SPECIAL CITY COUNCIL WORK SESSION
August 2, 2021 after Regular City Council Meeting
Robbinsdale City Hall
4100 Lakeview Avenue North

AGENDA

---

1. CITY COUNCIL WORK SESSION CALLED TO ORDER BY MAYOR PRO TEM
2. ROLL CALL: Kline, Webb, Selman, Backen, Mayor Blonigan
3. Presentation: City's Budget Process
4. ADJOURNMENT

City of Robbinsdale

MEMORANDUM

To: Mayor and Council Members

Date: August 2, 2021

Re: City's Budget Process

Overview:

April
The budget process begins as the Finance Department completes the budget calendar that is approved by City Council. The calendar is a guideline for each department's budget team to be aware of when to be on the lookout for budget info and deadlines.

May
During this month the Finance Department starts working on the Internal Service Fund charges for user departments.

Internal Service Fund Charges - Internal service funds are established to account for any activity that provides goods or services to other funds, departments or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis.

The City's internal charges are for the following:
Garage Space Rental – Allocation of cost to operate public works building allocated between Parks, Streets, Water, Sewer, and Storm Sewer.

Allocated Vehicle Maintenance - account for the cost of operating a maintenance facility for mobile equipment used by other City departments.

Mobile Equipment Replacement - provide for the systematic replacement of equipment as required.

Information Technology – Accounts for all technology related costs.

General Office Supplies – Provides general office services (copiers, phone system, and office supplies).

Government Buildings – All costs associated with maintaining City Hall and the Police & Fire Building.

Insurance Allocation - Provides for the payment of premiums and deductibles in regards to the insurance coverage that the City carries. Charges are made to all departments to recoup the costs of the insurance plus the amount of potential risk assumed by the City through the deductible portion of the coverage and any exposure reduction initiatives.

The Finance department reviews the user charge calculation and tries to adjustment them to keep up with the rising costs, but these charges have a significant impact on the General Fund budget. If the General Fund budget requires some cuts back this is one of the first areas we begin. However, reducing the charges means reducing the funds on hand for the next roof replacement or vehicle purchase. A study was completed in 2019 by Baker Tilly to determine that our calculation and allocation methods were reasonable. The report and presentation to City Council confirmed.

June/July

Finance provides each department with a budget worksheet in our financial software. The budget worksheet includes the last two actual years data, the current year budget, current year projection, budget request column for 2 years. In 2019 we began trying to accomplish a 2-year budget to provide more financial information to Department Heads, City Council, and residents. It's important to see how the decisions made 1 year impact the following.

The Departments are asked to fill out requests for new positions, capital equipment, and certain expenditure line items on their budgets. Finance departments fills in the information regarding salaries/benefits and internal charges.

From the end of June through July, the Departments put together and submit their respective budgets. The Finance Department will compile the budgets to get a clear picture how the General Fund may look with all the requests. The City Manager and Finance Director meet with each department and go through the budget requests to make verify there is an actual need and the approach to fitting it into the upcoming budget year.

The end of July is important to note as that is when the State of Minnesota Department of Revenue will certify the Local Government Aid (LGA) for the next year. LGA accounts for up to 20% of the General Fund revenue each year and helps pay for the operating costs of the general fund.

August

The first week of August is an important week for the budget as that is usually when Hennepin County certifies the allocation of Fiscal Disparities.

Fiscal Disparities - A revenue-sharing program that applies to cities in the Twin Cities metro area and on the Iron Range. The program shares tens of millions of dollars of commercial property tax base between communities in the metro. Some cities, counties, and school districts gain tax base, while others lose it. Tax-base sharing spreads the fiscal benefits of commercial-industrial growth no matter where the property exists within the metro area.

For the City of Robbinsdale, the allocation of fiscal disparities is important as it helps reduce the burden of property taxes on residents. Property Taxes account for roughly 60% of the General Fund budget which helps pay for the services provided.

During the month of August, City Council and staff meet in budget work sessions to discuss the upcoming budget. These meetings begin as a high-level approach to the City's budget discussing the position and capital expenditure requests followed by the expectation for wages and benefits as that expenditure makes up nearly 75% of the General Fund expenditures. There are times the contracts are settled and already built into the budget, but others it's the best estimate of what we might expect. Certain employees are still going through the step program as well and that gets factored in. On the benefits side, the two main expenditures are PERA and City Contribution for Health Insurance. In recent years there has been a change to the Police and Fire PERA contribution rate for the employer as PERA tries to get the plan fully funded. No recent contributions changes have been made to the Coordinated plan. Health Insurance rates can fluctuate depending on where the City is on the contract with the provider and union contract negotiations.

During these meetings it is determined if any revisions need to be made and brought back at a future work session to discuss the impact. The August work sessions set up for a preliminary levy and budget presentation at the first meeting in September.

September
The preliminary levy must be sent to Hennepin County by September 30^{th} each year. The levy sent to Hennepin County in September can be lowered at the December budget meeting, but the City can not levy a higher amount.

October/November
After the September meetings the City Council and staff meet to discuss all remaining budgets for capital project funds and enterprise funds. During these meetings a discussion of the Capital Improvement Plan also takes place. We will also discuss the General Fund levy once more before we get to the first City Council meeting in December.

December
The first meeting is where the Levy and Budget will be presentation to Council and residents. At that meeting there is a public hearing for residents to voice concerns be heard and considered by City Council. The budget is approved and adopted at the 2^{nd} meeting in December. The final levy is required to be submitted to Hennepin County by December 30^{th} each year.

2022 Budget

- Local Government Aid - $2,066,556, increase $23,184 over 2021
- No position requests for 2022
- No large capital equipment requests for General Fund
- Contracts in negotiation
- Debt Service levy increases in 2022 to $1,017,284 from $1,005,054

An update on the 2021 projected finish and 2022 budget outlook will be provided at the August 10^{th} City Council work session.