



CITY OF SPRING PARK
WORK SESSION AGENDA
MAY 21, 2018 – 6:00 PM
SPRING PARK CITY HALL

(Work Session discussion times are approximate)

1. 6:00 – RENTAL LICENSING & PROPERTY MAINTENANCE DISCUSSION
2. 6:20 – WATER & SEWER RATE DISCUSSION
3. 6:40 – FIRE DEPARTMENT UPDATE
4. 6:45 – LMCD BUDGET UPDATE
5. MISCELLANEOUS
6. 6:50 – ADJOURN

Current Water Rates:

Base charge per quarter: \$12.00 per unit (house, apartment, business, etc.)

0 - 8,999 gallons: \$2.50 per 1,000 gallons

9,000 - 17,999 gallons: \$3.75 per 1,000 gallons

18,000 + gallons: \$5.00 per 1,000 gallons

Current Sewer Rates:

Base charge per quarter: \$7.50 per unit (house, apartment, business, etc.)

\$5.75 per 1,000 gallons (\$3.25 City portion / \$2.50 Met Council portion)

ENTERPRISE FUNDS OVERVIEW

The City maintains two enterprise funds to account for services the City provides that are financed primarily through fees charged to those utilizing the service. This section of the report provides you with an overview of the financial trends and activities of the City's enterprise funds, which include the Water and Sewer Utility Funds.

ENTERPRISE FUNDS FINANCIAL POSITION

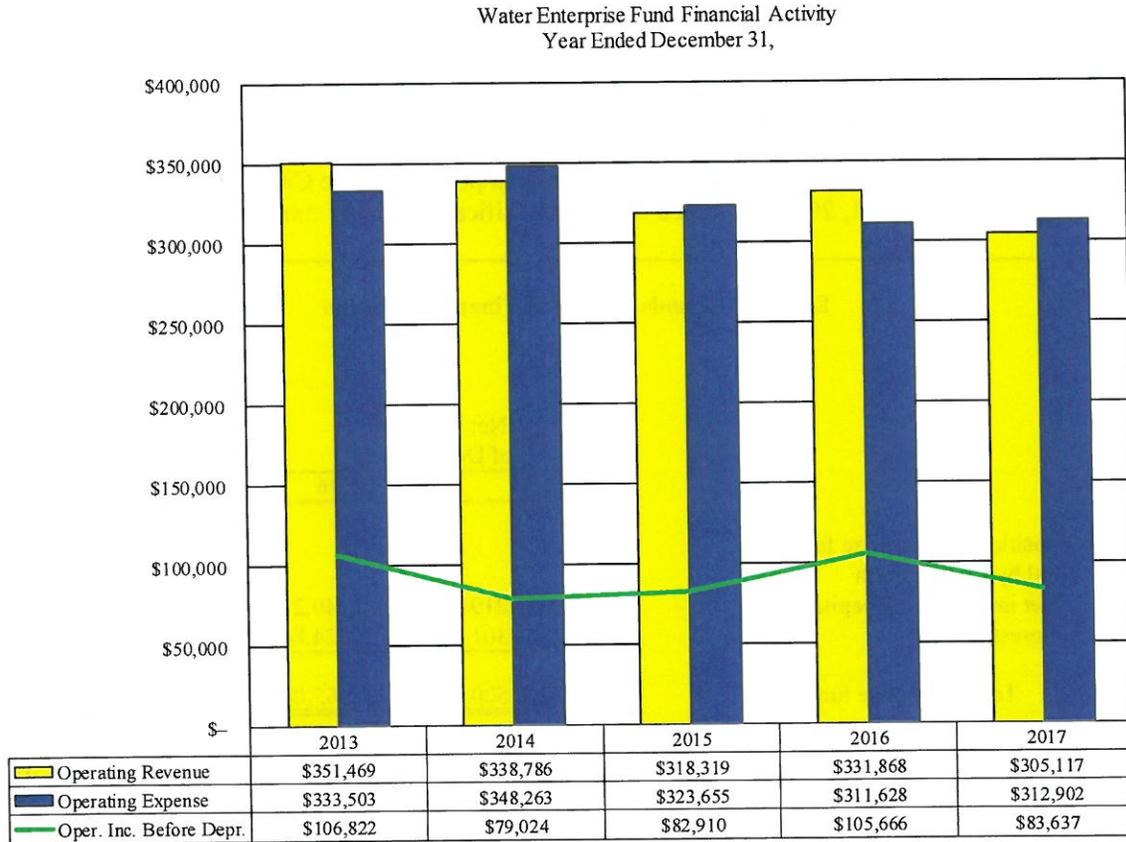
The following table summarizes the changes in the financial position of the City's enterprise funds during the year ended December 31, 2017, presented both by classification and by fund:

Enterprise Funds Change in Financial Position			
	Net Position as of December 31,		Increase (Decrease)
	<u>2017</u>	<u>2016</u>	
Net position of enterprise funds			
Total by classification			
Net investment in capital assets	\$ 1,688,219	\$ 1,740,222	\$ (52,003)
Unrestricted	<u>1,993,301</u>	<u>2,024,844</u>	<u>(31,543)</u>
Total enterprise funds	<u>\$ 3,681,520</u>	<u>\$ 3,765,066</u>	<u>\$ (83,546)</u>
Total by fund			
Water	\$ 2,137,870	\$ 2,147,047	\$ (9,177)
Sewer	<u>1,543,650</u>	<u>1,618,019</u>	<u>(74,369)</u>
Total enterprise funds	<u>\$ 3,681,520</u>	<u>\$ 3,765,066</u>	<u>\$ (83,546)</u>

In total, the net position of the City's enterprise funds decreased by \$83,546 during the year ended December 31, 2017. This loss is attributable to a loss of \$9,177 and \$74,369 in the Water Enterprise Fund and Sewer Enterprise Fund, respectively.

WATER ENTERPRISE FUND

The following graph presents five years of operating results for the Water Enterprise Fund:



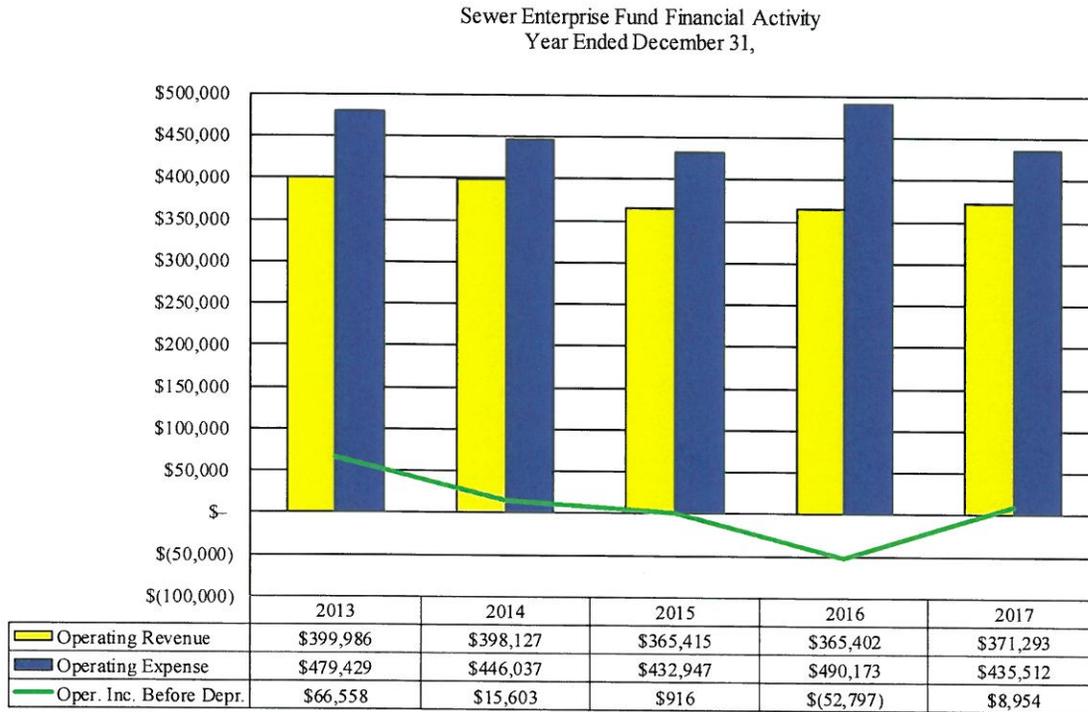
At December 31, 2017, the Water Enterprise Fund had a cash balance of \$1,372,251 and net position of \$2,137,870. Net position consisted of \$799,946 of net investment in capital assets and \$1,337,924 in unrestricted net position.

Water Enterprise Fund operating revenues for 2017 were \$305,117, which is \$26,751 less than the previous year. Water Enterprise Fund operating expenses for 2017 were \$312,902, which is \$1,274 more than fiscal 2016. Some of the decrease in operating revenues was due to a decrease in revenues generated for service fees during fiscal year 2017.

The City should continue to review utility rates during its annual budget process to make sure adequate, yet fair rates are charged for the services provided. The rates should cover operating costs and provide an accumulation of resources for significant repairs, replacement, and an operating cushion for potential poor years of operations. It is important that this fund continue to have positive operating results so as not to place an additional burden on other city funds.

SEWER ENTERPRISE FUND

The following graph presents five years of operating results for the Sewer Enterprise Fund:



At December 31, 2017, the Sewer Enterprise Fund had a cash balance of \$631,968 and net position of \$1,543,650. Net position consisted of \$888,273 of net investment in capital assets and \$655,377 of unrestricted net position.

Sewer Enterprise Fund operating revenues for 2017 were \$371,293, which is \$5,891 more than the previous year.

Operating expenses for 2017 were \$435,512, a decrease of \$54,661. The decrease was a result of a number of factors, including a decrease in personnel services of \$27,696.

Although this fund is in a healthy financial position, we suggest you continue to review the sewer rates on an annual basis. The rates should cover operating costs and provide an accumulation of resources for significant repairs, replacement, and an operating cushion for potential poor years of operations.



LAKE MINNETONKA CONSERVATION DISTRICT

5341 MAYWOOD ROAD, SUITE 200 • MOUND, MINNESOTA 55364 • TELEPHONE 952/745-0789 • FAX 952/745-9085

DATE: May 1, 2018

TO: LMCD Member City Managers/Administrators & Mayors

FROM: Jay Green, Chair
Bill Cook, Treasurer
Gary Hughes, Board Member
Vickie Schleuning, Executive Director *Vickie Schleuning*

CC: LMCD Board Members

SUBJECT: Preliminary 2019 LMCD Budget

A copy of the preliminary 2019 Lake Minnetonka Conservation District (LMCD) Budget is enclosed. You are invited to attend an informational and comment session scheduled for Thursday, June 7, 2018, at 11 a.m. at the LMCD office.

By State statute, the allocation of levy to the 14 member cities is based on their percentage of the total net tax capacity, with no city paying greater than 20% of the overall levy. The LMCD Board performed a detailed analysis of the budget, resulting in projected expenses and revenues for 2019. The overall city levy is anticipated to increase by 5.1%, with the overall amount less than the maximum levy amount allowed by state law. Variations within the percentage of increases varies due to use of taxable market values (required by statutes). Some cities experienced greater gains in total Payable Taxable Market Value than other cities, changing the distribution of the levy.

Revenues over the past few years have decreased primarily due to loss of grants and unpredictable fines. The LMCD continues to review all aspects of the budget. Because many agency budgets are considered on a calendar year basis, some budget information was not available during this budget preparation. Therefore, the preliminary budget is based on historical analysis and projections.

One objective during budget preparation was to ensure a balanced budget. Many factors were considered during the budget process such as increasing revenue and decreasing costs. From a revenue perspective, the levy would need to be significantly increased to cover the shortfall since the increase over the years has been minimal. Therefore, some programs have been reduced, depending on availability of grants or other funding. A review of service fees is also being conducted to ensure the costs of services are appropriately recovered. The organization also receives significant value from contributions and volunteers for some activities regarding lake safety, public education, and environmental protection.

A chart is included that shows the historical LMCD budget and city levy amounts from 2008 to Preliminary Budget 2019. This chart indicates a trend where over the years the LMCD budget has slightly decreased and the city levy has minimally increased. The following is a highlight of the Preliminary 2019 LMCD Budget.

Revenues

Overall increase in revenues in the following areas:

- **Adjust Service Fees.** Overall fees need to be reviewed and adjusted where appropriate; adjustments have not been made for several years.
- **Increase Levy.** Proposed \$17,340 (5.1%) increase reflecting some adjustments for past decreases and minimal increases throughout years.
- **Increase Save the Lake Fund.** Value added activities through \$7,500 (25%) increase or more in Save the Lake Fund contributions for specific initiatives.

Expenses

Overall decrease in expenses in the following areas:

- **Legal Fees.** Reduction of \$17,630 (17.2%) due to more standard operations and completion of recodification.
- **Administrative Professional Services.** \$10,461 (34%) reduction with activity gap absorbed over time by minor personnel increase with permanent or seasonal staffing.

Please refer to the *2019 Budget Summary*, indicating the history of the revenues and expenses from 2014 to the Preliminary 2019 Budget. In addition, the *City Levy Share* chart shows the distribution of city levy based on the Preliminary 2019 Budget.

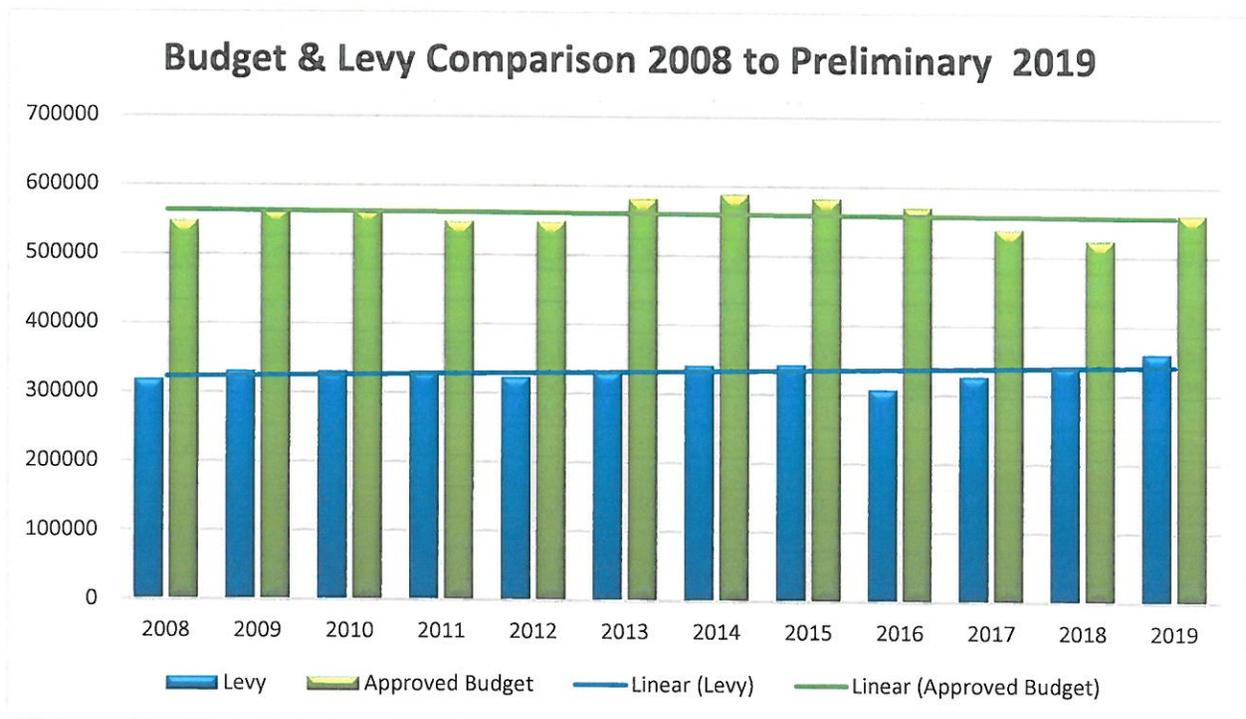
The LMCD would appreciate your input. We hope you can attend the informational session scheduled for Thursday, June 7, 2018, at 11 a.m. at the LMCD office. Please contact Executive Director Vickie Schleuning or your member city representative if you would like a representative to attend an upcoming city council meeting to discuss the Preliminary 2019 LMCD Budget or to review LMCD activities and projects. Review and approval of the budget by the LMCD Board is scheduled for the June 13, 2018 meeting.

ATTACHMENTS

- I. Budget and Levy Comparison 2008 Through Preliminary 2019
- II. 2019 All Funds Budget Summary
- III. City Levy Share

I. Budget and Levy Comparison 2008 Through Preliminary 2019

Since 2008, the trend line indicates the LMCD budget has slightly decreased and the city levy has minimally increased. The proposed levy is \$360,000; the maximum levy by State law is \$569,962.



II. 2018 All Funds Budget Summary

LAKE MINNETONKA CONSERVATION DISTRICT (LMCD)
 STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES- SUMMARY
 ACTUALS FOR 2013-2017, BUDGET FOR 2018, AND PROPOSED BUDGET 2019

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Budget	2019 % Change	Preliminary 2019 Budget
REVENUES								
1 Admin Municipal Levy	\$ 238,652	\$ 245,991	\$ 247,992	\$ 235,866	\$ 253,456	\$ 268,110	4.4%	\$ 280,000
2 AIS Municipal Levy	\$ 91,951	\$ 94,625	\$ 94,500	\$ 70,999	\$ 66,795	\$ 74,550	7.3%	\$ 80,000
3 Grants	\$ 52,589	\$ 52,510	\$ 54,000	\$ 14,015	\$ 20,995	\$ 5,000	-80.0%	\$ 1,000
4 Interest and Other	\$ 5,966	\$ 3,136	\$ 4,455	\$ 3,793	\$ 1,158	\$ 3,000	-60.0%	\$ 1,200
5 Licenses and Permits	\$ 110,381	\$ 114,586	\$ 107,510	\$ 112,979	\$ 118,149	\$ 104,984	9.5%	\$ 115,000
6 Court Fines	\$ 55,611	\$ 62,156	\$ 33,974	\$ 35,598	\$ 80,908	\$ 35,000	42.9%	\$ 50,000
7 Contributions/Donations	\$ 41,054	\$ 39,062	\$ 50,757	\$ 21,425	\$ 29,978	\$ 32,500	23.1%	\$ 40,000
TOTAL REVENUES	\$ 596,204	\$ 612,066	\$ 593,188	\$ 494,675	\$ 571,439	\$ 523,144	8.4%	\$ 567,200
EXPENDITURES								
8 AIS and Admin Personnel Services	\$ 274,103	\$ 285,210	\$ 281,849	\$ 296,900	\$ 235,542	\$ 265,900	5.7%	\$ 281,000
9 AIS, STL, and Admin Office and Supplies	\$ 83,610	\$ 68,773	\$ 53,533	\$ 51,804	\$ 57,613	\$ 67,861	3.2%	\$ 70,000
10 Legal	\$ 83,893	\$ 72,729	\$ 90,651	\$ 98,449	\$ 97,268	\$ 102,630	-17.2%	\$ 85,000
11 Admin Professional Services	\$ 9,180	\$ 9,606	\$ 28,768	\$ 16,509	\$ 20,582	\$ 30,461	-34.3%	\$ 20,000
12 AIS Prevention Program (Inspections)	\$ 33,472	\$ 35,563	\$ 37,571	\$ 25,148	\$ 31,663	\$ -		\$ -
13 AIS Harvesting Equipment and Repair	\$ 35,956	\$ 58,969	\$ 48,251	\$ 56,103	\$ 50,969	\$ 45,429	-4.2%	\$ 43,500
14 Equipment Replacement	\$ 850	\$ 917	\$ 786	\$ 744	\$ 1,220	\$ 1,000		\$ 5,000
15 STL Grants	\$ 4,626	\$ 14,541	\$ 52,840	\$ 40,770	\$ 34,395	\$ -		\$ 34,000
16 STL Programs	\$ 3,092	\$ 7,284	\$ 14,393	\$ 2,030	\$ 912	\$ 5,650	6.2%	\$ 6,000
17 Misc.	\$ 26,680	\$ 13,078	\$ 3,044	\$ 526	\$ 567		0.0%	\$ 1,500
18 Contingencies	\$ 3,815	\$ 156	\$ 3,585	\$ 10,841	\$ 1,434	\$ 4,213		\$ 15,000
19 Transfers	\$ 36,002	\$ 28,443	\$ 38,192		\$ 15,000			\$ 6,200.00
TOTAL EXPENDITURES	\$ 595,279	\$ 595,269	\$ 653,463	\$ 599,824	\$ 547,165	\$ 523,144		\$ 567,200
EXCESS REVENUES (EXPENDITURES)	\$ 925	\$ 16,797	\$ (60,275)	\$ (105,149)	\$ 24,274	0		0

Budget Commentary

- Admin Municipal Dues includes the total dues assessed to the 14 Member Cities to fund the LMCD operations. An increase of 4.4% is proposed for 2019 above 2018 budget levels. These funds are intended to be used for administering activities to protect the lake and all those who use it.
- AIS Municipal Dues include the total dues assessed to the 14 Member Cities to fund the AIS portion of the LMCD operations. An increase of 7.3% is proposed above 2018 budget levels. These funds have been raised to more closely reflect the actual costs of the LMCD's Harvesting Program.
- Grants item are the grants received by the LMCD to support its operations. Grants have been declining in recent history causing the 2018 Budget to contain no anticipated Grants. The 2019 Budget contains only those grants received for administrative functions and have been historically at \$1,000 per year.
- Interest and other income has been relatively consistent and small due to the recent period of low interest rates. No increase is anticipated.

LMCD Member Cities- Preliminary 2019 Budget

May 1, 2018

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5	Income from Licenses and Permits is anticipated to increase as the LMCD moves towards a cost of service model for establishing fees.
6	Court Fines vary significantly over the years as they result from behavior patterns on the lake and enforcement patterns. 2017 Actuals were notably high, and both the 2018 and 2019 budgets reflect a lower income from this source than the 2017 actuals. This item is difficult to predict. 2013-2016 average is \$47K and 2013-2017 average is \$60K.
7	Donations represent the donations received from LMCD's Save the Lake Program. The amount of these funds also varies with both the effort LMCD places on this program and the economic environment around the lake.
8	Personnel Services includes all personnel costs. In past, some funding to accommodate vacancies has been allocated in other accounts such as contingency or contractual services to supplement services and organizational needs. Approximately \$26K has been budgeted for Harvesting Labor and \$15K has been budgeted for part-time or intern staff increases. Staffing increases are required to accommodate the work load. Admin Current Staff levels are budgeted for 3.0 FTEs. These are historically lower than previous years.
9	Office and Supplies includes the rent and office supplies for all the programs.
10	Legal include both the administrative and prosecution fees. Legal fees are projected to decline subject to fewer applications, familiarity of new staff with legal issues surrounding its work, ordinance amendments, and conclusion of the recodification process in 2019.
11	Professional Services primarily include the cost of producing and broadcasting the Board Meeting, Audit fees, and IT consulting fees.
12	AIS Prevention Program is the boat ramp inspection that LMCD has funded from Grants received and passing those grants to the Three Rivers Park District for actual inspection activities.
13	Harvesting Program is the removal and disposal of aquatic invasive vegetation such as CLP and EWM from navigation areas. This budget includes the operation of two harvesters and a transporter during the season. Labor for this activity is included in item 8 above.
14	Equipment Replacement includes a new boat (consolidating existing watercraft), Office equipment and Harvesters. The 2019 Budget includes \$5000 for boat replacement from the operating budget and any additional costs would come from the Equipment Replacement Fund.
15	STL are Save the Lake Grants that are funded from donations received from the STL program.
16	STL Programs fund the ongoing Solar Light and Boater Safety Training Classes as well as other lake protection and safety programs as identified by the LMCD.
17	Miscellaneous funds capture those budget items that do not fit in the other categories.
18	Contingencies are funded to account for the variability in those line items that have risk of budget overages within them due to unforeseen events. A single contingency line item is used so that contingencies are not spread throughout the budget line items and will allow proactive management of those contingencies in the future.
19	Transfers show the amount planned to be transferred into or out of the Reserve Funds, the Equipment Replacement Fund, or the Save the Lake Fund to provide additional funds for large single event items for which those funds were established.

III. City Levy Share



**LAKE MINNETONKA CONSERVATION DISTRICT
 2019 BUDGET AND LEVY
 (Proposed)**

City	2010 U.S. Census Population Data	2017 Estimated Market Value	2017 Net Tax Capacity	% of Total Net Tax Capacity (Note 1)	Share of Admin. Levy in 2019	Share of AIS Levy in 2019	Share of Total Levy in 2019	Share of Total Levy in 2018	Increase in Total Levy from 2018	% of Increase from 2018
DEEPAVEN	3,642	1,255,612,600	14,242,914	5.2%	\$19,453	\$5,558	\$25,011	\$24,275	\$736	3.0%
EXCELSIOR	2,188	483,668,400	6,096,255	2.2%	\$8,326	\$2,379	\$10,705	\$9,967	\$738	7.4%
GREENWOOD	688	346,954,100	4,037,551	1.5%	\$5,514	\$1,576	\$7,090	\$6,816	\$274	4.0%
MINNETONKA	49,734	9,139,657,000	112,236,479	40.6%	\$56,000	\$16,000	\$72,000	\$68,532	\$3,468	5.1%
MTKA BEACH	539	341,613,400	4,027,252	1.5%	\$5,500	\$1,572	\$7,072	\$6,647	\$425	6.4%
MINNETRISTA	6,384	1,596,788,000	17,087,520	6.2%	\$23,338	\$6,668	\$30,006	\$28,381	\$1,625	5.7%
MOUND	9,052	1,231,000,100	12,659,733	4.6%	\$17,290	\$4,940	\$22,231	\$21,648	\$583	2.7%
ORONO	7,437	2,904,190,400	33,186,279	12.0%	\$45,325	\$12,950	\$58,275	\$56,171	\$2,104	3.7%
SHOREWOOD	7,307	1,697,548,000	18,711,966	6.8%	\$25,556	\$7,302	\$32,858	\$31,509	\$1,349	4.3%
SPRING PARK	1,669	278,632,300	3,305,232	1.2%	\$4,514	\$1,290	\$5,804	\$5,579	\$225	4.0%
TONKA BAY	1,475	581,259,700	6,629,162	2.4%	\$9,054	\$2,587	\$11,641	\$11,159	\$482	4.3%
VICTORIA	7,345	1,404,580,600	14,552,291	5.3%	\$19,875	\$5,679	\$25,554	\$23,516	\$2,038	8.7%
WAYZATA	3,688	1,982,514,200	25,849,718	9.4%	\$35,305	\$10,087	\$45,392	\$42,168	\$3,224	7.6%
WOODLAND	437	308,113,800	3,623,075	1.3%	\$4,948	\$1,414	\$6,362	\$6,294	\$68	1.1%
	101,585	23,552,132,600	276,245,427	100.0%	\$280,000	\$80,000	\$360,000	\$342,662	\$17,338	5.1%
									\$569,962	

Maximum Levy Per MN statute 103B.635 (Total Taxable Market Value * 0.00242%):

(Note 1) Per MN statute 103B.631, no city may pay more than 20% of the total levy. The City of Minnetonka would pay a constant 20% of any amounts to be levied.

Remaining cities factor for determining levy amounts is computed as: (City Net Tax Capacity / (Total Net Tax Capacity - Minnetonka Net Tax Capacity)) * 80%

Total Net Tax Capacity	276,245,427
less Minnetonka Net Tax Capacity	(112,236,479)
Net Tax Capacity for remaining 13 cities	164,008,948