

2021 Budget Presentation

Presented to Duluth City Council

Thursday, September 10 2020



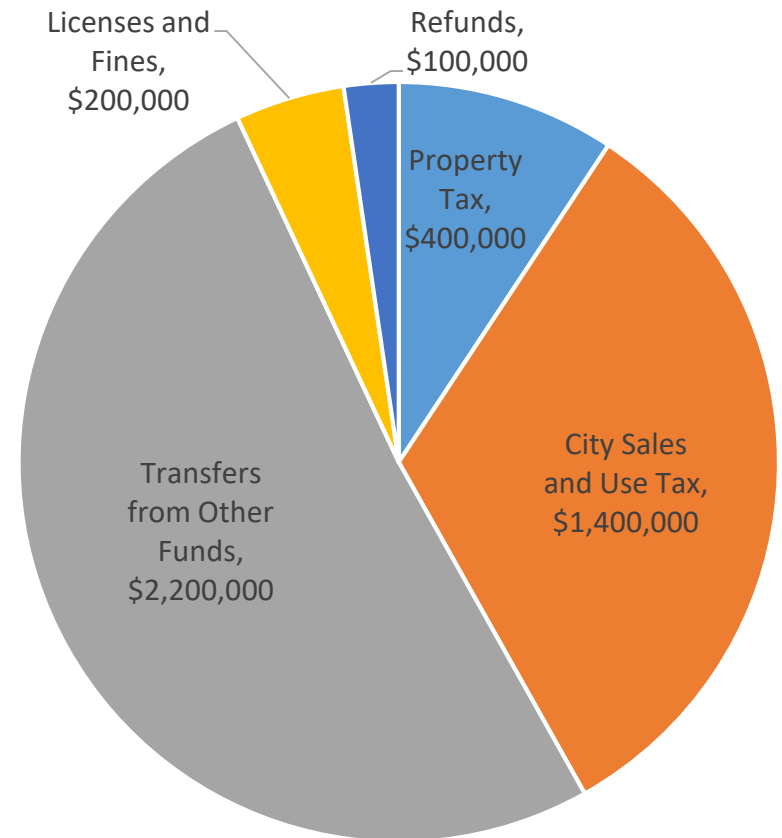
We Move Forward by First Looking Back

	April 27 Projections	June 22 Projections	Current Projections
Sales Tax to General Fund	\$2.8M - \$7M	\$2.8M	\$1.4M
Streets Sales Tax	\$1.4M - \$4M	\$1.5M	\$750k
Tourism Tax	\$6M - \$9M	\$6M	\$4.2M
City Property Tax Levy	\$1.7M - \$7.1M	\$1.3M	675k
Parks Levy	\$130K - \$520K	\$173K	\$50K
Licenses & Permits	\$200K - \$500K	\$252K	\$200k
Inspection Fees	\$700K - \$1.7M	\$64K	\$0
Parking Revenues	\$400K - \$1M	\$1.1M	\$1.1M
Utilities	\$0	\$5.3M	\$1.2M
Additional Covid19*	\$7.4M	\$6.9M	\$0*
Transfers from tourism and parking and refunds	\$0	\$0	\$2.3M
Totals	\$20.73M - \$38.22M	\$25.39M	\$11.88M

*Reimbursable costs by Coronavirus Relief Funds of \$6,576,500 pending council approval

2020 Projected *General Fund* Revenue Shortfalls

Property Tax	(\$ 400,000)
City Sales and Use Tax	(\$1,400,000)
Transfers from Other Funds	(\$2,200,000)
Licenses and Fines	(\$ 200,000)
Refunds	(\$ 100,000)
<hr/>	
Total Projected Revenue Shortfalls	(\$4,300,000)



2020 Actions Taken to Address General Fund:

- AFSCME and CDSA Bargaining Unit Concessions
- Voluntary Pay Cuts
- Implemented a Hiring Freeze
- Suspended Hiring Temporary and Seasonal Workers
- Closed Facilities
- Froze Travel and Purchasing
- Lobbied for State and Federal Support and Received \$6,576,500 from the Coronavirus Relief Fund

Looking Ahead: Variables that will Financially Impact 2021

- Length of the pandemic and vaccine availability
- State budget deficit projections and the impact on LGA
- Recovery of consumer spending and employment
- Local business expansion and growth
- Recovery of our tourism industry
- Worker's compensation and emergency sick leave exposure



2021 General Fund Revenue Shortfalls

City Sales and Use Tax	(\$1,400,000)
MN Power Franchise Fee	(\$ 350,000)
Inspection Fees, Liquor Licenses, Transfer from Tourism	<u>(\$ 880,000)</u>
Total Revenue Shortfalls	(\$2,630,000)

Revenue Shortfalls Based On:

- Monthly revenue collection trends
- Economic market outlooks
- Development activity



2021 General Fund Expenditure Impacts

Increased Worker's Compensation Costs	\$1,000,000
Health and Dental Plan Cost Growth	\$ 845,000
Salaries, Benefits, Software Licenses, Energy Transfer	<u>\$ 265,000</u>
Total Expenditure Impacts	\$2,110,000

- No net increase in FTE counts
- Adding Expenditure Impacts & Revenue Shortfalls together brings **the total deficit to \$4,700,000** for 2021

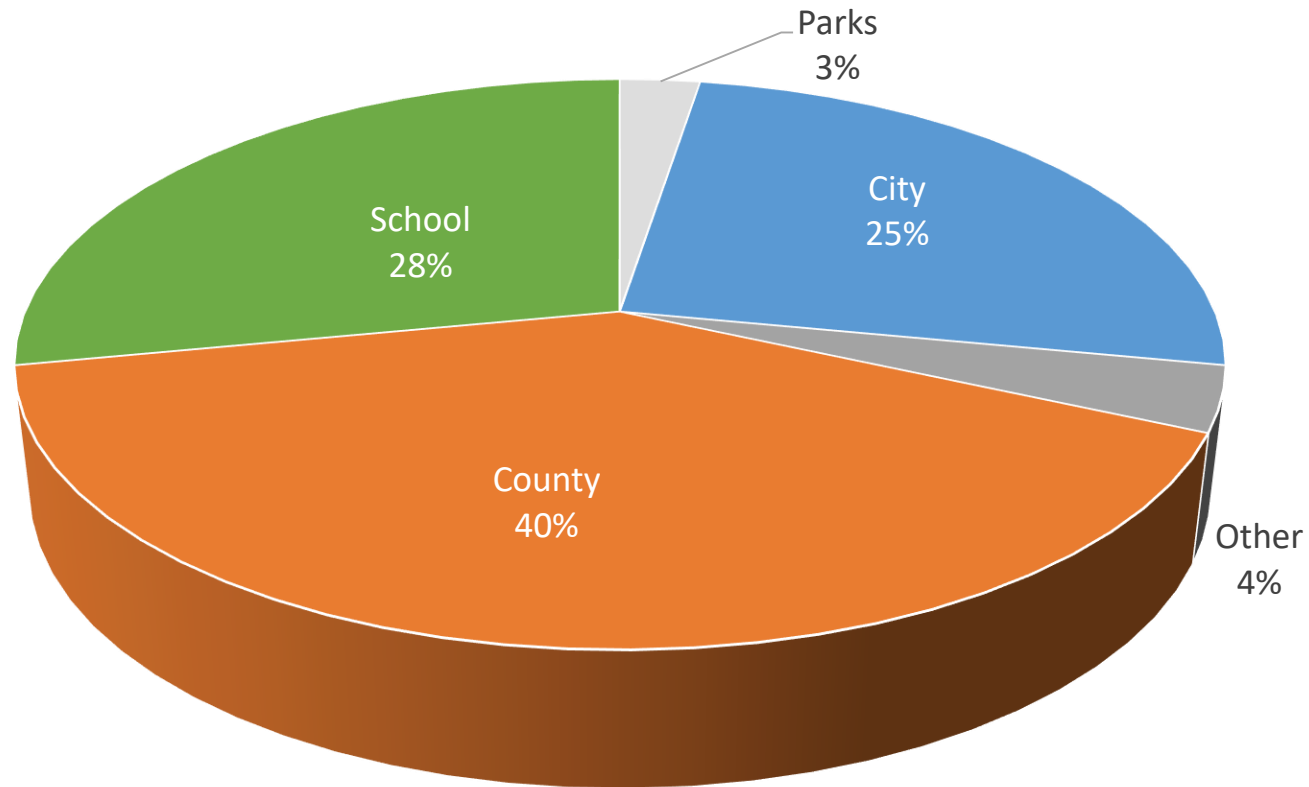


2021 General Fund Projected Deficit Solutions

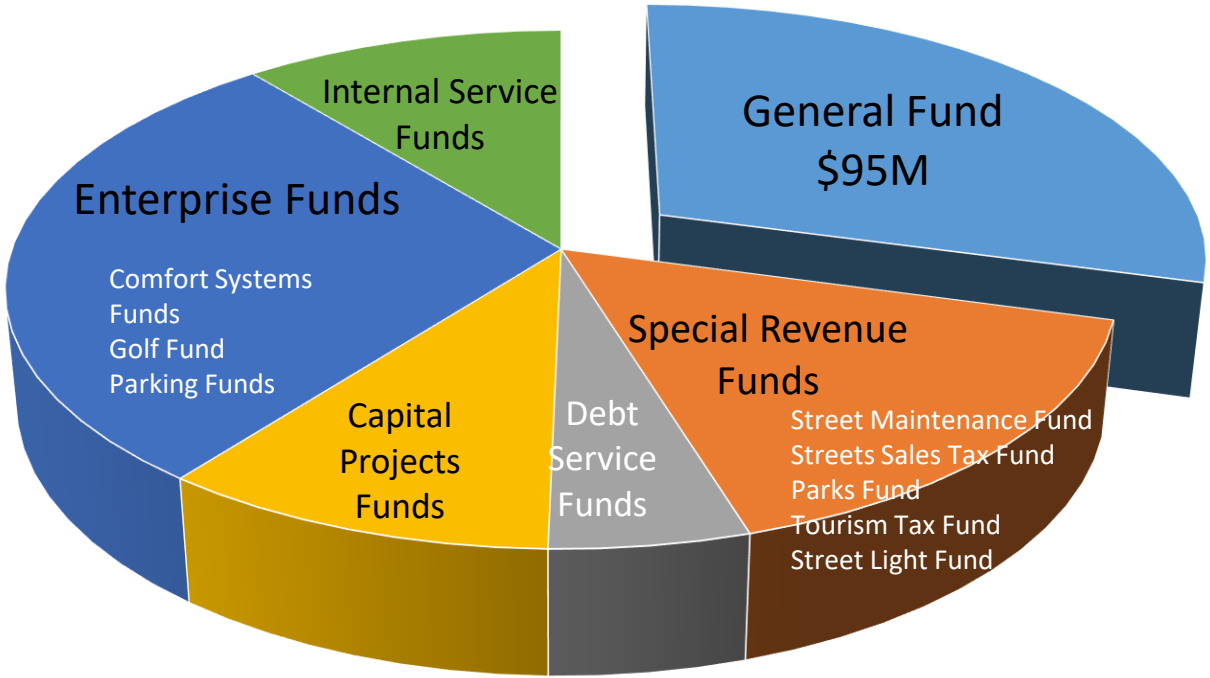
- Utilize of \$4.74 million of general fund reserves
- Provide no basic monthly pay increases for any bargaining units
- Advocate for continued LGA levels
- Evaluate ability to maintain current service levels knowing that 2022 and beyond will bring additional budget challenges
- Seek means to address beyond taxation; for context 1% property tax increase = \$330 thousand



Average Property Tax Bill by Taxing Entity

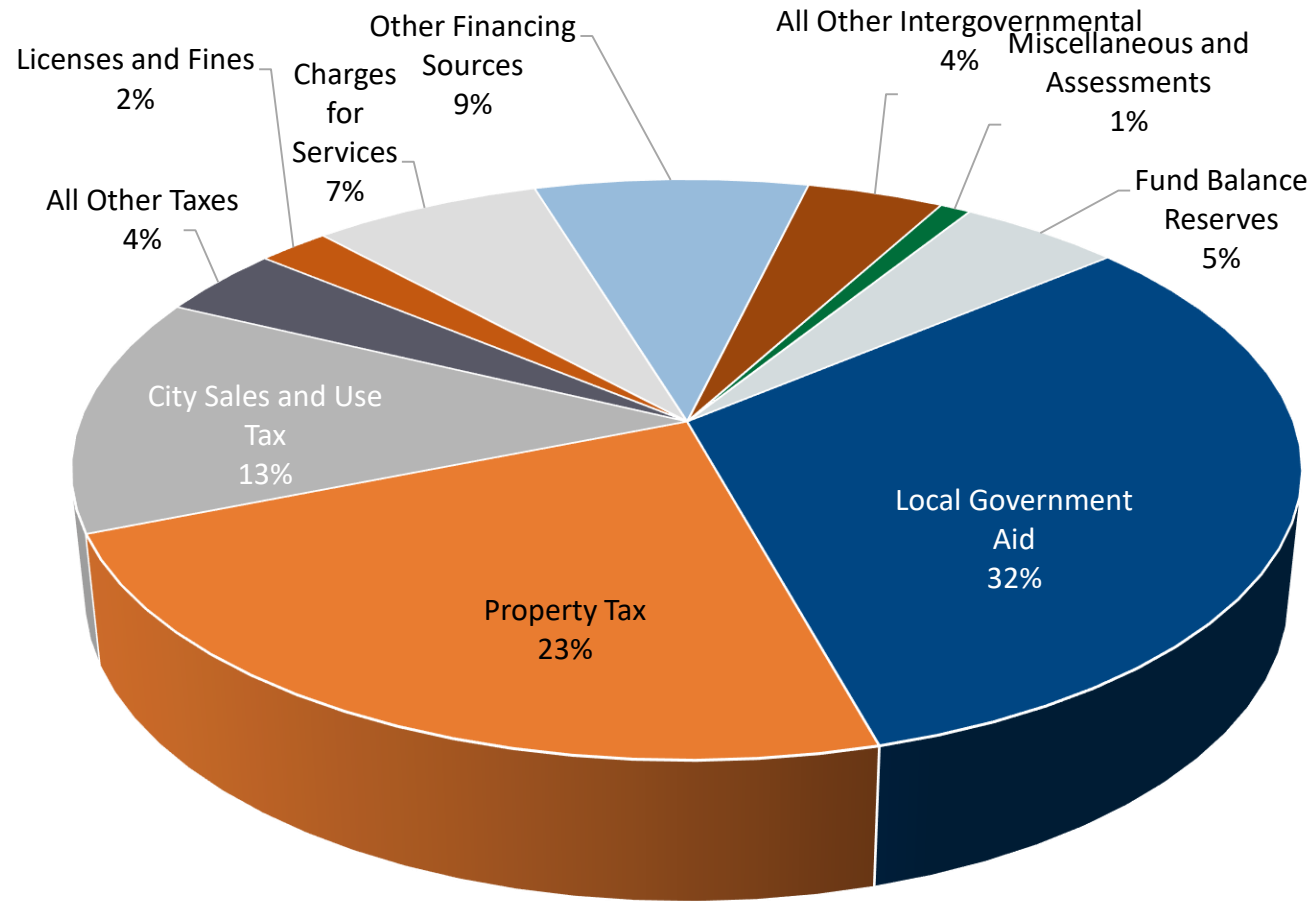


2021 Proposed Budget by Fund Type



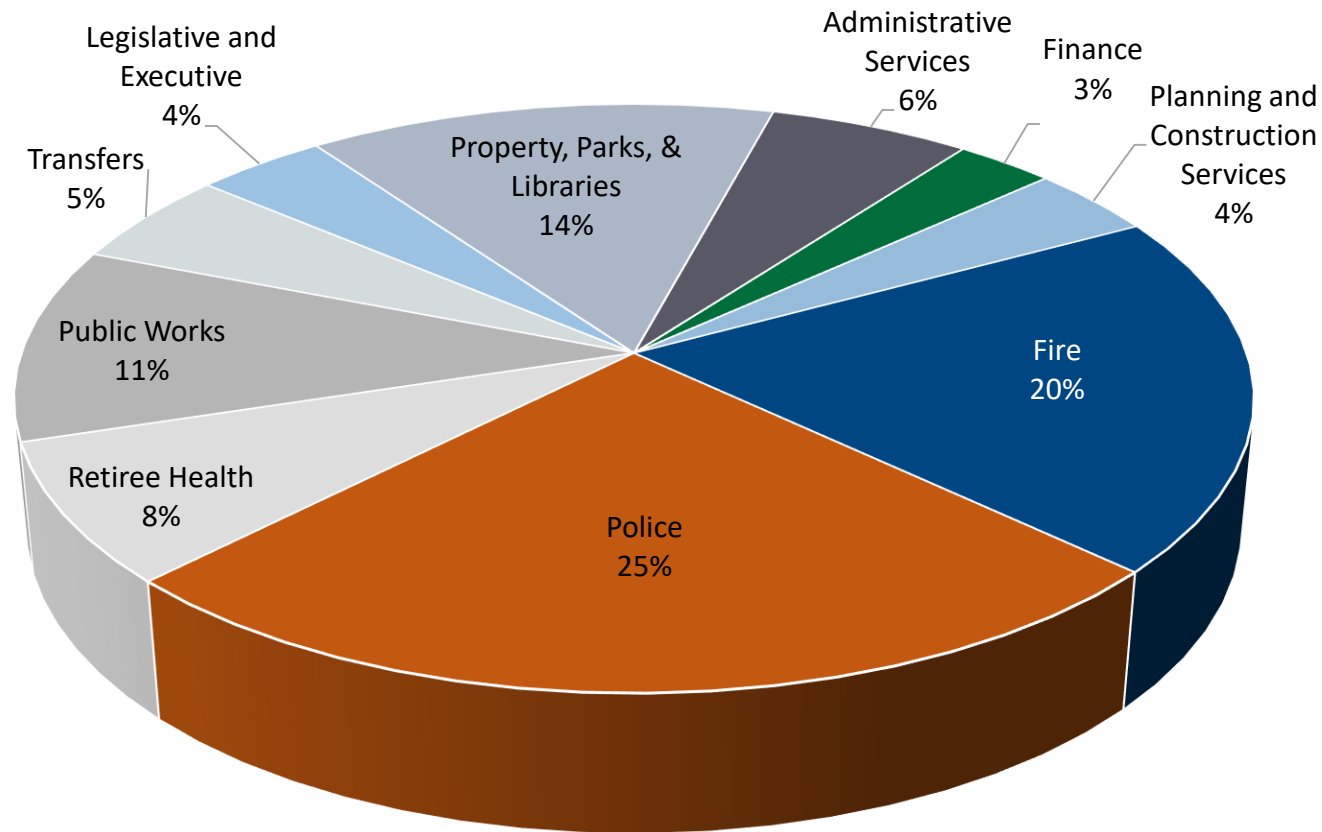
2021 Proposed General Fund Funding Sources

\$95 million

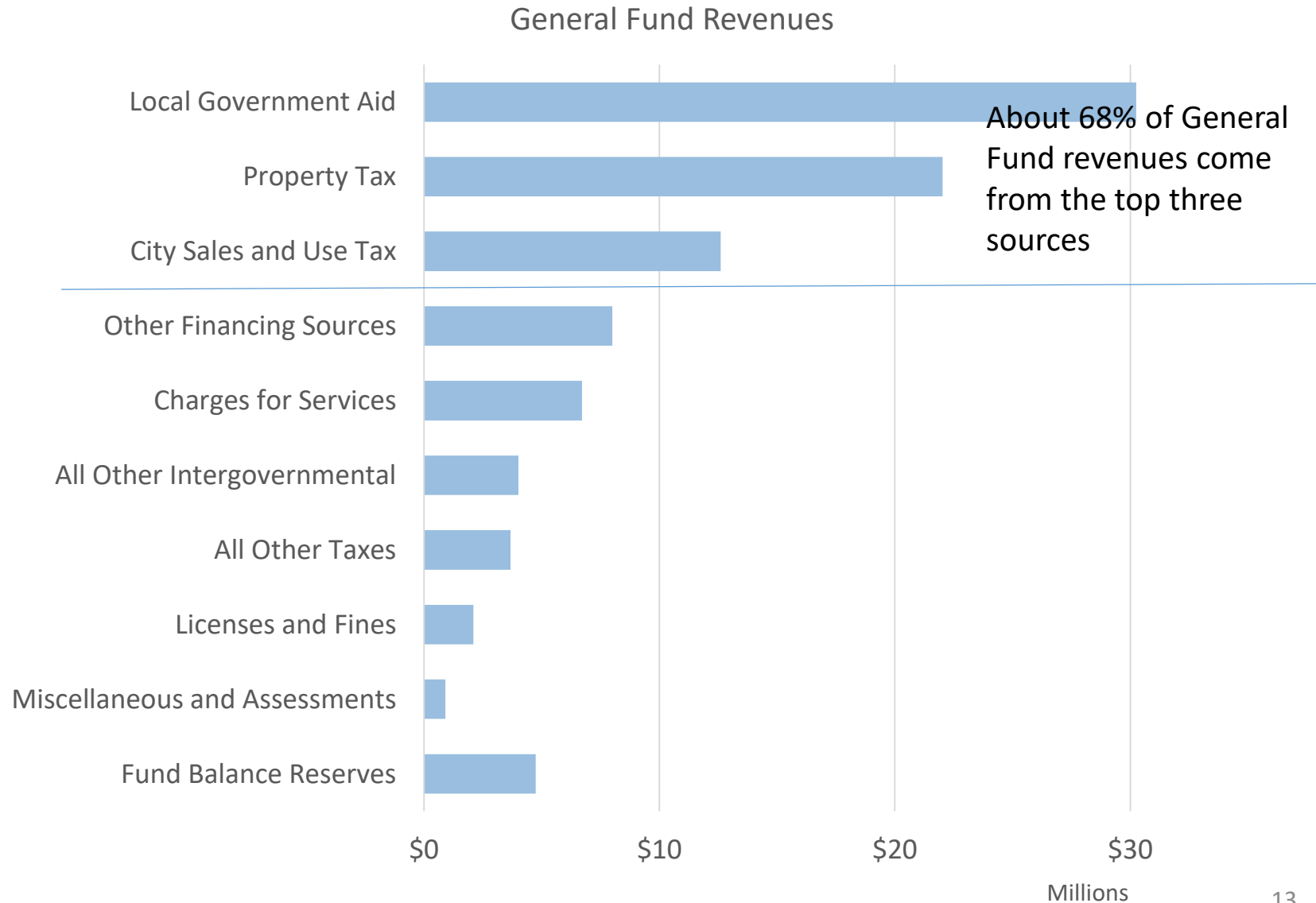


2021 Proposed General Fund Expenditures

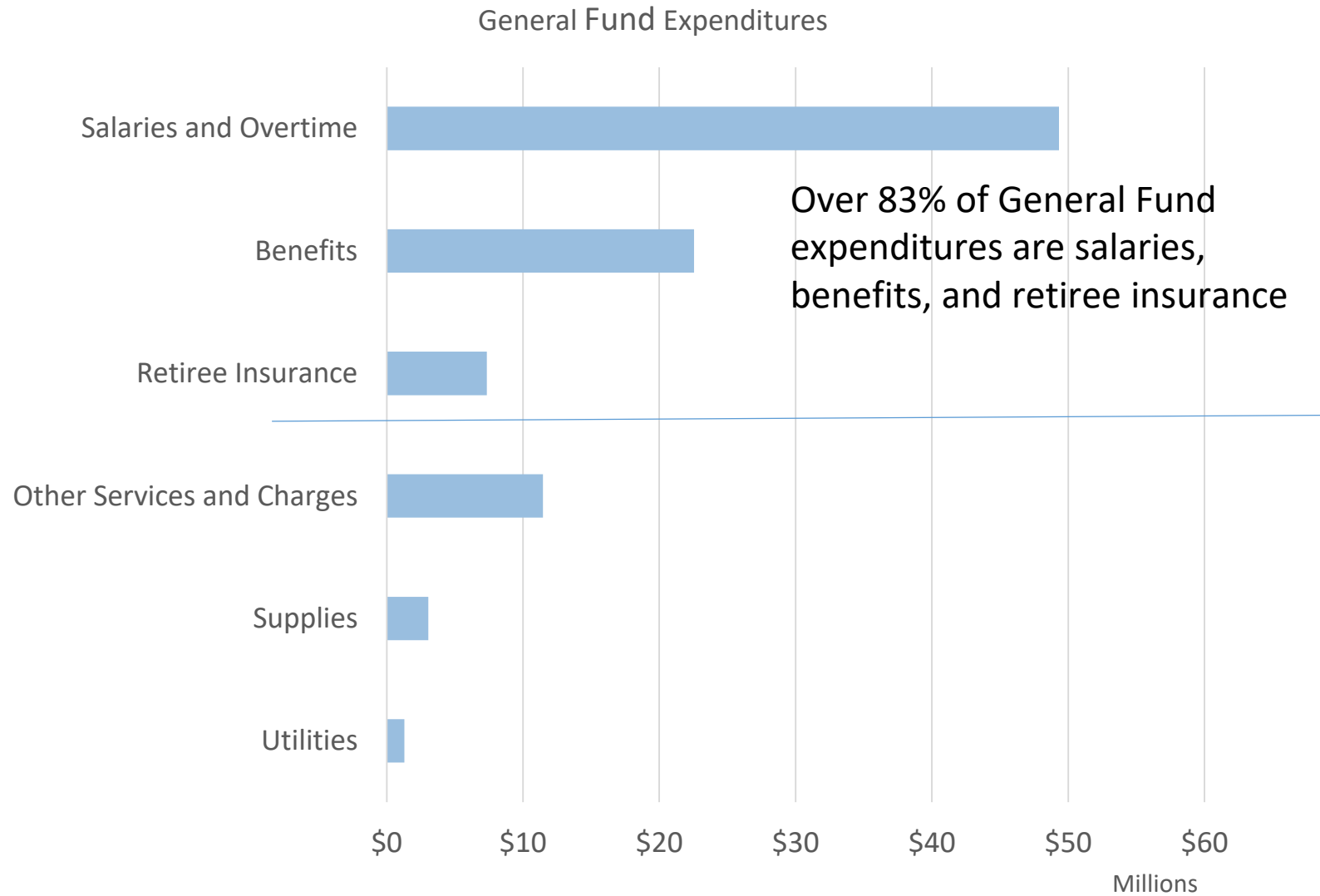
\$95 million



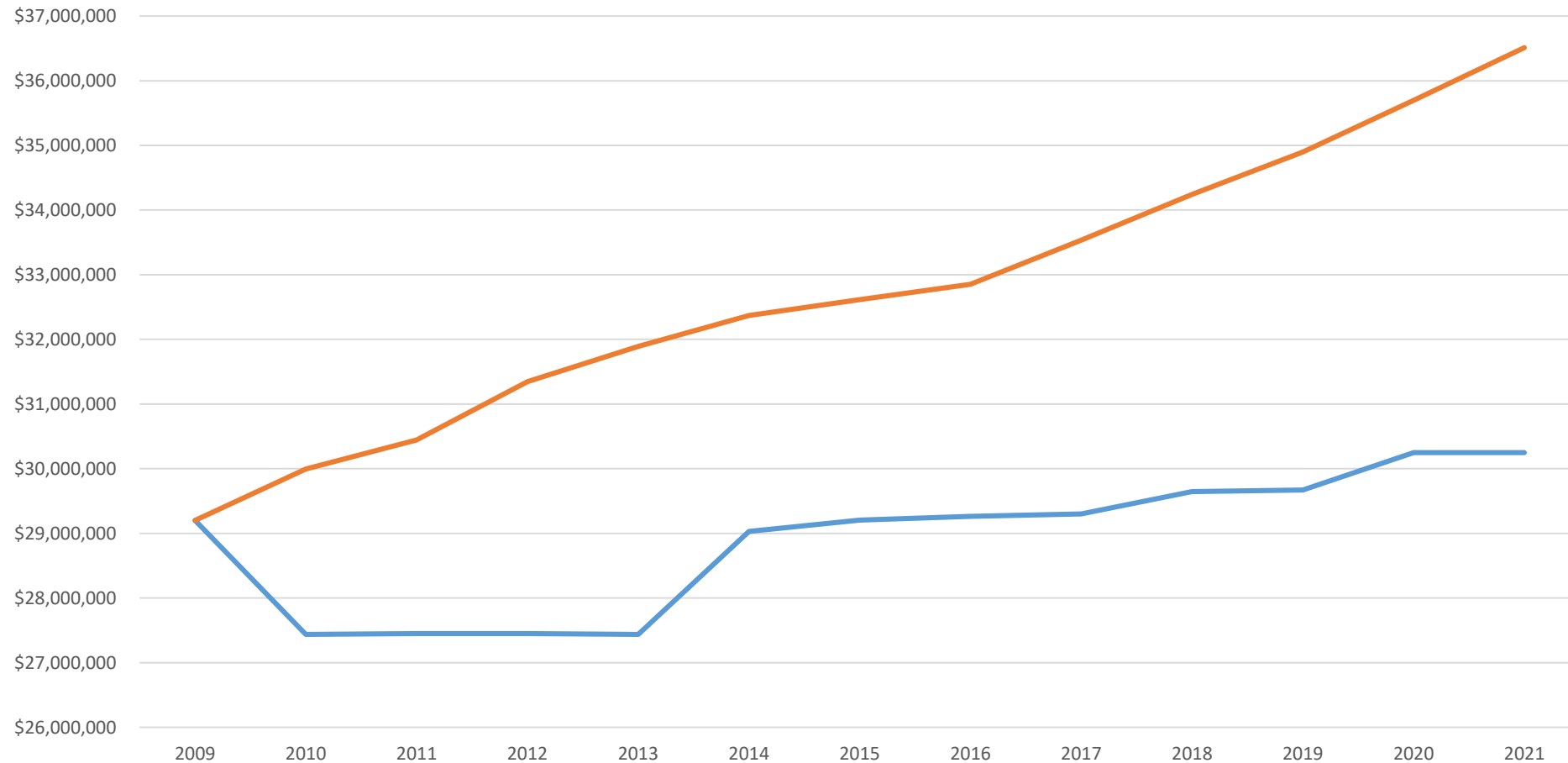
2021 Proposed General Fund Revenues by Source: Revenue Sources Do Not Adjust for Inflation



2021 Proposed General Fund Expenditures by Type



Local Government Aid and Inflation



Local government aid (LGA) is the largest funding source for general fund operations and accounts for 32% of total general fund revenues. Since 2009, LGA has not kept pace with the rate of inflation. If LGA had kept pace with the rate of inflation, our aid would be approximately \$36.5 million for 2021 as compared to \$30.2 million. Structural budget issue: solved.



2021 General Fund Proposed Budget

	2020 Approved Budget	2021 Proposed Budget	Variance 2020 Approved Budget vs 2021 Proposed Budget	
REVENUES			\$	%
Local Government Aid	30.25	30.25	-	0.0%
City Sales and Use Tax	14.00	12.60	(1.40)	-10.0%
Property Tax	22.03	22.03	-	0.0%
Charges for Services	6.99	6.71	(0.28)	-4.0%
Other Financing Sources	5.47	5.36	(0.11)	-2.0%
Intergovernmental	4.11	4.01	(0.10)	-2.4%
Minnesota Power Franchise Tax	3.10	2.75	(0.35)	-11.3%
Gas Utility in Lieu of Taxes	2.73	2.64	(0.09)	-3.3%
Licenses and Permits	1.80	1.72	(0.08)	-4.4%
All Other Taxes	0.98	0.93	(0.05)	-5.1%
Miscellaneous	0.58	0.41	(0.17)	-29.3%
Fines and Forfeits	0.38	0.38	-	0.0%
Special Assessments	0.49	0.49	-	0.0%
Fund Balance Reserves	-	4.74	4.74	0.0%
Revenue Totals	92.91	95.02	2.11	2.27%
EXPENDITURES				
Salaries and Overtime	49.24	49.32	0.08	0.16%
Health Care	11.81	12.64	0.83	7.03%
Benefits	9.79	9.90	0.11	1.12%
Retiree Insurance	7.35	7.35	-	0.00%
Worker's Compensation	1.00	2.00	1.00	100.00%
Utilities	1.29	1.29	-	0.00%
Supplies	3.05	3.06	0.01	0.33%
Other Services and Charges	9.07	9.15	0.08	0.88%
Capital Outlay	0.31	0.31	-	0.00%
Expenditure Totals	92.91	95.02	2.11	2.27%



2021 Proposed Property Tax Levy

2021 Proposed Property Tax Levy

	2020 Approved Levy	2021 Proposed Levy	Change In Levy
General Operations Levy			
General Operations	\$ 21,879,300	\$ 21,879,300	\$ -
Provision for Tax Delinquency	\$ 150,000	\$ 150,000	\$ -
Total General Operations Levy	\$ 22,029,300	\$ 22,029,300	\$ -
Supplemental Parks Levy	\$ 280,000	\$ 280,000	\$ -
Capital Projects Levy			
Debt Service	\$ 6,982,600	\$ 7,307,600	\$ 325,000
Infrastructure Permanent Improvements	\$ 280,000	\$ 280,000	\$ -
Total Capital Projects Levy	\$ 7,262,600	\$ 7,587,600	\$ 325,000
Street Light Levy	\$ 1,764,600	\$ 2,447,200	\$ 682,600
Street Maintenance Levy	\$ 2,500,000	\$ 2,500,000	\$ -
Total City Property Tax Levy	\$ 33,836,500	\$ 34,844,100	\$ 1,007,600
Parks Referendum Levy	\$ 2,600,000	\$ 2,600,000	\$ -

Proposed Street Light Levy Increase	\$ 682,600	2.02%
Proposed Lakewalk Debt Levy Increase	\$ 325,000	0.96%
2021 Proposed City Tax Levy Increase	\$ 1,007,600	2.98%

New Construction Growth	\$ 336,400	0.99%
Other Property Tax Value Growth	\$ 1,910,364	5.65%
Total Property Tax Growth	\$ 2,246,764	6.64%

Net Property Tax Impact After Growth **\$ (1,239,164) -3.66%**



Breaking down the Levy Increase Request

Lakewalk = .96%

- Bonding debt service cost to finance the Federal and State Disaster Assistance match to restore the Lakewalk and shoreline
- Total project costs \$20 million
- Local share \$4.2 million

Street Light Levy = 2.02%

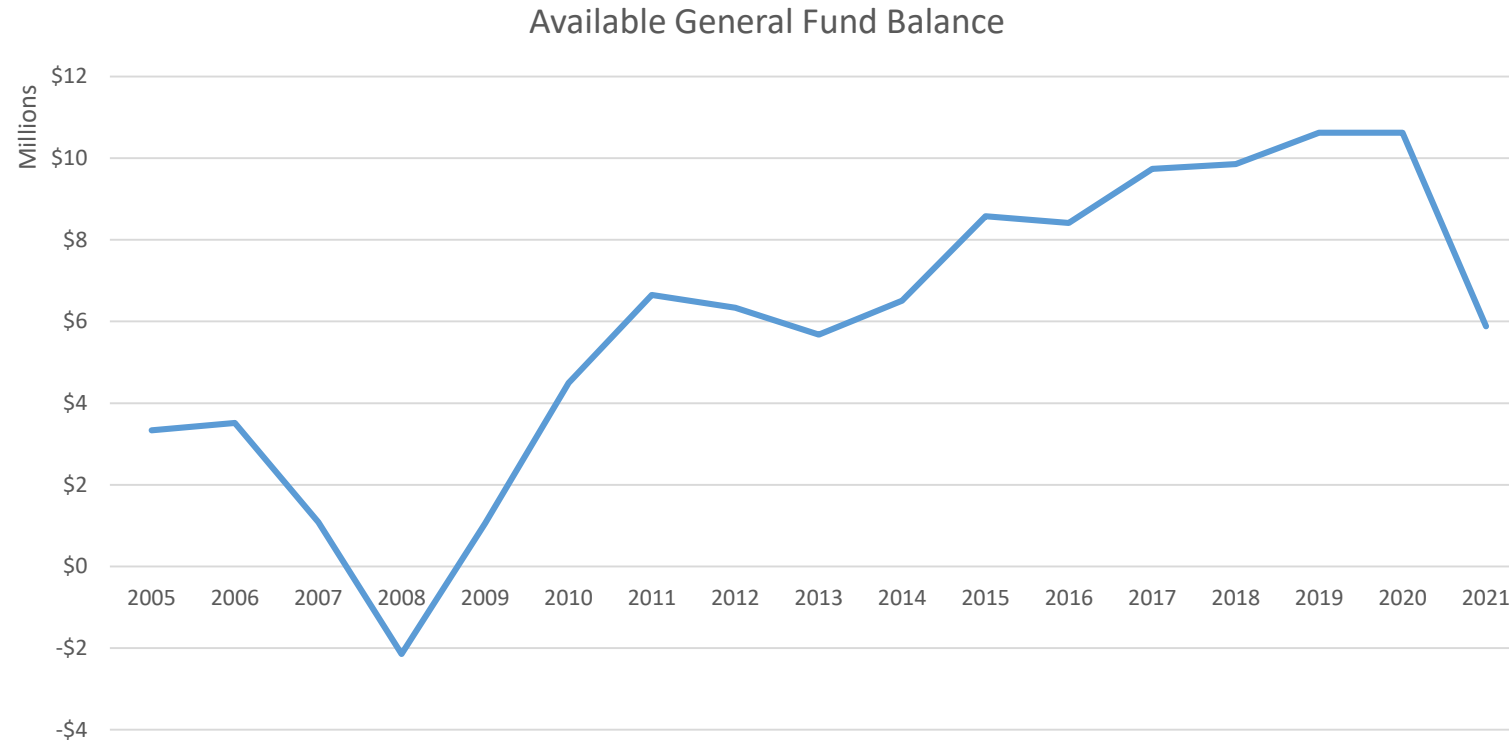
- In 2014 the council approved a phase-out plan eliminating the fee and shifting it to property taxes
- For 2020 the council voted to retire the street light fee entirely without fully funding the street light program
- A detailed street light budget presentation will be presented on Monday, September 14

Proposed 2021 City of Duluth Property Tax Levy Estimated Annual Decrease to Property Owners

\$100,000 Residential	\$ (21)
\$175,000 Residential	\$ (44)
\$225,000 Residential	\$ (59)
\$250,000 Commercial	\$ (118)
\$500,000 Commercial	\$ (256)
\$750,000 Commercial	\$ (395)

*Assumes no change in the assessed property valuation from 2020

Available General Fund Reserves



General fund reserves exist to mitigate risks including unplanned reductions in aids and unforeseen events such as the pandemic. Due to the pandemic, we anticipate using \$4.7 million of reserves to balance the 2021 budget.



Important Dates:

- September 14: City Council approves Coronavirus Relief Fund eligible costs
- September 28: City Council adopts maximum property tax levies
 - City of Duluth
 - Parks referendum
 - DTA
 - HRA
- September 30: Proposed 2021 budget book published online
- December 14: Truth in Taxation public hearing
- December 21: Budget resolutions and ordinances approved by council

Thank you!
Questions?