



Budget 2025–2026

City of Northfield Budget Update
November 19 2024

An aerial photograph of Northfield, Minnesota, showing a mix of historic brick buildings, modern structures, and lush green trees. A river flows through the left side of the town, with a bridge crossing it. The sky is blue with scattered white clouds.

City of Northfield

2025-2026 Budget

Preliminary Budget & Tax Levy Presentation (2025–2026)



I. Policy Direction (Final Feedback)

- A. NCRC Building Lease
- B. Franchise Fees Ordinance Amendment
- C. 2025 Legislative Priorities – Financial Related
 - 1. LGA
 - 2. Modernization Act
 - 3. Hwy 246 Turnback
 - 4. Bonding – (2025 Bridge Square, 2026 DNR Agency Request Dam Removal & Replacement)

II. Informational/Confirmation of Prior Support.

- A. 2025 Budget and Citywide Levy: Final Adjustments
- B. Capital Improvement Plan (CIP) and Capital Equipment Plan (CEP)

Budget Timeline



July 16 & Aug 20 Work Sessions

Staff develops initial requested budgets and Council discusses

December 3

Public Hearing and Council approves final budget & levy

September 17

Council approves preliminary levy & budget and adopts 2025 utility rates





*June 18, 2024 – City Council
accepts 2023 audit*



**September 17, 2024 – Council
adopts Preliminary 2025 Budget &
Levy, Actual 2025 utility rates &
franchise fee rate (gas/electric)**



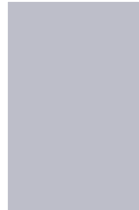
*July 16, 2024 – Council Work
Session utility funds & initial high
level budget review*



*November 19 2024 – Budget Work
Session – adjustments to 2025
preliminary*



*August 20, 2024 – Council Work
Session with department detail*

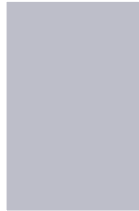


**December 3 – City Council holds
Public Hearing on Budget & Levy**

• Final presentation



**September 10, 2024 – Council
Worksession Preliminary levy &
budget target**



**December 3 – Council approves
Final Budget and Levy (payable
2025)**



Budget Timeline

Policy Direction (Final Feedback)



NCRC Building Leases

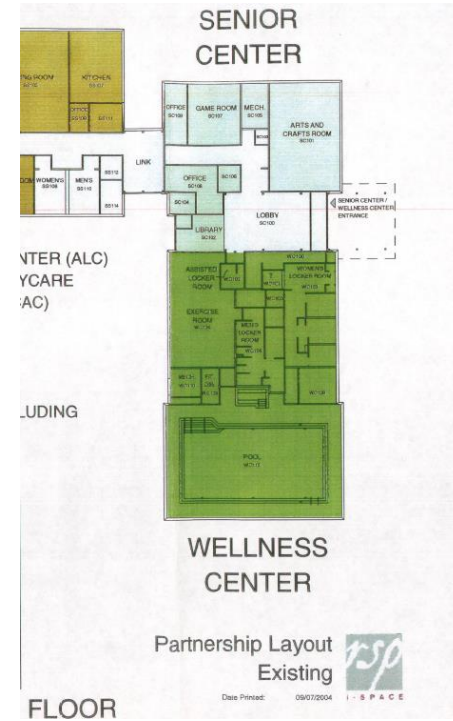


- **Discussions with Tenants regarding lease renewals**
 - Tenants are Important Community Partners
 - Goal to cover building maintenance and operating costs
 - Lease rate adjustments as necessary
 - Subsidy in below market rates

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- **FiftyNorth Prior Commitments (2005)**
 - 50% “rent sharing” (operating and capital reserve) to “...compensate for capital contributions by the tenant for construction of NCRC.”
 - Discount did not apply to any portion of the operating costs “...which are directly and solely attributable to tenant and solely provided for Tenant’s benefit.”
 - Included 6,321 sf (portion of “Wellness Center At Time”) and specifically noted it doesn’t apply to additional space leased by Tenant in building or expansion of the leased premises after that date
 - Specifically indicated that rent sharing not apply to any other Tenant
 - The original agreement was set to expire March 31, 2025 but when City re-assumed operating the commitment was continued into the new agreements



NCRC Fund

recent history



- NCRC Corporation Agreement was transitioned off to new short term agreements in 2021
- In years leading to the change, was deferred maintenance needs, confusion on agreements by the NCRC Corporation and lack of financial transparency on full operating costs
- Original bond paid off in 2016, the levy has remained at about \$195,000 per year to fund operating shortfall and to provide time to evaluate and understand agreements and financing
- 12 year average City contribution to NCRC has been \$208,500 (2025 proposed preliminary is \$328,156)

Comparisons to City operations

- | | |
|--|-------------|
| – Pool 12-year operating average | \$ 77,300 |
| – Ice Arena 12-year operating average | \$ 129,500 |
| – Library 12-year operating average | \$1,127,000 |
| * 2024 Facilities Capital Fund (Library/City Hall/PW Maintenance/PD) | \$ 257,014 |

NCRC Fund

recent history



- Completed short term lease agreements while City staff analyzed new operating costs to determine better financial picture of the NCRC
 - Prior NCRC Corp Agreement had users paying 100% of operations including shared space & systems except the City paid the debt levy (until paid off) and 50% of the FiftyNorth operating expenses (see earlier slide)
 - New lease agreements starting in 2022 had City temporarily taking on shared space and shared systems expenses in order to better understand expenses
- City has had 2 full years now of operating expenses (2022-2023)
- Current leases expire the end of 2024

- Market Rent is \$20/SF
- Market Rent is \$30-35/SF for fitness with pool
- All tenants well below Market

Tenant	2024 Rent/ SF	2024 Annual Rent
FiftyNorth	\$7.2	\$130,000
CAC	\$11.1	\$84,000
HCI	\$9.7	\$36,000
Three Rivers	\$11.1	\$70,000
United Way	\$11.0	\$2,400
Work Force	\$10.4	\$1,550
Rice County (10-Year Lease 3% Increase/year)	\$7.4	\$12,800

Summary of Actual Expenses (2022-2023)

	2022 (\$) Actual	2023 (\$) Actual	2024 (\$) Budget
Revenues			
City Tax (including reserves)	216,979 (37.8%)	397,915 (57.1%)	211,312 (40.2%)
Lease Rent	<u>356,645 (62.2%)</u>	<u>298,831 (42.9%)</u>	<u>313,888 (59.8%)</u>
Total	<u>573,624 (100%)</u>	<u>696,746 (100%)</u>	<u>525,200 (100%)</u>
Expenses			
General	483,059	574,892	438,700
Wellness Ctr.	<u>90,565</u>	<u>121,854</u>	<u>86,500</u>
Total	<u>573,624</u>	<u>696,746</u>	<u>525,200</u>
Fund Balance	234,310	32,795	6,323

NCRC 5-Year CIP



Department	Project #	Priority	2025	2026	2027	2028	2029	Total
NCRC								
Exterior Painting	NCRC 2024-01	3		10,000				10,000
FiftyNorth Locker room updates	NCRC 2024-02	1		100,000				100,000
Chiller replacement	NCRC 2025-01	1		170,000				170,000
Boiler replacement	NCRC 2027-01	2			48,000			48,000
NCRC-Air handling units replacement	NCRC-2024-02	2		135,000	155,000	140,000		430,000
Replace VCT tile	NCRC-2024-05	2		40,000				40,000
Replace FiftyNorth entry and lobby carpet	NCRC-2025-03	3		20,000				20,000
Polish terazzo flooring	NCRC-2025-04	3		35,000				35,000
NCRC public restroom refurbishments	NCRC-2025-06	1		100,000				100,000
Replace pool dehumidifier	NCRC-2026-01	2	133,000					133,000
Replace Pool Deck	NCRC-2525-02	3		65,000				65,000
NCRC Total			133,000	675,000	203,000	140,000		1,151,000
GRAND TOTAL			133,000	675,000	203,000	140,000		1,151,000

NCRC 5-Year CIP



Department	Project #	Priority	2025	2026	2027	2028	2029	Total
NCRC								
Exterior Painting	NCRC 2024-01	3		10,000				10,000
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Boiler replacement	NCRC 2027-01	2			48,000			48,000
NCRC-Air handling units replacement	NCRC-2024-02	2		135,000	155,000	140,000		430,000
Replace VCT tile	NCRC-2024-05	2		40,000				40,000
Replace FiftyNorth entry and lobby carpet	NCRC-2025-03	3		20,000				20,000
Polish terazzo flooring	NCRC-2025-04	3		35,000				35,000
NCRC public restroom refurbishments	NCRC-2025-06	1		100,000				100,000
Replace pool dehumidifier	NCRC-2026-01	2	133,000					133,000
Replace Pool Deck	NCRC-2525-02	3		65,000				65,000
NCRC Total			133,000	675,000	203,000	140,000		1,151,000
GRAND TOTAL			133,000	675,000	203,000	140,000		1,151,000

\$120K/yr. x 10-years debt repayment

50% City option =
\$66,500

Illustration of rents with no city contribution and no CIP items (note: market is \$20/sf WO/pool),

	Tenant	2024 Rent/ SF	2025 Rent/SF	2025 vs 2024 % Increase	2024 Annual Rent	2025 Annual Rent
FiftyNorth Rent includes higher expense for pool operations	FiftyNorth	\$7.2	\$18	147%	\$130,000	\$322,000
	CAC	\$11.1	\$12	8.5%	\$84,000	\$91,000
	HCI	\$9.7	\$12	23.5%	\$36,000	\$44,000
	Three Rivers	\$11.1	\$12	7.8%	\$70,000	\$76,000
Market Rate w/pool = \$30-35/sf	United Way	\$11.0	\$12	8.9%	\$2,400	\$2,600
	Work Force	\$10.4	\$12	15.6%	\$1,550	\$1,800
NCRC Fund	Rice County (10-Year Lease 3% Increase/yr)	\$7.4	\$7.6	3%	\$12,800	\$13,150

Illustration of rents with no city contribution and with CIP items (note: market is \$20/sf Commercial WO/Pool),

FiftyNorth Rent includes higher expense for pool operations	Tenant	2024 Rent/SF	2026 Rent/SF	2026 vs 2024 % Increase	2024 Annual Rent	2025 Annual Rent	2026 Annual Rent
	FiftyNorth	\$7.2	\$21	192%	\$130,000	\$322,000	\$378,000
	CAC	\$11.1	\$15	36%	\$84,000	\$91,000	\$114,000
	HCI	\$9.7	\$15	54%	\$36,000	\$44,000	\$56,000
	Three Rivers	\$11.1	\$15	35%	\$70,000	\$76,000	\$94,000
	United Way	\$11.0	\$15	36%	\$2,400	\$2,600	\$3,300
	Work Force	\$10.4	\$15	45%	\$1,550	\$1,800	\$2,200
	Rice County (10-Year Lease 3% Increase/yr)	\$7.4	\$7.6	3%	\$12,800	\$13,150	\$13,150
NCRC Fund							

Illustration of rents with 50% city Wellness contribution per 2005 Agreement and no CIP items (note: market is \$20/sf)

	Tenant	2024 Rent/SF	2025 Rent/SF	2025 vs 2024 % Increase	2024 Annual Rent	2025 Annual Rent
FiftyNorth Rent includes higher expense for pool operations	FiftyNorth	\$7.2	\$13	80%	\$130,000	\$233,500
	City (50% Wellness)					\$88,500
	CAC	\$11.1	\$12	8.5%	\$84,000	\$91,000
	HCI	\$9.7	\$12	23.5%	\$36,000	\$44,000
Market Rate w/pool = \$30-35/sf	Three Rivers	\$11.1	\$12	7.8%	\$70,000	\$76,000
	United Way	\$11.0	\$12	8.9%	\$2,400	\$2,600
	Work Force	\$10.4	\$12	15.6%	\$1,550	\$1,800
NCRC Fund	Rice County (10-Year Lease 3% Increase/yr)	\$7.4	\$7.6	3%	\$12,800	\$13,150

Illustration of rents with 50% city Wellness contribution per 2005 Agreement and with CIP items (note: market is \$20/sf Commercial WO/Pool)

FiftyNorth Rent includes higher expense for pool operations

Market Rate w/pool = \$30-35/sf

NCRC Fund

Tenant	2024 Rent/SF	2026 Rent/SF	2026 vs 2024 % Increase	2024 Annual Rent	2025 Annual Rent	2026 Annual Rent
FiftyNorth	\$7.2	\$14.50	101%	\$130,000	\$233,500	\$261,500
City (50% Wellness)					\$88,500	\$116,500
CAC	\$11.1	\$15	36%	\$84,000	\$91,000	\$114,000
HCI	\$9.7	\$15	54%	\$36,000	\$44,000	\$56,000
Three Rivers	\$11.1	\$15	35%	\$70,000	\$76,000	\$94,000
United Way	\$11.0	\$15	36%	\$2,400	\$2,600	\$3,300
Work Force	\$10.4	\$15	45%	\$1,550	\$1,800	\$2,200
Rice County (10-Year Lease 3% Increase/vr)	\$7.4	\$7.6	3%	\$12,800	\$13,150	\$13,150

NCRC Fund Leases – Policy Question 2025 rates



- A. 2025 Lease only: \$18/sf FiftyNorth & \$12/sf other tenants
 - No City “rent sharing” agreement and no City pool dehumidifier contribution
 - *Note: Reserve replacement = \$328,156 2025*
- B. 2025 Lease only: \$18/sf FiftyNorth & \$12/sf other tenants
 - City “rent sharing” agreement \$ 88,500
 - City 50% pool dehumidifier \$66,500
 - *Note: Reserve replacement = \$173,156 2025*
- C. Other? Other “rent sharing agreement” to be determined

NCRC Fund Leases – Policy Question 2026 Proposal



To Propose But Not to Actual Implement the 2nd Year

- A. 2026 Lease only: \$21/sf FiftyNorth & \$15/sf other tenants
 - No City “rent sharing” agreement and no CIP 2026–2029 contribution
 - Note: Reduction of 2026 Levy \$328,156 IF 2025 reserve replenished (per last slide)
- B. 2026 Lease only: \$21/sf FiftyNorth & \$15/sf other tenants
 - City “rent sharing” agreement \$116,500 (increase takes into account CIP 2026–2029 contribution for FiftyNorth only)
 - *Note: No levy reduction until 2027*
- C. Other? Other “rent sharing agreement” to be determined

Franchise Fees



- Implemented in 2021 (goal was \$1.3M estimated)
- Intention was to occasionally adjust rates based on Street CIP and street inflation costs
- Refunds were higher than predicted initially

Franchise Fee Ordinance Amendment



- Routinely review franchise fees every five years
 - Replaced Street Assessments – reduced burden on residential homeowners
 - Current base residential fee is \$5.50/month
 - Coordinate now with Xcel to resize franchise fees
 - Construction Inflation – 4%
 - Current revenue \$1.4M to \$1.8M
 - This revenue will reduce the future levy related cost of debt
 - Remove cap limit of \$100K on climate fund (keep 8%)
 - First reading Dec.3
 - Expect increase in Q2 2025
 - Confirmation of Council Support.

State of Minnesota Legislative Items 2025 Session



- LGA
- Modernization Act
- Hwy 246 Turnback
- Bridge Square
 - Current cost estimate \$7.5M
 - With inflation \$8M
 - State Bond Request \$4M with local match
 - Local match either property tax or sales tax to be determined in 2025 discussions with City Council – 2026–2028 project depending on local match, etc.
- Local Options Sales Tax
 - moratorium through 2025
 - Expect legislative clarity this session

Informational/
No action presume
support unless other
feedback



Property Tax Refunds

MN Department of Revenue



- In 2021, 877,000 Minnesotans filed property tax refunds, totaling over \$827 million
- Homestead Credit Refund Program or Household Income – refunds a portion of property tax that exceeds a certain percentage of household income
- Targeting Property Tax Refund or Special Homeowner's Homestead Credit Refund – refunds based on property tax increases more than 12% and more than \$100 over the prior year
- Senior Citizen Property Tax Deferral – defers a portion of the tax if over 65 and meet total income and property tax % of income levels
- Renters Credit – refunds a portion if household income is less than certain levels
- Dependents, Seniors, Disabled – status in these categories may increase refunds above
- For further details, go to www.revenue.state.mn.us/property-tax-refund

2025 Citywide Levy Adjusted 15.8%



City of Northfield Capital Funding (September, 2024) ANNUAL DEBT LEVIES



	Actual 2024	Forecast 2025	2026	2027	2028	2029	2030
Existing Debt Levies (2013-2023 Bond Issues)	2,935,092	2,962,830	2,877,830	2,862,830	2,807,830	2,568,330	2,323,238
2024 Street Reconstruction Projects - 20 yr Levy	-	497,700	499,800	499,800	499,800	499,800	499,800
2024 Bonds - Transit Hub - 15 yr Levy	-	92,200	93,400	93,400	93,400	93,400	93,400
2024 - 2029 Equipment Debt (10 yr Levies)	-	152,100	205,400	205,400	205,400	349,000	390,000
2025 Street Reconstruction Projects - 20 year Levy	-	-	502,600	502,600	502,600	502,600	502,600
2025 Ice Arena - 20 year Levy	-	-	1,046,654	1,046,654	1,046,654	1,046,654	1,046,654
2026 Bridge Square / Riverwalk - 20 year Levy	-	-	-	348,000	348,000	348,000	348,000
2026 Street Reconstruction Plan Bonds - 15 yr Levy	-	-	-	402,500	402,500	402,500	402,500
2026 City Hall - 15 yr Levy	-	-	-	88,800	88,800	88,800	88,800
2027 Street Reconstruction Plan Bonds - 15 year Levy	-	-	-	-	210,100	210,100	210,100
2028 Street Reconstruction Plan Bonds - 15 year Levy	-	-	-	-	-	426,900	426,900
Subtotal Debt Levies	2,935,092	3,704,830	5,225,684	6,049,984	6,205,084	6,536,084	6,331,992
NCR Operations Levy	195,156	328,156	328,156	328,156	328,156	328,156	328,156
Park Fund Levy	303,863	444,344	584,825	614,066	644,770	677,008	710,858
City Facilities Fund Levy	244,775	257,014	282,715	310,987	342,086	376,294	413,924
Vehicle & Equipment Replacement Levy	424,624	494,864	519,607	545,588	572,867	601,510	631,586
Subtotal Capital Maintenance Fund Levies	1,168,418	1,524,378	1,715,304	1,798,797	1,887,878	1,982,969	2,084,524
TOTAL DEBT & CAPITAL MAINTENANCE LEVIES	4,103,510	5,229,208	6,940,987	7,848,780	8,092,962	8,519,052	8,416,515
Percent Change From Prior Year:	20.5%	27.4%	32.7%	13.1%	3.1%	5.3%	-1.2%
FORECASTED CITY GENERAL LEVY (5% /Yr after '25)	10,474,317	11,702,614	12,287,745	12,902,132	13,547,239	14,224,600	14,935,830
FORECASTED EDA LEVY	353,136	395,848	415,840	436,422	458,244	481,156	505,214
FORECASTED HRA LEVY	370,547	403,926	424,122	445,328	467,595	490,975	515,523
TOTAL (ALL LEVIES)	15,311,510	17,731,596	20,068,495	21,632,663	22,566,039	23,715,783	24,373,083
Percent Change From Prior Year:	9.0%	15.8%	13.2%	7.8%	4.3%	5.1%	2.8%
Average 5-yr Forecasted Total Levies Increase:				9%			

Forecasted Tax Rate Impacts:

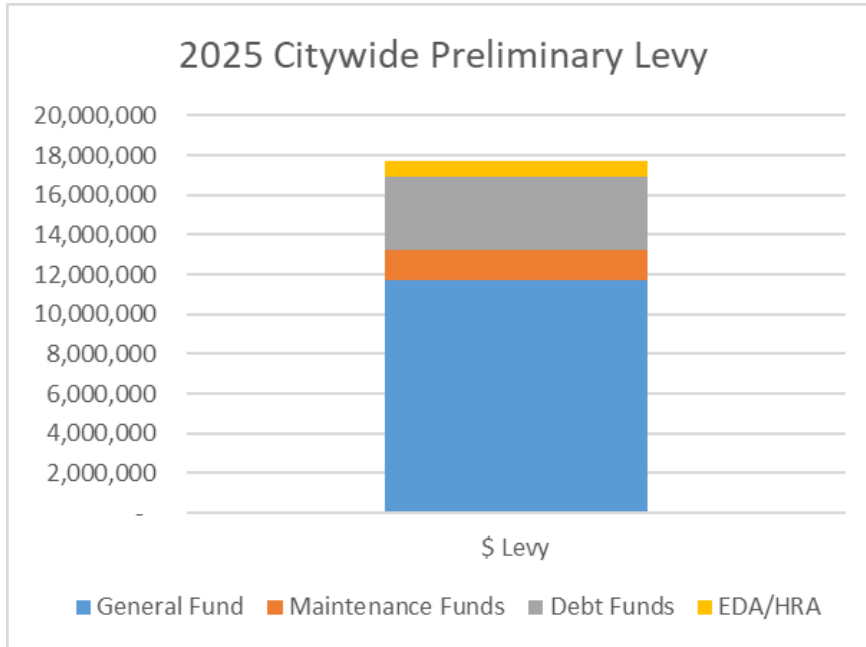
	2024	2025	2026	2027	2028	2029	2030
Forecasted City Tax Rate:	62.224%	68.831%	74.446%	76.513%	75.993%	76.064%	74.381%
Forecasted EDA Tax Rate:	1.550%	1.609%	1.609%	1.609%	1.609%	1.609%	1.609%
Forecasted HRA Tax Rate:	1.582%	1.642%	1.642%	1.642%	1.642%	1.642%	1.642%
Forecasted Total Tax Rate:	65.356%	72.082%	77.697%	79.765%	79.244%	79.316%	77.632%
Change From Prior Year:	5.682%	6.726%	5.615%	2.068%	-0.521%	0.072%	-1.683%

Sample Property Tax Bill (All Levies)

\$350,000* Residential Homestead (*2% annual appreciation)	\$2,250	\$2,414	\$2,662	\$2,795	\$2,839	\$2,906	\$2,909
Annual Increase (Decrease):		\$164	\$247	\$133	\$45	\$67	\$2

- A median home valued at \$350,000 would see approximately a 7% increase in the city portion of the property taxes
 - \$164/year or
 - \$14/month

2025 Adjusted Levy Highlights 15.8%



- **Total Levy \$17,731,596**
 - General Fund \$11,702,614
 - Does include position additions
 - Maintenance Funds \$1,524,378
 - Debt Funds \$3,704,830
 - EDA/HRA \$799,774

2025 Adjusted Levy Highlights



- **5.0% Debt Levy**
 - Cannot be adjusted – previously approved, bonded and legally obligated projects
 - 2024 Street Reconstruction Project (College & Water, Jefferson Parkway), Transit Hub & Equipment (NAFRS Pumper, Police Command Van, Dump Truck) begin payments in 2025
- **8.0% General Fund levy**
 - Inflationary costs impacting general expenses and personnel costs
 - Personal Costs remain a variable, beginning contract negotiations
 - Recruitment and retention issues (remaining consistent with city policy of being at the middle of our labor market comparisons)
 - Budget Analyst and Lead Mechanic included
 - Minimal increase in LGA
- **2.3% Maintenance Fund increases**
 - Park, Facilities, Vehicle & Equipment & NCRC funds
 - To cover existing maintenance needs (if lower revenue set, will need to adjust CIP/CEP)
 - Maintain or eliminate current amenities
 - Higher inflation on building materials and vehicles
- **0.4% EDA/HRA maintain at maximum levy**
 - Driven by 9% estimated market value growth in 2023

2025 Adjusted Levy

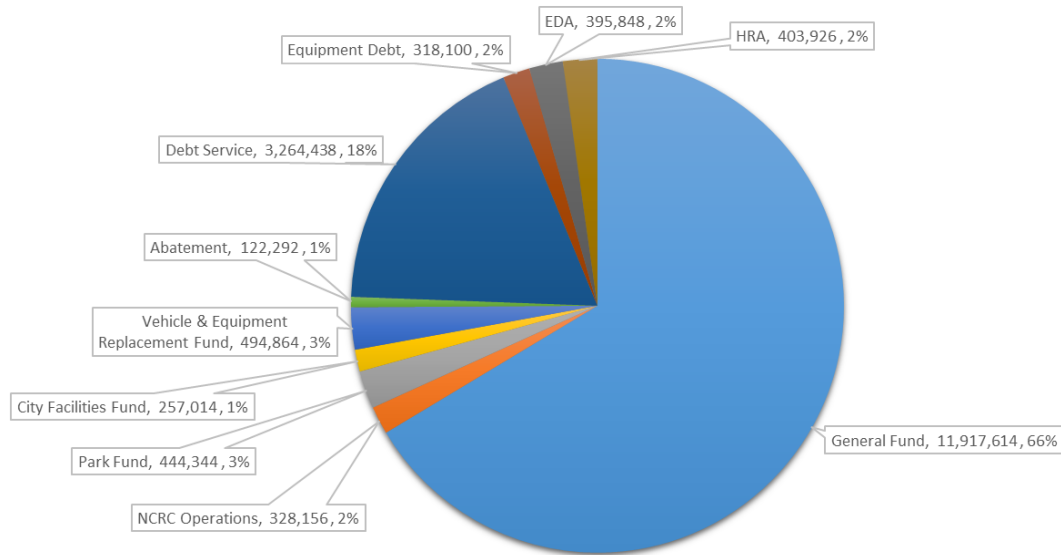


- **Adjustments were made to reduce expenses in the General Fund budget to get levy back to 15.8%**
 - General Fund Expenses were reduced
 - Economic Development Associate open position moved to EDA/HRA
 - Personal Services contract costs revised based on latest estimates
 - Two new positions were added
 - Budget Analyst and Lead Mechanic
- **15.8% will be the levy presented as the Final Levy in December**

2025 Citywide Levy



Northfield Citywide 2025 Property Tax Levy \$17,731,596

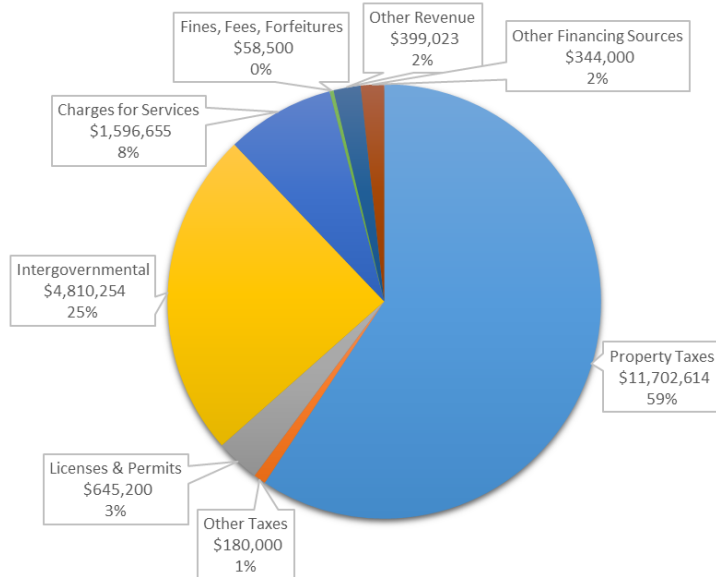


- General Fund Levy is 66% of total citywide levy

2025 General Fund Revenue



General Fund 2025 Revenue \$19,736,246

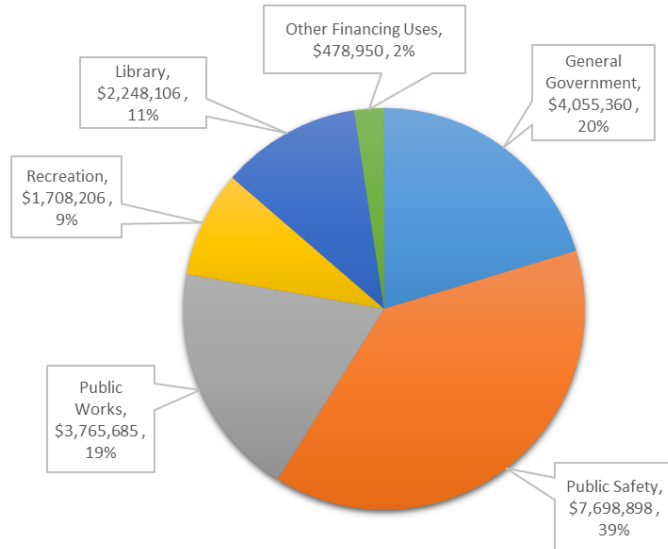


- Property Taxes represent 59% of General Fund Revenue
- ??

2025 General Fund Expense



General Fund 2025 Expenditures \$19,955,206

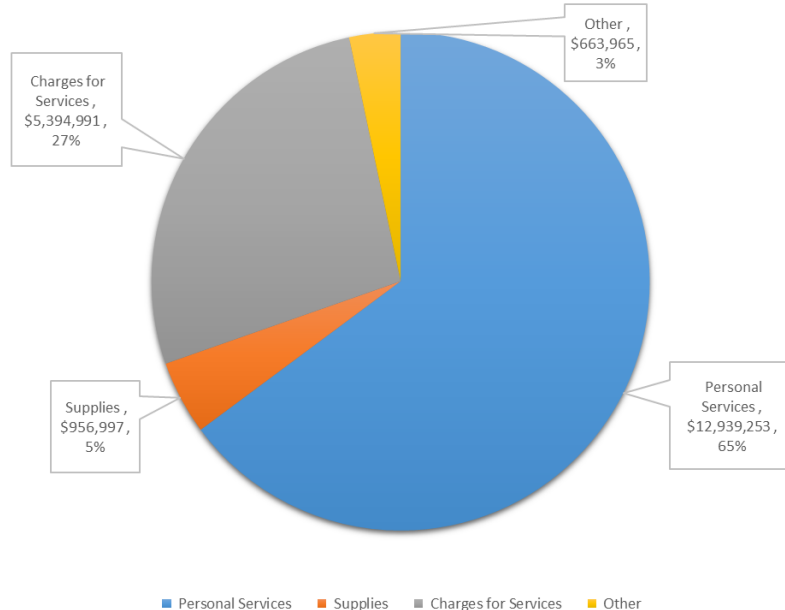


- Public Safety represents 39% of the General Fund expense
- Utilizing \$250,000 of Police Aid funding in 2025 & 2026 to offset wage adjustments

2025 General Fund Expense



General Fund 2025 Expenditures by Category \$19,955,206

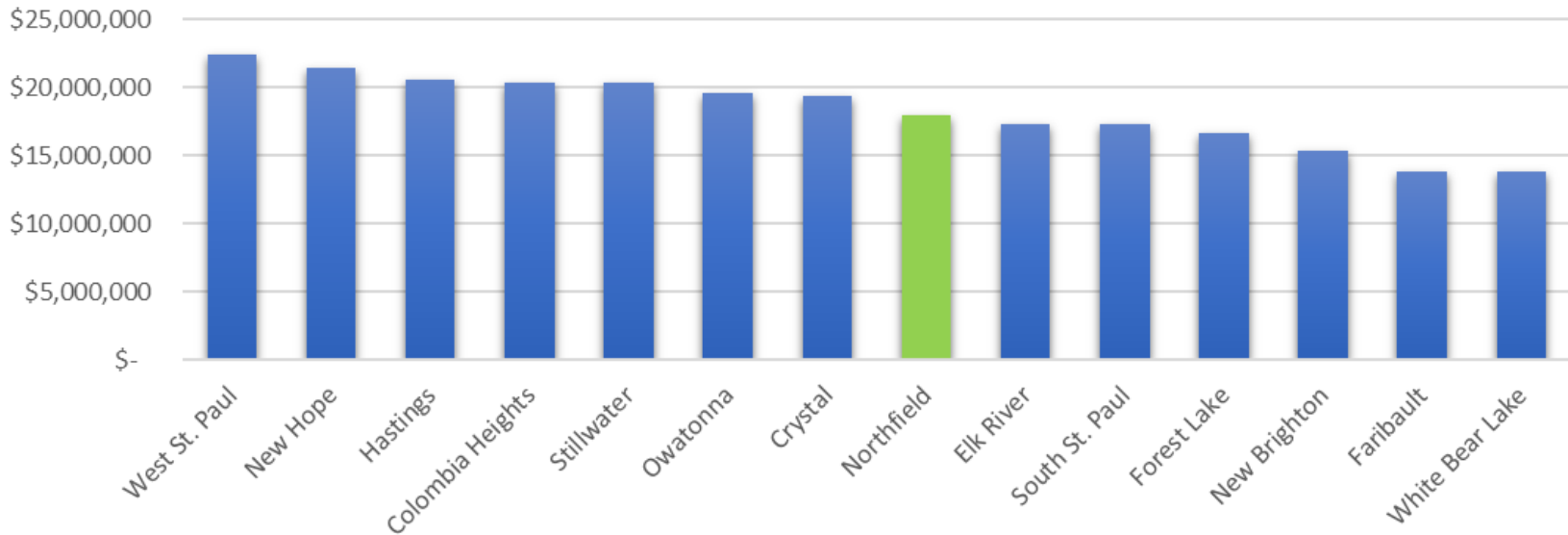


- Personal Services represents 65% of the General Fund expense

Peer Comparison Preliminary Levies



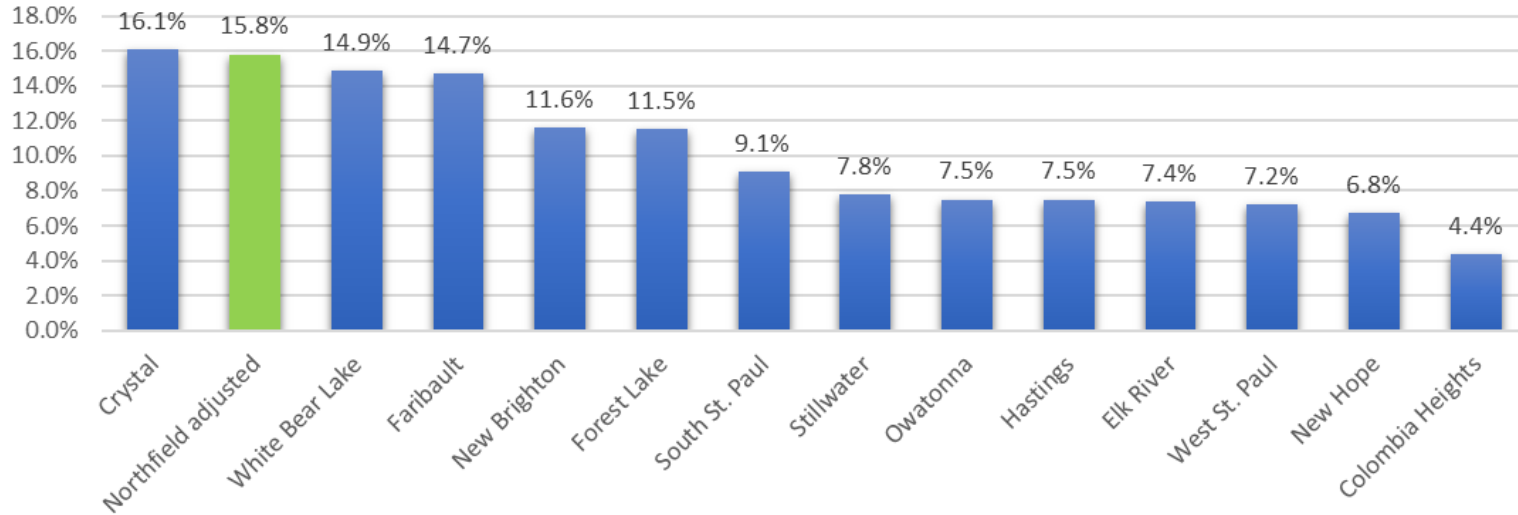
2025 Total \$ Preliminary Levy



Peer Comparison Preliminary Levies



Preliminary Levy % Increase



Next Steps



- **December 3 Council Meeting**
 - Public Hearing and approve final levy and budget and Capital Improvement Plan (CIP) and Capital Equipment Plan (CEP)
 - Franchise Fee 1st Reading
 - Franchise Fee 2nd Reading (special meeting Dec. with comp. plan)

Questions?

Thank you