



MEMORANDUM

DATE: September 8, 2020

To: Honorable Mayor & City Council

CC: Dave Bennett, Director of Public Works/City Engineer; Mark Elliott, Police Chief; Mitzi Baker, Community Development Director; Deb Little, City Clerk; Michelle Mahowald, Communications & Human Resources Director; Teresa Jensen, Director of Library and Information Technology Resources; Mikayla Schmidt, City Planner; Chris Hood, City Attorney

From: Ben Martig, City Administrator

RE: "Supplemental Agenda Background Memo" for September 8, 2020 No. 1.

Summary Report:

The following is an update on agenda items as supplemental background agenda information made available for Tuesday, September 8, 2020.

Budget Presentation and Discussion

Please see attached updated presentation. Slides 23, 24, 27, 28, 29 and 30 are new. The others are the same but may highlight issues. City Administrator Martig will be presenting this evening.

Please note 4 of the 6 slides are prompted questions for City Council discussion. Mayor Pownell will pause prior to these questions for any specific questions by Council related to the presentation. After questions are completed, the Mayor will ask for feedback to the questions from each councilor. There will be up to one minute timed for each. City Administrator Martig will be keeping the time related to the questions posed.



2021-2022 Budget Worksession
September 8th, 2020

9/8/20

Budget & Levy Scenarios

- 3 Levy Options presented
 - 7.7%
 - 5.7% baseline
 - 3.7%
- 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 6.0%
 - 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

	Actual 2018	Actual 2019	Actual 2020	5.30% Levy Preliminary 2021	\$ Change	% Change
For Operations						
General Fund	6,155,318	6,558,566	7,235,479	7,541,351	305,872	4.2%
NCRC Operations	189,472	189,472	189,472	195,156	5,684	3.0%
Park Fund (\$25K for Capital Lease payment)	94,500	94,500	97,335	100,255	2,920	3.0%
City Facilities Fund	42,000	42,000	43,260	44,558	1,298	3.0%
Vehicle & Equipment Replacement Fund	315,079	315,079	324,531	334,267	9,736	3.0%
Total Operations Levy	6,796,369	7,199,617	7,890,077	8,215,587	325,510	4.1%
For Other						
Abatement - Roof Repair			30,092	30,092	-	0.0%
COPS (debt) Police Facility	435,000	175,000	175,000	175,000	-	0.0%
	435,000	175,000	205,092	205,092	-	0.0%
For Bonded Debt						
2007A GO Improvement Bonds	10,500	-	-	-	-	
2015A GO Improvement Bonds (refund 2008B)	83,000	35,000	-	-	-	
2009A GO Improvement Bonds	56,000	35,000	5,000	-	(5,000)	-100.0%
2010A GO Improvement Bonds	151,000	151,000	152,000	-	(152,000)	-100.0%
2011A GO Improvement Bonds	57,000	50,000	55,000	50,000	(5,000)	-9.1%
2012A GO Improvement Bonds	48,000	57,000	55,000	50,000	(5,000)	-9.1%
2013A GO Improvement Bonds	75,000	75,000	75,000	75,000	-	0.0%
2014A GO Improvement Bonds	82,000	56,000	66,000	55,000	(11,000)	-16.7%
2015A GO Improvement Bonds	124,000	120,000	95,000	95,000	-	0.0%
2016C GO Improvement Bonds	58,000	58,000	58,000	58,000	-	0.0%
2017A GO Improvement Bonds	-	55,000	60,000	55,000	(5,000)	-8.3%
2018B GO Improvement Bonds	-	192,000	179,000	182,500	3,500	2.0%
2019A GO Improvement Bonds	-	-	227,008	214,000	(13,008)	-5.7%
2020A GO Improvement Bonds	-	-	-	400,321	400,321	
Subtotal	744,500	884,000	1,027,008	1,234,821	207,813	20.2%
Facilities Related						
2016 Equipment Certificates	133,000	136,000	133,000	133,000	-	0.0%
Public Project Revenue (Pool)	238,000	239,000	239,000	230,000	(9,000)	-3.8%
2012 Equipment Certificates	91,000	500	-	-	-	
2018A NAFRS	-	215,000	215,000	215,000	-	0.0%
Subtotal	462,000	590,500	587,000	578,000	(9,000)	-1.5%
Total Debt Levy	1,641,500	1,649,500	1,819,100	2,017,913	198,813	10.9%
Total General Levy	8,437,869	8,849,117	9,709,177	10,233,500	524,323	5.4%
EDA	\$ 239,680	\$ 251,664	\$ 262,486	\$ 272,985	\$ 10,499	4.0%
HRA	\$ 244,263	\$ 256,476	\$ 267,504	\$ 278,204	\$ 10,700	4.0%
Total City-Wide Levy	8,921,812	9,357,257	10,239,167	10,784,690	545,523	5.3%

Overall 5.3% increase in
City-wide Levy

General Fund
3.0% increase in Levy

All Debt Service Funds
1.9% increase in Levy

EDA/HRA combined
0.2% increase in Levy

Other Funds combined
0.2% increase in Levy

New Police
Expenditures - not
included in roll-up
0.4% increase in Levy

Historical View Levy/Tax Rate

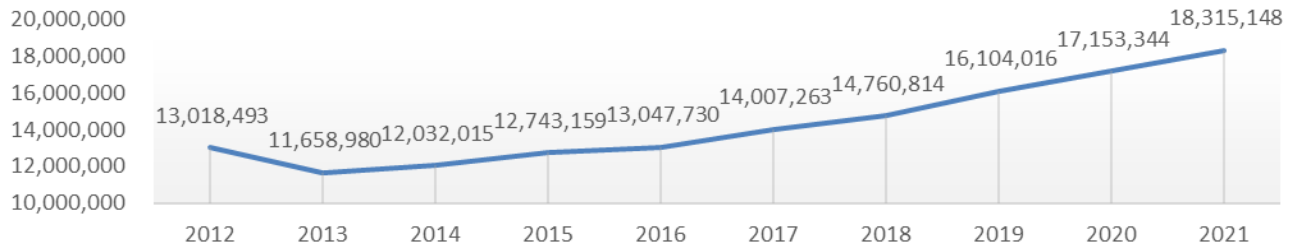
The City % Tax Rate =
Total \$ Levy/Net Tax
Capacity

Total \$ Levy



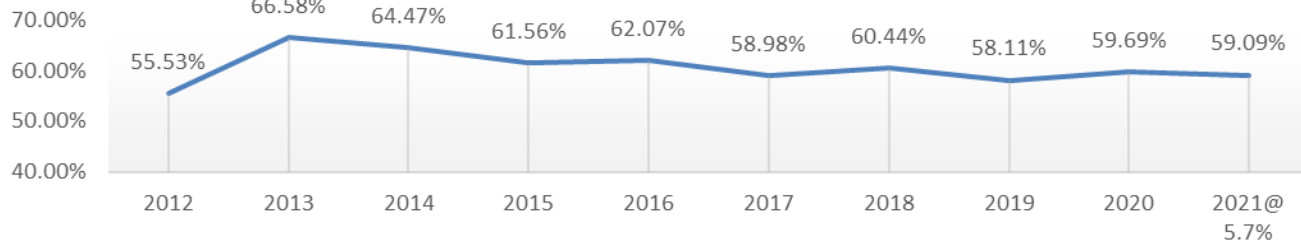
Note in 2013 the Tax
Rate peaked as Net
Tax Capacity dropped

Net Tax Capacity



In 2021, proposed levy
increase of 5.7% is
partially offset by a net
tax capacity increase of
6.8%

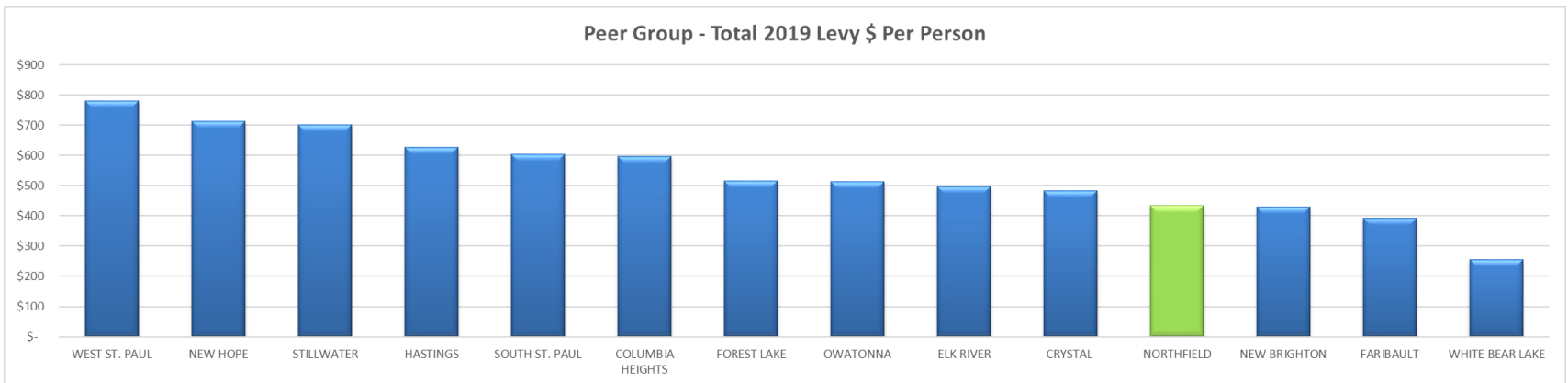
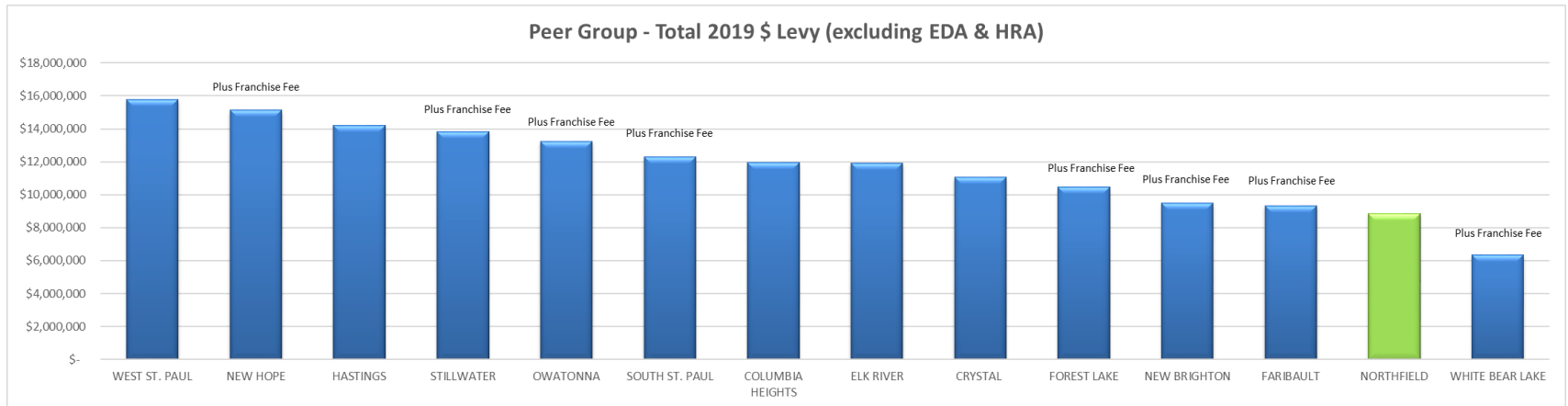
City % Tax Rate



City % Tax Rate
decrease from 59.69%
to 59.09%, 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 not in base

- A 1% increase in the levy equates to approximately \$102K
- Options presented on next two slides show \$ and % levy impact for reference
- Project Coordinator Permanent Funding recommended, included in baseline budget for 2021 (partially funded in 2021 through McKnight Grant and timing of initial start Apr 2019)

Summary of Options not in base

- Project Coordinator Permanent Funding recommended, included in baseline budget for 2021 (partially funded in 2021 through McKnight Grant and timing of initial start Apr 2019)

2021-2022 Budget Requests

	Estimated Cost		% Levy Increase Required	
Staffing Related				
1 Police Evidence Technician (2022) - digital evidence	\$ 46,000.00	\$ 82,000.00	0.45%	0.80%
2 Street & Parks Horticulturist (2021)	\$ 85,000.00	\$ 85,000.00	0.83%	0.83%
3 Civil Engineer - partially General Fund funded (2021)	\$ 39,000.00	\$ 39,000.00	0.38%	0.38%
4 Increase NPB Station Manager Hours (2021)	\$ 7,800.00	\$ 31,500.00	0.08%	0.31%
5 Translator - Spanish (20 hours/week) (2021)	\$ 26,000.00	\$ 26,000.00	0.25%	0.25%
	\$ 203,800.00	\$ 263,500.00	1.99%	2.57%
Project Coordinator Permanent Funding (2022) Annual Impact				
	\$ 105,000.00	\$ 105,000.00	1.03%	1.03%
less McKnight Funding (received 2020 & 2021)	\$ (50,000.00)	\$ (50,000.00)		
less start date offset (April 2019-Mar 2021)	\$ (21,000.00)	\$ (21,000.00)		
6 Project Coordinator 2021 Impact (in base)	\$ 34,000.00	\$ 34,000.00	0.33%	0.33%

Summary of Options not in base

2021-2022 Budget Requests

One Time or Multi-Year Costs:

	Estimated Cost		% Levy Increase Required	
7 Police Mental Health Wellness Check-ins	\$ 2,750.00	\$ 2,750.00	0.03%	0.03%
8 Police Wellness Equipment	\$ 10,000.00	\$ 14,000.00	0.10%	0.14%
9 Police Policy Manual annual subscription	\$ 12,600.00	\$ 12,600.00	0.12%	0.12%
10 Police increase in training	\$ 7,000.00	\$ 7,000.00	0.07%	0.07%
11 Police body camera cloud storage for digital evidence	\$ 18,830.00	\$ 18,830.00	0.18%	0.18%
12 Riverfront Enhancement Action Plan/year (annual)	\$ 100,000.00	\$ 100,000.00	0.98%	0.98%
13 Climate Action Plan (\$20,000 included in base budget)	\$ -	\$ -	0.00%	0.00%
14 Climate Action Plan increase trees on city property	\$ 40,000.00	\$ 40,000.00	0.39%	0.39%
15 Climate Action Plan native plantings in city parks	\$ 10,000.00	\$ 10,000.00	0.10%	0.10%
16 Diversity Equity Inclusion Community Equity Work	\$ 20,000.00	\$ 20,000.00	0.20%	0.20%
17 Climate Action Plan UofM Resilient Communities Project	\$ 6,000.00	\$ 6,000.00	0.06%	0.06%
18 Climate Action Plan legal review/policy consultation	\$ 5,000.00	\$ 5,000.00	0.05%	0.05%
19 Emerald Ash Borer \$135K/year (10 years)	\$ 135,000.00	\$ 135,000.00	1.32%	1.32%
20 Comprehensive Plan Update (partial 2021/2022)	\$ 55,000.00	\$ 85,000.00	0.54%	0.83%
21 Age Friendly Funding (2021)	\$ 20,000.00	\$ 20,000.00	0.20%	0.20%
22 Employee benefits improvement/enhancement (tbd)			0.00%	0.00%
23 Part Time Staff Benefits (tbd annual)			0.00%	0.00%
24 Street Reconstruction Projects (College/Water) 2024	\$ 275,000.00	\$ 275,000.00	2.69%	2.69%
25 Potholes (one time update with overlays)	\$ 325,000.00	\$ 325,000.00	3.17%	3.17%
26 Vehicle & Equipment Bonding - Equipment Certificates (tbd)			0.00%	0.00%
27 Consulting Local Option Sales Tax projects & cost	\$ 75,000.00	\$ 75,000.00	0.73%	0.73%
Subtotal				
I	\$ 1,117,180.00	\$ 1,151,180.00	10.91%	11.24%

Preliminary Staffing Requests

(not included in initial budget roll-up)

General Fund – Staffing (cost estimates with wages and benefits)

Public Works

- Horticulturist – FT for 2021 \$ 85K/year
- Engineer – with partial revenue offset for internal design work for 2021 \$ 39K/year

Police

- Police - evidence/IT support (related to body camera equipment) for 2021 \$ 82K/year

Communications

- NPB Manager part-time to full-time or increased hours from 24 – 29 hours per week = \$ 7K/year
- Add permanent part-time Spanish Translator 20 hours per week - = \$28K/year

•The requests above are recognized needs, but due to anticipated COVID impacts, we recommend not budgeting these positions in 2021

- The Police Evidence Tech position will likely be required in 2022 assuming body cams are approved, but not necessary during 2021 implementation.

Additional Items for Consideration

(Not included in initial budget roll-up)

Police

- Annual Mental Health Wellness Check-ins (\$2,750)
- Wellness Equipment: Weights, Treadmill, Elliptical, Rowing Machine, Mats (\$10K purchase, \$4K annual maintenance)
- Police Policy Manual – annual subscription (\$12,600)
- Increase in Police Training (\$7,000)
- Replacement of Squad Cameras (\$45,550) – listed in CEP but would be removed if not funded
- Body Cameras (\$59,550) - listed in CEP but would be removed if not funded
- Annual Cloud Storage and licensing (\$18,830) - listed in CEP but would be removed if not funded

Parks

- Adequate Park Funding needs
 - 2022 Sales Tax
 - Increase levy funding
 - Explore including in new strategic plan
- Fund for Riverfront Enhancement Action Plan
 - Bridge Square expansion over Water Street
 - Riverwall expansion included in CIP 2022/2023
 - Trail extension along Riverwalk on the west side under the Second Street Bridge

Additional Items for Consideration

(Not included in initial budget roll-up)

Climate Action

- Trees, increase number on City property (\$40,000)
- Native Plants in City Parks (\$10,000)
- University of Minnesota Resilient Communities Project (\$6,000)
- Legal review/policy consultation on draft ordinance for items noted in Climate Action Plan (\$5,000)

Diversity, Equity, Inclusion

- Community Equity Work (\$20,000)

Consulting

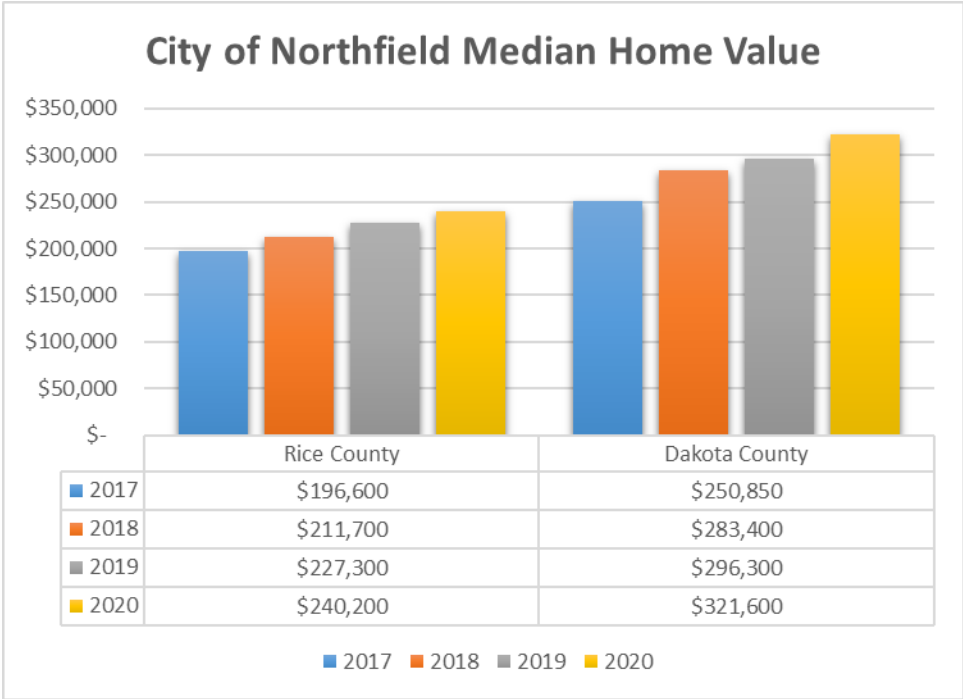
- One department review Community Development (\$25,000)
- Translation Services, if not part time staff (\$26,000)
- Local Option Sales Tax – scope projects and estimate cost – Parks, Recreation, Riverfront

Other

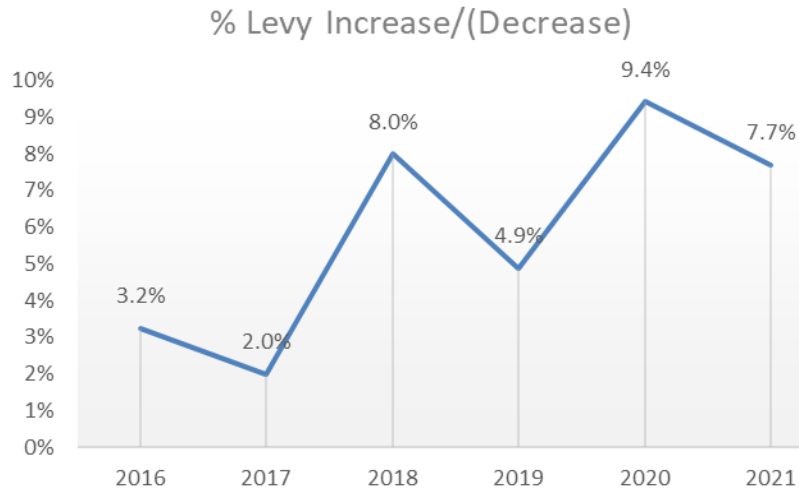
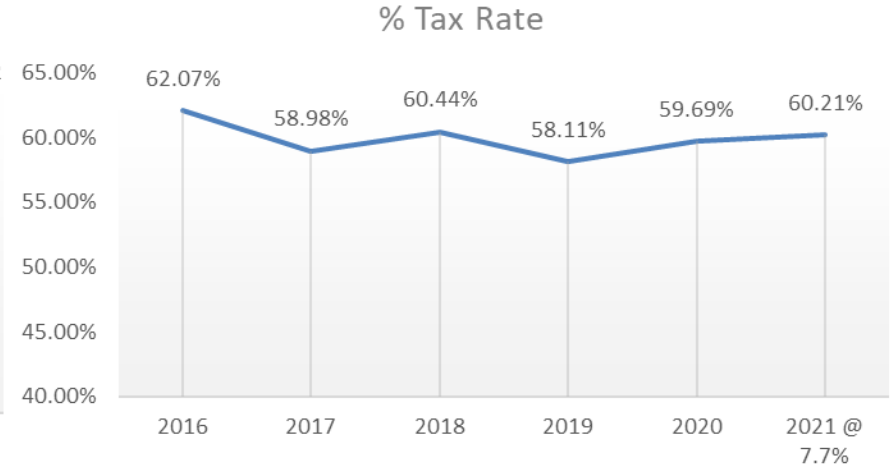
- Comprehensive Plan Update – consulting services (\$180K over 3 years)
- Age Friendly Funding (\$20K)

Northfield Median Home Value

- In 2020, Median Home Values increased
 - 5.7% in Rice County (vs 7.4% increase in 2019)
 - 8.5% in Dakota County (vs 4.6% increase in 2019)



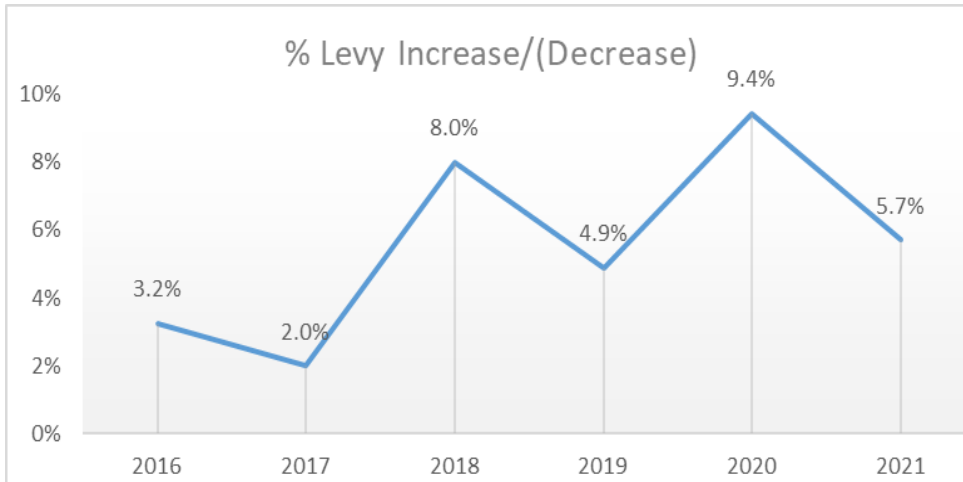
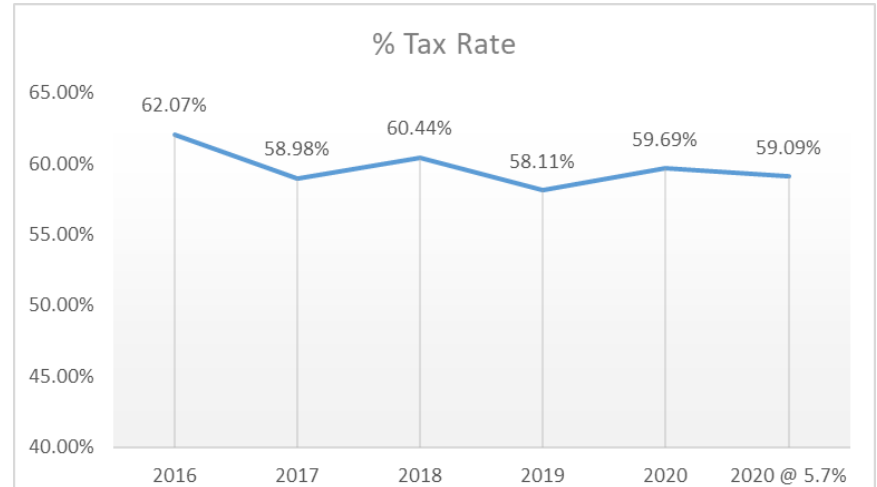
7.7% Levy increase



Homestead Residential Property - City Tax only						
2020	2021	2020	2021	2021v2020		
Value	Value	Tax Paid	Tax Paid	Annual Change	Monthly Change	% Change
\$150,000	\$ 150,000	\$754	\$760	\$7	\$1	0.9%
\$150,000	\$ 159,000	\$754	\$815	\$61	\$5	8.1%
\$175,000	\$ 175,000	\$916	\$924	\$8	\$1	0.9%
\$175,000	\$ 185,500	\$916	\$987	\$71	\$6	7.8%
\$200,000	\$ 200,000	\$1,079	\$1,089	\$9	\$1	0.9%
\$200,000	\$ 212,000	\$1,079	\$1,161	\$82	\$7	7.6%
\$250,000	\$ 250,000	\$1,405	\$1,417	\$12	\$1	0.9%
\$250,000	\$ 265,000	\$1,405	\$1,507	\$103	\$9	7.3%
\$300,000	\$ 300,000	\$1,730	\$1,745	\$15	\$1	0.9%
\$300,000	\$ 318,000	\$1,730	\$1,853	\$124	\$10	7.1%

5.7% Levy increase

Note: The city tax rate decreases slightly with this option



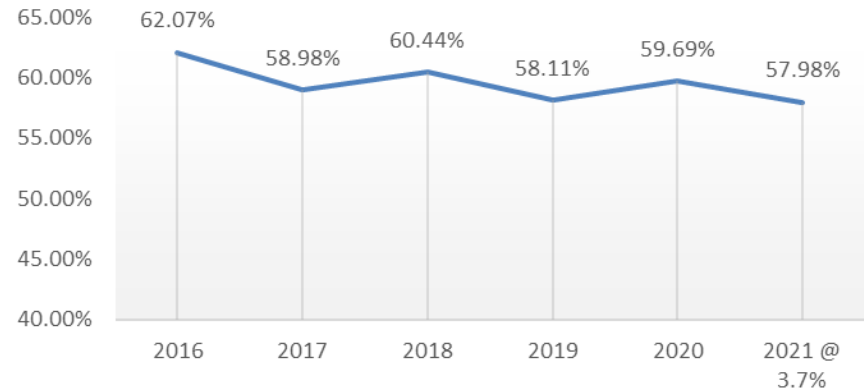
Homestead Residential Property - City Tax only						
2020	2021	2020	2021	2021v2020		
Value	Value	Tax Paid	Tax Paid	Annual Change	Monthly Change	% Change
\$150,000	\$ 150,000	\$754	\$746	-\$8	-\$1	-1.0%
\$150,000	\$ 159,000	\$754	\$800	\$46	\$4	6.1%
\$175,000	\$ 175,000	\$916	\$907	-\$9	-\$1	-1.0%
\$175,000	\$ 185,500	\$916	\$969	\$53	\$4	5.8%
\$200,000	\$ 200,000	\$1,079	\$1,068	-\$11	-\$1	-1.0%
\$200,000	\$ 212,000	\$1,079	\$1,139	\$60	\$5	5.6%
\$250,000	\$ 250,000	\$1,405	\$1,390	-\$14	-\$1	-1.0%
\$250,000	\$ 265,000	\$1,405	\$1,479	\$75	\$6	5.3%
\$300,000	\$ 300,000	\$1,730	\$1,713	-\$17	-\$1	-1.0%
\$300,000	\$ 318,000	\$1,730	\$1,819	\$89	\$7	5.2%

3.7% Levy increase

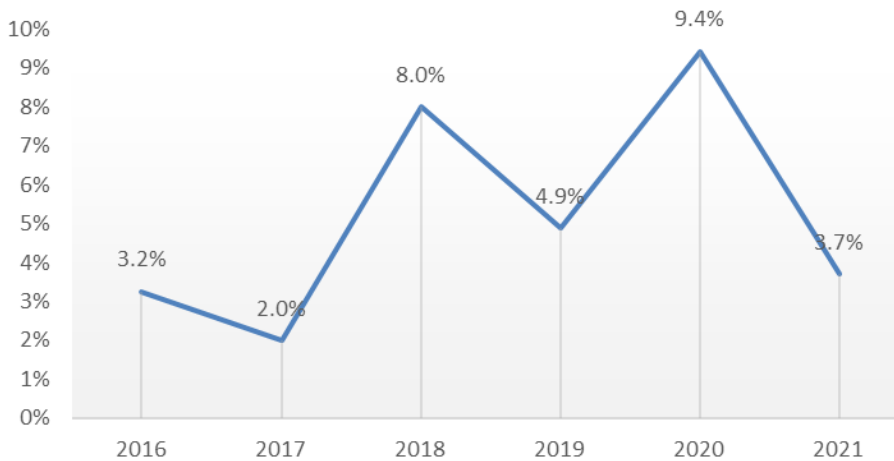
Total \$ Levy



% Tax Rate



% Levy Increase/(Decrease)



Homestead Residential Property - City Tax only						
2020	2021	2020	2021	2021v2020		
Value	Value	Tax Paid	Tax Paid	Annual Change	Monthly Change	% Change
\$150,000	\$ 150,000	\$754	\$732	-\$22	-\$2	-2.9%
\$150,000	\$ 159,000	\$754	\$784	\$31	\$3	4.0%
\$175,000	\$ 175,000	\$916	\$890	-\$26	-\$2	-2.9%
\$175,000	\$ 185,500	\$916	\$951	\$35	\$3	3.8%
\$200,000	\$ 200,000	\$1,079	\$1,048	-\$31	-\$3	-2.9%
\$200,000	\$ 212,000	\$1,079	\$1,118	\$39	\$3	3.6%
\$250,000	\$ 250,000	\$1,405	\$1,364	-\$40	-\$3	-2.9%
\$250,000	\$ 265,000	\$1,405	\$1,451	\$47	\$4	3.3%
\$300,000	\$ 300,000	\$1,730	\$1,680	-\$50	-\$4	-2.9%
\$300,000	\$ 318,000	\$1,730	\$1,784	\$55	\$5	3.2%

Alternative Revenue Sources



Utility Franchise Fees

- Working with Baker Tilly to explore options
- Bringing back in October for review and consideration.

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 opportunity would be on 2022 election.

Scenario Analysis

– Potential COVID Revenue Impacts

- LGA uncertainty -Forecasting options for LGA cuts

» 5%	\$163,471
» 10%	\$326,942
» 15%	\$490,413
» 20%	\$653,884

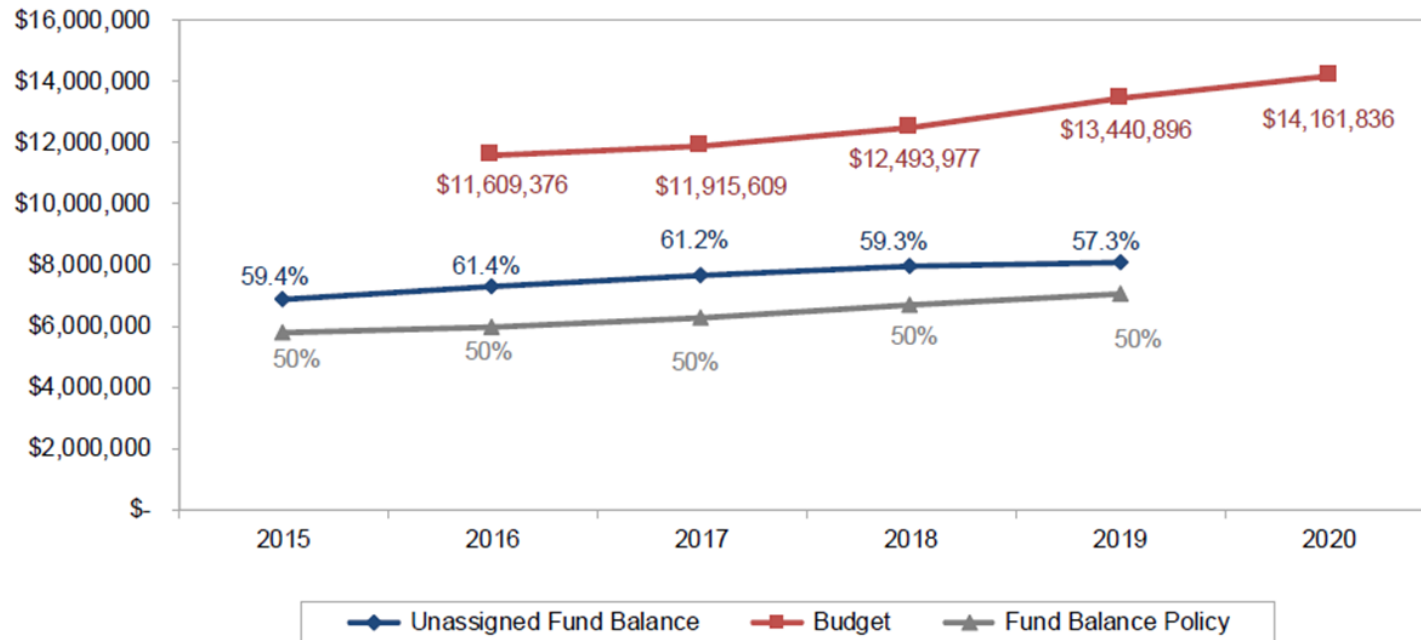
- Will continue to monitor State's economic forecast

- Staff recommends assignment of **\$653K**, contingency planning alternative of a 10% cut in LGA for both 2021 & 2022. Based on last survey consensus support from council for this approach

- If no LGA cuts, \$653K remains available to be repurposed for one-time capital projects or equipment needs

General Fund Balance

Fund Balance/Budget Comparison



- Allocate reserves for one-time capital projects OR
- Hold reserve for COVID related revenue shortfalls –
 - potential LGA cuts, property tax delinquencies or MSA shortfalls

Source: Abdo, Eick & Meyers

Use of General Fund Reserves

- Reserves of approximately \$700K above target levels
- Hold for potential COVID impact – LGA Cuts
 - Two year reserve of \$650K
 - \$50K available about target
- Allocate to Capital Reserves
- Allocate to 2021 requests
- Consider allocations for 2022 requests

CARES Act Funding

Entity	Description	Council Approval	Preserve/Stimulate Jobs	Social Support	Government/Ed
CAC	Food distribution	X		145,000	
HCI	Education Support	X		40,500	
City	Outdoor Furn.	X	75,000		
Bus.Apps	Grants	X	300,000		
Non-Profit Apps	Grants	X		200,000	
Chamber/CVB	Marketing & Business Recovery		75,082		
NPS	PPE Schools Open				43,532
EDA	E-Commerce		*14,993		
HRA	Emergency Housing			*53,000	
City Licensees	Liquor Refunds		*2,500		
City	*Reimbursement/ Recovery Support				*432,000
Grants (\$25,000 max)	Grants		50,000	50,000	
<u>Subtotal</u>	<u>\$1,430,607</u>		<u>517,575</u>	<u>488,500</u>	<u>475,532</u>
Undesignated	*\$69,393				

General Fund & CARES Act

Preliminary

GF Excess Reserve	\$ 50,000
<u>CARES</u>	<u>\$432,000</u>
Subtotal	<u>\$482,000</u>

CARES COSTS 9-1-20	(\$78,000)
<u>Pending PD Costs</u>	<u>(\$120,000)</u>
Subtotal	<u>*\$284,000</u>

* Could use to one time uses (unbudgeted items, reducing levy, additional contingency, etc.)

Levy Options

- **7.7% (\$11,027,902)**
 - Additional \$204,783 vs 5.7% baseline
 - Allows for some additional requests
- **5.7% (\$10,823,119)**
 - Baseline initial budget
 - Tax rate slight decrease
- **3.7% (\$10,618,336)**
 - Reduction of \$204,783 vs 5.7% baseline
 - Requires cuts in staff or projects
- **Other (1% increments = \$102,000)**

Discussion

- Staff supportive of the three levy resolutions
 - **Select maximum option tonight to prepare for Preliminary Resolution approval at next week's Council Meeting**
 - **Staff does not recommend a preliminary levy below 5.7%**
- Further consideration of adjustments may occur prior to adoption of a final levy in December
 - Levy cannot go up from what is approved tonight, this is the maximum, (in December it can go down, but not up)
 - Discussions regarding additional personnel/projects can continue in October and November

Questions

Any Questions Prior to Specific Council
Questions on Budget and Levy?

Council Questions

- Do you have any alternatives proposed related to the tax levy for the:
 - EDA +4% = +\$10,499
 - Yes/No – comment if any
 - HRA +4% = +\$10,700
 - Yes/No – comment if any

Note the common practice has been maximizing the preliminary levies.

Council Question

Do you have any input into the recommended preliminary levy recommendation for consideration next week (will determine if we have any alternates)?

- 7.7% (\$11,027,902)
 - Additional \$204,783 vs 5.7% baseline
 - Allows for some additional requests
 - Staff recommended for preliminary
- 5.7% (\$10,823,119)
 - Baseline initial budget
 - Tax rate slight decrease
 - Staff recommended as lowest preliminary
- 3.7% (\$10,618,336)
 - Reduction of \$204,783 vs 5.7% baseline
 - Requires cuts in staff or projects
- Other (1% increments= \$102,000)

Council Questions

- Do you support not proceeding with any new staff positions for the remaining budget review due to pending cuts as recommended by the City Administrator?
 - Yes
 - No
 - Comments if any?

Council Questions

- Prioritization of funding options are planned for October. We are not planning to add any items going forward unless feedback to do so.
- Do you have any other items besides those listed for future prioritization (we are working on prior questions)?
 - Yes
 - No
 - Comments if any?

Schedule

September

- September 15th adoption of 2021 Preliminary Levy
 - Final Approved Levy in December can go down, but not up from Preliminary Levy
- September 15th approve 2021 Utility Rates

October

- October 13th Budget review if needed

November

- November 10th Motion to approve proposed budget and levy recommendation for presentation at December 1st Hearing

December

- December 1st Public Hearing on the 2021 Budget and Tax Levy
- December 1st approval of Levy and Budget

Wrap Up

