



STAFF REPORT

DATE: November 14, 2017

AGENDA ITEM: Utility Rates

TO: Mayor and Council

SUBMITTED BY: Kristina Handt, City Administrator

BACKGROUND:

During the year, the Finance Committee discussed the Utility Funds, Utility Financial Management Plan and subsequently utility rates that would result from those processes. As such, staff proposed utility rates for 2018 consistent with those discussions.

ISSUE BEFORE COUNCIL:

Does Council have any questions about the proposed rates? What changes would Council like to make to the rates before final adoption?

PROPOSAL DETAILS/ANALYSIS:

Attached, is a segment of the fee schedule outlining the 2017 Adopted Fees, 2018 Proposed Fees and the percentage change. These proposed fees agree with the information presented in the attached Financial Management Plan for Water, Sanitary Sewer and Storm Water Funds that the City Council received on October 3, 2017. The Finance Committee recommended adoption of these rates at their October meeting.

Staff also asked for direction from the Finance Committee on the Bulk Water Purchase section for the Sod Installation and Swimming Pool Fill. Specifically, should the City allow a discount on each based on conservation efforts and that the City now has a winter sewer usage in its fee schedule? The Finance Committee was fine with keeping the bulk water rates for these items in the fee schedule but not the past practice of rolling back 75% of water usage. Customers would be required to purchase bulk water, metered separately, in order to receive the bulk water rate.

OPTIONS:

Discuss draft rates and provide direction to staff before bringing to a regular Council meeting for adoption.

ATTACHMENT:

- 2018 Proposed Utility Rates
- Financial Management Plan for Water, Sanitary Sewer and Storm Water Funds – 10-3-17

CITY OF LAKE ELMO
Adopted 2017 and 2018 Proposed Utility Charges
November 14, 2017

APPLICATION/FEE/PERMIT TYPE	2017 FEE	2018 PROPOSED	CHANGE FROM 2017 TO 2018	ADDITIONAL INFORMATION
SAC Charge (City) (Sewer Availability Charge)	\$3,000.00	\$3,000.00	0.00%	Per REC Unit: \$2,485.00 to Met Council at time of connection.
SAC Charge (Met Council) (Sewer Availability Charge)	\$2,485.00	\$2,485.00	0.00%	Per REC Unit: \$2,485.00 to Met Council at time of connection.
Sewer Connection Charge	\$1,000.00	\$1,000.00	0.00%	Per REC Unit collected at time of plat for new lot. This fee maybe deferred through special assessment for parcels with existing structures.
Sewer Lateral Benefit Charge	\$11,000.00	\$11,000.00	0.00%	Per REC Unit connecting to a Trunk Sewer Main and that has never been assessed.
Sewer Base Charge – Residential – Non 201 Off Site	\$52.50 per quarter	\$53.03 per quarter	1.00%	Allowance of 10,000 gallons (10 Units) per quarter
Sewer Rate	\$4.50/1,000 Gal	\$4.55/1,000 Gal	1.00%	
201 Off-Site Maintenance Fee	\$75.00/unit/quarter	\$75.75/unit/quarter	1.00%	
Surface Water				
Residential	\$50.00	\$55.00	10.00%	
Non-Residential (Commercial etc.)	\$50.00	\$55.00	10.00%	Utility rate factor per code
Review Fee	\$125.00	\$137.50	10.00%	\$82.50 Review/\$55 Storm Water Fund
Water Availability Charge (WAC)	\$3,000.00	\$3,000.00	0.00%	Per REC Unit; collected at time of plat for new lot. This fee may be deferred through special assessment for parcels with existing structures.
Water Connection Charge	\$1,000.00	\$1,000.00	0.00%	Per REC Unit, collected at time of plat for new lot. This fee may be deferred through special assessment for parcels with existing structures.
Water Equipment/Set up				
Meter (3/4" or less)	\$350.00	\$360.50	3.00%	
Driveway Curb Stop Lid	\$100.00	\$103.00	3.00%	
Disconnect Service	\$80.00	\$82.40	3.00%	Additional fees apply to larger sized meters
Reconnect Service	\$80.00	\$82.40	3.00%	
Water Lateral Benefit Charge	\$5,800.00	\$5,800.00	0.00%	Per REC Unit connecting to a Trunk Water Main and that has never been assessed.
Water Usage				
Residential - Quarterly Rate	\$20.00 Base	\$20.60 Base	3.00%	
Residential - Plus Rate per 1,000 Gallons				
Plus Rate for 0-15,000 Gallons	\$2.00	\$2.06	3.00%	
Plus Rate for 15,001-30,000 Gallons	\$2.40	\$2.47	3.00%	
Plus Rate for 30,001-50,000 Gallons	\$2.88	\$2.97	3.00%	
Plus Rate for 50,001-80,000 Gallons	\$3.46	\$3.56	3.00%	

CITY OF LAKE ELMO
Adopted 2017 and 2018 Proposed Utility Charges
November 14, 2017

<u>APPLICATION/FEE/PERMIT TYPE</u>	<u>2017 FEE</u>	<u>2018 PROPOSED</u>	<u>CHANGE FROM 2017 TO 2018</u>	<u>ADDITIONAL INFORMATION</u>
Plus Rate for 80,001 + Gallons	\$4.15	\$4.27	3.00%	
Water Usage				
Commercial - Quarterly Rate	\$25.00 Base	\$25.75 Base	3.00%	
Commercial - Plus Rate Per 1,000 Gallons				
Plus Rate for 0 - 15,000 Gallons	\$3.11	\$3.20	3.00%	
Plus Rate for 15,001 - 30,000 Gallons	\$3.26	\$3.36	3.00%	
Plus Rate for 30,001 - 50,000 Gallon	\$3.77	\$3.88	3.00%	
Plus Rate for 50,001 - 80,000 Gallons	\$5.00	\$5.15	3.00%	
Plus Rate for 80,001 + Gallons	\$6.63	\$6.83	3.00%	
Water Usage				
Hotel / Motel - Quarterly Rate	\$25.00 Base	\$25.75 Base	3.00%	For metered non-irrigation (domestic) consumption
Hotel / Motel - Plus Rate Per 1,000 Gallons				
Plus Rate for 0 -30,000 Gallons	\$3.11	\$3.20	3.00%	For metered non-irrigation (domestic) consumption
Plus Rate for 30,001 - 50,000 Gallons	\$3.26	\$3.36	3.00%	For metered non-irrigation (domestic) consumption
Plus Rate for 50,001 + Gallons	\$4.00	\$4.12	3.00%	For metered non-irrigation (domestic) consumption
Water Usage Delinquent Accounts				
Regular	6% per quarter	6% per quarter	0.00%	Plus \$25.00 or 8%, whichever is greater, if certified to County for collection with property taxes.
Storm Water	10% per year	10% per year	0.00%	Plus \$25.00 or 8%, whichever is greater, if certified to County for collection with property taxes.
Bulk Water Purchase				
Water from Hydrant	\$100.00 minimum	\$103.00 minimum	3.00%	Plus \$3.36/additional 1,000 gallons
Sod Installation (New Construction)	\$100.00 minimum	\$103.00 minimum	3.00%	Plus \$3.36 per 1,000 gallons. Good for up to 45 days from sod install. Residents must contact the City in advance.
Swimming Pool Fill	\$100.00 minimum	\$103.00 minimum	3.00%	Plus \$3.36 per 1,000 gallons.
Reviewed and approved by Finance Committee -10-12-17				



DRAFT
City of Lake Elmo, MN
Financial Management Plan
for
Water, Sanitary Sewer, and
Storm Water Funds

2017 REPORT
Final Draft Dated October 3, 2017



Northland Securities, Inc.
45 South 7th Street, Suite 2000
Minneapolis, MN 55402
(800) 851-2920
Member NASD and SIPC

Letter of Transmittal

Executive Summary 1

- Organization of the Report 1
- Study Approach..... 1
- Conclusions and Recommendations 2
 - Table A - Growth in Residential Equivalent Units..... 3
 - Table B - Annual Estimated Rate Increases..... 3
 - Table B-1 - Utility Rates..... 3
 - Table C-1 - Water Fund Operating Expenses and Unrestricted Cash 4
 - Table C-2 - Sanitary Sewer Fund Operating Expenses and Unrestricted Cash 5
 - Chart 1 - Year-end Cash Balances 6

Background 7

- Water 7
- Sanitary Sewer 7
- Storm Sewer..... 7

Capital Improvement Plan 8

- Capital Projects 8
- Source of Funding for Capital Projects..... 8
- Debt Service..... 8
- Table D-1 - Capital Improvement Plan Water..... 10
- Table D-2 - Capital Improvement Plan Sanitary Sewer 11
- Table D-3 - Capital Improvement Plan Storm Water 12
- Chart 2 - Estimated Debt Outstanding at Year End 13
- Chart 3 - Estimated Annual Debt Service 14

Utility Rates 15

- Key Factors 15
- Annual Operating Expenditures..... 15
- Metropolitan Council Environmental Services..... 15
- Annual Capital Expenditures 16
- Debt Service..... 16
- Growth in Customers..... 16
- Available Other Revenue Sources..... 16
- Historical Utility Rates 17
- Future Utility Rates 17
- Estimated Volumes of Water Sold and Sanitary Sewer Billed 17
- Table E - Growth Projections..... 18
- Chart 4 - Sanitary Sewer REU Platted and Connected by Year 19
- Chart 5 - Water REU Planned and Connected by Year 19
- Table F - Water Fund - Fees and Charges and Customer Data 20

Table G - Sanitary Sewer Fund - Fees and Charges and Customer Data	21
Table H - Storm Water Fund - Fees and Charges and Customer Data	22
Chart 6 - Estimated Volumes of Water and Sanitary Sewer	23

Financial Plans **24**

Key Assumptions.....	24
Water Fund	25
Table I-1 - Pro Forma.....	26
Table I-2 - Cash Balance.....	27
Table I-3 - Operating and Other Expenses	28
Chart 7 - Year End Cash Balances	29
Chart 8 - Source and Use of Funds	29
Sanitary Sewer Fund	30
Table J-1 - Pro Forma	31
Table J-2 - Cash Balance	32
Table J-3 - Operating and Other Expenses.....	33
Chart 9 - Year End Cash Balances	34
Chart 10 - Source and Use of Funds.....	34
Storm Water Fund	35
Table K-1 - Pro Forma	36
Table K-2 - Cash Balance	37
Table K-3 - Operating and Other Expenses	38
Chart 11 - Year End Cash Balances	39
Chart 12 - Source and Use of Funds.....	39

Appendix **40**

Appendix A - Example Quarterly Utility Fees Payable by Property Types	40
Appendix B - Chart 13 - Combined Utility Funds Restricted Cash and Debt.....	41



October 3, 2017

Kristina Handt
City Administrator
Lake Elmo City Hall
3800 Laverne Avenue North
Lake Elmo, MN 55042

RE: Final Draft 2017 Financial Management Plan for City Utility Funds

Dear Kristina:

Northland Securities, Inc. is pleased to present the City of Lake Elmo with a final draft of the updated Financial Management Plan for the City Utility Funds, dated October 3, 2017. Northland was hired for financial planning services for utility system user charges and rates. Services include performing a utility rate analysis for the Water, Sanitary Sewer, and Storm Water Utility Systems of the City of Lake Elmo. The analysis and report includes a review of the past performance of the systems, projected growth in residential equivalent connections from new development, determines the adequacy of current revenues, and provides recommendation on future rates which reflect recent and projected cost experience in addition to anticipated capital project expenditures and estimated future debt service.

We appreciate the opportunity to provide service to the City of Lake Elmo.

Sincerely,

A handwritten signature in black ink that reads "Tammy Omdal". The signature is written in a cursive, flowing style.

Tammy Omdal
Senior Vice President

EXECUTIVE SUMMARY

This report was prepared by Northland Public Finance, a division of Northland Securities, Inc., for the purpose of reviewing the financial performance of the City of Lake Elmo's enterprise funds, including the Water Fund, the Sanitary Sewer Fund, and the Storm Water Fund to determine the appropriate fees and charges to fund the systems.

The process involved the projection of revenues and expenditures and incorporation of the City's plans for capital improvements, and plans for financing, into the financial projections along with estimated growth in customers.

Recommendations included in the report are based on information provided to Northland from City staff and other City consultants and certain assumptions as prepared by Northland and detailed in the report.

To the extent the assumptions in the report change in the months and years ahead, which they will, the City will need to adjust its financial plans accordingly.

Before offering conclusions and recommendations from the study, an explanation of the organization of the report and the study approach is offered.

Organization of Report

This report is organized into six sections:

1. Executive Summary provides information on the organization of the report, study approach, and conclusions and recommendations.
2. Background discusses the historical context, including growth and development of the community, and performance of the utilities.

3. Capital Improvement Plan provides information on the plans for infrastructure improvements for the utilities. This includes estimates on project costs and sources of funds to pay for the improvements. Information on debt service is also included.
4. Utility Rates provides current, and future estimated utility rates that will be necessary to maintain a positive financial condition for the utility funds. Information is provided in the Appendix for impact of rates changes on customers.
5. Financial Plans are provided for the Water Fund, Sanitary Sewer Fund, and Storm Water Fund. The financial plans provide both historical, current, and future sources and uses of funds and balance sheet information. Financial plans take into account capital improvement plans, debt service, and proposed rates.
6. Appendix provides supplemental information to the report.

Study Approach

The following steps were taken as part of the study:

- City provided information on the following:
 - historical spending and revenues, and future capital improvement plans;
 - estimated growth in customer units from residential and commercial development; and
 - preliminary 2017 financial data and the City's Comprehensive Annual Financial Reports as of December 31, 2016.
- Information provided by the City was organized, analyzed, and used to support the development of financial plans. Once the preliminary financial plans were

developed then different scenarios were considered and analyzed with City staff to determine impact on utility rates.

- City staff offered input and feedback on the assumptions and desired outcomes.
- A draft of the report was prepared.

It is important to note aspects of financial performance not reviewed as part of this study:

- The validity of the assumptions and figures provided by the City on future estimated growth was not reviewed.
- Analysis of the basis for the City's determination of current utility fees and charges was not reviewed.
- The financial impact of potential changes to the existing tier structure for charging for water and sanitary sewer services was not reviewed.
- Northland did not review any City prepared pro forma as part of the study and we are not aware of how this report may compare to any prior or current City pro forma.
- The scope of the study did not include a review and comparison of the City's utility fees and charges to other cities.
- The City is not able to provide volume data by tier. Because historical volume data is not available, the report makes certain assumptions for future volume of water and sanitary sewer volume billed by tier and in total. Changes to the assumption for average volume per customer will impact the financial results included in the report.

Conclusions and Recommendations

The following conclusions and recommendations are offered as a result of the study:

1. Growth in Customers (Residential Equivalent Units)

To meet service demands from growth in customers, the City is planning for capital improvement projects. It needs to be emphasized that the scope, timing, and cost of the capital improvement projects included in this report are preliminary estimates. The City provided a projection of improvement projects with gross estimates for project costs to provide a reasonable basis for the pro forma analysis included in the report. The City will need to continue to review and revise the capital improvement plans.

Timing for capital projects will be driven by development. The planned improvements that are currently included in the capital improvement plan are anticipated to be paid through a combination of issuance of debt, special assessments, grants, and cash.

In addition to the impact of future growth on the capital improvement plan, the actual timing for the build out of already approved housing development and commercial areas will have a significant impact on the estimates for future revenues.

Table A on page 3 provides a summary of the total estimated growth for residential equivalent units (platted and connected). The growth estimates were prepared by City staff. **Table E** on page 18 provides the detailed information on the total estimated growth summarized in **Table A**. The estimates for growth in customers has an impact on the establishment of future utility rates and the resulting revenue and year-end cash projec-

tions for the utility funds. The City should continue to carefully monitor its estimates for future growth in customers against actual development.

Table A Growth in Residential Equivalent Units <i>Total Projected Units Added Between Years 2017 and 2026</i>	
Platted - Sewer Access	2,517
Platted - Water Access	2,138
Connected - Sewer	2,826
Connected - Water	2,411

Note to Table A: There is a difference between Sewer and Water units shown in Table A because some customers will connect to either municipal water or sanitary sewer, but not both. The sanitary sewer improvements coming to the Old Village also accounts for the difference.

2. Establishment of Utility Rates

The report assumes annual increases in the fees and charges for utility services beginning in year 2018. The increases are needed to ensure the City is able to maintain sufficient cash in the funds over the long-term. There is no change estimated in the fees charged for development (connection and availability charges) only to the base and usage fees for service. **Table B** provides information on the annual estimated rate increases. **Table B-1** provides a summary of the utility rates as included in the report for the next ten years. Actual financial results and growth in customers will impact

Table B Annual Projected Rate Increases for Utility Base Charges and Usage Charges			
Year	Water	Sanitary Sewer	Storm Water
2018	3.00%	1.00%	\$5.00
2019	3.00%	1.00%	\$5.00
2020	3.00%	1.00%	\$5.00
2021	3.00%	1.00%	\$10.00
2022	3.00%	1.00%	\$10.00
2023	3.00%	1.00%	\$10.00
2024	3.00%	2.00%	\$10.00
2025	3.00%	2.00%	\$10.00
2026	3.00%	2.00%	\$10.00
2027	3.00%	2.00%	\$10.00

TABLE B-1 Utility Rates					
Service	2017	2018	2019	2020	2021
WATER RATES					
Residential Quarterly Base Fee	\$20.00	\$20.60	\$21.22	\$21.85	\$22.51
Residential Tier 1	\$2.00	\$2.06	\$2.12	\$2.19	\$2.25
Commercial Quarterly Base Fee	\$25.00	\$25.75	\$26.52	\$27.32	\$28.14
Commercial Tier 1	\$3.11	\$3.20	\$3.30	\$3.40	\$3.50
Water Availability Charge	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Water Connection Charge	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
SANITARY SEWER RATES					
Sanitary Sewer Quarterly Base Fee	\$52.50	\$53.03	\$53.56	\$54.09	\$54.63
Sewer per 1,000 gallons	\$4.50	\$4.55	\$4.59	\$4.64	\$4.68
Sanitary Sewer Availability Charge	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Sanitary Sewer Connection Charge	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
STORM WATER RATES					
Annual fee	\$50.00	\$55.00	\$60.00	\$65.00	\$75.00

Note to Table B-1: Table B-1 does not include all of the tier rates. See Tables F-H for more information.

the actual utility rate increases that may be needed.

The City should establish annual user rates concurrent with the development of the following year’s budget. It is important to maintain a long term, forward looking view for the ongoing management of the utility funds to avoid potential adjustments to utility rates based on prior year financial performance alone without taking into account future financial projections and potential challenges. Future financial challenges may come from the difference between estimated and actual growth in customers, unanticipated capital funding pressures, and other unanticipated expense or revenue shortfalls.

There are no changes recommended at this time to the City’s rate structure (i.e., volume tiers). As the City gains more experience operating the expanded utilities and more financial history becomes available, the City should evaluate whether the current rate structure is continuing to meet the City’s objectives.

3. Management of Cash Balances and Assets

The utility rates included in this report, combined with the estimated volumes for water and sanitary sewer plus the estimated revenue to be collected from development charges, will provide cash needed to operate the utilities, maintain capital assets, and to pay debt service. The Financial Plan Section of this report provides a break-down of cash balances for each of the utility funds based on the following: 1) restricted cash for planned capital; 2) restricted cash for debt service/calling of bonds; and 3) unrestricted cash available equivalent to 35-50% of anticipated operating expenses.

Table C-1 provides a summary of the estimated annual

year-end unrestricted cash balance and operating expenses (not including depreciation) and unrestricted cash as a percentage of operating expenses for the Water Fund. **Table C-2** on page 5 provides the same information for the Sanitary Sewer Fund. **Chart 1** on page 6, provides a summary of the total estimated year end cash balances by fund. It is estimated that in future years the funds will begin to draw on overall cash balances to cover capital and debt service. The City may need to consider rate increases beyond what is presently included in this report. Actual financial results will need to be monitored to determine what may be necessary in the future years.

Table C-1 Operating Expenses and Unrestricted Cash Water Fund			
Year	Operating Expenses (Not Including Depreciation)	Unrestricted Cash	Unrestricted Cash as % of Expense
2017	\$681,430	\$340,715	50%
2018	\$638,312	\$319,156	50%
2019	\$544,313	\$272,156	50%
2020	\$566,535	\$283,268	50%
2021	\$617,653	\$308,826	50%
2022	\$596,122	\$298,061	50%
2023	\$623,085	\$311,543	50%
2024	\$680,918	\$340,459	50%
2025	\$680,965	\$340,483	50%
2026	\$681,013	\$340,507	50%

Note to Table C-11: Amounts shown are estimates based on the assumptions and information included in the report.

Table C-2 Operating Expenses and Unrestricted Cash Sanitary Sewer Fund			
Year	Operating Expenses (Not Including Depreciation)	Unrestricted Cash	Unrestricted Cash as % of Expense
2017	\$275,000	\$137,500	50%
2018	\$325,839	\$162,920	50%
2019	\$388,292	\$194,146	50%
2020	\$469,295	\$234,648	50%
2021	\$578,382	\$289,191	50%
2022	\$674,295	\$337,147	50%
2023	\$786,705	\$393,353	50%
2024	\$929,484	\$464,742	50%
2025	\$1,003,183	\$501,592	50%
2026	\$1,067,873	\$533,936	50%
2027	\$1,132,450	\$566,225	50%

Note to Table C-2: Amounts shown are estimates based on the assumptions and information included in the report.

Chart 1
Year End Cash Estimates By Fund

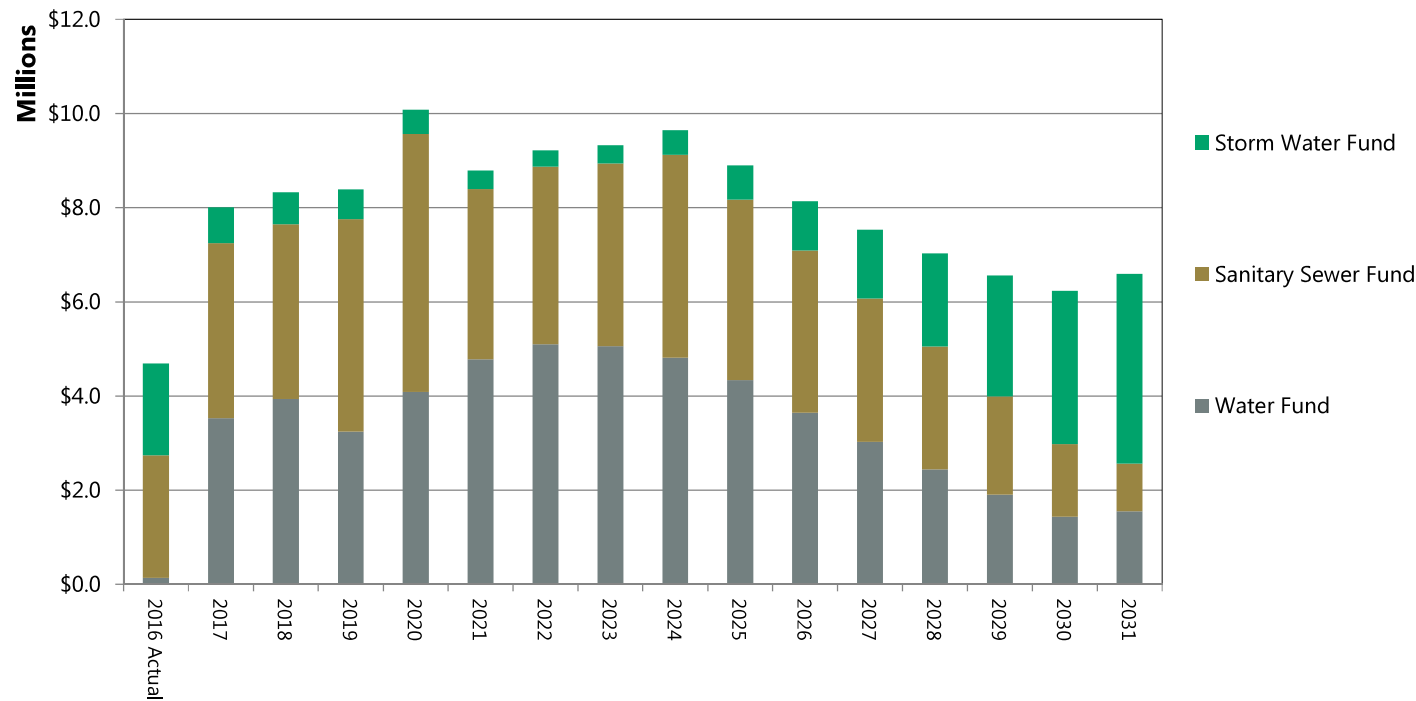


Chart 1 shows that cash balances in the utility funds are estimated to remain stable, with growth, over the next several years.

The cash balances will begin to decline as planned, as revenue collected from development (trunk line availability and connections charges) is used to pay down debt outstanding.

The increase in cash from 2016 actual to 2017 is due to the collection of the approximate \$3.4 million receivable from other governments (state funding) in 2017 for capital improvements made in 2016.

BACKGROUND

The City of Lake Elmo is located on the eastern edge of the Twin Cities metropolitan area. The City's 2030 Comprehensive Plan forecasts and provides for approximately eight times the growth in households and population during the 2000-2030 planning period than was experienced during the 1980-2000 period.

The City reports an estimated 2010 population of 8,069 and 2,774 households (2010 Census). Population is estimated to increase to 10,500 by 2020 and households to 3,800 (*source: Metropolitan Council's System Statement Dated September 17, 2015*). The land area for the City encompasses approximately 15,250 acres.

The City's 2030 Comprehensive Plan provides guidance on the City's plans for managing future demand for utility infrastructure. The City is preparing to update to its Comprehensive Plan, the updated Plan will likely have implications for the assumptions included in this report.

Water Utility

Lake Elmo owns, operates and maintains a municipal water supply and distribution system. The City has a goal to serve existing population desiring public water supply while preparing the system to allow people to connect as development occurs or existing areas request service. This policy guides the City's capital improvement planning and the need to maintain a flexible and responsive water system. Capital planning includes projects to correct existing deficiencies and to expand the system.

The City uses an enterprise fund to account for its water operations. The net position in the Water Fund totaled \$13,394,649 and cash balance \$135,048 as of December

31, 2016.

Sanitary Sewer Utility

Property owners in the City are served by individual sewer systems or in limited areas by municipal sewer. Capital plans will provide for an increase in the number of properties to be served by municipal sewer and connection to the Regional Sewer System. The Metropolitan Council Environmental Services (MCES) has extended regional sewer service to serve a greater area of the City.

The City uses an enterprise fund to account for its sewer operations. The net position in the Sewer Fund totaled \$5,570,928 and cash balance \$2,606,515 as of December 31, 2016.

Storm Water Utility

The City operates a storm water utility. The system of conveyances is owned and operated by the City and designed for collecting or conveying storm water. The City collects an annual fee from property owners that is used to pay for the cost of constructing and maintaining the system.

The City uses an enterprise fund to account for its storm water operations. The net position in the Storm Water Fund totaled \$1,414,436 and cash balance \$1,945,366 as of December 31, 2016.

CAPITAL IMPROVEMENT PLAN AND DEBT SERVICE

This report includes a capital improvement plan (the “CIP”) that includes capital projects funded from utility revenues and accounted for in the utility funds. **Tables D-1 through D-3** beginning on page 10, provide details on planned capital spending for each of the utilities.

It is important to emphasize that the CIP included in this report should be considered a working draft. The specific cost estimates included for each of the projects provides a reasonable basis for the pro forma analysis included in this report. But it is important to recognize that the specific projects that may actually be authorized in the future, and the actual costs, may vary greatly from what is included in this report.

Capital Projects

The projects included in the CIP include projects to expand the capacity and correct deficiencies of the water and sanitary sewer systems. The City is a developing community with utility expansion needs. Planned projects include expansion of the City’s water supply capacity and distribution system. Sanitary sewer services have been expanded through the construction of connections to the Regional Sewer System.

As a developing community, the City’s capital improvement plans focus on expansion and does not presently include any material capital spending for maintenance of existing systems. This will need future consideration by the City as the community develops and infrastructure ages and requires major maintenance and/or replacement.

Storm Water Projects

For the storm water system, it should be noted that the CIP includes projects for Phases 2 and 3 for regional drainage improvements. The City Engineer has identified the following issues for the storm water utility that are anticipated to be addressed in the next five to ten years:

- Phase 2 Downtown Regional Drainage project consisting of land acquisition (Shiltgen property west of Lake Elmo Avenue and north of CSAH 14), a storm water pond, and storm water diversion piping to Sunfish Lake.
- Phase 3 Downtown Regional Drainage project consisting of storm sewer piping south of CSAH 14 near Hagbergs. The ponding may be developer paid, but for the purposes of this report it is assumed to be paid from utility revenue.
- Kraemer Lake Floodplain study will be needed before development can occur in I-94 corridor, Phase 3 area (between Keats-Lake Elmo Avenue). The City anticipates grant funds to pay for the study.

Source of Funding for Capital Projects

The source of funding for the planned capital projects includes one of the following sources or a combination thereof: fund balance (cash); bond proceeds; special assessments; and/or grants.

Debt Service

Planned funding for utility infrastructure projects anticipates the issuance of debt to undertake certain planned improvements and to manage annual fee increases.

The projections assume that the City will issue general obligation bonds secured by revenues from the utility funds to pay principal and interest. This approach provides the

lowest cost of debt. These bonds will not count against the City's debt limit. Debt management is an important factor in ongoing capital improvements planning.

The estimates for debt service are based on bonds to be paid over 15 years and level annual debt service. For bonds supported by special assessments, the special assessments are estimated to be payable over 20 years.

The estimated interest rates used to calculate annual debt service are generally based on today's current rate environment. The actual interest rates will depend on final structure and market conditions at time of issuance.

Charts 2 and 3 on pages 13 and 14, provide information on the City's existing and estimated future debt obligations supported by the utility funds. **Chart 2** includes information on estimated debt (bonds) outstanding as of year-end for the combined utility funds. **Chart 3** includes information on estimated annual debt service (principal and interest) payments for the combined utility funds.

**Table D-1
City of Lake Elmo, MN
Water Fund CIP**

Source/Use of Funds	2018	2019	2020	2021	2022	2023	2024	2025	2026
Use of Funds									
Future Projects ²								200,000	200,000
Hammes Estates Trunk WM 12" Prv with Bypass			125,000						
Village East Trunk WM 12" Prv with Bypass		120,000							
Low Pressures Zone 12" Prv with Bypass - Connection to WT #3					120,000				
Pull and Rebuild Well Pump #4							35,000		
Paint Water Tower #2 (PWs Bldg)						800,000			
SCADA Upgrade					30,000				
Utility Vehicle	32,500			37,000					
Service Truck		50,000							
Trac Hoe			15,000						
Old Village Sewer Extensions Phase 4: 32nd St. W & Layton/36th St	350,000								
Old Village Sewer Extensions - Phase 5: Up 33rd, Low-33rd, 34/36th St.W.				883,000					
Old Village Sewer Extensions - Phase 6: Water Component					200,000				
Old Village Sewer Extensions - Phase 7: Water Component						230,000			
2019 Street and Utility Improvements: Watermain: 37th/38th & Irwin ¹		900,000							
2020 Street and Utility Improvements: Watermain: Herritage Farms			50,000						
2021 Street and Utility Improvements: Watermain: Fields/Tamarack FMS				50,000					
Water Meter Changeout (accounted for in operating budget)									
Automated Radio Read System					300,000				
Elevated Storage Tank No. 3 (for low pressure systems)		200,000	2,800,000						
Well & Pumphouse No. 5 (@10,000 Water service population)				2,100,000					
Watermain oversizing - Based on Developer Pace and Phasing	105,000	43,000			115,000				
Total	487,500	1,313,000	2,990,000	3,070,000	765,000	1,030,000	35,000	200,000	200,000
Source of Funds									
GO Bonds - Portion Paid by Utility Revenues	350,000	-	2,990,000	3,070,000	765,000	1,030,000			
GO Bonds - Portion Paid by Special Assessments		900,000							
Cash from Water Fund	137,500	413,000	-	-	-	-	35,000	200,000	200,000
Total	487,500	1,313,000	2,990,000	3,070,000	765,000	1,030,000	35,000	200,000	200,000

Notes:

1. This projects will be 100% funded from special assessment revenue. The Plan assumes the City will issue bonds to finance the cost of the improvements and special assessment revenue collected will be used to pay debt service on the bonds.
2. The plan includes a placeholder amount of \$200,000 for future projects to recognize that the Water system will require future capital improvements, both maintenance and build-out that have yet to be defined for these future years.
3. Certain line item project costs in this schedule may be adjusted from other City CIP schedules to result in total bond issuance amounts rounded to \$5,000 increments.

**Table D-2
City of Lake Elmo, MN
Sanitary Sewer CIP**

	2018	2019	2020	2021	2022	2023	2024	2025	2026
Use of Funds									
Olson Lake Trail Sanitary Sewer Phase 2									
Hudson Blvd LS Replacement and Sewer Upsize									
Old Village Sewer Extensions Phase 3: Elem School, 31st, and 32nd St.									
Old Village Sewer Extensions Phase 4: 32nd St. W & Layton/36th St ¹	585,000								
Old Village Sewer Extensions Phase 5: Up 33rd, Low-33rd, 34/36th St.W ¹				1,100,000					
Old Village Sewer Extensions Phase 6 ¹					510,000				
Old Village Sewer Extensions Phase 7 ¹						475,000			
Section 36 Trunk Sewer Main (Cimarron/Oakland Jr High				1,500,000					
Section 35 Lift Station and Forcemain								700,000	
Sewer Oversizing - Based on Developer Pace and Phasing	52,500								
Hamlet on Sunfish Lake Sewer Extension and Liftstation ¹	240,000								
Lake Elmo Ave/DT Improvements									
Lift Station 1 - Add Permanent Generator									
Inspection cameras									
Service Truck		50,000							
Utility Truck (portion charged to Water and Sewer)	32,500			35,000					
Future projects ²									200,000
Total	910,000	50,000	-	2,635,000	510,000	475,000	-	700,000	200,000
Source of Funds									
GO Bonds - Portion Paid by Utility Revenues									
GO Bonds - Portion Paid by Special Assessments	825,000	-		1,100,000	510,000	475,000			
Cash from Sewer Fund	85,000	50,000	-	1,535,000	-	-	-	700,000	200,000
Total	910,000	50,000	-	2,635,000	510,000	475,000	-	700,000	200,000

Notes:

1. These projects will be 100% funded from special assessment revenue. The Plan assumes the City will issue bonds to finance the cost of the improvements and special assessment revenue collected will be used to pay debt service on the bonds.
2. The plan includes a placeholder amount of \$200,000 for future projects to recognize that the Sanitary Sewer system will require future capital improvements, both maintenance and build-out that have yet to be defined for these future years.
3. Certain line item project costs in this schedule may be adjusted from other City CIP schedules to result in total bond issuance amounts rounded to \$5,000 increments.

**Table D-3
City of Lake Elmo, MN
Storm Water CIP**

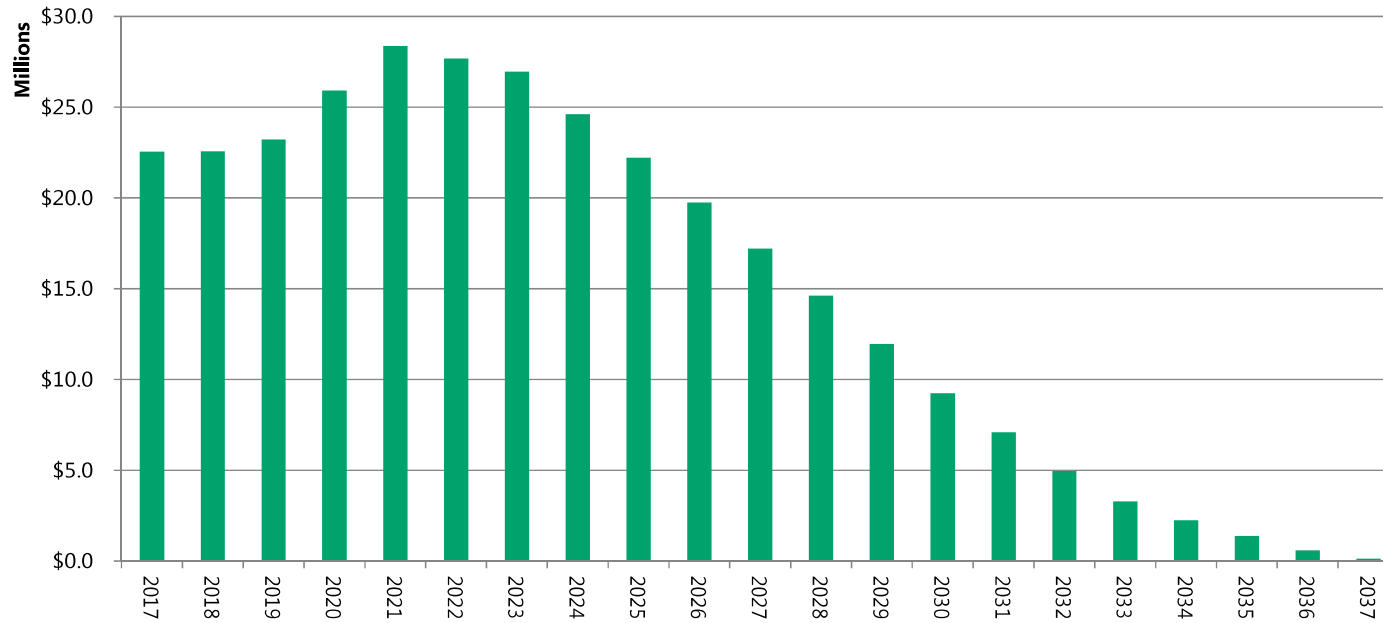
	2018	2019	2020	2021	2022	2023	2024	2025	2026
Use of Funds									
Phase 2 Regional Drainage Improvements: Land Acquisition		1,200,000							
Phase 2 Regional Drainage Improvements: Sunfish Lake Retention/Diversion			800,000						
Phase 3 Regional Drainage Improvements: Lions Park Drainage Retention			500,000						
Kramer Lake Floodplain Study					60,000				
Surface Water Management Plan Update (accounted for in operating)									
Trac Hoe			15,000						
Future annual estimate for projects ¹									
Total	-	1,200,000	1,315,000	-	60,000	-	-	-	-
Source of Funds									
GO Revenue Bonds		1,200,000	1,300,000						
Grant funds					60,000				
Cash from Storm Water Fund		-	15,000	-	-	-	-	-	-
Total	-	1,200,000	1,315,000	-	60,000	-	-	-	-

Notes:

1. The plan does not include any placeholder amounts for future projects.
2. Certain line item project costs in this schedule may be adjusted from other City CIP schedules to result in total bond issuance amounts rounded to \$5,000 increments.

Capital Improvement Plan and Debt Service

Chart 2
City of Lake Elmo, MN
Estimated Debt Outstanding at Year-End
Includes Existing Debt and Projected Debt Issuance
Includes Debt Supported by Utility Funds Only

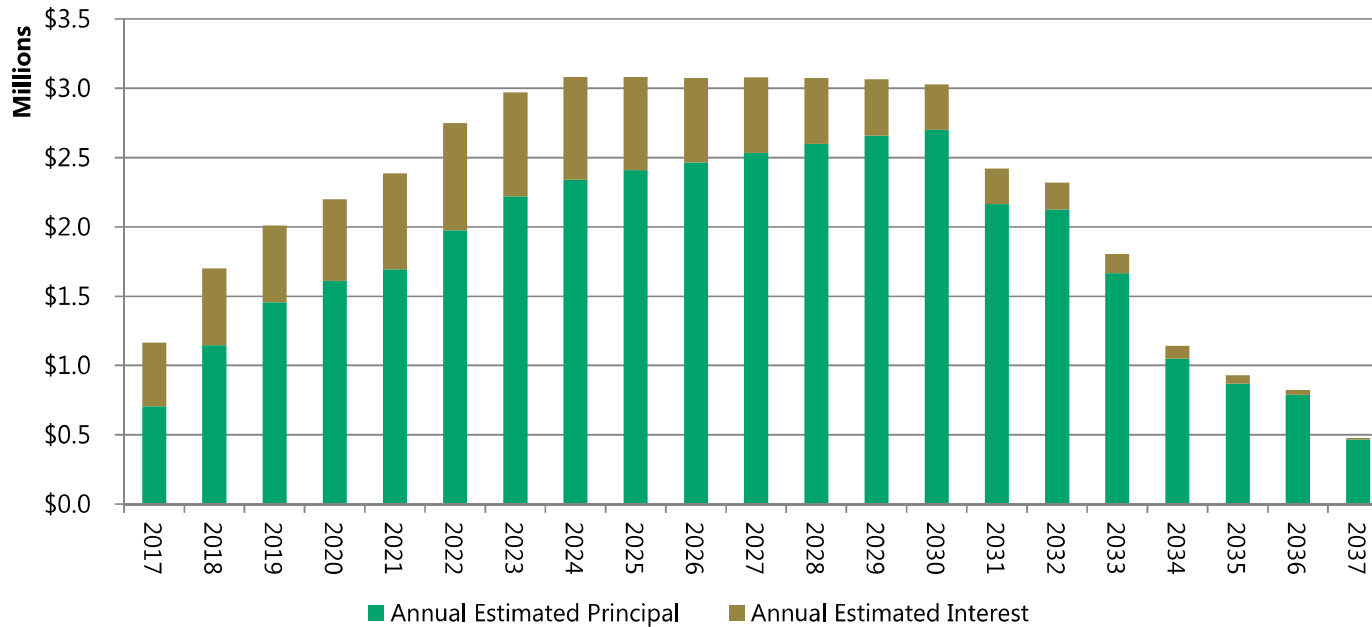


The annual debt outstanding as of year-end shown in **Chart 2** includes general obligation revenue bonds secured by water, sanitary sewer, and storm water revenues. The chart includes both existing debt outstanding (as of October 2, 2017) and estimated debt anticipated to be issued in the future and paid from utility revenues. Future bond issuance estimates are based on the City's capital improvement plan.

Chart 2 includes debt supported by utility revenue only and does not include existing or future estimated debt that is paid from property tax levy.

Capital Improvement Plan and Debt Service

Chart 3
City of Lake Elmo, MN
Estimated Annual Debt Service
Includes Existing Debt and Projected Debt Issuance
Includes Debt Supported by Utility Funds Only



The annual debt service (principal and interest) shown in **Chart 3** includes general obligation revenue bonds secured by water, sanitary sewer, and storm water revenues.

The annual amounts include both existing debt service (on outstanding bonds) and estimated debt service on bonds anticipated to be issued in the future and paid from utility revenues. Future bond issuance estimates are based on the City's capital improvement plan (see Table D).

Chart 3 includes debt supported by utility revenue only and does not include existing or future estimated debt that is paid from property tax levy.

UTILITY RATES

Key Factors

Projecting the utility rates necessary to maintain the financial stability of the City's utility operations requires development and analysis of the following key factors:

- Estimates for future annual operating expenditures, including personnel, materials and supplies, cost of electricity, and other operating expenses. The City contracted with TKDA Engineering Firm in 2016 to perform a review of the City's operations. The results of the TKDA review serve as the basis for the future annual operating expenditures included in this report.
- Metropolitan Council Environmental Service (MCES) sewer fee charged to the City by the Metropolitan Council for regional collection and treatment of waste water. This is an operating expense that the City does not have control over. Future charges payable to the MCES are calculated based on total estimated annual sanitary sewer volume and the MCES current rate (as of 2017) inflated by 5.5% annually.
- Annual capital expenditure to maintain and improve the utility systems.
- Annual debt service on bonds issued to finance capital improvements.
- Growth in customers using and paying for the systems. Growth in customers will provide additional revenue to the systems at time of platting, connection, and on-going usage, but will also create additional demand for services.

- Available other revenue sources other than fees and charges paid by customers of the utility systems.

Annual Operating Expenditures

Costs incurred in operating the utility systems, which are used up in the period in which acquired, are recorded as operating expenditures. Annual growth in operating expenditures, not including the MCES charge, has been modest. It is anticipated that growth in future years will be approximately 2.0% annually, with some limited exceptions.

The operating expense projections included in this report are informed by the report prepared by TKDA, consultant to the City. Depreciation is reported as an operating expenditures and is the process of allocating the costs of an asset over its useful life in a systematic and rational manner. Depreciation is estimated to change with capital spending and depreciation of both existing and future acquired assets.

Metropolitan Council Environmental Services

The MCES charge to cities for regional collection and treatment has been volatile in recent years. MCES experienced revenue losses from the significant drop in regional development during the recession which has caused a corresponding decline in revenue collected by the Council for Sewer Availability Charges (a one time fee for new connections). For projection purposes, the study assumes that future charges paid to MCES for collection and treatment will increase by 5.5% annually. This is part of the annual operating expense to the City's Sewer Fund.

The City accounts for the collection and payment of the MCES "Sewer Availability Charge" (SAC) through an accounts payable account. The operating expense report

for the Sanitary Sewer Fund (see **Tables J-1 and J-3** on pages 31 and 33 do not include a separate revenue and expense line item for the MCES SAC.

Annual Capital Expenditures

The CIP anticipates paying for future capital improvement project costs with a combination of revenue sources. The City anticipates future development will provide revenue to the City for paying for utility expansion through the collection of development fees (an availability and a connection charge).

Paying for annual planned capital improvement projects with cash may be a sound strategy depending on the details of the project. It avoids incurring annual interest expense. However, this strategy requires advance planning and implementation of utility fees and charges that provide adequate cash flow.

For large (non-routine) capital expenditures or unanticipated capital expenditures, the use of bonding to fund capital minimizes annual rate increases that otherwise would be necessary. It also allows the City to charge future customers the cost of infrastructure with a longer useful life, versus putting the entire burden on today's customers. The CIP anticipates bonding. The resulting annual debt service on the bonds is included in the financial plans for the funds.

Debt Service

Debt service in the funds is paid from revenue collected from utility fees, availability and connection charges, and special assessments. The CIP anticipates debt issuance to be supported by the revenues within the utility funds. All current and future debt is accounted for in the financial plans that are included in this report. The estimated debt service on future bonds is based on 15 years and bonds

payable at current market interest rates. Future estimated utility fees and charges reflect the cost of the estimated increase for debt service.

Growth in Customers

Growth in customers from development is the most important factor in determining the projections for future utility rates. Build out of approved developments will bring an increase in revenue to the utility funds through the collection of availability and connection charges and fees collected for service and usage of the systems. Availability charges and connection charges are one time charges collected at the time of development and connection to the system. Estimating the increase in future customers is the most volatile factor in developing financial projections for the utility funds. **Table E** on page 18 and **Charts 4 and 5** on page 19 include information on the estimated growth in customers or residential equivalent units ("REU") from development. The estimated growth in REU's was prepared by City staff and provided to Northland for this report.

The pace of growth in customers from development will increase or decrease estimated revenues shown in this report and impact future utility rates. For this reason it is critical that the City update its financial plans based on actual growth.

Available Other Revenues

There is limited other revenue. The majority of the cost to operate and maintain the system is paid from charges collected from those using the system. Other revenue includes interest income, special assessments, and grants.

Historical Utility Rates

Information on historical rates is provided in **Tables F-H** beginning on page 20 for each of the utility funds. Rates

shown are billed quarterly, with the exception of the storm water fee which is billed to customers receiving this charge on an annual basis. Prior to 2017, the City charged a basic service fee for water only.

Future Utility Rates

Information on estimated utility rates for years 2018 to 2026 is included in **Tables G-H** for each utility fund. The future rates reflect the rates necessary to maintain adequate cash balance in the utility funds. These rates applied against estimated customers and usage is used to calculate the annual estimated charges for services fees shown in the financial plans (pro forma) for each utility fund.

The report assumes a 3.0% annual increase in water rates and a 1.0% annual increase in and sewer rates beginning in 2018. The annual rate increase is assumed on the quarterly base fee and usage fees only. The annual fee for storm water is assumed to increase by \$5.00 per year beginning in 2017 and then by \$10.00 per year beginning in 2021. The increases are needed to ensure the City is able to maintain sufficient cash in the utility funds over the long-term. There is no estimated change to the rates charged for development, the connection and availability charges.

The tier structure the City uses for charging customers for water, based on volume of water sold, was not reviewed as part of this study. The current adopted tier structure appears to be reasonable.

The City changed the basis for charging sanitary sewer customers in 2017. Residential customers are charged a base fee for the first 10,000 gallons of sewer volume billed per quarter and then charged on a per 1,000 gallons basis for volume billed above this usage.

Estimated Volumes of Water Sold and Sanitary Sewer Billed

Annual estimated volume of water sold by tier and estimated sanitary sewer billed by year is included in **Table F and Table G** beginning on page 20. The estimated gallons of water sold and sanitary sewer billed is summarized in **Chart 6** on page 23.

The City was not able to provide information on historical volume sold per tier so assumptions were made on the volumes sold per tier in order to prepare this report and to project future revenues from billing of water usage.

The report assumes average annual volume of just under 96,000 gallons per residential customer (or approximately 8,000 gallons per month). This volume is pro-rated across the City's tier structure using estimated historical data (actual volume data is not available from the City). For commercial customers, annual volume is calculated based on prior year estimated volumes adjusted by the percentage increase in commercial and school customers. The report assumes annual sewer volume billed per customer for both residential and commercial of 48,000 gallons (or 4,000 gallons per month). The MCES reported total sewer volume for the City of nearly 18 million gallons for year 2016.

The estimates for residential and commercial customers volume usage for both water and sanitary sewer needs to be revisited and reviewed as better information becomes available from the City's utility billing system.

Table E
City of Lake Elmo, MN
Growth Projections
Amounts Shown Equal Growth in Residential Equivalent Units (REU)

	Actual	Projected											Total 2017-2026	Grand Total 2014 - 2026
	Total for Years 2014 to 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026			

WATER CONNECTIONS - PAID AT TIME OF PERMIT													
Residential	494	250	250	250	250	250	190	160	130	110	59	1,899	2,393
Commercial	86	40	50	70	77	50	65	50	40	30	20	492	578
School	40	0	20	0	0	0	0	0	0	0	0	20	60
Total	620	290	320	320	327	300	255	210	170	140	79	2,411	3,031
Aggregate Total	620	910	1,230	1,550	1,877	2,177	2,432	2,642	2,812	2,952	3,031		

SANITARY SEWER CONNECTIONS - PAID AT TIME OF PERMIT													
Residential	385	250	250	250	250	250	190	170	165	142	117	2,034	2,419
Residential Downtown	28	11	12	20	0	0	57	14	23	0	0	137	165
Commercial	116	40	50	70	77	50	65	50	40	10	10	462	578
Commercial Downtown	25	36	39	19	0	0	0	19	0	0	0	113	138
School	40	60	20	0	0	0	0	0	0	0	0	80	120
Total	594	397	371	359	327	300	312	253	228	152	127	2,826	3,420
Aggregate Total	594	991	1,362	1,721	2,048	2,348	2,660	2,913	3,141	3,293	3,420		

WATER AVAILABILITY CHARGE - PAID AT TIME OF PLATTING													
Residential	767	250	250	250	250	220	170	100	60	40	36	1,626	2,393
Commercial	86	40	50	70	77	50	65	50	40	30	20	492	578
School	40	0	20	0	0	0	0	0	0	0	0	20	60
Total	893	290	320	320	327	270	235	150	100	70	56	2,138	3,031
Aggregate Total	893	1,183	1,503	1,823	2,150	2,420	2,655	2,805	2,905	2,975	3,031		

SANITARY SEWER AVAILABILITY CHARGE - PAID AT TIME OF PLATTING													
Residential	694	250	250	250	250	220	170	130	90	86	29	1,725	2,419
Residential Downtown	28	11	12	20	0	0	57	14	23	0	0	137	165
Commercial	116	40	50	70	77	50	65	50	40	10	10	462	578
Commercial - Downtown	25	36	39	19	0	0	0	19	0	0	0	113	138
School	40	60	20	0	0	0	0	0	0	0	0	80	120
Total	903	397	371	359	327	270	292	213	153	96	39	2,517	3,420
Aggregate Total	903	1,300	1,671	2,030	2,357	2,627	2,919	3,132	3,285	3,381	3,420		

Utility Rates

Chart 4
City of Lake Elmo, MN
Estimated Residential Equivalent Units Platted and Connected to Sanitary Sewer

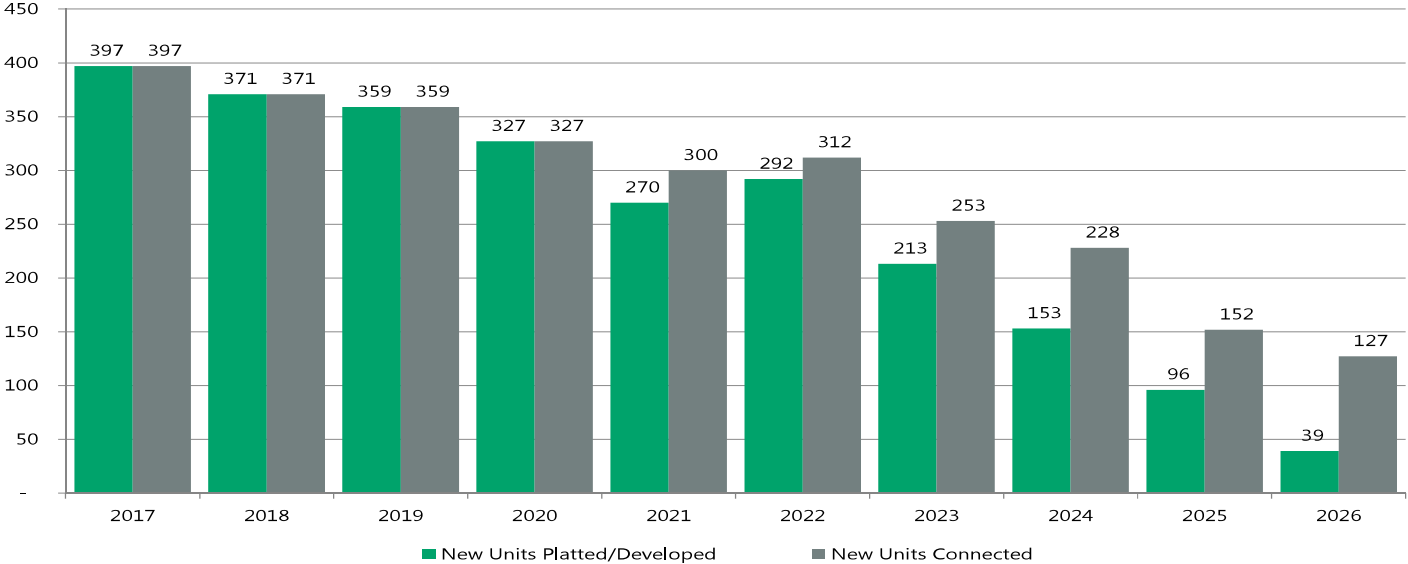
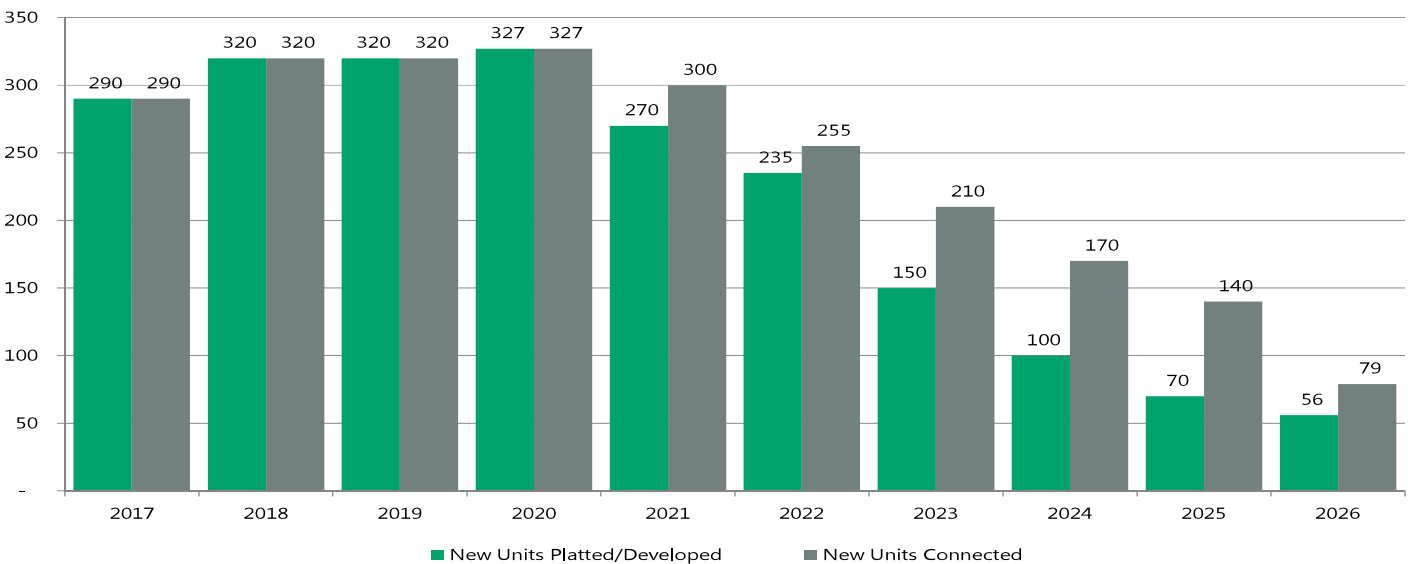


Chart 5
City of Lake Elmo, MN
Estimated Residential Equivalent Units Platted and Connected to Water



The estimates for future growth from development, shown in residential equivalent units in **Chart 4 and Chart 5**, was prepared by City staff.

The data was provided to Northland as an input for the study and this report.

The estimates for growth, and annual units platted and connected, is an important input for estimating future revenue.

Revenue from increased residential equivalent units comes from a one time payment of the City's availability charge and connection charge and then from on-going payment for use of the systems. The availability charge is paid at time of platting and the connection charge at time of connection.

TABLE F
City of Lake Elmo, MN
Water Fund
Fees and Charges and Customer Data

	Actual		Projected									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Customer Units Billed (Quarterly Average)												
Residential customer units	1,115	1,250	1,469	1,719	1,969	2,219	2,469	2,719	2,909	3,069	3,199	3,309
Commercial and school customer units	52	54	110	150	220	290	367	417	482	532	572	602
Total customer units	1,167	1,304	1,579	1,869	2,189	2,509	2,836	3,136	3,391	3,601	3,771	3,911
Total Volume Sold Per Year in Thousand of Gallons (Gal)												
Residential Usage per 1,000 gallons:												
Tier 1: 0-15,000 gallons	24,007	35,668	40,301	47,160	54,018	60,877	67,735	74,594	79,806	84,196	87,762	90,780
Tier 2: 15,001-30,000 gallons	50,000	74,287	83,936	98,220	112,505	126,789	141,074	155,358	166,215	175,357	182,785	189,070
Tier 3: 30,001-50,000 gallons	10,000	14,857	16,787	19,644	22,501	25,358	28,215	31,072	33,243	35,071	36,557	37,814
Subtotal	84,007	124,812	141,024	165,024	189,024	213,024	237,024	261,024	279,264	294,624	307,104	317,664
Commercial Usage per 1,000 gallons												
Tier 1: 0-15,000 gallons	8,000	1,814	3,553	4,846	7,107	9,368	11,856	13,471	15,570	17,186	18,478	19,447
Tier 2: 15,001-30,000 gallons	10,000	2,268	4,442	6,057	8,884	11,710	14,819	16,838	19,463	21,482	23,097	24,309
Tier 3: 30,001-50,000 gallons	2,000	636	1,245	1,697	2,490	3,282	4,153	4,719	5,454	6,020	6,473	6,812
Subtotal	20,000	4,718	9,240	12,600	18,480	24,360	30,820	35,028	40,488	44,688	48,048	50,568
Total Volume Billed (in thousand of gallons)	104,007	129,530	150,264	177,624	207,504	237,384	267,852	296,052	319,752	339,312	355,152	368,232
<i>Average Volume Per Month Customer Per 1,000 gallons</i>	7.43	8.28	7.93	7.92	7.90	7.88	7.87	7.87	7.86	7.85	7.85	7.85
Connections (Number of REC)	130	239	290	320	320	327	300	255	210	170	140	10
Availability Charge (Number of REC)	470	321	290	320	320	327	270	235	150	100	70	10
Charges for Service Fees (per 1,000 gallons)												
Residential quarterly base fee	\$25.00	\$20.00	\$20.00	\$20.60	\$21.22	\$21.85	\$22.51	\$23.19	\$23.88	\$24.60	\$25.34	\$26.10
Residential Tier 1: 0-15,000 gallons	\$2.14	\$2.00	\$2.00	\$2.06	\$2.12	\$2.19	\$2.25	\$2.32	\$2.39	\$2.46	\$2.53	\$2.61
Residential Tier 2: 15,001-30,000 gallons	\$2.86	\$2.60	\$2.40	\$2.47	\$2.55	\$2.62	\$2.70	\$2.78	\$2.87	\$2.95	\$3.04	\$3.13
Residential Tier 3: 30,001-50,000 gallons	\$3.77	\$3.38	\$2.88	\$2.97	\$3.06	\$3.15	\$3.24	\$3.34	\$3.44	\$3.54	\$3.65	\$3.76
Commercial quarterly base fee	\$25.00	\$25.00	\$25.00	\$25.75	\$26.52	\$27.32	\$28.14	\$28.98	\$29.85	\$30.75	\$31.67	\$32.62
Commercial Tier 1: 0-15,000 gallons	\$3.11	\$3.11	\$3.11	\$3.20	\$3.30	\$3.40	\$3.50	\$3.61	\$3.71	\$3.82	\$3.94	\$4.06
Commercial Tier 2: 15,001-30,000 gallons	\$3.26	\$3.26	\$3.26	\$3.36	\$3.46	\$3.56	\$3.67	\$3.78	\$3.89	\$4.01	\$4.13	\$4.25
Commercial Tier 3: 30,001-50,000 gallons	\$3.77	\$3.77	\$3.77	\$3.88	\$4.00	\$4.12	\$4.24	\$4.37	\$4.50	\$4.64	\$4.78	\$4.92
Development Fees												
Connection charge Per REC Unit	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Availability charge Per REC Unit	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Annual Revenue												
Base charges	\$116,700	\$105,400	\$128,520	\$157,096	\$190,453	\$225,670	\$263,617	\$300,507	\$335,433	\$367,388	\$396,651	\$423,947
Usage charges	\$297,095	\$330,132	\$360,619	\$440,673	\$533,950	\$632,428	\$738,498	\$841,763	\$939,367	\$1,028,702	\$1,110,524	\$1,186,876
Total Charges for Service Fees	\$413,795	\$435,532	\$489,139	\$597,769	\$724,403	\$858,098	\$1,002,114	\$1,142,270	\$1,274,800	\$1,396,090	\$1,507,175	\$1,610,822
Connection charges	\$130,000	\$239,000	\$290,000	\$320,000	\$320,000	\$327,000	\$300,000	\$255,000	\$210,000	\$170,000	\$140,000	\$10,000
Availability charges	\$1,410,000	\$963,000	\$870,000	\$960,000	\$960,000	\$981,000	\$810,000	\$705,000	\$450,000	\$300,000	\$210,000	\$30,000
Total Development Fees	\$1,540,000	\$1,202,000	\$1,160,000	\$1,280,000	\$1,280,000	\$1,308,000	\$1,110,000	\$960,000	\$660,000	\$470,000	\$350,000	\$40,000
Total Revenue	\$1,953,795	\$1,637,532	\$1,649,139	\$1,877,769	\$2,004,403	\$2,166,098	\$2,112,114	\$2,102,270	\$1,934,800	\$1,866,090	\$1,857,175	\$1,650,822

TABLE G
City of Lake Elmo, MN
Sanitary Sewer Fund
Fees and Charges and Customer Data

	Actual		Projected									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Customer Units Billed (Quarterly Average)												
Residential customer units	82	327	545	806	1,068	1,338	1,588	1,838	2,085	2,269	2,457	2,599
Commercial customer units	37	97	81	217	326	415	492	542	607	676	716	726
Total customer units	119	424	626	1,023	1,394	1,753	2,080	2,380	2,692	2,945	3,173	3,325
Total Volume Sold Per Year in Thousand of Gallons (Gal)												
Residential Tier 1: per 1,000 gallons	3,444	13,875	26,160	38,688	51,264	64,224	76,224	88,224	100,080	108,912	117,936	124,752
Less Residential Tier Volume included in base			(21,800)	(32,240)	(42,720)	(53,520)	(63,520)	(73,520)	(83,400)	(90,760)	(98,280)	(103,960)
Net Residential Volume Billed			4,360	6,448	8,544	10,704	12,704	14,704	16,680	18,152	19,656	20,792
Commercial Tier 1: per 1,000 gallons	3,146	4,116	3,888	10,416	15,648	19,920	23,616	26,016	29,136	32,448	34,368	34,848
Less Commercial Tier Volume included in base												
Net Commercial Volume Billed			3,888	10,416	15,648	19,920	23,616	26,016	29,136	32,448	34,368	34,848
Total Volume Billed (in thousand of gallons)	6,590	17,991	8,248	16,864	24,192	30,624	36,320	40,720	45,816	50,600	54,024	55,640
Average Volume Per Month Customer Per 1,000 gallons	4.61	3.54	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Connections (Number of REC)	130	301	397	371	359	327	300	312	253	228	152	10
Availability Charge (Number of REC)	498	374	350	320	320	327	270	235	180	130	96	10
Availability Charge (Number of REC) - Downtown	-	70	47	51	39	-	-	57	33	23	-	-
Early Incentive Units Included Above (Pay at 50% of Rate)		70	47	51	39	-	-	57	33	23	-	-
Charges for Service Fees												
Residential quarterly base fee (first 10 units)	\$0.00	\$0.00	\$52.50	\$53.03	\$53.56	\$54.09	\$54.63	\$55.18	\$55.73	\$56.84	\$57.98	\$59.14
Residential usage per 1,000 gallons:	\$4.50	\$4.50	\$4.50	\$4.55	\$4.59	\$4.64	\$4.68	\$4.73	\$4.78	\$4.87	\$4.97	\$5.07
Commercial quarterly base fee	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Commercial usage per 1,000 gallons:	\$4.50	\$4.50	\$4.50	\$4.55	\$4.59	\$4.64	\$4.68	\$4.73	\$4.78	\$4.87	\$4.97	\$5.07
Development Fees												
Connection charge Per REC Unit	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Availability charge Per REC Unit	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
SAC Charge (pass-thru payable to Met Council)	\$2,485	\$2,485	\$2,485	\$2,485	\$2,485	\$2,485	\$2,485	\$2,485	\$2,485	\$2,485	\$2,485	\$2,485
Annual Revenue												
Base charges	\$0	\$0	\$114,450	\$170,953	\$228,788	\$289,494	\$347,021	\$405,669	\$464,787	\$515,920	\$569,840	\$614,829
Usage charges	\$29,655	\$80,960	\$37,116	\$76,647	\$111,052	\$141,984	\$170,076	\$192,587	\$218,856	\$246,542	\$268,490	\$282,051
Total Charges for Service Fees	\$29,655	\$80,960	\$151,566	\$247,599	\$339,840	\$431,478	\$517,097	\$598,256	\$683,642	\$762,462	\$838,330	\$896,880
Connection charges	\$130,000	\$266,000	\$373,500	\$345,500	\$339,500	\$327,000	\$300,000	\$283,500	\$236,500	\$216,500	\$152,000	\$10,000
Availability charge Per REC Unit	\$1,494,000	\$1,017,000	\$979,500	\$883,500	\$901,500	\$981,000	\$810,000	\$619,500	\$490,500	\$355,500	\$288,000	\$30,000
Availability charge Per REC Unit - Downtown		\$10,500	\$17,550	\$25,200	\$31,050	\$31,050	\$31,050	\$39,600	\$44,550	\$48,000	\$48,000	\$48,000
Total Development Fees	\$1,624,000	\$1,293,500	\$1,370,550	\$1,254,200	\$1,272,050	\$1,339,050	\$1,141,050	\$942,600	\$771,550	\$620,000	\$488,000	\$88,000
Total Revenue	\$1,653,655	\$1,374,460	\$1,522,116	\$1,501,799	\$1,611,890	\$1,770,528	\$1,658,147	\$1,540,856	\$1,455,192	\$1,382,462	\$1,326,330	\$984,880

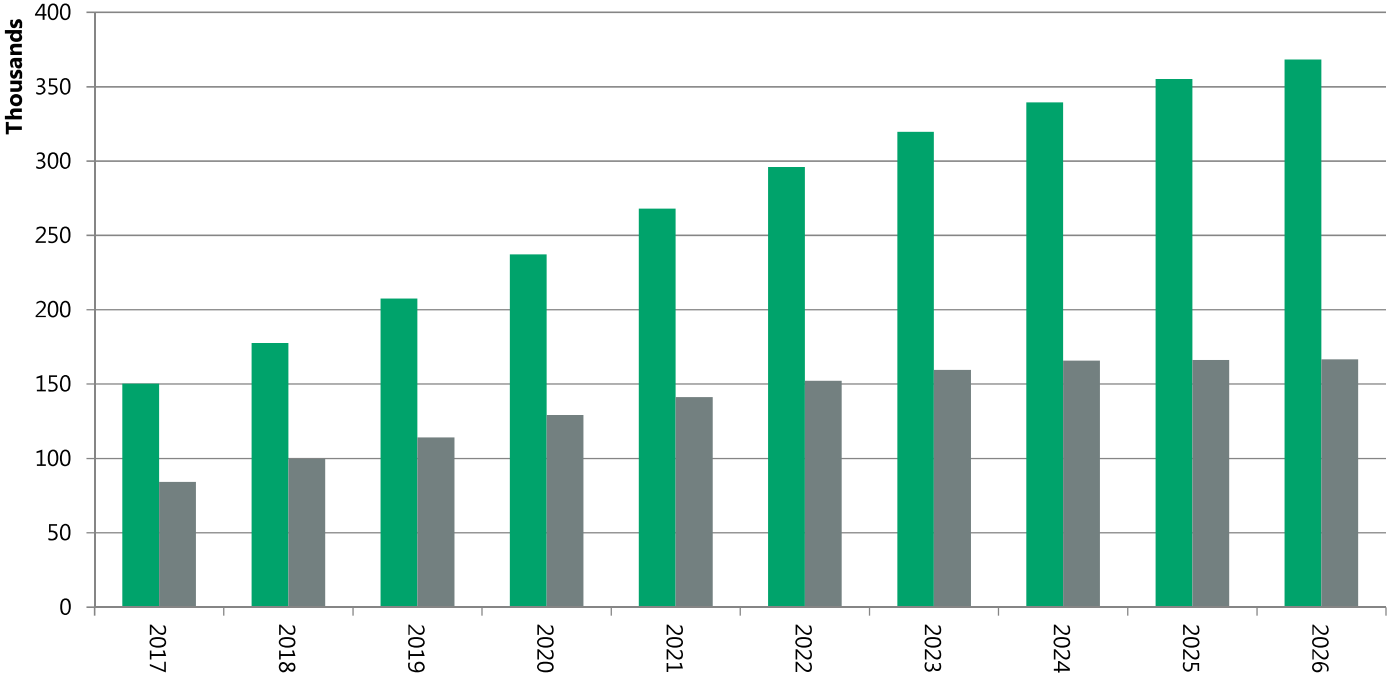
Note: The Availability charger per REC Unit is broken-out separately for the "Downtown" because the charge to the DOWTOWN units is spread over 20 years. Beginning in 2017, the base charge includes 10 units.

Table H
City of Lake Elmo, MN
Storm Water Fund
Fees and Charges and Customer Data

	Actual		Projected									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Customer Units Billed (Quarterly Average)												
Residential units billed	2,602	2,742	2,861	3,111	3,361	3,611	3,861	4,111	4,301	4,461	4,591	4,701
Commercial residential equivalent units billed	1,685	1,695	1,922	2,045	2,261	2,476	2,713	2,867	3,068	3,222	3,345	3,437
Total residential equivalent units billed	4,287	4,437	4,783	5,156	5,622	6,087	6,574	6,978	7,369	7,683	7,936	8,138
Charges for Service Fees												
Residential fee	\$50.00	\$50.00	\$50.00	\$55.00	\$60.00	\$65.00	\$75.00	\$85.00	\$95.00	\$105.00	\$115.00	\$125.00
Commercial fee	\$50.00	\$50.00	\$50.00	\$55.00	\$60.00	\$65.00	\$75.00	\$85.00	\$95.00	\$105.00	\$115.00	\$125.00
Annual Revenue												
Base charges	\$214,350	\$221,850	\$239,146	\$283,587	\$337,303	\$395,676	\$493,086	\$593,171	\$700,025	\$806,681	\$912,626	\$1,017,285
Total Revenue	\$214,350	\$221,850	\$239,146	\$283,587	\$337,303	\$395,676	\$493,086	\$593,171	\$700,025	\$806,681	\$912,626	\$1,017,285

Note: The commercial residential equivalent units (REU) billed are based on a factor of 3.08X the amount billed for a single REU.

Chart 6
City of Lake Elmo, MN
Projected Volume of Water and Sanitary Sewer (Thousands of Gallons)



The estimated annual gallons of volume will increase as more customers connect to the water and sanitary sewer systems.

This report assumes that the average annual usage per customer for residential and commercial remains fairly constant.

FINANCIAL PLANS

Based on historical financial performance, estimated utility rates, and future capital projects, financial plans (proforma) have been prepared for each the utility funds.

Key Assumptions

The financial plans for each utility funds was developed based on several key assumptions which are as follows:

- Operating expenditures, including personnel costs and materials supplies and all other operating expense will increase by approximately 2.0% annually along with other adjustments as prepared by TKDA, consultant to the City. The City contracted with TKDA to perform a review of the City’s operations for the utility systems and to provide input into future estimated capital improvement projects.
- No change in existing tier structure for fees and charges.
- Depreciation is estimated based on estimated capital improvements with new assets assumed to be depreciated over a 40 year term. Information on calculation of net capital assets, including depreciation is included in the Appendix.
- Current capital improvement plan will be implemented at estimated project costs and estimated sources of funding as included in this report. This includes an increase in future debt service for payment on bonds to be issued.
- Utility fees for use of the system are assumed to increase for water and sanitary sewer services, beginning in year 2018, see **Table B** on page 3 for annual per-

centage increases for water and sewer fees and the fee adjustment for storm water. The annual rate increase is assumed on the quarterly base fee and usage fees only. The annual fee for storm water is assumed to increase by \$5.00 per year, beginning in year 2018.

- Connection and availability charges are assumed to remain constant for years 2017-2026. Revenue from these charges is used to pay for the system, including the planned capital projects and related debt service.
- The estimated utility fees and charges are shown to be at a level that is adequate to maintain cash balances in the funds sufficient to cover the following over the next five years: 1) restricted cash for planned capital; 2) restricted cash for debt service/calling of bonds; and 3) unrestricted cash available equivalent to 35-50% of anticipated operating expenses.

WATER FUND

Fund Description

The Water Fund is used to account for the operating and capital improvement costs of the water utility system.

Background

The Water Fund is in sound financial condition. Future financial performance will be impacted by the timing of development of land in the City and the timing of receipt of development fees that will support debt service on the infrastructure and receipt of charges for service for usage of the system.

Source of Funds

There are two major source of funds: 1) collection of charges for service fees (base fee and volume usage fees) and 2) development fees collected at time of platting and time of connection to the system. Revenue from charges for service fees will increase as the number of customers increases and the volume of water sold increases.

The financial plan assumes no change in the City's existing rate structure and assumes annual rates increase of 3.0% beginning in year 2018. The City adopted reductions to the 2017 fee schedule, compared to prior year, resulting in a need to plan for higher increase in the future.

Beginning in 2017, the City is no longer depositing the receipt of revenue from a rental fee for access to the City's water tower by communication companies to the Water Fund, this represented about a \$50,000 reduction in annual revenue to the Water Fund.

Interest income earned on cash balance is recorded as revenue. The investment earnings rate is estimated to be

0.5% for future years.

Special assessments levied for water infrastructure improvements is recorded as revenue in the Water Fund.

Use of Funds

The use of funds is to pay for the operation of the water system, interest and fiscal expense on debt, depreciation, and authorized transfers to other funds that may occur from time to time. Principal payments on bonds supported by the Water Fund result in a reduction of liability for the Fund. Operating expense line item details can be found in **Table I-3** on page 28.

Transfers

The financial plan does not anticipate any future transfers in or out of funds from the Water Fund to other city funds. Presently the City does not charge the utility funds for General Fund overhead but does directly charge the fund for administrative staff time.

Balance Sheet Items

The financial plan includes estimated assets and liabilities, this includes estimated annual year-end cash balance. **Table I-2** on page 27 provides a detailed summary on estimated change in cash year by year. The City reported \$3.4 million as receivable from other governments (the State of Minnesota) at the end of 2016. This receivable was collected in 2017 resulting an increase in cash balance.

Financial Plans WATER FUND

**Table I-1
City of Lake Elmo, MN
Water Fund
Pro Forma**

	Actual		Projected									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Source of Funds												
Charges for service fees	441,563	269,108	489,139	597,769	724,403	858,098	1,002,114	1,142,270	1,274,800	1,396,090	1,507,175	1,610,822
Charges for service fees - meters	55,435	244,260	53,000	66,000	57,847	60,252	62,824	65,577	72,035	77,078	82,473	82,473
Special assessments	-	11,334	132,598	111,077	108,550	178,241	175,713	173,186	169,556	163,019	160,724	158,429
Intergovernmental		525										
Investment income	26,985	13,987	20,000	17,640	19,682	16,201	20,421	23,899	25,483	25,285	24,066	21,674
Contributions and donations												
Water availability charge	1,237,500	979,500	870,000	960,000	960,000	981,000	810,000	705,000	450,000	300,000	210,000	30,000
Water connection fee	66,000	244,500	290,000	320,000	320,000	327,000	300,000	255,000	210,000	170,000	140,000	10,000
Rents/leases	49,742	52,526	-	-	-	-	-	-	-	-	-	-
Transfer in from other funds	84,569											
Capital contributions		3,443,636										
Total Source of Funds	1,961,794	5,259,376	1,854,737	2,072,485	2,190,482	2,420,790	2,371,073	2,364,931	2,201,874	2,131,471	2,124,438	1,913,398
Use of Funds												
Operating and other expense	442,214	559,789	636,871	681,430	638,312	544,313	566,535	617,653	596,122	623,085	680,918	680,965
Interest and fiscal expense	363,202	237,691	273,321	300,775	292,041	303,570	380,983	453,122	437,381	435,852	396,000	358,625
Depreciation	557,627	612,352	654,045	666,233	699,058	773,808	850,558	869,683	895,433	896,308	901,308	906,308
Transfer out to other funds	291,413	40,427										
Total Use of Funds	1,654,456	1,450,259	1,564,237	1,648,438	1,629,411	1,621,690	1,798,076	1,940,457	1,928,936	1,955,245	1,978,226	1,945,898
Change in net assets	307,338	3,809,117	290,500	424,047	561,071	799,100	572,997	424,474	272,938	176,227	146,212	(32,500)
<i>Prior period adjustment</i>	<i>(81,881)</i>											
Net Position, End of Year	9,585,532	13,394,649	13,685,149	14,109,196	14,670,268	15,469,367	16,042,364	16,466,838	16,739,776	16,916,003	17,062,215	17,029,715
Assets												
Cash and investments	2,038,821	135,048	3,527,975	3,936,476	3,240,120	4,084,284	4,779,786	5,096,536	5,057,000	4,813,129	4,334,768	3,643,187
Cash and investments escrow	-											
Due from other governments		3,432,485										
Special assessments receivable	487,294	360,690	1,105,206	1,028,576	1,851,946	1,730,316	1,608,686	1,487,056	1,366,529	1,250,061	1,133,594	1,017,127
Other assets	358,474	130,481	130,481	130,481	130,481	130,481	130,481	130,481	130,481	130,481	130,481	130,481
Capital assets	19,759,938	25,947,871	27,615,598	28,103,098	29,416,098	32,406,098	35,476,098	36,241,098	37,271,098	37,306,098	37,506,098	37,706,098
<i>Less accumulated depreciation</i>	<i>(3,774,797)</i>	<i>(4,387,149)</i>	<i>(5,041,194)</i>	<i>(5,707,427)</i>	<i>(6,406,485)</i>	<i>(7,180,292)</i>	<i>(8,030,850)</i>	<i>(8,900,533)</i>	<i>(9,795,965)</i>	<i>(10,692,273)</i>	<i>(11,593,581)</i>	<i>(12,499,888)</i>
Deferred outflows of resources		102,405										
Total Assets and Deferred Outflows	18,869,730	25,721,831	27,338,066	27,491,204	28,232,161	31,170,887	33,964,201	34,054,638	34,029,142	32,807,496	31,511,361	29,997,004
Liabilities												
Due to other funds and government		8,306										
Unearned revenue	164,000	379,000	505,000	606,000	707,000	757,000	807,000	807,000	807,000	807,000	807,000	807,000
Net Unamortized Prem/Discount	67,715	126,149	178,633	166,724	155,609	145,235	135,553	126,516	118,082	110,210	102,862	96,005
Bonds payable	8,690,000	11,500,000	12,655,000	12,295,000	12,385,000	14,485,000	16,665,000	16,340,000	16,050,000	14,660,000	13,225,000	11,750,000
Accounts payable / Other	362,483	294,284	294,284	294,284	294,284	294,284	294,284	294,284	294,284	294,284	294,284	294,284
Deferred inflows of resources		19,443	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,001
Total Liabilities and Deferred Inflows	9,284,198	12,327,182	13,652,917	13,382,008	13,561,893	15,701,519	17,921,837	17,587,800	17,289,366	15,891,494	14,449,146	12,967,290
Total Liabilities and Net Assets	18,869,730	25,721,831	27,338,066	27,491,204	28,232,161	31,170,887	33,964,201	34,054,638	34,029,142	32,807,496	31,511,361	29,997,004

Financial Plans WATER FUND

Table 1-2
City of Lake Elmo, MN
Water Fund
Year-End Cash Balance

	Actual		Projected									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Beginning Cash	4,465,686	2,038,821	135,048	3,527,975	3,936,476	3,240,120	4,084,284	4,779,786	5,096,536	5,057,000	4,813,129	4,334,768
Plus operating revenues	658,294	591,740	694,737	792,485	910,482	1,112,790	1,261,073	1,404,931	1,541,874	1,661,471	1,774,438	1,873,398
Plus development revenues	1,303,500	1,224,000	1,160,000	1,280,000	1,280,000	1,308,000	1,110,000	960,000	660,000	470,000	350,000	40,000
Plus capital contributions	-	3,443,636	-	-	-	-	-	-	-	-	-	-
Plus bond proceeds	915,000	3,225,000	1,640,000	350,000	900,000	2,990,000	3,070,000	765,000	1,030,000	-	-	-
Less acquisition of capital assets	(652,351)	(6,187,933)	(1,667,727)	(487,500)	(1,313,000)	(2,990,000)	(3,070,000)	(765,000)	(1,030,000)	(35,000)	(200,000)	(200,000)
Less principal on debt	(4,015,000)	(415,000)	(485,000)	(710,000)	(810,000)	(890,000)	(890,000)	(1,090,000)	(1,320,000)	(1,390,000)	(1,435,000)	(1,475,000)
Less interest on debt	(356,613)	(209,330)	(273,321)	(300,775)	(292,041)	(303,570)	(380,983)	(453,122)	(437,381)	(435,852)	(396,000)	(358,625)
Less operating and other costs	(448,803)	(588,150)	(636,871)	(681,430)	(638,312)	(544,313)	(566,535)	(617,653)	(596,122)	(623,085)	(680,918)	(680,965)
Plus transfers in	84,569	-	-	-	-	-	-	-	-	-	-	-
Less transfers out	(291,413)	(40,427)	-	-	-	-	-	-	-	-	-	-
Incr/decr in other assets and liabilities	375,952	(2,947,309)	2,961,109	165,721	(733,485)	161,256	161,948	112,593	112,093	108,595	109,120	109,611
Change in cash	(2,426,865)	(1,903,773)	3,392,927	408,501	(696,356)	844,164	695,502	316,750	(39,536)	(243,870)	(478,361)	(691,581)
Total Ending Cash	2,038,821	135,048	3,527,975	3,936,476	3,240,120	4,084,284	4,779,786	5,096,536	5,057,000	4,813,129	4,334,768	3,643,187
Ending Cash Balance by Purpose												
Cash for next year planned capital			137,500	413,000	-	-	-	-	35,000	200,000	200,000	200,000
Cash for next year debt service	624,330	758,321	1,010,775	1,102,041	1,193,570	1,270,983	1,543,122	1,757,381	1,825,852	1,831,000	1,833,625	1,839,656
Restricted WAC	1,134,597		2,038,985	2,102,279	1,774,394	2,530,033	2,927,838	3,041,094	2,884,605	2,441,670	1,960,661	1,263,024
Unrestricted cash	279,895	(623,273)	340,715	319,156	272,156	283,268	308,826	298,061	311,543	340,459	340,483	340,507
Total Ending Cash	2,038,822	135,048	3,527,975	3,936,476	3,240,120	4,084,284	4,779,786	5,096,536	5,057,000	4,813,129	4,334,768	3,643,187
Unrestricted cash as % of operating expenditures	50.0%	-97.9%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%

Notes:

- The cash balance at year end 2016 includes an accounts receivable of \$3,432,485 in due from other governments. The 2017 cash balance includes (cash) collection of this receivable. The 2016 balance does not include any estimate for unspent bond proceeds. The Plan includes future bond issuance to fund project costs to be paid 100% from utility revenues, with the exception of year 2019 which includes bond proceeds to also fund the portion of project costs to be special assessed to benefiting property in the amount of \$900,000.
- City policy guidelines provide that the City maintain unrestricted cash equal to 50% of operating expenditures (not including depreciation).

Financial Plans
WATER FUND

Table I-3
City of Lake Elmo, MN
Water Fund
Operating and Other Expenses (Not Including Depreciation)

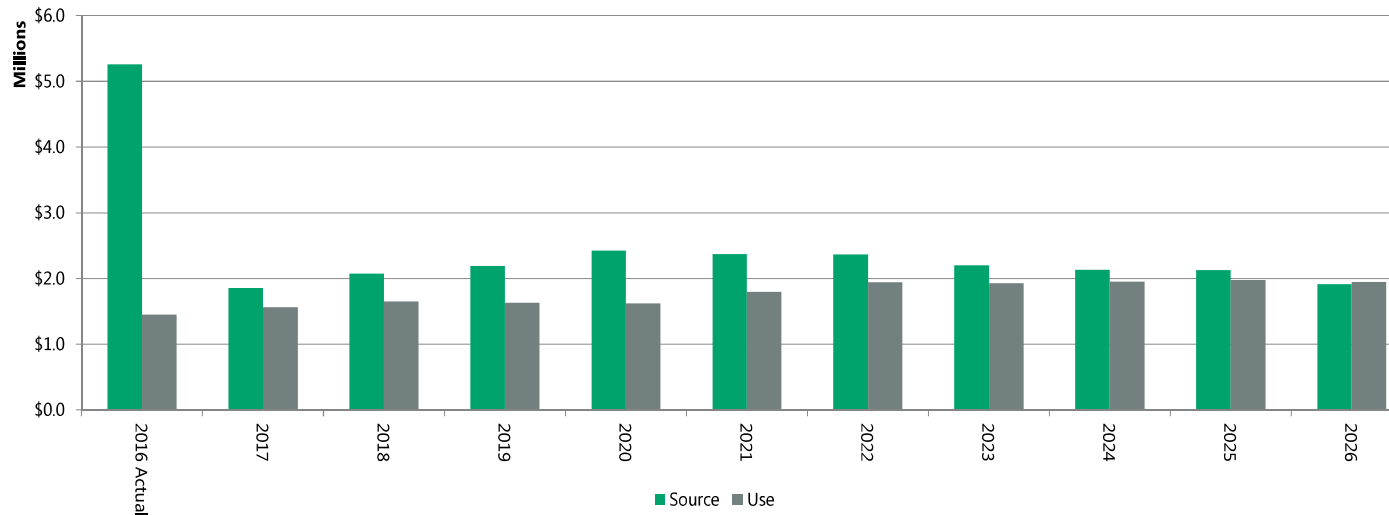
	Actual		Projected									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Personnel Services												
Full-time Salaries	92,578	127,902	92,619	106,326	168,686	172,060	175,501	198,832	202,809	206,865	232,037	232,037
PERA Contributions	8,615	15,792	6,807	7,660	12,651	12,905	13,163	14,912	15,211	15,515	17,403	17,403
FICA Contributions	5,498	7,346	5,706	6,555	10,543	10,754	10,969	12,427	12,676	12,929	14,502	14,502
Medicare Contributions	1,286	1,718	1,340	1,539	2,446	2,495	2,545	2,883	2,941	3,000	3,365	3,365
Health\Dental Insurance	18,199	25,973	19,894	22,436	33,737	34,412	35,100	39,766	40,562	41,373	46,407	46,407
Other	-	3,494	1,093	683	-	-	-	-	-	-	-	-
Workers Compensation	2,471	1,904	5,526	5,892	6,747	6,882	7,020	7,953	8,112	8,275	9,281	9,281
Total Personnel Services	128,647	184,129	132,985	151,091	234,810	239,508	244,298	276,773	282,311	287,957	322,995	322,995
Supplies												
Office Supplies	1,933	771	700	800	801	858	918	982	1,051	1,124	1,203	1,203
Printed Forms	239	499	550	750	859	919	983	1,052	1,126	1,204	1,289	1,289
Chemicals	1,473	3,157	10,000	13,000	14,884	15,926	17,040	18,233	19,509	20,875	22,336	22,336
Utility System Maintenance	25,257	25,014	20,000	26,000	28,623	30,626	32,770	35,064	37,518	40,145	42,955	42,955
Water Meters & Supplies	82,344	105,477	106,000	132,000	115,694	120,503	125,648	131,153	90,044	96,347	103,091	103,091
Other	-	1,988	-	1,800	-	-	-	-	-	-	-	-
Small Tools & Minor Equipment	5,016	3,955	3,500	10,800	5,725	6,125	6,554	7,013	7,504	8,029	8,591	8,591
Total Supplies	116,262	140,861	140,750	185,150	166,586	174,957	183,913	193,497	156,752	167,724	179,465	179,465
Other Services and Charges												
Engineering Services	14,725	18,664	20,000	20,000	22,898	24,501	26,216	28,051	30,015	32,116	34,364	34,364
Eng Svcs-Water Syst Master Plng	-	-	-	-	-	-	-	-	-	-	-	-
Legal Services	388	2,323	5,000	155,000	120,725	6,125	6,554	7,013	7,504	8,029	8,591	8,591
Contract Services	16,305	7,459	38,000	47,400	16,029	17,151	18,351	19,636	21,010	22,481	24,055	24,055
Software Support	4,774	5,660	16,479	37,133	9,988	10,188	10,391	10,599	10,811	11,027	11,248	11,248
Telephone	775	793	800	800	916	980	1,049	1,122	1,201	1,285	1,375	1,375
Postage	2,500	1,800	1,800	2,000	2,152	2,303	2,464	2,637	2,821	3,019	3,230	3,230
Insurance	6,799	8,975	10,000	12,000	11,449	12,250	13,108	14,026	15,007	16,058	17,182	17,182
Electric Utility	33,410	34,392	36,000	37,000	34,347	36,751	39,324	42,077	45,022	48,173	51,546	51,546
Water Utility	107,029	124,365	200,000	-	-	-	-	-	-	-	-	-
Repairs\Maint Imp Bldgs	-	-	-	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343
Repairs\Maint Imp Not Bldgs	7,116	10,800	8,000	28,000	11,449	12,250	13,108	14,026	15,007	16,058	17,182	17,182
Miscellaneous	1,835	-	1,000	2,290	2,290	2,450	2,622	2,805	3,001	3,212	3,436	3,436
Conferences & Training	460	103	1,500	2,000	1,717	1,838	1,966	2,104	2,251	2,409	2,577	2,577
Cost of issuance of bonds	12,919	19,465	24,757	-	-	-	-	-	-	-	-	-
Fiscal Agent Fees	1,189	-	800	856	916	980	1,049	1,122	1,201	1,285	1,375	1,375
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Services and Charges	210,224	234,799	363,136	345,189	236,916	129,848	138,324	147,383	157,059	167,404	178,458	178,505
Total Operating and Other Expenses	455,133	559,789	636,871	681,430	638,312	544,313	566,535	617,653	596,122	623,085	680,918	680,965

Financial Plans WATER FUND

Chart 7
City of Lake Elmo, MN
Water Fund
Year End Cash Balance Projections



Chart 8
City of Lake Elmo, MN
Water Fund
Difference Between Source and Use of Funds (Change in Net Assets) Projections



Estimated year end cash balances are estimated to increase over the next five years and then will be spent down on debt service and capital projects.

The source and use of funds includes depreciation and capital contributions. The difference between the annual source and use of funds is the change in net assets of the fund. The difference comes from the collection of development fees (source of funds) for payment of debt service on outstanding bonds (liability of the fund) and collection of revenue for build-out of the system.

SANITARY SEWER FUND

Fund Description

The Sanitary Sewer Fund is used to account for the operating and capital improvement costs of the sanitary sewer utility system.

Background

The Sanitary Sewer Fund is in sound financial condition. Future financial performance will be impacted by the timing of future development of land and the timing of receipt of development fees (trunk line availability charges and connection charges) that will support infrastructure costs and receipt of charges for service for usage of the system.

Source of Funds

There are two major source of funds: 1) collection of charges for service fees (base fee and volume usage fees) and 2) development fees collected at time of platting and time of connection to the system. Revenue from charges for service fees will increase as the number of customers increases and the volume of water sold increases. Future development of land through platting will result in increased revenue from water availability and connection charges.

The financial plan assumes no change in the City's existing rate structure and assumes a rate increase of 1.0% annually beginning in year 2018 and then 2.0% annually beginning in 2024.

Interest income is earned on cash balance is recorded as revenue. The investment earnings rate is estimated to be 0.5% for future years.

Special assessments levied for sanitary sewer infrastructure improvements is recorded as revenue in the Sanitary Sewer Fund.

Use of Funds

The use of funds is to pay for the operation of the sanitary sewer system, interest and fiscal expense on debt, depreciation, and authorized transfers to other funds that may occur from time to time. Principal payments on bonds supported by the Water Fund result in a reduction of liability for the Fund. Operating expense line item details can be found in **Table J-3** on page 33.

Transfers

The financial plan does not anticipate any future transfers in or out of funds from the Sanitary Sewer Fund to other city funds. Presently the City does not charge the utility funds for General Fund overhead but does directly charge the fund for administrative staff time.

Balance Sheet Items

The financial plan includes estimated assets and liabilities for, this includes estimated annual year-end cash balance. **Table J-2** on page 32 provides a detailed summary on estimated change in cash year by year.

Financial Plans SANITARY SEWER FUND

**Table J-1
City of Lake Elmo, MN
Sanitary Sewer Fund
Pro Forma**

	Actual		Projected									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Source of Funds												
Charges for service fees	65,147	108,517	151,566	247,599	339,840	431,478	517,097	598,256	683,642	762,462	838,330	896,880
Special assessments		20,931	80,149	77,874	141,799	139,525	137,250	311,509	391,081	426,922	424,647	422,372
Intergovernmental		142										
Investment income	9,928	14,584	13,033	18,577	18,545	22,594	27,402	18,085	18,883	19,431	21,536	19,163
Contributions and donations												
Sewer availability charge	1,394,920	803,000	997,050	908,700	932,550	1,012,050	841,050	659,100	535,050	403,500	336,000	78,000
Sewer connection fee	63,000	383,500	373,500	345,500	339,500	327,000	300,000	283,500	236,500	216,500	152,000	10,000
Rents/leases												
Miscellaneous			-	-	-	-	-	-	-	-	-	-
Sale of capital assets												
Transfer in from other funds	94,845											
Capital contributions		20,931										
Total Source of Funds	1,627,840	1,351,605	1,615,297	1,598,250	1,772,234	1,932,646	1,822,798	1,870,449	1,865,156	1,828,815	1,772,512	1,426,416
Use of Funds												
Operating and other expense	102,143	139,475	241,576	275,000	325,839	388,292	469,295	578,382	674,295	786,705	929,484	1,003,183
Interest and fiscal expense	106,499	108,910	124,318	195,324	208,454	194,716	183,791	209,390	208,655	207,318	188,664	171,326
Depreciation	42,224	132,265	208,461	231,211	232,461	232,461	298,336	311,086	322,961	322,961	340,461	345,461
Transfer out to other funds	241,044	102,678										
Total Use of Funds	491,910	483,328	574,356	701,535	766,754	815,470	951,423	1,098,858	1,205,911	1,316,985	1,458,610	1,519,971
Change in net assets	1,135,930	868,277	1,040,941	896,715	1,005,480	1,117,176	871,375	771,591	659,245	511,830	313,903	(93,555)
<i>Prior period adjustment</i>	<i>(32,828)</i>											
Net Position, End of Year	4,702,651	5,570,929	6,611,870	7,508,585	8,514,065	9,631,241	10,502,617	11,274,208	11,933,453	12,445,282	12,759,185	12,665,630
Assets												
Cash and investments	850,198	2,606,516	3,715,343	3,708,929	4,518,780	5,480,327	3,616,948	3,776,535	3,886,152	4,307,102	3,832,626	3,445,692
Cash and investments escrow	-											
Due from other funds	54,305	54,305										
Special assessments receivable	1,401,674	1,131,468	607,808	1,382,148	1,290,239	1,198,329	2,206,420	2,569,510	2,872,100	2,675,941	2,479,781	2,283,622
Other assets	299,395	42,240	42,240	42,240	42,240	42,240	42,240	42,240	42,240	42,240	42,240	42,240
Capital assets	6,416,054	6,954,644	10,002,503	10,912,503	10,962,503	10,962,503	13,597,503	14,107,503	14,582,503	14,582,503	15,282,503	15,482,503
<i>Less accumulated depreciation</i>	<i>(249,448)</i>	<i>(381,713)</i>	<i>(590,174)</i>	<i>(821,386)</i>	<i>(1,053,847)</i>	<i>(1,286,309)</i>	<i>(1,584,645)</i>	<i>(1,895,732)</i>	<i>(2,218,693)</i>	<i>(2,541,655)</i>	<i>(2,882,116)</i>	<i>(3,227,578)</i>
Deferred outflows of resources		16,581										
Total Assets and Deferred Outflows	8,772,178	10,424,041	13,777,719	15,224,434	15,759,914	16,397,090	17,878,466	18,600,057	19,164,302	19,066,131	18,755,034	18,026,479
Liabilities												
Due to other governments		145,493										
Unearned revenue												
Net Unamortized Prem/Discount	19,769	35,429	35,429	35,429	35,429	35,429	35,429	35,429	35,429	35,429	35,429	35,429
Bonds payable	3,845,000	4,505,000	6,970,000	7,520,000	7,050,000	6,570,000	7,180,000	7,130,000	7,035,000	6,425,000	5,800,000	5,165,000
Accounts payable / Other	204,758	160,420	160,420	160,420	160,420	160,420	160,420	160,420	160,420	160,420	160,420	160,420
Deferred inflows of resources		6,770										
Total Liabilities and Deferred Inflows	4,069,527	4,853,112	7,165,849	7,715,849	7,245,849	6,765,849	7,375,849	7,325,849	7,230,849	6,620,849	5,995,849	5,360,849
Total Liabilities and Net Assets	8,772,178	10,424,041	13,777,719	15,224,434	15,759,914	16,397,090	17,878,466	18,600,057	19,164,302	19,066,131	18,755,034	18,026,479

Financial Plans SANITARY SEWER FUND

Table J-2
City of Lake Elmo, MN
Sanitary Sewer Fund
Year-End Cash Balance

	Actual		Projected									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Beginning Cash	60,592	850,198	2,606,515	3,715,342	3,708,928	4,518,779	5,480,327	3,616,948	3,776,535	3,886,151	4,307,102	3,832,626
Plus operating revenues	75,075	165,105	244,747	344,050	500,184	593,596	681,748	927,849	1,093,606	1,208,815	1,284,512	1,338,416
Plus development revenues	1,457,920	1,186,500	1,370,550	1,254,200	1,272,050	1,339,050	1,141,050	942,600	771,550	620,000	488,000	88,000
Plus bond proceeds	280,000	860,000	2,685,000	825,000			1,100,000	510,000	475,000			
Less acquisition of capital assets	(586,922)	(538,590)	(3,047,859)	(910,000)	(50,000)	0	(2,635,000)	(510,000)	(475,000)	0	(700,000)	(200,000)
Less principal on debt	(150,000)	(200,000)	(220,000)	(275,000)	(470,000)	(480,000)	(490,000)	(560,000)	(570,000)	(610,000)	(625,000)	(635,000)
Less interest on debt	(105,177)	(108,910)	(124,318)	(195,324)	(208,454)	(194,716)	(183,791)	(209,390)	(208,655)	(207,318)	(188,664)	(171,326)
Less operating and other costs	(102,143)	(139,475)	(241,576)	(275,000)	(325,839)	(388,292)	(469,295)	(578,382)	(674,295)	(786,705)	(929,484)	(1,003,183)
Plus transfers in	94,845	-	-	-	-	-	-	-	-	-	-	-
Less transfers out	(241,044)	(102,678)	-	-	-	-	-	-	-	-	-	-
Incr/decr in other assets and liabilities	67,052	634,365	442,283	(774,340)	91,910	91,910	(1,008,090)	(363,090)	(302,590)	196,160	196,160	196,160
Change in cash	789,606	1,756,317	1,108,827	(6,414)	809,851	961,548	(1,863,379)	159,587	109,616	420,951	(474,476)	(386,934)
Ending cash	850,198	2,606,515	3,715,342	3,708,928	4,518,779	5,480,327	3,616,948	3,776,535	3,886,151	4,307,102	3,832,626	3,445,692
Ending Cash Balance by Purpose												
Cash for next year planned capital		321,000	85,000	50,000	-	1,535,000	-	-	-	700,000	200,000	200,000
Cash for next year debt service	308,910	344,318	470,324	678,454	674,716	673,791	769,390	778,655	817,318	813,664	806,326	803,756
Restricted WAC	471,551	1,820,409	3,022,518	2,817,555	3,649,917	3,036,888	2,558,367	2,660,733	2,675,481	2,328,696	2,324,708	1,907,999
Unrestricted cash	69,738	120,788	137,500	162,920	194,146	234,648	289,191	337,147	393,353	464,742	501,592	533,936
Total Ending Cash	850,198	2,606,515	3,715,342	3,708,928	4,518,779	5,480,327	3,616,948	3,776,535	3,886,151	4,307,102	3,832,626	3,445,692
Unrestricted cash as % of operating expenditures	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%

Notes:

1. The 2016 cash balance includes \$321,000 of unspent bond proceeds that is estimated to be spent in 2017. The Plan includes future bond issuance to fund project costs to be special assessed to benefiting property. All other capital improvement costs to be paid from cash estimated to be available in the Sanitary Sewer Fund.
2. City policy guidelines provide that the City maintain unrestricted cash equal to 50% of operating expenditures (not including depreciation).

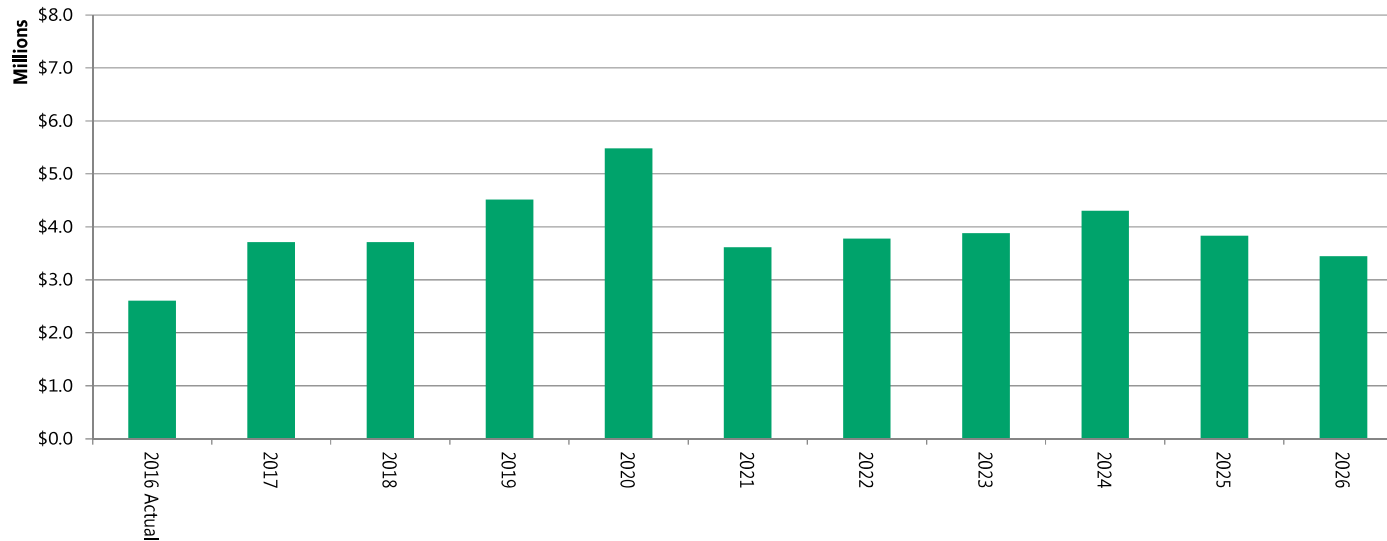
Financial Plans
SANITARY SEWER FUND

Table J-3
City of Lake Elmo, MN
Sanitary Sewer Fund
Operating and Other Expenses (Not Including Depreciation)

	Actual		Projected									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Personnel Services												
Full-time Salaries	37,161	41,198	59,793	66,934	83,272	84,938	86,636	104,304	106,390	108,518	127,599	127,599
PERA Contributions	3,453	4,270	4,350	4,711	6,037	6,158	6,281	7,562	7,713	7,868	9,251	9,251
FICA Contributions	2,254	1,987	3,652	4,094	5,163	5,266	5,371	6,467	6,596	6,728	7,911	7,911
Medicare Contributions	527	464	865	969	1,207	1,232	1,256	1,512	1,543	1,574	1,850	1,850
Health\Dental Insurance	6,217	6,832	10,345	10,997	16,654	16,988	17,327	20,861	21,278	21,704	25,520	25,520
Unemployment Benefits	-	-	546	342	-	-	-	-	-	-	-	-
Workers Compensation	1,663	989	3,032	3,278	3,331	3,398	3,465	4,172	4,256	4,341	5,104	5,104
Total Personnel Services	51,275	55,740	82,583	91,325	115,664	117,980	120,336	144,878	147,776	150,733	177,235	177,235
Supplies												
Utility System Maint Supplies	726	5,653	1,200	4,000	1,742	2,300	3,036	4,007	5,290	6,983	9,217	9,217
Other				2,600								
Small Tools & Minor Equipment	200	2,860	2,000	4,500	2,000	2,000	2,000	2,004	2,645	3,491	4,609	4,609
Total Supplies	926	8,513	3,200	11,100	3,742	4,300	5,036	6,011	7,935	10,474	13,826	13,826
Other Services and Charges												
Engineering Services	14,921	26,037	30,000	20,000	21,632	22,497	23,397	24,333	25,306	26,319	27,371	27,372
Eng Svs Sewer Syst Master Planning	-	-	-	-	-	-	-	-	-	-	-	-
Contract Services	3,085	8,059	23,000	21,400	19,480	11,500	15,180	20,037	26,449	34,913	46,085	46,085
Telephone	992	1,008	1,000	1,500	2,614	3,450	4,554	6,011	7,935	10,474	13,826	13,826
Mileage	-	-	-	-	174	230	304	401	529	698	922	922
Software Support	4,069	4,591	18,479	33,533	6,242	6,367	6,495	6,624	6,757	6,892	7,030	7,030
Postage				1,175	2,047	2,702	3,567	4,709	6,216	8,205	10,830	10,830
Insurance	185	581	1,000	2,000	3,485	4,600	6,072	8,015	10,580	13,965	18,434	18,434
Electric Utility	4,621	5,125	5,000	5,500	8,712	11,500	15,180	20,037	26,449	34,913	46,085	46,085
Sewer Utility - Met Council	17,592	16,621	44,514	78,767	135,799	195,226	259,005	324,222	391,389	467,045	539,041	612,715
Repairs\Maint Imp Not Bldgs	1,131	1,391	30,000	1,200	2,091	2,760	3,643	4,809	6,348	8,379	11,060	11,060
Miscellaneous Expenses	-	-	-	4,500	523	690	911	1,202	1,587	2,095	2,765	2,765
Conferences & Training	23	80	2,800	2,000	2,614	3,450	4,554	6,011	7,935	10,474	13,826	13,826
Other	(630)		-	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172
Cost of issuance of bonds	3,953	5,191										
Total Other Services and Charges	49,942	68,684	155,793	172,575	206,433	266,012	343,923	427,493	518,584	625,498	738,423	812,122
Total Operating and Other Expenses	102,143	132,937	241,576	275,000	325,839	388,292	469,295	578,382	674,295	786,705	929,484	1,003,183

Financial Plans SANITARY SEWER FUND

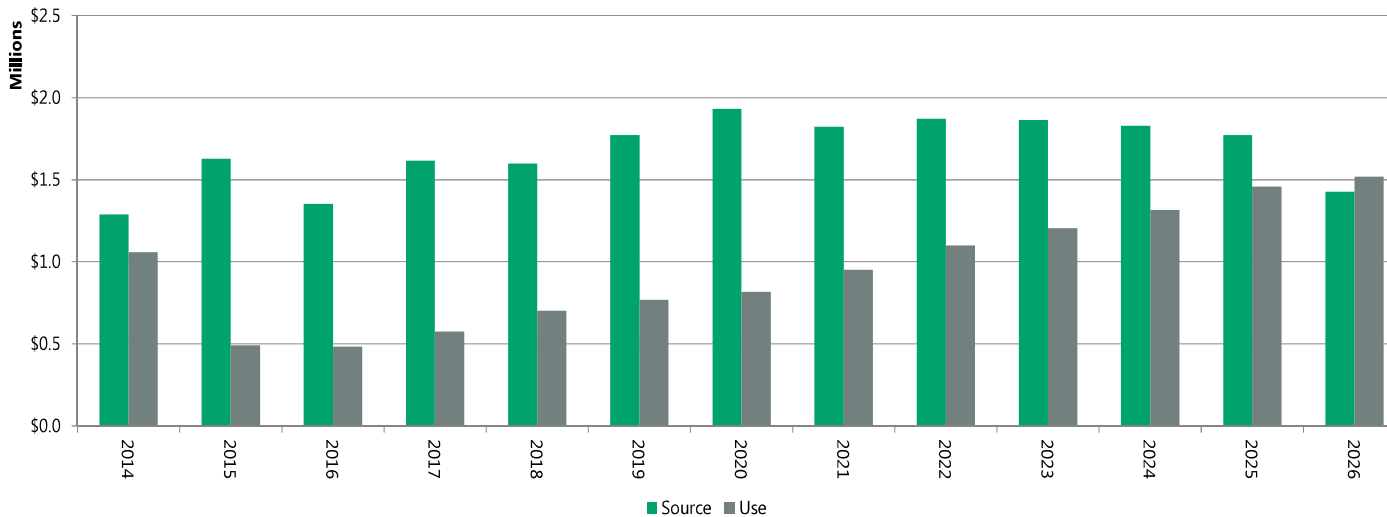
Chart 9
City of Lake Elmo, MN
Sanitary Sewer Fund
Year End Cash Balance Projections



Estimated year end cash balance is estimated to increase between years 2016 and 2020 due to development.

The actual year-end cash balance will be impacted by changes in planned capital spending. As projects are implemented, beyond what is included in the CIP, cash balance may be lower than what is estimated in this report.

Chart 10
City of Lake Elmo, MN
Sanitary Sewer Fund
Difference Between Source and Use of Funds (Change in Net Assets)



The source and use of funds includes depreciation and capital contributions. The difference between the annual source and use of funds is the change in net assets. The difference comes from the collection of development fees (source of funds) for payment of debt service on outstanding bonds (liability of the fund) and collection of revenue for build-out of the system.

STORM WATER FUND

Fund Description

The Storm Water Fund is used to account for the operating and capital improvement costs of the storm water utility system.

Background

The Storm Water Fund is in sound financial condition. Future financial performance will be impacted by the timing of future development of land in the City. Future development will increase the demands on the storm water utility infrastructure and provide opportunity for increased revenue to support the infrastructure and operation of the system.

Source of Funds

There is one major source of fund, the collection of a fixed annual charge for service fee. The City does not charge an availability fee for the storm water utility system. Build out of the system has been paid as part of the developer's project costs.

The annual fee, presently at \$50.00, is assumed to increase by \$5.00 per year beginning in 2018 and then by \$10.00 per year beginning in 2021. An increase is needed in order to maintain cash balance. Beginning in 2017, the City will begin paying debt service on bonds issued in 2016.

Some cities choose to manage storm water utility fees through financing certain capital improvements with tax levy, the City will have the ability in the future to consider what costs, if any, of the storm water utility should be spread over the cities entire tax base.

Interest income is earned on the cash balance and record-

ed as revenue. The investment earnings rate is estimated to be 0.5% for future years.

Special assessments levied and recorded as revenue to the Storm Water Fund relate to unpaid utility bills and are not related to project costs.

Use of Funds

The use of funds is to pay for the operation of the storm water system, interest and fiscal expense on debt, depreciation, and authorized transfers to other funds that may occur from time to time. Principal payments on bonds supported by the Storm Water Fund result in a reduction of liability for the Fund. Operating expense line item details can be found in **Table K-3** on page 38.

Transfers

The financial plan does not anticipate any future transfers in or out of funds from the Storm Water Fund to other city funds. Presently the City does not charge the utility funds for General Fund overhead but does directly charge the fund for administrative staff time.

Balance Sheet Items

The financial plan includes estimated assets and liabilities for, this includes estimated annual year-end cash balance. **Table K-2** on page 37 provides a detailed summary on estimated change in cash year by year.

Financial Plans STORM WATER FUND

**Table K-1
City of Lake Elmo, MN
Storm Water Fund
Pro Forma**

	Actual		Projected									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Source of Funds												
Charges for service fees	219,127	185,858	239,146	283,587	337,303	395,676	493,086	593,171	700,025	806,681	912,626	1,017,285
Special assessments			-	-	-	-	-	-	-	-	-	-
Intergovernmental		81						60,000				
Investment income	2,844	15,852	9,727	3,828	3,383	3,150	2,574	1,961	1,706	1,934	2,620	3,654
Contributions and donations												
Miscellaneous (Review Fee Revenue)	10,125	27,375	27,923	28,481	29,051	29,632	30,224	30,829	31,445	32,074	32,716	33,370
Sale of capital assets												
Transfer in from other funds	132,201											
Total Source of Funds	364,297	229,166	276,795	315,895	369,737	428,457	525,884	685,961	733,176	840,690	947,961	1,054,309
Use of Funds												
Operating and other expense	87,573	106,293	145,545	181,514	181,941	192,213	203,298	234,430	247,743	262,109	297,953	297,953
Interest and fiscal expense	-	28,047	62,171	58,294	54,500	91,350	125,167	112,650	104,700	96,550	88,150	79,500
Depreciation	15,963	15,962	52,033	52,033	82,033	114,908	114,908	116,408	116,408	116,408	116,408	116,408
Transfer out to other funds		-										
Total Use of Funds	103,536	150,302	259,749	291,840	318,473	398,471	443,372	463,487	468,850	475,066	502,510	493,860
Change in net assets	260,761	78,864	17,047	24,055	51,264	29,987	82,512	222,474	264,325	365,624	445,451	560,448
<i>Prior period adjustment</i>	<i>(20,717)</i>											
Net Position, End of Year	1,335,572	1,414,436	1,431,483	1,455,538	1,506,801	1,536,788	1,619,300	1,841,774	2,106,099	2,471,723	2,917,174	3,477,622
Assets												
Cash and investments	446,885	1,945,366	765,568	676,656	629,952	514,846	392,266	341,147	386,880	523,911	730,770	1,047,626
Cash and investments escrow	-											
Due from other funds	23,915	23,915										
Special assessments receivable	16,904	14,431	-	-	-	-	-	-	-	-	-	-
Other assets	244,488	221,944	221,944	221,944	221,944	221,944	221,944	221,944	221,944	221,944	221,944	221,944
Capital assets	743,538	2,224,788	3,667,571	3,667,571	4,867,571	6,182,571	6,182,571	6,242,571	6,242,571	6,242,571	6,242,571	6,242,571
<i>Less accumulated depreciation</i>	<i>(102,450)</i>	<i>(118,413)</i>	<i>(170,446)</i>	<i>(222,478)</i>	<i>(304,511)</i>	<i>(419,418)</i>	<i>(534,326)</i>	<i>(650,733)</i>	<i>(767,141)</i>	<i>(883,549)</i>	<i>(999,956)</i>	<i>(1,116,364)</i>
Deferred outflows of resources		9,698										
Total Assets and Deferred Outflows	1,373,280	4,321,729	4,484,638	4,343,693	5,414,956	6,499,943	6,262,455	6,154,929	6,084,254	6,104,878	6,195,329	6,395,777
Liabilities												
Due to other funds												
Unearned revenue												
Net Unamortized Prem/Discount		53,817	48,817	43,817	38,817	33,817	28,817	23,817	18,817	13,817	8,817	3,817
Bonds payable	-	2,770,000	2,925,000	2,765,000	3,790,000	4,850,000	4,535,000	4,210,000	3,880,000	3,540,000	3,190,000	2,835,000
Accounts payable / Other	37,708	79,338	79,338	79,338	79,338	79,338	79,338	79,338	79,338	79,338	79,338	79,338
Deferred inflows of resources		4,138										
Total Liabilities and Deferred Inflows	37,708	2,907,293	3,053,155	2,888,155	3,908,155	4,963,155	4,643,155	4,313,155	3,978,155	3,633,155	3,278,155	2,918,155
Total Liabilities and Net Assets	1,373,280	4,321,729	4,484,638	4,343,693	5,414,956	6,499,943	6,262,455	6,154,929	6,084,254	6,104,878	6,195,329	6,395,777

Financial Plans STORM WATER FUND

**Table K-2
City of Lake Elmo, MN
Storm Water Fund
Year-End Cash Balance**

	Actual		Projected									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Beginning Cash	312,746	446,885	1,945,366	765,568	676,656	629,952	514,846	392,266	341,147	386,880	523,911	730,770
Plus revenues	232,096	229,166	276,795	315,895	369,737	428,457	525,884	685,961	733,176	840,690	947,961	1,054,309
Plus bond proceeds		2,770,000	155,000	-	1,200,000	1,300,000						
Less acquisition of capital assets	(132,201)	(1,481,250)	(1,442,783)	-	(1,200,000)	(1,315,000)	-	(60,000)	-	-	-	-
Less principal on debt	-	-	-	(160,000)	(175,000)	(240,000)	(315,000)	(325,000)	(330,000)	(340,000)	(350,000)	(355,000)
Less interest on debt	-	(28,047)	(62,171)	(58,294)	(54,500)	(91,350)	(125,167)	(112,650)	(104,700)	(96,550)	(88,150)	(79,500)
Less operating and other costs	(87,573)	(106,293)	(145,545)	(181,514)	(181,941)	(192,213)	(203,298)	(234,430)	(247,743)	(262,109)	(297,953)	(297,953)
Plus transfers in	132,201	-	-	-	-	-	-	-	-	-	-	-
Less transfers out	-	-	-	-	-	-	-	-	-	-	-	-
Incr/decr in other assets and liabilities	(10,384)	114,905	38,906	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Change in cash	134,139	1,498,481	(1,179,798)	(88,912)	(46,704)	(115,106)	(122,580)	(51,119)	45,733	137,031	206,859	316,856
Ending cash	446,885	1,945,366	765,568	676,656	629,952	514,846	392,266	341,147	386,880	523,911	730,770	1,047,626
Ending Cash Balance by Purpose												
Cash for next year planned capital		1,288,750	-	-	15,000	-	-	-	-	-	-	-
Cash for next year debt service	28,047	62,171	218,294	229,500	331,350	440,167	437,650	434,700	436,550	438,150	434,500	435,800
Unrestricted cash	418,838	594,445	547,274	447,156	283,602	74,680	(45,384)	(93,553)	(49,670)	85,761	296,270	611,826
Total Ending Cash	446,885	1,945,366	765,568	676,656	629,952	514,846	392,266	341,147	386,880	523,911	730,770	1,047,626
Unrestricted cash as % of operating expenditures	394%	408%	302%	246%	148%	37%	-19%	-38%	-19%	29%	99%	205%

Notes:

1. The cash balance at year end 2016 includes an estimated \$1,288,750 of unspent bond proceeds that is estimated to be spent in 2017.
2. City policy guidelines provide that the City maintain unrestricted cash equal to 50% of operating expenditures (not including depreciation).

Financial Plans
STORM WATER FUND

Table K-3
City of Lake Elmo, MN
Storm Water Fund
Operating and Other Expenses (Not Including Depreciation)

	Actual		Projected									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Personnel Services												
Full-time Salaries	23,599	20,591	31,437	34,752	51,109	52,132	53,174	68,034	69,394	70,782	86,837	86,837
PERA Contributions	2,179	2,408	2,354	2,602	3,705	3,780	3,855	4,932	5,031	5,132	6,296	6,296
FICA Contributions	1,378	1,129	1,922	2,125	3,169	3,232	3,297	4,218	4,302	4,388	5,384	5,384
Medicare Contributions	322	264	455	503	741	756	771	986	1,006	1,026	1,259	1,259
Health\Dental Insurance	8,209	7,531	6,887	6,526	10,222	10,426	10,635	13,607	13,879	14,156	17,367	17,367
Unemployment Benefits	-	-	546	342	2	3	4	5	6	7	8	8
Other		(1,675)										
Workers Compensation	221	-	1,290	1,364	2,044	2,085	2,127	2,721	2,776	2,831	3,473	3,473
Total Personnel Services	35,908	30,248	44,891	48,214	70,993	72,414	73,863	94,504	96,395	98,323	120,624	120,624
Supplies												
Office Supplies	2,172	3,972	500	800	594	648	706	769	839	914	996	996
Utility System Maint Supplies	551	-	750		1,188	1,295	1,412	1,539	1,677	1,828	1,993	1,993
Small Tools & Minor Equipment	200	-		1,000	1,188	1,295	1,412	1,539	1,677	1,828	1,993	1,993
Other Equipment	-	2,300	750	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Total Supplies	2,923	6,272	2,000	5,600	6,770	7,038	7,329	7,647	7,993	8,370	8,781	8,781
Other Services and Charges												
Comprehensive Planning	-		-	-	-	-	-	-	-	-	-	-
Engineering Services	20,332	11,827	20,000	20,000	23,762	25,901	28,232	30,772	33,542	36,561	39,851	39,851
Eng Svcs SW Master Planning	-	-	-	-	-	-	-	-	-	-	-	-
Contract Services	10,590	2,400	19,000	17,200	11,881	12,950	14,116	15,386	16,771	18,280	19,926	19,926
Software Support	3,617	4,067	15,140	15,500	8,739	8,914	9,092	9,274	9,460	9,649	9,842	9,842
Postage	1,500	1,800	1,700	2,000	1,954	2,130	2,322	2,531	2,759	3,007	3,278	3,278
Insurance			750	1,500	1,782	1,943	2,117	2,308	2,516	2,742	2,989	2,989
Street Sweeping	10,438	10,318	18,000	25,000	23,762	25,901	28,232	30,772	33,542	36,561	39,851	39,851
Repairs/Maint Not Bldg	-	1,368	2,000	3,000	3,564	3,885	4,235	4,616	5,031	5,484	5,978	5,978
Miscellaneous Expenses	-			1,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Conferences & Training	2,265	2,500	1,000	2,500	2,970	3,238	3,529	3,847	4,193	4,570	4,981	4,981
Improvements Other Than Bldgs	-		20,000	40,000	23,762	25,901	28,232	30,772	33,542	36,561	39,851	39,851
Vehicles	-	-	-	-	-	-	-	-	-	-	-	-
Cost of issuance of bonds		16,718	1,064	-	-	-	-	-	-	-	-	-
Other/adjustments		18,775										
Total Other Services and Charges	48,742	69,773	98,654	127,700	104,177	112,762	122,106	132,279	143,355	155,415	168,547	168,547
Total Operating and Other Expenses	87,573	106,293	145,545	181,514	181,941	192,213	203,298	234,430	247,743	262,109	297,953	297,953

Financial Plans STORM WATER FUND

Chart 11
City of Lake Elmo, MN
Storm Water Fund
Year End Cash Balance Projections

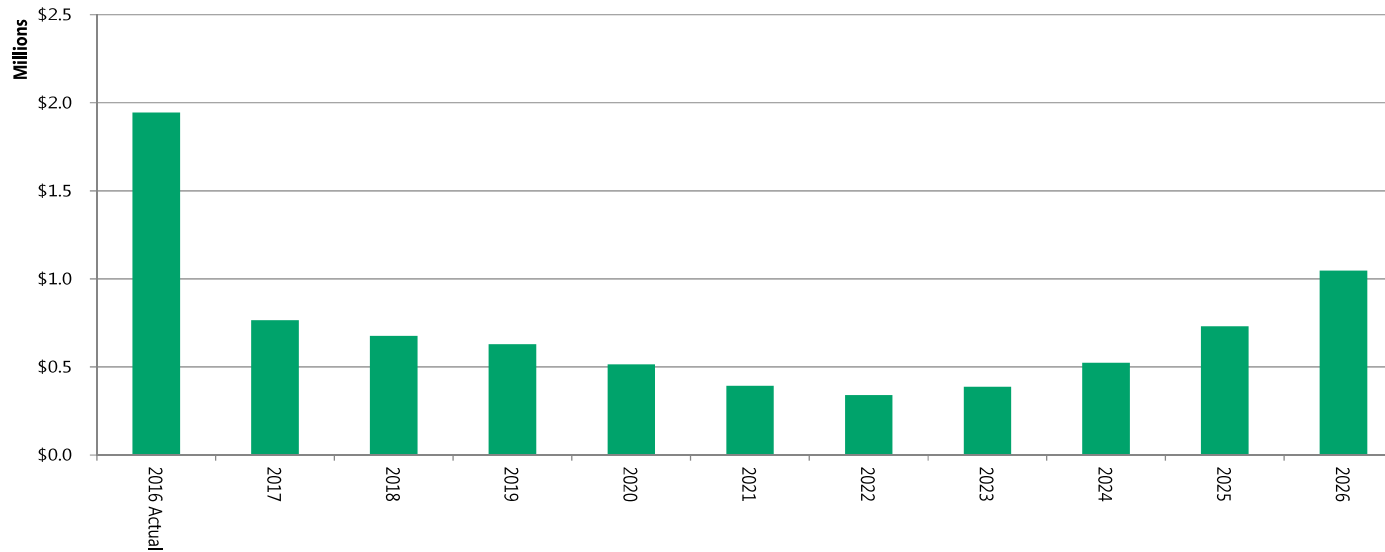
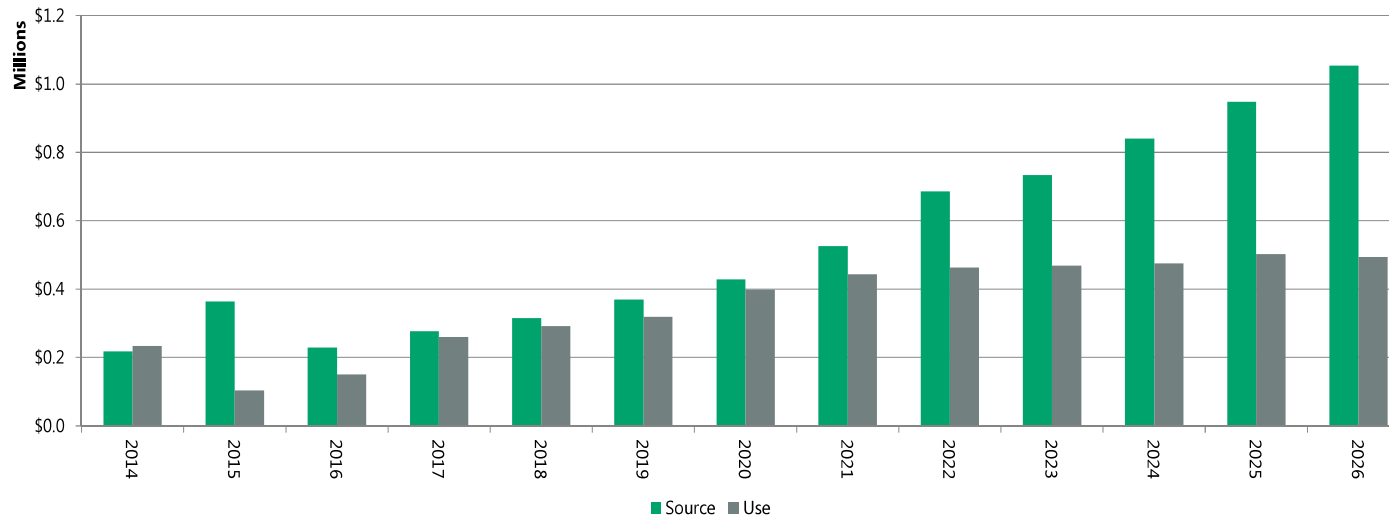


Chart 12
City of Lake Elmo, MN
Storm Water Fund
Difference Between Source and Use of Funds (Change in Net Assets)



Estimated year end cash balance is estimated to decline due to the increase in debt service expense. Cash balances are expected to recover due to the estimated increase in the annual storm water fee.

The actual year-end cash balance will be impacted by changes in planned capital spending. As projects are implemented, beyond what is included in the CIP, cash balances may be lower than what is estimated in this report.

The source and use of funds includes depreciation. The difference between the annual source and use of funds is the change in net assets. The difference comes from the collection of charges and payment of debt service on outstanding bonds (liability of the fund).

APPENDIX A
City of Lake Elmo, MN
Example Quarterly Utility Fees Payable by Property Types

	Current 2017	Projected							
		2018	2019	2020	2021	2022	2023	2024	2025
Residential Customer									
<i>Gallons of water per month</i>	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Water Bill	\$36	\$37	\$38	\$39	\$41	\$42	\$43	\$44	\$46
Sanitary Sewer Bill	\$116	\$117	\$118	\$119	\$120	\$121	\$123	\$125	\$128
Storm Sewer Bill ¹	\$13	\$14	\$15	\$16	\$19	\$21	\$24	\$26	\$29
Total	\$164	\$167	\$171	\$175	\$179	\$184	\$189	\$196	\$202
Commercial Customer									
<i>Gallons of water per quarter</i>	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Water Bill	\$196	\$202	\$208	\$214	\$221	\$227	\$234	\$241	\$248
Sanitary Sewer Bill	\$225	\$227	\$230	\$232	\$234	\$236	\$239	\$244	\$248
Storm Sewer Bill ^{1,2}	\$39	\$42	\$46	\$50	\$58	\$65	\$73	\$81	\$89
Total	\$459	\$471	\$484	\$496	\$512	\$529	\$546	\$565	\$585

Note:

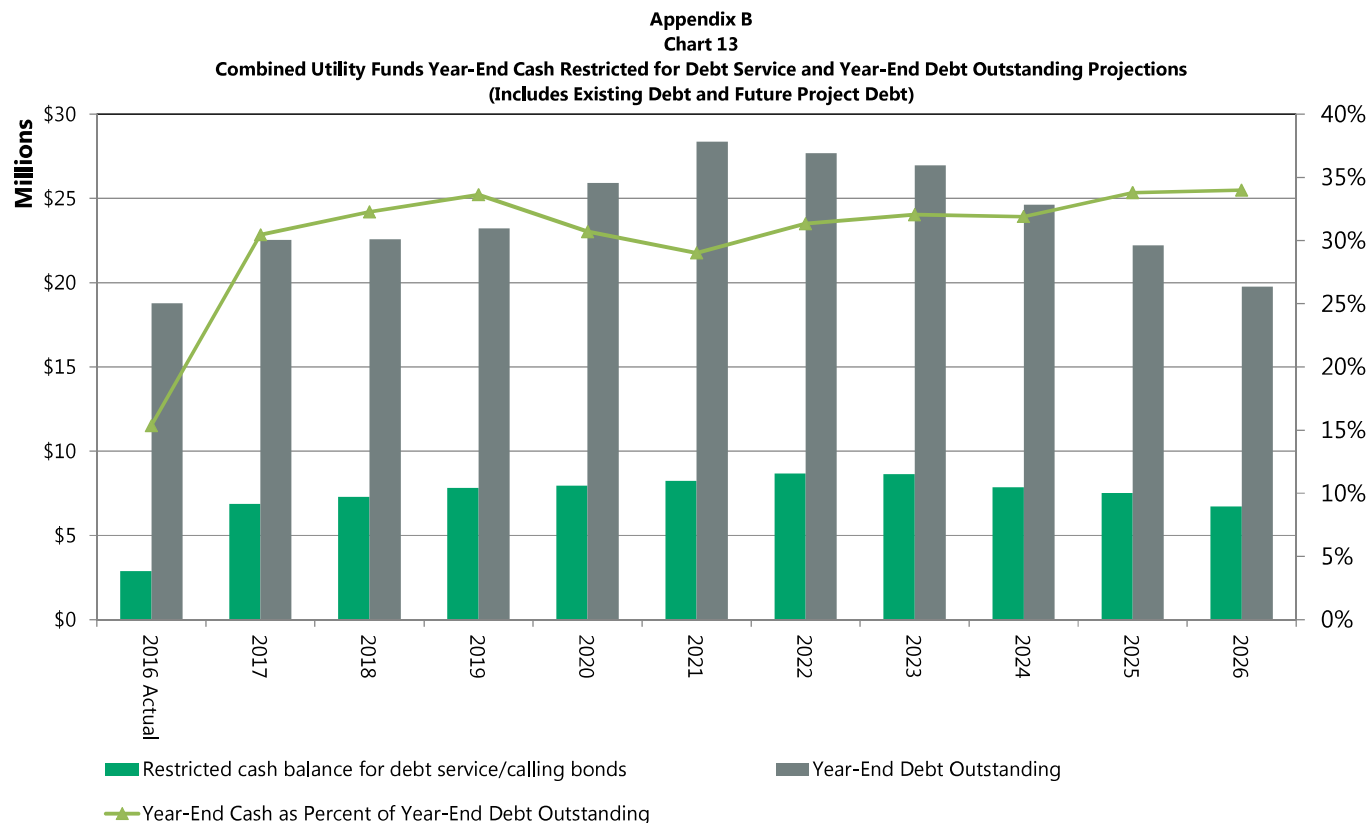
1. City bills the storm sewer charge on an annual basis. For the purpose of this report it is shown on a quarterly basis.
2. Commercial property is billed at the equivalent of 3.08X of one residential equivalent unit (REU).

Appendix

The increase in cash is due to the collection of charges from development to pay for debt issued to finance capital improvement projects.

The CIP anticipates the issuance of additional debt in the future to pay for capital improvements. Chart 13 includes both existing and anticipated issuance of new debt.

The estimated future restricted cash balance for debt service as a percent of year-end debt outstanding will increase as cash increases from the collection of development fees. The cash collected will be used to pay future debt service.





Northland Securities, Inc.
45 South 7th Street, Suite 2000
Minneapolis, MN 55402
(800) 851-2920
Member NASD and SIPC