



MAYOR & COUNCIL COMMUNICATION

DATE: February 24, 2015
REGULAR
ITEM # 18-FISCAL IMPACT

AGENDA ITEM: Financial Planning Services Agreement
SUBMITTED BY: Cathy Bendel, Finance Director
THROUGH: Dean Zuleger, City Administrator
REVIEWED BY: Adam Bell, Assistant City Administrator/City Clerk

SUGGESTED ORDER OF BUSINESS:

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

POLICY RECOMMENDER: Finance Director

FISCAL IMPACT: \$5,000.00; unbudgeted expense.

SUMMARY AND ACTION REQUESTED:

At the request of the Mayor, the Finance Department has been asked to seek an independent Financial analysis specific to the City of Lake Elmo Enterprise Funds and the impact that Growth will have upon those funds. In addition, it is requested to outline the potential impact to taxpayers. The City Council is requested to approve entering into a consulting agreement to have those services provided as soon as possible.

BACKGROUND INFORMATION (SWOT):

In 2012, the City of Lake Elmo entered into a contract with Northland Securities to provide Financial Planning Services/Analysis, specific to the Enterprise Funds. A detailed report was prepared and presented to the Lake Elmo City Council on February 28, 2013. (Copy attached). Since that time, the City Finance Committee and Finance Department have developed an extensive replacement model which has grown into a very cumbersome tool. With the downtown project recently having received municipal consent approval to proceed, sufficient analysis needs to be provided to the Council to clearly understand the impacts of various components of expansion and build outs and their impact on the Enterprise funds, individually and as a whole, as well as any impact to the taxpayers (General Fund).

The project scope would include the following:

- An independent review of the City Finance Committee's Pro Forma Model
- A specific financing plan for storm water projects that includes financing through a combination of using 20% of the Storm Water Utility fund balance and the balance financed through general property tax revenue
- The creation of a special storm water district in the downtown and an overview of specific functionality
- Identify the pace of growth needed to cash flow the enterprise funds
- Identify the earliest possible year that the water rates could be lowered and the impact that doing so may have upon the water conservation initiative in the market place

Strengths An independent analysis will provide the Council with a clear picture of the impact to the funds and will remove any bias at all levels of review. An independent analyst will provide viewpoints that might not otherwise be discussed.

Weaknesses An RFP would be the typical way to handle; however with the Downtown project very close, time is of the essence. With Northland as our bonding agent and EDA advisor, there may be a perception of bias.

Opportunities With Northland as our bonding agent and EDA advisor, Northland is very familiar with Lake Elmo and the planned growth to date and envisioned for the future, thereby being best situated to provide advice to the Council. Having prepared a similar analysis in 2012/2013, this option appears to be the most timely alternative for producing results for Council.

Threats There are no identified threats.

RECOMMENDATION:

The City Council is requested to approve the attached Financial Planning Agreement between the City of Lake Elmo and Northland Securities for an amount not to exceed \$5,000 for the purpose of providing Financial Analysis to the City of Lake Elmo.

“Move to approve hiring Northland Securities Inc. to provide Financial Analysis Services to the City of Lake Elmo for an amount not to exceed \$5,000.00”.

ATTACHMENT:

- 1) Northland Strategies Special Project Group report dated February 28, 2013
- 2) Northland Securities Financial Planning/Analysis Agreement