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Posted: April 4, 2014

CRYSTAL CITY COUNCIL WORK SESSION AGENDA

Thursday, April 10, 2014
7:00 p.m.
Conference Room A

Pursuant to due call and notice given in the manner prescribed by Section 3.01 of the City Charter, the work session of the Crystal City Council was held at _____ p.m. on Thursday, April 10, 2014 in Conference Room A located at 4141 Douglas Drive, Crystal, Minnesota.

I. Attendance

<u>Council members</u>	<u>Staff</u>
____ Deshler	____ Norris
____ Hoffmann	____ Therres
____ Libby	____ Peters
____ Peak	____ Sutter
____ Selton	____ Hansen
____ Adams	____ Revering
____ Budziszewski	____ Serres

II. Agenda

The purpose of the work session is to discuss the following agenda items:

- "Open to Business" Program for small business support
- Tax base expansion opportunities
- Resources and purposes of various funds
- Financing options for JWC (Joint Water Commission) emergency water supply

III. Adjournment

The work session adjourned at _____ p.m.

Auxiliary aids are available upon request to individuals with disabilities by calling the City Clerk at (763) 531-1145 at least 96 hours in advance. TTY users may call Minnesota Relay at 711 or 1-800-627-3529.



Memorandum

DATE: April 2, 2014

TO: Mayor and City Council

FROM: Patrick Peters, Community Development Director *pap*

SUBJECT: April 10 Council Work Session on Economic Development Matters

There are two economic development matters that merit Council discussion and consideration at the April 10 work session: 1) The “Open to Business” small business assistance program, and 2) identifying opportunities for significant expansion of the city’s tax base.

- 1) “Open to Business” (OTB) is a program of the Metropolitan Consortium of Community Developers (MCCD) that offers a variety of services for new or expanding local businesses. Please see Attachment A for an overview of the agency’s offerings, which include small business consulting, direct lending and loan packaging. Several Hennepin County communities have enrolled in the program as a means of offering support to local businesses and entrepreneurs. Crystal currently has no such programs to offer local business. The annual OTB fee for services is \$7,500, half of which is paid for by the Hennepin County HRA. If the Council is open to a trial 1-year partnership, the city’s half could be paid out of the EDA’s redevelopment account.

- 2) Considering the fact that Crystal is a fully developed community, opportunities to expand the city’s tax base in a significant way are quite limited. The appeal and, perhaps, necessity of identifying such opportunities stems from the fact that the preponderance of the property tax burden falls to the owners of our modestly valued single-family properties. This is because the tax revenues generated by single-family residential are and always have been out of balance with the property tax revenue generated by Crystal’s small commercial and industrial base (see Attachment B). Our discussion at the work session will focus on the potential for redevelopment that creates a significant number of new living wage jobs and in the end brings a better balance to the city’s tax base.

MCCD is  *in your community*

Promoting entrepreneurship. Entrepreneurs are starting and growing small businesses in your community. By helping them gain access to financing and other business assistance, you can encourage small business development that grows your tax base, creates local jobs and increases community vitality.

How we can help. MCCD's Open to Business program brings on-site business services specialists to your city that can expand your community development staff's expertise in such areas as start-up financing and business plan development. We can respond to requests for business assistance when those requests are beyond the range of the services normally provided by your municipal agencies.

How we work. Our staff can provide one-on-one assistance customized to meet the needs of your small business owners and operators. Many of our clients receive help in planning and organizing their business ventures. We can also assist with financial management, marketing and regulatory compliance.

Accessing capital for your businesses. MCCD operates a small business loan fund that can help your entrepreneurs access the capital they need to grow their businesses. We can also draw on our long-standing partnerships with area banks to help your businesses obtain bank loans and revolving lines of credit. As a participant in MCCD's "Open to Business" program, your community development agency can help promote more effective access to capital for your local businesses.

How we partner with you. MCCD will work with city staff to develop materials that brand this as a program of your city and assist with outreach ideas to the business community. Our staff can meet clients at our office or their place of business. In addition, we can schedule on-site hours at your city hall or other public venue for walk-in consultations. This fee-for-service arrangement can provide you with a cost-effective alternative to an "in-house" business development program staffed and funded by your agency.

Who we are. The Metropolitan Consortium of Community Developers is an association of 43 non-profit community development agencies that work to improve housing and economic opportunity throughout the Twin Cities metropolitan area. During this past year, our team of business development specialists has provided access to more than \$2 million in business capital for our clients and technical assistance services for more than 300 area businesses. You can find our Web site at www.opentobusinessmn.org.

For more information, contact:
Rob Smolund
Metropolitan Consortium of Community Developers
rsmolund@mccdmn.org
612-789-7337, ext 260





Open to Business (OTB)

Loan Product Summary- Jan 2014

Open to Business- a program of the Metropolitan Consortium of Community Developers- offers direct lending and loan servicing as an enhancement to the entrepreneurial support services it provides. Financing packages are available to both Start-up and Existing businesses, and available for a variety of uses; including; acquisition, property, equipment, inventory and working capital. Loan terms and limits vary by use, but can be very flexible in structure to meet the needs of the individual business. Examples of the financing OTP can provide includes:

- **Loan Packaging/Facilitation**

OTB staff can assist potential borrowers with the preparation of business plans, cash flow and other financial projections and loan application materials. Our staff can assist entrepreneurs in identifying borrowing needs and accessing community lending programs that provide favorable terms and conditions for small business borrowers. We work with our clients to help them find the financing that best meets their own unique needs

- **Micro Loans**

Direct loans from OTB for a variety of business purposes, including inventory, working capital, asset and equipment purchases, and start-up costs. Typical loan terms of 3-5 years, loan sizes up to \$25,000 for retail/service businesses, or \$50,000 for manufacturing businesses. This program is targeted to start-up and early stage businesses that cannot secure financing from traditional commercial lenders.

- **Participation Financing**

OTB loans in partnership with private lenders for physical improvements and hard asset/equipment purchases. OTB can provide financing of up to 50% of a given project, with interest rates and term generally set to match the Bank or other partner financing entity. In most cases, OTB will subordinate collateral and repayment to the private lender. Loan size and term vary from project to project, but can be from as little as \$5,000 to as much as \$100,000 or more depending on use.

- **Real Estate Gap Financing**

OTB loans in partnership with private lenders to provide gap financing for real estate acquisition projects – including projects financed through the SBA 504 program. OTB's interest rate will be at or near the bank's rate, and will match the bank's term provided that the term does not exceed 10 years- though we may amortize over a longer period.

- **Real Estate Acquisition Financing**

OTB- in partnership with private lenders- provides permanent term financing for commercial real estate acquisition- up to 90% of the property's appraised value. OTB will provide the difference between the bank's LTV cap and 90%- up to 40% of the appraised value. OTB will generally match the bank's rate with terms up to 10 years (though amortizations may be longer).

- **Transactional Financing**

Short term loans, for businesses with a clear short term borrowing need, but whose cash flow cycle inhibits them from making regular monthly loan payments.

Transactional loans are targeted to contractors, vendors and manufacturers who have received a contract or order but need working capital to fulfill the order, and payment is structured to concede with completion of the contract. Typically Transaction financing is available for needs of less than 6 months, and for \$25,000 or less, though larger loans are also available for businesses with performance bonds and escrow payment arrangements.

To learn more about financing options and other services available to entrepreneurs from Open to Business, visit www.Opentobusinessmn.org, or contact an OTB Business Advisor at:

E-mail: info@opentobusinessmn.org

Phone: 612-789-7337



Updates

City/County: Hennepin
Time Frame: 1/1/13-12/31/13

Results by city:

Program	# of Clients	Program Related Hours TA/Admin	Approved direct and facilitated capital	Capital Leveraged	Jobs created from direct MCCD closed loan clients	Jobs retained from direct MCCD closed loan clients
Bloomington	30	125	\$ 72,484	\$ 60,000	2	2
Brooklyn Center	24	70	\$ 86,640	\$2,552,000	5	7
Brooklyn Park / Osseo	65	190	\$ 510,240	\$ 137,000	4	22
Eden Prairie	14	70	\$ 21,000		-	3
Edina	12	212	\$ 338,480	\$ 960,000	12	7
Golden Valley/ New Hope	19	71	\$ 105,240	\$ 15,000	-	
Hopkins	11	59	\$ 480	\$ 200,000	-	
Maple Plain/ Medina	5	12				
Minnetonka	32	218	\$ 79,480	\$ 445,000	18	12
Richfield	27	176	\$ 196,204	\$ 296,000	16	3
Robbinsdale	10	76	\$ 4,335	\$ 16,640	-	1
St. Anthony Village	3	25		\$ 10,000		1
St. Louis Park	29	120	\$ 102,000	\$ 160,000	-	21
Hennepin County Totals	286	1424	\$ 1,517,583	\$4,851,640	57	79

The above stats are from just Open to Business cities in suburban Hennepin County not including Minneapolis.

In 2013, the Open to Business program overall closed on 145 loans – a one-year high – totaling \$2,007,745, including 75 credit building loans and 30 participations with community partners. We leveraged over \$14.6 million in additional financing including owners' equity. In addition, our business borrowers retained or created 261 jobs.

2013 at a Glance

	2012	2013	
MCCD Direct Loans - Total			
How many direct loans did we make in the last two years?	32	47	
How much of our own funds did we lend out?	\$1,581,685	\$1,470,456	In 2011, MCCD made direct loans totaling \$728,840 to 33 small businesses.
How much other money did our loan fund leverage?	\$7,758,436	\$14,627,466	
On average, how much financing from banks, community partners, and equity did every \$1 of MCCD funds leverage?	\$4.91	\$9.95	
How many jobs will our business borrowers create or retain?	248	261	
Direct Loans of \$25,000 or less (to new and emerging businesses)			
How many micro-loans did we make in the last two years?	20	31	
How much of our own funds did we lend out as micro-loans?	\$244,892	\$383,536	
How much other money did our micro-loan program leverage?	\$935,836	\$1,590,989	
On average, how much financing from banks, community partners, and equity did every \$1 of MCCD microloan funds leverage?	\$3.82	\$4.15	
How many jobs will our micro-loan borrowers create or retain?	117	97.5	
What share of our micro-loans went to minority-owned businesses?	50%	68%	The largest share (39%) was to African American owned businesses followed by Latino owned businesses (19%).
Where are most of our micro-loan borrowers located?	75% were located in Minneapolis	58% were located in Minneapolis	In 2013, micro-loan borrowers were also located in Brooklyn Center, Brooklyn Park, Chaska, Egan Robbinsdale, St. Louis Park, and four other cities.
Direct Loans greater than \$25,000 (to second stage and growing businesses)			
How many second stage business loans did we make in the last two years?	12	16	
How much of our own funds did we lend out as second stage loans?	\$1,336,794	\$1,086,900	
How much other money did our second stage loan program leverage?	\$6,822,600	\$13,066,477	

	2012	2013	
On average, how much financing from banks, community partners, and equity did every \$1 of MCCD second stage loan funds leverage?	\$5.10	\$11.99	
How many jobs will our second stage borrowers create or retain?	131	163.5	
In how many cities were our second stage borrowers located?	9	10	Businesses were located in Minneapolis, Blaine, Bloomington, Burnsville, Hastings, Hopkins, Plymouth, Saint Paul, St. Louis Park, and Wayzata.
Credit Builder Loans			
How many credit builder loans did MCCD make in the last two years?	57	75	
How much did credit builder loan volume increase over the prior year?	111%	32%	
What share of our credit builder loans went to minorities?	88%	88%	The largest share (57%) was to African Americans followed by Latinos (27%).
Total Loan Volume (Direct Loans, Credit Builder Loans, and Administered Loans)			
In all, how many loans did we close in the last two years? (a)	118	145	This number also includes 23 Central Corridor Loans which we administered for the city of Minneapolis.
In all, how much money did we lend out?	\$2,108,558	\$2,007,745	This amount includes MCCD's own funds along with funds we administered on behalf of our community partners.

(a) Excludes 6 loans MCCD closed and/or serviced for Seward Redesign, Inc. and 4 loans assigned to MCCD from Sparc.

Growth in MCCD's Loan Portfolio			
	2012	2013	
At what rate did MCCD's Direct Loan Portfolio grow in the last two years?	41%	52%	Between 12/31/2011 and 12/31/2013, MCCD's outstanding direct loans more than doubled from \$1.47 million to \$3.15 million.
At what rate did loans serviced by MCCD grow in the last two years?	54%	44%	Between 12/31/2011 and 12/31/2013, the outstanding loans serviced by MCCD more than doubled from \$861,000 to over \$1.9 million.

City of Crystal
Taxable Market Value Trends
Final 2012 Values for Pay 2013 Taxes

Property Types		Run Date 12/4/2012	Run Date 12/3/2013	Percent Change	Value Change
A	Apartment	97,215,640	98,900,500	1.7%	1,684,860
B	Blind	1,199,380	874,010	-27.1%	-325,370
C	Commercial	119,045,000	118,721,000	-0.3%	-324,000
CR	Railroad	1,945,200	1,909,200	-1.9%	-36,000
D	Disabled	3,763,390	3,987,640	6.0%	224,250
DB	Double Bungalow	8,811,410	8,426,560	-4.4%	-384,850
HL	Housing low income >3 units	2,854,800	2,906,500	1.8%	51,700
I	Industrial	34,060,000	32,102,000	-5.7%	-1,958,000
LA	Vacant land - apartment	6,000	6,000	0.0%	0
LC	Vacant land - commercial	3,072,000	2,982,100	-2.9%	-89,900
LI	Vacant land - industrial	1,135,000	1,135,000	0.0%	0
LL	Vacant land - lake shore	119,000	106,000	-10.9%	-13,000
LR	Vacant land - residential	775,300	778,300	0.4%	3,000
ND	Non-profit community assoc. donation	726,000	726,000	0.0%	0
NP	Non-profit community associations	240,000	240,000	0.0%	0
R	Residential	810,034,957	812,293,357	0.3%	2,258,400
RL	Residential - lake shore	17,796,657	16,052,025	-9.8%	-1,744,632
RM	Residential - miscellaneous	165,000	165,000	0.0%	0
RZ	Residential - zero lot line	3,199,640	2,537,750	-20.7%	-661,890
TP	Triplex	283,880	257,800	-9.2%	-26,080
X	Condominium	5,180,685	4,434,925	-14.4%	-745,760
Y	Townhouse	12,546,195	13,408,485	6.9%	862,290
		<u>1,124,175,134</u>	<u>1,122,950,152</u>	<u>-0.1%</u>	<u>-1,224,982</u>
Residential Total		837,337,204	837,051,882	0.0%	-285,322
Apartment Total		100,076,440	101,813,000	1.7%	1,736,560
Condominiums		5,180,685	4,434,925	-14.4%	-745,760
Townhomes		12,546,195	13,408,485	6.9%	862,290
Double Bungalows		8,811,410	8,426,560	-4.4%	-384,850
Commercial Total		122,117,000	121,703,100	-0.3%	-413,900
Industrial Total		37,140,200	35,146,200	-5.4%	-1,994,000
Other Total		966,000	966,000	0.0%	0
		<u>1,124,175,134</u>	<u>1,122,950,152</u>	<u>-0.1%</u>	<u>-1,224,982</u>

Discussion of the Resources and Purposes of Various Funds

Governmental accounting is based on fund accounting. Each fund is a group of accounts which record the assets, liabilities, revenues and expenses related to specific activities or functions. This allows for analysis of an activity or function separate from unrelated activities or functions. It enables the city to demonstrate compliance with laws, regulations or contractual provisions.

The City of Crystal uses six different types of funds. There usually are more than one fund of each type.

General Fund – The General Fund accounts for the services that people most frequently associate with city government. Primary revenues are the property tax and intergovernmental revenue. Other revenues include licenses & permits, charges for services, fines & forfeits and investment earnings.

Special Revenue Funds – Special revenue funds account for revenues from specific sources and demonstrate legal compliance with regulations or contractual provisions specified by the revenue source.

Debt Service Funds – Debt service funds account for the principal & interest payments on the debt and revenue sources that were dedicated to the debt at the time bonds were sold.

Capital Improvement Funds – Capital funds account for improvement or construction projects. These projects may span multiple years, may be for large dollar amounts and the total amount of capital projects can fluctuate widely from one year to the next. These projects may be financed by property taxes, special assessments, grants, debt issuance or transfers from other funds.

Enterprise Funds – City utilities are enterprises which are accounted for in a manner similar to private business enterprises. The purpose of the utility is to provide a service rather than to produce a profit. The enterprise generally needs to show a profit in order to generate cash to pay for capital improvements. Revenues primarily come from customer charges.

Internal Service Funds – Internal service funds account for a service that is provided to other city funds and departments. Crystal's primary example is the Self Insurance Fund. This fund purchases insurance coverage from the League of Minnesota Cities Insurance Trust and pays for deductibles not covered by insurance. Revenues are investment earnings and charges to other funds and departments.

How funds may be used – The basic principal of valid public expenditures is that public money must be spent for a public purpose. Additional restrictions may come from state law, grant provisions, contract provisions or City Council policies.

City of Crystal
Combining Statement of 2014 Adopted Budgets

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>	<u>Utility Funds Operating</u>	<u>Utility Funds Capital</u>	<u>Internal Service Funds</u>	<u>TOTAL</u>
REVENUES									
Property Taxes	8,237,000	566,000	772,153		9,575,153				9,575,153
Delinquent Tax & Penalty	15,000				15,000				15,000
Special Assessments	125,000		1,857,257	499,736	2,481,993	60,000			2,541,993
Licenses & Permits	772,080				772,080				772,080
Intergovernmental	1,962,509	21,000		553,899	2,537,408				2,537,408
Charges for Services	647,730	44,860		135,000	827,590	6,269,002		173,512	7,270,104
Fines & Forfeits	326,500				326,500				326,500
Administrative Fines	40,000				40,000				40,000
Interest	60,000	49,200	33,510	213,929	356,639	67,800		11,249	435,688
Miscellaneous	96,664	35,800		352,886	485,350	113,000		30,000	628,350
Interfund Services	283,109				283,109				283,109
Sale of Property		1,317,000		35,000	1,352,000				1,352,000
Total Revenues	12,565,592	2,033,860	2,662,920	1,790,450	19,052,822	6,509,802		214,761	25,777,385
EXPENDITURES									
General Government	1,981,873	6,123		308,600	2,296,596			20,671	2,317,267
Public Safety	5,806,191	53,063		324,335	6,183,589			55,657	6,239,246
Public Works	2,201,350			10,586,856	12,788,206			115,103	12,903,309
Recreation	1,287,249	10,814		109,500	1,407,563			12,669	1,420,232
Community Development	686,329	683,559		19,000	1,388,888			12,501	1,401,389
Public Utilities						6,342,334	1,435,000		7,777,334
Debt Service		190,597	2,827,431		3,018,028				3,018,028
Total Expenditures	11,962,992	944,156	2,827,431	11,348,291	27,082,870	6,342,334	1,435,000	216,601	35,076,805
TRANSFERS									
In		8,000		1,315,800	1,323,800				1,323,800
Out	602,600	658,000			1,260,600	63,200			1,323,800
SURPLUS -DEFICIT	0	439,704	-164,511	-8,242,041	-7,966,848	104,268	-1,435,000	-1,840	-9,299,420
Dec 31, 2013 Fund Balance	7,703,113	5,661,948	5,440,680	26,902,230	45,707,971	25,770,648	0	1,178,060	72,656,679
Cash & Investments 12/31/2013	8,113,377	4,307,685	5,529,162	27,247,496	45,197,720	7,897,146	0	1,248,985	54,343,851

General Fund

The General Fund primarily consists of operating expenses. These usually don't fluctuate up or down a great deal from year to year, but instead increase gradually with inflation. An example of this is to say that if the city needed 30 police officers last year and this year, then it will probably need 30 police officers next year. They will just cost a little more due to inflation.

The portion of the General Fund budget that can be considered capital is the transfer to the city's capital funds. Capital outlays fluctuate much more than operations, but that fluctuation happens in the capital funds. The amounts transferred from the General Fund have been more constant, except for supplemental transfers approved during the year or at year end.

The largest revenues of the General Fund are the property tax and state aid. Property taxes are received in three payments in June, July and December. The largest part of state aid is known as Local Government Aid (LGA). LGA is received in two payments, one at the end of July and one at the end of December.

Since General Fund expenditures happen at a fairly constant rate throughout the year, but major revenues are received at the middle and end of the year, it is necessary for the General Fund to start the year with cash in the bank.

An Adequate General Fund Balance Formula was developed as a guide for how much cash should be in the bank at the start of the year. This formula calls for the fund balance to be at least 45% of the following year's budget plus the amount committed for compensated absences.

The General Fund's fund balance has generally been above the amount called for by the formula. In several recent years, the City Council has approved an additional transfer at year end in order to draw the fund balance down closer to the amount called for by the formula.

Supplemental year end transfers may result in the General Fund showing a deficit for the year. This is fairly easy to explain to the State Auditor and bond rating agencies since the goal is to approach, but remain above, the balance called for by the Adequate General Fund Balance Formula.

It would be an entirely different matter to have the originally adopted budget show a deficit for the General Fund. This would be viewed as being extremely negative and could result in an immediate down grade in the City's bond rating.

The main restriction on the use of money from the General Fund is that it be used for a public purpose. This gives the City Council substantial discretion in choosing projects and services to be supported by the General Fund.

CITY OF CRYSTAL
General Fund Budget Summary

	2012 Actual Amount	2013 Actual Amount	2013 Amended Budget	2014 Adopted Budget	Dollar Change 2014/2013	Percent Change 2014/2013
<u>REVENUES</u>						
Property Taxes	8,137,698	8,083,616	8,150,000	8,237,000	87,000	1.07%
Delinquent Tax & Penalty	147,083	128,076	10,000	15,000	5,000	50.00%
Special Assess.	279,813	232,076	187,200	125,000	-62,200	-33.23%
Licenses	129,698	123,708	117,380	127,180	9,800	8.35%
Permits	291,360	402,353	318,500	369,900	51,400	16.14%
Inspections	249,104	317,680	276,000	275,000	-1,000	-0.36%
Federal Intergovernmental	9,697	38,127	16,000	16,000	0	0.00%
State Intergovernmental	1,741,280	1,981,241	1,943,509	1,943,509	0	0.00%
County Intergovernmental	4,000	0	3,000	3,000	0	0.00%
Gen Govt Charges	109,455	128,925	138,810	149,575	10,765	7.76%
Recreation Charges	200,573	200,207	202,250	211,825	9,575	4.73%
Comm. Ctr. Charges	87,516	102,099	87,350	90,350	3,000	3.43%
Pool Charges	175,170	163,527	176,600	180,100	3,500	1.98%
Public Safety Charges	82,204	91,343	74,080	90,880	16,800	22.68%
Fines & Forfeits	275,111	341,898	297,000	326,500	29,500	9.93%
Administrative Fines	16,852	32,786	50,000	40,000	-10,000	-20.00%
Investment Income	77,371	12,683	60,000	60,000	0	0.00%
Miscellaneous	90,127	20,504	72,000	21,664	-50,336	-69.91%
Interfund Services	278,835	291,368	291,148	283,109	-8,039	-2.76%
TOTAL REVENUES	12,382,947	12,692,217	12,470,827	12,565,592	94,765	0.76%
<u>EXPENDITURES</u>						
Mayor & Council	131,255	133,228	133,263	113,771	-19,492	-14.63%
Administration	867,451	889,526	889,857	965,852	75,995	8.54%
Human Resources	75,922	85,572	85,620	52,239	-33,381	-38.99%
Assessing	202,410	211,965	214,639	220,554	5,915	2.76%
Legal	92,554	201,291	201,300	93,000	-108,300	-53.80%
Elections	43,217	1,087	5,039	63,200	58,161	1154.22%
Finance	443,633	448,471	457,176	473,257	16,081	3.52%
Police	4,399,763	4,456,154	4,459,035	4,631,523	172,488	3.87%
Fire	964,835	1,161,826	1,161,826	1,174,668	12,842	1.11%
Code Enforcement	198,212	204,172	208,452	211,279	2,827	1.36%
Building Inspection	244,714	253,202	253,254	239,864	-13,390	-5.29%
Housing Inspection	151,036	148,387	148,418	207,368	58,950	39.72%
Environmental Health	26,890	25,064	28,107	27,818	-289	-1.03%
Engineering	328,309	325,686	329,980	331,220	1,240	0.38%
Street Maintenance	754,417	825,973	826,033	836,487	10,454	1.27%
Park Maintenance	654,080	665,880	667,952	721,837	53,885	8.07%
Forestry	149,491	128,935	158,396	154,090	-4,306	-2.72%
City Buildings	166,872	149,526	173,004	157,716	-15,288	-8.84%
Recreation	602,702	633,904	643,657	673,966	30,309	4.71%
Community Center	346,319	362,824	362,864	367,089	4,225	1.16%
Waterslide / Pool	213,668	231,277	234,491	246,194	11,703	4.99%
Operating Transfers	1,442,700	842,620	842,620	602,600	-240,020	-28.48%
TOTAL EXPENDITURES	12,500,450	12,386,570	12,484,983	12,565,592	80,609	0.65%
DIFFERENCE	-117,503	305,647	-14,156	0		
Ending Fund Balance	7,397,466	7,703,113	7,383,310	7,703,113		
Cash & Investments	7,766,704	8,113,377				

Special Revenue Funds

Tax Increment Financing (TIF) Districts:

There are three TIF districts that are active. The Phase 2 Housing District has expired but is using its remaining assets to support the Home Improvement Rebate Program. Two other TIF districts have expired and been closed.

TIF districts support new commercial/industrial development in one of two ways. First is to provide a direct cash subsidy at the time of construction. Second is to enter into an agreement with the developer under which the developer pays for certain costs and is repaid by the TIF district over a period of years. This is known as a developer pay-as-you-go note. Payments on the note are made as tax increment revenues are available. There is no obligation to pay the developer anything more than the available tax increments and the note may not be fully repaid at the end of the agreed upon term of the note.

The Anthony Shopping Center and Lamp Lighter Districts are making payments on developer pay-as-you-go notes. The Lamp Lighter District will also begin to support the Home Improvement Rebate Program and the Cavanagh development.

The Suburban Motel District borrowed money from the Anthony Shopping Center and Lamp Lighter Districts to provide a direct cash subsidy to a developer at the time of construction. It should complete repaying these loans in 2016.

The Anthony Shopping Center and Lamp Lighter Districts have more resources than are needed to make the payments on their developer pay-as-you-go notes. TIF resources may only be spent on TIF eligible projects as defined by state law.

Economic Development Authority (EDA)

The EDA promotes single & multi-family residential developments and commercial/industrial redevelopment. Its principal revenues include a property tax levy, occasional federal or state grants, sale of land purchased in previous years and interest income.

The EDA's activities include purchase and clearing of blighted properties, resale of cleared property for new development, the home improvement incentive rebate program, and direct support to redevelopment projects. Transfers to other funds in 2014 include \$500,000 for the Public Works Facility and \$150,000 for streetscape improvements along Bass Lake Road.

EDA resources may be spent for public purposes and are primarily used to prevent blight or promote commercial or housing development.

City Initiatives Fund and Special Projects Fund

These funds account for small grants and donations that must be spent on specified projects.

City of Crystal
Special Revenue Funds
Combining Statement of 2014 Adopted Budgets

	TIF 2151 Anthony Shop Ctr	TIF 2153 Phase 2 Housing	TIF 2154 Suburban Motel	TIF 2155 Lamp Lighter	Economic Develop Authority	City Initiatives	Special Projects /Grants	TOTAL
REVENUES								
Property Taxes	110,000		104,000	144,000	208,000			566,000
Intergovernmental							21,000	21,000
Charges for Services					44,860			44,860
Interest	5,460	100	50	13,200	30,390			49,200
Miscellaneous				13,200	1,000	21,600		35,800
Sale of Property					1,296,000		21,000	1,317,000
Total Revenues	115,460	100	104,050	170,400	1,580,250	21,600	42,000	2,033,860
EXPENDITURES								
General Government						6,123		6,123
Public Safety						11,063	42,000	53,063
Recreation						10,814		10,814
Community Development	2,068	96,533	1,068	118,668	465,222			683,559
Debt Service	111,551		8,560	70,486				190,597
Total Expenditures	113,619	96,533	9,628	189,154	465,222	28,000	42,000	944,156
TRANSFERS								
In					8,000			8,000
Out	2,000	2,000	2,000	2,000	650,000			658,000
SURPLUS -DEFICIT	-159	-98,433	92,422	-20,754	473,028	-6,400	0	439,704
Dec 31, 2013 Fund Balance	300,222	140,546	-222,293	1,374,767	3,950,300	59,049	59,357	5,661,948
Cash & Investments 12/31/2013	193,609	180,284	1,354	1,256,487	2,562,251	61,661	52,039	4,307,685

Debt Service Funds

Crystal currently has eleven outstanding bond issues. Eight of them finance special assessments on properties in the street reconstruction phases. One is the 2005 bond used to finance reconstruction of the pool. Two bonds relate to financing the local share of the county highway 81 reconstruction. Property taxes are the revenue for the pool and county highway 81 bonds.

Most of the city's bonds were issued with 15 year terms. Exceptions are the 2009 special assessment bonds which have 20 year term and the county highway 81 bonds which combined have a 5 year term.

Taxes collected in 2014 for the County Highway 81 bonds are supposed to be the last year for that tax levy. For a while it looked like costs for highway construction would come in under budget. We haven't been able to get a current cost estimate for the second segment from the county, but it appears that the total project cost could end up over budget. It may be necessary to continue a smaller tax levy into 2015 and/or charge some project costs to the EDA.

All of the bonds with 15 or 20 year terms have a call feature which allows the city to call remaining bonds for early redemption in the tenth year or later. The 2004 special assessment bonds reach the call date in 2014 and the 2014 budget presumes that they will be called. There is enough cash in the debt service fund to exercise the call feature on August 1, 2014.

It is desirable to call bonds when possible since that avoids arbitrage payments to the IRS and reduces the city's total amount of outstanding debt. If the 2004 bonds are to be called, a decision will need to be made this spring in order to provide the needed lead time before the call date.

There always are special assessments receivable remaining to be collected when a special assessment bond matures or is called. These receivables and any remaining cash have been transferred to the Street Reconstruction Fund.

Revenues and assets of debt service funds are restricted to paying the principal and interest on the bonds until the last maturities of the bond issue have matured or been called for early redemption.

City of Crystal
Debt Service Funds
Combining Statement of 2014 Adopted Budgets

	2004A Improvmt Bonds Phase 6	2005A Improvmt Bonds Phase 7	2005B Pool Bonds	2006A Improvmt Bonds Phase 8	2008A Improvmt Bonds Phase 9	2009A Improvmt Bonds Phase 10	2010B Street Reconst Bonds	2011A Improvmt Bonds Phase 11	2012A Improvmt Bonds Phase 12	2013A Improvmt Bonds Phase 13	2013B Street Reconst Bonds	TOTAL
REVENUES												
Property Taxes			209,000				148,404				414,749	772,153
Special Assessments	88,128	93,477		159,804	184,611	312,421		232,525	375,991	410,300		1,857,257
Interest	360	4,991	1,872	6,370	6,106	10,126		2,647	1,038			33,510
Total Revenues	88,488	98,468	210,872	166,174	190,717	322,547	148,404	235,172	377,029	410,300	414,749	2,662,920
EXPENDITURES												
Contractual Services	4,500	900	500	1,200	1,100	4,500		1,400	1,520	1,250		16,870
Debt Service Principal	700,000	95,000	160,000	125,000	155,000	195,000	141,337	140,000	225,000		395,000	2,331,337
Debt Service Interest	27,410	26,900	47,200	38,716	57,923	94,866		34,278	48,194	84,237		459,724
Arbitrage Rebate Pymts	7,500					12,000						
Total Expenditures	739,410	122,800	207,700	164,916	214,023	306,366	141,337	175,678	274,714	85,487	395,000	2,827,431
SURPLUS -DEFICIT	-650,922	-24,332	3,172	1,258	-23,306	16,181	7,067	59,494	102,315	324,813	19,749	-164,511
Dec 31, 2013 Fund Balance	733,379	594,271	294,217	754,783	773,683	1,222,865	-8,677	455,509	505,580	115,070	0	5,440,680
Cash & Investments 12/31/2013	730,829	592,839	292,113	752,711	766,026	1,214,312	107,654	453,138	504,474	115,066	0	5,529,162

Capital Improvement Funds

Capital improvement funds account for the acquisition or construction of capital assets. Five year capital plans are attached for the following funds:

- Permanent Improvement Revolving Fund (PIR)
- Major Building Replacement Fund (MBRF)
- Police Equipment Revolving Fund (PERF)
- Street Maintenance Fund
- Street Reconstruction Fund

Fire Equipment Revolving Fund (FERF)

FERF was created using annual transfers from the General Fund and pays for Crystal's share of major apparatus for the West Metro Fire and Rescue District.

The FERF doesn't have a five year plan because it is expected that the next purchase of major apparatus will not occur until after the year 2020. No further transfers from the General Fund are planned until the need for the next purchase is better defined.

The main restriction on the use of money from the FERF is that it be used for a public purpose.

City of Crystal
Capital Improvement Funds
Combining Statement of 2014 Adopted Budgets

	Permanent Improvement <u>Revolving</u>	Major Building <u>Replacement</u>	Police Equipment <u>Revolving</u>	Fire Equipment <u>Revolving</u>	Street <u>Maintenance</u>	Street <u>Reconstruct</u>	<u>TOTAL</u>
REVENUES							
Special Assessments	124,800				30,364	344,572	499,736
Intergovernmental	203,764		30,135			320,000	553,899
Charges for Services			135,000				135,000
Interest	75,600	60,000	28,170	6,300	18,461	25,398	213,929
Miscellaneous	30,750					322,136	352,886
Sale of Property	20,000		15,000				35,000
Total Revenues	454,914	60,000	208,305	6,300	48,825	1,012,106	1,790,450
EXPENDITURES							
General Government	308,600						308,600
Public Safety			324,335				324,335
Public Works	652,500	8,000,000			1,130,044	804,312	10,586,856
Community Center & Pool	109,500						109,500
Community Development	19,000						19,000
Total Expenditures	1,089,600	8,000,000	324,335	0	1,130,044	804,312	11,348,291
TRANSFERS							
In	614,800	500,000	128,200		72,800		1,315,800
SURPLUS -DEFICIT							
	-19,886	-7,440,000	12,170	6,300	-1,008,419	207,794	-8,242,041
Dec 31, 2013 Fund Balance	8,713,979	10,286,268	3,151,150	634,970	1,854,710	2,261,153	26,902,230
Cash & Investments 12/31/2013	8,506,731	10,263,839	3,130,400	636,265	1,848,833	2,861,428	27,247,496

Fund: Permanent Improvement Revolving (PIR) Fund
Fund Number: 405

DESCRIPTION OF ACTIVITY

The Permanent Improvement Revolving Fund accounts for most capital expenditures of general benefit to the City. This includes most vehicle purchases, construction of park improvements, repairs to city buildings, and some street maintenance. The challenge for the PIR fund is that the backlog of projects exceeds available revenues.

Major sources of revenue for the PIR historically have been investment earnings and a transfer from the General Fund. Beginning in 2014, a portion of the Local Government Aid received from the State of Minnesota will be deposited in the PIR.

The main restriction on the use of money from the PIR Fund is that it be used for a public purpose. Other restrictions may be set in grant agreements.

Five Year Capital Improvement Plan

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Funding Sources					
Special assessments	124,800	128,000	114,000	22,000	20,000
Local Government Aid	188,764	190,652	192,558	194,484	196,429
Recycling Grant	15,000				
Interest Income	75,600	110,967	138,675	167,872	199,604
Cable Franchise Fee	30,750				
Sale of Property	20,000				
Storm Water Transfer	63,200	68,000	60,000		
General Fund Transfer	401,600	413,648	426,057	438,839	452,004
EDA Transfer	150,000				
Total Funding Sources	1,069,714	911,267	931,291	823,195	868,037
Capital Outlays					
Administration	308,600	172,000	133,000	72,000	84,000
City Buildings	39,000	247,000	307,000	265,000	24,000
Community Development	19,000	39,000	0	21,000	0
Engineering	5,000	5,000	0	0	1,700
Street Improvements	363,500	244,000	212,000	54,000	12,000
Streets	126,900	200,000	201,000	60,000	293,500
Parks	90,100	362,000	226,000	353,000	359,000
Forestry	28,000	33,000	33,000	33,000	30,000
Recreation	0	0	0	10,000	10,000
Swimming Pool	79,000	25,500	42,000	20,500	20,000
Community Center	30,500	105,500	29,500	15,000	31,500
Total Capital Outlays	1,089,600	1,433,000	1,183,500	903,500	865,700
Surplus/ -Deficit	-19,886	-521,733	-252,209	-80,305	2,337

Fund: Major Building Replacement Fund
Fund Number: 408

DESCRIPTION OF ACTIVITY

The Major Building Replacement Fund is accumulating a replacement reserve for the eventual building replacements and major remodeling of the City Hall/Police Station, Fire Stations 1 & 2, the Streets/Parks Garage, and the Community Center.

It was created on January 1, 2007 by a transfer of \$8,000,000 from the Permanent Improvement Revolving Fund. The only ongoing source of revenue is investment earnings, although surplus funds from other sources is sometimes transferred into the fund.

The Public Works Facility replacement project has been initiated and will probably use the entire balance in the fund over the 2014 to 2015 period. It is possible that an internal loan or additional revenue will be needed in 2015 to finish the Public Works Facility.

Discussions for rebuilding the balance have centered on continuing the tax levy that ends with taxes payable in 2014 for the county highway 81 bonds and redirecting it to the Major Building Replacement Fund.

The main restriction on the use of money from the MBRF is that it be used for a public purpose.

Five Year Capital Improvement Plan

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Funding Sources					
Property Tax Levy		563,153	563,153	563,153	563,153
Interest Income	60,000	28,090	-11,996	-1,216	15,399
Transfers from EDA Fund	500,000				
Utility Funds reimbursements		1,000,000			
Total Funding Sources	560,000	1,591,243	551,157	561,937	578,552
Capital Outlays					
Public Works Facility	8,000,000	5,000,000	0	0	0
Total Capital Outlays	8,000,000	5,000,000	0	0	0
Surplus/(Deficit)	-7,440,000	-3,408,757	551,157	561,937	578,552

Fund: Police Equipment Revolving Fund (PERF)
Fund Number: 235

DESCRIPTION OF ACTIVITY

Primary revenues have been a transfer from the General Fund, grants and investment income. PERF accounts for the purchase of police vehicles and other capital equipment. The increasing cost of equipment and technology are making it difficult for the existing revenue sources to keep up with the need.

The City of Crystal is a member of LOGIS. LOGIS will be purchasing a computer aided dispatch/records system. Crystal will be assessed \$135,000 for its share of the cost. This one-time expense will be offset by depositing \$135,000 collected from a developer for an issuer fee on bonded debt.

The main restriction on the use of money from the PERF is that it be used for a public purpose. Other restrictions may be set in grant agreements.

Five Year Capital Improvement Plan

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Funding Sources					
Fed. & State Grants	30,135	200	8,000	0	0
Issuer Fee on Cond. Debt	135,000	0	0	0	0
Interest Income	28,170	43,144	57,327	70,641	85,479
Sale of Property	15,000	15,000	15,000	15,000	15,000
General Fund Transfer	128,200	132,046	136,007	140,088	144,290
Total Funding Sources	336,505	190,390	216,335	225,729	244,769
Capital Outlays					
Marked Squad Cars	80,000	43,000	120,000	80,000	82,000
Unmarked Cars	27,000	65,000	25,000	39,000	68,000
Computer Aided Dispatch	135,000	0	0	0	0
Mobile Radios	10,000	15,000	20,000	20,000	0
Mobile Data Computers	12,000	12,000	18,000	18,000	18,000
Mobile Radars	0	8,600	10,400	0	8,600
In Squad Video	0	6,000	24,000	6,000	6,000
Defibrillator Units	0	8,000	8,000	8,000	0
Officer equipment	30,200	38,800	29,800	18,200	12,000
Auto theft prevention sys.	30,135	200	0	0	0
Evidence manager sys.	0	0	0	2,400	0
Total Capital Outlays	324,335	196,600	255,200	191,600	194,600
Surplus/ -Deficit	12,170	-6,210	-38,865	34,129	50,169

Fund: Street Maintenance Fund
Fund Number: 410

DESCRIPTION OF ACTIVITY

The Street Maintenance Fund accounts for the cost of seal coating streets that have been reconstructed under the Crystal Local Street Reconstruction program.

A commitment was made to the citizens at the start of the street reconstruction program that they wouldn't be assessed for maintenance of the streets while they were still paying the assessment for street reconstruction. Seal coat projects will be assessed to property owners if they take place after the reconstruction assessments have been paid.

Pavement mill & overlay projects are an essential part of a long term street maintenance program. Overlays will be assessed to the property owners (street reconstruction assessments will be paid off by then).

In addition to seal coat projects, this fund also accounts for intensified maintenance that is needed Phases 1, 2 and 3 because this pavement is deteriorating faster than expected. Costs will continue until the phases undergo mill and overlay. The streets will also need more frequent seal coating until they undergo the mill and overlay.

Five Year Capital Improvement Plan

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Funding Sources					
Special assessments	30,364	499,084	451,581	392,361	536,936
Interest Income	18,461	15,759	12,532	0	7,306
Other city reimbursement			41,553	103,432	
State Aid Streets					528,000
General Fund transfer	72,800	74,984	77,234	79,551	81,937
Total Funding Sources	121,625	589,827	582,900	575,344	1,154,179
Capital Outlays					
Street Phase 1-3 patching	50,000	12,000			
Phases 4 & 8 sealcoat	277,106				
Phases 5 & 9 sealcoat			250,990		
Phases 10 sealcoat				226,399	
Phase 1 mill & overlay	802,938				
Phase 2 mill & overlay		1,001,845			
Phase 3 mill & overlay			1,061,333		
Phase 4 mill & overlay					776,973
Total Capital Outlays	1,130,044	1,013,845	1,312,323	226,399	776,973
Surplus/ -Deficit	-1,008,419	-424,018	-729,423	348,945	377,206

Fund: Street Reconstruction Fund
Fund Number: 415

DESCRIPTION OF ACTIVITY

The Street Reconstruction Fund accounts for the cost of reconstructing streets in the Crystal Local Street Reconstruction program.

City streets were divided into sixteen phases for reconstruction. A phase is reconstructed in most years, with an occasional pause for planning. Phases 1 through 13 were reconstructed between 1994 and 2013.

Generally speaking, each phase has balanced budget. However, special assessments and state aid revenues often are not received until several years after the project is completed. This will cause the Street Reconstruction Fund to show deficits until after all phases are completed and the lagging revenues are collected.

Five Year Capital Improvement Plan

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Funding Sources					
Special assessments	344,572	1,207,190	1,678,730	1,898,359	623,818
State aid for streets	320,000	600,000	600,000	600,000	100,000
Interest Income	25,398	38,020	40,442	56,440	34,658
Other city reimbursement	322,136	0	183,254	0	340,110
Utility reimbursement	0	474,591	657,025	987,514	0
Sale of bonds	0	2,535,498	4,022,355	4,019,689	0
Total Funding Sources	1,012,106	4,855,299	7,181,806	7,562,002	1,098,586
Capital Outlays					
Admin & pavement study	16,900	1,950	2,000	19,050	2,100
Phase 13, Becker Park	566,077				
Phase 14, Lions Park	221,335	4,884,481	1,187,919		
Phase 15, Twin Oaks		227,168	5,497,878	1,478,894	
Phase 16, Skyway		25,000	230,370	6,790,096	2,051,762
Total Capital Outlays	804,312	5,138,599	6,918,167	8,288,040	2,053,862
Surplus/ -Deficit	207,794	-283,300	263,639	-726,038	-955,276

Enterprise Funds

The main restriction on the use of money from the utility funds is that it be used for a public purpose. However there is an expectation from customers that fees paid to each utility will be spent on providing the service of that utility.

Water Utility Fund

The main challenge facing the Water Fund is maintaining the positive cash flow needed to finance capital projects. These projects include a \$1,200,000 contribution for construction of emergency wells by the Joint Water Commission. There also are an increasing number of capital projects to maintain or replace Crystal's aging infrastructure.

Meeting this challenge will involve a combination of increases in the per unit water charge, a new fixed charge for the emergency wells and possibly loans from other city funds.

Sewer Utility Fund

The Sewer Fund also faces the challenge of financing capital projects, although not as severe a challenge as the Water Fund. The largest capital expenditures relate to relining old sewer mains and replacing vehicles & equipment. The Sewer Fund may be the source of some of the loan to the Water Fund.

Storm Drainage Fund

The Storm Drainage Fund faces the most severe financial challenge of all the utilities. The last three street reconstruction phases have little or no existing storm drainage infrastructure and so substantial capital expenditures are needed to create the infrastructure. The fund's cash balance could be negative at the end of 2015 and may not recover in the 5 year period of the current rate study.

Street Light Fund

The Street Light Fund is the only one of the utilities that shows increases in its cash during the 5 year period of the current rate study. However, the utility is making substantial expenditures for street lights along Highway 81 and these expenditures were not included in the rate study because accurate costs were not available from Hennepin County.

Recycling Fund

Crystal participates in the Hennepin Recycling Group (HRG). HRG is a joint powers agreement with 3 other cities to provide state-mandated recycling services. Crystal collects recycling fees from residents and pays them to HRG who hires a contractor to provide the service.

City of Crystal
Utility Funds
Combining Statement of 2014 Adopted Budgets

	Water Fund	Sewer Fund	Storm Drainage Fund	Street Light Fund	Recycling Fund	TOTAL
REVENUES						
Special Assessments	60,000					60,000
Charges for Services	2,982,000	1,997,300	770,900	180,050	338,752	6,269,002
Interest	23,300	38,000	100	5,800	600	67,800
Miscellaneous	107,000	6,000				113,000
Total Revenues	3,172,300	2,041,300	771,000	185,850	339,352	6,509,802
EXPENDITURES						
Wages & benefits	324,578	324,578	180,484			829,640
Professional & Contractual Serv	109,755	32,905	34,177		327,474	504,311
JWC & MCES	2,322,454	1,319,193				3,641,647
Utilities	4,140	21,200	6,400	132,000		163,740
Repair & Maintenance	37,800	20,900	3,000	6,000		67,700
Supplies	50,500	55,550	17,450	13,000		136,500
Communications	3,500	2,850	1,250			7,600
Dues, Insurance & Training	12,703	23,086	61,414	10,920	394	108,517
Depreciation	183,470	108,691	276,539	30,870		599,570
Administrative Services Charge	118,451	118,451	31,874	9,005	5,328	283,109
Total Operating Expenditures	3,167,351	2,027,404	612,588	201,795	333,196	6,342,334
TRANSFERS						
Out			63,200			63,200
SURPLUS -DEFICIT						
	4,949	13,896	95,212	-15,945	6,156	104,268
Dec 31, 2013 Fund Balance						
	7,421,651	7,487,049	9,555,852	1,152,693	153,403	25,770,648
CAPITAL IMPROVEMENT PLAN						
	145,000	1,128,000	150,000	12,000	0	1,435,000
Cash & Investments 12/31/2013						
	2,150,437	4,611,170	392,861	651,745	90,933	7,897,146

Internal Service Funds

Self Insurance Fund

Self insurance is a slightly misleading name since the city does buy insurance from the League of Minnesota Cities Insurance Trust. The self insurance fund pays the insurance premiums and deductibles that aren't covered by insurance. It has a balance that serves as reserve for any major loss that would not be covered by insurance. Revenues include interest on the invested cash and charges to each city fund and department based upon their risks and coverage requirements.

The main restriction on the use of money from the Self Insurance Fund is that it be used for a public purpose. However, as a matter of practice, they have only been spent on insurance premiums, insurance deductibles and claims.

Post Employment Health Benefits Fund

This fund accounts for post employment health insurance costs of certain retired employees. The benefit consists of payment by the city of the single person health insurance premium of retired employees until the retiree is eligible for Medicare.

This benefit is no longer available to current active employees. The last employee receiving benefits will be eligible for Medicare in May 2014. There was a fund balance of \$173,691 on December 31, 2013. Only a few thousand dollars will be spent on insurance benefits in 2014.

Once the last employee loses eligibility, the fund should be closed since it will no longer have a purpose. The City Council will need to decide to transfer the remaining assets to another fund.

City of Crystal
Internal Service Funds
Combining Statement of 2014 Adopted Budgets

	Self Insurance <u>Fund</u>	Post Employment <u>Fund</u>	<u>TOTAL</u>
REVENUES			
Charges for Services	173,512		173,512
Interest	9,481	1,768	11,249
Miscellaneous	30,000		30,000
Total Revenues	212,993	1,768	214,761
 EXPENDITURES			
Wages & benefits		3,608	3,608
Insurance & Miscellaneous	212,993		212,993
Total Expenditures	212,993	3,608	216,601
 SURPLUS -DEFICIT			
	0	-1,840	-1,840
Dec 31, 2013 Fund Balance	1,004,369	173,691	1,178,060
Cash & Investments 12/31/2013	1,072,176	176,809	1,248,985



Memorandum

DATE: April 3, 2014

TO: Mayor and City Council
Anne Norris, City Manager

FROM: Charles Hansen, Finance Director

SUBJECT: Discuss Financing Options for JWC Emergency Water Supply

Background:

The City Council discussed financing options for Crystal's share of the Joint Water Commission (JWC) emergency water supply backup project at the February 18, 2014 work session.

A majority of the Council preferred a financing option labeled Attachment F. This was a combination of Water Fund cash on hand and an internal loan of \$600,000 from one or more other city funds to pay the JWC for Crystal's share of the wells. Attachment F relied on a combination of a \$1.00 per month fixed fee added to all customer bills and more rapid increases in the water per unit charge to repay the loan.

Despite the increased revenues, the Water Fund's cash on hand declines over the next 10 years because of other capital projects needed to maintain or replace the water utility's aging infrastructure.

Internal Loan

The main question at the end of the February 18, 2014 work session which other funds would supply the internal loan and what the terms of the loan would be. The Permanent Improvement Revolving (PIR) Fund and Street Light Fund both have adequate cash balances throughout the ten year study period to supply the cash for the loan. I recommend that each of them supply \$300,000 for the loan.

The PIR Fund projects annual deficits during several of the coming years. However, an internal loan would not negatively affect the deficit (it might positively affect the deficit) if the Water Fund pays interest on the loan.

Attachment 1 shows the structure of a \$600,000 loan with payments from 2015 through 2023 and an interest rate of 2%. If the loan was made interest free, it would only save about \$61,600 over the ten years.

Attachment F

In addition to the fixed fee, all years after 2015 have a rate increase of 15 cents per unit. This slows the decline in cash and investments, but a cash deficit is projected in the tenth year. A deficit that far in the future isn't a great concern because actual results will differ from the assumptions made in Attachment F.

Conclusion:

I recommend that the PIR Fund and the Street Light Fund each provide \$300,000 as a loan to the Water Fund with a 10 year repayment schedule at an interest rate of 2%.

Repaying the internal loan and funding other capital projects will require adding an emergency well fixed charge of \$1.00 per month, per customer to the utility bill. In addition, per unit water rates are projected to increase 20 cents per unit in 2015 and 15 cents per unit each year after 2015.

Emergency Wells Debt Structure
\$600,000 Internal Loan

Term: 10 years
 2% interest rate

			Total Debt	
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Service</u>	<u>Balance</u>
2014	0	0	0	600,000
2015	62,000	12,000	74,000	538,000
2016	63,000	10,760	73,760	475,000
2017	64,000	9,500	73,500	411,000
2018	65,000	8,220	73,220	346,000
2019	66,000	6,920	72,920	280,000
2020	67,000	5,600	72,600	213,000
2021	68,000	4,260	72,260	145,000
2022	70,000	2,900	72,900	75,000
2023	75,000	1,500	76,500	0
Total	600,000	61,660	661,660	

