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Posted: June 27, 2014

CRYSTAL CITY COUNCIL
WORK SESSION AGENDA

Tuesday, July 1, 2014
6:30 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 Tuesday, July 1, 2014 in Conference Room A located at 4141 Douglas Drive, Crystal, Minnesota.

I. Attendance

Council members	Staff
____ Adams	____ Norris
____ Budziszewski	____ Therres
____ Deshler	____ Larson
____ Hoffmann	____ Hansen
____ Libby	____ Peters
____ Peak	____ Revering
____ Selton	____ Norton

II. Agenda

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

- Funding major apparatus purchases/major apparatus fund balance policy for West Metro Fire-Rescue District
- Update on public works facility project costs
- Financing mill and overlay projects
- 2015 budget assumptions
- Replenishing Major Building Replacement Fund
- Confirm financing Crystal's portion of the 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.

CITY of CRYSTAL

Memorandum

DATE: June 26, 2014

TO: Mayor and City Council

FROM: Anne Norris, City Manager alr

SUBJECT: Continued Discussion of WMFD Funding Major Apparatus

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West Metro Fire-Rescue District (WMFD) Chief Larson will be present at the July 1 work session to continue discussion regarding funding WMFD major apparatus.

In May the Council discussed funding major apparatus for WMFD. During that discussion, the Council requested additional information regarding the major apparatus needs for WMFD into the future. Attached is a June 16 memo regarding major apparatus replacement costs and timing.

Currently, WMFD 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 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. Attached is the WMFD 2014 – 2025 Capital Plan.

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.

The WMFD Board requested both city councils review funding of major apparatus (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.) The New Hope City Council discussed this at a recent work session and is supportive of merging the WMFD major apparatus fund with the capital fund to keep the cities' contributions lower and relying on each city to fund its share of the costs of major apparatus replacement.

Attached are the current WMFD Fund Balance Policy and the memo from Matt Mayer with Proposed Policy Revisions.

WEST METRO FIRE-RESCUE DISTRICT

FUNDING FOR MAJOR APPARATUS REPLACEMENT

June 16, 2014 – New Hope City Council Meeting

Refurbishment –

NFPA recommends re-furb or reassignment to secondary response status of major apparatus at 10 years of service. Based on the amount of miles/hours that our apparatus operate, we have received recommendation from the manufacturer that these vehicles will not need to be re-furbed or reassigned until replacement.

However, we recommend an increase of $20,000 to the vehicle maintenance budget annually, beginning in 2017 to address pump and discharge "wear item" replacement needs.

Purchase –

Apparatus prices have been increasing at a rate of 2 - 5% per year. For budgeting purposes we would recommend planning based upon the 5% figure to ensure adequate funding.

Today, we can purchase a suitably equipped custom engine for around $500,000. At 5% per year, that $500,000 engine would cost approximately:

- $740,000 in 2022 (10 years in service)
- $942,000 in 2027 (15 years in service)
- $1,202,000 in 2032 (20 years in service)

Today, we can purchase a suitably equipped custom aerial truck for around $800,000. At 5% per year, that $800,000 aerial would cost approximately:

- $1,072,000 in 2020 (15 years in service)
- $1,368,000 in 2025 (20 years in service)
- $1,746,000 in 2030 (25 years in service)

(Keep in mind that these are assuming a worst case scenario in cost increases)

Lease -

Budgeting for leasing can be difficult to project due to the many different types of lease plans available. Over the last 10 years leasing finance rates have varied from 2.75% - 6%, they are currently around 3%. An online leasing calculator projects that the annual lease payment cost of a $500,000 engine to be:

- $80,255 per year for a 7 year lease; the estimated total expenditure for the engine is $561,785 ($80,255 x 7)
- $60,120 per year for a 10 year lease; the estimated total expenditure for the engine is $601,200 ($60,120 x 10)
- $54,050 per year for a 12 year lease; the estimated total expenditure for the engine is $648,600 ($54,050 x 12)
- $46,555 per year for a 15 year lease; the estimated total expenditure for the engine is $698,325 ($46,555 x 15)

(These payments are calculated annually in arrears)

Trade Value –

The budgeted pricing above does not take into account the trade value of the current engines. On average, new fire trucks depreciate ~5% per year for the first 10 years, from then on they depreciate ~10% per year until the prices bottoms out. In the last round of vehicle purchases, we were able to get ~10% of the purchase price for trade on our previous engines that were under 20 years old and ~40% for the rescue trucks that were under 20 years in service.

2014 -2025 Capital Plan

Board Approved May 15, 2013

Year Purchased	Project Description	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	ADMINISTRATION/TECHNOLOGY														
On-going	Computer workstations	$5,000	$4,800	$2,000	$4,800	$4,800	$4,800	$4,800	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000
On-going	Laptop workstations	$2,000	$2,400		$2,500		$2,500		$2,500		$2,500		$2,500		$2,500
On-going	Printers			$3,000	$2,000				$3,000	$2,000				$3,000	
On-going	Tablets				$4,000				$4,000				$4,000		
2009	Security System Upgrade									$30,000					
2009	LCD Projectors (portable)							$1,500							
2009	LCD Projector (fixed)										$2,000				
2006	Audio Recorder										$5,000				
2009	Telephone											$20,000			
LOGIS	Cisco Access Points		$2,500												
LOGIS	Fire Wall		$5,500												
LOGIS	Cabling multi to single mode			$5,200											
LOGIS	Station 1 Switch Upgrade			$3,840											
LOGIS	Station 2 Switch Upgrade			$6,044											
LOGIS	Wifi Controller			$2,847											
LOGIS	Wifi replacement for obsolete unit			$2,426											
LOGIS	Estimated Logis Cost				$10,000	$10,000	$10,000	$10,000	$10,000	10000	10000	10000	10000	10000	10000
	Total	**$7,000**	**$15,200**	**$25,357**	**$23,300**	**$14,800**	**$17,300**	**$16,300**	**$24,500**	**$47,000**	**$24,500**	**$35,000**	**$21,500**	**$18,000**	**$17,500**
	BUILDING														
Station 1 2008															
Station 2 2007	Station Floor Recoating						$45,000	$45,000							
Station 3 2012															
Station 1 2005															
Station 2 2004	Apparatus Bay Painting			$30,000		$30,000									
Station 3 2011											$30,000				
Station 1 2008															
Station 2 2006	Interior Painting			$20,000		$20,000									
Station 3 2005											$30,000				
Station 1 2000															
Station 2 2001	Training Room Furniture						$10,000			$20,000					
Station 3 2005															
Station 1 2005															
Station 2 2005	Office Furniture	$2,000		$6,000	$10,000										
Station 3 2012															
Station 1 (7)															
Station 2 (5)	Overhead Doors			$147,000											
Station 3 (9)															
Station 1 2012															
Station 2 2012	Interior Lighting	$11,300													
Station 3 2012															
Station 1 2006															
Station 2 2006	Vehicle Exhaust Systems	$14,000													
Station 3 2006															
Station 1	Sleeping Quarter Furniture				$5,000										
Station 2															

2014 -2025 Capital Plan

Board Approved May 15, 2013

Year Purchased	Project Description	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Station 1 2008															
Station 2	Kitchens				$3,000										
Station 3															
Station 1															
Station 2	Bathroom Upgrades				$5,000	$5,000	$5,000								
Station 3															
Station 1 2008															
Station 2 2006	Carpeting/Alternative Flooring					$25,000	$ 10,000								
Station 3 2005															
Station 1 2011															
Station 2 2005	Washing Machines			$2,000	$2,000						$3,000				
Station 3 1991															
Station 1 1985			$11,000												
Station 2 1972	Pressure Washers														
Station 3 1991	Station 3 Pressure Washer System										$10,000				
	Total	**$27,300**	**$11,000**	**$205,000**	**$25,000**	**$80,000**	**$70,000**	**$45,000**	**$0**	**$20,000**	**$73,000**				
	RESPIRATORY PROTECTION EQUIPMENT														
Station 1 2007															
Station 2 2007	54-SCBA	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000
Station 3 2007															
Station 1 2006															
Station 2 2007	3-Fill Stations														
Station 3 2011															
Station 1 1995				$60,000											
Station 2 1995	3-Breathing Air Compressors														
Station 3 1999															
	Total	**$50,000**	**$50,000**	**$110,000**	**$50,000**	**$50,000**	**$50,000**	**$50,000**	**$50,000**	**$50,000**	**$50,000**	**$50,000**	**$50,000**	**$50,000**	**$50,000**
	PERSONAL PROTECTIVE EQUIPMENT														
2007	10-Turnout Gear Sets	$40,000		$25,000		$25,750	$26, 500	$27,250	$28,000	$28,750	$29,500	$30,250	$31,000	$31,750	$32,500
	Total	**$40,000**	**$0**	**$25,000**	**$25,000**	**$25,750**	**$26, 500**	**$27,250**	**$28,000**	**$28,750**	**$29,500**	**$30,250**	**$31,000**	**$31,750**	**$32,500**
	POWERED EQUIPMENT/TOOLS														
2012	Thermal Imagers										$25,000				
2011	Gas Powered Fans										$25,000				
2011	Electric Fans										$18,000				
2011	Chain Saws										$15,000				
2011	Rescue Saw														
2012	Hydraulic Rescue Tool	$25,000													
	Total	**$25,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$83,000**	**$0**	**$0**	**$0**	**$0**
	COMMUNICATION EQUIPMENT														
2006	MDCs	$25,000	$27,500				$35,000	$35,000				$40,000	$40,000		
2004	Portable Radios $150,000					$50,000	$50,000	$50,000							
2004	Mobile Radios/Apparatus and Operations	$55,000													

2014 -2025 Capital Plan

Board Approved May 15, 2013

Year Purchased	Project Description	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	COMMUNICATION EQUIPMENT														
On-Going	Minitor Pagers	$3,700		$5,500	$5,500	$5,500	$5,500	$5,500							
2011	Portable Radio Batteries	$6,000			$6,800					$10,000			$10,000		
	Total	**$89,700**	**$27,500**	**$5,500**	**$12,300**	**$55,500**	**$90,500**	**$90,500**	**$0**	**$10,000**	**$0**	**$40,000**	**$50,000**	**$0**	**$0**
	TECHNICAL RESCUE EQUIPMENT														
2005	PPE		$6,500												
2005	Rope	$2,000	$5,000												
2000	Hardware														
2010	RIT Bags/Equipment														
1994	Trailer														
2006	Boat														
	Boat Motor				$6,000										
2005	Ice Rescue Suits (9)								$18,000						
	Total	**$2,000**	**$11,500**	**$0**	**$6,000**	**$0**	**$0**	**$0**	**$18,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	MEDICAL EQUIPMENT														
2009	LUCAS														
On-Going 1990	AED	$4,000	$4,200	$4,200	$4,200	$4,200	$4,200	$4,200							
2010	Pulse Ox						$8,000								
2010	O/2 Cylinders														
	Total	**$4,000**	**$4,200**	**$4,200**	**$4,200**	**$4,200**	**$12,200**	**$4,200**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	FIRE SUPRESSION EQUIPMENT														
2011	Hose	$5,000						$10,000							
2007	Nozzles								$10,000						
2011	Adapters/Couplings/Reducers														
	Total	**$5,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$10,000**	**$10,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	HAZARDOUS MATERIALS EQUIPMENT														
2010	Generator														
2004	Trailer														
2010	Mister														
2009	Gas Monitors	$3,000	$5,000				$5,000								
	Total	**$3,000**	**$5,000**	**$0**	**$0**	**$0**	**$5,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	PREVENTION														
2010	Fire Extinguisher Training Prop									$10,000					
2009	Hazard House														
2013	**Sparky (Special Fund)**														
1999	Display Board				$3,000										
	Total	**$0**	**$0**	**$0**	**$3,000**	**$0**	**$0**	**$0**	**$0**	**$10,000**	**$0**	**$0**	**$0**	**$0**	**$0**
	TRAINING														
	Rescue Manikins (Special Fund)		$2,000												
	Total		**$2,000**												

2014 -2025 Capital Plan

Board Approved May 15, 2013

Year Purchased	Project Description		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	STAFF/UTILTY VEHICLES															
2013	U-31		$51,500											$50,000		
2004	C-11					$42,000										$52,000
2004	C-24						$43,000									
2007	C-31								$45,000							
2003	U-31				$40,000										$51,000	
2008	C-2									$46,000						
2008	C-23										$47,000					
2006	U-11							$44,000								
2011	U-21												$49,000			
2010	U-32											$48,000				
		Total	**$51,500**	**$0**	**$40,000**	**$42,000**	**$43,000**	**$44,000**	**$45,000**	**$46,000**	**$47,000**	**$48,000**	**$49,000**	**$50,000**	**$51,000**	**$52,000**
Grand Total			**$304,500**	**$126,400**	**$415,057**	**$190,800**	**$273,250**	**$350,500**	**$288,250**	**$176,500**	**$212,750**	**$308,000**	**$204,250**	**$202,500**	**$150,750**	**$152,000**
	MAJOR APPARATUS															
2012	Heavy Rescue / evaluate															
2004	Aerial / Next Purchase 2029															
2011	Engines / Evaluate / Form Committee 2021															
2013	Light Rescues			$90,000	$190,000									$110,000	(2) $220,000	
2013	Grass Utility			$48,070										$50,000		
		Total		**$138,070**	**$190,000**											

West Metro Fire & Rescue District
Capital Budget

	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Projected Actual 2013	Budget 2014	Budget 2015	Budget 2016	Budget 2017	Budget 2018	Budget 2019	Budget 2020	Budget 2021	Budget 2022	Budget 2023	Budget 2024	Budget 2025
Beginning Fund Balance	592,622	513,977	1,985,909	3,299,483	781,923	835,355	438,974	390,369	256,071	116,851	-9,814	33,637	41,055	-38,740	-13,184	14,250	98,572
City Contributions: unassigned	254,490	163,991	163,991	144,577	139,600	170,000	170,000	200,000	210,000	210,000	220,000	220,000	228,000	230,000	230,000	235,000	235,000
City Contrib: designated fire engines		1,250,000	1,250,000														
Sales of Capital Assets	6,233	700	14,546	59,045	55,180												
Other Revenue - Interest/Misc	10,601	5,393	-4,431	6,267	3,910	4,177	2,195	1,952	1,280	584	-49	168	205	-194	-66	71	493
Transfer from General or Special Fund		162,216	166,558	176,206	129,828												
Total Revenue	271,324	1,582,300	1,590,664	386,095	328,518	174,177	172,195	201,952	211,280	210,584	219,951	220,168	228,205	229,806	229,934	235,071	235,493
Total Expenditures	349,969	110,368	277,090	2,903,655	275,086	570,557	220,800	336,250	350,500	337,250	176,500	212,750	308,000	204,250	202,500	150,750	152,000
Ending Fund Balance	513,977	1,985,909	3,299,483	781,923	835,355	438,974	390,369	256,071	116,851	-9,814	33,637	41,055	-38,740	-13,184	14,250	98,572	182,065
Prepaid truck construction		1,737,362	2,237,362														
Truck expense carry-over			557,270														
Board approved carry-overs			202,000	221,500	167,500												
Major Apparatus Carryover (Per F/B Policy)			116,591	239,935	308,062												
Capital Carryover (Per F/B Policy)			49,967	52,862	91,810												
Fund Balance Committed:	0	1,737,362	3,163,190	514,297	567,372	0	0	0	0	0	0	0	0	0	0	0	0
Fund Balance Uncommitted(Assigned):	513,977	248,547	136,293	267,626	267,983	438,974	390,369	256,071	116,851	-9,814	33,637	41,055	-38,740	-13,184	14,250	98,572	182,065
Total Fund Balance	513,977	1,985,909	3,299,483	781,923	835,355	438,974	390,369	256,071	116,851	-9,814	33,637	41,055	-38,740	-13,184	14,250	98,572	182,065

2013 Carryover Represents	
MDC Replacement	27,500
Turn Out Gear 2011	20,000
Turn Out Gear 2012	20,000
SCBA 2012	50,000
SCBA 2013	50,000
	167,500

Amount represents Capital Budget for 2014 plus $167,500 in approved 2013 carryovers

Elimination of the Major Apparatus and Capital Carryover set aside amounts would be dedicated to three upcoming projects

Garage Doors	147,000
Breath Compressor	30,000
Turn Out Gear	25,000
	202,000

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 to 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.

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)

CITY of CRYSTAL

Memorandum

DATE: June 26, 2014

TO: Mayor and City Council

FROM: Anne Norris, City Manager AN

SUBJECT: Update on Public Works Facility Actual Costs and Cost Estimates

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In January, the City Council authorized acquisition of property for a new Public Works Facility for the city. Since then, staff has successfully acquired the site at 5501 West Broadway. Earlier this year the City Council also authorized execution of a contract with Kodet Architectural Group, Ltd., for design of a new Public Works facility. Plans for the new facility are nearing completion so the proposed project can be bid.

Staff will have actual acquisition costs to date and estimates for the construction costs of the Public Works facility at the July 1 work session.

Memorandum

DATE: June 26, 2014

TO: Mayor and City Council

FROM: Anne Norris, City Manager aln
Tom Mathisen, Public Works Director

SUBJECT: Financing Mill and Overlay Projects

Phase 1 (Winnetka Hills neighborhood) of the Street Reconstruction Program was completed in 1997. Milling and overlays are required to maintain the reconstructed streets in good condition as long as possible. Council Resolution #2010-48 outlines a policy of specially assessing mill and overlay projects.

At recent work sessions, the Council discussed increasing the tax levy to pay for mill and overlay projects rather than using special assessments. The cost of the Phase 1 mill and overlay project is approximately $1 million.

In order to help the Council determine options for financing mill and overlay projects, Finance Director Charlie Hansen has prepared 3 schedules showing mill and overlay projects financing in the following ways:

- Special assessments for 100% of the project (Schedule A);
- Tax levy (Schedule B); and
- Combination of 60% special assessments and 40% tax levy (Schedule C).

<u>Schedule A – Assessing 100% of the mill and overlay projects</u>
The assessment for Phase 1 is estimated to be $2,000 per single family home. Assessments will pay off over 10 years at 5% interest. First year payment will be $200 toward principal and $100 for interest. Interest costs will decline by $10 each year as the outstanding principal is reduced. Five percent is the interest rate we have used on Phase 12 and 13 reconstruction assessments.

It has been our experience with the street reconstruction assessments that 20% to 25% of property owners will prepay their special assessments. This scenario assumes that 20% will prepay.

This scenario assumes that all property will be assessed at the rate for a property on a non-MSA street. A MSA street costs more to mill and overlay than a residential street. All eligible MSA street costs will be submitted to the Department of Transportation for reimbursement.

This scenario has the most severe cash flow problems. Phase 1 will incur estimated costs of $962,228 in 2014. We will receive reimbursements from other cities for $46,938 in 2014. Special assessment prepayments estimated at 20% times the amount assessed (962,228 minus $46,938) or $183,058 will also be received in 2014. The remaining $732,232 will be received over the ten years from 2015 through 2024. So there is a large immediate outflow of cash, but most of the cash inflows happen later.

Cash flow problems can be addressed through means such as an inter-fund loan.

Schedule B – Tax Levy

The first four Phases are planned to take place in 2014-2017. Then phase 5 will be done in 2020 and phase 6 in 2025. This results in substantial cash outflows in the first four years, followed by seven years with only one project. From 2025 onward, projects will be needed almost every year.

All eligible MSA street costs will be submitted to the Department of Transportation for reimbursement. However, the MSA reimbursements may not come in until several years after the project is done.

This scenario has the same cash flow problems, but not as severe as the 100% assessed scenario. The main problem is that the property tax levy will need to be $1,000,000 or more the first three years. Then it can drop down to $250,000 for about nine years, but then will need to increase sharply again.

It may be possible to smooth out the size of the property tax levy in the early years by using an inter-fund loan to deal with cash flow problems.

At the last work session, there was discussion of some sort of "rebate" to property owners who are still paying street reconstruction assessments. This would be rather challenging to administer and the City Attorney is researching whether it is possible.

Schedule C – Combination of 60% assessment and 40% tax levy

The assessment for Phase 1 is estimated to be $1,200 per single family home. Assessments will pay off over 10 years at 5% interest. First year payment will be $120 toward principal and $60 for interest. Interest costs will decline by $6 each year as the outstanding principal is reduced. Five percent is the interest rate we have used on Phase 12 and 13 reconstruction assessments.

The first four Phases are planned to take place in 2014-2017. Then phase 5 will be done in 2020 and phase 6 in 2025. This results in substantial cash outflows in the first four years, followed by seven years with only one project. From 2025 onward, projects will be needed almost every year.

All eligible MSA street costs will be submitted to the Department of Transportation for reimbursement. However, the MSA reimbursements may not come in until several years after the project is done.

This scenario has no cash flow problems. The main problem is that the property tax levy will need to be $600,000 to $800,000 for the first three years. Then it can be eliminated as MSA reimbursements start to be received and sealcoat special assessments from both phases 2 and 3 are received.

In Schedule A with the project 100% assessed, it is assumed the first sealcoat after a mill and overlay is paid for by the city. In Schedules B and C, it is assumed the sealcoats after the mill and overlay will be 100% assessed to property owners.

At the June 3 work session, there was discussion regarding some sort of "rebate" for property owners still paying special assessments for a street reconstruction project if mill and overlays are paid for with a general tax levy. This would be very challenging to administer and the City Attorney is researching whether it is possible.

There was discussion at the June 17 work session about the ability of a charter city to levy for "maintenance" improvements. Attached is a memo from the City Attorney clarifying the authority cities have regarding paying for/financing street maintenance and street improvements. The City Attorney will be at the July 1 work session to answer questions.

If this year's mill and overlay project is to proceed this year, the Council needs to either reaffirm the policy outlined in Resolution #2010-48 or establish a different form of financing so the bids can be awarded for this year's project at the July 15 meeting. The notice to residents regarding the June 17 public hearing on the Phase 1 mill and overlay project assumed the use of special assessments. A typical assessment would be approximately $2,000 paid over 10 years.

Attach: Schedules A, B and C
Resolution #2010-48
June 24, 2014 memo from City Attorney

SCHEDULE A

CITY OF CRYSTAL
STREET MAINTENANCE FUND ANALYSIS
Assess 100% of mill & overlay costs to benefited properties

sessments will pay off over 10 years and 5% interest will be charged. Street Maintenance fund will pay for the third seal coat since there will still be 3 years to / on the mill & overlay assessment. Assumes 20% of properties prepay special assessments.

							Business Unit 5865						5867	Business Unit 5866		
							First Sealcoat		Second Sealcoat		Third Sealcoat		Patch	Mill & Overlay		Ending
Year	Gen FD Contrib.	Overlay Special Assmt.	Sealcoat Special Assmt.	M.S.A.	Other City Reimb.	Invest Earnings	Phase	Costs	Phase	Costs	Phase	Costs	Ph 1 - 3	Phase	Costs	Fund Balance
2010	65,300	53,460			272,773	55,419			1	101,366				36th Ave	752,012	1,989,992
2011	167,250	34,992			9,425	47,107			2&3	289,528			8,738	36th Ave	41,862	1,908,638
2012	69,300	37,387				23,159	6	158,450					7,025	36th Ave	84	1,872,925
2013	71,400	45,904			20,726	3,815	7	114,355					45,626		79	1,854,710
2014	72,800	213,422	0		46,938	18,547	8	156,389	4	120,717			40,000	1	962,228	927,083
2015	74,300	404,362	0		116,837	9,271							40,000	2	1,269,680	222,172
2016	76,529	340,406	18,590			3,333	9	158,042	5	92,948			20,000	3	1,365,526	-975,486
2017	78,825	485,632	45,359			-19,510	10	226,399						4	903,402	-1,514,982
2018	81,190	416,717	35,469	528,000		-37,875										-491,481
2019	83,625	371,558	39,039	97,788		-14,744	11	124,064	6	195,193						-233,473
2020	86,134	481,794	119,176	304,178		-7,004	12	184,011	7	119,607				5	760,000	-312,814
2021	88,718	412,736	171,322	361,025		-9,384			8	192,339	1	336,945				182,318
2022	91,380	364,360	139,504	318,428	151,127	5,470	13	195,940			2	409,956				646,689
2023	94,121	319,255	112,271	61,937		19,401			9	194,371	3	456,512				602,791
2024	96,945	274,310	150,542			18,084	14	191,381	10	278,443	4	324,466				348,381
2025	99,853	515,156	210,052	221,992	8,122	10,451								6	1,597,257	-183,251
2026	102,849	539,395	136,770	337,400	153,364	-5,498	15	202,223	11	152,582				7	978,740	-252,515
2027	105,934	753,624	119,722	287,208	109,139	-7,575			12	226,310	5	513,808		8	1,573,902	-1,198,483
2028	109,112	608,262	168,665			-35,954	16	242,596								-590,995
2029	112,385	840,372	134,556	164,538	97,504	-17,730			13	240,982				9	1,590,531	-1,090,883
2030	115,757	1,125,405	117,599	527,252	235,380	-32,727								10	2,278,482	-1,280,698
2031	119,230	934,102	139,034			-38,421			14	235,375						-362,128
2032	122,807	1,065,502	114,863	0	76,579	-10,864					6	571,838		11	1,248,575	-813,655
2033	126,491	1,259,958		596,719	168,042	-24,410			15	248,708	7	323,771		12	1,851,887	-1,111,221
2034	130,285	1,463,205		480,393	21,194	-33,337					8	545,327		13	1,914,508	-1,509,315
2035	134,194	1,583,407		338,359	170,999	-45,279			16	298,363				14	1,815,497	-1,441,496
2036	138,220	1,306,215				-43,245					9	553,383				-593,689
2037	142,366	1,501,242		358,965		-17,811					10	775,563		15	1,918,341	-1,302,831
2038	146,637	1,661,166		270,343	99,391	-39,085								16	2,234,308	-1,398,686
2039	151,037	1,424,613				-41,961					11	434,402				-299,399
2040		1,192,139				-8,982					12	634,532				249,227
2041		969,675				7,477					13	683,362				543,017
	5,154,852	22,999,731	1,972,531	5,254,525	1,762,826	412,101		2,244,562		2,986,833		6,563,865	161,389		25,056,901	

SCHEDULE B

CITY OF CRYSTAL
STREET MAINTENANCE FUND ANALYSIS
Levy 100% of the mill & ovelay costs to the property tax

cond and third seal coat assessments will pay off over 3 years and 5% interest will be charged. Assumes 20% of properties will prepay special assessments.

							Business Unit 5865						5867	Business Unit 5866		
							First Sealcoat		Second Sealcoat		Third Sealcoat		Patch	Mill & Overlay		Ending Fund
Year	Gen FD Contrib.	Property Tax Levy	Sealcoat Special Assmt.	M.S.A.	Other City Reimb.	Invest Earnings	Phase	Costs	Phase	Costs	Phase	Costs	Ph 1 - 3	Phase	Costs	Balance
2010	65,300				272,773	55,419			1	101,366				36th Ave	752,012	1,936,532
2011	167,250				9,425	47,107			2&3	289,528			8,738	36th Ave	41,862	1,820,186
2012	69,300					23,159	6	158,450					7,025	36th Ave	84	1,747,086
2013	71,400				20,726	3,815	7	114,355					45,626		79	1,682,967
2014	72,800				46,938	16,830	8	156,389	4	120,717			40,000	1	962,228	540,201
2015	74,300	1,000,000			116,837	5,402							40,000	2	1,269,680	427,059
2016	76,529	1,100,000	18,590			6,406	9	158,042	5	92,948			20,000	3	1,365,526	-7,932
2017	78,825	1,050,000	44,615			-159	10	226,399						4	903,402	35,548
2018		250,000	35,134	528,000		889										849,571
2019		250,000	39,039	97,788		25,487	11	124,064	6	195,193						942,628
2020		250,000	117,614	304,178		28,279	12	184,011	7	119,607				5	716,927	622,153
2021		250,000	237,051	361,025		18,665			8	192,339	1	336,945				959,610
2022		250,000	381,259	318,428	151,127	28,788	13	195,940			2	409,956				1,483,315
2023		250,000	527,025	61,937		44,499			9	194,371	3	456,512				1,715,893
2024		250,000	587,969			51,477	14	191,381	10	278,443	4	324,466				1,811,050
2025		250,000	535,430	221,992	8,122	54,331								6	1,597,257	1,283,667
2026		250,000	258,416	337,400	153,364	38,510	15	202,223	11	152,582				7	978,740	987,813
2027		750,000	118,502	287,208	109,139	29,634			12	226,310	5	513,808		8	1,573,902	-31,725
2028		750,000	166,305			-952	16	242,596								641,032
2029		1,000,000	133,742	164,538	97,504	19,231			13	240,982				9	1,590,531	224,533
2030		1,000,000	115,671	527,252	235,380	6,736								10	2,278,482	-168,909
2031		900,000	138,166			-5,067			14	235,375						628,815
2032		1,000,000	227,348	0	76,579	18,864					6	571,838		11	1,248,575	131,193
2033		1,200,000	339,237	596,719	168,042	3,936			15	248,708	7	323,771		12	1,851,887	14,760
2034		1,200,000	480,630	480,393	21,194	443					8	545,327		13	1,914,508	-262,414
2035		1,200,000	384,142	338,359	170,999	-7,872			16	298,363				14	1,815,497	-290,647
2036		1,200,000	316,810			-8,719					9	553,383				664,061
2037		1,200,000	265,624	358,965		19,922					10	775,563		15	1,918,341	-185,332
2038		1,400,000	364,291	270,343	99,391	-5,560								16	2,234,308	-291,174
2039		200,000	459,150			-8,735					11	434,402				-75,161
2040		100,000	628,582			-2,255					12	634,532				16,635
2041		100,000	605,451			499					13	683,362				39,223
	2,675,582	18,600,000	7,525,795	5,254,525	1,762,826	1,190,972		2,244,562		2,986,833		6,563,865	161,389		25,013,828	

SCHEDULE C

CITY OF CRYSTAL
STREET MAINTENANCE FUND ANALYSIS
Special assess 60% of the mill and overlay costs. Levy 40% to the property tax.

Mill & overlay assessment will pay off over 5 years and 5% interest will be charged. Second and third seal coat assessments will pay off over 3 years and 5% interest will be charged. Assumes 20% of properties will prepay special assessments. MSA will pay for mill & overlay of MSA streets. The combination of a property tax levy, MSA reimbursement and other city reimbursement will cover the 40% of mill & overlay costs that are not assessed.

								Business Unit 5865						5867	Business Unit 5866		
								First Sealcoat		Second Sealcoat		Third Sealcoat		Patch	Mill & Overlay		
Year	Gen FD Contrib.	Property Tax Levy	Overlay Special Assmt.	Sealcoat Special Assmt.	M.S.A.	Other City Reimb.	Invest Earnings	Phase	Costs	Phase	Costs	Phase	Costs	Ph 1 - 3	Phase	Costs	Ending Fund Balance
2010	65,300		53,460			272,773	55,419			1	101,366				36th Ave	752,012	1,936,532
2011	167,250		34,992			9,425	47,107			2&3	289,528			8,738	36th Ave	41,862	1,820,186
2012	69,300		37,387				23,159	6	158,450					7,025	36th Ave	84	1,747,086
2013	71,400		45,904			20,726	3,815	7	114,355					45,626		79	1,682,967
2014	72,800		144,731			46,938	16,830	8	156,389	4	120,717			40,000	1	1,000,000	502,429
2015	74,300	800,000	302,967			116,837	5,024							40,000	2	1,270,000	491,557
2016	76,529	800,000	310,698	18,590			7,373	9	158,042	5	92,948			20,000	3	1,365,000	68,757
2017	78,825	600,000	379,710	44,615			1,375	10	226,399						4	903,000	43,882
2018			364,415	35,134	528,000		1,097										972,529
2019			308,673	39,039	97,788		29,176	11	124,064	6	195,193						1,127,947
2020			198,642	117,614	304,178		33,838	12	184,011	7	119,607				5	760,000	718,601
2021			97,678	237,051	361,025		21,558			8	192,339	1	336,945				1,243,574
2022			169,247	381,259	318,428	151,127	37,307	13	195,940			2	409,956				2,105,002
2023			119,563	527,025	61,937		63,150			9	194,371	3	456,512				2,682,306
2024			104,349	587,969			80,469	14	191,381	10	278,443	4	324,466				2,985,269
2025			280,405	535,430	221,992	8,122	89,558								6	1,597,257	2,523,519
2026			398,743	258,416	337,400	153,364	75,706	15	202,223	11	152,582				7	978,740	2,413,602
2027			550,661	118,502	287,208	109,139	72,408			12	226,310	5	513,808		8	1,573,902	1,751,308
2028			488,457	166,305			52,539	16	242,596								2,216,013
2029			602,025	133,742	164,538	97,504	66,480			13	240,982				9	1,590,531	1,448,789
2030			813,763	115,671	527,252	235,380	43,464								10	2,278,482	905,837
2031			679,507	138,166			27,175			14	235,375						1,515,311
2032			668,661	227,348		76,579	45,459					6	571,838		11	1,248,575	1,284,783
2033			733,145	339,237	596,719	168,042	38,543			15	248,708	7	323,771		12	1,851,887	1,059,874
2034			917,469	480,630	480,393	21,194	31,796					8	545,327		13	1,914,508	1,076,849
2035			960,141	384,142	338,359	170,999	32,305			16	298,363				14	1,815,497	848,936
2036			768,518	316,810			25,468					9	553,383				1,959,733
2037			887,215	265,624	358,965		58,792					10	775,563		15	1,918,341	1,611,988
2038			1,012,182	364,291	270,343	99,391	48,360								16	2,234,308	1,172,247
2039			841,492	459,150			35,167					11	434,402				2,508,056
2040			599,232	628,582			75,242					12	634,532				3,811,112
2041			411,999	605,451			114,333					13	683,362				4,942,896
	2,675,582	2,200,000	14,286,032	7,525,795	5,254,525	1,762,826	2,041,458		2,244,562		2,986,833		6,563,865	161,389		25,094,065	

Kennedy
&
Graven
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MEMORANDUM

TO: Crystal City Council

FROM: Michael T. Norton, City Attorney

DATE: June 24, 2014

RE: Crystal Charter Authority: Street Maintenance

BACKGROUND

The issue of street reconstruction and street maintenance has been discussed at several work sessions in the past year, most recently in the context of the financing for the Winnetka Hills Mill and Overlay Project 2014-21. The discussion has concerned whether the mill and overlay is maintenance and therefore should be financed as part of a general levy, or street reconstruction, which is more suitably financed as a capital improvement by assessing benefitted property.

This discussion also arises in the context of Council Resolution 2010-48 which in part states that mill and overlay projects should be financed by special assessments.

In addition, there has been some discussion suggesting that the Crystal Charter provides additional authority to Crystal as a charter city to consider street maintenance, however defined, separately from the authority in Minn. Stat. Chapter 429 which provides that improvements defined therein as suitable for financing by special assessment.

DISCUSSION

Charter Chapter 8 provides in part as follows:

> Section 8.01. Powers. The city may make any type of public improvement not forbidden by law and may levy special assessments against benefited property to pay all or a portion of the cost of a local improvement. The special assessments for a local improvement may equal the cost of the improvement but may not exceed the special benefit to the property assessed.

> Section 8.02. Current Services. In addition to the provisions of law the council may provide by ordinance that the cost of city services to streets, sidewalks or other public or private. property, may be assessed against the property served and collected in the same manner as special assessments. (Emphasis provided).

There is no definition of what constitutes "...city services to streets, sidewalks..." in § 8.02. However, such services "may be assessed...in the same manner as special assessments".

Minn. Stat. § 429.021 provides in part as follows:

> 429.021 LOCAL IMPROVEMENTS, COUNCIL POWERS.
>
> Subdivision 1. Improvements authorized. The council of a municipality shall have power to make the following improvements:
> (1) To acquire, open, and widen any street, and to improve the same by constructing, reconstructing, and maintaining sidewalks, pavement, gutters, curbs, and vehicle parking strips of any material, or by grading, graveling, oiling, or otherwise improving the same, including the beautification thereof and including storm sewers or other street drainage and connections from sewer, water, or similar mains to curb lines.(Emphasis provided)

This statute is also permissive in the sense that if a council wishes, it may finance an "improvement" by means of an assessment adopted pursuant to § 429.031, or use other lawful methods authorized by law, including a general levy.

It should be noted that the statute defines only what type of "improvement", including "maintaining" streets, is eligible to be assessed, but provides no specifics as to what degree of effort or activity comprises "maintaining" streets. Therefore, subsequent to constructing a street ("open"), "maintaining" streets, sidewalks, pavement, etc., to any degree is still an improvement eligible for financing by special assessment.

To date, Crystal has not defined the various types of street repairs it undertakes differently from the list of "improvements" authorized for assessment under Chapter 429. Thus while Crystal as a charter city may have some reservoir of authority to address street repair issues differently from non-charter cities, such authority has not been exercised to date.

Moreover, even assuming Crystal has extra powers concerning street repairs, the Charter does not set out a specific procedure to finance street repairs other than by special assessments. Therefore, the procedure to be followed, if the Council wants to finance an authorized improvement currently under consideration by means of an assessment, is the process set out in Minn. Stat. § 429.031. Since both Chapter 429 and the Charter language are permissive as to the use of assessments, the Council can make the policy judgment to assess or levy for any and all street reconstruction, mill and overlay, street sprinkling etc.

CONCLUSION

The Council's historic and current discussions about the various types of street improvements Crystal undertakes, including mill/overlay, all seem to be included in the definition of "improvement" in § 429.021 and Charter §§ 8.01 and 8.02. Thus, the Council is free to define (or not) any action to improve or maintain streets and sidewalks as "maintenance", and determine the appropriate method of financing, special assessment, general levy or a combination of each method.

CITY of CRYSTAL

Memorandum

DATE: June 25, 2014

TO: Mayor and City Council

FROM: Anne Norris, City Manager alm

SUBJECT: 2015 Budget Assumptions

Staff is preparing the 2015 budget. As you know, the Council will review the majority of the 2015 budget during work sessions on August 7, 14 and 21. The Council's review will start with the general fund budget on August 7.

Listed below are assumptions Finance Director Charlie Hansen and I are using as we prepare the 2015 budgets.

Revenues;

Local Government Aid (LGA) – Based on the City Council's action with the 2014 budget, we are assuming that we will maintain LGA at the 2012 level going to general fund operations (approximately $1,450,000). Any additional LGA will go directly into the Permanent Improvement Revolving Fund (PIR) – a capital fund.
Investment Income – will continue to trend down and be reduced from the 2014 estimate.
Tax levy – as close to 0 increase as possible and continuing the County Road 81 levy to cover actual construction costs.

Expenditures:

Wages – While we have no settlements with employee bargaining groups for 2015, we are going to arbitration with one for the 2014-2015 contract. We are assuming a modest increase for all employees, based on settlements in other cities and the CPI.
Health Insurance – We are assuming an 11% increase that will be shared between employer and employee.
Capital projects – Maintain existing fleet and equipment but we are still trying to catch up from years when we were not able to replace vehicles and equipment and continued decreased interest contributions to the funds.
Service levels - maintain at current levels, to the extent possible, and assume the Frolics will continue to pay for portion of city staff costs for the event.

The Council should discuss and provide direction on these assumptions.

CITY of CRYSTAL

Memorandum

DATE: June 26, 2014

TO: Mayor and City Council

FROM: Anne Norris, City Manager aln

SUBJECT: Replenishing the Major Building Replacement Fund

Late last year in a work session, the City Council discussed ways to pay for a new Public Works facility, estimated to cost approximately $13. While no formal vote was taken, it appeared the preferred option was utilizing the balance of the Major Building Replacement Fund (MBRF) – approximately $10,300,000 – and funds from the utility and EDA funds.

In May, the Council discussed options for replenishing the MBRF for future needs. At that time, the Council asked for additional information on:

- Future demands on the MBRF;
- Extending the MBRFbudget out another 10 years (in progress but not complete);
- Comparing the costs of bonding versus interest earned on a portion of the MBRF; and
- Financing the new Public Works facility using a combination of cash and bonding.

Future Demands on the MBRF:
The next significant building project is a renovated or new Police Department. A needs assessment has not been completed and is preliminarily scheduled for 2016 and is estimated to cost $10,000 - $15,000. It is likely a police department would need 20,000 square feet at approximately $230 per square foot for new construction, depending on finish and amenities, excluding land costs. The Community Center is approaching 30 years old and while we've done a good job of maintaining what is there, it may be appropriate to do an assessment of how the building is used with what current community needs are. The Becker Park building is over 30 years old, has significant maintenance work needed (a new roof) and needs extensive renovation in order to be attractive to potential users.

Continuing the $563,153 annual property tax levy and depositing the revenue in the MBRF would start to rebuild the fund, although would likely not cover the entire cost of a Police Department renovation of new construction. It would allow the city to avoid bonding for the entire cost.

Financing the Public Works Facility using Cash and Bonding:
Attached are 2 bond amortization schedules for $5,000,000. Schedule A is for a $5,000,000 bond issue with a 12 year term which has the tax levy approximate the current Highway 81 tax levy. Schedule B is for a $5,000,000 bond issue with a 14 year term and shows that extending the term of the bond issue reduces the tax levy but increases total interest costs.

Replenishing the MBRF is a worthy goal and having some cash on hand for future construction projects will make those projects easier. Finance Director Charles Hansen and I will be at the July 1 work session to answer questions.

Attach:

SCHEDULE A

Public Works Facility Financing Alternatives

$5,000,000 Bond Issue

Bonds (12 year)
Assume 3% interest

Year	Principal	Interest	Required Tax Levy	Tax Levy with 5% Overlevy	Remaining Tax Levy to Debt Service FD
2014	0	0	0		
2015	0	225,000	540,000	567,000	27,000
2016	165,000	150,000	545,050	572,303	27,253
2017	400,000	145,050	548,050	575,453	27,403
2018	415,000	133,050	545,600	572,880	27,280
2019	425,000	120,600	547,850	575,243	27,393
2020	440,000	107,850	549,650	577,133	27,483
2021	455,000	94,650	551,000	578,550	27,550
2022	470,000	81,000	551,900	579,495	27,595
2023	485,000	66,900	552,350	579,968	27,618
2024	500,000	52,350	552,350	579,968	27,618
2025	515,000	37,350	556,900	584,745	27,845
2026	535,000	21,900	200,850	210,893	10,043
2027	195,000	5,850	0	0	0
2028	0	0	0	0	0
2029	0	0	0	0	0
2030	0	0	0		
Total	5,000,000	1,241,550	6,241,550	6,553,628	312,078

After three or four years, there will be a sufficient balance in the debt service fund so that the 5% overlevy could be discontinued. Or if the 5% overlevy were continued, the balance in the debt service fund would allow the 2027 bonds to be called for early redemption in 2026.

SCHEDULE B

Public Works Facility Financing Alternatives

$5,000,000 Bond Issue

Bonds (14 year)
Assume 3% interest

Year	Principal	Interest	Required Tax Levy	Tax Levy with 5% Overlevy	Remaining Tax Levy to Debt Service FD
2014	0	0	0		
2015	0	225,000	460,000	483,000	23,000
2016	85,000	150,000	462,450	485,573	23,123
2017	315,000	147,450	463,000	486,150	23,150
2018	325,000	138,000	463,250	486,413	23,163
2019	335,000	128,250	468,200	491,610	23,410
2020	350,000	118,200	467,700	491,085	23,385
2021	360,000	107,700	466,900	490,245	23,345
2022	370,000	96,900	465,800	489,090	23,290
2023	380,000	85,800	469,400	492,870	23,470
2024	395,000	74,400	467,550	490,928	23,378
2025	405,000	62,550	470,400	493,920	23,520
2026	420,000	50,400	472,800	496,440	23,640
2027	435,000	37,800	474,750	498,488	23,738
2028	450,000	24,750	386,250	405,563	19,313
2029	375,000	11,250	0	0	0
2030	0	0	0		
Total	5,000,000	1,458,450	6,458,450	6,781,373	322,923

After three or four years, there will be a sufficient balance in the debt service fund so that the 5% overlevy could be discontinued. Or if the 5% overlevy were continued, the balance in the debt service fund would allow the 2029 bonds to be called for early redemption in 2028.

Memorandum

DATE: June 26, 2014

TO: Mayor and City Council

FROM: Anne Norris, City Manager alw

SUBJECT: Financing Crystal's Share of the JWC Emergency Water Supply

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Earlier this year the City Council reviewed options for funding Crystal's share of the JWC's emergency water supply. The total cost of the emergency water supply is estimated at $4 million; Crystal's share is approximately $1 million. The contract for the wells has been awarded and work on drilling the wells will commence later this summer. There will be an additional contract for piping to get the water from the wells into the JWC system.

At its April 10 meeting, the Council considered financing Crystal's share of the project costs by:

- Adding a $.21 per unit charge to each water user's utility bill as a separate line item on the utility bill designated as "emergency water supply charge" (or something similar)
- Create internal loans to the water fund of $300,000 from the sewer fund and $300,000 from the street light fund

The Council needs to confirm this financing plan so the rates and loans can be added to the July 15 City Council agenda for formal action.