



City of Blaine Anoka County, Minnesota

Blaine City Hall
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Blaine MN 55449

Legislation Text

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Workshop Item *Alison Bong, Deputy Finance Director*

Title

General Budget Process Updates & Special Revenue Fund Budgets

Background

The following agenda is scheduled for this council workshop meeting:

- General budget updates:
 - Upcoming workshop schedule
 - Council small group feedback to date
 - Levy model updates from Anoka County July 20 updated payable 2023 values
- Special Revenue Funds Preliminary Budgets
 - Charitable gambling fund
 - Communication fund

Staff Recommendation

Staff requests additional council questions to include in the question-and-answer preliminary budget document.

Staff is providing information about the preliminary special revenue funds.

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.

Revenues

Actual charitable gambling proceeds received in 2021 jumped significantly to \$237,400, which is \$122,800 higher than totals received in COVID-hampered 2020. For 2022, Finance is tentatively projecting an increase from the budgeted \$175,000 to \$200,000. This is based on actual receipts through the first half of the year. Staff is taking a cautious approach to forecasting for 2023 and is keeping budgeted proceeds at \$175,000

Expenditures

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.

The city appropriated donations totaling \$169,250 for 2022; a detailed breakdown of each contribution is listed in the proposed budget below. The fund is projected to end the year with a surplus of just over \$32,000, bringing the fund reserve to \$270,000.

2023 Proposed Budget

Council has set the fund reserve target at \$85,000. The proposed budget indicates a fund balance of \$270,000 at the end of 2022. Staff recommends increasing the fund balance target to \$170,000. If legislation were adopted by the State of Minnesota that would limit or end the city's ability to continue to fund this program, this reserve balance would sustain the fund and allow for charitable gambling funds to be distributed for one final year before ending the program.

Attached is the 2023 budget proposal with no changes to the contribution amounts authorized by the 2022 budget. Council has the opportunity to amend any or all of the proposed amounts and also may add new recipients as they may identify.

Communications Fund

The City's Communications Fund accounts for activity supported by 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. A portion of the collected fees is distributed to Blaine and the other member cities and is used to support various communications initiatives within the city.

An Uncertain Future

The cable television industry is undergoing a volatile 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, will impact how cable providers are allowed to spend franchise fees. Per the NMTV Executive Director, recent FCC actions and subsequent court rulings are changing the way franchise and PEG fees are assessed and collected and it is certain that total fees distributed by the commission in 2022 will be \$225,000. This amount is reduced to \$200,000 in 2023 and Blaine's roughly 55% share of the fees would be just under \$110,000. This is a significant decrease from recent years, when fees distributed by the Commission totaled \$400,000, and Blaine received roughly \$222,000.

Considering the unstable outlook for the cable industry into 2023 and beyond, staff feels the best strategy is to balance the 2022 Communications Budget with a draw from reserves and by beginning to shift a large amount of operating expenditures to the General Fund.

Revenue

As stated above, PEG fees shared with the member cities will equal \$200,000 in 2023 and Blaine's share is estimated to be \$110,000. Balancing the 2023 budget will require the use of nearly all of the fund balance remaining at the end of 2022, which is estimated to be \$59,000.

Expenses

Expenditures in 2023 are scaled back to nearly half of the 2022 adopted budget. Costs for producing and mailing the printed newsletter, a \$92,000 appropriation, are shifted to the general fund, along with a \$22,000 appropriation for management of the strategic plan, and \$23,000 for enhancements to the city's web site. Expenditures remaining in the Communications Fund include \$30,000 for the CivicClerk legislative management system, \$15,000 for the preventative maintenance contracts for A/V equipment throughout city hall, administrative chargebacks paid to the general fund totaling \$116,300, and \$7,200 for facilities maintenance and improvement charges. A \$5,000 capital equipment appropriation is included in the event a piece of technical equipment fails during the year.

The initial 2023 Communications Fund Budget presented for discussion purposes is attached.

Attachment List

PowerPoint presentation (not yet available)
Charitable gambling fund preliminary budget
Communication fund