



OFFICE OF
THE MAYOR

Members of the Fargo community,

I would like to convey my genuine gratitude to The City of Fargo's department heads, division leaders, Commissioners and the Budget Team for their diligence in assembling the 2025 Budget to fund governmental operations in North Dakota's largest community.

The Budget Team faced considerable challenges and opportunities in preparing for the 2025 Budget as we sought to address several pressing topics with careful consideration and foresight. These topics – City employee compensation, utility rates and how to fund the MATBUS public transit agency that serves the Fargo-Moorhead metro area – were discussed by City Commissioners during a series of public meetings earlier this year to give residents awareness of the competing priorities the Budget Team was balancing.

The three main objectives of the 2025 Budget were as follows:

- Maintain the delivery of excellent public services to our residents, honoring the City's commitment to the Police and Fire Departments, along with all other departments that support public safety.
- Continue investing in our team's human capital by retaining and rewarding our staff who are the cornerstone of the services we provide.
- Strategically balance City revenues with expenses by scrutinizing our financial statements line by line looking for savings, diversifying our revenues and ensuring assessed fees cover their associated costs.

With the substantial growth we are seeing in Fargo's population and footprint, the demands for City services have risen significantly. To put this in perspective, here is a sampling of the sheer volume of services Team Fargo delivers in a year:

- The Fargo Police Department answered more than 94,000 calls, and the Fargo Fire Department responded to more than 14,000 calls.
- Drivers in the Solid Waste Department picked up garbage 1.5 million times at homes in Fargo.
- The Engineering and Public Works Departments maintained and serviced 551 miles of streets.
- Nearly 1 million items were checked out of Fargo's library system.

Through the work of excellent public employees, residents, businesses, community partners and our team of Commissioners, Fargo continues to be **the** regional leader across the board. We, as a city, are proud of our role in the metro area and what we do for our people and the neighboring communities that depend on us. As just one example of our regional excellence, Fargo's Water Treatment Plant purifies 5.6 billion gallons of drinking water in a year for customers in Fargo, West Fargo and a share of the Cass Rural Water District. Fargo's amazing water placed second this year in a national People's Choice contest, competing against the country's best tasting tap water in a blind taste test.

With such high-quality public service, it is no surprise our city's national reputation is outstanding. Fargo is a crown jewel of the Upper Midwest that is regularly celebrated with accolades. WalletHub recently recognized Fargo in the top 100 best-run cities and ranked our city among the top 10 places to be a renter. For young people, families and seniors, Fargo is a welcoming community where anyone can make their mark. As a city that attracts new development and new residents every year, we have seen remarkable prosperity and growth with Fargo's population increasing 160 percent over the last 60 years.

THE GENERAL FUND

The General Fund encompasses the total costs of our around-the-clock operations that deliver essential services to the citizens of Fargo. As the primary fund for property tax revenues, the Budget Team is dedicated to optimizing this aspect of the Budget to positively impact residents.

I must commend the Budget Team for demonstrating austere restraint during the 2025 budgeting process by carefully examining City revenues in relation to expenses to curb all unnecessary spending. Many items were cut from the Initial Budget to arrive at the 2025 Final Budget. Despite requests from department leaders for 35.3 new positions, this Budget adds zero new employees to the City's General Fund payroll.

The 2025 General Fund Budget is about \$132.3 million; of that figure, 74% is devoted to the salaries and benefits of Team Fargo. We must remember that, in all these numbers, we are people-focused above all else. With such exceptional people serving our city, we cannot forget the competitive employment market influences that seek to lure away our in-house talent and risk eroding public trust in our City services. In recent years, our cost-of-living adjustment (COLA) for City employees has not kept pace with inflation as our workers confront high prices for life's necessities. For these reasons, the City Commission made employee compensation a top priority when crafting the 2025 Budget.

Through thoughtful collaboration and communication, the Commission reached a compromise on September 30, 2024, to approve the 2025 Final Budget that includes a 4.5% COLA for employees and no increase in City of Fargo property taxes. Achieving this compromise was not without great difficulty. As needed to balance the budget, the City Commission approved the elimination of 6.2 positions; of those, three positions were occupied by incumbents and 3.2 were vacant. This reduction-in-force action was the result of City Commissioners' recommendations to review specific departments and positions; this action was made in consultation with the Budget Team and department heads. The City of Fargo acknowledges and appreciates the contributions of the three employees whose positions were eliminated. Their commitment to public service through their work on behalf of our residents is commendable and will be missed.

General Fund revenues are estimated at approximately \$132.3 million in 2025; this indicates a fully funded and balanced budget to meet our needs. It is important to note that property taxes – the revenue source that seems to be mainly discussed by residents and members of the media – compose only 33.1% of our General Fund. Property taxes alone do not generate enough revenue to pay for even our two public safety departments. The remainder of our General Fund expenses are paid for through aid from the State of North Dakota, intergovernmental transfers, charges, licenses, permits and fines. This diversification of revenue helps place The City of Fargo on solid financial footing.

I know that when we delve into government expenses it can sometimes lead to an overwhelming amount of information. In consideration of that, I asked our Finance Team to conduct an analysis with a different view on our spending. That is, *what share of your property tax bill goes to The City of Fargo?* As it turns out, the City's share of those property taxes only amounts to 20 cents – or two dimes on the dollar – for the services that our residents and businesses have come to expect day in and day out. I'm confident our households in Fargo are getting their value out of this local government as we work to fulfill and surpass our commitments to the community; this return-on-investment is commendable and impressive.

As a point of reference, the value of a mill in 2025 is \$843,000, up from the 2024 value of \$802,300. Our valuation increases remain relatively balanced between commercial and residential parcels at 0.30% and 1.89%, respectively. We continue to see commercial growth (2.40%) similar to residential growth (2.99%) – a sign of a healthy community.

We understand some residents may be seeking property tax assistance as they experience difficulties in this challenging economy. There are several programs offered by the State of North Dakota and The City of Fargo to help homeowners with limited incomes in affording property taxes; we invite you to visit with the Fargo Assessor's Office to learn more and determine if they could assist your family.

OTHER BUDGET CONSIDERATIONS

It is important to acknowledge the impact that the 2025 Budget will have on rates for homeowners' utilities provided by Enterprise Funds of Water, Water Reclamation and Stormwater. Most homeowners will see a total increase of approximately \$10 per month in their rates, or about \$0.33 per day; this is not taken for granted and as always, our last option is to raise rates. We are at a critical point where increased rates are needed to keep up with the growth of our community. Even with the rate increase, Fargo's utility costs will still be among the lowest in the region when compared to peer cities. Our Utilities will continue working to keep water bills down through our infrastructure sales tax, by leveraging grants and low-cost borrowing through State of North Dakota programs, and by providing regional service to customers outside of Fargo.

As we look ahead to the 2026 Budget and beyond, we will need to keep our compensation plan front of mind as we seek to recruit and retain members of Team Fargo in a competitive environment. Through our strategic planning processes, we are assessing the results of a market compensation study to consider ongoing and future compensation models as part of our Citywide "Staffing for Success" plan. The goals of this initiative include identifying appropriate staffing levels for public service operations as well as ensuring training and professional development opportunities for City employees.

The City is continuing to find ways to boost its fiscal reserves with the knowledge that our available fund balance is below the City's historical average. This fact contributed to Moody's revising the City's economic outlook in September 2024 from stable to negative. Moody's, a global company that provides credit ratings, affirmed the City's Aa2 rating, which signifies a high credit quality for bonds. The Budget Team's goal of a return to a stable economic outlook, via time, patience and discipline, drives our long-term commitment to continually evaluating effectiveness and efficiencies within departments, utilizing purchasing power and evaluating fee structures. The 2025 Budget demonstrates our dedication to organizational balance in revenues and expenditures.

I believe Fargo is on a strong trajectory for continued success, and I look forward to working with City staff in 2025. Our people and the top-notch services they deliver will give the community a foundation on which to thrive. I am truly honored and proud to serve as your Mayor. Even in the face of challenges, we consistently find ways to come together to forge a strong resilience that makes Fargo a place where people choose to live, work and play.

A handwritten signature in black ink, appearing to read "Timothy J. Mahoney". The signature is fluid and cursive, with the first name being the most prominent.

Sincerely yours in public service,
Dr. Timothy J. Mahoney, Mayor of Fargo