



MEMORANDUM

To: Cathy Bendel - Finance Director
From: Tammy Omdal - Northland Securities
Date: September 15, 2016
Re: Scope of Services for Financial Planning

This memorandum is provided at your request. The purpose of this memorandum is to confirm to you the services Northland agreed to provide to the City of Lake Elmo (the "City") pursuant to an executed service agreement dated January 2016 (the "Agreement"). As defined in the Agreement, the City is using the services of Northland for financial planning for the City's water, sanitary sewer, and storm water utility systems, including review of user charges and rates.

Northland's scope of work is based on the following factors, which were defined by the City and outlined in the Agreement:

1. User charges for water, sanitary sewer, and storm sewer service need to be reviewed to ensure adequate operating revenues and reserves are maintained.
2. The analysis of user charges must consider current and future capital improvements.
3. City is seeking to understand the pace of growth needed to cash flow the City enterprise funds.
4. City desires to understand the potential for lowering water rates in the future.

In performing this work, pursuant to the tasks outlined in the Agreement, Northland prepared its own spreadsheets to model future estimated financial performance of the utility systems. The information provided by the City to Northland to perform this work is outlined in the Agreement and includes annual financial statements, operating budgets, user rate schedules, and customer data information.

You have asked for a response to the following two questions:

1. Was Northland hired to complete an audit of the City of Lake Elmo's previous pro forma?
 - No, see Agreement.
2. Did you review or look at the City of Lake Elmo's previous pro forma as part of the Utility Study you were hired to prepare?
 - No, see Agreement.