



City of Northfield
2024 Preliminary Levy and Budget Alternatives
October 10, 2023

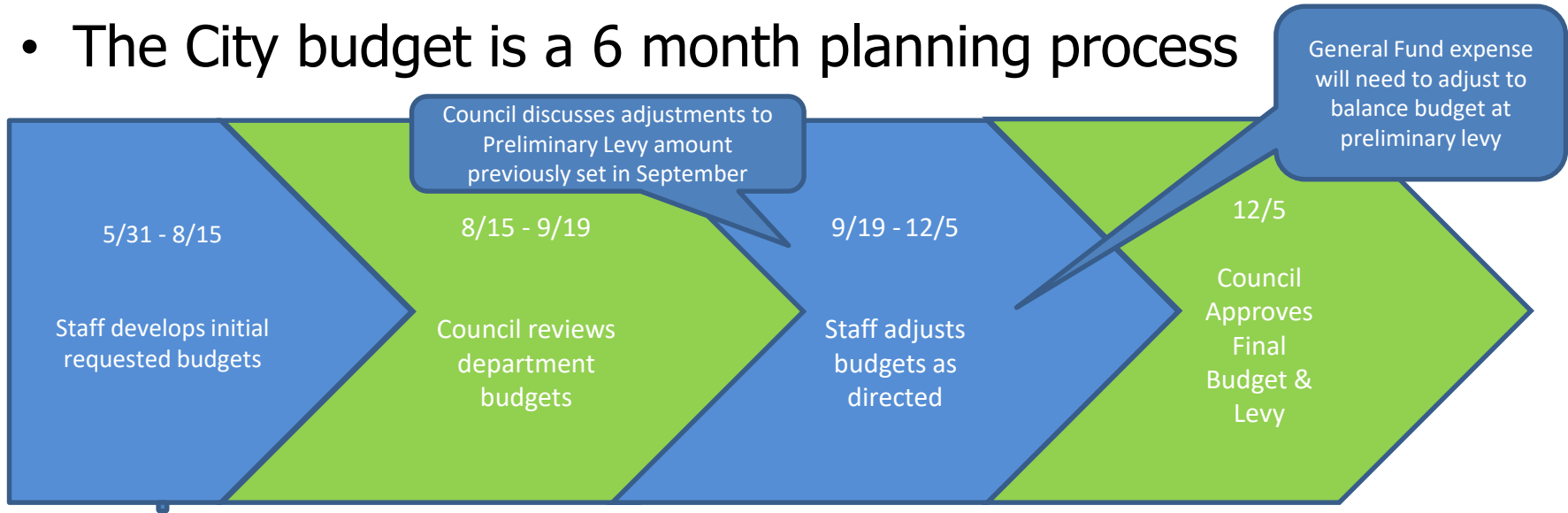
2024-2025 Preliminary Budget & Levy

Agenda

1. Preliminary Levy Recap
2. Preliminary Levy Peer Comparisons
3. Alternative Levy Options
4. Long Range Planning projections
5. Budget Timeline/Next Steps

Budget Timeline 2023

- The City budget is a 6 month planning process



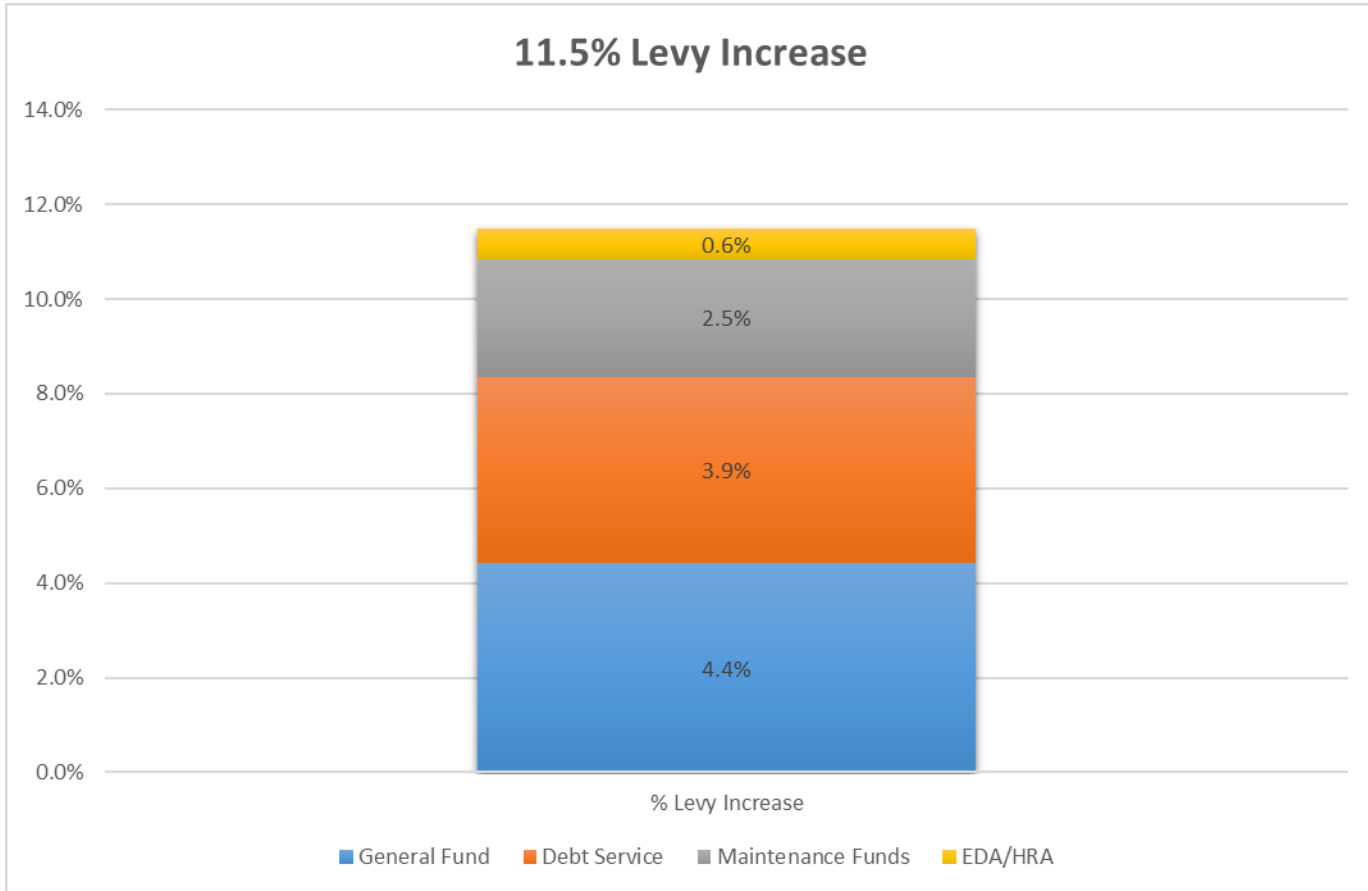
- Key Dates in the planning process



Preliminary Budget & Levy 2024 Recap

- Proposed Total Budget All Funds \$= \$41.7M
 - General Fund, EDA and HRA = \$19,397,858
- \$15,661,510 Adopted Preliminary Property Tax Levy
 - 2.09% tax rate increase
 - \$1,613,388 total levy increase, +11.5%
 - \$325K home taxes increase total of \$66 or \$5.50/month
 - note: assumes same valuation from 2023-2024 (Rice & Dakota County set individual property values and hold Spring public meetings)
- Setting the Preliminary Levy is setting a maximum not to exceed dollar amount
 - The Preliminary Levy will be reflected on tax statements in November
 - Final levy in December can go down, but cannot go up

Levy Increase



Preliminary Budget & Levy

Highlight Recap

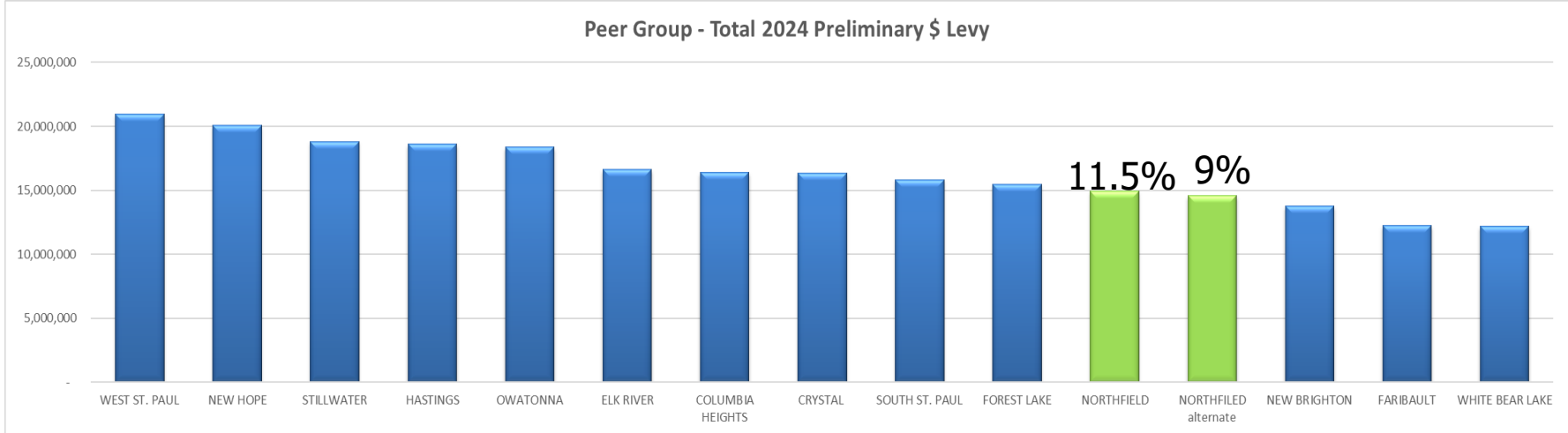
- Debt portion of levy increase is legally committed repayment and cannot change 3.9%
- General Fund (65% personnel driven, rates set through labor contracts through 2024) 4.4%
 - Would have to cut positions, can't change rates
 - Maintain minimum City reserve policy above 50% target
 - As budget grows, required reserve level also grows
- Capital Maintenance Fund increase 2.5% phased plan to meet unfunded needs (vehicles, facilities, parks)
- EDA/HRA Fund increase 0.6%

Budget Highlight Recap

- Recognize inflationary pressures on operations
 - The city is feeling the same inflationary pressures on costs as other organizations & individuals
 - Vehicle replacement costs are up considerably
 - Building maintenance
 - Gas, Electric

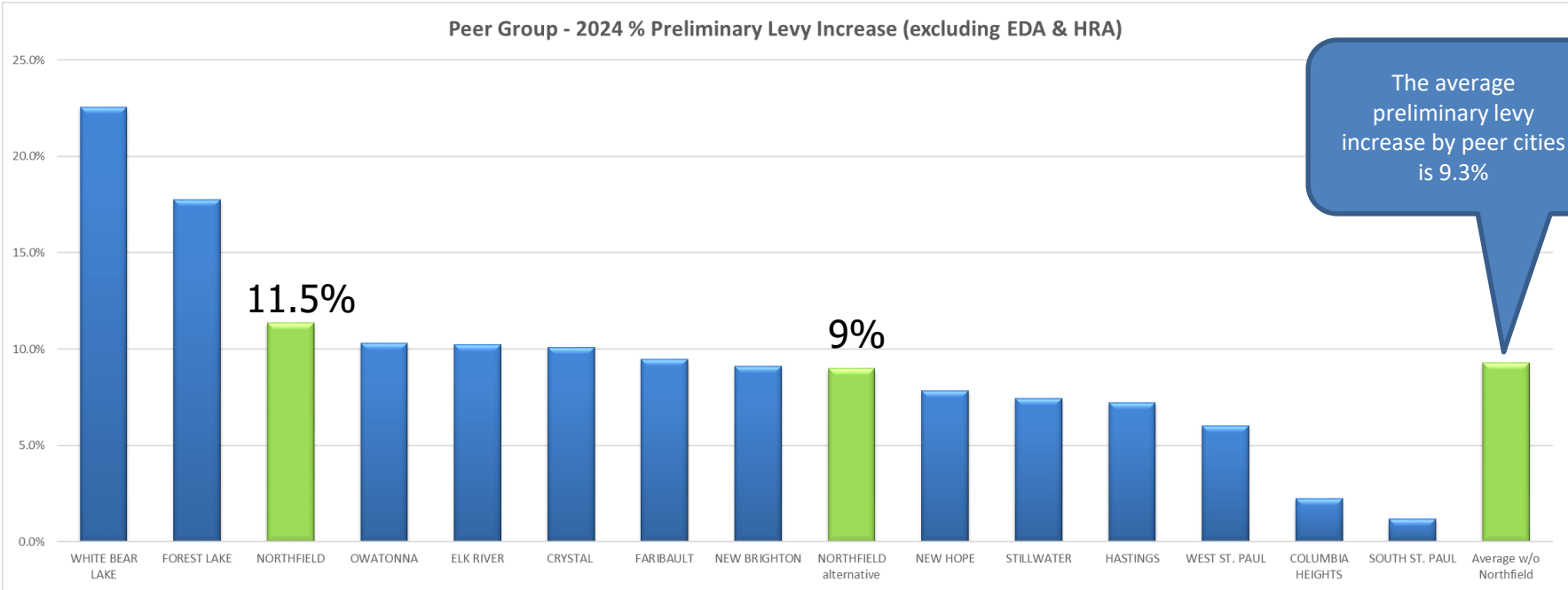
Key Ratios – Peer Comparison

UPDATED



Key Ratios – Peer Comparison

UPDATED



With an option to amend the tax levy down \$350,000 to \$15,311,510 (a +9% increase) we would be below the average increase amongst peers.

2024 Levy Alternatives

Levy Alternatives

1. Preliminary Levy at 11.5% Stay As-Is
2. Alternative Levy at 9.0%, reserves (carryover), public safety state assistance & expense adjustments
3. Additional alternative expense reduction options
4. Alternative Levy at 9.0%, (different items) not recommended
Do not increase Capital Maintenance Funds 2.5%
5. Alternative Levy at 8.4%, not recommended
Do not increase Capital Maintenance Funds/EDA/HRA levies 3.1%

2024 Levy Alternative 1

- \$15,661,510 Adopted Preliminary Property Tax Levy
 - 2.09% tax rate increase
 - \$1,613,388 total levy increase, +11.5%
- No adjustments to the preliminary budget and levy

General Fund Revenue

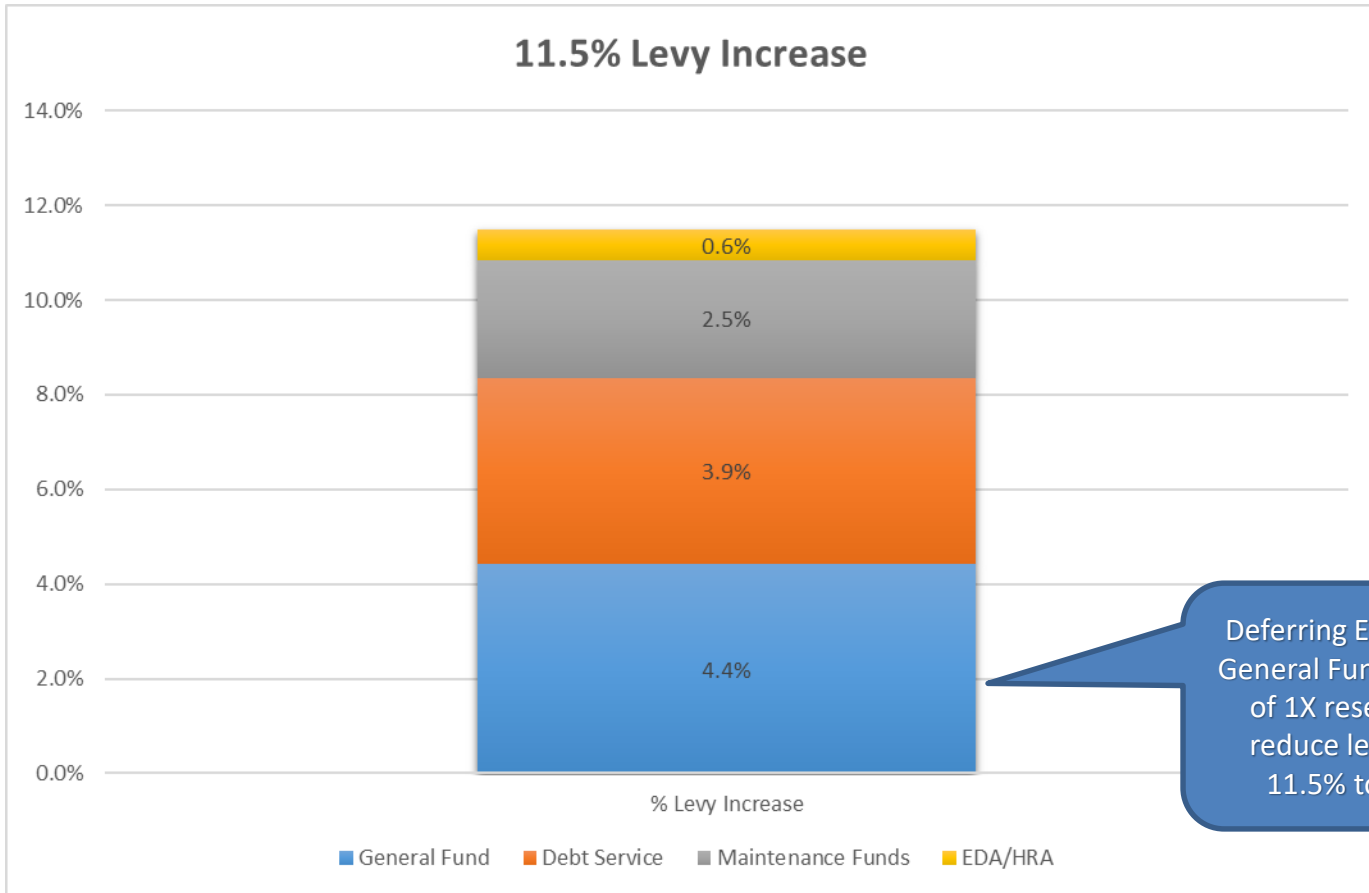
- Explore Other Revenue Opportunities Exploring (2025 beyond mainly):
 - Telecommunication funding MACTA policy
 - Park dedication formula review
 - Exploring local option sales tax for parks (2026 moratorium)
 - Building permit fee adjustments (fixed permits)
 - Rental licensing fees (reviewing 2024)
 - Air B&B Licensing (ordinance underway) – CVB mainly impacted
 - Gas/Electric Franchise Adjustments – (streets/debt)
- City does not control the intergovernmental revenue
- Licenses/Permits/Other Charges only control rates, not demand for licenses/permits
- Reserves: Caution on maintaining Reserve levels
- Property Tax is the primary tool for cities to balance the budget

2024 Levy Alternative 2

- \$15,311,510 Property Tax Levy
 - .557% tax rate increase
 - \$1,613,388 total levy increase, +9.0%
- Adjustments from Preliminary Levy to get to reduced levy by \$350,000

Note: Combination of reduction of expenses, reserve funds (e.g. strategic plan prep, emerging leaders program (1-year off), eliminate intersection control study (tentative hwy 3), comp plan carryover funds from 2023, arbitration funding, public safety State assistance)

Levy Increase



2024 Levy Alternative 3 – added options

Fireworks	\$17,000
Park Planning – Sechler Master Plan	\$50,000
Park Planning – Referendum Related	\$30,000

*Need in preparation of local option sales tax request, deferred to 2025
If unused, excess funds carryover 2025 could go to capital maintenance funds or carryover to 2025 or other for this purpose on parks planning. Also will be looking at an amendment to the reserve policy for 2024 to create a framework of prioritization.*

Northfield Historical Society	\$36,000
Age Friendly Northfield	\$35,000
Soccer Field Mowing	\$25,000
Admin Services Org Study	\$45,000
Vacancy in Assistant City Planner	\$?
FiftyNorth Recreation Funding	\$?
Need to research and likely would review for 2025 at earliest	

*Other ideas from Council OR Direct additional reductions or revenues for further review.

Alternative 4

Levy reduced to 9.0% with options below only
(not recommended)

- Do not increase Capital Maintenance Funds
 - Reduce levy 2.5% and defer maintenance/replacement of existing infrastructure
 - Parks 1%, \$140,000
 - Facilities 1%, \$140,000
 - Vehicle and Equipment 0.5%, \$70,000

Alternative 5

Levy reduced to 8.4% with options below only (not recommended)

- Do not increase Capital Maintenance Funds
 - Reduce levy 2.5% and defer maintenance/replacement of existing infrastructure
 - Parks 1%, \$140,000
 - Facilities 1%, \$140,000
 - Vehicle and Equipment 0.5%, \$70,000

AND

- Also, do not increase EDA or HRA levies, maintain at current level
 - Reduce levy 0.6%
 - EDA 0.3%, \$44,227
 - HRA 0.3%, \$45,130

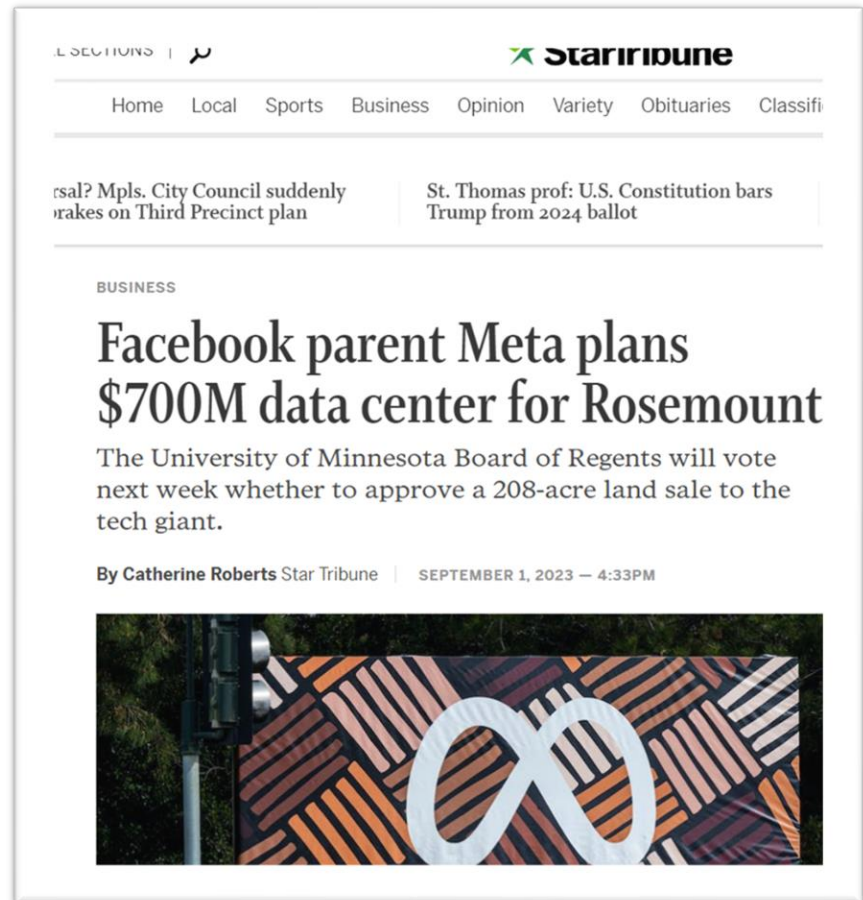
Economic Development Authority (EDA) Housing & Redevelopment Authority (HRA)

- Levy increases with estimated market value
 - *Based on prior year increase in EMV from Rice and Dakota Counties*
 - *0.6% increase to Citywide levy, 13.9% increase in individual levies*
 - EDA (.01813% of EMV max)
 - HRA (.01850% of EMV max)
 - City has historically levied the maximum
 - *Council could choose a lower amount to reduce levy*
 - *Staff not recommended as funding supports strategic priorities in economic vitality (that can lead to reduced tax rates) and quality housing efforts are intended to assist in workforce housing & improvement of substandard conditions*

	2021	2022	2023	2024 proposed	2025 proposed
EDA	\$ 272,985	\$ 300,596	\$ 318,909	\$ 363,136	\$ 363,136
HRA	\$ 278,204	\$ 306,731	\$ 325,417	\$ 370,547	\$ 370,547
\$ Change	\$ 21,199.00	\$ 56,138.00	\$ 36,999.00	\$ 89,357.00	\$ -
% Change	4.0%	10.2%	6.1%	13.9%	0.0%

Tax Base Growth Strategies

- Although Northfield's tax base is low, Northfield is well positioned for new growth opportunities that meet city plans and goals
- If one new tax payer, similar to the proposed Rosemount Data Center, would reduce city portion of residential burden by 26%
- Includes net zero emissions, 100% renewable energy, outdoor air solutions to increase water efficiency, etc.



11.5% Levy Impact

TAX IMPACT ANALYSIS - CONSTANT MARKET VALUE								
Type of Property	Estimated Market Value	Market Value Exclusion	Taxable Market Value	Net Tax Capacity	Current 2023 City Tax	Proposed Tax Increase*	Monthly Increase	Proposed 2024 City Tax
Residential Homestead	\$ 200,000	\$ 19,240	\$ 180,760	\$ 1,808	\$ 1,186.76	\$ 37.76	3.15	\$ 1,224.52
	250,000	14,740	235,260	2,353	1,544.58	49.14	4.10	1,593.72
	300,000	10,240	289,760	2,898	1,902.39	60.53	5.04	1,962.92
	317,300	8,683	308,617	3,086	2,026.19	64.47	5.37	2,090.66
	350,000	5,740	344,260	3,443	2,260.20	71.91	5.99	2,332.12
	382,100	2,851	379,249	3,792	2,489.92	79.22	6.60	2,569.14
	400,000	1,240	398,760	3,988	2,618.02	83.29	6.94	2,701.31
450,000	-	450,000	4,500	2,954.43	94.00	7.83	3,048.43	
Commercial/Industrial	\$ 500,000	\$ -	\$ 500,000	\$ 9,250	\$ 6,073.00	\$ 193.22	16.10	\$ 6,266.21
	1,000,000	-	1,000,000	19,250	12,638.40	402.10	33.51	13,040.50
	5,000,000	-	5,000,000	99,250	65,161.60	2,073.18	172.77	67,234.78

TAX IMPACT ANALYSIS WITH PROPERTY MARKET VALUE INCREASE OF 8%								
Type of Property	Estimated Market Value	Market Value Exclusion	Taxable Market Value	Net Tax Capacity	Current 2023 City Tax	Proposed Tax Increase*	Monthly Increase	Proposed 2024 City Tax
Residential Homestead	\$ 216,100	\$ 17,791	\$ 198,309	\$ 1,983	\$ 1,186.76	\$ 156.64	13.05	\$ 1,343.40
	270,125	12,929	257,196	2,572	1,544.58	197.74	16.48	1,742.32
	324,150	8,067	316,084	3,161	1,902.39	238.85	19.90	2,141.24
	342,843	6,384	336,458	3,365	2,026.19	253.07	21.09	2,279.27
	378,175	3,204	374,971	3,750	2,260.20	279.95	23.33	2,540.16
	412,859	83	412,776	4,128	2,489.92	306.34	25.53	2,796.26
	432,200	-	432,200	4,322	2,618.02	309.83	25.82	2,927.85
486,225	-	486,225	4,862	2,954.43	339.40	28.28	3,293.83	
Commercial/Industrial	\$ 540,250	\$ -	\$ 540,250	\$ 10,055	\$ 6,073.00	\$ 738.55	61.55	\$ 6,811.54
	1,080,500	-	1,080,500	20,860	12,638.40	1,492.76	124.40	14,131.16
	5,402,500	-	5,402,500	107,300	65,161.60	7,526.48	627.21	72,688.07

9.0% Levy Impact

TAX IMPACT ANALYSIS - CONSTANT MARKET VALUE								
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Residential Homestead	\$ 200,000	\$ 19,240	\$ 180,760	\$ 1,808	\$ 1,186.76	\$ 10.08	0.84	\$ 1,196.84
	250,000	14,740	235,260	2,353	1,544.58	13.11	1.09	1,557.69
	300,000	10,240	289,760	2,898	1,902.39	16.15	1.35	1,918.54
	317,300	8,683	308,617	3,086	2,026.19	17.20	1.43	2,043.40
	350,000	5,740	344,260	3,443	2,260.20	19.19	1.60	2,279.40
	382,100	2,851	379,249	3,792	2,489.92	21.14	1.76	2,511.06
	400,000	1,240	398,760	3,988	2,618.02	22.23	1.85	2,640.25
450,000	-	450,000	4,500	2,954.43	25.08	2.09	2,979.51	
Commercial/Industrial	\$ 500,000	\$ -	\$ 500,000	\$ 9,250	\$ 6,073.00	\$ 51.56	4.30	\$ 6,124.56
	1,000,000	-	1,000,000	19,250	12,638.40	107.31	8.94	12,745.70
	5,000,000	-	5,000,000	99,250	65,161.60	553.26	46.10	65,714.85

TAX IMPACT ANALYSIS WITH PROPERTY MARKET VALUE INCREASE OF 8%								
Type of Property	Estimated Market Value	Market Value Exclusion	Taxable Market Value	Net Tax Capacity	Current 2023 City Tax	Proposed Tax Increase*	Monthly Increase	Proposed 2024 City Tax
Residential Homestead	\$ 216,100	\$ 17,791	\$ 198,309	\$ 1,983	\$ 1,186.76	\$ 126.27	10.52	\$ 1,313.03
	270,125	12,929	257,196	2,572	1,544.58	158.36	13.20	1,702.93
	324,150	8,067	316,084	3,161	1,902.39	190.44	15.87	2,092.83
	342,843	6,384	336,458	3,365	2,026.19	201.55	16.80	2,227.74
	378,175	3,204	374,971	3,750	2,260.20	222.53	18.54	2,482.74
	412,859	83	412,776	4,128	2,489.92	243.13	20.26	2,733.05
	432,200	-	432,200	4,322	2,618.02	243.64	20.30	2,861.66
486,225	-	486,225	4,862	2,954.43	264.94	22.08	3,219.37	
Commercial/Industrial	\$ 540,250	\$ -	\$ 540,250	\$ 10,055	\$ 6,073.00	\$ 584.57	48.71	\$ 6,657.56
	1,080,500	-	1,080,500	20,860	12,638.40	1,173.31	97.78	13,811.71
	5,402,500	-	5,402,500	107,300	65,161.60	5,883.28	490.27	71,044.87

Other 2025 and Beyond Forecasting

Future to be or could be explored (initial impact & feasibility):

- Revenue Enhancements (prior slides underway)
- Tax Base Growth (updating prior illustrations)

- Expenditure Controls and Cost Shifts
- Service Delivery Changes
- Service Delivery Reductions

- Defer 2025 Street Projects to 2027

Remaining Budget & Levy Tentative Schedule

September

- ✓ September 19th adoption of 2024 Preliminary Levy, Budget & Final Budget Hearing Set
 - Final Approved City Property Tax Levy in December can go down, but cannot be increased from the Preliminary Levy
- ✓ September 19th approve 2024 Utility Rates

October

- October 10th Budget Worksession – 2024 adjustments and 2025 and beyond and determine recommendation for 2024 preliminary levy & budget

November

- November 1st Communication to Public on 2024 Budget
- Mid-November County mails TNT statements
- November 17th Budget Worksession – review December 2023 presentation

December

- **December 5th Public Hearing 6:00 p.m. on the 2024 Budget and Tax Levy**
- December 5th approval of Levy and Budget