



Council Work Session
Monday, June 28, 2021
5:00 P.M.
Orono Council Chambers,
2780 Kelley Parkway, Orono, MN 55356

WORK SESSION AGENDA

The Orono Council Work Session is open to the public

1. Budget Discussion



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5:00 P.M.
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2780 Kelley Parkway, Orono, MN 55356

Past Meeting Agendas

June 14, 2021

- Fire Department Equipment Overview

May 10, 2021

- Potential Land Use Classification

April 26, 2021

- 2022 Street Maintenance Project
- Council Delegation of Administrative Responsibility Changes

Annual Discussions Timeframe:

- Budget: Part of June, All of July, August and October.
- City Administrator & Police Chief Update (3 times per year for 15 minutes)

MEMORANDUM

To: Mayor Walsh and Orono City Council
From: Ron Olson, Finance Director
Subject: 2022 Budget
Date: June 28, 2021

Attachments: 2022 Budget

Work on the 2022 budget has begun. Staff is looking for guidance from the Council on the funding priorities for the budget and the level of the property tax levy. In order to assist the council, the departments have identified items that may be increasing that are outside of our control, program and/or staffing change requests that may impact the budget, previously planned tax levy increases (parks and road). Guidance from tonight's meeting will be used to prepare a draft General Fund budget that will be presented at the July 26th work session.

Issues for discussion:

1. Wage and benefit (FICA, PERA, Health, Work Comp) increases. The City's four union contracts are in force through 12/31/22. The contracts call for a Cola increase of 2% increase on January 1st, and an additional 1% on July first. The non-union employees have been calculated at 3% on January 1st. In addition to the Cola increase, some employees will be eligible for step and longevity increases. Wages for current employees, including Cola, Step, Longevity, FICA, and PERA will increase \$115,000.

Workers' Comp premiums are calculated based on wages and an underlying rate based on job classification. The underlying rates are currently estimated to be increasing by 20%; this is driven in large part to the increase of PTSD claims. This will result in an estimated 30% (\$40,000) increase in premiums. For health insurance, union contracts call for a 50% match of the family health insurance premium increase. A 10% premium increase would result in an additional city contribution of \$75 per month which is approximately \$30,000. We will not know the actual insurance premium increases until later this year. The total General Fund increase in wages and benefits is expected to increase by \$185,000.

2. Inflation looks to be a factor in 2022. The current Minneapolis/St Paul CPI-U is at 4.6% over the last 12 months. Some of this increase is the result of a rebound of prices after pandemic related dip last spring. Some of the increases are due to ongoing supply chain issues, and some are related to ongoing labor shortfalls. The biggest impact of the CPI for expenditures will most likely occur in the 2023 budget as the labor unions will ask for higher Colas.

Staff has identified the following significant increases that are expected for key supplies and services for the City.

Department	Description	Cost
Police	Body Cam Storage	10,270
Central Services	Recodification – 18 years since last done	25,400
Elections	2020 is an election year (includes staffing for early voting)	42,070
Building & Zoning	Inspection Services – Net increase with MnSpect	215,000
Parks	Building and Grounds Maint – Organic & Norlings	10,000
Spring Park – PW	Additional PW Costs	173,000
All Departments	Comprehensive Property and Casualty Ins	20,000
All Departments	Wage and Benefits (As highlighted above)	185,000
		\$507,740

- There are some significant revenue increases that will offset some of the increased expenditures. The agreement with Spring Park to provide public works service will bring in \$191,000 of new revenue. Increases to the Police Service contracts will total \$103,000. Spring Park and Minnetonka Beaches increases are based on the labor contracts 2022 COLA, Mound’s increase is calculated on the Mpls/St. Paul CPI-U from May 2020 to May 2021.
- What level of increase in the tax increase is the Council comfortable with? The 2021 property tax levy totaled \$6,610,620. 2022 is the final year for the 2016 Debt Service levy.

	2021	2022 (E)
General Fund	\$4,921,140	\$5,142,940
Building Fund	310,000	390,000
Pavement Management	750,000	900,000
Parks	50,000	100,000
2014 Debt Service	166,700	161,000
2016 Debt Service	412,780	416,680
Total:	\$6,610,620	\$7,110,620

Current estimates have the City’s taxable market value increasing by approximately 8%. This increase would allow an increase in the levy of \$500,000 without increasing the tax rate. The City’s current tax rate is 16.78% and is the 4th lowest in Hennepin County. Each increase of .1 in the tax rate is equal to approximately \$39,000.

- There are several organizational / position changes staff would like to explore during the 2022 Budget process. The majority of the changes should be budget neutral. The plan will be to review these position changes with the Organization Committee this summer and fall concurrent with the 2022 budget process so that any changes can be incorporated.

As part of the process staff will provide more detailed budget impact statements for each. Below is a summary for the proposed organizational changes to be explored.

A. Mechanic Position. Reinstate the full time mechanic position.

- i. Justification. Currently the city spends a lot of money on contracted maintenance for both vehicles and generators. In addition the public works department is routinely required to divert utility and streets maintenance workers to perform routine vehicular maintenance. Providing the capability in house will increase responsiveness, provide flexibility and release maintenance works to focus on the cities utilities and infrastructure.
- ii. Resource. Realign current budget resources from contracted vehicle maintenance and generator maintenance to wages and benefits for a full time mechanic.

B. Finance Assistant - Change of Utility Billing/ Public Works Admin position to a Finance Assistant position.

- i. Justification. Utility Billing and Payroll are both finance related activities and should be combined and placed under the direction of the Finance Director to improve efficiency and accountability. This position will also serve as the back up to accounts payable and allows for internal controls in line with financial accountability best practices.
- ii. Resource. This change will be overall budget neutral involving the reallocation of duties and retitling of position.

C. Parks Maintenance Worker. Convert / combine the current seasonal parks maintenance workers into a fulltime parks maintenance worker.

- i. Justification. The City's parks have received increased investment and there is an ever increasing expectation of level of service.
- ii. Resource. Reallocate seasonal budget and use part of the parks operating budget increases. Part of the revenues from the Spring Park Contact will fund this position.

D. Parks and Public Works Administrative Assistant.

- i. Justification. The Public Works and parks departments need dedicated administrative support to efficiently operate. In addition the acceptance the Spring Park contract has increased the administrative burden on the department.
- ii. Resource. This position will be funded through General Fund (streets, parks, golf course), Utility Funds (Water, Sewer and Storm) and a portion of the Spring Park contract.

6. Are there initiatives that the Council would like to see funded that are not currently included in the budget?

**City of Orono
2022 Budget Timeline**

Dates	Task	Who
June		
6/2 – 6/10	Finance updates budget documents	Finance
6/7	Finance meets with City Administrator	Finance
6/8	Finance updates Departments on upcoming budget	Finance
6/14	Budget worksheets available to Departments	Finance send to Department Heads
6/14 – 6/23	Department identify 2022 budget needs (aka Department highlights)	Department Heads
6/23	Department highlights due to Finance for 6/28 WS	Department Heads
6/28	Council Work Session (wages and levy budget and Department highlights)	Finance
6/29	Finance updates Departments on Council guidance	Finance
July		
6/29 – 7/8	Departments work detail budgets as needed	Department Heads
7/8	Budget worksheets due (General Fund)	Department Heads
7/13 – 7/16	Department budget meetings with Administrator (Finance first)	Department Heads
7/16	Deadline for Information included in 7/23/ Council Work Session	Department Heads
7/19– 7/22	Prepare Draft Budget for Council WS – Packet to Council by 7/22	Finance
7/26	Council Work Session (General Fund)	Finance
7/27 – 7/30	Update budget to reflect Council Input	Department Heads
7/30	Enterprise Fund deadline (Utilities) & Internal Service Fund deadline	Finance & PW Superintendent
August		
8/2 – 8/13	Update budget to reflect input	Finance
8/16 – 8/19	Updated General Fund and Enterprise Budgets to Council for 8/23 WS	Finance
8/23	Council Work Session (Enterprise Fund and Updated General Fund)	Finance
8/24 – 9/23	Refine budget Information – Packet to Council by 9/23	Finance
September		
9/1	CIP forms distributed	Finance send to Department Heads
9/1 – 10/8	Utility rate study starts	Finance
9/27	Council Work Session (Updated Enterprise Fund, if needed)	Finance
9/27	Adopt preliminary tax levy and GF budget at council meeting	Finance
9/30	Preliminary budget/TNT date on website	Finance
October		
10/1	CIP updates due	Department Heads
10/4	Fee Schedule Updates Start	Finance send to Department Heads
10/1 – 10/18	Refine budget as estimated numbers become firm	Department Heads
10/11 – 10/15	Finance meets with PW to discuss utility rate study	Finance, City Engineer, & PW Sup
10/11	Council Work Session (CIP)	Department Heads
10/25	Council Work Session (any updated budget numbers and CIP)	Department Heads
10/29	Fee Schedule updates due	Department Heads
November		
11/1 – 11/30	Final Budget preparation	Finance
11/22	Fee Schedule Discussed at Work Session	Finance
December		
12/6	TNT Hearing, Adopt final levy, budgets, fee schedule and CIP	Finance
12/8	Final Budget information on website	Finance
12/17	Certify Levy to Hennepin County	Finance
12/31	Budget submitted to the state and distributes budget books to Council	Finance