



# **Financial Management Plan**

of the  
**City of Sartell**

**Adopted: December <>, 2016**



## *Financial Management Plan*

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### **Executive Summary**

It has been said that if you don't know where you are going, then any path will do. This Financial Management Plan (FMP) plots Sartell's course to give staff, elected officials, and citizens a multi-year view of the City, its plans, and the fiscal impacts.

The City's ability to provide the infrastructure which maintains our diversified tax base has been instrumental in the City's bond rating. The FMP is a comprehensive financial planning document to ensure the City's financial ability to carry out the vision for Sartell's future. The FMP is a working, flexible document that should be the basis or reference point for all major decisions the City makes. It guides the City toward a strong financial future by managing debt and keeping the tax rate and future tax levy increases both predictable and manageable.

In the process of completing the plan, staff and Ehlers identified these issues as noteworthy:

1. The City's use of a Capital Improvement Plan with annual transfers from the General Fund for capital improvements has been very successful. Funds currently receiving regular funding transfers include the Fire Equipment Fund, Police Equipment Fund, Public Works Equipment Fund, Building Fund, Technology Fund, Park Fund, Emergency Management Fund, and Street Fund. **Continued annual transfers will reduce the City's reliance on debt and save borrowing costs over the longer term.**
2. We recognize that there are many variables that impact future tax rate so we do not intend for any of our exhibits to agree upon actual future fund balances or tax rates – they are simply working tools to help us plan projects and analyze impacts of decisions. This Plan shows projected tax rates, but actual tax rates will depend upon actual growth in both revenues and expenditures, as well as any changes in State funding. If existing tax base values increase or additional development occurs above the amount projected, this will increase the fee revenues and tax base above estimates, resulting in less risk to taxpayers on existing infrastructure debt and the ability to move forward with priority projects on an earlier timeline and/or a reduction in the projected tax rates. Conversely, if existing tax base values decrease or development does not happen as predicted, shortfalls in fee revenues may require the City's use of general tax levy to make up any debt service deficiencies and projects will need to be delayed or completely eliminated or projected tax rates increased. **Each major construction project considered by the Council must be weighed against the risk of revenue shortfalls.**
3. The City's Financial Policies provide for maintaining a 40% to 60% fund balance reserve in the General Fund. The FMP does not currently project maintaining that fund balance, but historically has achieved it through higher than anticipated revenues and/or lower than projected expenses. **If that trend does not continue, the City will need to primarily rely on the general property tax to maintain the general fund balance up to the target level (assuming levy limits don't prevent this).**
4. Levy Limits may restrict some of the planned expenditures on this plan, including the annual transfers made to various capital funds to reduce future borrowing needs. Since levy limits exempt debt levies, but not planned capital funding to avoid that debt, **levy limit rules will be**



## ***Financial Management Plan***

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**monitored annually for adjustments needed to this Plan, including shifting from capital funding to debt service levies.**

5. Although not directly funded through tax dollars, the City's utility and other non-tax supported funds are an instrumental part of the City's financial and capital planning. Shortfalls in projected revenues into these funds can place a demand on the City's tax levy if needed to fund debt service shortfalls on major water/sewer infrastructure. Likewise, revenues in some non-tax levy supported funds such as the beautification or economic development fund can reduce demand on tax levies by providing services or amenities using non-tax dollars. Details about and impact estimates on the various City funds are outlined within this Plan. **All of the City's funds need to be monitored as many of them impact each other when they exceed or fall short of projections. Utility Fund projections and rate increases depend upon meeting growth projections and will be updated annually for Council review.**

## **Overview**

Financial planning for cities often takes an incremental approach by utilizing budgeting and financial reporting focusing on one year periods. In reality, a single year cannot capture the true financial implications of long term decisions. Current financial conditions grow out of historical trends. Financial needs, threats and opportunities lie beyond the end of the next fiscal year. Allocating monies for one project may eliminate resources needed for others. In reality, effective financial planning requires a historical context, a comprehensive approach and a long-term view. The City of Sartell has a strong history of linking planning and finance to provide a comprehensive examination of the financial issues facing the City of Sartell. Revenues control many municipal actions. Is funding available? Are the taxpayer/user impacts acceptable? The answers to these questions often shape spending decisions. This plan focuses on the following primary revenue sources for the City:

1. Property taxes and other revenues derived from property valuation
2. Revenues received from the State and other units of government
3. Fees collected by the City for various purposes

Expenditures result from City decisions to meet community needs. The support of community needs falls into three broad categories:

1. The wide range of services financed through the General Fund and Equipment Funds
2. Investments to build and maintain the infrastructure required to support community development
3. Providing public buildings, parks, recreational facilities, and other facilities desired by the residents

Debt ties to both revenues and expenditures. The ability to borrow money allows the City to finance capital investment that cannot be paid for with current revenues. Debt creates a demand on future revenues that competes with services for available funds. Being able to borrow, at the appropriate time and level, at the lowest interest rate possible, allows the most efficient management of the tax levy.



## ***Financial Management Plan***

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Planning must recognize that the environment for funding municipal activities will change and that the community will change. The form and pace of development influences the demand for public services and facilities and development also shapes the revenue base drawn upon to finance municipal activities. The demographic makeup of the City influences the need for services and the ability to pay and as the community ages, an older population seeks different services and facilities. An aging physical environment requires more investment in rehabilitating existing infrastructure and greater attention to potential community redevelopment.

The other important change factor is legislative change. Many of the essential powers and resources of the City are derived from the State. The property tax system, aid programs, debt authority, and economic development tools are among the essential financial resources derived from the State.

This report compiles the results of this planning process and describes a continuing approach for comprehensive financial management.

## **Objectives for the Plan**

The objectives sought by the City through financial management are as follows:

1. Enhance the City Council's policy-making ability by providing accurate information on the costs of various service levels, public facilities and infrastructure.
2. Assist with sound management of the City government by providing accurate information on financial condition.
3. Provide sound principles to guide the City Council and staff in making decisions that impact the financial future of the community.
4. Set forth operational principles which minimize the cost of local government, to the extent consistent with services desired by the public, and which minimize financial risk.
5. Employ revenue policies and forecasting tools to prevent overly optimistic expectations of revenues; which distribute the costs of municipal services fairly; and which provide adequate funds to operate desired programs.
6. Protect and enhance the City's credit rating.
7. Provide a systematic process for evaluating the effect of proposed significant projects.
8. Stabilize the City's tax rate at a comfortable level.

Through this process we have examined the current and future ability to meet these objectives to answer the question "How do we get there?" The City's FMP will provide a road map into the future and a framework for future decision making.



## ***Financial Management Plan***

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### **Assumptions for Financial Planning Process**

The following assumptions were utilized to develop the FMP. The model for the FMP was constructed using the revenues and expenditures necessary to maintain services provided to citizens, including factoring in the added parks, streets and community facilities approved in recent years or planned in future years. It is a snap shot of the costs of government to fund the desired service levels.

### **Growth Projections**

Sartell will continue to grow and the City's infrastructure needs to provide for future growth. The City has made growth assumptions based upon platted lots and site plan submittals in order to estimate the revenue impact of projected new growth. For the FMP, the growth assumptions are summarized as follows:

- a. 100 new homes a year in 2017-2025. These new homes are estimated to have an average value of \$220,000.
- b. Approximately 900 new multi-family units between 2017 and 2025.
- c. 50,000 square feet of new commercial growth per year (includes medical, office, retail, etc.).
- d. Existing property valuation changes of 3% per year.

### **General Fund Operating Needs**

Cities provide services primarily through their employees – public safety, public works and administrative services. Therefore, one primary use of general fund dollars is salaries. Sartell is a growth community and will require additional staff. Expenditures necessary to continue existing city services are built into the plan as presented, including additional staffing which is planned out long term but scrutinized for necessity on an annual basis.

### **General Fund Balance**

The City's Financial Policies provide for maintaining the General Fund balance at 40% to 60% of the general fund budget. There are many excellent reasons for maintaining a fund balance reserve in this range. In Minnesota, cities typically receive the majority of their revenues, property taxes, at two intervals during the year; in July and December. This means that the City needs to have adequate reserves on hand, at year end, in order to continue city operations and services through the first six months of the following year. The percentage range targeted by the City of Sartell is within the recommended standards set by the Government Finance Officers Association (GFOA). At the end of 2015, the City's unassigned General Fund Balance was \$3,190,074, or 65.05% of General Fund expenditures for 2015 and 50.6% of budgeted 2016 General Fund expenditures. Absent a well thought out financial plan, the City's fund balance goal may not be able to be maintained given future pressures on spending and revenues. As stated, a reserve is not consistently budgeted in the Plan but will be monitored annually to see if the necessary growth in the general fund balance is realized through lower than projected expenses and/or higher than projected revenues. If not, a higher levy or spending cuts will need to be considered to maintain a healthy operating reserve.



## ***Financial Management Plan***

### **Financing Capital Investment**

Capital investment forms the foundation of the community. Infrastructure, such as roads and utility services, provides the capacity for land to develop. Although many elements of the local infrastructure are built by developers, the City assumes the on-going responsibility for maintenance and many of these maintenance costs are borne by the property tax levy through additional General Fund costs or additional debt levies. As Sartell ages, maintenance needs and expenses will increase. Public facilities and equipment shape the service capacity of the City. Given the cost of many capital improvements, planning is needed to meet needs in a timely manner without placing too great of a financial burden on the community. City staff has prepared a capital improvement plan for infrastructure and equipment needs that looks out five years or longer. To better understand the capital plans, a list of City funds and their purposes is described along with the capital plans:

**Fund 101 - General Fund:** All operational revenues (tax levy, licenses and permits, etc) go into this Fund to pay the general operations expenses of the City (police protection, fire department operations, public works services, etc). While most equipment needs of City departments are managed through separate equipment funds itemized later in this FMP, there are two City vehicles planned for rotation under the General Fund:

<b>Equipment</b>	<b>Year of Install/Replace</b>	<b>Cost Estimate</b>	<b>Source of Funds</b>
<b>Fire Inspections Vehicle: 2012 Chev Pickup</b>	2027	\$25,000	General Fund
<b>Building Official Vehicle: 2005 Chev Trailblazer</b>	2020	\$25,000	General Fund

**Fund 211, 260-267 - Park Funds:** The City's various park funds have been funded by developer park dedications and Roundup dollars or other donations. The City also makes transfers into Fund 211 using general fund and beautification fund in some years to help fund general park improvement needs. However, this amount will not be sufficient to replace playground equipment as current equipment ages beyond its useful life and the Council will need to determine a funding method for eventual replacement of aging equipment. This plan dedicates future golf course lease revenues toward recreational field needs. Park dedication funds can be used for capital equipment replacement, but in fully developed areas of the City, dedication funds are not a viable source of future revenues. An alphabetical listing of City parks and capital plans follows and cash flows for each Park fund are shown on Exhibit C (the cash flow exhibit does not include greenways dedicated to the City and used as greenspace or ponding only):

<b>Facility</b>	<b>District #</b>	<b>Year of Install/Replace</b>	<b>Cost Estimate</b>	<b>Source of Funds</b>
<b>Avalon</b>	Neighborhood - 4	Greenway only		
<b>Celebration Pond</b>	Neighborhood - 4	Greenway only		



## ***Financial Management Plan***

<b>Celebration Park</b>	Regional - 4	2005 Playground Equipment Existing Wading Pool & Shelter Add trees/shade features	2017 add trees or pool shade features	Regional Park Fund?
<b>Creekview Park</b>	Neighborhood - 3	2010 Playground Equipment		
<b>Cypress Park</b>	Neighborhood - 4	1998 Playground Equipment 2003 Park Shelter		
<b>Eastside Kiddie Park</b>	Neighborhood - 6	2008 Playground Equipment		
<b>Fox Run Park</b>	Neighborhood - 4	2006 Playground Equipment 2017 Add shade shelter Phase 2 Playground Equip	2017: \$5,000+ Phase 2 Equip: date uncertain	2017: General Park Fund Uncertain Equip Date: Park District 4, as funds are available
<b>Geoffrey Park</b>	Neighborhood - 3	2006 Playground Equipment Phase 2 Playground Equip if demand increases	Phase 2 as needed	Park District 3, as funds are available
<b>Huntington Park</b>	Neighborhood - 1	2007 Playground Equipment 2008: Trail 2013: Girl Scouts Exercise Equip		
<b>Lake Francis</b>	Regional – 1	2016/17 Trails, Angel of Hope, Fountains, etc		Park District 1 Fund, defer assess; and private fundraising
<b>Linear Park</b>	Regional - 2&5	Existing gazebo, benches, plantings		
<b>Lions Community Park</b>	Regional - 2	2007 Playground Equipment; irrigation added in 2014 Add trees 2017	2017 add trees	2017 General Park Fund
<b>Madison Crossing Park</b>	Neighborhood - 3	2013: Playground equipment moved from Pinecone Regional		
<b>Meadow Lake Park</b>	Neighborhood - 2	2001 Playground Equipment		
<b>Morning Star Park</b>	Neighborhood - 5	1996 Playground Equipment 2003 Park Shelter		
<b>Natures Edge Park</b>	Neighborhood - 2	1996 Playground Equipment		
<b>Newport</b>	Neighborhood - 4	Greenway only		



## ***Financial Management Plan***

<b>North Side Park</b>	Regional - 5	1995 Playground equip; 2002 Disc Golf; existing Champion Field; existing Tennis Courts Champion Field concession/restrooms – 2014 2017 tennis court maint and/or field maint?		2014: Sales tax 2017: Park District 5
<b>Oak View Pond</b>	Neighborhood - 6	Greenway only		
<b>Pinecone Central Park</b>	Regional - 4	2015 dog park 2017 – 20???: Add parking; complete additional fields 2017 Add playground equipment?		Sales Tax & private fundraising
<b>Pinecone Regional Park</b>	Regional - 3	2004 Outdoor Rink/ Shelter 2016 Add more parking; 2017? Add 2 <sup>nd</sup> sheet of ice; new park name Skatepark location?		2016: Park District 3 & Sales Tax; private fundraising for 2 <sup>nd</sup> sheet of ice
<b>Pine Lakes (formerly referred to as FranGen)</b>	Neighborhood - 3	Greenway only		
<b>Pine Tree Pond Park</b>	Neighborhood - 4	1998 Playground Equipment 2010 playground upgrades		
<b>Rolling Meadows Parks East, North &amp; West</b>	Neighborhood - 2	2010 Swings, etc		
<b>Sabre Oaks Park</b>	Neighborhood - 2	1997 Playground Equipment & 2003 Park Shelter		
<b>Sandstone Parks East &amp; West</b>	Neighborhood - 3	Existing Playground Equipment		
<b>Sartell Heights</b>	Neighborhood - 2	Greenway only		
<b>Sartell Rotary Riverside Park</b>	Regional - 2	Add more parking and improve access if demand increases		Park Funds as available
<b>Sartell Veterans Park</b>	Regional - 2	1991 Gazebo		
<b>Sauk River Regional Park</b>	Regional - 1	Pedestrian bridge, shelter or other improvements; Additional Land Acquisition?		State funds
<b>Stonebrook Estates</b>	Neighborhood - 4	Greenway only		





## ***Financial Management Plan***

<b>Tiffany Meadows</b>	Neighborhood - 4	Greenway only		
<b>Val Smith Park</b>	Regional – 6	1993 Picnic shelter; 1994 BB & Tennis courts; 1999 & 2001 playground equip; 2006-2009 ballfield improvements, bleachers 2014/15 New Shelter 2016 Pickleball courts		2014/15 Sales Tax  2016 Park and Beautification Funds
<b>Watab Creek Parks North &amp; South</b>	Regional – 2	1998/99 playground equip; existing wading pool, shelter, poolhouse, tennis courts Future: Access, parking & shelter upgrades		Sales tax & Park District 2 Fund?
<b>Wilds Parks North &amp; South</b>	Neighborhood - 4	1999 Playground Equipment 2017: convert tennis courts to pickleball & basketball?		Park District 4 funds

***Fund 221 - Beautification Fund:*** The City’s water tower lease revenues go into this Fund, and it has traditionally subsidized the City’s beautification efforts, including some items that would otherwise be taxpayer funded through the general fund, such as park mowers, seasonal staff, and landscaping supplies. Spreadsheet projections of the Beautification Fund are attached as Exhibit D.

***Fund 223 - Lodging Tax:*** 95% of the lodging tax revenues are required to be used to fund local convention or tourism bureau for the purpose of marketing and promoting the City as tourist or convention center; the City established its own CVB advisory board in 2016 to make spending recommendations in 2017 and beyond.

***Fund 224 - Economic Development Fund:*** Funded by a general fund transfer years ago, this fund was used for a number of economic development loans to private business which have been repaid. It has since funded economic development initiatives and annual economic development efforts like the developer summit, CMBA home show and MNCAR.

***Fund 227 - PEG Fund:*** This fund is comprised of cable fees and restricted to use to capital expenses toward government channel broadcasts.

***Utility Funds:*** The City has established rate structures with the goal of having the appropriate charges pay for their fair share of infrastructure improvements. Each type of utility fund is described below, and our utility infrastructure capital plans follow. Cash flow spreadsheets for SAC, WAC and each utility fund are attached as Exhibits F1-F3 showing the future rate increases as currently projected.

***Fund 225 - SAC Fund:*** Sewer Access Charges are used for treatment plant capacity, lift stations, and some major conveyance lines.



## ***Financial Management Plan***

**Fund 226 - WAC Fund:** Water Access Charges are used for new construction or expansion of treatment plants, wells, water storage, and related facilities.

**Fund 601 - Water Utility Fund:** Bi-monthly water charges are used to pay general operational charges for the City's water system, as well as repair and rehabilitation of water facilities required due to depreciation or updated requirements, and not due to new growth capacity demands.

**Fund 602 - Sewer Utility Fund:** Bi-monthly sewer charges are used to pay general operational charges for the City's sewer system, as well as repair and rehabilitation of sewer facilities required due to depreciation or updated requirements, and not due to new growth capacity demands.

**Fund 603 Stormwater Utility Fund:** Bi-monthly storm charges are used to pay general operational charges for the City's stormwater system, as well as repair and rehabilitation of storm facilities required due to depreciation or updated requirements, and not due to new growth capacity demands.

Trunk Fund projections are not made within this FMP since the comprehensive plan updates project trunk needs and they are installed as development occurs, and such development will be paying the trunk fees necessary to make the improvements:

**Fund 229 - Water Trunk Fund:** Water trunk fees are used for installation or expansion of trunk lines.

**Fund 230 - Stormwater Trunk Fund:** Stormwater trunk fees are used for installation or expansion of stormwater trunk systems.

**Fund 231 - Sewer Trunk Fund:** Sewer trunk fees are used for installation or expansion of trunk lines.

Utility Facility	Year of Install/Replace	Cost Estimate	Source of Funds
Add 1 MGD Storage	2028 (w/2 wells below)	\$2,000,000	15 year DS WAC fund
2002 North Water Treatment Plant: 4.0 MGD	2035 Expansion (w/1 MG storage addn) – <b>MAY BE DONE AT SW OR EAST PLANT INSTEAD</b>	\$6,200,000	20 year DS WAC Fund
Add 1 MGD Storage (w/WTP expansion above)	2035	\$2,000,000	20 year DS WAC fund
1992 East Water Treatment Plant: 2.0 MGD	WSB estimates \$2 million over next 20 years to keep current plant running; Expansion is development driven and uncertain		
6 MGD WTP, Wells 14, 15 & 16, and SW Trunk Watermain	2007/2008	\$12 million	20 year DS WAC fund



## ***Financial Management Plan***

<b>Utility Facility</b>	<b>Year of Install/Replace</b>	<b>Cost Estimate</b>	<b>Source of Funds</b>
<b>Well #1 – located remote from WTP</b>	1957: 300 gpm	No longer in use	Wells #2, #4, & 5 abandoned
<b>Well #3 – treated by East WTP</b>	1979: 750 gpm		
<b>Well #6 - located remote from WTP – was only used during peak</b>	1985: 300 gpm	REMOVED	IN 2010
<b>Well #7 – treated by East WTP</b>	1989: 1000 gpm		
<b>Well #8 – treated by East WTP</b>	1989: 1000 gpm		
<b>Well #9 and #10- no longer used – had been leased from Dave Traut</b>			
<b>Well #11 – treated by North WTP</b>	2000: 1300 gpm		
<b>Well #12 – treated by North WTP</b>	2001: 1300 gpm		
<b>Well #13 – treated by North WTP</b>	2004: 1300 gpm		
<b>Add 2 Wells</b>	2028 (w/ 1 MGD storage above)	\$1,200,000	15 year DS WAC fund
<b>400,000 Gallon Northwest Water Storage Tank</b>	Mid 80's Construction 2010 Maintenance 2012 Rehab 2027 Rehab	2010: \$75,000 2012: \$486,000 2027: \$800,000	Water Utility Fund
<b>400,000 Gallon East Water Storage Tank</b>	1987 Construction 2005 Maintenance 2018 Rehab	2018: \$800,000	Water Utility Fund – combine with other bonding
<b>500,000 Gallon Water Storage Tank – Huntington 1<sup>st</sup></b>	1999 Construction 2022 Rehab	2022: \$800,000	Water Utility Fund – combine with other bonding
<b>Ditches and Ponds</b>	Annual survey for needs		
<b>St. Cloud WWTP</b>	2010; Timing of 2 <sup>nd</sup> expansion uncertain based on growth	2010: \$9,400,000 Future Exp: \$1,800,000	DS for expansion through SAC fund; rehab through Sewer Utility Fund (i.e. user rates); some SAC DS covered with levy in early years repaid starting in 2031
<b>Sewer Interceptor System Rehab Projects – through St. Cloud bonds</b>	2010, 2011, 2016 and 2018		Sewer Utility Fund
<b>Additional Conveyance Capacity from St. Cloud &amp; Forcemain</b>	2022 or later	\$3,100,000	DS from levy with interfund loan repay from SAC starting in 2031
<b>LS #1 Heims Mill Lift Station (pumps are replaced from ops budget)</b>	2006 Upgrade & forcemain	\$2,560,000	20 year DS SAC Fund
<b>LS #2 SuperAmerica Lift Station (pumps are replaced from ops budget)</b>	2009 Pump Replacement; 2018/19 Rebuild w/East Side work	2018/19: \$600,000	20 year DS combined with East Side streets?
<b>LS #3 Riverside/7<sup>th</sup> Lift Station (pumps are replaced from ops budget)</b>	2015 Upgrade	\$50,000	SAC Fund



## *Financial Management Plan*

Utility Facility	Year of Install/Replace	Cost Estimate	Source of Funds
LS #4 Watab Creek Lift Station (east of Rolling Green) (pumps are replaced from ops budget)		Rotational rehab	Sewer Utility Fund
LS #5 3 <sup>rd</sup> Ave. N. Lift Station	Eliminated with	2008 street	reconstruction project
LS #6 Ridge Road Lift Station (pumps are replaced from ops budget)	Control panel work in 2015	\$28,000	SAC Fund
LS #7 Riverside 1500 Block Lift Station (pumps are replaced from ops budget)		Rotational rehab	Sewer Utility Fund
LS #8 15 <sup>th</sup> Ave./3 <sup>rd</sup> St Lift Station (pumps are replaced from ops budget)		2016 rehab	Sewer Utility Fund
LS #9 7 <sup>th</sup> Ave. S./Edinburgh Lift (pumps are replaced from ops budget)		2017 rehab	Sewer Utility Fund
LS #10 (former LS#1) (pumps are replaced from ops budget)		Rotational rehab	Sewer Utility Fund
LS #11 27 <sup>th</sup> St. – Water Plan (pumps are replaced from ops budget)t	Old #11 Elim; this is new #11 Countryside	\$900,000 for LS/ main to Countryside?	
LS #12 Watab Creek Lift Station (west of Pine Cone) (pumps are replaced from ops budget)	2014 Upgrade	\$75,000	SAC Fund
LS #13 (New – Bakers Lake – development driven)	2022?	\$532,000	SAC Fund
Upgrade River utility crossings	Combine w/East Side streets	\$600,000?	Street or utility funds

**Fund 241 - Sales Tax Fund:** Community Center, Pinecone Road phase 1, and Pinecone Regional Park parking lot projects implemented; balance of sales tax extension revenues will be monitored to ensure allocation between transportation and community amenity improvements as authorized by the 2014 ballot questions. Extension collection estimates can be updated annually and growth in the early years may change the projections so Council can update capital plans based on updated projections.

**Fund 402 - PIR Fund:** The City maintains a Public Improvement Revolving Fund in order to cash flow public improvement projects prior to bond funds being received or to entirely finance small projects without bonding.

**Fund 410 - Building Fund:** The City strives to provide adequate City buildings including City Hall/administration buildings, public safety buildings, and public works facilities. Most park buildings are included within the parks section, but the community center is added here since it is a major building initially funded with sales tax. Facilities such as water treatment plants are financed with development and utility fees analyzed under another section of this Plan. City Hall was newly constructed in 2001 and the Public Works campus underwent new construction in 2005/2006. The Fire Station and Police Station are planned for review in 2017 for space needs to be addressed in or before 2020. Review of public works building space needs will be included in that review in case existing spaces can be rehabbed for



## ***Financial Management Plan***

public works use if any public safety facilities are relocated. An annual transfer into this Fund from the General Fund is maintained to fund future City building needs in the most cost effective manner. A list of major buildings and capital plans follows and the cash flow for this Fund is attached as Exhibit H:

<b>Facility</b>	<b>Year of Install/Replace</b>	<b>Cost Estimate</b>	<b>Source of Funds</b>
<b>City Hall (New in 2001)</b>	Future expansion needs not reviewed yet		20 year tax levy debt service
<b>Police Station (2002 remodel)</b>	2020	Combined with Fire Hall?	Building Fund/Tax Levy
<b>Fire Station: Sartell/LeSauk Government Center</b>	2020	Combined with Police?	Building Fund/Tax Levy
<b>Public Works Building</b>	2006	\$2,200,000	20 year Bldg Fund debt
<b>Public Utilities Building</b>	Acquired in 2005		
<b>Community Center</b>	2016/17	\$11 million	Sales Tax
<b>Compost Site Storage Bldg</b>	Unscheduled		

**Equipment Funds:** Annual transfers into the City's equipment funds from the General Fund make up the major funding sources for each fund, although sales of used equipment and any eligible grant funds are also sources. All departments have fleets of vehicles for which the City has set up planned rotation/replacement schedules. The City's strategy to replace the equipment based upon these schedules achieves the most cost effective timing of replacement (while there is still a small value to recoup and/or before repair costs outweigh the savings of continuing to use old equipment) and staggers purchases so that there are always some new, extremely reliable models as others in the fleet age and become less reliable. When purchases are not staggered, too large a share of the fleet ages simultaneously increasing risk of multiple breakdowns and loss of service. It also causes a budgetary strain when too large a percentage of the fleet requires replacement within a short time period. To best accomplish the equipment rotation, department heads make a recommendation on actual purchase based upon how the equipment is performing at the planned replacement time.

The City has used interfund loans to fund some capital purchases. Internal borrowing has the advantage of flexible repayment schedules and eliminating financing costs. However, internal borrowing is a limited resource because it is contingent on the cash flow needs of the contributing fund. The City will continue to evaluate the use of debt to purchase capital equipment as needed. The goal of our equipment funds is to build and maintain a cash balance sufficient to minimize borrowing, especially for smaller purchases. To this end, the FMP shows sufficient transfers in order to build the ending cash balances; however, various funds periodically show deficits since we hope to achieve some savings over estimates and we plan to use those savings to increase fund balances. The annual monitoring of this Plan will allow for flexibility to reduce spending if funds do not achieve these savings and increases in funding are not available within our tax rate goals.



## **Financial Management Plan**

**Fund 412 - Police Equipment Fund:** The Police Department equipment plan rotates the most heavily used patrol vehicles when they are 3 to 4 years old and still have some re-sale value but at the point they would begin incurring higher maintenance costs. It also rotates other lower mileage vehicles out when they are 8 to 10 years old and some used squads may replace these lower priority vehicles. Replacements are budgeted to factor in trade-ins and use of some quality used vehicles. They also manage timing on replacement of speed trailers, opticoms, squad video cameras, and other essential equipment utilizing their equipment fund. The cash flow for this Fund showing budgeted rotations and additions is attached as Exhibit I:

Equipment	Year of Install/Replace	Cost Estimate	Source of Funds
Squad video cameras	2014/2020		Police Equip Fund
1992 Polaris Indy Snowmobile (Fixed asset PDV11); Squad #32	No schedule to	replace w/new – circulate	used or forfeiture
1994 Ford F350 (Fixed asset PDV 19); Mobile Command #29	2018?	\$25,000	Police Equip Fund
2008 Dodge Grand Caravan (Fixed asset PDV 46); DARE Unit	Miller donates for Dare van	We pay maintenance	Police Ops Budget – maintenance
Squad cars and other PD administrative vehicles	Rotated on a 3 to 10 year basis	\$25,000 to \$30,000 replacements, plus equipment as needed	Police Equip Fund

**Fund 413 - Fire Equipment Fund:** The Fire Department plans to replace vehicles when they are approximately 30 years old. A list of equipment and capital plans follows and the cash flow for this Fund is attached as Exhibit J:

Equipment	Year of Install/Replace	Cost Estimate	Source of Funds
Extricator (Jaws of Life)	2022	\$40,000	Fire Equip Fund
Extricator (Jaws of Life)	2011-2014	\$32,000	2011: \$5,000 ops & \$3,000 Equip Fund; 2012-2014: \$8,000/year from Equip
Thermal Imaging Unit	2010	\$8,500	Insurance coverage replaced after damage
2 <sup>nd</sup> Thermal Imaging Unit	2015	\$9,000	Fire Equip Fund
3 <sup>rd</sup> Thermal Imaging Unit	2015	\$9,000	Fire Equip Fund
Rescue #29 2001 Ford F-350 Rescue Truck	2031	\$72,366	Fire Equip Fund
Ladder #28: 2000 Freightliner Pumper Ladder Truck	2030	\$752,827	Fire Equip Fund
2013 Futura Mark 2 Boat	2014	\$2,500	Fire Equip Fund
2014 Rescue One Boat & Trailer	2014	\$15,500	Fire Equip Fund
Unit 25: 1995 Freightliner Tanker	2025	\$222,342	Fire Equip Fund



## Financial Management Plan

Equipment	Year of Install/Replace	Cost Estimate	Source of Funds
Unit 26: 1991 Ford F350 4x4 Pickup Grass Rig	2021	\$100,000	DNR: truck Equip: Fire Equip Fund
Engine 22: 1990 Freightliner Pumper	This is scheduled for 2020, but consider platform truck	\$600,000 – consider replacing with platform truck instead at higher cost – up to \$2 million	Platform not in plan currently – consider combining with borrowing for new public safety facilities
Unit 20: 1988 GMC Value Van	2015 rehab	\$50,000	Fire Equip Fund
Unit 23: 1985 Ford Tanker	WILL NOT BE REPLACED	BUT WILL BE	MAINTAINED
Old #27: DNR owned 1977 Dodge Brush Rig			
2008 Ford F350 Pickup Grass Rig	2038	\$90,288	Fire Equip Fund
Engine 24: 2007 Spartan Pumper Fire Truck	2037	\$730,686	Fire Equip Fund
1919 Model T Truck	WILL NOT	BE	REPLACED
2000 Builtright Trailer - MPCA	2030	\$5,244	Fire Equip Fund
Unit #17: Polaris 6x6	2036	\$22,605	Fire Equip Fund
2004 Rance Trailer for 6 x 6	2034	\$5,269	Fire Equip Fund
Pagers	Routine replacement	Annually budgeted	Fire Equip Fund
Gas Meters			Fire Ops Budget
Fire Hoses	Routine replacement	Annually budgeted	Fire Ops Budget
Turnout Gear & Class A uniforms	Routine replacement	Annually budgeted	Fire Ops Budget
Airpacks (20 new in 2008)	Routine replacement starting in 2017	\$5,000 each	Fire Equip Fund

**Fund 414 - Public Works Equipment Fund:** In Public Works, the City has 6 plow trucks and also utilizes two loaders to serve some of the plowing needs, as well as a rotation of 1 ton pickups with plows. The fleet of pick-up trucks and other utility vehicles are rotated to add or replace two vehicles most years. Water/sewer utility funds are used for some pick-up purchases so that those funds pay their fair share of vehicle needs. A flat “equipment replacement” line item is also allocated annually to replace plow attachments, sanders, or other smaller capital items on an as needed basis. A list of equipment and capital plans follows and the cash flow for this Fund is attached as Exhibit K:

Equipment	Year of Install/Replace	Cost Estimate	Source of Funds
2016 Mack Plow Truck PWV 050	2032	\$250,000	PW Equip Fund
2011 Freightliner Plow Truck PWV 044	2028	\$250,000	PW Equip Fund
2007 Sterling Plow Truck PWV 032	2024	\$250,000	PW Equip Fund





## Financial Management Plan

Equipment	Year of Install/Replace	Cost Estimate	Source of Funds
2005 Sterling Plow Truck PWV 027	2022	\$250,000	PW Equip Fund
2003 Sterling Plow Truck PWV 003	2020	\$250,000	PW Equip Fund
2000 Sterling Plow Truck PWV 006	2017	\$195,000	PW Equip Fund
2015 GMC Sierra 1500 PWV 053	2025	\$30,000	PW Equip Fund
2014 Ford F350 Pickup PWV 049	2024	\$30,000	PW Equip Fund
2012 Chev Silverado ¾ ton w/plow PWV 045	2019	\$30,000	PW Equip Fund
2012 GMC Sierra ½ ton PWV 046	2024	\$35,000	Water/Sewer
2010 Chev 2500 Express Van PWV 040	2026	\$40,000	PW Equip Fund
2010 Silverado 3500 w/plow PWV 041	2018	\$30,000	PW Equip Fund
2010 GMC Canyon PWV 042	2022	\$30,000	PW Equip Fund
2008 Chevy Silverado ¾ ton PWV 037	2020	\$30,000	PW Equip Fund
2008 Chevy Silverado ¾ ton w/plow PWV 038	2017	\$30,000	PW Equip Fund
2007 Dodge Utility Truck PWV 033	2019	\$50,000	Water/Sewer
2007 GMC Sierra ½ ton PWV 031	2019	\$30,000	PW Equip Fund
2005 Chevy Silverado 1 ton w/plow PWV 029	2025	\$30,000	PW Equip Fund
2004 Chevy ¾ ton w/plow PWV 020	2024	\$30,000	PW Equip Fund
2003 Silverado	2023	\$30,000	PW Equip Fund
2003 Chevy ½ ton PWV 025	2023	\$30,000	PW Equip Fund
2000 Chevy ½ ton PWV 005	2021	\$28,000	Water/Sewer
1998 Chevy S-10 PWV 030	2020	\$28,000	Water/Sewer
1996 Chevy 1-ton PWV 007	Won't be	Replaced	
1979 Chevy Step Van PWV 015	Indefinite-alum body		PW Equip Fund
2008 Elgin Sweeper PWV 034	2024/2036	\$250,000	PW Equip Fund
2004 Elgin Sweeper PWV 021	2018/2030	\$190,000	PW Equip Fund
2011 PJ Trailer PWV 043	2031	\$10,000	Beautification
2008 PJ Trailer for Parks PWV 035			PW Equip Fund
2003 DCT Trailer PWV 026			PW Equip Fund
1988 Felling Trailer PWV 011			PW Equip Fund
2015 Bobcat w/attachments		\$27,000	Water/Sewer Fund
2014 JD Gator PWV 047			PW Equip Fund
2008 246C Cat Skidsteer			PW Equip Fund
2008 JD Wheel Loader PWV 039	2023	\$250,000	PW Equip Fund
2007 JD 5425 Tractor – Ditch cutter	2021	\$60,000	PW Equip Fund
2013 Wildcat Pothole patcher			PW Equip Fund
2016 Freightliner Jet Vac SW E 007			Sewer Fund

**Fund 415 - Technology Fund:** The City has a goal of sufficient funding for technology purchases to allow us to make the most efficient upgrades. However, most computers and tablets are below our





## **Financial Management Plan**

capitalization threshold and so they are not itemized here. Instead, decisions on rotation of such items is made within each department, but the cash flow resulting in the Fund is attached as Exhibit L.

**Fund 416 – Emergency Management Fund:** The emergency management fund is utilized for periodic purchases of sirens. A list of equipment and capital plans follows and the cash flow for this Fund is attached as Exhibit M:

Equipment	Year of Install/Replace	Cost Estimate	Source of Funds
East Side Siren	2019	\$20,000	Emergency Mgmt Fund
1996 Rotating Siren			
2001 127DB Rotating Siren			
2002 128 DB Rotating Siren			
2006 Celebration Park Siren			
SW Water Treatment Plant Siren & upgrades	1. 2013 2. 2016	1. \$53,224 2. \$18,000	Emergency Mgmt Fund

**Fund 417 - Street Fund:** The design of a street maintenance plan involves two key elements — street condition and affordability. The goal will be to have the best possible street system with the monies that are available to support street maintenance activities. The City invested in a Pavement Management System to help us grade street conditions and determine which streets are best suited to sealcoating, overlay or total reconstructs. Beginning in 2017, the City will allocate our cable and utility franchise fees directly into the Street fund. Additional funds available for street projects include sales tax, MSA, and general fund/tax levy dollars. The City’s anticipated projects are also included below and the cash flow for this Fund is attached as Exhibit N.

Project	Year of Install/Replace	Cost Estimate	Source of Funds
Pinecone Road Phase 1	2015	\$5,500,000	Abatement with sales tax reimbursement
County Road 1/Heritage/LeSauk Roundabout	2016	\$3,000,000	Street reconstruct bonds repaid w/MSA
4 <sup>th</sup> Ave. S (Heritage to 2 <sup>nd</sup> St. S.)	2017	\$4,000,000	APO funds, street fund, MSA & trunk funds?
Priority Reconstructs #1: East Side Streets	2018-2020	\$8,349,000	Assessment & Street Funds – no budget yet from utilities
Pinecone Road Phases 2 & 3	2018	\$5,000,000?	Sales Tax, MSA or street funds
27 <sup>th</sup> Street North	Combine with another project to complete by 2019	\$750,000	Sales Tax, MSA or street funds
Evergreen/LeSauk	Unscheduled	\$1,000,000?	Undetermined
Rest of 50 <sup>th</sup> Ave. reconstruct	Unscheduled - potential State bonding could make it priority	\$4,000,000?	Undetermined
23 <sup>rd</sup> Street extension – 50 <sup>th</sup> to PCR	Unscheduled	\$1,322,000	Undetermined
19 <sup>th</sup> Ave. South (need North added?)	Unscheduled	\$2+ million	Undetermined



## ***Financial Management Plan***

<b>Project</b>	<b>Year of Install/Replace</b>	<b>Cost Estimate</b>	<b>Source of Funds</b>
<b>15<sup>th</sup> Street North extension</b>	Unscheduled	Undetermined	Undetermined
<b>13<sup>th</sup> Avenue North extension</b>	Unscheduled	Undetermined	Undetermined
<b>Dehler extension to 50<sup>th</sup></b>	Unscheduled	\$1,292,000	Undetermined
<b>Dehler extension 50<sup>th</sup> to PCR</b>	Unscheduled	\$2,435,000	Undetermined
<b>Roberts Road West (PCR to west of CR 4)</b>	Unscheduled	\$4.6+ million	Undetermined
<b>Roberts Road East (Heritage to CR 1)</b>	Unscheduled	\$2+ million	Undetermined

**Debt Service Funds:** The City has numerous debt service funds, with a separate fund maintained for each debt issuance into which all corresponding revenues are deposited and reserved for use to pay the related debt service.

**TIF Funds:** The City's TIF District funds are restricted to use as outlined in each respective tax increment financing plan.

**Other Capital and Special Revenue Funds:** The City has a number of annual capital funds which are used to track that year's capital infrastructure projects such as street reconstruction or development projects. We also have a few special revenue funds for which the revenues are restricted to a specific purpose such as forfeiture funds, youth programs fund, and cemetery fund.

## **Fiscal Consultant Recommendations/Findings**

Ehlers & Associates worked closely with staff on this Plan at its 2009 inception and made the following recommendations/findings which the City has followed since 2009:

**Recommendation #1** – *The City needs to adopt and implement the Financial Management Plan as presented.*

Based upon this FMP, the City has a mechanism to fund its operations and many capital spending priorities while maintaining a tax rate that is still stable and builds the long-term financial health of the City. The City's commitment to this process should result in:

- ✓ Less "paycheck to paycheck" or "year to year" thinking, giving staff, elected officials and citizens the "big picture" multi-year view of the community, its future plans and their fiscal impacts
- ✓ Making future projects less controversial
- ✓ Making difficult decisions easier for elected officials
- ✓ Getting projects planned and completed with a thorough planning process in place

The City has a goal of building capital fund balances sufficiently to allow for purchases without borrowing as well as to provide for contingencies and the flexibility to respond to unforeseen events. The current fund projections include replacing and maintaining only those capital items that are currently used



## ***Financial Management Plan***

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for the existing level of service.

***Recommendation #2 – The City needs to annually update the FMP with input from City staff, Council members, and the community at large.***

The FMP is a working, flexible document that should be the basis or reference point for all major decisions the City makes and periodic review of the City's financial plan is important. However, implementing the financial management plan is an on-going activity for staff and the Council. At a minimum, Ehlers recommends that the City:

- ✓ Prepare annual financial management documents as recommended by GFOA best practices (Annual Budget, Comprehensive Annual Financial Report)
- ✓ Continue to prepare annual funding projections and plans for the capital funds
- ✓ Prepare annual update of growth projections
- ✓ Conduct periodic review of all non-tax revenues (monitor new legislation and legal challenges to cities' use of fees for certain revenues, including building permits and conduct review and adjustment of all other fees and charges in intervals of not more than three years)
- ✓ Prepare annual projections of property valuations, tax levies and tax rates so impacts on all taxpayers can be identified before budget and levy decisions are made.
- ✓ Conduct annual review of outstanding debt to determine necessary revenue adjustments and potential to call or refinance bonds.

***Recommendation #3 – The City needs to monitor future City budget approvals using the FMP in order to maintain the 50% Fund Balance Reserve goal. If revenues do not exceed forecasts and/or expenditures are not maintained at or below budget, additional tax levies will be needed to maintain the Fund Balance Reserve goal.***

The General Fund balance is an important tool for financial management and should not be used to offset ongoing deficiencies in operating revenues. The General Fund balance is designed to assist the City in meeting its cash flow management needs, protect the City from unanticipated changes in revenues and expenditures and is an important factor in maintaining the City's existing bond rating (the rating agency looks at both the size and the trends). In addition, the Office of the State Auditor looks at General Fund balance as a percent of expenditures to determine whether cities are taxing and saving appropriately.

It will become increasingly difficult to fund operations if the fund balance reserve is not maintained. The Financial Management Plan needs to be used as the roadmap for the Council to determine financial direction for the City. This FMP is a valuable tool to help the City maintain the Fund Balance goal of 50%. The City has done an excellent job in the past of creating and maintaining a strong balance in the General Fund. However, this will need to be monitored closely for necessary budget adjustments annually as there may be fewer contingency dollars remaining available each year.

## **Policy Decisions**

The City Council is responsible for shaping the City. Elected officials are charged with the task of



## ***Financial Management Plan***

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determining the vision for the city and city staff has the responsibility for carrying it out. An overriding policy decision facing the Council will be to determine the level of service provided to the citizens combined with the level of infrastructure capital and maintenance investment that is desirable, appropriate and affordable.

Any expansion of service will need to be funded through increased property taxes unless another permanent funding source is determined by the City prior to adding the service. The following table shows the impact of different levels of spending decisions on home with a market value of \$225,000.

<b>Expenditure Level</b>	<b>Additional Taxes</b>	<b>Additional Tax Rate</b>
\$50,000	\$8	0.36%
\$100,000	\$16	0.73%
\$150,000	\$24	1.98%

Based on payable 2016 tax capacity

This graph tells us that a home with a market value of \$225,000 will pay an additional \$8 annually in property taxes if \$50,000 is added to the property tax levy, using the payable 2016 tax capacity.

## **Conclusion**

The net result of this process is a unified planning document that incorporates the City's budget, annual financial report, capital improvement program, and planning for growth into one tool for projecting City taxes and their impact on property tax rates and taxpayers. This process should give City officials confidence in their ability to provide services for the citizens of Sartell at a reasonable rate.



## ***Financial Management Plan***

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### **List of Exhibits**

A	Financial Management Plan Summary Spreadsheet
B	RESERVED
C	Park Funds
D	Beautification Fund
E	RESERVED
F1-F3	SAC, WAC & Utility Funds
G	RESERVED
H	Building Fund
I	Police Equipment Fund
J	Fire Equipment Fund
K	Public Works Equipment Fund
L	Technology Fund
M	Emergency Management Fund
N	Street Fund