

City of Duluth 2025 Budget Presentation



Duluth,

This FY2025 City of Duluth proposed budget captures our new growth, but otherwise does not include an increase in the City portion of the property tax levy.

After substantial increases in both property valuations and the City of Duluth property tax levy, our residents clearly said they were looking for a breather. And, in my State of the City I pledged to provide one.

Yet, I am cognizant we have the same myriad set of cost drivers as every other organization – material input increases, salary increases, and inflation.

This proposed budget is flat, but it is not status quo. We prioritize public safety, maintenance of our facilities, maintenance of our park assets, and additional tools to facilitate tax base growth.

Thank you for your consideration.

Ron



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Strategic Priorities (aka The Five Big Issues)

- Affordable Property Taxes
- Downtown Duluth
- Streets and Utilities
- Housing at All Income Levels
- Growing Commercial Tax Base

Structural Budget Challenges

- Aerial Lift Bridge Repairs
- Water Plant Upgrades
- Ongoing bargaining agreements
- DFD Overtime
- Aging Infrastructure

- 1 Highlights
- 2 City of Duluth Levy
- 3 2025 Budget Details
- 4 Budget Breakdown
- 5 Supporting Information
- 6 ARPA

An aerial photograph of a city and a large bridge structure over water, with a blue overlay. The bridge is a large, arched truss structure spanning across a body of water. The city is visible in the background, with various buildings and structures. The entire image is overlaid with a semi-transparent blue color.

SECTION 1: Highlights

Legislative & Executive

- **Criminal Prosecutor and Real Estate Transactional Attorney - \$271K**

Property, Parks, & Libraries

- **Facilities and Parks Maintenance - \$312K**
- **Addition of 2nd FT Library Safety Specialist - \$30.3K**

Fire

- **VDU and Rental License FTE - \$150K**
- **Pilot staffing program to address ongoing overtime issues**

Police

- **Retaining 154 licensed Officer positions**

An aerial photograph of Duluth, Minnesota, showing a mix of historic and modern architecture. A prominent clock tower is visible on the right side. The image is overlaid with a semi-transparent blue filter. In the center, the text "SECTION 2: City of Duluth Levy" is written in white. Below the text, there is a dark green horizontal bar.

SECTION 2: City of Duluth Levy

2025 Proposed Property Tax Levy

	2024 Approved Levy	2025 Proposed Levy	Change In Levy	
General Operations Levy				
General Operations	\$ 29,305,129	\$ 25,547,272	\$ (3,757,857)	
Provision for Tax Delinquency	\$ 150,000	\$ 150,000	\$ -	
Total General Operations Levy	\$ 29,455,129	\$ 25,697,272	\$ (3,757,857)	
Supplemental Parks Levy	\$ 280,000	\$ 280,000	\$ -	
Capital Projects Levy		\$ 4,547,400	\$ 4,547,400	
Debt Service	\$ 7,564,200	\$ 7,564,200	\$ -	
Infrastructure Permanent Improvements	\$ 280,000	\$ 280,000	\$ -	
Total Capital Projects Levy	\$ 7,844,200	\$ 7,844,200	\$ -	
Street Light Levy	\$ 2,547,200	\$ 2,547,200	\$ -	
Street Maintenance Levy	\$ 2,300,000	\$ 2,300,000	\$ -	
Duluth Housing Trust Fund Levy	\$ 182,500	\$ 182,500	\$ -	
Total City Property Tax Levy	\$ 42,609,029	\$ 43,398,572	\$ 789,543	
General Operations Levy Increase			\$ (3,757,857)	-8.82%
Capital Projects Levy			\$ 4,547,400	10.67%
2025 City Tax Levy Increase			\$ 789,543	1.85%
New Construction Growth			\$ 789,543	1.85%
Net Property Tax Impact After Growth			\$ -	0.00%

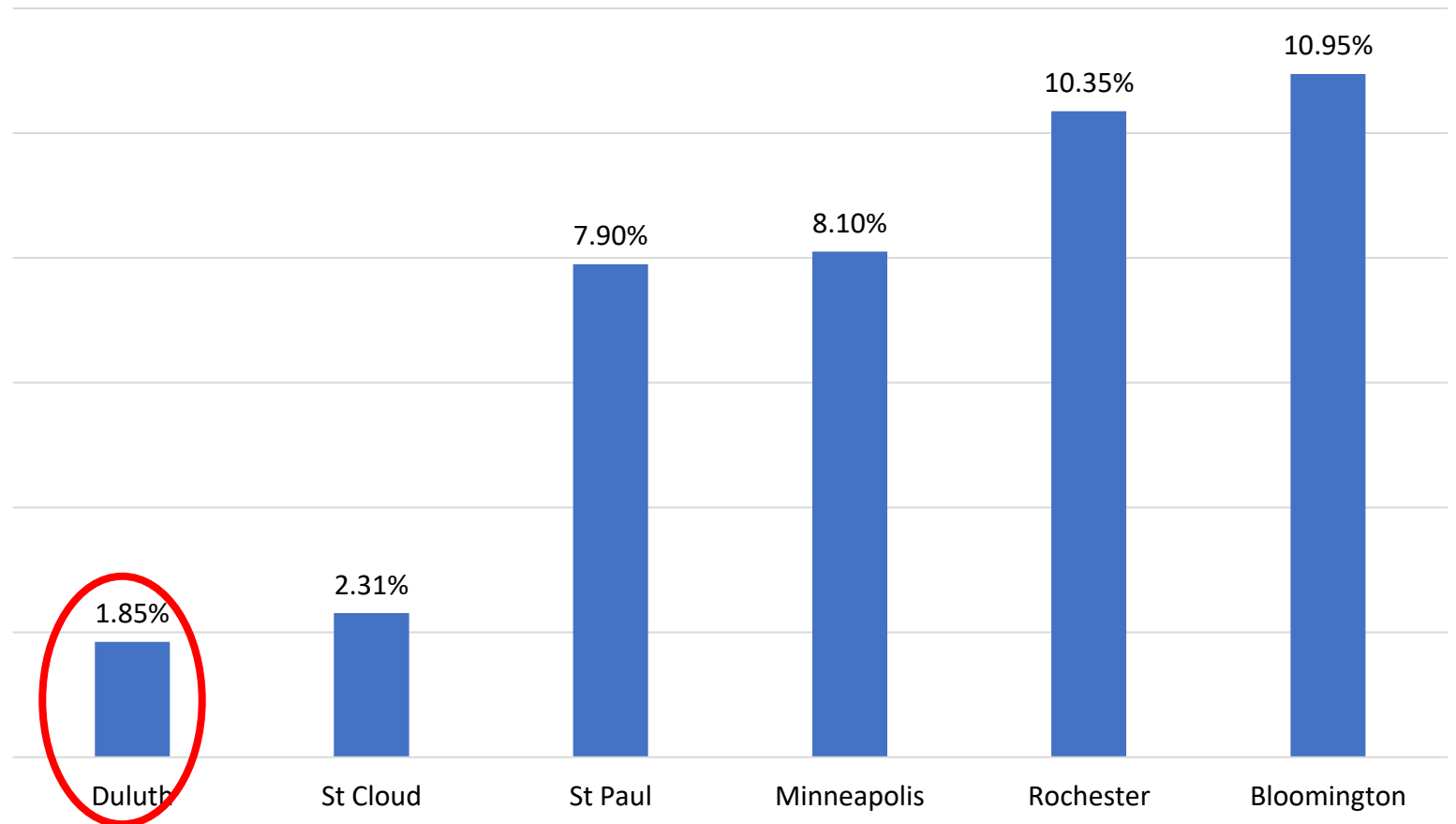
Proposed 2025 City of Duluth Property Tax Levy Impact

\$175,000	Residential	\$	(26.79)
\$225,000	Residential	\$	(36.65)
\$275,000	Residential	\$	(46.50)
\$250,000	Commercial	\$	(74.52)
\$500,000	Commercial	\$	(161.46)
\$750,000	Commercial	\$	(248.39)

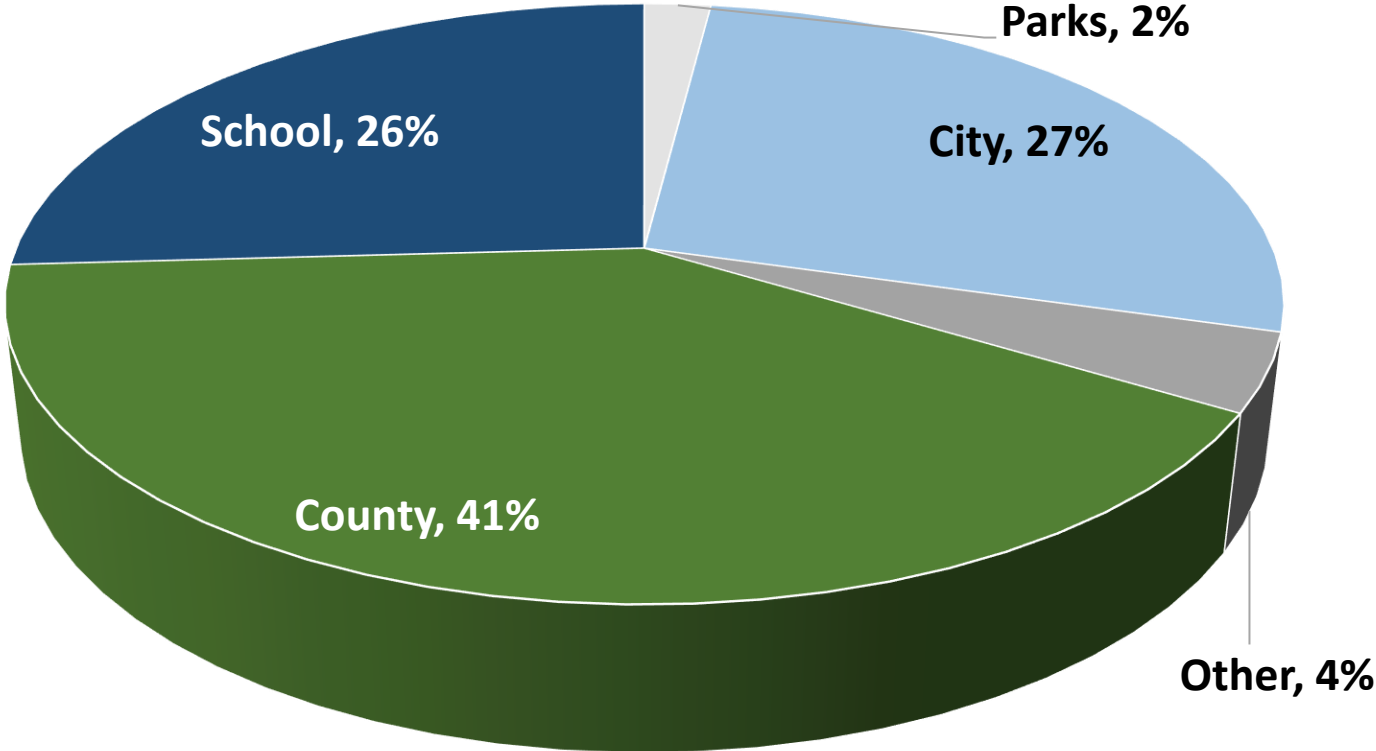
* Assumes no change in the assessed property valuation from 2024

Comparable Cities

2025 Proposed Levies

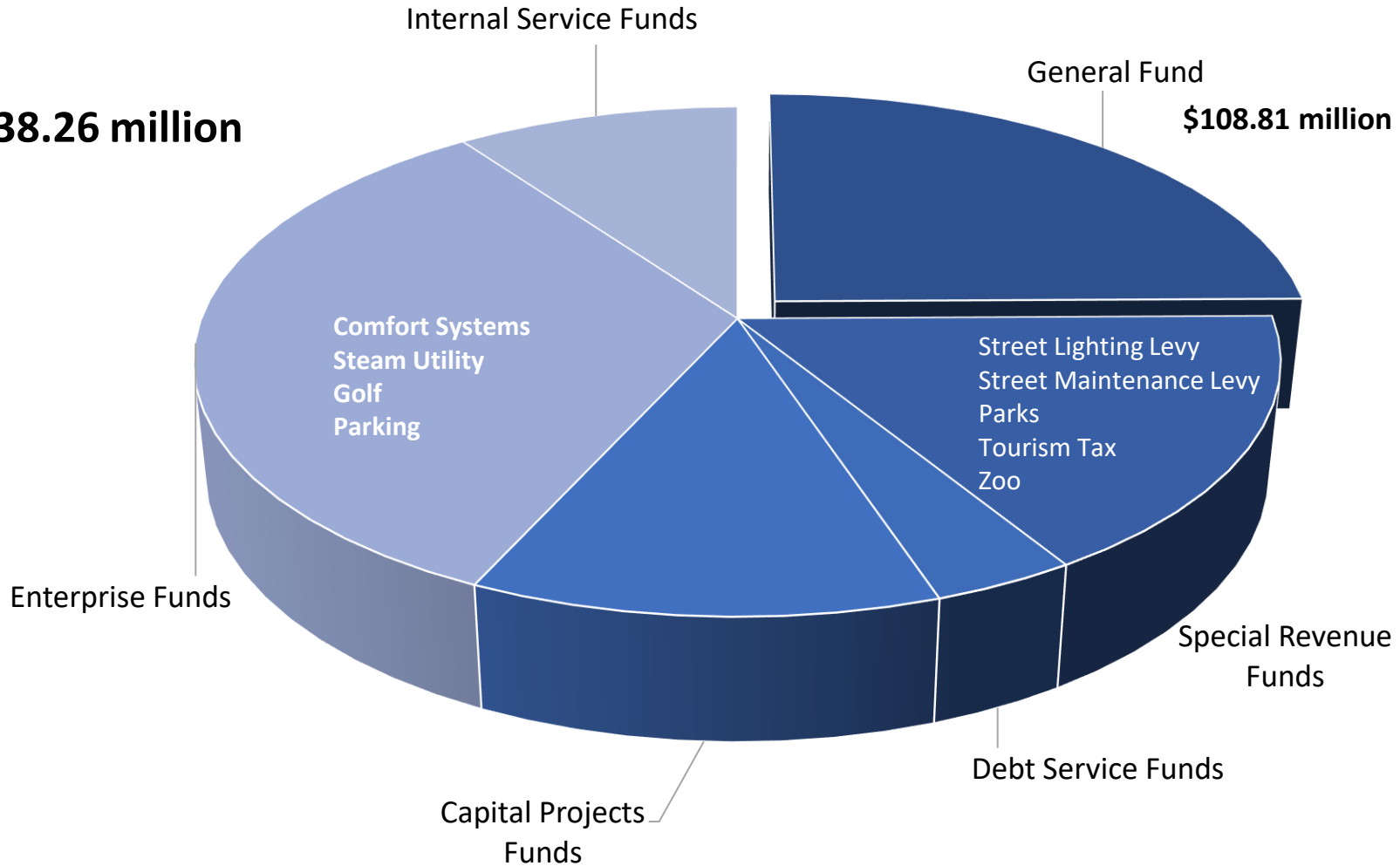


Average Property Tax Bill by Taxing Entity



2025 Proposed Budget by Fund Type

Total Budget \$438.26 million





SECTION 3: 2025 Budget Details

Mayor's budget guidance to Directors:

As you weigh options, and develop your budget recommendations, I ask you to review these guiding principles:

- How do your recommendations align with effective and efficient core city services, at a tax rate our residents can afford and sustain?
- How do your recommendations support our Five Big Issues (Housing, Streets and Utilities, Commercial Tax Base Growth, Population Growth, and a vibrant Downtown)
- How are you inviting in our residents and business to partner with and support our work
- What would you do tomorrow, or *stop* doing tomorrow, if you could?

Bring me the big idea you've been wanting to present.

Tell me the thing you've been waiting for permission to stop doing.



106 budget request for increased spending

Totaling nearly \$5M

\$1.1M in available funds



2025 Approved Budget Requests

Programs	Description	Amount
Criminal Prosecution	Prosecutor	\$ 137,000
Real Estate Transactional Programs	Civil Attorney	\$ 168,000
Real Estate Transactional Programs	Convert Part-Time position	\$ (34,500)
City Council Operations	Legislative Software Increase - Granicus	\$ 12,000
Facilities Maintenance Inflationary increases	Several years of no growth in supplies & professional services	\$ 103,600
Parks Maintenance Inflationary Increases	Several years of no growth in supplies, tree care & professional services	\$ 208,800
Utilities & Energy Program	MN Power + Energy Savings Transfer	\$ 38,000
Library Safety & Security	2nd Library Safety Specialist	\$ 72,600
Reduction to Circulation Services	Repurpose .5 FTE to Senior Library Safety	\$ (42,300)
Citywide Software Licensing Maintenance	Increases to current licenses/contracts	\$ 226,000
Employee Recruiting/Hiring	NEOGOV/Background Checks	\$ 17,500
Election Costs	Every other year cost	\$ 30,000
Fire Code Enforcement & Rental License Program	Fire Inspector	\$ 150,300
Facility Operations inflationary costs	Janitorial Supplies	\$ 5,000
Patrol response and Operations	Uniforms	\$ 37,900
Efficiencies in project planning & management, snow and ice control and pothole patching	MNDOT Training on State Aid projects, inflationary increases for software and supplies, drone training and software for bridge inspections	\$ 32,100
Total		\$ 1,162,000

DFD Overtime (\$1M+ five-years rolling avg)

- **1yr pilot program**
- **Hire substitute Firefighters to reduce overtime costs and staff burnout**
- **Transition to new staffing model**
- **If successful, additional Fire FTEs in the levy or through staff realignment**

An aerial photograph of a school campus, including a large central building, a gymnasium, and a track, overlaid with a semi-transparent blue filter. A solid green horizontal bar is positioned at the bottom of the image.

SECTION 4: Budget Breakdown



Where Does Your Money Go?

City of Duluth Proposed Tax Levy 2025



Public Safety - \$19

- 154 Police officers
- 131 Firefighters
- Investigations
- Safety inspections
- Emergency management



Planning & Economic Development - \$2

- Comprehensive Plan/Zoning
- Housing construction
- Permit application review
- Economic Development
- Tax base growth

\$71 per month



Transportation - \$12

- Street Maintenance
- Transportation planner
- Sidewalks and Neighborhood connectivity



Library - \$2

- Fine free program
- Electronic and hard copy materials
- Free year-round all-age programming



\$240,100

Here is how it breaks down:



Capital Debt Service - \$19

- Building repairs
- City facility maintenance
- Purchase of plows, fire engines, patrol cars and street fleet



Parks - \$6

- 162 Parks
- 353 Miles of trails
- Summer Youth Camps
- Year-round all-age programming



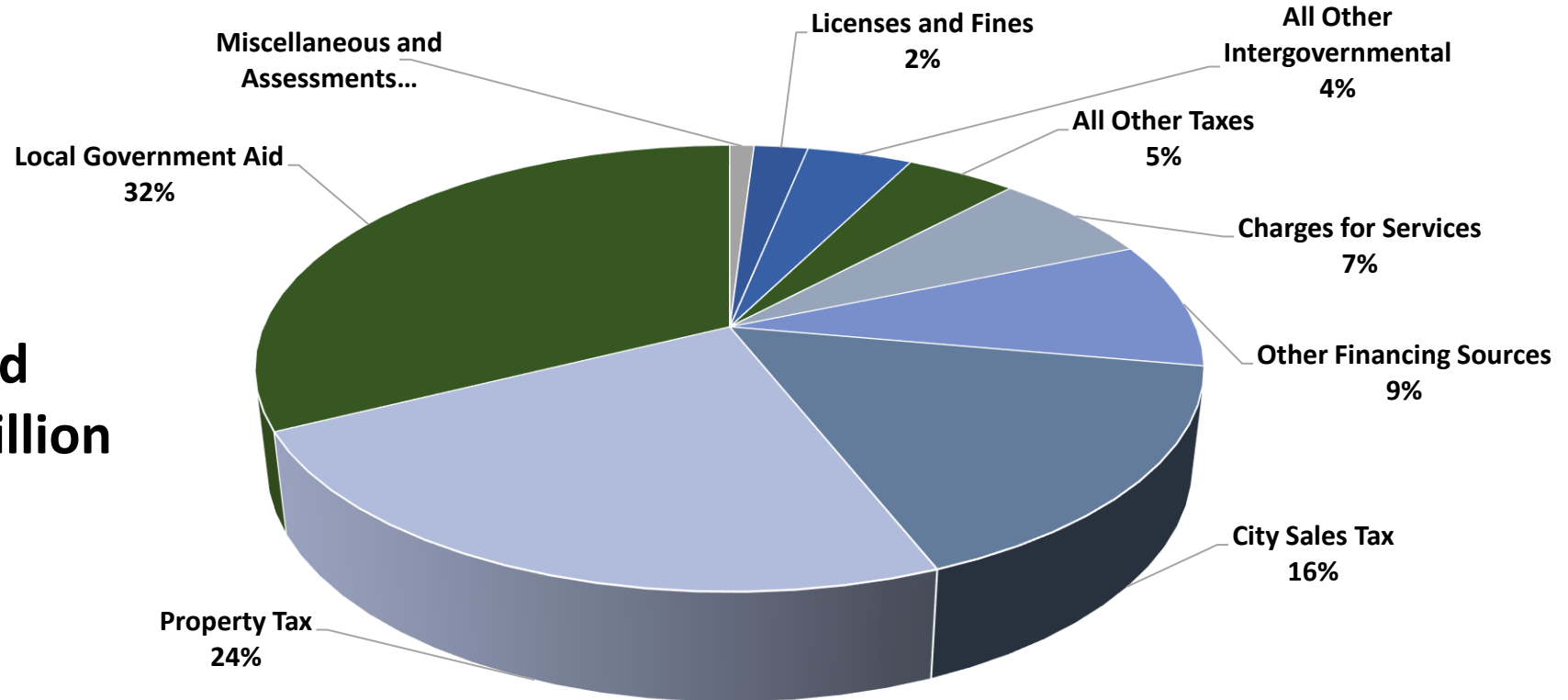
Internal City Services - \$11

- Attorneys
- Elections
- Information Technology
- Boards & Commissions
- Finance
- City Council
- Communications
- Human Resources

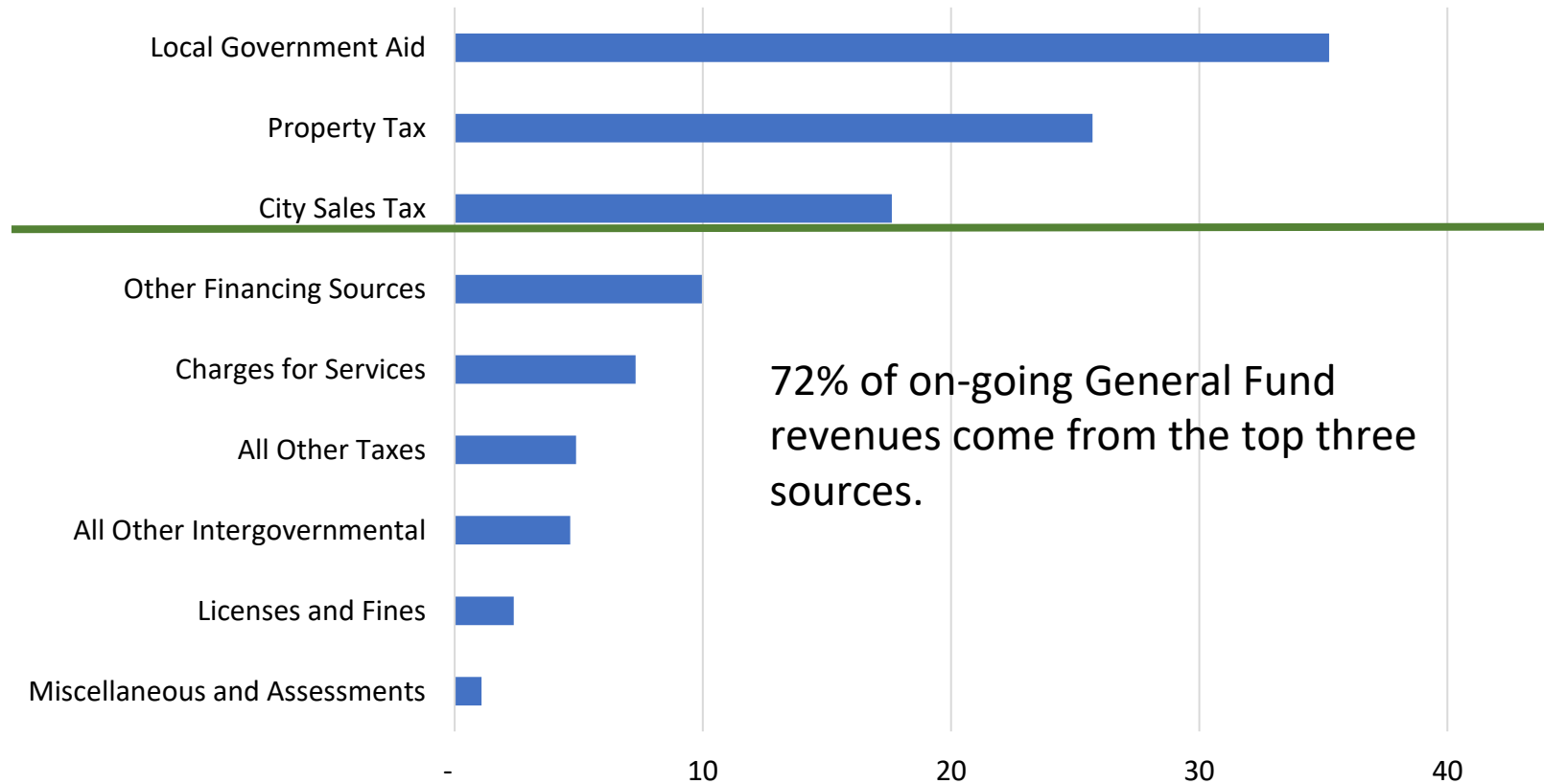
	2024 Approved Budget	2025 Proposed Budget	Variance 2024 Approved Budget vs 2025 Proposed Budget	
			\$	%
REVENUES				
Local Government Aid	35.18	35.23	0.06	0.2%
City Sales and Use Tax	16.00	17.76	1.76	11.0%
State Sales Tax Administration	(0.22)	(0.14)	0.08	0.0%
Property Tax	29.46	25.70	(3.76)	-12.8%
Charges for Services	6.94	7.29	0.35	5.1%
Other Financing Sources	8.30	6.71	(1.59)	-19.2%
Intergovernmental	4.55	4.66	0.11	2.4%
Gas Utility in Lieu of Taxes	2.70	3.25	0.55	20.4%
Minnesota Power Franchise Tax	3.61	3.85	0.24	6.7%
Licenses and Permits	2.11	2.18	0.07	3.3%
All Other Taxes	1.06	1.04	(0.02)	-2.3%
Miscellaneous	0.55	0.54	(0.01)	-1.1%
Special Assessments	0.44	0.53	0.09	21.4%
Fines and Forfeits	0.23	0.20	(0.03)	-12.2%
General Fund Reserves	9.20	-	(9.20)	100.0%
Revenue Totals	120.10	108.81	(11.29)	-9.40%
EXPENDITURES				
Salaries and Overtime	58.15	60.72	2.57	4.41%
Medical Insurance	13.19	13.36	0.17	1.33%
Benefits	11.56	12.36	0.80	6.92%
Retiree Medical & Life Insurance	7.73	3.21	(4.53)	-58.55%
Other Services and Charges	6.03	4.86	(1.17)	-19.43%
Supplies	3.54	3.75	0.21	5.85%
Fleet	3.15	3.35	0.20	6.48%
Worker's Compensation	2.08	2.17	0.09	4.55%
Utilities	2.00	2.03	0.03	1.55%
Software & License Agreements	1.49	1.74	0.25	17.00%
Professional Svs/Contracts	1.37	0.92	(0.46)	-33.19%
Capital Outlay	0.62	0.35	(0.27)	-43.55%
One-Time Expenditures	9.20	-	(9.20)	100.00%
Expenditure Totals	120.10	108.81	(11.29)	-9.40%

2024 Proposed General Fund Revenues

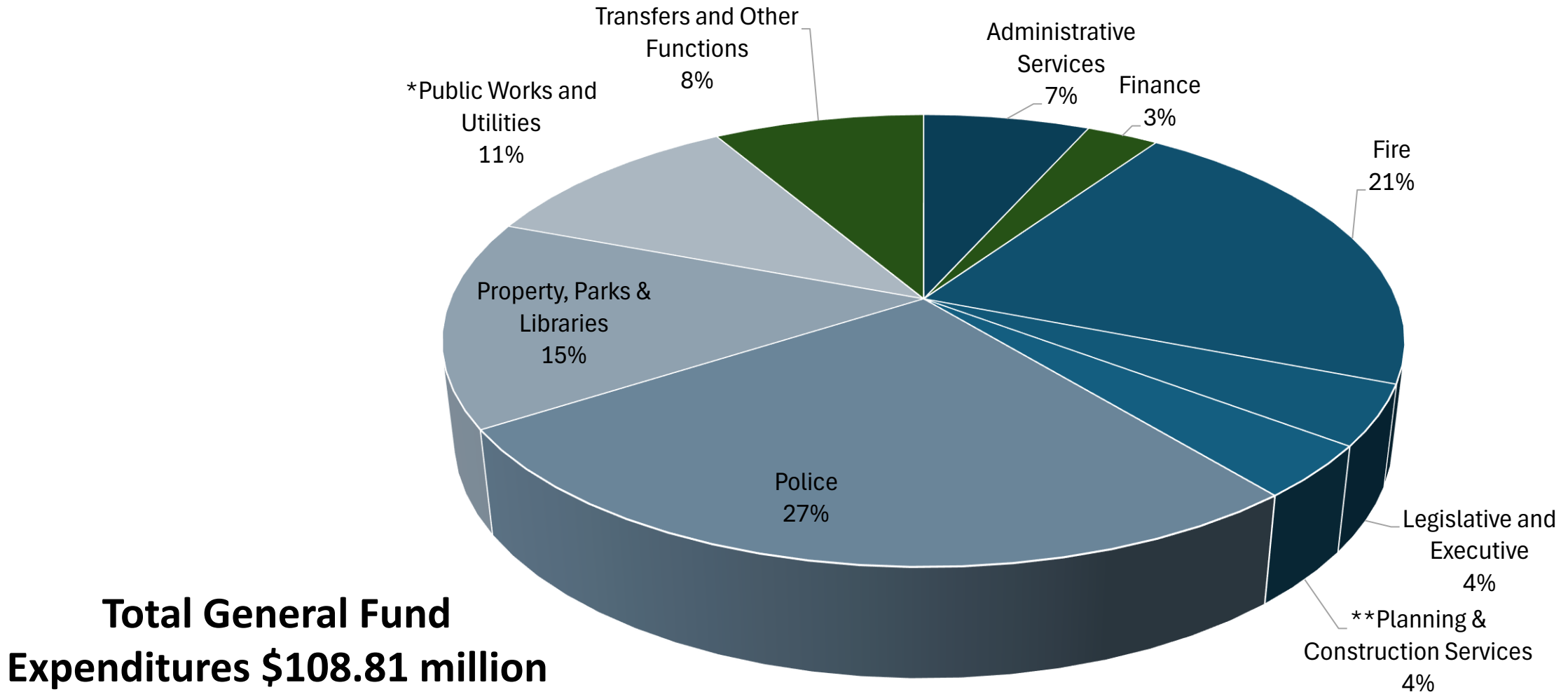
**Total General Fund
Revenues \$108.81 million**



2025 General Fund Revenues by Source



2025 Proposed General Fund Expenditures



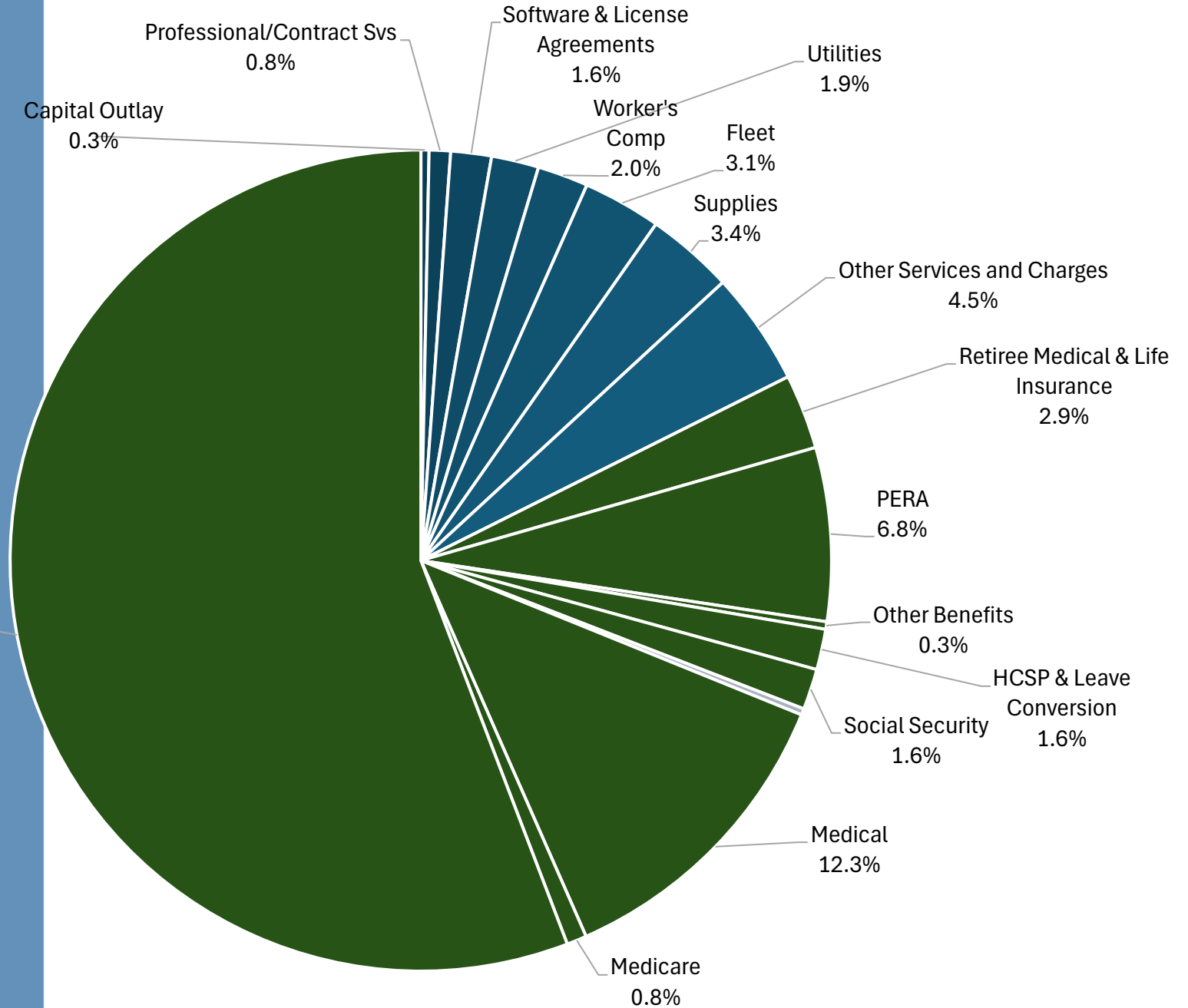
** Includes Director's Office, Street Maintenance and Engineering (Enterprise Fund: Water, Gas, Sewer, Stormwater, Clean Water Surcharge)

** Planning & Economic Development does not include Community Development Block Grant funds

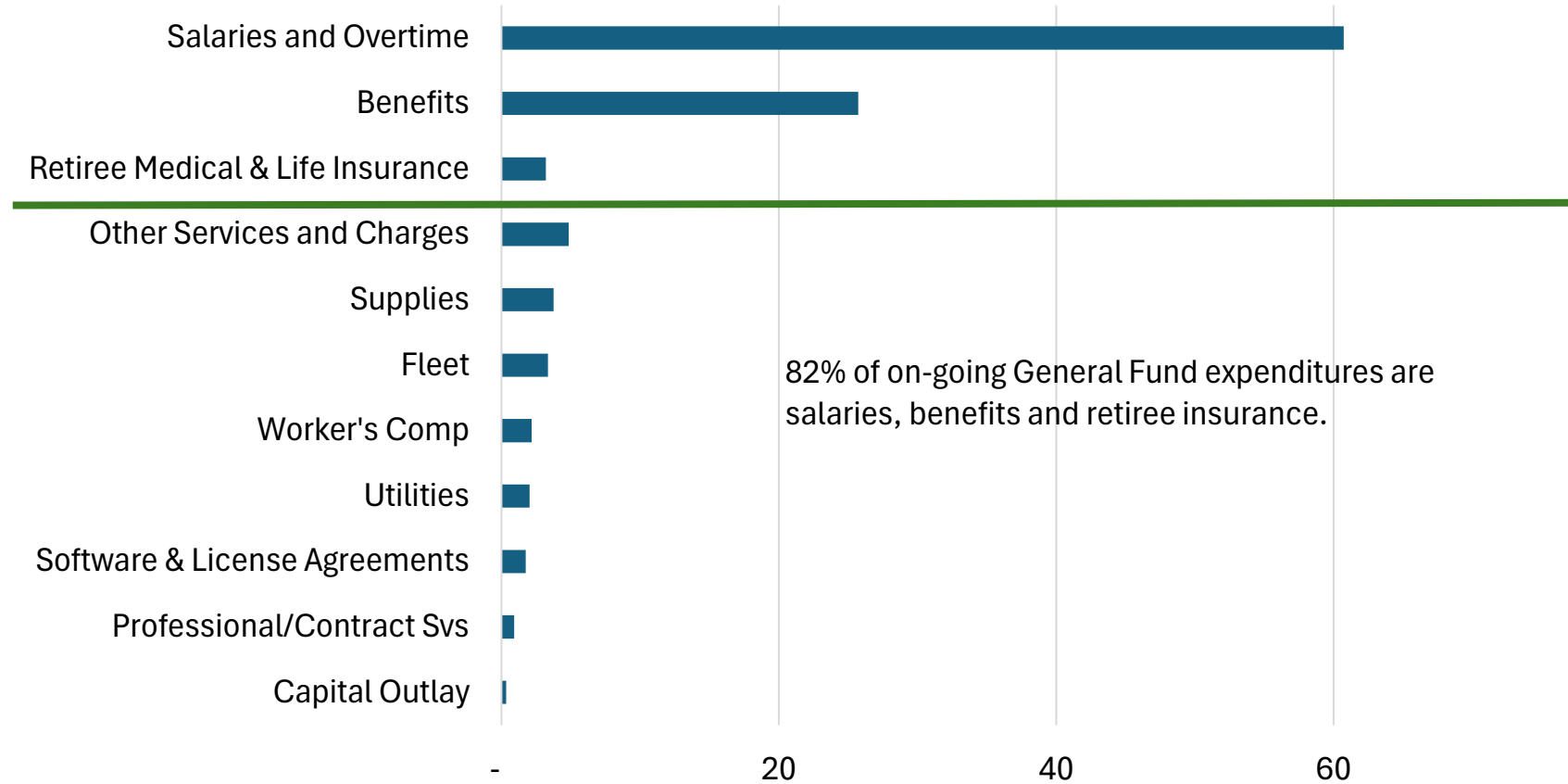


Employee Salaries & Benefits - 82%

Salaries and Overtime
55.8%



2025 General Fund Budgeted Expenditures by Type

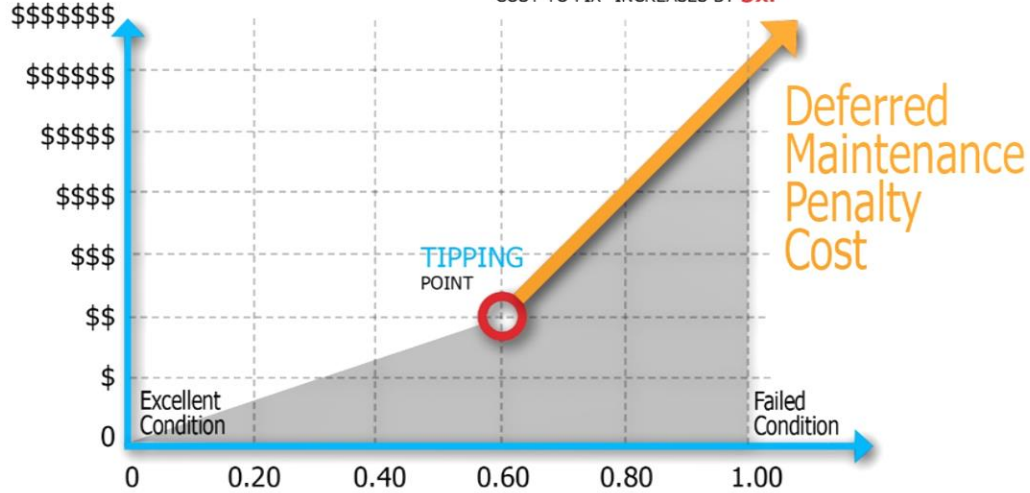


A blue-tinted photograph of a lighthouse on a pier. The lighthouse is the central focus, with several streetlights to its right. The scene is reflected in the water in the foreground. The text "SECTION 5: Supporting Information" is overlaid in white.

SECTION 5: Supporting Information

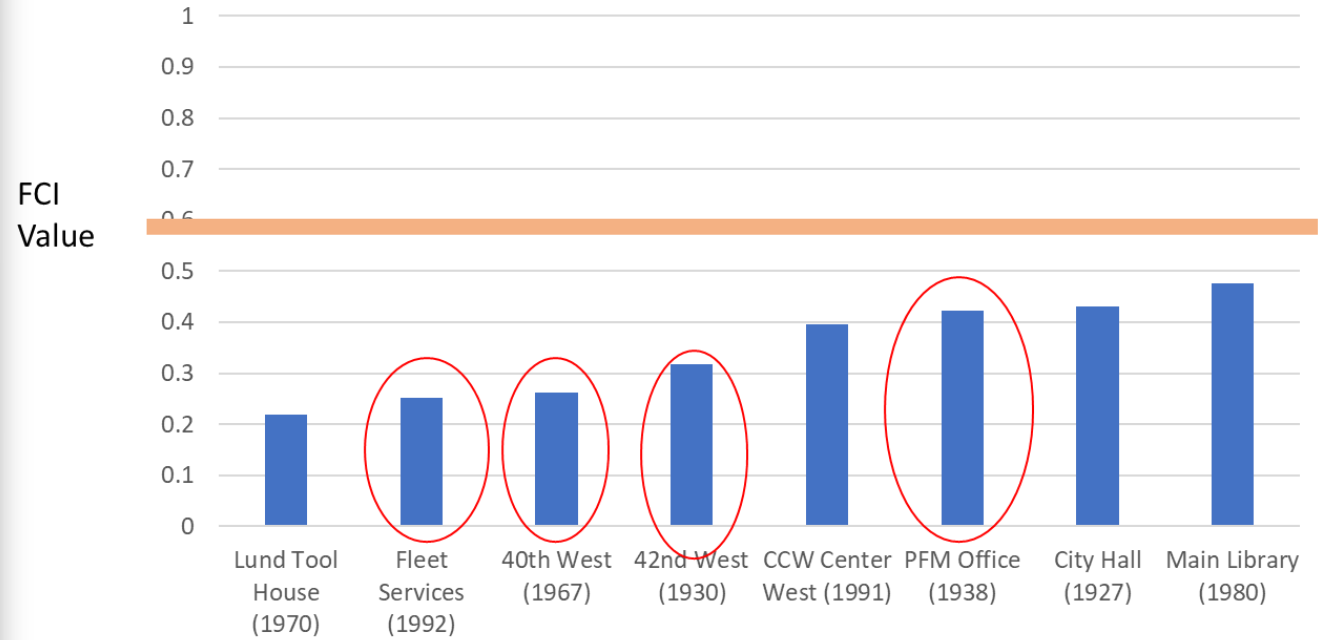
LINE of DOOM

ONCE THE ASSET REACHES A FACILITY CONDITION INDEX OF **0.60** THE "COST TO FIX" INCREASES BY **5x**.



FACILITY
CONDITION
INDEX (FCI)

FCI of CIP Eligible Buildings



Current Facilities



A blue-tinted photograph of a lighthouse on a pier. The lighthouse is the central focus, with several streetlights to its right. The scene is reflected in the water in the foreground. The text "SECTION 6: ARPA" is overlaid in white, bold, sans-serif font in the center of the image.

SECTION 6: ARPA

ARP

Projects	Amount
HRA- Fairmount Cottage Village	\$ 1,150,000
Affordable Housing- New Burnham	\$ 380,000
Affordable housing - Urbane	\$ 784,240
Affordable Housing - Permanent Supportive Housing	\$ 1,728,000
Affordable Housing - Stepping on Up	\$ 150,000
Affordable Housing - Skyridge Flats	\$ 300,000
Homeless Encampment Cleanup	\$ 200,000
Center City- Wadena West (contract transferred to DEDA)	\$ 2,750,000
One Roof- Brae View (transferred to DEDA)	\$ 3,857,143
Merge Urban Development - the Residence -(contract transferred to DEDA)	\$ 4,000,000
Funds transferred to DEDA	\$ 3,900,747
DECC Temporary Ice Chiller	\$ 200,000
Broadband	\$ 1,000,000
City Hall HVAC	\$ 12,000,000
Water Meter Replacement	\$ 6,500,000
Lead Service Replacement	\$ 1,500,000
Hidden Valley Water Main Replacement	\$ 1,400,000
Street Sweepers	\$ 1,350,000
Michigan St Water Main Replacement	\$ 1,100,000
Pipe Loop Study	\$ 100,000
Lead Service Replacement 2023 Design	\$ 679,000
Other Utility Infrastructure Projects	\$ 221,000
2022 general fund budget revenue shortfall	\$ 2,551,600
2022 parking fund revenue shortfall	\$ 262,600
2023 parking fund	\$ 237,400
2023 general fund budget revenue shortfall and capital projects	\$ 3,245,000
2023 general fund budget appropriation increase	\$ 382,950
Administrative costs associated with ARP	\$ 800,000
Public Safety - Greater Downtown Council contract	\$ 300,000
Job Training	\$ 550,000
Assistance - Aid to Component Units DECC and Spirit Mountain	\$ 500,000
Outdoor Spaces - Parks Projects	\$ 2,000,000
Assistance - 1200 Fund Childcare Expansion	\$ 450,000
Assistance - 1200 Fund Childcare Training	\$ 15,000
Assistance - Other 1200 Fund Recapitalization	\$ 1,035,000
Assistance - DEDA Recapitalization	\$ 500,000
2024 Parking ramp security	\$ 38,179
Total	\$ 58,117,859

Pre-Covid Funded Projects/Programs (2019 Baseline)

2019 Funded Projects/Programs			
City Commitments:	Amount	Source	
Housing Investment Fund and CD Housing Rehab Loan to support housing rehab in Lincoln Park and Hillside	\$ 250,000	Community Investment Trust	19-0508R
Duluth Property Rehab Prog. - HRA	\$ 450,000	HUD Federal CDBG	19-0063R
Redruth Rehab Project- ASI Redruth	\$ 70,000	HUD Federal CDBG	19-0063R
Burke Rehab Project- ASI Burke	\$ 80,000	HUD Federal CDBG	19-0063R
Duluth Energy Efficiency Program - Ecolibrium 3	\$ 125,000	HUD Federal CDBG	19-0063R
Duluth Lending Rehab- One Roof Community Housing	\$ 80,000	HUD Federal CDBG	19-0063R
Duluth at Work Collaborative -SOAR Career Solutions	\$ 272,000	HUD Federal CDBG	19-0063R
Growing Neighborhood Businesses - Entrepreneur Fund	\$ 64,000	HUD Federal CDBG	19-0063R
Replacement of Medical Exam Tables, LSC Health Ctr	\$ 30,000	HUD Federal CDBG	19-0063R
Life House Annex - Life House	\$ 128,500	HUD Federal CDBG	19-0063R
Acquisition Demolition Preparation Program - City of Duluth	\$ 140,000	HUD Federal CDBG	19-0063R
Bike Duluth - Transportation Options for All-City of Duluth	\$ 5,000	HUD Federal CDBG	19-0063R
Landlord Incentives Program - Salvation Army	\$ 20,000	HUD Federal CDBG	19-0063R
JET Food Programs NYS	\$ 39,000	HUD Federal CDBG	19-0063R
Basic Needs Youth Drop-In Life House	\$ 30,000	HUD Federal CDBG	19-0063R
Free Tax Site - Community Action Duluth	\$ 20,000	HUD Federal CDBG	19-0063R
Tenant Landlord Connection - One Roof	\$ 25,000	HUD Federal CDBG	19-0063R
Seeds of Success Farmer's Market - Community Action Duluth	\$ 7,000	HUD Federal CDBG	19-0063R
Duluth Hunger Project - CHUM	\$ 80,000	HUD Federal CDBG	19-0063R
Housing Stabilization - Steve O'Neil Apt - CHUM	\$ 20,000	HUD Federal CDBG	19-0063R
Safe Haven DV Shelter - Safe Haven	\$ 15,000	HUD Federal CDBG	19-0063R
Family Supportive Housing - City Center	\$ 30,000	HUD Federal CDBG	19-0063R
Family Transitional Housing - Salvation Army	\$ 8,250	HUD Federal CDBG	19-0063R
Homeless Prevention/Rapid Rehous	\$ 9,150	HUD Federal CDBG	19-0063R
Emergency Shelter- CHUM	\$ 40,000	HUD Federal CDBG	19-0063R
Coordinated Entry and Assessment	\$ 12,000	HUD Federal CDBG	19-0063R
Homeless Rental Asst. - HRA	\$ 90,000	HOME Funds	19-0415R
TBRA Admin - HRA	\$ 7,000	HOME Funds	19-0415R
CLT Acquisition /Rehabilitation - One Roof	\$ 320,000	HOME Funds	19-0415R
CLT New Construction - One Roof	\$ 150,000	HOME Funds	19-0415R
Rapid Rehousing Assistance	\$ 200,644	ESG Funds	19-0412R
Total	\$2,817,544		

Post-COVID Funded Projects/Programs

Post - COVID Projects/Programs		
City Commitments:	Amount	Source
HRA- Fairmount Cottage Village	\$ 1,150,000	ARPA
Center City- Wadena West	\$ 2,750,000	ARPA
One Roof- Brae View	\$ 3,857,143	ARPA
Affordable Housing- New Burnham	\$ 380,000	ARPA
Affordable housing - Urbane	\$ 784,240	ARPA
Plover Place Affordable Housing - Permanent Supportive Housing	\$ 1,728,000	ARPA
GDC Social Service Outreach	\$ 300,000	ARPA
Stepping on Up	\$ 150,000	ARPA
Affordable Housing - Skyridge Flats	\$ 300,000	ARPA
Homeless Encampment Cleanup	\$ 200,000	ARPA
Damiano Safe Storage Program	\$ 17,500	Opioid Settlements
Encampment Coordinator/Needle Pickup Position	\$ 1,249,100	Opioid Settlements
Substance Use Response Team(SURT) Project Coordinator	\$ 1,277,600	Opioid Settlements
SURT vehicles	\$ 70,000	Opioid Settlements
SURT outreach and supplies	\$ 100,000	Opioid Settlements
Victim Services Specialist grant match	\$ 267,900	Opioid Settlements
Encampment Cleanup funding	\$ 300,000	Opioid Settlements
Enhanced Encampment/Needle Pickup Coordination	\$ 150,000	Proceeds from Incubator Building
Stepping on Up Phase I matching funds	\$ 500,000	Proceeds from Incubator Building
2023-24 CDBG funds to include One Roof rehab, Duluth Hunger Project, Steve O'Neill Apts, Life House, Young Mothers	\$ 564,721	23/24 CDBG funds
2023-24 HOME Investment Partnership Fund - Community Land Trust New Construction - One Roof Community Housing	\$ 227,526	23/24 HOME funds
2023-24 Bob Tavani House for Medical Respite Shelter, MACV Homeless Vets, CHUM Emergency Shelter, CHUM Street Outreach, Family Transitional Housing, Life House	\$ 152,926	23/24 ESG funds
Human Development Center Community Crisis Response Program	\$ 1,800,000	General Fund contract through 12/31/2024

Post-COVID Funded Projects/Programs

Post - COVID Projects/Programs		
Social Service Outreach professional to Greater Downtown Council	\$ 300,000	ARPA through 12/31/2024
Preventing Homelessness during a pandemic- Center City Housing Corp.	\$ 36,000	CARES
Lincoln Park Homeless Warming Center with Hygiene Facilities- Housing and Redevelopment Authority of Duluth, MN	\$ 487,172	CARES
Homeless Prevention for Veterans in Duluth- Minnesota Assistance Council for Veterans	\$ 50,000	CARES
Eviction Prevention Project- Legal Aid Service of Northeastern Minnesota	\$ 93,313	CARES
Shelter Remodel- Safe Haven Shelter & Resource Center	\$ 454,529	CARES
Homeless Management Information System- Institute for Community Alliances	\$ 20,656	CARES
HRA Duluth property rehabilitation program	\$ 315,000	CDBG
One Roof Community Duluth rehabilitation	\$ 30,000	CDBG
Center City's New San Marco development	\$ 200,000	CDBG
Devine Konnections at Annie's House of Refuge & Restoration	\$ 10,000	CDBG
Stepping on Up homeless triage shelter - CHUM	\$ 150,000	CDBG
Steve O'Neal Apartments - CHUM	\$ 20,000	CDBG
Duluth Hunger Project - CHUM	\$ 104,000	CDBG
One Roof Tenant Landlord Connection	\$ 15,000	CDBG
Lifehoue basic needs drop-in youth center	\$ 39,000	CDBG
Comprehensive services for homeless veterans - MN Assistance Council for Veterans	\$ 30,000	CDBG
CHUM's emergency shelter	\$ 35,000	CDBG
Center City Housing family supportive housing	\$ 30,000	CDBG
Salvation Army family transitional housing	\$ 7,000	CDBG
HRA coordinated entry program	\$ 12,000	CDBG
Annual Tenant Landlord Connection city contribution	\$ 61,000	General Fund & CDBG
Housing Trust Fund	\$ 767,500	Levy
TOTAL:	\$ 21,543,826	

Conclusion

We have to take a systems approach to the work we do. We have to think about applying our limited resources in key areas, and with enough force, to actually move the needle and make a difference.

Our community is ready for difficult conversations so long as they are authentic, honest, and transparent.



THANK YOU!

