

City of Afton 2025 Proposed Budget Overview

The following is an overview of the City of Afton proposed 2025 budget and tax levies. The proposed 2025 budget reflects an on-going effort to provide sufficient staff resources to meet increasing service demands and to continue to provide sufficient funding to meet current and long term capital improvement needs, as well as to continue to provide speed enforcement and absorb increased costs for contracted services, while managing the impact on the tax levy. The following is a link to the proposed 2025 budget spreadsheet that includes the line-item budget detail: <https://www.ci.afton.mn.us/finance>

Total Tax Levy

The proposed 2025 budget results in a total tax levy, including the General Fund levy and the debt service and transfer levies, of \$2,791,568. This is an increase of \$53,014 or 1.94% over the total 2024 levy.

General Fund Budget

The General Fund Budget includes expenditures and revenues related to the general day-to-day operation of the City, such as police and fire services, streets and parks maintenance, and general administration.

General Fund Expenditure Highlights

The proposed 2025 General Fund expenditures are \$1,906,793. This is an increase of \$212,414 or 12.5% over the 2024 budget.

An outline of the key items affecting the General Fund expenditures is as follows:

- Personnel Expenses are up \$25,324 or 6.3% due to a 3.5% economic adjustment for wages in 2025, a 5% adjustment provided in late 2023, and a pay adjustment to reflect a position reclassification.
- Building Inspection Fees expense is up \$86,000 or 114.7% to reflect recent building activity, revisions to the building permit fee schedule and actual expenditure levels in recent years. This increased expense is offset by a similar increase in building permit revenue.
- Street Crackseal and Shouldering expense has increased by \$55,000 or 84.6% to reflect higher cracksealing costs and increased miles of cracksealing. This additional cost will be offset by a new funding source from the state – Small Cities Street Aid.
- Fire and ambulance service expense is up \$14,711, or 4.7%
- General Police Service expense is up \$15,479 or 5.8%

Revenue Highlights

- Afton has begun to receive Small Cities Street Aid funding from the state. The 2025 budget reflects \$88,000 of Small Cities Street Aid funding.
- Building Permit Fee Revenue has increased by \$88,000 or 62.9%. This revenue increase reflects actual revenue received in recent years as well as revisions to the building permit fee schedule. The revenue offsets a substantial increase in building inspection fee expense.
- Utility Franchise Fee revenue has increased by \$30,000, or 50%, due to an increase in the franchise fee rate schedule for both Xcel Energy and Centerpoint Energy.

Tax Levies and Transfers

General Fund Levy

- The proposed 2025 General Fund tax levy is \$1,365,040. This is an increase of \$2,311 or 0.2% over the 2024 General Fund levy.

Capital Improvement Levies

- **Street Improvement Levy**

The Street Improvement Capital Fund levy is increasing to \$488,000, which is a \$30,000 or 6.6% increase. This levy, along with the allocation of \$38,000 of Small Cities Streets Aid funding to the Fund, reflects the long term street improvement funding plan.

There is a \$300,000 microsurfacing project planned for 2025 on the six miles of streets that were cracksealed in 2024. Microsurfacing extends the life of the street for 7 to 10 years before additional maintenance is needed.

Bridge Replacement Levy

The Bridge Replacement Fund Levy is proposed to remain at \$52,000. There are no bridge projects planned for 2025.

Debt Service Levies

- The debt service levies for the 2020 Disposal System Bonds have been reallocated to several other uses. The debt service levy for the 2014 Road Bonds is increasing \$10,000 or 3.0% to reflect the amortization schedule.

Sanitary Sewer Fund Budget

The 2025 proposed budget includes a separate operating budget for the Sanitary Sewer operation to account for the operating costs of the wastewater collection and treatment system, particularly the costs of operating the wastewater treatment facility and the costs of periodic maintenance of lift stations and sewer lines, as well as to account for the user fee revenues necessary to fund the operating costs.

Staff has worked with the new wastewater treatment system operator to develop a multi-year budget and funding plan worksheet for the operation and maintenance of the wastewater treatment system, the three lift stations, the emergency generators, and the sewer lines. The plan reflects substantial expenditure increases, but also reflects substantial additional revenue from additional connections to the sanitary sewer system. The worksheet reflects a deficit in 2024, and a small surplus in 2025. The deficit in 2024 is due partially to the delay in the connection of numerous properties to the system until late 2024 and partially to unanticipated equipment replacement needs.

Based on the budget worksheet's projection of revenues and expenditures, it is estimated that in order to fully fund operational costs as well as provide funding for future equipment repairs and replacements, the monthly sewer fee will need to be increased in 2025 and in future years. The monthly sewer fee is proposed to increase from \$55 per sewer unit to \$60 per sewer unit in 2025.