



THE OFFICE OF THE MAYOR, DR. TIMOTHY J. MAHONEY

Members of the Fargo community and Fargo City Commissioners,

The City of Fargo's 2023 Final Budget is being presented for your review. I would like to express my appreciation to the department heads, division heads, Commissioners and the Budget Team for their excellent work in arriving at a financial plan that will work for Fargo. We worked very hard to make this Budget presentation fully transparent and understandable.

During our departmental meetings, many ideas, recommendations and conversations occurred to synthesize into the document before you today. Throughout this process, we have remained devoted to providing the high quality of services our residents have come to expect, while also continuing our commitment of being fiscally mindful of taxpayers' money.

Fargo remains on the national scene as a crown jewel in the Upper Midwest – there's no question about that. The City of Far More is mentioned in the same sentence as other high-performing cities in our region and beyond. We have received the following fantastic honors in the last year for the community we call home.

- Top Ten Least Stressed Cities {WalletHub, 2022}
- Top Ten Best Places to Retire {Forbes, 2021-2022}
- Top 15 Best Places for Renters {WalletHub, 2022}
- Top 100 Best Places to Live {Livability, 2021}

Through the work of this team of Commissioners (along with our excellent public employees, residents, businesses and community partners) Fargo continues to be the regional leader across the board. We are proud of our role in the metro and what we do for our people and the neighboring communities relying upon us.

We are seeing tremendous construction progress on two legacy projects which will benefit future generations in the FM Diversion Project and the Red River Valley Water Supply Project. Both of the projects are gamechangers for this metro area and will effectively flood-proof and drought-proof our community. When in place and fully operational, these ventures will ensure our growth potential remains truly limitless.

Throughout our community's history, our resiliency has been tried and proven true again and again. When this community faces a test, it steps up and meets the moment. The responsiveness of this organization is without question. We respond every day--in good times and in difficult ones--when our citizens and neighbors need us.

We are focusing on the priorities and initiatives that make us Fargo and make our citizens proud to live here. A City's Budget is a reflection of its goals and its objective. Fargo's Budget reflects our purpose and what we want to achieve for our residents; it is a Budget *about* Fargo and *for* Fargo.

I spent a great deal of time thinking with my fellow Commissioners and the various goals you have communicated to me, our City Administrators and department heads over the past year as I was crafting this Budget to arrive at something I feel is a reflection of our collective values and priorities. At its core, this Budget reflects a basic but powerful equation for Fargo's success: **People + Services = Excellence.**

With that guiding principle in mind, I'd like to provide you with a sense of the big projects and major initiatives on the horizon for 2023. We worked hard to centralize our efforts on six thoughtful priorities, which will challenge us to think beyond today to be aspirational in reaching the next level:

- Prioritize the retention of Team Fargo
- Ensure street-level excellence
- Bolster operational resiliencies
- Emphasize smart growth and core neighborhoods prioritization
- FARGODOME expansion
- Advance the Fargo Performing Arts Center

In consideration of all of these factors (and with the input of the Fargo City Commission) the Budget Team feels the Preliminary 2023 Budget addresses the needs of a community that has placed itself on the radar as one of the Midwest's most vibrant urban centers.

THE GENERAL FUND

The General Fund is a summation of the costs associated with executing our daily activities to provide the citizens of Fargo the services they need and deserve. This is the primary fund for the proceeds of property taxes, which is why the Budget Team is laser-focused on maximizing resident impact on this piece of the Budget. These numbers represent a thoughtful reflection of the overall themes and objectives of this Budget.

The recommended 2023 General Fund Budget is about \$111 million; of that figure, 75.9% is devoted to the salaries and benefits of Team Fargo. I've said it before and I'll say it again – we cannot forget, in all these numbers, that we are people-focused first and foremost. I come to work here every day, so incredibly proud of Team Fargo and the services we offer to this community. I hope we never lose sight of how fortunate we are to have this caliber of people serving our city; they are truly second to none.

Team Fargo offers fantastic service – day in and day out. This happens across our organization constantly. We continue to be guided by three core principles for our team: recruit, reward, and retain. The City of Fargo has utilized a needs-based, focused approach to new position requests this year. Consistent with previous Budgets, we are investing in core people to help them deliver the backbone services that our residents expect and celebrate. We received requests for 33 new employees funded through the General Fund and I am recommending the addition of 10 new employees. In our Enterprise Funds (which are not funded through the General Fund), we saw requests for three new employees and I am recommending the addition of two. In consideration our goals to attract and retain the best team members for Fargo, I am recommending a 3.5% competitive wage adjustment within this 2023 Budget.

General Fund revenues are estimated at about \$111 million in 2023. This indicates a fully-funded and balanced Budget to meet our needs. It includes increased tax revenue from building/construction activity, organic growth in real estate property values (which is a positive sign for any urban community with growth aspirations) and a 30% increase in State aid payments (which is very beneficial for this Budget). We acknowledge and appreciate our partnerships in Bismarck and across the state which have made this possible. Property taxes are an important component of this revenue picture but what may be surprising to some is that property taxes do not amount to even half of our General Fund revenues; we are well diversified in this and many other areas.

I know we oftentimes dive into the nuances of government expenses and it can sometimes lead to information overload. In consideration of that, I asked our Finance Team to conduct an analysis with a different view on our spending. That is, how much is the cost of local government to our taxpayers? If you think of a dollar bill as representing 100% of the average Fargo household's gross income, the cost that household pays for City

services amounts to just 4.84 cents (which is a decrease from last year). I'm proud to say that our households in Fargo are getting their value out of this local government as we strive to meet and exceed our commitment to the Fargo community. This return-on-investment is simply outstanding!

The City has the ability to levy 64 mills to fund governmental operations and we are currently utilizing only 51 of those mills. The Municipal Airport Authority is requesting to continue seeking two mills from our property owners. We are proposing a two-mill increase in City mills in 2023 for Fargo residents. The City Commission has had a stable City mill levy history in the past several years; in fact, mills have been reduced by 3.25 since 2013. We have done this against the backdrop of rapidly rising costs, increasing the number of employees within Team Fargo, expanding our world-class services and serving a community on the grow.

I think it's very important to consider the impact this proposed increase mill levy would have on our homeowners. When you take into account the most recent median home value of the Fargo metro of \$225,600 (as identified by the FMWF Chamber), this two-mill bump would equate to an annual increase of only \$20 in property taxes. Raising taxes is not something I take lightly. When considering the impact of inflation (and the corresponding increases in fuels, supplies and materials) on our daily operations, the need to invest in our people and the excellent services funded through this Budget, I truly believe this increase (which is about the same as the cost of one large delivery pizza) is a great return on investment for Fargo residents.

For utility fee increases, we are recommending two residential increases for 2023. We are suggesting increases of \$2.50 in monthly water rates and \$2.50 in water reclamation (wastewater) residential rates. These charges will amount to an increase of less than 10% of an average homeowner's monthly bill, even though our costs are increasing by a much higher percentage. How did we do this? By regionalizing our utilities with neighboring communities and maximizing economies of scale; this is a true story of success which continues to pay dividends for our residential taxpayers.

FARGO IS PROUDLY LEADING THE REGION

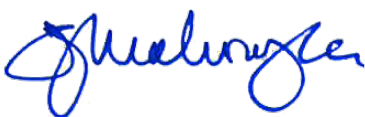
We are grateful for the vital ingredients that allow us to achieve great things in our community. Among these are a strong tax base fueled by economic activity, steady population growth, robust activity in the construction sector and street-level excellence at reasonable rates. When combined, these factors produce a synergy that makes Fargo a community where people choose to live, work and play.

Fargo is on a path for continued success, and I am looking forward to a promising 2023 working with City staff. Through our people and the world-class services we deliver, we provide the backbone to allow this community to truly flourish.

As a team, let's roll up our sleeves and work together to get this Budget done. Let's continue to deliver excellence for the Fargo community in 2023.

People + Services = Excellence.

Sincerely yours in public service,



Dr. Timothy J. Mahoney, Mayor
The City of Fargo