

**WORTHINGTON CITY COUNCIL
SPECIAL MEETING**

**4:30 P.M. - Thursday, December 1, 2022
City Hall Council Chambers**

A. CALL TO ORDER

B. CITY COUNCIL BUSINESS - ADMINISTRATION

1. 2023 Budget Discussion

C. ADJOURNMENT

ADMINISTRATION MEMO

DATE: DECEMBER 1, 2022

TO: HONORABLE MAYOR AND CITY COUNCIL

SUBJECT: ITEMS REQUIRING CITY COUNCIL ACTION OR REVIEW

CASE ITEMS

1. 2023 BUDGET DISCUSSION

City Council pre-certified the 2022 tax levies collectable in 2023 at \$6,646,866 at the September 12, 2022 meeting of the Council. Adjustments to employee merit wages and larger than anticipated health insurance renewals have added \$125,444 to the earlier budget. At a minimum, that amount will have to be deducted from earlier budget presentations to comply with pre-certification statutory requirements.

In the past, budget adjustment discussions have generally focused on the percentage of increase relative to the current budget rather than the resultant tax rate. The tax rate is the factor that directly determines the amount of city property taxes paid by all commercial, industrial and residential property owners. The 2022 tax rate is 61.222% which is somewhat higher than the ten-year average of 54.626%. The tax rate is computed by dividing the levy by the Net Tax Capacity of all taxable properties in the city. We have been advised by the Nobles County Auditor-Treasurer that the city's Net Tax Capacity is increasing 26.73% in 2023 from \$9,279,762 to \$11,759,822.

If Council were to certify the final levy at the pre-certified amount, the tax rate would decrease to 56.522%, a decrease of 7.68%, which is generally in line with historical tax rates.

Staff has identified several budget reduction measures for Council's consideration. They include:

- Additional Liquor Fund transfer of \$100,000
- Safety Promotion/Loss Control Reserve Fund Transfer of \$200,000
- Eliminating the proposed Community Relations and Communications position with a budgeted savings of \$99,566
- Postponing the Sunset Park Parking Lot project until 2024 and funding it over two years – 2023 budget savings of \$167,700.

Attached as *Exhibit 1* is a spreadsheet with additional tax rate data for Council's consideration.

Council's discussion and consideration is requested to direct Staff in preparing the 2022 Tax Levies Collectible in 2023 to be approved at the December 12, 2022 meeting.

2022 Levy	\$ 5,681,256.00
2021 Net Tax Capacity	\$ 9,279,762.00
2021 Tax Rate	61.222% (Payable in 2022)

2022 Net Tax Capacity \$ 11,759,822.00 26.73% Increase

Tax Rate History

2012	55.211%
2013	55.796%
2014	52.775%
2015	52.991%
2016	55.494%
2017	49.892%
2018	50.628%
2019	55.612%
2020	56.634%
2021	<u>61.222%</u>

10-Year Average 54.626%

2023 Levy		2023 Tax Rate	Reduction in Current Tax Rate
\$ 6,646,866.00	Pre-Certification	56.522%	-7.68%
\$ 6,585,500.00	\$ (61,366.00)	56.000%	-8.53%
\$ 6,526,701.00	\$ (120,165.00)	55.500%	-9.35%
\$ 6,467,902.00	\$ (178,964.00)	55.000%	-10.16%
\$ 6,409,103.00	\$ (237,763.00)	54.500%	-10.98%
\$ 6,350,304.00	\$ (296,562.00)	54.000%	-11.80%
\$ 6,291,505.00	\$ (355,361.00)	53.500%	12.61%
\$ 6,232,706.00	\$ (414,160.00)	53.000%	-13.43%
\$ 6,173,907.00	\$ (472,959.00)	52.500%	-14.25%
\$ 6,115,107.00	\$ (531,759.00)	52.000%	-15.06%

2023 Levy at 10-Year Average Tax Rate	\$ 6,423,920.00
Pre-Certification Levy Reduction	\$ 222,946.00
Tax Rate Reduction	10.744%