



*Five Year  
Financial  
Projections and  
Assessment*

**April 2014**



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City of Lakeville  
*Positioned to Thrive*

May 2, 2014

To the Honorable Mayor, Members of the City Council and the Citizens of Lakeville:

Sound long-term financial planning can serve as a platform to support an organization such as ours which is confronted with the challenges of extended periods of economic flux, changing demographics and citizen expectations of public service. Developing a documented approach to a long-term financial plan can provide an opportunity for addressing the budgetary challenges and issues which confront a governing body.

It is our pleasure therefore to present you with the *Five Year Financial Projections and Assessment* Report. Several themes have evolved from the financial analysis and assessment process.

- ❖ **Growth.** The construction of new single family residential homes is at levels this community has not seen in more than a decade. The growth will benefit all of us in that financing certain fixed costs, such as administration services as well as debt for facilities such as the police station, are being spread over a large tax base which means lower property taxes for the rest of us. However, with the new residents comes the expectation of a continuance of existing service levels such as those for snow removal, police responses to calls for service and maintenance of park facilities.

Our organization has always been lean on resources – especially with respect to staffing. The growth will necessitate that our organization be pre-emptive and proactive in the timely allocation of and budgeting for resources in order to meet resident service level expectations.

- ❖ **Major Maintenance.** During the recession and the years that followed, the governing body has been judicious in approving a conservative budget and tax levy. As a result major maintenance of facilities, parks, and other infrastructure has been financed with one-time revenues, debt or in certain situations deferred to future years.

The *Five Year Financial Projections and Assessment* Report have helped to identify the major maintenance financing issues. With the improving economic conditions and community growth, the City is becoming well positioned to address long term financing of these projects.

- ❖ **Infrastructure improvements.** The City has a number of street improvements that will need to be addressed in the coming years; the 2015 – 2019 Capital Improvement Plan which will be presented to the City Council in the coming months will provide the framework of accomplishing the community’s transportation needs.

Residents indicated in the 2013 community survey that parks and open space are amongst their highest priority. The updated Park and Open Space Plan which will be presented to the City Council this summer will provide guidance in developing future system needs.

- ❖ **Emerging issues.** Vision of a distant future is not always clear. There are, however, issues which will be easier to address in the future if we are prepared today. Issues which include the emerald ash borer, high speed internet and technology advancements.

The staff is seeking Council direction as we start the process of preparing the proposed 2015 budget and 2015 – 2019 Capital Improvement Plan. There are a number financial management policy issues which are identified in the Report; if the council concurs, staff will work with the Finance Committee to explore the options and provide recommendations.

Hopefully the *Five Year Financial Projections and Assessment* Report will provide the framework for establishing priorities and a financial management plan to better enable us to be **...Positioned to Thrive.**

Respectfully submitted,



Steven C. Mielke  
City Administrator



# EXECUTIVE SUMMARY

The purpose of a *Five Year Financial Projections and Assessment* Report is to develop strategies for financial sustainability based on a vision of the future and an identification of established priorities.

The process is intended to provide guidance in the discussion of pending issues, policies, projects and programs in advance of the 2015 Budget process. The Report may illuminate operations and/or financial issues which may require “recalibration” efforts. The principal components of the Report include:

## ❖ *5 Year Financial Projections*

The Adopted 2014 Budget is the baseline for future Operations Plan financial projections. The 2015 – 2018 financial projections will be based on prevailing economic and community conditions. The projections will take into consideration the financial implications of community growth. The financial position and outcomes of the adopted 2014 – 2018 Capital Improvement Plan are a component of the Five Year Financial Projections.

The financial projections are based on assumptions and estimates which are not subject to the same level of examination as what occurs during the normal budget process. As such, the 2015 Budget may vary from the projections contained herein. The issues identified within the Community and Organizational Assessment is not included in the 5 Year Financial Projections unless directed to do so by the City Council.

## ❖ *Financial Management Policies, Practices and Recommendations*

There are a number of prevailing financial management policies and practices which have been identified for which there are potential improvements which may impact future outcomes. Recommendations are provided which the Council may wish to consider in preparation of the 2015 budget.

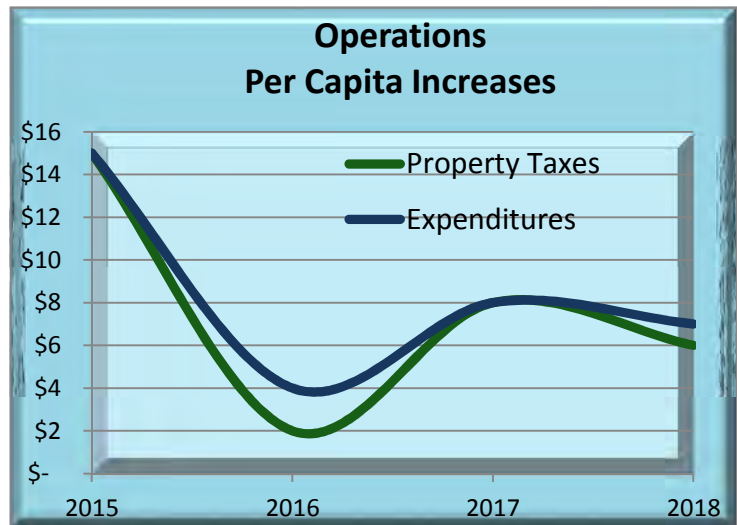
## ❖ *Community and Organizational Assessment*

The objective of the Assessment is to identify current and future conditions as well as issues, projects and programs related to growth, services and emerging issues. The process will also take into consideration the comments received in conjunction with the Envision Lakeville process. Potential financial implications are also identified.

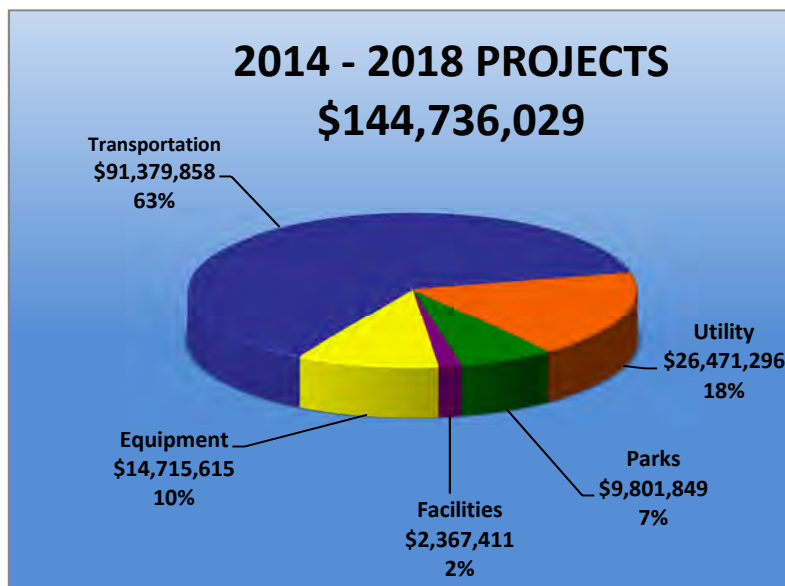
## 5 Year Projections

**Operations** As the City emerges from the Great Recession and post-recession era, residential home construction is at or exceeding pre-2006 levels. As such, the 5 year projections assume a commitment to provide requisite resources to maintain service at current levels. The General Fund operational expenditures therefore increase by \$15 per person in 2015. The increase is also affected by the deferred Parks major maintenance projects identified in the adopted 2014 – 2018 Capital Improvement Plan. The expenditures increase by \$4, \$8 and \$7 per person in 2016 – 2018 respectively.

Although a portion of the increased operating costs are financed with growth related revenues (such as building permits), the primary revenue source – property taxes – also increases by \$15 per person in 2015. The tax levy, however, increases by \$2, \$8 and \$6 in 2016 – 2018 respectively.



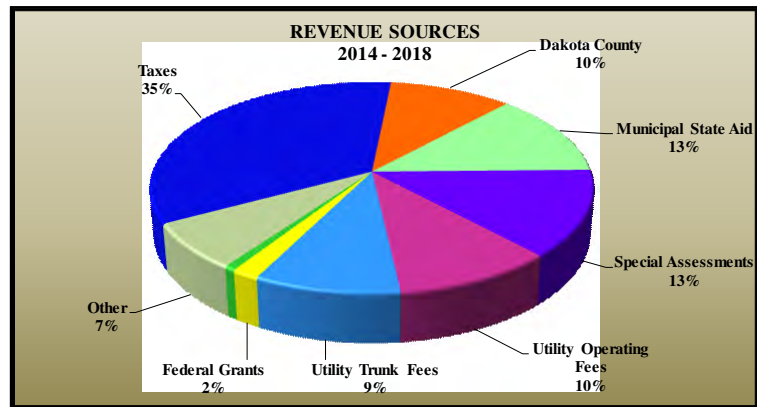
**Capital Projects** The 5 year projections for capital projects is based entirely on the adopted 2014 – 2018 Capital Improvement Plan.



The overwhelming majority of capital investments are in transportation for the next five years.

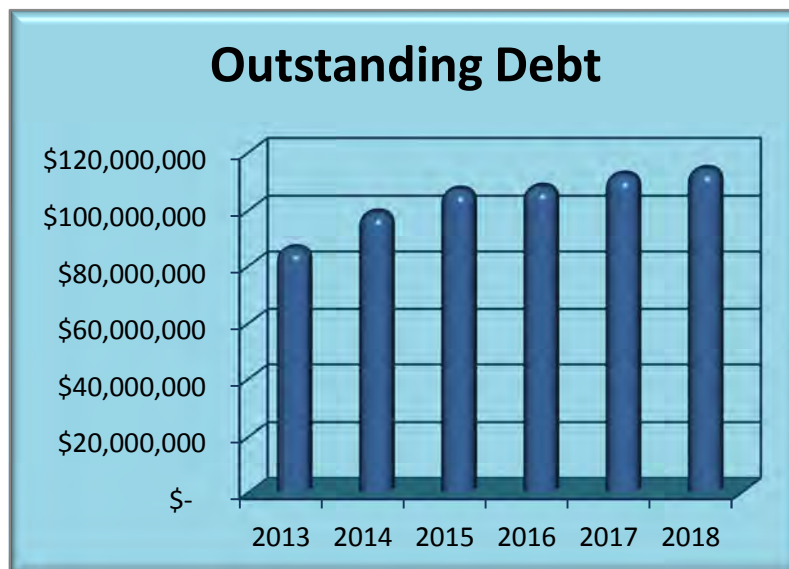


The projects are financed from diverse revenues sources. The predominant revenue source is taxes.



The project priorities and financing may be subject to change in the 2015 – 2019 Capital Improvement Plan.

**Debt** The City will issue approximately \$65 million of debt to finance the street improvements, street reconstruction and water infrastructure projects identified in the approved 2014 – 2018 Capital Improvement Plan. As such, the long-term debt liabilities (net of refinancing) will increase from \$86 million (2013) to \$114 million (2018).



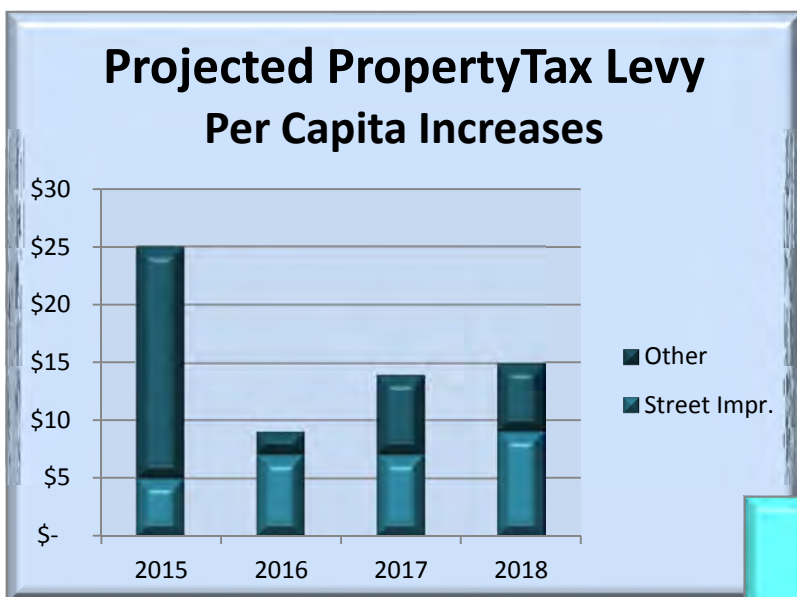
The new debt issues will be repaid with a combination of special assessments, water use fees, water connection charges and property taxes. The property tax levy as it relates to street improvements and street reconstruction projects will increase by \$5, \$7, \$7 and \$9 per person in 2015 – 2018 respectively and is one of the major factors related to future tax increases.

**Enterprises** The **Liquor Fund** is anticipated to continue to contribute approximately \$1.4 million each year to projects which would otherwise be financed with property taxes.

The 2013 Water and Sewer Rate Study prepared by Springsted Inc. projected annual rate increases each year to support water main replacements, major maintenance projects and sanitary sewer effluent treatment and disposal. Street lights will be adjusted each year based on corresponding energy cost increases from electrical utilities (Xcel and DEA). Surface water fees are projected to increase due to storm water projects, community growth and in order to comply with federal regulations.

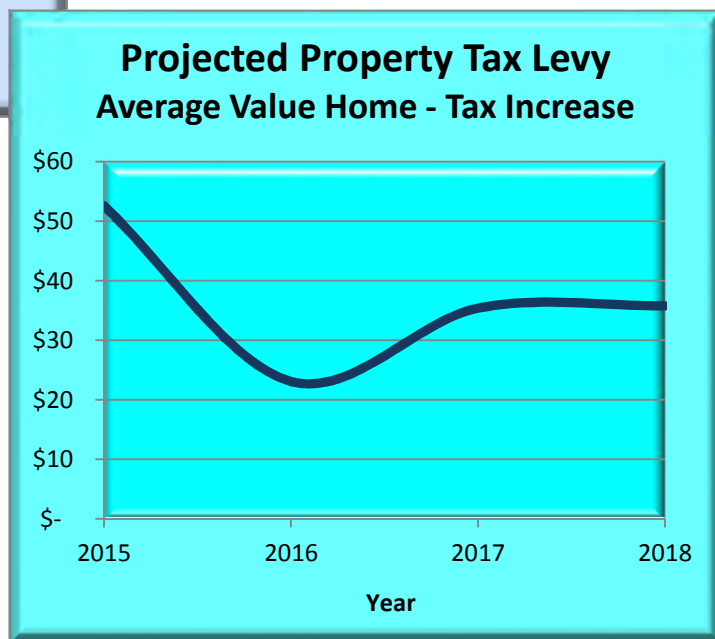
**Property Taxes** The projected 2015 property tax levy is \$25.6 million which is a \$25 per person increase primarily as the result of:

- ❖ equipment acquisitions
- ❖ additional personnel and other expenditures related to growth
- ❖ parks major maintenance
- ❖ street reconstruction projects



Street reconstruction continues to be a major factor for increases in the tax levy in future years, however, greater stability in the levy for operations results in \$10, \$15 and \$15 per person increase in 2016 – 2018 respectively.

Assuming no changes in property market values or other factors such as fiscal disparities, the average value home (\$226,000 market value) will have projected tax increases of \$52 in 2015. The projected increases are \$23, \$35 and \$36 in 2016 – 2018 respectively.



## Financial Management Policies, Practices and Recommendations

The City has an opportunity to prepare for potential financial management issues based on the results of the 5 year projections. A summary of the issues and recommendations is as follows:

### **Major Maintenance – Transportation**

- a) Explore the various financing options, including a discussion of the issues related to each option, for
  - i. Financing the City share of street reconstruction project costs on a pay-as-you-go method rather than relying on debt
  - ii. Consider establishing a Construction Project Reserve Fund to level off the “peaks and valleys” which will occur from year to year in project costs
  - iii. Implementation plan

### **Major Maintenance - Utility**

- b) Explore the various financing options, including a discussion of the issues related to each option, for
  - i. Financing the utility project costs on a pay-as-you-go method rather than relying on debt
  - ii. Establish a Reserve account to level off the “peaks and valleys” which will occur from year to year in project costs
  - iii. Implementation plan

### **Major Maintenance – Facilities**

- c) Explore the various financing options, including a discussion of the issues related to each option, for financing facility major maintenance.

### **Major Maintenance – Parks and Trails**

- d) Continue the gradual property tax increases in order to establish a long-term sustainable financial structure for financing trail improvements.
- e) For those funds which are dependent on property tax as the primary financial resource, maintain a fund balance of 40-50% of the subsequent years budget to provide the reserves during those periods when there are significant “peaks and valleys” in reconstruction projects and to provide operating capital until the final tax proceeds are received in December of each year.

- f) Explore the various financing options, including a discussion of the issues related to each option, for financing major maintenance of parks.
- g) Assuming there is proper justification for long-term parks and trails major maintenance projects, appropriate a tax levy to the Park and Trail Improvement Fund equal to the amount of tax levy decrease, due to the expiration of the Park Bond levy.

### **Equipment Financing**

- h) Reducing the 2015 levy and increasing 2016 – 2017 levies.
- i) Consider financing asset acquisitions with a value more than \$500,000 with short term debt.

### **Property Taxes: Levy Limits**

- j) Continue a property tax levy strategy of mitigating the adverse operational fiscal impacts in the event levy limits are re-imposed.

### **Revenues Related to Growth**

- l) Operating budget should be based on conservative revenue projections and in relation to the cost of services related to growth.
- m) For those years when revenues exceed budget expectations, the favorable results should be appropriated to (a) reserves for those time periods when growth related revenues fall short of budget expectations and (b) capital improvements related to growth.
- n) For those years when revenues fall short of budget expectations, the unfavorable results should be financed from prior period reserves.

### **Communications – Franchise Fees**

- o) Explore the various financing options with respect to (a) annual unrestricted franchise fees and (b) Communications Fund unrestricted balances – including a discussion of the issues related to each option. Options to be considered include but are not limited to reduction in franchise fee rate and appropriation to one-time capital expenditures, financing services and/or property tax reduction.

## Community and Organizational Assessment

The community and organizational assessment process includes a discussion of issues identification and fiscal implications of those issues. The major themes that evolved during the assessment are related to community growth, services and emerging issues. A summary of the issues is as follows:

Community Growth	Service Continuity Central Maintenance Facility Parks, Recreation and Open Space Fifth Fire Station Liquor Operations
Services	Police Engineering Administration Engineering - GIS Technician Human Resources Finance Department - Accountant Code Enforcement Recreation Heritage Center Park Trails Parks - Outdoor ice rinks City Hall Renovation Parks, Recreation and Open Space - Envision Lakeville process
Emerging Trends	Emerald Ash Borer High speed internet Cooperative Ventures Technology Employee education and training



**5 YEAR  
FINANCIAL  
PROJECTIONS**







# ASSUMPTIONS

## Economic Assumptions

The Lakeville community is affected by global, national and regional economic conditions. The economic conditions also affect and influence the City’s budget and financial performance. Some of the salient economic indicators and assumptions considered in the development of this report are described below.

- Real Gross Domestic Product (GDP). 2014 – 2015 is based on Wells Fargo Economics Group US Economic Forecast as of February 12, 2014. 2016 – 2018 are based on a continuation of 2015 levels. The actual GDP for 2013, 2012 and 2011 actual were 1.9%, 2.8% and 1.8% respectively.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Gross Domestic Product	2.5%	3.0%	3.0%	3.0%	3.0%

- Implicit Price Deflator for State and Local Government (IPD). The IPD is the ratio of current dollar gross domestic product (GDP) to constant dollar GDP for state and local governments. The IPD for State and Local Government is provided by the Bureau of Economic Advisors – Table 1.1.9. The 2012 and 2013 indexes were 107.371 and 108.075 respectively.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Implicit Price Deflator - State and Local Governments	0.7%	0.7%	0.7%	0.7%	0.7%

- Inflation - Producer Price Index. 2014 – 2015 is based on Wells Fargo Economics Group US Economic Forecast as of February 12, 2014. 2016 – 2018 are based on a continuation of 2015 levels. 2016 – 2018 are based on a continuation of 2015 levels. 2013 was 1.2%.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Producer Price Index	1.9%	2.5%	2.5%	2.5%	2.5%

- Inflation – Employment cost index. 2014 – 2015 is based on Wells Fargo Economics Group US Economic Forecast as of February 12, 2014. 2016 – 2018 are based on a continuation of 2015 levels. 2013 was 1.9%.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Employment Cost Index	2.3%	2.6%	2.6%	2.6%	2.6%

- Unemployment – US. 2014 – 2015 is

- based on Wells Fargo Economics Group US Economic Forecast as of February 12, 2014. 2016 – 2018 are based on a continuation of 2015 levels. 2013 was 7.4%.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Unemployment - US	6.5%	6.2%	6.2%	6.2%	6.2%

- Unemployment – MN Minnesota unemployment is projected to continue to remain below US levels. Currently 4.6%.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Unemployment - MN	4.0%	4.0%	4.0%	4.0%	4.0%

- Quarter-End (Q4) Interest Rates. 2014 – 2015 is based on Wells Fargo Economics Group US Economic Forecast as of February 12, 2014.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
2 Year Treasury Note	0.64%	1.27%	1.80%	2.30%	2.80%
10 Year Treasury Note	3.26%	3.66%	4.20%	4.70%	5.20%

- Tax Exempt Interest Rates. Demand for quality tax exempt debt is anticipated to remain strong.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Tax Exempt - AAA General Obligation - 10 Year	3.00%	3.50%	4.00%	4.50%	5.00%

- Conventional Mortgage Rates - US. 2014 – 2015 is based on Wells Fargo Economics Group US Economic Forecast as of February 12, 2014.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Conv. Mortgage Rate	4.79%	5.23%	5.75%	6.25%	6.75%



# Financial Assumptions

The financial assumptions used for developing projections contained within this report are discussed below.

- Personnel. Based on Minnesota low unemployment and improving economic conditions.

		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Cost of Living Adjustments	Budget	2.3%	2.3%	2.3%	2.3%	2.3%
Health insurance	Budget	10.0%	10.0%	9.0%	9.0%	8.0%

- Commodities. Not including motor fuels or chemicals. Based on producer price index.

		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Commodities	Budget	2.5%	2.5%	2.5%	2.5%	2.5%

- Motor fuels. 2015 based on Wall Street Journal Economic Forecasting Survey of leading economist.

		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Motor fuels	Budget	2.3%	2.3%	2.3%	2.3%	2.3%

- Chemicals – For roadway ice control and water treatment.

		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Chemicals	Budget	2.8%	2.8%	2.8%	2.8%	2.8%

- Utilities. Based on information provided by utility companies, historical trends or industry information.

		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Electric	Budget	8.0%	8.0%	8.0%	8.0%	8.0%
Natural gas	Budget	2.8%	2.8%	2.8%	2.8%	2.8%
Telephone	Budget	0.0%	0.0%	0.0%	0.0%	0.0%
Waste disposal	Budget	2.8%	2.8%	2.8%	2.8%	2.8%

- Service industry. Based on producer price index.

		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Service industry	Budget	2.5%	2.5%	2.5%	2.5%	2.5%

# Budget Assumptions

## Operating Budgets

The adopted 2014 budget is the baseline for the 2015 – 2018 projections. The operating budgets including General, Special Revenue and Enterprise Funds are premised on the following assumptions.

### a) Growth

Building permit activities are at or exceeding those of the pre-Great Recession era levels – especially as it relates to single family home construction. Residential home construction is subject to a number of factors including but not limited to regional employment, housing supply and demand, mortgage interest rates, and consumer confidence.

Based on local improving housing market, regional economy and other related factors, residential growth is anticipated to continue at a gradual upward momentum in the coming years.

#### Building Permits Activity

<u>Residential dwelling units</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Single family	345	370	375	380	385
Townhomes	20	25	28	31	33
Multifamily		50			
Total	<u>365</u>	<u>445</u>	<u>403</u>	<u>411</u>	<u>418</u>

Although there are economic improvements with most economists having a favorable outlook to the future, the budget projections are premised on a modest \$10 million of investment in commercial properties in each of the coming years.

The revenues derived from building permit activity finance general government services such as building inspections.

**b) Services related to Growth**

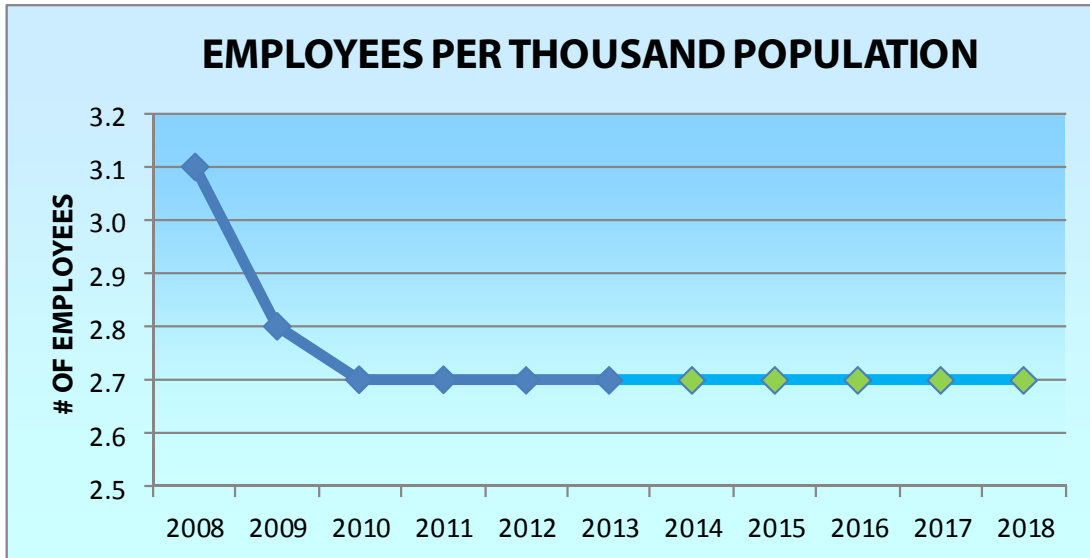
Residential home construction is projected to result in an 8% increase in population over the next five years.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Population (estimated)	59,200	60,283	61,513	62,705	63,920

As a service based organization, the majority of the operating budget is related to personnel costs. As the City grows, so does the need for additional resources to maintain service levels. The following is a summary of the projected staff changes.

Projected Staffing Additions					
Number of Full-Time Equivalent Positions					
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>General Fund</u>					
Inspections		1			
Police Officers		1	1	1	1
Fire - Asst Chief		1			
Streets - Maintenance II		1			1
Streets - Fleet Technician				1	
Parks - Maintenance II		1			
Total General Fund		<u>5</u>	<u>1</u>	<u>2</u>	<u>2</u>
Total number of General Fund full time equivalents	<u>160</u>	<u>165</u>	<u>166</u>	<u>168</u>	<u>170</u>
<u>Utility Fund</u>					
Utility Maintenance II			1		1
Environmental Resources Spec.			1		
Total Utility Fund		<u>0</u>	<u>2</u>	<u>0</u>	<u>1</u>
Total number of Utility Fund full time equivalents	<u>22</u>	<u>22</u>	<u>24</u>	<u>24</u>	<u>25</u>

The General, Special Revenue, Liquor and Utility Funds each provide a discussion of staffing projections. The staffing additions related to growth are projected to have no significant change in the number of employees per capita in the General and Special Revenue Funds.



**c) Parks Major Maintenance**

The major maintenance of parks systems has been deferred at least in part since the start of the Great Recession. The 2014-2018 Capital Improvement Plan reflects \$184,425 of major maintenance projects financed from the General Fund in 2015. In years 2016 – 2018 major maintenance ranges from \$83,600 to \$65,100.

Not included in the financial projections are the various programs or services discussed in the Issues Identification and Fiscal Implications section of this Report (*refer to pages 109 -123*).

**2014 – 2018 Capital Improvement Plan**

The purpose of the financial projections contained within this report as it relates to the five year capital improvement plan is to provide direction and guidance in the development of fiscal policies and practices related to capital improvement plan. The 2014 – 2018 Capital Improvement Budget is therefore included in and as part of this report.

Since the adoption of the 2014 – 2018 Capital Improvement Plan there have been a number of events which have transpired which may affect the next (2015 – 2019) Capital Improvement Plan.



In recent months, the City Council has created a School Road Task Force which is charged with the responsibility to review issues of pedestrian and vehicular safety for students traveling to and from schools and to provide recommendations to improve current conditions. In addition, City Council has authorized The Planning Company to complete the Lakeville Parks, Trails and Open Space Plan Update.

As a result of these and other subsequent events there may be changes to the five year Capital Improvement Plan.

### **2015 Budget**

The purpose of the financial projections contained within this report is to provide direction and guidance in the development of fiscal policies and practices as well as financial framework for the 2015 budget. The financial projections contained within this report are therefore based on estimates which are not subject to the same level of examination as what occurs during the normal budget process.

As such, the 2015 Budget may vary from the projections contained herein.



**GENERAL**

**FUND**

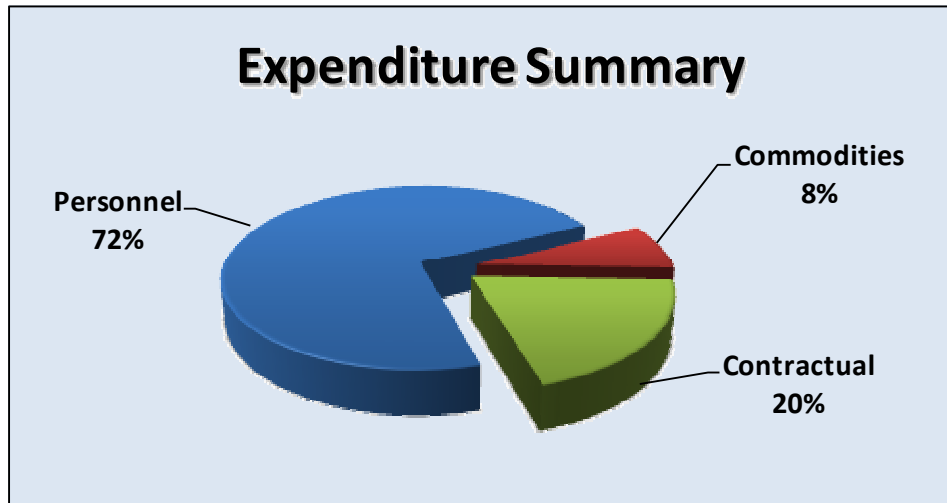
# GENERAL FUND

## Fund Description

The **General Fund** accounts for all revenues and expenditures necessary to provide a full range of services, including general government administration, community and economic development, public safety, public works, and parks and recreation.

## Uses of Funds

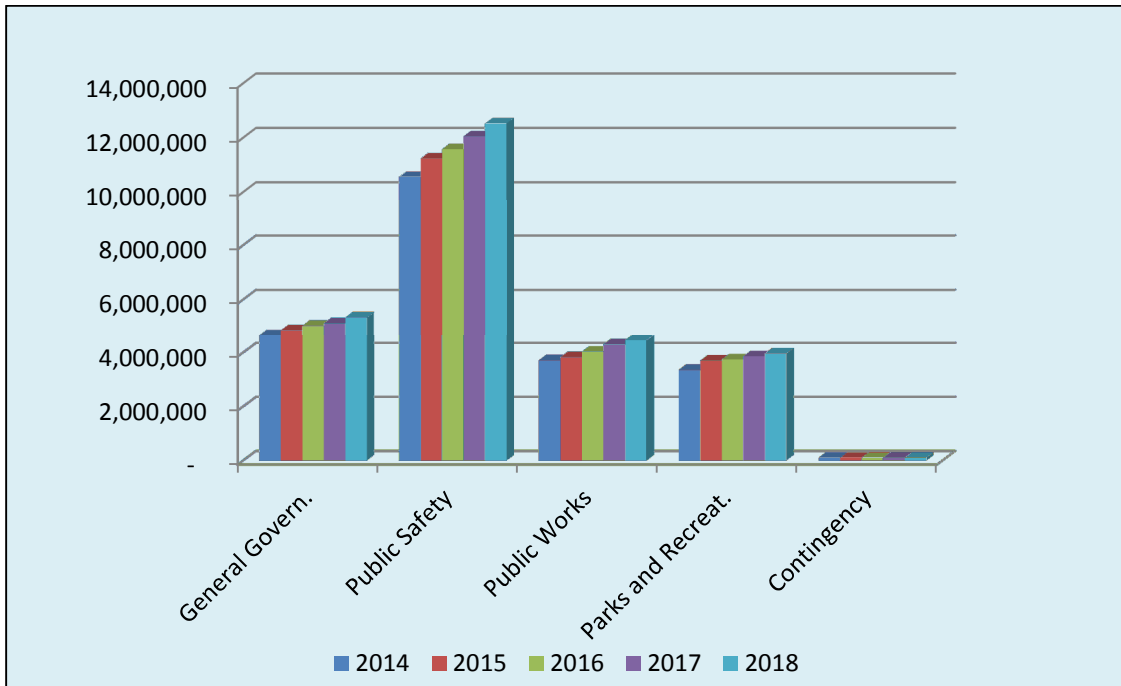
As a service based organization, the majority of the City's budget, especially the General Fund, is related to personnel related costs. As the City grows, so does the need for additional personnel resources to maintain existing service levels.



The General Fund budget is projected to increase by 4% in 2015 (adjusted for population growth). In subsequent years, the per capita expenditures are projected to increase in the 1-2% range.

<u>Function</u>	<u>Projected</u>			
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Govern.	4,861,981	5,033,524	5,126,602	5,339,987
Public Safety	11,234,280	11,579,986	12,053,554	12,524,605
Public Works	3,834,376	4,035,609	4,307,052	4,458,992
Parks and Recreat.	3,704,915	3,745,331	3,864,108	3,965,806
Contingency	105,000	105,000	105,000	105,000
<b>Total</b>	<b>\$ 23,740,553</b>	<b>\$ 24,499,451</b>	<b>\$ 25,456,317</b>	<b>\$ 26,394,390</b>
Per capita expend.	\$ 394	\$ 398	\$ 406	\$ 413
Increase/(dec.) (\$)	\$ 15	\$ 4	\$ 8	\$ 7

## General Fund Expenditures



A discussion of financial projections for each of the functions follows.

**General Government.** Residential building permit activity is projected to increase to pre-Great Recession era levels. In order to have the ability to provide plan reviews and inspections on a timely basis, an additional Building Inspector is included in the projections starting in 2015. All other program cost increases are attributed to economic and financial assumptions. *(Refer to pages 18 - 21)*

<u>Function</u>	<u>Projected</u>			
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Gov.	\$ 4,861,981	\$ 5,033,524	\$ 5,126,602	\$ 5,339,987
Per capita expend.	\$ 81	\$ 82	\$ 82	\$ 84
Increase/(dec.) (\$)	2	1	(0)	2
Increase/(dec.) (%)	2%	1%	0%	2%

**Public Safety.** In order to provide adequate police service to a community with a growing population, an additional police officer is projected every year. The staffing increases will result in a continuation of the current ratio of 1 police officer per 1,100 residents.

In order to have adequate staffing during weekdays and reduce the reliance on the District Chief, the Fire Department is projected to add a “Duty Crew” and an Assistant Fire Chief to supervise the Duty Crew in 2015. The Fire Department will increase number of participants in

the rookie fire fighter class (2015) in order to replace those firefighters who have resigned or retired.

<u>Function</u>	<u>Projected</u>			
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Public Safety	\$ 11,234,280	\$ 11,579,986	\$ 12,053,554	\$ 12,524,605
Per capita expend.	\$ 186	\$ 188	\$ 192	\$ 196
Increase/(dec.) (\$)	8	2	4	4
Increase/(dec.) (%)	4%	1%	2%	2%

**Public Works.** The ability to maintain snow removal standards as a result of increased miles of roads in new residential subdivisions, the Street Department is projected to add two Street Maintenance positions (2015 and 2018) along with increased quantities of ice removal chemicals, motor fuels and other related commodities. An additional Fleet Maintenance position will provide the additional staffing resources required for maintaining a growing City wide fleet.

<u>Function</u>	<u>Projected</u>			
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Public Works	\$ 3,834,376	\$ 4,035,609	\$ 4,307,052	\$ 4,458,992
Per capita expend.	\$ 64	\$ 66	\$ 69	\$ 70
Increase/(dec.) (\$)	1	2	3	1
Increase/(dec.) (%)	1%	3%	5%	2%

**Parks and Recreation.** Since the last full-time Parks Maintenance position was added February of 2006, the City has developed 50 additional acres of park land requiring maintenance in six new parks along with approximately 18 miles of new trails. In order to provide adequate staffing resources, an additional Park Maintenance position will be added in 2015 as well as two additional seasonal staff positions – one each in 2015 and 2016.

There are a number of parks system major maintenance projects which have been deferred at least in part since the start of the Great Recession. The 2014-2018 Capital Improvement Plan reflects \$184,425 in major maintenance projects financed from the General Fund in 2015. In years 2016 – 2018 major maintenance ranges from \$83,300 to \$65,100.

**Parks and Recreation (Cont.)**

<u>Function</u>	<u>Projected</u>			
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Parks and Recreation	\$ 3,704,915	\$ 3,745,331	\$ 3,864,108	\$ 3,965,806
Per capita expend.	\$ 61	\$ 61	\$ 62	\$ 62
Increase/(dec.) (\$)	5	(1)	1	0
Increase/(dec.) (%)	8%	-1%	1%	1%

**Sources of Funds**

Property taxes for operations comprise approximately 74% of the revenues for financing General Fund programs and services. (Refer to page 33)



Property taxes – for General Fund operations only – is projected to increase due to inflationary factors (refer to pages 32 -33), parks major maintenance (refer to page 25), and new personnel positions (refer to page 23).

**Revenues (cont.)**

**General Fund**

	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Tax Levy	\$ 18,030,462	\$ 18,508,680	\$ 19,348,285	\$ 20,097,748
Increase/(dec.)	1,227,598	478,218	839,605	749,463
% Inc./dec.)	7.3%	2.7%	4.5%	3.9%
Percapita	\$ 305	\$ 307	\$ 315	\$ 321
Increase/(dec.)	15	2	8	6
% Inc./dec.)	5.2%	0.8%	2.4%	1.9%

The General Fund is also highly dependent on revenues related to community growth such as building permits and engineering fees. As such, the Fund is sensitive to changes in economic conditions. A 10% fluctuation in residential building construction activity can result in a \$140–150,000 change in building permit revenues; a 10% fluctuation in platting activity can result in a \$60-75,000 change in revenues.

**Fund Balance**

The Fund Balance Policy states *“The City will endeavor to maintain an unrestricted (committed, assigned and unassigned) fund balance in the General Fund of an amount not less than 40% and not greater than 50% of the next year’s budgeted expenditures of the General Fund.”*

The fund balance represents the amount of funds required to operate during the first six months of the year. The City’s most significant revenue sources – taxes and intergovernmental revenue – do not provide appreciable revenues until the second half of the year.

A healthy financial position also allows the City to avoid volatility in tax rates; helps minimize the impact of State funding changes; allows for the adequate consistent funding of services, repairs and unexpected costs; and can be a factor in determining the City’s bond rating and resulting interest costs.

<b><u>Function</u></b>	<b><u>Projected</u></b>			
	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Expenditures	\$ 23,740,553	\$ 24,499,451	\$ 25,456,317	\$ 26,394,390
Fund Balance	\$ 9,443,208	\$ 9,781,108	\$ 10,159,215	\$ 10,665,715
Fund Balance ratio	40%	40%	40%	40%



## General Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances

	2014	Projected			
	Budget	2015	2016	2017	2018
<b>Revenues</b>					
General property taxes	\$ 16,794,367	\$ 18,099,469	\$ 18,577,687	\$ 19,417,292	\$ 20,166,755
Licenses and permits	1,947,676	2,093,249	2,098,164	2,125,987	2,156,836
Intergovernmental	608,401	610,946	617,670	624,393	631,117
Charges for services	2,156,037	2,405,990	2,339,225	2,383,524	2,582,369
Court fines	274,590	279,613	285,318	290,848	296,481
Investment income	44,413	44,337	119,929	176,060	233,662
Transfers from other funds	759,814	720,848	737,427	754,388	771,739
Miscellaneous	61,461	61,931	61,931	61,931	61,931
<b>Total revenues</b>	<b>22,646,759</b>	<b>24,316,383</b>	<b>24,837,351</b>	<b>25,834,423</b>	<b>26,900,890</b>
<b>Expenditures</b>					
<b>General government</b>					
Mayor and Council	97,021	98,079	99,164	100,276	101,416
Committees and Commissions	62,794	64,264	65,769	67,309	68,885
City administration	414,982	431,287	443,745	456,381	469,528
City Clerk	188,068	130,840	188,688	139,159	200,038
Legal counsel	82,351	84,409	86,520	88,683	90,900
Planning	440,584	458,541	473,683	488,689	504,322
Community and econ. development	304,275	314,498	324,207	334,039	344,305
Inspections	871,984	1,002,385	1,006,250	1,041,464	1,078,200
General government facilities	422,345	435,669	448,627	462,032	476,028
Finance	643,682	664,043	686,000	704,210	727,311
Information systems	500,268	515,733	530,753	546,008	561,863
Human resources	357,728	365,930	376,409	387,052	398,107
Insurance	289,075	296,302	303,709	311,302	319,085
<b>Public Safety</b>					
Police	9,113,903	9,501,984	9,891,302	10,292,329	10,716,290
Fire	1,445,390	1,732,296	1,688,685	1,761,225	1,808,315
<b>Public Works</b>					
Engineering	928,641	877,699	902,773	989,011	960,879
Streets	2,787,169	2,956,677	3,132,837	3,318,040	3,498,113
<b>Parks and Recreation</b>					
Parks	2,277,337	2,599,317	2,607,475	2,693,188	2,760,524
Recreation	593,052	603,496	620,731	638,252	656,437
Heritage Center	78,774	81,145	84,104	87,213	90,482
Arts Center	409,258	420,957	433,022	445,455	458,363
<b>Other</b>					
	105,000	105,000	105,000	105,000	105,000
<b>Total expenditures</b>	<b>22,413,681</b>	<b>23,740,553</b>	<b>24,499,451</b>	<b>25,456,317</b>	<b>26,394,390</b>
Net change in fund balance	233,078	575,830	337,900	378,107	506,500
Fund balance, January 1	8,634,300	8,867,378	9,443,208	9,781,108	10,159,215
<b>Fund balance, December 31</b>	<b>\$ 8,867,378</b>	<b>\$ 9,443,208</b>	<b>\$ 9,781,108</b>	<b>\$ 10,159,215</b>	<b>\$ 10,665,715</b>



**SPECIAL**

**REVENUE**

**FUNDS**

## COMMUNICATIONS FUND

### Fund Description

The Communications Fund accounts for franchise fees from cable TV operations. Expenditures and other financing uses are used to finance the City's Cable TV and Public Communications functions, including long-term replacement of equipment.

### Uses of Funds

The Communications Fund finances the operations of the Communications Department which is responsible for the City's primary sources of information and communication including City newsletter, City website, and Lakeville Government Television (cable channel 16). The Communications Department also manages the Lakeville Access Television (cable channel 12). The department's mission is to provide information regarding municipal programs and services in a quality and cost-effective manner that engages the community and enhances the City's image locally, regionally, and nationally.

### Sources of Funds

Franchise fees are the primary source of revenues (\$610-655,000 per year) for the Communications Fund. The fund also collects approximately \$54,500 per year of Education and Government (E.G.) fees annually.

### Fund Balance

The fund balance is projected to increase by approximately \$360,000 in the next five years primarily as a result of collecting the E.G. fees. The E.G. fees are restricted to specific program purposes and objectives.

## Communications Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<b>Budget</b>	<b>Projected Budget</b>	<b>Projected Budget</b>	<b>Projected Budget</b>	<b>Projected Budget</b>
<b>Revenues</b>					
Franchise Fees	610,915	617,024	629,364	641,952	654,791
Franchise Fees - EG fees	54,500	54,500	54,500	54,500	54,500
Other	516	516	516	516	516
Interest on Investments	8,689	5,449	11,408	17,731	25,074
Total Revenues	<u>674,620</u>	<u>677,489</u>	<u>695,788</u>	<u>714,699</u>	<u>734,881</u>
<b>Expenditures</b>					
Personnel	326,866	337,024	347,680	358,456	369,729
Commodities	5,649	5,790	5,934	6,081	6,233
Contractual	114,031	116,882	119,804	122,799	125,869
Capital outlay	70,564	73,400	65,000	50,000	50,750
Transfers to other Funds	122,924	79,163	70,621	72,245	73,907
Total Expenditures	<u>640,034</u>	<u>612,259</u>	<u>609,038</u>	<u>609,581</u>	<u>626,488</u>
Net Increase/(Decrease)	34,586	65,230	86,750	105,118	108,393
Fund Balance, January 1	<u>798,469</u>	<u>833,055</u>	<u>898,285</u>	<u>985,035</u>	<u>1,090,153</u>
Fund Balance, December 31	<u><u>833,055</u></u>	<u><u>898,285</u></u>	<u><u>985,035</u></u>	<u><u>1,090,153</u></u>	<u><u>1,198,546</u></u>
<b>Fund Balance</b>					
Restricted	54,500	109,000	163,500	218,000	272,500
Unrestricted.	<u>778,555</u>	<u>789,285</u>	<u>821,535</u>	<u>872,153</u>	<u>926,046</u>
Fund Balance, December 31	<u><u>833,055</u></u>	<u><u>898,285</u></u>	<u><u>985,035</u></u>	<u><u>1,090,153</u></u>	<u><u>1,198,546</u></u>

## ECONOMIC DEVELOPMENT FUND

### Fund Description

The administrative fees received from issuance of conduit debt in 2008 and the Minnesota Department of Trade and Economic Development (DTED) Economic Recovery Grant are committed to economic development initiatives.

### Uses of Funds

The funds are currently appropriated to the annual dues for Metropolitan Consortium of Community Developers (\$7,500).

### Sources of Funds

The primary sources of annual revenues are conduit debt administration fees (\$2,500/year).

### Fund Balance

The funds are appropriated to economic development initiatives.

## Economic Development Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<u>Budget</u>	<u>Projected Budget</u>	<u>Projected Budget</u>	<u>Projected Budget</u>	<u>Projected Budget</u>
Revenues					
Interest on Investments	608	564	680	886	1,037
Conduit Debt Fee	2,500	2,500	2,500	2,500	2,500
Total Revenues	<u>3,108</u>	<u>3,064</u>	<u>3,180</u>	<u>3,386</u>	<u>3,537</u>
Expenditures - other	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>
Total Expenditures	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>
Net Increase/(Decrease)	(4,392)	(4,436)	(4,320)	(4,114)	(3,963)
Fund Balance, January 1	<u>62,366</u>	<u>57,974</u>	<u>53,538</u>	<u>49,218</u>	<u>45,104</u>
Fund Balance, December 31	<u><u>57,974</u></u>	<u><u>53,538</u></u>	<u><u>49,218</u></u>	<u><u>45,104</u></u>	<u><u>41,141</u></u>





**DEBT**

**SERVICE**

**FUNDS**

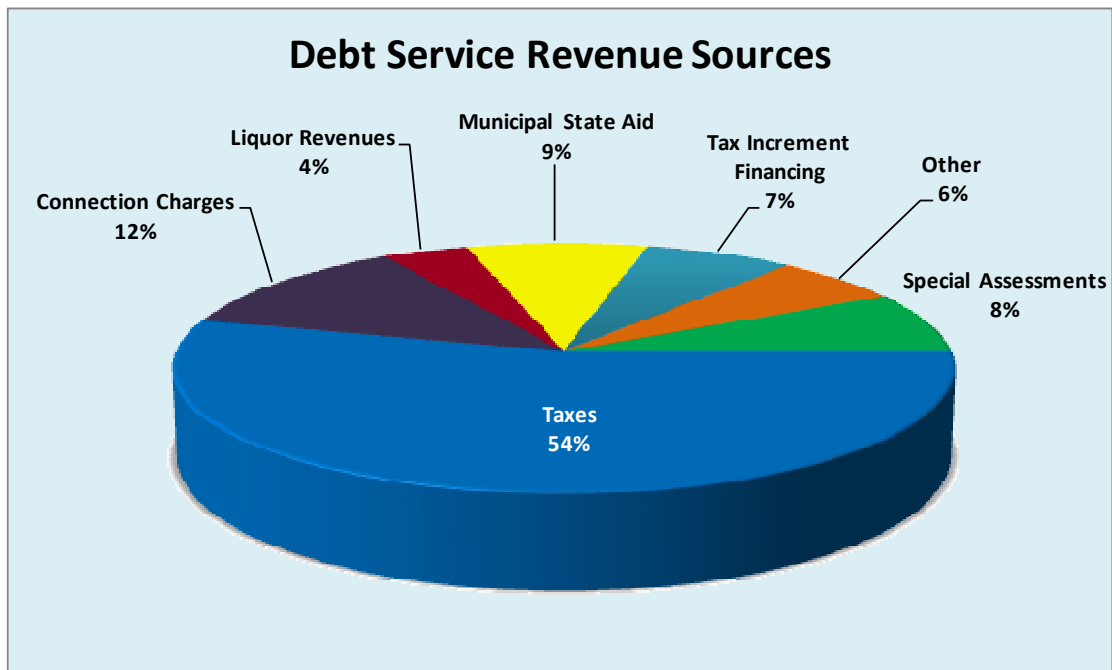
## DEBT SERVICE FUND

### Fund Description

**Debt Service Funds** are established to account for the accumulation of resources for the payment of general long-term principal, interest and related costs also referred to as the "Government Activities Bonds". Not included is the debt issued for and serviced by the Liquor Fund.

### Sources of Funds

The debt is repaid from a myriad of revenue sources. Approximately 55% of the debt is paid for from property taxes with the remaining 45% paid from non-tax sources.



## Uses of Funds

New debt issues, based on the 2014 – 2018 Capital Improvement Plan, are as follows:

<u>Year</u>	<u>Purpose</u>	<u>Revenue Source</u>	<u>Repayment Term (yrs)</u>	<u>Amount</u>
<b><u>G.O. Improvement Bonds</u></b>				
2014	Street Reconstruction	Property taxes	10	\$ 5,150,000
		Water use fees	10	\$ 1,950,000
		Special assessments	20	\$ 3,055,000
				<u>\$ 10,155,000</u>
2015	Street Reconstruction	Property taxes	10	\$ 7,935,000
		Water use fees	10	\$ 2,240,000
		Special assessments	20	\$ 4,355,000
				<u>\$ 14,530,000</u>
2016	Street Reconstruction	Property taxes	10	\$ 4,300,000
		Water use fees	10	\$ 1,190,000
		Special assessments	20	\$ 3,190,000
				<u>\$ 8,680,000</u>
2017	Street Reconstruction	Property taxes	10	\$ 4,855,000
		Water use fees	10	\$ 1,440,000
		Special assessments	20	\$ 3,235,000
				<u>\$ 9,530,000</u>
2017	Kenrick Ave: 181st - RR	Property taxes	20	<u>\$ 2,575,000</u>
2018	Street Reconstruction	Property taxes	10	\$ 5,245,000
		Water use fees	10	\$ 1,440,000
		Special assessments	20	\$ 3,500,000
				<u>\$ 10,185,000</u>
<b><u>G.O. Water Revenue Bonds</u></b>				
2014	Wells, Towers, Water Treatment Facility	Water Connection fees	20	<u>\$ 9,000,000</u>

## Fund Balance

The fund balance is appropriated to future debt payments.

## Other Financial Information

**Credit Rating** Moody's Investors Services has affirmed an Aa1 underlying rating on the City of Lakeville's outstanding long-term general obligation debt and the Aa3 underlying rating on the City's lease revenue debt.

**Legal Debt Limits** Minnesota Statutes §475 limits the amount of general obligation debt which is financed solely from property tax levies including Equipment Certificates, Capital Improvement Bonds, Street Reconstruction Bonds and debt approved by referendum. The debt cannot exceed 3% of the taxable market value of the City. Debt excluded from limitations are those for which some other source of revenue is pledged as security including but not limited to improvement bonds, tax increment bonds, utility revenue bonds and revenue bonds.

**Refunding Debt** The City issued \$22.450 million of (cross-over) refunding debt in July 2012 to refinance the G.O. Street Reconstruction Bonds 2003 A and G.O. Capital Improvement Bonds series 2004 A. The refinancing has resulted in a net present value savings of \$2.235 million over the 17-year life of the debt. The refunding bonds, as well as the series 2003 A and 2004 A bonds, will remain as City obligations until the two refunded bonds are called and fully retired on or before February 1, 2015.

### Per Capita Debt

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt Issued	\$ 19,155,000	\$ 14,530,000	\$ 8,680,000	\$ 12,105,000	\$ 10,185,000
Debt Retired	\$ (6,135,000)	\$ (6,410,000)	\$ (7,495,000)	\$ (7,630,000)	\$ (8,475,000)
Total outstanding debt	\$ 99,110,000	\$ 107,230,000	\$ 108,415,000	\$ 112,890,000	\$ 114,600,000
Per capita debt	\$ 1,670	\$ 1,780	\$ 1,760	\$ 1,800	\$ 1,790

## Debt Service Fund

### Combined Schedule of Revenues, Expenditures, and Changes in Fund Balances

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Revenues</u></b>					
General property taxes	\$ 5,304,582	\$ 5,271,192	\$ 5,766,941	\$ 6,282,123	\$ 6,945,336
Tax increment	691,447	207,000	207,000	207,000	207,000
Intergovernmental	904,639	906,430	906,316	907,936	898,134
Charges for services	403,951	411,901	419,894	425,306	425,157
Special assessments	765,271	803,535	843,711	885,897	930,192
Investment income	39,818	21,478	18,323	14,025	8,093
Donations	95,000	95,000	95,000	95,000	95,000
Miscellaneous	480	480	480	480	480
Total revenues	<u>8,205,188</u>	<u>7,717,016</u>	<u>8,257,665</u>	<u>8,817,767</u>	<u>9,509,392</u>
<b><u>Expenditures</u></b>					
Principal	6,135,000	6,410,000	7,495,000	7,630,000	8,475,000
Interest	4,182,497	3,546,536	3,268,073	3,352,747	3,539,772
Fiscal charges	23,939	24,500	24,800	25,300	26,100
Total expenditures	<u>10,341,436</u>	<u>9,981,036</u>	<u>10,787,873</u>	<u>11,008,047</u>	<u>12,040,872</u>
<b><u>Other financing sources (uses)</u></b>					
Transfer - other funds	1,603,893	2,436,376	2,717,876	1,805,700	1,848,900
Refunded bonds called	<u>(10,735,000)</u>	<u>(12,820,000)</u>	-	-	-
Total other financing sources (uses)	<u>(9,194,707)</u>	<u>(10,383,624)</u>	<u>2,717,876</u>	<u>1,805,700</u>	<u>1,848,900</u>
Net change in fund balance	(11,330,955)	(12,647,644)	187,668	(384,580)	(682,580)
Fund balance, January 1	32,420,234	21,089,279	8,441,635	8,629,303	8,244,723
Fund balance, December 31	<u>\$ 21,089,279</u>	<u>\$ 8,441,635</u>	<u>\$ 8,629,303</u>	<u>\$ 8,244,723</u>	<u>\$ 7,562,142</u>



**CAPITAL**

**PROJECTS**

**FUNDS**

## MUNICIPAL STATE-AID (M.S.A.) STREET FUND

### Fund Description

The **Municipal State-aid Street Fund** accounts for an annual allotment from the State of Minnesota Municipal State-aid street construction account.

### Uses of Funds

The 2014-2018 Capital Improvement Plan appropriates the MSA allotments to the County's Dodd Boulevard (CSAH 9) from 183<sup>rd</sup> Street to Hayes Avenue, including the round-about (\$3,157,900), CSAH 50/CSAH 60 round-about (\$3,344,600), Dodd Boulevard (CSAH 9) from South Lakeville border to County Road 70 (\$163,000) and Dodd Boulevard (CSAH 9) from 185<sup>th</sup> Street (CSAH 60) to 194<sup>nd</sup> Street.

### Sources of Funds

The City of Lakeville receives an annual allotment of approximately \$2.2 million of Municipal State-aid. The formula for distribution of Municipal State-aid has changed; the amount Lakeville will receive in 2016 and thereafter is unknown.

Approximately \$840,000 is appropriated annually to debt payments with an additional \$374,000 committed to pavement management. The Municipal State Aid funds are subject to statutory limitations.

### Fund Balance

The M.S.A. Funds are fully committed to projects identified in the 2014 – 2018 Capital Improvement Plan. The financing is subject to Dakota County advance funding of County Road 50 from 188<sup>th</sup> Street to Dodd Blvd. (2017) and County Road 9 (Dodd Blvd.) from 185<sup>th</sup> to 194<sup>th</sup> Street (2018) projects.

### Other Financial Information

The City Council has created a School Road Task Force which is charged with the responsibility to review issues of pedestrian and vehicular safety for students traveling to and from schools and to provide recommendations to improve current conditions; the task force recommendations may result in changes to the scope and schedule of street improvement projects.



The City of Lakeville and Dakota County are contemplating improvements to the detour routes that will be utilized during the County Road 50/County Road 60 projects. The cost of detour improvements may result in increased project costs for the County Road 50/County Road 60 project which may impact MSA financing of future projects.

## 2014 – 2018 Capital Improvement Plan

### **Municipal State-aid Fund**

#### Statement of Revenue, Expenditures and Changes in Fund Balance

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Revenues</u></b>					
MSA allotment - Advanced Encumbrance	4,000,000				
MSA allotment					6,948,811
Dakota County Advance Funding				6,948,811	(4,396,856)
Other financing sources - MSA debt	-	-	-	-	-
Total revenues	<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>6,948,811</u>	<u>2,551,955</u>
<b><u>Expenditures</u></b>					
Dodd Blvd (CSAH 9): CSAH 70 to CSAH 46/2	163,000				
Dodd Blvd (CSAH 9): 183rd St to Hayes Ave	3,157,900				
CSAH 50/CSAH 60 Roundabout	3,344,600				
190th Street: Holyoke - Dodd Blvd.	466,415				
CSAH 50 Expansion: CSAH 60 (185th St) - CSAH 9 (Dodd Blvd)				6,948,811	
CSAH 9 (Dodd Blvd): CSAH 60 (185th St) - 194th St					2,551,955
Total expenditures	<u>\$ 7,131,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,948,811</u>	<u>\$ 2,551,955</u>
Net Increase (Decrease)	(3,131,915)	-	-	-	-
Fund Balance, January 1	<u>3,180,712</u>	<u>48,797</u>	<u>48,797</u>	<u>48,797</u>	<u>48,797</u>
Fund Balance, December 31	<u>\$ 48,797</u>	<u>\$ 48,797</u>	<u>\$ 48,797</u>	<u>\$ 48,797</u>	<u>\$ 48,797</u>

## PAVEMENT MANAGEMENT FUND

### Fund Description

The **Pavement Management Fund** primary purpose is to account for pavement management activities. The fund enables the City Council to establish a relatively stable tax levy. The fund activities account for maintenance costs which would otherwise be accounted for in the operating budget. The Pavement Management Fund enables the City to establish a long-term maintenance program and financing plan which, when taken into consideration with the street reconstruction program, enables the City to develop a consistent long-term financing plan for one of the community's most significant infrastructure assets.

### Uses of Funds

The funds are appropriated to pavement management activities including but not limited to crack sealing, sealcoating and patching. The funds are also appropriated to overlays on major collector streets.

### Sources of Funds

The primary revenue source is property taxes (approximately \$1.2 million per year) and Municipal State-aid Street Funds (\$374,335).

### Fund Balance

The objective is to provide a beginning fund balance which will finance expenditures until the City receives its July tax settlement.

The winter of 2013-14 has been harsh on street pavement conditions. The financial impacts for repairs is yet to be determined.

## 2014 – 2018 Capital Improvement Plan

### Pavement Management Fund

Statement of Revenue, Expenditures and Changes in Fund Balance

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Revenues</u></b>					
Taxes	1,205,350	1,211,531	1,217,588	1,223,676	1,229,795
MSA - Maintenance	<u>374,335</u>	<u>374,335</u>	<u>374,335</u>	<u>374,335</u>	<u>374,335</u>
<b>Total Revenues</b>	<u>1,579,685</u>	<u>1,585,866</u>	<u>1,591,923</u>	<u>1,598,011</u>	<u>1,604,130</u>
<b><u>Expenditures</u></b>					
<b>Maintenance</b>					
Crack sealing	59,488	61,868	64,343	66,917	69,594
Seal coating	224,973	233,972	243,331	253,064	263,187
Velocity Patching	107,120	111,405	115,861	120,495	125,315
Patching & Minor Overlays	569,878	592,673	616,380	641,035	666,676
Park parking lots	30,512	22,187	15,000	15,000	15,000
Sidewalk	25,000	25,000	25,000	25,000	25,000
Conc Curb, Drintile	25,000	25,000	25,000	25,000	25,000
County Road Utility Improvements	25,000	25,000	25,000	25,000	25,000
Bridge Insp/Repairs	15,000	15,000	15,000	15,000	15,000
Safety Improvements	30,000	30,000	30,000	30,000	30,000
Pavement Asset Mgt Support	30,000	30,000	30,000	30,000	30,000
Other	33,850	35,204	36,612	38,076	39,599
<b>Total maintenance</b>	<u>1,175,821</u>	<u>1,207,309</u>	<u>1,241,527</u>	<u>1,284,587</u>	<u>1,329,371</u>
<b>Overlays</b>					
Kenrick: 185th - 205th	456,807				
Kensington Blvd: 205th - 210th	384,841				
Holyoke Ave: Heritage - 215th			565,968		
Holyoke Ave: 210th intersection			59,525		
172nd St: Kenyon Ave - Kodiak				137,694	
Klamath Tr: CR 5 - N. CR 5				300,839	
Ipava Ave: 185th - CSAH 50					699,812
<b>Total overlays</b>	<u>841,648</u>	<u>-</u>	<u>625,493</u>	<u>438,533</u>	<u>699,812</u>
<b>Total capital improvements</b>	<u>2,017,469</u>	<u>1,207,309</u>	<u>1,867,020</u>	<u>1,723,120</u>	<u>2,029,183</u>
Net Increase (Decrease)	(437,784)	378,557	(275,097)	(125,109)	(425,053)
Fund Balance, January 1	<u>1,673,296</u>	<u>1,235,512</u>	<u>1,614,069</u>	<u>1,338,972</u>	<u>1,213,863</u>
Fund Balance, December 31	<u>1,235,512</u>	<u>1,614,069</u>	<u>1,338,972</u>	<u>1,213,863</u>	<u>788,810</u>

## IMPROVEMENT CONSTRUCTION FUND

### Fund Description

The **Improvement Construction Fund** accounts for the construction of certain public improvements, such as streets and storm sewers. The City Council has approved a street reconstruction program that replaces aging street infrastructure. Benefited property owners are specially assessed for 40% of the cost with the remaining 60% paid by the City with property taxes.

### Uses of Funds

The funds are appropriated to street construction or reconstruction projects.

### Sources of Funds

The improvement project financing is accomplished with the issuance of General Obligation Improvement Bonds. The special assessments to benefitted properties and taxes for the City share of project costs are pledged to the repayment of the debt.

In recent years, the tax levies are amortized as equal annual payments over a 10 year period. However, with the acceleration in the reconstruction program (see “other financial Information” below), the taxes are proposed to be amortized over a 13 year period to mitigate the impact of tax increases on residents and businesses.

### Fund Balance

The bond proceeds are expended within 3 years of issuance as required by IRS arbitrage regulations.

### Other Financial Information

The City has adopted a pavement management plan which addresses maintenance issues based on the OCI (Overall Condition Index) of the street. The street reconstruction program was accelerated in the 2015 – 2018 Capital Improvement Plan in order to improve the City wide OCI and reduce the number of miles of streets which are in failing condition.

The Developer adjacent to the road has agreed to construct 190<sup>th</sup> Street from Holyoke to Highview Avenue in 2014. As such, the improvement project identified in the Capital Improvement Plan (\$1.9 million) and the associated revenues from issuance of debt will not be a City project.

**2014 – 2018 Capital Improvement Plan**

**Improvement Construction Fund**

Statement of Revenue, Expenditures and Changes in Fund Balance

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Revenues</u></b>					
G.O. Improvement Bonds					
Pledged with taxes	5,147,080	7,934,577	4,301,539	7,427,866	5,245,511
Pledged with special assessments	<u>4,982,019</u>	<u>4,114,008</u>	<u>3,188,171</u>	<u>3,235,244</u>	<u>3,497,007</u>
Total revenues	<u>\$ 10,129,099</u>	<u>\$ 12,048,585</u>	<u>\$ 7,489,710</u>	<u>\$ 10,663,110</u>	<u>\$ 8,742,518</u>
<b><u>Expenditures</u></b>					
190th Street: Holyoke-Highview + RA	1,926,669				
Collector Road Reconstruction		3,362,826			
Kenrick Ave: 181st - RR Tracks				2,575,000	
Street Reconstruction	<u>8,202,430</u>	<u>8,685,759</u>	<u>7,489,710</u>	<u>8,088,110</u>	<u>8,742,518</u>
Total Expenditures	<u>10,129,099</u>	<u>12,048,585</u>	<u>7,489,710</u>	<u>10,663,110</u>	<u>8,742,518</u>
Net Increase (Decrease)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## STORM SEWER FUND

### Fund Description

The **Storm Sewer Fund** accounts for construction of trunk storm sewer systems.

### Uses of Funds

The funds are appropriated to construction of the City's trunk storm sewer system.

### Sources of Funds

The primary source of revenues is storm sewer fees collected from developers at the time plats are approved.

### Fund Balance

The Storm Sewer Fund balance is committed to future storm sewer project improvements.

## 2014 – 2018 Capital Improvement Plan

### Storm Sewer Fund

Statement of Revenue, Expenditures and Changes in Fund Balance

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Revenues</u></b>					
Storm Sewer Fees	1,069,877	1,213,945	1,261,440	1,319,636	1,458,853
Other	880	810	740	670	670
Transfers from Debt Service Tax Incr.	63,600	-	-	-	-
<b>Total Revenues</b>	<b>\$ 1,134,357</b>	<b>\$ 1,214,755</b>	<b>\$ 1,262,180</b>	<b>\$ 1,320,306</b>	<b>\$ 1,459,523</b>
<b><u>Expenditures</u></b>					
Developer credits	834,940	906,972	930,720	959,818	1,029,427
Debt Payments					
2007 B Refunding Bonds		100,000			
2009 B Improvement bonds	81,000				
<b>Total Expenditures</b>	<b>\$ 915,940</b>	<b>\$ 1,006,972</b>	<b>\$ 930,720</b>	<b>\$ 959,818</b>	<b>\$ 1,029,427</b>
Net Increase (Decrease)	218,418	207,782	331,460	360,488	430,097
Fund Balance, January 1	1,149,652	1,368,070	1,575,852	1,907,312	2,267,799
Fund Balance, December 31	<b>\$ 1,368,070</b>	<b>\$ 1,575,852</b>	<b>\$ 1,907,312</b>	<b>\$ 2,267,799</b>	<b>\$ 2,697,896</b>

## WATER TRUNK FUND

### Fund Description

The **Water Trunk Fund** is committed to the construction of water supply lines, wells and water storage facilities, and provides the debt service to bonds issued to finance the construction of the City's water treatment facility and other trunk infrastructure improvements.

### Uses of Funds

Based on the recently completed Comprehensive Water Plan Update and Water Treatment Facility Expansion Plan, the 2014 – 2018 Capital Improvement Plan identifies the construction of three wells, a new tower and water main trunk extensions to meet consumer demands.

### Sources of Funds

Revenues are derived primarily from connection charges collected at the time building permits are issued and antenna site leases with wireless communications companies.

### Fund Balance

The fund balance is committed to future improvements and debt service payments. The debt payments are dependent on future growth. Therefore, the fund should maintain an adequate balance to enable the City to adjust to construction cycles.

### Other Financial Information

Debt issuance (\$9 million) is budgeted in 2014 to finance the improvements contemplated for the upcoming two years.

The 2013 Water Connection Study recommended a 2.5% increase in water connection fees each year; the 2014 rate is \$4,000 per residential dwelling unit. The rate adjustments are to finance the water system improvements identified in the Comprehensive Water Plan Update prepared by Short Elliott Hendrickson and the Water Treatment Plant Facility Expansion Study prepared by Black and Veatch.



## 2014 – 2018 Capital Improvement Plan

### **Water Trunk Fund**

Statement of Revenue, Expenditures and Changes in Fund Balance

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Revenues</u></b>					
Water Connection Fee	\$ 1,457,750	\$ 1,634,150	\$ 1,699,470	\$ 1,766,070	\$ 1,829,650
Antenna Rental	279,340	282,134	284,955	287,804	290,682
Water Revenue Bonds	9,000,000				
Total Revenues	<u>10,737,090</u>	<u>1,916,284</u>	<u>1,984,425</u>	<u>2,053,874</u>	<u>2,120,332</u>
<b><u>Expenditures</u></b>					
Well Construction	1,400,000	1,400,000	-	1,400,000	-
Well Collection Pipe		390,000			1,029,600
Well site acquisition	160,000				
Hamburg Ave: 202nd - Hartford	-	23,992	-	-	-
Water Tower Construction	500,000	2,600,000	-	-	-
Water Treatment Improvements	1,126,000	1,764,000	-	-	-
Water Main Trunk Extensions	159,000	159,000	159,000	159,000	159,000
Debt payments	<u>1,122,893</u>	<u>2,702,759</u>	<u>647,659</u>	<u>647,659</u>	<u>647,659</u>
Total Expenditures	<u>4,467,893</u>	<u>9,039,751</u>	<u>806,659</u>	<u>2,206,659</u>	<u>1,836,259</u>
Net Increase (Decrease)	6,269,197	(7,123,467)	1,177,766	(152,784)	284,074
Fund Balance, January 1	<u>1,960,639</u>	<u>8,229,836</u>	<u>1,106,369</u>	<u>2,284,135</u>	<u>2,131,350</u>
Fund Balance, December 31	<u>\$ 8,229,836</u>	<u>\$ 1,106,369</u>	<u>\$ 2,284,135</u>	<u>\$ 2,131,350</u>	<u>\$ 2,415,424</u>

## SANITARY SEWER TRUNK FUND

### Fund Description

The **Sanitary Sewer Trunk Fund** accounts for sanitary sewer connection fees collected from developers for connecting to the City's sanitary sewer system. Appropriations are applied to the construction of sanitary sewer trunk systems.

### Uses of Funds

The funds are appropriated to construction of the City's sanitary sewer trunk system.

### Sources of Funds

The primary source of revenues is sanitary sewer fees collected from developers at the time plats are approved.

### Fund Balance

The **Sanitary Sewer Trunk Fund** balance is committed to construction of future sanitary sewer trunk improvements.

## 2014 – 2018 Capital Improvement Plan

### Sanitary Sewer Trunk Fund

Statement of Revenue, Expenditures and Changes in Fund Balance

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Revenues</u></b>					
Sanitary Sewer Connection Fees	294,500	317,750	323,950	330,150	335,575
Other	20,930	18,315	15,700	13,085	10,470
<b>Total Revenues</b>	<b>\$ 315,430</b>	<b>\$ 336,065</b>	<b>\$ 339,650</b>	<b>\$ 343,235</b>	<b>\$ 346,045</b>
<b><u>Expenditures</u></b>					
Sanitary sewer trunk improvements	302,000	173,000	72,000	206,000	138,750
<b>Total Expenditures</b>	<b>\$ 302,000</b>	<b>\$ 173,000</b>	<b>\$ 72,000</b>	<b>\$ 206,000</b>	<b>\$ 138,750</b>
Net Increase (Decrease)	13,430	163,065	267,650	137,235	207,295
Fund Balance, January 1	3,598,532	3,611,962	3,775,027	4,042,677	4,179,912
Fund Balance, December 31	<b>\$ 3,611,962</b>	<b>\$ 3,775,027</b>	<b>\$ 4,042,677</b>	<b>\$ 4,179,912</b>	<b>\$ 4,387,207</b>

## PARK DEDICATION FUND

### Fund Description

The **Park Dedication Fund** accounts for park dedication fees received from land developers. The expenditures consist of acquiring and developing City parks and trails.

### Uses of Funds

The funds are appropriated to the acquisition of park land and construction of the City's park system.

### Sources of Funds

The primary source of revenues is park dedication fees collected from developers at the time plats are approved.

### Fund Balance

The fund balance objective at the end of each year is to have sufficient balances available to finance the subsequent year's projects.

### Other Financial Information

City Council has authorized The Planning Company to complete the Lakeville Parks, Trails and Open Space Plan Update. As a result of these and other subsequent events there may be changes to the five year Capital Improvement Plan.

Park Dedication fees have in recent years been adjusted based on the changes in values of vacant land.

## 2014 – 2018 Capital Improvement Plan

### **Park Dedication Fund**

Statement of Revenue, Expenditures and Changes in Fund Balance

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Revenues</u></b>					
Park Development Fees	791,240	1,026,660	1,007,280	1,055,920	1,232,960
Park Development Fees - credits	339,000	440,000	431,000	453,000	529,000
Valley Park antenna	20,260	20,260	20,260	20,260	20,260
Federal Grants		899,410			
Dakota County - Trails	80,685	400,452			
Escrows	9,948				
Donations/Other	50,000	150,000	-	150,000	-
Total Revenues	<u>\$ 1,291,133</u>	<u>\$ 2,936,782</u>	<u>\$ 1,458,540</u>	<u>\$ 1,679,180</u>	<u>\$ 1,782,220</u>
<b><u>Expenditures</u></b>					
<b><u>General Items</u></b>					
Planning and design	20,000	20,000	10,000	10,000	10,000
Fee Analysis - C/I property		7,000		7,000	
<b><u>Developers Credit</u></b>					
Other	339,000	440,000	431,000	453,000	529,000
<b><u>Trail Construction</u></b>					
Dodd: 208th to Hwy 50	146,700				
Northcreek Greenway Trail	100,000	1,224,267			
185th: Jamaica to Ipava (north side)		319,264			
<b><u>Major Construction</u></b>					
Veterans Memorial irrigation	12,000				
Pave (2) parking lot			220,600		
Pave hockey rink (3)			131,730		
Aronson parking lot safety netting	40,000				
Berres Cabin at Ritter - upgrades			40,000		
<b><u>King Park</u></b>					
Pave parking lot	255,000				
New playground	150,000				
Irrigate fields #1-6		230,000			
Lighting		420,000		420,000	
Drainage system	-	-	150,000	150,000	150,000
<b><u>Park Construction</u></b>					
Summerlyn Park	32,500	300,000			
Total Capital Improvements	<u>1,095,200</u>	<u>2,960,531</u>	<u>983,330</u>	<u>1,040,000</u>	<u>689,000</u>
Net Increase/(Decrease)	195,933	(23,749)	475,210	639,180	1,093,220
Fund Balance, January 1	921,960	1,117,893	1,094,144	1,569,354	2,208,534
Fund Balance, December 31	<u>\$ 1,117,893</u>	<u>\$ 1,094,144</u>	<u>\$ 1,569,354</u>	<u>\$ 2,208,534</u>	<u>\$ 3,301,754</u>

## TRAIL IMPROVEMENT FUND

### Fund Description

The **Trail Improvement Fund** accounts for the long term maintenance, repairs and replacement of the City trails.

### Uses of Funds

Annual maintenance (such as seal coating), repairs and replacement of trails.

### Sources of Funds

The Fund was initially financed with a one-time transfer from the General Fund. Tax levies are contemplated to finance future trail maintenance with the first levy occurring in 2014. The levy will be increased over time in order to establish a long-term sustainable financial structure.

### Fund Balance

The fund balance is reduced from \$759,000 (beginning in 2014) to \$154,000 (at the end of 2018) as the property tax financing is phased in.

A fund balance of 40 – 50% of the subsequent years budget should be maintained to provide the reserves during those periods when there are significant “peaks and valleys” in reconstruction projects and to provide operating capital until the final tax proceeds are received in December of each year.

### Other Financial Information

The Trails Maintenance study prepared by WSB in 2011 stated that the average annual cost to maintain the trails system is approximately \$250,000. The cost may vary from year to year depending on the scope of work required for major maintenance and/or replacement. The average annual cost will increase in future years as the trails system is expanded.

## 2014 – 2018 Capital Improvement Plan

### Trail Improvement Fund

#### Statement of Revenue, Expenditures and Changes in Fund Balance

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Revenues</u></b>					
Tax Levy	45,200	85,000	125,000	165,000	205,000
Other	4,000	2,600	1,800	1,100	600
<b>Total Revenues</b>	<u>\$ 49,200</u>	<u>\$ 87,600</u>	<u>\$ 126,800</u>	<u>\$ 166,100</u>	<u>\$ 205,600</u>
<b><u>Expenditures</u></b>					
<b><u>Trail Maintenance</u></b>					
Trail sealcoating	62,031	55,996	67,200	60,828	134,452
Trail inspections (1/3 of system)	5,000	5,000	5,000	5,000	5,000
N side 165th - Ipava to Highview Av (reclamation)			108,639		
E side Highview Av - 175th to CSAH 46 (overlay)	111,526				
N side 165th - Ipava to Kenrick Ave (reclamation)		126,996			
CSAH 50 - Dodd Blvd to 185th St (overlay)		69,637			
S side 165th - Ipava to Kenrick Av (reclamation)	118,752				
E side Ipava Ave - North Park/S. entr. to 165th St. (reclamation)			61,673		
W side Pilot Knob: Fontina Path to Dodd Blvd (reclamation)				108,432	
E. side Pilot Knob: 160th - 170th (overlay)				31,332	
North Creek Trail: E from Flagstaff to North Creek MHP					61,205
Dodd Trail: Flagstaff - Dodd Blvd (reclamation.)					36,714
<b>Total capital improvements</b>	<u>297,309</u>	<u>257,629</u>	<u>242,512</u>	<u>205,592</u>	<u>237,371</u>
Net Increase (Decrease)	(248,109)	(170,029)	(115,712)	(39,492)	(31,771)
Fund Balance, January 1	759,340	511,231	341,202	225,490	185,998
Fund Balance, December 31	<u>\$ 511,231</u>	<u>\$ 341,202</u>	<u>\$ 225,490</u>	<u>\$ 185,998</u>	<u>\$ 154,227</u>

## PARK IMPROVEMENT FUND

### Fund Description

The **Park Improvement Fund** accounts for the long term maintenance, repairs and replacement of the City Parks.

### Uses of Funds

The funds are used for the major maintenance and replacement of facilities which have exceeded their useful lives.

### Sources of Funds

Tax levies (approximately \$350,000 per year) commencing in 2015, if approved by the City Council.

### Fund Balance

A fund balance of 40 – 50% of the subsequent years budget should be maintained to provide the reserves during those periods when there are significant “peaks and valleys” in reconstruction projects and to provide operating capital until the final tax proceeds are received in December of each year.



## 2014 – 2018 Capital Improvement Plan

### **Park Improvement Fund**

Statement of Revenue, Expenditures and Changes in Fund Balance

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Revenues</u></b>					
Taxes	\$ -	\$ 350,500	\$ 350,500	\$ 350,500	\$ 350,500
<b><u>Expenditures</u></b>					
<b><u>Buildings</u></b>					
Aronson building upgrades		60,000			
Antlers building replacement				325,000	
<b><u>Playgrounds</u></b>					
Steve Michaud LOA		275,000			
Dodd Trail			76,500		
Highview Heights			76,500		
Oak Shores			76,500		
Hypointe Crossing					65,500
Cherryview					78,750
Independence					73,000
Greenridge					70,000
Orchard Lake Beach					50,000
<b><u>Other Improvements</u></b>					
Aronson safety netting, fields 1 & 4		15,500			
Pioneer plaza	-	-	120,000	-	-
Total Capital Improvements	-	350,500	349,500	325,000	337,250
Net Increase/(Decrease)	-	-	1,000	25,500	13,250
Fund Balance, January 1	-	-	-	1,000	26,500
Fund Balance, December 31	\$ -	\$ -	\$ 1,000	\$ 26,500	\$ 39,750

## TAX INCREMENT FUND

### Fund Description

The **Tax Increment Fund** accounts for revenue received from tax increment property that does not require debt financing. The expenditures are for pay-as-you-go contractual agreements as identified in the tax increment plans.

### Uses of Funds

The funds are expended for purposes which are defined in the tax increment plan.

### Sources of Funds

The primary source of funding is tax increments.

### Fund Balance

The fund balance should be appropriated to purposes consistent with the terms of the tax increment plan and tax increment plan obligations.

### Other Financial Information

There are four tax increment districts which are expiring in 2014. The balances within each of the respective tax increment districts can be used for purposes described within the tax increment plan.

In order to expend the funds, the tax increment plan may need to be amended.

Proposed uses of the fund balances have not been identified in the Capital Improvement Plan.

## 2014 – 2018 Capital Improvement Plan

### **Tax Increment Fund**

#### **Schedule of Revenues, Expenditures and Changes in Fund Balance**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Revenues</u></b>					
Tax increment	507,776				
Other	<u>3,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>\$511,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b><u>Expenditures</u></b>					
Debt	306,000				
Other	<u>4,779</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 310,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Increase	<u>\$ 200,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, January 1	<u>482,491</u>	<u>683,128</u>	<u>683,128</u>	<u>683,128</u>	<u>683,128</u>
Fund Balance, December 31	<u>\$ 683,128</u>	<u>\$ 683,128</u>	<u>\$ 683,128</u>	<u>\$ 683,128</u>	<u>\$ 683,128</u>

## BUILDING FUND

### Fund Description

The **Building Fund** accounts for the accumulation and disbursement of funds for the construction or improvement of public buildings. The primary revenue source is sale of assets.

### Uses of Funds

The funds are expended on major maintenance of City facilities.

### Sources of Funds

The Building Fund is financed with one-time revenues received from sale of land to Life Time Fitness. No recurring revenues have been identified for future maintenance.

### Fund Balance

As a result of use of one-time revenues for major maintenance and no proposed on-going revenue source, the fund balance is reduced from \$1.023 million (beginning in 2014) to \$641 (at the end of 2018).

## 2014 – 2018 Capital Improvement Plan

### **Building Fund**

Schedule of Revenues, Expenditures and Changes in Fund Balances

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Revenues</u>					
<u>Other financing sources (uses)</u>					
Transfer from					
General Fund					
Special Revenue - Communications	270	10,130	-	4,000	2,570
Utility Fund	230	8,680	-	3,430	2,200
Utility Fund - environmental	460	17,360	-	6,860	4,400
Enterprise - Liquor Fund	-	-	-	-	-
Total revenues	<u>960</u>	<u>36,170</u>	<u>-</u>	<u>14,290</u>	<u>9,170</u>
<u>Expenditures - Capital outlay</u>					
Arts Center	35,900	19,000	15,800	36,000	1,300
Central Maintenance Facility	55,000	16,700	17,000	29,600	-
City Hall	150,712	303,836	-	120,000	77,000
Fire Station #1	17,400	140,800	20,000	-	-
Fire Station #2	17,600	-	-	120,850	-
Fire Station #3	2,500	5,200	-	-	-
Fire Station #4	11,000	-	-	7,200	-
Heritage Center	70,613	81,200	60,050	4,000	7,400
Police Station	17,100	-	-	-	-
Total expenditures	<u>377,825</u>	<u>566,736</u>	<u>112,850</u>	<u>317,650</u>	<u>85,700</u>
Net change in fund balance	(376,865)	(530,566)	(112,850)	(303,360)	(76,530)
Fund balance, January 1	<u>1,400,812</u>	<u>1,023,947</u>	<u>493,381</u>	<u>380,531</u>	<u>77,171</u>
Fund balance, December 31	<u>1,023,947</u>	<u>493,381</u>	<u>380,531</u>	<u>77,171</u>	<u>641</u>

## EQUIPMENT FUND

### Fund Description

The **Equipment Fund** accounts for the purchase of public safety, street and park maintenance equipment. The most significant capital acquisitions are related to replacing vehicles, machinery, and technology.

### Uses of Funds

Equipment acquisition for general government purposes, such as police, fire, streets, engineering, parks, and technology are financed primarily with non-tax revenues such as Liquor Fund contributions and sale of assets.

### Sources of Funds

The primary revenue sources for financing equipment acquisitions during the five year period are Liquor Fund transfers (\$4.2 million), property taxes (\$3.2 million) and sale of assets (\$1 million).

The tax levy increases at a steady rate from \$675,000 (2015) to \$785,700 (2018) in order to minimize significant tax increases while providing adequate working capital during those periods when there are “peaks and valleys” in expenditures due to the equipment replacement schedule.

### Fund Balance

The fund balance is reduced from \$3.8 million (beginning in 2014) to \$50,443 (at the end of 2017). In 2018, revenues exceed expenditures by \$85,812.

### Other Financial Information

All departments evaluated the overall condition of the City’s fleet and equipment. In many cases, the expected useful life of these assets has been extended on the condition that there was no adverse increase in repairs or operating costs.

## 2014 – 2018 Capital Improvement Plan

### **Equipment Fund**

#### Statement of Revenue, Expenditures and Changes in Fund Balance

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Revenues</u></b>					
General property taxes	300,000	675,000	708,800	745,600	785,700
ALF Ambulance distribution	19,814				
Sale of assets	240,500	163,000	234,800	188,000	132,700
Transfer from:					
Liquor Fund	800,000	825,812	847,063	868,230	894,306
Total revenues	<u>1,360,314</u>	<u>1,663,812</u>	<u>1,790,663</u>	<u>1,801,830</u>	<u>1,812,706</u>
<b><u>Expenditures</u></b>					
Election equipment	26,667	26,667	26,667	-	-
Fire	832,805	63,332	35,000	666,750	263,750
Parks	485,212	448,221	473,325	362,210	174,130
Police	813,523	316,977	590,898	674,164	80,487
Streets	861,827	742,626	1,283,675	978,294	626,871
Technology	84,902	114,043	93,764	370,256	581,656
Total expenditures	<u>3,104,936</u>	<u>1,711,866</u>	<u>2,503,329</u>	<u>3,051,674</u>	<u>1,726,894</u>
Net change in fund balance	(1,744,622)	(48,054)	(712,666)	(1,249,844)	85,812
Fund balance, January 1	<u>3,805,629</u>	<u>2,061,007</u>	<u>2,012,953</u>	<u>1,300,287</u>	<u>50,443</u>
Fund balance, December 31	<u>\$ 2,061,007</u>	<u>\$ 2,012,953</u>	<u>\$ 1,300,287</u>	<u>\$ 50,443</u>	<u>\$ 136,255</u>





**ENTERPRISE**

**FUNDS**

## LIQUOR FUND

### Fund Description

The **Liquor Fund** is responsible for controlling the sale of off-sale alcoholic beverages, while generating revenue for the community. This includes abiding by all State Statutes regarding the legal sale of alcohol, offering competitive pricing, while providing superior product selection and customer service.

### Uses of Funds

The net profits from Liquor Operations are projected to be used for the following purposes.

#### Liquor Fund Contributions to Other Funds

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Equipment Fund acquisitions					
Police	208,657	215,389	220,932	226,453	233,254
Streets	385,438	397,874	408,113	418,311	430,874
Parks	205,905	212,549	218,018	223,466	230,178
Debt - Police Station	400,000	400,000	400,000	400,000	400,000
General Operations	159,323	162,987	166,736	170,571	174,494
Community recycling	1,200	1,200	1,200	1,200	1,200
Total	<u>\$ 1,360,523</u>	<u>\$ 1,390,000</u>	<u>\$ 1,415,000</u>	<u>\$ 1,440,000</u>	<u>\$ 1,470,000</u>

### Sources of Funds

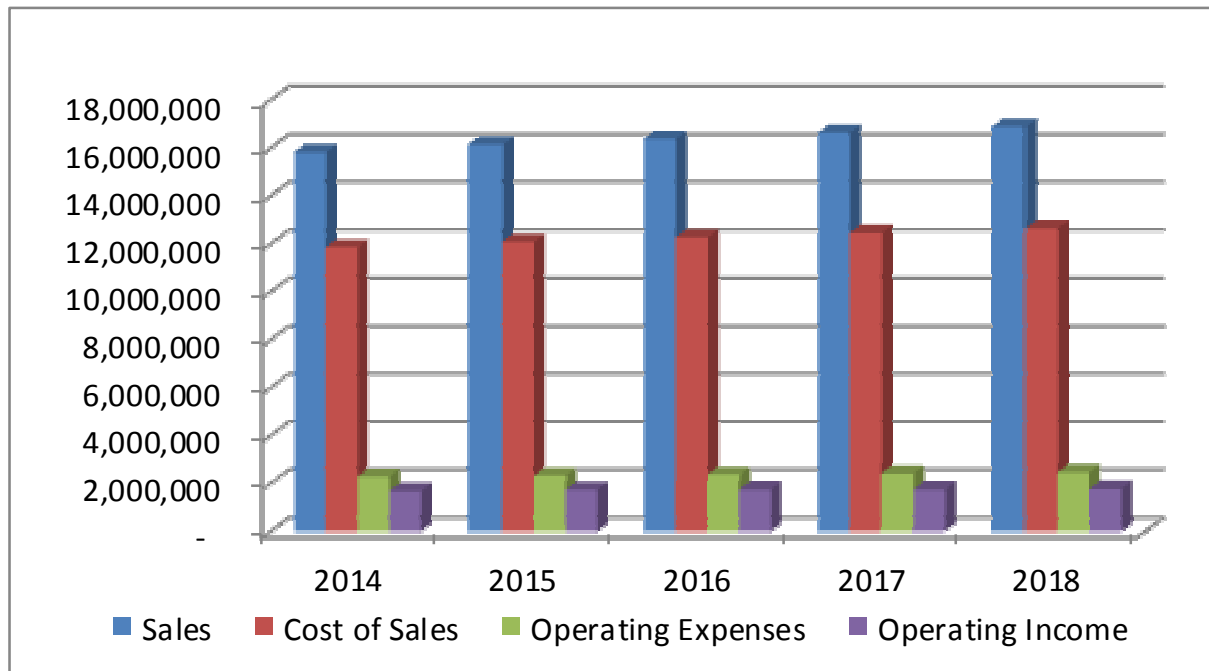
Sale of alcoholic beverages.

## Liquor Fund

### Schedule of Revenues, Expenses and Changes in Net position

	2014	Projected			
	Budget	2015	2016	2017	2018
<b><u>Sales and cost of sales</u></b>					
Sales	15,829,693	16,146,574	16,388,773	16,634,604	16,884,123
Cost of sales	11,853,712	12,090,791	12,272,153	12,456,235	12,643,079
Gross profit	3,975,981	4,055,783	4,116,620	4,178,369	4,241,045
<b><u>Operating expenses</u></b>					
Personnel	1,344,654	1,390,687	1,431,219	1,472,318	1,515,097
Commodities	65,786	67,431	69,116	70,844	72,615
Other charges and services	874,430	866,171	872,330	878,959	879,091
Operating expense	2,284,870	2,324,289	2,372,665	2,422,121	2,466,803
Non-operating revenue	31,173	29,450	34,714	39,756	49,534
Depreciation	(118,997)	(118,997)	(118,997)	(118,997)	(118,997)
Bond expense	(153,055)	(144,346)	(134,967)	(125,509)	(115,550)
Transfer to other funds	(1,360,523)	(1,390,000)	(1,415,000)	(1,440,000)	(1,470,000)
Total non-operating	(1,601,402)	(1,623,893)	(1,634,250)	(1,644,750)	(1,655,013)
Change in Net Position	\$ 89,709	\$ 107,601	\$ 109,705	\$ 111,498	\$ 119,229

### Liquor Fund – Revenues, Expenses and Income



## WATER OPERATION FUND

### Fund Description

The **Water Operation Fund** is a collection, treatment, storage, and distribution system that delivers potable water to over 17,275 residential, commercial, institutional, and industrial properties.

### Uses of Funds

The system accounts for all costs related to the operation and maintenance of 17 wells, 5 towers, 2 reservoirs, water treatment plant, and 312 miles of water distribution system. A utility maintenance position is proposed to be added in 2016 and in 2018 which will allocate time to water and sanitary sewer operations.

The 2014 – 2018 Capital Improvement Plan contemplates \$1.2 – 2.2 million of water main replacements each year. The water mains will be financed with debt which will be repaid with water fund revenues over a ten year period.

### Sources of Funds

Water utility fees, which are collected with quarterly utility bills, provide more than 95% of the revenues.

### Net Asset Position

The Water Operation Fund will have a projected \$3.4 – 3.7 million cash balance over the five year period. The projected balances provide the working capital for operations and a reserve for revenue fluctuations, major maintenance and debt.

### Other Financial Information

Water rates are projected to increase 4.25% per year for the next five years to finance major maintenance projects as well as to repay the debt for water main replacements. The projected rate increases are as recommended in the Water and Sewer Fund Analysis prepared by Springsted Inc. dated November 2013.

**Water Operation Fund**  
**Schedule of Revenues and Expenses**

	<b>2014</b>	<b>Projected</b>			
	<b>Budget</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b><u>Operating revenues</u></b>					
Charges for services	\$ 3,218,506	\$ 3,424,408	\$ 3,643,134	\$ 3,875,457	\$ 4,122,194
Other	180,322	180,322	180,322	180,322	180,322
Total revenues	<u>3,398,828</u>	<u>3,604,730</u>	<u>3,823,456</u>	<u>4,055,779</u>	<u>4,302,516</u>
<b><u>Operating expenses</u></b>					
Personnel	948,019	969,445	1,026,578	1,086,250	1,157,357
Commodities	349,067	358,052	367,332	376,816	386,549
Other charges and services	1,147,250	1,202,629	1,232,636	1,263,396	1,294,927
Capital outlay	63,540	118,549	15,074	60,717	67,044
Major Maintenance	472,970	482,090	295,907	359,330	366,274
Operating expense	<u>2,980,846</u>	<u>3,130,765</u>	<u>2,937,527</u>	<u>3,146,509</u>	<u>3,272,151</u>
<b><u>Non-operating revenue (expense)</u></b>					
Intergovernmental revenue	1,632	1,632	1,632	1,632	1,632
Interest income	22,296	28,471	74,840	110,017	142,437
Sale of assets	4,500	4,500	4,500	4,500	4,500
Transfer to other funds	<u>(143,107)</u>	<u>(516,239)</u>	<u>(515,264)</u>	<u>(1,003,650)</u>	<u>(1,006,556)</u>
Total non-operating	<u>(114,679)</u>	<u>(481,636)</u>	<u>(434,292)</u>	<u>(887,501)</u>	<u>(857,987)</u>
Income (loss)	<u>303,303</u>	<u>(7,671)</u>	<u>451,637</u>	<u>21,769</u>	<u>172,378</u>

## SANITARY SEWER FUND

### Fund Description

The **Sanitary Sewer Operation** is a collection and forwarding system that removes wastewater from residential, commercial, institutional, and industrial properties. The system also accounts for all costs associated with the operation and maintenance of lift stations and sanitary sewer mains. The treatment facility operations are the responsibility of the Metropolitan Council Environmental Services (MCES).

### Uses of Funds

The largest expenditure is for Metropolitan Council Environmental Services (MCES) treatment of system effluent. A utility maintenance position is proposed to be added in 2016 and in 2018 which will allocate time between water and sanitary sewer operations. Sanitary sewer objectives include but are not limited to operations of a sanitary sewer jetter and meter change out program.

### Sources of Funds

Sanitary sewer utility fees, which are collected with quarterly utility bills, provide more than 95% of the revenues.

### Net Asset Position

The Sanitary Sewer Fund will have a projected \$2.5 – 2.7 million cash balance over the five year period.

### Other Financial Information

Sanitary sewer rates are projected to increase 6.35% (2015), 6.35% (2016), 4.0% (2017) and 2.9% (2018) to finance anticipated MCES costs, sewer major maintenance projects, equipment acquisitions and new personnel positions. The projected rate increases are as recommended in the Water and Sewer Fund Analysis prepared by Springsted Inc. dated November 2013.

## Sanitary Sewer Fund

### Schedule of Revenues and Expenses

	2014	Projected			
	Budget	2015	2016	2017	2018
<b><u>Operating revenues</u></b>					
Charges for services	\$ 4,715,252	\$ 5,104,139	\$ 5,524,581	\$ 5,849,261	\$ 6,128,076
<b><u>Operating expenses</u></b>					
Personnel	677,457	691,034	728,133	766,977	811,698
Commodities	84,481	86,981	89,648	92,340	95,118
Other charges and services	276,999	286,036	293,397	300,967	308,752
Disposal charges	3,297,982	3,525,458	3,768,266	4,027,410	4,303,959
Major Maintenance	284,630	440,549	699,483	420,047	433,318
Operating expense	4,621,549	5,030,058	5,578,927	5,607,741	5,952,845
<b><u>Non-operating revenue (expense)</u></b>					
Intergovernmental	1,632	1,632	1,632	1,632	1,632
Interest income	18,187	12,114	29,427	41,591	55,833
Transfer from other funds	19,045	19,521	20,009	20,509	21,022
Transfer to other funds	(146,543)	(154,136)	(153,241)	(158,481)	(161,471)
Sale of assets	4,500	4,500	4,500	4,500	4,500
Total non-operating	(103,179)	(116,369)	(97,673)	(90,249)	(78,484)
Income (Loss)	(9,476)	(42,288)	(152,019)	151,271	96,747

## STREET LIGHT FUND

### Fund Description

The **Street Light Operation** is designed to protect property, health and safety of the community's residents and businesses.

### Uses of Funds

The primary uses (more than 95% of total expenditures) are street light electricity.

### Sources of Funds

Street light utility fees, which are collected with quarterly utility bills, provide more than 95% of the revenues.

### Net Position

In order to maintain adequate working capital, the fund should maintain a net asset position of at least 25% of expenditures. The projected net position during the next five years meets the working capital financing objectives.

### Other Financial Information

Assuming there are annual 8% rate increases by the electric utility providers (Xcel Energy and Dakota Electric Association) as stated in the Financial Assumptions section of this Report, street light fees are projected to increase by \$0.45 to \$0.55 per quarter for residential customers in each of the next four years, in order to provide existing service levels and adequate operating capital. The street light fees for non-residential properties are based on front footage of the property; fees on non-residential properties are projected to increase by 5-6% per year.



## Street Light Fund

### Schedule of Revenues, Expenses and Changes in Net position

	2014	Projected			
	Budget	2015	2016	2017	2018
<b><u>Operating revenues</u></b>					
Charges for services	\$ 742,300	\$ 797,211	\$ 856,103	\$ 919,258	\$ 986,977
<b><u>Operating expenses</u></b>					
Personnel	17,397	17,797	18,206	18,625	19,054
Commodities	31	32	33	33	34
Other charges and services	736,767	740,471	812,291	891,097	977,560
Operating expense	754,195	758,300	830,530	909,755	996,648
<b><u>Non-operating revenue</u></b>					
<b><u>(expense)</u></b>					
Interest income	1,266	937	2,756	4,206	5,384
Transfers to other funds	(3,436)	(3,515)	(3,596)	(3,679)	(3,763)
Total non-operating	(2,170)	(2,578)	(840)	527	1,621
Change in net position	(14,065)	36,333	24,733	10,030	(8,050)

## ENVIRONMENTAL RESOURCES FUND

### Fund Description

The **Environmental Resources Fund's** purpose is to manage, promote and protect the City's natural resources including lakes, wetlands, streams, prairies and woodlands. The objective is accomplished through public education endeavors, surface water infrastructure management and monitoring the natural resources.

The Environmental Resources Department is also responsible for developing programs that promote and expand the community's environmental recycling awareness. These programs are designed to encourage landfill abatement and proper waste disposal through education and opportunities.

### Uses of Funds

The environmental resources activities include surface water resource monitoring, infrastructure management, public education and interaction, watershed management and administration of wetland permit program for new development.

A new Environmental Resources position is proposed (2016) to address work load requirements from new developments.

### Sources of Funds

Surface water utility fees, which are collected with quarterly utility bills, provide more than 90% of the revenues for environmental resource purposes. Grants are also received from Dakota County for environmental recycling awareness.

### Net Position

In order to maintain adequate working capital, the fund should maintain a net asset position of at least 25% of expenditures. The projected net position during the next five years meets the working capital financing objectives.

## Other Financial Information

Surface water management fees are projected to increase by \$0.55 to \$0.75 per quarter for residential customers in each of the next four years, in order to provide existing service levels and adequate operating capital. The surface water fees for non-residential properties are based on impervious surface area of the property; fees on non-residential properties will increase by 8% per year.

### **Environmental Resources Fund** Schedule of Revenues, Expenses and Changes in Net position

	2014	Projected			
	Budget	2015	2016	2017	2018
<b><u>Operating revenues</u></b>					
Charges for services	\$ 683,410	\$ 751,050	\$ 825,308	\$ 906,824	\$ 996,297
<b><u>Operating expenses</u></b>					
Personnel	232,194	234,991	305,410	324,700	332,666
Commodities	26,374	27,032	27,705	28,396	29,104
Other charges and services	501,568	464,142	475,694	487,536	499,674
Operating expense	760,136	726,165	808,809	840,632	861,444
<b><u>Non-operating revenue (expense)</u></b>					
Interest income	-	1,998	3,822	4,073	4,716
Intergovernmental	46,992	46,992	46,992	46,992	46,992
Transfers from other funds	1,200	1,236	1,273	1,311	1,351
Transfers to other funds	(155,931)	(176,445)	(162,783)	(173,427)	(174,839)
Total non-operating	(107,739)	(126,219)	(110,696)	(121,051)	(121,780)
Change in net position	(184,465)	(101,334)	(94,197)	(54,859)	13,073



**INTERNAL**

**SERVICE**

**FUND**

## MUNICIPAL RESERVES FUND

### Fund Description

The **Municipal Reserves Fund** is used to account for the City's risk management program relating to general liability, excess liability, property and casualty insurance costs which are charged to other City funds on a cost reimbursement basis.

### Uses of Funds

Under the Governmental Accounting Standards Board (GASB) Statement No. 10, risk management activities of a government entity can be accounted for in either the General Fund or an Internal Service Fund, if one fund is used. The City uses the Internal Service Municipal Reserves Fund to budget such costs. Under this model, operating departments within the various City funds receive a charge from the Municipal Reserves Fund, and all costs (premiums, claims, and related expenses) are reflected in a single fund. This allows for better accountability and monitoring of the City's risk management costs.

### Sources of Funds

The primary source of revenue is charges from other funds.

### Fund Balance

The fund balance is a reserve for claims exceeding LMCIT coverages or sustained periods where claims exceed budget estimates.

### Other Financial Information

The City does not purchase Excess Liability Coverage insurance.

## Municipal Reserves Fund

### Schedule of Revenues, Expenses and Changes in Net position

	2014	Projected			
	Budget	2015	2016	2017	2018
<b><u>Operating revenues</u></b>					
Charges for services	\$ 381,325	\$ 390,858	\$ 400,630	\$ 410,645	\$ 420,911
Other	74,150	74,150	74,150	74,150	74,150
Total revenues	<u>455,475</u>	<u>465,008</u>	<u>474,780</u>	<u>484,795</u>	<u>495,061</u>
<b><u>Operating expenses</u></b>					
Other charges and services	428,727	439,445	450,431	461,692	473,234
Operating income	<u>26,748</u>	<u>25,563</u>	<u>24,348</u>	<u>23,103</u>	<u>21,827</u>
<b><u>Non-operating revenue</u></b>					
<b><u>(expense)</u></b>					
Interest income	3,150	4,067	3,966	3,854	3,729
Transfer to General Fund	<u>(48,555)</u>	<u>(49,672)</u>	<u>(50,814)</u>	<u>(51,983)</u>	<u>(53,179)</u>
Total non-operating	<u>(45,405)</u>	<u>(45,605)</u>	<u>(46,848)</u>	<u>(48,129)</u>	<u>(49,450)</u>
Change in net assets	(18,657)	(20,042)	(22,499)	(25,026)	(27,623)
Net position, January 1	<u>831,991</u>	<u>813,334</u>	<u>793,292</u>	<u>770,792</u>	<u>745,767</u>
Net position, December 31	<u>\$ 813,334</u>	<u>\$ 793,292</u>	<u>\$ 770,792</u>	<u>\$ 745,767</u>	<u>\$ 718,144</u>





**PROPERTY**

**TAXES**

## PROPERTY TAXES

The property tax levy finances debt payments for street improvements and reconstruction; park debt and major maintenance, trails major maintenance and arena debt; as well as General Fund operations (such as police, fire, streets and parks) including facility debt payments, pavement management and equipment acquisitions and replacements.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Operations					
General Fund	16,802,864	18,030,462	18,508,680	19,348,285	20,097,748
Pavement Mgmt.	1,205,350	1,211,531	1,217,588	1,223,676	1,229,795
Facilities -debt	1,600,019	1,589,559	1,604,452	1,627,806	1,667,957
Equipment	<u>300,000</u>	<u>675,000</u>	<u>708,800</u>	<u>745,600</u>	<u>785,700</u>
Total operations	19,908,233	21,506,552	22,039,520	22,945,367	23,781,200
Street impr. - reconstr.	3,029,063	3,367,128	3,831,221	4,317,637	4,940,848
Parks and arenas	<u>710,700</u>	<u>750,005</u>	<u>806,768</u>	<u>852,180</u>	<u>892,031</u>
Total	<u><u>23,647,996</u></u>	<u><u>25,623,685</u></u>	<u><u>26,677,509</u></u>	<u><u>28,115,184</u></u>	<u><u>29,614,079</u></u>

The property tax levy is projected to increase annually primarily due to operational costs associated with growth (*refer to pages 23 – 24*), and inflationary assumptions (*refer to pages 20 - 22*), debt service for street reconstruction (*refer to page 89*), and major maintenance (*refer to page 25*).

Tax Levy	\$ 23,647,996	\$ 25,623,685	\$ 26,677,509	\$ 28,115,184	\$ 29,614,079
Increase/(dec.)	568,811	1,975,689	1,053,824	1,437,675	1,498,895
% Inc./dec.)	2.5%	8.4%	4.1%	5.4%	5.3%
Percapita	\$ 407	\$ 433	\$ 443	\$ 457	\$ 472
Increase/(dec.)	3	25	10	15	15
% Inc./dec.)	0.7%	6.2%	2.2%	3.3%	3.3%

Property taxes are paid based on the assessors estimated market value – not on a per capita basis. The amount of taxes paid will vary from property owner to property owner based on a number of factors including but not limited to valuation, property class, homestead status and market value exclusion.

The per capita information is available to the reader in order to provide a statistic which has relative comparability from year to year.

## Operations

The operations tax levy provides the financing for General Fund (such as police, fire, streets and parks), pavement management, facilities debt service, and equipment acquisitions and replacements.

	<b><u>Property Taxes - Operations</u></b>				
	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Operations					
General Fund	16,802,864	18,030,462	18,508,680	19,348,285	20,097,748
Pavement Management	1,205,350	1,211,531	1,217,588	1,223,676	1,229,795
Facilities	1,600,019	1,589,559	1,604,452	1,627,806	1,667,957
Equipment	<u>300,000</u>	<u>675,000</u>	<u>708,800</u>	<u>745,600</u>	<u>785,700</u>
Total operations	<u>19,908,233</u>	<u>21,506,552</u>	<u>22,039,520</u>	<u>22,945,367</u>	<u>23,781,200</u>

The tax levy for **pavement management** provides for sealcoating, crack sealing, patching and other street pavement maintenance as well as overlays of major collectors (*refer to pages 50 – 51*). The tax levy for pavement management amortizes the overlays on collector roads in order to have a relatively stable tax levy rather than levy based on actual program costs which tend to vary significantly from year to year depending on the program schedule.

The tax levy for **facilities** provides for the debt payments related to construction of the Central Maintenance Facility and the Police Station.

The **equipment** tax levy is for acquisition and replacement (*refer to pages 70 – 71*). The levy is amortized over the 5-year period in order to mitigate the tax impacts which may occur as a result of significant changes in expenditures from year to year due to the equipment replacement schedule.

The increased tax levy in 2015 is primarily the result of equipment acquisitions (*refer to pages 70 -71*), additional personnel and other expenditures related to growth (*refer to pages 22 - 23*), as well as park maintenance major maintenance (*refer to page 24*).

	<b><u>Property Taxes - Operations</u></b>				
	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Tax Levy	\$ 19,908,233	\$ 21,506,552	\$ 22,039,520	\$ 22,945,367	\$ 23,781,200
Increase/(dec.)	321,860	1,598,319	532,968	905,847	835,833
% Inc./dec.)	1.6%	8.0%	2.5%	4.1%	3.6%
Percapita	\$ 343	\$ 363	\$ 366	\$ 373	\$ 379
Increase/(dec.)	(0)	20	2	7	6
% Inc./dec.)	-0.1%	5.9%	0.6%	2.0%	1.7%

## Street improvements and reconstruction

The tax levy for street improvements provides for the repayment of debt for the City share of street improvements as well as the City share of street reconstruction projects. The tax levy for street reconstruction will increase over the next six years (*refer to pages 52 - 53*), as the City continues its street reconstruction program which commenced in earnest approximately four years ago.

The scope of the street reconstruction program will increase in 2015 – 2018 as the City endeavors to reduce the number of miles of streets which are considered to be in failing condition. The debt and debt repayment schedule is typically structured with even annual payments over a ten year period. However, in order to mitigate tax increases for the accelerated street reconstruction in 2015 - 2018, the levy increases will remain relatively consistent from year to year by extending the maturity from ten years to approximately thirteen years.

### **Property Taxes - Street Improvements and Reconstruction**

	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Tax Levy	\$ 3,029,063	\$ 3,367,128	\$ 3,831,221	\$ 4,317,637	\$ 4,940,848
Increase/(dec.)	238,043	338,065	464,093	486,416	623,211
% Inc./dec.)	8.5%	11.2%	13.8%	12.7%	14.4%
Percapita	\$ 52	\$ 57	\$ 64	\$ 70	\$ 79
Increase/(dec.)	3	5	7	7	9
% Inc./dec.)	6.3%	9.0%	11.7%	10.4%	12.3%
% Inc./dec.) of					
Total Levy	0.8%	1.1%	1.5%	1.5%	1.9%

## Parks, trails and arenas

The tax levy provides for the City share of debt for the Park Bonds, (Hasse) arena debt, trails, major maintenance and parks major maintenance.

The final tax levy for the Park Bonds is in 2014. The Park Bonds were approved by voter referendum in 1994. The 2014 – 2018 Capital Improvement Plan included Park major maintenance projects financed with the expiring tax levy for Park Bonds.

The City created a Trails Fund with one-time transfer of unencumbered General Fund balances. The Trail tax levy finances those future trail projects not financed with the one-time General Fund transfer.

The arena tax levy is for the City share of the Hasse Arena debt. School District 194 also finances its share of cost with a property tax levy.

**Property Taxes - Parks, trails and arenas**

	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Tax Levy	\$ 710,700	\$ 750,005	\$ 806,768	\$ 852,180	\$ 892,031
Increase/(dec.)	8,908	39,305	56,763	45,412	39,851
% Inc./(dec.)	1.3%	5.5%	7.6%	5.6%	4.7%
Per capita	\$ 12	\$ 13	\$ 13	\$ 14	\$ 14
Increase/(dec.)	(0)	0	1	0	0
% Inc./(dec.)	-0.4%	3.4%	5.6%	3.5%	2.7%
% Inc./(dec.) of Total Levy	0.0%	0.1%	0.2%	0.1%	0.1%

Cities have from time to time been subject to levy limits imposed by State Legislature. The projections in this report are premised on the assumption there are no levy limits.

## Property Tax Base

The following schedule reflects projected taxable market value for taxes payable 2015 – 2018 based on the assumed new residential home construction (*refer to page 22*) and assuming no change in market values.

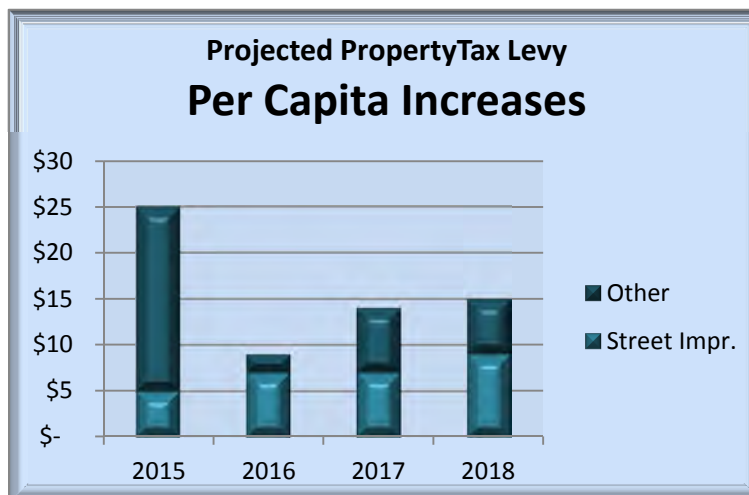
### Real Estate & Personal Properties Values

Assessors Market Values				
Valuation Year	2014	2015	2016	2017
Year Payable	2015	2016	2017	2018
USG Class				
A - Residential	4,203,804,680	4,313,304,680	4,431,804,680	4,552,704,680
B - Commercial	521,576,900	521,576,900	521,576,900	521,576,900
C - Industrial	140,162,100	140,162,100	140,162,100	140,162,100
D - Utility	7,506,600	7,506,600	7,506,600	7,506,600
F - Agricultural	74,122,237	74,122,237	74,122,237	74,122,237
F5 - Rural Vacant	6,911,000	6,911,000	6,911,000	6,911,000
G - Cabins	747,600	747,600	747,600	747,600
J - Apartments	129,828,800	129,828,800	129,828,800	129,828,800
K - Railroads	4,797,200	4,797,200	4,797,200	4,797,200
P - Personal Property	44,143,400	44,143,400	44,143,400	44,143,400
Totals	<u>5,133,600,517</u>	<u>5,243,100,517</u>	<u>5,361,600,517</u>	<u>5,482,500,517</u>
Percentage change	3%	2%	2%	2%

The projected tax levies on a median value home (\$226,000) will therefore result in estimated increases ranging from \$53 in 2015 to \$36 in 2018 assuming no change in market values or other factors such as fiscal disparities.

### Median Value (\$226,000) Residential Home

	2015	2016	2017	2018
Taxes - City	920	943	979	1,014
Increase	53	23	35	36
% Increase	6.1%	2.5%	3.7%	3.7%



**Property Taxes**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Property Tax Levy</u></b>					
Operations					
General Fund	16,802,864	18,030,462	18,508,680	19,348,285	20,097,748
Pavement Management	1,205,350	1,211,531	1,217,588	1,223,676	1,229,795
Facilities	1,600,019	1,589,559	1,604,452	1,627,806	1,667,957
Equipment	300,000	675,000	708,800	745,600	785,700
Total operations	<u>19,908,233</u>	<u>21,506,552</u>	<u>22,039,520</u>	<u>22,945,367</u>	<u>23,781,200</u>
Streets improvements / reconstruction	3,029,063	3,367,128	3,831,221	4,317,637	4,940,848
Parks including arenas	710,700	750,005	806,768	852,180	892,031
Total	<u>23,647,996</u>	<u>25,623,685</u>	<u>26,677,509</u>	<u>28,115,184</u>	<u>29,614,079</u>

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Per Capita - Property Taxes</u></b>					
Operations					
General Fund	290	305	307	315	321
Pavement Management	21	20	20	20	20
Facilities	28	27	27	26	27
Equipment	5	11	12	12	13
Total operations	<u>343</u>	<u>363</u>	<u>366</u>	<u>373</u>	<u>379</u>
Streets improvements / reconstruction	52	57	64	70	79
Parks including arenas	12	13	13	14	14
Total	<u>407</u>	<u>433</u>	<u>443</u>	<u>457</u>	<u>472</u>

**Per Capita - Percentage (%) increase / (decrease) over previous year "Total" tax levy**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Operations					
General Fund	2.8%	3.7%	0.6%	1.7%	1.3%
Pavement Management	-0.2%	-0.1%	-0.1%	-0.1%	-0.1%
Facilities	-1.4%	-0.2%	-0.1%	0.0%	0.0%
Equipment	-1.3%	1.5%	0.1%	0.1%	0.1%
Total operations	<u>-0.1%</u>	<u>5.0%</u>	<u>0.5%</u>	<u>1.7%</u>	<u>1.4%</u>
Streets improvements / reconstruction	0.8%	1.1%	1.5%	1.5%	1.9%
Parks including arenas	0.0%	0.1%	0.2%	0.1%	0.1%
Total	<u>0.7%</u>	<u>6.2%</u>	<u>2.2%</u>	<u>3.3%</u>	<u>3.3%</u>







**Financial  
Management  
Policies, Practices  
And  
Recommendations**

## Major Maintenance

The City of Lakeville has more than \$300 million invested in infrastructure such as roads, water systems, sanitary sewer systems, parks and buildings. Proper maintenance of the infrastructure maximizes the asset value as well as ensuring health, safety and quality of life of Lakeville residents and businesses. If the assets are not properly maintained, long term costs escalate in order to repair, maintain or replace the asset.

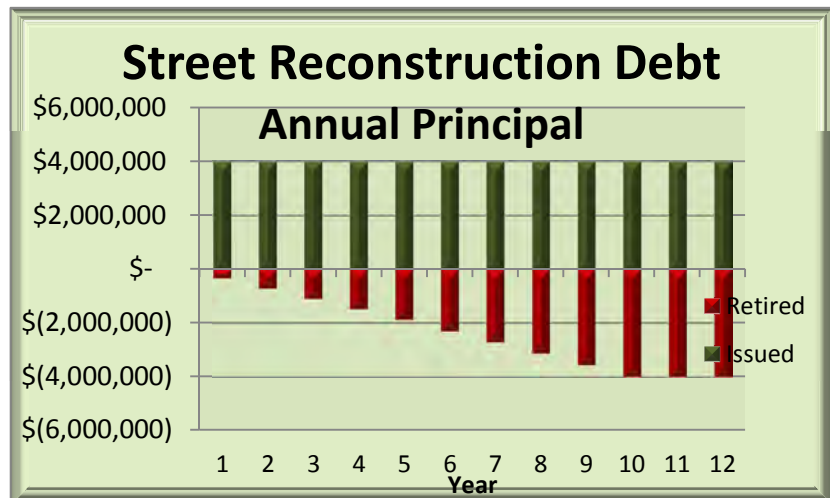
### Transportation

The City has adopted a pavement management plan which addresses maintenance issues based on the OCI (Overall Condition Index) of the street. The City has a Street Reconstruction Policy whereby it finances approximately 60% of the street reconstruction with property taxes. During the Great Recession, the City Council chose to finance its share of cost by issuance of debt with the amortization over a ten year period in order to take advantage of the low interest rate environment and to minimize the tax impact to residents and businesses.

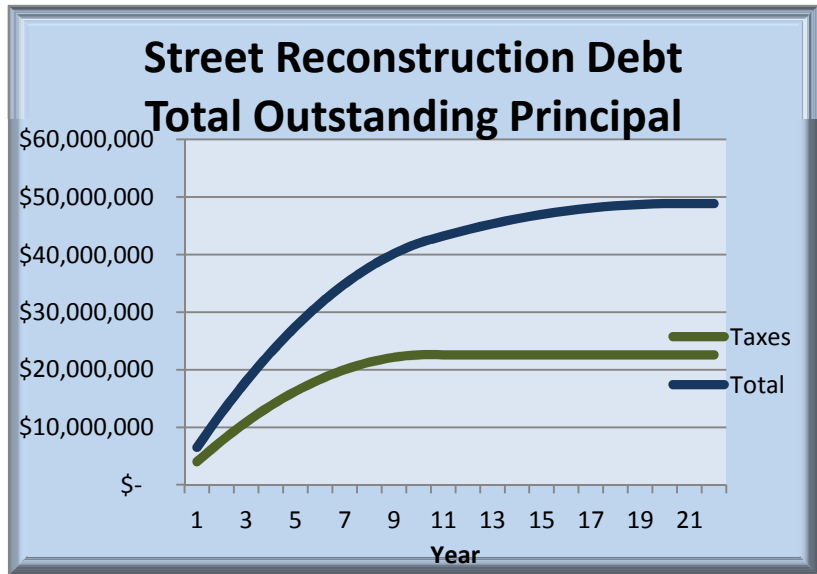


The City share of costs financed with debt (approximately \$4 million per year) is repaid with property taxes over a 10 year period. In ten years the tax levy will be approximately \$4.49 million of which \$490,000 is for interest.

Over the 10 year period the amount of debt retired, which is repaid with property taxes, eventually increases to \$4.0 million. At that point the City is issuing debt at the same rate as it is being retired.



In other words there is not debt reduction for City share of cost. In addition, the City is issuing approximately \$2.5 annually which is repaid with special assessments.



Interest rates are currently near historic lows. If interest rates increase by 1%, the annual tax levy for interest expense increases to approximately \$730,000 in the 10<sup>th</sup> year.

The street reconstruction program was accelerated in the 2014 – 2018 Capital Improvement Plan in order to improve the City wide OCI and reduce the number of miles of streets which are in failing condition.

**Recommendation:**

In order to eliminate or minimize tax levy for interest costs associated with annual street reconstruction projects,

- a) Explore the various financing options, including a discussion of the issues related to each option, for
  - \* Financing the City share of street reconstruction project costs on a pay-as-you-go method rather than relying on debt
  - \* Construction Project Reserve Fund to level off the “peaks and valleys” which will occur from year to year in project costs
  - \* Implementation plan

**Utilities**

The water infrastructure system maintenance costs have increased significantly in recent years due to water main replacements in areas with corrosive soils. In order to finance the projects with minimal short term increase in utility rates, the projects are financed with the issuance of debt repaid with utility fees over a 10 year period (*refer to page 76*).

Although the scope of water main replacements in future years is unknown, if the current trend continues with \$1 – 2 million of project costs per year, interest costs will result in higher rates for utility customers.

**Recommendation:**

In order to eliminate or minimize utility rate for interest cost associated with annual on-going utility major maintenance projects,

- b) Explore the various financing options, including a discussion of the issues related to each option, for
  - \* Financing the utility project costs on a pay-as-you-go method rather than relying on debt.
  - \* Implementation plan
  - \* Establish a Reserve account to level off the “peaks and valleys” which will occur from year to year in project costs.

## **Facilities**

In an effort to minimize the tax impacts to residents and businesses during and since the Great Recession, all major maintenance projects related to facilities were financed from the Building Fund rather than the General Fund.

The 2014 – 2018 Capital Improvement Plan identifies the facility major (and minor) maintenance projects to be completed in the next five years. All of the projects, including minor projects, are accounted for in the Building Fund which is financed primarily with one-time revenues from Life Time Fitness (*refer to pages 68 - 69*). There are currently no defined on-going revenue sources for financing facility maintenance projects from the Building Fund.

### **Recommendation:**

- c) Explore the various financing options, including a discussion of the issues related to each option, for financing facility major maintenance.

## **Parks and Trails**

***Trails major maintenance and reconstruction*** was identified in a long-term plan prepared by WSB Engineering. The Trail Improvement Fund was created with a one-time transfer from the General Fund. The Capital Improvement Plan is premised on the assumption that the tax levy for trails maintenance and reconstruction will be increased each year as the one-time revenues are depleted (*refer to pages 62 - 63*).

### **Recommendation:**

- d) Continue the gradual property tax increases in order to establish a long-term sustaining financial structure for financing trail improvements.
- e) Maintain a fund balance of 40-50% of the subsequent years budget to provide the reserves during those periods when there are significant “peaks and valleys” in reconstruction projects and to provide operating capital until the final tax proceeds are received in December of each year.

**Parks major maintenance projects** have been identified in the five year Capital Improvement Plan. However, since the start of the Great Recession, many of the projects have been and continue to be deferred to future years. The projected 2014 General Fund Budget reflects \$184,425 for 2015; in years 2016 – 2018 major maintenance ranges from \$83,300 to \$65,100 (*refer to page 24*). The “peaks and valleys” in expenditures therefore create corresponding increases and decreases in the tax levy.

Lakeville residents approved a bond referendum and tax levy in 1994 for park acquisitions and improvements; the last levy for the Park Bonds is in 2014 (*refer to pages 92, 93, 95*). The 2014 – 2015 Capital Improvement Plan identifies approximately \$1 million of park improvements and major maintenance projects for which there is no approved revenue source. It can be presumed that with the approval of the park improvements there is also an assumption the City will appropriate adequate funds for maintenance. The final debt payment provides an opportunity to establish a long-term financing framework for maintaining the facility with no significant change in future tax levies.

**Recommendation:**

- f) Explore the various financing options, including a discussion of the issues related to each option, for financing major maintenance of parks.
- g) Assuming there is proper justification for long-term parks and trails major maintenance projects, appropriate a tax levy to the Park and Trail Improvement Fund equal to the amount of tax levy decrease due to the expiration of the Park Bond levy.

## Equipment Financing

The Equipment Fund accounts for the purchase of public safety, streets, parks, technology equipment and vehicles. The expenditures range from \$1.7 million (2015 and 2018) to a high of \$3 million in 2017 (*refer to pages 67 -68*).

### Equipment Fund

<u>Expenditures</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Election equipment	26,667	26,667	26,667	-	-
Fire	832,805	63,332	35,000	666,750	263,750
Parks	485,212	448,221	473,325	362,210	174,130
Police	813,523	316,977	590,898	674,164	80,487
Streets	861,827	742,626	1,283,675	978,294	626,871
Technology	84,902	114,043	93,764	370,256	581,656
Total expenditures	<u>\$ 3,104,936</u>	<u>\$ 1,711,866</u>	<u>\$ 2,503,329</u>	<u>\$ 3,051,674</u>	<u>\$ 1,726,894</u>

The primary revenue sources are property taxes, sale of assets (vehicles and equipment), and liquor fund contributions. The tax levy increases at a steady rate from \$675,000 (2015) to \$785,700 (2018) in order to minimize significant tax increases while providing adequate working capital during those periods when there are “peaks and valleys” in expenditures due to the equipment replacement schedule. The increase in 2015 represents 1.5% in the total City tax levy.

### Property Taxes - Equipment

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Tax Levy	\$ 675,000	\$ 708,800	\$ 745,600	\$ 785,700
Increase/(dec.)	375,000	33,800	36,800	40,100
% Inc./((dec.)	125.0%	5.0%	5.2%	5.4%
Per capita	\$ 11	\$ 12	\$ 12	\$ 13
Increase/(dec.)	6	0	0	0
% Inc./((dec.)	120.6%	3.1%	3.1%	3.4%
% Inc./((dec.) of				
Total Levy	1.5%	0.1%	0.1%	0.1%

#### Recommendation:

In order to reduce the significant 2015 tax levy (and future) increases, consider various options including but not limited to:

- h) Reducing the 2015 levy and increasing 2016 – 2017 levies.
- i) Financing assets with a value more than \$500,000 with short term debt.



## Property Taxes: Levy Limits

The State Legislature imposed levy limits throughout the late 20<sup>th</sup> century as a means of controlling property taxes and local government spending. In the last 14 years, the Legislature has re-imposed levy limits on several occasions. It is extremely difficult to predict when the Legislature will impose levy limits. In all instances when it was imposed, levy limits have been punitive to growth cities such as Lakeville.

Debt has historically been exempt from levy limits. The 2014 tax levy prepared for the potential re-imposition of levy limits by reducing the tax levy for debt (\$300,000) with a corresponding increase in the Equipment Fund levy. The shift was offset by Liquor Fund transfers typically appropriated to police equipment replacement to police station debt.

### Recommendation:

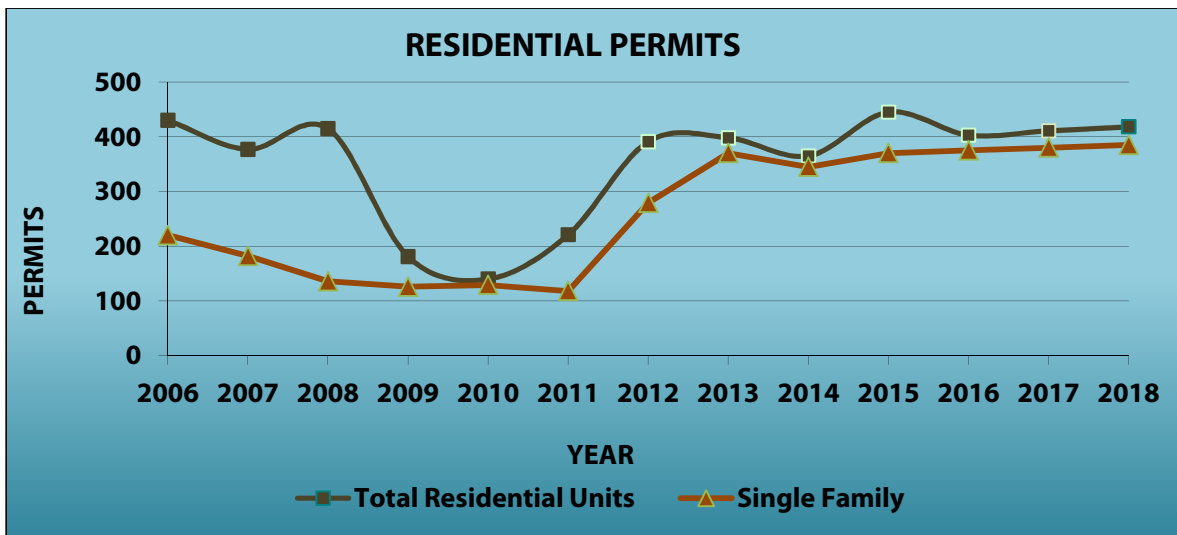
j) Continue a property tax levy strategy of mitigating the adverse operational fiscal impacts in the event levy limits are re-imposed.

## Revenues related to Growth

The City of Lakeville is one of the fastest growing cities in the Twin Cities metro area. The growth, however, is subject to a number of external factors including but not limited to regional employment, housing supply and demand, mortgage interest rates and consumer confidence.

The adopted 2014 General Fund budget and tax levy for operations were premised on an increase in revenues related to growth (building permits, engineering and planning fees) that were appropriated to operations and tax levy mitigation.

Relying on growth related revenues to finance operations or property tax policies puts the City at financial risk during those periods when building activity does not meet budget expectations. A 10% fluctuation in residential building construction activity, for example, can result in a \$140 – 150,000 change in building permit revenues; a 10% fluctuation in platting activity can result in a \$60-75,000 change in revenues. Historical data demonstrates that such risks are possible and probable.



### Recommendation:

- k) Operating budget should be budgeted conservatively and in relation to the cost of services related to growth.
- l) For those years when revenues exceed budget expectations, the favorable results should be appropriated to (a) reserves for those time periods when growth related revenues fall short of budget expectations or (b) capital improvements related to growth.
- m) For those years when revenues fall short of budget expectations, the unfavorable results should be financed from prior period reserves.

## Fund Balance

The Communications Fund accounts for franchise fees utilized to finance communications related activities. Franchise fees related to Education and Government (E.G.) franchise fees are restricted to equipment acquisitions related to E.G. purposes. The Communications Fund has an unrestricted fund balance of approximately \$700,000 which is increasing by approximately \$50-100,000 per year (*refer to pages 36 - 37*).

Options related to future annual Franchise Fees include but are not limited to:

- A. Status Quo – Continue to accumulate in Communications Fund
- B. Status Quo - Continue to accumulate in Communications Fund. Reduce franchise fee rate to level required to sustain Communications objectives and activities.
- C. Appropriate to General Fund for services which would otherwise be financed with property taxes
- D. Appropriate to property tax reduction

Options related to the accumulated unrestricted fund balance include but are not limited to:

- i. Status Quo – Continue to account for in Communications Fund
- ii. Appropriate to a one-time capital project such as facility remodeling or new road improvement
- iii. Appropriate to property tax reduction

### Recommendation:

0) Explore the various financing options with respect to (a) annual unrestricted franchise fees and (b) Communications Fund unrestricted balances – including a discussion of the issues related to each option. Options to be considered include but not limited to reduction in franchise fee rate and appropriation to one-time capital expenditures, financing services and/or property tax reduction.



# Issues

# Identification



# Fiscal

# Implications

## Community Growth

The purpose of this discussion is to identify existing and future needs of the City operations to meet the needs of a growing City.

Community growth, especially residential, results in more service calls (such as police and fire), and miles of new streets, as well as additional park facilities and trails. Additional resources such as personnel are required in order to meet service levels activities.

### **Service Continuity**

The financial projections provided in this Report take into account the additional resources (refer to pages 25 – 26) required as a result of community growth assumptions (refer to pages 24- 25). The following is a summary of fiscal implications.

<b><u>FISCAL COMMENT:</u></b>				
Estimated Financial Resources Required				
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b><u>General Fund</u></b>				
Inspections	106,809	93,182	98,890	104,784
Police	98,228	197,665	306,213	426,590
Fire	167,716	173,406	179,088	184,743
Streets	17,443	81,357	155,049	218,056
Parks	91,177	125,860	132,862	138,228
<b><u>Utility Fund</u></b>				
Utilities		40,491	83,723	139,089
Environmental Resources		63,565	78,526	83,260

## **Central Maintenance Facility**

The Central Maintenance Facility is the base of operations for the Streets and Park Maintenance Departments. The facility also provides the maintenance services for all City equipment and vehicles including police, fire and utilities. As the City fleet and maintenance operations increase, so will the need for storage and fleet maintenance. The scope and schedule of potential expansion have not been determined; however, based on the current community growth, expansion needs are likely to be proposed within the next 5 – 10 years.

### **FISCAL COMMENT:**

The construction and operational costs as well as method of financing for expansion of the Central Maintenance Facility have not been determined.

Potential revenue sources are yet to be determined.

## **Parks, Recreation and Open Space**

Develop sustainable environmental practices to preserve and protect our natural resources, open spaces and greenways. Plan for and enhance the parks, trails and recreation needs and expectations of Lakeville residents such as the community playfield and athletic complex in the Cedar Avenue corridor – Mattamy Development. The Parks, Trails and Open Space Plan is currently in the process of being updated.

### **FISCAL COMMENT:**

Until such time as the Parks, Trails and Open Space Plan update is completed, the investment, maintenance and operational costs as well as fiscal implications have yet to be determined.

Potential revenue sources include but are not limited to property taxes, park dedication fees and user fees.

### **Fifth Fire Station**

As the City grows, so too will the need for additional fire protection. There may be a need for an additional fire station; however, a completion date or date of initial operation has not been identified.

**FISCAL COMMENT:**

The construction and operational costs as well as method of financing and schedule for completion of a fifth Fire Station have not been determined.

### **Liquor**

The strategic locations of stores and excellent management will enable the City to continue to capitalize on its customer base. The community growth, as well as growth in areas south and west of Lakeville, provides an opportunity to maximize profits if stores are properly positioned for the future.

**FISCAL COMMENT:**

The construction and operational costs, as well as method of financing for expansion of the Liquor Store in the vicinity of I-35 and County Road 70, have not been determined.



## Services

The Community Survey conducted in April 2013 stated that 64% of residents disagreed or strongly disagreed with the position that the City should provide only the minimum level of services necessary. Survey respondents also indicated that a safe community, aesthetics, recreation, open space, environment, transportation and maintaining existing facilities ranked high in importance.

### **Police**

The Police Department has identified a number of public safety concerns which, if they materialize, will require a greater level of resources for various purposes as shown below.

- Crime by residents from other communities
- Usage of prescription and illegal drugs
- Cyber crimes
- Chemical awareness in schools
- Need to be visible in community
- Being more involved in design (SEPTED) in city and community projects
- Maintaining adequate response times (Police) and typical “suburban” law enforcement services
- Nuisance calls, such as false alarms. Delayed responses will decrease the quality of life for residents.
- Transportation corridors historically bring crime such as drugs, prostitution and robbery. As Lakeville grows it may become very vulnerable to these transient types of crime.

#### **FISCAL COMMENT:**

	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Police	98,228	237,665	306,213	506,590

The police positions are financed with property tax levies.

### **Engineering – Construction Administration**

The City contracts with consulting engineering firms to review and manage capital and development projects. The consulting engineer costs are either charged to projects or billed to the developers. The Public Works staff will be asking the City Council to consider an engineering position thereby reducing the reliance on consultants.

**FISCAL COMMENT:**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Engineering	<u>-</u>	<u>131,370</u>	<u>113,376</u>	<u>122,567</u>

If approved, the new position would be financed by the project they are assigned to or direct billing to developers.

### **Engineering – GIS Technician**

The Public Works staff will be asking the City Council to consider the addition of a GIS Technician position to support increased asset management software implementation, data collection and entry.

**FISCAL COMMENT:**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Engineering - GIS Tech	<u>-</u>	<u>-</u>	<u>73,635</u>	<u>90,957</u>

The position is financed with property taxes.

## **Human Resources – Employee Wellness Programs**

Health insurance costs are escalating at a rate far greater than other inflation factors. Providing employee wellness opportunities that encourage healthy lifestyles may enable the organization to better manage health insurance claims. In an effort to reduce employee health costs and insurance premiums, the Human Resources staff will be asking the City Council to consider hiring a consultant to manage components of the health and wellness program.

### **FISCAL COMMENT:**

	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Human Resources	<u>5,258</u>	<u>5,258</u>	<u>5,258</u>	<u>5,258</u>
Cost of the program would be financed from property taxes.				

## **Human Resources**

The Human Resources staff have identified a number of issues to improve personnel management including succession planning, professional development, updating job descriptions, administration of the Affordable Care Act and other legislative actions, recruitment as a result of employee resignations, benefit administration and compensation audits. In order to respond to work load demands, Human Resources staff is recommending City Council consideration of hiring an intern and part-time technician.

### **FISCAL COMMENT:**

	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Human Resources	<u>33,861</u>	<u>34,141</u>	<u>35,418</u>	<u>35,418</u>
The Human Resources positions would be financed primarily with property taxes.				

## **Finance Department – Accountant**

The Finance Department's objective is to improve support services to City Council and staff. The new Accountant position would be responsible for assisting with annual preparation of

financial statements and budget, antenna site lease administration, facility maintenance contracts, utility billing administration and other accounting related duties.

**FISCAL COMMENT:**

<b><u>Finance Department</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Senior Accountant	81,294	84,310	87,440	90,696
Furniture and equipment	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>88,294</u>	<u>84,310</u>	<u>87,440</u>	<u>90,696</u>

The position would be financed with property tax levies (90%) and utility fees (10%).

**Code Enforcement**

The 2014 budget provided funding for a new part-time (24 hours per week) Code Enforcement Officer who will be responsible for improving compliance with the City ordinances relating to property. The Planning Department will be asking the City Council to consider increasing the position to full-time in 2016 in order to effectively respond to the number of ordinance violations.

**FISCAL COMMENT:**

	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Planning	<u>-</u>	<u>44,220</u>	<u>44,220</u>	<u>44,220</u>

The code enforcement programs are financed primarily from property taxes and code enforcement fees.

**Recreation - Programs**

The Parks and Recreation Director is proposing to add a Recreation Program Coordinator who will focus on expanding and creating environmental education programs at Ritter Farm Park. The position would also be responsible for making recommendations on the remodeling of the Berres Cabin that would be used as a new and improved Environmental Learning Center. The position would evolve from part-time (24 hours per week) in 2016 to full-time in 2018. Funding

for the position would be derived from a combination of program fees and property tax levies, the exact amount of which has yet to be determined. Develop additional environmental or educational programs to promote natural and outdoor activities was a comment received as part of the *Envision Lakeville* process.

<b><u>FISCAL COMMENT:</u></b>				
	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Recreation	-	48,219	68,160	72,990
The recreation program position would be financed with a combination of user fees and property taxes.				

### **Heritage Center**

The Heritage Center is generating rental income as well as recreation program revenues as a result of relocation to the new facility in 2012. The Parks and Recreation Director is recommending a new Recreation Program Assistant to process rental inquiries, and assist with marketing material, coordinating and overseeing recreation programs, Heritage Center volunteers collaboration with other community organizations and businesses, research trends and opportunities and development of the newsletter.

The Heritage Center and Arts Center utilize part-time personnel and staff from other facilities to accomplish certain maintenance functions. The Parks and Recreation Director will be requesting City Council consideration of a full-time facility attendant position which will be shared with the Arts Center in order to prepare rooms, perform general building maintenance as well as janitorial duties.

**FISCAL COMMENT:**

<b><u>Heritage Center</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Recreation Program Asst	76,080	72,476	74,712	77,046
Facility attendant	<u>32,623</u>	<u>34,141</u>	<u>34,141</u>	<u>34,141</u>
Total	<u>108,703</u>	<u>106,617</u>	<u>108,853</u>	<u>111,187</u>

While the intent is to finance the positions from facility use and program fees, the exact funding source is yet to be determined.

**Parks - Trails**

Trail lighting improves the safety of the park amenities. There are numerous trail segments throughout the City which do not have lighting. Trail lighting might be a potential amenity to include as part of a park bond referendum, financed with tax levies and/or park dedication fees.

**FISCAL COMMENT:**

The location and anticipated completion schedule for additional trail lighting has not been determined. Trail lighting construction costs have historically been financed with Park Development fees. Operational costs will depend on the number, location and type of trail lighting authorized by the City Council. Trail lighting operating costs are financed with property taxes.

There are numerous segments along certain arterial and collector roadways which do not have trails. Providing trails along certain segments of arterials might be a potential amenity to include as part of a park bond referendum, financed with tax levies and/or park dedication fees.

**FISCAL COMMENT:**

The construction and operational costs of providing trails along certain segments of arterials or collector roads has not been determined. Construction financing has not been determined; however, potential revenue sources include but not limited to park dedication fees, voter approved bond referendum, property taxes or some combination thereof. Operating costs are financed from property taxes.

## **Parks – Outdoor Ice Rinks**

The current budget provides funding for eight rink sites including Cherryview, Dakota Heights, Greenridge, Highview Heights, Meadows, McGuire, Parkview and Prairie Lake Parks. Highview Heights Park was added back into the system in the 2011-12 winter season and Cherryview was added back in the 2012-13 season. Bunker Hill (now permanently closed), Quail Meadows and Rolling Oaks have remained closed since 2009 as a result of budget constraints. Within the undeveloped portion of Lakeville there may be a need for future outdoor ice; the location and initial commencement schedule of operation is yet to be determined.

### **FISCAL COMMENT:**

Should the City Council decide to pursue additional outdoor ice rinks, the annual operating cost of an outdoor rink is approximately \$6-8,000 per year per location. Investment in major maintenance may be required to reopen Quail Meadows and/or Rolling Oaks, the cost of which has not been determined. Financing is provided from property taxes.

## **City Hall Renovation**

Renovate City Hall to improve efficiencies and customer service. Accommodating persons with disabilities to be considered.

### **FISCAL COMMENT:**

The construction and operational costs as well as method of financing to renovate City Hall have not been determined.

Revenue sources have not been identified.

## **Parks, Recreation and Open Space – *Envision Lakeville* process**

One of the Community Values identified as part of the *Envision Lakeville* process was “Access to Multitude of Natural Amenities and Recreation Opportunities.” As a part of the process, comments were solicited from the community at large. The following is an overview of the comments received.

- Arts Center
  - web-page improvements
  - marketing
  - long range program and facility plan
  - access improvements
- Develop a publicly owned community center
- Securing land for future parks
- Legacy park
- Develop a multi-purpose sports field facility/complex
- A way-finding and directional signage plan
- Regional outdoor educational programs should be considered for Ritter Farm Park
- Funding trail system "missing links"
- Protection of natural areas
- Review lake and park amenities, programs and policies
- Consider more amenities at the lakes or within the park system such as – bike rental, canoe rental, gazebo or exterior entertainment space or venue, etc. Develop an integrated bike trail system along the lakes.
- Develop public/private partnerships to provide amenities at the regional parks and at Lake Marion
- Consider additional community and ethnic celebrations
- Expand Heritage Center programs into the evening and weekends for 50+ active seniors

### **FISCAL COMMENT:**

The public comments received as part of the *Envision Lakeville* process have not been prioritized, project schedule delineated or the cost implications determined.

Revenue sources have not been identified.



## Emerging trends and issues

### **Emerald Ash Borer (EAB) Infestation**

It is not a question of “if” it will happen but rather “when” it will happen. The emerald ash borer beetle which ravages the ash tree population creating expensive cleanup costs for property owners and municipalities is currently in South Eastern Minnesota and the metro area. The proposed budget creates a Forester position that will focus on implementation and administration of the Tree Preservation Ordinance, shade tree disease and infestation control programs, landscaping and reforestation of public lands and parks, maintenance of trees and shrubs and technical assistance to property owners. Property owners will be responsible for disposal of trees on their own respective parcels. Substantial municipal resources will be required when EAB infestation reaches Lakeville.

#### **FISCAL COMMENT:**

The extent of financing requirements depends on the policies and scope of services yet to be determined.

There are a number of financing options available including but not limited to property taxes, environmental fees and service charges.

An initial \$45,000 reserve has been established in the General Fund to finance future boulevard tree removal.

### **High speed internet**

There is increasing need and demand for residents and businesses to have access to affordable high speed broadband service. Fiber to the premise was noted as comment received from the *Envision Lakeville* process.

#### **FISCAL COMMENT:**

The construction and operational costs as well as method of financing for providing high speed internet have not been determined.

## Innovations and Efficiencies

Innovation is one of the reasons why the organization has been able to be cost effective and efficient. Effective application of technology is a major factor in optimizing organizational efficiencies.

### **Cooperative ventures**

The City has a long successful history of utilizing cooperative ventures with other governmental units to provide services cost effectively. Examples include but are not limited to Dakota Communications Center, Lakeville Arenas, ALF Ambulance and LOGIS. Examples of potential future ventures include but are not limited to the following:

- Hosting of VoIP center for another city
- Computer forensics
- Gun range
- Professional development

#### **FISCAL COMMENT:**

The scope of cooperative ventures to be pursued as well as fiscal implications has yet to be determined.

### **Technology**

Continue to provide departments with current up-to-date equipment, technology and other resources to efficiently meet service demands. Manage the “butterfly” effect of chasing trends which may not improve productivity or reduce costs. Stay proactive before the organization becomes strictly reactive. Provide some flexibility in the budget to take advantage of innovative processes and technologies. Invest and use technology efficiently. Technology

related investments with potential for improved productivity and/or cost effectiveness are as follows.

- Virtual Desktop
- Mobile app development
- Mandatory video for law enforcement
- Hosted solutions (Cloud based)
- Application software hosting (MS Office 365)
- Fiber optics
- Salt management system

**FISCAL COMMENT:**

The investment and operating costs of potential technology applications to be pursued as well as fiscal implications have yet to be determined.

Revenue sources yet to be identified.

**Employee education and training**

Stay abreast of technology enhancements to improve efficiency by providing greater use and opportunities to learn new technologies. Increase training for employees to keep abreast of the latest technologies, policies and procedures.

**FISCAL COMMENT:**

The investment and operating costs of technology training as well as fiscal implications have yet to be determined.

