

# CITY OF CHASKA

State of Minnesota

## 2013 BUDGET

For the Fiscal Year Ending December 31, 2013

Adopted by Chaska City Council on:  
December 17, 2012

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# City of Chaska 2013 Budget

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# ***City of Chaska 2013 Budget***



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## **2013 Annual Budget**

### **To the Citizens of Chaska, Honorable Mayor, and Chaska City Council:**

Submitted for your review is the proposed 2013 Annual Budget for the City of Chaska, along with a review of major issues and opportunities relating to the City's general operations. The budget, as proposed, I believe meets the needs for continuing to provide excellent municipal services, while at the same time meeting the City's objectives that we have established during the budgeting process.

### **2013 Revenue Issues**

As we have seen for the past 4 years, there continues to be a number of revenue issues the City of Chaska has needed to address as it relates to the preparation of the budget, although these issues have become more manageable as we have seen a gradual return of development activity in the community. This development activity has positively impacted both our Electric Franchise Fee to the General Fund and Building Permit revenue.. As the 2013 budget was put together, there were three major revenue issues we have had to address include:

- Market Values across the community have dropped 6.22% for taxes payable 2013 (this follows a 4.14% decrease in 2012 and over 6% decrease in 2011)
- Will continue to see the State's elimination of the Market Value Homestead Credit Program, and will continue to see no Local Government Aid in 2013
- The unpredictability of new construction in the community, which since 2008 has trended downward, thus reducing our building permit revenue (much more difficult to predict and budget the larger C/I projects we are seeing in the community compared to residential growth)

In 2012, the City identified approximately \$440,000 in revenue shortfall compared to 5-year forecast number that we projected in 2011. Addressing these issues in 2012, came mainly from the deferment of planned expenses to a future date. However, the deficit was also able to be mitigated by the fact that we have seen an increase in electric usage over the past 2-years due to increased economic development opportunities, such as United Health Group, the 212 Medical Center and the addition of Michael's Foods. This increased usage of electricity helped by increasing the amount of electric franchise fee revenue that comes to the General Fund.

For the 2013 General Fund budget, the City had approximately \$536,000 in revenue shortfall compared to our 5-year forecast number that we projected in 2012. As in 2012, this budget addresses the issue through some deferment of planned expenditures, but is mainly able to be addressed through positive economic development activity, which it is felt will increase both our building permit and electric franchise fee revenues to the General Fund over what we anticipated while putting together our last 5-year financial forecast. Development activity has picked up significantly over the past 12 months, with both some small growth in the residential

market, and the addition of several large Commercial/Industrial projects in the community.

With these changes from the 5-year forecast, along with a recommendation to keep our tax levy the same from 2012 to 2013, which would be the fourth year in a row of 0% increase in our tax levy, Staff feels that we are able to adequately address the revenue issues we are currently experiencing, and at the same time meet the budgeting objectives that were supported by the Council in our annual budgeting process. We do think that it is important to point out, however, that as the base of businesses and residents increase in the community, it will likely be unsustainable in future years to expect that we can keep our tax revenue constant while still maintaining the service levels we provide to all of our residents, as we will have a larger base to serve with the positive economic growth we have experienced.

### **Budget Objectives**

After identifying the revenue issues for 2013 that we anticipate the City will be facing, the first step Staff took in the preparation of the 2013 budget was to establish a set of objectives to guide the preparation of the general fund budget. Below, is list of those objectives that were used in both the 5-year financial forecast process and the goals that were used in the establishment of the 2013 budget you see before you now:

- 1) *Maintain existing high-quality service levels, making reductions in service levels only when directly associated with decreased need for service*
- 2) *Maintain a policy of keeping a constant tax rate for limiting growth of tax levy, while also planning levy resources that at a minimum remain constant, thus not inhibiting our ability to maintain existing service levels*
- 3) *Fund replacement of the City's existing capital investments*
- 4) *Fund new programs only after existing, necessary programs are funded*
- 5) *Continue to budget assuming no financial participation from the State through Local Government Aid or Market Value Homestead Credit programs*
- 6) *Develop a plan that allows City to discontinue draw from General Fund reserves*
- 7) *Continue to fund levy needs of Street Reconstruction Program*

Based on the objectives above, and a decrease in market values of 6.22% for 2013, this budget document does recommend having a 0% increase in the tax levy once again for 2013, so that we do not go backwards in the revenues we have to support the services we provide, when in fact, we have seen an increase in the level of services we provide given the recent economic development growth in the community.

### **Key Factors in Revenue Forecast**

Key factors which impact both the cost of providing services and the City's revenue resources are changes in Chaska's population and households. As the number of households in the community increases, there are increased demands for street maintenance, snow plowing, park usage, recreation, police calls, utility bills, etc. Population and household levels also impact expected revenues from utilities, building permits and property tax levies.

A significant trend that occurred in the early part of this decade was the increased rate of residential development in the City. In the 1990s, Chaska's residential development remained relatively stable, with an average of 200 new living units per year.

During that time period Chaska's population increased from 11,339 to 17,450. From 2001 to 2005, in excess of 2400 new living units were approved within new residential subdivisions. In addition, the type of developer shifted from local developers to large national firms. As a result of both increased demand and supply of residential dwellings, a significant increase in new residential dwelling construction activity occurred in the 2003-2005 time period. This large amount of growth resulted in a 35% increase in our population from 2000-2010, with our official population being 23,770. This compared to the 8% average increase in population that was experienced across the rest of the Twin Cities Metropolitan Area, making Chaska and the Southwest Metro Area one of the fastest growing areas in the entire Twin Cities. This growth resulted in an increase demand for service over the last decade.

Over the past 5 years however, residential development in the metro area has decreased significantly as a result of both over-building and a general downturn in the economy. At the same time, the supply of new available lots within the Chaska area has decreased, resulting in a significant downturn in building activity. This resulted in a period of very stagnant residential growth from 2008-early 2012.

However, Staff believes this trend is starting to change for the positive, with a number of new residential developments approved in 2012 which will be built out in 2013. This includes the approvals for several new additions of the Chevalle and Nickel Creek developments, the addition of two multi-family projects in downtown Chaska, with the 51 unit Landing, and 41 unit Creeks Run developments. We also expect to see the addition of several C/I developments in 2013 with the addition to the 212 Medical Center, a second data center in West Creek Corporate Center, and the start of development in the former Chaska Township area. Below is a chart illustrating past population growth and the growth Staff anticipates over the 5-year period.

Year	# of Households	# of New	Est. Pop.
2000	6,979	445	17,449
2001	7,394	415	17,746
2002	7,909	515	18,982
2003	8,378	469	20,107
2004	8,854	476	21,250
2005	9,122	268	21,893
2006	9,323	201	22,375
2007	9,553	230	22,927
2008	9,743	190	23,383
2009	9,767	24	23,441
2010	9,832	65	23,652
2011	9,907	75	23,777
2012	10,039	132	24,094
2013	10,089	50	24,214
2014	10,235	146	24,564
2015	10,323	88	24,775
2016	10,463	140	25,111
2017	10,553	90	25,327

**An analysis of General Fund revenues by major fund source:**

Total revenues anticipated to finance the 2013 General Fund operating budget are 10,639,744, which is an increase of 6.6% from the 2012 budget of \$9,982,679. The majority of the increase in revenues is coming from our growing Electric Franchise Fee, as well as additional building permit activity, both of which are driven by our economic development activities. It should be noted that the increase in the property tax line item does not mean that our overall tax levy has increased, which it has not. What this indicates is that out of our total levy, 2.4% more of our levy is going to our General Fund than to our Equipment Acquisition Fund than in 2012, which is our other fund partially supported by our overall tax levy.

<b>General Fund Revenues</b>						
	2010	2011	2012	2013		
	Actual	Actual	Budget	Budget	Increase	%Increase
<b>Property Tax</b>	\$4,151,290	\$3,930,028	\$4,077,064	\$4,175,754	\$98,690	2.4%
<b>Electric Franchise Fees</b>	2,501,470	2,702,870	2,841,100	3,135,000	\$293,900	10.3%
<b>Other Franchise Fees</b>	222,183	231,531	221,728	228,380	\$6,652	3.0%
<b>License and Permits</b>	766,497	1,275,511	769,863	882,202	\$112,339	14.6%
<b>Other Revenues</b>	1,738,987	1,378,599	1,105,233	1,123,587	\$18,354	1.7%
<b>Admin Charges to Funds</b>	708,284	899,354	967,691	1,094,821	\$127,130	13.1%
<b>Total Revenue</b>	<b>\$10,088,711</b>	<b>\$10,417,893</b>	<b>\$9,982,679</b>	<b>\$10,639,744</b>	<b>\$657,065</b>	<b>6.6%</b>

## **Property Taxes:**

For 2013 the General Fund, Mt Pleasant and Equipment Acquisition Fund budgets requires a total levy of \$4,880,354, which represents an increase of 0% from 2010, 2011 and 2012. It should be noted, that when the total levy is certified, it will show an additional amount of \$152,701. This additional amount represents the first year of tax abatement that was provided to the West Creek Corporate Center Development for development of infrastructure. While we are required to officially levy this assistance, the City is essence is a "pass-through" for these funds, with the same amount coming in from the project that goes out for the tax abatement assistance. It does not have a negative effect on other tax payers in the community.

The total levy will include:

- Continuation of dollars added in 2010 to re-institute the Street Reconstruction Program
- \$6,000 for the Mt. Pleasant Cemetery levy
- \$4,175,754 which is the general tax levy that supports the operations of the General Fund.

As part of the 2013 budget, Staff is recommending no increase in the tax levy from what we have had in 2010, 2011 and 2012, with the following table summarizing Chaska's actual tax levies for 2010, 2011, and 2012 along with the proposed 2013 levy, by each of these funds.

	2010	2011	2012	2013	Increase	%
General	\$ 4,151,290	\$ 3,930,028	\$ 4,077,064	\$ 4,175,754	\$ 98,690	2.4%
Equipment Acq	\$ 463,064	\$ 684,326	\$ 537,290	\$ 438,600	\$ (98,690)	-18.4%
Mt Pleasant	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ -	0.0%
Special Levy (Street Program)	\$ 260,000	\$ 260,000	\$ 260,000	\$ 260,000	\$ -	0.0%
Total Operating and Special Levy	\$ 4,880,354	\$ 4,880,354	\$ 4,880,354	\$ 4,880,354	\$ -	0.0%

## **Impact of Tax Levy on Property Owners**

To understand the impact of the tax levy on individual taxpayers, four factors must be analyzed:

- Market Value Changes
- Any changes in the Tax Capacity Formulas Established by the State
- The City's Tax Levy

Overall, Chaska's market values, excluding tax-exempt property, decreased by \$134,345,200 to \$2,024,747,800, an overall decrease of 6.22%. While we experienced decreases in the residential, apartment and other categories, Chaska did see an increase in our commercial/industrial property values, due to an increased amount of economic development projects occurring in the City. This corresponds with the increase in electric usage we are seeing in the City because of this increased commercial/industrial activity. As mentioned previously, this has helped mitigate some of the impact we have seen in overall slower residential growth than what we saw earlier in the past decade. Below is a summary of the Market Values for taxes payable 2013 (assessed 2012) as established by the County Assessors office:

Chaska 2012 Assessment					
	Residential	Commercial/Industrial	Apartment	Other	Total
2012 EMV	\$1,446,031,800	\$393,124,300	\$97,132,800	\$88,458,900	\$2,024,747,800
2011 EMV	\$1,576,899,500	\$380,738,800	\$105,699,100	\$95,755,600	\$2,159,093,000
Total Value Change	(\$130,867,700)	\$12,385,500	(\$8,566,300)	(\$7,296,700)	(\$134,345,200)
New Construction	\$14,350,200	\$28,164,600	\$0	\$15,100	\$42,529,900
Market Change	(\$145,217,900)	(\$15,779,100)	(\$8,566,300)	(\$7,311,800)	(\$176,875,100)
% New Construction	0.99%	7.16%	0.00%	0.02%	2.10%
% Market Change	-10.04%	-4.01%	-8.82%	-8.27%	-8.74%
2012 Total % Increase	-8.30%	3.25%	-8.10%	-7.62%	-6.22%

Using the 2012 market values and the classification formulas established by the State, the County Auditor has calculated Chaska's 2012 (for taxes payable 2013) gross tax capacity to be 22,743,379 a decrease of 5.65%. To calculate the net tax capacity used for determining Chaska's tax rate, a reduction must be made for captured tax increment and fiscal disparity contributions. Our current captured TIF value is \$4,567,003 with Chaska's fiscal disparities contribution for 2013 being \$2,765,382 resulting in a net tax capacity of \$15,390,994, a decrease of 5.4%.

	2012	2013	Increase	%
Gross Tax Capacity	\$ 24,105,824	\$ 22,743,379	\$ (1,362,445)	-5.7%
TIF	\$ (4,906,333)	\$ (4,567,003)	\$ 339,330	-6.9%
Fiscal Disparities	\$ (2,963,712)	\$ (2,765,382)	\$ 198,330	-6.7%
Other	\$ (20,000)	\$ (20,000)	\$ -	0.0%
Net tax capacity	\$ 16,215,779	\$ 15,390,994	\$ (824,785)	-5.4%

Based on these estimates, Chaska's 2013 tax rate is forecast to be 28.02% (including the HRA/EDA levy and the special levy of \$152,701 for the West Creek Tax Abatement. While our operational tax levy will have a 0% increase for 2013, the tax rate will show us going up by 8.66%. However, 3.129% is attributed to the West Creek Tax Abatement, which will have no negative impact on any other tax payer in the community.

As you will see in the Market Value Chart above, the existing residential property in the City went down by 10.04% in value for taxes payable 2013. For Chaska, this means that the average home valued at \$214,000 in 2012 would reduce down to \$193,000 in 2013. With the change in our tax rate, and factoring in the new Market Value Exclusion Program introduced by the State in 2012, this example house in 2012 would have paid \$506 in City property taxes and in 2013 would pay \$483, or a reduction of \$23 from last year. The actual impact City taxes paid on a home compared to 2012 comes down to exactly what occurs with an individual properties change in market value. If, for instance, a property saw a 5% decrease in market values (1/2 of the average we are seeing for 2013), their City property taxes would be up by \$10 in 2013. However, for the average home, with the average decrease in market values, they will see the Chaska City portion of their tax bill stay the same or go down for 2013.

While the reduction in the overall market value in our community does raise the City of Chaska's tax rate, even if we keep our operational tax levy constant, Chaska will continue to maintain one of the lowest City tax levies per capita of any City in the metropolitan area, ranking third lowest in the entire Metro Area. It also remains the lowest of any City in Carver County as well.

A major concern of property taxpayers is the level of property taxes necessary to fund City services. In considering property taxes in Chaska, three points should be highlighted. First, property taxes account for less than 45% of Chaska's general fund and Equipment Acquisition operating revenues. Secondly, Chaska has always ranked extremely low amongst other metropolitan cities when it comes to total City property tax levels. In the latest Minnesota Citizen's League Survey looking at 2012 City tax data, out of 83 local units of government looked at in the metropolitan area, Chaska ranked 81<sup>st</sup> lowest in City taxes per capita. Even if we included our Electric Franchise Fee revenue in this statistic, and considered it part of the overall City tax levy, Chaska would still rank 73<sup>rd</sup> lowest in the entire Metro Area in City tax levies per capita. At the same time, Chaska has kept its General Fund expenditure down, with Chaska spending \$517 per capita, compared to the \$584 per capita for other cities our size across the State. In this sense, Chaska has continued to perform very well when comparing our City property tax level compared to all of communities in the metropolitan area. It has allowed the City to keep a competitive edge when it relates to other municipalities in the metropolitan area and Carver County.

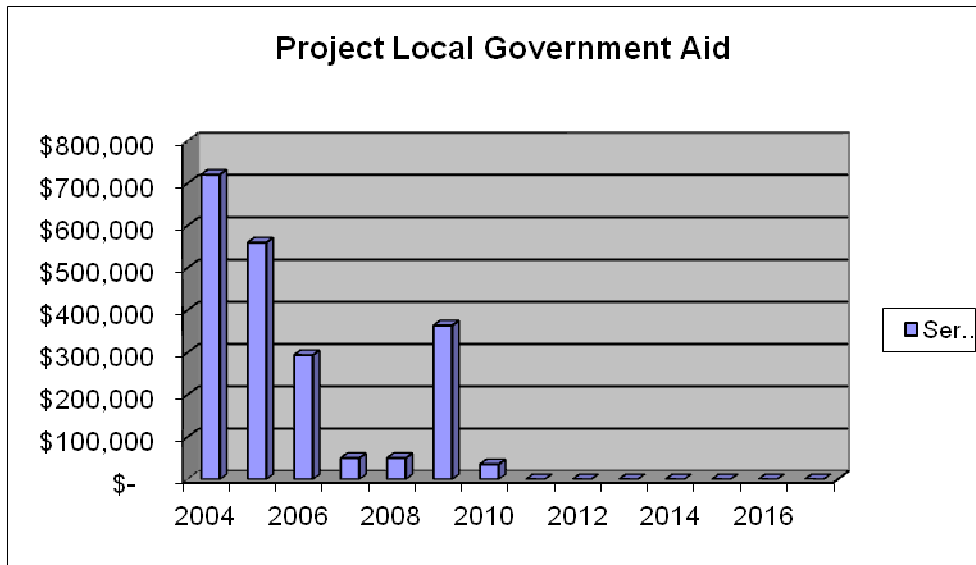
Ranking	City	Taxes	Population	Tax Levy Per Capita
1	Wayzata	\$3,544,720.00	3,688	\$961.15
2	Oak Park Heights	\$3,964,707.00	4,339	\$913.74
3	Golden Valley	\$16,410,252.00	20,371	\$805.57
4	Lilydale	\$498,003.00	623	\$799.36
5	Tonka Bay	\$1,048,592.00	1,475	\$710.91
6	Minneapolis	\$268,075,231.00	382,578	\$700.71
7	Newport	\$2,291,007.00	3,435	\$666.96
8	Shorewood	\$4,763,506.00	7,307	\$651.91
9	Minnetrista	\$4,133,561.00	6,384	\$647.49
10	Orono	\$4,702,558.00	7,437	\$632.32
11	Dayton	\$2,895,527.00	4,671	\$619.89
12	Excelsior	\$1,317,373.00	2,188	\$602.09

48	Chanhassen	\$9,772,151.00	22,952	\$425.76
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72	Champlin	\$7,766,249.00	23,089	\$336.36
73	St. Paul	\$94,609,087.00	285,068	\$331.88
74	Mounds View	\$3,985,384.00	12,155	\$327.88
75	Arden Hills	\$3,040,966.00	9,552	\$318.36
76	St. Paul Park	\$1,655,423.00	5,279	\$313.59
77	Vadnais Heights	\$3,557,329.00	12,302	\$289.17
78	North Oaks	\$1,191,373.00	4,469	\$266.59
79	North St. Paul	\$2,908,845.00	11,460	\$253.83
80	Lauderdale	\$580,722.00	2,379	\$244.10
81	Chaska	\$4,880,365.00	23,770	\$205.32
82	White Bear Lake	\$4,666,030.00	23,797	\$196.08
83	Falcon Heights	\$1,038,303.00	5,321	\$195.13

### Intergovernmental Revenues:

One of the continued challenges in preparing the 2013 Budget has been addressing the significant loss of local government aid following the 2003 Legislative session. In addition to this dramatic change in Local Government Aid lost since 2003, cities have also had to deal with the un-allotment of dollars from the State that were committed in 2008, 2009, 2010 and 2011 in receiving LGA. The City of Chaska is not programmed to receive any LGA dollars in 2013, and with the elimination of the Market Value Homestead Credit program and the State moving to a Market Value Exclusion Program, has eliminated all ties with the State for Aid, with the exception of the Police and Fire Training Aid. The proposed General Fund budget assumes we will receive no Local Government Aid. The following graph depicts the impact of the Legislative changes on Chaska's LGA revenue.



As you can see in the chart above, the City has seen a reduction of nearly \$1 million annually since 2003. While the City was able to mitigate some of this loss early on with growth in the taxable market values in the community, this has been much more difficult to address over the past 4 years, as we have seen little or negative growth in our community's taxable market values. This has especially been significant when considering that our demand for service has not decreased as we have seen decreases in the market value conditions. However, as mentioned previously, one change that has started to occur that has been able to positively mitigate this issue over the last year is the increase in economic development activity, which in turn has increased our Electric Franchise Fee to the General Fund. This is a positive trend that the City will continue to work on, as Economic Development is one of the City of Chaska's top priority goals.

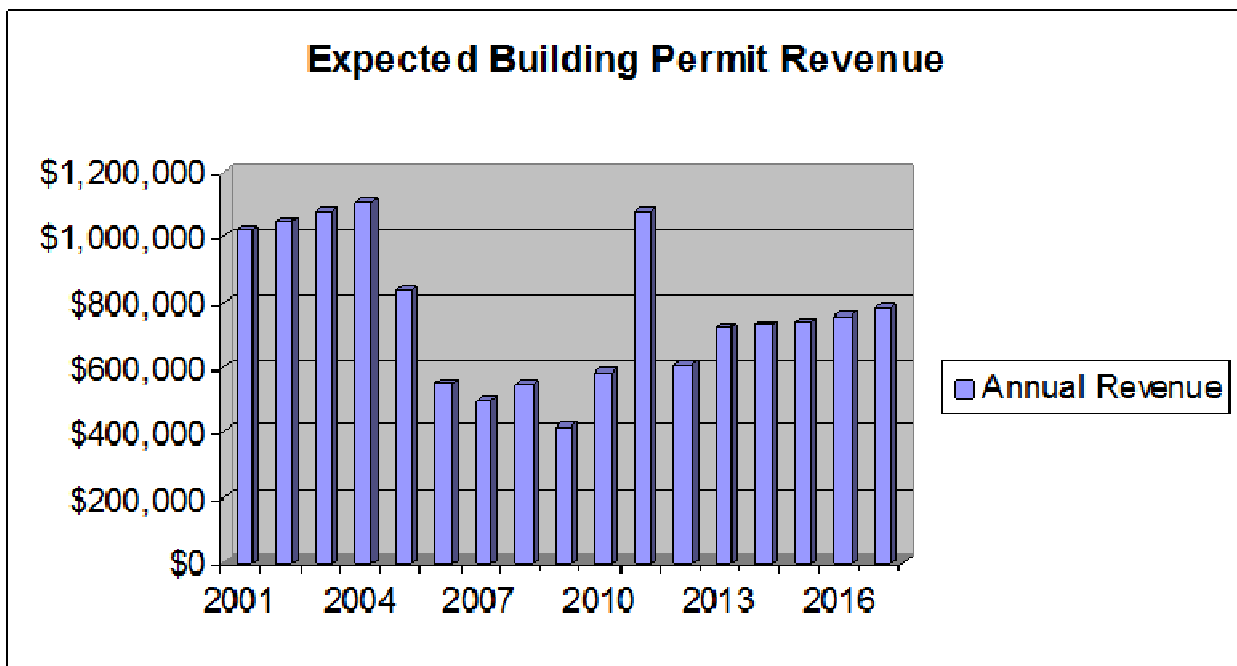
### Licenses and Permits

From 2008-2011, Chaska and the rest of the metropolitan area experienced a dramatic slowdown in not only residential development, but development in all sectors of the market. As a result of the downturn, building permit revenues dropped significantly. Up through 2005, this revenue source was over \$1 million per year, and in 2010 brought in approximately \$500,000. In mid-2011, we did start to see this change as some larger Commercial/Industrial development activity did start to occur, and we ended 2011 with over \$1 million in permit revenue. While we have continued to see good activity during 2012 and expect to see positive movement in 2013, the consistency and predictability of this revenue stream is still fairly volatile, although we do expect to see significantly more activity than we did from 2008-2010.

This positive turn in the market is anticipated to continue into 2013, with Staff anticipating that we will see over \$700,000 in permits, based on the growth we can anticipate at this point. This growth will likely come through the addition of new multi-family housing with The Landing redevelopment in downtown Chaska, and the addition of new/expansion of existing businesses in the community. We are also anticipating the addition of one more building in West Creek Corporate Center, an addition onto the 212

Medical Center, the addition of one more office building in town, and the construction of 41 rental townhomes in the first phase of Creeks Run Development. We anticipate continuing to see modest residential growth of single-family homes in the community, through continued building in the Chevalle, Symphony Hills and Nickel Creek developments, and the start of the first phase of residential development in the former Chaska Township area.

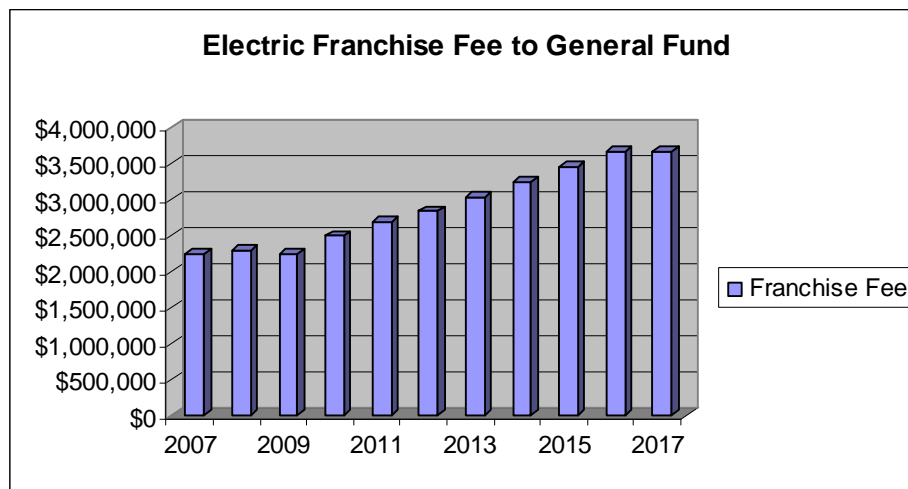
Under our current building projections, our staffing levels would not be sufficient to cover the anticipated workload, and be able to turn around building permits in a timely fashion. Given this, the 2013 budget does include bring back two of the 3 positions we eliminated in 2010, including 1 Building Inspector and the Community Development Technician position. Both of these positions are supported financially supported by the additional revenue we anticipate seeing from Building Permits in 2013.



## Electric Fund Transfers

The City has a formal policy of charging electric distribution suppliers, including itself, a per kilowatt-hour franchise fee, which is roughly equivalent to 10% of the total electric rate of the electric utility. For 2013 the franchise fee is anticipated to generate revenues to the general fund of \$3,135,000. This is approximately \$293,000 more than in 2012, which represents the increase in usage by our existing customers, but also reflects the positive impacts we are seeing through the addition of large economic development projects such as increasing usage at United Health Group's Data Center, additional commercial uses in town, and the addition of SW Christian High School. It is expected that this will continue to increase as we move through 2013 and into 2014 with the number of new projects anticipated to be constructed in 2013 and be open early the following year.

The electric fund continues to be a significant revenue source, accounting for 26% of total 2013 general fund and equipment acquisition fund revenues. It also makes contributions to the General Fund of \$125,000 for administrative expenses, and the equipment acquisition fund of \$150,000 to help reduce the overall tax burden to our residents. These dollars became possible to utilize for funding the General Fund following the addition of Power Plant #2 Gas Turbine, which became operational in 2001.



## Charges for Services:

Charges for services are those revenues, which support City services that are derived from charges to individual users for services, other governmental agencies, or inter-fund charges for administrative services. These would include payroll, finance, administration and Human Resources. For 2013, charges for services are programmed to be \$1,094,821, as compared to \$967,691 in 2012. This increase in charges for services is occurring to help us keep up with the actual cost of service the General Fund is providing to our other Enterprise Funds. The following is a breakdown of the charges to the various departments.

- Economic Development: \$168,545
- Utilities: \$674,141
- Community Center: \$95,558
- Golf: \$98,734
- Municipal Services (MSB): \$57,222

### **Interest Earnings:**

In 2013 we are anticipating that interest rates will continue to stay at very low levels and that average interest rate earnings will be similar to that in 2012. This change will result in interest rate revenues forecast at \$14,000 for the General Fund in 2013.

### **General Fund Expenditures:**

General fund operating expenditures are forecast to be \$10,639,744, which is an increase of 6.58% over the 2012 Operating Budget. In preparing the 2013 budget the following general assumptions were used for the operating budget:

- *No change in the operational tax levy from 2012 to 2013*
- *Operational costs up 1% in 2013*
- *Personnel salaries up 2%, with employer benefit contribution increases of 6.5%*
- *Reintroduction of two positions in the Community Development Department to support new growth in community, including one Building Inspector and one Community Development Technician position*
- *Addition of new Full Time Fire Chief position*
- *Shift planned Engineering Tech position to Assistant City Engineer to prepare for future retirement of existing City Engineer*
- *Fund street sealcoat/overlay program at \$250,000*
- *Finance the acquisition of both 2013 and 2014 scheduled equipment replacement through Equipment Certificate Bonds*
- *Assume no contribution from the State of Local Government Aid*
- *Assume no draw-down on General Fund reserves*

The following is a summary for 2013 expenditures by department.

Department	2010	2011	2012	2013	Increase	%Increase
	Actual	Actual	Budget	Budget		
Council	\$105,334	\$94,401	\$96,487	\$97,065	\$578	0.60%
Administration	\$301,764	\$287,241	\$355,320	\$444,916	\$89,596	25.22%
Administrative Services	\$849,816	\$885,846	\$970,314	\$979,014	\$8,700	0.90%
Data Processing	\$245,946	\$272,641	\$352,278	\$403,396	\$51,118	14.51%
Legal	\$114,024	\$170,665	\$123,125	\$124,356	\$1,231	1.00%
Community Development	\$852,550	\$862,774	\$732,593	\$791,167	\$58,574	8.00%
Engineering	\$238,600	\$264,494	\$223,244	\$236,532	\$13,288	5.95%
Elections	\$32,621	\$481	\$30,777	\$5,000	-\$25,777	-83.75%
Police	\$3,010,213	\$3,124,811	\$3,028,627	\$3,118,147	\$89,520	2.96%
Fire	\$686,332	\$728,373	\$719,750	\$974,029	\$254,279	35.33%
Government Buildings	\$200,608	\$239,986	\$212,125	\$212,726	\$601	0.28%
Public Works	\$2,373,233	\$2,387,009	\$2,425,219	\$2,528,335	\$103,116	4.25%
Recreation	\$471,323	\$454,399	\$483,583	\$517,863	\$34,280	7.09%
Communication	\$64,743	\$124,089	\$147,281	\$154,198	\$6,917	4.70%
Unallocated	\$49	\$76,630	\$81,956	\$53,000	-\$28,956	-35.33%
<b>Total</b>	<b>\$ 9,547,156</b>	<b>\$ 9,973,840</b>	<b>\$ 9,982,679</b>	<b>\$ 10,639,744</b>	<b>\$657,065</b>	<b>6.58%</b>

As can be seen in the chart above, the overall increase in expenditures for 2013 is budgeted to be 6.58%, or \$657,065 above the budget for 2012. The major changes you can see are the reintroduction of one Building Inspector position, one Community Development Technician position, and the addition of a Full Time Fire Chief position. The Community Development Technician and Building Inspector positions are supported by the additional amount of revenue we will see coming into the General Fund due to increased building activity. The Fire Chief is a new position and is being added because of a service need to provide for this position if we are going to meet our long-term objective of providing a high-quality fire service, while keeping the base of our Fire Department personnel volunteers. This position is not supported by additional revenue to the General Fund, but is mitigated by the increase we have seen in Electric Franchise Fee contributions to the General Fund with the increase in economic development growth in the community. One other note is with the Administration line item. This line item shows a 25.22% increase. This is not due to a new position being budgeted, but has to do with shifting positions from other departments into Administration where they more logically are housed. This was simply an administrative change without any new positions being budgeted.

This level of expenditures would allow us to meet our service objectives set for the 2013 budget process.

### **Specific Department 2013 Activities**

#### **Administrative Services**

For 2013, there are no personnel changes planned in the budget. While there are no changes proposed for staffing, we are budgeting the upgrade the Citywide accounts payable/receivable and payroll system, as well as adding an ERP (Electronic Records Program) to manage these new programs. Our current system is over 10-years old and has become unsupportable to continue to utilize. There have been some dollars set aside each year in our Equipment Acquisition Fund to help pay for these changes to our system.

## **Community Development**

As indicated previously, we do anticipate continuing to see an increase in the amount of building activity in the community in 2013, as we saw in both late 2011 and through 2012. In 2010, we saw building permit revenue at only \$500,000 annually, which was down from our past peak of over \$1 million that we had seen each of the years through the mid-part of last decade. In 2013, we anticipate seeing over \$700,000 of building permit activity, which will include both residential and Commercial/Industrial building. Some projects include The Landing (Downtown Block 53 Redevelopment), Creeks Run Townhomes, addition to 212 Medical Center, additional building in West Creek Corporate Center, the start of development in the former Chaska Township area, and the continued residential building in the Chevalle, Symphony Hills and Nickel Creek developments.

With this additional workload will come the need to reintroduce two of the three positions that were eliminated in 2010 with the building downturn we experienced. This includes the reintroduction of one Building Inspector and one Community Development Technician position. Both of these positions will be necessary if we are going to be able to provide a reasonable turn-around time on building permits that we process, and are both supported through the additional revenue we expect to see with increased building activity in the community.

Although over the past several years the City has experienced a significant increase in infrastructure improvements, as well as stormwater maintenance requirements imposed by the State, the current engineering staffing level of full time engineer and an engineer technician are recommended to remain constant. One change that is included in this budget, is funding the Engineering Technician position at the level of an Assistant City Engineer as we move to fill this currently vacant position in early 2013. This does add approximately \$17,000 onto what our existing budget for the position is, but it is felt it is necessary given the small size of the department and the fact that we are currently planning for the retirement of the existing City Engineer within the next couple of years. We want to ensure that we are able to create some continuity of both experience, knowledge of our system and service when this pending retirement does occur. As in the past, any additional workload in this department will be picked up by the City's consulting engineering firm, with costs funded directly by projects.

## **Police**

Some years ago, the City Council established a staffing guideline in the Police Department of one officer per one thousand residents. Although this level is slightly less than the average of 1.2 officers per 1000, for similar sized communities, in the Twin Cities, it was felt to be appropriate for Chaska's needs. Currently, the Department has 24 licensed officers, which is close to our target given our projected population numbers for 2013 estimated to be 24,214 residents. This staffing includes our sworn officers who fill administrative roles. Often cities do not count these officers towards their overall numbers as they do not provide patrol services. We have not planned for the addition of any new staff in this department for 2013, although we did move to fill

our one CSO position with two part-time employees to be able to provide more flexibility in service times to the residents in the community. The Staff member previously providing full time CSO services will spend half time filling our existing half-time department secretary position that was already included as part of the Police Department's budget.

Through the five-year program, we do anticipate that growth in new residents is going to be moderate. Given that, we do anticipate adding an additional police officer position during the 5-year period in 2015, based on our staffing level policy. The timing of this start would be contingent upon what actually occurs with our population numbers, which we will be watching over the next two years.

## **Fire Department**

Currently, the Fire Department has an authorized staffing level of 44 volunteers, although because of retirements on the department, the actual staffing level is currently at 39 volunteers. The staffing level cap of 44 is scheduled to remain unchanged for 2013.

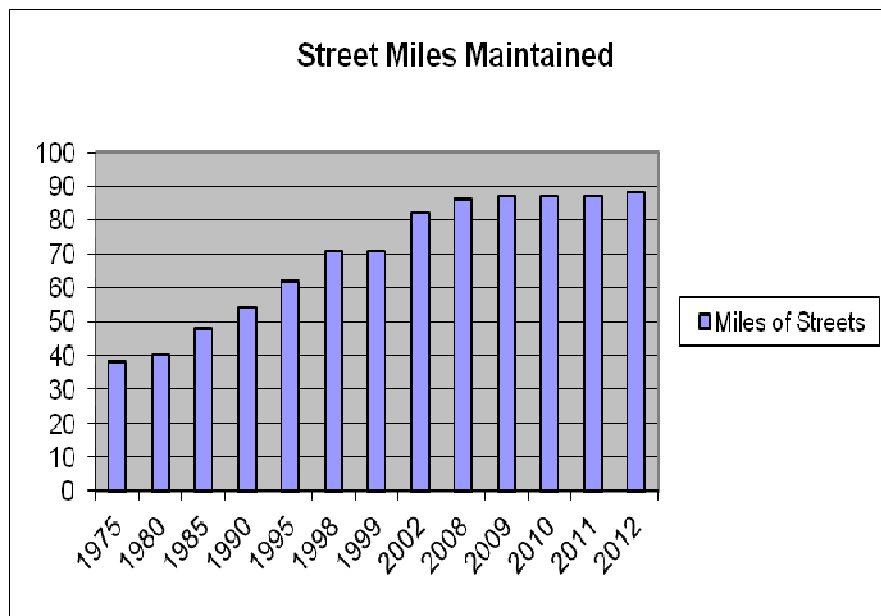
The biggest change that is planned as part of the 2013 budget, is the addition of a full-time Fire Chief position. Currently, Chaska is one of the two largest cities in the State of Minnesota that does not have a full-time staff person for administrative duties. The other department is the City of Chanhassen. As we look into the future, a primary objective for the Fire Department is to be able to keep the base of our staff in this department volunteer. This will be very difficult to achieve in the long-term with our current staffing model, as the amount of administrative work required for Fire Departments is significantly higher than what it was in the past. It would not be reasonable to expect in the long-term that this leadership position could be handled by someone that is doing this part time. To preserve our volunteer base of firefighters for the long-term, it was felt that it is important to add a Fire Chief position both to provide continuity in leadership to our fire personnel, but to also be able to take on the growing administrative load of running a department such as this. It is the plan that making this move now will be a cost savings to the Fire Department over time, so as to avoid large staffing expenses in the future if we were unable to attract volunteers for these critical positions. It is planned now that the Full-time Chief position would start in the first quarter of 2013.

In 1997 the City completed construction of the new fire station, which was financed through the sale of EDA revenue debt. The City now has an annual debt service payment for the new facility in the amount of \$300,000 per year. The approved financing plan anticipates that the annual debt service would continue to be funded from a transfer from the Electric Fund and consequently, the \$300,000 Electric Fund transfer is maintained for 2012. This debt transfer from the Electric Fund is programmed to continue through 2015.

## Public Works

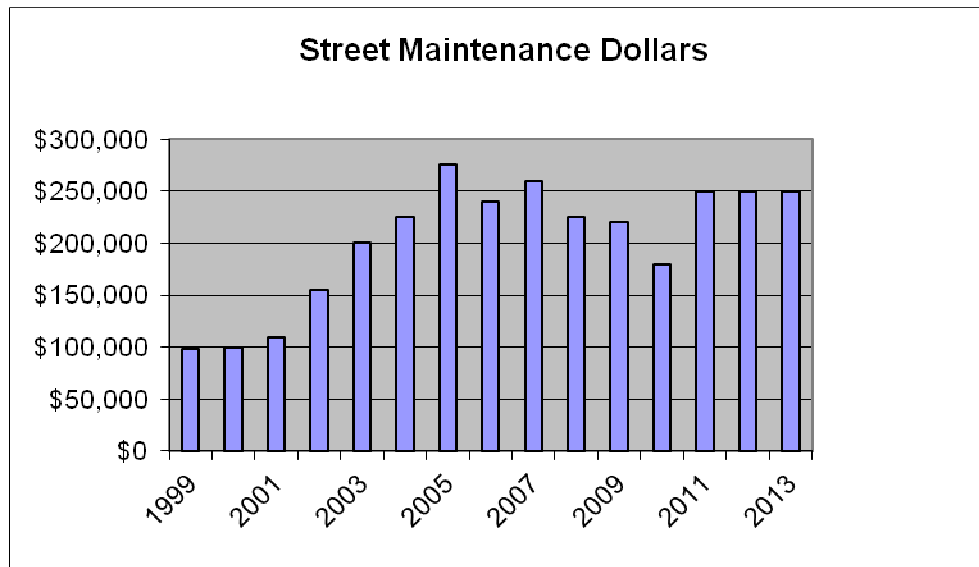
Chaska's Public Works activities are anticipated to increase as the community grows. Two factors that continue to place pressure on the Public Works service levels are growth in the City's street mileage and expansion of maintenance activities for parks and other City open spaces and trails. One additional factor that has become much more of a factor over the past several years is storm water maintenance. With new Federal and State requirements on storm water, the City moved in 2009 to create a separate Storm Water Utility Fund, staffed by Public Works personnel, to complete maintenance on our extensive system in the community. All Staff time from Public Works put towards Storm Water activities is charged out to the Storm Water Fund to relieve the General Fund of this liability.

Over the past five years we have been able to maintain a high level of street maintenance and snow plowing activities by better utilization of staff (using utility and golf personnel for snow removal) and upgrades in the versatility and efficiency of our equipment. To meet the growing need, we did add a fulltime position in 2002, and added a second new maintenance worker in 2004. We have not seen the large growth in either the miles of streets maintained or parks over the past 5 years, and do not anticipate that in the near future. For that reason, no staff changes are recommended for 2013. The next position in this department will not likely be considered until the addition of significant development in the Southwest Chaska Area.



In 2001, Staff reviewed with the City Council, a pavement management program. The purpose of this program is to preserve and reconstruct Chaska's residential streets over the upcoming 15-year period. The program consists of three general elements: seal coating, overlaying, and total reconstruction. Our target for the amount of dollars that we have put towards the maintenance activities (seal coating and overlays) has been \$300,000, but as you can see from the chart below, we have never been able to meet that objective. For 2009, we spent approximately \$220,000 on overlay/seal coat

activities, and in 2010 we spent \$180,000 that went towards the overlay of Hundertmark Road, the Sandy Acres neighborhood, and Valley View Road. As mentioned previously, we are programming \$250,000 for 2013 as we did in 2012 so as to continue with being able to complete more of the seal coating in our program that we were unable to afford for several years.



The second element of our street maintenance program is the reconstruction of deteriorated streets. The program calls for the reconstruction of roads over a 10-year period, with payback being over a 25-year period. In the 2010 budget, the Council committed the necessary levy resources with a \$260,000 special levy, to restart our Street Reconstruction Program. In 2011, the Street Reconstruction included the reconstruction of Spruce, Locust and West 3<sup>rd</sup> Streets in downtown Chaska. In 2012, it included the reconstruction of all north/south streets throughout the downtown from 2<sup>nd</sup> Street down to 1<sup>st</sup> Street. Based on our plan, we assess for 25% of the total project costs on the reconstruction project. 2013 would bring the reconstruction of the next downtown streets, with the plan to reconstruct all of the residential north/south streets between 2<sup>nd</sup> and 3<sup>rd</sup> Streets, including 2<sup>nd</sup> and 3<sup>rd</sup> Streets themselves, on the east side of Highway 41. The downtown portion of our street program includes the replacement of all utilities and the addition of storm water infrastructure, which currently does not exist in our streets in the downtown area.

**Recreation**

Although functionally, the Recreation Department and Community Center are in essence combined, Recreation Administration and Programming are separate General Fund activities. The General Fund currently funds three fulltime positions; Parks and Recreation Director, Assistant Director, and Departmental Secretary. While not budgeted as part of the General Fund’s recreation department, the Cable Coordinator position is supervised by the Park and Recreation Director, and is functionally a part of

the Park and Recreation staff. In 2008, a change that we did see was that our Cable Coordinator was hired on as our Ice Arena Manager in the Community Center. As part of this change, he did keep his Cable Coordinator position, with half of his time funded from the CCC and the other half in Cable funded through the General Fund. This has, in effect, brought the Cable Coordinator position to half funding through the General Fund. This is proposed to be staffed this way in 2013, as well. In addition, as mentioned previously, we have combined all of our current resources across the City for communications/marketing, and brought it under one person to be funded out of the General Fund. This position is housed within the Community Center building, and works together in conjunction with the Cable Coordinator to coordinate our communications efforts City-wide. For 2013, there are dollars included in the budget to update our website presence for all of our external communication with customers. There are no other changes proposed in the Recreation Department within the General Fund.

# Community Center Budget

For the Chaska Community Center, 2013 will be its 23<sup>rd</sup> year of operation. As the Center has evolved, we are confident that it is addressing its mission *of being Chaska's community gathering place, while providing an opportunity to run into people you know*. The objectives of the Center are:

- 1. To promote community gathering and interaction.*
- 2. To provide family and individual recreation with an emphasis on fun.*
- 3. To enhance Chaska's pride and identity.*
- 4. To be financially self-supporting with no property tax support.*
- 5. To build a cash-balance in the CCC Fund to be able to accommodate all of the maintenance and improvement needs on this aging facility*

The Community Center has traditionally done a very good job of accomplishing the first four objectives listed above. Not only has it served as a central gathering place in the community, providing opportunities for family and individual recreation in Chaska, but has also been able to manage its day-to-day operations in a financially self-supporting way. In this respect, it is one of the few community centers in the State of this size that is able to offer the services it does, and not utilize tax levy to support these services. It has also had the affect of keeping the General Fund Park and Recreation services that we provide through the rest of the City at very low expenditure levels compared to cities comparable in size, as the Community Center helps fund our general recreation services through sharing of staff. This is a large reason we are able to have such a low overall tax levy in the City of Chaska.

## **Community Center Capital Improvement Program**

One objective that the Community Center has not been able to accomplish at levels that are needed in the past has been the building up of cash-reserves in the fund to address capital replacement in the building. With the facility being over 20 years old, and many of the systems in the building, including the mechanical systems for the pool and the ice rinks being original equipment that is at or has past its useful life, the City needs to be taking into consideration the capital replacement costs of equipment that we have in the building, if we want this to continue being a quality facility.

Since 1991, when the original section of the Community Center was built, the City has invested \$22.5 million in construction of all the sections of the building. If we were to translate that into today's replacement value, it would be over \$43,000,000 in investment into this facility. With this type of investment, and the age of the facility, addressing the capital reinvestment into the Community Center is a necessity.

To address the aging of the facility, and meet our 5<sup>th</sup> objective listed above, in 2012 we did include in the budget for the first time a 10-year Capital Improvement Program. As you will see in the budget document, this program continues to be funded as we go into 2013. The purpose of this program is to develop a comprehensive list of the major capital replacement items we will have over the next 10 years, identify the cost for completing this work, identify funding sources to support these improvements, and to

identify ways to finance the improvements that need to be made. As part of this CIP program, \$4.3 million in capital replacements were identified over the next 10 years. The major expenses identified in this program include major mechanical work in the Pool area, and replacement of our entire ice system, which will be mandated as part of new environmental laws dictating the type of cooling materials we can use in ice production. Other items in the plan included items such as carpet replacement, curtain replacement in the theater, major work to the entries in the building, and regular replacement of our fitness equipment. While many of the scheduled replacements will be largely un-noticed by the general public, they are essential to keeping a high-quality and functioning facility.

In 2012, the City did move forward with implementation of the first phase of the program, with complete replacement of the Pool HVAC system and deck. As part of the 2013 budget, we have included the second phase of CIP work, which will include the total replacement of the mechanical and cooling systems, as well as the floors, in our two Ice Rinks. General repair in this portion of the building will also occur, along with a plan to rehabilitate the St. Francis wing of the building, which St. Francis is looking to do in partnership with us in 2013. The cost of the Ice Arena improvements are anticipated to be around \$3 million, with the City planning to finance through the sale of bonds. This financing will also refund the Community Center for the Pool work that was done in 2012. The 2013 budget does show for the first time the debt service costs for financing of these improvements.

To financially address the needs of this CIP program, the Community Center would need to accommodate approximately \$275,000 of additional expenses each year to pay for the debt service that would finance each of these improvements. To meet this financial need, while at the same time meeting our objective of not relying on tax levy to support the operations of the Community Center facility, the CIP program would generate additional funds from the following sources:

- Increased contribution from the Electric Fund: \$75,000 annually
- Increase in Membership/Admissions (7% additional spread over 2-years): \$87,500
- Increase in Ice Rates (7% additional spread over 3 years): \$40,052 annually
- Additional from CCC Fund: \$73,000 annually

As we go through implementing the CIP program, we will be keeping a close eye on how our assumptions play out with the generation of these dollars. One aspect that we do think will need to occur, and which is built into our 2013 budget is including one more 3.5% increase in membership rates. This will be necessary to meet our revenue needs for the program, but still does keep us very competitive with other similar municipal community centers across the Metro. We will continue to monitor our assumptions as we continue to implement this CIP program.

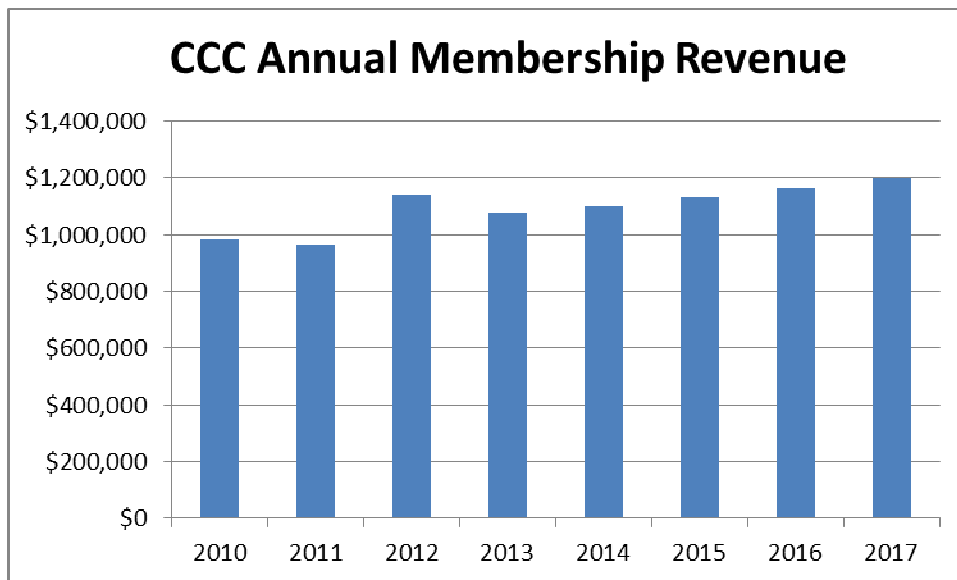
As we go through these changes, one of the things we will be keeping a close eye on is our membership/admission and ice rates and how they compare to our market of other public recreational facilities in the Metro Area. While we will need to stay aggressive on keeping these rates up with the market to address the different components of this

program, we will also need to make sure that we do not price ourselves out of the market and have a negative impact on our usage at the Community Center. Any changes will be made in conjunction with comparing ourselves to our overall market. As mentioned above, the changes we are proposing for membership for 2013 keep us very competitive with other comparable facilities across the Metro area.

### **Community Center Revenues**

For 2012, we are projecting that the Community Center will generate total operating revenues of \$3,353,948, or an increase of approximately 2% over the budget from 2012, due mainly to the addition of revenues coming in for funding of the new CIP program.

While we have seen a decrease in the number of daily admissions that we see come into the CCC over the past several years, the number of people purchasing memberships has increased significantly over the past several years. In 2010, for the first time, the CCC achieved over \$1 million in annual membership sales, which is an increase of over \$400,000 annually since 2005. This has come both from aggressive membership campaigns, and the addition of health membership programs that help offset some of the costs to patrons to have a membership at the Community Center. The chart below assumes the growth in our membership revenue that we will generate with the changes made because of the CIP program. One note on the chart below is that we did adjust budget numbers down from 2012 to reflect that the first rate change did not go into effect until mid-2012. Because of this, the revenues projected were not as high as we originally had budgeted. We also adjusted growth in membership assumptions to be conservative on what we assume as it relates to our CIP program.



One of the key revenue sources for the Center is funds generated through the sale of resident and non-resident memberships. For the past several years, membership numbers have increased significantly, and are anticipated to increase again by an additional 2% from a new membership perspective, and an additional 3.5% in 2013 due to the increase in membership rates to support the CIP program. Based on that, we are budgeting to generate approximately \$1,055,105 in membership fees for 2013.

As mentioned previously, memberships have increased significantly since 2005. This significant increase has occurred we believe as a result of:

- Addition of Fitness Center
- Agreement for incentives with health insurance providers
- Increase in number of area households
- Enhanced quality marketing efforts by CCC Staff
- Addition of The Lodge with the Treks and Trails Preschool
- Continued quality programming of activities in the CCC
- A commitment to reinvest back into the facility to continue to provide a quality place to gather

Each year we conduct a survey of area community centers to help determine the appropriateness of what the Chaska Community Center charges for memberships and daily admissions. The membership and daily admissions are also adjusted in relation to the long range CCC budget, which shows an annual overall revenue increase of 5.5%. This is accounted for both through the 2% increase we expect to see on new membership growth, as well as the additional 3.5% increase that is being built in to support the CIP Program starting in 2013.

Historically we have attempted to charge less than the average for both membership and daily admissions for both Chaska residents and non-residents. Those facilities that we survey are public facilities, including Shoreview, Maplewood, Maple Grove, Inver Grove Heights, Eden Prairie, and Waconia, although much of our competition comes from Lifetime Fitness and Dakota, both of which are private health clubs and charge significantly more than our annual individual or family membership. Below are charts showing where we would be for our resident and non-resident membership rates, in different categories, after the changes we made in 2012:

Resident Membership Comparison			
	Youth	Adult	Family
Average Membership Rate	\$288.75	\$374.85	\$662.55
Recommended Chaska Rate (CIP)	\$231.00	\$314.00	\$494.00
% of Average	80%	82%	75%

Non Resident Membership Comparison			
	Youth	Adult	Family
Average Membership Rate	\$346.50	\$443.10	\$756.00
Recommended Chaska Rate (CIP)	\$300.00	\$447.00	\$669.00
% of Average	87%	101%	88%

As can be seen in both charts, even with the changes in membership being adopted to support the CIP program in 2012, we are still very competitive on both resident and non-resident fees for memberships to our public-sector comparisons. Again, we are significantly lower than the private health clubs such as Lifetime Fitness and Dakota.

The second major revenue source for the Center is daily admissions, which is budgeted for \$166,434 in 2013 compared to \$165,712 in 2012. Admission revenues have not grown as quickly in recent years while membership has revenue has increased significantly. This may be a sign that the Center is maturing with customers recognizing its ongoing value. Below are the results of the survey showing how we compare to the same public-sector community centers listed above for both resident and non-resident daily admission rates:

Resident Daily Admission Comparison			
	Youth	Adult	Family
Average Daily Admission	\$6.36	\$7.02	\$19.46
Recommended Chaska Rate (CIP)	\$5.50	\$6.75	\$20.00
% of Average	86%	96%	98%

Non Resident Daily Admission Comparison		
	Youth	Adult
Average Daily Admission	\$7.69	\$8.37
Recommended Chaska Rate (CIP)	\$7.75	\$8.50
% of Average	99%	99%

As you can see in both charts, we are very comparable on daily admission rates to our other public-sector market comparisons.

Below is a chart showing the major sources of revenue within the Community Center Fund:

REVENUES	Actual	Actual	Budget	Budget	Change	%
	2010	2011	2012	2013		
<i>Admissions</i>	\$107,396	\$156,271	\$165,712	\$166,434	\$722	0%
<i>Membership</i>	\$981,255	\$963,585	\$1,142,188	\$1,055,105	(\$87,083)	-8%
<i>Gymnasium</i>	\$80,039	\$74,710	\$75,364	\$63,435	(\$11,929)	-19%
<i>Racquetball</i>	\$14,970	\$17,454	\$13,410	\$13,182	(\$228)	-2%
<i>Swimming lessons</i>	\$93,407	\$109,697	\$85,000	\$111,000	\$26,000	23%
<i>Fitness area</i>	\$126,898	\$145,356	\$151,750	\$160,750	\$9,000	6%
<i>Arena</i>	\$577,613	\$620,744	\$641,570	\$646,115	\$4,545	1%
<i>Community Room</i>	\$20,135	\$18,682	\$20,400	\$20,400	\$0	0%
<i>Snior Center</i>	\$49,591	\$32,001	\$25,460	\$27,040	\$1,580	6%
<i>Craft rooms</i>	\$36,724	\$39,876	\$37,645	\$38,198	\$553	1%
<i>Tot time</i>	\$13,451	\$10,319	\$11,628	\$11,500	(\$128)	-1%
<i>St. Francis rental</i>	\$196,701	\$183,178	\$188,673	\$152,439	(\$36,234)	-24%
<i>IDS #112</i>	\$37,000	\$37,999	\$39,139	\$40,300	\$1,161	3%
<i>Theater</i>	\$71,756	\$71,015	\$72,420	\$70,818	(\$1,602)	-2%
<i>Center Cafe</i>	\$1,458	\$2,804	\$2,000	\$2,040	\$40	2%
<i>Birthday Party Room</i>	\$31,096	\$32,047	\$37,600	\$37,900	\$300	1%
<i>Day care/ indoor playground</i>	\$29,936	\$29,997	\$31,920	\$31,920	\$0	0%
<i>Trek and Trails pre school</i>	\$83,304	\$82,535	\$84,000	\$85,000	\$1,000	1%
<i>Adventure Prog/Club Extreme</i>	\$79,027	\$79,803	\$74,000	\$80,380	\$6,380	8%
<i>Vending</i>	\$30,353	\$29,977	\$40,800	\$41,616	\$816	2%
<i>Misc.</i>	\$139,388	\$93,026	\$81,391	\$66,676	(\$14,715)	-22%
<b>Total Operating Revenues</b>	<b>\$2,801,498</b>	<b>\$2,831,076</b>	<b>\$3,022,070</b>	<b>\$2,922,248</b>	<b>(\$99,822)</b>	<b>-3%</b>
<b>Non-operating</b>						
<i>Equipment Acquisition/Interest</i>	\$1,757	\$1,689	\$1,700	\$3,700	\$2,000	54%
<i>The Lodge Debt Trans</i>	\$187,000	\$113,005	\$112,000	\$253,000	\$141,000	56%
<i>Electric fund transfer</i>	\$100,000	\$100,000	\$175,000	\$175,000	\$0	0%
<b>Total Non operating</b>	<b>\$288,757</b>	<b>\$214,694</b>	<b>\$288,700</b>	<b>\$431,700</b>	<b>\$143,000</b>	<b>33%</b>
<b>TOTAL REVENUES</b>	<b>\$3,090,255</b>	<b>\$3,045,770</b>	<b>\$3,310,770</b>	<b>\$3,353,948</b>	<b>\$43,178</b>	<b>1%</b>

Gym fees relate to activities directly attributable to a class paying for usage of the Community Center's gymnasium, with the revenues in this category forecast to be \$63,435 for 2013. In 2012, this number was \$75,364. The major drop in this revenue was the loss of Southwest Christian High School utilizing our gymnasium as their main practice gym. With the completion of their new school, they will no longer need to rent space within the Community Center, which represents about a \$10,000 annual decrease in revenue. Staff is looking for alternatives to replace this lost revenue.

Swimming pool fees, which relate to lessons offered at the Center, are projected to be \$111,000 for 2013. This is up significantly from the \$85,000 we budgeted for 2012, and is due mainly to the success we have seen with our Swimming Lesson programs. We have seen a significant increase in our swimming pool revenue due mainly to the increased popularity of our swimming lessons program.

Relative to the two sheets of ice within the arena element of the facility, we are forecasting total revenues for 2013 of \$646,115. As we did implement the rate changes of 7% last year to support the CIP program, this increase is attributed to increased usage of the facility. As mentioned earlier, a major component of our CIP program will be improvements made to our two ice arenas. This work is scheduled for the summer of 2013. This work will not only help to replace equipment that is in need of replacement, but will also help us meet changes in regulations that dictate what type of coolant can now be utilized in ice arenas.

Under our agreement with the Chaska School District, the District will again be paying \$40,300 for use of space in the Center. One source of revenue that ended after 2008 was the payment we received from the School District to pay for a portion of the addition of the 2<sup>nd</sup> Ice Arena. The final year of debt service was paid on the 2<sup>nd</sup> sheet of ice in 2010, with the bonds now being fully paid on this addition to the building, which includes the St. Francis rehabilitation center in the building. The daytime school use agreement was extended in 2011, and is now extended through 2014, with there being an automatic inflationary increaser in this fee on an annual basis. It should be noted that this fee does not include the ice time that is used by the School District for extra-curricular activities.

In 1999, St. Francis began operation of their physical therapy and fitness center under lease for space at the Center. The total annual lease payments for the main facility and the lower level space used for pediatric physical therapy has been approximately \$185,000. In 2013, a change that we will see is St. Francis consolidating their Capable Kids space in the basement with their physical rehab center at ground level. This will be good from the perspective of reinvesting back into the St. Francis wing to reinforce a long-term relationship with St. Francis Medical Center, but will mean a loss of revenue from them not utilizing the space in the basement going into the future, which represents about \$50,000 annually. With this change likely occurring in mid-2013, the budget does reflect a reduction in rental revenue for 2013 down to \$20,000 for this space. Work will be done in 2013 to find a new use for this basement space.

The Wellness Addition was completed in 2005, and as a result the fitness programs that the City offers were expanded significantly. For 2013 these activities are anticipated to generate \$160,750 in revenues. It should be noted that as part of our Fitness Program, Ridgeview Medical Center does fund 0.5 FTE for a position to support fitness programs. This position focuses on intergenerational fitness activities as opposed to just programming for our Active Older Adults that was first supported when the position was created several years ago.

Finally, with the completion of the senior center addition, two new program areas were added to the Community Center. The Lodge is budgeted to generate \$27,040 in revenue in 2013. The other major component of the new addition to the Community Center was the addition of the Treks and Trails Preschool area in the lower level of this addition. The Treks and Trails program is budgeted to generate \$85,000 in revenue in 2013, and is a very popular part of our Community Center facility.

In deciding to proceed with construction of the Center, the Council committed to transferring \$100,000 annually to generate a cumulative capital for future improvements at the Center with the understanding that no property taxes would be used to support the facility. Since the Center's opening, a total of \$2.2 million has been transferred from the Electric Fund to create the ongoing cash replacement fund. This transfer is scheduled to occur again in 2013. As mentioned previously, this is being done in conjunction with increasing the Electric Fund contribution to the Community Center Fund by \$75,000 annually to support our new CIP program.

## **Expenditures**

No significant changes are anticipated in the Community Center operating costs. Staffing levels will remain generally unchanged, with total personnel costs budgeted to \$1,606,847, increasing by 2.65%. One change that we saw in the Staffing level, and which we implemented in 2011, was the sharing of the Communications position with our General Fund Communications. This has allowed us to take one existing position person in the Community Center department and focus their attention on coordinate City-wide communications. This has allowed us to create better and more uniform communications coming out from the City as a whole. This position continues to be budgeted in 2013.

Again, the major addition to expenses we will see for 2013 is the addition of the CIP expenses, specifically the expenses for debt service for the financing that will support this program. While we budget in the 5-years that by 2014, this expense would be \$275,000 per year, this first year in 2013 you will see that we have budgeted half of this at \$137,500. This will allow us to stage a two-year implementation of the expenses of this program to allow some of the new revenue to be able to build up in the fund the first year. We would anticipate that we would go out for the financing of the debt service for the Pool improvements and Ice Arena improvements in the Spring of 2013, which would allow us to budget for the exact amount of debt service we will have annually as we go into 2014.

The following is a summary of all expenses in the Community Center Fund:

<b>EXPENSES</b>	<b>Actual 2010</b>	<b>Actual 2011</b>	<b>Budget 2012</b>	<b>Budget 2013</b>	<b>Increase</b>	<b>Increase %</b>
<i>Personnel services</i>	\$ 1,548,152	\$ 1,575,988	\$ 1,565,337	\$ 1,606,847	\$ 41,510	2.65%
<i>Other services</i>	\$ 2,204,025	\$ 2,159,271	\$ 1,239,889	\$ 1,253,712	\$ 13,823	1.11%
<i>CIP Debt Service</i>	\$ -	\$ 5,552	\$ 197,500	\$ 137,500	\$ (60,000)	-30.38%
<i>Lodge Debt</i>	\$ 127,419	\$ 127,419	\$ 124,175	\$ 264,175	\$ 140,000	112.74%
<i>St. Francis debt</i>	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
<i>Capital replacements</i>	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ -	0.00%
<b>Total expenses</b>	<b>\$ 3,929,596</b>	<b>\$ 3,918,230</b>	<b>\$ 3,176,901</b>	<b>\$ 3,312,234</b>	<b>\$ 135,333</b>	<b>4.26%</b>

In addition to the dollars for the CIP program, as we saw last year, a total of \$50,000 is budgeted for general capital improvements in the Community Center. These are more of the regular improvements we need to make to the Community Center on an annual basis to keep the facility looking and function good. Over the past several years, we have put about \$50,000 of these type of improvements into the Community Center on an annual basis.

Based on our forecasted revenues and expenditures for 2013, we are estimating that the facility will have \$41,714 to add to the Fund Balance.

# Town Course Budget

*The mission of the Chaska Town Course is to develop and operate a quality municipal golf course serving as a community recreational resource, and as a community gathering place that generates an annual profit that may be used to support other "community building" opportunities.*

In developing the course's annual budget our objective is to provide adequate resources to meet this mission by maintaining a high quality golfing experience from both a maintenance and customer service perspective. An objective during our budgeting process has also been to position the Town Course in such a way that when its debt service for initial capital construction costs has expired, that we both have generated enough profit to have reserves to keep up with our necessary capital replacement program at the Town Course to keep it running as a high end course. As we look into the future, this will be the largest single challenge of the course as it has been self-sufficient from an operational standpoint, but has had much more difficulty being able to generate a sufficient amount of reserves to cover all future depreciation costs.

With the refinancing of our TIF District #4 in 2008, we have put the Town Course in a better position to accumulate cash reserves, as it does not have to directly support the remaining years of debt service for the course any more. In 1997, resources from TIF District #4 were the main financial resource that allowed us to construct the course and have contributed towards our debt service on the course ever since. It is planned that the refinancing of this District in 2008, and once again in 2011, will provide us with sufficient resources to pay off the initial capital construction cost debt at the Town Course from the TIF funds, thus allowing the Town Course to take any annual profits and accumulate reserves in this Enterprise Fund.

While these resources have taken the need away from the Town Course to contribute directly towards its annual debt service, the Town Course has continued to meet the annual operational needs of the course but has struggled to generate significant reserves to go towards if future capital replacement needs. As we are currently doing with the Community Center Fund with its Capital Improvement Program, this is an issue that we will continue to be looking at to determine the best way to move forward with generating the reserves necessary to support these future capital replacement needs without having to contribute any property tax subsidy. As we look at this, we will have to be cognizant of the market of other golf courses in the area, that our greens fees do not make it difficult to compete with these other courses.

For 2013, we are forecasting total revenues of \$1,865,172. This compares to the budgeted revenues we had for 2012, which were \$1,706,156. For 2013, we are budgeting based on 28,500 paid rounds throughout the season. Our 5-year average has been around 28,200. 2012 was a good year for rounds at the Town Course, with us seeing over 28,000 rounds.

Based on our assumptions, the total revenues are derived from the following sources:

<i>Revenues</i>	Actual 2010	Actual 2011	Budget 2012	Budget 2013	Change	% Change
Green fees	\$ 1,065,991	\$ 1,018,193	\$ 1,115,000	\$ 1,120,000	\$ 5,000	0.45%
Driving range	\$ 78,242	\$ 69,875	\$ 82,400	\$ 84,900	\$ 2,500	3.03%
Member fees	\$ 45,914	\$ 33,028	\$ 47,380	\$ 48,801	\$ 1,421	3.00%
Sale of supplies	\$ 135,570	\$ 144,836	\$ 152,691	\$ 157,272	\$ 4,581	3.00%
Concessions	\$ 52,328	\$ 50,891	\$ 58,709	\$ 60,600	\$ 1,891	3.22%
Cart rental	\$ 223,433	\$ 216,490	\$ 249,312	\$ 256,800	\$ 7,488	3.00%
Misc	\$ 112,421	\$ 111,787	\$ 664	\$ 136,799	\$ 136,135	20502.26%
<b>Total revenues</b>	<b>\$ 1,713,899</b>	<b>\$ 1,645,100</b>	<b>\$ 1,706,156</b>	<b>\$ 1,865,172</b>	<b>\$ 159,016</b>	<b>9.32%</b>

### Revenues

The major revenue source of the Golf Course is green fees paid by patrons, with revenue source accounting for 60% of total revenues at the facility.

As mentioned previously, for 2013 we are anticipating that 28,500 rounds will be played at the facility. In preparing the revenue estimate we are assuming that the resident/non-resident split will be 55% residents/45% non-residents, which reflects a significant increase in resident play from past budget forecasts, but a relatively steady split from the past four years. When the course first opened, we saw about 70% of play from non-residents. While this change has been great from a mission perspective, in that it has been viewed as a premier community gathering location for Chaska residents, it has created revenue challenges that we continue to have to monitor closely, as resident rounds are just approximately \$23 less per round than a typical non-resident round.

The forecast also assumes that carts will continue to be permitted off the cart paths, which will continue to bring in more revenue with golf carts, as we now see approximately 40% of patrons use a cart. In the 2012 season, we purchased a brand new fleet of carts, adding some additional amenities for patrons, which did seem to keep cart usage up during the entire season. In 2013, we are budgeting greens fees to generate \$1,120,000 in revenue, with cart usage to generate \$256,800.

The second key revenue assumption is the green fees schedule. Our strategy has been to have green fees for non-residents consistent with the market for other high-end public courses, while at the same time offering a course of higher quality and challenge compared to any other area course. Since the economic downturn in 2008-2009, this has been more difficult to manage from a patron's perspective, as we always have had low rates compared to other courses in the area (for residents) and in the Metro (for non-residents). We saw many of the high-end golf courses in the Metro decrease their pricing to attract more business, which has brought our pricing closer to what the market is in the area.

In 2012 the average metro high-end golf course green fee including cart on weekends was \$94.14, ranging from \$62 for Edinburgh USA to \$128 for Rush Creek. Chaska's weekend non-resident rate in 2012 of \$83.00, including cart, was well within this range. As you will see in the chart below, in 2013 it is recommended that the non-resident fees

be increased only by \$0.60 per round, with no increase proposed for cart rental. This will allow us to keep up with our annual increases in costs associated with the Town Course, but at the same time keep the increase minimal to recognize where some competitor courses have gone with prices over the past few years, reducing them to get more play. As you will see in the chart, our proposed rate increases still meet our pricing objectives:

Course	Greens Fees	
	Weekday 18 holes	Weekend 18 holes
Edinburgh USA	\$59	\$62
Stoneridge	\$90	\$100
Rush Creek	\$98	\$128
The Legends	\$89	\$89
Troy Burne	\$85	\$99
Meadows at Mystic Lake	\$85	\$85
The Wilds	\$96	\$96
Average	\$86.00	\$94.14
Chaska-Current	\$77	\$83
Chaska 2013 Proposed	\$77.60	\$83.60
Chaska Resident 2012	\$55.30	\$60.30

As part of Chaska’s mission, our goal is to have the facility both accessible and affordable to Chaska residents. Over the past three years one of the positive trends relative to this element of the mission, was the percent play from resident golfers increasing from 28% in 2003 to 45% in 2012. Although the higher resident participation is positive, a negative impact in this trend is the reduction in total revenues, given the significant differential between resident and non-resident rates.

For 2013 we are recommending that resident rates increase by \$0.30 per round for all rounds. Again, this would include no proposed increase for cart rental. As with our non-resident rates, it is recommended that some rate increase is necessary to keep up with the increased costs of operating the course in 2013, but having a rate increase less than past practice to be cognizant of what pricing strategies have been utilized at other area courses during the last 4-years to attract more play.

This change would result in our rates in 2013 being very competitive to all of the area courses. Based on these assumptions, 2013 green fee revenue is projected to be \$1,120,000. We are budgeting this number to be very similar to 2012, to be conservative on the number of rounds we can attract over the upcoming year.

Course	Greens Fees	
	Weekday	Weekend
	18 Hole	18 Hole
Dalgreen	\$49	\$49
Bluff Creek	\$53	\$59
Ridges at Sand Creek	\$53	\$59
Deer Run	\$57	\$69
Stonebrook	\$68	\$74
Average	\$56	\$62
Town Course Current	\$55	\$60
Town Course 2013	\$55.30	\$60.30

For the first several years the Town Course was open, we averaged cart rental revenues in the range of \$150,000 to \$175,000, with 22% to 24% of golfers renting carts. In 2006 we modified our cart policy to permit carts off the cart path. Also at that time, we purchased new set of carts equipped with a GPS system. The system was implemented in 2006 and increased cart revenues to \$212,000.

In 2012, we purchased a replacement fleet of carts, and included enhanced GIS features, including larger screens and remote ordering of food from the clubhouse, to help keep up with our demand for services on the carts. For 2013 we are anticipating that 40% of patrons will continue to utilize a cart, as we have seen over the past several years, bringing in total revenue of \$256,800. As in 2012, we are proposing no increase in rental fees for carts. We did make a change in 2011 to bring us closer to the market for golf courses in the Twin Cities, and have seen little change in the market since.

Through our fifteen years of operation, the driving range has been a popular element of the facility. One particular attraction to our driving range is the size of the practice facility, being one of the larger driving ranges on golf courses in the area. For projection purposes, we have assumed that 20% of golfers will use the range before playing and an additional 40 persons per day would come to the facility merely to use the practice complex. Range revenues were budgeted for \$82,400 in 2012. For 2013 the range is estimated to generate \$84,900, as we expect little change in its use.

Pro Shop sales were \$139,303 in 2008, \$141,676 in 2009, and \$143,926 in 2010. In 2012 we had this budgeted \$152,691. This budget assumes merchandise sales of \$157,272 in 2013.

A key service element of the facility is the provision of a quality food and beverage operation, while at the same time assuring that this element does not become a financial drain on the operation. In 2008, we changed vendors. Staff has heard very

positive comments on this change as it offers more menu variety for patrons, as well as more options for catering to the site on and off-season. In 2010, the vendor added one more beverage cart on the course to meet patron demands, as this one the one area we could see the need for improved service. They also added machines to accept credit cards on the beverage carts and an evening meal selection in the restaurant. An addition onto the new GPS system in 2012 also now offers opportunities for those making the turn on hole #9 to place an order on-line and have it ready for pickup before the 10<sup>th</sup> tee box. Under the terms of the lease with our vendor, the City receives a payment of 6% of gross revenues, which for 2013 is budgeted at \$45,100. It should be noted that last year we did extend the lease out on Charlie's to 2015. This will allow for stability with this service that we provide.

One final area that is showing up new from 2012 to 2013, is the addition of \$129,000 in proceeds from Equipment Certificates to finance the purchase of our equipment that is scheduled for replacement this year, and has a long enough life to able to accommodate financing for this equipment. While these revenues do come in for 2013, you will also see the addition of debt service cost in the expenditure budget that is new to start the repayment of the financing for this replacement equipment. Having good equipment is critical to keeping the condition of the Town Course at a high level.

## Operating Expenses

For the Chaska Town Course to be considered a high-end public facility, the turf maintenance needs to be a very high priority. This issue has been confirmed in feedback we've received from golfers over the years. To accomplish this objective we have attempted to establish a maintenance budget that will permit adequate resources for above average maintenance. The key, though, to achieving this objective is attracting and retaining high quality dedicated personnel. It is imperative that our full-time personnel not only have the technical capabilities to maintain a high-level complex, but also and possibly more important, have a true ownership in the course and a commitment to the facility's quality.

The maintenance staffing anticipates no change in staffing levels, with four full-time Greenskeepers, plus a Superintendent who is responsible for the maintenance of the Chaska Town Course facility as well as the Par 30. As in the past these full-time positions will be supplemented by eight, six month and six four-month seasonal employees. The following is a summary our estimated costs for each of these categories:

	Actual 2010	Actual 2011	Budget 2012	Budget 2013	Change	% Change
Personnel Services	\$840,496	\$829,309	\$828,599	\$862,711	\$34,112	4.12%
Operating Supplies	\$260,668	\$232,605	\$241,121	\$242,327	\$1,206	0.50%
Other Services/Charges	\$912,519	\$561,644	\$509,835	\$428,289	-\$81,546	-15.99%
Capital Replacements	\$63,240	\$23,736	\$79,000	\$244,800	\$165,800	209.87%
Transfers Out/Debt Service	\$0	\$0	\$43,500	\$86,000	\$42,500	97.70%
Total Expenses	\$2,076,923	\$1,647,294	\$1,702,055	\$1,864,127	\$162,072	9.52%

The second cost component of the golf course operation is the Clubhouse and its related activities. Our objective is to differentiate the Town Course and Clubhouse operation from other courses through a noticeable difference in its commitment to customer service. Achieving this objective will be significantly affected by the quality, skill and personality of personnel hired to staff the complex. The overall responsibility of the Clubhouse operation is the responsibility of the Club Pro. For 2012, the total Clubhouse expenses were budgeted to be \$727,559. In 2013, we are budgeting this number to go down to \$684,720. This reduction in expenditures for 2013 has to do with less planned capital replacement in the Clubhouse than there was in 2012.

The large change for 2013 is the purchase and financing of the equipment on our Equipment Acquisition schedule. Last year, we did extend out the life of our equipment at the Town Course, both because the equipment is better quality than in the past, but also to help reduce the long-term costs of paying for maintenance equipment over the years. This is one of the strategies we have employed to try to get more dollars accumulated in our Town Course Fund balance for future major capital expenses at the Town Course. In 2013 and 2014, we do have a significant number of replacement items on the schedule, which we are planning to replace using Equipment Certificate financing to spread these costs over the years of useful life this equipment will have. In 2013, we will have equipment replacement of \$244,800, with \$129,000 being able to be financed. This will add an expense of \$42,500 annually for debt service costs, but will allow us to spread these costs over time to allow for better cash-flow at the Town Course.

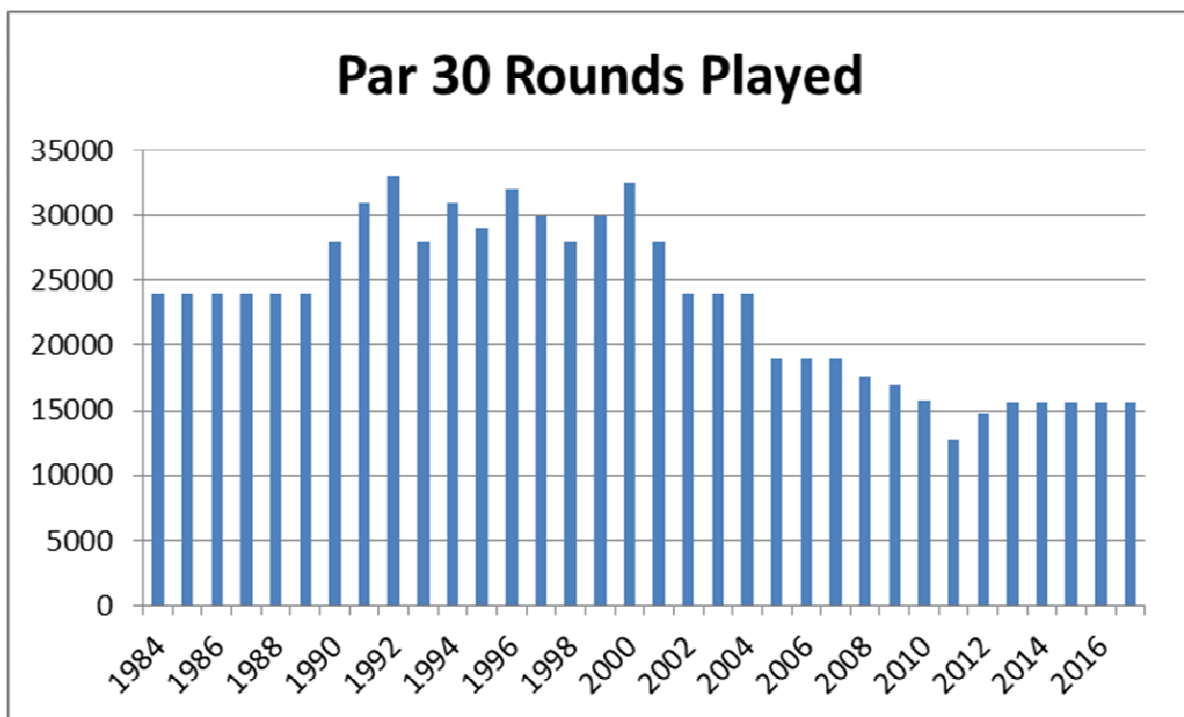
Total budgeted expenses for the golf course operation in 2013 are \$1,864,127, which would result in the facility making a net profit in 2013 of \$1,045.

# Par 30 Budget

In establishing the 2013 Par 30 Budget, the following objectives were used:

- ◆ *Provide the necessary resources for the Par 30 to ensure continuation of quality course maintenance and upkeep.*
- ◆ *Maintain rates competitive with other comparable executive courses in the Twin Cities.*
- ◆ *Minimize drastic changes in rates while at the same time maintaining adequate cash reserves for emergencies.*
- ◆ *Allow the Par 30 to be a Self-Supporting Recreational Program*

In determining golf course revenues, two factors directly impact green fees: the number of rounds and rate per round. The following graph depicts the number of annual rounds played at the Par 30 over the past several years.



Over the decade we have seen a decrease in the number of total rounds at the Par 30. While rounds of play averaged around 25,000 rounds per year in the beginning part of this decade, over the last 5 years, we have seen that drop to approximately 17,000 rounds per year. We believe this has been due both to the increase of competition with the addition of other executive courses such as Halla Greens in the area, and with some shift to the Town Course we have seen with allowing carts on the Fairways, thus making it easier for seniors to play the longer course.

In 2012, we did see a better year than in 2011, when poor weather decreased overall rounds at the course. Based on the usage in 2012, we are planning the budget around 17,000 rounds for 2013.

The second factor in determining green fee revenues is the actual rate charged per round. In 2011, we changed our rate structure based on trying to be much more conscientious of the pricing structures at area Executive Courses, structuring our pricing to be more competitive than our main competitors such as Halla Greens. We structured our pricing to be very attractive for our main users, who are our Seniors and Juniors, while at the same time providing a true price differentiation from our main competitors for our Adult golfers who may be most likely to go to another competitors course out of town.

For 2013, it is being recommended that our rates increase by \$0.50 for each category of golfer. This will help us make sure we are able to accommodate any increases in costs to operate the course, but at the same time keep pricing competitive with other Executive Courses, and more importantly, Executive Courses in our area. Below is the rates as they were in 2012 and as they are proposed to be in 2013, compared to the different categories of golfers at competing Executive Courses.

	Senior WD	Senior WE	Adult WD	Adult WE	Junior WD	Junior WE
Halla Greens	\$14	\$15	\$16	\$17	\$14	\$15
Braemar Executive	\$11	\$11	\$14	\$14	\$9	\$9
Waters Edge	\$10	\$10	\$14	\$15	\$10	\$10
Orono	\$9	\$9	\$12	\$14	\$9	\$9
Glen Lake	\$11	\$12	\$15	\$16	\$11	\$12
Average	\$11	\$11	\$14	\$15	\$11	\$11
Current Par 30	\$11	\$11	\$13	\$13	\$11	\$11
Proposed 2013 Rates	\$11.50	\$11.50	\$13.50	\$13.50	\$11.50	\$11.50
2012 Rates Compared to Halla	-\$2.50	-\$3.50	-\$2.50	-\$3.50	-\$2.50	-\$3.50

Based on this rate structure, we are forecasting green fee revenues for 2013 of \$150,000, compared to the 2012 budget of \$160,000. We are trying to take a conservative approach to the revenues for 2013, and not project significant increases in overall revenues for the course in 2013.

Staffing levels are anticipated to remain unchanged for the coming year, continuing with keeping the number of part-time staff kept at lower levels to keep costs as low as possible. The staffing for both maintenance and clubhouse activities is provided through the hiring of part-time summer employees.

The budget anticipates that operating expenses in 2013 will be \$167,985. It should be noted that we do have some dollars allocated in the 2013 budget to address irrigation work that needs to be done this upcoming year on our timing clocks. This work will cost approximately \$6,000, but should allow us to maintain our irrigation system for some additional time until we can see the direction of work that is planned in the future for The Legends at Hazeltine project, adjacent to the Par 30. It is planned that when that project moves forward that some improvements will be able to occur on the Par 30, given the need to use the Par 30's Stormwater Ponding system to allow development on the adjacent site.

Based on our forecast of revenues and expenses, we are anticipating that the Par 30 operations will break even in 2013. Below is a summary of the 2013 revenues/ expenditures:

	Actual 2010	Actual 2011	Budget 2012	Budget 2013	Change	%Change
Green Fees	\$149,236	\$170,000	\$160,000	\$150,000	-\$10,000	-6.25%
Other Fees	\$17,082	-\$25,273	\$16,700	\$18,300	\$1,600	9.58%
Total Revenue	\$166,318	\$144,727	\$176,700	\$168,300	-\$8,400	-4.75%
Personnel	\$118,244	\$105,803	\$112,270	\$97,897	-\$14,373	-12.80%
Supplies	\$14,903	\$11,915	\$18,811	\$18,906	\$95	0.51%
Services	\$18,723	\$19,586	\$19,116	\$19,211	\$95	0.50%
Other	\$35,226	\$35,596	\$23,777	\$31,971	\$8,194	34.46%
Transfers Out	\$0	\$0	\$0	\$0	\$0	0.00%
Total Expenses	\$187,096	\$172,900	\$173,974	\$167,985	-\$5,989	-3.44%
Net Income (loss)	-\$20,778	-\$28,173	\$2,726	\$315	-\$2,411	

# Utility Fund Overview

The Utility Fund Budgets are broken down into separate categories for the City's four utilities: water, sewer, electric and storm sewer. The total proposed budgets for these four utilities have been developed based on the following objectives:

- *Providing the necessary resources for each utility to assure continuation of quality services to our customers.*
- *Maintaining water/sewer/storm sewer rates less than comparable cities.*
- *Maintaining residential electric rates less than comparable rates charged by Xcel.*
- *Maintaining competitive industrial and commercial electric rates compared with Xcel, while also making sure we maintain a system that provides reliability to our customers.*
- *Minimizing drastic changes in utility rates while at the same time maintaining adequate cash reserves for each enterprise.*

As will be discussed in more detail in the breakdown of the Water Fund budget, the City of Chaska did move forward with making some significant changes to the Water Utility rates starting in 2010, as it was found through a comprehensive Water Rate Analysis that was completed in 2009 that the City's water rates were set significantly lower than what was needed both to fund the future maintenance activities of our existing system, and to fund a portion of the debt service on the new Water Treatment Plant. The study found that over the 10-year planning period, that our Water Fund would be \$7 million in debt if changes were not made to our rate structure in the short term. While this study did indicate that Water Rates did need to be increased to keep up with the costs of running our Water utility, because our rates were so low to begin with, the changes to our water rates were able to be made while still keeping our rates very low compared to other Cities in the area. The first half of the rate changes came in 2010, with the 2<sup>nd</sup> half of the rate adjustment coming in January of 2011. As was planned as part of this rate study, the three years following the rate change were to see 1% increases in Water rates in each of the three years, with us then doing a re-study of our rates in 2014 to make sure our initial assumptions materialized from our last study, and to give us direction of where to go for our next 5-year period if we are to both keep our rates competitive and keep a sustainable water system into the future.

From a sewer and electric perspective, our rates have remained very competitive over 2012, compared with other municipalities. From an electric fund perspective, our total rates in 2012, including the Energy Adjustment Clause, were over 8% lower than Xcel for residential customers. Compared to Mn Valley Electric Cooperative, we were close to 9% lower. Xcel and Minnesota Valley is our main competitor. We do not see this relationship changing very much in 2013, as Xcel has a rate increase request into the State Public Utilities Commission now being considered, as they did in 2012 as well.

Even with the Water Rate increases, and the planned 1% rate increase for 2013, Staff feels comfortable that Chaska will continue to be very competitive from a water rate perspective. From a sewer perspective, based on a 3.8% increase in treatment costs

from Metro Waste, and increases in our own internal costs for providing services, the proposed rate increase in 2013 would be 5.4%. This is following a 0% increase in 2012. As Metro Waste provides treatment services for most surrounding cities, and that is the major cost of sewer service, our rates tend to be very similar from City to City, thus keeping us competitive with our surrounding communities. In Electric, in order to meet the needs of our system, and increases in wholesale power costs, we would need to increase rates 2%. As mentioned previously, while we are already very competitive in the market compared to Xcel and Minnesota Valley Electric Cooperative, averaging 8-9% lower in retail rates for our residential customers, we expect that this relationship will get even better over the next year, as Xcel has once again requested a rate increase from the State of Minnesota expected to go into effect in 2013.

Finally, with the Storm Sewer Utility now being fully implemented, we are now better able to see what our base rates for residential should be set at to meet the needs of this utility, while also being competitive with other surrounding cities. Based on this analysis, in 2012, we did do an adjustment to our base Storm Sewer rates, increasing our monthly residential fee from \$3 per month to \$4.50 per month. With that base now re-established based on our actual needs in the Storm Water Utility Fund, we are now recommending a \$0.25 increase in rates for 2013 to keep up with changing costs. With the average rate of surrounding cities being \$5.33 per month, and Chaska's going to \$4.75 per month, we still would be very competitive compared to the market.

Based on the changes that are being recommended, which will be discussed in more detail in following sections, below is a breakdown of what a typical resident can expect for rate increases in 2013:

	2011	2012	2013	Increase	Increase
Water	\$16.27	\$16.43	\$16.59	\$0.16	1.00%
Sewer	\$22.26	\$22.26	\$23.46	\$1.20	5.40%
Electric	\$82.36	\$84.23	\$85.91	\$1.68	2.00%
Storm Sewer	\$3.00	\$4.50	\$4.75	\$0.25	5.56%
Total	\$123.89	\$127.42	\$130.72	\$3.30	2.59%

# Water Fund Budget

As was mentioned above, in 2009, the City of Chaska completed a comprehensive water rate analysis to look at the financial health of this fund. This water rate analysis was needed due to significant issues that were identified in our 5-year financial forecast and our CIP that indicated that the Water Fund would not be able to remain financially self-supporting if changes were not made. The objectives of this Water Rate Analysis included:

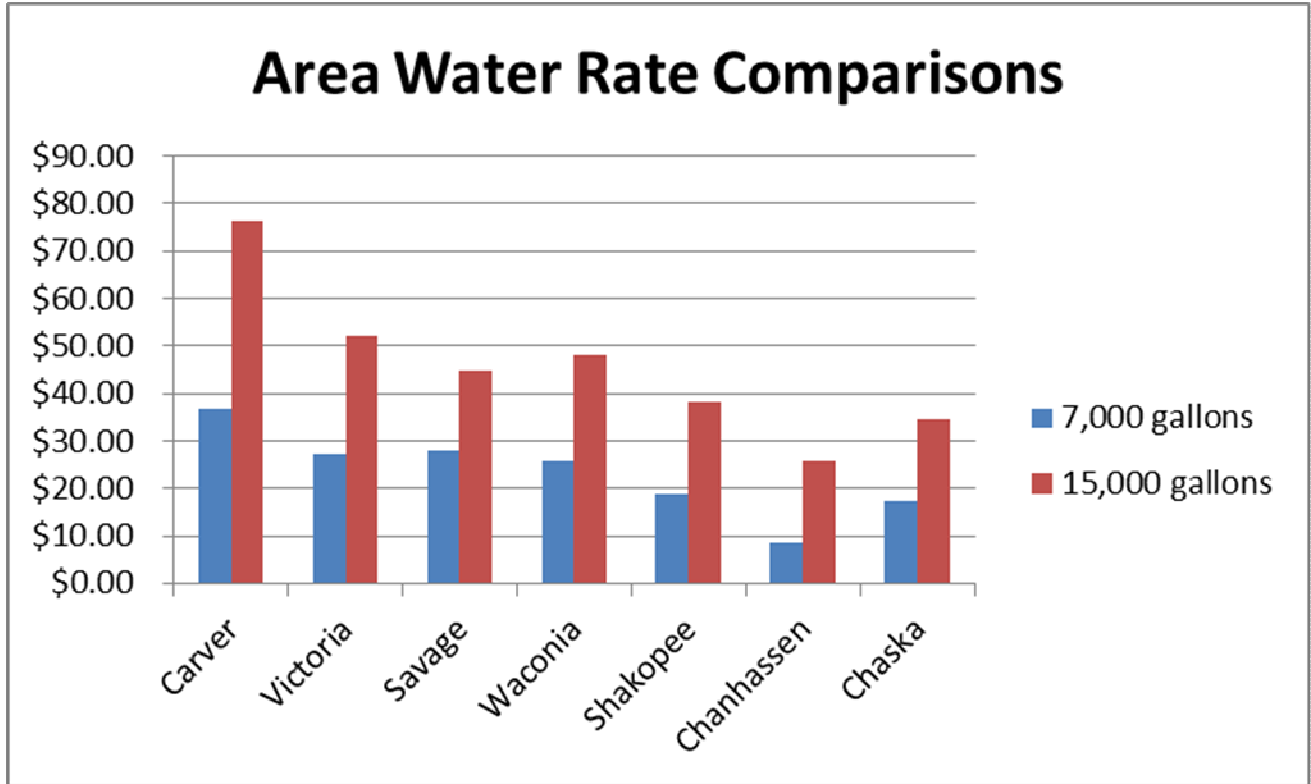
- Develop an inclining block rate that meets all of the DNR water conservation requirements that are required to be implemented by January 1, 2010
- Develop a base rate that meets all of our current operational and debt obligations, especially considering the significant decrease in development
- Develop a rate structure that is competitive with surrounding communities
- Develop an ongoing rate strategy that helps the City maintain a sustainable water system into the future to make sure our existing assets are not being consumed at a higher rate than we are financially replenishing our system

The results of this Water Rate Analysis quantified the issue our Water Fund would face if we continued with our strategy of implementing a 5% rate increase annually for the next 10-years. What the study found was that if we continued with this strategy, that over a 10-year period, the Water Fund would be in deficit \$7 million, not allowing us to have any dollars built up to help support our existing system, nor being able to meet our current operational needs. This was mainly due to both the fact that our water rates were extremely low compared to other municipalities, and because the development slowdown would not allow the City to generate enough resources in Water Access Charges to pay for the debt service of our new Water Treatment Plant.

Based on the results of this study, in August of 2009, the City Council did move forward to implement an increase in Water Rate, which was completed in January of 2011. At the same time, the Council did implement the required DNR inclining block rate to promote water conservation, implemented a service charge of \$2.27 per month, and did refinance a portion of the Water Treatment Plant Debt to match up debt service payments more closely with when we feel development will restart. As was recommended in the Water Rate Study the City did implement a 1% increase in rates in 2012 to keep our rates current with inflationary increases in cost so we would not start to fall behind right after we made this significant changes. The Study showed that we should continue to have a 1% increase for each 2013 and 2014, to keep up with inflationary increases in costs, and then do a re-study again in 2014 to test the assumptions of the first study, see how the implemented changes were meeting the original objectives of the changes we initially made, and to give some direction for how to move with rates over the next 5-year period.

Staying consistent with these recommendations, it is recommended that a 1% increase in rates occur in 2013. With this change, you can see that Chaska's Water rates would still be very competitive compared to surrounding cities, still being on the low end of

overall water rates. The chart below shows how Chaska would compare both in the Winter, where the average usage is 7,000 gallons per month for residential uses, and the average summer use is 15,000 gallons per month with the addition of lawn sprinkling. This chart illustrates Chaska's 1% increase and compares it to the other City's 2012 rates without taking into account any rate changes they may make:



**2013 Budget**

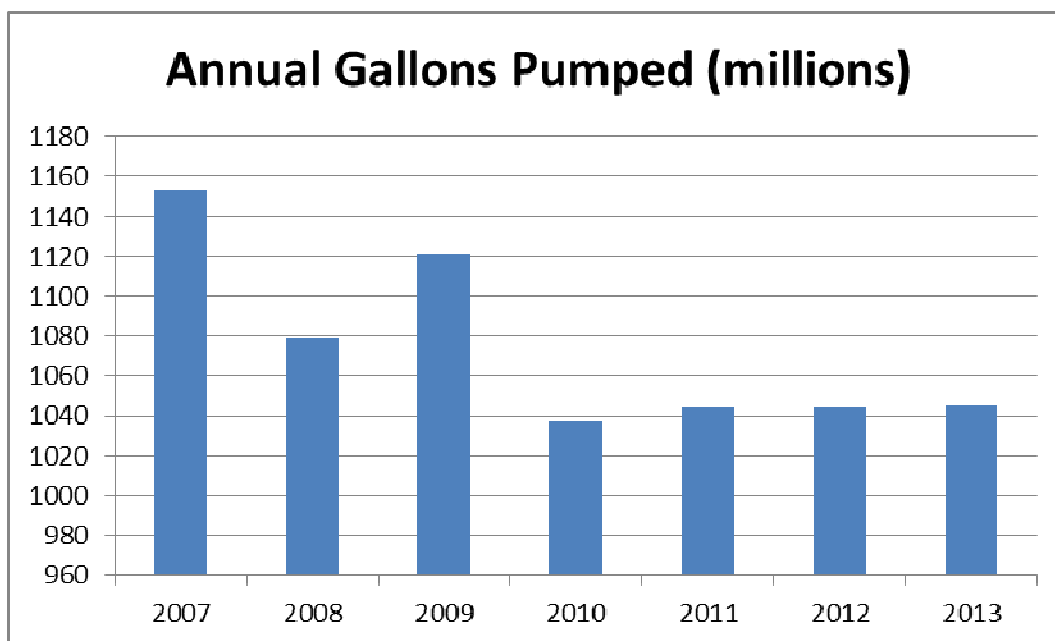
Based on the changes described above, Water Fund Revenues for 2013 are estimated to be \$3,105,270 compared to the 2012 Budget of \$3,035,933. While we anticipate that our actual usage in 2012 will be higher than what was budgeted for that year, we did adjust the sales data to take into account the exceptionally hot and dry summer we experienced in 2012, which is not typical of most years. Based on this, the revenue projections are meant to be somewhat conservative.

The major categories of revenues and expenses in the Water Fund as compared to past years are presented below:

	Actual 2010	Actual 2011	Budget 2012	Budget 2013	Change	% Change
<b>Revenues</b>						
Metered	\$1,589,368	\$2,062,780	\$2,098,000	\$2,157,000	\$59,000	2.81%
Other	\$318,260	\$346,947	\$316,625	\$327,325	\$10,700	3.38%
Transfers In	\$252,470	\$623,795	\$621,308	\$620,945	-\$363	-0.06%
<b>Total</b>	<b>\$2,160,098</b>	<b>\$3,033,522</b>	<b>\$3,035,933</b>	<b>\$3,105,270</b>	<b>\$69,337</b>	<b>2.28%</b>
<b>Expenses</b>						
Pumping	\$166,348	\$188,530	\$259,409	\$515,302	\$255,893	98.64%
Treatment	\$195,311	\$239,196	\$223,930	\$243,820	\$19,890	8.88%
Distribution	\$456,113	\$509,434	\$822,280	\$886,166	\$63,886	7.77%
Administration	\$308,398	\$331,660	\$357,352	\$380,096	\$22,744	6.36%
Depreciation	\$672,912	\$704,737	\$0	\$0	\$0	0.00%
Debt Service	\$535,859	\$581,114	\$1,258,958	\$1,257,595	-\$1,363	-0.11%
Capital	\$0	\$662,600	\$0	\$0	\$0	0.00%
Transfers Out	\$44,100	\$54,500	\$54,600	\$54,800	\$200	0.37%
Other	\$2,101	\$75,447	\$0	\$0	\$0	0.00%
<b>Total</b>	<b>\$2,381,142</b>	<b>\$3,347,218</b>	<b>\$2,976,529</b>	<b>\$3,337,779</b>	<b>-\$370,689</b>	<b>12.14%</b>

Meter revenues are projected to 2,157,000, increasing by 2.81% from 2012. The growth that we show is more due to the increased usage we see in the community from economic development activity that have brought more users into the community, and less from the exceptionally high year we saw in 2012 because of hot and dry weather. We do expect to see some large projects move forward in 2013, along with an increase in residential activity, which contributes to increasing this amount from 2012.

For 2013, Water Sale revenues are based on the sale of 1,045,000,000 gallons of water. Below is a chart illustrating the number of gallons that we have pumped over the past several years, and what we anticipate for 2013:



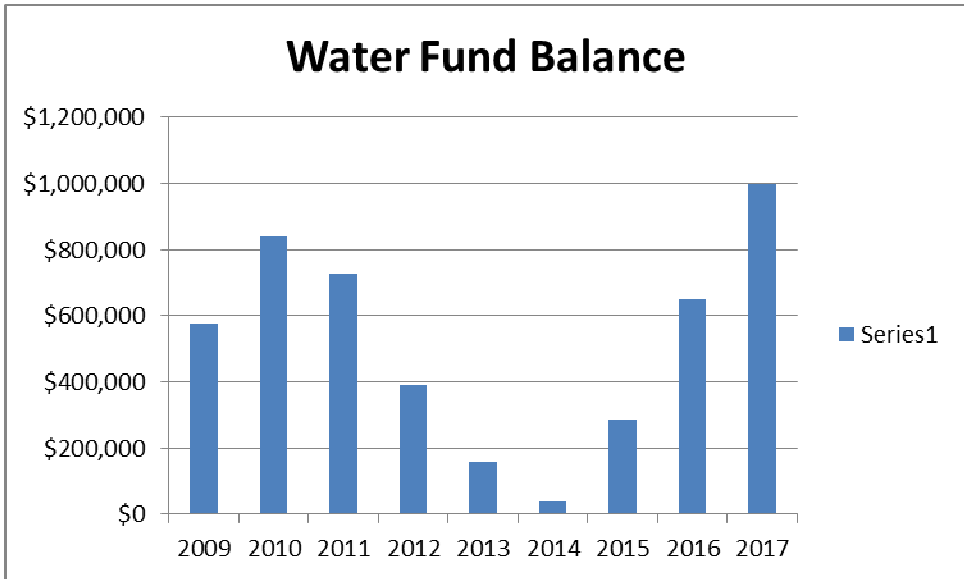
Total water expenses for 2013 are programmed to be \$3,337,779. This compares with \$2,976,529 budgeted in 2012, increasing total expenditures in the fund by 12.14% from 2012. The major difference in expenses in 2013 will come with the addition of our Automated Meter Reading Program installation, which will occur in our Sewer and Electric Departments as well in 2013-2015. In 2015, the Water Department will have \$300,000 allocated to this project. At the same time, the Water, Sewer and Electric Departments are programmed to work together to fund an internal GIS technician position, a position we currently do not have with much of this work being outsourced to outside firms. Given the size of our City and the amount of infrastructure we have to maintain, it makes economic sense for us to bring this use internal to the organization. The Water and Sewer Department would share 25% of this cost, bringing the Water Departments share to \$11,000 in 2013. Finally, in 2011 the full cost of the Water Treatment Plant Debt service was accounted for through the Water Operating fund at a cost of \$1,263,445. 50% of this comes through our rate revenue with the other 50% coming through a transfer from our Water Trunk Funds, which are supported through development. This continues in 2013.

The only other major items in the 2013 budget would be the removal of the Hazeltine Water Tower, which has out-lived its useful life and is no longer needed, and the replacement of one 1-ton truck that is scheduled for replacement for \$35,000. Some of the cost of the Water Tower removal can be recouped through the scrap value of the old water tower structure, and the cost of the vehicle is shared with the Sewer Department, as both departments utilize this vehicle.

### **Personnel Services:**

Currently the Water and Sewer staffing consists of the Superintendent, Foreman and six maintenance employees. The staffing level is recommended to remain unchanged for 2013.

Based on this budget we are budgeting a draw-down to the Water Fund in 2013 of approximately \$232,509 due to the Automated Meter Replacement Program. We expect this to continue through the 3 years of the program, with the Water Fund then building back up reserves. Because of this, we do not project a significant increase in the Water Fund reserves over this 5-year period, but we will see some growth in this. Building up this Fund Balance was one of the primary objectives of our rate change so that we can afford future maintenance and upgrades necessary to keep a sustainable water system.



# Sewer Fund

Sewer Fund revenues for 2013 are anticipated to be \$2,894,603, a 2% increase over the budget in 2012. This increase in revenue is due mainly to the increase in the number of large sewer customers we have added in our system over the past 2 years, such as Michael's Foods and 212 Medical Center. The following table is a summary of anticipated revenues and expenses for 2013 relative to past years.

	Actual 2010	Actual 2011	Budget 2012	Budget 2013	Change	% Change
<b>Revenues</b>						
Metered Sales	\$2,610,324	\$2,759,460	\$2,785,400	\$2,834,300	\$48,900	2%
Other Revenues	\$51,589	\$67,764	\$55,588	\$60,303	\$4,715	8%
<b>Total</b>	<b>\$2,661,913</b>	<b>\$2,827,224</b>	<b>\$2,840,988</b>	<b>\$2,894,603</b>	<b>\$53,615</b>	<b>2%</b>
<b>Expenses</b>						
Pumping	\$6,217	\$10,632	\$20,109	\$21,917	\$1,808	9%
Treatment	\$1,563,594	\$1,754,911	\$1,849,732	\$1,920,448	\$70,716	4%
Collection	\$388,089	\$500,383	\$712,207	\$843,966	\$131,759	19%
Administration	\$386,585	\$367,573	\$386,511	\$408,542	\$22,031	6%
Transfers Out	\$4,200	\$114,400	\$114,600	\$114,800	\$200	0%
Other	\$94,013	\$83,625	\$0	\$0	\$0	
<b>Total</b>	<b>\$2,442,698</b>	<b>\$2,831,524</b>	<b>\$3,083,159</b>	<b>\$3,309,673</b>	<b>\$226,514</b>	<b>7%</b>

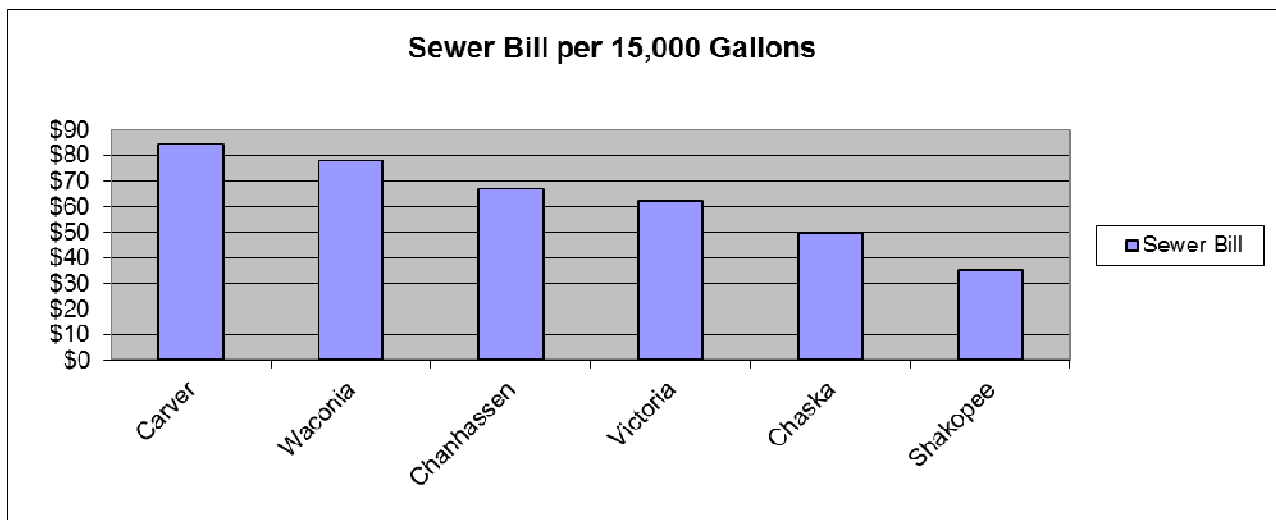
Sales revenue is based on seeing a 5.4% increase in retail rates for 2013. Unlike other utility services we provide, we do know at the beginning of the year exactly what we will be charged by Metro Waste next year for treatment of our sewer, as it is a fixed cost based on past usage of the system. As in other years, any rate determination is based on looking at both our actual cost of treatment service from Metro Waste, which will be a 3.8% increase in 2013, and the increase we need in our own internal operations to meet our current and future operational needs, which would be an additional 1.6%, bringing us to the total of a 5.4% rate increase.

Metro Waste treats all of the sewage for not only Chaska, but each of the Cities in the Twin Cities Metropolitan Service Area. It should be noted that in 2010, we saw Metro Waste rates increasing by 12.91% to Chaska to accommodate for increases they needed to accommodate for reduced growth in the Metro Area, and the need for Metro Waste to cover existing debt service costs for infrastructure built within the last decade. In 2010, that increased our retail rates by 7.93%. 2011 rate increases from Metro Waste was much less, requiring a 1.61% increase in rates to accommodate the increase in costs we saw from Metro Waste. In 2012, we were able to keep a 0% increase in our Sewer Rates and still meet the financial obligations for the fund, and for 2013 we are recommending the 5.4% increase.

## Expenses:

Sewer expenses are anticipated to be \$3,309,673 for 2013, an increase of 7%. The main driver of the increase in expenses in 2013, beyond the rate increase from Metro Waste, will be the Automated Meter Reader Installation Program that is being done in conjunction with the Water and Electric Departments. The Sewer Fund will have a \$300,000 cost annually in 2013-2015 for this program. Sewer Fund Reserves are being used to pay for this installation program.

Currently, Chaska's sanitary sewer rates are very comparable to other cities in the metropolitan area, and in the southwest metro area in particular. Metro City sewer rates tend to be very similar from City to City since a significant portion of the monthly bill is based on the Metro Council sewer charges, which are based on the same costs from City to City. Below is a comparison of Chaska sewer rates to other surrounding cities:



## Personnel Services:

Currently, the Water and Sewer staff consists of the Superintendent, Foreman, and six maintenance employees. For 2013 it is recommended that the staffing levels remain unchanged. It should be noted that 50% of these personnel costs get charged to the water department, with the other 50% going to the sewer fund, as these two departments utilize the same employees.

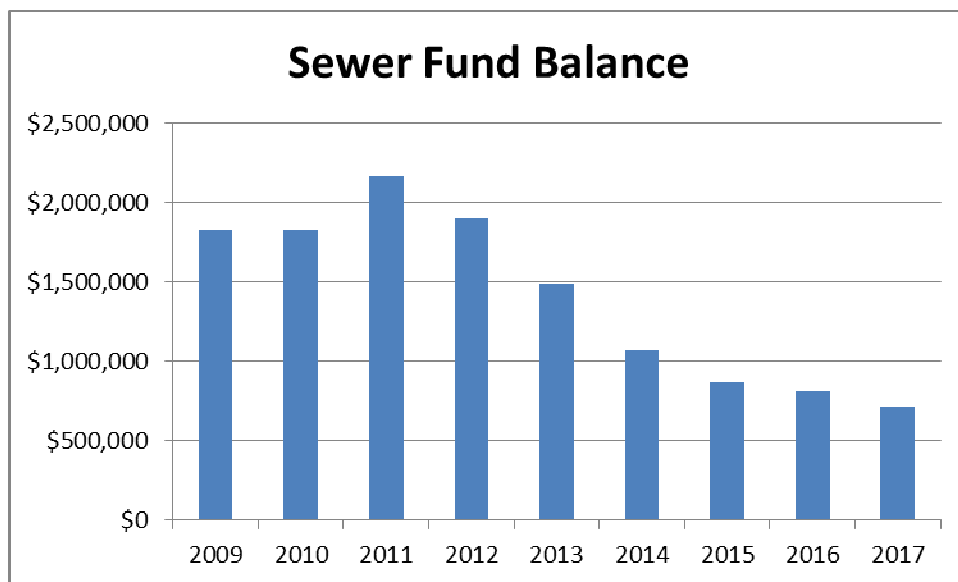
As mentioned above in the Water Fund, one addition in personnel that we would see in 2013 in the Municipal Service Building for our Utility Departments to support all departments in the building is a GIS Technician position. Water and Sewer would be responsible for 25% of the total cost, bringing the Sewer Department's share to \$11,000 in 2013. Much of this work is contracted out at this point, with it making economic sense to both bring this in-house, and to take more advantage of the GIS capabilities we currently have but do not have the Staff to utilize to manage each of our utilities.

## Equipment:

As mentioned previously, in 2013, the major initiative that we will need to start funding is our Automated Meter Reader Installation Program. From 2013-2015, all of the meters in our community will be either switched out or retrofitted to work with an Automated Meter Reading Program. As in the Water Fund, this would require \$300,000 from the Sewer Fund to support this program in 2013, with this same level of funding in 2014 and \$150,000 in 2015. The funding of this program would require us to go into our reserves to fund. This is one of the reasons that we try to carry the proper amount of cash balance forward in our Utility Funds to be able to handle these capital reinvestment projects needed to keep our system functional into the future.

In 2013, we would also continue to have \$110,000 contribution to our Street Reconstruction Program to address necessary sewer replacement in our system, which will include the reconstruction of the residential sections of 2<sup>nd</sup> and 3<sup>rd</sup> Streets on the east side of downtown, along with all of the north/south streets in-between, this upcoming summer. Finally, as in the Water Fund, the Sewer Fund would have the replacement of a 1-ton truck for \$35,000, with the Sewer Fund paying for half of this cost, and the addition of a Sewer Lining Program for \$50,000, to fund the lining of sewers in areas that may take some time to get to from a Street Reconstruction basis.

Based on our total expenditures and revenues, and a draw-down on our reserves to cover the expenses for the Automated Meter Reader Installation Program, we are budgeting that there is a decrease of \$415,071 in the Sewer Fund for 2013. We will see this decrease in Fund Balance throughout the entire 5-year period until the AMR program is complete, with the Sewer Fund then expected to build back to reserves.



# Electric Fund Budget

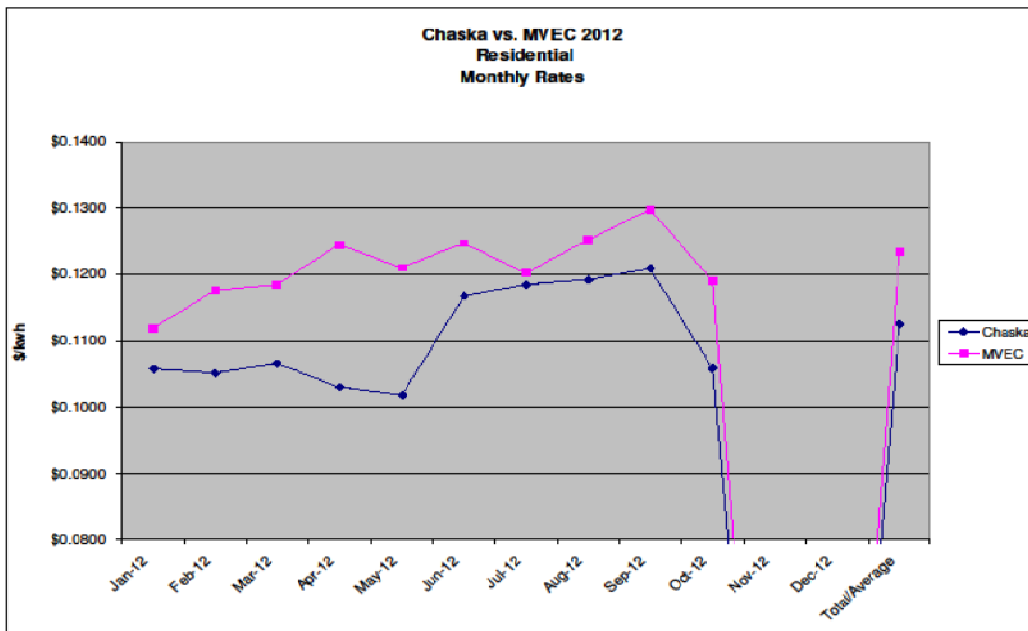
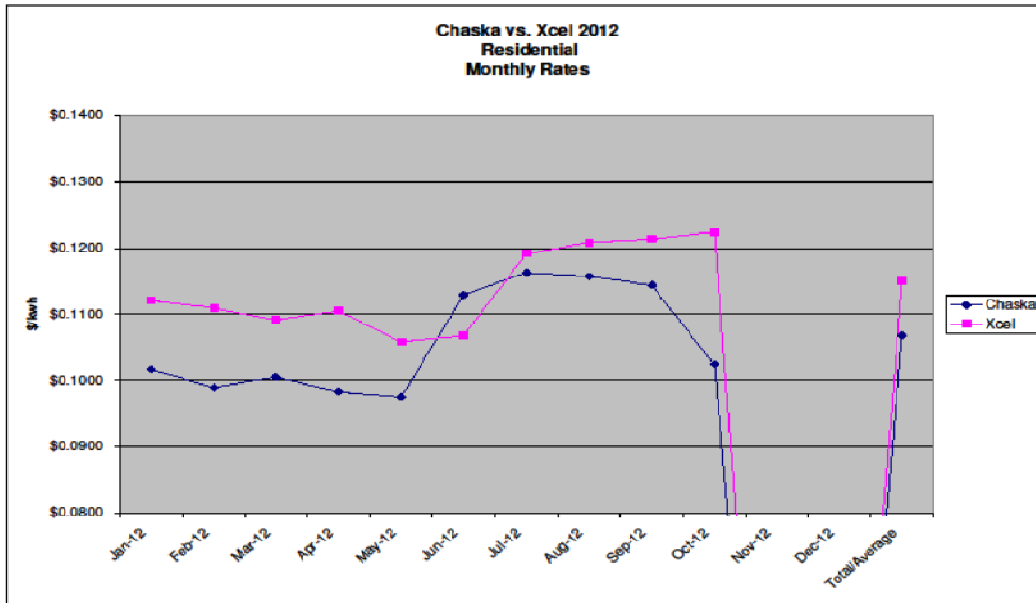
For 2013, Electric Fund revenues are anticipated to be \$31,167,700. This compares to the \$28,673,500 we had budgeted for revenue in 2012, an increase of 8.70%. As part of the 2013 budget process, one of the items that Staff continued to look at is the affect that the new large users in our system will have on our overall electric sales, not only for 2013, but for the years included in our 5-year forecast. We will continue to see significant new growth in our commercial/industrial sales in 2013, as we also expect that large economic development projects will continue to increase electric usage in the entire 5-year period, with additions onto 212 Medical Center, another user in West Creek Corporate Center, as well as the addition of more residential uses in the community, both single and multi-family. Below is a chart looking at our anticipated revenue for 2013.

	Actual 2010	Actual 2011	Budget 2012	Budget 2013	Change	% Change
Electric Sales	\$25,740,975	\$28,851,325	\$28,342,800	\$30,797,600	\$2,454,800	8.66%
Other Revenue	\$323,949	\$323,949	\$323,949	\$370,100	\$46,151	14.25%
Total Revenue	\$26,064,924	\$29,155,054	\$28,673,500	\$31,167,700	\$2,494,200	8.70%

To develop our 2013 revenue budget, we did utilize the following assumptions:

- Total rate revenue increases by 2% in 2013
- A 8.66% increase in total sales to customers
- A total of 100 new residential units will come on line by year end, 50 of which will come from the Block 53 Redevelopment project ("The Landing")
- Continued Economic Development activity will drive our overall sales up
- Normal weather

The City's objective is to maintain electric rates that are competitive to our main competitor, who is Xcel Energy. As we have seen over the past 12 months, Chaska's residential rates have faired well compared to the market. Looking at 2012, we did see total bills for residential users that averaged over 8% lower than Xcel, and close to 9% lower than Minnesota Valley Electrical Cooperative. Much of this can be attributed to a more stable Natural Gas market over the past two years, than what we saw in 2008, when our total bills were averaging very close to Xcel's overall bill. Our Power Agency, MMPA, currently has most of their assets that are Natural Gas burning, which has resulted in lower costs, and has been able to attain grant financing to support our required renewable energy projects such as Oak Glen Wind Farm, which has the energy from these sources priced very competitive. Xcel recently requested to the State another rate increase for 2013, which will allow us to keep our rates competitive for the foreseeable future. Below is a graph showing our total residential bill compared to Xcel and Minnesota Valley in 2012:



As mentioned previously, we continue to expect that our overall bills will continue to be less than Xcel. This is based on the fact that Xcel not only received rate increases over the past few years, but is currently being considered for another rate increase through the Public Utilities Commission at the State. Assuming this rate change by Xcel, our expected wholesale cost of electricity and Energy Adjustment Charges from MMPA in 2013 (wholesale rates, not including the Energy Adjustment Clause, is expected to stay relatively stable in 2013), and our 2% proposed increase in overall rates, we could expect our residential rates to continue to be at similar levels below Xcel going into 2013.

Electric Fund expenses for 2013 are projected to be \$30,482,875, compared to \$28,365,059 in 2012, for a total increase of 7.47%. There are two primary factors driving expenses for 2013. The first primary cost factor in our electric utility is the purchase of wholesale power from the Minnesota Municipal Power Agency. For 2012 we are anticipating that the Agency's wholesale rate will go up approximately 1.5%. Based on projected wholesale power rates, we are anticipating that our total wholesale power costs for 2013 will be \$21,531,000, compared to the budget of \$20,445,000 in 2012. The other major factor is the start of our Automated Meter Reading program installation, which the Electric Department is doing in conjunction with the changing of the meters for the Water and Sewer Departments. This program will be implemented in 2013-2015, with the Electric Fund contributing \$750,000 in both 2013 and 2014, with \$500,000 to complete the program in 2015.

As the electric industry becomes more competitive, it is imperative that the City works closely with the power agency to assure that we are purchasing wholesale power at competitive rates. As we are seeing with the need for Xcel to raise their base rates again, and with their aging infrastructure that will need to be replaced in the future, it does appear that the agency will be well positioned to meet the needs of the City in the foreseeable future, while at the same time maintaining competitive rates. At the same time, the Agency is positioning itself well to address the State's Renewable Energy Requirements initiatives, which will require us to have 12% of our energy generated from renewable sources in 2012, and 25% by 2025. The Agency opened its Oak Glen Wind Farm in November of 2011, in South Central Minnesota, helping us to meet these initial requirements. This is a 42 MW generation facility, and will help us meet the 2012 requirements of the State mandates in renewable energy.

### **Personnel:**

Currently we have ten line workers, along with the Electric Director, Assistant Electric Director, and Foreman, serving this division. It is recommended that we not change the number of full-time crew in the Electric Department for 2013, with the exception of the funding of the GIS Technician position that will be shared with the Water and Sewer

Departments in 2013. The Electric Fund would be responsible for 75% of this cost, which would be \$69,900 in 2013.

A transfer of \$100,000 is programmed from the Electric Fund to the Community Center as we have done in the past. This transfer is consistent with the funding program for the Community Center and is reflected in the Electric Fund. In addition to this, there will be an additional \$75,000 transfer to the CCC, which will help fund a portion of the new Community Center CIP program. Finally, through 2015, the Electric Fund will contribute to the debt service for The Lodge at the Community Center. In 2013, this transfer is scheduled to be \$428,000.

In addition to this, in 1997 the City adopted a financing plan for the new Fire Station, including an annual transfer of \$300,000 from the Electric Fund to the Fire Station debt service. These transfers are anticipated to continue until 2015.

Besides these expenses, one new area of expense that will be seen in 2013-2015 is the Automated Meter Reader Installation Program, which is also occurring in the Water and Sewer Department. This program will require an additional \$700,000 annually in each of 2013-2014 to support the capital costs of the meters, with \$500,000 in 2015 to complete the program.

### Debt Service:

In 2001 the City developed the new Minnesota River substation jointly with the gas turbine project. The Electric Fund share of the substation was \$2,281,000, which converts to annual debt payment of \$104,219. This will continue in 2013.

In addition to this debt, the Electric Fund will also have new debt service of approximately \$250,000 annually to support the construction of the West Creek Substation, which was completed in the summer of 2012. The City sold the debt to support this project in November of 2011, with the first debt service in 2012 being approximately \$110,000.

Based on this, the following would be the expenditures for 2013:

	Actual 2010	Actual 2011	Budget 2012	Budget 2013	Change	% Change
Purchased Power	\$18,756,309	\$20,785,783	\$20,445,000	\$21,531,000	\$1,086,000	5.31%
Franchise Fee	\$2,501,470	\$2,702,870	\$2,841,000	\$3,135,000	\$294,000	10.35%
Operating Costs	\$3,364,911	\$3,350,095	\$3,083,721	\$3,179,886	\$96,165	3.12%
Capital	\$0	\$0	\$1,185,000	\$1,558,000	\$373,000	31.48%
Debt	\$73,804	\$74,364	\$214,338	\$341,689	\$127,351	59.42%
Transfer	\$557,100	\$606,351	\$596,000	\$737,300	\$141,300	23.71%
Total	\$25,253,594	\$27,519,463	\$28,365,059	\$30,482,875	\$2,117,816	7.47%

Based on the budget as proposed, the Electric Fund would have revenues in excess of expenditures in 2013 of \$684,000.

# Storm Water Fund Budget

In 2008, the City of Chaska created, by ordinance, a Storm Water Utility Fund to address the growing requirements of managing surface water runoff throughout the community. With the implementation of new MS4 Storm Water Management requirements at both the State and Federal level, the City of Chaska, along with other communities across the country, needed to look at their surface water management practices differently, and generate the resources necessary to complete all requirements of the new laws. Up until the point of creating a separate Storm Water Utility Fund, any activities that the City of Chaska completed with Storm Water Management were completed by the Public Works department utilizing General Fund resources. With the new statutory requirements, it was apparent that these resources would not be sufficient to complete all necessary activities.

As the City of Chaska established our Storm Water Utility Fund, the City identified a number of objectives to complete in this newest Enterprise Fund, including:

- Provide the necessary resources for the Storm Sewer Fund to assure continuation of quality services to customers
- Maintain rates comparable to other cities, while at the same time generating adequate cash reserves for replacement of existing capital, necessary maintenance on our system, and for emergencies
- Meet all of the new MS4 requirements for Storm Water Management, addressing changes in the requirements as they occur
- Assume that major capital additions to the collection system are not financed from rate revenue (these are financed through Trunk Funds paid through development)
- Move all Storm Water Management activities out of our General Fund, treating the management of our Storm Water System the same financially as our other Utility Enterprise Funds (i.e. Water/Sewer and Electric)

In 2008 when the Storm Water Utility Fund was created, the City identified all of the work that needed to be completed as part of the Storm Water management activities, to develop an estimate on what all of the work would cost on an annual basis, and what future costs would likely be for replacement of infrastructure in our system as it became deteriorated. From this estimate of present and future costs in our Storm Water system, the City developed a rate structure in 2008, charging residential property owners \$3 per month based on each residential parcel that they owned, and attributed a per acre fee to those Commercial/Industrial and undeveloped properties in the City, based on what each of these parcels was contributing for surface water to our overall system. Some of the major operations that these fees helped to fund included:

- Completing certification and maintenance of Chaska's Flood Control System
- Completing maintenance of our Storm Water treatment ponds across the City
- Completing Street Cleaning to keep surface water runoff as clean as possible

- Maintaining our ravine systems throughout the City
- Completing our MS4 reporting and maintenance requirements
- Monitoring development activities to ensure Storm Water runoff and treatment requirement both during construction and after development completed

With the Minnesota River Flood Control system, and the many ravine systems around the community, Chaska’s Storm Water Management activities are often more complex than non-river communities.

**2013 Revenues**

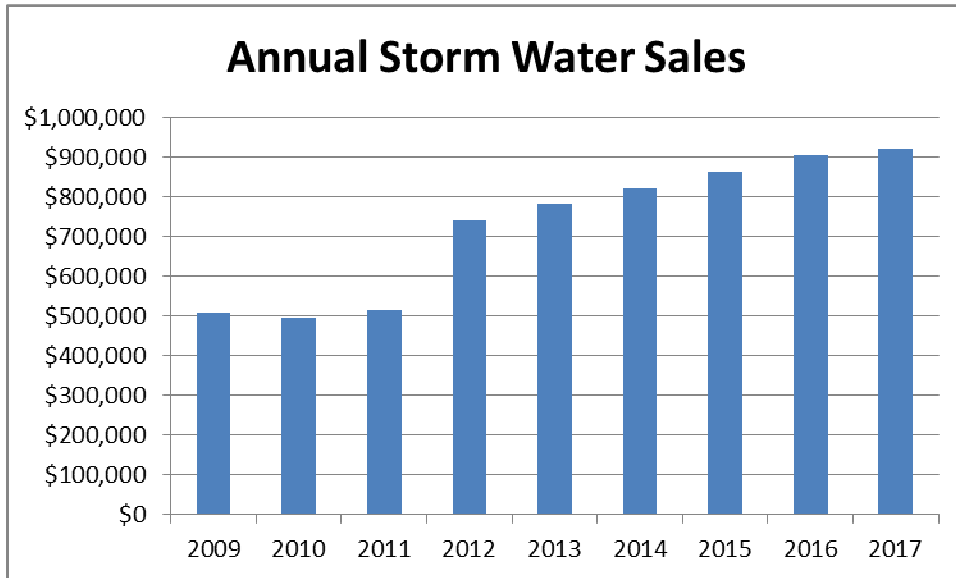
When the initial fee was established in 2008, this fee was based on estimates that were developed to help complete each of the activities listed above. It was the intent that once we had the Storm Water Utility Fund fully up and running that we would come back and review our fee structure to determine if it had been set at the proper level. As we established the 2012 budget last year, it became clear that not only was our rate set too low to accommodate all of the activities that needed to be completed in this Fund and with future maintenance expenses, but that we were also very low compared to many of the surrounding cities who also have a Storm Water Utility Fund.

Based on what our actual costs are for Storm Water Management activities, and based on our low position in the cost of our Storm Water Fee, in 2012 it was approved to go up by \$1.50 per month, bringing it to \$4.50 per month, still below the area average.

With that base re-established in 2012, in 2013, we are recommending that the rate increase by \$0.25 per month, to make sure that now that the base is re-established, that we keep up with the increased costs of providing services. These increased costs have not only to do with inflationary increases in costs, but also to do with the many requirements that continue to be placed on us, especially as it relates to maintenance of our Flood Control System. Below is a survey of the other area cities monthly Storm Water fees for 2012 compared to Chaska’s proposed 2013 residential rate:

<b>Stormwater Utility Rates</b>	
Shakopee	\$6.87
Eden Prairie	\$6.00
Carver	\$8.52
Plymouth	\$5.00
Minnnetonka	\$3.50
Chanhassen	\$3.01
Buffalo	\$5.00
Chaska	\$4.75
Average	\$5.33

As can be seen in the survey above, Chaska's rate is very low, compared to the average of \$5.33 per month in the area cities. Based on this change to our rate structure, the following chart depicts what we can expect to see in revenue for not only 2013, but through the next 5-year period if we saw a \$0.25 per month increase over each of the next three years:



### **2013 Expenditures**

Within the Storm Water system, there are really two distinct types of activities that occur. There is the day-to-day maintenance of our Storm Water system, and there is the inspection and reporting work that is required as part of the MS4 changes.

From a maintenance perspective, the City of Chaska does utilize our Public Works crew to support the maintenance activities of the fund. The time that they put into Storm Water maintenance functions is charged directly back to the Storm Water Fund. One change that we will see in 2013 compared to 2012, is the addition of significant work to maintenance of our Flood Control Levy system. This past year, the Army Corp of Engineers went through an inspection process to re-certify our levy. This inspection included new standards for levy maintenance that were not in affect at the time our Flood Control System was completed in the mid-1990s. One component of the work identified is the annual Rock Channel Weed/Brush control program. This is a program we will have to complete each year, and adds approximately \$25,000 annually to expenditures in our budget. The other items identified were one-time projects that need to be completed over the next two-year time frame, if we are to keep our Flood Control system certified. We have budgeted \$50,000 for work to be completed in 2013, and will have another \$50,000 of work that needs to be completed in 2014 to complete our inspection requirements.

The other maintenance activity comes through the maintenance of our Storm Water system as part of our Street Reconstruction Program. To support these activities, the Storm Water Fund contributes \$200,000 annually to the Street Reconstruction program.

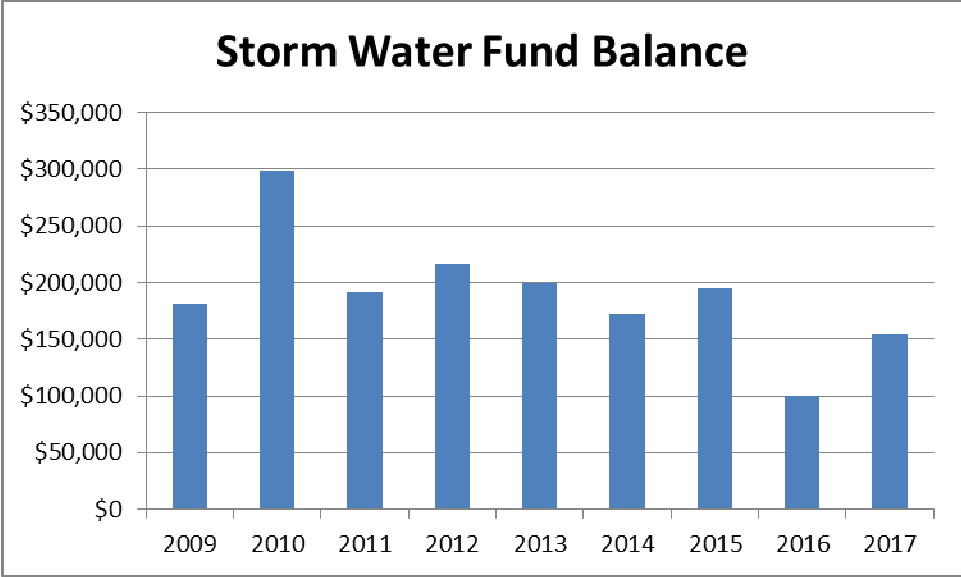
The other activities of inspections and reporting are mainly completed through our Engineering Department and through contract Engineering services. For 2013, \$150,000 of the Storm Water Fund budget is dedicated to these activities. These activities help us to meet our MS4 requirements, as well as identify the priorities for what maintenance work we will have to complete over the next several years.

Based on the changes to our rate structure and our budget to fund necessary activities in the Storm Water Management activities, below is a breakdown of the revenues and expenditures for 2013:

	2010	2011	2012	2013		
<i>Revenues</i>	<i>Actual</i>	<i>Actual</i>	<i>Budget</i>	<i>Budget</i>	<i>Change</i>	<i>% Change</i>
Residential Sales	\$270,544	\$276,207	\$413,000	\$429,000	\$16,000	3.73%
Non-Residential Sales	\$229,468	\$216,261	\$294,000	\$353,000	\$59,000	16.71%
Other	\$5,450	\$16,459	\$2,000	\$2,000	\$0	0.00%
<b>Total</b>	<b>\$505,462</b>	<b>\$508,927</b>	<b>\$709,000</b>	<b>\$784,000</b>	<b>\$75,000</b>	<b>9.57%</b>
<i>Expenditures</i>						
Transfer to Street Program	\$200,000	\$200,000	\$200,000	\$200,000	\$0	0.00%
Personnel	\$0	\$149,590	\$148,700	\$151,300	\$2,600	1.72%
Supplies	\$30,100	\$47,593	\$35,250	\$35,503	\$253	0.71%
Professional Services	\$11,596	\$149,161	\$140,000	\$150,000	\$10,000	6.67%
Capital Outlay	\$0	\$0	\$80,800	\$155,000	\$74,200	47.87%
Administration	\$38,432	\$29,552	\$58,375	\$54,371	-\$4,004	-7.36%
Utility Billing	\$43,586	\$6,912	\$17,170	\$17,342	\$172	0.99%
Depreciation	\$0	\$0	\$30,000	\$30,000	\$0	0.00%
Other	\$66,666	\$55,585	\$7,575	\$7,650	\$75	0.98%
<b>Total</b>	<b>\$390,380</b>	<b>\$638,393</b>	<b>\$717,870</b>	<b>\$801,166</b>	<b>\$83,296</b>	<b>10.40%</b>
<b>Fund Total</b>	<b>\$115,082</b>	<b>-\$129,466</b>	<b>-\$8,870</b>	<b>-\$17,166</b>		

As can be seen in the chart above, this fund has been a work in progress as different requirements have been implemented, and services have been changed from being charged to the General Fund to being charged to the Storm Water Utility. This budget does start to represent where the expenses and revenues in this Fund should be.

Based on the budget, and what is projected during the 5-year period, below is a chart of what we would expect to see for Fund Balance in this Fund as we move through the next 5-years. It should be noted that with the Levy Re-Certification work to be completed over the next 2 years, we will see some draw-down of our Reserves in this Fund Balance, and that we do project the Fund balance increasing after this work is completed in 2015.



# Chaska.net Fund

The mission of Chaska.net is:

“Through the use of existing fiber optic and wireless technology, develop a high quality, low cost, high-speed Internet service for Chaska’s public business and residential entities, thereby enhancing Chaska’s vision of being a connected community.”

Chaska.net began operation in 2000 as part of a partnership between the City and the Chaska School District. At that time KMC was completing their fiber optic system serving the Chaska business community. The City and the School District entered into a partnership to construct fiber optic lines to serve each of our existing public facilities. In 2001 the City began providing high-speed Internet service to businesses through the use of local fiber loops provided by KMC, with the business service expanding in 2002, based on the development of a line-of-site wireless network for the community.

Under the initial wireless system antennas were installed at City Hall, the Community Center, and water towers to provide line of sight connections to businesses at a cost ranging from \$100 to \$500 per month. In 2003 the service was expanded when additional antennas were added in the cities of Victoria, Waconia, Norwood Young America, and Shakopee.

In the spring of 2004 Chaska initiated a major effort to fulfill its original vision of having low cost, high-speed residential Internet through the deployment of a City-wide wifi network. The hardware solution deployed consisted of installation of 378 Tropos radios located on streetlights at an original cost of \$621,000. Since the system is wifi based it utilizes off the shelf customer bridges and is capable of providing bi-directional data transfer of speeds up to 1.5 megabytes per second. In 2006 the City elected to upgrade to the next generation of Tropos radios at a cost of \$456,200. Since the inception of the service, we have continued to work on improvements to the system to help improve the reliability and consistency of the service that is provided. Through 2012 the City will have invested \$3.3 million in developing the fiber and wireless network.

## **REVENUES**

Revenues to the fund are generated from three major categories; wireless wifi customers, line of sight customers, and direct fiber connections. Currently, the wifi network has approximately 1,400 customers paying a monthly fee of \$19.99 for the service. In establishing the original financial plan for the wifi business, the goal was to begin with a monthly rate of \$15.99, with that rate increasing by \$1.00 per year until it peaked at a rate of \$20.99. For 2007 the rates were left unchanged in order to continue to attract customers. For 2008 the monthly fee increased to \$17.99. In 2009

this rate did go up to \$18.99, and in 2010 the rate did go up to \$19.99 per month, a point at which it stayed in 2011 and 2012. In 2013, we are once again proposing to keep the rate at \$19.99 per month, as we are cognizant of where our pricing has been compared to our main competing service-type provider, which is DSL, as well as other options for customers being able to bundle cable modem services through our local Cable Television Company. DSL and bundled service prices have come down in price over the past several years, now priced at approximately \$20 per month. While both the wi-fi network and DSL have capability of similar speeds, DSL is a land-line, and because of this has the ability to have better reliability. Cable service also has the potential to provide more reliable service and has become more affordable.

Because of this, it was felt that it was important to keep a price differential between our service and our competitors' pricing, so that there is still a true choice for the customer about what service to choose. We would anticipate keeping it at \$19.99 per month into the future to be able to provide this service for as long as there is customer demand.

Based on just over 1,400 residential customers, this service presently has a penetration rate of 14%, for Chaska's approximately 10,000 households that could potentially be connected to the system. We do budget to keep that number of customers relatively stable through the 2013 budget year.

In 2013, the annual revenue budgeted for Chaska.net Wi-Fi service is approximately \$587,000. This compares to \$657,000 in budgeted revenue for 2012. A big portion of the drop in revenue comes from a decrease in pricing that Chaska.net provides to School District #112 for services. However, with a reduction of revenue, there was also a reduction in the cost of purchasing bandwidth to provide this service. At the same time, we were able to have School District #112 commit to an additional year of service with the reduction in price, with the intent to continue this into the future.

Staff continues to market the Wi-Fi service through our website and occasional utility staffers. As mentioned previously, we do think that while we will see some growth in this portion of our business, that the growth will not be as aggressive as projected in past financial forecasts due to several factors, including the fact that there is much more competition in the market with services such as DSL than there was in the past, and the fact that we are not seeing as much residential growth occurring in the community.

As for the Point-to-Multi-Point System, the five-year plan anticipates that this revenue source will not be a major component of Internet service as we move into the future. Staff has even been evaluating whether we should continue to provide this services to customers outside of the community, as this is a drain on our staff resources, the equipment is aging, and has not helped us achieve our mission of connecting people and businesses within our community. We have been able to make some very inexpensive retrofits to this system to keep it functioning properly, and would anticipate that as long as this is a profitable portion of our business, that we would keep this service. As the equipment becomes technically obsolete for retail service, we will have to evaluate both whether we continue to provide this service to our existing Chaska companies, and whether we continue to provide this service outside of Chaska. The

only two cities we continue to provide line-of-sight service to in the area are Victoria and Waconia. We would anticipate that this would continue until such time that Carver County's Fiber Ring is completed to each of these communities.

Over the next five years, we do anticipate that some customers in the new industrial park will elect to gain Internet activity through the Chaska.net fiber network, as we do plan on extending our fiber loop out into this new industrial park, as we have already installed underground conduit to make this more feasible. The conduit for this service was installed as part of the initial phase of the West Creek Corporate Center, but the fiber has yet to be installed.

The following table is a summary of the forecasted revenues for Chaska.net for 2013.

<i>Revenues</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>		
	<i>Actual</i>	<i>Actual</i>	<i>Budget</i>	<i>Budget</i>	<i>Change</i>	<i>%Change</i>
ISP Sales	\$632,600	\$555,745	\$557,000	\$487,000	-\$70,000	-14.37%
School District Pass Through Funds	\$109,054	\$100,658	\$100,000	\$100,000	\$0	0.00%
Other	\$6,049	\$33,271	\$0	\$0	\$0	
<b>Total Revenue</b>	<b>\$747,703</b>	<b>\$689,674</b>	<b>\$657,000</b>	<b>\$587,000</b>	<b>-\$70,000</b>	<b>-11.93%</b>

## EXPENSES

The following table is a summary of forecasted expenses for 2013.

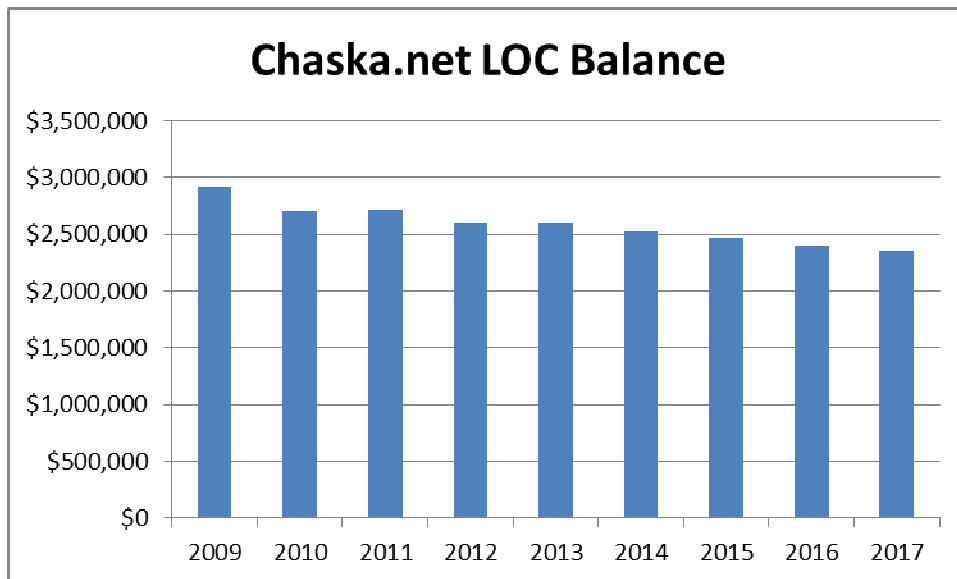
<i>Expenditures</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>		
	<i>Actual</i>	<i>Actual</i>	<i>Budget</i>	<i>Budget</i>	<i>Change</i>	<i>%Change</i>
Bandwidth	\$80,400	\$80,466	\$85,000	\$66,000	-\$19,000	-28.79%
Distribution	\$52,102	\$39,368	\$116,391	\$110,100	-\$6,291	-5.71%
Personnel	\$121,942	\$134,239	\$135,096	\$149,865	\$14,769	9.85%
Operating	\$267,719	\$284,460	\$243,000	\$249,550	\$6,550	2.62%
Depreciation	\$249,980	\$100,807	\$0	\$0	\$0	0.00%
Capital	\$0	\$0	\$20,000	\$10,000	-\$10,000	-100.00%
<b>Total</b>	<b>\$772,143</b>	<b>\$639,340</b>	<b>\$599,487</b>	<b>\$585,515</b>	<b>-\$13,972</b>	<b>-2.39%</b>

Currently, Chaska.net has two full time positions allocated to it. We plan to continue to have this level of staffing in 2013. There is some increase in staffing expenses due to some of the Automated Meter Reading installation work coming through Chaska.net. This is done in conjunction with our Water/Sewer and Electric Departments. One continued major change that is shown in the expense budget above is the elimination of our Network Operations Center contract with Siemens for \$120,000. While Siemens was able to adequately provide this service, we have found that given the size of our utility, we are better able to provide those services in-house. In 2013, this will continue to be the case. Additionally, we will continue to contract with Google for providing of our customer's Email service, which did allow us to avoid a more costly upgrade of our internal system to continue to provide this service. Overall, both of these changes are a cost savings to the Chaska.net system, and have a positive impact on allowing us to write-down the internal letter of credit provided to Chaska.net from our Electric Fund to start up this service.

## **Chaska.net Letter of Credit**

Our original objective for the Chaska.net service was to fully pay off all outstanding debt by 2013. Based on our current assumption that target will not be met. However, we will continue to allow Chaska.net to be an operationally self-supporting entity, and be able to have positive movement in writing down the outstanding debt in the line-of-credit we established to start this service. It should be noted that while Chaska.net has not been able to recoup all of the costs invested into it over the years, the City as a whole has avoided many costs over the past 10 years by having the system, as this has covered our cost of Internet services that we provide internally to our City offices, and we are able to now use this infrastructure to help support our Automated Meter Reading System, which the Electric, Water and Sewer Departments are installing across the City in 2013-2015. In this respect, Chaska.net has provided the City with a significant value in reducing our costs of providing internal service, and will help reduce costs with our new AMR system.

Below is a chart showing the outstanding debt on the Line-of-Credit that was established for this service. As you can see in the chart, we do anticipate that this balance will continue to go down, but we will still have an outstanding balance through the 5-year period.



It should be noted that while there is a balance of around \$2,300,000 in the line-of-credit after the 5-year period, approximately \$900,000 of this investment is in our installed fiber infrastructure, which has a much longer life expectancy than our wireless mesh product. For this reason, it is reasonable to assume a longer pay-back period for this infrastructure since it will not need to be replaced nearly as soon as our wireless mesh infrastructure.

Although the Chaska.net service has not yet fully met our initial financial objectives, and may have difficulty paying back this original line of credit on its own it should be noted that this service has provided many opportunities throughout our internal organization to save money on services we provide and how we provide them. Chaska.net has provided Internet service to the rest of the City's Enterprise Fund and the General Fund

at no cost to these funds for over 10 years. This has created a significant savings across the entire City. It has also allowed us to deploy wireless systems for our Utility Meter Reading, SCADA services and Police services, saving us many dollars in the process. It will continue to provide us with opportunities for more cost effective ways to provide our services in other departments as we move into an Automated Meter Reader replacement program in Water, Sewer and Electric in 2013.

So while we eventually will have to make a decision of whether we will update our Chaska.net system with new technology from a retail perspective, we do see that the wireless technology we have now will continue to be a good investment from an internal perspective and the cost savings we are able to experience in other departments.

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# Adopted Budget Resolutions


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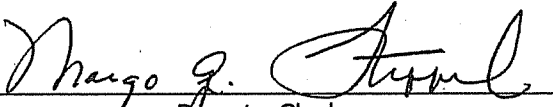


Water	3,105,270	3,337,783	(232,513)
Sanitary Sewer	2,894,603	3,309,671	(415,068)
Community Center	3,353,948	3,312,234	41,714
Par 30	168,300	167,985	315
Town Course	1,865,172	1,864,127	1,045
Turbine	2,925,287	3,073,634	(148,347)
ISP (chaska.net)	587,000	585,515	1,485
Storm Water Mngt.	784,000	801,168	(17,168)

FURTHER, BE IT RESOLVED, that the City Clerk is directed to file these approved levies with the Carver County Auditor on or before December 28, 2012.

Passed and adopted by the City Council of the City of Chaska, Minnesota, this 17<sup>th</sup> day of December, 2012.

  
 \_\_\_\_\_  
 Mayor

Attest:   
 \_\_\_\_\_  
 Deputy Clerk

**CHASKA ECONOMIC DEVELOPMENT AUTHORITY  
CARVER COUNTY, MINNESOTA**

**RESOLUTION**

DATE DECEMBER 17, 2012 RESOLUTION NO. EDA 12-07

MOTION BY COMMISSIONER BOE SECOND BY COMMISSIONER FORD

**Resolution Approving the 2013 EDA Budget and the  
Assessed 2012 Payable 2013 EDA Property Tax Levy**

WHEREAS, the Executive Director's proposed 2013 EDA Budget recommends a Housing and Redevelopment Authority special benefit property tax levy in accordance with Minnesota State Statutes, Section 469.033, Subdivision 6; and,

WHEREAS, in accordance with Minnesota State Statutes, Section 469.033, Subdivision 6 the special benefit property tax shall be an amount approved by the City Council of the City of Chaska but shall not exceed 0.0144 percent of taxable market value of the City of Chaska; and,

WHEREAS, the City has conducted a public hearing on December 3, 2012 to receive comment from the public on the proposed 2013 Budget and the tax levies recommended therein including the proposed 2013 EDA Budget and the EDA tax levy recommended therein; and,

WHEREAS, the EDA must certify to the County Auditor on or before December 28, 2012, a property tax levy for assessed 2012 payable 2013.

NOW, THEREFORE, BE IT RESOLVED, that the following assessed 2012 payable 2013 property tax levy be adopted consistent with the 2013 Budget:

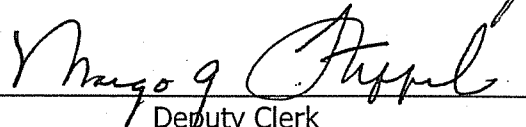
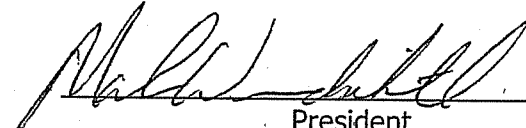
<u>Fund</u>	<u>Levy Amount</u>
EDA Fund, HRA Levy	\$ 74,864

FURTHER, BE IT RESOLVED, that the following 2013 EDA special revenue fund budget be adopted:

<u>Fund</u>	<u>Revenues and Other Sources</u>	<u>Expenditures and Other Uses</u>	<u>Fund Balance Reserves (Uses)</u>
EDA Fund	\$ 280,690	\$ 280,690	\$0

AND, FURTHER, BE IT RESOLVED, that the Executive Director of the EDA is directed to file the approved EDA levy with the Carver County Auditor on or before December 28, 2012.

Passed and adopted by the Economic Development Authority of the City of Chaska, Minnesota, this 17<sup>th</sup> day of December 2012.

Attest:  Deputy Clerk  
 President

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Revenues and Other  
Financing Sources

and

Expenditures/Expenses and  
Other Financing Uses

by Fund

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FM Reports - Period Revenue & Expense Report

Calendar Period: 01/2013 To: 01/2013

Fiscal Period: 01/2013 To: 01/2013

Budget Thru: 12/2013

\*101 General Fund

Account#	Account Title	Period-to-Date	Year-to-Date	Net Budget	Variance	PCT
-----						
Revenues						
**0000	Unassigned Department	0.00	0.00	8,589,665.00	8,589,665.00	
**1110	Council	0.00	0.00	0.00	0.00	
**1150	Communications	0.00	0.00	256,406.00	256,406.00	
**1210	General Administration	0.00	0.00	0.00	0.00	
**1420	Elections	0.00	0.00	0.00	0.00	
**1510	Administrative Services	0.00	0.00	68,712.00	68,712.00	
**1580	Data Processing	0.00	0.00	0.00	0.00	
**1610	Legal	0.00	0.00	0.00	0.00	
**1710	Community Development	7,857.61	7,857.61	882,202.00	874,344.39	1
**1810	Engineering	0.00	0.00	33,813.00	33,813.00	
**1910	Bldgs, City Hall	0.00	0.00	20,559.00	20,559.00	
**1920	Bldgs, 314 Walnut Street	0.00	0.00	0.00	0.00	
**1930	Bldgs, 205 E 4th St	0.00	0.00	0.00	0.00	
**2110	Police	18.00	18.00	372,399.00	372,381.00	
**2120	ST DUI Forfeiture	0.00	0.00	10,000.00	10,000.00	
**2130	Forfeited Drug Property	0.00	0.00	0.00	0.00	
**2140	Crime Prevention Program	0.00	0.00	0.00	0.00	
**2210	Fire	0.00	0.00	120,840.00	120,840.00	
**2920	Flood Control	0.00	0.00	0.00	0.00	
**3110	PW Administration	0.00	0.00	0.00	0.00	
**3120	Streets	0.00	0.00	120,000.00	120,000.00	
**3130	Snow Removal	0.00	0.00	1,339.00	1,339.00	
**3140	Sign Machine	0.00	0.00	204.00	204.00	
**3310	Municipal Service Building	0.00	0.00	0.00	0.00	
**3510	Park Maintenance	0.00	0.00	0.00	0.00	
**3520	ISD No112 Grounds Maintenance	0.00	0.00	97,847.00	97,847.00	
**3610	Tree Control	0.00	0.00	20,306.00	20,306.00	
**5110	PRA Administration	0.00	0.00	2,750.00	2,750.00	
**5210	Youth	0.00	0.00	21,000.00	21,000.00	
**5220	Senior	0.00	0.00	0.00	0.00	
**5230	Adult	0.00	0.00	11,673.00	11,673.00	
**5240	Beach	0.00	0.00	10,029.00	10,029.00	
	<b>Total Revenues:</b>	<b>7,875.61</b>	<b>7,875.61</b>	<b>10,639,744.00</b>	<b>10,631,868.39</b>	
Expenses						
**1110	Council	0.00	0.00	97,065.00	97,065.00	
**1150	Communication	0.00	0.00	154,198.00	154,198.00	
**1210	Administration	0.00	0.00	444,916.00	444,916.00	
**1420	Elections	0.00	0.00	5,000.00	5,000.00	
**1510	Administrative Services	23,611.73	23,611.73	979,014.00	955,402.27	2
**1580	Data Processing	2,185.59	2,185.59	403,396.00	401,210.41	1
**1610	Legal	0.00	0.00	124,356.00	124,356.00	
**1710	Community Development	0.00	0.00	791,167.00	791,167.00	
**1810	Engineering	0.00	0.00	236,532.00	236,532.00	
**1910	Bldgs, City Hall	79.47	79.47	212,726.00	212,646.53	

FM Reports - Period Revenue & Expense Report

Calendar Period: 01/2013 To: 01/2013

Fiscal Period: 01/2013 To: 01/2013

Budget Thru: 12/2013

\*101 General Fund

Account#	Account Title	Period-to-Date	Year-to-Date	Net Budget	Variance	PCT
**2110	Police	0.00	0.00	3,112,047.00	3,112,047.00	
**2120	ST DUI Forfeiture	0.00	0.00	10,100.00	10,100.00	
**2210	Fire	0.00	0.00	967,755.00	967,755.00	
**2910	Civil Defense	0.00	0.00	6,274.00	6,274.00	
**3110	PW Administration	0.00	0.00	188,500.00	188,500.00	
**3120	Streets	0.00	0.00	1,252,271.00	1,252,271.00	
**3130	Snow Removal	0.00	0.00	166,627.00	166,627.00	
**3140	Sign Machine	0.00	0.00	9,015.00	9,015.00	
**3310	Municipal Serv Bldg	0.00	0.00	148,445.00	148,445.00	
**3510	Park Maintenance	0.00	0.00	706,667.00	706,667.00	
**3520	ISD Noll2 Grounds Maintenance	0.00	0.00	40,760.00	40,760.00	
**3610	Tree Control	0.00	0.00	16,050.00	16,050.00	
**5110	PRA Administration	0.00	0.00	330,211.00	330,211.00	
**5210	Youth	0.00	0.00	65,265.00	65,265.00	
**5230	Adult	0.00	0.00	77,118.00	77,118.00	
**5240	Beach	0.00	0.00	36,115.00	36,115.00	
**5270	Skating Rinks	0.00	0.00	9,154.00	9,154.00	
**6900	Unallocated	0.00	0.00	49,000.00	49,000.00	
	Total Expenses:	25,876.79	25,876.79	10,639,744.00	10,613,867.21	
	Excess of Revenues over(under) Expenditures:	18,001.18-	18,001.18-	0.00	18,001.18	

## FM Reports - Period Revenue &amp; Expense Report

Calendar Period: 01/2013 To: 01/2013

Fiscal Period: 01/2013 To: 01/2013

Budget Thru: 12/2013

## \*448 Equipment Acquisition

Account#	Account Title	Period-to-Date	Year-to-Date	Net Budget	Variance	PCT
-----						
Revenues						
**0000	Unassigned Department	0.00	0.00	1,913,500.00	1,913,500.00	
**1150	Communications	0.00	0.00	4,000.00	4,000.00	
**1910	Bldgs, City Hall	0.00	0.00	0.00	0.00	
**2110	Police	0.00	0.00	0.00	0.00	
**2210	Fire	0.00	0.00	45,000.00	45,000.00	
**9180	Project Number	0.00	0.00	0.00	0.00	
	Total Revenues:	0.00	0.00	1,962,500.00	1,962,500.00	
Expenses						
**0000	Unassigned Department	0.00	0.00	1,073,000.00	1,073,000.00	
**1150	Communication	0.00	0.00	4,000.00	4,000.00	
**1510	Administrative Services	0.00	0.00	420,000.00	420,000.00	
**1580	Data Processing	0.00	0.00	347,500.00	347,500.00	
**1710	Community Development	0.00	0.00	22,000.00	22,000.00	
**2110	Police	0.00	0.00	93,000.00	93,000.00	
**2210	Fire	0.00	0.00	60,000.00	60,000.00	
**3110	PW Administration	0.00	0.00	208,000.00	208,000.00	
	Total Expenses:	0.00	0.00	2,227,500.00	2,227,500.00	
	Excess of Revenues over (under) Expenditures:	0.00	0.00	265,000.00-	265,000.00-	

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FM Reports - Period Revenue & Expense Report

Calendar Period: 01/2013 To: 01/2013  
 Fiscal Period: 01/2013 To: 01/2013

Budget Thru: 12/2013

\*202 Mt Pleasant Maintenance

Account#	Account Title	Period-to-Date	Year-to-Date	Net Budget	Variance	PCT
-----						
Revenues						
**0000 Unassigned Department		0.00	0.00	8,500.00	8,500.00	
	Total Revenues:	0.00	0.00	8,500.00	8,500.00	
Expenses						
**3510 Park Maintenance		0.00	0.00	8,500.00	8,500.00	
	Total Expenses:	0.00	0.00	8,500.00	8,500.00	
	Excess of Revenues over (under) Expenditures:	0.00	0.00	0.00	0.00	

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FM Reports - Period Revenue & Expense Report

Calendar Period: 01/2013 To: 01/2013

Fiscal Period: 01/2013 To: 01/2013

Budget Thru: 12/2013

\*251: Chaska EDA

Account#	Account Title	Period-to-Date	Year-to-Date	Net Budget	Variance	PCT
-----						
Revenues						
**0000	Unassigned Department	0.00	0.00	248,290.00	248,290.00	
**6520	Chaska EDA Administration	0.00	0.00	6,000.00	6,000.00	
**6540	ISD112 Peavy, 1999 Lease Rev Bond	0.00	0.00	0.00	0.00	
**6550	Small Cities Development Program	0.00	0.00	0.00	0.00	
**6560	Housing Loan Program Internal	0.00	0.00	0.00	0.00	
**6570	SCDP Lead Hazard Control Grant	0.00	0.00	0.00	0.00	
**6580	SCDP Grant	0.00	0.00	0.00	0.00	
**6590	Small Cities Grant (Sinclair Proj)	0.00	0.00	0.00	0.00	
	Livable Communities Grant	0.00	0.00	0.00	0.00	
**6610	BioScience Grant	0.00	0.00	0.00	0.00	
**6620	Chaska EDA Klein Mansion	0.00	0.00	0.00	0.00	
**6640	Chaska EDA Peacock Inn	0.00	0.00	26,400.00	26,400.00	
	Total Revenues:	0.00	0.00	280,690.00	280,690.00	
Expenses						
**6520	Chaska EDA Administration	0.00	0.00	263,890.00	263,890.00	
**6640	Chaska EDA Peacock Inn	0.00	0.00	16,800.00	16,800.00	
	Total Expenses:	0.00	0.00	280,690.00	280,690.00	
	Excess of Revenues over (under) Expenditures:	0.00	0.00	0.00	0.00	

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FM Reports - Period Revenue & Expense Report

Calendar Period: 01/2013 To: 01/2013

Fiscal Period: 01/2013 To: 01/2013

Budget Thru: 12/2013

\*601 Electric Fund

Account#	Account Title	Period-to-Date	Year-to-Date	Net Budget	Variance	PCT
-----						
Revenues						
**0000	Unassigned Department	0.00	0.00	30,797,600.00	30,797,600.00	
**8090	Load Conservation	0.00	0.00	350,000.00	350,000.00	
**8120	Administration, Billing	0.00	0.00	20,100.00	20,100.00	
**9030	Project Number	0.00	0.00	0.00	0.00	
	Total Revenues:	0.00	0.00	31,167,700.00	31,167,700.00	
Expenses						
**0000	Unassigned Department	0.00	0.00	737,300.00	737,300.00	
**8020	Production	0.00	0.00	21,531,000.00	21,531,000.00	
**8080	Transmission & Distribution	1,237.50	1,237.50	2,956,544.00	2,955,306.50	
**8090	Load Conservation	0.00	0.00	743,000.00	743,000.00	
**8100	Administration	0.00	0.00	757,367.00	757,367.00	
**8120	Utility Billing	0.00	0.00	280,974.00	280,974.00	
**8810	Franchise Fee	0.00	0.00	3,135,000.00	3,135,000.00	
**9700	Debt Service, Proprietary	0.00	0.00	341,689.00	341,689.00	
	Total Expenses:	1,237.50	1,237.50	30,482,874.00	30,481,636.50	
	Excess of Revenues over (under) Expenditures:	1,237.50-	1,237.50-	684,826.00	686,063.50	

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FM Reports - Period Revenue & Expense Report

Calendar Period: 01/2013 To: 01/2013  
 Fiscal Period: 01/2013 To: 01/2013

Budget Thru: 12/2013

\*602 Water Fund

Account#	Account Title	Period-to-Date	Year-to-Date	Net Budget	Variance	PCT
-----						
Revenues						
**0000	Unassigned Department	446.37	446.37	3,105,270.00	3,104,823.63	
**8140	Capital Construction	0.00	0.00	0.00	0.00	
**9060	Project Number	0.00	0.00	0.00	0.00	
	Total Revenues:	446.37	446.37	3,105,270.00	3,104,823.63	
Expenses						
**0000	Unassigned Department	0.00	0.00	54,800.00	54,800.00	
**8040	Pumping	0.00	0.00	515,302.00	515,302.00	
**8060	Treatment	0.00	0.00	243,821.00	243,821.00	
**8080	Transmission & Distribution	0.00	0.00	886,169.00	886,169.00	
**8100	Administration	0.00	0.00	270,926.00	270,926.00	
**8120	Utility Billing	0.00	0.00	109,170.00	109,170.00	
**9700	Debt Service, Proprietary	0.00	0.00	1,257,595.00	1,257,595.00	
	Total Expenses:	0.00	0.00	3,337,783.00	3,337,783.00	
	Excess of Revenues over (under) Expenditures:	446.37	446.37	232,513.00-	232,959.37-	

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FM Reports - Period Revenue & Expense Report

Calendar Period: 01/2013 To: 01/2013

Fiscal Period: 01/2013 To: 01/2013

Budget Thru: 12/2013

\*603 Sewer Fund

Account#	Account Title	Period-to-Date	Year-to-Date	Net Budget	Variance	PCT
-----						
Revenues						
**0000	Unassigned Department	0.00	0.00	2,894,603.00	2,894,603.00	
	Total Revenues:	0.00	0.00	2,894,603.00	2,894,603.00	
Expenses						
**0000	Unassigned Department	0.00	0.00	114,800.00	114,800.00	
**8040	Pumping	0.00	0.00	21,916.00	21,916.00	
**8060	Treatment	0.00	0.00	1,920,448.00	1,920,448.00	
**8080	Transmission & Distribution	0.00	0.00	843,966.00	843,966.00	
**8100	Administration	0.00	0.00	299,555.00	299,555.00	
**8120	Utility Billing	0.00	0.00	108,986.00	108,986.00	
	Total Expenses:	0.00	0.00	3,309,671.00	3,309,671.00	
	Excess of Revenues over (under) Expenditures:	0.00	0.00	415,068.00-	415,068.00-	

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## FM Reports - Period Revenue &amp; Expense Report

Calendar Period: 01/2013 To: 01/2013

Fiscal Period: 01/2013 To: 01/2013

Budget Thru: 12/2013

## \*604 Community Center Fund

Account#	Account Title	Period-to-Date	Year-to-Date	Net Budget	Variance	PCT
-----						
Revenues						
**0000	Unassigned Department	0.00	0.00	431,700.00	431,700.00	
**8100	Administration, General/System	0.00	0.00	1,434,907.00	1,434,907.00	
**8300	Cafe	0.00	0.00	2,040.00	2,040.00	
**8320	Community Events	0.00	0.00	1,082.00	1,082.00	
**8330	Community Room	0.00	0.00	20,400.00	20,400.00	
**8340	Craft Rooms	0.00	0.00	38,198.00	38,198.00	
**8350	Wellness Addn, Water Aerobics	0.00	0.00	4,500.00	4,500.00	
**8360	Wellness Addn, Studio Aerobics	0.00	0.00	59,000.00	59,000.00	
**8380	Rainbow Room	0.00	0.00	6,500.00	6,500.00	
**8390	Wellness Addn, Wellness Programs	0.00	0.00	69,000.00	69,000.00	
**8400	Gym	0.00	0.00	43,000.00	43,000.00	
**8410	Gym, Batting Cage	0.00	0.00	1,500.00	1,500.00	
**8420	Gym, Gymnastics	0.00	0.00	18,935.00	18,935.00	
**8440	Ice Arena	0.00	0.00	603,915.00	603,915.00	
**8450	Ice Arena, Concessions	0.00	0.00	42,200.00	42,200.00	
**8480	Maintenance	0.00	0.00	31,465.00	31,465.00	
**8490	Wellness Addn, Cycling	0.00	0.00	2,000.00	2,000.00	
**8500	Wellness Addn, Personal Training	0.00	0.00	6,000.00	6,000.00	
**8510	Wellness Addition	0.00	0.00	20,250.00	20,250.00	
**8520	Play-Daycare Room	0.00	0.00	31,920.00	31,920.00	
**8530	Trek & Trails	0.00	0.00	85,000.00	85,000.00	
**8540	Club Extreme	0.00	0.00	79,000.00	79,000.00	
**8550	Racquetball	0.00	0.00	13,182.00	13,182.00	
**8560	Swimming Pool	0.00	0.00	11,000.00	11,000.00	
**8570	Swim, Lessons	0.00	0.00	100,000.00	100,000.00	
**8580	Swim, Middle School	0.00	0.00	0.00	0.00	
**8590	Swim, Lake Grace	0.00	0.00	0.00	0.00	
**8600	Theater	0.00	0.00	70,818.00	70,818.00	
**8610	Lodge	0.00	0.00	27,040.00	27,040.00	
**8620	Birthday Party	0.00	0.00	37,900.00	37,900.00	
**8630	Tot-Time Preschool	0.00	0.00	11,500.00	11,500.00	
**8640	General Facility	0.00	0.00	0.00	0.00	
**8660	Capital Construction (WIP)	0.00	0.00	0.00	0.00	
**8670	Adventure Program State Grant	0.00	0.00	1,380.00	1,380.00	
**8680	Before & After School Care	0.00	0.00	7,000.00	7,000.00	
**8690	Vending	0.00	0.00	41,616.00	41,616.00	
**9030	Project Number	0.00	0.00	0.00	0.00	
**9221	Project Number	0.00	0.00	0.00	0.00	
**9500	Project Number	0.00	0.00	0.00	0.00	
**9600	Non-Oper, Miscellaneous	0.00	0.00	0.00	0.00	
	Total Revenues:	0.00	0.00	3,353,948.00	3,353,948.00	
Expenses						
**8100	Administration	0.00	0.00	501,294.00	501,294.00	
**8300	Cafe	0.00	0.00	1,263.00	1,263.00	

## FM Reports - Period Revenue &amp; Expense Report

Calendar Period: 01/2013 To: 01/2013

Fiscal Period: 01/2013 To: 01/2013

Budget Thru: 12/2013

## \*604 Community Center Fund

Account#	Account Title	Period-to-Date	Year-to-Date	Net Budget	Variance	PCT
**8320	Community Events	0.00	0.00	7,862.00	7,862.00	
**8340	Craft Rooms	0.00	0.00	19,977.00	19,977.00	
**8350	Wellness Addn, Water Aerobics	0.00	0.00	3,801.00	3,801.00	
**8360	Wellness Addn, Studio Aerobics	0.00	0.00	24,708.00	24,708.00	
**8370	Front Desk	0.00	0.00	125,922.00	125,922.00	
**8390	Wellness Addn, Wellness Programs	0.00	0.00	34,519.00	34,519.00	
**8400	Gym	0.00	0.00	33,090.00	33,090.00	
**8410	Gym, Batting Cage	0.00	0.00	1,734.00	1,734.00	
**8420	Gym, Gymnastics	0.00	0.00	17,309.00	17,309.00	
**8440	Ice Arenas	0.00	0.00	133,064.00	133,064.00	
**8450	Ice Arena, Concessions	0.00	0.00	35,350.00	35,350.00	
**8480	Maintenance	0.00	0.00	1,051,687.00	1,051,687.00	
**8490	Wellness Addn, Cycling	0.00	0.00	1,996.00	1,996.00	
**8500	Wellness Addn, Personal Training	0.00	0.00	5,072.00	5,072.00	
**8510	Wellness Addition	0.00	0.00	135,987.00	135,987.00	
**8520	Play-Daycare Room	0.00	0.00	58,055.00	58,055.00	
**8530	Trek & Trails	0.00	0.00	84,618.00	84,618.00	
**8540	Club Extreme	0.00	0.00	53,364.00	53,364.00	
**8550	Racquetball	0.00	0.00	2,158.00	2,158.00	
**8560	Swimming Pool	0.00	0.00	282,268.00	282,268.00	
**8570	Swim, Lessons	0.00	0.00	37,231.00	37,231.00	
**8600	Theater	0.00	0.00	12,366.00	12,366.00	
**8610	Lodge	0.00	0.00	84,909.00	84,909.00	
**8620	Birthday Party	0.00	0.00	16,014.00	16,014.00	
**8630	Tot-Time Preschool	0.00	0.00	7,497.00	7,497.00	
**8640	General Facility	0.00	0.00	50,000.00	50,000.00	
**8670	Adventure Program State Grant	0.00	0.00	69,768.00	69,768.00	
**8680	Before & After School Care	0.00	0.00	4,685.00	4,685.00	
**8690	Vending	0.00	0.00	12,991.00	12,991.00	
**9221	Project Number	0.00	0.00	137,500.00	137,500.00	
**9700	Debt Service, Proprietary	0.00	0.00	264,175.00	264,175.00	
	Total Expenses:	0.00	0.00	3,312,234.00	3,312,234.00	
	Excess of Revenues over (under) Expenditures:	0.00	0.00	41,714.00	41,714.00	

FM Reports - Period Revenue & Expense Report

Calendar Period: 01/2013 To: 01/2013  
 Fiscal Period: 01/2013 To: 01/2013

Budget Thru: 12/2013

\*605 Par 30 Golf Course Fund

Account#	Account Title	Period-to-Date	Year-to-Date	Net Budget	Variance	PCT
-----						
Revenues						
**0000	Unassigned Department	0.00	0.00	164,000.00	164,000.00	
**8740	Merchandise	0.00	0.00	4,300.00	4,300.00	
	Total Revenues:	0.00	0.00	168,300.00	168,300.00	
Expenses						
**8720	Course Mnt	0.00	0.00	99,447.00	99,447.00	
**8730	Golf Admin & Clubhouse	0.00	0.00	64,538.00	64,538.00	
**8740	Prodct for Resale	0.00	0.00	4,000.00	4,000.00	
	Total Expenses:	0.00	0.00	167,985.00	167,985.00	
	Excess of Revenues over(under) Expenditures:	0.00	0.00	315.00	315.00	

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FM Reports - Period Revenue & Expense Report

Calendar Period: 01/2013 To: 01/2013

Fiscal Period: 01/2013 To: 01/2013

Budget Thru: 12/2013

\*606 Chaska Town Course Fund

Account#	Account Title	Period-to-Date	Year-to-Date	Net Budget	Variance	PCT
-----						
Revenues						
**0000	Unassigned Department	0.00	0.00	1,707,900.00	1,707,900.00	
**8720	Course Maintenance	0.00	0.00	0.00	0.00	
**8740	Merchandise	0.00	0.00	157,272.00	157,272.00	
	Total Revenues:	0.00	0.00	1,865,172.00	1,865,172.00	
Expenses						
**8720	Course Mnt	0.00	0.00	993,799.00	993,799.00	
**8730	Golf Admin & Clubhouse	208.81	208.81	684,720.00	684,511.19	
**8740	Prodct for Resale	0.00	0.00	99,608.00	99,608.00	
**9700	Debt Service, Proprietary	0.00	0.00	86,000.00	86,000.00	
	Total Expenses:	208.81	208.81	1,864,127.00	1,863,918.19	
	Excess of Revenues over(under) Expenditures:	208.81-	208.81-	1,045.00	1,253.81	20-

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FM Reports - Period Revenue & Expense Report

Calendar Period: 01/2013 To: 01/2013

Fiscal Period: 01/2013 To: 01/2013

Budget Thru: 12/2013

\*607 Power Plant #2 Fund

Account#	Account Title	Period-to-Date	Year-to-Date	Net Budget	Variance	PCT
-----						
Revenues						
**0000	Unassigned Department	0.00	0.00	2,925,287.00	2,925,287.00	
	Total Revenues:	0.00	0.00	2,925,287.00	2,925,287.00	
Expenses						
**0000	Unassigned Department	0.00	0.00	455,000.00	455,000.00	
**8100	Administration	0.00	0.00	134,171.00	134,171.00	
**9700	Debt Service, Proprietary	0.00	0.00	2,484,463.00	2,484,463.00	
	Total Expenses:	0.00	0.00	3,073,634.00	3,073,634.00	
	Excess of Revenues over (under) Expenditures:	0.00	0.00	148,347.00-	148,347.00-	

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## FM Reports - Period Revenue &amp; Expense Report

Calendar Period: 01/2013 To: 01/2013

Fiscal Period: 01/2013 To: 01/2013

Budget Thru: 12/2013

## \*608 Chaska.net Fund

Account#	Account Title	Period-to-Date	Year-to-Date	Net Budget	Variance	PCT
-----						
Revenues						
**0000	Unassigned Department	0.00	0.00	487,000.00	487,000.00	
**8080	Transmission and Distribution	0.00	0.00	0.00	0.00	
**8110	Pass-Thru Reimbursement	0.00	0.00	100,000.00	100,000.00	
	Total Revenues:	0.00	0.00	587,000.00	587,000.00	
Expenses						
**8020	Production	0.00	0.00	66,000.00	66,000.00	
**8080	Transmission & Distribution	0.00	0.00	110,100.00	110,100.00	
**8100	Administration	0.00	0.00	309,415.00	309,415.00	
**8110	Pass-Thru Reimbursement	0.00	0.00	100,000.00	100,000.00	
	Total Expenses:	0.00	0.00	585,515.00	585,515.00	
	Excess of Revenues over (under) Expenditures:	0.00	0.00	1,485.00	1,485.00	

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FM Reports - Period Revenue & Expense Report

Calendar Period: 01/2013 To: 01/2013

Fiscal Period: 01/2013 To: 01/2013

Budget Thru: 12/2013

\*609 Storm Water Fund

Account#	Account Title	Period-to-Date	Year-to-Date	Net Budget	Variance	PCT
-----						
Revenues						
**0000	Unassigned Department	0.00	0.00	784,000.00	784,000.00	
	Total Revenues:	0.00	0.00	784,000.00	784,000.00	
Expenses						
**0000	Unassigned Department	0.00	0.00	200,000.00	200,000.00	
**8080	Transmission & Distribution	0.00	0.00	499,454.00	499,454.00	
**8100	Administration	0.00	0.00	54,371.00	54,371.00	
**8120	Utility Billing	0.00	0.00	17,343.00	17,343.00	
**8890	Depreciation	0.00	0.00	30,000.00	30,000.00	
	Total Expenses:	0.00	0.00	801,168.00	801,168.00	
	Excess of Revenues over(under) Expenditures:	0.00	0.00	17,168.00-	17,168.00-	

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