



City of Blaine Anoka County, Minnesota

Blaine City Hall
10801 Town Sq Dr NE
Blaine MN 55449

Legislation Text

File #: WS 21-110, Version: 1

Workshop Item - *Joe Huss, Finance Director*

Title

2022 Proposed Special Revenue Funds Budget Discussion

Background

As part of the City's comprehensive budget process, staff will present preliminary budgets for two special revenue funds. The funds to be presented are:

Communications Fund

The city's communications fund accounts for revenue received from cable franchise fees paid by cable television customers. The current cable service provider is Comcast. Franchise and PEG fees collected from cable television subscribers are passed through to the North Metro Telecommunications Commission (NMTV), which is the regulatory body that oversees the cable franchise. The Commission uses these fees to provide to its member cities educational opportunities for kids, adults, and seniors; tape and film transfer services; coverage of high school sports, local news, and local elections; municipal programming, including city meetings, and other informative and interesting programming regarding their communities. The commission is made up of elected officials from each of its seven member cities. The commission adopts an annual budget.

The cable television industry is undergoing a substantial transformation. Overall, it has experienced a decline in subscriber levels and a new court ruling will very likely negatively impact franchise fees. Additionally, NMTV is in the process of franchise negotiations, which if completed by 2022, could impact how cable providers are allowed to spend franchise fees. Per the NMTV Executive Director, recent FCC actions and subsequent court rulings will change the way franchise and PEG fees are assessed and collected and it is fairly certain that total fees to be distributed in 2022 will drop to \$225,000. Blaine's roughly 56% share of the fees would be just under \$125,000. This is a significant decrease from recent years, when fees distributed by the Commission totaled \$400,000, and Blaine received roughly \$222,000.

With the outlook for the cable industry beyond 2022 being unstable, staff feels the best strategy is to balance the 2022 Communications Budget with a draw from reserves and transition into a new operating model beginning in 2023. Thus, the proposed budget would require the use of \$175,000 of reserves to fund operations in 2022. This would in turn reduce the balance of fund reserves to just under \$49,000. Once the cable franchise is renewed with Comcast, it is possible that franchise fees will no longer be available and PEG fees could be restricted to capital costs only. In such a case, an alternative funding source would be required to support Communications' operations.

The proposed 2022 operating expenditures budget is \$297,670. The proposed budget supports the

production and mailing of six issues of CityConnect, and two issues of BizConnect newsletters, with \$86,500 budgeted for those newsletters. Expenses for the operation/maintenance of the Legistar system are budgeted for \$32,000. Services including media monitoring and analytics, a survey platform, Zoom remote meeting, and other services account for \$28,000 in budgeted expenses. The service charge paid to the general fund for administrative support is increased by \$800 to \$116,300. As a result of Communications staff moving to a larger space on the third floor of city hall, allocated facility charges are increasing by \$5,150 to \$5,770. North Metro Television staff will continue to produce and broadcast City Council meetings at no cost into 2022, which results in roughly \$17,000 in savings to the budget.

Capital equipment expenses of \$7,800 are programmed in 2022 to cover general equipment replacement needs (\$5,000), and to purchase a wireless communications device to assist the hearing impaired (\$2,800).

Charitable Gambling Fund

The city's charitable gambling fund was established in 1993 to account for the proceeds of a 10 percent contribution that charitable gambling organizations operating within Blaine are required to submit to the city (Code Section 22-384). Organizations participating in charitable gambling in 2022 are the Blaine Festival Committee, VFW - Sgt. John Rice, Blaine Youth Hockey, Centennial HS Football Boosters, Spring Lake Lions Club, SLP #16 Youth Hockey, and Spring Lake Park Youth Hockey. These organizations are required to submit 10 percent of their net profits to the city within 15 days of the end of a calendar quarter.

Charitable gambling proceeds have improved significantly compared to the prior year due to more opportunities for charitable gambling and a loosening of pandemic restrictions. Staff is projecting an increase in proceeds from the budgeted \$99,000 to \$154,000. More accurate projections will be known toward the end of October, when all third quarter proceeds will have been received by the City. The question moving forward is whether or not this increase in charitable contributions is sustainable heading into 2022.

Expenditures from this fund are at the city council's discretion, provided that they fall within the guidelines established by Minnesota Statute 349.12 subdivision 25. Specifically allowable contributions include donations to:

- 501(c)(3) organizations; and 501(c)(4) festival organizations
- Relieve the effects of poverty, homelessness, or physical or mental disabilities
- Treatment of post-traumatic-stress syndrome or compulsive gambling
- Public or private accredited nonprofit educational institution
- Scholarship funds
- Recognition of humanitarian or military service
- Activities and facilities that benefit youth under the age of 21
- Support police, fire, or other public safety-related services, equipment, and training
- Wildlife management projects
- Maintenance of snowmobile and/or ATV trails
- Support nutritional and congregate dining programs, and food shelves
- Community arts programs.

Council has set the fund reserve target at \$85,000. Should legislation be adopted by the State of Minnesota that would limit or end the city's ability to continue to fund this program, the higher fund reserve would allow for one final year of charitable gambling funds to be distributed before ending the program, albeit at much lower funding levels.

Staff Recommendation

Staff is requesting Council review the 2022 proposed budgets for both the Communications Fund and the Charitable Gambling Fund and provide direction for staff to incorporate into a final proposed budget to be adopted later in 2021.

Attachment List

- Communications Fund 2022 Proposed Budget Summary
- Charitable Gambling Fund 2022 Proposed Budget Summary