



October 5, 2021

One of the Council's most difficult decisions each year is determining the appropriate amount of funding necessary to satisfy residents' needs and to preserve the assets of the City for future generations. This decision is accomplished through the levy setting process. In September of each year, the Council must establish the maximum tax levy for the following budget year.

The annual tax levy is needed for three distinct purposes. The primary purpose is to fund general operations of the City. Secondly, the levy is needed to service the City's debt. There is currently only one debt issue outstanding for the North Service Center. Finally, the levy finances a portion of capital spending necessary to maintain the City's infrastructure.

The City's lone debt issue was refinanced last year to take advantage of low interest rates. To avoid interest and issuance costs associated with debt issues, and consequently lessen the burden on taxpayers, the Council avoids issuing debt and strives to pay for projects and equipment on a pay as you go basis.

The General fund is used to account for general operations of the City. The largest areas of spending are for public safety, streets and parks/recreation. Council is proposing to add two FTE's to address areas of concern as communicated by City residents. The proposed positions are in public works and reflect the Council's focus on streets, trails and related infrastructure. The City's employee count has remained stable over the years. New development has flourished and has been encouraged to increase the City's tax base and help to keep taxes low. The level of development has reached a point where additional staff are necessary to maintain acceptable service levels.

Finally, an increase is proposed for capital improvements. The primary reason for the increase is for the South Oak Drive street project. As the street abuts a City park, assessment revenues normally paid by adjacent property owners need to be paid by the City. This project has been repeatedly deferred because of this situation. Additionally, as much of the City was developed in the same timeframe, much of its infrastructure is wearing out at the same time. To address some of this infrastructure, \$200,000 is proposed to repair trails and parking lots. A higher level of effort is expected over the coming years as much of the City's infrastructure nears the ends of their useful lives. The proposed additional staffing in public works will aid in this process.

When setting the levy, the Council is cognizant of its effect on City residents. Last year, the Council decided to decrease the City's tax rate substantially in light of the challenges to residents because of the pandemic. Part of the reason for the proposed increase is due to the lower base of last year. The City has historically had one of the lowest tax rates among cohort cities. Despite the proposed increase, the City will still remain one of the lowest taxed cities. The challenge for the Council is to maintain a low tax rate without looking like a low tax city.

To assess the burden on taxpayers, Council looks at the monthly cost of city services as compared with other monthly obligations faced by residents. The proposed tax levy would result in an estimated monthly cost of \$68.29 for residents with a median valued home of \$322,400. Monthly public safety

costs are \$22.07; public works/streets are \$9.39 per month. With the proposed capital projects, \$8.77 will be paid monthly. When compared with other obligations, the proposed burden seems reasonable.

The Council will determine the final levy and set 2022 budgets at its first meeting in December. Part of the decision-making process includes a public hearing where residents are encouraged to express their opinions regarding the 2022 levy and related budgets. We welcome your participation in this process.

Sincerely,

CITY OF VADNAIS HEIGHTS

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Mayor Heidi Gunderson