



Budget 2025–2026

City of Northfield Budget Update
September 10, 2024



City of Northfield

2025-2026 Budget

Agenda



- 2025-2026 Budget Timeline & Key Milestones
- Preliminary General Fund and Citywide Levy
 - Staffing Alternatives
- Next Steps
- Adjourn

Budget Timeline



July 16 & Aug 20 Work Sessions

Staff develops initial requested budgets and Council discusses

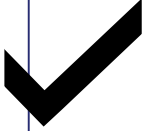
December 2

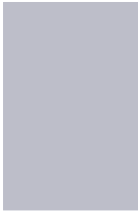
Public Hearing and Council approves final budget & levy

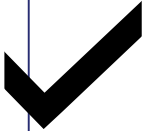


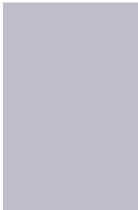
September 17

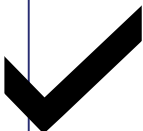
Council approves preliminary levy & budget and adopts 2025 utility rates

 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)**

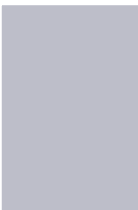
 July 16, 2024 – Council Work Session utility funds & initial high level budget review

 October 8, 2024 – Budget Work Session – as needed, adjustments to 2025 or focus on 2026

 August 20, 2024 – Council Work Session with department detail

 **December 2 – City Council holds Public Hearing on Budget & Levy**
• Final presentation

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

 **December 2 - Council approves Final Budget and Levy (payable 2025)**



Budget Timeline

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 Forecast



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
NCRC 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	363,136	395,848	416,640	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%			

- 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

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)

	2024	2025	2026	2027	2028	2029	2030
\$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

2025 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
- **8.1% 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)
 - Not including new positions
 - 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 General Fund Budget Highlights



- Revenue
 - Local Government Aid minimal increase
- Expense
 - Personal Services estimate only
 - Contracts open, in negotiations
 - No staff additions included
 - » Recommendations per Administrative and Public Works Studies
 - Non-Election Year cost savings
 - Ice Arena leaseback added
 - Consulting
 - Land Development Code update
 - » Partially EDA/HRA funded
 - Strategic Plan update – every 4 years
 - Safe Streets for All Study
 - TH3 & Greenvale/St Olaf intersection Study
 - Sechler & Babcock Park Master Plans
 - Vision Planning Library Grounds

City Services



General government



- Administrative services
- Business development
- Housing
- Elections
- Permits

Culture & Recreation



- Library
- Parks, ice rink and pool
- FiftyNorth senior center
- Recreation

Public Safety



- Police
- Fire and Rescue
- Emergency management
- Building inspections

Public Works

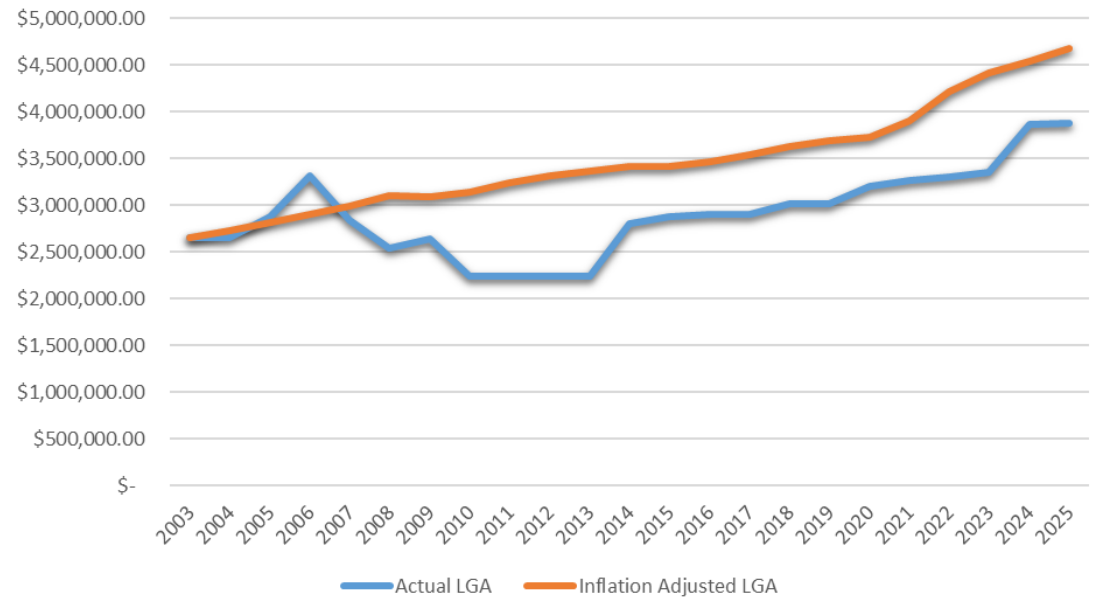


- Street repair and construction
- Snow plowing
- Drinking, storm and waste water
- Garbage, recycling and yard waste
- City buildings

Local Government Aid (LGA)

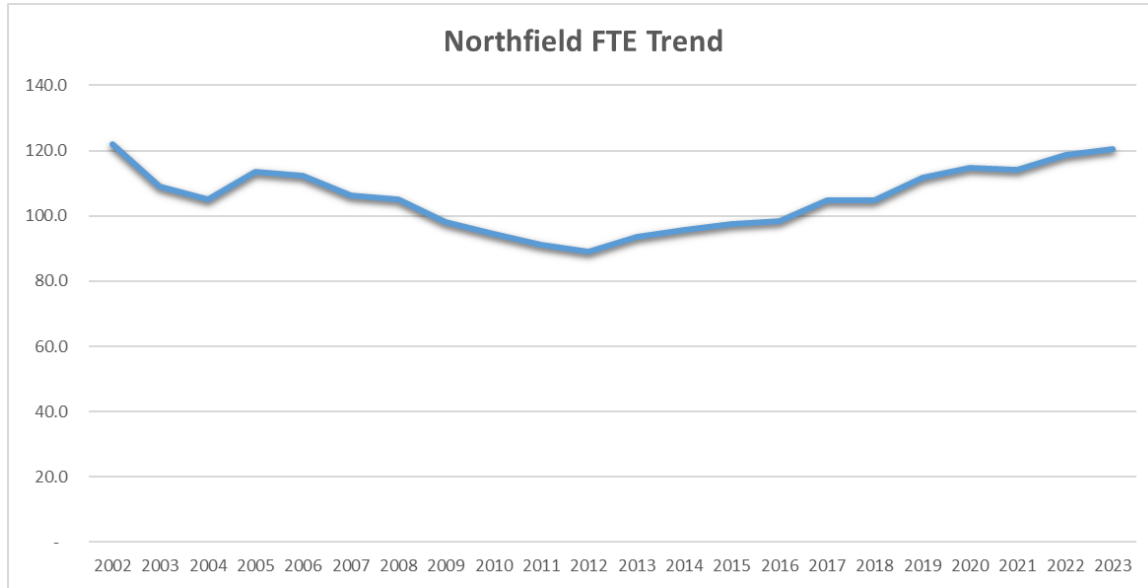


LGA Actual vs Inflation Adjusted



- Local Government Aid, if LGA had been inflation adjusted
 - Since 2003, the City would have received an additional \$13.1 million to fund services
 - The City would receive an additional \$809,000 in revenue in 2025
 - The State did make an adjustment and increase LGA in 2024 by 15.4%, the 2025 increase is 0.2%
 - A 3% inflation adjustment over 2024, would have generated \$108,000 more than the 2025 amount

Headcount

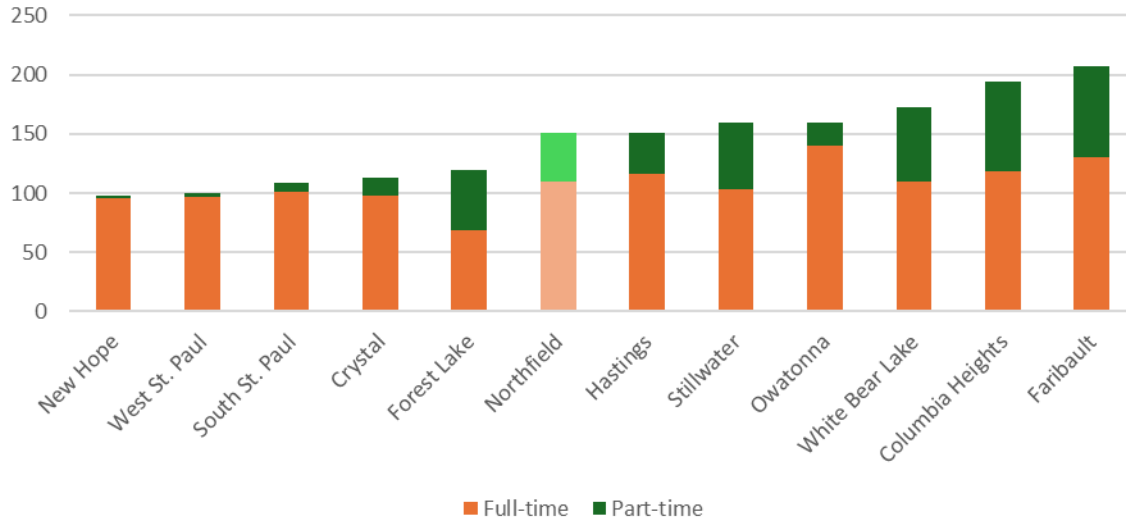


- City staffing levels were adjusted down when LGA was cut
 - The City has taken 10+ years to return to previous staffing levels

Peer Headcount



Peer Cities FTE count 2024



- Northfield is mid-range of peer cities' staffing levels
 - Full Time staff at our neighboring communities of Faribault and Owatonna are 130 and 140 vs 110 in Northfield

Big Picture – 2025 Market Study & Staffing Requests



- Market Rate studies completed (every 3 years)
 - Strategy to be mid-market
 - Recruitment and retention importance
 - Admin Service Study completed in 2024
 - Position addition recommendations
 - Public Works Study completed in 2024
 - Position addition recommendations

2025–2026 Staffing Studies Recommendations



- 2025

- Admin Service Study

- Budget Analyst
 - IT Specialist (50% General Fund, 50% Utilities)

- Public Works Study

- Lead Water Plant Operator (Water Fund approved 2024)

2025–2026 Staffing Requests



Admin Service Study

- Assistant City Administrator: 2026 (duty change: no new person)
- HR Manager: 2026 (duty change: no new person)
- Sustainability Coordinator: 2026 .5 FTE to 1.0FTE (added person)
- Part Time (0.5): 2026–2027 Administrative Assistant (added person)

Public Works Study

- Lead Operators: 2024–2025 (duty change only)
- Lead Mechanic: 2025–2026 (added person)
- Street or Parks Supervisor: 2027 (added person)
- 2 Public Works Operator I: 2027 (2 added people)
- 2 Public Works Operator I: 2028 (2 added people)

Street and Park Department Staffing (PW Director Request)



Position	2025	2026	2027
Lead Mechanic	\$62,500	\$62,500	
Streets Supervisor	\$67,500	\$67,500	
Parks Operator		\$100,000	\$105,000
Street Operator		\$100,000	\$105,000
Total	\$130,000	\$330,000	\$210,000
Total General Fund	\$114,125	\$304,125	\$189,000
Total (Other Enterprise Funds)	\$15,875	\$25,875	\$21,000

Big Picture 2025 Staffing Requests



- **Budget Analyst**
 - General Fund 0.6% levy impact, capacity will reduce some external costs
 - **Policy Question:** Hold off or keep in?
- **Public Works Lead Mechanic – mid-year start**
 - General Fund 0.4% levy impact in 2025, additional 0.4% impact in 2026
 - **Policy Question:** Hold off or keep in?
- **Public Works Supervisor – mid-year start**
 - General Fund 0.4% levy impact, additional 0.4% impact in 2026
 - **Policy Question:** Hold off or keep in?
- **EDA/HRA position, 50%/50% funded from EDA/HRA**
 - No impact to General Fund levy, EDA/HRA to offset other expenses
 - ✓ **Policy Decision Made (Previous Meeting):** Support EDA/HRA levy that includes the position
- **IT Tech – 50% Utility Funded, new water treatment plant – staff recommends deferring to construction**
 - General Fund impact 0.3% levy impact
 - **Policy Decision Made (Previous Meeting):** Moving back to 2026 to coincide with construction

Big Picture 2025 Staffing Requests



- **2025 – 4 Options**
 - A. No additions
 - B. One position added
 - C. 1 Administration & 2 FTE PW Positions (3 FTE positions)
 - D. 1 Administration & 2 FTE PW Positions (3 FTE positions)
- **2026/2027 Staffing Considerations**
 - Recommend deferring policy review to 2025 only AND instead that the policy review will resume in 2025 including ties to the new strategic plan for the City Council to be completed in Q1 2025

Options Position Summary of Purpose/Need



Budget Analyst

- **Financial Analysis**

- Provide analysis to help the Council make the most fully informed decisions
 - Annual Budget Preparation & Analysis
 - Long Range Planning & Forecasting
 - Current Operating Activity & Variance Review
 - Individual Project Review and Consideration
 - Innovation to drive efficiencies and enhancements in service delivery

- **Supporting all City Operations**

- Firm deadlines, increasing activity, cross-training – has to be prioritized
 - Payroll, Accounts Payable, Utility Billing, Cash Management
 - Audit, Reporting, Debt, TIF

Options Position Summary of Purpose/Need



Public Works Lead Mechanic

- ensure the Division can accommodate growing service demands
- will provide on-site supervision, ensure vehicle and equipment maintenance tasks are executed with precision, and handle vendors for outsourcing services (major work)
- Goal will be to have Division assume responsibility for the maintenance of all City vehicles in the future
- The current structure, with only one employee maintaining 117 vehicles, is not staffed adequately to meet this
- Peer benchmarks indicate an average of 143 vehicles maintained overall, with a ratio of 46 vehicles per mechanic (would put Northfield @ 2.5 employees)
- Costs may be reduced with decreased outsourcing (will review with

Options Position Summary of Purpose/Need



Public Works Supervisor (Park or Streets to be determined)

- The creation of separate Streets and Parks Supervisor roles allows the Streets and Parks Manager to reassign tasks such as purchasing, contract management, ordering tools and equipment, and coding invoices
- This will allow the Manager to concentrate on strategic initiatives, grant funding, capital projects, and council-related priorities

Policy Questions 2025

Option A



- **Preliminary Levy at 15.8%**
 - No additional staffing study recommendations

Policy Questions 2025

Option B



- If included, overall preliminary levy increase of 16.4%
 - +Staffing Study recommendations – Admin only
 - Discussed in prior year budgets
 - +0.6% Budget Analyst (partially offset with cost savings)

Policy Questions 2025

Option C



- If all included below, overall preliminary levy increase of 17.2%

Additional Staffing Study recommendations

+0.6% Budget Analyst (partially offset with cost savings)

PW Director Request

+0.4% Lead Mechanic (mid year start & partial utility funding)

- Requires additional commitment in 2026 of 0.4%

+0.4% Street Supervisor

- Requires additional commitment in 2026 of 0.4%

Policy Questions 2025

Option D



- If all included below, overall preliminary levy increase of 17.2%
 - +0.6% Budget Analyst (partially offset with cost savings)
 - PW Director Request
 - +0.8% Lead Mechanic (beginning year start)

Next Steps



- **September 17 Council Meeting**
 - Approve preliminary budget & levy (maximum amount):
**Note: One Option A-D Presented Unless Others Suggested.*
 - Set Public Hearing Date in December
 - Approve 2025 Utility Rates
- **October Meeting focus on 2026**
 - Approve 2025 Franchise Fee Rates (gas/electric)
- **December 2 Council Meeting**
 - Public Hearing and approve final levy and budget

Questions?

Thank you