

**AGENDA
CITY COUNCIL SPECIAL MEETING
MONTICELLO CITY COUNCIL**

Monday, September 13, 2021 – 5:00 p.m.

Monticello Community Center – North Mississippi Room

AGENDA

1. Call to Order
2. 5:00 p.m. Preliminary Levy Review
5:30 p.m. Chelsea Commons Discussion
3. Adjournment



2014A Bond Early Redemption

The city issued 2014A bonds to fund the settlement with the bondholders associated with the 2012 default of the 2008 Telecommunications Revenue Bonds and to purchase equipment in the Central Equipment Fund. The city pays over \$500,000 in principal and interest on the judgement portion of the 2014A bonds each year through the debt service tax levy. The bonds include a call date of December 15, 2021.

As the city has done in the past with other bonds, the option exists to pay off the bonds early with other available resources. Over the past year as the council has held long-term planning discussions, plans how the city can best utilize the healthy fund balance in the Capital Projects Fund has been a common topic.

Staff recommends using available fund balance in the Capital Projects Fund to call the 2014A bonds on December 15, 2021 for the following reasons:

- If the 2014A bonds are called in December, the city's outstanding general obligation (G.O.) debt level will decline to just over \$21 million, and the annual debt service levy will decrease by over \$500,000. This change would leave more opportunity for future bond sales for one or more of the potential capital projects on the city's horizon. Until future bond issuances occur, staff is proposing the city allocates that amount to the capital levy for other Capital Improvement Plan costs and to manage future levy increases when new debt levies are added.
- The interest rate on the remaining payments ranges from 2.75% - 3.50%, which is higher than the rates at which new debt is being issued. A proposed refunding scenario provided by the city's financial advisor in early July assumed new bond rates ranging from 0.50% - 1.55%. While refunding the bonds with a 2021A issuance is also an option, staff does not recommend doing so because the new bonds would push out a call date to 2029.
- The default on the 2008 Telecommunication Bonds caused a downgrade in the city's bond rating two levels. While the city received a one-level upgrade in 2019, investors are still cautious in buying the city's bonds. The city will increase investor confidence in its debt by showing the fiscal stability the city has achieved by being able to call the 2014A bonds early. However, the city's reliance on a single property-taxpayer is still a major concern, so paying off the 2014A bonds early does not guarantee a rating upgrade.

The risk involved with the early redemption of the 2014A bonds includes the use of the

available fund balance in the Capital Projects Fund, which would not be available for use on other projects or capital purchases. While there is risk in spending the fund balance, the current healthy balance is sufficient for the early redemption and will still leave a fiscally responsible balance in that fund.

Note that the equipment portion of the bonds, which are paid using the Central Equipment Fund's lease payments from the General Fund, will remain outstanding and have a maturity date in 2024.



2022 BUDGET MEETING #5

September 13, 2021

Budget Schedule

- July 19th – Budget Intro and Buckets: Personnel, Equipment, Major Non-capital
- July 26th – Buckets: Capital Projects, Funding options/strategies
- August 5th – Chelsea Commons Discussion
- August 9th – Budget Summary and Review
- August 23rd – Updated Budget Summary and Review
- **September 13th – Final Review of Budget**
- September 27th – Preliminary Levy adopted during regular meeting



**TAX LEVY & MARKET VALUE
INFORMATION**

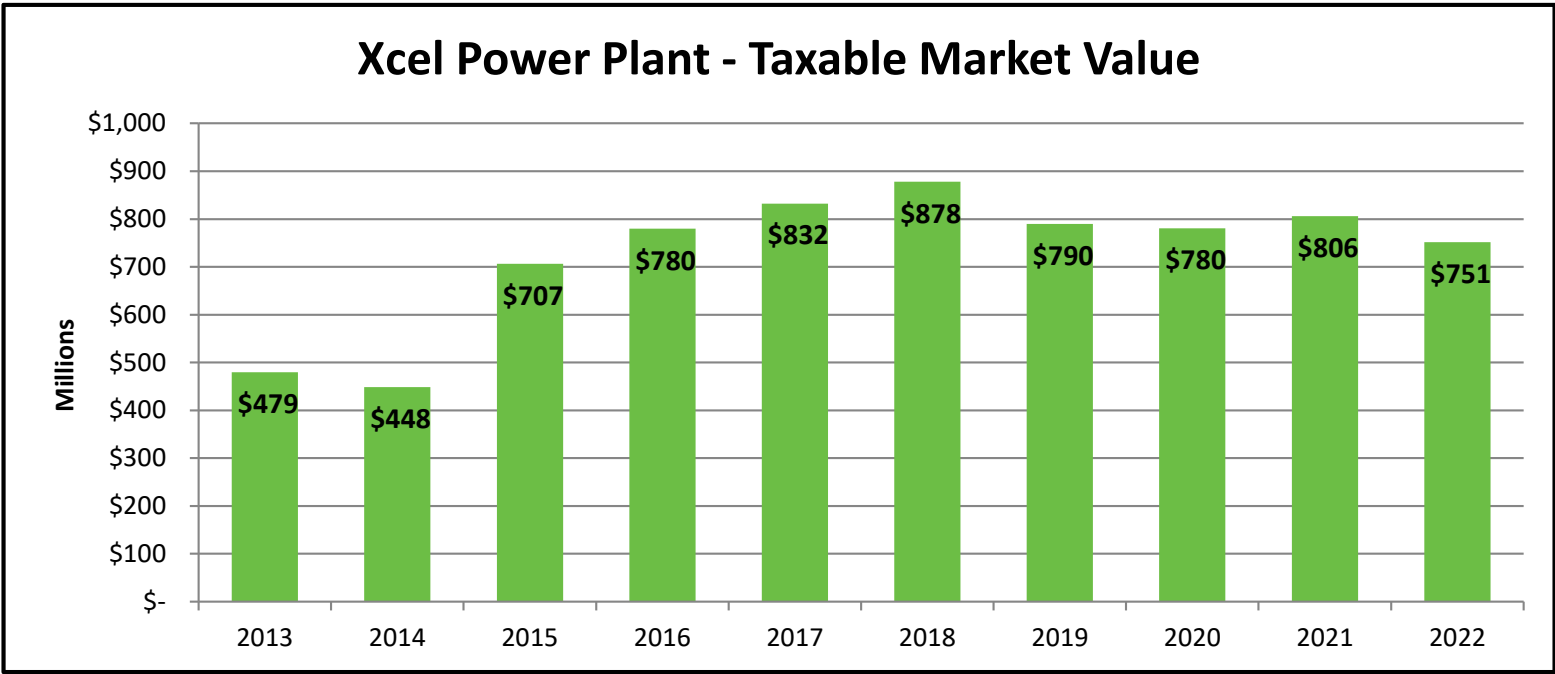
Market Value – Pay 2022

| Monticello Assessment Value Changes | | | |
|--|----------------|----------------------------|----------------|
| | Residential | Commercial & Industrial | Apartments |
| 2020/2021 | \$ 894,321,400 | \$ 287,347,200 | \$ 88,502,100 |
| 2021/2022 | \$ 955,002,500 | \$ 289,463,900 | \$ 107,310,800 |
| Total Change | \$ 60,681,100 | \$ 2,116,700 | \$ 18,808,700 |
| New Construction | \$ 9,985,700 | \$ 2,089,600 | \$ 13,711,800 |
| Existing Change | \$ 50,695,400 | \$ 27,100 | \$ 5,096,900 |
| % New Construction | 1.12% | 0.73% | 15.49% |
| % Existing Change | 5.67% | 0.01% | 5.76% |

Xcel Value – Pay 2022

| Northern States Power (dba Xcel Energy) | | | | | | | | |
|---|----------------------|-----------------|---------------|----------------|--------|----------------------------|--------------|--------|
| Tax Year | Taxable Market Value | | Tax Capacity | | | City Property Tax on Plant | | |
| | Amount | \$ Change | Amount | \$ Change | % Chg. | Amount | \$ Change | % Chg. |
| 2012 | \$298,023,900 | | \$ 5,960,478 | | | \$ 2,966,335 | | |
| 2013 | \$479,449,000 | \$181,425,100 | \$ 9,588,980 | \$ 3,628,502 | 61% | \$ 4,052,178 | \$ 1,085,843 | 37% |
| 2014 | \$448,484,200 | \$ (30,964,800) | \$ 8,969,684 | \$ (619,296) | -6% | \$ 4,010,278 | \$ (41,900) | -1% |
| 2015 | \$706,645,500 | \$258,161,300 | \$ 14,132,910 | \$ 5,163,226 | 58% | \$ 5,050,410 | \$ 1,040,132 | 26% |
| 2016 | \$779,539,900 | \$ 72,894,400 | \$ 15,590,798 | \$ 1,457,888 | 10% | \$ 5,374,045 | \$ 323,635 | 6% |
| 2017 | \$832,073,500 | \$ 52,533,600 | \$ 16,641,470 | \$ 1,050,672 | 7% | \$ 5,520,059 | \$ 146,014 | 3% |
| 2018 | \$877,855,100 | \$ 45,781,600 | \$ 17,557,102 | \$ 915,632 | 6% | \$ 5,676,496 | \$ 156,437 | 3% |
| 2019 | \$789,572,500 | \$ (88,282,600) | \$ 15,791,450 | \$ (1,765,652) | -10% | \$ 5,410,467 | \$ (266,029) | -5% |
| 2020 | \$780,422,700 | \$ (9,149,800) | \$ 15,608,454 | \$ (182,996) | -1% | \$ 5,457,964 | \$ 47,497 | 1% |
| 2021 | \$806,039,800 | \$ 25,617,100 | \$ 16,120,796 | \$ 512,342 | 3% | \$ 5,748,515 | \$ 290,551 | 5% |
| 2022 | \$751,329,900 | \$ (54,709,900) | \$ 15,026,598 | \$ (1,094,198) | -7% | \$ 5,535,799 | \$ (212,716) | -4% |

Xcel Value – Pay 2022

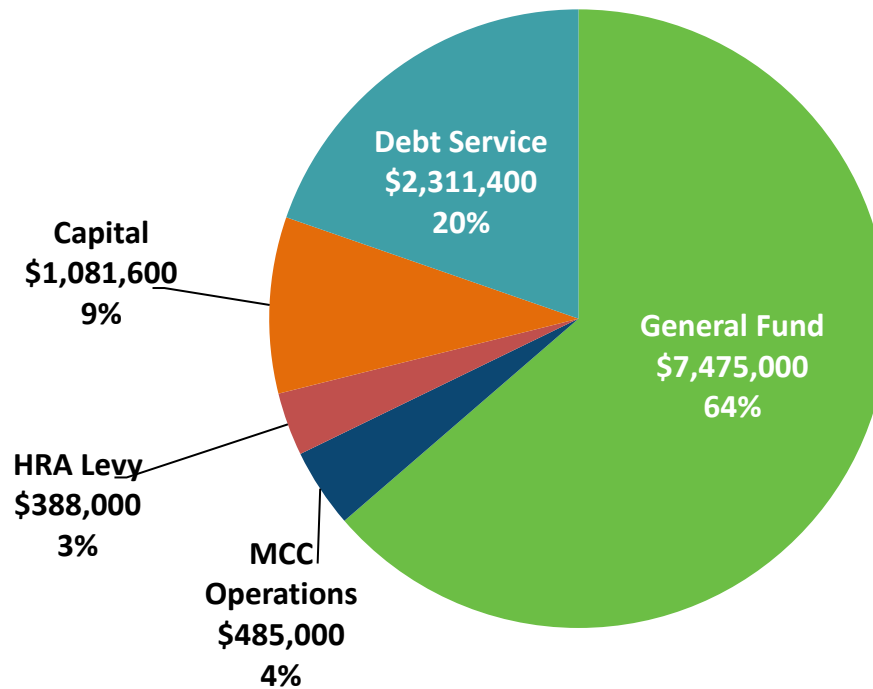


Proposed Tax Levy – 9/13

| Fund | 2018 Property Taxes | 2019 Property Taxes | 2020 Property Taxes | 2021 Property Taxes | 2022 Property Taxes | % Change | \$\$ Change |
|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-------------|----------------|
| General Fund | \$6,590,000 | \$6,670,000 | \$6,788,000 | \$7,169,000 | \$ 7,475,000 | 4.3% | \$306,000 |
| MCC - Operating | 387,000 | 402,000 | 417,000 | 485,000 | 485,000 | 0.0% | - |
| Capital | 783,000 | 662,354 | 300,013 | 578,221 | 1,081,600 | 87.1% | 503,379 |
| 2020A GO Bonds | - | - | - | 117,586 | 123,196 | 4.8% | 5,610 |
| 2019A GO Bonds | - | - | 728,620 | 714,945 | 709,446 | -0.8% | (5,499) |
| 2018A GO Bonds | - | 500,000 | 472,434 | 448,077 | 451,812 | 0.8% | 3,735 |
| 2017A GO Bonds | 450,159 | 429,782 | 427,367 | 430,097 | 427,367 | -0.6% | (2,730) |
| 2016A GO Bonds | 407,769 | 409,134 | 405,039 | 406,089 | 406,929 | 0.2% | 840 |
| 2015B GO Bonds | 203,425 | 200,905 | 198,385 | 201,115 | 192,650 | -4.2% | (8,465) |
| 2014A GO Judgment Bonds | 537,586 | 537,244 | 535,501 | 513,570 | - | -100.0% | (513,570) |
| 2005A/2011A GO IBF | 148,061 | 150,581 | 172,641 | - | - | - | - |
| 2010A GO IBF | 40,000 | - | - | - | - | - | - |
| Total City Levy | \$9,547,000 | \$9,962,000 | \$10,445,000 | \$11,063,700 | \$11,353,000 | 2.6% | \$289,300 |
| HRA Levy | 323,000 | 348,000 | 355,000 | 366,300 | 388,000 | 5.9% | 21,700 |
| Total | \$9,870,000 | \$10,310,000 | \$10,800,000 | \$11,430,000 | \$11,741,000 | 2.7% | \$ 311,000 |

Tax Levy Breakdown

Property Tax Levy (Proposed 2022)



Tax Capacity & Tax Rate

| Year | Tax Capacity Value | Capacity % Change | Tax Capacity Rate | Rate % Change | Tax Levy | Levy % Change |
|------|--------------------|-------------------|-------------------|---------------|--------------|---------------|
| 2012 | \$15,771,688 | -4.0% | 46.191 | -1.6% | \$7,850,000 | 2.2% |
| 2013 | \$18,692,762 | 18.5% | 42.262 | -8.5% | \$7,900,000 | 0.6% |
| 2014 | \$18,244,090 | -2.4% | 44.672 | 5.7% | \$8,150,000 | 3.2% |
| 2015 | \$23,882,689 | 30.9% | 35.737 | -20.0% | \$8,535,000 | 4.7% |
| 2016 | \$25,891,898 | 8.4% | 34.470 | -3.5% | \$8,925,000 | 4.6% |
| 2017 | \$27,583,160 | 6.5% | 33.172 | -3.8% | \$9,150,000 | 2.5% |
| 2018 | \$29,528,145 | 7.1% | 32.332 | -2.5% | \$9,547,000 | 4.3% |
| 2019 | \$29,076,227 | -1.5% | 34.262 | 6.0% | \$9,962,000 | 4.3% |
| 2020 | \$29,870,392 | 2.7% | 34.968 | 2.1% | \$10,445,000 | 4.8% |
| 2021 | \$31,026,583 | 3.9% | 35.659 | 2.0% | \$11,063,700 | 5.9% |
| 2022 | \$30,816,639 | -0.7% | 36.840 | 3.3% | \$11,353,000 | 2.6% |

Tax Impact - Residential

| Residential | 2021 Tax Year | 2022 Tax Year | Change | % |
|---------------------------|--------------------------|--------------------------|------------------|-------------|
| Estimated Market Value | \$ 305,300 | \$ 322,600 | \$ 17,300 | 5.7% |
| Homestead Exclusion | \$ 9,800 | \$ 8,200 | \$ (1,600) | -16.3% |
| Taxable Market Value | \$ 295,500 | \$ 314,400 | \$ 18,900 | 6.4% |
| Res. Homestead Class Rate | 1.0% | 1.0% | | |
| Tax Capacity | \$ 2,955 | \$ 3,144 | \$ 189 | 6.4% |
| Tax Capacity Rate | 35.659% | 36.840% | 1.181% | 3.3% |
| City Tax Owed | \$ 1,053.72 | \$ 1,158.26 | \$ 104.54 | 9.9% |

Tax Impact - Commercial

| Commercial | 2021 Tax Year | 2022 Tax Year | Change | % |
|------------------------|--------------------------|--------------------------|------------------|-------------|
| Estimated Market Value | \$ 1,095,000 | \$ 1,096,100 | \$ 1,100 | 0.1% |
| Homestead Exclusion | \$ - | \$ - | \$ - | 0.0% |
| Taxable Market Value | \$ 1,095,000 | \$ 1,096,100 | \$ 1,100 | 0.1% |
| Commercial Class Rate: | | | | |
| First \$150,000 | 1.5% | 1.5% | | |
| Over \$150,000 | 2.0% | 2.0% | | |
| Tax Capacity: | | | | |
| First \$150,000 | \$ 2,250 | \$ 2,250 | \$ - | 0.0% |
| Over \$150,000 | 18,900 | 18,922 | 22 | 0.1% |
| Total Tax Capacity | \$ 21,150 | \$ 21,172 | \$ 22 | 0.1% |
| Tax Capacity Rate | 35.659% | 36.840% | 1.181% | 3.3% |
| City Tax Owed | \$ 7,541.88 | \$ 7,799.87 | \$ 257.99 | 3.4% |

Tax Impact - Apartments

| Apartments | 2021 Tax Year | 2022 Tax Year | Change | % |
|---------------------------|--------------------------|--------------------------|--------------------|-------------|
| Estimated Market Value | \$ 3,565,700 | \$ 3,771,084 | \$ 205,384 | 5.8% |
| Homestead Exclusion | \$ - | \$ - | \$ - | --- |
| Taxable Market Value | \$ 3,565,700 | \$ 3,771,084 | \$ 205,384 | 5.8% |
| Res. Homestead Class Rate | 1.25% | 1.25% | | |
| Tax Capacity | \$ 44,571 | \$ 47,139 | \$ 2,567 | 5.8% |
| Tax Capacity Rate | 35.659% | 36.840% | 1.181% | 3.3% |
| City Tax Owed | \$ 15,893.57 | \$ 17,366.07 | \$ 1,472.50 | 9.3% |

Tax Impact - Xcel

| Xcel | 2021 Tax Year | 2022 Tax Year | Change | % |
|---------------------------|--------------------------|--------------------------|---------------------|--------------|
| Estimated Market Value | \$ 806,039,800 | \$ 751,329,900 | \$ (54,709,900) | -6.8% |
| Homestead Exclusion | \$ - | \$ - | \$ - | --- |
| Taxable Market Value | \$ 806,039,800 | \$ 751,329,900 | \$ (54,709,900) | -6.8% |
| Res. Homestead Class Rate | 2.00% | 2.00% | | |
| Tax Capacity | \$ 16,120,796 | \$ 15,026,598 | \$ (1,094,198) | -6.8% |
| Tax Capacity Rate | 35.659% | 36.840% | 1.181% | 3.3% |
| City Tax Owed | \$ 5,748,515 | \$ 5,535,799 | \$ (212,716) | -3.7% |



GENERAL FUND

Draft Budget

| GENERAL FUND | 2019 | 2020 | 2021 | 2021 | 2022 | % |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|-------------|
| REVENUES | ACTUAL | ACTUAL | BUDGET | THRU 8/31 | BUDGET | CHANGE |
| Property Taxes | \$ 6,667,831 | \$ 6,774,776 | \$ 7,169,000 | \$ 3,773,390 | \$ 7,475,000 | 4.3% |
| Franchise & Other Taxes | 232,816 | 216,864 | 256,500 | 95,329 | 258,000 | 0.6% |
| Licenses & Permits | 603,925 | 521,369 | 420,300 | 559,064 | 421,100 | 0.2% |
| Intergovernmental Revenues | 431,004 | 737,650 | 404,000 | 913,119 | 463,000 | 14.6% |
| Charges for Services | 746,706 | 885,951 | 965,300 | 683,610 | 1,078,600 | 11.7% |
| Fines & Forfeits | 40,054 | 31,852 | 41,600 | 32,644 | 51,600 | 24.0% |
| Special Assessments | 802 | 166 | 150 | 234 | 100 | -33.3% |
| Miscellaneous | 509,858 | 621,431 | 618,150 | 408,382 | 752,600 | 21.8% |
| Contributed Capital | 29,340 | - | - | - | - | --- |
| Operating Transfers In | 25,000 | - | - | - | - | --- |
| TOTAL REVENUES | \$ 9,287,336 | \$ 9,790,059 | \$ 9,875,000 | \$ 6,465,772 | \$ 10,500,000 | 6.3% |
| EXPENDITURES | | | | | | |
| Personnel Services | \$ 3,324,061 | \$ 3,306,432 | \$ 3,651,591 | \$ 2,266,651 | \$ 3,894,801 | 6.7% |
| Supplies | 671,712 | 620,101 | 817,700 | 431,433 | 876,870 | 7.2% |
| Other Services & Charges | 3,974,851 | 4,569,741 | 4,969,109 | 2,829,987 | 5,205,729 | 4.8% |
| Capital Outlay | 298,900 | 330,800 | 436,600 | 218,300 | 516,600 | 18.3% |
| Operating Transfers Out | 1,450,040 | 1,000,000 | - | - | 6,000 | --- |
| TOTAL EXPENDITURES | \$ 9,719,564 | \$ 9,827,074 | \$ 9,875,000 | \$ 5,746,371 | \$ 10,500,000 | 6.3% |
| FUND BALANCE - JANUARY 1 | \$ 7,109,478 | \$ 6,677,250 | \$ 6,640,235 | \$ 6,640,235 | \$ 7,359,636 | |
| Excess (Deficiency) of | | | | | | |
| Revenues over Expenditures | (432,228) | (37,015) | - | 719,401 | - | |
| FUND BALANCE - DECEMBER 31 | \$ 6,677,250 | \$ 6,640,235 | \$ 6,640,235 | \$ 7,359,636 | \$ 7,359,636 | |





COMMUNITY CENTER FUND
(GENERAL FUND)

Draft Budget

| COMMUNITY CENTER | 2019 | 2020 | 2021 | 2021 | 2022 | % |
|-----------------------------------|---------------------|---------------------|---------------------|--------------------|---------------------|--------------|
| REVENUES | ACTUAL | ACTUAL | BUDGET | THRU 8/31 | BUDGET | CHANGE |
| Property Taxes | \$ 402,000 | \$ 417,000 | \$ 485,000 | \$ 242,500 | \$ 485,000 | 0.0% |
| Intergovernmental Revenues | - | 42,827 | - | - | - | --- |
| Charges for Services | 1,361,002 | 496,912 | 423,700 | 406,947 | 899,000 | 112.2% |
| Miscellaneous | 63,534 | 54,287 | 2,300 | 31,314 | 16,000 | 595.7% |
| Operating Transfers In | - | 425,000 | 325,000 | - | - | -100.0% |
| TOTAL REVENUES | \$ 1,826,536 | \$ 1,436,026 | \$ 1,236,000 | \$ 680,761 | \$ 1,400,000 | 13.3% |
| EXPENDITURES | | | | | | |
| Personnel Services | \$ 1,132,228 | \$ 871,143 | \$ 740,712 | \$ 522,103 | \$ 1,104,382 | 49.1% |
| Supplies | 192,222 | 96,312 | 77,120 | 34,372 | 119,600 | 55.1% |
| Other Services & Charges | 550,104 | 288,123 | 418,168 | 202,438 | 548,018 | 31.1% |
| Capital Outlay | 319,295 | 367,573 | - | - | - | --- |
| TOTAL EXPENDITURES | \$ 2,193,849 | \$ 1,623,151 | \$ 1,236,000 | \$ 758,913 | \$ 1,772,000 | 43.4% |
| FUND BALANCE - JANUARY 1 | \$ 606,795 | \$ 239,482 | \$ 52,357 | \$ 52,357 | \$ (25,795) | |
| Excess (Deficiency) of | | | | | | |
| Revenues over Expenditures | (367,313) | (187,125) | - | (78,152) | (372,000) | |
| FUND BALANCE - DECEMBER 31 | \$ 239,482 | \$ 52,357 | \$ 52,357 | \$ (25,795) | \$ (397,795) | |



**ECONOMIC DEVELOPMENT
AUTHORITY (EDA) FUND**

Draft Budget

| EDA FUND | 2019 | 2020 | 2021 | 2021 | 2022 | % |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------|
| REVENUES | ACTUAL | ACTUAL | BUDGET | THRU 8/31 | BUDGET | CHANGE |
| Property Taxes | \$ 347,881 | \$ 354,390 | \$ 366,300 | \$ 189,477 | \$ 388,000 | 5.9% |
| Tax Increments | 679,925 | 707,824 | 617,344 | 379,791 | 630,344 | 2.1% |
| Franchise & Other Taxes | 634 | 690 | - | (24) | - | --- |
| Intergovernmental Revenues | - | 185,000 | - | - | 25,000 | --- |
| Charges for Services | - | 4,550 | - | 14,900 | - | --- |
| Miscellaneous | 157,644 | 82,465 | 202,356 | 307,301 | 43,656 | -78.4% |
| Operating Transfers In | - | - | - | - | 6,000 | --- |
| TOTAL REVENUES | \$ 1,186,084 | \$ 1,334,919 | \$ 1,186,000 | \$ 891,445 | \$ 1,093,000 | -7.8% |
| EXPENDITURES | | | | | | |
| Personnel Services | \$ 127,129 | \$ 134,190 | \$ 137,597 | \$ 84,684 | \$ 170,693 | 24.1% |
| Supplies | 146 | - | 200 | - | 200 | 0.0% |
| Other Services & Charges | 601,606 | 1,757,517 | 289,879 | 54,638 | 324,785 | 12.0% |
| Capital Outlay | 154,404 | 35,496 | 190,324 | 11,857 | 193,397 | 1.6% |
| Operating Transfers Out | 230,000 | 200,000 | 200,000 | 200,000 | 197,925 | -1.0% |
| TOTAL EXPENDITURES | \$ 1,113,285 | \$ 2,127,203 | \$ 818,000 | \$ 351,179 | \$ 887,000 | 8.4% |
| FUND BALANCE - JANUARY 1 | \$ 7,240,465 | \$ 7,313,264 | \$ 6,520,980 | \$ 6,520,980 | \$ 7,061,246 | |
| Excess (Deficiency) of | | | | | | |
| Revenues over Expenditures | 72,799 | (792,284) | 368,000 | 540,266 | 206,000 | |
| FUND BALANCE - DECEMBER 31 | \$ 7,313,264 | \$ 6,520,980 | \$ 6,888,980 | \$ 7,061,246 | \$ 7,267,246 | |

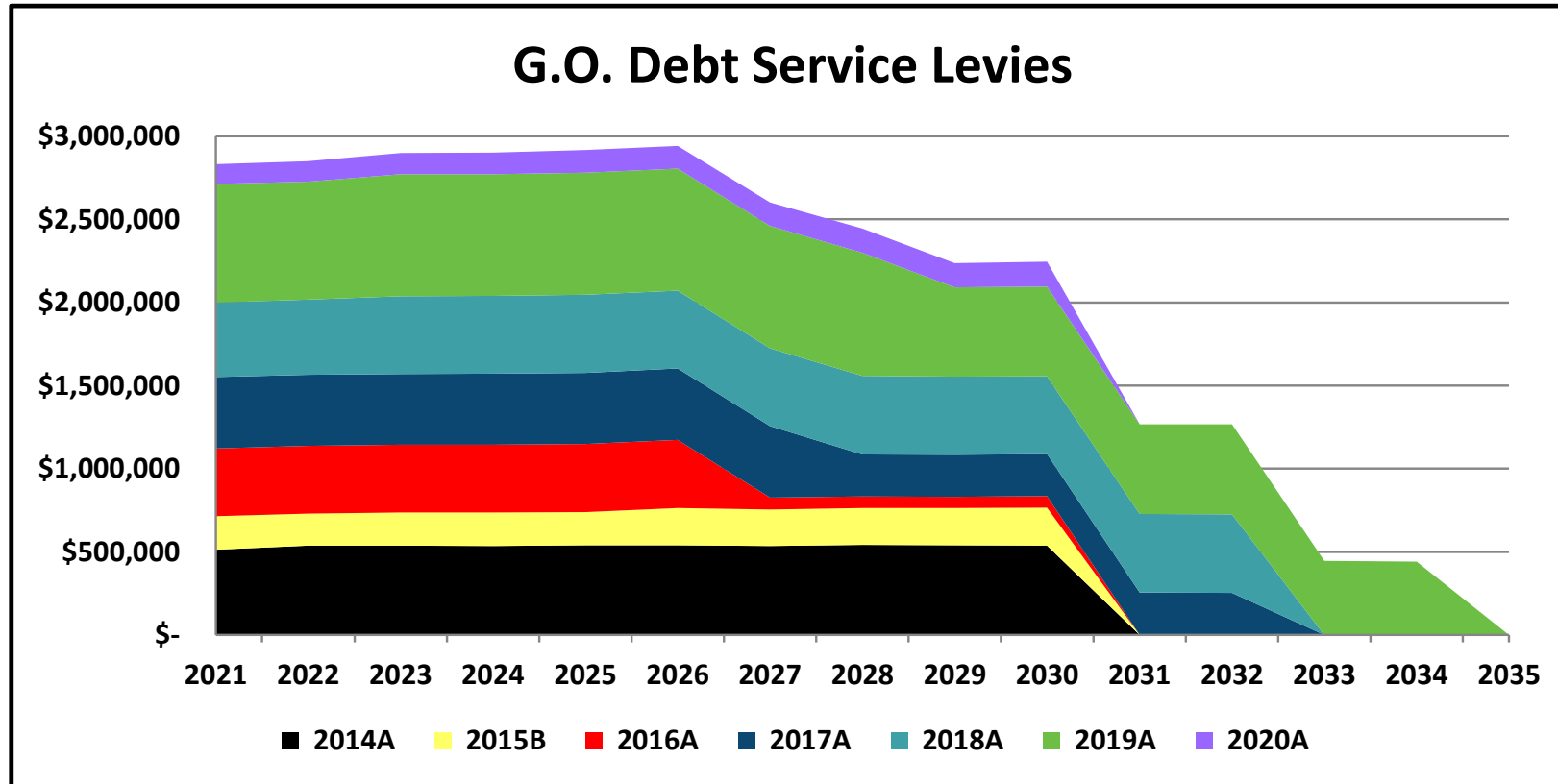


DEBT

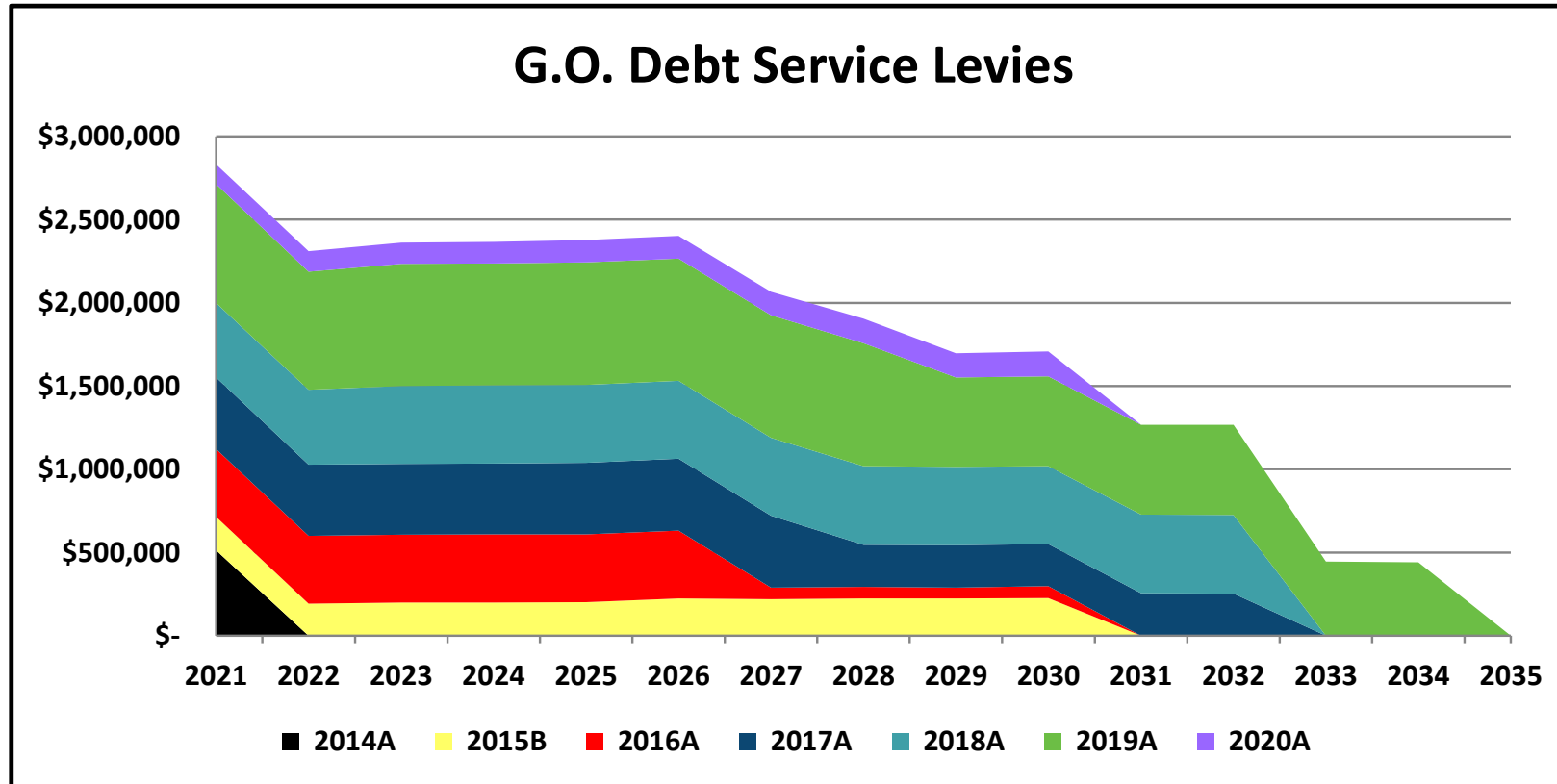
2014A Bonds — Early Redemption

- Why call the remaining \$3,925,000 balance on the 2014A bonds early?
 - ✓ Debt Level & Levy Capacity
 - Lowers General Obligation (G.O.) debt outstanding to \$21,290,000
 - Reduces annual debt levy by over \$500,000 (\$517,226 in 2022).

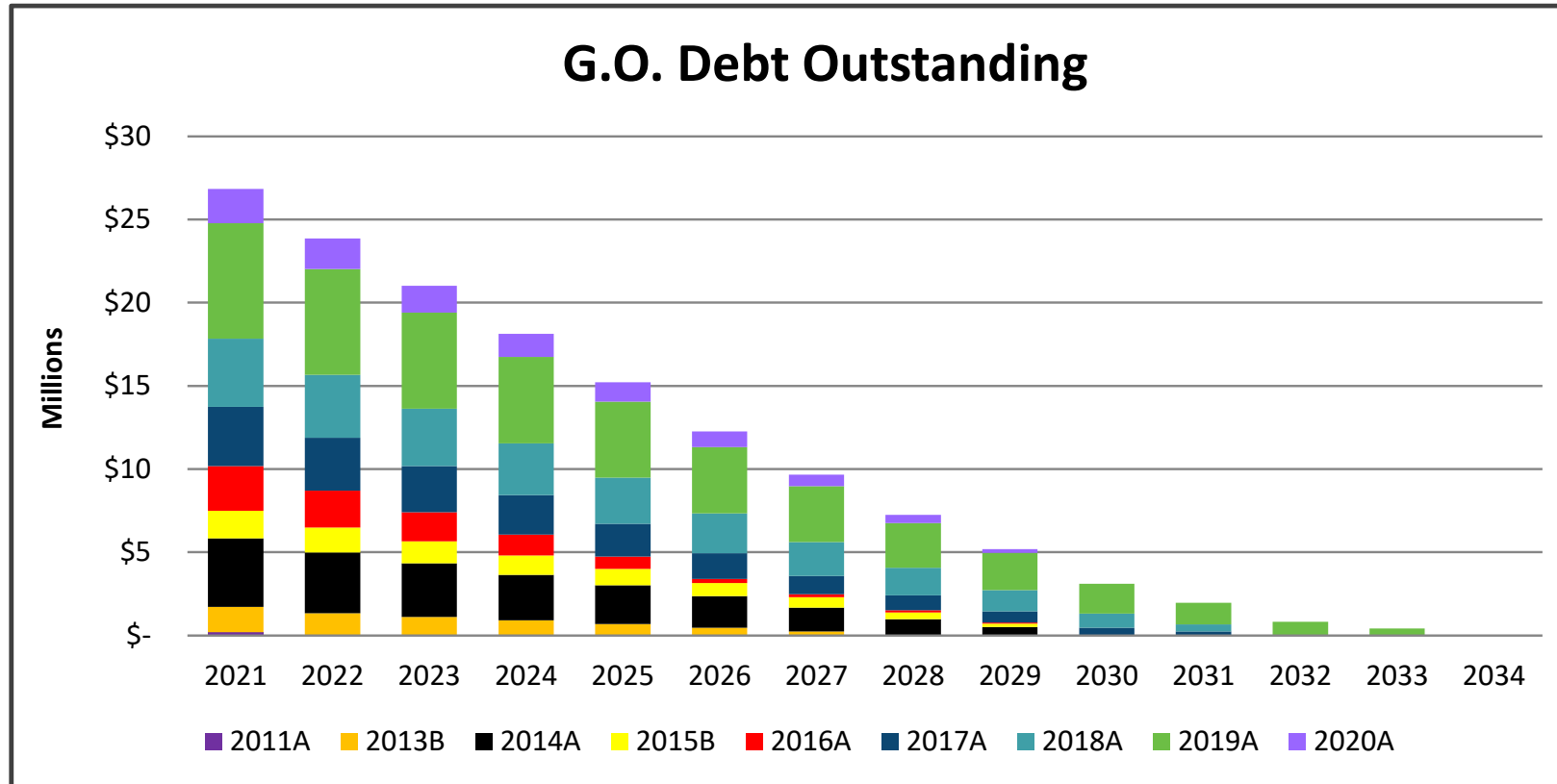
Debt Service Levies



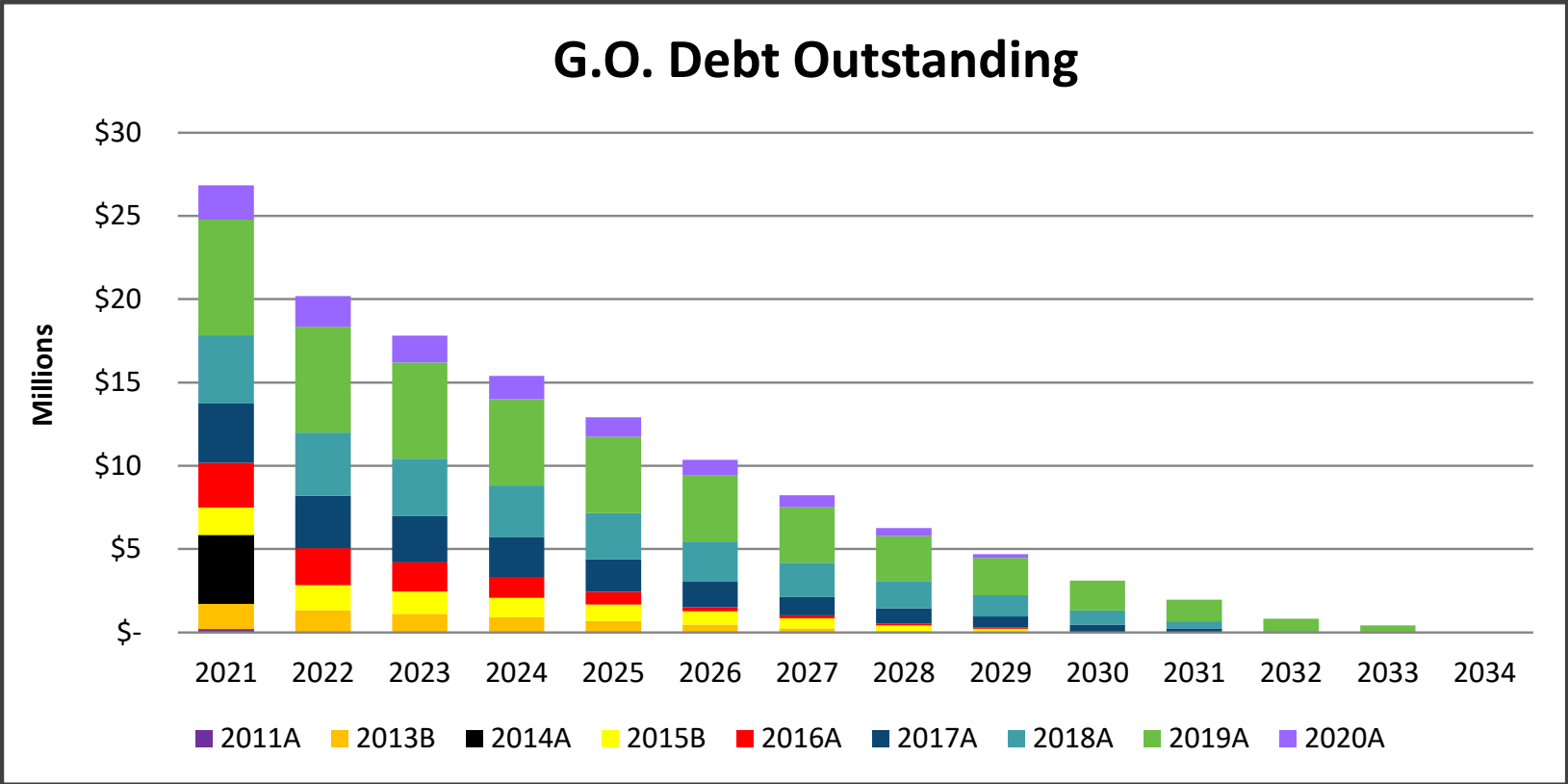
Debt Service Levies – 2014A Call



Debt Levels



Debt Levels – 2014A Call



2014A Bonds – Early Redemption

- Why call the remaining \$3,925,000 balance on the 2014A bonds early?

- ✓ Interest Rate

- Remaining interest rates range from 2.75% - 3.50%: \$690,059
- Estimated interest rates on new debt is 0.45%-2.00%: \$295,840

2014A Bonds — Early Redemption

- Why call the remaining \$3,925,000 balance on the 2014A bonds early?
 - ✓ Bond Rating
 - Default in 2012 downgraded 2 levels from Aa3 to A2
 - Bond rating increased in 2019 to A1
 - Upgrade not guaranteed, but early redemption indicates a strong financial environment

2014A Bonds — Early Redemption

- Why call the remaining \$3,925,000 balance on the 2014A bonds early?
 - ✓ Available Capital Projects Fund Balance
 - General Fund Balance Policy: 60-75% of next year's budget
 - Capital Projects Fund: 958% at 12/31/2020
 - 2014A Bond Sub-Fund: \$150,000 at 12/31/2020 can be used first

- What is the risk?

- ✓ Capital Projects Fund Balance not available for other uses
 - “Big 6” would utilize more future bonding
 - Public Works Facility
 - Chelsea Commons
 - Water Treatment Plant
 - Bertram Chain of Lakes Regional Park
 - Fallon Avenue Deep Trunk Line
 - Downtown Improvements
 - Capital Projects Fund Balances naturally fluctuate from year to year

2014A Bonds — Early Redemption

- What are the other options?
 - ✓ Continue to pay off the 2014A Bonds per the debt service schedule
 - ✓ Refund the 2014A Bonds with 2021A Refunding Bonds



QUESTIONS?
