



**OFFICE OF
THE MAYOR**

Members of the Fargo community,

At its meeting on October 2, 2023, the Fargo City Commission approved Fargo's 2024 Budget to fund governmental operations in North Dakota's largest community. I would like to express my sincere appreciation to the department heads, division leaders, Commissioners and the Budget Team for their excellent work in arriving at this approved budget.

The Budget Team started with significant gaps between forecasted expenditures and anticipated revenues for 2024; throughout my 18 years as an elected official in Fargo, this was assuredly our most difficult budget. The Budget Team was very aware of City-provided service expectations in a rapidly growing community, constituent concerns with various tax and fee implications and the competitive employment market influences that seek to lure away our in-house talent. The decisions made within this budget were carefully considered to balance these factors.

The three main objectives of the 2024 Budget were as follows:

- Honor The City of Fargo's commitments to fund the Police and Fire Departments, along with all other departments that support public safety.
- Continually re-evaluate both revenues and expenses by assessing fee structures for City services and City-provided infrastructure.
- Recruit, retain and reward our staff, while holding the line on expenses through conservative capital purchases and controlling our annual operating expenses.

It takes people to provide good service and I would like to remind our community members about the degree of growth we are encountering and how it takes people to serve people. It is without question that demands for City services have risen significantly; in fact, since 2017, here is just a sampling of these increases:

- A 32% increase in calls for the Fargo Fire Department (from 11,000 to 14,500).
- An 8% increase in calls for the Fargo Police Department (from 89,162 to 96,068).
- A 29% increase in construction permits within Fargo's Inspections Department (from 8,356 to 10,790).
- A 10% increase in miles of roadway within Fargo's Public Works Department (from 500 to 551).

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 that will benefit future generations in the FM Diversion Project and the Red River Valley Water Supply Project. Both 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.

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.

The 2024 General Fund Budget is about \$119.77 million; of that figure, 75.4% 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 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.

It is important to note that the two revenue sources which seem to be the ones primarily discussed by residents and members of the media – franchise fees and property taxes – compose only 44% of our General Fund. Interestingly, from an illustrative point of view, these two sources only produce enough revenue to pay for our two public safety departments, with our other departments being paid for through aid from the State of North Dakota, intergovernmental transfers, charges, licenses, permits and fines.

I need to unequivocally say that Team Fargo offers fantastic service – day in and day out. This happens across our organization constantly. New General Fund employees for 2024 were limited to public safety and corresponding support departments. Of the total requests of 66.00 new team members, this budget only adds a total of 21.20 employees. Of the 21.20 approved, 15 will be in the Fargo Fire Department and two in the Fargo Police Department. Those 15 firefighters will be serving Fargo's new Fire Station Number 8 in south Fargo. We worked collaboratively with Fire Chief Steve Dirksen to arrive at a plan that adequately staffs the facility but does not bring on staff too early. We are bringing on-board the firefighters mid-year so that the net effect is paying for only six months in 2024. This was intentionally done to reduce costs while also maximizing readiness for the new station's opening. In our Utility/Enterprise Funds (which are not funded through the General Fund), we saw requests for eight new employees and ultimately approved five new hires.

In reflection of market conditions and historically low unemployment, the 2024 Budget includes a 2% cost of living adjustment for Team Fargo. We are fully aware that our regional governmental peers are offering a higher increase; while we assuredly wanted to offer more, we arrived at this recommendation in an attempt to balance expenses with revenue as effectively as possible. In the future, through our strategic planning processes, we will assess the results of a market compensation study to consider ongoing and future compensation models, along with launching a Citywide "Staffing for Success" plan.

General Fund revenues are estimated at approximately \$119.77 million in 2024; this indicates a fully-funded and balanced Budget to meet our needs. This includes a two-mill increase, which was proposed by City Commissioner John Strand in reflection of the July 14, 2023 critical incident. This increase has a special emphasis placed upon community safety for 2024, including traditional public safety departments along with the many City of Fargo supporting departments who also contribute to our shared mission of public safety.

I think it is critically important to consider the impact that the 2024 Budget will have on our homeowners. This budget has a net increase of about \$145 on the owner of a \$275,000 home in Fargo, as detailed below:

- The two-mill increase will result in an additional \$25 per year.
- The already-approved electric franchise fee (approved by the City Commission on August 7, 2023) is estimated at \$60 annually.
- The streetlights and forestry fee modifications will result in an additional \$60 per year.

The approved increases in taxes and fees will result in an impact of \$0.40 per day for most of our residents; this is significant and is not taken for granted. As always, our last option is to raise taxes and fees. We strive to strike a balanced budget via expense reductions, efficiencies and diversified revenue sources. There were many, many items cut from the Initial Budget to arrive at the approved 2024 Budget. We have heard your concerns and the difficulties we're all experiencing in this challenging economy. There are several programs offered by the State of North Dakota and The City of Fargo to assist homeowners with limited incomes in affording property taxes; we invite you to visit with the Fargo Assessor's Department to learn more to determine if they could assist your family.

As a point of reference, the value of a mill in 2024 is \$802,300, up from the 2023 value of \$715,390. Our valuation increases remain nearly equally balanced between commercial and residential parcels at 4.4% and 4.2%, respectively. We continue to see commercial growth (6.7%) slightly outpacing residential growth (5.4%), which is certainly a sign of a healthy and growing community.

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 4.78 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 very respectable and impressive.

FARGO IS PROUDLY LEADING THE REGION IN A CHALLENGING TIME

I believe the 2024 Budget reflects our commitment to structural balance in revenues and expenditures; this philosophy requires a thoughtful, long-range approach to forecast expenses and revenues. A long-range, strategic financial plan is a priority to be developed in 2024 for use within the 2025 Budget process and beyond.

I want to assure you that Fargo continues on a solid path for continued success and I am looking forward to a promising 2024 working with City staff. Through our people and the world-class services we deliver, we provide the backbone to allow this community to thrive.

While we worked diligently to limit new hires in this year's budget, we need to remember that Fargo cannot expect world class service if we grow our community without correspondingly growing our team as required. This team is providing the necessary services to our residents, businesses and visitors. If we are not adequately staffed in the future, we will lose the employees we have and erode the public's trust in our ability to serve.

I'm extremely humbled and proud to serve as your Mayor. Even in extremely challenging times, we continue to find ways to unite to produce an effective resiliency that makes Fargo a community where people choose to live, work and play.

Sincerely yours in public service,



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