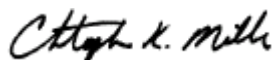


REQUEST FOR COUNCIL ACTION

Date: 10/15/12
Item No.: 13.a

Department Approval



City Manager Approval



Item Description: Continue Discussions on the 2013 Tax Levy and Budget

BACKGROUND

On September 10, 2012 the City Council adopted the preliminary 2013 Tax Levy and Budget. The preliminary tax levy for 2013 is \$17,319,826, an increase of \$2,357,532 or 15.8%. The increase can be categorized as follows:

Description	Amount
Debt service on Park Renewal bonds	\$ 980,000
Debt service on Fire Station bonds	670,000
Police and Fire Dispatch	31,611
Fire Relief Pension Obligation	45,000
Human Resources Information System	40,000
Implement Compensation Study results	50,000
Equipment replacement	85,000
IT Equipment replacement	75,000
Street Light replacement	25,000
Employee 1% COLA	110,000
Employee Wage Step increases	105,000
Employee pension contributions	21,837
Healthcare Premium increases	55,000
Inflationary increases on supplies, maintenance, etc.	64,084
Total	\$ 2,357,532

Based on the preliminary tax levy, a median-valued home would pay \$5.18 per month more in 2013 than they did in 2012.

In recognition of the significant tax levy increases that were proposed, the Council indicated a desire to continue discussing the levy and budget at a future meeting(s).

For purposes of the discussion, it is suggested that the Council consider each of the categories as ‘decision packages’. This will allow for greater distinction between discretionary and non-discretionary items, and also allow for easier comparisons to the Council’s budget priorities. In total there are 11 separate decision packages, and they are displayed below.

Decision Package #1 - \$1,726,611

New contractual obligations including debt service, police and fire dispatch, and Fire Relief pension obligation.

Monthly Tax Impact on homeowners = \$2.65

Decision Package #2 - \$40,000

Purchase Human Resources Information System.

Monthly Tax Impact = \$0.16

Decision Package #3 - \$50,000

Implement the Compensation Study results.

Monthly Tax Impact (median single-family home) = \$0.20

Decision Package #4 - \$85,000

Increase funding for general equipment replacement.

Monthly Tax Impact = \$0.34

Decision Package #5 - \$75,000

Increase funding for information technology equipment replacement.

Monthly Tax Impact = \$0.30

35
36
37
38

Decision Package #6 - \$25,000

Provide funding for Streetlight Replacement.

Monthly Tax Impact = \$0.10

Decision Package #7 - \$110,000

Provide a 1% cost-of-living adjustment (COLA) for employees.

Monthly Tax Impact = \$0.44

Decision Package #8 - \$105,000

Wage step increases for employees.

Monthly Tax Impact = \$0.42

Decision Package #9 - \$21,837

Employee pension increase related to COLA and wage steps.

Monthly Tax Impact = \$0.09

Decision Package #10 - \$55,000

Employee Healthcare premium increases.

Monthly Tax Impact = \$0.22

Decision Package #11 - \$64,084

Inflationary increases for supplies, maintenance, contractual services, etc.

Monthly Tax Impact = \$0.26

The Council could choose to consider using cash reserves to provide funding for these decision packages. However, this would be in conflict with the Council-approved financial policies which recommend that the City refrain from using reserves to provide for day-to-day operations. In addition, the City's reserves, while generally within reserve level limits, are also being considered to pay for the \$1 million+ additional costs for the new fire station.

The Council might also consider whether to capture any operational savings and direct it towards the 2013 levy requirement. However, the 2012-2013 Budget was intended to allow added flexibility when it comes to capitalizing on favorable purchasing environments, or responding to unforeseen circumstances. Under the 2-Year Budget model, any operational savings in 2012 should be set aside for 2013 to provide for higher-than-expected costs or to offset any unexpected decline in revenues.

To assist the Council is determining whether to fund these decision packages, the Council's Budget Priorities adopted last year are included in *Attachment A*. The Council's Strategic Directives adopted in May of this year are included in *Attachment B*.

During the last budget discussion, the Council also requested additional information on vehicle replacement policies in our Police and Public Works departments. Supplemental information is included in *Attachment C*.

Staff will be available at the Council meeting to address these decision packages in greater detail.

POLICY OBJECTIVE

Not applicable.

FINANCIAL IMPACTS

See above.

STAFF RECOMMENDATION

Not applicable.

REQUESTED COUNCIL ACTION

For information purposes only. No formal Council action is necessary.

Prepared by: Chris Miller, Finance Director
Attachments: A: City Council Budget Priorities
B: City Council Strategic Directives
C: Memo dated 10/5/12 from Duane Schwartz, Public Works Director
D: CIP Subcommittee Report

City of Roseville
Priority-Based Budgeting
Tax-Supported Programs
2012

Attachment A

<u>Department / Division</u>	<u>Program / Function</u>	Council Composite Rank	% Rank	Staff Composite Rank	% Rank	Citizen Composite Rank	% Rank
Police Patrol	24 x 7 x 365 First Responder	4.60		4.43			
Fire Fighting / EMS	Fire Suppression / Operations	4.60		3.14			
Recreation Programs	Volunteer Management	4.60		4.14			
Finance	Budgeting / Financial Planning	4.40		3.00			
Fire Fighting / EMS	Emergency Medical Services	4.40		2.71			
Firefighter Training	Firefighter Training	4.20		2.57			
Miscellaneous	Building Replacement	4.20		4.43			
Miscellaneous	Debt Service - Streets	4.20		4.43			
Streets	Pavement Maintenance	4.00		3.86			
Streets	Traffic Management & Control	4.00		3.29			
Recreation Programs	Program Management	4.00		4.57			
Recreation Programs	Facility Management	4.00		4.57			
Recreation Maint.	Grounds Maintenance	4.00		4.29			
Recreation Maint.	Facility Maintenance	4.00		4.71			
Recreation Maint.	Equipment Maintenance	4.00		4.86			
Recreation Maint.	Natural Resources	4.00		4.57			
Miscellaneous	Equipment Replacement	4.00		4.57			
Miscellaneous	Park Improvement Program	4.00		4.29			
Miscellaneous	Debt Service - City Hall, PW Bldg.	4.00		4.86			
Miscellaneous	Debt Service - Arena	4.00		4.14			
Administration	Customer Service	3.80		3.86			
Legal	Civil Attorney	3.80		4.43			
Finance	Banking & Investment Management	3.80		3.14			
Finance	Cash Receipts	3.80		4.86			
Finance	Risk Management	3.80		4.71			
General Insurance	General Insurance	3.80		3.29			
Police Investigations	Crime Scene Processing	3.80		4.86			
Fire Prevention	Fire Prevention	3.80		3.14			
Streets	Streetscape & ROW Maintenance	3.80		4.57			
City Council	Community Support / Grants	3.60		4.71			
Administration	Human Resources	3.60		4.57			
Finance	Business Licenses	3.60		4.57			
Finance	Debt Management	3.60		3.43			
Finance	Economic Development	3.60		3.86			
Finance	Accounts Payable	3.60		4.71			
Finance	Gen. Ledger, fixed assets, financial reporting	3.60		4.29			
Finance	Payroll	3.60		4.71			
Police Administration	Response to Public Requests	3.60	72%	3.71	74%	6.50	65%
Police Investigations	Criminal Prosecutions	3.60		4.57			
Fire Administration	Emergency Management	3.60	72%	4.86	97%	8.10	81%
PW Administration	General Engineering/Customer Service	3.60	72%	3.71	74%	6.50	65%
PW Administration	Storm Water Management	3.60		5.00			
Streets	Winter Road Maintenance	3.60		4.71			
Bldg Maintenance	General Maintenance	3.60	72%	3.57	71%	5.50	55%
Central Garage	Vehicle Repair	3.60		4.43			
Rec Administration	Planning & Development	3.60	72%	5.00	100%	8.50	85%
Rec Administration	Community Services	3.60	72%	3.57	71%	6.50	65%
City Council	Recording Secretary	3.40	68%	5.00	100%	8.50	85%
Legal	Prosecuting Attorney	3.40		4.14			
Finance	Contract Administration	3.40		4.71			
Finance	Workers Compensation Admin.	3.40		3.57			
Police Administration	Police Records / Reports	3.40		3.86			

City of Roseville
Priority-Based Budgeting
Tax-Supported Programs
2012

Attachment A

<u>Department / Division</u>	<u>Program / Function</u>	Council Composite Rank	% Rank	Staff Composite Rank	% Rank	Citizen Composite Rank	% Rank
Police Emerg. Mgmt	Police Emergency Management	3.40		2.14			
PW Administration	Project Delivery	3.40		4.57			
PW Administration	Permitting	3.40		4.29			
Streets	Organizational Management	3.40		4.57			
Rec Administration	Financial Management	3.40		4.14			
Skating Center	OVAL	3.40	68%	4.00	80%	7.20	72%
Skating Center	Arena	3.40		4.43			
Skating Center	Banquet Area	3.40	68%	5.00	100%	8.90	89%
City Council	Business Meetings	3.20	64%	4.00	80%	8.70	87%
Finance	Utility Billing (partial cost)	3.20		4.57			
Police Patrol	Dispatch	3.20		4.00			
Police Patrol	Police Reports (by officer)	3.20		4.43			
Police Investigations	Response to Public Requests	3.20	64%	3.43	69%	7.50	75%
Fire Administration	Fire Administration & Planning	3.20		4.29			
Fire Prevention	Fire Administration & Planning	3.20		4.43			
Fire Relief	Fire Relief	3.20		4.14			
Street Lighting	Street Lighting capital items	3.20		4.71			
Rec Administration	Personnel Management	3.20	64%	4.43	89%	8.40	84%
Administration	Records Management/Data Practices	3.00	60%	4.57	91%	8.70	87%
Finance	Contractual Services (RVA, Cable)	3.00		4.29			
Central Services	Central Services	3.00	60%	3.43	69%	6.60	66%
Code Enforcement	Code Enforcement	3.00	60%	3.29	66%	6.80	68%
Police Investigations	Public Safety Promo / Community Interaction	3.00		4.57			
PW Administration	Street Lighting	3.00	60%	4.00	80%	7.50	75%
PW Administration	Organizational Management	3.00	60%	3.43	69%	7.30	73%
Streets	Pathways & Parking Lots	3.00	60%	4.29	86%	7.30	73%
Bldg Maintenance	Custodial Services	3.00		4.43			
Bldg Maintenance	Organizational Management	3.00		5.00			
Central Garage	Organizational Management	3.00		4.57			
Rec Administration	City-wide Support	3.00		4.43			
Rec Administration	Organizational Management	3.00		4.43			
Skating Center	Department-wide Support	3.00		4.14			
Recreation Programs	Personnel Management	3.00		3.71			
Recreation Programs	Organizational Management	3.00		3.29			
Recreation Maint.	City-wide Support	3.00		4.57			
Administration	General Communications	2.80	56%	3.71	74%	6.90	69%
Finance	Organizational Management	2.80	56%	4.00	80%	6.90	69%
Police Administration	Community Liaison	2.80	56%	3.43	69%	6.90	69%
Police Patrol	Public Safety Promo / Community Interaction	2.80		3.57			
Police Patrol	Organizational Management	2.80	56%	3.71	74%	6.90	69%
Fire Fighting / EMS	Fire Administration & Planning	2.80		4.43			
City Council	Intergovernmental Affairs / Memberships	2.60	52%	4.57	91%	7.20	72%
Administration	Council Support	2.60		3.86			
Administration	Organizational Management	2.60		4.57			
Police Comm Services	Community Services	2.60	52%	3.86	77%	7.50	75%
Fire Administration	Organizational Management	2.60	52%	4.00	80%	7.50	75%
Recreation Maint.	Department-wide Support	2.60	52%	4.00	80%	7.50	75%
Elections	Elections	2.40		3.71			
Finance	Lawful Gambling (partial cost)	2.40		3.86			
Finance	Receptionist Desk	2.40		3.14			
Police Administration	Organizational Management	2.40		4.57			
Police Investigations	Organizational Management	2.40		4.57			

City of Roseville
Priority-Based Budgeting
Tax-Supported Programs
2012

Attachment A

<u>Department / Division</u>	<u>Program / Function</u>	Council Composite Rank	% Rank	Staff Composite Rank	% Rank	Citizen Composite Rank	% Rank
Advisory Comm.	Human Rights Commission	2.20	44%	4.14	83%	7.20	72%
Advisory Comm.	Ethics Commission	2.00		1.71			
Police Patrol	Animal Control	2.00		4.86			
Police Lake Patrol	Police Lake Patrol	1.80		4.86			
Miscellaneous	Emerald Ash Borer	1.80		4.71			
Miscellaneous	Contingency						

REQUEST FOR COUNCIL ACTION

Date: May 14, 2012
Item No.:7.g

Department Approval

City Manager Approval

WJ Malinen

Item Description: Approve Strategic Directives

BACKGROUND

On March 19, 2012 the City Council reviewed a strategic planning summary in an effort to outline City directives. Attachment 'A' is the result of the suggested changes and revisions made by the City Council.

POLICY OBJECTIVE

Approve the Strategic Directives outlining the Council work plan.

BUDGET IMPLICATIONS

None.

STAFF RECOMMENDATION

Approve strategic directives.

REQUESTED COUNCIL ACTION

Approve strategic directives.

Prepared by: William J. Malinen, City Manager
Attachments: A: Strategic Directives

Strategic Directives
May/2012

Lead Dept

Page 1

	I. Welcoming, Inclusive, and Respectful	
Existing Work Plan Items	1. Continue and possibly expand the (Police) Department's New American Forums in cooperation with Human Rights Commission and Fire Department	Police
Long Term	1. Implement a stake holders group that routinely exchanges information on cultural differences and their interactions with the police and other governmental service providers	Police
	II. Safe and Law-Abiding	
Existing Work Plan Items	1. Support findings of Fire Building Committee	Fire
	2. Develop Neighborhood Traffic Management policy	PW
Short Term	1. Re-evaluate "nuisance code" language - is a flat tire a nuisance? (Short term process, Long term adoption)	Comm Dev
	2. Review current Firefighter (part-time) pay & benefits	Admin/Fire
	3. Increase the quality of Police Department training, especially in technology-related criminal investigations	Fire
	4. Update City of Roseville dispense plan increasing area resident inoculation and vaccinations, and update the Emergency Operating Plan and training	Police
Long Term	1. Increase ongoing efforts with retail community by adding commercial patrol officers.	Police
	2. Continue to evaluate and improve emergency medical care, services, & training.	Police

Strategic Directives
May/2012

Lead Dept

Page 2

Existing Work Plan
Items

Long Term

III. Economically Prosperous, With A Stable and Broad Tax Base

- | | |
|--|----------|
| 1. Modify and update City Code to be in compliance with Comprehensive Plan and Zoning Code | Comm Dev |
| 1. Strategically look at City’s role in fostering the redevelopment of Twin Lakes; Create a Comprehensive economic development policy and mission to support existing businesses within Roseville and that also markets the community and attract(s) new businesses. | Comm Dev |
| 2. Create incentives to foster redevelopment of underutilized properties (not just in housing) and to eradicate areas of high crime concentrations | Comm Dev |
| 3. Engage industry experts to identify programs and amenities necessary for future cities to remain vibrant in the future i.e. long-term planners, retail experts, housing and transportation officials | Comm Dev |
| 4. Increase efforts toward business and economic development: Develop strategies; dedicate staff resources; engage the business & development community; enhance our "tool box" | Comm Dev |
| 5. Support a diversified economy: Variety of employment opportunities; Head of Household wage jobs - Put into Broad Policy | Comm Dev |
| 6. Build effective partnerships with the private sector to actualize new urban design concepts in future redevelopment | Comm Dev |

IV. Secure In Our Diverse and Quality Housing and Neighborhoods

Existing Work Plan
Items

Short Term

Long Term

- | | |
|--|----------|
| 1. Aggressively deal with problem multi-family properties increasing HRA's role in issues that may include, but are not limited to, the condition of multi-family properties located in SE Roseville, how the City can apply regulatory measures that will enforce quality (i.e. safe and well maintained) multi-family properties, and whether acquisition of problematic properties is possible. | Comm Dev |
| 1. Expand the Neighborhood Enhancement Program and proactive code enforcement efforts to commercial properties. | Comm Dev |
| 1. Stabilize property tax rates to encourage investment in and improve quality of Roseville housing. | Finance |

Strategic Directives
May/2012

Lead Dept

Page 3

	V. Environmentally Responsible, with Well-Maintained Natural Assets	
Existing Work Plan Items	1. Model better environmental stewardship	PW
Short Term	1. Explore and implement tiered water and sewer rate structure for Residential and Commercial	PW
	2. Ordinance Updates, Shoreland and Erosion control	PW
	3. Develop Overhead Eelectric Undergrounding Policy	PW
	4. Explore ways to improve sustainability through purchases and practices, and apply sustainable methods to areas where appropriate	PW
Long Term	1. Support and maintain Forestry Program	P&R
	VI. Physically and Mentally Active and Healthy	
Existing Work Plan Items	1. Support implementation of Parks and Recreation Master Plan & Refine the process for 2013-15 Park and Recreation Renewal Program - Support Citizen Organizing and Implementation Teams including identifying other funding mechanisms	P&R
Short Term	1. Re-evaluate the Parks Improvement Plan in the context of the CIP (CIP Task Force)	Finance
Long Term	1. Develop better strategies and plans for supporting our senior community (Short term-task force) (Long term-strategies)	Admin
	2. Develop better connections between city government, school districts, and public and private providers of services to those in need in our community	Admin

Strategic Directives
May/2012

Lead Dept

Page 4

	VII. Well-Connected Through Transportation and Technology Infrastructure	
Existing Work Plan Items	1. Improve Walkability of Neighborhoods b y Continuous Additions of Trails and Sidewalks	PW
Short Term	1. Continue to lobby for the Northeast Diagonal transportaion corridor	PW
	2. Establish sustainable funding mechanisms for the replacement of city information systems, streets, sidewalks, and parking lots (CIP Task Force)	Finance
	3. Develop a build-out plan for existing pathway master plan and parks & rec master plan plathway components, conect multi-family to bus stops and school crossings (on the same side of the street as the complex). (Short term/Long term for Departments and CIP.)	PW
Long Term	1. Participate in regional transportation efforts-to ensure adequate regional resources are allocated to transit and transportation infrastructure to serve Roseville needs	Public Works
	VIII. Engaged in Our Community's Success As Citizens, Neighbors, Volunteers, Leaders, and Businesspeople	
Short Term	1. Discuss and implement an ongoing, communtiy, community driven visioning process	Admin
	2. Support Human Rights Commission's efforts on civic engagement and neighborhoods	Admin
Short & Long Term	1. Improve Communications with residents (Televised materials; Newsletter; Newspaper; Mailings)	Admin
	2. Discuss and evaluate Council goals and directives for existing city commissions and explore the potential of newly created commissions and boards (i.e. Park Board/Park District & Finance Commission)	Admin
Long Term	1. Support initiatives to better communicate with local businesses and 2025 vision to continue to recognize and incent the spirit of "volunteer" within Roseville	Comm Dev/Admin
	2. Routinely seel community input to evaluate and continuously improve city services	Admin
	3. Support city-wide record management system to accurately and electronically create, store and retrieve documents	Admin
	4. Support Volunteer Management Program	Admin

Strategic Directives
May/2012

Page 5

Short Term

IX. Organizational Mission Statement

- 1. Continue to emphasize and refine performance measurement programs
- 2. Actively pursue a local options sales tax.
- 3. Continue implementation of the CIP Program
- 4. Develop budgeting strategies to achieve a more united (even) compensation structure for union and non-union employees (For Discussion)

Long Term

- 1. Create a succession, leadership, career development, training, recruitment and retention management plans to ensure quality service
- 2. Participate in regional and intergovernmental collaborations for shared service opportunities
- 3. Develop, implement, adequately funded long-term capital and infrasturcture management program

Lead Dept

Finance

Admin

Finance

Admin

Admin

All

Finance



Public Works Department/Engineering

Memo

To: Chris Miller, Finance Director
From: Duane Schwartz, Public Works Director
Date: 10/5/2012
Re: Public Works Vehicle and Equipment Purchasing Practices

Attached are the Public Works vehicle and equipment replacement guidelines. This information was requested by a Council Member at the September budget discussion. We also checked with other communities on their replacement practices for vehicles and equipment. Generally they use similar guidelines and measures. Some have formalized their guidelines into a point system that indicates when a vehicle or piece of equipment is replacement eligible. Consistently the goal is to maximize the city's value from the investment or in other words achieve the lowest life cycle cost. We received feedback from Inver Grove Heights, Rosemount, New Brighton, Savage, and Met Council.

None of the agencies we received feedback from had hard and fast mileage or age requirements alone. We do know that some communities do refurbish some of their trucks and vehicles rather than replace them more frequently. There are other factors that allow them to achieve a similar life cycle cost with their programs. They tend to have larger fleets with spare vehicles allowing for downtime associated with repair and refurbishing and a significantly larger mechanic staff to support an older fleet.

We have been trending keeping vehicles and equipment longer in Public Works for the past 10-15 years. This is partially due to funding issues but also due to advancements in technologies and reliability, and changes in operations and equipment utilization. The cost of parts has risen faster than the cost of new vehicles and equipment in recent years. This tends to favor replacement in a life cycle cost analysis.

Let me know if you have questions.

Public Works Department Vehicle and Equipment Replacement Guidelines

The Public Works Department has created guidelines for the replacement of vehicles and equipment in the department fleet. The guidelines will determine when existing vehicles and equipment will be eligible to be replaced, so that it is done in a timely and cost-effective manner, while maximizing the city's investment in its vehicles and equipment. The guidelines assist in the preparation of the department's Capital Improvement Program.

The Department shall budget for replacement vehicles and equipment when they meet the established replacement criteria. The replacement of vehicles and equipment will be determined based upon recommended guidelines for the vehicles age, mileage, type, use, maintenance history and needs, and budgetary considerations. Vehicle replacement may also be determined on a case-by-case basis and/or the current usefulness of the vehicle in the fleet for its intended purpose. Technological advances can deem certain vehicles or equipment obsolete from an operations perspective. Fuel efficiency is also a consideration when a reduction in fuel costs can be achieved. Generally mileage on a particular truck or vehicle is not the deciding factor for replacement as most vehicle use in the Public Works Department generates fewer miles than operations in some other departments or agencies. Vehicle and equipment replacement will be approved through the budgetary process.

CRITERIA FOR VEHICLE AND EQUIPMENT REPLACEMENTS:

Heavy Equipment (Loaders, Sweepers): Eligible to replace after ten (10+) years depending on condition, maintenance history, and repair needs.

Light to Medium Duty Tractors, Equipment (Backhoe, Skid Loaders, Tractors): Eligible to replace after ten (10+) years depending on condition, maintenance history, and repair needs.

Heavy Duty Trucks (Dump Trucks with snowplow equipment, Sewer Cleaner Truck): Eligible to replace after ten (10) years, depending on condition, maintenance history, and repair needs.

Medium Duty Trucks (Water Truck, Patch Truck, Sign Truck): Eligible to replace Replace units after ten (10) years, depending on condition, maintenance history, and repair needs.

Light Duty Trucks (1 Tons, Pickups, small equipment, mowers): Eligible to replace units after eight (8) years, depending on condition, mileage, maintenance history, and repair needs.

Administrative Vehicles: Eligible to replace after ten (10) years, depending on condition, mileage, maintenance history, and repair needs.

- Budgeted replacement costs include: State sales tax (when required), licensing fees, and accessory equipment (dump boxes, plows, hitches, lights, decals, etc.)
- Budgeted replacement costs do not include trade in or disposition values of units. Any revenue received through trade in or sale of unit will be deposited in the appropriate equipment replacement fund and dedicated to future equipment purchases.
- All vehicle replacements need approval through the budget process or City Council approval.
- All vehicles will be evaluated prior to replacing. Vehicles deemed to still be in good condition and serving its functional purpose will remain in the fleet and reviewed the following year.
- Replacement evaluation will consider life cycle cost to ensure the lowest annual overall cost.

Memorandum

Date: September 10, 2012

To: Roseville Residents and Businesses, Fellow City Councilmembers, and City Staff

From: Mayor Dan Roe, City Councilmember Jeff Johnson, City Manager Bill Malinen, and Finance Director Chris Miller

Subject: Phase II of Recommendations from the CIP Subcommittee

The Purpose of the Subcommittee

As noted in 2011, this subcommittee was established by the City Council as the result of the Council/Staff work plan discussions held earlier that year. The subcommittee was made up of Mayor Roe, Councilmember Johnson, City Manager Malinen, and Finance Director Chris Miller. The purpose of the subcommittee was to determine a path to a sustainable capital funding plan for the City in light of the ongoing under-funding of capital replacement needs, and to propose a plan for consideration by the community and the City Council.

The Problem – A Reminder

As a refresher of information contained in the 2011 proposals, in total, the capital needs for the City for the next 20 years have been estimated to amount to around \$218 million. Of that total, about \$148 million (68% - over two thirds) were un-funded by then-current sources as projected over the next 20 years. A graphic example of that situation follows:

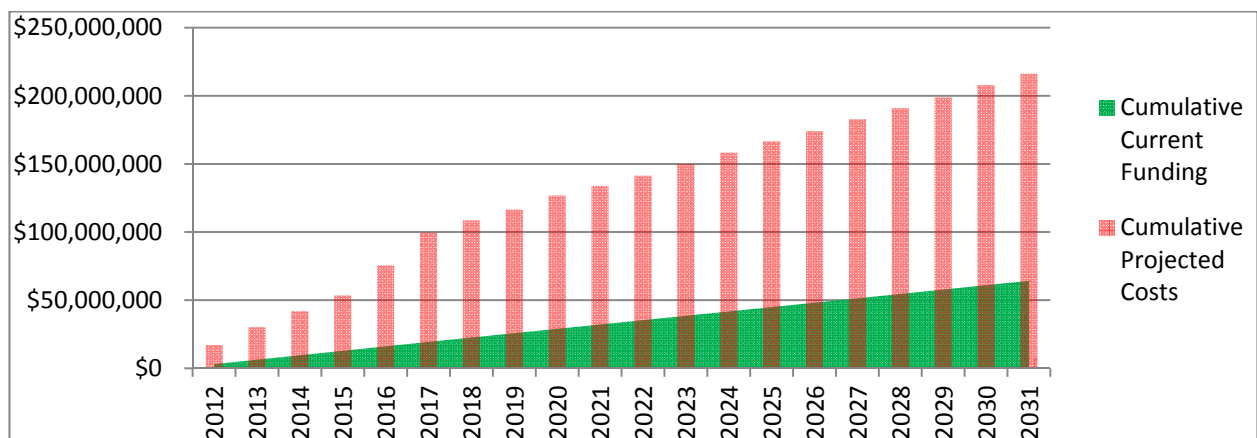


Figure 1. Current Situation - All Funds. The red bars represent cumulative annual capital costs, while the green area represents cumulative projected current annual budgeted capital funding. All figures are in 2012 dollars.

The 2011 Recommendations – A Reminder of What Has Been Done

Tax-Supported Capital Needs.

Background. The tax-supported capital areas (other than Fire Station or Parks and Pathways needs) are Vehicles, Equipment, and Facilities. Vehicles represent City “rolling stock,” from police squad cars to fire trucks to snow plows to utility pick-up trucks. Equipment represents such things as firefighter turn-out gear, police firearms, office furnishings, and the like. Facilities capital needs generally do not include whole buildings, but rather major building systems, such as roof replacements or heating and air conditioning systems. These capital items are the “nuts and bolts” of doing City business on the tax-supported side of the ledger.

Over \$16 million (57%) of the \$28 million in general Vehicle, Equipment, and Facility needs was un-funded as of 2011, using then-current funding levels and projected costs over the next 20 years.

Recommendation. The subcommittee recommended, and the City Council implemented, a long-term solution for Vehicles, Equipment, and Facilities that is a combination of shifting funding from operational costs to capital costs, re-purposing existing levy funding, and adding revenues. This recommended solution addressed 100% of the \$16 million identified shortfall over the next 20 years, and left the associated fund balances and annual funding at sustainable levels beyond that time.

The first part of the implemented recommendation was to shift approximately \$300,000 (about 2.0% of the then-current \$14.7 million levy) from current operating budget funding to capital funding in 2012, and to maintain that shift permanently going forward. Approximately \$115,000 of that amount goes annually be dedicated to Vehicle funding, approximately \$115,000 to Equipment funding, and the remaining approximately \$70,000 goes to Facility funding.

The second part of the implemented recommendation was to re-purpose for capital needs half of the \$475,000 ongoing property tax levy that was “over-levy” to account for the loss of Market Value Homestead Credit reimbursement from the State, and to maintain that re-purposing permanently going forward. Approximately \$95,000 of that amount would annually be dedicated to Vehicle funding, approximately \$95,000 to Equipment funding, and the remaining approximately \$47,000 would be dedicated to Facility funding.

The third part of the implemented recommendation was to increase the annual property tax levy by \$256,000 (1.8% of the current \$14.7 million levy) in 2012, and to maintain that increase permanently going forward. Approximately \$103,000 of that amount would annually be dedicated to Vehicle funding, approximately \$103,000 to Equipment funding, and the remaining approximately \$50,000 would be dedicated to Facility funding.

These implemented actions totaled an ongoing annual increased capital funding for Vehicles, Equipment, and Facilities of \$800,000, creating a sustainable funding mechanism for at least the next 20 years. Approximately 40% of the increased funding came from permanent operating spending cuts and 32% from increased property taxes (the rest was from re-purposing of existing levy funding.

Utility Needs.

Background. The fee-supported Utilities in the City with significant un-funded capital needs are the Water Utility, the Sanitary Sewer Utility, and the Stormwater Utility. These utilities all consist largely of underground piping systems that were installed over a period from the 1940's to the 1970's as the City developed. In addition, the Water Utility includes the City's water tower, and the Stormwater Utility includes a number of City-maintained stormwater management ponds. This capital infrastructure is provided by the City to deliver safe drinking water to the homes and businesses in the City, to take away sanitary sewer wastewater to the Metropolitan Council's sewer system and treatment facility for safe treatment, and to safely collect stormwater run-off, treat it, and deliver it to the environment via the streams, lakes, and other waterways of the area.

Much of the piping in these systems is approaching 50-60 years of age, and was made of materials that have been found to not last much longer than that, if even that long. The cast iron of the water mains is brittle and subject to leaking and breaks as the result of ground shifting, tree roots, etc. The clay tile of the sanitary sewer lines is similarly subject to leaks and breaking. Since the City pays St. Paul for drinking water, each leak or break in a line costs the City's residents and businesses in higher rates to account for that un-used water we purchase. Leaks of raw sewage into the ground pose a danger to the environment.

In an effort to keep current and future costs down, the City is using new materials and technologies to replace or repair existing water and sewer mains. Where City streets are being completely replaced, the water and sewer lines are being replaced (as needed) with more durable materials. Where streets are not programmed for replacement for many years, the City is using re-lining technology that puts a new plastic pipe inside the existing pipe, and does not require excavation of the street.

The capital infrastructure funding gap over the next 20 years in these Utility funds was about \$47 million out of total projected costs of \$65 million in 2011. In other words, 72% of the projected costs were then un-funded.

Recommendation. The subcommittee recommended, and the City Council implemented, a long-term solution for funding the significant capital replacement needs of these Utilities that was based on additional revenues.

The recommendation was to increase the annual utility base fees by a total of \$1.1 million in 2012 and an additional \$1.1 million in 2013, and to maintain the total \$2.2 million increase permanently going forward. Approximately \$850,000 of that amount was dedicated to Water Utility capital funding, approximately \$830,000 to Sanitary Sewer Utility capital funding, and the remaining approximately \$500,000 was dedicated to Stormwater Utility capital funding.

Total Impact of the 2011 Implementation Actions.

The implemented subcommittee recommendations from 2011 are graphically represented, superimposed on the earlier graph of the problem (Figure 1 above), as follows:

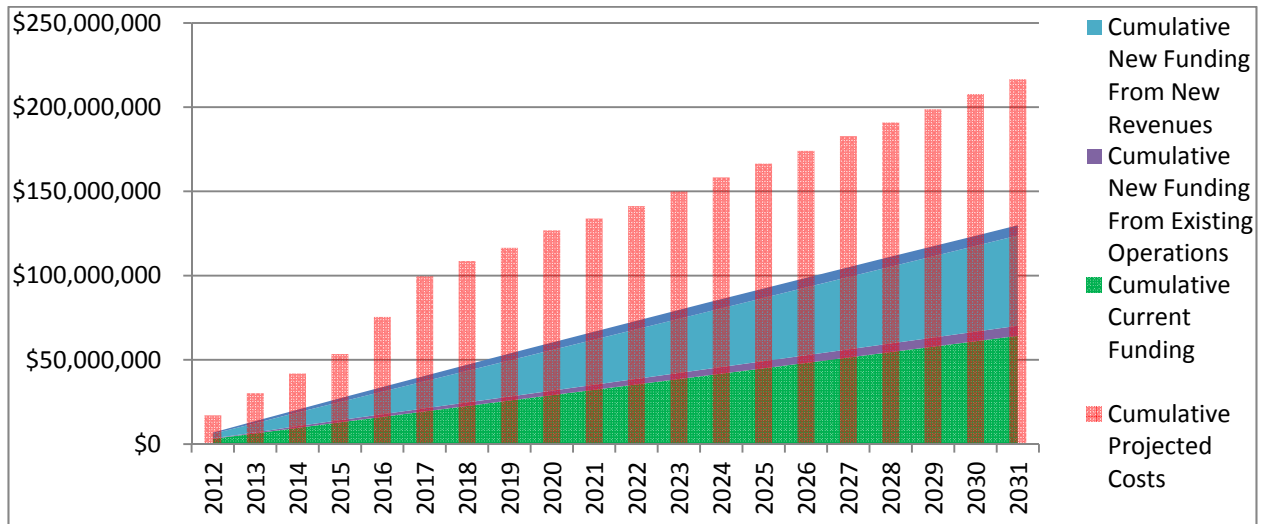


Figure 2. With 2011 Recommended Solutions - All Funds. The red bars represent cumulative annual capital costs, while the green area represents cumulative projected current annual budgeted capital funding. The light blue area represents cumulative projected new funding from new revenues. The narrow purple area between the green and light blue areas represents cumulative new funding from operational budget cuts. All figures are in 2012 dollars.

As can be seen, even with implementation of the subcommittee recommendations in 2011, significant work remains – primarily in the Parks, Pathways, Streets, and IT capital funding areas, which were not addressed by the 2011 actions.

The Rest of the Problem – A 2012 Update

The primary areas of unfinished business from 2011 include Parks, Pathways, Streets, IT, Central Services, and Admin. capital funding. All of these areas, with the exception of Streets, are funded largely with property tax dollars. (Streets are funded primarily with State MSA money and interest from the approximately \$13 million Street Replacement Fund.)

These areas of unfinished capital funding represent an additional approximately \$93 million in costs, out of the original \$218 million identified in 2011. Of that, about \$41 million, or about 44%, is unfunded based on current funding sources in 2012.

The pieces of the remaining unfunded amount are:

- About \$17 million of a total of \$47 million in costs for the Street Pavement Management Program (Street PMP). [37% unfunded]
- About \$9.4 million of a total \$28.5 million in costs for Park Facilities and PIP items [33% unfunded]
- About \$7 million of Skating Center Facility needs [100% unfunded]
- About \$4.6 million of a total \$5.7 million in Information Technology, Central Services, and Admin Equipment costs [81% unfunded]
- About \$1.2 million of \$4.2 million in costs for the Pathway & Parking Lot Pavement Management Program (PPPMP) [29% unfunded]
- About \$355,000 of Street Lighting replacement costs [100% unfunded]

It is worth repeating here that these funding levels are based on optimized replacement schedules and lists of ongoing capital replacement needs, as reflected in the 2012-2031 Capital Improvement Plan.

The Rest of the Solution – 2012 Subcommittee Recommendations

Part of the Solution: The Park Renewal Plan

In terms of Pathways and Park Facilities, a significant part of the solution is already being implemented through the Park Renewal Plan. The next four years of the Park Facility CIP needs and Park Improvement Plan needs, as well as about \$2 million in new pathway construction, are included in the Park Renewal Plan projects.

The Rest of the Solution: 8 Years of Proposed Actions

Generally, the proposals that follow will fund capital needs through either or both of 2 means: Repurposing existing property tax levy funds that are now collected for other purposes, and additional property tax levy funding.

Street PMP. The Street PMP program is the annual scheduled repairs, refurbishment, or replacement of City streets in order to maintain a Pavement Condition Index of 80 or greater, which optimizes the life of the pavement. The Street PMP program is currently funded by between \$1 million and \$2 million per year in State MSA (gas tax) funds, and about \$300,000 to \$500,000 per year in interest earnings on the \$13 million Street Replacement endowment fund. Without changes to the funding, the program begins to spend down the endowment fund significantly starting in about 2016, running the fund below a zero balance by about 2028.

Without the State making changes to the MSA funding for the City, the City must supplement the annual costs for Street PMP projects with property taxes or property assessments, or other funding. The Subcommittee recommends using a combination of funding sources to address the shortfall, as follows:

- In 2015, repurpose for Street PMP the current \$160,000 ongoing annual levy that goes to debt service on existing street bond #25 when that bond is retired.
- In 2016, repurpose for Street PMP the current \$150,000 ongoing annual levy that goes to debt service on existing street bond #23 when that bond is retired.
- In 2017, add an additional \$160,000 of ongoing property tax levy funding for the Street PMP
- In 2018, add another \$160,000 of ongoing property tax levy funding for the Street PMP
- In 2019, add another \$200,000 of ongoing property tax levy funding for the Street PMP, totaling an additional \$520,000 of ongoing property tax levy for Street PMP going forward

Of the \$830,000 total increase in annual ongoing funding for Street PMP over that 5-year period, about 63% comes from additional property tax levy funding and about 37% comes from repurposing existing property tax levy funds.

Park Facilities and PIP. Park Facilities are generally repaired, refurbished, or replaced through Park Facilities capital funding and the PIP (Park Improvement Program). Currently (as of the 2012/13 biennial budget plan), \$0 each year goes toward Park Facilities and \$40,000 per year goes toward the PIP. As noted above, the Park Renewal Plan addresses a backlog of near-term Park Facilities Costs. However, without additional funding, the next 20 years of Park Facility capital needs will be unfunded by about \$9.4 million.

The Subcommittee recommends using a combination of funding sources to address the shortfall, as follows:

- In 2016, add an additional \$160,000 of ongoing property tax levy funding for Park Facilities and PIP capital needs.
- In 2020, repurpose about \$650,000 of the \$825,000 total ongoing annual levy that goes to debt service on existing city hall and public works facility bond #27 when that bond is retired. (This leaves \$175,000 of that ongoing debt service levy to either apply to levy reduction or other needs that may become apparent by 2020.)

Of the \$810,000 total increase in annual funding for Park Facilities and PIP over that 5-year period, about 20% is from additional property tax levy funding and about 80% is from repurposing existing property tax levy funds.

Skating Center Facilities. Skating Center Facilities had been generally repaired, refurbished, or replaced through Park Facilities capital funding. However, due to the multi-purpose nature of the Skating Center, its funding is recommended to come from the Building Replacement Fund, which was otherwise addressed by the Facilities funding recommendations implemented in 2011. Currently (as of the 2012/13 biennial budget plan), \$0 each year goes toward Skating Center Facilities. Clearly, additional Facility funding for the Skating Center is required to meet its capital replacement needs. (As a note, the identified capital Facilities needs discussed here for the Skating Center are largely outside of the scope of the State bonding bill projects and the funding from the Guidant grant.)

The Subcommittee recommends using a combination of funding sources to address the shortfall, as follows:

- In 2014, add an additional \$200,000 of ongoing property tax levy funding for Skating Center Facility capital needs.
- In 2018, repurpose the \$335,000 ongoing annual levy that goes to debt service on existing skating center geothermal project equipment certificates when they are retired.

Of the \$535,000 total increase in annual funding for Skating Center Facilities capital needs over that 5-year period, about 37% is from additional property tax levy funding and about 63% is from repurposing existing property tax levy funds.

IT, Central Services, & Administration. These are additional areas of Equipment replacement needs that were not addressed by the actions implemented in 2011. IT equipment needs are those of the City and exclude those related to the provision of IT services to our Joint Powers partners. Central Services equipment needs are related to the several copiers the City owns or leases for various City facilities. Administration equipment needs come from the replacement of voting machines, which the City continues to own even with the contract with Ramsey County to administer our elections. Currently (as of the 2012/13 biennial budget plan), \$50,000 of property tax funding each year goes toward IT equipment needs (computers, routers, etc.) for the City of Roseville, and about \$5,000 goes toward Central Services or Administration equipment needs. Without additional funding, the fund balances in both IT and Central Services will disappear within 1-2 years.

The Subcommittee recommends using property tax levy funding to address the shortfalls, as follows:

- In 2013, add an additional \$160,000 of ongoing property tax levy funding for IT, Central Services, and Admin. capital needs.
- In 2014, add an additional \$75,000 of ongoing property tax levy funding, making the ongoing total additional funding level \$235,000 (100% of which comes from new property tax levy funding).

Pathways & Parking Lots PMP. The Pathways & Parking Lots PMP program is the annual scheduled repairs, refurbishment, or replacement of those City facilities in order to maintain a Pavement Condition Index of 75 or greater, which optimizes the life of the pavement. The PPPMP program is currently funded by an annual property tax levy amount of \$150,000. However, there is virtually no fund balance in this fund, and annual costs, with added pathways in the system as well as increased materials costs, etc., are expected to outpace the \$150,000 annual funding.

The Subcommittee recommends using additional property tax levy funding to address the shortfall, as follows:

- In 2015, add an additional \$80,000 of ongoing property tax levy funding for PPPMP needs.

Street Light Replacement. The City owns some street lights along our roadway system (although Xcel Energy owns most of them). The City has no fund balance or annual funding for replacement of the streetlights that we own, so a stable, dependable funding source would eliminate the ongoing use of General Fund reserves for that purpose.

The Subcommittee recommends using additional property tax levy funding to address the shortfall, as follows:

- In 2013, add an additional \$25,000 of ongoing property tax levy funding for Street Light replacement needs.

Total Impact of the 2012 CIP Subcommittee Recommendations

The table below illustrates the annual levy impacts of the proposed changes (independent of any other levy changes that may be required).

Biennium	Year	Total CIP Funding Increase	Funded by Cuts	Funded by Re-Purposed Existing Levy	Net Levy Increase Required	Approx. % Change to Levy for CIP Funding
2012/13	2012	\$800,000	\$306,500	\$237,500	\$256,000	1.8%
	2013	\$185,000	\$0	\$0	\$185,000	1.3%
2014/15	2014	\$200,000	\$0	\$0	\$200,000	1.2%
	2015	\$315,000	\$0	\$160,000	\$155,000	0.9%
2016/17	2016	\$310,000	\$0	\$150,000	\$160,000	0.9%
	2017	\$160,000	\$0	\$0	\$160,000	0.9%
2018/19	2018	\$495,000	\$0	\$335,000	\$160,000	0.9%
	2019	\$200,000	\$0	\$0	\$200,000	1.1%
2020/21	2020	\$650,000	\$0	\$650,000	\$0	-
	2021	\$0	\$0	\$0	\$0	-
Total of Changes:		\$3,315,000	\$306,500	\$1,532,500	\$1,476,000	~10%
% of Total Change:			9%	46%	45%	

Table 1. Annual Levy Impacts of 9-Year CIP Implementation. All figures are in 2012 dollars. Levy change percentages do not account for other types of levy impacts, such as operating cost increases.

Additional Recommendations

The CIP Subcommittee recommends strongly that the City Council adopt this plan by resolution, making it the policy of the City, inciting future City decision makers to follow through on these critical funding plans.

Further, the Subcommittee recommends adopting a change to the existing Capital Replacement Policy to require biennial reviews of the capital fund balance projections based on the latest 20-Year Capital Improvement Plan in order to be sure that the funding of capital needs keeps pace with changes in the plan as well as updates to costs based on inflation. The objective of the policy should be to make sure that sustainable positive fund balances can be projected in each fund over the coming 20 years, and that capital funding amounts in the tax levy and utility fees are adjusted to keep up with those requirements.

Additional Topic: New Pathway Construction

Not included in the above recommendations is a proposal to address new pathway construction. It is estimated that between \$300,000 and \$400,000 annually over the next 30 years would completely build out the current un-built Pathway Master Plan. Over the next 20 years, that totals about \$6.5 million in unfunded new pathway construction.

About \$2 million of new pathways are anticipated to be constructed in the next 4 years as part of the Park Renewal Plan that is underway. That makes a notable dent in the unfunded backlog.

The City Council may want to consider implementing in about 2016 an annual levy (currently estimated at about \$265,000) for the purpose of continuing to build out the Pathway Master Plan.