



# Popular Annual Financial Report

For the Year Ended December 31, 2014



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## Contact Us!

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[www.ci.victoria.mn.us](http://www.ci.victoria.mn.us)



Facebook – City of Victoria, MN



Twitter – @VictoriaMNCity

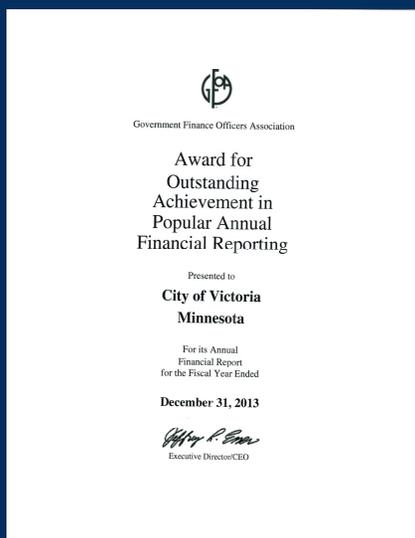
Instagram – VictoriaMNCity

## Financial Awards

The City has received the following awards, which are valid for one year only.

Government Finance Officers Association (GFOA) Award for Excellence in Financial Reporting for Comprehensive Annual Financial Report (CAFR) – 2013, 2012, 2011, 2010, 2009, 2008, and 2007

GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) – 2013 and 2012



# Financial Report Message

We are pleased to present the City of Victoria's sixth Popular Annual Financial Report (PAFR). The PAFR is a condensed version of the 2014 Comprehensive Annual Financial Report (CAFR), and as such, does not include information on all the City's funds.

The CAFR is a detailed account of the City's financial statements, notes, schedules, and statistics. The CAFR was prepared in conformance with Generally Accepted Accounting Principles (GAAP), audited by Abdo, Eick & Meyers, LLP, and received an unmodified (clean) opinion. A copy of the CAFR can be found on the City's website at [www.ci.victoria.mn.us](http://www.ci.victoria.mn.us).

This report provides a summary of the financial position of the City and shows where revenues come from to operate the City and where those dollars are spent. The report is presented in an effort to inform citizens and other interested parties about the financial operations of the City in a simplified and easy-to-read format.

Thank you for your interest in the City of Victoria's government and its functions. Please feel free to share any questions, comments, or suggestions on the PAFR to Kelly Grinnell, Finance Director, at 952.443.4217 or [kgrinnell@ci.victoria.mn.us](mailto:kgrinnell@ci.victoria.mn.us).

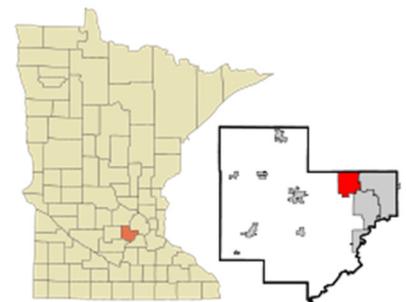
Respectfully submitted,

*Kelly L. Grinnell*

Finance Director

## City Profile

The City of Victoria was founded in the 1850s and incorporated in 1915. It is located in Carver County and is approximately 25 miles southwest of the Minneapolis/St. Paul metropolitan area. The City benefits from the employment opportunities offered in the area and the relatively low unemployment rate of 3.3% in Carver County.



The City provides its residents and businesses with a full range of municipal services consisting of police and fire protection, the construction and maintenance of streets and other infrastructure, a community center for recreation activities, park construction and maintenance, and general administrative services. In addition, the City operates three enterprises: a water utility, a sewer utility, and a storm water management utility.

## City Departments and Staff

### Administration

City Manager

~Laurie Hokkanen

City Clerk

~Jennifer Kretsch

### Planning

Community

Development Director

~Ben Landhauser

Building Official

~Tom Gray

Building Inspector

~Bill Schwanke

Planning/PW Technician

~Jessica Van Voorhis

### Finance

Finance Director

~Kelly Grinnell

Accounting Technician

~Trisha Pollock

Building Permit

Technician

~Gina Bresnahan

### Public Works

PW/Park & Rec Director

~Ann Mahnke

Deputy PW Director

~Chuck Almhjeld

Lead PW Worker

~Jeff Borg

### Park and Recreation

Recreation Supervisor

~Holly Kaufhold

Recreation Center

Receptionist

~Angela Rivera

### Fire

Fire Chief

~Andrew Heger

### Engineering

City Engineer

~Cara Geheren

Graduate Engineer

~Amanda Groh

## City Organization

The City operates under the Council-Manager form of government. The five member City Council is elected on a non-partisan basis. The mayor is elected to serve a four-year term. Councilmembers serve four-year staggered terms, with two councilmembers elected every two years.

The City Council includes:

Mayor Tom O'Connor

Councilmember Lani Basa

Councilmember Jim Crowley

Councilmember Joe Pavelko

Councilmember Tom Strigel

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[tstrigel@ci.victoria.mn.us](mailto:tstrigel@ci.victoria.mn.us)

To e-mail all City Councilmembers:

[council@ci.victoria.mn.us](mailto:council@ci.victoria.mn.us)



*Pictured: Joe Pavelko, Jim Crowley, Tom O'Connor, Lani Basa, and Tom Strigel*

Policy-making and legislative authority are vested in the Council. The Council is responsible, among other things, for passing ordinances, adopting the budget, and appointing committees. The City Council hired a new City Manager, Laurie Hokkanen, in November, 2014. The City Manager is responsible for carrying out the policies and ordinances of the Council, overseeing daily operations, and hiring employees and professional staff.

## Economic Outlook

The City of Victoria continues to grow! In 2014, the City issued 110 permits for new homes, compared to 119 in 2013, 77 in 2012, and 65 in 2011. The City also approved seven plats in 2014 that added 272 buildable lots. At the end of 2014, the City had 328 lots available for single-family homes.

For 2014, the City's population is estimated at 8,628, up 1,283, or about 17%, from the 2010 Census number of 7,345. The City currently occupies 10.7 square miles, but will ultimately extend to 32 square miles as portions of Laketown Township are annexed through an orderly annexation agreement.

The City's estimated market value of all properties within the City grew from \$1.18 billion to \$1.28 billion at the end of 2014. New construction made up \$44 million of the increase compared to \$55 million from increases in the market values of existing properties. For 2014, the median valued home amount was \$350,100, compared to \$306,900 in 2013.

# Major Projects and Initiatives

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## 2014 Major Projects and Initiatives

- Substantially completed construction of the new Public Works Facility, located at 8001 Bavaria Road. The City used cash reserves to pay for the project. Staff moved in to the new facility in November, 2014.
- Substantially completed construction of the new City Hall/Library Facility, located at 1670 Stieger Lake Lane. The City issued bonds to pay for the project. The City Hall opened in January, 2015 and the Library opened in March, 2015.
- Completed design work on a new 750,000 gallon water storage reservoir to be located off of Vogel Farm Road. The reservoir will be built in 2015 and it will be paid for with cash reserves in the Water Fund.
- Completed design work for the reconstruction of 78<sup>th</sup> Street and Kochia Lane. Construction will likely occur in 2016.

## Future Projects and Initiatives

- Conducted a citizen survey in early 2015 to provide residents the opportunity to rate the quality of life and service delivery in the City and provide feedback on other possible amenities and services.
- Held a strategic planning session to review and affirm the City's goals, vision, and mission statements.
- Celebrate the City Centennial in 2015.
- Explore and implement diverse housing options.
- Construct Wassermann and Bayfront Parks.
- Conduct a feasibility study for the reclaim of streets and storm water drainage in the Deer Run neighborhood. Construction to occur in 2015 or 2016.
- Implement live-streaming of City Council meetings in 2015.
- Construction of the Charlson Thun Community Band Stand will occur in 2015. The Band Stand is being paid for from private donors and will be donated to the City after construction.
- Construction of a donated community sculpture will occur in 2015, the location is yet to be determined.

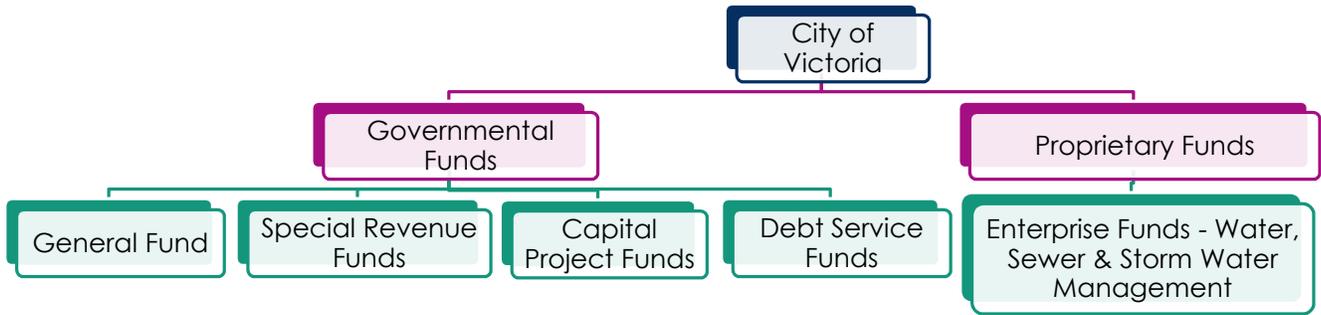


## LONG-TERM FINANCIAL PLANNING

The City uses a Long-Term Financial Plan as a tool to project tax impacts based on assumptions for revenues and expenditures for general operations, capital projects, equipment replacement, debt service payments, market values, and new homes. The plan assumes the City will continue to issue debt for street and utility reconstruction each year. The plan is based on conservative growth projections for new homes. The outlook through 2024 shows stable tax rates.

# Fund Accounting

The City accounts for services and projects in different categories of funds.



## Governmental Funds

### General Fund

This is the primary fund for the City. It accounts for revenues and expenditures associated with the general operations of the City that are not required to be accounted for in separate funds, and includes items such as parks and public works. Additional information can be found on page five of this report.

### Special Revenue Funds

These funds account for the proceeds of specific revenue sources that are restricted or committed for specific purposes. The City’s largest special revenue fund is the **Victoria Recreation Center Fund**, which accounts for revenues and expenditures associated with that facility. See page six for more information.

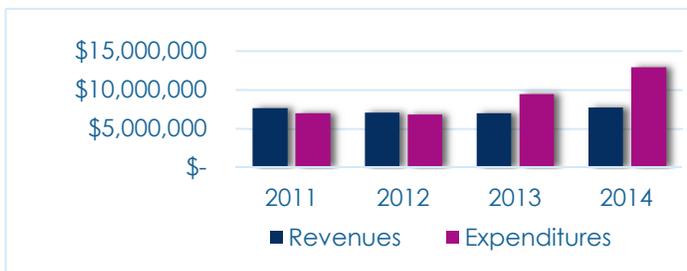
### Capital Project Funds

These funds account for the financial resources used for the construction and/or acquisition of buildings, streets, parks, etc.

### Debt Service Funds

These funds account for the financial resources used for the repayment of debt associated with the construction and/or acquisition of buildings, streets, parks, etc.

## Revenue and Expenditure History for all Governmental Funds



The chart to the left shows total governmental fund revenues and expenditures for the past four years. Revenues have not changed much, largely due to a relatively flat property tax levy. Governmental fund expenditures were higher in 2014 due to construction of the new City Hall and Public Works facilities.

## Proprietary Funds

### Enterprise Funds

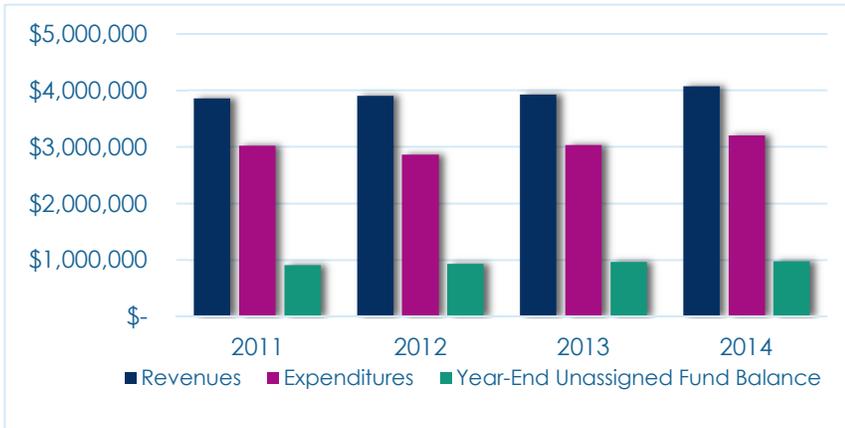
The City currently has three enterprise funds that are operated and accounted for much like a business. The City has a **Water Fund**, **Sewer Fund**, and a **Storm Water Management Fund**. Page seven provides additional information on these funds.

# General Fund

The chart below shows General Fund revenues and expenditures and transfers for the last four years. Revenues have increased slightly over this period, mainly due to increased building permit activity. Expenditures have also increased slightly since 2011. The excess of revenues over expenditures allowed the General Fund to transfer \$1,163,935 to other funds in 2014, \$593,000 was used for construction of the new Public Works Facility and the remainder will be used for future capital improvements.

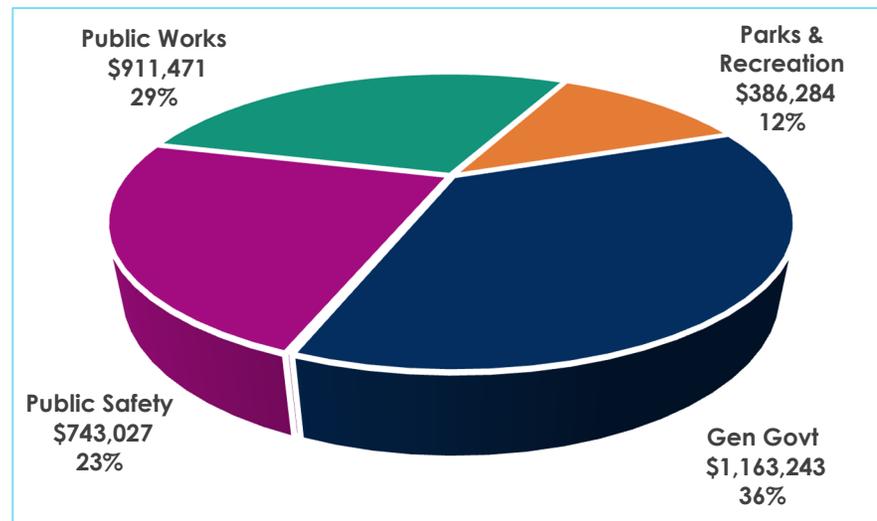
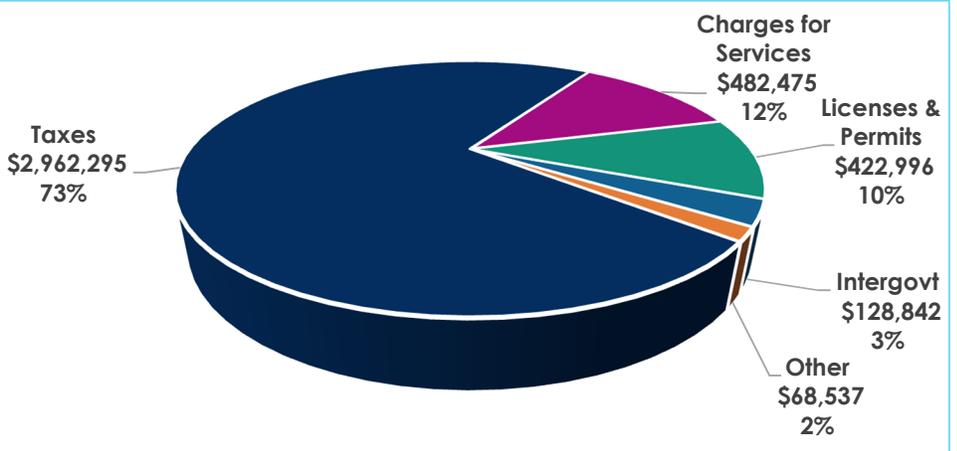
Fund balance is determined as follows:

$$(Assets + Deferred Outflows of Resources) - (Liabilities & Deferred Inflows of Resources) = Fund Balance$$



Certain portions of fund balance are nonspendable, restricted, committed, or assigned. Unassigned fund balance is the remaining portion. The City's policy is to maintain a year-end unassigned fund balance of 30% of the following year's budgeted expenditures. This is the amount needed to pay expenditures until the City receives its first property tax settlement in June. Year-end unassigned fund balance was \$978,468 at the end of 2014

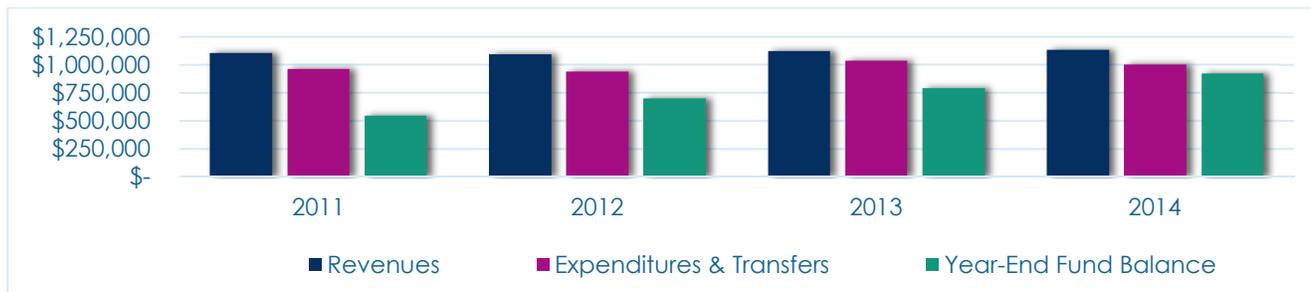
The chart to the right shows 2014 revenues by category. Property taxes continue to be the primary revenue source; however, the percentage of total revenue from taxes has decreased from 80% in 2011. Total revenues were \$4,065,145, compared to \$3,792,402 budgeted. The excess was largely due to additional building permit revenue.



The chart to the left shows a breakdown of General Fund expenditures by function. For 2014, total expenditures were \$3,204,025, which is \$43,336 less than the budget of \$3,247,361. The variance is largely due to the elimination of the fire relief pension in 2014. The fire relief association transferred its pension to the state program and no contribution was required for 2014.

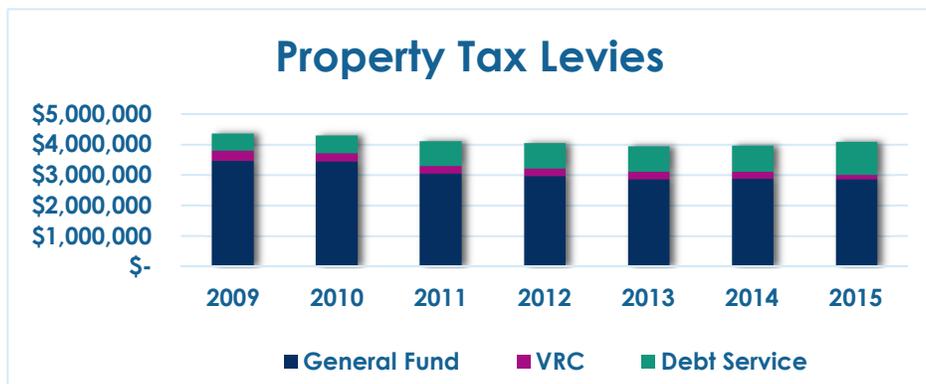
# Victoria Recreation Center Fund

The chart below shows revenues, expenditures and transfers, and fund balance for the Victoria Recreation Center for the last four years. Revenues were \$1,131,670 in 2014 and have remained fairly constant since 2011. Expenditures and transfers have increased slightly to \$1,000,595 in 2014. Fund balance increased to \$921,501 at the end of 2014. A portion of the fund balance is needed for cash flow purposes, since the City does not receive its first tax settlement until June. The remaining fund balance is set aside to be used for future facility maintenance, such as roof replacement, parking lot sealcoating, and remodeling.



## Levies & Budgets

The City Council adopts a tax levy and budgets for the General Fund and Victoria Recreation Center each December. The tax levy is made up of three components: General Fund, Victoria Recreation Center Fund, and Debt Service. The levy for taxes payable in 2015 was \$4,100,800 and was \$139,800 higher than the 2014 levy of \$3,961,000; however it is still lower than the 2009 levy of \$4,362,480. Due to the increase in property values, the tax rate actually decreased from 37.9% in 2014 to 33.4% in 2015.



Residents pay property taxes to the County in May and October each year. Of the total amount paid in property taxes, about 24% goes to the City. The remaining amount goes to the County, School District, and other taxing entities. For 2015, City taxes on the median valued home are about \$96 per month, compared to \$94 in 2014.

The table below shows the actual and budget amounts for the General Fund and Victoria Recreation Center for 2013 through 2015.

	2013 Actual	2014 Budget	2014 Actual	2015 Budget
Gen Fund Revenues	\$ 3,924,108	\$ 3,792,402	\$ 4,065,145	\$ 3,888,812
Gen Fund Expenditures	\$ 3,029,382	\$ 3,247,361	\$ 3,204,025	\$ 3,402,599
Transfers Out	\$ 563,981	\$ 489,135	\$ 1,163,935	\$ 481,135
VRC Revenues	\$ 1,121,725	\$ 1,072,143	\$ 1,131,670	\$ 1,052,215
VRC Expenditures & Debt Service Transfer	\$ 1,034,171	\$ 949,971	\$ 1,000,595	\$ 1,025,858

# Debt Management

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The City has issued debt periodically to pay for certain projects, such as street and utility reconstruction projects and new buildings. The City follows the guidelines in its Debt Management Policy, which was adopted in 2013. The policy sets limitations on the amount of outstanding debt and the amount that can be levied to property taxes to repay debt.

## AA+

In 2014, Standard & Poor's affirmed the City's AA+ bond rating when the City issued \$2,850,000 in bonds for the new City Hall/Library project. An AA+ is the second highest rating available from Standard & Poor's. A high rating is important because it results in lower interest costs when issuing debt.

The amount of debt outstanding at year-end 2014 was \$30,358,516, compared to the 2013 year-end amount of \$31,556,584. However, the amount outstanding at the end of 2014 includes \$2,660,000 of bonds that have been refunded and will be repaid with cash currently set aside in an escrow fund.

Refunding a bond is similar to refinancing your home mortgage for a lower interest rate. Since 2010, the City has refunded six bonds, resulting in debt service savings of \$831,656.

## Enterprise (Utility) Fund Information

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The City provides water, sewer, and storm water management services to residents and businesses. These utilities are run like businesses, with service charges designed to cover current operating expenses and debt service and also provide for future projects. Revenues from operations have been sufficient to cover operating expenses. Water and storm water utility rates have not increased since 2011; however, a sewer rate increase took effect in January, 2015. This is the first sewer rate increase since 2011.

The City maintains a large amount of infrastructure to provide water services. The City currently maintains a Water Treatment Plant, one water tower, three wells, and 55 miles of water mains. The City is building a new underground water storage reservoir in 2015 that will hold 750 thousand gallons of water. The reservoir will be paid from cash reserves, largely accumulated from water connection fees.

The City also maintains a large infrastructure for its sewer and storm water utilities. The City has over 50 miles of sanitary sewer mains, along with 17 lift stations that transport waste water to the Metropolitan Council interceptor for ultimate transport to a facility for treatment. For storm water management, the City is responsible for 76 storm water ponds and a number of inlets, outlets, and drains used to move rain and other water through the City into area ponds, streams, and lakes.

The table below summarizes operations for the three utility funds for the year ended December 31, 2014.

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Storm Water Fund</b>
<b>Charges for Services</b>	\$ 1,161,817	\$ 766,745	\$ 143,953
<b>Operating Expenses</b>	520,636	586,774	102,730
<b>Depreciation</b>	547,299	279,635	134,386
<b>Operating Income(Loss)</b>	\$ 93,882	\$ (99,664)	\$ (93,163)
<b>Non-Operating Revenues(Expenses)</b>	\$ (170,479)	\$ 13,296	\$ 4,297
<b>Connection Fees</b>	1,240,990	176,450	-
<b>Transfers In and Contributions</b>	417,721	844,882	634,162
<b>Change in Net Position</b>	\$ 1,582,114	\$ 934,964	\$ 545,296
<b>Cash at Year-End</b>	\$ 3,323,947	\$ 655,233	\$ 472,297