COON CREEK WATERSHED DISTRICT
Request for Board Action

MEETING DATE: April 25, 2016
AGENDA NUMBER: 26
ITEM: Fund Balances

AGENDA: Discussion

ACTION REQUESTED
Discuss and receive report

BACKGROUND
Requests for capital outlay/improvements in the Adopted 2016 Budget are funded through a variety of sources including the General Fund and capital equipment/project levies, Special Revenue and Enterprise Funds, assessments. Capital equipment and improvements in the Adopted 2016 Budget amounts to $2,257,310. All of the capital equipment and improvements will be funded by the General Fund levy. Grants will be sought for individual projects.

The District’s 2013 - 2023 Capital Improvement Plan (CIP) process was instrumental in producing the outcomes outlined in the 2016 Budget and should be referred to for a detailed analysis of significant capital outlays/improvements. For additional information on all the capital outlay / improvements in the District’s 2013 – 2023 CIP, please see the Comprehensive Plan for a brief description of capital projects.

It should be noted that as equipment and/or water management structures are replaced, there isn’t necessarily a huge cost savings. For example, replacing a 20 year old pipe or water control structure with a new one can save money both in time and repairs; but that leaves hundreds of other pipes and structures that become another year older, needing additional time for maintenance. The same scenario is true for replacement equipment, unless there are major innovations to change the way the equipment is used and/or maintained, the savings on reallocated.

Notable adopted capital outlay/improvement expenditures include:
Facility Maintenance and Construction: $1,000,000 is budgeted for a District office. 2016 objectives involve securing property, developing plans and conducting site investigations. The balance will be set aside for construction.

Software Development: $22,000 is budgeted for development/modification of software that allows automated tracking and onsite recording of inspection information. Both software programs should save on the need to hire additional staff to track, inspect, monitor and report inspection results and repair and maintenance needs, as well as facilitate work with the city public works and engineering within the District.
Aquatic Invasive Species: The 2016 budget set aside $40,397 for early detection and rapid response should a new aquatic invasive species be discovered within the lakes and waters of the District.

Operations and Maintenance: $555,560 is budgeted for bank stabilization, channel repair of the public conveyance system and non-routine maintenance such as beaver removal and removal of downed trees and obstructions. No other maintenance or construction funds were budgeted for 2016. Additional monies will be required to repair, retrofit or construct storm water treatment devices needed to come into compliance with the TMDLs for Coon, Sand, Pleasure and Springbrook Creeks.

Capital Equipment: $27,160 is budgeted for capital equipment. These funds represent a 65% decrease from funds budgeted in 2015. 28% of those funds are for computers, office equipment and telecommunications needed for the addition of two staff people. $16,600 is for monitoring and field equipment, the majority of which are water quality and AIS/Zebra mussel oriented.

FUND BALANCE
The District adopts fund balance goals to meet short and long-term needs. Fund balance goals are established to provide for cash flow needs, capital purchases, emergency contingencies and other specific needs. The District seeks to maintain an unreserved fund balance of approximately 35% to 50% of operating revenue or no less than 5 months (42%) of operating expenditures

The General Fund is projected to use $0.00 of fund balance to cover operations in 2016. The work done by staff relative to the 2015 revenue and expenditure estimates has achieved the Board’s 2016 budget guideline that works toward establishing a General Fund balance for working capital at no less than 42% of planned 2016 General Fund expenditures available from the 2015 budget (the targeted fund balance is approximately $390,000). The 2016 budget also sought to establish fund balances necessary to establish or preserve the following emergency reserve fund balances for core services:

- **Non-Routine Maintenance** ($82K) – Beaver Sediment and Tree removal needed to maintain flow and prevent flooding
- **AIS Rapid Response** ($40K) – Respond and eradicate infestations of new aquatic invasive species
- **Facility Construction** ($1 Million) – for monies related to the planning and construction of a District office building

The Capital Projects (Ditch) Funds are expected to decrease approximately $44,000 through three funds and three projects. This is expected to result in zero balances for all capital project funds by the end of 2016. An exception would be Ditch 54. Those three projects and funds are:

- **Ditch 54 Fund** is planned to decrease $39,720 as part of the repair from Hanson Bld to Main Street planned for that ditch. That project however, faces serious site
and regulatory constraints relative to access and deposition of spoil within or adjacent to wetland and floodplain.

- **Ditch 57 Fund** will decrease $1,113 with the repair and tree removal planned for that ditch.

- **Ditch 59 Fund** will decrease $3,465.38 with the repair and bank stabilization planned for the upper portion of the ditch system

The Survey and Data acquisition fund will be zero at the end of 2016 as well with the end of the Watershed Restoration and Planning (WRAP) effort. This project is funded in part through a grant from the Minnesota Pollution Control Agency and the project is scheduled to be complete in June, 2016.

**RECOMMENDATION**
Discuss and receive report