THE CITY OF
NORTHFIELD
MINNESOTA
ESTD 1855

Budget 2026-2027

City of Northfield Budget Retreat
Utility Funds and Department Budgets
August 12, 2025

City of Northfield

2025-2026 Budget

Agenda

- 2025-2026 Budget Timeline & Key Milestones
- Levy Alternative Options
- Policy Feedback
- Next Steps
- Background Information (for reference)
  - Tax Base and Comparable Cities
  - General Fund and Citywide Levy

Budget Timeline

Budget Timeline

July 15 & Aug 12 Work Sessions

Staff develops initial requested budgets and Council discusses

September 23

Council approves preliminary levy & budget and adopts 2026 utility rates

December 2

Public Hearing and Council approves final budget & levy

Budget Timeline

June 17, 2025 – City Council accepts 2024 audit

July 15, 2025 – Council Work Session initial high level budget review

August 12, 2025 – Council Work Session with department detail

September 16, 2025 – Council Work Session preliminary budget and levy review & utility rate study

September 23, 2025 – Council adopts prelimary budget & levy and 2026 utility rates & franchise fee rate (gas/electric)

October 14, 2025– Budget Work Session – as needed, adjustments to 2026 or focus on 2027

December 2, 2025 – City Council holds Public Hearing on Budget & Levy

- Final presentation

December 2, 2025 - Council approves Final Budget and Levy (payable 2026)

Steps Tonight

- This is a step in the process
- More time for added changes
- Staff is continuing to refine…including the options will need more refinement
- Open to other ideas

Property Tax Levy Options

Big Picture – Budget & Levy Options

Options Below In Review Consideration August 12th

- Option B 14.5% total
  - 8.4% Ice/Debt (fixed)
  - **6.1% Other**
- Option C 9.9% total
  - 8.4% Ice/Debt (fixed)
  - **1.5% Other**
- Option D 3.0% total
  - 8.4% Ice/Debt (fixed)
  - **(5.4%) Other**, represents a 14.9% cut from current expense roll-up

Option A Was the Original "Budget Rollup" from Staff and not currently in consideration for levy

- Option A 17.8% total
  - 8.4% Ice/Debt (fixed)
  - **9.4% Other**

Alternative Revenue Opportunities

- Continue to Explore The Following Revenue Opportunities Upcoming Budget Considerations but not likely to have significant 2026 Budget Revenue Implications (may be others this is an initial list)
  - X Building Inspections Service with Dundas (completed)
  - X Franchise Fees (gas/electric) – pending implementation September
  - College Voluntary Donation - increase
  - Rice County – County Library increase exploration
  - Park Dedication Fees
  - Code Enforcement Fines – increase (blight, weeds, etc.)
  - Administrative Citations (parking, low speed violations, etc.)
  - Overnight Parking Downtown Fee & Winter Parking Fee
  - Franchise Fees (broadband)
  - Municipal Cannibis
  - Ideas of others?

Alternative Expense Reductions

- Initial list including in summary on these slides for property tax levy related expenses (not utility funds, etc.)
- Staff still exploring alternatives but initial comprehensive list
- Staffing impacts still working on details of positions to share and corresponding organizational duty changes that will be forthcoming at a future date, no later than September worksession

Big Picture – Option B: +14.5% total levy

- 6.1% Operating Levy Increase
- 8.4% Debt/Ice Arena
  - 14.5% Total Increase
- $578,000 Required cuts to Operating Budgets
- Impact on $350,000 Home
  - $10/month Operating
  - $17/month Debt/Ice
    - $27/month Total

Big Picture – Option B Summary

- $578,000 Cuts
  - $110,000 Parks, Facilities, EDA, HRA
  - $100,000 Liquor Store contribution one-time increase
  - $12,000 DMV transfer
  - $73,000 Discretionary General Fund cuts
    - Fireworks, Board/Commission Training/Holiday Social, Conferences/Training, Localist Community Calendar, National League of Cities membership, HR extra video support, Supplies, City Logo'd clothing, Other Professional Services
  - $222,000 General Fund expense reduction (some likely deferred)
    - Library Website Redesign, Ames Park Planning, HR NeoGov Onboarding upgrade, Local Option Sales Tax Education, Emergency Preparedness Siren, Police discretionary expense
  - $61,000 Reductions to External Partners
    - 20% cut to HCI, NHS, ASAP & Age Friendly, reduction to NAFRS
    - Need verification on these if they could be done incrementally or all or nothing options

City of Northfield
Capital Funding (August, 2025)

ANNUAL DEBT LEVIES	Actual 2025	2026	2027	2028	2029	2030
Existing Debt Levies (2013-2024 Bond Issues)	3,704,830	3,217,592	3,492,592	3,442,592	3,213,092	2,968,000
2025 Street Reconstruction Projects - 15 year Levy	-	*382,315*	*382,315*	*382,315*	*382,315*	*382,315*
2025 EDA Bonds - Ice Arena - 20 yr Levy	-	*1,478,947*	*1,478,947*	*1,478,947*	*1,478,947*	*1,478,947*
2025 Equipment Debt - 10 yr Levy	-	*55,070*	*51,713*	*51,713*	*51,713*	*51,713*
2026 Street Reconstruction Projects - 15 year Levy	-	-	*464,200*	*464,200*	*464,200*	*464,200*
2026 Facilities - 15 year Levy	-	-	*209,800*	*209,800*	*209,800*	*209,800*
2027 Bridge Square / Riverwalk - 20 year Levy	-	-	-	*776,000*	*776,000*	*776,000*
2027 Street Reconstruction Projects - 15 year Levy	-	-	-	*141,400*	*141,400*	*141,400*
2028 Street Reconstruction Projects - 15 year Levy	-	-	-	-	*202,600*	*202,600*
2028 Equipment Debt - 10 year Levy	-	-	-	-	*149,200*	*149,200*
2029 Street Reconstruction Projects - 15 year Levy	-	-	-	-	-	*284,600*
2029 Equipment Debt - 10 year Levy	-	-	-	-	-	*45,300*
2030 Street Reconstruction Projects - 15 year Levy	-	-	-	-	-	-
Subtotal Debt Levies	***3,704,830***	***5,133,924***	***6,079,567***	***6,946,967***	***7,069,267***	***7,154,075***
NCRC Operations Levy	328,156	328,156	328,156	328,156	328,156	328,156
Park Fund Levy	444,344	594,344	744,344	781,561	820,639	861,671
City Facilities Fund Levy	257,014	332,014	407,014	427,365	448,733	471,170
Vehicle & Equipment Replacement Levy	494,864	519,607	545,588	572,867	601,510	631,586
Subtotal Capital Maintenance Fund Levies	***1,524,378***	***1,774,121***	***2,025,102***	***2,109,949***	***2,199,038***	***2,292,583***
TOTAL DEBT & CAPITAL MAINTENANCE LEVIES	**5,229,208**	**6,908,046**	**8,104,669**	**9,056,916**	**9,268,305**	**9,446,658**
Percent Change From Prior Year:	**27.4%**	**32.1%**	**17.3%**	**11.7%**	**2.3%**	**1.9%**
FORECASTED CITY GENERAL LEVY (5% /Yr after '25)	**11,702,614**	**12,567,000**	**13,383,855**	**14,253,806**	**15,180,303**	**16,167,023**
FORECASTED EDA LEVY	**395,848**	**409,703**	**424,042**	**438,884**	**454,245**	**470,143**
FORECASTED HRA LEVY	**403,926**	**418,063**	**432,696**	**447,840**	**463,514**	**479,737**
TOTAL (ALL LEVIES)	**17,731,596**	**20,302,812**	**22,345,261**	**24,197,445**	**25,366,367**	**26,563,561**
Percent Change From Prior Year:	**15.8%**	**14.5%**	**10.1%**	**8.3%**	**4.8%**	**4.7%**
Average 5-yr Forecasted Total Levies Increase:		**8.5%**				

Forecasted Tax Rate Impacts (at 3.5% tax base growth):

	2025	2026	2027	2028	2029	2030
Forecasted City Tax Rate:	68.674%	76.318%	81.361%	85.276%	86.414%	87.470%
Forecasted EDA Tax Rate:	1.606%	1.606%	1.606%	1.606%	1.606%	1.606%
Forecasted HRA Tax Rate:	1.638%	1.638%	1.638%	1.638%	1.638%	1.638%
Forecasted Total Tax Rate:	**71.918%**	**79.562%**	**84.605%**	**88.519%**	**89.657%**	**90.714%**
Change From Prior Year:	**6.562%**	**7.644%**	**5.043%**	**3.915%**	**1.138%**	**1.056%**

Sample Property Tax Bill (All Levies)

$350,000* Residential Homestead (*2% annual appreciation)	$2,409	$2,726	$2,964	$3,172	$3,285	$3,399
Annual Incease (Decrease):	$159	$317	$239	$207	$113	$114
Portion of Tax Bill Due to Ice Arena:		$199				

Big Picture – Option B

Big Picture – Option C: +9.9% Total Levy

- 1.5% Operating Levy Increase
- 8.4% Debt/Ice Arena
  - 9.9% Total Increase
- $1,395,000 Required cuts to Operating Budgets
- Impact on $350,000 Home
  - $1/month Operating
  - $17/month Debt/Ice
    - $18/month Total

Big Picture – Option C reductions

- $1,395,000 Cuts (additional $815,000 in cuts vs Option B)
  - $384,000 Parks, Facilities, Vehicle & Equipment, EDA, HRA
  - $100,000 Liquor Store contribution one-time increase
  - $12,000 DMV transfer
  - $143,000 Discretionary General Fund cuts
    - Add Street, Trail & Sidewalk maintenance – less maintenance
    - Add Absentee Balloting elimination
  - $222,000 Deferral of General Fund expense
    - Same as option B
  - $115,000 Reductions to External Partners
    - 50% cut to HCI, NHS, ASAP & Age Friendly, reduction to NAFRS
  - $417,000 Staffing Cuts (approx. 4 FTE)
    - Public Works mechanic not filled, one each from library, police and community development
    - Details being prepared and will include specific positions and organizational changes

City of Northfield
Capital Funding (August, 2025)
ANNUAL DEBT LEVIES

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2025 Street Reconstruction Projects - 15 year Levy	-	*382,315*	*382,315*	*382,315*	*382,315*	*382,315*
2025 EDA Bonds - Ice Arena - 20 yr Levy	-	*1,478,947*	*1,478,947*	*1,478,947*	*1,478,947*	*1,478,947*
2025 Equipment Debt - 10 yr Levy	-	*55,070*	*51,713*	*51,713*	*51,713*	*51,713*
2026 Street Reconstruction Projects - 15 year Levy	-	-	*464,200*	*464,200*	*464,200*	*464,200*
2026 Facilities - 15 year Levy	-	-	*209,800*	*209,800*	*209,800*	*209,800*
2027 Bridge Square / Riverwalk - 20 year Levy	-	-	-	*776,000*	*776,000*	*776,000*
2027 Street Reconstruction Projects - 15 year Levy	-	-	-	*141,400*	*141,400*	*141,400*
2028 Street Reconstruction Projects - 15 year Levy	-	-	-	-	*202,600*	*202,600*
2028 Equipment Debt - 10 year Levy	-	-	-	-	*149,200*	*149,200*
2029 Street Reconstruction Projects - 15 year Levy	-	-	-	-	-	*284,600*
2029 Equipment Debt - 10 year Levy	-	-	-	-	-	*45,300*
2030 Street Reconstruction Projects - 15 year Levy	-	-	-	-	-	-
Subtotal Debt Levies	***3,704,830***	***5,133,924***	***6,079,567***	***6,946,967***	***7,069,267***	***7,154,075***
NCRC Operations Levy	328,156	328,156	328,156	328,156	328,156	328,156
Park Fund Levy	444,344	594,344	744,344	781,561	820,639	861,671
City Facilities Fund Levy	257,014	332,014	407,014	427,365	448,733	471,170
Vehicle & Equipment Replacement Levy	494,864	519,607	545,588	572,867	601,510	631,586
Subtotal Capital Maintenance Fund Levies	***1,524,378***	***1,774,121***	***2,025,102***	***2,109,949***	***2,199,038***	***2,292,583***
TOTAL DEBT & CAPITAL MAINTENANCE LEVIES	**5,229,208**	**6,908,046**	**8,104,669**	**9,056,916**	**9,268,305**	**9,446,658**
Percent Change From Prior Year:	**27.4%**	**32.1%**	**17.3%**	**11.7%**	**2.3%**	**1.9%**
FORECASTED CITY GENERAL LEVY (5% /Yr after '25)	**11,702,614**	**11,752,000**	**12,515,880**	**13,329,412**	**14,195,824**	**15,118,553**
FORECASTED EDA LEVY	**395,848**	**409,703**	**424,042**	**438,884**	**454,245**	**470,143**
FORECASTED HRA LEVY	**403,926**	**418,063**	**432,696**	**447,840**	**463,514**	**479,737**
TOTAL (ALL LEVIES)	**17,731,596**	**19,487,812**	**21,477,286**	**23,273,052**	**24,381,889**	**25,515,091**
Percent Change From Prior Year:	**15.8%**	**9.9%**	**10.2%**	**8.4%**	**4.8%**	**4.6%**
Average 5-yr Forecasted Total Levies Increase:		**7.6%**				

Forecasted Tax Rate Impacts (at 3.5% tax base growth):

	2025	2026	2027	2028	2029	2030
Forecasted City Tax Rate:	68.674%	73.124%	78.075%	81.894%	82.934%	83.890%
Forecasted EDA Tax Rate:	1.606%	1.606%	1.606%	1.606%	1.606%	1.606%
Forecasted HRA Tax Rate:	1.638%	1.638%	1.638%	1.638%	1.638%	1.638%
Forecasted Total Tax Rate:	**71.918%**	**76.368%**	**81.318%**	**85.138%**	**86.178%**	**87.133%**
Change From Prior Year:	**6.562%**	**4.450%**	**4.950%**	**3.819%**	**1.040%**	**0.956%**

Sample Property Tax Bill (All Levies)

$350,000* Residential Homestead (*2% annual appreciation)	$2,409	$2,616	$2,849	$3,050	$3,158	$3,265
Annual Incease (Decrease):	$159	$207	$233	$201	$107	$107
Portion of Tax Bill Due to Ice Arena:		$199				

Big Picture – Option C

Big Picture – Option D: +3.0% Total Levy

- (5.4%) Operating Levy Increase
- 8.4% Debt/Ice Arena
  - 3.0% Total Increase
- $2,617,000 Required cuts to Operating Budgets
- Impact on $350,000 Home
  - ($13)/month Operating
  - $17/month Debt/Ice
    - $4/month Total

Big Picture – Option D reductions

- $2,617,000 Cuts (additional $1,223,000 in cuts vs Option C)
  - $722,000 Parks, Facilities, Vehicle & Equipment, EDA, HRA
  - $49,000 Fifty North Lease Rate adjustment – $172,000 immediate vs $49,000 in year one of a 3-year phase-in (years 2 & 3 are $57,000 and $66,000, respectively)
  - $100,000 Liquor Store contribution one-time increase
  - $12,000 DMV transfer
  - $151,000 Discretionary General Fund cuts
    - Increase cuts to Street, Trail & Sidewalk maintenance – less maintenance
  - $222,000 Deferral of General Fund expense
    - Same as option B
  - $205,000 Eliminate Funding to External Partners
    - Eliminate funding HCI, NHS, ASAP & Age Friendly
    - Reduce NAFRS request
  - $1,200,000 Reduction in staffing headcount (approx. 11 FTE)
    - Details being prepared and will include specific positions and organizational changes

Big Picture – Option D summary

- Option D Headcount Reductions - $1,200,000 requires cuts of 11 FTE (7 more than the 4 identified in the Option C)
- Details requiring additional work but would have impacts in multiple departments..will have to involve public safety and library
  - Public Safety – Police reduce services and response times
    - Longer response times
    - Less community engagement
  - Library – reduce service hours
    - Close Sundays and Oasis not staffed
    - Close Mondays
    - Cut Programming
  - Public Works
    - Mechanic position not filled
    - Likely no further cuts, currently 6 below recommended staffing levels
  - General Government
    - Community Development
    - Admin

City of Northfield
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2025 Equipment Debt - 10 yr Levy	-	*55,070*	*51,713*	*51,713*	*51,713*	*51,713*
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2027 Street Reconstruction Projects - 15 year Levy	-	-	-	*141,400*	*141,400*	*141,400*
2028 Street Reconstruction Projects - 15 year Levy	-	-	-	-	*202,600*	*202,600*
2028 Equipment Debt - 10 year Levy	-	-	-	-	*149,200*	*149,200*
2029 Street Reconstruction Projects - 15 year Levy	-	-	-	-	-	*284,600*
2029 Equipment Debt - 10 year Levy	-	-	-	-	-	*45,300*
2030 Street Reconstruction Projects - 15 year Levy	-	-	-	-	-	-
Subtotal Debt Levies	***3,704,830***	***5,133,924***	***6,079,567***	***6,946,967***	***7,069,267***	***7,154,075***
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FORECASTED EDA LEVY	**395,848**	**409,703**	**424,042**	**438,884**	**454,245**	**470,143**
FORECASTED HRA LEVY	**403,926**	**418,063**	**432,696**	**447,840**	**463,514**	**479,737**
TOTAL (ALL LEVIES)	**17,731,596**	**18,263,812**	**20,173,726**	**21,884,760**	**22,903,358**	**23,940,456**
Percent Change From Prior Year:	**15.8%**	**3.0%**	**10.5%**	**8.5%**	**4.7%**	**4.5%**
Average 5-yr Forecasted Total Levies Increase:				**6.2%**		

Forecasted Tax Rate Impacts (at 3.5% tax base growth):

	2025	2026	2027	2028	2029	2030
Forecasted City Tax Rate:	68.674%	68.328%	73.139%	76.815%	77.708%	78.512%
Forecasted EDA Tax Rate:	1.606%	1.606%	1.606%	1.606%	1.606%	1.606%
Forecasted HRA Tax Rate:	1.638%	1.638%	1.638%	1.638%	1.638%	1.638%
Forecasted Total Tax Rate:	**71.918%**	**71.572%**	**76.383%**	**80.059%**	**80.952%**	**81.756%**
Change From Prior Year:	**6.562%**	**-0.346%**	**4.811%**	**3.676%**	**0.893%**	**0.804%**
Sample Property Tax Bill (All Levies)						
$350,000* Residential Homestead (*2% annual appreciation)	$2,409	$2,452	$2,676	$2,869	$2,966	$3,063
Annual Incease (Decrease):	$159	$43	$224	$192	$98	$97
Portion of Tax Bill Due to Ice Arena:		$199				

Big Picture – Option D

Levy/Spending Drivers

A. Personnel (upcoming slides)

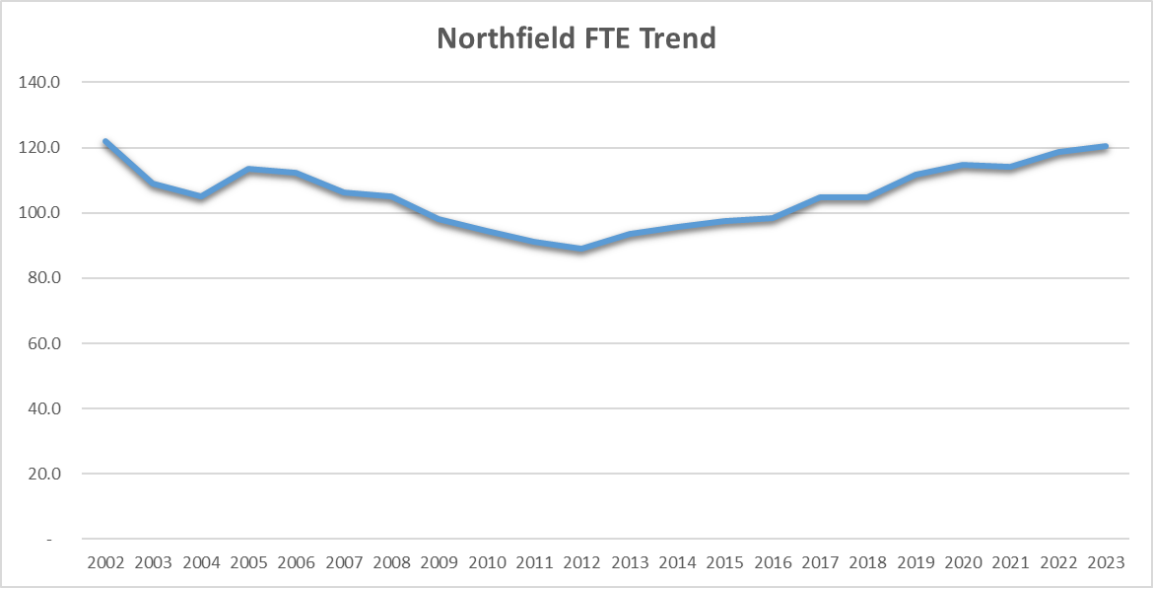
B. Capital Maintenance Fund Increases

- $869,780 increase 2025 v 2020 to address deferred maintenance issues in Park Fund, Facilities Fund and Vehicle & Equipment Fund
- Vehicle increases since COVID have been significantly larger than inflation

B. Debt Service Increases (capital projects & equipment borrowing)

- Larger recent Street Reconstruction projects
- Replaces smaller street projects being paid off

Headcount (through 2023)

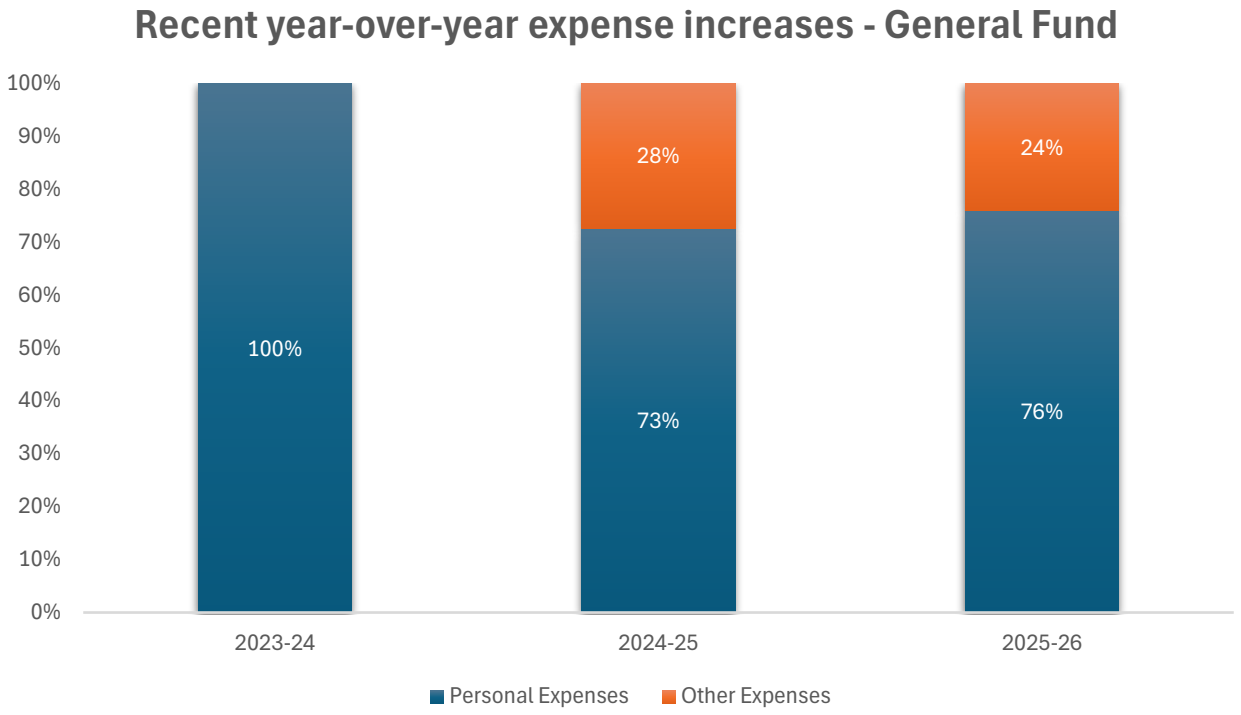


- 2025 currently 120
- City staffing levels were adjusted down when LGA was cut
  - The City has taken 10+ years to return to previous staffing levels

Levy increase notes

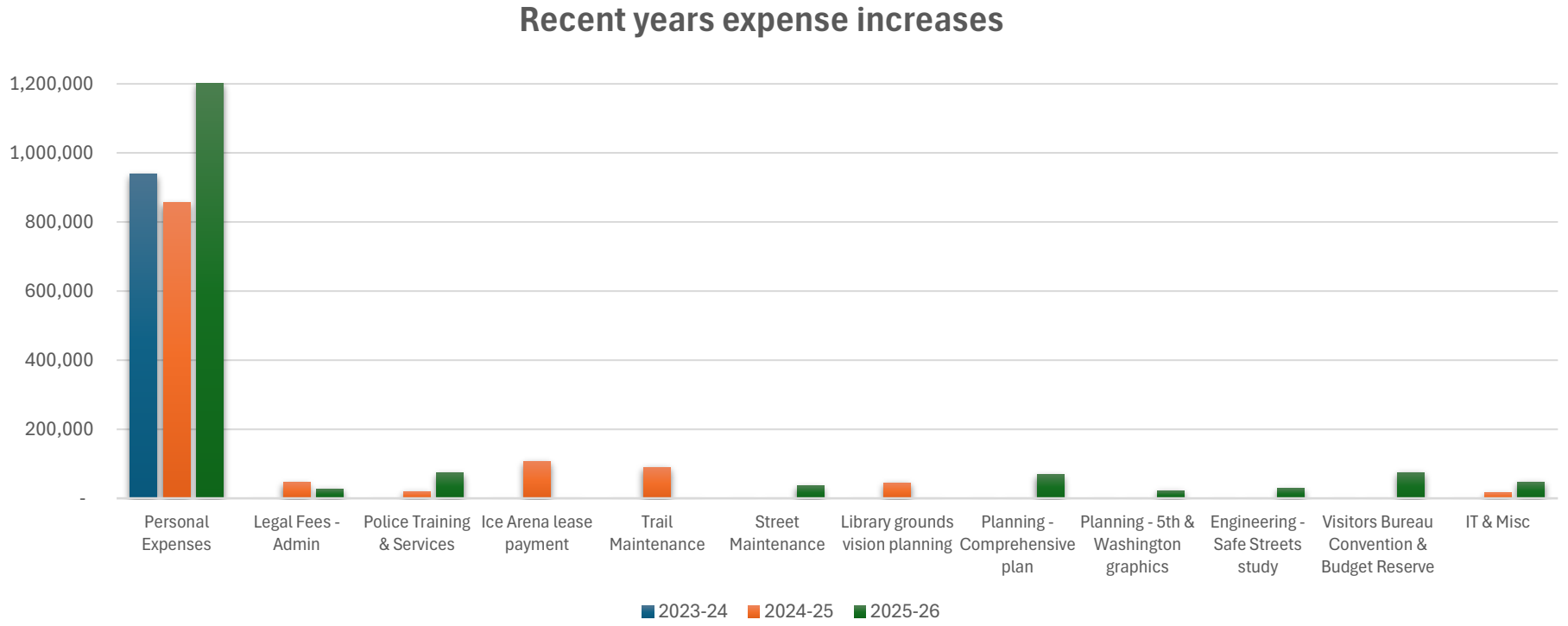
- Service Improvement driven staffing increases (since 2020)
  - **Public Safety**
    - Fire Chief
    - Police Sergeant
    - Police Officer
    - Police Evidence Technician
    - Police Overtime increased based on trends
    - Police 3 step increase – retention/recruitment trends
  - **Public Works**
    - Streets and Parks Operator
    - Horticulturist
    - Mechanic
  - Library
    - Oasis staffing, 3 part-time to full-time
    - Outreach Coordinator
  - Community Development
    - Community Development Program Associate
  - **Administration**
    - Spanish Translator (not full tax levy funded)
    - NPB Station Manager (not full tax levy funded)
    - Budget Analyst
  - Utilities (not tax levy funded)
    - Waste Water Planner Scheduler

Expense increases



- In the General Fund, Personal Expenses have been responsible for most of the levy increase within that fund in each of the last 3 years.
- In 2024, Personal Expenses were virtually all the increased expenses
- Other expenses include legal fees, police training, street maintenance and other professional services.

Comprehensive General Fund Expense increases



Staffing Analysis Review

- Strategic Plan (2025-2028): Enhance Service Delivery evaluation of the following studies for determining any implementation of capacity staffing needs
  - Police Study (2019 Novak)
  - Parks/Streets Study (2024 Baker Tilly)
  - Administration (2024 Baker Tilly)
- Studies and presentations to be provided as background research for September worksession

Big Picture
Streets and Park Study

City	Northfield	Average of Comparisons
Population	20,790	22,155
Total Number of Employees	114	140.28
Streets and/or Maintenance FTE	6	11.36
Parks FTE	6	12.91
Total	12	23.10

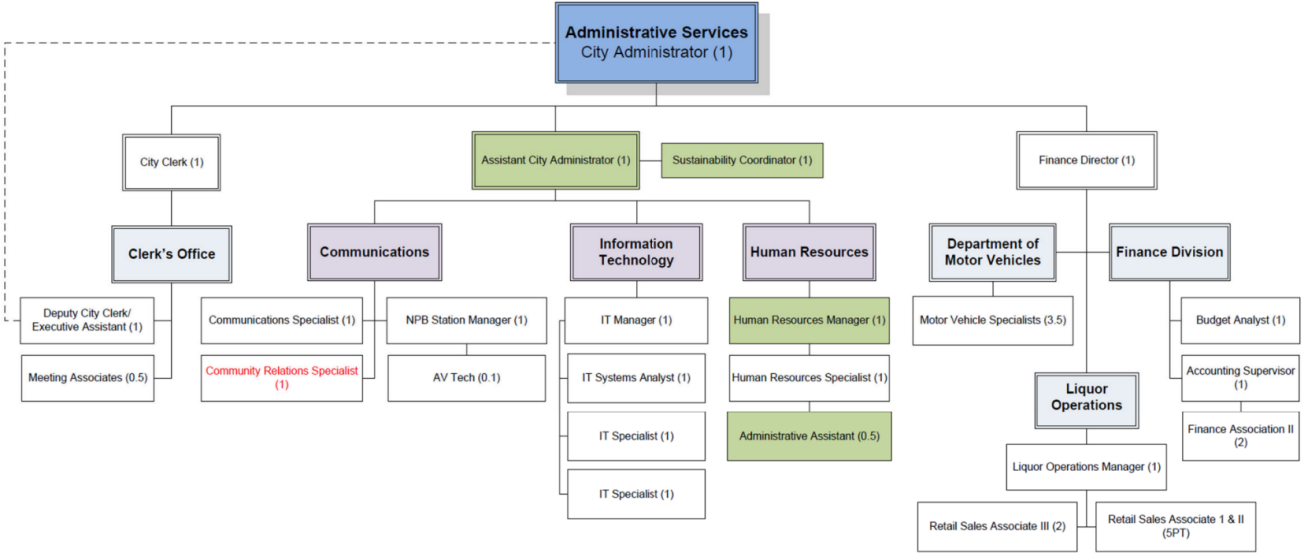
Big Picture
Streets and Park Phase In

	Phase One (2025)	Phase Two (2026)	Phase Three (2027)	Total
FTE Added	Lead Mechanic (1.0)	Streets or Parks Supervisor (1.0) Operator I (2.0)	Operator I (2.0)	**6.0 FTE**
Assumed Internal Hire	*Lead Operator (2.0)*	-	-	*2.0 FTE*
Net FTE	+1.0 FTE	+3.0 FTE	+2.0 FTE	**6.0 FTE**

Appendix C – Future State Organization Structure: Years 1 – 3

Timeline: 1 – 3 Years

Color Key:
Green Box = New Position
Purple Box = Reporting Change
Red Text = Title Change
* = Reports to the City Administrator



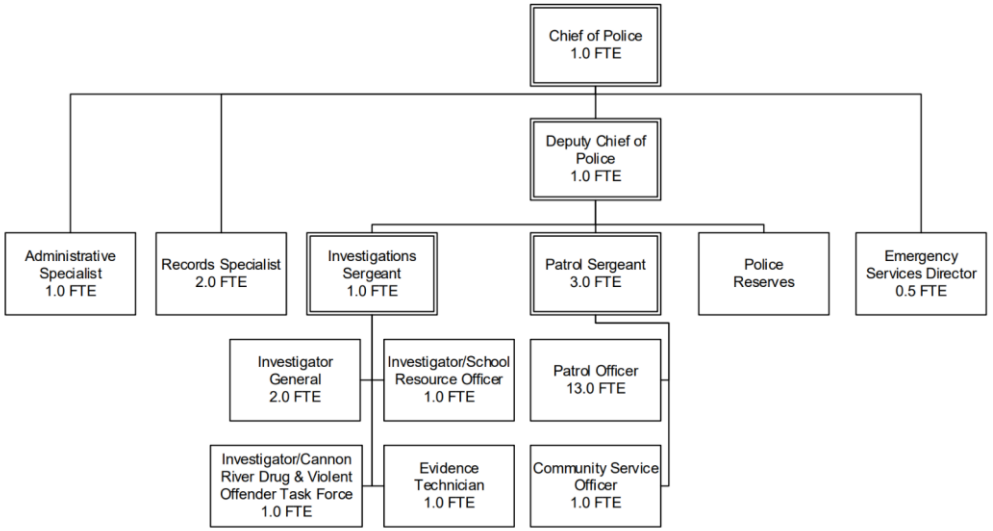


Figure 1: Police Department Organization Structure, FY2019

There are several areas where staffing increases are warranted to better meet best practices policing guidelines and provide additional support services capacity in the Department. Specifically, the analysis and recommendations call for an increase of FTE, including one Patrol Officer, one Sergeant, and one CSO. The following table summarizes the recommended staffing increases and the associated cost estimates.

Table 14: Summary of Position and Cost Estimates

Position	Number of Positions
Patrol Officer	1
Patrol Sergeant	1
Community Services Officer	1
Total	**3**

EDA/HRA levy

- Levies follow 2025 market value increases
- EDA levy $422,121 - 6.6% increase
  - EDA (.01813% of EMV max allowed under MN law)
  - Northfield has gone to maximum historically
- HRA levy $430,736 – 6.6% increase
  - HRA (.01850% of EMV max allowed under MN law)
  - Northfield has gone to maximum historically

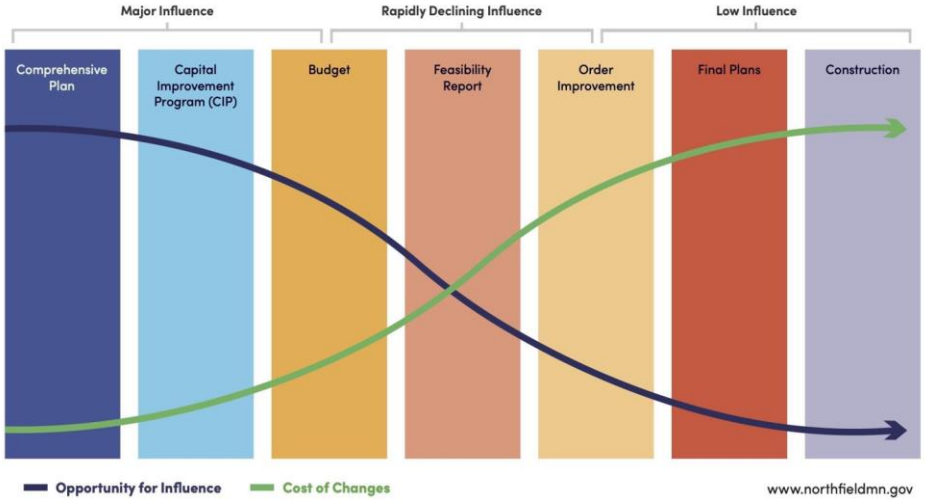
Big Picture Consulting

- 2026 Budget: $750,000 - not included in Projects
  - $150,000 Zoning & Subdivision Ordinance Re-Write (for economic development)
  - $150,000 30% Plan Set – (NW Area prep – Wastewater Fund for economic development)
  - $50,000 Update of Comprehensive Sewer Plan (2006) –NW Area prep – Wastewater Fund
  - $50,000 Update of Comprehensive Water Plan (2006) - NW Area prep – Water Fund
  - $50,000 Ames Park Planning – including in cost reductions to defer this
  - $50,000 Library Website redesign – including in cost reductions to defer this
- Consulting spend split between General Fund and Other Funds (Utilities, Communications) roughly 50/50.

Project Funds & Consulting

- Project Consulting is tied to project phasing
- Vast majority of project costs on projects come as get into feasibility phase and more on construction phase

Project Influence Chart



Big Picture
Liquor Store Alternatives

- $3.1 million benefit generated by Liquor Store (2012-2024)
  - Averaged $240,000 per year
- Current annual benefit ($290,000 on 2024)
  - Transfer to general fund reduces levy $50,000
  - Allocation to general fund allocation for IT and Administration expense $67,000
  - Retained profit in Liquor Fund increasing fund balance $176,000
- Impact of all transferred to General Fund could reduce levy by 1.7%
  - 2024 impact was 0.66% covering the transfer and expense allocation, as 1% remained in the Liquor Fund and built fund balance

Council Policy – current per Res.2024-131

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL THAT:

1. The City Council approves the attached Professional Services Contract with TSP Architects for 5th and Washington Street Redevelopment Project; and

2. The Council re-confirms Northfield Liquor Store located at 116 5th Street West is obsolete and the City Council has been pursuing a new construction or re-construction of a new store that will be profitable, will pay its own way to be built, and will achieve the following previous Council stated goals for the Liquor Store:

   A. Control the sale of alcohol; and
   B. Provide revenue to supplement traditional tax and fee revenues; and
   C. Provide an economic stimulus to the Central Business District; and
   D. Provide a convenient location for residents to purchase alcohol; and
   E. Provide a convenient and accessible place for all legal customers to purchase alcohol, while providing excellent customer service and selection.

3. The Northfield Economic Development Authority to continue to provide an advisory role to the City Council regarding the potential redevelopment of the City-owned properties known as the *5th and Washington Street Redevelopment* located at the intersection of 5th Street East and Washington Street (PID 22.06.2.25.040, PID 22.06.2.25.041, and PID 22.06.2.25.042) shown on the attached *Exhibit A* currently used for municipal parking in accordance with the previous Resolution 2024-044; and

4. The resolution will remain in effect until amended or terminated by the City Council as they deem appropriate.

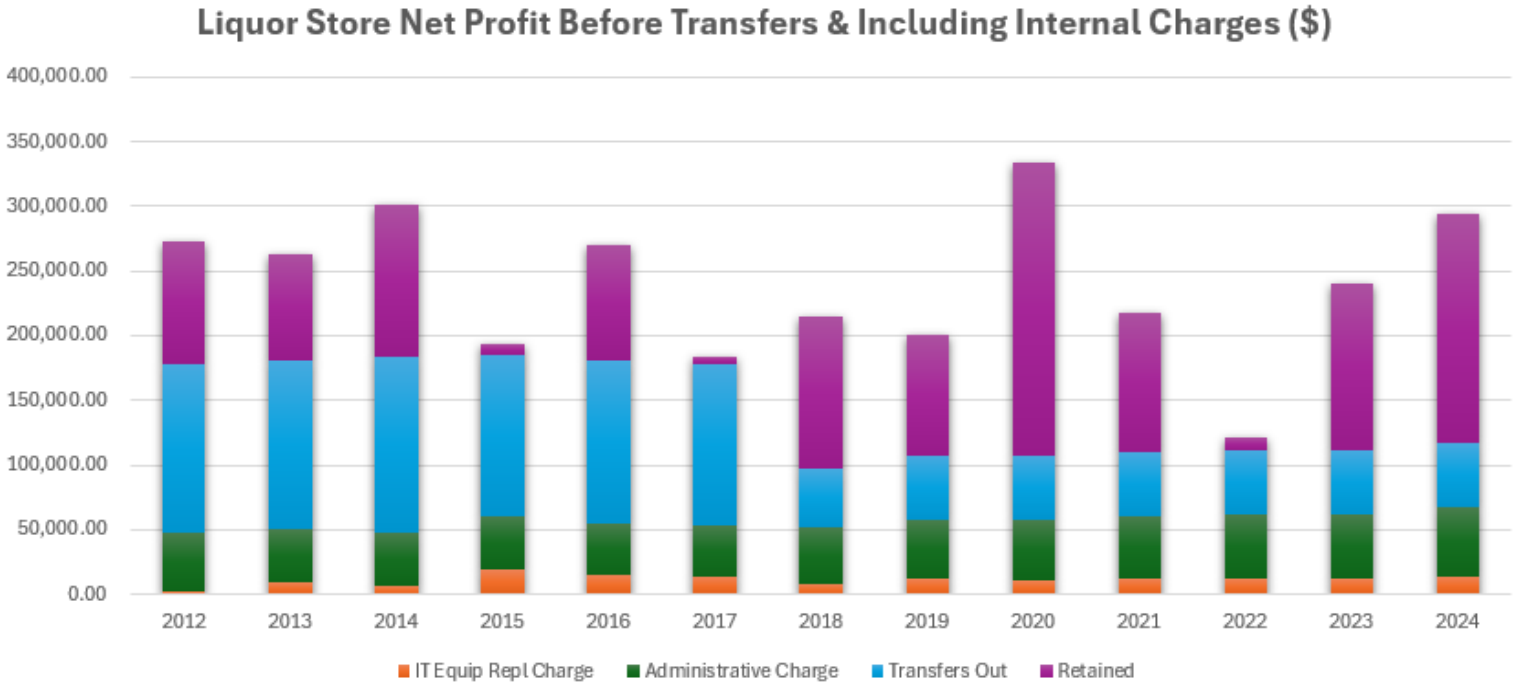
Privatization Alternative

- Privatization State & Local Regulations for Private
  - Once discontinue a municipal, can't start again in future
  - Licenses would be open to market w/State max license fee of $565 per business
  - Could have no licenses, could have many – market would determine
  - Location options would follow zoning code (commercial areas)
    - Wouldn't guarantee downtown location

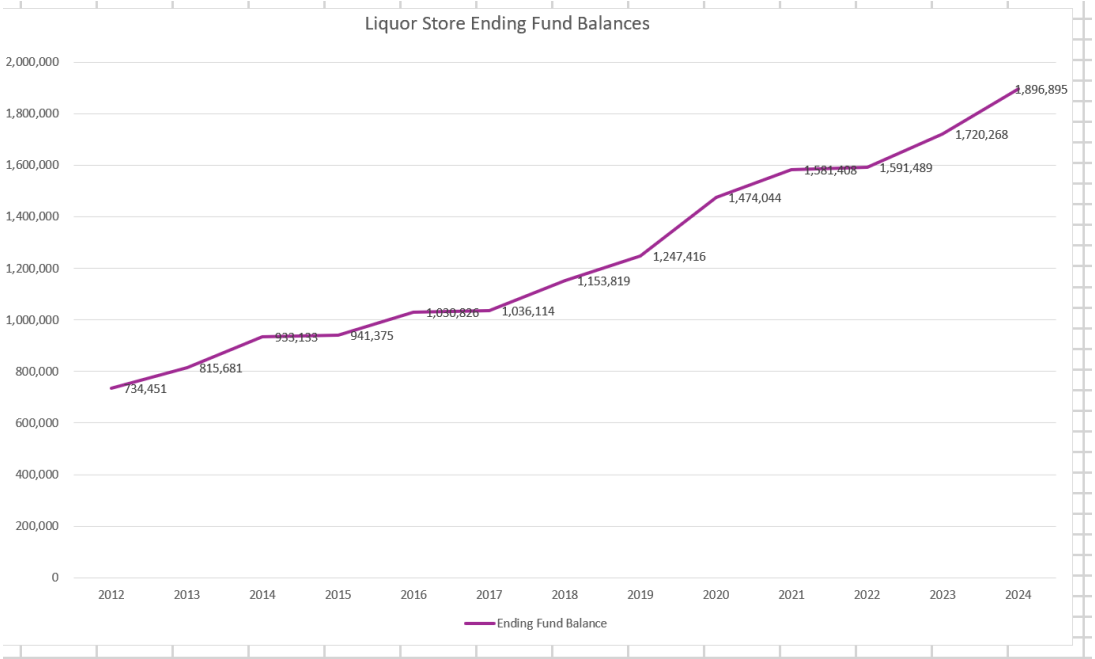
Privatization Alternative

- Close Store & Sell Existing Building
  - Use “Cash” for Debt Service Reduction
    - Current fund balance year end 2024 audited = $1.896M (less unemployment benefits plus accrual payouts and possibly some other expenses)
    - Use one-time cash for one-time tax levy reduction
    - Approximately 1-year ice arena debt service ($1.485 annual) 8% tax reduction one time
  - Sell existing liquor store & former Amerprise building
    - Estimated market value of both sites less internal loan for Ameriprise
    - Options to sell:
      A. As-is sell together with no development plan requirement; or
      B. Market for a specific development (assumed option) & Sell

Privatization Alternative



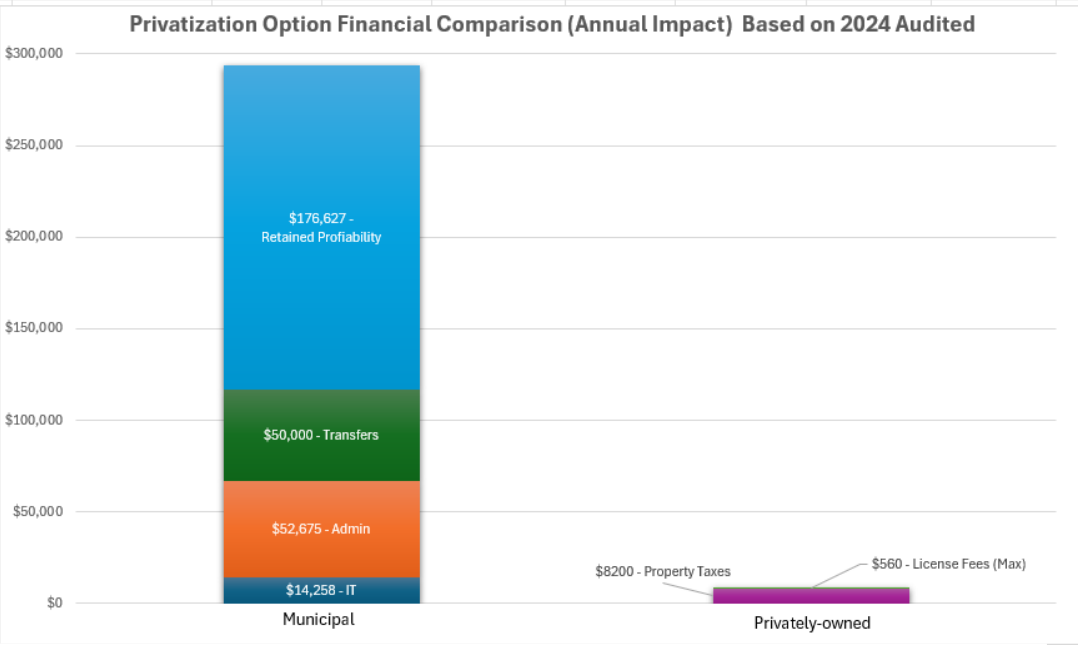
Privatization Alternative



Liquor Store Historical Amounts

Privatization Alternative Annual Illustration

- Municipal Net Profit Prior to Transfers (2024)
  - $293,560
  - True profitability for store
- Privatization
  - $8,760 Taxes & Fees
- Difference
  - ($284,800) Annual net loss to "city"

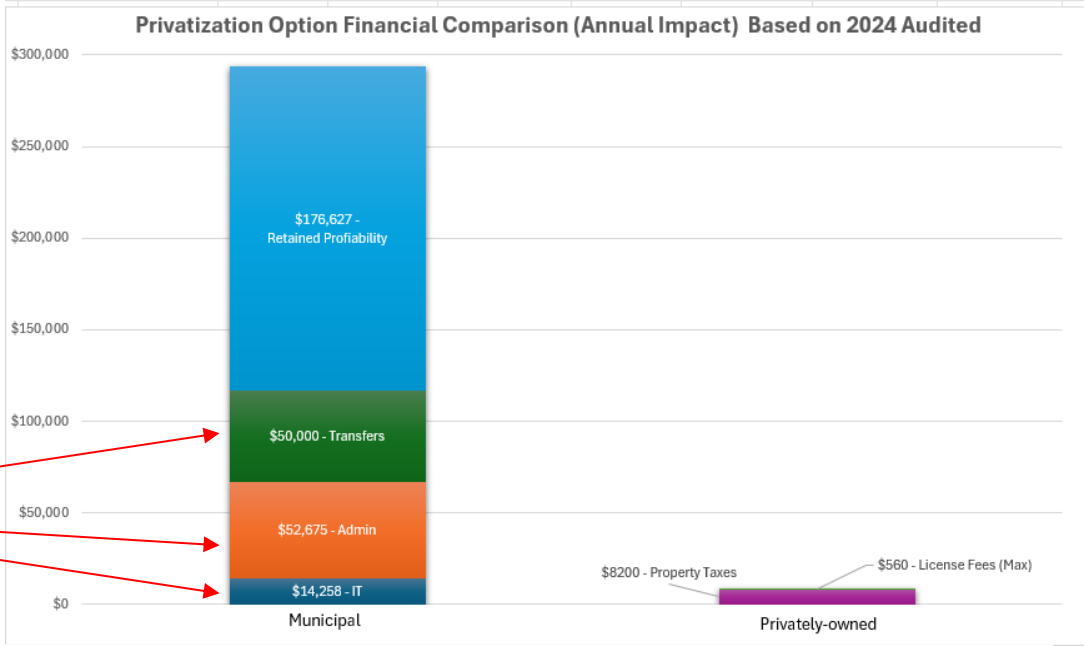


*Note: Assumes privatization of current store

Privatization Alternative Annual Illustration

- Annual Shortfall for 2026-2027 operating budgets (& going forward) would be **$117,000/year** based on 2024 numbers

$117,000



*Note: Assumes privatization of current store

Big Picture
Liquor Store Alternatives

- Cash to fund Debt Service/Ice Arena
  - Unrestricted cash for one-time use
    - **For example, could use $1M of proceeds from any sale to reduce levy, but in 4 years (or less) the lost revenue nets out what reduces levy; it will need to be increased again later to compensate.**

- Opportunity lost
  - Future profitability
    - Annual transfer
    - Annual expense allocations
    - Annual amount available above reserve goal
  - **Because this is a one-time option, loss of any potential future privatization due to exiting the liquor business resulting in one fewer budget reduction option down the road.**

Big Picture
Liquor Store Alternatives

- All cash to fund Ice Arena
  - Unrestricted cash for ice arena use
    - 1 year
    - Multiple years
    - Term of loan
- Lose future annual benefit generation
  - $290,000 annual benefit in 2024

Board & Commission Proposed Changes

- Eliminate Arts & Culture Commission
  - Utilize existing PARC process for determining specific public art
- Place HRA duties to Council
  - Keep HRA levy but empower Council as HRA
  - Meetings integrated with Council as needed (5 p.m. pre-meetings/worksessions)
- Eliminate Parks Board
  - Integrating more direct neighborhood engagement with the projects in CIP
  - Council would review directly other planning or could call ad hoc if needed
- Eliminate Council Finance Policy Committee
  - Financial reports would come to Council for quarterly financials and investment reports
- Modify Meeting Schedule of Council Personnel Committee
  - Keep committee structure call as needed (example: personnel policy updates)
- Add Regular Council Engagement with Community
  - Details to be determined but intent for some programmed engagement areas

Policy Direction

Policy Questions

1. Direction for Staff to Continue working on these overall property tax levy options, <u>or other</u>? Feedback on each one whether to continue work or focus on particular options? Assumption is that all options presented in the corresponding optins with specifics in presentation would be "on the table" to be explored <u>unless we hear otherwise</u>.

   Option B 14.5% total
   8.4% Ice/Debt (fixed)
   6.1% Other

   Option C 9.9% total
   8.4% Ice/Debt (fixed)
   1.5% Other
   **Note: There is fine tuning on this one and can bring forward specifics by no later than September worksession.

   Option D 3.0% total
   8.4% Ice/Debt (fixed)
   (5.4%) Other, represents a 14.9% cut from current expense roll-up

   **Note: This will require significant work & substantial reductions in staffing/service levels

Policy Questions

2. Municipal Liquor: Is there interest in further pursuing the option to move to closure of the existing store with this budget process?
3. Municipal Liquor: Support for 1-time additional transfer $100K 2026?
4. Municipal Liquor: The EDA is further exploring potential for 5th & Washington tentative October for then advisory scheduled after that time. Other sites could be revisited depending on findings. Any feedback in preparation of the EDA analysis?

Policy Questions

5. Intent is to terminate current recruitment process of public works mechanic position, notify fireworks contract termination for 2026, National League of Cities Membership 2025, 2025 Board Training & Holiday Social. Any alternative feedback on these?

Council Discussion/ Questions – Elections

6. Does the Council support continuing absentee balloting at City Hall, or would it prefer to discontinue the service for a potential net budget reduction of $16,000? This is recommended in the Option D of the levy options.

7. If absentee balloting continues, does the Council support negotiating with Rice County for additional reimbursement beyond the current $20,000?

- Staff Recommends we ask for an additional $8,000 to cut the $16,000 in ½ and negotiate from there. This is a service the City does not need to provide for all of Rice County.

Council Discussion/ Questions - Elections

8. Election Judge Training: In 2024, Rice County held one training session in Northfield. For 2026, they plan to hold all training sessions in Faribault. Should the City request that Rice County offer a training session in Northfield, given that approximately 100 Northfield election judges need training?

- Staff recommends Rice County provide one training session in Northfield so the City does not need to pay election judge's mileage or for Rice County to authorize the City Clerk to provide training in Northfield. They could also authorize all Northfield judges to do online training if not willing to travel to do an in-person session in Northfield.

Next Steps

- September 16 Work Session (or prior) – details on FTE staffing organizational changes
- September 16 Work Session – preview & Utility Rate Study
- September 23 Council Meeting
  - Approve preliminary budget & levy (maximum amount)
  - Set Public Hearing Date in December
  - Approve 2026 Utility Rates
  - Approve 2026 Franchise Fee Rates (gas/electric)
- October Meeting focus on 2027
- December 2 Council Meeting
  - Public Hearing and approve final levy and budget

Background Information

Strategic Plan Summary 2025-2028

Vision

Northfield is an open, safe, and welcoming community, recognized for its world-class colleges and historic riverfront downtown, and is dedicated to sustainably enhancing and preserving its vibrant culture, celebrated arts, strong economy, and an excellent quality of life where all can thrive.

Mission

The City of Northfield works for the common good of our residents and businesses and the improvement of our community by providing excellent, innovative municipal services that carry out the city's vision for a high quality of life for all.

Strategic Plan Summary 2025-2028

Values

Teamwork

- Actively participate in cooperative and collaborative approaches
- Commit to equity and the elimination of all discrimination
- Build on our shared successes as a means for workplace satisfaction
- Utilize the experience and expertise within our organization and community

Excellence & Innovation

- Serve by leading and lead by serving
- Focus on clearly defined outcomes to achieve best results
- Commit to continuous improvement building on lessons learned
- Seek creative solutions for difficult problems

Integrity

- Provide outstanding customer service
- Be open, honest, kind, respectful and accountable
- Demonstrate fiscal responsibility
- Act and communicate in authentic ways

Celebration

- Pursue and value diversity and inclusion, and welcome a broad range of perspectives
- Commemorate our unique and rich cultural sense of place
- Recognize others and their contributions
- Celebrate and acknowledge accomplishments

Stewardship

- Protect our physical environment through ecologically sustainable practices and policies
- Maintain, improve and develop high quality municipal assets
- Invest in others through advancement, mentorships and professional development
- Nurture personal well-being through physical and mental health initiatives

Strategic Plan Summary 2025–2028

STRATEGIC PLAN SUMMARY 2025-2028
City of Northfield

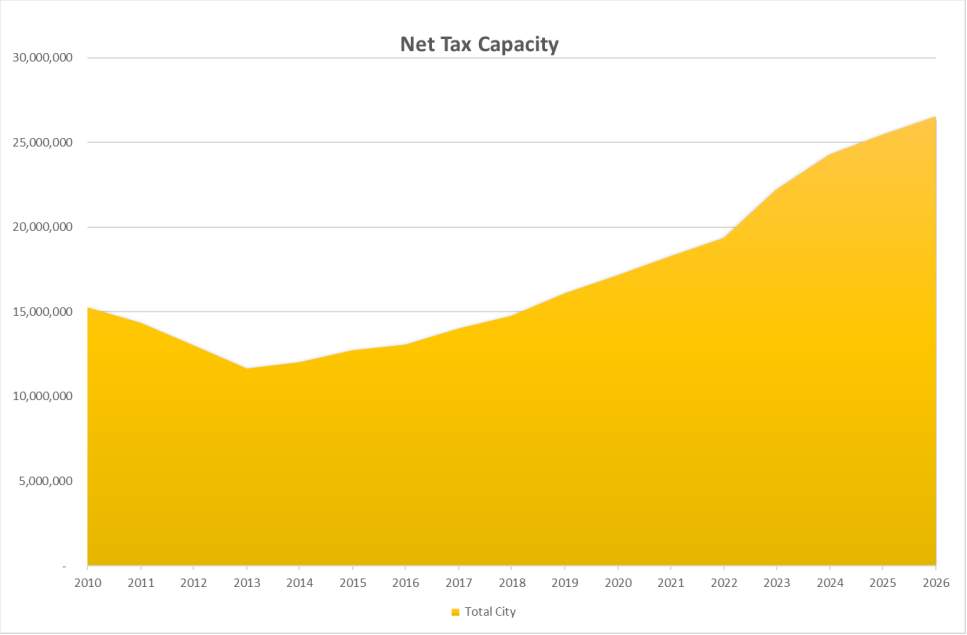
Strategic Priority	Desired Outcome	Key Outcome Indicator	Target	Strategic Initiatives
Improve Financial Strength *A financially responsible organization*	Increased Commercial-Industrial tax base	- Net new C/I Valuation - C/I Permit Valuation (new)	- $50M net increase-C/I valuation 2025-2028 - $50M net increase-C/I permit valuation 2025-2028	a) Develop and Implement Northwest Area Shovel Ready and Recruitment Plan b) Strategies to develop high potential CI properties c) Create a Revenue Diversification Program (new & updates) d) Implement a coordinated 2-year Budget and Aligned Financial Management Plan e) 5-year Financial Management Alignment with Service Level Strategy.
	Increased revenue diversification	Change in $ value of new non-tax General Fund revenue	10% increase in non-tax revenues 2025-2028	
	Taxation responsive to community needs & expectations	- Annual tax levy - Annual tax rate	Tax levy at or below __% over Estimated Market Value (EMV) growth	
Increase Housing Availability *Addressing the City's affordable housing needs*	Expanded availability of single- family housing	# of single-family housing units added annually	Add 50 single-family homes annually through end 2028	a) Create and implement single-family home expansion strategy b) Implement new and existing housing stabilization programs c) Create a strategy to reduce homeownership disparity d) Create development subsidy standards and policy e) Create a plan for publicly owned high priority redevelopment sites
	Expanded availability of multi- family housing	# of multi-family housing units added annually	Add 50 multi-family homes annually by end 2028	
	Preservation of housing quality and affordability	- # of Naturally Occurring Affordable Housing (NOAH) units preserved	- 30 NOAH units preserved/rehabbed by end 2028	
Achieve Infrastructure Sustainability *Infrastructure that supports community needs*	A flood resistant community	- Flood plan adoption - Flood plan implementation	Flood plan fully implemented by 2028	a) Create Pedestrian and Biking Crossing Improvement Plan for TH-3 b) Create a safe street for all plan c) Implement City-wide pedestrian crossing improvement plan d) Create a dam removal strategy e) Implement downtown flood improvements f) Implement neighborhood flood improvements
	Improved pedestrian safety	- #__ of upgraded pedestrian crossings installed - #__ of pedestrian plan improvements completed	- #10 new pedestrian crossings installed 2025-2028 - #TH3 pedestrian & biking plan improvements completed by 12/2028 - Safe Streets for All Plan Complete 12.28	
	Dam-free river	Dam removal decision	Dam removal completed by 12/2029	
Enhance Service Delivery *A community that cares about its residents*	Capacity to meet desired service levels	# of capacity improvements implemented	Full implementation of critical capacity-building measures across Administrative Services, PD, and Streets & Parks by 2028	a) Identify long-term service delivery needs b) Defined service levels in core services c) Review & update Communications Plan d) Develop a survey framework e) Create a downtown managed parking plan
	Community input guides service improvements	Completion of a city-wide quality of life survey	Conduct a city-wide community survey every other year starting in 2026	
	Downtown parking needs are met	- Managed parking plan adoption - Parking need assessment	Comprehensive downtown managed parking solution in place by 12/2026	

The plan consists of four ***strategic priorities*** the issues of greatest importance to the City over the next three years.

Associated with each priority is a set of ***desired outcomes***, ***key outcome indicators***, and ***performance targets***, describing expected results and how the results will be measured.

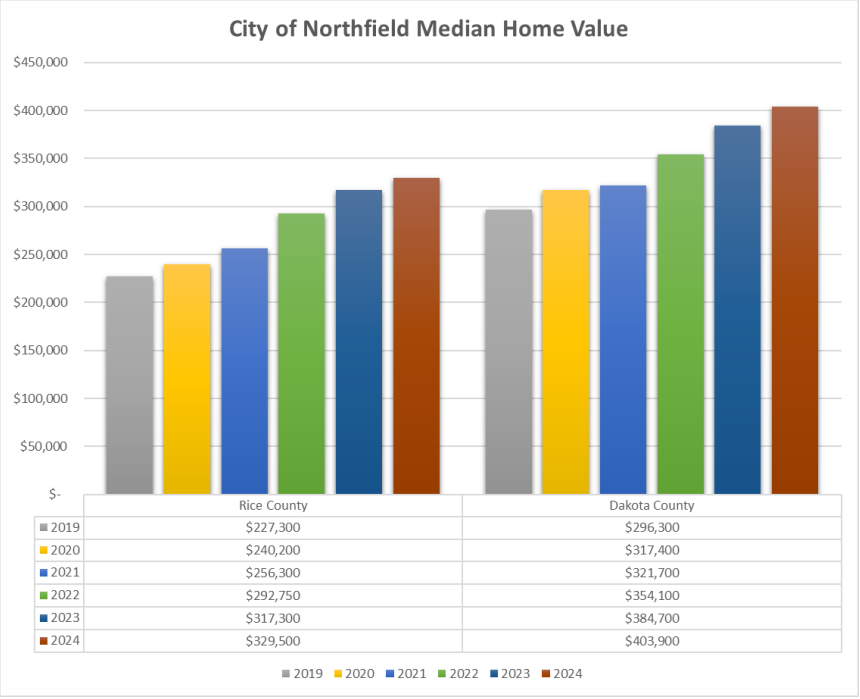
The plan also includes strategic initiatives that will be undertaken to achieve the targeted outcomes.

Tax Base Changes



- Preliminary estimates from Rice County indicate a 4.1% increase in 2025 net tax capacity/payable 2026
  - Goal to increase amount related to new construction
  - 3.7% Estimated Market Value and 4.0% Taxable Market Value increase

Northfield Median Home Value



	Rice County	Dakota County
2019	$227,300	$296,300
2020	$240,200	$317,400
2021	$256,300	$321,700
2022	$292,750	$354,100
2023	$317,300	$384,700
2024	$329,500	$403,900

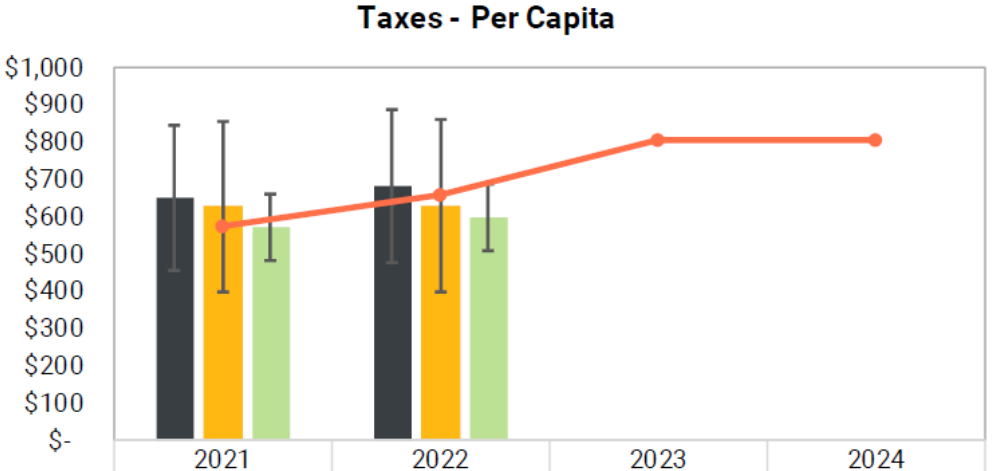
- Median home value increases are lower than prior years
- Rice County is up 3.8%
- Dakota County is up 5.0%
- Prior years median value increases were 8.4% in 2023 and 14.2% in 2022

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

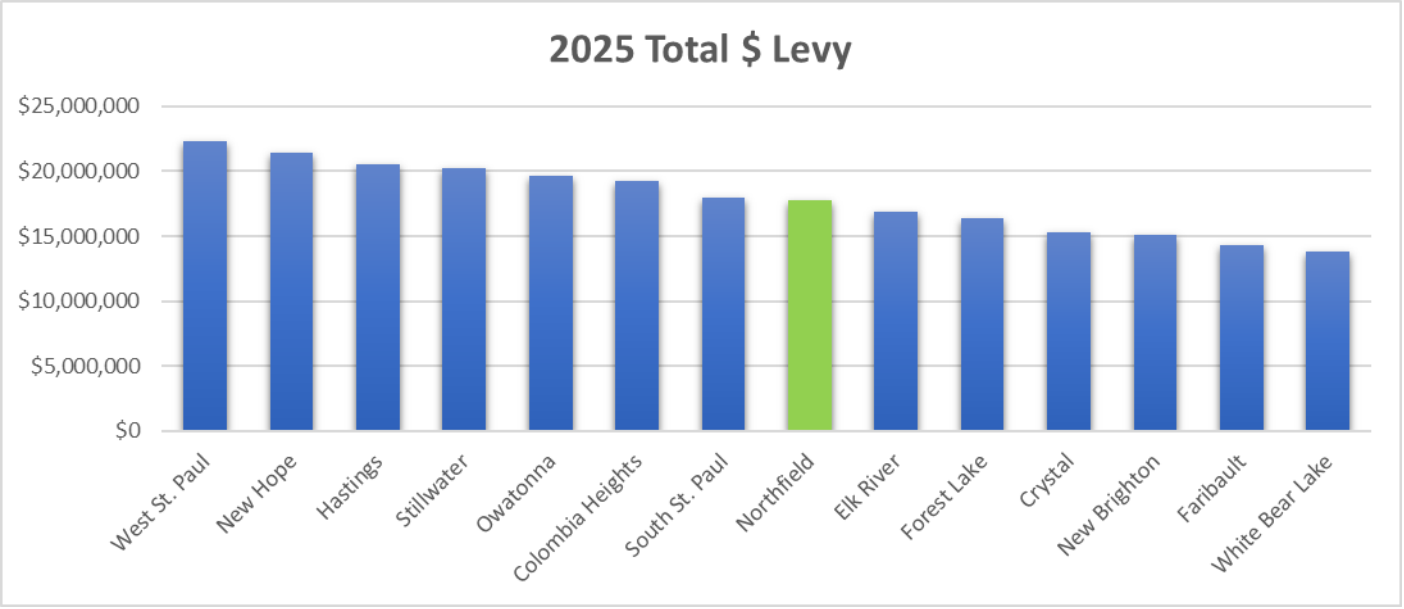
- For further details, go to www.revenue.state.mn.us/property-tax-refund

Key Ratios – Peer Comparison

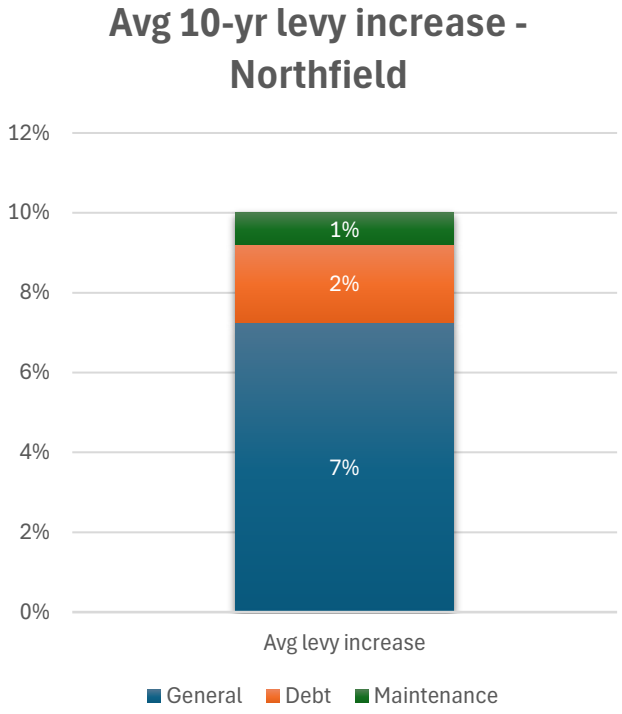


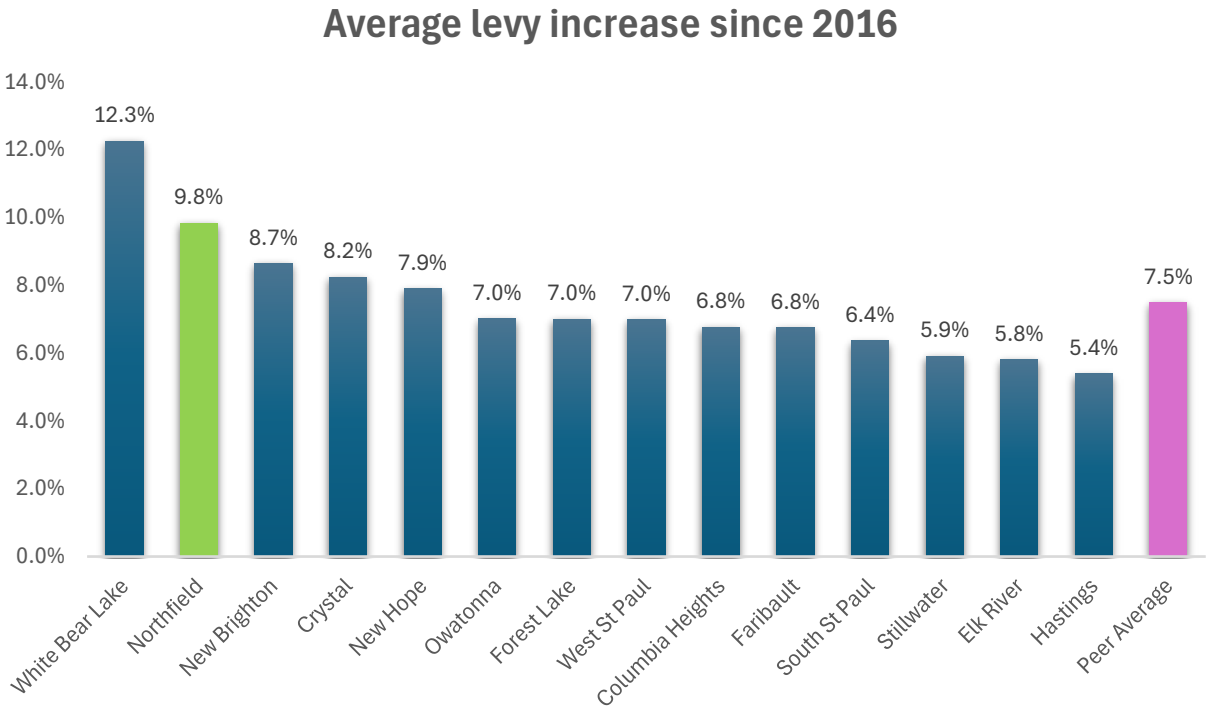
	2021	2022	2023	2024
Class 2 Cities (20,001 - 100,000)	$654	$684	N/A	N/A
Class 3 Cities (10,001 - 20,000)	$629	$629	N/A	N/A
Cities in Rice County	$571	$598	N/A	N/A
City of Northfield	$576	$659	$806	$809

Peer Comparison 2025 Final Levies City Property Taxes (i.e. levy)

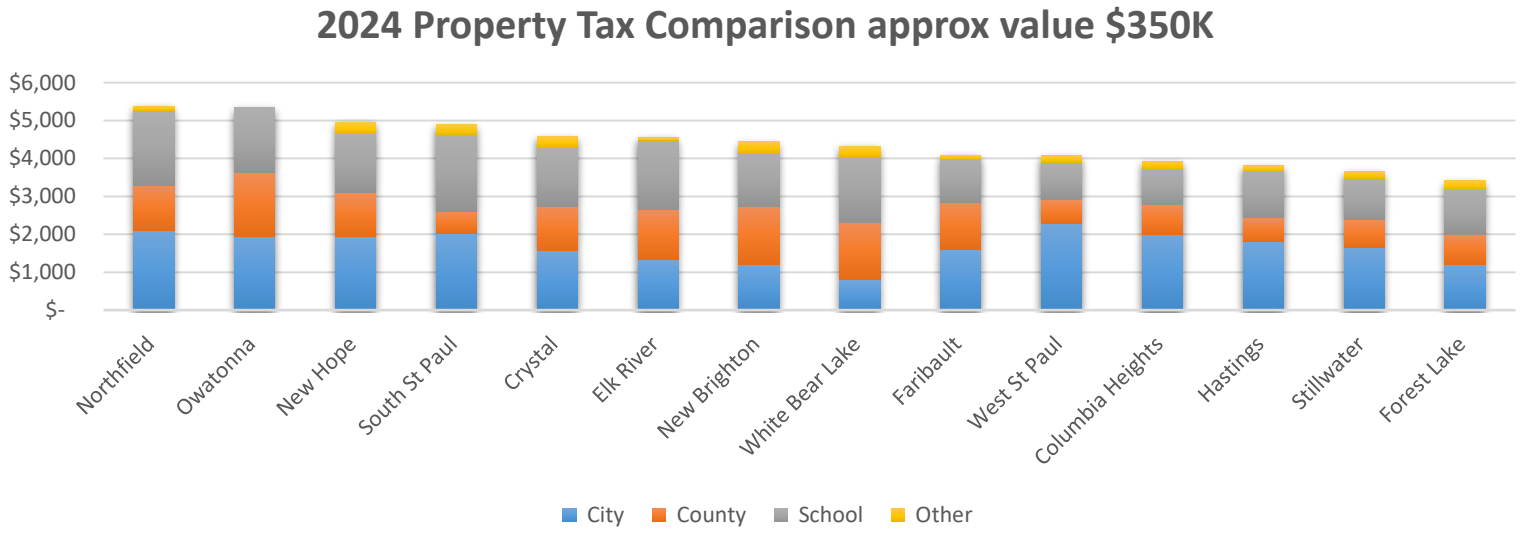


Peer Comparison – Average levy increases

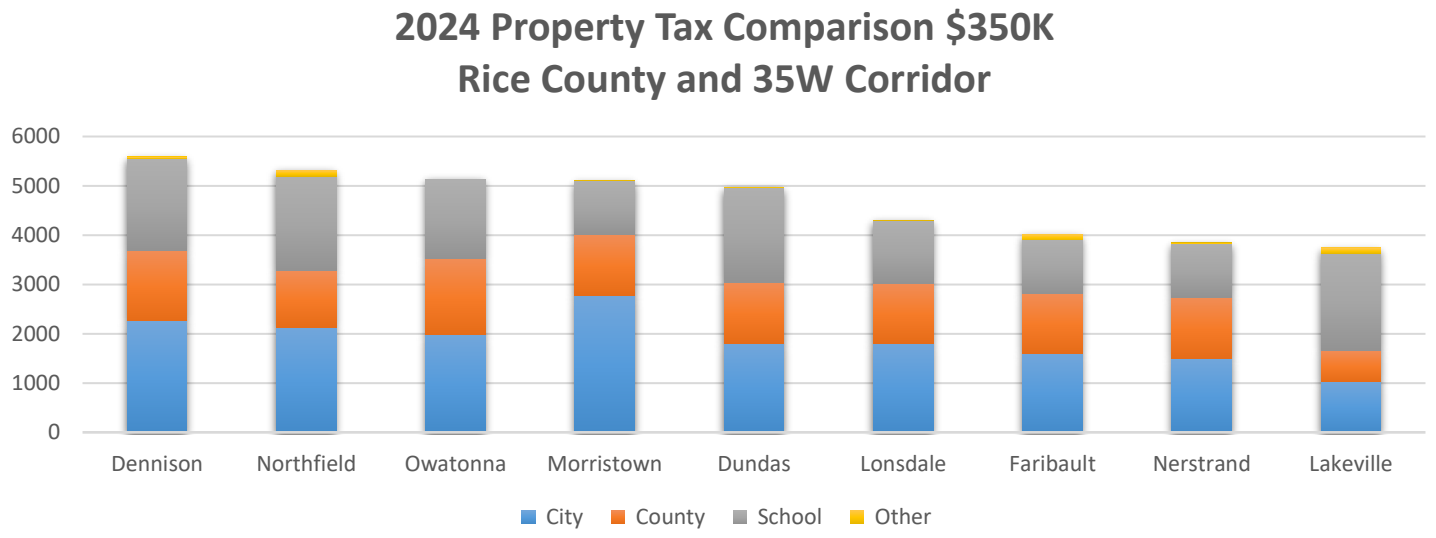




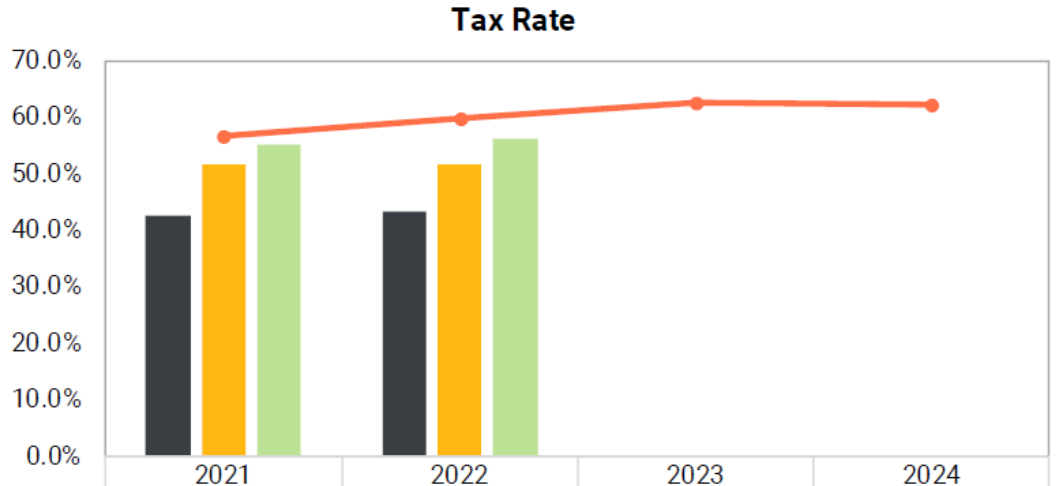
Total Property Tax Peer Cities Comparison



Total Property Tax Neighboring City Comparison

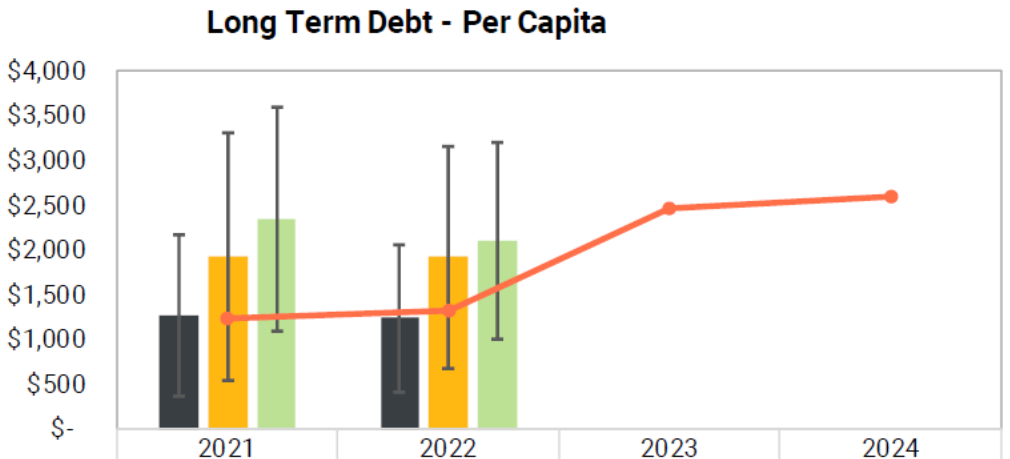


Key Ratios – Peer Comparison



	2021	2022	2023	2024
Class 2 Cities (20,001 - 100,000)	42.7%	43.1%	N/A	N/A
Class 3 Cities (10,001 - 20,000)	51.7%	51.7%	N/A	N/A
Cities in Rice County	55.0%	56.0%	N/A	N/A
City of Northfield	56.7%	59.9%	62.6%	62.2%

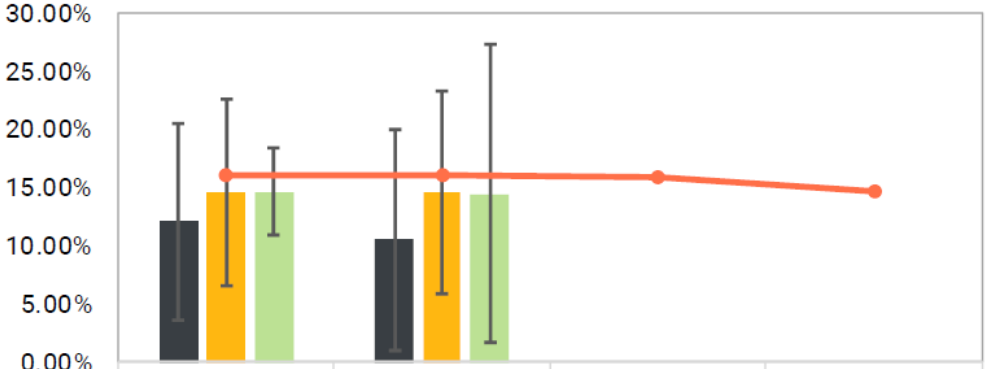
Key Ratios – Peer Comparison



	2021	2022	2023	2024
Class 2 Cities (20,001 - 100,000)	$1,271	$1,238	N/A	N/A
Class 3 Cities (10,001 - 20,000)	$1,918	$1,918	N/A	N/A
Cities in Rice County	$2,343	$2,108	N/A	N/A
City of Northfield	$1,230	$1,318	$2,472	$2,605

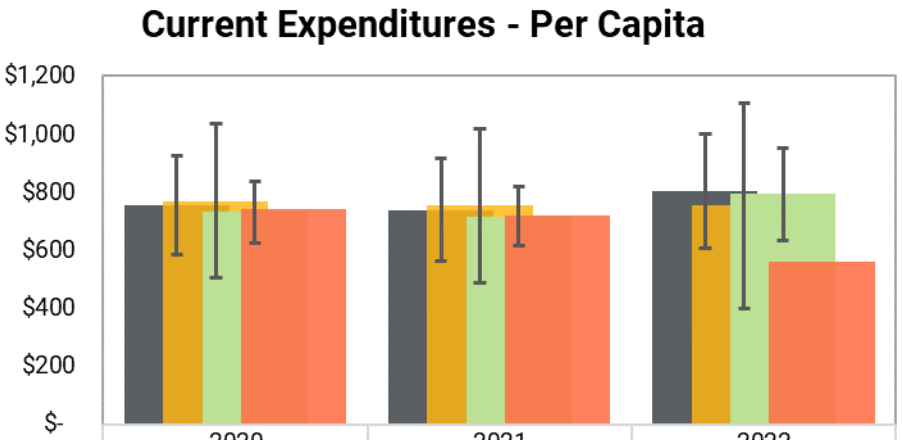
Key Ratios – Peer Comparison

Debt Service Expenditures as a Percent of Current Expenditures



	2021	2022	2023	2024
Class 2 Cities (20,001 - 100,000)	12.08%	10.50%	N/A	N/A
Class 3 Cities (10,001 - 20,000)	14.57%	14.57%	N/A	N/A
Cities in Rice County	14.64%	14.50%	N/A	N/A
City of Northfield	16.00%	16.00%	15.87%	14.70%

Key Ratios – Peer Comparison



	2020	2021	2022
Class 2 Cities (20,001 - 100,000)	$755	$739	$803
Class 3 Cities (10,001 - 20,000)	$770	$753	$753
Cities in Rice County	$731	$717	$794
City of Northfield	$744	$721	$561

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

Maintaining Quality Infrastructure & Facilities

23 miles of trails
8 miles of bike lanes

71 miles of sidewalks

21 playgrounds
4 park shelters
2 athletic complexes

1 ice arena

1 swimming pool

78 miles of city streets

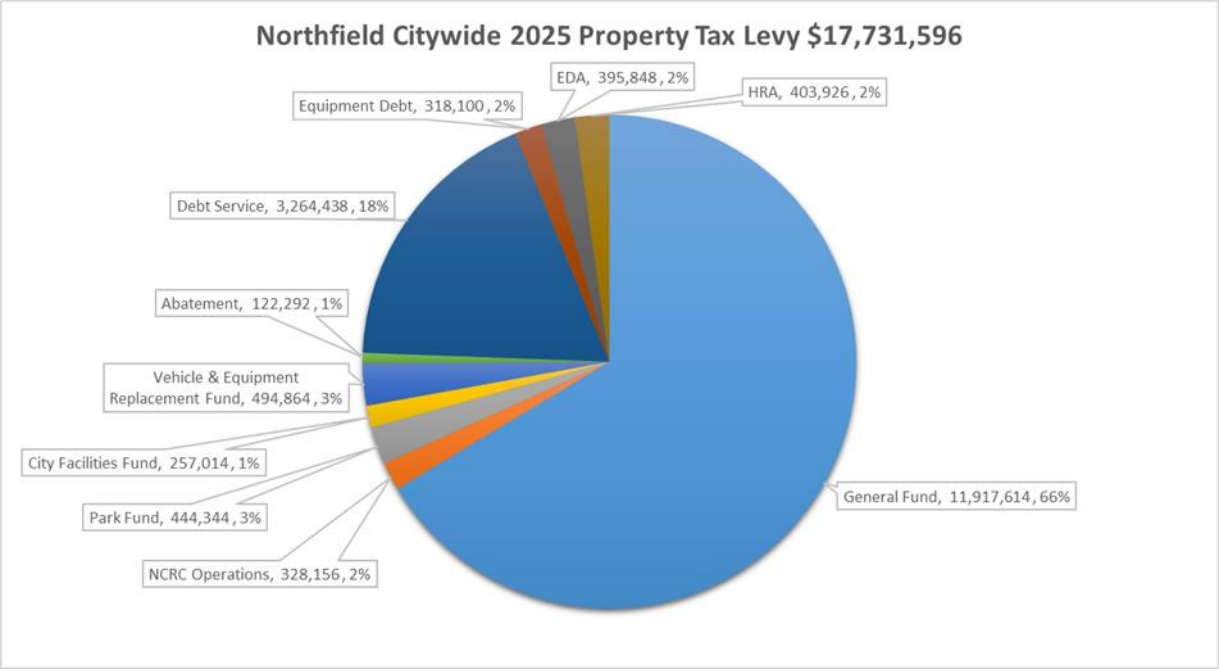
80 miles of sanitary sewer
56 miles of storm sewer
94 miles of water main

5 wells
3 water towers
1 waste water treatment plant

58 storm ponds

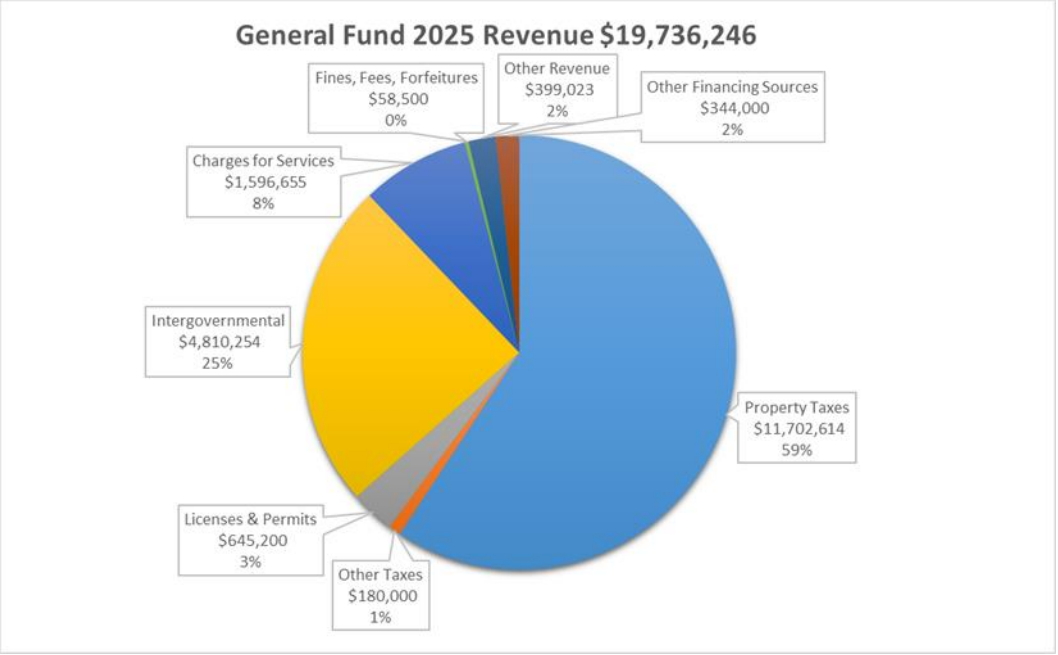
8 buildings

2025 City-wide Levy



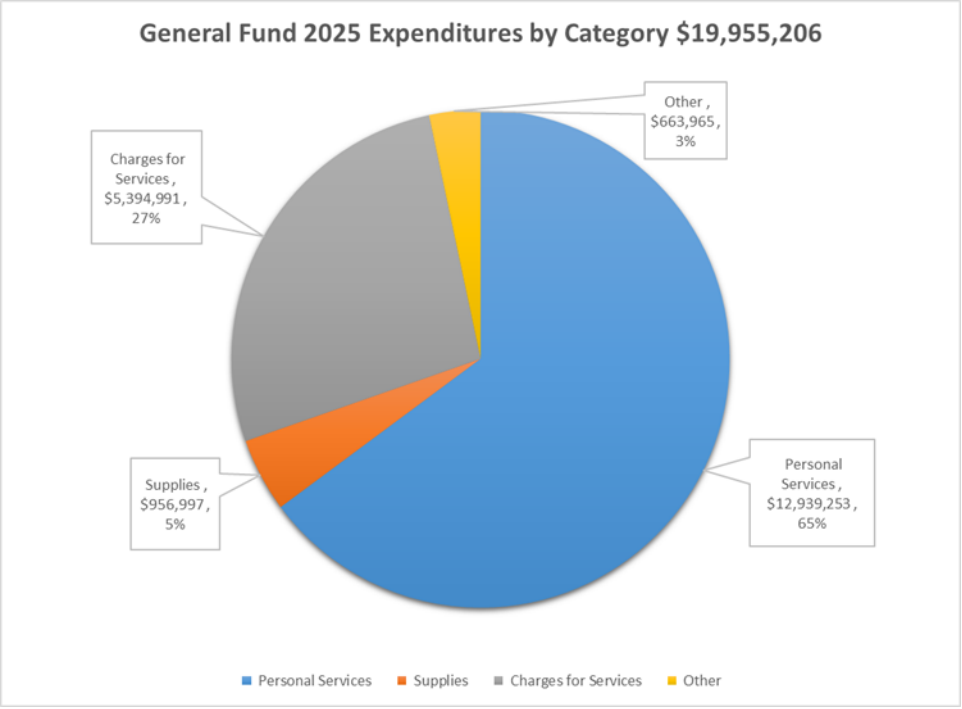
- General Fund is 66% of the total levy, debt service is increasing

General Fund Revenue



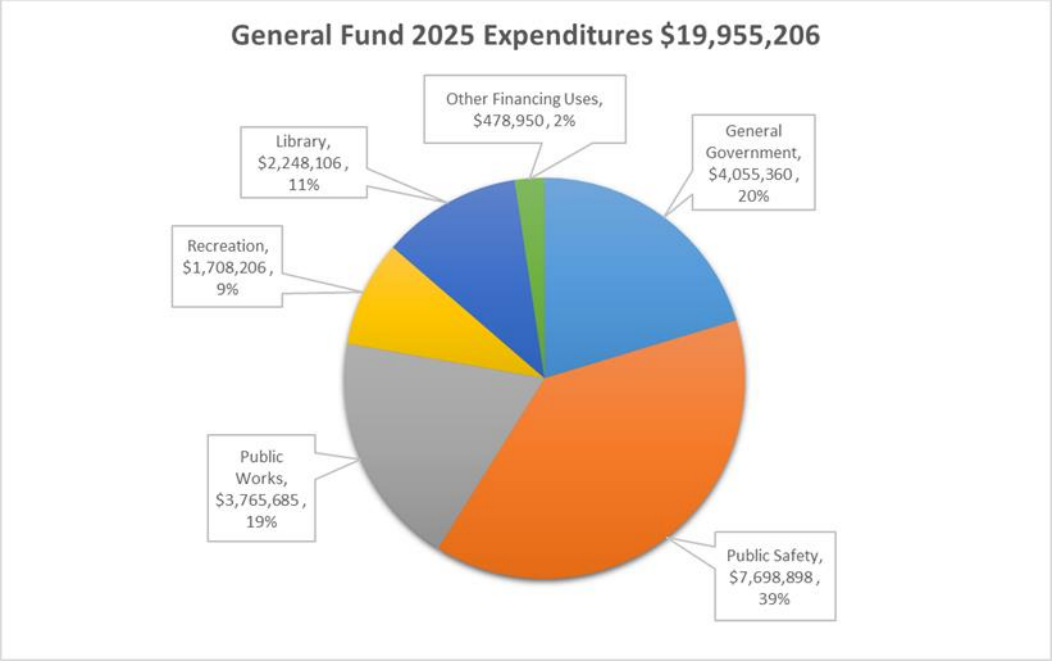
- Property Taxes represent 59% of General Fund Revenue
- Intergovernmental (includes LGA) represents 25% of General Fund Revenue

General Fund Expense



- Personal Services represent 65% of the general fund expenditures

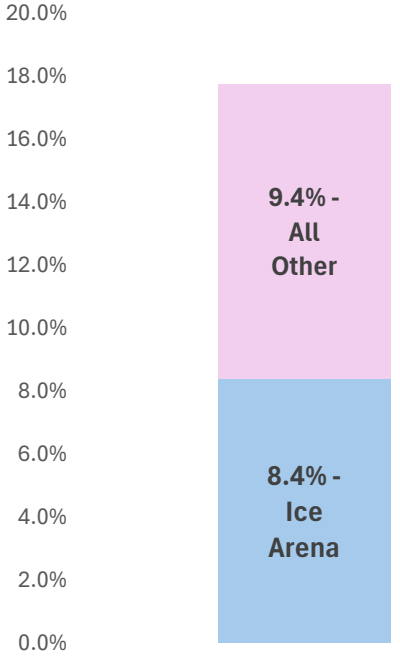
General Fund Expense

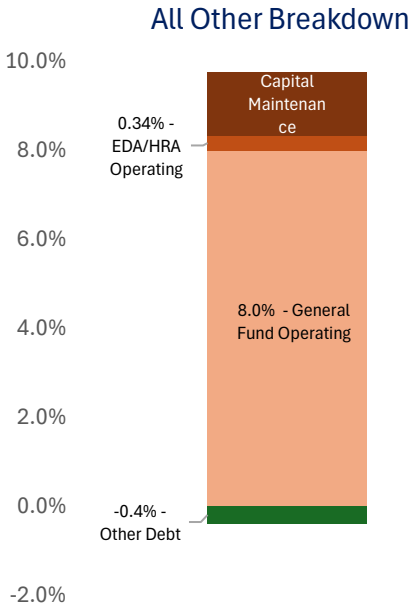


- Public Safety represents 39% of the General Fund expense
- Utilizing $250,000 of Police Aid funding in 2025 & 2026 to offset wage adjustments

Big Picture – Current Rollup Initial Submission (Option A)

- 17.8% total levy increase
  - 8.4% Ice Arena impact
  - 9.4% All Other impact
    - 8.0% General Fund Operating
    - 0.3% EDA/HRA Operating
    - (0.4%) Other Debt
    - 1.4% Capital Maintenance Funds





2026 Budget Highlights

- Capital Maintenance fund levies increases total levy by 1.4% continues to cover existing maintenance needs (tied to current 5-Year CIP/CEP)
  - Parks Fund $150,000
  - Facilities Fund $75,000
  - Vehicle & Equipment Fund $24,743
- Debt levy increases levy by 8.0% for previously bonded and legally obligated projects
  - 8.4% attributable to Ice Arena, other street bonding down 0.4%
- General Fund increases levy by 8.0%, primarily personnel cost driven with current labor contracts settled 2025-2027
  - 62% of the increase driven by personnel (fixed) costs and 38% other cost increases
- EDA/HRA levies increases levy by 0.3%, driven by 6.6% estimated market value growth in 2024