COON CREEK WATERSHED DISTRICT
Request for Board Action

MEETING DATE: May 28, 2013
AGENDA NUMBER: 16
ITEM: 2014 Budget: Preliminary Revenue Estimates

POLICY IMPACT: Discussion
FISCAL IMPACT: Budgeted

REQUEST
Review and discuss preliminary revenue estimates

BACKGROUND
The District is required to account for revenues and expenditures in accordance with generally accepted accounting principles. Because fund accounting is required for financial reporting, the appropriation budgets are organized and presented in like manner.

The District Administrator is responsible for compiling all revenue estimates contained in the budget. Estimates are arrived by studying relevant revenue history along with economic trends and indices when available. Discussion regarding specific revenue sources can be found in the annual budget summary.
The following are individual graphs of the major revenue sources over the past 10 years. Included are brief explanations of any variances over the same time period.

Property taxes are a revenue source in the General, Special Revenue, and Capital Projects Funds. This revenue source is primarily used in the General Fund and Water Management Fund and is determined on the basis of the availability of other revenue sources and the expenditure level necessary to conduct District business in accordance with Board policy and directives. The goal of the 2013 budget for property taxes was to maintain the District Tax Rate Capacity in a manner consistent with the needs of an amended District boundary while ensuring the efficiency, staffing and capital requirements of the District.
While overall tax revenue increases in 2013, the per capita impact of the 2013 tax levy has not changed. The difference is the result of the added land and tax capacity that came with the merger of Six Cities WMO.

Fund balances are a revenue source in the General and Special Revenue Funds. This revenue source is primarily used in the General Fund and Water Management Fund and is determined on the basis of the availability of unspent uncommitted monies available for roll over. Fund balances available to augment operations keep property taxes down were depleted in 2011 after a series of natural disasters that required immediate clean up and significant cost on the part of the District.
Special assessments are a revenue source in the Capital Projects Funds. Special Assessments are used for reimbursing the District’s Capital Projects Funds for projects financed internally. In 2011 the District Board acted to assess three land owners on Ditch 58-6 over 5 years for the replacement of a culvert obstructing flow on that ditch.
Charges for services comes from a variety of sources in the General and Special Revenue Funds; such as project review and inspection services to residential and commercial developers, drainage and mapping services, plat reviews and other miscellaneous charges for dedicated use of District staff. Over the past few year the District as seen both a slight increase in the amount of growth and has also sought to recover fees owed the District through closure of projects where escrows had been held by the District pending notice of project completion by the applicant. There remains the question of the sufficiency of the fees and escrows held particularly as it relates to the cost of mobilization to repair or stabilize a site.

This revenue source is in all funds. Investment income is interest earned on investments and is allocated to funds based on average cash balances. Revenues from this source are dependent on interest rates and cash balances available for investment. Revenue from investments is increasing slightly due to an increase in cash balances.
Grants can be a revenue source for all funds. The most consistent revenue from grants has been the partial reimbursement from the State for Administration of the Wetland Conservation Act (WCA). The WCA reimbursement grant has averaged $6,600 per year over the past ten years and $5,000 over the past three. The grant covers approximately 20% of the cost of the program. In 2012 the District received a Clean Water grant from the MPCA through the Conservation District for retrofitting and construction of rain gardens on Sand Creek. In 2013 the District’s Clean Water Grant proposals were not funded however the District was awarded a $211,000 grant from the MPCA, through reimbursement, to conduct a Watershed Restoration Assessment Plan (WRAP) for the watershed. The grant and work effort is expected for two and a half years and may be extended to include implementation funding.

**Intergovernmental**

This revenue source is present in the General, Special Revenue, and Capital Projects Funds. In prior years, this revenue source was comprised primarily of state aid in the form of Homestead and Agricultural Credit Aid (HACA). The Legislature, in the 2001 Legislative Session, eliminated HACA. In 2008, 2009, 2010 and 2011, the Governor unallotted $196,150, $350,938, $490,186 and 490,186 of the Market Value Homestead Credit (MVHC) to help offset the state budget deficits.

In 2012, the MVHC program was eliminated and a market value homestead exclusion program was put in its place. The new program reduced the taxable market values for certain homestead properties. The intergovernmental represents the remaining state aid distributions.
ISSUES/CONCERNS

1. **Maintain a diverse and stable revenue system**: The District is limited in its statutory ability to fully diversify its revenue streams. With the assistance of the Anoka Conservation District, CCWD has increased the amount of grant funds it has been able to obtain in the past two years. However, grant funding is notoriously unstable due to shifting allotments, interests and criteria by the legislature and State, the District’s existence within the Metro Area and its track record in already acquiring grants.

2. **An aggressive policy in collecting revenues**: The District pursues this policy by
   a. Ensuring that funds are on hand to cover costs of services provided by the District
   b. Intentionally reviewing development projects that have not been closed out so that District costs may be recovered sooner rather than later and individual escrow accounts can be returned and closed out.
   c. Working with the Board and Contractors in ensuring that the opportunity to recover the total cost of District actions that are reimbursable

3. **The District will review fees and charges annually in order to keep pace with the cost of providing the service or that percentage of the total cost deemed appropriate by the District**: This review is conducted each January and addresses:
   a. Review and inspection deposits and fees
   b. Development escrows
   c. Wetland escrows

4. **The District will consider market rates and charges levied by other public and private organizations for similar services in establishing taxes, fees and charges**: The District conducts this review as part of its annual fiscal capacity review. The last four reviews have shown that the District charges approximately 45% of what other Watershed District’s and WMOs within the 7 County Metro and North Metro Areas charge.
5. **The District will allocate District-wide revenues to funds which provide services to the entire Watershed District**: As water and related land resource have become increasingly economically scarce, and the water management agendas of the State and Federal governments have become more complex, the identification and separation of benefits such that they are defendable for a special assessment proceeding, has encouraged the use of Ad Valorem taxes as a cost effective manner of raising the necessary revenue to conduct needed work and programs.

6. **All revenues, reasonably expected to be unexpended and unencumbered at the end of the year, will be anticipated as “available fund balance” in the budget the following year**: As stated earlier, the District has not carried an “available fund balance” since 2011.

7. **The District will attempt to invest all cash holdings through Anoka County and maximize those holdings with an effective payment policy**: With interest rates at record lows for a record length of time, income from interest and investments has been minimal at best.

8. **To impose a localized tax to finance projects and programs, the demand for, or need is created by, and attributable to a localized, definable portion of the watershed**: The District use of the Ditch assessment to clear an obstruction on Ditch
58-6 in Ham Lake due to a collapsed culvert and the inability of the land owners to come together to remedy the situation is the most current example of this policy.

OPTIONS

Set 1: Property Taxes

1. **No Increase in Property Taxes:**
   a. Holds salaries still,
   b. Continues to squeeze operations as process for variable costs continue to increase (particularly reimbursement for mileage) continue to increase
   c. Begins to constrain planned Capital Projects

2. **Increase Taxes 1%:** The District current CIP assumes a 1% annual increase
   a. Provides small increase in salaries & variable operating costs.

3. **Increase Taxes According to the CPI:**

<table>
<thead>
<tr>
<th>CPI</th>
<th>179,500</th>
<th>196,500</th>
<th>231,600</th>
<th>Total Levy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 1.53%</td>
<td>24.15</td>
<td>26.20</td>
<td>30.91</td>
<td>1,375,732</td>
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<tr>
<td>2012 2.07%</td>
<td>24.28</td>
<td>26.34</td>
<td>31.07</td>
<td>1,383,049</td>
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<td>2011 3.16%</td>
<td>24.54</td>
<td>26.63</td>
<td>31.40</td>
<td>1,397,818</td>
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<td>2Yr Avg 1.80%</td>
<td>24.22</td>
<td>26.27</td>
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<td>1,379,390</td>
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<tr>
<td>3Yr Avg 2.25%</td>
<td>24.33</td>
<td>26.39</td>
<td>31.13</td>
<td>1,385,533</td>
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</tbody>
</table>

4. **Increase Taxes to Approximate Other Water Management Organizations (33%):** To approximate Rice Creek, Shingle Creek and West Mississippi, all of which have comparable socioeconomic and real estate profiles.

5. **Adjust Property Taxes Based on Budget Needs:**

<table>
<thead>
<tr>
<th>Home Value</th>
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<tbody>
<tr>
<td>$179,500</td>
</tr>
<tr>
<td>Current CCWD Tax</td>
</tr>
<tr>
<td>1% Increase</td>
</tr>
<tr>
<td>5% Increase</td>
</tr>
<tr>
<td>10% Increase</td>
</tr>
<tr>
<td>25% Increase</td>
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<tr>
<td>33% Increase</td>
</tr>
</tbody>
</table>

Set 2: Fees and Charges

1. **No Change:** Leave Fees as they are

2. **Review and Revise Inspection Fees:** Raise the review and inspection fee from the current $700 to $1,100.
RECOMMENDATION
No action recommended at this time.