



2021-2022 Budget Worksession
September 8th, 2020

9/3/20

Budget & Levy Scenarios

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

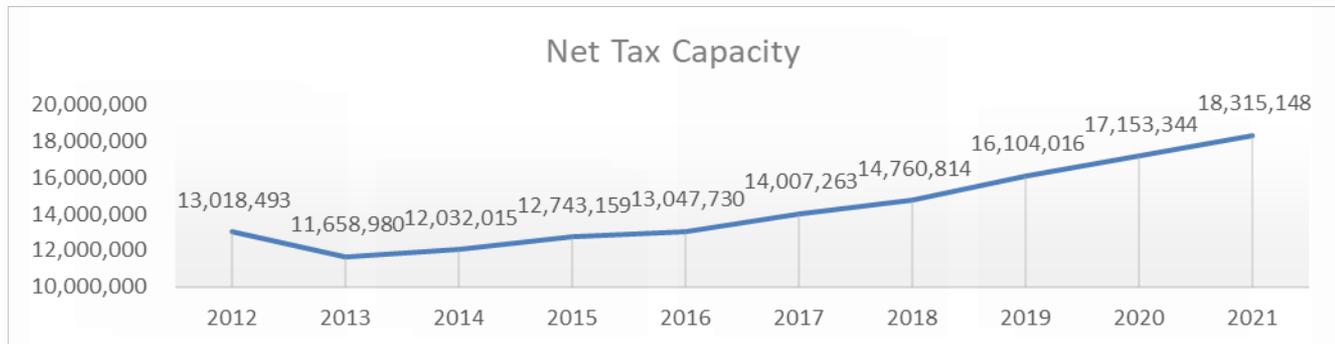
New Police
Expenditures - not
included in roll-up
0.4% increase in Levy

Historical View Levy/Tax Rate

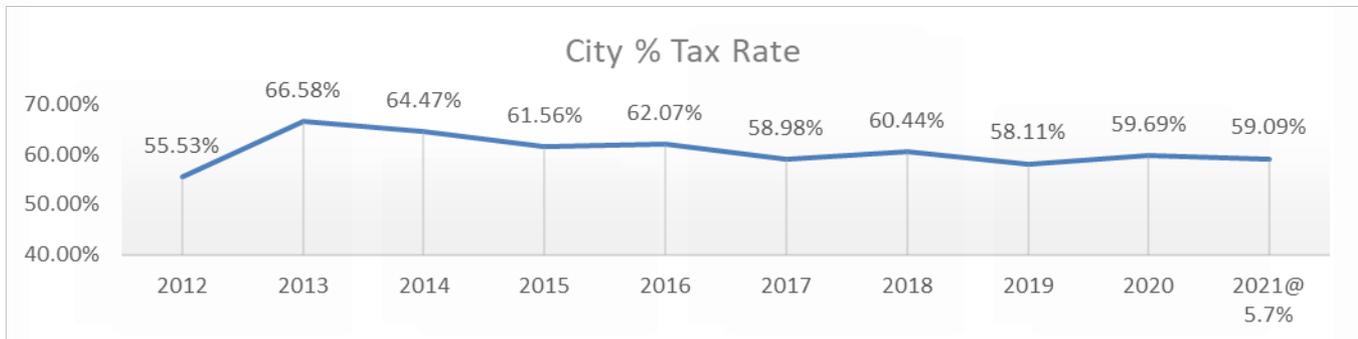
The City % Tax Rate =
Total \$ Levy/Net Tax
Capacity



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



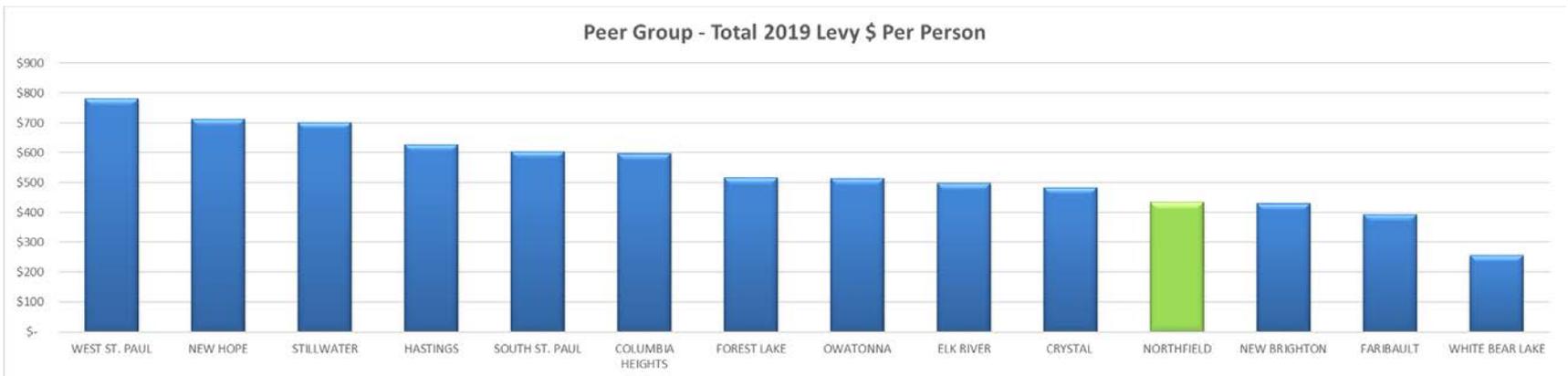
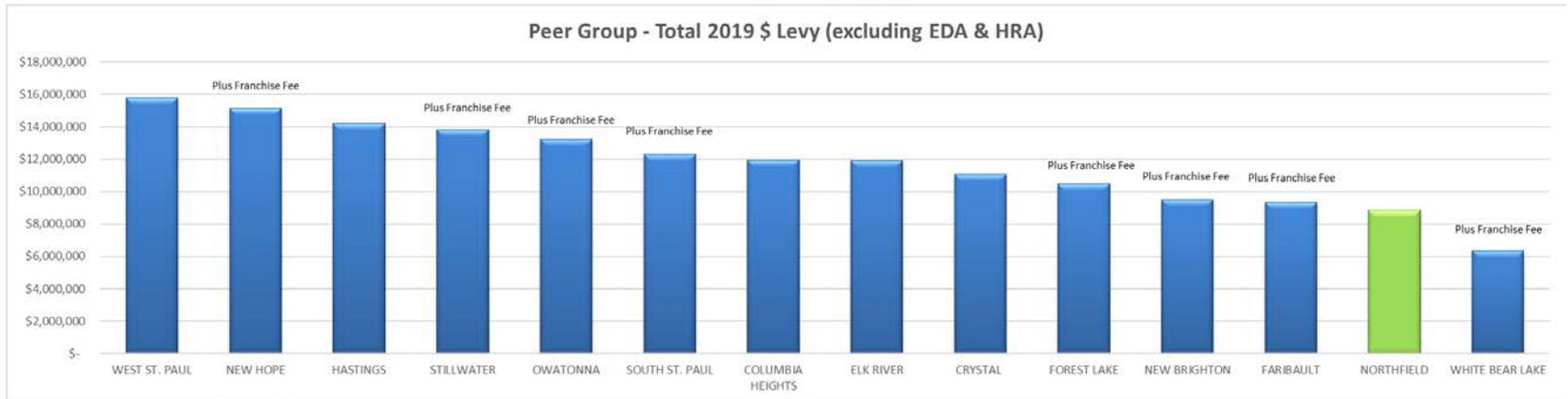
In 2021, proposed levy
increase of 5.7% is
partially offset by a net
tax capacity increase of
6.8%



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 plains 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)
- Body Cameras (\$59,550)
- Annual Cloud Storage and licensing (\$18,830)

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

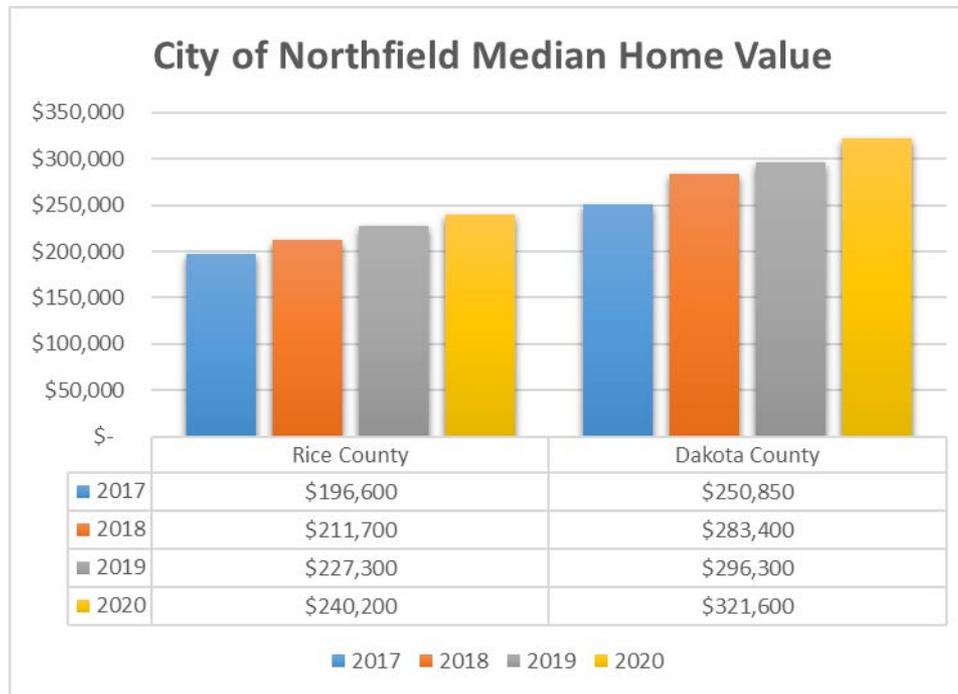
- One department review Community Development (\$25,000)
- Translation Services, if not part time staff (\$26,000)
- Local Option Sales Tax – scope projects and estimate cost – Parks, Recreation, Riverfront

Other

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

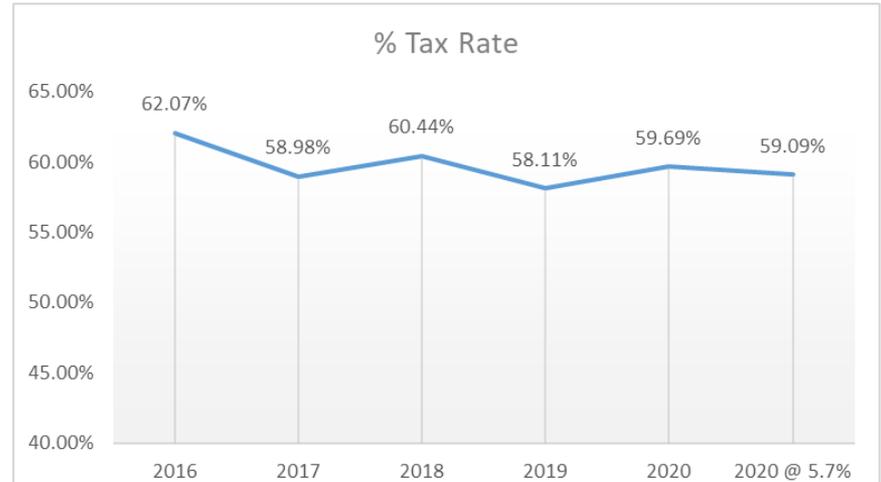
Northfield Median Home Value

- 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)



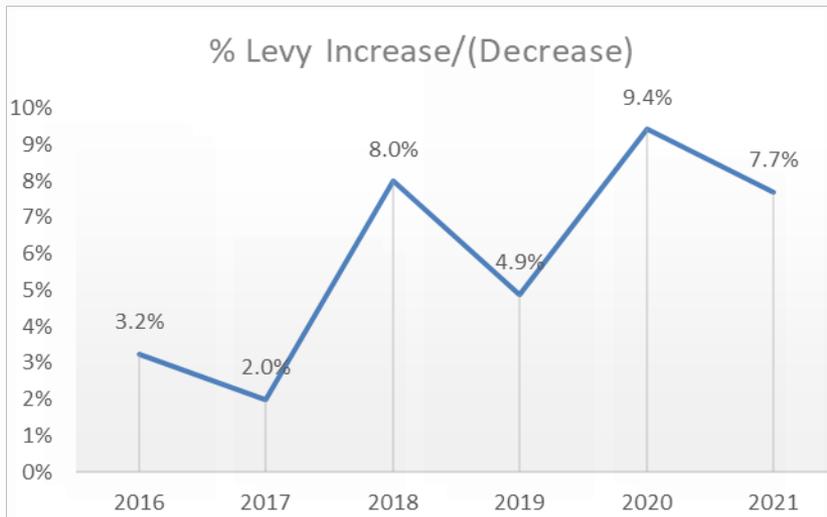
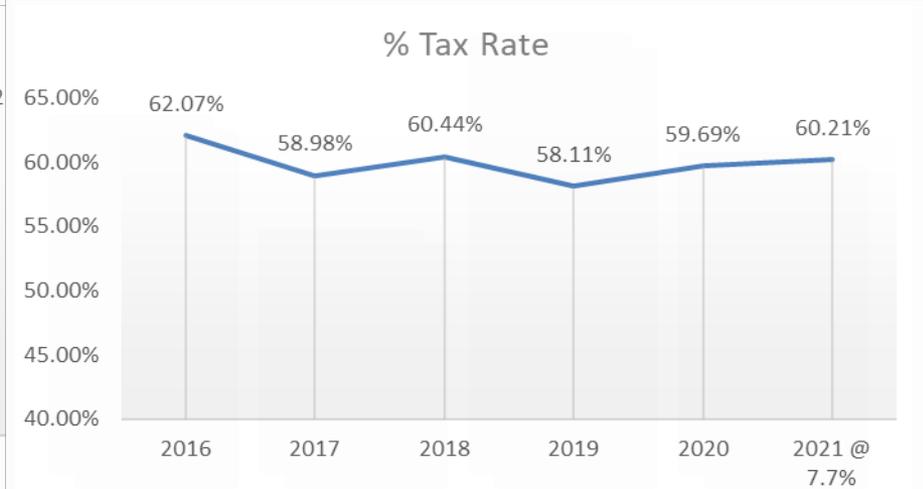
5.7% Levy increase

Note: The city tax rate decreases slightly with this option



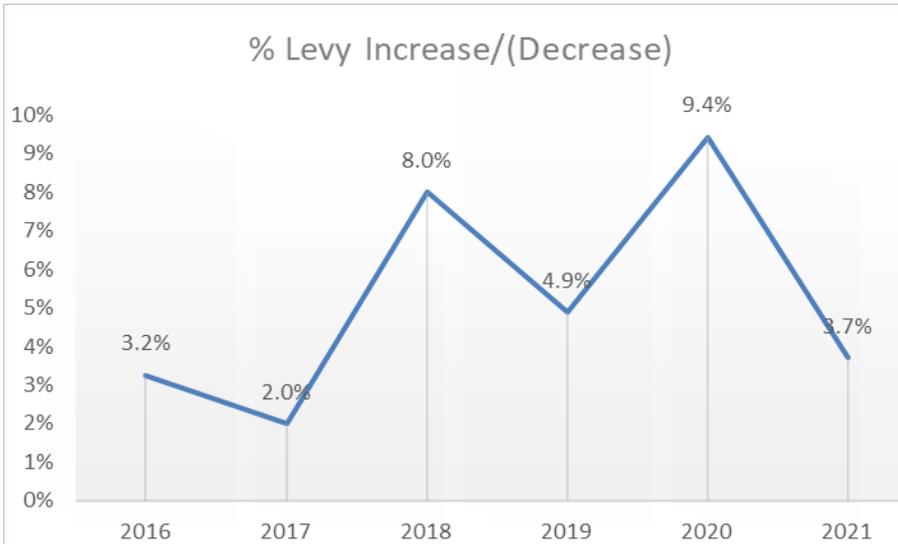
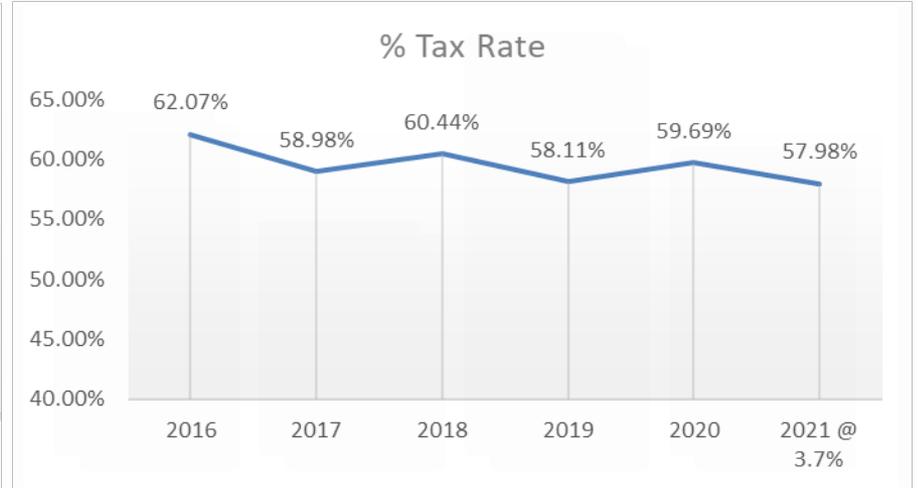
Homestead Residential Property - City Tax only						
2020	2021	2020	2021	2021v2020		
Value	Value	Tax Paid	Tax Paid	Annual Change	Monthly Change	% Change
\$150,000	\$ 150,000	\$754	\$746	-\$8	-\$1	-1.0%
\$150,000	\$ 159,000	\$754	\$800	\$46	\$4	6.1%
\$175,000	\$ 175,000	\$916	\$907	-\$9	-\$1	-1.0%
\$175,000	\$ 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%

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%

3.7% Levy increase



Homestead Residential Property - City Tax only						
2020	2021	2020	2021	2021v2020		
				Annual Change	Monthly Change	% Change
Value	Value	Tax Paid	Tax Paid			
\$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

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

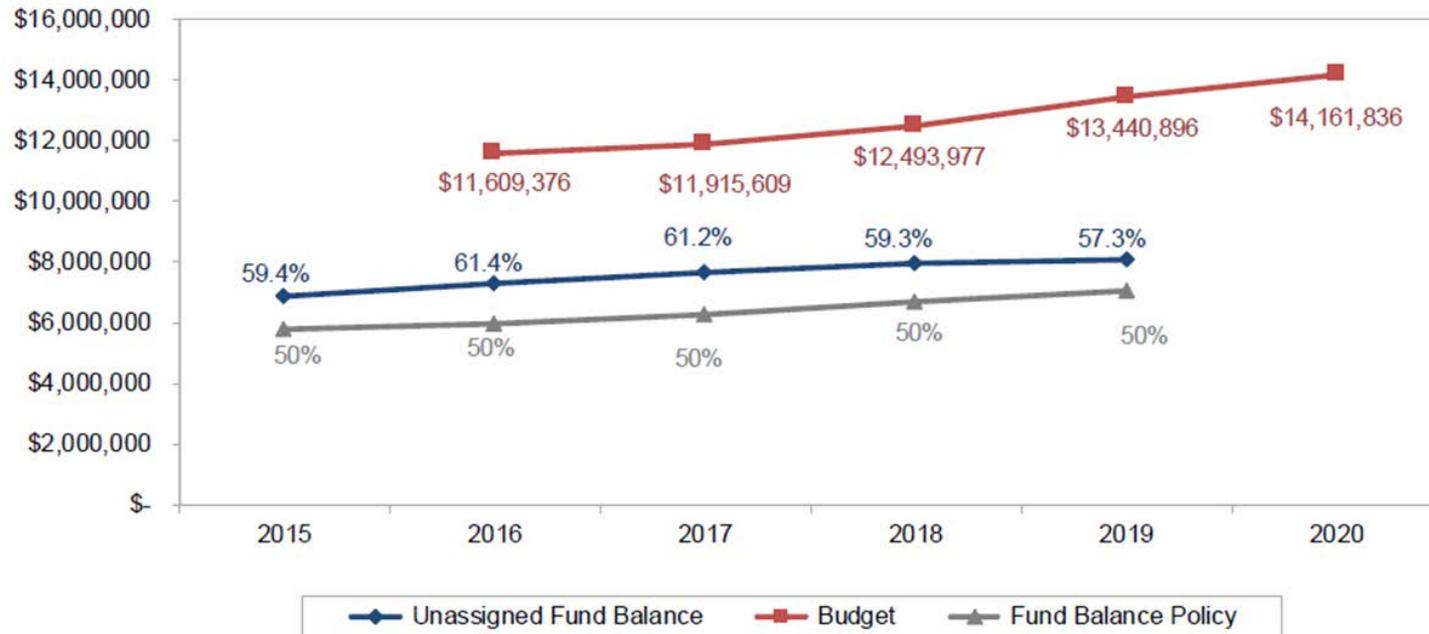
Scenario Analysis

– Potential COVID Revenue Impacts

- Property tax delinquencies
 - 1st half settlements were close to expectations, with some delay due to Counties extending penalty fees
 - Will continue to monitor receipts in 2nd half settlement
- MSA advancement funds on hold – until State Fund balances improve
 - Estimated \$1M of advance aid toward existing street projects may require interim and/or permanent financing

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



Council Clarifications & Questions

Additional Information Will Be Coming As a Supplemental Memo



Preliminary Budget/Levy Target

Levy Options

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

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