CITY COUNCIL SPECIAL MEETING AGENDA
Wednesday, August 3, 2016

7:00 A.M.

1. **Call to Order**

2. **Roll Call**

3. **RESOLUTION 16-0803-01:** Denying the application for a text amendment to allow Community Solar Gardens as a conditional use permit in the AG-Agriculture zoning district.

4. **Approval of Partial Release of Contract for Development:** For Lot 5, Block 1, Woodhill Farms

5. **2017 Budget**

    a. Long Range Capital Plan
    b. Initial Budget Assumptions /Discussion Points
    c. Draft Budget

6. **Sewer Rates**

    a. Overview of Sewer System
    b. Discussion on Sewer Rates

7. **General Correspondence** – brief mention of several upcoming items

    a. Update on 1385 Co Rd No 19 N (Former tree farm)

8. **Adjourn**

763-479-0527 (Phone) 1920 County Road 90 763-479-0528 (Fax)
Independence, MN 55359
http://independence.govoffice.com

RESOLUTION NO. 16-0803-01

RESOLUTION DENYING APPLICATION FOR ZONING AMENDMENT TO ALLOW COMMUNITY SOLAR GARDENS IN THE AG DISTRICT

WHEREAS, Nathan Rogers, on behalf of Ecoplexus, Inc., and Barbara Janas, Trustee of the property-owner trust, (together, the "Applicant") submitted an application dated December 21, 2015 for a zoning code text amendment to allow community solar gardens in the AG-Agriculture zoning district as a permitted, accessory or conditional use; and

WHEREAS, the Applicant seeks to install a community solar garden on a 73.73 acre parcel located at 1351 Nelson Road (PID No. 30-118-24-23-0001) and other AG-zoned properties in the City; and

WHEREAS, the Applicant extended the City's timeline to consider the application under Minn. Stat. § 15.99 until August 15, 2016; and

WHEREAS, the City's planning commission held public hearings on the application on January 11, March 15, April 19, and May 17, 2016 and received extensive testimony, written comment, and other information regarding the application; and

WHEREAS, based on all input received, the planning commission concluded that large scale community solar gardens are not a compatible land use with the predominantly residential and agricultural land uses in the City; and

WHEREAS, on June 21, 2016, the planning commission recommended adoption of a zoning code amendment allowing certain "solar energy systems," as defined therein, but not allowing (prohibiting) community solar gardens in all zoning districts; and

WHEREAS, on July 27, 2016, the city council accepted the planning commission's recommendations, adopted the recommended zoning code amendment, and passed a motion denying the Applicant's request; and

NOW, THEREFORE, BE IT RESOLVED, by the city council of the City of Independence, that the Applicant's zoning code amendment request is denied because community solar gardens are not a compatible land use with the predominantly residential and agricultural land

uses in the City, and because such use is not allowed under the zoning code, as amended in accordance with the planning commission's recommendations.

BE IT RESOLVED FURTHER THAT the city council hereby reduces its denial to writing in accordance with Minn. Stat. § 15.99, and directs the city administrator to provide this resolution to the Applicant immediately, prior to expiration of the extended review period.

This resolution was adopted by the City Council of the City of Independence on this 3rd day of August, 2016, by a vote of ____ayes and ____nays.

_____
Marvin Johnson, Mayor

ATTEST:

_____
Mark Kaltsas, City Administrator

(SEAL)

City of Independence

Council Workshop

Partial Release of Contract for Development – Lot 5, Block 1, Woodhill Farms

To:	City Council
From:	Mark Kaltsas, City Administrator
Meeting Date:	August 3, 2016

Discussion:

The City received a request for a partial release of the contract for development on a property located at 6140 Wood Hill Lane. This development contract was recorded in May of 1995 in association with the Woodhill Farms Development. The City does not have any indication or record of outstanding items/payments relating to this development and in particular to this one property. Due to the timing of the City's next meeting, it is recommended that the release be approved by City Council.

Attachments: Partial Release of Contract for Development

PARTIAL RELEASE OF
CONTRACT FOR DEVELOPMENT

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and adequacy of which are hereby acknowledged, the undersigned, CITY OF INDEPENDENCE, MINNESOTA, a municipality of the State of Minnesota ("City"), hereby releases the real property legally described on the attached Exhibit A hereto from the Contract for Development between Peter Andrea Company, a Minnesota corporation, as developer, and the City, dated May 26, 1995 and recorded on May 31, 1995 as Document No. 6432575 in the office of the County Recorder for Hennepin County.

IN WITNESS WHEREOF, the undersigned has executed this instrument this _____ day of _____, 2016.

CITY OF INDEPENDENCE
a municipality of the State of Minnesota

By: _____
Marvin Johnson, Mayor

By: _____
Mark Kaltsas, City Administrator

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this _____ day of _____, 2016, by Marvin Johnson, the Mayor, and Mark Kaltsas, the City Administrator of the CITY OF INDEPENDENCE, a municipality of the State of Minnesota, on behalf of said municipality.

_____
Notary Public

This instrument was drafted by:
Briggs and Morgan, P.A. (SES)
2200 IDS Center
80 South Eighth Street
Minneapolis, Minnesota 55402-2157

EXHIBIT A

Legal Description

Lot Five (5), Block One (1), Woodhill Farms, Hennepin County, Minnesota

PID No. 14-118-24-21-0003

Street Address: 6140Wood Hill Lane, Independence, MN 55359

City of Independence

Council Workshop

2017 Initial Budget Discussion

To:	City Council
From:	Mark Kaltsas, City Administrator
Meeting Date:	August 3, 2016

Discussion:

City staff has been working on the 2017 Budget. Abdo, Eick & Meyers has prepared a preliminary budget to initiate the budget development process. In the initial draft, staff has used "placeholder" budget increases based on historical knowns as well as any early information obtained from various entities (i.e. insurance premiums, fire and police initial budget information). The actual budget and any proposed increases or decreases will be fully vetted over the next several months. The City has tried to identify any special projects or initiatives (i.e. comprehensive plan) that will need to be considered in the 2017 budget. Based on the preliminary estimated tax capacity, the City will realize increased revenues from 2016.

In preparation for the 2017 budget, staff is currently working on a comprehensive public works road and equipment capital improvement plan, a City Hall capital improvement plan and a sanitary sewer capital improvement plan. It is anticipated that this information will be presented at the upcoming budget workshop. It is anticipated that the City will have additional budget specific workshops in Augusta and September (as needed) to develop the 2017 budget. The City has until September 30, 2016 to adopt a maximum tax levy.

Some of the key 2017 budget considerations are as follows:

1. General 3% inflation increase built into budget.
2. Using WHPS draft budget proposal as a placeholder which reflects an approximate $115,000 increase over 2016. This budget has not been approved by the Police Commission and will likely change prior to final adoption.
3. Moved portion of building inspector salary out of sewer budget to reflect actual time allocation.
4. Increase budget to reflect true recycling costs incurred.
5. Included $15,000 in 2017 budget for 2040 Comprehensive Plan preparation. It is anticipated that the City would complete this process over two years and therefore pay for the plan over two years (must submit plan to Metropolitan Council by end of 2018).
6. Budget as proposed does not fully fund capital/long range plans for equipment and City Hall upgrades.
7. City will be transferring approximately $92,000 from overlay project to Public Works capital fund in 2016.

8. City will be receiving approximately $40,000 for Beacon Academy conduit financing in 2016. This funding could be utilized to fund capital expenditures.

Attachments: Memorandum and Preliminary Draft Budget

CITY OF INDEPENDENCE, MINNESOTA
SCHEDULE OF PROPERTY TAXES LEVIED AND TAX RATES
DECEMBER 31, 2014 AND 2015 (ACTUAL) AND 2016 TO 2020 (ESTIMATED)

			2014 Actual Amounts	2015 Actual Amounts	2016 Estimated Amounts	2017 Estimated Amounts	2018 Estimated Amounts	2019 Estimated Amounts	2020 Estimated Amounts
Property Taxes Levied for General Purposes									
101	General Fund		$ 2,183,200	$ 2,213,830	$ 2,332,830	$ 2,371,579	$ 2,442,834	$ 2,516,229	$ 2,591,716
Property Taxes Levied for Debt Service									
311	2005B GO Improvement		$ 29,300	$ 28,800	$ -	$ -	$ -	$ -	$ -
312	2007 EQUIPMENT CERTIFICATE		56,637	54,574	-	-	-	-	-
602	2010A GO Improvement		11,650	10,705	10,750	10,750	10,750	10,750	
309	2006A GO Capital Improvement Bonds		105,700	108,000	110,100	117,000	118,300	124,600	114,700
801	Potential Levies to Balance Projects - Public Works	y	-	-	-	-	-	-	-
802	Potential - PW Road	y	-	-	-	-	65,975	64,610	63,245
803	Potential - Equipment	y	-	-	-	-	27,300	26,670	26,040
804	Potential - Admin	y		-	-	-	22,000	22,000	22,000
n/a	Matured Bond Series		-	-	-	-	-	-	-
	Subtotal		203,287	202,079	120,850	127,750	244,325	248,630	225,985
	Total Taxes Levied		$ 2,386,487	$ 2,415,909	$ 2,453,680	$ 2,499,329	$ 2,687,159	$ 2,764,859	$ 2,817,701
Tax Capacity									
	Personal and real estate		$ 6,109,592	$ 6,255,490	$ 6,318,045	$ 6,381,225	$ 6,445,038	$ 6,509,488	$ 6,574,583
				-	-	-	-	-	-
	Total tax capacity from the county		6,109,592	6,255,490	6,318,045	6,381,225	6,445,038	6,509,488	6,574,583
	Assumed new growth (10 houses beg 2016)		-		138,107	185,985	234,806	308,300	383,240
	Less: Contribution to fiscal disparities		(196,054)	(207,817)	(209,895)	(211,994)	(214,114)	(216,255)	(218,418)
	Less: Tax increment		-	-	-	-	-	-	-
	Tax capacity used for local rate		5,913,538	6,047,673	6,246,257	6,355,216	6,465,729	6,601,532	6,739,405
	Add: Distribution from fiscal disparities		71,686	79,919	80,718	81,525	82,341	83,164	83,996
	Adjusted net tax capacity		$ 5,985,224	$ 6,127,592	$ 6,326,975	$ 6,436,741	$ 6,548,070	$ 6,684,696	$ 6,823,401
Tax Rates									
	General		36.52%	36.12%	36.86%	36.85%	37.33%	37.65%	37.98%
	Scheduled Debt Levies		3.40%	3.30%	1.91%	1.98%	1.97%	2.02%	1.68%
	Proposed Debt Levies		0.00%	0.00%	0.00%	0.00%	1.43%	1.37%	1.31%
	Total Direct Tax Rate (factors Fiscal Disparities not reflected in tax capacity)		39.92%	39.42%	38.77%	38.83%	41.07%	41.36%	41.29%
	Population		3,645	3,563	3,592	3,620	3,649	3,649	3,649
	Taxes per Capita		$ 655	$ 678	$ 683	$ 690	$ 736	$ 758	$ 772
	Median Home Value (Jan 2)		$ 337,000	$ 337,000	$ 356,000	$ 360,000	$ 385,500	$ 389,355	$ 393,249
	Median Home Taxes (from city)		1,345	1,328	1,380	1,398	1,583	1,611	1,624
	% change from prior year $'s		-8.47%	1.37%	-6.59%	7.41%	-17.06%	1.04%	-4.02%

CITY OF INDEPENDENCE, MINNESOTA
SCHEDULE OF ANNUAL FUND CASH BALANCES
DECEMBER 31, 2014 AND 2015 (ACTUAL) AND 2016 TO 2020 (ESTIMATED)

			2014 Actual Amounts	2015 Actual Amounts	2016 Budgeted Amounts	2017 Budgeted Amounts	2018 Estimated Amounts	2019 Estimated Amounts	2020 Estimated Amounts	Trend
GOVERNMENT-TYPE										
General Operations										
100	General		$ 1,136,763	$ 1,240,732	$ 1,240,732	$ 1,241,792	$ 1,241,792	$ 1,241,792	$ 1,241,792	
Special Revenue										
200	Water Resource Department		35,333	69,273	69,273	69,273	69,273	69,273	69,273	
210	Park Commission		-	-	-	-	-	-	-	
	Subtotal		35,333	69,273	69,273	69,273	69,273	69,273	69,273	
Debt Service										
301	1998 GO Improvement Refunding	301|25300	-	-	-	-	-	-	-	
304	1999 Public Project Revenue Bonds	304|25300	-	-	-	-	-	-	-	
309	2006A GO Capital Improvement Bonds	309|25300	43,993	48,941	54,730	60,878	67,186	73,858	80,097	
311	Drake Drive Road Improvement	311|25300	60,949	52,109	32,531	51,233	67,808	82,235	94,493	
312	2007 Equipment Certificate	312|25300	85,576	87,453	37,340	37,713	38,091	38,471	38,856	
3xx	2015 GO Tax Abatement bonds		-	-	-	-	-	-	-	
	Subtotal		190,518	188,503	124,601	149,824	173,085	194,565	213,446	
Capital Projects										
501	Park	501|25300	(60,043)	(2,095)	-	-	-	-	-	
4xx	2015 Street Improv		-	1,375,817	-	-	-	-	-	
801	Building Capital	801|25300	124,364	119,783	120,980	122,190	83,412	84,246	85,089	
802	Road Capital Improvement	802|25300	12,598	12,658	(87,222)	454,938	329,301	(41,278)	(69,478)	
803	Equipment Capital Improvement	803|25300	20,196	(21,362)	(21,575)	106,209	91,271	92,184	(156,894)	
804	Administrative Capital	804|25300	18,566	(1,371)	(1,385)	(11,399)	(14,513)	7,342	1,916	
805	Development Escrow	805|25300	7,726	-	-	-	-	-	-	
806	City Project Fund	806|25300	-	-	-	-	-	-	-	
	Subtotal		123,407	1,483,430	10,798	671,938	489,471	142,494	(139,367)	
	Total - Governmental-type Funds		1,486,021	2,981,938	1,445,406	2,132,828	1,973,622	1,648,124	1,385,144	
BUSINESS-TYPE										
Enterprise Funds										
602	Sewer	602|25300	195,386	188,214	127,106	69,059	51,394	56,794	76,526	
	Total - Business-type Funds		195,386	188,214	127,106	69,059	51,394	56,794	76,526	
	Grand Total - City		$ 1,681,407	$ 3,170,153	$ 1,572,512	$ 2,201,888	$ 2,025,017	$ 1,704,919	$ 1,461,670	

CITY OF INDEPENDENCE, MINNESOTA
OUTSTANDING DEBT SCHEDULE
DECEMBER 31, 2014 AND 2015 (ACTUAL) AND 2016 TO 2020 (ESTIMATED)

Fund	Issue	Original Issue	Issue Date	Maturity Date	Interest Rate	2012 Actual Balance	2013 Actual Balance	2014 Actual Balance	2015 Actual Balance	2016 Budgeted Balance	2017 Budgeted Balance	2018 Estimated Balance	2019 Estimated Balance	2020 Estimated Balance
GOVERNMENT-TYPE														
GO Improvement Bonds														
311	2005B GO Improvement Bonds	$ 310,000	11/30/2005	02/01/2016	3.50 - 3.95 %	$ 152,000	$ 116,000	$ 79,000	$ 40,000	$ -	$ -	$ -	$ -	
309	2006A GO Capital Improvement Plan Bon	1,145,000	02/16/2006	12/01/2020	3.50 - 4.00	720,000	650,000	575,000	495,000	410,000	315,000	215,000	105,000	
312	GO Equipment Certificates, Series 2007A	355,000	03/13/2007	02/01/2016	3.84 - 3.95	190,000	145,000	100,000	50,000	-	-	-	-	
314	2016A GO Tax Abatement Bonds	1,495,000	08/19/2015	02/01/2026	2.00-2.25%	-	-	-	1,370,000	1,230,000	1,085,000	940,000	790,000	640,000
	Total GO Improvement Bonds	3,305,000				1,062,000	911,000	754,000	1,955,000	1,640,000	1,400,000	1,155,000	895,000	640,000
GO Revenue Bonds														
602	2006C GO Sewer Revenue Bond	230,000	06/20/2006	02/01/2019	3.75 - 4.50	$ 150,000	$ 130,000	$ 110,000	$ 90,000	$ 70,000	$ 50,000	$ 25,000	$ -	
602	2010A GO Improvement Bonds	855,000	10/21/2010	02/01/2026	1.00 - 3.40	815,000	765,000	715,000	665,000	615,000	560,000	505,000	450,000	390,000
	Total GO Revenue Bonds	1,085,000				$ 965,000	$ 895,000	$ 825,000	$ 755,000	$ 685,000	$ 610,000	$ 530,000	$ 450,000	$ 390,000
Potential debt														
801	Potential Bonds - capital outlay reserve		varies	varies	y	-	-	-	-	-	-	-	-	-
802	Potential Bonds - Pavement management		varies	varies	y	-	-	-	-	-	-	606,667	563,333	520,000
803	Potential Bonds - Equipment		varies	varies	y	-	-	-	-	-	-	180,000	160,000	140,000
	Total Potential Debt					-	-	-	-	-	-	786,667	723,333	660,000
	Total Governmental-type Debt					$ 2,027,000	$ 1,806,000	$ 1,579,000	$ 2,710,000	$ 2,325,000	$ 2,010,000	$ 2,471,667	$ 2,068,333	$ 1,690,000
	Debt Per Capita - total					$ 561	$ 500	$ 437	$ 751	$ 644	$ 557	$ 685	$ 573	$ 468

CITY OF INDEPENDENCE, MINNESOTA
CAPITAL IMPROVEMENT PLAN - PUBLIC WORKS FUND 80
SCHEDULE OF PLANNED CAPITAL OUTLAY 2015 TO 202

Department	Year	Item	Cost	2015 Actual Amounts	2016 Estimated Amounts	2017 Estimated Amounts	2018 Estimated Amounts	2019 Estimated Amounts	2020 Estimated Amounts
Public works	2018	Truck Lift	$ 40,000	$ -	$ -	$ -	$ 40,000	$ -	$ -
Public works	2015	Resurface floor shop	60,000	60,000	-	-	-	-	-
Public works	2013	Paint inside walls	22,000	-	-	-	-	-	-
Public works		Doors on salt shed	-	-	-	-	-	-	-
Public works			-	-	-	-	-	-	-
				$ 60,000	$ -	$ -	$ 40,000	$ -	$ -

CITY OF INDEPENDENCE, MINNESOTA
CAPITAL IMPROVEMENT PLAN - PUBLIC WORKS ROAD FUND 80
SCHEDULE OF PLANNED CAPITAL OUTLAY 2015 TO 202

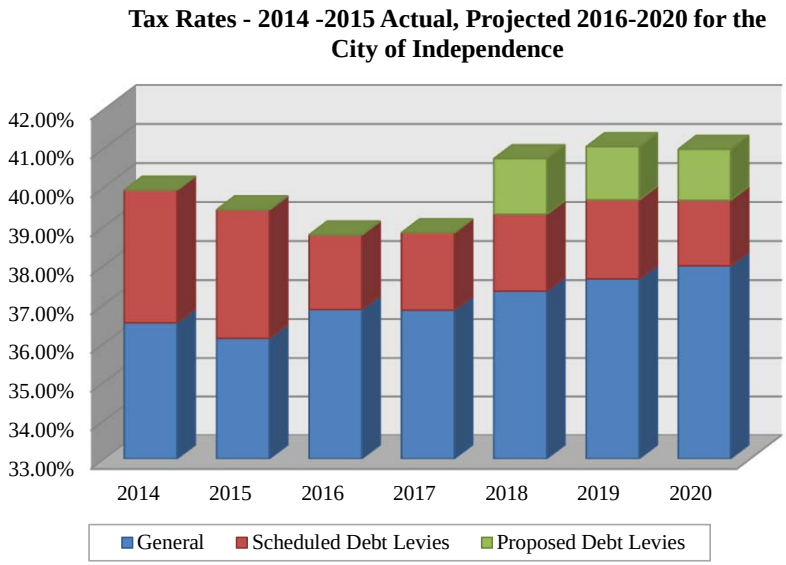
Department	Year	Item	Cost	2015 Actual Amounts	2016 Estimated Amounts	2017 Estimated Amounts	2018 Estimated Amounts	2019 Estimated Amounts	2020 Estimated Amounts
Public works	2014	Windmill Dr Overlay	$ 30,000	$ -	$ -	$ -	$ -	$ -	$ -
Public works	2014	Fogelman Road Gravel	40,000	-	-	-	-	-	-
Crack Sealing	2014	See Street CIP	-	-	-	-	-	-	-
Seal Coating	2014	See Street CIP	-	-	-	-	-	-	-
Overlay	2014	See Street CIP	-	-	-	-	-	-	-
Crack Sealing	2015		-	-	-	-	-	-	-
Seal Coating	2015		11,950	-	-	-	-	-	-
Overlay	2015		1,438,230	-	-	-	-	-	-
Crack Sealing	2016		-	-	-	-	-	-	-
Seal Coating	2016		100,006	-	100,006	-	-	-	-
Overlay	2016		-	-	-	-	-	-	-
Drain Tile	2016		-	-	-	-	-	-	-
Gravel Overlay	2016		-	-	-	-	-	-	-
Crack Sealing	2017		-	-	-	-	-	-	-
Seal Coating	2017		106,968	-	-	106,968	-	-	-
Overlay	2017		-	-	-	-	-	-	-
Drain Tile	2017		-	-	-	-	-	-	-
Gravel Overlay	2017		-	-	-	-	-	-	-
Crack Sealing	2018		-	-	-	-	-	-	-
Seal Coating	2018		113,034	-	-	-	113,034	-	-
Overlay	2018		-	-	-	-	-	-	-
Drain Tile	2018		-	-	-	-	-	-	-
Gravel Overlay	2018		17,152	-	-	-	17,152	-	-
Crack Sealing	2019		-	-	-	-	-	-	-
Seal Coating	2019		310,606	-	-	-	-	310,606	-
Overlay	2019		-	-	-	-	-	-	-
Drain Tile	2019		-	-	-	-	-	-	-
Gravel Overlay	2019		63,266	-	-	-	-	63,266	-
Crack Sealing	2020		-	-	-	-	-	-	-
Seal Coating	2020		-	-	-	-	-	-	-
Overlay	2020		-	-	-	-	-	-	-
Drain Tile	2020		-	-	-	-	-	-	-
Gravel Overlay	2020		27,787	-	-	-	-	-	27,787
Total				$ -	$ 100,006	$ 106,968	$ 130,186	$ 373,872	$ 27,787

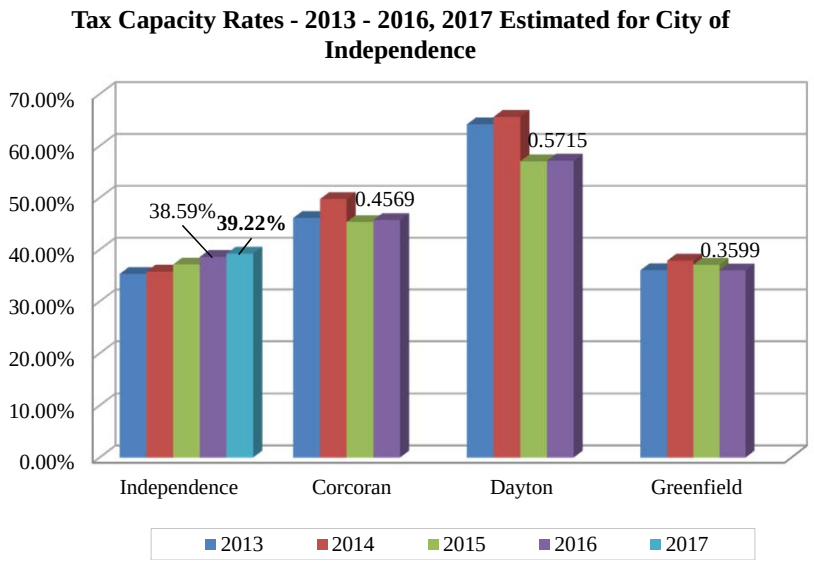
CITY OF INDEPENDENCE, MINNESOTA
CAPITAL IMPROVEMENT PLAN - PUBLIC WORKS EQUIPMENT FUND 803
SCHEDULE OF PLANNED CAPITAL OUTLAY 2015 TO 2020

Department	Year Purchased	Year to Replace	Item	Cost	2015 Actual Amounts	2016 Estimated Amounts	2017 Estimated Amounts	2018 Estimated Amounts	2019 Estimated Amounts	2020 Estimated Amounts
Public works	?	2017	Pickup Truck - PW director/1-Ton	$ 35,000	$ -	$ -	$ 35,000	$ -	$ -	$ -
Public works		2017	Hot Mix Patching Roll-off	12,000	-	-	12,000	-	-	-
Public works	2014	2024	Road Side Mower (Replacement)	10,772	-	-	-	-	-	-
Public works		2015	Road Packer	-	-	-	-	-	-	-
Public works	1999	2031	Tractor & Loader	80,000	-	-	-	-	-	-
Public works		2020	Tandem	250,000	-	-	-	-	-	250,000
Public works	2002	2018	Shop Sweeper	6,000	-	-	-	6,000	-	-
Public works	2012	2022	S-10 Pickup	25,000	-	-	-	-	-	-
Building Inspector	2010	2017	Car	25,000	-	-	25,000	-	-	-
Public works	2012	2018	Lawn Mower	10,000	-	-	-	10,000	-	-
Public works	2002	2025	Grader	100,000	-	-	-	-	-	-
Public works	1995	2025	Generator	30,000	-	-	-	-	-	-
Public works	2007	2027	Pay Loader	150,000	-	-	-	-	-	-
Public works	2013	2026	Single Axle	175,000	-	-	-	-	-	-
					$ -	$ -	$ 72,000	$ 16,000	$ -	$ 250,000

CITY OF INDEPENDENCE, MINNESOTA
CAPITAL IMPROVEMENT PLAN - ADMINISTRATIVE FUND 80
SCHEDULE OF PLANNED CAPITAL OUTLAY 2015 TO 202

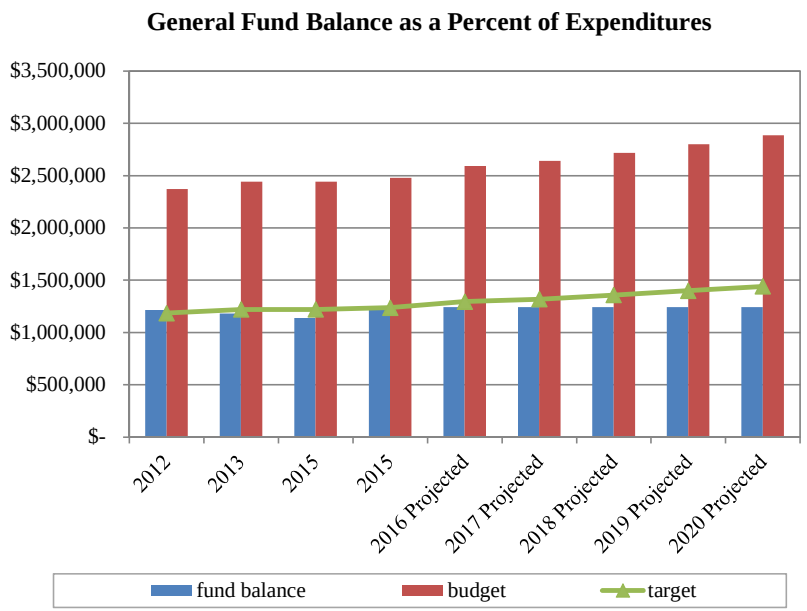
Department	Year	Item	Cost	2015 Actual Amounts	2016 Estimated Amounts	2017 Estimated Amounts	2018 Estimated Amounts	2019 Estimated Amounts	2020 Estimated Amounts
General government	2014	City Hall Addition - Council Chambers		$ -	$ -	$ -	$ -	$ -	$ -
General government	2018	Office Equipment - Furnishing	$ 5,000	-	-	-	5,000	-	-
General government	2020	Paint Exterior	27,500	-	-	-	-	-	27,500
General government	2025	Refurbish Sole House	10,000	-	-	-	-	-	-
General government	2016	City Hall Parking Lot (paid by 2015 bond)	67,000	-		-	-	-	-
General government	2018	City Hall Carpet	20,000	-	-	-	20,000	-	-
General government	2017	Air Conditioner	10,000	-	-	10,000	-	-	-
				$ -	$ -	$ 10,000	$ 25,000	$ -	$ 27,500

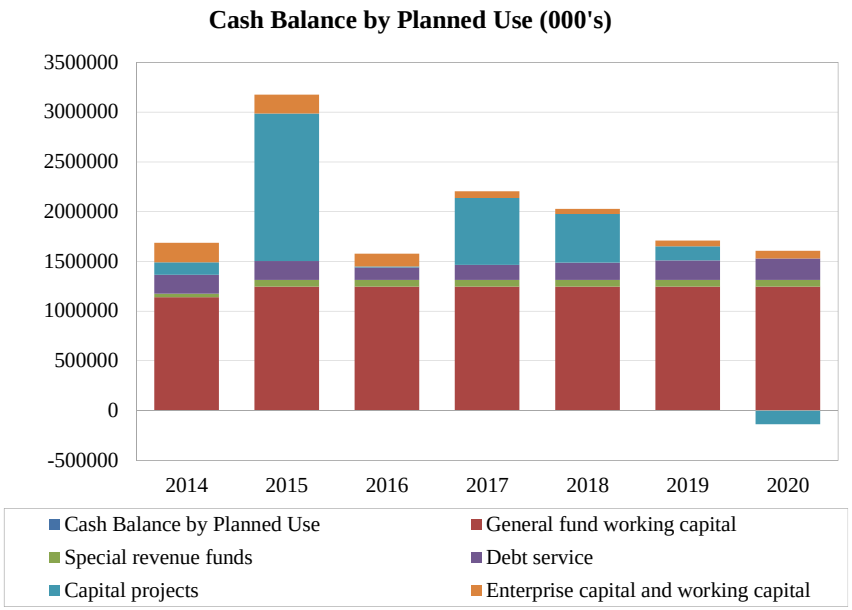




Tax Rates

Tax rates are a function of the levy and total tax base. The city tax rate is computed by dividing the city levy by the taxable tax capacity. The City has a goal of maintaining a consistent tax levy. Comparable communities are provided for reference.



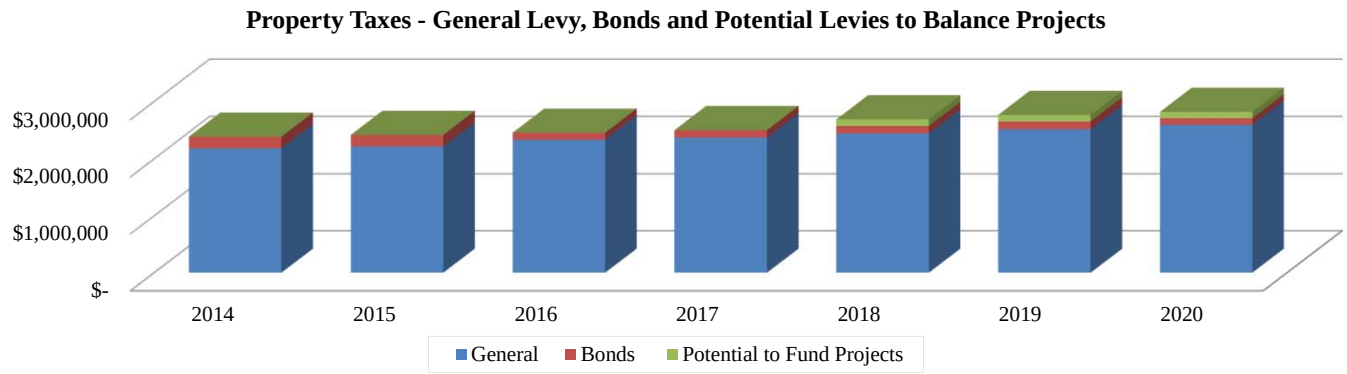


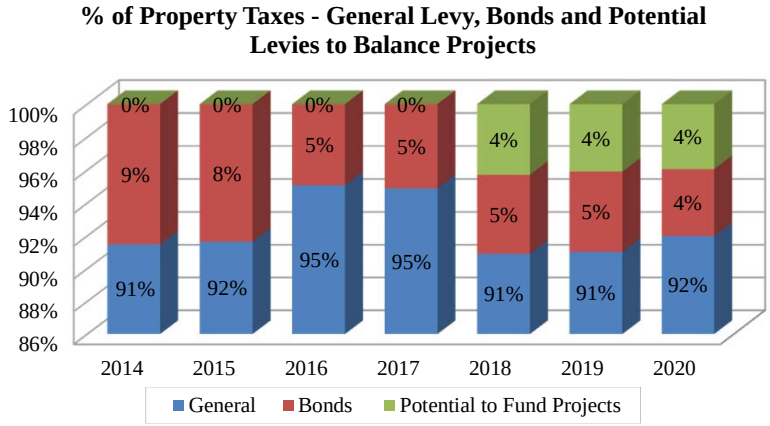
General Fund Balance as a Percent of Revenue

The General fund fund balance should be maintained at a level to provide for adequate working capital reserves. Typically a 50% reserve is a sufficient target and that appears to be an adequate target for Independence based on revenue and expenditure patterns. The City can build to this target by adding to contingency each year. This can be accomplished by reducing expenditures and maintaining the same level of revenue or increasing tax levy.

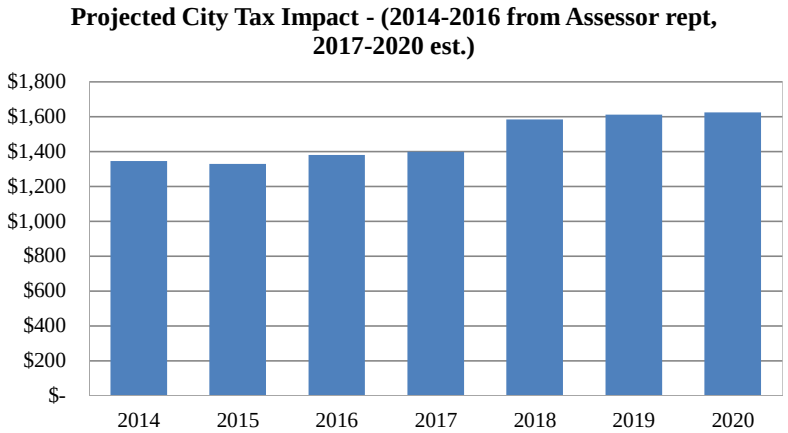
Cash Balance by Planned Use (000's)

The balances represented in this graph are categorized by the planned use and/or limitations determined by statute.

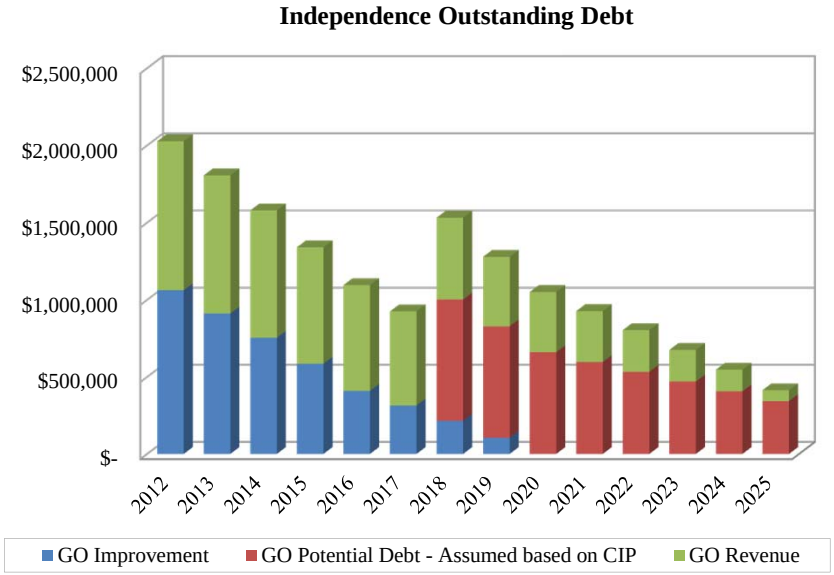




Percent of Property Taxes - General Levy and Bonds
This graph highlights the percent of levy by planned use.



Projected City Tax Impact - 2016 $385,500 home
The overall property tax levy for an average valued house is highlighted above



Debt Balances

There are anticipated debt issues in the projection in 2017 and after.

July 29, 2016

Honorable Mayor and City Council
City of Independence
1920 County Road 90
Independence, MN 55359

Introduction

Enclosed is the 2017 proposed budget as prepared by city staff. A preliminary budget and tax levy needs to be approved by Council before September 30, 2016. As you are aware, the construction of the 2017 budget is a year-long process which includes Mayor, City Council, and staff input, budget work sessions, and culminating with this final document to be approved by City Council.

Key items in this year's budget:

- Overall City general fund levy increase is 9.16 percent but the overall city-wide increase is $203,159 or 8.07 percent.
- The increase in the general fund is driven by the following factors:
    - Generally use a 3% inflation increase factor for all expenditures not specifically identified. This will continue to be reviewed as more activity is recorded in 2016.
    - Funding $15,000 of comprehensive plan costs in 2017.
    - Reallocation of building inspector salary from Sewer to General fund to more accurately reflect activity. This results in about a $15,000 increase over 2016 budget.
    - Recycling expenses are increased about $20,000 over the prior year budget to reflect actual costs.
- The Pioneer/Sarah Watershed taxing district levy is $66,200 or a 3% increase over last year.

763-479-0527 (Phone) 1920 County Road 90 763-479-0528 (Fax)
Independence, MN 55359
http://independence.govoffice.com

The following are some of the key factors in developing the budget:

Budget Format

The 2016 Budget included the Council approved priorities for each department. These will continue to be reviewed and updated as needed.

Sewer Cash Flow and 5 Year Finance Plan –

We presented the Sewer Cash Flow study last fall and will be updating that information along with an update to the long term CIP in August.

Fair Labor Standards Act (FLSA) Regulatory Changes

On May 18, 2016, the U.S. Department of Labor (DOL) released its highly anticipated Final Rule setting new Fair Labor Standards Act (FLSA) minimum salary requirements for all employees, thus impacting millions of employees across the country. The Final Rule, which becomes effective December 1, 2016, significantly increases the minimum weekly salary that must be paid to satisfy the FLSA's "white collar" exemptions (e.g. executive, professional, and administrative) and the "highly compensated employee" exemption, which both qualify an employee to be paid a salary and, therefore, be exempt from overtime pay.

As a general rule, if you have salaried (exempt) employees earning less than $47,476 per year, you will need to take action before December 1, 2016, to ensure compliance with the new Final Rule. These salaried employees will need to either receive a salary increase to meet or exceed the new minimum requirement or be converted to an hourly rate with overtime eligibility. Of course, these decisions must be carefully evaluated, communicated, and implemented.

With about six months to go before the Final Rule becomes effective, we will be working with staff to determine if this change impacts the City.

PERA changes

There are no rate increases projected for 2017 at this time. Coordinated members of the general employees' retirement plan of PERA employer contributions will remain at 7.5% with the employee base contribution remaining at 6.5%. The Police & Fire Plan rates will remain 10.8% for the members and 16.2% for the employers.

Levy Limits

At this time there are no levy limits.

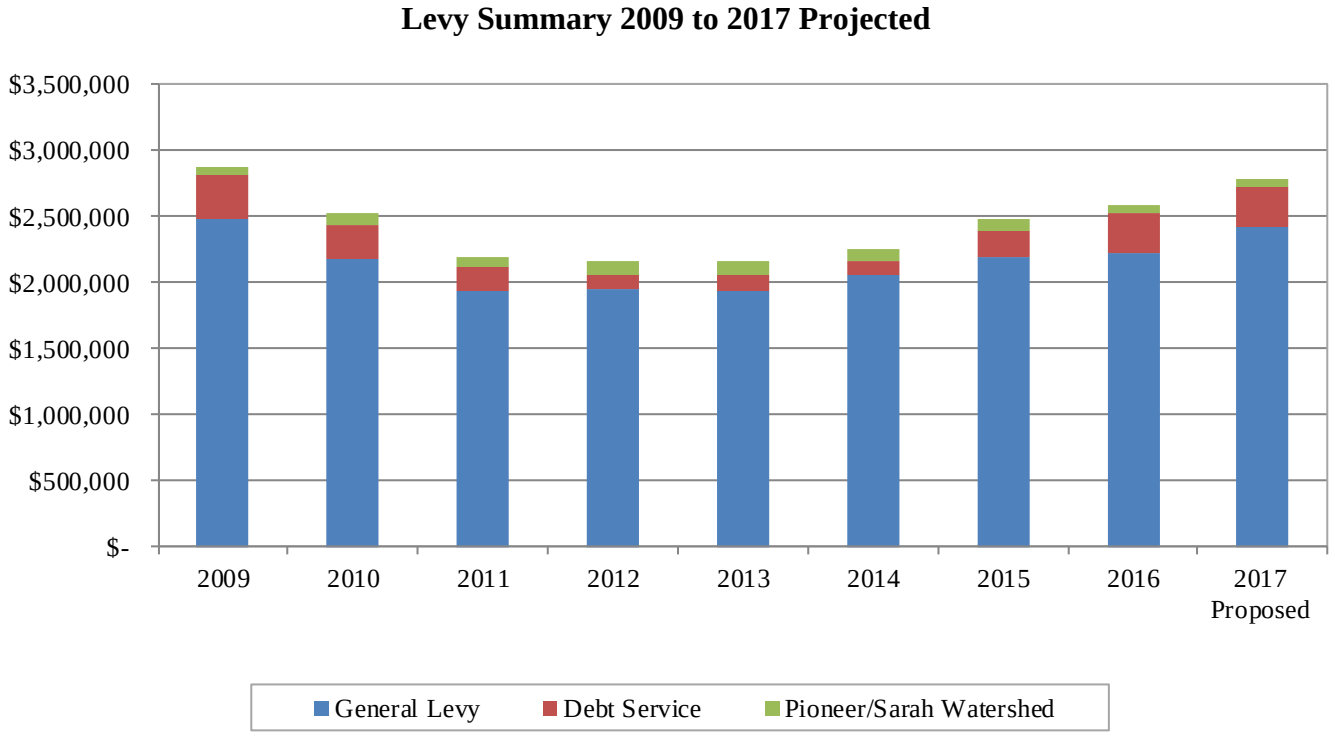
Taxation Notification Summary Chart for Taxes Payable 2017

Date	Action
On or before Sept. 15	Special taxing districts (EDAs, HRAs, port authorities, etc.) must adopt any proposed property tax levy and certify the proposed levy to the county auditor.
On or before Sept. 30	At one meeting, the city council adopts the proposed property tax levy and announces the time and place of a future city council meeting at which the budget and levy will be discussed and public input allowed, prior to final budget and levy determination. This public input meeting must occur after Nov. 24 and must start at or after 6 p.m. The time and place of the public input meeting must be included in the minutes but newspaper publication of the minutes is not required.
On or before Sept. 30	Cities must provide the county auditor with the following information: • The time and place of the meeting at which the budget and levy will be discussed and public input allowed. (Again, meeting must occur after November 24, and must not start before 6:00 PM) • A phone number that city tax payers may call if they have questions related to the auditor's property tax notice; this does not require listing a private phone number. • An address where comments will be received by mail; this does not require listing a private address.
Nov 11 to Nov 24	County auditor prepares and sends parcel specific notices.
Nov 25 to Dec 28	Cities of population greater than 500 hold meeting (at 6:00 PM or later) to discuss the budget and property tax levy and, before a final determination, allows public input.
On or before Dec 28	Cities must also file the certificate of compliance (Form TNT) with the Department of Revenue by Dec 28, 2016

Tax Levy Summary

Overall, the tax levy includes levies for general operations, city infrastructure and debt services. The levy includes an overall 8.07 percent increase from 2016. The 2016 budgeted and 2017 tax levies are listed below:

	2016 Budget	2017 Final Budget	Increase (Decrease)	% Change
General	$ 2,213,830	$ 2,416,622	$ 202,792	9.16%
Debt Service				
2006 GO Improvement Bonds	110,100	113,400	3,300	3.00%
2005 GO Improvement Bonds				
2007 GO Equipment Certificates				
2010 GO Improvement Bonds	15,010	13,652	(1,358)	-9.04%
2015 GO Tax Abatement Bonds	178,619	177,043	(1,576)	(0.01)
Total City Operating Levy	$ 2,517,559	$ 2,720,718	$ 203,159	8.07%
Pioneer/Sarah Watershed Taxing District	$ 64,270	$ 66,190	$ 1,920	2.99%



Summary of the City's Tax Capacity

The past two years with comparison to the average percentage change for Hennepin County is listed below:

	2015 Pay 2016	2016 Pay 2017	% Change	% Change (county-wide)
Commercial	$ 138,323	$ 144,863	4.73%	7.72%
Industrial	208,491	196,581	-5.71%	2.61%
Apartment	-	-	0.00%	18.92%
Residential	5,203,294	5,563,995	6.93%	6.13%
Farm	799,193	799,842	0.08%	-2.14%
Other	-	-	0.00%	3.49%
Total	$ 6,349,301	$ 6,705,281	5.61%	7.39%

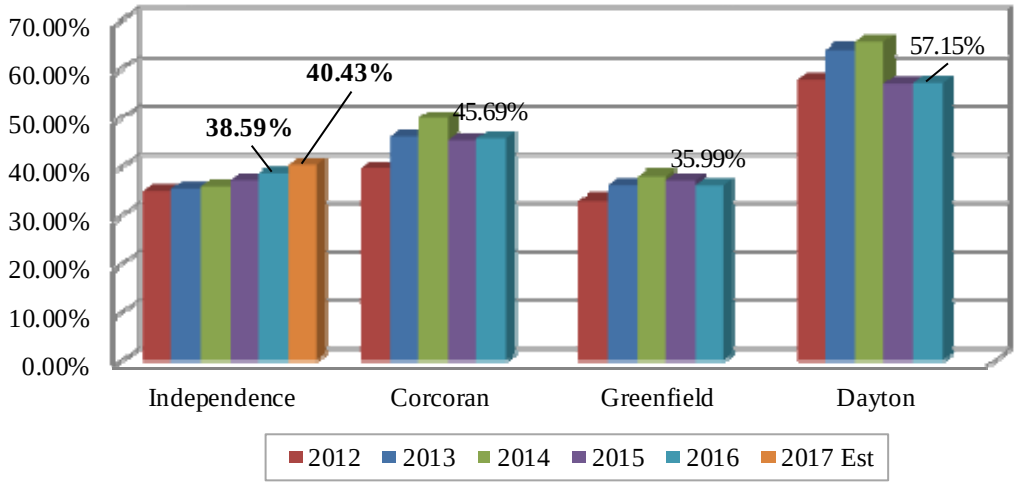
The current tax capacity and historical tax capacity rates are summarized below for Independence and three relatively comparable Hennepin County Cities. The major difference between Independence and the three comparable cites is the large commercial tax base.

Tax Capacity by Property Type - 2016 Pay 2017

City of Independence Tax Rate History Compared to other similar sized Hennepin County Cities:

	Independence	Corcoran	Greenfield	Dayton
Commercial	$ 144,863	$ 310,086	$ 180,264	$ 264,533
Industrial	196,581	355,960	306,720	1,416,602
Apartment	-			3,488
Residential	5,563,995	6,001,779	3,482,705	4,220,735
Farm	799,842	890,705	390,526	445,732
Other	-	69,375		89,150
Total	$ 6,705,281	$ 7,627,905	$ 4,360,215	$ 6,440,240

Tax Capacity Rates - 2012 - 2016, 2017 Estimate for Independence



Staffing

Data related to the number of full time equivalent positions is noted below:

Summary of FTES by Department		2015	2016
City Council		5.00	5.00
Administration		2.41	2.15
Streets		2.60	2.35
Building inspection		0.75	0.75
Subtotal General Fund		10.76	10.25
Sewer		0.96	1.29
Total		11.72	11.54

The main changes relate to the allocations of positions.

General Fund Budget Summary

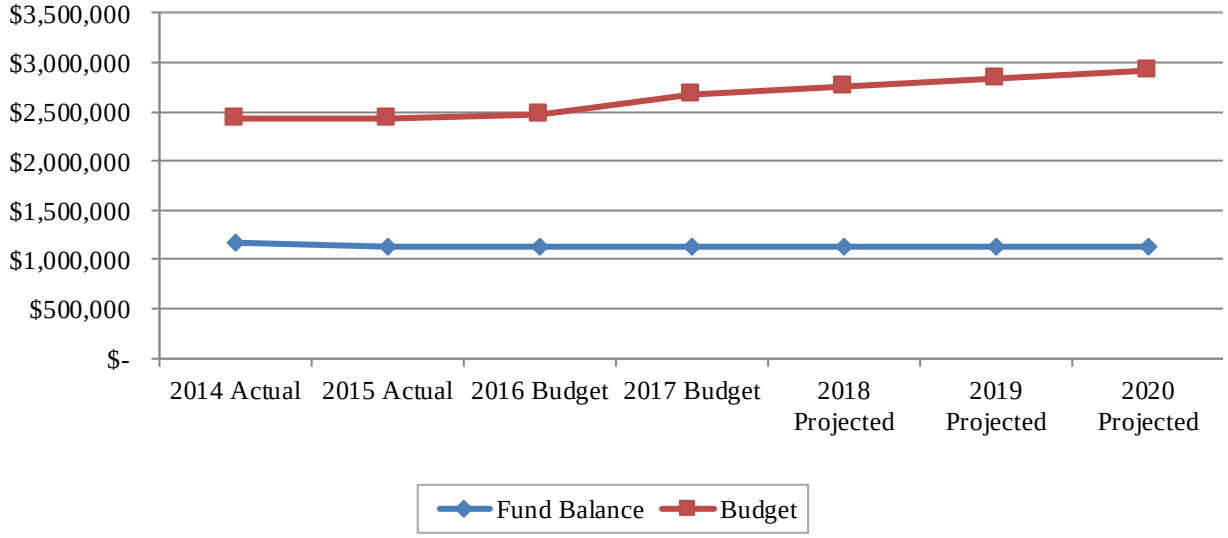
	Budget 2016	Budget 2017	Increase/ (Decrease)	Percent Change
REVENUES				
Taxes	$ 2,213,830	$ 2,416,622	$ 202,792	9.16%
Licenses and permits	148,420	152,880	4,460	3.00%
Charges for services	45,160	38,770	(6,390)	-14.15%
Fines and forfeitures	45,000	46,350	1,350	3.00%
Interest on investments	5,200	5,360	160	3.08%
Miscellaneous	18,230	15,570	(2,660)	-14.59%
Transfers in	-	-	-	0.00%
TOTAL REVENUES	$ 2,475,840	$ 2,675,552	$ 199,712	8.07%

	Budget 2016	Budget 2017	Increase/ (Decrease)	Percent Change
EXPENDITURES				
Mayor and City Council	$ 19,230	$ 19,510	$ 280	1.46%
Financial administration	334,400	363,770	29,370	8.78%
Election	7,500	3,230	(4,270)	-56.93%
Planning and zoning	29,080	30,130	1,050	3.61%
Water resource	8,030	8,270	240	2.99%
General government buildings	28,460	29,370	910	3.20%
Legal services	34,510	35,550	1,040	3.01%
Police	1,018,190	1,132,802	114,612	11.26%
Fire	337,190	347,310	10,120	3.00%
Building inspection	87,870	103,600	15,730	17.90%
Animal control	-	-	-	0.00%
Streets	476,100	481,500	5,400	1.13%
Street lighting	3,000	2,750	(250)	-8.33%
Snow removal	25,750	26,520	770	2.99%
Recycling	30,900	50,000	19,100	61.81%
Parks	22,540	20,630	(1,910)	-8.47%
Capital outlay - General government	11,340	20,190	8,850	78.04%
Capital outlay - public safety	1,750	420	(1,330)	-76.00%
Capital outlay - public works	-	-	-	0.00%
Transfer out	-	-	-	0.00%
TOTAL EXPENDITURES	2,475,840	2,675,552	199,712	8.07%
Excess (Deficient) Revenue	-	-	-	
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	
Net Change	$ -	$ -	$ -	

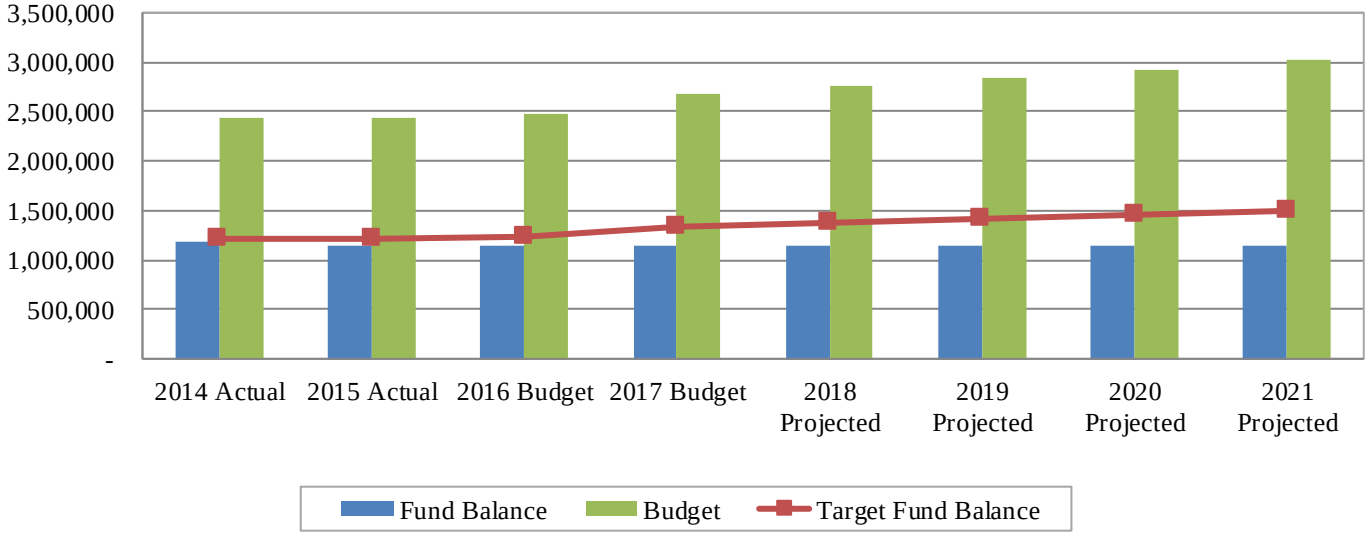
General Fund Balance

The City has built a healthy fund balance which can contribute to a positive bond rating and mitigates the potential for needing short term borrowing. It will be important to continue to maintain reserve levels at 40 to 50 percent. A summary of the general fund balance history and 2017 budget is as follows. It should be noted that the future projections assume a 3% increase in expenses and a breakeven budget which results in the City eroding reserves levels when viewed as a percent of expenditures.

Year	Fund Balance December 31	General Fund Budget	Percent of Fund Balance to Budget
2014 Actual	1,178,889	2,440,386	48.3%
2015 Actual	1,136,763	2,441,403	46.6%
2016 Budget	1,136,763	2,475,840	45.9%
2017 Budget	1,136,763	2,675,552	42.5%
2018 Projected	1,136,763	2,755,819	41.2%
2019 Projected	1,136,763	2,838,493	40.0%
2020 Projected	1,136,763	2,923,648	38.9%
2021 Projected	1,136,763	3,011,357	37.7%



General Fund Balance as a Percent of Expenditures



Pioneer/Sarah Watershed Summary

		Budget			
		2016	**2017**	**Increase**	% Change
200-31010-000	AD VALOREM TAXES	$ 61,290	$ 63,130	$ 1,840	3.00%
200-31020-000	WATER RESOURCE REIMB. DEV.	-	-	-	
200-31040-000	FISCAL DISPARITIES	2,980	3,070	90	3.02%
200-34103-000	LAND USE APPLICATION	-	-	-	
200-34108-000	ADMINISTRATIVE CHARGES/REIMBUR	-	-	-	
200-36210-000	INTEREST EARNINGS	-	-	-	
200-36230-000	MISC.CONTRIBUTIONS/DONATIONS	-	-	-	
200-36261-000	EVENT REVENUES	-	-	-	
	Total Revenues	64,270	66,200	1,930	3.00%
200-41920-303	ENGINEERING	-	-		
200-41920-310	PIONEER-SARAH WATERSHED COMM.	50,110	51,610	1,500	2.99%
200-41920-320	WATER RESOURCE STAFF	2,060	2,120	60	2.91%
200-41920-330	OTHER CONSULTING FEES	1,030	1,060	30	2.91%
200-41920-350	PRINTING&PUBLICATIONS-(LEGALS)	770	790	20	2.60%
200-41920-433	MISC. DUES/FFES	-	-	-	
200-41920-540	CAPITAL OUTLAY (MTG GRANT FND)	-	-	-	
200-41920-570	CAPITAL OUTLAY (PROJECT COST)	10,300	10,610	310	3.01%
	Total	64,270	66,190	1,920	2.99%
	Change in Fund Balance	$ -	$ 10	$ 10	

City of Independence
2017 Budget

Account	Description	Final 2014	Final 2015	May 2016	Budget 2016	Budget 2017	Comments/ % Change
Taxes							
100-31010-000	AD VALOREM TAXES	$ 1,905,613	$ 2,105,357	$ (11,187)	$ 2,136,220	$ 2,336,682	
100-31030-000	BONDS & INTEREST	5,371	2,717	-	-	-	
100-31040-000	FISCAL DISPARITIES	69,162	75,126	-	77,610	79,940	
Total		1,980,146	2,183,200	(11,187)	2,213,830	2,416,622	9.16%
Licenses and permits							
100-32100-000	BUSINESS LICENSES	11,210	12,650	9,400	12,480	12,850	
100-32210-000	BUILDING PERMIT	152,172	104,554	26,255	133,840	137,860	
100-32240-000	ANIMAL LICENSES	199	570	140	530	550	
100-32250-000	MISC. LICENSES & PERMITS	3,251	5,633	4,450	1,570	1,620	
Total		166,832	123,407	40,245	148,420	152,880	3.00%
Intergovernmental							
100-33610-000	CTY. GRANTS & AID (STREETS)	14,937	-	-	-	-	
100-33620-000	COUNTY GRANTS & AID (OTHER)	11,309	-	-	-	-	
100-33630-000	C.D.B.G./MISC. CREDIT	-	-	-	-	-	
100-33400-000	STATE GRANT	48,153	61,183	962	-	-	
100-33401-000	LOCAL GOVERNMENT AID	-	23,683	-	-	-	
100-33402-000	PROPERTY TAX CREDITS (HACA)	11,241	-	-	-	-	
100-33403-000	MISC. TAX CREDITS	2,800	-	-	-	-	
Total		88,440	84,866	962	-	-	0.00%
Charges for services							
100-34103-000	ZONING/SUBDIVISION FEE	42,255	17,906	(18,949)	25,000	18,000	move devloper
100-34104-000	WATER RESOURCE FEES	7,943	1,220	-	-	-	
100-34105-000	SALE-MAPS,PUBLICATION,COPIES	-	117	15	100	100	
100-34107-000	ASSESSMENT SEARCH FEES	250	903	-	150	150	
100-34108-000	ADMINISTRATIVE CHARGES/REIMBUR	18,120	30,252	8,638	5,200	5,360	
100-34305-000	PUBLIC WORKS REIMBURSEMENTS	7,172	14,995	108	530	550	
100-34306-000	BUILDING INSPECTIONS REIMBURSE	2,169	139	-	1,040	1,070	
100-34307-000	PLANNING/ZONING REIMB. DEVL.	19,896	15,048	1,420	10,000	10,300	
100-34308-000	LEGAL FEE/ REIMB. DEV.	(523)	195	-	530	550	
100-34309-000	ENG. FEE/ REIMB. DEV.	3,261	-	-	2,610	2,690	
100-36242-000	PARK RENTAL FEE	-	1,200	-	-	-	
100-34310-000	MINNEHAHA WATERSHED REIMBURSEM	-	-	-	-	-	
Total		100,542	81,975	(8,769)	45,160	38,770	-14.15%
Fines and forfeitures							
100-35000-000	COURT FINES/DOG IMPOUNDING	49,188	49,517	9,995	45,000	46,350	reflects past actual
Total		49,188	49,517	9,995	45,000	46,350	3.00%
Special Assessments							
100-36101-000	SPECIAL ASSESS/INT (CTY. PYMT)	-	-	-	-	-	
Total		-	-	-	-	-	0.00%
Interest on investments							
100-36210-000	INTEREST EARNINGS	2,217	2,884	2,121	5,200	5,360	
Total		2,217	2,884	2,121	5,200	5,360	3.08%
Miscellaneous							
100-36220-000	INSURANCE PREMIUM REFUND	5,219	5,733	-	3,650	3,760	
100-36230-000	MISC. CONTRIB./REFUND	89	109	-	530	550	
100-36240-000	COMMUNITY CENTER REVENUES	5,550	6,435	900	6,240	3,210	
100-36250-000	SALES TAX (COLLECTED)	-	0	-	-	-	
100-36260-000	FESTIVAL REVENUES	-	150	-	5,200	5,360	
100-36261-000	EVENT REVENUES	38	7,097	3,616	2,610	2,690	
100-39102-000	COMPENSATION FOR LOSS OF GEN	-	-	-	-	-	
Total		10,896	19,525	4,516	18,230	15,570	-14.59%

City of Independence
2017 Budget

Account	Description	Final 2014	Final 2015	May 2016	Budget 2016	Budget 2017	Comments/ % Change
Transfers							
100-39200-000	Transfer in	$ -	$ -	$ -	$ -	$ -	
Total		-	-	-	-	-	0.00%
	Total	2,398,261	2,545,374	37,883	2,475,840	2,675,552	8.07%
Mayor and council							
100-41000-102	MAYOR'S SALARY	3,000	3,000	750	3,000	3,000	
100-41000-103	COUNCIL SALARIES	7,200	7,200	2,216	7,200	7,200	
100-41000-122	FICA(6.2) MEDICARE (1.45)	780	780	195	780	780	
100-41000-321	COMMUNICATIONS	-	-	-	-	-	
100-41000-331	CONFERENCE & TRAVEL	6,387	9,622	2,932	5,670	5,840	
100-41000-360	INSURANCE	798	919	939	820	870	
100-41000-405	MISCELLANEOUS	106	-	134	210	220	
100-41000-433	DUES & SUBSCRIPTIONS	1,539	550	-	1,550	1,600	
Total		19,810	22,071	7,165	19,230	19,510	1.46%
Election							
100-41400-103	ELECTION OFFICIAL'S WAGES (PT)	2,820	1,410	-	3,500	1,500	presidential election
100-41400-210	OPERATING SUPPLIES/MTN EQUIP.	995	694	-	3,000	700	
100-41400-350	BALLOT PRINTING	-	390	-	-	-	
100-41400-405	MISCELLANEOUS	1,219	1,066	-	1,000	1,030	
Total		5,034	3,561	-	7,500	3,230	-56.93%
Financial administration							
100-41500-101	WAGES (FULL-TIME)	169,918	109,728	27,725	36,220	37,310	
100-41500-102	WAGES (PART-TIME)	-	-	-	24,140	24,870	
100-41500-103	WAGES (TEMPORARY HELP)	-	-	-	-	-	
100-41500-121	PERA	12,285	7,374	2,079	4,530	4,660	
100-41500-122	FICA/MEDICARE	11,651	7,957	2,121	4,620	4,760	
100-41500-131	CITY PAID BENEFIT ALLOWANCE-LI	33,536	24,391	2,422	12,420	13,540	
100-41500-133	COBRA EMPLOYEE INSURANCE	-	(690)	(345)	-	-	
100-41500-200	OFFICE SUPPLIES	3,049	6,146	1,339	4,120	4,240	
100-41500-301	AUDITING FEES	22,505	12,500	25,480	12,500	12,880	
100-41500-305	CPA FEES	24,877	56,652	24,315	58,350	60,100	
100-41500-310	OTHER CONSULTING EXPENSE	12,702	52,658	2,598	77,950	95,290	includes comp plan
100-41500-315	ASSESSOR'S FEE	50,518	52,000	-	55,000	60,000	
100-41500-321	COMMUNICATIONS	4,305	3,961	1,166	3,610	3,720	
100-41500-322	POSTAGE	1,427	40	-	1,550	1,600	
100-41500-330	TRANSPORTATION	51	-	-	-	-	
100-41500-331	TRAVEL & CONFERENCE EXPENSE	6,882	1,695	586	1,500	1,550	
100-41500-350	PRINTING&PUBLICATIONS-(LEGALS)	10,604	11,744	3,399	9,270	9,550	
100-41500-360	INSURANCE	6,564	7,709	9,418	7,210	7,640	
100-41500-404	MAINT.&REPAIR EQUIP.(CONTRACT)	3,310	5,666	921	4,000	4,120	
100-41500-405	MISCELLANEOUS	1,261	839	761	1,030	1,060	
100-41500-433	DUES & SUBSCRIPTIONS	7,386	6,051	4,068	5,870	6,050	
100-41500-602	LEASE/PURCHASE (COPIER)	6,450	7,936	3,855	8,240	8,490	
100-49000-720	TRANSFERS OUT	-	-	-	-	-	
100-49000-800	CONTINGENCY	-	-	-	-	-	
100-49240-375	CLAIM DEDUCTIBLE	-	2,500	-	520	540	
100-49240-620	AGENCY FEES	1,700	1,700	1,700	1,750	1,800	
100-49300-720	TRANSFER OUT	-	-	-	-	-	
Total		390,981	378,556	113,607	334,400	363,770	8.78%
Capital outlay - General government							
100-41500-560	CAPITAL OUTLAY (OFFICE EQUIP)	871	1,939	-	520	540	
100-41500-570	CAPITAL OUTLAY (COMPUTER EQUIP	4,490	500	-	520	540	
100-41940-510	C.O. (LAND AND BUILDING - 804)	1,738	7,404	-	10,300	19,110	
Total		7,099	9,843	-	11,340	20,190	78.04%

City of Independence
2017 Budget

Account	Description	Final 2014	Final 2015	May 2016	Budget 2016	Budget 2017	Comments/ % Change
Legal services							
100-41600-304	CIVIL, LEGAL (K&G)	$ 16,455	$ 36,966	$ 8,927	$ 15,450	$ 15,910	
100-41600-306	PROSECUTION (C&C)	18,775	22,433	9,767	18,540	19,100	
100-41600-312	CODIFICATION OF ORDINANCES	56	-	-	520	540	
100-41600-405	MISC.	-	1,870	-	-	-	
Total		35,286	61,269	18,694	34,510	35,550	3.01%
Planning and zoning							
100-41900-301	PLANNER CONTRACT FEE	34,460	22,288	7,950	23,200	23,900	
100-41900-310	OTHER CONSULTANT FEES	-	-	-	-	-	
100-41900-360	INSURANCE	5,426	5,753	5,538	5,670	6,010	
100-41900-405	MISC.	163	-	-	210	220	
Total		40,049	28,041	13,488	29,080	30,130	3.61%
Water resource							
100-41920-311	OTHER CONSULTING FEES (MC)	1,430	654	-	1,030	1,060	
100-41920-330	TRANSPORTATION	672	-	-	-	-	
100-41920-320	WATER RESOURCE STAFF	6,057	9,261	1,229	7,000	7,210	
100-41920-331	OTHER CONSULTING FEES (PS)	-	-	-	-	-	
Total		8,159	9,915	1,229	8,030	8,270	2.99%
General Government Buildings							
100-41940-321	COMMUNCIATIONS	1,788	1,334	2,260	1,030	1,060	
100-41940-350	ADVERTISING (COMM. CENTER)	1,253	1,705	25	-	-	
100-41940-360	INSURANCE	2,085	2,366	2,111	2,160	2,290	
100-41940-380	UTILITIES (NSP,GAS,LINEN)	10,745	18,134	4,747	12,360	12,730	
100-41940-384	GARBAGE PICK-UP	964	1,060	446	1,130	1,160	
100-41940-401	MAINT.&REPAIR BLD	12,770	12,886	2,535	11,130	11,460	
100-41940-402	MUSEUM	140	137	-	150	150	
100-41940-403	GROUND MAINTENANCE	60	-	-	500	520	
100-41940-404	SNOW REMOVAL	-	-	85	-	-	
100-41940-405	MISCELLANEOUS	535	1,388	525	-	-	
Total		30,340	39,010	12,733	28,460	29,370	3.20%
Police							
100-42400-301	AUDITING FEES	1,424	(175)	-	-	-	
100-42000-405	MISCELLANEOUS	775	1,967	-	1,130	1,160	
100-42000-440	CONTRACT	888,994	965,033	481,078	1,012,420	1,126,862	
100-42000-441	ROOM & BOARD	-	-	-	-	-	
100-42000-442	PRISONER BOOKING	3,743	1,529	410	1,550	1,600	
100-42000-461	BUILDING CODE SURCHARGE	4,945	2,365	-	3,090	3,180	
Total		899,881	970,719	481,488	1,018,190	1,132,802	11.26%
Fire							
100-42000-450	FIRE PROTECTION	309,400	313,968	117,160	337,190	347,310	
Total		309,400	313,968	117,160	337,190	347,310	3.00%
Animal control							
100-42000-470	ANIMAL CONTROL	-	-	-	-	-	
Total		-	-	-	-	-	0.00%

City of Independence
2017 Budget

Account	Description	Final 2014	Final 2015	May 2016	Budget 2016	Budget 2017	Comments/ % Change
Building Inspection							
100-42400-101	WAGES (FULL-TIME)	$ 61,018	$ 69,210	$ 30,513	$ 60,560	$ 70,560	reallocation from sewer
100-42400-103	WAGES- (TEMP HELP)	1,149	335	151	410	420	
100-42400-121	PERA	4,433	5,120	2,288	4,540	5,290	
100-42400-122	FICA/MEDICARE	4,677	5,222	2,334	4,630	5,400	
100-42400-131	CITY PAID BENEFIT ALLOWANCE-LI	11,387	13,541	5,484	10,960	14,650	
100-42400-200	OFFICE SUPPLIES	337	635	98	260	270	
100-42400-212	VEHICLE OPER.SUPPLIES(FUEL,ETC	898	600	213	460	470	
100-42400-310	OTHER CONSULTING EXPENSE	200	701	-	150	150	
100-42400-321	COMMUNICATIONS	2,188	1,847	825	1,550	1,600	
100-42400-331	CONFERENCE & TRAVEL	751	1,757	278	770	1,000	
100-42400-360	INSURANCE	3,120	3,711	3,369	3,300	3,500	
100-42400-405	MISCELLANEOUS	-	61	-	-	-	
100-42400-433	DUES & SUBSCRIPTIONS	110	95	95	280	290	
Total		90,268	102,836	45,650	87,870	103,600	17.90%
Capital Outlay - Public safety							
100-42400-570	CAPITAL OUTLAY (EQUIP PURCHA)	2,368	400	-	410	420	
100-42000-570	C. O.	1,240	-	-	1,340	-	
Total		3,608	400	-	1,750	420	-76.00%
Streets							
100-43100-101	WAGES (FULL-TIME)	150,772	148,622	65,827	152,000	155,930	
100-43100-103	WAGES (TEMP HELP)	1,215	-	261	-	-	
100-43100-121	PERA	10,816	11,100	4,937	11,400	11,690	
100-43100-122	FICA/MEDICARE	11,241	11,194	4,967	11,630	11,930	
100-43100-131	CITY PAID BENEFIT ALLOWANCE	34,203	23,615	12,233	34,350	36,230	
100-43100-210	OPERATING SUPPLIES	378	397	15	620	640	
100-43100-212	VEHICLE OPER.SUPPLIES(FUEL,ETC	29,208	15,734	4,271	26,780	17,500	
100-43100-217	SIGNS	1,883	3,720	-	5,000	4,000	
100-43100-218	UNIFORMS	568	1,623	737	1,600	1,650	
100-43100-219	CULVERTS	881	3,051	-	4,120	3,500	
100-43100-220	MAINT.&REPAIR SUPPLIES (EQUIP)	27,870	22,124	11,708	21,630	22,280	
100-43100-223	MAINT.& REPAIR SUPPLIES(BLDG.)	6,087	4,506	3,783	4,640	4,780	
100-43100-224	ROAD MANT>MATERIALS (ON-GOING)	-	32,322	47,055	51,500	53,050	
100-43100-225	RD.UPGRADING MAT.(CAP.IMPROVE)	-	-	-	-	-	
100-43100-226	BLACKTOP MATERIAL	-	31,093	10,276	41,200	42,440	
100-43100-227	EQUIPMENT CONTRACT HIRE	-	433	81	1,030	1,060	
100-43100-240	SMALL TOOLS & MINOR EQUIPMENT	-	-	203	310	320	
100-43100-301	AUDITING FEES	3,560	(700)	-	-	-	
100-43100-303	ENGINEERING	8,345	2,068	1,518	4,120	4,240	
100-43100-310	OTHER CONSULTING EXPENSE	1,001	798	-	-	-	
100-43100-321	COMMUNICATIONS (PHONE,E-MAIL)	4,415	2,833	2,320	4,120	4,240	
100-43100-331	TRAVEL,CONF.,EDUC.EXPENSE	170	500	1,117	1,000	1,030	
100-43100-350	PRINTING & PUBLICATIONS	859	184	687	310	320	
100-43100-360	INSURANCE	14,130	15,349	14,342	16,000	16,960	
100-43100-380	UTILITIES	10,585	6,614	4,950	9,270	9,550	
100-43100-384	GARBAGE PICK-UP	583	482	122	460	470	
100-43100-402	WEED CONTROL	-	-	-	-	-	
100-43100-403	BRUSH & FIRE CONTROL	369	-	-	-	3,000	
100-43100-405	MISCELLANEOUS	370	-	325	-	-	
100-43100-408	DUST CONTROL	-	59,348	-	66,950	68,960	
100-43100-413	SALES/FUEL TAX & LICENSE	461	372	10	1,000	500	
100-43100-415	EQUIPMENT RENTAL	450	-	-	520	540	
100-43100-720	TRANSFER OUT	-	-	100,000	-	-	
Streets (continued)							
100-43100-420	GOPHER STATE ONE-CALL	2,132	1,651	624	1,850	1,910	
100-43100-430	SAFETY PROGRAM (AWAIR, ETC.	1,800	3,600	-	1,850	1,910	
100-43100-433	MEMBERSHIP DUES	417	696	269	580	600	
100-43200-405	MISCELLANEOUS	-	-	-	260	270	
Total		324,769	403,329	292,637	476,100	481,500	1.13%

City of Independence
2017 Budget

Account	Description	Final 2014	Final 2015	May 2016	Budget 2016	Budget 2017	Comments/ % Change
Street lighting							
100-43100-381	STREET LIGHTING	$ 2,378	$ 2,509	$ 1,169	$ 3,000	$ 2,750	
Total		2,378	2,509	1,169	3,000	2,750	-8.33%
Snow removal							
100-43100-407	SNOW REMOVAL-MATERIALS	30,158	19,873	1,673	25,750	26,520	
Total		30,158	19,873	1,673	25,750	26,520	2.99%
Capital outlay - Public works							
100-43100-550	C.O. (ROAD IMPROV. - 802)	174,414	-	-	-	-	
100-43100-560	CAPITAL OUTLAY (OFFICE EQUIP.)	1,677	638	-	-	-	
100-43100-570	C O. (EQUIP. PURCH. -803)	691	-	-	-	-	
100-43100-580	C. O. (PUBLIC WORKS BLD. -801)	-	-	-	-	-	
Total		176,782	638	-	-	-	0.00%
Recycling							
100-43200-410	RECYCLING EXPENSES	45,227	51,411	22,251	30,900	50,000	
Total		45,227	51,411	22,251	30,900	50,000	61.81%
Park							
100-45100-120	PARTICIPATE RECREATION	7,948	3,921	1,640	6,700	6,900	
100-45100-405	MISCELLANEOUS	-	-	-	-	-	
100-45200-402	YOUTH GROUPS	600	600	-	620	640	
100-45300-210	SUPPLIES & MATERIALS	161	-	-	1,030	1,060	
100-45300-220	REPAIRS & MAINTENANCE (MOWING)	5,299	4,767	4,133	5,670	5,840	
100-45300-230	EQUIPMENT PURCHASES	-	-	-	520	540	
100-45300-310	OTHER CONSULTING EXPENSE	-	-	-	520	540	
100-45300-331	CONFERENCE & TRAVEL	-	-	-	-	-	
100-45300-350	PRINTING&PUBLICATIONS-(LEGALS)	-	-	83	-	-	
100-45300-361	INSURANCE	1,589	3,440	2,740	1,650	1,750	
100-45300-380	UTILITIES/WASTE REMOVAL	420	326	-	620	640	
100-45300-405	MISCELLANEOUS	-	152	-	210	220	
100-45300-451	FESTIVAL EXPENDITURES	5,140	10,249	-	5,000	2,500	
Total		21,157	23,456	8,596	22,540	20,630	-8.47%
	Total	2,440,386	2,441,403	1,137,538	2,475,840	2,675,552	8.07%
	Revenues over (under) expenditures	(42,125)	103,970	(1,099,655)	-	-	
Other financing sources							
100-39101-000	SALE OF LAND	-	-	-	-	-	
Total		-	-	-	-	-	
	Net change in General Fund fund balance	$ (42,125)	$ 103,970	$ (1,099,655)	$ -	$ -	

Sewer Rate Study

City of Independence

Independence, Minnesota

July 29, 2016

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

CITY OF INDEPENDENCE, MINNESOTA
SEWER RATE STUDY
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July 29, 2016

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INTRODUCTORY SECTION

CITY OF INDEPENDENCE
INDEPENDENCE, MINNESOTA

July 29, 2016

I. INTRODUCTION

The City of Independence, Minnesota (the City) owns and operates sewer utilities. These services are provided to roughly 225 residential and commercial customers and charges for availability to another 26 parcels. The City estimates new connections as outlined on the assumptions page. Since the annual expectation for increased connections is fairly low, the City will need to rely primarily on rate increases in order to fund increased operating costs and future capital needs.

This rate study analyzes the cash flows of the sewer utilities and sewer access charge funds of the City. Sources and uses of cash are projected for the years ending December 31, 2016 to December 31, 2025. The study uses the current number and type of accounts to project future revenue at a suggested rate for each of the utility funds, each year.

Annual capital costs are projected separately for each of the funds for the projection period. The City has an updated capital improvement plan that goes from 2016 to 2025. Projections anticipate bonded street projects for each of the next five years.

The Sewer fund has had negative cash from operations for each of the previous three years presented. In order to fund future operations, capital and debt, it will be necessary to increase rates and consider establishing a sewer district for the all potential users of the system.

The financial projection is based on billings at the current rate inflated (current state) and billings increased over a 10 year period sufficient to generate positive cash flow (Scenario 1). Expense assumptions are outlined in the assumptions section on the following page and present, to the best of management's knowledge and belief, the City's expected results of cash flows for the projection period if such uses of cash occur. Accordingly, the projection reflects management's judgment, as of the date of this projection, of the expected conditions and the City's expected course of action if such usage and expense totals were attained. The presentation is designed to provide information to the City Council concerning recovery of expenses that might be achieved if rates were adjusted and should not be considered to be a presentation of expected future results. Accordingly, this projection may not be useful for other purposes. The assumptions disclosed herein are those that management believes are significant to the projection. Furthermore, there will usually be differences between projected and actual results, because events and circumstances frequently do not occur as expected and those differences may be material.

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II. ASSUMPTIONS

Overall Assumptions:

- Debt is based on estimated Bond issues and existing debt schedules
- 3% increase in revenue for inflation
- 3% increase for inflation for capital contributions
- 2% increase in expenditures for inflation
- 3% increase for cost of expansion
- 3% increase in other operating revenue
- .5% return for investment income.
- $20,000 wage reduction in 2017 due to reallocating wages to reflect actual.
- $35,000 capital outlay in 2017, financed by rates
- $75,000 capital outlay in 2017, financed by the Lindgren Lane property sale
- $80,000 transfer of Lindgren Lane property for parks
- Depreciation is not factored into operating expenses but is factored by establishing a cash reserve target based on the assumption of funding depreciation.

Current State:

- Current rates are to be continued assuming the above assumptions.
- An increase in three users per year and assessment fees in place for 9 units over the next 5 years

Scenario 1:

Summary - In Scenario 1, rates were increased to hit a cash target after 10 years. In order to achieve this goal, an increase of rates is as follows:

- Increase of rates of 10% in years 2017 to 2019
- Increase of rates of 5% in following years

- Availablity charges are doubled from current rates. The current ordinace reflects the fact that outstanding availability lots were to be hooked up to the system by now.

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Annual Increase in Users		7	3	3	3	3	3	3	3	3	3	3
Total customers												
Residential		221	224	227	230	233	236	239	242	245	248	251
Commercial		1	1	1	1	1	1	1	1	1	1	1
Residential cluster		3	3	3	3	3	3	3	3	3	3	3
		0	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Connection fee revenue												
$	1,160	$ 8,120	$ 3,480	$ 3,480	$ 3,480	$ 3,480	$ 3,480	$ 3,480	$ 3,480	$ 3,480	$ 3,480	$ 3,480
Assessment fee			2	2	2	2	1					
$	9,550		$ 19,100	$ 19,100	$ 19,100	$ 19,100	$ 9,550					

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III. SEWER RATE STUDY

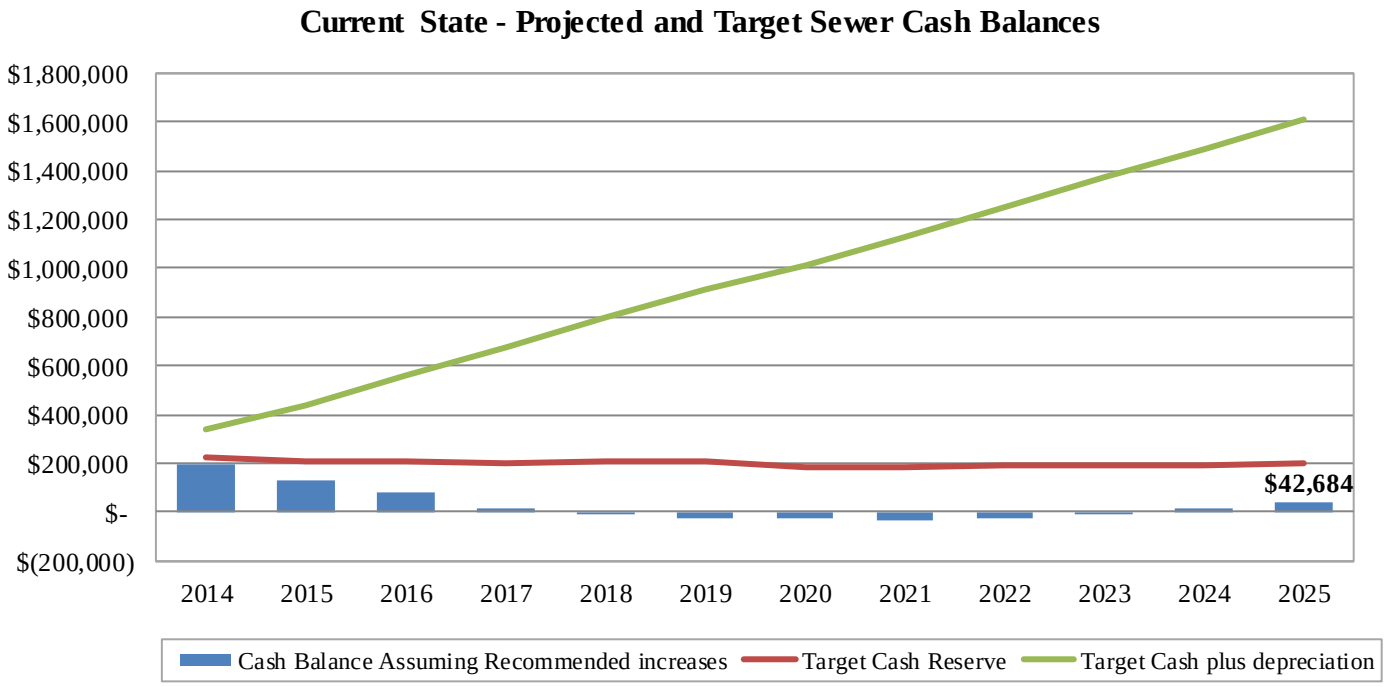
Sewer utilities operating fund

Goal

- Sewer Operating fund to maintain a targeted cash balance. Targeted cash balance for the fund refers to the following years' debt service obligations well as 50 percent of estimated operating costs. There isn't an amount built in for depreciation recovery.

Current state

The current rate for residential is $168 per quarter, $128 for availability and commercial is $871 per quarter. Based on the current state with only inflationary increases in rates the cash balance of the fund is projected to be as follows:



The City has sufficient special assessments and property taxes to fund debt service but does not have sufficient operating cash. In addition, the City is not addressing any funding for depreciation at the current time. The combination of these two issues will make it extremely difficult to fund future operations unless some significant rate changes are made.

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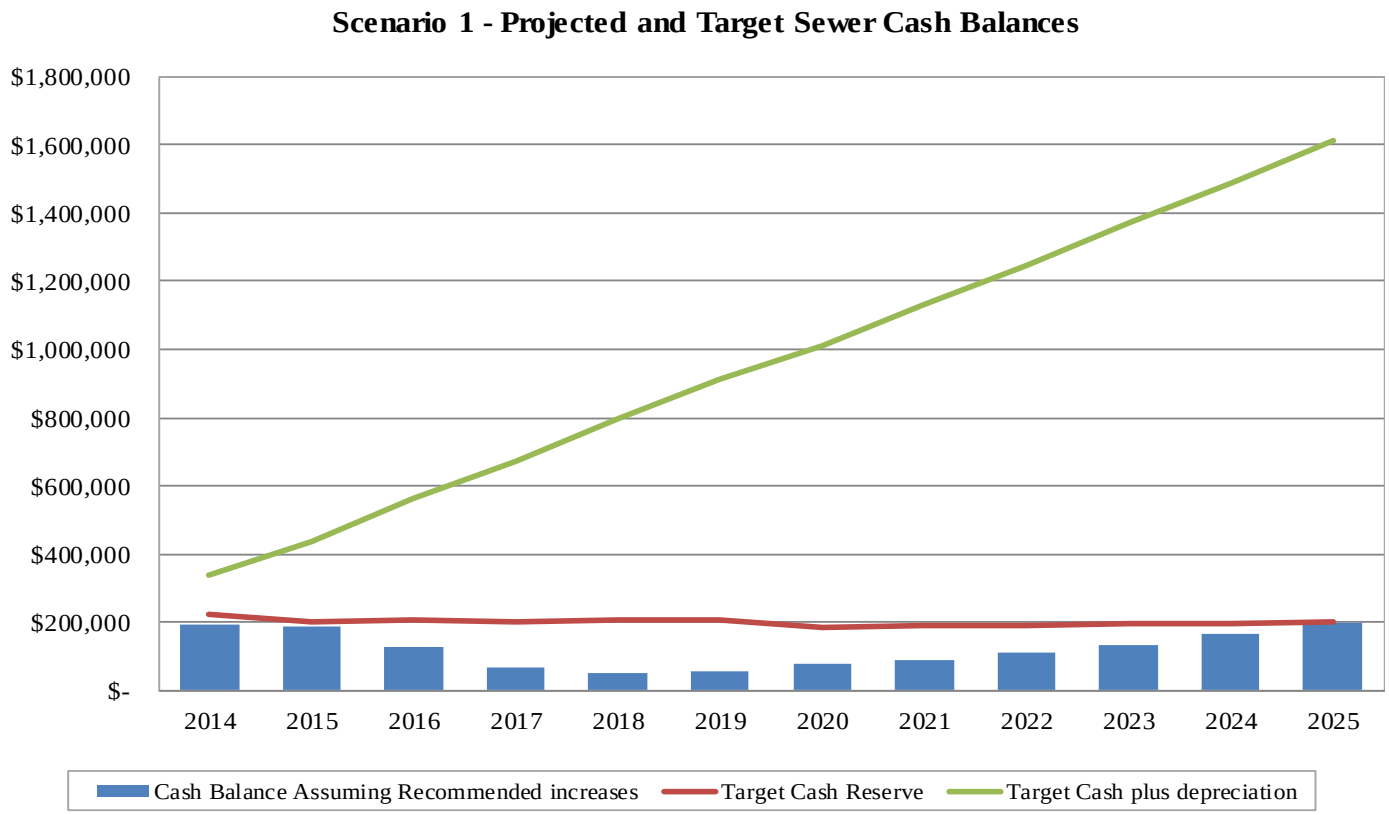
III. SEWER RATE STUDY - CONTINUED

Scenario 1- Inflates rates sufficient to generate positive operating cash and to generate a sufficient working capital target. Rates needed are identified below:

	Current rate	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Proposed Rate Quarterly		0%	10%	10%	10%	3%	3%	3%	3%	3%	3%
Residential	$ 168	$ 168	$ 185	$ 203	$ 224	$ 230	$ 237	$ 244	$ 252	$ 259	$ 267
Commercial	871	871	958	1,054	1,159	1,194	1,230	1,267	1,305	1,344	1,384
Residential cluster	77	77	84	93	102	105	108	111	115	118	122
Availability	32	32	92	102	112	115	119	122	126	130	133
Proposed Rate Annual											
Residential	$ 672	$ 672	$ 739	$ 813	$ 894	$ 921	$ 949	$ 977	$ 1,007	$ 1,037	#######
Commercial	3,484	3,484	3,832	4,216	4,637	4,776	4,920	5,067	5,219	5,376	5,537
Residential cluster	306	306	337	370	407	420	432	445	458	472	486
Availability	128	128	370	407	447	461	474	489	503	518	534

If the rate increases are implemented as presented above, the cash balances of the fund will be as follows:



Steadily increasing cash balances are achieved starting in 2019 and continue through the projection period. The City will then be on a path to building reserves for future capital repair and replacement that certainly will be needed. This is indicated by the increasing line for target cash plus depreciation.

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Summary

As evidenced in the discussion above, maintaining the current structure, even if inflationary increases are done, is not an option. It appears that Scenario 1 rate increases will allow the City to achieve its targeted cash balance by the end of the 10 year projection period and start to build cash reserves that will be needed for future repair and replacement.

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Going Beyond the Numbers

SUPPLEMENTARY INFORMATION

CITY OF INDEPENDENCE
INDEPENDENCE, MINNESOTA

July 29, 2016

CITY OF INDEPENDENCE, MINNESOTA
SEWER FUND
SCHEDULE OF CASH FLOWS - CURRENT STATE
FOR THE YEARS ENDED DECEMBER 31, 2014 TO 2015 (ACTUAL) AND 2016 TO 2025 (ESTIMATED)

	Actual 2014	Actual 2015	3.00% Budgeted 2016	3.00% Budgted 2017	3.00% Estimated 2018	3.00% Estimated 2019	3.00% Estimated 2020	3.00% Estimated 2021	3.00% Estimated 2022	3.00% Estimated 2023	3.00% Estimated 2024	3.00% Estimated 2025
CASH FLOWS FROM OPERATING ACTIVITES												
Receipts from customers	$ 162,083	$ 160,054	$ 169,801	$ 180,142	$ 191,113	$ 202,752	$ 215,099	$ 228,199	$ 242,096	$ 256,840	$ 272,481	$ 289,075
Payments to suppliers and vendors	(191,252)	(153,298)	(156,364)	(159,491)	(162,681)	(165,935)	(169,253)	(172,638)	(176,091)	(179,613)	(183,205)	(186,869)
Payments to and on behalf of employees	(62,077)	(72,583)	(74,035)	(55,515)	(56,626)	(57,758)	(58,913)	(60,092)	(61,293)	(62,519)	(63,770)	(65,045)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(91,246)	(65,827)	(60,597)	(34,864)	(28,194)	(20,941)	(13,068)	(4,531)	4,711	14,707	25,506	37,161
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES												
Transfers in	-	-	-	80,000	-	-	-	-	-	-	-	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	-	-	-	80,000	-	-	-	-	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES												
Special assessments	81,323	82,663	64,959	63,333	61,708	60,082	58,456	56,830	55,204	53,579	51,953	50,327
Property taxes	11,650	10,705	15,010	13,652	12,295	15,957	14,225	12,272	15,569	13,351	16,382	13,883
Acquisition of capital assets	(8,414)	(13,617)	-	(110,000)	-	-	-	-	-	-	-	-
Connection fees received	46,838	14,741	22,580	22,580	22,580	22,580	13,030	3,480	3,480	3,480	3,480	-
Principal paid on bonds payable	(70,000)	(70,000)	(70,000)	(75,000)	(80,000)	(80,000)	(60,000)	(60,000)	(60,000)	(65,000)	(65,000)	(70,000)
Interest paid on bonds payable	(25,767)	(24,218)	(22,458)	(20,491)	(18,201)	(15,674)	(13,530)	(11,775)	(9,915)	(7,929)	(5,816)	(3,570)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	35,630	275	10,092	(105,926)	(1,619)	2,945	12,181	807	4,338	(2,519)	998	(9,360)
CASH FLOWS FROM INVESTING ACTIVITIES												
Interest received on investments	1,218	465	651	402	100	(48)	(139)	(144)	(163)	(119)	(58)	74
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(54,398)	(65,088)	(49,854)	(60,388)	(29,712)	(18,044)	(1,025)	(3,868)	8,887	12,070	26,447	27,875
CASH AND CASH EQUIVALENTS, JANUARY 1	249,784	195,386	130,299	80,444	20,056	(9,656)	(27,700)	(28,726)	(32,593)	(23,707)	(11,637)	14,810
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 195,386	$ 130,299	$ 80,444	$ 20,056	$ (9,656)	$ (27,700)	$ (28,726)	$ (32,593)	$ (23,707)	$ (11,637)	$ 14,810	$ 42,684
Target Cash	$ 222,432	$ 207,158	$ 207,657	$ 202,995	$ 207,855	$ 207,520	$ 187,613	$ 188,140	$ 188,607	$ 193,995	$ 194,304	$ 199,527
Excess		$ (76,860)	$ (127,213)	$ (182,939)	$ (217,511)	$ (235,220)	$ (216,339)	$ (220,733)	$ (212,314)	$ (205,632)	$ (179,494)	$ (156,843)

CITY OF INDEPENDENCE, MINNESOTA
SEWER FUND
SCHEDULE OF CASH FLOWS - SCENARIO 1
FOR THE YEARS ENDED DECEMBER 31, 2012 TO 2015 (ACTUAL) AND 2016 TO 2025 (ESTIMATED)

	Actual 2014	Actual 2015	3.00% Estimated 2016	3.00% Estimated 2017	3.00% Estimated 2018	3.00% Estimated 2019	3.00% Estimated 2020	3.00% Estimated 2021	3.00% Estimated 2022	3.00% Estimated 2023	3.00% Estimated 2024	3.00% Estimated 2025
CASH FLOWS FROM OPERATING ACTIVITES												
Receipts from customers	$ 162,083	$ 164,008	$ 158,258	$ 182,250	$ 202,915	$ 225,891	$ 235,433	$ 245,344	$ 255,639	$ 266,328	$ 277,428	$ 288,958
Payments to suppliers and vendors	(191,252)	(150,337)	(156,364)	(159,491)	(162,681)	(165,935)	(169,253)	(172,638)	(176,091)	(179,613)	(183,205)	(186,869)
Payments to and on behalf of employees	(62,077)	(66,523)	(74,035)	(55,515)	(56,626)	(57,758)	(58,913)	(60,092)	(61,293)	(62,519)	(63,770)	(65,045)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(91,246)	(52,852)	(72,141)	(32,756)	(16,392)	2,198	7,267	12,614	18,254	24,196	30,453	37,044
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES												
Transfers in	-	-	-	80,000	-	-	-	-	-	-	-	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	-	-	-	80,000	-	-	-	-	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES												
Special assessments	81,323	110,392	64,959	63,333	61,708	60,082	58,456	56,830	55,204	53,579	51,953	50,327
Property taxes	11,650	10,705	15,010	13,652	12,295	15,957	14,225	12,272	15,569	13,351	16,382	13,883
Acquisition of capital assets	(8,414)	-	-	(110,000)	-	-	-	-	-	-	-	-
Connection fees received	46,838	17,824	22,580	22,580	22,580	22,580	13,030	3,480	3,480	3,480	3,480	-
Principal paid on bonds payable	(70,000)	(70,000)	(70,000)	(75,000)	(80,000)	(80,000)	(60,000)	(60,000)	(60,000)	(65,000)	(65,000)	(70,000)
Interest paid on bonds payable	(25,767)	(24,218)	(22,458)	(20,491)	(18,201)	(15,674)	(13,530)	(11,775)	(9,915)	(7,929)	(5,816)	(3,570)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED	35,630	44,703	10,092	(105,926)	(1,619)	2,945	12,181	807	4,338	(2,519)	998	(9,360)
CASH FLOWS FROM INVESTING ACTIVITIES												
Interest received on investments	1,218	977	941	636	345	257	284	383	452	567	678	839
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(54,398)	(7,172)	(61,108)	(58,047)	(17,665)	5,400	19,732	13,803	23,044	22,243	32,130	28,522
CASH AND CASH EQUIVALENTS, JANUARY 1	249,784	195,386	188,214	127,106	69,059	51,394	56,794	76,526	90,329	113,374	135,617	167,747
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 195,386	$ 188,214	$ 127,106	$ 69,059	$ 51,394	$ 56,794	$ 76,526	$ 90,329	$ 113,374	$ 135,617	$ 167,747	$ 196,269
Target Cash	$ 222,432	$ 202,648	$ 207,657	$ 202,995	$ 207,855	$ 207,520	$ 187,613	$ 188,140	$ 188,607	$ 193,995	$ 194,304	$ 199,527
Excess		$ (14,434)	$ (80,551)	$ (133,936)	$ (156,461)	$ (150,726)	$ (111,087)	$ (97,811)	$ (75,233)	$ (58,378)	$ (26,557)	$ (3,258)