



**CITY OF ELK RIVER
MINNESOTA**

2014 ADOPTED BUDGET

www.elkrivernm.gov

**CITY OF ELK RIVER, MINNESOTA
2014 BUDGET**

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Guide to the Document

A budget serves many purposes. It is the City's annual financing and spending plan, providing a means for allocating resources to meet the needs and desires of the residents of the City. The budget balances City revenues with community priorities and requirements. The annual budget serves as a communication device, a policy document, a resource allocation tool, an accountability tool, and a management tool.

Pertinent Information about Elk River

This section includes a list of public officials and an organizational chart. There is also a brief history of our community and area maps. Our vision statement and goals are also included.

Budget Message

The City Administrator and Finance Director's Budget Message summarizes the budget by outlining critical issues and challenges for the fiscal year and accomplishments of the prior year. The budget overview summarizes the financial components of the city, including revenue trends and significant new expenditures.

Summary Information

This section of the budget contains summary information about the structure of the city government. It includes budget practices and policies, the city's budget process, as well as summary financial tables.

Staffing

This section contains a list of all authorized positions for the city by department and provides historical staffing information.

General Fund

The accounts of the city are organized on the basis of funds and account groups. These funds and account groups are organized to segregate and account for restricted resources. Each fund and account group is a separate accounting entity. The General Fund is the primary revenue source for most services cities typically offer; these include public safety (police and fire), street maintenance, parks and recreation, and community services. Department detail is included.

Other Funds

The other funds section contains non-general fund sources of revenues. These funds are grouped into Special Revenue funds and Enterprise funds. Each fund type is described in this section and a financial summary is provided for each.

Debt Service

This section contains information about the city's outstanding debt and repayment of those obligations.

Capital Improvement Plan

The capital improvement projects scheduled for funding in the budget year are summarized in this section.

Policies

This section contains financial policies and procedures adopted by the City Council and followed by staff.

Appendix

This section contains information of interest such as the budget for a discretely presented component unit (Housing and Redevelopment Authority) and statistical information.

Glossary

Budget terms and acronyms used in the budget document are provided for the reader's reference.

CITY OFFICIALS

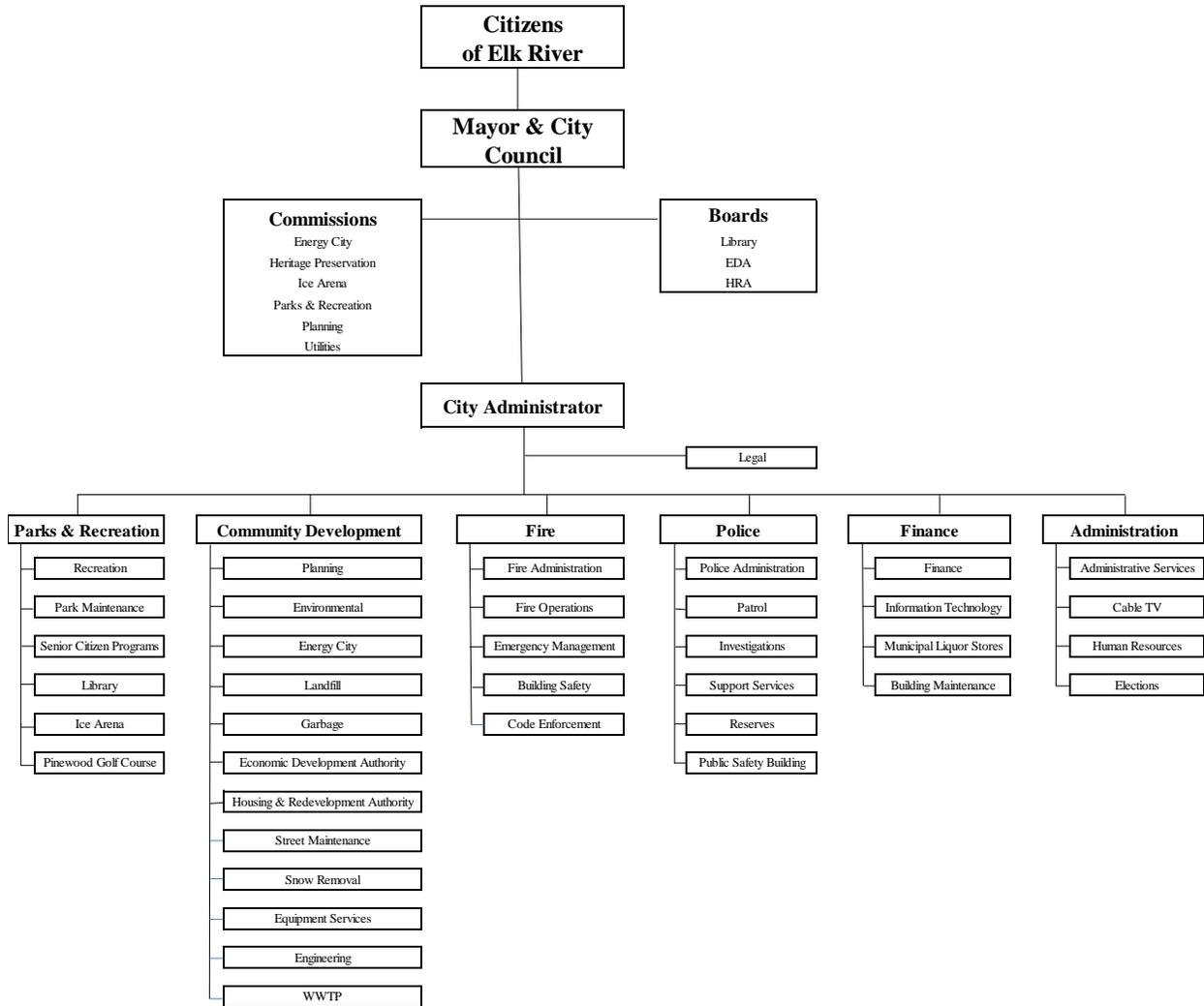
TERM OF OFFICE EXPIRES
DECEMBER 31ST

Mayor	John Dietz	2014
Councilperson	Stewart Wilson	2014
Councilperson	Matthew Westgaard	2016
Councilperson	Barbara Burandt	2016
Councilperson	Paul Motin	2014

APPOINTED PERSONNEL

City Administrator.....	Calvin Portner
Police Chief.....	Bradley Rolfe
Fire Chief.....	T. John Cunningham
Finance Director.....	Tim Simon
Parks and Recreation Director.....	Michael Hecker
Community Operations & Development Director.....	Suzanne Fischer

CITY OF ELK RIVER ORGANIZATIONAL CHART



A Brief History

The hardwood forested hills in which Elk River is situated were pushed up by the last glacier that advanced across Minnesota. These hills are made up of coarse materials which is the reason gravel mining is so prevalent in Elk River and also the reason much of the area is not considered good farmland. The Elk River was named for the herds of elk in the area when the first settlers arrived. The Elk and Mississippi Rivers and the nearby Red River Trail made this area a good location for commerce and a trading post was built in 1846. In 1851, Ard Godfrey, a native of Orono, Maine saw the potential of the water power of the Elk River and built a dam and a saw mill which created the first lobe of Lake Orono (called the Mill Pond), which extended from the present day dam to Orono Cemetery Point. In 1855, the area by the dam was platted and the town of Orono (known as Upper Town) was created.

The Orono-Elk River area continued to grow and by 1860 it had a population of 723 people. By 1870, Elk River swelled to a population of 2,050 and in 1872, it became the county seat. Around this same time the railroads replaced the rivers as the main focus of transportation and the Lower Town (the present day downtown area) replaced Upper Town as the focus of commerce.

The Orono Dam was destroyed by an ice storm in 1912, but hydropower gave a new incentive to dam the Elk River in 1915. This new dam created the four lobes of Lake Orono as we know it today. In 1916, the Village of Elk River received electricity for the first time. The entire township of Elk River would not get electricity until after World War II.

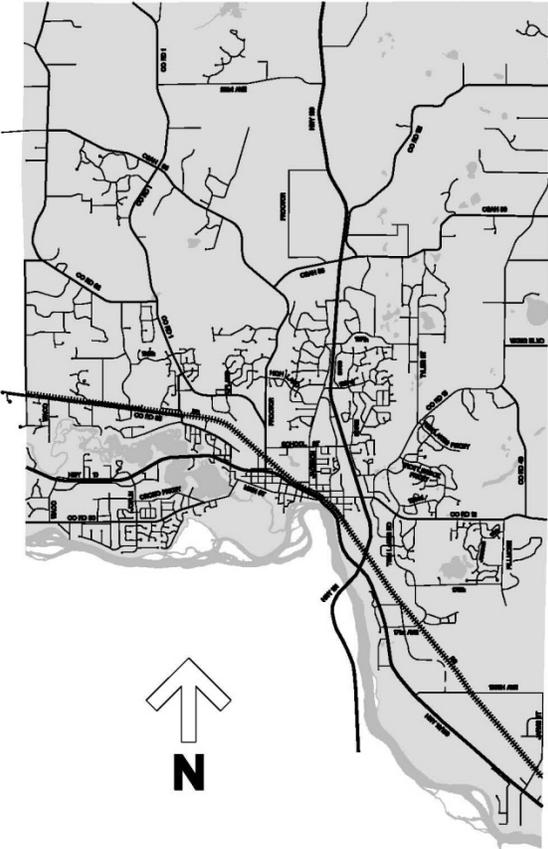
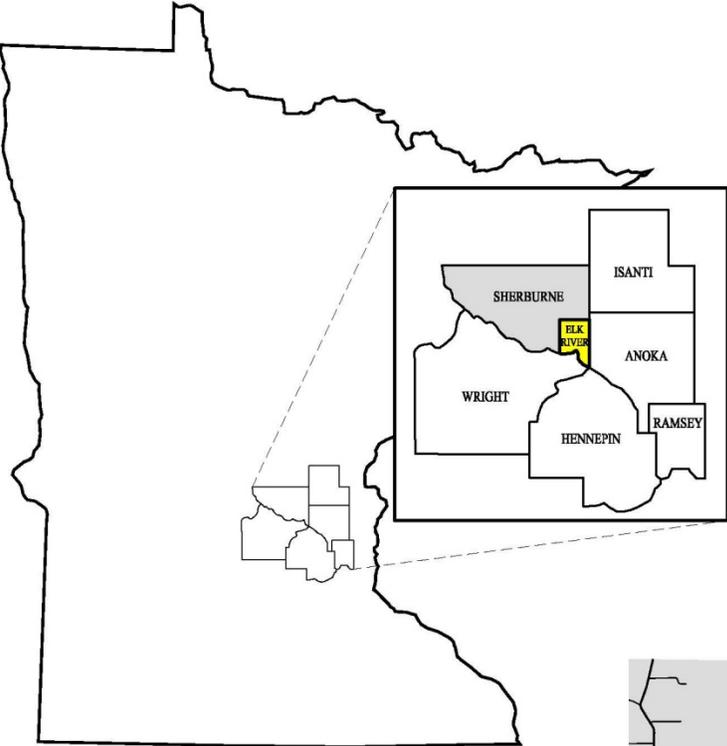
Charles Babcock, a native son of Elk River and the state's first Commissioner of Highways, had a visionary plan to "get Minnesota out of the mud." His plan to create a network of paved roads became a model for the rest of the nation and the Jefferson Highway (now Highway 10) became one of the first paved roads in the state. Work on Highway 169 to bypass Elk River began in 1961 and work on a new route for Highway 101 between Rogers and Elk River began in 1968.

In 1974, the Village of Elk River became the City of Elk River. In 1978, the City of Elk River and the Township of Elk River consolidated to become the City of Elk River as we know it today. The result was one of the largest land based cities in the state at 44 square miles.

Besides transportation, energy has always played a significant role in shaping Elk River. The first rural nuclear power plant in the United States went online in 1960 at Great River Energy's (GRE) site in Elk River. Meant only as a demonstration site it was dismantled after several successful years of operation. In the late 1980's, GRE's power plant was converted to burn refuse derived fuel. This innovative source of energy was one factor that helped Elk River receive the designation of "Energy City" by the Minnesota Environmental Initiative in October of 1997. As Energy City, Minnesota's energy industries will be demonstrating cutting edge renewable and energy efficient technologies in Elk River.

The creation of Interstate Highway 94 and the upgrade of Highway 101 to four lanes have greatly accelerated Elk River's growth. Once again transportation is dictating where the focus of commercial activities take place in Elk River as new businesses spring up along the Highway 169 corridor. The future will present a challenge to maintain Elk River's small town atmosphere and unique heritage.

Elk River and Surrounding Area



Strategic Planning

Various city staff members continue to meet regularly to identify, review, and refine tasks that help meet previously established Goals and Action steps for Elk River. The vision statement and goals identified below were approved by the City Council in October 2010. City staff worked on the creation of a plan, comprised of action steps and tasks to be completed to assist in meeting the goals. On May 20, 2013, the City Council approved the 2013-2014 goals, action steps, and tasks framework. This framework highlighted key initiatives to be completed in 2013-2014.

CITY OF ELK RIVER VISION

Abounding in natural beauty, Elk River is a vibrant, historic river town that promotes an active lifestyle in an innovative and involved community offering unlimited opportunities.

GOALS

Innovation

Develop new programs and services to meet the needs of the community.

Community Development

Enhance and expand community involvement and public participation through a variety of innovative outlets.

Beautification

Have attractive, welcoming streetscapes at city entrances and primary corridors.
Enforce zoning ordinances.

Opportunities

Foster a pro-business atmosphere that provides incentives and other opportunities for new and existing business growth.

Planning and Positioning

Employ resources toward long-range benefit to the community.

ACTION STEPS

Innovation

- A1 - Evaluate existing programs and services
- A2 – Redefining government as customer service
- A3 – Foster collaborative opportunities
- A4 – Enhance communication
- A5 – Explore and develop new programs and services

Community Development

- B1 – Evaluate, enhance and expand communication
- B2 – Enhance, expand and diversify public education and outreach
- B3 – Build community spirit
- B4 – Promote community brand
- B5 – Increase volunteerism

Beautification

- C1 – Improve, revitalize and invest in streetscaping along primary corridors and entrances
- C2 – Improve water quality
- C3 – Provide consistent and expanded signage

Opportunities

- D1 – Position land for development
- D2 – Facilitate development and redevelopment to support rapidly changing technological advances
- D3 – Promote and amend existing programs and services
- D4 – Address the housing needs of current and future Elk River residents

Planning and Positioning

- E1 – Complete comprehensive plans
- E2 – Legislative advocacy
- E3 – Preservation of assets
- E4 – Employee development and retention
- E5 – Positioning to improve services and value to community

Budget Message

Honorable Mayor and Council Members:

Annually, the City Administrator must prepare a budget and present it to the City Council. The following budget report represents a summary of the adopted proposals for all services provided by the city in 2014, except the water and electric utilities.

Elk River Municipal Utilities prepares a separate budget document for the water and electric funds.

The Adopted 2014 Budget includes the operations of the General Fund and Debt Service Funds that are supported by property taxes and the memorandum budgets for the Special Revenue, Capital Project, and Enterprise Funds. The City Council reviewed the budget in work sessions beginning in June of 2013. On September 3, 2013, the City Council adopted the preliminary property tax levy. The Proposed 2014 Budget and final property tax levy were adopted at the December 2, 2013, City Council meeting. The final property tax levy was submitted to Sherburne County on December 5, 2013.

The city's budget is more than a financial document as it reflects the city's plans, policies, procedures, and objectives for services to be provided in fiscal year 2014 and beyond. Some highlights of the 2014 budget are as follows:

City Initiatives

In 2014, the city intends to continue its focus on planning for the future through long-range planning studies and implementation of initiatives adopted by the Council in 2011 and updated in 2013. These initiatives include completing our Comprehensive Plan and Parks Master Plan and initiating a Mining Area Study for the long-term development of the mining area.

The city is planning to open Nature's Edge Business Center Phase II to meet the demand for larger lot sizes for business expansion and retention. The decisions of the Council and actions of staff will align with the approved vision and goals.

With the Council's emphasis on keeping taxes low, no significant new initiatives are slated for 2014. Staff will continue to focus on providing excellent service at current levels with the same resources. The city has maintained its strong, solid financial position through several years of difficult economic times. The 2014 budget was adopted with the same intent; the city will be in a very good financial position at the end of 2014.

Impact of Legislation

The 2011 Legislature repealed the *Residential Market Value Homestead Credit* and replaced it with a new program called the *Market Value Exclusion*. The change continues to impact the taxes on all property for those payable in 2014. *Market Value Exclusion* further shifts the tax capacity allocation from residential to commercial properties.

The 2013 Legislature implemented levy limits for 2014. The budget well within the imposed levy limits. There are no levy limits for 2015 at this time.

The impact of any future levy increases on residential and commercial property owners will be continually reviewed and balanced with the level of services that the city can continue to offer and the new initiatives it undertakes. The net tax capacity is expected to remain the same or increase slightly over the next year or so. The city anticipates ongoing balanced budgets with minimal tax increases because of the proactive steps taken to address potential aid cuts and revenue shortfalls.

Highlights of the Past Year

Several significant events occurred during the past year including the following:

- Implemented a long-term funding plan for our pavement management program.
- Completed Phase I construction of the 171st Avenue Focus Area Study, opening Nature's Edge Business Park.
- Initiated an update to our Comprehensive Plan.
- Built Elk River's first destination playground at Orono Park.
- Dedicated Bailey Point Nature Preserve, a pristine Mississippi River park.
- Continued implementation of our *Powered by Nature* brand with the painting of the Freeport Avenue water tower.
- Adopted a five-year strategic plan for the Fire Department.
- Increased economic development activity located new businesses and existing business expansion.
- Moved into a newly constructed maintenance facility that houses fleet maintenance, street maintenance and park maintenance.
- Earned our 5th consecutive GFOA *Distinguished Budget Presentation Award*.
- Earned our 24th consecutive GFOA *Award for Excellence in Financial Reporting*.

Budget Initiatives

The General Fund and all other tax-supported budgets were developed based on the revenue generated from a net tax capacity increase of 0.52% and a target tax rate of 48.48%. The Enterprise Fund budgets are not supported by tax revenue and were developed using estimated revenues from sales, connection fees, and customer charges.

Following is a summary of the highlights and major initiatives undertaken for 2014:

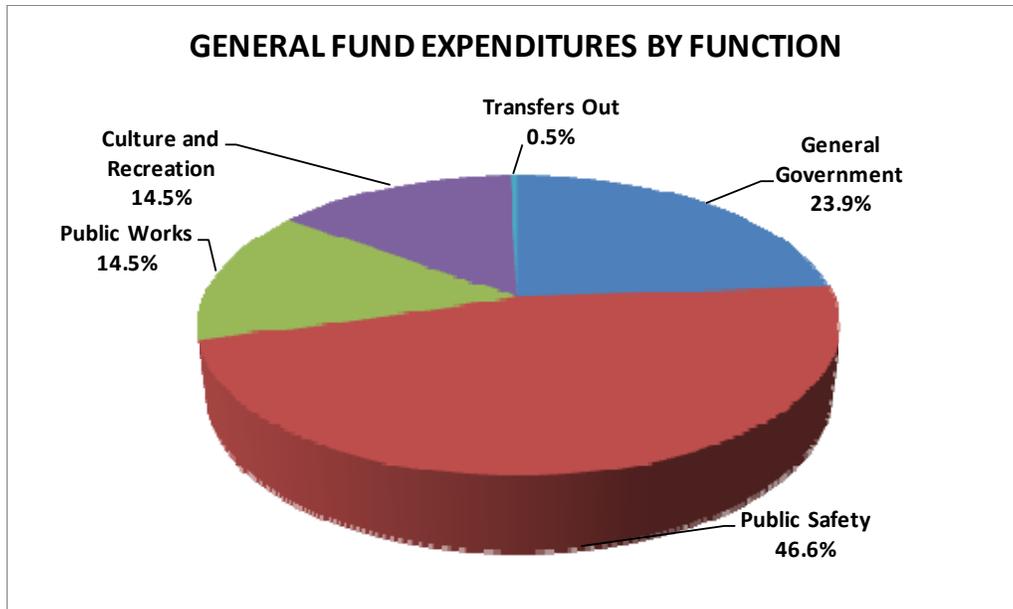
General Fund

The overall General Fund budget increased 0.26% over the adopted 2013 budget. The increases are attributed to the following:

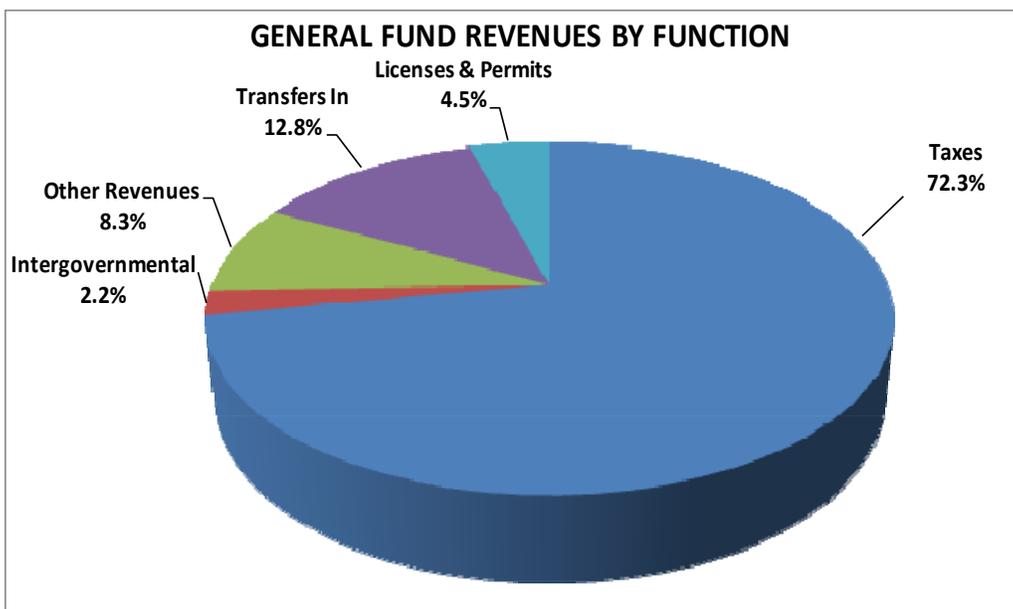
- Increased fuel costs. Given the uncertainty in fuel prices, \$3.25 per gallon was budgeted for unleaded gasoline and diesel fuel. The city participates in the State of Minnesota Cooperative Purchasing Venture for 80-90% of anticipated annual vehicle fuel usage,

which will be at a fixed price for 2014. The result of the state fuel bid locked in prices close to the estimates in the budget.

- Aside from inflationary increases, some expenditure line items saw a reduction due to the state law change which exempted cities from sales tax effective January 1, 2014.
- Increased personal service costs. For 2014, the city temporarily increased the health insurance contribution and provided a 2% cost of living salary adjustment. The budget adds a full-time park maintenance position, and a deputy fire chief. It also removes a vacant full-time building inspector position. The remaining changes are hour adjustments and interns.



The major functions are financed with a combination of revenues with property taxes as the largest source.



Capital Improvements

The detailed 2014-18 Capital Improvement Plan (CIP) was approved as a planning document at the December 16, 2013, City Council meeting and is published as a separate document and may be found on the city's website (www.elkrivernm.gov).

The CIP coordinates the financing and timing of improvement projects and acquisition of capital equipment. The capital improvements scheduled for 2014-2018 are included within this budget document in summary format. Details of each project are available within the complete document.

Enterprise Funds

The enterprise funds include Garbage, Sanitary Sewer and Liquor Operations.

Garbage Fund

The Garbage Fund budget is consistent with 2013. No rate changes were proposed and the Organics Program will continue in 2014. Sherburne County is expected to continue to offset the tipping fee \$10 per ton for sending waste to the Great River Energy Refuse Derived Fuel (RDF) Plant.

Sanitary Sewer Fund

The Sanitary Sewer Fund proposes a customer rate increase of 3% and a 3% connection charge increase. Revenue is expected to increase slightly and we do not expect an increase in delinquent accounts. In addition, interest income is expected to increase slightly. No additional staff positions were planned.

The operating budget includes many maintenance-related and capital expenditures, including an expansion of the facility due to new pollution control limits and added treatment capacity to meet the needs of the users. The expansion is estimated at \$12,619,000 and has an estimated capacity life of over 20 years.

Liquor Fund

The city's two municipal liquor stores have a combined sales volume of more than \$6.7 million and project a gross profit of 28%. Sales are expected to increase by 3% over 2013.

The main expenditure increase relates to security camera replacements and fiber optics at the Northbound and Westbound Liquor stores. No additional staff positions are funded for 2014.

The net income derived from these stores is used to fund projects that are a benefit to the community. Projects scheduled in 2014 to be financed by the Liquor Fund are as follows:

<u>Purpose</u>	<u>2014</u>
General Fund support	\$361,850
Park Improvement Fund	250,000
Capital Outlay Reserve fund	42,000

Distinguished Budget Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Elk River, Minnesota for its annual budget for the fiscal year beginning January 1, 2013.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

Conclusion

The city continues to maintain a very positive financial position through sound management and by adhering to its financial policies this strong financial condition can be prolonged, even in challenging economic times.

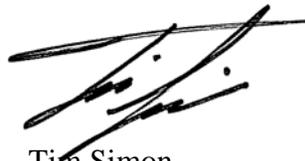
The 2014 budget continues the tradition of keeping the tax rate low while providing valuable services to our residents. The Council and staff are committed to providing quality services and maintaining the city's investment in infrastructure.

We would like to thank the City Council and city staff for their contributions to the budget process in developing a budget that maximizes and values every tax dollar the city receives.

Respectfully Submitted,



Calvin P. Portner
City Administrator



Tim Simon
Finance Director



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

City of Elk River

Minnesota

For the Fiscal Year Beginning

January 1, 2013

Executive Director

Budget Process

The annual budget is prepared in accordance with Minnesota Statutes which mandate that cities must announce and schedule one regular meeting in which the Council will discuss the budget. Cities must provide the date of this meeting to the County Auditor on or before September 15. This meeting must occur at or after 6:00 p.m. between November 25 and December 26. The city must not adopt a final budget until after this meeting.

The City Administrator and finance department are responsible for the development of the annual budget. The city adopts a balanced budget so that the appropriated expenditures do not exceed the estimated revenues and reserves available from prior years. As the budget calendar indicates, the budget process begins in May each year with the distribution of budget forms to all departments. All departments are responsible for compiling budget figures which are then reviewed and adjusted by the City Administrator during individual department meetings. After the departmental meetings the City Administrator presents the proposed budget to the City Council. The proposed budget is reviewed by the City Council and the final budget is adopted by the end of December.

The city does a number of long-range financial plans. Each year in April or May, prior to the budget process for the upcoming year, the City Council reviews the 20-year financial model with updated prior year actuals and updated forecast amounts. Various what-if scenarios are reviewed as well as future debt service impacts. In addition, as part of the Capital Improvement Plan process, we review five-year forecasts on revenues and expenditures for the various special revenue and capital project funds. The enterprise funds are presented with five-year forecasts on revenues, expenditures and capital outlays which support the rates. The city understands the importance of long-range planning. The long-range planning supports the goals and vision of the city. The finance department is involved in helping other city departments implement their action steps and tasks.

Amending the Budget

Generally, department heads can make amendments from one line item to another within their department budget by submitting a completed budget adjustment form to the finance department. These adjustments are approved by the Finance Director and City Administrator. All other shifts from one department budget to another, from one fund to another, reallocating funds for the purchase of capital outlay, and all unbudgeted expenditures must have approval of the City Council.

CITY OF ELK RIVER 2014 BUDGET SCHEDULE

May 6, 2013	Budget forms and instructions to department heads
June 3, 2013	Department head proposed budgets due to finance department
June 2013	Staff budget meetings with City Administrator and Finance Director
July 1, 2013	General budget discussion on tax levy, goals, staffing and other policy items
July 15, 2013	Presentation of Community Development and Operations, Finance, Information Technology, and Building Maintenance budgets to Council
August 5, 2013	Presentation of Administration, Cable TV, Mayor & Council, Police, Legal, Human Resources, Parks Maintenance, and Library budgets to Council
August 12, 2013	Presentation of Parks and Recreation, Streets, Environmental, and Landfill budgets and Equipment Replacement Fund budget to Council
August 19, 2013	Presentation of Fire and Building Safety budgets to Council
September 3, 2013	Council adopts maximum property tax levy
September 15, 2012	Certify maximum property tax levy to Sherburne County
September 16, 2013	Presentation of Liquor and Garbage budgets to Council
October 21, 2013	Presentation of Wastewater budget to Council
October/November 2013	Final adjustments/budget revisions and review Capital Improvement Plan (CIP) funds/projects
December 2, 2013	City Council adopts the final 2014 budget and property tax levy
December 16, 2013	City Council adopts the 2014-2018 Capital Improvement Plan (CIP)

Budget Practices & Policies

General Description and Form of Government

The City of Elk River is located in Sherburne County. The city provides a full range of municipal services authorized by State Statute. These services include police and fire protection, construction and maintenance of streets and sanitary sewer, recycling, recreation programs and activities, maintenance and development of a park system, community development activities (planning and zoning), inspection services, and general administrative services.

The City of Elk River is a statutory city with a Mayor-Council form of government whereby administrative as well as legislative authority is the ultimate responsibility of the City Council as a whole. The City Council consists of a Mayor and four council members each serving a four year term. The city is divided into four wards with one council member elected from each ward by the voters in that ward.

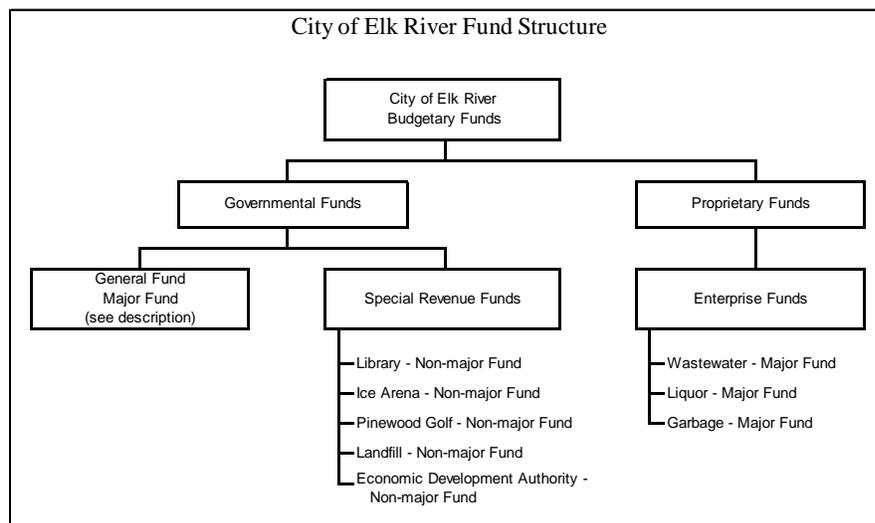
Fund Accounting

A fund is a separate fiscal and accounting entity with a separate set of accounting records. For example, a separate fund is used to account for the funds received by the city for park dedication fees.

The use of fund accounting is one of the basic requirements of generally accepted accounting principles (GAAP) for government, and one of the major differences between government and private-sector accounting. It requires separate record keeping for each individual fund that a government uses.

The City's funds are grouped into five basic types:

- General
- Special Revenue
- Capital (Non-budgeted)
- Debt Service (Non-budgeted)
- Enterprise



The budgeted funds of the city are grouped into two broad categories as follows:

- **Governmental Funds** – Governmental funds are used to account for “government-type” activities of the city (e.g., activities that receive a significant portion of their funding from property taxes, state aids, and various grants). The governmental funds budgeted for the city are the General fund and special revenue funds.
- **Proprietary Funds** – Proprietary funds are used to account for the “business-type” activities of the city (e.g., activities that receive a significant portion of their funding through user charges). The proprietary funds budgeted by the city are the enterprise funds.

The General fund, special revenue and enterprise funds comprise the majority of the day-to-day operating activities of the city. The remaining fund types are more specialized funds and typically account for one-time and/or specific activities rather than ongoing and recurring services.

General Fund (Major Fund)

The General fund is the primary revenue source and operating fund for most services cities typically offer. These include public safety (police and fire), street maintenance, parks and recreation, and community services, etc. In addition, the City Council, Administrative Services and Legal budgets are predominately funded by the General fund.

These activities are financed through general tax dollars from property taxes and by revenues generated from permits, fees and investment earnings.

Special Revenue Funds (Non-Major Funds)

Special revenue funds account for activities funded by special purpose revenue, that is, revenues that are legally restricted to expenditure for a specific purpose. The city currently budgets for five special revenue funds:

- Library – The city maintains a library that is part of the Great River Regional Library system.
- Ice Arena – The city owns and operates an ice arena with two rinks.
- Pinewood – The city owns and operates a 9-hole executive golf course.
- Landfill – The Landfill fund segregates solid waste surcharge revenues used for landfill abatement and other environmental issues.
- Economic Development Authority – The EDA guides economic development within the city.

Enterprise Funds (Major Funds)

These funds account for city activities that operate as public enterprises. Revenues come from fees charged to programs, customers, or other department users. The city currently has three enterprise funds (Wastewater, Liquor, and Garbage/Recycling) that represent separate business activities for the city.

- Wastewater – The city provides wastewater/sewer service to its citizens and commercial entities.
- Liquor – The city owns and operates two municipal liquor stores.

- Garbage/Recycling – The city provides garbage and recycling services to its citizens to protect public health and the environment.

Accounting Practices

The accounting and reporting policies of the city conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by GASB, and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units. The section entitled “Financial Policies” summarizes the policies and practices used by the city.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The governmental fund types use the modified accrual basis of accounting. Under this method, revenues are recognized when they become available and measurable. “Measurable” means the amount can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred.

All enterprise fund types use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Budgetary Basis of Accounting

The budgetary basis of accounting determines when a government charges expenditures to a budget appropriation or when it credits revenue to its funds for budgeting purposes. Although the city presents financial statements in its Comprehensive Annual Financial Report (CAFR) in accordance with GAAP, the budget is adopted on a modified cash basis. The major difference between the two basis of accounting is as follows:

- For budgetary purposes, revenues are recorded when received. Under GAAP, revenues are recorded when susceptible to accrual.
- For budgetary purposes, interfund loans and repayments are recorded as revenues and expenditures. Under GAAP, these transactions are classified as increases or reductions in the “due to/due from” accounts.
- Capital expenditures are budgeted as an expense in the enterprise funds. Under GAAP these expenditures are reclassified as capital assets.

Budgeting

The City Administrator is responsible for the preparation and the administration of the annual operating budget based on input from the department heads.

The city will use financial forecasts as a tool for planning. Projecting key financial factors into the future allows the city to anticipate and plan for change. It is recognized that the complexities

of local government finance make financial forecasts an indication of trends and not a specific prediction of the future.

These policies call for financial forecasts related to property taxes and capital investment. City Council and staff will determine other financial forecasts needed to support decision-making.

The budget shall be adjusted as needed to recognize significant deviations from original budget expectations. The City Council shall consider budget amendments each December. Budget amendments are intended to recognize changes made by the City Council during the year, to reflect major revenue and expenditure deviations from budgeted amounts, and to consider year-end budget requests. Budget amendments are not intended to create a budget that matches budgeted revenues and expenditures to actual revenues and expenditures.

Administrative budget amendments may be made throughout the year by department heads to adjust line item budgets within their department as long as the total departmental budget does not change. These line item budget changes exclude personal service and capital outlay categories. Administrative budget amendments must be requested in writing and approved by the City Administrator and Finance Director.

The city will not use short-term borrowing, internal or external, to balance the budget for any fund.

The city will not sell assets or use one-time accounting principle changes to balance the budget for any fund.

The city will provide ample time and opportunity for public input into its budget setting deliberations each year, including any required public hearings.

Department heads will be responsible for administration of their departmental operating budget. Requests for budget adjustments must be submitted and approved before any program incurs cost overruns for the annual budget period.

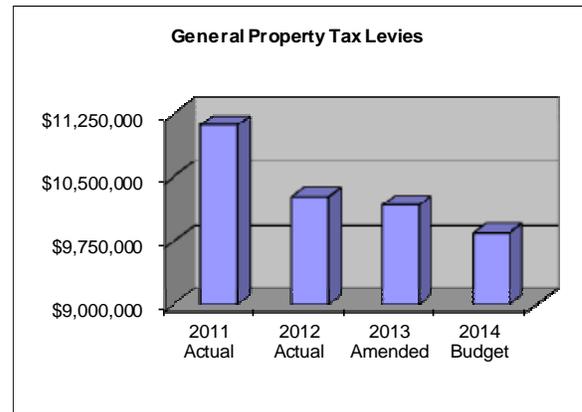
Revenue Sources, Trends and Assumptions

The City of Elk River maintains a number of funds for recording fiscal transactions. The city's revenues are estimated and budgeted conservatively based on the individual revenue source's history, stability or expected volatility. All these assumptions are programmed into the city long-range financial model to see how the assumptions work together for forecasting. In addition, a master fee schedule is adopted annually that reviews rates/charges to ensure they are appropriate.

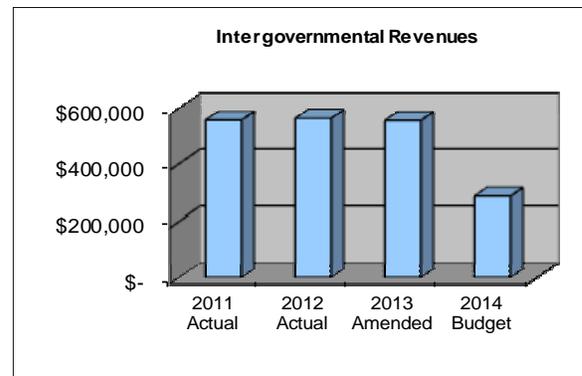
The following is a summary of major revenue sources, trends, and assumptions for fiscal year 2014.

Governmental Fund Revenues

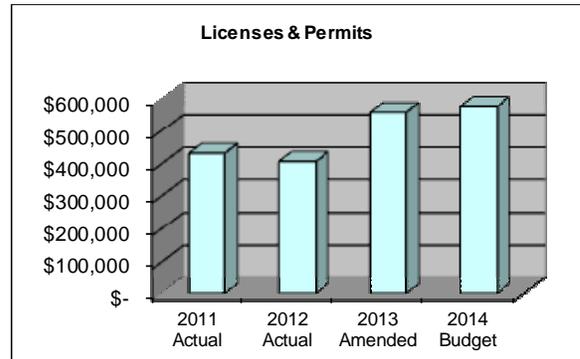
General Property Taxes – The city relies on property taxes to support the basic functions such as general government, public safety, streets, recreation, library, debt service, and tax abatement. The 2014 property tax levy is \$9,853,835 of which \$9,181,289 is budgeted in the General Fund, \$371,459 to Debt Service funds, \$63,100 to Library operations, \$50,000 to Storm Water Fund, and \$187,987 for tax abatement payments. The city levies market value rate levies for Economic Development and Housing Redevelopment Authorities, in addition to a YMCA debt service levy.



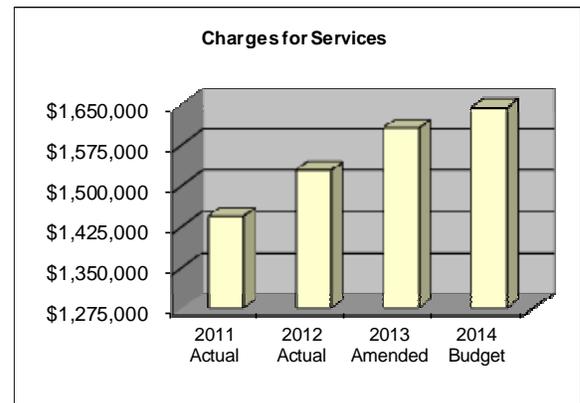
Intergovernmental Revenues include state aid for police and grant funding. These budget items are susceptible to overall State of Minnesota budget conditions. The street maintenance aid has been moved to the Pavement Management Fund in 2014.



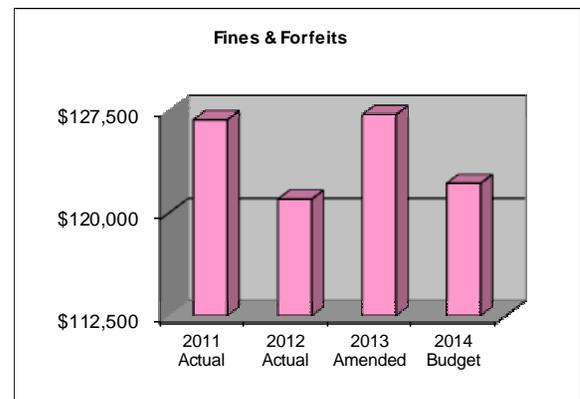
Licenses & Permits include business licenses, building-related permits and fees, and other non-business licenses and permits. Building and plumbing/heating permits are the largest category and account for \$420,000 or 73% of this category in the General Fund. Building permit revenues have been declining for the past several years for residential, but in 2013 we saw increased revenues due to increased residential building activity, increased commercial/industrial activity and renovations to existing commercial and school buildings. The 2014 budget expects this trend to continue.



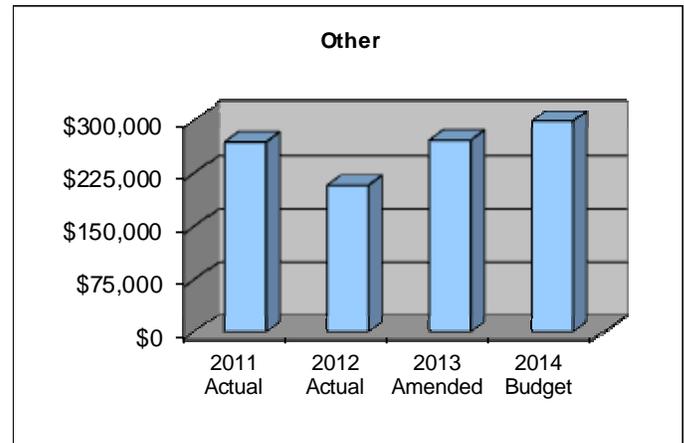
Charges for Services include administrative charges, recreation program fees, police and fire services, and facility use fees. A slight increase is expected in this category due to a new fire services contract, plan check fees, and ice rental fees.



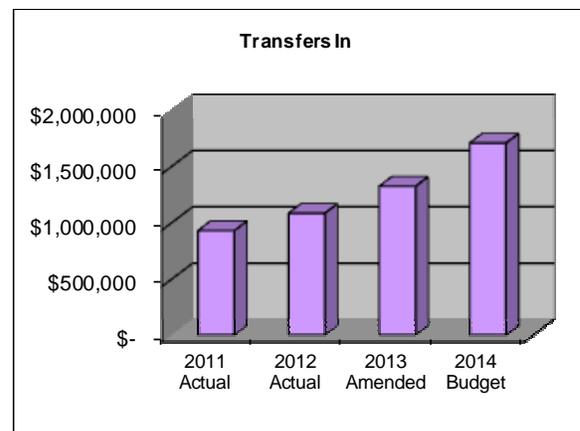
Fines & Forfeits include fines paid for traffic violations and criminal offenses occurring within the city limits. No significant changes are expected for 2014.



Other Revenue includes interest income, payment for services provided by city employees and the related costs to Elk River Municipal Utilities and donations for recreation programs and special events. A slight increase is expected due to long term interest rates expected to rise slightly in 2014.

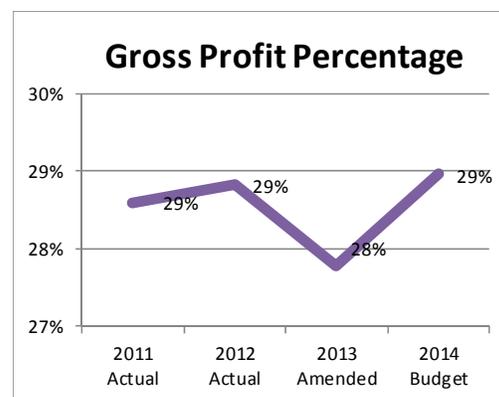


Transfers In includes revenues from other funds used to cover services provided by the General Fund and Special Revenue Funds to offset operating budgets. The amounts are expected to increase from the Municipal Liquor Fund and an increased transfer from Elk River Municipal Utilities to the general fund and local government aid (LGA) to the Equipment Replacement Fund. The fleet committee has reworked out long-term replacement on equipment to allow for the reallocation of Elk River Municipal Utilities transfer increase.

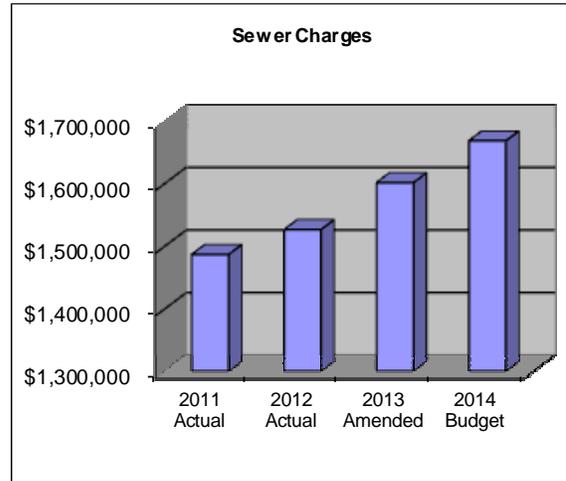


Proprietary – Enterprise Fund Revenues

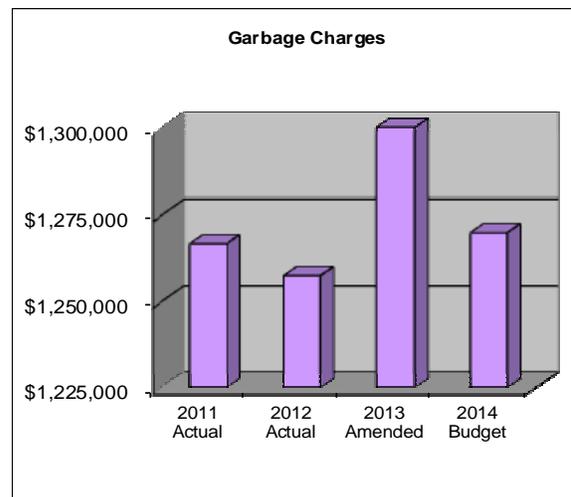
Municipal Liquor Fund – sales are the main revenue source for the Liquor Fund and sales are expected to increase in 2014. Cost of goods sold could see an increase of slightly more than 2%. Gross profit has ranged fairly consistent around 27%-29% over the past couple of years and we expect that trend to continue in 2014.



Sanitary Sewer Fund charges in 2014 are expected to be approximately \$1.6 million, which is consistent with 2013 expected collections. A 3% customer charge rate increase has been budgeted in 2014.

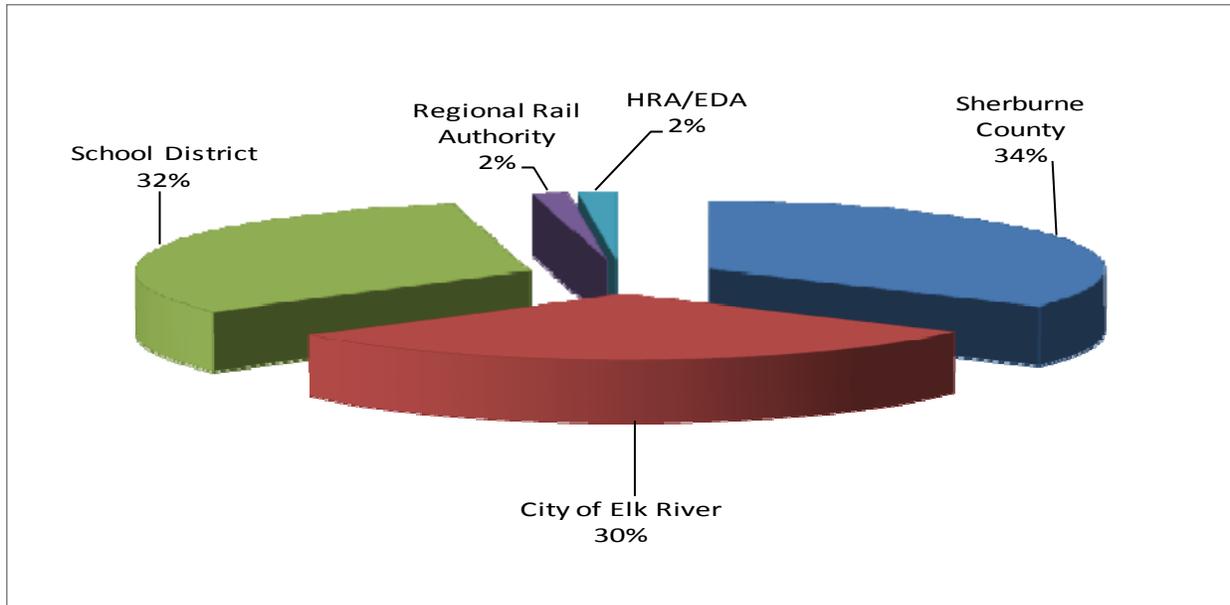


Garbage Fund charges in 2014 are expected to be approximately \$1.3 million, which is fairly consistent with 2013 expected collections. Only increase in customer counts and customer garbage container size changes make up the increased revenue in 2014. No customer rate changes have been budgeted in 2014.



Property Tax

In 2014, the city as proposed will receive approximately 30% of the taxes on property within the city on a residential property. The following chart indicates the allocation of property tax dollars by government type based on proposed 2014 tax capacity rates.



Tax Levy, Tax Capacity, and Tax Impact

The total tax levy for 2014 is \$9,853,835 which is \$321,930 less than the 2013 tax levy. The reduction in the tax abatement levy is due to updated property values of commercial property. The debt service levy decreases with the implementation of the pavement management plan and an early redemption of debt service. The decrease in the general fund levy is offset with changes for inflation, sales tax savings, wages and benefits, and general operating expenditures.

The following table summarizes the 2014 tax levy.

Program or Service	2013 Actual Levy	2014 Actual Levy	\$ Increase (decrease)	% Increase (decrease)
General Fund	\$ 9,203,085	\$ 9,181,289	\$ (21,796)	-0.24%
Library	63,100	63,100	-	0.00%
Surface Water Management	50,000	50,000	-	0.00%
General Debt Service	643,497	371,459	(272,038)	-42.27%
Tax Abatement	216,083	187,987	(28,096)	-13.00%
Total	\$ 10,175,765	\$ 9,853,835	\$ (321,930)	-3.16%

The city-wide tax capacity represents the taxable property value within the city. It is determined by applying the state-wide property tax formula for each parcel, then adding each parcel's tax capacity. The citywide tax capacity is then applied to the proposed levy to determine the local tax rate.

The following table summarizes the local tax rate.

	2013 Actual	2014 Estimated
Gross Net Tax Capacity	\$ 20,323,367	\$ 20,428,663
Less Captured Tax Increment	(122,648)	(104,732)
Net Tax Capacity for Levy	20,200,719	20,323,931
Tax Levy	10,175,765	9,853,835
Local Tax Rate	50.37%	48.48%

The following table summarizes the estimated tax impact on residential homes, based on the 2014 tax levy and budget, estimates provided by Sherburne County, and assuming no change in property valuation.

Value of Home	2013 Actual	2014 Estimated	\$ Increase (decrease)	% Increase (decrease)
\$ 150,000	\$ 635.97	\$ 612.11	\$ (23.86)	-3.75%
175,000	773.23	744.22	(29.01)	-3.75%
200,000	910.49	876.32	(34.17)	-3.75%
225,000	1,047.75	1,008.43	(39.32)	-3.75%
250,000	1,185.00	1,140.54	(44.46)	-3.75%

The median value residential property increased from \$169,622 to \$173,863 will see a decrease of \$5.50 or .74% percent.

The following table summarizes the estimated tax impact on commercial property, based on the 2014 tax levy and budget, estimates provided by Sherburne County, and assuming no change in property valuation.

Value of Property	2013 Actual	2014 Estimated	\$ Increase (decrease)	% Increase (decrease)
\$ 500,000	\$ 4,659.50	\$ 4,484.40	\$ (175.10)	-3.76%
1,000,000	9,696.80	9,332.40	(364.40)	-3.76%

FTE Summary

	<u>2012</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>	<u>2014</u> <u>Budget</u>
General Fund			
General Government			
Administrative Services	5.00	6.00	6.00
Cable TV	1.25	1.25	1.25
Human Resources	1.80	1.00	1.00
Finance	4.00	4.80	4.80
Information Technology	2.00	2.43	3.00
Community Development	1.00	3.00	3.00
Planning	3.00	2.50	2.00
Building Maintenance	6.65	6.75	7.10
Energy City*	<u>0.40</u>	<u>0.23</u>	<u>0.10</u>
Total General Government	25.10	27.96	28.25
Public Safety			
Building Safety	5.60	7.45	7.00
Code Enforcement	0.00	1.00	1.00
Environmental*	0.50	0.60	0.40
Police	39.00	40.20	40.00
Fire	3.60	1.70	2.20
Emergency Management	<u>0.10</u>	<u>0.00</u>	<u>0.00</u>
Total Public Safety	48.80	50.95	50.60
Public Works			
Street Maintenance	11.60	11.20	12.20
Equipment Maintenance	3.00	3.00	2.00
Engineering	<u>1.00</u>	<u>2.00</u>	<u>2.00</u>
Total Public Works	15.60	16.20	16.20
Culture & Recreation			
Park Maintenance	8.50	8.50	9.75
Recreation	8.85	8.75	8.75
Senior Citizen Programs	<u>2.40</u>	<u>2.00</u>	<u>2.00</u>
Total Culture & Recreation	19.75	19.25	20.50
Total General Fund	<u>109.25</u>	<u>114.36</u>	<u>115.55</u>
Special Revenue Funds			
Library	0.00	0.00	0.00
Ice Arena	7.25	8.20	8.20
Pinewood Golf Course	3.50	3.50	3.50
Landfill*	0.55	0.35	0.10
Economic Development Authority	<u>1.20</u>	<u>1.20</u>	<u>1.20</u>
	12.50	13.25	13.00
Enterprise Funds			
Wastewater Treatment Plant	6.00	6.20	6.20
Liquor	11.50	11.50	11.50
Garbage*	<u>0.55</u>	<u>0.60</u>	<u>0.40</u>
	18.05	18.30	18.10
Grand Total	<u>139.80</u>	<u>145.91</u>	<u>146.65</u>

*Environmental Staff time allocated between Environmental, Energy City, Landfill and Garbage is adjusted annually

2014 BUDGET SUMMARY - ALL FUNDS

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Difference	Percent Change
Revenues & Other Sources							
General Fund							
Taxes	\$ 9,660,847	\$ 9,309,881	\$ 9,287,100	\$ 9,287,100	\$ 9,306,300	\$ 19,200	0.21%
Intergovernmental Revenues	535,084	542,790	545,600	545,600	277,900	(267,700)	-49.07%
Charges for Services	594,877	636,300	705,150	730,150	755,650	25,500	3.49%
Fines & Forfeitures	126,832	121,048	127,200	127,200	122,200	(5,000)	-3.93%
Licenses & Permits	432,875	408,232	558,400	558,400	575,900	17,500	3.13%
Other Revenue	198,132	144,155	197,500	189,900	207,000	17,100	9.00%
Transfers In	769,500	1,024,500	1,216,000	1,216,000	1,625,550	409,550	33.68%
Total General Fund:	\$ 12,318,147	\$ 12,186,906	\$ 12,636,950	\$ 12,654,350	\$ 12,870,500	\$ 216,150	1.71%
Special Revenue Funds							
Taxes	\$ 423,368	\$ 388,371	\$ 355,600	\$ 355,600	\$ 362,200	\$ 6,600	1.86%
Intergovernmental Revenues	18,916	18,127	7,000	7,000	11,000	4,000	57.14%
Charges for Services	904,172	946,422	929,900	929,900	945,200	15,300	1.65%
Other Revenue	71,989	65,003	81,050	81,050	91,750	10,700	13.20%
Transfers In	147,166	50,078	185,800	93,800	63,600	(30,200)	-32.20%
Total Special Revenue Funds:	\$ 1,565,611	\$ 1,468,001	\$ 1,559,350	\$ 1,467,350	\$ 1,473,750	\$ 6,400	0.44%
Enterprise Funds							
Intergovernmental Revenues	\$ 38,550	\$ 37,369	\$ 295,250	\$ 295,250	\$ 3,012,500	\$ 2,717,250	920.32%
Charges for Services	2,775,336	2,806,943	2,926,200	2,926,200	2,959,900	33,700	1.15%
Other Revenue	446,382	412,382	338,850	338,850	119,350	(219,500)	-64.78%
Sales	6,139,096	6,516,386	6,501,500	6,501,500	7,156,350	654,850	10.07%
Transfers In	18,330	150,294	25,000	25,000	6,633,400	6,608,400	26433.60%
Total Enterprise Funds:	\$ 9,417,694	\$ 9,923,374	\$ 10,086,800	\$ 10,086,800	\$ 19,881,500	\$ 9,794,700	97.10%
Total Revenues & Other Sources:	\$ 23,301,452	\$ 23,578,281	\$ 24,283,100	\$ 24,208,500	\$ 34,225,750	\$10,017,250	41.38%

2014 BUDGET SUMMARY - ALL FUNDS

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Difference	Percent Change
Expenditures & Other Uses							
General Fund							
Personal Services	\$ 8,687,272	\$ 8,885,983	\$ 9,326,200	\$ 9,336,500	\$ 9,735,650	\$ 399,150	4.28%
Supplies	1,042,653	1,031,123	1,131,100	1,154,400	1,103,950	(50,450)	-4.37%
Other Services & Charges	2,030,347	1,906,527	2,241,950	2,228,950	1,970,800	(258,150)	-11.58%
Capital Outlay	119,562	100,786	92,900	92,900	-	(92,900)	-100.00%
Transfers Out	147,166	354,786	44,800	44,800	60,100	15,300	34.15%
Total General Fund:	\$ 12,027,000	\$ 12,279,205	\$ 12,836,950	\$ 12,857,550	\$ 12,870,500	\$ 12,950	0.10%
Special Revenue Funds							
Personal Services	\$ 591,729	\$ 599,265	\$ 633,750	\$ 638,250	\$ 640,350	\$ 2,100	0.33%
Supplies	169,685	202,505	154,800	154,800	165,600	10,800	6.98%
Other Services & Charges	396,762	480,175	493,700	489,200	515,850	26,650	5.45%
Capital Outlay	42,143	17,786	357,300	357,300	343,950	(13,350)	-3.74%
Debt Service	209,276	-	-	-	-	-	0.00%
Transfers Out	103,330	530,880	85,000	85,000	110,050	25,050	29.47%
Total Special Revenue Funds:	\$ 1,512,925	\$ 1,830,611	\$ 1,724,550	\$ 1,724,550	\$ 1,775,800	\$ 51,250	2.97%
Enterprise Funds							
Personal Services	\$ 1,080,979	\$ 1,139,775	\$ 1,160,250	\$ 1,160,250	\$ 1,168,950	\$ 8,700	0.75%
Supplies	4,563,171	4,742,713	4,961,850	4,961,850	5,029,950	68,100	1.37%
Other Services & Charges	3,088,654	3,214,231	3,360,300	3,360,300	3,197,500	(162,800)	-4.84%
Capital Outlay	-	-	626,500	626,500	12,619,000	11,992,500	1914.21%
Debt Service	71,316	54,376	199,900	199,900	570,850	370,950	185.57%
Transfers Out	3,205,592	668,824	857,500	857,500	810,650	(46,850)	-5.46%
Total Enterprise Funds:	\$ 12,009,712	\$ 9,819,919	\$ 11,166,300	\$ 11,166,300	\$ 23,396,900	\$ 12,230,600	109.53%
Total Expenditures & Other Uses:	\$ 25,549,637	\$ 23,929,735	\$ 25,727,800	\$ 25,748,400	\$ 38,043,200	\$ 12,294,800	47.75%
Change in Fund Balance	\$ (2,248,185)	\$ (351,454)	\$ (1,444,700)	\$ (1,539,900)	\$ (3,817,450)	\$ -	147.90%
Fund Balance, January 1	\$ 43,086,895	\$ 40,838,710	\$ 40,487,256	\$ 40,487,256	\$ 38,947,356		
Fund Balance, December 31	\$ 40,838,710	\$ 40,487,256	\$ 39,042,556	\$ 38,947,356	\$ 35,129,906		

Notes:



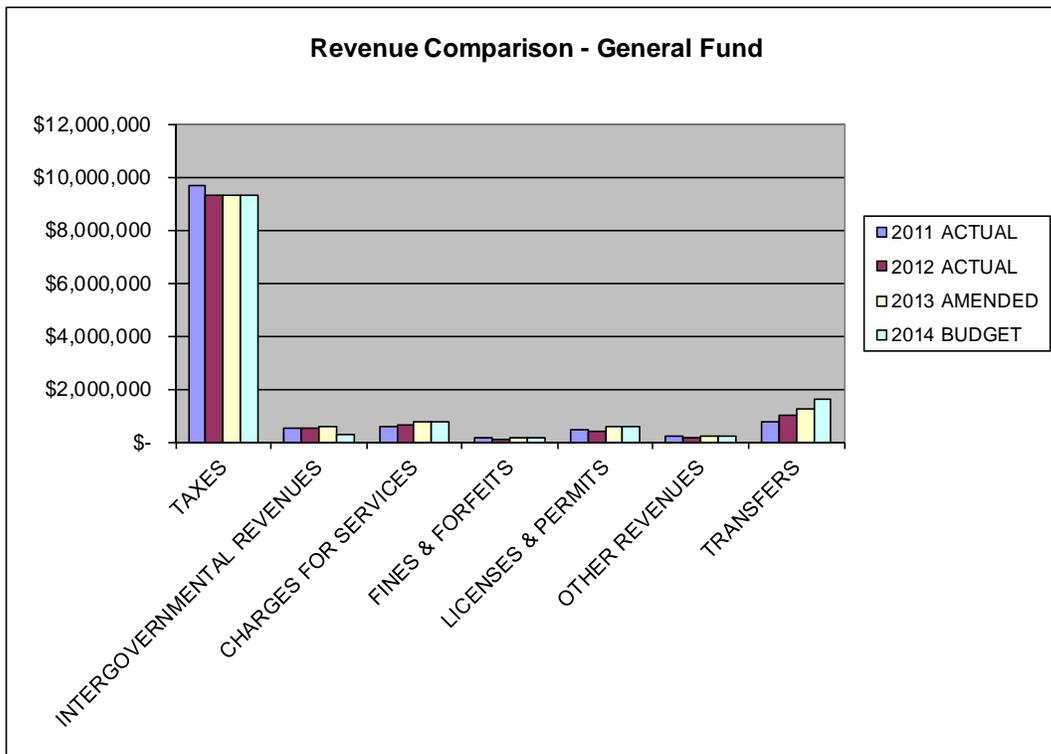
2014 GENERAL FUND BUDGET

DEFINITION:

The General fund is established to account for the revenues and expenditures necessary to carry out basic governmental activities of the city such as general government, public safety, public works, and park and recreation. Revenue is recorded by source, for example, general property taxes, licenses and permits, fines, and charges for services. General fund expenditures are made primarily for current day-to-day operations and operating equipment and are recorded by major functional classifications and operating departments. This fund accounts for all financial transactions not properly accounted for in another fund.

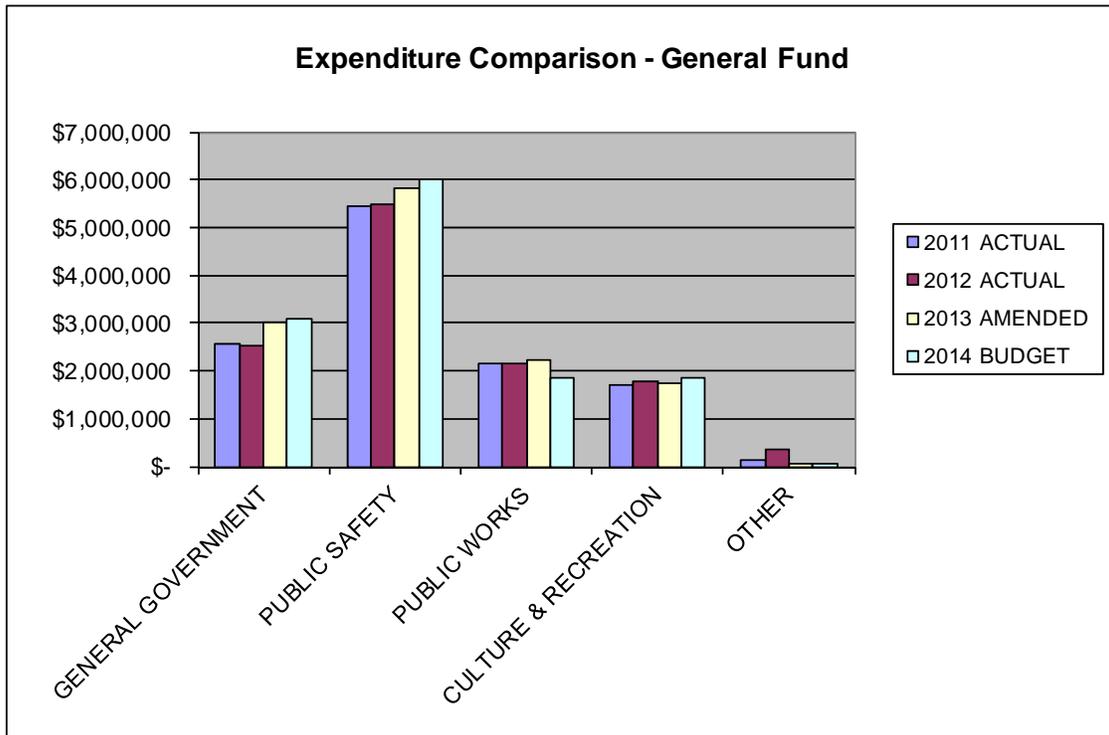
REVENUE COMPARISON - GENERAL FUND

	2011 ACTUAL	2012 ACTUAL	2013 ADOPTED	2013 AMENDED	2014 BUDGET
TAXES	\$ 9,660,847	\$ 9,309,881	\$ 9,287,100	\$ 9,287,100	\$ 9,306,300
INTERGOVERNMENTAL REVENUES	535,084	542,790	545,600	545,600	277,900
CHARGES FOR SERVICES	594,877	636,300	705,150	730,150	755,650
FINES & FORFEITS	126,832	121,048	127,200	127,200	122,200
LICENSES & PERMITS	432,875	408,232	558,400	558,400	575,900
OTHER REVENUES	198,132	144,155	197,500	189,900	207,000
TRANSFERS	769,500	1,024,500	1,216,000	1,216,000	1,625,550
TOTAL REVENUES	\$ 12,318,147	\$ 12,186,906	\$ 12,636,950	\$ 12,654,350	\$ 12,870,500



EXPENDITURE COMPARISON - GENERAL FUND

	2011 ACTUAL	2012 ACTUAL	2013 ADOPTED	2013 AMENDED	2014 BUDGET
GENERAL GOVERNMENT	\$ 2,557,068	\$ 2,509,018	\$ 2,996,500	\$ 2,996,500	\$ 3,076,300
PUBLIC SAFETY	5,452,651	5,469,388	5,839,550	5,839,550	6,001,600
PUBLIC WORKS	2,156,458	2,154,767	2,242,000	2,242,000	1,868,500
CULTURE & RECREATION	1,713,657	1,791,246	1,714,100	1,734,700	1,864,000
OTHER - TRANSFERS OUT	147,166	354,786	44,800	44,800	60,100
TOTAL EXPENDITURES	\$ 12,027,000	\$ 12,279,205	\$ 12,836,950	\$ 12,857,550	\$ 12,870,500



Notes:



2014 BUDGET - GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE

Description	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget
Revenues					
Taxes	\$ 9,660,847	\$ 9,309,881	\$ 9,287,100	\$ 9,287,100	\$ 9,306,300
Intergovernmental Revenues	535,084	542,790	545,600	545,600	277,900
Charges for Services	594,877	636,300	705,150	730,150	755,650
Fines & Forfeitures	126,832	121,048	127,200	127,200	122,200
Licenses & Permits	432,875	408,232	558,400	558,400	575,900
Other Revenue	198,132	144,155	197,500	189,900	207,000
Total Revenues:	\$ 11,548,647	\$ 11,162,406	\$ 11,420,950	\$ 11,438,350	\$ 11,244,950
Other Sources					
Transfers In	769,500	1,024,500	1,216,000	1,216,000	1,625,550
Total Revenues & Other Sources:	\$ 12,318,147	\$ 12,186,906	\$ 12,636,950	\$ 12,654,350	\$ 12,870,500
Expenditures					
Personal Services	\$ 8,687,272	\$ 8,885,983	\$ 9,326,200	\$ 9,336,500	\$ 9,735,650
Supplies	1,042,653	1,031,123	1,131,100	1,154,400	1,103,950
Other Services & Charges	2,030,347	1,906,527	2,241,950	2,228,950	1,970,800
Capital Outlay	119,562	100,786	92,900	92,900	-
Total Expenditures:	\$ 11,879,834	\$ 11,924,419	\$ 12,792,150	\$ 12,812,750	\$ 12,810,400
Other Uses					
Transfers Out	147,166	354,786	44,800	44,800	60,100
Total Expenditures & Other Uses:	\$ 12,027,000	\$ 12,279,205	\$ 12,836,950	\$ 12,857,550	\$ 12,870,500
Change in Fund Balance	\$ 291,147	\$ (92,299)	\$ (200,000)	\$ (203,200)	\$ -
Fund Balance, January 1	\$ 6,006,465	\$ 6,297,612	\$ 6,205,313	\$ 6,205,313	\$ 6,002,113
Fund Balance, December 31	\$ 6,297,612	\$ 6,205,313	\$ 6,005,313	\$ 6,002,113	\$ 6,002,113

Fund: General	Division: Mayor & Council Department: Administration
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Description of Services: The Mayor and Council budget provides for legislative and policy making activities of the city on behalf of the citizens of Elk River. They provide for the planning and control of all financial activities including approving the tax levy, fees and rates, and approval of expenditures.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Council Meetings	24	22	24
Workshops	12	11	3
Closed Meetings	4	10	5
Special Meetings	6	9	5
Total	46	52	37

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (1 Mayor, 4 Council)	5	5	5

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

There are no major budget changes for 2014.

Revenues/Expenditures by Use:

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 41,636	\$ 41,622	\$ 43,450	\$ 43,450	\$ 43,450	\$ -	0.00%
Supplies	728	666	3,000	3,000	1,800	(1,200)	-40.00%
Other Svcs & Chgs	99,733	102,621	105,050	105,050	105,300	250	0.24%
Total	\$ 142,097	\$ 144,909	\$ 151,500	\$ 151,500	\$ 150,550	\$ (950)	-0.63%

Fund: General	Division: Cable TV Department: Administration
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Description of Services: The Cable TV Division is responsible for the broadcast of government meetings over the government cable access channel. Cable TV staff produces informational programming highlighting city events, issues, and departments.

Goals for 2014 budget:

- Consolidate and update YouTube channels.
- Utilize Volunteer Program.
- Evaluate and enhance communication.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Number of In-House productions	71	65	65
Number of On Demand web views	10,730	5,000	7,000
Total number of On Air productions	193	200	200

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	1.25	1.25	1.25

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

There are no major budget changes for 2014.

Revenues/Expenditures by Use:

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 74,278	\$ 79,584	\$ 85,300	\$ 85,300	\$ 90,900	\$ 5,600	6.57%
Supplies	550	1,406	800	800	750	(50)	-6.25%
Other Svcs & Chgs	219	202	1,450	1,450	1,350	(100)	-6.90%
Total	\$ 75,047	\$ 81,192	\$ 87,550	\$ 87,550	\$ 93,000	\$ 5,450	6.23%

Fund: General	Division: Administrative Services Department: Administration
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Description of Services: The Administrative Services Division is responsible for the execution of city policy as adopted by the City Council, prepares and maintains official records, provides for the licensing of local businesses and activities as required by state law or city ordinance. Also responsible for communications via the city newsletter, website, and community resource guide.

Goals for 2014 budget:

- Increase online community engagement.
- Independent review of communications practices.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Licenses Issued	629	640	630
Adopted Ordinances	19	20	16
Adopted Resolutions	72	64	68
Number of pages viewed on city website*	n/a	500,000	550,000
Visitors to website*	n/a	80,000	90,000

*new website launched in 2013

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	5	6	6

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

There are no major budget changes for 2014.

Revenues/Expenditures by Use:

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 516,657	\$ 423,543	\$ 499,000	\$ 499,000	\$ 515,500	\$ 16,500	3.31%
Supplies	6,332	6,334	11,500	11,500	10,250	(1,250)	-10.87%
Other Svcs & Chgs	29,362	31,400	58,750	58,750	68,250	9,500	16.17%
Capital Outlay	-	-	19,000	19,000	-	(19,000)	-100.00%
Total	\$ 552,351	\$ 461,277	\$ 588,250	\$ 588,250	\$ 594,000	\$ 5,750	0.98%

Fund: General	Division: Human Resources Department: Administration
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Description of Services: The Human Resources Division provides support and direction to other departments by coordinating employee recruitment, selection and development. The Division is also responsible for managing the benefits and compensation programs, policy development, labor relations, job evaluation, worker's compensation, employee wellness program, drug and alcohol testing, and maintaining compliance with state and federal employment laws.

Goals for 2014 budget:

- Explore innovative ways to streamline processes. Research new technologies to increase efficiency.
- Research and implement HRIS system.
- Succession planning to prepare for retirements/replacements.
- Identify and schedule needed training sessions for staff development.
- Affordable Healthcare Act implementation.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Retention Rate	96%	95%	95%
Positions Filled	7	7	Unable to project
Job applications processed	663	300	Unable to project
# of training hours scheduled citywide	12	34	20

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	1.8	1	1

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

There are no major budget changes for 2014.

Revenues/Expenditures by Use:

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 147,221	\$ 148,668	\$ 87,750	\$ 98,050	\$ 89,750	\$ (8,300)	-8.47%
Supplies	3,115	3,091	4,500	1,900	850	(1,050)	-55.26%
Other Svcs & Chgs	3,812	5,357	6,700	6,700	5,400	(1,300)	-19.40%
Capital Outlay	-	4,392	-	-	-	-	0.00%
Total	\$ 154,148	\$ 161,508	\$ 98,950	\$ 106,650	\$ 96,000	\$ (10,650)	-9.99%

Fund: General	Division: Elections Department: Administration
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Description of Services: The Elections budget provides funds needed to conduct the national, state, and local elections in accordance with statutory requirements.

Goals for 2014 budget:

- Prepare for primary and general local, state and national elections.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Total Number of Votes	12,828	Non-election year	9,000
Number voters registering election day	2,157		1,000
Number of Precincts	8		8
Percent Voting	83%		65%

Staffing Levels:

	2012	2013	2014
Number of Employees (FTEs)	-	-	-

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

- This is an election year.

Revenues/Expenditures by Use:

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-
Personal Services	\$ -	\$ 26,278	\$ -	\$ -	\$ 30,000	\$ 30,000
Supplies	-	2,261	-	-	4,800	4,800
Other Svcs & Chgs	-	2,606	-	-	3,950	3,950
Total	\$ -	\$ 31,145	\$ -	\$ -	\$ 38,750	\$ 38,750

Fund: General	Department: Finance
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Description of Services: The Finance Department is responsible for financial reporting and budgeting, assessments, cash receipts, accounts receivable, accounts payable, payroll processing, debt service management and investment of all city funds.

Goals for 2014 budget:

- Continue to update Financial Management Policies.
- Implement ACH bill paying.
- Continue CAFR and Budget award recognition.
- Ensure compliance with state and federal laws.
- Develop community benchmarks.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Average Rate of Return	1.67%	1.5%	1.65%
Bond Rating	AA+	AA+	AA+
Accounts Payable disbursements	4,560	4,605	4,697

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	4	4.8	4.8

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

- Includes funds for update to financial management software.

Expenditures by Use:

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 356,347	\$ 365,080	\$ 434,450	\$ 434,450	\$ 443,650	\$ 9,200	2.12%
Supplies	3,633	5,441	6,900	6,900	10,400	3,500	50.72%
Other Svcs & Chgs	86,195	87,121	96,500	99,100	106,800	7,700	7.77%
Total	\$ 446,175	\$ 457,642	\$ 537,850	\$ 540,450	\$ 560,850	\$ 20,400	3.77%

Fund: General	Division: Information Technology Department: Finance
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Description of Services: The Information Technology Division manages and maintains the voice and data systems for the city and provides technical support to staff on computer issues.

Goals for 2014 budget:

- Migrate to a new virtualized SAN and server infrastructure.
- Implement a new enterprise backup solution.
- Expand fiber network.
- Explore and identify opportunities where technology can be used to facilitate collaboration with other government agencies to achieve common goals.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Number of Physical Servers	6	6	8
Number of Virtualized Servers	16	19	21
Number of Desktop PCs/Laptops	155/30	160/33	165/33
Number of Phones	290	290	290
Number of Cell Phones	100	125	125
Number of Data Cards	18	25	27
Number of iPads	16	21	25
Number of Wireless Access Points	5	12	18

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	2	2.43	3

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

- Add a full-time support staff position with the expense shared with ERMU.
- Eliminate part-time position.

Revenues/Expenditures by Use:

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 168,274	\$ 175,681	\$ 196,800	\$ 196,800	\$ 238,650	\$ 41,850	21.27%
Supplies	17,354	12,793	20,800	20,800	22,750	1,950	9.38%
Other Svcs & Chgs	28,479	32,774	53,200	53,200	36,200	(17,000)	-31.95%
Capital Outlay	18,771	10,900	25,900	25,900	-	(25,900)	-100.00%
Total	\$ 232,878	\$ 232,148	\$ 296,700	\$ 296,700	\$ 297,600	\$ 900	0.30%

Fund: General	Department: Legal
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Description of Services: The Legal budget provides for legal counsel to the City Council and city staff, reviews ordinances, resolutions, contracts and other legal documents. The budget also provides for prosecution services.

Budget Summary:

The City’s prosecution services are provided by Hawkins & Baumgartner and other legal services are provided by Beck Law Office and Campbell Knutson.

Revenues/Expenditures by Use:

	2011	2012	2013	2013	2014	Variance	%
	Actual	Actual	Adopted	Amended	Budget	+/-	Change
Other Svcs & Chgs	\$ 271,674	\$ 228,684	\$ 228,000	\$ 228,000	\$ 218,000	\$ (10,000)	-4.39%
Total	\$ 271,674	\$ 228,684	\$ 228,000	\$ 228,000	\$ 218,000	\$ (10,000)	-4.39%

Fund: General	Department: Community Operations & Development
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Description of Services: The Community Operations & Development Department is responsible for the administration and implementation of programs for the divisions of Planning, Environmental, Energy City, Landfill, Garbage, Street Maintenance, Engineering and Wastewater. The department also coordinates the activities of the Housing and Redevelopment Authority and the Economic Development Authority with the other activities within the department.

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	1	3	3

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

- Includes supplies and services needed for the department staff.

Revenues/Expenditures by Use:

	2011	2012	2013	2013	2014	Variance	%
	<u>Actual</u>	<u>Actual</u>	<u>Adopted</u>	<u>Amended</u>	<u>Budget</u>	<u>+/-</u>	<u>Change</u>
Personal Services	\$ 66,403	\$ 68,366	\$ 213,400	\$ 289,850	\$ 319,000	\$ 29,150	10.06%
Supplies	-	1,168	-	-	1,850	1,850	0.00%
Other Svcs & Chgs	-	-	400	400	4,650	4,250	1062.50%
Total	\$ 66,403	\$ 69,534	\$ 213,800	\$ 290,250	\$ 325,500	\$ 35,250	12.14%

Fund: General	Division: Planning Department: Community Operations & Development
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Description of Services: The Planning Division is responsible for facilitating the public and private improvement of property toward the city's established vision using the comprehensive plan and zoning ordinance.

Goals for 2014 budget:

- Complete a mining area study.
- Complete boulevard improvement.
- Complete intersection improvement.
- Finalize Comprehensive Plan and initiate zoning ordinance amendments.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Number of Planning Projects	75	81	90

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	3	2.5	2

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

- Full-time Planner added and Intern position eliminated.
- Planning Director transitioned to Community Operations & Development Deputy Director.

Revenues/Expenditures by Use:

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 270,957	\$ 278,187	\$ 216,350	\$ 139,900	\$ 167,400	\$ 27,500	19.66%
Supplies	5,602	5,376	4,450	4,450	1,400	(3,050)	-68.54%
Other Svcs & Chgs	14,231	18,192	15,900	15,900	23,700	7,800	49.06%
Total	\$ 290,790	\$ 301,755	\$ 236,700	\$ 160,250	\$ 192,500	\$ 32,250	20.12%

Fund: General	Division: Building Maintenance Department: Finance
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Description of Services: The Building Maintenance Division is responsible for cleaning city buildings and the repair and maintenance of all building systems.

Goals for 2014 budget:

- Continue to keep facilities clean.
- Keep up with maintenance requests and preventative maintenance.
- Improve building operation and efficiency.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Buildings Maintained	15	15	15
Square Feet Cleaned Daily	114,000	150,000	150,000

Staffing Levels:

	2012	2013	2014
Number of Employees (FTEs)	6.65	6.75	7.1

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

- Part-time cleaner position upgraded to full-time position to help clean facilities.

Revenues/Expenditures by Use:

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 162,366	\$ 174,558	\$ 400,350	\$ 400,350	\$ 433,400	\$ 33,050	8.26%
Supplies	22,997	31,225	32,700	32,700	34,200	1,500	4.59%
Other Svcs & Chgs	75,394	68,903	84,300	84,300	77,350	(6,950)	-8.24%
Total	\$ 260,757	\$ 274,686	\$ 517,350	\$ 517,350	\$ 544,950	\$ 27,600	5.33%

Fund: General	Division: Energy City Department: Community Operations & Development
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Description of Services: The Energy City Division is responsible for demonstrating efficient and renewable energy products, services, and technologies.

Goals for 2014 budget:

- Continue implementing initiatives developed through the 2012 SWOT analysis.
- Continue Project Conserve with Phase V.
- Establish Energy Awareness Week during month of October to coincide with Energy Awareness Month.
- Promote new demonstrations.
- Work with EDA on Energy Efficient Microloan Program.
- Create partnerships with schools, businesses, churches, etc. to promote energy efficiency.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Project Conserve participants	230	75	75
Tours conducted	12	15	20
Presentations	15	15	15
Social media hits	125	140	160

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	.4	.23	.1

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

- Reallocation of staff time.

Revenues/Expenditures by Use:

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 35,753	\$ 36,567	\$ 21,950	\$ 21,950	\$ 5,650	\$ (16,300)	-74.26%
Supplies	-	-	5,000	5,000	950	(4,050)	-81.00%
Other Svcs & Chgs	6,295	5,036	4,500	4,500	5,500	1,000	22.22%
Total	\$ 42,048	\$ 41,603	\$ 31,450	\$ 31,450	\$ 12,100	\$ (19,350)	-61.53%

Fund: General	Division: Contingency Department: Administration
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Description of Services: The Contingency budget is to be used for unforeseen expenditures or for anticipated expenditures of uncertain amounts.

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

- The 2014 budget includes an adjustment for vacant positions.

Revenues/Expenditures by Use:

	2011	2012	2013	2013	2014	Variance	%
	Actual	Actual	Adopted	Amended	Budget	+/-	Change
Personal Services	\$ -	\$ -	\$ (41,600)	\$ (41,600)	\$ (95,000)	\$ (53,400)	128.37%
Other Svcs & Chgs	22,702	22,937	50,000	39,700	47,500	7,800	19.65%
Total	\$ 22,702	\$ 22,937	\$ 8,400	\$ (1,900)	\$ (47,500)	\$ (45,600)	2400.00%

Fund: General	Department: Police
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Description of Services: The Police Department is responsible for the protection of life and property and an atmosphere of community security through the deterrence of criminal activity by visible patrols; the enforcement of traffic laws; the apprehension of criminal offenders; emergency response services; and the delivery of other community services such as animal control and school liaison. The department provides for the investigation of criminal incidents and the apprehension of criminal offenders through the gathering, analysis, preservation and presentation of evidence.

Goals for 2014 budget:

- Enhance response to and resolution of community crime and traffic safety concerns.
- Reduce illegal drug and associated criminal activity in the city.
- Identify, mentor and train future police department leaders.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Total Calls for Service	20,451	20,676	20,900
# Citations Issued	1,708	1,925	2,000
Warnings Issued	3,607	3,478	3,800
Total Accidents	472	494	500
#DWIs	155	113	100
# Adult/Juvenile Criminal Arrests	847	694	700

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	39	40.2	40

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

There are no major budget changes for 2014.

Revenues/Expenditures by Use:

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 3,551,763	\$ 3,665,233	\$ 3,700,300	\$ 3,700,300	\$ 3,847,600	\$ 147,300	3.98%
Supplies	270,187	248,396	323,800	333,800	306,100	(27,700)	-8.30%
Other Svcs & Chgs	268,988	285,074	346,200	336,200	321,500	(14,700)	-4.37%
Total	\$ 4,090,938	\$ 4,198,703	\$ 4,370,300	\$ 4,370,300	\$ 4,475,200	\$ 104,900	2.40%

Fund: General	Department: Fire
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Description of Services: The Fire Department is responsible for fire suppression to minimize personal injury, loss of life and property damage. The department conducts fire inspections and reviews and recommends fire related items on building plans to comply with fire protection codes. The Department provides fire education and prevention programs.

Goals for 2014 budget:

- Address staffing challenges within organization.
- Develop policies and procedures and department-wide.
- Begin development of in-house training program and academy.
- Complete transition to new RMS and evaluate future records options.
- Implement customer satisfaction and feedback program.
- Continue to evaluate programs and services department-wide.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Respond to incidents in an efficient and timely manor	356 responses; average time 6:51	425 responses; average time 6:50	450 responses
Number of On-Call Firefighters	38	37	45

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	3.6	1.7	2.2

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

- Deputy Chief of Operations budgeted to start July 1, 2014.

Revenues/Expenditures by Use:

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 523,105	\$ 494,295	\$ 378,900	\$ 378,900	\$ 459,950	\$ 81,050	21.39%
Supplies	58,157	76,679	100,750	107,750	116,850	9,100	8.45%
Other Svcs & Chgs	134,339	109,197	143,800	136,800	187,100	50,300	36.77%
Capital Outlay	29,041	-	16,000	16,000	-	(16,000)	-100.00%
Total	\$ 744,642	\$ 680,171	\$ 639,450	\$ 639,450	\$ 763,900	\$ 124,450	19.46%

Fund: General	Division: Emergency Management Department: Fire
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Description of Services: The Emergency Management Department provides for the preparation of response and survival plans for disasters, for the administration of emergency management training programs and for implementation of those plans.

Goals for 2014 budget:

- Update city emergency response and preparedness plans.
- Conduct city NIMS/ICS training and exercise.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Number of Siren Tests	12	12	12
Number of Outdoor Warning Sirens	19	19	19

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	.1	-	-

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

There are no major budget changes for 2014.

Revenues/Expenditures by Use:

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 10,751	\$ 11,009	\$ -	\$ -	\$ -	\$ -	0.00%
Supplies	12,971	12,524	7,400	11,900	12,200	300	2.52%
Other Svcs & Chgs	6,147	2,944	9,400	4,900	11,950	7,050	143.88%
Capital Outlay	71,750	66,871	12,000	12,000	-	(12,000)	-100.00%
Total	\$ 101,619	\$ 93,348	\$ 28,800	\$ 28,800	\$ 24,150	\$ (4,650)	-16.15%

Fund: General	Division: Building Safety Department: Fire
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Description of Services: The Building Safety Division is responsible for adopting and enforcing new and existing codes, issuing permits and all inspections involved in the codes.

Goals for 2014 budget:

- To remain timely, efficient and professional with plan review, inspections and the issuing of permits.
- To effectively and efficiently conduct fire inspections on existing buildings in Elk River and the ERFD coverage area in Otsego.
- To continue the residential rental license program and follow up on reported unlicensed properties.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
New Residential Permits	36	45	55
Total All Permits	1,683	1,850	2,100
Number of Inspections	5,128	6,200	6,800
Elk River Fire Inspections	13	45	40
Otsego Fire Inspections	n/a	40	40

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	5.6	7.45	7

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

- Eliminated one Building Inspector position and increased Permit Tech hours.

Revenues/Expenditures by Use:

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 436,325	\$ 444,001	\$ 620,000	\$ 620,000	\$ 570,500	\$ (49,500)	-7.98%
Supplies	9,168	11,657	21,400	21,400	22,950	1,550	7.24%
Other Svcs & Chgs	15,538	12,921	22,200	22,200	24,500	2,300	10.36%
Total	\$ 461,031	\$ 468,579	\$ 663,600	\$ 663,600	\$ 617,950	\$ (45,650)	-6.88%

Fund: General	Division: Code Enforcement Department: Fire
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Description of Services: The Code Enforcement Division is responsible for enforcing city ordinances to protect the quality of life and public health.

Goals for 2014 budget:

- Continue enforcement of city ordinances to keep Elk River an attractive and enjoyable place to live and work.
- Address citizen complaints in a timely and efficient manner.
- Integrate code enforcement cases into fire department’s records management system.

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	-	1	1

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

There are no major budget changes for 2014.

Revenues/Expenditures by Use:

	2011	2012	2013	2013	2014	Variance	%
	Actual	Actual	Adopted	Amended	Budget	+/-	Change
Personal Services	\$ -	\$ -	\$ 79,700	\$ 79,700	\$ 81,550	\$ 1,850	2.32%
Supplies	-	-	2,500	2,500	3,200	700	28.00%
Other Svcs & Chgs	-	-	2,850	2,850	3,850	1,000	35.09%
Total	\$ -	\$ -	\$ 85,050	\$ 85,050	\$ 88,600	\$ 3,550	4.17%

Fund: General	Division: Environmental Department: Community Operations & Development
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Description of Services: The Environmental Division is responsible for enforcing environmental regulations to protect the quality of life and public health.

Goals for 2014 budget:

- Comply with State and Federal regulations.
- Continue to administer and enforce the Shoreland, Floodplain, Wild & Scenic River Ordinance and Wetland Conservation Act rules and regulations.

Performance Measures:

	2011 Actual	2012 Estimated	2013 Projected
Wetland related assistance:			
Landowner contacts	100	125	150
Violations	5	10	10
Approved applications	4	7	10
Enforcement actions	1	0	0
Shoreland & Wild & Scenic related assistance (landowner contacts)	50	50	50
Floodplain related assistance:			
Landowner contacts	50	30	30
FEMA application assistance	5	5	5

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	.5	.6	.4

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

- Reallocation of staff time.

Revenues/Expenditures by Use:

	2011	2012	2013	2013	2014	Variance	%
	Actual	Actual	Adopted	Amended	Budget	+/-	Change
Personal Services	\$ 50,738	\$ 25,956	\$ 47,700	\$ 47,700	\$ 27,600	\$ (20,100)	-42.14%
Supplies	733	780	2,450	2,450	600	(1,850)	-75.51%
Other Svcs & Chgs	2,950	1,847	2,200	2,200	3,600	1,400	63.64%
Total	\$ 54,421	\$ 28,583	\$ 52,350	\$ 52,350	\$ 31,800	\$ (20,550)	-39.26%

Fund: General	Division: Street Maintenance Department: Community Operations & Development
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Description of Services: The Street Maintenance Division is responsible for maintaining city streets, sidewalks, boulevards and the storm water collection system.

Goals for 2014 budget:

- Maintain pavement condition index (PCI) of 80 or higher.
- Sweep neighborhoods 4 times/year and arterial roads 2 times/year.
- Perform street maintenance at or below industry standard.
- Sealcoat 15-18 miles/year (per 8 year replacement cycle)
- Inspect, clean and maintain 20% of the city's catch basins/year.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
PCI Rating	80	81	82
Sealcoating (miles)	16.5	18.1	20
Spring Sweeping program	Spring & Fall	Neighborhoods 2X/year Arterial roads 1X/year	Neighborhoods 4X/year Arterial roads 2X/year

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	11.6	11.2	12.2

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

- Upgraded one Laborer position to Street Maintenance Worker.
- One Mechanic transferred from Equipment Services.
- Annual sealcoat project funded out of Pavement Management Fund.

Revenues/Expenditures by Use:

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 639,141	\$ 720,956	\$ 648,500	\$ 648,500	\$ 717,000	\$ 68,500	10.56%
Supplies	291,871	252,079	249,750	249,750	223,450	(26,300)	-10.53%
Other Svcs & Chgs	608,272	541,674	631,950	631,950	299,300	(332,650)	-52.64%
Total	\$ 1,539,284	\$ 1,514,709	\$ 1,530,200	\$ 1,530,200	\$ 1,239,750	\$ (290,450)	-18.98%

Fund: General	Division: Snow Removal Department: Community Operations & Development
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Description of Services: The Snow Removal budget provides for snow removal and for ice control on city streets, parking lots, and pathways.

Goals for 2014 budget:

- Maintain optimal winter driving conditions on city streets.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Miles of Streets Plowed	151	151	151
Cul-de-sacs	220	220	220
Salt/Sand Purchased (tons)	1,200	1,350	1,600
Snow removal hours	3,340	3,620	3,600

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	-	-	-
(Provided by the Street and Park Maintenance Divisions)			

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

There are no major budget changes for 2014.

Revenues/Expenditures by Use:

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 147,125	\$ 106,154	\$ 169,700	\$ 169,700	\$ 188,350	\$ 18,650	10.99%
Supplies	104,204	121,697	96,000	96,000	89,400	(6,600)	-6.88%
Capital Outlay	-	18,623	20,000	20,000	-	(20,000)	-100.00%
Total	\$ 251,329	\$ 246,474	\$ 285,700	\$ 285,700	\$ 277,750	\$ (7,950)	-2.78%

Fund: General	Division: Equipment Maintenance Department: Community Operations & Development
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Description of Services: The Equipment Maintenance Division is responsible for the repair and maintenance of the city fleet.

Goals for 2014 budget:

- Perform preventative maintenance to ensure safe operation and to reduce downtime and repairs.
- Increase productivity by 10%.
- Cost competitiveness.
- Focus on scheduled maintenance.
- Implement computerized work order system.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Percent of labor spent on PM's	n/a	n/a	50
Billable hours per mechanic (percent)	n/a	n/a	60

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	3	3	2

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

- One mechanic transferred to Street Maintenance Worker.

Revenues/Expenditures by Use:

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 203,282	\$ 210,980	\$ 220,750	\$ 220,750	\$ 151,650	\$ (69,100)	-31.30%
Supplies	25,514	26,448	28,500	28,500	27,850	(650)	-2.28%
Other Svcs & Chgs	2,882	2,997	3,500	3,500	4,650	1,150	32.86%
Total	\$ 231,678	\$ 240,425	\$ 252,750	\$ 252,750	\$ 184,150	\$ (68,600)	-27.14%

Fund: General	Division: Engineering Department: Community Operations & Development
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Description of Services: The Engineering budget covers engineering functions not charged to specific projects. The City Engineer oversees all engineering including working with the Minnesota Department of Transportation, maintaining mapping and GIS data, responding to citizen and staff requests and general engineering functions.

Goals for 2014 budget:

- Implement Quiet Zones.
- Update Engineering Standards.
- Continue support of other departments.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Active Engineering Projects	15	13	16
Completed Engineering Projects	9	9	14
Infrastructure Asset Management System Upgrades	2	3	3

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	1	2	2

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

There are no major budget changes for 2014.

Revenues/Expenditures by Use:

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 111,384	\$ 137,658	\$ 145,500	\$ 145,500	\$ 143,100	\$ (2,400)	-1.65%
Supplies	625	3,889	2,200	2,200	2,150	(50)	-2.27%
Other Svcs & Chgs	22,158	11,614	25,650	25,650	21,600	(4,050)	-15.79%
Total	\$ 134,167	\$ 153,161	\$ 173,350	\$ 173,350	\$ 166,850	\$ (6,500)	-3.75%

Fund: General	Division: Park Maintenance Department: Parks & Recreation
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Description of Services: The Park Maintenance Division is responsible for the maintenance of all city parks and facilities. These parks and facilities include playgrounds, shelters, ball fields and trails.

Goals for 2014 budget:

- Improve safety and maintenance throughout the park system.
- Continue to maintain athletic fields at high standard through proper irrigation, fertilizer and weed control.
- Improve and maintain landscaped areas.
- Maintain all park amenities to gain the longest life expectancy possible.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Number of City Parks	44	45	45
Number of Athletic Fields Maintained	17	17	17
Number of Playgrounds Maintained	18	18	1
Miles of Trails Maintained	37	37	37
Total Acreage Mowed	131	131	132

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	8.5	8.5	9.75

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

- Add a Full-time Park Maintenance Worker and increase budget for seasonal workers.
- Additional contractual services funds for buckthorn removal.

Revenues/Expenditures by Use:

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 523,576	\$ 515,662	\$ 512,900	\$ 512,900	\$ 609,400	\$ 96,500	18.81%
Supplies	144,997	143,220	140,600	140,600	149,850	9,250	6.58%
Other Svcs & Chgs	148,960	154,912	153,950	167,250	179,200	11,950	7.14%
Total	\$ 817,533	\$ 813,794	\$ 807,450	\$ 820,750	\$ 938,450	\$ 117,700	14.34%

Fund: General	Division: Recreation Department: Parks & Recreation
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Description of Services: The Recreation Division is responsible for administrative services for the Parks and Recreation Department, the coordination of park facility use, and providing leisure programs for the community.

Goals for 2014 budget:

- Research Otsego recreation opportunity to determine if collaboration would benefit both organizations.
- Enhance program opportunities at YMCA gymnasium.
- Evaluate Lions Park Center facility and research upgrade costs.
- Grow new citywide volunteer program.
- Implement adopted field allocation policy.
- Update all department policies.
- Develop a Parks and Recreation Comprehensive Plan.
- Complete the department reorganization to coordinate opportunities for staff growth and enhancement to effectively provide services.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Weekly Gym Hours Programmed	19	20	24
New Marketing Outlet Methods	2	2	2
Recreation Class Participants	2,900	3,000	3,200
Community Event Participation	22,500	24,500	25,000
New Volunteer Program Initiatives	n/a	23	5

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	8.85	8.75	8.75

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

There are no major budget changes for 2014.

Revenues/Expenditures by Use:

Revenues	2011	2012	2013	2013	2014	Variance	%
	Actual	Actual	Adopted	Amended	Budget	+/-	Change
Charges for Services	\$ 151,704	\$ 146,259	\$ 149,100	\$ 149,100	\$ 148,200	\$ (900)	-0.60%
Total	\$ 151,704	\$ 146,259	\$ 149,100	\$ 149,100	\$ 148,200	\$ (900)	-0.60%

Expenditures	2011	2012	2013	2013	2014	Variance	%
	Actual	Actual	Adopted	Amended	Budget	+/-	Change
Personal Services	\$ 500,790	\$ 587,242	\$ 514,300	\$ 514,300	\$ 519,950	\$ 5,650	1.10%
Supplies	54,808	52,765	51,200	51,200	48,100	(3,100)	-6.05%
Other Svcs & Chgs	144,641	139,875	153,100	153,100	163,950	10,850	7.09%
Total	\$ 700,239	\$ 779,882	\$ 718,600	\$ 718,600	\$ 732,000	\$ 13,400	1.86%

Fund: General	Division: Senior Citizen Programs Department: Parks & Recreation
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Description of Services: The Senior Citizen Programs budget is for the planning, establishment and administration of senior programs designed to enhance the quality of life, promote wellness and sustain independence and creative potential through life-long learning.

Goals for 2014 budget:

- Develop and market Flex Fitness.
- Develop customer survey.
- Assess major building improvement needs such as roof repair.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Number of Voluntary Memberships	412	440	450
# of participants	22,981	25,000	26,000
Customer survey	n/a	n/a	200 responses

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	2.4	2	2

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

- Added revenue code for more accurate tracking of revenues.

Revenues/Expenditures by Use:

Revenues	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Charges for Services	\$ -	\$ -	\$ -	\$ 25,000	\$ 20,050	\$ (4,950)	-19.80%
Total	\$ -	\$ -	\$ -	\$ 25,000	\$ 20,050	\$ (4,950)	-19.80%

	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 149,400	\$ 148,703	\$ 130,750	\$ 130,750	\$ 136,650	\$ 5,900	4.51%
Supplies	9,109	11,228	14,900	16,700	11,250	(5,450)	-32.63%
Other Svcs & Chgs	37,376	37,639	42,400	47,900	45,650	(2,250)	-4.70%
Total	\$ 195,885	\$ 197,570	\$ 188,050	\$ 195,350	\$ 193,550	\$ (1,800)	-0.92%

Fund: General	Department: Transfers
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Description of Services: The Transfers budget shows the amounts transferred from the General Fund to other funds.

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

There are no major budget changes for 2014.

Revenues/Expenditures by Use:

	2011	2012	2013	2013	2014	Variance	%
	Actual	Actual	Adopted	Amended	Budget	+/-	Change
Transfers	\$ 147,166	\$ 354,786	\$ 44,800	\$ 44,800	\$ 60,100	\$ 15,300	34.15%
Total	\$ 147,166	\$ 354,786	\$ 44,800	\$ 44,800	\$ 60,100	\$ 15,300	34.15%

2014 SPECIAL REVENUE FUNDS

DEFINITION:

Special revenue funds are established to justify revenue sources to finance particular functions or projects.

Revenue for these funds can come from a variety of sources such as taxes, fees, gifts and grants or contributions from other governmental entities. Expenditures from these funds are normally restricted by statute, local ordinance, or grant agreements. The funds may be used for either operations or capital outlay as legal restrictions mandate.

The budgeted special revenue funds for the City of Elk River are: Library, Ice Arena, Pinewood Golf Course, Landfill and Economic Development Authority.

Notes:



2014 BUDGET SUMMARY - SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE

Description	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget
Revenues					
Taxes	\$ 423,368	\$ 388,371	\$ 355,600	\$ 355,600	\$ 362,200
Intergovernmental Revenues	18,916	18,127	7,000	7,000	11,000
Charges for Services	904,172	946,422	929,900	929,900	945,200
Other Revenue	71,989	65,003	81,050	81,050	91,750
Total Revenues:	\$ 1,418,445	\$ 1,417,923	\$ 1,373,550	\$ 1,373,550	\$ 1,410,150
Other Sources					
Transfers In	147,166	50,078	185,800	93,800	63,600
Total Revenues & Other Sources:	\$ 1,565,611	\$ 1,468,001	\$ 1,559,350	\$ 1,467,350	\$ 1,473,750
Expenditures					
Personal Services	\$ 591,729	\$ 599,265	\$ 633,750	\$ 638,250	\$ 640,350
Supplies	169,685	202,505	154,800	154,800	165,600
Other Services & Charges	396,762	480,175	493,700	489,200	515,850
Capital Outlay	42,143	17,786	357,300	357,300	343,950
Debt Service	209,276	-	-	-	-
Total Expenditures:	\$ 1,409,595	\$ 1,299,731	\$ 1,639,550	\$ 1,639,550	\$ 1,665,750
Other Uses					
Transfers Out	103,330	530,880	85,000	85,000	110,050
Total Expenditures & Other Uses:	\$ 1,512,925	\$ 1,830,611	\$ 1,724,550	\$ 1,724,550	\$ 1,775,800
Change in Fund Balance	\$ 52,686	\$ (362,610)	\$ (165,200)	\$ (257,200)	\$ (302,050)
Fund Balance, January 1	\$ 2,828,998	\$ 2,881,684	\$ 2,881,684	\$ 2,519,074	\$ 2,716,484
Fund Balance, December 31	\$ 2,881,684	\$ 2,519,074	\$ 2,716,484	\$ 2,261,874	\$ 2,414,434

Fund: Library	Division: Library Department: Parks & Recreation
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Description of Services: The Library budget provides for all expenditures for the maintenance of the building and grounds. Great River Regional Library provides staff and circulation materials.

Goals for 2014 budget:

- Increase the use of the community room by 10% during the next year.
- Increase use of existing library shelving space.
- Promote digital services more.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Circulation statistics	335,157	329,784	324,497
Community Room Use	59	65	72
Total Program Registration	3,012	3,402	3,800

Staffing Levels:

	2012	2013	2014
Number of Employees (FTEs)	-	-	-

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

There are no major budget changes for 2014.

Revenues/Expenditures by Use:

Revenues	2011	2012	2013	2013	2014	Variance	%
	Actual	Actual	Adopted	Amended	Budget	+/-	Change
Taxes	\$ 63,100	\$ 62,496	\$ 63,100	\$ 63,100	\$ 63,100	\$ -	0.00%
Other Revenue	33,400	26,588	33,400	33,400	33,400	-	0.00%
Total	\$ 96,500	\$ 89,084	\$ 96,500	\$ 96,500	\$ 96,500	\$ -	0.00%

Expenditures	2011	2012	2013	2013	2014	Variance	%
	Actual	Actual	Adopted	Amended	Budget	+/-	Change
Supplies	\$ 15,500	\$ 12,814	\$ 15,500	\$ 15,500	\$ 14,500	\$ (1,000)	-6.45%
Other Svcs & Chgs	81,000	63,882	81,000	81,000	84,150	3,150	3.89%
Total	\$ 96,500	\$ 76,696	\$ 96,500	\$ 96,500	\$ 98,650	\$ 2,150	2.23%

Fund: Ice Arena	Division: Ice Arena Department: Parks & Recreation
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Description of Services: The Ice Arena budget provides for the management of the entire operation of the Elk River ice arena including debt payments.

Goals for 2014 budget:

- Continue to work with Arena Commission and staff to develop a timeline for a new facility or to renovate the existing building.
- Renew or find new advertiser for older Zamboni.
- Add advertisers to new scheduling system.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Hours of ice rental	4,594	4,600	4,600
Hockey program participants	246	250	275
Skating program participants	361	375	375

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	7.25	8.2	8.2

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

There are no major budget changes for 2014.

Revenues/Expenditures by Use:

Revenues	2011	2012	2013	2013	2014	Variance	%
	Actual	Actual	Adopted	Amended	Budget	+/-	Change
Charges for Services	\$ 730,869	\$ 760,249	\$ 741,400	\$ 741,400	\$ 755,400	\$ 14,000	1.89%
Other Revenue	21,658	25,907	22,150	22,150	25,850	3,700	16.70%
Transfers In	90,369	-	137,500	45,500	-	(45,500)	-100.00%
Total	\$ 842,896	\$ 786,156	\$ 901,050	\$ 809,050	\$ 781,250	\$ (27,800)	-3.44%

Expenditures	2011	2012	2013	2013	2014	Variance	%
	Actual	Actual	Adopted	Amended	Budget	+/-	Change
Personal Services	\$ 297,651	\$ 317,644	\$ 331,650	\$ 331,650	\$ 343,000	\$ 11,350	3.42%
Supplies	92,156	94,427	90,250	90,250	102,050	11,800	13.07%
Other Svcs & Chgs	203,154	200,083	210,800	210,800	215,550	4,750	2.25%
Capital Outlay	42,143	17,786	357,300	357,300	343,950	(13,350)	-3.74%
Debt Service	200,780	-	-	-	-	-	0.00%
Total	\$ 835,884	\$ 629,940	\$ 990,000	\$ 990,000	\$ 1,004,550	\$ 14,550	1.47%

Fund: Pinewood	Division: Pinewood Golf Course Department: Parks & Recreation
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Description of Services: The Pinewood Golf Course budget provides for the management and operation of the city's 9-hole executive golf course.

Goals for 2014 budget:

- Decrease the amount transferred in from the General Fund.
- Promote Pinewood activities.
- Evaluate effectiveness of advertising.
- Continue to maintain golf course at a high standard.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Number of Rounds	11,000	10,500	11,500
Number of Memberships / Punch Cards	35 / 75	40 / 75	40 / 75
Number of Adult League Participants	109	120	120
Number of Youth Lesson/League Participants	234	240	245

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	3.5	3.5	3.5

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

There are no major budget changes for 2014.

Revenues/Expenditures by Use:

Revenues	2011	2012	2013	2013	2014	Variance	%
	Actual	Actual	Adopted	Amended	Budget	+/-	Change
Charges for Services	\$ 169,353	\$ 186,173	\$ 188,500	\$ 188,500	\$ 189,800	\$ 1,300	0.69%
Other Revenue	400	-	-	-	-	-	0.00%
Transfers In	56,797	46,578	44,800	44,800	60,100	15,300	34.15%
Total	\$ 226,550	\$ 232,751	\$ 233,300	\$ 233,300	\$ 249,900	\$ 16,600	7.12%

Expenditures	2011	2012	2013	2013	2014	Variance	%
	Actual	Actual	Adopted	Amended	Budget	+/-	Change
Personal Services	\$ 142,484	\$ 140,648	\$ 145,850	\$ 145,850	\$ 148,450	\$ 2,600	1.78%
Supplies	43,312	47,719	43,250	43,250	44,750	1,500	3.47%
Other Svcs & Chgs	32,258	44,385	44,200	44,200	56,700	12,500	28.28%
Debt Service	8,497	-	-	-	-	-	0.00%
Total	\$ 226,551	\$ 232,752	\$ 233,300	\$ 233,300	\$ 249,900	\$ 16,600	7.12%

Fund: Landfill	Division: Landfill Department: Community Development
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Description of Services: The Landfill budget provides for the monitoring of the Elk River Landfill to ensure compliance with the city license and conditional use permit requirements and provides for the ongoing investigation and verification of the Elk River Landfill compliance with the Minnesota Pollution Control Agency (MPCA) corrective action directive.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Clean Up Day participation (spring/fall)	322 / 300	320 / 205	250

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	.55	.35	.1

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

- Reallocation of staff time.

Revenues/Expenditures by Use:

Revenues	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Intergovernmental	\$ -	\$ 18,000	\$ 7,000	\$ 7,000	\$ 11,000	\$ 4,000	57.14%
Other Revenue	14,222	8,239	18,500	18,500	25,000	6,500	35.14%
Total	\$ 14,222	\$ 26,239	\$ 25,500	\$ 25,500	\$ 36,000	\$ 10,500	41.18%

Expenditures	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 49,242	\$ 28,183	\$ 36,850	\$ 36,850	\$ 11,100	\$ (25,750)	-69.88%
Supplies	23,600	45,381	3,100	3,100	100	(3,000)	-96.77%
Other Svcs & Chgs	12,446	10,722	32,000	32,000	32,000	-	0.00%
Transfers Out	78,330	55,880	60,000	60,000	78,150	18,150	30.25%
Total	\$ 163,618	\$ 140,166	\$ 131,950	\$ 131,950	\$ 121,350	\$ (10,600)	-8.03%

Fund: Economic Development Authority	Division: E.D.A. Department: Community Operations & Development
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Description of Services: The Economic Development Authority is responsible for promoting and facilitating economic development within the city. The EDA considers business development proposals and uses a broad range of competitive financing programs to achieve its development goals of enhancing the tax base, diversifying the economic base, and the creation of higher paying jobs in the city.

Goals for 2014 budget:

- Foster a pro-business atmosphere that provides incentives and other opportunities for new and existing business growth.
- Facilitate development and redevelopment to support rapidly changing technological advances.

Performance Measures:

- Purchase properties for redevelopment
- Modify land use to foster pro-business development like medical facilities

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	1.2	1.2	1.2

(Note: FTE is reflective of 60% Economic Development Division staff time spent on EDA activities)

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

There are no major budget changes for 2014.

Revenues/Expenditures by Use:

Revenues	2011	2012	2013	2013	2014	Variance	%
	Actual	Actual	Adopted	Amended	Budget	+/-	Change
Taxes	\$ 361,921	\$ 322,875	\$ 292,500	\$ 292,500	\$ 299,100	\$ 6,600	2.26%
Intergovernmental	18,916	127	-	-	-	-	0.00%
Charges for Services	5,966	4,269	7,000	7,000	7,500	500	7.14%
Other Revenue	3,500	3,500	3,500	3,500	3,500	-	0.00%
Total	\$ 390,303	\$ 330,771	\$ 303,000	\$ 303,000	\$ 310,100	\$ 7,100	2.34%

Expenditures	2011	2012	2013	2013	2014	Variance	%
	Actual	Actual	Adopted	Amended	Budget	+/-	Change
Personal Services	\$ 102,352	\$ 112,791	\$ 119,400	\$ 123,900	\$ 137,800	\$ 13,900	11.22%
Supplies	2,220	2,164	2,700	2,700	4,200	1,500	55.56%
Other Svcs & Chgs	84,487	161,103	125,700	121,200	127,450	6,250	5.16%
Transfers Out	25,000	475,000	25,000	25,000	31,900	6,900	27.60%
Total	\$ 214,059	\$ 751,058	\$ 272,800	\$ 272,800	\$ 301,350	\$ 28,550	10.47%

2014 ENTERPRISE FUNDS

DEFINITION:

Enterprise funds are established to account for activities that consist of rendering services or providing goods to the public for which a fee is collected.

The budgeted enterprise funds for the City of Elk River are: Wastewater Treatment Plant, Liquor and Garbage/Recycling.

Notes:



2014 BUDGET SUMMARY - ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE

Description	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget
Revenues					
Intergovernmental Revenues	\$ 38,550	\$ 37,369	\$ 295,250	\$ 295,250	\$ 3,012,500
Charges for Services	2,775,336	2,806,943	2,926,200	2,926,200	2,959,900
Other Revenue	446,382	412,382	338,850	338,850	119,350
Sales	6,139,096	6,516,386	6,501,500	6,501,500	7,156,350
Total Revenues:	\$ 9,399,364	\$ 9,773,080	\$ 10,061,800	\$ 10,061,800	\$ 13,248,100
Other Sources					
Other Financing Sources	18,330	150,294	25,000	25,000	5,633,400
Transfers In	-	-	-	-	1,000,000
Total Revenues & Other Sources:	\$ 9,417,694	\$ 9,923,374	\$ 10,086,800	\$ 10,086,800	\$ 19,881,500
Expenditures					
Personal Services	\$ 1,080,979	\$ 1,139,775	\$ 1,160,250	\$ 1,160,250	\$ 1,168,950
Supplies	4,563,171	4,742,713	4,961,850	4,961,850	5,029,950
Other Services & Charges	3,088,654	3,214,231	3,360,300	3,360,300	3,197,500
Capital Outlay	-	-	626,500	626,500	12,619,000
Debt Service	71,316	54,376	199,900	199,900	570,850
Total Expenditures:	\$ 8,804,120	\$ 9,151,095	\$ 10,308,800	\$ 10,308,800	\$ 22,586,250
Other Uses					
Transfers Out	3,205,592	668,824	857,500	857,500	810,650
Total Expenditures & Other Uses:	\$ 12,009,712	\$ 9,819,919	\$ 11,166,300	\$ 11,166,300	\$ 23,396,900
Change in Net Assets	\$ (2,592,018)	\$ 103,455	\$ (1,079,500)	\$ (1,079,500)	\$ (3,515,400)
Net Assets, January 1	\$ 34,251,432	\$ 31,659,414	\$ 31,659,414	\$ 31,762,869	\$ 30,683,369

Fund: Wastewater Treatment System	Division: Wastewater Treatment Plant Department: Community Operations & Development
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Description of Services: The Wastewater Treatment Plant budget provides for the administration, operation and maintenance of the sanitary sewer system, laboratory and lift stations for the sanitary treatment of household, commercial and industrial waste.

Goals for 2014 budget:

- Maintain clean sewer lines.
- Reduce grease in lines through public outreach and education.
- Maintain permit compliance.
- Reuse biosolids.
- Biannual preventative maintenance for lift stations.
- Reduce phosphorus levels of inflow.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Miles of line cleaned	40	40	42
Permit compliance	100%	100%	100%
Biosolid reuse & solid level	100% applied / 3% solid	100% applied / 4% solid	100% applied / 10% solid
Preventative Maintenance for lift stations	21	20	21
Inflow phosphorus levels	6-7 mg/l	6-7 mg/l	5-6 mg/l

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	6	6.2	6.2

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

- Includes \$12,619,000 for facility expansion project.

Fund: Wastewater Treatment System	Division: Wastewater Treatment Plant Department: Community Operations & Development
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Revenues/Expenditures by Use:

Revenues	2011	2012	2013	2013	2014	Variance	%
	Actual	Actual	Adopted	Amended	Budget	+/-	Change
Charges for Services	\$ 1,487,669	\$ 1,527,336	\$ 1,602,200	\$ 1,602,200	\$ 1,668,900	\$ 66,700	4.16%
Intergovernmental	3,890	-	285,750	285,750	3,000,000	2,714,250	949.87%
Other Revenue	363,990	373,935	308,450	308,450	540,800	232,350	75.33%
Other Financing Sources	-	-	-	-	5,619,000	5,619,000	0.00%
Transfers In	-	199,214	-	-	1,000,000	1,000,000	0.00%
Total	\$ 1,855,549	\$ 2,100,485	\$ 2,196,400	\$ 2,196,400	\$ 11,828,700	\$ 9,632,300	438.55%

Expenditures	2011	2012	2013	2013	2014	Variance	%
	Actual	Actual	Adopted	Amended	Budget	+/-	Change
Personal Services	\$ 457,613	\$ 477,598	\$ 499,150	\$ 499,150	\$ 518,100	\$ 18,950	3.80%
Supplies	121,117	115,606	262,300	262,300	254,100	(8,200)	-3.13%
Other Svcs & Chgs	1,516,692	1,617,748	1,680,850	1,680,850	1,504,600	(176,250)	-10.49%
Capital Outlay	-	-	611,500	611,500	12,619,000	12,007,500	1963.61%
Debt Service	37,489	39,677	199,900	199,900	570,850	370,950	185.57%
Transfers Out	90,000	175,157	115,000	115,000	113,650	(1,350)	-1.17%
Total	\$ 2,222,911	\$ 2,425,786	\$ 3,368,700	\$ 3,368,700	\$ 15,580,300	\$ 12,211,600	362.50%

WWTP Bonds:

SEWER BONDS JANUARY 1, 2014							
	Interest Rates %	Maturity Date	Authorized and Issued	Retired	Outstanding	Due in 2014	
						Principal	Interest
Sewer Revenue Refunding Bonds, Series 2005B	3.00-4.00	02/01/2016	\$1,660,000	\$1,100,000	\$560,000	\$560,000	\$10,859

WWTP Debt Schedule Sewer Bonds			
Year	Principal	Interest	Total
2014	\$560,000	\$10,859	\$570,859

Fund: Liquor	Division: Liquor Department: Finance
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Description of Services: The Liquor budget provides for the total operation of the Elk River municipal liquor stores as authorized by Minnesota State Law and the Elk River City Council. The municipal liquor stores also generate revenue for transfer to other city funds.

Goals for 2014 budget:

- Increase fund transfers now that debt is paid.
- Promote value of liquor operation to the community.
- Pass all compliance checks.
- Plan for future operation with consideration of retirements.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Annual Customer Count	271,848	272,500	273,000
Average sale per customer	\$23.97	\$24.25	\$24.50
Gross Profit on Sales	28.50%	29.00%	29.00%
Labor Cost as % of Sales	9.3%	10.00%	10.00%

% of Sales	2012	2013	2014
Liquor	32%	32%	33%
Beer	46%	47%	45%
Wine	18%	18%	19%
Misc.	4%	3%	3%

Staffing Levels:

	2012	2013	2014
Number of Employees (FTEs)	11.5	11.5	11.5

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

There are no major budget changes for 2014.

Revenues/Expenditures by Use:

Revenues	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Sales	\$ 6,139,095	\$ 6,514,966	\$ 6,500,000	\$ 6,500,000	\$ 6,700,000	\$ 200,000	3.08%
Cost of Sales	4,385,452	4,638,550	4,695,750	4,695,750	4,761,250	65,500	1.39%
Gross Profit	1,753,643	1,876,416	1,804,250	1,804,250	1,938,750	134,500	7.45%
Other Revenue							
Interest Income	45,444	14,485	23,000	23,000	26,100	3,100	13.48%
Miscellaneous	6,596	10,268	4,000	4,000	3,500	(500)	-12.50%
Total	\$ 1,805,683	\$ 1,901,169	\$ 1,831,250	\$ 1,831,250	\$ 1,968,350	\$ 137,100	7.49%

Expenditures	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 589,576	\$ 607,500	\$ 611,850	\$ 611,850	\$ 623,350	\$ 11,500	1.88%
Supplies	24,290	16,887	29,600	29,600	44,600	15,000	50.68%
Other Svs & Chgs	333,825	345,943	346,050	346,050	341,450	(4,600)	-1.33%
Capital Outlay	-	-	15,000	15,000	-	(15,000)	-100.00%
Debt Service	33,827	14,699	-	-	-	-	0.00%
Transfers Out	3,115,592	468,667	717,500	717,500	653,850	(63,650)	-8.87%
Total	\$ 4,097,110	\$ 1,453,696	\$ 1,720,000	\$ 1,720,000	\$ 1,663,250	\$ (56,750)	-3.30%

Fund: Garbage	Division: Garbage/Recycling Department: Community Operations & Development
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Description of Services: The Garbage/Recycling budget is for providing proper disposal of garbage and recycling to the residents of Elk River as well as programs to educate the residents on proper ways to reduce the amount of garbage produced and ways to recycle.

Goals for 2014 budget:

- Continue to promote organics recycling program.
- Continue the “Get Caught Recycling” program.

Performance Measures:

	2012 Actual	2013 Estimate	2014 Projected
Number of trash customers	6,900	7,000	7,000
Number of Recycling Rebates	913	0	0
“Get Caught Recycling” program	46	100	110
Residential Recycling:			
Fibers (tons)	438.98	425	500
Containers (tons)	160.99	200	400
% participation	62%	60%	80%
Organics participation	463	500	750

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	.55	.6	.4

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

- Reallocation of staff time.

Revenues/Expenditures by Use:

Revenues	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Charges for Services	\$ 1,287,666	\$ 1,279,607	\$ 1,324,000	\$ 1,324,000	\$ 1,291,000	\$ (33,000)	-2.49%
Intergovernmental	34,659	23,440	-	-	-	-	0.00%
Special Assessments	10,839	11,540	7,000	7,000	10,000	3,000	42.86%
Other Revenue	19,513	17,503	7,400	7,400	7,800	400	5.41%
Transfers In	43,330	20,880	25,000	25,000	14,400	(10,600)	-42.40%
Total	\$ 1,396,007	\$ 1,352,970	\$ 1,363,400	\$ 1,363,400	\$ 1,323,200	\$ (40,200)	-2.95%

Expenditures	2011 Actual	2012 Actual	2013 Adopted	2013 Amended	2014 Budget	Variance +/-	% Change
Personal Services	\$ 33,790	\$ 54,677	\$ 49,250	\$ 49,250	\$ 27,500	\$ (21,750)	-44.16%
Supplies	32,312	4,262	10,200	10,200	5,000	(5,200)	-50.98%
Other Svcs & Chgs	1,238,136	1,217,948	1,297,400	1,297,400	1,316,450	19,050	1.47%
Transfers Out	25,000	25,000	25,000	25,000	43,150	18,150	72.60%
Total	\$ 1,329,238	\$ 1,301,887	\$ 1,381,850	\$ 1,381,850	\$ 1,392,100	\$ 10,250	0.74%

Notes:



DEBT SERVICE FUNDS

DEFINITION:

The debt service funds account for the accumulation of resources and the payment of general long-term principle and interest. Repayment of the debt through principal and interest payments to bond holders is backed by the full faith and credit of the government unit.

The debt service funds repay the city's outstanding debt obligations. Debt service funds use the modified accrual basis of accounting; however, the cash basis of accounting will be used for budgetary purposes only. The cash basis is used for budgeting to ensure that sufficient cash will be available to make the required payments on the city's bonded indebtedness.

The city's debt consists of 1) general obligation improvement bonds, 2) general obligation special assessment bonds, 3) general obligation tax increment bonds and 4) lease revenue facility bonds. The following schedule depicts the City's outstanding debt as of 01/01/2014.

CITY OF ELK RIVER, MINNESOTA
Schedule of Governmental Debt
As of January 1, 2014

Debt (1) Supported By:	Interest Rates %	Issue Date	Maturity Date	Authorized and Issued	Retired	Outstanding	Due in 2014	
							Principal	Interest
<u>Property Taxes</u>								
G.O. Capital Improvement Bonds, Series 2006C	3.80-4.05	12/14/2006	02/01/2027	\$ 2,665,000	\$ 130,000	\$ 2,535,000	\$ 135,000	\$ 96,990
EDA G.O. Bonds, Series 2007	3.80-4.30	11/08/2007	02/01/2033	10,000,000	-	10,000,000	-	410,399
EDA G.O. Bonds, Series 2008	3.375	02/20/2008	02/01/2015	945,000	300,000	645,000	315,000	16,453
G.O. Capital Improvement Bonds, Series 2010A	2.00-4.00	04/21/2010	02/01/2023	5,250,000	415,000	4,835,000	420,000	161,025
G.O. Capital Improvement Bonds, Series 2012A	1.00-2.50	03/15/2012	02/01/2033	6,975,000	-	6,975,000	290,000	144,075
G.O. Refunding Bonds, Series 2013A	2.00-3.00	02/12/2013	02/01/2033	9,685,000	-	9,685,000	-	225,638
Total debt supported primarily by property taxes				<u>35,520,000</u>	<u>845,000</u>	<u>34,675,000</u>	<u>1,160,000</u>	<u>1,054,580</u>
<u>Special Assessments</u>								
G.O. Improvement Bonds, Series 2003A	2.00-4.00	12/09/2003	02/01/2014	150,000	90,000	60,000	60,000	1,200
G.O. Improvement Refunding Bonds, Series 2012B	2.00	03/15/2012	02/01/2018	1,525,000	-	1,525,000	315,000	27,350
Total debt supported primarily by special assessments				<u>1,675,000</u>	<u>90,000</u>	<u>1,585,000</u>	<u>375,000</u>	<u>28,550</u>
Total Governmental Debt (2)				<u>\$ 37,195,000</u>	<u>\$ 935,000</u>	<u>\$ 36,260,000</u>	<u>\$ 1,535,000</u>	<u>\$ 1,083,130</u>

- (1) General Obligation (GO) debt issues are backed by the full faith and credit of the City.
(2) Enterprise Fund debt is shown in its appropriate fund

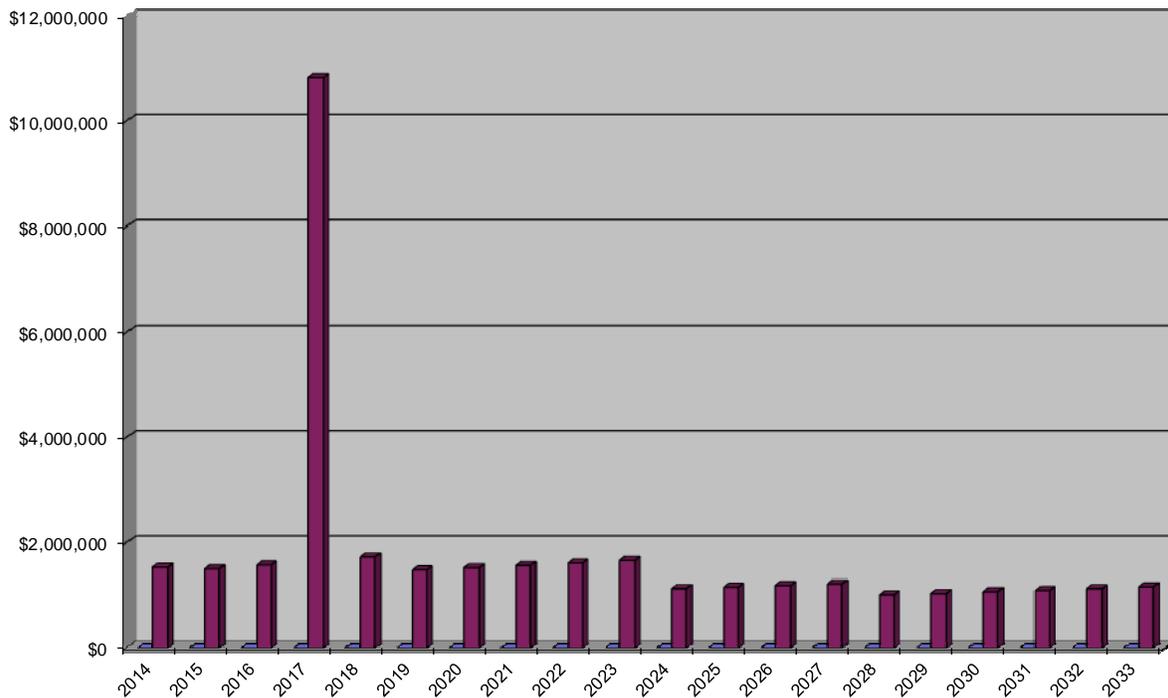
Debt on a per capita basis \$1,570
Population estimate 23,101

The following table depicts the city’s debt service payments by year.

Year	Principal	Interest	Total
2014	\$1,535,000	\$1,083,130	\$2,618,130
2015	1,505,000	1,048,145	2,553,145
2016	1,580,000	1,010,109	2,590,109
2017	10,830,000	775,452	11,605,452
2018	1,735,000	538,287	2,273,287
2019	1,485,000	493,575	1,978,575
2020	1,525,000	450,384	1,975,384
2021	1,570,000	405,760	1,975,760
2022	1,620,000	359,552	1,979,552
2023	1,670,000	311,700	1,981,700
2024	1,130,000	274,000	1,404,000
2025	1,160,000	246,846	1,406,846
2026	1,190,000	218,386	1,408,386
2027	1,220,000	187,890	1,407,890
2028	1,010,000	160,056	1,170,056
2029	1,035,000	135,125	1,170,125
2030	1,070,000	107,969	1,177,969
2031	1,095,000	79,200	1,174,200
2032	1,130,000	48,738	1,178,738
2033	1,165,000	16,412	1,181,412
Total	\$36,260,000	\$7,950,716	\$44,210,716

The following graph depicts the remaining balance of the city’s outstanding debt by year.

Outstanding Debt Schedule



Legal Debt Limit

Minnesota State Statutes Section 475.51 limits net debt to no more than 3% of the assessor's market value of the taxable property within the municipality. Bond issues covered by this limit are those financed by property taxes unless at least 20% of the annual debt service costs are financed by special assessments or tax increments. At present the City has \$34,675,000 in debt that is subject to the debt limit. The city's current legal debt limit and debt margin is as follows:

Legal Debt Limit (3% of Estimated Market Value)	\$60,512,964
Less: Outstanding Debt Subject to Limit	(34,675,000)
Add: Available Debt Service Monies	<u>11,271,692</u>
Legal Debt margin as of January 1, 2014	<u>\$37,109,656</u>

Bond Rating

The city maintains a bond rating of AA+ from Standard & Poor's for general obligation debt.

Impact on Operations

The city's property tax levy attributable to debt is at \$366,166. The city's debt on a per capita basis at the end of 2013 is \$1,570. All existing debt will be retired by 2033.

The city issued advanced refunding bonds for the YMCA project for interest savings. The bonds will be called on February 1, 2017. The city will also consider refunding opportunities for existing debt.

Other Items

All bonds issued by the city's enterprise funds are reported in the individual budgets.

Capital Improvement Plan

The Capital Improvement Plan (CIP) is a planning tool used to identify needed capital projects and to coordinate the timing and financing of projects. Capital projects for Elk River's CIP are defined as major equipment purchases and construction projects estimated to cost in excess of \$25,000. The 2014-2018 CIP was adopted by the City Council on December 16, 2013.

The CIP identifies the allocation of the city's financial resources and maximizes the use of non-tax revenue to finance the improvements. Municipal state aid street funds, franchise fees and other revenue sources are vital elements to financing city improvements. The use of these revenue sources reduces the reliance on property taxes to finance these improvements.

The CIP represents a significant financial, engineering and development undertaking for the City in the years ahead. The CIP is also consistent with the city's Comprehensive Plan.

Categories

Street Infrastructure & Maintenance includes all roads, streets, traffic signals, intersection enhancements, quiet zones, business park development and annual sealcoating within the city. Major funding sources include municipal state aid, franchise fees, and street improvement reserves.

Utility infrastructure includes the construction, expansion, and major maintenance of the sanitary sewer system. Elk River Municipal Utilities maintains the water system in the city. The primary source of financing is connection charges when property develops or with the issuance of a building permit. The ongoing maintenance is funded through user charges.

Parks system includes neighborhood parks as well as trails and recreation facilities. Major resources include park dedication fees collected when property develops, state and federal grants and our Liquor Store Enterprise Fund. Maintenance projects are financed with property taxes and other revenue sources.

Technology includes city-wide replacement and acquisition of technology. The primary revenue sources include property taxes and capital outlay reserves.

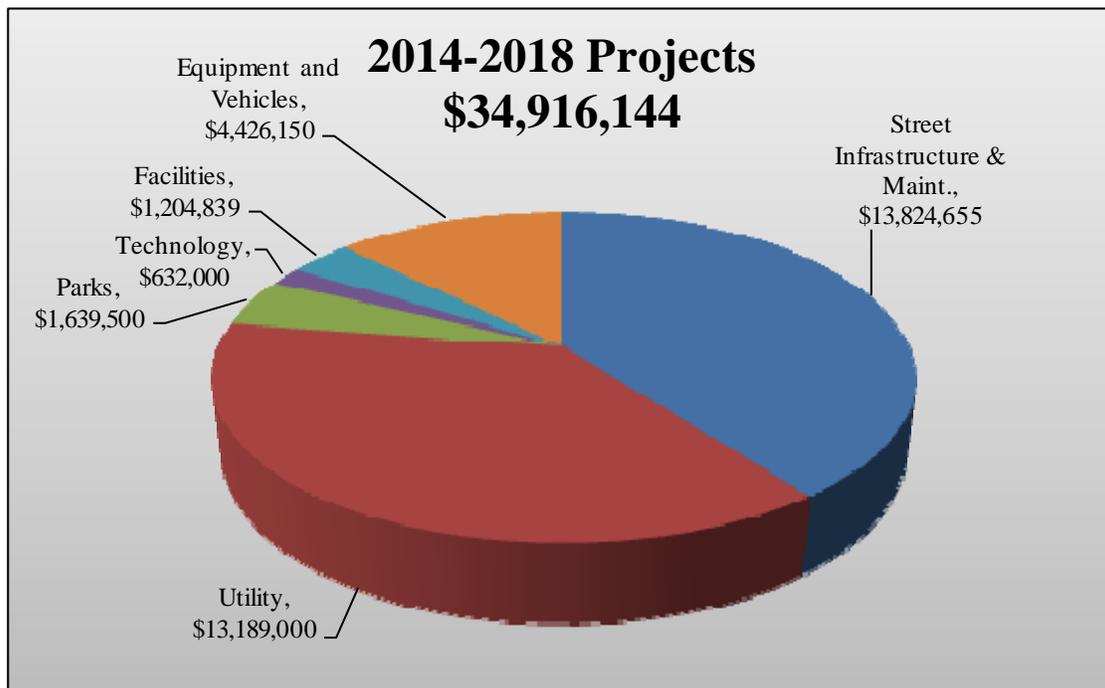
Facilities include the city hall, police and fire stations, maintenance facility, senior activity center, library and other municipal buildings. Primary revenue sources include, but not limited to, Government Building Fund and contributions. The ongoing maintenance is funded through property taxes and other revenue sources.

Equipment and Vehicles includes all major equipment acquisitions such as dump trucks, generators, police cars, fire trucks and replacement. Primary revenue sources include the Equipment Replacement Fund, state aid, ice arena and sale of assets.

Program Summary

The majority of capital investments over the next several years are in the street infrastructure and expansion of our sewer treatment facility. The total budgeted capital expenditures by category are shown below. Details can be found in the complete CIP located on the city website at www.elkrivermn.gov.

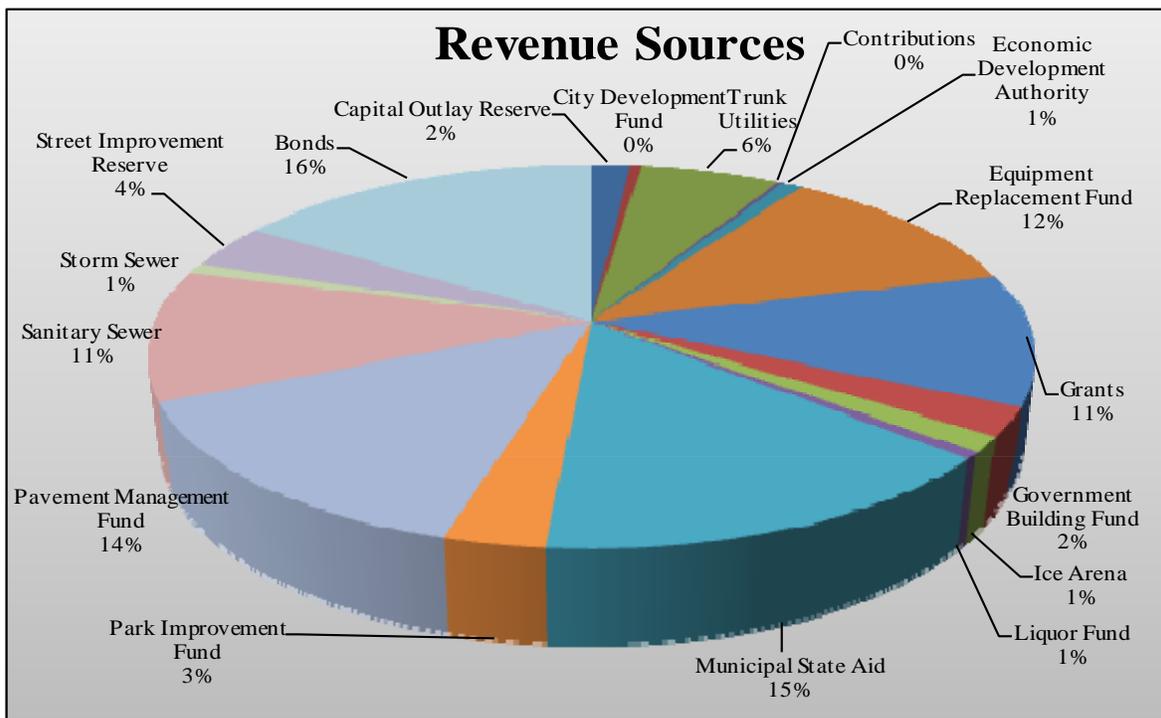
Category	Expenditures				
	2014	2015	2016	2017	2018
Street Infrastructure & Maint.	\$ 2,834,650	\$ 4,535,199	\$ 536,382	\$ 5,276,268	\$ 642,156
Utility	12,669,000	400,000	60,000	-	60,000
Parks	411,000	674,500	268,000	143,000	143,000
Technology	177,500	207,500	72,000	-	175,000
Facilities	570,507	303,000	44,162	-	287,170
Equipment and Vehicles	1,009,350	541,500	774,850	1,363,900	736,550
Total	\$ 17,672,007	\$ 6,661,699	\$ 1,755,394	\$ 6,783,168	\$ 2,043,876



Financing Summary

The projects are financed from diverse revenue sources. A summary is shown below.

Revenue Sources					
Source	2014	2015	2016	2017	2018
Capital Outlay Reserve	\$ 161,500	\$ 207,500	\$ 72,000	\$ -	\$ 175,000
City Development Fund	165,000	-	-	-	-
Trunk Utilities	1,740,000	-	-	400,000	-
Contributions	43,000	10,000	10,000	10,000	-
Economic Development Authority	300,000	-	-	-	-
Equipment Replacement Fund	983,350	511,500	584,850	1,253,900	701,550
Grants	3,500,000	320,000	-	-	-
Government Building Fund	241,557	218,000	59,162	15,000	302,170
Ice Arena	343,950	-	120,000	-	-
Liquor Fund	104,000	100,000	-	-	-
Municipal State Aid	291,721	2,797,555	303,506	1,309,576	565,768
Park Improvement Fund	276,000	274,500	268,000	143,000	143,000
Pavement Management Fund	72,929	1,402,644	75,876	3,251,692	61,388
Sanitary Sewer	3,050,000	430,000	130,000	110,000	95,000
Storm Sewer	-	150,000	-	150,000	-
Street Improvement Reserve	750,000	250,000	142,000	150,000	-
Bonds	5,619,000	-	-	-	-
Total	\$ 17,642,007	\$ 6,671,699	\$ 1,765,394	\$ 6,793,168	\$ 2,043,876



Impact of the Capital Improvement Plan on the Operating Budget

Capital improvements typically result in ongoing expenses for routine operation, repair and maintenance upon completion or acquisition. Existing city facilities and equipment will eventually require rehabilitation or renovations to accommodate new uses or address needed improvements. Our city departments are committed to performing maintenance to extend and/or maintain the longest life cycle for all our assets.

Most of the city's capital improvements/maintenance will be for street reconstruction. In 2013, our pavement management plan was updated with new road condition ratings and a long-term dedicated funding source for the ongoing maintenance of our streets was implemented and approved by City Council. Our new plan will provide for the complete funding of our pavement management plan when combined with municipal state aid allotment.

Vehicles are held until maintenance cost and condition reach an established threshold for replacement. These decisions and recommendations are made by the city's Fleet Committee which is represented by each department.

As the city develops new parks, the on-going costs associated with the improvements may actually increase as new items will eventually be replaced. The Council established our Park Improvement Fund to provide dedicated funding for the replacement and maintenance of our assets.

The City Council, City Administrator and staff remain committed to maintenance of city infrastructure, equipment and improvements.

Financial Policies

Purpose

The City of Elk River is responsible to its citizens to manage its resources wisely and adopting financial policies is an important step to ensure that resources are managed responsibly. The policies provide the framework for the overall fiscal management of the city and guide the decision-making process.

Most of the policies represent long standing principles, traditions and practices which have guided the city in the past and have helped maintain financial stability over the past years. These financial policies will be reviewed periodically to determine if changes are necessary.

Objectives

- Providing sound principles to guide the decisions of the City Council and management.
- To provide both short-term and long-term financial stability to city government by ensuring adequate funding for providing and protecting infrastructure needed by the community today and for years to come.
- Protecting and enhancing the city's credit rating and prevent default on any municipal obligations.
- To protect the City Council's policy-making ability by ensuring that important policy decisions are not constrained by financial problems or emergencies.

Revenue and Expenditure

- The city will provide long-term financial stability through sound short and long term financial planning.
- The city will estimate its annual revenues and expenditures in a conservative manner so as to reduce exposure to unforeseen circumstances.
- The city will project revenues and expenditures for the next five years and will update these projections each budget process.
- Whenever user charges and fees are determined to be appropriate and the direct benefits are identifiable, the city will establish user charges and fees at a level related to the cost of providing the service (operating, direct, indirect, and capital). Fees will be reviewed annually.
- To the extent feasible, one-time revenues will be applied toward one-time expenditures or placed into reserves. One-time revenues will not be used to finance ongoing programs.

Utilities

- The City Council sets fees and user charges for municipal sanitary sewer utility and garbage collection. The Utilities Commission sets fees and charges for the water and electric utilities. The city will encourage the Utilities Commission to adopt financial management policies similar to the policies stated in this section.
- The city will strive to set users fees for municipal utilities at a level that creates financially sustaining enterprises.

- The fee structure for municipal utilities should produce a net annual surplus of revenues over expenditures after accounting for all operating costs, depreciation of capital assets and payment of debt service.
- All municipal utility funds will maintain adequate cash reserves. The reserve needs vary for each municipal utility. The assessment of cash reserves should take into account future capital investments, diversity, and stability of revenues and potential for unanticipated changes in revenues and expenditures.
- All utility rates should be reviewed every year to minimize the impacts of rate changes and to insure adequate long-term funding.
- Elk River Municipal Utilities will make an annual contribution to the city. The cash contribution will be based on 3% of gross electric sales within the corporate limits of the city. The City Council will determine the portion of this contribution to be allocated to the General fund and the Equipment Replacement fund.
- The City Council will determine the chargeback to the Sewer fund for administration of the sanitary sewer system.
- Any other transfer of equity from a utility fund to the General fund should only be done on a one-time exception basis, for example, to fund an unusual, unanticipated expense. In no event shall such equity transfers be made in consecutive years. Equity transfers must be approved by the City Council.

Cash Management

- It is the policy of the city to pool cash balances from all funds to maximize investment earnings. Exceptions include legal and specific practical requirements that demand segregation of funds.
- Funds received are to be deposited into an interest bearing account with the city's currently designated official depository by the next business day.
- Cash on hand is to be kept to the minimum required to meet daily operational needs.

Investments

It is the policy of the City of Elk River to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity while conforming to all state and local statutes governing the investment of public funds.

The investment policy applies to all financial assets of the municipality. These funds are accounted for in the city's Annual Financial Report and include all city funds with the exception of the Water and Electric funds which fall under the investment policy adopted by the Elk River Utilities Commission.

Investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the “prudent person” standard, as defined by Minnesota Statute §356A.04, Subd. 2, and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

All investments shall be limited to those permitted by Minnesota Statute §118A. The primary objectives, in priority order, of the City of Elk River’s investment activities shall be:

1. **Safety**

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that losses on individual securities do not exceed the income generated from the remainder of the portfolio.

2. **Liquidity**

The investment portfolio will remain sufficiently liquid to enable the city to meet all operating requirements which might be reasonably anticipated.

3. **Return on Investment**

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles. The investment strategy will take into account the constraints on risk and cash flow characteristics of the investment portfolio.

4. **Maintaining the Public’s Trust**

All officials and employees who are part of the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the municipality’s ability to govern effectively.

Authority to manage the City of Elk River’s investment program is derived from Minnesota Statutes §118A. Management responsibility for the investment program is hereby delegated to the Finance Director. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the investment program, or which could reasonably cause others to question or doubt their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Finance Director any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Elk River’s portfolio.

The Finance Director will maintain a list of financial institutions authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers

selected by credit worthiness, who maintain an office in the State of Minnesota. These may include “primary dealers” or regional dealers that qualify under Securities & Exchange Commission Rule 15c3-1 (uniform net capital rule). All brokers doing business with the city shall have a Broker Certification form on file with the Finance Director in accordance with Minnesota Statutes §118A.04, Subd 9. All investments must be placed with brokers whose office is in the State of Minnesota. No investments may be made with out of state brokers.

Investment instruments authorized and permitted by this policy are as follows:

A. Repurchase Agreements

Repurchase agreements consisting of collateral allowable in Section 118A.04.

B. United States Securities

Governmental bonds, notes, bills, mortgages (excluding high-risk mortgage-backed securities), and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.

High risk mortgage-backed securities are as follows:

1. interest-only or principal-only mortgage-backed securities; or,
2. any mortgage derivative security that:
 - a. has an expected average life greater than ten years;
 - b. has an expected average life that:
 - i. will extend by more than four years as the result of an immediate and sustained parallel shift in the yield curve of plus 300 basis points; or
 - ii. will shorten by more than six years as the result of an immediate and sustained parallel shift in the yield curve of minus 300 basis points; or
 - iii. will have an estimated change in price of more than 17 percent as the result of an immediate and sustained parallel shift in the yield curve of plus or minus 300 basis points.

C. Minnesota Joint Powers Investment Trust

Agreements or contracts for shares of a Minnesota joint powers investment trust whose investments are restricted to securities authorized for investment by the government entity and shares of an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, as long as the investment company’s fund receives the highest credit rating and is rated in one of the two highest risk rating categories by at least one nationally recognized statistical rating organization and is invested in financial instruments with a final maturity of no longer than 13 months.

D. State and Local Securities

State and local government obligations as follows:

1. any security which is a general obligation of any state or local government with taxing powers which is rated “A” or better by a national bond rating service;

2. any security which is a revenue obligation of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service; and,
3. a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and is rated “A” or better by a national bond rating service.

E. Commercial Paper

Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category (e.g., A-1, P-1, F-1, or D-1 or higher) by at least two nationally recognized rating agencies and matures in 270 days or less.

F. Time Deposits

Time deposits that are fully insured by the Federal Deposit Insurance Corporation. Bankers acceptances of United States banks.

The city shall not purchase investments that, at the time of purchase, cannot be held to maturity. All investments shall be purchased with the intent to hold until maturity. This section shall not be construed to restrict the sale of investments prior to maturity which may be in the best interest of the city.

The city shall not invest in GICs or Reverse Repurchase Agreements.

The City of Elk River will follow Minnesota statutes regarding the use of collateral requirements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be at least ten percent more than the amount on deposit plus accrued interest at the close of the business day. To the extent that funds deposited are in excess of available federal deposit insurance, the government entity shall require the financial institution to furnish collateral security.

All collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection shall be approved by the City of Elk River.

Any collateral pledged shall be accompanied by a written assignment to the government entity from the financial institution. The written assignment shall recite that, upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged. Interest earned on assigned collateral will be remitted to the financial institution so long as it is not in default. The government entity may sell the collateral to recover the amount due. Any surplus from the sale of collateral shall be payable to the financial institution, its assigns, or both.

Investments may be held in safekeeping with:

1. Any Federal Reserve Bank;
2. Any bank authorized under the laws of the United States or any state to exercise corporate trust powers, including, but not limited to, the bank from which the investment is purchased;

3. A primary reporting dealer in United States government securities to the Federal Reserve Bank of New York; or
4. A securities broker/dealer having its principal executive office in Minnesota, licensed pursuant to chapter 80A, or an affiliate of it, regulated by the Securities and Exchange Commission; provided that the government entity's ownership of all securities is evidenced by written acknowledgments identifying the securities by the names of the issuers, maturity dates, interest rates, CUSIP number, or other distinguishing marks.

The city will minimize investment custodial credit risk by permitting brokers that obtained investments for the city to hold them only to the extent there is SIPC and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the city's custodian.

The City of Elk River will diversify its investments by security type and institution. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- A. Portfolio maturities shall be staggered to avoid undue concentration of assets at a specific maturity sector, with one broker-dealer or financial institution, or any one type of instrument. The maturities selected shall provide for stability of income and reasonable liquidity.
- B. The Finance Director shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.
- C. The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the City of Elk River's investment risk constraints and cash flow needs.
- D. The Finance Director shall prepare an investment report on a periodic basis and include:
 1. Listing of individual securities held at the end of the reporting period.
 2. Listing of investments by maturity date.
 3. Percentage of the total portfolio which each type of investment represents.
 4. Market to market analysis.
 5. Rate of return for the quarter.

Fund Balance

Fund balance reserves are an important component in ensuring the overall financial health of a community, by giving the city sufficient funds to meet contingency and cash-flow timing needs. In establishing an appropriate fund balance, the city needs to consider the demands of cash flow, need for emergency reserves, ability to manage fluctuations of major revenue sources, credit rating and long-term fiscal health.

A. **Classification of Fund Balance/Procedures**

1. **Nonspendable**

Amounts that are not in a spendable form or are required to be maintained intact. Examples are inventory or prepaid items.

2. **Restricted**

Amounts subject to externally enforceable legal restrictions. Examples include grants, tax increment and bond proceeds.

3. **Unrestricted**

The total of committed fund balance, assigned fund balance, and unassigned fund balance:

- **Committed fund balance** – amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
- **Assigned fund balance** – amounts a government intends to use for a specific purpose; intent can be expressed by the government body or by an official or body to which the governing body delegates the authority.
- **Unassigned fund balance** – residual amounts that are available for any purpose in the general fund. The General fund should be the only fund that reports a positive unassigned fund balance amount. This classification is also used to account for deficit fund balances in other governmental funds.

B. **General Fund**

- The city will maintain an unassigned General fund balance of not less than 40-45% of budgeted operating expenditures; however, this need could fluctuate with each year’s budget objectives.
- Annual proposed General fund budgets shall include this benchmark policy. Council shall review the amounts in fund balance in conjunction with the annual budget approval, and make adjustments as necessary to meet expected cash-flow needs.
- In the event the unassigned General fund balance will be calculated to be less than the minimum requirement at the completion of any fiscal year, the city shall plan to adjust budget resources in the subsequent fiscal years to bring the fund balance into compliance with this policy.
- The City Council may consider appropriating (for authorized purposes) year-end fund balance in excess of the policy level or increasing the minimum fund balance. An example of preferred use of excess fund balance would be for one-time expenditures, such as:
 - to fund an expenditure of significant long-term benefit or legacy to the community

- to fund a one-time (non-recurring) expenditure or grant match opportunity
 - to provide catch-up funding or long-term obligations not previously recognized
 - to fund a one-time unplanned revenue shortfall
 - to fund an unplanned expenditure due to an emergency or disaster
 - to retire existing debt
 - to fund policy shifts by other governmental entities having a negative impact on the city
 - to moderate property taxes
- Appropriation from the minimum fund balance shall require the approval of the City Council and shall be used only for non-recurring expenditures, unforeseen emergencies or immediate capital needs that cannot be accommodated through current year savings. Replenishment recommendations will accompany the decision to utilize fund balance.
- At the discretion of the City Council, fund balance may be committed for specific purposes by resolution designating the specific use of fund balance and the amount. The resolution would need to be approved no later than the close of the reporting period and will remain binding unless removed in the same manner.
- The City Council authorizes the Finance Director and/or City Administrator to assign fund balance that reflects the city's intended use of those funds.
- When both restricted and unrestricted resources are available for use, it is the city's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the city's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

C. Enterprise Funds

The city will maintain reserves in Enterprise funds at levels sufficient to provide adequate working capital for current expenditure needs, for the replacement of capital assets within the fund over their estimated useful life and to pay for future capital projects. Future capital projects must be identified and quantified in a written plan for the fund which shall be included in the city's annual Capital Improvement Plan (CIP).

The city will maintain a reserve balance at a level which takes into consideration the following:

- Cash Flow
 - Six months of projected operation expenditures (Sewer and Garbage)
 - One year of projected operation expenditures (Liquor)
 - Debt service obligations – 100% of next year's principal and interest
- Contingency
 - Potentially volatile revenue sources
 - Unforeseen natural or man-made disasters and emergencies

- Savings
 - Planned one-time expenditures and grant matching opportunities
 - Impact of significant capital projects identified in a long-term plan
- Other Factors
 - Impact on city' bond rating
 - Requirements by external funding source

D. Special Revenue Funds

The city will maintain reserves in the Special Revenue funds at levels sufficient to provide working capital for current expenditure needs plus an amount that is estimated to be needed to meet legal restrictions, requirements by external funding sources and/or pay for future capital projects. Future capital projects must be identified and quantified in a written plan for the fund, which shall be included in the city's annual CIP.

E. Debt Service Funds

The city will maintain reserves in the Debt Service funds at levels sufficient to provide working capital for current expenditure needs plus an amount that is estimated to be needed to meet legal restrictions and requirements by external funding sources.

F. Capital Project Funds

The city will maintain reserves in the Capital Project funds at levels sufficient to provide working capital for current expenditure needs plus an amount that is estimated to be needed to meet legal restrictions, requirements by external funding sources and/or pay for future capital projects. Future capital projects must be identified and quantified in a written finance plan for the fund, which shall be included in the city's annual CIP.

G. Monitoring and Reporting

The Finance Director shall annually review with the City Council the status of the fund balances with this policy and present it to the City Council in conjunction with the development of the annual budget and/or other long-term financial planning documents such as the CIP.

The city will annually review the adequacy of the reserve balances.

The city will periodically review updates to rating agency methodologies and medians to make sure that the reserve policy is consistent to ensure maintaining its existing rating or that it positions itself for an upgrade.

Debt

The City of Elk River has chosen, by policy, to guide its issuance of debt by following the guidelines listed below. These practices were identified through examination of materials from state statutes, bond rating agencies, and the Government Finance Officers Association (GFOA). This policy can be amended in the future by the City Council, but is consistent with general municipal practices at the time of its adoption.

In accordance with the authorities cited in the background section, the City of Elk River will use the following policies in determining when and how to use debt for financing capital and equipment needs.

A. Debt Limits

1. Legal Limits:

- a. Minnesota Statutes, Section 475 prescribes the statutory debt limit that outstanding principal of debt cannot exceed 3% of taxable market value. This limitation applies only to debt that is wholly tax-supported. The type of debt included is either general obligation debt of any size bond issue (G.O.) or lease revenue bond issues that were over \$1,000,000 at the time of issuance. However, there are also several other types of debt that do not count against the limit. G.O. tax increment, G.O. abatement G.O. special assessment, G.O. utility revenue, and most HRA or EDA-issued debt is considered to have a separate revenue source other than just taxes and so are excluded from the legal debt limit calculation. HRA and EDA public project revenue bonds or lease revenue bonds with financing lease agreement with a city or county do count against the statutory debt limit.
- b. Local ordinances do not limit the city's ability to issue debt.

2. Policy Limits:

- a. Uses of Debt: Debt will be used only for capital costs. The city will not utilize debt for cash flow borrowing, even though this is allowed by state statutes.
- b. CIP and Financial Planning: The city's capital improvement plan shall contain debt assumptions which match this policy and requires a commitment to long range financial planning which looks at multiple years of capital and debt needs.
- c. Tax Increment Bonds: The city shall use G.O. tax increment bonds only when the development merits special consideration.

3. Financial Limits:

- a. Bond issues may require a special debt levy. The city hereby adopts a policy to limit the amount of the city's property tax levy dedicated to debt service (principal and interest plus 5% for G.O. bonds) to less than 20% of the total tax levy. Unlike rating agencies, the city's definition of tax levy does not include special assessments, tax abatements, or tax increments.
- b. Pure revenue bond debt for the city shall be used primarily as lease revenue bonds, supported by taxes. The city may use revenue bonds for enterprise, electric and water utility operations, but only if debt service coverage achieves investment grade rating from the city's rating agencies.

B. Use of Variable Rate Debt and Derivatives

- a. Variable Rate Debt. The city shall use variable rate debt only if total principal and interest of the debt constitutes less than 20% of the city's total debt payments and only if circumstances dictate the need for a short call date.
- b. Derivatives. The city will not use derivative based debt.

C. Debt Structuring Practices

1. Term: State law limits general obligation debt to 30 years in most circumstances. The city shall not exceed 25 years in term of debt.
2. Term for Equipment: The city has a goal of paying for all capital equipment with a useful life of five years or less from cash reserves or annual operating budgets. State law does allow cities to issue debt (known as equipment certificates or capital notes) with a term of ten years or the useful life of the equipment if it is at least 10 years. The city would prefer, within the bounds of levy limits, to fund capital equipment on a pay-as-you-go basis. Capital equipment with a useful life greater than five years may be financed with debt, but the bond term should not exceed ten years.
3. The city's collective debt goal shall be to amortize at least 50% of its principal within 10 years.
4. The city shall usually issue debt with level principal and interest payments.
5. The city shall have a call date (pre-payment date) of no longer than 10 years on longer term debt and 6 to 8 years on shorter-term debt.

D. Debt Issuance Practices

1. Rating Agencies: The city utilizes a rating agency for all of its debt issuance of more than \$1M or longer than 3 years in term.
2. Method of Sale: The city shall use competitive bidding for all of its debt unless the debt is so specialized in its nature that it will not attract more than 2 bids.
3. Refunding:
 - a. Advance refunding bonds shall not be utilized unless present value savings of 4% to 5% of refunded principal is achieved and unless the call date is within 4 years. The state law minimum is 3% of refunded principal. Bonds shall not be advance refunded if there is a reasonable chance that revenues will be sufficient to pre-pay the debt at the call date.
 - b. Current refunding bonds shall be utilized when present value savings of 3% of refunded principal is achieved or in concert with other bond issues to save costs of issuance.
 - c. Special assessment or revenue debt will not be refunded unless the Finance Director determines that special assessments or other sufficient revenues will not be collected soon enough to pay off the debt fully at that call date.
4. Professional Services. The city shall use an outside bond attorney and an independent financial advisor to structure the sale.

E. Debt Management Practices

1. Investment of bond proceeds. The city shall invest bond proceeds in a capital project fund.
2. Disclosure: The city shall comply with SEC rule 15(c)2(12) on primary and continuing disclosure. Continuing disclosure reports shall be filed no later than 180 days after receipt of the city's annual financial report.
3. Arbitrage Rebate: The city shall complete an arbitrage rebate report for each issue no less than every five years after its date of issuance.
4. The city has also adopted post issuance debt compliance policy as a separate policy.

Capital Improvements

The city will maintain buildings, infrastructure, utilities, parks, facilities, and other assets in a manner that protects the investment and minimizes future maintenance and replacement costs.

The Finance Director will annually prepare and submit to the City Council a Capital Improvements Plan (CIP) for the next five fiscal years.

At a minimum, the CIP will include a description of the proposed improvement, the estimated cost, timing and potential sources of funding. If applicable, the CIP will identify implications for the operating budget created by the proposed improvement.

In most cases, private developers will be responsible for the construction of streets, sanitary sewer, watermain, and storm water collection systems needed to serve new development. The city may install infrastructure and assess property owners when this approach provides the best alternative. The city will finance street and utility oversizing and trunk utility systems.

The city will maintain a system of capital charges for sanitary sewer and water services. The charges will be collected when undeveloped land is platted and when new users connect to the system. Revenues from the capital charges will be accumulated and used to pay for the capital investment related to the maintenance and expansion of the utility system.

The city will strive to maximize the revenues collected from capital charges in order to protect existing utility users from bearing the costs associated with growth. The City Council will work with the Utilities Commission to set capital charges for the water system at appropriate levels. In not less than three year intervals, the city staff shall evaluate the amount of all capital charges and recommend necessary changes to the City Council and the Utilities Commission.

The city will maintain an equipment acquisition and replacement program. The city will annually update the plan to provide funding for all equipment purchases over \$25,000 to be made in the next five fiscal years. The city shall attempt to fund the program without the use of debt. It is recognized that State imposed levy limits may create the need incur debt for equipment acquisition.

The city will establish and maintain a program for the construction and maintenance of the municipal storm water management system. Financial projections for the storm water management system shall be updated annually.

The city will establish and maintain a program for the maintenance of the municipal street system. The initial sealcoating in new subdivisions will be financed with monies collected for this purpose at the time of original development. Other sealcoating and other maintenance activities will be financed through the General fund.

The city will prepare an on-going plan for the reconstruction of all city streets. The city will provide a sustainable source of funding for the street reconstruction program. The city will annually prepare cash flow projections for street reconstruction projects to ensure adequate and ongoing funding.

Capital Assets and Capitalization Thresholds

A capital asset is a tangible asset that has a life expectancy of more than one year. For financial statement reporting purposes, the city reports capital assets in the following categories and has established a capitalization threshold for each category:

<u>Category</u>	<u>Capitalization Threshold</u>
Land	\$10,000
Buildings	\$25,000
Other Improvements	\$25,000
Machinery and equipment	\$10,000
Vehicles	\$10,000
Infrastructure	\$100,000
Construction in progress	Accumulate all costs and capitalize if over \$100,000 when completed
Other assets	\$10,000

Another criterion for recording capital assets is capital-related debt. Capital assets purchased with debt proceeds should be capitalized and depreciated over their estimated useful life.

The amount to record for a capital asset is any cost incurred to put the asset into its usable condition. Donated capital assets should be reported at fair value at the time of acquisition.

Risk Management

1. The city will maintain a Risk Management Program that will minimize the impact of legal liabilities, natural disasters or other emergencies through the following activities:
 - Loss Prevention. Prevent negative occurrences.
 - Loss Control. Reduce or mitigate expenses of a negative occurrence.
 - Loss Financing. Provide a means to finance losses.
 - Loss Information Management. Collect and analyze relevant data to make prudent loss prevention, loss control and loss financing decisions.
2. The city will maintain an active Safety Committee comprised of city employees.

3. The city will periodically conduct educational safety and risk avoidance programs, through its Safety Committee and with the participation of its insurers, within its various departments.
4. The city will maintain the highest deductible amount, considering the relationship between cost and the city's ability to sustain the loss.

Accounting, Auditing, and Financial Reporting

- The city will establish and maintain the highest standard of accounting practices, in conformity with Generally Accepted Accounting Principles (GAAP).
- The city will attempt to maintain the GFOA Certificate of Excellence in Financial Reporting.
- The city will arrange for an annual audit of all funds and account groups by independent certified public accountants or by the State Auditor's Office.
- Regular monthly reports present a summary of financial activity by major type of funds as compared to budget. Department directors will review monthly reports comparing actual revenues and expenditures to the budgeted amounts. Any negative variance in any revenue or spending category (Personal Services, Supplies, Other Charges and Services, Capital Outlay) for their department as a whole projected to exceed \$5,000 by year-end will be reported in writing to the Finance Director and the City Administrator.

Operating Budget

- The City Administrator, when submitting the proposed budget to the City Council, will submit a balanced budget in which appropriations will not exceed the total of the estimated General fund revenue and the fund balance available after applying the General Fund Reserve Policy.
- The city will annually appropriate a contingency appropriation in the General fund budget, not to exceed .5% of the total budget, to provide for unanticipated expenditures of a non-recurring nature.
- In the event there is an unanticipated shortfall of revenues in a current year budget, the Finance Director may recommend the use of a portion of the General fund balance, not to exceed the amount of available cash or reserved for working capital or already appropriated to the General fund current budget.
- The budget will provide for adequate maintenance of buildings and equipment, and for their orderly replacement.
- The Finance Director will prepare regular monthly reports comparing actual revenues and expenditures to the budgeted amount. All significant variances will be summarized in a written report to the City Administrator and City Council.
- The operating budget will describe the major goals to be achieved and the services and programs to be delivered for the level of funding provided.

- Before adding a new program or service, the city will consider the cost benefit analysis of using outside contractors versus in-house provided services.
- The city will attempt to maintain the GFOA Distinguished Budget Presentation Award.
- The city will not sell assets or use one-time accounting principle changes to balance the budget for any fund.
- The city will provide ample time and opportunity for public input into its budget setting deliberations each year, including any required public hearings.
- Department heads will be responsible for administration of their departmental operating budget. Requests for budget adjustments must be submitted and approved before any program incurs cost overruns for the annual budget period.
- The budget shall be adjusted as needed to recognize significant deviations from original budget expectations. The council shall consider budget amendments each December. Budget amendments are intended to recognize changes made by the council during the year, to reflect major revenue and expenditure deviations from budgeted amounts, and to consider year-end budget requests. Budget amendments are not intended to create a budget that matches budgeted revenues and expenditures to actual revenue and expenditures.
- Administrative budget amendments may be made throughout the year by department directors to adjust line item budgets within their department as long as the total departmental budget does not change. These line item budget changes exclude personal service and capital outlay categories. Administrative budget amendments must be requested in writing and approved by the City Administrator and Finance Director.

Purchasing

The goal of the Purchasing Policy is to ensure all purchases are consistent with Minnesota statutes, to establish internal controls, to maintain the appropriate documentation, and to ensure the best value for the public money.

Purchasing Authority

The department/division director for which the service, equipment, or supplies are ordered must recommend the order be placed. The department/division director may designate the authority to make certain purchases to department staff. This designation must be communicated to the Finance Department. Final approval of all purchases must be evidenced by the department/division director's signature on the purchase order, invoice and/or receipt. Purchase orders must be completed prior to acquisition to insure accountability, provide amount verification, and avoid a misunderstanding with respect to cost between the vendor and the city.

Purchasing Thresholds

All expenditures up to \$50,000 must be within the limits established by the department budget. The thresholds of dollar amounts that have been established either by policy, City Code, or statutory authority for the purpose of purchasing city goods are identified as follows:

Purchase Level	Process Required	Approving Authority	Notes
Less than \$5,000		Department Director or Designee	<ul style="list-style-type: none"> • Written quotes are not required, but verbal quotes are recommended. • At the point of sale, the receipt must be signed by the individual purchasing the item. • The receipt/invoice must also be signed and coded by the department director
\$5,000 - \$24,999	Purchase Order/ Quotes	Department Director	<ul style="list-style-type: none"> • When there is more than one feasible source of supply for an item, the city shall request written price quotations from at least two sources and shall place the order at the lowest price quoted, provided the items are of comparable quality. • Quote information should be attached to the purchase order.
\$25,000 - \$49,999	P.O./Quotes	City Administrator	<ul style="list-style-type: none"> • When there is more than one feasible source of supply for an item, the city shall request written price quotations from at least two sources and shall place the order at the lowest price quoted, provided the items are of comparable quality. • Quote information should be attached to the purchase order.
\$50,000 - \$100,000	Council Approval	City Council	<ul style="list-style-type: none"> • Check the availability of an item through a cooperative purchasing program before obtaining quotes. • When there is more than one feasible source of supply for an item, the city shall request written price quotations from at least two sources and shall place the order at the lowest price quoted, provided the items are of comparable quality.
Above \$100,000	Bids/Cooperative Agreements	City Council	<ul style="list-style-type: none"> • There are three processes available that would satisfy statutory requirements for purchases above \$100,000. (See "Purchases Exceeding \$100,000" section below for more details.)

Purchases Exceeding \$100,000

There are three processes available that would satisfy statutory requirements for purchases that are above \$100,000:

1. Purchases through Cooperative Purchasing Organizations:

The city is a member of various cooperative purchasing organizations

2. Purchases Made Outside of the Cooperative Bidding Process:

If the amount of the contract is estimated to exceed \$100,000, and funds are appropriated within the current operating budget or capital improvement program, sealed bids shall be solicited by public notice at least 10 calendar days before scheduled bid opening following preparation of bid specifications as authorized by the City Council. The successful bid is to be awarded by the City Council to the lowest responsible bidder.(Minnesota Statutes 471.345)

3. Non-Competitive Supplies or Equipment:

If the city is purchasing a product or service which is available from only one source, the acquisition will be made in the same fashion as a purchase between \$50,000 and \$100,000 except that no other quotes are required.

Exceptions to Competitive Bidding

The following are some of the more common exceptions to the competitive bidding requirements:

- Contracts less than \$100,000
- Cooperative purchasing organizations
- Intergovernmental contracts
- Noncompetitive supplies and equipment

- Real estate purchases
- Professional services including:
 - Architectural
 - Auditing
 - Engineering
 - Legal
 - Group Insurance
 - Banking Services
 - Investment Services
 - Financial Service Providers
 - Construction Management
 - Surveying
- Emergency Purchases

Contractor’s Bond

The city is required to obtain both a payment and performance bond for all public work contracts over \$100,000. Payment and performance bonds protect the city as well as subcontractors and persons providing labor and materials. When the public work contract is let, the amount of the bond needs to be equal to the contract price. If the contract price increases due to change orders, unforeseen conditions, cost overruns or any other reason after the contract is signed, the city has the option of increasing the amount of the contractor’s bond. Consideration may be given for the percentage of the contract that is complete in relation to the contractor’s bond and the increase in the contract price.

Professional Services

Contracts for professional services such as those provided by engineers, attorneys, architects, accountants, and other services requiring technical, scientific or professional training are exempt from competitive bidding requirements. However, the goals to secure professional services remain the same: to ensure all purchases are consistent with Minnesota statutes, to establish internal controls, to maintain the appropriate documentation, and to ensure the best value for the public money.

The following chart identifies the required procedures for professional services contracts.

Purchase Level	Process Required	Approving Authority	Notes
\$0 - \$24,999	Quotes	Department Director	<ul style="list-style-type: none"> • At least two written quotes shall be obtained where there is more than one feasible source. • In cases where the city has established a pool of qualified consultants, the consultant may be selected from the existing pool.
\$25,000 and Above	Council Approval	City Council	<ul style="list-style-type: none"> • When there is more than one feasible source, the city shall request written price quotations in the form of a Request for Proposal from at least two sources. • The quotes shall be submitted in written format. • The standard contract shall be awarded to the service provider with the best qualifications and proposal for the specific project. Total cost shall not be the only consideration, but must be included in the analysis of the proposals.

Emergency Purchases

Under Minnesota's Emergency Management Act, the city has the authority to enter into contracts during an emergency without following many normally required procedures. An emergency is defined as "an unforeseen combination of circumstances that calls for immediate action to prevent a disaster from developing or occurring". A disaster is "a situation that creates an actual or imminent serious threat to the health and safety of persons, or a situation that has resulted or is likely to result in catastrophic loss to property or the environment, and for which traditional sources of relief and assistance within the affected area are unable to repair or prevent the injury or loss".

During an emergency or disaster, the City Council may waive compliance with the time-consuming procedures or formalities concerning:

1. The performance of public work
2. Contracting
3. Incurring obligations
4. Renting equipment
5. Purchasing supplies and materials

Emergency purchases will only be allowed when the mayor issues a proclamation declaring an emergency, and the steps listed in Minn. Stat. § 12.29 are completed.

Credit Card Use

According to Minn. Stat. § 471.382, the City Council may authorize the use of a credit card by any city officer or employee otherwise authorized to make a purchase on behalf of the city. A purpose of this policy is to establish criteria for who may be issued a credit card and the specific use of the credit card.

Authority for Credit Card Holder

City staff having authority to make certain purchases will be eligible credit cardholders. A department director may request a credit card for city authorized purchasers when there is a demonstrated efficiency to be gained. The Finance Director must review and approve each request before the card is issued. Such requests must include the following information:

1. The name of the specific user
2. The general reason and types of purchases they will be making
3. Any other information necessary to complete the credit card process

The department director is responsible for notifying the Finance Director when any changes occur to the cardholder's status.

Types of Purchases Allowed by Credit Card

A purchase by credit card must comply with all statutes, rules, and city policies applicable to city purchases. Specifically:

1. All purchases must be made by the authorized card holder.
2. All credit card purchases must comply with the city's Purchasing Policy guidelines for quotes and bids.
3. All expenditures must be within the limits established by the department budget.

Types of Purchases Prohibited

Use of a city credit card is prohibited for the following purchases:

1. Personal purchases of any kind.
2. Alcoholic beverages of any kind.
3. Employee meal purchases (ie, while attending conferences/workshops)
4. Uniform purchases.

If a city employee makes a purchase by credit card that is inconsistent with this policy and/or is not approved by the Council, the employee is personally liable for the amount of the purchase.

Procedures and Documentation

Finance will receive the monthly bill and the cardholder will receive a copy of the monthly statement of their charges. The cardholder will code and attach invoices and receipts for all charges on the statement and submit all of the documentation to the department director or designee by the due date. Payment will be made if the billing matches all completed credit card statements and receipts.

Violations

Failure to comply with any portion of this policy may result in disciplinary action (up to and including termination), cancellation of the credit card, and legal and financial consequences.

Public Purchase Expenditures

Pursuant to the statutes and laws of the State of Minnesota which regulate the expenditure of public funds for public purposes, the Elk River City Council believes it is necessary and appropriate to provide assistance and guidance to the officials, employees, and representatives of Elk River to aid in the determination of when public funds may be spent for a public purpose. To provide that assistance and guidance, the Elk River City Council adopted these public purpose guidelines for the establishment of operating policies and procedures and the appropriate expenditures of public funds. Based on these guidelines, the City Council authorizes the City Administrator, elected officials and appointed department heads to establish administrative policies and procedures that are consistent with these guidelines and the adopted City policies which implement these guidelines.

Definition: A public purpose expenditure is one which relates to the purpose for which the City of Elk River exists and the duties and responsibilities of Elk River, its elected and appointed officials, employees, and other representatives.

Public Purpose Guidelines

1. Training and development programs for Elk River employees serve a public purpose when those training and development programs are directly related to the performance of the employees' job-related duties and are directly related to the programs/services for which the city is responsible.
2. Payment of employee work-related expenses, including travel, lodging and meal expenses, serves a public purpose when those expenses are necessarily incurred by Elk River employees in connection with their actual work assignments or official duties and those expenses are directly related to the performance of the governmental functions for which Elk River has responsibility.

3. Appropriate safety and health programs for Elk River employees serve a public purpose because they result in healthier and more productive employees and reduce certain costs to the city and the taxpayers of Elk River, including various costs associated with workers compensation and disability benefit claims, insurance premiums, and lost time from employee absences.
4. Public expenditures for appropriate Elk River employee and volunteer recognition programs serve a public purpose because formally recognizing employees and volunteers who make significant contributions and demonstrate their commitment during the performance of their duties results in higher morale and productivity among all Elk River employees and volunteers, and therefore helps the city to fulfill its responsibilities efficiently and more cost effectively.
5. Public expenditures for food and refreshments associated with official Elk River functions serve a public purpose when the provision of food or refreshments is an integral part of an official Elk River function and the provision of food or refreshment is necessary to ensure meaningful participation by the participants.
6. Public expenditures for appropriate community and customer outreach and similar activities serve a public purpose when those expenditures are necessary for Elk River to ensure the efficient operation of its programs/services, promote the availability and use of city resources, and promote coordinated, cooperative planning activities among and between the public and the private sectors.

Specific Programs and Expenditures

Every City of Elk River expenditure must be valid based upon the public purpose for which it is expended. These line-items are approved annually by the City Council as a part of the overall budget approval process which includes a public hearing on the proposed budget.

The following items are deemed to meet the Council definition of public purpose expenditures.

Meetings: Food/Meals/Refreshments

The City Council recognizes that situations in which city business needs to be discussed can and do occur during meal hours (i.e. luncheon meetings). In addition, there are public and employee meetings and events in which reasonable refreshments may add to the success of the meeting and/or event and create a more productive workforce. Meals are allowed at training or meetings only when they are part of a meeting or training involving official city business and when it is the only practical time to meet.

The following items are deemed to meet the Council's definition of public purpose expenditures in regards to food/meals/refreshments.

- a. Allowed at city meetings and events that have the purpose of discussing city issues. These meetings would normally have a pre-planned agenda and would involve predominately non-city employees.

- b. Allowed when they are part of the structured agenda for an offsite conference, workshop, seminar, training session, or meeting in which the City Administrator or a department director has authorized the employee to attend for training and development purposes. This does not include routine staff meetings.
- c. Allowed when they are part of a breakfast/lunch/dinner meeting for official city business when it is the only practical time to meet and when it involves non-city employee participants (i.e. business developers or business representatives). Payment for fees relating to a special event, such as a Chamber of Commerce event, may also be allowed when approved by the City Administrator and when attendance is deemed to meet the public purpose guidelines for community or customer outreach and marketing of the city.
- d. Allowed during non-routine, official meetings of the City Council, council committees, advisory boards/commissions, and taskforces.
- e. Allowed where employees or volunteers are participating in a City Council sponsored or authorized special event or in an outside event as an official representative of the city.
- f. Allowed for department sponsored meetings, conferences or workshops where the majority of invited participants are not city employees.
- g. Cookies and coffee allowed for city employees' monthly safety meetings sponsored by the Safety Committee.
- h. Annual safety training lunch where lunch is provided at a minimal cost while safety training is being held.
- i. A dinner meal to be allowed for staff during performance of election related duties on Election Day.
- j. Coffee is provided by the city for employees and guests at city buildings.
- k. Light refreshments may be provided for employees that separate employment after 10 years of service.

Alcoholic Beverages

The City of Elk River will not purchase or reimburse any employee, councilmember, volunteer, or agent for the purchase of alcoholic beverages.

Employee Recognition Program

The City of Elk River City Council recognizes the hard work and service performed by the employees of the City of Elk River through a formal Employee Recognition Program. The City Council believes the benefits of attracting, retaining and motivating employees through an Employee Recognition Program support employee job satisfaction, which in turn impacts cooperation and productivity. The result is to provide excellent public and customer service to better serve the interests of the citizens of the community.

No provisions of this policy, or its administration, shall be subject to review under the grievance or arbitration provisions of any collective bargaining agreement.

The Program will include:

- a. Annual Employee Recognition Celebration. Annually the city will sponsor an Employee Recognition Celebration for City employees according to the Employee Recognition Program Policy.
- b. Recognition Plaques. The city supports recognition plaques in recognition of retirement. The employee shall receive a plaque thanking them for their dedicated years of service to the community.

Volunteer Recognition Program/Events

The City of Elk River City Council recognizes the hard work and service performed by the volunteers of the City of Elk River through a formal Volunteer Recognition Program. This Program promotes teamwork and coordination amongst the City Council, staff, board/commission members, Police Reserves, and parks and recreation volunteers.

The Program will include:

- a. Volunteer Recognition Program for Board/Commission Members. Annually, the city will sponsor a dinner (which may also include minimal entertainment) for invited participants and their guests. This dinner and a token gift for the volunteers will serve as de minimus compensation for the service provided by the volunteers and employees serving in a volunteer capacity or purpose. Employees working directly or indirectly with the volunteer groups being recognized shall be invited along with their guest to the event and have the cost of their meals paid for by the city.
- b. Police Reserves/Parks and Recreation Volunteers. Annually, the city will sponsor an event or picnic for invited participants and their guests.

Other Events

The city supports other events that are planned and paid for by employees. Examples of such events include holiday gatherings and monthly birthday recognition.

Refreshments and Food for Emergency Response Staff

Because emergency personnel are often called to perform for extended periods of time where refreshments are important to duty performance, firefighters, police officers, and other emergency response personnel may be provided refreshments or food when it is deemed appropriate by the City Administrator or department director to assure the delivery of quality emergency response service.

Employee Training

The City Council supports employee training and allows for reasonable reimbursement of registration, tuition and travel expense for conferences, seminars, workshops, and approved city employment-related course work in accordance with the City of Elk River Personnel Policy.

The Personnel Policy also contains guidelines for an education reimbursement program. Job related advanced education meets the public purpose guidelines of this policy.

Employee Wellness and Safety Programs

The City Council recognizes the importance of employee fitness and health as it relates to the overall work and life satisfaction of the employee and the impact on the city's health insurance program. As such, the City Council supports the Employee Wellness Program, which has been designed to educate employees on fitness/health issues. Also, in an effort to promote wellness, the city maintains a fitness room equipped with exercise equipment that is available to all staff 24/7.

The city also supports programs that provide discounts to employees when participating in parks and recreation wellness related activities.

The Employee Safety Program and programs created by the Safety Committee to promote and retain a safe work environment are supported by the City of Elk River. *Refer to Meetings: Food/Meals/Refreshments.*

Membership and Dues

The City Council has determined that the city will fund memberships and dues for the city, Councilmembers and its employees in professional organizations and city social and community organizations when the primary purpose is to promote, advertise, improve or develop the city's resources and advantages and not personal interest or gain. Said memberships shall be approved by the department director and City Administrator.

Membership in the Local Chamber of Commerce

The City Council has determined that it serves a public purpose for the Economic Development Authority (EDA) to maintain membership in the Elk River Chamber of Commerce as a means of promoting, advertising, improving, and developing the economic resources and advantages of the city.

Donations to Organizations

The City Council has determined that it serves a public purpose for the City of Elk River to donate to the Annual Independence Day Celebration wherein the event promotes the resources and advantages of the City.

The City Council has determined that it serves a public purpose for the City of Elk River to purchase candy for distribution during the local high school homecoming and county fair parades.

Clothing and Other Sundry Items

Employees may receive T-shirts, and other sundry items of nominal value (\$5.00) when these items are made available to the general public or if these items are determined by the City Administrator to be important to the successful involvement of employees in special city sponsored or supported events (i.e. Nite To Unite, etc.).

Trinkets or Marketing Items

The City Council has determined that it serves a public purpose for the City of Elk River to distribute items of a nominal nature for the purpose of educating or promoting city provided programs.

Sympathy Gifts

The cost of flowers or other similar items as a sign of sympathy shall not be paid for by public funds; except sympathy cards for regular full-time and regular part-time employees upon the death of the following: Husband, wife, mother, father, son, daughter, brother, sister, stepmother, stepfather, stepson, stepdaughter, stepbrother, and stepsister.

Gifts for Employees, Consultants and Others

The city shall not pay for gifts to employees, consultants, or similar persons working with or for the city.

Conclusion

The City Council reserves the right to not fund any item of expenditure described in this policy. No provision of this policy, or its administration, shall be construed as being a benefit or condition of employment by or for any employee of the city, nor is any provision of this policy to be considered a provision of the City's Personnel Policy.

The Elk River City Council has determined that the above expenditures are valid expenditures and serve a public purpose.

Expense and Travel Reimbursement

This policy establishes guidelines and procedures for the payment and reimbursement of travel and other expenses incurred by employees and city officials in the conduct of approved official city business. This policy applies to all employees and city officials including temporary, regular full and part-time employees, the mayor, council members, and members of city commissions or committees.

Authorization

Unless otherwise required by law, the following conditions must be met in order to qualify for reimbursement:

- The expenditure must qualify as a public purpose expenditure as determined by state law and the Elk River City Council for which the city may use tax money.
- Employees must receive supervisor or City Administrator approval for reimbursement of expenses.

Elected Official Out-of-State Travel

The City of Elk River recognizes that its Elected Officials may at times receive value from traveling out of the state for workshops, conferences, events and other assignments. This policy sets forth the conditions under which out-of-state travel will be reimbursed by the city:

1. The event, workshop, conference or assignment must be approved in advance by the City Council at an open meeting and must include an estimate of the cost of the travel. In evaluating the out-of-state travel request, the Council will consider the following:
 - Whether the Elected Official will be receiving training on issues relevant to the city or to his or her role as the Mayor or as a Council Member.
 - Whether the Elected Official will be meeting and networking with other elected officials from around the country to exchange ideas on topics of relevance to the city or on the official roles of local elected officials.

- Whether the Elected Official will be viewing a city facility or function that is similar in nature to one that is currently operating at, or under consideration by the city where the purpose for the trip is to study the facility or functions to bring back ideas for the consideration of the full Council.
 - Whether the Elected Official has been specifically assigned by the Council to testify on behalf of the city at the United States Congress or to otherwise meet with federal officials on behalf of the city.
 - Whether the city has sufficient funding available in the budget to pay the cost of the trip.
- 2. No reimbursements will be made for attendance at events sponsored by or affiliated with political parties.
- 3. Limitations may be imposed on paying for expenses for a Council Member who has announced his/her intention to resign, not to seek reelection, or who has been defeated in an election.
- 4. The Council may request an oral or written report from the Elected Official on the results of the trip.
- 5. The city will reimburse for travel, lodging, meals, and registration using the same procedures, limitations and guidelines outlined in this expense and travel reimbursement policy.
- 6. The City Council may make exceptions to the policy depending upon circumstances unique to the trip and/or Elected Official.

Expense Reimbursement Procedure

Reimbursement shall be made in accordance with the rules stated in this policy. No reimbursement shall be made unless the reimbursement request meets the following criteria and the proper documentation is included with the reimbursement request.

1. All reimbursement requests shall be submitted to Finance within 30 days of the date incurred for processing.
2. The City Administrator may, under unique circumstances, approve reimbursement for items submitted after the 30 day limit.
3. Expense reimbursements \$25.00 or less may be submitted to petty cash for payment with a detailed vendor receipt.
4. Expense reimbursements in excess of \$25.00 will be paid by vendor check.
5. Employees shall submit a completed expense reimbursement request form to their supervisor for written approval with detailed documentation (i.e. original itemized receipts, mileage form, etc.). Reimbursement shall not be made when receipts are not submitted as required.
6. Upon approval, supervisors shall submit the form to Finance for payment.

Travel

1. Supervisors shall only approve mileage reimbursement to conduct official city business when a city vehicle is not available, a staff vehicle does not meet the intended work objective, or when a specific employment agreement prevails. Carpooling should be used whenever feasible.
2. Reimbursement shall be at the standard IRS mileage rate.
3. When an employee travels directly to a conference or seminar site, mileage will be computed from the employee's home or normal place of work, whichever is less.

4. Travel to and from the worksite (commuting) is not eligible for reimbursement, including evening and weekends.
5. If out of state travel is required, costs shall generally be based on a comparison between the cost and convenience of the lowest available air fare and travel by personally owned vehicle or city vehicle with associated meals, lodging, and loss of work time costs.
 - a. Employees should select the most economical airfare that fits the conference or meeting schedule.
 - b. An employee may elect to drive for personal reasons instead of utilizing air transportation with the following provisions:
 - i. Prior written approval must be received from the department director and city administrator.
 - ii. On the date permission is received to drive, the employee must get a written quote for airfare based on the lowest round trip rate available that fits the conference or meeting schedule. The quote must include the departure and arrival times and be attached to the reimbursement request.
 - iii. Reimbursement will be made based on a comparison between the cost and convenience of the lowest available airfare and travel by personal vehicle, with associated lodging and meals, whichever is less.
 - iv. Travel time above that required for air travel, will be on the employee's personal time.

Lodging

1. The City will pay for reasonable hotel accommodations appropriate to the purpose of the trip.
2. Rates for accommodations shall be comparable to those of other facilities in the area. The hotel hosting a convention shall be deemed an appropriate accommodation.
3. The city will pay the single rate if the employee or official is accompanied by a guest or family member.

Meals

Meal expenses incurred must be paid directly by the employee. City credit cards cannot be used to purchase employee meals. Each employee must submit their own receipt for reimbursement.

1. No overnight stay required:
 - a. Meal expenses shall be reimbursed for city-required attendance at day-long training/workshops with morning and afternoon sessions when no meal is provided between the two sessions. Meals before or after the event are not reimbursable.
 - b. Expenses for meals, including maximum gratuity of 18%, will be reimbursed with an **original itemized** receipt (credit card receipts are not acceptable) up to the Minnesota Standard per diem rate in accordance with the U.S. General Services Administration (GSA) Standard per diem rates (www.gsa.gov).
 - c. Reimbursement for alcoholic beverages is prohibited.
 - d. Reimbursement shall not be made for meals included in the conference or meeting fee.

2. Overnight stay required:
 - a. No meals are to be charged to the hotel/motel room.
 - b. Expenses for meals, including gratuity, will be reimbursed in accordance with the U.S. General Services Administration (GSA) standard per diem rates which may be found at www.gsa.gov.
 - c. Per Diem meal expenses at the applicable daily rate does not require receipts, but the employee must provide adequate substantiation verifying the date, time and location of the event or meeting and the business purpose of the trip.
 - d. Reimbursement for alcoholic beverages is prohibited.

3. Meals for Others:

Elected officials, the city administrator, department directors, or other designated city employees serving as representatives of the city may occasionally provide a meal for other persons who have official business with the city. The cost of providing such meals, including tax and a reasonable gratuity, will be reimbursed provided the following conditions are met:

 - The name and official capacity of each person attending must be listed
 - The public benefit of the meeting must be described
 - Reimbursement for alcoholic beverages is prohibited
 - Original itemized receipts must be provided
 - Must comply with the City's Public Purpose Expenditure Policy.
 - The amount reimbursed per person will follow the amounts listed in accordance with U.S. General Services Administration (GSA) standard per diem rates (www.gsa.gov)

Advance Expense Check

If requested, an advance expense check may be issued for estimated travel expenses. The advance shall be issued pursuant to Minnesota Statute 471.97.

- A signed Reimbursement Request with receipts must be submitted within 30 days of travel.
- The city shall determine the estimated travel expense amount to be advanced.
- Any additional reimbursement due to the employee shall be paid by the city based on the receipts submitted.
- Any refund due from the employee shall be paid to the city within 10 days of submission of the Reimbursement Request. The refund due from the employee shall be based on the actual receipts submitted.
- All other provisions of this travel policy apply to determine the expenses eligible for reimbursement.

Other

- All reimbursements will be subject to tax as required by IRS regulations.
- Only actual expenses for the employee shall be submitted and reimbursed. The employee is responsible for all lodging, meal, travel, and other expenses of anyone accompanying the employee.
- By signing the Reimbursement Request, the employee acknowledges and agrees that all items included in the Reimbursement Request are legally eligible for reimbursement and meet all of the provisions of this travel policy and other applicable laws.

APPENDIX



Notes:



2014 HOUSING AND REDEVELOPMENT AUTHORITY

DEFINITION:

The Housing and Redevelopment Authority (HRA) is a separate legal entity created for the purpose of providing redevelopment within the government's jurisdiction. The board consists of five council appointed members, one of which is a council member. The City Council has the ability to approve the HRA's budget.

****This budget is provided for informational purposes only.****

Fund: Housing & Redevelopment Authority	Division: HRA Department: Community Operations & Development
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Description of Services: The Housing & Redevelopment Authority is responsible for undertaking redevelopment and housing activities that will result in the preservation and enhancement of residential and commercial areas of the city.

Goals for 2014 budget:

- Create program for rehabilitation of downtown housing properties.
- Address housing needs of current and future Elk River residents.

Performance Measures:

- Maximize Small Cities Development Grant by rehabbing at least 6 properties
- Promote Small Cities Development Grant by distributing marketing materials to residents in the target area

Staffing Levels:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Employees (FTEs)	.8	1.6	1.6
(Note: FTE is reflective of 40% Economic Development Division staff time spent on HRA activities.)			

Budget Summary:

The major changes in the budget for 2014 are outlined as follows:

- Added \$50,000 for grant leverage funds.

Revenues/Expenditures by Use:

Revenues	2011	2012	2013	2013	2014	Variance	%
	Actual	Actual	Adopted	Amended	Budgeted	+/-	Change
Taxes	\$ 298,895	\$ 293,155	\$ 232,200	\$ 232,200	\$ 237,600	\$ 5,400	2.33%
Intergovernmental	11,500	115	-	-	-	-	0.00%
Other Revenue	5,312	5,803	6,900	6,900	7,050	150	2.17%
Total	\$ 315,707	\$ 299,073	\$ 239,100	\$ 239,100	\$ 244,650	\$ 5,550	2.32%

Expenditures	2011	2012	2013	2013	2014	Variance	%
	Actual	Actual	Adopted	Amended	Budgeted	+/-	Change
Personal Services	\$ 59,209	\$ 65,997	\$ 91,800	\$ 91,800	\$ 82,450	\$ (9,350)	-10.19%
Other Svcs & Chgs	610,001	66,760	68,500	68,500	109,200	40,700	59.42%
Capital Outlay	197,500	174,815	-	-	-	-	0.00%
Transfers Out	20,115	18,500	21,700	21,700	26,350	4,650	21.43%
Total	\$ 886,825	\$ 326,072	\$ 182,000	\$ 182,000	\$ 218,000	\$ 36,000	19.78%

**CITY OF ELK RIVER, MINNESOTA
PRINCIPAL TAXPAYERS
DECEMBER 31, 2013**

<u>Taxpayer</u>	2013	
	<u>Net Tax Capacity</u>	<u>Percentage of Total Net Tax Capacity</u>
Great River Energy	\$ 1,212,644	5.97 %
JPM Capital Corporation	392,850	1.93
Walmart Stores	281,032	1.38
Target Corporation	270,230	1.33
Menards, Inc	181,902	0.90
Phoenix Enterprises	146,693	0.72
Minnegasco	138,902	0.68
Home Depot	138,090	0.68
7040 Lakeland Partners, LLC	120,742	0.59
Medical Facilities, LLP	113,546	0.56
TOTAL	<u>\$ 2,996,631</u>	<u>14.74 %</u>

Source: Sherburne County

**CITY OF ELK RIVER, MINNESOTA
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS**

Fiscal Year	Population¹	Personal Income (in thousands)	Per Capita Income²	Median Age³	School Enrollment⁴	Unemployment Rate⁵
2003	18,758	489,284	26,084	32	11,257	5.8%
2004	20,240	550,852	27,216	32	11,749	5.0%
2005	21,548	593,906	27,562	32	12,259	4.7%
2006	22,550	632,911	28,067	32	12,735	4.4%
2007	23,187	684,689	29,529	32	13,058	5.6%
2008	23,888	742,439	31,080	33	13,031	8.2%
2009	23,633	692,376	29,297	33	13,073	9.0%
2010	22,974 ³	687,129	29,909	33	13,036	8.1%
2011	23,101	681,179	29,487	34	13,117	7.3%
2012	23,220 [*]	na	na	34	13,255	6.4%

Data Sources:

¹ State Demographer, * City of Elk River estimate

² Bureau of Economic Analysis

³ US Census Bureau

⁴ School District

⁵ Minnesota Department of Employment and Economic Development

na - not available

Glossary of Budget Terms

Account

A term used to identify an individual asset, liability, expenditure controls, revenue control, or fund balance.

Accrual Basis of Accounting

The method of accounting under which revenues are recorded when they are earned and expenditures are recorded when goods and services are received.

Activity

A specific and distinguishable line of work performed by one or more organizational components of a governmental unit for the purpose of accomplishing a function for which the governmental unit is responsible. For example, "Code Enforcement" is an activity performed in the discharge of the "Planning" function.

Adoption

The formal action taken by the City Council to authorize or approve the budget.

Appropriation

An authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is limited in amount to the time it may be expended.

Assessed Valuation

Value placed upon real estate or other property as a basis for levying taxes.

Assigned Fund Balance

Amounts a government intends to use for a specific purpose; intent can be expressed by the government body or by an official or body to which the governing body delegates the authority.

Audit

The examination of documents, records, reports, systems of internal control, accounting and financial procedures, and other evidence for one or more of the following purposes:

- a) To ascertain whether the statements prepared from the accounts present fairly the financial position and the results of financial operations of the constituent funds and balanced account groups of the governmental unit in accordance with generally accepted accounting principles applicable to governmental units and on a basis consistent with that of the preceding year.
- b) To determine the propriety, legality, and mathematical accuracy of a governmental unit's financial transactions.
- c) To ascertain whether all financial transactions have been properly recorded.
- d) To ascertain the stewardship of public officials who handle and are responsible for the financial resources of a governmental unit.

Bond

A written promise, generally under seal, to pay a specified sum of money, called the face value or principal amount, at a fixed time in the future, called the date of maturity, and carrying interest at a fixed rate, usually payable periodically.

Bonded Indebtedness

Outstanding debt by issues of bonds, which is paid by ad valorem or other revenue.

Budget

A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them.

Budget Document

The official written statement prepared by the Administrator and Finance Director of the City which presents the proposed budget to the City Council.

Budget Message

A general discussion of the proposed budget presented in writing as a part of the budget document. The budget message explains principal budget issues against the background of financial experience in recent years and presents recommendations made by the City Administrator and Finance Director.

Budget Calendar

The schedule of key dates, which a government follows in the preparation and adoption of the budget.

Budgetary Control

The control or management of a governmental unit or enterprise in accordance with an approved budget for the purpose of keeping expenditures within the limitation of available appropriations and available revenues.

Capital Assets

Assets with a value of \$5,000 or more.

Capital Improvement Program

A plan for capital expenditures to be incurred each year over a fixed period of years to meet capital needs arising from the long-term work program or otherwise. It sets forth each project or other contemplated expenditure in which the government is to have a part and specifies the full resources estimated to be available to finance the projected expenditures.

Capital Outlay

A level of budgetary appropriations which include expenses for acquiring capital assets, including land or buildings, improvements of grounds, and equipment.

Capital Projects Funds

To account for financial resources to be used for the acquisition or construction of major capital facilities.

Cash Basis

The method of accounting under which revenues are recorded when received in cash and expenditures are recorded when paid.

Certified Levy

Total tax levy of a jurisdiction, which is certified to the County Auditor.

Charges for Services

Charges for current services rendered.

Chart of Accounts

The classification system used by a City to organize the accounting for various funds.

Committed Fund Balance

Amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

Contingency

Budget for expenditures which cannot be placed in departmental budgets, primarily due to uncertainty about the level or timing of expenditures when the budget is adopted. The contingency also serves as a hedge against shortfalls in revenues or unexpected expenditures.

Culture and Recreation

To account for costs related to recreational activities, programs, and facilities including maintenance of City parks.

Current

A term which, applied to budgeting and accounting, designates the operations of the present fiscal period as opposed to past or future periods.

Debt

An Obligation resulting from the borrowing of money or from the purchase of goods and services.

Debt Margin

The amount of available debt, which may be issued by a governmental unit before reaching its debt limit.

Debt Service Funds

To account for the accumulation of resources for payment of general long-term debt.

Department

Basic organizational unit of government, responsible for carrying out related functions.

Enterprise Funds

To account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost of providing services are to be recovered primarily on a user-charge basis to the general public.

Estimated Market Value

Represents the selling price of a property if it were on the market. Estimated market value is converted to tax capacity before property taxes are levied.

Expenditure

Where accounts are kept on the accrual or modified accrual basis of accounting, the cost of good received or services rendered whether cash payment have been made or not. Where accounts are kept on a cash basis, expenditures are recognized only when the cash payments for the above purposes are made.

Fines & Forfeitures

Revenues from penalties imposed for violation of laws or regulations.

Fiscal Policy

A government's policies with respect to revenues, spending, and debt management as these relate to government services, programs and capital investment. Fiscal Policy provides an agreed-upon set of principles for the planning and programming of budgets and their funding.

Fiscal Year

The budget and accounting year that begins on the first day of January and ends on the last day of December of each year.

Full Time Equivalent (FTE)

The number of employee hours (2080) needed to be equal to one full-time employee. Several part-time employees may be combined to make one full-time equivalent.

Function

A group of related activities aimed at accomplishing a major service or regulatory program for which the government unit is responsible.

Fund

An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

Fund Balance

The difference between assets and liabilities reported in a governmental fund.

General Government

Expenditures, which represents a set of accounts, to which are charged the expenditures for operating the City.

General Obligation Bonds

When a government pledges its full faith and credit to the repayment of the bonds it issues, then those bonds are general obligation (GO) bonds.

Goal

A statement of broad direction, purpose, or intent based on the need of a community. A goal is general and timeless; that is it is not concerned with a specific achievement in a given period.

Governmental Accounting

The composite of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of governmental units and agencies.

Governmental Fund Types

Funds used to account for the acquisition, use and balances of expendable financial resources and the related current liabilities – except those accounted for in proprietary funds and fiduciary funds. In essence, these funds are accounting segregation of financial resources. Under current GAAP, there are four governmental funds types: general, special revenue, debt service, and capital projects.

Improvement Bonds

Bonds payable from the proceeds of special assessments from properties benefiting from an improvement.

Interfund Transfers

Amounts transferred from one fund to another.

Infrastructure

Assets which are immovable and of value only to the governmental unit (i.e. roads, gutters, sewer lines).

Intergovernmental Revenues

Revenues from other governments in the form of grants, entitlement, or shared revenues.

Investments

Securities held for the production of income in the form of interest.

Levy

(Verb) To impose taxes, special assessments, or service charges for the support of governmental activities.

(Noun) The total amount of taxes special assessments, or service charges imposed by a governmental unit.

Licenses & Permits

Revenues received from the sale of business and non-business licenses.

Local Government Aid (LGA)

Intergovernmental revenue from the state to municipalities to help fund general expenditures.

Long-Term Debt

Debt with a maturity of more than one year after the date of issuance.

Market Value Homestead Credit (MVHC)

State paid property tax reduction on owner occupied homes based on the properties market value.

Miscellaneous

Revenues or expenditures not classified in any other revenue or expenditure category.

Modified Accrual Basis

The basis of accounting under which expenditures other than accrued interest on general long-term debt are recorded at the time liabilities are incurred and revenues are recorded when received in cash, except for material and/or available revenues, which should be accrued to reflect properly the tax levied and revenue earned.

Net Assets

The difference between a fund's assets and liabilities of proprietary funds that consists of capital assets less both accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of those assets.

Nonspendable Fund Balance

Amounts that are not in a spendable form or are required to be maintained intact.

Objective

Desired output oriented accomplishments, which can be measured and achieved within a given time frame.

Operating Budget

A plan of financial operation embodying an estimate of proposed expenditures for the calendar year and the proposed means of financing them.

Operating Transfers

Amounts transferred from one fund to another, shown as expenditure in the originating fund and revenue in the receiving fund.

Other Charges & Services

A level of budgetary appropriations which include expenses for outside professional services, advertising, insurance, utility costs, repairs maintenance, and miscellaneous costs.

Personal Services

A level of budgetary appropriations which include expenses for salaries, wages, and related employee benefits such as the City's share of retirement and insurance.

Program

A group of related activities performed by one or more organizational units for the purpose of accomplishing a function for which the governmental unit is responsible.

Proprietary Accounts

Those accounts which show actual financial position and operation, such as actual assets, liabilities, reserve, fund balances, revenues, and expenditures, as distinguished from budgetary accounts.

Public Safety

To account for expenditures related to the protection of persons and property.

Public Works

To account for expenditures for the maintenance of City property.

Reimbursement

Cash or other assets received as a repayment of the cost of work or services performed or of other expenditures made for or on behalf of another governmental unit or department or for an individual, firm, or corporation.

Reserve

An account which records a portion of the fund balance which must be segregated for some future use and which is, therefore, not available for further appropriation or expenditure.

Resolution

A special or temporary order of a legislative body; an order of a legislative body requiring less legal formality than an ordinance or statute.

Resources

The actual assets of a governmental unit, such as cash, plus contingent assets such as estimated revenues applying to the current fiscal year not accrued or collected, and bonds authorized and not issued.

Restricted Fund Balance

Amounts subject to externally enforceable legal restrictions.

Revenue

The term designates an increase to a fund's assets which: 1) does not increase a liability; 2) does not represent a repayment of an expenditure already made; 3) does not represent a cancellation of certain liabilities; and 4) does not represent an increase in contributed capital.

Revenue Bond

A bond that is backed by a particular revenue source such as sewer user fees and municipal liquor store sales.

Special Assessment

A compulsory levy made by a local government against certain properties to defray part or all of the cost of a specific improvement or service which is presumed to be of general benefit to the public and of special benefit to such properties.

Special Revenue Fund

To account for revenue derived from specific revenue sources that are legally restricted for specific purposes.

Supplies

A level of budgetary appropriations which include expenses for commodities which are used such as office supplies, operating supplies, and repair and maintenance supplies.

Tax Capacity

An amount determined by a percentage of a property's market value, which is then applied to the tax rates of taxing jurisdictions affecting the property to determine the amount of property taxes owed.

Tax Capacity Rate

Tax rate applied to tax capacity to generate property tax revenue. The rate is obtained by dividing the property tax levy by the available tax capacity.

Tax Classification Rate

Rate at which estimated market values are converted into the property tax base. The classification rates are assigned to properties depending on their type (residential, commercial, farm, etc.) and, in some cases there are two tiers of classification rates, with the rate increasing as the estimated market value increases.

Tax Increment Financing (TIF)

Financing tool originally intended to combat severe blight in areas, which would not be redeveloped “but for” the availability of government subsidies derived from locally generated property tax revenues.

Tax Levy

The total amount to be raised by general property taxes for the purpose stated in the resolution certified to the county auditor.

Tax Rate

The amount applied to properties tax capacity to determine the taxes generated by the property.

Taxes

Compulsory charges levied by a governmental unit for the purpose of financing services performed for the common benefit.

Trust Fund

A fund consisting of resources received and held by the governmental unit as trustee, to be expended or invested in accordance with the conditions of the trust.

Unassigned Fund Balance

Residual amounts that are available for any purpose in the general fund.

Unrestricted Fund Balance

The total of committed fund balance, assigned fund balance, and unassigned fund balance.

User Fees

The payment of a charge for direct receipt of a public service by the party benefiting from the service.

Acronyms

CAFR	Comprehensive Annual Financial Report
CIP	Capital Improvement Plan
EDA	Economic Development Authority
EMV	Estimated Market Value
FTE	Full Time Equivalent
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers' Association
GIC	Guaranteed Investment Contract
GO	General Obligation
HRA	Housing and Redevelopment Authority
LGA	Local Government Aid
MVHC	Market Value Homestead Credit
SAC	Sewer Availability Charge
SIPC	Securities Investor Protection Corporation
TIF	Tax Increment Financing