

**CITY OF SHOREVIEW
AGENDA
CITY COUNCIL WORKSHOP
AUGUST 12, 2013
7:00 P.M.**

1. ROLL CALL
2. DISCUSSION REGARDING PRELIMINARY TAX LEVY
ADOPTION AND FIVE YEAR OPERATING PLAN
3. DISCUSSION REGARDING PROPOSED COMMUNITY
INVESTMENT FUND POLICY
4. OTHER ISSUES
5. ADJOURNMENT

TO: Mayor and City Council

FROM: Terry C. Schwerm, City Manager
Jeanne A. Haapala, Finance Director and Fred Espe, Assistant Finance Director

DATE: August 7, 2013

RE: Preliminary Tax Levy Adoption

Introduction

In order to meet statutory requirements for preparation of preliminary tax statements, the City must adopt and certify a preliminary tax levy by September 15. This memo provides information about the recommended 2014 preliminary tax levy, property values, levy limits, and preliminary operating and fund balance projections for primary taxing funds (operating and capital funds).

Preliminary Tax Levy

The table below provides a 3-year comparison of the City’s tax levy, including the proposed 2014 preliminary levy. Department requests for 2014 would have resulted in a 5.9% increase in the levy, and would have exceeded the levy limit by \$256,702. City Manager changes resulting from this years’ budget review have brought the increase down to 2.98%, as shown in the table below.

Description	2012 Adopted Levy	2013 Adopted Levy	2014 Proposed Levy	Change Over 2013 Adopted Levy	
				Dollars	Percent
General fund	\$ 6,467,060	\$ 6,639,567	\$ 6,813,840	\$ 174,273	2.62%
EDA	55,000	60,000	75,000	15,000	25.00%
Debt (including Cent Garage)	658,026	685,000	732,000	47,000	6.86%
Street Renewal fund	800,000	850,000	900,000	50,000	5.88%
General Fixed Asset Repl fund	1,200,000	1,250,000	1,350,000	100,000	8.00%
Capital Acquisition Fund (IT)	-	-	20,000	20,000	
Capital Improvement fund	110,000	120,000	-	(120,000)	
Total City Levy	\$ 9,290,086	\$ 9,604,567	\$ 9,890,840	\$ 286,273	2.98%
HRA tax levy	\$ 70,000	\$ 75,000	\$ 90,000	\$ 15,000	20.00%
Taxable value (estim for 2014)	\$ 25,417,572	\$23,693,968	\$23,930,000	\$ 236,032	1.00%
City tax rate (estim for 2014)	33.252%	36.970%	37.362%	0.392%	1.06%
HRA tax rate (estim for 2014)	0.254%	0.289%	0.345%	0.056%	19.38%
Fiscal disparity (estim for 2014)	\$ 838,214	\$ 845,000	\$ 950,000	\$ 105,000	12.43%

It should be noted that the 2014 taxable values, fiscal disparities and City tax rates shown in the above table are estimates. We expect Ramsey County will release estimated values in late August (before the preliminary levy is adopted).

Residential Property Values

According to the Ramsey County Assessor, “after five consecutive years of declines in total assessed value; this year we experienced a small increase in market value”. The March 26 report further states that “there are many encouraging signs that the real estate market in our county has stabilized. Apartment markets continue to be very healthy, and substantial construction of new apartments is underway all across the Twin Cities metro area. Commercial and industrial markets have recovered most of the loss in value from the recession. But it was the residential markets that experienced the most positive improvement this past year. With inventory of for-sale property low, foreclosure listings down, and buyer activity increasing, homes are beginning to command higher list prices, shorter marketing times, and higher sale prices than recent years.”

In addition, the median home value in Shoreview will increase for the first time since 2008. Shoreview’s median single family value will increase from \$222,200 for 2013 taxes to \$224,500 for 2014 taxes (a 1% increase in value). The table at right shows the change in single family home values since the year 2000.

Year	Median Home Value	Percent Change
2000	\$ 143,100	5.2%
2001	\$ 155,200	8.5%
2002	\$ 168,400	8.5%
2003	\$ 182,700	8.5%
2004	\$ 207,500	13.6%
2005	\$ 236,250	13.9%
2006	\$ 265,050	12.2%
2007	\$ 279,900	5.6%
2008	\$ 286,600	2.4%
2009	\$ 275,600	-3.8%
2010	\$ 262,200	-4.9%
2011	\$ 249,350	-4.9%
2012	\$ 235,700	-5.5%
2013	\$ 222,200	-5.7%
2014	\$ 224,500	1.0%

After computing the impact of Market Value Exclusion (MVE), the preliminary tax levy and City tax rate provided in the table on page 1 of this report would result in a \$17.37 increase in property taxes on a median home (from \$757.89 in 2013 to \$775.26 in 2014). This equates to a 2.3% increase in the City portion of property taxes.

Levy Limit

For 2014 cities are limited to a 3% increase in the tax levy, excluding any levies for general obligation debt. Therefore, Shoreview’s maximum 2014 tax levy is \$9,919,154, which is \$28,314 more than the proposed levy on the previous page.

Once the preliminary levy is adopted by the City Council, the levy cannot be increased (even to include the available levy authority within the levy limit). In order to preserve this option until after budget discussions, the City Council may wish to include the additional \$28,314 in the preliminary levy. This change would result in a City tax levy of \$9,919,154 and an estimated tax rate of 37.481 (as compared to the estimated rate of 37.362 on the previous page).

If the City Council elected to add the additional \$28,314 to the preliminary tax levy, the 2014 tax on a median home would be \$2.47 higher than reported above (a 2.6% increase from 2013).

Operating Budget

The preliminary budget was prepared assuming a 2% wage adjustment for regular staff and a \$60 per month increase in the City-share of the health insurance package. As a reminder, 9 years ago the City changed its health insurance to a high-deductible plan and implemented a VEBA (voluntary employee benefit association) plan that resulted in tremendous cost savings for both the City and employees. During the first few years of this program the City's health insurance premium declined as a result of low usage by City employees and their families. This occurred at a time when most health insurance premiums were increasing 8% to 12% annually. Despite higher rates, due to a new contract in 2010, Shoreview's premiums continue to be far lower than Ramsey County (the City's former plan) and most other cities.

General Fund revenue and expense for 2013 and 2014 are shown in the table below. A listing of specific items that impact the tax levy is provided on the next page, along with the estimated percent impact on the total levy.

	2013	2013	2014	Change from	
	Budget	Estimate	Budget	2013 Budget	
				Dollars	Percent
Revenue					
Property Taxes	\$6,639,567	\$6,639,567	\$6,813,840	\$174,273	2.6%
Licenses & Permits	314,050	362,600	321,500	7,450	2.4%
Intergovernmental	185,622	187,407	188,622	3,000	1.6%
Charges for Services	1,284,970	1,310,670	1,302,110	17,140	1.3%
Fines & Forfeits	62,500	52,800	52,800	(9,700)	-15.5%
Interest Earnings	45,000	40,000	45,000	-	0.0%
Other Revenues	24,040	26,956	25,997	1,957	8.1%
Total Revenue	8,555,749	8,620,000	8,749,869	194,120	2.3%
Expense					
General Government	2,134,062	2,125,547	2,216,884	82,822	3.9%
Public Safety	2,882,693	2,861,662	3,021,228	138,535	4.8%
Public Works	1,475,820	1,474,781	1,558,733	82,913	5.6%
Parks and Recreation	1,611,293	1,600,094	1,685,254	73,961	4.6%
Community Development	558,381	566,477	590,770	32,389	5.8%
Total Expense	8,662,249	8,628,561	9,072,869	410,620	4.7%
Other Sources (Uses)					
Transfers In	519,000	519,000	692,000	173,000	33.3%
Transfers Out	(412,500)	(412,500)	(369,000)	43,500	-10.5%
Net Change	\$ -	\$ 97,939	\$ -	\$ -	

The first section of the box shows changes resulting from a reevaluation of all General Fund revenues to reflect current development activity, preliminary capital projects, transfers from the Cable TV fund for communication costs, and transfers from Utility funds. All revenue changes combined account for a 1.81% decrease in the total tax levy.

The second section of the box shows changes in General Fund expense. These items account for a 3.63% increase in the total proposed tax levy.

The net impact of General Fund changes is a 1.81% increase in the total tax levy.

The EDA, debt funds and capital funds account for a 1.17% increase in the total tax levy, for a combined change in the City levy of 2.98% (1.81% + 1.17%).

	2014 Change	
	Increase (Decrease)	% Impact on Total Tax Levy
Note: (brackets) indicate a decrease in the levy.		
General Fund Revenue Changes		
Building permits	(10,000)	
Zoning/subdiv fees	(4,000)	
Plan check fees	5,000	
Administrative citations	8,000	
Transfer from Cable TV (comm costs)	(45,000)	
Transfers from utility funds	(128,000)	
General Fund Revenue Changes	(174,000)	-1.81%
General Fund Expense Changes		
Police	75,565	
Fire	62,880	
Wage adjustment (2%)	62,224	
Step & other increases	24,491	
Staff changes		
Reallocate Comm Devel Dir	(11,439)	
Asst to City Manager to full-time	14,515	
Part-time HR	10,550	
Election assistance & overtime	7,500	
Finance position turnover (2)	(25,520)	
Acctg assistance	15,000	
IT position turnover	(1,614)	
Maint worker turnover (3)	(7,442)	
Admin Tech/Econ Dev	9,617	
Overtime	3,400	14,567
Health insurance (\$60/mo)	32,538	
Central garage charges	78,755	
Ice and snow supplies	22,000	
PERA, FICA, workers comp insurance	2,942	
Elections	28,200	
Community survey	(26,000)	
Newsletter printing & postage	8,800	
Legal	25,000	
All other misc changes combined	(20,689)	
Transfers out	(43,000)	
General Fund Expense Changes	348,273	3.63%
Total General Fund Changes	174,273	1.81%
Levy Changes in All Other Funds		
EDA Levy	15,000	
Debt (Debt and Central Garage funds)	47,000	
Street Renewal fund	50,000	
General Fixed Asset Repl fund	100,000	
Capital Improvement fund	(120,000)	
Capital Acquisition fund	20,000	
Levy Changes in All Other Funds	112,000	1.17%
Total Change in City Levy	286,273	2.98%
HRA Levy	15,000	20.00%

Below is a brief listing of specific items having an impact on the 2014 tax levy:

- Revenue changes reflect slightly higher permit-related revenues, a reduction in plan check fees and administrative citations
- Transfers from the Cable TV fund increase in support of communication related costs
- Transfers from utility funds increase in conjunction with the target of no more than 1% of asset value (as a payment in lieu of property taxes). Transfers from utility funds to the Central Garage fund decreased for 2014, and partially offset the impact of higher transfers to the General fund.
- Police costs are increasing as a result of an accounting standards change that requires reporting of post employment benefits for retirees, additional assistance for the crime prevention unit, and higher dispatch costs.
- Fire costs include the continued expansion of the duty crew program that has paid on-call firefighters working different shifts at fire stations. In 2014, the department will add about 10 additional hours of duty crew staffing. The budget also includes an increase in duty crew pay, to bring rates closer to the market average.
- Wage costs include a 2% wage adjustment, a \$60 per month increase in the City contribution for health insurance, contributions to PERA and social security, step increases for employees not yet at the regular rate of pay for the position, and position adjustments implemented in 2013 and planned for 2014.
- Central garage charges paid by the General Fund increased due to equipment replacements in 2013 and planned for 2014, as well as the addition of a maintenance center generator.
- Ice and snow supplies increased back to normal levels, because 2013 expenses were lower due to the amount of salt remaining after the winter of 2012.
- Workers compensation premiums decreased for 2014 and nearly offset contributions for PERA social security and Medicare.
- Election costs increase for 2014 and community survey costs decrease (for a net difference of \$3,741).
- Newsletter costs increase \$8,800 primarily as a result of changing to a full color layout.
- Legal costs have increased due to the transition to the new law firm.
- Transfers out decrease a net amount of \$43,000, due primarily to a \$50,000 reduction in the General fund contribution for community center debt service payments.
- The impact of all other General Fund changes net to a \$20,689 decrease.
- The EDA levy increases \$15,000 to cover increased staff costs, and the HRA levy increases \$15,000.
- Combined debt levies increase \$47,000, for existing improvement debt funds, maintenance center debt and 2013 street bonds.
- The Street Renewal levy increases \$50,000
- The levy for the Capital Improvement fund is eliminated and redistributed to the General Fixed Asset Replacement fund (\$100,000) and to the Capital Acquisition fund (\$20,000). The Capital Improvement fund will be replaced by the new Community Investment fund.

Primary Taxing Funds

The attached booklet contains the normal introduction for the Five-Year Operating Plan, a discussion of projected tax levies, as well as projections primary taxing funds (both operating and capital funds). These funds are presented for Council review and discussion before adoption of a preliminary tax levy to ensure that the direction of each fund is consistent with Council objectives. Funds presented in the document include:

Operating Funds

- General Fund
- Economic Development Fund (EDA)
- Housing and Redevelopment Fund (HRA)

Capital Funds

- Street Renewal Fund
- General Fixed Asset Replacement Fund
- Community Investment Fund
- Capital Acquisition Fund (IT costs)

Summary

Staff is seeking Council input on the proposed preliminary tax levy prior to adoption on September 3.

Council Workshop, August 12, 2013

Tax Supported Operating and Capital Funds

**In Preparation for the
2014-2018 Five-year Operating Plan and
2014-2015 Biennial Budget**

Prepared by Department of Finance



EXECUTIVE SUMMARY

Introduction

Long-term financial planning has been a part of the normal business process in Shoreview for more than two decades. It started in the late 1980s with a street replacement plan, and expanded into a comprehensive infrastructure replacement policy by 1992. Through the City's annual Comprehensive Infrastructure Replacement Plan (CHIRP) the City routinely updates capital replacement estimates for a minimum of 40 years; identifies revenue sources to support capital costs; and evaluates the impact of capital costs on inter-fund charges, property tax levies and user fees. The CHIRP policy ensures that capital replacement planning remains a vital and ongoing effort.

Beginning in 2009 Shoreview expanded its long-term financial planning efforts to include a Five-year Operating Plan (FYOP), and adopted its first biennial budget in December of 2011 (for calendar years 2012 and 2013).

This Five-year Operating Plan (FYOP) document contains 3 years of history for each fund, a revised estimate for the current year (2013) and projections for the next 5 years (2014 through 2018). The document also:

- Provides a comprehensive summary and strategy for each fund
- Serves as a supplement to the Biennial Budget, Capital Improvement Program (CIP), and CHIRP
- Estimates potential debt issuance
- Determines necessary tax levy support
- Evaluates future changes in user fees
- Measures the impact of capital projects on operating budgets
- Outlines fund balance goals (an important component of financial stability)
- Predicts fund performance
- Analyzes working capital levels (fund balances) and establishes working capital targets

These long-term financial planning efforts are important steps in protecting the financial flexibility and health of the City through policies that support decision-making, practices that prevent the use of one-time revenues to support ongoing operating expenses, analysis that considers long-term maintenance and operating costs when planning and evaluating capital projects, and document how the City implements its commitment to balanced operations where revenues support operating costs.

Whether these efforts are successful is reflected in how well the City:

- Adapts to changing conditions
- Avoids temporary solutions that cannot be sustained
- Responds to unanticipated events and challenges
- Supports operations with limited new development
- Ensures continuation of essential services
- Protects asset condition
- Navigates economic cycles
- Secures and maintains a high bond rating, thereby reducing borrowing costs
- Prepares for the future
- Moderates changes in tax levies and user fees
- Avoids short-term borrowing to support operations

Fund Balances

Management of fund balance levels is an important part of long-range financial planning, therefore a basic understanding about what fund balances are is helpful in order to understand fund goals. From an accounting perspective, fund balances are simply the difference between assets and liabilities. In general, fund balances give an indication of financial resources available to support ongoing operations. Historically, many terms have been used to describe fund balance, and Governmental Accounting Standards prescribe the use of different terms within the annual financial report. In addition, the terms are changing as financial reporting standards evolve. Some of the terms used now or in the past include: net assets, fund equity, and fund balance; and terms used to describe specific components may include designated, assigned, reserved, committed etc.

Regardless of the terms used, determining adequate fund balance levels can be a challenging task for both policy makers and management professionals.

Shoreview's fund balance goals are established considering the unique circumstances of each fund, with the goal of protecting the provision of City services to the public. Fund balance goals are stated as working capital targets, and are designed to:

1. Provide working capital for operations and capital costs
2. Develop financial flexibility
3. Preserve flexibility for unanticipated events

Working capital needs create special circumstances in some operating funds. For instance, property tax receipts in the General Fund provide 78% of total revenue, and are received twice per year (in July and December). Consequently, the General Fund supports ongoing operations for nearly 6 months of the year before the first receipt of its largest revenue source. In this case, fund balances provide necessary working capital to avoid cash deficits and short-term borrowing. For the purpose of measuring working capital in this document, fund balances are evaluated by the number of months or years of operating coverage. This calculation includes operating and debt service costs, and may also include capital outlay and transfers to other funds if they have a significant impact on the fund.

Financial flexibility provides benefits such as financing a portion of capital costs without borrowing, providing interest income for operating and capital funds, and insulating the City from temporary revenue shortfalls or unexpected one-time costs. These benefits help the City moderate changes in levies and user fees over time, and protect service levels from cuts dictated by one-time events.

Unanticipated events or emergencies can create temporary cash flow challenges for a City. Recent examples for Shoreview include state aid cuts, emergency utility system repairs, community-wide cleanup associated with storm damage, extended periods of drought, sustained periods of heavy rainfall, and economic conditions/pressures.

Operating Assumptions

As stated earlier, the process of determining appropriate fund balances involves an examination of past performance as well as future operating projections. By understanding the challenges of the past and future, coupled with potential opportunities, a strong set of operating goals and objectives can emerge and guide decision-making.

Since any set of projections also employs the use of assumptions, it is important to note that projections were based on several key factors. These include actual contribution rates where known, industry estimates, anticipated contract changes, capital projections, expected debt issuance and inflationary factors. In general, costs were inflated between 0% and 10%. Some of the key assumptions used to assemble these projections include:

- No new development is projected in the next 5 years
- Population remains stable, with slight declines due to a reduction in residents per household
- Full-time wage adjustments are limited to 2% for 2014, and a tentative estimate of 3% is used for 2015 and beyond
- Health insurance costs rise between 11 and 19% per year (combined employer and employee shares)
- Liability and workers compensation insurance rates drop 14% for 2014 and rise nearly 9% in 2015 followed by level rates through 2018
- Most contractual costs are expected to rise between 0% and 3% per year, while police and fire contracts, central garage charges, fuel and utility costs are expected to rise between 2% and 10% per year
- Property values are projected to increase 1% for 2014, 2% for 2015, and modest property value increases of 2.7% to 3% per year beginning in 2016

Since this document provides only those operating funds that are supported by a tax levy, the document is significantly shorter than the normal FYOP. Regardless, each fund discussion includes projections (in table form) and graphs that illustrate operating results, a brief narrative examination of past performance, and specific goals/targets tailored for the fund.

Levy, Value and Tax Rate Projections

A number of factors determine the final property tax bill, including the tax levies for each local jurisdiction, state aids and credits, levy limits, special levies, property values, metro-wide pooling of commercial/industrial values (known as fiscal disparities), and tax rates. This section provides a brief overview of these factors.

Property tax levies provide support for General Fund operations, general obligation debt, and capital funds. The table on the next page provides a four-year historical review of levy and value changes as well as consolidated predictions based on individual fund projections included in this document.

Homestead Market Value Exclusion (HMVE)—Beginning in 2012 the State of Minnesota replaced the Market Value Homestead Credit (MVHC) program with a Homestead Market Value Exclusion (HMVE) program, which excludes a portion of homestead property value from property taxes. The amount of excluded value is equal to 40% of the first \$76,000 in home value, less 9% of the value over \$76,000 but less than \$413,800. No exclusion is given for homes above \$413,800.

Home Value	Excluded Value	Percent of Value Excluded
\$ 76,000	\$30,400	40.0%
\$ 100,000	\$ 28,240	28.2%
\$ 150,000	\$ 23,740	15.8%
\$ 200,000	\$ 19,240	9.6%
\$ 235,700	\$ 16,027	6.8%
\$ 250,000	\$ 14,740	5.9%
\$ 300,000	\$ 10,240	3.4%
\$ 350,000	\$ 5,740	1.6%
\$ 400,000	\$ 1,240	0.3%
\$ 413,800	\$ -	0.0%

Levy Limits—During some years State statutes place restrictions on local government levies through levy limits. Typically, the levy limit formula provides special levy authority outside of the levy limit for the cost of police and fire, the increased contributions to PERA, debt payments and certain other special levies. For 2014 the City is subject to a levy increase of 3%, and only levies for General Obligation debt are allowed in excess of the limit.

It is important to note that Shoreview was not subject to a levy limit for 2012 and 2013. Shoreview's 2010 levy was \$211,327 below the maximum allowable levy, and the 2011 levy that was \$364,703 below the maximum.

Typically, the levy limit formula preserves unused levy authority by computing a future levy limit from the maximum in a previous year. For 2014, the levy limit law is computed based on adopted levies, which means that the previous gap between the City's levy and the levy limit is lost.

Tax Levy—Even though the largest share of the tax levy is allocated to the General fund, over the last 10 years (since 2004) the General Fund share of the tax levy has declined from a high of 77% in 2004 to a low of 69% for 2014, while the combined debt service and capital share of the tax levy has risen from 23% in 2004 to 31% for 2014. This trend is expected to continue in the future due to increased repair and replacement costs.

Property Values—Between 2004 and 2008 both market values and taxable values increased an average of 9.9% per year. From 2008 to 2013 the economic climate resulted in declining property values at an average rate of 5.9% per year. Preliminary information from the county assessor indicates that property values for 2014 taxes are expected to increase about 1%. The projections in this document assume that values will increase 2% for 2015 and about to 3% per year thereafter.

Fiscal Disparities—The fiscal disparities formula, provided in State Statutes, takes 40% of the value of new commercial and industrial development in the metro area and redistributes the value back to each community based on a formula. The result is either a net gain or net loss in tax dollars from the pool.

Tax Rates—The tax rate measures the change in tax levies in relation to the change in taxable values. Because values generally grew faster than the tax levy from 2005 to 2008, the tax rate dropped. Since then, values have dropped and levies have grown, resulting in tax rate growth since 2008. For 2014, the expected modest growth in market values and the 3% rise in the City's levy, is expected to result in a 1% increase in the City's tax rate. Beyond 2014 the tax rate is expected to rise between 2% and 3%.

As taxable values from TIF districts 1, 2 and 5 return to the general tax base, the annual increase in the tax rate is reduced to between .4% and 2%.

Levy and Value Projections	2010 Adopted	2011 Adopted	2012 Adopted	2013 Adopted	2014 Budget	2015 Budget	2016 Projected	2017 Projected	2018 Projected
Tax Levy									
General fund (net of lost MVHC)	\$ 6,228,739	\$ 6,343,983	\$ 6,467,060	\$ 6,639,567	\$ 6,813,840	\$ 7,173,057	\$ 7,578,034	\$ 7,856,107	\$ 8,173,453
EDA	-	25,000	55,000	60,000	75,000	85,000	95,000	100,000	105,000
HRA	50,000	60,000	70,000	75,000	90,000	95,000	100,000	105,000	110,000
Debt-All Debt Funds (combined)	565,000	527,000	442,026	501,000	548,000	544,000	545,000	551,000	542,000
Debt-Central Garage Fund	-	98,000	216,000	184,000	184,000	208,000	208,000	200,000	200,000
Capital project-Street Renewal Fund	700,000	750,000	800,000	850,000	900,000	950,000	1,000,000	1,060,000	1,124,000
Capital project-General Fixed Asset Fund	1,100,000	1,150,000	1,200,000	1,250,000	1,350,000	1,425,000	1,475,000	1,495,000	1,505,000
Capital project-Capital Acquis Fund (IT)					20,000	25,000	30,000	35,000	40,000
Capital project-Capital Impr. Fund	90,000	100,000	110,000	120,000	-	-	-	-	-
Total Levy (net of MVHC loss)	\$ 8,733,739	\$ 9,053,983	\$ 9,360,086	\$ 9,679,567	\$ 9,980,840	\$ 10,505,057	\$ 11,031,034	\$ 11,402,107	\$ 11,799,453
Market Value (millions)	\$ 3,015.6	\$ 2,838.6	\$ 2,568.6	\$ 2,404.9	\$ 2,430.0	\$ 2,480.0	\$ 2,550.0	\$ 2,625.0	\$ 2,704.0
Taxable Value (millions)	\$ 29.6	\$ 27.6	\$ 25.4	\$ 23.7	\$ 23.9	\$ 24.4	\$ 24.9	\$ 25.6	\$ 26.4
Fiscal Disparities/City	\$ 832,802	\$ 866,880	\$ 838,214	\$ 845,000	\$ 950,000	\$ 960,000	\$ 980,000	\$ 1,000,000	\$ 1,020,000
Fiscal Disparities/HRA	\$ -	\$ 5,304	\$ 5,407	\$ 6,457	\$ 7,400	\$ 7,400	\$ 7,400	\$ 7,400	\$ 7,400
Tax Rate/City	27.569	30.671	33.252	36.970	37.362	38.715	39.969	40.154	40.395
Tax Rate/HRA	0.169	0.198	0.254	0.289	0.345	0.359	0.372	0.381	0.388
Annual Change in City Tax Levy									
General fund (net of MVHC loss)	\$ 211,149	\$ 115,244	\$ 123,077	\$ 172,507	\$ 174,273	\$ 359,217	\$ 404,977	\$ 278,073	\$ 317,346
EDA and HRA (combined)	50,000	35,000	40,000	10,000	30,000	15,000	15,000	10,000	10,000
Debt (all funds combined)	12,000	60,000	33,026	26,974	47,000	20,000	1,000	(2,000)	(9,000)
Capital project funds-replacements	100,000	100,000	100,000	100,000	150,000	125,000	100,000	80,000	74,000
Capital project funds-improvements	10,000	10,000	10,000	10,000	(100,000)	5,000	5,000	5,000	5,000
Total Change in Tax Levy	\$ 383,149	\$ 320,244	\$ 306,103	\$ 319,481	\$ 301,273	\$ 524,217	\$ 525,977	\$ 371,073	\$ 397,346
Percent Change/Tax Data									
Market Value	-5.71%	-5.87%	-9.51%	-6.37%	1.04%	2.06%	2.82%	2.94%	3.01%
Taxable Value	-5.67%	-6.74%	-8.05%	-6.78%	1.00%	2.00%	2.00%	3.00%	3.00%
Fiscal Disparities	11.44%	4.09%	-3.31%	0.81%	12.43%	1.05%	2.08%	2.04%	2.00%
City Tax Levy (net of MVHC cuts)	4.59%	3.67%	3.38%	3.41%	3.11%	5.25%	5.01%	3.36%	3.48%
City Tax Rate	9.71%	11.25%	8.42%	11.18%	1.06%	3.62%	3.24%	0.46%	0.60%
HRA Tax Levy (net of MCHC cuts)		20.18%	21.25%	7.14%	20.00%	5.56%	5.26%	5.00%	4.76%
HRA Tax Rate		17.16%	28.28%	13.78%	19.38%	4.06%	3.62%	2.42%	1.84%

General Fund Operations

The General Fund is the primary operating fund of the City, accounting for all operations not otherwise accounted for in separate funds. In 2014, property taxes provide 77.9% of revenues for the fund (excluding transfers from other funds).

The City's fund balance policy addresses General Fund cash flow needs by designating 50% of the ensuing year tax levy as a minimum fund balance and by designating up to 10% of the ensuing year budgeted expense to provide additional protection against unanticipated events.

Impacts

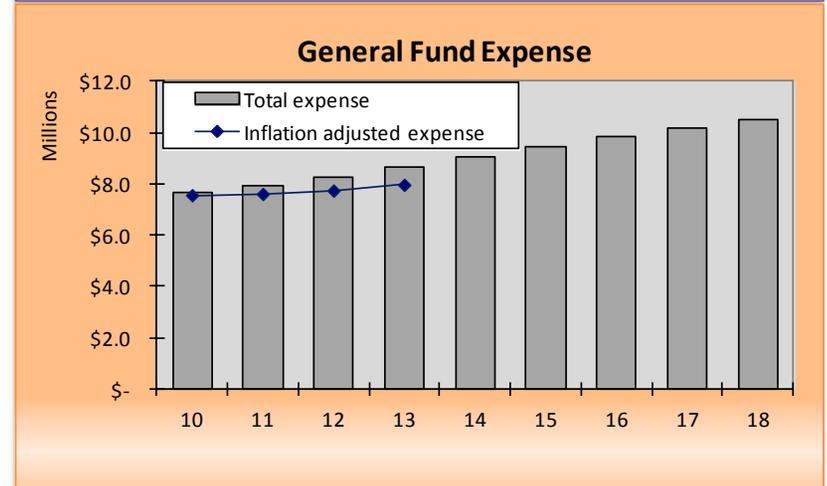
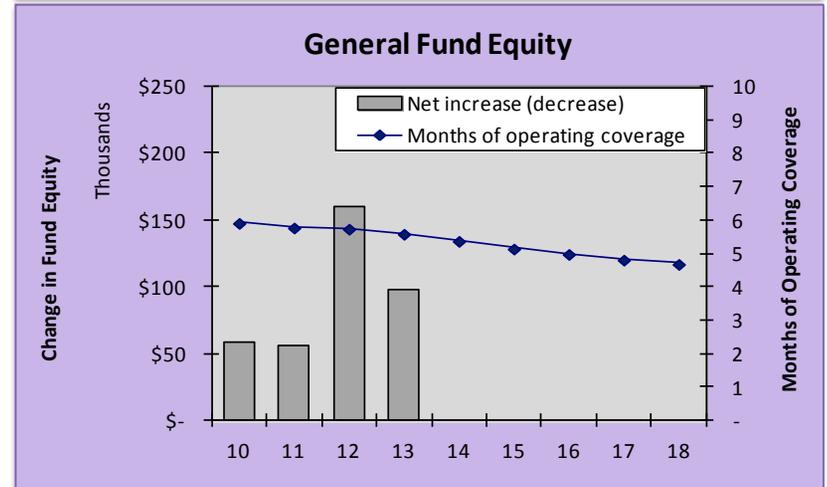
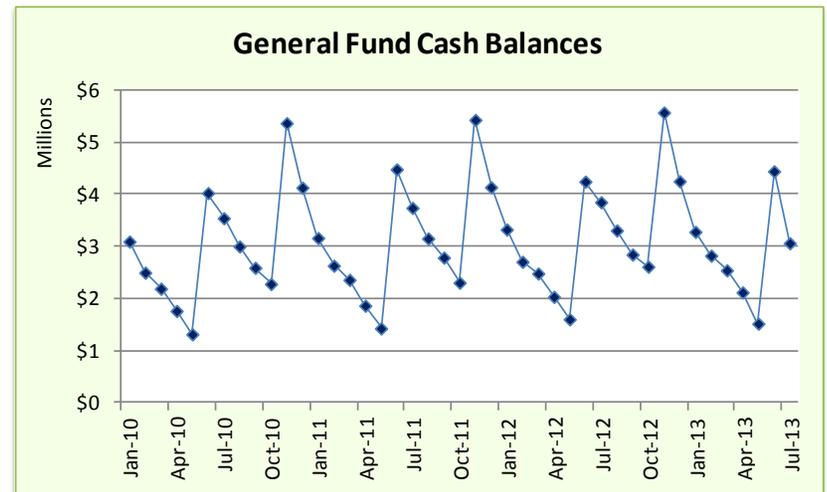
- Shoreview receives no local government aid (LGA), and less aid than cities of similar size, making it more challenging to maintain competitive property tax levels
- Property taxes are increasing as a percent of total General Fund revenue, providing 77.9% of total revenue in 2014 and 80.6% in 2018
- Property tax collections occur in July and December, creating cash flow challenges for the fund

Performance/History

- Strong fund balances near 50% of current expense
- Operating coverage greater than 5 months in most years
- Internal decisions account for more than 90% of revenue sources

Fund Goals/Targets

- To manage cash flow needs, preserve working capital allocation equal to 50% of the ensuing year levy (minimum fund equity per City policy)
- To provide flexibility in addressing future budget challenges, preserve the unanticipated event allocation equal to 10% of the ensuing year budget where possible (per City policy)
- Maintain operating coverage equal to 5 months through retention of future operating surplus when available and through levy adjustments when necessary to meet working capital targets



General Fund	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Actual	Actual	Actual	Estimate	Budget	Budget	Projected	Projected	Projected
Revenue									
Property Taxes	\$ 6,170,162	\$ 6,265,673	\$ 6,374,969	\$ 6,639,567	\$ 6,813,840	\$ 7,173,057	\$ 7,578,034	\$ 7,856,107	\$ 8,173,453
Licenses & Permits	501,198	441,243	540,755	362,600	321,500	308,300	288,800	274,800	267,300
Intergovernmental	187,717	188,521	187,149	187,407	188,622	188,622	189,622	189,622	190,622
Charges for Services	1,226,101	1,198,357	1,262,088	1,310,670	1,302,110	1,302,400	1,320,900	1,346,100	1,373,100
Fines & Forfeits	32,813	62,135	67,000	52,800	52,800	52,800	52,800	52,800	52,800
Interest Earnings	38,330	79,714	47,253	40,000	45,000	50,000	50,000	55,000	55,000
Other Revenues	33,400	40,264	52,529	26,956	25,997	26,227	26,427	27,001	27,201
Total Revenue	8,189,721	8,275,907	8,531,743	8,620,000	8,749,869	9,101,406	9,506,583	9,801,430	10,139,476
Expense									
General Government	1,696,835	1,839,812	2,037,850	2,125,547	2,216,884	2,252,601	2,339,394	2,399,232	2,509,090
Public Safety	2,448,406	2,556,068	2,706,424	2,861,662	3,021,228	3,144,024	3,280,134	3,431,525	3,544,150
Public Works	1,284,791	1,298,219	1,389,113	1,474,781	1,558,733	1,605,783	1,651,445	1,715,970	1,763,177
Parks and Recreation	1,665,045	1,716,548	1,594,152	1,600,094	1,685,254	1,816,844	1,949,721	1,971,661	2,037,243
Community Development	554,739	530,288	517,777	566,477	590,770	612,154	631,889	652,042	676,816
Total Expense	7,649,816	7,940,935	8,245,316	8,628,561	9,072,869	9,431,406	9,852,583	10,170,430	10,530,476
Other Sources (Uses)									
Transfers In	312,000	471,450	481,000	519,000	692,000	708,000	734,000	767,000	800,000
Transfers Out	(793,418)	(751,145)	(607,830)	(412,500)	(369,000)	(378,000)	(388,000)	(398,000)	(409,000)
Net Change	58,487	55,277	159,597	97,939	-	-	-	-	-
Fund Equity, beginning	3,862,648	3,921,135	3,976,412	4,136,009	4,233,948	4,233,948	4,233,948	4,233,948	4,233,948
Fund Equity, ending	\$ 3,921,135	\$ 3,976,412	\$ 4,136,009	\$ 4,233,948					
Fund equity percent of expense	49.4%	48.2%	47.9%	46.7%	44.9%	43.0%	41.6%	40.2%	39.1%
Months of operating coverage	5.9	5.8	5.8	5.6	5.4	5.2	5.0	4.8	4.7
Expense percent change	2.0%	3.8%	3.8%	4.6%	5.1%	4.0%	4.5%	3.2%	3.5%
Average annual percent change				3.6%					4.1%
Tax Levy percent change	3.5%	1.5%	1.7%	4.2%	2.6%	5.3%	5.6%	3.7%	4.0%
Average annual percent change				2.7%					4.3%
Percent revenue/internal decision:	90.8%	91.3%	90.1%	93.1%	93.8%	94.2%	94.7%	94.9%	95.1%
Percent revenue/external decision	9.2%	8.7%	9.9%	6.9%	6.2%	5.8%	5.3%	5.1%	4.9%

Economic Development Authority Fund Operations

The Economic Development Authority (EDA) was created in 2008 with an initial \$50,000 transfer from the General Fund and \$2,025 from the former Economic Development Fund. The City's previous deposit in the Twin Cities Community Capital Fund was returned to the City in 2010 (\$165,777). Because the funds are legally restricted to economic development and business assistance (as governed by Minnesota statutes), the EDA is exploring other options for a business loan program. The funds will be invested until a loan program is selected or developed.

Impacts

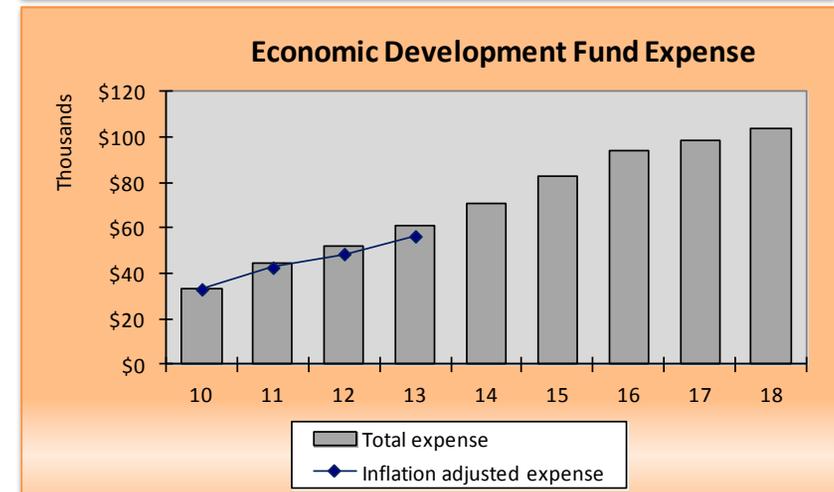
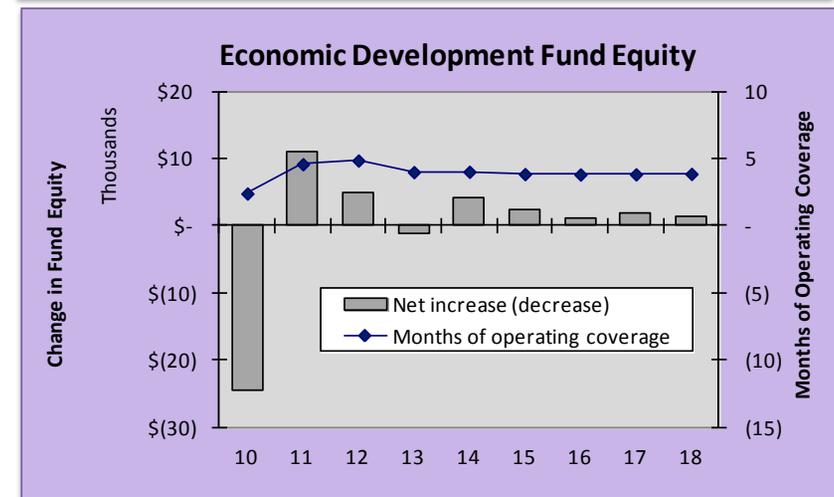
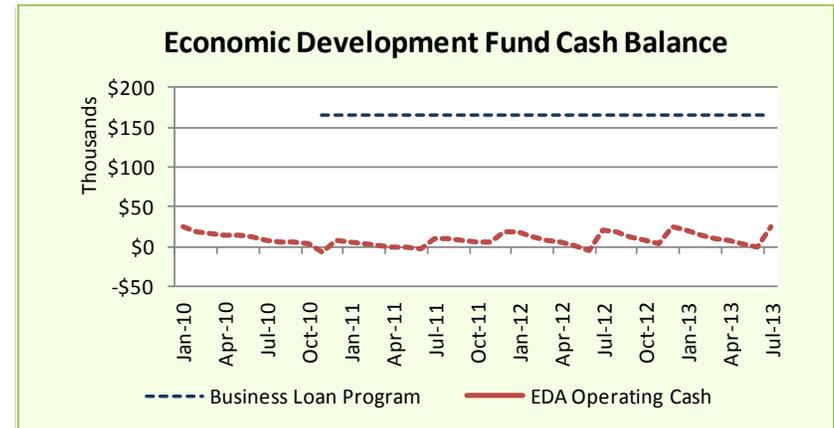
- First tax levy in 2011
- Levy authority is within the City's levy limit, when levy limits are in effect
- Property tax collections occur in July and December, creating cash flow challenges for the fund

Performance/History

- Operating coverage has improved in recent years, to at or above 4 months of operating coverage

Fund Goals/Targets

- Establish and maintain 4 months of operating coverage
- Monitor fund balance changes



Economic Development Authority Fund	2010 Actual	2011 Actual	2012 Actual	2013 Estimate	2014 Budget	2015 Budget	2016 Projected	2017 Projected	2018 Projected
Revenue									
Property Taxes	\$ -	\$ 24,818	\$ 54,358	\$ 60,000	\$ 75,000	\$ 85,000	\$ 95,000	\$ 100,000	\$ 105,000
Interest Earnings	436	3,969	2,367	-	-	-	-	-	-
Other Revenues	-	-	-	-	-	-	-	-	-
Total Revenue	436	28,787	56,725	60,000	75,000	85,000	95,000	100,000	105,000
Expense									
Community Development									
Personal Services	6,920	23,339	27,698	34,496	39,454	49,580	60,305	64,182	67,923
Supplies	-	1,776	2,583	3,200	3,200	3,400	3,400	3,500	3,500
Contractual Services	26,529	19,354	21,484	23,410	28,310	29,620	30,130	30,500	32,220
Total Expense	33,449	44,469	51,765	61,106	70,964	82,600	93,835	98,182	103,643
Other Sources (Uses)									
Transfers In									
From General Fund	8,354	26,556	-	-	-	-	-	-	-
Net Change	(24,659)	10,874	4,960	(1,106)	4,036	2,400	1,165	1,818	1,357
Fund Equity, beginning	199,309	174,650	185,524	190,484	189,378	193,414	195,814	196,979	198,797
Fund Equity, ending	\$ 174,650	\$ 185,524	\$ 190,484	\$ 189,378	\$ 193,414	\$ 195,814	\$ 196,979	\$ 198,797	\$ 200,154
Fund Equity Breakdown									
Business loan program fund balance	\$ 165,777	\$ 165,777	\$ 165,777	\$ 165,777	\$ 165,777	\$ 165,777	\$ 165,777	\$ 165,777	\$ 165,777
Non loan program fund balance	\$ 8,873	\$ 19,747	\$ 24,707	\$ 23,601	\$ 27,637	\$ 30,037	\$ 31,202	\$ 33,020	\$ 34,377
Months of operating coverage (excluding balances restricted for a business loan progr)	2.4	4.6	4.9	4.0	4.0	3.8	3.8	3.8	3.9
Tax levy percent change			119.0%	10.4%	25.0%	13.3%	11.8%	5.3%	5.0%
Annual average percent change				64.7%					12.1%

Housing Redevelopment Authority Fund Operations

The Housing Redevelopment Authority (HRA) was created in 2009 to account for housing-related activities of the EDA, with the first year of operation in 2010.

Impacts

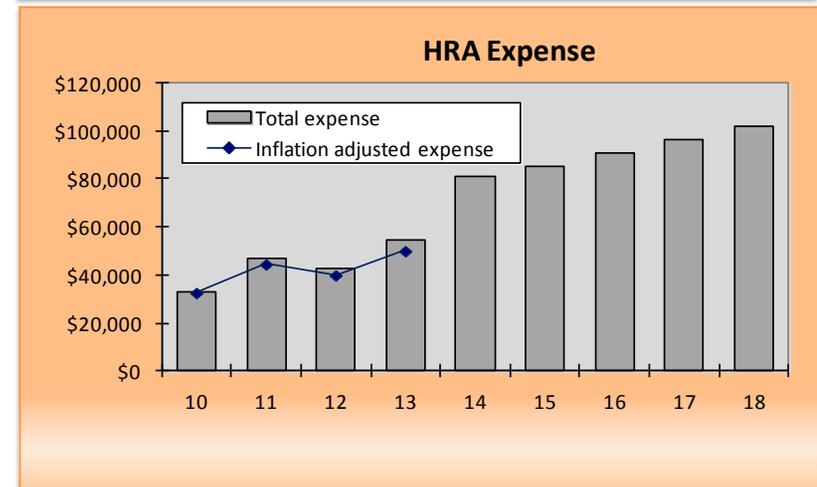
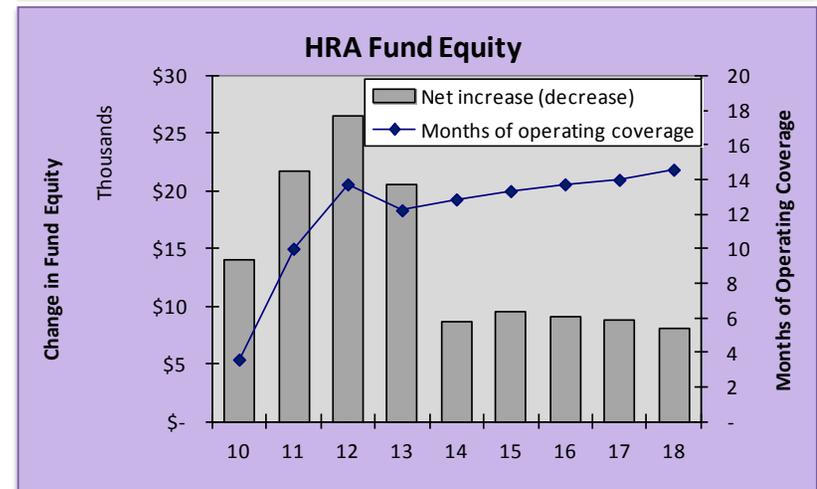
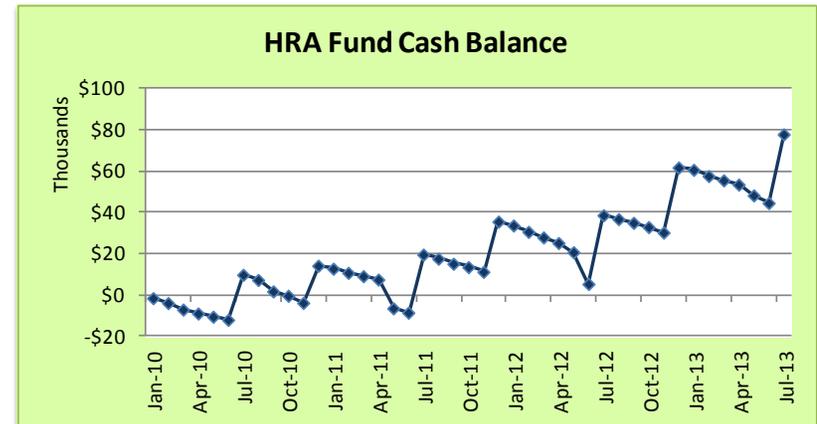
- First tax levy in 2010
- HRA levy authority is outside the City's levy limit

Performance/History

- Operating coverage has improved from 3.6 months of coverage in 2010 (the first year of operation) to 13.7 months at the end of 2012

Fund Goals/Targets

- Establish and maintain 5 months of operating coverage
- Monitor fund balance changes



Housing Redevelopment Authority	2010 Actual	2011 Actual	2012 Actual	2013 Estimate	2014 Budget	2015 Budget	2016 Projected	2017 Projected	2018 Projected
Revenue									
Property Taxes	\$ 47,248	\$ 57,380	\$ 68,909	\$ 75,000	\$ 90,000	\$ 95,000	\$ 100,000	\$ 105,000	\$ 110,000
Interest Earnings	-	269	424	-	-	-	-	-	-
Total Revenue	47,248	57,649	69,333	75,000	90,000	95,000	100,000	105,000	110,000
Expense									
Community Development									
Personal Services	28,415	31,070	29,344	36,625	61,556	64,499	67,518	72,465	77,077
Contractual Services	4,852	15,707	13,519	17,750	19,750	20,950	23,450	23,800	24,900
Debt Service	14	-	-	-	-	-	-	-	-
Total Expense	33,281	46,777	42,863	54,375	81,306	85,449	90,968	96,265	101,977
Other Sources (Uses)									
Transfers In	-	10,861	-	-	-	-	-	-	-
Net Change	13,967	21,733	26,470	20,625	8,694	9,551	9,032	8,735	8,023
Fund Equity, beginning	-	13,967	35,700	62,170	82,795	91,489	101,040	110,072	118,807
Fund Equity, ending	\$ 13,967	\$ 35,700	\$ 62,170	\$ 82,795	\$ 91,489	\$ 101,040	\$ 110,072	\$ 118,807	\$ 126,830
Fund equity percent of expense	29.9%	83.3%	114.3%	101.8%	107.1%	111.1%	114.3%	116.5%	121.4%
Months of operating coverage	3.6	10.0	13.7	12.2	12.8	13.3	13.7	14.0	14.6
Taxable Value (millions)	\$ 29.6	\$ 27.6	\$ 25.4	\$ 23.7	\$ 23.9	\$ 24.4	\$ 24.9	\$ 25.6	\$ 26.4
Tax Rate (HRA)	0.169%	0.198%	0.254%	0.289%	0.345%	0.359%	0.372%	0.381%	0.388%
Change in tax rate		17.2%	28.3%	13.8%	19.4%	4.1%	3.6%	2.4%	1.8%
Average annual percent change				19.7%					6.3%
Expense percent change		40.6%	-8.4%	26.9%	49.5%	5.1%	6.5%	5.8%	5.9%
Average annual percent change				19.7%					14.6%
Market value homestead credit loss	\$ 1,965	\$ 2,270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Street Renewal Fund
Operating Summary**

Year	Revenue			Street Bonds	Total Replacement Costs	Fund Balance
	Property Taxes	Interest Earnings	Special Assessments			
2013	\$ 850,000	\$ 33,500	\$ 12,821	\$ 2,500,000	\$ 3,344,866	\$ 2,286,463
2014	900,000	45,700	12,821	-	850,900	2,394,084
2015	950,000	47,900	12,821	-	955,600	2,449,205
2016	1,000,000	61,200	12,821	-	960,100	2,563,126
2017	1,060,000	76,900	12,821	-	971,400	2,741,447
2018	1,124,000	82,200	12,821	-	1,140,900	2,819,568
2019	1,191,000	84,600	6,200	-	906,500	3,194,868
2020	1,262,000	95,800	6,200	-	1,441,000	3,117,868
2021	1,338,000	93,500	6,200	-	1,448,600	3,106,968
2022	1,418,000	93,200		2,500,000	3,875,300	3,242,868
2023	1,461,000	97,300		-	1,382,100	3,419,068
2024	1,505,000	102,600		-	2,676,100	2,350,568
2025	1,550,000	70,500		-	399,300	3,571,768
2026	1,589,000	107,200		-	2,829,500	2,438,468
2027	1,629,000	73,200		-	415,000	3,725,668
2028	1,670,000	111,800		2,500,000	5,490,500	2,516,968
2029	1,712,000	75,500		-	430,300	3,874,168
2030	1,755,000	116,200		-	3,161,100	2,584,268
2031	1,799,000	77,500		-	447,200	4,013,568
2032	1,844,000	120,400		-	3,286,400	2,691,568

Street Renewal Fund projections indicate that annual tax levy increases between \$50,000 and \$67,000 will support planned projects. The next street rehabilitation bond is planned for the year 2022, and will coincide with the end of the levy for the 2006 Street Improvement Bonds.

**General Fixed Asset Replacement Fund
Operating Summary**

Year	Revenue		Expense						Fund Balance
	Tax Levy	Interest Earnings	Public Safety	Information Systems	Municipal Buildings	Parks	Trails & Other	Transf Out Comm Cntr Debt Serv	
2013	\$ 1,250,000	\$ 7,000	\$ 437,696	\$ 97,700	\$ 208,983	\$ 561,000	\$ 65,000	\$ 180,000	\$ 464,666
2014	1,350,000	8,000	116,848	118,000	457,000	87,000	140,000	180,000	723,818
2015	1,425,000	9,000	110,598	144,000	756,000	292,000	75,000	180,000	632,446
2016	1,475,000	11,000	49,531	138,000	225,000	168,000	122,000	180,000	1,235,915
2017	1,495,000	13,000	533,845	108,500	410,000	179,400	127,000	180,000	1,205,170
2018	1,505,000	35,000	44,918	629,000	295,400	936,000	80,000	180,000	587,712
2019	1,515,000	20,000	29,732	104,000	150,000	243,200	80,000	180,000	1,335,780
2020	1,522,600	41,000	140,875	94,000	416,000	339,000	81,600	180,000	1,647,905
2021	1,530,200	50,000	657,206	102,000	542,000	59,800	83,200	180,000	1,603,899
2022	1,537,900	49,000	493,500	94,000	365,000	179,000	184,900	180,000	1,694,399
2023	1,545,600	53,000	62,000	89,000	340,000	138,500	86,600	-	2,576,899
2024	1,553,300	80,000	32,369	107,000	332,000	60,600	88,300	-	3,589,930
2025	1,561,100	108,000	40,000	89,000	880,000	198,000	90,100	-	3,961,930
2026	1,568,900	119,000	1,102,400	94,000	256,000	123,100	91,900	-	3,982,430
2027	1,576,700	122,000	48,518	167,000	190,000	106,100	93,700	-	5,075,812
2028	1,584,600	150,000	1,487,200	94,000	439,000	167,100	95,600	-	4,527,512
2029	1,592,500	137,000	287,500	389,000	415,000	87,000	97,500	-	4,981,012
2030	1,600,500	144,000	28,000	107,000	2,734,000	213,000	224,500	-	3,419,012
2031	1,608,500	103,000	295,370	89,000	756,200	162,400	101,500	-	3,726,042
2032	1,616,500	113,000	451,900	94,000	440,000	187,000	103,500	-	4,179,142

General Fixed Asset Fund projections indicate that planned levy increases will support planned projects. The levy will increase \$100,000 for 2014, due in part to the elimination of the levy for the Capital Improvement Fund. A portion of that levy has been allocated to the General Fixed Asset Fund to improve projected fund balances. Changes in the levy after 2014 include a \$75,000 increase for 2015, a \$50,000 increase for 2016 and increases of \$20,000 or less beyond 2016 (which amounts to a .5% annual change in the levy), unless capital projections change, requiring higher levies.

Community Investment Fund (by renaming the Capital Improvement Fund)

Operating Summary

Year	Revenue				Expenses						
	PCS Antenna	Billboard Fees	2.5% Franchise Revenue	Interest Earnings	Current CIP Projects				Allowance for Future Projects	Comm Cntr Debt Pymts 2002 COPs	Fund Balance
					Community Center	Parks	Wading Pool	Trail			
2013											\$ 622,518
2014	\$ 280,227	\$ 50,000	\$ 804,000	\$ 6,600	\$ 50,000	\$ 80,000	\$ -	\$ -		\$ 175,000	1,458,345
2015	292,408	51,500	804,000	12,200	1,650,000	40,000	-	-		175,000	753,453
2016	305,175	53,045	804,000	13,300	50,000	-	400,000	-		175,000	1,303,973
2017	318,556	54,636	804,000	18,900	50,000	600,000	-	94,000		175,000	1,581,065
2018	332,581	56,275	804,000	27,200	50,000	-	-	-		175,000	2,576,121
2019	347,281	57,964	804,000	39,800	50,000	600,000	-	-		180,000	2,995,166
2020	362,689	59,703	804,000	45,100	100,000	100,000	-	-	1,500,000	180,000	2,386,658
2021	378,839	61,494	804,000	45,100	100,000	400,000	-	-	-	180,000	2,996,091
2022	395,767	63,339	804,000	63,500	100,000	100,000	-	-	-	180,000	3,942,697
2023	413,600	72,191	804,000	80,300	100,000	400,000	-	-	2,000,000	65,640	2,747,148
2024	432,200	73,757	804,000	68,000	100,000	100,000	-	-	-	-	3,925,105
2025	451,600	75,969	804,000	91,800	100,000	100,000	-	-	-	-	5,148,474
2026	471,900	78,200	804,000	131,100	100,000	400,000	-	-	2,500,000	-	3,633,674
2027	493,100	80,500	804,000	97,300	100,000	100,000	-	-	-	-	4,908,574
2028	515,300	82,900	804,000	140,200	100,000	100,000	-	-	-	-	6,250,974
2029	538,500	85,400	804,000	174,100	100,000	400,000	-	-	-	-	7,352,974
2030	562,700	88,000	804,000	222,200	100,000	100,000	-	-	3,000,000	-	5,829,874
2031	588,000	90,600	804,000	180,700	100,000	100,000	-	-	-	-	7,293,174
2032	614,460	93,300	804,000	241,500	100,000	400,000	-	-	4,000,000	-	4,546,434

Community Investment Fund projections indicate that revenue from franchise fees, PCS antenna receipts and billboard fees will sufficiently support capital costs planned in the CIP and will provide funding for future projects.

**Capital Acquisition (IT Systems)
Operating Summary**

Year	Revenue						Expenses	Fund Balance
	Property Taxes	General Fixed Asset	Transfers In		Central Garage	Interest Earnings	Capital Cost	
			Water	Sewer				
2013								\$ 41,247
2014	\$ 20,000	\$ 118,000	\$ -	\$ -	\$ -	\$ 200	\$ 160,650	18,797
2015	25,000	144,000	800	800	14,000	100	163,600	39,897
2016	30,000	138,000	-	-	-	400	163,800	44,497
2017	35,000	108,500	3,800	3,800	-	400	121,100	74,897
2018	40,000	629,000	-	-	-	1,100	637,300	107,697
2019	40,000	104,000	800	800	-	1,600	118,100	136,797
2020	40,000	94,000	-	-	-	2,700	114,000	159,497
2021	40,000	102,000	-	-	-	3,200	122,000	182,697
2022	40,000	94,000	-	-	-	4,600	114,000	207,297
2023	40,000	89,000	-	-	-	5,200	109,000	232,497
2024	40,000	107,000	-	-	-	5,800	127,000	258,297
2025	40,000	89,000	-	-	-	6,500	109,000	284,797
2026	40,000	94,000	-	-	-	7,100	114,000	311,897
2027	40,000	167,000	-	-	-	7,800	187,000	339,697
2028	40,000	94,000	-	-	-	8,500	114,000	368,197
2029	40,000	389,000	-	-	-	9,200	409,000	397,397
2030	40,000	107,000	-	-	-	9,900	127,000	427,297
2031	40,000	89,000	-	-	-	10,700	109,000	457,997
2032	40,000	94,000	-	-	-	11,400	114,000	489,397

Capital Acquisition fund projections indicate that the modest tax levy reallocated from the old Capital Improvement Fund (\$20,000 for 2014) combined with small levy increases (\$5,000 per year or less), will support planned information systems improvements (not eligible for reimbursement through the General Fixed Asset fund because they are not considered replacement costs).

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City Council

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Public Safety

In an emergency	Dial 911
Ramsey County Sheriff, non-emergency.....	651-484-3366
Lake Johanna Fire Dept, non-emergency.....	651-481-7024

TO: Terry Schwerm, City Manager
Mayor and City Council

FROM: Fred Espe, Assistant Finance Director

DATE: August 5, 2013

RE: Proposed Community Investment Fund Policy

Introduction

On June 3, 2013 the City Council approved ordinances implementing franchise fees on electric and gas services with Xcel Energy. The franchise fee was established to provide a new revenue source for projects of community-wide benefit (parks, trails, recreational, cultural and other projects) and to provide financing for projects that have been delayed or not programmed due to funding constraints. The new franchise fee is estimated to generate annual income of \$804,000 in 2014.

As part of the implementation of franchise fees, the city Council indicated a desire to create a new Community Investment Fund. This fund would be established by a City Council policy that identifies revenue sources and eligible expenditures, establishes a minimum fund balance to ensure available capital funding for future generations, and outlines a process for spending the funds. Attached is a draft policy for the Council to review.

Community Investment Fund Policy

The proposed policy formally establishes a Community Investment Fund through the closing and transfer of the City's Capital Improvement Fund's ending fund balance at December 31, 2013 (estimated to be \$622,518). The primary revenue sources of the new Community Investment Fund will be franchise fees. In addition, staff recommends that wireless telecommunication antenna receipts, and outdoor billboard lease receipts be dedicated to this fund, particularly since these receipts have been used for park related improvements in the past.

Staff also recommends that a minimum fund balance of \$3,000,000 be established over time, by restricting a portion of revenue each year to fund balance growth. The table at the top of the next page outlines how fund balance would grow according to proposed language in the policy. During the first 6 years, 15% of the annual revenue would be dedicated to fund balance growth. Beginning in the 7th year, 20% of the annual revenue would be dedicated to fund balance growth until the minimum fund balance of \$3 million is achieved. It is estimated that the fund will reach the minimum balance by 2027.

Year	PCS, Billboard & Franchise Revenue		Minimum Contribution to Fund Balance	Minimum Fund Balance
2013	\$ 494,605	15%	\$ 74,191	\$ 74,191
2014	1,134,227	15%	170,134	244,325
2015	1,147,908	15%	172,186	416,511
2016	1,162,220	15%	174,333	590,844
2017	1,177,192	15%	176,579	767,423
2018	1,192,856	15%	178,928	946,351
2019	1,209,245	20%	241,849	1,188,200
2020	1,226,392	20%	245,278	1,433,479
2021	1,244,333	20%	248,867	1,682,345
2022	1,263,106	20%	252,621	1,934,966
2023	1,289,791	20%	257,958	2,192,925
2024	1,309,957	20%	261,991	2,454,916
2025	1,331,569	20%	266,314	2,721,230
2026	1,354,100	20%	270,820	2,992,050
2027	1,377,600	20%	7,950	3,000,000
2028	1,402,200	20%		3,000,000
2029	1,427,900	20%		3,000,000
2030	1,454,700	20%		3,000,000
2031	1,482,600	20%		3,000,000
2032	1,511,760	20%		3,000,000

A cash flow schedule outlining available funding, planned capital costs included in the proposed CIP as well as allowances for future unidentified projects is attached to this report.

Qualified expenditures are restricted to projects that are included in the City's adopted five-year Capital Improvement Program, or approved through resolution by a four fifths vote of the City Council. Project costs outside of the scope of this policy will require the City Council to hold a public hearing and invite the public for comment. A four fifths vote of the City Council is required to approve these expenditures.

The proposed policy allows for payment of debt service on qualifying improvements subject to an annual limit. As shown in the attached cash flow schedule, the fund is already contributing to payment of debt service for the 2002 community center expansion. Staff is suggesting that debt service in the fund not exceed 50% of available revenues in the ensuing year. This will ensure funding is available to support new projects on a regular basis.

Council Policy Considerations

Some of the key Council policy considerations include:

1. Should revenue sources other than franchise fees be included in the Community Investment Fund?
2. What percentage of annual revenue should be dedicated to building a minimum fund balance, for example should the initial percentage be lower than 15% to allow for additional capital funding for projects that have been delayed?
3. Is the \$3 million minimum fund balance the appropriate target level?
4. Are the restrictions on eligible expenditures consistent with Council goals? As written, the policy limits expenditures to those projects that provide community-wide benefit. Most park renovations, new trail construction, and community center building improvements will qualify as eligible expenditures. A new housing loan program to benefit individual Shoreview residents would not qualify.
5. Is the proposed annual limit on contributions for debt payments reasonable?

Staff is seeking Council input on the proposed policy language prior to placing it on an agenda for adoption.

File: t\data\word\policies\community investment policy memo

**Community Investment Fund Policy,
City of Shoreview, Minnesota**
Effective _____, 2013

Policy Statement

The City of Shoreview acknowledges that there are limited resources for parks, trails, recreational and cultural facilities, and other projects that provide community-wide benefit. With limited funding and a community that values the quality of life provided by its parks, trails, recreational and cultural assets, the City is adopting this policy to ensure long term sustainability of these assets.

Purpose

The primary objective of this Community Investment Fund Policy is to provide guidance for the accumulation and use of limited resources. Because large capital costs place a high demand on current resources (fund balances combined with current revenues), financing large capital costs requires substantial advance planning as well as consistent, reliable revenue sources. This policy establishes a Community Investment Fund and identifies revenue sources as well as qualifying expenditures for the fund.

Policy Guidelines

Fund created

The City shall create a separate fund called the Community Investment Fund.

Revenue sources

The following revenue sources shall be deposited into this fund:

- All assets of the City's Capital Improvement Fund as of December 31, 2013.
- Franchise fees on electric and natural gas services.
- Wireless telecommunication antenna lease receipts.
- Outdoor billboard lease receipts.
- Park dedication fees.
- Investment earnings of the fund.
- Other moneys appropriated by the council or donated to this fund.

Eligible capital costs

This fund will be used solely to pay for the capital or debt service for park and recreation improvements, new trail construction, cultural or civic improvements, and other projects that provide community-wide benefit to the City of Shoreview. The fund is not intended to pay for operating costs

Expenditures from the fund may be made only after compliance with the following procedures:

- An estimate of the assets ongoing annual operating and maintenance costs has been made and the source(s) for paying such costs has been identified.
- The project to be funded must have been included in the City's formally adopted five-year Capital Improvement Program.
- Projects not included in the City's most recent five-year Capital Improvement Program must be approved through resolution by a four fifths vote of the City Council.
- Projects outside of the scope of this policy will require the City Council to hold a public hearing and invite the public for comment. A notice of the public hearing must be published at least 10 days prior to the hearing in the City's legal newspaper stating the project to be funded and the amount of funding. A four fifths vote of the City Council is required to approve the expenditure.

Debt service

The Community Investment Fund may be used to pay debt service for qualifying capital costs, subject to the following limitations.

- The total annual contribution for debt service payments is limited to no more than 50% of the ensuing years' available revenue (as defined in the next bullet point).
- Available revenue consists of total revenue derived from franchise fees on electric and natural gas services, wireless telecommunication antenna lease receipts, and outdoor billboard lease receipts, less the amount allocated to the accumulation of minimum fund balance.

Minimum fund balance

The Community Investment Fund will be created by an initial contribution of the ending fund balance of the City's Capital Improvement Fund at December 31, 2013. In order to accumulate a minimum fund balance as a community endowment, the minimum fund balance will be computed as follows:

- During the calendar years 2014 through 2018, 15% of revenue from franchise fees (electric and gas), wireless telecommunication antenna lease receipts and outdoor billboard lease receipts will be dedicated to minimum fund balance.

- Beginning the calendar year 2019, and until the minimum \$3 million fund balance is achieved, 20% of revenue from franchise fees (electric and gas), wireless telecommunication antenna lease and outdoor billboard lease receipts will be dedicated to minimum fund balance.
- Once a minimum fund balance of \$3 million has been reached the minimum fund balance will remain at \$3 million.

Administrative expenditures

- The limitations imposed in the sections above do not apply to reasonable expenditures necessary for the administration of the Community Investment Fund.

**Community Investment Fund (by renaming the Capital Improvement Fund)
Operating Summary**

Year	Revenue				Expenses							Minimum Fund Balance	Available Fund Balance Above Minimum	
	PCS Antenna	Billboard Fees	Franchise Revenue	Interest Earnings	Current CIP Projects			Allowance for Future Projects	Comm Cntr Debt Pymts 2002 COPs	Fund Balance				
					Community Center	Parks	Wading Pool				Trail			
2013														
2014	\$ 280,227	\$ 50,000	\$ 804,000	\$ 6,600	\$ 50,000	\$ 80,000	\$ -	\$ -	\$ 175,000	\$ 622,518	244,325	1,214,020		
2015	292,408	51,500	804,000	12,200	1,650,000	40,000	-	-	175,000	1,458,345	416,511	336,942		
2016	305,175	53,045	804,000	13,300	50,000	-	400,000	-	175,000	753,453	590,844	713,129		
2017	318,556	54,636	804,000	18,900	50,000	600,000	-	94,000	175,000	1,303,973	767,423	813,642		
2018	332,581	56,275	804,000	27,200	50,000	-	-	-	175,000	1,581,065	946,351	1,629,770		
2019	347,281	57,964	804,000	39,800	50,000	600,000	-	-	180,000	2,576,121	1,188,200	1,806,966		
2020	362,689	59,703	804,000	45,100	100,000	100,000	-	1,500,000	180,000	2,386,658	1,433,479	953,179		
2021	378,839	61,494	804,000	45,100	100,000	400,000	-	-	180,000	2,996,091	1,682,345	1,313,746		
2022	395,767	63,339	804,000	63,500	100,000	100,000	-	-	180,000	3,942,697	1,934,966	2,007,731		
2023	413,600	72,191	804,000	80,300	100,000	400,000	-	2,000,000	65,640	2,747,148	2,192,925	554,223		
2024	432,200	73,757	804,000	68,000	100,000	100,000	-	-	-	3,925,105	2,454,916	1,470,189		
2025	451,600	75,969	804,000	91,800	100,000	100,000	-	-	-	5,148,474	2,721,230	2,427,244		
2026	471,900	78,200	804,000	131,100	100,000	400,000	-	2,500,000	-	3,633,674	2,992,050	641,624		
2027	493,100	80,500	804,000	97,300	100,000	100,000	-	-	-	4,908,574	3,000,000	1,908,574		
2028	515,300	82,900	804,000	140,200	100,000	100,000	-	-	-	6,250,974	3,000,000	3,250,974		
2029	538,500	85,400	804,000	174,100	100,000	400,000	-	-	-	7,352,974	3,000,000	4,352,974		
2030	562,700	88,000	804,000	222,200	100,000	100,000	-	3,000,000	-	5,829,874	3,000,000	2,829,874		
2031	588,000	90,600	804,000	180,700	100,000	100,000	-	-	-	7,293,174	3,000,000	4,293,174		
2032	614,460	93,300	804,000	241,500	100,000	400,000	-	4,000,000	-	4,546,434	3,000,000	1,546,434		

Minimum fund balance percent
 2013-2018 15%
 2019-2027 20%

Community Investment Fund (by renaming the Capital Improvement Fund)

Operating Summary

Year	Revenue				Expenses							Minimum Fund Balance	Available Fund Balance Above Minimum	
	PCS Antenna	Billboard Fees	Franchise Revenue	Interest Earnings	Current CIP Projects			Allowance for Future Projects	Comm Cntr Debt Pymts 2002 COPS	Fund Balance				
					Community Center	Parks	Wading Pool				Trail			
2013														
2014	\$ 280,227	\$ 50,000	\$ 804,000	\$ 6,600	\$ 50,000	\$ 80,000	\$ -	\$ -	\$ -	\$ 175,000	\$ 622,518	187,613	1,270,732	
2015	292,408	51,500	804,000	12,200	1,650,000	40,000	-	-	-	175,000	1,458,345	302,404	451,049	
2016	305,175	53,045	804,000	13,300	50,000	-	400,000	-	-	175,000	753,453	418,626	885,347	
2017	318,556	54,636	804,000	18,900	50,000	600,000	-	94,000	-	175,000	1,303,973	536,345	1,044,720	
2018	332,581	56,275	804,000	27,200	50,000	-	-	-	-	175,000	1,581,065	655,631	1,920,490	
2019	347,281	57,964	804,000	39,800	50,000	600,000	-	-	-	180,000	2,576,121	837,018	1,920,490	
2020	362,689	59,703	804,000	45,100	100,000	100,000	-	-	1,500,000	180,000	2,995,166	1,020,977	2,158,148	
2021	378,839	61,494	804,000	45,100	100,000	400,000	-	-	-	180,000	2,386,658	1,020,977	1,365,681	
2022	395,767	63,339	804,000	63,500	100,000	100,000	-	-	-	180,000	2,996,091	1,207,627	1,788,464	
2023	413,600	72,191	804,000	80,300	100,000	400,000	-	-	-	180,000	3,942,697	1,397,092	2,545,605	
2024	432,200	73,757	804,000	68,000	100,000	400,000	-	-	2,000,000	65,640	2,747,148	1,590,561	1,156,587	
2025	451,600	75,969	804,000	91,800	100,000	100,000	-	-	-	-	3,925,105	1,852,553	2,072,553	
2026	471,900	78,200	804,000	131,100	100,000	100,000	-	-	-	-	5,148,474	2,118,866	3,029,608	
2027	493,100	80,500	804,000	97,300	100,000	400,000	-	-	2,500,000	-	3,633,674	2,389,686	1,243,988	
2028	515,300	82,900	804,000	140,200	100,000	100,000	-	-	-	-	4,908,574	2,665,206	2,243,368	
2029	538,500	85,400	804,000	174,100	100,000	400,000	-	-	-	-	6,250,974	2,945,646	3,305,328	
2030	562,700	88,000	804,000	222,200	100,000	400,000	-	-	-	-	7,352,974	3,000,000	4,352,974	
2031	588,000	90,600	804,000	180,700	100,000	100,000	-	-	3,000,000	-	5,829,874	3,000,000	2,829,874	
2032	614,460	93,300	804,000	241,500	100,000	100,000	-	-	-	-	7,293,174	3,000,000	4,293,174	
					100,000	400,000	-	-	4,000,000	-	4,546,434	3,000,000	1,546,434	

Minimum fund balance percent

2013-2018	10%
2019-2023	15%
2024-2029	20%