



## 2012 Popular Annual Financial Report

To the Citizens and Businesses of Victoria:

We are pleased to present the Popular Annual Financial Report (PAFR) of the City of Victoria for the fiscal year ended December 31, 2012. The purpose of this report is to inform the community of the City's financial activity in a simple, easy-to-read format.

The City reported financial year-end results for 2012 in its Comprehensive Annual Financial Report (CAFR). The CAFR was prepared in accordance with Generally Accepted Accounting Principles (GAAP) and audited by the City's independent auditors, receiving an unqualified, or "clean" opinion. The PAFR is an unaudited report that summarizes the most significant data from the CAFR, and is consistent with GAAP.

The PAFR does not include information on all of the City's funds. Citizens seeking more detailed financial information may view a copy of the audited CAFR at [www.ci.victoria.mn.us](http://www.ci.victoria.mn.us) or contact the Finance Department at 952.443.4217.

We hope you find this report to be informative and we welcome your comments and suggestions. Please feel free to contact me to discuss any aspect of this report.

Sincerely,

Kelly Grinnell, Finance Manager

### City Profile

The City of Victoria was founded in the 1850s and incorporated in 1915. It is located in eastern Carver County and is approximately 25 miles southwest of the Minneapolis/St. Paul metropolitan area. The estimated population at the end of 2012 is 7,943.

The City is governed by a five-member City Council consisting of a mayor and four council members. The City operates under a Council-Manager form of government. 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 maintenance, and general administrative services. In addition, the City operates three enterprises: a water utility, a sewer utility, and a storm water management utility.

### Financial Highlights

- 2012 was a challenging year for the City because of the continuing drop in market values. City leaders approved a conservative budget that maintained a steady tax rate, resulting in lower taxes for most property owners. As noted in the CAFR, the City held the line on actual expenditures over budget, while increasing efficiency and maintaining service levels.
- City revenue from all sources totaled \$9,627,019 and expenses totaled \$8,259,879. This increased the City's net position (difference between assets and liabilities) to \$52,487,229 at year-end. Of this amount, \$33,374,998 represents the amount the City has invested in capital assets, such as land, buildings, vehicles, equipment, streets, parks, and water and sewer infrastructure; \$9,309,036 is restricted for items such as debt service and park improvements; and the remaining amount is set aside to ensure adequate cash flow and to fund future capital investments, including new City Hall and Public Works facilities, and other streets, parks, and utility improvements.

### Contact Us

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(952) 443-4210 *phone* ~ (952) 443-2110 *fax*  
[www.ci.victoria.mn.us](http://www.ci.victoria.mn.us)

#### Elected Officials

##### **Mayor**

Tom O'Connor

##### **Council Members**

Lani Basa	Jim Crowley
Joe Pavelko	Tom Strigel

#### Staff

**City Manager**—Don Uram

**City Clerk**—Jennifer Kretsch

**Community Development Director**—Holly Kreft

**Director of Public Works and Parks & Recreation**—Ann Mahnke

**Finance Manager**—Kelly Grinnell

**Public Works Superintendent**—Chuck Almhjeld

**Building Official**—Tom Gray

**Fire Chief**—Andrew Heger

## Major 2012 Strategic Planning Initiatives

- Began site/design work for New City Hall and Public Works Facilities
- Changed to 4-year mayor term
- Changed from Council-Administrator to Council-Manager form of government
- Created partnerships for seal coating and street sweeper purchase
- Improved the budget process
- Reconstructed Lift Station 4
- Constructed Madelyn Creek Park and completed Rhapsody Park

## Economic Condition and Outlook

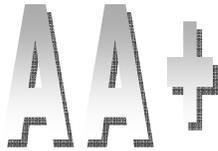
The City of Victoria continues to grow. The City occupies 10.7 square miles, with an ultimate growth boundary of 32 square miles. The recently annexed Lake Wasserman area added 380 acres for future development. The City is extending water and sewer utility service to the area. The City has an orderly annexation agreement in place with Laketown Township, which will allow for substantial residential and commercial growth.

In 2012, the City issued 77 permits for new home construction compared to 68 permits in 2011. The City also approved three final plats that added 55 new buildable lots. The County Assessor has estimated that market value for

the City increased from \$973 million at the beginning of 2012 to \$1.01 billion at the end of 2012. New construction accounted for \$24.2 million of the increase and market changes in existing properties accounted for the \$16.1 million.

The table below shows population statistics:

Year/Source	Population
1990 Census	2,354
2000 Census	4,025
2010 Census	7,345
2020 Met Council Estimate	19,600
2030 Met Council Estimate	28,000



*In 2012, Standard & Poor's affirmed the City's bond rating of AA+ when the City refunded three of its bond issues. The refunding will save City taxpayers over \$425,000. Refunding a bond is comparable to refinancing your mortgage for a lower interest rate.*

## Cooperative Public Service Delivery

The City is committed to working cooperatively with other cities, Carver County, and other groups to deliver public services. In 2012 the City:

- Contracted with Carver County for police coverage, assessment services, and GIS services.
- Provided contract building inspection services to the City of Minnetrista.
- Participated in a regional safety training group.
- Participated in a joint powers agreement with other cities for street seal coating.
- Worked with the City of Carver and Carver County to jointly purchase two street sweepers.

The City realizes significant savings by participating in these joint agreements.

## Fund Information

City services and projects are accounted for 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, such as parks and public works.

**Special Revenue Funds**—Account for 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.

**Capital Project Funds**—Account for the financial resources used for the construction and/or acquisition of buildings, streets, parks, etc.

**Debt Service Funds**—Account for the financial resources used for the repayment of debt associated with the construction and/or acquisition of buildings, streets, parks, etc.

### 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**.

The balance of this report will focus on the City's largest funds: General Fund, Victoria Recreation Center Fund, Water Fund, Sewer Fund, and Storm Water Management Fund.

# Governmental Funds

## TOTAL GOVERNMENTAL FUND REVENUES

Revenues from all governmental fund activities were \$7,075,958 in 2012, a decrease of \$597,431 from 2011. There are two primary reasons for the decrease: 1) the City received \$501,000 in street aid in 2011 and none in 2012; and 2) the City's property tax levy decreased \$102,000 from 2011.

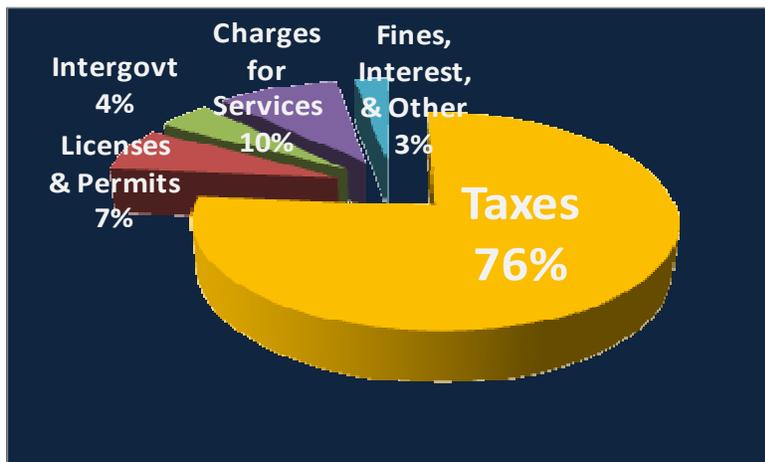
## TOTAL GOVERNMENTAL FUND EXPENDITURES

Expenditures for all governmental fund activities were \$6,837,020 in 2012, a decrease of \$168,104, largely due to a decrease in capital outlay in 2012.

## GENERAL FUND ACTIVITY

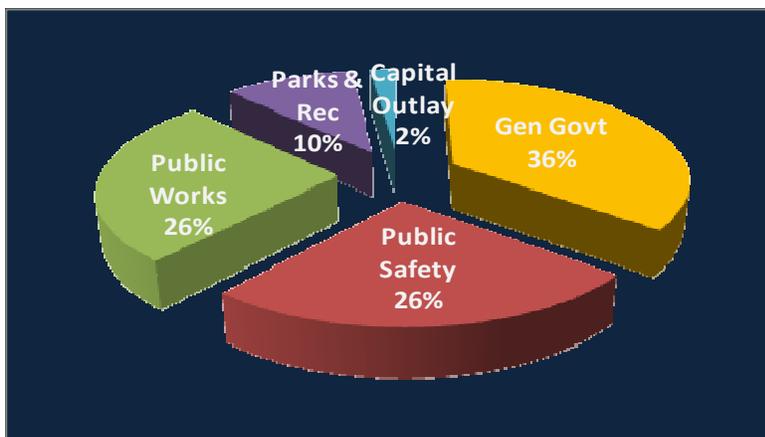
General Fund revenue for 2012 was \$3,896,431, an increase of \$39,643 from 2011, and \$217,426 higher than budgeted. Tax revenue was lower due to the decrease in the property tax levy, but all other revenue categories were higher. The increase is largely attributed to increased building permit and development revenue, and grant revenue.

The chart below shows 2012 revenues by category:



General Fund expenditures for 2012 were \$2,867,576, a decrease of \$158,617 from 2011, and \$263,504 lower than budgeted. General Government expenditures decreased by \$89,268, due largely to decreases in professional services expenditures for items like engineering and legal. Also, a budgeted public works position was left unfilled and staff made a conscientious effort to restrain spending.

The chart below shows 2012 expenditures by function:



## Budget Process

The annual budget serves as the foundation for financial planning and control. The City uses a biennial budget model for its General Fund and Recreation Center Fund. The first year of the budget is adopted as the annual budget; the second year is adopted as a concept budget, pending approval of a new tax levy in the second year. Departments submit requests to the City Manager in June of each year. Those requests form the starting point for developing a proposed budget. The Finance Committee and City Council review ongoing drafts of the budget until a preliminary tax levy and budget are adopted by September 15 of each year. The Finance Committee and City Council continue to refine the budget until a final budget hearing is held in December. At that time, the final tax levy and budget are adopted.

## 2013-2017 Capital Improvement Plan

The Capital Improvement Plan is a plan for capital expenditures over a five-year period. It details projects such as the acquisition or construction of buildings and parks and the replacement and purchase of vehicles and equipment. Major projects for future years include:

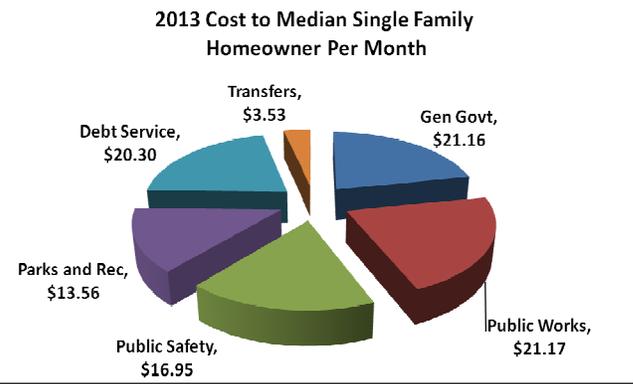
- Extension of water and sewer utilities to the Lake Wasserman area
- Construction of a new City Hall and a new Public Works Facility
- Continuing renovations of the City's sewer lift stations
- Construction of parks at Lake-bridge, South Lake Virginia Shores, and other areas
- Local and regional trail connections

## Service Statistics for 2012

Fire Calls	209
Police Calls	3,099
Building Permits Issued	460
Number of Parks	21
Acres of Parks	250
Street Miles	45
Trail Miles	20
Lift Stations	17
Storm Water Ponds	70
Gallons of Water Treated	303 Million
Number of Wells	3
Registered Voters	5,279

## 2013 Budget & Taxes

The City Council adopted its 2013 General Fund budget last December. The chart to the left shows the monthly cost for City services for a median valued home (\$302,100). The total monthly cost is about \$97, compared to \$102 in 2012.



## Victoria Recreation Center Fund

The Victoria Recreation Center Fund ended 2012 with \$1,094,883 in revenues, down slightly from \$1,103,544 in 2011. The City had budgeted for \$1,073,078 in revenue.

Expenditures were \$492,276 for the year compared to \$518,181 in 2011. The budget for 2012 was \$549,275.

The difference between revenues and expenditures for the year was \$602,607; however, each year a transfer of \$446,971 is made for debt service to repay the bonds issued to construct the facility.

The fund balance increased from \$547,236 at the beginning of the year to \$702,872 at year-end. The fund balance is set aside to provide working cash flow and also for a number of facility maintenance and replacement needs as identified in a recent facility condition assessment.

## Enterprise (Utility) Fund Information

### UTILITY FUND OPERATIONS

#### FOR THE YEAR ENDED DECEMBER 31, 2012

	Water Fund	Sewer Fund	Storm Water Management Fund
Charges for Services	\$ 1,394,898	\$ 758,279	\$ 133,753
Operating Expenses	\$ 390,354	\$ 548,109	\$ 64,743
Depreciation	\$ 527,450	\$ 253,592	\$ 117,685
Operating Income (Loss)	\$ 477,094	\$ (43,422)	\$ (48,675)
Non-operating Revenues (Expenses)	\$ (461,560)	\$ 25,346	\$ 2,836
Capital Contributions	\$ 190,210	\$ 547,011	\$ 247,634
Connection Fees	\$ 359,400	\$ 122,750	\$ -
Change in Net Position	\$ 565,144	\$ 651,685	\$ 201,795
Cash and Investments	\$ 1,586,583	\$ 1,459,863	\$ 346,747
Due From Other Funds	\$ 933,319		
Bonds Payable	\$ 7,480,000		

The City Council adopts budgets for the Utility Funds each year. There have been no rate increases since January, 2011. Below are highlights for each fund:

#### Water Fund

Charges for services increased \$230,259 from 2011. The increase was largely due to an increase in water consumption. Operating expenses decreased \$24,157 due to lower maintenance costs.

#### Sewer Fund

Charges for services increased \$73,277 from 2011. The increase was largely due to an increase in usage during the winter quarter averaging period. Operating expenses decreased \$74,252, largely due to lower sewer charges from Metropolitan Council Environmental Services.

#### Storm Water Management Fund

Charges for services increased \$2,732 from 2011. The increase was due to an increase in new homes. Operating expenses decreased \$25,636 due to a delay in the maintenance of storm water ponds.