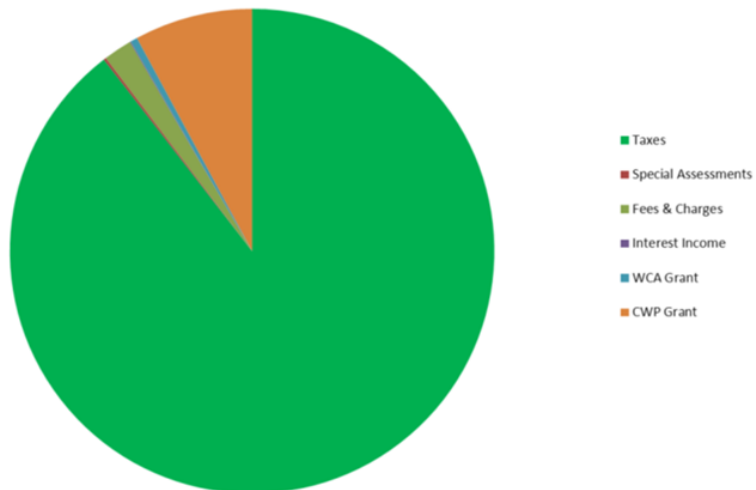


# Funds and Funding Strategy

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## Current Situation

At present, The Coon Creek Watershed District obtains the majority of its funding for water resource programs and projects from property taxes through a watershed-wide ad valorem levy. Other sources of funding include grants or cost share from other governmental bodies, expenditures by program/project partners, and permit fees. The direct financial burden on watershed residents has been moderated by the CCWD’s success in securing grant or cost-share funds through programs administered by the Anoka Conservation District, Minnesota Board of Water and Soil Resources, the Minnesota Pollution Control Agency and the Minnesota Department of Natural Resources. The participation of volunteers in the District’s programs and projects also helps to reduce the levied costs. The Implementation section of this Plan outlines potential funding partners, grant sources, and other funding mechanisms that are likely to be used for the programs and projects of the District.



As the scope of District responsibilities and programs has expanded to

include broader issues such as stormwater, water quality, erosion control, groundwater management and wetlands, identifying and quantifying integrated benefits is more difficult, time consuming and expensive and the cost of calculation and assigning benefits and costs to individual properties can easily exceed the benefits derived. Hence the uses and sources of revenues have become more generalized to keep costs down. While dedicated or special revenues may continue to be used for special purposes, there is a trend toward more general levies for broader and more integrated public ends and goals. However, there is a place for both approaches in the District's overall revenue structure.

Within this framework, the programs and purposes of the District must be viewed as being essentially watershed-wide activities with watershed-wide benefits, yet causing substantial impact or benefit in some areas.

The revenues to cover the costs of implementing the comprehensive plan should be derived from own source revenues, and supplemented with state and federal resources, often in the form of grants. This should be done in a manner that is true to the principles of administrative efficiency, equity, and fiscal balance.

## Goals and Objectives

- Financial Goals** The following are the Board of Managers financial goals, used by District Staff while preparing their proposed operating budgets:
1. A commitment to a District Tax Capacity Rate to meet the needs of the District and positioning the District for long-term operation through the use of sustainable revenue sources and operational efficiencies.
  2. A fiscal goal that works toward establishing the General Fund balance for working capital at no less than 35% of planned General Fund expenditures and the preservation of emergency fund balances (Natural disasters and emergencies, public safety, facility management and information technology) through targeting revenue enhancements or expenditure limitations.
  3. A comprehensive review of the condition of capital equipment to ensure that the most cost-effective replacement schedule is followed. Equipment will be replaced on the basis of a cost benefit analysis rather than a year-based replacement schedule.
  4. A team approach that encourages strategic planning to meet immediate and long-term operational, staffing, infrastructure and facility needs.

5. A management philosophy that actively supports the funding and implementation of Board of Manager policies and goals, and a commitment to being responsive to changing physical, social and management conditions, concerns and demands, and to do so in a cost-effective manner

## **Long Term Fiscal Objectives**

The District Board and staff are committed to expending public resources in the most cost-effective and economical manner possible to ensure the stability of the District's basic services. In light of the current sporadic onset of levy limits, fiscal strategies will need to be constantly monitored to ensure a balanced approach in providing sufficient revenues to fund District services:

1. Employing a strategy aimed at reducing the District's reliance on the property tax levy to fund basic District services through "sustainable" revenue sources such as special revenues, user fees and fee-for-service transaction
2. The use of an appropriate cost accounting structure that will lead to the creation of individual cost centers for all District program activities to accurately reflect the true cost of providing specific services.
3. The development of work performance goals for each department to ascertain and measure how each operating program contributes to the District's mission.
4. The development of long-term financial models that identify anticipated trends in community growth and financial resources, designate appropriate capital resources to future District needs, tracks per capita spending growth, and establishes a link between fiscal targets and budgetary expenditure goals.
5. The aggressive and appropriate investment of idle District funds to maximize the generation of interest income, while ensuring adequate cash flow requirements
6. Greater reliance on technology to enhance employee productivity in all areas of District operations and improve customer communications
7. The adoption of a financial philosophy that seeks to spread the cost of significant capital outlay expenditures over an extended period of time to ensure that current and future taxpayers share equally in underwriting the cost of significant public expenditures.

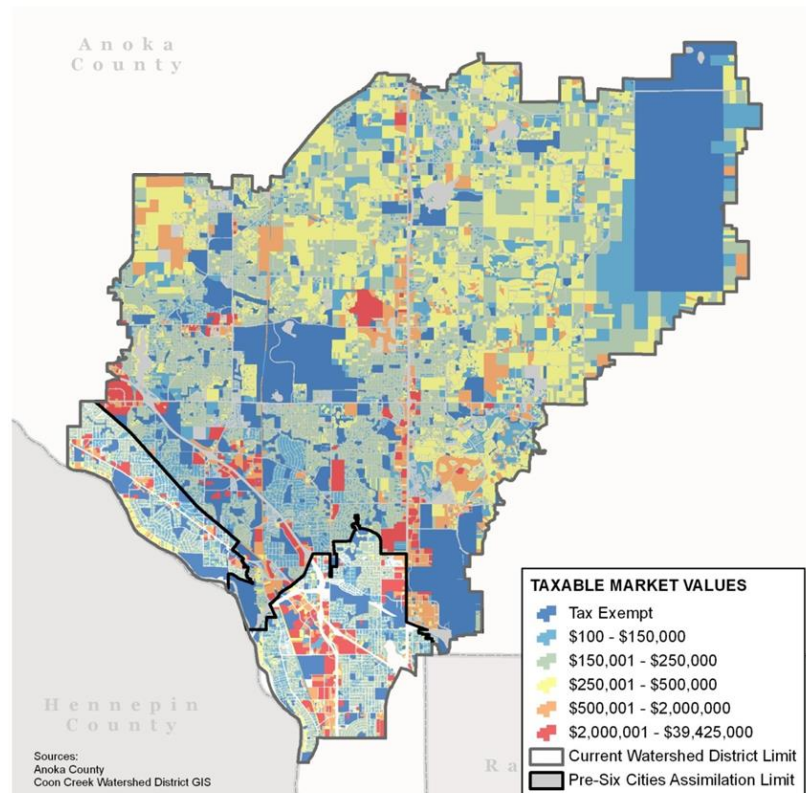
8. Involving all employees in the process of re-engineering the work environment by encouraging cross-training opportunities, reducing and eliminating bureaucratic barriers, streamlining public process requirements, and adopting private sector business values in District operations.
9. Continuously reviewing opportunities to form partnerships with the cities within the watershed and neighboring watershed management organizations to share services and equipment, jointly purchase equipment and develop strategies to deal with local issues using a regional approach

## Fiscal Capacity

### Taxable Market Value

The taxable market value of the Coon Creek Watershed District in 2012 was approximately \$15.6 Billion occurring as follows

Residential	\$10,134,753,851	74%
Agriculture	\$ 94,779,249	1%
Apartments	\$672,975,600	5%
Commercial & Industrial	\$2,743,600,400	20%



## Accounting, Auditing and Financial Reporting Policy

### Basis of Accounting

The financial reporting and budgeting systems of the District are organized on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts. All funds in the budget were prepared using the following basis of accounting, which is consistent with the accounting methods used for financial reporting.

**Government Funds** All governmental funds are budgeted and maintained on a modified accrual basis for accounting and budgeting. Revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred. Governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

**Proprietary Funds** Proprietary funds are budgeted and maintained on an accrual basis for accounting and budgeting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period in which the liability is incurred. Proprietary funds include Enterprise Funds and Internal Service Funds.

### Policies

The Coon Creek Watershed District has adopted the following accounting, auditing and financial reporting policies:

1. The Coon Creek Watershed District will establish and maintain a high standard of accounting practices. Accounting standards will conform to Generally Accepted Accounting Principles (GAAP) as outlined by the Governmental Accounting Standards Board (GASB).
2. At the end of each fiscal year, a Certified Public Accounting firm that will include issuing a financial opinion will conduct an audit of the District records and a management and compliance report on internal controls
3. The Coon Creek Watershed District will maintain a strong internal audit function
4. The District will maintain a fixed asset system to identify and protect all District assets.
5. The Administration Program will prepare monthly financial reports for internal management purposes
6. The District Board of Managers delegates the authority to designate fund balance, as required for prudent fiscal management, to the

District Administrator.

7. Annually, the Administration Program will prepare a comprehensive annual financial report. This report shall be made available to the elected officials, District management, bond-rating agencies, and the general public

## Budget Development Process

### The Budget Process

Minnesota Statutes require the Watershed District to adopt an annual budget on or before September 15 of each year. In addition District policy requires the District Administrator to submit an annual budget to the District Board of Managers, which accurately reflects the financial needs of the District. Additionally, state law requires that the District Board of Managers to certify a proposed levy to the Anoka County Property Records and Taxation Division also by September 15<sup>th</sup>

The budget adoption is subject to public hearing and noticing requirements. The date of the hearing is advertised in the District's official newspapers, on the District and municipal web sites

The budget is prepared on an annual basis, and follows the calendar year, January 1st to December 31st.

Policies are set by the Board of Managers in one of two ways

1. Policies are initiated by actions of the Board of Managers at its regular board meetings through adoption of rules, resolutions, or motions
2. Policies are also initiated, studied, and reviewed at special work sessions called for that purpose

The District Administrator and District staff address the Board's concerns in the preparation of the budget and evaluate the financial costs of the implementation of these policies and include them in the budget where economically feasible.

In summary, policy issues are identified by the Board of Managers, evaluated, and costed out by the Administrator, and returned to Board for appropriations if necessary. If no appropriation is necessary, the new policy is implemented as soon as practical by the Administrator.

Each program coordinator is given a monthly financial report of expenditures compared to the adopted budget. Expenditures related to District activities may not exceed appropriations without approval of the

Board of Managers.

## **Budgeting for District Operations**

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. A brief description of each fund type can be found in Appendix D.

## **Budget Policies**

The District Financial Policies identifies an Operating Budget Policy which includes the process for monitoring and amending the budget, fund balance considerations and the capital improvement budget coordination, those policies are as follows:

1. The formal budgeting process is the primary mechanism by which key decisions are made regarding the levels and types of services to be provided, given the anticipated level of available resources.
  - The District will attempt to maintain its present service level for priority and essential services subject to available revenues. New services will be considered for funding within available resources.
  - The Coon Creek Watershed District will utilize a "bottom-up" resource allocation approach. Each program will have an opportunity to request personnel, goods, capital items and services needed to carry out its responsibilities in a timely manner.
  - The resources to fund the budget will include all revenues reasonably anticipated from all sources and the unreserved undesignated fund balance estimate to be carried forward at the beginning of the fiscal year.
  - The District will utilize procedures that allow programs to integrate priorities and objectives into the budget requests.
2. The operating budget will be adopted annually by the District Board at the fund and program levels (Program Areas and Programs are listed below). The expenditures may not exceed the total for any program, within a fund, without the District Board's approval. The authority to make changes to the adopted District Budget during the operating year is as follows:
  - Board of Manager approval is required for all budget adjustments or transfers that will increase the District's adopted expenditure budget, or adjustments that are made to facilitate a District restructuring.
  - Board of Manager approval is required for any budget adjustment that exceeds either \$10,000 or 5% of a department's expenditure

budget, except that adjustments under \$10,000 may be approved as provided in C. & D. below.

- District Administrator, or their designee when unavailable, approval is required for all budget adjustments or transfers made to **professional services, other program costs** or **capital outlay** under \$10,000 on a one-time basis.
  - Budget adjustments and transfers among expenditure accounts may be authorized during the fiscal year by the District Administrator if there is no effect on a program's of activity gross expenditure budget and the adjustment is not to employee compensation.
  - Under no circumstances should budget adjustments be split to avoid approval limits.
3. The District will budget to maintain fund balances at adequate levels to ensure that sufficient resources are available for current and future expenditures, whether planned or unforeseen.
- The District will budget to maintain an unreserved designation for cash flow for each operating fund, to support operations until current tax revenues are received. Based upon the semi-annual collection of local taxes, each operating fund, relying on property tax related revenues, should maintain cash flow designations at year-end necessary for approximately 5 months of operation.
  - The District will budget to maintain an unreserved fund balance available for contingencies of between 1 percent and 3 percent of budgeted expenditures for each operating fund in order to finance unforeseen items and events that occur during the course of the year. It is not necessary for each fund to hold its own contingency. The General Fund may hold contingencies for other funds when appropriate.
  - All unencumbered appropriations and encumbered purchases less than \$1,000 lapse at year-end. However, the appropriation authority for all major capital projects and capital assets carries forward automatically to the subsequent year. Appropriations for encumbered purchases in excess of \$1,000, which are not budgeted in the ensuing year, may be transferred to the subsequent year with the approval of the District Administrator and Finance Director. The current year appropriation is reduced and the subsequent year appropriation is increased.
4. The District will maintain a budgetary control system to ensure adherence to the budget and will prepare monthly reports, which compare actual revenues, and expenditures to budgeted amounts.



5. The District will coordinate development of the Capital Improvement Budget with the development of the annual operating budget. Each capital improvement project is reviewed for its impact on the operating budget in terms of revenue generation, additional personnel required and additional operating expenses.
6. The capitalization threshold for assets of the Coon Creek Watershed District, as defined in the Fixed Asset Policy, applies to all budgets and purchases associated with the Capital Expenditure series of accounts.
7. Annually, the Planning and Administration programs will prepare an Annual Operating Budget report. This report will be made available to Anoka County Board of Commissioners, Cities, BWSR, District management, and the general public.
8. The District will place its highest budget priority on addressing those issues in the watershed that pose threats to the public health, and safety.
9. The District will use its hydrologic model to forecast the potential threats to the public health, and safety from flooding for budget purposes.
10. The District will prioritize the maintenance of the drainage system based on stream order and volume of flow.
11. District will prioritize capital funding and rehabilitation based on position in the watershed, and effective role in conveying, retaining, or detaining water.
12. The District will continue to support and fulfill its role in providing and coordinating agricultural drainage.
13. To impose a Subwatershed tax to finance projects and programs, the demand for, or need is created by, and attributable to a definable subwatershed, minor subwatershed, or catchment area of the District. The tax shall be used only for those projects and programs for which the need is attributable to the subwatershed, minor subwatershed, or catchment area being taxed..

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**Budget and  
Levy Process**

These levy authorities highlight the importance of the Comprehensive Plan for CCWD activities. The Plan defines the programs and projects for which the CCWD may exercise its taxing authority. The Minnesota Board of Water and Soil Resources, which oversees watershed district activity, has confirmed that the 103B.241 levy may be used broadly to fund the CCWD Watershed Management Plan preparation and both the administrative and project costs of carrying out the implementation program in the plan.

The basic CCWD budget and levy process is:

1. Each year, the Board approves a budget and sets the amount of the levy for the following year.
2. The Board must, by September 15, certify to the Anoka County Auditors the amount of the CCWD levy for the following year. This levy may be adjusted before a late-December date established by the county auditor.
3. Anoka County includes the CCWD levy in their tax statements, collects the levy, and distributes the proceeds to the CCWD, half the following July and half the January thereafter.

## Revenue Sources and Policies

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 Coon Creek Watershed District Financial Policies identifies a Revenue Policy that outlines the District's revenue philosophy and that policy is as follows:

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**Revenue  
Sources****General Property  
Taxes**

Property taxes are a revenue source in the General, Special Revenue, Debt Service 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 2000-2012 goals for the budget for property taxes were commitment to maintain the District Tax Rate Capacity in a manner consistent with the needs of the organization to ensure the long-term efficiency, staffing and capital requirements. In light of severe budget reductions over the last two

budget cycles, the need to maintain a tax capacity rate that is cognizant of the changing nature of the watershed for District services was reviewed extensively.

**Special Assessments** 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.

The 2013 to 2023 budget forecast is based on special assessment payment schedules and a review of potential situations (Obstructions or locally benefited projects) within the Coon Creek Watershed District.

**Fees and Charges for Services** 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.

**Other Investment Income** 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.

**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 as well as grants applied for and awarded from other government agencies (federal, state, or county) such as BWSR and DNR grants.

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**Revenue Policies**

1. The District will attempt to maintain a diverse and stable revenue system to shelter it from short run fluctuations in any single revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of economic downturns.

2. The District will follow an aggressive policy in collecting revenues.
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, and will conduct a public hearing or adopt a policy, as required by law, prior to setting fees and charges.
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.
5. The district will allocate District-wide revenues to funds which provide services to the entire Watershed District.
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.
7. The District will attempt to invest all cash holdings through Anoka County and maximize those holdings with an effective payment policy.
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 tax shall be used only for those projects and programs for which the need is attributable to the area being taxed.

## Capital Improvement Policies and Funding

Coon Creek’s Capital Improvement Program is intended to provide the Board of Managers and staff with a process for identifying and prioritizing capital projects in order to coordinate the financing and timing of improvements, which maximizes the return to the public. The process will enable the District to evaluate long-term cost and benefits of projects being adopted for the coming year against those projects planned between 2013 and 2023. The Capital Improvement Program follows the following policy:

### **Capital Improvement Policies**

1. A Capital Improvement Plan (CIP) will be developed for a period of ten (10) years and included in the District Comprehensive Plan. As resources are available, the most current year of the CIP will be incorporated into the current year operating budget as the Capital Improvement Budget (CIB). The CIP will be reviewed and updated annually. Years two through ten are for planning purposes only.

2. The District will maintain physical assets in a manner, adequate to protect the District's capital investment and to minimize future maintenance and replacement costs. The District will provide maintenance and replacement from current revenues where possible.
3. To be considered in the Capital Improvement Program, a project must have an estimated cost of at least \$5,000 in one of the calendar years of the project. Projects may not be combined to meet the minimum standard unless they are dependent upon each other. Items that are operating expense (such as maintenance agreements, personal computer upgrades, etc.) will not be considered within the CIP.
4. Capital projects which duplicate other public and/or private services will not be considered.
5. The District will identify the estimated costs and potential funding sources for each capital project prior to inclusion in the CIP. The operating costs to maintain capital projects shall be considered prior to the decision to undertake the capital projects.
6. Capital projects and/or capital asset purchases will receive a higher priority if they meet a majority of the following criteria:
  - a. Mandatory project
  - b. Maintenance project (approved replacement schedules)
  - c. Improve efficiency
  - d. Improve effectiveness
  - e. Elimination of Hazards (improves public safety)
  - f. Replacement due to disaster or loss
  - g. Policy area project
  - h. Prior Commitment (Comp Plan/ SWPPP)
  - i. Complete existing project
  - j. Positive effect on operation and maintenance costs
  - k. New Service or Facility
  - l. Availability of Local/State/Federal grants
7. The CIP is to be presented by the District Administrator annually to the Board of Managers for approval. This presentation will be pursuant to review and comment by the District's Advisory Committees. Any substantive change to the CIP after approval must be approved by the Board of Managers.

**Capital  
Improvement**

The District expects that the majority of Capital Improvement Projects will be funded through the District's Minnesota Statutes 103B authorities.

## **Project Funding**

The Metropolitan Water Management Act Fund levy covers the cost of implementing the projects and programs of the District as guided by this Plan.

The planned capital improvement projects to be funded through this plan and the estimated project costs are summarized in CIP later in the Implementation Plan. Each of these projects are described in more detail in that Section. The District will annually review its capital improvement plan to refine the schedule and costs of planned projects as needed.

A watershed district which has adopted a watershed management plan in accordance with Minnesota Statutes 103B.231 may fund capital improvement projects in a number of different ways including:

1. Using its ad-valorem authority under Minnesota Statutes 103B.241 to accumulate funds to pay for capital improvement projects identified in its watershed management plan,
2. Certify for payment by the county all or any part of a capital improvement contained in the capital improvement program of the plan, Minnesota Statute 103B.251.
3. Certification to Anoka County all or parts of a capital improvement project initiated by petition under Minnesota Statutes 103D including assessment levies against the benefited properties.

The District expects that the majority of Capital Improvement Projects will be funded through the District's Minnesota Statutes 103B authorities.

The Projects/Programs Fund levy covers the cost of implementing the projects and programs of the District as guided by this Plan. As discussed in the Administrative, Program, and General Project Funding section above, this levy varies in amount.

This Projects/Programs Fund allows the District to implement water and natural resource related programs, projects and capital improvements. The funds may be accumulated to pay for these projects and programs (Minnesota Statutes 103B.241).

The planned capital improvement projects to be funded through this plan and the estimated project costs are summarized in the Capital Improvement Plan. Each of these projects is described in more detail in that plan.

The District will annually review its capital improvement plan to refine the schedule and costs of planned projects as needed.

Funding for capital improvements may also be supplemented by outside grants and funding partnerships with municipalities or agencies as appropriate to the project.

Local government or District representatives often become aware of opportunities that arise within the context of an infrastructure or private redevelopment project. For water quality elements to be incorporated into the project, or to make use of the retrofit cost efficiencies that the project offers, action often must occur quickly. For these reasons, the District does not intend to undertake further formal amendments to this plan as individual projects are identified. Rather, the District intends to follow a set of steps in reviewing individual proposals that will ensure thorough review and a full opportunity for input from public agencies, watershed residents and other interested parties.

**Distribution of Budget Information**

Copies of the proposed budget are typically available to the general public beginning the second week in August in the offices of the District Administrator and District Clerk. Notices of the public hearings are published in the District’s official newspaper, the Anoka County Union, along with notices posted on public bulletin boards. Citizens are invited to provide written or oral comments at the public hearings.

The County Property Records and Taxation Division is required to notify each property owner of the impact of the proposed tax levy upon each individual parcel of property along with the final budget hearing date.

**Funding Strategy**

Program/ Activity	Property Tax	Water Management Fees <sup>1</sup>	Revenue Sources			
			Subwatershed Taxing District <sup>1</sup>	Special Assessment	Fees and Charges	Grants
Administration	*					
Development Regulation	*				*	*
Operations & Maintenance	*	*	*	*	*	*
Inspections	*	*	*		*	*
Bank Repair	*					
Channel Repair	*	*	*	*		

WQ Retrofit	*	*	*	*	*
Planning	*		*		*
Special Area Management Plans	*	*	*		*
Public & Governmental Relations	*		*		*
Research & Monitoring	*	*	*	*	*

<sup>1</sup> Subwatershed Taxing District: Watershed districts may establish a Subwatershed management district for the purpose of collecting revenues and paying costs of projects initiated under Minnesota Statutes section 103B.231, and Minnesota Statutes sections M103D.601, 605, 611, or 730 (Minnesota Statutes 103D.729).

**NOTE:** If the Board of Managers chooses to use this funding mechanism, the specific application or situation will be amended into the Comprehensive Plan.

## Program Costs

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10-Year Total
Administration	133,899	135,365	142,341	139,923	144,022	142,775	147,549	146,374	148,431	148,261	151,405	1,580,345
Develop Regulation	224,848	223,123	220,382	221,683	222,998	224,328	225,668	227,027	228,390	229,774	231,172	2,479,393
Operations & Maintenance	637,403	492,390	825,942	642,682	564,696	522,365	606,330	853,977	77,980	79,788	79,255	5,382,808
Planning	354,737	291,363	318,595	148,543	141,245	109,680	70,953	56,285	99,124	86,883	75,277	1,752,685
Public & Gov Relations	124,765	109,223	138,935	131,173	109,467	108,307	109,950	107,340	110,225	112,057	113,519	1,274,960
Research and Monitoring	69,770	65,008	61,783	66,051	66,759	72,073	64,214	79,863	69,506	70,859	82,041	767,928
<b>Total</b>	<b>1,545,421</b>	<b>1,316,470</b>	<b>1,707,977</b>	<b>1,350,055</b>	<b>1,249,187</b>	<b>1,179,529</b>	<b>1,224,664</b>	<b>1,470,866</b>	<b>733,656</b>	<b>727,623</b>	<b>732,670</b>	<b>13,238,118</b>