



STAFF REPORT

DATE: December 4, 2018

REGULAR

ITEM #: 22

MOTION

TO: Honorable Mayor and City Council
FROM: Sue Iverson – Finance Director
AGENDA ITEM: 2019 Utility Budgets
REVIEWED BY: Kristina Handt – City Administrator

INTRODUCTION:

In preparation for adoption of the utility fund budgets, this memo addresses the following information: assumptions used to prepare the final budgets and Utility Financial Management Plan.

ISSUE BEFORE THE COUNCIL:

- 1) What changes, if any should be made to the final budgets?
- 2) What changes, if any should be made to the 2019 rates? (Note these will be adopted as part of the 2018 Fee Schedule agenda item)

DISCUSSION

The utility funds follow the Utility Rate Study projections in the Financial Management Plan with a few updates as the City has been building out faster than anticipated. Many line items follow the same allocation changes and additional personnel as the Street and Parks budgets in the General Fund. Staff has worked to charge the correct costs to each fund/department. The Utility Financial Management Plan has been updated and reviewed by the Finance Committee at its November meeting recommending no significant changes to the projected rates from the previous plan.

Revenues:

The revenues for the funds are from the Utility Financial Management Plan prepared by Northland Securities which is attached for your review. These assumptions are based upon the increased rates recommended in the report as well. In summary, here are the proposed rate increases:

- 1) **Water Fund** – Proposed three percent (3%) rate increase across the base and variable rates compared from the 2018 Adopted to 2019 Proposed. Water Availability Charge (WAC) and the Water Connection Charge would remain the same.
- 2) **Sewer Fund** – Proposed one percent (1%) rate increase for the commercial usage, residential usage, and residential base fee, compared from the 2018 Adopted to 2019 Proposed. Sewer Availability Charge (SAC) and the Sewer Connection Charge would remain the same.

- 3) **Storm Water Fund** – Service fee would increase by five dollars (\$5.00) from the 2018 Adopted to 2019 Proposed.

Expenses:

Water Fund:

- Personnel costs increased due to salary allocation changes and the addition of a Maintenance Worker. Staff reevaluated the Public Works employees' time cards and has changed the allocation of salaries and benefits to more accurately reflect the costs in the proper departments since Public Works is comprised of Streets (General Fund), Parks (General Fund), Water, Sewer, and Storm Water. The additional employee is consistent with the consultant recommendation from 2016, but has been spread across all funds.
- Other cost changes are minimal, capital outlay costs have been addressed with the Capital Improvement Plan.

Sewer Fund:

- Personnel costs increased due to salary allocation changes and the addition of a Maintenance Worker. Staff reevaluated the Public Works employees' time cards and has changed the allocation of salaries and benefits to more accurately reflect the costs in the proper departments since Public Works is comprised of Streets (General Fund), Parks (General Fund), Water, Sewer, and Storm Water. The additional employee is consistent with the consultant recommendation from 2016, but has been spread across all funds.
- Metropolitan Council charges are increasing by \$77,219 due to the increase in usage.
- Other cost changes are minimal, capital outlay costs have been addressed with the Capital Improvement Plan.

Storm Water Expenses:

- Personnel costs increased due to salary allocation changes and the addition of a Maintenance Worker. Staff reevaluated the Public Works employees' time cards and has changed the allocation of salaries and benefits to more accurately reflect the costs in the proper departments since Public Works is comprised of Streets (General Fund), Parks (General Fund), Water, Sewer, and Storm Water. The additional employee is consistent with the consultant recommendation from 2016, but has been spread across all funds.
- Other cost changes are minimal, capital outlay costs have been addressed with the Capital Improvement Plan.

FINANCIAL MANAGEMENT PLAN

Attached is the Updated Financial Management Plan for the Utilities completed by Northland Securities, Inc., and reviewed by the Finance Committee at its November 20, 2018 meeting. The Highlights of the report are as follows:

- Funds are in sound financial condition
- Future performance will be impacted by timing of future development and receipt of revenue
- Increases in fees will be required but the rate of increase will depend on the pace of growth
 - The Storm Water fund does project short term shortfall in unrestricted cash in years 2022 to 2023 which the City should be able to manage

The recommended utility rates for years through 2021 is illustrated in the following chart prepared by Northland:

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

Average annual utility rate increases are:

- 3% for water between 2019-2027
- 1% between 2019-2013 and 2% between 2024-2027 for sanitary sewer
- \$5 per year for storm water between 2019-2020 and \$10 between 2021-2027

There was no change in conclusions and recommendations from the prior “2017 Plan”. The funds are projected to remain in sound financial condition, however, WAC and SAC and connection charges are needed to pay a portion of debt service expense and future operating revenue is also needed to cover the debt service expense.

FISCAL IMPACT:

The 2019 Proposed Utility Budgets will help support necessary city services to be provided in 2019. In addition, consideration of the impact of the decisions made today will help the City plan for the future with the goal of sound fiscal management.

OPTIONS:

- 1) Approve the 2019 Water, Sewer, and Storm Water Budgets.
- 2) Amend and then approve the 2019 Water, Sewer, and Storm Water Budgets.

RECOMMENDATION:

- 1) Motion to adopt Resolution No. 2018-137 adopting the 2019 Water, Sewer, and Storm Water Fund Budgets.

ATTACHMENTS:

- 1) 2019 Proposed Utility Fund Budgets
- 2) Financial Management Plan for Water, Sanitary Sewer, and Storm Water Funds
- 3) Resolution No. 2018-137 Adopting the 2019 Water, Sewer and Storm Water Fund Budgets

**CITY OF LAKE ELMO
2019 PROPOSED BUDGET
SUMMARY**

		2018	Utility Funds	Adopted 2018 to	Dollar Change	
		2019	2019	Proposed 2019	2018 Adopt to	
<u>Account Number</u>	<u>Description</u>	<u>Adopted</u>	<u>Proposed</u>	<u>Percent Change</u>	<u>2019 Proposed</u>	<u>Comments</u>
Water Revenues						
Special Assessments		\$ 111,077	\$ 108,550	-2.27%	\$ (2,527)	
Interest on Investments		\$ 20,000	\$ 20,000	0.00%	\$ -	
Water Sales		\$ 597,769	\$ 937,421	56.82%	\$ 339,652	Faster build out than anticipated in Northland Study
Charges for Services		\$ 4,820	\$ 4,820			
Bulk Water		\$ 2,000	\$ -	-100.00%	\$ (2,000)	
Water Access Revenue		\$ 960,000	\$ 960,000	0.00%	\$ -	
Investment Earnings		\$ 611,595	\$ 626,600			
Water Connections - Municipal		\$ 320,000	\$ 320,000	0.00%	\$ -	
Meter Sales		\$ 87,500	\$ 90,000	2.86%	\$ 2,500	
Total Water Revenues:		\$ 2,098,346	\$ 2,435,971	16.09%	\$ 337,625	
Water fund Expenses:						
9400	Water					
Total Personnel		\$ 149,309	\$ 244,033	63.44%	\$ 94,724	Allocation change and 1 additional Maintenance Worker
Total Materials and Supplies		\$ 182,650	\$ 192,650	5.47%	\$ 10,000	\$4,500 Fuel, Oil, and Fluids now being spread across all PW & Utility Dept., \$3,000 Water Meters, \$2,500 Small Tools and Minor Equipment
Total Charges and Services		\$ 352,333	\$ 368,678	4.64%	\$ 16,345	\$45,000 Legal Services, \$7,987 Audit costs not previously allocated, \$1,800 Computer replacements, (\$33,859) Decr in IT support as allocation now spreads based on users, \$1,972 Credit Card fees
Total Capital Outlay		\$ 137,500	\$ 358,000	160.36%	\$ 220,500	\$50,000 Service Truck, \$120,000 hammes ByPass, \$188,000 oversizing, Per CIP vs. 2018
Total Misc and Non-operating		\$ 1,013,631	\$ 1,127,041	11.19%	\$ 113,410	Bond Payments and Fiscal Agents Fees per Northland Schedule
9400	Total Water Fund Expenses	\$ 1,835,423	\$ 2,290,402	24.79%	\$ 454,979	
Total Water Fund Revs. Over/(Under) Expenses:		\$ 262,923	\$ 145,569	-44.63%		
Sewer Revenues						
Special Assessments		\$ 77,874	\$ 141,799	82.09%	\$ 63,925	Per Northland schedule
Interest on Investments		\$ 20,000	\$ 20,000	0.00%	\$ -	
Sewer Sales		\$ 247,599	\$ 339,840	37.25%	\$ 92,241	Per Northland schedule
SAC Early Pay Discount/revenue		\$ 5,800	\$ -	-100.00%	\$ (5,800)	
Sewer Lat Benefit Fee		\$ 25,500	\$ 31,050	21.76%	\$ 5,550	
Sewer Connection Fee Rev (SAC)		\$ 883,200	\$ 901,500	2.07%	\$ 18,300	Per Northland schedule
Sewer Connection Fees Municipal		\$ 345,500	\$ 339,500	-1.74%	\$ (6,000)	Per Northland schedule
Total Sewer Revenues:		\$ 1,605,473	\$ 1,773,689	10.48%	\$ 168,216	
Sewer Fund Expenses:						

**CITY OF LAKE ELMO
2019 PROPOSED BUDGET
SUMMARY**

		2018	Utility Funds	Adopted 2018 to	Dollar Change	
		2019	2019	Proposed 2019	2018 Adopt to	
<u>Account Number</u>	<u>Description</u>	<u>Adopted</u>	<u>Proposed</u>	<u>Percent Change</u>	<u>2019 Proposed</u>	<u>Comments</u>
9450	Sewer					
Total Personnel		\$ 90,298	\$ 119,932	32.82%	\$ 29,634	Allocation change and 1 additional Maintenance Worker
Total Materials and Supplies		\$ 12,100	\$ 15,600	28.93%	\$ 3,500	\$4,500 Fuel, Oil, and Fluids now being spread across all PW & Utility Dept., (\$1,000) Small Tools and Minor Equipment
Total Charges and Services		\$ 185,948	\$ 276,178	48.52%	\$ 90,230	\$7,987 Audit costs not previously allocated, \$800 Computer replacements, (\$29,493) Decr in IT support as allocation now spreads based on users, \$1,972 Credit Card fees, \$77,219 Met Council Sewer Charges, \$13,800 Lisbon Lift Station paving, \$6,000 SCADA agreement, \$3,500 utilities
Total Capital Outlay		\$ 85,000	\$ 345,000	305.88%	\$ 260,000	\$50,000 Service Truck, \$295,000 Sewer oversizing, Per CIP vs. 2018
Total Misc and Non-operating		\$ 470,624	\$ 714,754	51.87%	\$ 244,130	Bond Payments, Issuance costs, and Fiscal Agents Fees per Northland Schedule
9450	Total Sewer Fund Expenses	\$ 843,970	\$ 1,471,464	74.35%	\$ 627,494	
Total Sewer Fund Revs. Over/(Under) Expenses:		\$ 761,503	\$ 302,225	-60.31%		
Storm Water Revenues						
Interest on Investments		\$ 7,000	\$ 7,000	0.00%	\$ -	
Surface Water Utility Sales		\$ 283,587	\$ 337,303	18.94%	\$ 53,716	Per Northland schedule
SW Review Fee Revenue		\$ 29,375	\$ 29,051	-1.10%	\$ (324)	Per Northland schedule
Total Storm Water Revenues:		\$ 319,962	\$ 373,354	16.69%	\$ 53,392	
Storm Water Fund Expenses:						
9500	Storm Water					
Total Personnel		\$ 47,470	\$ 76,635	61.44%	\$ 29,165	Allocation change and 1 additional Maintenance Worker
Total Materials and Supplies		\$ 8,100	\$ 8,500	4.94%	\$ 400	\$400 Fuel, Oil, and Fluids now being spread across all PW & Utility Dept.
Total Charges and Services		\$ 88,700	\$ 118,360	33.44%	\$ 29,660	\$7,987 Audit costs not previously allocated, \$1,000 Computer replacements, \$360 Credit Card fees,(\$11,833) Decr in IT support as allocation now spreads based on users, Allocation changes
Total Capital Outlay		\$ 40,000	\$ 40,000	0.00%	\$ -	
Total Misc and Non-operating		\$ 220,294	\$ 232,400	5.50%	\$ 12,106	Bond Payments, and Fiscal Agents Fees per Northland Schedule
9500	Total Storm Water Fund Expenses	\$ 404,564	\$ 475,895	17.63%	\$ 71,331	
Total Storm Water Fund Revs. Over/(Under) Expenses:		\$ (84,602)	\$ (102,541)	21.20%		

**CITY OF LAKE ELMO
2019 PROPOSED BUDGET**

Master Worksheet - All Budgets - REVISED

Account Number	Description	2016 Actual	2017 Actual	2018 Adopted	2018 YTD - Sep 2018	2018 Projected	2019 Proposed	Adopted 2018 to Proposed 2019 Percent Change	Comments
601	Water Fund								
Water Fund Revenues:									
601-000-0000-33422	PERA Pension Revenue	525	38					#DIV/0!	
601-000-0000-33426	Miscellaneous State Grants	3,433,298	67,698					#DIV/0!	
601-000-0000-36100	Special Assessments	11,334	21,137	111,077	23,485	111,077	108,550	-2.27%	Per Northland schedule
601-000-0000-36200	Miscellaneous				82			#DIV/0!	
601-000-0000-36205	Refunds and Reimbursements		1,902					#DIV/0!	
601-000-0000-36210	Interest on Investments	13,987	18,096	20,000		20,000	20,000	0.00%	
601-000-0000-37100	Water Sales	275,019	883,610	597,769	414,918	910,118	937,421	56.82%	Faster build out than estimated
601-000-0000-37120	Bulk Water	5,423	3,184	2,000	1,122	2,000		-100.00%	
601-000-0000-37130	Water Lat Benefit Fee		25,100		11,600			#DIV/0!	
601-000-0000-39250	Contribution of Capital Assets		137					#DIV/0!	
601-000-0000-37140	Water Access Revenue	979,500	1,425,000	960,000	778,000	960,000	960,000	0.00%	Per Northland schedule
601-000-0000-37150	Water Connections - Municipal	244,500	172,000	320,000	431,000	320,000	320,000	0.00%	Per Northland schedule
601-000-0000-37170	Meter Sales	244,260	118,052	87,500	90,897	87,500	90,000	2.86%	
601-000-0000-37180	Tower Rent	52,526	-	-				#DIV/0!	Moved to G.F for 2017
601-000-0000-39200	Transfer In	(59,872)	-	-	-	-	-	#DIV/0!	
Total Water Fund Revenues:		\$ 5,200,500	\$ 2,735,954	\$ 2,098,346	\$ 1,751,105	\$ 2,410,695	\$ 2,435,971	16.09%	
Water Fund Expenses:									
Personnel									
601-494-9400-41010	Full-time Salaries	127,902	111,772	101,194	83,283	112,194	166,020	64.06%	1 additional worker split Streets 30%, Parks 20%, Water 20%, Sewer 20%, SW 10%
601-494-9400-41030	Part-time Salaries							#DIV/0!	
601-494-9400-41020	Overtime	-	-	4,000			6,000	50.00%	On call pay should go here
601-494-9400-41040	Temporary Employees							#DIV/0!	
601-494-9400-41210	PERA Contributions	15,792	15,925	7,590	6,240	8,090	12,452	64.06%	
601-494-9400-41220	FICA Contributions	7,346	6,854	6,497	4,941	6,997	12,701	95.49%	
601-494-9400-41230	Medicare Contributions	1,718	1,603	1,525	1,155	1,525		-100.00%	
601-494-9400-41300	Insurance	29,467	19,044	21,743	6,556	22,743	38,620	77.62%	
601-494-9400-41325	Life Insurance				79		237	#DIV/0!	
601-494-9400-41330	STD/LTD				184		685	#DIV/0!	
601-494-9400-41301	Unemployment Insurance	-	-	683		683		-100.00%	
601-494-9400-41600	Safety Clothing Allowance			193			289	49.74%	Boots (\$175 per person allocated by Salary Allocation)
601-494-9400-41510	Workers Compensation	1,904	3,980	5,884	7,744	7,029	7,029	19.46%	
Total Personnel		\$ 184,129	\$ 159,177	\$ 149,309	\$ 110,181	\$ 159,261	\$ 244,033	63.44%	
Materials and Supplies									
601-494-9400-42000	Office Supplies	771	975	800	321	800	800	0.00%	
601-494-9400-42120	Fuel, Oil and Fluids						4,500	#DIV/0!	\$30,000 - \$15K Streets, \$2K Parks, \$4.5K W, \$4.5K S, \$0.4K SW
601-494-9400-42030	Printed Forms	499	247	750	167	750	750	0.00%	
601-494-9400-42150	Operating Supplies	-	-	1,000	303	800	1,000	0.00%	
601-494-9400-42160	Chemicals	3,157	5,992	13,000	5,461	8,000	13,000	0.00%	
601-494-9400-42210	Repair/Maint. Supplies	25,014	3,614	26,000	9,098	26,000	26,000	0.00%	
601-494-9400-42270	Utility System Maintenance				647			#DIV/0!	
601-494-9400-42300	Water Meters & Supplies	105,477	124,127	132,000	138,582	132,000	135,000	2.27%	Water meters
601-494-9400-44375	Personal Protective Equipment		262	800	411	800	800	0.00%	
601-494-9400-42400	Small Tools & Minor Equipment	3,955	2,218	8,300	6,002	10,000	10,800	30.12%	
Total Materials and Supplies		\$ 138,873	\$ 137,435	\$ 182,650	\$ 160,994	\$ 179,150	\$ 192,650	5.47%	
Charges and Services									
601-494-9400-43030	Engineering Services	-	50,457	20,000	9,454	20,000	20,000	0.00%	
601-494-9400-43040	Legal Services	2,323	118,260	155,000	33,260	155,000	200,000	29.03%	

**CITY OF LAKE ELMO
2019 PROPOSED BUDGET**

Master Worksheet - All Budgets - REVISED

		2016	2017	2018	2018	2018	2019	Adopted 2018 to	
		Actual	Actual	Adopted	YTD - Sep 2018	Projected	Proposed	Proposed 2019	
Account Number	Description							Percent Change	Comments
601-494-9400-43010	Audit Services						7,987	#DIV/0!	5% incr. \$31,946 split GF, Water, Sewer, SW
601-494-9400-43150	Contract Services	7,459	73,154	47,400	21,741	47,400	31,000	-34.60%	new SCADA agreement \$6k. Mowing \$6k, CLA was 2017 & 2018
	Computers							#DIV/0!	
601-494-9400-43185	IT Support	5,556	6,289	37,133	18,781	37,133	7,297	-80.35%	Roseville \$7297.5
601-494-9400-42002	IT Hardware						1,800	#DIV/0!	Computer Replacements
601-494-9400-43190	Software Programs						3,274	#DIV/0!	Roseville \$604, Banyon \$363.34, Accela \$2306.5
601-494-9400-43210	Telephone	793	687	800	648	700	987	23.34%	Roseville \$350.7, TDS \$636
601-494-9400-44377	Credit Card Fees						1,972	#DIV/0!	
601-494-9400-43220	Postage	1,800	2,178	2,000	9	2,000	2,000	0.00%	
601-494-9400-43310	Mileage	189			119		200	#DIV/0!	
601-494-9400-43610	Insurance	8,975	9,322	12,000	7,981	7,981	9,178	-23.51%	corrected allocation, incr 15% over prev yr.
601-494-9400-43810	Electric Utility	34,392	54,894	45,000	52,080	43,500	45,000	0.00%	
601-494-9400-43820	Water Utility	144,932	242,929	-	23,281	38,658		#DIV/0!	Agreement ends w/ City of Oakdale
601-494-9400-44030	Repairs\Maint Imp Not Bldgs	8,617	17,363	20,000	34,878	20,000	20,000	0.00%	Tower 2 Inspection
601-494-9400-44040	Repairs\Maint. Equip.	-	-	8,000	3,443	10,000	12,000	50.00%	Well 2 PLC & Screen
601-494-9400-44010	Repairs\Maint Imp Bldgs	-	-	2,000	33,391	3,039	2,000	0.00%	
601-494-9400-44150	Equipment Rental	-	-	1,000		1,000	1,000	0.00%	
601-494-9400-44170	Uniforms						984	#DIV/0!	Allocated from Streets
601-494-9400-44330	Dues & Subscriptions		196					#DIV/0!	
601-494-9400-44370	Conferences & Training	103	1,880	2,000	707	2,000	2,000	0.00%	
Total Charges and Services		\$ 215,139	\$ 577,608	\$ 352,333	\$ 239,773	\$ 388,411	\$ 368,678	4.64%	
Capital Outlay									
601-494-9400-45300	Improvements Other Than Bldgs	-	-	137,500	52,826	137,500	358,000	160.36%	\$50K Service Truck, \$120K Hammes ByPass, \$188K oversizing
Total Capital Outlay		\$ -	\$ -	\$ 137,500	\$ 52,826	\$ 137,500	\$ 358,000	160.36%	
Miscellaneous and Non-operating									
601-494-9400-43320	Depreciation Expense	612,353	808,865					#DIV/0!	
601-494-9400-44300	Miscellaneous	3,178	38,696	2,000	712	1,000	2,000	0.00%	
601-494-9400-46010	Bond Principal	-	-	710,000		710,000	810,000	14.08%	
601-494-9400-46110	Bond Interest	241,142	295,328	300,775	146,193	300,775	292,041	-2.90%	Per Northland schedule
601-494-9400-46200	Fiscal Agent Fees - Bond Payments	16,014	675	856	495		11,000	1185.05%	
601-494-9400-46250	Fiscal Agent Fees - Bond Issuance							#DIV/0!	
601-494-9400-46220	Deferred Charges Amort		(6,599)					#DIV/0!	
601-494-9400-46300	Bond Issuance Costs		11,262				12,000	#DIV/0!	
601-494-9400-47200	Transfer Out	40,427	-	-	-	-	-	#DIV/0!	
Total Misc. and Non-operating		\$ 913,114	\$ 1,148,226	\$ 1,013,631	\$ 147,400	\$ 1,011,775	\$ 1,127,041	11.19%	
Total Water Fund Expenses:		\$ 1,451,255	\$ 2,022,445	\$ 1,835,423	\$ 711,173	\$ 1,876,097	\$ 2,290,402	24.79%	
Total Water Fund Revs. Over/(Under) Expenses:		\$ 3,749,245	\$ 713,509	\$ 262,923	\$ 1,039,932	\$ 534,598	\$ 145,569	-44.63%	

**CITY OF LAKE ELMO
2019 PROPOSED BUDGET**

Master Worksheet - All Budgets - REVISED

		2016	2017	2018	2018	2018	2019	Adopted 2018 to	
Account Number	Description	Actual	Actual	Adopted	YTD - Sep 2018	Projected	Proposed	Proposed 2019	Comments
								Percent Change	
602	Sewer Fund								
Sewer Fund Revenues:									
602-000-0000-33422	PERA Pension Revenue		9					#DIV/0!	
602-000-0000-36100	Special Assessments	21,073	1,229,699	77,874	209,731	77,874	141,799	82.09%	Per Northland schedule
602-000-0000-36210	Interest on Investments	14,584	20,362	20,000		20,000	20,000	0.00%	
602-000-0000-37200	Sewer Sales	120,974	267,130	247,599	145,094	247,599	339,840	37.25%	Per Northland schedule
602-000-0000-37220	SAC Early Pay discount/revenue	8,474	8,474	5,800	5,666	5,800		-100.00%	Based on averages
602-000-0000-37230	Sewer Lat Benefit Fee		11,000	25,500		25,500	31,050	21.76%	
602-000-0000-39250	Contribution of Capital Assets		71,269					#DIV/0!	
602-000-0000-37240	Sewer Connecton Fee Revenue (SAC)	803,000	1,450,165	883,200	661,000	883,200	901,500	2.07%	Per Northland schedule
602-000-0000-37250	Sewer Connection Fees Regional		21,000	-	596,294			#DIV/0!	Pass-through of approx \$21K
602-000-0000-37260	Sewer Connection Fees Municipa	383,500	677,980	345,500	433,500	345,500	339,500	-1.74%	Per Northland schedule
Total Sewer Fund Revenues:		\$ 1,351,605	\$ 3,757,088	\$ 1,605,473	\$ 2,051,285	\$ 1,605,473	\$ 1,773,689	10.48%	
Sewer Fund Expenses:									
Personnel									
602-495-9450-41010	Full-time Salaries	39,678	23,073	62,250	23,180	69,750	79,409	27.56%	1 additional worker split Streets 30%, Parks 20%, Water 20%, Sewer 20%, SW 10%
602-495-9450-41030	Part-time Salaries				227			#DIV/0!	
602-495-9450-41020	Overtime		-	4,000		123	6,000	50.00%	On call pay
602-495-9450-41040	Temporary Employees							#DIV/0!	
602-495-9450-41210	PERA Contributions	4,270	3,807	4,669	1,748	4,919	5,956	27.56%	
602-495-9450-41220	FICA Contributions	1,987	1,609	4,058	1,389	4,308	6,075	49.70%	
602-495-9450-41230	Medicare Contributions	464	376	961	325	961		-100.00%	
602-495-9450-41300	Insurance	8,352	8,429	10,744	1,696	11,275	17,825	65.91%	
602-495-9450-41325	Life Insurance				25		125	#DIV/0!	
602-495-9450-41330	STD/LTD				62		491	#DIV/0!	
602-495-9450-41600	Safety Clothing Allowance						140	#DIV/0!	Boots (\$175 per person allocated by Salary Allocation)
602-495-9450-41301	Unemployment Insurance	-	-	342		342		-100.00%	
602-495-9450-41510	Workers Compensation	989	2,004	3,274	4,626	3,911	3,911	19.46%	
Total Personnel		\$ 55,740	\$ 39,300	\$ 90,298	\$ 33,277	\$ 95,589	\$ 119,932	32.82%	
Materials and Supplies									
602-495-9450-42270	Repair/Maint. Supplies	5,873	1,724	4,000		5,000	4,000	0.00%	
602-495-9450-42000	Office Supplies	-	73	800	1,350	1,199	800	0.00%	
602-495-9450-42030	Printed Forms	-			167			#DIV/0!	
602-495-9450-42120	Fuel, Oil and Fluids						4,500	#DIV/0!	\$30,000 - \$15K Streets, \$2K Parks, \$4.5K W, \$4.5K S, \$0.4K SW
602-495-9450-42150	Operating Supplies	-	-	1,000	332	1,000	1,000	0.00%	
602-495-9450-42270	Repair/Maint. Supplies	-			(236)			#DIV/0!	
602-495-9450-44375	Personal Protective Equipment	-	262	800	702	800	800	0.00%	
602-495-9450-42400	Small Tools & Minor Equipment	2,860	2,462	5,500	2,437	4,500	4,500	-18.18%	
Total Materials and Supplies		\$ 8,733	\$ 4,521	\$ 12,100	\$ 4,753	\$ 12,499	\$ 15,600	28.93%	
Charges and Services									
602-495-9450-43030	Engineering Services	-	5,310	20,000	3,495	20,000	20,000	0.00%	
602-495-9450-43010	Audit Services						7,987	#DIV/0!	5% incr. \$31,946 split GF, Water, Sewer, SW
602-495-9450-43150	Contract Services	8,059	291,285	21,400	19,886	40,000	30,400	42.06%	new SCADA agreement \$6k/Mowing \$3000, CLA was 2017 & 2018
602-495-9450-43185	IT Support	4,591	5,989	33,533	19,756	33,533	4,041	-87.95%	Roseville \$4257.5
602-495-9450-42002	IT Hardware						800	#DIV/0!	Computer Replacements
602-495-9450-43190	Software Programs						3,010	#DIV/0!	Roseville \$340, Banyon \$363.33, Accela \$2306.5
602-495-9450-43210	Telephone	1,008	1,146	1,500	1,021	1,500	1,707	13.78%	Roseville \$350.7, TDS \$1236, T-Mobile \$120
602-495-9450-44377	Credit Card Fees						1,972	#DIV/0!	
602-495-9450-43220	Postage	-	2,500	1,175		1,175	1,175	0.00%	

**CITY OF LAKE ELMO
2019 PROPOSED BUDGET**

Master Worksheet - All Budgets - REVISED

		2016	2017	2018	2018	2018	2019	Adopted 2018 to	
Account Number	Description	Actual	Actual	Adopted	YTD - Sep 2018	Projected	Proposed	Proposed 2019	Comments
								Percent Change	
602-495-9450-43310	Mileage	-	-	-				#DIV/0!	
602-495-9450-43610	Insurance	581	603	2,000	3,187	3,187	3,665	83.27%	corrected allocation, incr 15% over prev year
602-495-9450-43810	Electric Utility	5,125	5,739	5,500	7,300	7,000	9,000	63.64%	
602-495-9450-43820	Sewer Utility - Met Council	16,621	83,809	92,140	69,105	92,140	169,359	83.81%	Per Met Council
602-495-9450-44040	Repairs/Maint. Equip.	-	1,148	4,500	3,523	4,500	4,500	0.00%	
602-495-9450-44150	Equipment Rental	-	-	1,000		1,000	1,000	0.00%	
602-495-9450-44170	Uniforms						563	#DIV/0!	Allocated from Streets
602-495-9450-44030	Repairs\Maint Imp Not Bldgs	1,391		1,200		1,200	15,000	1150.00%	Pave Lisbon Lift Station
602-495-9450-44370	Conferences & Training	80	3,718	2,000	863	2,000	2,000	0.00%	
Total Charges and Services		\$ 37,456	\$ 401,246	\$ 185,948	\$ 128,136	\$ 207,235	\$ 276,178	48.52%	
Capital Outlay									
602-495-9450-45300	Improvements Other Than Bldgs	-	-	85,000	81,578	-	345,000	305.88%	Sewer Oversizing - \$295k, Service Truck \$50k
Total Capital Outlay		\$ -	\$ -	\$ 85,000	\$ 81,578	\$ -	\$ 345,000	305.88%	
Miscellaneous and Non-operating									
602-495-9450-43320	Depreciation Expense	132,265	350,903		-	-	-	#DIV/0!	
602-495-9450-44300	Miscellaneous Expenses	26,036	50,873	300	-	300	300	0.00%	
602-495-9450-46010	Bond Principal	0	-	275,000		275,000	470,000	70.91%	Per Northland schedule
602-495-9450-46110	Bond Interest	116,715	168,587	195,324	93,452	195,324	208,454	6.72%	Per Northland schedule
602-495-9450-46220	Deferred Charges Amort		(3,811)					#DIV/0!	
602-495-9450-46300	Bond Issuance Costs		18,437				20,000	#DIV/0!	
602-495-9450-46250	Fiscal Agent Fees	3,707					16,000	#DIV/0!	
602-495-9450-47200	Transfer Out	102,678	-	-	-	-	-	#DIV/0!	
Total Misc. and Non-operating		\$ 381,401	\$ 584,989	\$ 470,624	\$ 93,452	\$ 470,624	\$ 714,754	51.87%	
Total Sewer Fund Expenses:		\$ 483,330	\$ 1,030,056	\$ 843,970	\$ 341,197	\$ 785,947	\$ 1,471,464	74.35%	
Total Sewer Fund Revs. Over/(Under) Expenses:		\$ 868,275	\$ 2,727,033	\$ 761,503	\$ 1,710,088	\$ 819,526	\$ 302,225	-60.31%	

**CITY OF LAKE ELMO
2019 PROPOSED BUDGET**

Master Worksheet - All Budgets - REVISED

		2016	2017	2018	2018	2018	2019	Adopted 2018 to	
		Actual	Actual	Adopted	YTD - Sep 2018	Projected	Proposed	Proposed 2019	
Account Number	Description							Percent Change	Comments
603	Storm Water Fund								
Storm Water Fund Revenues:									
603-000-0000-33422	PERA Pension Revenue		5					#DIV/0!	
603-000-0000-36100	Special Assessments				20,674			#DIV/0!	Delinquent S/A's for '17 and estimate for '18
603-000-0000-36210	Interest on Investment	15,933	8,247	7,000		7,000	7,000	0.00%	
603-000-0000-39250	Contribution of Capital Assets		(18)					#DIV/0!	
603-000-0000-36232	Developer Contributions		100,000					#DIV/0!	
603-000-0000-37300	Surface Water Utility Sales	185,858	251,025	283,587	201,539	283,587	337,303	18.94%	Per Northland schedule
603-000-0000-34113	SW Review Fee Revenue	27,375	38,350	29,375	29,088	29,375	29,051	-1.10%	Per Northland schedule
Total Storm Water Fund Revenues:		\$ 229,166	\$ 397,609	\$ 319,962	\$ 251,301	\$ 319,962	\$ 373,354	16.69%	
Storm Water Fund Expenses:									
Personnel									
603-496-9500-41010	Full-time Salaries	20,591	12,962	34,273	13,086	34,773	54,068	57.76%	1 additional worker split Streets 30%, Parks 20%, Water 20%, Sewer 20%, SW 10%
603-496-9500-41030	Part-time Salaries	-	-					#DIV/0!	
603-496-9500-41020	Overtime							#DIV/0!	
603-496-9500-41040	Temporary Employees							#DIV/0!	
603-496-9500-41210	PERA Contributions	2,408	1,909	2,570	982	2,820	4,055	57.78%	
603-496-9500-41220	FICA Contributions	1,129	790	2,099	770	2,349	4,136	97.05%	
603-496-9500-41230	Medicare Contributions	264	185	497	180	497		-100.00%	
603-496-9500-41300	Insurance	5,856	5,276	6,275	1,748	6,806	12,318	96.30%	
603-496-9500-41325	Life Insurance				16		81	#DIV/0!	
603-496-9500-41330	STD/LTD				28		263	#DIV/0!	
603-496-9500-41600	Safety Clothing Allowance			53		53	88	66.04%	Boots (\$175 per person allocated by Salary Allocation)
603-496-9500-41301	Unemployment Insurance	-	-	342		342		-100.00%	
603-496-9500-41510	Workers' Compensation	-	1,150	1,361	1,626	1,626	1,626	19.47%	
Total Personnel		\$ 30,248	\$ 22,271	\$ 47,470	\$ 18,437	\$ 49,266	\$ 76,635	61.44%	
Materials and Supplies									
603-496-9500-42000	Office Supplies	499	428	800	148	800	800	0.00%	
603-496-9500-42120	Fuel, Oil and Fluids						400	#DIV/0!	\$30,000 - \$15K Streets, \$2K Parks, \$4.5K W, \$4.5K S, \$0.4K SW
603-496-9500-42030	Printed Forms		247		167			#DIV/0!	
603-496-9500-42270	Repair/Maint. Maint Supplies	3,972	135	2,000	315	2,000	2,000	0.00%	
603-496-9500-42150	Operating Supplies	-	-	1,000	38	1,000	1,000	0.00%	
603-496-9500-44375	Personal Protective Equipment	-		800	411	800	800	0.00%	
603-496-9500-42400	Small Tools & Minor Equipment	-	1,241	3,500	2,306	3,500	3,500	0.00%	
Total Materials and Supplies		\$ 4,471	\$ 2,051	\$ 8,100	\$ 3,385	\$ 8,100	\$ 8,500	4.94%	
Charges and Services									
603-496-9500-43030	Engineering Services	11,827	6,311	20,000	2,170	20,000	20,000	0.00%	
603-496-9500-43010	Audit Services						7,987	#DIV/0!	5% incr. \$31,946 split GF, Water, Sewer, SW
603-496-9500-43150	Contract Services	2,400	18,116	17,200	5,709	15,000	6,000	-65.12%	\$3k mowing, CLA was 2017 & 2018
603-496-9500-43185	IT Support	4,067	3,558	15,500		15,500	3,668	-76.34%	Roseville \$3554.5
603-496-9500-42002	IT Hardware						1,000	#DIV/0!	Ipad for Pond Insp
603-496-9500-43190	Software Programs						3,010	#DIV/0!	\$340 Roseville, Banyon \$363.33, Accela \$2306.5
603-496-9500-43210	Telephone						351	#DIV/0!	Roseville \$350.7
603-496-9500-44377	Credit Card Fees						360	#DIV/0!	
603-496-9500-43220	Postage	1,800	-	2,000	5,001	2,000	2,000	0.00%	
603-496-9500-43610	Insurance	-	-	1,500		5,001	5,751	283.43%	corrected allocation, incr 15% over prev yr.
603-496-9500-44010	Street Sweeping	10,318	20,958	25,000	13,986	25,000	30,000	20.00%	more streets with development
603-496-9500-44040	Repairs/Maint Equip	-	-	1,000	99	750	1,000	0.00%	
603-496-9500-44030	Repairs/Maint Not Bldg	1,368		3,000		33,358	33,500	1016.67%	Additional maintenance costs \$30,500
603-496-9500-44150	Equipment Rental	-	-	1,000		1,000	1,000	0.00%	

**CITY OF LAKE ELMO
2019 PROPOSED BUDGET**

Master Worksheet - All Budgets - REVISED

		2016	2017	2018	2018	2018	2019	Adopted 2018 to	
<u>Account Number</u>	<u>Description</u>	<u>Actual</u>	<u>Actual</u>	<u>Adopted</u>	<u>YTD - Sep 2018</u>	<u>Projected</u>	<u>Proposed</u>	<u>Proposed 2019</u>	<u>Comments</u>
								<u>Percent Change</u>	
603-496-9500-44170	Uniforms						234	#DIV/0!	Allocated from Streets
603-496-9500-44370	Conferences & Training	2,500	1,875	2,500	985	1,500	2,500	0.00%	
Total Charges and Services		\$ 34,280	\$ 50,819	\$ 88,700	\$ 27,950	\$ 119,109	\$ 118,360	33.44%	
Capital Outlay									
603-496-9500-45300	Improvements Other Than Bldgs	-	-	40,000	-	-	40,000	0.00%	Storm Water Comp Plan Update
Total Capital Outlay		\$ -	\$ -	\$ 40,000	\$ -	\$ -	\$ 40,000	0.00%	
Miscellaneous and Non-operating									
603-496-9500-43320	Depreciation Expense	15,963	56,298					#DIV/0!	
603-496-9500-44300	Miscellaneous Expenses	20,577	21,157	2,000	666	2,000	2,000	0.00%	
603-496-9500-46010	Bond Principal	-	-	160,000		160,000	175,000	9.38%	Per Northland schedule
603-496-9500-46110	Bond Interest	44,765	62,781	58,294	28,138	58,294	54,500	-6.51%	Per Northland schedule
603-496-9500-46220	Deferred Charges Amort		(3,193)					#DIV/0!	
603-496-9500-46200	Fiscal Agent Fees						900	#DIV/0!	
603-496-9500-46300	Bond Issuance Costs	-	1,064	-	-	-	-	#DIV/0!	
Total Misc. and Non-operating		\$ 81,305	\$ 138,107	\$ 220,294	\$ 28,804	\$ 220,294	\$ 232,400	5.50%	
Total Storm Water Fund Expenses:		\$ 150,304	\$ 213,249	\$ 404,564	\$ 78,575	\$ 396,769	\$ 475,895	17.63%	
Total Storm Water Fund Revs. Over/(Under) Expenses:		\$ 78,862	\$ 184,360	\$ (84,602)	\$ 172,726	\$ (76,807)	\$ (102,541)	21.20%	



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

2018 Plan
November 20, 2018



Northland Securities, Inc.
150 South Fifth Street, Suite 3300
Minneapolis, MN 55402
(800) 851-2920
Member NASD and SIPC
Registered with SEC and MSRB

Letter of Transmittal

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November 20, 2018

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

RE: Final Draft 2018 Financial Management Plan for City Utility Funds

Dear Kristina:

Northland Securities, Inc. is pleased to present the City of Lake Elmo with a preliminary draft of the Financial Management Plan for the City Utility Funds, dated November 6, 2018.

The City has requested Northland to provide service to the City to update the 2017 Financial Management Plan, dated October 3, 2017. The service includes updating data and prior assumptions to perform a utility rate analysis for the Water, Sanitary Sewer, and Storm Water Utility Systems of the Lake Elmo. The analysis and report includes a review of the past performance of the systems, projected updated 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

The Plan 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.

This Plan presents an update to the Financial Plan for the Water, Sanitary Sewer, and Storm Water Funds, Dated October 3, 2017.

The process for preparing the Plan 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 Plan 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 Plan.

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

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

Organization of Plan

This Plan is organized into six sections:

1. Executive Summary provides information on the organization of the Plan, 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.

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;
 - City's Comprehensive Annual Financial Reports as of December 31, 2017; and
 - projected 2018 financial results and preliminary

2019 budget.

- 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.
- City staff offered input and feedback on the assumptions and desired outcomes, along with explanation of adjusting entries the City made to its general ledger for fiscal year 2017.
- A draft of the Plan was prepared.

It is important to note aspects not reviewed as part of the study, which include:

- The validity of the assumptions and figures provided by the City on future estimated growth was not reviewed.
- The financial impact of 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 the Plan 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 historical/current volume data by tier or otherwise. The Plan includes 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 Plan.

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 the Plan are preliminary estimates. The City provided a list of proposed improvement projects and with gross estimates for project costs to provide a basis for the pro forma analysis included in the Plan. The City reviews and revises its capital improvement plans on a regular basis.

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 debt issuance, 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 significantly impact 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 detailed information on the total estimated growth summarized in **Table A** for the 2018 Plan. The estimates for growth in customers has an impact on the establishment of future utility rates and the resulting revenue and year-

end cash projections 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 (REU) Total Projected REU to Be Added Between Years 2017 and 2026	
Type of REU	2018 Plan
Platted - Sewer Access	2,677
Platted - Water Access	2,370
Connected - Sewer	2,981
Connected - Water	2,661

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 in the Old Village also accounts for the differences.

availability charges) only to the base and usage fees for service. **Table B** provides information on the annual estimated rate increases. **Table B-1** on the next page provides a summary of the utility rates as included in the Plan. Actual financial results and growth in customers will impact 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.

Table A-1 Total Projected Residential Equivalent Customers by Year 2026	
Customer	2018 Plan
Water	4,357
Sanitary Sewer	3,566
Storm Water	7,783

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

2. Establishment of Utility Rates

The Plan assumes annual increases in the fees and charges for utility services. The increases will 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

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.

There are no changes recommended at this time to the City’s rate structure. 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 the Plan, 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 the Plan 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 50% of operating expense.

Table C-1 on the next page 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 the next page 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 the funds will begin to draw on cash balances to cover capital and debt service. The City may need to consider modified rate adjustments from what are included in the Plan. 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	\$727,822	\$363,911	50%
2018	\$819,601	\$409,801	50%
2019	\$831,993	\$415,997	50%
2020	\$844,633	\$422,316	50%
2021	\$692,316	\$346,158	50%
2022	\$650,034	\$325,017	50%
2023	\$663,035	\$331,517	50%
2024	\$705,034	\$352,517	50%
2025	\$719,135	\$359,568	50%
2026	\$733,518	\$366,759	50%

Note to Table C-1: Amounts shown are estimates based on the assumptions and information included in the Plan.

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	\$315,323	\$157,661	50%
2018	\$412,221	\$206,111	50%
2019	\$438,674	\$219,337	50%
2020	\$505,036	\$252,518	50%
2021	\$599,330	\$299,665	50%
2022	\$671,699	\$335,849	50%
2023	\$754,367	\$377,183	50%
2024	\$859,639	\$429,820	50%
2025	\$932,480	\$466,240	50%
2026	\$1,005,735	\$502,868	50%

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

Chart 1
Year End Cash Estimates By Fund

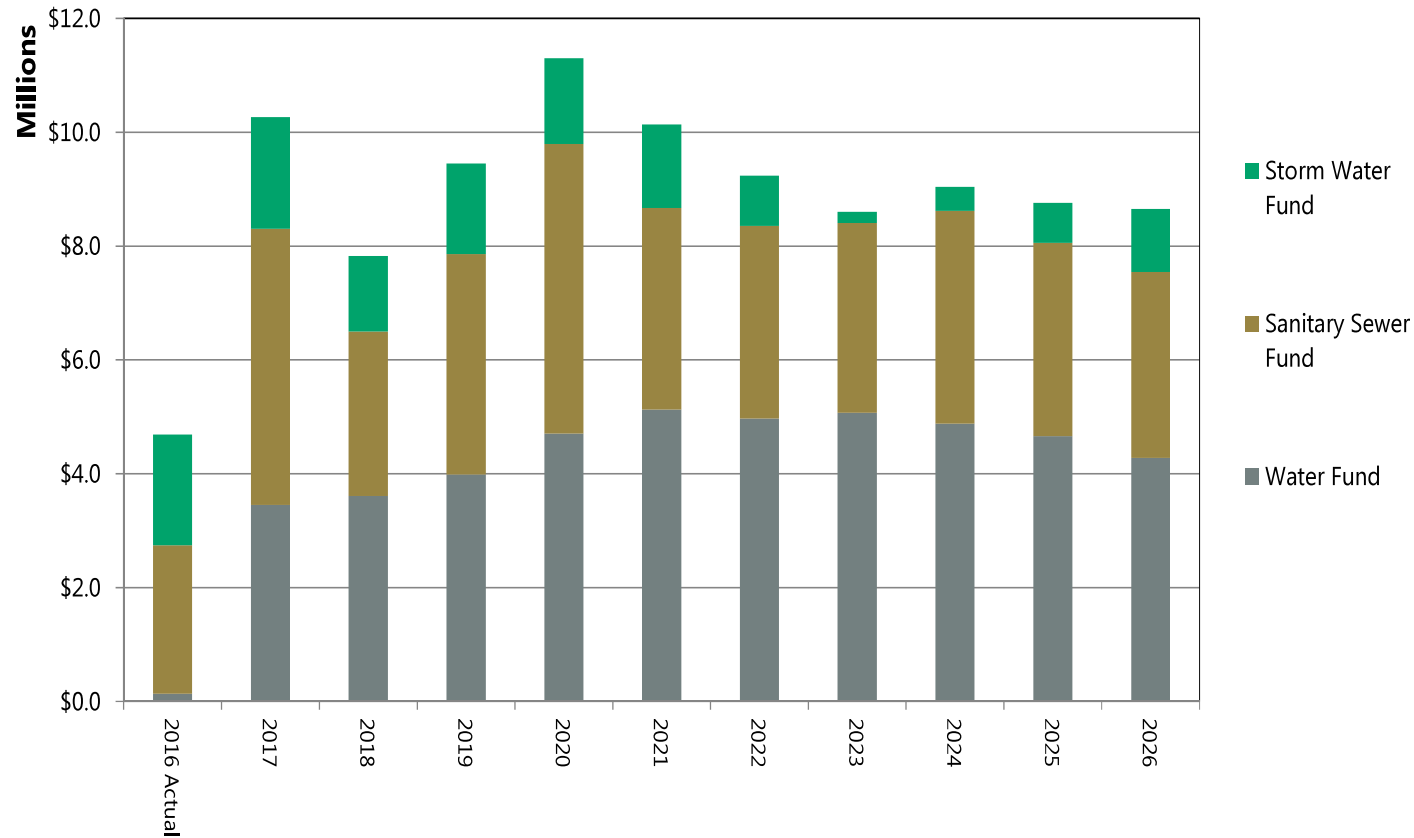


Chart 1 shows that cash balances in the utility funds will remain stable, with some growth, over the long term as customers and volumes billed increase.

Cash balance will decline between years 2020 and 2023 as revenue collected from development is used to pay down debt outstanding as scheduled.

The Plan does not presently include the use of cash to call bonds at optional redemption dates. Optional redemption of outstanding bonds should be monitored.

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 in the process of updating its Comprehensive Plan, the updated Plan will likely have implications for the assumptions included in the Plan.

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

\$14.11 million and cash balance \$3.45 million as of December 31, 2017.

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 \$8.30 million and cash balance \$4.85 million as of December 31, 2017.

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 \$1.60 million and cash balance \$1.96 million as of December 31, 2017.

CAPITAL IMPROVEMENT PLAN AND DEBT SERVICE

The Plan includes a capital improvement plan (the “CIP”), as prepared by the City, 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 utility funds.

It is important to emphasize that the CIP included in the Plan is a working draft. The cost estimates for the projects provides an input to the pro forma analysis included in the Plan. 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 the Plan.

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 CIP 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), and a storm water pond.
- 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 the Plan 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 utility projects in the CIP 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 utility 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, past the term of the bonds.

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.

Municipal Facilities

The City is preparing to undertake capital spending for municipal facility, including space for city hall. The City is planning for the Water Fund and Sewer Fund to pay a portion of the debt service on anticipated bonds to be issued to finance facility improvements. The portion of costs allocated to the utility funds recognizes that the utility operations will benefit from the municipal facilities improvements.

The Plan anticipates the Water Fund and Sewer Fund will each pay 10% of the annual debt service, respectively, on an estimated total bond issuance of \$11,100,000 (\$10,950,000 for construction plus cost of issuance) for municipal facilities improvements. The municipal facilities improvements will not be recorded as an asset in the Wa-

ter Fund or the Sanitary Sewer Fund. And, the outstanding debt obligation for the municipal facilities improvements will not be a liability of the Water Fund or the Sanitary Sewer Fund.

It is anticipated in the Plan that the Water Fund and the Sanitary Sewer Fund will transfer cash annually to a City governmental debt service fund to pay an allocated portion of the debt service on the bonds issued to finance the municipal facilities improvements. The annual transfers from the Water Fund and the Sanitary Sewer Fund to a governmental debt service fund is anticipated to be in the approximate range of \$85,000 per year (\$170,000 in total from both 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
W-007 Hammes Estates Trunk WM 12" Prv with Bypass		120,000							
W-008 Village East Trunk WM 12" Prv with Bypass			132,000						
W-004 Low Pressures Zone 12" Prv with Bypass - Connection to WT #3			120,000						
W-027 Pressure Reduction Station-Connection to WT#3						132,000			
W-028 Blackfrod Water Ext (Grant Funded)			75,000						
W-029 31st Street Area Water Extension (Grant Funded)			225,000						
Pull and Rebuild Well Pump #4							35,000		
W-010 Paint Water Tower #2 (PWs Bldg)						800,000			
W-019 SCADA Upgrade					50,000				
W-022 Utility Vehicle				35,000					
PW-043 Service Truck		50,000							
PW-044 Trac Hoe			15,000						
Old Village Sewer Extensions Phase 4: 32nd St. W & Layton/36th St	372,500								
W-005 Old Village Sewer Extensions - Phase 5: Up 33rd, Low-33rd, 34/36th St.W.				486,530					
W-005 Old Village Sewer Extensions - Phase 6: Water Component						110,220			
W-025 OV Sewer Extensions - Phase 6 & 5: Water Component						596,750			
W-026 Old Village Sewer Extensions - Phase 7: Water Component							253,000		
W-001 2019 Street and Utility Improvements: Watermain: 37th/38th & Irwin ¹		1,357,400							
W-017 2020 Street and Utility Improvements: Watermain:Herritage Farms (\$675,000 Grant Funded)			725,000						
W-018 2021 Street and Utility Improvements: Watermain: Fields/Tamarack FMS				50,000					
W-030 2023 Street Projects Water Component							100,000		
W-023 Water Meter Changeout (accounted for in operating budget)									
W-024 Automated Radio Read System					300,000				
W-006 Elevated Storage Tank No. 3 (for low pressure systems)		275,000	3,200,000						
W-014 Well & Pumphouse No. 5 (@10,000 Water service population)				2,100,000					
W-013 Watermain oversizing - Based on Developer Pace and Phasing	105,000	188,000			115,000		119,000		
Total	477,500	1,990,400	4,492,000	2,671,530	1,171,970	1,285,000	154,000	200,000	200,000
Source of Funds									
GO Bonds - Portion Paid by Utility Revenues	372,500	1,037,800	3,200,000	2,585,000	705,000	1,285,000			
GO Bonds - Portion Paid by Special Assessments		594,600							
Grants/Donations (W-017; W-028; and W-029)			975,000						
Cash from Water Fund	105,000	358,000	317,000	86,530	466,970	-	154,000	200,000	200,000
Total	477,500	1,990,400	4,492,000	2,671,530	1,171,970	1,285,000	154,000	200,000	200,000

Notes:

1. Project W-001 is proposed to be funded from \$594,6000 of 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 a portion of the 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. GO Bonds to finance 2018 projects are planned to be issued in 2019; bond proceeds will reimburse project costs.

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

	2018	2019	2020	2021	2022	2023	2024	2025	2026
Use of Funds									
Old Village Sewer Extensions Phase 4: 32nd St. W & Layton/36th St ¹	418,500								
S-005 Old Village Sewer Extensions Phase 5: Up 33rd, Low-33rd, 34/36th St.W ¹				885,500					
S-016 Old Village Sewer Extensions Phase 6 ¹					885,500				
S-017 Old Village Sewer Extensions Phase 7 ¹						522,500			
S-012 Section 36 Trunk Sewer Main (Cimarron/Oakland Jr High Section 35 Lift Station and Forcemain				1,500,000				700,000	
S-013 Sewer Oversizing - Based on Developer Pace and Phasing		295,000							
S-003 Hamlet on Sunfish Lake Sewer Extension and Liftstation ¹		250,000							
PW-043 Service Truck (portion charged to Water and Sewer)		50,000							
W-022 Utility Truck (portion charged to Water and Sewer)				35,000					
Capital contribution from 2017 projects (adjusting entry)	2,000,000								
Future projects ²									200,000
Total	2,418,500	595,000	-	2,420,500	885,500	522,500	-	700,000	200,000
Source of Funds									
GO Bonds - Portion Paid by Utility Revenues	58,900								
GO Bonds - Portion Paid by Special Assessments	359,600	250,000		885,500	885,500	522,500			
Cash from Sewer Fund	2,000,000	345,000	-	1,535,000	-	-	-	700,000	200,000
Total	2,418,500	595,000	-	2,420,500	885,500	522,500	-	700,000	200,000

Notes:

1. These projects will be funded in full or part 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. GO Bonds to finance 2018 projects are planned to be issued in 2019; bond proceeds will reimburse project costs.

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

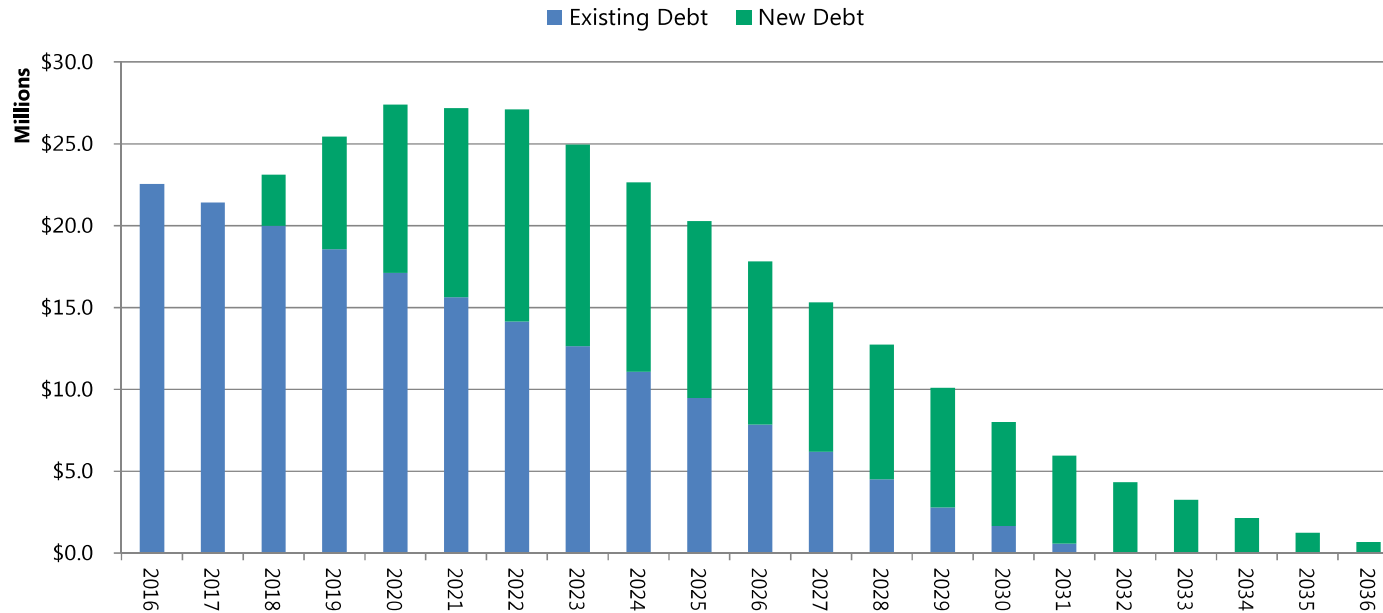
	2018	2019	2020	2021	2022	2023	2024	2025	2026
Use of Funds									
SW-001 Phase 2 Regional Drainage Improvements: Land Acquisition					600,000				
SW-001 Phase 2 Regional Drainage Improvements: Sunfish Lake Retention/Diversion						800,000			
SW-002 Phase 3 Regional Drainage Improvements: Lions Park Drainage Retention			500,000						
SW-003 Kramer Lake Floodplain Study					60,000				
SW-004 Surface Water Management Plan Update (accounted for in operating)									
PW-044 Trac Hoe Old Village Phase 4	379,000		15,000						
Capital contribution from 2017 projects (adjusting entry)	155,000								
Future annual estimate for projects ¹									
Total	534,000	-	515,000	-	660,000	800,000	-	-	-
Source of Funds									
GO Revenue Bonds	379,000		500,000						
Grant funds/developer funds					60,000				
Cash from Storm Water Fund	155,000	-	15,000	-	600,000	800,000	-	-	-
Total	534,000	-	515,000	-	660,000	800,000	-	-	-

Notes:

1. The plan does not include any placeholder amounts for future projects.
2. GO Bonds to finance 2018 projects are planned to be issued in 2019; bond proceeds will reimburse project costs.

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



Note to Chart 2:

Existing Bonds Outstanding by Bond Series	Final Maturity Year	Call Date	Par Amount Subject to Optional Redemption On Call Date, Portion Payable from Utility Revenues			
			Water Fund	Sanitary Sewer Fund	Storm Water Fund	Total
GO Ref Bond 2009A (Refund 2002B)	2021	12/1/2017	\$195,000			\$195,000
GO Ref Bond 2012A (Refund 2005A)	2030	12/1/2021	\$2,810,000			\$2,810,000
GO 2013A Bonds	2033	7/15/2021	\$595,000	\$1,775,000		\$2,370,000
GO 2014A Bonds	2030	1/15/2022	\$1,460,000	\$480,000		\$1,940,000
GO 2015A Bonds	2031	1/15/2023	\$530,000	\$160,000		\$690,000
GO 2016A Bonds	2032	1/15/2024	\$1,840,000	\$490,000	\$1,580,000	\$3,910,000
GO 2017A Bonds	2033	1/15/2025	\$950,000	\$1,555,000	\$85,000	\$2,590,000

1. The existing bonds listed in the schedule above are subject to certain optional redemption provisions.
2. The City may elect on the call date, and on any day thereafter, to redeem outstanding bonds in whole or in part.
3. The resolution authorizing the sale of a bond series and the official statement for the bonds provides the specific language for redemption of bonds.

The estimated debt outstanding at year-end shown in **Chart 2** includes general obligation revenue bonds secured by water, sanitary sewer, and storm water revenues.

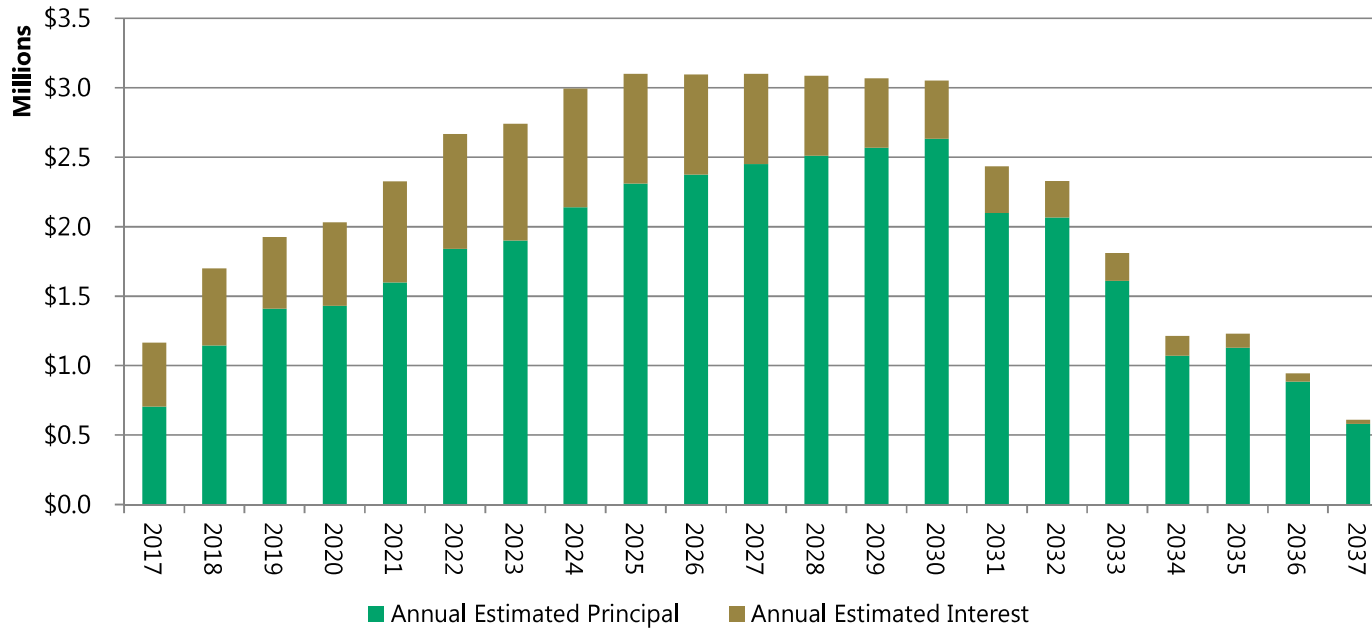
The chart includes both existing debt outstanding (as of November 2, 2018) and estimated debt anticipated to be issued in the future and paid from utility revenues. Future bond issuance estimates are based on the Plan.

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.

The Note to **Chart 2** provide information on optional redemption of outstanding bonds at future dates. **Appendix C** on page 42 provides additional information for optional redemption of existing bonds.

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 estimated annual debt service 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 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 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.
- Metropolitan Council Environmental Service (MCES) sewer fee charges 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.
- 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 estimated that annual increase in expenses will be approximately 2.0% annually, above 2019 budget, with some limited exceptions. The limited exceptions are for the following line items:

- Legal services payable from the Water Fund is projected at approximately \$200,000 annually between years 2019 and 2021, then reducing to approximately \$10,000 annually.
- Water meters and supplies is projected at approximately \$132,000 to \$143,000 annually between years 2018 and 2022, then reducing to \$90,000 annually.
- New staff is anticipated to be added in 2022 and 2025. The Plan anticipates that 50% of the cost of new positions in the Public Works Department (1.0 FTE in 2021 and 1.0 FTE in 2025) and the Finance Department (1.0 FTE in 2021 and 1.0 FTE in 2025) will be allocated to the utility funds. The Water Fund and Sanitary Sewer Fund will pay 40% of the allocated costs and the Storm Water Fund will pay 20%.

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 connec-

tions). Future charges payable to the MCES are calculated based on total projected annual sanitary sewer volume and the MCES current rate (for year 2019) inflated by 5.5% annually. This is an operating expense for the 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 and charges, availability and connection charges, and special assessments. The CIP anticipates debt issuance to be supported by revenue within the utility funds. All current and future debt is accounted for in the financial plans that are included in the Plan. 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 the Plan.

The pace of growth in customers from development will directly impact the estimated revenues shown in the Plan and the planned utility rates. The City must continue to 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 utility rates for years 2019 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 rates in the Plan are the same rates as included in the 2017 Plan.

The Plan assumes a 3.0% annual increase in water rates and a 1.0% annual increase in and sewer rates beginning in 2019. 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 2019 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 is not able to provide information on historical volume sold per tier, or in total, so assumptions were made on the volumes sold in order to prepare the Plan and to project future revenues from billing of water usage.

The Plan assumes average annual volume of just under 97,925 gallons per residential customer (or approximately 8,160 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 Plan assumes annual sewer volume biller per customer for both residential and commercial of 48,000 gallons (or 4,000 gallons per month). The MCES reports total sewer volume for the City of approximately 38 million gallons for year 2017 and estimated 67 million gallons for year 2018.

The estimates for residential and commercial customers volume usage for both water and sanitary sewer needs to be revisited and reviewed when better information is 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										Grand Total 2014 - 2026
	Total for Years 2014 to 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total 2017- 2026	

WATER CONNECTIONS - PAID AT TIME OF PERMIT													
Residential	494	303	270	268	268	268	220	188	140	141	117	2,183	2,677
Commercial	86	36	10	70	77	50	65	50	40	40	40	478	564
School	40	0	0	0	0	0	0	0	0	0	0	0	40
Total	620	339	280	338	345	318	285	238	180	181	157	2,661	3,281
Aggregate Total	620	959	1,239	1,577	1,922	2,240	2,525	2,763	2,943	3,124	3,281		

SANITARY SEWER CONNECTIONS - PAID AT TIME OF PERMIT													
Residential	385	303	270	268	268	268	220	188	140	141	117	2,183	2,568
Residential Downtown	28	20	20	20	0	0	57	14	23	0	0	154	182
Commercial	116	35	0	70	77	50	65	50	40	40	40	467	583
Commercial Downtown	25	16	26	19	10	10	10	19	7	0	0	117	142
School	40	60	0	0	0	0	0	0	0	0	0	60	100
Total	594	434	316	377	355	328	352	271	210	181	157	2,981	3,575
Aggregate Total	594	1,028	1,344	1,721	2,076	2,404	2,756	3,027	3,237	3,418	3,575		

WATER AVAILABILITY CHARGE - PAID AT TIME OF PLATTING													
Residential	767	383	340	360	349	200	149	55	45	41	10	1,932	2,699
Commercial	86	36	0	70	77	50	65	50	40	30	20	438	524
School	40	0	0	0	0	0	0	0	0	0	0	0	40
Total	893	419	340	430	426	250	214	105	85	71	30	2,370	3,263
Aggregate Total	893	1,312	1,652	2,082	2,508	2,758	2,972	3,077	3,162	3,233	3,263		

SANITARY SEWER AVAILABILITY CHARGE - PAID AT TIME OF PLATTING													
Residential	694	378	340	360	349	200	161	55	45	41	10	1,939	2,633
Residential Downtown	28	20	20	20	0	0	57	14	23	0	0	154	182
Commercial	116	35	0	70	77	50	65	50	40	10	10	407	523
Commercial - Downtown	25	16	26	19	10	10	10	19	7	0		117	142
School	40	60	0	0	0	0	0	0	0	0	0	60	100
Total	903	509	386	469	436	260	293	138	115	51	20	2,677	3,580
Aggregate Total	903	1,412	1,798	2,267	2,703	2,963	3,256	3,394	3,509	3,560	3,580		

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

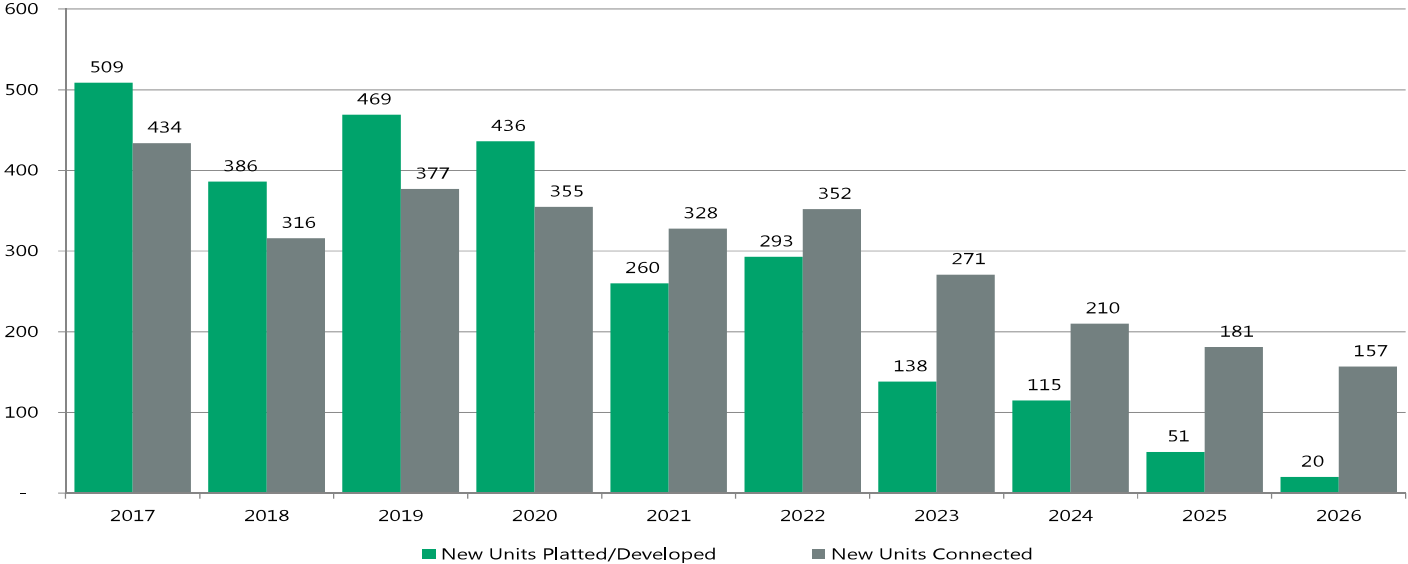
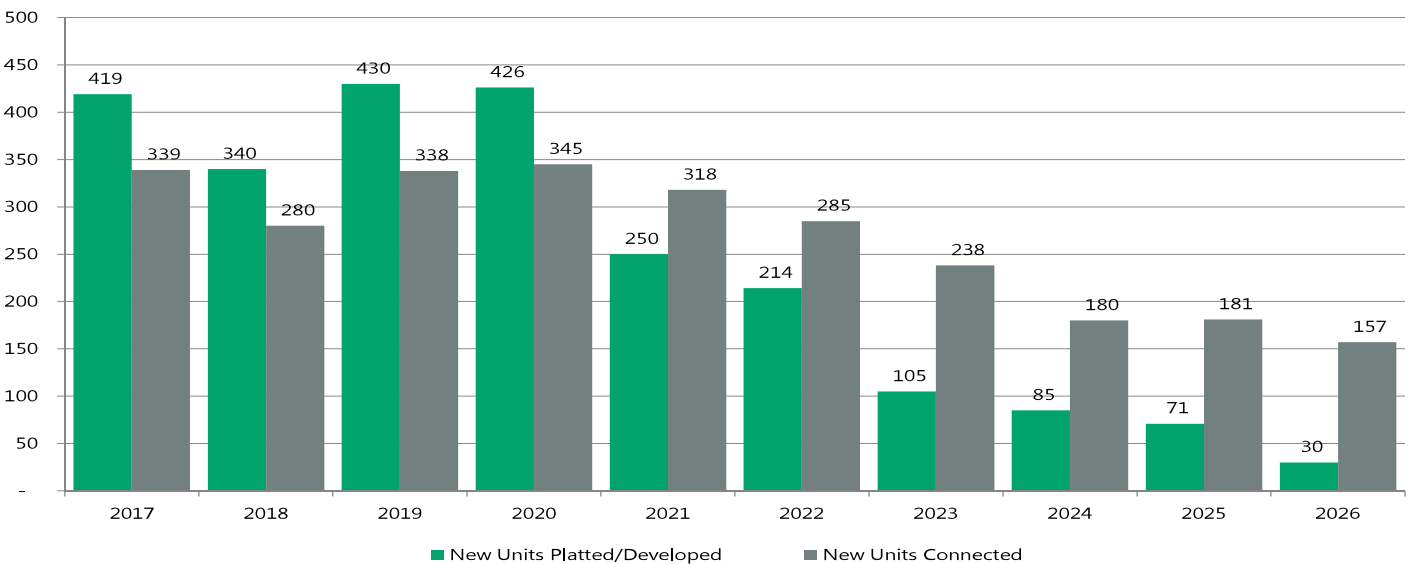


Chart 5
City of Lake Elmo, MN
Estimated Residential Equivalent Units Platted and Connected to Water



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 Plan.

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								
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Customer Units Billed (Quarterly Average)											
Residential customer units	1,250	1,732	2,035	2,305	2,573	2,841	3,109	3,329	3,517	3,657	3,798
Commercial and school customer units	54	121	157	167	237	314	364	429	479	519	559
Total customer units	1,304	1,853	2,192	2,472	2,810	3,155	3,473	3,758	3,996	4,176	4,357
Total Volume Sold Per Year in Thousand of Gallons (Gal)											
Residential Usage per 1,000 gallons:											
Tier 1: 0-15,000 gallons	35,668	47,516	56,948	64,504	72,004	79,504	87,003	93,160	98,421	102,339	106,285
Tier 2: 15,001-30,000 gallons	74,287	98,963	118,607	134,344	149,964	165,584	181,204	194,027	204,984	213,144	221,362
Tier 3: 30,001-50,000 gallons	14,857	19,793	23,721	26,869	29,993	33,117	36,241	38,805	40,997	42,629	44,272
Subtotal	124,812	166,272	199,277	225,717	251,961	278,204	304,448	325,992	344,402	358,111	371,919
Commercial Usage per 1,000 gallons											
Tier 1: 0-15,000 gallons	1,814	19,893	18,113	19,267	27,343	36,226	41,995	49,494	55,263	59,878	64,492
Tier 2: 15,001-30,000 gallons	2,268	24,867	22,642	24,084	34,179	45,283	52,494	61,868	69,078	74,847	80,615
Tier 3: 30,001-50,000 gallons	636	6,969	6,345	6,749	9,578	12,690	14,711	17,338	19,359	20,976	22,592
Subtotal	4,718	51,729	47,100	50,100	71,100	94,200	109,200	128,700	143,700	155,700	167,700
Total Volume Billed (in thousand of gallons)	129,530	218,001	246,377	275,817	323,061	372,404	413,648	454,692	488,102	513,811	539,619
<i>Average Volume Per Month Customer Per 1,000 gallons</i>	8.28	9.80	9.37	9.30	9.58	9.84	9.93	10.08	10.18	10.25	10.32
Connections (Number of REC)	239	339	280	338	345	318	285	238	180	181	35
Availability Charge (Number of REC)	321	419	340	430	426	250	214	105	85	71	10
Charges for Service Fees (per 1,000 gallons)											
Residential quarterly base fee	\$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	\$2.00	\$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	\$2.60	\$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	\$3.38	\$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	\$25.75	\$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	\$3.20	\$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	\$3.36	\$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	\$3.88	\$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
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
Sewer lateral benefit charge	\$5,800	\$5,800	\$5,800	\$5,800	\$5,800	\$5,800	\$5,800	\$5,800	\$5,800	\$5,800	\$5,800
Annual Revenue											
Base charges	\$105,400	\$150,660	\$183,855	\$213,347	\$250,825	\$291,147	\$330,532	\$369,225	\$404,948	\$436,352	\$469,379
Usage charges	\$330,132	\$558,753	\$639,565	\$734,879	\$899,172	\$1,080,393	\$1,240,963	\$1,414,622	\$1,570,450	\$1,707,975	\$1,852,637
<i>Adjusting entries in financial statements</i>	\$77,836	\$274,296									
Total Charges for Service Fees	\$513,368	\$983,709	\$823,420	\$948,226	\$1,149,997	\$1,371,540	\$1,571,495	\$1,783,846	\$1,975,399	\$2,144,326	\$2,322,016
Connection charges	\$239,000	\$339,000	\$280,000	\$338,000	\$345,000	\$318,000	\$285,000	\$238,000	\$180,000	\$181,000	\$35,000
Availability charges	\$963,000	\$1,257,000	\$1,020,000	\$1,290,000	\$1,278,000	\$750,000	\$642,000	\$315,000	\$255,000	\$213,000	\$30,000
<i>Adjusting entries in financial statements</i>	\$22,000	\$1,000									
Total Development Fees	\$1,224,000	\$1,597,000	\$1,300,000	\$1,628,000	\$1,623,000	\$1,068,000	\$927,000	\$553,000	\$435,000	\$394,000	\$65,000
Total Revenue	\$1,737,368	\$2,580,709	\$2,123,420	\$2,576,226	\$2,772,997	\$2,439,540	\$2,498,495	\$2,336,846	\$2,410,399	\$2,538,326	\$2,387,016

Note: Adjusting entries reflect classification changes, recording of receivables, and/or other audit entry adjustments as reported in the City's financial statements.

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

	Actual		Projected								
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Customer Units Billed (Quarterly Average)											
Residential customer units	327	649	972	1,262	1,550	1,818	2,086	2,363	2,565	2,728	2,869
Commercial customer units	97	93	204	230	319	406	466	541	610	657	697
Total customer units	424	742	1,176	1,492	1,869	2,224	2,552	2,904	3,175	3,385	3,566
Total Volume Sold Per Year in Thousand of Gallons (Gal)											
Residential Tier 1: per 1,000 gallons	13,875	31,152	46,656	60,576	74,400	87,264	100,128	113,424	123,120	130,944	137,712
Less Residential Tier Volume included in base		(25,960)	(38,880)	(50,480)	(62,000)	(72,720)	(83,440)	(94,520)	(102,600)	(109,120)	(114,760)
Net Residential Volume Billed		5,192	7,776	10,096	12,400	14,544	16,688	18,904	20,520	21,824	22,952
Commercial Tier 1: per 1,000 gallons	4,116	4,464	9,792	11,040	15,312	19,488	22,368	25,968	29,280	31,536	33,456
Less Commercial Tier Volume included in base											
Net Commercial Volume Billed		4,464	9,792	11,040	15,312	19,488	22,368	25,968	29,280	31,536	33,456
Total Volume Billed (in thousand of gallons)	17,991	9,656	17,568	21,136	27,712	34,032	39,056	44,872	49,800	53,360	56,408
Average Volume Per Month Customer Per 1,000 gallons	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)	301	434	316	377	355	328	352	271	210	181	35
Availability Charge (Number of REC)	374	473	340	430	426	250	226	105	85	51	10
Availability Charge (Number of REC) - Downtown	70	36	46	39	10	10	67	33	30	-	-
Early Incentive Units Included Above (Pay at 50% of Rate)	70	36	46	39	10	10	67	33	30	-	-
Charges for Service Fees											
Residential quarterly base fee (first 10 units)	\$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	\$4.55	\$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
Commercial usage per 1,000 gallons:	\$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
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
Sewer lateral benefit charge	\$5,800	\$11,000	\$11,300	\$11,600	\$11,900	\$12,200	\$12,500	\$12,800	\$13,100	\$13,400	\$13,700
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
Annual Revenue											
Base charges	\$0	\$136,290	\$206,161	\$270,347	\$335,363	\$397,282	\$460,405	\$526,758	\$583,224	\$632,692	\$678,701
Usage charges	\$80,960	\$43,452	\$79,847	\$97,024	\$128,483	\$159,362	\$184,717	\$214,346	\$242,644	\$265,190	\$285,945
Adjusting entries in financial statements	\$27,557	\$87,388									
Total Charges for Service Fees	\$108,517	\$267,130	\$286,008	\$367,371	\$463,846	\$556,644	\$645,123	\$741,105	\$825,868	\$897,882	\$964,646
Connection charges	\$266,000	\$416,000	\$293,000	\$357,500	\$350,000	\$323,000	\$318,500	\$254,500	\$195,000	\$181,000	\$35,000
Availability charge Per REC Unit	\$1,017,000	\$1,365,000	\$951,000	\$1,231,500	\$1,263,000	\$735,000	\$577,500	\$265,500	\$210,000	\$153,000	\$30,000
Availability charge Per REC Unit - Downtown	\$10,500	\$15,900	\$22,800	\$28,650	\$30,150	\$31,650	\$41,700	\$46,650	\$51,150	\$51,150	\$51,150
Adjusting entries in financial statements	-\$107,000	\$352,245									
Total Development Fees	\$1,186,500	\$2,149,145	\$1,266,800	\$1,617,650	\$1,643,150	\$1,089,650	\$937,700	\$566,650	\$456,150	\$385,150	\$116,150
Total Revenue	\$1,295,017	\$2,416,275	\$1,552,808	\$1,985,021	\$2,106,996	\$1,646,294	\$1,582,823	\$1,307,755	\$1,282,018	\$1,283,032	\$1,080,796

Notes:

1. The Availability charger per REC Unit is broken-out separately for the "Downtown" because the charge to the Downtown units is spread over 20 years. Beginning in 2017, the base charge includes 10 units.
2. Adjusting entries reflect classification changes, recording of receivables, and/or other audit entry adjustments as reported in the City's financial statements.

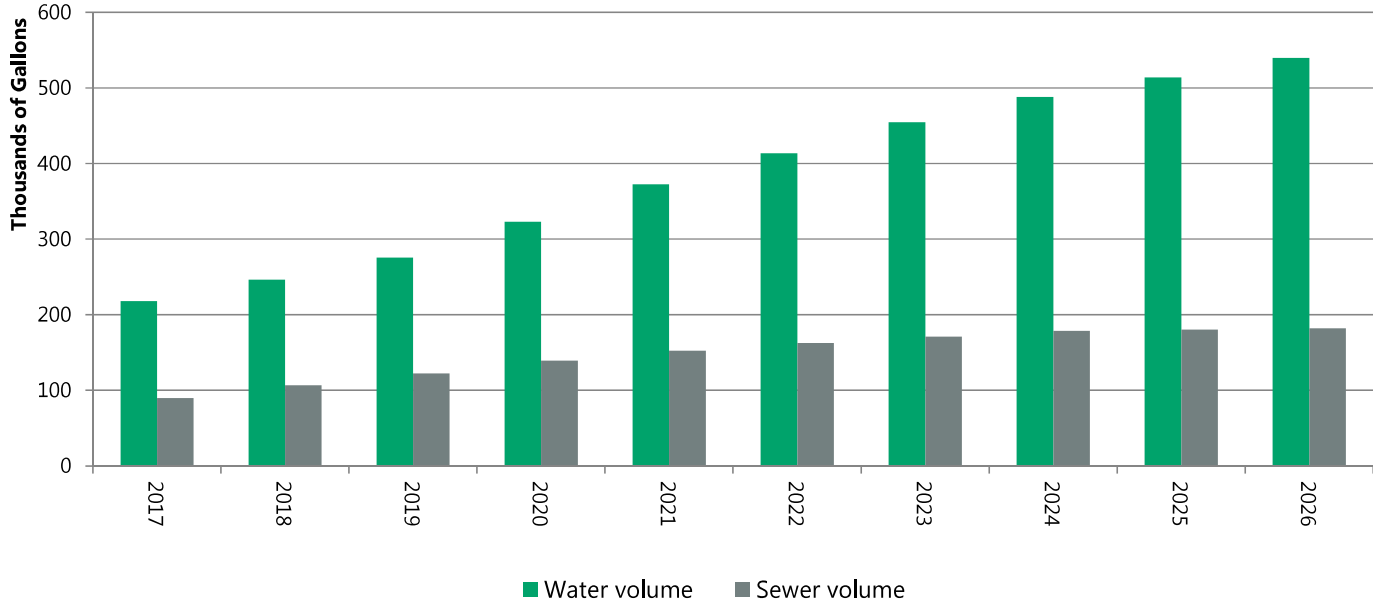
Table H
City of Lake Elmo, MN
Storm Water Fund
Fees and Charges and Customer Data

	Actual		Projected								
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Customer Units Billed (Quarterly Average)											
Residential units billed	2,742	3,157	3,460	3,730	3,998	4,266	4,534	4,754	4,942	5,082	5,223
Commercial residential equivalent units billed	1,695	1,211	1,322	1,352	1,568	1,805	1,959	2,159	2,313	2,437	2,560
Total residential equivalent units billed	4,437	4,368	4,782	5,082	5,566	6,071	6,493	6,913	7,255	7,519	7,783
Charges for Service Fees											
Residential fee	\$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	\$55.00	\$60.00	\$65.00	\$75.00	\$85.00	\$95.00	\$105.00	\$115.00	\$125.00
Annual Revenue											
Base charges	\$221,850	\$218,388	\$262,990	\$304,946	\$361,793	\$455,340	\$551,922	\$656,773	\$761,817	\$864,639	\$972,850
<i>Adjusting entries in financial statements</i>	-\$35,992	\$70,987									
Total Revenue	\$185,858	\$289,375	\$262,990	\$304,946	\$361,793	\$455,340	\$551,922	\$656,773	\$761,817	\$864,639	\$972,850

Notes:

1. The commercial residential equivalents units (REU) billed are based on a factor of 3.08X the amount billed for a single REU.
2. Adjusting entries reflect classification changes, recording of receivables, and/or other audit entry adjustments as reported in the City's financial statements.

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



Note: Future water volume billed is calculated based on 8,160 gallons per month of consumption for new residential customer units and 25,000 gallons per month for commercial customers. Future volume for sanitary sewer is calculated based on an average of 4,000 gallons per month per customer; this is less than water billed because of winter usage average. The City's billing system does not presently provide for query of volume billed. City is in the processing of software to provide this data. The averages used to project future volume will vary from actual activity.

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

The Plan 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 (pro-forma) have been prepared for each the utility funds.

Key Assumptions

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

- Operating expenditures, including personnel costs and materials supplies and all other operating expense will increase by approximately 2.0% annually, based on the 2019 budget, with an exception for legal fees, meter and supplies, and MCEs payments.
- 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.
- Current capital improvement plan will be implemented at estimated project costs and estimated sources of funding as included in the Plan. 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 2019, see **Table B** on page 3 for annual percentage 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 2019.
- Connection and availability charges are assumed to remain constant for years 2019-2026. 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 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 to the rate structure with annual rate increases of 3.0% beginning in 2019.

As of year 2017, the City no longer deposits receipt of revenue from a rental fee for private commercial access to water towers 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. Grant funds in the amount of \$975,000 in year 2020 is for capital projects.

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

Beginning in year 2021, a transfer of cash from the Water Fund to a governmental debt service fund is planned to pay a portion of debt service on bonds to be issued to finance municipal facilities improvements. The exact timing of the bond issuance and terms is not certain at this time, but for purpose of planning a bond issuance year of 2020 is assumed for the Plan. The Plan anticipates the Water Fund will pay 10% of the annual debt service on an estimated total bond issuance of \$11,100,000 (\$10,950,000 for construction plus cost of issuance) for municipal facilities improvements. The municipal facilities improvements will not be recorded as an asset in the Water Fund. The outstanding debt obligation for the municipal facilities improvements will not be a liability of the Water Fund.

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 details on estimated change in cash. The City reported \$3.4 million as receivable from other governments (State of Minnesota) in 2016; the receivable was collected in 2017.

Financial Plans WATER FUND

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

	Actual		Projected								
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Source of Funds											
Charges for service fees	269,108	865,657	823,420	948,226	1,149,997	1,371,540	1,571,495	1,783,846	1,975,399	2,144,326	2,322,016
Charges for service fees - meters	244,260	118,052	87,500	90,000	87,700	90,454	93,263	40,000	41,800	43,636	45,509
Special assessments	11,334	21,137	21,776	21,776	21,776	73,616	73,303	72,149	72,149	72,149	72,149
Intergovernmental	525	38									
Investment income	13,987	18,096	17,265	18,061	19,941	23,533	25,629	24,865	25,354	24,415	23,312
Contributions and donations											
Water availability charge	979,500	1,425,000	1,020,000	1,290,000	1,278,000	750,000	642,000	315,000	255,000	213,000	30,000
Water connection fee	244,500	172,000	280,000	338,000	345,000	318,000	285,000	238,000	180,000	181,000	35,000
Water lateral benefit fee		25,100									
Rents/leases	52,526	-	-	-	-	-	-	-	-	-	-
Miscellaneous		1,902	1,940	1,979	2,018	2,059	2,100	2,142	2,185	2,228	2,273
Capital contributions	3,443,636	88,972			975,000						
Total Source of Funds	5,259,376	2,735,954	2,251,902	2,708,042	3,879,432	2,629,202	2,692,790	2,476,002	2,551,887	2,680,755	2,530,259
Use of Funds											
Operating and other expense	559,789	924,177	727,822	819,601	831,993	844,633	692,316	650,034	663,035	705,034	719,135
Interest and fiscal expense	237,691	289,404	300,775	280,258	344,370	455,120	535,065	531,976	546,075	505,350	461,575
Depreciation	612,352	808,865	820,803	870,563	982,863	1,049,651	1,078,950	1,111,075	1,114,925	1,119,925	1,124,925
Transfer out to other funds	40,427					46,620	84,693	84,683	84,609	84,473	84,788
Total Use of Funds	1,450,259	2,022,446	1,849,400	1,970,421	2,159,226	2,396,024	2,391,024	2,377,768	2,408,644	2,414,782	2,390,423
Change in net assets	3,809,117	713,508	402,502	737,621	1,720,207	233,179	301,766	98,235	143,243	265,973	139,836
<i>Prior period adjustment</i>											
Net Position, End of Year	13,394,649	14,108,157	14,510,659	15,248,280	16,968,487	17,201,666	17,503,432	17,601,667	17,744,910	18,010,883	18,150,719
Assets											
Cash and investments	135,048	3,453,036	3,612,106	3,988,104	4,706,652	5,125,780	4,972,934	5,070,877	4,883,029	4,662,382	4,281,037
Due from other governments	3,432,485										
Special assessments receivable	360,690	314,073	292,297	865,120	843,344	791,837	740,331	689,138	639,099	589,059	539,020
Other assets	130,481	800,579	800,579	800,579	800,579	800,579	800,579	800,579	800,579	800,579	800,579
Capital assets	25,947,871	28,240,277	28,717,777	30,708,177	35,200,177	37,871,707	39,043,677	40,328,677	40,482,677	40,682,677	40,882,677
<i>Less accumulated depreciation</i>	<i>(4,387,149)</i>	<i>(5,196,014)</i>	<i>(6,016,817)</i>	<i>(6,887,379)</i>	<i>(7,870,242)</i>	<i>(8,919,892)</i>	<i>(9,998,842)</i>	<i>(11,109,917)</i>	<i>(12,224,842)</i>	<i>(13,344,767)</i>	<i>(14,469,692)</i>
Deferred outflows of resources	102,405	72,224	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Total Assets and Deferred Outflows	25,721,831	27,611,951	27,475,942	29,474,601	33,680,510	35,670,011	35,558,678	35,779,354	34,580,542	33,389,930	32,033,621
Liabilities											
Due to other funds and government	8,306	20,422									
Unearned revenue	379,000	479,000	606,000	707,000	757,000	807,000	807,000	807,000	807,000	807,000	807,000
Net Unamortized Prem/Discount	126,149	160,099	149,426	139,464	130,166	121,489	113,389	105,830	98,775	92,190	86,044
Bonds payable	11,500,000	12,655,000	11,945,000	13,175,000	15,620,000	17,335,000	16,930,000	17,060,000	15,725,000	14,275,000	12,785,000
Accounts payable / Other	294,284	254,857	254,857	254,857	254,857	254,857	254,857	254,857	254,857	254,857	254,857
Deferred inflows of resources	19,443	6,640	10,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,001
Total Liabilities and Deferred Inflows	12,327,182	13,576,018	12,965,283	14,296,321	16,782,023	18,538,346	18,125,246	18,247,687	16,905,632	15,449,047	13,952,902
Total Liabilities and Net Assets	25,721,831	27,684,175	27,475,942	29,544,601	33,750,510	35,740,011	35,628,678	35,849,354	34,650,542	33,459,930	32,103,621

Financial Plans WATER FUND

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

	Actual		Projected								
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Beginning Cash	2,038,821	135,048	3,453,036	3,612,106	3,988,104	4,706,652	5,125,780	4,972,934	5,070,877	4,883,029	4,662,382
Plus operating revenues	591,740	1,024,882	951,902	1,080,042	1,281,432	1,561,202	1,765,790	1,923,002	2,116,887	2,286,755	2,465,259
Plus development revenues	1,224,000	1,622,100	1,300,000	1,628,000	1,623,000	1,068,000	927,000	553,000	435,000	394,000	65,000
Plus capital contributions	3,443,636	88,972	-	-	975,000	-	-	-	-	-	-
Plus bond proceeds	3,225,000	1,640,000	-	2,040,000	3,265,000	2,635,000	720,000	1,285,000	-	-	-
Less acquisition of capital assets	(6,187,933)	(2,292,406)	(477,500)	(1,990,400)	(4,492,000)	(2,671,530)	(1,171,970)	(1,285,000)	(154,000)	(200,000)	(200,000)
Less principal on debt	(415,000)	(485,000)	(710,000)	(810,000)	(820,000)	(920,000)	(1,125,000)	(1,155,000)	(1,335,000)	(1,450,000)	(1,490,000)
Less interest on debt	(209,330)	(273,321)	(300,775)	(280,258)	(344,370)	(455,120)	(535,065)	(531,976)	(546,075)	(505,350)	(461,575)
Less operating and other costs	(588,150)	(940,260)	(727,822)	(819,601)	(831,993)	(844,633)	(692,316)	(650,034)	(663,035)	(705,034)	(719,135)
Less transfers out	(40,427)	-	-	-	-	(46,620)	(84,693)	(84,683)	(84,609)	(84,473)	(84,788)
Incr/decr in other assets and liabilities	(2,947,309)	2,933,021	123,265	(471,785)	62,479	92,829	43,407	43,634	42,984	43,454	43,894
Change in cash	(1,903,773)	3,317,988	159,070	375,998	718,548	419,128	(152,846)	97,943	(187,848)	(220,647)	(381,345)
Total Ending Cash	135,048	3,453,036	3,612,106	3,988,104	4,706,652	5,125,780	4,972,934	5,070,877	4,883,029	4,662,382	4,281,037
Ending Cash Balance by Purpose											
Cash for next year planned capital		105,000	358,000	317,000	86,530	466,970	-	154,000	200,000	200,000	200,000
Cash for next year debt service	758,321	1,010,775	1,090,258	1,164,370	1,375,120	1,660,065	1,686,976	1,881,075	1,955,350	1,951,575	1,965,806
Restricted WAC		1,973,350	1,754,048	2,090,737	2,822,685	2,652,587	2,960,940	2,704,285	2,375,162	2,151,239	1,748,472
Unrestricted cash	(623,273)	363,911	409,801	415,997	422,316	346,158	325,017	331,517	352,517	359,568	366,759
Total Ending Cash	135,048	3,453,036	3,612,106	3,988,104	4,706,652	5,125,780	4,972,934	5,070,877	4,883,029	4,662,382	4,281,037
Unrestricted cash as % of operating expenditures	-67.4%	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 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 \$594,600.
- City policy guidelines provide that the City maintain unrestricted cash equal to 50% of operating expenditures (not including depreciation). This minimum is achieved in the pro forma.

Financial Plans WATER FUND

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

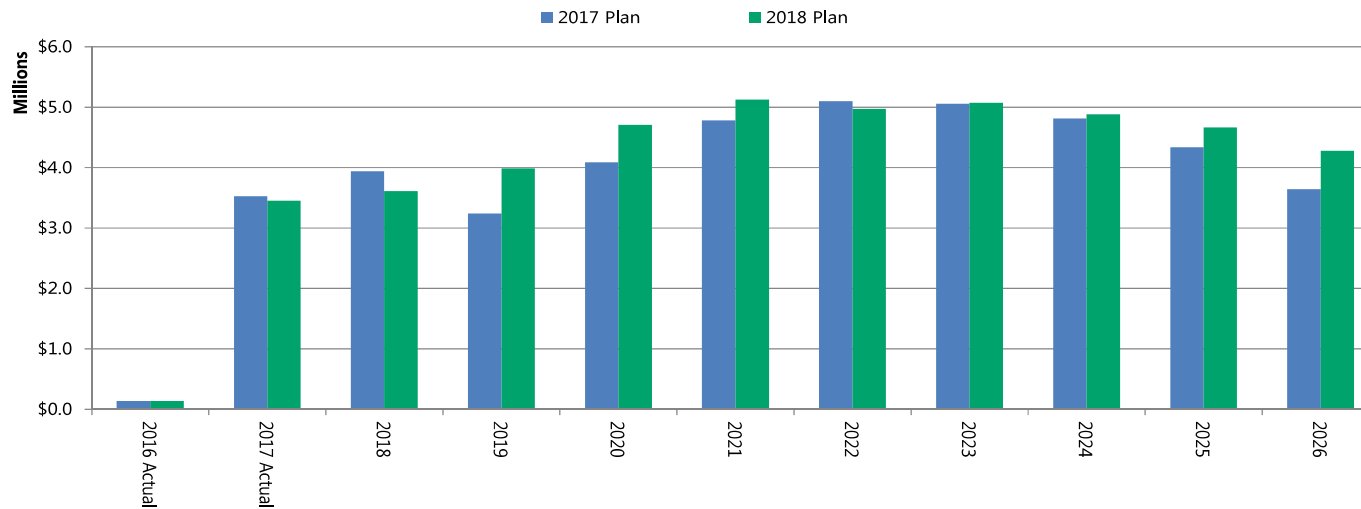
	Actual		Projected								
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Personnel Services											
Salaries	127,902	111,772	112,194	166,020	169,340	172,727	176,182	179,705	183,299	186,965	190,705
Allocation of New FTEs			-	-	-	-	24,790	25,286	25,792	55,047	56,148
Overtime				6,000	6,120	6,242	6,367	6,495	6,624	6,757	6,892
PERA Contributions	15,792	15,925	8,090	12,452	12,701	12,955	13,214	13,478	13,748	14,023	14,303
FICA Contributions	7,346	6,854	6,997	12,701	12,955	13,214	13,478	13,748	14,023	14,303	14,589
Medicare Contributions	1,718	1,603	1,525	-	-	-	-	-	-	-	-
Health/Dental Insurance	29,467	19,044	22,743	39,859	40,656	41,469	42,299	43,145	44,008	44,888	45,785
Other			683	1,211	1,235	1,260	1,285	1,311	1,337	1,364	1,391
Workers Compensation	1,904	3,980	7,029	7,029	7,170	7,313	7,459	7,608	7,761	7,916	8,074
Total Personnel Services	184,129	159,178	159,261	245,272	250,177	255,181	285,075	290,777	296,592	331,263	337,888
Supplies											
Office Supplies	771	975	800	800	816	832	849	866	883	901	919
Printed Forms	499	247	750	750	765	780	796	812	828	845	862
Operating Supplies			800	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149
Fuel, Oil, and Fluids				4,500	4,590	4,682	4,775	4,871	4,968	5,068	5,169
Chemicals	3,157	5,992	8,000	13,000	13,260	13,525	13,796	14,072	14,353	14,640	14,933
Utility System Maintenance	25,014	3,614	26,000	26,000	26,520	27,050	27,591	28,143	28,706	29,280	29,866
Water Meters & Supplies	105,477	124,127	132,000	135,000	137,700	140,454	143,263	90,000	91,800	93,636	95,509
Personal Protective Equipment		262	800	800	816	832	849	866	883	901	919
Small Tools & Minor Equipment	3,955	2,218	10,000	10,800	11,016	11,236	11,461	11,690	11,924	12,163	12,406
Total Supplies	138,873	137,435	179,150	192,650	196,503	200,433	204,442	152,402	155,450	158,559	161,730
Other Services and Charges											
Engineering Services	-	50,457	20,000	20,000	20,400	20,808	21,224	21,649	22,082	22,523	22,974
Legal Services	2,323	118,260	155,000	200,000	200,000	200,000	10,000	10,200	10,404	10,612	10,824
Audit Services				7,987	8,147	8,310	8,476	8,645	8,818	8,995	9,175
Contract Services	7,459	73,154	47,400	31,000	31,620	32,252	32,897	33,555	34,227	34,911	35,609
Software Support	5,556	6,289	37,133	7,297	7,443	7,592	7,744	7,899	8,056	8,218	8,382
Telephone	793	687	700	987	1,007	1,027	1,047	1,068	1,090	1,112	1,134
IT Hardware and Software Programs				5,074	5,175	5,279	5,385	5,492	5,602	5,714	5,828
Credit Card Fees				1,972	2,011	2,052	2,093	2,135	2,177	2,221	2,265
Postage	1,800	2,178	2,000	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297
Mileage	189			200	204	208	212	216	221	225	230
Insurance	8,975	9,322	7,981	9,178	9,362	9,549	9,740	9,935	10,133	10,336	10,543
Electric Utility	34,392	54,894	43,500	45,000	45,900	46,818	47,754	48,709	49,684	50,677	51,691
Water Utility	144,932	242,929	38,658	-	-	-	-	-	-	-	-
Repairs\Maint Imp Bldgs			3,039	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297
Repairs\Maint Imp Equipment			10,000	12,000	12,240	12,485	12,734	12,989	13,249	13,514	13,784
Repairs\Maint Imp Not Bldgs	8,617	17,363	20,000	20,000	20,400	20,808	21,224	21,649	22,082	22,523	22,974
Miscellaneous and Other	2,456	38,018	1,000	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297
Equipment Rental			1,000	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149
Uniforms				984	1,004	1,024	1,044	1,065	1,086	1,108	1,130
Conferences & Training	103	1,880	2,000	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297
Other costs related to financing	3,178	11,262									
Fiscal Agent Fees	16,014	675		11,000	11,220	11,444	11,673	11,907	12,145	12,388	12,636
Dues & Subscriptions		196									
Total Other Services and Charges	236,787	627,564	389,411	381,679	385,313	389,019	202,799	206,855	210,992	215,212	219,516
Total Operating and Other Expenses	559,789	924,177	727,822	819,601	831,993	844,633	692,316	650,034	663,035	705,034	719,135

Notes:

1. Future year amounts are projected based on the 2019 budget plus 2.0% annual increase per year, with a few exceptions. The budget for legal services is projected to be reduced in year 2020 from \$200,000 to \$10,000. Water Meter & Supplies is projected to be reduced after meter change-out project is completed in year 2022.

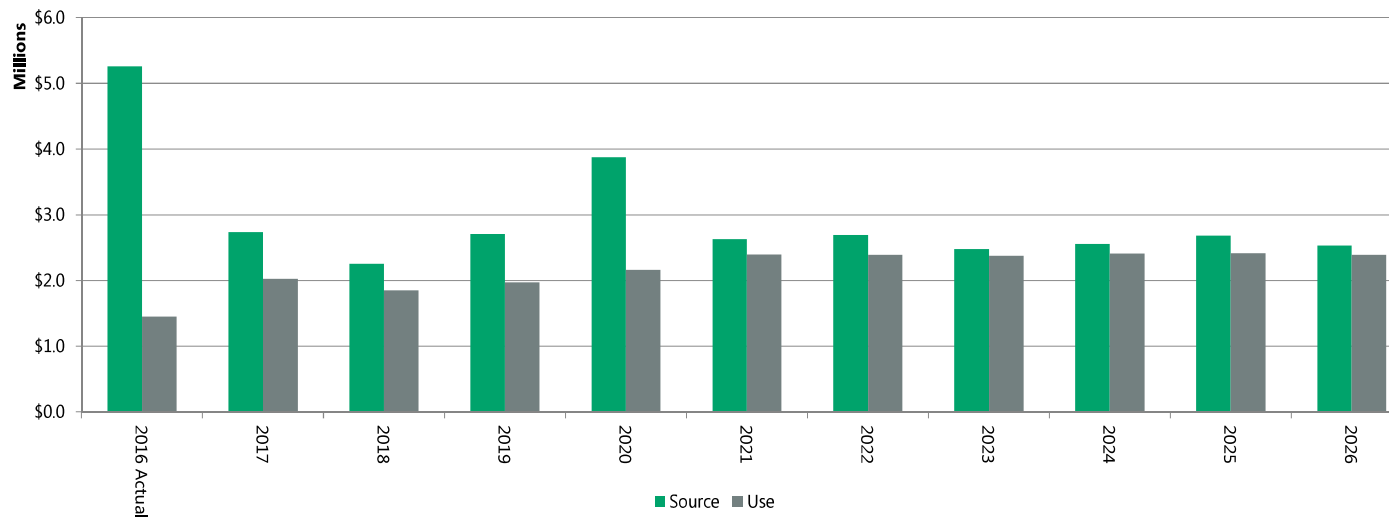
Financial Plans WATER FUND

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



Note: 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.

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 and then be spent down to pay debt service and capital spending over the coming years.

The source and use of funds in **Chart 8** 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 rate structure and annual rate increases of 1.0% beginning in 2019 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 Sanitary Sewer 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

Beginning in year 2021, a transfer of cash from the Sanitary Sewer Fund to a governmental debt service fund is planned to pay a portion of debt service on bonds to be issued to finance municipal facilities improvements. The exact timing of the bond issuance and terms is not certain at this time, but for purpose of planning a bond issuance year of 2020 is assumed for the Plan. The Plan anticipates the Water Fund will pay 10% of the annual debt service on an estimated total bond issuance of \$11,100,000 (\$10,950,000 for construction plus cost of issuance) for municipal facilities improvements. The municipal facilities improvements will not be recorded as an asset in the Water Fund. The outstanding debt obligation for the municipal facilities improvements will not be a liability of the Sanitary Sewer Fund.

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. The City recorded an receivable for special assessments in 2017 that is inclusive of future development fee revenue.

Financial Plans SANITARY SEWER FUND

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

	Actual		Projected								
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Source of Funds											
Charges for service fees	108,517	267,130	286,008	367,371	463,846	556,644	645,123	741,105	825,868	897,882	964,646
Special assessments	20,931	1,229,699	141,799	139,525	137,250	364,656	444,229	557,271	632,198	675,478	673,203
Intergovernmental	142										
Investment income	14,584	20,362	24,244	14,444	19,358	25,450	17,726	16,909	16,652	18,695	16,963
Contributions and donations											
Sewer availability charge	803,000	1,471,165	973,800	1,260,150	1,293,150	766,650	619,200	312,150	261,150	204,150	81,150
Sewer connection fee	383,500	677,980	293,000	357,500	350,000	323,000	318,500	254,500	195,000	181,000	35,000
Sewer lateral benefit		11,000									
Miscellaneous		8,483	8,653	8,826	9,002	9,182	9,366	9,553	9,744	9,939	10,138
Capital contributions	20,931	71,269									
Total Source of Funds	1,351,605	3,757,088	1,727,503	2,147,814	2,272,606	2,045,583	2,054,143	1,891,488	1,940,613	1,987,143	1,781,100
Use of Funds											
Operating and other expense	133,154	514,379	315,323	412,221	438,674	505,036	599,330	671,699	754,367	859,639	932,480
Interest and fiscal expense	115,231	164,776	195,324	180,679	198,516	188,241	212,956	236,285	242,076	224,464	205,776
Depreciation	132,265	350,903	411,366	426,241	426,241	486,753	508,891	521,953	521,953	539,453	544,453
Transfer out to other funds	102,678			-	-	46,620	84,693	84,683	84,609	84,473	84,788
Total Use of Funds	483,328	1,030,058	922,012	1,019,140	1,063,431	1,226,650	1,405,870	1,514,619	1,603,005	1,708,029	1,767,496
Change in net assets	868,277	2,727,030	805,491	1,128,674	1,209,175	818,933	648,274	376,869	337,608	279,115	13,604
<i>Prior period adjustment</i>											
Net Position, End of Year	5,570,928	8,297,958	9,103,450	10,232,124	11,441,298	12,260,231	12,908,505	13,285,374	13,622,981	13,902,096	13,915,700
Assets											
Cash and investments	2,606,515	4,848,717	2,888,709	3,871,604	5,089,999	3,545,165	3,381,809	3,330,386	3,738,976	3,392,699	3,265,911
Due from other funds	54,305	54,305									
Special assessments receivable	1,131,468	2,382,251	2,741,851	2,973,871	2,955,891	3,810,911	4,665,931	5,113,676	4,994,646	4,849,491	4,704,336
Other assets	42,240	161,774	161,774	161,774	161,774	161,774	161,774	161,774	161,774	161,774	161,774
Capital assets	6,954,644	9,234,854	11,653,354	12,248,354	12,248,354	14,668,854	15,554,354	16,076,854	16,076,854	16,776,854	16,976,854
<i>Less accumulated depreciation</i>	<i>(381,713)</i>	<i>(732,616)</i>	<i>(1,143,982)</i>	<i>(1,570,222)</i>	<i>(1,996,463)</i>	<i>(2,483,216)</i>	<i>(2,992,106)</i>	<i>(3,514,059)</i>	<i>(4,036,012)</i>	<i>(4,575,465)</i>	<i>(5,119,918)</i>
Deferred outflows of resources	16,581	9,959	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total Assets and Deferred Outflows	10,424,040	15,959,244	16,311,707	17,695,381	18,469,555	19,713,488	20,781,762	21,178,631	20,946,238	20,615,353	19,998,957
Liabilities											
Due to other governments	145,493	178,320									
Net Unamortized Prem/Discount	35,429	101,974	101,974	101,974	101,974	101,974	101,974	101,974	101,974	101,974	101,974
Bonds payable	4,505,000	6,970,000	6,695,000	6,950,000	6,515,000	6,940,000	7,360,000	7,380,000	6,810,000	6,200,000	5,570,000
Accounts payable / Other	160,420	407,283	407,283	407,283	407,283	407,283	407,283	407,283	407,283	407,283	407,283
Deferred inflows of resources	6,770	3,709	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Total Liabilities and Deferred Inflows	4,853,112	7,661,286	7,208,257	7,463,257	7,028,257	7,453,257	7,873,257	7,893,257	7,323,257	6,713,257	6,083,257
Total Liabilities and Net Assets	10,424,040	15,959,244	16,311,707	17,695,381	18,469,555	19,713,488	20,781,762	21,178,631	20,946,238	20,615,353	19,998,957

Financial Plans SANITARY SEWER FUND

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

	Actual		Projected								
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Beginning Cash	850,198	2,606,515	4,848,717	2,888,709	3,871,604	5,089,999	3,545,164	3,381,808	3,330,385	3,738,976	3,392,699
Plus operating revenues	165,105	1,596,943	460,703	530,164	629,456	955,933	1,116,443	1,324,838	1,484,463	1,601,993	1,664,950
Plus development revenues	1,186,500	2,160,145	1,266,800	1,617,650	1,643,150	1,089,650	937,700	566,650	456,150	385,150	116,150
Plus bond proceeds	860,000	2,685,000		680,000		905,000	905,000	535,000			
Less acquisition of capital assets	(538,590)	(2,280,210)	(2,418,500)	(595,000)	-	(2,420,500)	(885,500)	(522,500)	-	(700,000)	(200,000)
Less principal on debt	(200,000)	(220,000)	(275,000)	(425,000)	(435,000)	(480,000)	(485,000)	(515,000)	(570,000)	(610,000)	(630,000)
Less interest on debt	(115,231)	(164,776)	(195,324)	(180,679)	(198,516)	(188,241)	(212,956)	(236,285)	(242,076)	(224,464)	(205,776)
Less operating and other costs	(133,154)	(514,379)	(315,323)	(412,221)	(438,674)	(505,036)	(599,330)	(671,699)	(754,367)	(859,639)	(932,480)
Less transfers out	(102,678)	-	-	-	-	(46,620)	(84,693)	(84,683)	(84,609)	(84,473)	(84,788)
Incr/decr in other assets and liabilities	634,365	(1,020,521)	(483,365)	(232,020)	17,980	(855,020)	(855,020)	(447,745)	119,030	145,155	145,155
Change in cash	1,756,317	2,242,202	(1,960,008)	982,895	1,218,395	(1,544,834)	(163,356)	(51,423)	408,591	(346,277)	(126,788)
Ending cash	2,606,515	4,848,717	2,888,709	3,871,604	5,089,999	3,545,164	3,381,808	3,330,385	3,738,976	3,392,699	3,265,910
Ending Cash Balance by Purpose											
Cash for next year planned capital	321,000	2,000,000	345,000	-	1,535,000	-	-	-	700,000	200,000	200,000
Cash for next year debt service	384,776	470,324	605,679	633,516	668,241	697,956	751,285	812,076	834,464	835,776	831,456
Restricted WAC	1,643,550	2,220,732	1,731,920	3,018,750	2,634,239	2,547,543	2,294,674	2,141,126	1,774,693	1,890,683	1,731,587
Unrestricted cash	257,190	157,661	206,111	219,337	252,518	299,665	335,849	377,183	429,820	466,240	502,868
Total Ending Cash	2,606,515	4,848,717	2,888,709	3,871,604	5,089,999	3,545,164	3,381,808	3,330,385	3,738,976	3,392,699	3,265,910
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%

Notes:

- 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.
- City policy guidelines provide that the City maintain unrestricted cash equal to 50% of operating expenditures (not including depreciation). The Plan anticipates unrestricted cash as % of operating expense will exceed the minimum in certain years due to timing of planned use of cash for capital.

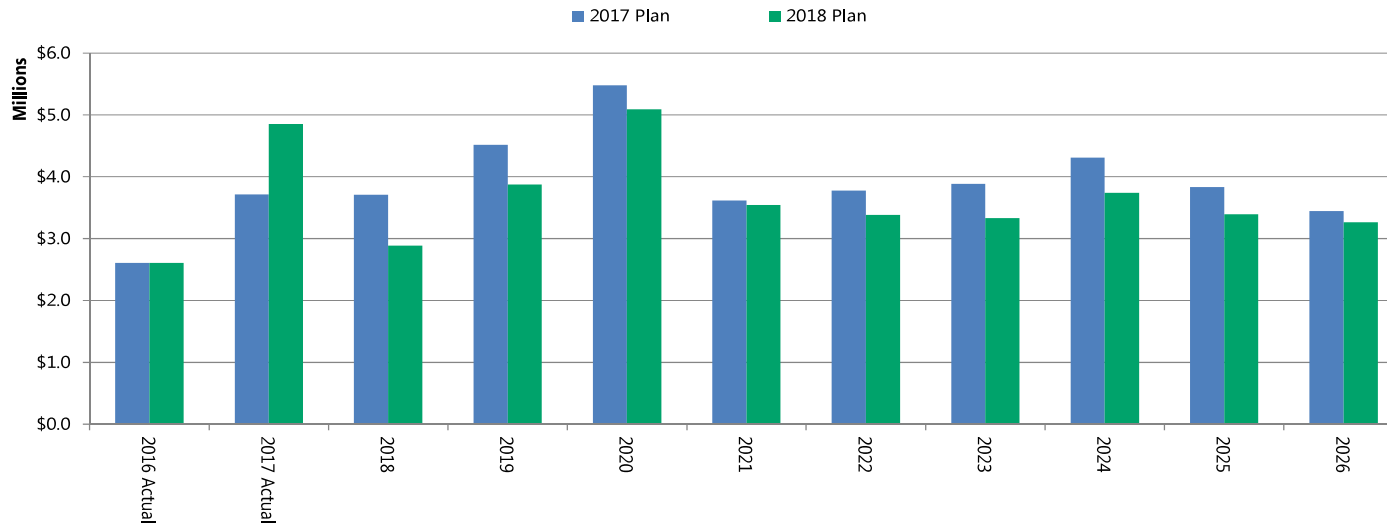
Financial Plans
SANITARY SEWER FUND

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

	Actual		Projected								
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Personnel Services											
Full-time Salaries	39,678	23,073	69,750	79,409	80,997	82,617	84,269	85,955	87,674	89,427	91,216
Allocation of New FTEs			-	-	-	-	24,790	25,286	25,792	55,047	56,148
Overtime			123	6,000	6,120	6,242	6,367	6,495	6,624	6,757	6,892
PERA Contributions	4,270	3,807	4,919	5,956	6,075	6,197	6,321	6,447	6,576	6,707	6,842
FICA Contributions	1,987	1,609	4,308	6,075	6,197	6,320	6,447	6,576	6,707	6,841	6,978
Medicare Contributions	464	376	961	-	-	-	-	-	-	-	-
Health\Dental Insurance	8,352	8,429	11,275	18,335	18,702	19,076	19,457	19,846	20,243	20,648	21,061
Other Benefits (Life, Disab, Clothes)				756	771	787	802	818	835	851	868
Unemployment Benefits	-		342	-	-	-	-	-	-	-	-
Workers Compensation	989	2,004	3,911	3,911	3,989	4,069	4,150	4,233	4,318	4,404	4,493
Total Personnel Services	55,740	39,298	95,589	120,442	122,851	125,308	152,604	155,657	158,770	190,684	194,498
Supplies											
Repair/Maint/Supplies	5,873	1,724	5,000	4,000	4,080	4,162	4,245	4,330	4,416	4,505	4,595
Office Supplies		73	1,199	800	816	832	849	866	883	901	919
Fuel, Oil, and Fluids				4,500	4,590	4,682	4,775	4,871	4,968	5,068	5,169
Operating Supplies			1,000	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149
Personal Protective Equipment	-	262	800	800	816	832	849	866	883	901	919
Small Tools & Minor Equipment	2,860	2,462	4,500	4,500	4,590	4,682	4,775	4,871	4,968	5,068	5,169
Total Supplies	8,733	4,521	12,499	15,600	15,912	16,230	16,555	16,886	17,224	17,568	17,919
Other Services and Charges											
Engineering Services	-	5,310	20,000	20,000	20,400	20,808	21,224	21,649	22,082	22,523	22,974
Audit Services				7,987	8,147	8,310	8,476	8,645	8,818	8,995	9,175
Contract Services	8,059	291,285	40,000	30,400	31,008	31,628	32,261	32,906	33,564	34,235	34,920
IT Support	4,591	5,989	33,533	4,041	4,122	4,204	4,288	4,374	4,462	4,551	4,642
IT Hardware				800	816	832	849	866	883	901	919
Software Prorams				3,010	3,070	3,132	3,194	3,258	3,323	3,390	3,458
Telephone	1,008	1,146	1,500	1,707	1,741	1,776	1,811	1,848	1,885	1,922	1,961
Credit Card Fees				1,972	2,011	2,052	2,093	2,135	2,177	2,221	2,265
Postage		2,500	1,175	1,175	1,199	1,222	1,247	1,272	1,297	1,323	1,350
Insurance	581	603	3,187	3,665	3,738	3,813	3,889	3,967	4,046	4,127	4,210
Electric Utility	5,125	5,739	7,000	9,000	9,180	9,364	9,551	9,742	9,937	10,135	10,338
Sewer Utility - Met Council	16,621	83,809	92,140	169,359	190,955	252,362	316,812	383,531	460,436	531,090	597,360
Repairs\Maint Imp Equipment		1,148	4,500	4,500	4,590	4,682	4,775	4,871	4,968	5,068	5,169
Repairs\Maint Imp Not Bldgs	1,391		1,200	15,000	15,300	15,606	15,918	16,236	16,561	16,892	17,230
Equipment Rental			1,000	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149
Uniforms				563	574	586	597	609	622	634	647
Conferences & Training	80	3,718	2,000	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297
Miscellaneous	8,197	50,834			-	-	-	-	-	-	-
Other Costs Related to Financing	23,028	18,479			-	-	-	-	-	-	-
Total Other Services and Charges	68,681	470,560	207,235	276,179	299,911	363,498	430,171	499,156	578,373	651,387	720,062
Total Operating and Other Expenses	133,154	514,379	315,323	412,221	438,674	505,036	599,330	671,699	754,367	859,639	932,480

Financial Plans SANITARY SEWER FUND

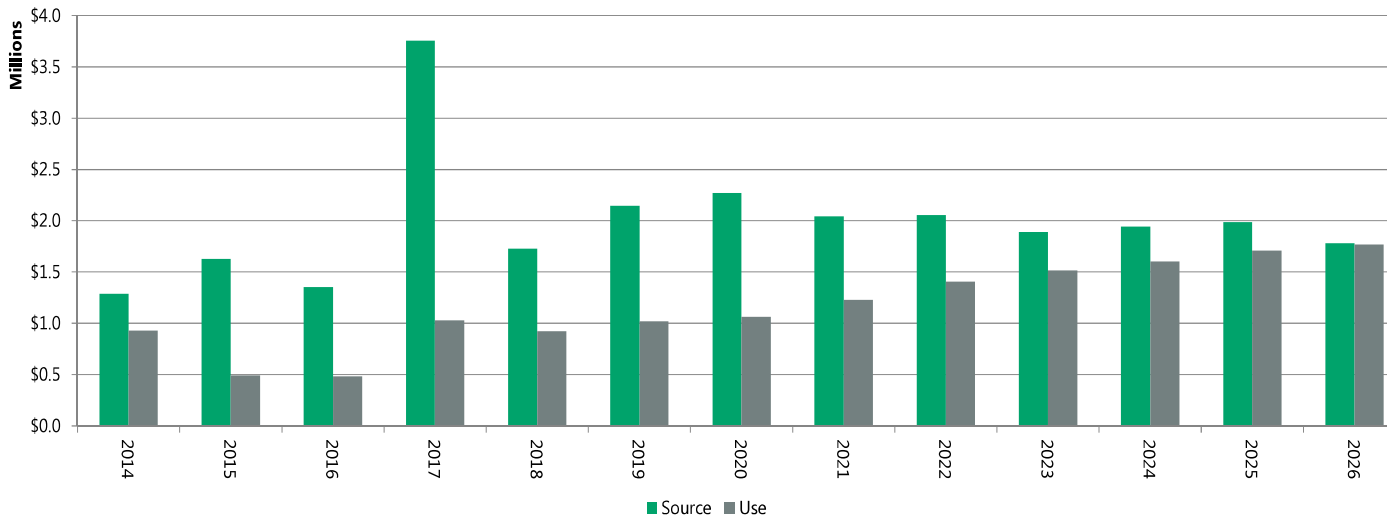
Chart 9
City of Lake Elmo, MN
Sanitary Sewer Fund
Year End Cash Balance Projections



Estimated year end cash balance is estimated to increase between years 2018 and 2020 due to development and connections.

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 the Plan.

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 shown in **Chart 10** 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 \$55.00, is assumed to increase annually by \$5.00 per year until 2021, and then by \$10.00 per year. The increases will maintain cash balance sufficient to meet operating and capital needs and to cover debt service. In 2017, the City began paying debt service on bonds issued in 2016.

The City received a developer contribution of \$100,000 (related to the Northport Development) as an escrow contribution, included in the cash balance for the Storm Water Fund as of year-end 2017. The funds are available in the event the storm water pipe installed for the project needs to be moved in a few years when Manning Avenue is ex-

panded. The City anticipates \$60,000 in grants/contributions in 2022 related to a capital project.

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 recorded as revenue. The investment earnings rate is estimated to be 0.5% for future years. Any special assessments levied and recorded as revenue to the Storm Water Fund relates 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								
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Source of Funds											
Charges for service fees	185,858	289,375	262,990	304,946	361,793	455,340	551,922	656,773	761,817	864,639	972,850
Special assessments		-	-	-	-	-	-	-	-	-	-
Intergovernmental	81										
Investment income	15,852	8,247	9,820	6,643	7,949	7,529	7,330	4,405	994	2,071	3,525
Contributions and donations		99,982					60,000				
Miscellaneous (Review Fee Revenue)	27,375	5	5	5	5	5	6	6	6	6	6
Total Source of Funds	229,166	397,609	272,815	311,595	369,747	462,874	619,258	661,184	762,817	866,716	976,381
Use of Funds											
Operating and other expense	106,293	97,627	178,475	205,933	210,052	214,253	230,933	235,552	240,263	259,437	264,626
Interest and fiscal expense	28,047	59,588	58,294	54,500	58,750	83,350	78,350	72,800	67,200	61,400	55,200
Depreciation	15,962	56,299	69,648	69,648	82,523	82,523	99,023	119,023	119,023	119,023	119,023
Total Use of Funds	150,302	213,514	306,417	330,081	351,325	380,126	408,306	427,375	426,486	439,860	438,849
Change in net assets	78,864	184,095	(33,602)	(18,486)	18,422	82,749	210,952	233,809	336,331	426,855	537,532
<i>Prior period adjustment</i>											
Net Position, End of Year	1,414,436	1,598,531	1,564,929	1,546,443	1,564,865	1,647,614	1,858,565	2,092,375	2,428,706	2,855,561	3,393,093
Assets											
Cash and investments	1,945,366	1,963,916	1,328,652	1,589,814	1,505,759	1,466,031	881,005	198,838	414,192	705,070	1,101,625
Due from other funds	23,915	23,915									
Special assessments receivable	14,431	38,545	38,545	38,545	38,545	38,545	38,545	38,545	38,545	38,545	38,545
Other assets	221,944	403,078	403,078	403,078	403,078	403,078	403,078	403,078	403,078	403,078	403,078
Capital assets	2,224,788	2,369,238	2,903,238	2,903,238	3,418,238	3,418,238	4,078,238	4,878,238	4,878,238	4,878,238	4,878,238
<i>Less accumulated depreciation</i>	<i>(118,413)</i>	<i>(174,711)</i>	<i>(244,359)</i>	<i>(314,007)</i>	<i>(396,530)</i>	<i>(479,053)</i>	<i>(578,076)</i>	<i>(697,099)</i>	<i>(816,122)</i>	<i>(935,145)</i>	<i>(1,054,168)</i>
Deferred outflows of resources	9,698	6,379									
Total Assets and Deferred Outflows	4,321,729	4,630,360	4,429,154	4,620,668	4,969,090	4,846,839	4,822,790	4,821,600	4,917,931	5,089,786	5,367,318
Liabilities											
Net Unamortized Prem/Discount	53,817	54,711	49,711	44,711	39,711	34,711	29,711	24,711	19,711	14,711	9,711
Bonds payable	2,770,000	2,925,000	2,765,000	2,980,000	3,315,000	3,115,000	2,885,000	2,655,000	2,420,000	2,170,000	1,915,000
Accounts payable / Other	79,338	49,514	49,514	49,514	49,514	49,514	49,514	49,514	49,514	49,514	49,514
Deferred inflows of resources	4,138	2,604									
Total Liabilities and Deferred Inflows	2,907,293	3,031,829	2,864,225	3,074,225	3,404,225	3,199,225	2,964,225	2,729,225	2,489,225	2,234,225	1,974,225
Total Liabilities and Net Assets	4,321,729	4,630,360	4,429,154	4,620,668	4,969,090	4,846,839	4,822,790	4,821,600	4,917,931	5,089,786	5,367,318

Financial Plans STORM WATER FUND

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

	Actual		Projected								
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Beginning Cash	446,885	1,945,366	1,963,916	1,328,652	1,589,814	1,505,759	1,466,031	881,005	198,838	414,192	705,070
Plus revenues	229,166	297,626	272,815	311,595	369,747	462,874	559,258	661,184	762,817	866,716	976,381
Plus bond proceeds	2,770,000	155,000	-	390,000	510,000	-	-	-	-	-	-
Plus capital contributions	-	99,982	-	-	-	-	60,000	-	-	-	-
Less acquisition of capital assets	(1,481,250)	(144,450)	(534,000)	-	(515,000)	-	(660,000)	(800,000)	-	-	-
Less principal on debt	-	-	(160,000)	(175,000)	(175,000)	(200,000)	(230,000)	(230,000)	(235,000)	(250,000)	(255,000)
Less interest on debt	(28,047)	(59,588)	(58,294)	(54,500)	(58,750)	(83,350)	(78,350)	(72,800)	(67,200)	(61,400)	(55,200)
Less operating and other costs	(106,293)	(97,627)	(178,475)	(205,933)	(210,052)	(214,253)	(230,933)	(235,552)	(240,263)	(259,437)	(264,626)
Incr/decr in other assets and liabilities	114,905	(232,393)	22,690	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Change in cash	1,498,481	18,550	(635,264)	261,162	(84,055)	(39,728)	(585,025)	(682,168)	215,354	290,878	396,555
Ending cash	1,945,366	1,963,916	1,328,652	1,589,814	1,505,759	1,466,031	881,005	198,838	414,192	705,070	1,101,625
Ending Cash Balance by Purpose											
Cash for next year planned capital	1,288,750	155,000	-	15,000	-	600,000	800,000	-	-	-	-
Cash for next year debt service	59,588	218,294	229,500	233,750	283,350	308,350	302,800	302,200	311,400	310,200	303,950
Unrestricted cash	597,028	1,590,622	1,099,152	1,341,064	1,222,409	557,681	(221,795)	(103,362)	102,792	394,870	797,675
Total Ending Cash	1,945,366	1,963,916	1,328,652	1,589,814	1,505,759	1,466,031	881,005	198,838	414,192	705,070	1,101,625
Unrestricted cash as % of operating expenditures	612%	891%	534%	638%	571%	241%	-94%	-43%	40%	149%	296%

Notes:

1. City policy guidelines provide that the City maintain unrestricted cash equal to 50% of operating expenditures (not including depreciation).

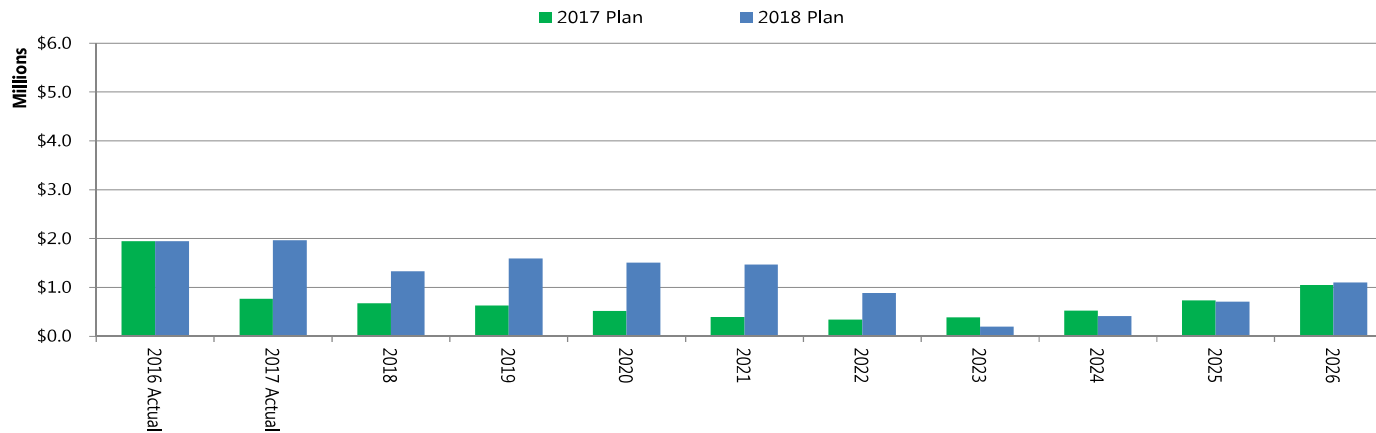
Financial Plans
STORM WATER FUND

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

	Actual		Projected								
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Personnel Services											
Full-time Salaries	20,591	12,962	34,773	54,068	55,149	56,252	57,377	58,525	59,695	60,889	62,107
Allocation of New FTEs			-	-	-	-	12,395	12,643	12,896	27,523	28,074
PERA Contributions	2,408	1,909	2,820	4,055	4,136	4,219	4,303	4,389	4,477	4,567	4,658
FICA Contributions	1,129	790	2,349	4,136	4,219	4,303	4,389	4,477	4,566	4,658	4,751
Medicare Contributions	264	185	497	-	-	-	-	-	-	-	-
Health\Dental Insurance	5,856	5,276	6,806	12,755	13,010	13,270	13,536	13,806	14,083	14,364	14,651
Other Benefits (Life, Disab, Clothes)			53	432	441	449	458	468	477	487	496
Unemployment Benefits	-	-	342	-	-	-	-	-	-	-	-
Workers Compensation	-	1,150	1,626	1,626	1,659	1,692	1,726	1,760	1,795	1,831	1,868
Total Personnel Services	30,248	22,272	49,266	77,072	78,613	80,186	94,185	96,068	97,990	114,319	116,605
Supplies											
Office Supplies	499	428	800	800	816	832	849	866	883	901	919
Fuel, Oil, and Fluids				400	408	416	424	433	442	450	459
Repair/Maint/Maint Supplies	3,972	135	2,000	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297
Operating Supplies			1,000	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149
Printed Forms		247			-	-	-	-	-	-	-
Other Equipment	-	1,241	4,300	4,300	4,386	4,474	4,563	4,654	4,748	4,842	4,939
Total Supplies	4,471	2,051	8,100	8,500	8,670	8,843	9,020	9,201	9,385	9,572	9,764
Other Services and Charges											
Engineering Services	11,827	6,311	20,000	20,000	20,400	20,808	21,224	21,649	22,082	22,523	22,974
Audit Services				7,987	8,147	8,310	8,476	8,645	8,818	8,995	9,175
Contract Services	2,400	18,116	15,000	6,000	6,120	6,242	6,367	6,495	6,624	6,757	6,892
IT Support	4,067	3,558	15,500	3,668	3,741	3,816	3,893	3,970	4,050	4,131	4,213
IT Hardware				1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149
Software Programs				3,010	3,070	3,132	3,194	3,258	3,323	3,390	3,458
Telephone				351	358	365	372	380	388	395	403
Credit Card Fees				360	367	375	382	390	397	405	414
Postage	1,800	-	2,000	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297
Insurance			5,001	5,751	5,866	5,983	6,103	6,225	6,350	6,477	6,606
Street Sweeping	10,318	20,958	25,000	30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461
Repairs/Maint Equip			750	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149
Repairs/Maint Not Bldg	1,368	-	33,358	33,500	34,170	34,853	35,550	36,261	36,987	37,726	38,481
Equipment Rental			1,000	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149
Uniforms				234	239	243	248	253	258	264	269
Miscellaneous Expenses	20,577	21,157	2,000	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297
Conferences & Training	2,500	1,875	1,500	2,500	2,550	2,601	2,653	2,706	2,760	2,815	2,872
Other Costs Related to Financing		1,064	-	-	-	-	-	-	-	-	-
Other/adjustments	16,717	265									
Total Other Services and Charges	71,574	73,304	121,109	120,361	122,768	125,224	127,728	130,283	132,888	135,546	138,257
Total Operating and Other Expenses	106,293	97,627	178,475	205,933	210,052	214,253	230,933	235,552	240,263	259,437	264,626

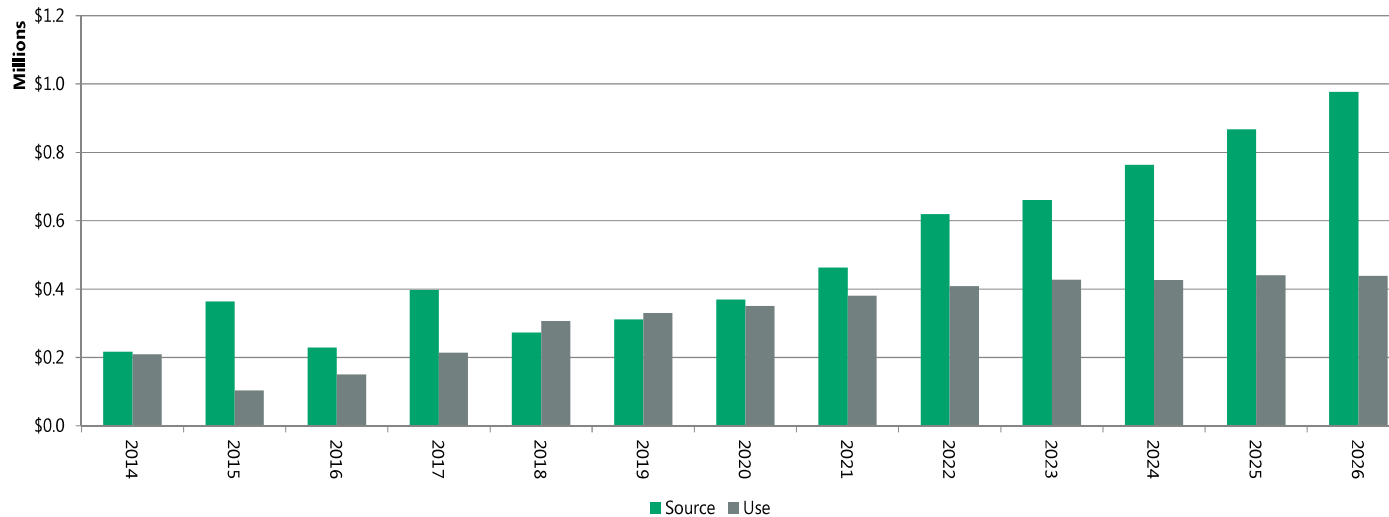
Financial Plans STORM WATER FUND

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



Note: "2017 Actual" year end cash was greater than anticipated in the 2017 Plan. This was due to the actual recorded use of cash for capital project costs being less in the City's 2017 audited financial statements than what was anticipated in the 2017 Plan by \$155,000. Also included in the "2017 Actual" year end cash for the 2018 Plan is the receipt of \$99,982 in developer funds that are to be escrowed.

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 improved over the prior 2017 Plan. The reason for this comes from a reduction in the planned use of cash for capital projects. Cash balances are expected to be maintained due to a planned annual increase in the 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 the Plan.

The source and use of funds shown in **Chart 12** 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

	Based on Actual Rates		Projected							
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
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	8,000
Water Bill	\$36	\$37	\$38	\$39	\$41	\$42	\$43	\$44	\$46	\$47
Sanitary Sewer Bill	\$116	\$117	\$118	\$119	\$120	\$121	\$123	\$125	\$128	\$130
Storm Sewer Bill ¹	\$13	\$14	\$15	\$16	\$19	\$21	\$24	\$26	\$29	\$31
Total	\$164	\$167	\$171	\$175	\$179	\$184	\$189	\$196	\$202	\$208
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	50,000
Water Bill	\$196	\$202	\$208	\$214	\$221	\$227	\$234	\$241	\$248	\$256
Sanitary Sewer Bill	\$225	\$227	\$230	\$232	\$234	\$236	\$239	\$244	\$248	\$253
Storm Sewer Bill ^{1,2}	\$39	\$42	\$46	\$50	\$58	\$65	\$73	\$81	\$89	\$96
Total	\$459	\$471	\$484	\$496	\$512	\$529	\$546	\$565	\$585	\$605

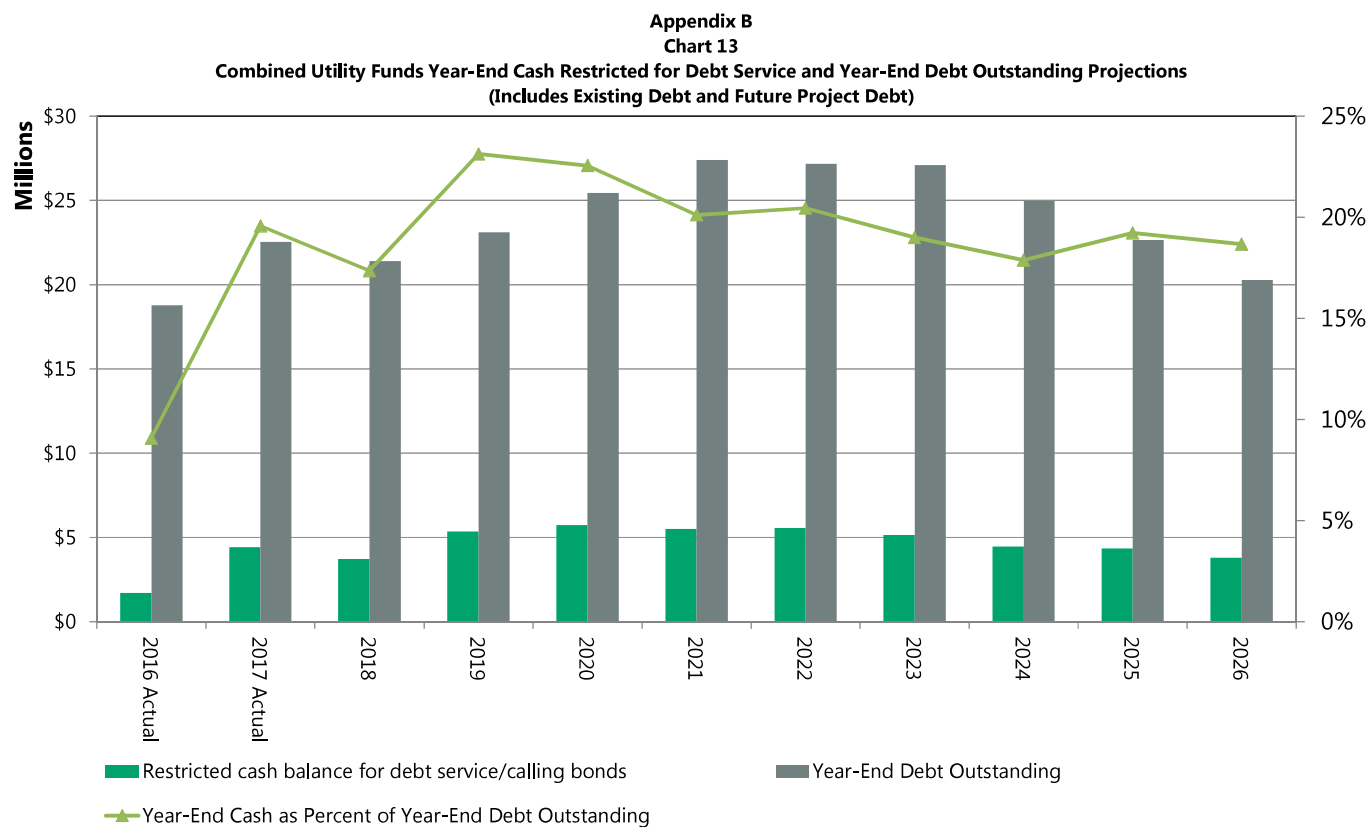
Note:

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).

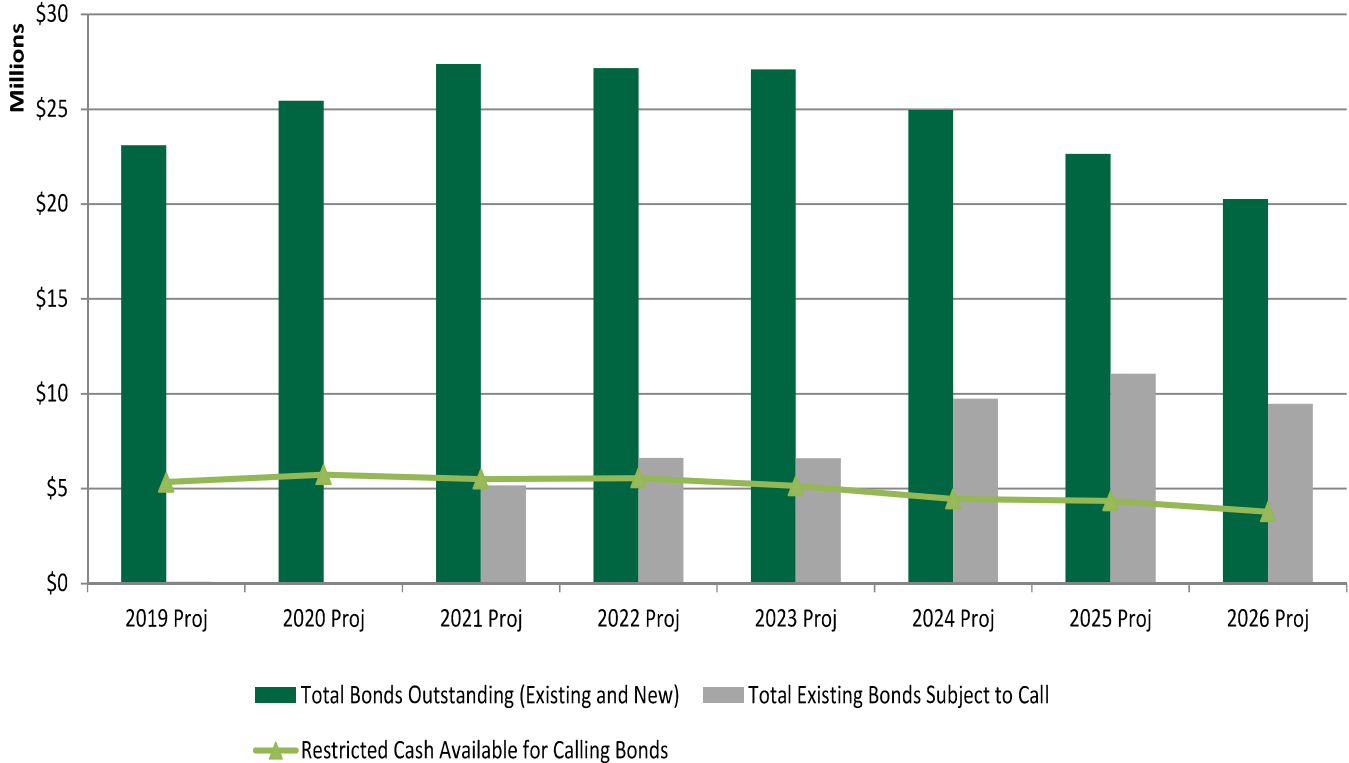
Appendix

The 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.



Appendix C
Chart 14
Total Bonds Outstanding and Bonds Subject to Call Provision



Note: For purpose of illustration Chart 14 combines all bonds outstanding payable by net revenues (with general obligation pledge) of the Water Fund, Sanitary Sewer Fund, and Storm Water Fund. Restricted cash available for calling bonds is also a combination of cash from these three funds. Before considering the calling of bonds, the City will need to review options, and available cash, on a specific fund basis.

The City may determine in future years to use cash to call bonds outstanding that are subject to an optional redemption provision.

A decision to call bonds with cash will depend on several factors, including future financial performance of the utility funds and the “actual” cash that may available in the future to call bonds.

The City’s on-going financial management planning will help to inform any future decision to call bonds. See page 13 for more detailed information by bond series on the par amount of bonds subject to a future call date.



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**CITY OF LAKE ELMO
WASHINGTON COUNTY
STATE OF MINNESOTA**

RESOLUTION NO. 2018-137

**RESOLUTION ADOPTING 2019 WATER, SEWER AND STORM WATER FUND
BUDGETS**

WHEREAS, The City of Lake Elmo is to approve a resolution setting forth an annual budget for the Water, Sewer and Storm Water Funds; and

WHEREAS, the City Council has received the budget document;

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Lake Elmo, that the 2019 Water, Sewer and Storm Water Fund Budgets shall be as follows:

	2019 Water Adopted	2019 Sewer Adopted	2019 Storm Adopted
Fund Revenues:			
Charges for Services	\$ 937,421	\$ 339,840	\$366,354
Connections	1,280,000	1,272,050	-
Special Assessments	108,550	141,799	-
Miscellaneous	90,000	-	-
Interest on Investments	20,000	20,000	7,000
Total Fund Revenues	\$2,435,971	\$1,773,689	\$373,354
Fund Expenses:			
Personnel	\$ 244,033	\$ 119,932	\$ 76,635
Materials and Supplies	192,650	15,600	8,500
Charges and Services	368,678	276,178	118,360
Capital Outlay	358,000	345,000	40,000
Miscellaneous	1,127,041	714,754	232,400
Total Fund Expenses	\$2,290,402	\$1,471,464	\$475,895

ADOPTED, by the Lake Elmo City Council on the 4th day of December, 2018.

Mike Pearson
Mayor

ATTEST:

Julie Johnson
City Clerk