

COUNCIL WORK SESSION OCTOBER 11, 2021

Pursuant to due call and notice thereof, a Council Work Session of the North Mankato City Council was held in the Council Chambers on October 11, 2021. Mayor Dehen called the meeting to order at 12:00 pm. The following were present for roll call: Council Members Norland, Oachs, Whitlock, Steiner, Mayor Dehen, City Administrator Harrenstein, Finance Director McCann, and City Clerk Van Genderen.

Receive and Discuss 2022 Recreation, Special Revenue, & Economic Development Funds.

Finance Director McCann provided an overview of the Recreation Funds. The Spring Lake Swim Facility Fund was established to account for track sports, recreational, and tourism activities previously accounted for in the General Fund. The 2022 budget is increased by \$31,486 primarily due to an increase in personnel. The Caswell Sports Fund accounts for and tracks sports, recreational, and tourism activities in the City. The Caswell Sports Fund includes Caswell Park and Caswell North. The total Caswell Sports Fund's 2022 budget is \$634,969, an \$87,845 increase from the 2021 adopted budget related to returning to full operation in 2022. City Administrator Harrenstein commented that the fund receives a general fund transfer of \$77,000. The Youth Football Fund was established in 2021, and the program offers flag and tackle football for kids in pre-k to sixth grade. The 2022 budget is \$123,073, which is a decrease of \$73,176 from the 2021 budget. The decrease relates to a decrease in uniform expenses. The Library Endowment Fund was created by a donation from the Glen Taylor Foundation for children's programming. The fund accounts for contributions and activities related to library programs. The 2022 budget of \$53,250 remains unchanged from the 2021 budget. The Local Option Sales Tax Fund is used to track and pay for projects related to the 0.5% North Mankato sales tax. The 2022 budget is a \$342,867 increase due to the Riverfront Development and transfers to the Debt Service Fund related to the 2021A Caswell Improvement Bond. The Charitable Gambling Fund was established to account for the 10% of gambling revenues generated from non-profit gambling operations within the City. The 2021 budget totals \$23,200, \$2,500 more due to increased donations to United Way and MRCL.

Finance Director McCann reviewed the Economic Development Funds. The Joint Economic Development Fund was established as a joint effort by the City and BENCO Electric Co-op to establish the North Port Industrial Park in the City. The 2021 budget is \$5,000 less than 2021 due to a decrease in property taxes. The Federal Revolving Loan Fund is used to account for business loans that have been financed with Federal Funds controlled by the City. There are six active loans with \$793,076 in principal outstanding at the end of 2020. The Local Revolving Loan Fund is used to account for business loans that the Port Authority with local funds has financed. The fund was expanded in 2018 to include grants and loans for homeowners to improve properties as part of the Northside Revivals Program. The Northside Revivals Program budget is \$29,100 in 2022. Mayor Dehen requested clarification on if the fund could be used for Webster Avenue. City Administrator Harrenstein reported the fund could be used for all business districts. Finance Director McCann reviewed the PAYGO TIF District Funds. The City has six active Pay As You Go TIF districts. The TIF districts are set up as separate funds that track the tax increments collected and the increment, less administrative fees back to the property owner. The total budget for all PAYGO TIF districts is a \$20,722 decrease from 2021 due to recent decertified TIF Districts: LJP, Zeigler, and Lindsay Windows. The Debt TIF Districts Funds has five active districts. The TIF districts are set up as separate funds that track the tax increments collected and the transfers to the associated debt service fund to make debt

COUNCIL WORK SESSION OCTOBER 11, 2021

payments related to the TIF district's project. The total budget for all Debt TIF districts is a \$14,651 increase from 2021 due to the new Belgrade Avenue Redevelopment TIF District.

City Administrator Harrenstein provided an additional overview of each of the funds. The Spring Lake Park Swim Facility offers public swimming, swimming lessons, concessions, and facility rentals. In 2021 there were 46,000 visitors, 943 swim lessons, and various events and fitness activities. Challenges include hiring skilled staff, as many are young adults in the community. City Administrator Harrenstein reviewed the FTE for the department, which increased from 21.25 to 21.75 based on the Aquatics Manager being full-time instead of part-time in 2022. The Aquatics Manager will also assist in coordinating other sporting events such as the golf program. He reviewed event attendance and revenue and swim facility passes and revenue. The total revenue budget in 2021 is \$427,988, with a projected increase to \$467,152 in 2022. Total expenditures budgeted in 2021 were \$454,151, with a projected increase to \$485,637 in 2022. A transfer from the General Fund will cover shortfalls. The projected transfer for 2021 is \$26,163. Mayor Dehen commented that before the facility improvements, the facility saw approximately 8,000 visitors a year. In 2020, the facility had over 24,000 visitors, and in 2021 there were over 46,000 visitors. Finance Director McCann reported in recent years, the subsidy had been over \$90,000.

City Administrator Harrenstein reviewed the Caswell Sports Fund. The fund includes the Caswell Park Softball Complex, Caswell North Soccer Complex, and Caswell South Complex at South Central College. The fields are regional destinations for recreation and sporting events. Services include bidding on tournaments, administering adult and youth recreational leagues, running youth and adult tournaments, assisting with other City-sponsored groups and events, and applying for grants for park improvements. In 2020 the parks generated an estimated \$4.5 million in economic impact through events and tournaments. Caswell increased sponsorship by \$30,899, hosted two national tournaments, hosted 573 teams and 20,339 visitors and concession and alcohol sales totaled \$289,916. City Administrator Harrenstein noted the excellent turf maintenance and the continual building of community relationships necessary to provide services to residents and maintain a venue for hosting. He reported the City has also acquired the youth wrestling program. The City continues to work to obtain funding for the indoor facility. Mayor Dehen commented that with the installation of the turf field, the City could hold state playoff tournaments. City Administrator Harrenstein responded the City is working to acquire playoff games. City Administrator Harrenstein reported Caswell North's proposed 2022 revenue is \$54,304, Caswell Recreation is \$57,075, and Caswell Softball is \$492,633 for a total Caswell Sports Fund Revenue for 2022 of \$634,969. Total Caswell Sports projected expenditures for 2022 are \$634,969. He commented that the City does plan on a \$77,000 transfer from the General Fund. Council Member Oachs requested clarification on whether the City has additional plans to make the park self-sustaining. City Administrator Harrenstein commented that the City continues to optimize opportunities to make Caswell as self-sustaining as possible, including alcohol sales, increasing sponsorships, and managing tournaments and league play. He noted that while the City's General Fund contributes \$77,000, the park provides \$4.5 million in economic benefit to the region and improves the quality of life. Mayor Dehen also commented that the Miracle Field and Fallenstein Playground are also a part of the complex and don't generate revenue but add to the quality of life.

City Administrator Harrenstein reviewed the Youth Football Fund. The City of North Mankato acquired the youth football program in late 2020. The program takes place from August through October, and the players range from pre-k to sixth grade. The program's goal is

COUNCIL WORK SESSION OCTOBER 11, 2021

to teach the players the values of sportsmanship, hard work, and determination. A review of the program included 840 players for the 2021 season and a total of 52 teams. Registration revenue was \$105,225, which contributed to the overall income of \$142,499 in 2021. New uniforms were purchased in 2021, and coaches received their 3-year coaching certification through USA football. The budgeted expenditures for 2021 were \$196,249, and in 2022 the expenditures are \$123,073. The decrease is due to the purchase of uniforms in 2021. Revenue for 2021 is budgeted for \$144,449, and the proposed 2022 budget is \$156,329. The increase is from adding a Pre-K flag football team, additional players, and sponsorships. The discussion was held concerning the age tackle football starts and working with the Minnesota Vikings.

City Administrator Harrenstein reported that Caswell Sports Director Tostenson, Youth Sports Coordinator Kaus, Library Director Heintz and the pool manager oversee Caswell, Swim, and Youth Football. He noted that the programs and funds are developing into a recreation department, and staff could provide language to structure and formalize a recreation department.

City Administrator Harrenstein reviewed the Library Endowment Fund, which was created from a donation from the Glen A. Taylor Foundation to fund library programming. The Library Endowment Fund is responsible for the backpack book program, Bookin' on Belgrade, Art Splash, summer reading, and other events and programs. The fund is strictly used to operate these events. All staff costs come out of the Library Budget in the General Fund. The 2021 budgeted revenues are \$53,250. In 2022 the revenues are budgeted at \$46,500. The decrease is due to decreasing the transfer amount from the General Fund by \$6,750 due to the available funds. Total budgeted 2021 expenditures are \$53,250, and the spending will remain flat in 2022.

City Administrator Harrenstein reviewed the Local Option Sales Tax, which is used to track and pay for the 0.5% North Mankato sales tax projects. The sales tax was approved by the North Mankato residents in 2008 and the State in 2009 for \$9 million. The maximum sales tax collection was increased by the residents in 2016 to \$15 million. The sales tax can be spent on regional parks, trails, recreational facilities, expansion of the Taylor Library, riverfront redevelopment, and lake improvements. In 2019 the fund collected \$679,219 in sales tax, and it increased to \$695,603 in 2020, Finance Director McCann reported the fund is on pace to collect over \$720,000 in 2021. Total budgeted expenditures in 2021 are \$299,850. In 2022 the expenditures increase to \$642,707 with the Belgrade Business Incentive and the beginning payments for the 2021A Bonds issued for the Caswell Park Improvements, Caswell North field improvements, and the Caswell Indoor Recreation. City Administrator Harrenstein noted the fund will continue to grow until 2026, and it may be a good idea to establish a fund policy to ensure the funds are utilized appropriately. Mayor Dehen requested staff create a resolution that establishes fund maintenance policies, so future Councils know how to use the funds.

City Administrator Harrenstein reviewed the Charitable Gaming Fund, which accounts for the 10% of gambling revenues generated from non-profit gambling operations within the City. The funds are then donated to other non-profits and service groups around the area. In 2020, \$35,053 was collected and \$23,600 was donated. Projected revenue in 2022 is \$43,998 with projected expenditures of \$23,200, and additional contributions can be made as directed by Council.

Finance Director McCann reviewed the Joint Economic Development Fund, which was started as a collaboration between the North Mankato Port authority and BENCO Electric Cooperative to develop the North Port Industrial Park in 1990. The fund is used to acquire and develop the property and all associated costs with the Northport Industrial Park. Highlights include that 305 off the 382 acres are occupied with an estimated 1,100 jobs created and a

COUNCIL WORK SESSION OCTOBER 11, 2021

Taxable Market Value of \$76.1 million. The 2021 budgeted revenues are \$34,594, and in 2022 the proposed revenues are \$80,505, which includes the sale of the property. The 2021 budgeted expenditures are \$40,000, and the 2022 expenditures are \$57,000. The cash balance for 2022 is anticipated at \$25,656.

Finance Director McCann reviewed the Federal Revolving Loan Fund, which began in 1986 as a business loan from the State to Coloplast. The loan was repaid to the City of North Mankato to establish a revolving loan program for future businesses to apply to. The program is tied to the rules and regulations of the federal government. Most loans are up to \$300,000, and the City has six active loans.

Finance Director McCann reviewed the Local Revolving Loan Fund, which is more flexible than the Federal Revolving Loan Fund. Loans are typically \$10,000 to \$100,000. The fund has been expanded to include the Northside Revivals Program and created the COVID-19 Assistance Loan Program for businesses struggling during the business shutdown orders. Currently, there are three active loans with receivables at the end of 2020 of \$38,311. The City also loaned \$134,400 to 14 businesses as part of the COVID-19 Assistance Loan Program.

Finance Director McCann reviewed the TIF District Funds. Tax Increment Financing is a public financing tool as governed by State Statute. TIF is used to achieve development and redevelopment goals overseen by the North Mankato Port Authority to collaborate with private investors. When a TIF District is created, a base valuation of the property in the district is established. All taxing authorities (City, county, school district, etc.) continue to receive tax revenue from the based valuation. Taxes from the increase in property value go to the TIF district. This increment can be used to pay debt service, upfront development costs for additional improvements, or individual projects on a "pay-as-you-go" basis. After the TIF District is decertified, no more increment is dedicated, and the total taxes go back to the taxing authorities. Each TIF district has a unique district budget fund. The City has eight active districts.

Council Member Norland moved, seconded by Council Member Oachs, to adjourn the Council Work Session at 1:15 pm.

Mayor

City Clerk