

# City of Chaska 2020 Budget



# 2020 Annual Budget

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

Submitted for your review is the proposed 2020 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. This proposed budget also works to address an issue that was identified in a Staffing Study completed for the City of Chaska in 2019, which identifies a gap of 16 employees needed to sustainably provide our services at the levels in which our residents have come to expect. It also addresses an identified gap in building maintenance activities within the City. The proposed budget identifies a plan in which this gap can be filled over the next 4-years, with the initial stages of this implementation to start in 2020.

## 2020 Revenue Discussion

While we have seen increases in market values since 2014, 2016 was the first year we saw all the valuation lost during the "Great Recession" recovered in the community. As we go into 2020, we will once again see our valuations in the community continue to rise, but at a much more sustainable level than we saw during the economic boom period in the early-to-mid part of last decade. From 2008-2013, Chaska saw an average annual decrease in property values of over 6%, before seeing a 5.24% increase in 2014, a 12.24% increase of property values in 2015, an 8.21% increase in 2016, a 3.18% increase in 2017, a 7.85% increase in 2018, and a 5.72% increase in 2019.

For taxes payable 2020, we are seeing a 9.14% increase in our community's taxable market value, which provides a very healthy increase in our community's tax capacity, with it growing by 9.7%. The full recovery of taxable market values in the community took a full decade to recover, which illustrates how deeply property values were affected during the last recession. With property taxes tied directly to housing values, this had a direct impact on the revenue we were able to generate during this time period. With Chaska now experience sustainable growth levels, we do conservatively project to see a 2% increase in market values each of the next 5-years, although we have experienced an average annual increase in taxable market values of 5.46% over the past 5 years.

As we look at 2020, we continue to see a positive trend occurring in the market, as we continue to see both commercial and industrial economic development activity occurring and planned for in the community, while also seeing our residential development continue to move forward in a positive, but measured, direction. This development activity has continued to have a positive impact on the Electric Franchise Fee to the General Fund. It has also helped increase new market values in the community, in which we have been able to derive additional tax resources to support our service levels without having a significant impact on existing properties in the community.

As the 2020 budget was put together, there were five major budget environmental factors we needed to consider, as it related to revenues:

- Market Values across the community increased by an average of 9.14%. This will bring our overall property values in the community to \$3.2 billion, the highest level in our community's history. 1.35% of this change came from new construction, with the rest being increased values on existing properties
- Based on the State formula, the City is no longer going to receive Local Government Aid to help reduce our tax levy needed. The amount we are projected to receive in 2020 will be \$14,171. It should be noted that in 2018, we did recapture half of the \$250,000 we received in 2017 from LGA. We have retained that amount in this proposed budget
- Residential and Commercial building permits in 2018 and 2019 were strong, but not as strong as they were in 2017. Much of this has to do with us running out of room for additional Commercial/Industrial development and expansions. Because of that, we have reduced the amount we are budgeting towards Building Permit revenue by over \$300,000 in 2020. We do expect to see that increase once we have the new Industrial Park opened at the County Road 44/212 Interchange, which will once again open up opportunities for C/I development that we are running out of space for in the remainder of the community.
- We are continuing to see an increase in population, with a steady increase in the number of residential units being built in the community. We expect the population in Chaska to be just over 27,000 in 2020.
- Our Electric Revenue has continued to increase significantly, as we have seen a significant amount of Economic Development activity occur in the last five years, including Data Center development and additions to existing industrial businesses, driving up this usage. This has had a positive impact on the Electric Franchise Fee coming back to our General Fund
- We expect to see a good balance of residential, commercial and industrial development occur in the City, especially now that the interchange is open at Highways 44/212 and additional property is becoming available for development.

During the recession period from 2008-2013, in order to navigate the financial impacts to our revenue collection to support our budgeted activities, the City needed to defer many planned expenditures as a strategy to balance the budget. With growth in the economy over the past 5 years, the City was once again able to look at some of those areas we had to defer in the past, which we feel will be critical to meet our budgeting objectives over the next 5 years.

This renewed emphasis on reinvestment back into our existing infrastructure started through the establishment of our Capital Improvement Program. The CIP focused on how to properly maintain the assets in which we have already invested and have a responsibility to keep in good condition moving into the future. In 2014 we started investment into this program, with a 4-year plan for how to fully fund these needs. This 4-year plan increased revenue in the General Fund to support a \$1 million gap, with the final \$250,000 of this being incorporated into the 2017 budget. With this program now

fully funded, we have been able to move forward in making the proper reinvestment back into our existing General Fund Assets, such as roads, trails and parks.

In the 2020 budget, we are now turning our attention to addressing the gaps we have had in our staffing levels across the City in past years needed to sustainably meet our service level expectations. Following direction from the City Council in the 2017 Council/Department Head Retreat, focus was put on having our Financial Advisors at Baker Tilly complete a Staffing Study looking not only at what staff we need to plan on going into the future to keep up with our service level demands in a growing community, but also on any gaps we currently have in being able to sustainably meet our service level expectations in the current environment. Based on this study, we were able to determine that we are currently 15.8 employees short in being able to meet our current service needs, but that once we fill this gap, we could expect that we will need an additional 57 employees City-wide to meet our staffing needs when our community is fully developed in the next 20 years. This budget document will focus on the plan we have developed for filling our existing staffing gap over a 4-year period, and what that means for an addition to our tax levy to be able to fill this gap.

This document will also discuss the continued use of our tax levy establishment policy which the Council adopted during our 2014 budgeting process. Our current policy focusses on what the actual driving factors are in setting our tax levy, including actual new growth in our population and inflationary factors, instead of focusing solely on keeping a constant tax rate, which was a past policy direction the City utilized. In this respect we feel that any new increases in tax resources are directly tied to the increased costs we will have to support the level of services we currently provide in the community. This policy also allows us to capture the resources of any new development in the community to make sure all new homes are contributing their "fair share" to support our General Fund services. Capturing this new value has no impact on the taxes paid by existing residences.

Staff feels that this budget document continues to move forward in taking a more comprehensive look at not just our current operations, but also the future costs of properly maintaining our assets through our CIP Program. We also think this document starts the process of making sure that we are staffing at proper levels to be able to sustainably meet our service level expectations. We also think that it creates a logical nexus between how we set our tax levy and what actual changes we see in the community that cause us to increase the resources we need to meet one of our primary service objectives. The only addition to the tax levy beyond this would be if there was an addition to our service levels in the community, with any increase directly related to the cost of providing this new service.

## **Budget Objectives**

As with all our budgeting processes, the first place that we start is by establishing the objectives we are trying to accomplish in setting our budget for the upcoming year. Below is the list of those objectives that were used in both the 5-year financial forecast process this year, and the goals that were used in the establishing the proposed 2020 budget you see before you now:

- 1) Support budgeting programs that help Chaska strengthen its mission of being "The Best Small Town in Minnesota"*
- 2) Maintain existing high-quality service levels, funding new programs only after our existing, necessary programs are funded*
- 3) Limit tax levy growth to capture only new growth and inflation*
- 4) Fully fund scheduled maintenance and replacement of equipment/property*
- 5) Increase levy additionally only if new service levels or assets are being added*
- 6) Budget utilizing a plan that avoids draw-down of the City's General Fund reserve*
- 7) Fully levy to support our adopted Street Reconstruction Program*
- 8) Develop a budget plan that is sustainable from a resource perspective to support the service levels residents expect*

The newest objective on this list is the last one, in which we discuss the importance of resourcing our organization at a level that can sustain the service levels our residents have come to expect. Over the past two years, the City Council has discussed some of the biggest financial challenges the City will face over the next several years, with one of our biggest challenges being able to keep our service levels constant if we do not put sustainable levels of resources to support them.

In the past, the City of Chaska has been very "lean" when it has come to resources used to support the high level of services we provide in the community. As the community grows, and assets such as our facilities get older, these levels of resources will not be sustainable to keep our service levels constant. This is especially true when it comes to the Staffing levels throughout the organization, and the dollars and staffing resources allocated towards maintaining our aging facilities. Over the past year, the City's financial advisor, Baker Tilly, worked to help complete a staffing study that focused on the services we currently provide and whether we have enough staff to provide these services. They also looked at what staffing we would need to focus on adding in the future to keep up with growth, and service areas we may be missing that will have long-term impacts on the organization.

From their study, there were three general findings that stood out. First, the organization is currently understaffed by 16 employees to sustainably provide the services we already provide. Second, it found that we have a major gap in our organization, with us not having a building maintenance staffing adequate to service our many facilities. This was especially found to be an issue with the age of our facilities. Finally, the study found that we would need to grow our organization by approximately 57 employees by the time the City is fully developed, just to continue to provide the services we already provide in a growing community.

From this study, the budget for 2020 puts a priority on addressing the first two issues, which would be filling the existing staffing gap that was identified and resourcing ourselves at a level where we can properly maintain the buildings we have, especially as they age. From a financial perspective, to fill both the current gap of 16 employees and budget for building maintenance would require adding \$2 million to our operational budget-\$1.5 million for additional staffing and \$500,000 towards an annual building maintenance budget. Just as when we implemented our CIP Program, and addressed

the \$1 million gap we had to properly fund that program, Staff is recommending in this budget that we address filling this gap over a 4-year period. This would have us addressing \$500,000 of the existing gap each year, until we have the \$2 million gap filled in 2023. Staff did identify that out of this \$2 million gap, that \$500,000 should be supported from our Enterprise Funds, with \$1.5 million being through additional tax levy. With this being implemented over a 4-year period, this would have us increasing our Tax Levy by an additional \$375,000 each year through 2023 to fill this gap, over and above our standard tax levy policy addressing new growth and inflation.

Based on starting to address our Staffing Gap Analysis and Building Maintenance needs as described above, and utilizing our normal tax levy policy for addressing new growth and inflation, Staff is recommending a 4.35% increase in our operational tax levy for 2020 to address the 1.35% new market growth in the community and the 3% for inflationary factors. In addition to this, Staff is also recommending raising the tax levy be raised an additional 4.05% to implement the first of our 4-year plan (\$375,000) to help eliminate our current Staffing gap and identified building maintenance needs. Implementing both would require a total increase of 8.4% to our General Fund, which would allow us to decrease our tax rate, as we saw a 9.7% increase in tax capacity within the community.

### **Tax Levy Establishment Policy**

For nearly 30 years, the City of Chaska had a policy of establishing our annual tax levy based on keeping a constant tax rate. Based on this policy, the tax levy would go up by the amount of increase we saw annually in our tax capacity within the City, which is directly related to the amount of market value growth we saw in the City. For instance, if market values (and hence tax capacity) increased in the community by 9.7% (as it will in 2020), the levy could also increase by 9.7% and have no impact on the tax rate in the community. This would mean that if someone's property did not change in taxable market value from one year to the next, that their City taxes would not see any increase. Based on the 8.4% increase in tax levy proposed for 2020, and the tax capacity going up 9.7%, this means that the tax rate will go down by 1.59% in 2020. This means that if a property saw no increase in their property values for 2020, that their taxes would go down by 1.59%.

While the constant tax rate policy worked very well for several years, over the past decade we did start to experience some of the practical limitations of this policy. The first practical issue experienced is that not all market value increase is associated with the construction of new buildings. Some of the market value increase also occurs on existing properties as we experience inflationary growth from one year to the next. While the tax rate would not change, a resident's taxes would not change only if their values stayed the same. This often was not the practical reality, as we saw a significant amount of property value growth in existing properties from 2000-2008.

The other issue that we experienced from 2010-2013 was the impact of decreasing market values in the community. As with increasing market values, the same can be said for decreasing market values when trying to keep a constant tax rate. If the market values go down, the tax levy also needs to decrease accordingly to keep the tax rate constant. With an objective of keeping our service levels constant, this was a significant issue the City faced when market values did start to decline. This led to the City modifying

its tax levy policy to state that the tax levy would be set to keep the tax rate constant, unless that forced the actual levy to decrease, in which case the tax levy would stay the same. This change was made based on the notion that while property values decreased, the cost for providing these services does not decrease unless a community is willing to reduce the amount of services it provides. Based on this change, and the decrease in market values in 2010-2013, the City of Chaska's tax levy saw a 0% increase during each of those 4 years, staying at an amount of \$4,880,354.

Finally, the final practical reality is that if the tax levy change is only tied to the changes in market values, and a large portion of this market value change is in existing properties, this does not really tie the tax levy increases directly to a need for additional levy. Theoretically, it does not cost the City more to provide services for a residence that is already existing, except for our actual inflationary increases in costs from year to year for supplies and labor. Our costs only increase by the amount of new growth that occurs in the community. By focusing only on new growth and our inflationary increase in costs, we are more truly representing the need we have for additional resources to support the services we already provide.

It was during the 2014 budgetary process that Staff recommended we make a permanent change to our tax levy establishment policy to learn from the issues we experienced during the Great Recession. The tax levy policy established in 2014 focuses specifically on looking at the two items that create pressure on our General Fund, if an objective is to keep a constant level of services in the community:

- New construction in the community
- Inflationary increases in the market.

If the City desires to keep service levels constant, it costs more money to provide the same services to new users in the community. Also, market inflationary increases impact the cost of providing our services, regardless if we make any changes in service levels or not. In order to make sure we take these issues into account, our new tax levy policy states that we would set our increase in operational levy based on the percentage market value attributed to new growth, in addition to whatever the inflation rate is running in any given year. In that way, we are able to make sure that all new users are paying their fair share of service costs in the community, and that we take into account that costs go up on an annual basis because of inflation, no matter what policy decisions we make.

The new policy goes on to state that we would only increase the levy beyond this point if we were adding new services, and that the actual cost of providing those new services would determine the amount of additional increase we would need in the tax levy. In the case of the 2020 budget, we are recommending levying an additional \$375,000 to start implementing the first of 4-years of addressing our existing Staffing gap and our building maintenance needs.

### **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 the past 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 the 1990s, 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 compares to the 8% average increase in population that was experienced across the rest of the Twin Cities Metropolitan Area during the same time period, 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 services, and hence an increase in revenue necessary to provide the same level of services in the future to our residents.

From 2008-2013 however, residential development in the metro area 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 decreased, resulting in a significant downturn in building activity. This resulted in a period of very stagnant residential growth from 2008-early 2012.

As was mentioned earlier, this downward trend reversed itself in late 2012, and stabilized, with several new residential developments approved over the past 7 years. Starting in 2013, this included the approvals for several new residential subdivisions both on the north end of Chaska, and in the Southwest quadrant of the community. We also saw very robust growth in our Commercial/Industrial properties, with the addition of the 212 Medical Center, several Data Centers, commercial additions in Hazeltine Plaza, and the expansion of buildings in our existing Industrial Parks. Over this past year, we have seen this C/I development trend continue, with the completion of the new Formacoat building on the old Chaska Building Center site, Dunkin Donuts/Multi-Tenant commercial on the former Hot Spot site, and Aldi/Chipotle/Starbucks in the Hazeltine Plaza development. We also saw the opening of the Jonathan Flats apartment building adjacent to the Dairy Queen in the Jonathan Square development. We expect to see this level of development activity continue into the 2020 budget year, including the expected addition of 120 new residential properties in the community, as well as some new C/I projects and expansions in our existing Industrial Parks. 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	10,173	134	24,415
2014	10,373	200	25,270
2015	10,523	150	25,255
2016	10,673	150	25,652
2017	10,823	150	25,975
2018	10,973	150	26,335
2019	11,123	150	26,695
2020	11,243	120	26,983
2021	11,363	120	27,271
2022	11,513	150	27,631
2023	11,663	150	27,991
2024	11,813	150	28,351

Table 1 Population Growth

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

Total revenues anticipated to fund the 2020 General Fund operating budget are \$19,009,708 which is an increase of 12.2% from the 2019 budget of \$16,939,617. As a note, this total revenue includes a shifting of \$355,000 existing in the EDA Fund over to the General Fund. This is a net neutral change to the budget as we saw an equal decrease of levy in the EDA Fund along with the increase we saw in the General Fund. Taking this into account, the operational increase in revenues for the 2020 budget is a 10.1% increase.

The majority of the increase in revenues is coming from our growing Electric Franchise Fee, as well as Administrative Charges to other funds to accommodate both the changes we are making in implementing our Staff Study, and to make sure that we are properly charging our Enterprise Funds for services provided out of the General Fund., In addition to this, our tax levy policy would have us plan to increase our operating tax levy revenues by 4.35%, for operational expenses based on our tax levy policy that captures new growth (1.35%) and inflation to expenditures (3%). In addition to this, our tax levy policy only adds onto this percentage if a new service is being added. The new program to start funding this year would be moving forward with the first of four years of filling the positions identified as missing in our Staffing Study analysis and starting to fill the gap in our building maintenance activities. The additional tax revenue needed to support this effort would be 4.05% (\$375,000), bringing the total tax levy increase to 8.4%.

In addition to this, our other main source of income in our General Fund is our Electric and Gas Franchise Fees at over \$4.4 million, our permit and fee revenue at \$958,500 and the Administrative Fees of \$3,994,078 we charge our Enterprise Funds to provide Administrative Services to other departments in the City. The chart below shows a summary of revenues for the 2020 budget year:

	2018 Actual	2019 Budget	2020 Budget	Increase	%Increase
<b>Property Tax</b>	\$5,398,615	\$5,700,506	\$6,926,682	\$1,226,176	21.5%
<b>Elec/Gas Franchise Fees</b>	4,270,125	4,396,400	4,458,000	\$61,600	1.4%
<b>Other Franchise Fees</b>	306,860	315,000	315,000	\$0	0.0%
<b>License and Permits</b>	864,536	1,348,495	958,500	(\$389,995)	-28.9%
<b>Other Revenues</b>	2,287,185	2,064,139	2,357,448	\$293,309	14.2%
<b>Admin Charges to Funds</b>	2,830,048	3,115,077	3,994,078	\$879,001	28.2%
<b>Total Revenue</b>	<b>\$15,957,369</b>	<b>\$16,939,617</b>	<b>\$19,009,708</b>	<b>\$2,070,091</b>	<b>12.2%</b>

Table 2 General Fund Revenues Overview

\*There is an existing \$355,000 transferred from the EDA into the General Fund for 2020. This gain in the General Fund is offset by the reduction in the EDA, meaning there is no net impact of this move to the taxpayer. The percent change in the operational budget taking into consideration this \$355,000 shift is 10.1%.

### Capital Improvement Program

With our Capital Improvement Program being fully funded after the 2017 budget, the 2020 budget document does show the continued implementation of our Capital Improvement Program. A main objective of this program is to make sure that we have the proper resources in place to fund the necessary replacement and maintenance of the assets we have already invested into. As mentioned previously, we did increase our levy by \$1,000,000 over a 4-year period between 2014-2017 to fill the gap of resources needed to fully implement this plan.

As we build and bring on new assets into our community, a critical function we have as a local government unit is to plan for the proper maintenance and replacement of these assets, so we always keep them in good working order. Just as we would individually with our own home, the City has the responsibility to be good stewards of our resources and make sure our assets are as good for future generations as they are for us now. If we do not do this, these costs will be passed to future generations who will have to invest more to replace the assets that are lost. This is truly an issue of equity from one generation to the next, making sure we each take on responsibility in asset maintenance.

With the CIP gap now being fully funded, 2020 will bring several rehabilitation projects to the table, including:

- Street Overlay: \$375,000 (Christian/Manuela Drives)
- Sealcoat: \$60,000
- Trail Upgrade/Overlay: \$60,000
- New Pedestrian Bridge on the Main Ravine Trail: \$70,000
- Sports Court Resurfacing: \$70,000

- Siren #6 Replacement: \$25,000
- Fire Station Sidewalk Replacement: \$50,000
- Cortina Woods Park Rehab: \$135,000
- Clover Hockey Rink Rehab: \$70,000
- Brickyard Lake Pier Rehab: \$40,000
- MSB Annual Door/Hoist Maintenance Program: \$45,000

Each of these projects will help make sure our assets stay in great shape as we move into the future, and that we treat each of our assets as a true investment into the community.

### **Staffing Gap Analysis/Building Maintenance**

As mentioned previously, based on the results of our Staffing Analysis, we did determine that we were 16 employees short to meet our current service levels, and that we had a missing component in our current organization of proper resources and staff dedicated towards Building Maintenance, which is especially important with our aging facilities. The gap identified was \$2 million, with \$1.5 million being attributed towards tax levy resources and \$500,000 being attributed toward Enterprise Fund resources. Based on the recommended 4-year implementation of this plan to address these needs, this would have \$500,000 of additional resources added in 2020, with \$375,000 coming from additional tax levy and \$125,000 coming from Enterprise Fund Resources. The first year of the plan would include addressing these specific areas:

### **2020 Staffing Study Implementation Plan:**

- Building Maintenance Foreman: \$105,000
- Building Maintenance Worker: \$90,000
- Building Maintenance Worker: \$90,000
- Water/Sewer Maintenance Worker: \$90,000
- Allocation to Building Maintenance Budget: \$125,000

Each of these positions will help to make our service delivery more sustainable over time, and address a major gap in our current services, which is having adequate resources to maintain our City facilities in the community.

### **Property Taxes:**

For 2020 the General Fund budget requires a total levy of \$10,516,132. This represents an increase of 8.4% from the 2019 General Fund tax levy, the EDA Levy and our annual Tax Abatement Levy. This General Fund levy is made up of 4.35% to support the Operating levy (3% for inflation and 1.35% for new growth in the community), in addition to an additional \$375,000 (4.05%) that is dedicated towards the first year of addressing our Staffing Gap Study. In addition to this, the total amount of levy would include bringing over \$355,000 of the existing EDA levy being transferred into the General Fund. This was EDA levy that was first put in place in 2016 to address a portion of the Park Rehabilitation of Firemen's Park. This does not affect the overall percentage increase of total tax levy for 2020, as it is simply moving existing dollars from the EDA into the City's General Fund. This helps is match up more closely to where the expenses are incurred

for debt service on the Park. It should be noted that a portion of our total levy goes towards our General Fund Budget, with the remaining going towards our Equipment Acquisition Fund and debt service for our current Downtown Street Reconstruction Program.

It should also be noted that out of this total tax levy amount, \$235,703 represents a levy for tax abatement assistance provided in the past. This additional amount represents the 8<sup>th</sup> year of tax abatement that was provided to the West Creek Corporate Center Development for development of infrastructure to support this new industrial park. While we are required to officially levy this assistance, the City is a “pass-through” for these funds, with the same amount coming in from this project that goes out for the tax abatement assistance. It does not have an effect on other taxpayers in the community.

Beyond the General Fund Levy, the Chaska Economic Development Authority also has a \$165,747 levy. Last year this levy was \$498,843. As mentioned previously, this levy was reduced this year in the amount of \$355,000, as these dollars were shifted into the General Fund as they go to support debt that is paid out of the General Fund. The amount levied for 2020 in the EDA Fund of \$165,747 represents the dollars supporting the operations of our Economic Development Activity.

In summary, the total levy will include:

- Continuation of dollars added in 2010 to re-institute the Street Reconstruction Program
- \$9,739,682 being levied to support General Fund Operations, a portion of Street Reconstruction Debt Service, Mt. Pleasant Cemetery, and existing Equipment Acquisition Fund needs
- \$375,000 of additional levy to fund the first year of our Staffing Study recommendations
- Continuation of the fully implemented Capital Improvement Program
- \$165,747 being levied in the Economic Development Authority Fund for operations
- 235,703 in tax abatement that is generated from the new West Creek Corporate Center Development, 212 Medical Center and Exactec.

The following table summarizes Chaska’s actual tax levies (General Levy, EDA, Tax Abatement and Mount Pleasant Cemetery for 2017, 2018 and 2019, along with the proposed 2020 levy:

	2017	2018	2019	2020	Increase	%
General/Equipment Acquisition/EDA/Tax Abatement	\$ 8,390,406	\$ 9,051,345	\$ 9,694,654	\$ 10,510,132	\$ 815,478	8.4%
Mt Pleasant	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ -	0.0%
<b>Total Operating and Special Levy</b>	<b>\$ 8,396,406</b>	<b>\$ 9,057,345</b>	<b>\$ 9,700,654</b>	<b>\$ 10,516,132</b>	<b>\$ 815,478</b>	<b>8.4%</b>

Table 3 Chaska Tax Levies

### Impact of Tax Levy on Property Owners:

To understand the impact of the tax levy on individual taxpayers, three 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, increased by \$229,174,900 to \$3,263,191,300, an overall increase of 9.14%. The largest percentage increase that we saw in 2019 was in Apartment properties, with a 15.56% overall increase. 2.70% of that came from new construction of residential units in the community. The other major area of increase we saw was in residential properties, with a 9.09% increase in market values. 1.31% of that growth came from new construction, meaning that most of the increase we are seeing in residential valuation is coming from existing homes. Commercial/Industrial properties also had an increase, with the overall increase in this type of property being at 7.52%. New construction accounted for only 1.25% of this change, with the remainder of the change coming from increases in property values to existing C/I properties. Below is a summary of the Market Values for taxes payable 2020 (assessed 2019) as established by the County Assessor's office:

<b>Chaska 2019 Assessment</b>					
	<b>Residential</b>	<b>Commercial/Industrial</b>	<b>Apartment</b>	<b>Ag</b>	<b>Total</b>
<b>2019 EMV</b>	\$2,446,190,300	\$514,645,800	\$209,915,900	\$92,439,300	\$3,263,191,300
<b>2018 EMV</b>	\$2,242,300,300	\$478,652,800	\$181,658,300	\$87,335,900	\$2,989,947,300
<b>Total Value Change</b>	\$203,890,000	\$35,993,000	\$28,257,600	\$5,103,400	\$273,244,000
<b>New Construction</b>	\$31,983,400	\$6,418,100	\$5,667,600	\$0	\$44,069,100
<b>Market Change</b>	\$171,906,600	\$29,574,900	\$22,590,000	\$5,103,400	\$229,174,900
<b>% New Construction</b>	1.31%	1.25%	2.70%	0.00%	1.35%
<b>% Market Change</b>	7.67%	6.18%	12.44%	5.84%	7.66%
<b>2018 Total % Increase</b>	9.09%	7.52%	15.56%	5.84%	9.14%

*Table 4 Chaska 2019 Assessment*

Using the 2019 market values and the classification formulas established by the State, the County Auditor has calculated Chaska's 2019 (for taxes payable 2020) gross tax capacity to be \$37,128,910, an increase of 9.4%. 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 \$1,209,495 with Chaska's fiscal disparities contribution for 2020 being \$3,698,513 resulting in a net tax capacity of \$32,220,902, an increase of 9.7%.

	2019	2020	Increase	%
<b>Gross Tax Capacity</b>	\$ 33,943,249	\$ 37,128,910	\$ 3,185,661	9.4%
<b>TIF</b>	\$ (1,052,097)	\$ (1,209,495)	\$ (157,398)	
<b>Fiscal Disparities</b>	\$ (3,523,591)	\$ (3,698,513)	\$ (174,922)	
<b>Other</b>	\$ -	\$ -	\$ -	
<b>Net tax capacity</b>	\$ 29,367,561	\$ 32,220,902	\$ 2,853,341	9.7%

Table 5 Net Tax Capacity

Based on these estimates, Carver County has estimated Chaska's 2020 General Fund tax rate to be 28.711%. This is a decrease of 1.59% from 2019, where we had a tax rate of 29.174%. With the median value of home going up from \$260,200 to \$288,900 in the community (11.03%), this would bring the average valued home's City taxes from \$759 in 2019 to \$829 in 2020, or an increase of \$70 for the year. As always, the actual amount of impact is completely dependent on the actual market value change experienced on that property over the past year.

While Chaska's General Fund operational tax levy will go up in 2020, Chaska will continue to maintain one of the lowest City tax levies per capita of any City in the metropolitan area, ranking seventh lowest in the entire Metro Area. It also remains the lowest tax levy per capita 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 just 45% of Chaska's general fund 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 Department of Revenue Survey looking at 2018 City tax data (the latest data that the MN Department of Revenue has released), out of 87 local units of government looked at in the metropolitan area, Chaska ranked 81<sup>st</sup> lowest in City taxes per capita. This is comparing our data assuming our increase for 2020 and comparing it to other community's' 2018 data. 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.

	City	2018 Payable Levy	Population	Levy Per Capita
1	Oak Park Heights	5,328,501	4,918	\$1,083
2	Golden Valley	22,420,742	21,520	\$1,042
3	Wayzata	4,683,662	4,586	\$1,021
4	Minneapolis	328,908,000	422,331	\$779
5	Hopkins	14,221,880	18,678	\$761
6	Mendota Heights	8,591,146	11,343	\$757
7	St. Anthony Village	6,687,477	9,077	\$737
8	Columbus	2,960,502	4,065	\$728
9	West St. Paul	14,344,671	19,767	\$726
10	Tonka Bay	1,122,322	1,561	\$719

68	Chanhassen	10,913,868	25,558	\$427
78	New Brighton	8,661,170	22,787	\$380
79	Mounds View	4,973,985	13,098	\$380
80	Andover	12,416,357	32,902	\$377
81	Chaska	10,205,429	27,055	\$377
82	Arden Hills	3,786,942	10,362	\$365
83	Vadnais Heights	4,427,548	13,561	\$326
84	Lauderdale	765,514	2,528	\$303
85	North Oaks	1,557,082	5,207	\$299
86	Falcon Heights	1,585,389	5,592	\$284
87	White Bear Lake	5,625,000	25,888	\$217

Table 6 2018 City Tax Data

### Intergovernmental Revenues:

One significant change we experienced in 2018 and has continued into 2020 is the reduction of our Local Government Aid by approximately \$250,000 to the amount we will have certified for next year which is \$14,171. It is not expected we will see any more Local Government Aid in 2020 or any future years. This is due to the State's LGA formula, the increase in market values we have seen in the community over the past couple of years, and the decertification of our large TIF District #4 in 2014, which reincorporated a large taxable market value back into the community in that following year.

In 2003, the City of Chaska received approximately \$1 million in LGA from the State on an annual basis. By 2013, that number was very close to \$0. This was a very significant hit to the City's revenues, representing approximately 10% of our overall revenues. The loss of nearly \$1 million in revenue was a significant reason that we started to get behind in the properly staffing of our services and have had a difficult time catching back up ever since.

In 2014, the City received did see an allocation of LGA in the amount of \$462,000, with it going to just over \$500,000 in 2015 and \$550,000 in 2016. In 2017, we once again saw this amount reduced to just under \$250,000. As mentioned previously, this amount went down to approximately \$1,000 in 2018, and is expected to stay close to this level going into future. Below is a chart of our experience for local government aid, and what we expect to see in LGA over the next 5-year period.

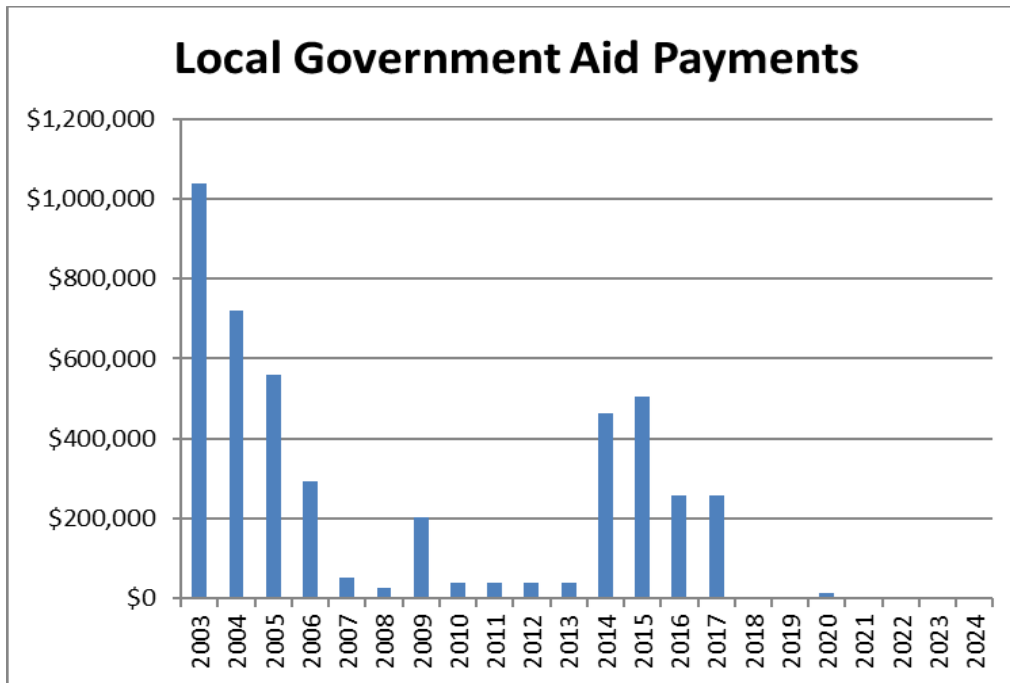


Figure 1 Local Government Aid Payments

It should be noted that when the City saw the \$250,000 LGA amount go to \$1,000 in 2018, the Council did decide to levy back half of that amount (\$125,000), which has remained in the budget ever since, and is included in the 2020 budgeted revenues. However, it continues to be important to point out that this loss of nearly \$1 million from the State from that 2004 period did have a long-term impact on the City and is a large reason why we are now having to have the discussions about the gap that we see in our staffing levels to sustainably meet our service level expectations.

### 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 continued to see good activity during 2012 and saw positive movement since 2013, the consistency and predictability of this revenue stream continues to be volatile and can be somewhat difficult to project from year to year.

This positive turn in the market is anticipated to continue into 2020, although we do expect that there is going to be more residential growth occurring, as opposed to large Commercial/Industrial projects, as we are still expecting to be a year out before our new Industrial Park opens at the new interchange at 44/212. While we will see some C/I activity with some planned additions to existing Industrial buildings in our North Industrial Parks, we do not expect these to be large projects that would significantly impact our building permits in 2020. For that reason, we did reduce our budgeted amount of Building Permits by just over \$300,000, to bring it back down to a total of just over \$900,000.

Staff feels that this number is more reflective of the development we can foresee going into 2020.

Under our current building projections, our staffing levels will be enough to cover the anticipated workload and be able to turn around building permits in a timely fashion.

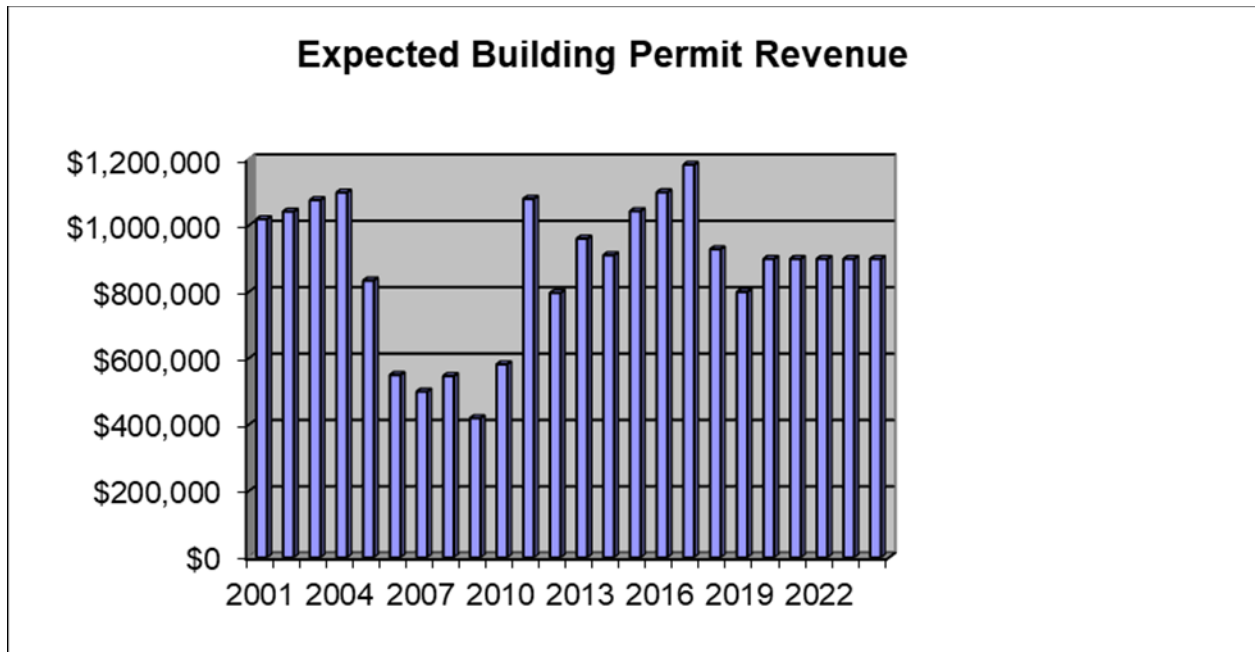


Figure 2 Expected Building Permit Revenue

### Electric Fund Transfers

The City has a formal policy of charging ourselves a per kilowatt-hour franchise fee, which is roughly equivalent to 10% of the total electric rate of our electric utility. For 2020 the franchise fee is anticipated to generate revenues to the general fund of approximately \$3,998,000. We have seen a dramatic increase in this portion of our revenue over the past several years, which has represented both an 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 of our Data Centers, additional commercial uses in town, and the recent expansions we have seen with existing business in our original Industrial Parks on the north end of the community. We continue to expect that to increase in 2020 as we expect to see some continued expansion of load in our data centers, as well as seeing existing industrial customers add on, and residential growth continue.

It should be noted that in that total Electric Franchise Fee above, that we do program just under \$50,000 of that to come from Minnesota Valley Electric Cooperative and Xcel for their franchise fee in 2020, with development of the first building at the Southwest corner of the intersection of 212 and Engler Boulevard now completed, and the addition of franchise fee from MN Valley Electric Coop Services in the Chevalle neighborhood. This franchise fee to the other providers in Chaska is something that we would plan to fully implement in 2020 to make sure that as we see new development in our community, that

users in other provider's territories are seeing a franchise fee as if they were in Chaska Electric's territory.

There is a significant amount of development that will occur in the future in MVEC's territory, with most of the job growth in the Southwest Chaska Master Plan falling within their territory. Because of this, we expect this number to increase significantly as we move into the future and we see this development occur. It should be noted that as opposed to the 10% fee that we have charged by policy to our own Electric Utility, the franchise fee that will be charged to MVEC and Xcel will be based on 5% of their gross revenues for the year. This is because of the limitations State Statute allows us to charge from an outside utility, and because this percentage matches up with the percentage that is charged to Centerpointe Energy for our enacted Gas Franchise Fee. Statute requires that these franchise fees to external business be equitable from one utility to the next. The total Franchise Fee revenue between Chaska, Xcel and MVEC represents around 21% of the General Fund's total revenues.

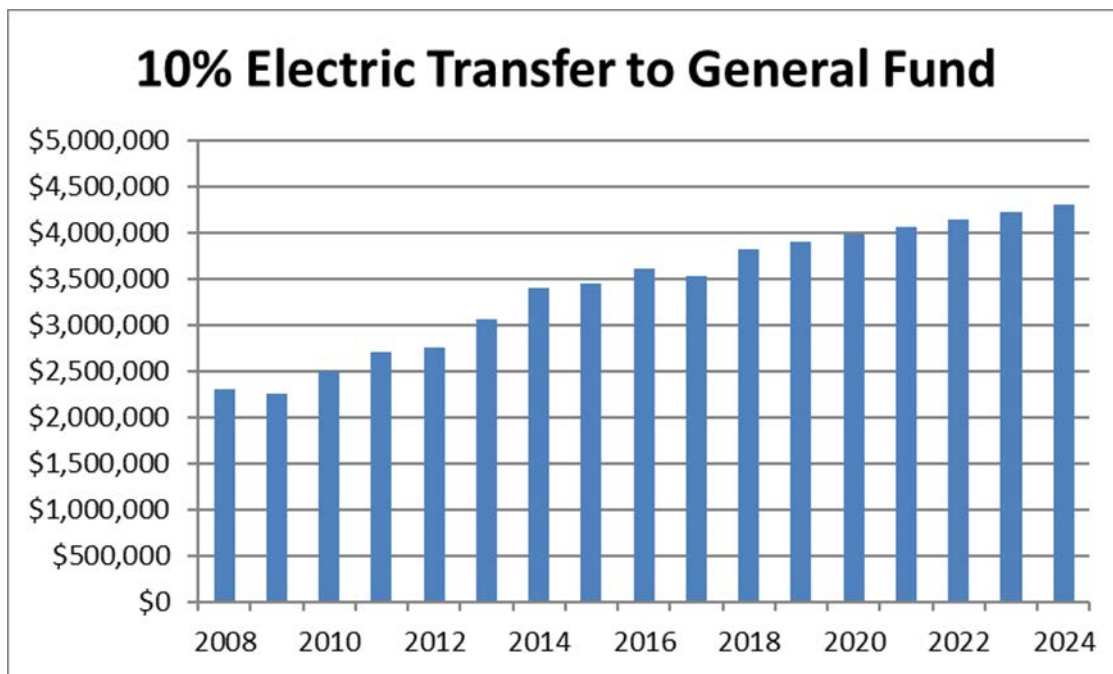


Figure 3 Electric Transfer to General Fund

### Charges for Services

Charges for services are those revenues that support City 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 costs to our Enterprise Funds (i.e. Electric, Sewer, Water, CCC, etc...). For 2020, charges for services are programmed to be \$3,994,078 as compared to \$3,115,077 in 2019. 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. This includes all our Administrative Services, Human Resources and Administration. In 2020, it will also include a contribution from the Enterprise Funds to the overall Building Maintenance Division Budget, which will start at \$125,000 in 2020. As the Building Maintenance Division will be providing a centralized service to all Departments/Buildings in the City, we have to make sure that the Enterprise Funds are contributing enough

towards this budget to accommodate for the Building Maintenance Services they will be receiving out of the General Fund. As mentioned previously, we want to make sure that the Enterprise Funds are contributing an equitable share to the shared services the General Fund provides to ensure that the General Fund is not bearing an undue burden for these services and to avoid subsidizing our Enterprise funds for Administrative Services.

## **General Fund Expenditures:**

General fund operating expenditures are forecast to be \$19,009,708 which is an increase of 12.22% over the 2019 Operating Budget. In that, it should be noted that \$355,000 of that increase in the General Fund Budget is related to shifting this already-existing amount from the EDA Fund over into the General Fund and does not have an impact on taxes residents will pay. It is simply shifting that revenue and expense into the General Fund as that is where the debt service it supports currently resides. Taking away that shift of dollars into the General Fund, the total operational increase in the General Fund would be 10.1%

In preparing the 2020 budget the following general assumptions were used for the operating budget:

- *Utilize budgeting objectives developed*
- *Increase in the tax levy by 4.35% due to new growth and inflation, with an additional \$375,000 (4.04%) levied to support the first of four years of implementing the Staffing Study Gap recommendations*
  - *This first year would include the addition of a Building Maintenance Foreman, and two Building Maintenance Workers, and Economic Development Coordinator along with \$125,000 going into the Building Maintenance Budget for 2020*
- *Continue to fully implement the Capital Improvement Program in 2020*
- *Continue with the 5% Gas Franchise Fee, which will represent approximately \$460,000 in 2020 with it continuing to be dedicated to the CIP Program*
- *Shifting of the existing \$355,000 in the EDA Fund to the General Fund to continue to support the debt service for the Park Component of the Fireman's Park Rehabilitation Project*
- *Operational costs up 1% in 2020*
- *Personnel salaries up 3%, with employer benefit contribution increases of 6%.*
- *Assume continuation of our Street Reconstruction Program, with the 2020 project targeted to be Beech Street just to the north of the Carver County Courthouse*
- *Continue contract with City of Carver for shared recreational services, bringing in additional \$51,000 in revenue (this is currently being renegotiated as it has expired and the City of Carver has the interest in continuing with this partnership-a new contract can be expected to be brought back to Council in early 2020)*
- *Continue with \$12,000 expense in 2020 for "Scholarships" to support large community activities utilizing our new banquet facility (\$1,000 per month)*
- *Fully fund the Equipment Replacement Schedule for 2020 (this occurred through the sale of Equipment Certificates in 2019)*
- *Continuation of equipping all Police Officers with Body Cameras*

- Assume no draw-down on General Fund reserves
- All other items in budget to remain unchanged

Department	2018	2019	2020	Increase	%Increase	Notes
	Actual	Budget	Budget			
Council	\$157,509	\$113,457	\$132,407	\$18,950	16.70%	Moved event contributions to Council
Communication	\$109,182	\$113,507	\$99,774	-\$13,733	-12.10%	
Administration	\$961,726	\$802,158	\$864,219	\$62,061	7.74%	
Human Resources	\$0	\$0	\$241,025	\$241,025	100.00%	Moved HR out of ASD Budget
Elections	\$25,585	\$5,000	\$33,106	\$28,106	562.12%	Increases every 2 years for Election
Admin Serv-Finance	\$1,568,577	\$1,553,403	\$1,743,479	\$190,076	12.24%	Increase in Software Licensing Due
Admin Serv-IS	\$1,018,462	\$1,156,544	\$1,277,863	\$121,319	10.49%	Increase in Software Licensing Due
Legal	\$117,160	\$85,565	\$80,000	-\$5,565	-6.50%	
Community Dev.	\$967,519	\$1,028,557	\$1,017,575	-\$10,982	-1.07%	
Engineering	\$369,826	\$367,493	\$393,501	\$26,008	7.08%	Full year funding Water Resources Coord
City Hall Bldg	\$240,642	\$222,333	\$227,735	\$5,402	2.43%	
Building Maint Div	\$0	\$0	\$409,973	\$409,973	100.00%	Implementation of 1st Year Staffing Study
Police	\$4,232,303	\$4,435,876	\$4,689,032	\$253,156	5.71%	
Fire	\$1,745,694	\$1,974,325	\$2,070,512	\$96,187	4.87%	
Civil Defense	\$6,788	\$5,672	\$5,728	\$56	0.99%	
Public Works Admin	\$338,927	\$347,931	\$366,164	\$18,233	5.24%	
Streets	\$1,419,669	\$1,591,783	\$1,782,805	\$191,022	12.00%	Additional Street Maint. in CIP for 2020
Snow Removal	\$270,267	\$202,912	\$249,625	\$46,713	23.02%	Increase because of experience past 2 years
MSB Building	\$253,484	\$220,339	\$232,202	\$11,863	5.38%	
Park Maintenance	\$1,130,486	\$1,004,857	\$1,096,237	\$91,380	9.09%	Park Rehab projects in CIP for 2020
ISD 112 Maint	\$32,750	\$40,745	\$36,225	-\$4,520	-11.09%	
Tree Control	\$53,745	\$37,547	\$37,597	\$50	0.13%	
Parks Admin	\$369,241	\$513,853	\$608,218	\$94,365	18.36%	Overall decrease in Parks by \$48,586
Parks Youth	\$148,891	\$172,889	\$175,519	\$2,630	1.52%	shifted categories of where coded
Parks Adult	\$105,643	\$84,250	\$105,768	\$21,518	25.54%	for budget
Firemen's Park	\$161,078	\$294,215	\$127,116	-\$167,099	-56.79%	
Parks Skating Rink	\$12,346	\$9,559	\$8,631	-\$928	-9.71%	
Unallocated	\$139,869	\$554,847	\$897,672	\$342,825	61.79%	\$355,000 transfer from EDA
<b>Total</b>	<b>\$15,957,369</b>	<b>\$16,939,617</b>	<b>\$19,009,708</b>	<b>\$2,070,091</b>	<b>12.22%</b>	<b>\$355,000 is EDA Transfer</b>

Table 7 General Fund Expenditures

It should be noted that in addition to general explanations provided next to each General Fund category, it should also be noted that general growth in the General Fund expenditures also is related to the first full year of implementation of recommendations from our Pay Equity Study completed in 2019. While this study was approved and implemented in 2019, this is the first year it shows as being budgeted, meaning that there are general increases to the budget based on this. The purpose of this study was to both make sure we are meeting Pay Equity standards required by the State of Minnesota, and to make sure that our wages were comparable to the average of similar positions in other Metro Communities. This was the first full study we had completed since 1986.

From a CIP perspective, 2020 will be the fourth year we will be able to fully fund our Capital Improvement Program, with \$1,000,000 now being dedicated to the plan. This now allows us to be able to program the exact projects we will be undertaking on an annual basis to support our overall Capital Improvement Program. For 2020, the following projects are planned to be undertaken:

- Street Overlay: \$375,000
- Sealcoat Roads: \$60,000
- Trail Upgrade/Overlay: \$60,000
- New Pedestrian Bridge on Main Trail: \$70,000
- MSB Annual Door/Hoist Maintenance Program: \$45,000

- Sports Court Resurfacing: \$70,000
- Siren #6 Replacement: \$25,000
- Fire Station Sidewalk Replacement: \$50,000
- Cortina Woods Park Rehab: \$135,000
- Clover Hock Rink Rehab: \$70,000
- Brickyard Lake Pier Rehab: \$40,000

Based on this, and the other changes that were listed above, the level of expenditures we are recommending to the budget would allow us to meet our budget and service objectives set for the 2020 budget process, while also keeping us very low from a tax perspective in the entire Twin Cities Metropolitan Area. By starting up the first of 4-years of implementing the Staffing Study recommendations, this will also allow us to staff our services going into the future at a much more sustainable level and help us to have the resources to address our again facility needs through the addition of a Building Maintenance Division.

## **Specific Department 2020 Activities**

### **Administration**

A position that was identified as a need in the Staffing Study is an Economic Development Coordinator position. While we expect that this position will ultimately be funded through the EDA, this would in practice reside within our Administration Department as that is where all Economic Development activities currently occurs. We do have this position being funded out of the General Fund in 2020 but supported from an Administrative Fee Transfer from the Economic Development Fund with dollars that we would aim to have generated from Economic Development Activity. The Staffing Study does also identify that there is the need for 1 additional Human Resource Generalist Position. However, we would see that occurring in either year two or three of the Staffing Study implementation, as the Building Maintenance needs in the City are a higher priority. Beyond the Economic Development Coordinator, there are no new planned additions for the Administration Department for 2020.

### **Administrative Services**

Budgeted staffing levels for the Administrative Services Department will remain steady in 2020. As part of the Staffing Study, it was identified that the IS portion of this department is short 1 Network Analyst position. Currently, we have this position being implemented in fourth year of the Staffing Study implementation in 2023.

### **Community Development**

As indicated previously, we do anticipate continuing to see a steady amount building activity in the community in 2020, with it focused mainly on residential development, as our new Corporate/Industrial Park area at the new 44/212 Interchange will not likely come on-line until the summer of 2021. 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 2020, we anticipate seeing

approximately \$900,000 of building permit activity. Staffing levels are at the proper level to be able to handle this activity now and are not scheduled to change in 2020. The addition we see coming into the department is a second City Planner position, which was identified in the Staffing Study. This is something that is needed given the level of our planning activities in Chaska, but we do not have it coming on-line until 2021, as the Building Maintenance needs of the City are a higher priority at this point.

In the Engineering Department, we did have the addition of a Water Resources Coordinator Position in 2019, which helped to fill a major gap we saw in this department over the past several years. This position is funded 50% through the General Fund and 50% through the Storm Water Fund. The Staffing Study still does show the need for 1 additional position in the Engineering Department, which would be an Assistant Engineer position. We do not have that planned to come on-line until 2022. There are no planned additions in the Engineering Department for 2020.

## **Police**

The major change recently in the Police Department was the addition of a Code Compliance Division within our Police Department in 2019. This addresses code compliance issues within the community on a pro-active level, instead of the re-active level we had based on our previous staffing levels. This division now has 4 Staff members, allowing it to provide service to residents not only during normal business hours but also during evenings and weekends. While this division resides within the Police Department to help with enforcement efforts, it is one that serves multiple departments in code compliance, including Community Development, Public Works, Fire and Public Utilities. While the Staffing Study did not identify a current gap in our levels of Sworn Officers, it did identify that we needed to have an additional 12 staff members in the Police Department by full development, with 10 of these needing to be Sworn Officers. To keep up with the growth that is occurring, and to not fall behind on the addition of officers as we need them, we do anticipate that we will need to add an additional officer in 2021. There are no additions to this department planned for 2020.

## **Fire Department**

Currently, the Fire Department has an authorized staffing level of 44 paid-on-call staff, although because of retirements on the department, the actual staffing level is currently at 35 firefighters, with a full-time Fire Chief and Fire Marshal, along with two Fire Inspectors. We also have support staff in the Fire Department to support Administrative functions. All 5 of these full-time staff are also Fire fighters, allowing them to respond to calls during the day, and reduce the burden on our Paid-on-Call Staff.

To preserve our volunteer base of firefighters for the long-term, the City added a Fire Chief position in 2013 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 was the plan that making this move now would be a cost savings to the Fire Department over time, to avoid large staffing expenses in the future if we were unable to attract volunteers for these critical positions. This position was hired in February of 2013 and has been a very good addition to our Fire Department model. At the time that

we created the Fire Chief position, we also moved the Fire Marshall position out of the Community Development Department and moved this position up into the Fire Department.

In addition to this, in 2015 we also did add Duty Crew shifts twice a week to both help take the burden off all fire fighters to respond to calls, and to pilot this program for future use. We have been able to add to this over the last four years, bringing the total number of evenings we have this staffed to Wednesday-Saturday evenings.

In the 2018 budget we made another significant change to the department by budgeting the addition of two new Rental Inspectors/Fire Fighters to the Department. The primary function of these employees is to help bolster our Rental Inspection program, as that area of services has been on the rise as more single-family homes were converted to rentals during our last economic downturn. An added benefit of these employees being in the Fire Department is that they add two additional fire fighters at the station during daytime hours to be able to respond to fire calls. Given that this is the most difficult time for the City to staff with Paid On-Call Fire Fighters, this will continue to help us maintain our volunteer-based department. This has been a great addition to this department and is continued to be included in the 2020 budget.

The Staffing Study did not identify a current gap in this department but did identify that when we are fully developed that we will likely need the equivalent of an additional 10 FTEs in the department. How we Staff these positions over time to most effectively and efficiently utilize our resources will still have to be determined, but it is something that we will have to plan for implementation over the next 20 years as we reach full development.

## **Public Works**

Chaska's Public Works activities are anticipated to increase as the community grows, with personnel needing to be added as mileage of road and the addition of parks occurs in the community. We will also have to plan for the addition of Staff to support our Storm Water activities. While these services are paid out of the Storm Water Fund, they are housed out of the Public Works Department, as we utilize our Staff for multiple functions.

The largest item identified as a need in the Staffing Study was the need for the City to dedicate more resources to our Building Maintenance Activities. This is especially true as our facilities have continued to age, and we have not always put the proper levels of resources necessary in the past to keep these buildings in good condition. To address this priority towards building maintenance, the City is planning on moving to centralize all its Building Maintenance Activities to one central Division, which we plan to house in the Public Works Department. Ultimately, this Division will have 6 dedicated full-time Staff to address building maintenance, with the ability to centralize it in one area so that we are able to maintain all of our facilities in a similar manner, and take advantage of purchasing power, by bringing service contracts under one area of the organization. To implement this Division completely will take three years, with the plan to start in 2020 with the hiring of a Building Maintenance Foreman, along with a Building Maintenance Lead and a Building Maintenance Worker. We will also have \$125,000 of a Building

Maintenance Division budget started in 2020, with it planned to grow up to \$500,000 annually of new resources by 2023. Out of any need identified in the Staffing Study, this was identified as the highest priority, as it is the largest gap we currently have in our service delivery in the City. Because of this, we are making a priority to get this Division fully staffed within the first three years of the Staffing Study Implementation.

Other than the addition of this Building Maintenance Division staff, there are no other additions identified in 2020 for the Public Works Department.

## **Recreation**

Although functionally, the Recreation Department, Community Center and new Curling/Event Center are in essence combined, Recreation Administration and Programming are budgeted as separate General Fund activities. Having them functionally work together does create efficiencies, which has kept our Park and Recreation expenditures significantly below the State average for communities our size. In 2020, we plan to continue to have our Park and Recreation Director, our Recreation Manager, our Recreation Coordinator, the Recreation/Special Events Coordinator and Athletics Supervisor all funded fully out of the General Fund, with a portion of other support positions allocated to the General Fund. The Staffing Study did not identify any gaps in our overall staffing levels for recreation, and Staffing levels will remain unchanged for 2020.

# Community Center Budget

For the Chaska Community Center, 2020 will be its 29th 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 operationally self-supporting with no property tax support.*
- 5. To reinvest back into the facility to keep it quality for future generations*
- 6. To build a cash-balance in the CCC Fund to be able to accommodate all 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 the center's 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 can offer the services it does, and not utilize tax levy to support its operations. Many city-owned community centers/recreation centers have some tax levy support, with a common split being 60% coming from revenue generated from the facility and 40% being supported by a property tax levy.

Because the Chaska Community Center has not relied on any tax levy for support, it has had the effect of being a significant factor of what has kept our General Fund tax levy low, by financially taking on many of the City's recreational functions that would normally be covered in other communities by tax levy support. This is especially true for the expense of Recreation Staff members who are providing programming in many different venues outside of our Community Center. While we have been trying to be more proactive about separating the general fund parks and recreation costs and functions from our Community Center activities, we still find that the Community Center and its operations provides us with many more efficiencies in both areas than are seen in most municipalities.

To put this in perspective, the Statewide average for Park and Recreation expenditures per capita supported from tax levy is \$99 per capita in cities ranging in population from 20,000-100,000 residents. In Chaska, our tax levy supported portion of Parks and Recreation was \$38 per capita in the 2018 Audited year. This is a large reason we can have such a low overall tax levy in the City of Chaska, while at the same time providing a high level of service to our residents.

## **Aging Facility Creates Additional Needs**

While we have been able to keep our tax levy support of our Parks and Recreation Programming very low compared to other communities, and while the Chaska Community Center has been able to be operationally self-supporting over the years with no tax levy

support, this has become much more challenging to accomplish as the facility has aged and major improvements have needed to occur. Just over the past 7 years, we have had to complete over \$3.5 million of improvements to our facility to keep it functioning. Most of this work has involved replacing our Ice Arena and Pool Mechanical Equipment, with only a portion of this being able to go towards improvements that have been visible and enhanced services for our patrons. The largest improvement we were able to make on enhancing services to our residents was in the Fitness Center, where we were able to replace all Fitness Equipment in the Fitness Center, along with replace carpet and paint the room. This improvement was approximately \$200,000 and was considered a major improvement by our patrons.

It should be noted that the Chaska Community Center originally cost us \$22.5 million to construct in 1991, and with all the additions we have put onto the facility would be over \$43,000,000 to replace if we were to start from scratch. We depreciate about \$750,000 of this facility annually and have never had a mechanism to properly reinvest back into this asset. With the increased dollars we have had to spend towards the building, and this amount increasing as the facility continues to age, this has impacted our ability both to make the facility operationally self-supporting as we move into the future, or to be able to generate cash reserves that can go towards future improvement.

### **Comparison to Other Municipal Facilities**

As mentioned previously, the Chaska Community Center is one of the few City-owned community centers/recreational facilities that does not have any tax levy support and relies solely on memberships. This is true even though a good portion of our Community Center (entire first floor and upper track) does not require a membership or daily admission for entrance.

With it relying on memberships and daily admissions for support of our operations and reinvestment, it is critical that we price our memberships to be able to meet our current and future needs. This is an area that we have fell behind in, especially when compared to membership fees at other similar City-owned Community Center/ Recreational Centers in the Twin Cities. Below is a recent survey that was completed looking at our Family Membership rates compared to City-owned facilities across the Twin Cities that have the most comparable amenities.

2019 Comparable Facilities	Annual Family Membership
Waconia	\$737
Eden Prairie	\$1,266
Shakopee	\$600
Shoreview	\$680
Maplewood	\$1,584
Maple Grove	\$425
Eagan	\$1,068
Average	\$909
Chaska	\$568
Chaska % of Average	62.52%
Actual Difference from Average	\$341

*Table 8 Comparable Facility Membership Rates*

It should be noted that many of these facilities have tax levy and the average of membership rates is still significantly lower than our membership rates. With our current Annual Family Membership Rate being at \$568, and the average of comparable facilities being at \$909 in 2019, we are 37.5% below the market for our membership rates, with an actual difference from average of \$341. It should be noted that for an individual membership at Lifetime Fitness, it is \$975 for a year, with a basic family membership being \$1,500 annually.

As Staff has looked at our current operational needs for the facility, and the Capital Improvements that we are going to need to make over the next several years, this is an unsustainable model to be this far out of the market, and will lead to us not being able to properly reinvest back into the facility, which over time will make it more difficult to retain membership at our facility. With the CCC having no property tax support, and rates significantly below market for other City facilities, this will be unsustainable as we move into the future.

### **Five-Year Plan for Membership and Admission Fees**

With this being a looming issue if we want to make the Chaska Community Center financially sustainable into the future, it is important that we develop a plan to address our membership and admission/program rates as we move over the next 5-years if we want to continue not to have tax levy support the facility. At the same time, it is important that we continue to provide a facility that residents see a financial benefit for being a member, making it an affordable option for all our residents.

While Staff is recommending that we start moving our membership rates closer to the average starting in the 2020 year, we do not think that this is something that we can take on in just one budget cycle. We think it is important to implement this change over our 5-year budgeting horizon in a way that does not create too drastic of changes in any one year to recognize that this is a facility of choice for our residents and we want to

make sure they see the need for these changes, and understand what these changes will allow us to do going into the future properly reinvesting back into this facility.

The recommendation for this 5-year period would be to increase our membership/rates/program fees by 4.5% for 2020, 7% for 2021-2023, with us then being able to get back to a rate adjustment closer to the rate of inflation of 3% in 2024. It should be noted that if we were to do this, our rates would still be 15.5% lower than the comparable averages, assuming they make no changes to their rate structures over the next 5-years. In this sense, we can plan for making our facility more financially sustainable over time, while keeping this a considerable value to our patrons compared to other municipal community/recreation centers. While this plan will require us to utilize reserves to be able to fund over the first two years before we start to see the fund build cash reserves, we think it is important to ease this adjustment over the 5-year period so as not to create too dramatic of changes for patrons during this time.

### **30-Year Anniversary Visioning Study**

One thing that Staff feels is important to complete as part of these adjustments is to also develop a vision/plan for what these changes will allow us to accomplish in the future to keep this facility in great shape and changing as the needs of our patrons change. With the Community Center's 30<sup>th</sup> Anniversary being in 2021, Staff would recommend that we work in 2020 to complete a Visioning Plan for the facility, looking into the future the next 30 years. This planning process would be one that we would want to have user input into to determine what our Patrons would really like to see occur in the Community Center going into the future, what services we do not provide that they think we should, what we do provide that they do not see a high priority, and to come out of it developing an cost estimates and an implementation strategy for how we can work towards these improvements over the next several years. With our proposed membership/rate changes designed to help us start building cash balance in the facility, and with existing electric fund resources going to the debt service for our Lodge Addition ending in 2027, we do think that we could start to develop an implantable plan to keep our patrons looking towards the future, and to see the importance and "value proposition" into why we as a community should continue investing into this facility. Though this process, we feel that we can continue to demonstrate that we are a great economic value to our Patrons compared to other facilities, while also demonstrating a pathway to accomplish the improvements our Community Center facility will need and our patrons will want over the upcoming years.

### **Community Center Revenues**

Assuming the implementation of the first year of our membership/rate adjustments occurring in 2020 with a 4.5% increase in rate, we are projecting that the Community Center will generate total operating revenues of \$3,880,176, which is an increase of approximately 1% over the budget from 2020.

As mentioned previously, in 2020, we are planning an increase in revenues coming mainly from an increase in membership, admission rates and fees by 4.5%. As part of this change, we will be looking at offering additional options for our patrons besides just single and family options. We are going to be looking at implementing options for people to have single+1 membership, along with punch card options that will give patrons an

opportunity to try the facility for some time before committing to a membership. We will also continue to offer our “Work in Chaska” rate that allows people who work in Chaska but do not live here a reduced rate option from our regular rate that gives them incentive to join as a member.

The other area we would expect to see some additional growth would be through the addition of memberships through our Park and Recreation agreement with the City of Carver. Currently, we charge just over \$51,000 to the City of Carver to allow their residents the opportunity to utilize the Community Center and Town Course at resident rates. We did just complete an analysis of this benefit. What we found is that the payment from the City of Carver has been enough to cover the lost costs of Community Center Memberships. Carver has indicated a desire to continue with this partnership. In our negotiations with them, we will be looking more closely at Programming Discounts and Carver-Specific programming costs to make sure that we continue to remain whole as we continue these services into the future. We are assuming a \$51,250 fee from the City of Carver in 2020, with any changes to contract rates coming in 2021.

In 2020 we will be continuing our new Membership Package benefits, as they have proved to be very successful for us in attracting members. These benefits include:

- Free Drop-in Classes
- Free Day Care
- Guest passes to bring visitors
- Discount to Chaska’s Recreational Programs

Staff feels that these enhancements to our Membership program, in conjunction with the recent renovation of our older Fitness Center space at the base of the stairs going into the lower level of the CCC, will continue to be important investments into keeping patrons choosing the Community Center for their membership option.

Finally, as we clearly saw through our 2018 Community Survey results, reinvesting back into our existing facilities, such as the Community Center, is a high priority for our residents if it is going to continue to offer our residents a great experience at this facility. Unlike other City services where the services are essential and there are no options for residents, we recognize that the dollars that patrons spend at the Community Center are discretionary, and that patrons do have other options. We need to continue to provide fair pricing, but more importantly show value for what our patrons are paying, which will continue to demonstrate the importance of investing back into this facility.

Below is a chart illustrating what our membership numbers have been, the approximate \$1.15 million we expect for membership revenue in 2020, and what we expect from Membership revenue as we move into the next 5-years. As you can see, with the implantation of a rate structure closer to market, we are able to generate an additional \$400,000 annually through memberships, which is a great help in making this facility financially stable as we move into the future.

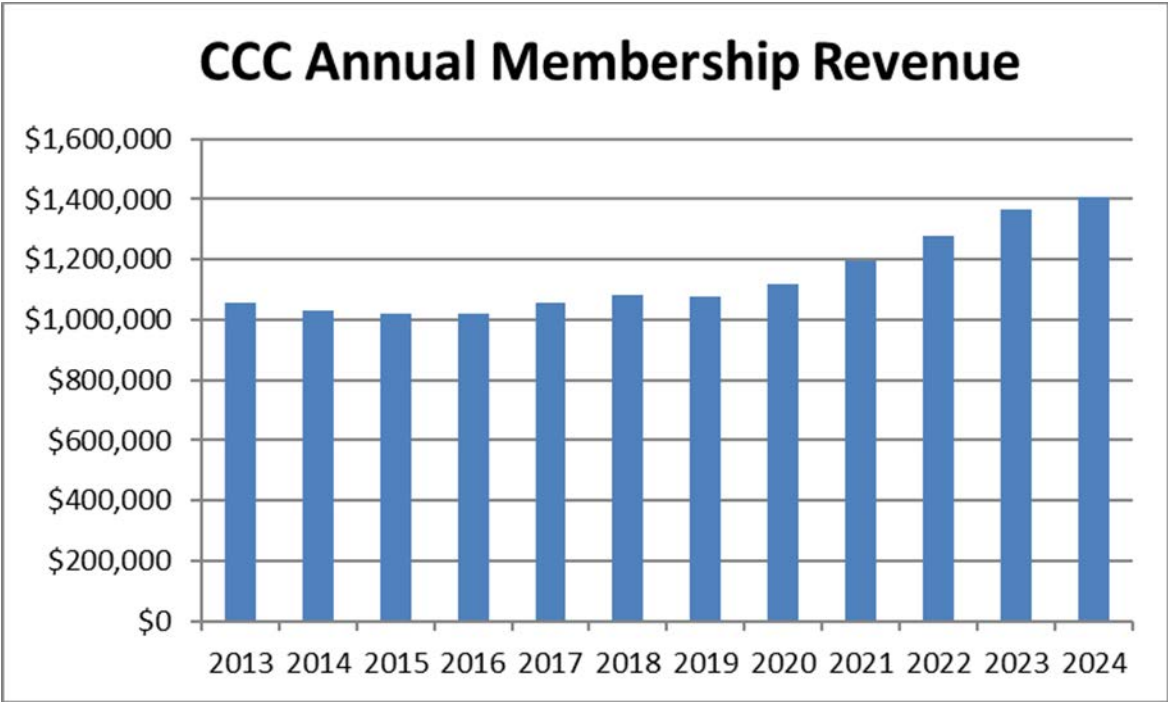


Figure 4 Chaska Community Center Membership Revenue

In addition to the memberships and admissions into the facility and for programming, the other major sources of revenue for the Community Center consist of the following, with us anticipating these will remain stable over the next several years:

- St. Francis/Capable Kids-Receive approximately \$147,000 annually to lease space on the north end of the building
- Breakaway Academy: \$60,000 annually to lease space in the lower level of the building
- ISD #112: Rents about \$25,000 of time annually for Gym classes and the use of the Ice Rink
- ISD #112: Makes payments to the City of Chaska in the amount of \$44,700 annually to support the debt service for adding onto the building to make Girls Locker Rooms for the Chaska/Chanhasen Girls Hockey Program. This continues for 15-years starting in 2020
- Breakaway Ice Program (separate from the School)-Rents approximately \$48,000 of space within the Ice Rinks annually for its programming
- Electric Fund Transfers to the Community Center to support the following:
  - \$100,000 annually since the facility opened in 1991 to help offset the costs of improvements in the building
  - \$182,000 annually supporting the Debt Service for The Lodge-debt is retired in 2027. Would plan to keep these dollars in the CCC after debt paid to help support reinvestment back into the facility
  - \$150,000 annual support toward the total \$275,000 debt service for the Pool and Ice Arena mechanical improvements-debt is retired in 2033. We would plan to keep this in the CCC Fund to help support future improvement projects

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

REVENUES	Actual	Budget	Budget	Change	%
	2018	2019	2020		Change
<i>Member and Admis</i>	\$1,487,786	\$1,639,269	\$1,644,195	\$4,926	0%
<i>Community Events</i>	\$1,572	\$8,094	\$3,000	(\$5,094)	-170%
<i>Community Room</i>	\$39,256	\$38,523	\$40,257	\$1,734	4%
<i>Craft Rooms</i>	\$37,912	\$41,669	\$43,544	\$1,875	4%
<i>Wellness-Water</i>	\$378	\$1,402	\$1,465	\$63	4%
<i>Wellness-Studio</i>	\$104,662	\$136,241	\$120,000	(\$16,241)	-14%
<i>Rainbow Room</i>	\$7,572	\$5,557	\$7,500	\$1,943	26%
<i>Wellness Programs</i>	\$48,043	\$78,654	\$59,707	(\$18,947)	-32%
<i>Gym</i>	\$42,091	\$51,055	\$53,353	\$2,298	4%
<i>Gym-Batting Cage</i>	\$996	\$1,385	\$1,447	\$62	4%
<i>Gym-Gymnastics</i>	\$24,932	\$21,633	\$22,606	\$973	4%
<i>Ice Arena</i>	\$643,633	\$684,443	\$700,000	\$15,557	2%
<i>Maintenance</i>	\$40,386	\$35,241	\$40,241	\$5,000	12%
<i>Wellness-PT</i>	\$34,528	\$30,305	\$37,111	\$6,806	18%
<i>Play Castle/Daycare</i>	\$16,254	\$15,678	\$15,000	(\$678)	-5%
<i>Treks and Trails</i>	\$80,811	\$90,764	\$90,000	(\$764)	-1%
<i>Club Extreme</i>	\$101,019	\$110,556	\$110,000	(\$556)	-1%
<i>Raquetball</i>	\$10,527	\$15,813	\$16,526	\$713	4%
<i>Swimming Pool</i>	\$14,179	\$14,370	\$15,017	\$647	4%
<i>Swim Lessons</i>	\$105,471	\$123,200	\$128,744	\$5,544	4%
<i>Theater</i>	\$98,588	\$88,550	\$98,000	\$9,450	10%
<i>The Lodge</i>	\$51,198	\$56,647	\$59,196	\$2,549	4%
<i>Birthday Parties</i>	\$33,346	\$40,780	\$37,000	(\$3,780)	-10%
<i>Tot Time Preschool</i>	\$7,218	\$11,459	\$11,975	\$516	4%
<i>Before/After School</i>	\$8,384	\$9,499	\$21,751	\$12,252	56%
<i>Vending</i>	\$41,640	\$37,812	\$39,514	\$1,702	4%
<i>Misc.</i>	\$0	\$6,950	\$427	(\$6,523)	-1528%
<b>Total Oper Rev</b>	<b>\$3,078,986</b>	<b>\$3,395,549</b>	<b>\$3,417,576</b>	<b>\$22,027</b>	<b>1%</b>
<b>Non-operating</b>					
<i>The Lodge Debt</i>	\$181,000	\$181,000	\$181,000	\$0	0%
<i>Electric fund</i>	\$251,000	\$251,000	\$293,000	\$42,000	14%
<b>Total Non oper</b>	<b>\$432,000</b>	<b>\$432,000</b>	<b>\$474,000</b>	<b>\$42,000</b>	<b>9%</b>
<b>TOTAL REV</b>	<b>\$3,510,986</b>	<b>\$3,827,549</b>	<b>\$3,880,176</b>	<b>\$52,627</b>	<b>1%</b>

Table 9 Community Center Major Revenue Sources

It should be noted that while we will increase our membership fees and rates by 4.5% in 2020, we do not expect to see that translate into a 4.5% increase in overall revenues, as we did need to adjust revenues in specific areas to address changes we have seen in usage in these areas of the CCC.

## Expenditures

From an expenditure perspective, other than the continued programming of \$275,000 per year to go towards debt service on the CCC Capital Improvement Program, the only major new items that will be focused on in the 2020 budget include:

- Moving of our Full-time Maintenance Staff into overnight hours to complement the new City-wide Building Maintenance Division. Focus of this staff will shift to custodial duties.
  - With this change, will utilize the dollars saved from the retirement of our current CCC Maintenance Supervisor position, and the reduction in needed part-time custodial workers to fund a Facility Coordinator position to work during the days in the CCC, and an Ice Coordinator Position
- Completion of a Visioning Process to unveil on our 2021 Thirty-year anniversary

As we have discussed in the General Fund Budget, one major item that will bring funding starting in 2020 with the first year of implementation on our Staffing Study Analysis recommendations will be the addition of a City-Wide Building Maintenance Division that will be housed in our Public Works Department. This Division will take on all the major building maintenance activities for all our buildings in the City, creating consistency of care for each facility, and efficiencies by maintaining all City buildings by the same standards. With the addition of this Division will come changes within the Community Center, as our Building Maintenance Staff will take on more of the Custodial Duties of the building, which will reduce our need for as many part-time custodial Staff. Their shifts will move to overnight, which will allow them to be much more efficient taking care of these cleaning needs when patrons are not present.

With the retirement of our long-time Building Maintenance Supervisor in the Community Center at the end of 2019, we will be taking these resources, along with the saved resources from the reduction of part-time maintenance needs to create a Facility Coordinator position, who will be staffed during the days to take care of custodial items that come up during the day, but also will be the liaison between our Building Maintenance Division and the CCC Custodial Staff working when the facility is closed. Finally, with the move of Custodial Service to overnight, we would create an Ice Arena Coordinator position, who would work a 3pm-11 pm staffing schedule to be able to coordinate all Ice Arena events, as well as take care of all ice resurfacing and custodial needs throughout the evening. These changes will allow the Community Center to capitalize on the new expertise and resources that will be created City-wide through the addition of our Building Maintenance Division, and allow us to focus more efforts on using our CCC resources to keep a very clean facility, and to do this without having to add more resources to support.

Each year we include \$50,000 to go towards on-going capital replacement items within the Community Center. In 2019, the focus of these efforts will be in replacing the floor surfacing in the entry way to Arena 2, which has been failing and is causing safety issues in that area of the building. We will also continue efforts to change all our light fixtures in the building to LED fixtures both to brighten the facility, but to also save on energy costs.

The total expenditures in 2020 are budgeted to be \$4,122,045 which is an increase of 7.80%. Below is a chart detailing the expenditures in each of the major areas of Community Center Budget for 2020:

<b>EXPENSES</b>	<b>Actual 2018</b>	<b>Budget 2019</b>	<b>Budget 2020</b>	<b>Increase</b>	<b>%</b>
<i>Admin</i>	\$ 734,543	\$ 692,118	\$ 769,762	\$ 77,644	11.22%
<i>Events</i>	\$ 6,256	\$ 5,846	\$ 5,872	\$ 26	0.44%
<i>Craft Rms</i>	\$ 15,664	\$ 13,548	\$ 13,572	\$ 24	0.18%
<i>Well-Water</i>	\$ 743	\$ 4,229	\$ 3,050	\$ (1,179)	-27.88%
<i>Well-Studio</i>	\$ 47,117	\$ 36,810	\$ 48,612	\$ 11,802	32.06%
<i>Front Desk</i>	\$ 140,789	\$ 120,555	\$ 116,224	\$ (4,331)	-3.59%
<i>Well- Prog</i>	\$ 34,763	\$ 30,815	\$ 32,044	\$ 1,229	3.99%
<i>Gym</i>	\$ 29,416	\$ 19,577	\$ 19,623	\$ 46	0.23%
<i>Bat Cages</i>	\$ 996	\$ 1,717	\$ -	\$ (1,717)	-100.00%
<i>Gymnastics</i>	\$ 15,698	\$ 16,435	\$ 16,259	\$ (176)	-1.07%
<i>Ice Arena</i>	\$ 256,057	\$ 221,195	\$ 292,885	\$ 71,690	32.41%
<i>Maintenance</i>	\$1,219,448	\$1,099,932	\$1,104,485	\$ 4,553	0.41%
<i>Cycling</i>	\$ 40	\$ 552	\$ -	\$ (552)	-100.00%
<i>Personal Train</i>	\$ 35,249	\$ 21,150	\$ 37,712	\$ 16,562	78.31%
<i>Wellness Add</i>	\$ 118,948	\$ 129,699	\$ 127,947	\$ (1,752)	-1.35%
<i>Play/Daycare</i>	\$ 76,648	\$ 62,918	\$ 47,147	\$ (15,771)	-25.07%
<i>Treks&amp; Trails</i>	\$ 97,039	\$ 94,556	\$ 102,183	\$ 7,627	8.07%
<i>Club Extreme</i>	\$ 76,396	\$ 74,894	\$ 86,945	\$ 12,051	16.09%
<i>Raquetball</i>	\$ 860	\$ 1,697	\$ 1,705	\$ 8	0.47%
<i>Swim Pool</i>	\$ 365,443	\$ 345,892	\$ 429,208	\$ 83,316	24.09%
<i>Swim Less</i>	\$ 25,956	\$ 32,165	\$ 33,435	\$ 1,270	3.95%
<i>Theater</i>	\$ 9,900	\$ 7,414	\$ 7,452	\$ 38	0.51%
<i>Lodge</i>	\$ 99,043	\$ 97,876	\$ 246,134	\$ 148,258	151.48%
<i>Birth Party</i>	\$ 8,883	\$ 6,775	\$ 6,845	\$ 70	1.03%
<i>Tot Time</i>	\$ 4,692	\$ 5,994	\$ 5,985	\$ (9)	-0.15%
<i>Gen Facility</i>	\$ 278,077	\$ 50,000	\$ 50,000	\$ -	0.00%
<i>Advent Prog</i>	\$ 120,237	\$ 117,540	\$ 1,765	\$ (115,775)	-98.50%
<i>B/A School</i>	\$ 3,598	\$ 5,294	\$ 5,643	\$ 349	6.59%
<i>Vending</i>	\$ 18,342	\$ 12,707	\$ 12,771	\$ 64	0.50%
<i>Depreciation</i>	\$ 729,338	\$ -	\$ -	\$ -	
<i>Debt Service</i>	\$ 189,318	\$ 493,546	\$ 496,780	\$ 3,234	0.66%
<i>Transfer Out</i>	\$ 1,434	\$ -	\$ -	\$ -	
<i>Other</i>	\$ 6	\$ 492	\$ -	\$ (492)	-100.00%
<b>Expenses</b>	<b>\$4,760,937</b>	<b>\$3,823,938</b>	<b>\$4,122,045</b>	<b>\$ 298,107</b>	<b>7.80%</b>

Table 10 Community Center Major Expenses

Some things to point out in the expenditures listed above include:

- Administration includes an additional \$75,000. This is to implement the results of our Pay Equity Study for our Part-Time Employees across the entire department. With this department being dependent on Part-time employees, it is important that we keep up with this as we move into the future

- Front Desk shows a decrease of expenditures-this is the result of moving a position out of the Front Desk and it being funded out of The Lodge, where most of the work of this individual currently resides
- Adventure Programming shows a significant decrease of expenditures. This is also the result of moving another individual's salary out of this category and into The Lodge where most of this employee's duties now reside
- Maintenance Budget is down due to the Retirement of our Maintenance Supervisor position and the changes in the overall Building Maintenance Division mentioned earlier in this report
- Ice Arena is up because of the addition of the Ice Arena Coordinator position (part of the Building Maintenance Division moves discussed earlier).
- Aquatics is up because of the addition to the budget of the Aquatics Coordinator position, which also serves as the Person in Charge of the CCC Facility when regular office hours are closed. This was a position created in 2019 to address this gap in having a PIC in the evenings but was not reflected in the budget last year.

Based on our forecasted revenues and expenditures for 2020, we are estimating that the facility will have run a deficit in 2020 of \$241,869. As mentioned previously, the planned changes we are making to the Membership/Rates over the 5-year period does assume that we would have deficits and use reserves the first two years, with us moving positive in the third year of the plan. This allows us to make necessary changes to our rate structure but to do so in a manner that will not too significant of a change for our patrons in any one year. Below is a chart that illustrates what happens over the 5-year period to Fund Balances as we fully implement the plan laid out in this report:

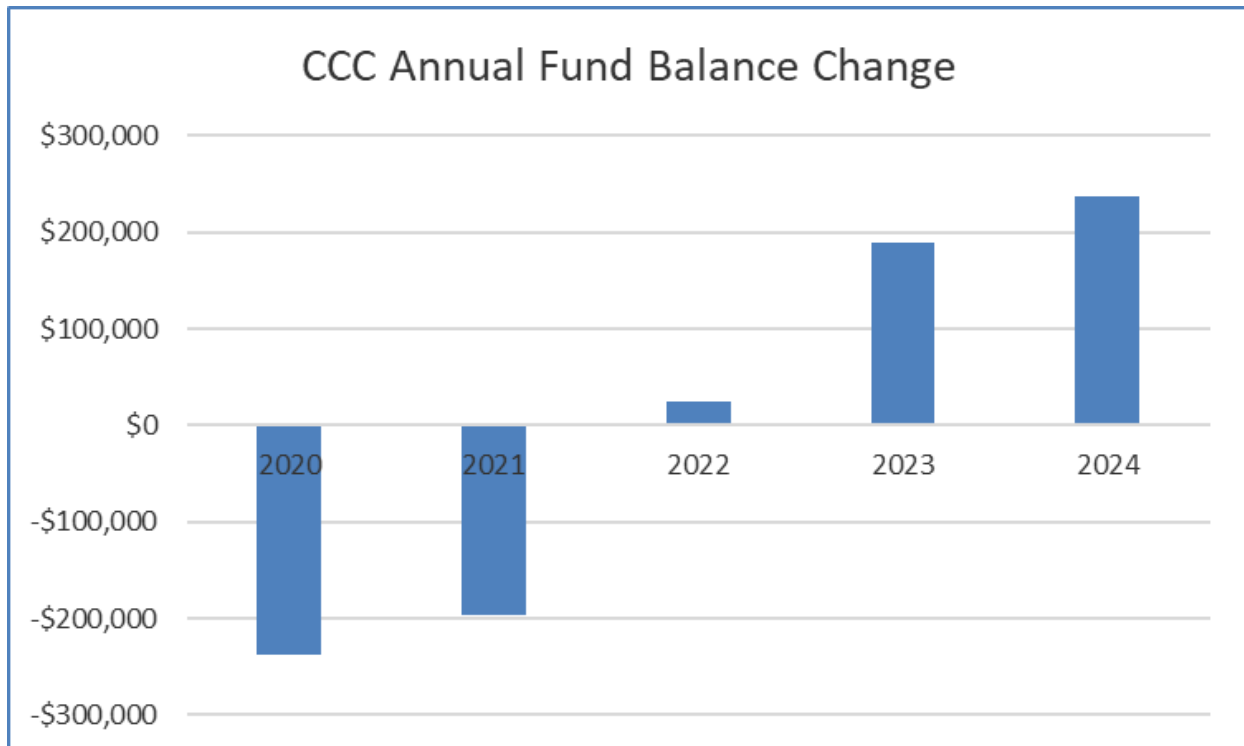


Figure 5 CCC Annual Fund Balance Change

# 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 is viewed as a top public golf course facility in the Twin Cities, helping also attract visitors to our community.

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 we attempt to generate 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 historically been able to operate as a self-sufficient golf course 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. This has been true industry wide, as the number of U.S. golfers peaked in 2003 at 30.6 million and dropped to 23.83 million in 2017, according to the National Golf Foundation. This number has dropped approximately 1.9 million golfers just since 2012. While the Chaska Town Course has remained relatively consistent in rounds per year since its opening, it is a national trend we must pay attention to.

With that being said, the Chaska Town Course has been an extremely popular facility for the City of Chaska and has continued to have a high number of rounds and has kept a high maintenance standard to allow it to be considered a high-quality golf course facility. The Chaska Town Course has continued to be a popular destination for not only our residents, but for patrons from across the Twin Cities market. This has resulted in us averaging about 31,000-32,000 rounds of golf per year.

The larger economic challenge the Chaska Town Course has experienced, especially in the past two golf seasons, is the shift in makeup of the patrons who golf at this facility. When the Chaska Town Course first opened in 1997, over 70% of the rounds that were played at the course were by non-resident golfers, with around 30% being made up of Chaska residents. As the community has continued to grow, and as people moving to the area have recognized the benefit of moving to Chaska as opposed to surrounding communities because of our resident discount, this patron makeup has moved to be 50% resident play, with only 50% coming from outside of the community. While this has been great for our mission of making the Chaska Town Course a premier community gathering location, this has been a very difficult financial transition for the course as our resident discount has averaged around 37% from the regular rate that non-residents pay. While we think it is important to keep a resident discount in place as we go into the future, it will be much more important for us to look at exactly what this discount is, as having over 50% of our golfers continue to have a 37% discount will not be financially sustainable. This is something that will be discussed further in the revenue section of this budget message.

## **2019 Chaska Town Course Season**

While the Town Course was extremely busy during the peak times of this past summer, 2019 continued to be an unfavorable year for weather, dropping the total number of rounds this year to just approximately 29,500. This is the second year in a row where weather has played a big factor, with 2018 also having a total number of rounds close to 29,500, with the biggest hits in both years coming from little-to-no play in the Spring, with the Fall weather not allowing the season to extend to where we would typically see it end. In 2018, we had no rounds of golf played in the month of April, as we had a large snowstorm in the middle of that month, and fall weather kept people off the course for a good portion of October. In 2019, we also had late Spring snowfalls that kept the course limited for use in the Spring, and we had a very wet fall. Another factor in 2019 was the wet weather we experienced during the entire course of the summer, which did limit play in the time of the season we would typically see tee sheets full.

This reduction in rounds due to weather resulted in a loss of close to \$97,000 for the year compared to budget in 2018, with 2019 being short approximately \$116,000 compared to budget. Having two summers in a row with these type of weather conditions has got us to relook at the number of rounds we budget for in any given season. While we typically have budgeted for 32,000 rounds, with years like 2016 and 2017 bringing in a total of over 33,000 rounds, we have started to budget based on 30,900 and to watch to see if we start to see any trends in weather patterns going forward, of if these past two years have been an anomaly.

## **Depreciation Funding-Continued Reinvestment into Facility**

With the refinancing of our TIF District #4 in 2008, we did put the Town Course in a better position to accumulate cash reserves, as it did not have to directly support the remaining years of debt service for the course anymore. In 1997, resources from TIF District #4 were the main financial resource that allowed us to construct the course and contributed towards our debt service on the course until all debt was repaid with the Closing of TIF District #4 in 2014. It was planned that the refinancing of this District in 2008, and once again in 2011, would 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 continued to struggle to generate significant reserves to go towards its future capital replacement needs.

To illustrate this, each year the Chaska Town Course has approximately \$450,000 of annual depreciation cost, which is what we should target to build in cash reserves each year to support future reinvestment/improvements into the course. In 2017, the Chaska Town Course showed that with including Depreciation as a cost, the Course's net Cash Position for the year was (\$453,000). With Depreciation in that year being \$452,000, this means that from an operational standpoint, we ended the year in a positive position. In 2018, with a very bad weather year and golf rounds down significantly, the net cash

position for the year was (483,000) and our depreciation cost was \$453,000, meaning that we came very close to covering all our operational costs even during a bad year.

While that is positive, over time this will be an issue if we don't have enough money built in the fund for future improvements. This is a big reason we must make sure that we keep on top of monitoring our rates going into the future, so that we do not slip too far behind market and make it difficult to reinvest back into the course. It also makes it even more important for us to focus on the large gap between resident and regular rates (37% discount), with 50% of our rounds now receiving that discount. This will make it difficult in the future for us not only to meet our capital reinvestment needs, but also our operational needs as that resident percentage continues to get higher as we would expect it would as the community grows.

As we are doing with the Community Center Fund and looking at its future capital needs and how we fund these, this is an issue that Staff continues to look 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. This is particularly important in the Chaska Town Course Fund, as only a relatively small portion of our residents golf (8% report that upkeep of the CTC is Essential, with 35% reporting upkeep as Important in our last Community Survey) and it would be more difficult to recommend using tax dollars to support this operation less than a majority of our residents utilizing this facility.

That is not to say that a significant amount of maintenance work is not done annually to keep our existing assets in as good of shape as possible. The past 2 summers have included approximately \$200,000 in work to replace the sand and drainage system in our bunkers to help improve the play on the course. In 2016, we also made a significant reinvestment back into the kitchen of the Clubhouse to make it more usable for Oak 19 to operate their business, which has been very successful. We also make sure that we are regularly replacing our maintenance equipment, which has a large impact on the condition of the course daily. However, as we move further into the future, we will have to start looking at assets such as our Clubhouse facility and how we rehabilitate them to address the toll that many years of service will put on a building and on the course in general.

As we look at this, we will have to be cognizant of the market of other golf courses in the area, so that our greens fees do not make it difficult to compete with these other courses. We will not be able to address this issue only through rate increases, as too large of an increase could have the effect of dropping rounds played and making revenues drop, as golf patrons are sensitive to price changes and do have a number of choices in the area of where to take their business. This is especially true with our non-resident golfers, where our rate has been very close to the average of high-end golf courses over the years.

For 2020, we are forecasting total revenues of \$2,169,300. This compares to the budgeted revenues we had for 2019, which were \$2,142,100. As discussed previously, for 2020, we are budgeting based on a lower number of total rounds being at 30,900 total rounds during the season. We typically would budget at 32,000 rounds, but with

the past two years seeing lower rounds because of weather, we are trying to be more conservative on this budget to monitor whether changes in the weather are something that was abnormal the past two years, or whether that is something we have to plan for going into the future. As mentioned previously, 2018 and 2019 each saw rounds of approximately 29,500 rounds, with this causing a loss of revenue in each year approximately \$100,000 compared to budget.

Based on our assumptions, the total 2020 revenues are derived from the following sources:

	Actual	Budget	Budget		
Revenues	2018	2019	2020	Change	% Change
Green fees	\$ 1,187,084	\$ 1,403,000	\$ 1,332,000	\$ (71,000)	-5.06%
Driving range	\$ 81,994	\$ 100,000	\$ 100,000	\$ -	0.00%
Member fees	\$ 76,173	\$ 75,000	\$ 75,000	\$ -	0.00%
Sale of supplies	\$ 260,746	\$ 229,000	\$ 314,500	\$ 85,500	37.34%
Concessions	\$ 46,623	\$ 45,000	\$ 45,000	\$ -	0.00%
Cart rental	\$ 261,701	\$ 280,000	\$ 292,000	\$ 12,000	4.29%
Misc	\$ 58,634	\$ 10,100	\$ 10,800	\$ 700	6.93%
<b>Total revenues</b>	<b>\$ 1,972,955</b>	<b>\$ 2,142,100</b>	<b>\$ 2,169,300</b>	<b>\$ 27,200</b>	<b>1.27%</b>

Table 11 Chaska Town Course 2020 Revenue Sources

**Revenues**

The major revenue source of the Golf Course is green fees paid by patrons, with this revenue source accounting for 61% of total revenues at the facility. While we had only planned on increasing the cart fee in 2020 by \$1, we are also recommending that we increase both the resident and regular greens fee rates in 2020 by \$1 each, as the last two years of poor weather conditions have made this important to do. This keeps both the resident and regular rates competitive based on our comparisons.

As mentioned previously, for 2020 we are planning for 30,900 paid rounds being played at the facility. The past 4-year average for play at the CTC has gone down to this, as we did have two very poor weather years in 2018 and 2019 contributing to this. The two years prior, we had seen rounds go over 33,000.

**Resident vs Regular Rates**

Perhaps the largest item that Staff has focused on while putting together both the 2020 budget and the our 5-year financial forecast for the Chaska Town Course, is looking at the split between resident and regular play at the Course. As mentioned previously, when the Town Course first opened, approximately 70% of our rounds came from non-resident play. As our community has grown, we have seen this non-resident regular rate play drop to 50%. While this has been great for meeting our mission for having this be a premier community gathering location, it has made it very difficult from a financial perspective to keep the Chaska Town Course financially sustainable going into the future with our residents now seeing a 37% discount from our regular rates. Having over 50% of our patrons see this deep of a discount is not something we can continue to do if we want to have this course be both operationally self-sustaining and be able to reinvest back into the course as it ages.

As we discussed in the 5-year planning process, Staff feels that it is critical to address this issue within the 5-year planning horizon, and define what the proper amount of discount should be for residents as we move into our next 20 years of operation at the Chaska Town Course. For 2020, we are recommending that we only adjust the rates by \$1 for each the regular and resident rates to make sure that we do not fall behind. However, over the next several months, Staff will plan on meeting with resident patrons of the Chaska Town Course to both educate them on this issue, but to also get their feedback on how to structure our rates going into the future so that residents still feel they are receiving a significant benefit for having this asset in their community, but also being cognizant of how changes can positively affect the financial sustainability of the Chaska Town Course going into the future.

For the purpose of planning the 5-year financial forecast, we did assume that during the 5-year period, we would gradually close the gap between resident and regular rates so that it is a 15% discount as opposed to the 37% current discount, so that Council and our patrons can see where that would put us at the end of the 5-year period. However, there are many ways that we can look at this, which we will focus on during the next several months to have a more defined plan which has had patron input. We do know that there is only so far that we can bring regular rates up and still stay within the market. We will have to be cognizant of that, while also keeping the resident discount something that continues to provide our residents with a benefit to have the Chaska Town Course in our community.

### **Components of the Chaska Town Course Revenue**

A key revenue assumption for the CTC is the green fees schedule, as the greens fees do generate approximately to 61% of our revenue. 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 for our residents of higher quality and challenge compared to any other area course, at a price that is very competitive.

In 2019 the average metro high-end golf course green fee including cart on weekends was \$93.71, ranging from \$77 for Edinburgh USA to \$119 for Rush Creek. Chaska's weekend non-resident rate in 2019 of \$92, including cart, was within this range.

As mentioned earlier, while we had planned on only having a \$1 increase for carts in 2020, Staff is also recommending an increase in green fees of \$1 for 2020. These rate increases are periodically necessary both so that we stay within our defined market for rates compared to other courses, but more importantly to make sure that we are generating sufficient income to be able to keep this course in a great condition, which is critical to its success. 2018 and 2019 were not good weather years for the course, and we do not want to get behind financially keeping up with the financial needs of the course. We do feel that this rate change keeps us within the defined market for where we would like to see our regular non-resident rates fall. The chart below compares our rates to the other high-end public golfing facilities in the Twin Cities:

Course	Green Fees	
	Weekday	Weekend
	18 hole	18 hole
Edinburgh USA	\$77.00	\$77.00
Stoneridge	\$69.00	\$77.00
Rush Creek	\$119.00	\$119.00
The Legends	\$99.00	\$99.00
Troy Burne	\$79.00	\$110.00
Meadows at Mystic Lake	\$89.00	\$89.00
The Wilds	\$95.00	\$85.00
Average	\$89.57	\$93.71
Chaska non-res Current	\$86.25	\$92.00
Chaska non-res Proposed	\$88.25	\$94.00
Chaska Resident Proposed	\$62.00	\$69.00

Table 12 Green Fees Rate Comparison

As part of Chaska’s mission, our goal is to have the facility both accessible and affordable to Chaska residents. Just as with non-resident rates, in 2020 we are proposing an increase in Greens Fee Rates for residents, as well as an increase in Cart Rental Fees. The increase would be \$1 for carts and \$1 for greens fees for both weekend and weekday rates. As mentioned earlier, we are going to have to address the large gap that exists between resident and regular rates as we go over the next five- year period but would propose that this occurs gradually and not over the course of one budget year.

This would result in our rates in 2020 continuing to be very competitive to all the area courses, as it was in past years. Based on these assumptions, 2020 green fee revenue is projected to be \$1,332,000, which is less than what we had budgeted in 2019 due to budgeting from a lower rounds number.

Course	Green Fees	
	Weekday	Weekend
	18 Hole	18 Hole
Dalgreen	\$59.00	\$61.00
Bluff Creek	\$57.00	\$63.00
Ridges at Sand Creek	\$57.50	\$62.50
Deer Run	\$74.00	\$74.00
Stonebrook	\$66.50	\$74.50
Average	\$62.80	\$67.00
Town Course Res Current	\$60.00	\$67.00
Town Course Res Proposed	\$62.00	\$69.00

Table 13 Local Green Fee Rate Comparison

It should be noted with our pricing structure that residents are able to play a top-tier golf course at the Chaska Town Course, while paying a fee that is comparable to the area

courses that are not ranked in the top-tier. In this respect, Chaska residents are getting a great value for the golf that they play at the CTC.

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. At that time, we purchased a new set of carts equipped with a GPS system. This system allows us to remotely control the carts so they do not go in areas that would be detrimental to the condition of the course. The system was implemented in 2006 and increased cart revenues to \$212,000.

In 2018 we purchased a replacement fleet of carts, and included enhanced GIS features, to help keep up with our demand for services on the carts. For 2020 we are once again 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 \$292,000.

Through our twenty years of operation, the driving range has been a popular element of the facility. One attribute contributing to the success of 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 will come to the facility solely to use the practice complex. Range revenues was budgeted for \$100,000 in 2019. For 2020 we are proposing that we keep the budgeted revenue the same as in at \$100,000.

Pro Shop sales have continued to be strong. Our last audited year in 2018 we saw sales in the Pro Shop of \$260,746, even though we had budgeted closer to \$220,000. In 2020, we continue to expect to see these improve with this being a popular part of the services we provide at the Town Course, and we are budgeting \$314,500.

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 2016, we changed vendors, as Charlie's Grill had its final year of operation in 2015. Charlie's set a new bar for expectation of our food service at the Chaska Town Course, which was important for us to keep or improve with the new vendor coming into the facility.

After completing an RFP Process, the City Council did choose to go with the new vendor, Oak 19 Grill. While the Town Course did have to undergo approximately \$150,000 in upgrades to the kitchen prior to the 2016 season to be able to handle a new vendor come into the facility, and to increase offerings to our Patrons, Oak 19 has been a very positive addition to the Chaska Town Course, as we illustrated through their record-breaking first and second years of service. In 2016, Oak 19 had over \$650,000 in sales, making it the highest grossing year for food service in the Town Course's history. We saw very similar sales occurring during the 2017 season. In 2018, despite not being able to open the entire month of April because of weather, they still were able to exceed their budgeted revenue to the City and had the peak months during the summer be record sales for them over the past 3 years. In 2019, despite the less than ideal weather conditions, they have continued to exceed our budgeted revenue for the facility, based on our revenue-sharing lease agreement. Staff have heard very positive comments on this change as it

offered more menu variety for patrons, and weekend meal options that have brought non-golfers to the clubhouse for dinner, while not having a negative impact on serving our golf patrons. We have also seen a very positive response to the beverage cart service, which in past years had been an area that we had not received as high of a rating from our customers.

With the lease agreement set up as a revenue share agreement, the Chaska Town Course does receive 5.5% of all food sales and 10.5% of all alcohol sales for rent payments on this facility. In 2020, we are once again anticipating that this will generate \$45,000 in income for the Chaska Town Course. With their initial lease period coming to an end after next season, we are going to be working with them to extend their lease, something they are interested in doing as well.

## 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. During the past few Golf Seasons, we had some of the best turf conditions since our course opened. This has been confirmed in feedback we've received from golfers in our surveys and helped continue to drive patrons to our course during the summer of 2019. This is also something that we confirm through our Decision Resources Community Survey, which we just completed last winter. 92% of the respondents rated the upkeep/maintenance of the Chaska Town Course positively.

To accomplish the objective of having high-quality turf 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 facility, 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 staffing levels like 2019, with five 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	Budget	Budget		
	2018	2019	2020	Change	% Change
Course Maintenance	\$853,497	\$1,076,033	\$959,648	-\$116,385	-10.82%
Course Admin/Clubhouse	\$935,112	\$882,403	\$906,973	\$24,570	2.78%
Merchandise	\$195,740	\$171,700	\$173,417	\$1,717	1.00%
Debt Service (Carts)	\$18,636	\$105,775	\$108,100	\$2,325	2.20%
Transfers Out/Debt Service	\$0	\$0	\$0	\$0	
Depreciation	\$453,364	\$0	\$0	\$0	
<b>Total Expenses</b>	<b>\$2,456,349</b>	<b>\$2,235,911</b>	<b>\$2,148,138</b>	<b>-\$87,773</b>	<b>-3.93%</b>

Table 14 Chaska Town Course Costs

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 2019, the total Clubhouse expenses were budgeted to be \$882,403. In 2020, we are budgeting this number to go to \$906,973, for a 2.78% increase.

The final cost component that is critical to maintaining a high-quality course is continuing to invest in timely replacement of our maintenance equipment. In 2013, we sold Equipment Certificate Bonds to purchase of the equipment needing replacement on our Equipment Acquisition schedule. The proceeds from that sale went to purchasing our needed equipment replacement for both 2013 and 2014. In 2013, before we sold these Equipment Certificates, 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 of equipment over the years. This is one of the strategies we have employed to try to reduce overall costs at the Course and help work towards long-term financial sustainability.

At the same time, we have made sure that we replace this equipment in a timely manner, as quality of the course is a key to our success at the CTC. In 2017, we once again sold equipment certificates to help support a purchase we are doing in 2018, which was the replacement of our electric golf cart fleet. The cost for replacing this fleet was \$195,000 and was included in the 2017 Equipment Certificate Bonding that was completed. The debt service to support these purchases is \$108,100 in 2020. While we do have equipment scheduled to be replaced in 2020, we are going to wait until 2021 to replace our equipment for both years, to finance it through equipment certificates that will start repayment in 2022.

A major cost we had the past two summers, but did complete, was the replacement of all greenside and fairway bunkers throughout the course. We spent approximately \$200,000 over the course of 2018 and 2019 to complete, but will be a significant improvement to play, as the bunkers had grown over the years and were no longer draining properly after major rains.

Besides these changes, we do have the bridge on Hole #15 planned to be replaced, along with \$12,000 to our cart-path replacement program. We also have \$25,000 programmed to go towards work on our irrigation components to keep them in good working order.

Total budgeted expenses for the golf course operation in 2020 are \$2148,138. This would result in an increase of fund balance at the Chaska Town Course in 2020 of approximately \$21,000. However, despite seeing a positive increase to the fund balance budgeted in 2020, it is important that we still look over the next several months at our resident and regular rates to make sure that our discount is not so significant for resident rates so as to make the Course difficult to make financially sustainable going into the future.

# Par 30 Budget

In establishing the 2020 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 since 1996, which was 1 year prior to the Chaska Town Course opening.

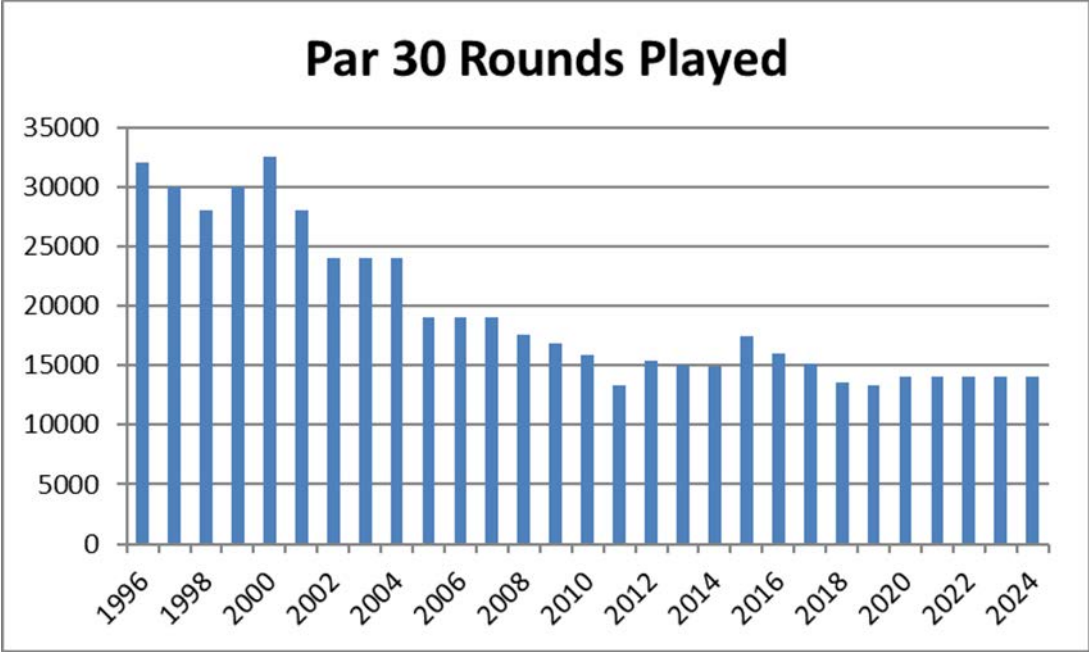


Figure 6 Par 30 Rounds Played

Over the past several years 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 last decade, over the last 10 years, we have seen that drop to approximately 14,000 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.

One thing to note on the chart above is the increase we saw in rounds being played in 2015 and 2016. While, just like the Town Course, good weather did play a factor in this,

the main factor increasing rounds was the addition of Foot Golf. Foot golf helped us not only generate additional rounds of play at the Par 30, without negatively impacting golf play, but it also created another use that allows our residents who are non-golfers to get out and enjoy this public resource. This is especially true for families that foot golf can cater to. In 2019, while Foot Golf did remain at the Course, we did not see any growth in this offering. It is being planned to keep Foot Golf as an option at the Par 30, but we do not see it being a large driver of increasing rounds in the future.

For 2020, we are budgeting for 14,000 rounds, which is less than the 15,400 rounds we budgeted in 2019. As with the Chaska Town Course, we are adjusting these numbers down because of the negative impact weather has had on the course the past two seasons, bringing our average number of rounds down compared to previous years.

One offering we are going to continue at the Par 30 in 2020 is the addition of Adult Leagues. We have had Junior and Senior Leagues for quite some time, which have been successful at this course. With much of the drop-in golf globally, one of the big factors has been in the amount of time that someone needs to invest to complete a round, which can be close to 5 hours. By adding this option at the Par 30, we are hoping to tap into golfers that would still like to golf on a regular basis, and maybe even be in a League, but view the traditional courses as being too much of a time commitment to participate. While we are not budgeting any additional rounds because of this new offering, we do think it could help to stabilize rounds at this course.

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 for our Adult golfers who may be most likely to go to another competitor's course out of town.

While we had planned for a rate increase in 2019, we never did implement it because of the poor weather we saw for a second spring season. This would have been the first increase in rates since 2017. For 2020 we are recommending that we do implement the rate increase we had planned for in 2019, which is an increase of \$0.50 per round for each category of golf, including Foot Golf.

Based on this recommendation, the following would be the comparison of the Par 30 for 2020 rates compared to the 2019 rates of the other Executive Courses in the area:

Course (9)	Junior (9)	Senior (9)	Adult (9)	Range
Halla Greens	\$13.00	\$13.00	\$16.00	Yes
Braemar Executive	\$11.00	\$16.50	\$16.50	Yes
Waters Edge	\$12.00	\$12.00	\$15.50	Yes
Orono	\$12.00	\$15.00	\$18.00	No
Glen Lake	\$12.00	\$12.00	\$16.00	Yes
Average	\$12.00	\$13.70	\$16.40	
Par 30 Current Rate	\$12.25	\$12.25	\$14.25	
Par 30 Proposed Rate	\$12.75	\$12.75	\$14.75	
Par 30 vs Halla	-\$0.25	-\$0.25	-\$1.25	

Table 15 Par 30 Rate Comparison

It should be noted in the chart above, that while we compare to all the Executive Courses, our main competition for the Chaska Par 30 is Halla Greens, as it is located just off Chaska's eastern border with Chanhassen. As you will see, we are \$0.25 cheaper than Halla Greens for Juniors and Seniors, and \$1.25 lower on Adult rates compared to their current rates, and assuming they make no changes for 2019. One reason we want to make sure we stay less expensive than Halla Greens is because they do offer a driving range at their facility, which is a distinguishing factor for their facility.

Based on this rate structure, we are forecasting green fee revenues for 2020 of \$129,700 compared to the 2019 budget of \$189,926. As mentioned previously, we are budgeting a lower number of rounds, as weather has brought our average rounds down to approximately 14,000 instead of the 15,400 rounds we previously planned for.

Staffing levels are anticipated to remain unchanged for the coming year, continuing with keeping the number of part-time staff 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, as well as the sharing of 1 full time employee between Town Course Maintenance and the Par 30.

The budget anticipates that operating expenses in 2020 will be \$193,734, which is a reduction in budgeted expenses of \$4,117 from the 2019 season. It should be noted that one item that we are still working on to reduce the overall expenditures to the Par 30 Course, is in eliminating the current fee of \$14,000 we have annually to rent parking spaces from the Hazeltine Gates Office Building. Storm water improvements were made to the pond on the Par 30 in 2013 to accommodate a future addition for the Hazeltine Gates project when it moves forward, at the cost of Hazeltine Gates (which is owned by Goodman Group). Staff is currently finishing up negotiations with the Goodman Group to trade the use of these parking stalls on a permanent basis in exchange for providing The Goodman Group with a permanent drainage easement to utilize the improved storm water ponds with any future development. We do anticipate that these negotiations will be successful, with us removing the \$14,000 fee from the 2020 budget. In its place, we have included a \$2,000 annual fee to contribute towards the maintenance and upkeep of these parking stalls going into the future.

At the same time, we are also working with a non-profit group called The Learning Links of Chaska to make the Par 30 a fully accessible golf course. This would require a redesign of the course, and would not only make needed improvements to our golf course irrigation system, which is necessary to keep this course operating into the future, but would also create the opportunity to help provide more programming opportunities that we feel can distinguish the Par 30 from other Executive Courses and help to increase the play we see their on an annual basis. At this time, moving forward with this project is contingent upon this group completing its fundraising efforts, which would have the City and the Learning Links splitting the estimated \$1.5 million cost of improving the facility. The target of completing the fundraising efforts is the in February of 2020, with the hope to be able to move forward with the improvements on the Par 30 during the summer of 2020. If that were to occur, the Par 30 would be closed for the 2020 season, as well as half of the 2021 season while the turf became established. While we are putting together a budget for the Par 30 should this not occur in 2020, it is the hope that we will be able to move forward with these improvements this summer, which we feel would create a more sustainable future for this golf course facility.

As we have done in past years, we are also continuing to budget \$5,000 toward the course to deal with any course improvements that need to be made over the course of 2019. The main improvement we continue to make is to our irrigation system, maintaining the clock system that runs the irrigation, which is very old and outdated. To replace the irrigation system is estimated to be approximately \$350,000, which is an expense the Par 30 Fund would not be able to afford, although this may become necessary in the future if the system were to fail. If the Learning Links of Chaska project were to move forward, replacement of this irrigation system would be a part of this overall project.

Based on our forecast of revenues and expenses, we are anticipating that if the Par 30 moved forward with normal operations in 2020, that it would have \$49,508 more in expenses than revenues. That is a trend we likely will not be able to break unless we are able to increase rounds, which is what we hope The Learning Links of Chaska project would do.

Below is a summary of the 2020 Par 30 Budget.

	Actual 2018	Budget 2019	Budget 2020	Change	%Change
Green Fees	\$137,405	\$173,000	\$129,700	-\$43,300	-25.03%
Other Fees	\$16,337	\$16,926	\$14,526	-\$2,400	-14.18%
Total Revenue	\$153,742	\$189,926	\$144,226	-\$45,700	-24.06%
Maintenance	\$110,196	\$110,517	\$105,587	-\$4,930	-4.46%
Administration	\$70,571	\$83,294	\$84,067	\$773	0.93%
Merchandise	\$4,823	\$4,040	\$4,080	\$40	0.99%
Other	\$3,941	\$0	\$0	\$0	0.00%
Transfers Out	\$0	\$0	\$0	\$0	0.00%
Total Expenses	\$189,531	\$197,851	\$193,734	-\$4,117	-2.08%
Net Income (loss)	-\$35,789	-\$7,925	-\$49,508	-\$41,583	

Table 16 2020 Par 30 Budget

# 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 competitive with 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. Over the course of 2010 and 2011 our rates were significantly changed to get the base closer to where it should be. However, because our rates were so low to begin with, these changes were able to be made while maintaining our rates at a very competitive level compared to our neighboring communities.

As you will see in this year's budget for the Water Fund for 2020, we are recommending that we increase our retail rates go up by 5% for the average users of water to make sure that we keep up with inflationary pressures, and do not lose ground on the changes we have been implementing since 2010 and 2011. However, at the same time, we are cognizant of the continued pressure we are receiving from the State of Minnesota to focus more on water conservation, especially with issues some Metropolitan Communities have had with their water supplies.

As will be discussed in more detail in the Water Fund budget below, the trend for Water usage in the City has been going down for the past decade. At the end of 2019, we project that we will have 9% less water used City-wide on an annual basis compared to what was utilized in the community in 2008. This reduction in usage has come from both implementation of our tiered water rate structure, which is designed to reward people who utilize an average amount of water but to charge a higher rate for water usage above the average, and through the evolution of technology that has reduced the overall usage of water usage. Compared to our 2010 study of our water system, we are currently 40% lower in water usage than what was anticipated to be used by 2018, and the trend continues to look like it will be less water consumption as we move into the future. As a

result of this change in usage, the City is currently working on an updated Water Rate Study that will likely result in the City adjusting its tiers for water usage down, as the average usage by our consumers is less than it was when we first started our tiered rate structure. While the average usage in a household used to be approximately 7,000 gallons of water per month, this has gone down to between 4,000-5,000 gallons per month. If our tiered rate structure is going to continue to meet the objective of keeping people conserving water, the tiers will have to be adjusted down to create this economic incentive for conservation.

From a sewer and electric perspective, our rates have remained very competitive over 2019, compared with other municipalities and with Xcel. From an electric fund perspective, our total rates in 2019, including the Energy Adjustment Clause, averaged 7% lower than Xcel for residential customers and very similar compared to MN Valley Electric Cooperative. Xcel and Minnesota Valley are our main competitors. It should be noted that more than half of the new growth we will see in Chaska over the next 20 years in Chaska will be in Minnesota Valley Electric Cooperative's territory, with them holding most of our new Commercial/industrial load. Having their pricing closer to Chaska Electric will become a strategic advantage from an Economic Development perspective as we see more property develop in our Southwest Chaska Area in the future.

We do not see this relationship changing very much in 2020, as Xcel has continued to need to request rate increases from the Public Utilities Commission to address major work they have needed to complete on aging infrastructure, and to address the renewable energy requirements imposed by the State, which are even more stringent than the requirements put on municipal and Co-op Electric Utilities. Xcel recently requested a 15.2% increase over the next 3 years, with the interim rate increase that will go into effect on January 1<sup>st</sup> being up 4.1%. This will continue to keep our rate very competitive compared to Xcel.

For 2019, the wholesale rate increase from MMPA, the City's Power Agency, is programmed to increase by about 7%, with this change coming in demand rates to the MMPA's members.

Because of this, and the need to cover all of our operational costs, you will see that our budget recommends a 3.5% increase to our Retail rates both to accommodate the wholesale rate increase but also our increasing costs associated with replacing aging infrastructure, and to also be able to accommodate large capital costs we had in 2017 and 2018, including the addition of a necessary substation in our north industrial park, and a new feeder at West Creek Substation to accommodate increased load on this substation. The total cost of these facilities was approximately \$5 million. With this rate increase, we feel that we will still be very competitive.

From a sewer perspective, we do know that our overall bill will go up by 9.9% for sewage treatment at the Met Council's Blue Lake Facility. With our Met Council rates going up, and the cost of providing service also increasing, Staff is recommending that we see a 5.5% increase in our Sewer retail rates. At the same time, over the past two years the City has been shifting more of the fixed costs for providing our Sewer Service into a monthly service fee. These are expenses our utility has whether someone uses service

or not. In 2018, Council did approve a \$4 monthly service charge for the Sewer utility, with half of this being implemented in 2018, as it was, and the other half going into effect on January 1, 2019. It was determined through a study of our Sewer System that this fee does need to get up to \$8 to totally cover our fixed costs through this fee. Staff is proposing that the remainder of this service fee get implemented over the course of the next 4 years, with it increasing by \$1 per year. In conjunction with the retail rate increase, this \$1 increase in service fees (going to \$5 per month) would increase the average user's sewer rates by 7.9% in 2020. It should be noted, as Metro Waste provides treatment services for most surrounding cities, and this treatment is the major cost of sewer service, our rates tend to be similar from City to City, thus keeping us competitive with our surrounding communities even after these changes.

Finally, with the Storm Sewer Utility, activities have continued to increase in this fund, as there are both changing mandates from the State to follow, and heavy rain seasons that have put pressures on our Storm Water System. In 2018, to recognize the increased activities we were having in this fund, and to recognize that the work done in a River community such as Chaska is significantly more than a typical community, the methodology that Staff used to compare Chaska rates changed, with us comparing ourselves to other similar river communities in the State that have similar work load in their Storm Water Fund. We feel that this has created a more accurate base to compare ourselves. Based on this activity load and comparisons to other similar communities, an increase in rates of 3.58% is being recommended for 2020.

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 2020. As you will see, based on the recommendations above, the average user would see a 4.5% increase in all their Utility Rates in 2020, which translates into an increase of \$7.46 in increased costs each month for the average household in the community.

	2019	2020	Increase	Increase
Water	\$21.76	\$22.79	\$1.03	5.00%
Sewer	\$33.12	\$35.73	\$2.61	7.90%
Electric	\$99.24	\$102.71	\$3.47	3.50%
Storm Sewer	\$9.79	\$10.14	\$0.35	3.58%
Total	\$163.91	\$171.37	\$7.46	4.50%

Table 17 Utility Rate Increase

# 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 the DNR water conservation requirements that are required to be implemented by January 1, 2010
- Develop a base rate that meets all our current operational and debt obligations, especially considering the significant decrease in development experienced at the time
- 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 without adjusting our base rate. 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 Rates, 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. Since this time, we have been recommending rate changes that make sure that we not only do not lose ground on what was implemented as a part of this study, but are more closely tied to the needs we foresee in each of our 5-year financial forecasts. It should be noted that we are currently completing a re-study of our initial 2009 rate analysis to look specifically at what has changed since this initial study, and what things we must plan for over the next decade. We would expect the results of this analysis to be included in any recommendations for the 2021 budget.

Based on our upcoming needs and current costs, Staff is recommending a 5% increase in retail rates in 2020 for all average users of water, with the actual tiered rate structure continuing to be structured the same as it was in 2019.

Specifically, the following is the rate structure that Staff would recommend for 2020 based on a 5% overall increase in rates:

- 0-7,000 gallons: \$2.69/1,000 gallons (currently \$2.56)
- 7,001-20,000 gallons: \$2.85/1,000 gallons (currently \$2.71)
- 20,001-30,000 gallons: \$3.20/1,000 gallons (currently \$3.04)
- 30,001-40,000 gallons: \$3.71/1,000 gallons (currently \$3.53)
- Above 40,001 gallons: \$4.60/1,000 gallons (currently \$4.37)

The chart below shows how Chaska would compare both in the Winter, where we assume 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 5% increase and compares it to the other City's 2019 rates without considering any rate changes they may make:

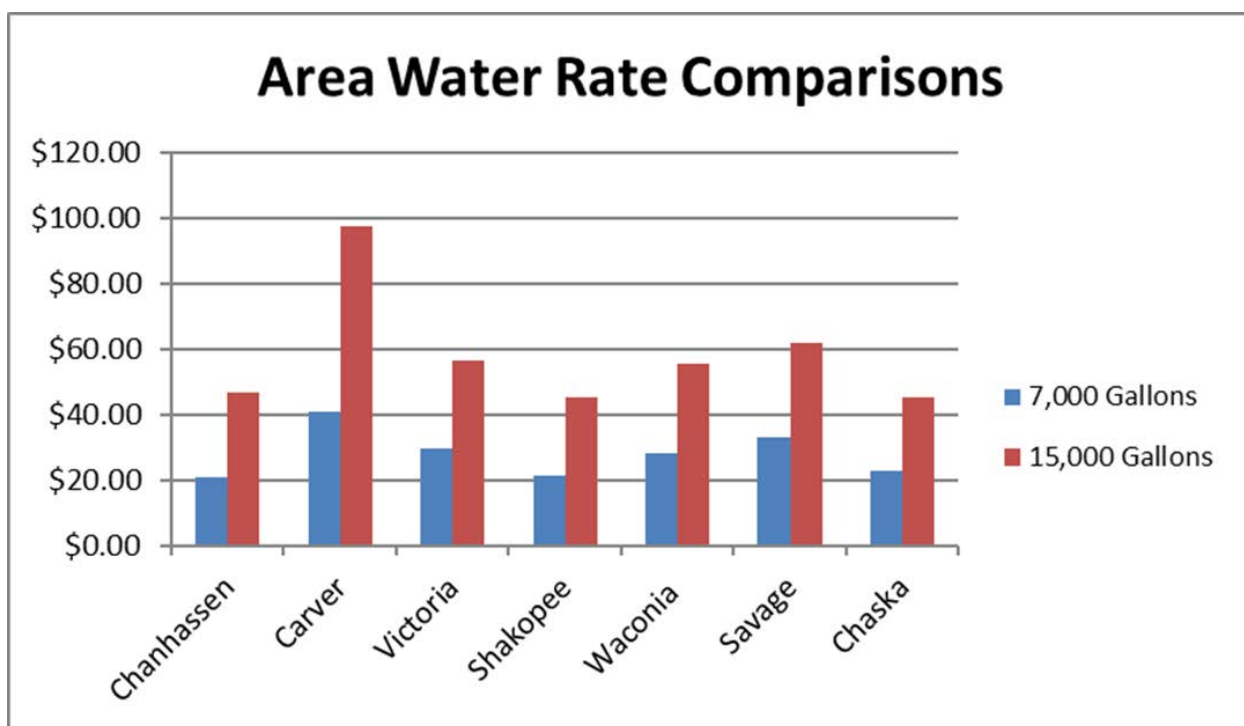


Figure 7 Area Water Rate Comparisons

### Water Usage Continues to Drop

As mentioned previously, one trend that we have seen in water usage over the past decade is the overall decrease in water usage. As the Chart below illustrates, our water usage in 2008 was \$1,100,000,000 gallons, compared to the usage in 2019 which was \$1,000,000,000 for the year.

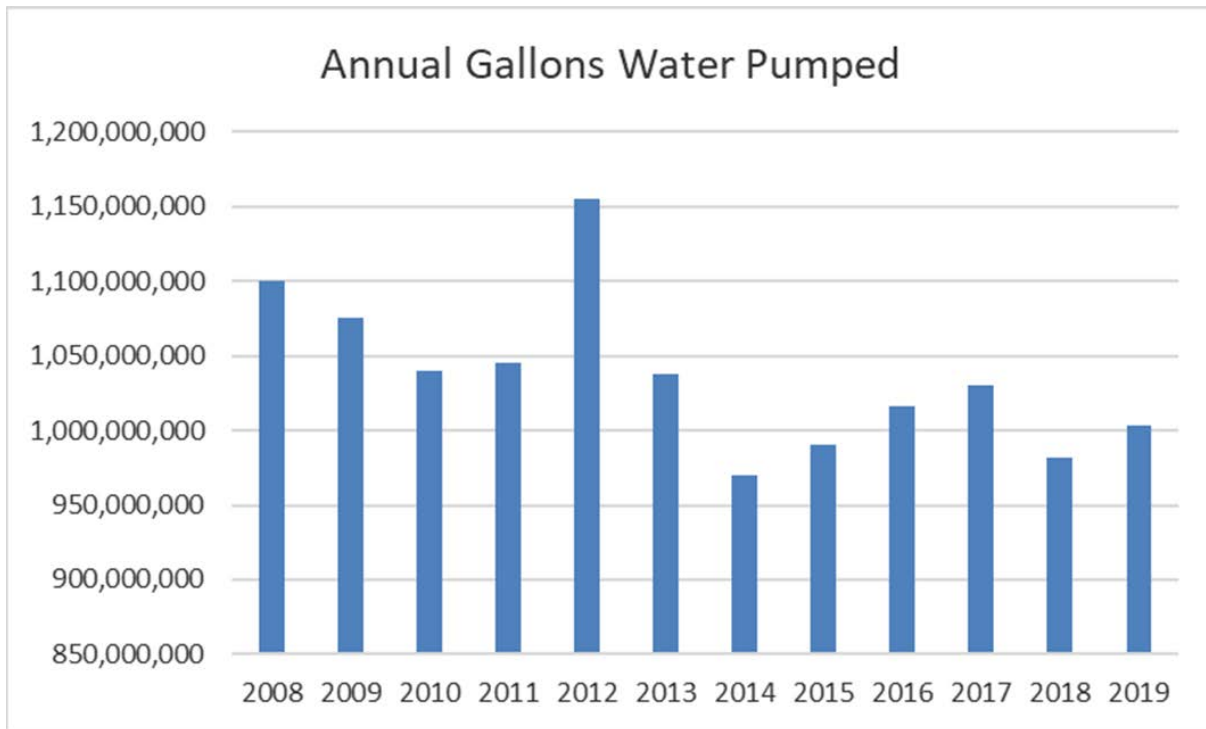


Figure 8 Annual Gallons of Water Pumped

This decrease in water usage has come mainly because of technology changes that have made water conservation much easier. This includes technology like low flow plumbing fixtures, as well as “smart” technology in lawn irrigation that only waters the lawn when it needs it.

As we are completing our current rate analysis that we plan to incorporate into the 2021 Water Fund Budget, one thing that we are finding is that the average usage of water per household has dropped from around 7,000 gallons per month down to 4,000-5,000 gallons per month. While the study may not see a need to change the base rate drastically, it is likely going to recommend that we trend our tiers down so that the lowest rate go up to potentially 4,000-5,000 gallons per month instead of the 7,000 gallons per month. This will help ensure that the tiered structure is still meeting its purpose, which is to reward those who utilize an average amount of water and to disincentivize through higher rates the usage of water above average amounts.

## 2020 Budget

Based on the changes described above, Water Fund Revenues for 2020 are budgeted to be \$3,471,300 compared to the 2019 budget of \$3,471,300, or a 6.75% decrease in revenue.

As mentioned previously, we have continued to see our water usage go down each year, both due to wetter weather patterns that have seen less usage of irrigation systems, but also because of the new technologies we are seeing installed in both residential and commercial business that are designed to reduce the consumption of water. To some extent, our tiered pricing structure has also had some impact on that as well. Because of this, we are projecting a 4.13% decrease in water usage for 2020. This projection in

decrease in water usage is due to looking at averages we have seen over the past several years that have shown that water usage has decreased.

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

<b>Water</b>	Actual	Budget	Budget	
	2018	2019	2020	% Change
<b>Revenues</b>				
Metered	\$2,910,893	\$3,093,380	\$2,956,300	-4.43%
Other	\$29,112	\$33,000	\$30,000	-9.09%
Transfers In	\$466,964	\$596,000	\$485,000	-18.62%
Total	\$3,406,969	\$3,722,380	\$3,471,300	-6.75%
<b>Expenses</b>				
Pumping	\$220,814	\$362,761	\$365,137	0.65%
Treatment	\$294,744	\$267,140	\$269,812	1.00%
Distribution	\$713,927	\$1,149,739	\$866,835	-24.61%
Administration	\$630,930	\$744,779	\$888,971	19.36%
Depreciation	\$791,340	\$0	\$0	0.00%
Debt Service	\$365,159	\$974,920	\$989,531	1.50%
Transfers Out	\$66,500	\$56,000	\$76,000	35.71%
Other	\$533	\$0	\$0	
Total	\$3,083,947	\$3,555,339	\$3,456,286	-2.79%

Table 18 Water Fund Budget Breakdown

For 2020, we are projecting that we will generate \$2,956,300 in metered sales. This is down 4.43% from the metered sales we budgeted in 2019, even though we are recommending increasing our rates by 5%. So, while our rates may go up, residents may see their typical bill go down because they are tending to have less water consumption from year to year. It should be noted that we are also being very conservative on projecting new Commercial/Industrial growth for 2020, as we do not expect to see our next Industrial Park in SW Chaska come on-line with users until 2021.

Total water expenses for 2020 are programmed to be \$3,456,286. This compares with \$3,555,339 budgeted in 2019. This is a 2.79% decrease in expenditures, with most of this because we have less capital improvement costs in 2020, and because there is fewer pumping expenses due to an overall decrease in water usage.

Our normal maintenance activities are being funded for 2020, including a \$125,000 allocation for restoration of Well #9. This is routine maintenance that we need to do on a regular basis. The new item programmed for 2020 is \$50,000 allocated towards the design work that will be done for the addition of a small Water Treatment facility that will be located at our Well #7 site, just behind Chaska Commons on Hundertmark Boulevard. Currently Well #7 is not connected to our current water treatment facility. It is a highly productive, deep well, that is necessary to help supply the new demand that will be coming on as Southwest Chaska develops. This facility would likely be built in 2023 or

meet our demand needs. In addition to this, we also increased our normal contribution to the Street Reconstruction program from \$50,000 to \$70,000. This is due to the additional Water work that will need to be done on the 2020 Street Reconstruction Program.

We will continue having a \$15,000 service fee annually to subscribe to a Software as a System (SAS) solution to our data server storage for our new AMI system. There are no equipment replacement needs in 2020, so there will be no cost allocated towards that in 2020.

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 2020, with our payment budgeted for \$989,531.

### **Personnel Services:**

As we discussed at length in the General Fund section of this report, over the past year we have worked to complete a Staffing Analysis to identify where we might have any current gaps in funding. Currently the Water and Sewer staffing consists of the Superintendent, Foreman and seven maintenance employees. The Staffing Study determined that if we were to be a full strength now, that we would have two additional Maintenance Workers shared between the Water and Sewer Department. As part of the implementation strategy of filling this gap over the next 4 years, you will find that we have budgeted for one of these two positions to be added in 2020. This will be funded at a half year for 2020, as the position will not come on board until July 1 but will show as fully funded in 2021 and moving forward.

Based on this budget that is being proposed, we would see a \$15,014 increase in our Fund Balance. This will bring the projected cash balance in the Water Fund to just over \$1.2 million at the end of 2020.

# Sewer Fund

Sewer Fund revenues for 2020 are anticipated to be \$4,451,852, an 8% increase over the budget in 2019. The increase in this revenue is coming from the continued implementation of our Sewer service fee, which is scheduled to be increased by \$1 per year through 2023. This is when the total service fee will reach \$8 per month. This fee was established to break out the fixed costs that we have in our sewer service, regardless of whether someone uses their sewer service. With many users not utilizing their sewer of water service during the winter if they go south, we need to have a way to recoup the costs we encounter just to provide this service to a property.

Sales revenue is also going up because of our need to increase our retail sewage rates because of a significant increase to our Metro Waste Fees for 2020. Unlike other utility services we provide, we know at the beginning of the year exactly what we will be charged by Metro Waste in the following year for treatment of our sewer. It is a fixed cost based on past usage of the system. The amount Met Council will charge for 2020 is \$2,675,539, which is an increase of 9.9% from 2019. With this being a significant portion of our costs to provide sewer service, Staff is recommending a 5.5% increase in our retail rates to be able to accommodate for this, as well as other increased costs in our Sewer system for next year.

Metro Waste treats all 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 consider 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. Since that time, we have seen rate increases from Metro Waste each of the years, ranging anywhere for just over 1% to the 9.9% increase we are seeing for 2020.

The following is a chart illustrating the cost increases we have seen since 2010, and what we expect as we look out over our 5-year planning horizon:

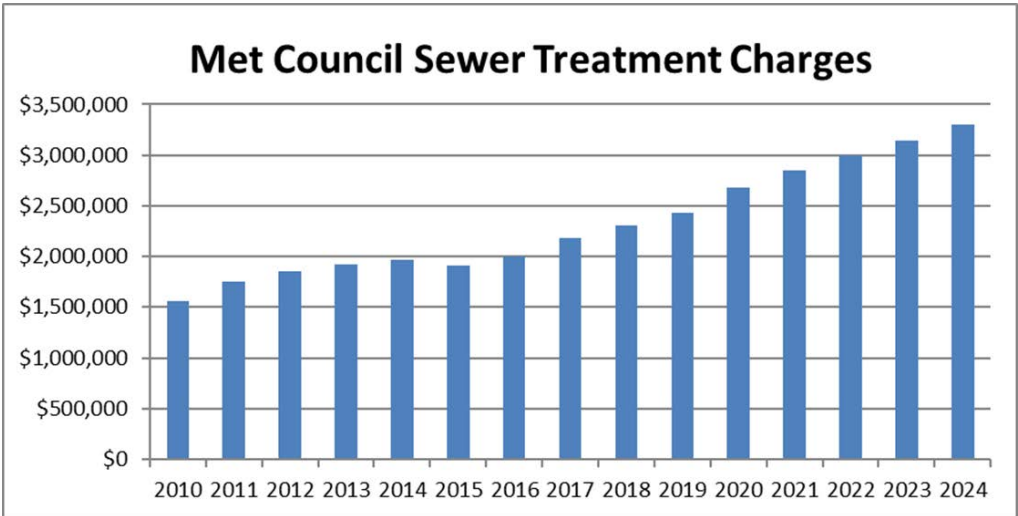


Figure 9 Met Council Sewer Treatment Charges

One thing to note as part of our proposed retail rate increase, is because we are currently implementing our Sewer Service Fee, our total rate increase for customers will be 7.9% overall, as it will include both the 5.5% increase in our retail rates, along with the \$1 increase in the Sewer Service Fee. When we started implementing this service fee in 2017, we made a conscious decision to say that we would utilize our reserves to help mitigate the overall impact on customers for the changes we were making, as we knew that long-term implementing the full service fee would be more financially sustainable for the Sewer Fund. We continue to recommend that we utilize that strategy for 2 more years to mitigate the increase our customers will experience with the additional service fee. While this will have us utilizing dollars out of our Fund Balance to do this, we do quickly start to build back up our Fund Balance once the full implementation of our service fee is complete.

**Expenses:**

Sewer expenses are anticipated to be \$4,682,861 for 2020, an increase of 12% from 2019.

The major improvements scheduled for 2020 will revolve around our regular maintenance activities for Inflow and Infiltration (I and I) and Lift Station schedule maintenance. Our allocation towards improvements in our I and I program for 2020 is \$50,000, with \$10,000 going towards restoration work on one of our Lift Stations. This is maintenance work that occurs on each of our Lift Stations on a regular basis.

Another change to our Sewer Department for 2020 is the addition of one maintenance worker that will be shared with the Water Department. As has been discussed previously, the City of Chaska completed a Staffing Analysis over the past year that helped quantify any gaps that we have in our existing service levels. One of the gaps identified was in our Water and Sewer Departments, where it was determined we are currently 2 positions short within the two department. To help address this, the Water and Sewer Departments have programmed to add this first position in 2020, with the second position coming in 2023, as we are implementing all staffing gap shortages in the City over a 4-year period.

As it has in the past, the Sewer Fund will continue to contribute annually towards our Street Reconstruction Program in Downtown Chaska, as much of the work needed in this area of the community is the complete replacement of our utility systems. While this amount has been \$110,000 annually over the past decade, we are increasing this amount to \$143,000, as there is additional sewer work that needs to be done with our upcoming Street Reconstruction Project with the abandonment of the Yellow Brick Lift Station.

Finally, one final change occurring in the 2020 budget is increasing of our Administrative Fee from the Sewer Fund to the General Fund. This is a fee paid by our Enterprise Fund to our General Fund to pay for services such as Finance, HR, Administration, IT, etc... In the past, we have not charged all our funds a sufficient amount to cover the services they are receiving from the General Fund, and we have been working to get that to proper levels over the past few years.

For 2020, the only piece of equipment scheduled to be replaced is our Easement Jetting Machine. The cost of this is \$77,000, which is a cost born solely by the Sewer Department as no other department utilize this equipment.

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 for both winter and summer usage averages:

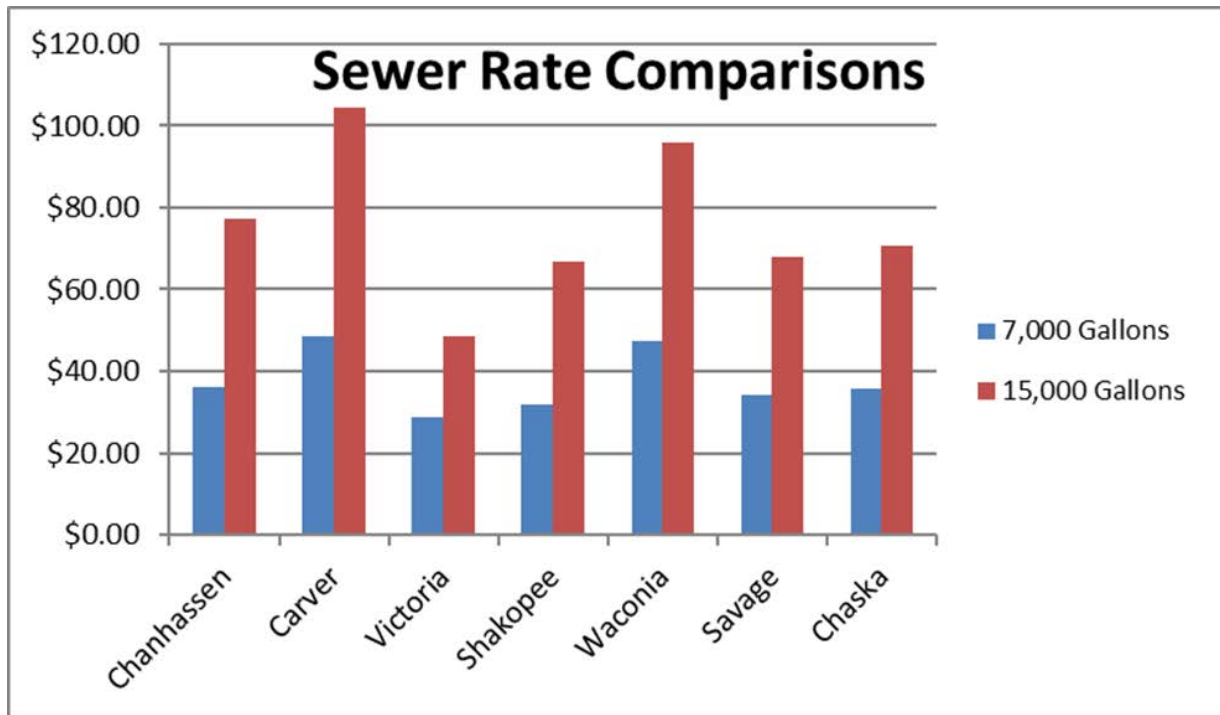


Figure 10 Sewer Rate Comparisons

Based on our total expenditures and revenues, we are budgeting that there is a decrease of \$231,009 in the Sewer Fund for 2020. As mentioned previously, this decrease in Fund Balance was planned to help ease our customers into the new service charge. With this creating a larger percentage increase, we planned the use of our reserves in the short term to lessen this initial impact to residents, with the intent of getting back to our more traditional method of setting rates after 2022 when the service charge is fully implemented.

Below is a chart illustrating our revenues and expenses budgeted for 2020, along with comparisons to the past two years:

<b>Sewer</b>	<b>Actual</b>	<b>Budget</b>	<b>Budget</b>	
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>% Change</b>
<b>Revenues</b>				
Metered Sales	\$3,812,169	\$4,118,452	\$4,451,852	8%
Other Revenues	\$198,725	\$0	\$0	0%
<b>Total</b>	<b>\$4,010,894</b>	<b>\$4,118,452</b>	<b>\$4,451,852</b>	<b>8%</b>
<b>Expenses</b>				
Pumping	\$82,681	\$48,571	\$49,056	1%
Treatment	\$2,308,938	\$2,433,857	\$2,675,539	10%
Collection	\$592,018	\$634,293	\$744,711	17%
Administration	\$626,882	\$737,933	\$878,519	19%
Transfers Out	\$126,500	\$116,000	\$116,000	0%
Depreciation	\$112,330	\$0	\$0	0%
Debt Service	\$80,267	\$216,134	\$219,036	0%
Other	\$0	\$0	\$0	
<b>Total</b>	<b>\$3,929,616</b>	<b>\$4,186,788</b>	<b>\$4,682,861</b>	<b>12%</b>

*Table 19 Sewer Budget Breakdown*

# Electric Fund Budget

For 2020, Electric Fund revenues are anticipated to be \$39,762,500. This compares to the \$37,335,400 we had budgeted for revenue in 2019, an increase of 6.50%.

As part of the 2020 budget process, one of the items that Staff has continued to look at is the affect that new large users in our system will have on our overall electric sales, not only for 2020, but for the years included in our 5-year forecast. Over the past several years, we have seen large growth in our electric usage not only because of the additions of large data center facilities in the community, but also because of several existing Industrial customers on the north end of the community expanding. Something we have seen over the past two years is a slowdown in the rate of growth in our electric usage, as there is less Commercial/Industrial land available to develop or expand upon, which has meant fewer C/I projects occurring. We do anticipate that this will change in the future, as the new interchange will likely increase the pace of growth in the SW Chaska Area, although our electric utility will not see growth from this Industrial development, as it is in MN Valley Electric Cooperative’s service territory. We do continue to see strong growth in residential development, which we expect will continue over the next several years. Below is a chart looking at our anticipated revenue for 2020.

	Actual	Budget	Budget		
	2018	2019	2020	Change	% Change
Electric Sales	\$41,627,815	\$37,323,400	\$39,750,500	\$2,427,100	6.50%
Other Revenue	\$89,564	\$12,000	\$12,000	\$0	0.00%
Total Revenue	\$41,717,379	\$37,335,400	\$39,762,500	\$2,427,100	6.50%

Table 20 Electric Revenue Projections

To develop our 2020 revenue budget, we did utilize the following assumptions:

- Total retail rate increase increases of 3.5% in 2020 to accommodate for the wholesale power cost increase and capital improvements needed on our aging infrastructure.
- Sales increases in 2020 of 3.45%
- A total of 120 residential units added in the community over the year
- Continued Economic Development activity will drive our overall sales up
- Normal weather
- Increase in wholesale power cost from MMPA of 7%, with that rate increase coming in our demand charges

The City’s objective is to maintain electric rates that are competitive to Xcel Energy. As we have seen over the past 12 months, Chaska’s residential rates have compared well to this market. Looking at 2019, we did see total bills for residential users that averaged 7% lower than Xcel, and approximately equal to Minnesota Valley Electrical Cooperative. It should be noted that Xcel just requested a 15.2% increase from the Minnesota Public Utilities Commission that would come over the next 3-years. During the interim period when this is being considered for approval, Xcel will be moving forward with a 4.1% increase starting January 1<sup>st</sup>. In this respect, Chaska can expect to be significantly lower

than Xcel going into the future. As Mn Valley will serve the future Industrial Area of our community, having our pricing be closer to theirs will be strategically a good position to be in.

Much of MMPA's ability to keep lower pricing than Xcel can be attribute to stable Natural Gas market. 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, the Hometown Bioenergy Project in Le Sueur, as well as other wind and solar projects we have brought into MMPA's portfolio, which has the energy from these sources priced very competitively. Xcel has continued to have to seek rate increases to support both their capital improvement projects due to aging facilities, and new renewable energy projects. Below is a graph showing our total residential bill compared to Xcel and Minnesota Valley in 2019:

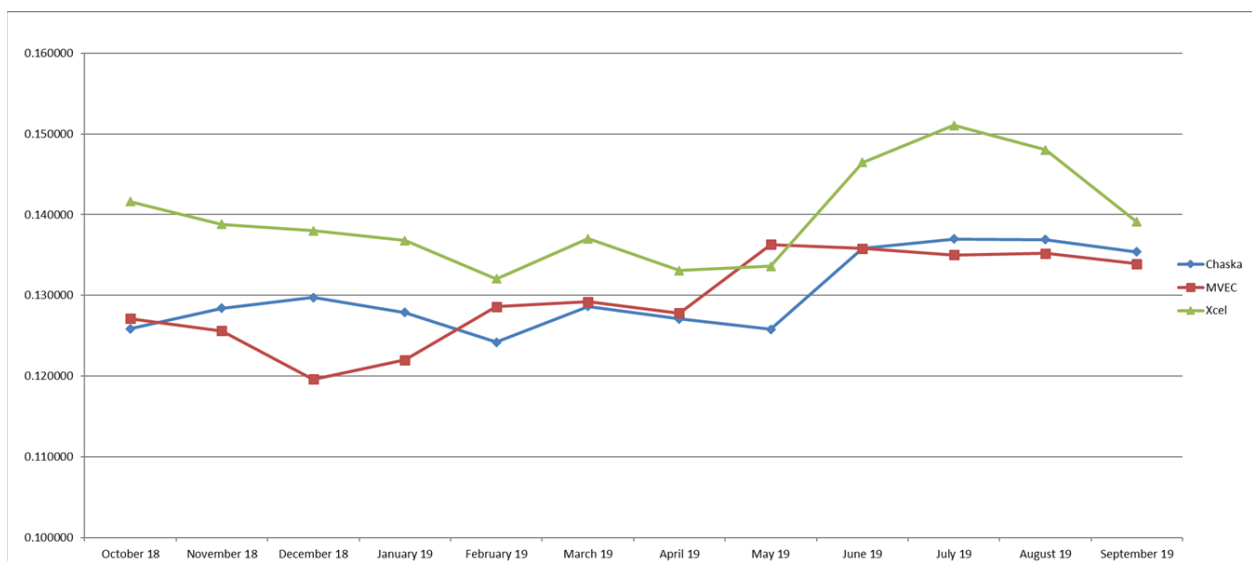


Figure 11 Residential Bill Comparison

Electric Fund expenses for 2020 are projected to be \$39,748,088 compared to \$38,139,636 in 2019, for a total increase of 4.22%. There are two primary factors driving expenses for 2020.

The first primary cost factor in our electric utility is the purchase of wholesale power from the Minnesota Municipal Power Agency. For 2020 we are anticipating that the Agency's wholesale will effectively go up by 7%, with this coming on the demand charge. Based on projected wholesale power rates, but also the usage we project, we are anticipating that our total wholesale power costs for 2020 will be \$25,991,000 compared to the budget of \$25,055,000 in 2019, or a total increase of 3.74%. With it's tie to the sale of Electricity, this also has the impact of affecting our Franchise Fee generated, which is expected to go up \$99,000 because of an increase in sales.

A second factor increasing the increase in expenditures for 2020 comes in the Transmission/Distribution line item in the budget. A major expense in this area is the purchase of a replacement bucket truck for \$145,000. This is a piece of equipment that is due to be replaced in 2020 as part of our Equipment Acquisition Schedule.

In addition to this, there is approximately \$600,000 programmed for System Improvement work in 2020. With the completion of our AMR System installation in 2015, just like in our Water and Sewer utilities, we have continued with Software as a Service (SAS) server solution to be able to store all new data available off our new system. This has a \$15,000 annual cost to the Electric Utility.

Finally, it should be noted that from a Personnel Standpoint, we do not have any positions being added in 2020. However, we do have two long-term absences in our Electric Department that we continue to fully fund in this budget. We will be using these resources in 2020 to bring in temporary seasonal help to manage the workload of these absences.

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 25% of our energy generated from renewable sources 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 helped us meet the 2012 requirements of the State mandates in renewable energy. The Agency also now has its Hometown Bioenergy Park in Le Sueur, MN, with this facility generating 8 MW of electricity using silage decomposition to support the generation of electricity. The Agency recently opened a Solar generation facility in the City of Buffalo and is now looking at purchasing into other Wind Farm facilities in the State. It should be noted that our residents do have the option now of purchasing up to 100% of their energy from renewable sources by paying an additional \$3 per month. We currently have 569 customers choosing to do this, which represents a 6.2% penetration of our residential market. Chaska currently leads all MMPA communities in the usage of this program.

The projects that were developed by the Agency were assisted through Federal Grants, helping keep the price of electricity generated from these plants competitive in the market. Work is continuing with the Agency to look at how we most cost-effectively meet our renewable requirements while continuing to keep our wholesale prices competitive. As the Agency works on this, they are also looking at how we continue to diversify our assets to make sure we have our renewable energy coming from several different sources.

### **Personnel:**

Currently we have eleven line workers, along with our Electric Director, Assistant Electric Director, General Operations Manager, a Foreman, and Technical Support Staff serving this division. As mentioned previously, for 2020 we do not see any additions to the Staff

in this department, although we will be utilizing existing resources to utilize seasonal temporary workers to fill in for two long-term absences we are currently experiencing.

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 \$150,000 transfer to the CCC, which will help fund a portion of the new Community Center CIP program, and a \$180,000 contribution going towards the debt service of The Lodge Addition at the CCC. It is planned that we would continue to see all of these dollars going into the CCC in the future to assist with any new debt service as the bonds on The Lodge and our CIP program are paid off and we need to do additional improvements within this facility.

Finally, as was discussed earlier as part of the Firemen's Park Redevelopment and future large-scale community projects such as the City Square West Redevelopment, a "Community Building Fund" was created to help support development of large-scale community building projects in Chaska approximately once every decade, while also considering the depreciation costs of these projects within this "Community Building Fund". While there are multiple sources of funding for this Fund, it is being recommended that \$1,000,000 continue to be budgeted annually from the Electric Fund to support this fund, to support the debt service for these projects being developed. 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. This debt service ended after 2015. It is being recommended that we continue to budget these dollars but move them into the "Community Building Fund" now that the Fire Department Debt Service is fully paid, making our total contribution to the Community Building Fund be \$1,300,000 annually going into the future. The hope with this fund is to utilize the Electric Fund like we have in the past to help support significant projects in our community, but to put some limitations around this so that it is limited to the funds we dedicate to this "Community Building Fund" and not just address projects on a case by case basis. This will help make sure that we are also not taking our focus off the most significant responsibility of the Electric Fund, which is to provide reliable electric power to our customers across the City at a reasonable cost.

### **Debt Service:**

The Electric Fund as Debt Service payments for two projects it has completed within the past few years. The first is for the construction of the West Creek Substation for \$230,000. This was financed in 2020 and goes for 20 years. The second was for the construction of the new North Industrial Substation as well as new switch gear at West Creek Substation. Both projects were completed to increase both capacity and reliability of our electric system, especially as we are seeing growth in usage from our existing Industrial customers on the north end of the community. This debt was sold in 2018 and goes for 20 years. The annual debt service payment for this is approximately \$500,000 per year. Finally, there is two years left of debt service on the original construction of the Minnesota River Substation, which occurred in 2001. This has an annual debt service payment of just over \$90,000.

Based on this, the following would be the expenditures for 2020:

	Actual	Budget	Budget		
	2018	2019	2020	Change	% Change
Purchased Power	\$28,654,423	\$25,055,000	\$25,991,000	\$936,000	3.74%
Trans/Distribution	\$1,670,302	\$2,626,451	\$2,964,193	\$337,742	12.86%
Load Conservation	\$555,060	\$681,434	\$663,974	-\$17,460	-2.56%
Admin System	\$2,255,727	\$2,977,844	\$3,099,452	\$121,608	4.08%
Admin Billing	\$457,036	\$394,093	\$418,255	\$24,162	6.13%
Franchise Fee	\$3,820,670	\$3,899,000	\$3,998,000	\$99,000	2.54%
Depreciation	\$1,131,126	\$0	\$0	\$0	0.00%
Debt Service	\$361,432	\$833,814	\$827,214	-\$6,600	-0.79%
Transfer	\$1,375,175	\$1,672,000	\$1,786,000	\$114,000	6.82%
Other	-\$678,332	\$0	\$0	\$0	0.00%
<b>Total</b>	<b>\$39,602,619</b>	<b>\$38,139,636</b>	<b>\$39,748,088</b>	<b>\$1,608,452</b>	<b>4.22%</b>

Table 21 Chaska Electric Expenses

Based on the budget as proposed, the Electric Fund would increase its overall fund balance for 2020 by approximately \$15,000, putting our fund balance at approximately \$2.2 million by the end of 2020. It should be noted that based on projections, we would see this cash balance grow to be close to \$4.0 million by 2024.

# 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 enough to complete all necessary activities.

As the City of Chaska established our Storm Water Utility Fund, the City identified several 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 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. This especially became apparent during the early summer of 2014, as we experienced significant rains in a short period of time. While we did experience some localized issues in our Storm water system, which the 2015 budget addressed, our system in general worked very well, demonstrating the need to have a well maintained and properly functioning system. However, it also helped expose what work needed to be done in the future to address increasing intensity of rain events to be prepared to protect the community.

## **2020 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. In 2012 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. In 2013, this rate went up by \$0.25 to a total of \$4.75 per month. In 2014, this rate went up an additional 6%, which brought the total fee up to \$5.04 per residential lot, and in 2015 this rate went up by 6% to a total of \$5.35/month. Finally, in 2016 it was brought up to \$5.68 per month, even though the average for similar communities around the area was \$6.35 per month. In 2017, we did bring the monthly residential rate up to the area average, which was \$6.35 per month.

Based on continuing increases in the amount of Storm Water Work that municipalities are now required to take on, and especially because of large projects we will need to continue to undertake to deal with the storm water issues we did experience during the large rains of 2014, we have continued to realize that the activities that we thought were one-time activities to address the issues coming out of the summer of 2014, we are now realizing are activities that we will likely never see go away, as there are significantly more issues to deal with in the area of Storm Water being a river community with a flood control system, and many bluffs running down to the Minnesota River.

During the budgeting process for the 2018 budget, we did begin to realize that as we compared our rates to other cities, that we were likely not comparing ourselves to the right communities to truly give an "apples to apples" comparison of the work we actually needing to undertake. While we always had looked at the surrounding communities as a comparison, we realized it was probably more important to compare

ourselves to other Cities with similar types of Storm Water services that needed to be provided if we were to truly set our rates at the right amount. We used these comparisons, along with a projection that if we did not increase our rates that we would find ourselves in a \$900,000 deficit over a 5-year period with the work that we needed to complete, to establish our new base rate of \$9.50 per month. We adjusted off that rate in 2019 to bring our current rate up to \$9.79, which was less than the average of our comparable cities.

Below is a survey of 2019 monthly rates of the cities around the State that we feel our service requirements compare more accurately to, which have similar circumstances and types of systems to maintain:

Eden Prairie	\$15.10
Moorhead	\$10.21
Shakopee	\$7.80
Carver	\$9.26
Edina	\$11.60
Waconia	\$12.65
Eagan	\$10.00
Red Wing	\$11.50
Winona	\$5.81
Chaska	\$9.79
Average	\$10.44

*Table 22 Comparative Storm Water Rates*

As can be seen above, the average of these communities is at \$10.44 per month per residential unit. Based on our needs in the system for the upcoming year, along with comparing to these other communities, Staff does feel that the rate needs to go to \$10.14 per residential unit per month, which would be a 3.58% increase for 2020. This rate increase meets our needs for the upcoming year and keeps us lower than the average of these other community's 2019 rates assuming they have no change.

Based on this new rate, and assuming we would need approximately a 4% annual increase to keep up with our needs over the next 5-years, the following chart illustrates what would happen during the 5-year period with anticipated Storm Water Sales:

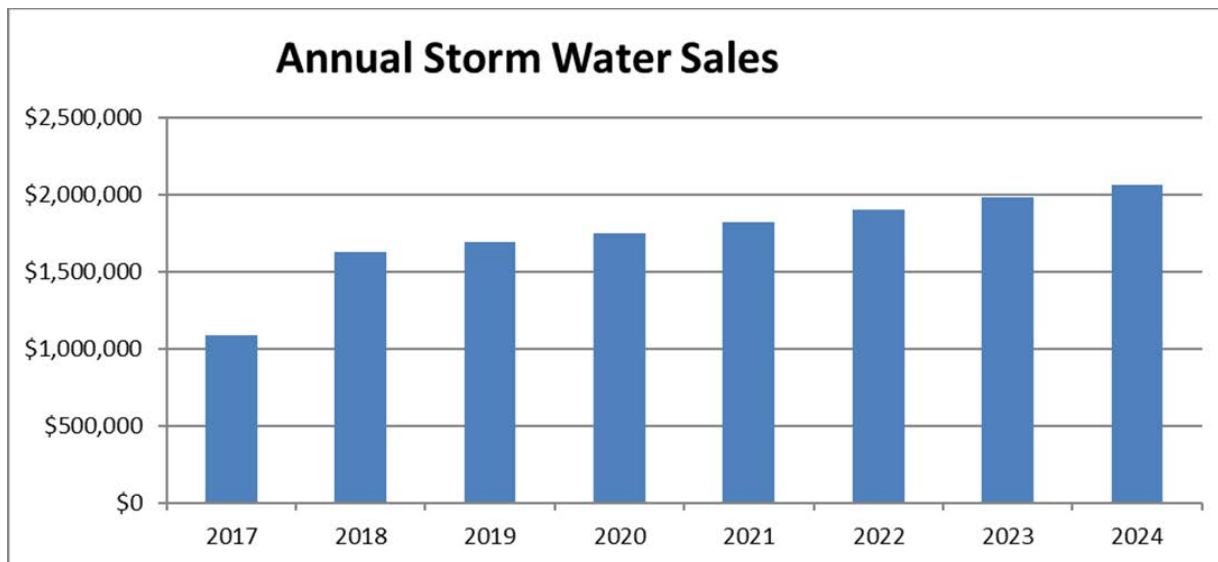


Figure 12 Annual Storm Water Sales

## 2020 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. In 2015, we also added one other category to this work, which is system improvements that need to be completed to address issues what became apparent during the 2014 heavy rain and flooding event.

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 first saw in 2013, and will continue to see in 2019, is the addition of significant work for maintenance of our Flood Control Levy system. In 2012, 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 \$10,000 annually to expenditures in our budget.

The other major maintenance work needed will be the regular maintenance schedule of the storm water ponds we have scattered throughout the community. For this, we have \$50,000 allocated annually. This was a change we first implemented in 2015, and will be an on-going program, just as the Rock Channel Weed/Brush control program.

Another 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 has contributed \$200,000 annually to the Street Reconstruction program. In 2020, we are programming this to go to \$223,000 to accommodate bridge replacement work that will occur on the Beech Street Bridge as part of this upcoming summer's identified street reconstruction project.

To be able to address the ever-increasing areas that we need to address through our Storm Water system, the budget includes an \$80,000 allocation toward storm water system improvements. As we look at the necessary activities coming up over the next several years, it will include not only the replacement of the Beech Street bridge but also the 6<sup>th</sup> Street bridge as we complete that street reconstruction project.

The only other additional purchase in the 2020 budget is the replacement of a Track Skid steer for \$45,000. This is something that is due to be replaced as part of our annual equipment acquisition schedule.

The functions of inspections and reporting are mainly completed through our Engineering Department and through contract Engineering services. While the position was budgeted for and hired in 2019, it should be pointed out that we now have a Storm Water Coordinator position that has been added. This has helped take workload off our City Engineering Department as it relates to other areas of our City but has also helped us have more dedicated personnel towards dealing with the planning and reporting on our MS4 requirements with the State.

There are no additional Staff changes proposed for 2020. It should be noted that in our City-wide Staffing study that the Storm Water Department was determined to be short one maintenance worker position. As this is a 4-year plan to fill our current staffing gaps, this position is not planned to be brought on board until 2022. Based on the changes to our rate structure and our planned projects for 2020, below is a breakdown of the revenues and expenditures for 2020:

	2018	2019	2020		
<b>Revenues</b>	<b>Actual</b>	<b>Budget</b>	<b>Budget</b>	<b>Change</b>	<b>% Change</b>
Storm Water Fees	\$1,577,415	\$1,670,900	\$1,755,200	\$84,300	4.80%
Other	\$228,742	\$207,768	\$206,186	-\$1,582	-0.77%
<b>Total</b>	<b>\$1,806,157</b>	<b>\$1,878,668</b>	<b>\$1,961,386</b>	<b>\$82,718</b>	<b>4.22%</b>
<b>Expenditures</b>					
Transfer Out	\$200,400	\$200,000	\$223,000	\$23,000	10.31%
Transmission/Distribution	\$387,830	\$969,730	\$839,464	-\$130,266	-15.52%
Administration	\$321,389	\$328,906	\$573,326	\$244,420	42.63%
Utility Billing	\$49,774	\$23,187	\$23,420	\$233	0.99%
Capital Outlay	\$0	\$0	\$0	\$0	0.00%
Depreciation	\$172,867	\$30,000	\$30,000	\$0	0.00%
Debt Service Support	\$62,586	\$194,522	\$196,197	\$1,675	0.85%
Other	\$144,967	\$194,522	\$0	-\$194,522	
<b>Total</b>	<b>\$1,277,227</b>	<b>\$1,746,345</b>	<b>\$1,885,407</b>	<b>\$139,062</b>	<b>7.38%</b>

Table 23 Storm Water Budget Breakdown

The Storm Water Fund is budgeted to add to our Fund Balance in 2020 by \$75,979, increasing the Fund Balance to approximately \$300,000 by the end of 2020. During the 5-year period we do anticipate growing the Fund Balance in 2021 and 2022. When we get into 2023 and 2024 we will have to pay particular attention to our rates as we do in

those years start to build back in general improvement activities in our Storm Water Fund to \$200,000 annually which could decrease the Fund Balance if we do not set rates correctly.

# Curling and Event Center Fund Budget

In 2015, the City of Chaska completed the redevelopment of Firemen's Park, and the Block 6 corner at the northwest intersection of Highways 212 and 61. This project was first identified in the Downtown Master Plan as a catalyst site, with the main objective of the redevelopment to create a destination in Downtown Chaska to drive more resident and visitor traffic into our downtown commercial district.

While the redevelopment included the entire renovation of Firemen's Park on the south side of Firemen's Lake, and Veteran's Park on the north side of the lake, and the addition of the Curling and Event Center building, the Curling and Event Center were set up as a separate Enterprise Fund, separate operationally from the Park, and run very similar to our other recreational Enterprise Funds including the Community Center, Town Course and Par 30. While the Curling and Event Center (CEC) and Firemen's/Veteran's Park functioned as one project, the CEC runs as a separate Enterprise Business with its own operational budget.

While the overall goal of the CEC and the Firemen's/Veteran's Park redevelopment was to help attract more people and activity into our historic downtown commercial district, the Curling and Event Center did identify key objectives to determine the success of this facility, including:

- Provide the necessary resources for the CED Fund to assure continuation of quality service to our customers, including providing a world-class curling facility
- Utilize the facility's amenities and newly renovated Firemen's Park, to attract people into downtown Chaska as a destination location
- Promote community gathering and interaction, with an emphasis on creating a variety of programs and services to draw people to this location throughout the year
- Be operationally self-supporting with no property tax support
- Reinvest back into the facility to keep it in good condition for future generations
- Work to build a cash reserve in the CEC Fund to support future maintenance and improvements

As a facility, the Chaska Curling and Event Center has three main components in the building, including the 300 seat Event Center and catering kitchen, the facility restaurant/bar, and the 6-sheet Curling Facility. All three of these components are tied together by the Great Hallway, which contains displays to help orient visitors to the history of Chaska and the businesses and organizations that currently make up the community. From an operational standpoint, the City of Chaska owns the entire facility, operating both the Event Center and the Curling Facility. The City of Chaska leases out the restaurant space to Crooked Pint, a restaurant that was chosen through an RFP process as the facility was being planned. The relationship with the restaurant in the CEC is very similar to the structure and relationship we have between the Chaska Town Course and the restaurant operator in the Clubhouse, who leases this space from the City based on a revenue sharing agreement.

## 2020 Revenues

As indicated previously, one of the main goals of the CEC Fund is to make this fund an operationally self-supporting entity. While the Debt service for the construction of the facility itself is supported by our "Community Building Fund", which derives its revenues from multiple sources including the Chaska Electric Fund, the Economic Development Authority and our expiring TIF District #4, the CEC is meant to support all of its own operations including Staffing, maintenance, utilities and programming.

There are four main sources of revenue for the CEC, including:

- Restaurant Lease Revenue
- Curling Membership and League Fees
- Event Center Rental/Event Center Food Alcohol Sales
- Corporate Curling Events

I will spend some time discussing each of these revenue sources in detail below.

Currently, the CEC has a lease with Crooked Pint Restaurant to operate the restaurant within the building. Crooked Pint was chosen as the vendor for the restaurant service after going through an RFP process while the facility was being developed. As part of our lease, the Crooked Pint is responsible for providing all food service within the facility, Staff, inventory, Point of Sales system and liquor license. While the Crooked Pint is not the exclusive provider of food service within our Event Center, they are the sole liquor license holder for the entire CEC building, and are the only vendor allowed for alcohol sales in the entire building. We structured it this way to make sure that we dealt with any potential liability issues relating to alcohol sales.

The Crooked Pint lease is currently structured so that lease payments are made based on a percentage of all gross sales in the building. Specifically, their lease is based on 7.5% of all food sales, and 10.5% of all alcohol sales. In 2019, the amount generated from this lease is on track to be \$400,000, with it being budgeted at \$428,000. While it is slightly slower than when it first opened, it has continued to perform at a much higher level than we had initially projected, which helps us meet both our goal for attracting more people and revenue to the facility. For 2020 operations, we are budgeting this number to be \$411,000, with us seeing potential for more growth in the Event Center banquet opportunities, especially throughout the weekdays, which tends to be the Event Center's slowest times.

The second major source of revenue is Curling Membership and League fees. In the 2016-2017 season, the CEC had over 1,200 members of the facility, and was considered the largest curling facility in the Country by membership. For the 2017-2018 season, the facility was at approximately 950 members, and ended up matching the first year for league and membership revenue. For the 2019 season, we increased the number of members to 974 members and the Leagues continue to be full through the heart of our two Winter seasons. It should be noted that we currently have 78% of our members or are non-residents, with 22% being residents. This is higher than the 75% non-residents we had in the 2018 season. In this sense, this facility has helped attract out of town visitors to our downtown area on a weekly basis, which was a major objective

of this overall project. We budgeted \$460,000 for Leagues and Membership in 2019. With membership fees increasing this fall, we expect to see this number go to \$498,000 in 2020.

New members are typically captured in the Spring as we have some different curlers during the Summer Sessions. Of our members, over 900 currently participate in League play, which occurs Sunday-Friday evening, with between 2-3 leagues per evening. These leagues have all levels of players involved from the beginners and mixed leagues to both men's and women's leagues. The annual membership cost for a resident is \$102 for adults, \$38 for Youth. Our non-resident fee is \$120 for Adults, \$45 for Youth. This fee provides members access into the facility to play throughout the year. Leagues cost \$400 per team, which breaks down to between \$80-\$100 per team, depending on how many players a team rosters.

We did change the rates prior to the beginning of the Winter 1 season, which will carry over into 2020. It should be noted that as part of a membership fee, each member also becomes a member of the United States Curling Association, which brings with it benefits including a subscription to their quarterly magazine. Being members of the USCA also makes our facility eligible to host larger bonspiels and has allowed us to be classified as a National Training Center for the USCA's High Performance Athletes. We recently extended our contract with the USCA to be a High-Performance Training Center through 2022, which does take us through the next Olympic cycle. Based on that, the revenue for 2020 in Membership and Leagues would be \$498,000.

The third major source of revenue in the CEC is from the Event Center itself. For the event center, we generate revenue off both the rental of the room for events, as well as from the sale of food and alcohol in the facility. For the room rental, we have groups renting the facility for anything as big as weddings, class reunions and Senior Proms, to renting it for non-profit fundraisers. Depending on the day, fees can be as low as \$400 for 4 hours on a Sunday-Thursday block, all the way to \$1,600 for an 8-hour block on a Saturday for non-residents.

It should be noted that the City Council did set up a Scholarship Fund with \$12,000 annually to help support non-profits with their fee for the use of the facility. Having completed a survey of similar facilities in the area, we do think that this fee remains very competitive. We will have to keep an eye on them moving into the future to make sure that we are not too cheap compared to similar area facilities. At the time, we also are trying to increase usage of the facilities during the week. While weekends are typically always pre-booked, weekdays have continued to be a challenge we will be working on over the next year. Moving into 2020, the following chart illustrates the new rate structure we would be going to:

Friday	2019 Resident	2020 Resident	2019 Non-Resident	2020 Non-Resident
8 hour minimum	\$1,000	\$1,100	\$1,200	\$1,300
Saturday				
8 hour minimum	\$1,250	\$1,350	\$1,500	\$1,600
Sunday				
2 hours	\$150	n.a.	\$200	n.a.
4 hours	\$300	\$400	\$375	\$475
8 hours	\$550	\$650	\$675	\$725

Table 24 Event Center 2020 Rate Structure

As mentioned previously, all alcohol sales for the Event Center are required to go through the Crooked Pint restaurant, as they are the liquor license holder for the entire facility. We receive 10.5% of all alcohol sales in the event center as we would in the restaurant. Users of the facility can utilize whatever caterer they want to for their event, with the caterer's fee being equal to 17% of their gross sales for outside vendors and a 12% fee for use of the Crooked Pint. The reason for this difference is because outside caterers are provided with the full caterer's kitchen as part of their package, and it takes more staff resources to be able to manage the outside vendor.

Our total revenue for 2019 in the Event Center is on track to be \$120,000, with its budget being \$148,000. For 2020, we are continuing to budget \$152,440 as we will have the new rates fully implemented, and we will be working on strategies to fill weekday spots.

Finally, our last source of revenue for the Curling facility is through Corporate Events in our Curling Facility. Our Corporate Events are booked on weekday afternoons within the Curling Center, and include the use of the Curler's Lounge in the front of the rink for business meetings and lunch, with a Learn to Curl session, complete with instructors, provided for the participants as a team building event. These Corporate Events have been very popular, with several afternoons per week booked for these events. The fee for these Corporate Events is \$45 per person. If a corporate event is held on the weekend, the fee is \$50 per person. Food is something that is provided separately from Crooked Pint, but they can order and be served directly in the Curler's Lounge Space. The total revenue generated for this service in 2019 is on track to be \$218,000, which is what was budgeted for 2019. We are continuing to budget \$218,000 for 2020 as we see the demand for this service continuing.

The final revenue source we have coming in is \$1,587,477 from the Community Building Fund to support the debt service on the construction of this project.

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Based on this, the total revenue for the Curling Center for 2020 is budgeted to be \$2,850,758, which is a 0.61% increase from 2019 which had \$2,833,545 in total revenues budgeted.

Below is a chart reflecting the actual revenue number for 2018, as well as the budgeted revenue for the 2019 and 2020 budget year. One thing that you will note is that we do have the transfer coming in from the Community Building Fund for debt service on the project. This is reflected in this fund as this is where we pay the debt for this project.

Revenues	Actual 2018	Budget 2019	Budget 2020	Change	%Change
Event Center Rental	\$111,744	\$148,000	\$152,440	\$4,440	3.00%
Curling Center Leagues/Memberships	\$472,590	\$461,158	\$493,581	\$32,423	7.03%
Corporate Curling Events	\$252,378	\$218,000	\$218,000	\$0	0.00%
Restaurant Lease	\$431,957	\$428,000	\$411,060	-\$16,940	-3.96%
Community Fund Transfer (Debt)	\$1,594,230	\$1,590,287	\$1,587,477	-\$2,810	-0.18%
Other Revenue	-\$42,764	-\$11,900	-\$11,800	\$100	
<b>Total Operating Revenues</b>	<b>\$2,820,135</b>	<b>\$2,833,545</b>	<b>\$2,850,758</b>	<b>\$17,213</b>	<b>0.61%</b>

Table 25 Curling and Event Center Revenue

## 2019 Expenditures

From an expenditure standpoint, there are two main types of expenses that we have within the Curling and Event Center. The first expense that we have is with Staffing as it relates both to scheduling and programming of the facility, as well as on-going and daily maintenance of the facility. The second major expense is with the day-to-day operational costs such as cleaning, utilities and on-going maintenance of mechanical systems within the building.

From a staffing standpoint, we currently have 4 full-time employees within the CEC facility office, 1 full-time employee for custodial care of the building, as well as some part-time help to staff the front desk and to put up and tear down equipment for different events happening within the CEC. It should be noted that as part of the 2017 budget, we did bring the function of custodial care in-house with the addition of a full-time staff member, as opposed to the contracted service that was provided when the facility was first opened. By adding that position we were able to more cost-effectively provide this service and do it to the unique service standards we have for the building and the different functions we have hosted within the building.

One position that was budgeted for and added in 2019 was a Facility Coordinator position. With us having multiple parts of the building to manage, and most of our business coming during the evening and weekend hours, we need to have a "Person in Charge" of the facility, to be able to assure that the facility is constantly able to operate no matter what time of day it is, and that patrons can expect to have the same level of staffing service during the evening/weekend hours as they would during business hours. From an operational standpoint, we have also found that we need more than our part-time staff to act as the Person in Charge as issues arise during these evening and weekend hours. The total cost of this position (wages and benefits) is \$73,000, with us fully funding this position in 2020. The addition of this position has allowed us to provide more consistent service throughout the entire building, no matter if it is during regular business hours or during the evening/weekend time periods.

Moving forward with this change, our full-time staff would consist of our Curling Manager, our Curling Ice Maker, the Event Center Manager, our Facility Coordinator Position, as well as our full time Custodian. Each are responsible for the day-to-day leadership of their individual areas, although we do see cross-over between the positions because of the interrelation of many things within the facility. As with the Community Center, because this facility falls under the general Parks and Recreation Department, we do get the benefits of efficiency being able to provide some shared staff both with the Park and Recreation Department out of the General Fund, and the

Community Center staff through this Enterprise Fund. These are similar efficiencies we see between other Enterprise Funds, and the General Fund, thus allowing us to keep our Administrative costs as low as possible in each of these funds.

From a day-to-day operational standpoint, the biggest expenses we have other than staffing in the CEC is the cost of Utilities, general custodial duties within the facility, and the cost of maintaining our mechanical systems within the building. From a utility perspective, we break down the cost of Utilities based on the area of the building based on the City versus leasable portions of the building. The utilities include sewer, water, electric, gas and garbage. Within the Event Center, Curling Center and general common areas of the facility, our Utility costs are approximately \$158,397 per year, with the costs within the restaurant area being approximately \$45,000 per year. We see this number staying relatively constant in 2020.

The only other thing to mention as part of the CEC budget is that all debt service is included in the overall budget for the entire project, including the Firemen’s Park redevelopment components. Because this debt service is covered through dollars accumulated in our “Community Building Fund”, the EDA and our expired TIF District #4, we do see a transfer of dollars coming into the CEC Fund, with those then going back out to support this debt service. This is not expenses related to day-to-day operations. Based on the total Revenue and Expense budget for 2020, the CEC Fund does balance from an operational standpoint in 2020, building the Fund Balance by \$1,912. Below is a summary of the total expenditures in the fund:

Expenditures	Actual 2018	Budget 2019	Budget 2020	Change	% Change
Administration/General Facilities	\$782,630	\$565,755	\$700,142	\$134,387	23.75%
Event Center	\$120,339	\$134,306	\$143,834	\$9,528	7.09%
Curling Center	\$489,340	\$484,448	\$359,067	-\$125,381	-25.88%
Crooked Pint	\$63,830	\$58,304	\$53,326	-\$4,978	-8.54%
Other	\$41,087	\$0	\$5,000	\$5,000	
Depreciation	\$628,588	\$0	\$0	\$0	
Debt Service	\$510,483	\$1,590,287	\$1,587,477	-\$2,810	-0.18%
<b>Total Operating Expenses</b>	<b>\$2,636,297</b>	<b>\$2,833,100</b>	<b>\$2,848,846</b>	<b>\$15,746</b>	<b>0.56%</b>

Table 26 Curling and Event Center Expenses

One final item that should be noted is work that we are currently completing to look at what we need to put back into the building from a Capital Improvement Schedule standpoint. Based on work completed in 2019, we have identified that we have an average of approximately \$85,000 we should be reinvesting back into this facility on an annual basis. Staff is currently working on putting together a sponsorship package program to unveil as our ice comes out for maintenance in the summer with the goal of raising additional dollars from this to support this CIP cost.