City Council Work Session
Tuesday, June 20, 2023 at 6:00 PM
Public Meeting Room

AGENDA

1. **Call to Order**
2. **Items for Discussion**
   A. Budget Work Session #1 - Goal Setting Session
   B. Non-Profit/Civic Organization Funding Considerations
3. **Future Discussion**
4. **Adjournment**

(The Council may meet as a group for dinner)

Please contact the City Administrator's Office if you need special accommodations while attending this meeting

Council Work Session Memorandum

TO:	Mayor and City Council
THROUGH:	Tim Murray, City Administrator
FROM:	Jeanne Schmuck, Finance Director
MEETING DATE:	June 20, 2023
SUBJECT:	Budget Work Session #1 - Goal Setting Session

Discussion:

This meeting kicks off the Council's involvement in the 2024 Budget process (Staff started last month as you can see on the attached 2024 Budget Calendar). As in years past, there will be a number of budget work sessions over the next several months, during which we will review the various City funds, discuss the proposed property tax levy and tax rate, review tax impacts on properties, update the 5-year Capital Improvement Plan (CIP), update the Fee Schedule, etc.

There are several circumstances that should be factored in as the Council considers the development of the 2024 budget. First, the current state of the economy (high inflation, rising interest rates, etc. will likely have negative impacts on City revenues (lower) and expenses (higher) as we move through the remainder of 2023 into 2024. Second, the Minnesota legislative session ended in late May which included revisions to the Local Government Aid program, resulting in an increase to the City's allocation of approximately $869,384, as well as an estimated $1,063,259 in one-time public safety aid to all cities, and an estimated $103,798 in non-metro affordable housing aid. Third, labor agreements are in place through the end of 2024 but negotiations will begin mid-year.

Although there are numerous decisions to be made through the development of the 2024 budget, the two key scheduled actions are the approval of the preliminary budget and levy in September, and the adoption of the final 2023 budget and property tax levy in December. Along with these, we will also be finalizing the 2024-2028 CIP, 2024 Fee Schedule, 2024 Franchise Fees allocations, and other budget related actions.

While there will continue to be opportunities as we move our way through the process, one of the main objectives of this initial budget work session is for the Council to provide their direction on the priorities, initiatives, and expectations for the 2024 budget. To provide some context, we will review some historical data regarding past budgets during the work session, to include:

- Taxable Market Value
- Net Tax Capacity
- Total Tax Levy
- Tax Rate
- Local Government Aid

Further 2024 priorities and expectations for discussion which staff is seeking input on are:

- Housing Needs – City Role?
- LGA Increase for 2024 – Approach to Use of LGA Funds
- Personnel Costs – Existing and Requested Additions
- 2023 Legislative Session Impacts
- Community Development Fund (240) Considerations
- Civic/Non-Profit Organization Funding Policies
- Council-directed Initiatives
- Property Tax Levy and Tax Rate Targets
- Service Levels and Delivery
- Personnel/Staffing
- Capital Improvements
- Budgeting for Fund Balance Growth
- Other??

Attachments:

1. 2024 Budget Calendar
2. 2024 Budget Presentation #1 - Overview

CITY OF FARIBAULT
2024 BUDGET PREPARATION CALENDAR

5/22/2023

Date	Event
Monday, May 1, 2023	Supervisors' Budget roll out. Supervisors receive electronic access to the 2024 Budget Preparation Instructions, Budget Calendar, and Budget Forms. Review use of Extended Budget module in Springbrook software. Administrator provided budget instructions and outlines City goals and challenges.
Friday, May 26, 2023	Personnel Requests due to Finance Department with City Administrator approval.
Friday, June 9, 2023	Fee Schedule revisions due to Finance Department.
Tuesday, June 20, 2023	City Council Budget Work Session #1: Goal Setting Session - Schedule, Process, Council provide direction on initiatives and expectations for the 2024 budget. (City Administrator)
Friday, June 23, 2023	Budget Requests due to Finance Department via extended budgeting. Capital Improvement Plan (CIP) Requests due to Finance Department (2024-2028 also review 2029-2032 and add 2033).
Friday, June 30, 2023	Updated Budget Book Information (Dept. Descriptions, Budget Goals & Objectives, Dept. Statistics, Staffing Levels, and Budget Summary) due to Finance Department.
Wednesday, July 5, 2023	City Council Budget Work Session #2: Review Long Term Financial Management Plan.
Wednesday, July 5, 2023 - Friday, July 7, 2023	Directors meet with City Administrator and Finance Director to review budget goals, issues, personnel, and CIP requests.
Friday, July 7, 2023	Obtain preliminary property valuation/net tax capacity from Rice County.
Tuesday, July 18, 2023	City Council Budget Work Session #3: Personnel, Fee Schedule, Franchise Fees, and General Overview.
Friday, July 28, 2023	Last day for Department of Revenue to notify City of LGA amounts.
Friday, July 28, 2023	Finalize 2024 budget entries into Extended Budgeting in Springbrook.
Tuesday, August 15, 2023	City Council Budget Work Session #4: Civic Groups/Non-profits, General Fund, Levies, and Tax Impact.
Tuesday, September 5, 2023	City Council Budget Work Session #5: Special Revenue (Including HRA & EDA) & Enterprise Funds.
Tuesday, September 5, 2023	Obtain updated property valuation/net tax capacity from Rice County.
Tuesday, September 12, 2023	Council Meeting - 6:00 p.m. Council approves preliminary 2024 Budget, sets proposed 2024 Tax Levy, and established Budget Hearing date.
Tuesday, September 19, 2023	City Council Budget Work Session #6: 2024-2028 Capital Improvement Plan & Debt Service Funds.
Friday, September 29, 2023	Last day to certify proposed 2024 levy and Budget Hearing date to the County Auditor. Special form to State, if necessary.
Tuesday, October 3, 2023	City Council Budget Work Session #X: If Necessary.
Tuesday, October 17, 2023	City Council Budget Work Session #X: If Necessary.
Wednesday, November 8, 2023	City Council Budget Work Session #7: Final Review - All Funds/Levies/Fees.
Tuesday, November 21, 2023	City Council Budget Work Session #X: If Necessary.
Tuesday, December 12, 2023	Council Meeting - 6:00 p.m. Budget Hearing - Council approves final 2024 Budget, Tax Levies, Fee Schedule, Franchise Fee distribution, and CIP.
Thursday, December 28, 2023	Cities must certify the final property tax levy to the county auditor on or before December 28, 2023 (5 working days after December 20).

All instructions, explanations, and forms are available electronically at the following network path:
K:\Budget\2024 Budget

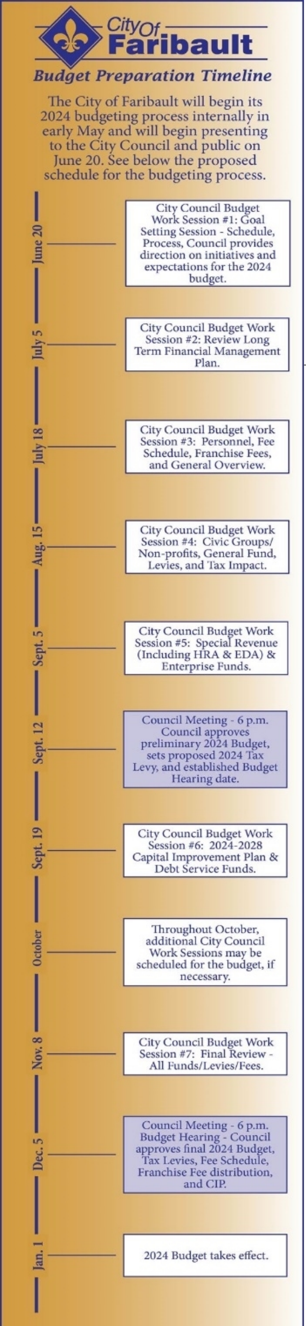
6/16/2023

City Of Faribault

2024 Budget Work Session #1

Key Dates
Governmental Funds Overview
Background Data

JUNE 20, 2023



City Of Faribault

BUDGET CALENDAR – KEY DATES

6/20/2023 to 11/21/2023

- Multiple Budget Work Sessions (7+)

9/12/2023 (City Council Mtg.)

- Set Preliminary 2024 Budget & Tax Levy
- Schedule Budget Hearing
- Prelim. Tax Levy and Budget Hearing Date Certified to County Auditor by 9/30/2023

12/12/2023 (City Council Mtg.)

- Budget Hearing
- Approve 2024 Budget, Tax Levy, 2023-2027 CIP
- Certify Final Tax Levy to County Auditor by 12/28/2023

CITY FUNDS

GENERAL FUND (101)
- Police; Fire; Public Works; Engineering; Library; Parks & Rec.; Planning/Zoning; Admin.; Finance

SPECIAL REVENUE FUNDS (225/240)
- Airport; Community Development

DEBT SERVICE FUNDS (3XX)

CAPITAL PROJECT FUNDS (401/404/431/437)
- Street Improvements; Parks; Equipment; Facilities

ENTERPRISE FUNDS (601/602/603)
- Water Utility; San. Sewer; WRF; Storm Water

OTHER FUNDS (7XX/8XX)
- Internal Service; Agency

REVENUE SOURCES

TAXES

- Property Taxes (47.27%)
- Franchise Fees

INTERGOVERNMENTAL

- Local Government Aid (LGA) (31.13%)
- Federal & State Grants
- Fire, Police, State, and County Aid

LICENSE & PERMITS

- Building Permits
- License Fees (Liquor, Tobacco, etc.)
- Rental Registration
- Other Permits

Revenue Sources

CHARGES FOR SERVICES

- Park & Rec. Programs/Facility Fees
- Planning & Zoning Fees
- Engineering Charges
- Rural Fire Services Agreement
- Library User Fees
- Other Misc. Charges

OTHER

- Parking & Court Fines
- Special Assessments (prior years)
- Investment Earnings
- Donations

Setting the 2024 Tax Levy

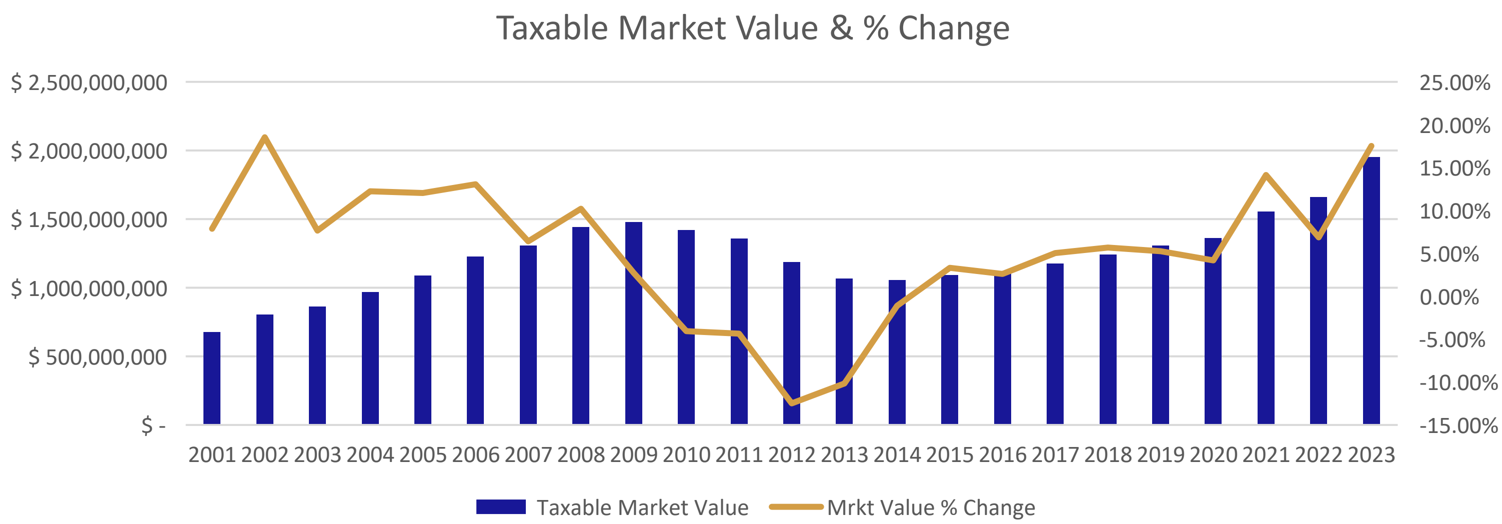
Property Tax is (was) Levied for the Following:

- General Fund
- Debt Service Funds
- Community Development Fund (4 year phase out of levy support-2024 is final year)
- Tax Abatement Projects (thru CED Fund 240)
- Airport (2022 was final year)
- Capital Project Funds (2020 was final year)

MARKET VALUE AND TAX CAPACITY

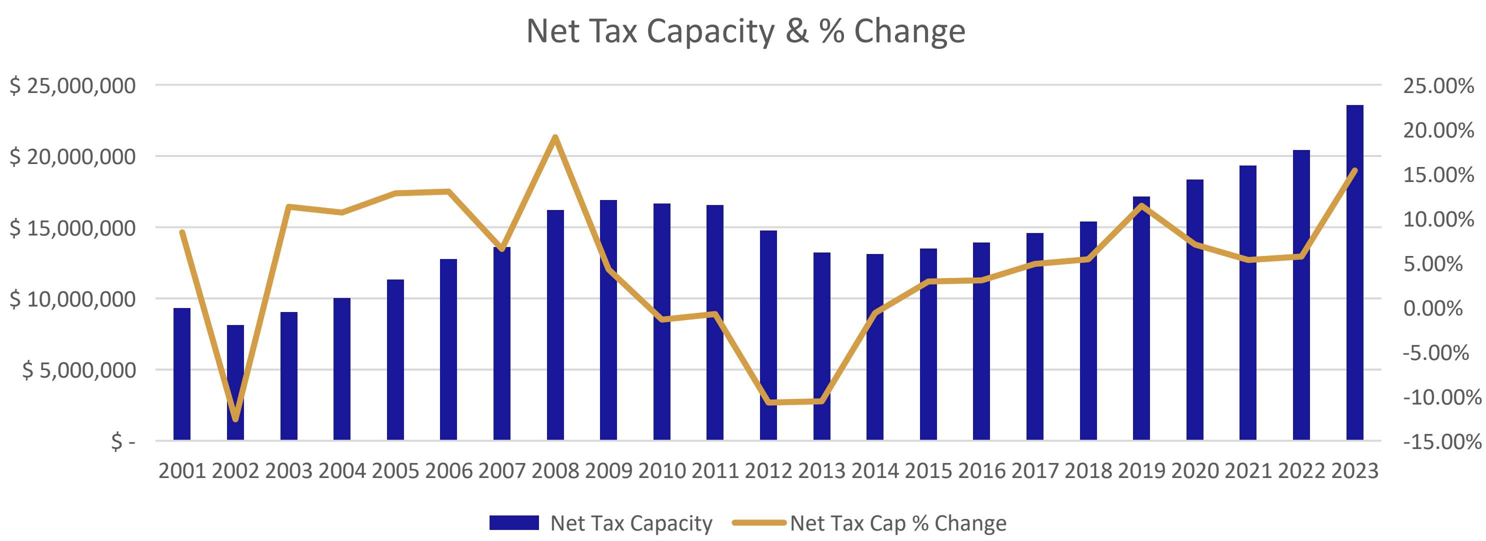
1. County Assessor sets Market Value of Properties (set January 2nd in prior year).
2. Market Value determines the Property Tax Capacity based on a formula that varies by property type.
3. Total becomes the City's Total Tax Capacity.
4. The City determines the amount needed to operate and pay for debt service which is the Gross Tax Levy.
5. The Tax Capacity Rate is calculated by dividing the tax levy by the total Tax Capacity.
6. Finally, the City property tax bill is calculated by taking the Tax Capacity Rate times the Tax Capacity of each Property.

Taxable Market Value & % Change



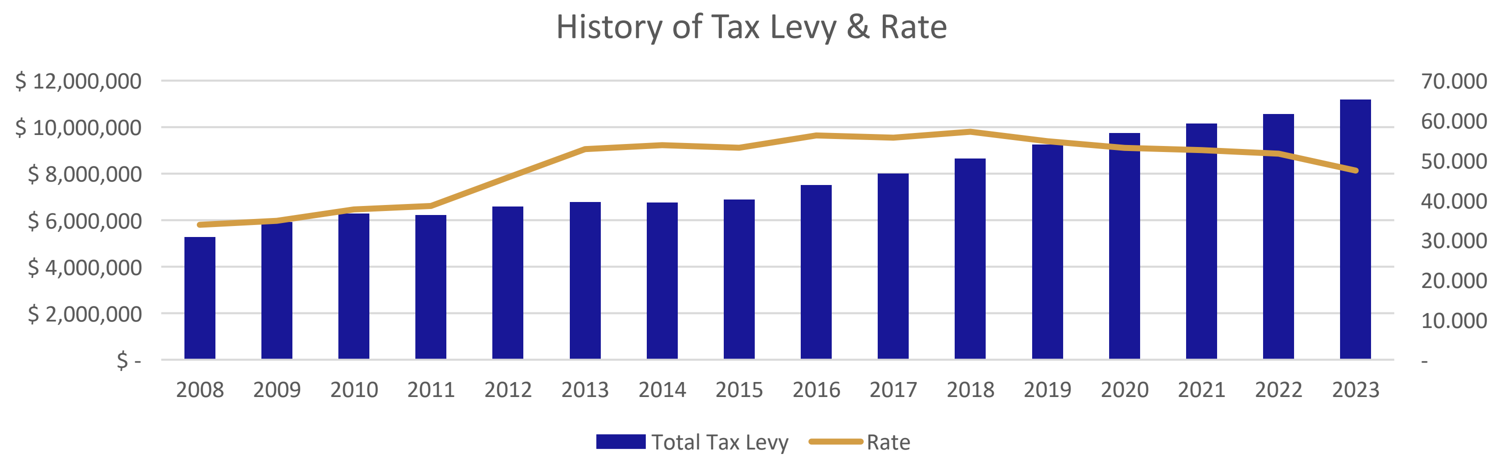
2023	$1,952,217,600
2022	$1,661,037,400
Increase:	$ 291,180,200 (17.53%)

Net Tax Capacity & % Change



2023	$23,573,544
2022	$20,431,840
Increase:	$ 3,141,704 (15.38%)

City Tax Levy Amount & Tax Rate History

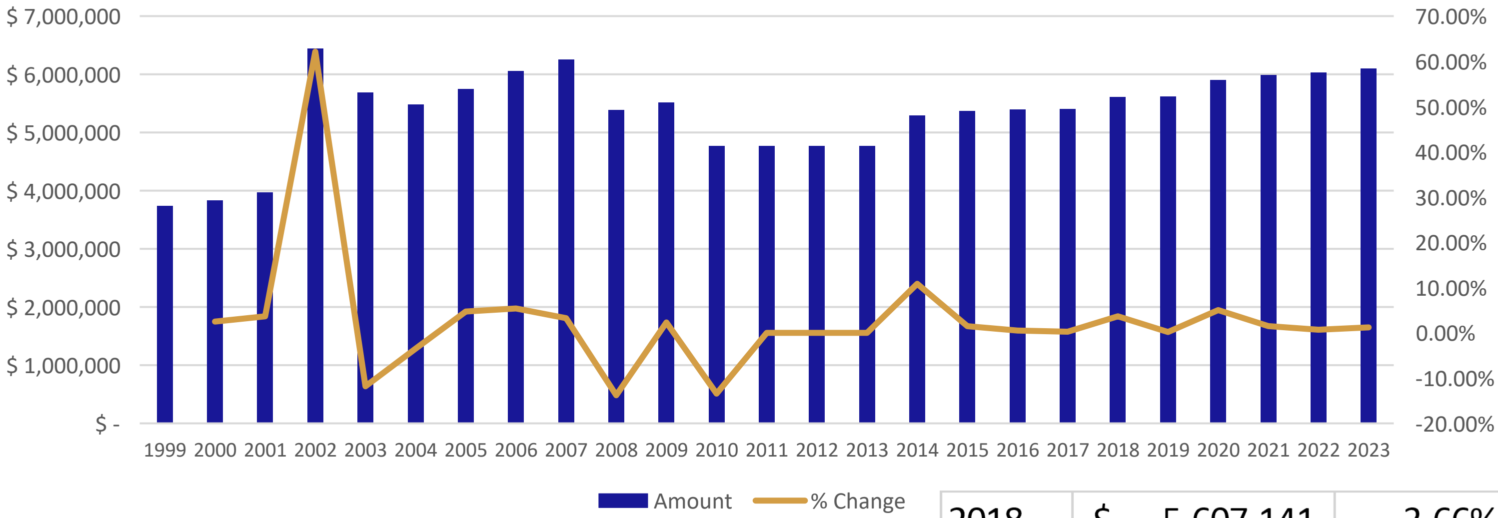


2018	$ 8,658,704	8.24%
2019	$ 9,250,896	6.84%
2020	$ 9,752,651	5.42%
2021	$10,162,266	4.20%
2022	$10,559,078	3.90%
2023	$11,184,332	5.92%

2018	57.182	2.67%
2019	54.803	-4.16%
2020	53.137	-3.04%
2021	52.574	-1.06%
2022	51.680	-1.70%
2023	47.444	-8.20%

LOCAL GOVERNMENT AID

Local Government Aid



2018	$	5,607,141	3.66%
2019	$	5,617,604	0.19%
2020	$	5,900,287	5.03%
2021	$	5,988,340	1.49%
2022	$	6,029,788	0.69%
2023	$	6,102,837	1.21%

City Of Faribault

2024 Budget Issues & Factors

- **Inflation & Interest Rates Remain Elevated**
- **Mixed Recession Predictions**
- **Housing Needs – City Role?**
- **LGA Increase for 2024 – Approach to Use of LGA Funds**
- **Personnel Costs – Existing and Requested Additions**
- **2023 Legislative Session Impacts**
- **Labor Agreements thru 2024 – Labor Negotiations**
- **Community Development Fund (240) Considerations**
- **Civic/Non-Profit Organization Funding Policies**

2024 Priorities/Expectations

- Council-directed Initiatives
- Property Tax Levy and Tax Rate Targets
- Service Levels and Delivery
- Personnel/Staffing
- Capital Improvements
  - Infrastructure
  - Facilities
  - Equipment
- Budgeting for Fund Balance Growth
- Other??

City of Faribault

Budget Preparation Timeline

The City of Faribault will begin its 2024 budgeting process internally in early May and will begin presenting to the City Council and public on June 20. See below the proposed schedule for the budgeting process.

- **June 20** — City Council Budget Work Session #1: Goal Setting Session - Schedule, Process, Council provides direction on initiatives and expectations for the 2024 budget.
- **July 5** — City Council Budget Work Session #2: Review Long Term Financial Management Plan.
- **July 18** — City Council Budget Work Session #3: Personnel, Fee Schedule, Franchise Fees, and General Overview.
- **Aug. 15** — City Council Budget Work Session #4: Civic Groups/ Non-profits, General Fund, Levies, and Tax Impact.
- **Sept. 5** — City Council Budget Work Session #5: Special Revenue (Including HRA & EDA) & Enterprise Funds.
- **Sept. 12** — Council Meeting - 6 p.m. Council approves preliminary 2024 Budget, sets proposed 2024 Tax Levy, and established Budget Hearing date.
- **Sept. 19** — City Council Budget Work Session #6: 2024-2028 Capital Improvement Plan & Debt Service Funds.
- **October** — Throughout October, additional City Council Work Sessions may be scheduled for the budget, if necessary.
- **Nov. 8** — City Council Budget Work Session #7: Final Review - All Funds/Levies/Fees.
- **Dec. 5** — Council Meeting - 6 p.m. Budget Hearing - Council approves final 2024 Budget, Tax Levies, Fee Schedule, Franchise Fee distribution, and CIP.
- **Jan. 1** — 2024 Budget takes effect.

City Of Faribault

2024 Budget Schedule

July 5
Long-Term Financial Management Plan

July 18
Personnel
Fee Schedule
Franchise Fees

August 15
Civic/Non-Profits
General Fund
Levies & Tax Impact

September 5
Special Revenue
Enterprise Funds

City Of Faribault

Budget Work Session #1

Questions?

Key Dates
Governmental Funds
Overview
Background Data

Council Work Session Memorandum

TO:	Mayor and City Council
THROUGH:	
FROM:	Tim Murray, City Administrator
MEETING DATE:	June 20, 2023
SUBJECT:	Non-Profit/Civic Organization Funding Considerations

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Discussion:

The City has a long practice of providing funding to a number of nonprofit/civic organizations (NPCOs). Prior to 2019, there was not an actual policy in place regarding the selection, amounts, etc. for these organizations. In 2019, the Council adopted the Policy and Procedures for Non-Profit Organization (NPO) Funding which established the amount of funds to be distributed, as well as the process for NPCOs to make requests. A copy of the most recent version (2022) is attached--should the Council be supportive of the following changes, we will need to either revise or rescind that policy as part of these considerations.

Staff annually takes requests for funding, and those are reviewed with the Council at a Work Session. The total amount of funding to be provided (except for FCTV) was established at 0.50% of General Fund revenues. FCTV's amount has been set at 22.5% of cable television franchise fees. Once the allocations are set by the Council, one year funding agreements are executed with each of the NPCOs receiving funds. This process is repeated every year, with the amount of funding adjusted, and in some years, one or more new NPCOs get added to the list of recipients, and one or more may go off the list.

There are current or pending longer term agreements in place with several of the NPCOs that have received annual funding in the past (Paradise Center for the Arts/10-year, River Bend Nature Center/3- to 5-year (pending), and Faribault Foundation/5-year (pending). I would recommend that instead of doing an annual solicitation, the Council enter into longer-term (5-year) agreements with the core group of recipients, with their individual funding established as a specific percentage of the City's General Fund revenues. A spreadsheet showing the proposed agencies, percentages, and allocations is attached.

In a related matter, I have drafted a proposed agreement with the Faribault Foundation based upon the direction provided by Council at the May 23, 2023 Work Session in response to their request for funding as part of their Hand Up Campaign. Please note that the City Attorney is reviewing the draft agreement, and may have suggested revisions/additions.

Attachments:

1. Policy and Procedures for Non-Profit/Civic Organization Funding
2. NPCO Funding Alternative
3. Faribault Foundation - 2024-2028 Agreement (DRAFT)

City of Faribault

Policy and Procedures for Non-Profit/Civic Organization Funding

1. PURPOSE:

To establish a policy and procedure that ensures an accountable and consistent process for submitting, reviewing, and approving nonprofit/civic organization (NPCO) funding requests. The City of Faribault (CITY) has no statutory or other legal requirements to fund NPCOs. However, the City Council may consider providing funding to NPCOs that provide facilities, services, and/or community events the City does not provide, or if the NPCO agency can deliver the service at a reduced cost or in a more expedient or efficient manner or to better the community. Approved requests will be funded for one year only. All NPCOs must apply annually for consideration. This policy is subject to the availability and allocation of funds by the City Council as part of the annual budget process.

2. BACKGROUND

It has been the practice of the CITY to allocate limited grant funding from the City's General Fund (101) to support a variety of highly successful and well-attended community-based programs and activities conducted by civic/charitable/non-profit organizations.

Consideration and priority will be given to NPCOs falling in one of the following categories:

Arts & Culture	Community Well Being
Natural Resources/Environmental	Recreation

It is important to limit the use of the general fund, as it is the primary source of revenue for primary City operations, including public safety. A maximum overall amount of 0.50% of the actual general fund budget revenue (from the prior budget year) will be considered available to provide funding support for grant requests and other similar budget allocations for organizational support, other than that provided to Faribault Community Television (FCTV). For FCTV, the City will provide 22.5% of the franchise fees received from the cable television companies operating within the city. The City may also provide in-kind support as deemed appropriate.

In order to ensure that a uniform process is followed in the appropriation of City general funds or in-kind City support requests that are annually submitted to the City, the following guidelines will be followed.

3. ELIGIBILITY:

A. Only one application will be allowed per NPCO per fiscal year.
B. NPCO must provide a mission statement along with goals and objectives, as well as an organizational chart.
C. NPCO must provide financial and budget documents.

D. Startup NPCO's will be considered for funding, but must submit a budget and a plan of operation.

The NPCO Funding Policy has been established by the City Council to provide guidelines to non-profit organizations that are seeking financial assistance or in-kind assistance with the following:

A. Grant sponsorship funding for established community events or festivals.
B. Funding towards event partnerships between the City and/or organizations.
C. Funding to maintain and/or operate private structures, other governmental or property that are used to the benefit of the community as a whole.
D. Requests for in-kind support through the use of City equipment, structures, assets, public space, services and staffing.
E. One time start-up funding for a new community program, service, event or festival (support will be limited to funding/in-kind support not to exceed $5,000).

4. PROCEDURES

A. Application Process
   1. A public notice announcing the request for applications will be made on the CITY's website (www.ci.faribault.mn.us) and in the local newspaper by the last week in June of each year to coincide with the annual budget process for the upcoming fiscal year.
   2. The application form will be available digitally on the City's website, and physically in the City Administrator's office.
   3. Applications are due back to the City Administrator's Office by the last working day in July. The address is 208 1st Avenue NW, Faribault, MN 55021.
   4. Applications received after the deadline will not be considered for inclusion in the annual budget for funding as part of the budget process.
   5. Applications that are incomplete will be deemed ineligible for funding and will be returned to the organization with an explanation of rejection.
   6. Annual budget, board roster and a non-discrimination statement must be submitted with application.
   7. Annual audit or financial review, in a form and substance acceptable to the City for prior year must be submitted with application.
   8. All other funding sources for prior year must be included with application.
   9. Submission of a complete application is no assurance of funding.

B. Application Information
   1. Application must state community need for organization's services and NPCO must provide a service that meets the description in the policy statement above.
   2. Application must state outcome based goals and outline a plan to meet stated goals.
   3. NPCO must demonstrate diversity of funding sources.
   4. NPCO must demonstrate financial stability.

C. <u>Review Process</u>

1. Eligible application will be reviewed by the City Council.
2. Completed applications will be provided to the City Council as part of the annual budget process.
3. The NPCO's that are selected for funding consideration must make presentations to the City Council if requested at a work session.
4. The City Council will be responsible for recommending the funding amount for each NPCO chosen to receive funding.
5. The City Council will determine which NPCOs will receive funding.
6. Letters will be sent to the NPCO applicants notifying them of the outcome of their requests no later than September 30th.
7. NPCOs that are awarded funding will be sent a memorandum of understanding, which must be completed and returned in a timely manner.

D. <u>Accountability</u>

1. A financial report in form and substance satisfactory to the City must be submitted by the NPCOs at the end of the funding period, December 31st.
2. An annual program performance report, which will include the use of the City's funds and the accomplishments of the program, must be submitted by the NPCO at the end of the funding period, December 31st.
3. Failure to comply with any of the above requirements will result in suspension of current funding and /or elimination of consideration for future funding.

THIS POLICY SPECIFICALLY REPEALS AND REPLACES ALL PRIOR CITY POLICIES OR PROCEDURES RELATIVE TO NON-PROFIT/CIVIC ORGANIZATION FUNDING POLICY.

Approved:

________________________________ ________________________________

Kevin Voracek, Mayor Tim Murray, City Administrator

Date: June 14, 2022

Non-Profit/Civic Organization Funding Proposal

6/20/2023

Year	Total GF Revenues*	Buckham West	% of Revenues	Heritage Days	% of Revenues	RCHS	% of Revenues	FCTV	% of Revenues
2019	$14,152,834	$39,500	0.2791%	$6,500	0.0459%	$12,500	0.0883%	$59,128	0.4178%
2020	$14,855,730	$40,000	0.2693%	$6,500	0.0438%	$12,500	0.0841%	$60,153	0.4049%
2021	$16,961,855	$42,000	0.2476%	$6,500	0.0383%	$13,000	0.0766%	$60,047	0.3540%
2022	$16,549,132	$43,000	0.2598%	$6,500	0.0393%	$13,000	0.0786%	$56,380	0.3407%
2023	$18,038,398	$43,500	0.2412%	$6,500	0.0360%	$13,000	0.0721%	$53,388	0.2960%
2024	$18,777,645	$51,639	0.2750%	$7,511	0.0400%	$14,083	0.0750%	$58,211	0.3100%
	* 2-year lag								
		3-yr Average	0.2495%		0.0379%		0.0758%		0.3302%
5-year Funding Agreements		Proposed %	0.2750%		0.0400%		0.0750%		0.3100%

Current/Pending Separate Funding Agreements
- Paradise Center for the Arts
- River Bend Nature Center
- Faribault Foundation

Discontinue NPCO Funding
- Diversity Coalition
- Healthy Community Initiative

Faribault Foundation – 2024 - 2028 Agreement

This is an agreement between the City of Faribault, a municipal corporation, hereinafter referred to as “City”, and Faribault Foundation Inc., a nonprofit corporation, hereinafter referred to as “the Foundation”.

Whereas, the Foundation’s mission is to enhance and promote the quality of life in the greater Faribault community; and

Whereas, the City has a need and desire to enhance and promote the quality of life of its residents.

Now, therefore, it is agreed:

City’s Obligations:

1. To provide a base amount of $250,000 in funding, payable as outlined below, for the underwriting of the direct and indirect costs of supporting the efforts of the Foundation:

Year	Amount
2024	$ 50,000
2025	$ 50,000
2026	$ 50,000
2027	$ 50,000
2028	$ 50,000

   payable on or before March 1 of each year.
2. In addition to the base amount of funding, the City shall provide additional funding for fundraising activities as specified in the following section. Semiannual payments for any additional funding shall be made to the Foundation on or before June 30th and December 31st of the year in which donation funds for *(Yet-to-be-Named Park)* are submitted to the City.

The Foundation’s Obligations:

1. The Foundation will be self-sufficient with regards to funding for programming.
2. The Foundation will be dedicated to supporting programs that help Faribault’s youth and families, enhance community pride, and foster cross-cultural collaboration.
3. The Foundation shall formulate and conduct a fundraising campaign, including donor recognition, subject to the approval of the City for *(Yet-to-be-Named Park)* improvements, for which the Foundation shall be compensated an additional amount above the base funding previously specified equal to five percent of the funds raised by the Foundation.
3. The Foundation shall indemnify, defend and hold harmless the City from any and all claims made against the City resulting from this agreement.
4. The Foundation shall be responsible for privately obtaining and maintaining liability insurance for all activities, and insuring all staff and program activities. They shall furnish certificates of insurance providing public liability, Workers Compensation including employer’s liability and other coverages as may be deemed appropriate by the City naming the City as an “additional insured” at levels required by the City.
5. The Foundation will maintain their own financial accounting system.

6. The Foundation shall submit a financial report and an annual program performance report to the City on or before March 31st following the years 2024 through 2028.
7. Data provided to the Foundation under this agreement shall be administered in accordance with the Minnesota Government Data Practices Act, Minnesota Statutes, Chapter 13.

At all times, and for all purposes, the Foundation is acting as an independent contractor, and no employees of the Foundation shall be considered employees of the City. It is recognized that the City does not control the means or manner of performance of any Foundation employees, the setting of wages, or the right of the employer to discharge employees.

This agreement shall terminate on December 31, 2028, or earlier under one or more of the following circumstances:

1. Upon mutual agreement of the City and the Foundation
2. The Foundation ceases to be registered or operate as a non-profit corporation.
3. The Foundation ceases to perform one or more of the obligations outlined herein (City to provide 90-days notice outlining obligation(s) not being fulfilled).

Dated: July __, 2023

City of Faribault	Faribault Foundation
______________________________	______________________________
Kevin F. Voracek, Mayor	Executive Director
______________________________	______________________________
Timothy C. Murray, City Administrator	Board Chair