CITY COUNCIL BUDGET WORKSHOP

Brainerd, Minnesota
November 25, 2019
6:00 P.M.

Brainerd Police Department
Training Room

______ K. Stunek
______ D. Pritschet
______ K. Bevans
______ D. Badeaux
______ T. Erickson
______ J. Lambert
______ G. Johnson
______ Mayor Menk

1. Call to Order

2. Roll Call

3. 2020 Budget and Levy

4. Adjourn

ANY INDIVIDUAL NEEDING SPECIAL ACCOMMODATIONS,
PLEASE CALL 828-2307.

M E M O

TO: Mayor and Council

FROM: Finance Director Connie Hillman

DATE: November 21, 2019

RE: 2020 Budget and Levy

The workshop on November 25, 2019 will focus on the working funds - General, Public Safety, Parks, and Streets – as the operations of these funds are supported by property taxes as well as the capital fund. The other funds (i.e. Transit, Parking lots etc.) were discussed at the November 18, 2019 council meeting.

The budget process includes trying to estimate all expenses (i.e. personnel cost, supplies, services, capital, debt service etc.), and estimating all of the non-tax revenues (i.e. fees, fines, LGA, grants etc.). The difference between the two is the levy needed. Per the LMC Handbook for MN Cities, Chapter 20 Municipal Budgeting- budgeting is basically planning and prioritizing goals for the coming year based on experiences in the past year or years.

Levy Overview:

Attached is a summary of the current budget and levy. The overview is a comparison of actual 2018, the revised budget for 2019 and the current proposed budget for 2020 as well as a column highlighted in grey showing the status of the budget and levy when Council adopted the 2020 preliminary levy in September at a 4% increase.

The summary shows that for 2020, the levy could decreased by $10,000 or .16% from the 2019's levy for a balanced budget. When the preliminary levy was set in September it showed an increase of $82,547 was needed for a balanced budget.

Please keep in mind that there are items that are not addressed in the budget, such as the construction costs for Memorial Park redesign, or the cost of a master plan of Lum Park for the Children's Museum.

Total Expenditures:

One full-time police officer has been included in the 2020 budget for new personnel. It is budgeted that the officer will start in March. Since September:

- Staff has updated the budget to reflect the changes in staff, promotions etc.
- The City received the actual renewal rates for health insurance.
- The City is anticipating a reduction in the experience mod for workers' comp and have adjusted the budget.

- Staff has reviewed the line items for the budget, making sure expenses are accounted for, and that the settlement of contracts such as animal control, have been adjusted.
- The current budget also assumes the City will continue to pay 50% of the cable franchise fee to Lakes Media Collaborative. The amount budgeted to be paid is $66,000.

Total Capital:

Attachment B is a detailed list of the proposed capital purchases for 2020 as well as the proposed capital items identified in September when the preliminary levy was set. Some cost estimates have been increased based on additional information that has been received and some items have been added since September.

For example, $40,000 for office staff office reconfiguration. A few of the stations used by the records staff at the police station have broken components that are obsolete, and we are unable to locate replacement parts for. These products are approaching 20 years old. The configuration that we are requesting will be more compatible with lighting and air flow corrections that we would make with the assistance of the county maintenance staff. We believe some components of the current configuration may be able to be repurposed by other city departments.

Attachment C is a portion of the 30-year capital plan summary. Again, this does not include the estimated $1.3 million for the Memorial Park Redesign or funds to pay for a portion of the master plan for Lum Park as requested by the Children's Museum.

Based on estimates, it is believed that revenues will exceed expenditures for 2019 and funds will be able to be transferred from the general fund to the capital fund per our fund balance policy. If revenue and expenses are the same as November and December for 2018, we could potentially be able to transfer $100,000-$200,000. This is just my estimate and we will not have an amount until the audit is completed in June.

Total Debt Levy:

The 2020 debt levy is to pay the August 1, 2020 and the February 1, 2021 debt service. In 2019, the City levied $273,140 for a debt that will be paid off after the February 1, 2020 payment.

It is currently projected that the City will need to issue debt for the 2020 construction projects and for the capital purchases of the end loader and broom sweeper. The current budget has $244,000 for the new debt.

It has been discussed that the City will need to issue debt for the Memorial Park redesign. The current debt levy does not include anything for this debt issue. The council does have the ability to structure the debt when issued in 2020 so that a payment will not be required until after February of 2021 (i.e. capitalizing interest etc.).

There are two debt issues that the City will not need to bond for in 2021. The current levies for those issues could then be used for the Memorial Park debt issue depending on the structure of the debt. However, in looking at the 5-year construction plan, we will be doing more local projects in the upcoming years which may result in the need for bonding to pay for the City's share of the projects.

Other Levies:

The other levies now reflect the mill rate calculated by the County and a 2.5% levy increase as requested by the Library Board to pay for the increased costs payable to Kitchigami.

Total Revenues:

Since September, staff has reviewed the estimated revenue numbers and have updated the estimates as a result of a new contract being signed with ISD 181 for the School Resource Officer and for how the revenues have been tracking for 2019.

The estimated revenue includes the 5.6% increase in LGA and an additional $50,000 in building permit revenue as a result of the ongoing school projects. The City has increased the budget the last two years as a result of the school projects, which we know will not continue in future years. Permit revenues have been as low as $72,000 in 2013 and as high as $470,000 in 2004, with the budgets being as low as $90,000 in 2014 and as high as $350,000 for 2020.

Summary:

The 2020 preliminary levy was set at $6,131,395 which was a 4% increase over the 2019 levy ($5,895,572), and results in $235,823 of new money. The 2020 preliminary levy results in a calculated City tax rate of 79.854% a .531% ***decrease*** from the 2019 tax rate of 80.385%. The overall total tax rate with the 2020 preliminary levy as $6,131,395 went from 144.044% to 142.918%.

Since the current estimate shows the City could reduce the levy by $10,000, the City has approximately $245,000 of revenue to work with if the Council keeps the levy as preliminarily set.

At the workshop, Staff will estimate the impact to residents and business owners, present updated market value data, and present an estimated impact to the 2021 levy depending on how the 2020 is set.

If you have any questions before the meeting, please contact me.

2020 Levy Overview
As of November 22, 2019

	Actual 2018	Revised Budget 2019	Current Proposed Budget 2020	Difference in Budgets	% Difference	Preliminary Budget 2020
TOTAL OPERATING EXPENDITURES						
Personnel Services	6,334,650	6,805,000	7,116,667	311,667	4.58%	7,211,356
Supplies	439,636	447,800	473,000	25,200	5.63%	473,000
Services	2,217,494	2,397,526	2,539,042	141,516	5.90%	2,518,822
Transfers Out	474,303	409,964	504,343	94,379	23.02%	486,343
Total Expenditures	9,466,083	10,060,290	10,633,052	572,762	5.69%	10,689,521
TOTAL CAPITAL	847,134	1,155,927	*1,155,927*	*-*	*0.00%*	1,155,927
TOTAL DEBT LEVY	1,600,886	1,264,850	*1,147,451*	*(117,399)*	*-9.28%*	*1,167,451*
OTHER LEVIES						
Perm Improvement	339,174	350,706	368,564	17,858	5.09%	362,975
Hydrant	169,587	175,353	184,282	8,929	5.09%	181,487
Sr Center/Arb/Community Action	254,382	263,031	276,423	13,392	5.09%	272,232
Library	147,416	150,364	154,123	3,759	2.50%	150,364
EDA	122,223	124,351	127,817	3,466	2.79%	127,817
Total Other Levies	1,032,782	1,063,805	1,111,209	47,404	4.46%	1,094,875
TOTAL ESTIMATED EXPENDITURES	**12,946,885**	**13,544,872**	**14,047,639**	**502,767**	**3.71%**	**14,107,774**
TOTAL REVENUE - NON PROPERTY TAX						
Other Taxes	(274,346)	(265,500)	(279,000)	13,500	-5.08%	(279,000)
Licenses & Permits	(538,283)	(492,015)	(552,390)	60,375	-12.27%	(552,390)
Grants & Aids	(4,672,506)	(4,665,171)	(4,900,340)	235,169	-5.04%	(4,899,340)
Revenue from Other Gov'ts	(156,387)	(196,836)	(203,970)	7,134	-3.62%	(191,788)
Charges for Services	(883,523)	(906,459)	(1,034,912)	128,453	-14.17%	(1,016,614)
Fines & Forfeitures	(211,354)	(148,000)	(138,000)	(10,000)	6.76%	(141,000)
Other Revenues	(1,082,607)	(966,083)	(1,018,082)	51,999	-5.38%	(1,015,287)
Transfers In	(22,929)	(10,000)	(20,000)	10,000	-100.00%	(20,000)
Total Revenues	**(7,841,935)**	**(7,650,064)**	**(8,146,694)**	**496,630**	**-6.49%**	**(8,115,419)**
(USE)/ADDITION TO FUND BALANCE		**764**	**(15,000)**	**15,764**		**(15,000)**
Estimated Levy	**5,104,950**	**5,895,572**	**5,885,945**	**(9,627)**	**-0.16%**	**5,977,355**
Actual Levy / ***Preliminary***	5,561,860	5,895,572	***6,131,395***			
% Increase		6.00%	***4.00%***			

2020 Proposed Capital	Current	Preliminary
City Hall-General		
Office Furniture	5,000	5,000
Sign - Corner of 6th and Laurel	30,000	30,000
Facility	1,758,668	1,758,668
Finance		
Scanner	3,600	2,500
Engineering		
IT		
Server Replacement	15,000	15,000
Security Cameras - City Hall	20,000	15,000
Security Cameras - PD	20,000	-
Police		
Leased Squads Build Up	69,000	69,000
Office Staff Reconfiguration	40,000	-
Facilities	306,054	306,054
Community Development		
Zoning Code Update	50,000	50,000
Scanner	3,000	-
Fire/Civil Defense		
Facilities - HVAC Controls	34,141	34,141
Parks		
Trailer	4,500	4,500
Snow Blower	2,000	2,000
Push Mower	1,000	1,000
Lum Park Swing Set	5,000	5,000
Scope of Memorial Park	20,000	20,000
Streets		
Diaphragm Pump	2,500	2,500
End Loader **	220,000	205,000
Broom Sweeper **	240,000	240,000
GRAND TOTAL	**2,849,463**	**2,765,363**

** Bond for purchase

City of Brainerd
Capital Plan: **Summary - Working Funds Only - Excludes Fire Equipment**
2019-2049 - 30 Years

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Tax Levy: Current	$ 1,155,927	$ 1,155,927	$ 1,155,927	$ 1,155,927	$ 1,155,927	$ 1,155,927	$ 1,155,927	$ 1,155,927	$ 1,155,927	$ 1,155,927	$ 1,155,927	$ 1,155,927	$ 1,155,927	$ 1,155,927	$ 1,155,927	$ 1,155,927
Tax Levy: Add/Sub	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Bonds	-	460,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other/Grants	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Under budget	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Assets	31,600	49,000	36,100	46,100	30,600	22,350	18,100	45,100	55,100	32,100	32,100	35,100	49,100	30,100	77,100	45,100
Interest Earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenues	$ 1,222,527	$ 1,684,927	$ 1,212,027	$ 1,222,027	$ 1,206,527	$ 1,198,277	$ 1,194,027	$ 1,221,027	$ 1,231,027	$ 1,208,027	$ 1,208,027	$ 1,211,027	$ 1,225,027	$ 1,206,027	$ 1,253,027	$ 1,221,027
Vehicles	$ 63,000	$ 69,000	$ 67,000	$ 68,000	$ 81,000	$ 89,000	$ 50,500	$ 91,000	$ 71,000	$ 62,000	$ 114,000	$ 53,000	$ 73,000	$ 97,000	$ 65,000	$ 97,000
Equipment	599,200	576,600	161,900	457,000	346,600	203,000	366,900	412,100	405,000	310,000	313,000	687,000	234,500	148,100	423,400	437,200
Furniture & Fixtures	5,500	35,000	5,000	5,000	15,000	5,000	5,000	5,000	5,000	5,000	5,000	25,000	5,000	5,000	10,000	5,000
Buildings	245,000	2,118,863	366,712	748,045	548,045	548,045	363,267	363,267	363,267	363,267	363,267	233,027	233,027	233,027	233,027	233,027
Improvements	50,000	50,000	83,333	75,000	160,000	325,000	11,000	1,111	-	-	205,000	-	6,667	-	-	25,000
Expenditures	$ 962,700	$ 2,849,463	$ 683,945	$ 1,353,045	$ 1,150,645	$ 1,170,045	$ 796,667	$ 872,478	$ 844,267	$ 740,267	$ 1,000,267	$ 998,027	$ 552,193	$ 483,127	$ 731,427	$ 797,227
Beginning Cash Balance	$ 1,320,997	$ 1,480,824	$ 116,288	$ 244,370	$ 113,351	$ 169,233	$ 197,465	$ 594,825	$ 943,374	$ 1,330,134	$ 1,797,894	$ 2,005,655	$ 2,218,655	$ 2,891,489	$ 3,614,389	$ 4,135,990
Annual Surplus (deficit)	259,827	(1,164,536)	528,082	(131,018)	55,882	28,232	397,360	348,549	386,760	467,760	207,760	213,000	672,834	722,900	521,600	423,800
Savings (Water Tower/Riverfror	100,000	200,000	400,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Balance	$ 1,480,824	$ 116,288	$ 244,370	$ 113,351	$ 169,233	$ 197,465	$ 594,825	$ 943,374	$ 1,330,134	$ 1,797,894	$ 2,005,655	$ 2,218,655	$ 2,891,489	$ 3,614,389	$ 4,135,990	$ 4,559,790