

PLYMOUTH FINANCIAL EXTRA

Welcome to the 2014 Financial Extra. Prudent financial management is a hallmark of the City of Plymouth. The city consistently adopts responsible budgets, which carefully balance core services and quality of life issues with thoughtful management of your tax dollars.

By sharing financial information about how your tax dollars are spent and how Plymouth compares to other communities, we continue to foster accountability and transparency in your local government. Like past Plymouth City Councils, we understand that it is only from a strong financial position that we can carry out the City of Plymouth's promise to add quality to life through strong neighborhoods, great parks, extensive trails, safe streets, beautiful open space, diverse businesses and well-planned developments.

Please take a few minutes to review the Financial Extra. If you have any questions, please contact us. Also, if you have ideas for items you would like to see featured in next year's publication, let us know.

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City of Plymouth submits first ever state bonding request

The City of Plymouth has submitted its first ever bonding request to the State of Minnesota – and city officials are keeping their fingers crossed for beginners' luck.

The city is seeking \$2.1 million for renovation of the Plymouth Ice Center. If successful in its request, the city would combine state funding with matching funds from the city to make federally mandated updates, as well as energy efficiency improvements at the popular ice arena.

Parks and Recreation Director Diane Evans said that the funding would also allow for the renovation and remodeling of the 17-year-old arena, which will help meet long-term demands for regional, state and national amateur sports. The total renovation is expected to cost \$4.2 million.

One of Minnesota's largest and busiest ice arenas, the Plymouth Ice Center serves more than 500,000 visitors



The City of Plymouth is seeking funding for federally mandated energy updates and renovation of the Plymouth Ice Center.

annually, including hockey and skating enthusiasts across the metro, region and state. The ice center hosts more than 20 tournaments a year that draw over 400 teams

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Plymouth maintains strong position among peer communities

The charts below show how the City of Plymouth compares to similar communities. Plymouth continues to have the lowest levy per capita of its peer communities. With the exception of Edina, Plymouth has maintained the lowest city taxes on a median value home. Finally, Plymouth's levy change between 2013 and 2014 is also among the lowest.

How Plymouth Compares

2014 City Tax on a \$255,500* Home

Brooklyn Park	\$1,568
Golden Valley	\$1,491
Bloomington	\$1,216
St. Louis Park	\$1,209
Maple Grove	\$1,020
Lakeville	\$997
Eagan	\$965
Minnetonka	\$942
Eden Prairie	\$862
Plymouth	\$734
Edina	\$688

*Taxable value of \$241,255

2014 Levy Per Capita

Golden Valley	\$845
Minnetonka	\$628
Edina	\$562
Bloomington	\$561
St. Louis Park	\$553
Eden Prairie	\$533
Maple Grove	\$506
Brooklyn Park	\$486
Eagan	\$448
Lakeville	\$415
Plymouth	\$402

Total Levy Change 2013-2014

St. Louis Park	3.5%
Bloomington	3.0%
Golden Valley	2.9%
Minnetonka	2.8%
Eagan	2.7%
Edina	2.6%
Lakeville	2.5%
Maple Grove	2.3%
Plymouth	2.0%
Eden Prairie	1.4%
Brooklyn Park	0.6%

City of Plymouth Levy Track Record



Plymouth's track record of levy changes, as shown above, is conservative. For the second time in five years, the city increased its levy. (The 2010 levy decreased .06 percent). This 2014 increase was needed to maintain service levels for police and fire service, street maintenance, snowplowing, trail and park maintenance, development oversight and other city services.

City Council adopts 2014 budget, CIP

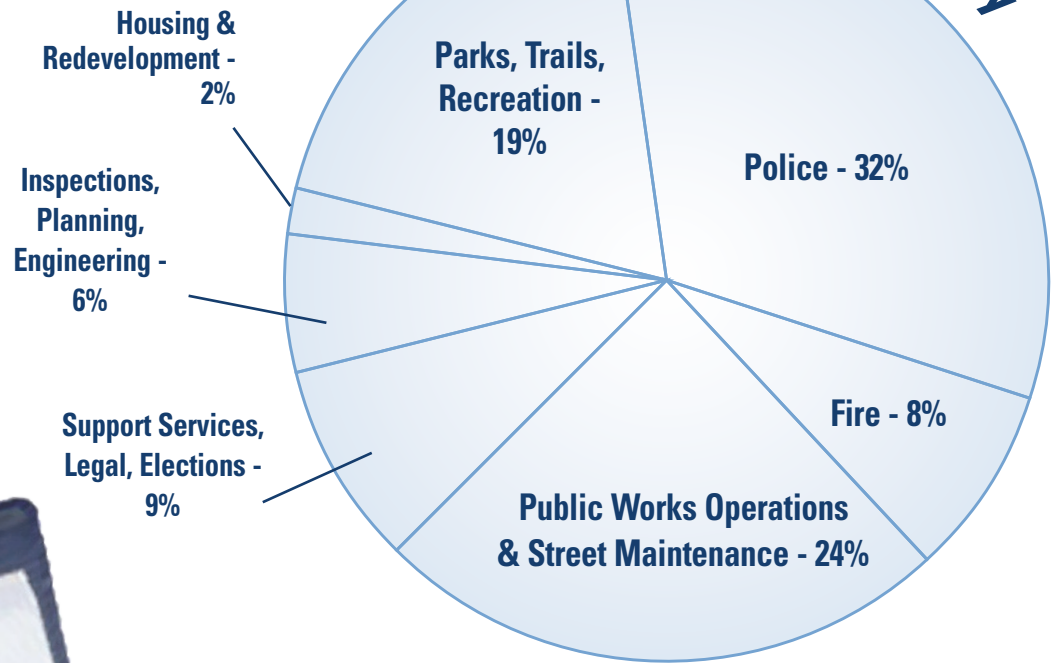
Plymouth City Council approved the final 2014 city budget and capital improvement plan last December. The budget focuses on the basics – delivering core services balanced with maintaining amenities that keep Plymouth attractive as a place to live and do business.

The city portion of property taxes pays for police and fire service, snowplowing, street maintenance, trail and park upkeep, recreation programs, community planning, housing programs and other local services. This year's budget included the addition of two police officers to address coverage issues and community growth.

Funding services in 2014 required a total levy increase of 2 percent. City Manager Dave Callister said the increase in the city's levy is the second in five years. The other three years, the levy was held flat or decreased. "The City Council was mindful of balancing the funding of expected city services with the impact on property taxpayers," said Callister.

Of the property taxes homeowners pay, the City of Plymouth receives about 22 percent. The remainder goes to the school district, Hennepin County and other taxing jurisdictions. The complete 2014 budget is available at plymouthmn.gov/financialreport.

Services Supported By Tax Levy



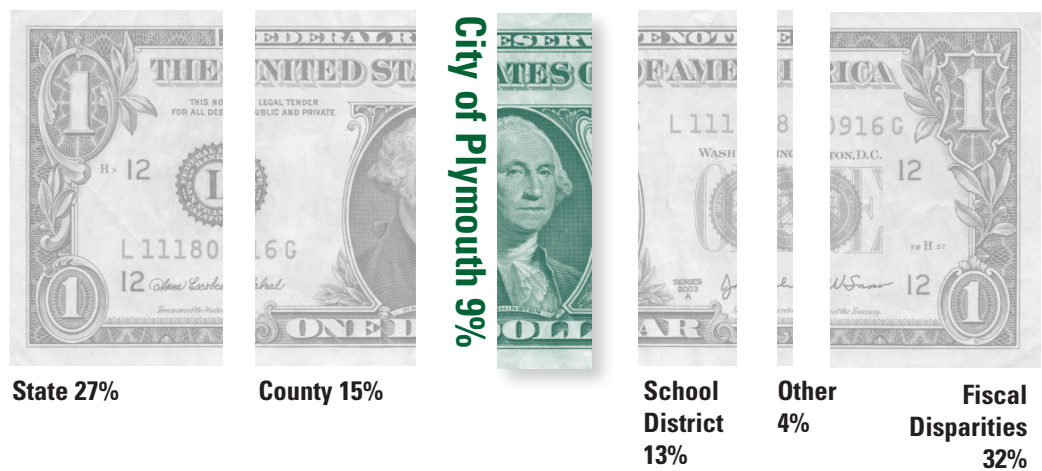
What City Tax Dollars Buy

City tax dollars buy an array of services – police and fire service, parks, trails, street maintenance and more.

Residential Property Tax Dollar



Commercial Property Tax Dollar



Learn more about the budget, CIP

The City of Plymouth prepares a biennial budget. The two-year budget strengthens forecasts and streamlines the budget development process.

Because Minnesota law requires cities to adopt a budget annually, the City Council adopts the first year of the budget and approves the second-year budget in concept. This cycle assists in long-term planning while allowing the City Council to adjust the second year's budget for mandates, unanticipated events or significant changes in the economy.

The City Council holds special budget study sessions throughout the year, and approves the final budget in December. All budget meetings are open to the public. The City Council also holds a public hearing to receive public comment at a regular council meeting in December.

In addition to the budget, city staff also prepares the Capital Improvement Program, a five-year projection of the capital replacement costs and additional capital which helps the City Council to prioritize large purchases, evaluate funding options and set aside the necessary savings to plan for the future.

More information about the budget and CIP – including full copies of each – is available online at the city's website, plymouthmn.gov/financialreport.

BY THE NUMBERS

39,594 tons of asphalt was applied to city streets
\$675,000 spent for asphalt to repair city streets
\$3.75 million spent on all street improvements
29,345 phone calls received by the Community Development Department

1,600 hours of activities were scheduled in the fieldhouse
35,902 hours were logged by paid-on-call firefighters
1,451 rental licenses were issued



Franchise fees on utility bills will help fund street projects

The Fees will Lessen the Impact of Street Projects on Property Taxes



Building and maintaining city streets is one of the most basic of city services – and it is also one of the costliest. That’s why the City Council spent more than a year looking at how to fund streets long-term and adopted a new franchise fee that will be used exclusively for street maintenance and construction.

The monthly franchise fee will be added to Xcel Energy, CenterPoint Energy and Wright-Hennepin Cooperative Electric Association bills starting May 1. Residential customers will be charged \$2 per month on each utility bill. Commercial fees will range from \$3 for smaller companies to \$40 for larger companies.

The franchise fee will be itemized as a city fee on utility bills. The money collected by the utilities will be directed to the City of Plymouth, where it will be deposited in the city’s street reconstruction fund. Franchise fees will generate about \$2 million annually for street projects.

Why Now?

Plymouth has 300 miles of aging streets that must be maintained. Within six years, available funding for street reconstruction will not be sufficient to meet needs.

Additionally, two major projects are on the horizon:

1. Peony Lane will be extended to Maple Grove in 2014 at a cost of \$13 million.
2. Vicksburg Lane, including a bridge over the Canadian Pacific Railroad tracks, will be reconstructed in 2015-2016. The price tag will be \$19.4 million.

Without a franchise fee, property taxes would need to go up significantly to cover the cost of upcoming street reconstruction. City Manager Dave Callister said that without the fees, the city would need to increase the city property tax levy by 7 percent just to cover upcoming street projects. That increase would need to be maintained in future years – and it would be in addition to any increases needed to provide other city services such as police and fire service, snowplowing, and park and trail maintenance.

If the city had opted to generate the \$2 million needed for streets through property taxes rather than franchise fees,

residential property owners would pay more than they will with the franchise fees. That is because franchise fees are charged to all properties, including those that are tax exempt – not just those that pay property taxes.

Increasingly Common Funding Source

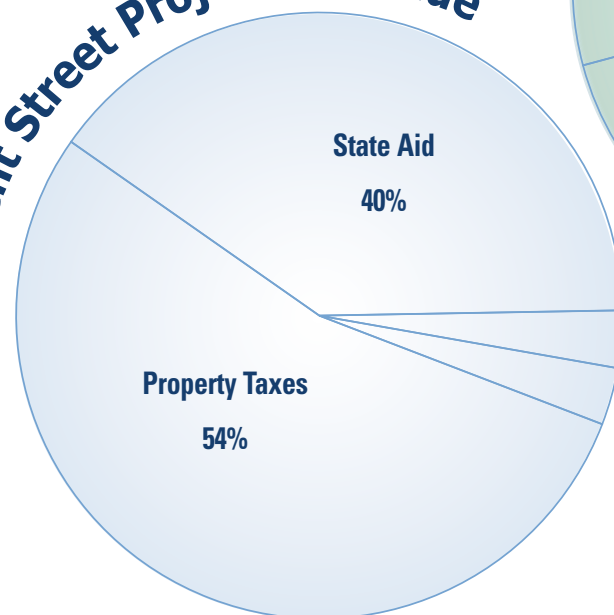
Plymouth is not alone in facing the dilemma of how to pay for street projects long-term. Many other cities have opted to implement franchise fees as a source of stable revenue. Among them are Eden Prairie, Edina, Golden Valley, Hopkins, Minnetonka and St. Louis Park. Plymouth’s fee of \$2 per utility is less than the average of \$2.11.

Callister said cities are turning to franchise fees for several reasons.

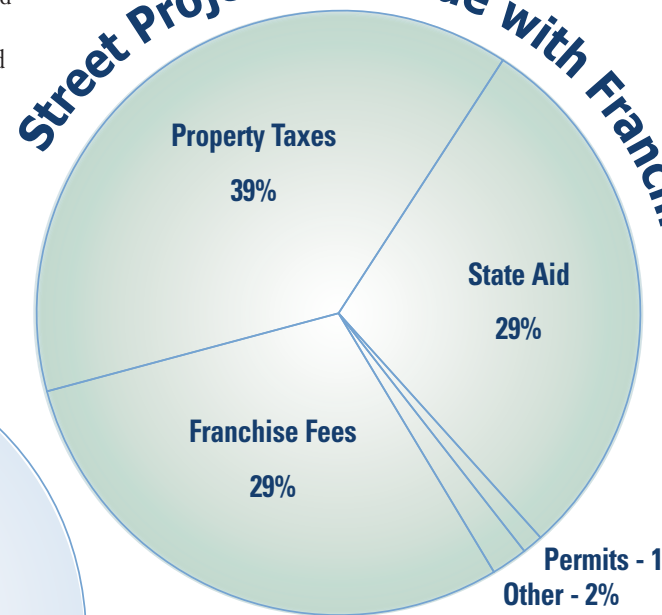
- Franchise fees provide a stable source of funding that takes the pressure off property taxes and helps minimize property tax spikes as cities seek to fund major projects.
- Franchise fees ensure that the cost of streets is shared with all who benefit from them – not just those who pay property taxes. “All property owners are charged franchise fees, including those that are tax exempt. It makes sense that all would pay because all properties add wear and tear to our streets and benefit from them,” said Callister.

- Adding franchise fees to the street funding mix diversifies the revenue stream. “The fees will give us three major streams of revenue to draw from rather than two. That translates to less reliance on property taxes and more stability for residents in their property taxes year-to-year,” Callister said.
- Franchise fees provide a reliable and steady source of revenue that is not affected by economic conditions. This ensures that the city can schedule regular maintenance that helps extend the life of streets and saves money in the long run. It also provides a funding mechanism for major projects like the reconstruction of Vicksburg Lane.
- The revenue from franchise fees is directly proportional to growth in population. Additionally, with franchise fees, new residents will contribute to street projects immediately as opposed to a one- to two-year lag in paying property taxes.

Current Street Project Revenue



Street Project Revenue with Franchise Fees



Bonding...from page 1

– about 300 metro teams and 100 regional and outstate Minnesota teams. Visitors to the arena contribute more than \$1 million a year to the regional and state economy.

The Plymouth Ice Center also serves as home ice to the Wayzata High School boys and girls hockey team, Providence Academy, Armstrong/Cooper Youth Hockey and Wayzata Youth Hockey Association, one of the nation’s largest hockey programs.

“The City of Plymouth has never requested bonding bill proceeds. In light of the \$63 million in requests from the cities of Rochester, St. Cloud and Mankato for their civic centers and ice arenas in the governor’s 2014 bonding bill, we believe our small request is justified,” said City Manager Dave Callister. “We have a larger population and more jobs than either St. Cloud or Mankato and consider our project to be of regional significance,” he added.

The ice center operates as a sustainable enterprise facility that covers its own annual operating costs and generates a surplus that pays for some smaller capital items. However, the facility requires some outside capital funding every 15 to 20 years for major capital outlays such as roof replacement and renovation. If granted, the \$2.1 million in state funding would help offset costs for these more major upgrades and renovations.



Visitors to the Plymouth Ice Center contribute more than \$1 million annually to the regional and state economy.

Callister added that Plymouth officials understand that the overall size of the bonding bill is a concern. “Still, we also owe it to local taxpayers to attempt to get back some of their hard earned dollars to benefit our community just as the rest of the state has benefitted in the past,” he said.



LGA? Not for Plymouth

Local Government Aid, commonly called LGA, is often in the news when the state legislature meets. The news stories typically follow whether LGA – financial aid provided to cities by the state legislature – is going to be increased or decreased. What those stories rarely mention is that not all cities receive LGA. This leaves people to assume that the state is sending all cities LGA. That is not the case.

Plymouth is among those cities that receive no LGA. The state eliminated Plymouth’s LGA more than a decade ago. To maintain service levels and accommodate growth, the Plymouth City Council must balance the budget with local financial resources.

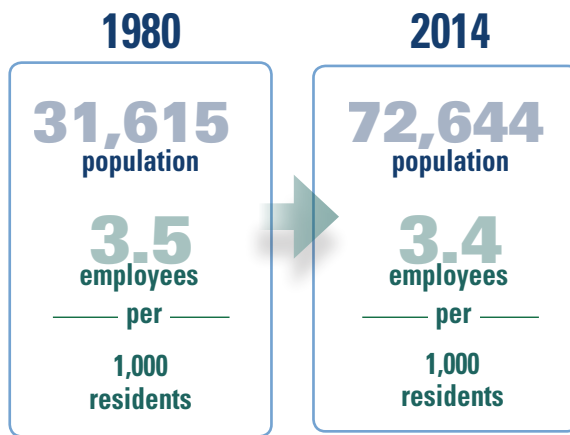
City maintains stable employee-to-population ratio

A lot has changed in Plymouth since 1980, but one thing has remained constant – the number of employees per 1,000 residents.

The blue bars on the chart below show that the number of employees has grown over the years, but what is telling is the red line. The red line tracks the number of employees per 1,000 residents.

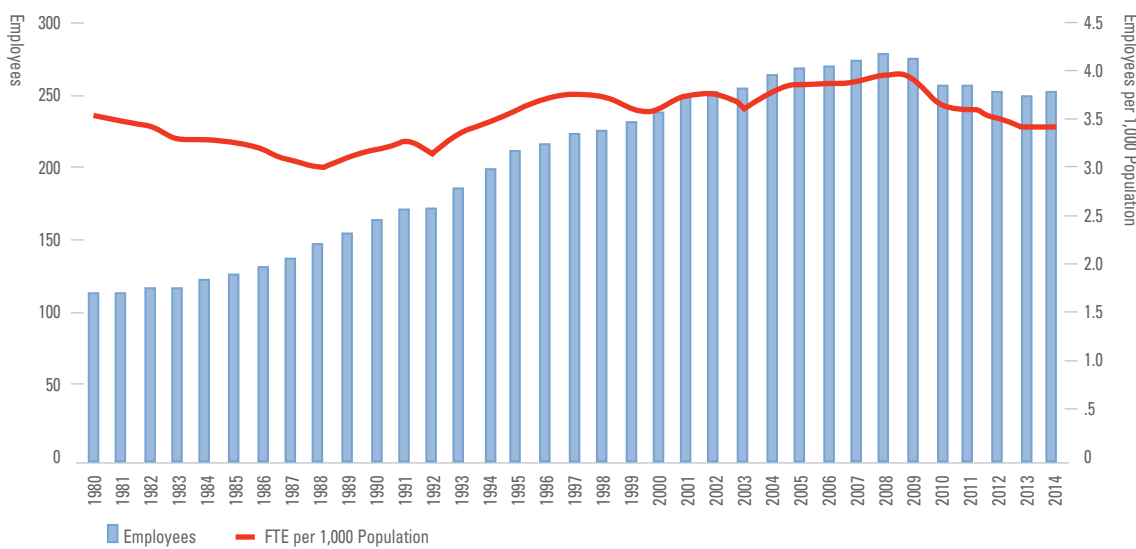
In 1980 when Plymouth had a population of 31,615, the City of Plymouth employed 3.5 employees per 1,000 residents. Thirty-four years later with nearly 73,000 people calling Plymouth home, the city employs 3.4 employees per 1,000 population.

City Manager Dave Callister said the population growth and the accompanying growth in public infrastructure – streets, water mains, sewer lines, trails and parks –



can strain staff resources. But, by implementing new technology and re-evaluating business practices, the city has been able to improve efficiencies and hold the line as the population has grown.

City of Plymouth Employees Per 1,000 Population



Ten-year CIP model to fit city's goal of responsible financial planning

When the city needs to repair a water tower, replace a facility's roof, purchase a new fire truck, renovate a lift station or invest in any other costly project – long-term budgeting and planning are necessary first steps. Like balancing family checking and savings accounts, staff and City Council need to prioritize large purchases, evaluate funding options and set aside the necessary savings to plan for the future through the use of the Capital Improvement Program – or CIP.



sources and prioritize projects to determine what needs to be built into the budget.”

For instance, if a family wanted to purchase a new vehicle or renovate a kitchen, it would have to budget accordingly. Anticipating future expenses and funding options, much like what is done in the CIP, would help the family to prioritize and plan ahead.

The CIP consists of a long-term projection of the capital replacement costs and additional capital needs. It does not give authority to spend, but assists with the preparation of the biennial budget by detailing upcoming capital expenditures by funding source. Proposed projects or equipment with price tags of \$25,000 or more are accounted for in the CIP.

“It helps us to plan in any given year how much funding we'll need for a project,” said Finance Manager Jodi Bursheim. “The CIP helps us to look at proposed funding

In prior years, the CIP included a five-year projection. But, to more efficiently plan for the future – and to account for shifts in development growth and tax base rates – the city will begin to look at budgeting and planning using a 10-year CIP model.

“In recent years, we've seen an increase in development projects and new tax base,” said City Manager Dave Callister. “Plymouth is growing and we're able to derive funds from building permits, which help us pay for capital improvements. However, we can't always rely on permit revenues. A 10-year CIP model will help us to set aside funding for the future when growth slows.”



City awarded certificate of achievement for financial reporting

Every year, City of Plymouth Finance Division staff compiles a year-end financial report – and for the past 30 years, they've done it exceptionally well. July 2013, the City of Plymouth was awarded the “Certificate of Achievement for Excellence in Financial Reporting” for the 30th consecutive year.

The certificate, which is the highest recognition that is available for government financial reporting, was awarded by the Government Finance Officers Association.

Promoting Transparency in Government

The annual financial report promotes transparency in local government by providing the public with detailed information on the city's financial status and practices. Detailed financial information for the Plymouth Housing and Redevelopment Authority is also included in the report. The full report is available on the city's website, plymouthmn.gov/financialreport.

Plymouth maintains top bond ratings

The City of Plymouth continues to hold the highest bond ratings possible from two rating agencies – and is one of only seven Minnesota cities to do so. Moody's Investors Service reaffirmed Plymouth's Aaa rating and Standard & Poor's did the same with its AAA rating for Plymouth.



The Aaa/AAA distinction makes Plymouth's bonds attractive to investors – and it saves tax

dollars. When the city needs to issue bonds, it can do so at the lowest interest rates. The reaffirmation came in 2012 as part of a bond refunding review, and the city has maintained it through 2013.

Besides Plymouth, only six other Minnesota cities have maintained the top rating from both firms. The other cities include Bloomington, Edina, Maple Grove, Rochester, St. Louis Park and Woodbury.

Because the rating agencies look at different aspects of financial health, city officials have opted to be rated by both agencies. Earning the highest ratings possible from both firms also added dimension to Plymouth's financial standing.

Moody's generally looks at the overall strength of a community's economic health, including growth, tax base, commercial-industrial development, redevelopment and use of tax increment financing.

Standard & Poor's examines the policies, processes and tools a city uses to manage its finances. It looks at items like fund balance policy, capital improvement plan, capital equipment replacement plan, park replacement plan, city council role in reviewing investments, and the public process for contracting with banks and financial advisors.

BY THE NUMBERS

1,253 individuals and groups follow the City of Plymouth on Twitter

3.2 billion gallons of water treated by the city

70 tons more recycled than in 2012

847 people toured the Plymouth Police Department

60 couples got married at Plymouth Creek Center's Millennium Gardens

10,164 permits issued by the Building Division

28 people graduated from the Public Safety Citizens Academy

13,194 people were estimated to have attended Music in Plymouth

\$676,776 was the value of volunteer efforts

3,114 times visitors rented ice skates at the Plymouth Ice Center

10,742 citations were issued by police in Plymouth

153 block parties were registered for Night to Unite

50 new street lights were installed

21,337 inspections were performed by the Building Division

