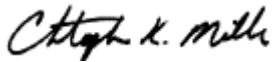


REQUEST FOR COUNCIL ACTION

Date: 06/16/14
Item No.: 12.a

Department Approval



City Manager Approval



Item Description: Discuss 2015 City Council Budget Goals & Priorities

BACKGROUND

At the February 24, 2014 City Council meeting the Council considered the proposed 2015 Budget Calendar which outlined a series of steps to establish an eventual budget. One of those steps included a discussion on the Council's budget goals and priorities which are intended to provide direction for the preparation of the City Manager's Recommended Budget.

To date, the 2015 Budget Calendar has included the following steps:

- ❖ May 12, 2014 Preliminary report on budget and tax levy impact items
- ❖ May 22, 2014 Departmental presentations

These information packages are included in *Attachments A & B*. In an effort to provide a City Manager Recommended Budget that is consistent with the Council's aspirations, the Council is asked to reach a consensus on the following budget goals and priorities:

- ❖ Desired changes in programs or service levels
- ❖ Consideration of new personnel
- ❖ Employee cost-of-living adjustment
- ❖ Preliminary tax levy amount; decrease, no-change, or increase?
- ❖ Use of cash reserves

The Council is also asked to provide any further direction it deems relevant to creating a City Manager Recommended Budget. City Staff will be available to provide additional information or answer any Council inquiries.

POLICY OBJECTIVE

Not applicable.

FINANCIAL IMPACTS

Not applicable.

STAFF RECOMMENDATION

Not applicable.

31 **REQUESTED COUNCIL ACTION**

32 No formal Council action is necessary, however Staff is seeking direction on the Council's 2015
33 Budget goals and priorities.

34

Prepared by: Chris Miller, Finance Director

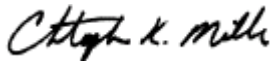
Attachments: A: Staff Report dated May 12, 2014 on Budget Impact Items
B: Department Presentations – May 22, 2014

REQUEST FOR COUNCIL ACTION

Date: 05/12/2014

Item No.: 12.a

Department Approval



City Manager Approval



Item Description: Receive Preliminary Report on the 2015 Budget & Tax Levy Impact Items

BACKGROUND

At the February 24, 2014 City Council meeting the Council considered the proposed 2015 Budget Calendar which outlined a series of steps to establish an eventual budget. One of those steps included a preliminary review of the major budget impact items.

The information below is presented in two sections. The first section highlights the general budget impacts in the property tax-supported programs. There will be additional impacts that will be highlighted in the departmental budget presentations on May 22nd. The second section deals with programs that are supported by non-tax revenues; however Staff is recommending at this time that a separate discussion be held given the varied nature of these programs and their funding sources.

SECTION 1: Property Tax-Supported Programs

A summary containing an estimate of these impacts is presented below.

2015 Budget Impacts: Property Tax-Supported Programs

Budget Impact Item	Description / Comments	2015 Amount
Employer PERA Contribution	Mandated contribution increase for Employees	52,000
Employee COLA	Based on 2% cost-of-living-adjustment (COLA)	196,000
Employee wage step increases	Eligible employees under the Compensation Plan	100,000
Employee Healthcare	Increased healthcare premiums **	-
Capital replacements – New	Based on Staff recommendations (per memo)	55,000
General inflation - Capital	Inflation on scheduled capital replacements	5,000
General inflation - Operations	Inflation on supplies, professional services, etc.	100,000
Eliminate Use of Reserves	2014 Budget relied on reserves to balance the budget	346,000
POC Fire Employee Wages	Union formation and Fire Department reorg. Pending	unknown
POC Fire Employee Healthcare	Union formation and Fire Department reorg. Pending	unknown
Reduction - Debt Service	City Hall Bond Refunding Savings (annual)	(60,000)
Reduction - Debt Service	Street Bond #25 Paid Off	(160,000)
Reduction - Fire Relief Contribution	Projected decrease per revised actuarial study	(11,000)
Total Minimum Impact		\$ 623,000

** The City is projecting a 3-5% increase in healthcare premiums; however these costs are expected to be offset by lower enrollments in the City's Healthcare Plan.

As shown in the table above, there is at least \$623,000 of potential tax-supported budgetary impacts in 2015. Each of these impacts is briefly described below.

Employer PERA Contribution Increase

The 2014 Legislature enacted mandatory employer *and* employee contribution increases in 2015 for all employees covered by the Public Employees Retirement Association (PERA). The City contribution rate for employees covered under the Police and Fire PERA Plan will increase from 15.3% of salary to 16.2%. The contribution for employees covered under the General PERA Plan will increase from 7.25% to 7.50%.

The contribution rate for the Police and Fire Plan is higher due to the fact that employees covered under this plan do NOT receive employer-paid FICA (Social Security) of 6.2%.

The total financial impact is \$63,300, of which \$52,000 lies within the tax-supported funds.

Employee Cost-of-Living Adjustment (COLA)

The City has a long-standing practice of maintaining external and internal pay equity amongst all employee groups including union and non-union employees. The Police Patrol, Police Sergeants, and Maintenance Operators unions have all agreed to a 2% COLA for 2015. The 2% COLA is consistent with pay adjustments provided by peer cities. As of this date, the Paid-on-Call Firefighters union has not settled on a pay plan.

In the interest in keeping external and internal equity, it is recommended that all regular non-union employees also receive a 2% COLA. The cost for this adjustment in the tax-supported funds is approximately \$196,000.

Employee Wage Step Increases

Under the City's Compensation Plan(s), eligible employees that meet satisfactory performance standards are advanced to a higher step within their position pay grade. The higher step is in recognition of the added skills and institutional knowledge that the employee has obtained. It also reflects the increased value the employee creates for the City. This approach is coupled with the general practice of hiring less experienced employees at a lower pay step or introductory wage.

About half of all full-time employees are still progressing through these wage steps. The total financial impact in the tax-supported funds is approximately \$100,000

Capital Replacements

As previously recommended by the CIP Committee; the CIP Funding Plan calls for an \$80,000 increase in the 2015 tax levy to strengthen the City's Pathways program. It is suggested however, that the City Council consider a funding increase of only \$55,000 for General Facilities instead. This is explained further in a separate Staff Memo.

General Inflation

The City is projecting a general inflationary impact of approximately 2% on all non-personnel related costs. This would include any capital purchases as well as supplies, materials, and contractual services needed for day-to-day operations. The estimated impact in the tax-supported funds is \$105,000.

Use of Cash Reserves

The 2014 General Fund Budget relied on the use of \$346,000 of cash reserves to achieve a balanced budget. While the use of cash reserves for one-time purposes is generally accepted, the Council-adopted financial policies call for balanced and sustainable budgets.

To eliminate the reliance on the use of cash reserves for day-to-day operations, a permanent funding source will need to be identified.

Paid-on-Call Firefighter Wages and Healthcare

As of this date, the Paid-on-Call Firefighters union has not settled on a 2015 Contract. It is conceivable that a significant impact on the 2015 Budget and tax levy will result from these discussions.

Debt Service Reductions Savings

The bonds originally issued to finance the renovation and expansion of City Hall and Public Works Building was refunded in 2013 to take advantage of lower interest rates. The annual savings was \$60,000 which takes effect in 2015.

In addition, one of the City's street replacement bonds will be fully paid by the end of 2014 which will allow us to eliminate the dedicated tax levy that was said aside for this purpose.

Other Legislative Impacts

City Staff continues to monitor other legislative impacts including the recently passed changes to the State's minimum wage laws. Beginning August 1, 2014, the minimum wage will be \$8 per hour for large employers including the City of Roseville and will rise to \$9 per hour on August 1, 2015. This is not expected to have any significant impact on the budget for 2015 given that most City employees are already making more than these amounts, or are exempted from the new law.

A more serious impact could result if the Legislature forgoes any changes to the current LGA formula. Based on preliminary LGA projections provided by the MN House Research Department, Roseville would lose its entire LGA appropriation of \$225,000 annually in 2015. Only a handful of cities would lose their entire appropriation under the formula. Ironically, the City is a 'victim' of its own success under the LGA formula. With the recent population gains from Applewood II, Sienna Green, and Josephine Woods development projects, along with an expanding tax base; the LGA formula recognizes that Roseville has the means to financially support itself without state assistance.

The LGA monies are currently earmarked for general facility capital replacements. Given the sizeable budget pressures being faced for 2015, it is suggested that this be addressed further in conjunction with a broader discussion on the City's long-term capital facility needs.

Budgetary Impact on Property Taxes

For 2015 the total projected budget and tax levy impact from the items noted above will be at least \$623,000. This will result in an increase of 3.5% over the current tax levy. Based on preliminary estimates of our 2015 market values which includes an 11% increase in the value of a median valued home, this will result in an estimated tax impact on a median single-family home of \$6.40 per month.

113 **SECTION 2: Non Tax-Supported Programs**

114

115 ****** Given the varied nature of each individual NON tax-supported program and their distinct funding
116 sources, broad-based impacts such as those detailed above cannot be compiled in a meaningful way.
117 There will be more specific discussions on the major non tax-supported programs later in the budget
118 process. ******

119 **POLICY OBJECTIVE**

120 Evaluating major budget impacts prior to establishing preliminary spending and tax levy target levels is
121 consistent with industry-recommended practices, and prior years' budget-development process.

122 **FINANCIAL IMPACTS**

123 Not applicable.

124 **STAFF RECOMMENDATION**

125 Not applicable.

126 **REQUESTED COUNCIL ACTION**

127 For information purposes only. No formal Council action is required. However, the Council is asked
128 to provide general guidance on spending and tax levy target levels for next year's budget.

129

Prepared by: Chris Miller, Finance Director

Attachments: A: For reference purposes: Staff Memo on 2013 Cash Reserves
B: For reference purposes: Staff Memo on 2012 Cash Reserves
C: For reference purposes: Cash Reserve Summary and Projections

130



Memo

To: Mayor and City Council
Pat Trudgeon, City Manager
From: Chris Miller, Finance Director
Date: April 4, 2014
Re: Summary of City Cash Reserves

Introduction

The purpose of this memo is to provide a summary of the City's current cash reserve levels, as well as an overview on why the City maintains cash reserves.

Reserves are oftentimes referred to as cash, rainy day funds, contingency funds, or fund balance. In many instances these terms can be used interchangeably. However, for purposes of this discussion we'll refer to them as 'cash reserves' - or monies that the City can draw upon to provide for; day-to-day operations, capital replacements, one-time expenditures, or unforeseen circumstances.

One further distinction is made with regard to the City's cash reserves. All municipalities are required to distinguish between *restricted* reserves and *unrestricted* reserves. These categories are described in further detail below.

The Role of Cash Reserves

Municipalities maintain reserves for the following reasons:

- ❖ Provide cash flow to support current operations in between revenue collection periods
- ❖ To address unforeseen circumstances
- ❖ To provide for future capital expenditures
- ❖ Strengthen overall financial condition, and bond (credit) rating

Most municipalities in Minnesota, including Roseville, rely heavily on the property tax to provide for its General Fund operations. However, property taxes are received by the City only twice per year. Therefore, the City must maintain reserves to offset the lengthy period of time during which property taxes are not being collected. Reserves are also held to address unforeseen circumstances such as weather-related damage to City facilities, or to offset an unexpected loss in revenues like state-aid.

In addition, reserves are also systematically established to provide for future expenditures that are expected to occur in the future, such as reconstructing a road or replacing a fire truck. Finally, reserves are held to strengthen a City's overall financial condition. Simply put, the greater the reserves, the stronger the City's overall financial condition will be. Strong reserve levels allow cities to respond better to changing circumstances, and preserve a greater number of options as compared to weaker reserve levels.

A strong reserve level can also produce a better bond rating. Currently, the City enjoys an 'Aaa' rating from Moody's, and an 'AAA' rating from Standard & Poor's, which places the City in the upper 3% nationally. If our bond rating should fall, it would translate into higher borrowing costs. A bond rating that is reduced by just one tier from 'Aaa' to Aa1' could result in an additional \$25,000-\$35,000 in interest costs for each \$1 million issued in today's markets.

Restricted vs. Unrestricted

As noted above, all municipalities must distinguish between *restricted* and *unrestricted* cash reserves. *Restricted* reserves are monies that have constraints placed on them by either external entities such as debt covenants, grantors, or laws and regulations of another government; or by laws through constitutional provisions or enabling legislation.

Examples of *Restricted* Funds include:

- a) Community Development (building permit fees)
- b) Communications (franchise fees)
- c) Water, Sanitary Sewer, Storm Sewer (fees)

Because these funds are restricted, they are unavailable for general purposes such as police, fire, streets, etc. They can only be used for the purpose in which the fees were imposed.

In contrast, *unrestricted* cash reserves such as those held in the General Fund can be used for any public purpose. It should be noted however that these funds are oftentimes segregated or earmarked for specific programs and services. Re-purposing these funds will likely have an impact on service levels.

Current Cash Reserve Levels

The following table depicts the City's current cash reserve levels as of 12/31/13 (the last year for which audited financial statements are available) for key operating funds:

Fund	2014 Budget	12/31/2013 Reserves	Target Pct.	Actual Pct.	\$\$ Over (Under)
General (unrestricted)	\$ 13,429,235	\$ 5,766,481	40%	43%	\$ 394,787
Parks & Recreation	4,134,050	1,111,161	25%	27%	77,649
Community Development	1,190,995	595,148	35%	50%	178,300
Communications	420,195	584,645	20%	139%	500,606
Information Technology	1,639,000	359,115	20%	22%	31,315
License Center	1,310,075	925,567	20%	71%	663,552
		\$ 9,342,117			

As indicated in the chart, the City has approximately \$9.3 million in cash reserves in its key operating funds which generally provide for day-to-day activities. It should be noted that some of these reserves; including the amounts in the Communications, Information Technology, and License Center funds are also set aside for future capital replacements. In addition, the 2014 General Fund Budget relied on the use of \$346,000 of cash reserves to close a funding gap, so the reserve levels shown above are expected to decline this year.

Some of these reserves are unrestricted and could potentially be re-purposed. However, doing so could come at great expense to existing programs and service levels.

In addition, the City also maintains cash reserves in separately-held capital replacement funds. These funds do not provide for any day-to-day-activities. A separate memo regarding these reserves will be forthcoming in conjunction with the discussion on the 20-Year Capital Improvement Plan.

Relationship between Reserves & Property Taxes

In addition to the roles identified above, cash reserves also play a role in determining what the City's property tax levy needs to be. In 2013, the City's operating cash reserves earned approximately \$300,000 in interest earnings. These interest earnings were used to provide funding for current operations, thereby reducing the amount needed from property taxes or fees.

A significant portion of these earnings were contained in the Street Replacement Fund and were used to finance the annual Mill and Overlay Program for neighborhood streets.

Holding all other factors constant, if reserve levels drop by 10%, the City would have earned only \$270,000 in earnings; a decrease of \$30,000. This would have necessitated a corresponding increase in the tax levy and/or fees to keep funding levels the same.

Final Comments

It is recognized that the City's overall financial condition is strong in large part due to its healthy reserve levels. However, the Council is advised to refrain from unsustainable practices such as using reserves to support day-to-day operations for successive years. In addition, to remain strong, cash reserve levels need to continue growing in proportion with the operating budget.

City of Roseville
Fund Balance Levels
For Key Capital Replacement Funds

Current				
<u>Fund</u>	12/31/2013 <u>Reserves</u>	Target <u>Pct.</u>	Actual <u>Pct.</u>	<u>\$\$ Over (Under)</u>
Police Vehicles & Equipment	\$ 362,353	n/a	n/a	n/a
Fire Vehicles & Equipment	702,332	n/a	n/a	n/a
Parks & Rec. Vehicles & Equipment	119,075	n/a	n/a	n/a
Public Works Vehicles & Equipment	669,569	n/a	n/a	n/a
Administration Equipment	5,157	n/a	n/a	n/a
Finance Equipment	9,845	n/a	n/a	n/a
Central Services Equipment	84,930	n/a	n/a	n/a
Building Replacement	808,623	n/a	n/a	n/a
Pathway Maintenance	268,515	n/a	n/a	n/a
Parks Improvement Program	359,880	n/a	n/a	n/a
Park Dedication	1,337,837	n/a	n/a	n/a
Street Replacement	11,874,976	n/a	n/a	n/a
* Water	(685,012)	n/a	n/a	n/a
* Sanitary Sewer	1,297,506	n/a	n/a	n/a
* Storm Water	4,241,930	n/a	n/a	n/a
* Recycling	234,017	n/a	n/a	n/a
* Golf Course	259,258	n/a	n/a	n/a
	<u>\$ 21,950,791</u>			

* Reserves are used for operations and capital replacements



Memo

To: Mayor and City Council
Pat Trudgeon, Interim City Manager
From: Chris Miller, Finance Director
Date: August 15, 2013
Re: Summary of City Cash Reserves

Introduction

The purpose of this memo is to provide a summary of the City's current cash reserve levels, as well as an overview on why the City maintains cash reserves.

Reserves are oftentimes referred to as cash, rainy day funds, contingency funds, or fund balance. In many instances these terms can be used interchangeably. However, for purposes of this discussion we'll refer to them as 'cash reserves' - or monies that the City can draw upon to provide for; day-to-day operations, capital replacements, one-time expenditures, or unforeseen circumstances.

One further distinction is made with regard to the City's cash reserves. All municipalities are required to distinguish between *restricted* reserves and *unrestricted* reserves. These categories are described in further detail below.

The Role of Cash Reserves

Municipalities maintain reserves for the following reasons:

- ❖ Provide cash flow to support current operations in between revenue collection periods
- ❖ To address unforeseen circumstances
- ❖ To provide for future capital expenditures
- ❖ Strengthen overall financial condition, and bond (credit) rating

Most municipalities in Minnesota, including Roseville, rely heavily on the property tax to provide for its General Fund operations. However, property taxes are received by the City only twice per year. Therefore, the City must maintain reserves to offset the lengthy period of time during which property taxes are not being collected. Reserves are also held to address unforeseen circumstances such as weather-related damage to City facilities, or to offset an unexpected loss in revenues like state-aid.

In addition, reserves are also systematically established to provide for future expenditures that are expected to occur in the future, such as reconstructing a road or replacing a fire truck. Finally, reserves are held to strengthen a City's overall financial condition. Simply put, the greater the reserves, the stronger the City's overall financial condition will be. Strong reserve levels allow cities to respond better to changing circumstances, and preserve a greater number of options as compared to weaker reserve levels.

A strong reserve level can also produce a better bond rating. Currently, the City enjoys an 'Aaa' rating from Moody's, and an 'AA' rating from Standard & Poor's, which places the City in the upper 5% nationally. If our bond rating should fall, it would translate into higher borrowing costs. A bond rating that is reduced by just one tier from 'Aaa' to Aa1' could result in an additional \$25,000-\$35,000 in interest costs for each \$1 million issued in today's markets.

Restricted vs. Unrestricted

As noted above, all municipalities must distinguish between *restricted* and *unrestricted* cash reserves. *Restricted* reserves are monies that have constraints placed on them by either external entities such as debt covenants, grantors, or laws and regulations of another government; or by laws through constitutional provisions or enabling legislation.

Examples of *Restricted* Funds include:

- a) Community Development (building permit fees)
- b) Communications (franchise fees)
- c) Water, Sanitary Sewer, Storm Sewer (fees)

Because these funds are restricted, they are unavailable for general purposes such as police, fire, streets, etc. They can only be used for the purpose in which the fees were imposed.

In contrast, *unrestricted* cash reserves such as those held in the General Fund can be used for any public purpose. It should be noted however that these funds are oftentimes segregated or earmarked for specific programs and services. Re-purposing these funds will likely have an impact on service levels.

Current Cash Reserve Levels

The following table depicts the City's current cash reserve levels as of 12/31/12 (the last year for which audited financial statements are available) for key operating funds:

<u>Fund</u>	2013 <u>Budget</u>	12/31/2012 <u>Reserves</u>	Target <u>Pct.</u>	Actual <u>Pct.</u>	<u>\$ Over</u> <u>(Under)</u>
General	\$ 12,836,937	\$ 5,568,600	40%	43%	\$ 433,825
Parks & Recreation	4,008,105	922,537	25%	23%	(79,489)
Community Development	1,045,990	367,417	35%	35%	1,321
Communications	374,698	591,108	20%	158%	516,168
Information Technology	1,562,060	226,365	20%	14%	(86,047)
License Center	1,195,295	790,951	20%	66%	551,892
Water	n/a	-	n/a	n/a	n/a
Sewer	n/a	1,476,000	n/a	n/a	n/a
Stormwater	n/a	2,974,000	n/a	n/a	n/a
Recycling	n/a	264,000	n/a	n/a	n/a
Golf Course	n/a	315,000	n/a	n/a	n/a
		<u>\$ 13,495,978</u>			

As indicated in the chart, the City has approximately \$13.5 million in cash reserves in its key operating funds which generally provide for day-to-day activities. It should be noted that some of these reserves, such as the amounts depicted in the information technology, communications, and water & sewer funds also provide for capital replacements.

In addition, the City also maintains cash reserves in separately-held capital replacement funds. These funds do not provide for any day-to-day activities. The following table depicts the City's current cash reserve levels as of 12/31/12 (the last year for which audited financial statements are available) for key capital replacement funds:

<u>Fund</u>	12/31/2012 <u>Reserves</u>	Target <u>Pct.</u>	Actual <u>Pct.</u>	<u>\$\$ Over (Under)</u>
Police Vehicles & Equipment	\$ 249,435	n/a	n/a	n/a
Fire Vehicles & Equipment	582,719	n/a	n/a	n/a
Parks & Rec. Vehicles & Equipment	148,710	n/a	n/a	n/a
Public Works Vehicles & Equipment	426,938	n/a	n/a	n/a
Administration Equipment	4,930	n/a	n/a	n/a
Finance Equipment	4,930	n/a	n/a	n/a
Central Services Equipment	(516)	n/a	n/a	n/a
Building Replacement	691,644	n/a	n/a	n/a
Pathway Maintenance	250,025	n/a	n/a	n/a
Parks Improvement Program	349,136	n/a	n/a	n/a
Street Replacement	10,245,976	n/a	n/a	n/a
	<u>\$ 12,953,927</u>			

As indicated in the chart, the City has approximately \$12.9 million in cash reserves in its key capital replacement funds – funds set aside for future capital.

Nearly all of these reserves are unrestricted meaning they could be re-purposed. However, doing so could come at great expense to existing programs and service levels. The Council is strongly advised to look at the 20-year Capital Improvement Plan (CIP) to fully ascertain whether the reserves held in these funds are sufficient to meet the City's long-term capital asset needs.

Relationship between Reserves & Property Taxes

In addition to the roles identified above, cash reserves also play a role in determining what the City's property tax levy needs to be. In 2012, the City's operating cash reserves earned approximately \$400,000 in interest earnings. These interest earnings were used to provide funding for current operations, thereby reducing the amount needed from property taxes or fees.

A significant portion of these earnings were contained in the Street Replacement Fund and were used to finance the annual Mill and Overlay Program for neighborhood streets.

Holding all other factors constant, if reserve levels drop by 10%, the City would have earned only \$360,000 in earnings; a decrease of \$40,000. This would have necessitated a corresponding increase in the tax levy and/or fees to keep funding levels the same.

Final Comments

It is recognized that the City's overall financial condition is strong in large part due to its healthy reserve levels. However, the Council is advised to refrain from unsustainable practices such as using reserves to support day-to-day operations for successive years. In addition, to remain strong, cash reserve levels need to continue growing in proportion with the operating budget.

City of Roseville
Fund Balance Levels
For Key Operating Funds

Current						Projected							
Fund	2014	12/31/2013	Target	Actual	\$\$ Over (Under)	2015	Actual	2016	Actual	2017	Actual	2018	Actual
	<u>Budget</u>	<u>Reserves</u>	<u>Pct.</u>	<u>Pct.</u>		<u>Budget</u>	<u>Pct.</u>	<u>Budget</u>	<u>Pct.</u>	<u>Budget</u>	<u>Pct.</u>	<u>Budget</u>	<u>Pct.</u>
** General (unrestricted)	\$ 13,429,235	\$ 5,766,481	40%	43%	\$ 394,787	\$ 13,832,112	42%	\$ 14,247,075	40%	\$ 14,674,488	39%	\$ 15,114,722	38%
Parks & Recreation	4,134,050	1,111,161	25%	27%	77,649	4,258,072	26%	4,385,814	25%	4,517,388	25%	4,652,910	24%
Community Development	1,190,995	595,148	35%	50%	178,300	1,226,725	49%	1,263,527	47%	1,301,432	46%	1,340,475	44%
Communications	420,195	584,645	20%	139%	500,606	432,801	135%	445,785	131%	459,158	127%	472,933	124%
Information Technology	1,639,000	359,115	20%	22%	31,315	1,688,170	21%	1,738,815	21%	1,790,980	20%	1,844,709	19%
License Center	1,310,075	925,567	20%	71%	663,552	1,349,377	69%	1,389,859	67%	1,431,554	65%	1,474,501	63%
	\$ 9,342,117												

** NOTE - \$346K in GF Reserve Spending was budgeted in 2014

Inflation rate 3.0%

City of Roseville
Fund Balance Levels
For Key Capital Replacement Funds

Fund	Current				Projected **				
	12/31/2013 Reserves	Target Pct.	Actual Pct.	\$\$ Over (Under)	2014	2015	2016	2017	2018
Police Vehicles & Equipment	\$ 362,353	n/a	n/a	n/a	332,353	283,010	310,635	267,365	274,995
Fire Vehicles & Equipment	702,332	n/a	n/a	n/a	601,000	449,000	447,980	708,940	654,618
Parks & Rec. Vehicles & Equipment	119,075	n/a	n/a	n/a	56,000	(205,000)	(158,500)	14,000	(10,720)
Public Works Vehicles & Equipment	669,569	n/a	n/a	n/a	621,000	554,200	228,784	156,860	329,497
Administration Equipment	5,157	n/a	n/a	n/a	11,157	13,000	21,260	29,685	38,279
Finance Equipment	9,845	n/a	n/a	n/a	11,845	15,000	21,300	27,726	34,281
Central Services Equipment	84,930	n/a	n/a	n/a	83,930	81,160	79,943	78,702	77,436
Building Replacement	808,623	n/a	n/a	n/a	408,000	127,700	(192,746)	(346,446)	(603,446)
Pathway Maintenance	268,515	n/a	n/a	n/a	258,000	248,000	232,960	217,691	201,972
Parks Improvement Program	359,880	n/a	n/a	n/a	379,000	399,000	(1,148,690)	(2,625,810)	(4,146,110)
Park Dedication	1,337,837	n/a	n/a	n/a	1,337,837	1,337,837	1,337,837	1,337,837	1,337,837
Street Replacement	11,874,976	n/a	n/a	n/a	10,500,000	8,225,000	7,314,500	6,285,790	5,136,506
* Water	(685,012)	n/a	n/a	n/a	(600,000)	(554,000)	(854,000)	(764,000)	(743,000)
* Sanitary Sewer	1,297,506	n/a	n/a	n/a	1,000,000	575,000	436,500	370,230	342,635
* Storm Water	4,241,930	n/a	n/a	n/a	4,000,000	3,074,000	2,835,480	2,964,190	3,038,473
* Recycling	234,017	n/a	n/a	n/a	234,017	234,017	234,017	234,017	234,017
* Golf Course	259,258	n/a	n/a	n/a	190,000	100,500	(10,990)	(84,490)	(164,990)
	\$ 21,950,791				\$ 19,424,139	\$ 14,957,424	\$ 11,136,270	\$ 8,872,287	\$ 6,032,280

* Reserves are used for operations and capital replacements

** Projected reserve levels are based on current funding sources and scheduled capital replacements

City Council 2015 Budget Work Session Discussion
5/22/14

Public Works Department 32 FTE

Budget areas

Public Works Administration \$723,910

Streets Division \$1,151,400

Streetlighting \$214,200

Central Garage \$176,800

Building Maintenance \$369,300

Pathways/Parking Lots Maintenance, Streetscapes \$210,000

Stormwater Utility \$1,998,200

Sanitary Sewer Utility \$5,761,200

Water Utility \$9,208,200

Solid Waste Recycling \$481,410

Total Department 2014 Budget \$19,494,620

Budget Priorities

- Staffing (*Right of Way Technician*-Fee supported) (Customer Service Position- Utility supported)
- Snow and Ice Control Program
- Contractual costs

Future Budget Challenges

- Increasing costs
- Atlas 14 Storm water Standards
- Street Infrastructure Funding/Materials and Equipment Storage

2015 City Council Budget Priority Discussion Items

Department priorities, & challenges:

➤ Department Staffing

- Program Stabilization
- Unionization
- Health Care Reform Act impacts

2015 Fire department budget is concentrated around adjustments needed to make the first step in transitioning the department from the current PT staffing model to a new staffing model centered on the utilization of full-time firefighters.

This item comprises the priority for the 2015 Fire Department budget, but certainly includes some challenges, and assuredly includes many future opportunities for the department.

2015 staffing model to include 6 full-time firefighters. Step one of a new staffing model- \$68,125.

Review chart of staffing options and costs- **Attachment A**

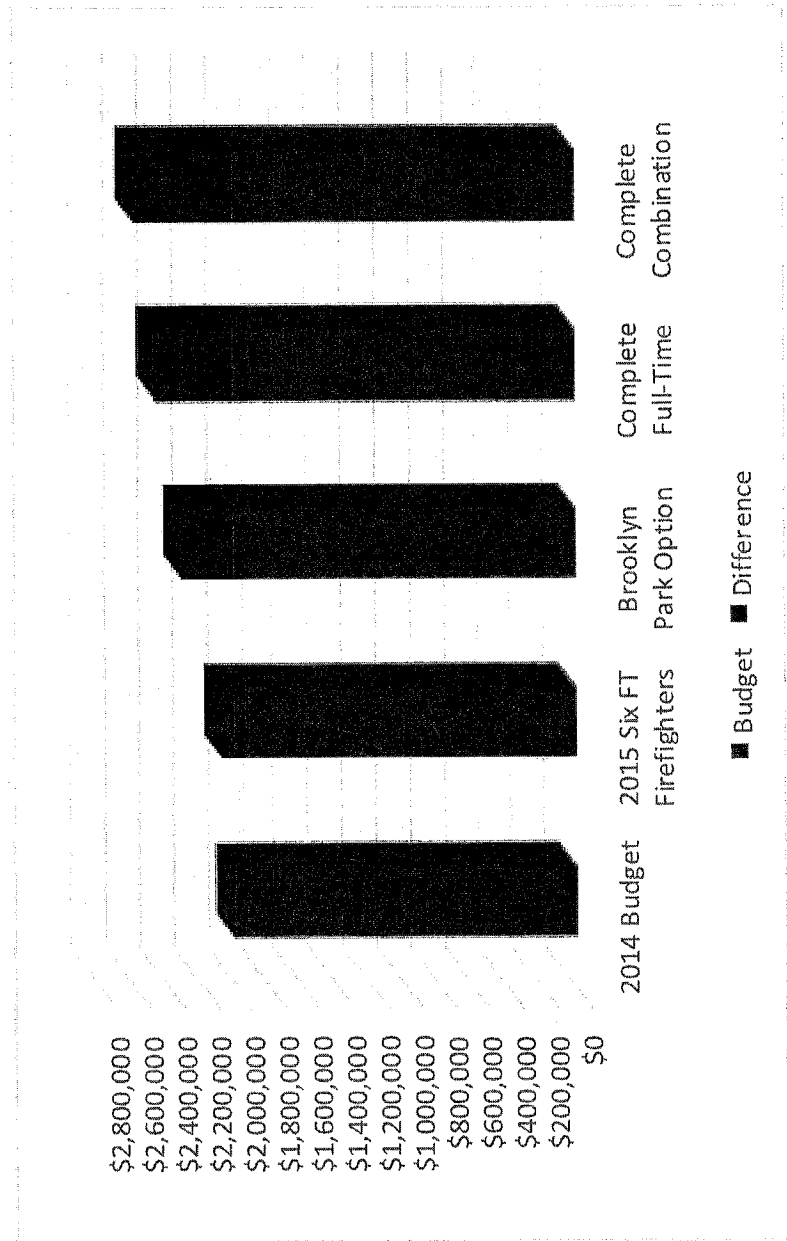
Other 2015 departmental priorities include:

- Regional opportunities for shared services and partnerships
- Continued pursuit of opportunities for expansion of Emergency Medical Services
- Community engagement events
- Specialized hazard training
- Delivery of replacement/New staff fire engine
- Delivery of replacement/New medical response unit.

Attachment A:

Budget Options	Total	Difference
2014 Budget	\$2,033,545	
2015 Six FT Firefighters	\$2,101,670	\$68,125
Brooklyn Park Option (18 FT firefighters)	\$2,334,000	\$300,455
Complete Full-Time (24 FT firefighters)	\$2,484,353	\$450,808
Complete Combination	\$2,609,095	\$575,550

Department	Budget
Fire Department Combination	\$2,609,095
Public Works	\$2,636,000
Parks & Recreation	\$3,010,000
Police	\$6,603,000





The Roseville Police Department

"Service, Integrity, Respect, Innovation"



General Department Facts

- 24 hours per day - 7 days per week operation
- Response to approximately 35,000 incidents per year
- Budget of \$6,602,570 in 2014
- 34,666 Roseville citizens will pay approximately 52¢ per day in 2014
- 85% of budget is spent on personnel (57 employees)

2015 Budget Priority: Two Commercial Patrol Officers

- *\$198,200 in personnel and vehicle costs; cost per citizen = less than 2¢ per day*

Multiple benefits to Roseville citizens and commercial stakeholders

- First to respond to shoplifting, fraud, theft from autos, burglaries, and disorderly conduct calls for service for **entire** commercial community
- Increased outreach and training for employees and owner/operators
- Increased outreach and fraud/identity theft prevention education to citizens
- Targeted response to developing crime trends
- Prepare retail crime cases for already burdened investigations unit
- Increased proactive patrols in Roseville commercial nodes
- Relationship building efforts with store employees, security personnel and visitors
- Participation in area retail crime task force groups
- Support economic development and retention

2015 Budget Challenges:

- Significant increases in retail-related crimes in Roseville commercial nodes
- Wal-Mart and continued retail-focused development of Twin Lakes
- Increased connectivity to Roseville retail areas with Snelling BRT line in 2015 (MOA to/from Rosedale).
- Increase in frequency and complexity of Organized Retail Crime (shoplifting rings and fencing operations) across the country

2015 Budget Sub-Priorities

Tuition Reimbursement (\$6000):

- Reimbursement costs for continuing education courses for full-time police department staff pursuing career development and advancement opportunities (resources focused on masters degrees and above)

Volunteer Recognition (\$1800):

- Annual recognition event for police department volunteers, specifically Roseville Reserve Officers and Park Patrol Volunteers who donated nearly 6000 hours of their time to support the department, and City as a whole

Crime Scene Team Equipment (\$1000 in CIP funds):

- In 2012, the Roseville Police Department began expanding crime scene investigative functions which first began as a joint initiative with other jurisdictions in the County. The Department observed an increase in quality of crime scene investigations as well as an increase in customer service to victims of crimes such as burglaries, thefts and other property crimes in Roseville.
- Expansion of crime scene team of trained investigators requires additional equipment costs

Significant Increases in Commercial Areas from 2012-2013

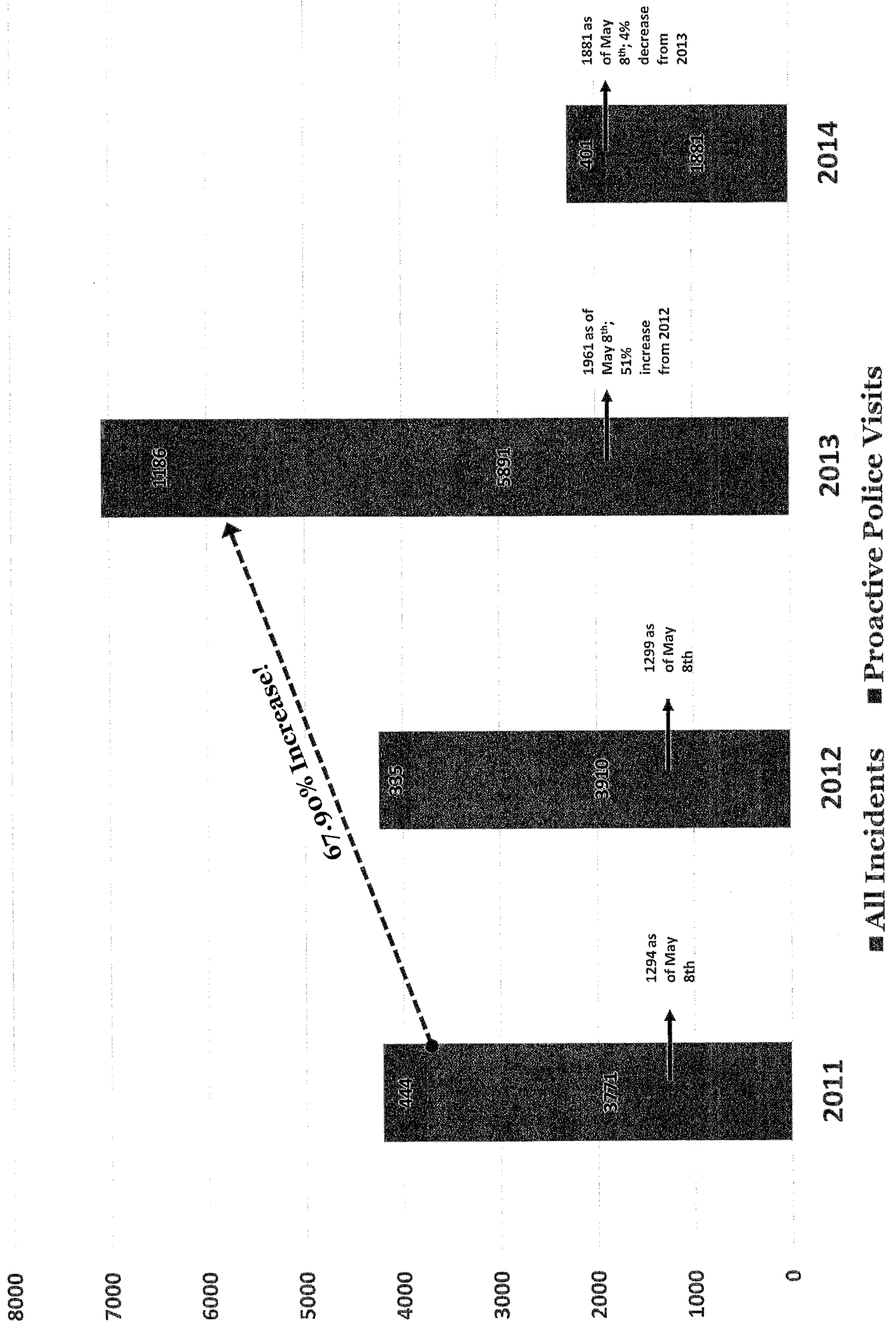
- Incident Data from addresses and address ranges listed on the back of the 2014 Community Development Map to include **all listed shopping centers, hotels/motels, and restaurants.**

Offense Title		2012	2013	% Change
Trespassing		24	88	266.7 %
Proactive Police Visits (PPVs)		335	1186	254.0 %
Shoplifting & Theft		473	832	75.9 %
Robbery		8	14	75.0 %
Traffic, Accidents, Citations, & Parking Complaint		541	904	67.1 %
Commercial Burglary		25	35	40.0 %
Disorderly , Disturbance, Detox, Drunk Person, & Dispute		371	517	39.4 %
Alarms		345	383	11.0 %
Narcotics & Drugs		40	44	10.0 %
Motor Vehicle Theft		26	28	7.7 %

The opening of Wal-Mart in 2014:

- 86 incidents in the first 30 days of business. Data suggests 1,000+ incidents per year at Wal-Mart.
- 1,000 incidents is the approximate capacity of one patrol officer for an entire year.

Total Commercial Incidents including Proactive Police Visits



Talking Points

- We can't "keep up" with the pace of retail related crime with the current resources.
- Data suggests the increase in PPVs from 2012 – 2013 resulted in more "non-PPV" incidents in the commercial nodes.
 - How many would have "got away" without the extra PPVs?
 - What VALUE does RPD add to the big picture of economic development and retention?
 - What happens to the commercial areas if we decrease PD presence?
 - What happens to the residential areas if we simply shift resources to commercial?
- RPD must stay ahead of the trends before the perception of fear and the respective negative consequences develop in the commercial districts.
 - Anecdotal reports from Loss Prevention and Security at mall.
 - Fear/perception of "thuggish" behavior at mall.
 - Anecdotal reports from criminals "why" they choose Roseville over other cities to commit crimes.
 - Decay of suburban malls partially due to lack of investment in public safety.
- Demand for Police Services **INCREASE** as retail development **INCREASES**.
 - Commercial Building Permits increased 6.5% from 2011-2013 (2011: 187 permits; 2013: 200 permits)
 - 70 permits so far; on pace for 180+ permits for 2014
- Above and beyond resident population
 - Rosedale Mall attracts 14 million visitors per year, per Rosedale Management
 - Roseville Visitors Association estimates 700,000+ hotel/motel guests per year
 - 38,000 people employed in Roseville
 - 2018 Super Bowl to be hosted in Minneapolis, anticipated overflow into Roseville

2014 Community Survey Results

- Question 4: What do you like most about living in Roseville? **18% Safe, #1 answer.**
- Question 5: What do you think is the most serious issue facing Roseville? **13% Rising Crime, #2 answer (Nothing = #1 answer).**
- Question 12: When thinking of quality of life, what do you think is the most important aspect of that quality? **32% Safety, #1 answer.**
- Low crime rate ranked high (2nd to good schools) as **most important** indicator of high quality of life and ranked highest for **second most important** indicator of a high quality of life.
- 97% ranked Police Protection as Excellent or Good (59% Excellent, 38% Good).

**Parks and Recreation 2015 Budget Topics/Discussion
Overview, Priorities and Challenges 5-22-14**

Overview

- 4 areas- Parks, Recreation, Golf, Skating Center
- Golf – currently an enterprise fund
- 25.25 FTE – rely also on seasonal, part time and volunteers
- 2014 Budget - Expenses = \$4,599,905 Revenue = \$2,383,495
- Department – overall 50-60% fee, charge and contribution supported

2015 Budget Priorities (new initiatives)

- Renewal Program Projects
 - a. Park Maintenance
 - i. New Buildings
 - ii. Land Acquisition
 - b. Recreation
 - i. staffing for additional use
- Minimum Wage
- Emerald Ash Borer (EAB) - treatment, removal and replacements - \$100K
- Intern stipend

Other Budget Challenges and Opportunities

- Staffing levels – no new positions requested
 - 1. Park Supervisor – reinstatement
 - 2. Custodial (RSC and HANC) – reinstatement
 - 3. Forester – new
 - 4. Recreation Programmer – new
- Volunteers
- EAB
- Trail Plowing
- Golf Course
- Wildlife management

City of Roseville Finance Department

Budget Overview

May, 2014

Finance Department Operating Divisions include; Finance & Accounting, Information Technology, and License Center

Budget Priorities

- ❖ Additional IT Staff to support recent investments in technology
- ❖ Minor capital improvements at the License Center
- ❖ Continued emphasis on staff training and professional development
- ❖ Design and manage departmental reorganization to meet the changing needs of the City

Budget Challenges

- ❖ Department services depend on educated, highly-skilled employees
- ❖ New investment in technology is outpacing our technology support capability
- ❖ Finance Department is primarily an internal service function . . . therefore a change in funding resources = change in service levels to other city functions

2015 Budget Request: Finance

2015 Budget Request is \$668,520, an increase of \$26,895. Increases include:

- a) \$24,085 for personnel costs (COLA, wage steps, healthcare, etc.)
- b) \$1,050 for Finance Commission-related costs
- c) \$1,150 for software maintenance and compliance reporting costs
- d) \$610 for staff training and development

2015 Budget Request: Information Technology

2015 Budget Request is \$2,016,160, an increase of \$377,160. Increases include:

- a) \$105,000 for a new Network Engineer position (tax-supported)
- b) \$98,000 for personnel costs for existing employees
- c) \$7,520 for supply and maintenance costs
- d) \$166,640 for capital replacements (per CIP Schedule)

2015 Budget Request: License Center

2015 Budget Request is \$1,349,775, an increase of \$39,700. Increases include:

- a) \$28,000 for personnel costs
- b) \$1,700 for supply, maintenance, and rental costs
- c) \$10,000 for electrical and kitchen/break room improvements

**City Council Budget Discussion
Administration Department
May 22, 2014**

The Administration Department has 7 full-time employees. Funding for the Administration Department comes from a variety of sources including the Communications Funds, HRA Fund, and Levy Funds.

The Administration Budget currently includes Communications, Elections, Administration, City Council, Ethics and HRC, and Legal. In total, about 75% of the Administration Department budget is levy-supported. The 2013 approved budget is \$1,626,325.00.

Budget Priorities

- Continuation of coordinated communication efforts
- Continuation and expansion on use volunteers by City
- Support of Commissions (Human Rights, Ethics, and Community Engagement)
- Wellness Program
- HRIS Support

Budget Challenges

- Affordable Health Care Act
- Human Resources Support
- Cable Franchise Renewal

**City Council Budget Discussion
Community Development Department
May 22, 2014**

Community Development has 13 full-time employees. A majority of the operations are funded via fees deposited into the Community Development Fund. Nuisance code enforcement efforts and staff are funded by the general levy.

The Community Development budget covers four divisions, Code Enforcement, Planning, Economic Development, and GIS. The Community Development Fund has stabilized in the past few years. The last three years were good revenue years. In total about 12% of the Community Development budget is levy supported. The remainder is funded by the Community Development Fund. The 2013 approved budget for is \$1,347,525.

Budget Priorities

- Rental Licensing
- Economic Development Issues (Business Retention Efforts)
- Leveraging of other funds to assist in operations

Budget Challenges

- Twin Lakes
- Rental Licensing