

2011 Budget Summary – All Funds

(Excludes Capital Project Funds)

BUDGETED REVENUES			
	2011	2010	2009
GENERAL FUND			
Property Taxes	\$ 35,607,226	\$ 36,848,928	\$ 35,850,067
Hotel-Motel Admissions Tax	6,325,000	5,980,000	6,006,965
Building Permit Fees	2,242,000	2,000,000	2,810,700
License Fees	1,550,000	1,425,000	1,426,850
Fines & Forfeits	1,200,000	900,000	1,012,811
Program Income	2,019,351	1,997,207	2,209,940
Intergovernmental Revenue	2,154,032	2,239,013	2,063,977
Interest Earnings	280,000	361,856	511,560
Miscellaneous Revenues	462,889	350,195	281,016
Transfers from Other Funds	2,595,566	2,608,304	2,585,667
	<u>\$ 54,436,064</u>	<u>\$ 54,710,503</u>	<u>\$ 54,759,553</u>
SPECIAL REVENUE FUNDS			
Health Special Revenue	\$ 1,460,073	\$ 1,866,865	\$ 983,762
DWI Forfeiture	112,500	114,500	113,500
Enhanced 911	123,000	130,000	131,000
Drug Forfeiture	125,000	135,000	135,000
Police Grants	15,000	180,391	68,000
Pension Residual	1,389,496	424,251	458,534
Communications	1,306,475	1,329,600	1,352,100
Airport South	119,500	52,000	576,000
	<u>\$ 4,651,044</u>	<u>\$ 4,232,607</u>	<u>\$ 3,817,896</u>
DEBT SERVICE FUNDS			
Special Assessments	\$ 3,000,000	\$ 2,000,000	\$ 2,000,000
Tax Levy	3,573,935	3,161,125	3,394,509
Interest on Investments	200,000	200,000	200,000
Federal Reimbursement	127,480	57,000	0
	<u>\$ 6,901,415</u>	<u>\$ 5,418,125</u>	<u>\$ 5,594,509</u>
ENTERPRISE FUNDS			
Recreational Facilities			
Golf Courses			
- Operating	\$ 1,974,000	\$ 1,990,500	\$ 1,962,500
- Non-Operating	37,000	59,500	60,000

BUDGETED REVENUES			
	2011	2010	2009
ENTERPRISE FUNDS (continued)			
Ice Garden			
- Operating	\$ 1,424,000	\$ 1,404,000	\$ 1,377,000
- Non-Operating	5,000	6,000	6,000
Aquatic Facilities			
- Operating	953,300	889,557	796,661
- Non-Operating	12,875	12,500	12,500
Center for the Arts	584,667	592,159	575,532
Water Utility			
- Operating	11,394,509	10,546,993	10,543,733
- Non-Operating	186,000	293,000	336,000
Wastewater Utility			
- Operating	9,632,337	9,184,012	9,184,012
- Non-Operating	125,000	160,000	196,000
Storm Water Utility			
- Operating	4,219,106	4,218,106	4,264,606
- Non-Operating	378,000	175,000	1,150,000
Solid Waste Utility			
- Operating	1,102,380	1,091,380	1,003,880
- Non-Operating Revenues	207,900	165,500	165,200
Contractual Police	540,000	540,000	540,000
Motor Vehicle	632,080	604,080	630,580
	\$ 33,408,154	\$ 31,932,287	\$ 32,804,204
INTERNAL SERVICE FUNDS			
Support Services	\$ 605,309	\$ 495,856	\$ 687,641
Equipment Fund			
- Operations & Maintenance	3,181,095	3,480,170	3,350,586
- Replacement Reserve	1,799,149	1,545,000	1,844,887
- Fire Equipment	278,394	70,000	550,000
- Police – Small Equipment	48,440	37,000	35,747
Information Systems	3,371,951	3,361,295	3,144,855
Radio	441,757	387,899	384,899
Insured Benefits	9,362,473	9,594,373	8,702,652
Self-Insurance	986,030	1,018,596	973,521
Benefit Accrual	1,710,346	1,728,689	3,597,885
Facilities Replacement			
- Admin. & Maintenance	2,886,605	2,876,405	2,966,405
- Police/City Hall Replacement	878,363	1,261,472	1,129,450
- Fire Station Maintenance	230,944	230,944	233,555
- Park Building Maintenance	466,218	466,219	458,023
	\$ 26,247,074	\$ 26,553,918	\$ 28,060,106
TOTAL REVENUES	\$125,643,751	\$122,847,440	\$125,036,268

BUDGETED APPROPRIATIONS			
	2011	2010	2009
GENERAL FUND			
General Government	\$ 527,384	\$ 549,568	\$ 411,524
City Manager	325,963	330,118	333,631
Legal	1,132,400	1,112,337	1,102,407
Human Resources	689,838	694,254	779,232
Finance	958,177	1,030,772	1,225,505
Public Safety – Police	20,339,481	19,552,055	19,122,299
- Fire	2,684,717	2,481,919	2,985,022
Community Development	6,195,991	6,116,997	6,079,924
Community Services	8,856,769	8,712,560	8,694,034
Public Works	11,898,966	11,906,382	11,808,895
Technical Services Group	2,404,070	2,403,897	2,340,372
Contingency	1,411,350	1,396,774	1,354,765
Estimated Unexpended	(3,364,042)	(1,827,130)	(1,775,557)
Transfers Out	375,000	250,000	297,500
	\$ 54,436,064	\$ 54,710,503	\$ 54,759,553
SPECIAL REVENUE FUNDS			
Health Special Revenue	\$ 1,497,943	\$ 1,864,021	\$ 983,256
DWI Forfeiture	138,911	139,727	117,857
Enhanced 911	427,630	414,444	62,694
Drug Forfeiture	184,512	209,512	178,769
Police Grants	15,000	180,391	68,000
Pension Residual	3,830,551	850,096	1,002,000
Communications	1,389,268	1,354,490	1,592,296
South Loop	114,720	53,000	576,000
	\$ 7,598,535	\$ 5,065,681	\$ 4,580,872
DEBT SERVICE FUNDS			
Bond Principal	\$ 5,020,000	\$ 4,335,000	\$ 4,025,000
Bond Interest	2,052,767	1,925,015	1,874,991
Service Charges	3,000	3,000	3,000
	\$ 7,075,767	\$ 6,263,015	\$ 5,902,991
ENTERPRISE FUNDS			
Recreational Facilities			
Golf Courses			
- Operating	\$ 1,957,585	\$ 1,900,969	\$ 1,879,633
- Capital	188,625	82,500	74,900
Ice Garden			
- Operating	1,164,553	1,120,392	1,045,307
- Capital	97,000	95,000	85,000
- Debt Service	171,827	182,498	188,578
Aquatic Facilities			
- Operating	894,158	983,427	943,638

BUDGETED APPROPRIATIONS			
	2011	2010	2009
ENTERPRISE FUNDS (CONTINUED)			
Center for the Arts	\$ 653,200	\$ 649,088	\$ 634,617
Water Utility			
- Operating	10,928,618	10,704,086	10,487,348
- Capital	825,000	601,500	1,803,000
Wastewater Utility			
- Operating	9,420,313	9,401,791	8,954,117
- Capital	850,000	350,000	1,640,000
Storm Water Utility			
- Operating	2,625,516	2,869,548	3,179,135
- Capital	3,150,900	2,411,000	2,485,000
- Debt Service	0	0	92,183
Solid Waste Utility			
- Operating	1,330,927	1,309,175	1,220,136
- Capital	25,000	25,000	25,000
Contractual Police	540,000	540,000	540,000
Motor Vehicle	582,854	595,421	600,649
	<u>\$35,406,076</u>	<u>\$ 33,821,395</u>	<u>\$ 35,878,241</u>
INTERNAL SERVICE FUNDS			
Support Services	\$ 619,835	\$ 451,852	\$ 688,277
- Capital	0	89,400	75,000
Equipment Fund			
- Operations & Maintenance	3,377,983	3,349,771	3,351,961
- Capital	21,215	21,215	20,600
- Replacement Capital	1,650,000	1,892,800	1,820,000
- Fire Equipment	515	500	500
- Capital	35,000	490,000	371,000
- Police Small Equipment	20,535	18,876	22,100
Information Systems			
- Operating	3,753,565	4,072,523	4,294,189
- Capital	238,000	45,000	30,000
Radio			
- Operating	535,676	460,929	417,269
Insured Benefits	9,304,793	8,808,418	8,650,029
Self Insurance	1,281,824	1,935,014	1,369,000
Benefit Accrual	1,597,200	1,652,740	1,636,376
Facilities .			
- Admin. & Maintenance	3,265,777	3,134,376	3,139,571
- Police/City Hall Replacement	2,579,666	1,458,520	754,958
- Fire Station Maintenance	230,944	230,944	233,555
- Park Building Maintenance	466,219	466,218	458,023
	<u>\$28,978,746</u>	<u>\$ 28,579,097</u>	<u>\$ 27,332,408</u>
TOTAL APPROPRIATIONS	<u>\$133,495,188</u>	<u>\$ 128,439,691</u>	<u>\$ 128,454,065</u>

2011 Budget Summary – All Funds

As noted in the introduction to the Financial Management Policies, the budget is a blueprint for City services and plans for fiscal year 2011.

The purpose of the budget is to communicate the financial plans of the City and its allocation of resources. This document expresses priorities, goals, plans and targets. The budget is an implementation plan to achieve the City's goals and objectives.

Two-Year Budget

The City of Bloomington has a two-year budget cycle. The 2011 Budget and related property tax levies were approved by the City Council and certified to Hennepin County in December, 2010. The 2012 Budget and related levies were approved in concept by the City Council at the same time. During 2011, the proposed 2012 Budget will be reviewed and refined, where necessary, before adoption by the City Council and certification to the County in December, 2011.

Adopted 2011 Budget

The 2011 Budget Summary schedule is shown on Pages 14 through 17. The budgeted revenues, including transfers in, for all funds total \$125,643,751. Appropriations for all funds total \$133,495,188. The \$7,851,437 differential comes from existing fund balances or retained earnings, as appropriate.

The General Fund is balanced, with revenues equaling expenditures. The expenditure budget includes a contingency of \$1,411,350, 2.5 percent of the proposed budgeted expenditures as required by the City's Charter that is available for emergencies or unanticipated costs or opportunities.

The Special Revenue Funds' revenue budget of \$4,651,044 is \$2,947,491 less than budgeted expenditures of \$7,598,535. This is primarily the result of funds transferred from the General Fund to the Pension Fund to cover increased pension obligations. The City's consolidated Police Pension Fund, which was merged with the statewide Police and Fire Pension Fund, was subsequently closed at the end of 1999, and residual assets (assets in excess of the actuarial value of future obligations) totaling \$26.6 million were returned to the City in December 1999. The residual assets must be spent to offset police operating and capital expenses.

Debt Service Fund revenues of \$6,901,415 are \$174,352 less than the \$7,075,767 required to meet debt service payments. This difference will be covered by Fund Balance in these funds.

The Enterprise Funds' budgets with revenues of \$33,408,154 and expenses of \$35,406,076 result in a net decrease of \$1,997,922. Most of the decrease is due to capital spending in the Utility Funds, accrued for several years for improvements to the water, wastewater and storm water systems.

The \$2,731,672 decrease in the Internal Service Funds results from revenues of \$26,247,074, less than expenses of \$28,978,746. Fees to the Internal Service Funds were frozen at 2009 levels for 2010, and raised slightly for 2011 while using working capital above established goals for any operational increases.

Revenues

Excluding Internal Service Funds and Capital Project Funds, the largest sources of revenue are described below. The largest five categories account for 85 percent of the revenue budget.

Property Taxes - The largest source of revenue is property taxes of \$41,196,274 comprising 42 percent of total revenues. Property taxes are levied for several different City purposes. The largest portion of property tax is sent to the General Fund to support general taxpayer services such as police and fire protection, street plowing and repair, and human service programs. For 2011 this levy is allocated across the tax base according to market values set at the beginning of 2010 from sales data gathered from October 2008 to September 2009 and property classification rates. This process is set out in State Statute.

Property taxes are also levied to pay debt service and tax abatement and to support recreational facilities and the Pavement Management Program (PMP).

Utility Fees - Utility fees for water, sewer, storm water and solid waste account for \$26,455,332 of the City's revenues or 27 percent. Fees are charged for purchase of water and sewer service, storm water management and the City wide recycling and solid waste programs. Rates are determined by calculating the amount of funding needed to cover operations and future capital costs less any other operating revenue, grants or intergovernmental funds predicted to be received by each utility operation. For 2011, storm water and solid waste utility fees were kept at 2010 levels. The Water and Wastewater funds have implemented state-mandated conservation fees which lower rates for low volume users raising them for higher volume users. Also, these changes shifted residential wastewater rates from a set to a volume rate based on winter usage with an established minimum.

Program Income – Program income for all budgeted funds is \$7,116,635, or seven percent of revenue. Program income includes funds received from fee-supported services such as green fees, pool admissions, sport team fees, and health examination fees. Fees are reviewed every year and usually increased by inflation annually. For 2011 most fees, except some recreation program fees, remained at 2009 levels for a second year.

Lodging and Admission Taxes – These taxes account for \$6,325,000 of City revenues, or six percent. Lodging taxes of 7% are collected from the sale of hotel and motel lodging accommodations and related services for a period of fewer than 30 days. Lodging tax is expected to increase by three percent over the 2010 budget. An admission tax of 3% is collected on every entertainment event in the City including theater tickets and cover charges at entertainment venues. Admissions tax is expected to increase by 19.9 percent from the 2010 budget in 2011. That amount is equal to projected revenues received in 2010.

Other Revenue/Transfers – This revenue of \$4,030,610 includes cell tower rentals, donations, refunds and operating transfers from other funds and accounts for four percent of revenue. A major contributor to this type of revenue is the City's Port Authority which collects liquor and lodging fees in the area around the Mall of America and transfers in funding to reimburse the City for things such as infrastructure projects and police operations.

Permits and License Fees – Permits and license fees of \$3,911,500 account for four percent of total revenues. Permits are required for most construction projects and major remodeling projects. Licenses are required for certain businesses such as taxi cabs and

locations selling liquor or beer and for cats and dogs in the City. License revenue is expected to increase by more than 8 percent and permit revenue is expected to increase by 12 percent based on more commercial construction expected in 2011.

Intergovernmental Revenue – Intergovernmental revenue of \$3,973,106 includes retirement, state aid for Police and Fire and grants for health and public safety programs. The 2011 Budget includes a 3.8 percent decrease in this type of revenue with decreasing PERA aid from the State of Minnesota.

Special Assessments – These funds are collections from specific projects that require a payment from the affected taxpayer, such as street reconstruction, which is charged 25% to the homeowner on that street. This revenue is budgeted in 2011 at \$3,013,000, three percent of total revenue.

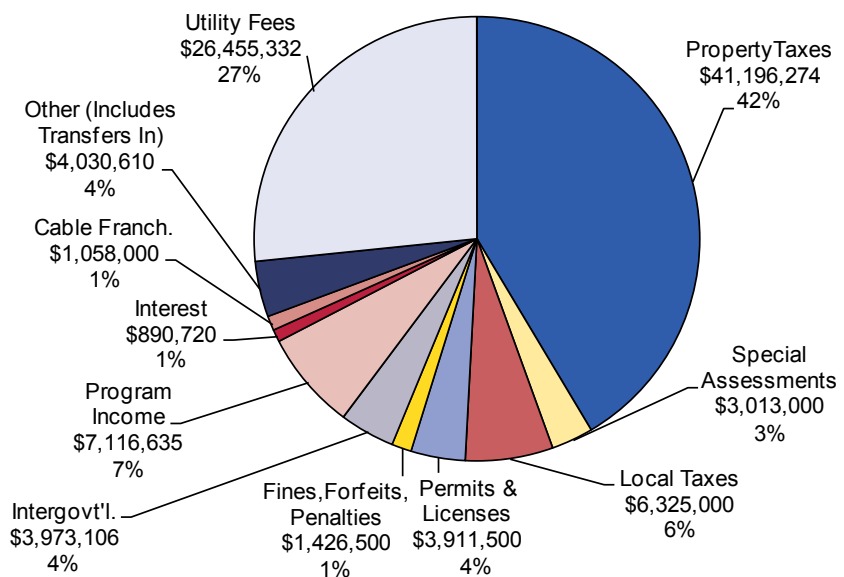
Fines, Forfeitures, Penalties – These funds are the City’s share of police patrol traffic citations and other funding coming from the court system. The 2011 budget for this revenue is 33 percent greater than the 2010 budget to match projected actual collections.

Cable Franchise Fee – This funding is paid by the cable television franchise participants in the City of Bloomington based on gross receipts of Cable TV services (but no internet service over same cable network).

Interest Earnings – Earnings are dependent on interest rates and amount of funds available to invest. The trend in rates has been down, so less interest income is budgeted for 2011 than in 2010.

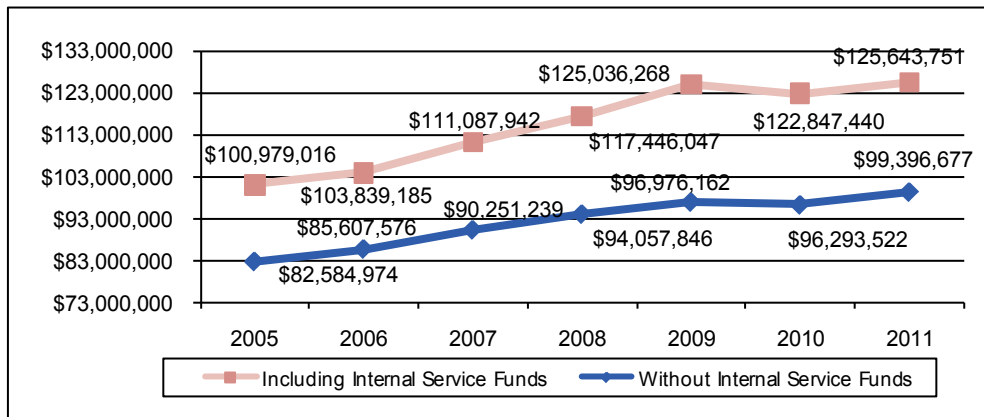
2011 Budgeted Revenues

All Budgeted Funds (Except Capital and Internal Service Funds)

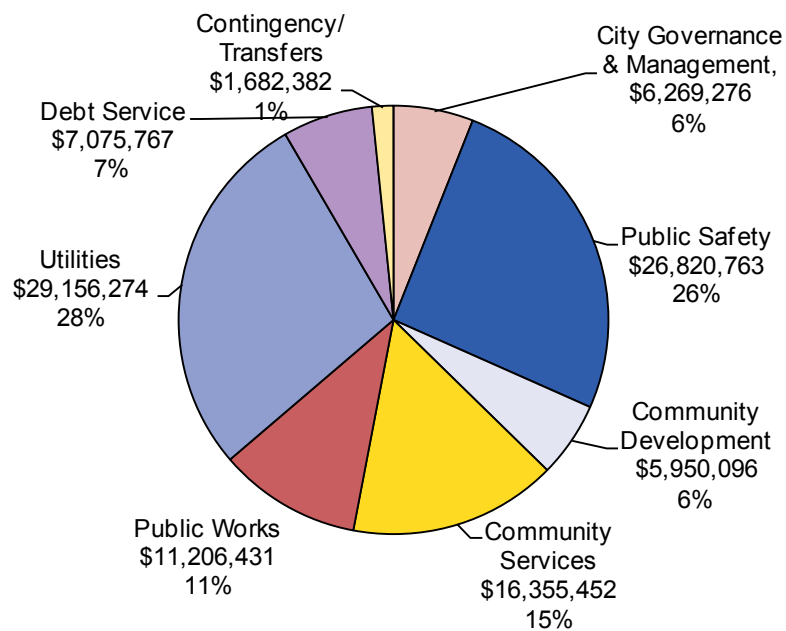


Total Budgeted revenues for all funds equal \$125,643,751. Excluding internal service funds, total revenues equal \$99,396,677 as shown in the graph by major source.

Total Budgeted Revenues



2011 Budgeted Appropriations

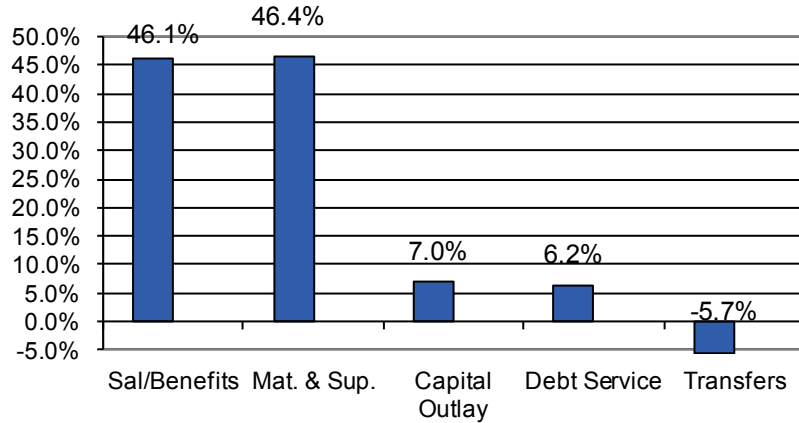


Total appropriations for the General Fund, Special Revenue, Debt Service and Proprietary Funds equal \$133,495,188. Not including Internal Service Funds, total appropriations equal \$104,516,442. Major programs and funds are shown in the above graph.

The four largest components of the 2011 budget, accounting for 79 percent of the appropriations, in descending order based on dollars are as follows:

Utilities	\$29.2 million	29%
Public Safety	23.4 million	23%
Community Services	16.4 million	16%
Public Works	11.2 million	11%

All Funds – Appropriations by Categories



The City's expenditures are budgeted in five major spending categories: salaries and benefits, materials and supplies, capital, debt service and transfers. This chart shows the breakdown of expenditures by spending category for all funds. For the General Fund alone, Salaries and Benefits are 73 percent of the budget and Materials and Supplies are 34 percent of the budget before the Estimated Unspent amount is credited.

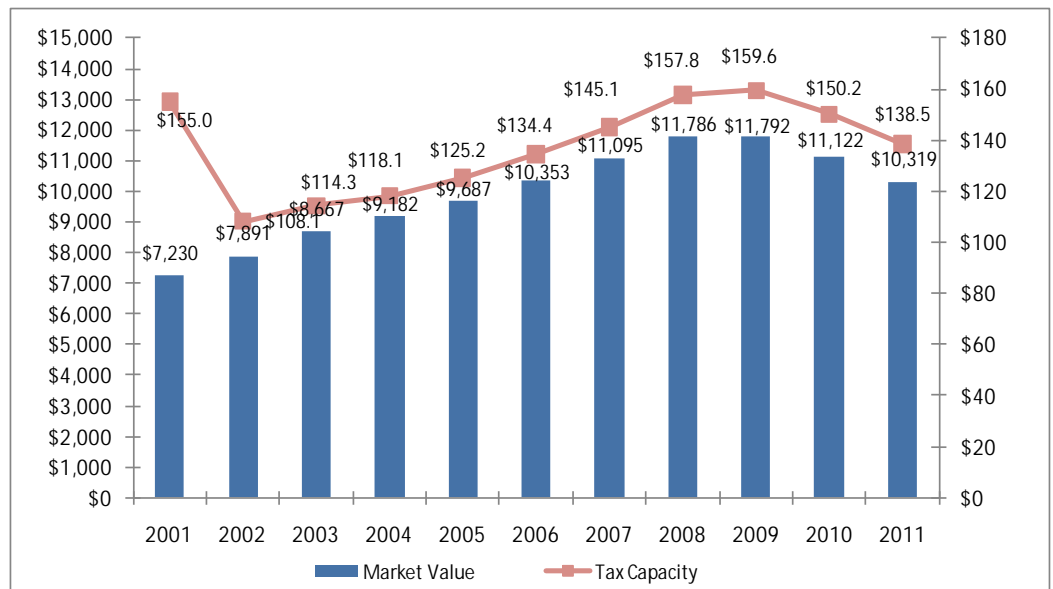
Tax Base

Market values used to calculate 2011 taxes decreased by 7.2 percent. There was a corresponding drop of 7.8 percent in gross tax capacity. However, adjustments for fiscal disparities and tax increment finance districts resulted in a net tax capacity (i.e. tax base) drop of 8.3 percent. Market values are not used directly to calculate tax. Market values and state mandated classification rates are used only to distribute the dollar amount of levy requested.

The proportional share of net tax capacity went up slightly for residential and apartment property for pay 2011 and down slightly for commercial/industrial properties. The proportional share of tax burden borne by various property types is constantly changing based on relative changes in market value for each class of property.

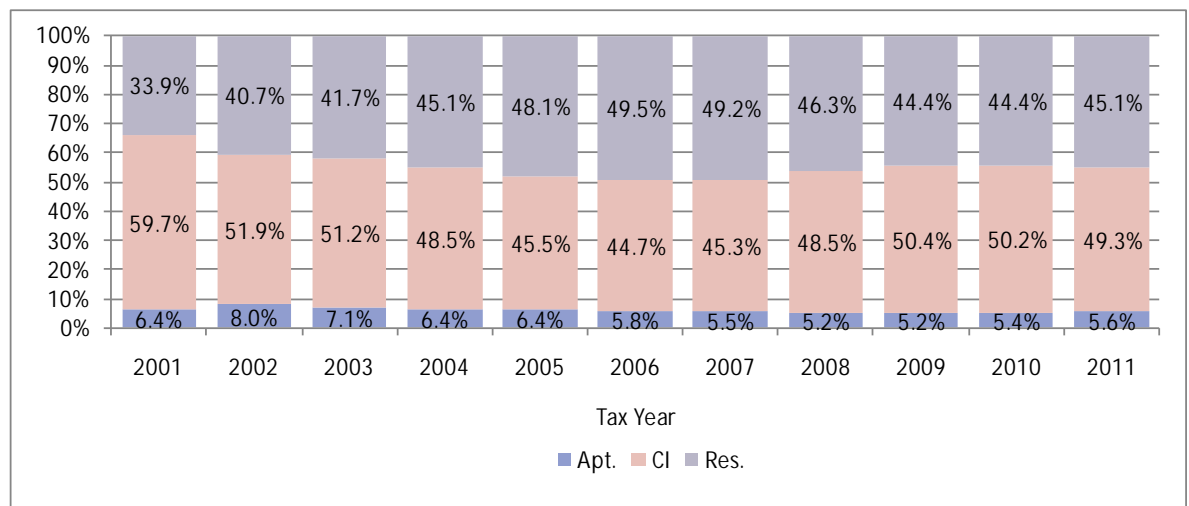
Tax Capacity (\$ in millions)

Total City Market Value and Tax Capacity by Tax Year
(\$ in millions)



As a result of the 2001 property tax reform that became effective for 2002, a shift of tax base from commercial/industrial to residential property occurred. The shift continued into 2006 with market value for residential property rising faster than commercial/industrial property. In 2007, the trend reversed and residential growth rates were lower than commercial growth. Total market value shows its first decline in over 25 years dropping from \$11.8 billion in tax payable year 2009 to \$11.1 billion in tax payable year 2010. This trend continued with a drop to \$10.3 billion in tax payable year 2011. Market values are determined according to State statute. Property sales from October 2008 through September 2009 were used as the basis for valuation statements which were issued in early 2010 for property taxes paid in 2011.

Total City Tax Capacity Comparison



The City of Bloomington is fortunate to have a relatively large commercial and industrial (CI) tax base. A healthy mixture of residential and commercial property helps to protect the local economy from shifts in tax base the way a well-diversified portfolio protects an investor from market fluctuations.

Taxes Payable 2011

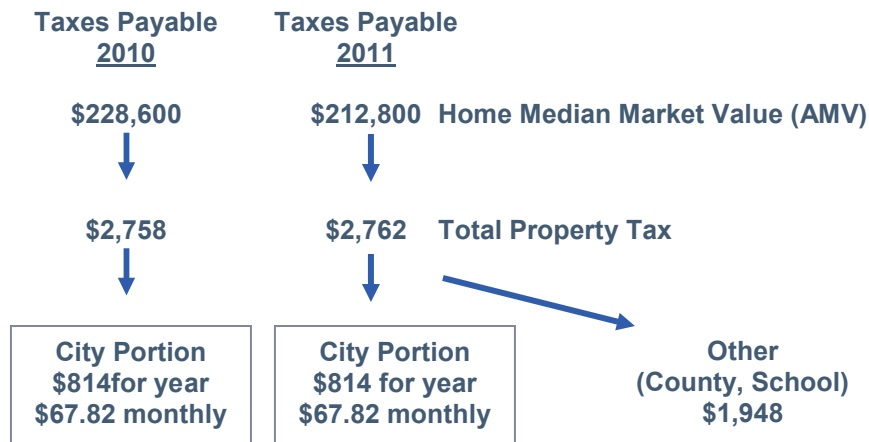


This graphic illustrates the total tax for a residential property as shared by the taxing jurisdictions. Only 29 percent of the total tax is levied for City activities.



This graphic illustrates the total tax for a commercial property. For every total tax dollar, 12 cents comes to the City.

City Services



The City's levy is allocated against the tax base along with the levies for the school district, county and other local governments. A median value home in Bloomington pays on an assessed market value determined in 2010 of \$212,800.

Total taxes of \$2,762 are shared by local governmental agencies based on each taxing district's adopted levy.

The City's share of property taxes of \$814 annually equals \$67.82 per month on a median value home in Bloomington.

City Allocation of Property Tax Resources

The net tax cost by service expenditure was developed by crediting related revenues against the appropriate expenditures and allocating the local taxes against the remaining balances. Net monthly property tax costs for budgeted years 2009, 2010 and 2011 are as follows:

<u>City Service</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police	\$ 22.82	\$ 24.56	\$23.14
Public Works	18.19	18.73	17.84
Community Services	9.60	10.55	10.10
Debt and Capital	6.43	5.79	7.20
Fire	3.97	3.45	5.53*
Community Develop.	<u>4.16</u>	<u>4.74</u>	<u>4.01</u>
	\$65.17	\$67.82	\$67.82

*Due to increased pension obligation.

City Council Established General Fund Service Priorities

The City Council prioritized the tax supported programs of the City as shown below. The cost shown is the net property tax cost to the median value single family home.

Tier I services, the highest priority, include mostly public safety and City infrastructure programs. Tier II includes many community safety, planning, prevention and maintenance programs. Tier III is generally made up of quality of life programs.

TIER I PUBLIC SAFETY AND INFRASTRUCTURE		TIER II COMMUNITY SAFETY, PLANNING, PREVENTION AND MAINTENANCE		TIER III QUALIFY OF LIFE	
Police Patrol (including EMS)	\$16.81	Park Maintenance	\$ 3.79	General Recreation	\$ 3.80
Street Maintenance	\$ 6.57	Engineering	\$ 2.42	Human Services	\$ 2.68
Police Investigation	\$ 4.89	Environmental Health	\$ 1.76	Public Health	\$ 0.86
Capital/Debt	\$ 7.20	Community Planning	\$ 1.54	Aquatics	\$ 1.17
Fire Support	\$ 3.62	Emergency Preparedness	\$ 0.27	Cultural & Special Events	\$ 0.72
Traffic & Street Lighths	\$ 2.99	Emergency Response	\$ 0.22	Center for Arts	\$ 0.87
PMP	\$ 1.97	Property/Cemetery Maintenance	\$ 0.10	Animal Control	\$ 0.24
Fire Prevention/CD	\$.72	Bomb Squad	\$ 0.05	Deer Control	\$ 0.02
Crime Prevention	\$ 0.63	Fire Prevention/Public Safety	\$ 0.04		
Fire Pension	\$ 1.87				
Total	\$47.27		\$ 10.19		\$10.36

City Service and Community Investment and Renewal Costs

Taxes are allocated to taxpayers based on property value. However, the cost of City services is often independent of the value of the property receiving the service.

- Police and Fire send the same emergency response and provide the same prevention service regardless of whether the property is a one-story ranch style or a three-story walkout.
- Public Works provides the same level of snow removal, street maintenance and street repair to a home valued at \$200,000 on an 80-foot lot as to a home valued at \$500,000 on an 80-foot lot.
- Parks Maintenance and Parks and Recreation programming are a function of the people who use the services, not the value of the property on which these people live.

Another factor related to City cost is community renewal and infrastructure replacement. Bloomington is an older community and older communities have larger renewal and infrastructure replacement costs than their faster growing suburban neighbors.

Levy Components

The dollars levied in 2011 by fund as compared to the 2010 levy are illustrated in the following table:

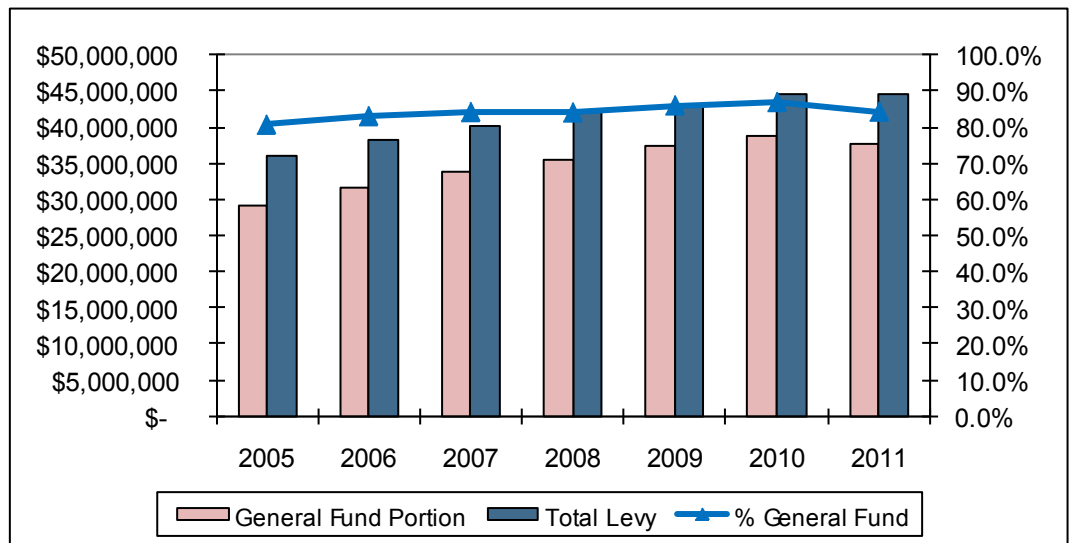
<u>Fund</u>	<u>2011</u>	<u>2010</u>	<u>Current % Increase (Decrease) Over 2009</u>
General	\$37,570,199	\$38,780,596	(3.12)%
Debt Service	3,573,935	3,148,474	13.51
Tax Abatement	266,698	336,290	(20.69)
Recreation Facilities	1,086,641	999,633	8.70
Fire Pension	1,001,105	0	--
Pavement Management	<u>1,054,175</u>	<u>1,341,288</u>	(21.41)
Total	<u>\$44,552,753</u>	<u>\$44,606,281</u>	<u>(0.12)%</u>

The 0.12 percent levy decrease is made up of the following:

- § 0.79 percent increase for debt and abatement
- § 0.20 percent increase for Recreation Facilities
- § 0.64 decrease for Pavement Management
- § 2.24 increase for Fire Pension and
- § 2.71 percent decrease for holding open positions longer than normal.

The City's general fund levy decreased from 2010 to 2011 by 3.12 percent or \$1,210,397. The 2011 General Fund budget includes a 0.50 percent decrease in spending from 2010. Several vacant employee positions will be held open longer than in previous years as part of the City's downturn strategy to make this reduction possible.

General Fund Portion of Levy



The average increase in the gross levy over the past fifteen years is 3.72 percent; the past ten years is 4.27 percent; and the past five years is 3.16 percent.

Changes in Fund Balance and Working Capital Balance

Fund balance is defined as the difference between a fund's assets and liabilities. Adequate fund balance is necessary to have funds for emergency or unexpected events, to enhance the City's financial position and bond ratings, to provide cash for operations prior to receipt of tax revenues and to maximize investment earnings.

Working capital balance, defined as current assets less current liabilities, is carefully monitored to ensure enough financial flexibility to meet both short and long-term goals for each fund. The City does five, ten and 15-year modeling to see where fund balance might become problematic.

Fund Name	Est. YE 2010 Fund Balance	2011 Revenues	2011 Expenditures	Ending Balance	Working Capital Goal	% Change in Fund Balance	\$ Change in Fund Balance	Reason for Greater than 10 Percent Variance
Public Health Special Revenue	\$ 360,013	\$1,460,073	\$ 1,497,943	\$ 322,143	\$ 0	(10.5%)	\$ (37,870)	Spend down of grant reserves.
Police Special Revenue	6,668,058	1,764,996	4,596,604	3,856,450	1,268,413	(42.2%)	(2,811,608)	Includes the Pension Residual Fund 20-year amortization to defray Police service expenses and levy to pay pension obligation.
Communications	931,748	1,306,475	1,389,268	848,955	74,200	(8.9%)	(82,793)	
South Loop Development	1,668	119,500	114,720	6,448	0	296.6%	4,780	Expenses are on reimbursement basis. Low balance overstates percentage change.
Water/Wastewater	10,425,547	21,377,846	22,023,931	9,779,471	7,017,047	(6.2%)	(646,076)	
Storm Water	4,056,500	4,597,106	5,776,416	2,877,190	3,251,975	(29.1%)	(1,179,310)	Reserves available to fund projects delayed in prior year.
Solid Waste	687,800	1,310,280	1,335,927	662,153	423,000	(3.7%)	(25,647)	
Recreational Facilities	1,837,000	4,990,842	5,126,948	1,700,894	1,992,800	(7.4%)	(136,106)	
Police Contractual	0	540,000	540,000	0	0	(0.0%)	0	
Motor Vehicle	(67,762)	632,080	582,854	(18,536)	83,000	72.6%	49,226	Restructuring to cut costs and improve health of the fund.
Information Systems	3,396,873	3,371,962	3,991,565	2,777,270	2,342,800	(18.2%)	(619,603)	Will purchase two major operating systems.
Equipment	5,062,298	5,307,077	5,105,247	5,264,128	4,077,167	4.0%	201,830	
Support Services	239,351	605,309	619,835	224,825	80,000	(6.1%)	(14,526)	
Public Safety Radios	1,250,352	441,757	535,676	1,156,433	495,000	(7.5%)	(93,919)	
Self-Insurance	1,775,659	986,030	1,281,824	1,479,865	1,003,700	(16.7%)	(295,794)	Several major workers compensation cases.
Insured Benefits	1,346,466	9,362,473	9,304,793	1,404,146	1,551,000	4.3%	57,680	
Accrued Benefits	(1,145,697)	1,710,346	1,597,200	(1,032,551)	0	9.9%	113,146	
Facilities	3,479,087	4,462,130	6,542,605	1,398,612	5,895,544	(59.8%)	(2,080,475)	Spend-down of reserves as downturn strategy.
General Fund	19,912,160	54,436,064	54,436,064	19,912,160	18,131,562	0.0%	0	

Working Capital Balances

Fund Name	Basis	Justification	Formula (if any)	Current Recommended Balance	Estimated 12/31/10 Working Capital	Estimated 12/31/11 Working Capital
General Fund	Approximately 50% of General Fund Gross Tax Levy	Cash flow – 1 st half of property taxes, including Fiscal Disparities are not received until June	$\$36,263,124 \times 50\%$	\$18,131,562	\$19,570,353	\$19,570,353
Public Health Funds State Incentive Grant	Operates on a reimbursement basis – funds must be expended to receive grant revenue. At year-end current assets equal current liabilities. No working capital.	Generally Accepted Accounting Principles		\$0	\$148,037	\$110,167
Police Special Revenue Funds	DWI Forfeiture – ½ of budgeted operations Enhanced 911 – Lump Sum Drug Forfeiture – Lump Sum Pension Residual Asset Fund	Cash flow Emergency repairs, consoles Emergency Repairs Per 20-year plan	Operating expenditures x 50%	\$69,000 \$70,000 \$20,000 <u>\$1,109,413</u> \$1,268,413	\$176,448 \$451,686 \$305,652 <u>\$5,754,272</u> \$6,688,058	\$150,037 \$147,056 \$246,140 <u>\$3,313,217</u> \$3,856,450
Communications	Volatile revenues; a reserve kept to allow budget amendment if necessary. Lump Sum	Cash flow – Franchise fee is distributed quarterly and is subject to significant fluctuations. To avoid borrowing, a substantial balance is needed Capital replacement	Cable and Franchise Fees x 50%	\$529,000 <u>\$45,200</u> \$574,200	\$734,374 <u>\$45,200</u> \$779,574	\$651,581 <u>\$45,200</u> \$696,781
South Loop	Permit surcharges are collected to fund studies that take place prior to project approval. No working capital	Generally Accepted Accounting Principles		\$0	\$(3,554)	\$1,226

City of Bloomington, Minnesota

Fund Name	Basis	Justification	Formula (if any)	Current Recommended Balance	Estimated 12/31/10 Working Capital	Estimated 12/31/11 Working Capital
	Two months of customer revenue	Cash flow	$\$11,062,509 \times \frac{2}{12}$	\$1,844,000 +		
	Lump Sum	System-wide Replacement		\$2,563,119 +		
	Lump Sum	Emergency repairs		\$500,000 +		
	Long-term capital needs:					
	Lump Sum	Water Mains		<u>\$1,000,000</u> \$5,907,119	\$5,154,997	\$4,981,888
Wastewater Utility	Two months of customer revenue	Cash flow	$\$9,387,337 \times \frac{2}{12}$	\$1,565,000		
	Lump Sum	Emergency repairs		\$500,000 +		
	Lump Sum	Normandale Lake Blvd.		400,000 +		
	Lump Sum	Unscheduled system alterations		\$44,928 +		
	Long-term capital needs:					
		Asset Replacement		<u>\$1,000,000</u> \$3,509,928	\$5,270,997	\$4,757,583
Storm Water Utility	Two months of customer revenue	Cash flow-maintain	$\$4,187,106 \times \frac{2}{12}$	\$698,000		
	Lump Sum	Emergency repairs		\$332,616 +		
	Lump Sum	Long-term capital needs: PMP & Maintenance projects		\$1,232,432 +		
	Lump Sum	Storm water upgrades		\$393,928 +		
	Lump Sum	Lake, pond, creek improvements		\$95,000 +		
	Lump Sum	NPDES requirements		<u>\$500,000</u> \$3,251,976	\$4,675,217	\$3,495,907
Solid Waste Management	40% of the Neighborhood Clean-up Program cost	City is concerned that funding from Hennepin County may be substantially reduced or	$\$562,500 \times 40\%$	\$225,000		

Fund Name	Basis	Justification	Formula (if any)	Current Recommended Balance	Estimated 12/31/10 Working Capital	Estimated 12/31/11 Working Capital
Solid Waste Management (continued)	Tree Replacement	eliminated. \$500 Per Tree	\$0	\$0		
	25% remaining budgeted operating expenses	Enough reserve is needed for cash flow to draw from rather than raise rates if funding is cut.	$\$792,772 \times 25\%$	<u>\$198,000</u>		
				\$423,000	\$687,806	\$642,159
Motor Vehicle	1/8 of budgeted operating expenses	Operating expenses	$\$582,854 \times 1/8$	\$73,000 +		
	Lump sum	Emergency purchase		<u>\$10,000</u>		
				\$83,000	\$15,937	\$65,163
Information Systems	2 month's budgeted operating revenues	Maintenance and Support – GIS	$\$2,482,257 \times 2/12$	\$414,000 +		
	Lump Sum	Equipment replacement (major components)		\$550,800 +		
	Lump Sum	Other Software Systems		<u>\$1,378,800</u>		
				\$2,342,800	\$3,396,873	\$2,777,270
Support Services	1 Month's budgeted operating revenues	Cash flow	$\$600,309 \div 12$	\$50,000 +		
	Lump Sum	Print Shop /Telephone Equipment Replacement		<u>\$30,000</u>		
				\$80,000	\$239,351	\$224,825
Equipment	Operations & Maintenance One month of charges	Cash flow for operations and inventory replacement	$\$3,042,462 / 12$	\$254,000 +	\$420,000	\$201,897
	Replacement – One years of charges	Flexibility to reduce charges in economic downturn	\$1,638,249	\$3,276,000 +	\$2,885,000	\$3,034,148
	Fire Equipment Replacement – 2 years of charges to Fire Dept. for replacement	Build funds for replacement	$\$250,000 \times 2$	\$500,000 +	\$1,703,000	\$1,945,879
	Small Police Equipment – One year's charges	Build funds for replacement	\$47,167	<u>\$47,167</u>	<u>\$54,298</u>	<u>\$82,203</u>
				\$4,077,167	\$5,062,298	\$5,264,127

City of Bloomington, Minnesota

Fund Name	Basis	Justification	Formula (if any)	Current Recommended Balance	Estimated 12/31/10 Working Capital	Estimated 12/31/11 Working Capital
Radio Fund	One month's budgeted operating revenue	Cash flow	$\$243,757 \div 12$	\$20,000 +		
	Lump sum	To replace/purchase additional MDT's/Radios		\$300,000 +		
	Lump Sum	Fiber Optic Network		<u>\$175,000</u> \$495,000	\$1,250,352	\$1,156,433
Facility Replacement & Maintenance	Administration & Maintenance 1 months' budgeted operating expenditures	Cash flow	$\$3,219,277 \div 12$	\$268,000 +		
	Replacement	Minimize future debt of facility replacement cash flow		<u>\$5,627,544</u> \$5,895,544	\$3,479,087	\$1,398,612
Insured Benefits Fund	Two Month's Premiums	Operating Expenses	$\$9,304,793 \div 12 * 2$	\$1,551,000	\$1,346,466	\$1,404,147
Recreational Facilities Funds	Aquatics facilities (2)	Operations		\$447,000 +	\$190,659	\$262,676
	Ice Garden – Lump sum	Emergency repairs and equipment replacement + debt service		\$213,500	\$226,419	\$222,039
	Art Center – 12 months of selected budgeted operating expenses	Cash Flow		\$282,000 +		
	Lump Sum	Furniture, fixtures, equipment		\$50,000 +	\$638,890	\$570,357
	Golf courses (2) – Lump Sum	Cash flow		\$453,000 +		
	Capital	Emergency repairs		<u>\$480,000</u> +	<u>\$780,988</u>	<u>\$645,778</u>
				<u>\$67,000</u> \$1,992,500	\$1,836,956	\$1,700,850
Self-Insurance Fund	Amount cited in Actuarial Report as minimum to cover losses	Guard against significant impact of large claims		\$1,003,700	\$1,775,659	\$1,479,865
Accrued Compensation Fund	Enough assets to offset liability	Generally Accepted Accounting Principles		\$0	\$(1,145,697)	\$(1,032,551)

General Fund Five-Year Budget Projection

The City utilizes a five-year budget model for its General Fund to assist in long-term strategic planning and to detect any future structural funding problems as early as possible. This model can also be used to answer questions such as: what would happen to the levy if we fund pavement management projects at \$2 million and what effect will an increase in bonding have on the levy. This section looks at these projections and the assumptions made in developing these projections.

Revenues

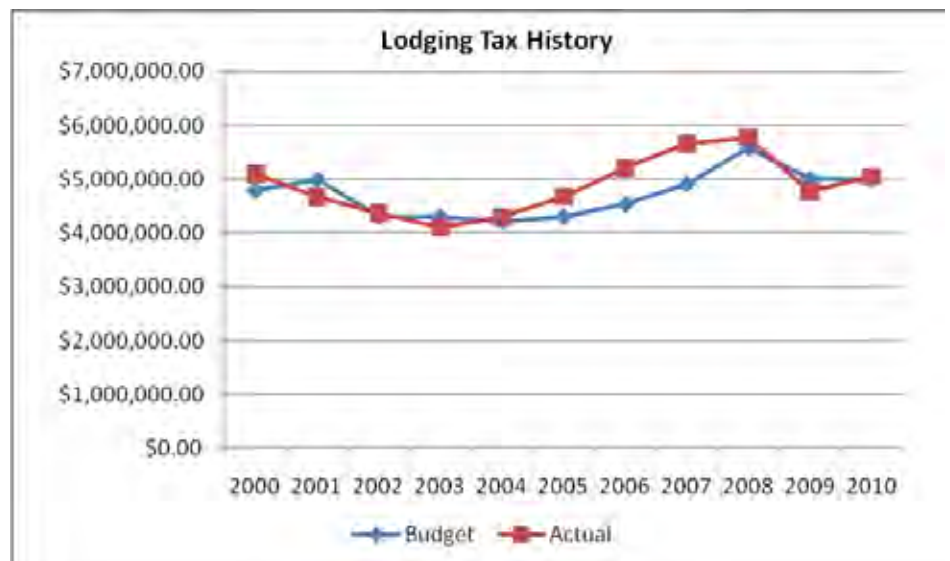
In 2011, revenues are budgeted to decrease from the 2010 budget by 0.5 percent. In the five-year model, revenues are projected to increase each year, from 2012 to 2016, at rates ranging from 3.9 percent to 6.1 percent with an average increase of 4.7 percent.

Market Value Tax Base Growth - Projected market value tax base growth is used as a guide in keeping property tax increases to a reasonable level. Market values increased by an average of 4.8 percent over the past 15 years (since 1996) including a decline in payable year 2011 in tax base of 6.8 percent.

Property tax revenues are the primary source to fund a number of activities in the City including Public Safety and Human Services. An annual property tax levy increase is modeled to cover the worst case scenarios. This increase will likely be reduced as future budgets are refined through appropriation reductions or revenue increases.

Admission taxes of 3 percent are collected from businesses for amusement parks, movie and nightclub admissions. The budget model shows these revenues increase by 2 percent per year starting in 2012 after a 20 percent increase in the 2011 budget to match expected collections in 2010.

Lodging taxes are extremely vulnerable to market downturns as shown in the chart below. The collection in 2010 will almost equal the collection in 2000, before the terror attacks. The high collection mark came in 2008 with the spillover effect of the Republican National Convention (RNC) held in Minneapolis and St. Paul in September. The model shows 3% growth from the 2010 budgeted amount, which is a 2% increase from the actual amount collected in 2010. A 2% growth rate is carried out to the later years of the model.



Business licenses and permits are fairly consistent in quantity each year. Fees for each license type are generally increased to reflect inflation. Permit and license fees were increased by 8.8% over the 2010 budget, but that is the same amount of projected collections in 2010. For 2012, business license revenue is projected to decrease by 0.3% and then increase by 2% a year after that.

Non-business licenses and permits include building permits, which can fluctuate significantly depending on the efforts made by property owners to reinvest and upgrade existing properties. Some disconnect occurs when permits are paid for in one year and the inspection activity for that permit occurs in another year or over several years. Permit fees revenue is budgeted in 2011 to increase by 12.1% over the 2010 budget. For 2012 permit revenue is budgeted to remain flat and then increase by 2.3% through 2016.

Court fines and forfeits are generated from traffic and other violations of the law. A 33 percent increase from the 2010 budget is budgeted for 2011 after the 2010 budget was decreased based on a poor outlook for the 2009 revenue. Revenue for this category is budgeted to increase by 2.5 percent per year through 2016.

Program income is generated by various programs throughout the City. The volume of activity may fluctuate depending on the weather (for seasonal operations) and the cost of services. The budget for 2011 shows a 1.1 percent increase from 2010. Program revenue is expected to drop slightly for 2012 and then remain flat through 2016.

Intergovernmental revenues decrease in 2011 with less state aid for police pensions. Funding in later years increases slightly in 2012 and remains flat because of the uncertainties of this funding source.

Interest is scheduled to remain flat compared to estimated earnings in 2010. This is a 22.6 percent decrease from the 2010 budget. Interest earnings are expected to return to a growth rate of 2.5 percent starting in 2012 based on projections of interest rates and cash balances.

Potential Sources

Franchise Fees - The City is authorized to impose a utility franchise fee but does not currently impose such a fee. In 1997 a study was conducted on the impact of this fee and presented to the City Council who may reconsider such a fee, if needed, in the future.

Appropriations

Appropriation needs are developed by the responsible program manager after certain fixed costs such as salaries, benefits and internal charges are forecast. On average, salaries and benefits make up approximately 75 percent of General Fund service costs.

Overall, appropriations in the model are projected to increase annually at a rate of 4.7 percent.

Salaries are projected, as well as most other expenses, to increase by an estimated cost of living plus incentives for merit and step increases. For 2010 no wage increase was given and in 2011 a 2.0 percent increase was budgeted. The later years of the model include wage increases for modeling purposes only.

Health and dental costs are expected to exceed inflation with an annual increase of 6 percent for 2011, the same increase as in 2010. The City created the Insured Benefits Internal Service Fund in 2002 to help smooth out the variability of health and other benefit insurance costs. The long-term plan is for this Internal Service fund to help level out the effect of steep rate increases, especially to the General Fund.

Downturn Strategy Recovery – Part of the City’s strategy for dealing with the loss of revenue was to reduce expenditures to the Internal Service Funds. One example is the Fire Department Equipment Fund. Appropriations for fire equipment replacement were reduced in 2010 after reprioritizing the fire capital replacement list. That funding will be replaced starting in 2011 so the increase for fire appropriations increases more than the majority of departments. Another strategy implemented was to keep open positions open longer than normal. This is shown as an increase to the Estimated Unspent category on the expenditure side of the budget.

Contingency - An estimated unspent contingency expenditure is included to offset the budget by an amount historically under spent in the general fund as a whole. A contingency of at least 2.5 percent of the current year’s budgeted expenditures, as required by the City’s Charter, is included in the model.

Structural Balance

The model is a reflection of conservative estimates of revenue and expenditures and shows a balanced budget for all years. Each year the model is adapted to include changes in inflation, community growth, program choices and levels of service. The out-year modeling is a mathematical exercise intended to include funding at desired levels. In reality, the out-years will be tempered with levy limits, program choices and politically influenced levels of service.

During the past sixteen years that this model has been used, budget gaps identified have always been closed a year or two before budget adoption through the employment of cost reduction and/or revenue enhancement methods.

This is a part of a larger model the City developed in 1998 to deal with cyclical downturns. As explained in several sections of this document, there are a number of alternatives for increasing revenues or decreasing expenditures that the City will continue to consider. The City has demonstrated successfully how to apply these to work through the downturn and to phase out their usage in the upturn restoring fund balances where appropriate. One of the main principles used is conservative budget management to keep expenditure increases in line with inflation plus community growth.

City of Bloomington, Minnesota

	2011	2012	2013	2014	2015	2016
REVENUES						
Property Tax	\$37,570,199	\$40,820,225	\$43,313,089	\$45,393,174	\$47,450,983	\$49,749,206
Mkt. Val. Homestead Credit	(1,307,075)	(1,372,959)	(1,194,498)	(1,071,405)	(985,308)	(908,795)
Less Dlinq. & Abatements	(855,898)	(875,016)	(792,516)	(708,366)	(622,534)	(634,984)
Delinquent Collections	200,000	200,000	200,000	200,000	200,000	200,000
Admissions Tax	1,175,000	1,198,500	1,222,470	1,246,919	1,271,858	1,297,295
Hotel-Motel Tax	5,150,000	5,253,000	5,358,060	5,465,221	5,574,526	5,686,016
Business Lic. & Permits	1,550,000	1,549,500	1,580,490	1,612,100	1,644,342	1,677,229
Non-Bus. Lic. & Permits	2,242,000	2,242,000	2,293,566	2,346,318	2,400,283	2,455,490
Court Fines	1,200,000	1,230,000	1,260,750	1,292,269	1,324,575	1,357,690
Program Income	2,019,351	2,010,351	2,010,351	2,010,351	2,010,351	2,010,351
Intergovernmental Rev.	2,154,032	2,163,032	2,163,032	2,163,032	2,163,032	2,163,032
Interest Earnings	280,000	287,000	294,175	301,529	309,068	316,794
Transf. from Other Funds	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Police Pension	313,000	258,000	203,000	148,000	105,000	75,000
South Loop Revenue	782,566	801,162	829,203	858,225	888,263	888,263
All Other	462,889	470,988	487,473	504,534	522,193	540,470
Total Revenues	\$54,436,064	\$57,735,784	\$60,728,644	\$63,261,901	\$65,756,631	\$68,373,056

	2011	2012	2013	2014	2015	2016
APPROPRIATIONS						
City Council/Com.	\$527,384	\$536,063	\$556,165	\$577,022	\$598,660	\$621,110
City Manager	325,963	335,452	348,031	361,083	374,623	388,672
Legal	1,132,400	1,157,182	1,200,576	1,245,598	1,292,308	1,340,769
Human Resources	689,838	702,860	729,217	756,563	756,563	784,934
Finance	958,177	997,483	1,034,889	1,073,697	1,113,961	1,155,734
Police	20,339,481	21,033,436	21,822,190	22,640,522	23,489,542	24,370,399
Fire	2,684,717	2,839,631	3,046,117	3,260,347	3,382,610	3,509,457
Community Develop.	6,195,991	6,390,761	6,630,415	6,879,055	7,137,020	7,404,658
Community Services	8,856,769	9,586,106	9,945,585	10,318,544	10,705,490	11,106,946
Public Works	11,898,966	12,289,430	12,750,284	13,228,419	13,724,485	14,239,153
Technical Service Group	2,404,070	2,536,362	2,631,476	2,730,156	2,832,537	2,938,757
Offset for Est. Unspent	(3,364,042)	(2,467,351)	(1,831,922)	(1,799,703)	(1,767,192)	(1,733,462)
Contingency	1,411,350	1,468,369	1,525,867	1,586,868	1,646,923	1,709,915
Transfers to Other Funds	375,000	330,000	339,755	403,731	469,104	536,014
Total Expenditures	\$54,436,064	\$57,735,784	\$60,728,644	\$63,261,901	\$65,756,631	\$68,373,056

Operating Fund Crosswalk

This matrix shows the relationship between functional units and funds. For example, the Police Department has some authorized appropriations in the General Fund, in the Police Contractual Enterprise Fund and in several Special Revenue Funds.

Operating Fund	Administration of Fund							
	Police	Fire	Public Works	Community Development	Community Services	Parks & Recreation	Finance	General Government
General Fund	X	X	X	X	X	X	X	X
Enterprise Funds								
Water			X					
Wastewater			X					
Storm Water			X					
Solid Waste			X					
Golf Course						X		
Ice Garden						X		
Art Center						X		
Aquatics						X		
Police Contractual	X							
Motor Vehicle								X
Special Revenue Funds								
Sage Clinic					X			
Other Health Grants					X			
Drug Forfeiture	X							
Enhanced 911	X							
DUI Forfeiture	X							
Other Police Grants	X							X
Pension Residual	X	X						
South Loop Revolving Development				X				
Communications					X			

Staffing

	2006 Authorized Full-Time	2007 Authorized Full-Time	2008 Authorized Full-Time	2009 Authorized Full-Time	2010 Authorized Full-Time	2011 Authorized Full-Time
City Manager	3	3	3	3	3	3
Community Development	51	54	54	54	54	54
Community Services	46	45	46	46	46	45
Finance	23	22	22	22	22	22
Fire Protection	3	3	3	3	3	3
General Government/ City Council	1	1	1	1	1	1
Human Resources	6	6	6	6	6	6
Legal	12	12	12	12	12	12
Police	146	146	147	146	147	148
Public Works	94	97	98	91	93	93
Technical Services Group	20	20	20	20	20	20
GENERAL FUND TOTAL	405	409	412	404	407	407
Special Revenue	16	16	18	22	20	20
Communications	7	7	7	7	7	8
Pension Asset Residual	4	4	3	2	1	0
Public Health	3	3	3	8	8	8
South Loop Revolving Development Svcs.	2	2	5	5	4	4
Enterprise	85	89	87	88	88	88
Motor Vehicle	6	6	6	5	5	5
Rec Facilities Fund	16	16	15	16	16	16
Solid Waste Mgt.	1	1	1	1	1	1
Storm Water Utility	9	12	11	12	12	12
Water & Wastewater Utilities	53	54	54	54	54	54
Internal Service	36	36	39	41	41	41
Equipment Pool	14	14	14	14	14	14
Facilities Replacement & Maintenance	6	6	9	10	10	10
Information Systems	13	13	13	13	13	13
Radio Fund	0	0	0	1	1	1
Support Services	3	3	3	3	3	3
TOTAL OTHER FUNDS	137	141	143	151	149	149
Housing & Redevelopment	10	10	10	10	10	10
Port Authority	1	2	2	3	3	3
TOTAL ALL	553	562	567	568	569	569