



MAYOR & COUNCIL COMMUNICATION

DATE: October 18, 2016
REGULAR
ITEM #17
MOTION

AGENDA ITEM: Financial Management Plan for Enterprise Funds

SUBMITTED BY: Cathy Bendel, Finance Director

THROUGH: Tammy Omdal, Northland Securities

REVIEWED BY: Kristina Handt, City Administrator
Julie Fliflet, Finance Committee Chair
Tammy Omdal, Northland Securities
Bernie Bullert, TKDA

SUGGESTED ORDER OF BUSINESS:

- Introduction of ItemFinance Director
- Report/Presentation..... City Staff, Tammy Omdal, Northland Securities
- Questions from Council to Staff Mayor Facilitates
- Call for Motion Mayor & City Council
- Discussion Mayor & City Council
- Action on Motion Mayor Facilitates

SUMMARY AND ACTION REQUESTED: The City has retained the services of Northland Services and TKDA to prepare a Financial Management Plan for the City of Lake Elmo Enterprise Funds. Tammy Omdal of Northland Securities will be presenting the report to the City Council.

BACKGROUND INFORMATION: The City approved and entered into agreements with Northland Securities and TKDA to prepare a Financial Management Plan for the City of Lake Elmo Enterprise Funds. Bernie Bullert from TKDA is an expert in the utility field and was tasked with compiling a recommendation for the operational costs to be incorporated into the model. Tammy Omdal of Northland Securities was tasked with preparing a Financial Management Plan which would become a projection report which could be updated and shared with the City Council on a quarterly basis. The report being presented is that report.

This version was shared with the Finance Committee on October 11, 2016 and some changes and recommendations came of that review to be incorporated into the next version including the following:

- The Finance Committee felt the 30% variance on build outs was too high. A 20% has been recommended for future models.
- The \$3.5M in state bonding proceeds which will be reimbursed in 2017 are not yet reflected in the report and need to be added.
- In past models, 100% of CIP expenses were funded through bonding. This version assumed that any CIP items under \$500k would be purchased from reserves rather than funding through bonding to avoid interest and bonding costs since the cash balances were strong. (\$2.5M in the water fund and \$2.5M in the sewer fund). The Finance Committee will be reviewing the reserve policy for the Enterprise Funds to make a recommendation related to the model assumptions to use related to bonding vs the use of cash reserves for future capital purchases and the paying down of debt.
- The Inwood water system will not be completed until later in 2017 so the model will need to be updated to reflect that the City will need to continue to purchase water from Oakdale through the end of 2017.
- The model needs to be updated for the recent policy changes impacting fees (early connection incentive plan, longer special assessment repayment terms and allowing existing residents to defer connection fees).

The Finance Committee recommended that the next version be prepared with preliminary year end 2016 information which will be ready the middle of February 2017. A draft will be presented to the Finance Committee at their March 2017 meeting.

RECOMMENDATION: It is recommended that the City Council accept the Financial Management Plan for the Enterprise Funds dated October 11, 2016.

ATTACHMENT:

1. Memo from Northland Securities
2. Review of Financial Management Plan (presentation)
3. Financial Management Plan for Water, Sanitary Sewer and Storm Water Funds (aka The Enterprise Funds)
4. TKDA Report