

RESOLUTION NO. 2014 -

RESOLUTION ADOPTING 2015 WATER, WASTEWATER, STORM WATER, SOLID WASTE, GOLF, and ICE GARDEN ENTERPRISE FUND BUDGETS

WHEREAS, it is the policy of the Bloomington City Council to formally adopt budgets of the general, special revenue, internal service and enterprise funds and,

WHEREAS, the City Council desires to adopt budgets on a basis consistent with generally accepted accounting principles and,

WHEREAS, these budgets are constructed to meet their working capital goals and,

WHEREAS, the Finance representatives have presented the City Manager's proposed Water, Wastewater, Storm Water, Solid Waste, Golf and Ice Garden Enterprise Fund Budgets for the fiscal year commencing January 1, 2015;

NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE CITY COUNCIL OF THE CITY OF BLOOMINGTON, MINNESOTA, that a 2015 budget for Water Enterprise Fund is hereby approved as follows:

TOTAL REVENUES	\$ 12,714,246
TOTAL EXPENDITURES	\$ 12,732,423

BE IT FURTHER RESOLVED, that a 2015 budget for the Wastewater Enterprise Fund is hereby approved as follows:

TOTAL REVENUES	\$ 10,654,506
TOTAL EXPENDITURES	\$ 10,528,723

BE IT FURTHER RESOLVED, that a 2015 budget for the Storm Water Enterprise Fund is hereby approved as follows:

TOTAL REVENUES	\$ 5,195,976
TOTAL EXPENDITURES	\$ 6,449,545

BE IT FURTHER RESOLVED, that a 2015 budget for the Solid Waste Enterprise Fund is hereby approved as follows:

TOTAL REVENUES	\$ 1,704,872
TOTAL EXPENDITURES	\$ 1,958,891

BE IT FURTHER RESOLVED, that a 2015 budget for the Golf Enterprise Fund is hereby approved as follows:

TOTAL REVENUES	\$ 1,618,990
TOTAL EXPENDITURES	\$ 1,885,467

BE IT FURTHER RESOLVED, that a 2015 budget for the Ice Garden Enterprise Fund is hereby approved as follows:

TOTAL REVENUES	\$ 1,444,950
TOTAL EXPENDITURES	\$ 1,636,737

Passed and adopted this 1st day of December, 2014.

Mayor

Attest:

Secretary to the Council

Request for Council Action

Originator Finance	Item Resolution Approving 2015 Enterprise Fund Budgets		#
Agenda Section Organizational Business	By	Approved	Date December 1, 2014
Description			

The Council is asked to adopt a Resolution approving the following Enterprise Fund Budgets:

- Water
- Wastewater
- Storm Water
- Solid Waste
- Golf
- Ice Garden

Enclosed with the agenda materials are the detailed budgets as recommended by the City Manager.

Requested Action

Adopt a Resolution approving the 2015 Water, Wastewater, Storm Water, Solid Waste, Golf and Ice Garden Enterprise Fund Budgets.

Council Action

Motion by _____ Second by _____ to _____



December 1, 2014

2015 & 2016 PROPOSED BUDGETS ENTERPRISE FUNDS

- **Water**
- **Wastewater**
- **Storm Water**
- **Solid Waste**
- **Ice Garden**
- **Golf**

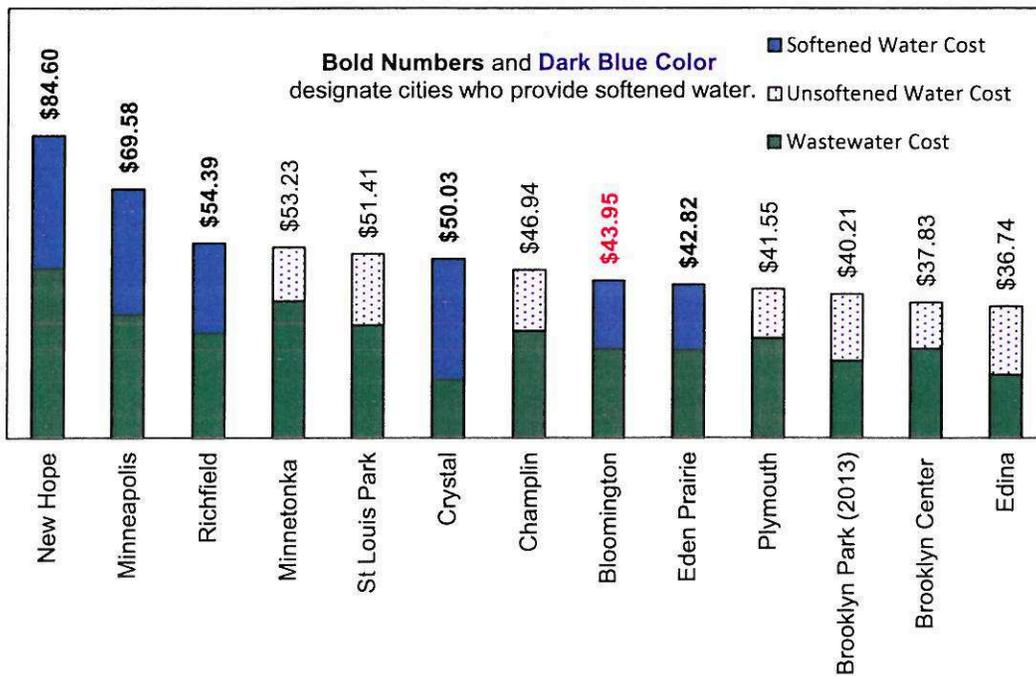
FUND 510 - Water Utility

This fund accounts for the costs related to the operation and maintenance of the City-owned water system. One objective that the City endeavors to meet through this utility is to provide an adequate supply of potable water, which meets or exceeds all federal and state quality standards, at a rate that compares favorably to the rates charged by other metropolitan area cities supplying softened water. Revenues and expenditure activities within the fund include the following: administration; customer service; supply and treatment; and distribution and storage.

Rate Comparisons

As noted in the chart below, Bloomington's cost to provide water to our customers are among the lowest in the area. Comparatively speaking, Bloomington still continues to provide quality softened water at a relatively low cost. A further discussion on current and recommended water rates will follow in the Tiers and Rates section.

2014 Rate Comparison for 7,500 gallons



Water Supply from Minneapolis

Currently, the City has an agreement with the City of Minneapolis to provide water to Bloomington to augment the City's supply. The twenty-year contract was signed in 1997 and utilizes a 5-step declining block scale based on the current years Minneapolis residential rate. During peak use months the total demand for water exceeds our ability to provide water produced at our own water treatment plant and we purchase additional amounts from Minneapolis at a discounted rate (steps 2-5 of the contract). The contract commits Bloomington to purchase a **minimum** of 2 million gallons on average each day, or approximately 750 million gallons of water per year. For example, using the 2014

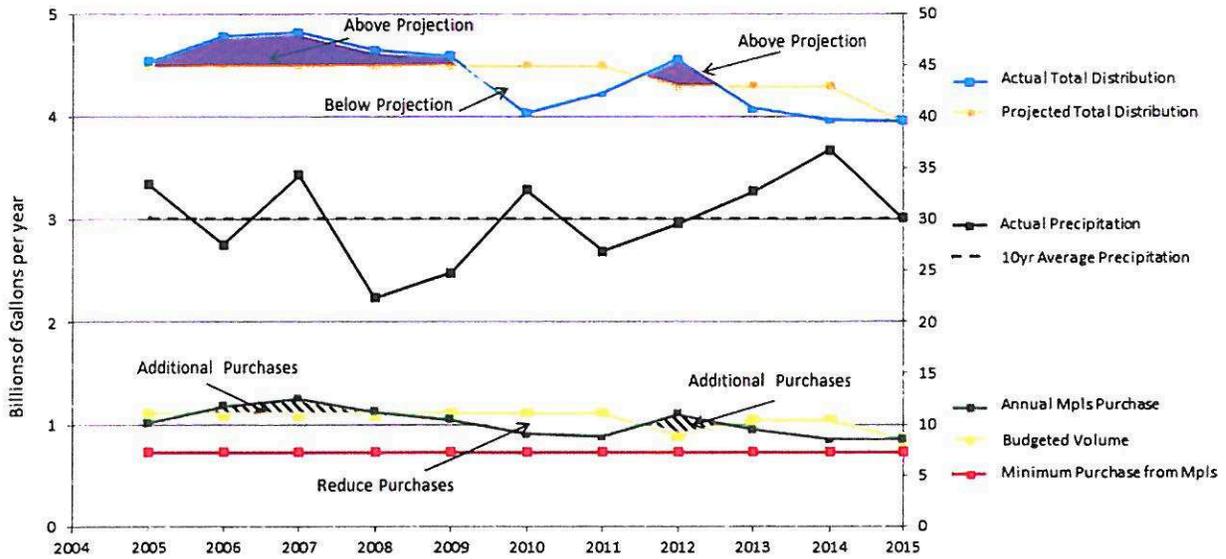
Minneapolis rates, the cost to purchase the minimum amount of 750 million gallons would be \$3,198,021, or \$4.26/1000 gallons. The cost to purchase 850 million gallons, the predicted amount to be purchased in 2014 would be \$3,391,252, or \$3.99/1000 gallons. And finally, using the average purchases over the last 5 years (931 million gallons at 2014 prices) the cost would be \$3,466,860, or \$3.72/1000 gallons. The more water purchased from Minneapolis each year results in an overall lower cost per unit to the City.

After the current contract expires in 2017, it is anticipated that Bloomington will enter into another long-term contract with Minneapolis to provide us with the additional water needed to augment our own supply. It should be noted that Minneapolis no longer utilizes multi-stepped contracts such as our current one. We anticipate a single step rate, based on the cost of service model they have recently developed, to be utilized when the next contract has been finalized. This would be consistent with how the most recent contracts with the other suburban customers who rely on Minneapolis water have been negotiated. While it would be hard to predict at this time by how much, the City should anticipate our overall cost to purchase water from Minneapolis to continue to rise, and this expectation has been factored into our rate recommendations going forward, specifically in Tier 2 rates. There is further discussion on this in the Tiers and Rates section that follows.

Previous engineering studies have indicated the costs to build a new, or greatly expand the existing water plant, develop an additional source water supply (likely the Minnesota River), and install the infrastructure needed to convey the raw water to a new plant would be extremely cost prohibitive at this time. If future technological advances allow for different, or more economical ways to make up for the difference in what we currently can produce and what is necessary to buy from Minneapolis we may want to revisit this matter.

Overall, water usage in 2014 was lower than normal due, in large part, to a very long winter, a late spring along with the cooler and wetter conditions experienced this summer, and now snow in November. Expenses of \$3,391,252 are estimated for 850 million gallons of water purchased from Minneapolis in 2014. In 2015, that amount is expected to be \$3,407,510 for another 850 million gallons of water (reflects 2014 purchase), and assumes a 1.51% increase in the Minneapolis rate for 2015. For 2016, we are budgeting to purchase another 850 million gallons of water from Minneapolis, at a cost of 3,458,066 (a 1.48% increase over 2015). These projected volumes are derived using the most recent year's (2014) experience of water purchased from Minneapolis, with the intention of budgeting on the conservative side this next 2-year cycle, as we continue to refine and adjust the rate structure as well as the tier rates. Please note on the graph below the decline in overall water usage over the last 10 years. While the variations in predicted annual use, both over and under, are part of the normal weather cycles we build into our long-term models, it is readily apparent that customer use is showing a downward trend. We have used this information to augment our forecasts for 2015 and 2016. More discussion on this can be found in the Tiers and Rates section.

10-Year Average Total Water Distribution

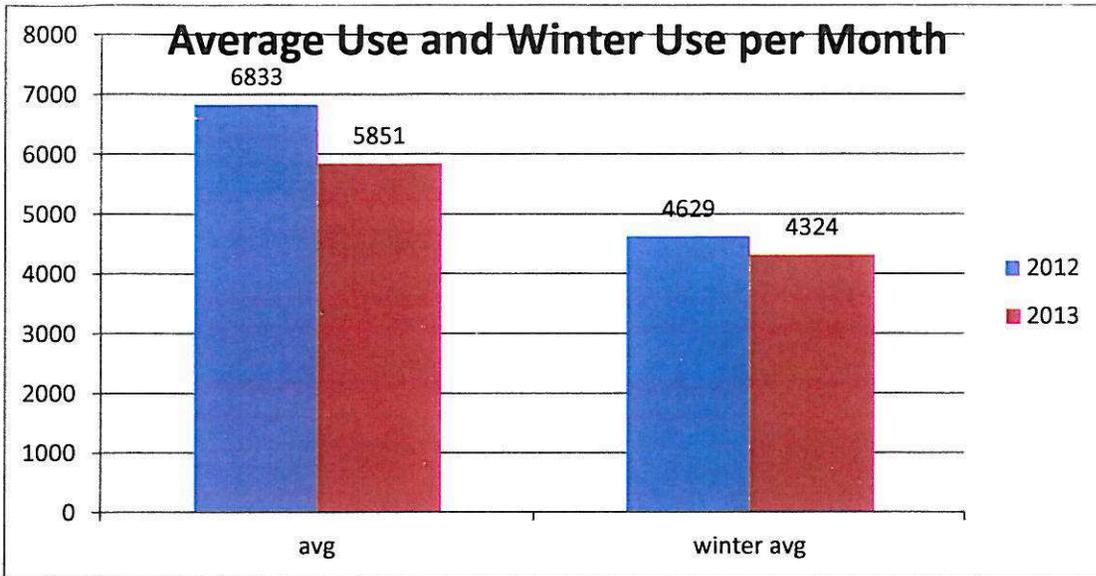


* For 2015 all volumes are projected based on historic averages.

As previously mentioned, for 2014 Bloomington will purchase just about 850 million gallons of water from Minneapolis at an estimated average annual unit cost of \$3.99 per one thousand gallons of water purchased. This unit cost reflects all associated costs for Minneapolis to treat and transport their water to our reservoirs, ready for our use. For comparison, Bloomington’s cost to produce water in 2013 was \$1.22 per one thousand gallons, up from \$1.01 per one thousand gallons in 2012. The increase in the unit cost is due to several capital improvements at the City’s water treatment plant and municipal wells in 2013. These unit costs do not include the electrical costs associated with pumping the treated water from the water plant, or the operational, maintenance, repair and capital replacement costs associated with the City’s water distribution system. Total gallons produced by the City were 3.461 billion gallons in 2012 and 3.142 billion gallons in 2013.

Tiers and Rates

In 2014, the Tier 1 rate of \$2.56 per 1,000 gallons allowed for up to 10,000 gallons per month for a single family residence. The average monthly water usage, based on 2012 and 2013 residential use data was 6,833 gallons and 5,851 gallons respectively. For comparison purposes, the actual monthly winter average in 2012 was calculated to be 4,629 gallons per month, and in 2013 it was 4,324 gallons per month. All metered usage, including irrigation that is above the Tier 1 threshold, is charged at the Tier 2 rate. The difference between average monthly residential usage and the current Tier 1 rate cap still allows for lawn sprinkling or other types of outdoor water uses.



As a result of wanting to strengthen the conservation effects of the tiered system, staff recommends assuring we achieve full-cost recovery of all aspects associated with Minneapolis water purchases, including the operations and maintenance and degradation impact costs associated with utilizing up to 25% of their water within the City's distribution system annually, as well as more closely aligning our conservation tier costs to our neighboring communities. In addition, the Water Fund needs to build the capital reserves as we embark on future asset renewal, as well as to buffer future rate increases. To do so, the recommended Tier 2 rate is proposed to be increased beyond the CPI to more closely align it with the actual costs associated with operating and maintaining the system now, and provide sufficient capital reserves to systematically renew our aging water system.

For 2015, we have modeled the estimated cost to purchase Minneapolis water to be \$4.01 per unit at 850 MGY. Any water purchases above 850 MGY would result in additional revenues to the City, which would exceed the costs to purchase the water, and will help to offset the costs to operate and maintain, and eventually renew the infrastructure related to the City's connections to the Minneapolis water system, as well as our own distribution and pumping systems used to transport the water purchased from them.

There are currently two years of actual usage data (2012-2013) on which to base expected customer use and the resulting revenues from the tier system, and staff has made some adjustments to the projected revenue estimates based on this actual usage. The original volumetric estimates for Tier 1 and Tier 2 revenue were derived from a consultant study using actual 2008 water usage. After reviewing this data pertaining to customer usage, and the resulting revenue, staff is recommending for 2015 that the upper limit of Tier 1 be lowered from 10,000 gallons per month to 9,000 gallons per month (or 18,000 gallons by-monthly). This cap still leaves substantial room for summer watering over the amount of winter usage. Future total revenue projections will then be based on a rolling average for each reconfigured tier. The net effect of this methodology change to the 2015 and 2016 budgets will be a reduction in Tier 1 revenue and an increase in Tier 2 revenue, for an overall increase in total projected revenues. More

usage data under the recommended tiered plan will assist in setting the tier ranges and rates for the future.

Rate Options		Rates	Tier 1 Cap	
A	Tier 1	6.5%	10,000 gal.	\$7,866,492
	Tier 2	4.0%		\$3,310,683
B	Tier 1	3.0%	10,000 gal.	\$7,607,157
	Tier 2	13.0%		\$3,595,386
C	Tier 1	3.0%	9,000 gal.	\$6,283,808
	Tier 2	13.0%		\$5,810,993

For 2015, the recommended rate increases are 3.0% for Tier 1 and 13.0% for Tier 2. For 2016, the recommended rate increase for Tier 1 is 3.5%, and for Tier 2 it is 13%. The projected volumes sold for both 2015 and 2016 are derived using the most recent year's (2014) experience of water purchased from Minneapolis, combined with the water supplied from our own water plant, with the intention of budgeting on the conservative side this next 2-year cycle, as we continue to refine and adjust the rate structure as well as the tier rates. In dry years, additional revenue helps build working capital for asset management and can help reduce rate increases in future years.

Combined customer revenue for both tiers in 2015 (utilizing the reduced Tier 1 cap and the recommended rate increase for each tier) is budgeted at \$12,094,801, compared to the estimated year-end 2014 amount of \$10,572,244. For 2016, utilizing the recommended tiered usage allocations, staff estimates combined customer revenues to be \$13,058,403.

The proposed usage rates are as follows:

	2013	2014 Current	2015 Proposed	2016 Proposed
Tier 1	\$2.47	\$2.56	\$2.64	\$2.73
% Change	5.0%	4.0%	3.0%	3.5%
Rate change	\$0.12	\$0.09	\$0.08	\$0.09
Tier 2	\$3.70	3.91	\$4.42	\$4.99
% Change	5.0%	5.9%	13%	13%
Rate change	\$0.18	\$0.21	\$0.51	\$0.57

The overall impact of the proposed utility rates on an average user's residential utility bill, including water, sewer, storm water and solid waste, would be \$2.16 per month in 2015 as shown in the following table.

	2014 Rate	2015 Proposed	Change from Prior Year	2016 Proposed	Change from Prior Year
Water (6,800 gal.)	\$17.41	\$17.95	3.1%	\$18.56	3.4%
Sewer (4,740 gal.)	\$15.64	\$16.73	7.0%	\$17.92	7.1%
Storm Water	\$5.72	\$5.95	4.0%	\$6.25	5.0%
Solid Waste	\$2.54	\$2.84	11.8%	\$3.18	12.0%
Cost per month	\$41.31	\$43.47		\$45.91	
Change over prior yr.		\$2.16	5.2%	\$2.44	5.6%

Revenues

Current estimates for 2014 indicate that total revenues in the Water Utility Fund will be \$11,186,588 which is 12% lower than originally anticipated as the result of a cooler and longer Spring season this year. For budgetary purposes, the 2015 Budget anticipates similar weather to 2014, with similar water usage patterns, and includes projected customer revenues of \$12,094,801. By basing rates on a wet year there is less potential to run short of revenue than if an average year is used as a base for rates. Total projected revenue for 2015 is \$12,714,246 and for 2016 is \$13,701,806, based on staff's recommended rates and modified Tier 1 range to 0-9,000 gallons monthly for single family residential accounts.

Expenditures

Total projected expenditures for 2014 are estimated to be \$13,400,252. For 2015 proposed expenditures are \$12,732,423 and for 2016 is \$13,555,477. Upcoming capital water projects in the next several years require funding of approximately \$1,000,000 per year.

Capital outlay for 2015 includes:

- \$35,000 to replace the Laboratory Information Management System (LIMS), including startup and training.
- \$45,000 for rebuilding of municipal well #2, \$35,000 for lighting replacement/upgrades at the water plant, \$36,000 for pipe gallery insulation and \$30,000 for roof repairs at water plant, and \$72,000 to replace/rebuild water treatment process equipment.

- \$85,000 to replace low pressure steamer and truck-mounted vacuum unit, \$100,000 for large diameter gate valve replacements and installation of large diameter mainline pressure reducing valves, \$250,000 for water main installation and spot replacement as indicated by the asset renewal plan for a total of \$688,000.

Working Capital

Working capital is expected to decrease by \$2, 213,664 in 2014, and the fund is expected to end 2014 with \$3,013,859 of working capital. Under the proposed budget and rate plan, it is anticipated that the fund will experience an \$18,177 decrease in working capital in 2015 due to planned capital expenditures to end the year at \$2,995,682. The working capital balance at year end 2016 is estimated to be \$3,142,011.

Staff has analyzed the working capital needs of this fund with the help of the Utilities Asset Management Program (UAMP) begun in 2008. The continued refinement of the formal UAMP is focusing on providing the necessary framework to support the technical and financial decision making needed to address long-term infrastructure renewal logistical challenges. By year-end 2014, the computerized maintenance management software program (CMMS), that is the central repository for all of our UAMP data, will have received a software version upgrade, which will allow for seamless integration with the City’s new G.I.S. system in addition to a “reliability module” which, when fully operational, will assist staff in determining which assets should be renewed and when. The expected outputs from this module will very likely support the need to systematically increase the working capital goal in order to financially sustain long-term infrastructure renewal.

The long-term increase in working capital, approximately \$500,000 per year, is for asset management anticipating significant needs starting in 2020. The working capital goal includes a portion of asset renewal that will assist in the funding to replace pockets of worn out infrastructure as needed in the next twenty to thirty years. The fund’s working capital goal range for 2015 is \$2,156,000 to \$5,616,000 comprised of the following:

Working Capital Goal	2015	2016
Essential: Cash Flow (2 months)	\$ 2,016,000	\$ 2,176,000
Essential: Emergency Repair	\$ 500,000	\$ 500,000
Tower Rehabilitation	\$ 600,000	\$ -
Asset Renewal	\$ 2,500,000	\$ 3,000,000
WORKING CAPITAL RANGE	\$ 2,516,000 \$5,616,000*	\$ 2,676,000 \$5,676,000*

Recommendation

Staff recommends adoption of the City Manager’s 2015 Proposed Budget and conceptual approval of the 2016 budget.

WATER UTILITY FUND - 510

Budget Summary

DESCRIPTION	2013	2014			2015	2016
	ACTUAL	ADOPTED BUDGET	ADJUSTED BUDGET	ESTIMATE	CITY MANAGER'S PROPOSAL	CITY MANAGER'S PROPOSAL
REVENUES						
SPECIAL ASSESSMENTS - CURRENT	78,235	35,000	35,000	50,000	35,000	35,000
WATER INSTALLATION PERMITS	35,068	40,000	40,000	48,000	40,000	40,000
CUSTOMER REVENUE TIER ONE	7,985,674	8,336,276	8,336,276	7,380,629	6,283,808	6,498,029
TIER TWO	2,606,012	3,794,625	3,794,625	3,191,615	5,810,993	6,560,375
OTHER REVENUE - OPERATING	92,910	65,000	65,000	65,000	65,000	65,000
OUTSIDE LAB SERVICES	109,969	115,000	115,000	132,000	136,620	141,402
OTHER REVENUE - NON OPERATING	104,331	140,000	140,000	140,000	150,000	160,000
PENALTY AND INTEREST	74,281	55,000	55,000	55,000	55,000	55,000
CELL TOWER LEASE	113,462	120,000	120,000	124,244	132,825	142,000
INTEREST	2,099	5,000	5,000	100	5,000	5,000
TOTAL REVENUES	11,202,041	12,705,901	12,705,901	11,186,588	12,714,246	13,701,806
EXPENDITURES						
WAGES & BENEFITS	3,063,540	3,171,294	3,171,294	3,249,100	3,477,155	3,566,336
MATERIALS & SUPPLIES	4,502,046	4,841,007	5,184,604	4,459,900	5,159,758	5,421,075
WATER PURCHASED	3,471,434	3,599,847	3,599,847	3,391,252	3,407,510	3,458,066
CAPITAL	468,462	2,175,700	2,305,091	2,300,000	688,000	1,110,000
TRANSFERS OUT	95,004	0	0	0	0	0
TOTAL EXPENSES	11,600,486	13,787,848	14,260,836	13,400,252	12,732,423	13,555,477
NET GAIN (LOSS)	(398,445)	(1,081,947)	(1,554,935)	(2,213,664)	(18,177)	146,329
WORKING CAPITAL BALANCE	5,227,523	4,145,576	3,672,588	3,013,859	2,995,682	3,142,011
WORKING CAPITAL GOAL: minimum	4,894,651	5,044,560		5,512,227	2,516,000	2,676,000
maximum	8,094,651	7,044,560		7,512,227	5,616,000	5,676,000

CALCULATION OF WORKING CAP. GOAL

Essential: Cash flow 2 months	1,331,000	1,389,000	1,389,000	1,762,000	2,016,000	2,176,000
Essential: Emergency Repair	500,000	500,000	500,000	500,000	500,000	500,000
Essential: Systemwide replacement	3,063,651	3,155,560	3,155,560	3,250,227	0	0
Essential: Tower rehabilitation	1,200,000				600,000	
Asset Renewal	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,500,000</u>	<u>3,000,000</u>
Total Goal	8,094,651	7,044,560	7,044,560	7,512,227	5,616,000	5,676,000
Essential	4,894,651	5,044,560	5,044,560	5,512,227	2,516,000	2,676,000

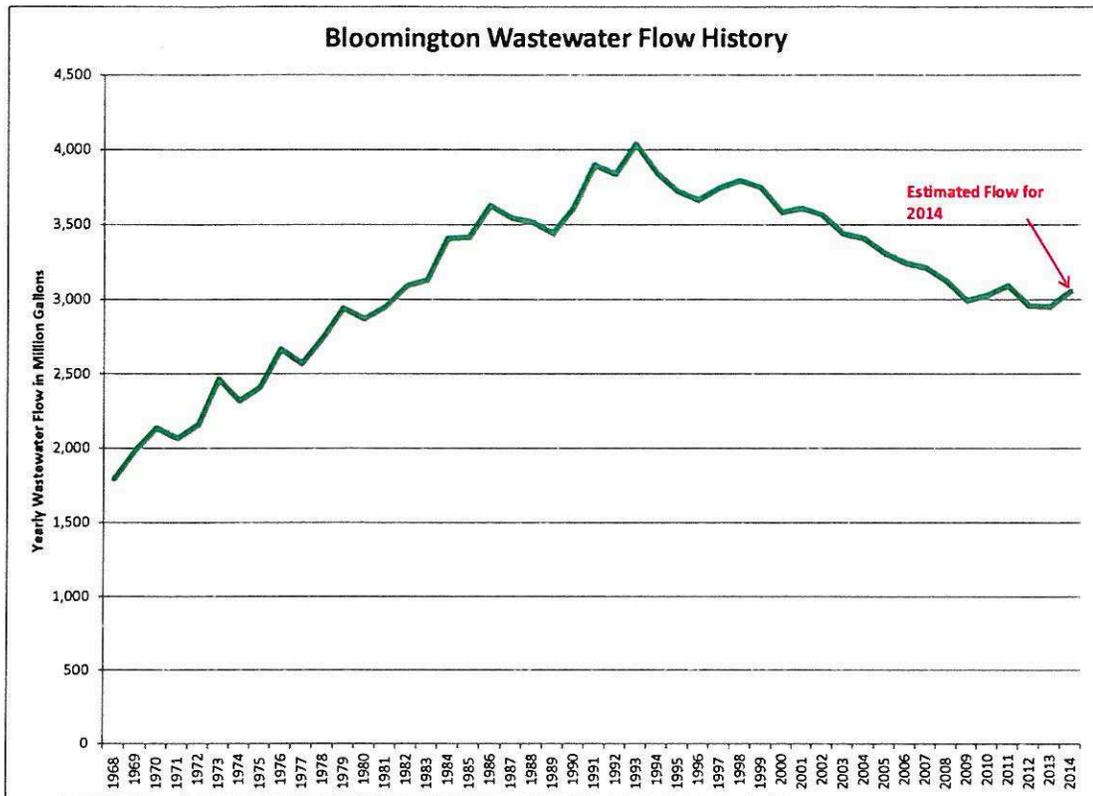
FUND 520 – Wastewater (Sanitary Sewer) Utility

This fund accounts for the City-owned sewer collection system and the interceptor and treatment charges from the Metropolitan Council Environmental Services (MCES). An objective of the City is to provide adequate sanitary service capacity and sufficient maintenance to minimize system blockages and infiltration/inflow while keeping rates at a cost that is comparable to that of other metropolitan area cities. The sewer infrastructure spans 359 miles and serves over 25,000 customers.

Metro Waste Transport / Treatment Costs

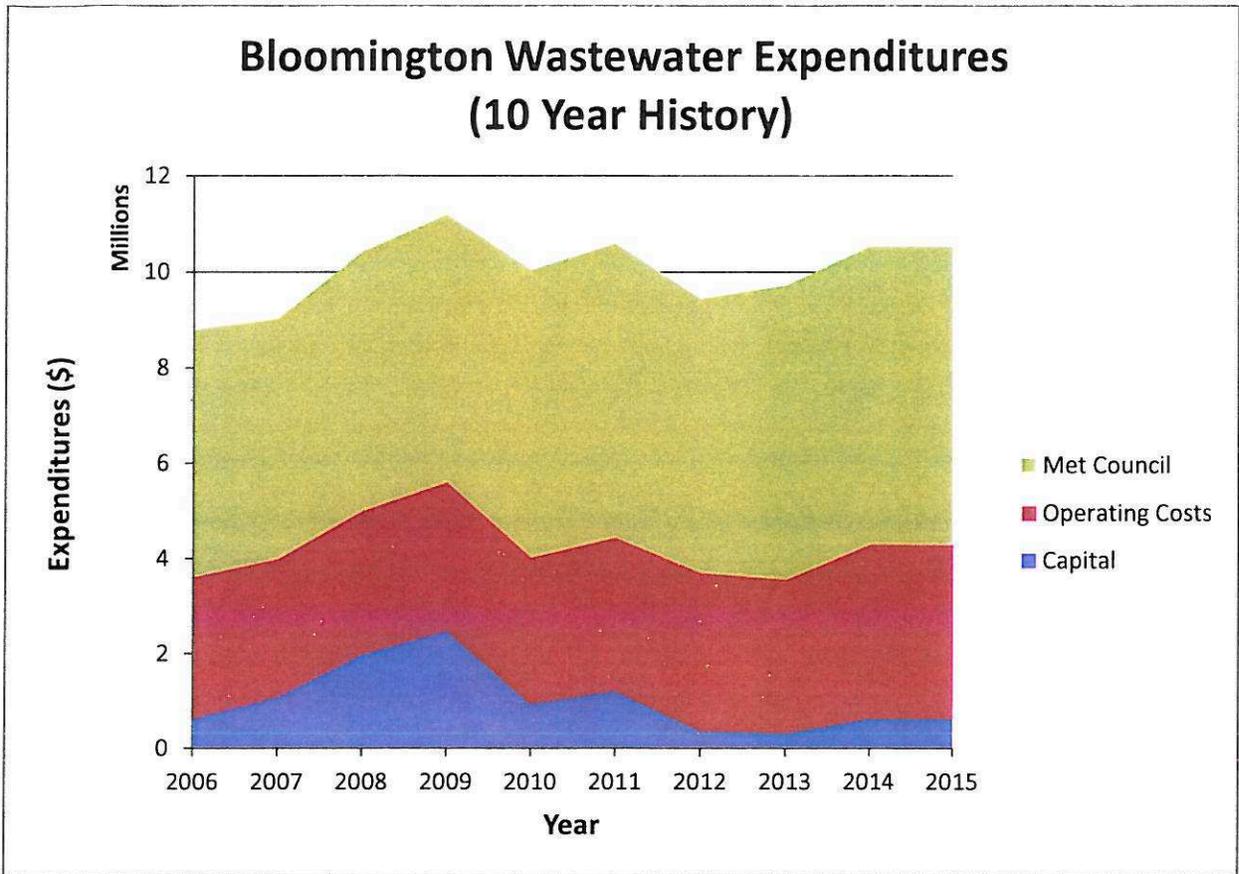
As noted in the graph below, overall sanitary flows from the City have been declining since the mid-1990's. There are many contributing factors to this reduction in flows including; changes to the State Plumbing Code requiring the installation of water efficient toilets and plumbing fixtures in all new construction, population changes, customer awareness/conservation efforts, and the concerted efforts of the City to reduce Inflow & Infiltration (I&I) into the sanitary collection system. Combined, these efforts have carved almost 1 billion gallons annually from the flows that go to the Seneca Wastewater plant for treatment. There continues to be an ongoing effort by the Metropolitan Council to eliminate excess I&I from the wastewater flows contributed by the 115 communities that make up the regional users, in order to free up existing capacity in MCES regional pipes and treatment plants. At one point, Bloomington was identified by the Met Council as being one of approximately 55 communities that were allowing too much I&I into the regional system. We were given a choice to eliminate or greatly reduce our I&I or be faced with paying a penalty surcharge of approximately \$350,000.

Over the last 5 years or so, the City has worked hard to identify and eliminate known or possible sources of I&I from our wastewater collection system in conjunction with our PMP improvements, as well as through departmental initiatives such as replacing hundreds of manhole covers with pick holes in them with self-sealing covers. The results of these ongoing efforts have resulted in a decrease in the spikes in peak flows during heavy rain events, which is a strong indicator of I&I entering the sewers. As the sanitary collection system continues to age, it can be expected that more I&I will enter the City's system through cracks in deteriorated pipes and service laterals, causing excessive I&I to once again enter the Met Council's regional system. The City has embarked on formulating and implementing a Utilities Asset Management Program to identify the current condition of our buried utilities and to use this information to help predict the remaining useful life of those facilities. Additional discussion on this issue is addressed in the Working Capital section, in the Asset Management section.



Rates

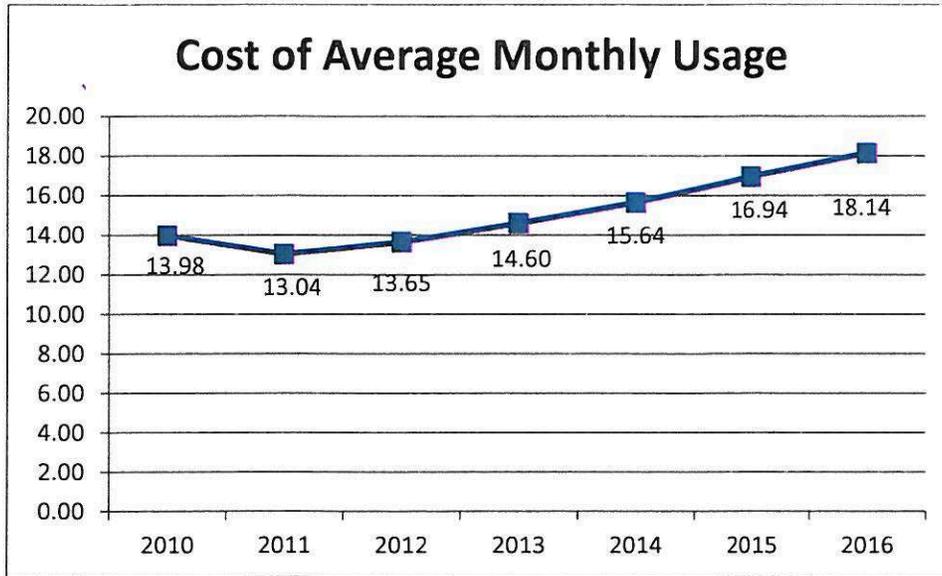
Historically, the MCES sewage disposal costs account for roughly two-thirds of the total expenses for the fund. In 2005, the Metropolitan Council revised their method of charging to increase their revenue, even in low flow years. The average rate increase charged by the MCES over the last 10 years was 3.62%. During that same period Bloomington average rate increase was 4.83%. Since 2013, the City has been increasing the wastewater rates not only to cover the increases in normal operating and capital repair costs, but also to build the capital reserves in anticipation of large replacement projects associated with system wide asset renewal. The following chart shows the relationship between the Met Council's costs, Bloomington's O&M costs, as well as the City's Capital Expenditures over the last 10 years.



Water and sanitary sewer utility rates were addressed by a comprehensive rate study in 2009/2010 with recommendations on how best to meet current and future funding goals. Based on the adopted rate structure, and beginning January 1, 2011, single family households no longer pay a flat rate for sewer service of \$12.82 (2010 rate), but pay an adopted rate of \$3.30 (2014 rate) per 1,000 gallons times their winter water usage. The original rate study calculation conducted by a consultant determined that our **average** residential winter use is 4,740 gallons/month. A recent review by staff of winter sewer usage patterns indicates a downward trend in residential sewer flows. In 2011, the average monthly residential sewer flows were 4,285 gallons/mo. Staff is estimating the flow rate for 2014 to be approximately 3,750 gallons/mo.

The current rate structure includes a 2,000 gallon monthly minimum for residential locations with usage history and a 5,000 gallon monthly minimum for residents with no usage history. The following graph shows the change in cost for the average user from a flat rate sewer service in 2010, as compared to the new flow-based rate structure, used since 2011. For this graph, usage was held steady at 4,800 gallons per month, and the recommended 7% increase was used to set the estimated cost for 2015 and 2016. The increases since 2011 have averaged about 6% per year.

Note: The MCES Service Availability Charge (SAC) will stay at \$2,485 per SAC unit in 2015. SAC fees are usually passed on to developers and, as a result, have a minimal impact on expenses or revenues.



For 2015 and 2016 staff recommends rate increases of 7.0%. The following chart depicts the rates for 2012, 2013, 2014 and the proposed rate for 2015 and 2016.

Sanitary Sewer Type	2012 Rate	2013 Rate	2014 Rate	2015 Proposed Rate	2016 Proposed Rate
<i>Residential & Commercial</i>	<i>\$2.88/ 1000 gal.</i>	<i>\$3.08/ 1000 gal.</i>	<i>\$3.30/ 1000 gal.</i>	<i>\$3.53/ 1000 gal.</i>	<i>\$3.78/ 1000 gal.</i>

Revenues

2014 year-end estimates for customer revenue are estimated at \$9,573,400. The recommended 2015 Budget includes proposed customer revenues of \$10,250,600. The 2016 Budget estimates customer revenue at \$10,968,142. Total estimated revenue for 2014 is \$9,995,400. For 2015 and 2016, proposed total revenues are \$10,654,506 and \$14,880,849. In 2016 funding of \$3,500,000 is budgeted from the South Loop Development Fund for capital projects benefitting the South Loop District.

Expenditures

Expenditures for 2014 are estimated to be \$10,004,200. For 2015 and 2016 expenditures are budgeted at \$10,528,723 and \$15,268,964. Approximately \$3,500,000 of this amount will fund a pipe sizing project that will benefit the South Loop District.

The City's efforts over the last several years to reduce clear water intrusion (I & I) into the sanitary sewer system through multiple means, such as pipe relining, chimney seals on all manholes impacted by construction on PMP projects, sump pump inspections/disconnections at Time-of-Sale inspections, and on-going televising of our sanitary sewer pipes continue to yield a measurable reduction in the City's I&I contributions to the MCES interceptors. As a result, Bloomington continues to be

excluded from the Met Council's surcharge list of 55 or so communities with excessive peak sanitary flows during rain events.

Capital expenses anticipated for 2015 include: lift station and equipment upgrades (\$110,000) and various pipe repairs in conjunction with the 2015 PMP (\$500,000). For 2016, anticipated capital expenses include approximately \$200,000 in miscellaneous repairs and improvements to several lift stations along with \$4,800,000 for PMP work in addition to capital asset replacements of the sanitary sewer collection system to service South Loop.

Working Capital

Current projections indicate the fund will end 2014 with a working capital balance of \$3,751,922. At the proposed level of revenues and expenditures for 2015, an increase in working capital of \$125,783 will occur. This increase in working capital will leave a balance of \$3,877,705 in working capital reserves at year-end 2015. In 2016 working capital is budgeted at estimated to be at \$3,489,589.

Staff has analyzed the working capital needs of this fund with the help of the Utilities Asset Management Program (UAMP) begun in 2008. The continued refinement of the formal UAMP is focusing on providing the necessary framework to support the technical and financial decision making needed to address long-term infrastructure renewal logistical challenges. By year-end 2014, the computerized maintenance management software program (CMMS), that is the central repository for all of our UAMP data, will have received a software version upgrade, which will allow for seamless integration with the City's new G.I.S. system in addition to a "reliability module" which, when fully operational, will assist staff in determining which assets should be renewed when. The expected outputs from this module will very likely support the need to systematically increase the working capital goal in order to financially sustain long-term infrastructure renewal.

The working capital goal includes monies to address asset replacement that will provide funding to replace pockets of worn out infrastructure as needed in the next twenty to thirty years.

The working capital goal is comprised of the following:

WORKING CAPITAL	2015	2016
Essential: Cash Flow (2 months)	\$1,708,000	\$1,828,000
Essential: Emergency Repair	\$500,000	\$500,000
Essential: System wide Replacement	\$1,420,545	\$1,463,161
Asset Renewal	\$2,500,000	\$3,000,000
WORKING CAPITAL RANGE		
*Minimum = Essential	\$3,628,545 -	\$3,791,161 -
*Maximum = Total	\$6,128,545 *	\$6,791,161 *

Recommendation

Staff recommends adoption of the City Manager's Proposed 2015 Budget and conceptual approval of the 2016 budget.

WASTEWATER FUND 520

Budget Summary

DESCRIPTION	2013	2014			2015	2016
	ACTUAL	ADOPTED BUDGET	ADJUSTED BUDGET	ESTIMATE	CITY MANAGER'S PROPOSAL	CITY MANAGER'S PROPOSAL
REVENUES						
RIGHT OF WAY PERMITS	230,645	210,000	210,000	208,613	210,000	210,000
SEWER INSTALLATION PERMITS	14,995	16,000	16,000	16,000	16,000	16,000
CUSTOMER REVENUE	9,076,374	9,580,000	9,580,000	9,573,400	10,250,600	10,968,142
GRANTS	0	69,800	69,800	69,800	0	0
SAC CHARGES	40,713	25,000	25,000	0	0	0
PENALTIES AND INTEREST	60,228	60,000	60,000	58,000	60,000	60,000
INTEREST	9,523	15,000	15,000	12,000	49,000	58,000
MARKET VALUE ADJUSTMENT	0	0	0	0	0	0
OTHER REVENUE- NONOPERATING	30,515	28,575	28,575	15,200	28,033	29,348
MET COUNCIL PARTICIPATION 84TH STREET	0	0	0	0	0	0
TRANSFER FROM SOUTH LOOP DEV. FUND						3,500,000
LOAN REPAYMENT (Seagate TIF/STORAGE BLDG)(2)	64,086	42,387	42,387	42,387	40,873	39,359
TOTAL REVENUES	9,527,079	10,046,762	10,046,762	9,995,400	10,654,506	14,880,849
EXPENDITURES						
WAGES & BENEFITS	1,854,885	2,129,969	2,129,969	1,700,000	1,963,204	2,012,404
MATERIALS & SUPPLIES	1,407,506	1,560,205	1,586,366	1,574,600	1,722,185	1,778,893
MET COUNCIL SEWER CONTRACT	6,158,073	6,232,328	6,232,328	6,229,600	6,233,334	6,482,667
CAPITAL	298,257	610,000	756,011	500,000	610,000	4,995,000
TOTAL EXPENSES (1)	9,718,721	10,532,502	10,704,674	10,004,200	10,528,723	15,268,964
LESS ESTIMATED UNSPENT TRANSFERS OUT	289,026	0	0	0	0	0
NET GAIN (LOSS)	(480,668)	(485,740)	(657,912)	(8,800)	125,783	(388,116)
WORKING CAPITAL BALANCE	3,760,722	3,274,982	3,102,810	3,751,922	3,877,705	3,489,589
WORKING CAPITAL GOAL:						
Minimum					3,628,545	3,791,161
Maximum					6,128,545	4,091,161
VARIANCE from Minimum					249,160	(301,572)
VARIANCE from Maximum					(2,250,840)	(601,572)
(1) Excludes depreciation and transfers out						
(2) Loan of \$756,905 to PW storage facility set up on balance sheet.						

Fund 530, Storm Water Utility

The Storm Water Utility Fund provides for the operations, maintenance and improvements to the storm sewer system through user fees charged to property owners. These fees are intended to recover costs associated with providing storm water utility service to residents and commercial establishments in a fair and equitable manner.

Mission

Our mission is to be a positive, professional, productive, and knowledgeable organization that builds community and its renewal by providing quality services at an affordable price. It is the Storm Water Utility's commitment to deliver storm water services of outstanding value to our customers through responsible and creative stewardship of the water resources assets managed by Bloomington staff.

Primary Business Description

Our objective is to protect all structures and the public within the City from storm water damage / impacts by managing the operation and maintenance of the storm water system, as well as making improvements to the overall storm water drainage system in a safe, cost-effective manner.

Desired Outcomes

Provide control of storm water volumes to minimize disruption to the traveling public and limit damage to property caused by surface water runoff.

- Implement an asset management program for storm water conveyance infrastructure that integrates a work order system, condition, criticality, performance, reliability and level of service into operation, maintenance, and replacement activities.
- Implement storm sewer infrastructure improvements as part of pavement management projects.
- Implement storm sewer infrastructure maintenance projects to address repair/replacement of deteriorating or failing assets.
- Study known areas of concern and implement storm sewer infrastructure improvements in a cost effective manner where feasible and appropriate

Maintain or improve the quality of the City's surface water resources

- Develop new and maintain/update existing surface water quality models to aid in the prediction of system performance (pollutant loading and removal) including the analysis of proposed or anticipated modifications.
- Implement the City's new Municipal Separate Storm Sewer (MS4) permit/Storm Water Pollution Prevention Program (SWPPP) and continue to implement the City's Non-degradation Plan to effectively and efficiently meet state and federal water quality requirements.

- Retro-fit cost effective water quality components, such as rain gardens as part of PMP projects, that function efficiently within the storm water system and meet waste load allocations as mandated by State and Federal regulations.

Consistently meet or exceed our customers' expectations.

- Provide quality data in a timely manner including plan reviews, requests for data, and engineering input that supports the needs of Engineering Division's internal and external customers.
- Perform timely and accurate storm inspections meeting the requirements of the City's MS4 permit, Comprehensive Surface Water Management Plan (CSWMP), and other State or Federal mandates.
- Provide quality professional engineering services that support the needs and goals of Public Works and the City as a whole.
- Engage with residents to address drainage, erosion, infrastructure questions or concerns and provide educational opportunities by partnering with other agencies

Proposed Fees

Rates remained the same from 2009 through 2011. In 2012, 2013, and 2014 there were increases of 5%, 4.0%, and 4.5% respectively. For 2015 an increase of 4% is proposed and for 2016 a 5% increase is proposed. Construction projects to improve and renew existing infrastructure as well as compliance with State and Federal regulations are significant obligations for this fund. A combination of funds on hand and future rate increases is proposed to fund these projects. Below is a schedule with the proposed monthly rates per acre by land use category. Categories are based on the amount of permeable surface.

Land Use Category	2014 Rate	Proposed 2015 Rate	Proposed 2016 Rate
Cemetery/Golf Course/Park	\$7.38	\$7.68	\$8.06
Single Family Residential	\$17.16	\$17.85	\$18.75
Single Family Residential Per 1/3 acre*	\$5.72	\$5.95	\$6.25
School/Institution	\$28.63	\$29.78	\$31.27
Church/Multi-Family Residential	\$40.64	\$42.27	\$44.38
Commercial/Industrial	\$72.37	\$75.26	\$79.02

***Each single-family residential lot is considered to be one-third of an acre.**

Revenues

Estimated total revenue for 2014 is \$5,033,200. The 2015 Proposed Budget includes total revenue of \$5,195,976. As noted above, a rate increase is proposed for 2015 to use pay-as-you-go financing for future projects as much as possible. The Conceptual 2016 budget contains bond proceeds of \$5,500,000 to fund the Northeast Penn drainage project. Also included in 2016 funding is \$1,500,000 of possible grant funding. Total revenue for 2016 is proposed to be \$13,091,325.

Expenditures

Estimated expenses for 2014 are \$4,605,800. Total expenses for 2015 are budgeted at \$6,449,545. Total expenses for 2016 are budgeted at \$12,180,177. The 2015 proposed budget includes capital spending of \$3,555,400. Major capital outlay projects include:

- Storm sewer replacement or improvements associated with PMP projects (including capacity improvements, and replacement of deteriorated infrastructure) for \$1,500,000
- Maintenance and repairs to City storm sewer infrastructure in areas not associated with PMP projects based on inspection results, deterioration, infrastructure deficiency for \$540,500
- Replacement of aging corrugated steel pipes, especially critical outfalls, in an effort to avoid dangerous sinkholes that could cause erosion of the Minnesota River Bluff and pond sediment excavation projects for \$489,900
- Non-degradation projects required as part of the City's National Pollutant Discharge Elimination System (NPDES) Municipal Separate Storm Sewer System (MS4) permit including volume reduction and additional regional pollutant loading reduction projects for \$100,000

Storm staff will be working on plans for construction of the Northeast Penn Drainage Project. If additional funding sources can be obtained, this project could be started as early as 2016.

Working Capital

Working Capital is estimated to be \$5,400,959 at year-end 2014. The proposed budget for 2015 will decrease working capital for a balance of \$4,147,390 at the end of 2015. These planned draw downs of working capital are related to a number of capital projects that staff has been working on bringing forward for some time, and now have the capacity to fund. Working capital for 2016 is budgeted to be \$5,058,538. The components of the working capital goal for the Storm Water Fund are as follows:

	2015	2016
Essential: Operating Cash Flow (2 months)	\$851,000	\$894,000
Essential: Emergency Repairs	\$1,000,000	\$1,000,000
PMP and Maintenance Projects	\$2,040,500	\$2,091,513
Storm water upgrades	\$529,000	0
Storm sewer improvements	\$200,000	\$200,000
NPDES Requirements	\$100,000	\$100,000
Total Working Capital Range	\$1,851,000 – \$4,720,500	\$1,894,000 – \$4,285,513

Initiatives for Future Consideration

- Replacement of storm water infrastructure when its useful life has been exceeded.
- Increase street sweeping efforts to capture pollutants prior to entry into the storm sewer system.
- Perform maintenance on water quality facilities including the excavation of accumulated sediment.
- Retro-fit water quality components to meet State and Federal requirements.

Recommendation

Staff recommends approval of the City Manager's 2015 Proposed Budget and conceptual approval of the 2016 Budget.

Note: for more information on initiatives, refer to 10-year plan and the Community Investment Plan (CIP).

**STORM WATER UTILITY - FUND 530
BUDGET SUMMARY**

DESCRIPTION	2013	2014		2015	2016
	ACTUAL	BUDGET	ESTIMATE	CITY MANAGER PROPOSED	CITY MANAGER PROPOSED
REVENUES					
CUSTOMER REVENUE	4,676,371	4,910,554	4,855,600	5,106,976	5,362,325
OTHER REVENUE - NON OPER.	0	0	0	0	1,500,000
PENALTY & INTEREST	48,182	35,000	35,000	35,000	38,000
INTEREST EARNINGS	11,401	44,000	25,000	54,000	41,000
GRANT REVENUE	0	117,600	117,600	0	0
OTHER REVENUE	11,598	0	0	0	650,000
OPERATING TRANSFER	0	0	0	0	0
BOND SALE PROCEEDS	0	0	0	0	5,500,000
TOTAL REVENUE	4,747,552	5,107,154	5,033,200	5,195,976	13,091,325
EXPENDITURES					
WAGES & BENEFITS	1,113,207	1,603,466	1,237,700	1,303,580	1,338,748
MATERIALS & SUPPLIES	1,272,530	1,624,537	1,318,100	1,590,565	1,649,916
CAPITAL OUTLAY	2,269,642	2,821,000	2,010,000	3,555,400	9,191,513
BOND & INTEREST PAYMENTS	0	0	0	0	0
TRANSFER OUT	24,996	40,000	40,000	0	0
TOTAL EXPENDITURES	4,680,375	6,089,003	4,605,800	6,449,545	12,180,177
GAIN (LOSS)	67,177	(981,849)	427,400	(1,253,569)	911,148
WORKING CAPITAL BALANCE	4,973,559	3,991,710	5,400,959	4,147,390	5,058,538

WORKING CAPITAL GOAL

Cash Flow (2 months charges)(required)	\$851,000	\$894,000
Emergency Repairs (required)	\$1,000,000	\$1,000,000
PMP/Maintenance Projects	\$1,500,000	\$1,537,500
Lake, Pond, Creek Improvements	\$540,500	\$554,013
Storm Water Upgrades	\$529,000	\$0
Storm Sewer Improvements	\$200,000	\$200,000
NPDES Requirements	\$100,000	\$100,000
Maximum Working Capital Goal	\$4,720,500	\$4,285,513
Minimum Working Capital Goal	1,851,000	1,894,000

Fund 535, Solid Waste

Current Program

This fund accounts for the operation of the City's Solid Waste Management Program. The purpose of this fund is to improve solid waste collection in the community. This budget does not include the activity of organized collection. The five activities within this fund are:

- Administration and Education including City-wide curbside cleanup;
- City facilities collection, including City buildings and parks;
- Billing and Collections;
- Forestry/Diseased Trees including the Emerald Ash Borer infestation; and
- Private Property Abatements

Curbside Cleanup

For many years the City has contracted with a hauler to perform the City's Curbside Clean-Up program. In 2014 this program cost approximately \$598,000. The program has increasingly become difficult for the existing hauler to perform and they have indicated that they may not continue to provide the service. In the fall of 2014, the City issued a request for proposals from the contractors for this program. Only one firm, the same firm that has provided service in the past, submitted a proposal. The hauler proposal included both a significant cost increase and a schedule change. Staff is working with the hauler to refine the proposal and anticipates bringing a new contract for City Council consideration in late 2014 or early 2015. Staff is optimistic that a modified Curbside Clean-Up program can be offered in 2015, although with a revised schedule and higher cost. Long term, the City may determine that an alternate process for the city-wide cleanup to be more appropriate. Possible options may include a voucher system and drop-off locations. Dividing the city into many smaller zones and increasing the number of pick-up dates is also being reviewed.

The historical results of the Spring Clean-up Program are shown below:

Year	Trash (tons)	Appliances	Brush (yards)	Scrap Metal (tons)	Total Cost	Annual Cost Per Household
2004	2159.17	3577	288.6	95.19	\$420,728.00	\$16.18
2005	2175.95	4088	308	85.37	\$451,254.00	\$17.35
2006	2165.52	4324	358.65	56.7	\$473,205.00	\$18.19
2007	1963.46	4203	58	26.35	\$495,198.00	\$19.04
2008	1625.93	2673	54.07	10.5	\$467,022.49	\$17.96
2009	1795.85	3867	43.84	19.76	\$516,079.32	\$19.84
2010	1688.63	2775	39.55	6.9	\$537,687.57	\$20.67
2011	1717.22	1785	62.36	1.56	\$532,144.17	\$20.46
2012	1496.5	517	38.67	2.57	\$514,917.16	\$19.80
2013	1299.8	378	20.42	.9	\$526,964.63	\$20.26
2014	1789.22	350	60.85	.86	\$597,965.48	\$22.99

Diseased Tree Removal

The cost of maintaining public trees and removing dead or diseased trees was included in this fund starting in 2009. City reaction to the eventual detection and spread of Emerald Ash Borer will be coordinated in this fund. The City's plan is to replace the ash trees in the maintained City Park areas and City building sites with non-ash species and remove ash trees from the boulevard areas over a 25 year period. This plan started slowly in 2013 addressing the need for removal and replacement of 50 of the estimated 8,200 City ash trees. Activity is budgeted to ramp up for eleven years, stay steady for four years and complete the replacement by 2039. This budget is made on the premise of a worst case scenario where the City trees are all infected and require replacement.

Other activities that are included in this fund are: the City wide tree sale; and public tree-trimming.

Private Property Abatement

Starting in 2010, assessable enforcement actions for cleaning up spills, public health nuisances/garbage houses, and refuse/junk; demolishing hazardous structures; and abating tall grass, weeds and brush piles are included in this fund along with a \$100 inspection fee per service. Activity in this area has increased and moving the transactions to this fund from the General Fund assists in tracking expenses and revenues. Properties are assessed for reimbursement of cleanup expenses and these revenues often span several years before total repayment.

Collection Study

As part of a sustainability approach to recycling and waste collection, a study was budgeted for 2014 to assist City implementation of anticipated county changes in their grant program (see next section) for 2015 and beyond as well as examine current practices. Implementation funds of \$140,000 have been budgeted for 2015.

Staff is developing a comprehensive approach for solid waste for the future of this fund, which includes a study of needs and opportunities to move the City of Bloomington closer to a "Zero Waste" community.

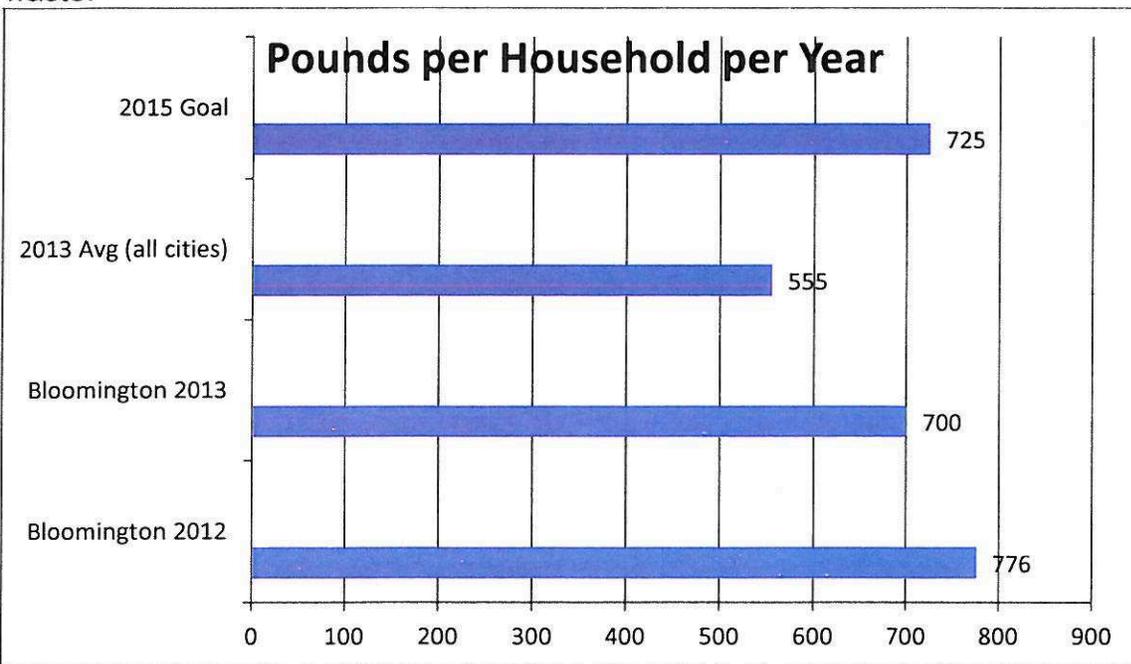
SCORE Grant

Hennepin County has reorganized the Select Committee on Recycling and Environment (SCORE) grant program which has benefitted single-family home ratepayers for almost twenty years. Currently the grant is given to the City and the City offsets solid waste utility fees on customer bills. New solid waste, recycling and organics management requirements have been established for all metropolitan counties by the Minnesota Pollution Control Agency. To implement these requirements, Hennepin County adopted a new funding policy which became effective January 1, 2012. The City will receive approximately the same amount of grant funding as in past years annually through 2015.

The goals for this funding policy are:

1. to increase participation in recycling programs with emphasis on multi-family buildings,
2. increase the amount recycled and reduce the costs of recycling service, and
3. standardize programs across the county.

The County is required to increase its current recycling rate of 38% to 45-48% by 2015. To accomplish this goal, Hennepin County set the average annual amount of recyclables per household at 725 pounds. Out of 43 Hennepin County cities, only six would meet the recycling requirement of 725 pounds per household according to 2013 data. Bloomington is currently rated eighth in the county at 700 pounds per household, a decrease of 10% from 2012 and 3.5% below the County's goal. The City is exploring ways to increase the recycling rates, which includes more educational outreach to work towards zero landfill waste.



Storm Debris

Another activity of this fund is to plan for storm debris removal. Potential drop-off sites have been located for residents to deposit storm debris. These sites will open when there is a minor storm, where there is significant impact on a contained area of the City, defined as affecting 150 or more boulevard trees.

In the event of a major storm, where there are widespread impacts on the community. A primary guideline for a major storm would be that 350 or more boulevard trees are affected. At that time, full City pickup will be initiated for storm debris.

Proposed Fees

Fees in this fund were held steady at \$2.42 from 2009 through 2012. In 2013 and 2014 the rate increased by 3% and 2% respectively. The 2015 Budget and 2016 Budget each contain 12% rate increases for an average increase over this time period of 4.1%. Some of the cost drivers for this increase include \$250,000 for additional study and implementation of the solid waste plan. There is also \$100,000 budgeted for storm pickup of limbs and trees and building the working capital for storm response that is modeled to occur every five to seven years. Tree removal is budgeted at \$230,000 more than in 2014 to take care of diseased trees on public land or public right of way. Listed below is a schedule with the proposed utility rate along with the anticipated Hennepin County grant calculated per utility customer.

	<u>2014 Rate</u>	<u>2015 Rate Proposed</u>	<u>2016 Rate Proposed</u>
Monthly Rate Per Customer	\$ 2.54	\$ 2.84	\$ 3.18
Monthly Hennepin County Grant	(0.61)	(0.61)	(0.61)
Total Monthly Rate	\$ 1.93	\$ 2.23	\$ 2.57
Annual Rate Per Customer	\$30.48	\$34.08	\$38.16
Hennepin County Annual Credit	<u>(7.32)</u>	<u>(7.32)</u>	<u>(7.32)</u>
Total Annual Rate	\$23.16	\$26.76	\$ 30.84

Revenues

Hennepin County eliminated their funding to cities for recycling in 1995, but continues to grant back the state-collected sales tax on garbage disposal as discussed in the SCORE grant section. This grant is passed on to customers through a credit on their utility bill for recycling services. Since 2000, a charge to residents to fund the neighborhood cleanup program was incorporated on utility bills. Total revenues for all the activities in this fund for 2014 are projected to be \$1,400,300. The 2015 budget is \$1,704,873 and the 2016 budget is \$1,842,542.

Revenues to support the Solid Waste Management Program come from the following sources:

- Residential solid waste charge - \$774,000
- Hennepin County Grant - \$213,000
- Internal charges to City departments for refuse pickup and recycling - \$142,000
- Charges to residents for diseased tree removal on private property - \$131,000
- General Fund support for diseased tree (emerald ash borer remediation) and hazardous material cleanup activities - \$300,000
- Assessments to property owners for nuisance property cleanups - \$144,000.

Expenses

Projected expenses for 2014 are \$1,695,000. 2014 is the sixth year that diseased tree expenses have been included in this budget. This change was made to reduce the volatility of funding for diseased tree removal in the General Fund. Included in the \$539,000 for diseased tree removal in 2015 is \$122,000 of contract work done to trees on private property for which citizens are billed.

The City will be taking bids on the community pick up service for 2015 and the actual expenditure is a function of tonnage collected and the type of material collected. Proposed expenses for 2015 also include hazardous material clean up as explained earlier. All utilities cooperatively fund the Utility Billing Division. The Solid Waste Fund's portion of this funding is \$24,897 for 2015 and 2016. Proposed total expenditures for 2015 and 2016 are \$1,958,891 and \$1,791,855 respectively.

Working Capital

The Solid Waste Fund working capital balance is estimated to be \$825,656 at year end 2014. Working capital, as a result of the 2015 Proposed Budget, decreases to \$571,638 for 2015. For 2016, working capital is budgeted at \$622,324. The working capital goal continues to increase to fund the replacement of City trees from the possible emerald ash borer infestation and for the pickup of storm debris approximately every five years. The working capital goal for the Solid Waste Fund is as follows:

	<u>2015</u>	<u>2016</u>
• 60% of the neighborhood clean-up contract	\$359,000	\$359,000
• 40% of the remaining operations budget	249,000	200,000
• Reserve for storm clean up	300,000	600,000
• Reserve for private property abatements	25,000	25,000
• Reserve for tree take down/disposal	134,817	148,370
• Tree replacement at \$800/tree	<u>123,000</u>	<u>123,000</u>
 Total Working Capital Goal	 \$1,190,817	 \$1,455,370

Recommendation

Staff recommends approval of the City Manager's Proposed 2015 Budget and conceptual approval of the 2016 Budget.

**SOLID WASTE UTILITY - FUND 535
BUDGET SUMMARY**

DESCRIPTION	2013	2014		2015	2016
	ACTUAL	BUDGET	ESTIMATE	CITY MANAGER RECOMMENDED	CITY MANAGER RECOMMENDED
REVENUES					
COUNTY GRANT	214,463	214,200	214,200	213,129	212,063
INTERNAL CUSTOMER CHGS	138,000	138,000	131,000	142,140	146,404
CUSTOMER UTILITIES	837,817	854,573	897,800	957,121	1,071,976
CUSTOMER UTILITIES CREDIT	(214,463)	(214,200)	(214,200)	(213,129)	(212,063)
PENALTIES AND INTEREST	13,770	14,458	15,000	15,181	15,940
INTEREST EARNINGS	9,900	14,700	5,000	7,400	6,200
OTHER INCOME FROM RECYCLING	6,800	16,500	7,000	7,210	7,426
DISEASED TREE INCOME	34,774	100,000	44,500	131,450	144,595
CLEANUP FEES & ASSESSMENTS	52,461	110,000	50,000	144,370	100,000
OPERATING TRANSFER IN	250,000	250,000	250,000	300,000	350,000
TOTAL REVENUE	1,343,522	1,498,231	1,400,300	1,704,872	1,842,541
EXPENDITURES					
CITY WASTE PICKUP	120,000	123,500	125,000	134,000	134,000
ADMIN, BILLING, EDUCATION	178,796	227,292	299,500	487,658	366,412
NEIGHBORHOOD PICKUP COSTS	527,183	547,183	597,965	597,965	597,965
DISEASED TREES	251,381	379,616	589,000	539,268	593,478
STORM CLEANUP	105,416	0	0	100,000	0
HAZARDOUS MATERIAL CLEANUP	28,382	100,000	83,535	100,000	100,000
CAPITAL	-	-	0	0	-
TRANSFER OUT	-	-	-	-	-
TOTAL EXPENDITURES	1,211,158	1,377,591	1,695,000	1,958,891	1,791,855
GAIN (LOSS)	132,364	120,640	(294,700)	(254,019)	50,686
WORKING CAPITAL BALANCE	1,120,356		825,656	571,637	622,323

WORKING CAPITAL GOAL

50% OF CLEAN UP CONTRACT	\$	359,000	\$	359,000
40% OF REMAINING EXPENSES	\$	249,000	\$	200,000
FUNDING FOR STORM CLEANUP	\$	300,000	\$	600,000
25% OF HAZARDOUS MATERIALS EXPENSES	\$	25,000	\$	25,000
25% OF TREE EXPENSES	\$	134,817	\$	148,370
TREE REPLACEMENT AT \$800/TREE	\$	123,000	\$	123,000
		<u>1,190,817</u>	\$	<u>1,455,370</u>

FUND 550, Ice Garden

The Bloomington Ice Garden (BIG) has three rinks (one of them Olympic-sized) with a total seating capacity of 2,500 as well as dry land training facilities. The rinks are used primarily for youth and high school hockey and figure skating. The rinks also offer public skating as well as adult open hockey and pond hockey for youth. Skating lessons are offered for both children and adults by professionally trained instructors.

Revenues

2014 Ice Garden estimated revenues total \$2,178,100. 2015 revenues are budgeted at \$1,444,950 and 2016 revenues are budgeted at \$1,486,950. 2014 revenues include \$800,000 from Strategic Priorities to be able to pay back golf operations for transfers made from golf to the Ice Garden for major capital projects.

Expenses

Estimated total expenses for 2014 are \$2,342,600. A transfer of \$800,000 is included in 2014 to repay golf operations for transfers made to help fund major capital projects. The 2015 proposed expenses are \$1,636,737 and \$1,286,078 for 2016. The last payment of debt service for current outstanding debt was made in 2013. Funding that had been used for debt is now shifted to capital projects to maintain and refresh the building (see capital request list attached).

Working Capital

At year-end 2014, the Ice Garden is projected to have working capital of \$317,625. Working capital is budgeted to decrease to \$125,838 for 2015 and increase to \$326,710 for 2016. The working capital goal for 2015 of \$225,000 is equivalent to two months of operating expenses plus the amount for 2016 capital improvements.

**CITY OF BLOOMINGTON
BLOOMINGTON ICE GARDEN - FUND 550
BUDGET SUMMARY**

DESCRIPTION	2013	2014		2015	2016
	ACTUAL	ADOPTED	ESTIMATE	REQUEST	REQUEST
REVENUES					
OPEN SKATING	14,612	14,000	14,000	14,000	14,000
ICE RENTALS	1,162,194	1,170,000	1,143,800	1,220,000	1,260,000
GAMES	34,524	35,000	35,000	30,000	32,000
OPEN HOCKEY	35,786	35,000	35,000	35,000	35,000
SKATING INSTRUCTION	42,904	45,000	45,000	45,000	45,000
PRO'S ICE	36,013	30,000	30,000	30,000	30,000
ADVERTISING	1,858	1,200	1,500	1,200	1,200
SKATE RENTAL	1,901	2,000	2,000	2,000	2,000
SKATE SHARPENING	13,733	14,000	14,000	14,000	14,000
MERCHANDISE SALES	3,049	3,500	3,500	3,500	3,500
FOOD & BEVERAGE SALES	25,648	18,750	18,500	18,750	18,750
VENDING SALES	6,686	8,000	8,000	7,000	7,000
COKE MACHINE PROCEEDS	10,254	10,000	10,000	5,000	5,000
OTHER REVENUE	-	-			-
SPRING SKATING SHOW	14,510	15,000	15,000	15,000	15,000
INSURANCE PROCEEDS	9,862	-			-
TRANSFERS IN - INTERFUND LOAN	-		800,000	-	
INTEREST EARNINGS	617	4,900	2,800	4,500	4,500
TOTAL REVENUES	1,414,151	1,406,350	2,178,100	1,444,950	1,486,950
EXPENSES					
WAGES & BENEFITS	583,214	597,705	597,700	614,424	624,513
MATERIALS & SUPPLIES	635,885	644,901	644,900	657,313	636,565
CAPITAL	37,469	215,000	300,000	365,000	25,000
DEBT SERVICE INTEREST/FEE	599	-		-	-
TRANSFERS OUT - INTERFUND LOAN	-		800,000	-	-
TOTAL EXPENSES	1,257,167	1,457,606	2,342,600	1,636,737	1,286,078
NET GAIN (LOSS)	156,984	(51,256)	(164,500)	(191,787)	200,872
WORKING CAPITAL	-				
ADD BACK INTERFUND LOAN FROM FUND 420	482,125	430,869	317,625	125,838	326,710
TOTAL WORKING CAPITAL BALANCE	482,125	430,869	317,625	125,838	326,710
WORKING CAPITAL GOAL:					
DEBT SERVICE / OPERATING EXPENSES	\$183,500	\$183,500		\$200,000	\$180,000
CAPITAL IMPROVEMENTS	215,000	365,000		25,000	292,900
TOTAL WORKING CAPITAL GOAL	398,500	548,500		225,000	472,900

revised 6/18/14

Ice Garden Capital Improvements 2015

Capital Improvement	Cost	Years	
Zamboni battery replacement	\$10,000.00	2015	
Replace desiccant wheels	\$15,000.00	2015	
North parking lot (crack seal @ \$1.00 per foot)	\$25,000.00	2015	
Electric Zamboni (replaces used 1995 model purchased in 2009)	\$125,000.00	2015	
Rink 2 West Viewing Arena (Sperides Plans) *	\$190,000.00	2015	\$365,000.00
Zamboni battery replacement	\$10,000.00	2016	
New Parking Lot/Sidewalk Lights (Dark Sky Compliant)	\$15,000.00	2016	\$25,000.00
Zamboni battery replacement	\$10,000.00	2017	
New Seating Rink 1	\$57,900.00	2017	
Remodel Rink 1 lobby, paint & matting	\$100,000.00	2017	
Electric Zamboni (replaces 1997 model)	\$125,000.00	2017	\$292,900.00
Zamboni battery replacement	\$10,000.00	2018	
Paint ceiling Rink 1	\$80,000.00	2018	\$90,000.00
Zamboni battery replacement	\$10,000.00	2019	
Security Camera System	\$12,000.00	2019	
Cooling Tower Rink 3	\$60,000.00	2019	
Rink 3 Desiccant Boiler	\$25,000.00	2019	
Lobby Matting	\$85,000.00	2019	\$192,000.00
Zamboni battery replacement	\$10,000.00	2020	
Cooling Tower Rink 1	\$60,000.00	2020	
Electric Zamboni (replaces 1999 model)	\$125,000.00	2020	\$195,000.00
Ice Covering (Insulation for ice)	\$60,000.00	2021	
Zamboni battery replacement	\$10,000.00	2021	
Rink 3 desuperheater replacement	\$10,000.00	2021	
Remodel Rink 1 snack bar	\$50,000.00	2021	
Emergency Generator (25KW)	\$50,000.00	2021	
Electric Zamboni (replaces 2002 model)	\$115,000.00	2021	\$295,000.00
Zamboni battery replacement	\$10,000.00	2022	
Widen Sidewalk in front of building leading to north parking lot	\$10,000.00	2022	
Bathrooms & Showers in Locker Rooms-Rinks 1 & 2 (Sperides Plans) *	\$600,000.00	2022	
Fire Alarm Panel	\$20,000.00	2022	
New Concrete front rink 1 around flower beds	\$45,000.00	2022	\$685,000.00
		2023	
		2023	\$0.00
Divider curtain - community room	\$10,000.00	2024	
New Scissors Lift w/platform	\$20,000.00	2024	
Indoor Turf (soccer, lacrosse, rugby)	\$90,000.00	2024	\$120,000.00
Replace furnace Rink 2 dressing rooms	\$30,000.00	2025	
Replace furnace Rink 1 dressing rooms	\$30,000.00	2025	
Replace furnace cubes in Rink 2 east & west side	\$60,000.00	2025	\$120,000.00
Replace Rink 3 Roof	\$300,000.00	2026	
Rink 3 Floor Replacement *	\$600,000.00	2026	\$900,000.00

* Major Constructure Projects

Recreation Facilities – Bloomington Ice Garden**SERVICE DESCRIPTION**

The Bloomington Ice Garden has three rinks (one of them Olympic-sized) with a total seating capacity of 2,700 as well as a dryland training facility. The rinks are used primarily for youth and high school hockey and figure skaters. The rinks are also open for public skating as well as adult open hockey and pond hockey for youth. In addition, skating lessons for both children and adults are given by professionally trained instructors.

MARKET ANALYSIS**Background**

Bloomington Ice Garden's competitive advantages are:

1. Excellent reputation - Winner of the 2011 James Padgett Award for outstanding ice arena management and operation from the Minnesota Ice Arena Managers Association
2. Superior ice quality
3. Three sheets of ice under one roof
4. A building that has been kept in excellent condition
5. Superior staffing and customer service
6. Off-ice training areas (e.g., E-Train Hockey, multi-purpose room)
7. Three meetings rooms
8. High-quality programming:
 - Bloomington Ice Garden Skate School (U.S. Figure Skating)
 - Bloomington Figure Skating Club (US Figure Skating Professional Skaters Association and US Figure Skating Association)
 - Two hockey associations (Kennedy and Jefferson)
 - Tots gymnastics classes (Lil Flipsters)
 - Seniors work-out program (50+ Pilates & ballet classes)
 - AHA Adult Hockey Association
9. Well-stocked concessions stand
10. Excellent access to major freeways
11. Ample parking
12. Wi-Fi service (hard-wired Ethernet connections)
13. Wedding venue (first wedding held at center ice on May 10, 2014)

Capacity

- It costs \$2,864 per day to operate and maintain Bloomington Ice Garden, or \$119 per hour (costs are similar for both winter and summer).
- To break even, the Ice Garden must rent 15 hours of ice time per day, or 5 hours per rink.
- The seating capacity for each rink is:
 - Rink #1 – 1,800 (overflow – 2,200)
 - Rink #2 – 50 + standing room
 - Rink #3 – 900

- There are currently 4 full-time and 25 part-time employees at the Ice Garden.
- In the next 3 to 5 years, the market for ice time by local users at the Ice Garden is expected to drop.

Primary Users

- The primary users of ice time at the Ice Garden are Bloomington Kennedy and Jefferson High Schools, Bloomington Amateur Hockey Association, Twin Cities Northern Lights, Showcase Hockey, Minnesota Made, Bloomington Figure Skating Club and assorted adult hockey leagues.

Competition

- The primary competitors for the Ice Garden are seven arenas in the southwest metro area:
 - Braemar, Edina (3 sheets)
 - Burnsville Ice Center (2 sheets)
 - Eden Prairie (3 sheets)
 - Richfield Ice Arena (2 sheets)
 - Chaska Community Center (2 sheets)
- There are only five arenas with three or more sheets of ice in the metro area: Braemar (3 sheets), Parade Ice Garden (3 sheets), Eden Prairie (3 sheets), Plymouth (3 sheets) and Blaine (8 sheets).
- BIG is picking up figure skaters from other arenas due to high-level figure skating programs offered at BIG.
- Minnesota Made in Edina has built an outdoor refrigerated ice rink.

Demand

- There continues to be demand for ice time during the winter months – the Ice Garden operates at capacity during the winter season.
- Boys' hockey is showing signs of resurgence at Kennedy High School due to a new coach and involvement of more parents in the hockey boosters.
- Girls' hockey has crested in Bloomington after rising 5 to 10 years ago.
- Kennedy and Jefferson High School girls combined during the 2013-14 season to form one high school program with one varsity and one JV team.)
- High school game revenue could be down in 2014-15 due to the new Metro West Conference which includes schools that do not have large hockey programs (Jefferson, Kennedy, Chanhassen, Chaska, Richfield, Benilde-St. Margaret, Robbinsdale Cooper and St. Louis Park.)
- There's a lot of competition for summer rentals – arenas are cutting rates, especially in the summer months, to entice skaters to their facilities.
- Registrations for the Bloomington Skate School are holding steady after a shift to shorter, more affordable sessions, offering seven-week sessions for \$70 vs. eight-week sessions for \$75.
- Demand for Pro's Ice has increased due to skaters coming from Edina and other surrounding arenas.

Trends

- Hockey, in general, is seeing a decrease in the volume of skaters.
- USA Hockey participation flattened out in 2012-13 after two consecutive years of dramatic increases in hockey players throughout the country.
- USA Hockey's playing membership stood at 510,279 in 2012-13, a loss of 0.18% and just 899 fewer players than 2011-12's record high of 511,178.
- After 12 years of continual increases, Minnesota's growth in USA Hockey's playing membership was reversed in 2013 with a 1.8 percent loss in membership (1,016 fewer players compared to 2011-12.)
- Minnesota continues to have the highest hockey-playing population in the country.
- There is a local and national trend toward the development of elite hockey teams such as All-Star and AAA teams, which provides opportunities for ice rentals at BIG.
- Bloomington hockey continues to be on a downward trend, with the demand for summer ice time down.
- The Ice Garden is relying more and more on other user groups to fill ice rental time.
- AAA hockey is offering more training like hockey schools, which may negatively impact hockey school enrollment in the future.
- Many student athletes now choose to focus on one sport only instead of several, depending on the season.
- In addition to competing against other sports, hockey has the stigma of being too expensive, too time demanding and too dangerous.
- Interest in adult hockey is growing, increasing the demand for ice time.
- The quality of outdoor ice has declined due to changes in winter climate, leading to support in the community for outdoor refrigerated ice which is better quality and more consistent than regular outdoor ice.
- Nationally, there is a trend toward making ice arenas multi-purpose, hosting concerts, high school graduations, soccer, lacrosse and specialty shows.

COMMUNITY VISION

Our vision is the ongoing building and renewal of Bloomington as a vital community, whose strength is its diversity – 90,000 to 100,000 residents with 120,000 to 130,000 jobs situated in a robust metropolitan region.

ORGANIZATION MISSION

Our mission is to be a positive, professional, productive, learning organization building community and its renewal by providing quality services at an affordable price.

FUND MISSION STATEMENT

Our objective is to provide quality ice time at an affordable price to the Bloomington community.

DESIRED OUTCOMES

1. To provide a clean, safe and comfortable ice arena for the community.
2. To maintain affordable fees for ice time.
3. To generate \$1.4 million in total revenues in 2015.
4. To sell \$1.17 million in ice rentals in 2015.
5. To move toward a more financially sustainable future for the Ice Garden, with revenues supporting operational and capital expenditures.
6. To provide cost-effective ice arena services.
7. To create an interest in figure skating and hockey throughout Bloomington.

LINK TO THE COUNCIL'S COMMUNITY MISSION

This plan supports the 2009 Strategic Plan of Preserving and, where appropriate, actively enhancing:

1. A strong, sustainable organization in terms of the quality and affordability of services, financial strength and professionalism and productivity of its operations.
2. Community investments that, in turn, encourage private investments consistent with the City's sustainability objectives.
3. Energy and resource consumption.

DESIRED OUTCOMES

1. To offer affordable ice recreation to residents and teams in Bloomington.
2. To operate BIG in a cost-effective and fiscally sustainable way.
3. To be the desired destination for local figure skating and hockey groups.
4. To be recognized as a premier ice arena in the south metro area.
5. To operate as a community gathering place.
6. To stay current with ice arena industry trends.

PROGRAM SPECIFICS

Operate and Maintain Infrastructure:

Goal: Maximize the rental of ice time at BIG.

Objective 1: Boost the level of ice rentals during the winter months.

Specific Initiatives:

- Keep the Ice Garden's prime time rates competitive against other ice arenas in its market area (BIG's rates for the 2014-15 season are among the lowest compared to its competitors.)

- Increase the ice rental rate by \$5 to \$190 per hour for the September 2014 – August 2015 season (every \$5 increase in prime time ice rental revenue hours results in an additional \$32,000 in revenues annually).
- Increase the ice rental rate by \$10 to \$200 per hour for the September 2015 – August 2016 season.
- Continue to utilize the new electronic message board to market ice rentals.
- Promote skating lessons with discount for lessons when signing up for two or more sessions.
- Give discounts on ice rentals on weekends before 8 am.
- Continue to sell unused ice time on Rinkfinder.com, a web site with a listing of available hours at 150 member arenas in Minnesota.

Objective 2: Address the lower demand for ice time in the summer months.

Challenges:

- Rentals in the summer are weakest on the weekend due to the variety of other activities.
- Some arenas in the metro area discount summer ice (e.g., Eagan's prime time summer rate is \$135 in the summer).
- After moving their training to Braemar Ice Arena during the summer of 2013 to take advantage of cheaper rates, the Jefferson High School Girls have returned to Bloomington to support the Ice Garden.

Specific Initiatives:

- Explore the implementation of a separate rate for weekend ice rentals during the summer months.
- Aggressively promote a discount of one to two free hours for every ten hours rented on weekends only during the summer months as needed to compete with nearby arenas.
- Follow up with previous summer ice customers during Fall 2014 to lock them into summer ice for 2015.
- Utilize the new electronic message board to market ice rentals.
- Consider cutting back to two rinks in the summer months if demand for ice time is low.
- Continue to offer adult hockey league(s) during summer months.
- Use HockeyHub.com in addition to Rinkfinder.com to list ice for sale.

Objective 3: Find other potential markets for unused ice rink time.

Specific Initiatives:

- Continue the partnership with a'Xel, Inc. Skating School at Rink #2 to sell ice time not normally rented.
- Charge the open hockey rate (\$6 per student) to home schools looking to meet the physical education requirement.
- Foster the development of more adult hockey leagues.
- Market BIG through the City's other communication tools (e.g., Bloomington Briefing, web site, social media and cable TV.)
- Place advertisements as needed in publications such as the *Sun Current*, *Let's Play Hockey* and school district brochures.
- Maintain the \$70 fee for the City's Skate School lessons.
- Implement a new skate school discount for signing up for two or more sessions.
- After reviewing whether to start the Skate School early again, the start date will be moved back one week to September 20 to allow more time for marketing and registration. Offer free skate rental to the Learn to Skate Program.
- Explore other potential rentals including Minnesota Hockey, Moose League, and recreation leagues for youth and adults.

Goal: Keep the Ice Garden in excellent condition to attract customers.

Objective 1: Repair and maintain the interior of the Ice Garden.

Specific Initiatives:

- Determine which recommendations should be added to the CIP that were outlined in the renovation concept feasibility study conducted by Sperides Reiners Architects in 2012.
- Look at undertaking a restroom project to separate the male and female locker rooms in Rinks 1 and 2.
- Construct a viewing area in the west lobby of Rink 2.
- Install hard-wired Ethernet connections for webcasting hockey games and for point of sale credit card processing at the snack bar, and to prepare for the 2016 US Figure Skating Championships (cost: \$16,000).
- Look at what will be needed to conduct repairs of the facility following the retirement of the Ice Arena Manager.
- Undertake additional interior maintenance and remodeling projects from 2015 – 2025 as outlined in Attachment A.

Objective 2: Repair and maintain the exterior of the building and grounds.

Specific Initiatives:

- Replace exterior and interior doors on an ongoing basis.
- Crack seal the north parking lot.
- Undertake additional exterior maintenance and remodeling projects from 2015 – 2025 as outlined in Attachment A.

Objective 3: Offer healthier concessions options to promote healthy living in Bloomington.

Challenges:

- Offering healthier options can run counter to running a profitable food business.
- The City does not have direct control over Ice Garden concessions since they are offered under a contract with the Bloomington Amateur Hockey Association (BAHA).
- Menu engineering, maximizing profits and marketing are all challenges when attempting to sell healthier foods.

Specific Initiatives:

- Continue to improve on menu engineering, maximizing profits and marketing to sell healthier foods.
- Require BAHA to offer a certain percentage of healthier options (e.g., 40%) in their 2014 contract.
- Work with BAHA on pricing, food and labor costs to increase profits for healthier menu items.
- Continue to work with BAHA to sell healthier options.

Plan and Build Infrastructure:

Goal: Position BIG as the premier ice facility in the south metro area.

Objective 1: Conduct capital improvements projects to improve the facility.

Specific Initiatives:

- Purchase new Zambonis in 2015 and 2017 (estimated cost: \$125,000 each.)
- Explore the potential of buying a used Zamboni in 2015 instead of new.
- Install a building management system (BMS) in 2015 based on the recommendations of a BMS consultant in 2014 (estimated cost: \$150,000).

- Explore how to address issues related to the Rink #3 floor.

Manage resources:

Goal: Employ high-quality, knowledgeable staff focused on excellent customer service.

Objective 1: Ensure that staff are current with trends and innovations in ice arena management and maintenance.

Specific Initiatives:

- Attend continuing education programs to remain current on industry trends and innovations in facility programming, maintenance and administration.
- Secure ice arena operator certification for the Maintenance Superintendent and Maintenance Worker through the Ice Arena Institute of Management.
- Train two Maintenance Workers in the STAR (Serving the American Rinks) ice arena refrigeration through the USA Hockey Association and US Figure Skating.
- Maintain memberships in MIAMA and ISI.
- Attend the national conference of ISI for continuing education purposes.
- Keep staff trained on the state's new air quality requirements (the building is certified.)

Objective 2: Provide high-quality customer service.

Specific Initiatives:

- Continue staffing with four supervisors to ensure total supervision during all shifts.
- Continue to readjust schedules to utilize shifts more efficiently.
- Attend customer service training seminars sponsored by the City.

Objective 3: Create a succession plan for staff at BIG.

Specific Initiatives:

- There are four full-time staff and 18 – 25 part-time staff at the Ice Garden.
- Retirement plans for the key positions at the Ice Garden:
 - Manager: Within the next 1 – 3 years.
 - Maintenance Superintendent: Within the next 15 years.
 - Office Assistant: Within the next 5 years.
 - Maintenance Worker: New employee added in 2012.

- Continue to work on a long-term plan to deal with upcoming retirements, particularly for management of the facility.
- Continue to cross-train staff in the arena's various functions such as staffing, budgeting and scheduling.

Goal: Create high-quality ice at the Ice Garden.

Objective 1: Replace ice grooming equipment that has outlived its useful life.

Specific Initiatives:

- Replace BIG's electric Zambonis in 2015, 2017 and 2020 (estimated cost: \$125,000 each).
- Replace batteries that power the four electric Zambonis on an annual basis at a rate of 1 Zamboni per year (estimated cost: \$10,000 each).

Goal: Move toward a more sustainable future financially for the Ice Garden.

Objective 1: Establish fees that will offset expenses while remaining competitive with area arenas.

Specific Initiatives:

- Increase the hourly fee for ice rentals in 2014-15.
- Start charging a \$20 per hour fee for use of the multi-purpose room.
- Offer a summer special from 6 p.m. on Fridays through 4 p.m. on Sundays of two hours free for every 10 hours rented as an incentive to sell ice time as needed.
- Look at deeper discounts for summer ice rentals on the weekends to be competitive and encourage usage during this slowest time of the year.

Objective 2: Continue to limit the amount of unused ice time that is turned back to the facility.

Specific Initiatives:

- Set a deadline for ice coordinators to turn back unused ice rentals.
- Do not accept blocks of unused ice time that users attempt to return to the Ice Garden.
- Accept single hours of ice time that is returned to the Ice Garden.

- Continue to enforce a down-payment policy with new customers of a 50% non-refundable deposit on the total rental to discourage ice rental returns as needed.

Objective 3: Explore other sources of becoming more financially sustainable.

Specific Initiatives:

- Consider other dry floor activities such as flea markets, graduation ceremonies, etc.
- Market rental of the meeting rooms for other uses (e.g., yoga classes, etc.)
- Rent the multi-purpose room for \$20 per hour.
- Host major U.S. National Figure Skating events every 2 to 3 years.
- Conduct more repairs in-house rather than sending them out (e.g., have staff overhaul compressors, have the City garage do maintenance work on Zambonis, etc.)

Goal: Work toward a more sustainable future to limit energy costs.

Objective 1: Expand on current efforts to limit the Ice Garden's energy usage.

Specific Initiatives:

- Implement a building management system in 2015 that would monitor all equipment ranging from refrigeration to HVAC and would electronically evaluate how the building is running in order to reduce energy costs (Budget: \$150,000).
- Continue a conservation effort to decrease energy use (e.g., turn off lights when not in use; educate staff about energy conservation methods, etc.)
- Use reclaimed heat to dehumidify the building.

Attachments:

- A. Ice Garden Ice Rental Rates
- B. Capital Improvement Plan
- C. Market Ice Rate Comparison Survey
- D. Metro Area Proposed Prime Time Ice Rates
- E. Ice Rental Usage Charts

Ice Rental Rates

(Effective September 1, 2014)

Prime Time

Weekdays 3:00-9:30 pm

Weekends 6:00 am – 9:30 pm

<i>1 hour</i>	$\$ 190.00 + \$ 13.82 = \$ 203.82$
<i>1 ½ hours</i>	$\$ 285.00 + \$ 20.73 = \$ 305.73$
<i>2 hours</i>	$\$ 380.00 + \$ 27.65 = \$ 407.65$

Non Prime

Monday – Friday before 3:00 pm

<i>1 hour</i>	$\$ 140.00 + \$ 10.19 = \$ 150.19$
<i>1½ hours</i>	$\$ 210.00 + \$ 15.28 = \$ 225.28$
<i>2 hours</i>	$\$ 280.00 + \$ 20.37 = \$ 300.37$

Monday-Sunday 9:45 pm-6:00 am

<i>1 hour</i>	$\$ 150.00 + \$ 10.91 = \$ 160.91$
<i>1½ hours</i>	$\$ 225.00 + \$ 16.37 = \$ 241.37$
<i>2 hours</i>	$\$ 300.00 + \$ 21.83 = \$ 321.83$

revised 7/16/14			Attachment B
Ice Garden Capital Improvements 2015			
Capital Improvement	Cost	Years	
Zamboni battery replacement	\$10,000.00	2015	
North parking lot (crack seal @ \$1.00 per foot)	\$25,000.00	2015	
Replace desiccant wheels	\$15,000.00	2015	
Electric Zamboni (replaces used 1995 model purchased in 2009)	\$125,000.00	2015	
Rink 2 West Viewing Arena (Sperides Plans) *	\$190,000.00	2015	\$365,000.00
New Parking Lot/Sidewalk Lights (Dark Sky Compliant)	\$15,000.00	2016	
Zamboni battery replacement	\$10,000.00	2016	
Bathrooms & Showers in Locker Rooms-Rinks 1 & 2 (Sperides Plans) *	\$600,000.00	2016	\$625,000.00
Zamboni battery replacement	\$10,000.00	2017	
Electric Zamboni (replaces 1997 model)	\$125,000.00	2017	
Matting Lobbies West areas of Rinks 1, 2, & 3	\$100,000.00	2017	
New Seating Rink 1	\$57,900.00	2017	\$292,900.00
Zamboni battery replacement	\$10,000.00	2018	
Paint ceiling Rink 1	\$80,000.00	2018	\$90,000.00
Zamboni battery replacement	\$10,000.00	2019	
Cooling Tower Rink 3	\$60,000.00	2019	
Rink 3 Desiccant Boiler	\$25,000.00	2019	
Security Camera System	\$12,000.00	2019	\$107,000.00
Zamboni battery replacement	\$10,000.00	2020	
Cooling Tower Rink 1	\$60,000.00	2020	
Electric Zamboni (replaces 1999 model)	\$125,000.00	2020	\$195,000.00
Ice Covering (Insulation for ice)	\$60,000.00	2021	
Zamboni battery replacement	\$10,000.00	2021	
Rink 3 desuperheater replacement	\$10,000.00	2021	
Remodel Rink 1 snack bar	\$50,000.00	2021	
Emergency Generator (25KW)	\$50,000.00	2021	
Electric Zamboni (replaces 2002 model)	\$115,000.00	2021	\$235,000.00
Zamboni battery replacement	\$10,000.00	2022	
Widen Sidewalk in front of building leading to north parking lot	\$10,000.00	2022	
Fire Alarm Panel	\$20,000.00	2022	
New Concrete front rink 1 around flower beds	\$45,000.00	2022	\$85,000.00
Replace Rink 3 Roof	\$300,000.00	2023	
Rink 3 Floor Replacement *	\$600,000.00	2023	\$900,000.00
Divider curtain - community room	\$10,000.00	2024	
New Scissors Lift w/platform	\$20,000.00	2024	
Indoor Turf (soccer, lacrosse, rugby)	\$90,000.00	2024	\$120,000.00
Replace furnace Rink 2 dressing rooms	\$30,000.00	2025	
Replace furnace Rink 1 dressing rooms	\$30,000.00	2025	
Replace furnace cubes in Rink 2 east & west side	\$60,000.00	2025	\$120,000.00
* Major Constructure Projects			

Market Ice Rate Comparison

Conducted 5/15/14

Arena	2014 Summer Prime	2014 Summer Non-Prime	2014 - 2015 Proposed Winter Prime	2014 - 2015 Proposed Winter Non-Prime	2015 Proposed Summer Prime	2015 Proposed Summer Non-Prime	2015 - 2016 Proposed Winter Prime	2015 - 2016 Proposed Winter Non-Prime
Apple Valley	\$160	N/A	\$215	\$215	N/A	N/A	N/A	N/A
Bloomington	\$185	\$140	\$190	150	\$190	\$150	\$200	\$150
Burnsville	\$185	\$185 Neg	\$220	\$95-\$185 Neg	\$190/195	\$190/195	\$220	\$95-\$185 Neg
Dakotah Sport & Fitness	\$150	\$150	\$220	\$220 neg	N/A	N/A	N/A	N/A
Eagan	\$135	\$115-\$135	\$200	\$135	\$140/Proposed	\$140-Proposed	\$205/Proposed	\$140/Proposed
Farmington	\$155	\$155	\$210	\$155	N/A	N/A	N/A	N/A
Lakeville	\$160	\$160 Neg	\$215	\$215 Neg	\$160	\$160 Neg	\$225	\$225 Neg
Minnetonka	\$190	\$190	\$200	\$200	\$200	\$200	\$200	\$200
Richfield	\$200	\$130-170	\$200	\$130-170	N/A	N/A	N/A	N/A
Shakopee	\$145	\$145	\$200	\$145	\$145-Proposed	\$145/Proposed	\$200/Proposed	\$145/Proposed
St. Thomas Academy	\$145	\$145 neg	\$220	\$140 neg	\$150/Proposed	\$150/Proposed	\$220-Proposed	\$140-Proposed

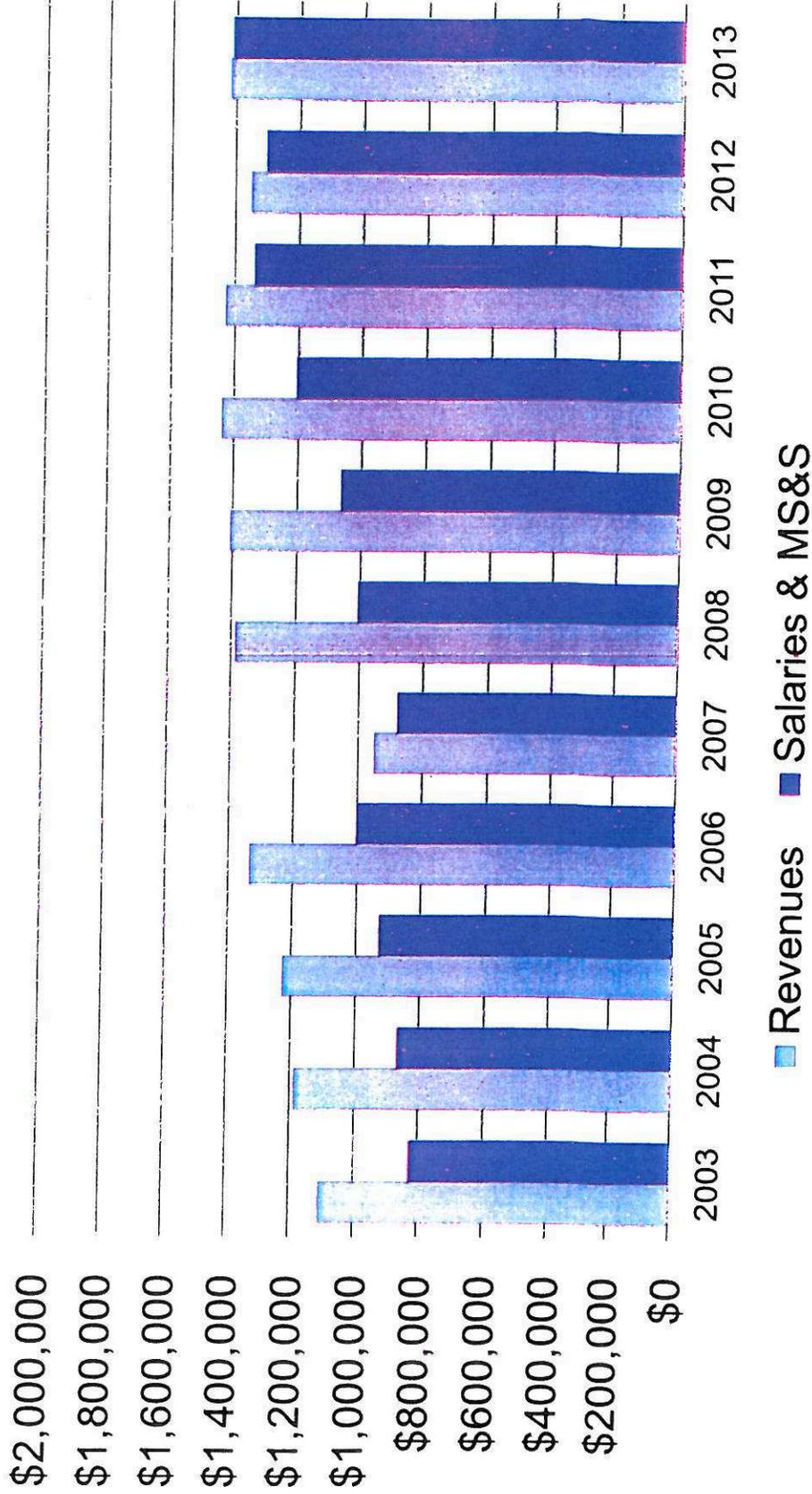
Ice Rates Arenas

Attachment D

Arenas	Prime Rate 2014	Proposed 2015			
Apple Valley	\$215.00	N/A			
Bloomington	\$190.00	\$200.00			
Burnsville	\$220.00	\$220.00			
Chaska	\$215.00	N/A			
Eagan	\$200.00	\$205.00			
Eden Prairie	\$200.00	\$205.00			
Edina	\$205.00	N/A			
Farmington	\$210.00	N/A			
Inver Grove Heights	\$200.00	N/A			
Lakeville	\$215.00	\$225.00			
Minnesota Made	\$225.00	N/A			
Minnetonka	\$200.00	\$200.00			
Mtka/Pagel	\$210.00	N/A			
Parade Ice Garden	\$180.00	N/A			
Plymouth	\$200.00	N/A			
Prior Lake/Dakotah	\$220.00	N/A			
Richfield	\$200.00	N/A			
Shakopee	\$200.00	\$200.00			
St. Louis Park	\$185.00	\$190.00			
St. Thomas Academy	\$220.00	\$220.00			
Victoria	\$210.00	N/A			

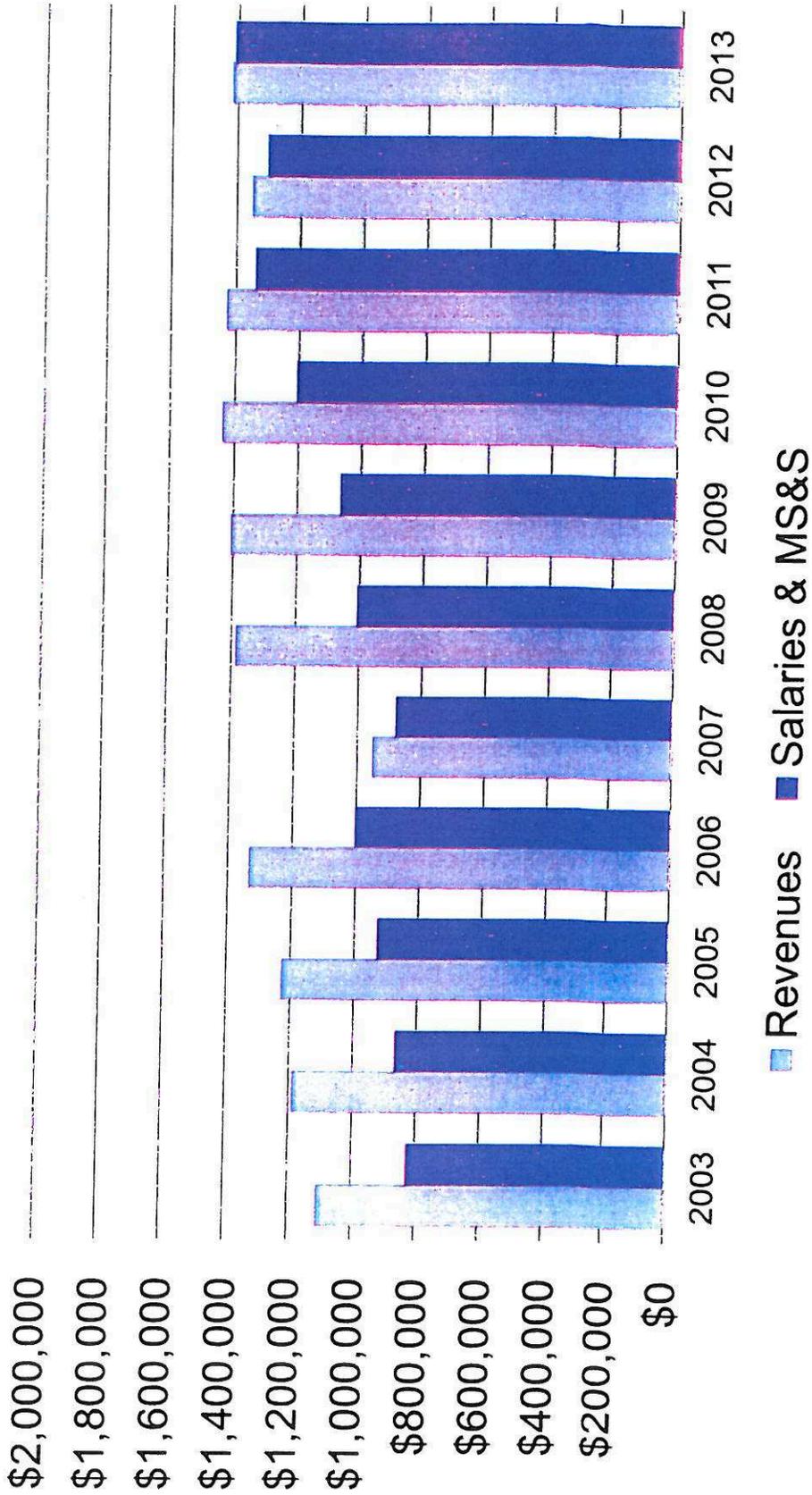
Operating Revenues vs. Expenditures

Bloomington Ice Garden



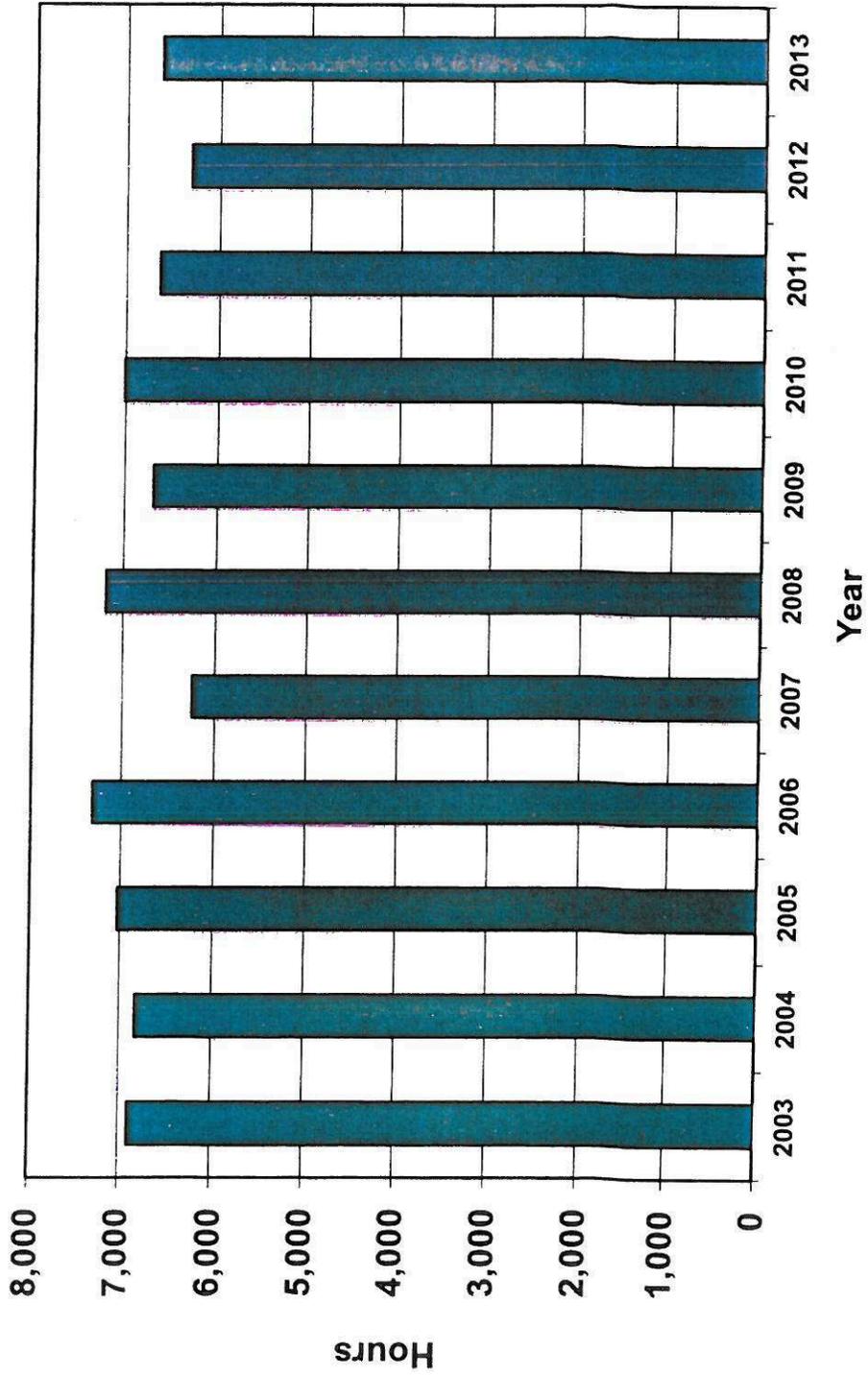
Operating Revenues vs. Expenditures

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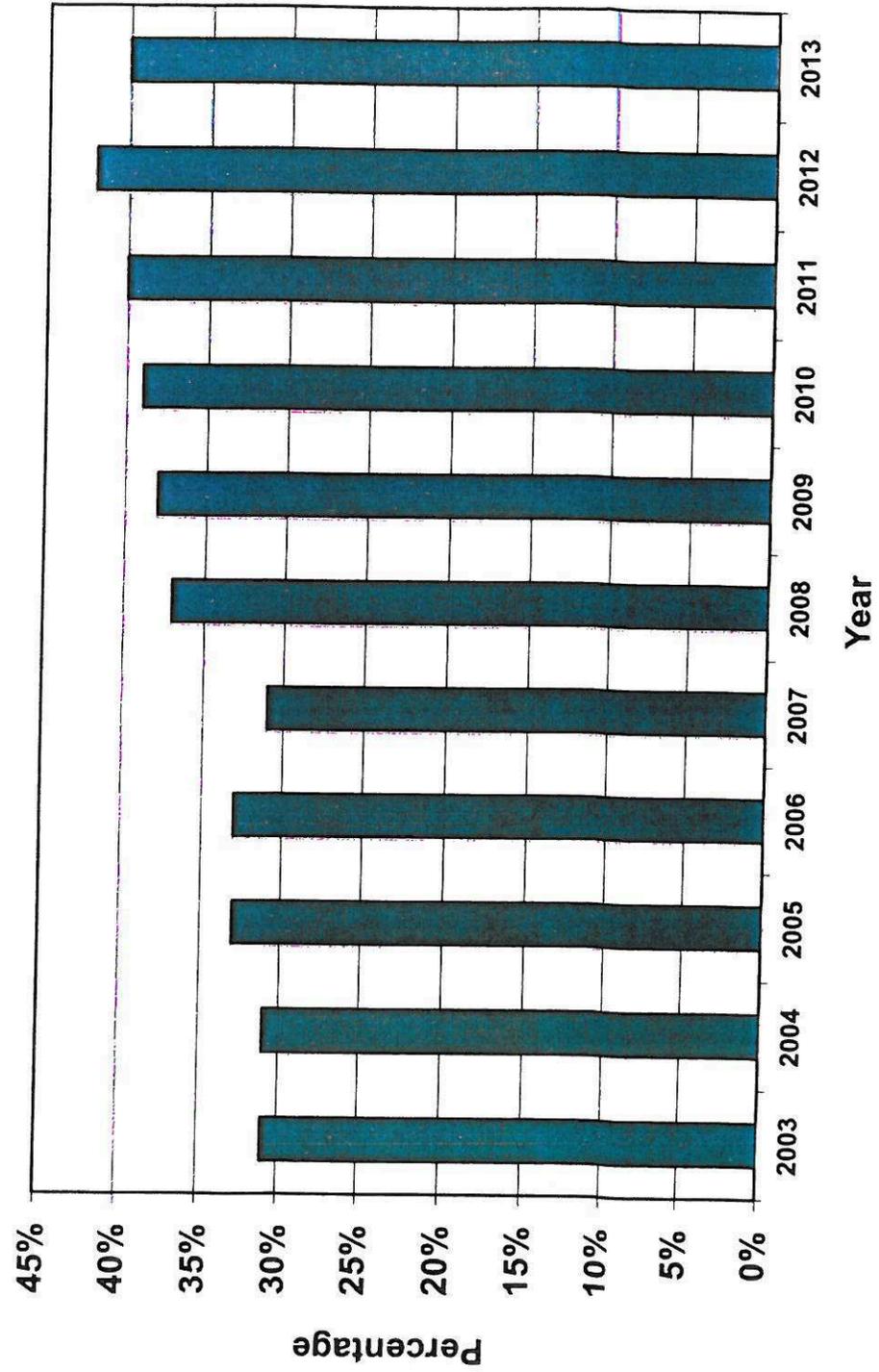


Ice Rental Net Revenue Hours

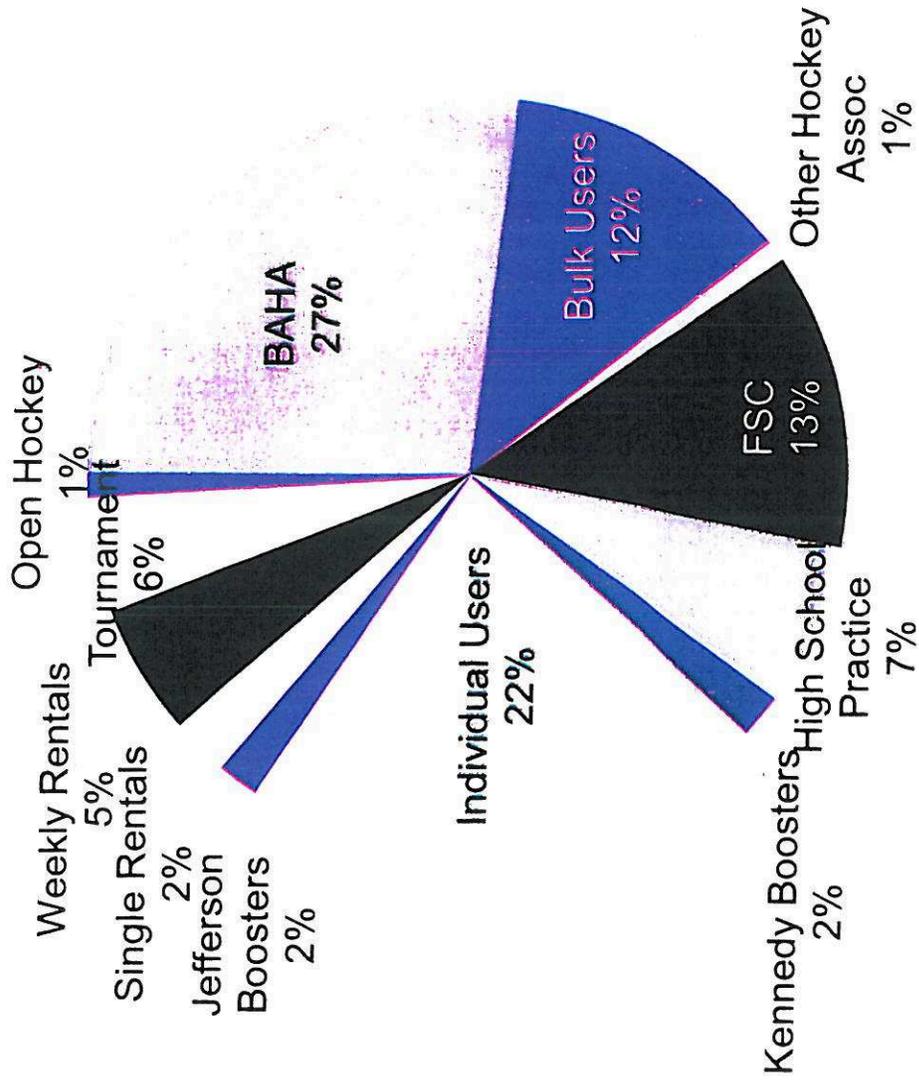
Bloomington Ice Garden



Utilization Rate Bloomington Ice Garden



Ice Garden's Major Users 2013



FUND 540, Golf Operations

The City of Bloomington operates two Golf Courses, Dwan and Hyland Greens. The overall golf operations will be discussed first and then the two courses will be discussed individually.

After a difficult couple of years, the golf industry is expected to experience improved performance. The oversupply of golf courses has shrunk, and renewed demand should translate into rising course revenue. Golf analysts also project an upsurge in five to ten years as Baby Boomers retire. However, weather is a huge factor for the success of golf, and recent weather conditions, with a cool, wet spring, have not been favorable for maximum usage. In 2014 the course opened three weeks behind schedule and had the latest opening in 24 years.

On direction of the City Council, staff is looking at several options for uses of the Hyland Greens facility. This budget is prepared assuming no changes for the facility for 2015. A 2016 budget is not being proposed at this time.

Revenues

For 2014, total revenue is estimated at \$2,366,500. For the 2015 Budget, revenue is proposed at \$1,618,990. 2014 includes a transfer from Bloomington Ice Garden to repay capital transfers that were made from the golf courses in prior years.

Expenses

Expenses for 2014 are estimated at \$2,721,700. For the 2015 Budget, expenses are proposed at \$1,885,467. The change in expenses from 2014 is due to the reconstruction of the Dwan maintenance building in 2014.

Working Capital

Working Capital is expected to decrease by \$355,200 to \$166,163 in 2014, and decrease to negative \$100,314 in 2015. The 2015 Working Capital goal for the fund is \$916,500.

<u>Working Capital Goal:</u>	<u>2015</u>
Operations (essential)	\$ 372,000
Emergencies (essential)	480,000
Capital	<u>64,500</u>
Total	\$ 916,500

**CITY OF BLOOMINGTON
GOLF FACILITIES - FUND 540
BUDGET SUMMARY**

DESCRIPTION	2013 ACTUAL	2014		2015 REQUEST
		ADOPTED	ESTIMATE	
DWAN & HYLAND GREENS GOLF COURSES				
REVENUES				
PATRON CARDS	68,310	75,000	75,000	73,097
GREEN FEES MEMBER 18	296,520	335,000	283,700	309,719
GREEN FEES MEMBER 9	117,698	130,000	112,000	122,735
GREEN FEES REGULAR 18	192,256	195,000	190,000	191,775
GREEN FEES REGULAR 9	149,021	155,000	150,000	148,796
DRIVING RANGE	97,179	150,000	90,000	101,647
GREEN FEE REGULAR TEES	112,756	140,000	144,000	119,694
GREEN FEE FAMILY TEES	13,403	33,500	11,000	13,188
GREEN FEE CONTRACTUAL	56,223	75,000	50,200	58,145
GREEN FEE OUTSIDE FREQ PLAYER	18,778	45,000	16,800	25,321
GREEN FEE INSIDE FREQ PLAYER	2,976	10,000	2,400	4,561
OTHER REVENUE	5,550	5,000	4,200	4,514
FREQUENT PLAYER CARD	12,889	25,000	17,000	14,562
JUNIOR SEASON PASS	14,136	15,000	8,500	14,209
RENTALS CARTS & CLUBS	5,162	9,000	11,400	5,026
RENTALS MOTOR CARTS	214,013	241,000	218,500	226,741
MERCHANDISE SALES	10,577	15,000	10,000	10,033
FOOD & BEVERAGE SALES	161,363	195,000	170,900	174,332
INTEREST EARNINGS	(497)	2,800	900	895
INSURANCE PROCEEDS	335,787			-
TRANSFERS IN	396,538		800,000	-
TOTAL REVENUES	2,280,638	1,851,300	2,366,500	1,618,990
EXPENSES				
WAGES & BENEFITS	1,142,621	1,155,177	1,117,200	1,144,281
UNFILLED POSITIONS		(153,970)	-	-
MATERIALS & SUPPLIES	648,321	705,222	654,500	694,186
CAPITAL	690,758	51,000	950,000	47,000
TOTAL EXPENSES	2,481,700	1,757,429	2,721,700	1,885,467
NET GAIN (LOSS)	(201,062)	93,871	(355,200)	(266,477)
WORKING CAPITAL BALANCE	521,363	615,234	166,163	(100,314)
WORKING CAPITAL GOAL:				
OPERATIONS	540,000	417,000	559,000	372,000
EMERGENCIES	480,000	480,000	480,000	480,000
CAPITAL	51,000	18,000	49,500	64,500
TOTAL WORKING CAPITAL GOAL	1,071,000	915,000	1,088,500	916,500

Dwan Golf Club

Dwan Golf Club is an 18 hole regulation length golf course with a par of 68. There were 36,423 rounds of golf played here in 2013 vs. 41,872 rounds in 2012. Dwan's competition is all public golf courses in a 25 mile radius. There are 64 public golf courses and 23 private golf courses within 25 miles of Bloomington. One of Dwan's closest competitors (Parkview Golf Club, an 18-hole public golf course and driving range in Eagan) was sold to a developer for residential development.

Revenues

Revenues for 2014 are estimated to be \$1,980,400 which includes a transfer from the Ice Garden of \$800,000. The proposed revenue budget for 2015 is \$1,229,660. This includes a rate increase of \$1 for many of the greens fees.

Expenses

Total estimated expenses are \$2,141,600 in 2014. Total proposed expenses for 2015 are \$1,295,803. Expenses in 2014 include part of the cost to reconstruct the Dwan maintenance building.

CITY OF BLOOMINGTON
DWAN GOLF COURSE - FUND 540-8420
BUDGET SUMMARY

DESCRIPTION	2013 ACTUAL	2014		2015 REQUEST
		ADOPTED	ESTIMATE	
REVENUES				
PATRON CARDS	68,310	75,000	75,000	73,097
GREEN FEES MEMBER 18	296,520	335,000	283,700	309,719
GREEN FEES MEMBER 9	117,698	130,000	112,000	122,735
GREEN FEES REGULAR 18	192,256	195,000	190,000	191,775
GREEN FEES REGULAR 9	149,021	155,000	150,000	148,796
OTHER REVENUE	4,260	5,000	4,200	4,514
RENTALS CARTS & CLUBS	3,082	3,000	3,400	2,816
RENTALS MOTOR CARTS	198,093	215,000	198,500	209,381
MERCHANDISE SALES	6,787	10,000	7,000	6,216
FOOD & BEVERAGE SALES	147,504	175,000	155,900	159,716
INTEREST EARNINGS	(171)	2,800	700	895
INSURANCE PROCEEDS	335,787			
TRANSFERS IN	396,538		800,000	-
TOTAL REVENUES	1,915,685	1,300,800	1,980,400	1,229,660
EXPENSES				
WAGES & BENEFITS	732,040	746,792	718,100	757,281
UNFILLED POSITIONS		(153,970)		
MATERIALS & SUPPLIES	470,768	523,831	473,500	509,522
CAPITAL	665,748	34,000	950,000	29,000
TRANSFERS TO ICE GARDEN	-			
TOTAL EXPENSES	1,868,556	1,150,653	2,141,600	1,295,803
NET GAIN (LOSS)	47,129	150,147	(161,200)	(66,143)
WORKING CAPITAL BALANCE	1,352,229	1,502,376	1,191,029	1,124,886
WORKING CAPITAL GOAL:				
OPERATIONS 3 months (Essential)	479,000	325,000	495,000	307,000
EMERGENCIES (Essential)	300,000	300,000	300,000	300,000
CAPITAL	34,000	(0)	31,500	31,500
TOTAL WORKING CAPITAL GOAL	813,000	625,000	826,500	638,500

Hyland Green Golf Course

In order to increase futures revenues and reduce future expenses, Hyland Greens Golf Course converted two separate nine hole, par three courses and a small driving range to one par three course and a large driving range/practice facility. The driving range was expanded from 12 to 36 all grass stations in June 2012. Driving range revenue went from \$90,920 in 2012 to \$97,178 in 2013. In 2013, the total number of rounds played at Hyland Greens was 20,378 compared to 21,314 in 2012. Foot golf was introduced at Hyland Greens for 2014. Revenue from this activity was approximately \$70,000.

Revenues

Estimated 2014 revenues total \$386,100. Proposed 2015 revenue is \$389,330. The 2015 budget includes a \$1 increase in most of the greens fees.

Expenses

Expenses for 2014 are estimated to be \$580,100. Expenses are proposed to be \$589,664 in 2015.

CITY OF BLOOMINGTON
 HYLAND GREENS GOLF COURSE - FUND 540-8430
 BUDGET SUMMARY

DESCRIPTION	2013 ACTUAL	2014 ADOPTED	ESTIMATE	2015 REQUEST
REVENUES				
DRIVING RANGE	97,179	150,000	90,000	101,647
GREEN FEE REGULAR TEES	112,756	140,000	144,000	119,694
GREEN FEE FAMILY TEES	13,403	33,500	11,000	13,188
GREEN FEE CONTRACTUAL	56,223	75,000	50,200	58,145
GREEN FEE OUTSIDE FREQ PLAYER	18,778	45,000	16,800	25,321
GREEN FEE INSIDE FREQ PLAYER	2,976	10,000	2,400	4,561
OTHER REVENUE	1,290			-
FREQUENT PLAYER CARD	12,889	25,000	17,000	14,562
JUNIOR SEASON PASS	14,136	15,000	8,500	14,209
RENTALS CARTS & CLUBS	2,080	6,000	8,000	2,210
RENTAL MOTOR CARTS	15,920	26,000	20,000	17,360
MERCHANDISE SALES	3,790	5,000	3,000	3,817
FOOD & BEVERAGE SALES	13,859	20,000	15,000	14,616
INTEREST EARNINGS	(326)		200	
TOTAL REVENUES	364,953	550,500	386,100	389,330
EXPENSES				
WAGES & BENEFITS	410,581	408,385	399,100	387,000
UNFILLED POSITIONS				
MATERIALS & SUPPLIES	177,553	181,391	181,000	184,664
CAPITAL	25,010	17,000		18,000
TOTAL EXPENSES	613,144	606,776	580,100	589,664
NET GAIN (LOSS)	(248,191)	(56,276)	(194,000)	(200,334)
WORKING CAPITAL BALANCE	(830,866)	(887,142)	(1,024,866)	(1,225,200)
WORKING CAPITAL GOAL:				
OPERATIONS - 2 mos. revenues (Essential)	61,000	92,000	64,000	65,000
EMERGENCIES (Essential)	180,000	180,000	180,000	180,000
CAPITAL	17,000	18,000	18,000	33,000
TOTAL	241,000	272,000	244,000	245,000

2015 GOLF COURSE FEE INCREASES

DWAN:

	2014	2015
18 Hole Patron	\$ 24	\$ 25
9 Hole Patron	\$ 16	\$ 17
18 Hole Non-Patron	\$ 31	\$ 32
9 Hole Non-Patron	\$ 20	\$ 21
18 Hole Motor Cart	\$ 30	\$ 32
½ Cart per player	\$ 15	\$ 16
18 Hole Sr Motor Cart	\$ 26	\$ 28
½ Cart per player	\$ 13	\$ 14
9 Hole Motor Cart	\$ 18	\$ 20
½ Cart per player	\$ 9	\$ 10

HYLAND GREENS:

	2014	2015
Regular Tees	\$ 14	\$ 15
Family Tees	\$ 11	\$ 12
Frequent Player Card	\$ 40	\$ 40
FP Discount Reg. Tees	\$ 11	\$ 12
FP Discount Fam. Tees	\$ 9	\$ 10
Foot Golf	\$ 9	\$ 12
Jr/Sr Foot Golf	\$ 8	\$ 10
Motor Carts	\$ 16	\$ 18
½ Cart per person	\$ 8	\$ 9

Dwan - Hyland Capital Improvement Plan 2015-2019

2015	Dwan				
	Walk-Behind Aerator	\$22,000			
	Misc. Clubhouse Equip.	\$7,000			
		<u>\$29,000</u>			
	Hyland				
	Fertilizer Spreader	\$6,000			
	Utility Vehicle	\$9,000			
	Misc. Clubhouse Equipment	\$3,000			
		<u>\$18,000</u>	2015 Total:	\$47,000	
	2016	Dwan			
Single Deck 72" Rotary Mower		\$16,000			
Tow Behind Turbine Blower		\$8,500			
Clubhouse Equipment		\$7,000			
		<u>\$31,500</u>			
Hyland					
Sidewinder 72" Rotary		\$30,000			
Clubhouse Equipment		\$3,000			
		<u>\$33,000</u>	2016 Total:	\$64,500	
2017		Dwan			
	Bunker Rake	\$14,000			
	Clubhouse Equipment	\$7,000			
		<u>\$21,000</u>			
	Hyland				
	Fairway Mower	\$30,000			
	Clubhouse Equipment	\$3,000			
		<u>\$33,000</u>	2017 Total:	\$54,000	
	2018	Dwan			
		Utility Vehicle with Dump Box	\$18,000		
Clubhouse Equipment		\$7,000			
		<u>\$25,000</u>			
Hyland					
Tow behind Blower		\$8,500			
Clubhouse Equipment		\$3,000			
		<u>\$11,500</u>	2018 Total:	\$36,500	
2019		Dwan			
		Two Greens Mowers	\$60,000		
	Clubhouse Equipment	\$7,000			
		<u>\$67,000</u>			
	Hyland				
	Clubhouse Equipment	\$3,000			
		<u>\$3,000</u>	2019 Total:	\$70,000	