



2019 Budget Worksession  
Initial Background Information  
September 10th, 2019

9/6/19

# Meeting Schedule

- 5:30 - 6:00 Gas & Electric Franchise  
Local Option Sales Tax
- 6:00 - 6:30 Staff Budget Updates
- 6:30 – 7:30 Dinner/Break/Staff Breakout
- 7:30 – 8:30 Prioritization of Budget Areas
- 8:30 – 9:00 Preliminary Budget/Levy Target

# Alternative Revenue Sources

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# City of Northfield, Minnesota City Council Workshop

## Franchise Fee Discussion

September 10, 2019

Doug Green, Director  
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## **Overview of Presentation**

- **Review of June 11, 2019 Work Session**
  - **Outstanding assessments and annual assessment revenue**
  - **Franchise fee implementation options**
  - **Statewide franchise fee averages**
- **Estimated Franchise Fee Revenue**
- **Comparable City Information**
  - **Franchise fee amounts**
  - **Assessment information**

## June 11, 2019 Work Session Review

- **Special Assessments**
  - **Cumbersome and expensive process**
  - **\$1.35 million assessments outstanding; approximate \$500,000 annual revenue**
  - **5% annual levy increase to replace special assessment revenue**
    - ***\$92 on \$300,000 residence.***

- **Electric and Gas Franchise Fees**

### **Four Implementation Options**

1. Flat fee per utility account
2. Percentage of consumption used by each utility account
3. Percent of Revenue
4. Hybrid of flat fee and percent of usage or revenue

### **Implementation Considerations**

- *Xcel Energy's policy is to only implement a flat fee structure.*
- Flat rate structure provides stable revenue stream.
- Percentage fee structure is arguably more equitable.
- Increasing flat fee for larger users mitigates inequities.
- Financial impact on companies and institutions within the City.

## June 11, 2019 Work Session Review: Examples of Existing Electric and Gas Franchise Fees

- Does not include all franchise fees in the state.
- Only includes flat monthly rates.
- Statutes does not limit amount.
- Vast majority of cities impose higher fees for larger users.

		Small C&I	Small C&I		Public Street
Electric Fees	Residential	Non-Demand	Demand	Large C&I	Lighting
Number of Cities*	78	78	78	77	35
Mean	\$2.43	\$3.89	\$15.05	\$76.03	\$6.95
Median	\$2.30	\$3.00	\$11.95	\$50.00	\$4.00
Minimum	\$0.50	\$0.50	\$0.50	\$0.50	\$1.00
Maximum	\$7.00	\$12.50	\$45.00	\$335.00	\$25.00

*\*69 cities served by Xcel Energy, 7 by Minnesota Power and 3 by Ottertail Power.*

		Commercial	Commercial	Small	Med & Large
Gas Fees	Residential	Non-Demand	Demand	Interruptible	Interruptible
Number of Cities*	25	25	22	22	21
Mean	\$1.95	\$5.99	\$31.48	\$35.79	\$63.51
Median	\$1.75	\$5.00	\$20.00	\$16.75	\$24.75
Minimum	\$0.50	\$1.00	\$1.00	\$1.00	\$1.00
Maximum	\$4.00	\$12.00	\$112.00	\$100.00	\$335.00

*\*All cities served by Xcel Energy.*

## Estimated Electric Franchise Fee Revenue: Based on Monthly Flat Fee

CUSTOMER CLASS	PREMISE COUNT	12 MONTHS ELECTRIC REVENUES	ESTIMATED ANNUAL FRANCHISE FEE REVENUES	% GROSS REVENUES FEE	EQUIVALENT MONTHLY FLAT FEE	% OF TOTAL CUSTOMERS	% OF TOTAL FEE
<b>Residential</b>	<b>6,527</b>	<b>\$6,847,047</b>	<b>\$180,145</b>	<b>2.6%</b>	<b>\$2.30</b>	<b>90%</b>	<b>69%</b>
<b>Commercial &amp; Industrial</b>							
Small C&I – Non-Demand	485	\$666,287	\$17,460	2.6%	\$3.00	7%	7%
Small C&I – Demand	214	\$2,299,741	\$30,816	1.3%	\$12.00	3%	12%
Large C&I*	47	\$5,337,995	\$28,200	0.5%	\$50.00	1%	11%
<b>Total Commercial &amp; Industrial</b>	<b>746</b>	<b>\$8,304,023</b>	<b>\$76,476</b>			<b>10%</b>	<b>29%</b>
<b>Public</b>							
Public Street Lighting	11	\$228,878	\$3,300	1.4%	\$25.00	0.2%	1.3%
Municipal Pumping – Non-Demand	1	\$1,933	\$300	15.5%	\$25.00	0.0%	0.1%
<b>Total Public</b>	<b>12</b>	<b>\$230,810</b>	<b>\$3,600</b>			<b>0.2%</b>	<b>1.4%</b>
<b>Total</b>	<b>7,285</b>	<b>\$15,381,880</b>	<b>\$260,221</b>	<b>1.7%</b>		<b>100%</b>	<b>100%</b>
<b>Estimated 15/15 Rule</b>							
Large C&I	145		\$87,000		\$50.00		
<b>Grand Total Estimated Revenue</b>	<b>7,430</b>		<b>\$347,221</b>				

\* Affected by company policy on protecting customer data privacy and limitation of releasing customer energy usage data to a third party.  
Aggregated data needs to contain at least fifteen customers/premises and no one customer/premise represents 15% or more of the total data.

- Set at median of example subset
- Estimated 145 premises affected by privacy rule based on other Xcel Energy documents.
- \$347,000 annual revenue
- Residential: \$27.60 per year / residence; 2.6% increase
- Small C&I Non-Demand: \$36 per year / premise; 2.6% increase
- Small C&I Demand: \$144 per year / premise; 1.3% increase
- Large C&I: \$600 per year / premise; 0.5% increase



## Estimated Gas Franchise Fee Revenue: Based on Monthly Flat Fee

CUSTOMER CLASS	CUSTOMER COUNT	12 MONTHS GAS REVENUES	ESTIMATED ANNUAL FRANCHISE FEE REVENUES	% GROSS REVENUES FEE	EQUIVALENT MONTHLY FLAT FEE	% OF TOTAL CUSTOMERS	% OF TOTAL FEE
Residential	5,265	\$3,424,234	\$110,565	3.23%	\$1.75	91%	78%
Commercial Firm – Non-Demand	510	\$1,851,817	\$30,600	1.65%	\$5.00	9%	22%
Commercial Firm – Demand*			\$0	Unknown	\$20.00	0%	0%
Small Interruptible*			\$0	Unknown	\$16.75	0%	0%
Medium & Large Interruptible*			\$0	Unknown	\$24.75	0%	0%
Firm Transportation			\$0	Unknown	\$1.00	0%	0%
Interruptible Transportation			\$0	Unknown	\$1.00	0%	0%
<b>Total</b>	<b>5,775</b>	<b>\$ 5,276,051</b>	<b>\$141,165</b>	<b>2.68%</b>		<b>100%</b>	<b>100%</b>
<b>Estimated 15/15 Rule</b>							
Commercial Firm – Demand**	117		\$28,080		\$20.00		
<b>Grand Total Estimated Revenue</b>	<b>5,892</b>		<b>\$169,245</b>				

- Set at median of example subset.
- Estimated 117 premises affected by privacy rule.
- \$170,000 annual revenue.
- Residential: \$21 per year / residence; 3.2% increase
- Commercial Firm Non-Demand: \$60 per year / premise; 1.7% increase

\* Affected by company policy on protecting customer data privacy and limitation of releasing customer energy usage data to a third party. Aggregated data needs to contain at least 15 customers/premises and no one customer/premise represents 15% or more of the total data set.

\*\*Assumed 2% of premises fell within the 15/15 Rule, comparable to the number of electric premises.

## Summary of Estimated Franchise Fee Revenue: Based on Monthly Flat Fee

ELECTRIC CUSTOMER CLASS	ESTIMATED ANNUAL FRANCHISE FEE / PREMISE	ESTIMATED ANNUAL FRANCHISE FEE REVENUE	AVERAGE PERCENT INCREASE PER PREMISE
<b>Residential</b>	\$28	\$180,145	2.6%
<b>Commercial &amp; Industrial</b>			
Small C&I – Non-Demand	\$36	\$17,460	2.6%
Small C&I – Demand	\$144	\$30,816	1.3%
Large C&I*	\$600	\$28,200	0.5%
<b>Total Commercial &amp; Industrial</b>		\$76,476	
<b>Public</b>			
Public Street Lighting	\$300	\$3,300	1.4%
Municipal Pumping – Non-Demand	\$300	\$300	15.5%
<b>Total Public</b>		\$3,600	
<b>Total</b>		\$260,221	
<b>Estimated 15/15 Rule</b>			
Large C&I	\$600	\$87,000	
<b>Grand Total Estimated Revenue</b>		<b>\$347,221</b>	

\*Affected by 15/15 Rule

GAS CUSTOMER CLASS	ESTIMATED ANNUAL FRANCHISE FEE / PREMISE	ESTIMATED ANNUAL FRANCHISE FEE REVENUE	AVERAGE PERCENT INCREASE PER PREMISE
Residential	\$21	\$110,565	3.2%
Commercial Firm – Non-Demand	\$60	\$30,600	1.7%
Commercial Firm – Demand*			
Small Interruptible*			
Medium & Large Interruptible*			
Firm Transportation			
Interruptible Transportation			
<b>Total</b>		\$141,165	
<b>Estimated 15/15 Rule</b>			
CFD/SI/M&LI Customer Classes	\$240	\$28,080	
<b>Grand Total Estimated Revenue</b>		<b>\$169,245</b>	

\*Affected by 15/15 Rule

<b>Total Electric and Gas Annual Revenue</b>	<b>\$516,466</b>
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## Electric and Gas Usage by Broad Customer Classes

ELECTRIC CUSTOMER CLASS	Premise Count	Annual Electricity Usage (kWh)	Usage per Premise (kWh)
<b>Residential</b>	6,527	49,955,011	7,654
<b>Commercial &amp; Industrial</b>			
Small C&I – Non-Demand	485		
Small C&I – Demand	214		
Large C&I*	192		
<b>Total Commercial &amp; Industrial</b>	746	207,389,989	278,003

GAS CUSTOMER CLASS	Premise Count	Annual Gas Usage (therms)	Usage per Premise (therms)
Residential	5,265	4,182,566	794
Commercial and Industrial*	627	14,428,081	23,011

\*Includes estimated premises subject to privacy rule.

- **Data provided by Xcel Energy based on a separate data request.**
- **Usage information is based on 12 months ending October 2018.**
- **Usage information was not provided by specific customer class.**
- **Municipal premise count varied significantly from original information, so was not included.**

## Comparable City Information

- **Mix of franchise fee revenue uses.**
- **Majority still assess for improvement projects.**
- **Elk River eliminated assessments in 2013.**
- **Created a franchise fee rebate program to reimburse property owners with outstanding assessments.**

City	Annual Franchise Fee Revenue	Receiving Fund	Assess for Street Projects
Forest Lake	\$730,000	Capital Projects	No
St Louis Park	\$3,100,000	Pavement Management Fund	No
Owatonna (1)	Unknown	General Fund	Yes
Elk River (2)	\$1,400,000	Pavement Management Fund	No
New Brighton	\$900,000	General Fund	Yes
Stillwater	\$470,000	General Fund	Yes
South St Paul	\$1,100,000	General Fund	Yes
Faribault	\$761,000	GF, DSF, CIP	Yes
White Bear Lake	\$309,000	General Fund	Yes
New Hope	\$945,000	GF & Street Fund	No

(1) Owatonna Public Utilities (OPU) does not charge the City for electric use. Amount equals approximately 4% of OPU electric revenues.

(2) 2013 rebate program for outstanding special assessments.

## CIP and Future Assessment Revenues

Planned Street Projects	2020	2021	2022	2023	2024
Bonded Dollars	\$ 2,379,939	\$ 1,947,189	\$ 1,281,672	\$ 1,953,039	\$ 2,644,746
Assessments	\$ 848,559	\$ 1,112,755	\$ 1,225,533	\$ 1,468,548	\$ 229,864
Total	\$ 3,228,498	\$ 3,059,944	\$ 2,507,205	\$ 3,421,587	\$ 2,874,610

- **Future street projects include larger assessment amounts.**
- **Existing assessments do not include annual prepayments.**
- **Planning purposes: Assume \$400-500K on existing assessments and \$700-800K on existing and future assessment revenues.**
- **Franchise fee would need to be set slightly higher than median to fully replace future assessment revenue.**

<u>Collection</u>	<u>Existing</u>	<u>Existing &amp;</u>
	<u>Assessments</u>	<u>Future</u>
	<u>Revenues</u>	<u>Assessment</u>
<u>Year</u>	<u>Total P&amp;I</u>	<u>Revenues</u>
2019	247,894	247,894
2020	343,246	343,246
2021	320,431	439,431
2022	289,605	563,405
2023	253,270	690,650
2024	231,247	861,467
2025	185,887	906,611
2026	153,222	852,130
2027	137,481	814,573
2028	106,143	761,419
2029	83,200	716,660



## **Options & Policy Direction**

### **Option 1: Replace special assessments with franchise fees.**

- **Continue to refine projections.**
- **Develop and consider assessment rebate options.**
- **Start process with Xcel Energy.**
- **Estimated 4-5 month implementation process.**

### **Option 2: Adopt franchise fees as additional revenue source and maintain assessments.**

- **Continue to refine projections.**
- **Option 2a: Accelerate CIP program, could include trail & sidewalk gap funding.**
- **Option 2b: Use franchise fees on annual basis to pay for mill & overlay projects; reduces bonding amount; reduces number of properties subject to assessments.**
- **Option 2c: Supplement General Fund Revenue.**

### **Option 3: Do not pursue franchise fees and maintain assessment practice.**

# Local Option Sales Tax

- State of MN: Local Option Sales Tax .5%
- 20-Year Term
- \$650,000/year estimated revenue
- Must be regional significance
- Arena & Parks Initiative Recently.
- Legislative Approval now First and Local Vote Second (at a General Election: 2020, 2022, 2024)
- Next session ends May, could be on 2020 election.

# Local Option Sales Tax

Option 1. Staff currently on this track.

- Citizen Surveying Planned in 2020 budget related to parks, arena, other areas.
- Explore 2022 Election, Funding Estimated to Start in 2023

Option 2.

Explore 2020 Election (need a bill by February), Funding Estimated to Start in 2021

Option 3.

Don't pursue funding.



# Staff Budget Updates

# Budget & Levy Scenarios

- 5 Levy Options presented
  - 7.5% baseline
  - 9.5%
  - 11.5%
  - 15.0%
  - 25.0% for illustration purposes compared to average of other comparable cities.
- This is only setting a maximum. Final levy can go down, but not up

# Estimated Market Value and Net Tax Capacity Changes

- Preliminary estimates for market value and net tax capacity have been received from both Rice and Dakota County
  - Estimated Market Value increase of 6.3%
    - Approximately 15% of this increase is related to new development
  - Estimated Net Tax Capacity increase of 6.8%
    - An increase in net tax capacity helps offset the impact of an increase in the levy

# City-wide Levy

## City of Northfield Total Levy

7.52%

Levy

	Actual 2017	Actual 2018	Actual 2019	Preliminary 2020	\$ Change	% Change
<b>For Operations</b>						
General Fund	5,512,070	6,155,318	6,558,566	7,056,948	498,382	7.6%
NCRC Operations	189,472	189,472	189,472	189,472	-	0.0%
Park Fund (\$25K for Capital Lease payment)	94,500	94,500	94,500	97,335	2,835	3.0%
City Facilities Fund	42,000	42,000	42,000	43,260	1,260	3.0%
Vehicle & Equipment Replacement Fund	315,079	315,079	315,079	324,531	9,452	3.0%
<b>Total Operations Levy</b>	<b>6,153,121</b>	<b>6,796,369</b>	<b>7,199,617</b>	<b>7,711,546</b>	<b>511,929</b>	<b>7.1%</b>
<b>For Other</b>						
COPS (debt) Police Facility	420,160	435,000	175,000	175,000	-	0.0%
	420,160	435,000	175,000	175,000	-	0.0%
<b>For Bonded Debt</b>						
2007A GO Improvement Bonds	25,000	10,500	-	-	-	
2015A GO Improvement Bonds (refund 2008B)	85,000	83,000	35,000	-	(35,000)	-100.0%
2009A GO Improvement Bonds	60,000	56,000	35,000	15,000	(20,000)	-57.1%
2010A GO Improvement Bonds	155,000	151,000	151,000	152,000	1,000	0.7%
2011A GO Improvement Bonds	50,000	57,000	50,000	50,000	-	0.0%
2012A GO Improvement Bonds	50,000	48,000	57,000	55,000	(2,000)	-3.5%
2013A GO Improvement Bonds	75,000	75,000	75,000	70,000	(5,000)	-6.7%
2014A GO Improvement Bonds	60,000	82,000	56,000	66,000	10,000	17.9%
2015A GO Improvement Bonds	100,000	124,000	120,000	95,000	(25,000)	-20.8%
2016C GO Improvement Bonds	65,000	58,000	58,000	58,000	-	0.0%
2017A GO Improvement Bonds	-	-	55,000	60,000	5,000	9.1%
2018B GO Improvement Bonds	-	-	192,000	179,000	(13,000)	-6.8%
2019A GO Improvement Bonds	-	-	-	257,100	257,100	
Subtotal	725,000	744,500	884,000	1,057,100	173,100	19.6%
<b>Facilities Related</b>						
2016 Equipment Certificates	145,000	133,000	136,000	133,000	(3,000)	-2.2%
Public Project Revenue (Pool)	245,000	238,000	239,000	239,000	-	0.0%
2012 Equipment Certificates	109,200	91,000	500	-	(500)	-100.0%
2018A NAFRS	-	-	215,000	215,000	-	0.0%
Subtotal	499,200	462,000	590,500	587,000	(3,500)	-0.6%
<b>Total Debt Levy</b>	<b>1,644,360</b>	<b>1,641,500</b>	<b>1,649,500</b>	<b>1,819,100</b>	<b>169,600</b>	<b>10.3%</b>
<b>Total General Levy</b>	<b>7,797,481</b>	<b>8,437,869</b>	<b>8,849,117</b>	<b>9,530,646</b>	<b>681,529</b>	<b>7.7%</b>
<b>EDA</b>	229,488	\$ 239,680	\$ 251,664	\$ 262,486	\$ 10,822	4.3%
<b>HRA</b>	233,968	\$ 244,263	\$ 256,476	\$ 267,504	\$ 11,028	4.3%
<b>Total City-Wide Levy</b>	<b>8,260,937</b>	<b>8,921,812</b>	<b>9,357,257</b>	<b>10,060,636</b>	<b>703,379</b>	<b>7.5%</b>

Overall 7.5% increase in  
City-wide Levy

General Fund  
5.5% increase in Levy

All Debt Service Funds  
1.8% increase in Levy

EDA/HRA combined  
0.2% increase in Levy

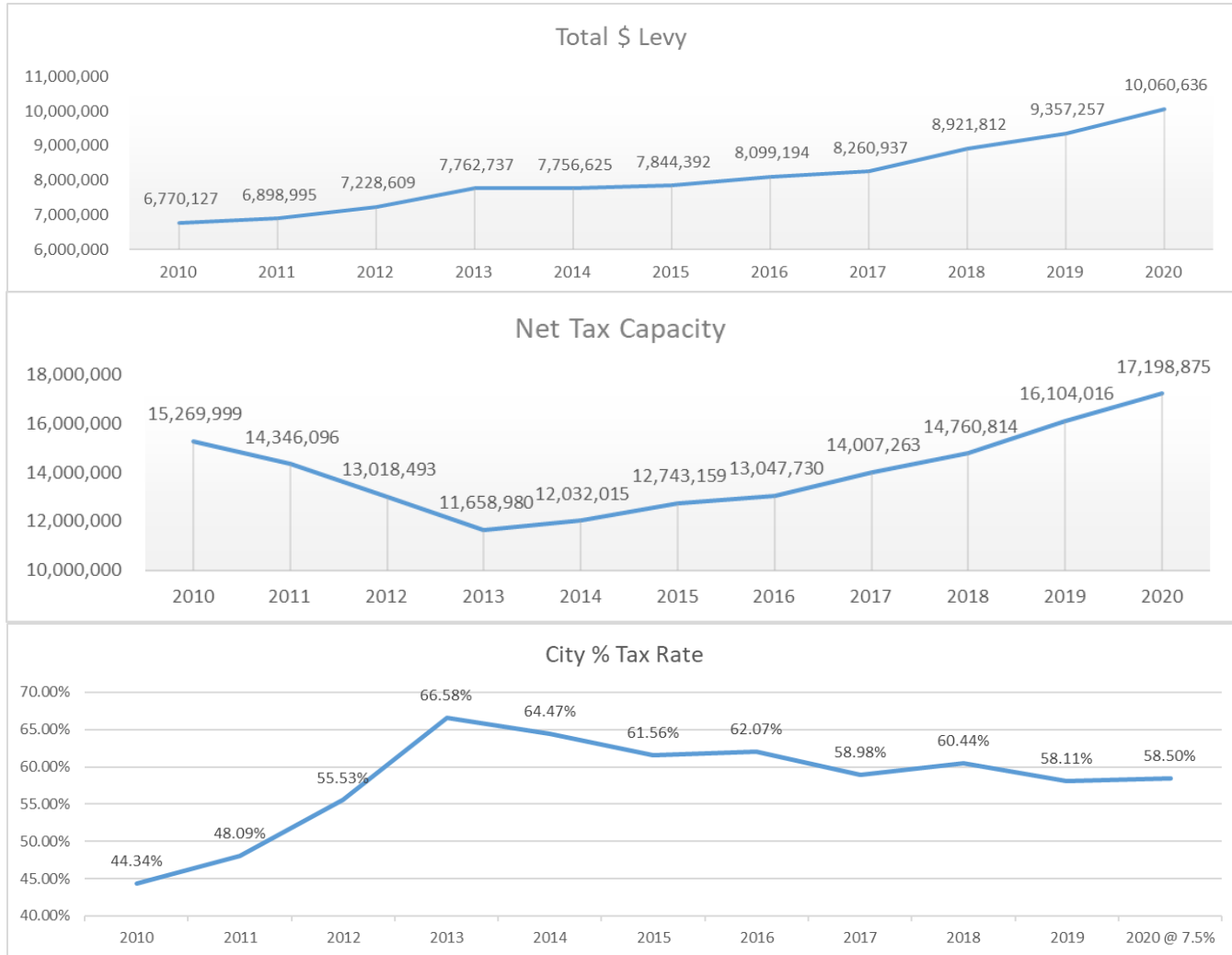
# Historical View Levy/Tax Rate

The City % Tax Rate =  
Total \$ Levy/Net Tax  
Capacity

Note in 2013 the Tax  
Rate peaked as Net  
Tax Capacity dropped

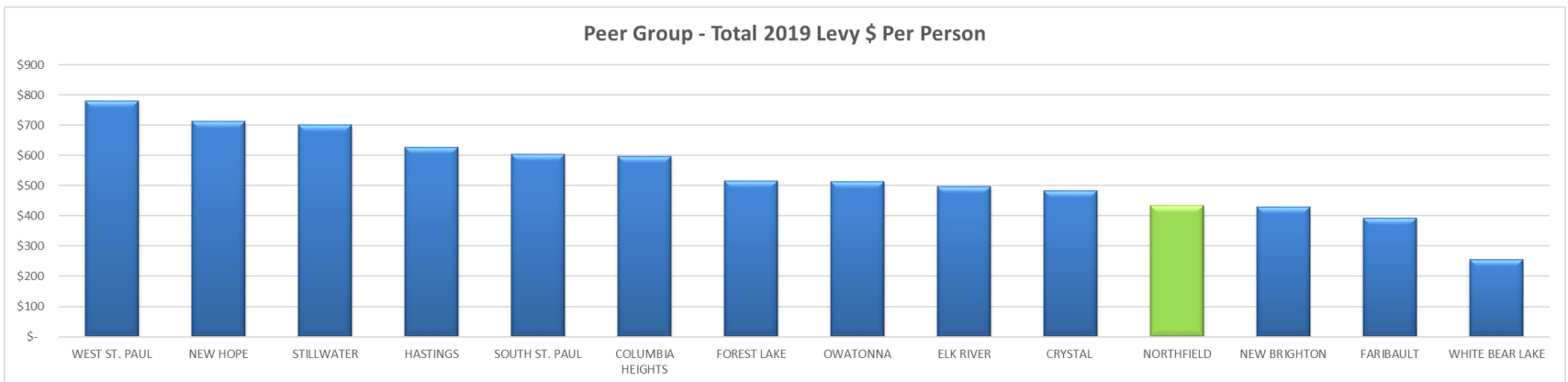
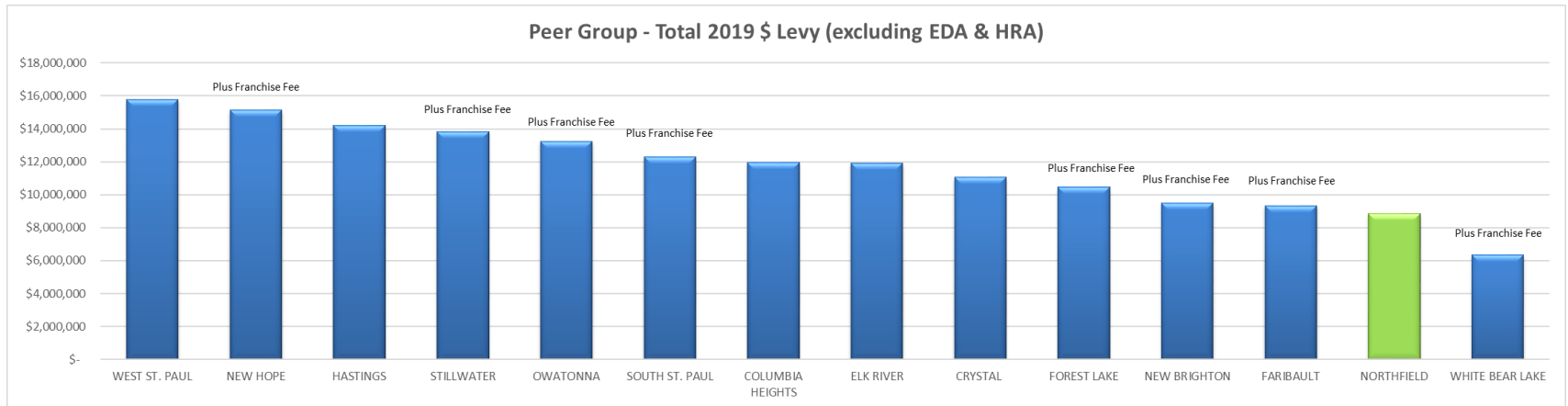
In 2020, proposed levy  
increase of 7.5% is  
partially offset by a net  
tax capacity increase of  
6.8%

City % Tax Rate  
increase from 58.11%  
to 58.5%, rate is  
benefiting from  
increased NTC



# Key Ratios – Peer Comparison

- 8 of the 13 Peer Group Cities also have a Franchise Fee



# Summary of Options

- Police Sergeant and Streets & Parks Operator & Library Outreach Coordinator positions were discussed during last year's budget process

## 2020-2021 Budget Requests

			Potential Funding Source	<u>2020</u>		<u>2021</u>	
	Estimated Cost	% Levy Increase		Estimated Cost	% Levy Increase	Additional Estimated Cost	% Levy Increase
Recurring Annual Costs:							
Police Sergeant (2020)	\$ 131,000.00	1.40%	General Fund Levy	\$ 131,000.00	1.40%		
Police Evidence Technician (2021)	\$ 46,000.00	0.49%	General Fund Levy			\$ 46,000.00	0.49%
Street & Parks Operator (2020)	\$ 95,000.00	1.02%	General Fund Levy	\$ 95,000.00	1.02%		
Street & Parks Horticulturist (2021)	\$ 85,000.00	0.91%	General Fund Levy			\$ 85,000.00	0.91%
Civil Engineer - partially General Fund funded (2021)	\$ 39,000.00	0.42%	General Fund Levy			\$ 39,000.00	0.42%
Building Permit Technician to FT (2020)	\$ 45,000.00	0.48%	General Fund Levy	\$ 45,000.00	0.48%		
Community Development Administrative Associate PT (2020)	\$ 29,000.00	0.31%	General Fund Levy			\$ 29,000.00	0.31%
Building Inspection PT (2021)	\$ 43,000.00	0.46%	General Fund Levy			\$ 43,000.00	0.46%
Administrative help during Elections (2020)	\$ 10,000.00	0.11%	General Fund Levy	\$ 10,000.00	0.11%		
Project Coordinator Permanent Funding (2021)	\$ 105,000.00	1.12%	General Fund Levy			\$ 105,000.00	1.12%
Library extend FT Outreach Coordinator beyond grant term (2020)	\$ 26,000.00	0.28%	General Fund Levy	\$ 26,000.00	0.28%		
	<u>\$ 654,000.00</u>	<u>6.99%</u>		<u>\$ 307,000.00</u>	<u>3.28%</u>	<u>\$ 347,000.00</u>	<u>3.71%</u>

# Summary of Options

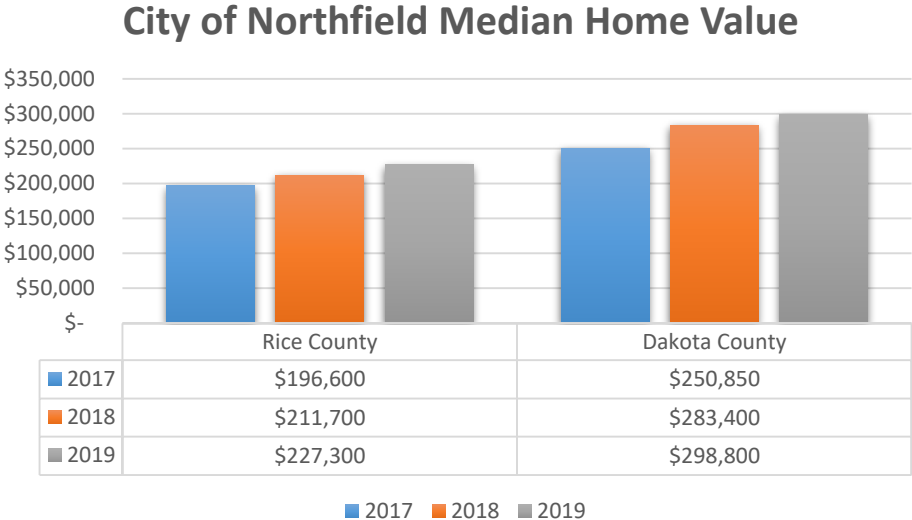
## 2020-2021 Budget Requests

			Potential Funding Source	<u>2020</u>		<u>2021</u>	
	Estimated Cost	% Levy Increase		Estimated Cost	% Levy Increase	Estimated Cost	% Levy Increase
One Time or Multi-Year Costs:							
Police Body Cameras (2021)	\$ 60,000.00	0.64%	Reserves/Grant			\$ 60,000.00	0.64%
Police Radios (2020)	\$ 75,000.00	0.80%	Reserves/Grant	\$ 115,000.00	1.23%	\$ 75,000.00	0.80%
Riverfront Enhancement Action Plan/year (annual)	\$ 100,000.00	1.07%	Grant/Recurring	\$ 100,000.00	1.07%	\$ 100,000.00	1.07%
Climate Action Plan (annual)	\$ 20,000.00	0.21%	Grant/Recurring	\$ 20,000.00	0.21%	\$ 20,000.00	0.21%
Emerald Ash Borer \$135K/year (10 years)	\$ 135,000.00	1.44%	Grant/Recurring	\$ 135,000.00	1.44%	\$ 135,000.00	1.44%
Comprehensive Plan Update (partial 2021/2022)	\$ 200,000.00	2.14%	General Fund Levy		0.00%	\$ 120,000.00	1.28%
Age Friendly Funding (2020)	\$ 20,000.00	0.21%	General Fund Levy	\$ 20,000.00	0.21%		0.00%
Blue Zones (2020)	\$ 25,000.00	0.27%	General Fund	\$ 25,000.00	0.27%		0.00%
Employee benefits improvement/enhancement (tbd annual)		0.00%	General Fund		0.00%		0.00%
Part Time Staff Benefits (tbd annual)		0.00%	General Fund		0.00%		0.00%
5th & Washington - public parking component (2021-10 year)	\$ 98,000.00	1.05%	General Fund	\$ 98,000.00	1.05%	\$ 98,000.00	1.05%
TH246 & Jefferson Parkway roundabout underpasses (2021-10 year)	\$ 187,500.00	2.00%	Bonding/Grant	\$ 187,500.00	2.00%	\$ 187,500.00	2.00%
Bluffview - Ford Street & TH246 turn lanes (tbd)		0.00%	Bonding		0.00%		0.00%
Street Reconstruction Projects (College/Water)	\$ 275,000.00	2.94%	Bonding	\$ 275,000.00	2.94%	\$ 275,000.00	2.94%
Pavement Condition Index Improvement	\$ 150,000.00	1.60%	Bonding	\$ 150,000.00	1.60%	\$ 150,000.00	1.60%
Potholes (one time update with overlays)	\$ 325,000.00	3.47%	Bonding	\$ 325,000.00	3.47%		
2020 Project Enhancements/Fourth Street Bike Lanes (tbd-2021)			Bonding				
Vehicle & Equipment Bonding - Equipment Certificates (tbd)			Bonding				
Park improvements (tbd)	\$ -	0.00%	Park Fund Levy/Sales Tax				
Subtotal	\$ 1,670,500.00	17.85%		\$ 1,450,500.00	15.50%	\$ 1,220,500.00	12.40%
<b>Total Recurring and One-Time Costs</b>	<b>\$ 2,324,500.00</b>	<b>24.84%</b>		<b>\$ 1,757,500.00</b>	<b>18.78%</b>	<b>\$ 1,567,500.00</b>	<b>16.11%</b>



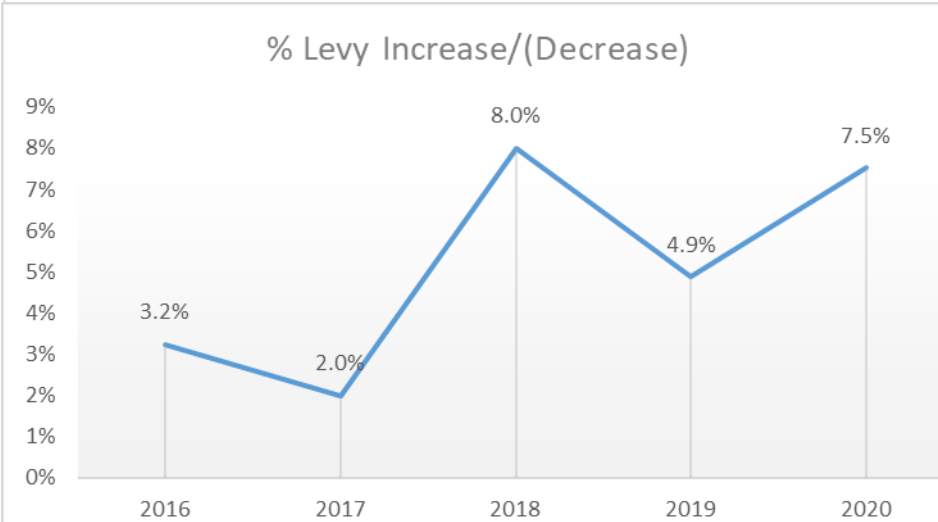
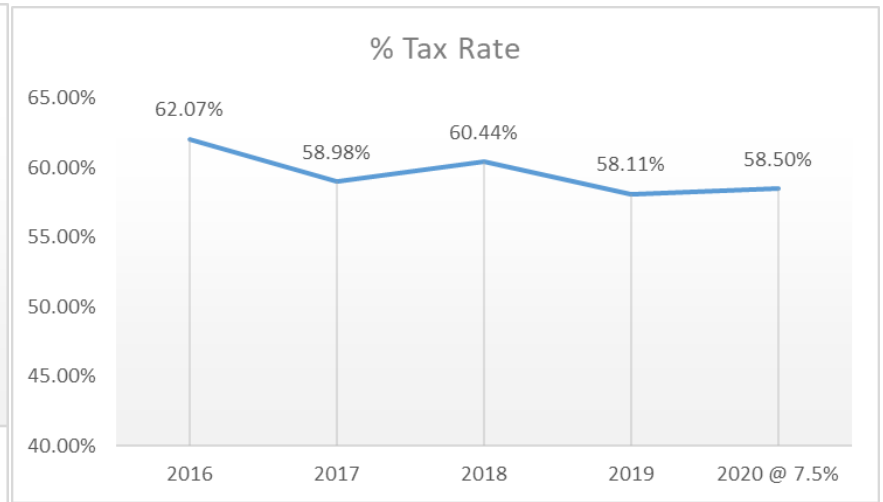
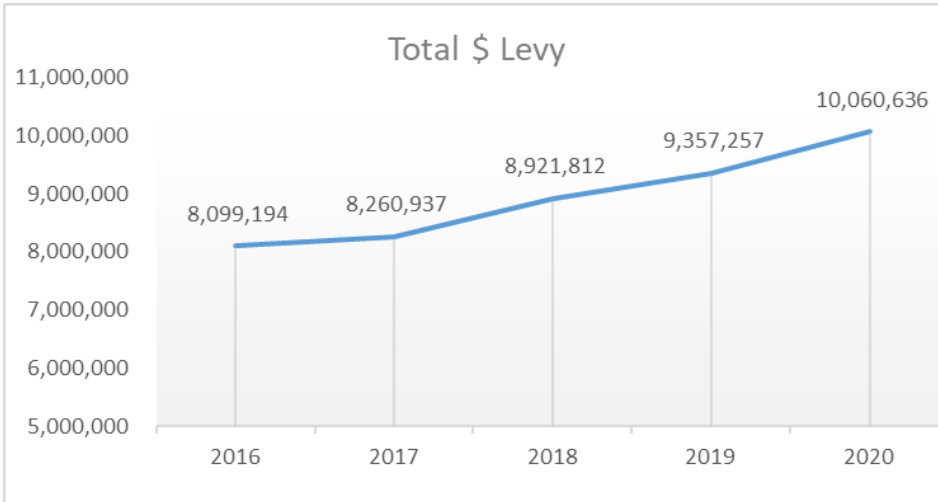
# Northfield Median Home Value

- In 2019, Median Home Values increased
  - 7.4% in Rice County (vs 7.7% increase in 2018)
  - 5.4% in Dakota County (vs 13.0% increase in 2018)



# 7.5% Levy increase

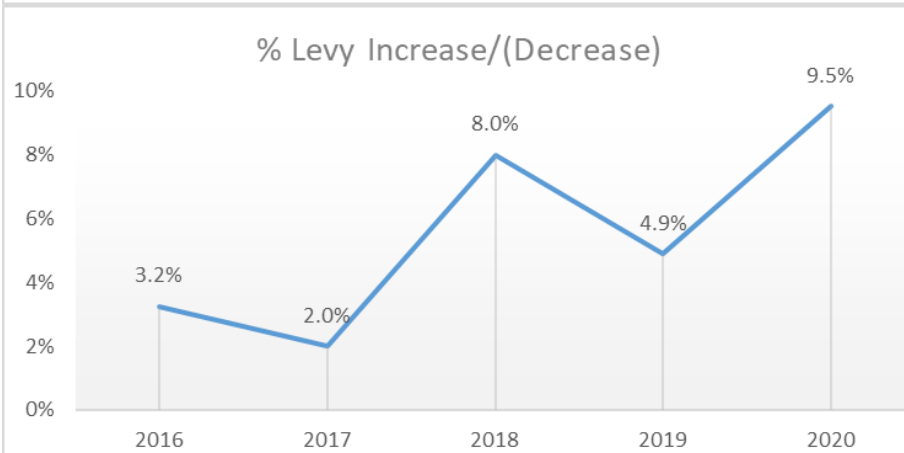
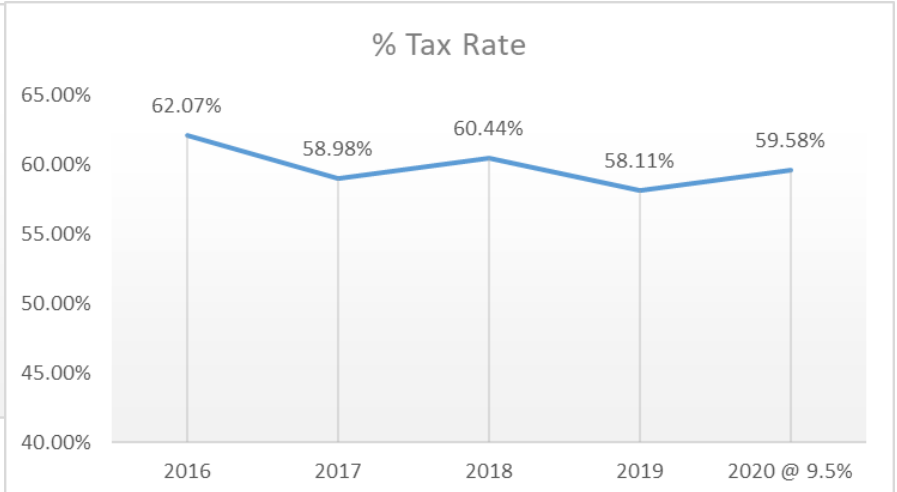
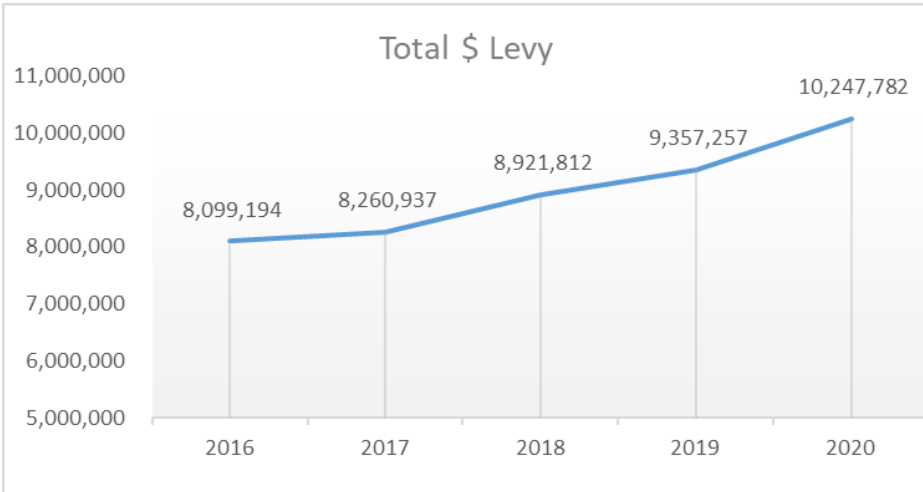
Note: This amount is still 17.5% less than the average of other comparable city tax levies for 2019



Homestead Residential Property - City Tax only						
2019 Value	2020 Value	2019 Tax Paid	2020 Tax Paid	2020v2019		
				Annual Change	Monthly Change	% Change
\$150,000	\$150,000	\$734	\$739	\$5	\$0	0.7%
\$150,000	\$159,600	\$734	\$800	\$66	\$5	9.0%
\$175,000	\$175,000	\$892	\$898	\$6	\$0	0.7%
\$175,000	\$186,200	\$892	\$969	\$77	\$6	8.7%
\$200,000	\$200,000	\$1,051	\$1,058	\$7	\$1	0.7%
\$200,000	\$212,800	\$1,051	\$1,139	\$88	\$7	8.4%
\$250,000	\$250,000	\$1,367	\$1,376	\$9	\$1	0.7%
\$250,000	\$266,000	\$1,367	\$1,478	\$111	\$9	8.1%
\$300,000	\$300,000	\$1,684	\$1,695	\$11	\$1	0.7%
\$300,000	\$319,200	\$1,684	\$1,817	\$133	\$11	7.9%

# 9.5% Levy increase

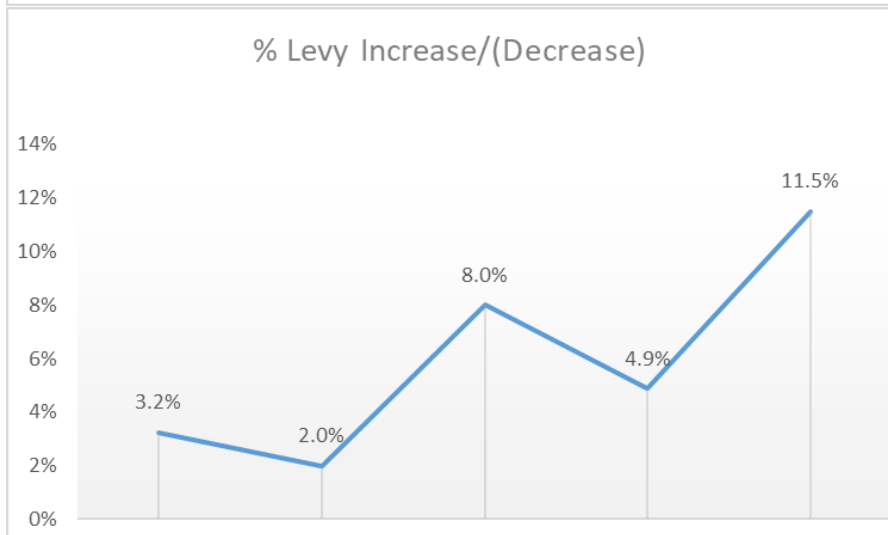
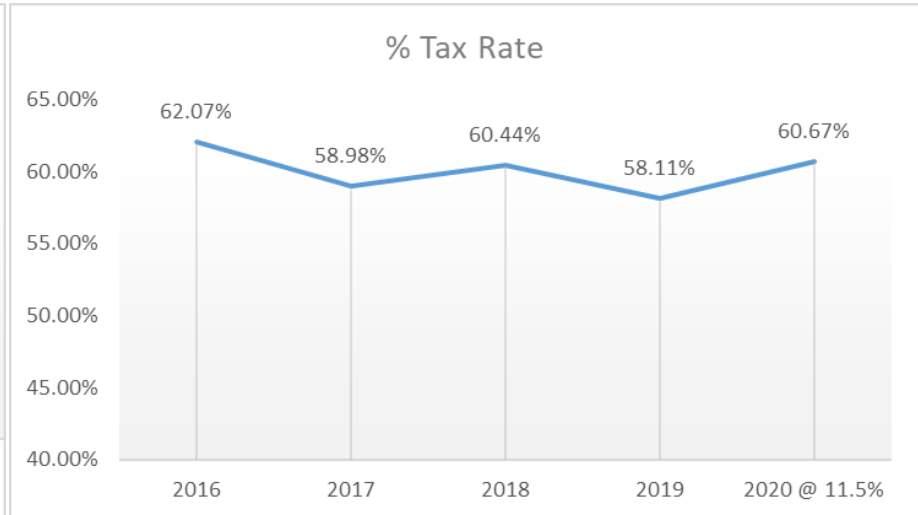
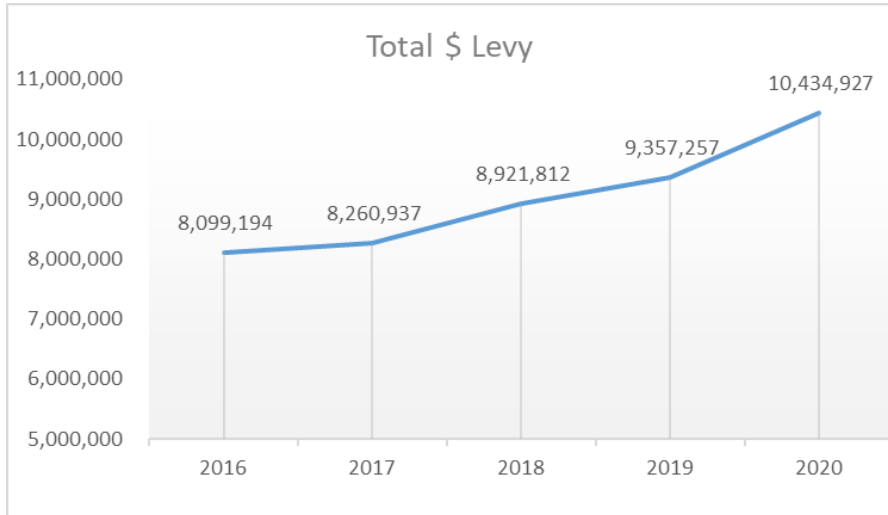
Note: This amount is still 15.5% less than the average of other comparable city tax levies for 2019.



Homestead Residential Property - City Tax only						
2019	2020	2019	2020	2020v2019		
Value	Value	Tax Paid	Tax Paid	Annual Change	Monthly Change	% Change
\$150,000	\$150,000	\$734	\$753	\$19	\$2	2.5%
\$150,000	\$159,600	\$734	\$815	\$81	\$7	11.0%
\$175,000	\$175,000	\$892	\$915	\$23	\$2	2.5%
\$175,000	\$186,200	\$892	\$987	\$95	\$8	10.7%
\$200,000	\$200,000	\$1,051	\$1,077	\$27	\$2	2.5%
\$200,000	\$212,800	\$1,051	\$1,160	\$109	\$9	10.4%
\$250,000	\$250,000	\$1,367	\$1,402	\$35	\$3	2.5%
\$250,000	\$266,000	\$1,367	\$1,506	\$138	\$12	10.1%
\$300,000	\$300,000	\$1,684	\$1,727	\$43	\$4	2.5%
\$300,000	\$319,200	\$1,684	\$1,851	\$167	\$14	9.9%

# 11.5% Levy increase

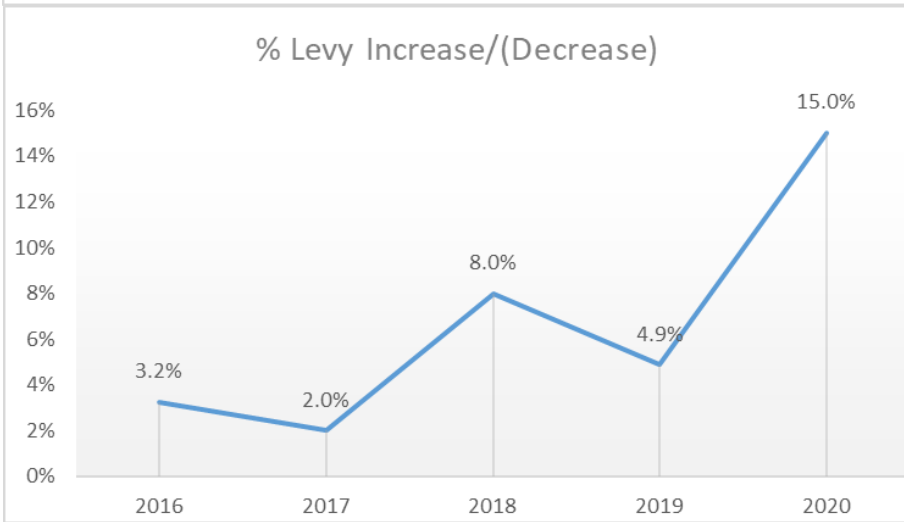
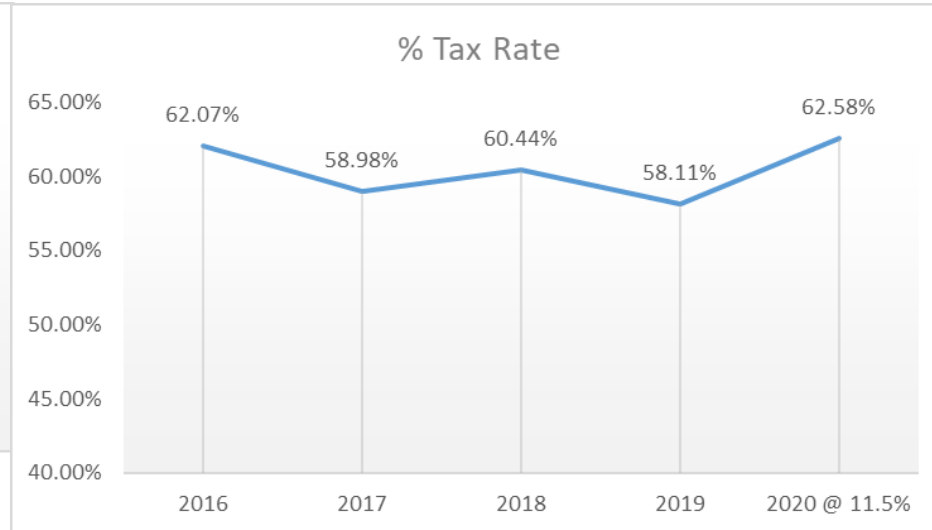
Note: This amount is still 13.5% less than the average of other comparable city tax levies for 2019.



Homestead Residential Property - City Tax only						
2019	2020	2019	2020	2020v2019		
Value	Value	Tax Paid	Tax Paid	Annual Change	Monthly Change	% Change
\$150,000	\$150,000	\$734	\$766	\$32	\$3	4.4%
\$150,000	\$159,600	\$734	\$829	\$95	\$8	13.0%
\$175,000	\$175,000	\$892	\$931	\$39	\$3	4.4%
\$175,000	\$186,200	\$892	\$1,005	\$113	\$9	12.7%
\$200,000	\$200,000	\$1,051	\$1,097	\$46	\$4	4.4%
\$200,000	\$212,800	\$1,051	\$1,181	\$131	\$11	12.4%
\$250,000	\$250,000	\$1,367	\$1,428	\$60	\$5	4.4%
\$250,000	\$266,000	\$1,367	\$1,533	\$166	\$14	12.1%
\$300,000	\$300,000	\$1,684	\$1,758	\$74	\$6	4.4%
\$300,000	\$319,200	\$1,684	\$1,885	\$201	\$17	11.9%

# 15.0% Levy increase

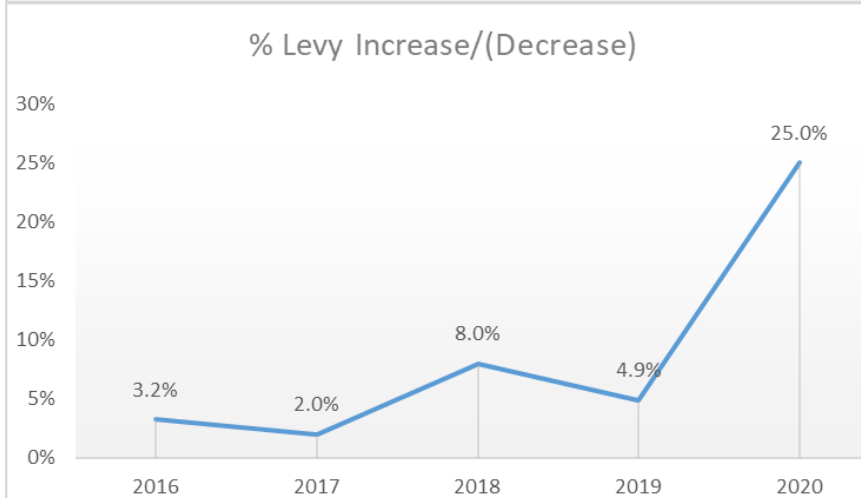
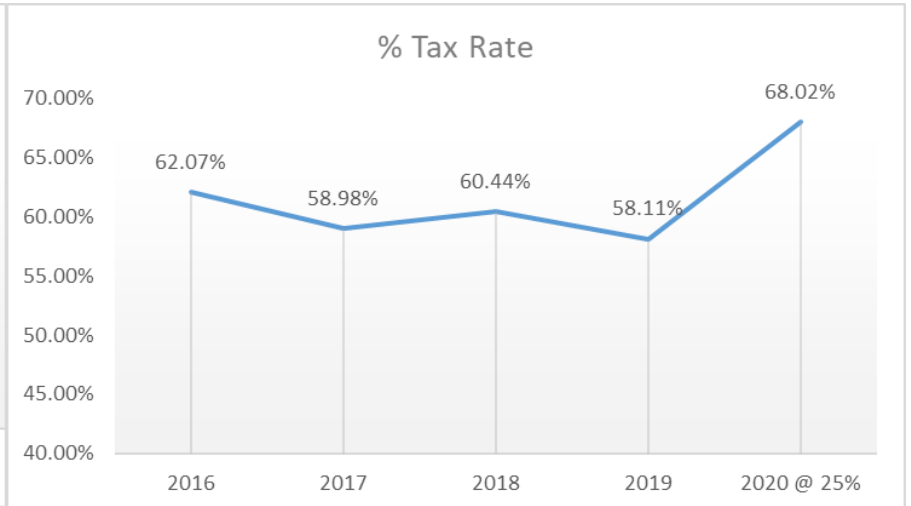
Note: This amount is still 10.0% less than the average of other comparable city tax levies for 2019.



Homestead Residential Property - City Tax only						
2019	2020	2019	2020	2020v2019		
Value	Value	Tax Paid	Tax Paid	Annual Change	Monthly Change	% Change
\$150,000	\$150,000	\$734	\$790	\$56	\$5	7.7%
\$150,000	\$159,600	\$734	\$855	\$121	\$10	16.6%
\$175,000	\$175,000	\$892	\$961	\$69	\$6	7.7%
\$175,000	\$186,200	\$892	\$1,037	\$145	\$12	16.2%
\$200,000	\$200,000	\$1,051	\$1,131	\$81	\$7	7.7%
\$200,000	\$212,800	\$1,051	\$1,218	\$168	\$14	16.0%
\$250,000	\$250,000	\$1,367	\$1,472	\$105	\$9	7.7%
\$250,000	\$266,000	\$1,367	\$1,581	\$214	\$18	15.6%
\$300,000	\$300,000	\$1,684	\$1,813	\$129	\$11	7.7%
\$300,000	\$319,200	\$1,684	\$1,944	\$260	\$22	15.5%


# 25% Levy increase

**For Illustration Purposes Only:** This is the amount we would be at if the City tax levy for 2020 were set at the current (2019) average for other comparable cities.



Homestead Residential Property - City Tax only						
2019	2020	2019	2020	2020v2019		
Value	Value	Tax Paid	Tax Paid	Annual Change	Monthly Change	% Change
\$150,000	\$150,000	\$734	\$859	\$125	\$10	17.0%
\$150,000	\$159,600	\$734	\$930	\$196	\$16	26.7%
\$175,000	\$175,000	\$892	\$1,044	\$152	\$13	17.0%
\$175,000	\$186,200	\$892	\$1,127	\$235	\$20	26.4%
\$200,000	\$200,000	\$1,051	\$1,230	\$179	\$15	17.0%
\$200,000	\$212,800	\$1,051	\$1,324	\$274	\$23	26.0%
\$250,000	\$250,000	\$1,367	\$1,600	\$233	\$19	17.0%
\$250,000	\$266,000	\$1,367	\$1,719	\$351	\$29	25.7%
\$300,000	\$300,000	\$1,684	\$1,971	\$287	\$24	17.0%
\$300,000	\$319,200	\$1,684	\$2,113	\$429	\$36	25.5%

# Staffing Requests - Police

- **2020 - Additional Patrol Sergeant for Day Shift**
    - \$131,000 Annually
    - Gap in Patrol Supervision and Administrative Duties
  - **2021 – Additional CSO/Evidence Tech**
    - \$82,000 FT - \$45,000 PT
    - Likely necessary to handle increased evidence associated with proposed body camera implementation
- 


# Staffing Increase - Police

## Novak Consulting Group hired to perform Organizational Assessment of the Police Department:

Novak is a professional consulting group based in Cincinnati, Ohio that provides services to governments in the areas of public safety, public works, human resources, IT and more.

- Senior-level consultants with direct local government experience.
- Serve across the Midwest and U.S.
- Northfield staff reviewed Novak assessments of Edina and Aurora PD's.
- One aspect Novak analyzes relates to Calls for Service and related Officer time. IACP recommends: 33% Call Response, 33% Administrative Duties (Reports, Training, Court), 33% Proactive Policing

## Novak Assessment relates to Northfield Strategic Plan:

- *Operational Effectiveness*: Results will help NPD develop operating effectiveness plans.
  - *Diversity, Equity, Inclusion*: Operation and Staffing recommendations will identify ways for NPD to increase staff time available for these efforts.
- 




# Staffing Increase - Police

**Novak Consulting Group has completed the following Initial Study and Evaluation steps and provided initial results:**

- Field Work
- Employee Survey Analysis
- Dispatched Calls for Service Analysis
- Key staffing analysis

**Novak has identified deficiencies in staffing and scheduling:**

- Lack of day shift Patrol Sergeant/Supervision coverage
  - Insufficient coverage on day shift Patrol related to number of calls for service: limits time for 33% Proactive Policing activities.
  - Staffing challenges with Evidence Technician and Community Service Officer (CSO)
- 

# Staffing Increase - Police



## Salary and Benefit Cost Estimate

	Number of Positions	Salary and Benefit Cost per Position	Total Cost per Position
Patrol Officer	2	\$101,000	\$202,000
Patrol Sergeant	1	\$126,000	\$126,000
Community Services Officer	1	\$77,000	\$77,000
<b>Total</b>	<b>4</b>	<b>\$304,000</b>	<b>\$405,000</b>

*Their recommended prioritization is: 1) Sergeant; 2) patrol officer; 3) patrol officer; 4) community service/evidence tech.*

21

*\* Note at least 20 hours part-time minimum is expected to assist in evidence tech as contingent upon any body camera implementation.*

# 5<sup>th</sup> Street Lofts – Public Parking



# 5<sup>th</sup> STREET LOFTS LOCATION



PROJECT AREA:

**ID #: 22.06.2.25.081**

LOI with Premier Bank  
(Vacant lot on SW corner of 5<sup>th</sup> &  
Washington)

**ID #: 22.06.2.25.082**

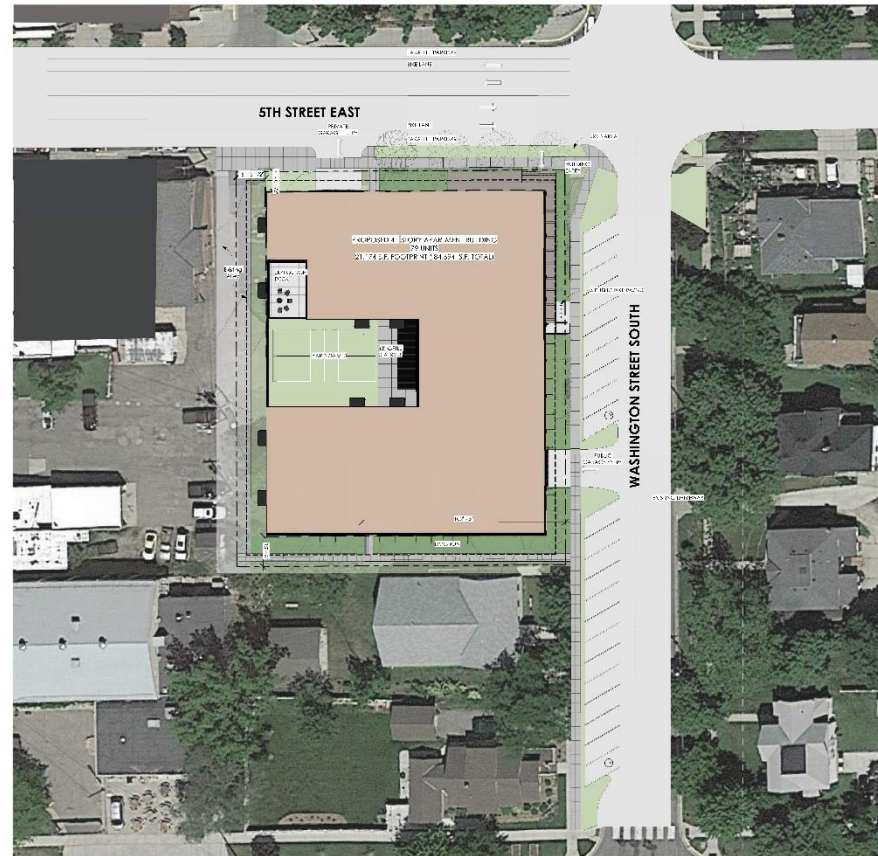
LOI with Premier Bank  
(Current bank building and parking  
lot)

**ID #: 22.06.2.26.097**

Owned by Northfield EDA  
(510 Washington Street)

# 5<sup>th</sup> STREET LOFTS SCOPE

- Number & Type of Units
  - Affordable Units
  - Rent Ranges
- Parking
  - Underground and Street Level
  - Public Parking





## 5<sup>th</sup> STREET LOFTS

# DESIRED OUTCOME AND LOOK OF BUILDING

### NORTH FACADE

- Materials & Look
- Community Spaces and Amenities
- Timeline (Construction Start and Opening)



### SOUTH FACADE



# 5th STREET LOFTS



## NORTH ELEVATION



## EAST ELEVATION

# Previous Council Discussion

8/13/19 Comments, Questions & Concerns	Available Info
How would ownership of public spaces work?	Long term lease of spaces by the City, with property ownership retained by the developer.
What would terms of agreement be?	See attached summary.
How would parking control / enforcement be handled?	The City would be responsible for this and the need for monitoring/enforcement could vary greatly depending on the type of access/control/payment system selected.
Do we have recent parking data or studies?	Nothing recent available.
Concern with cost, have we negotiated enough?	Attempts to negotiate a lower annual cost, and to eliminate operations/maintenance costs from the first 10-years of lease have been unsuccessful.
Like the idea of re-development of City surface parking if we do this v. just adding more parking.	
Would want to have a very long term lease, and also cost recovery via fees.	Lease would be up to 50 years unless terminate by City
IF there is a need for additional parking, this is a reasonable way to acquire it, it takes advantage of density.	



# Previous Council Discussion

8/13/19 Comments, Questions & Concerns	Available Info
Like this if it would open opportunity for redevelopment of city surface parking with new tax revenue and density.	
An economic impact analysis of parking would be good to know. Has any data been collected/studied since 2001?	Recent data is not available. An impact analysis has not been commissioned.
Especially interested if other parking is more available for redevelopment.	
Concern with not having detailed revenue projections/study.	Detailed revenue projections/study are not available. See attached "Cost-Revenue Considerations".
Concern it will cost more to construct than estimated.	The City would realize savings if the construction costs are lower than estimated, but would not increase if the costs are higher.
Need more accurate numbers/costs.	See attached information for available information.
Council discussion expressed general support for the idea of the City partnering in a project like this for redevelopment. Council also acknowledged there are some concerns and questions and that some data/studies helpful for a decision are not available and would not be within the project schedule.	

# Summary of Proposed Terms of Lease

- 35 Parking spaces would be under long term lease by City and City would have management/control over the operations of the spaces.
- Parking spaces would be enclosed, at grade, with access from Washington Street (not below grade with access from 5<sup>th</sup> St. – those are slated for tenant use only).
- Initial 10-years of lease would include annual lease payment of \$92,000 to developer; If Developer experiences cost savings from current estimates for construction of Parking Facility, rent for the initial lease would be reduced.
- After 10-years, lease automatically renews up to 50 years unless otherwise terminated by City; lease cost is \$1/year
- Building operations and maintenance costs for parking spaces will be cost-shared between City/Developer, with City costs proportional to the space occupied; Fee would be annual, beginning at Year 1. \*Fee TBD
- City will be responsible for selecting, and expenses for parking facility equipment and installation, including: security gates, payment system, or other equipment necessary for the public parking. \*Cost TBD
- City will have control/authority over the use and function of the public spaces within the parking facility, including hours of operation, and fee's/charges associated with use. City to retain fee revenue collected from public spaces.
- Both parties will obtain proper insurance.
- The parties will evaluate whether the value of the public parking spaces can be removed as part of the assessment of value of the facility for property tax calculations purposes. Developer will otherwise be solely responsible for payment of property taxes.
- Developer shall annually provide City an accounting report detailing all costs and expenses of Developer in operating, maintaining and repairing the Parking Facility.
- Access to public parking would be from Washington Street, would be enclosed and climate controlled and at-grade. Secured tenant only parking would be accessed from 5<sup>th</sup> Street, would be enclosed and climate controlled and below-grade.

# Cost – Revenue Considerations

Building operations and maintenance costs for parking spaces will be cost-shared between City/Developer, with City costs proportional to the space occupied; Fee would be annual, beginning at Year 1. \*Fee TBD

- \*Research suggests annual maintenance costs could run from \$300-\$500 per stall, per year, or \$10,500 - \$17,500/year.

City will be responsible for selecting, and expenses for parking facility equipment and installation, including: security gates, payment system, or other equipment necessary for the public parking. \*Cost TBD

- \*The type of equipment and operation of the facility can vary considerably.
- An automated system with entry and exit gates with credit card payment at the gate can be in the cost range of \$75,000 for equipment. Installation, curbing, electrical and software maintenance would be additional costs.
- Systems with control gates that dispense a ticket, with a walk up payment kiosk that dispenses a paid ticket to open the exit gate, cost in the range of \$30,000.
- Parking without gates and walk up payment kiosk where patrons enter a stall # or input the license number, could cost in the range of \$20,000.
- Pay by phone options eliminate equipment and use a third party vendor to set up and collect fees, which they charge a service fee for.

All of these options have varied need for monitoring/enforcement. Fully automated systems are self contained and unlikely to require regular monitoring; walk up payment systems or pay by phone systems require more regular monitoring/enforcement.

Without changes to the parking ecosystem in Northfield, it may be more likely for the free on-street and City surface spaces to fill up before patrons choose an enclosed fee based parking option. Enclosed parking will likely be more attractive in inclement weather, but these factors will influence fee revenue and cost recovery. Without fee based parking outside of this property, it will be more difficult to capture customers and fees to realize the full potential for return on investment.

# Potential Budget Reductions

<b>Description</b>	<b>Amount</b>
Existing Staffing Levels	further research
Staff & Council Training	further research
Professional Services	further research
Fireworks	\$15,450
SMIF Donation	\$ 5,000
NEC (EDA)	\$60,000
NHS (2021 contract open)	\$29,000
NDDC (2021 contract open)	\$35,000
Youth Investment (2022 open)	\$52,020
Northfield ASAP	\$12,500
Link Center	\$37,500
NCRC	\$40,000
Trail Maintenance	\$10,000 increase over prior year
Park Maintenance	\$20,000 increase over prior year
IT Office Reconfiguration	\$16,000
Paid Parental/Family Leave	\$62,700 2-year trial period 2019-2020
Summer Interns	\$10,000



# Council Clarifications & Questions

Additional Information Will Be Coming As a Supplemental Memo



# Dinner/Break/Staff Breakout

# Prioritization of Budget Areas

# Preliminary Budget/Levy Target



# Wrap Up