



CITY OF LE SUEUR
REQUEST FOR COUNCIL ACTION

TO: Mayor and City Council
FROM: Zach Doud, Finance Director
SUBJECT: 2021 Budget Update
DATE: For the City Council Meeting of Monday August 24th, 2020

PURPOSE

Provide update to where City staff is at regarding the 2021 budget.

SUMMARY

City staff has developed a budget from direction given from City Council in July 2020. City staff has used the PBC to assist with the budget process thus far. City staff is now presenting the 2021 budget to the City Council for any additional assistance/concerns prior to the preliminary levy adoption for the 2021 budget on September 10, 2020.

Reminder that the levy is always set high with over estimated numbers for health insurance, dental insurance, general liability insurance, workers compensation and any other inflation changes that City staff does not know yet. The reason for this is because once the preliminary levy is set, that is the ceiling for the tax levy amount for 2021. This preliminary levy number however can be brought down once the unknown inflation changes are known for 2021 fiscal year.

Included in the 2021 budget that was not previously included is the tax abatement from 2006 for Highway 169. Please see Tax Abatement Fact Sheet for additional information on this.

Important Changes from 2020 to 2021 are the tax abatement (previously mentioned), changes to the community center revenues striving from the deficit balance within this fund and the COVID pandemic from 2020, pay increases to move from Step/Grade scale to performance pay model. Performance pay is a pool of money given to each department head/manager to be divided amongst their employees based on performance. The entire pool of money does not have to be given out based on the performance evaluations but will inspire employees to be stellar employees because there is a potential of a larger increase in pay based on performance.

ACTION REQUESTED

No action is requested at this time. Feedback on changes/adjustments are encouraged.

		2020 Budget	2021 Proposed Budget	Increase (Decrease)	% Change
taxes					
	Base Levy				
101	General Fund	\$ 770,923	\$ 874,403	\$ 103,480	13.42%
615	Community Center	506,043	600,323	94,280	18.63%
420	Capital Improvement Plan	697,900	341,000	(356,900)	-51.14%
477	HWY 169 Abatement	-	170,000	170,000	100.00%
316	Johnson Control Loan	169,000	44,000	(125,000)	-73.96%
	Total Base Levy	<u>2,143,866</u>	<u>2,029,726</u>	<u>(114,140)</u>	<u>-5.45%</u>
	Debt Service				
320	2010D GO Capital Improvement	55,000	53,000	(2,000)	-3.64%
507	2011B SA GO Refunding Bonds	51,000	-	(51,000)	-100.00%
508	2012A GO Improvement Bonds	73,000	74,000	1,000	1.37%
510	2013B GO Street Reconstruction	76,000	75,000	(1,000)	-1.32%
309	2014B Go Refunding Bonds - Library	66,000	70,000	4,000	6.06%
314	2017A GO Street Improvement	34,000	159,000	125,000	367.65%
324	2019 Equipment Lease	-	240,000	240,000	100.00%
310	2014B GO Refunding bonds - fire	86,000	95,000	9,000	10.47%
	Total Debt Service Levy	<u>441,000</u>	<u>766,000</u>	<u>325,000</u>	<u>75.76%</u>
	Total General Levy	<u>\$ 2,584,866</u>	<u>\$ 2,795,726</u>	<u>\$ 210,860</u>	<u>8.16%</u>
Taxe					
	EDA Levy				
380	EDA General Fund	51,700	52,000	300	0.58%
	Total EDA Levy	<u>51,700</u>	<u>52,000</u>	<u>300</u>	<u>0.58%</u>
	Total City Wide Levy	<u><u>\$ 2,636,566</u></u>	<u><u>\$ 2,847,726</u></u>	<u><u>\$ 211,160</u></u>	<u><u>8.01%</u></u>

CITY OF LE SUEUR, MINNESOTA
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - SUMMARY
GENERAL FUND
ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2018-2019, PERIOD TO DATE JULY 31, 2020 AND
BUDGET FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2021

	Actual	Actual	YTD	Budget	Budget	Percent
	2018	2019	Jul-20	2020	2021	Change
REVENUES						
Taxes	\$ 918,092	\$ 760,599	\$ 403,215	\$ 770,923	\$ 874,403	13% (1)
Special Assessments	-	-	-	-	-	
Licenses and permits	82,481	103,838	51,504	104,600	88,500	-15% (2)
Intergovernmental	1,184,789	1,134,211	819,478	1,114,897	1,165,797	5%
Charges for services	17,995	14,669	11,878	17,250	11,250	-35% (3)
Fines and forfeits	22,582	29,761	13,629	24,000	25,500	6%
Investment earnings	33,556	30,444	7,605	5,500	1,000	-82% (4)
Miscellaneous	264,999	130,394	103,707	151,000	102,500	-32% (5)
TOTAL REVENUES	2,524,494	2,203,916	1,411,015	2,188,170	2,268,950	4%
EXPENDITURES						
Mayor and council	26,362	32,759	16,473	30,060	34,550	15% (6)
Administration	675,710	607,113	429,346	551,360	382,510	-31% (7)
Accounting	141,272	102,503	36,581	63,690	51,920	-18% (8)
City attorney	11,272	10,062	5,431	15,000	15,000	0%
Planning and zoning	46,738	84,949	65,289	92,140	100,480	9%
Police	909,618	1,072,730	585,869	984,950	1,095,130	11% (9)
Building inspection	104,600	112,458	68,547	135,050	125,780	-7%
Public Works	681,905	1,029,200	473,140	785,420	823,900	5%
Library utilities	28,027	31,001	9,627	30,500	29,680	-3%
TOTAL EXPENDITURES	2,625,505	3,082,775	1,690,302	2,688,170	2,658,950	-1%
EXCESS REVENUES (EXPENDITURES)	(101,011)	(878,858)	(279,287)	(500,000)	(390,000)	-22%
OTHER FINANCING SOURCES (USES)						
Transfers in	500,000	500,000	250,000	500,000	500,000	0%
TRANSFERS OUT	-	-	-	-	(110,000)	0% (10)
TOTAL OTHER FINANCING SOURCES (USES)	500,000	500,000	250,000	500,000	390,000	-22%
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES						
	\$ 398,989	\$ (378,858)	\$ (29,287)	\$ -	\$ -	

Explanation of Budget Changes in revenue and expenditures over 10%

- (1) This is a backfilled number based on the other revenues and expenditures numbers.
- (2) More conservative budget for permits based on previous year actuals.
- (3) More conservative budget based on previous actuals for multiple line items.
- (4) Interest rates have decreased based on current market conditions.
- (5) More conservative budget for miscellaneous revenues, Cable TV franchise fees, and vehicle forfeiture revenues based on previous year actuals.
- (6) Incorrect salary has been budgeted for previously, this has been corrected for 2021.
- (7) Moving IT expenditures to IT fund (\$65,000), reallocating of salaries (\$90,010), combination of condemnation proceedings and contingency (\$25,000).
- (8) Reallocation of Finance Director salary based on time spent in 2020.
- (9) Increase in OT for Police Officers and correction of salary budgeted for in previous year based on negotiated union contract.
- (10) This is now for IT expenditures that are moved to the IT fund (\$90,000) and our portion of the Fire Dept Allocation (\$20,000).

CITY OF LE SUEUR, MINNESOTA
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - SUMMARY
COMMUNITY CENTER - 615
ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2018-2019, PERIOD TO DATE JULY 31, 2020 AND
BUDGET FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2021

	Actual 2018	Actual 2019	YTD July-20	Budget 2020	Budget 2021	Percent Change
REVENUES						
Taxes	\$ 439,003	\$ 445,283	\$ 253,022	\$ 506,043	\$ 600,323	19% (1)
Charges for services	851,442	634,297	223,116	825,750	424,950	-49% (2)
Miscellaneous	40,536	46,006	8,529	55,000	50,000	-9% (4)
TOTAL REVENUES	1,330,981	1,125,587	484,667	1,386,793	1,075,273	-22%
EXPENDITURES						
General Facility	1,064,426	1,189,524	513,653	1,124,220	252,744	-78% (2/3)
Fitness Center	-	-	-	-	108,566	0% (3)
Gym/Raquetball	75,777	1,035	-	-	45,052	0% (3)
Indoor Pool	-	-	-	-	146,643	0% (3)
Outdoor Pool	78,552	96,531	42,190	87,270	138,225	58% (3)
Ice Arena	-	-	-	-	100,478	0% (3)
Programs	-	-	-	-	95,112	0% (3)
TOTAL EXPENDITURES	1,218,755	1,287,090	555,842	1,211,490	886,820	-27%
EXCESS REVENUES (EXPENDITURES)	112,226	(161,503)	(71,175)	175,303	188,453	8%
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	0%
TRANSFER OUT	(194,263)	(174,263)	(87,651)	(175,303)	(188,453)	8% (5)
TOTAL OTHER FINANCING SOURCES (USES)	(194,263)	(174,263)	(87,651)	(175,303)	(188,453)	8%
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (82,037)	\$ (335,766)	\$ (158,827)	\$ -	\$ -	

Explanation of Budget Changes in revenue and expenditures over 5%

- (1) Change in taxes is a backfilled number once we have all expenditures and revenues other than taxes filled in.
- (2) No more Comm Ed going through the City so this is a decrease of \$400,000 on both revenues and expenditures.
- (3) Reorganization of the Community Center to break down expenditures by service area which was not taking place in 2020 and prior.
- (4) More conservative estimates on revenues that we think we may receive all within the miscellaneous revenue line item.
- (5) Increase is due to increase in bond payment in 2021 along with the transfer to the new IT fund for the City.

**CITY OF LE SUEUR
IMPACT ON TAX BILL**

Value of Home	2020 Actual	2021 Proposed	\$ Increase / (decrease) Annual	2020 Monthly Payable	2021 Monthly Payable	\$ Increase / (decrease) Monthly
\$ 125,000.00	\$ 909.00	\$ 981.00	\$ 72.00	\$ 75.75	\$ 81.75	\$ 6.00
\$ 150,000.00	\$ 1,091.00	\$ 1,177.00	\$ 86.00	\$ 90.92	\$ 98.08	\$ 7.17
\$ 200,000.00	\$ 1,455.00	\$ 1,570.00	\$ 115.00	\$ 121.25	\$ 130.83	\$ 9.58
\$ 206,000.00 *	\$ 1,499.00	\$ 1,617.00	\$ 118.00	\$ 124.92	\$ 134.75	\$ 9.83
\$ 250,000.00	\$ 1,819.00	\$ 1,962.00	\$ 143.00	\$ 151.58	\$ 163.50	\$ 11.92
\$ 300,000.00	\$ 2,183.00	\$ 2,355.00	\$ 172.00	\$ 181.92	\$ 196.25	\$ 14.33
\$ 350,000.00	\$ 2,546.00	\$ 2,747.00	\$ 201.00	\$ 212.17	\$ 228.92	\$ 16.75

* Average 2021 home value.

169 Abatement Fund Fact Sheet

- Abatement was started in 2006
- Abatement ends in 2026
- Abatement is for County and City dollars to be put into a fund at the City to be used for projects on/near the hilltop of Le Sueur
- Total **anticipated** dollars at beginning of abatement was \$2,982,517 (based on original tax abatement in 2006)
- Total **anticipated** remaining dollars to collect is \$937,746 (last updated on June 30, 2020)
- No current projects for the abatement dollars to be used for but did have the J turn arounds on 169 funded for from this fund
- 2008 Tax Abatement Bond used funds from this abatement and that was reconstruct Cambria Ave and close its entrance onto 169 for safety reasons
- City has contributed only \$700,000 of the needed \$1,250,000 to the Abatement for various reasons related to management turnover and insufficient/inadequate documentation
- City contribution was to the Tax Abatement bond previously mentioned and not to the Abatement Fund directly
- Tax Abatement can be terminated but then all County dollars must be returned to the County and the shortfall of those dollars would have to be covered by the City
- Current Cash balance in this fund is \$399,358.
- Loan was given to the EDA for the purchase of the Industrial Park land for \$153,233 which is due back to this abatement once the land is sold
- Total Cash that will be in the fund after this sale would be \$552,591.
- Total Cash balance at end of year 2026 for a project if the shortfall of the City was made up by then would be \$2,023,685
- There is no limit to the type of project that can be done with this money but it is limited on where it can be completed and that is the top of the hill within City of Le Sueur limits
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