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MEMORANDUM

To: The Honorable Sherburne County Board of Commissioners

Date: September 19th, 2023

From: Bruce Messelt

Subject: 2024 Budget and Levy Update

At the July Budget Workshop, County staff presented multiple budget scenarios that dealt with the recent growth in population and residential and business properties experienced by the County, the tight public sector labor market, and the continued increase in demand for county public services, as reported by several departments.

Based on the discussions that took place at that time, the County Board developed a consensus opinion for staff to prepare a County 2024 *Preliminary* Budget and Levy, with a levy increase not to exceed 3.5%, to address the following:

- Upward pressure on County personnel, materials, and energy costs resulting from high inflation, a competitive labor market, and ongoing supply-chain and availability issues for high-demand products and services.
- Necessary staffing, programs, and activities to support the County's growth in population and properties, as well as to provide the services requested/required by our citizens and/or mandated by other governments.
- A continued investment in maintaining and improving our public works infrastructure (roads and bridges) and expanding and enhancing County Parks and Trails.
- Increased demand for public safety and public health/social service programs.

Subsequent to this direction, and after updating available information and estimates, staff was able to prepare for today's consideration a County 2024 *Preliminary* Budget and Levy utilizing a levy increase of only 3.25%.

This initial 3.25% levy increase notwithstanding, due to rising residential market values and over \$172.5 million in new construction countywide, we expect the County's tax base to grow by approximately 7.7%.

Thus, even if this *Preliminary* 3.25% levy increase were adopted, the County’s effective tax rate would continue to decrease.

To provide the Board with some additional perspective, if an individual’s property value had not increased but, rather, stayed flat, they would see an actual reduction in County property taxes paid – without even taking into consideration the impact of inflation on the tax dollars collected.

However, as noted above, property values have not stayed flat – they have increased an average of approximately 7.7%. Thus, with a 3.25% levy increase, an average valued property (\$355,000) would see a county property tax increase of approximately \$4 per month, due to the increase in property value.

Estimated County Property Taxes with a Preliminary 3.25% Levy Increase

<u>2024 EMV</u>	<u>2023 County Tax</u>	<u>2024 County Tax</u>	<u>Difference</u>
\$250,000	\$833	\$869	\$36
\$350,000	\$1,225	\$1,272	\$47
\$400,000	\$1,420	\$1,473	\$53

The impact on County taxes paid by each individual taxpayer would necessarily be dependent upon the individual property value. To this will also be added changes in property taxes paid to the town/city, school district, and all other applicable taxing districts.

As per Board direction, County staff will continue to evaluate further changes and adjustments available and/or necessary to prepare the *Final* 2024 County Budget and Levy for certification in December.

I would like to thank the County Board of Commissioners, our outstanding team of elected Officials, Department Directors, Managers, and Supervisors, and Dan and Chrissy for the extra effort and thoughtfulness put into this year’s budgeting process.

We began by assessing our Strategic Plan and priorities, as well as our Base Budget and the internal drivers influencing our annual budgeting process. We then spent significant time reviewing areas for further process improvements and consolidations/changes. Finally, we evaluated requested, identified, and/or mandated changes or increases in our budgeted-driven services and personnel.

From this, I believe the outcome is a well thought out and developed *Preliminary* 2024 County Budget and Levy. Thank you all!