



**City of Scandia  
2011 Budget**

*DRAFT FOR  
TRUTH-IN-TAXATION  
PUBLIC MEETING*

6:00 p.m.  
December 7, 2010

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# BUDGET OVERVIEW

## Budget Process and Timeline

This document contains a draft budget for the period of January 1 through December 31, 2011 for the City of Scandia. The budget was prepared by staff and modified after work sessions held by the City Council in August and November, 2010.

In September, the City Council certified a preliminary maximum 2011 property tax levy of \$2,013,651. Truth in Taxation notices mailed to property owners in November, showing preliminary property tax bills, were based on this maximum. After the hearing, the levy could be reduced but it cannot be increased.

The Truth in Taxation meeting will be held on December 7, 2010 at 6:00 p.m. The final budget hearing is tentatively scheduled for December 21, 2010. The City is required to adopt its budget and certify the final 2011 tax levy no later than December 28, 2010.

## 2011 Revenues: Levy Limits

For 2011 (as in 2009 and 2010) Minnesota cities over 2,500 population are subject to property tax levy limits established by the state legislature. The property tax levy for 2011 is limited to an inflationary adjustment (based on the Implicit Price Deflator for State and Local Governments) plus small adjustments for household and new commercial/industrial construction. Certain expenditures are not subject to the limit (debt service, personnel costs for police and fire services and pension cost increases) and are added as “special levies” to determine the maximum property tax levy. For 2011, cities are also allowed special levies for cuts to LGA (Local Government Aid) and MVHC (Market Value Homestead Credit Aid) that were made permanent by the 2010 state legislature.

Scandia’s maximum property tax revenue for 2011 is calculated as follows:

<b>Base Levy</b>	<b>2011</b>
Adjusted levy limit base for pay 2010	\$1,304,508
Inflation Adjustment Factor	1.016784
Household Adjustment Factor	1.004027
New Commercial/Industrial Pay 2010 Market Value Factor	1.000009
2011 Certified Local Government Aid	0
<b>2011 Base Levy</b>	<b>\$1,331,756</b>

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**Special Levies**

Bonded Indebtedness	\$351,913
PERA Employer Contribution Rate Increases	\$6,614
Wages & Benefits of Police & Fire Personnel	\$205,580
2010 MVHC Reimbursements in Ratified Unallotments	\$58,894
2011 MVHC Reimbursement	\$58,894
<b>Total Special Levies</b>	<b>\$681,895</b>
<b>Total Levy Limit (Preliminary)</b>	<b>\$2,013,651</b>

The following table shows the total tax levy of New Scandia Township/ the City of Scandia in recent years with the percentage increases from the previous year, including the preliminary maximum levy for 2011:

**Property Tax Levy History**

<u>Year</u>	<u>Total Levy</u>	<u>Increase</u>
2003	\$1,238,136	-1.10%
2004	\$1,301,182	5.10%
2005	\$1,368,150	5.10%
2006	\$1,483,752	8.40%
2007	\$1,533,930	3.40%
2008	\$1,703,589	11.06%
2009	\$1,860,893	9.23%
2010	\$1,918,647	3.10%
<b>2011 (Maximum)</b>	<b>\$2,013,651</b>	<b>4.95%</b>

To determine how much of the levy is available for city operations and projects, the amount of the tax levy available in 2011 must be reduced by the debt levy and by the 2011 MVHC which will be levied, but not received, in 2011. The following table shows the maximum amount of the property tax levy available for the General and the Capital Improvement funds in 2011, as compared to the 2010 budget.

	<b>2011</b>		
	<b>Maximum</b>	<b>2010 Levy</b>	<b>% Change</b>
Total Levy	\$2,013,651	\$1,918,647	+4.95%
Less debt levy	-\$351,913	-\$303,803	+15.83%
Less 2010 MVHC Unlottment (Est.)	-\$58,894	-\$58,894	--
<b>Available Levy</b>	<b>\$1,602,844</b>	<b>\$1,555,950</b>	<b>+3.01%</b>

The 2011 loss due to the unallotment of MVHC is an estimate based on the 2010 actual figure. The 2011 MVHC is likely to be more than the estimate, because of declining market values

which will increase the MVHC for many homeowners. The city is now funding 100% of this state program.

### Potential Property Tax Impacts

How changes in the city budget and levy will impact property taxes of individual property owners is a complex question. The following estimate of city property taxes for homes of various values, after homestead credit, was prepared from a worksheet furnished by Washington County:

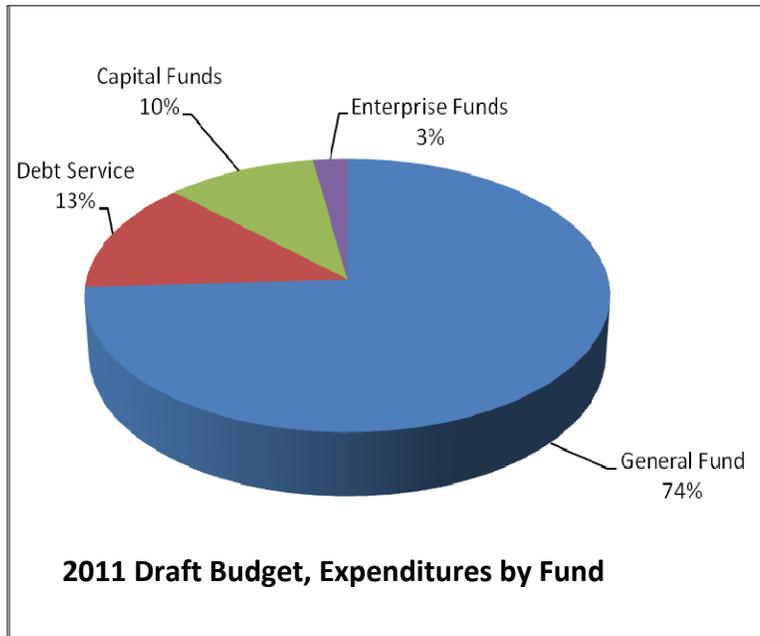
<b>2010 Value</b>	<b>2011 Value</b>	<b>% Change</b>	<b>2010 City Tax</b>	<b>2011 City Tax</b>	<b>% Change</b>
\$114,400	\$100,000	-12.6%	\$222.73	\$228.03	2.4%
\$171,600	\$150,000	-12.6%	\$405.06	\$413.01	2.0%
\$286,000	\$250,000	-12.6%	\$769.73	\$782.97	1.7%
\$582,100	\$500,000	-12.6%	\$1,678.60	\$1,678.30	-0.0%
\$858,100	\$750,000	-12.6%	\$2,695.54	\$2,727.24	1.2%

### Budget Format

The draft 2011 budget is divided into the following fund and departmental budgets:

<b>Fund Type</b>	<b>2011 Budget Funds</b>
<b>General Fund</b>	<b>General Fund (101)</b>
	<i>Departments within General Fund:</i>
	• <i>Administration &amp; Finance (41000)</i>
	• <i>City Council (41110)</i>
	• <i>Elections (41410)</i>
	• <i>Planning &amp; Building (41910)</i>
	• <i>Police (42000)</i>
	• <i>Fire (42200)</i>
	• <i>Public Works (43000)</i>
	• <i>Uptown Water and Sewer (43210)</i>
• <i>Parks (45000)</i>	
• <i>Community Center (45180)</i>	
<b>Debt Service Funds</b>	<b>2007 Blacktop Project (307)</b>
	<b>Fire Hall/ Public Works (310)</b>
	<b>2010 Equipment Certificates (311)</b>
<b>Capital Funds</b>	<b>Capital Improvement Fund (403)</b>
	<b>Parks Capital Improvement Fund (404)</b>
	<b>Equipment Replacement Fund (405)</b>
<b>Enterprise Funds</b>	<b>201 Sewer Project Fund (602)</b>

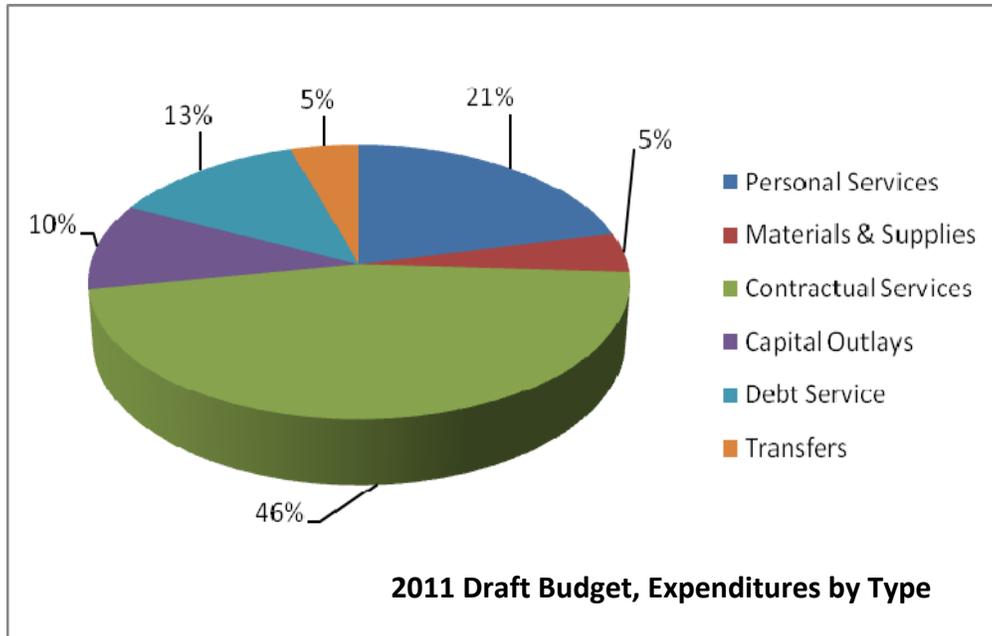
The chart at the right shows how the draft 2011 budget is divided based on the total expenditures for each of the four major fund types. The General Fund includes the major operating budgets of the city and is the largest portion of the budget (74%).



The major expenditure categories in the budget are:

Personal Services (100)	Costs related to employees including wages, salaries, retirement contributions and all other benefits.
Materials and Supplies (200)	All of the “things” that the city purchases, such as office supplies, parts, fuel, sand & gravel, etc.
Contractual Services and Charges (300-400)	All types of services and functions performed by or provided by those other than employees.
Capital Outlay (500)	Projects, equipment or furnishings with a useful life of three years or longer and cost greater than \$500. (Capital outlay items with a life of five years or longer and cost \$10,000 or greater would also be listed in the CIP.)
Debt Service (600)	Principal and interest payments on short- or long-term debt.
Transfers (700)	Transfers from one fund to another.

The following chart shows how the 2011 draft budget for all funds by type of expense. By far, the largest share of the budget is spent on Contractual Services and Charges (46%), followed by Personal Services (21%) and Debt Service (13%).



**Budget Assumptions: Expenses**

The draft expense budgets contain the following common assumptions for the following costs in 2011 compared to 2010:

Salaries and Wages	+0% (all employees including City Council)
Health Insurance	+20% (city contribution to premium)
	+0% (city contributions to Health Savings Accounts [HSAs])
PERA	7.25% (up by .25%)
Insurance (Property & Auto)	+4%
Insurance (Liability)	+4%
Worker’s Compensation	+4%
Fuel	+5% of 2010 Projected
Utilities	+2.7%

**Budget Assumptions: Revenues**

The following assumptions were made about revenues for 2011:

Property Taxes	Property tax revenues will be limited by the levy limit adopted by the state legislature, as discussed above.
Licenses & Permits	2011 license and permit revenues are expected to be similar to 2010.
Intergovernmental Revenues	The city will receive no LGA (or MVHC) in 2011. The only intergovernmental revenues assumed at this time are grants for recycling, fire department training, a SHIP grant for trail planning, and a grant from the Minnesota Health Department to help pay for abandoning the old well at the Community Center.
Charges for Service	Charges for services will increase, primarily for collection of costs for preparation of the Zavoral Mining and Reclamation Project EIS.
Fines and Forfeitures	Estimated to be higher than the 2010 budget, based on 2010 actual YTD revenue.
Other Income	Interest income is expected to continue to be very low.

**Budget Assumptions: Capital Expenditures**

Several projects in the Capital Improvement Plan (CIP) are included in the draft 2011 budget, as follows:

<b>Proj #</b>	<b>CIP Project Name</b>	<b>Cost</b>	<b>Status</b>
A-0001	City Meeting/Office Space Study	\$18,000	Capital Improvement Fund
CC-001	Community Center Interior Improvements, Flooring	\$10,000	General Fund, Community Center Budget
PR-001	Lilleskogen Park Improvements (wetland restoration)	\$12,300	Park Capital Improvements Fund
PR-002	Wind in the Pines Park (signage)	\$2,000	Park Capital Improvement Fund
PW-002	Street Maintenance Program	\$300,000	General Fund, Public Works Budget for Contractual Road Maintenance and Repairs
PW-006	Replacement of 1997 Ford Dump Truck with Plow	\$192,000	Equipment Replacement Fund
PW-007	Tiger Ditch Rear Mower Replacement	\$15,000	Equipment Replacement Fund
PW-014	Pickup with Plow Replacement, 1995 GMC	\$27,500	Equipment Replacement Fund

In addition to the projects in the CIP, there are two other capital outlays proposed in the 2011 budget. These projects do not meet the \$10,000 threshold for inclusion in the CIP:

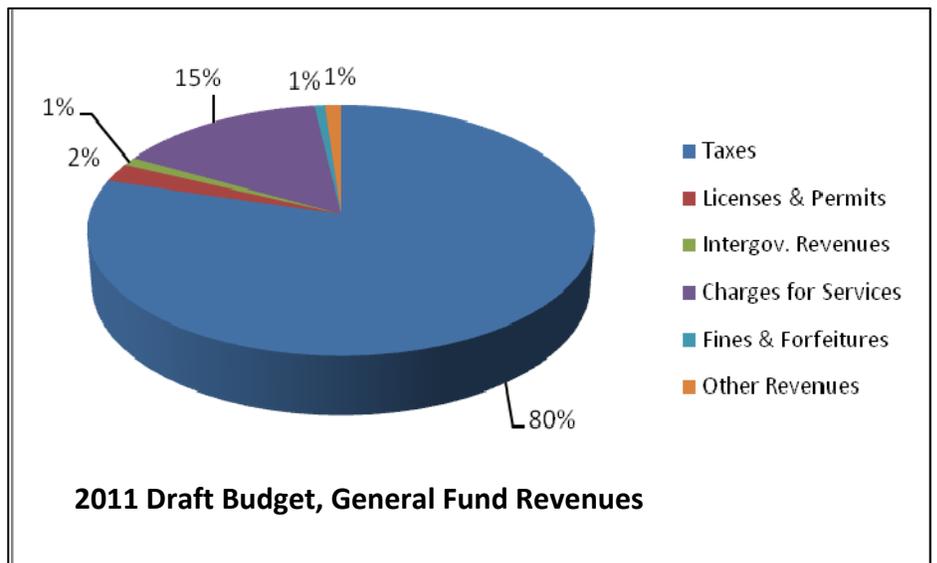
<b>Budget</b>	<b>Description</b>	<b>Cost</b>
Administration & Finance	Computer Replacement	\$2,500
Parks & Recreation	Park Signs	\$2,500

### Highlights, General Fund

The chart to the right shows the proposed 2011 revenue sources for the General Fund.

Expenditures of \$1,979,102 would be financed with \$1,573,940 (80%) from property taxes and \$405,162 from other sources.

A major factor in the budget is the cost of the Zavoral Project EIS. The 2011 budget includes approximately \$200,000 of reimbursable expenses and revenue attributable to the EIS, the full cost of which will be paid by the proposer (Tiller Corporation.) They reimburse all of the city's out-of-pocket costs, plus the cost of staff time spent on the EIS.



The budget retains the same staffing level in 2011 as in 2010, with one exception. The part-time, seasonal position in the 2010 Parks budget (for summer mowing and grounds maintenance) has been deleted and a new, part-time (.7 FTE) position would replace it. The proposed position is shared among 3 departments: Public Works (.25 FTE), Community Center (.25 FTE) and Parks (.2 FTE.)

In the past, the city had a .6 FTE position in the Public Works department that was similar to this proposed position. It was eliminated in 2009, after a retirement, in favor of using temporary seasonal help. Staff has found that the position is needed year-round, and can replace some of the seasonal staffing and contractual services in the current budget. The total cost of the position is estimated at approximately \$25,100. After taking into account the cost of the 2010 seasonal position (\$8,200) and savings that can be realized by reducing contractual janitorial services at the Community Center (\$6,000), the net cost of the new position will be about \$10,900. The estimated pay is \$14.00 per hour, plus PERA, FICA and Medicare contributions. We would anticipate scheduling the position to work more hours per week in the summer months, and less in the winter months when the major activities would be snow removal and building maintenance. The average work week on an annual basis would be 28 hours.

Another significant project for 2011 will be the preparation of a master plan for the Uptown Wastewater System. The engineering study, projected to cost \$15,000, will be divided between the users (75%) and the City (25%.) The addition of this project accounts for the increase in that department budget by almost 120%. This study needs to be conducted as soon as possible. The goal is to extend the life of the system as much as possible while planning for its future replacement.

**Highlights, Other Funds**

**Debt Service Funds**—The City will make payments on two existing bond issues in 2011, and make the first payments on the 2010 Equipment Certificates issued to fund the fire rescue truck replacement. The debt service budget will increase from \$304,228 to \$351,913, or by 15.67%. The proposed tax levy budgeted is the total cost of principal and interest plus the statutory 5% coverage.

**Capital Funds**— The draft budget currently proposes \$38,500 of the tax levy as revenue to the Capital Improvements Fund (401.) The City Meeting/Office Space Study (\$18,000) and a transfer to the Equipment Replacement Fund (\$10,000) are the proposed expenses.

Proposed expenditures in the Parks Capital Improvements fund reflect the small amount of available funds. No revenues are projected. The primary source of revenue is park dedication, and subdivision activity remains low.

The budget for the Equipment Replacement Fund proposes \$110,000 in transfers from the General Fund operating budgets, plus a \$10,000 transfer from the Capital Improvement Fund.

The following table shows the fund balances expected in the three capital funds at the end of 2010, and the proposed 2011 expenses and revenues (including interest.)

Fund		12/31/2010 Projected	2011 Expense	2011 Revenue	Net
401	Capital Improvements	\$195,092	\$28,000	\$40,512	\$207,604
404	Parks Capital Improvements	\$16,320	\$14,300	\$1,267	\$3,287
406	Equipment Replacement	\$114,767	\$234,500	\$120,391	\$658
	Total	\$326,179	\$276,800	\$123,670	\$211,549

**Enterprise Funds**—The city’s only enterprise fund is for the operation of the “201” community sewer system that serves approximately 100 homes on Big Marine Lake. The draft budget shows that the budget and revenues will be in balance without a change to the user charge rates for 2011.

2011 Draft Budget

For December 7, 2010  
Public Meeting

2011 Draft Revenue Budget  
Summary by Fund and Department

Fund	Dept.	Description	Taxes	Licenses & Permits	Intergovernmental Revenues	Charges for Services	Fines & Forfeitures	Special Assessments	Other Revenues	Total	%
101		<b>General Fund</b>									
	41000	Administration & Finance	\$293,122	\$11,330	\$7,597	\$1,075	\$15,000		\$20,275	\$348,399	
	41110	City Council	\$20,289							\$20,289	
	41410	Elections	\$470							\$470	
	41910	Planning & Building	\$76,852	\$36,625		\$219,331				\$332,808	
	42000	Police	\$121,574							\$121,574	
	42200	Fire & Rescue	\$300,312		\$8,800	\$32,574			\$1,500	\$343,186	
	43000	Public Works	\$665,914			\$7,000			\$1,149	\$674,063	
	43210	Uptown Sewer & Water	\$1,211			\$21,831				\$23,042	
	45000	Parks & Recreation	\$44,307		\$4,000	\$5,350				\$53,657	
	45180	Community Center	\$49,889		\$1,250	\$10,475				\$61,614	
		<b>General Fund Total</b>	<b>\$1,573,940</b>	<b>\$47,955</b>	<b>\$21,647</b>	<b>\$297,636</b>	<b>\$15,000</b>		<b>\$22,924</b>	<b>\$1,979,102</b>	75.99%
307		2007 Blacktop	\$179,529					\$28,482	\$1,602	\$209,613	
310		Fire Hall/ Public Works	\$120,900						\$1,635	\$122,535	
311		Equipment Certificates	\$51,484							\$51,484	
		<b>Debt Service Funds Total</b>	<b>\$351,913</b>					<b>\$28,482</b>	<b>\$3,237</b>	<b>\$383,632</b>	14.73%
401		Capital Improvements	\$38,500						\$2,012	\$40,512	
404		Parks Capital Improvements			\$12,300				\$1,267	\$13,567	
406		Equipment Replacement							\$120,391	\$120,391	
		<b>Capital Funds Total</b>	<b>\$38,500</b>		<b>\$12,300</b>				<b>\$123,670</b>	<b>\$174,470</b>	6.70%
602		201 Sewer						\$2,800	\$64,250	\$67,050	
		<b>Enterprise Funds Total</b>						<b>\$2,800</b>	<b>\$64,250</b>	<b>\$67,050</b>	2.57%
		<b>All Funds, Total Revenues</b>	<b>\$1,964,352</b>	<b>\$47,955</b>	<b>\$33,947</b>	<b>\$297,636</b>	<b>\$15,000</b>	<b>\$31,282</b>	<b>\$214,081</b>	<b>\$2,604,253</b>	100.00%
			75.43%	1.84%	1.30%	11.43%	0.58%	1.20%	8.22%	100.00%	

2011 Draft Budget

For December 7, 2010  
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2011 Draft Expenditure Budget  
Summary by Fund and Department

Fund	Dept.	Description	Personal Services	Materials & Supplies	Contractual Services	Capital Outlays	Debt Service	Transfers	Total	% of Total
101	41000	Administration & Finance	\$170,280	\$4,900	\$170,719	\$2,500			\$348,399	
	41110	City Council	\$20,289						\$20,289	
	41410	Elections			\$470				\$470	
	41910	Planning & Building	\$87,601	\$1,100	\$242,698			\$1,408	\$332,808	
	42000	Police			\$121,574				\$121,574	
	42200	Fire	\$108,558	\$36,550	\$140,392	\$5,000		\$52,686	\$343,186	
	43000	Public Works	\$150,157	\$69,900	\$401,855			\$52,151	\$674,063	
	43210	Uptown Water & Sewer			\$23,042				\$23,042	
	45000	Parks	\$21,233	\$3,158	\$23,012	\$2,500		\$3,755	\$53,657	
	45180	Community Center	\$10,915	\$7,000	\$33,699	\$10,000			\$61,614	
		<b>General Fund Total</b>	\$569,032	\$122,608	\$1,157,462	\$20,000		\$110,000	\$1,979,102	74.09%
307		2007 Blacktop					\$179,529		\$179,529	
310		Fire Hall/ Public Works					\$120,900		\$120,900	
311		2010 Equipment Certificates					\$51,484		\$51,484	
		<b>Debt Service Funds Total</b>					\$351,913		\$351,913	13.17%
401		Capital Improvements			\$18,000			\$10,000	\$28,000	
404		Parks Capital Improvements				\$14,300			\$14,300	
406		Equipment Replacement				\$234,500			\$234,500	
		<b>Capital Funds Total</b>			\$18,000	\$248,800		\$10,000	\$276,800	10.36%
602		201 Sewer			\$59,863			\$3,645	\$63,508	
		<b>Enterprise Funds Total</b>			\$59,863			\$3,645	\$63,508	2.38%
		<b>All Funds, Total Expenditures</b>	\$569,032	\$122,608	\$1,235,325	\$268,800	\$351,913	\$123,645	\$2,671,323	100.00%
		Expense Category	21.30%	4.59%	46.24%	10.06%	13.17%	4.63%	100.00%	

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For December 7, 2010  
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**Expenditure Budget History**  
**Total Expenditures by Fund and Department**

Fund	Dept.	Description	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Budget as Amended	2011 Proposed Budget	Change, 2010 Budget to 2011 Proposed
101	41000	Administration & Finance	\$279,829	\$340,079	\$316,368	\$316,712	\$350,080	\$348,399	-0.48%
	41110	City Council	\$20,288	\$17,419	\$18,188	\$19,883	\$19,539	\$20,289	3.84%
	41410	Elections	\$4,353	\$295	\$5,521	\$470	\$5,870	\$470	-91.99%
	41910	Planning & Building	\$137,653	\$128,202	\$213,034	\$137,606	\$401,929	\$332,808	-17.20%
	42000	Police	\$86,965	\$95,589	\$106,321	\$114,284	\$120,717	\$121,574	0.71%
	42200	Fire	\$282,303	\$278,605	\$323,643	\$304,578	\$357,233	\$343,186	-3.93%
	43000	Public Works	\$941,343	\$565,080	\$360,005	\$371,870	\$594,369	\$674,063	13.41%
	43210	Uptown Water & Sewer	\$40,579	\$39,945	\$14,879	\$27,330	\$10,476	\$23,042	119.95%
	45000	Parks	\$57,435	\$42,473	\$34,768	\$60,479	\$49,145	\$53,657	9.18%
	45180	Community Center	\$56,662	\$44,780	\$52,923	\$44,920	\$42,447	\$61,614	45.16%
<b>General Fund Total</b>			<b>\$1,907,410</b>	<b>\$1,552,467</b>	<b>\$1,445,650</b>	<b>\$1,398,133</b>	<b>\$1,951,805</b>	<b>\$1,979,102</b>	<b>1.40%</b>
302		2002 Blacktop	\$206,013	\$208,217	\$209,561				#DIV/0!
304		2004 Blacktop	\$267,480	\$250,920	\$255,240	\$247,920			#DIV/0!
307		2007 Blacktop	\$769	\$36,731	\$305,211	\$181,038	\$184,845	\$179,529	-2.88%
310		Fire Hall/ Public Works	\$118,605	\$120,035	\$121,135	\$111,140	\$119,383	\$120,900	1.27%
311		2010 Equipment Certificates						\$51,484	#DIV/0!
<b>Debt Service Funds Total</b>			<b>\$592,867</b>	<b>\$615,903</b>	<b>\$891,147</b>	<b>\$540,098</b>	<b>\$304,228</b>	<b>\$351,913</b>	<b>15.67%</b>
401		Capital Improvements	\$8,329	\$30,751	\$24,072	\$18,854	\$60,000	\$28,000	-53.33%
404		Parks Capital Improvements	\$2,360		\$16,486	\$23,493	\$12,300	\$14,300	16.26%
406		Equipment Replacement			\$25,430	\$61,699	\$194,336	\$234,500	20.67%
<b>Capital Funds Total</b>			<b>\$10,689</b>	<b>\$30,751</b>	<b>\$65,989</b>	<b>\$104,046</b>	<b>\$266,636</b>	<b>\$276,800</b>	<b>3.81%</b>
602		201 Sewer	\$57,579	\$70,080	\$63,630	\$63,630	\$63,313	\$63,508	0.31%
<b>Enterprise Funds Total</b>			<b>\$57,579</b>	<b>\$70,080</b>	<b>\$63,630</b>	<b>\$63,630</b>	<b>\$63,313</b>	<b>\$63,508</b>	<b>0.31%</b>
<b>All Funds, Total Expenditures</b>			<b>\$2,567,776</b>	<b>\$2,269,201</b>	<b>\$2,466,416</b>	<b>\$2,105,907</b>	<b>\$2,585,982</b>	<b>\$2,671,323</b>	<b>3.30%</b>