

4141 Douglas Drive North • Crystal, Minnesota 55422-1696

Tel: (763) 531-1000 • Fax: (763) 531-1188 • www.ci.crystal.mn.us

January 12, 2011

State of Minnesota Budget

The contents of this budget book represent the budget as it was adopted by the City Council in December 2010. The State of Minnesota is experiencing a severe budget deficit. There is a possibility that the State will reduce the amount of Local Government Aid (LGA) delivered to the City of Crystal in 2011 beyond the estimated reduction built into this budget. Further LGA cuts would require changes in this budget.

City of Crystal 2011 Budget

This is the Adopted 2011 Operating and Capital Budget for the City of Crystal. It was adopted at the regular City Council meeting on Tuesday, December 21, 2010. This was the final step in a process that began on September 7, 2010 with adoption of a proposed 2011 budget and tax levy. The proposed tax levy was forwarded to Hennepin County so that they could prepare the individual tax statements that each property owner received in mid November.

The adopted 2011 property tax levy is \$9,469,948, which is a \$97,146 or 1.04% increase over the 2010 tax levy. The reason for the increase is a projected reduction of \$400,000 in aid promised to the City of Crystal by the State of Minnesota. State aid is meant to insure that the less-wealthy cities are able to provide a basic level of services to their residents.

Crystal's 2011 General Fund budget decreases by \$268,242 or 2.2% compared to the adopted 2010 budget. The reduction is achieved primarily through personnel cutbacks and reductions in capital outlays.

The city budget is made up of financial units called funds. Over thirty funds make up the City's financial organization, but only four of the funds levy property taxes. Since it is the property tax that most directly affects homeowners, those funds were the focus of many of the budget discussions. These funds are the General Fund, the Economic Development Authority Fund, the Pool Bond Fund, and the County Highway 81 Bond Fund.

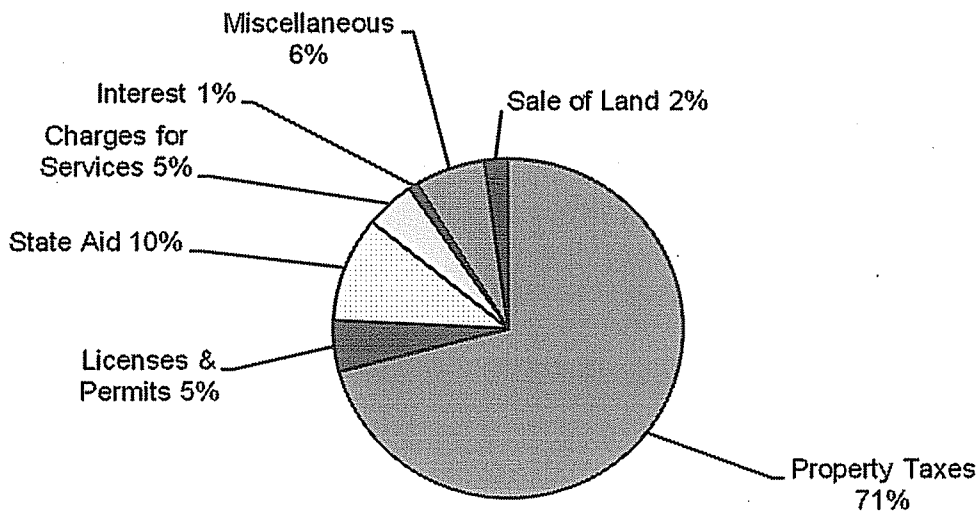
Budget Summaries for the General Fund, EDA Fund, Pool Bond Fund,
and County Highway 81 Bond Fund

Revenue:	<u>2010</u>	<u>2011</u>	<u>Percent Change</u>
Property Taxes	\$9,372,802	\$9,469,948	1.04%
Licenses & Permits	612,700	642,220	4.82%
State Aid	1,751,220	1,338,606	-23.56%
Charges for Services	664,306	619,960	-6.68%
Interest Income	194,538	116,264	-40.24%
Miscellaneous	798,742	866,094	8.43%
Sale of Land	<u>223,687</u>	<u>289,886</u>	<u>29.59%</u>
Total Revenue	<u>\$13,617,995</u>	<u>\$13,342,978</u>	<u>-2.02%</u>
Expenditures:			
General Government	\$2,022,934	\$1,955,569	-3.33%
Police & Fire	5,512,193	5,492,714	-0.35%
Community Development	626,167	632,731	1.05%
Streets & Parks	2,798,391	2,603,553	-6.96%
Recreation	1,242,220	1,249,096	0.55%
Debt Service	731,772	714,459	-2.37%
Economic Development Authority	<u>547,150</u>	<u>1,150,761</u>	<u>110.32%</u>
Total Expenditures	<u>\$13,480,827</u>	<u>\$13,798,883</u>	<u>2.36%</u>

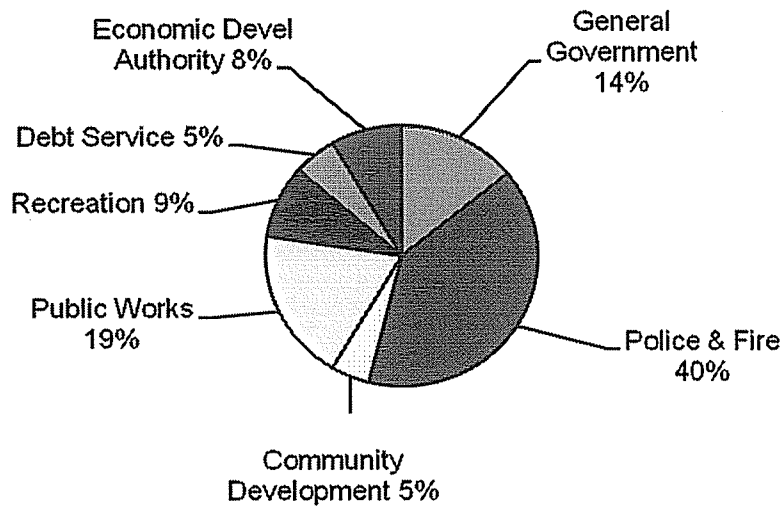
Revenues of the General Fund, EDA Fund, Pool Bond Fund, and County Highway 81 Bond Fund are shown in the pie chart on the following page. They are highly dependent on the property tax which equals 71% of the total. State aid comes in second at 10%. Actual state aid may be less than the amount promised by the State of Minnesota.

Expenditures of the General Fund, EDA Fund, and Pool Bond Fund are shown in the pie chart on the next page. The Police and Fire departments represent the largest operations with 40% of the total budget.

Revenues of the General, EDA, Pool Bond, and County Highway 81 Bond Funds



Budgets of the General, EDA, Pool Bond, and County Highway 81 Bond Funds



Budget Overview

The Combining Statement of 2011 Budgets on page 12 shows the total revenues and expenditures of all funds. It shows a total operating deficit of \$2,928,276. While many funds have surpluses or deficits, the biggest deficits are in Tax Increment Financing District #2150 where it is planned to spend some of the cash on hand to do redevelopment projects and to acquire blighted properties and the Fire Equipment Revolving Fund where a payment to the West Metro Fire & Rescue District is being made for the purchase of fire engines.

General Fund

The General Fund budget includes transfers to other funds to help achieve the goals of the city. Most of these goals center on capital projects that provide for the future needs of the city for buildings, parks, mobile equipment and roads. General Fund transfers are as follows:

<u>Transfer to:</u>	<u>Adopted</u> <u>2010</u>	<u>Adopted</u> <u>2011</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u>
Permanent Improvement Revolving	621,100	493,250	-127,850	-20.58%
Police Equipment Revolving	87,750	102,300	14,550	16.58%
Fire Equipment Revolving	101,900	105,000	3,100	3.04%
Street Maintenance	65,300	67,250	1,950	3.00%
Total Transfers	876,050	767,800	-108,250	-12.36%

Special Revenue Funds

The City’s Tax Increment Financing (TIF) Funds are classified as special revenue funds. For the many years these funds have been committed to paying off debt from past development projects. However, they have reached the point where some of the incoming TIF revenues can be committed to new development projects. The Bass Lake Road/Becker Park District #2150 expired on December 31, 2009. This means that it will no longer collect tax increments, but it will be able to spend existing resources on projects that were obligated by the end of 2009.

The Economic Development Authority will continue to promote redevelopment of properties throughout the city by means of the rehabilitation grant program and the purchase of blighted houses. It expects to support the development of a major new medical clinic during 2011.

Debt Service Funds

The City of Crystal had eight different bond issues, totaling \$12,310,891, outstanding as of December 31, 2010. Payments in 2011 will include \$1,389,109 on the principal of the debt and \$382,348 of interest.

Revenue sources for payment of debt service include property taxes and special assessments. Proceeds from the debt have been used to rebuild the pool, finance special assessments for the reconstruction of streets and pay the local share of the County Highway 81 project. The City of Crystal’s debt has been assigned an Aa2 rating by Moody’s Investors Service.

Capital Projects Funds

The Permanent Improvement Revolving (PIR) Fund budget represents the 2011 plan for the majority of the City's capital improvements and vehicle replacements. It is supported by two major sources of revenue – investment income and a transfer from the General Fund.

Major projects in the PIR 2011 budget include paving of an alley, purchase of a couple of major trucks, rebuilding a soccer field, and repair projects of a variety of city facilities.

The Police Equipment Revolving Fund provides for the purchase of police vehicles and other technology needs of the Police Department.

The Fire Equipment Revolving Fund (FERF) provides Crystal's share of the purchase of fire engines by the West Metro Fire & Rescue District. West Metro is purchasing four fire engines in 2011 at a cost of \$2,500,000. Crystal's share of the purchase is \$1,273,713. The FERF made a \$636,856 down payment in 2010 and will make a final payment in 2011 of \$636,857.

The Street Maintenance Fund accounts for the cost of seal coating streets that have been reconstructed under the Crystal Local Street Reconstruction program. It also accounts for intensified maintenance of the pavement in Phases 1, 2 and 3. This pavement needs more maintenance because it is deteriorating faster than expected. Costs are estimated to be \$56,135 in 2011 for intensified patching and that will continue annually until the phases undergo mill and overlay. The streets will also need one extra seal coating before they undergo the mill and overlay in the years 2017, 2018 and 2019.

Street reconstruction in the City's 16 phase program continues in 2011 with the construction of Phase 11, which is the Broadway neighborhood. Planning and survey work will be done in 2011 for Phase 12 in the Becker Park neighborhood.

Utility Funds

The utility funds include the Water, Sanitary Sewer, Storm Drainage, Street Light and Recycling funds. Operations of the utility funds in 2011 are designed to maintain the infrastructure and level of service that Crystal residents have been receiving. The staff annually updates a five-year utility rate study reviewing operational and capital needs.

The City of Crystal implemented water conservation rates at the end of 2010. Minnesota Statutes, section 103G.291 requires that public water suppliers serving more than 1,000 residents shall use a conservation rate structure. A conservation rate structure means a rate structure that encourages conservation. Crystal's new rates are based on increasing block rates.

On October 5, 2010, the city council approved the 2011 utility rates. The new rates for water, sanitary sewer and recycling went into effect for billings on January 1, 2011. The storm drainage and street light rates did not change.

	2010 Quarterly Rate	2011 Quarterly Rate	Percentage Change
Sewer, residential, per quarter	\$45.10	\$46.20	2.4%
Sewer, commercial, per 100 cubic feet	\$1.49	\$1.53	2.4%
Storm Drainage, residential, per quarter	\$9.90	\$9.90	0%
Storm Drainage, commercial, per residential equivalency factor	\$49.50	\$49.50	0%
Storm Drainage, commercial, per acre	\$247.50	\$247.50	0%
Street Lights, residential, per quarter	\$4.20	\$4.20	0%
Street Lights, commercial, per quarter	\$4.20	\$4.20	0%
Street Lights, multi-family, per quarter	\$3.15	\$3.15	0%
Recycling, per quarter	\$10.35	\$10.65	2.9%

The City of Crystal receives its water supply through a Joint Water Commission (JWC) with the cities of Golden Valley and New Hope. The JWC purchases water in a contract with the City of Minneapolis. This is a multi-year contract which includes cost increases each year. The supply contract is the largest portion of the water operating expenses and it was necessary to pass the 2011 cost increase on to the customers. The JWC also has capital projects in 2011 that increase rates for our customers.

Respectfully submitted,

Charles Hansen

Charles Hansen
Finance Director