



Legislation Details (With Text)

File #: EDA M2016-006 **Version:** 1 **Name:** 2017 EDA Budget
Type: EDA Motion **Status:** Failed
File created: 11/23/2016 **In control:** Economic Development Authority
On agenda: 12/1/2016 **Final action:**
Title: 2017 EDA Budget

Sponsors:

Indexes:

Code sections:

Attachments: 1. 1 - General Operating Fund - 2017 Revenue Budget, 2. 2 - General Operating Fund - 2017 Expenditure Budget, 3. 3 - Community Investment Fund - 2017 Revenue Budget, 4. 4 - Community Investment Fund - 2017 Expenditure Budget, 5. 5 - Draft Consolidated Balance Sheet (Illustration November)

Date	Ver.	Action By	Action	Result
12/1/2016	1	Economic Development Authority	approve as amended	Fail
12/1/2016	1	Economic Development Authority	approve	Fail
12/1/2016	1	Economic Development Authority	approve	Fail
12/1/2016	1	Economic Development Authority	approve	Pass

DATE: December 1, 2016

TO: Northfield Economic Development Authority Board of Directors

FROM: Chris Heineman, Community Development Director
Ben Martig, City Administrator

2017 EDA Budget

SUMMARY AND ACTION REQUESTED:

The EDA is asked to review and approve a motion to adopt the 2017 EDA Budget.

BACKGROUND:

As presented at the EDA Work Session on November 10th, staff is proposing separating the EDA revenue and expenditure budgets into two separate funds. The EDA General Operating Fund (290) budget includes a majority of the revenue and all of the expenses for personal services, supplies, and charges for services. The Community Investment Fund (292) budget includes a portion of the tax levy and a majority of the revenue from interest on investments and loans. Budgeted expenses to the Community Investment Fund include the Micro-Grant Program and contracted charges for the NEC, Riverwalk Market Fair, and the Healthy Community Initiative.

Staff has prepared a final budget based on the feedback provided at the Work Session on November 10th for consideration and approval by the EDA Board of Directors at the EDA meeting on December

1st. Updated budget spreadsheets for Fund 290 and 292 are included in the packet for your review. A brief description and overview of the major revenue and expenditure areas are included in the following paragraphs.

Revenues

The City Council approved a preliminary EDA levy of \$229,488 in July which was the maximum allowed by Minnesota Statute (0.0183 percent of taxable market value). The final levy will be approved at the City Council meeting on December 6th. In addition to the tax levy, the EDA also receives approximately \$15,000 in revenue from interest on investments, \$10,000 from interest payments on loans, and \$500 in miscellaneous revenue. The preliminary EDA budget includes total estimated revenues of \$254,988.

Expenditures

The final budget includes expenditures from the EDA Operating Fund (Fund 290) in the amount of \$203,249 and matches the budgeted revenues for this fund. The final budget also includes expenditures from the EDA Community Investment Fund (Fund 292) in the amount of \$97,000 which exceeds projected revenues by \$45,261. As drafted, the 2017 EDA budget will require deficit spending of \$45,261 from the fund balance in the EDA Community Investment Fund (Fund 292).

Personal Services: A full-time Economic Development Coordinator position was included in the 2017 budget. In addition to the full-time Economic Development Coordinator position, a portion of the personal services line item funding is allocated to support staff and department administration. The 2017 EDA budget provides funding for 1.2 FTE staff members, which includes an allocation of 10% of the Community Development Department Administrative Assistant position and an allocation of 10% of the Community Development Director position. The total estimated expenses for personnel services in 2017 is \$113,082.

Professional Services: This line item is utilized for professional consulting services related to economic development including market studies, land surveys, retail trade analysis, and marketing activities. The final EDA budget for 2017 includes \$15,000 for these activities.

Legal Services: The final EDA budget includes \$5,000 for legal services. While this line item was not fully utilized in the last few years, the EDA has traditionally incurred \$3,500 - \$5,000 in legal fees.

Partnership Programs: This line item represents the EDA's long standing partnership with the Northfield Enterprise Center (NEC). In 2015, the EDA entered into a two-year contract with the NEC for \$60,000 per year. This contract is currently in effect through the end of 2016 and must be renegotiated prior to 2017. Other than personal services, this is the largest single line item in the EDA budget. The preliminary 2017 EDA budget included \$60,000 for the NEC. Staff is recommending that the funding for this program be transferred from the EDA General Operating Fund (290) to the newly established EDA Community Investment Fund (292).

Micro Grant Program: The EDA has traditionally allocated \$25,000 per year towards the Clement Scherer Micro-Grant Program, which provides a maximum of five micro-grants of up to \$5,000 each. The final 2017 EDA budget includes \$25,000 for the Micro-Grant program. Staff is also recommending the funding for this program be transferred from the EDA General Operating Fund (290) to the newly established EDA Community Investment Fund (292).

Other Projects: This line item is for EDA work plan initiatives and other new projects. Current

expenditures for this line item include the River Walk Market Fair and funding for the Healthy Community Initiative (HCI). In 2015, the EDA committed \$5,000 per year to HCI for three years (2016, 2017, & 2018) to support workforce development activities. The EDA also approved a four-year contract for the Riverwalk Market Fair in 2016 committing to \$10,000 in 2016, \$7,000 in 2017, \$4,000 in 2018, and \$0 in 2019.

The final budget includes an increase the funding for other projects from \$19,000 to \$50,000 for 2017. Proposed uses for this funding include participation in the University of Minnesota Extension Service Business Retention and Expansion (BR&E) program, Buxton Retail Recruitment program, and a possible market demand study for the City of Northfield municipal ice arena.

Financial Impacts:

As drafted, the 2017 EDA budget will require deficit spending of \$45,261 from the EDA Community Investment Fund (Fund 292). It is anticipated that Fund 292 will have cash balance of approximately \$934,553 based on the unaudited consolidated balance sheet. While this balance is sufficient to cover this level of deficit spending, it is not sustainable and staff does not recommend this on an ongoing basis.

Alternative Options:

The EDA could revise the expenditure budget for the EDA Community Investment Fund (Fund 292) to reduce or eliminate deficit spending. Alternative options include:

1. Reduce the Micro-Grant Program funding from to \$10,000 or other amount
2. Reduce the NEC funding for 2017 from \$60,000 to \$50,000
3. Reduce the NEC funding for 2017 from \$60,000 to \$45,000
4. Reduce the NEC funding for 2017 from \$60,000 to \$0

Tentative Timelines:

The City Council will approve the Final EDA Levy on Tuesday, December 6th. The EDA has also been asked to provide a brief presentation at the beginning of this meeting on the final EDA budget and the proposed separation of the EDA General Operating Fund and the EDA Community Investment Fund.

Draft resolutions authorizing the creation of these funds and the transfer of fund balance will be presented at the EDA meeting on Thursday, December 1st. Approval of these resolutions and the 2017 NEC Contract will take place at the next regular EDA meeting on Thursday, December 22, 2016.