



**Council Work Session
Monday, August 9, 2021
5:00 P.M.
Orono Council Chambers,
2780 Kelley Parkway, Orono, MN 55356**

**WORK SESSION
AGENDA**

1. Budget Discussion – Revenue



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Monday, August 9, 2021
5:00 P.M.
Orono Council Chambers,
2780 Kelley Parkway, Orono, MN 55356**

Past Meeting Agendas

July 26, 2021

- Budget Discussion

June 28, 2021

- Budget Discussion

June 14, 2021

- Fire Department Equipment Overview

Annual Discussions Timeframe:

- Budget: Part of June, All of July, August and October.
- City Administrator & Police Chief Update (3 times per year for 15 minutes)

MEMORANDUM

To: Mayor Walsh and Orono City Council
From: Ron Olson, Finance Director
Subject: 2022 Revenue Budget
Date: August 9, 2021

Attachments:

- a) General Fund Revenue Budget
-

At the last work session, the council requested more detailed information on the revenue side of the General Fund Budget. Some increases were included the discussion in July. These include: \$191,000 in new revenue connected to the new Spring Park Public Works Agreement, \$115,000 of additional grant proceeds that will be received and distributed back to other cities that participate in the Toward Zero Deaths grant program, and \$99,740 in the contracted increases in the police service contracts. This memo will focus on the historical trends of the major General Fund revenue sources.

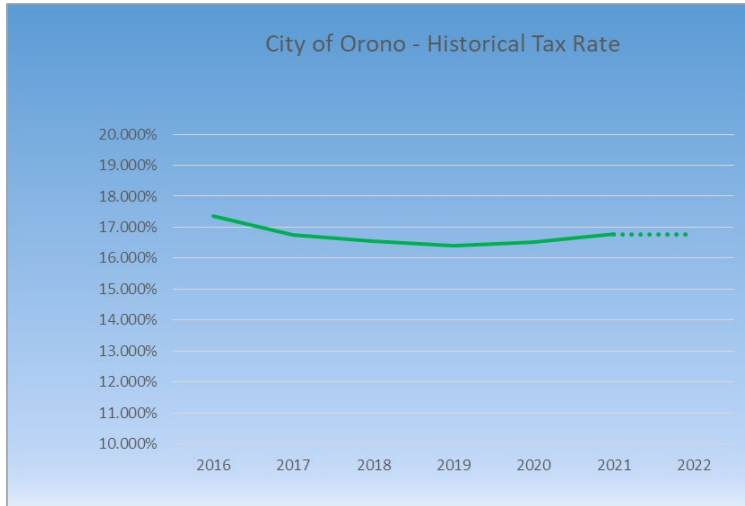
Taxes:

The property tax levy is the major revenue source for the General Fund. As presented it represents 51.5% of the revenue budget. 51% is a relatively low dependence on taxes. It is made possible revenue received from service contracts with neighboring cities. Orono has always had a high rate of tax collections which generally range from 98% to 100% of the levy.

The General Fund tax levy is currently increasing by \$250,890 (5.1%). This is the amount needed to balance the draft expenditure budget. As discussed in July, current estimates will allow the overall levy to be increased by approximately 8% without increasing the property tax rate. The following table compares the draft 2022 levy to the actual 2021 levy.

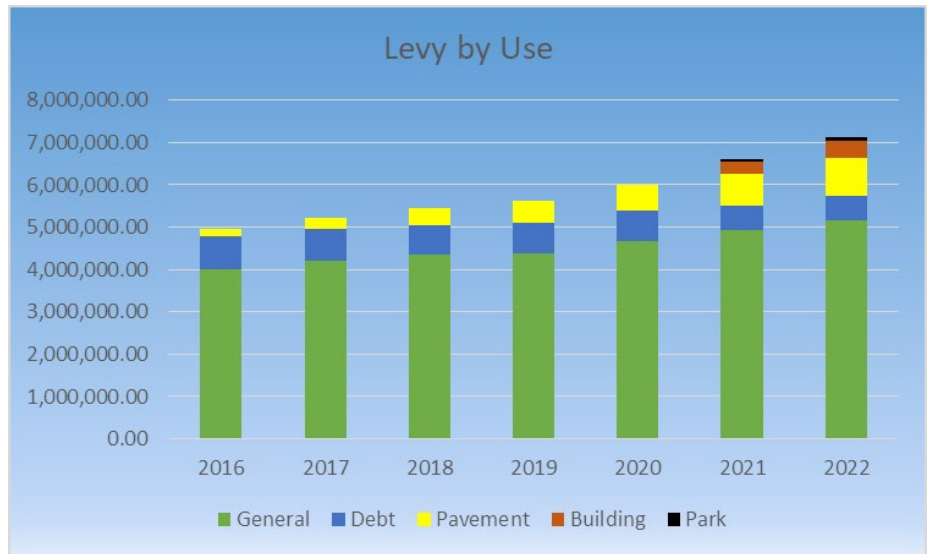
Tax Levy Comparison 2021/2022

	2021	2022 (E)
General Fund	\$4,921,140	\$5,172,030
Building Fund	310,000	390,000
Pavement Management	750,000	900,000
Parks	50,000	100,000
2014 Debt Service	166,700	161,000
2016 Debt Service	412,780	416,680
Total:	\$6,610,620	\$7,139,710



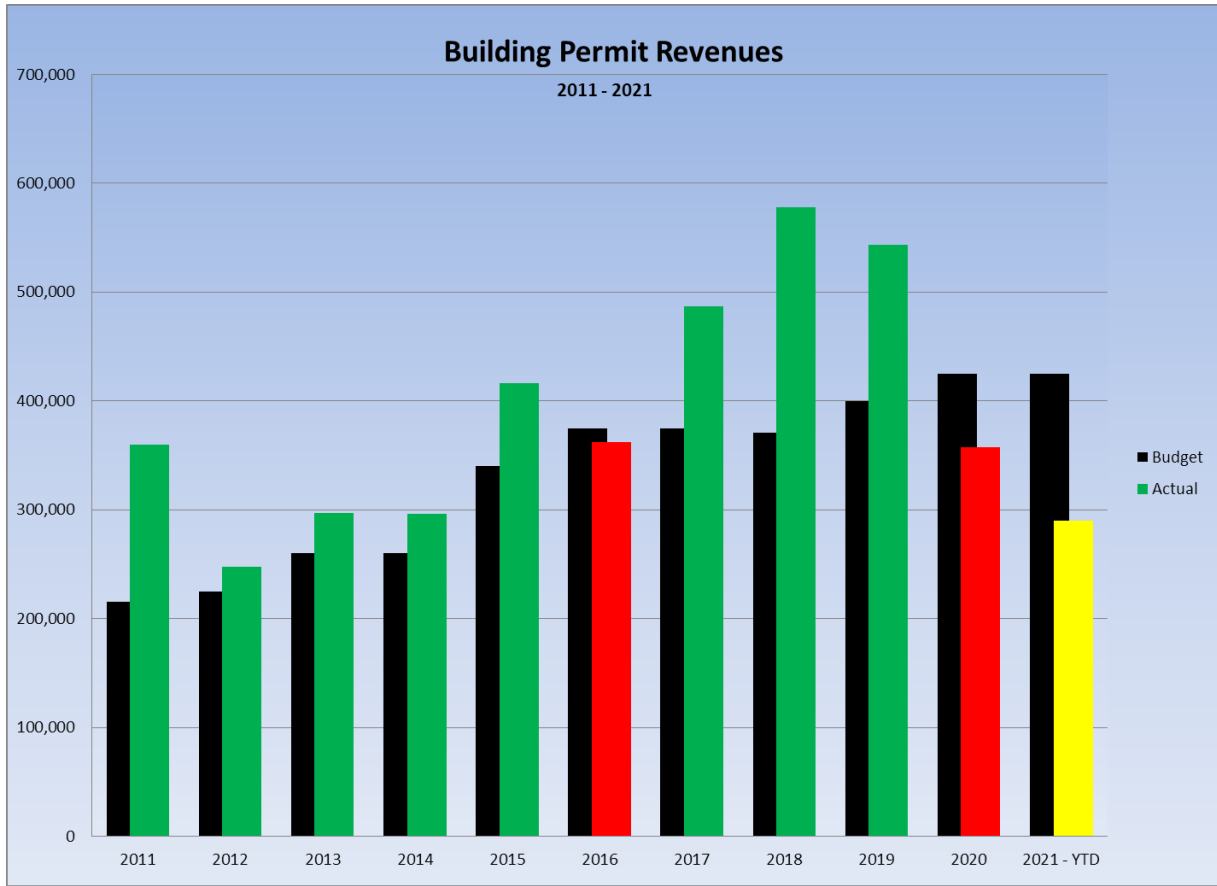
The City's current tax rate is 16.78% and is the 4th lowest in Hennepin County. The proposed levy will not increase the tax rate. The graph to the left provides some historical reference for the rate. Each .1 of the rate equates to approximately \$39,000 of revenue.

Recent tax levies have been set with in line with the Council's priorities in mind. The following graph illustrates the growth of the levy since 2016. 2016 was the first year of the pavement management levy which was originally at \$189,000. In the 2022 levy, the amount for pavement has been methodically increased to \$900,000. In 2021, the levy for Parks and Facilities were added to the tax levy. The blue portion of the tax bars represent the amount levied for debt. In 2022 this will be \$577,680. With the final maturity of the 2016 bonds, the existing debt levy will be reduced to \$242,000 in 2023.



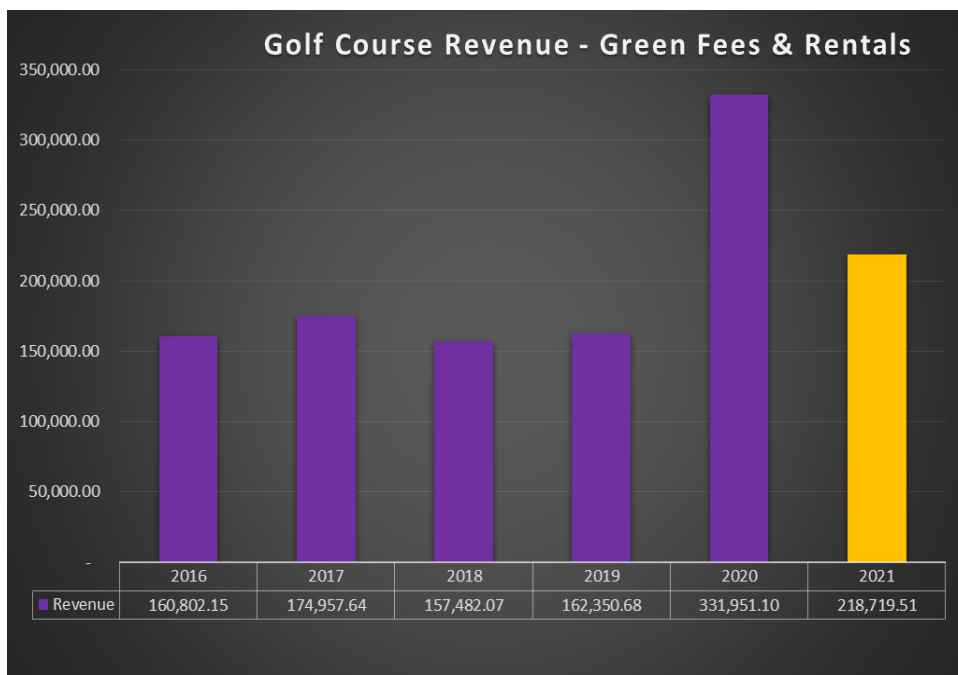
Building Permits

Building Permits are another major revenue source for the General Fund. The following graph provides some historical perspective on building permit revenue. These revenues can vary significantly based on higher value projects, like the school activity center, Bracket's Point, and apartment buildings. While we do have some larger projects being planned, it is difficult to budget for them. Economic condition can result in delays or cancelation of these projects. The 2022 budget for permits is currently at \$425,000 which is the same level as 2020 and 2021.



Golf Revenue

Revenue from the golf course has rebounded in the last two years. The following graph indicates the amounts received for Green Fees and Rentals which represent 94% of the course revenue.



The revenue for these lines has been increased to \$305,000 in the 2022 draft budget.

Water Revenue

The water department is not part of the General Fund and will be discussed in greater depth in upcoming budget work sessions. However, with this year's drought conditions I wanted to give the Council an update on the revenue. Water revenue through June has increased by \$146,000 (28%) over the previous year. This only includes one summer month so it is anticipated that the year over year increase in revenue will be even greater as the year moves on.

Building Official

On a non-revenue note, staff is reviewing the costs associated with the MnSpect contract to determine if there an economical reason to re-instate the Building Official position in the 2022 budget.

Timeline

The next budget work-session will be on August 23. At this meeting the draft General Fund Budget will be reviewed with adoption of the preliminary budget and tax levy at the September 27 council meeting. Council will also get their first look at the Enterprise budgets.

City of Orono
2022 Revenue Budget Summary

<u>Revenue Source</u>	2019	2020	Y-T-D	2021	2022	Increase	Percentage
	<u>Actual</u>	<u>Actual</u>	<u>Jun 30,2021</u>	<u>Budget</u>		(Decrease)	(Decrease)
Current Ad Valorem Taxes	4,286,605	4,565,199	2,755,270	4,921,140	5,172,030	250,890	5.1%
Delinquent Ad Valorem Taxes	37,691	20,893	54,904	15,000	15,000	-	0.0%
Fiscal Disparities	37,475	40,494	14,700	-	-	-	N/A
Personal Property Tax	20,812	20,221	12,155	-	-	-	N/A
Forfeited Tax Sale Apportionmt	-	21	-	-	-	-	N/A
Rent Credit	-	-	-	-	-	-	N/A
Penalties and Interest-Taxes	1,454	686	3,740	-	1,500	1,500	N/A
Property Taxes	4,384,038	4,647,515	2,840,769	4,936,140	5,188,530	252,390	5.1%
Beer & Liquor Licenses	6,625	6,600	-	7,100	7,100	-	0.0%
Cigarette Licenses	875	750	250	500	500	-	0.0%
Garbage Haulers Licenses	990	1,110	1,095	1,100	1,100	-	0.0%
Other Business License/Permit	9,186	6,335	2,230	10,000	10,000	-	0.0%
Rental Licenses	4,340	1,800	1,100	4,000	2,000	(2,000)	-50.0%
Dog Licenses	1,150	450	100	-	-	-	N/A
Total Licenses	23,166	17,045	4,775	22,700	20,700	(2,000)	-8.8%
Building Permits	543,204	357,672	265,312	425,000	425,000	-	0.0%
Zoning Permit	1,833	2,350	900	1,500	1,500	-	0.0%
Mechanical/Septic/Other	88,835	93,791	32,039	55,000	55,000	-	0.0%
Plumbing Permit	46,154	26,306	15,230	28,000	28,000	-	0.0%
Total Permits	680,026	480,119	313,482	509,500	509,500	-	0.0%
Federal Grant-other	-	237,184	-	-	-	-	N/A
Market Value Credit	420	321	-	-	-	-	N/A
Police State Aid	241,201	252,028	-	230,000	240,000	10,000	4.3%
Police Training Reimbursement	33,605	31,023	2,740	23,000	23,000	-	0.0%
PERA State Aid	7,219	-	-	-	-	-	N/A
State Grant-other	144,308	6,649	3,130	15,000	130,000	115,000	766.7%
Grants/Aids from Other Govts	5,000	5,000	1,350	-	-	-	N/A
Total Intergovernmental	431,753	532,205	7,219	268,000	393,000	125,000	46.6%
Administrative Charges for Svc	276,650	286,000	144,500	262,500	265,000	2,500	1.0%
General Taxable Sales/Service	1,117	268	348	2,000	2,000	-	0.0%
Assessments searches	100	40	-	100	100	-	0.0%
Zoning Disclosure	50	-	50	-	-	-	N/A
Plan Check/Site Exam Fees	328,356	169,196	151,491	200,000	200,000	-	0.0%
Cond Use-Variance-Dev Fees	23,210	17,325	15,700	19,000	19,000	-	0.0%
Engineering & Legal Fees	79,597	42,706	12,381	45,000	45,000	-	0.0%
Bldg Permits-mail in fees	-	-	-	-	-	-	N/A
On-site Septic Program fees	45,540	46,701	23,349	46,300	46,300	-	0.0%
Park Reservations	270	270	3,345	-	-	-	N/A
Off Leash Annual Pass	-	-	-	-	-	-	N/A
Coop Agreement-public works	7,023	2,227	-	1,500	193,000	191,500	12766.7%
InterDepartmental Services-PW	-	-	-	-	-	-	N/A
Brush Site Fees	-	-	-	1,000	1,000	-	0.0%
Total Gen Govt Service Charges	761,913	564,734	351,163	577,400	771,400	194,000	33.6%
Coop Agreement-inspection	41,330	20,041	2,280	25,000	-	(25,000)	-100.0%
Coop Agreement-police	2,352,652	2,417,012	2,147,109	2,453,060	2,552,800	99,740	4.1%
Police Special Services	132,188	71,911	6,305	100,000	100,000	-	0.0%
False Alarm Fees	800	200	100	1,000	1,000	-	0.0%
Police Reports	2,016	1,056	163	1,000	1,000	-	0.0%
Police Reserve Receipts	1,050	24,790	26,030	-	10,000	10,000	N/A
Explorers program	697	60	240	-	-	-	N/A
Total Public Safety Service Charges	2,530,733	2,535,070	2,182,227	2,580,060	2,664,800	84,740	3.3%
Admin Citations	11,317	3,343	18,540	-	15,000	15,000	N/A
Court Fines	74,493	40,658	23,653	70,000	70,000	-	0.0%
Drug Task Force	-	-	-	-	-	-	N/A
Dog Impound Fees	-	-	-	100	-	(100)	-100.0%
Total Fines and Forfeits	85,809	44,001	42,192	70,100	85,000	14,900	21.3%
Interest on investments	96,555	100,000	-	70,000	80,000	10,000	14.3%
Interest-NOW account	448	655	198	500	500	-	0.0%
Total Investment Revenue	97,003	100,655	198	70,500	80,500	10,000	14.2%

City of Orono
2022 Revenue Budget Summary

<u>Revenue Source</u>	2019	2020	Y-T-D	2021		Increase	Percentage
	<u>Actual</u>	<u>Actual</u>	<u>Jun 30,2021</u>	<u>Budget</u>	2022	(Decrease)	(Decrease)
Green Fees	113,825	246,026	119,578	120,000	225,000	105,000	87.5%
Rental-Golf carts & Club	48,574	85,925	42,185	50,000	80,000	30,000	60.0%
Beer Sales	9,433	12,067	7,194	10,000	15,000	5,000	50.0%
Pop Sales	-	-	-	-	-	-	N/A
Concessions-taxable	5,632	5,163	3,388	5,000	5,000	-	0.0%
Golf Ball Sales	1,973	1,824	1,735	1,000	2,000	1,000	100.0%
Pro Shop-taxable	1,247	1,249	276	2,000	1,000	(1,000)	-50.0%
Pro Shop-nontaxable	137	855	554	-	-	-	N/A
Other Golf Course Receipts	-	-	-	-	-	-	N/A
Cash Over/Short	11	-	-	-	-	-	N/A
Total Golf Course Receipts	<u>180,831</u>	<u>353,110</u>	<u>174,909</u>	<u>188,000</u>	<u>328,000</u>	<u>140,000</u>	<u>74.5%</u>
Utility Penalties	2,250	1,520	-	2,000	1,000	(1,000)	-50.0%
Miscellaneous Revenue	11,156	2,130	7,171	4,700	5,000	300	6.4%
Convenience Fee	1,758	2,636	543	-	-	-	N/A
Rent Income	5,850	4,950	3,150	5,400	5,400	-	0.0%
Contributions & donations	3,855	17,200	5,000	-	5,000	5,000	N/A
Refunds & Reimbursements	5,087	12,653	1,512	3,000	5,000	2,000	66.7%
Sale of Equipment	41,105	39,811	25,160	20,000	20,000	-	0.0%
Cash Over/Short	(1)	-	-	-	-	-	N/A
Filing fees-elections/plats	-	4	-	3,000	-	(3,000)	-100.0%
Total Miscellaneous Revenue	<u>71,061</u>	<u>80,904</u>	<u>42,536</u>	<u>38,100</u>	<u>41,400</u>	<u>3,300</u>	<u>8.7%</u>
Total Revenue	<u><u>9,246,334</u></u>	<u><u>9,355,358</u></u>	<u><u>5,959,471</u></u>	<u><u>9,260,500</u></u>	<u><u>10,082,830</u></u>	<u><u>822,330</u></u>	<u><u>8.9%</u></u>

**City of Orono
2022 Budget Timeline**

Dates	Task	Who
June		
6/2 – 6/10	Finance updates budget documents	Finance
6/7	Finance meets with City Administrator	Finance
6/8	Finance updates Departments on upcoming budget	Finance
6/14	Budget worksheets available to Departments	Finance send to Department Heads
6/14 – 6/23	Department identify 2022 budget needs (aka Department highlights)	Department Heads
6/23	Department highlights due to Finance for 6/28 WS	Department Heads
6/28	Council Work Session (wages and levy budget and Department highlights)	Finance
6/29	Finance updates Departments on Council guidance	Finance
July		
6/29 – 7/8	Departments work detail budgets as needed	Department Heads
7/8	Budget worksheets due (General Fund)	Department Heads
7/13 – 7/16	Department budget meetings with Administrator (Finance first)	Department Heads
7/16	Deadline for Information included in 7/23/ Council Work Session	Department Heads
7/19– 7/22	Prepare Draft Budget for Council WS – Packet to Council by 7/22	Finance
7/26	Council Work Session (General Fund)	Finance
7/27 – 7/30	Update budget to reflect Council Input	Department Heads
7/30	Enterprise Fund deadline (Utilities) & Internal Service Fund deadline	Finance & PW Superintendent
August		
8/2 – 8/13	Update budget to reflect input	Finance
8/16 – 8/19	Updated General Fund and Enterprise Budgets to Council for 8/23 WS	Finance
8/23	Council Work Session (Enterprise Fund and Updated General Fund)	Finance
8/24 – 9/23	Refine budget Information – Packet to Council by 9/23	Finance
September		
9/1	CIP forms distributed	Finance send to Department Heads
9/1 – 10/8	Utility rate study starts	Finance
9/27	Council Work Session (Updated Enterprise Fund, if needed)	Finance
9/27	Adopt preliminary tax levy and GF budget at council meeting	Finance
9/30	Preliminary budget/TNT date on website	Finance
October		
10/1	CIP updates due	Department Heads
10/4	Fee Schedule Updates Start	Finance send to Department Heads
10/1 – 10/18	Refine budget as estimated numbers become firm	Department Heads
10/11 – 10/15	Finance meets with PW to discuss utility rate study	Finance, City Engineer, & PW Sup
10/11	Council Work Session (CIP)	Department Heads
10/25	Council Work Session (any updated budget numbers and CIP)	Department Heads
10/29	Fee Schedule updates due	Department Heads
November		
11/1 – 11/30	Final Budget preparation	Finance
11/22	Fee Schedule Discussed at Work Session	Finance
December		
12/6	TNT Hearing, Adopt final levy, budgets, fee schedule and CIP	Finance
12/8	Final Budget information on website	Finance
12/17	Certify Levy to Hennepin County	Finance
12/31	Budget submitted to the state and distributes budget books to Council	Finance