

City of Farmington
430 Third Street
Farmington, MN 55024

Mission Statement
*Through teamwork and cooperation,
the City of Farmington provides quality
services that preserve our proud past and
foster a promising future.*

AGENDA
CITY COUNCIL WORKSHOP
October 24, 2011
Following 6:30 p.m. EDA Meeting

- 1. CALL TO ORDER**
- 2. APPROVE AGENDA**
- 3. FISCAL DISPARITIES AND 2012 BUDGET**
- 4. CITY ADMINISTRATOR UPDATE**
- 5. ADJOURN**

PUBLIC INFORMATION STATEMENT

Council workshops are conducted as an informal work session, all discussions shall be considered fact-finding, hypothetical and unofficial critical thinking exercises, which do not reflect an official public position.

Council work session outcomes should not be construed by the attending public and/or reporting media as the articulation of a formal City policy position. Only official Council action normally taken at a regularly scheduled Council meeting should be considered as a formal expression of the City's position on any given matter.



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TO: Mayor, Councilmembers
FROM: David McKnight, City Administrator
Teresa Walters, Finance Director
SUBJECT: 2012 Budget
DATE: October 24, 2011

BACKGROUND

Local government units within the Twin Cities metropolitan area (comprised of the seven metro counties), have participated in a property tax base sharing program known as Metropolitan Fiscal Disparities since 1975. Under this program, a portion of the growth in commercial, industrial, and public utility property value of each community is contributed to a tax base sharing pool. Each community receives a distribution of property value from the pool based on the market value and population of each city.

For the 2011 budget, the City of Farmington's fiscal disparity distribution increased by \$233,973 over the 2010 budget. In anticipation of a Fiscal Disparity decrease in 2012, we decided to budget conservatively by budgeting the same amount we budgeted in 2010. The actual amount we anticipate receiving in 2012 is \$712,258 higher than 2010.

Council requested staff to distribute \$175,000 of this amount to cover the EDA deficit. This leaves a balance of \$537,258. Council will now need to determine how to allocate the funds.

Fiscal Disparity distribution amounts may be affected by changes due to the Market Value exclusion; however, changes will not occur for at least one year (in 2013). This means there could be a large reduction in Fiscal Disparity revenue next year. It is recommended the funds only be used on one-time expenditures since the possibility of receiving the additional amount next year is uncertain.

OPTIONS

Staff has prepared the following options for Council to consider:

1. ***Eliminate the deficit (\$120,000) in the Recreation Special Revenue funds*** (Rambling River Center, Senior Center, and Pool) funds and move them to the General fund. At the end of 2010, the Senior Center operations had a deficit amount of \$33,076. The Rambling River Center renovations had a deficit in the amount of \$159,586. The pool had a positive balance in the amount of \$58,278. The recreation funds went from a negative \$134,384 in 2010 to a negative \$116,706 as of September 2011. We would like the Council to allocate \$120,000 towards eliminating the deficit.
2. ***Eliminate the deficit in the Arena (\$350,000)***. In 2009, the Ice Arena had a deficit in the amount of \$178,985. In 2010, the deficit grew by \$77,918 to a negative \$256,903. As of September 2011, the deficit is now \$343,090, an increase of \$86,187. We cannot continue to maintain a deficit balance in the Arena fund. We will need approximately \$350,000 to cover the deficit. If Council decides to eliminate the deficit in the Arena fund, council should also designate a revenue source to fund operations in the future so we do not continue to have deficit balances in this fund. The Arena is not a self supporting fund. It needs financial assistance.
3. ***Transfer funds to the Equipment Replacement fund to contribute towards a Fire Truck (\$537,258)***: If Council chooses this option, they could put all or a portion of the remaining fiscal disparities toward the truck. The current Engine/Pumper we are using is a 1993 model Luverne. It has a pumping capacity of 1250 GPM. This truck could be used in a reserve (stand-by) capacity for several years since it would not have to respond to every call. The new truck would replace a 1986 Ford 8000 Rescue truck. This truck is on its last leg. The engine is shot and the back door flies open when driving down the road (safety hazard). The equipment from this truck would be transferred to the new truck.

In addition, a new Rescue/Pumper could be enough of a push to put us over on our ISO rating. This could lower insurance premiums for the businesses along with the homeowners. The average saving per household could be \$20-30 per year. The new truck would be located and respond to all calls out of Station 2. We currently have 2 pumpers, one at each station. By having an additional pumper, we would not lose a station every time a pumper is down. Our current pumper is slated for replacement in 2013. We have a committee that has put together the specs on the proposed truck. Copies will be available at the meeting. A fully loaded truck is estimated to cost approximately \$579,000.00.

4. ***Equipment Replacement Plan (\$250,000)***: As part of the Equipment Replacement plan, staff would like council to designate \$250,000 from fiscal disparities in 2012. The plan also shows funding from Fiscal disparities as shown below:

Year	Fiscal Disparities
2012	250,000
2013	250,000
2014	250,000
2015	75,000
2016	75,000
2017	75,000
2018	75,000
2019	75,000
2020	75,000
2021	65,500
Total	\$1,265,500

In order to keep all vehicle equipment purchases grouped together, the equipment (vehicle) replacement plan in its current form includes costs to replace all vehicles in the City's fleet including fire vehicles. Because of the large cost associated with fire equipment and the timing of those purchases, the levy included in the 2012 preliminary budget will not be sufficient to cover the equipment replacement cost when fire vehicles are included. A contribution of \$250,000 from the additional fiscal disparities that we receive in 2012 would provide adequate funding for the plan in 2012. It should be noted that the same amount in 2013 and 2014, with reduced amounts from 2015 through 2021 will be necessary to adequately fund the equipment replacement plan.

If Council funds the Equipment replacement plan, the Fire Truck is scheduled to be replaced in 2014. If Council decides to choose option 3, this would eliminate the need to contribute \$250,000 from Fiscal Disparities in 2012 and 2013; however, we would still need the contributions from 2014 to 2021.

5. ***Purchase a Salt Storage shed (\$100,000)***: The City currently has a joint powers agreement with the County to store salt. Should Dakota County not be able to meet the needs of the City of Farmington for de-icing materials, the City of Farmington would be responsible for obtaining de-icing material from other sources. The County has had a shortage of salt in the past resulting from a regional shortage. A situation like this in the future could create a liability for the City in meeting the intent of the Snow Removal and De-icing Policy. Also, if the County decided to move their facility outside of Farmington in the future, which has been discussed in the past, it would be inconvenient for us to

transport salt. The County currently charges their purchase price plus handling and overhead fees. It may be more efficient and cost effective for the City to purchase the salt directly through the State contract. An investment of \$100,000 to build a salt storage shed would ensure the City's future de-icing needs.

6. *Keep the money in the budget as a contingency (\$50,000 - \$100,000).* As you recall, the 2011 budget had a contingency of \$45,840. During the year, there are several occasions where we find ourselves needing additional funds for an emergency or unplanned event. We utilized the entire contingency at the beginning of 2011; however, the plan was to have it go into the fund balance if it was not used. Council could designate a portion of the fiscal disparities towards a contingency. The fund balance is currently below the State Auditor's recommended 35-50%. We recommend \$50,000 - \$100,000.
7. *EDA operations funding (\$10,000) or elimination of the inter-fund loan (\$50,000).* Please see the memo from the EDA meeting held prior to this meeting.

OTHER DISCUSSION ITEMS (Revenue Reductions):

- a. Police Services ISD 192 Liason: We currently budget \$205,377 for Police Liason revenue in Charges for services. This is for three officers. The School has cut one police officer effective June 2011. Therefore, we will only receive \$171,148 or \$34,229 less than the current budget. If we keep the position, we will need to cut this revenue from the budget. A revenue reduction will also need a corresponding reduction in expenditures in order to balance the budget.
- b. Miscellaneous Revenue: Our 2012 budget is \$65,300. In 2009 we received \$108,653 due mostly to ALF revenue (\$83,278). In 2010 we received \$55,646. Some of this was an ALF payment and another portion was service charges for recreation rentals. This year we have received approximately \$29,000. We no longer receive ALF payments. The 2011 budget amount is \$69,000. Miscellaneous revenue includes NSF fees, sale of assets, advertising, and other unplanned and unpredictable revenue. In 2012, the budget was increased by \$3,300 to include the Farmers Market Revenue. The 2012 budget amount is \$72,300. This is not realistic. Staff would like to reduce it to \$35,000 or a reduction of \$37,300. Some of the savings from Insurance, the newsletter, and the audit could help off-set this reduction in revenue.

RECOMMENDATION:

Staff recommends council provide direction on how to allocate the Fiscal Disparity revenue. Staff also recommends council authorize staff to reduce the revenue line items (listed above) approved in the preliminary budget.