

# City of St. Louis Park

2024 LEGISLATIVE RECAP

PRESENTED BY:



July 8, 2024

# Background on 2024 Legislative Session

- 2024 Legislative Session started Feb. 12, 2024 & adjourned sine die on May 20, 2024
- Even-numbered years typically reserved for supplemental budget, bonding bill, and other policy items
- Legislature passed \$1.5 billion GO and cash bonding bills in 2023
- Additional \$3.7 billion surplus was available for FY24-25 but there's a state budget structural deficit in FY26-27
- Legislative majorities and Gov. Walz spent approximately \$512M during session, remaining surplus will roll over to next biennium
- Gov. Walz & the four legislative leaders failed to reach agreement on GO bonding bill before adjournment (GO bonding bills require two-third majority vote)

## City of St. Louis Park Bonding Priorities

The 2024 session came down to the wire, and while several funding and policy omnibus bills were approved in the closing minutes of the session, Gov. Walz and the four legislative leaders **could not reach a bipartisan agreement** on a bonding capital investment bill.

### SUPPORTED

#### Oxford & Louisiana Area Infrastructure Investment

Planned improvements include repairs to sidewalks, water & sewer facilities, and upgrades related to traffic and pedestrian safety.

#### TH100 Service Road Loop Investments

Project featuring a new trail for bicycles and pedestrians with safety and accessibility improvements.

### OPPOSED/MONITORED

#### Replacement Fund Legislation

New mandate for local government bonding projects. This provision was not enacted into law.



# Final Bonding Bill Actions

- Governor Walz and DFL majority released a GO bonding bill in the final days of session but the \$1.136 billion package was not brought forward for vote on House floor (bonding bills must pass House first)
  - **\$2.766 million was included in this bill for the Oxford and Louisiana project**
  - GO bonding bills require 2/3rd majority vote in both House & Senate
- DFL majority moved \$71 million cash bonding bill right before adjournment – the bill passed House but not Senate and failed to become law
  - Very few local projects included in this slimmed down bill

# Other City Priorities

CITY PRIORITY	FINAL OUTCOME
<p><b>Advanced state energy code:</b></p> <p>Legislation for an advanced commercial state energy code was passed in 2023. Support continued adoption of improved residential energy codes for efficient building standards, which will reduce household energy use and decrease carbon emissions.</p>	<p><b>Residential energy code adoption requirement:</b> MN Department of Labor and Industry (DLI) must act on a new model residential energy code beginning in 2026 by adopting each new published edition of the International Energy Conservation Code or a more efficient standard.</p> <p>The residential energy code in effect in 2038 and thereafter must achieve a 70% reduction in annual net energy consumption or greater and residential energy codes adopted between 2026 and 2038 must incrementally move toward achieving the 70% reduction in net energy consumption. Effective for codes adopted after January 1, 2026.</p>
<p><b>Extended Producer Responsibility (EPR):</b></p> <p>Support adoption of extended producer responsibility (EPR) legislation for packaging in order to reduce environmental and financial impacts of disposal of non-recyclable or non-reusable packaging products.</p>	<p><b>EPR:</b> The new EPR system requires the Minnesota Pollution Control Agency (MPCA) to complete a needs assessment by December 31, 2025, and businesses must submit a stewardship plan to the MPCA by October 1, 2028 in an effort to reduce non-recyclable waste.</p>



# Other City Priorities

CITY PRIORITY	FINAL OUTCOME
<p><b>Urban forests</b> are facing numerous threats from Dutch elm disease, oak wilt, drought, storms and emerald ash borer. Related costs put pressure on city budgets. Support establishing an ongoing state grant program with at least \$15 million per year that is usable for urban forest management.</p>	<p><b>Community tree planting:</b> \$5 million in funds for grants to local and tribal governments for planting community shade trees, primarily to replace those lost to emerald ash borer. Another \$3.188 million established through the Metropolitan Council for a similar program available to local governments in the seven-county metropolitan area.</p>
<p><b>Adult use cannabis:</b></p> <p>Support a regulatory framework that maintains or expands local control and removing the fee-cap for local service. Future state regulations should allow cities to manage related registration fees so they may recoup the necessary compliance costs.</p>	<p><b>Changes to the adult use cannabis law include:</b></p> <ul style="list-style-type: none"><li>• A “vetted” lottery to distribute cultivation and retail licenses rather than a strictly points-based system</li><li>• Caps on the numbers of licenses that will be granted in the first rollout of the industry next spring</li><li>• The transfer of the decade-old Office of Medical Cannabis to the new Office of Cannabis Management in July rather than next March.</li><li>• The elimination of current law prohibiting bars and restaurants from service a THC beverage and an alcoholic beverage to the same person within five hours</li></ul>

# Other City Priorities

CITY PRIORITY	FINAL OUTCOME
<p><b>Comprehensive planning:</b></p> <p>Support exempting comprehensive plans from the Minnesota Environmental Rights Act (MERA), just as they are similarly exempted from the Minnesota Environmental Policy Act. Comprehensive plans are legislative policy documents separate from executive and judicial powers.</p>	<p><b>Metro area comprehensive plans not subject to environmental review:</b> State Law was amended to make it so that, notwithstanding any other provision of law, no decision adopting or authorizing a comprehensive plan that is reviewed and found adequate by the Metropolitan Council shall be subject to the requirements of Chapter 116D, which encompasses a variety of forms of environmental review.</p> <p>An additional rider is provided in article 1, section 51 that specifies that comprehensive plans for cities of the first class in the metropolitan area are deemed to not cause or be likely to cause pollution, impairment, or destruction mandating further environmental review.</p>

# Other City Priorities

CITY PRIORITY	FINAL OUTCOME
<p><b>Earned Sick and Safe Time (ESST):</b></p> <p>The legislature in 2023 enacted a statewide law requiring all employers to provide employees one hour of sick and safe time for every 30 hours worked. The city supports legislative clarification on the application of these rules for unique and limited city positions including seasonal employees.</p>	<p><b>Changes to the earned sick and safe time (ESST) law include:</b></p> <ul style="list-style-type: none"><li>• Employers must permit employees to use all paid leave provided to them in accordance with the ESST law when the paid leave may otherwise be used for personal injury or illness.</li><li>• Clarify which employees are covered under the ESST law: an employee is eligible for ESST immediately upon employment, provided the employee is anticipated to work at least 80 hours in one year for the employer in Minnesota.</li><li>• Clarify ESST must be paid at an employee’s “base rate,” which is now specifically defined.</li><li>• Employers can only require employees to provide reasonable documentation establishing their leave is covered by the ESST statute when the absence lasts for more than three consecutive scheduled workdays.</li><li>• Employees can use ESST leave for funeral-related reasons.</li></ul>



# Other City Priorities

CITY PRIORITY	FINAL OUTCOME
<p><b>Emergency Medical Services (EMS):</b></p> <p>Support a solution for EMS services that balances the needs of residents and providers statewide. Current regulations do not require ambulance services to disclose important data points that would ensure a community is receiving quality services.</p> <p>Support allowing local units of government to designate which licensed provider may serve their communities and to determine the appropriate level of service.</p>	<p><b>The new Office of Emergency Medical Services established to oversee Minnesota’s EMS system effective January 1, 2025. \$24 million appropriated</b> in emergency aid to Minnesota’s Emergency Medical Services greater Minnesota. Additionally, \$6 million was appropriated for a pilot program aimed at improving EMS delivery in Northeastern parts of the state.</p>

# Other City Priorities

CITY PRIORITY	FINAL OUTCOME
<p><b>Railway Safety:</b></p> <p>Railways connect local and regional economies to the global marketplace and generate billions of dollars in economic activity. Recent high-profile freight train derailments, however, have highlighted safety concerns in an industry that travels through thousands of communities, including St. Louis Park.</p>	<p><b>Railroad accident report contact modified:</b></p> <p>Within 15 minutes of a rail incident involving a confirmed discharge or release of oil or other hazardous substances, a railroad must contact the applicable emergency manager and applicable fire department through the local public safety answering point. This modifies the current law that requires the railroad to contact the fire chief.</p>



# Additional Legislative Actions

- State Voting Rights Act
- School Resource Officer (SRO) authority clarified
- Small electric outdoor equipment grant program established
- Geothermal planning grants

# Select Bills That Did Not Become Law in 2024

- Unlimited remote participation in public meetings
- Ranked Choice Voting
- “Missing Middle Housing” zoning and land use preemption bill
- Multifamily residential developments allowed in right in commercial areas
- Prohibition on corporate purchase of single-family homes
- Prohibition on source of income discrimination
- Local sales tax use general law changes
- Prevailing wage for certain tax increment projects
- Broadband franchise authorization



# Current Legislative Issues

- Discussion of Special Session for flood disaster relief & infrastructure bill
- State has \$50M disaster contingency fund that can be accessed without Gov. Walz calling a Special Session
- Current legislative dynamics create challenges and Special Session will likely require bipartisan pre-negotiated agreement



# 2025 Legislative Session

- Starts on January 14, 2025
- New operational rules on counting session days will mean legislature has more flexibility in moving bills quicker through the committee process and to the floor
- Legislature likely to consider bonding bill in 2025 given, at this point, no bill has passed this year (so far)





# Base Budget and Fee update

July 8, 2024

Amelia Cruver, Finance Director

# Action requested + policy considerations

**Recommended action:** There is no action being requested.

## **Policy considerations:**

1. Does Council support the proposed fee increases for 2025?
2. Does Council support budgeting community development staff time out of the general fund and re-aligning the associated levies?



# Agenda

- Budget Process and Calendar
- 2024 Budget review and levy impact
- 2025 Base Budget: Revenues
  - Permit and License Fee recommended change
  - Utility Rates
- 2025 Base Budget: Spending
  - Personnel assumptions
  - Non-personnel spending
  - Debt Service
- Recommended levy restructure
- 2025 Market value change
- Next Steps

# Budget Process and Calendar

Date	Agenda Item	Topics
July 8	Council report and discussion: Base budget and fee update	<ul style="list-style-type: none"><li>• Learnings from 2023</li><li>• Base Budget spending and revenues and levy impact</li><li>• 2025 economic conditions</li></ul>
July 15	Council report and discussion: Operating budget  Public Hearing: Fee update	<ul style="list-style-type: none"><li>• Proposed new operating budget spending items in the 2025 budget and levy impact</li></ul>
Aug. 12	Council report and discussion: Capital budget and levy recommendation	<ul style="list-style-type: none"><li>• Proposed capital projects for 2025 and levy impact</li><li>• Proposed 5 year Capital Improvement Plan (CIP)</li><li>• Preliminary 2025 levy</li></ul>
Sept. 16	Council report, discussion and vote: Approve maximum levy	<ul style="list-style-type: none"><li>• Revisions, if any, to the proposed capital and operating budgets and associated levies</li><li>• Adoption of maximum 2025 levy</li></ul>

# Budget Process and Calendar, cont.

Date	Agenda Item	Topics
<b>October TBD</b>	Council report and discussion: TIF Management Report and discussion	<ul style="list-style-type: none"><li>• TIF district performance</li><li>• TIF district recommended transfers and decertification, if any.</li></ul>
<b>Mid November</b>	<i>Truth in taxation property tax notices sent out by the county</i>	<i>Residents receive an estimate of their 2025 tax bill and information on the public hearing in December</i>
<b>Nov. 18</b>	Council report and discussion: Revised budget	<ul style="list-style-type: none"><li>• Revisions to the budget and adjustments to the levy, as needed. In November the levy can only go down from the maximum set in September</li></ul>
<b>Dec. 2</b>	Council report and public hearing: Truth in Taxation	<ul style="list-style-type: none"><li>• Residents share feedback on the proposed 2025 budget</li></ul>
<b>Dec. 16</b>	Council report, discussion and vote: Budget adoption	<ul style="list-style-type: none"><li>• Council adopts the 2025 budget and CIP</li></ul>



# 2024 Budget review and levy impact

There were two provisions adopted in 2024 that have a larger impact in 2025:

- + \$370,000 for the ongoing costs of two police sergeants and one public service worker that were only levy supported for a portion of the year in 2024.

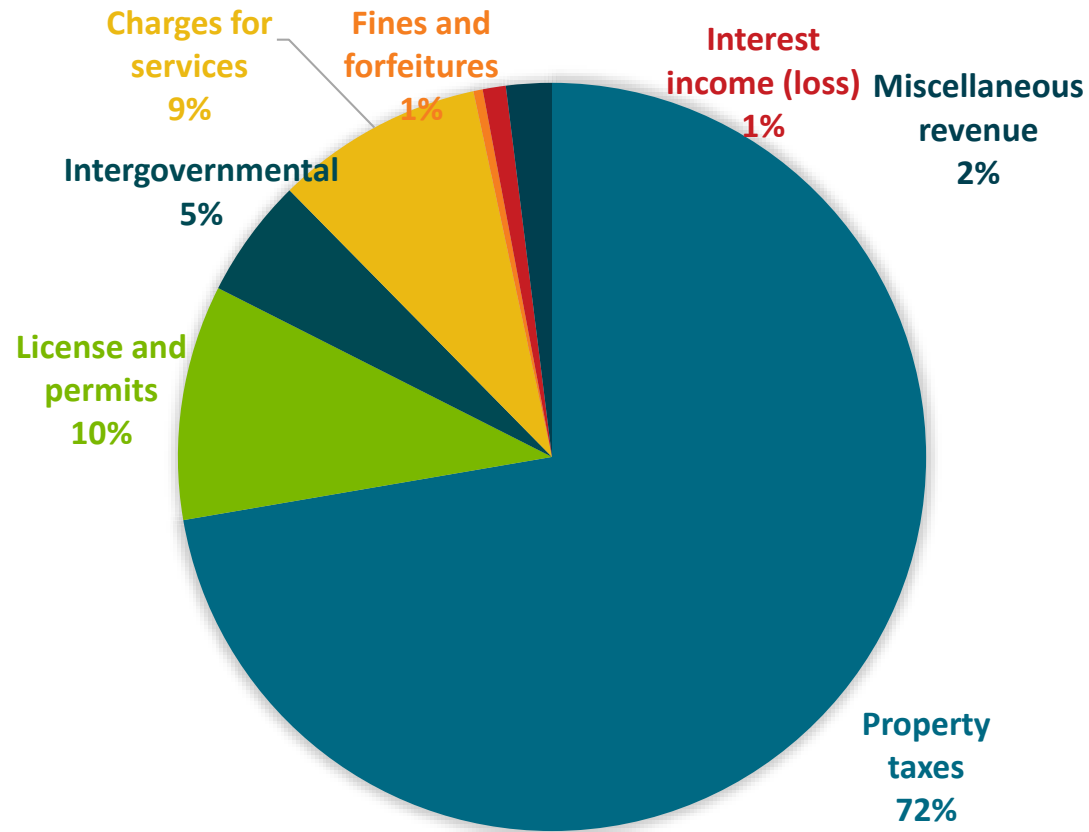
- + \$200,000 increase in the general fund levy to step down from one-time pandemic aid. This increase in the levy is needed to avoid a steep increase in the levy when one-time resources are no longer available.

# 2024 Budget and levy impact

- Long range financial plans included a 4.5% growth in personnel and other base budget spending in addition to the impacts from 3 new FTEs.
- The 5.86% increase projected in last year's budget discussions **does not take into account any new spending in 2025.**

Fund	2024 Adopted	2025 Projected
General Fund	\$ 34,147,654	\$ 36,264,298
Capital Replacement Fund	\$ 2,177,793	\$ 2,420,496
Park Improvement Fund	\$ 860,000	\$ 860,000
Employee Benefits Fund	\$ 200,000	\$ 150,000
<b>Subtotal General Levies</b>	<b>\$ 37,385,447</b>	<b>\$ 39,694,795</b>
Debt Service Levy	\$ 6,362,813	\$ 6,681,785
<b>General and Debt Service Levies</b>	<b>\$ 43,748,260</b>	<b>\$ 46,376,580</b>
Housing Redevelopment Authority Levy	\$ 1,858,489	\$ 1,914,244
Economic Development Authority Levy	\$ 877,000	\$ 916,465
<b>Total Property Tax Levy</b>	<b>\$ 46,483,749</b>	<b>\$ 49,207,288</b>
<b>Levy Growth</b>	<b>7.74%</b>	<b>5.86%</b>

# 2025 Base Budget: Revenues



## 2024 Budgeted General Fund Revenues

- Property Taxes are the largest source of revenue for the city
- Charges for services and License and Permit revenues are generated from Fees set by Council and city leaders each year



# 2025 Base Budget: License and permit fees

## 2024 revenue

Non Owner-Occupied	\$559,905
Other Licensing/permitting	\$276,953
Point of Sale	\$200,000
<b>Total Revenue</b>	<b>\$1,036,858</b>

## 2025 revenue w/fee increase

Non Owner-Occupied	\$829,605
Other Licensing/permitting	\$310,390
Point of Sale	\$280,000
<b>Total Revenue</b>	<b>\$1,419,995</b>

# 2025 Base Budget: Utility rates

- No change from multi-year plan approved last year.
- Median User would see a 5.1% increase or a \$21.24 quarterly increase in 2025.

2025 Proposed Utility Rates						
Percent Change in Utility Rates						
Water						
Actual 2022	Actual 2023	Budget 2024	Proposed 2025	Projected Increase		
				2026	2027	2028
4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Sanitary Sewer						
Actual 2022	Actual 2023	Budget 2024	Proposed 2025	Projected Increase		
				2026	2027	2028
3.50%	3.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Storm Sewer						
Actual 2022	Actual 2023	Budget 2024	Proposed 2025	Projected Increase		
				2026	2027	2028
6.00%	6.00%	4.50%	4.50%	4.50%	4.50%	4.50%
Solid Waste						
Actual 2022	Actual 2023	Budget 2024	Proposed 2025	Projected Increase		
				2026	2027	2028
5.25%	5.25%	45.00%	5.75%	5.75%	5.75%	5.75%



# 2025 Base Budget Spending

- Around 70% of spending in our General Fund is personnel costs
- Base budget assumes no changes in FTE counts, a typical salary increase to accommodate step increases and an average general salary increase, and a mid range assumption for all currently vacant positions.
- Benefits are assumed to increase by 11% which is the maximum increase for health insurance according to our contracts.

# 2025 Base budget: Debt Service

- The Debt service will increase by \$160,000 in 2025, and \$400,000 in 2026 to finance 2024 infrastructure projects that are now underway. **This is around \$158,000 less than forecast in 2025, but right at forecast in 2026.**
- No debt will be retired in 2025
- The next time we will retire debt and lower our debt service payments will be:
  - 2026 will lower payments by \$550,000
  - 2027 will lower payments by \$1.14 M



# 2025 Recommended Levy Restructure

Fund	2025 Projected	Re-structure	NEW 2025 Projected	Result
General Fund	\$36,264,298	<i>\$1,466,465</i>	\$37,730,763	<i>Personnel costs are also increased by \$1.4M in the general fund</i>
Capital Replacement Fund	\$2,420,496		\$2,420,496	
Park Improvement Fund	\$860,000		\$860,000	
Employee Benefits Fund	\$150,000		\$150,000	
<b>Subtotal General Levies</b>	<b>\$39,694,795</b>		<b>\$39,694,795</b>	
Debt Service Levy	\$6,681,785		\$6,681,785	
<b>General &amp; Debt Service</b>	<b>\$46,376,580</b>		<b>\$46,376,580</b>	
HRA Levy	\$1,914,244	<i>-\$550,000</i>	\$1,364,244	<i>Levy is lowered but 100% of remainder goes to AH projects, not staff</i>
EDA Levy	\$916,465	<i>-\$916,465</i>	\$0	<i>Policy decision needed around building up Development fund</i>
<b>Total Property Tax Levy</b>	<b>\$49,207,288</b>		<b>\$49,207,288</b>	

# 2025 Market Value Change

## Assessed Market Value Change for Dominant Sectors (Comparing 2024 to 2023 Assessment)

Single-Family Residential	+ 1.0% Market Basis	versus	+ 1.5% with Improvements
Condominium	- 1.8% Market Basis	versus	- 1.8% with Improvements
Townhomes	- 0.8% Market Basis	versus	- 0.7% with Improvements
Apartments	- 0.7% Market Basis	versus	+ 7.5% with Improvements
Commercial	+ 1.2% Market Basis	versus	+ 1.8% with Improvements
Industrial	+ 5.2% Market Basis	versus	+ 5.4% with Improvements
<b>St. Louis Park Total</b>	<b>+ 0.7% Market Basis</b>	<b>versus</b>	<b>+ 2.5% Gross Change</b>

**Source:** St. Louis Park Assessing Office. The “total” line is subject to slight refinement (0.3% to 0.5% generally) as the state assessed rail and utility values are assumed and not available at report writing.

# Next Steps

Action	Dates
Council Report: Base budget and fee update	July 8 – study session
Council Report: Operating budget	July 15 – s. study session
Public Hearing: Fee update	July 15 – council meeting
Council Report: Capital Budget and levy recommendation	August 12 – study session
Council Report: Approve maximum levy	September 16 – council meeting
Council Report: Revised budget	November 18 – study session
Council Report and Public Hearing: Truth in Taxation	December 2 – council meeting
Council Report: Budget Adoption	December 16 – council meeting