

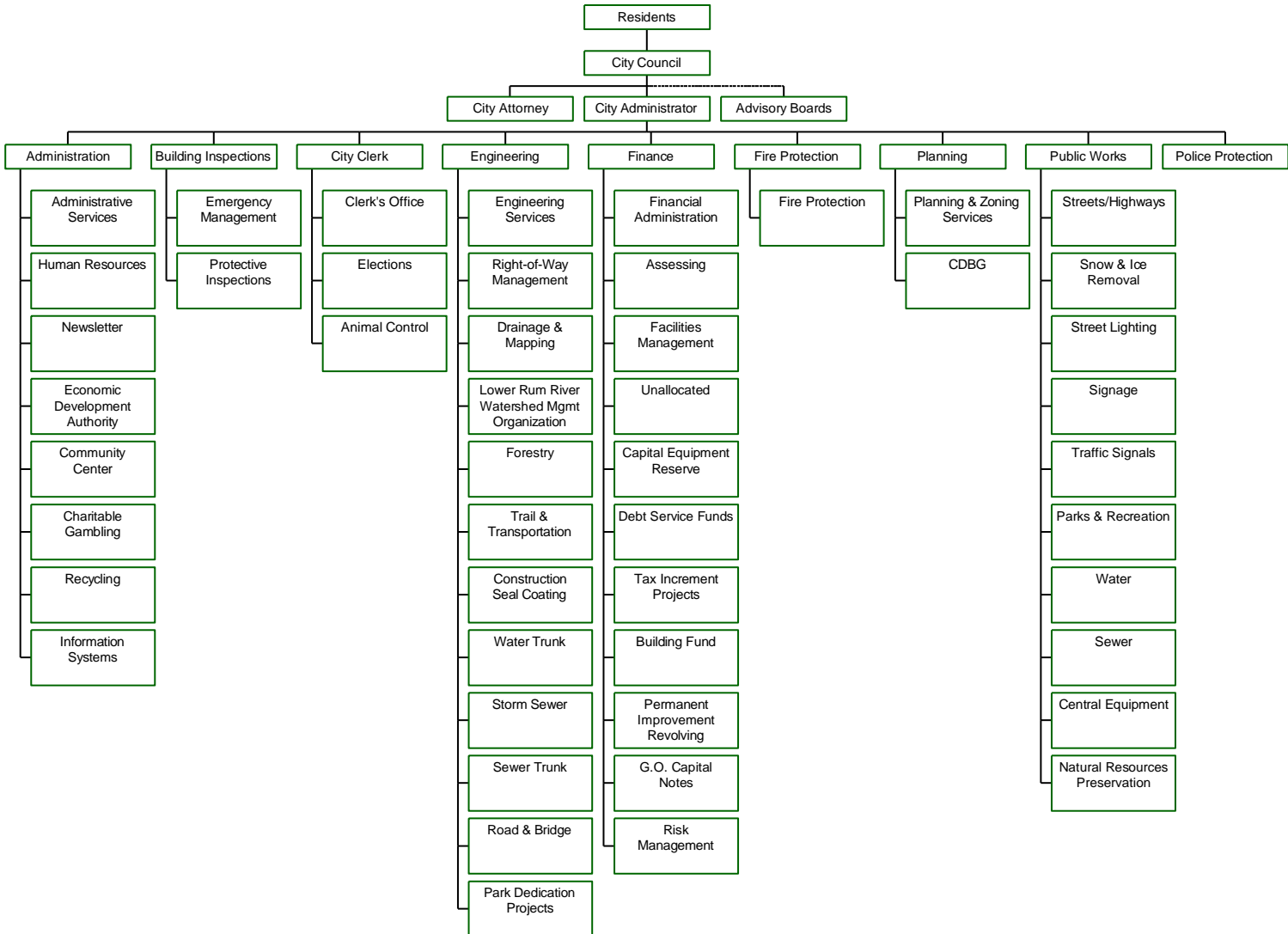
CITY OF ANDOVER

Adopted 2020 City Budget

Julie Trude	Mayor
Jamie Barthel	Councilmember
Sheri Bukkila	Councilmember
Valerie Holthus	Councilmember
Michael Knight	Councilmember

James Dickinson	City Administrator / City Clerk
Joe Janish	Community Development Director
David Berkowitz	Director of Public Works / City Engineer
Fred Patch	Building Official
Jerry Streich	Fire Chief

CITY OF ANDOVER 2020 Organizational Chart





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TO: Mayor, City Council Members and Residents of Andover

FROM: Jim Dickinson, City Administrator

SUBJECT: Adopted 2020 City Budget

DATE: December 3, 2019

INTRODUCTION

City Code 1-6-2 C. Major Areas of Accountability requires the City Administrator to submit an annual budget to Council, which accurately reflects the financial needs of the City organization. Additionally, state law requires that Council approve a preliminary budget and certify a proposed levy to the Anoka County Property Records and Taxation Division by September 30, 2019. In response to these requirements, a proposed budget was presented to Council on September 3, 2019 in advance of this deadline. Council held budget-planning sessions on March 26, April 23, May 28, June 25, July 23, and August 27 to discuss budget priorities and adopted the preliminary 2020 City Levy on September 3, 2019. Additional budget discussion was held with the Council on September 24, October 22, and November 26 before the public hearing that was held on December 3, 2019. The Council's final action on adopting the 2020 City Budget and 2020 Levy occurred on December 3, 2019. The official adoption of the 2020 Budget and City Levy will be submitted to Anoka County and the Minnesota Department of Revenue on or before December 28, 2019.

This budget document should be viewed as more than just a collection of financial data, but as the financial plan in which the organization will implement and accomplish Council policies, as well as meet the articulated needs of the community and residents. In addition to the financial data contained within, this document includes information on the City organization, describes programs and services, and provides statistical values measuring activity performance and workloads. Most importantly, this budget reflects the City's plans, policies, procedures and objectives regarding services to be provided in 2020.

As part of the budget development process, City staff, including department supervisors, performed a comprehensive review of their specific service needs, prioritized spending requests to achieve the most effective operational delivery of services, and then balanced the allocation of

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the City's human and financial resources against those needs. It has been our goal to accomplish this in a fair, impartial and balanced manner that meets with the approval of Council and the residents we serve.

GENERAL INFORMATION

The city we know today as Andover was first organized in 1857 under the name "Round Lake Township." However, in 1860 the name was changed to "Grow Township" in honor of Senator Galusha A. Grow of Pennsylvania. Senator Grow spoke at a political campaign in Anoka that year, and the town name was changed to reflect Senator Grow because of his strong advocacy of the Union cause. At that time, the population was 330 and included the geographical area we know today as Ham Lake. In fact, the area of Ham Lake was considered a part of Grow Township until 1871.

In 1972, the Grow Township Board of Supervisors recognized that the town was growing at a very rapid rate. They felt a village form of government would provide better services to the community. Board supervisors then voted in favor of proceeding with the incorporation process. The board voted to submit a new name for the village. "Andover Village" was chosen because the name Andover had historical interest. The historical interest, we believe, came from the Andover train station.

You may have heard the popular "train myth" about how Andover received its name. The myth states that a train tipped over in a swamp, and an eyewitness, relaying the incident, said it "went over and over," thereby naming the city "Andover." However, research reveals that the name Andover first appeared in an article dated March 14, 1899 in the *Anoka County Union Newspaper* - before train tracks were ever built in the city.

The article stated that the Eastern Minnesota line of the Great Northern Railway was in the process of constructing railroad tracks from the Coon Creek Cut-off to the North. The railway announced that new railroad stations with mathematical precision were to be located five miles apart from each other. The new stations (from Coon Creek to the North, along the new railroad line) were to be named Andover, Cedar, Bethel, Isanti, Cambridge, Stanchfield, Braham, Grasston, Cornell, and Brook Park. On July 4, 1899, the first train passed through the Andover station. Where the railway came up with the name Andover remains unknown.

Andover Village was established in 1972 and then became the City of Andover, a city of the fourth class, in 1974. Today the City of Andover's population exceeds 20,000, classifying it as a second-class city.

BUDGET GUIDELINES

The following are City Council's 2020 Budget Development guidelines established by the City Council on April 2, 2019, used by City Staff while preparing their proposed operating budgets, and presented with a brief description of the outcome of each guideline as part of the budget process:

- 1) A commitment to a City Tax Capacity Rate to meet the needs of the organization and positioning the City for long-term competitiveness using sustainable revenue sources and operational efficiencies.

Note: The Anoka County Assessor taxable market value figures for the City of Andover are reflecting a 9.74% increase in total taxable market value. The 2020 Property Tax Levy that was approved estimates increasing the current City tax rate by 0.71%.

- 2) A fiscal goal that works toward establishing the General Fund working capital fund balance at no less than 45% of planned 2020 General Fund expenditures and the preservation of emergency fund balances (snow emergency, public safety, facility management and information technology) through targeting revenue enhancements or expenditure limitations in the 2019 adopted General Fund budget.

Note: With property tax revenues making up close to 80% of the total General Fund revenues, cash flow designations approaching 50% would be appropriate and are recommended by the City's auditor. The 2020 budget exceeds this guideline, also emergency fund balances (approximately 3% of planned General Fund expenditures) are in place to stabilize a situation and not be a complete solution.

- 3) A commitment to limit the 2020 debt levy to no more than 25% of the gross tax levy and a commitment to a detailed city debt analysis to take advantage of alternative financing consistent with the City's adopted Debt Policy.

Note: The adopted 2020 debt levy was 21.33% of the gross tax levy while accommodating the additional long-term debt for the 2018A GO Capital Improvement Plan Bonds and the 2019A GO Tax Abatement Bonds that were sold by the City.

- 4) A comprehensive review of the condition of capital equipment to ensure that the most cost-effective replacement schedule is followed. Equipment will be replaced based on a cost benefit analysis rather than a year-based replacement schedule.

Note: The City Vehicle Purchasing Committee performed this analysis and has made recommendations to the City Council as part of the 2020 – 2024 Capital Improvement Plan (CIP) that was adopted at the October 15, 2019 City Council meeting.

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- 5) The use of long-term financial models that identify anticipated trends in community growth and financial resources that will help designate appropriate capital resources for future City needs. The financial models will be used in the budget planning process to ensure that key short-term fiscal targets are in line with long-term fiscal projections.

Note: The City continually maintains various financial models to determine the long-term impacts of present day expenditures and financing decisions. Fiscal assumptions are based upon a complex set of financial data including growth factors, tax capacity valuations, per capita spending, fund balance reserves and debt ratios.

- 6) Continued commitment to strategic planning targeted toward meeting immediate and long-term operational, staffing, infrastructure and facility needs.

Note: A Council Community Vision and Organizational Goals and Values document was adopted by the City Council at the December 3, 2019 City Council meeting. Direction provided in that document will continue to be integrated into various department work plans and budgets.

- 7) A management philosophy that actively supports the funding and implementation of Council policies and goals, and a commitment to being responsive to changing community conditions, concerns and demands, and to do so in a cost-effective manner.

Note: Management paid special attention to fiscal values, commercial & residential development/redevelopment, collaboration opportunities, service delivery and the livability/image of the community.

SIGNIFICANT EVENTS OF THE CURRENT YEAR

Andover was one of the fastest growing cities in terms of population growth in the Twin Cities metropolitan area between 2000 through 2006. Since 2006, the pace of residential development has slowed and is attributable to regional and national economic factors. The City has taken a revised outlook on where growth is most likely to occur in contrast to previously determined urban services staging areas. This has required the City to identify alternate locations for sewer supported growth. In 2019, the City issued 116 new single-family building permits with a total valuation of \$37,258,817 compared to 60 new single-family building permits with a total valuation of \$19,703,857 the prior year. More detailed information is available on City growth later in this budget message.

Some additional noteworthy events/activities that occurred in 2019 include:

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- 1) In 2019, the City again saw new residential development which included approval of 125 urban lots within the Catcher's Creek West, Catcher's Creek East, Shadowbrook North, Winslow Cove Second Addition and Villas at Crosstown Woods. Also 7 rural lots were approved in a development known as the Estates at Cedar Ridge. The City currently has a supply of 208 urban lots and 16 rural lots (which includes the lots above).
- 2) In 2019, the City saw commercial, industrial and institutional construction throughout the community totaling close to \$30 million in valuation. Many businesses came to Andover that did extensive tenant finishes or remodels in existing multi-tenant buildings.
- 3) In 2019, Legacy Christian Academy a K-12 private school started their expansion project. The expansion includes a three-story classroom addition (approximately 33,000 sq. ft.) between the existing buildings to replace temporary classrooms.
- 4) Andover High School will receive close to \$30 million in additions totaling 67,000 square feet and other improvements adding another 5,700 square feet of space in the school. Phase 1 of the additions and remodeling started in 2018 and was completed in 2019. Part of the project is the removal of 12 portable classrooms. The school was originally designed for 1,400 students, but today 1,700 students attend the school. Phase 2 construction will take place in 2020 and when the construction is complete the school's capacity will be 2,000 students.
- 5) The City completed the master planning concept layout of the City Campus site in 2016 to prepare for the facility needs for the ultimate build out of the City. The master planning concept layout provides for the Public Works, Public Safety, General Government and Recreational long-term needs of the community. In 2017, the City hired two architectural firms to start the design for a Public Works Maintenance Facility, cold storage building and to explore a potential expansion of the Andover YMCA/Community Center. Both projects completed design in 2018. The Public Works component (Maintenance Facility, Fleet Storage Building and Vehicle Wash Bay) was out for bid in late 2018 and a bid awarded for construction in early 2019 with a \$10.5 million budget. The Community Center Expansion design continued throughout 2018, the project (a new sports complex with elevated walking track, additional fieldhouse court, team training space, youth center, remodeled Community Rooms, added meeting spaces and expanded parking) was out for bid in early 2019 and a bid awarded for construction in late Spring 2019 with a \$17.9 million budget.
- 6) In 2018, working with the Anoka County Parks Department, two new outdoor gathering spaces at the Bunker Hills Activities Center started construction. The first area will remove the current ramps on the south side of the building and replace it with a 120-person capacity deck. This will provide additional space for meetings, family gatherings, weddings, and other events. The second area

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converts the existing greenhouse into an exterior patio area accessible from the inside as well as the outside. This project started in 2018 and was completed in 2019.

- 7) In 2017 and 2018, the City of Andover, in cooperation with the Anoka County Highway Department, worked through the planning of the Hanson Boulevard expansion and reconstruction. Right of Way clearing and utility work took place in 2018 with full construction of Phase 1 in 2019, Phase 2 will be underway and completed in 2020. This project is financed primarily by a federal grant. Trails and intersection improvements are also constructed as part of the project phases.
- 8) The City of Andover EDA went through the public hearing process in 2011 to modify the City Development Plan to create redevelopment areas of the community and to facilitate the opportunity to acquire dilapidated and substandard multi-family homes within specified target areas. The EDA was successful in acquiring one 4-plex property in November of 2011 to start the redevelopment process with hopes of continuing to add to the critical land mass necessary to start marketing for a redevelopment project. In late 2017 the EDA was successful in acquiring three more 4-plex properties and one additional 4-plex in 2018. The EDA continues to pursue the acquisition of properties in the redevelopment areas from willing sellers.
- 9) In 2016, City Staff started work with the State of Minnesota Board of Soil and Water Resources on a wetland restoration of the old Woodland Creek Golf Course parcel. The City acquired the old 74-acre golf course in late 2013, subsequently a 6-acre parcel was sold to a developer and a 6-unit subdivision called Shadow Ponds was the outcome. The remaining acreage was to be restored to a wetland with passive nature trails. Construction bids were received in late 2016 with the first phase of construction completed the summer and fall of 2017. Other restoration elements including the addition of a boardwalk continued throughout 2018. Final restoration work on the project's nature trails continued into 2019 and the trails were open to the public in the summer of 2019.
- 10) Andover residents continue to have one of the highest recycling rates per person for all recyclable materials in Anoka County. In 2014, the City added a new Recycling Center to expand the current recycling opportunities for Andover residents. In 2019, the City hosted monthly recycling events (on weekends), generally with a specific focus, such as paper shredding and appliance or electronics collection.
- 11) A strategic planning session was held with the City Council, a final Council Community Vision and Organization Goals and Values document was approved at the July 7, 2015 City Council meeting. Direction provided in that document has been integrated into various department work plans and budgets. As part of the 2020 Budget Development process the Council participated in a new strategic planning process throughout 2019 updating the Council Community Vision and Organization Goals and Values document.

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- 12) The City's Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2018 was awarded the Government Finance Officers Association's "Excellence in Financial Reporting Award." The City completes this document internally and recognized significant cost savings in the form of reduced financial consulting fees. This is the seventeenth consecutive year receiving the award and it is anticipated that the City's CAFR for the year ended December 31, 2019 will also achieve this award.
- 13) For the eighteenth year in a row, the City of Andover was awarded the Government Finance Officers Association Distinguished Budget Presentation Award for the City's 2019 Annual Budget. This award recognizes excellence in the preparation of the City's budget document as a policy document, an operations guide, as a financial plan and as a communications device.
- 14) Ongoing implementation of a single-family rental housing license program to provide property owners/landlords with educational materials and checklists on how to inspect and maintain the exterior of the property, a list of potential ordinance violations that may occur with a rental property, and an exterior inspection of the building and grounds with city staff. This program was authorized by the Andover City Council in 2009 and is reviewed annually, there were close to 260 single family rental licenses issued throughout the City in 2019.
- 15) The City continues to make significant progress on the process of digitally imaging documents retained, this includes standard and legal documents and large construction plan documents. The imaging project has helped the City reduce staffing through data storage retrieval efficiencies, eliminated the need for office expansion and has expedited City research projects.
- 16) The City continues to utilize updates to our financial management software to improve reporting and operating efficiencies. These updates continue to yield reduced personnel costs and more timely reports. In 2019, the City saw increased growth in the number of online and counter credit card payments for various City permits and services. Approximately 50% of the Building Department's permits were done online.

OVERVIEW

The Adopted 2020 Budget anticipates General Fund revenues in the amount of \$11,794,736 to meet anticipated budgeted expenditures in the amount of \$12,155,896, thus a decrease in (use of) fund balance is planned. As a result, total General Fund balance reserves are projected to decrease to 63.3% in 2020 as compared to 68.5% in 2019 in conjunction with corresponding expenditures for those years. The Adopted 2020 General Fund Budget represents an increase in expenditures of \$460,403 over last year. Designated capital operating levies increased \$34,721 in 2020 bringing the balance to \$2,076,509. The 2020 Debt Service Levy includes two equipment notes, two abatement bonds, capital

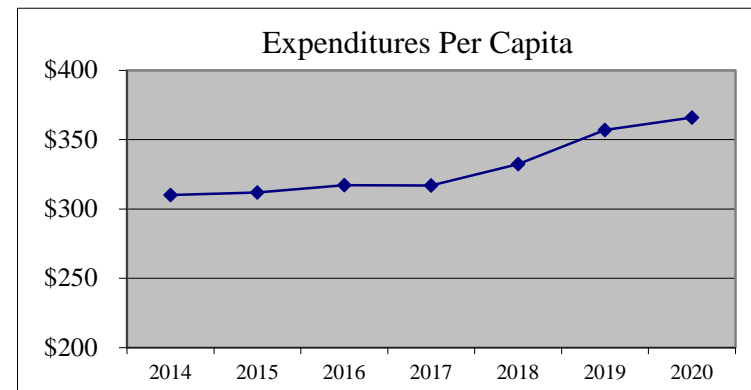
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improvement plan bonds and the open space referendum bonds; and increases the City debt ratio to gross City levy to 21.33% from 16.15% for the prior year.

The increase in General Fund expenditures is primarily related to the increase in the cost of health insurance. In the past several year’s budgets, the City has dealt with significant state aid cuts in Market Value Homestead Credit (MVHC) and Local Government Aid (LGA), tight levy limits enacted by the State Legislature that have prevented Andover from capturing any additional tax revenue from the City’s previously expanding tax base. The availability of additional tax levy in 2013 was significantly limited by the new market value exclusion program and decreasing taxable market values, but the decertification of a tax increment financing district negated those decreases to a net overall increase of .41%. In 2014, LGA was reinstated for the City and that funding (\$73,490) was used to help offset the growing needs of the Road and Bridge Capital Projects Fund for street improvements/replacements. In 2015, the City received zero LGA funding; in 2016, the City received \$2,698; in 2017, 2018 and 2019, the City received zero LGA funding; and as notified by the State, the City will be receiving zero in 2020.

General Fund expenditure trends since 2014 are as follows:

	Expenditures Before Transfers	% Change	Population	Expenditures Per Capita
2014 Actual	\$ 9,881,404	n/a	31,874	\$ 310.01
2015 Actual	\$ 9,890,003	0.09%	31,704	\$ 311.95
2016 Actual	\$ 10,259,726	3.74%	32,335	\$ 317.29
2017 Actual	\$ 10,289,975	0.29%	32,470	\$ 316.91
2018 Actual	\$ 10,875,244	5.69%	32,728	\$ 332.29
2019 Estimate	\$ 11,767,993	8.21%	32,975	\$ 356.88
2020 Adopted	\$ 12,155,896	3.30%	33,228	\$ 365.83

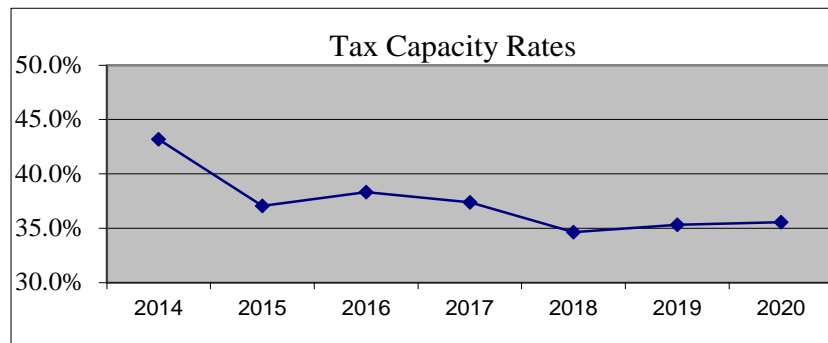


Note: The population figures were estimates by Met Council.

The 2020 Adopted Budget provides for an adopted tax capacity rate of 35.559%, which compares to 35.310% for 2019 (this rate comparison excludes the open space and watershed levies). The 2020 increasing tax capacity rate is reflective of an increase in the adopted tax levy minimized by the growth in the tax capacity values.

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	<u>Tax Capacity Values</u>		<u>Tax Capacity Rates</u>	
		% Change		% Change
2014	\$ 21,978,322	n/a	43.197%	n/a
2015	\$ 25,705,350	16.96%	37.069%	-14.19%
2016	\$ 26,847,273	4.44%	38.314%	3.36%
2017	\$ 27,920,178	4.00%	37.374%	-2.45%
2018	\$ 31,287,043	12.06%	34.627%	-7.35%
2019	\$ 32,975,265	5.40%	35.310%	1.97%
2020	\$ 36,188,656	9.74%	35.559%	0.71%



Note: The tax capacity rates do not include the open space and watershed levies.

Some highlights of the Adopted 2020 Budget are as follows:

Capital Projects Levy – The 2020 Budget specifically designates \$2,036,509 of the general tax levy to capital projects and equipment needs relating to Capital Outlay (\$275,000), Facility Maintenance Reserve (\$355,000), Road and Bridge (\$1,287,469), Pedestrian Trail Maintenance (\$104,040) and Park Projects (\$15,000). Specific designation of the tax levy to anticipated City needs and priorities for transportation and trail maintenance, park projects and equipment outlays allows the City to strategically allocate its resources and raise the public’s awareness of City spending priorities. The Road and Bridge levy is calculated according to Council Policy based on annual growth increases/decreases; with Capital Outlay, Pedestrian Trail Maintenance and Park Levies changed according to the City Council budget guidelines.

- Road and Bridge – Under the Capital Projects Levy, a total of \$1,391,509 is for transportation programming related to maintaining City streets, roadways and pedestrian trails. Approximately 7.48% (\$104,040) of this levy is dedicated towards pedestrian trail maintenance. \$315,110 is designated to the City’s seal coating and crack sealing programs, with the remaining \$972,359 dedicated to street overlays pursuant to previous Council direction of designating a one percent tax levy and capturing two percent of new tax capacity growth to transportation infrastructure needs. This commitment was initiated by the City Council in 1997 and increased from one percent to two percent of new tax capacity growth during 2006. As a percentage, this funding commitment represents approximately 9.61% of the Gross Tax Levy and increased \$34,721 as compared to the 2019 levy.
- Park Improvements – Under the Capital Projects Levy, \$15,000 is designated for miscellaneous park related capital projects that come up throughout the year. The 2020 levy remains the same as the 2019 levy.

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- Capital Equipment/Projects – Under the Capital Projects Levy, 275,000 is designated to underwrite a wide range of capital improvement/equipment project expenditures. Through the annual \$275,000 designation, the City, over time, will be able to build a fund reserve to avoid cash flow “spikes” and address a wide range of capital improvement needs under a more controlled spending environment. This designated levy is to address a wide range of facility maintenance and equipment needs. The 2019 levy decreased \$525,000 as compared to the 2018 levy. This reduction is due to the \$525,000 being reallocated towards debt service as it was originally planned for a city campus expansion project.
- Facility Maintenance Reserve – Under the Capital Projects Levy, \$355,000 is designated to help fund many maintenance related repairs identified in the recent facility condition assessment. It was new for 2018 and remains unchanged (\$355,000) as compared to 2019.

Sheriff’s Police Contract Services – The Anoka County Sheriff’s contract reflects a 1.94% general increase (\$61,908). The 2020 Budget maintains the existing 80 hours per day of patrol service, six hours per day of service provided by a Community Service Officer, two Patrol Investigators, School Liaison Officers in the middle and high school, and 50% of a Crime Watch Coordinator’s position.

Attorney - The City Attorney budget reflects a 2.00% general increase (\$3,900) over the 2019 budget.

Council Memberships and Contributions – The following are included as part of the 2020 General Fund budget:

▪ North Metro Mayors Association	\$15,010	- membership
▪ Metro Cities	\$ 9,542	- membership
▪ Mediation Services	\$ 3,366	- program contribution
▪ YMCA – Water Safety Program	\$ 9,000	- program contribution (youth services)
▪ Alexandra House	\$15,328	- program contribution (domestic abuse programs)
▪ Youth First (Program Funding)	\$12,000	- program contribution (youth services)
▪ NW Anoka County Community Consortium - JPA	\$10,000	- program contribution (youth services)
▪ Teen Center Funding (YMCA)	\$ 8,100	- program contribution (youth services)
▪ Lee Carlson Central Center for Family Resources	\$ 1,500	- program contribution (mental health services)

The following memberships/contributions are included as part of the 2020 budget in other funds:

- Youth First – City Partner Fee \$ 2,000 Charitable Gambling Fund - program contribution (youth services)

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▪ Teen Center Funding (YMCA)	\$16,400	Charitable Gambling Fund	- program contribution (youth services)
▪ Alexandra House	\$ 5,600	Charitable Gambling Fund	- program contribution (domestic abuse programs)
▪ Senior High Parties	\$ 1,000	Charitable Gambling Fund	- donation (youth programs)
▪ Family of Promise	\$ 3,000	Charitable Gambling Fund	- program contribution (homelessness programs)
▪ Stepping Stone	\$ 1,000	Charitable Gambling Fund	- program contribution (homelessness programs)
▪ Hope for Youth	\$ 1,000	Charitable Gambling Fund	- program contribution (homelessness programs)

ORGANIZATIONAL MANAGEMENT

Staffing and Staffing Cost Reallocation – The 2020 Budget does include one additional full-time staff member for the Community Center.

Cost-of-Living Adjustments – The total compensation package for 2020 includes step changes for eligible employees and a 3.00% cost of living adjustment. Administration and Human Resources continually review position-based salaries in detail to confirm competitiveness with other government entities. For a few positions to remain competitive with other governmental entities, budget has been included for salary adjustments in 2020.

Health Insurance Costs – Premiums for health insurance increased 10% in 2020. Employer health care contributions are to be maintained at an employer ratio of 76% of the low-end family coverage and 100% of the single coverage. This will be the thirteenth year the City will be offering a high deductible insurance plan with a health savings account (HSA); but in 2020, the City added a health reimbursement arrangement (HRA) to “buy down” the premium.

CITY GROWTH

New institutional/commercial/industrial businesses moved to Andover in 2019. These business’ included Star Nails, Mathnasium, Canine Crossing, Inspire Academy of Music, Andover Tobacco, Sora Pediatric Therapy, CBD RS, and Custom Smiles Dentistry.

Andover High School is to receive close to \$30 million in additions totaling 67,000 square feet, and other improvements to another 5,700 square feet of space in the school. Phase 1 additions and remodeling started in 2018 and was completed in 2019. Priority among the projects is an addition to the building to create safe and secure learning environments through the removal of 12 portable classrooms. The school was

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originally designed for 1,400 students, but today 1,700 students attend the school. The projects will bring the school's capacity to 2,000 students. There will also be an expansion of the school's security control space, classroom expansion, group learning space, staff planning areas, additional student lockers; expansion of administrative and guidance areas to support the expanded capacity; and an auditorium expansion to increase seating and better serve the increased student capacity and community. In addition, there will be an expansion of the school's cafeteria to accommodate the expanded capacity; an expansion of Andover's strength/fitness space to provide all students and school/community programs with opportunities before and after school; an additional gymnasium attached to existing gym space to accommodate the expanded capacity and address storage deficiencies. Phase 2 is expected to occur in the spring of 2020.

Legacy Christian Academy started their expansion project during 2019 and will include additional classrooms. The expansion includes a three-story classroom addition (approximately 33,000 sq. ft.) between the existing buildings to replace temporary classrooms.

The Anoka County Parks Department completed two new outdoor gathering spaces at the Bunker Hills Activities Center. The first area removed the current ramps on the south side of the building and replaced it with a 120-person capacity deck. This will provide additional space for meetings, family gatherings, weddings, and other events. The second area converted the existing greenhouse into an exterior patio area accessible from the inside as well as the outside. Construction on the deck and patio started in 2018 and was completed in the spring of 2019.

New residential development included approval of 125 urban lots within the Catcher's Creek West, Catcher's Creek East, Shadowbrook North, Winslow Cove Second Addition and Villas at Crosstown Woods. Also 7 rural lots were approved in a development known as the Estates at Cedar Ridge. The City currently has a supply of 208 urban lots and 16 rural lots (which includes the lots above).

In 2019, the City issued 116 new single-family building permits with a total valuation of \$37,258,817 compared to 60 new single-family building permits with a total valuation of \$19,703,857 for the preceding year. The City has not issued any new multi-family dwelling permits in last seven years. It is anticipated that residential development will continue to rebound and drive the City's customer base. The 2010 census shows the population at 30,598.

The growth within the last several years continues to produce a profound increase in demand for City services and has significantly added to the City's infrastructure and staffing needs. Consequently, this change will result in significant future operational and maintenance costs. The chart below illustrates the significant growth that has occurred since 1995.

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Growth Factors	1995	2019 Estimate	% Change
Population	20,497	32,978	61
Housing Units	6,300	10,550	67
Streets (miles)	150	201	34
Cul-de-sacs	155	357	130
Storm Sewer (miles)	18	80	344
Water Main (miles)	35	121	246
Sanitary Sewer (miles)	53	100	89
Parks (Number)	54	68	26
Developed Park Acreage	512	630	23
Trails (miles)	0	39	100
Developed Residential (acres)	7,750	9,723	25
Undeveloped Residential (acres)	14,616	12,773	(12)
Fire/Medical Runs	625	1,262	102

Growth Factors	2000	2019 Estimate	% Change
Calls for Service – Police	9,588	16,759	75
Incident Reports	8,385	7,611	(9)

Note: Reference Year is 2000 due to database reporting changes.

CAPITAL OUTLAY/IMPROVEMENTS

Requests for capital outlay/improvements in the Adopted 2020 Budget are funded through a variety of sources including the General Fund and capital equipment/project levies, Special Revenue and Enterprise Funds, assessments and through the issuance of notes and bonds. Capital equipment and improvements in the Adopted 2020 Budget amounts to \$7,034,112. Of that total amount, \$155,000 will be funded by the General

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Fund levy, \$337,634 will be funded by the capital equipment/project levy and reserves, \$1,264,000 will be funded through general obligation equipment certificates and the remaining through other funding sources. The City's 2020 - 2024 Capital Improvement Plan (CIP) process was instrumental in producing the outcomes outlined in the 2020 Budget and should be referred to for a detailed analysis of significant capital outlays/improvements. For additional information on all the capital outlay / improvements in the City's 2020 – 2024 CIP, please see the appendix for a brief description of each item and/or go to the City's website at www.andovermn.gov and view the complete document located in the Finance Department section.

Most replacements and improvements will reduce operating costs. Some new projects will enhance city services to residents with direct impact on operations. Notable adopted capital outlay/improvement expenditures are below followed by a list of improvement projects and their impact on operations.

Parks Department - \$100,000 is programmed for improvements to City parks that include updating and repairing play structures, and accessibility improvements to various parks and playgrounds. This will allow the City to replace two play structures that have become maintenance issues and/or no longer meet ADA requirements. Replacing playground structures only saves about \$500 in miscellaneous replacement parts on an annual basis since they still need to get routinely inspected. \$180,000 is budgeted for the lighting of a baseball field at Andover Station North and will add approximately \$4,000 annually in electrical expense to the Parks Department's operational budget. \$285,000 is being contemplated through the issuance of equipment notes for the replacement of a water tanker (\$175,000) and the addition of a large capacity mower (\$110,000). The additional mower will add approximately \$2,500 to the operational budget for fuel and maintenance.

Facility Management - \$250,000 is budgeted for the reconstruction of the parking lots and roadway around the public works facility. \$110,000 is budgeted for the addition of fencing around the north side of the new public works additions and \$85,000 for sealing all exterior brick and/or block municipal buildings. All funded by the Facility Maintenance Reserve levy and/or operations.

Fire - \$510,000 is budgeted for the replacement of a fire engine. The new engine is planned to have a carrying capacity of 2,000 gallons of water thus eliminating the need for a tanker. Elimination of a fire tanker will save approximately \$1,500 a year in both fuel and annual maintenance. Funding for this item is contemplated through the issuance of equipment notes.

Emergency Management - \$55,000 is budgeted for the construction of an additional emergency warning siren in the north central part of Andover where duplicate coverage was lacking. Funding for this project is through the Capital Equipment Reserve Capital Projects Fund and will add approximately \$1,200 to the annual operating budget of the General Fund.

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Community Center – \$323,478 is budgeted for the replacement of the ice refrigeration system from an R-22 system to an ammonia-based system and the replacement of the current field house floor (\$184,634). Funding for these projects are through the Capital Equipment Reserve Capital Projects Fund and the Community Center Operations Special Revenue Fund.

Streets / Highway - \$275,000 is budgeted for the replacement of a front-end loader. Modernization and fuel efficiencies will save approximately \$500 a year. Funding for this item is contemplated through the issuance of equipment notes.

PROJECT TITLE	COST	DESCRIPTION	ANNUAL SAVINGS	ANNUAL COST
Replacement - Sinks / Fixtures	\$15,000	Replace all sinks and fixtures throughout the facility.	\$ -	\$ -
Refacing Rink Boards	\$30,000	Replace the white poly and yellow kick plates on the rink boards along with new netting above the glass on the ends.	\$ -	\$ -
Replacement - Ice Arena Refrigeration	\$323,478	Convert the existing R-22 freon system to a new ammonia-based refrigeration system that is being installed in the new sports complex.	\$ -	\$ -
Replacement - Field House Floor	\$184,634	Replace cracks/failed concrete in two corners of the fieldhouse floor and resurface the entire floor with new paint.	\$ -	\$ -
Emergency Operations Center Improvement	\$10,000	Continue remodeling a functional Emergency Operational Center (EOC) by improving workable space at fire station #1.	\$ -	\$ -
New - Emergency Sirens	\$55,000	Install an additional emergency warning siren in the north central rural part of Andover.	\$ -	\$1,200
New Development Projects	\$175,000	New developments include the construction of sanitary sewer, water main, storm sewers and streets. (City share.)	\$ -	\$5,000
Pedestrian Trail Maintenance	\$63,000	Trail maintenance such as crack filling and fog sealing for the City's pedestrian trail system.	\$1,000	\$ -
Pedestrian / Park Trail Reconstruction	\$70,000	Reconstruction of trail segments.	\$1,000	\$ -
Pedestrian Curb Ramp Replacements	\$19,000	Replace existing pedestrian curb ramps to meet standards.	\$ -	\$ -
New Pedestrian Trail and Sidewalk Segments	\$405,000	Planned trail and sidewalk connections provide key links within the existing system.	\$ -	\$2,000
Railroad Underpass Trail	\$12,000	Construct a railroad underpass to connect internal development trails from the Winslow Cove 2nd Addition to the east side of the tracks. Land was acquired in 2019. 50% design in 2020, construction in 2022.	\$ -	\$ -
Annual Parking Lot Maintenance	\$250,000	Reconstruction of parking lots and roadway around Public Works.	\$2,500	\$ -
Surface Seal All Brick Structures	\$85,000	Apply a surface seal application to all brick and/or block municipal buildings.	\$ -	\$ -
Replacement - Furnace / Condenser PW	\$6,000	Replace a furnace/condensing unit at Public Works.	\$200	\$ -
Replacement - Furnace / Condenser PW	\$6,000	Replace a furnace/condensing unit at Public Works.	\$200	\$ -

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Fencing Around Public Yard	\$110,000	Construct a 6 ft fence around the north side of Public Works to provide screening and security.	\$ -	\$ -
Replace/Repair Play Structures - Various Parks	\$100,000	Replace the existing playground equipment and repair the fall zones to achieve ADA accessibility.	\$500	\$ -
Replace/Repair Major Park Projects - Various Parks	\$20,000	Additional funding for major park improvements: Fencing rebuilds at various parks, shelter replacements and parking lot reconstruction.	\$ -	\$ -
Annual Miscellaneous Park Projects	\$15,000	For miscellaneous projects requested by the public, staff, City Council or the Park and Recreation Commission each year.	\$ -	\$ -
Andover Station North East Ball Field Lighting	\$180,000	Lighting the east ball field at Andover Station North complex.	\$ -	\$4,000
Storm Sewer Improvements	\$62,000	Each year, areas of the City are identified where improvements are required to maintain our storm sewer system.	\$ -	\$ -
Annual Street Seal Coat Project	\$200,000	This project provides for a seal coat of the streets.	\$2,000	\$ -
Annual Street Crack Seal Project	\$170,000	This project provides for a crack sealing of the streets.	\$1,700	\$ -
Annual Pavement Markings	\$60,000	The pavement striping for City streets is conducted one time per year.	\$ -	\$ -
Annual Curb Replacement	\$56,000	Repair/replace damaged and failing concrete curb and gutter throughout the City.	\$500	\$ -
Municipal State Aid Routes / New & Reconstruct	\$580,000	Streets to be constructed and/or rehabilitated to meet State Aid Standards.	\$3,000	\$ -
Annual Street Reconstruction	\$1,226,000	The Street Reconstruction projects will consist of milling the existing street surface and constructing a new asphalt surface.	\$5,000	\$ -
Gravel Road Improvements	\$21,000	Improvements to gravel roadways within the City.	\$ -	\$ -
Street Overlays	\$920,000	Overlay of approximately 1.5" of bituminous on roadways that are identified as still structurally sound that will significantly extend the roadways life cycle.	\$ 3,500	\$ -
Pedestrian Crossing	\$10,000	Pedestrian crossing treatment at Nightingale St and Veterans Memorial Blvd.	\$ -	\$500
Recondition & Paint Water Tower #2	\$150,000	Recondition and paint water tower #2 to preserve the water system storage infrastructure.	\$500	\$ -
TOTAL	\$5,589,112			

FUND BALANCE

The City adopts fund balance goals to meet short and long-term needs. Fund balance goals are established to provide for cash flow needs, capital purchases, emergency contingencies and other specific needs.

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The General Fund projected to use \$361,160 of fund balance to cover operations in 2020. The work done by staff relative to the 2020 revenue and expenditure estimates has achieved the Council 2020 budget guideline that works toward establishing the General Fund fund balance for working capital at no less than 45% of planned 2020 General Fund expenditures available from the 2019 budget (the targeted fund balance is approximately \$5,548,049). The estimates are also necessary to preserve the following emergency reserve fund balances for core services:

- Snow Emergency (\$90K) - salt and sand needed for an abnormal snowfall season
- Public Safety (\$90K) - police, fire and civil defense unexpected costs
- Facility Management (\$90K) - roofing, HVAC and emergency facility repairs
- Information Technology (\$90K) - phone system and network server emergencies
- Economic Development (\$300K) – TIF Management Fee Migration
- Fiscal Disparities Fluctuation (\$300K) – changes in calculation

In the Special Revenue Funds, the Economic Development Authority (EDA) Fund is projected to decrease \$93,078 largely due to the decertification of the tax increment finance district in 2012, 2014 and 2016 which were charged an administrative fee by the EDA (\$130,000). This also includes the construction of monument entrance signs located throughout the city, some include electronic reader boards. Staffing and expenditures will be migrated over to the General Fund over time. The Community Center is budgeted to decrease \$215,171 as operations will be disrupted during the expansion phase of adding a sports complex and another court to the fieldhouse. Also, the existing field house floor will be repaired and the R-22 refrigeration system in the ice arena will be converted to an ammonia system to tie into the new sports complex.

The Debt Service Funds are projected to increase by \$672,715 in 2020 due to the timing of when levies are collected and when the debt service payments are made.

In the Capital Projects Funds, the Water Trunk Fund and Sewer Trunk Fund are increasing (\$193,001 and \$267,910) as funds are being set aside for future trunk replacements. The Park Dedication Projects Fund is decreasing by \$227,546 due to a portion of park dedication fees being used to fund the Community Center expansion project. The Building Fund is decreasing by \$237,134 due to the replacement of the Public Works parking lot and the R-22 conversion of the Community Center Ice Arena's refrigeration system. The 2018A GO Capital Improvement Plan Bonds and 2019A GO Taxable Abatement Bonds are decreasing (\$1,000,000 and \$8,000,000) as construction is expected to be completed on both projects. The Tax Increment Projects Fund is decreasing (\$945,000) as new redevelopment/economic strategies take place.

COMMUNITY VISION & GOALS

While each budget year appears to only be dealing with the task at hand, the City of Andover, in addition to adopting each year's budget development guidelines, does keep in mind throughout the process the community's slogan, vision statement and short and long term organizational goals that are meant to say who and what the City of Andover is. The city's adopted slogan is "Welcome Home" and the vision statement is "Andover, a safe, growing community in which to live and work which enhances the quality of its citizens' lives through recreational opportunity, quiet neighborhoods, civic involvement, and fiscal and environmental stewardship."

The long-term organizational values are:

1. EXCELLENCE AND QUALITY IN THE DELIVERY OF SERVICES - the City of Andover exists to provide quality services to the public in a professional and cost-effective manner.
2. FISCAL RESPONSIBILITY - the City of Andover believes that fiscal responsibility and prudent stewardship of public funds is essential if citizens are to have confidence in government.
3. ETHICS AND INTEGRITY- the City of Andover believes that ethics and integrity are the foundation blocks of public trust and confidence and that all relationships are built on these values.
4. TREATING THE CITIZEN AS OUR CUSTOMER - the City of Andover believes that the citizen is our customer and, as such, should be treated with courtesy, respect, and integrity.
5. OPEN AND HONEST COMMUNICATION - the City of Andover believes that open and honest communication with each other and the public we serve is the key to having an effective organization and informed citizens.

The short term (one to five years) organizational goals are:

1. FISCAL GOALS - the City recognizes the following fiscal values as the basis for delivering current and future services to the residents of Andover.
 - A. Assure city financial stability through cost effective services.
 - B. Focus spending on community needs; wants need to be supported by new or redirected sustainable revenues.

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- C. Explore new revenue streams and capture new growth for community needs.
- D. City investments need to be securely invested and focus on long term sustainability.
- E. While still providing excellent services to all Andover residents, look for and identify opportunities to reduce tax burdens whenever possible.
- F. Maintain property values and keep property taxes affordable through good fiscal management.
- G. Prioritize projects to best serve the community needs when resources are limited.
- H. Plan for large projects (master planning) to maintain consistent revenues and expenses to avoid property tax spikes.
- I. All new infrastructure should consider future operations and maintenance in addition to initial cost.

2. COMMERCIAL/RESIDENTIAL DEVELOPMENT/REDEVELOPMENT GOALS - the City wants to be supportive of those invested in or wanting to invest in the community.

- A. Facilitate upgrades or redevelopment of blighted or underdeveloped parcels to improve livability, community character and tax base.
- B. Work with business owners and property owners to assist them in being successful in the community.
- C. Continually analyze existing commercial areas to determine if expansion is feasible and seek out new areas to better serve the community, including the consideration of an interim use zone for older industrial zones.
- D. Continually evaluate how to meet sewer/water and street needs of any proposed development and redevelopment projects.
- E. Review City development processes to help reduce unnecessary steps, time delays and development costs.
- F. Review development requirements to minimize impacts from overly burdensome requirements.
- G. Be aware of negative environmental impacts to the community including to proposed developments and the attempt to mitigate where economically feasible and practical.
- H. Evaluate city code, housing programs and housing types to determine useful programs and code updates that the City could adopt that have a positive impact on community market value, meet housing demands and preserve neighborhoods.
- I. Evaluate whether the City is adequately providing locations, through zoning, for expanded commercial areas and “starter homes”.
- J. Secure approval and implement the 2018 Comprehensive Plan update, soliciting input from large property owners on land set aside for future development.
- K. Support 2020 Census efforts to count every person to ensure our population is not underestimated.
- L. Respond to regional and state initiatives that impact the City or residents through organizational memberships.
- M. Review ordinances to support preservation of the environment through tree preservation and buffering in new developments, supporting the use of solar energy and encouraging various housing types.

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3. COLLABORATION GOALS - the City is supportive of collaboration efforts that are cost-effective and improve efficiency in delivering services.
 - A. Cautiously renew any new mandate to determine whether action is required.
 - B. Foster positive relationships with school districts, Anoka County, nearby cities and local sports associations.
 - C. Advocate for safe, efficient commuting routes for our residents and business owners.
 - D. Support an effective and comprehensive transportation system for existing and future needs of the community.
 - E. Support upgrade of transportation routes to the Twin Cities Metro for commuters.
 - F. Work with waste/garbage haulers to achieve same day pick up without restricting the citizen's freedom to choose from all available companies, in addition seek ways to streamline recycling pick up within the community.
 - G. Evaluate how volunteers can help our community become a safer, more welcoming and attractive place to live.
 - H. Continue to work with the railroad company that manages the tracks through Andover to reduce the interference trains have on traffic blockages and public safety.
 - I. Continue collaboration with the YMCA on providing recreational services and be open to new ventures that utilize the community center for public benefit.
 - J. Explore safe crossing solutions for pedestrians near active pedestrian crossing intersections through appropriate improvements and community education.

4. SERVICE DELIVERY GOALS - the City is committed to providing efficient and cost-effective city services.
 - A. Evaluate parks maintenance to ensure the City is preserving park assets and not committing to unsustainable service delivery.
 - B. Continue fostering positive relationships with athletic, youth, and other service organizations to obtain their input and seek their contributions with time and funds towards better service to the community and facility improvements.
 - C. Alter packet format to improve viewing function on tablets and reduce redundancy found in the format.
 - D. Keep current with advances in technology where appropriate.
 - E. Commit to providing the public with effective Public Safety through Fire and Law Enforcement services.
 - F. Continually review current services and reduce or eliminate unnecessary or unwanted service deliveries.
 - G. Encourage quality building standards.
 - H. Complete Public Works Maintenance Facility and Cold Storage buildings on the city campus, and related parkway road from Nightingale Street to Tower Drive.
 - I. Continue conversations regarding Community Center expansion with partners about their needs and finances. Establish appropriate facility access and users' fees and provide a process and opportunity for public input.

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- J. Review Community Center Advisory Commission structure to provide representation of all user groups.
- K. Continually evaluate whether we are following the Park Dedication Study when spending park dedication funds and update the study when significant changes are made.
- L. Continue to maintain Kelsey Round Lake Park as a signature nature park along with attention toward providing interpretive elements within the park.
- M. Preserve current trails and complete trails where we have missing connections or need to improve pedestrian safety.
- N. Develop an effective Emergency Preparedness Plan to come to the aid of those in Andover when effected by community disasters.
- O. Review sustainability of city road/street assessment policy.
- P. Review rural lot development standards to support more sustainable future street maintenance.

5. LIVABILITY/IMAGE GOALS - the City recognizes that providing quality basic & desired services enhances the quality of life of our residents.

- A. Continue to support preservation of natural resources (land, water and air quality).
- B. Pursue management plan for Open Space properties that minimizes staff involvement and emphasizes users to create their own experience and support volunteer efforts to provide additional programming and activities.
- C. Improve community aesthetics by enhancing the corridor to city campus with sustainable landscape plantings, seeking volunteer assistance.
- D. Improve and coordinate a cohesive, attractive appearance along county corridors.
- E. Explore new methods of collecting public feedback.
- F. Continually review newsletter content, look and delivery.
- G. Plan and provide quality city services to residents and adapting to changing demographics.
- H. Look at ways information from resident surveys can be incorporated into goals, plans and policies.
- I. Find ways to utilize volunteers and engage residents.
- J. Evaluate whether current policies and codes inhibit families from preserving, improving and upgrading the value of homes.
- K. Support improvements to the website that provide residents with information that is user-friendly so they can be informed about recreation and other opportunities.
- L. Coordinate a facilitated discussion with Council and Senior staff to review City policies related to best practices in governance, transparency and conflict resolution.
- M. Provide City updates on website under “News” section.

LONG-TERM FISCAL OBJECTIVES

The City Council and staff are committed to expending public resources in the most cost-effective and economical manner possible to ensure the stability of the City's basic services. Considering past state aid reductions and previous years levy limits imposed by the state legislature and the current sporadic onset of levy limits, fiscal strategies will need to be constantly monitored to ensure a balanced approach in providing enough revenues to fund City services as follows:

- ◆ Employing a strategy aimed at reducing the City's reliance on the property tax levy to fund basic City services through “sustainable” revenue sources such as special revenues, user fees and fee-for-service transactions.
 - ✓ *The City tax rate will increase in 2020 reflective of the increase in the gross levy. City services will continue to be evaluated in terms of identifying all relevant funding sources to underwrite specific service expenditures, promoting alternatives to traditional funding methodologies, operational efficiencies, and encouraging public-private partnerships in service delivery systems.*
- ◆ The use of an appropriate cost accounting structure that will lead to the creation of individual cost centers for all City department activities to accurately reflect the true cost of providing specific services.
 - ✓ *The City employs a cost accounting system that is department specific which attempts to accurately reflect service delivery costs at the department and division levels. By including all supplemental services as they relate to personnel, charges and services, supplies and capital outlay will further distinguish the total costs of the service provided. The City has the ability to analyze these costs at the sub-category detail levels in support of overall policy goals.*
- ◆ The development of work performance goals for each department to ascertain and measure how each operating division contributes to the City's overall public service mission.
 - ✓ *Each department is responsible for identifying relevant performance data to allow for an independent analysis of specific service outcomes. Data is reviewed to provide the Council and general public with a better understanding of the operational demands, resource inputs and performance outcomes associated with a specific service delivery system.*
- ◆ The development of long-term financial models that identify anticipated trends in community growth and financial resources, designate appropriate capital resources to future City needs, tracks per capita spending growth, and establishes a link between fiscal targets and budgetary expenditure goals.

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- ✓ *The City continually maintains various financial models to determine the long-term impacts of present day expenditure and financing decisions. Fiscal assumptions are based upon a complex set of financial data including growth factors, tax capacity valuations, per capita spending and debt ratios. The financial models are used as part of the budget planning process to ensure that key short-term fiscal targets are in line with long-term fiscal projections.*
- ◆ The aggressive and appropriate investment of idle City funds to maximize the generation of interest income, while ensuring adequate cash flow requirements.
 - ✓ *Investment of City funds is controlled by state statute and managed by the Finance Department. Idle funds are invested in a variety of financial instruments such as certificates of deposit, municipal bonds, federal agencies and corporate paper and are designed to maximize municipal investment income. Long-term investing is designed to achieve the best yield in the current market, following a strategy that secures income streams at a higher rate of return for a longer period of time.*
- ◆ Greater reliance on technology to enhance employee productivity in all areas of City operations and improve customer communications.
 - ✓ *The City has taken steps to invest additional time and energy on labor saving technology, such as new software, enhanced programming and optical imaging paper files. Staff implemented an optical imaging solution that enabled the City to reduce storage areas previously dedicated to paper files and provide a more economical and efficient data retrieval system. In addition, the City implemented financial management software to improve reporting and operating efficiencies. Both implementations have allowed the City to reduce staffing due to the increased efficiencies with each new system.*
- ◆ The adoption of a financial philosophy that seeks to spread the cost of significant capital outlay expenditures over an extended period of time to ensure that current and future taxpayers share equally in underwriting the cost of significant public expenditures.
 - ✓ *The City continues to capitalize the cost of significant capital expenditures over several years to ensure that both existing and future taxpayers share equally in the cost. In addition, the City has established a separate capital projects levy to underwrite the cost of selected capital projects and equipment and avoid a fiscal environment based on reactive tax and spend policies. The five year Capital Improvement planning process is critical in achieving these results.*
- ◆ Involving all employees in the process of re-engineering the work environment by encouraging cross-training opportunities, reducing and eliminating bureaucratic barriers, streamlining public process requirements, and adopting private sector business values in City operations.

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- ✓ *City staff is encouraged to identify work practice issues that are inefficient or overly bureaucratic. The management team is committed to involving their employees and fostering an environment that challenges the status quo of City operations.*
- ◆ Continuously reviewing opportunities to form partnerships with neighboring communities to share services and equipment, jointly purchase equipment and develop strategies to deal with local issues using a regional approach.
- ✓ *The City has established several equipment and service delivery sharing arrangements with neighboring communities and has several joint powers agreements in place on a variety of local and regional issues in the area of public safety, telecommunications, public access television and wastewater service initiatives.*

EXECUTIVE SUMMARY

The budget, as presented, reflects Council's direction and staff commitment to achieve a cost-effective, efficient and high-quality service delivery model. Essentially, the 2020 Adopted Budget reflects the City's commitment to live within its means and ensure that tax dollars are wisely managed and expended in as prudent a manner possible to achieve high-quality service outcomes. It is interesting to note that the City of Andover continues to maintain one of the lower tax rates in Anoka County, as well as within the entire metropolitan area. City spending per capita continues to rank in the bottom half when compared to similar cities.

Budgetary Process

Guiding the City budget process were Council policy guidelines that were described earlier in this message. The budget process was approached by employing strategies associated with extending the useful life of existing equipment; the utilization of cost center accounting that allows for a better understanding of specific service expenditures; actively seeking equipment sharing opportunities with both private and public entities; spreading the cost of significant capital expenditures over several years; and purchasing new equipment and introducing new technologies that allow staff to work more efficiently and effectively. In addition, the prudent management of existing capital, financial and human resources by City staff, along with organizational practices that promote employee involvement, innovation and interdepartmental communications will generate substantial efficiencies in City operations.

The budget process included the opportunity for all department heads and supervisors to actively participate in a team process. Decisions concerning the operational and maintenance needs of the organization were made by the management team after a thorough review and

Mayor, Councilmembers, Residents
2020 Adopted City Budget

prioritization of budgetary requests. The integrity of the budget process relies upon all departments to work within the same framework in developing a budget that accurately identifies operational needs, promotes informed team review of budgetary requirements, and meets the core service needs of the requesting department.

In order to meet these growing challenges, the City must continually evaluate new ways and methods of conducting business in a more economical, competitive and cost-effective manner, while keeping the quality of City services high and meeting the reasonable service expectations of the community.

The budget process incorporates a management vision supported through:

- increased utilization, understanding and promotion of technology in the delivery of public services;
- emphasis on long-term strategic planning to appropriately identify, allocate and effectively utilize resources to meet future service needs;
- greater participation, accountability and flexibility in the work force that will allow for the development of innovative responses to the increased demand for cost-effective services;
- the need to focus on developing an alternate framework of special revenues and user fees as alternate funding mechanisms to gradually reduce the City's reliance on tax levies by recovering service costs from the appropriate users of the service;
- the recognition that the City should work to assist the community in meeting challenges as a partner and not as the sole provider; and
- a strong voice in the legislature to ensure that City issues are clearly understood and fairly addressed. Cities must take a unified approach in dealing with legislative initiatives that may negatively affect local governance to minimize misunderstandings and encourage communication to facilitate common ground issues that build confidence in local government services and inspires a partnership of collaboration and innovation across all levels of government.

The 2020 Adopted Budget is the product of the collective efforts of the management team and their respective staffs. They have worked diligently to ensure that the residents of Andover receive the highest level of service for their tax dollars. Special recognition is appropriate with respect to the involvement of Lee Brezinka, Finance Manager and Finance staff in generating reliable financial data in which a sound and valid budget document was produced.

Mayor, Councilmembers, Residents
2020 Adopted City Budget

The entire management team should be recognized for their diligent efforts in preparing a budget that meets the needs of this growing community yet recognizes the limited nature of financial resources.

The City Council should be recognized for their frugal use of municipal resources and continual efforts to provide needed services to the residents they represent and serve. I am appreciative of the commitment, good judgment and expertise that each member of the Council has contributed to the budget process.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jim Dickinson". The signature is stylized with a large, looped initial "J" and a long, horizontal stroke extending to the right.

Jim Dickinson
City Administrator

CITY OF ANDOVER
COUNTY OF ANOKA
STATE OF MINNESOTA

RES. NO. 98-019

A RESOLUTION ADOPTING THE CITY OF ANDOVER 2020 BUDGET AND 2020 PROPERTY TAX LEVY TO BE CERTIFIED TO THE COUNTY AUDITOR.

WHEREAS, the preparation and adoption of budgets is recognized as sound financial practice; and

WHEREAS, the City of Andover receives significant financial support from its residents through the payment of property taxes; and

WHEREAS, the City of Andover has the responsibility to appropriately and efficiently manage the public's funds; and

WHEREAS, Minnesota State Law requires the City to certify to the County Auditor an adopted tax levy and budget prior to December 28, 2019; and

WHEREAS, Minnesota State Law requires the City to certify to the State of Minnesota Department of Revenue an adopted tax levy by December 28, 2019.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Andover hereby adopts the 2020 City of Andover Budget and the 2020 property tax levy totaling \$14,479,586 as listed on Attachment A.

BE IT FURTHER RESOLVED that the City Council of the City of Andover hereby establishes the 2020 City of Andover Budget by fund type as follows:

<u>REVENUES</u>		<u>EXPENDITURES</u>	
General Fund	\$ 11,794,736	General Fund	\$ 12,155,896
Special Revenue Funds	1,688,000	Special Revenue Funds	2,012,733
Debt Service Funds	3,609,491	Debt Service Funds	2,936,776
Capital Projects Funds	6,993,212	Capital Projects Funds	17,055,998
Enterprise Funds	5,589,331	Enterprise Funds	5,680,308
Internal Service Funds	<u>1,222,151</u>	Internal Service Funds	<u>1,410,519</u>
Total	<u>\$ 30,896,921</u>	Total	<u>\$ 41,252,230</u>

Adopted by the City of Andover this 3rd day of December 2019.

CITY OF ANDOVER



Julie Trude - Mayor

ATTEST:



Michelle Hartner – Deputy City Clerk

CITY OF ANDOVER, MINNESOTA
2020 Property Tax Levy

Attachment A

	2020 Levy
General Fund Levy	
General Operations	\$ 9,194,032
Park Repair/Replacement Items	120,000
	<hr/>
Total General Fund	9,314,032
	<hr/>
Debt Service Funds Levy	
2010A G.O. Open Space Referendum Bonds	184,199
2012C Taxable G.O. Abatement Bonds	976,780
2016A G.O. Equipment Certificate	143,373
2018A G.O. Capital Improvement Plan Bonds	433,603
2019A Taxable G.O. Abatement Bonds	1,001,090
2020A G.O. Equipment Certificate	350,000
	<hr/>
Total Debt Service	3,089,045
	<hr/>
<u>Other Levies</u>	
Capital Projects Levy	
Capital Equipment/Project	275,000
Facility Maintenance Reserve	355,000
Parks Projects	15,000
Road & Bridge	1,287,469
Pedestrian Trail Maintenance	104,040
	<hr/>
Lower Rum River Watershed	40,000
	<hr/>
Total Other	2,076,509
	<hr/>
Gross City Levy	\$ 14,479,586
	<hr/> <hr/>

STATE OF MINNESOTA)

COUNTY OF ANOKA)

CITY OF ANDOVER)

I, the undersigned, being the duly qualified and acting City Clerk of the City of Andover, Minnesota, do hereby certify that I have carefully compared the attached Resolution No. 098-19 adopting the City of Andover 2020 Budget and 2020 Property Tax Levy with the original record thereof preserved in my office and have found the same to be true and correct transcript of the whole thereof.

IN TESTIMONY WHEREOF, I have hereunto subscribed my hand this 3rd day of December 2019.



Michelle Hartner
Michelle Hartner – Deputy City Clerk

Long-Term Organizational Values

1. EXCELLENCE AND QUALITY IN THE DELIVERY OF SERVICES

The City of Andover exists to provide quality services to the public in a professional and cost-effective manner.

2. FISCAL RESPONSIBILITY

The City of Andover believes that fiscal responsibility and prudent stewardship of public funds is essential if citizens are to have confidence in government.

3. ETHICS AND INTEGRITY

The City of Andover believes that ethics and integrity are the foundation blocks of public trust and confidence and that all relationships are built on these values.

4. TREATING THE CITIZEN AS OUR CUSTOMER

The City of Andover believes that the citizen is our customer and, as such, should be treated with courtesy, respect, and integrity.

5. OPEN AND HONEST COMMUNICATION

The City of Andover believes that open and honest communication with each other and the public we serve is the key to having an effective organization and informed citizens.

Highest Priority External Values

- | | |
|---------|--|
| Goal #1 | To ensure city services keep pace with the city's growing and changing population. |
| Goal #2 | To enhance communication with the public. |
| Goal #3 | To support processes that involve citizen engagement. |
| Goal #4 | To develop and update the city's capital improvement program. |
| Goal #5 | To broaden and preserve the city's tax base. |
| Goal #6 | To balance and prioritize provision of city services with available resources. |
| Goal #7 | To respect the environment. |

Budget Development Process

The Budget Process

Andover City ordinance 216, Section 2., Major Areas of Accountability requires the City Administrator to submit an annual budget to the City Council, which accurately reflects the financial needs of the City organization. Additionally, state law requires that the City Council approve a preliminary budget and certify a proposed levy to the Anoka County Property Records and Taxation Division by September 15th.

Beginning in levy year 2002, the State of Minnesota is allowing certain governmental units exemption from the public hearing and publication requirement if its total proposed property tax levy does not exceed its previous year final property tax levy by more than the percentage increase in the implicit price deflator. The City of Andover did not fall under this exemption and held a meeting pertaining to the 2020 Proposed Operating Budget and Proposed Tax Levy on Tuesday, September 3, 2019 at 7:00 p.m. in the City Council Chambers. The date was advertised in the September City Newsletter, on public TV, and in the local paper. Final City Council action adopting the City Budget and Property Tax Levy occurred on December 3, 2019. The adopted 2020 City Levy was also submitted to Anoka County and the Minnesota Department of Revenue by December 28, 2019.

The budget is prepared on an annual basis, and follows the calendar year, January 1st to December 31st.

Policies are set by the City Council in one of two ways:

- 1) Policies are initiated by actions of the City Council at its regular council meetings through adoption of ordinances, resolutions, or motions.
- 2) Policies are also initiated, studied, and reviewed at special work sessions called for that purpose.

The City Administrator and City staff address the Council's concerns in the preparation of the budget and evaluate the financial costs of the implementation of these policies and include them in the budget where economically feasible.

In summary, policy issues are identified by the City Council, evaluated, and costed out by the Administrator and management team, and returned to Council for appropriations if necessary. If no appropriation is necessary, the new policy is implemented as soon as practical by the Administrator.

Each activity manager is given a monthly financial report of expenditures compared to the adopted budget. Expenditures related to City activities may not exceed appropriations without approval of the City Council.

Below is the 2020 Budget Development Calendar used to facilitate the necessary discussions and timelines between staff and City Council.

CITY OF ANDOVER
2020 Budget Development Calendar

<u>Date</u>	<u>Activity</u>	<u>Responsibility</u>
March 26, 2019	Council Workshop to discuss budget guidelines.	City Council / Staff
April 2, 2019	2020 Budget Calendar.	Admin / Finance
April 2 – May 6, 2019	Prepare base budgets and line item budget pages.	Admin / Finance
April 17, 2019	Council adopts 2020 Budget Development Guidelines.	City Council / Staff
April 23, 2019	Council budget progress report distributed and Council budget discussion.	Council / Staff
May 6, 2019	Distribution of base budgets, personnel services, capital budget forms and line item budget pages to all Department Heads.	Department Heads
May 6, 2019	Begin preparation of performance measures.	Department Heads
May 28, 2019	Council budget progress report distributed and Council budget discussion.	Council / Staff
June 1, 2019*	Department of Revenue notifies of required dates.	State
June 1, 2019	Prepare preliminary 2020 revenue estimates.	Finance / Department Heads
June 26, 2019	Council budget discussion.	City Council / Staff
July 2, 2019**	Requests for additional full-time staff to City Administrator.	Department Heads
July 2, 2019**	2020 Budget forms and prioritization of adjustments to base, capital outlay requests due to Finance.	Department Heads
July 2, 2019**	Staff preparation of 2019 budget expenditure estimates.	Finance / Department Heads
July 3 – 5, 2019	Compile and prepare documents for Management Team.	Finance
July 5, 2019	General Fund levy calculations.	Finance
July 8 – 12, 2019	2020 Budget Decision packages prioritized and finalized.	Admin / Mgmt Team
July 12, 2019	Deadline for updated performance measures to City Administrator.	Admin / Department Heads
July 15 – 19, 2019	Preparation of final draft of 2020 Proposed Budget for Council Workshop.	Finance
July 16, 2019	Council budget progress distributed. Receives 2020 Proposed Budget.	City Council / Staff
August 3, 2019*	County notifies City of school district & county public hearing dates.	County

*preliminary
** no exceptions
Continued

CITY OF ANDOVER
2020 Budget Development Calendar

<u>Date</u>	<u>Activity</u>	<u>Responsibility</u>
August 20, 2019	City Council follow-up workshop for review of 2020 Proposed Budget.	City Council / Staff
August 20, 2019	City Council preview of Proposed 2020 Tax Levy Presentation.	City Council / Staff
September 1, 2019	State Department of Revenue (DOR) to certify levy limits for 2020.	DOR
September 17, 2019 (Req.)	City to adopt proposed 2020 tax levy and select public hearing dates.	City Council
September 24, 2019	City Council Budget discussion – focus on SRF, DSF, CPF, EF & ISF.	City Council / Staff
September 30, 2019 (Req.)	Proposed 2020 tax levy must be certified to County.	Finance
September 30, 2019 (Req.)	City to file proposed 2020 special levies with DOR	Finance / DOR
October 22, 2019	City Council Budget discussion – focus on DSF & CPF.	City Council / Staff
November 4 – 15, 2019*	County Auditor to mail parcel specific notices.	County
November 26, 2019	City Council preview of Public Hearing.	City Council / Staff
December 1 - 14, 2019* (Req.)	City conducts Public Hearing during this time frame.	City Council
December 3, 2019	City of Andover Public hearing on 2020 Tax Levy and Operating Budget.	City Council
December 18, 2019	City Council adopts 2020 Tax Levy and Operating Budget.	City Council
December 28, 2019* (Req.)	Deadline for staff to certify 2020 tax levy to State and County.	Finance
January 17, 2020*	Finalize 2020 Actual Performance measures. Adopted budget printed and distributed.	Finance
January 17, 2020	Publication of adopted budget information in newspaper.	Finance
January 24, 2020	Department of Revenue budget form completed and submitted.	Finance
March 5, 2020	Submit budget award application to GFOA. (Due 90 days after budget adoption.)	Finance

*preliminary

** no exceptions

Budgeting for City Operations

The City is required to account for revenues and expenditures in accordance with generally accepted accounting principles. Because fund accounting is required for financial reporting, the appropriation budgets are organized and presented in like manner. The summary information section presents a summary of revenues and expenditures of each fund. A brief description of each fund type can be found at the beginning of each section.

Basis of Accounting and Budgeting

The financial reporting and budgeting systems of the City are organized on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts. All funds in the budget were prepared using the following basis of accounting, which is consistent with the accounting methods used for financial reporting.

Government Funds All governmental funds are maintained on a modified accrual basis with revenues recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest payments on long-term debt and capital expenditures which are recognized as expenditures when due. Governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The City of Andover adopted a budget for every governmental fund for the first time in 2002 and continues to do so.

Proprietary Funds Proprietary funds are maintained on an accrual basis. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period in which the liability is incurred. For accounting purposes, the payment of principal on long-term debt and the purchase of capital assets is reflected on the balance sheet as it is reflecting bonds payable and capital assets with an outflow of cash. Interest on long-term debt in these funds is reflected in the expenses for the period that the payments are covering. Capital items are depreciated over their useful life with the depreciation amounts included in the expenses. For budgeting purposes, the payment of principal and interest on long-term debt and the purchase of capital assets in the proprietary funds is reflected in the budgeted expenses as an outflow of resources to assist in the analysis of these funds when analyzing rate structures. Proprietary funds include Enterprise Funds and Internal Service Funds. The City of Andover currently has three enterprise funds and two internal service funds.

The City of Andover has adopted the following accounting, auditing and financial reporting policy:

Accounting, Auditing and Financial Reporting Policy

1. The City of Andover will establish and maintain a high standard of accounting practices. Accounting standards will conform to Generally Accepted Accounting Principles (GAAP) as outlined by the Governmental Accounting Standards Board (GASB).
2. At the end of each fiscal year, a Certified Public Accounting firm that will include issuing a financial opinion will conduct an audit of the City records and a management and compliance report on internal controls.
3. The City of Andover will maintain a strong internal audit function.
4. The City will maintain a fixed asset system to identify and protect all City assets.
5. The Finance Department will prepare monthly financial reports for internal management purposes.

6. The City Council delegates the authority to assign fund balance, as required for prudent fiscal management, to the City Administrator and Finance Director. When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When unrestricted resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned, 3) unassigned.
7. Annually, the Finance Department will prepare a comprehensive annual financial report. This report shall be made available to the elected officials, city management, bond-rating agencies, and the general public.
8. The City will annually submit its comprehensive annual financial report to the Government Finance Officers Association (GFOA) to determine its eligibility to receive the GFOA's Certificate of Achievement for Excellence in Financial Reporting.

Budget Monitoring and Amendments

The Andover Financial Policies identifies an Operating Budget Policy which includes the process for monitoring and amending the budget, fund balance considerations and the capital improvement budget coordination, that policy is as follows:

Operating Budget Policy

1. The formal budgeting process provides the primary mechanism by which key decisions are made regarding the levels and types of services to be provided, given the anticipated level of available resources.
 - A. The City will attempt to maintain its present service level for priority and essential services subject to available revenues. New services will be considered for funding within available resources.
 - B. The City of Andover will utilize a "bottom-up" resource allocation approach. Each department will have an opportunity to request personnel, goods, capital items and services needed to carry out its responsibilities in a timely manner.
 - C. The resources to fund the budget will include all revenues reasonably anticipated from all sources and the unrestricted unassigned fund balance estimate to be carried forward at the beginning of the fiscal year.
 - D. The City enterprise operations are to be self-supporting, including capital improvements and depreciation. Enterprise operations are to be reviewed annually for self-sufficiency.
 - E. The City will utilize procedures that allow departments to integrate priorities and objectives into the budget requests.
2. The operating budget, authorizing expenditure of City monies, will be adopted annually by the City Council at the department level. Expenditures may not exceed the total for any department, within a fund, without the City Council's approval. The authority to make changes to the adopted City Budget during the operating year is as follows:
 - A. City Council approval is required for all budget adjustments or transfers that will increase the department's adopted expenditure budget, or adjustments that are made to facilitate a department restructuring.

- B. City Council approval is required for any budget adjustment that exceeds either \$10,000 or 5% of a department's expenditure budget, except that adjustments under \$10,000 may be approved as provided in C. & D. below.
 - C. City Administrator's, or their designee when unavailable, approval is required for all budget adjustments or transfers made to **personal services** or **capital outlay** under \$10,000 on a one-time basis.
 - D. Budget adjustments and transfers among expenditure accounts may be authorized during the fiscal year by the City Administrator and the Finance Director if there is no effect on the department's gross expenditure budget and the adjustment is not to employee compensation.
 - E. Under no circumstances should budget adjustments be split to avoid approval limits.
3. The City will budget to maintain fund balances at adequate levels to ensure that sufficient resources are available for current and future expenditures, whether planned or unforeseen.
 - A. The City will budget to maintain an unassigned fund balance for each operating fund, to support operations until current tax revenues are received. Based upon the semi-annual collection of local taxes, each operating fund, relying on property tax related revenues, should maintain an unassigned fund balance at year-end necessary for approximately 6 months of the subsequent year's operation.
 - B. The City will budget to maintain an unassigned fund balance available for contingencies of between 1 percent and 3 percent of budgeted expenditures for each operating fund in order to finance unforeseen items and events that occur during the course of the year. It is not necessary for each fund to hold its own contingency. The General Fund may hold contingencies for other funds when appropriate.
 - C. All unencumbered appropriations and encumbered purchases less than \$1,000 lapse at year-end. However, the appropriation authority for all major capital projects and capital assets carries forward automatically to the subsequent year. Appropriations for encumbered purchases in excess of \$1,000, which are not budgeted in the ensuing year, may be transferred to the subsequent year with the approval of the City Administrator and Finance Director. The current year appropriation is reduced and the subsequent year appropriation is increased.
 4. The City will maintain a budgetary control system to ensure adherence to the budget and will prepare regular reports, which compare actual revenues, and expenditures to budgeted amounts.
 5. The City will coordinate development of the Capital Improvement Budget with the development of the annual operating budget. Each capital improvement project is reviewed for its impact on the operating budget in terms of revenue generation, additional personnel required and additional operating expenses.
 6. The capitalization threshold for assets of the City of Andover, as defined in the Fixed Asset Policy, applies to all budgets and purchases associated with the Capital Expenditure series of accounts.
 7. Annually, the Finance Department will prepare an Annual Operating Budget report. This report will be made available to elected officials, City management, bond-rating agencies, and general public.
 8. The City will annually submit its annual operating budget document to the GFOA to determine its eligibility to receive the GFOA's Distinguished Budget Presentation Award.

Determination of Revenue Estimates

The Finance Department is responsible for compiling all revenue estimates contained in the budget. Estimates are arrived by studying relevant revenue history along with economic trends and indices when available. Discussion regarding specific revenue sources can be found in the summary information section of the budget. The Andover Financial Policies identifies a Revenue Policy that outlines the City's revenue philosophy and that policy is as follows:

Revenue Policy

1. The City will attempt to maintain a diversified and stable revenue system to shelter it from short-run fluctuations in any single revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of economic downturns.
2. The City will follow an aggressive policy of collecting revenues.
3. The City will periodically review fees and charges in order to keep pace with the cost of providing the service or that percentage of the total cost deemed appropriate by the City, and will conduct a public hearing or adopt an ordinance, as required by law, prior to setting fees or charges.
4. The City will consider market rates and charges levied by other public and private organizations for similar services in establishing tax fees and charges.
5. The City will allocate Citywide revenues to funds, which provide services to the entire City.
6. All revenues, reasonably expected to be unexpended and unencumbered at the end of the year, will be anticipated as "available fund balance" in the budget of the following year.
7. The City will attempt to invest all cash holdings in accordance with the cash and investment policy and maximize those holdings with an effective payment policy.

Capital Improvement Program

Andover's Capital Improvement Program is intended to provide the City Council and staff with a process for identifying and prioritizing capital projects in order to coordinate the financing and timing of improvements, which maximizes the return to the public. The process will enable the City to evaluate long-term cost and benefits of projects being adopted for the coming year (2019) against those projects planned between 2020 and 2023. The Capital Improvement Program follows the following policy:

Capital Improvement Policy

1. A Capital Improvements Plan (CIP) will be developed for a period of five years. As resources are available, the most current year of the CIP will be incorporated into the current year operating budget as the Capital Improvements Budget (CIB). The CIP will be reviewed and updated annually. Years two through five are for planning purposes only.
2. The City will maintain its physical assets in a manner, adequate to protect the City's capital investment and to minimize future maintenance and replacement costs. The City will provide for maintenance and replacement from current revenues where possible.

3. To be considered in the Capital Improvements Program, a project must have an estimated cost of at least \$5,000 in one of the calendar years of the project. Projects may not be combined to meet the minimum standard unless they are dependent upon each other. Items that are operating expense (such as maintenance agreements, personal computer software upgrades, etc.) will not be considered within the CIP.
4. Capital projects, which duplicate other public and/or private service, will not be considered.
5. The City will identify the estimated costs and potential funding sources for each capital project prior to inclusion in the CIP. The operating costs to maintain capital projects shall be considered prior to the decision to undertake the capital projects.
6. Capital projects and/or capital asset purchases will receive a higher priority if they meet a majority of the following criteria:
 - A. Mandatory project
 - B. Maintenance project (approved replacement schedules)
 - C. Improve efficiency
 - D. Provide a new service
 - E. Policy area project
 - F. Broad extent of usage
 - G. Length of expected useful life
 - H. Positive effect on operation and maintenance costs
 - I. Availability of county/state/federal grants
 - J. Elimination of hazards (improves public safety)
 - K. Prior commitments
 - L. Replacement due to disaster or loss
7. The CIP is to be presented by the City Administrator and Management Team annually to the City Council for approval. Any substantive change to the CIP after approval must be approved by the City Council.

Debt Administration

The City of Andover has adopted the following Debt Policy:

1. The following Debt Policy should be used to provide guidelines for debt decisions. There are no absolute rules or formulas in determining the level of City debt. Each situation requires a thorough review of the City's debt position, financial health and economic forecast. The limitations of this policy refer to City of Andover debt only (excludes EDA and HRA).
2. The City will maintain good communications with bond rating agencies and will try to improve or maintain its current AA+ bond rating so that the City's borrowing costs are minimized and access to credit is preserved.
3. The City will not use short-term borrowing to finance operating needs except in the case of an extreme financial emergency beyond the City's control or reasonable ability to forecast.
4. The City may use long-term debt financing when all of the following conditions exist:

- A. When non-recurring capital improvements are desired, and
 - B. When it can be determined that present and future citizens will receive a benefit from the improvement, and
 - C. When the cost benefit of the improvement, including interest cost, is positive.
5. The issuance of long-term debt is limited to capital improvements or projects that cannot be financed from current revenues or resources. For purposes of this policy, current resources are defined as that portion of fund balance in excess of appropriate required reserves and designations. The City of Andover will not pledge indebtedness to outside agency financing, unless the benefit is for City of Andover residents.
 6. The City of Andover will limit the amount of total net general obligation debt to no more than 3% of the estimated market value. (Minnesota Statutes limit on debt is 3% of the estimated market value).
 7. The payback period of the bonds or notes will not exceed the estimated useful life of the capital asset constructed or purchased.
 8. The City will conservatively project the revenue sources utilized to repay the debt (i.e., taxes for G.O. debt are levied at 105% of the required debt service).
 9. Capital notes and leases may be used to finance equipment purchases anytime the total cost of the purchase exceeds \$10,000, the useful life of the equipment is greater than five years, the financing rate is less than or equal to the current and projected investment rates, or the purchase is of a non-recurring nature (copy machines and information technology equipment).
 10. The City will follow a policy of full disclosure on every Comprehensive Annual Financial Report and official statement.

Investment Policy

The City of Andover has adopted the following Investment Policy:

1. Scope – this policy applies to the investments of all financial assets of the City of Andover except investments of employees' investment retirement funds.
2. General Objectives – the primary objectives, in priority order, of investment activities shall be safety, liquidity and yield:
 - A. Safety. Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
 - B. Liquidity. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
 - C. Yield. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity.
3. Standard of Care
 - A. Prudence. The standard of prudence, meaning not for speculation and with consideration of the probable safety of the capital as well as the probable investment returns, shall be used by investment officials.
 - B. Ethics and Conflicts of Interest. Employees involved in the investment process shall have no personal business activity that could conflict with the proper execution and management of the investment program or could impair their ability to make impartial decisions.

C. Delegation of Authority. Authority to manage the investment program is granted to the Finance Director who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy and applicable state statutes.

4. Safekeeping and Custody

- A. Authorized Financial Dealers and Institutions. A list will be maintained of financial institutions authorized to provide investment services.
- B. Internal Controls. The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse.
- C. Delivery vs. Payment. All trades, where applicable, will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

5. Suitable and Authorized Investments

- A. Investment Types. The following investments will be permitted by this policy and are those defined by state and local where applicable:
 - U.S. government obligations, U.S. government agency obligations and U.S. government instrumentality obligations which have a liquid market with a readily determinable market value;
 - Certificates of deposit and other evidences of deposit at financial institutions, bankers' acceptances, and commercial paper, rated in the highest tier (e.g., A-1, P-1, or F-1, or higher) by a nationally recognized rating agency;
 - Investment-grade obligations of state, local governments and public authorities;
 - Repurchase agreements whose underlying purchased securities consist of the investment types listed above.
 - Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
 - Local government investment pools, either state-administered or through joint powers statutes and other intergovernmental agreement legislation.
- B. Collateralization. Full collateralization will be required on non-negotiable certificates of deposit.
- C. Repurchase Agreements. Repurchase agreements shall be consistent with GFOA Recommended Practices on Repurchase agreements.

6. Investment Parameters

- A. Diversification. Investments shall be diversified by security type and institution.
- B. Maximum Maturities. To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing, or having average lives, of more than five years from the date of purchase.

7. Reporting

- A. Methods. The Finance Director shall prepare an investment report, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made quarterly.
- B. Performance Standards. The investment portfolio will be managed in accordance with the parameters specified within this policy.
- C. Marking to Market. The market value of the portfolio shall be calculated at least quarterly.

8. Policy Considerations

- A. Exemption. Any investment currently held that does not meet the guidelines of this policy (originally adopted April 6, 1999) shall be exempted from the requirements of the policy.
- B. Amendments. This policy shall be reviewed as needed or requested by City Council.

Distribution of Budget Information

Copies of the proposed budget are typically available to the general public beginning the second week in August in the offices of the City Administrator and Finance Director. Notices of the public hearings are published in the City's official newspaper, the Anoka County Union, along with notices posted on public bulletin boards. Citizens are invited to provide written or oral comments at the public hearings.

The County Property Records and Taxation Division is required to notify each property owner of the impact of the proposed tax levy upon each individual parcel of property along with the final budget hearing dates.

Awards

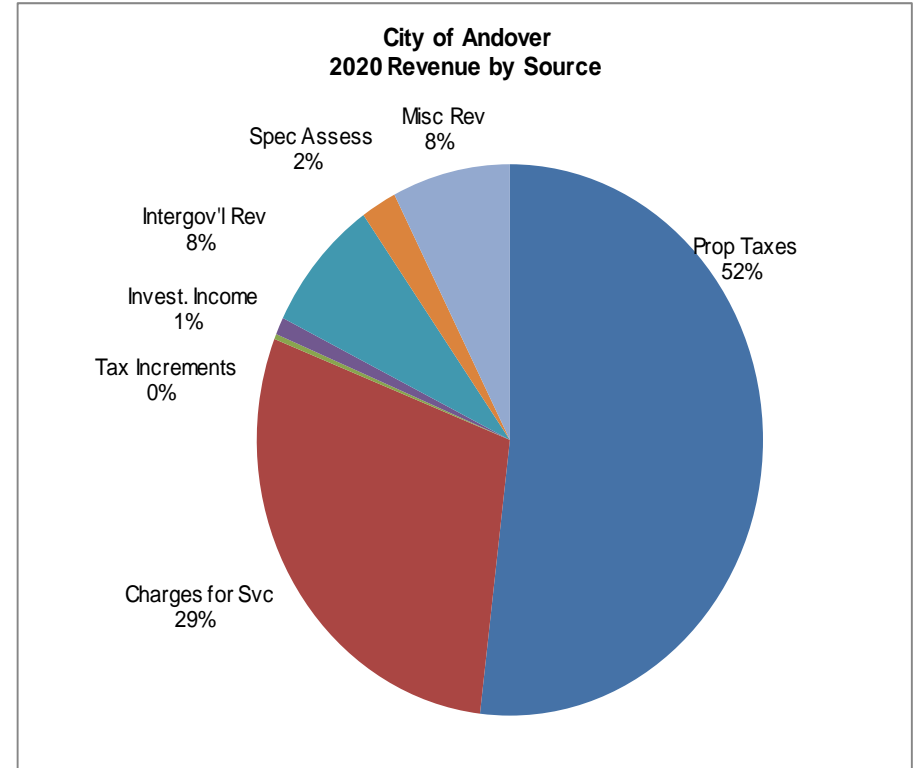
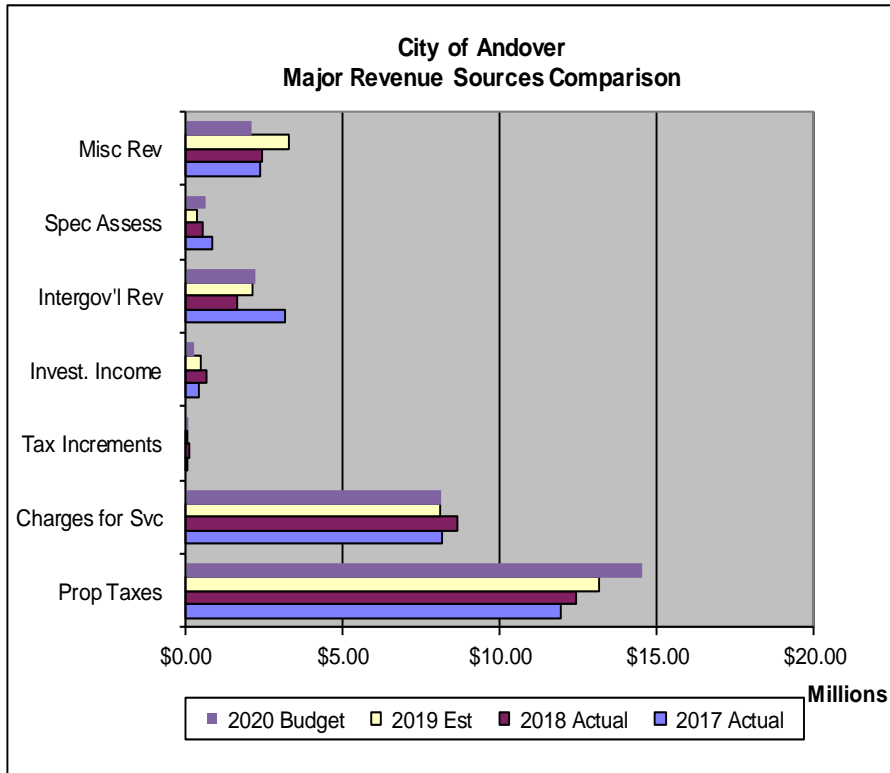
The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Andover for its annual budget for the fiscal year beginning January 1, 2019. This is the eighteenth consecutive time the City of Andover has received this award.

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.

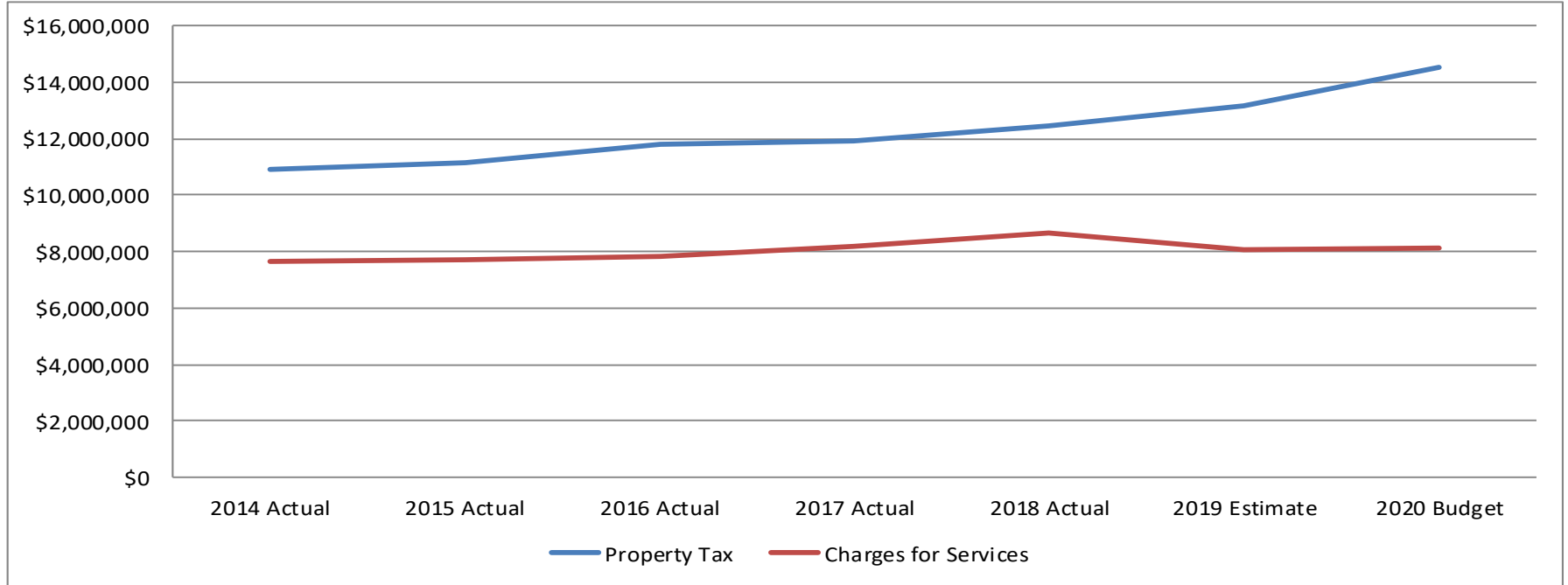
Revenue Projections

As mentioned earlier, the Finance Department is responsible for compiling all revenue estimates contained in the budget. Estimates are arrived by studying relevant revenue history along with economic trends and indices when available.



Following are individual graphs of the major revenue sources over the last few years. Included are brief descriptions of each source and explanations of any variances over the same time period.

Revenue Projections – Property Tax & Charges for Services



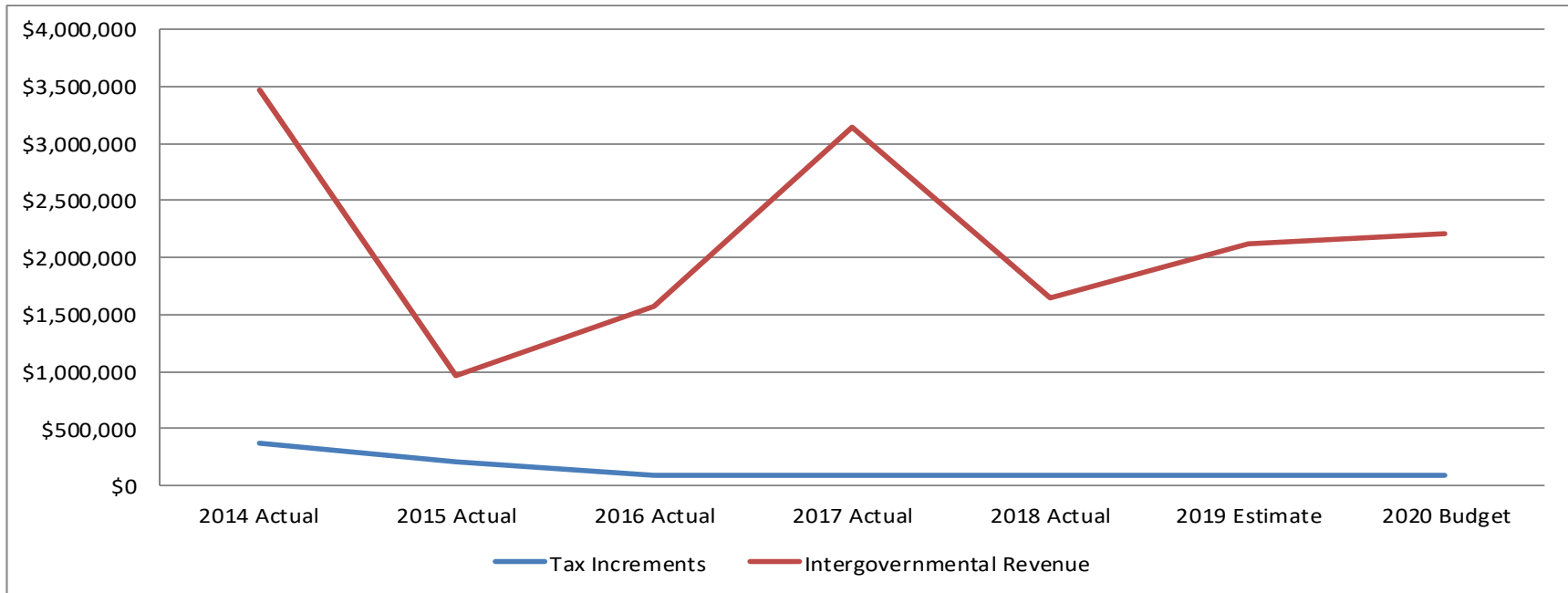
General Property Taxes

Property taxes are a revenue source in the General, Special Revenue, Debt Service and Capital Projects Funds. This revenue source is primarily used in the General Fund and is determined on the basis of the availability of other revenue sources and the expenditure level necessary to conduct City business in accordance with Council policy and directives. The original goal for the 2020 budget for property taxes was commitment to maintain the City Tax Rate in a manner consistent with the needs of the organization to ensure the long-term competitiveness, efficiency, staffing and capital requirements. The Council, by recognizing the impact of increasing market values and acknowledging community economic concerns, were able to establish an appropriate baseline of city services and a manageable debt service expense level. The general property tax revenue does increase 10.21% as compared to 2019. This revenue source takes into account the elimination of the market value homestead credit program and the insertion of the market value homestead exclusion program (both products of the State of Minnesota Legislature in 2012).

Charges for Services

Charges for services comes from a variety of sources in the General and Special Revenue Funds; such as project engineering and inspection services to residential and commercial developers, drainage and mapping services, ice and field house rentals, plat reviews and other miscellaneous charges for dedicated use of city staff. Over the past few years, the City has continued to grow and this is expected to continue in 2020 and beyond. In the Enterprise Funds, charges for services come from water and sewer usage charges and a storm water utility charge. The water charges are determined by a water rate study, the sewer charges by a sewer rate study and the storm water utility charge are based on the amount of funding needed to comply with federal storm water requirements, each are reviewed annually to cover all expenses. In the Internal Services Fund, the charges for services represent department charges for the maintenance of city equipment and cost of liability insurance coverage. The largest increases are in the Enterprise Funds where the number of users continues to grow and the rates increase to offset operations and provide for future infrastructure replacements.

Revenue Projections – Tax Increments and Intergovernmental Revenue



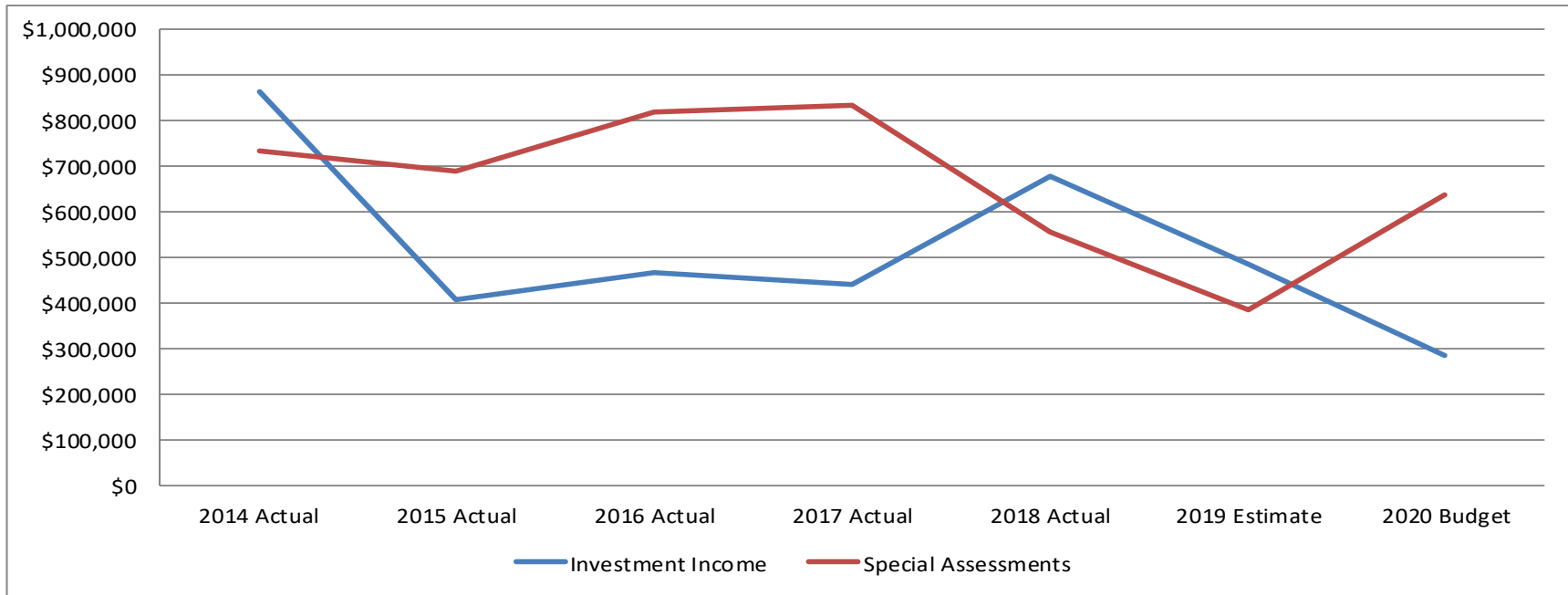
Tax Increments

Tax Increments are a revenue source in the Capital Projects Funds. In 2012 and 2014, two significant tax increment finance districts were decertified at the end of the year resulting in a decrease of tax increment revenue for 2013 (\$1,470,700) and 2015 (\$205,000). Two more districts were decertified in 2016. Tax increment is used to pay for debt service on tax increment bond issues and expenses related to economic development and redevelopment within tax increment development districts. Annually, an extensive analysis is done reviewing the debt service requirements and the redevelopment projects contemplated in the capital improvement plan. Of the two remaining tax increment districts, one has a pay-as-you-go note associated with it and the other is reimbursing the district for expenditures already made. Looking forward, the City will create tax increment districts only when a significant project meeting a required “but/for” test is deemed to achieve City goals.

Intergovernmental

This revenue source is present in the General, Special Revenue, Debt Service and Capital Projects Funds. In 2008, 2009, 2010 and 2011, the Governor unallotted \$196,150, \$350,938, \$490,186 and 490,186 of the Market Value Homestead Credit (MVHC) to help offset the state budget deficits. In 2012, the MVHC program was eliminated and a market value homestead exclusion program was put in its place. The new program reduced the taxable market values for certain homestead properties. The intergovernmental represents the remaining state aid distributions of State Highway aid and state police and fire aid. This revenue source also represents grants applied for and awarded from other government agencies (federal, state, school, or county) such as Community Development Block Grants and DNR grants. In 2014 and 2017, the City was able to get an advance on Municipal State Aid (MSA) construction allotment funds for projects already in progress. Any unused MSA allotment is carried over and drawn upon as eligible projects are constructed in 2015, 2016 and 2018. In 2014, LGA was reinstated for the City (\$74,655) and was used to fund the growing infrastructure needs of the Road and Bridge Capital Projects Fund. In 2015, LGA was again eliminated for the City and then reinstated again in 2016 (\$2,698) as notified by the State based on the new state formula. In 2017, 2018, 2019 and 2020, LGA was again eliminated for the City.

Revenue Projections – Investment Income and Special Assessments



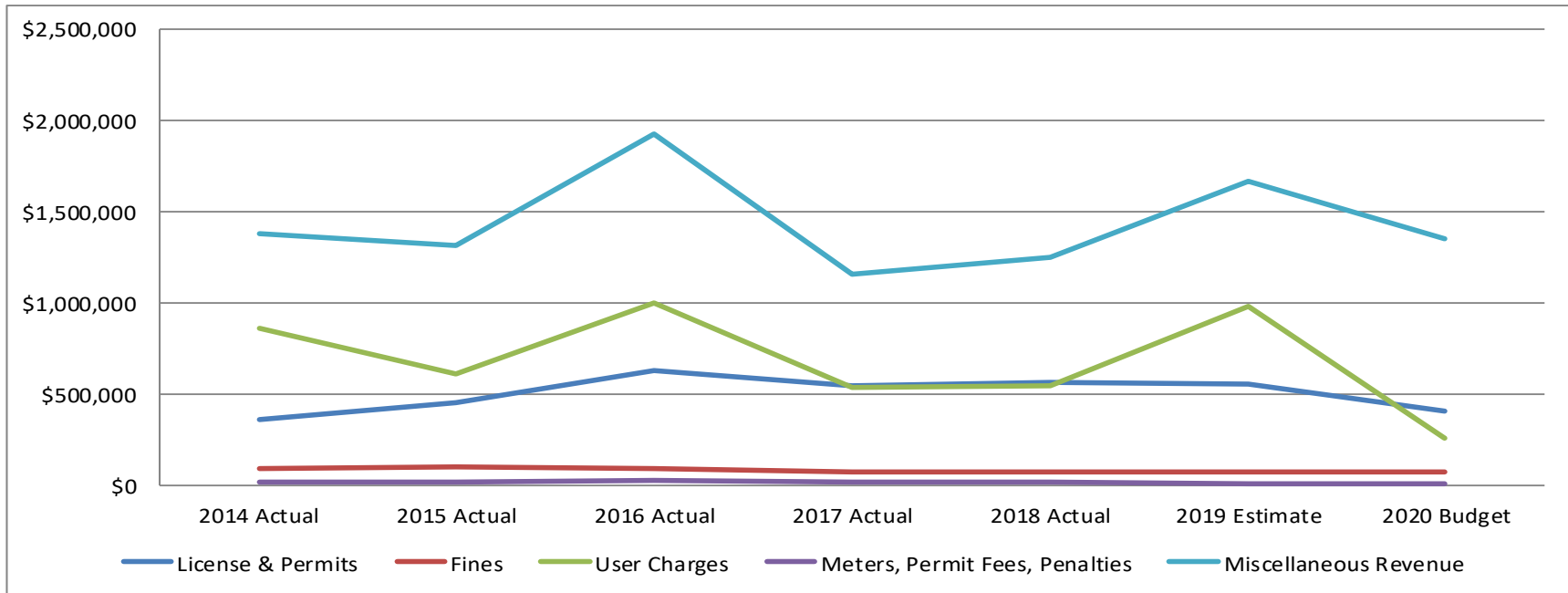
Investment Income

This revenue source is in all funds. Investment income is interest earned on investments and is allocated to funds based on average cash balances within each fund. Revenues from this source are dependent on interest rates and cash balances available for investment. The 2015 actual, as compared to 2014, decreased due to cash escrows of refunding bonds sold in prior years being used to pay-off additional debt (\$17,177,570) and the fact that yields in the market are so low on the investments the City is allowed by Statute to invest in.

Special Assessments

Special assessments are a revenue source in the Debt Service and Capital Projects Funds. Special Assessments are used for the payment of bonds for related capital projects and for reimbursing the City's Capital Projects Funds for projects financed internally. The 2020 budget is based on special assessment payment schedules and a review of residential development within the City of Andover. Special Assessment revenue fluctuates based on the type and cost of street reconstruction projects being assessable to benefiting properties and the timing of when those assessments are paid. It also depends on whether residential development is done as a developer-installed project (developer is paying all the expenses) or as a city-installed project (the city is funding the project through bonds or the PIR fund and assessing costs back to the property).

Revenue Projections – Miscellaneous Revenue



Miscellaneous Revenues

Licenses and Permits – This revenue source is found only in the General Fund. These revenues are based on City determined license rates; State regulated rates and the Uniform Building Code. The 2020 budgeted amount is based on 50 new single-family residential homes using a building valuation of \$200,000 each.

Fines – Fines are a revenue source in the General Fund only. Fines are collected through the State Court System and are remitted to the City monthly. Fine revenue remains fairly consistent from year to year.

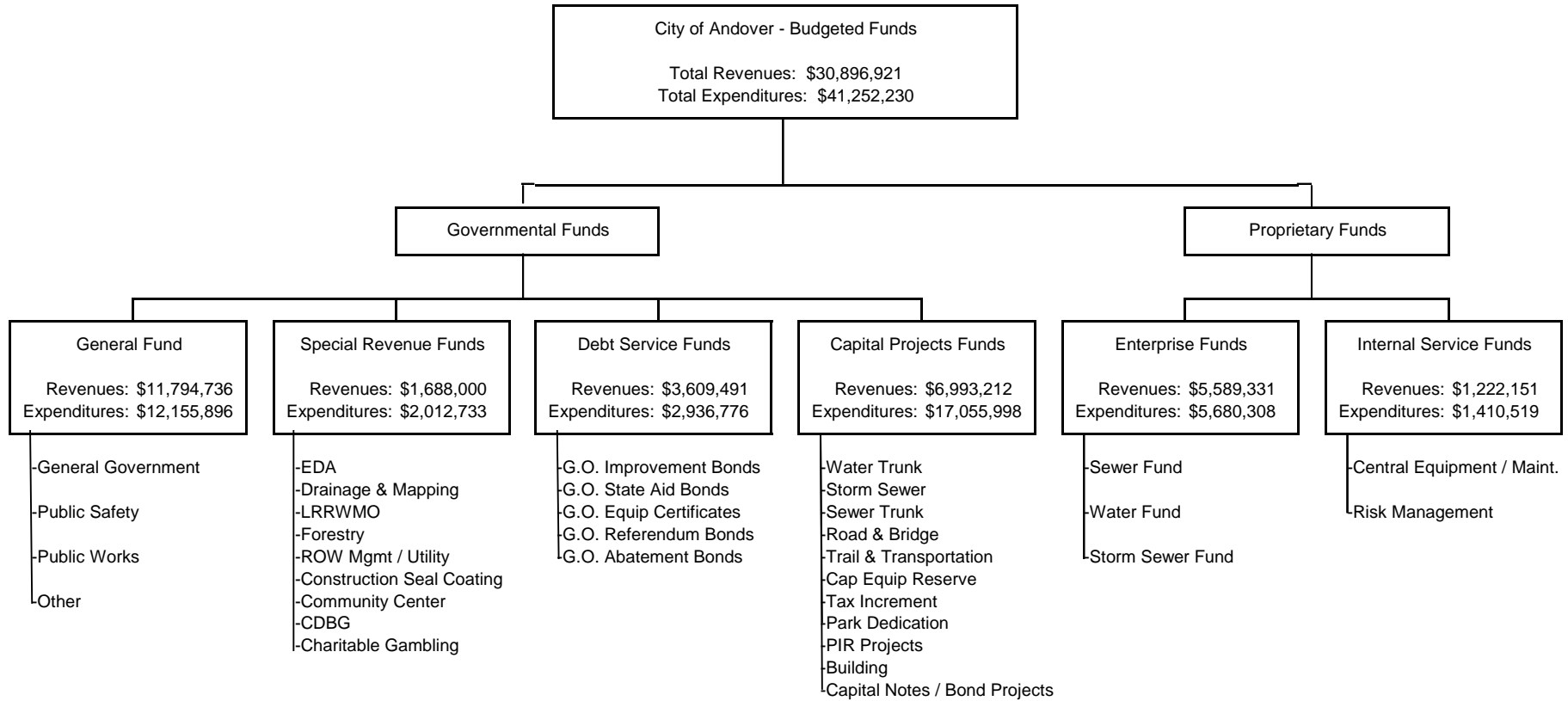
User Charges – This revenue source is found in the Capital Projects Funds. These charges are fees paid under development agreements when new construction for residential and commercial projects are initiated. They include park dedication fees, trail fees, water system trunk and sewer system trunk charges. In 2020, these fees are calculated on the assumption that there will be 20 new platted units and existing residential lot inventories will be drawn down.

Meters – Meters is a revenue source for the Water Enterprise Fund. When a house is brought on to city water services, a meter is sold to each new customer to facilitate accurate billing of service.

Penalties – Penalties is a revenue source for the Enterprise Funds. A penalty is a charge to past due billings.

Miscellaneous – Miscellaneous revenues are revenues that do not fit in any other revenue type. Included in this are payments from the YMCA for lease payments (\$635,000 – based on a 30 year lease agreement) and reimbursements for actual common space charges and natural gas. This also includes rental fees for wireless antennas. The increase in 2016 is due to land sales in the Tax Increment Projects Capital Project Fund.

**CITY OF ANDOVER
2020 Budget Summary By Fund Type**



Fund Definitions

General Fund - accounts for the revenues and expenditures necessary to carry out basic governmental activities of the City such as general government, public safety, public works, and other.

Special Revenue Funds - accounts for revenue sources that finance particular functions and projects.

Debt Service Funds - accounts for the accumulation of resources for, and the payment of general long-term debt.

Capital Projects Funds - accounts for the acquisition or construction of major capital facilities financed mainly with governmental fund sources, general obligation debt, special assessments, and other.

Enterprise Funds - accounts for activities that consist of rendering services or providing goods to the public for which a fee or charge is collected.

Internal Service Funds - accounts for goods and services that are provided to other City departments, or to other governments, on a cost reimbursement basis.

CITY OF ANDOVER
2020 Budget Summary
Revenues and Expenditures Fund Summary

	<u>Actual 2018</u>	<u>Adopted 2019</u>	<u>Estimate 2019</u>	<u>Budget 2020</u>
Fund Balance/Net Assets, January 1	\$ 43,041,576	\$ 54,929,619	\$ 54,929,619	\$ 51,098,796
Revenues & Other Sources				
General	11,451,964	11,378,046	11,691,216	11,794,736
Special Revenue	1,684,738	1,612,050	1,627,595	1,688,000
Debt Service	1,898,941	2,415,729	2,415,729	3,609,491
Capital Projects	15,730,745	32,111,511	24,313,305	6,993,212
Enterprise	6,157,285	5,448,054	5,448,054	5,589,331
Internal Service	1,205,682	1,173,633	1,173,633	1,222,151
Total Revenues & Other Sources:	38,129,355	54,139,023	46,669,532	30,896,921
Total Available:	81,170,931	109,068,642	101,599,151	81,995,717
Expenditures & Other Uses				
General	11,105,244	11,695,493	11,767,993	12,155,896
Special Revenue	1,539,615	1,726,479	1,658,159	2,012,733
Debt Service	1,804,650	1,803,801	2,017,484	2,936,776
Capital Projects	5,835,646	34,838,610	27,789,559	17,055,998
Enterprise	4,774,985	5,670,363	5,986,057	5,680,308
Internal Service	1,181,172	1,281,103	1,281,103	1,410,519
Total Expenditures & Other Uses:	26,241,312	57,015,849	50,500,355	41,252,230
Fund Balance/Net Assets, December 31	\$ 54,929,619	\$ 52,052,793	\$ 51,098,796	\$ 40,743,487
Change in Fund Balance	\$ 11,888,043 27.62%	\$ (2,876,826) -5.24%	\$ (3,830,823) -6.97%	\$ (10,355,309) -20.27%

CITY OF ANDOVER
2020 Budget Summary
Revenues and Expenditures - All Funds

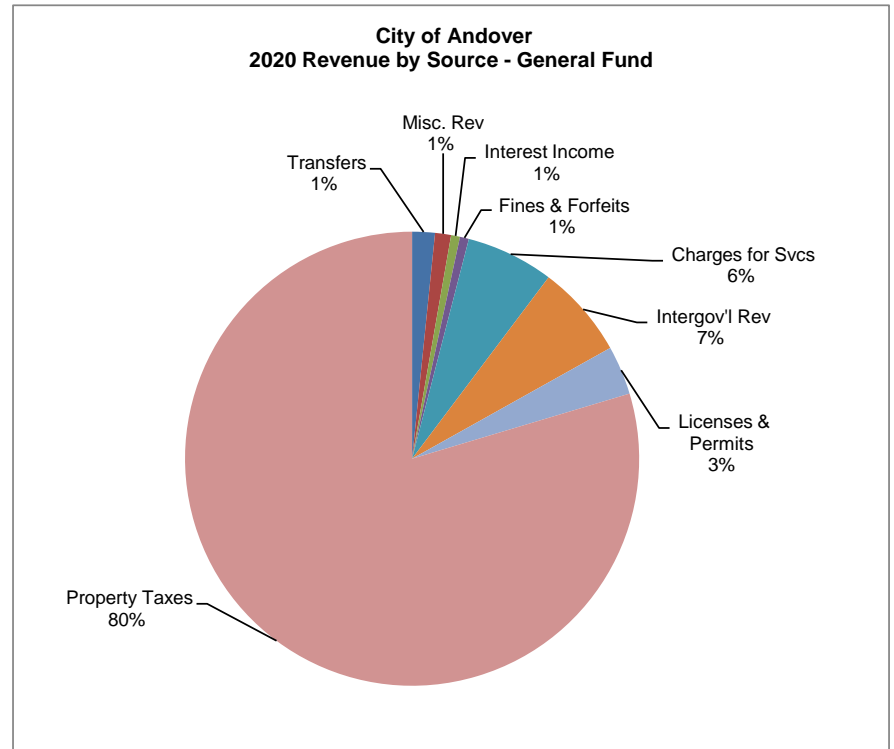
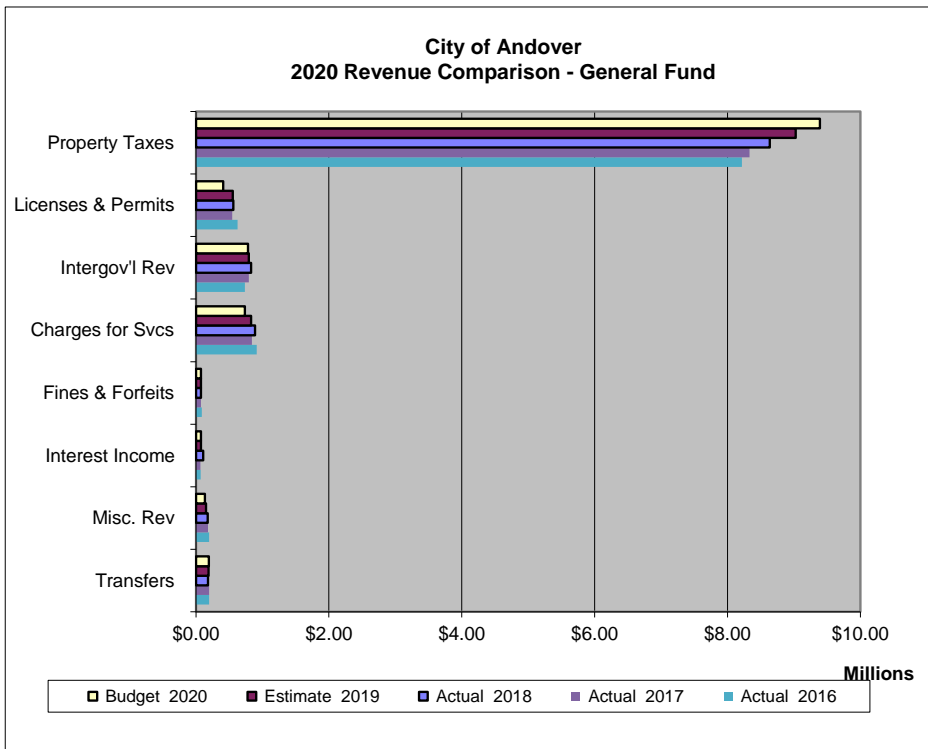
	<u>Actual</u> <u>2018</u>	<u>Budget</u> <u>2019</u>	<u>Estimate</u> <u>2019</u>	<u>Budget</u> <u>2020</u>
Fund Balance/Net Assets, January 1	\$ 43,041,576	\$ 54,929,619	\$ 54,929,619	\$ 51,098,796
Revenues				
General Property Taxes	12,433,651	13,181,487	13,181,487	14,526,735
Tax Increments	86,794	85,000	85,000	85,000
Special Assessments	554,471	611,400	384,150	636,900
Licenses and Permits	562,525	384,900	553,875	410,900
Intergovernmental	1,641,806	2,041,730	2,113,439	2,209,815
Charges for Services	8,674,561	7,867,777	8,066,762	8,142,252
Fines	73,719	75,250	75,250	75,250
Investment Income	677,771	300,050	487,300	285,200
User Charges	544,264	193,226	981,248	262,051
Meters	14,412	13,000	13,000	13,000
Miscellaneous	1,251,239	1,243,850	1,665,520	1,350,400
Total Revenues:	26,515,213	25,997,670	27,607,031	27,997,503
Other Financing Sources				
Operating Transfers In	1,294,845	1,341,353	1,814,886	1,589,418
Bond Proceeds	10,000,000	26,800,000	15,770,000	1,310,000
Proceeds from Sale of Property	65,037	-	18,920	-
Total Other Financing Sources:	11,614,142	28,141,353	19,062,501	2,899,418
Total Revenues and Other Sources:	38,129,355	54,139,023	46,669,532	30,896,921
Total Available:	81,170,931	109,068,642	101,599,151	81,995,717
Expenditures				
Personal Services	6,975,841	7,334,825	7,337,825	7,774,188
Supplies and Materials	1,292,387	1,579,212	1,563,792	1,578,737
Purchased Services	4,170,934	4,507,979	4,587,179	4,647,282
Other Services and Charges	7,380,875	9,540,699	9,245,335	9,412,673
Capital Outlay	2,351,863	30,126,000	23,151,874	12,616,000
Debt Service	2,774,567	2,585,781	2,799,464	3,633,932
Total Operating Expenditures:	24,946,467	55,674,496	48,685,469	39,662,812
Other Uses				
Operating Transfers Out	1,294,845	1,341,353	1,814,886	1,589,418
Total Other Uses:	1,294,845	1,341,353	1,814,886	1,589,418
Total Expenditures and Other Uses:	26,241,312	57,015,849	50,500,355	41,252,230
Fund Balance/Net Assets, December 31	\$ 54,929,619	\$ 52,052,793	\$ 51,098,796	\$ 40,743,487
Change in Fund Balance	\$ 11,888,043 27.62%	\$ (2,876,826) -5.24%	\$ (3,830,823) -6.97%	\$ (10,355,309) -20.27%

CITY OF ANDOVER
2020 Budget Summary
Revenues and Expenditures by Fund Type

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
Fund Balance/Net Assets, January 1	\$ 8,059,559	\$ 958,790	\$ 1,443,584	\$ 30,496,668	\$ 9,141,250	\$ 998,945	\$ 51,098,796
Revenues							
General Property Taxes	9,392,032	40,000	3,089,045	2,005,658	-	-	14,526,735
Tax Increments	-	-	-	85,000	-	-	85,000
Special Assessments	-	-	-	636,900	-	-	636,900
Licenses and Permits	410,900	-	-	-	-	-	410,900
Intergovernmental	780,806	37,500	-	1,391,509	-	-	2,209,815
Charges for Services	736,210	797,300	-	-	5,390,591	1,218,151	8,142,252
Fines	75,250	-	-	-	-	-	75,250
Investment Income	75,000	5,200	-	140,000	61,000	4,000	285,200
User Charges	-	-	-	262,051	-	-	262,051
Meters	-	-	-	-	13,000	-	13,000
Miscellaneous	133,850	808,000	-	343,550	65,000	-	1,350,400
Total Revenues:	11,604,048	1,688,000	3,089,045	4,864,668	5,529,591	1,222,151	27,997,503
Other Financing Sources							
Operating Transfers In	190,688	-	520,446	818,544	59,740	-	1,589,418
Bond Proceeds	-	-	-	1,310,000	-	-	1,310,000
Total Other Financing Sources:	190,688	-	520,446	2,128,544	59,740	-	2,899,418
Total Revenues and Other Sources:	11,794,736	1,688,000	3,609,491	6,993,212	5,589,331	1,222,151	30,896,921
Total Available:	19,854,295	2,646,790	5,053,075	37,489,880	14,730,581	2,221,096	81,995,717
Expenditures							
Personal Services	5,417,774	660,633	-	-	1,160,684	535,097	7,774,188
Supplies and Materials	740,517	104,820	-	-	324,300	409,100	1,578,737
Purchased Services	4,378,227	269,055	-	-	-	-	4,647,282
Other Services and Charges	1,499,378	542,525	-	4,455,112	2,449,336	466,322	9,412,673
Capital Outlay	120,000	130,000	-	12,366,000	-	-	12,616,000
Debt Service	-	-	2,847,432	-	786,500	-	3,633,932
Total Operating Expenditures:	12,155,896	1,707,033	2,847,432	16,821,112	4,720,820	1,410,519	39,662,812
Other Uses							
Operating Transfers Out	-	305,700	89,344	234,886	959,488	-	1,589,418
Total Other Uses:	-	305,700	89,344	234,886	959,488	-	1,589,418
Total Expenditures and Other Uses:	12,155,896	2,012,733	2,936,776	17,055,998	5,680,308	1,410,519	41,252,230
Fund Balance/Net Assets, December 31	\$ 7,698,399	\$ 634,057	\$ 2,116,299	\$ 20,433,882	\$ 9,050,273	\$ 810,577	\$ 40,743,487
Change in Fund Balance	\$ (361,160) -4.48%	\$ (324,733) -33.87%	\$ 672,715 46.60%	\$ (10,062,786) -33.00%	\$ (90,977) -1.00%	\$ (188,368) -18.86%	\$ (10,355,309) -20.27%

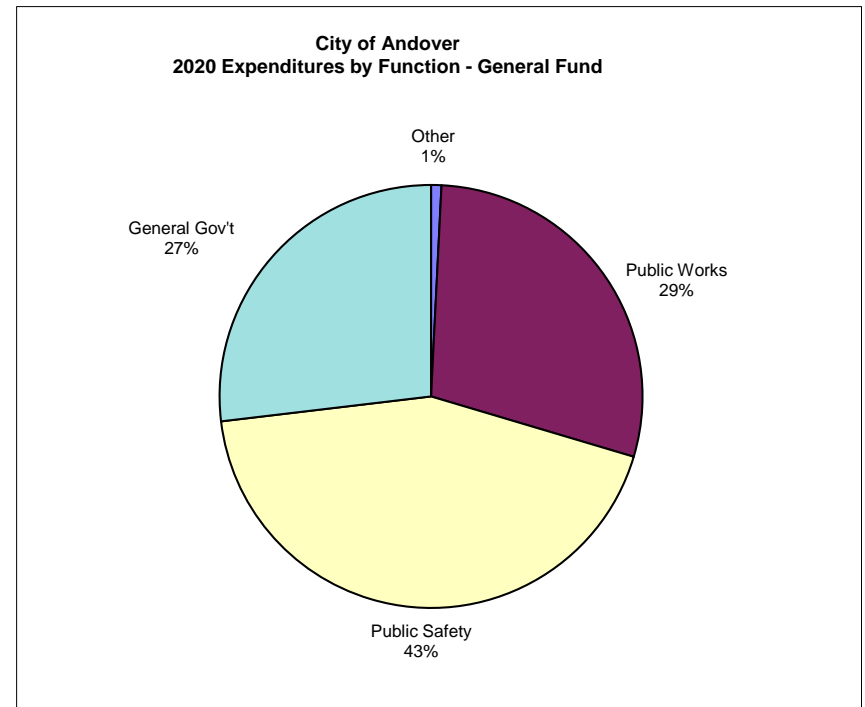
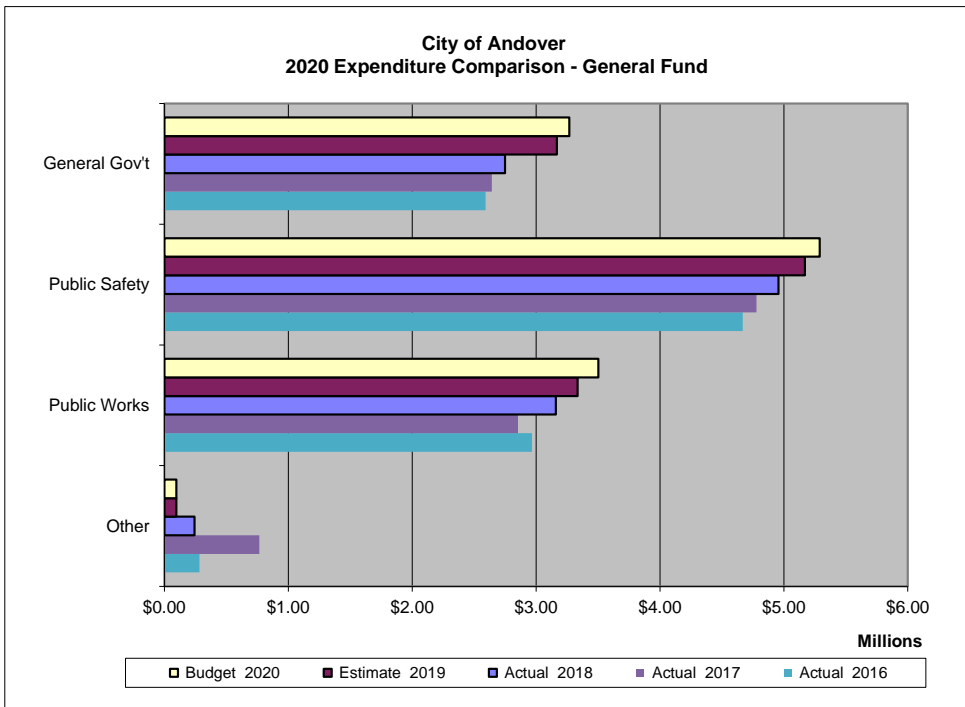
**CITY OF ANDOVER
Revenue Comparison - General Fund**

<u>REVENUES</u>	<u>Actual 2016</u>	<u>Actual 2017</u>	<u>Actual 2018</u>	<u>Budget 2018</u>	<u>Estimate 2019</u>	<u>Budget 2020</u>
Property Taxes	\$ 8,217,768	\$ 8,332,634	\$ 8,634,130	\$ 9,023,970	\$ 9,023,970	\$ 9,392,032
License and Permits	625,906	546,378	562,525	384,900	553,875	410,900
Intergovernmental Revenues	733,953	793,932	829,861	787,918	794,918	780,806
Charges for Services	912,220	843,022	888,944	708,700	829,490	736,210
Fines and Forfeits	88,600	75,287	73,719	75,250	75,250	75,250
Interest Income	68,380	64,751	107,560	75,000	75,000	75,000
Miscellaneous Revenue	194,812	178,616	176,662	134,300	150,705	133,850
Transfers	196,930	196,930	178,558	188,008	188,008	190,688
TOTAL REVENUES	\$ 11,038,569	\$ 11,031,550	\$ 11,451,959	\$ 11,378,046	\$ 11,691,216	\$ 11,794,736



**CITY OF ANDOVER
Expenditure Comparison - General Fund**

<u>EXPENDITURES</u>	<u>Actual 2016</u>	<u>Actual 2017</u>	<u>Actual 2018</u>	<u>Budget 2018</u>	<u>Estimate 2019</u>	<u>Budget 2020</u>
General Government	\$ 2,592,649 25%	\$ 2,642,223 24%	\$ 2,748,464 25%	\$ 3,131,900 27%	\$ 3,166,900 27%	\$ 3,267,676 27%
Public Safety	4,667,326 44%	4,778,336 43%	4,956,352 45%	5,169,388 44%	5,169,388 44%	5,289,484 44%
Public Works	2,966,674 28%	2,854,540 26%	3,158,490 28%	3,298,777 28%	3,336,277 28%	3,502,808 29%
Other	283,077 3%	764,875 7%	241,940 2%	95,428 1%	95,428 1%	95,928 1%
TOTAL EXPENDITURES	<u>\$ 10,509,726</u>	<u>\$ 11,039,974</u>	<u>\$ 11,105,246</u>	<u>\$ 11,695,493</u>	<u>\$ 11,767,993</u>	<u>\$ 12,155,896</u>



CITY OF ANDOVER
General Fund - Expenditure Budget Summary Totals - By Department
Budget Year 2020

	Actual	Actual	Actual	Actual	Actual	Budget*	Estimate	Requested*	Change (*)	
	2014	2015	2016	2017	2018	2019	2019	2020	\$	%
GENERAL GOVERNMENT										
Mayor and Council	\$ 84,650	\$ 85,060	\$ 86,989	\$ 84,136	\$ 87,813	\$ 107,751	\$ 107,751	\$ 108,315	564	0.52%
Administration	169,218	172,296	187,876	187,514	198,945	215,952	215,952	227,334	11,382	5.27%
Newsletter	20,974	21,042	22,731	25,287	17,770	26,800	26,800	25,000	(1,800)	-6.72%
Human Resources	18,038	15,908	13,404	15,520	13,666	28,771	28,771	34,100	5,329	18.52%
Attorney	177,427	180,313	184,990	188,644	188,031	197,041	197,041	200,941	3,900	1.98%
City Clerk	128,861	134,775	148,338	147,450	149,769	163,651	163,651	170,000	6,349	3.88%
Elections	41,508	14,497	64,433	17,852	50,629	65,640	65,640	69,994	4,354	6.63%
Finance	230,639	240,319	252,563	258,883	272,851	290,752	290,752	308,356	17,604	6.05%
Assessing	145,051	146,315	146,473	147,915	149,040	154,000	154,000	159,000	5,000	3.25%
Information Services	146,984	131,744	151,387	149,512	171,637	187,743	187,743	194,725	6,982	3.72%
Planning & Zoning	387,308	406,045	414,141	398,780	422,983	456,887	456,887	490,296	33,409	7.31%
Engineering	460,872	464,843	511,074	511,183	527,688	575,968	575,968	605,481	29,513	5.12%
Facility Management	470,397	498,813	408,250	509,547	497,642	660,944	695,944	674,134	13,190	2.00%
Total General Gov	2,481,927	2,511,970	2,592,649	2,642,223	2,748,464	3,131,900	3,166,900	3,267,676	135,776	4.34%
PUBLIC SAFETY										
Police Protection	2,818,132	2,918,308	2,936,467	2,962,551	3,053,526	3,183,610	3,183,610	3,245,518	61,908	1.94%
Fire Protection	1,264,018	1,165,223	1,285,417	1,353,209	1,445,167	1,471,101	1,471,101	1,517,670	46,569	3.17%
Protective Inspection	390,908	391,951	424,247	443,712	436,790	479,543	479,543	490,410	10,867	2.27%
Emergency Management	21,836	24,352	17,495	16,320	18,060	29,184	29,184	29,936	752	2.58%
Animal Control	4,026	3,498	3,700	2,544	2,809	5,950	5,950	5,950	0	0.00%
Total Public Safety	4,498,920	4,503,332	4,667,326	4,778,336	4,956,352	5,169,388	5,169,388	5,289,484	120,096	2.32%
PUBLIC WORKS										
Streets and Highways	600,313	629,724	686,086	597,963	656,194	696,225	696,225	738,070	41,845	6.01%
Snow and Ice Removal	637,154	442,078	468,173	449,881	599,029	586,375	586,375	631,937	45,562	7.77%
Street Signs	187,935	204,495	167,282	214,540	206,890	227,527	227,527	235,124	7,597	3.34%
Traffic Signals	34,901	30,170	27,919	36,151	33,857	39,500	39,500	40,000	500	1.27%
Street Lighting	32,646	30,664	37,089	27,735	32,829	40,400	40,400	40,400	0	0.00%
Street Lights - Billed	203,148	201,500	200,509	144,451	142,937	180,500	180,500	180,500	0	0.00%
Park & Recreation	1,009,373	1,151,314	1,247,501	1,207,360	1,282,414	1,345,517	1,349,017	1,428,590	83,073	6.17%
Natural Resource Preservation	-	-	7,255	6,503	5,158	14,107	18,107	14,216	109	0.77%
Recycling	113,902	128,036	124,860	169,956	199,182	168,626	198,626	193,971	25,345	15.03%
Total Public Works	2,819,372	2,817,981	2,966,674	2,854,540	3,158,490	3,298,777	3,336,277	3,502,808	204,031	6.19%
OTHER										
	81,185	256,720	283,077	764,875	241,940	95,428	95,428	95,928	500	0.52%
Total Other	81,185	256,720	283,077	764,875	241,940	95,428	95,428	95,928	500	0.52%
GRAND TOTAL	\$ 9,881,404	\$ 10,090,003	\$ 10,509,726	\$ 11,039,974	\$ 11,105,246	\$ 11,695,493	\$ 11,767,993	\$ 12,155,896	460,403	3.94%

CITY OF ANDOVER
General Fund
Five Year Financial Projections

	Adopted 2020	Projections				
		2021	2022	2023	2024	2025
REVENUES						
Property Taxes	\$ 9,392,032	\$ 9,673,793	\$ 9,964,007	\$ 10,262,927	\$ 10,570,815	\$ 10,887,939
License and Permits	410,900	423,227	435,924	449,002	462,472	476,346
Intergovernmental Revenues	780,806	804,230	828,357	853,208	878,804	905,168
Charges for Current Services	736,210	758,296	781,045	804,476	828,610	853,468
Fines and Forfeits	75,250	77,508	79,833	82,228	84,695	87,236
Interest Income	75,000	77,250	79,568	81,955	84,414	86,946
Miscellaneous Revenue	133,850	137,866	142,002	146,262	150,650	155,170
Transfers	190,688	196,409	202,301	208,370	214,621	221,060
TOTAL REVENUES	11,794,736	12,148,579	12,513,037	12,888,428	13,275,081	13,673,333
EXPENDITURES						
General Government	3,267,676	3,316,691	3,366,441	3,416,938	3,468,192	3,520,215
Public Safety	5,289,484	5,421,721	5,557,264	5,696,196	5,838,601	5,984,566
Public Works	3,502,808	3,555,350	3,608,680	3,662,810	3,717,752	3,773,518
Other	95,928	97,367	98,828	100,310	101,815	103,342
TOTAL EXPENDITURES	12,155,896	12,391,129	12,631,213	12,876,254	13,126,360	13,381,641
CHANGE IN FUND BALANCE	\$ (361,160)	\$ (242,550)	\$ (118,176)	\$ 12,174	\$ 148,721	\$ 291,692

Conclusion:

The above analysis reflects a conservative view of current City revenues sources and the Department Heads estimated costs to carry on current levels of services into the projected years. Staff will monitor and make recommendations as the various years come up for funding. Currently, the General Fund has had reserves to handle any deficits, but efforts are always made to avoid using these reserves.

This five year analysis demonstrates that revenues will ultimately keep up with expenditures for the General Fund. This is done by utilizing the current revenue streams through modest rate increases, by diversifying the current revenues with additional fees or charges for services, and other items including market value growth as development continues to pick up, the final debt service payment for state aid bonds increasing the amount of state aid money available for construction and maintenance of roadways, capturing debt service expense margins for operations, and the continual frugile management of Department Heads budget implementation directives and expectations.

Other issues that impact the City's budget are some rising employee benefit costs and the sheriff's contract. Health insurance premiums were originally projected to go up 45% in 2020; but with increasing deductibles and the creation of a health reimbursement account we were able to reduced that to 10%. The sheriff's contract, which represents \$3.25m of the total budget in 2020, is reflecting a 1.94% increase.

**CITY OF ANDOVER
2020 FTE Summary**

	<u>2017 Actual</u>	<u>2018 Actual</u>	<u>2019 Current</u>	<u>2020 Budget</u>		<u>2017 Actual</u>	<u>2018 Actual</u>	<u>2019 Current</u>	<u>2020 Budget</u>
General Fund					Special Revenue Funds				
General Government					EDA General	0.05	0.05	-	-
Administration	1.13	1.13	1.15	1.10	Community Center	3.22	3.22	3.32	4.32
Human Resources	0.03	0.03	0.03	0.08	LRRWMO	0.07	0.07	0.07	0.09
City Clerk	1.89	1.89	1.89	1.89	ROW Mgmt / Utility	0.08	0.08	0.08	0.08
Elections	0.15	0.15	0.15	0.15		<u>3.42</u>	<u>3.42</u>	<u>3.47</u>	<u>4.49</u>
Financial Administration	1.94	1.94	1.94	2.01	Enterprise Funds				
Information Systems	0.91	0.91	0.91	0.91	Water	4.55	4.52	4.57	4.57
Planning & Zoning	4.03	4.03	4.03	4.05	Sewer	2.82	3.08	3.33	3.33
Engineering	4.48	4.48	4.48	4.46	Storm Sewers	2.94	2.38	2.40	2.40
Facility Management	1.05	1.05	0.96	0.87		<u>10.31</u>	<u>9.98</u>	<u>10.30</u>	<u>10.30</u>
Total General Government	<u>15.61</u>	<u>15.61</u>	<u>15.54</u>	<u>15.52</u>	Internal Service Funds				
Public Safety					Central Equipment	3.31	3.25	3.25	3.34
Fire Protection	3.21	3.21	3.21	3.35	Risk Mgmt	0.10	0.10	0.10	0.10
Protective Inspection	4.03	4.03	4.03	3.93		<u>3.41</u>	<u>3.35</u>	<u>3.35</u>	<u>3.44</u>
Emergency Management	0.05	0.05	0.05	0.05	Grand Total	<u><u>58.50</u></u>	<u><u>58.50</u></u>	<u><u>58.50</u></u>	<u><u>59.50</u></u>
Total Public Safety	<u>7.29</u>	<u>7.29</u>	<u>7.29</u>	<u>7.33</u>					
Public Works									
Streets & Highways	5.37	5.19	5.15	5.15					
Snow & Ice	1.83	2.83	2.55	2.55					
Street Signs	1.57	1.52	1.51	1.51					
Parks & Recreation	8.65	8.30	8.39	8.38					
Natural Resource Preservation	0.01	0.01	0.03	0.02					
Recycling	1.03	1.00	0.92	0.81					
Total Public Works	<u>18.46</u>	<u>18.85</u>	<u>18.55</u>	<u>18.42</u>					
Total General Fund	<u><u>41.36</u></u>	<u><u>41.75</u></u>	<u><u>41.38</u></u>	<u><u>41.27</u></u>					

Note: A majority of employees provide services to various cost centers and are allocated accordingly. 2017 & 2018 are based on actual hours charged to various departments.

CITY OF ANDOVER
2020 Capital Improvement Plan
Projects By Department - Use of Funds

Community Center		Park & Recreation - Operations	
Replacement - Sinks / Fixtures	\$ 15,000	Replace/Repair Play Structures - Various Parks	\$ 100,000
Refacing Rink Boards	30,000	Replace/Repair Major Park Projects - Various Parks	20,000
Replacement - Ice Arena Refrigeration & Dasher Board	323,478	Replacement - Water Tanker #161	175,000
Replacement - Field House Floor	184,634	New - Large Capacity Mower	110,000
	<u>553,112</u>		<u>405,000</u>
Emergency Management		Park & Recreation - Projects	
Emergency Operations Center Improvement	10,000	Annual Miscellaneous Projects	15,000
New - Emergency Sirens	55,000	Andover Station North East Ball Field Lighting	180,000
	<u>65,000</u>		<u>195,000</u>
Engineering		Sanitary Sewer	
New Development Projects	175,000	Lift Station Improvements	90,000
Pedestrian Trail Maintenance	63,000	Storm Sewer	
Pedestrian Trail Reconstruction	70,000	Storm Sewer Improvements	62,000
Pedestrian Curb Ramp Replacements	19,000	Streets / Highways	
Replacement - 3/4 Ton Truck #12	30,000	Annual Street Seal Coat Project	200,000
New Pedestrian Trail and Sidewalk Segments	405,000	Annual Street Crack Seal Project	170,000
Railroad Underpass Trail	12,000	Annual Pavement Markings	60,000
	<u>774,000</u>	Annual Curb Replacement	56,000
Facility Management		Municipal State Aid Routes / New & Reconstruct	580,000
Annual Parking Lot Maintenance / Replacement	250,000	Annual Street Reconstruction	1,226,000
Surface Seal all Brick Structures	85,000	Gravel Road Improvement	21,000
Replacement - Furnace/Condenser PW	6,000	Replacement - Front End Loader #124	275,000
Replacement - Furnace/Condenser PW	6,000	Replacement - One Ton Truck w/ Plow #133	80,000
Fencing Around Public Yard	110,000	Street Overlays	920,000
	<u>457,000</u>	New - Slide In Hotbox	19,000
Fire		Pedestrian Crossing	10,000
Replacement - Turnout Gear	23,000		<u>3,617,000</u>
Replacement - Engine 21 #4884	510,000	Water	
Replacement - (2) SCBA Compressors St 2 & 3	65,000	Recondition & Paint Water Tower #2	150,000
Replacement - 800 MHz Radios	46,000		
	<u>644,000</u>	Grand Total	<u>\$ 7,034,112</u>
Information Technology			
Windows Server 2019 DataCenter Licenses	12,000		
Aruba Switch Upgrade	10,000		
	<u>\$ 22,000</u>		

CITY OF ANDOVER
2020 Capital Improvement Plan
Sources of Funds

Assessments	\$ 654,500
Capital Equipment Reserve	337,634
Community Center Operations	157,000
Construction Seal Coating Fund	10,000
Donations	90,000
Equipment Bond	1,264,000
Facility Maintenance Reserve	681,478
General Fund	155,000
Grant	193,550
Municipal State Aid Fund	555,000
Park Improvement Fund	204,000
Road & Bridge Fund	2,195,500
Sewer Trunk Fund	125,000
Storm Sewer Fund	62,000
Trail Fund	124,450
Water Fund	25,000
Water Trunk Fund	<u>200,000</u>
Total	<u><u>\$ 7,034,112</u></u>

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