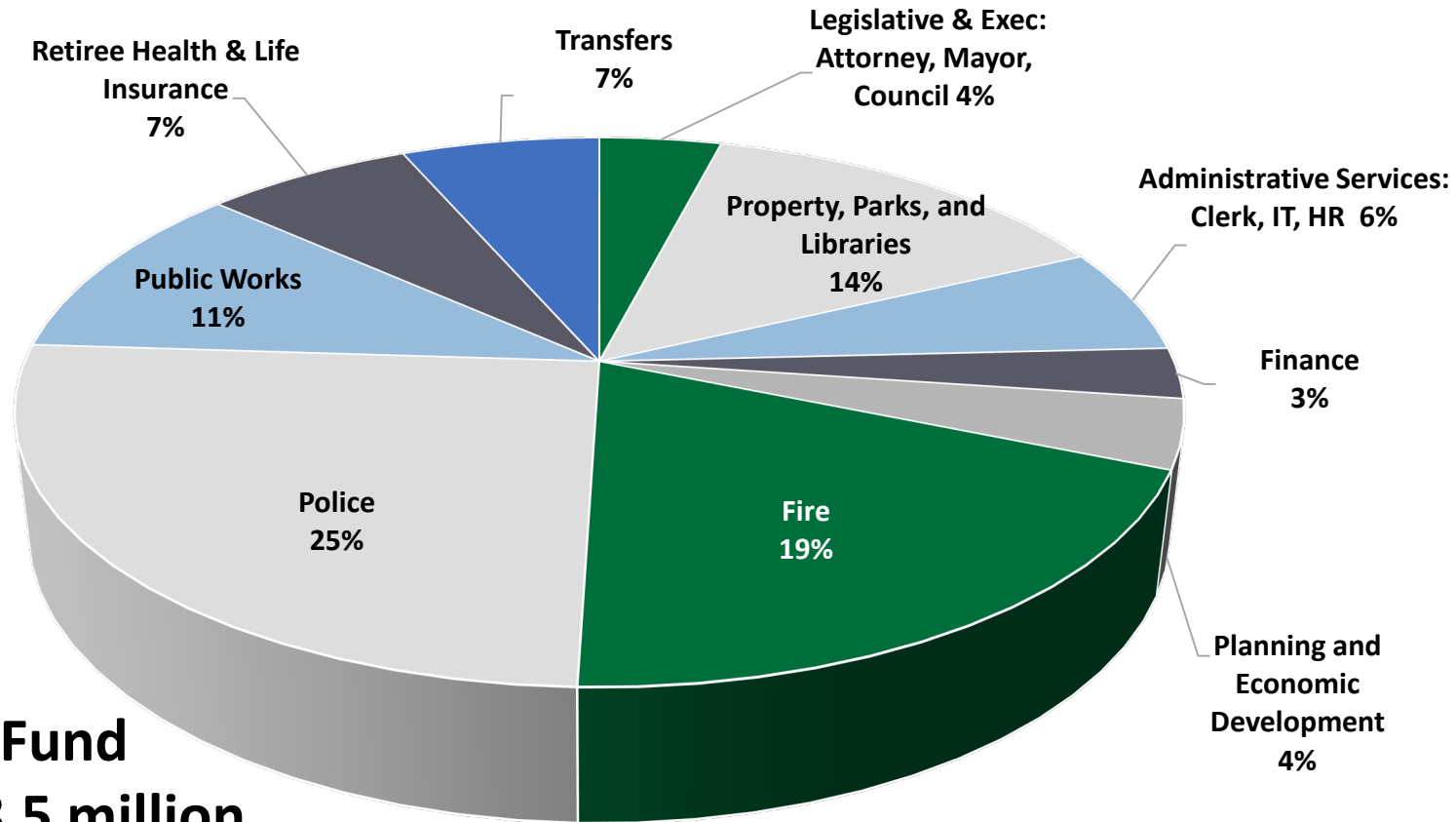
Total Budget \$416.72 million



2024 Proposed General Fund Revenues



2024 Proposed General Fund Expenditures

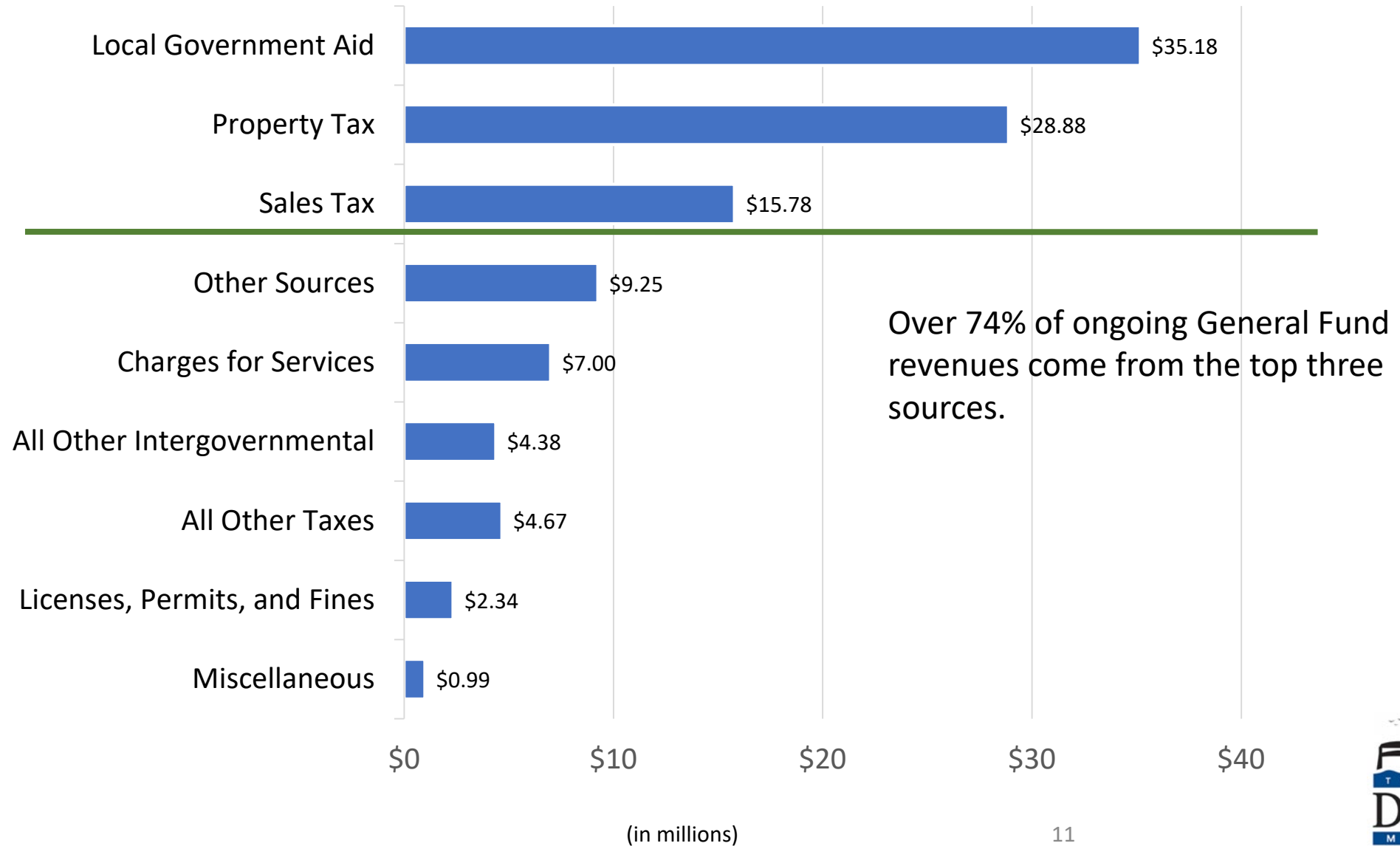


Total General Fund Expenditures \$108.5 million

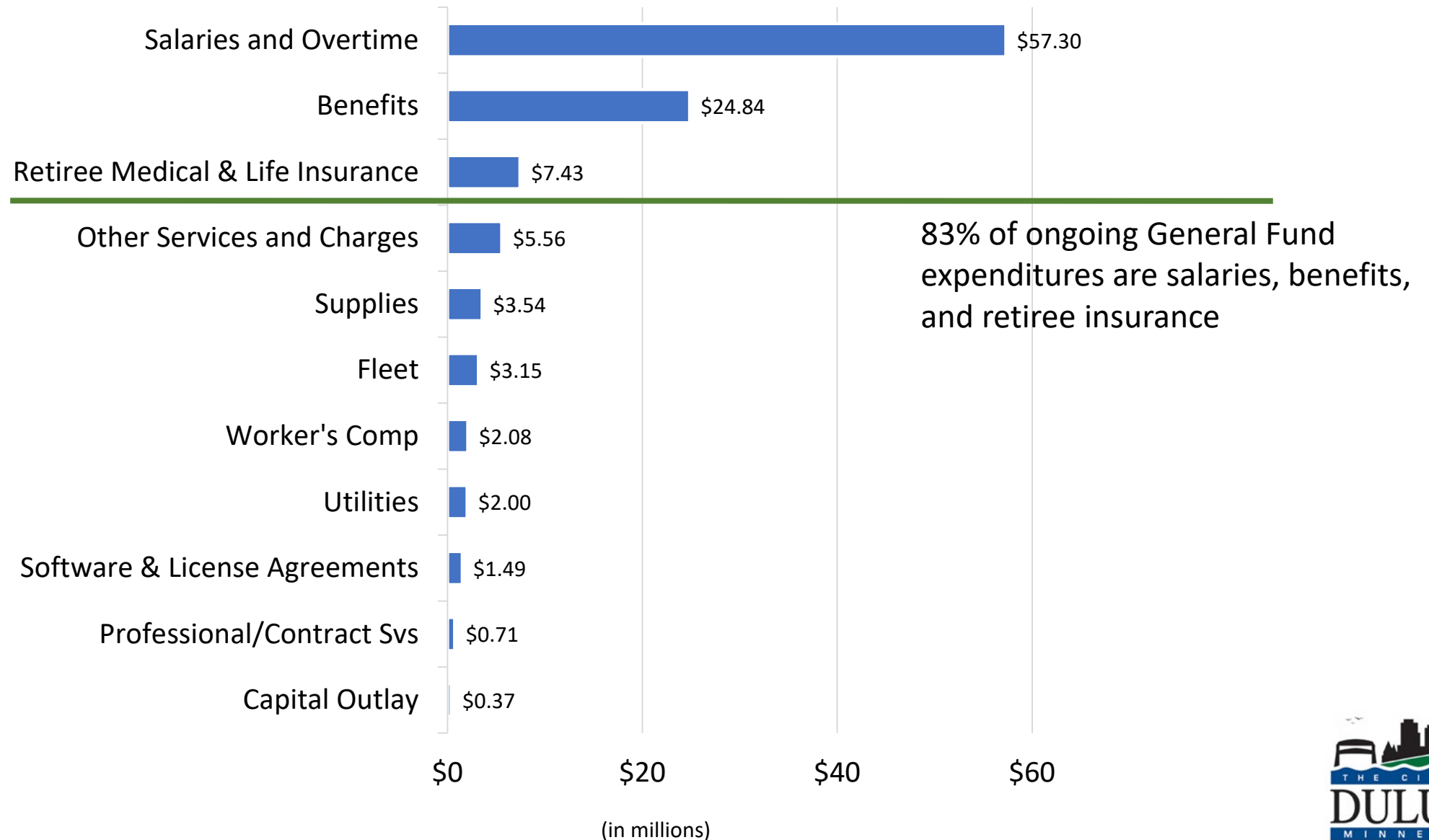
** Includes Director's Office, Street Maintenance and Engineering (Enterprise Fund: Water, Gas, Sewer, Stormwater, Clean Water Surcharge)
** Planning & Economic Development does not include Community Development Block Grant funds



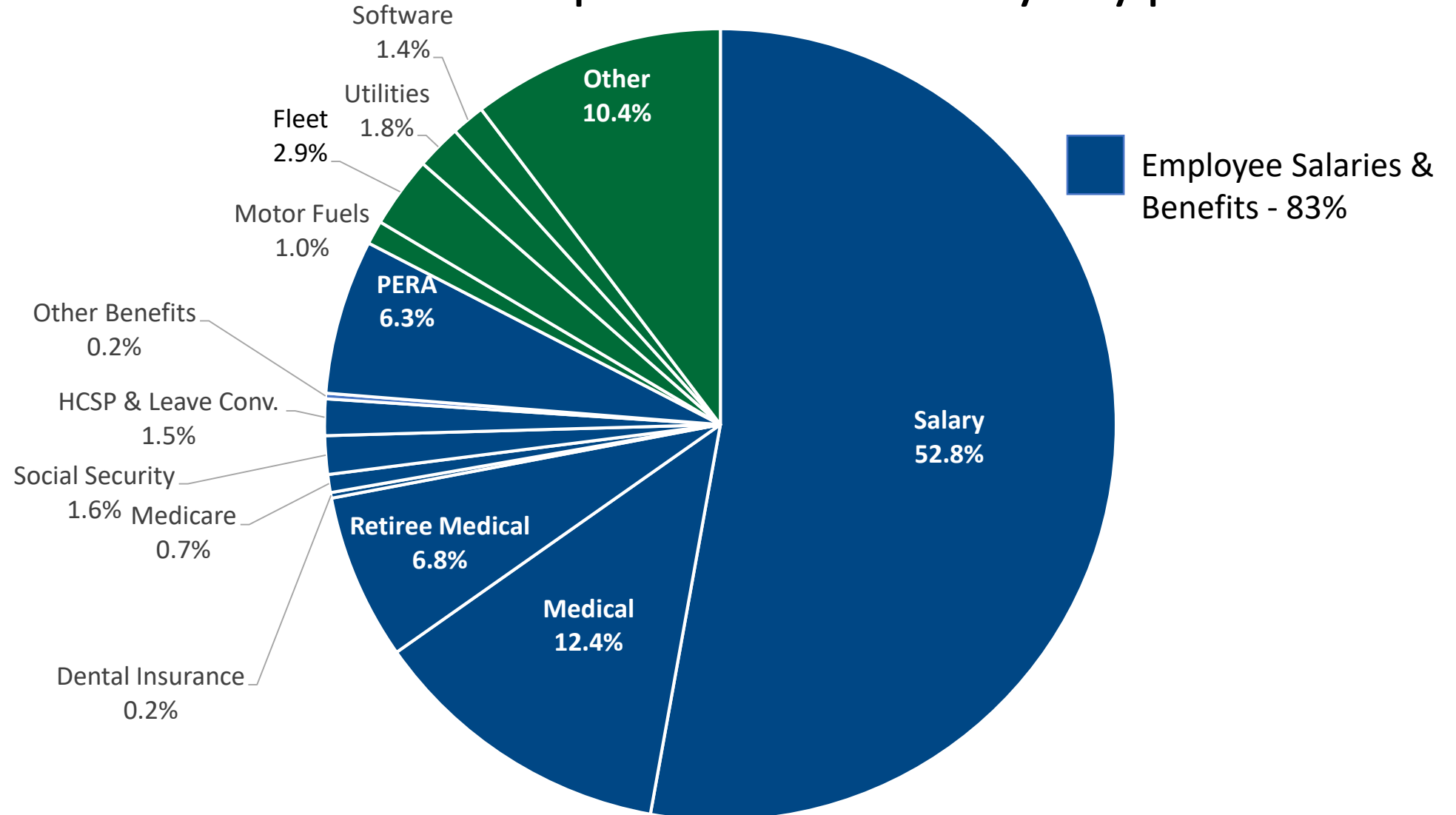
2024 General Fund Revenues by Source



2024 General Fund Budgeted Expenditures by Type



General Fund Expenditures by Type



Investments

Programs	Description	Amount
Public Safety	Housing Inspector	\$ 110,000
City Utility Costs	Utility Increases for 2024	\$ 90,000
Salary and Benefit Increases for positions within Parks Fund	Parks Fund Transfer	\$ 27,000
Federal and State Grant management	Finance position	\$ 126,000
Public Safety	Fire Clothing Allowance	\$ 34,000
Public Safety	Fire Holiday Pay	\$ 85,000
Attorney	Department Software	\$ 20,000
Snow Removal	Gravel/Sand Increases	\$ 50,800
Snow Removal	Add Snow emergency budget	\$ 45,000
Parks & Libraries	Assistant	\$ 115,000
Legislative	Lobbying Increase	\$ 22,000
IT	Citywide Software/Maintenance Costs	\$ 107,525
Data Practices	Clerk Data Practices	\$ 115,000
Lift Bridge	Aerial Lift Bridge Complex Inspection	\$ 11,000
Library	Library Materials & Security	\$ 60,000
Retiree Benefits	Retiree Life Insurance Increase	\$ 34,000
		\$ 1,052,325

2024 Proposed Budget

		2023 Approved Budget	2024 Proposed Budget	Variance 2023 Approved Budget vs 2024 Proposed Budget	
				\$	%
millions	REVENUES				
	Local Government Aid	30.81	35.18	4.37	14.2%
	City Sales and Use Tax	15.00	16.00	1.00	6.7%
	State Sales Tax Administration		(0.22)	(0.22)	0
	Property Tax	28.26	28.88	0.62	2.2%
	Charges for Services	6.49	7.00	0.51	7.8%
	Other Financing Sources	6.44	6.55	0.11	1.6%
	Intergovernmental	4.42	4.38	(0.04)	-0.9%
	Gas Utility in Lieu of Taxes	4.00	2.70	(1.30)	-32.5%
	Minnesota Power Franchise Tax	3.10	3.61	0.51	16.5%
	Licenses and Permits	1.90	2.11	0.21	11.1%
	All Other Taxes	0.91	1.06	0.15	16.8%
	Miscellaneous	0.55	0.55	-	0.0%
	Special Assessments	0.44	0.44	-	0.0%
	Fines and Forfeits	0.30	0.23	(0.07)	-23.3%
	ARPA Operations Funding	0.24	-	(0.24)	-100.0%
	Revenue Totals	102.86	108.47	5.61	5.45%
	EXPENDITURES				
	Salaries and Overtime	52.28	57.30	5.03	9.61%
	Medical Insurance	13.60	13.47	(0.13)	-0.98%
	Benefits	10.89	11.37	0.48	4.40%
	Retiree Medical & Life Insurance	7.40	7.43	0.03	0.45%
	Other Services and Charges	5.77	5.56	(0.21)	-3.64%
	Supplies	3.52	3.54	0.02	0.57%
	Fleet	2.94	3.15	0.21	7.14%
	Worker's Compensation	2.10	2.08	(0.02)	-0.95%
Utilities	1.91	2.00	0.09	4.66%	
Software & License Agreements	1.34	1.49	0.14	10.71%	
Professional Svs/Contracts	0.80	0.71	(0.09)	-11.57%	
Capital Outlay	0.31	0.37	0.06	19.35%	
Expenditure Totals	102.86	108.47	5.61	5.45%	



One-Time Funds:

Investing in our Organization, People, Streets & Safety

2024 Recommendation: One-Time Investments

1. Investing in Our Organization

- Equipment - \$4.5M (General Fund Reserves)
- Enger Irrigation - \$500K(General Fund Reserves)

3. Investing in Our Streets

- \$4M (General Fund Reserves)
- \$2M (Prior Years Street Sales Tax)
- \$8M (2024 Street Sales tax)
- This “bump” allows us to approach 50 miles in three years:
 - 18.43 miles in 2024
 - 14.56 miles in 2025
 - 14.66 miles in 2026

2. In of Our People

- \$200K to assist with **one-time payments to staff** (in addition to \$1.6M in LGA) for a total of \$1.8M
- Investment in restoring critical positions

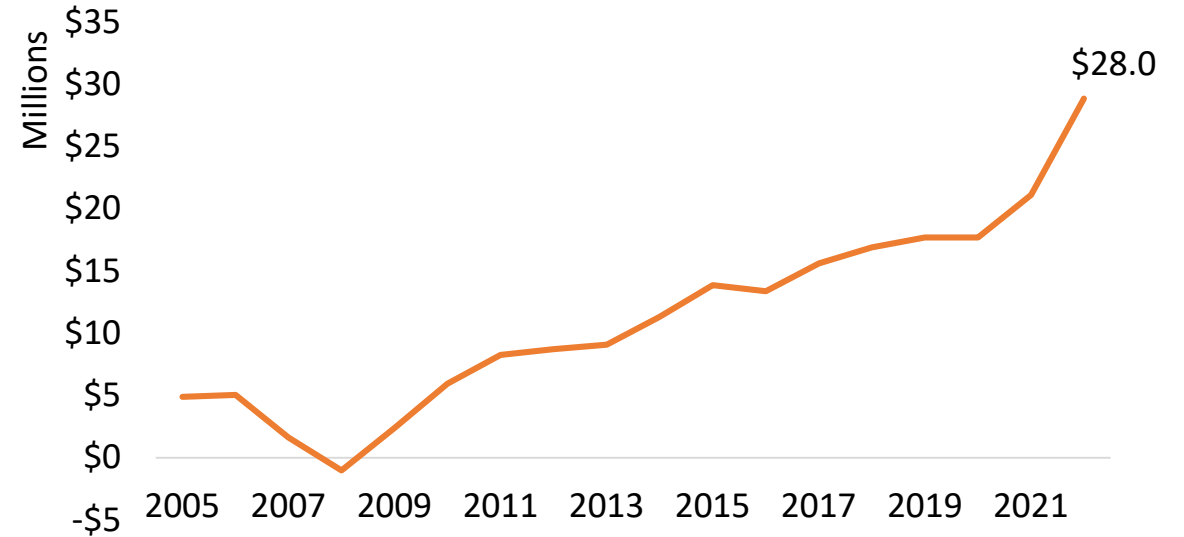
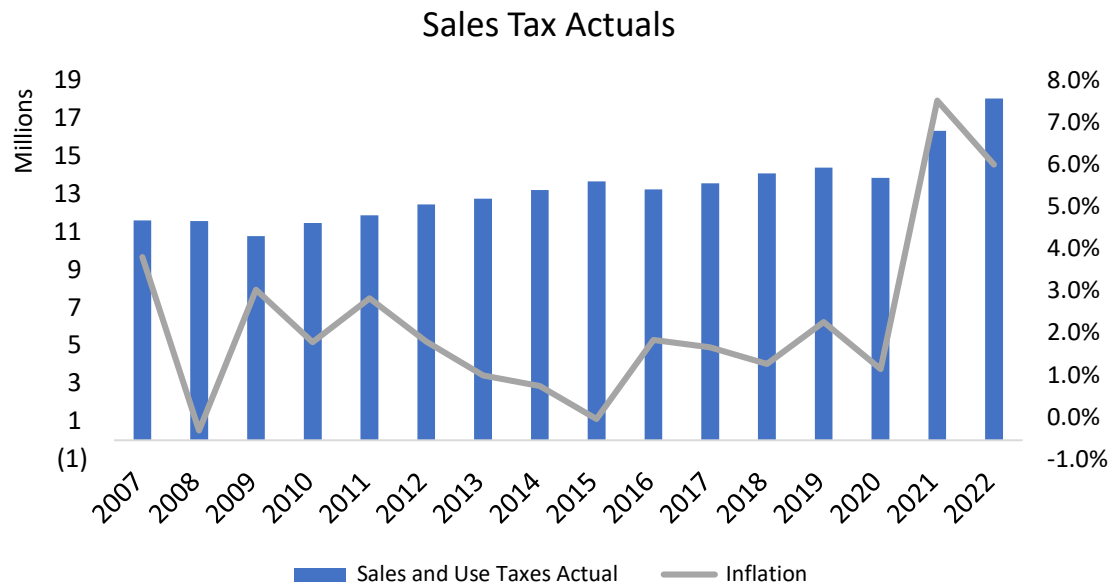
4. Investing in Downtown Safety

- \$38K in unallocated ARP for parking ramp safety
- \$165K Ramp security system installation (2023 or 2024)

General Fund Reserves

Main Factors to how we got here:

- Excess Sales Tax Collections
- Excess Building Permit Revenue
- ARP



Requires a majority vote of the Council to withdraw.

- 2024 Request: \$9.2M

Community Investment Trust History

The general fund balance has opportunity for annual growth, the CIT is dependent on market earnings and does not guarantee the opportunity for annual growth.



Requires a super majority vote of the Council to withdraw.

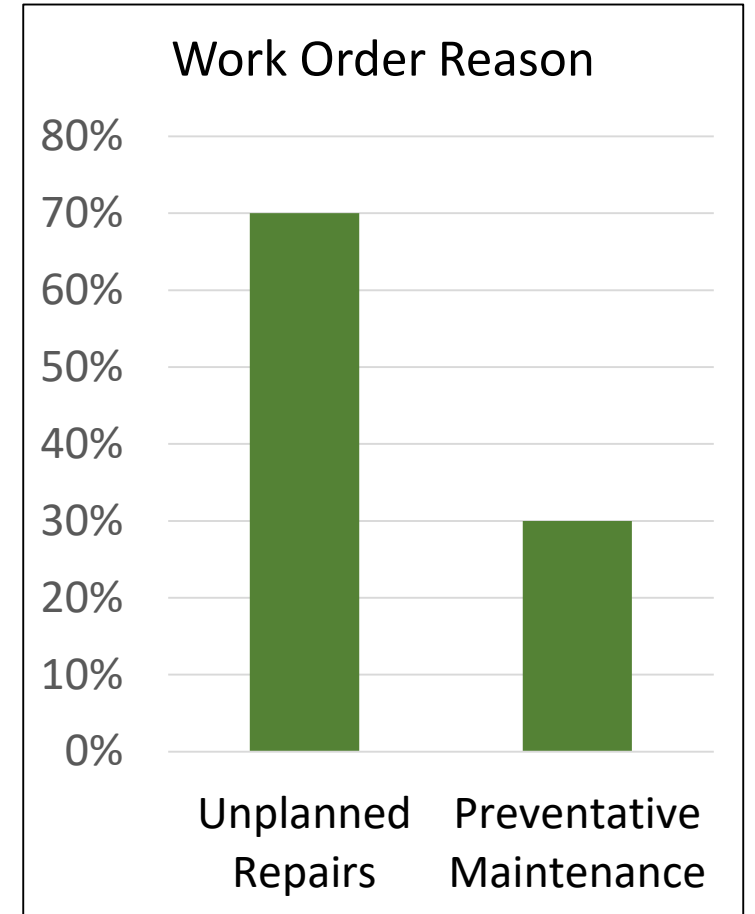
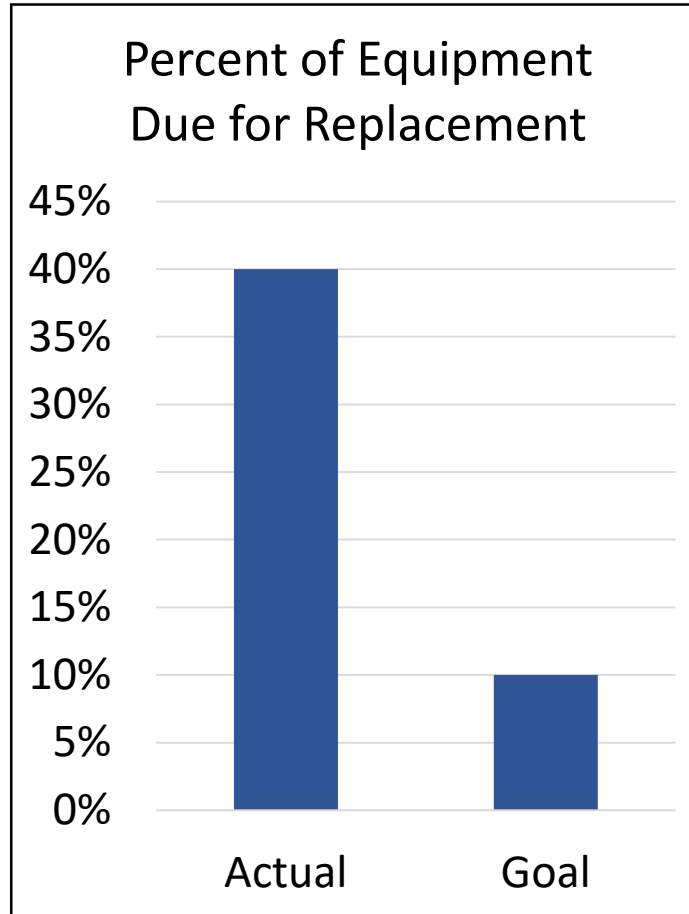
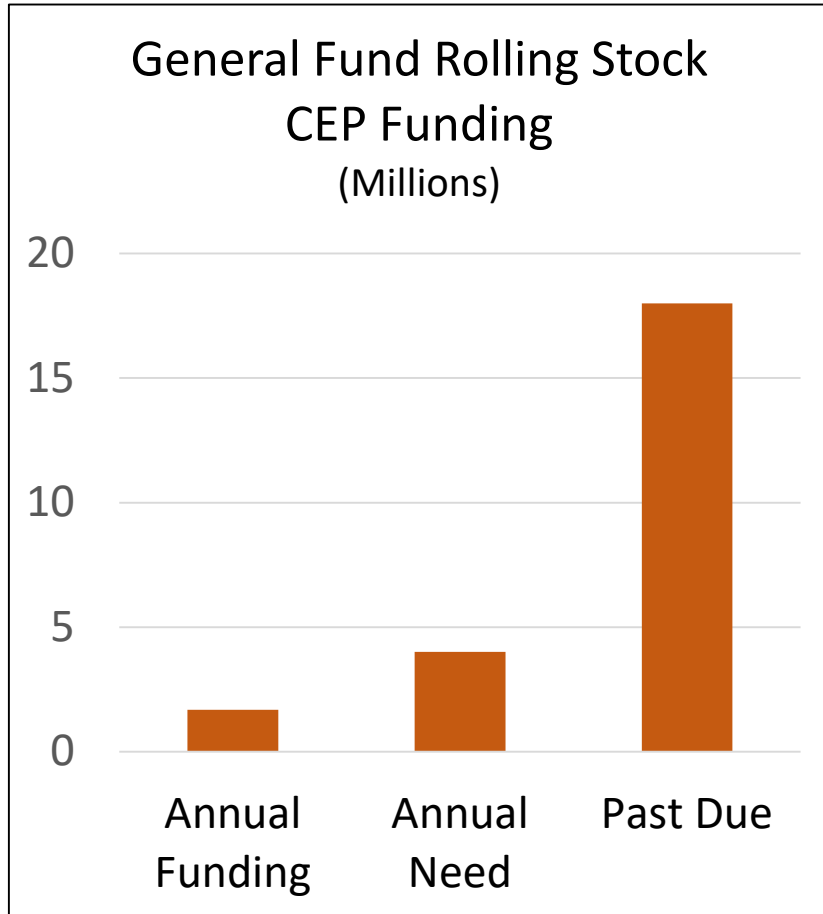
Reserves Are Necessary for interest rates and bond rating

The City's municipal advisors strongly encourage the City to maintain a minimum balance of 40 percent of budgeted general fund revenues, using the unassigned general fund balance and the Community Investment Trust (CIT) fund balance to reach 40 percent. While the general fund balance may have opportunity for annual growth, the CIT is dependent on market earnings and therefore does not guarantee the opportunity for annual growth.

ARP

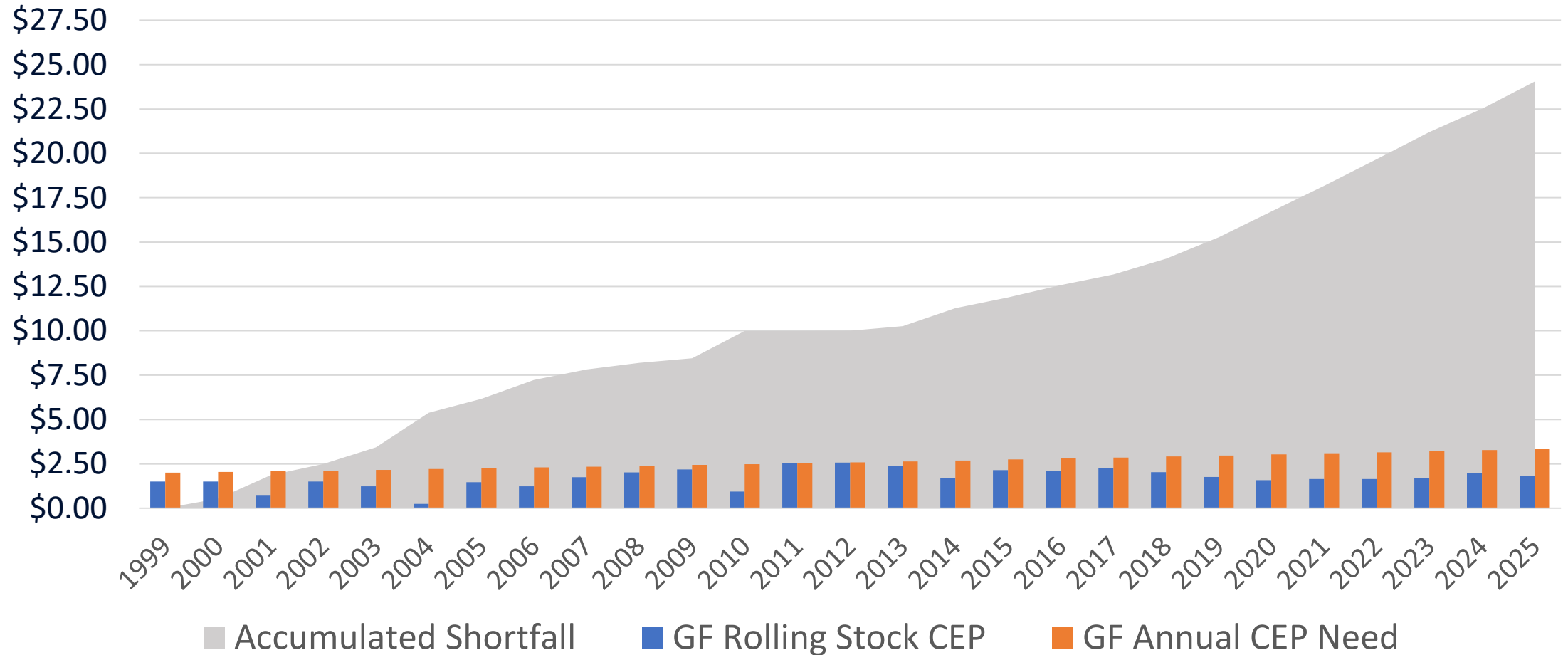
Projects	Amount	Spent	Encumbered/ Committed	Uncommitted
HRA- Fairmount Cottage Village	\$ 1,150,000	\$ 1,150,000		
Center City- Wadena West	\$ 2,750,000		\$ 2,750,000	
One Roof- Brae View	\$ 3,857,143		\$ 3,857,143	
Artspace- Washington Studios	\$ 1,800,000		\$ 1,800,000	
Other Projects from Multifamily RFP	\$ 2,000,000		\$ 2,000,000	
Merge Urban Development - the Residence	\$ 4,000,000		\$ 4,000,000	
Affordable Housing- New Burnham	\$ 380,000	\$ 380,000		
Affordable housing - Urbane	\$ 784,240	\$ 784,240		
Affordable Housing - AICHO	\$ 100,000		\$ 100,000	
Affordable Housing - Permanent Supportive Housing	\$ 1,728,000	\$ 1,600,000	\$ 128,000	
Affordable Housing - Stepping on Up	\$ 150,000	\$ 2,589	\$ 147,411	
Affordable Housing - Skyridge Flats	\$ 300,000	\$ 300,000		
Homeless Encampment Cleanup	\$ 200,000	\$ 200,000		
Gap financing for existing affordable housing projects	\$ 747		\$ 747	
Aid to Tourism Tax Recipients	\$ 200,000		\$ 200,000	
Broadband	\$ 1,000,000	\$ 1,000,000		
City Hall HVAC	\$ 12,000,000	\$ 6,563,387	\$ 5,436,613	
Water Meter Replacement	\$ 6,500,000	\$ 6,051,334	\$ 448,666	
Lead Service Replacement	\$ 1,500,000	\$ 769,755	\$ 730,245	
Hidden Valley Water Main Replacement	\$ 1,400,000	\$ 1,375,933	\$ 24,067	
Street Sweepers	\$ 1,350,000	\$ 747,374	\$ 602,626	
Michigan St Water Main Replacement	\$ 1,100,000	\$ 1,100,000	\$ -	
Pipe Loop Study	\$ 100,000	\$ 66,804	\$ 33,196	
Lead Service Replacement 2023 Design	\$ 610,500	\$ 538,967	\$ 71,533	
Other Utility Infrastructure Projects	\$ 289,500		\$ 289,500	
2022 general fund budget revenue shortfall	\$ 2,551,600	\$ 2,551,600		
2022 parking fund revenue shortfall	\$ 262,600	\$ 262,600		
2023 parking fund	\$ 237,400		\$ 237,400	
2023 general fund budget revenue shortfall and capital projects	\$ 3,245,000	\$ 2,500,000	\$ 745,000	
2023 general fund budget appropriation increase	\$ 382,950		\$ 382,950	
Administrative costs associated with ARP	\$ 800,000	\$ 155,890	\$ 644,110	
Public Safety - Greater Downtown Council contract	\$ 300,000	\$ 126,804	\$ 173,196	
Job Training	\$ 550,000	\$ 550,000		
Assistance - Aid to Component Units	\$ 500,000	\$ 444,713	\$ 55,287	
Outdoor Spaces - Parks Projects	\$ 2,000,000	\$ 2,000,000		
Assistance - 1200 Fund Childcare Expansion	\$ 450,000	\$ 450,000		
Assistance - 1200 Fund Childcare Training	\$ 15,000	\$ 15,000		
Assistance - Other 1200 Fund Recapitalization	\$ 1,035,000	\$ 1,035,000		
Assistance - DEDA Recapitalization	\$ 500,000	\$ 500,000		
revenue replacement	\$ 38,179	\$ -	\$ -	\$ 38,179
Total	\$ 58,117,859	\$ 33,221,990	\$ 24,857,690	\$ 38,179

Investing in our Organization



Sustainability Around Our Assets

General Fund CEP Funding (in Millions)

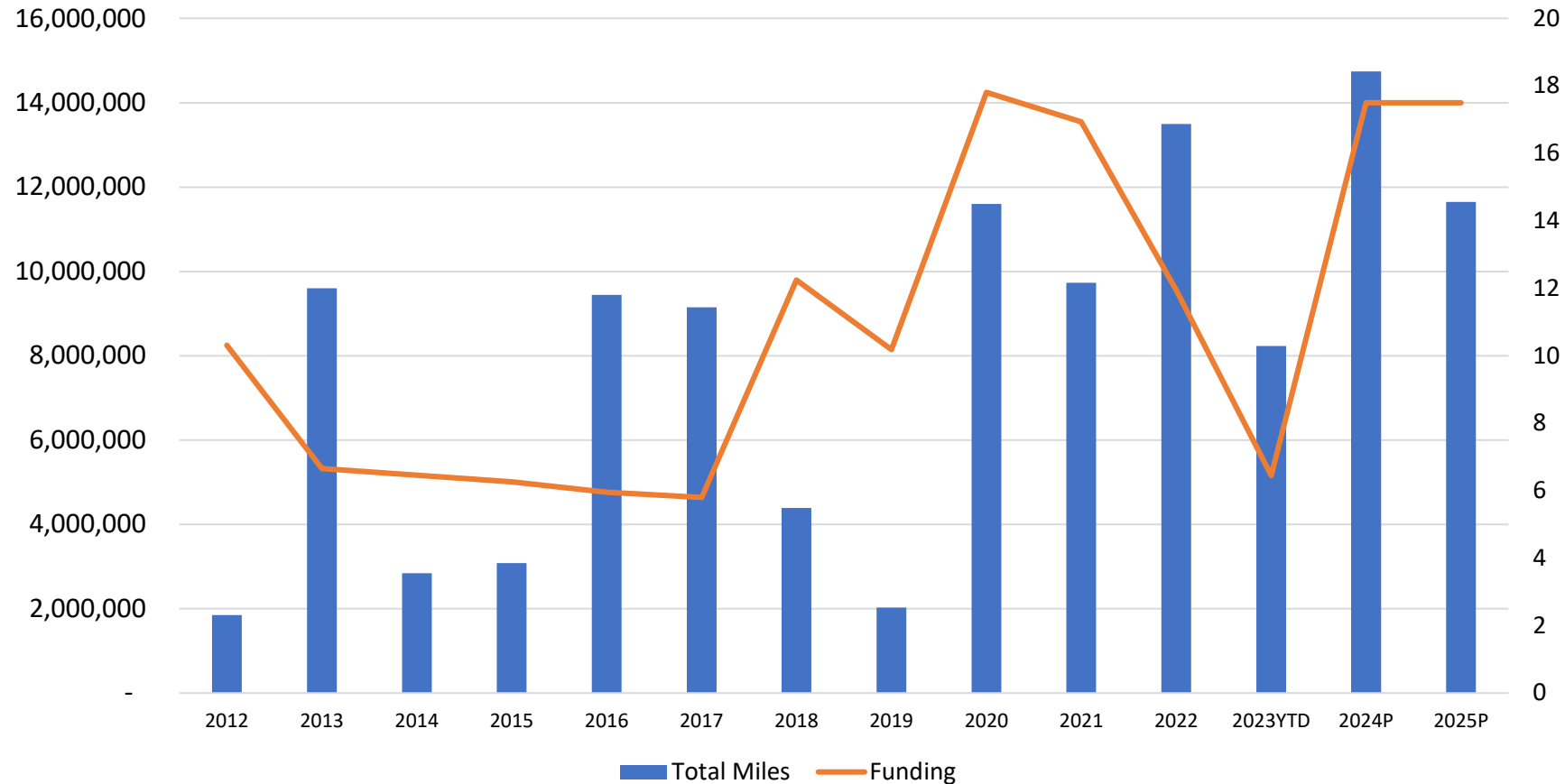


Investing in our People

- Historically, the lack of regular LGA increases has had an impact on staff wage increases
- We have a one-time opportunity to recognize staff for their good work
- \$1.8M of which \$1.6M is coming from LGA & \$200K is coming from general fund reserves
- Will be determined in partnership with bargaining units

Investing in our Streets

Historical Street Investment and Mileage



Investing in Downtown Safety

- Ramp security – Forecasting \$628K investment in 2023
- Coordinated Crisis Response \$600K (annual)
- Investing \$165K in ramp security system (2023 or 2024)
- Invested \$300K over three years of ARP for Social Service Outreach Professional Services
- Library Security
- Added prosecutor
- Community Courts

Public Safety Dollars

- The City of Duluth received \$3,748,814 in one-time Public Safety Dollars
- The Public Safety Commissioner must certify the aid amount to be paid in 2023 by September 1, 2023 with full 2023 payment by December 26, 2023
- This is not included in the current budget
- Public safety staff have been tasked with submitting requests to their respective department heads for consideration

Additional public safety spending proposed for 2023 & 2024:

- \$1M fire engine (CARES Act)
- Armored Rescue Vehicle (DPD dept budget savings)

Economic Indicators

- Sales tax revenue year-to-date percent growth in January started at 13.56% and is currently at 2.25% (May estimate) (source: City Auditor)
- Housing Affordability Index in Duluth is at it's lowest in 18 years (Source: LSRA)
- Personal Savings is at it's lowest in 15 years, but starting to grow again (Source: Bureau of Economic Analysis)
- Inverted yield on municipal bonds (Source: Bloomberg)
- Interest Rates for a 30 year mortgage are 7.725% (Source: Bloomberg)
- Number of permits are almost identical to 2022, revenues have exceeded budget by 19% (Source: City of Duluth)
- Student Loan payments begin again in October
- Inflation Rate is currently at 3.2%, it has been decreasing since September of 2022, with a small uptick in July of 0.2% (Source: US Labor & Statistics)

The proposed 2024 General Fund Budget

Decreases taxes

Invests in the organization, staff and their needs

Prioritizes Streets and Downtown safety

Benefits from years of advocacy & groundwork

Is the win this community needs & deserves: Thank you MN!

Questions

