

Proposed Revisions to BCWMC Fiscal Policies – as recommended by the BCWMC
Administrative Services Committee 12/8/14

[Excerpt from July 12, 2011 Policy Manual]

3.2 Funding

3.2.1 General Administrative Costs

Policy: Commission administration and programmatic costs will be funded through charges to member cities based on area and taxable value.

Description: Member cities are allocated their share of administrative costs based on a formula in the Joint Powers Agreement.

Applicable funding: Annual city funds

Adopted: July 30, 2002

Citation: Joint Powers Agreement, Section VIII, Subd. 3.

Strategies to implement policy:

1. Each year the Commission adopts a budget in accordance with the joint powers agreement between the member cities. The budget is adopted before July 1, and cities may comment on or object to the budget before August 1. The Commission adopts a budget after adjustments as necessary at the August meeting.
2. The general administrative costs are assessed among the member cities on the basis of a formula set in the joint powers agreement, which is 50% based on the net tax capacity of property within the watershed and 50% on the basis of land area within the boundaries of each city.
3. The Commission will keep approximately 50% of its annual operating expenses as an Administrative Fund balance for the following purposes:
 1. To provide appropriate cash flow to pay for Commission projects and programs
 2. To fund projects or programs that arise unexpectedly

3.2.2 Capital Improvement Program Funding

Policy: The County will levy an ad valorem watershed-wide tax for capital projects of greater than \$25,000.

Description: This process provides transparent oversight of Board decisions by elected representatives of member cities and Hennepin County. The BCWMC has been implementing its capital improvement program (CIP) since 2004. As called for in the BCWMC's approved watershed management plan, the BCWMC funds its water quality improvement projects using an ad valorem tax levy administered by Hennepin County (MN Statutes 103B.251). Although the BCWMC provides the funding, the member cities are responsible for constructing the CIP projects.

Applicable funding: Hennepin County ad valorem tax levy throughout the Bassett Creek watershed.

Adopted: 2004

Citation: Joint Powers Agreement, Section VII, Method of Proceeding, Subd. 5 and MN Statute 103B.251.

Strategies to Implement Policy:

1. The Commission will strive to levy amounts that are relatively stable from year to year.

~~1.2.~~ Each year in December, the BCWMC member cities are contacted and asked if there are any recommended changes to the BCWMC CIP.

~~2.3.~~ In January of every year, the BCWMC's Technical Advisory Committee (made up of city technical staff) reviews the projects in the BCWMC CIP and discusses any recommendations received from the member cities as a result of the December solicitation. The TAC makes a recommendation to the Commission regarding the CIP.

~~3.4.~~ Also in January, the Commission reviews and takes action the TAC's CIP recommendation.

~~4.5.~~ After ordering the project, the BCWMC certifies to Hennepin County the tax levy that is needed for the following year.

~~5.6.~~ The procedures set forth in the joint powers agreement are similar to those followed by cities in the case of capital projects paid for by special assessments under Minnesota Statutes, Chapter 429. As in the case of 429 improvement projects, the process begins with the preparation of a feasibility report on the proposed project.

~~6.7.~~ Following receipt of the feasibility report, the Commission would hold a hearing on the proposed project, giving at least 45 days notice to the clerk of each member city.

~~7.8.~~ Following the hearing, the Commission could order the project by a 2/3 vote of its members. That order would designate the cities responsible to construct the project, direct the preparation of plans and specifications, and specify the percentage of project costs that are to be paid by each member.

~~8.9.~~ The Commission may use one of several means to determine the amount to be paid by each member city.

- a. First, the funding may be provided on the basis of a negotiated settlement among member cities.
- b. Second, the cost may be provided by member cities on the same basis as the administrative formula.
- c. Third, the Commission may modify the "50/50" formula by a 2/3 vote if it determines that any member community receives a direct benefit from the capital improvement that can be defined as lateral as well as a trunk benefit

(which our legal counsel assumes would generally be a concept applied to water quantity rather than water quality projects), or if the Commission determines that the project provides direct benefit to one or more cities that is so disproportionate as to require in a sense of fairness a modification to the 50/50 formula. Any city aggrieved by the determination of the cost allocation may appeal the decision and have it submitted to arbitration.

9.10. Following the issuance of the order for the improvement, each city will be given at least 90 days to determine the method it will use to raise its share of the project cost. After 90 days has elapsed, or notice has been received, by the Commission from each city that it has made such a determination, the Commission may order the advertisement for bids for the project.

The project will be constructed by the city assigned responsibility for the project. Other cities will pay, or contract for the payment of, its share of the cost. Payment is to be made by member cities within 30 days of statements from the engineer certifying that the work has been done.

3.3 Administrative Expense Charges to Capital Improvement Projects

Policy: The Commission will recover administrative costs not to exceed a 2.5% margin of the cost for CIP projects.

Description: This policy sets in place the method to compensate the Commission for administrative expenses associated with CIP projects.

Applicable funding: Not applicable

Adopted: August 2005

Citation: Meeting minutes August 18, 2005

Strategies to Implement Policies:

1. 2.5% is ~~added to~~included in the CIP project levy to reimburse the Commission for administrative expenses.
2. Up to 2.5% of the levy amount is transferred from the CIP account to the Administrative Fund

3.4 Capital Improvement Program Closed Project Account Policy

Policy: Funds remaining in the CIP construction account from completed projects may be used to reduce future tax levies for future CIP projects.

Description: The Commission established the CIP Closed Project Account (the "Account"). This Account will receive remaining funds from completed project accounts.

Applicable funding: CIP Closed Project Account

Adopted: October 20, 2005, Amended March 19, 2009

Citation: Policy statement by Commission

Strategies to Implement Policy:

1. Upon completion of CIP projects funded in whole or in part by a County tax levy and after reimbursement of Commission expenses and administrative charges and final payment to the City with responsibility for construction of the project, the

construction account for that project will be closed and remaining funds will be transferred to the Closed Project Account.

2. As a general guiding principle, the Account will be used for expenses incurred for other projects in the Commission's CIP that are proposed to be funded with a County tax levy. Such expenses include:
 - a. The administrative and construction costs of CIP projects. Monies from the Account may be used to reduce or eliminate a tax levy for capital projects in the CIP by transferring monies to the construction accounts for those projects.
 - b. Reimbursement to the Commission's General Fund of expenses or administrative fees incurred in connection with a project if the tax settlement for that project is not sufficient to cover such expenses.
 - c. Reimbursement to cities that construct projects for administrative or construction costs if tax settlements received from the County are not sufficient to cover such costs. These costs might include cost overruns on projects, change orders, corrective follow-up work or repairs, or other unforeseen project costs.
 - d. Prepayment of project costs to the Commission or to cities for project costs that are incurred before receipt of tax settlement from the County for that project.
 - e. Partial funding of TMDL study costs if the Commission has sufficient information to determine with reasonable assurance that the TMDL study will identify, plan, design, or redesign capital projects to be funded with a County tax levy.
3. The Commission does not intend to accumulate unreasonable balances in the Account. Because the Account could be used to fund projects in advance of receipt of tax settlement from the County, and because a number of larger projects in the CIP have total costs, or annual project costs, of approximately \$250,000, the Commission finds that an accumulation of funds between of up to \$250,000 and \$500,000 is reasonable. Money will not be accumulated to an amount in excess of \$250,000\$500,000 unless a specific use for such funds has been identified. The Account balances may be kept within this amount by expending funds for any of the purposes identified in this policy.
4. Each year the Commission will consider the status of the Account prior to certification to Hennepin County of requests for tax levies for capital projects.
5. If project costs exceed projections, cities responsible for construction may request additional funds.