

Some city operations run like businesses

The Plymouth Ice Center hosts hundreds of hockey games and is a popular spot for recreational skating, speed skating and broomball. Its staff welcomes thousands of hockey, speed and figure skaters and fans annually. In spite of all this community activity, the Ice Center receives no money from property taxes.

Fees paid by Ice Center users cover all operating and capital costs. Your property taxes go to the general fund which pays for city services like police, fire, public works and administration. Plymouth also has a number of other operations that are supported solely by user fees. These are called enterprise funds and are operated more like a commercial business.

Along with the Ice Center, four other city programs operate as enterprise funds: sewer and water; recycling; water resources and the fieldhouse at Plymouth Creek Center. Other facilities like athletic playfields and the Plymouth Creek Center also generate revenue, but they are still subsidized by tax dollars.



Fees paid by Ice Center users cover all operating and capital costs at the arena.

Planning & Marketing

When the Plymouth City Council approved the initial plan for the Ice Center, it intended that the arena would be self supporting. Since the bonds used to pay for construction, all other costs have been covered by user fees and partner contributions. Even the loans to pay for the city's portion for the third sheet of ice will be repaid with Ice Center income.

With over two decades in the industry, Ice Center Manager Bill Abel knows the business of ice arena management. Like any business manager, Abel studies his competition and the trends of his market. He notes that, while many suburban arenas were built for high school hockey, Plymouth's arena also focuses on youth associations and spectator events. "We certainly don't downplay high school hockey," Abel said. "At the same time, the youth associations have been important partners and the hockey games and spectator events have paid for a lot of ice time." In fact, the Wayzata Youth Association teamed up with Providence Academy to provide financial support when the third sheet of ice was added four years ago.

While the main selling point for the Ice Center is its three sheets of ice, there's more to marketing an arena than adequate ice time. Planners for the Plymouth facility took this into consideration when designing the building. Meeting rooms, a comfortable, tiled

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City emphasizes financial sustainability

When it comes to financial and budgeting issues, sustainability has become a watchword in City Hall. Both city council and city staff have placed a priority on budget choices that will make sense for the long haul as they chart the city's course through rough economic waters.

The good news is Plymouth is starting from a stronger financial position than most cities due to decades of prudent financial management. Still, with decreasing revenues, lower property values and the State of Minnesota mired in financial problems, it's more important than ever that the City of Plymouth focus on long term fiscal planning and budgeting.

The theme of sustainability shows up in the 2010 budget, and it will make an encore appearance in 2011 and beyond, according to City Manager Laurie Ahrens.

Ahrens says that the city has had to make difficult budget choices in recent years – and she doesn't expect that to change. "We can't take one-time savings or use accounting gimmicks, and expect that it will be useful over the long term. We need to carefully balance our service levels, revenues, quality of life and the impact on the taxpayer."

Plymouth's 2010 budget included a levy decrease and trimmed services in all departments. It eliminated 14.6 full time equivalent positions in addition to the eight cut in 2009.

Coming to that 2010 budget was a long process as city staff prioritized every program and service. "In our analysis of services and programs, we were clear that we did not want to shave everything and be mediocre. We made strategic decisions about what and where to trim and cut," Ahrens said.

That strategic perspective of carefully allocating valuable tax dollars to competing services and programs is the new normal, according to Administrative Services Director Cal Portner.

As Plymouth fleshes out the 2011 budget, it will face tight constraints. Revenues have declined as development has slowed, property values are lower and the state is busy contending with its own problems. "We haven't been able to count on promised reimbursements from the state in recent years. With the massive shortfall the state faces over the next biennium, it's not likely to improve," Ahrens said.

"We'll continue to focus on core services. We want to make sure that what we do, we are doing well," said Portner.

City officials know that residents expect quality core services as well as the amenities that make Plymouth special. "That's why people chose Plymouth as their home. It's important for our long-term financial health that we maintain that quality and vibrancy. In doing things differently and trimming services, we must remain a city that draws people," Portner said.

There is a significant cost to providing just the basic services such as police and fire service and street maintenance. "Much of what we deal with is static. We can't reduce the number of streets that need to be plowed or how many people require public safety services," said Portner.



The city sought private donations and used volunteer help to make phase two of the Millennium Garden a reality. The Rotary Club donated money and time to the project.

Strategies

Plymouth will employ several strategies as it navigates the tricky economic waters ahead.

Strong Financial Position: In addition to carefully weighing services and their costs as it hammers out the budget in coming months, Plymouth will also take pains to ensure that it maintains its strong financial position. This allows the city to issue bonds at the lowest rate possible, saving taxpayers significant dollars in interest paid on the bonds.

Technology: The city will continue to implement technology that streamlines business practices.

Collaboration: The city will stretch taxpayer dollars by partnering with volunteers and collaborating with schools and other agencies when possible.

Grants: Plymouth will continue its practice of seeking grants that are compatible with city goals.

Infrastructure Investment: The city will keep investing in infrastructure maintenance and replacement to maximize the life of streets, water mains, sewer lines and other assets. This helps avoid more costly repairs later.

Donations: When appropriate, Plymouth will seek private support from individuals and businesses to fund community amenities as it did with phase two of the Millennium Garden.

Less with Less: The city will continue to weigh programs against available revenue and resources, and, when necessary, reduce or eliminate services.

Ahrens says that as elected officials and staff look ahead, they also look to the past. "We are mindful that past elected officials and staff have laid a strong financial foundation. This has given us options today that many communities don't have. Our goal is to continue that tradition so that people in the future have options during difficult times," said Ahrens.

Property taxes in brief

At times the city gets calls from residents who want to better understand how property values correlate to their property taxes.

What Property Taxes Fund

First, it's important to know that not all property taxes go to the city. Of each residential property tax dollar, the city receives about 25 percent. The remainder goes to the school district, Hennepin County and other taxing jurisdictions. Of each tax dollar commercial-industrial property owners pay, 10 percent goes to the city.

The city portion of your property taxes cover the cost of police and fire service, street maintenance, trail and park upkeep, recreation programs, community planning, housing programs, snowplowing and other local services. The city's portion also covers bond payments for projects such as street reconstruction, or for voter approved bonds such as acquiring open space and building facilities like the Plymouth Creek Center.

How much the city will levy for taxes is based on the amount of money needed to pay for services and to make bonded debt payments.

How Your City Taxes are Determined

Based on a formula devised by the state, the cost to provide city services is divided among property owners. Property values determine how the tax levy will be distributed and your share of the community's property tax bill. Because property taxes are an ad valorem tax, the higher your home value, the more taxes you will pay.

How Your Taxes Change

In broad terms, property taxes change due to four things.

- 1) Changes in your property value relative to other similar properties.
- 2) Shifts in the strength of the residential real estate market as compared to the commercial market.
- 3) The amount levied by the city, county, school districts and other jurisdictions.
- 4) Changes enacted by state lawmakers.

Value: If your value increases more than the average value increase of other properties in Plymouth due to home improvements or for some other reason, you will assume a greater share of the tax bill. Likewise, if your value goes down compared to similar properties, your tax bill will decrease relative to similar properties.

Market: Because both residential and commercial properties pay property taxes to fund city services, the property tax burden shifts, depending on each market's strength. For instance, if residential values are surging and commercial values are lagging, residential properties on the whole will pick up a greater share of the overall tax burden than commercial properties. The reverse is true when residential market values are declining, but commercial values are strong.

State Law: Changes to property classifications enacted by the state legislature can also affect your property taxes.

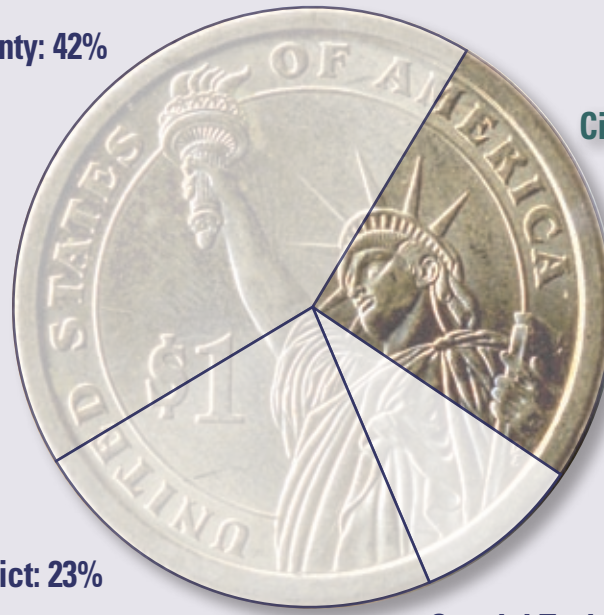
PROPERTY TAX DISTRIBUTION*

Hennepin County: 42%

City of Plymouth: 26%

School District: 23%

Special Taxing Districts: 9%



*Residential Property Tax Distribution

HOW PLYMOUTH COMPARES

City Tax on \$279,400 Home	Estimated 2010 Tax	More (Less) than Plymouth
Edina *	\$633	\$(92)
Plymouth	\$725	\$-
Eden Prairie	\$817	\$92
Eagan *	\$850	\$124
Minnetonka *	\$862	\$137
Maple Grove	\$953	\$228
Lakeville *	\$1,032	\$306
St Louis Park	\$1,077	\$351
Bloomington	\$1,110	\$385
Apple Valley *	\$1,113	\$388
Brooklyn Park	\$1,349	\$624

* Tax capacity rate does not include an HRA levy.

2010 Levy per Capita

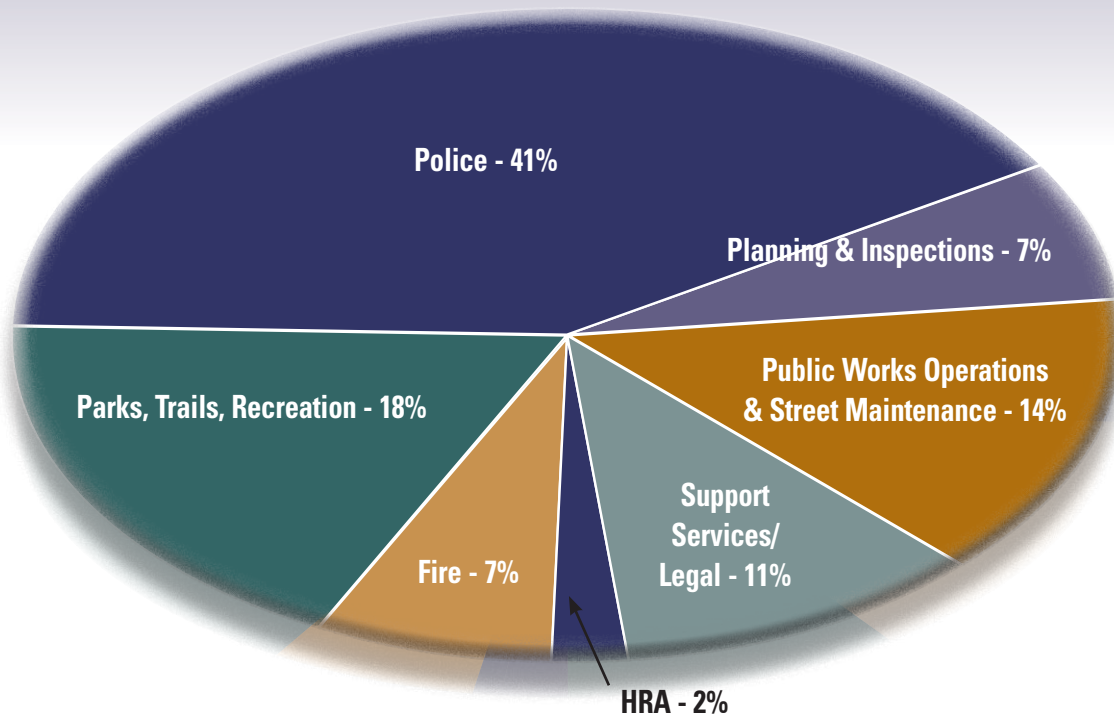
Plymouth	\$384
Eagan *	\$399
Brooklyn Park	\$417
Apple Valley *	\$425
Lakeville *	\$425
St Louis Park	\$476
Maple Grove	\$495
Eden Prairie	\$497
Edina *	\$517
Bloomington	\$523
Minnetonka *	\$547

* Tax capacity rate does not include an HRA levy.

Debt per Capita

Eagan	\$384
Eden Prairie	\$422
Plymouth	\$434
St. Louis Park	\$587
Apple Valley	\$786
Bloomington	\$836
Brooklyn Park	\$960
Edina	\$1,478
Maple Grove	\$1,759

WHAT CITY TAX DOLLARS BUY



Monthly Costs to Residents

AVERAGE HOMEOWNER'S CHECKBOOK REGISTER	
Police	\$32.28
Fire	\$ 5.51
Parks/Trails/Recreation	\$14.17
Public Works Operations & Street Maintenance	\$ 11.02
Inspections/Planning/Engineering	\$ 5.51
Support Services/Legal/Elections	\$ 8.66
Housing & Redevelopment	\$1.57
Total	\$78.72

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

Operations run like businesses... from 1E

lobby with roomy concession space and Wi-Fi internet connection are just some of the amenities that make Plymouth's ice arena stand out.

Even a first class facility has to stay competitive in the marketplace. That means keeping the cost for ice time in line with other facilities. Abel can rattle off the per hour rates at the arenas throughout the west metro area. He is also keenly aware that the operation relies solely on income to stay in the black. That is easy through the winter months. It's not so easy during the spring, summer and fall.

That's when the real marketing begins. Through websites and even direct marketing over the phone, Abel works to fill the arena's schedule to make sure the bills are paid. He rolls out the red carpet for tournament and spectator events. The sparkling clean locker rooms and rest rooms and climate controlled meeting rooms with piped-in announcements are just some of the features that draw teams and organizations. Able doesn't have the flexibility of using property tax dollars like some other area arena managers. "When you have to rely on the use of the facility to pay the bills, you have to make sure it's

one that attracts users," Abel said.

Although revenue from renting ice time makes up the majority of the facility's income, other revenue sources are not overlooked. Concessions, vending and the sale of advertising space – both in the rinks and in the lobby – are some of the other valuable revenue streams. Together, these revenue streams have made it possible for the Ice Center to pay for ongoing operations and build up funds for repairs and improvements.

Community Profits from Enterprises

The Ice Center became the model when the fieldhouse at Plymouth Creek Center was developed. It too is operated as an enterprise fund and receives no tax support. Even though its rates are among the lowest in the area, they are set to keep the facility fiscally solvent.

In spite of all the parallels with businesses, there is one area that sets these facilities apart. Their "profit" is measured in service to the community. Low-cost recreational skating, free indoor walking and community meeting rooms are just some of the community benefits these facilities provide.

Reserve funds bridge gap in city cash flow

The topic of city reserve funds are occasionally in the news as state lawmakers discuss state funding for cities. Reserve funds play an important role in providing city services without interruption. Here's why.

Like an individual who tries to keep a minimum balance in a checkbook from one pay period to the next, the City of Plymouth has a cash flow cycle that requires a minimum balance or savings account of sorts. This set aside money is called the fund balance. It helps the city pay bills and salaries until revenue begins to come in.

The city's general fund, the largest fund in the budget and main source of operating revenue for the city, is like the city's checkbook – it contains the fund balance. The general fund has two major sources of revenue – property taxes and permit fees.

The city's general fund revenue is typically very light during the first six months of the year. While property owners send in property tax payments twice a year, in April and October, Hennepin County typically does not send property taxes it has collected on the city's behalf to Plymouth until 8 to 10 weeks later. That revenue usually arrives in the city's general fund in late June/early July and late November/early December.

Permit fees, the city's second largest revenue source, typically do not pick up until the construction season begins. This leaves a period from March through June in which the city receives very little revenue.

To address these times between "pay periods," the city maintains a fund balance equal to 40 percent of the general fund budget. This allows the city to fund fire, police, street, park maintenance service without interruption throughout the year.



City times refinancing to market

It's not only homeowners who have been taking advantage of low interest rates to save a bundle as they refinance mortgages. The city recently took advantage of historically low interest rates as it refinanced more than \$4 million in general obligation bonds. The move will save taxpayers nearly \$300,000 in interest over the life of the bonds. As part of the refinancing process, Moody's Investors Services reaffirmed Plymouth's bond rating as Aaa, the highest rating possible.



Snowplowing: Maximizing tax dollars requires monitoring and evaluation

Some city services may seem routine, but all of them require constant monitoring, evaluation and planning to ensure that residents receive the most for their tax dollar. Snowplowing is a prime example. Managing snow and ice removal operations requires budgeting and planning during the off season as well as making many day-to-day decisions each winter that have a large budget impact.

Public Works Director Doran Cote and Street Supervisor Gary Smith weigh many factors as they plan for the \$1 million snow and ice control operations each year. As they plan, they must play the roles of weather forecaster, operations manager, customer service representative, and even chemist to balance service, safety and cost.

In planning for the annual budget, one of the most basic decisions Smith has to make is determining how many times he will have to make a “full snow removal call-out.” A full call-out is one in which the city uses all of its drivers and equipment as well as contract drivers and equipment to clear all 290 miles of city streets. Typically, a snowfall of 2 ½ inches or more triggers a full call-out. The goal is to have the roads cleared within eight to ten hours.

In 2010, the city planned for seven citywide plows. A full call-out costs between \$40,000 and \$50,000 each time, according to Cote. “Given the cost, it’s not a decision that we make hastily. We do our best to time it right and use the right chemicals for the conditions,” he said.

“In Minnesota, we just never know. We don’t want to over budget nor do we want to under budget. We have to rely on past experience to make a determination,” Cote said. If the city loses its bet on how many storms Mother Nature will deal Plymouth, funds must be reallocated from other public works areas to make up the difference.

In addition to seven large storms, the Streets Division budgets for about 25 lesser snowfalls each year. In those cases, Plymouth relies on city drivers, who focus exclusively on main and secondary roadways.

How and where to use contractual plows and personnel is another area that Smith must monitor. Each year, he evaluates whether he has the right combination of full-time city plow drivers and contractor drivers. Determining the right mix comes down to balancing service, economics and year-round work load.

The city complements its 22 snow plow operators, who mostly work in large city vehicles, with 25 contract drivers and who operate five large contract plows and 20 one-ton pick ups with plows. Contractors clear roads in northwest Plymouth and plow the lion’s share of Plymouth’s time consuming cul-de-sacs. Each of the city’s 800 cul-de-sacs takes 8 to 12 minutes to plow –

over 150 hours. In 2010, Cote expects to spend about \$240,000 for contractual snow removal.

City snow plow operators have other maintenance jobs working in the streets, parks and sewer and water divisions when they aren’t behind the plow. It is a balancing act to size the crew to do the necessary plowing and have plenty of work for them at all other times, according to Smith. He points out that contracting for nearly a quarter of the snow plowing for a major snow fall is the most efficient way to even out the staffing needs.

Cote also looks closely at equipment costs as he manages the city’s fleet. He must ensure that vehicles and equipment are accounted for in a replacement schedule and the capital equipment budget.

Cote and Smith also look for ways to extend the life of equipment. They are currently testing a new rubber-coated, carbide cutting blade on a single plow. The cutting blade is the six inch piece on the bottom of the plow. While the carbide blade has a price tag of about twice that of the traditional steel blade, it is expected to last about three times as long as the traditional blade while being quieter, easier on the pavement and more effective at cleaning the street. If the blade lives up to its manufacturer’s claims, the city may consider making an up front investment to save in the long term, according to Cote.

The cost of chemicals is another significant factor in snow and ice control operations. Plymouth will use about 4,000 tons of salt in 2010 at a cost of \$220,000 to \$250,000.

For both financial and environmental reasons, the city tries to reduce salt use. Workers recalibrated salt applicators this year to prevent too much salt from being spread on roadways. In addition, all drivers are trained about the importance of applying the appropriate amount of salt as well as how it negatively affects surface water quality.

Smith explains that rock salt, the most commonly used salt, requires liquid to melt ice. The city took an important step to reduce salt use when it purchased “pre-wetting” units for all large snow removal trucks a few years ago. The units were purchased after a test period demonstrated that applying a pre-wetting solution reduced the amount of salt needed by as much as 30 percent. “We invested in the units because the reduced chemical costs more than make up for the cost of additional equipment in the long run,” Smith said.

Smith also keeps a close eye on weather reports. Temperatures and other conditions dictate whether rock salt will do the job or whether he must make the call to use more expensive chemicals that work better in colder weather. “We need to make the best call for each storm and be alert to changing conditions,” he said.

Plymouth maintains strong financial standing

Plymouth’s prudent financial management is borne out by audits, bond ratings and a string of national awards.

Bond Rating: The City of Plymouth holds the Aaa bond rating, the highest possible, from Moody’s Investors Services. Nationally, thousands of jurisdictions are rated, but only 101 cities (7 in Minnesota) have achieved the Aaa rating. Organizations rated Aaa can borrow money at the lowest rates, saving taxpayers tens of thousands of dollars.

Debt: Plymouth has a low debt per capita compared to other cities. Plymouth has \$434 per capita in debt. The national median is \$1,391, according to Moody’s.

Audit: The City of Plymouth’s annual audit yielded an unqualified opinion, the highest assurance a Certificated Public Accounting firm can issue.

National Awards: Plymouth has earned 26 consecutive years of national recognition from the Government Finance Officers Association for excellence in financial reporting.

Fees pay for some city services

Rather than solely relying on property taxes, fees pay for the entire or partial cost of some basic city services. Among those are sewer, water, recycling, recreation programs, building inspections, planning services and surface water quality projects. When the city council considers providing city services, it looks at whether user fees are a sensible, fair and feasible way to pay for all, some or none of the cost of providing the service. Sometimes fees work well; sometimes they don’t. One thing is certain though, the city does not use fees to generate revenue in excess of what is needed to provide the service. Under state law, when a city charges a fee for a service, the fee may not exceed the cost to provide the service.

Automatic pay offers convenience

Is writing out bills a time-eating task you’d like to eliminate? Sign up for automatic bill pay for your city utility bill. About a quarter of city utility customers have already opted for its convenience.

With the auto pay option, the bill amount is automatically deducted from your bank account. The city will send you a statement showing the amount and the date the funds will be withdrawn.

Convenience drives the decision to sign up for auto pay, but those who use it can also take satisfaction in knowing that they are streamlining city operations by reducing the number of bills that must be processed manually.

To learn more about automatic utility bill pay, visit the city website or call 763-509-5333.