



MAYOR & COUNCIL COMMUNICATION

DATE: 2/5/2013
CONSENT
ITEM #: 9 – Fiscal Impact \$\$
MOTION

AGENDA ITEM: Financial Planning Services Agreement II with Northland Securities for the purpose of analyzing water, sanitary sewer, and storm water systems in preparation of water main and sewer main extension projects.

SUBMITTED BY: Dean Zuleger, City Administrator

THROUGH: Mayor Pearson

REVIEWED BY: Dean Zuleger, City Administrator

SUMMARY AND ACTION REQUESTED: Expend \$3,000 paid to Northland Securities, Inc. to provide additional financial analysis (including debt service and cost recovery using water and sewer rates) affiliated with the extension of water main to and through the I-94 corridor, and the construction of sewer mains through and the I-94 corridor and north to and through the Old Village.

BACKGROUND INFORMATION: In May, the City Council participated in a workshop on “Utilities and Growth”. During the workshop, several options for utilities expansion were discussed that resulted in three basic priorities;

1. Providing water service from municipal wells northeast of Highway 5 to the southern and westernmost parts of the City of Lake Elmo;
2. Provide sanitary sewer service for development throughout the I-94 corridor and north to the Old Village to attempt to meet the needs of the Metropolitan Council / City of Lake Elmo Memorandum of Understanding;
3. Develop a funding plan that allows for the ability to cash flow both expansions by 2014 to eliminate the loss of \$2 million in state funding.

In June, initial analysis was done to determine the fee structure necessary to cover all expansion costs. At that time all numbers were hypothetical.

STAFF REPORT: The engineering staff of Lake Elmo has developed options for “main” utility extension that has an estimated cost of \$12.5 million. With \$2 million dedicated to Lake Elmo by the State of Minnesota, Lake Elmo would have to bond for \$10.5 million (2012 dollars) to build the trunk / main infrastructure system to positively affect growth and provide vital clean potable water / sanitary services to existing residents. The Administrator of Lake Elmo has spoken with several public financial advisors and reviewed a 2009 Study from Ehlers to

determine the best financial mix to fund the \$10.5 million. In the course of the investigation, it was determined that Northland Securities, led by former City of Burnsville CFO Tammy Omdahl, was best suited to conduct a financial study that examines debt service requirements, water and sewer access charges, water and sewer rates, developer fees, grant opportunities and factor in a possible settlement / court ruling with 3M to finance utility construction using a 15 year payback schedule w/o negatively impacting the City's credit worthiness.

Now that some firm numbers are in place for actual developing of the I-94 corridor, additional analysis needs to be performed using real numbers.

RECOMMENDATION: Based upon the background information presented, the staff recommends that the City of Lake Elmo City Council:

Motion: **To approve the Financial Planning Agreement between the City of Lake Elmo and Northland Securities for an amount not to exceed \$3,000 for the purpose of updating the pro-formas used to analyze the water and sewer expansions as well as the relevant fees charged for connectivity to each. The funds are to be disbursed equally from the City's undesignated fund balance and the City's Water and Sewer Utility Funds – with funds to be recovered through fees charged as the development occurs.**

ATTACHMENTS:

- 1) Northland Securities Agreement II

SUGGESTED ORDER OF BUSINESS:

- Introduction of Item City Administrator
- Report/Presentation.....City Administrator
- Questions from Council to Staff..... Mayor Facilitates
- Public Input, if Appropriate Mayor Facilitates
- Call for Motion Mayor & City Council
- Discussion..... Mayor & City Council
- Action on Motion..... Mayor Facilitates