



City of Blaine Anoka County, Minnesota

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WORKSHOP ITEM - *Joe Huss, Finance Director*

2021 PROPOSED SPECIAL REVENUE FUNDS BUDGET DISCUSSION

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. Cable fees are passed through to the North Metro Telecommunications Commission, which is the regulatory body that oversees the cable franchise in our area. The commission is made up of elected officials from each of its seven member cities. The commission adopts an annual budget. Staff anticipates that net franchise fee revenue distributed to Blaine in 2020 will total \$223,000, which represents a \$1,600 increase from 2019's projected final proceeds.

The proposed 2021 operating budget is \$265,620. The production and mailing of six issues of the CityConnect, and two issues of the BizConnect newsletters are budgeted at \$83,500. Expenses for the operation/maintenance of the Legistar system are budgeted for \$29,700. Services including media monitoring and analytics, a survey platform, Zoom remote meeting, and other services account for \$34,800 in budgeted expenses. The administrative service charge has been increased by \$22,100 to \$115,500, and allocated facility charges total \$620.

The recently begun initiative to have North Metro Television staff produce and broadcast City Council meetings will continue into 2021, and is expected to result in roughly \$17,000 in

savings to the budget. Personal service expenses of \$1,000 are budgeted in the event that city staff are needed to fill in on occasion.

Capital equipment expenses of \$40,000 are programmed in 2021 to install technology updates in two conference rooms. This work will be done in conjunction with the City Hall expansion project.

The full 2021 Communications Fund Budget totals \$305,600, which will result in a fund balance decrease of \$79,300. The fund is expected to end 2021 with a fund balance reserve of just over \$173,000.

Staff is developing a model for future budget years through 2025 based on the terms of the current franchise agreement. Since 2017, the commission has designated \$400,000 of franchise fees to be returned to the member cities. At the same time, Blaine's share of that has leveled off to roughly 55.3%. Staff is projecting modest increases in franchise fees through 2025, but, as always, will closely monitor revenue such that if budget adjustments are required, the City will be in the position to make the adjustments without affecting operations. Given the anticipated slow/no growth in revenue, the 5-year model indicates that the fund's reserves will be depleted by the end of 2025. For now, there are sufficient reserves to allow for a strategic adjustment to future budgets if revenue models remain unchanged.

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). The organizations participating in charitable gambling in 2019 are the Blaine Festival Committee, Blaine Youth Hockey, Centennial HS Football Boosters, VFW - Sgt. John Rice, and Spring Lake Lions Club. 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 significantly declined in 2020, due to the onset of the COVID-19 pandemic and the resulting shutdown of the venues hosting gambling activity. The full impact is not yet known, and it is reasonable to expect that proceeds will rebound as hosting venues are allowed to reopen. Finance is tentatively projecting a decline in proceeds from the budgeted \$150,000 to just under \$97,000. More will be known toward the end of October, when all third quarter proceeds will have been received.

As it is unknown what long-term effect the pandemic will have on charitable gambling activity, Staff is recommending holding 2021 budgeted revenue to the same amount as 2020.

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.

Annually, an expenditure report is submitted to the State of Minnesota, disclosing the amount, purpose and recipients of funds.

For 2020, the city appropriated donations totaling \$150,300. However, the COVID-19 pandemic forced some donations to be withheld. Priority was given to support social services, so \$50,000 was expensed to Alexandra House, \$9,350 to each of three food shelves, and \$10,000 each to three family and youth support groups. A previously committed allocation of \$10,000 to the Blaine Historical Society was fulfilled. The fund is expected to end 2020 with a fund reserve of about \$85,500.

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.

The proposed 2021 budget includes allocations to the three food shelves, high school senior parties, Civil Air Patrol, the three family/youth service groups, and the annual fireworks display. The city plans to appropriate \$50,000 in CARES funding to Alexandra House in 2020, as a pre-payment of intended 2021 funding.