

# CITY OF EDEN PRAIRIE

2023 Amended Budget

December 6, 2022



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# Budget Overview

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The 2023 proposed budget provides the resources to achieve the City's goals for Eden Prairie citizens. These goals are part of the Eden Prairie Promise to the community to fulfill the mission and vision of Eden Prairie and continue making Eden Prairie a great place to live, work and dream.

The City Council's 2022/2023 budget objectives include the following:

## Achieve City Goals

- Community Well-being & Safety
- High Quality Efficient Services
- Preserved & Beautiful Environment
- Sense of Community
- Innovative & Sustainable Practices
- Economic Vitality

## Provide Value to Citizens

- Maintain High Quality City Services
- Reasonable Tax Impacts

## Maintain Employee Morale and Engagement

- Implement efficiencies and innovations that motivate employees to continually improve the organization and providing salary changes that are consistent with public and private sector trends

## Maintain Strong Financial Position

- Maintain Bond Rating
  - Approve a Balanced Budget
  - Maintain Fund Balance Policies
  - Conservative Estimates of Revenues and Expenditures
  - Review fees and charges annually, at a minimum adjust for inflation
  - Capital Planning

The City Council is emphasizing the following areas to achieve City Goals for this budget cycle:

- City-wide Climate Action Plan
- Affordable Housing
  - Pursue some of the options presented by the Housing Task Force
- Race and Equity Initiative including suggestions from the Human Rights and Diversity Commission

- Police
  - In 2022, hire Social Services Outreach Coordinator focusing on mental health, chemical dependency, domestic violence and social work services to the community. Add additional dispatcher so two employees are always on duty.
  - Additional IT expense for new purchases including body cameras, electronic citations, software for managing alarm calls and software for pro-active patrolling.
  - In 2023, hire additional Police Officer.
- Fire
  - In 2022, hire additional Assistant Fire Chief to improve services with the City emergency management system and to increase coordination and delivery for health and safety for the fire department. Add four additional duty crew staff.
  - In 2023, transition part-time Admin Assistant to full-time position.
- Parks and Recreation
  - In 2022 add a second Forester position due to the increased maintenance for our conservation and forest areas and to limit the spread of the new and existing invasive species.
- Public Works
  - Increased resources for Yard Waste Drop-off Site programs
- Administration
  - 2022 Elections
  - Health/Dental Insurance Enhancement

These goals and the related costs are interwoven in various sections of the budget. Many times the costs are almost entirely staff time, and do not require significant financial investment. Some of the costs are capital costs and included in the City's Capital Improvement Plan, which is separate from the general fund budget.

The budget process started in March with a review of City Council goals and will end in December with final approval and adoption of the budget. The process to date and future planned activities include the following:

#### Internal Budget Process

- 2020 – Complete City-Wide work plans
- March/April - Internal service fund budgets prepared by managers
- April 15 - Budget kick-off meeting
- May/June – Department meeting held on 2020 financial results
- May 21 - Staff budget preparation work due
- June - Departmental budget meetings held
- City Manager, Directors, and Finance prepare for City Council Workshop

## Council Process

### 2021

- February 16 – City Council Discussion on Priorities
- April 6 – City Council Workshop on the Community Survey
- May 4 – City Council Workshop
  - Council accepts 2020 financial results
- July 13 - City Council Workshop 2022-2023 Budget
- September 7 - Council adopts a preliminary tax levy and budget
- November 16 – City Council Workshop on Enterprise Funds
- December 7 - Public Meeting and Council adopts final tax levy and budget

### 2022

- May 3 - City Council Workshop
  - Council accepts 2021 financial results
- July 12 – City Council Workshop 2023 Budget
- September 6 – Council adopts a preliminary tax levy and budget
- December 6 - Public Meeting and Council adopts final tax levy and budget

## City Survey

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The 2020 Quality of Life Survey provided residents the opportunity to rate the quality of life in the City of Eden Prairie, as well as the quality of service delivery and overall workings of local government. The survey also permitted residents to provide feedback to government on what is working well and what is not, and to share their priorities for community planning and resource allocation. The City uses the biannual citizen survey as one input tool for the budget.

### Key Findings

Eden Prairie is a desirable place to live and raise a family.

- Eden Prairie residents continue to boast a high quality of life, with 93% awarding excellent or good marks in 2020, which eclipsed averages seen across the nation, Minnesota and Central Region municipalities with populations over 15,000.

Residents' high ratings for safety services contribute to their quality of life, though they have some concerns regarding traffic speeding and vandalism and property crime.

- Residents commended safety services, such as fire, Hennepin County EMS, police and crime prevention, with each assigned excellent or good marks by 9 in 10 or more. Eden Prairie participants' reviews for police and crime prevention outperformed all other municipality comparisons.

Community parks, recreation and natural environment continue to be a highlight.

- More than 9 in 10 residents revealed admiration for the overall natural environment and opportunities for education and enrichment, maintaining standards set in previous years and outshining national, Minnesota and North Central communities with populations over 15,000.

Residents praise their City services.

- In 2020, about 9 in 10 residents assigned high scores to the overall quality of services provided by the City of Eden Prairie, on par with 2018. This measure eclipsed national, North Central and Minnesota comparisons.

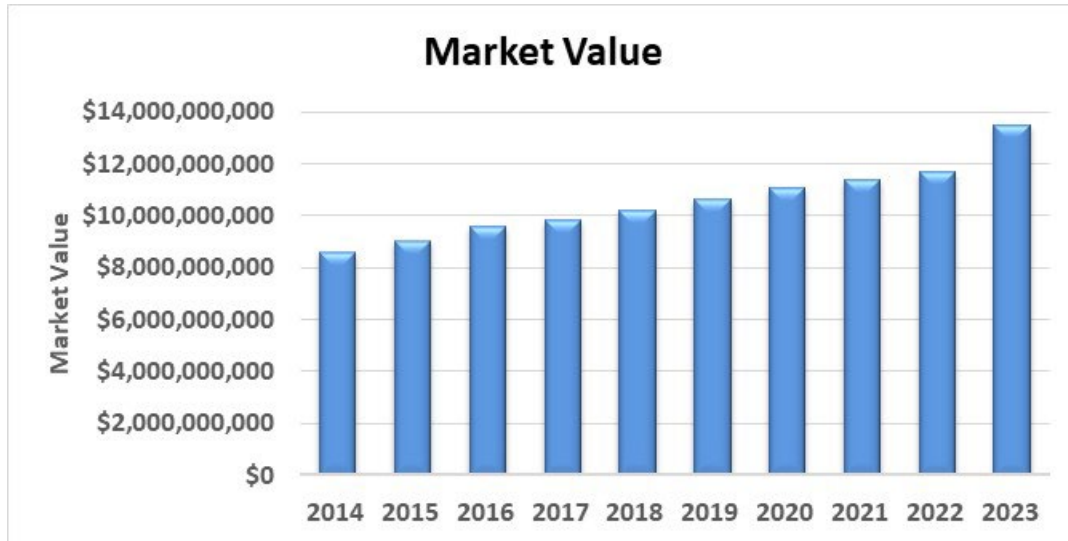
Eden Prairie's economy shines, but affordability could be an issue in the future.

- Ninety-two percent of survey participants provided excellent or good assessments to the overall economic health of Eden Prairie, which surpassed ratings in communities elsewhere in the U.S., Minnesota and communities in the North Central Region with populations over 15,000.

The survey provides valuable input and demonstrates evidence of overall satisfaction with City services. The survey provided feedback on some concerns regarding affordable housing. The City Council goals include initiatives on affordable housing.

# Tax Base

The ability to levy and collect taxes is based on property market values, tax capacities, and the City tax rates. Below is a history of the City’s market value of all residential and commercial property.



The current estimated market value for taxes payable in 2023 is a market value increase to \$13.5 billion, which is a 15% increase over 2022. The real estate market has seen significant increases nationwide. Home prices have increased by the following approximate percentages: Nationally-20%, Statewide-15%, Twin Cities Suburbs-18%.

	2019	2020	2021	2022	2023
Market Value	\$10.6 Billion	\$11.1 Billion	\$11.4 Billion	\$11.7 Billion	\$13.5 Billion
Adjusted Net Tax Capacity	\$112,559,846	\$116,554,959	\$120,595,985	\$122,841,504	\$144,012,122
City Tax Rate	31.52%	31.51%	31.43%	32.32%	28.84%

Below summarizes the **City’s tax impact** for residential, apartment, and commercial properties based on current information from the County.

Property Type	2021/2022	2022/2023	Difference	Percent Change
Residential (\$513,200)	\$ 1,424	\$ 1,524	\$ 100	7.0%
Apartment (\$5M)	\$ 19,720	\$ 18,361	\$ (1,359)	(6.9%)
Commercial (\$2M)	\$ 7,650	\$ 7,285	\$ (365)	(4.8%)

Staff has calculated that a \$400,000 change in the tax levy will impact the median value home by 1% or \$14.00.

Below summarizes the total tax impact by taxing authority for the median value home.

<b>Entity</b>	<b>2022</b>	<b>2023</b>	<b>Difference</b>	<b>Percent Change</b>
Hennepin County	\$ 1,659	\$ 1,798	\$ 139	8.4%
City of Eden Prairie	1,424	1,524	100	7.0%
School District	1,786	2,028	242	13.5%
Metro Spec Tax District	96	102	6	6.3%
Other Districts	333	354	21	6.3%
<b>Total</b>	<b>\$ 5,298</b>	<b>\$ 5,806</b>	<b>\$ 508</b>	<b>9.6%</b>

One of the goals of the budget is to continue to improve Eden Prairie’s relative position in fiscal comparisons with comparable cities. Eden Prairie is in the lower half of taxes paid for the single value home when compared to the other Minnesota Legislative Commission (MLC) cities as can be seen by the graph below.



The cities that belong to the commission have similar characteristics including receiving limited revenue from the State and are contributors to the fiscal disparity pool.



# Tax Levy and Budget

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Below summarizes the proposed total tax levy and budget.

## Tax Levy

<b>Fund</b>	<b>2022 Adopted</b>	<b>2023 Proposed</b>	<b>Difference</b>	<b>Percent Change</b>
<b>General Fund</b>	\$ 40,149,554	\$ 41,956,284	\$ 1,806,730	4.5%
<b>Capital Improvement Fund</b>	400,000	400,000	-	0.0%
<b>Debt Levy</b>	2,553,000	2,553,000	-	0.0%
<b>Sub-total</b>	43,102,554	44,909,284	1,806,730	4.2%
<b>Less Fiscal Disparity Distribution</b>	(2,494,942)	(2,477,021)	17,921	(0.7%)
<b>Total Levy</b>	<b>\$ 40,607,612</b>	<b>\$ 42,432,263</b>	<b>\$ 1,824,651</b>	<b>4.5%</b>

## Budget

<b>Fund</b>	<b>2022 Adopted</b>	<b>2023 Proposed</b>	<b>Difference</b>	<b>Percent Change</b>
<b>General Fund</b>	\$ 52,664,390	\$ 54,442,407	\$ 1,778,017	3.4%
<b>Debt</b>	2,553,000	2,553,000	-	0.0%
<b>Capital Levy</b>	400,000	400,000	-	0.0%
<b>Total City Budget</b>	<b>\$ 55,617,390</b>	<b>\$ 57,395,407</b>	<b>\$ 1,778,017</b>	<b>3.2%</b>

# Debt Levy

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For 2023, debt payments supported by the tax levy are projected to remain 4% to 5% of the general fund budget. The City has a policy of maintaining a percentage of 5% to 15% of the general fund budget as we consider this to be a moderate debt burden.

Moody's Investors Service has assigned a rating of Aaa to the City of Eden Prairie's (MN) bond for every debt issue since 2003, the highest rating from Moody's. Standard & Poor's has also assigned a rating of AAA to the City of Eden Prairie's bonds outstanding, their highest rating as well. This ensures the City receives the most competitive interest rates. The City's bond ratings reflect Eden Prairie's substantial and growing tax base, low debt burden, healthy operating reserves and strong financial management.

For 2023 the debt levy is \$2,553,000. This has been the debt levy amount since 2017. The City currently has two bonds that are supported by the debt levy. These include the 2021 refunded Aquatics expansion at the Community Center and the 2020 refunded bonds for

the SouthWest Fire Station and for Park Improvements including the community center, park, and trails.

Below summarizes the detail of the 2023 debt levy.

<b>Debt Levy</b>	<b>2022 Adopted</b>	<b>2023 Proposed</b>	<b>Difference</b>	<b>Percent Change</b>
<b>Debt Levy on Tax Capacity</b>				
2014 Tax Abatement	\$ 1,368,000	\$ -	\$ (1,368,000)	0.0%
2021 Tax Abatement	-	1,368,000	1,368,000	0.0%
2020A Refunding Bonds (SouthWest Fire Station)	280,000	280,000	-	0.0%
Sub-total	1,648,000	1,648,000	-	0.0%
<b>Debt Levy on Market Value</b>				
2020A Refunding Bonds (Parks Referendum)	905,000	905,000	-	0.0%
Sub-total	905,000	905,000	-	0.0%
<b>Total</b>	<b>\$ 2,553,000</b>	<b>\$ 2,553,000</b>	<b>\$ -</b>	<b>0.0%</b>

## Capital Levy

The City prepares a ten-year capital improvement plan and updates the plan every other year. The Capital Improvement and Maintenance fund (CIMF) pays for capital projects that do not have another funding source, for example, playground replacement, repair and expansion of trails, parks–parking lot maintenance, public safety radio replacement, etc. The CIMF is funded through liquor operations profit, rental income, antenna revenue, a tax levy, miscellaneous revenue, and one-time funds the City receives. For example, when the general fund has positive operating results, amounts not needed to meet the fund balance policy have been transferred to the CIMF. The capital levy is the same amount as 2022 and is \$400,000 annually.

# General Fund Revenue Budget

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Below summarizes the 2023 proposed General Fund Revenue Budget.

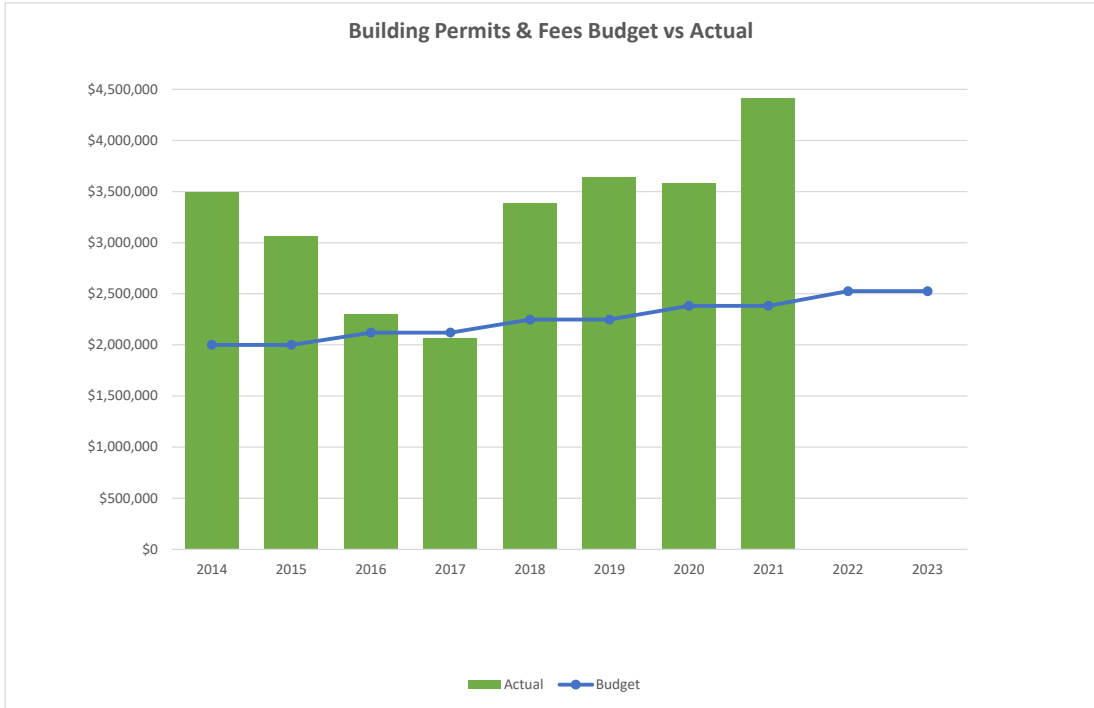
	<b>2022</b>	<b>2023</b>		<b>Percent</b>
	<b>Adopted</b>	<b>Proposed</b>	<b>Difference</b>	<b>Change</b>
Taxes	\$ 39,371,562	\$ 41,142,158	\$ 1,770,596	4.5%
Licenses and Permits	4,041,700	4,068,700	27,000	0.7%
Intergovernmental Revenue	5,121,301	1,401,300	(3,720,001)	(72.6%)
Charges for Services	5,214,704	5,571,287	356,583	6.8%
Other Revenue	1,138,824	1,158,962	20,138	1.8%
<b>Total</b>	<b>\$ 54,888,091</b>	<b>\$ 53,342,407</b>	<b>\$(1,545,684)</b>	<b>(2.8%)</b>

**Property tax revenue** is the single largest source of revenue and the City strives to balance increases in property taxes with the demand for City services. Property taxes account for 77% of the General Fund budget. The tax levy in the proposed budget is increasing 4.5% for 2023.

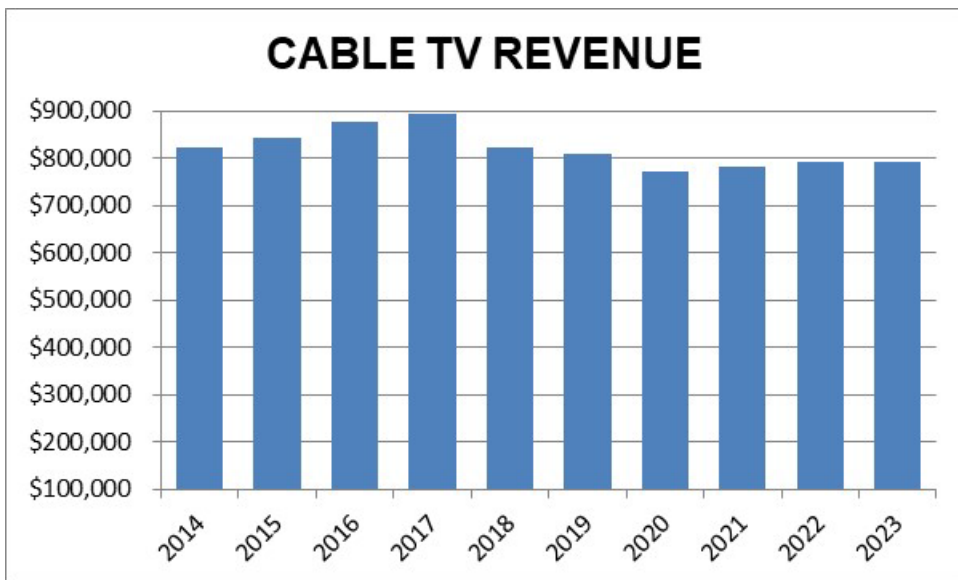
**Charges for services** is the second largest revenue source and accounts for 10% of the General Fund Budget. Charges for services are increasing \$356,583 or 6.8% in 2023. The increase is due to expected improved performance at the community center.

**Licenses and permits revenue** is the third largest revenue source to the General Fund and accounts for 8% of the General Fund revenues. Licenses and permits remain relatively flat for 2023. Significant items to note include the following:

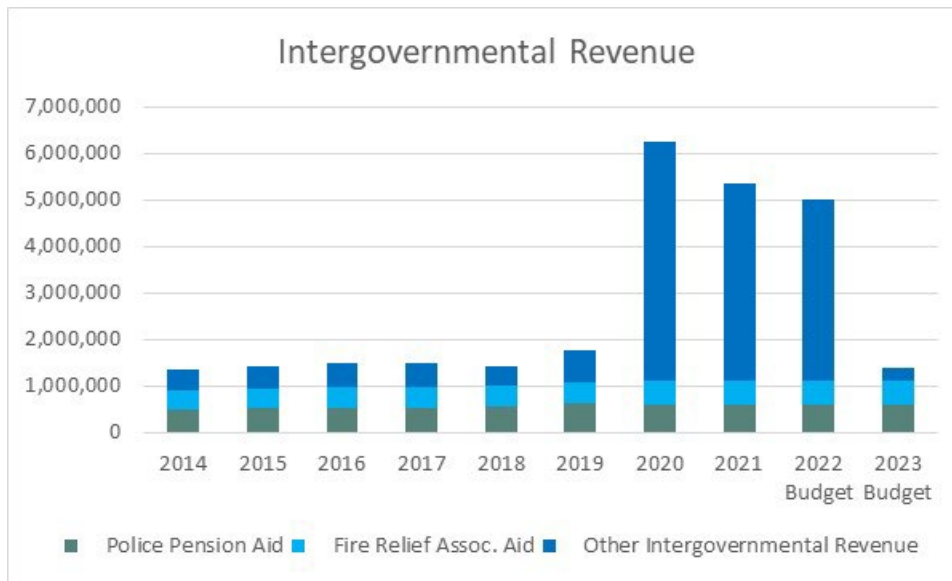
- Building permit and fees revenue was held flat for 2023 as we budget a higher increase every other year. The below history shows actual amounts to 2021 and then budgeted amounts to 2023.



- Cable TV is remaining flat for 2023. As you can see from the graph below, the budget for cable revenue has remained stable since 2018.



**Intergovernmental revenue (IGR)** sources includes Federal and State grants, State aid, and other local grants. For 2023, IGR is \$1,401,300 which is a decrease of \$3,720,001. The increases in 2020-2022 can be attributed to the receipt of \$4.8M in CARES ACT federal funding in 2020 and \$3.7M in American Recovery Plan funds in 2021 and 2022. Below is a history of Intergovernmental Revenue.



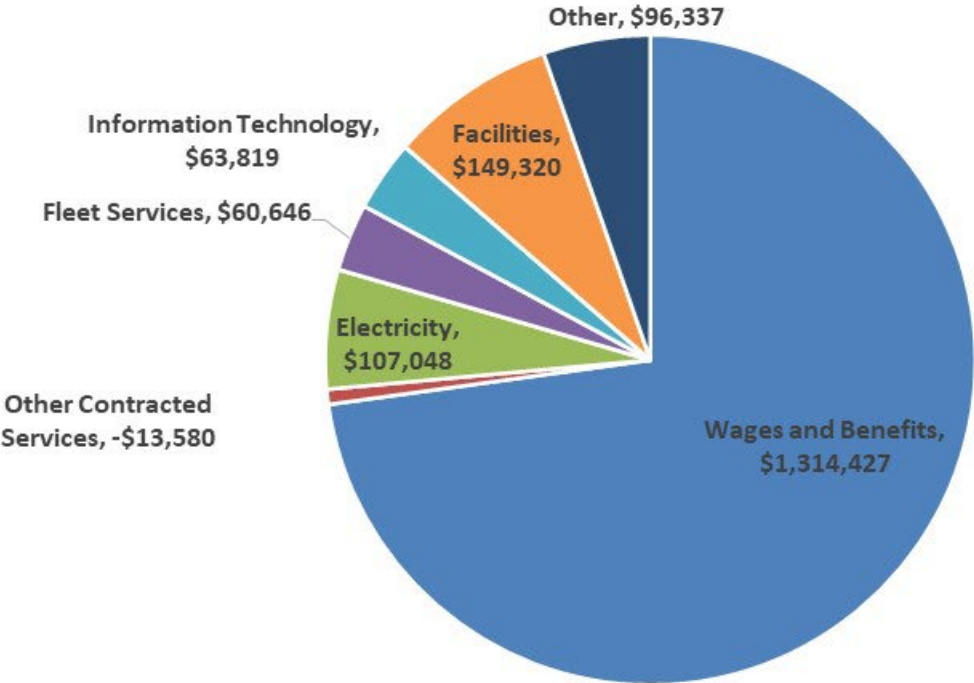
**Other revenues** that the General Fund receives consists of fines and penalties, contributions, interest income, reimbursements and transfers-in. These revenues make up 2% of General Fund Revenues.

# General Fund Expenditure Budget

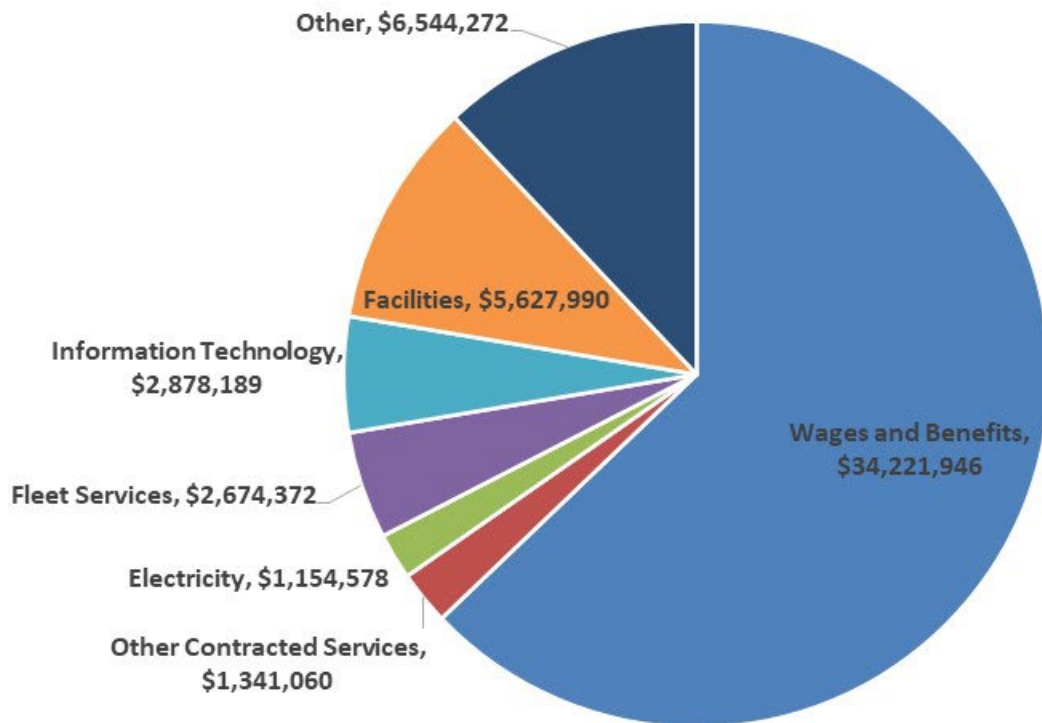
	2022 Adopted	2023 Proposed	Difference	Percent Change
Administration	\$ 4,964,588	\$ 4,963,366	\$ (1,222)	(0.0%)
Community Development	2,606,351	2,681,120	74,769	2.9%
Parks and Recreation	14,079,073	14,647,220	568,147	4.0%
Police	17,524,711	18,162,956	638,245	3.6%
Fire	6,769,836	6,985,897	216,061	3.2%
Public Works	6,719,831	7,001,848	282,017	4.2%
<b>Total</b>	<b>\$ 52,664,390</b>	<b>\$ 54,442,407</b>	<b>\$ 1,778,017</b>	<b>3.4%</b>

Revenues Less Expenses for 2023 are (\$1,100,000). The City anticipates using American Recovery Plan funding to offset the revenue shortfalls.

Expenditures are proposed to increase 3.4% in 2023. The following graph shows budget changes by category:



Since the City provides significant services to the community, wages and benefits make up 63% percent of the general fund budget. The most significant categories include wages, pension and taxes, health insurance, part-time wages, and workers compensation insurance. Other significant costs include amounts to maintain facilities, fleet services, information technology, and electricity. These items make up another 23% of the budget. All other items make up 14% of the budget. The chart below illustrates the budget by category.



Below provides information on the significant items in the budget.

### **Full-Time Wages**

With a staff of 236 full-time employees, in the general fund, the City provides its residents and businesses with a full range of municipal services consisting of police and fire protection, street maintenance, recreation programs, park maintenance, community and economic development, and building inspections.

Wages are proposed to increase 5.8% in 2023. This includes the additional staffing of a police officer and a Fire Admin Assistant position moving from part-time to full-time, a 3% base increase, step increases and performance pay. Through staff turnover, the City usually sees budget reduction as new staff are many times hired at a lower rate. However, new employees earn step increases and performance pay until they reach the target rate for their position, which then adds additional increases to the budget.

The City prepares the budget for wages by looking at trends within the private sector labor market and our local government peer group. Based on a compensation study done, the budget also includes adjustments to the performance and step ranges. This was accomplished with the budget reductions from staff turnover and from reductions in the health insurance premium. We must continue to provide similar increases as the private sector and our public sector peer cities to remain competitive.

#### **Wages – Part time**

Wages part-time are decreasing \$124,393 or 4.1% in 2023. The decrease pertains to the Fire Admin Assistant position moving to full-time wages and the reduction in the Election budget as it is a non-election year.

#### **Volunteer Wages/Duty Crew**

Volunteer wages for 2023 are \$980,000 which is an increase of \$23,974 or 2.5%.

#### **Fire Relief Pension Plan**

Firefighters of the City of Eden Prairie are members of the Eden Prairie Firefighter Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2021, membership includes 94 active participants, 104 retirees and beneficiaries currently receiving benefits, and 18 terminated employees entitled to benefit but not yet receiving them.

Minnesota Statutes specifies minimum support rates required on an annual basis by the City. The Association completes an actuarial study every two years which documents the required contribution from the City. An updated actuarial was completed for the 2023 budget. The City receives Fire Relief Pension Aid from the State of approximately \$494,000, which offsets the City's required contribution.



## **PERA/FICA**

The City pays public employees retirement (PERA) benefits for all eligible employees. Generally all full time employees and part-time employees, who earn more than \$5,100 (\$3,800 for 9/10 month school year) annually, are PERA eligible. The City currently contributes 7.50% of salary for PERA except for the police and fire employees where the percent is 17.7% for 2023. The City also pays 7.65% of salary for FICA except for police and fire where the percentage is 1.45%. The City has budgeted \$4,040,770 for PERA/FICA in 2023.

## **Health Insurance**

The City periodically conducts a Request for Proposal (RFP) process to procure insurance. The City released a RFP for coverage effective January 1, 2023 which was necessary to meet state law requiring that the City issue a RFP every 5 years. The City has finalized a contract with HealthPartners for a 3 year period of 2023-2025. For 2023, premium rates are decreasing by an average of 8%.

For 2023, Health insurance is budgeted to decrease \$25,689 or 1%. The preliminary 2023 budget had health insurance increasing by 10%, but with the finalized contract, the City was able to use the decrease in premiums to help offset the adjustments to full-time wages noted above.

## **Dental Insurance**

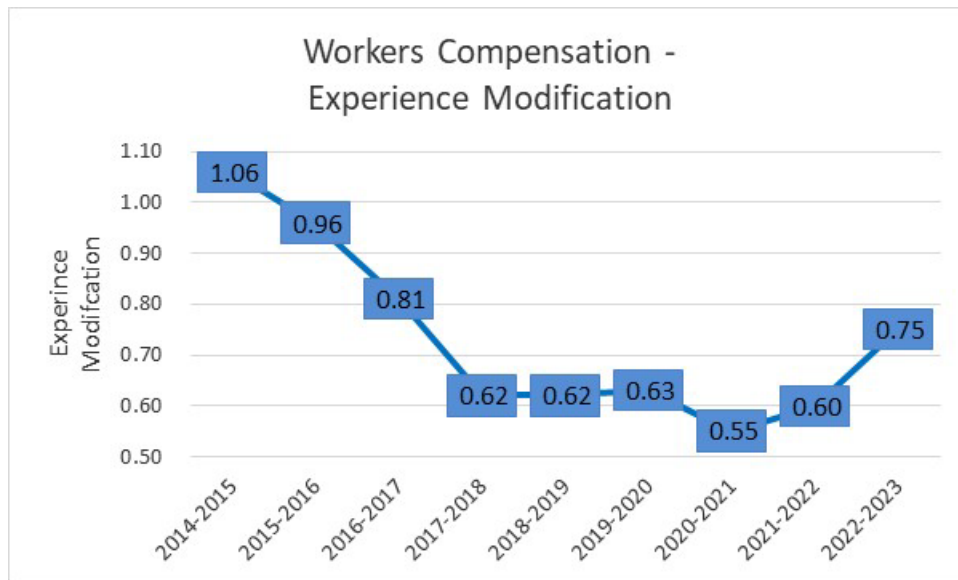
In prior years the City has been fully-insured for dental insurance. Being fully-insured has allowed the City to maintain similar monthly payments throughout the year. In this model, the insurance carrier takes on the risk if the claims are higher than the premiums collected to pay those claims. The insurance carrier also reaps the rewards if the claims are lower than the premiums collected.

During this year's required RFP process, the City asked for proposals for self-funded dental insurance. Being self-funded requires the City to pay a Third-Party Administrator (TPA) to administer the claims on behalf of the City. The City then has the autonomy to set funding rates in the manner that best meets the needs of the City. Given the stability of dental claims and the low risk of self-funding of dental claims, it is common for employers the size of the City to self-fund dental insurance. Based on the results of the RFP, the City will move to self-funding dental insurance effective January 1, 2023 with HealthPartners as the TPA. For 2023 insurance premiums will be increasing 5%.

## **Workers Compensation**

The workers compensation user charge is changing from \$671,364 in 2022 to \$781,843 in 2023 which is a 17% increase. Most cities are seeing increased costs due to the current

public safety environment. Our current experience modification is .75 and has ranged from .55 to 1.06 since 2014. When the EMR is lower, our workers compensation costs are less due to positive **claims** experience. The average EMR, or the point at which the City is said to be no more or no less risky than another, is 1.0. If our EMR dips below 1.0, we are considered safer than most, which translates to lower premiums. Also, workers compensation rates for each employee category can change (increase and decrease) every year.



### Facilities User Charges

The Facilities Division is responsible for building related operations, preventative maintenance, remodeling, and long-term maintenance programs of the facilities owned by the City. The buildings include the City Center, Community Center, Outdoor Center, Art Center, Maintenance Facility, four Fire Stations, park shelters, and historical buildings. Facilities charges back to the internal users for these services.

Facility user charges are increasing from \$5,478,670 in 2022 to \$5,627,990 in 2023, which is an increase of \$149,320, or 3%. Energy costs are increasing significantly and we will continue to monitor.

### IT User Charges

The Information Technology Division is responsible for providing strategic technology direction and managing and implementing IT governance processes in support of City leadership. IT develops and implements IT operational policies and standards, manages contracts for IT services with various service providers, and coordinates major citywide activities including:

- General PC/Phone Systems Support;
- Network Wellness (Network Hardware/Servers/Enterprise Applications);
- Application Analysis, Implementation and Support and;
- Technology Analysis, Recommendation and Implementation.

The Information Technology Division manages approximately 75 different software applications and 443 devices (computers, laptops, iPads). IT charges back to the internal users for these services.

For the General Fund, IT user charges are increasing from \$2,814,370 in 2022 to \$2,878,189 in 2023 a 2% increase.

### **Fleet Services User Charges**

Fleet services provides and maintains a safe, high quality, reliable and efficient fleet of vehicles and equipment. They manage approximately 300 vehicles and large pieces of equipment. The fleet includes police and fire vehicles, snowplows, dump trucks, pickup trucks and autos. Fleet Services is also continuing sustainability efforts this budget cycle to implement additional plug-in electric vehicles and improve building electrical infrastructure to support more electric vehicle charging stations. Fleet Services charges back to the internal users for these services.

Fleet services user charges for the general fund are increasing 2% in 2023 to \$2,674,372. The Fleet Services budget is able to hold fairly constant through this budget cycle primarily due to the regular maintenance of the fleet, and the City's continued efforts to conserve fuel and improve vehicle and equipment fuel economy.

## Housing and Redevelopment Authority (HRA)

In 1980, the City of Eden Prairie established a Housing and Redevelopment Authority for the City. The HRA may spend resources for the following:

- to provide a sufficient supply of adequate, safe, and sanitary dwellings in order to protect the health, safety, morals, and welfare of the citizens of this state;
- to clear and redevelop blighted areas;
- to perform those duties according to comprehensive plans;
- to remedy the shortage of housing for low and moderate income residents, and to redevelop blighted areas, in situations in which private enterprise would not act without government participation or subsidies.

Housing and Redevelopment Authorities can levy a tax of up to .01850 percent of taxable market value. The levy limit for the City of Eden Prairie HRA is approximately \$2.2M. In 2006, the Council approved the HRA levy for the first time.

The HRA levy pays for wages and benefits related to the support of housing in the City. It includes staff time from Housing and Community Services, Community Development, Planning, and Administration of Rental Housing Licensing. Wages and benefits total \$207,000 for 2023.

Other City resources for housing on an annual basis include:

- Tax Increment Financing, \$2,100,000
- Community Development Block Grant, \$300,000 to \$400,000
- General Fund – Housing Inspections, \$155,000

## Conclusion

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This document is intended to provide information on the proposed 2023 City of Eden Prairie budget. If you have any questions about the budget contact a member of the finance team or the individual operating areas.