

2023 CITY OF FARMINGTON BUDGET



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City of Farmington 2023

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LETTER OF TRANSMITTAL

December 5, 2022

To the Honorable Mayor and City Council:

We are pleased to submit the City of Farmington 2023 Budget. This budget provides the city council and residents with a balanced General Fund budget and a sound financial plan that maintains core service levels, while remaining responsive to the financial concerns of Farmington taxpayers.

The budget is a comprehensive document based on current city operations, services and the city council's policies and goals. Work began on the 2023 budget in April of 2022. During 2022, the city council had multiple discussions to determine 2023 priorities and to develop a budget that meets its goals, maintains core services and is sensitive to tax impacts.

Pursuant to State law, the City Council must certify the new budget and the revenue required to be raised by ad valorem tax levy to the County Auditor. The deadline for the certification is December 30, 2022. A proposed 2023 tax levy must be submitted to the County Auditor on or before September 30, 2022. Any amendments to the proposed budget, which would increase the property tax levy, must be made prior to the September 30, 2022 proposed levy certification deadline. No increases in the tax levy are permissible after that date, only reductions.

The budget as prepared includes budgets for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Enterprise Funds, and Internal Service Funds. A diagram of the fund structure is included within this document, along with an administrative organizational chart which summarizes all departments and divisions in the City. Finally, in preparing the 2023 budget, the three council priorities were an integral part of that preparation. These priorities are:

- Business Growth
- Community Engagement
- Infrastructure Support

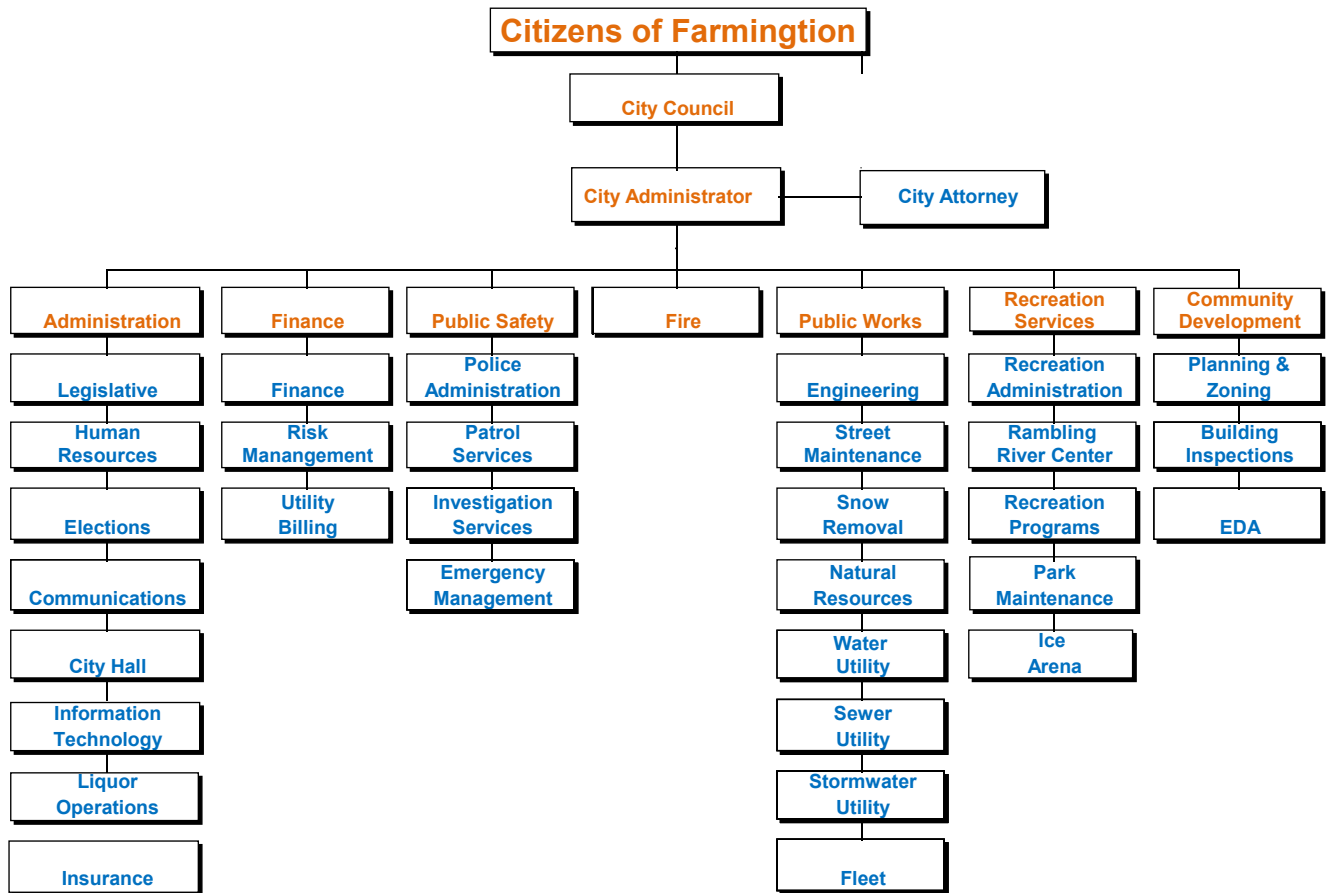
Therefore, the 2023 City of Farmington budget and tax levy is expected to increase by 5.96% from the 2022 tax levy. Contributing to the levy increase is the addition of three unbudgeted positions in 2022 (two park maintenance workers and a building inspector) and three positions in 2023 (two police officers and a community development specialist), a reduction of Local Government Aid revenues, the ongoing maintenance and replacement of infrastructure, debt service, and costs for continuing to provide quality services to our residents. Finally, it ensures that the city can maintain service levels as the community grows and that it invests in the capital needs required by growing community.

A review and approval of preliminary property tax levy and budget was held on September 19, 2022. The Truth in Taxation public input session was held December 5, 2022. The city council adopted the 2023 budget and tax levy on December 5, 2022.

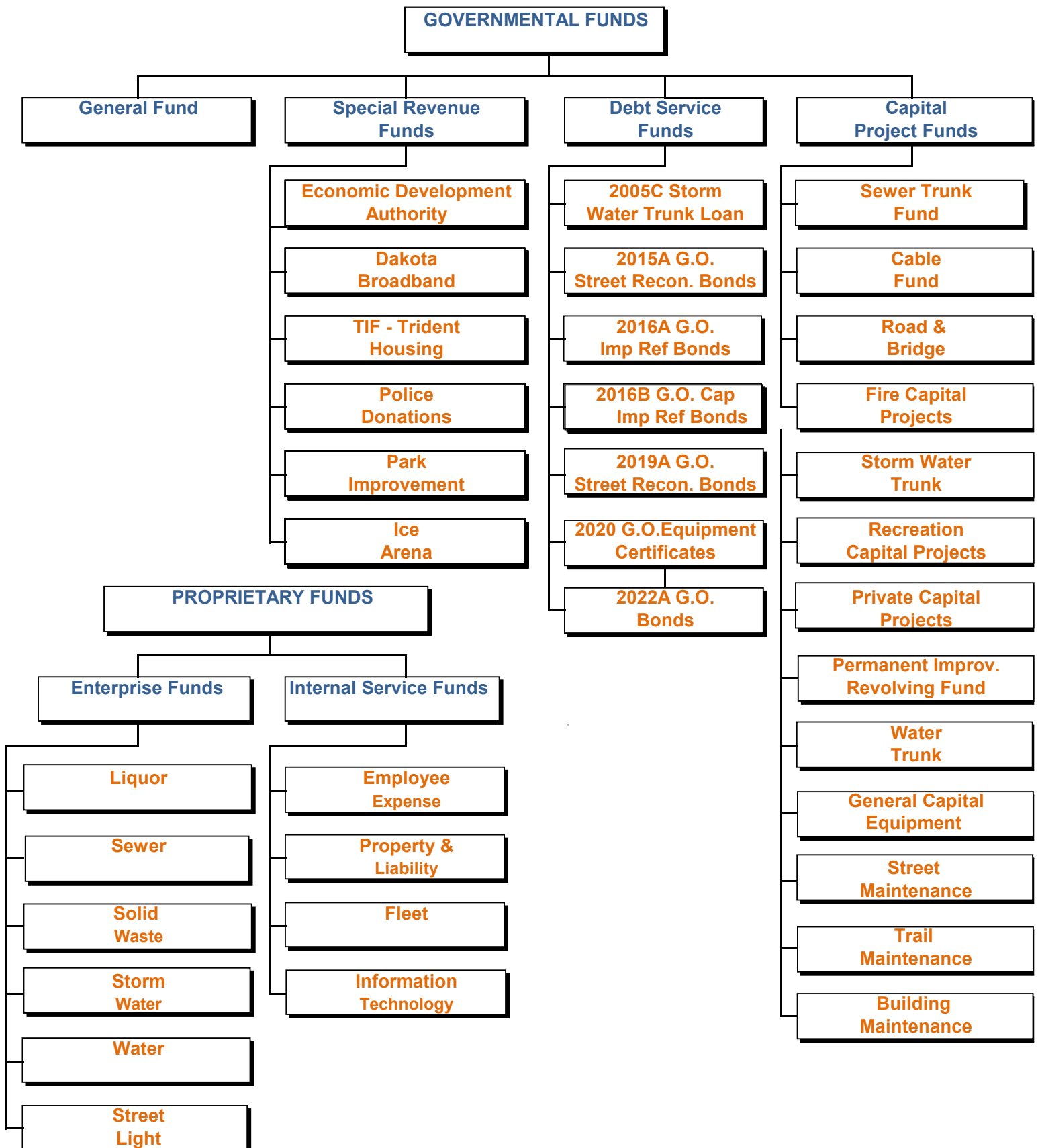
Respectfully submitted,

Lynn Gorski, Administrator

Organization Chart



CITY OF FARMINGTON - FUND STRUCTURE



Governing Body

The City of Farmington operates under the state of Minnesota Statutory Plan A form of government with a mayor-council form of organization. The governing City Council, consisting of the mayor and four councilmembers is elected at large and on a nonpartisan basis. Terms of office are staggered four-year terms, with elections held in each even-numbered year.

The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing members to the various commissions, and hiring the city administrator, heads of various departments, and city employees. The city administrator is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City's government, and the heads of various departments and city employees.

Joshua Hoyt
Mayor
Term Ends December 2024

Katie Porter
At large council member
Term ends December 2024

Steve Wilson
At large council member
Term ends December 2024

Holly Bernatz
At large council member
Term ends December 2026

Nick Lien
At large council member
Term end December 2026

Council Priorities

The Farmington City Council has established the following priorities that are in the best long term interest of the city.

Business Growth - It helps provide more amenities to residents and increase and diversify our tax base.

Community Engagement - Engage residents to gather input, provide updates and work to encourage positive promotion of our community.

Infrastructure Support - Work to proactively improve and maintain the infrastructure systems throughout the community.

Budget Overview

The City of Farmington has developed a comprehensive budget that encompasses city council priorities, maintains current service levels and invests in infrastructure. Property taxes support approximately 77% of the annual general fund budget; and, in order to meet the objectives above, the overall city budget includes a 5.96% property tax increase in 2023.

The 2023 Budget requires \$16,884,783 for operations within the General Fund to continue at existing service levels and includes the best information available regarding inflationary factors, union contract settlements and anticipated maintenance and equipment needs. Each budget year is impacted by inflation, state and local policy changes as well as the economy. The remainder of the budget document provides details about property taxes, property tax impacts to the community and details of each budget.

Property taxes are levied for the purposes of providing services to the community, provide debt service and supporting infrastructure needs.

The following information shows the property tax levy from 2021 – 2023.

	2021 Adopted	2022 Adopted	2022 Increase (Decrease)	2022 % Change	2023 Adopted	2023 Increase (Decrease)	2023 % Change
General Levy	10,534,120	12,118,136	1,584,016	15.04%	13,087,930	969,794	8.00%
Debt Service Levy	3,012,393	2,265,788	(746,605)	(24.78%)	2,069,565	(196,223)	(8.66%)
Total Levy	13,546,513	14,383,924	837,411	6.18%	15,157,495	773,571	5.38%
Less: Fiscal Disparities	2,277,659	2,351,400	73,741	3.24%	2,407,636	56,236	2.39%
Local Levy	11,268,854	12,032,524	763,670	6.78%	12,749,859	717,335	5.96%

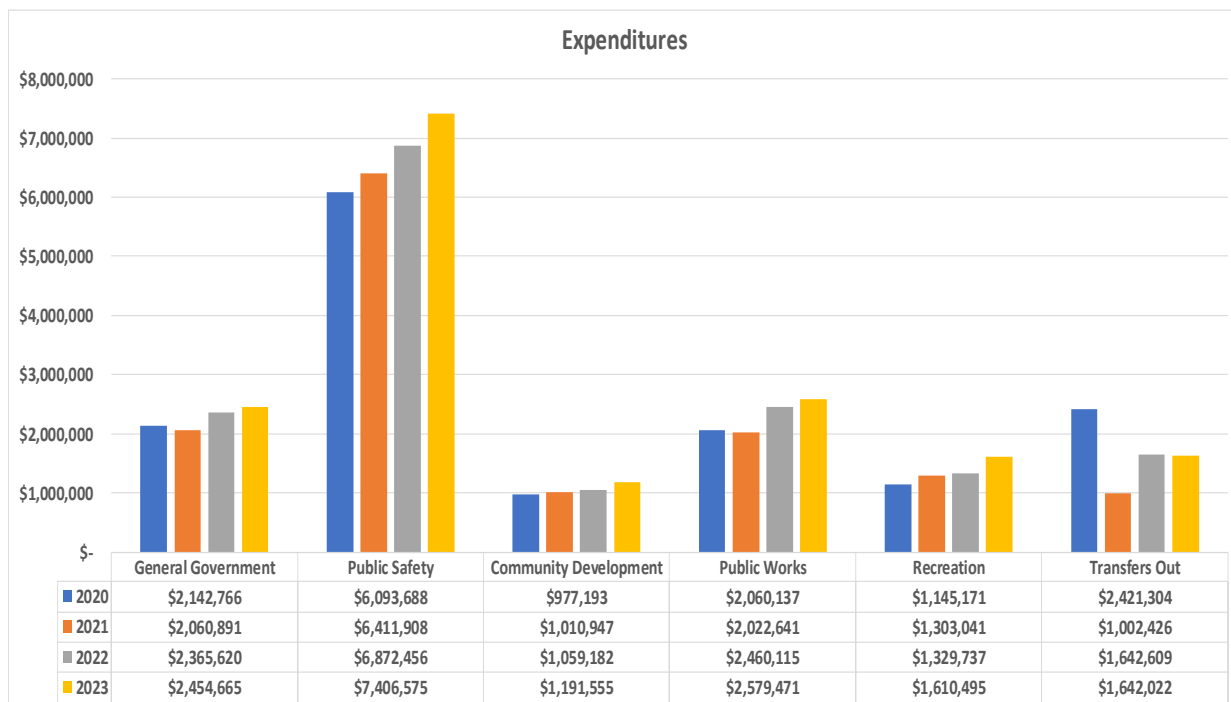
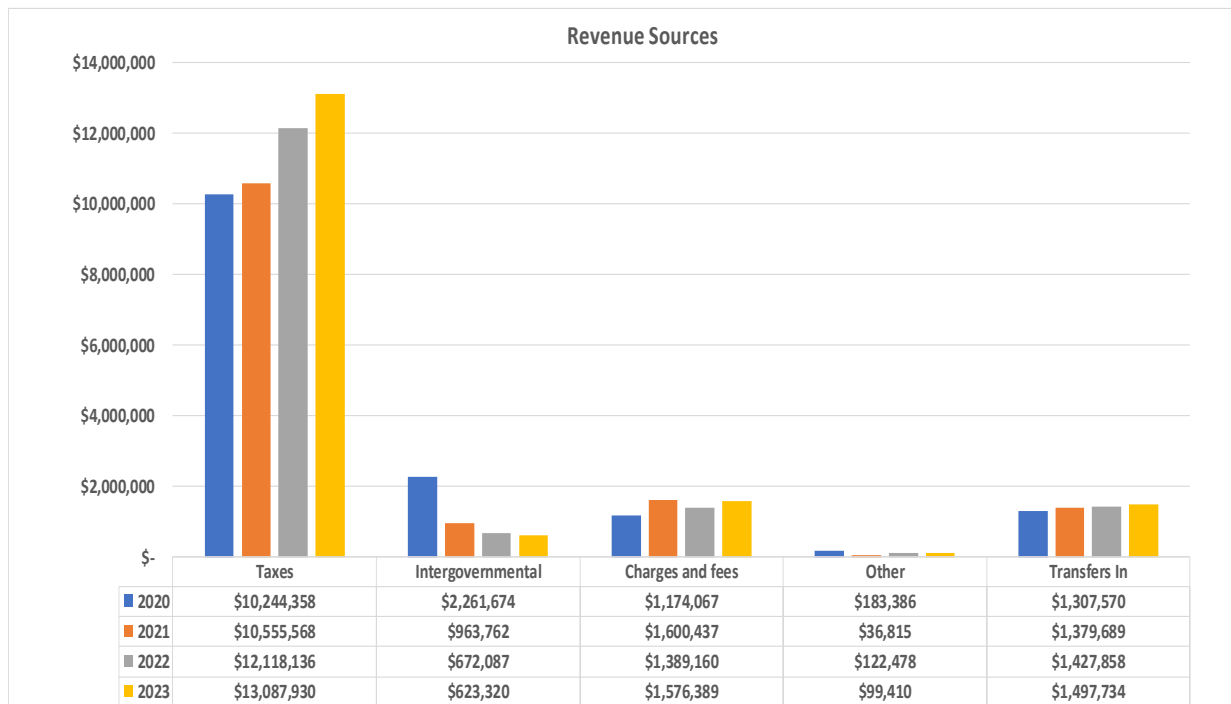
The following table represents the estimated city tax impact based on annual average market values from pay 2020 to pay 2023.

Payable Year	Average Market Value	\$ Change	% Change	City Portion Of Taxes	\$ Change	% Change
2020	254,259	17,351	7.32	\$1,296	8	0.61
2021	270,709	16,420	6.46	\$1,333	37	2.86
2022	280,570	9,861	3.64	\$1,420	87	6.53
2023	341,851	61,281	21.84	\$1,467	47	2.10

The average Farmington home (valued at \$341,851) will see a city tax increase of \$47 or 3.30%. Specific homes may be higher or lower depending on shifts in valuation.

As budgets are being developed, it is important to review the history of property tax revenue as this is the primary revenue source for the general fund.

The following information provides data to better understand how the General Fund (operating budget) is funded and where these resources are allocated.



Fund Types

The City of Farmington classifies funds into six types: General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Enterprise Funds and Internal Service Funds.

General Fund

As the primary operating fund, the General Fund records all revenues and expenditures that are not assigned to another fund. The fund provides the resources to sustain the daily activities for administrative and operating expenses for general government, police, fire, public works, recreation, and community development expenditures. The fund has more diverse revenue sources than other funds, including property taxes, licenses, permits, fines and forfeits, intergovernmental revenue (grants), service charges, and investment interest. The General Fund budget can be found on pages 11–12.

Special Revenue Funds

Certain activities are established or designated by statute, charter or ordinance with defined revenue sources for a specific and restricted purpose. Budgeted funds include the Economic Development Authority, Trident Housing tax increment district, Park Improvement, and the city's Ice Arena. Special Revenue Fund budgets can be found on page 13.

Debt Service Funds

Established to account for the payment (from taxes, special assessments and other sources) of interest and principal on long-term debt. The debt schedule and information regarding city bonds may be found on page 14.

Capital Project Funds

While Capital Project Funds are maintained to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays. Projects are financed through the issuance of debt, special assessments, dedicated fees, and intergovernmental aids or grants. Capital Project Fund budgets can be found on page 15.

Enterprise Funds

Established to account for the acquisition, operation, and maintenance of activities that are self-supporting such as city liquor operations, water and sewer service, storm drainage, and street lights. User fees predominantly support the operations of these funds. Enterprise fund budgets can be found on page 16.

Internal Service Funds

These funds are established to account for the financing of goods and services provided to city departments on a reimbursement basis. The city maintains Internal Service Funds for fleet, information technology, employee expense, and property and liability insurance. Internal Service Fund budgets can be found on page 17.

Total City Budget 2023

The total city budget as shown below is the combined budgets of all parts of the organization.

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	2023 Total Budget
<u>Financial Sources</u>							
Property Taxes	\$13,087,930	\$146,210	\$2,069,565	\$-	\$-	\$-	\$15,303,705
Licenses & Permits	915,470	-	-	-	-	-	915,470
Intergovernmental	623,320	-	-	697,000	-	-	1,320,320
Charges for Services	605,919	426,000	-	592,000	13,025,027	3,909,629	18,558,575
Special Assessments	-	-	237,300	-	-	-	237,300
Fines and Forfeitures	55,000	-	-	-	-	-	55,000
Miscellaneous	99,410	269,893	7,800	68,400	372,900	13,600	832,003
Other Financing Sources	1,497,734	150,000	-	7,566,000	-	35,022	9,248,756
Total	\$16,884,783	\$992,103	\$2,314,665	\$8,923,400	\$13,397,927	\$3,958,251	\$46,471,129
<u>Financial Uses</u>							
General Government	\$2,454,665	\$383,832	\$-	\$606,744	\$-	\$-	\$3,445,241
Police	5,664,569	2,000	-	164,408	-	-	5,830,977
Fire	1,742,006	-	-	-	-	-	1,742,006
Community Development	1,191,555	-	-	-	-	-	1,191,555
Public Works	2,579,471	-	-	7,390,400	-	-	9,969,871
Parks and Recreation	1,610,495	815,357	-	272,920	-	-	2,698,772
Enterprise Funds	-	-	-	-	12,153,090	-	12,153,090
Internal Service Funds	-	-	-	-	-	4,389,399	4,389,399
Other Financing Uses	1,642,022	-	166,000	-	3,866,734	-	5,674,756
Debt Service							
Principal	-	-	1,625,000	-	-	-	1,625,000
Interest and Fiscal Fees	-	-	379,356	-	-	-	379,356
Total	\$16,884,783	\$1,201,189	\$2,170,356	\$8,434,472	\$16,019,824	\$4,389,399	\$49,100,023
Net Change in fund Balances or net position	\$-	\$(209,086)	\$144,309	\$488,928	\$(2,621,897)	\$(431,148)	\$(2,628,894)

General Fund - Revenues

The General Fund budget for 2023 reflects an overall increase in revenue and expenditures of 7.34% respectively. Outlined below is a summary of budgeted revenues along with the major changes in 2023 revenue when compared to 2022.

	2021 Actual	2022 Adopted	2023 Adopted
Revenues and other financing sources			
Revenues			
Property Taxes	\$10,555,568	\$12,118,136	\$13,087,930
Licenses and Permits	789,964	736,700	915,470
Intergovernmental	963,762	672,087	623,320
Charges for Services	758,133	602,460	605,919
Fines and Forfeits	52,340	50,000	55,000
Interest Income (Charges)	(23,493)	41,600	51,000
Miscellaneous	60,308	80,878	48,410
Other Financing Sources			
Transfers In	1,379,689	1,427,858	1,497,734
Total Revenues and other financing Sources	\$14,536,271	\$15,729,719	\$16,884,783

General Fund - Expenditures

Outlined below is a summary of 2023 budgeted expenditures when compared to the 2022 adopted budget and 2021 actual.

	2021 Actual	2022 Adopted	2023 Adopted
Expenditures			
General Government			
Legislative	\$80,965	\$87,259	\$110,262
Administration	398,691	469,641	528,826
Elections	1,962	47,948	10,000
Communications	106,734	132,916	134,785
City Hall	347,353	361,485	375,650
Human Resources	328,010	402,112	401,235
Dakota Broadband	30,884	45,500	45,500
Finance	597,972	648,309	658,857
Risk Management	168,320	170,450	189,550
Total General Government	2,060,891	2,365,620	2,454,665
Public Safety			
Police Administration	1,170,021	1,356,642	1,382,034
Patrol Services	2,758,510	2,929,249	3,228,428
Investigations	949,744	974,019	1,032,707
Emergency Management	17,063	19,900	21,400
Total Public Safety	4,895,338	5,279,810	5,664,569
Fire	1,516,570	1,592,646	1,742,006
Total Fire	1,516,570	1,592,646	1,742,006
Community Development			
Planning & Zoning	558,035	624,475	554,687
Inspections	452,912	434,707	636,868
Total Community Development	1,010,947	1,059,182	1,191,555
Public Works			
Engineering	633,403	725,816	720,613
Natural Resources	34,567	124,595	142,284
Street Maintenance	1,144,208	1,358,489	1,436,409
Snow Removal	210,463	251,215	280,165
Total Public Works	2,022,641	2,460,115	2,579,471
Parks and Recreation			
Park Maintenance	743,692	677,974	979,476
Rambling River Center	160,928	227,731	204,199
Parks and Recreation Administration	296,423	324,745	315,130
Recreation Programs	101,997	99,287	111,690
Total Recreation Services	1,303,040	1,329,737	1,610,495
Other Financing Uses			
Transfers Out	1,002,426	1,642,609	1,642,022
Total Expenditures and Other Financing Uses	\$13,811,853	\$15,729,719	\$16,884,783

Special Revenue Funds

The city and its Economic Development Authority have one Tax Increment Financing District (TIF), the Trident Housing tax increment property that will expire at the end of 2043. As part of this TIF district there is a tax increment revenue note payable to the developer of the property. In addition to the EDA and the TIF Trident funds, the city maintains four additional special revenues funds as noted below.

	EDA	Dakota Broadband	TIF Trident	Police Donations	Park Improvement	Ice Arena	Total
Revenues							
Property Taxes	\$-	\$-	\$146,210	\$-	\$-	\$-	\$146,210
Charges for Service	-	-	-	-	-	426,000	426,000
Interest Income	1,600	-	400	50	4,000	400	6,450
Miscellaneous	-	167,883	-	3,500	83,560	8,500	263,443
Other Financing Sources							
Transfers In	50,000	-	-	-	100,000	-	150,000
Total Revenues and Other Financing Sources	51,600	167,883	146,610	3,550	187,560	434,900	992,103
Expenditures							
General Government	81,510	167,883	134,439	-	-	-	383,832
Public Safety	-	-	-	2,000	-	-	2,000
Parks and Recreation	-	-	-	-	362,250	453,107	815,357
Total Expenditures and Other Financing Sources	\$81,510	\$167,883	\$134,439	2,000	362,250	453,107	1,201,189
Net Change in Fund Balances	\$(29,910)	\$-	\$12,171	\$1,550	\$(174,690)	\$(18,207)	\$(209,086)

Debt Service Funds

The city sells bonds to raise revenue to finance large projects such as street reconstruction. The following tables show the debt service revenue and expenditures for 2023.

	2005C Storm Water Trunk Loan	2015A G.O. Street Reconstruction Bonds	2016A G.O. Improvement Refunding Bonds	2016B G.O. Capital Improvement Refunding Bonds	2019A G.O. Street Construction Bonds	2020 G.O. Equipment Certificates	2022A G.O. Bonds	Total
Revenues								
Property Taxes	\$166,000	\$287,648	\$-	\$638,000	\$231,525	\$267,487	\$478,905	\$2,069,565
Special Assessments	-	-	237,300	-	-	-	-	237,300
Interest Earnings	200	1,000	3,900	1,800	500	400	-	7,800
Total Revenues	166,200	288,648	241,200	639,800	232,025	267,887	478,905	2,314,665
Expenditures								
Debt Service								
Principal	-	225,000	445,000	545,000	200,000	210,000	-	1,625,000
Interest	-	42,325	4,450	84,775	15,500	40,000	172,288	359,338
Fiscal Agent Fees	-	2,950	7,118	3,450	2,950	2,950	600	20,018
Transfer Out	166,000	-	-	-	-	-	-	166,000
Total Expenditures	166,000	270,275	456,568	633,225	218,450	252,950	172,888	2,170,356
Net Change in Fund Balance	\$200	\$18,373	\$(215,368)	\$6,575	\$13,575	\$14,937	\$306,017	\$144,309

	Original Issue	Interest Rate	Issue Date	Final Maturity Date	Balance 12/31/2022	Due 2023
G.O. Improvement Bonds						
2015A G.O. Street Reconstruction Bonds	\$3,050,000	2.00-3.00%	10/15/2015	02/01/2030	\$1,800,000	\$225,000
2016A G.O. Improvement Refunding Bonds	\$3,450,000	2.00%	12/01/2016	02/01/2023	445,000	445,000
2019A G.O. Street Reconstruction Bonds	\$925,000	5.00%	05/15/2019	02/01/2024	410,000	200,000
2022A G.O. Bonds	\$3,650,000	%	07/06/2022	02/01/2033	3,650,000	-
Total G.O. Improvement Bonds					6,305,000	870,000
G.O. Capital Improvement Bonds						
2016B G.O. Capital Improvement Ref. Bonds	\$4,540,000	2.00-3.00%	12/01/2016	02/01/2028	3,510,000	545,000
G.O. Equipment Certificates						
2020A Equipment Certificates of Indebtedness	\$1,105,000	5.00%	02/19/2020	02/01/2026	905,000	210,000
Total G.O. Bonds and Certificates					\$10,720,000	\$1,625,000

Capital Project Funds

Outlined below are the individual Capital Project Funds. While projects are budgeted for a specific year there will be instances when a project may not be completed at year-end and roll into the following year.

	Sewer Trunk	Cable	Road & Bridge	Fire Capital	Storm Water Trunk	Recreation Capital	Private Capital Project	Permanent Improv. Revolving
Revenues								
Intergovernmental	\$	\$	\$	\$	\$	\$	\$	\$
Charges for service	68,400	120,000	-	-	100,000	-	-	-
Interest income	2,900	5,600	800	700	16,500	800	7,000	1,000
Miscellaneous	-	-	-	-	-	20,000	-	-
Other financing sources								
Bond proceeds	-	-	-	-	-	-	-	-
Transfer in	-	-	-	-	166,000	20,000	-	-
Total revenues	71,300	125,600	800	700	282,500	40,800	7,000	1,000
Expenditures								
General government	-	163,385	-	-	-	-	-	-
Public safety	-	-	-	7,000	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Parks & recreation	-	-	-	-	-	98,000	-	-
Total expenditures	-	163,385	-	7,000	-	98,000	-	-
Net change in fund balance	\$71,300	\$(37,785)	\$800	\$(6,300)	\$282,500	\$(57,200)	\$7,000	\$1,000

	Water Trunk	General Capital Equipment	Street Maintenance	Trail Maintenance	Building Maintenance	Total
Revenues						
Intergovernmental	\$	\$	\$697,000	\$	\$	\$697,000
Charges for service	303,600	-	-	-	-	592,000
Interest income	-	4,500	8,200	300	100	48,400
Miscellaneous	-	-	-	-	-	20,000
Other financing sources						
Bond proceeds	-	-	3,573,000	-	-	3,573,000
Transfer in	-	625,000	3,002,000	150,000	30,000	3,993,000
Total revenues	303,600	629,500	7,280,200	150,300	30,100	8,923,400
Expenditures						
General government	-	400,000	-	-	43,359	606,744
Public safety	-	157,408	-	-	-	164,408
Public works	-	-	7,390,400	-	-	7,390,400
Parks & recreation	-	-	-	174,920	-	272,920
Total expenditures	-	557,408	7,390,400	174,920	43,359	8,434,472
Net change in fund balance	\$303,600	\$72,092	\$(110,200)	\$(24,620)	\$(13,259)	\$488,928

Enterprise Funds

The city maintains six enterprise funds: liquor, sewer, solid waste, storm water, water, and street light. For 2023, the city has approved rate increases for water, sewer and storm drainage. Street light rates remain consistent with prior years. The city ceased its solid waste operations at the end of 2021 and began contracting solid waste services with a private contractor in 2022. A rate study for water, sewer and storm drainage is planned for 2023.

	Liquor	Sewer	Solid Waste	Storm Water	Water	Street Light	Total
Revenues	\$6,473,454	\$2,674,762	\$-	\$1,323,263	\$2,326,548	\$227,000	\$13,025,027
Less: Cost of Sales	(4,834,000)	-	-	-	-	-	(4,834,000)
Net Sales	1,639,454	2,674,762	-	1,323,263	2,326,548	227,000	8,191,027
Non-operating Revenues							
Interest income	10,000	14,200	12,000	10,100	50,200	1,400	97,900
Other revenues	-	-	-	-	275,000	-	275,000
Total Revenues	1,649,454	2,688,962	12,000	1,333,363	2,651,748	228,400	8,563,927
Expenses							
Operating expenses							
Personnel services	669,427	13,038	-	9,227	20,536	-	710,993
Other services & charges	500,792	2,712,098	10,000	160,689	745,858	217,000	4,347,672
Depreciation	22,250	690,000	-	475,000	1,050,000	-	2,237,250
Non-operating expenses							
Interest expense	-	-	-	-	23,175	-	23,175
Transfer out	195,126	999,055	150,000	901,654	1,620,899	-	3,866,734
Total expenses	1,387,595	4,414,191	160,000	1,546,570	3,460,468	217,000	11,185,824
Change in Net Position	\$261,859	\$(1,725,229)	\$(148,000)	\$(213,207)	\$(808,720)	\$11,400	\$(2,621,897)

Internal Service Funds

The city has four internal service funds; employee expense, property and liability, fleet and information technology. These funds provide services to all city funds and are funded by interfund service revenue.

	Employee Expense	Property & Liability	Fleet	Information Technology	Total
Revenues					
Charges for Service	\$2,596,500	\$261,040	254,700	797,389	\$3,909,629
Interest Income	6,500	2,400	1,300	3,400	13,600
Transfers In	13,022	22,000	-	-	35,022
Total Revenues	2,616,022	285,440	256,000	800,789	3,958,251
Expenses					
Personnel Services	2,943,890	-	243,646	240,522	3,428,058
Other services and charges	-	306,040	97,493	549,308	952,841
Depreciation	-	-	8,500	-	8,500
Total Expenses	2,943,890	306,040	349,639	789,830	4,389,399
Change in Net Position	\$(327,868)	\$(20,600)	\$(93,639)	\$10,959	\$(431,148)

Conclusion

The City of Farmington continues to work toward solidifying its financial position for 2023. For the 2023 budget year, the city has presented a balanced General Fund Budget which will allow the city to continue to provide the basic services required, expected and needed by residents and businesses.

Going forward, the city will continue with the progress to reach adequate funding levels in pavement management, trail maintenance, building maintenance and fleet replacement.

City council and staff will also continue their efforts in long-range financial and capital planning for capital needs, including parks, buildings, infrastructure, technology and major equipment.

We believe that all interested parties will find this document useful in evaluating the city's programs and services.