

RESOLUTION NO. 2023-10

**STATE OF MINNESOTA
COUNTY OF ANOKA
CITY OF CIRCLE PINES**

Resolution Authorizing Participation in State Performance Measures and Continuation of the Ten City Performance Measures of the Local Results and Innovation Council

WHEREAS, Benefits to the City of Circle Pines for participation in the Minnesota Council on Local Results and Innovation's comprehensive performance measurement program are outlined in MS 6.91 and include eligibility for a reimbursement as set by State statute; and

WHEREAS, Any city participating in the comprehensive performance measurement program is also exempt from levy limits for taxes, if levy limits are in effect; and

WHEREAS, The City Council of Circle Pines has adopted and implemented at least 10 of the performance measures, as developed by the Council on Local Results and Innovation, and a system to use this information to help plan, budget, manage and evaluate programs and processes for optimal future outcomes; and

NOW THEREFORE LET IT BE RESOLVED THAT, The City Council of Circle Pines will continue to report the results of the performance measures to its citizenry by the end of the year through publication, direct mailing, posting on the city's website, or through a public hearing at which the budget and levy will be discussed and public input allowed.

BE IT FURTHER RESOLVED, The City Council of Circle Pines will submit to the Office of the State Auditor the actual results of the performance measures adopted by the city.

Adopted this 13th day of June, 2023 by the City Council of the City of Circle Pines.

4 Ayes, 0 Nays, 0 Abstention

ATTEST:



Patrick Antonen, City Administrator



Dave Bartholomay, Mayor
(Seal)



Performance Measurement Program Report

2022

Category	Measure	Notes
General - #1	Overall Quality of Services*	Excellent 42% Good 51% Fair 5% Poor 0% Don't Know 2%
General - #2	Change in Taxable Market Value	2021 460,355,452 2022 483,048,199 – 5% 2023 585,391,742 – 21%
General - #3	Overall Appearance*	Excellent 24% Good 65% Fair 10% Poor 1%
General - #6	Bond Rating	AA+/Stable from S&P Global April 2022
General - #7	Quality of City Rec Program & Facilities*	Excellent 39% Good 48% Fair 7% Poor 2% Don't Know 4%
Police Services - #11	Safety Rating*	Very Safe 62% Somewhat Safe 34% Somewhat Unsafe 3% Very Unsafe 0.5% Don't Know 0.5%
Fire & EMS Services - #13	Insurance Industry Rating	03/3X**
Fire & EMS Services - #14	Quality of Fire Protection Services*	Excellent 45% Good 29% Fair 1% Don't Know 25%
Fire & EMS Services - #15	Average fire response time	5 min, 1 sec
Fire & EMS Services - #16	Fire calls per 1,000 population	15.17
Fire & EMS Services - #18	EMS calls per 1,000 population	30.15
Fire & EMS Services - #19	Emergency Medical Services average response time	5 min, 32 sec
Streets - #21	Road Conditions*	Excellent 29% Good 55%

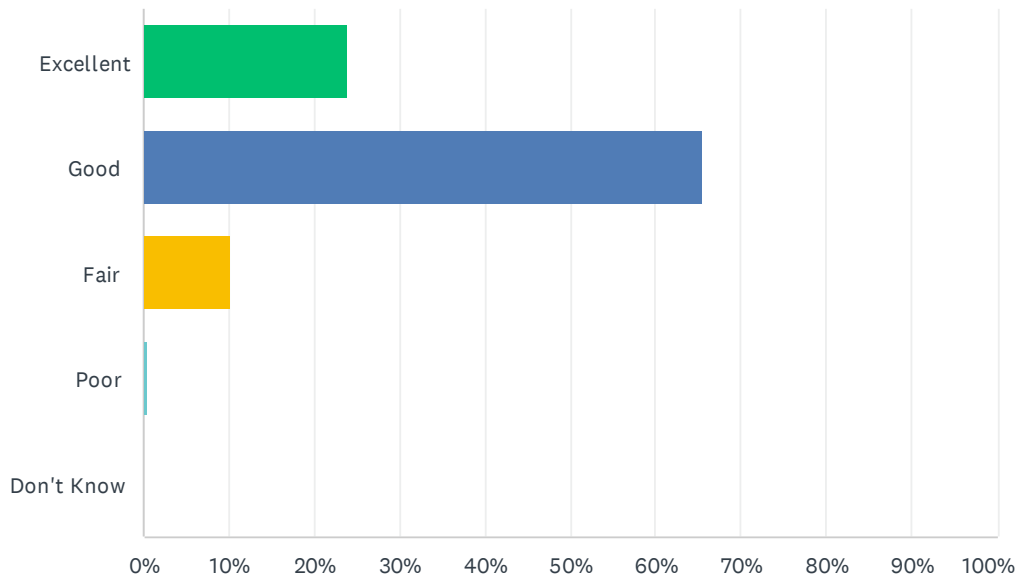
		Fair 14% Poor 2%
Streets - #25	Quality of Snowplowing*	Excellent 32% Good 47% Fair 15% Poor 3% Don't Know 3%
Water - #26	Dependability and Quality of Water Supply*	Excellent 44% Good 43% Fair 10% Poor 2% Don't Know 1%
Sanitary Sewer - #28	Dependability and Quality of Sanitary Sewer Service*	Excellent 49% Good 40% Fair 2% Poor 0% Don't Know 8%

**Survey completed: 2022; 261 responses*

***Community Classification from Public Protection Classification (PPCTM) Summary Report prepared by Insurance Services Office, Inc. on March 1, 2018*

Q1 How would you rate the overall appearance of the city?

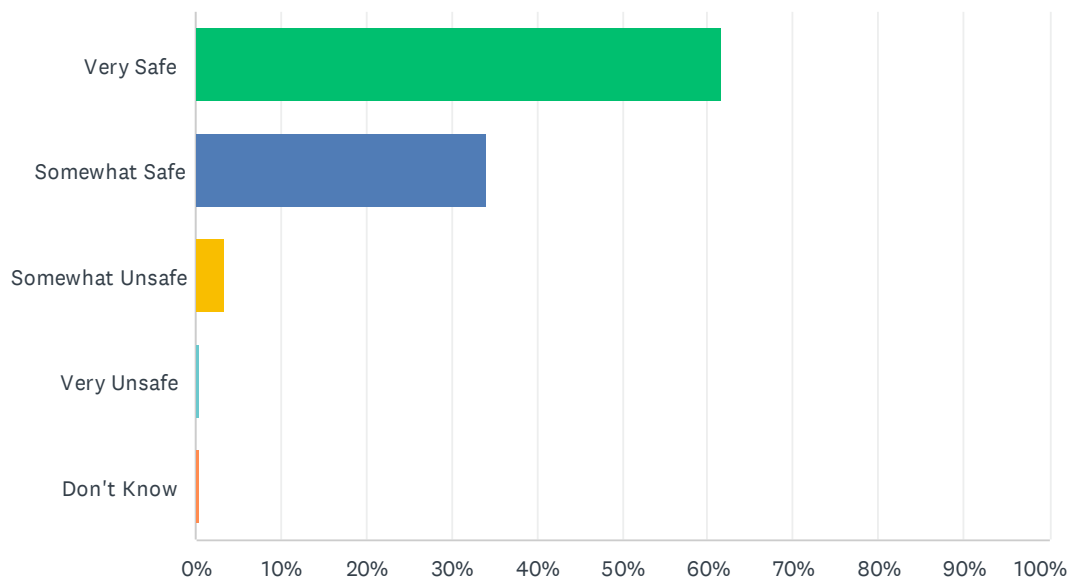
Answered: 263 Skipped: 0



ANSWER CHOICES	RESPONSES	
Excellent	23.95%	63
Good	65.40%	172
Fair	10.27%	27
Poor	0.38%	1
Don't Know	0.00%	0
TOTAL		263

Q2 How would you describe your overall feeling of safety in the city?

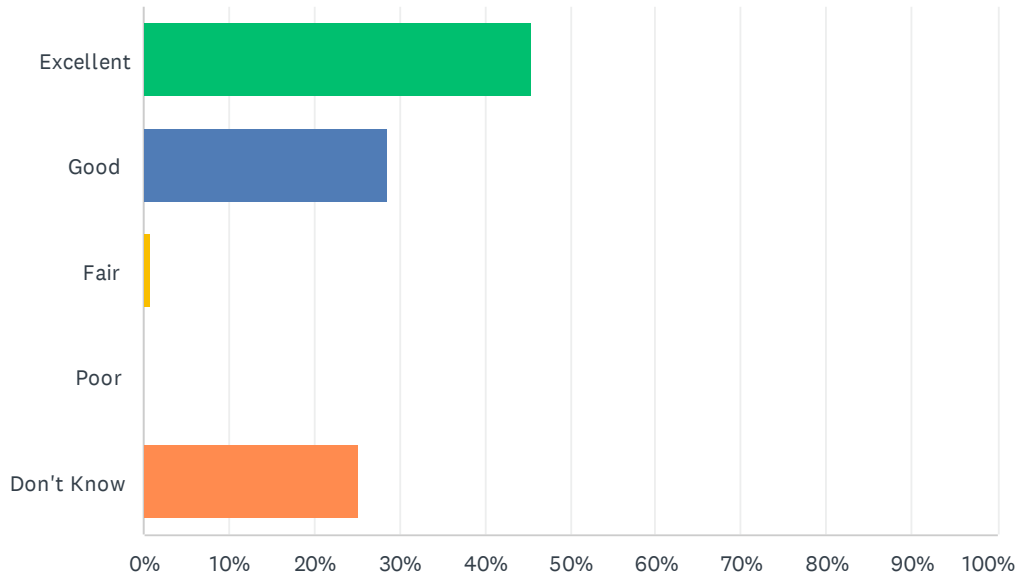
Answered: 263 Skipped: 0



ANSWER CHOICES	RESPONSES	
Very Safe	61.60%	162
Somewhat Safe	34.22%	90
Somewhat Unsafe	3.42%	9
Very Unsafe	0.38%	1
Don't Know	0.38%	1
TOTAL		263

Q3 How would you rate the overall quality of fire protection services in the City?

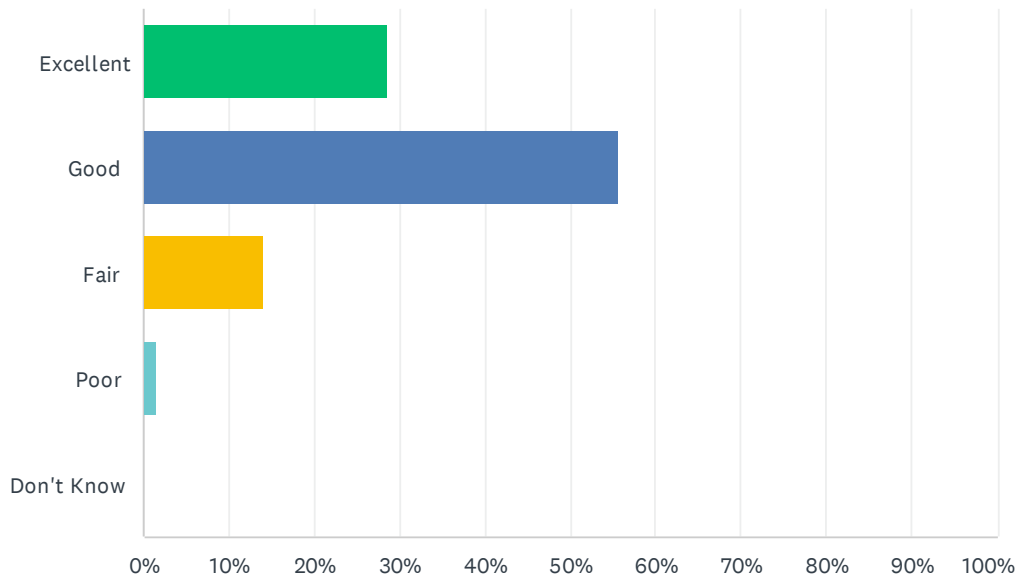
Answered: 262 Skipped: 1



ANSWER CHOICES	RESPONSES	
Excellent	45.42%	119
Good	28.63%	75
Fair	0.76%	2
Poor	0.00%	0
Don't Know	25.19%	66
TOTAL		262

Q4 How would you rate the condition of the streets?

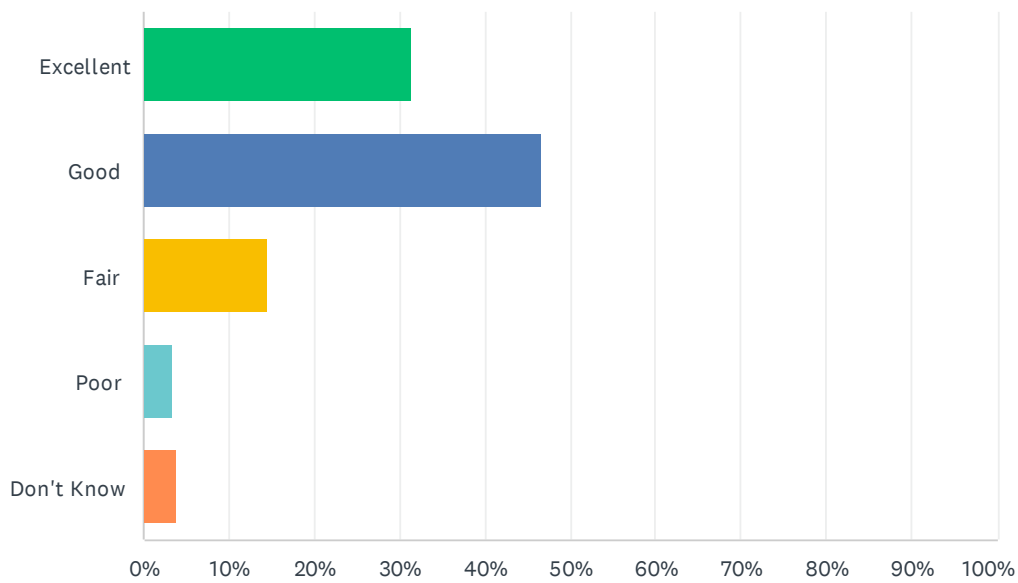
Answered: 262 Skipped: 1



ANSWER CHOICES	RESPONSES	
Excellent	28.63%	75
Good	55.73%	146
Fair	14.12%	37
Poor	1.53%	4
Don't Know	0.00%	0
TOTAL		262

Q5 How would you rate the overall quality of snowplowing on city streets?

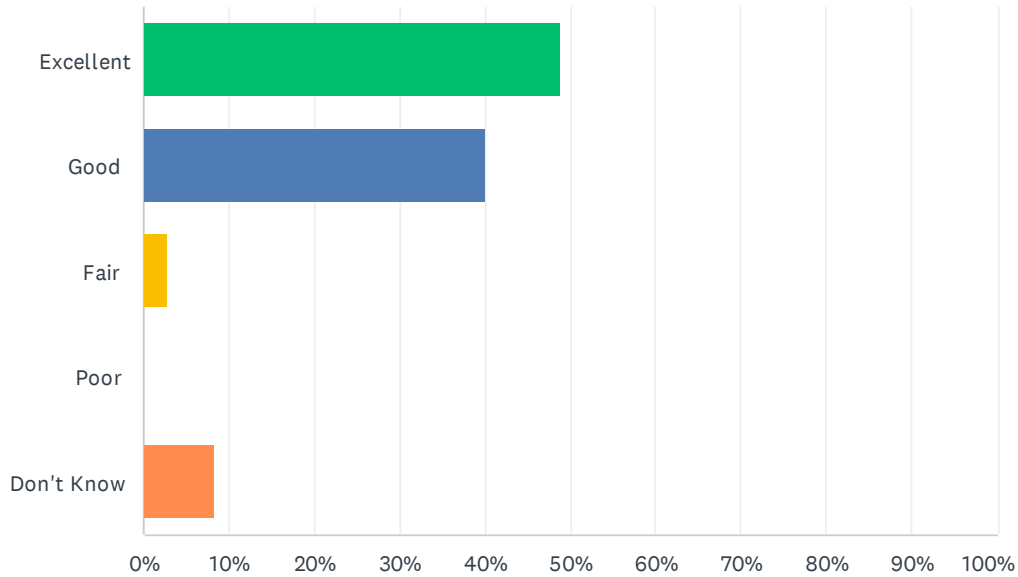
Answered: 261 Skipped: 2



ANSWER CHOICES	RESPONSES	
Excellent	31.42%	82
Good	46.74%	122
Fair	14.56%	38
Poor	3.45%	9
Don't Know	3.83%	10
TOTAL		261

Q6 How would you rate the dependability and overall quality of city sanitary sewer service?

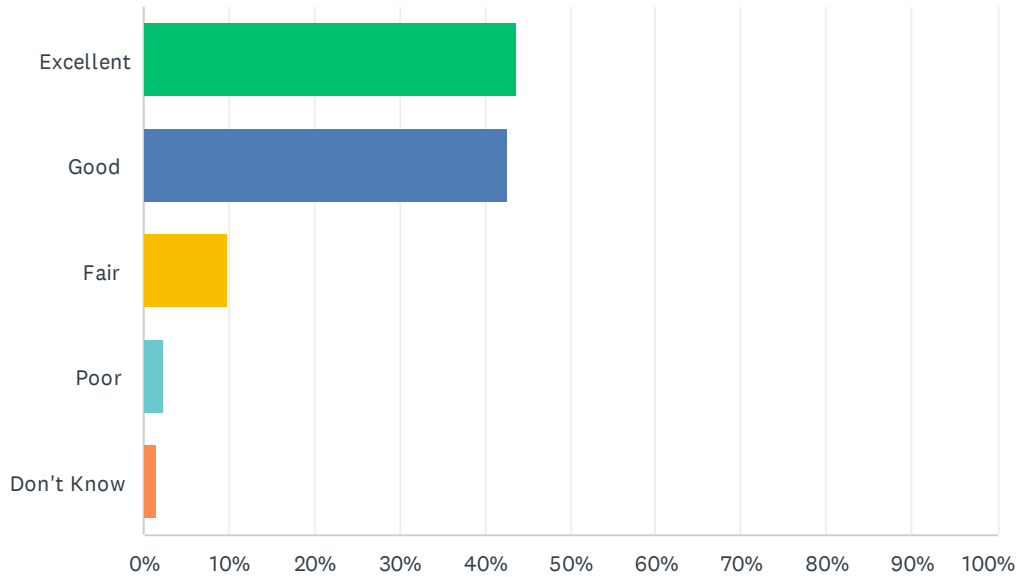
Answered: 262 Skipped: 1



ANSWER CHOICES	RESPONSES	
Excellent	48.85%	128
Good	40.08%	105
Fair	2.67%	7
Poor	0.00%	0
Don't Know	8.40%	22
TOTAL		262

Q7 How would you rate the dependability and overall quality of the city water supply?

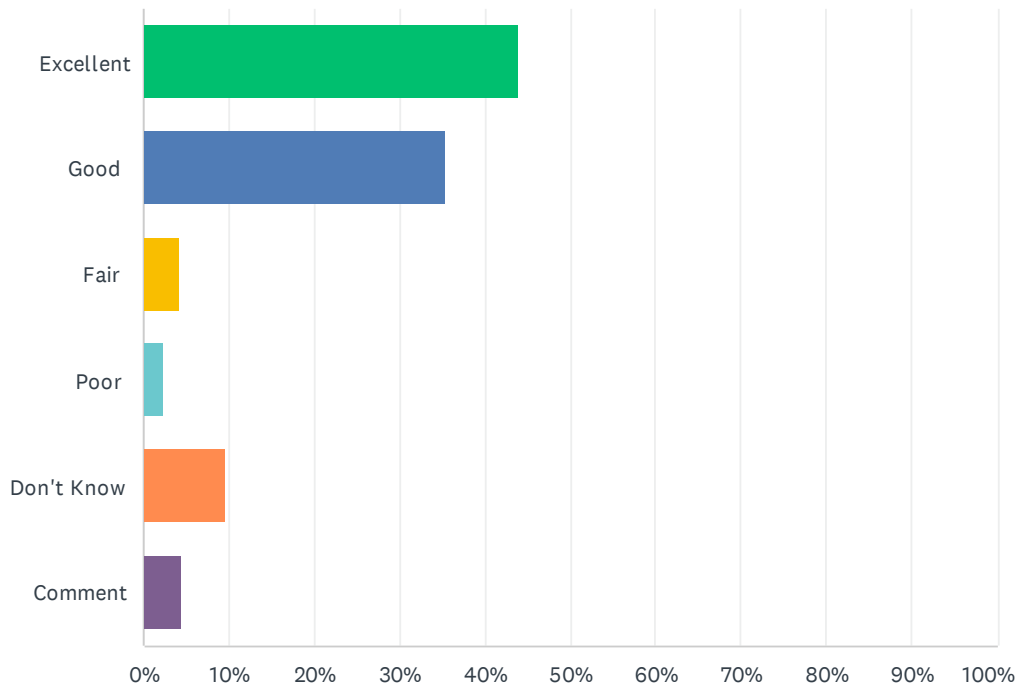
Answered: 263 Skipped: 0



ANSWER CHOICES	RESPONSES	
Excellent	43.73%	115
Good	42.59%	112
Fair	9.89%	26
Poor	2.28%	6
Don't Know	1.52%	4
TOTAL		263

Q8 How would you rate police services in your city?

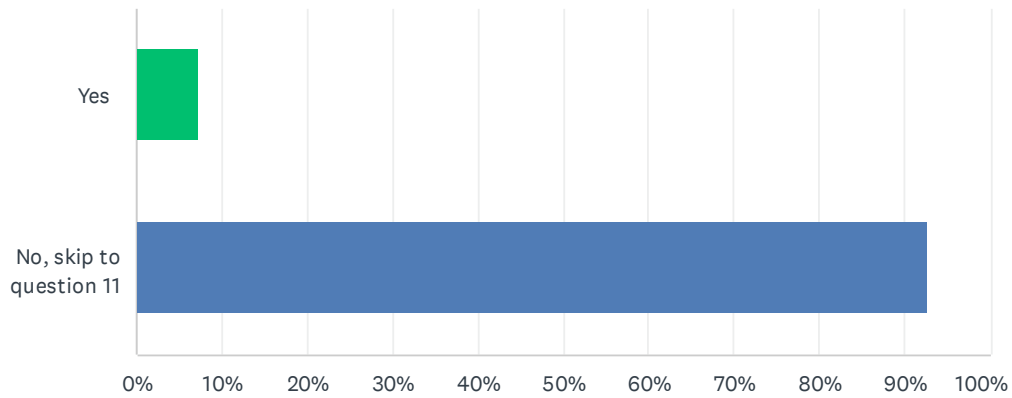
Answered: 262 Skipped: 1



ANSWER CHOICES	RESPONSES	
Excellent	43.89%	115
Good	35.50%	93
Fair	4.20%	11
Poor	2.29%	6
Don't Know	9.54%	25
Comment	4.58%	12
TOTAL		262

Q9 Have you taken out a building permit in the last 12 months?

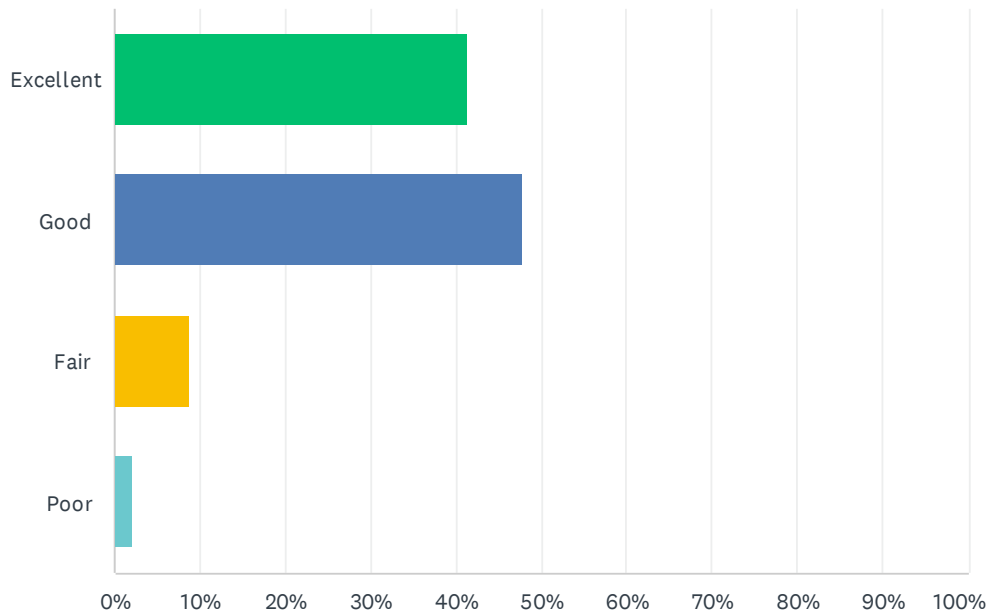
Answered: 262 Skipped: 1



ANSWER CHOICES	RESPONSES	
Yes	7.25%	19
No, skip to question 11	92.75%	243
TOTAL		262

Q10 If Yes, how would you rate the building permit process?

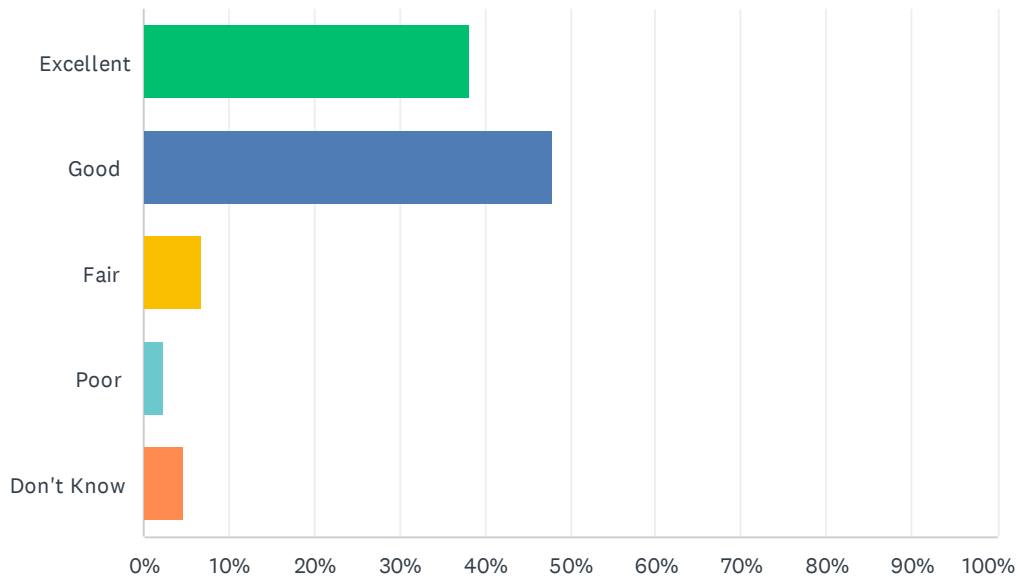
Answered: 46 Skipped: 217



ANSWER CHOICES	RESPONSES
Excellent	41.30% 19
Good	47.83% 22
Fair	8.70% 4
Poor	2.17% 1
TOTAL	46

Q11 How would you rate overall quality of city parks and trails?

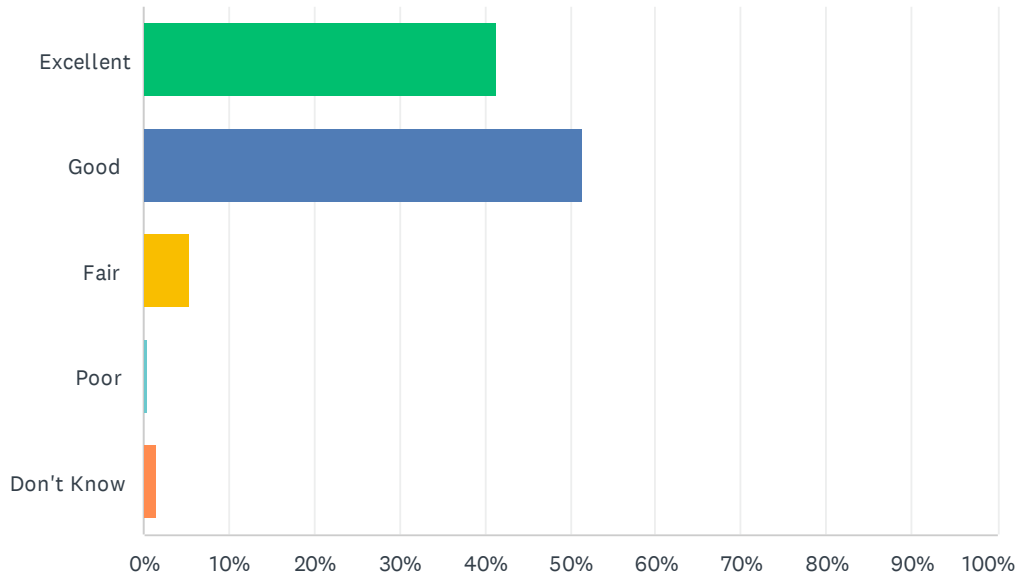
Answered: 260 Skipped: 3



ANSWER CHOICES	RESPONSES	
Excellent	38.08%	99
Good	48.08%	125
Fair	6.92%	18
Poor	2.31%	6
Don't Know	4.62%	12
TOTAL		260

Q12 How would you rate the overall quality of services provided by the city?

Answered: 261 Skipped: 2



ANSWER CHOICES	RESPONSES	
Excellent	41.38%	108
Good	51.34%	134
Fair	5.36%	14
Poor	0.38%	1
Don't Know	1.53%	4
TOTAL		261

RatingsDirect®

Summary:

Circle Pines, Minnesota; General Obligation

Primary Credit Analyst:

Coral Schoonejans, Centennial + 1 (303) 721-4948; coral.schoonejans@spglobal.com

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Circle Pines, Minnesota; General Obligation

Credit Profile

US\$4.83 mil GO bnds ser 2022A dtd 05/05/2022 due 02/01/2038

<i>Long Term Rating</i>	AA+/Stable	New
Circle Pines GO bnds		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Circle Pines GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Circle Pines GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed

Rating Action

S&P Global Ratings assigned its 'AA+' long-term rating to Circle Pines, Minn.'s approximately \$4.8 million series 2022A general obligation (GO) bonds. At the same time, we affirmed our 'AA+' long-term rating on the city's previously issued GO bonds. The outlook is stable.

The city's full faith and credit and ability to levy unlimited ad valorem property taxes secure the bonds and GO debt outstanding. Officials intend to pay debt service on the series 2022A bonds with special assessments as well as net revenue of the sanitary sewer, water, and storm sewer systems, but the rating is based on the unlimited ad valorem tax pledge. Bond proceeds will be used to finance various park and utility improvements.

Credit overview

Circle Pines has maintained strong financial performance in recent years, with better-than-balanced operations. It has also historically held high reserves at more than its 55% fund balance policy. Its location and access to the Minneapolis-St. Paul metropolitan statistical area helps provide economic stability and employment opportunities. We believe an experienced management team, with well-embedded policies and long-term planning, provides rating stability. The debt profile, while somewhat elevated, has been historically stable and managed within the budget and, even given high debt service carrying charges, we expect that to continue. As a result, we anticipate rating stability over the outlook horizon.

The 'AA+' rating reflects our assessment of the city's:

- Stable and mostly residential local economy in a Twins Cities suburb, supported by consistent valuation growth;
- Robust reserves at more than 100% of operating expenditures in recent years, supported by consistent financial performance and conservative budgeting practices;
- Good financial policies and practices under our financial management assessment (FMA) methodology, and strong institutional framework; and

- Weak debt and liabilities profile with elevated debt costs, but a manageable pension and other postemployment benefit burden.

Environmental, social, and governance

The rating incorporates our view of environmental, social, and governance risks relative to the city's economy, management, financial measures, and debt and liability profile, which we view as in line with the sector.

Stable Outlook

Upside scenario

While we don't view this as likely over the outlook horizon, we could take positive rating action if the economic profile were to improve to levels commensurate with those of higher-rated peers, which could occur if the income level and market value per capita were to increase, coupled with a decrease in the overall debt burden.

Downside scenario

We could take negative rating action if reserves materially deteriorated through weakened budgetary performance with no plan to correct.

Credit Opinion

Stable Twin Cities suburb is primarily residential and fully built out with growth in existing properties

Circle Pines' location in the northern suburbs of the Twin Cities metropolitan statistical area allows for easy commuting access for residents, many of whom are employed in neighboring cities. The city's net tax capacity is made up primarily of residential values, with homestead and nonhomestead residential properties making up 93% of the city's total net tax capacity, both having continued growing in recent years, primarily reflecting redevelopment and additions. The city is home to seven parks, chief among them Golden Lake Park, which offers two pavilions, a boat launch, and a tennis court, among other amenities.

The largest employers in the city include Centennial Independent School District No. 12 (with about 1,517 employees) and a state prison (446). While effective buying income and wealth metrics are not comparable with those of higher-rated peers, we anticipate that the economy will remain strong and a key credit strength.

Consistent budgetary performance enables very strong reserves and liquidity

Reserves have historically exceeded 100% of operating expenditures and have benefited from three consecutive audited surpluses. The city is further estimating a \$60,000 surplus for fiscal 2021, or 2% of estimated expenditures, anticipates at least balanced results for fiscal 2022, and has no plans to spend general fund reserves in the coming years.

We adjusted for the city's one-time capital expenditures, improving audited results for the total governmental funds. General fund revenue in fiscal 2020 consisted primarily of property taxes (68%), followed by intergovernmental revenue (26%).

General fund results beat budget in fiscal 2020 primarily as a result of conservative budgeting, with the benefit of

\$382,000 in CARES Act fund proceeds that were distributed to the police and fire department and used for office remodeling to comply with social distancing measures during the pandemic.

Officials report of positive revenue and expenditure variances during fiscal 2021, with about \$34,000 in additional revenue from building permits and \$33,000 in savings on street maintenance. The city was allocated \$527,000 in American Rescue Plan Act funds, which officials report will be spent largely on utility infrastructure.

Although the city has assigned a majority of the fund balance, we understand that it has the flexibility to reallocate these assigned fund balances if needed for operational purposes. Officials report that some dedicated capital funds might be spent over the next couple of years on park improvements, but have no plans to spend general fund reserves. We anticipate that liquidity will remain very strong. Based on the budget, minimal capital needs, and historical ability to outperform the budget, we expect budgetary flexibility to remain very strong and above 75% of operating expenditures.

Good financial management practices and policies

Management highlights include:

- A traditional line-item budget, using up to four years of historical information with help from outside sources,
- At least quarterly reporting of budget-to-actual results to the council with the ability to amend the budget as needed,
- Five-year long-term capital plan that is updated annually with sources and uses of funds identified,
- Formal investment management policy with annual reporting of investments and holdings,
- Formalized debt management policy that is more restrictive than state guidelines and contains restrictions in using variable-rate debt and derivatives, and
- Formalized fund balance policy to maintain reserves at 55% of the upcoming year's budgeted expenditures for cash flow needs.

The city does not have a formalized long-term financial plan.

Weak but manageable debt burden with rapid amortization and preliminary debt plans

We calculate net direct debt at \$17.5 million, which excludes revenue bonds supported by the water, sewer, and storm water utility funds. Management reports that the city is contemplating potential park enhancements and could consider issuing approximately \$1 million of additional debt to fund those projects over the next three years; we do not expect this to materially affect the overall debt profile. Management confirmed that the city has no privately placed debt. While debt service costs make up a large portion of the budget, the city has historically managed these costs well. We anticipate that its debt burden will remain weak but manageable for the foreseeable future.

Moderate pension exposure with some long-term risks, although medium-term costs are unlikely to accelerate

We do not believe that pension liabilities represent a medium-term credit pressure, as contributions are only a modest share of the budget, and we believe the city has the capacity to absorb higher costs without pressuring operations.

The city participates in the following plans:

- Minnesota General Employees Retirement Fund (GERF): 87% funded (as of June 30, 2021), with a city proportionate share of the plan's net pension liability of \$786,000
- A joint powers agreement for the Centennial Fire District, supported by three cities (including Circle Pines) and funded on a pay-as-you-go basis

Total contributions to GERF were 98% of our minimum funding progress metric and 122% of static funding. Annual contributions are based on a statutory formula that has typically produced contributions lower than the actuarially determined contribution for each plan. In our view, this increases the risk of underfunding over time, if the state legislature does not make adjustments to offset future funding shortfalls. Other key risks include a 7.5% rate-of-return assumption, which is significantly above our 6.0% guidance, that indicates some exposure to cost acceleration as a result of market volatility, and an amortization method that significantly defers contributions through a lengthy, closed 30-year amortization period (of which two years have passed) based on a level 3.0% payroll growth assumption. Regardless, costs remain only a modest share of total spending, and we believe they are unlikely to pressure the city's medium-term operational health.

Strong institutional framework

The institutional framework score for Minnesota cities with a population greater than 2,500 is strong.

Circle Pines Key Credit Metrics				
	Most recent	Historical information		
		2020	2019	2018
Very strong economy				
Projected per capita EBI as % of U.S.	117			
Market value per capita (\$)	100,238			
Population		5,182	5,158	5,077
County unemployment rate (%)		6.3		
Market value (\$000s)	519,435	495,762	470,248	
Ten largest taxpayers as % of taxable value	15.8			
Strong budgetary performance				
Operating fund result as % of expenditures		1.0	7.5	5.3
Total governmental funds result as % of expenditures		9.8	3.7	10.2
Very strong budgetary flexibility				
Available reserves as % of operating expenditures		116.8	141.3	141.4
Total available reserves (\$000s)		3,879	3,844	3,639
Very strong liquidity				
Total government cash as % of governmental funds expenditures		280	345	328
Total government cash as % of governmental funds debt service		903	870	970
Strong management				
Financial management assessment	Good			
Weak debt and long-term liabilities				
Debt service as % of governmental funds expenditures		31.0	39.6	33.8

Circle Pines Key Credit Metrics (cont.)

	Most recent	Historical information		
		2020	2019	2018
Net direct debt as % of governmental funds revenue	305			
Overall net debt as % of market value	5.9			
Direct debt 10-year amortization (%)	81			
Required pension contribution as % of governmental funds expenditures		2		
OPEB actual contribution as % of governmental funds expenditures		0		

Strong institutional framework

Note: Data points and ratios may reflect analytical adjustments. EBI--Effective buying income. OPEB--Other postemployment benefits.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- 2021 Update Of Institutional Framework For U.S. Local Governments

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