



4141 Douglas Drive North • Crystal, Minnesota 55422-1696

Tel: (763) 531-1000 • Fax: (763) 531-1188 • www.crystalmn.gov

Posted: May 2, 2014

CRYSTAL CITY COUNCIL WORK SESSION AGENDA

Thursday, May 8, 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, May 8, 2014 in Conference Room A located at 4141 Douglas Drive, Crystal, Minnesota.

I. Attendance

Council members

____ Libby

____ Peak

____ Selton

____ Adams

____ Budziszewski

____ Deshler

____ Hoffmann

Staff

____ Norris

____ Therres

____ Revering

____ Larson

____ Hansen

____ Mathisen

____ Norton

____ Serres

II. Agenda

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

- West Metro Fire-Rescue District fund balance policy
- Review financing plan for Crystal's share of emergency water supply
- Discuss refinancing options for Major Building Replacement Fund

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 28, 2014
TO: Mayor and City Council
FROM: Anne Norris, City Manager *alw*
SUBJECT: Discuss WMFD Fund Balance Policy

The West Metro Fire-Rescue District (District) has separate funds for general operations, pension, capital equipment, and major apparatus. The general operations fund is the District's annual operations budget. The Capital Equipment fund was established to fund equipment and 10 staff vehicles purchases. The Major Apparatus fund was established to fund the purchase/replacement of 4 engines, 1 aerial truck and 4 rescue vehicles.

The District has a fund balance policy (attached) which has been revised over the years. The current fund balance policy provides that the District will strive to maintain a general fund balance equal to 10% of the annual general fund budget. The calculation of reserve is defined:

1. The general fund balance is calculated based on the most recent audited fund balance of the general fund.
2. The goals for the general fund reserve shall be calculated as 10% of the subsequent general fund budget.
3. Annually the District Board will review the general fund balance reserve. Any amount by which the calculation in paragraph 1 (above) exceeds the calculation in paragraph 2 (above) will be distributed as follows: 70% to major fire apparatus and 30% to capital equipment. These amounts will be considered a committed portion of the Capital Fund balance under the provisions of GASB 54.
4. If the fund balance calculated in paragraph 1 (above) falls below the threshold established in paragraph 2 (above), the Board will determine the appropriate action to replenish the fund at the next board meeting or specifically called meeting.

The fund balance policy has been revised to reduce the amount needed for the general fund balance as both cities are invoiced and pay their contributions on a monthly basis, so there is sufficient cash flow for most District expenses.

The Major Apparatus fund was established to fund future replacement of major vehicles (engines, aerial and rescues). However, during a work session of the District Board and both city councils some years ago, it was agreed both cities would fund their respective portions of the costs of replacement of major equipment rather than having the District save for these purchases.

Over the last 18 months, Chief Larson has worked on a stable capital equipment plan over the next 11 years so that the cities' contributions are predictable with modest, planned increases and equipment is replaced or purchased on a scheduled basis.

In the last 12 months, 1 of the 4 rescue vehicles has been replaced with a smaller, less expensive vehicle, utilizing funds in the Major Apparatus Fund. The cost of this vehicle was approximately \$90,000. An additional 2 rescues will be purchased late in 2014 at an estimated cost of \$190,000. After these purchases, there will be a balance of approximately \$100,000 in the District's major apparatus fund and no funding plan. No major apparatus/equipment replacement is anticipated in the next 8-10 years.

With no immediate use of the Major Apparatus Fund, the Board discussed whether to continue the use of the Major Apparatus Fund or to close that fund. If the fund were closed, the fund balance would be contributed to the Capital Equipment Fund to offset the annual increases to the cities to fully fund the Capital Equipment Fund. The District's auditor suggests the current restriction on the Major Apparatus fund is too restrictive and the funds would be better used in the general Capital Equipment Fund.

The Board requested both city councils review this proposed change in District policy and also to discuss how the cities will fund future replacement purchases of District major equipment (whether each city will continue to plan for its share of the costs or whether the District should be saving for long-term major apparatus purchases.) Both city councils will be discussing this in May-June and then together with the District Board at the August work session/joint meeting.

Attach: Current WMFD Fund Balance Policy
 Memo from Matt Mayer with Proposed Policy Revisions
 WMFD Capital Plan 2014-2025

**WEST METRO FIRE-RESCUE DISTRICT
GENERAL FUND
FUND BALANCE POLICY**

Purpose

The District shall maintain a general fund balance in order to bridge any cash flow needs and to meet obligations for unanticipated expenses such as insurance deductibles, uninsured losses, unexpected increases in supply/utility costs and other budget variables. The general fund budget provides for payroll and benefits for full and part-time employees, supplies, and adequate maintenance of buildings and equipment.

Policy

The District will strive to maintain a general fund balance equal to 10% of the annual general fund budget of the subsequent year.

Calculation of Reserve

1. The general fund balance is calculated based on the most recent audited fund balance of the general fund.
2. The goal for the general fund reserve shall be calculated as 10% of the subsequent general fund budget.
3. Annually the District Board will review the general fund balance reserve. Any amount by which the calculation in paragraph 1 exceeds the calculation in paragraph 2 will be distributed as follows: 70% to major fire apparatus and 30% to capital equipment. These amounts will be considered a committed portion of the Capital Fund balance under the provisions of GASB 54.
4. If the fund balance calculated in paragraph 1 falls below the threshold established in paragraph 2, the board will determine the appropriate action to replenish the fund at the next board meeting or specially called meeting.

Provisions of GASB 54

GASB 54 provides for classification of Fund Balance in the following categories:

Nonspendable - This category includes the following:

Amounts that are not expected to be converted to cash, such as prepaid items or inventory,

Restricted – This category includes amounts that have an externally imposed constraint for a specific purpose, by external parties or legislation

Constraints are legally enforceable

Examples include unspent grant proceeds and donor restricted contributions

Committed – This category includes amounts that have a self-imposed constraint for a specific Purpose

Commitments require a Board resolution to make the constraint and a Board resolution to change or remove the constraint

Fund balance commitment resolutions must be adopted before the end of the year, but the exact amounts can be determined after year-end

Assigned – This category also includes amounts that have a self-imposed constraint for a specific purpose

The constraint demonstrates the Board's intent

The Board authorizes the Chief to assign fund balance that reflects the Board's intended use of those funds

Remaining positive amounts in governmental funds other than the general fund are considered Assigned

Unassigned – This category includes amounts that are available for any purpose

Unassigned fund balance is reported only in the general fund and in other funds with negative fund balances

Order of Spending

When a fund has both restricted and unrestricted fund balance, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

When a fund has any combination of committed, assigned, and unassigned fund balance, it is the District's policy to use committed resources first, then assigned, and then unassigned resources as they are needed.

Approved by the Board of Directors November 2, 2000

Modified by the Board of Directors December 15, 2004 (reserve balance adjusted from 25% to 17% of annual budget)

Modified by the Board of Directors June 8, 2005 (reserve balance adjusted from 17% to 14% of annual budget)

Modified by the Board of Directors November 14, 2006 (distribution of excess to vehicle and capital funds)

Modified by the Board of Directors November 9, 2011 (GASB 54 terminology/clarification of use of excess)

Modified by the Board of Directors April 11, 2012 (reserve balance adjusted from 14% to 10% with distribution 70% to major fire apparatus and 30% to capital equipment. These amounts will be considered a committed portion of the Capital Fund balance under the provisions of GASB 54)

To: West Metro Administration

From: Matt Mayer, KDV

Re: Capital Fund Balance Policy

Current policy provides for the following components of Capital fund balance at the end of each fiscal year:

- Committed for Major Apparatus – Amount represents 70% of general fund excess fund balance transfers. This balance is to be utilized only to offset the City's costs of periodic major apparatus purchases.
- Committed for Capital Equipment – Amount represents 30% of general fund excess fund balance transfers. This balance is to be utilized for all other capital needs of the District.
- Committed for Carryovers – Amount represents board-approved carryovers of unspent capital fund budget authorizations, including Turn Out Gear and SCBA roll-forwards.
- Assigned Fund Balance (Uncommitted) – Amount represents the residual fund balance which has accrued over the years from unspent or underspent budget authorizations.

Two Issues to Consider

1. As the District looks ahead to its capital needs over the course of the next 10 to 15 years, it may find the Committed for Major Apparatus set aside too restrictive. Currently the next opportunity to utilize this balance (which will have grown to nearly \$240,000 by the end of 2012) is 2015 with the planned purchase of rescue vehicles. I understand that an alternative to this purchase may be in the works; if so, the next scheduled major apparatus purchase is in 2025.

Without a re-definition of "major apparatus" or a revision to the fund balance policy, there is the potential that the District will be locking up nearly a quarter of a million dollars in available resources for more than a decade.

2. The member cities have demonstrated a desire that their combined general and capital annual contribution to the District is smoothed or level on a year-to-year basis. Because of the nature of capital needs, this can sometimes be a challenge. Allowing a portion of fund balance to be available as a way to smooth these annual contributions would be a valuable tool for administration to help in achieving the member cities' objectives.

Recommendations

1. Revisit the 70% major apparatus allocation with the Board. If the board agrees that current major apparatus needs have made this set-aside too restrictive, an alternative would be that both this 70% and the current 30% set-aside be pooled into a "Committed for Future Capital" account that could be used at the board's discretion for any specific future capital needs of the District.

WEST METRO FIRE-RESCUE DISTRICT
GENERAL FUND
FUND BALANCE POLICY

Purpose

The District shall maintain a general fund balance in order to bridge any cash flow needs and to meet obligations for unanticipated expenses such as insurance deductibles, uninsured losses, unexpected increases in supply/utility costs and other budget variables. The general fund budget provides for payroll and benefits for full and part-time employees, supplies, and adequate maintenance of buildings and equipment.

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Memorandum

DATE: May 1, 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 and again at the April 10, 2014 work session.

A majority of the Council preferred a financing option combining 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. This 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. However the City Council wanted the increased the water per unit charge to show as a separate Emergency Well Surcharge line on the utility bill.

It also needs to be understood that the emergency wells are not the only new capital cost facing the Water Fund. In the 2013 budget, capital outlays for Water Fund totaled \$705,475 for the five year period of 2013 - 2017. Crystal's share of the JWC capital outlays totaled \$1,368,900 for the five year period of 2013 – 2017.

In the 2014 budget, capital outlays for Water Fund totaled \$2,332,057 for the five year period of 2014 – 2018. The JWC capital improvement plan was updated in December 2013. In this updated plan, Crystal's share of the JWC capital outlays totaled \$1,667,185 for the five year period of 2014 – 2018. This is in addition to Crystal's estimated \$1,215,000 share of the emergency wells.

Comparing the estimate of Crystal's own five year capital outlays and its share of JWC's five year capital outlays in the 2013 budget to our current estimates shows an increase of \$1,924,867 plus \$1,215,000 for the emergency wells. Our estimate of total capital outlays for the five year period has increased by \$3,139,867 in the last budget cycle. Plans must be adjusted to finance this entire amount, not just the emergency wells. The change in Crystal's five year capital outlays is shown on Attachment B.

Financing Plan

Rate Increases. The City Council requested two additional charges on the utility bill, each identified as an Emergency Well Surcharges. The first is to be a \$3.00 per quarter, per customer fixed fee. The second is to be a per unit charge (amount to be determined) that will be shown on the bill separate from the regular per unit charge.

Based on staff's understanding of the utility billing software, I told you that the software couldn't do this. Since the last meeting, I found out that New Hope asked LOGIS to do this and the LOGIS staff worked out a way to manipulate the billing software so it works.

Attachment A shows the revised Rate Study. It includes an emergency well fixed charge, an emergency well unit charge and faster increases in the regular unit charges than was shown in the Water Rate Study in the 2014 Adopted Budget.

The emergency well fixed surcharge is \$3.00 per customer, per quarter. The emergency well unit surcharge in Attachment A is \$0.07 per unit. Together these surcharges raise \$1,288,200 over ten years. This is enough to replenish the \$615,000 drawn from Water Fund cash on hand, repay the \$600,000 internal loan, and pay \$61,600 of interest on the internal loan.

Increases in the regular per unit water charge are \$0.20 in 2015 and \$0.15 per year after that. These are higher than the unit charge increases shown in the 2014 Adopted Budget.

Internal Loan

The Sewer 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.

Attachment C 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.

Utility Bills

Two commercial utility bills are attached. Commercial bills have more lines of charges on them than do residential bills. We are limited to one bill format for all bills. Two additional lines for emergency well surcharges appear to just barely fit on the first bill for Holiday. The second bill for Twin City Vacuum has extra lines related to adjustment to their bill. Two additional lines on this bill would may cause the Total Amount Due line to print over the A 10% penalty line, making hard to read. Or it may cause the bill to print on a second page. A second page would result in additional printing charges. We have never had this on a bill before, so we don't know how the printer would handle it.

Conclusion:

The measures described above appear to finance the emergency wells and other capital outlays for the next ten years. Projections ten years into the future are not reliable and adjustments to the plan will be needed as time passes.

Water Fund Five Year Capital Improvement Plan

2013 Adopted Budget

| BU | Project Description | 2013 | 2014 | 2015 | 2016 | 2017 |
|------|---|---------|---------|---------|---------|------------------|
| 6234 | Water mains in street reconstruction projects | 36,328 | | 35,590 | 49,079 | 73,478 |
| 6200 | Crystal reservoir perimeter fence | 17,000 | | | | |
| 6232 | Utility building - replace furnace unit | 2,000 | | | | |
| 6228 | Utility building - roof replacement | | 36,000 | | | |
| 6235 | Gate valve replacement | | 75,000 | 75,000 | | 75,000 |
| 6237 | Replace #434 - 1996 air compressor | | | | 13,000 | |
| 6236 | Replace #436 - 1996 portable streamer | | | | 8,000 | |
| 6215 | Replace #447 - 2002 tandem dump truck | | | | 210,000 | |
| | Water Total | 55,328 | 111,000 | 110,590 | 280,079 | 148,478 |
| | Joint Water Commission Total | 229,500 | 309,150 | 432,000 | 205,200 | 193,050 |
| | | | | | | <u>Total</u> |
| | | | | | | 705,475 |
| | | | | | | <u>1,368,900</u> |
| | | | | | | <u>2,074,375</u> |

2014 Adopted Budget

| BU | Project Description | 2014 | 2015 | 2016 | 2017 | 2018 |
|------|---|-----------|---------|---------|---------|------------------|
| 6207 | Replace Sensus meter servers | 70,000 | | | | |
| 6231 | New public works facility - water 40% share | | 400,000 | | | |
| 6230 | Water Main replacement/relining | | | | 600,000 | 600,000 |
| 6234 | Water mains in street reconstruction projects | | 38,000 | 49,079 | 73,478 | |
| 6235 | Gate valve replacement | | 75,000 | | 75,000 | |
| 6236 | Replace #436 - 1996 portable streamer | | | 8,500 | | |
| 6215 | Replace #447 - 2002 tandem dump truck | | | 210,000 | | |
| 6227 | Replace #427 - 2004 Chevy 3/4 ton truck | | | | | 40,000 |
| 6237 | Replace #434 - 1996 air compressor | | | | | 18,000 |
| | Water Total | 145,000 | 513,000 | 267,579 | 748,478 | 658,000 |
| | Joint Water Commission Total, amended Jan 14 | 358,225 | 364,500 | 725,760 | 90,450 | 128,250 |
| | Emergency Wells | 1,215,000 | | | | |
| | | | | | | <u>Total</u> |
| | | | | | | 2,332,057 |
| | | | | | | <u>1,667,185</u> |
| | | | | | | <u>1,215,000</u> |
| | | | | | | <u>5,214,242</u> |

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 | |



4141 DOUGLAS DRIVE
CRYSTAL, MN 55422-1696

| ACCOUNT NUMBER | CUSTOMER NUMBER | PAY ON OR BEFORE |
|----------------|-----------------|------------------|
| 0011913803 | 00046532 | 04/21/2014 |

AMOUNT DUE **\$7,115.87**



001191380300046532000711587

Please Return This Portion With Your Payment

ADDRESSEE:

ADDRESS SERVICE REQUESTED

HOLIDAY
4567 AMERICAN BLVD W
BLOOMINGTON MN 55437-1123

REMIT AND MAKE CHECKS PAYABLE TO:

CITY OF CRYSTAL
ATTN: UTILITY BILLING
4141 DOUGLAS DRIVE NORTH
CRYSTAL, MN 55422-1696



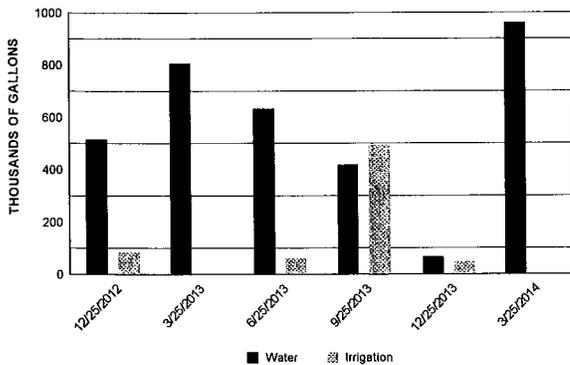
SERVICE ADDRESS: 5410 LAKELAND AVE N

| Account Number | Customer Number | Billing Period | Total Due | Due Date |
|----------------|-----------------|--------------------------|------------|------------|
| 0011913803 | 00046532 | 12/25/2013 to 03/25/2014 | \$7,115.87 | 04/21/2014 |

SERVICE ADDRESS: 5410 LAKELAND AVE N

| Meter # | Read Date | Prev. Read | Pres. Read | Usage |
|--------------------------|------------|------------|------------|-------|
| 63855943 | 03/25/2014 | 134408 | 755327 | 621 |
| 63855970 | 03/25/2014 | 1256344 | 1310893 | 55 |
| 67283949 | 01/23/2014 | 6989000 | 7274000 | 285 |
| 63523269 | 03/25/2014 | 2434181 | 2434181 | 0 |
| Total Water Consumption: | | | | 961 |

Water Use History



Message Center

*If you pay your utility bill electronically through your bank, please use both your customer and account numbers on your payments.

*An automatic payment plan is available, providing for payment of your utility bill directly from your bank account on the due date of the bill. Authorization forms are available on the city web site and at City Hall.

*Crystal offers a discounted sewer rate for seniors age 65 and over. To apply, bring a valid ID to City Hall showing your date of birth & complete a form.

Account Summary

| | |
|---|-----------------|
| BILLING | 974.24 |
| PAYMENT - THANK YOU | 974.24CR |
| BALANCE FORWARD: | 0.00 |
| STATE TESTING FEE | 1.59 |
| WATER CONSUMPTION - TIER 1 235 units x 4.30 | 1,010.50 |
| WATER CONSUMPTION - TIER 2 180 units x 4.70 | 846.00 |
| WATER CONSUMPTION - TIER 3 546 units x 5.10 | 2,784.60 |
| WATER SERVICE CHARGE | 37.88 |
| IRRIGATION - SERVICE CHARGE | 4.75 |
| SEWER 961 units x 2.15 | 2,066.15 |
| STORM DRAINAGE - COM | 301.86 |
| STREET LIGHTS | 4.65 |
| HENN CO STADIUM TAX | 1.17 |
| SALES TAX | 54.65 |
| TRANSIT AREA IMP TAX | 2.01 |
| SALES TAX | 0.06 |
| TOTAL CURRENT CHARGES: | 7,115.87 |
| TOTAL AMOUNT DUE: | 7,115.87 |

A 10% penalty will be applied if payment is not received by the due date on the bill.

The City of Crystal bills quarterly.

Moving?? Please call in advance for a final reading.

When you pay by check the City will present your check for payment electronically. Your original check will be destroyed and you will not receive your cancelled check back.



4141 DOUGLAS DRIVE
CRYSTAL, MN 55422-1696

| ACCOUNT NUMBER | CUSTOMER NUMBER | PAY ON OR BEFORE |
|----------------|-----------------|------------------|
| 0012100202 | 00047266 | 04/20/2014 |

AMOUNT DUE **\$749.82**



001210020200047266000074982

Please Return This Portion With Your Payment

ADDRESSEE:

ADDRESS SERVICE REQUESTED

**TWIN CITY VACUUM
5415 WEST BROADWAY
CRYSTAL MN 55428-3505**

REMIT AND MAKE CHECKS PAYABLE TO:

**CITY OF CRYSTAL
ATTN: UTILITY BILLING
4141 DOUGLAS DRIVE NORTH
CRYSTAL, MN 55422-1696**



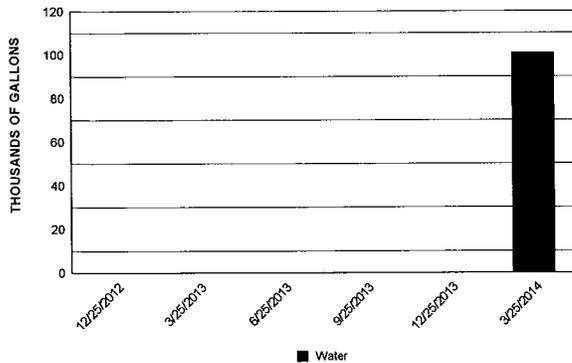
SERVICE ADDRESS: 5415 WEST BROADWAY

| Account Number | Customer Number | Billing Period | Total Due | Due Date |
|----------------|-----------------|--------------------------|-----------|------------|
| 0012100202 | 00047266 | 12/25/2013 to 03/25/2014 | \$749.82 | 04/20/2014 |

SERVICE ADDRESS: 5415 WEST BROADWAY

| Current Water Use (Thousands of Gallons) | | | | |
|---|------------|------------|------------|-------|
| Meter # | Read Date | Prev. Read | Pres. Read | Usage |
| 65835246 | 03/25/2014 | 125936 | 226736 | 101 |
| Total Water Consumption: | | | | 101 |

Water Use History



Message Center

Account Summary

| | |
|--|----------------|
| ADJUSTMENT - HENN CO STADIUM TAX | 0.73CR |
| ADJUSTMENT - SALES TAX WATER | 33.26CR |
| ADJUSTMENT - TRANSIT TAX | 1.21CR |
| BILL CANCELLATION | 812.64CR |
| BILLING | 1,432.67 |
| ADJUSTMENT - SEWER | 168.55CR |
| ADJUSTMENT - WATER | 479.10CR |
| BALANCE FORWARD: | 62.82CR |
| STATE TESTING FEE | 1.59 |
| WATER CONSUMPTION - TIER 1 30 units x 4.30 | 129.00 |
| WATER CONSUMPTION - TIER 2 30 units x 4.70 | 141.00 |
| WATER CONSUMPTION - TIER 3 41 units x 5.10 | 209.10 |
| WATER SERVICE CHARGE | 4.75 |
| SEWER 101 units x 2.15 | 217.15 |
| STORM DRAINAGE - COM | 70.20 |
| STREET LIGHTS | 4.65 |
| HENN CO STADIUM TAX | 0.73 |
| SALES TAX | 33.26 |
| TRANSIT AREA IMP TAX | 1.21 |
| TOTAL CURRENT CHARGES: | 812.64 |
| TOTAL AMOUNT DUE: | 749.82 |

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Memorandum

DATE: May 1, 2014

TO: Mayor and City Council
Anne Norris, City Manager

FROM: Charles Hansen

SUBJECT: Replenishing the Major Building Replacement Fund

Public Works Facility

The Public Works Facility (PWF) is currently estimated to cost about \$3,000,000 for land acquisition and \$10,000,000 for construction. The Major Building Replacement Fund (MBRF) had \$10,300,000 as of December 31, 2013 that will be entirely used up for the PWF. In addition, approximately \$1,000,000 will be contributed by the utility funds and \$500,000 by the EDA.

This leaves a funding gap of approximately \$1,200,000. This gap may be filled by either finding \$1,200,000 that can be transferred to the MBRF from other city funds or by continuing for another two years (2015 & 2016) the tax levy that has been paying for the County Highway 81 bonds.

Replenishing the Major Building Replacement Fund

There are no easy sources of revenue. Most money coming from outside the city is Local Government Aid that the State grudgingly sends us and a few Federal grants that are committed to specific purposes.

All other possible revenue sources involve collecting taxes or fees from homes and businesses located within Crystal's borders. The city has little or no authority to collect revenue from anyone outside of the city.

Any decision to replenish the MBRF is going to be difficult. The only ways to come up with the money are to make a major service reduction to free up existing revenue for the MBRF or to create new revenue from continuing the \$563,153 County Highway 81 tax levy or a new fee such as a franchise fee. Any new or continued tax or fee will be unpopular.

Other Future Building Projects

A project to replace or expand & remodel the Police Station is the next significant project that has been identified. The timing, scope and cost of this project are yet to be determined.

Continuing the \$563,153 annual property tax levy beyond 2016 and depositing the revenue in the MBRF would start to rebuild the fund. There would probably be only one to three million dollars in it at the time the Police Station construction would commence. This wouldn't pay for the Police Station construction but would allow the City to avoid bonding for the entire cost.

Conclusion

Replenishing the Major Building Replacement Fund is a worthy goal. Having cash on hand to pay for at least part of future construction projects will make those projects easier.

The City Council will need to decide if it is willing to commit to replenishing the Major Building Replacement Fund and how it is willing to fund such a decision.

Major Building Replacement Fund (Fund 408)
Multi-Year Capital Improvement Plan
2014 Adopted Budget

| | Actual <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2017</u> |
|--|-----------------------|-------------|-------------|-------------|-------------|-------------|
| Capital Outlays | | | | | | |
| Public Works Facility - Design | 43,864 | | | | | |
| Public Works Facility - Land | | 3,000,000 | | | | |
| Public Works Facility - Construction | | 5,000,000 | 5,000,000 | | | |
| Total Capital Outlay | 43,864 | 8,000,000 | 5,000,000 | 0 | 0 | 0 |
| Funding Sources | | | | | | |
| Property Tax Levy | | | 563,153 | 563,153 | 563,153 | 563,153 |
| Interest Income | 21,169 | 60,000 | 28,463 | -11,242 | -255 | 16,581 |
| Operating Transfer from Econ. Dev. Auth. | | 500,000 | | | | |
| Reimbursement from Utility Funds | | | 1,000,000 | | | |
| Total Funding Sources | 21,169 | 560,000 | 1,591,616 | 551,911 | 562,898 | 579,734 |
| Budgeted Expenditures | | | | | | |
| (Over)/Under Funding Sources | -22,695 | -7,440,000 | -3,408,384 | 551,911 | 562,898 | 579,734 |
| Year End Fund Balance | 10,286,268 | 2,846,268 | -562,116 | -10,206 | 552,692 | 1,132,426 |
| Assumed Return on Investments | 1.5% | 1.0% | 1.0% | 2.0% | 2.5% | 3.0% |