

SUMMARY OF 2007 REVISED BUDGET ALL FUNDS

<u>FUND</u>	Fund Balance January 1, 2007	Revenues	Expenditures	Fund Balance December 31, 2007
<u>General</u>	\$ 6,665,232	\$ 18,889,500	\$ 18,889,500	\$ 6,665,232
<u>Special Revenue Funds</u>				
Community Development				
Block Grant	8,746	-	-	8,746
Liquor Contribution	118,889	454,700	450,000	123,589
Tourism Administration	58,616	15,500	20,480	53,636
Cable TV	1,506,101	330,100	254,920	1,581,281
Elections	55,910	104,000	60,000	99,910
Pension Refund	7,767,842	394,400	394,400	7,767,842
Drug Felony/Forfeiture	104,171	71,720	45,000	130,891
911 Fees	126,727	46,000	135,170	37,557
Public Safety Compliance	32,979	24,000	20,000	36,979
Contribution Funds	156,136	94,940	100,640	150,436
Community Center - Days Out	5,316	21,990	21,910	5,396
Public Health Grants	76,641	66,030	83,370	59,301
Wood Lake Half Marathon	27,524	46,500	44,000	30,024
Franchise Fees	248,037	729,000	725,000	252,037
<u>Enterprise Funds *</u>				
Liquor	1,909,432	10,590,850	10,704,200	1,796,082
Water & Sewer Utility	16,122,674	5,884,000	6,948,100	15,058,574
Storm Sewer Utility **	3,602,599	864,950	959,780	3,507,769
Recreation	5,510,625	1,746,420	1,651,930	5,605,115
<u>Internal Service Funds *</u>				
Central Garage	4,167,171	1,222,750	2,050,700	3,339,221
Information Technologies	279,582	881,110	800,110	360,582
Self Insurance	4,739,542	901,470	879,410	4,761,602
Building Services	875,966	662,060	562,150	975,876
<u>Debt Service Funds **</u>				
G.O. Improvement Bonds	2,618,716	185,000	414,690	2,389,026
G.O. Redevelopment Bonds	30,817	1,538,900	1,538,900	30,817
<u>Capital Improvement Funds</u>				
Capital Improvments - 475.521	-	11,107,360	11,107,360	-
Recreational Development	181,063	500,000	500,000	181,063
Right-of-Way Improvements	7,049,936	15,945,000	15,945,000	7,049,936
Public Facilities	-	5,914,140	5,914,140	-
TOTALS	\$ 64,046,990	\$ 79,232,390	\$ 81,220,860	\$ 62,058,520

* In municipal accounting, all capital outlay acquired by the Enterprise and Internal Service Funds is recorded at cost. This cost is charged as depreciation expense over the estimated useful life of the asset.

** Bonds are not recorded as current expenditures, but rather as adjustments to the cash position.

SUMMARY OF 2008 BUDGET ALL FUNDS

<u>FUND</u>	Fund Balance <u>January 1, 2008</u>	<u>Revenues</u>	<u>Expenditures</u>	Fund Balance <u>December 31, 2008</u>
<u>General</u>	\$ 6,665,232	\$ 19,020,480	\$ 19,020,480	\$ 6,665,232
<u>Special Revenue Funds</u>				
Community Development				
Block Grant	8,746	-	-	8,746
Liquor Contribution	123,589	454,800	450,000	128,389
Tourism Administration	53,636	15,700	21,170	48,166
Cable TV	1,581,281	333,000	251,690	1,662,591
Elections	99,910	109,100	165,000	44,010
Pension Refund	7,767,842	443,250	443,250	7,767,842
Drug Felony/Forfeiture	130,891	60,200	40,000	151,091
911 Fees	37,557	46,000	18,570	64,987
Public Safety Compliance	36,979	24,000	20,000	40,979
Contribution Funds	150,436	97,890	91,590	156,736
Community Center - Days Out	5,396	22,690	21,660	6,426
Public Health Grants	59,301	66,130	89,600	35,831
Wood Lake Half Marathon	30,024	46,700	45,000	31,724
Franchise Fees	252,037	730,000	763,160	218,877
<u>Enterprise Funds *</u>				
Liquor	1,796,082	11,118,390	11,040,680	1,873,792
Water & Sewer Utility	15,058,574	6,028,430	6,935,540	14,151,464
Storm Sewer Utility **	3,507,769	894,250	1,084,940	3,317,079
Recreation	5,605,115	1,766,880	1,686,120	5,685,875
<u>Internal Service Funds *</u>				
Central Garage	3,339,221	1,418,680	1,351,820	3,406,081
Information Technologies	360,582	922,300	935,570	347,312
Self Insurance	4,761,602	927,470	906,020	4,783,052
Building Services	975,876	682,770	575,670	1,082,976
<u>Debt Service Funds **</u>				
G.O. Improvement Bonds	2,389,026	895,710	869,680	2,415,056
G.O. Redevelopment Bonds	30,817	1,548,870	1,548,870	30,817
<u>Capital Improvement Funds</u>				
Capital Improvments - 475.521	-	1,801,100	1,801,100	-
Recreational Development	181,063	500,000	500,000	181,063
Right-of-Way Improvements	7,049,936	31,012,000	31,012,000	7,049,936
Public Facilities	-	4,353,340	4,353,340	-
TOTALS	<u>\$ 62,058,520</u>	<u>\$ 85,340,130</u>	<u>\$ 86,042,520</u>	<u>\$ 61,356,130</u>

* In municipal accounting, all capital outlay acquired by the Enterprise and Internal Service Funds is recorded at cost. This cost is charged as depreciation expense over the estimated useful life of the asset.

** Bonds are not recorded as current expenditures, but rather as adjustments to the cash position.

2006-2008 SUMMARY OF FINANCIAL SOURCES AND USES AND CHANGES IN FUND BALANCES

	General Fund			Special Revenue Funds			Enterprise Funds		
	2006 Actual	2007 Revised	2008 Budget	2006 Actual	2007 Revised	2008 Budget	2006 Actual	2007 Revised	2008 Budget
FINANCIAL SOURCES									
Taxes	\$10,747,963	\$11,452,180	\$11,695,590	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	801,932	794,000	691,500	-	-	-	-	-	-
Intergovernmental Revenues	2,576,805	3,032,320	3,201,830	154,012	107,530	107,530	-	-	-
Charges for Services	1,268,138	1,164,990	1,194,490	989,857	1,044,740	1,047,490	17,709,539	18,096,990	18,810,360
Special Assessments	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	291,068	257,000	261,300	74,200	60,000	50,000	-	-	-
Miscellaneous Revenues	202,186	213,470	231,180	736,703	736,610	794,440	607,001	585,230	597,590
Transfers	1,228,380	1,975,540	1,744,590	458,500	450,000	450,000	314,000	404,000	400,000
Total Financial Sources	\$17,116,472	\$18,889,500	\$19,020,480	\$ 2,413,272	\$ 2,398,880	\$ 2,449,460	\$18,630,540	\$19,086,220	\$19,807,950
FINANCIAL USES									
Personnel Services	\$11,634,937	\$12,373,490	\$13,107,470	\$ 271,954	\$ 232,200	\$ 297,260	\$ 3,726,864	\$ 3,844,250	\$ 3,936,970
Other Services & Charges	5,246,614	5,697,780	5,866,770	563,194	387,290	417,020	4,972,644	4,330,420	4,398,080
Depreciation	-	-	-	-	-	-	1,189,133	1,262,000	1,282,000
Capital Outlay Improvements	-	60,000	-	68,387	157,000	35,000	-	7,000	-
Cost of Goods Sold	-	-	-	-	-	-	7,894,528	8,126,470	8,450,180
Transfers	32,780	758,230	46,240	1,420,200	1,578,400	1,671,410	1,923,830	2,263,180	2,273,180
Debt Service									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	233,865	430,690	406,870
Total Financial Uses	\$16,914,331	\$18,889,500	\$19,020,480	\$ 2,323,735	\$ 2,354,890	\$ 2,420,690	\$19,940,864	\$20,264,010	\$20,747,280
Net increase (decrease) in fund balance	\$ 202,141	\$ -	\$ -	\$ 89,537	\$ 43,990	\$ 28,770	\$ (1,310,324)	\$ (1,177,790)	\$ (939,330)
FUND BALANCES:									
Fund Balance - Beginning	\$ 6,463,091	\$ 6,665,232	\$ 6,665,232	\$10,204,098	\$ 10,293,635	\$10,337,625	\$28,455,654	\$27,145,330	\$25,967,540
Fund Balance - Ending	\$ 6,665,232	\$ 6,665,232	\$ 6,665,232	\$10,293,635	\$ 10,337,625	\$10,366,395	\$27,145,330	\$25,967,540	\$25,028,210

Internal Service Funds			Debt Service Funds			Capital Improvement Funds			Totals		
2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Actual	Revised	Budget	Actual	Revised	Budget	Actual	Revised	Budget	Actual	Revised	Budget
\$ -	\$ -	\$ -	\$ 1,991	\$ -	\$ 638,100	\$ 416,890	\$ 421,190	\$ 648,340	\$11,166,844	\$11,873,370	\$12,982,030
-	-	-	-	-	-	-	-	-	801,932	794,000	691,500
-	-	-	1,417,745	-	-	3,952,611	10,995,000	30,112,000	8,101,173	14,134,850	33,421,360
2,766,520	2,897,010	3,016,170	-	-	-	-	8,655,000	6,206,100	22,734,054	31,858,730	30,274,610
-	-	-	88,545	85,000	157,610	156,456	4,250,000	200,000	245,001	4,335,000	357,610
-	-	-	-	-	-	-	-	-	365,268	317,000	311,300
465,960	333,000	354,000	1,016,891	100,000	100,000	457,257	8,645,310	-	3,485,998	10,613,620	2,077,210
665,707	437,380	581,050	-	1,538,900	1,548,870	1,586,650	500,000	500,000	4,253,237	5,305,820	5,224,510
<u>\$ 3,898,187</u>	<u>\$ 3,667,390</u>	<u>\$3,951,220</u>	<u>\$ 2,525,172</u>	<u>\$ 1,723,900</u>	<u>\$ 2,444,580</u>	<u>\$ 6,569,864</u>	<u>\$33,466,500</u>	<u>\$37,666,440</u>	<u>\$51,153,507</u>	<u>\$79,232,390</u>	<u>\$85,340,130</u>
\$ 1,085,904	\$ 1,074,850	\$1,147,410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$16,719,659	\$17,524,790	\$18,489,110
1,841,584	1,933,050	2,064,040	-	3,750	4,100	4,465,283	-	-	17,089,319	12,352,290	12,750,010
502,737	536,640	557,630	-	-	-	-	-	-	1,691,870	1,798,640	1,839,630
-	-	-	-	-	-	268,690	33,466,500	37,666,440	337,077	33,690,500	37,701,440
-	-	-	-	-	-	-	-	-	7,894,528	8,126,470	8,450,180
-	747,830	-	4,180	261,190	332,710	872,247	-	-	4,253,237	5,608,830	4,323,540
-	-	-	4,160,000	950,000	1,000,000	1,999,669	-	-	6,159,669	950,000	1,000,000
-	-	-	797,063	738,650	1,081,740	39,660	-	-	1,070,588	1,169,340	1,488,610
<u>\$ 3,430,225</u>	<u>\$ 4,292,370</u>	<u>\$3,769,080</u>	<u>\$ 4,961,243</u>	<u>\$ 1,953,590</u>	<u>\$ 2,418,550</u>	<u>\$ 7,645,549</u>	<u>\$33,466,500</u>	<u>\$37,666,440</u>	<u>\$55,215,947</u>	<u>\$81,220,860</u>	<u>\$86,042,520</u>
\$ 467,962	\$ (624,980)	\$ 182,140	\$(2,436,071)	\$ (229,690)	\$ 26,030	\$(1,075,685)	\$ -	\$ -	\$(4,062,440)	\$(1,988,470)	\$(702,390)
\$ 9,594,299	\$10,062,261	\$9,437,281	\$ 5,085,604	\$ 2,649,533	\$ 2,419,843	\$ 8,306,684	\$ 7,230,999	\$ 7,230,999	\$68,109,430	\$64,046,990	\$62,058,520
<u>\$10,062,261</u>	<u>\$ 9,437,281</u>	<u>\$9,619,421</u>	<u>\$ 2,649,533</u>	<u>\$ 2,419,843</u>	<u>\$ 2,445,873</u>	<u>\$ 7,230,999</u>	<u>\$ 7,230,999</u>	<u>\$ 7,230,999</u>	<u>\$64,046,990</u>	<u>\$62,058,520</u>	<u>\$61,356,130</u>

COMPARATIVE ANALYSIS OF REVENUES ALL FUNDS

	2006 <u>Actual</u>	2007 <u>Budget</u>	2007 <u>Revised</u>	2008 <u>Budget</u>
<u>*General Fund</u>	17,116,472	18,064,410	18,889,500	19,020,480
<u>Special Revenue Funds</u>				
Community Development				
Block Grant	845	5,670	-	-
Liquor Contribution Fund	454,695	452,800	454,700	454,800
Tourism Administration	15,391	14,750	15,500	15,700
Cable TV	329,941	301,040	330,100	333,000
Elections	79,555	112,700	104,000	109,100
Pension Refund	317,015	304,780	394,400	443,250
Drug Felony/Forfeiture	124,652	58,200	71,720	60,200
911 Fees	54,194	32,000	46,000	46,000
Public Safety Compliance	22,783	31,500	24,000	24,000
Contribution Funds	126,598	40,310	94,940	97,890
Community Center - Days Out	40,637	28,850	21,990	22,690
Public Health Grants	63,779	63,830	66,030	66,130
Wood Lake Half Marathon	52,565	40,580	46,500	46,700
Franchise Fees	730,622	732,000	729,000	730,000
<u>Enterprise Funds</u>				
*Liquor	10,312,783	10,582,500	10,590,850	11,118,390
Water & Sewer Utility	5,770,857	6,343,990	5,884,000	6,028,430
Storm Sewer Utility	883,365	872,000	864,950	894,250
Recreation	1,663,535	1,668,690	1,746,420	1,766,880
<u>Internal Service Funds</u>				
Central Garage	1,469,977	1,161,790	1,222,750	1,418,680
Information Technologies	810,484	858,120	881,110	922,300
Self Insurance	907,980	876,470	901,470	927,470
Building Services	648,605	661,080	662,060	682,770
Compensated Absences	61,141	-	-	-
<u>Debt Service Funds</u>				
G.O. Improvement Bonds	194,851	160,000	185,000	895,710
G.O. Redevelopment Bonds	2,330,321	1,540,300	1,538,900	1,548,870
<u>Capital Improvement Funds</u>				
*Capital Improvements - 475.521	-	10,183,050	11,107,360	1,801,100
Recreational Development	139,573	500,000	500,000	500,000
*Right-of-Way Improvements	6,430,291	12,740,000	15,945,000	31,012,000
*Public Facilities	-	7,841,640	5,914,140	4,353,340
 Total	 <u>\$ 51,153,507</u>	 <u>\$ 76,273,050</u>	 <u>\$ 79,232,390</u>	 <u>\$ 85,340,130</u>

* These funds represent major funds of the City. Major funds represent the significant activities of the City and basically include any fund whose revenues or expenditures, excluding other financing sources and uses, constitute more than 10% of the revenues or expenditures of the appropriated budget.

COMPARATIVE ANALYSIS OF EXPENDITURES ALL FUNDS

	2006 Actual	2007 Budget	2007 Revised	2008 Budget
*General Fund				
Legislative/Executive	\$ 726,500	\$ 829,960	\$ 838,930	\$ 843,990
Administrative Services	1,074,923	1,112,030	1,117,250	1,154,600
Public Safety	7,126,113	7,616,250	7,667,810	8,077,080
Fire	2,722,801	2,790,130	2,800,260	2,979,160
Community Development	293,300	260,450	269,620	281,530
Public Works	3,434,949	3,834,160	3,863,610	3,997,020
Recreation Services	1,502,965	1,580,470	1,573,790	1,640,860
Operating transfers	32,780	40,960	758,230	46,240
Subtotal	<u>\$ 16,914,331</u>	<u>\$ 18,064,410</u>	<u>\$ 18,889,500</u>	<u>\$ 19,020,480</u>
Special Revenue Funds				
Community Development				
Block Grant	519	5,500	-	-
Liquor Contribution Fund	450,000	450,000	450,000	450,000
Tourism Administration	15,262	22,480	20,480	21,170
Cable TV	228,120	228,200	254,920	251,690
Election	152,917	58,700	60,000	165,000
Pension Refund	260,200	394,400	394,400	443,250
Drug Felony/Forfeiture	230,002	60,000	45,000	40,000
911 Fees	14,436	134,890	135,170	18,570
Public Safety Compliance	41,114	19,000	20,000	20,000
Contribution Funds	83,076	37,910	100,640	91,590
Community Center - Days Out	40,328	25,430	21,910	21,660
Public Health Grants	67,649	75,920	83,370	89,600
Wood Lake Half Marathon	30,112	40,000	44,000	45,000
Franchise Fees	710,000	720,000	725,000	763,160
Enterprise Funds				
*Liquor	10,350,160	10,533,420	10,704,200	11,040,680
Water & Sewer Utility	6,468,707	6,617,530	6,948,100	6,935,540
Storm Sewer Utility	1,555,996	915,420	959,780	1,084,940
Recreation	1,566,001	1,614,850	1,651,930	1,686,120
Internal Service Funds				
Central Garage	1,254,773	1,961,680	2,050,700	1,351,820
Information Technologies	742,172	831,440	800,110	935,570
Self Insurance	844,299	874,070	879,410	906,020
Building Services	527,840	559,870	562,150	575,670
Compensated Absences	61,141	-	-	-
Debt Service Funds				
G.O. Improvement Bonds	504,844	357,560	414,690	869,680
G.O. Redevelopment Bonds	4,456,399	1,540,300	1,538,900	1,548,870
Capital Improvement Funds				
*Capital Improvements - 475.521	-	10,183,050	11,107,360	1,801,100
Recreational Development	82,655	500,000	500,000	500,000
*Right-of-Way Improvements	7,562,894	12,740,000	15,945,000	31,012,000
Public Facilities	-	7,841,640	5,914,140	4,353,340
Total	<u>\$ 55,215,947</u>	<u>\$ 77,407,670</u>	<u>\$ 81,220,860</u>	<u>\$ 86,042,520</u>

* These funds represent major funds of the City. Major funds represent the significant activities of the City and basically include any fund whose revenues or expenditures, excluding other financing sources and uses, constitute more than 10% of the revenues or expenditures of the appropriated budget.

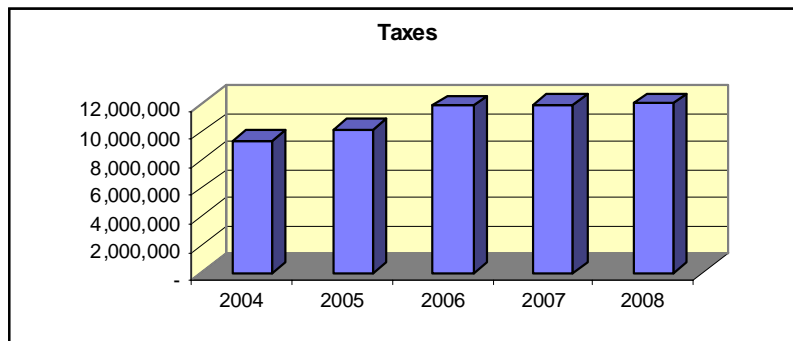
**COMPARATIVE ANALYSIS OF EXPENDITURES
BY MAJOR OBJECTIVE ALL FUNDS**

	<u>2006 Actual</u>	<u>2007 Budget</u>	<u>2007 Revised</u>	<u>2008 Budget</u>
<u>Current Expenses</u>				
Personal Services	\$ 16,719,659	\$ 17,602,150	\$ 17,524,790	\$ 18,489,110
Other Services & Charges	<u>17,089,319</u>	<u>12,562,570</u>	<u>12,352,290</u>	<u>12,750,010</u>
Subtotal	\$ 33,808,978	\$ 30,164,720	\$ 29,877,080	\$ 31,239,120
Capital Outlay Improvements	337,077	31,429,690	33,690,500	37,701,440
Depreciation	1,691,870	1,688,860	1,798,640	1,839,630
Liquor and Recreation:				
Cost of Goods Sold	7,894,528	8,125,470	8,126,470	8,450,180
Transfers	4,253,237	4,309,430	5,608,830	4,323,540
Debt Service	<u>7,230,257</u>	<u>1,689,500</u>	<u>2,119,340</u>	<u>2,488,610</u>
TOTAL	<u>\$ 55,215,947</u>	<u>\$ 77,407,670</u>	<u>\$ 81,220,860</u>	<u>\$ 86,042,520</u>

REVENUE ASSUMPTIONS AND TRENDS

Included below is a description of major revenue sources reflected in the 2008 Budget.

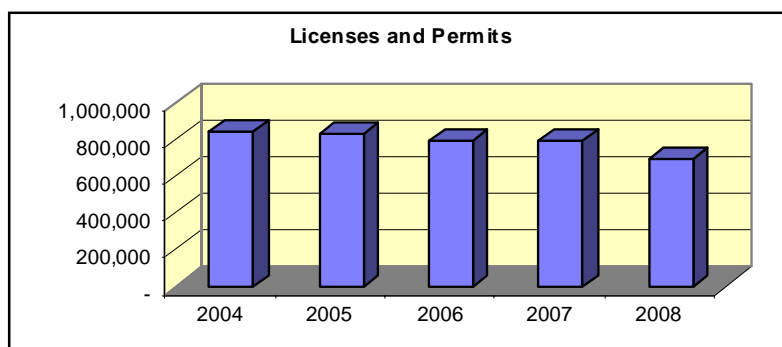
Taxes – Property taxes are the primary funding source for the City’s General Fund. The level of General Fund revenues comprising property taxes has increased steadily over the last several years due to shifts in Local Government Aid funding. As far back as 2001, taxes accounted for only 40% of General Fund revenues, however, for 2008 they now account for 61.5%. Accordingly, the total tax levy for 2008 will be \$13,000,168. The taxes collected will be deposited into the General Fund, a Capital Projects Fund and Debt Service Funds. Monies deposited into the General Fund help fund general operations of the City. The monies deposited into the Capital Projects Fund are used to fund the replacement of the City’s rolling stock and technology equipment. Finally, the monies deposited into the debt service funds are used to payoff bonds issued for the new central maintenance facility and the new intersection at 66th Street and Richfield Parkway.



Licenses and Permits – Business license fees are required to be paid annually by businesses, wishing to operate in the City. License fees charged to businesses were increased in 2007 in response to increased costs in providing the service. As a result of the fee increases revenues are estimated to be \$250,000 in 2007 and \$279,500 in 2008.

Non-business license and permit fees are levied to finance the cost of inspecting and regulating new construction. As development and redevelopment goes within the City, so does the amount of this type of revenue. Permit fee revenue from 1998 to 2001 averaged in excess of \$1 million. However, as redevelopment has slowed down, this type of revenue will likewise decrease. Actual 2006 permit revenue was \$594,172, while 2007 revenue has been revised to \$544,000 and 2008 is estimated to be only \$412,000.

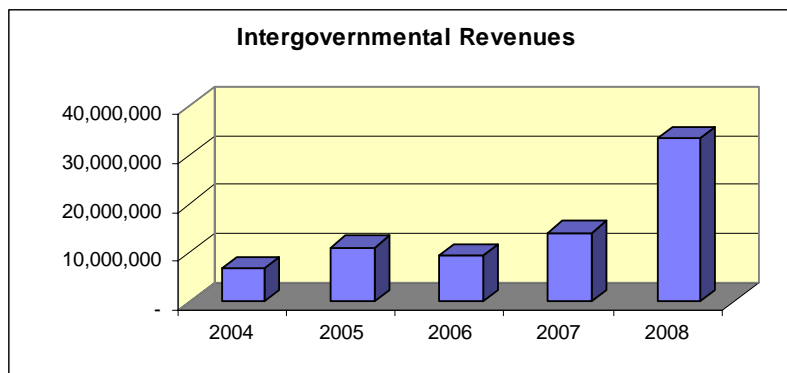
Finally, the revenues generated from these fees are used to support the cost of operating the City Inspection and Support Services divisions of the General Fund. Fees are reviewed annually to ensure that the costs involved for providing the service are recovered.



Intergovernmental Revenue - Intergovernmental revenues are monies from other governments in the form of grants, entitlements and shared revenues. Examples of these revenues include LGA, state street construction and maintenance aid (MSA), federal and state highway grants, state police aid, and state fire aid.

Citywide intergovernmental revenues for 2007 are estimated at \$14,196,940, while for 2008 they are expected to increase to \$33,464,520. LGA, which is used to support General Fund operations and MSA and federal, and state grants, which are used for right-of-way capital improvements, comprise the largest components of these types of revenues. The large increase in 2008 over 2007 is the result of \$25,000,000 in federal and state grants for one project, the Lyndale Avenue Bridge reconstruction.

In previous years, the State of Minnesota, in response to its own financial issues, has significantly reduced the amount of state aid received by the City and cities statewide. For example, in 2001 intergovernmental revenues comprised 41% of General Fund revenues. By contrast in 2008, these same revenues, of which LGA is the largest component, are only 11.44% of the General Fund. The future of LGA to be received by the City is unknown. The changes made to the formula by the state legislature to distribute LGA have caused the formula to become volatile. From 2002-2006 the City realized significant reductions in LGA. However, in 2007 the City realized a \$1.2 million increase in LGA and this was followed up by an increase of \$168,489 for 2008. The City is treating these increases cautiously and is guarded about this trend continuing. As a result, the City plans to continue to explore alternative revenue sources such as gas and electric franchise fees.



Charges for Services - Charges for services include all fees collected for goods sold or services provided. Fees are collected from several sources of which can be characterized into two primary categories.

The first category includes fees collected from the City's governmental funds, with the majority coming from the City's General Fund. Within the General Fund, fees are collected for services provided such as the City Deputy Registrar which provides motor vehicle licensing services and passport services, recreation fees generated from recreation, community center and nature center programs, and finally inspection fees derived from the housing inspection program and plan review fees that are a result of construction in the City. The dynamics of charges for services within the General Fund differ based on the service provided. With regards to Deputy Registrar fees and recreation program fees these are "fees of choice" that is, the customer pays no fee unless they choose to use the service, where the inspection and plan review fees are generated through City ordinance requirements and building permits.

The second category revolves around the City's proprietary funds. These funds include the City's Enterprise and Internal Service Fund activities. The enterprise fund activities involve a four-store municipal liquor operation to provide the responsible distribution of alcoholic beverages at retail. Three utility operations of water, wastewater, and stormwater, where the mission of these three operations is to provide the distribution of high quality water, the

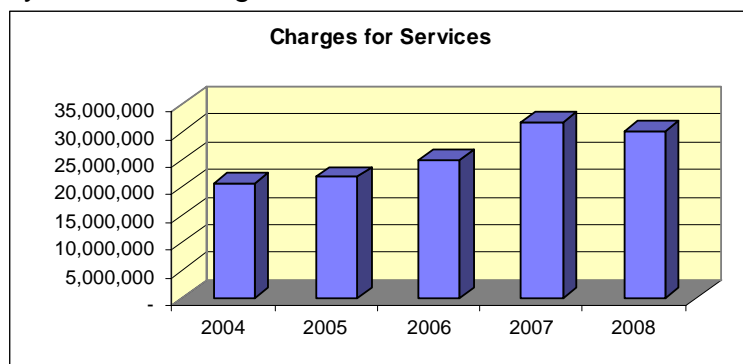
collection of wastewater and the treatment and disposal of stormwater. As such, the City has constructed significant infrastructure to provide these services. Fees are charged based on the premise to recover costs and support the operation for which it is collected. Consequently, revenues are generated based on consumption. The final enterprise operation is the City's Recreation Enterprise Fund, which consists of a two-sheet ice arena, the municipal swimming pool and a mini-golf course. These operations charge a fee for the opportunity to ice skate, swim, or play mini-golf. These operations are dependent on customers choosing to use these facilities to support their operations. Accordingly, the operations market to customers and strive to provide safe, clean facilities for recreational activities.

Finally, the City maintains four internal service funds that provide services that include the rental of motor vehicles and heavy equipment, computer equipment and services, office services, self-insurance coverage and maintenance of government buildings. These funds charge other City funds an internal charge or user fee for the services they provide.

The dynamics of fees collected for the enterprise operations of liquor, utilities, and recreation are different based on the service provided. The municipal liquor operation is a retail establishment where merchandise is purchased and marketed with the intent for resale. The utility operations charge a user fee for an essential service that users need and require. The only variable in terms of charges is that fees are based on consumption. Finally, the recreation operations also charge a user fee, however, the users of the facilities make a choice as to whether or not to use the facility.

The goal of any fee charged for a provided service is to support the operation for which it is collected. As discussed, the dynamics of the charges for service differ based on the service provided. It will be important for the City, in those instances where a user has a choice, to provide clean, safe and equitable services. Likewise, in those instances where the service is essential or required, it will be necessary to ensure that the fee is commensurate with the service provided. With that stated, for most fees, budgeted revenue projections are based on prior year experiences, the nature of the service provided for the fee, current market conditions and costs involved in the service.

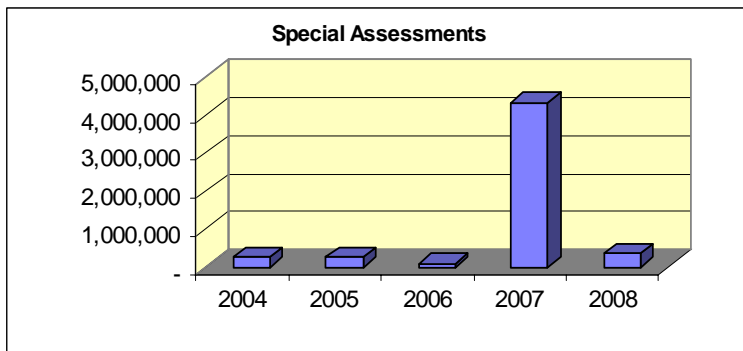
Finally, the City will need to continue to carefully monitor revenues received for charges for services in the future. As the City falls into a position of providing more revenue through locally generated services, charges for service will play a greater part in the future. It will be essential that revenues in this category increase in the future to assure that the costs of providing certain services are covered by the fees charged



Special Assessments - Special assessments are levied on property owners for specific improvements that benefit the property owners. They relate directly to past public improvement projects that were initially funded by General Obligation debt. The special assessments levied service the debt issued for the projects. Consequently, the amount of debt issues funded by special assessments has decreased in recent years. However, in 2007 to the fund the reconstruction of the 66th Street and 17th Avenue intersection, the City issued \$4,250,000 of Special Assessment bonds. 20% or \$850,000 of the debt issue will be paid from special

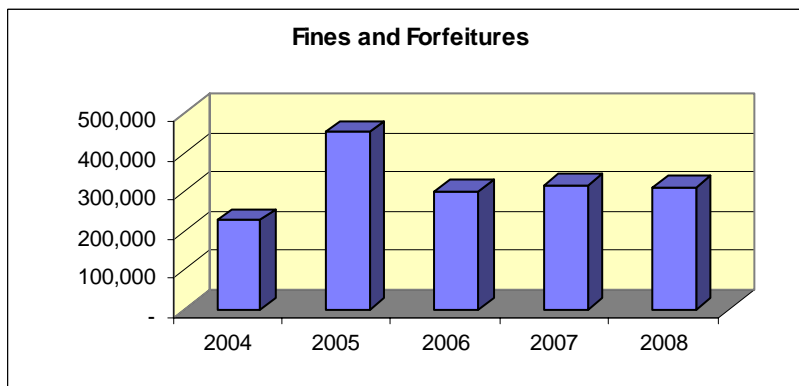
assessments while the balance of \$3,400,000 will be through a debt service tax levy. As a result, special assessment revenue, which in previous years represented less than 1% of Total City revenues, will now be approximately 6% of total City revenues in 2007. In 2008, the level of special revenues reverts back to prior year levels after the one-year spike.

While a very small portion of the budget, the City will continue to carefully analyze where the use of special assessments procedures are appropriate, and use them accordingly.



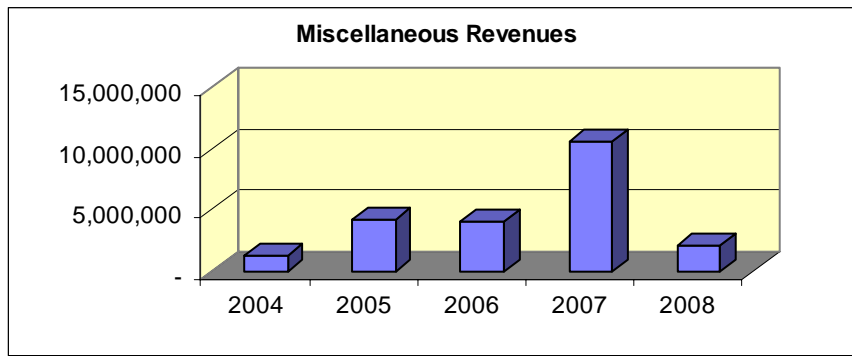
Fines and Forfeitures - Fines and forfeitures consist of the City's share of fines collected by the County for court actions and revenues from drug forfeiture proceedings. In 2007 they total \$317,000, for 2008 they are estimated at \$311,000. The projections for 2007 and 2008 are very conservative as compared to the average of actual revenues for the years 2004-2006, which is \$344,000.

These revenues are used to support General Fund operations and represent less than 1% of the City's total budget.



Miscellaneous Revenues - Miscellaneous revenues include interest earnings, rentals, contributions, and sale of property. It is difficult to project the level of revenues to be received in this category. As can be seen by the graph below, from 2004 to 2006 miscellaneous revenues have been relatively flat. However, in 2007, this category increases significantly due to various funding sources for the new Central Maintenance Facility to be utilized during construction in 2007. Finally, as can be seen by the graph, the level of revenues in 2008 decrease back to 2004 to 2006 levels.

The trend for future revenues in this category is not clear. Interest earnings which typically makes up a large portion of miscellaneous revenue has decreased significantly the last couple of years due to the record low interest rates. If rates were to start increasing, revenues in this category would likewise increase. As stated above, capital improvement projects and the funding associated with them can also affect the levels of revenues for any given year.



The following charts illustrate all revenue components for 2007 and 2008.

