

BUDGET SUMMARY

SUMMARY OF 2008 REVISED 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>	\$ 6,736,870	\$ 19,175,320	\$ 19,175,320	\$ 6,736,870
<u>Special Revenue Funds</u>				
Community Development				
Block Grant	8,622	-	-	8,622
Liquor Contribution	124,588	454,000	450,000	128,588
Tourism Administration	61,762	14,500	15,700	60,562
Cable TV	1,656,504	325,000	253,660	1,727,844
Elections	84,482	92,000	165,000	11,482
Pension Refund	7,745,790	215,130	325,130	7,635,790
Drug Felony/Forfeiture	172,044	72,200	94,000	150,244
911 Fees	42,337	48,500	58,570	32,267
Public Safety Compliance	59,042	31,000	18,000	72,042
Contribution Funds	123,425	67,870	106,340	84,955
Community Center - Days Out	11,492	28,100	28,690	10,902
Public Health Grants	83,379	66,340	63,340	86,379
Wood Lake Half Marathon	12,841	47,000	45,000	14,841
Franchise Fees	268,981	736,000	750,000	254,981
<u>Enterprise Funds *</u>				
Liquor	1,876,386	11,096,880	10,811,190	2,162,076
Water & Sewer Utility	14,802,257	5,896,750	7,239,630	13,459,377
Storm Sewer Utility **	3,601,338	935,500	1,029,220	3,507,618
Recreation	5,605,196	1,756,270	1,696,270	5,665,196
<u>Internal Service Funds *</u>				
Central Garage	3,454,809	1,458,680	1,408,830	3,504,659
Information Technologies	378,038	920,360	914,840	383,558
Self Insurance	5,038,937	929,470	908,530	5,059,877
Building Services	1,006,406	696,770	588,560	1,114,616
<u>Debt Service Funds **</u>				
G.O. Improvement Bonds	3,194,219	10,613,710	10,645,080	3,162,849
G.O. Redevelopment Bonds	-	1,548,860	1,548,860	-
<u>Capital Improvement Funds</u>				
Capital Improvments - 475.521	-	6,000,000	6,000,000	-
Recreational Development	233,023	500,000	500,000	233,023
Right-of-Way Improvements	11,146,169	11,919,910	11,919,910	11,146,169
Public Facilities	-	4,503,340	4,503,340	-
TOTALS	<u>\$ 67,528,937</u>	<u>\$ 80,149,460</u>	<u>\$ 81,263,010</u>	<u>\$ 66,415,387</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.

SUMMARY OF 2009 BUDGET ALL FUNDS

<u>FUND</u>	Fund Balance <u>January 1, 2009</u>	<u>Revenues</u>	<u>Expenditures</u>	Fund Balance <u>December 31, 2009</u>
<u>General</u>	\$ 6,736,870	\$ 19,805,480	\$ 19,805,480	\$ 6,736,870
<u>Special Revenue Funds</u>				
Community Development				
Block Grant	8,622	-	-	8,622
Liquor Contribution	128,588	453,500	450,000	132,088
Tourism Administration	60,562	15,200	16,000	59,762
Cable TV	1,727,844	332,000	266,090	1,793,754
Elections	11,482	92,000	64,000	39,482
Pension Refund	7,635,790	231,360	245,820	7,621,330
Drug Felony/Forfeiture	150,244	60,100	77,000	133,344
911 Fees	32,267	48,500	14,000	66,767
Public Safety Compliance	72,042	31,000	18,000	85,042
Contribution Funds	84,955	46,290	44,290	86,955
Community Center - Days Out	10,902	28,000	30,700	8,202
Public Health Grants	86,379	39,360	36,360	89,379
Wood Lake Half Marathon	14,841	48,200	45,000	18,041
Franchise Fees	254,981	739,000	750,000	243,981
<u>Enterprise Funds *</u>				
Liquor	2,162,076	11,805,330	11,349,300	2,618,106
Water & Sewer Utility	13,459,377	5,986,720	7,101,360	12,344,737
Storm Sewer Utility **	3,507,618	944,950	988,150	3,464,418
Recreation	5,665,196	1,627,620	1,748,380	5,544,436
<u>Internal Service Funds *</u>				
Central Garage	3,504,659	1,585,960	1,499,340	3,591,279
Information Technologies	383,558	957,380	1,041,470	299,468
Self Insurance	5,059,877	926,470	925,160	5,061,187
Building Services	1,114,616	717,070	603,910	1,227,776
<u>Debt Service Funds **</u>				
G.O. Improvement Bonds	3,162,849	6,276,980	5,910,640	3,529,189
G.O. Redevelopment Bonds	-	1,545,600	1,545,600	-
<u>Capital Improvement Funds</u>				
Capital Improvements - 475.521	-	3,000,000	3,000,000	-
Recreational Development	233,023	450,000	450,000	233,023
Right-of-Way Improvements	11,146,169	29,040,500	29,040,500	11,146,169
Public Facilities	-	1,152,030	1,152,030	-
TOTALS	<u>\$ 66,415,387</u>	<u>\$ 87,986,600</u>	<u>\$ 88,218,580</u>	<u>\$ 66,183,407</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.

2007-2009 SUMMARY OF FINANCIAL SOURCES AND USES AND CHANGES IN FUND BALANCES

	General Fund			Special Revenue Funds			Enterprise Funds		
	2007 Actual	2008 Revised	2009 Budget	2007 Actual	2008 Revised	2009 Budget	2007 Actual	2008 Revised	2009 Budget
FINANCIAL SOURCES									
Taxes	\$10,888,849	\$11,695,590	\$12,136,340	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	872,135	690,660	696,460	-	-	-	-	-	-
Intergovernmental Revenues	3,659,147	3,351,650	3,660,180	167,032	111,340	84,360	39,361	-	-
Charges for Services	1,218,194	1,118,300	1,111,440	1,017,826	1,063,500	1,072,700	18,455,478	18,847,160	19,824,020
Special Assessments	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	276,630	298,600	298,600	102,975	60,000	50,000	-	-	-
Miscellaneous Revenues	256,157	222,470	232,770	897,012	512,800	507,450	695,199	438,240	311,800
Transfers	1,702,580	1,798,050	1,669,690	450,000	450,000	450,000	314,000	400,000	228,800
Total Financial Sources	\$18,873,692	\$19,175,320	\$19,805,480	\$ 2,634,845	\$ 2,197,640	\$ 2,164,510	\$19,504,038	\$19,685,400	\$20,364,620
FINANCIAL USES									
Personnel Services	\$12,321,080	\$13,262,160	\$13,743,960	\$ 260,449	\$ 311,760	\$ 273,490	\$ 3,884,036	\$ 3,861,920	\$ 3,990,760
Other Services & Charges	5,722,604	5,913,160	6,061,520	378,240	476,540	287,950	4,747,568	5,020,300	4,938,050
Depreciation	-	-	-	-	-	-	1,267,515	1,488,000	1,488,000
Capital Outlay Improvements	60,000	-	-	270,102	60,000	50,000	-	-	-
Cost of Goods Sold	-	-	-	-	-	-	8,277,975	8,345,890	8,847,080
Transfers	698,370	-	-	1,564,400	1,525,130	1,445,820	2,173,180	1,653,330	1,529,870
Debt Service									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	413,917	406,870	393,430
Total Financial Uses	\$18,802,054	\$19,175,320	\$19,805,480	\$ 2,473,191	\$ 2,373,430	\$ 2,057,260	\$20,764,191	\$20,776,310	\$21,187,190
Net increase (decrease) in fund balance	\$ 71,638	\$ -	\$ -	\$ 161,654	\$ (175,790)	\$ 107,250	\$ (1,260,153)	\$ (1,090,910)	\$ (822,570)
FUND BALANCES:									
Fund Balance - Beginning	\$ 6,665,232	\$ 6,736,870	\$ 6,736,870	\$10,293,635	\$ 10,455,289	\$10,279,499	\$27,145,330	\$25,885,177	\$24,794,267
Fund Balance - Ending	\$ 6,736,870	\$ 6,736,870	\$ 6,736,870	\$10,455,289	\$ 10,279,499	\$10,386,749	\$25,885,177	\$24,794,267	\$23,971,697

Internal Service Funds			Debt Service Funds			Capital Improvement Funds			Totals		
2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Actual	Revised	Budget	Actual	Revised	Budget	Actual	Revised	Budget	Actual	Revised	Budget
\$ -	\$ -	\$ -	\$ 185	\$ 638,100	\$ 1,586,980	\$ 421,146	\$ 548,340	\$ 634,040	\$11,310,180	\$12,882,030	\$14,357,360
-	-	-	-	-	-	-	-	-	872,135	690,660	696,460
-	-	-	1,509,464	-	-	6,965,021	11,096,450	27,036,500	12,340,025	14,559,440	30,781,040
3,009,107	3,041,230	3,168,200	-	-	-	-	10,078,460	541,990	23,700,605	34,148,650	25,718,350
-	-	-	351,038	157,610	160,000	153,196	-	1,230,000	504,234	157,610	1,390,000
-	-	-	-	-	-	-	-	-	379,605	358,600	348,600
548,763	383,000	381,750	145,318	9,818,000	4,530,000	909,521	700,000	700,000	3,451,970	12,074,510	6,663,770
437,380	581,050	636,930	8,955,000	1,548,860	1,545,600	14,821,862	500,000	3,500,000	26,680,822	5,277,960	8,031,020
<u>\$ 3,995,250</u>	<u>\$ 4,005,280</u>	<u>\$ 4,186,880</u>	<u>\$10,961,005</u>	<u>\$12,162,570</u>	<u>\$ 7,822,580</u>	<u>\$23,270,746</u>	<u>\$22,923,250</u>	<u>\$33,642,530</u>	<u>\$79,239,576</u>	<u>\$80,149,460</u>	<u>\$87,986,600</u>
\$ 1,124,435	\$ 1,203,100	\$ 1,263,060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$17,590,000	\$18,638,940	\$19,271,270
1,752,045	2,040,900	2,213,230	-	11,500	5,600	7,897,876	-	-	20,498,333	13,462,400	13,506,350
555,011	576,760	593,590	-	-	-	-	-	-	1,822,526	2,064,760	2,081,590
-	-	-	-	-	-	7,367,951	22,923,250	33,642,530	7,698,053	22,983,250	33,692,530
-	-	-	-	-	-	-	-	-	8,277,975	8,345,890	8,847,080
747,830	-	-	8,687,226	10,100,710	4,732,890	3,856,726	-	-	17,727,732	13,279,170	7,708,580
-	-	-	950,000	1,000,000	1,285,000	-	-	-	950,000	1,000,000	1,285,000
-	-	-	779,093	1,081,730	1,432,750	-	-	-	1,193,010	1,488,600	1,826,180
<u>\$ 4,179,321</u>	<u>\$ 3,820,760</u>	<u>\$ 4,069,880</u>	<u>\$10,416,319</u>	<u>\$12,193,940</u>	<u>\$ 7,456,240</u>	<u>\$19,122,553</u>	<u>\$22,923,250</u>	<u>\$33,642,530</u>	<u>\$75,757,629</u>	<u>\$81,263,010</u>	<u>\$88,218,580</u>
\$ (184,071)	\$ 184,520	\$ 117,000	\$ 544,686	\$ (31,370)	\$ 366,340	\$ 4,148,193	\$ -	\$ -	\$ 3,481,947	\$ (1,113,550)	\$ (231,980)
<u>\$10,062,261</u>	<u>\$ 9,878,190</u>	<u>\$10,062,710</u>	<u>\$ 2,649,533</u>	<u>\$ 3,194,219</u>	<u>\$ 3,162,849</u>	<u>\$ 7,230,999</u>	<u>\$11,379,192</u>	<u>\$11,379,192</u>	<u>\$64,046,990</u>	<u>\$67,528,937</u>	<u>\$66,415,387</u>
<u>\$ 9,878,190</u>	<u>\$10,062,710</u>	<u>\$10,179,710</u>	<u>\$ 3,194,219</u>	<u>\$ 3,162,849</u>	<u>\$ 3,529,189</u>	<u>\$11,379,192</u>	<u>\$11,379,192</u>	<u>\$11,379,192</u>	<u>\$67,528,937</u>	<u>\$66,415,387</u>	<u>\$66,183,407</u>

COMPARATIVE ANALYSIS OF REVENUES ALL FUNDS

	2007 <u>Actual</u>	2008 <u>Budget</u>	2008 <u>Revised</u>	2009 <u>Budget</u>
<u>*General Fund</u>	18,873,692	19,020,480	19,175,320	19,805,480
<u>Special Revenue Funds</u>				
Community Development				
Block Grant	394	-	-	-
Liquor Contribution Fund	455,699	454,800	454,000	453,500
Tourism Administration	15,693	15,700	14,500	15,200
Cable TV	365,331	333,000	325,000	332,000
Elections	89,276	109,100	92,000	92,000
Pension Refund	372,348	443,250	215,130	231,360
Drug Felony/Forfeiture	187,089	60,200	72,200	60,100
911 Fees	54,529	46,000	48,500	48,500
Public Safety Compliance	42,301	24,000	31,000	31,000
Contribution Funds	153,849	97,890	67,870	46,290
Community Center - Days Out	40,217	22,690	28,100	28,000
Public Health Grants	59,025	66,130	66,340	39,360
Wood Lake Half Marathon	55,327	46,700	47,000	48,200
Franchise Fees	743,767	730,000	736,000	739,000
<u>Enterprise Funds</u>				
*Liquor	10,796,554	11,118,390	11,096,880	11,805,330
Water & Sewer Utility	5,974,542	6,028,430	5,896,750	5,986,720
Storm Sewer Utility	1,034,370	894,250	935,500	944,950
Recreation	1,698,572	1,766,880	1,756,270	1,627,620
<u>Internal Service Funds</u>				
Central Garage	1,355,513	1,418,680	1,458,680	1,585,960
Information Technologies	878,767	922,300	920,360	957,380
Self Insurance	1,010,672	927,470	929,470	926,470
Building Services	677,798	682,770	696,770	717,070
Compensated Absences	72,500	-	-	-
<u>Debt Service Funds</u>				
*G.O. Improvement Bonds	9,451,541	895,710	10,613,710	6,276,980
G.O. Redevelopment Bonds	1,509,464	1,548,870	1,548,860	1,545,600
<u>Capital Improvement Funds</u>				
Capital Improvements - 475.521	-	1,801,100	6,000,000	3,000,000
Recreational Development	143,382	500,000	500,000	450,000
*Right-of-Way Improvements	23,127,364	31,012,000	11,919,910	29,040,500
*Public Facilities	-	4,353,340	4,503,340	1,152,030
 Total	 <u>\$ 79,239,576</u>	 <u>\$ 85,340,130</u>	 <u>\$ 80,149,460</u>	 <u>\$ 87,986,600</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

	2007 Actual	2008 Budget	2008 Revised	2009 Budget
*General Fund				
Legislative/Executive	\$ 743,890	\$ 843,990	\$ 836,830	\$ 866,880
Administrative Services	1,049,999	1,154,600	1,158,100	1,189,130
Public Safety	7,691,429	8,077,080	8,104,270	8,355,240
Fire	2,876,983	2,979,160	3,127,540	3,248,080
Community Development	312,098	281,530	277,480	282,120
Public Works	3,862,925	3,997,020	4,023,110	4,175,320
Recreation Services	1,566,360	1,640,860	1,647,990	1,688,710
Operating transfers	698,370	46,240	-	-
Subtotal	\$ 18,802,054	\$ 19,020,480	\$ 19,175,320	\$ 19,805,480
Special Revenue Funds				
Community Development				
Block Grant	518	-	-	-
Liquor Contribution Fund	450,000	450,000	450,000	450,000
Tourism Administration	12,547	21,170	15,700	16,000
Cable TV	214,928	251,690	253,660	266,090
Election	60,704	165,000	165,000	64,000
Pension Refund	394,400	443,250	325,130	245,820
Drug Felony/Forfeiture	119,216	40,000	94,000	77,000
911 Fees	138,919	18,570	58,570	14,000
Public Safety Compliance	16,238	20,000	18,000	18,000
Contribution Funds	186,560	91,590	106,340	44,290
Community Center - Days Out	34,041	21,660	28,690	30,700
Public Health Grants	52,287	89,600	63,340	36,360
Wood Lake Half Marathon	70,010	45,000	45,000	45,000
Franchise Fees	722,823	763,160	750,000	750,000
Enterprise Funds				
*Liquor	10,829,600	11,040,680	10,811,190	11,349,300
Water & Sewer Utility	7,294,959	6,935,540	7,239,630	7,101,360
Storm Sewer Utility	1,035,631	1,084,940	1,029,220	988,150
Recreation	1,604,001	1,686,120	1,696,270	1,748,380
Internal Service Funds				
Central Garage	2,067,875	1,351,820	1,408,830	1,499,340
Information Technologies	780,311	935,570	914,840	1,041,470
Self Insurance	711,277	906,020	908,530	925,160
Building Services	547,358	575,670	588,560	603,910
Compensated Absences	72,500	-	-	-
Debt Service Funds				
*G.O. Improvement Bonds	8,876,038	869,680	10,645,080	5,910,640
G.O. Redevelopment Bonds	1,540,281	1,548,870	1,548,860	1,545,600
Capital Improvement Funds				
Capital Improvements - 475.521	-	1,801,100	6,000,000	3,000,000
Recreational Development	91,422	500,000	500,000	450,000
*Right-of-Way Improvements	19,031,131	31,012,000	11,919,910	29,040,500
Public Facilities	-	4,353,340	4,503,340	1,152,030
Total	\$ 75,757,629	\$ 86,042,520	\$ 81,263,010	\$ 88,218,580

* 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.

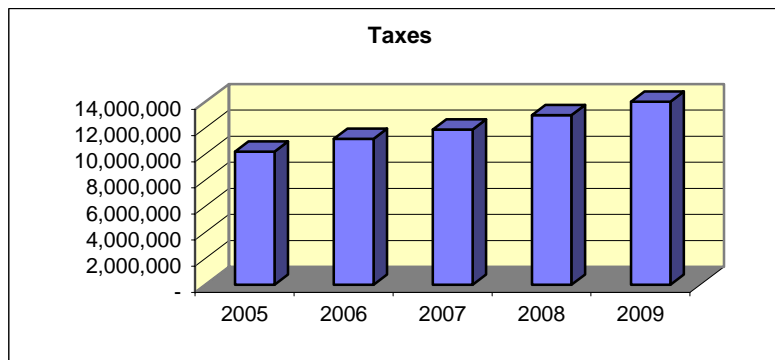
**COMPARATIVE ANALYSIS OF EXPENDITURES
BY MAJOR OBJECTIVE ALL FUNDS**

	<u>2007 Actual</u>	<u>2008 Budget</u>	<u>2008 Revised</u>	<u>2009 Budget</u>
<u>Current Expenses</u>				
Personal Services	\$ 17,590,000	\$ 18,489,110	\$ 18,638,940	\$ 19,271,270
Other Services & Charges	<u>20,500,243</u>	<u>12,750,010</u>	<u>13,462,400</u>	<u>13,506,350</u>
Subtotal	\$ 38,090,243	\$ 31,239,120	\$ 32,101,340	\$ 32,777,620
Capital Outlay Improvements	7,698,053	37,701,440	22,983,250	33,692,530
Depreciation	1,822,526	1,839,630	2,064,760	2,081,590
Liquor and Recreation:				
Cost of Goods Sold	8,277,975	8,450,180	8,345,890	8,847,080
Transfers	17,725,822	4,323,540	13,279,170	7,708,580
Debt Service	<u>2,143,010</u>	<u>2,488,610</u>	<u>2,488,600</u>	<u>3,111,180</u>
TOTAL	<u>\$ 75,757,629</u>	<u>\$ 86,042,520</u>	<u>\$ 81,263,010</u>	<u>\$ 88,218,580</u>

REVENUE ASSUMPTIONS AND TRENDS

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

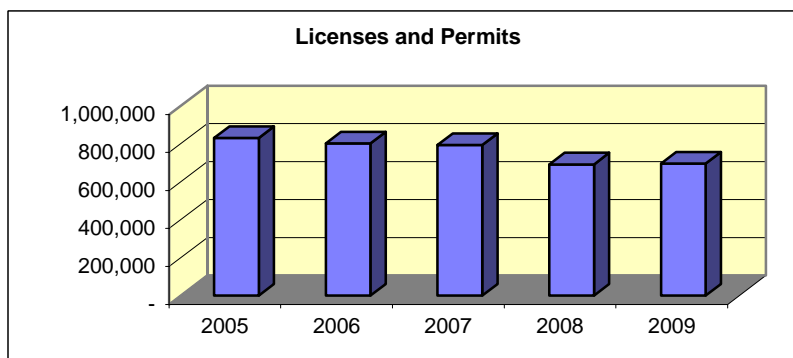
Taxes – Property taxes are the primary funding source for the City’s General Fund. The level of General Fund revenues comprising property taxes has increased steadily over the last several years due to shifts in Local Government Aid (LGA) funding. As far back as 2001, taxes accounted for only 38% of General Fund revenues, however, for 2009 they now account for 61%. Accordingly, the total tax levy for 2009 will be \$14,304,539, of which \$12,384,020 will be identified for the General Fund. The balance of taxes collected will be deposited into Capital Projects Funds and Debt Service Funds. Monies deposited into the General Fund help fund general operations of the City. The monies deposited into the Capital Projects Funds 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, the new intersection at 66th Street and Richfield Parkway, and the new Police/Fire/City Hall facility.



Licenses and Permits – Business license fees are required to be paid annually by businesses, wishing to operate in the City. The level of fees charged are reviewed annually and are adjusted to respond to increased costs in providing the service. Estimated revenues for 2008 and 2009 are \$285,090 and \$282,360 respectively.

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 2007 permit revenue was \$603,114, while 2008 revenue has been revised downward to \$405,570 and 2009 is estimated to increase slightly to \$414,100.

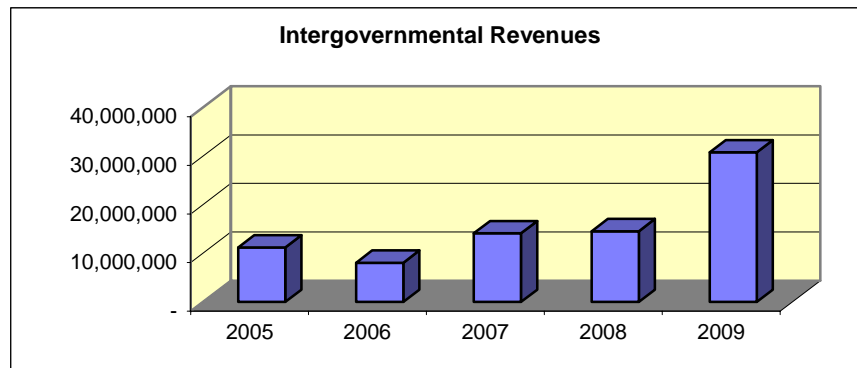
Finally, the revenues generated from these fees are used to support the cost of operating the City Inspection and Support Services divisions of the General Fund. Fees are reviewed annually to ensure that the costs involved for providing the service are recovered.



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 2008 Revised are estimated at \$14,559,440, while for 2009 they are expected to increase to \$30,781,040. LGA, which is used to support General Fund operations, while 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 2009 over 2008 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 39% of General Fund revenues. By contrast in 2009, these same revenues, of which LGA is the largest component, are only 18% of the General Fund. For 2009, the City is budgeting for a net increase of \$308,530 in General Fund intergovernmental revenues. The majority of this increase is the result of an increase in LGA, the third year in a row that the City has realized an increase in LGA. However, with current market and economic conditions, the City treats these increases cautiously and continues to explore alternative revenue options 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

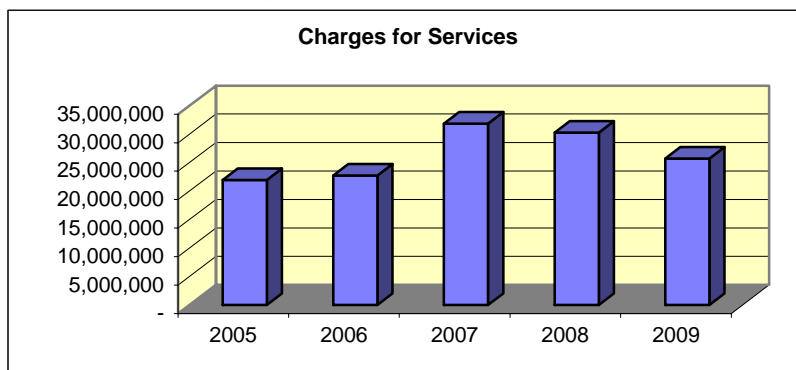
premise to recover costs and support the operation for which it is collected. Consequently, revenues are generated based on consumption. The final enterprise operation is the City's Recreation Enterprise Fund, which consists of a two-sheet ice arena, the municipal swimming pool and a mini-golf course. 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.

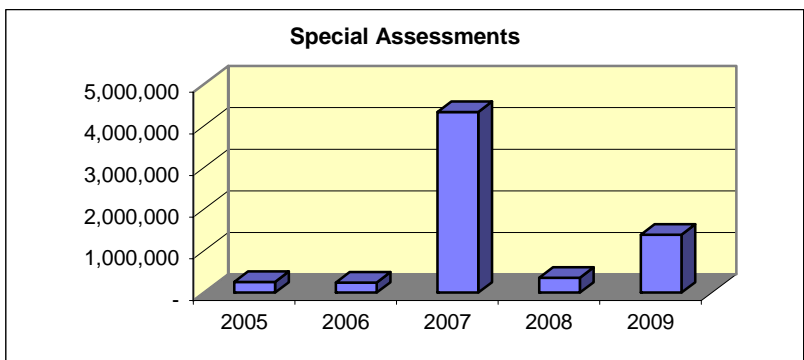
Finally, the City will need to continue to carefully monitor revenues received for charges for services in the future. As the City falls into a position of providing more revenue through locally generated services, charges for service will play a greater part in the future. It will be essential that 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. For 2009,

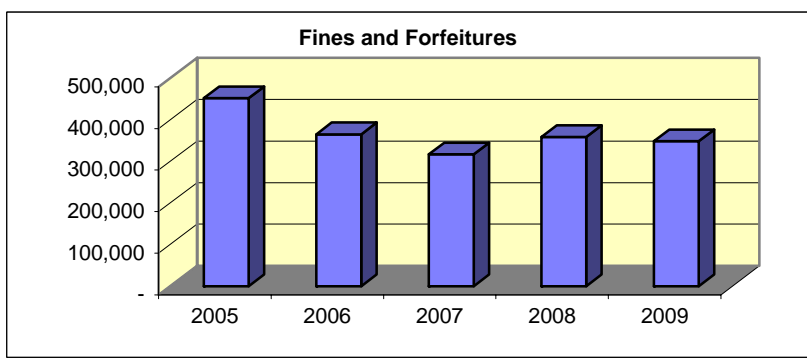
special assessments will increase marginally as this source of funding is planned for two planned projects, Richfield Parkway Phase 2 and a City Alley Paving project.

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.



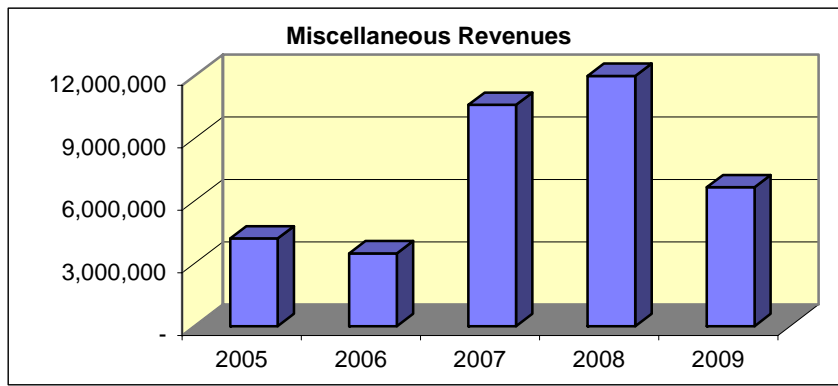
Fines and Forfeitures - Fines and forfeitures consist of the City's share of fines collected by the County for court actions and revenues from drug forfeiture proceedings. In 2008 they total \$358,000, for 2009 they are estimated at \$348,600. The projections for 2008 and 2009 are very conservative as compared to the average of actual revenues for the years 2005-2007, which is \$398,000.

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

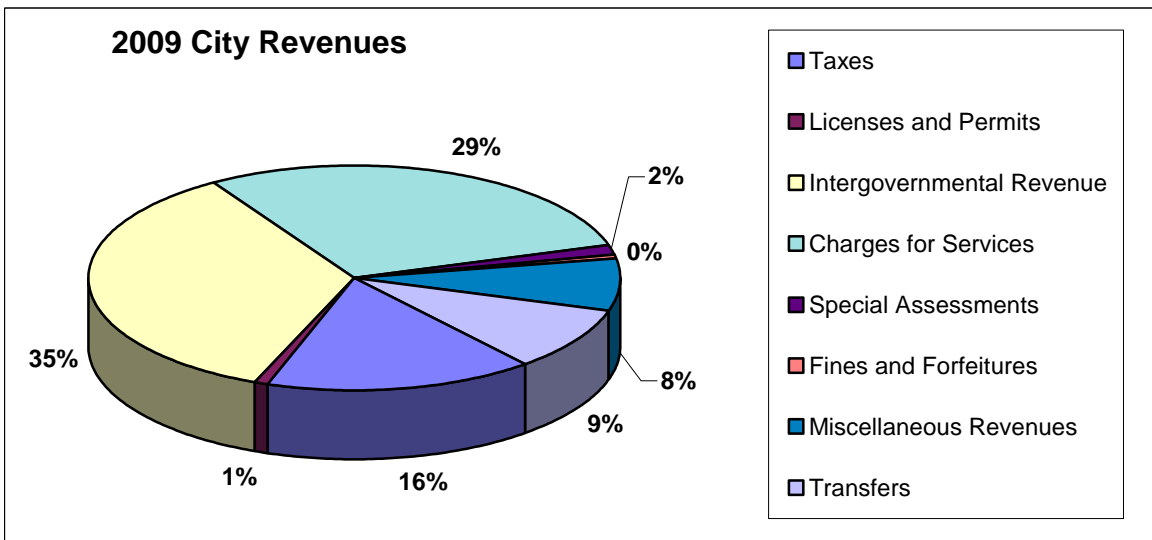
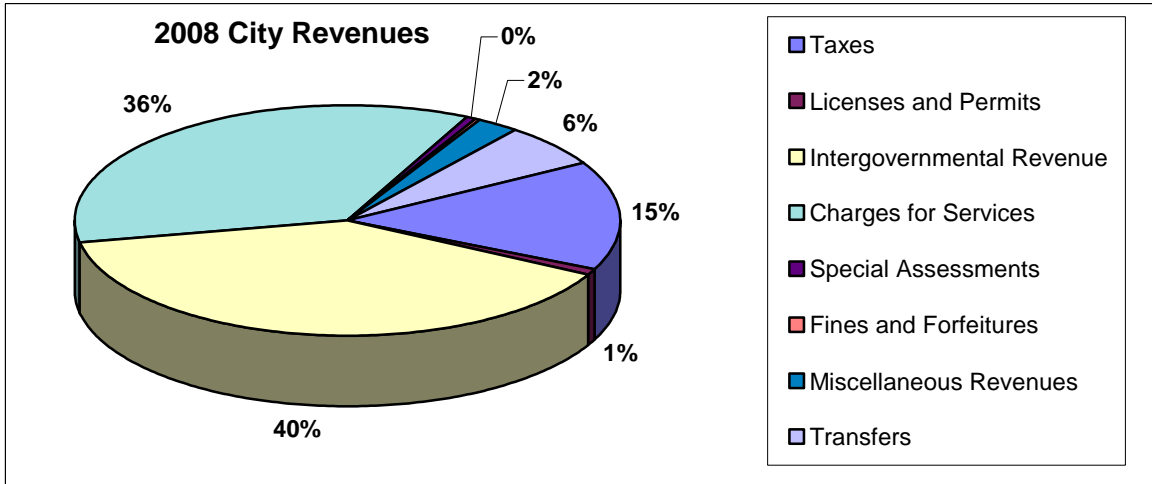


Miscellaneous Revenues - Miscellaneous revenues include interest earnings, rentals, contributions, and sale of property. It is difficult to project the level of revenues to be received in this category. As can be seen by the graph below in 2005 and 2006 revenues were relatively flat, then in 2007 revenues increase significantly due to planned funding for the new Central Maintenance Facility. In 2008 the level of revenues increases slightly from 2007 levels due to the first phase of funding for the new Police/Fire/City Hall facility. Finally, in 2009, revenues decrease closer to prior years 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 lower 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 2008 and 2009.



Richfield

THE *Urban*
HOMETOWN