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Welcome to Richfield

The City of Richfield, located in Hennepin County, is a historically residential community. The City benefits from its favorable locations adjacent to the Minneapolis-St. Paul International Airport and the cities of Minneapolis, Bloomington and Edina. The City operates under a home rule charter form of government consisting of a five-member City Council of which the Mayor is a voting member.

Hennepin County was incorporated in 1852. Its largest City is Minneapolis, which is the county seat. Hennepin has the largest population of Minnesota's 87 counties with almost a quarter of the state's population. It has a broad-based economy with strong trade, service, and manufacturing sectors. Employment is relatively stable, and the unemployment rate is consistently below the national average.

Richfield began as a township and was named in 1858 for its fertile land. It became a village in 1908. In its early days it was much larger than it is now. It extended from Lake Street in Minneapolis on the north to 78th Street on the south. It included what is now the City of Edina on the west and extended to the Mississippi River on the east. The present north boundary at 62nd Street resulted from annexations by Minneapolis. In 1905, the area east of 34th Avenue was acquired for Fort Snelling. More recently, the Minneapolis-St. Paul International Airport has pushed the eastern boundary to Trunk Highway 77.

The City's population has decreased in recent decades, though the trend has stabilized. Today, Richfield has about 35,000 residents who live within its seven square miles. In order to remain vital, the community is focusing on commercial and residential redevelopment, taking advantage of its favorable location near major freeways, the airport and downtown Minneapolis. As a result the City's tax base has averaged a 7% annual growth over the last five years.

Demographics within the City have been changing leading to an aging population. The City has responded to this by actively seeking to develop multifamily housing units for senior citizens, which would make available single family housing and encourage young families to settle in the City.

The City experiences income levels that are above state and national levels, while per capita and median family incomes are at or above state levels.

Even lying as it does in the middle of an urban area, Richfield retains a small town flavor. The pace is easy, the streets are clean, City government is accessible, and community spirit runs high. Furthermore, it has strong residential neighborhoods, an excellent public school system, and established infrastructure and amenities like Wood Lake Nature Center that make it a community attractive to all ages.

Accordingly, Richfield's mission is to be known as the best place to live, work, learn, and do business in the Twin Cities area. We are a customer focused and caring community that strives to foster a sense of neighborliness.

OVERVIEW PROSPECTIVE

The 2009 Proposed Budget and tax levy faced a new challenge during its preparation. As an outcome of the 2008 legislative session, the legislature passed into law the governor's new levy limits on cities with populations over 2,500 for taxes payable in 2009, 2010, and 2011. In addition to the new levy limit law, the legislature also passed several changes to the local government aid (LGA) program and added \$42 million to the LGA appropriation for 2009 and beyond. The effect these changes can have on cities can be complex. For some cities, the combined effect of more LGA and levy limits could mean that a city's 2009 levy limit would be less than 2008 or only a marginal increase.

The effect levy limits will have on the City of Richfield depends on how the City manages the levy and the allowable special levies. Consequently, the levy limit law allows for only an inflationary increase of 3.9% of the City's previous year levy, plus LGA, with additional small percentage adjustments for household growth and commercial and industrial value increases, any allowable levy increases will be offset by any increases in 2009 LGA. As it stands now, the City of Richfield is slated to receive \$2,640,720 in LGA for 2009, an increase over 2008 of \$465,030. This increase will have the effect to reduce the City's 2009 levy limit base.

It should be noted that included in the new levy limit law are several special levies that are outside of a city's levy limit. Some of these special levies give cities flexibility in that they allow them to remove costs from the levy limit base and categorize them as a special levy. An example of this would be police and fire wages and benefits. However, using a special levy like the police and fire wages and benefits correspondingly reduces the levy limit base. Consequently, the City has chosen to not remove the police and fire wages and benefits from the levy limit base. Once the City received its levy limit level from the Department of Revenue it was determined that it was more advantageous to the City to leave the police and fire wages and benefits in the base levy. The outcome of this is that the City's 2009 base levy will only increase 1.28% over the 2008 base levy.

In addition to dealing with the new levy limit law challenge, the City of Richfield also faces several other challenges that will affect the 2009 Budget and tax levy.

The first of these challenges relates to the City of Richfield's biggest assets, personnel and the costs associated with personnel. The City is a service organization and as such, its largest expense relates to the costs associated with providing that service, i.e. personnel. It is projected that the City will incur increased costs in wages paid (4.11%), health insurance (8.49%) and pension costs (11.34%). In terms of dollars, these increases amount to \$720,590 in the General Fund alone. It should be noted that the increase in pension costs is a direct result of state mandated increases in the contribution amounts the City is required to pay.

The second of these challenges facing the City is not new; in fact the City is not alone in dealing with this challenge. I am referring to the increase in energy costs, the price of oil, natural gas and electricity. The City is realizing significant increases in electric and natural gas charges in 2009, a \$105,190 (28.73%) increase in the General Fund and \$222,380 (22.08%) citywide.

A third challenge is maintaining the City's rolling stock and information technology equipment. Beginning in 2006, in an effort to maintain this equipment, the City Council made the decision to fund the equipment needs through the levying of additional taxes in lieu of issuing General Obligation capital notes. Budgeted purchases for 2009 total \$702,030, an increase of only \$20,730 over 2008 levels. However, due to the imposition of levy limits for 2009, there is not enough levy limit base to fund the entire level of equipment needs with a tax levy and a gap in funding exists. It is proposed that the gap in funding will be filled by the issuance of General

Obligation capital notes in 2008 in the par amount of \$515,000 which will be funded by a debt service tax levy over the next two years and the utilization of cash on hand. Therefore, the funding of the City's 2009 equipment requests will be through a combination of a general tax levy, the issuance of capital notes and cash on hand.

The fourth challenge that affects the 2009 Budget and tax levy relates to the past and planned issuance of General Obligation (G.O.) bonds. In 2007, the City issued two G.O. bonds that will require tax levies in 2009 in the amount of \$635,500 to service that debt. During 2008, the City Council approved the construction of a new Police/Fire/City Hall facility, with a part of the funding for the project to come from the issuance of G.O. capital improvement bonds. Consequently, the City will issue capital improvement bonds in 2008 and 2009 in the amounts of \$9,480,000 and \$4,550,000 respectively. The estimated tax levy effect for 2009 for the two capital improvement bond issues and the single capital note issue is estimated to be \$916,179.

The final challenge affecting the 2009 Budget and tax levy relates to the Cedar Point Commons tax abatement district. As part of the development agreement, the City agreed to provide public assistance to the developer to allow the development to be financially feasible. Consequently, the City agreed to abate the City portion of the taxes paid by the development. The City must levy for an amount of taxes equal to the annual assistance agreed upon in order to have the funds to repay the developer as an abatement. Accordingly, the amount to be levied in 2009 that is required to be paid to the developer is \$232,338.

Therefore, in light of the challenges discussed, the 2009 tax levy as proposed is expected to increase by 10.03%. The increase can be broken into two primary components; the base levy, which is restricted by the levy limit law, and the special levies, which are outside the levy limit law. The special levies can be further broken out into two parts, the debt service levies, and the tax abatement levy. The base levy now represents an increase of 1.28% from the 2008 base levy. The balance of the levy increase consists of the debt service levies and the tax abatement levy, which are expected to increase the tax levy by \$1,145,917 over the 2008 levy.

Consequently, the 2009 Budget and tax levy as proposed will continue to focus on several important components as detailed below with the overall goal of continuing to provide high quality services to the residents of Richfield.

First, the City will continue an aggressive street maintenance program to extend the useful life of the City's streets. The program includes a computer based pavement management program to monitor the condition of the streets. Without this maintenance program, a number of streets could deteriorate to a point that would render them irreparable. However, the implementation of this program has become more difficult in 2008 and into 2009 with the increases in the cost of oil. Oil is a major ingredient in the primary forms of street maintenance, sealcoating and mill and overlay. Gas and electric franchise fees are the primary funding source for this program and \$730,000 is the planned level of funding for 2009.

Second, in October 2007, the cities of Richfield, Minneapolis and Eagan reached a settlement with the Metropolitan Airports Commission (MAC) as a result of their lawsuit seeking to extend the full sound insulation package to homeowners in the 60-64 DNL noise contours. The settlement incorporated the class action lawsuit as well and provides for varying levels of mitigation for eligible homeowners in the affected communities. The new sound mitigation program was implemented in the spring of 2008 and is expected to take approximately four years to complete. Richfield staff is closely monitoring the mitigation program and provides regular feedback to MAC staff.

One of the requirements under the settlement consent decree calls for the Richfield City Council to consider adopting new residential building standards in the noise contour areas to better protect against airport-related noise. Staff is working with the City Council to develop appropriate standards and/or recommendations for new residential construction and remodels in the affected areas.

Richfield representatives regularly participate on the MAC's Noise Oversight Committee (NOC). The 2008 work plan includes monitoring the new mitigation program as well as tracking the low frequency noise issue at Minneapolis-St. Paul International airport (MSP) and reviewing the final PARTNER low frequency noise study results. Richfield Mayor, Debbie Goettel, discussed the study with Richfield's federal representatives during a March visit to Washington D.C. to request assistance in addressing this issue.

Third, there are several transportation and right of way projects that will continue to be addressed in 2008 and 2009. The first project is the intersection reconstruction at 66th Street and Portland Avenue. Hennepin County has designated this intersection as a dangerous intersection and as such, has encouraged its reconstruction. As a way of demonstrating the importance of the need to reconstruct this intersection, the County has provided \$4,210,000 in grant proceeds. Right of way acquisitions began in late 2007, with construction beginning in spring 2008 with completion expected in the fall. A second important project is the construction of a new Lyndale Avenue bridge over I-494. The construction of this bridge will greatly improve the traffic flow along the Lyndale Avenue Corridor, which has seen significant redevelopment in recent years, and hopefully encourage further redevelopment. A third and final project will be the completion of Phase II of Richfield Parkway. The project would extend the parkway from 65th Street to Bloomington Avenue.

Fourth is the continued commercial redevelopment within the City and the reinvestment in the City's housing stock. Presently, the City has a number of redevelopment initiatives underway. Among the most active redevelopment areas are:

- Phase II of the Cedar Point Development Area. This area is directly west of the Cedar Point retail area (home to Target and Home Depot). The Minnesota legislature specifically allowed for the creation of a tax increment financing district in this area due to the impacts of airport noise. The current development proposal calls for approximately 200 units of senior housing.
- The Cedar Avenue Redevelopment Area (CARA) – This is the portion of the legislatively defined airport noise impact redevelopment area that lies south of 66th Street. A development company (TOLD Development) is currently preparing its master plan for redeveloping the area.
- The Penn Corridor (Penn Avenue from Crosstown Hwy. 62 to 68th Street) has become a distinct project area. Plans are underway to revitalize the area through improved public amenities, private improvements and selective redevelopment of underutilized properties.
- The Lakes at Lyndale Area is the subject of continuing development interest – particularly the Lyndale Garden Center site and the former Bridgemen's restaurant parcel.

To complement the commercial redevelopment, the City has a number of programs in place to reinvest in the housing stock of the City, including:

- Richfield Rediscovered Program - This program provides for the replacement of small, substandard homes within residential neighborhoods and is funded primarily through the Housing Fund. Approximately 120 homes have been constructed and sold in conjunction with this program since it began in late 1990. The program is supported by the school

district as a means to provide higher value and larger, single family housing options for families.

- Transformation Loan Program – This is an incentive loan program for remodeling homes to higher values. The Housing Fund finances this value added remodeling. The combination of financing options, remodeling advisor services and special events like the annual Remodeling Fair have become essential to investment in Richfield's existing housing supply.
- New Home Program – The New Home Program was established to eliminate deteriorated, substandard structures and to provide home ownership opportunities for low to moderate income families. Non-profit builders and developers like Habitat for Humanity have rehabilitated or built 50 new homes since the program's inception. One to two homes per year are constructed under the program.

A final component relates to City infrastructure assets, more specifically the need for a new Maintenance Facility and a new Police/Fire/City Hall facility. Both of these assets are directly related to the ability of the City to continue to provide high quality services to its residents. The replacement of the Maintenance Facility was completed in June of 2008. Funding for the project consisted of internal sources and the issuance of \$4,705,000 Capital Improvement Bonds.

The construction of a new Police/Fire/City Hall facility was recommended to the City Council by a City Hall Advisory Task Force. The Task Force determined that it was more cost effective to build a new City Hall rather than remodel the current building. A second City Hall Advisory Task Force was then formed with the charge to determine the site for a new City Hall. This Task Force recommended the existing site of the City Hall for the new structure. The City Council, in response to this recommendation, requested that different design options be prepared for the site. Accordingly, the City obtained architectural services to prepare different design options. These options were completed in December 2007 and presented to the City Council and the residents of Richfield through a series of open houses. During the summer of 2008, the City Council unanimously approved spending authority for the project and preliminarily approved the issuance of bonds. The total cost of the project is currently estimated at \$22,250,000, with funding to come through a combination of internal sources and the issuance of G.O. capital improvement bonds.

The guiding principle in working with the issues described above is to improve, diversify and expand the City's tax base and to concurrently, make Richfield a vibrant, livable City which as the City vision statement states "... is to be the best place to live, work and do business in the Twin Cities area."

GENERAL FUND

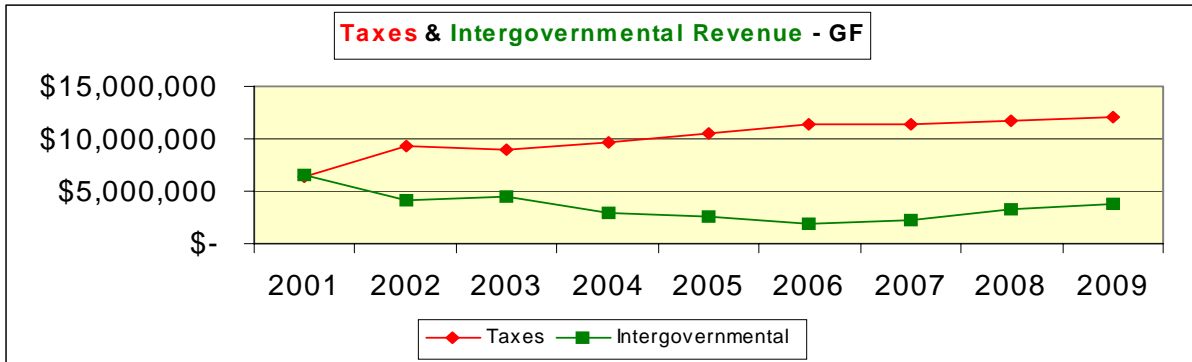
The General Fund serves as the chief operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Revenues

The General Fund, which provides for most of the traditional services that residents have come to expect, receives the majority of its funding from property taxes. Other sources of funding, to a lesser degree, come from intergovernmental revenue, charges for services, licenses and permits, and transfers in from other funds.

For 2009, property taxes continue to be the primary source of funding for the General Fund, making up 61% of total revenues. This level of funding has grown over the past several years as intergovernmental revenues, primarily LGA, experienced significant reductions from 2001

through 2006. However, beginning in 2007, the City has realized healthy increases in its annual LGA allotments. Although the recent increases have helped, they are still behind prior years' levels. For example, in 2001 LGA accounted for 24% of General Fund revenues, in 2009 it accounts for 13.33%. Conversely, property taxes have grown from 38% of revenues in 2001, to 61% in 2009. The effect of this shift in funding has not translated to more services for the residents. An illustration of this shift is depicted below.



The certified LGA amount the City will receive in 2009 is estimated to be \$2,640,720, an increase of \$465,030 over the 2008 certified LGA amount. Accordingly, with the imposition of levy limits the City will need to utilize the entire 2009 LGA allotment in the General Fund budget as the 2009 allotment is a factor in the levy limit calculation.

Finally, the 2009 budgeted General Fund revenues of \$19,805,480 represent a 4.13% increase over the 2008 Adopted Budget. The sources of General Fund revenues, with the exception of property taxes and intergovernmental revenues have remained relatively comparable to the prior years' budget levels. However, a new exception to this is a steady increase in revenues received from transfers in from other funds. In 2009, the General Fund will receive \$750,000 in franchise fees to fund the street maintenance and tree replacement program, \$245,820 in pension fund interest to fund police and fire costs, \$229,870 from the Liquor Operations fund to offset administrative costs related to the liquor operation, and \$144,000 from the 2007 LGA set aside. A comparison of actual General Fund revenues from 2008 to 2009 revenues is shown in figures 1 and 2 below.

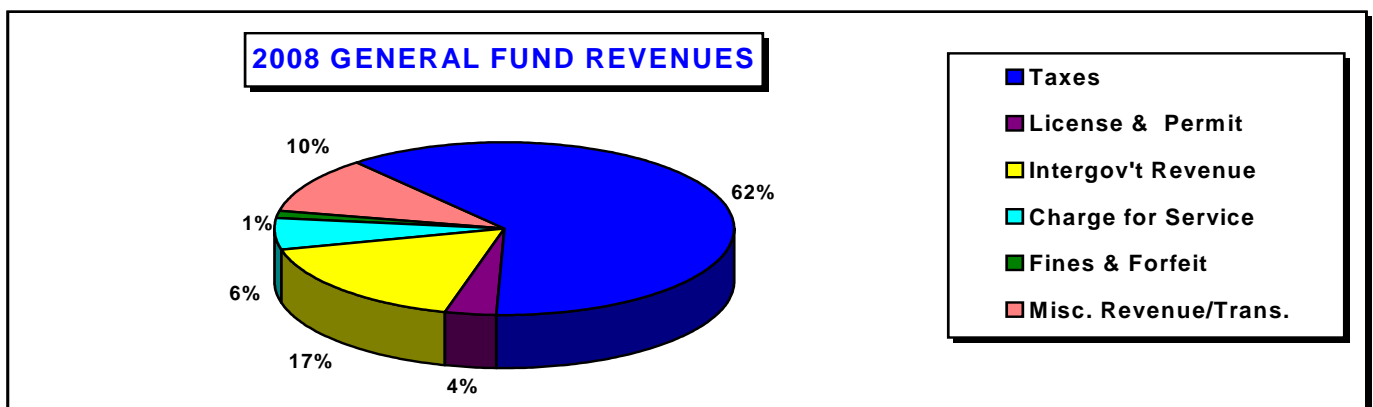


Figure 1

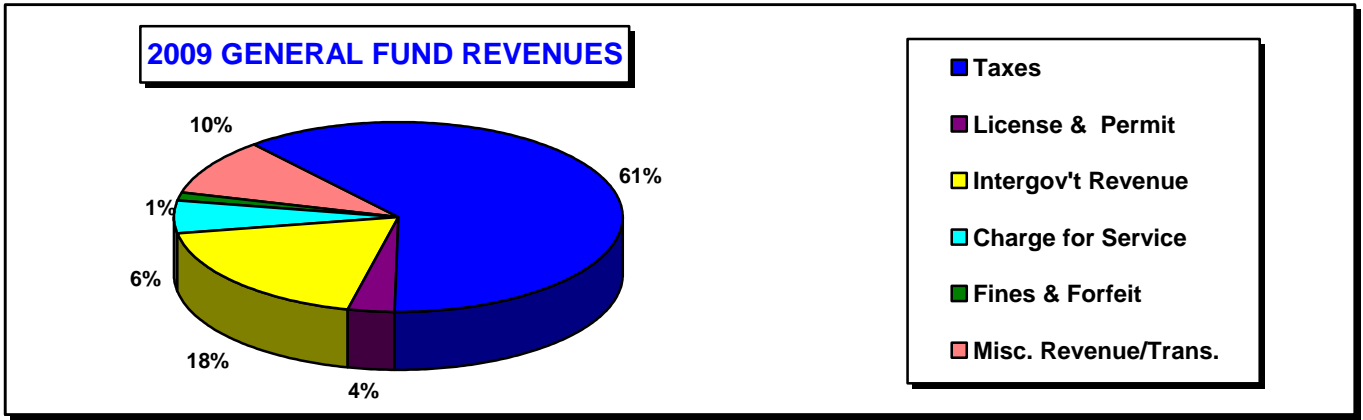


Figure 2

Expenditures

The City's General Fund is used to account for most of the services that the City provides to its residents, such as police, fire, public works, parks, recreation and general administration. Richfield's General Fund is organized into seven major departments, Legislative/Executive, Administrative Services, Public Safety, Fire, Community Development, Public Works, and Recreation Services. Each department, in turn, encompasses divisions that provide an array of services, either directed to the public or in support of other City services. A General Fund organizational chart, which includes all departments and divisions, is shown in the Introductory Section of this document. City policy requires that all budgeted expenditures under \$1,000 must be approved by a division manager and department director. Any expenditure over \$1,000 must be approved by to the division manager, department director, the City Treasurer and City Manager. Any expenditure over \$25,000 must be approved by the City Council.

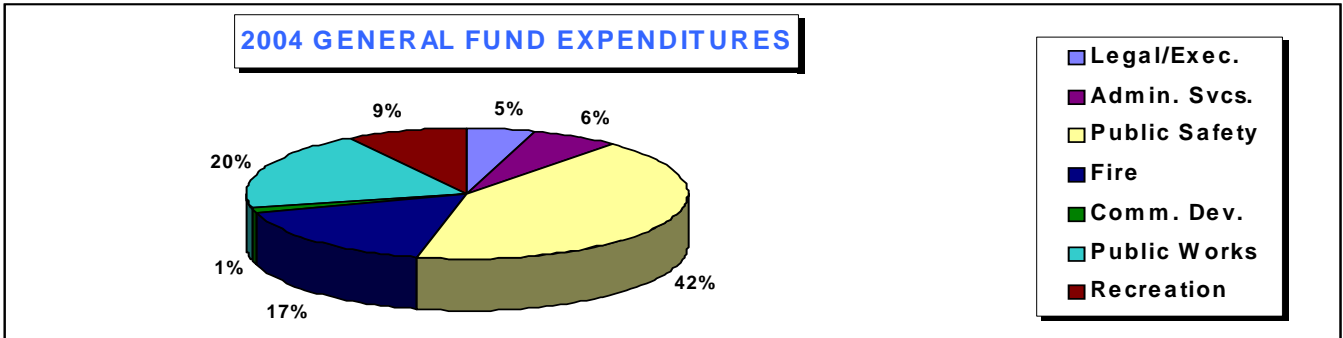


Figure 3

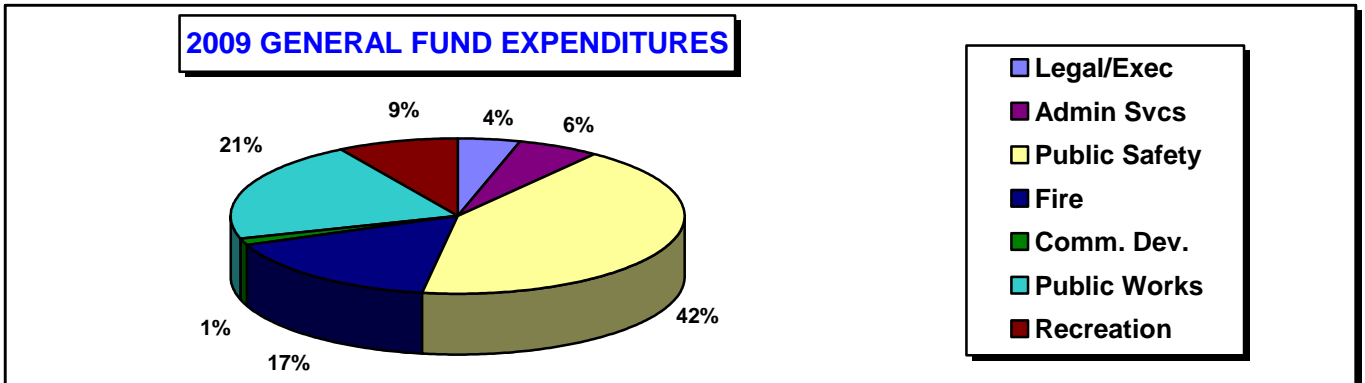


Figure 4

It is logical that over a period of years, the type and mix of City services would likely change as the community changes. However, in a mature community such as Richfield, it is also important that a consistent balance of services be maintained, even in the face of budgetary constraints. Richfield's mix of services, as seen through an expenditure analysis of the seven major departments reflects a stable, consistent approach. The 2009 expenditures are consistent with the expenditures from 2004 (Figures 3 and 4). In the 2009 Budget, 59% of the total expenditures are designated for Public Safety and Fire department operations, while an additional 21% is designated for Public Works operations. As a comparison, the 2004 actual expenditures reflected 59% and 20% of total expenditures for the Public Safety, Fire and Public Works departments, respectively.

Thus, while there have been adjustments, the total balance of services provided by the major departments remains relatively constant. City staff made every effort to limit 2009 expenditure increases for all departments of the General Fund in an effort to maintain the current level of City services and in response to the internal and external constraints placed on the City as mentioned previously. The most significant issues for the 2008 Revised and 2009 Proposed General Fund Department Budgets are summarized in the following section.

2008 REVISED AND 2009 PROPOSED DEPARTMENT BUDGETS

Legislative/Executive

The 2009 Budget reflects a \$22,890 or 2.71% increase from the 2008 Adopted Budget. The 2008 Revised Budget decreased \$7,160 over the 2008 adopted due to the cost of a planned community survey being conducted and completed in 2007.

Administrative Services

The Administrative Services Department budget for 2009 reflects an increase of 2.99% from the 2008 Adopted Budget. The increase can be attributed to a reduction of labor credits in the Administrative Division and an increase in the assessing contract from Hennepin County.

Community Development

The 2009 Community Development Department Proposed Budget remains consistent with 2008 Adopted Budgeted expenditure levels.

Public Safety

The Public Safety Department shows 3.44% increase in the 2009 proposed budget as compared from the 2008 Adopted. The increase can be attributed to police officers continuing to progress through the salary step increase process, State mandated PERA employer contribution rate increases, workers compensation insurance cost increases, and continued increases due to the planned property maintenance program. The 2008 Revised Budget indicates a slight increase of .34% from the 2008 Adopted Budget.

Fire

The Fire Department budget for 2009 reflects a 9.03% increase over 2008 Adopted Budget. The increase is a result of personnel cost increases attributable to overtime costs, PERA increases, and motor pool internal charge increases. The 2008 Revised Budget reflects an increase of 4.98%, as a result of increased overtime costs.

Public Works

The 2009 Public Works Department budget reflects a 4.46% increase in budgeted expenditures over the 2008 Adopted Budget. The increase is a combination of significant increases in the cost of electricity and the repair and maintenance of sidewalks in the City.

Recreation Services

The Recreation Services Department 2009 Proposed Budget indicates a 2.92% increase over the 2008 Adopted Budget. The increase is a result of increased personnel costs throughout the department.

SPECIAL REVENUE FUNDS

Liquor Contribution Fund

The Liquor Contribution Fund receives profits from the municipal off-sale liquor operations. Expenditures from the fund are restricted in use to financing capital improvements of the type that would be otherwise financed by a General Obligation bond issue. In 2009, \$450,000 of project costs is planned, including:

- Continued major maintenance to City parks;
- Pool renovation internal loan repayment;
- Funding for projects at the Ice Arena and ballfield improvements.

Transfers of \$450,000 will be made from Liquor Operations in 2008 and 2009 to fund the projects.

Tourism Administration

This fund accounts for the collection of lodging tax revenues and the pass-through of these funds to the Richfield Tourism Promotion Board. The Tourism Promotion Board plans activities to promote the City as a tourist or convention center and to promote civic activities, which enhance the City's positive image.

Communications Fund

The Communications Fund is maintained to account for the quarterly cable franchise fees received and cable television and community communication activities. The fund provides 20% of the cost of the Assistant to the City Manager position to assist in cable and communication activities, and 100% of the Communications Specialist position, which is responsible for the City's web site, cable bulletin board, press releases and other public communications to the residents and businesses.

Drug/Felony Forfeiture

The Drug/Felony Forfeitures Fund receives its revenues as a result of cash and property seized related to drug and/or felony criminal activity. The 2008 Revised Budget includes \$15,000 to purchase an undercover vehicle for the Metro Gang Strike Force member. Within the 2009 Proposed Budget is \$50,000 set aside for future capital outlay for the purchase of a Cargo Van to replace the current SWAT vehicle.

Contribution Funds

Recreation Programs, Community Center, and Wood Lake Nature Center Funds all receive contributions from a variety of contributors throughout the year. Funds will only be expended from these accounts if the contributions are received.

Community Center - Days Out

This fund accounts for revenues and expenditures relating to the Days Out Program administered by the Richfield Community Center. A committee of Community Center participants meets to provide direction for planning one day to two week trips for

individuals over 55 years of age. The cost of the programs varies depending on the destination and duration of the trips.

911 Fees

The 911 Fees Fund is used to account for the 911 fees distributed monthly to the City from the State of Minnesota. The fees can only be used to help cover the costs of implementing and maintaining enhanced 911 systems. The 2008 Revised Budget anticipates use of accumulated 911 fee revenue to purchase a new call logging recorder. The 2009 Proposed Budget includes \$14,000 for IT charges.

Public Safety Compliance Fund

Revenue from this fund is derived from fines levied against businesses that fail alcohol and tobacco compliance checks. The monies received from the fines are then used to fund the costs involved in performing compliance checks.

Election Fund

The Election Fund was established to isolate the large fluctuation time in election costs from year to year. The fund provides voter registration services, voter information services and election administration.

Pension Refund Fund

This fund accounts for a refund of over funded assets from the terminated Police and Fire Consolidation Fund (PFCF). The refund, received in 1999, was \$7,621,322. The use of the funds is restricted to interest earnings on the principal amount received and is to be used only for public safety and fire expenditures. In 2008 and 2009, as a result of the sub prime mortgage issues and the effect this has had on the investment market, interest revenues have been reduced to \$325,130 and \$245,820 respectively, are planned for public safety and fire expenditures.

Wood Lake Half Marathon

This fund was established to provide an alternative revenue source to fund Wood Lake Nature Center's environmental education curriculum for Richfield Public School students in kindergarten through eighth grade. Funding for the program is derived from proceeds from the annual Urban Wildland Half Marathon and 5K.

Public Health Grants

This fund accounts for the receipt of federal grant funds that are to be used by the City to assess and enhance the capacity of local public health departments to respond to bio-terrorism, infectious diseases and other threats to public health.

Utility Franchise Fees

This fund accounts for gas and electric franchise fees collected from the public utilities. The fees collected are used to fund the City's annual street maintenance program, the annual tree planting program and to help fund major maintenance at City Hall or use as seed money for exploring design options for a new City Hall.

ENTERPRISE FUNDS

Liquor Stores

The City of Richfield operates four municipal liquor stores. Total sales for the existing four liquor stores for 2008 are projected to be \$11.0 million and grow to \$11.7 million in 2009. Operating expenses budgeted for 2009 for the four stores total \$1.88 million. This reflects a decrease from the 2008 adopted operating expenses. The decrease from 2008 to 2009 was accomplished through the reduction of personnel costs operation wide. For the four

stores, projected profit before transfers for 2009 is expected to be \$1,135,900 with budgeted transfers to the Special Revenue Fund of \$450,000 and \$229,870 to the General Fund for administrative costs, police duty and payments in lieu of taxes.

Water and Wastewater Utility Fund

The Water and Wastewater Utility Fund accounts for the operation and maintenance of the City's water plant and the maintenance of 120 miles of sanitary sewer lines. Operating revenues for the Water Fund reflect a nominal increase of \$80,800 for 2009. Included in the Water Operating Budget are major capital improvements totaling \$2,356,000 in 2008. The majority of the improvements comprise the final phase of the water meter change out program.

In 2009, water rates are projected to increase by 4.93% or 11 cents per thousand gallons, while wastewater rates will increase by 3.45% or 9 cents per thousand gallons.

The Wastewater Utility Fund provides collection of sanitary wastewater from approximately 11,500 accounts in the City. The 2009 Sanitary Wastewater Operating Budget is approximately \$3.032 million. The most significant expense included in this total is the wastewater treatment charges paid to Metropolitan Council Environmental Services (MCES). MCES charges are expected to increase from the budgeted 2008 level of \$1,624,000 to \$1,772,850 in 2009.

Storm Sewer Utility Fund

The Storm Sewer Utility Fund provides for the disposal of storm water for the City and is funded through user fees. The fund provides for routine maintenance and major capital improvements to the system. For 2008 and 2009, there are several major improvements planned to the storm sewer system. The major projects consist of improvements to the Augsburg Lift Station, Augsburg Pond at 73rd Street and 1st Avenue and improvement to the alley off of Girard Avenue. Consequently, storm sewer rates are projected to increase by 15 cents or 1.47% in 2009.

Recreation Fund

The Recreation Fund includes the Ice Arena, Swimming Pool, and Special Facilities (miniature golf, picnic shelter rentals, and Veterans Memorial Park concessions) operations. The financial performance of these three operations struggle to break even on an annual basis. Consequently, a funding plan using interest earnings from residual cash of the golf course operation has been put in place to offset any operating losses of the fund.

INTERNAL SERVICE FUNDS

Central Garage Fund

The Central Garage Fund accounts for the acquisition, maintenance, and repair of all motor vehicles and motor-driven equipment used by the City. It is funded by internal operating user fees charged to other City departments and funds. Beginning in 2006, the City started a process where it will levy taxes to help fund the annual replacement of equipment. The levy in 2008 was \$446,000 and the proposed levy in 2009 will be a combination of a regular levy and the issuance of capital notes in the amount of \$515,000. The fund is scheduled to make purchases in 2008 of \$516,000 and \$580,000 in 2009. The use of existing Central Garage cash makes up the difference between the tax levy and the issuance of capital notes and the scheduled purchases. By using existing cash this helps in minimizing the tax levy effect on property taxpayers. The significant purchases planned for 2009 are:

- One Brush Chipper;
- One ice resurfacers;
- Five full size police squads;
- Four midsize police sedans;
- One Fire rescue vehicle; and
- One 1 ton truck.

Information Technologies Fund

The Information Technologies (IT) Fund's primary purpose is to provide computer hardware and software support, programming and training to City staff. As with the Central Garage Fund, the purchase and replacement of equipment in the IT Fund is funded through a tax levy in 2008 and 2009. The scheduled purchases of technology equipment for 2008 are \$165,300 and \$122,030 for 2009. Finally, the IT Fund also provides office supplies and copying services for all City departments.

Self Insurance Fund

The Self Insurance Fund accounts for all of the City's costs for claims related to Workers' Compensation, unemployment insurance benefits, flexible benefits, dental insurance, and all other City self insurance costs. The fund continues to either reduce or maintain current rates charged to user departments. Depending on the number and scope of claims paid during any given year, the operating results of the fund can fluctuate.

Building Services Fund

The Building Services Fund was created to provide for the cost of the maintenance needs of City Hall and Fire Station 2. The fund is responsible for major maintenance projects affecting City Hall and Fire Station 2. A major project started in 2007 and expected to be completed in 2008 involves improvements to Fire Station 2. The improvements will consist of replacement of the station's roof, boiler and exhaust system. The estimated cost of the improvements total \$300,000.

DEBT SERVICE FUND

The Debt Service Fund is used to record financial operations from special assessments, tax increment, and as necessary, property taxes to meet debt service payments and outstanding bond issues.

General Obligation improvement bonds are payable through 2029, with outstanding principal at the beginning of 2009 of \$23,845,000. The fund balance in the fund, along with debt service tax levies, special assessment collections and interest earnings are pledged to service the debt.

The General Obligation redevelopment bonds are retired from tax increment collected from the project area and interest earnings. Redevelopment bond principal of \$13,050,000 is payable through 2025. The debt service on the outstanding General Obligation redevelopment bonds is provided through the collection of tax increments.

OPERATING CAPITAL EXPENDITURES

Capital expenditures represent all tangible or intangible assets that are used in operations, that have initial useful lives extending beyond a single reporting period and whose dollar value is greater than \$5,000. In the 2008 Revised and 2009 Proposed Budget, the City has budgeted for \$1,054,010 and \$598,500 respectively. Within the General Fund, there are no planned capital expenditures. The balance of capital expenditures budgeted for 2008 and 2009 are within the Special Revenue and Proprietary Funds. These budgeted items

are not to be confused with the projects that are part of the Capital Improvement Budget and Capital Improvement Program.

CAPITAL IMPROVEMENTS BUDGET

The Capital Improvements Budget recommends \$33,642,530 of expenditures in 2009. The major projects contained in the 2009 Budget are the reconstruction of the Lyndale Avenue bridge over I-494, Phase II of the Richfield Parkway construction and initiating construction of a new Police/Fire/City Hall Facility. These projects account for \$30,425,000 of the budgeted \$33,642,530. The road and bridge projects are to be funded by Federal and State grants, State Aid monies, County grants, and special assessment bonds. The Police/Fire/City Hall Facility is to be funded by internal funding sources and G.O. capital improvement bonds. The City will also continue with improvements for various City parks in 2009 with funding of \$450,000 from the Liquor Contribution Special Revenue Fund.

CONCLUSION

The City of Richfield continues to be a sound financial operation. In spite of the imposition of levy limits, the City has a bright future and can be proud of its accomplishments. It has taken on the challenge to redevelop and reinvent itself in order to continue to be a vibrant community and the best place to live, work, learn, and do business.

For the 2009 Budget year, the City has presented a balanced General Fund Budget, which has increased 4.13% from the 2008 Adopted Budget. This budget will allow the City to continue to provide the basic services required of it and those expected and needed by its residents. A valuable asset of this budget is the employees that make up a large portion of it. The majority of employees of the City exceed 5 years of service and there are several employees that exceed 30 years. Whether an employee has worked 5 years or 30, they all take pride in providing quality service to the residents of Richfield. A City is only as rich as the residents who live there and the employees who provide service to those residents.

Going forward, the City will continue the policy to search out new revenue streams, contain costs, and most important, maintain the current level of quality services. The imposition of levy limits for budget years 2009, 2010, and 2011 presents a new challenge for the City that it will have to meet and overcome. It will be the City's task and challenge to overcome the levy limits and continue to provide sound financial policies and plans for the future.

The information presented in this budget document provides the background of the issues and opportunities facing the City in 2009 and beyond and affords the necessary information for current and future decisions. I would like to take this opportunity to thank all City departments for their input and help in preparing the current budget.

Respectfully submitted,



Steven L. Devich
City Manager

BUDGET PROCEDURES AND METHODS

This information is provided to familiarize the reader with the budget structure, as well as the process of budget preparation and implementation.

Preparing the Budget

During the month of May, materials are distributed to departments for preparation of a revised estimate for both 2008 revenues and expenditures and anticipated 2009 revenue and expenditure requirements. At the time of distribution the Finance Manager meets with departmental management personnel to review the budget preparation cycle and procedure and to explain the forms and methods to be used in developing the budget. As part of the materials is a printout that reflects each operating department/divisions prior three-year actual results along with the most recent years adopted budget. These printouts reflect both revenues and expenditures/expenses. Along with expenditure requests each department is required to also submit revenue projections for their individual operations. Department directors, managers and supervisors use these printouts along with current year's actual results to simultaneously prepare a revised 2008 and a proposed 2009 budget. The process of revising the current year's budget is an integral part of the entire budget process.

For the preparation of the 2008 Revised/2009 Proposed budgets, department personnel are required to enter their requests into the network wide budget program. In addition, two hard copies of all requests are submitted to the Finance Manager who compiles the requests and distributes one copy to the City Manager and keeps one copy for himself. At this point meetings are scheduled with the departments to review the respective requests with the City Manager and the Finance Manager.

At these meetings, discussions center on staffing levels, services to be provided, and the ability to fund those services. Programs are reviewed to determine funding and if funding is not sufficient, recommendations are made to adjust the programs to fit the funding level. The discussions center on not only the proposed 2009 budget but also the revision of the current 2008 budget. The outcome of these meetings forms the basis of the 2008 Revised and 2009 Proposed budgets.

At this point the revised 2008 and proposed 2009 budget documents are compiled and distributed to the City Council and a work session or sessions are scheduled with council and staff to review the proposed budgets.

The work sessions involve a presentation that gives a general overview of the budget and proposed tax levy and more detailed presentations of each department's budgets. Subsequent to the work session revisions are made based on council direction and a preliminary tax levy to be certified to the county is finalized.

In early December, prior to final adoption of the budget and final tax levy, a "Truth in Taxation" public hearing is held to allow public input on the proposed budget documents. The final step in the process is final adoption of the revised and proposed budgets and tax levy at the first city council meeting in December.

BUDGET CALENDAR

Activity	Start Date	Finish Date	May	June	July	August	Sept.	Dec
Distribute budget instructions	5/08/08	5/08/08	█					
Preparation of budget detail	5/08/08	6/09/08	██					
Budget submitted to Finance Manager	6/09/08	6/09/08		█				
City Manager review	6/23/08	7/09/08			█			
Compilation of proposed budget document	7/09/08	7/31/08				█		
City Council review	8/07/08	9/05/08					██	
Budget revisions	9/10/08	12/2/08						██
City Council approval	12/2/08	12/09/08						█

Budget Methods

The budget was prepared using a modified accrual basis of accounting for all governmental funds and an accrual basis of accounting for enterprise and internal service funds. This is consistent with the accounting methods used for accounting and financial reporting. The modified accrual basis of accounting recognizes revenues in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due. The accrual basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the period incurred, if measurable.

As noted above, as part of the 2009 Budget preparation process, the current year 2008 budget is reviewed and revised. As a result, expenditure estimates are as accurate as possible, based on actual history and anticipated needs calculated for the remainder of the year. Consequently, the budget prepared closely reflects the expected level of spending.

The advantages of this method are: (1) current experience is used to refine expenditure estimates and develop the appropriation figures proposed in the 2009 budget, and (2) when possible, the use of prior years' revenues in the form of expenditure savings and unanticipated current year revenues to help finance the proposed budget.

Controlling Expenditures

While the adjusted budget establishes appropriation levels, control of expenditures is also necessary to ensure that its day-to-day execution complies with the approved program. The Finance Division, under supervision of the Administrative Services Director, is responsible for reviewing all expenditure requests initiated by designated requisitioning authorities to determine their compliance with the approved budget.

This control function embraces the management philosophy that existence of a particular appropriation in the approved budget does not automatically mean that it will, or must, be spent. Budget preparation begins nearly seven months before the beginning of the budget year, and conditions do change during the 19-month period of budget preparation and execution. Therefore, each expenditure will be reviewed to determine actual need in terms of programs and services to be provided. The expenditures will be

approved only if demonstrated need exists. Conversely, some expenditure requirements will occur which while falling within the total appropriation, will not exactly match minor or major object expenditure estimates. In these instances where need can be adequately demonstrated, an adjustment can be made within the department budget or within the funds.

The City Charter makes provision for summarizing and approving any such adjustment during the final three months of the budget year. In summary, expenditures will not be approved until it has been determined that (1) adequate funds were appropriated, (2) the expenditure is still necessary, and (3) funds are available.

Amending the Budget

The City Charter's provision for altering or amending the adopted budget is as follows:

After the budget has been duly adopted, the Council shall have no power to increase the amounts fixed in the budget resolution, by the insertion of new items or otherwise, beyond the estimated revenues, unless the actual receipts exceed the estimates and then not beyond the actual receipts. The Council may at any time, by resolution approved by a four-fifths majority of its members, reduce the sums appropriated for any purpose by the budget resolution. At the request of the Manager, within the last three months of the fiscal year, the Council may transfer unencumbered appropriation balances from one office, department or agency to another within the same fund. All appropriations shall lapse at the end of the budget year to the extent that they shall not have been expended or lawfully encumbered.

CITY POLICIES

OPERATING BUDGET POLICIES

On an annual basis the City will present a balanced General Fund operating budget to the City Council. A balanced operating budget is defined where proposed expenditures shall not exceed proposed revenues. Accordingly, the City will pay for all current expenditures with current revenues. The city will avoid budgetary procedures that balance current expenditures at the expense of meeting future year's revenues, or rolling over short-term debt, or that rely on accumulated fund balances to meet current obligations.

The City will establish a fund balance in the General Fund that is equivalent to 40% of General Fund revenues. Fund balance is defined as the difference between assets and liabilities reported in a governmental fund.

The budget will provide for adequate maintenance of the capital plant and equipment, and for their orderly replacement.

The budget will provide for adequate funding of all retirement systems.

The City will maintain a budgetary control system to help it adhere to the budget.

The City administration will prepare regular monthly reports comparing actual revenues and expenditures to the budgeted amount.

Each year the City will update expenditure projections for its Enterprise Funds for the next year. Projections will include estimated operating costs of future capital improvements that are included in the capital budget.

The operating budget will describe the major goals to be achieved, and the services and programs to be delivered for the level of funding provided.

Where possible, the City will integrate performance measurement and productivity indicators with the budget.

REVENUE POLICIES

The City will attempt to maintain a diversified and stable revenue system to shelter it from short run fluctuations in any one revenue source.

The City will estimate its annual revenues by an objective, analytical process.

The City will maintain sound appraisal procedures to keep property values correct. Property will be assessed at the legally mandated market value for each type of property.

The year-to-date increase of actual revenue from the property tax will generally not exceed eight percent, except in unusual conditions. Reassessments will be made of all property at least every four years.

The City will follow an aggressive policy of collecting property tax revenues. The annual level of uncollected property taxes will generally not exceed two percent.

Each year the City will recalculate the full costs of activities supported by user fees to identify the impact of inflation and other cost increases.

The City will establish all user charges and fees at a level related to the cost of providing the service.

The City staff will automatically recommend revised user fees with review by the City Council on an annual basis, to adjust for the effects of inflation on the City's cost of providing the service.

The City will set fees and user charges for each Enterprise Fund, such as Water and Sewer, at a level that fully supports the total direct and indirect costs of the activity. Indirect costs include the cost of annual depreciation of capital assets.

The City will set fees and user charges for other activities, such as recreational services, at a level to support the full cost of providing the services for all programs except those oriented to the youth, adult disabled and/or senior citizen population.

CAPITAL IMPROVEMENT BUDGET POLICIES

The City will make all capital improvements in accordance with an adopted Capital Improvement Budget.

The City will develop a multi-year plan for capital improvements and update it annually.

The City will enact an annual Capital Budget based on the multi-year capital improvement plan. Future capital expenditures necessitated by changes in population, changes in real estate development, or changes in economic base will be calculated and included in Capital Budget projections.

The City will coordinate development of the Capital Improvement Budget with the development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts.

The City will use intergovernmental assistance to finance only those capital improvements that are consistent with the adopted capital improvement plan and City priorities and for which operating and maintenance costs have been included in operating budget forecasts.

The City will project its equipment replacement and maintenance needs for the next several years and will update this projection each year. From this projection, a maintenance and replacement schedule will be developed and followed in the Central Garage Fund.

The City staff will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted to the City Council for approval.

The City will determine the most cost-effective financing method for all new projects.

The City will utilize profits from its municipal liquor operation solely for the support of capital improvements. Each year, at least \$500,000 of available current year liquor store profits will be transferred to the Liquor Contribution Fund for capital improvements. Any remaining profits will be retained in the Liquor Fund as working capital for the maintenance and expansion of physical assets, including store facilities. The accumulation of funds in working capital will be reviewed annually by the City Council.

At the completion of a capital project funded by the Liquor Contribution Fund, any residual balance remaining in the project fund will be closed back to the Liquor Contribution Fund.

DEBT POLICIES

The City will confine long term borrowing to capital improvements or projects that cannot be financed from current revenues.

When the City finances capital projects by issuing bonds, it will pay back the bonds within a period not to exceed the expected useful life of the project.

The City will attempt to keep the average maturity of General Obligation Bonds at or below 20 years.

Total debt service for General Obligation debt will not exceed five percent of total annual locally generated operating revenue.

Total General Obligation debt will not exceed 6.67% of the assessed valuation of taxable property.

Where possible, the City will use special assessment revenue or other self- supporting bonds instead of General Obligations Bonds.

The City will not incur long term debt to support current operations.

The City will retire any tax anticipation debt annually and will retire bond anticipation debt within six months after completion of the project.

The City will transfer any residual balances in matured debt service funds to the Closed Bond Fund.

The City will maintain good communications with bond rating agencies about its financial condition. The City will follow a policy a full disclosure on every financial report and bond prospectus.

RESERVE POLICIES

The City will attempt to establish an emergency reserve to pay for needs caused by unforeseen emergencies. This reserve will be maintained at a level adequate to meet cash flow needs of the General Operating Fund without using tax anticipation certificates.

The City will establish a contingency reserve to provide for unanticipated expenditures of a non-recurring nature, or to meet unexpected small increases in service delivery costs. This reserve will be maintained at two percent of the General Operating Fund expenditures.

The City will establish an equipment reserve fund and will appropriate funds to it annually to provide for timely replacement of equipment.

INVESTMENT POLICIES

The City will make cash flow analysis of all funds on a regular basis. Disbursement, collection and deposit of all funds will be scheduled to insure maximum cash availability.

When permitted by law, the City will pool cash from several different funds for investment purposes.

The City will invest at least 98 percent of its idle cash on a continuous basis.

The City will analyze market conditions and investment securities to determine what yield can be obtained, and attempt to secure the best possible return on all cash investments.

The City's accounting system will provide regular information concerning cash position and investment performance.

The City will make arrangements with banks on a contractual basis for a specified period of time and with specified fees for each service rendered.

ACCOUNTING, AUDITING AND FINANCIAL REPORTING POLICIES

The City will establish and maintain a high standard of accounting practices.

The accounting system will maintain records on a basis consistent with accepted standards for local government accounting using modified accrual basis of accounting for all governmental funds and an accrual basis of accounting for enterprise and internal service funds.

Regular monthly and annual financial reports will present a summary of financial activity by major types of funds.

Where possible, the reporting system will provide monthly information on the total cost of specified services by type of expenditure, and if necessary, by fund.

An independent public accounting firm will perform an annual audit and will publicly issue an opinion concerning the City's finances.

It is vitally important for a City to ascertain its long-term financial plans prior to developing annual budgets. While the impact of state financial decisions on the city is significant today, it does not release us from attempting to come to grips with a long-term perspective. Continuing fiscal constraints at the state level are likely to require Richfield and other cities to keep monitoring their effects very closely.

PLANNING PROCESS

The City of Richfield currently conducts a dual planning process consisting of an annual strategic planning worksession that emphasizes short-term goals and a long-term process with an emphasis on long-term strategic goals.

The short term planning process is accomplished through a strategic planning worksession in January. The outcome of the strategic planning worksession was the development of four overall strategic goals with several specific action items within in each of the four strategic goals. The action items can and will change as the City both accomplishes and completes the action items or new items will be added as the City continues to grow, evolve and develop. The strategic goals and related key action items that were addressed during the preparation of the 2008 Revised and 2009 Proposed Budget are as follows:

Customers First

- | | | |
|-----|----------------------------------|--|
| C-1 | Wi Fi installation | <p>Pursue a City-wide wi fi model providing high speed, wireless internet access to Richfield residents at a reasonable cost.</p> <ul style="list-style-type: none">• Installation by US Internet has been delayed. The City is waiting for Minneapolis installation to be completed and new technology to become available. Staff continues to be in communication with US Internet. |
| C-2 | Housing Initiatives | <p>Continue to implement and maintain housing programs and identify funding sources. Determine need for adjustments to existing programs.</p> <ul style="list-style-type: none">• Processed 2 applications for participation in Richfield Rediscovered, 1 application for a Transformation Home Loan and sold one property for the New Home Program.• Applied for an "Opportunity City Pilot Program" grant from the ULI Regional Council of Mayors to fund an analysis of our housing programs. |
| C-3 | Enhanced School/City Relations | <p>Consider holding more regular meetings between the City and School District (both at the staff level and amongst the elected officials) to better plan, coordinate and oversee common/overlapping goals, facilities, issues and responsibilities and to team on public relations opportunities.</p> <ul style="list-style-type: none">• In addition to the two school Liaison Officers in the Richfield Schools, the Department has received funding to place an Officer in the newly constructed District 287 school.• A joint City Council/School Board meeting has been scheduled for July 14th. |
| C-4 | Property Maintenance/Inspections | <p>Continue to implement the proactive property maintenance program, randomly selecting different parts of the City with the goal to inspect every property in the City. (It will take at least three to four full years to complete the entire City.) This program includes an educational component.</p> <ul style="list-style-type: none">• A program update was provided to the Council on June 10, 2008. |

C-5	Richfield's Centennial	<p>The Celebrations Commission will conduct and support a number of events throughout the year to commemorate Richfield's 100th year as a city.</p> <ul style="list-style-type: none"> • The Celebrations Commission has actively conducted a number of events so far this year and will continue to do so until December 31. • Over 500 people gathered for a Birthday Reception that featured the medallion hunt winner, first centennial babies born to residents, 100 year resident and oldest business. • The Richfield Historical Society has created a comprehensive and engaging book about the history of Richfield. • There are Centennial banners proudly displayed at major intersections throughout the City. • Several "Out & About" shows have been filmed highlighting the City's Centennial events.
C-6	Human Services Delivery	<p>Research successful, community minority assimilation programs</p> <ul style="list-style-type: none"> • A report was compiled and shared with the City Council in February on successful minority assimilation programs throughout the country. The research indicates that Richfield is already doing many of the things other communities are doing to effectively assist in assimilation.
C-7	Airport Noise Oversight	<p>Oversee implementation of MAC's noise mitigation program per the Consent Decree.</p> <ul style="list-style-type: none"> • City staff meet on a regular basis with MAC staff to receive updates about the mitigation program implementation and schedule and to provide input. • Staff is assisting the CEE in trying to connect with hard-to-reach Richfield homeowners to ensure that they are aware of their eligibility for mitigation. The City drafted a letter that is sent to homeowners immediately after they are invited by the MAC to attend homeowner orientation encouraging participation. Also staff are keeping a record of homeowner contacts and efforts to reach them. There seem to be problems with language barriers. <p>Pursue FAA adoption of LFN standards in response to results of PARTNER Study.</p> <ul style="list-style-type: none"> • Mayor Goettel brought this issue to the attention of Richfield's federal representatives during her March trip to Washington D.C.
C-8	Honoring All Vets Memorial	<p>Establish a memorial at Veterans Memorial Park honoring all veterans and Richfield resident Charles Lindberg.</p> <ul style="list-style-type: none"> • Statue and centerpiece pedestal were completed on time before an unveiling event on July 4. • State Bonding Request was submitted and approved by State Legislature in the amount of \$100,000. • Successfully conducted several pancake breakfast fundraising events. • Over 260 engravings have been sold to date.

Quality Services

Q-1 Redevelopment Initiatives

Assess redevelopment opportunities throughout the City. Key sites of interest are as follows:

a. Cedar Point Phase 2

Identify developer; negotiate contract; developer would begin property acquisition.

- *Negotiating a contract with the development team of LaNel-Sussee upon the completion of which they will commence acquisition.*

b. Cedar – South of 66th

Negotiate contracts for development and developers begin property acquisition.

- *Negotiating a contract with TOLD Development; acquisition of property would probably not begin until 2009.*

c. Lakes at Lyndale

Post Office: Again explore feasibility of relocating facility and separating functions.

Bridgeman's: Work with developer who has option to purchase to facilitate a development.

Garden Center: Work with the brokers and owner to find the appropriate development.

- *Drafted a letter to Richfield's U.S. Senators and Representatives regarding the unfavorable situation with the Post Office.*
- *Working with local postal officials to define their site needs.*
- *Providing feedback to the real estate broker for the Bridgeman's site.*
- *Working with a development firm (CSM Corp.) who has entered into a purchase agreement to buy the Lyndale Garden Center site.*

d. City Garage Site

Seek a developer, negotiate a contract and developer would then purchase the two remaining privately owned parcels.

- *Working with Ron Clark Construction (who has already purchased one of the affected private properties) on a development plan.*

e. Penn Avenue

Complete the "Vision" and implement a strategy for renewal of the area from 68th to the Crosstown. Provide support if appropriate for development of a portion of the cemetery.

- *Convened a neighborhood advisory committee which has met six times and held two open houses to draft a vision for the revitalization plan.*

f. The HUB

Monitor conditions.

g. 76th and Lyndale

Seek a developer and negotiate a contract and developer would then purchase property.

h. 66th Street East

Devise a process for formulating a "Vision" for this area from Richfield Pkwy. to Portland Avenue and begin.

- *Received Hennepin County Grant funding to create a public space plan for the 66th Street Corridor from Portland to Cedar.*

- i. Richfield Bloomington Honda
 Work to implement a redefined facility which conforms with the I-494 Corridor Vision.
- *Working with R-B Honda on an agreement for them to temporarily lease the south portion of the existing City Garage site so they can improve their existing site.*

- Q-2 Comprehensive Plan/
 Master Park Plan/
 Bikeway Planning Conduct a thorough review and update of the City's Comprehensive Plan, Master Park Plan and Bikeway Plan.
- Complete updates to the plan by mid-year 2008.
 - Incorporate transportation elements into the plan.
 - *A revised Master Park Plan was completed and is in final review.*
- Q-3 IP Telephony Implement a Voice over IP (VoIP) telephone system that is integrated with the City's computer network.
- *Implementation of VoIP at the new Central Maintenance Facility and the Information Technologies Division in 2008.*
 - *City Hall implementation is scheduled for 2009.*
- Q-4 Public Works staff integration Consolidation of the Streets/Park and Utilities staff at the new Central Maintenance Facility in 2008.
- Management will review administration staffing levels in 2008 as an outcome of the consolidation.
 - *The 2008 Budget will provide needed changes to administrative staffing.*
- Q-5 Fire Workload Demands Evaluate the increased demands for service placed on the Fire Department and staffing implications.
- *Exploring various staffing & scheduling options to meet emergency service demands and other non-emergency safety functions e.g. on-going fire safety inspections.*

Manage Resources

- M-1 Key Financial Strategies *Identify funding options and timing for capital projects through Key Financial Strategies (KFS) process.*
- *2008 KFS was presented to the City Council in April 2008.*
- M-2 Arterial Road Study Utilize grant proceeds to create new design guidelines for arterial streets.
- *Federal Non-Motorized Transportation Pilot Program funds were secured and the consultant was selected. The Transportation Commission will begin their review this fall.*
- M-3 Liquor Operations Infrastructure Assessment Conduct a full-scale assessment of all stores to determine and prioritize replacement and/or repair needs.
- *City maintenance staff has conducted a physical inspection of all operations' facilities and produced a list, several items are on schedule for action within the capital improvement budget.*

M-4	"Green" Planning (Green Team)	<p>Assemble a group of City staff members to develop strategies that will reduce the impact of City activities on the environment.</p> <ul style="list-style-type: none"> • <i>A volunteer group of City staff have formed the "Green Team" and are meeting on a monthly basis. The team has developed a mission statement and logo and identified current "green" practices and initiatives to pursue. A formal kick-off was announced at the April 22nd City Council meeting as part of Earth Day recognition.</i> • <i>Richfield Lake project includes a perimeter pond which provides treatment for the stormwater from the Crosstown Project as well as from Richfield development.</i> • <i>The new Public Works Maintenance Facility includes innovative energy and environmental features, such as geothermal heating and cooling, a rain garden, porous pavement and skylights.</i> • <i>The Comprehensive Surface Water Management Plan includes innovative stormwater treatment methods including a pilot project at Adam's Hill Pond using alum and a settling basin to remove stormwater pollutants.</i>
M-5	Transit	<p>Address various transit issues such as:</p> <ul style="list-style-type: none"> • <i>The effect the Crosstown construction will have on the City.</i> • <i>Explore Circulator bus options/opportunities.</i> • <i>Cedar Avenue BRT Plan.</i> • <i>Working with Metro Transit on evaluating the feasibility of a Park and Ride Transit facility at Crosstown Hwy 62 and Penn Avenue.</i> • <i>Staff presented alternatives for a possible Circulator Bus Service to the Council.</i>
M-6	New Stop Sign Policy	<p>Install stop signs Citywide, per the newly adopted policy, over a three-year period.</p> <ul style="list-style-type: none"> • <i>Staff is collecting Before data to use in an evaluation prior to installing stop signs.</i>
M-7	Richfield Police/Fire/City Hall Facility	<p>Finalize the plans and identify funding for a new City Hall facility.</p> <ul style="list-style-type: none"> • <i>Two public open houses were held in May to update residents and receive input on the project. Other information dissemination efforts include an insert in the Sun Current, Star Tribune coverage, presentations to community groups and updates to the City's website.</i> • <i>City Council formally approved the project in June 2008 and funding approval is pending.</i>

M-8	Richfield Parkway	<p>Implement a plan and identify funding for the completion of Richfield Parkway.</p> <ul style="list-style-type: none"> • Design will be in conjunction with development of Cedar Point Phase II • Financing of Parkway will be provided through the issuance of Special Assessment Bonds. • It is expected construction will be in late 2008 or early 2009. • <i>Received a Hennepin County grant to design the parkway and received proposals for conducting the parkway design study.</i> • <i>Staff applied for federal funds to build a pedestrian/bike path along Richfield Parkway. Also, staff met with Three Rivers Park District to discuss obtaining funds to design the new parkway.</i>
M-9	Lyndale Avenue Bridge	<p>Complete reconstruction of Lyndale Avenue Bridge over I-494.</p> <ul style="list-style-type: none"> • Bids for project to be let summer of 2008. • Right of Way acquisition during summer 2008. • Construction is scheduled to begin August 2008. • Construction to be complete late fall 2009. • <i>Right of Way acquisition is nearing completion.</i>
M-10	Portland & 66th	<p>Completion of roundabout design intersection at 66th Street and Portland Avenue</p> <ul style="list-style-type: none"> • Right of Way Acquisition began in 2007 to be completed early 2008 • Construction began spring 2008. • Construction to be complete late summer 2008
M-11	Richfield Lake	<p>Complete construction of stormwater improvements at Richfield Lake during 2008.</p> <ul style="list-style-type: none"> • Construction of perimeter pond. • Reconstruction of walking trail, restoration of existing park path with new benches, play features, and multiple plantings of various tree varieties. • <i>The play equipment and basketball court have been replaced.</i>
M-12	Metro Sewer Project	<p>Construction of new Met Council Environmental Services Sewer Line along 76th Street.</p> <ul style="list-style-type: none"> • Identify all major construction issues that involve residents and prepare design plans and specifications for the project. • Cost of Project is to be funded by Met Council. • Define the scope, cost and identify payment method for the undergrounding of utilities along the corridor. • The potential exists for the City Council to extend the bikeway east of 11th Avenue using MSA money to fund the extension.
M-13	Mini Golf Course Analysis:	<ul style="list-style-type: none"> • An internal critical analysis was performed looking at the operation and the physical condition of the Mini-Golf Course. • The outcome of the critical analysis was the restructuring of staff assigned to the operation. <i>One full-time position was eliminated on March 1.</i> • In the future, a study will be conducted looking at the feasibility of moving the Mini-Golf Course to a more visible location.

- M-14 Lincoln Athletic Complex
- In 2008 a concept plan and cost estimate will be conducted. This will be funded by Special Revenue Funds previously contributed to the project.
 - Special Revenue Funds will contribute \$510,000 through 2012.
 - City will seek the balance of funding through internal loans.
- M-15 Fire Station 2 Maintenance
- Fire Station 2 is an older building and is in need of several major maintenance upgrades including:
- A new roof, new boiler, tuck pointing, air handling system, ventilation for apparatus floor, and new windows.
 - Planning and design, acceptance of bids conducted in late 2007.
 - Project to be complete summer 2008.
- M-16 77th Street Tunnel
- Seek funding to complete the 77th Street project by extending 77th Street to the east side of Trunk Highway 77 to connect with the Airport and Mall of America.
- Project is currently included in City's Capital Improvement Plan.
 - *Staff has been notified that City's funding request has received by Congressman Ellison's support.*
- M-17 76th Street Bridge over 35W
- Monitor Mn/DOT construction of new bridge, and manage routing of traffic while bridge is out.
- The City plans to construct a pedestrian bridge as part of the Mn/DOT project.
 - *Construction of the bridge began in May 2008. Completion is expected in November 2008.*
- M-18 73rd Street & 1st Avenue Storm /Augsburg Lift Station
- Construction of new storm water conveyance system to relieve the intersection of flooding and provide a storm water outlet at Augsburg Pond.*

Develop Employees

- D-1 Staff Training & Development
- Management level training will continue to be coordinated and offered in-house to provide leadership development opportunities for staff.
- City-wide training on the topic of diversity was conducted for all staff in June.*
- Management-level training was provided in the Spring to enhance management effectiveness. Sessions covered the topics of Discipline, Documentation & Termination and Orienting & Training New Employees.*

D-2 Succession Planning

Preparation for anticipated staff changeover includes the provision of leadership development and training, analysis of organizational structure and operations, and the creation of succession strategies.

Implement a 360 performance evaluation program for managers. *During the first half of 2008, 5 managers have gone through the 360 evaluation process, for a total of 11 managers since the program's inception. The goal is for all of the 30+ management-level employees to go through this process at least once every 3-4 years.*

Management-level training was provided in-house this past spring (see above). More sessions will be offered later in the year.

D-3 Technology Plans

Update technology plans to provide staff with the best possible work tools.

Communications and IT staff coordinated the implementation of a new web content management program that will make updating and overseeing the City's websites much more streamlined and efficient for staff.

Installation of fiber optic cabling to City buildings during 2008 and 2009.

The long-term process is accomplished through the City's Key Financial Strategies planning process, which evolves out of the Manage Resources strategic goal. The objective of this process is to provide a framework for decision making required to identify and implement strategies that will assure long-term community viability. Accordingly, the City has identified the following long-term strategic goals:

1. Promote long-term community affordability, livability and stability by continued diversification of property tax base and revenue sources.

The City has responded to this goal early on by implementing a plan to redevelop areas of the city where property values were below market and were located in key economic corridors. By following this plan of redevelopment, the City has been able to expand its property tax base over the last several years. In addition, in response to past reductions in Local Government Aid (LGA) and the volatility of the LGA formula, the City implemented a gas and electric franchise fees as a form of reliable and stable revenue stream. These revenues will be used primarily to fund the City's street maintenance program. Finally, the City will continue to seek stable, alternative revenue sources where applicable.

2. Support continued redesign and repositioning of City housing stock to compete effectively with both newer and established communities.

The City has been addressing this goal for several years. The City has several housing programs ranging from a program to replace substandard homes to several loan programs designed to provide funds for remodeling of homes. Funding for these programs is accomplished through federal Community Development Block Grant funds and money acquired through tax increment districts within the City. In addition to these programs, several of the redevelopment projects undertaken in the City include market rate housing, further allowing the City to be competitive in the housing market.

3. Establish on-going capacity to influence transportation system (highway, airports and transit) design and operations with a goal to maximize positive and minimize negative impacts of these systems on the City.

Richfield has benefited by being centrally located by both downtown Minneapolis and St. Paul and being able to take advantage of the benefits they provide. In addition, the City also benefits by having access to the major transportation systems in the metropolitan area. The City is bordered by I-494 to the south, Crosstown Highway 62 to the north, TH 77 and the Minneapolis/St. Paul Airport to the east and is bisected by I-35. Because of this strategic location the City has taken an active role in the planning and changes made to the transportation system that will effect Richfield. For example, the City was instrumental in the construction of the \$30 million Penn Avenue Bridge over I-494 and is currently taking the lead in the construction of the Lyndale Bridge over I-494, which has an estimated cost of \$32.8 million.

4. Establish financial framework required to extend the life of existing physical and technical infrastructure and provide for timely replacement and maintenance of facilities as needed.

During 2008, the City completed construction and opened a new Central Maintenance Facility. In addition, the replacement of the Police/Fire/City Hall facility was approved by the City Council in June 2008. The cost of the new facility is estimated at \$22 million and will be funded by a combination of G.O. Capital Improvement Bonds and internal sources. The City has also committed to a program of scheduled replacement of rolling stock and technology equipment through a dedicated tax levy or by the issuance of G.O. Capital Notes. For 2009, purchases in this program will be funded by a combination of capital notes and a tax levy. Finally, the City maintains an annual street maintenance program to ensure the long-term viability of city streets. The cost of the program for 2009 will be approximately \$700,000, which is at the same level as 2008. With the instability of oil costs, which is one of the primary ingredients in the maintenance program it will be a challenge to maintain this level of cost.

5. Review options and opportunities to improve City service delivery systems in a highly competitive environment.

As the City continues to evolve, the delivery of services to residents needs to evolve and continue to be of high quality and cost effective. One example of this is the construction of a new Central Maintenance Facility that will result in front line public works staff being housed under one roof, measurably increasing the efficiency of service delivery. Additionally, improvements made at the City's Water Plant will ensure the high quality of water distributed to residents continues.

CITY OFFICIALS

	<u>Term of Office</u>	<u>Term Expires</u>
MAYOR - DEBBIE GOETTEL	4 Years	December 31, 2010
COUNCIL MEMBER - SUZANNE M. SANDAHL	4 Years	December 31, 2010
COUNCIL MEMBER – PAT ELLIOTT	4 Years	December 31, 2012
COUNCIL MEMBER – FRED WROGE	4 Years	December 31, 2012
COUNCIL MEMBER – TOM FITZHENRY	4 Years	December 31, 2012

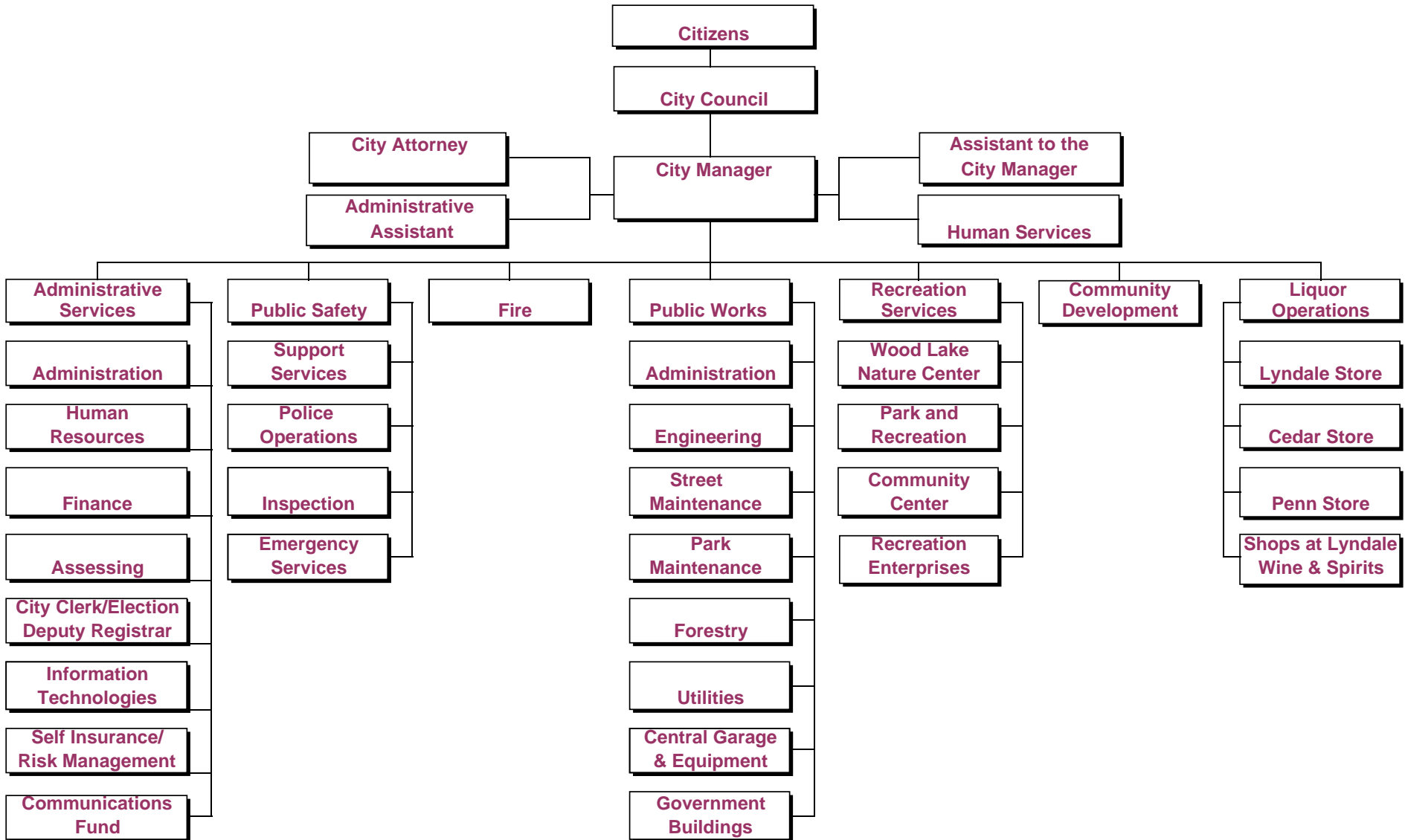
ADMINISTRATIVE STAFF

STEVEN L. DEVICH - CITY MANAGER

CHRIS REGIS - FINANCE MANAGER

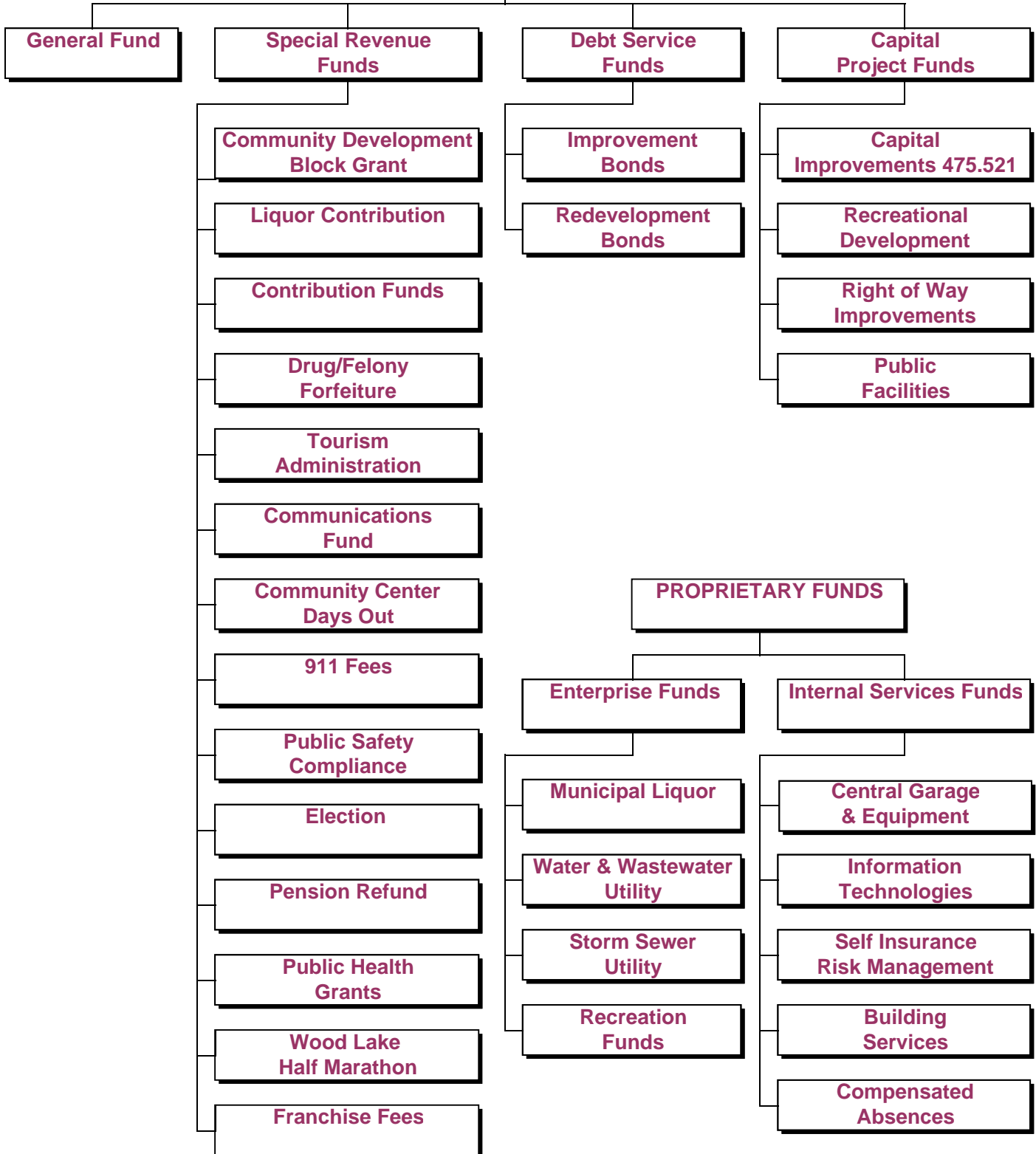
NANCY GIBBS - CITY CLERK

CITY OF RICHFIELD ADMINISTRATIVE ORGANIZATION CHART



CITY OF RICHFIELD - FUND STRUCTURE

GOVERNMENTAL FUNDS



General Fund

Special Revenue Funds

Debt Service Funds

Capital Project Funds

Community Development Block Grant

Liquor Contribution

Contribution Funds

Drug/Felony Forfeiture

Tourism Administration

Communications Fund

Community Center Days Out

911 Fees

Public Safety Compliance

Election

Pension Refund

Public Health Grants

Wood Lake Half Marathon

Franchise Fees

Improvement Bonds

Redevelopment Bonds

Capital Improvements 475.521

Recreational Development

Right of Way Improvements

Public Facilities

PROPRIETARY FUNDS

Enterprise Funds

Internal Services Funds

Municipal Liquor

Water & Wastewater Utility

Storm Sewer Utility

Recreation Funds

Central Garage & Equipment

Information Technologies

Self Insurance Risk Management

Building Services

Compensated Absences

Major Funds and Fund Descriptions

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. The breakdown of the City's fund structure is as follows:

Major Governmental Funds

The main operating fund for the City of Richfield, the General Fund is a major fund of the City and is used to account for the resources devoted to funding services traditionally associated with local governments.

Major Proprietary Funds

Account for the acquisition, operation and maintenance of government facilities and services, which are entirely self supported by user charges. The City of Richfield incorporates both Enterprise Funds and Internal Service Funds. The major fund of the type includes only the Municipal Liquor Fund, which is a retail establishment where merchandise is purchased and marketed with the intent for resale and responsible distribution.

Major Debt Service Funds

These funds are used to account for the accumulation of resources for, and the repayment of general long-term debt, interest and related costs. The major fund of this type only includes the General Obligation Improvement Bonds.

Major Capital Project Funds

These funds account for the financial resources to be used for the acquisition or construction of major capital facilities. The major fund of this type only includes the Right of Way Improvement Fund.

Nonmajor Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Funds includes: Community Development Block Grant Fund, Liquor Contribution Fund, Recreation Contribution Funds, Drug/Felony Forfeiture Fund, Tourism Administration Fund, Cable TV/Program Fund, Community Center Days Out Fund, 911 Fees Fund, Public Safety Compliance Fund, Election Fund, Pension Refund Fund, Public Health Grants Fund, Wood Lake Half Marathon Fund, and Franchise Fee Fund.

Nonmajor Debt Service Funds

These funds are used to account for the accumulation of resources for, and the repayment of general long-term debt, interest and related costs. The only fund included is the General Obligation Redevelopment Bonds Fund.

Nonmajor Capital Project Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The two fund included are the Recreational Development Fund the Public Facility Funds.

Nonmajor Proprietary Funds

These funds account for the acquisition and maintenance of government facilities and services, which are entirely self-supported by user charges. The City of Richfield incorporates both Enterprise Funds and Internal Service Funds into its processes. Enterprise Funds include: Water and Wastewater Utility Fund, Storm Sewer Utility Fund and Recreation Enterprise Funds. Internal Service Funds include: Central Garage & Equipment Fund, Information Technology Fund, Self Insurance Risk Management Fund, Building Services Fund and Compensated Absences Fund.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

City of Richfield

Minnesota

For the Fiscal Year Beginning

January 1, 2008

Handwritten signature of Charles S. Cox in cursive.

President

Handwritten signature of Jeffrey R. Emswiler in cursive.

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Richfield, Minnesota for its annual budget for the fiscal year beginning January 1, 2008. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.