



Bassett Creek Watershed Management Commission

MEMO

To: BCWMC Commissioners and Alternate Commissioners
From: Laura Jester, Administrator
Date: June 7, 2023

RE: Technical Advisory Committee Recommendation on Investment Income

The BWCWC Technical Advisory Committee (TAC) met on June 7, 2023 to review the City of Plymouth's plans for creating regional stormwater treatment (see Item 5G) and discuss options for allocating investment income. This memo focuses only on the recommendation on investment income.

Attendees at the TAC meeting included:

City/Partner	Technical Advisory Committee Members and Others
Crystal	Ben Perkey
Golden Valley	Drew Chirpich and Eric Eckman
Medicine Lake	Susan Wiese
Minneapolis	Katie Kowalczyk
Minnetonka	None
New Hope	Nick Macklem
Plymouth	Ben Scharenbroich
Robbinsdale	Richard McCoy and Mike Sorensen
St. Louis Park	Erick Francis
Others	Administrator Laura Jester, Commission Engineers Karen Chandler and Jim Herbert, Commissioner Pentel

INVESTMENT INCOME:

With a few years of significantly high investment income expected, the TAC discussed pros and cons to various methods of investment income allocations between the Commission's general fund and the CIP fund. Some of the points that were discussed include:

1. It is best to keep city assessments generally even without significant fluctuations because it's easier for cities to budget appropriately year to year. Because the investment income can vary so widely over the course of several years (see table below), allocations to the general fund might unduly swing the city assessments higher and lower, or may lead the Commission to count on the investment income when it could drop significantly the next year depending on the economy.

Investment earnings reported in annual audits		
Fiscal Year		
2014	\$	9,171
2015	\$	10,133
2016	\$	14,328
2017	\$	8,052
2018	\$	44,343
2019	\$	51,828
2020	\$	8,115
2021	\$	3,135
2022	\$	110,001
Average	\$	28,790

2. Most of the invested dollars come from CIP levies so it's prudent to allocate the income from those investments to the CIP fund.
3. The CIP levy has a larger financial impact on watershed residents than city assessments. Because the CIP tax burden is generally much higher than and fluctuates, it seems prudent to utilize these funds to lower the CIP tax burden rather than city assessments.

Example: A property in Plymouth with an estimated value of \$450,000 and 0.5 acres of land (General figures for illustration, not directly associated with a specific property.)

Bassett Creek portion of the City of Plymouth's Assessment = \$11.50

Hennepin County Taxes (CIP Levy) = \$48.75

Total income to BCWMC from this example property in 2023 was \$60.25

(19% from City of Plymouth and 81 % from Hennepin County for BCWMC CIP Levy)

4. Building up unallocated funds within the CIP fund would provide available funds for unforeseen circumstances on CIP projects and may also help the CIP fund keep up with the market/inflation.
5. Building up unallocated funds within the CIP fund may allow for creation of a new program (that could be considered with development of the 2025 Watershed Management Plan) such as subwatershed analyses or cost share for public or private entities to install best management practices.

With these points in mind, the TAC made the following recommendation to the Commission.

Recommendation: The TAC recommends that the Commission adopt a fiscal policy that allocates 100% of investment income to the CIP fund.