



STAFF REPORT

DATE: November 17, 2020

TO: Mayor and Council
FROM: Kristina Handt, City Administrator
AGENDA ITEM: Utility Financial Management Plan

BACKGROUND:

In 2016 the city contracted with Northland Securities Inc to complete a long range financial management plan for the water, sewer and storm water funds. The plan was last updated in 2018. A couple months ago the council approved an agreement with Northland to update the plan again. A copy of the updated plan is included in your packet.

ISSUE BEFORE THE FINANCE COMMITTEE:

- 1) Does the Council have any question regarding the financial management plan for the utility funds?

DISCUSSION:

The financial management plan is an important tool used to set rates and plan for future operations and investments in the utility funds. The plan incorporates the capital improvement projects from the 5 year CIP as well as the following 5 years, an assumption on growth in customers and operations, financing strategies, and fund balance policy to arrive at the rates needed to support each utility fund.

Tammy Omdal from Northland Securities will be at the meeting to present the plan. Tammy worked with city staff to develop the plan in 2016 and has worked on previous updates. She has also worked with the city on bonding issuances in the past.

FISCAL IMPACT:

Proposed rate increase are offered in the plan in order to provide for the operation and capital needs of the utility funds over the next 10 year.

RECOMMENDATION:

1. Motion to approve Financial Management Plan for the Utility Funds to the City Council
2. Identify assumptions to change or provide additional direction on the Financial Management Plan

ATTACHMENTS:

- 1) Financial Management Plan for the Water, Sewer and Storm Water Funds November 2020
- 2) Presentation Handout



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

Draft for Presentation, Dated November 4, 2020



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

Executive Summary 1

- Organization of the Plan..... 1
- Study Approach..... 1
- Conclusions and Recommendations 2
 - Table A - Growth in Customer and REC Units 3
 - Table A-1 - Total Projected Customers 3
 - Table B - Projected Rate Increases 3
 - Table B-1 - Utility Rates..... 4
 - Table C-1 - Water Fund Operating Expenses and Unrestricted Cash 5
 - Table C-2 - Sanitary Sewer Fund Operating Expenses and Unrestricted Cash 5
 - Chart 1 - Year-end Cash Balances..... 6

Background 7

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

Capital Improvement Plan 8

- Capital Projects 8
- Storm Water Projects..... 8
- Source of Funding for Capital Projects 8
- Debt Service..... 8
- Municipal Facilities..... 9
- Table D-1 - Capital Improvement Plan Water..... 10
- Table D-2 - Capital Improvement Plan Sanitary Sewer..... 11
- Table D-3 - Capital Improvement Plan Storm Water 12
- Chart 2 - Estimated Debt Outstanding at Year End 13
- Chart 3 - Estimated Annual Debt Service 14

Utility Rates 15

- Key Factors 15
- Annual Operating Expenditures 15
- Metropolitan Council Environmental Services..... 15
- Annual Capital Expenditures 16
- Debt Service..... 16
- Growth in Customers 16
- Available Other Revenues 16
- Historical Utility Rates..... 16
- Future Utility Rates 17
- Estimated Volumes of Water Sold and Sanitary Sewer Billed 17
- Table E - Growth Projections 18

Chart 4 - Sanitary Sewer REC Platted and Connected by Year.....	19
Chart 5 - Water REC Planned and Connected by Year	19
Table F - Water Fund - Fees and Charges and Customer Data.....	20
Table G - Sanitary Sewer Fund - Fees and Charges and Customer Data.....	21
Table H - Storm Water Fund - Fees and Charges and Customer Data	22
Chart 6 - Estimated Volumes of Water and Sanitary Sewer	23
Financial Plans	24
Key Assumptions	24
Water Fund	25
Table I-1 - Pro Forma.....	27
Table I-2 - Cash Balance	28
Table I-3 - Operating and Other Expenses.....	29
Chart 7 - Year End Cash Balances	30
Chart 8 - Revenue and Expense	30
Sanitary Sewer Fund.....	31
Table J-1 - Pro Forma.....	33
Table J-2 - Cash Balance	34
Table J-3 - Operating and Other Expenses	35
Chart 9 - Year End Cash Balances	36
Chart 10 - Revenue and Expense	36
Storm Water Fund.....	37
Table K-1 - Pro Forma	38
Table K-2 - Cash Balance	39
Table K-3 - Operating and Other Expenses.....	40
Chart 11 - Year End Cash Balances	41
Chart 12 - Revenue and Expense	41
Appendices to Report	42
Appendix A - Example Quarterly Utility Fees Payable by Property Types	43
Appendix B-Chart 13 - Combined Utility Funds Restricted Cash and Debt	44
Appendix C-Chart 14 - Total Bonds Outstanding/Bonds Subject to Call Provision	45



November 4, 2020

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

RE: Update to Financial Management Plan for City Utility Funds

Dear Kristina:

Northland Securities, Inc. is pleased to present the City of Lake Elmo with the Financial Management Plan for the City Utility Funds.

The City has requested Northland to provide service to the City to update the 2018 Financial Management Plan for the Utility Funds, dated November 20, 2018. The service includes updating data and prior assumptions to perform a utility rate analysis for the utility systems. 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,

NORHTLAND SECURITIES, INC.

A handwritten signature in black ink that reads "Tammy Omdal".

Tammy Omdal
Managing Director

150 South Fifth Street, Suite 3300, Minneapolis, MN 55402
Main: (612) 851-5900 / Direct: (612) 851-4964 / Email: tomdal@northlandsecurities.com
Member FINRA and SIPC | Registered with SEC and MSRB

EXECUTIVE SUMMARY

This Financial Management Plan the “Plan”) is intended to serve as a guide for financial management of the water, sanitary sewer, and storm water systems of the City of Lake Elmo (the “Utilities” or the “Utility Funds”). The objectives of the study for the Plan were as follows:

- **Revenue Sufficiency** - update and populate a forecasting model to determine the level of revenue needed to satisfy projected operating, capital improvements, and debt service while maintaining adequate reserves for future capital needs of the Utility Funds.
- **Rate Calculation** - Review planned rates for the Utilities and propose any modifications that may be needed to ensure that rates provide fair and equitable distribution of costs.

The Plan presents an update to the Financial Plan for the Water, Sanitary Sewer, and Storm Water Funds, dated November 20, 2018. The Plan includes updated projections for development of land in the City and growth in customers of the Utilities, updated projections for revenues and expenses, and incorporation of current City plans for capital improvements, among other items.

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 plans accordingly, including plans for adjustments to rates for charging services for the Utilities.

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 rates to maintain a positive financial condition for the Utility Funds.
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 and customer activity.
6. Appendices to Report 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, 2019; and
 - projected 2020 financial results and preliminary 2021 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.

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 City pro forma.
- The scope of the study did not include a review and comparison of the fees and charges to other cities.

Conclusions and Recommendations

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

1. Growth in Customers

To meet service demands from growth in customers from development, the City continues to plan for capital

improvement projects. The scope, timing, and cost of the capital improvement projects included in the Plan are preliminary estimates that are subject to change. 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 and on-going 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, and cash available in the Utility Funds.

In addition to the impact of future growth on the capital improvement plan, the actual timing for the build out of already approved residential development and commercial areas will impact future revenue projections.

Table A on the next page provides the total estimated growth in utility customers between 2020-2029, based on new connections and platting of property. The estimates were prepared by City staff. Table E on page 18 provides details of the information summarized in Table A.

The estimated growth in customers has a direct impact on the proposed utility rates and the resulting revenue and year-end cash projections. The City should continue to carefully monitor its estimates for future growth in customers against actual development.

Table A Total Residential Equivalent Units (REC) Projected to be Charged Between Years 2020 and 2029	
Activity	Residential Equivalent Units (REC)
Platted - Sewer Access (REC)	3,788
Platted - Water Access (REC)	4,145
Connected - Sewer (REC)	3,631
Connected - Water (REC)	4,081

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. An increase in water only customers is due to grant funding related to presence of perfluorochemicals (PFCs) in groundwater. The sanitary sewer improvements in the Old Village also accounts for the differences.

Table A-1 Total Utility Customers to be Billed for Service, Projected for Year 2029	
Customers	Projected Based on Current Plan
Water	5,473
Sanitary Sewer	4,082
Storm Water (Residential Equivalent Units)	9,091

Note to Table A-1: Storm Water units are based on calculation of residential equivalent units (REU). REU for commercial customers is calculated at 3.08X. REU for residential customers is 1X.

2. Establishment of Utility Rates

The Plan assumes annual increases in the fees and charges for the Utilities based on a 1.0% average annual increase for water and sanitary sewer service fees. The proposed rates will help to ensure the City maintains sufficient cash in the funds.

There is no change estimated in the fees charged for development (connection and availability charges) only to the base and usage fees charged for services.

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 from development will impact the future annual utility rate adjustments that may be needed.

Table B Annual Projected Rate Increases for Utility Base Charges and Usage Charges			
Year	Water	Sanitary Sewer	Storm Water
2021	1.00%	1.00%	\$10.00
2022	1.00%	1.00%	\$10.00
2023	1.00%	1.00%	\$10.00
2024	1.00%	1.00%	\$10.00
2025	1.00%	1.00%	\$10.00
2026	1.00%	1.00%	1.00%
2027	1.00%	1.00%	1.00%
2028	1.00%	1.00%	1.00%
2029	1.00%	1.00%	1.00%

Note to Table B: Storm Water increase is planned at a flat \$10.00 increase from 2021-2025; and then 1.0% annual increase.

Maintaining a forward looking and long term view for the ongoing management of the Utility Funds will help the City 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 or excesses.

The Financial Plan Section of the Plan provides a breakdown of projected ending cash balances for each of the Utility Funds based on the following:

- Cash for the following year planned (pay-go) capital acquisition
- Cash for following year debt service payments
- Restricted cash from availability charges (WAC and SAC) reserved for debt and future capital improvements
- Unrestricted cash for operating reserve (equivalent to 50% of operating expense, not including depreciation)

Tables C-1 and C-2 that follow provide 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 and the Sanitary Sewer Fund.

TABLE B-1 Utility Rates					
Service	2020 Actual	2021 Projected	2022 Projected	2023 Projected	2024 Projected
WATER RATES					
Residential Quarterly Base Fee	\$21.22	\$21.43	\$21.65	\$21.86	\$22.08
Residential Tier 1	\$2.12	\$2.14	\$2.16	\$2.18	\$2.21
Commercial Quarterly Base Fee	\$26.52	\$26.79	\$27.05	\$27.32	\$27.60
Commercial Tier 1	\$3.30	\$3.33	\$3.37	\$3.40	\$3.43
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	\$54.10	\$54.64	\$55.19	\$55.74	\$56.30
Sewer per 1,000 gallons	\$4.65	\$4.70	\$4.74	\$4.79	\$4.84
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	\$65.00	\$75.00	\$85.00	\$95.00	\$105.00

3. Management of Cash Balances and Assets

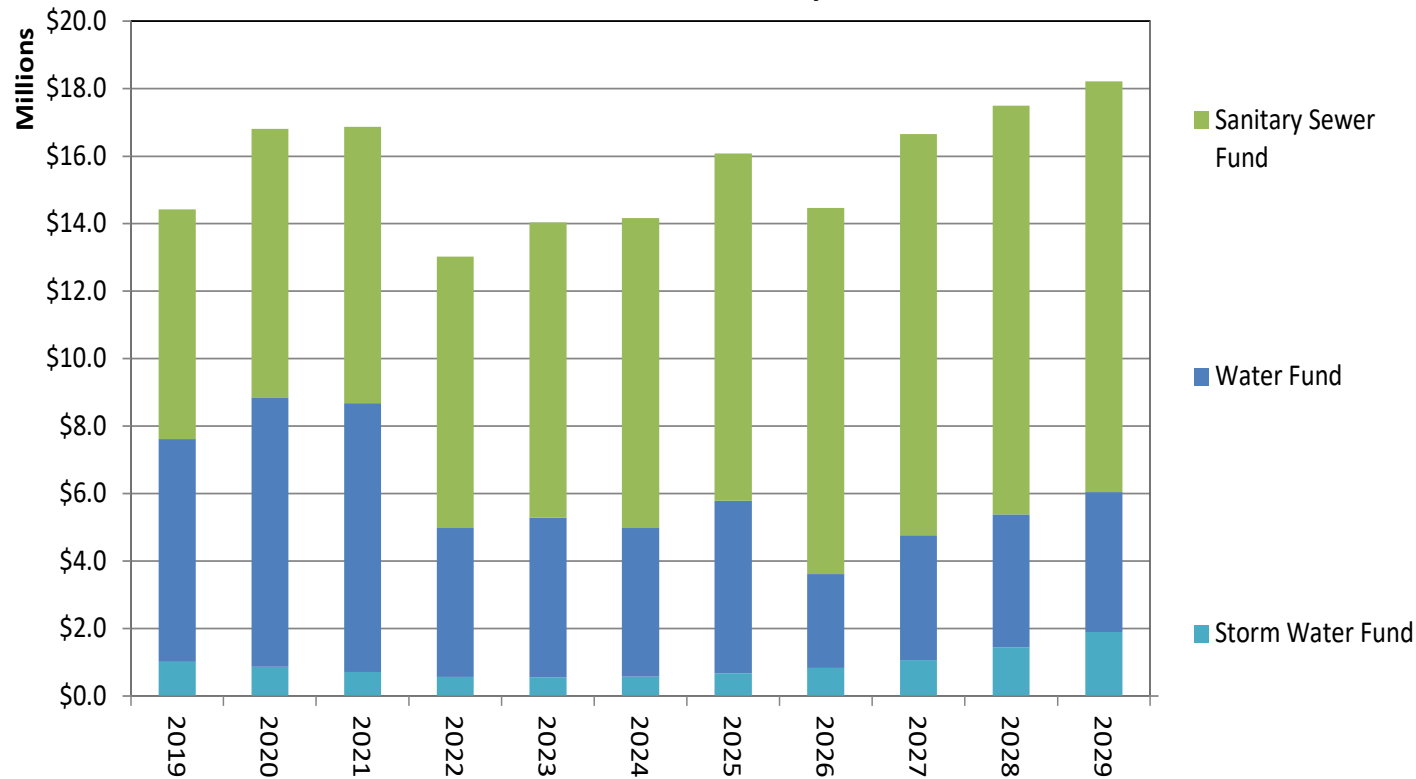
The rates included in the Plan, combined with the estimated volumes for water and sanitary sewer plus the estimated revenue to be collected from development charges, will provide cash needed to operate the utilities, maintain capital assets, and to pay debt service.

Table C-1 Operating Expenses and Unrestricted Cash Water Fund			
Year	Operating Expenses (Not Including Depreciation)	Beginning of Year Unrestricted Cash	Unrestricted Cash as % of Expense
2020	\$727,689	\$363,845	50%
2021	\$823,679	\$411,840	50%
2022	\$865,473	\$432,737	50%
2023	\$886,980	\$443,490	50%
2024	\$842,235	\$421,117	50%
2025	\$888,355	\$444,178	50%
2026	\$907,255	\$453,627	50%
2027	\$926,577	\$463,288	50%
2028	\$946,334	\$473,167	50%
2029	\$966,534	\$483,267	50%

Table C-2 Operating Expenses and Unrestricted Cash Sanitary Sewer Fund			
Year	Operating Expenses (Not Including Depreciation)	Unrestricted Cash	Unrestricted Cash as % of Expense
2020	\$477,606	\$238,803	50%
2021	\$517,685	\$258,842	50%
2022	\$502,608	\$251,304	50%
2023	\$564,407	\$282,203	50%
2024	\$625,296	\$312,648	50%
2025	\$748,489	\$374,245	50%
2026	\$857,486	\$428,743	50%
2027	\$1,012,230	\$506,115	50%
2028	\$1,197,101	\$598,551	50%
2029	\$1,395,271	\$697,636	50%

Note to Table C-1 and C-2: Amounts shown are estimates based on the assumptions and information included in the Plan. Actual amounts will vary from these projections.

Chart 1
Year End Cash Estimates By Fund



Cash balance is projected to decline between 2020-2022, as cash is used to pay for planned capital improvements and debt service.

Cash is projected to incrementally increase over the next decade due to the timing of collection of revenue from development (connection and availability charges) in advance of the future anticipated use of these funds (after year 2029) for infrastructure.

BACKGROUND

The City is located on the eastern edge of the Twin Cities metropolitan area. The City reports an estimated 2020 population of 11,105 and 3,902 households. Population is estimated to increase to 18,005 by 2030 and households to 6,500.

The City projects that by 2030, the percent of its population served by municipal sewer will increase from approximately 43% to 61% of the City's population (from 4,518 residents to 10,686 residents). (*Source: Lake Elmo 2040 Comprehensive 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 approximately \$25.7 million and cash balance \$6.6 million as of December 31, 2019.

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 En-

vironmental 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 approximately \$15.9 million and cash balance \$6.8 million as of December 31, 2019.

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 approximately \$8.0 million and cash balance \$1.0 million as of December 31, 2019.

CAPITAL IMPROVEMENT PLAN AND DEBT SERVICE

The Plan incorporates portions of the City’s current Capital Improvement Plan (the “CIP”) funded from utility revenues and that will be accounted for in the Utility Funds. Other planned capital projects to be funded from sources (other than utility revenues) are not included in the Plan.

Tables D-1 through D-3 that follow provide details on planned capital spending for each of the utility funds.

The CIP included in the Plan is a working draft, the City is continually reviewing and updating its plans. The specific projects that may be authorized in the future, and the actual costs, will vary from what is included in the Plan.

Capital Projects

The CIP has historically and continues to include projects both 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 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 that are presently not programmed in the CIP.

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 at an estimated cost of \$60,000.

Source of Funding for Capital Projects

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

The CIP, as prepared by the City, used for the study and this Plan, does not include projects for the Utilities that are anticipated to be 100% funded from grant proceeds.

Debt Service

The Plan anticipates debt service on bonds to be issued in future years to finance capital projects.

The Plan assumes that the City will issue general obligation bonds secured by net revenues from the utility funds. This

approach (issuance of general obligation revenue bonds) provides the lowest cost of debt. These type of bonds will not count against the City's debt limit.

The estimates for debt service are based on bonds to be paid over 15 years and level annual debt service. Special assessments are estimated to be payable over 20 years, past the final maturity debt of the planned bonds.

The estimated interest rates used to calculate annual debt service is 3.0%. The actual interest rates will depend on final structure and market conditions at time of issuance.

Charts 2 and 3 that follow 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 \$11,505,000 (including estimated cost of issuance) for municipal facilities improvements. The municipal facilities improvements will not be recorded as an asset in the Water 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 a portion of the debt service on the bonds. 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 \$80,000 to \$85,000 per year from each fund.

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

Source/Use of Funds	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Use of Funds ²										
Oversizing and trunk mains ¹					1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Back Hoe				17,000						
TH 36/Manning Interchange		100,000								
Village East Trunk Watermain PRV			132,000							
Well #4 Pump - Pull and Rebuild						35,000				
Well #5	2,750,000									
Well #6 (new)							2,600,000			
Watermain Oversizing		326,844	152,184							
2021 Street & Utility Improvements- Water		150,000								
Water Meter Change Out		50,000	50,000	50,000						
Automated Radio Read System					300,000					
OV sewer extension Phase 7; water component				265,650						
Pressure Reduction Station- Connection to WT #3		132,000								
2022 Street Projects-water component			100,000							
2023 Street Projects-water component				100,000						
2024 Street Projects-water component					100,000					
2025 Street Projects-water component						10,000				
OV Sewer Extension; Phase 5; water component		480,000								
Elevated Storage Tank #3		275,000	3,200,000							
Paint Water Tank at PW				800,000						
OV sewer extension phase 6 & water component			800,000							
Utility van	35,000									
Stonegate watermain extension	2,480,000									
31st Street watermain extension	470,000									
Total	5,735,000	1,513,844	4,434,184	1,232,650	1,400,000	1,045,000	3,600,000	1,000,000	1,000,000	1,000,000
Source of Funds										
GO Bonds - Portion Paid by Utility Revenues		-	-	-						
GO Bonds - Portion Paid by Special Assessments										
Grants/Donations	5,450,000									
Cash from Water Fund	285,000	1,513,844	4,434,184	1,232,650	1,400,000	1,045,000	3,600,000	1,000,000	1,000,000	1,000,000
Total	5,735,000	1,513,844	4,434,184	1,232,650	1,400,000	1,045,000	3,600,000	1,000,000	1,000,000	1,000,000

Notes:

1. The \$1.0 million annually between 2024-2029 is a placeholder amount for oversizing and trunk main construction but will be largely driven by development.
2. City plans to allocate a portion of the cost of constructing a new city hall and publ works facility to the enterprise funds. This project and allocation of costs to the enterprise funds is not shown here. The enterprise funds will annually transfer revenue to the City's debt service fund to pay a portion of the debt service on the bonds to be issued to financed the facility improvements. The City is planning for the Water Fund and the Sanitary Sewer Fund to each pay 10% of the cost, respectively.

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

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Use of Funds ²										
Back Hoe				17,000						
Section 36 Trunk Sewer Main Oversizing		120,760	32,922							
VAC Truck					175,000					
Sewer to 180 Acre Site		1,000,000	1,000,000							
Sewer Oversizing		107,763								
Old Village Sewer Extension Phase 5		2,298,100	1,400,400							
Hamlet on Sunfish Lake Sewer Extension	489,500	855,308								
Old Village Sewer Extension Phase 7				548,625						
Heritage Farms Sewer Extension		1,100,000								
Utility van	35,000									
Future projects ¹						200,000	200,000	200,000	200,000	200,000
Total	524,500	5,481,931	2,433,322	565,625	175,000	200,000	200,000	200,000	200,000	200,000
Source of Funds										
GO Bonds - Portion Paid by Utility Revenues ³		1,684,167	931,833							
GO Bonds - Portion Paid by Special Assessments ³		2,569,241	468,567							
Developer / property owner contributions	489,500									
Cash from Sewer Fund	35,000	1,228,523	1,032,922	565,625	175,000	200,000	200,000	200,000	200,000	200,000
Total	524,500	5,481,931	2,433,322	565,625	175,000	200,000	200,000	200,000	200,000	200,000

Notes:

- 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.
- City plans to allocate a portion of the cost of constructing a new city hall and publ works facility to the enterprise funds. This project and allocation of costs to the enterprise funds is not shown here. The enterprise funds will annually transfer revenue to the City's debt service fund to pay a portion of the debt service on the bonds to be issued to financed the facility improvements. The City is planning for the Water Fund and the Sanitary Sewer Fund to each pay 10% of the cost, respectively.
- Projects to be financed with bonds supported by special assessments are as follows:

	GO Bonds - Portion Paid by Special Assessments	GO Bonds - Portion Paid by Utility Revenues	Total	Year of Bond Issuance
Hamlet on Sunfish Lake Sewer Extension	700,308	155,000	855,308	2021
Old Village Sewer Extension Phase 5	768,933	1,529,167	2,298,100	2021
Heritage Farms Sewer Extension	1,100,000		1,100,000	2021
Total	2,569,241	1,684,167	4,253,408	2021
Old Village Sewer Extension Phase 5	468,567	931,833	1,400,400	2022
Total	468,567	931,833	1,400,400	2022

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

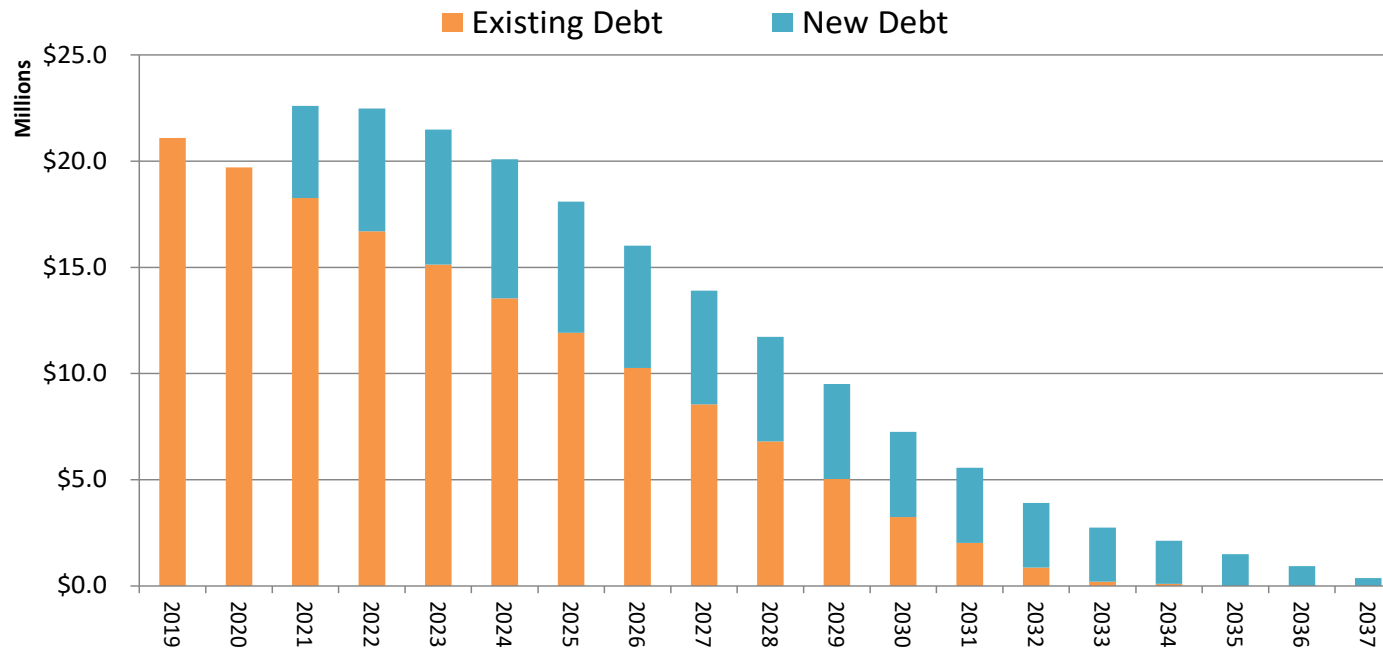
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Use of Funds										
Back Hoe				17,000						
VAC Truck					75,000					
SW-001 Phase 2 Regional Drainage Improvements: Sunfish Lake Retention/Diversion				800,000						
SW-002 Phase 3 Regional Drainage Improvements: Lions Park Drainage Retention					500,000					
SW-003 Kramer Lake Floodplain Study			60,000							
Future projects ¹		50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Total	-	50,000	110,000	867,000	625,000	50,000	50,000	50,000	50,000	50,000
Source of Funds										
GO Revenue Bonds				800,000	500,000					
Grant funds/developer funds			60,000							
Cash from Storm Water Fund	-	50,000	50,000	67,000	125,000	50,000	50,000	50,000	50,000	50,000
Total	-	50,000	110,000	867,000	625,000	50,000	50,000	50,000	50,000	50,000

Notes:

- Placeholder amounts for future projects.

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
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 2013A Bonds	2033	7/15/2021	\$595,000	\$1,775,000		\$2,370,000
GO Ref Bond 2012A (Refund 2005A)	2030	12/1/2021	\$2,810,000			\$2,810,000
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 revenues of the Utility Funds.

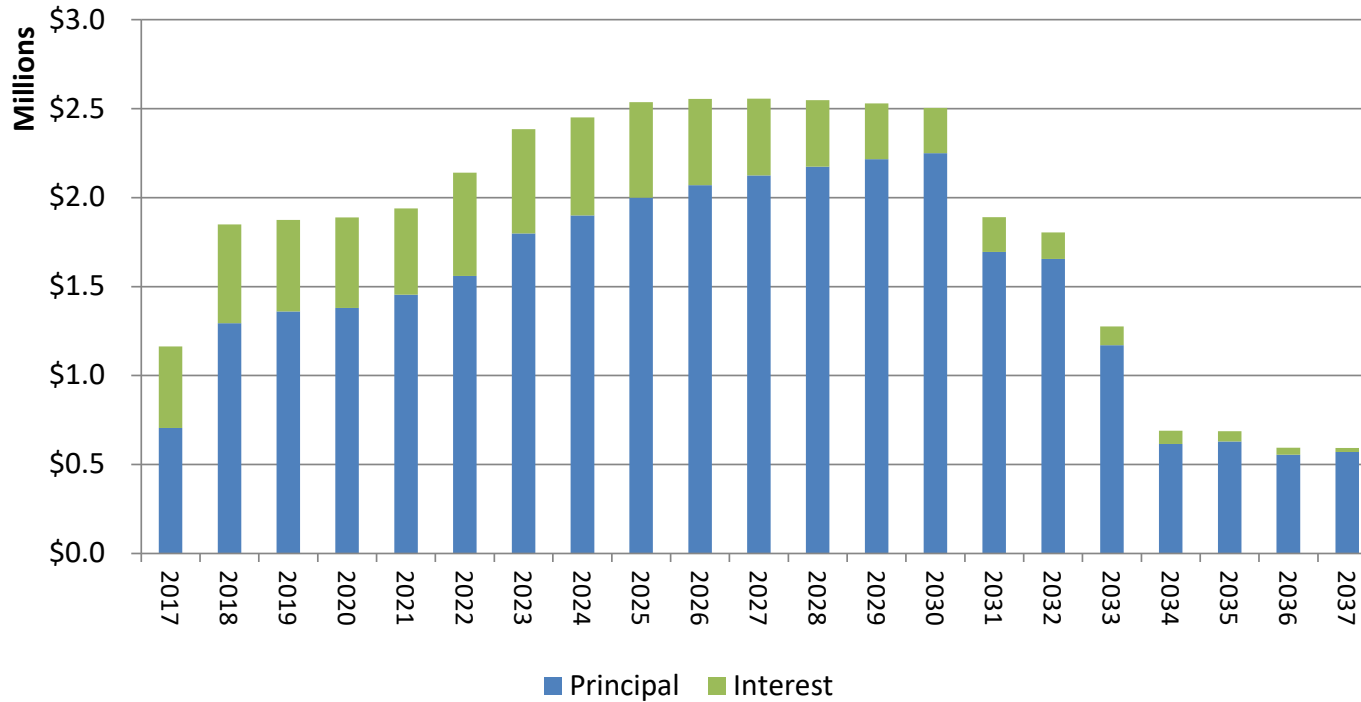
The chart includes both existing debt outstanding (as of December 31, 2019) and estimated debt projected to be issued (based on the Plan) in the future and paid from the Utility Funds.

Chart 2 includes debt supported by utility revenue only and does not include debt paid from property tax levy.

The Note to Chart 2 provides information on optional redemption of outstanding bonds at future dates. Appendix C that follows provides more detailed 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
Debt Supported by Utility Funds Only



The estimated annual debt service includes general obligation revenue bonds secured by net revenues of the Utility Funds.

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 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, 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 expenditures to maintain and improve the utility systems.
- Annual debt service on bonds issued to finance capital improvements.
- Development of land and 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 expen-

ditures, not including the MCES charge, is estimated to increase by approximately 2.0% annually, with limited exceptions. The limited exceptions are as follows:

- Water meters and supplies is projected at \$145,000 annually between years 2020-2023, then reducing to \$90,000 in 2024 after completion of meter upgrade project.
- 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 2022 and 1.0 FTE in 2025) and the Finance Department (0.5 FTE in 2022 and 1.0 FTE in 2025) will be allocated to the Utility Funds. The Water Fund and Sanitary Sewer Fund will each 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 is included in the Plan for both existing and future planned acquired assets.

Metropolitan Council Environmental Services

The MCES charges metropolitan cities for regional collection and treatment (disposal). For purposes of the Plan, future charges payable to the MCES for disposal are projected based on total projected annual sanitary sewer volume and the MCES current wastewater service fee (for year 2020) inflated by 5.5% annually. This is an operating expense for the Sewer Fund.

The MCES also charges a sewer availability charge (SAC). The City accounts for the collection and payment of the SAC to the MCES through an accounts payable account.

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 (versus debt) may be a sound strategy depending on the details of the project. Use of cash will avoid incurring annual interest expense. However, this strategy requires advance planning and implementation of utility fees and charges that provide adequate cash flow. Development revenue collected from availability charges (SAC and WAC) and connection charges provides a potential source of cash.

Debt Service

Debt service of the Utilities is paid from net revenues of the Utility Funds. All current and future debt of the utility funds is accounted for in the financial plans.

Development of Land and Growth in Customers

Development of land and growth in customers of the Utilities is an important factor in determining future rates to be charged for services. Build out of approved development areas will result in 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.

Table E that follows provides information on the estimated growth in customers from development based on the

residential equivalent units ("REC"). The estimated growth assumptions were 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.

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 may include interest income, special assessments, for example.

During 2019, the City and 3M Company entered into a settlement agreement relating to the presence of perfluorochemicals (PFCs) in the City's municipal water supply. As part of the settlement, the City received \$2,700,000 of cash and parcels of land located within the City with an estimated acquisition value of \$3,420,000. The City incurred \$1,567,821 of professional service fees relating to the settlement. The net amount of these items (\$4,552,179) is reported as an extraordinary item in the business-type activities (source: Comprehensive Annual Financial Report of the City, for the year ended December 31, 2019).

Historical Utility Rates

Information on historical rates is provided in Tables F-H that follow. 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.

Future Utility Rates

Information on projected utility rates for years 2021 to 2029 are included in Tables G-H for each utility fund. The future rates reflect the rates necessary to maintain adequate cash balances 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 of the Utility Funds.

The Plan assumes a 1.0% average annual increase in water and sanitary sewer rates beginning in 2021. The annual rate increase are for the quarterly base fee and usage fees for water and sanitary sewer services only. The annual fee for storm water is assumed to increase by \$10.00 per year between 2021-2025, and then 1.0% average annual increase. Rate adjustments will ensure the City maintains sufficient cash balances in the Utility Funds to meet City objectives. The rates charged for connection to the water and sanitary sewer systems and for system availability (SAC and WAC) are assumed to remain constant at the 2020 amounts, with no increase to these City fees.

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 and meeting the City's objectives.

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 that follows. The estimated gallons of water sold and sanitary sewer volume billed is summarized in Chart 6.

The Plan assumes average annual water volume billed of approximately 84,000 gallons per residential customer and approximately 180,000 gallons for commercial customers. Average volume billed by (usage) tier for future years is calculated based on historical data.

The Plan assumes average annual sewer volume billed of approximately 40,000 gallons per residential customer and approximately 19,000 gallons for commercial customers.

The MCES reports total sewer volume for the City of approximately 85.6 million gallons for year 2019 and 106.9 million gallons for year 2020. (Source: Reports from Metropolitan Council for Rates and Charges by City.) This includes total metered volume, including volume that is billed and non-billed by the City.

Table E
City of Lake Elmo, MN
Growth Projections
Based on Residential Equivalent Units (REC) - City uses MCES SAC determination to calculate RECs for purpose of City charges

Customers	Projected										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total

1. WATER CONNECTIONS UNITS											
Residential	250	272	289	328	284	250	225	225	225	225	2,573
Multi-Family	360	162	118	70	76	35	-	-	-	-	821
Commercial	14	17	20	60	66	100	140	135	65	70	687
Total	624	451	427	458	426	385	365	360	290	295	4,081

2. SANITARY SEWER CONNECTIONS UNITS											
Residential	291	200	200	200	200	200	175	175	175	175	1,991
Residential Downtown		-	27	29	30	23	-	-	-	-	109
Multi-Family	360	162	118	70	76	35	-	-	-	-	821
Commercial	14	17	20	60	66	100	140	135	65	70	687
Commercial Downtown		10				13	-	-	-	-	23
Total	665	389	365	359	372	371	315	310	240	245	3,631

3. WATER AVAILABILITY UNITS											
Residential	179	360	251	439	218	421	200	350	150	69	2,637
Multi-Family	360	162	118	70	76	35	-	-	-	-	821
Commercial	14	17	20	60	66	100	140	135	65	70	687
Total	553	539	389	569	360	556	340	485	215	139	4,145

4. SANITARY SEWER AVAILABILITY UNITS											
Residential	220	274	162	381	144	371	150	300	100	69	2,171
Residential Downtown	-	-	27	29	30	23	-	-	-	-	109
Multi-Family	360	162	118	70	76	35					821
Commercial	14	17	20	60	66	100	140	135	65	70	687
Commercial - Downtown	-	-	-	-	-	-	-	-	-	-	-
Total	594	453	327	540	316	529	290	435	165	139	3,788

Utility Rates

Chart 4
City of Lake Elmo, MN
Estimated Residential Equivalent Units (REC)
Sanitary Sewer

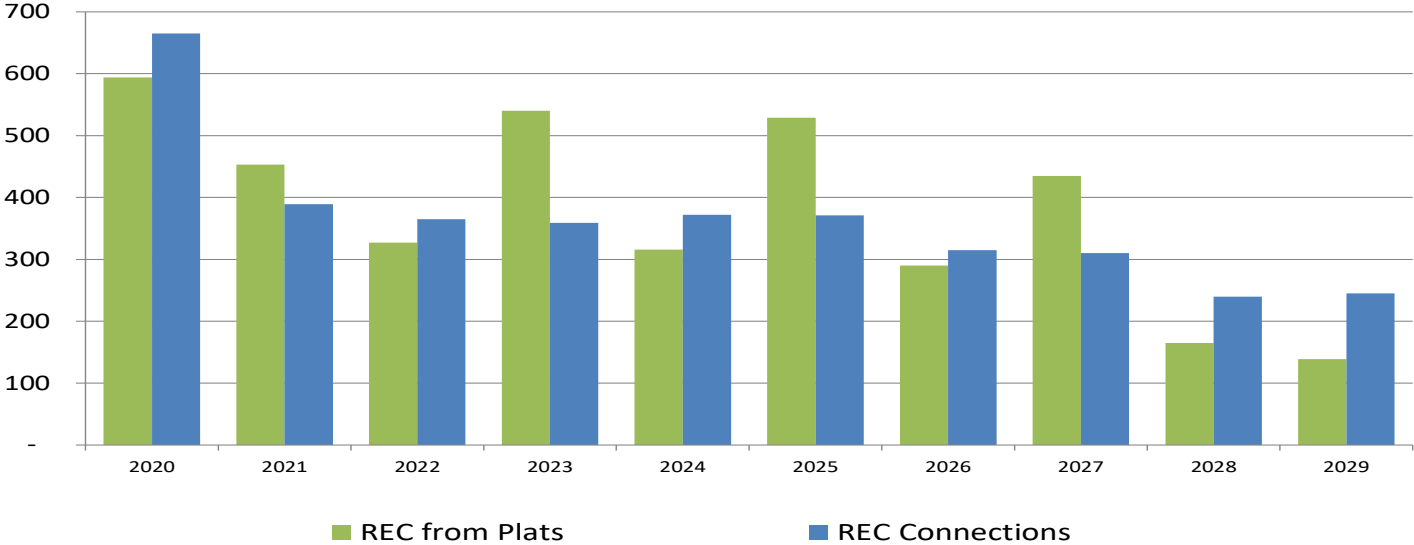
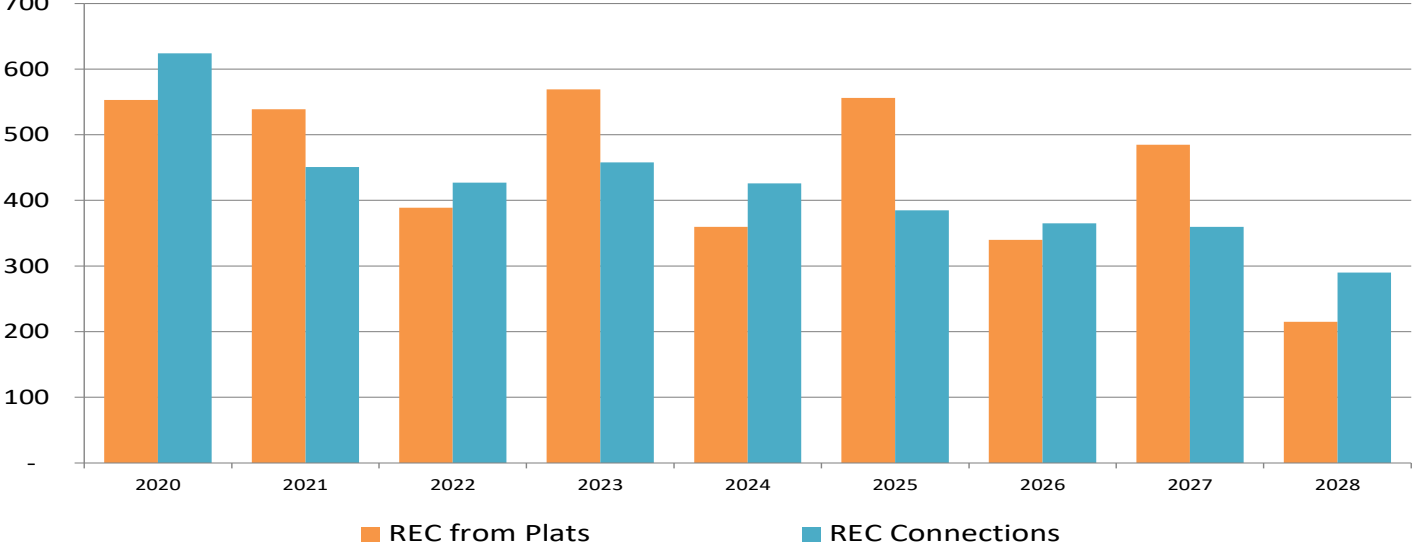


Chart 5
City of Lake Elmo, MN
Estimated Residential Equivalent Units (REC)
Water



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

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 City uses the Met Council’s SAC determination to calculate residential equivalent units for City availability charges and connection charges. Availability charges for residential property (new units platted/developed) are paid at time of plat. For commercial property availability charges are paid at time of building permit.

Connection charges for all property types are paid at time of building permit.

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

	Actual		Projected									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Customer Units Billed (Quarterly Average)												
Residential customer units	1,829	2,091	2,353	2,603	2,875	3,164	3,492	3,776	4,026	4,251	4,476	4,701
Commercial customer units	123	179	155	169	186	206	266	332	432	572	707	772
Total customer units	1,952	2,270	2,508	2,772	3,061	3,370	3,758	4,108	4,458	4,823	5,183	5,473
Total Volume Sold Per 1,000 Gallons												
Residential:												
Subtotal	165,993	176,899	199,064	220,214	243,225	267,674	295,423	319,450	340,600	359,635	378,670	397,705
Commercial and Irrigation:												
Subtotal	11,499	40,968	27,900	30,420	33,480	37,080	47,880	59,760	77,760	102,960	127,260	138,960
Total Volume Billed	177,492	217,867	226,964	250,634	276,705	304,754	343,303	379,210	418,360	462,595	505,930	536,665
Connections (Number of REC)	489	331	624	451	427	458	426	385	365	360	290	295
Availability Charge (Number of REC)	281	211	553	539	389	569	360	556	340	485	215	139
Charges for Service Fees (per 1,000 gallons)												
Residential quarterly base fee	\$20.60	\$21.22	\$21.22	\$21.43	\$21.65	\$21.86	\$22.08	\$22.30	\$22.53	\$22.75	\$22.98	\$23.21
Residential Tier 1: 0-15,000 gallons	\$2.06	\$2.12	\$2.12	\$2.14	\$2.16	\$2.18	\$2.21	\$2.23	\$2.25	\$2.27	\$2.30	\$2.32
Residential Tier 2: 15,001-30,000 gallons	\$2.47	\$2.54	\$2.54	\$2.57	\$2.59	\$2.62	\$2.64	\$2.67	\$2.70	\$2.72	\$2.75	\$2.78
Residential Tier 3: 30,001-50,000 gallons	\$2.97	\$3.06	\$3.06	\$3.09	\$3.12	\$3.15	\$3.18	\$3.22	\$3.25	\$3.28	\$3.31	\$3.35
Residential Tier 4: 50,001-80,000 gallons	\$3.56	\$3.67	\$3.67	\$3.71	\$3.74	\$3.78	\$3.82	\$3.86	\$3.90	\$3.93	\$3.97	\$4.01
Residential Tier 5: >80,001 gallons	\$4.27	\$4.40	\$4.40	\$4.44	\$4.49	\$4.53	\$4.58	\$4.62	\$4.67	\$4.72	\$4.76	\$4.81
Commercial quarterly base fee	\$25.75	\$26.52	\$26.52	\$26.79	\$27.05	\$27.32	\$27.60	\$27.87	\$28.15	\$28.43	\$28.72	\$29.00
Commercial Tier 1: 0-15,000 gallons	\$3.20	\$3.30	\$3.30	\$3.33	\$3.37	\$3.40	\$3.43	\$3.47	\$3.50	\$3.54	\$3.57	\$3.61
Commercial Tier 2: 15,001-30,000 gallons	\$3.36	\$3.46	\$3.46	\$3.49	\$3.53	\$3.56	\$3.60	\$3.64	\$3.67	\$3.71	\$3.75	\$3.78
Commercial Tier 3: 30,001-50,000 gallons	\$3.88	\$4.00	\$4.00	\$4.04	\$4.08	\$4.12	\$4.16	\$4.20	\$4.25	\$4.29	\$4.33	\$4.37
Commercial Tier 4: 50,001-80,000 gallons	\$5.15	\$5.31	\$5.31	\$5.36	\$5.42	\$5.47	\$5.53	\$5.58	\$5.64	\$5.69	\$5.75	\$5.81
Commercial Tier 5: >80,001 gallons	\$6.83	\$7.04	\$7.04	\$7.11	\$7.18	\$7.25	\$7.33	\$7.40	\$7.47	\$7.55	\$7.62	\$7.70
Development Fees												
Connection charge Per REC Unit	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Availability charge Per REC Unit	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
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	\$5,800
Annual Revenue												
Base charges	\$163,379	\$196,472	\$216,165	\$241,259	\$269,062	\$299,213	\$337,799	\$373,871	\$411,396	\$451,908	\$492,615	\$525,969
Usage charges	\$518,199	\$705,241	\$707,101	\$787,919	\$878,379	\$977,490	\$1,124,014	\$1,267,474	\$1,435,754	\$1,637,418	\$1,838,339	\$1,977,621
<i>Adjustments to reconcile with audited statements</i>	\$63,194	-\$50,599										
Total Charges for Service Fees	\$744,772	\$851,114	\$923,266	\$1,029,177	\$1,147,441	\$1,276,703	\$1,461,813	\$1,641,345	\$1,847,150	\$2,089,326	\$2,330,954	\$2,503,590
Connection charges	\$489,000	\$331,000	\$624,000	\$451,000	\$427,000	\$458,000	\$426,000	\$385,000	\$365,000	\$360,000	\$290,000	\$295,000
Availability charges	\$844,100	\$633,000	\$1,659,000	\$1,617,000	\$1,167,000	\$1,707,000	\$1,080,000	\$1,668,000	\$1,020,000	\$1,455,000	\$645,000	\$417,000
<i>Adjustments to reconcile with audited statements</i>		\$17,700										
Total Development Fees	\$1,333,100	\$981,700	\$2,283,000	\$2,068,000	\$1,594,000	\$2,165,000	\$1,506,000	\$2,053,000	\$1,385,000	\$1,815,000	\$935,000	\$712,000
Total Revenue	\$2,077,872	\$1,832,814	\$3,206,266	\$3,097,177	\$2,741,441	\$3,441,703	\$2,967,813	\$3,694,345	\$3,232,150	\$3,904,326	\$3,265,954	\$3,215,590

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									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Customer Units Billed (Quarterly Average)												
Residential customer units	921	1,169	1,417	1,708	1,908	2,135	2,364	2,594	2,817	2,992	3,167	3,342
Commercial customer units	62	64	66	80	107	127	187	253	366	506	641	706
Commercial customer units (flat rate for off-site maint)	34	34	34	34	34	34	34	34	34	34	34	34
Total customer units	1,017	1,267	1,517	1,822	2,049	2,296	2,585	2,881	3,217	3,532	3,842	4,082
Total Volume Sold Per 1,000 Gallons												
Residential Volume	44,208	46,773	56,113	67,637	75,557	84,546	93,614	102,722	111,553	118,483	125,413	132,343
Commercial Volume	2,976	14,646	15,048	18,240	24,396	28,956	42,636	57,684	83,448	115,368	146,148	160,968
Total Volume Metered	47,184	61,419	71,161	85,877	99,953	113,502	136,250	160,406	195,001	233,851	271,561	293,311
Connections (Number of REC)	565	331	665	389	365	359	372	371	315	310	240	245
Availability Charge (Number of REC)	256	211	594	453	300	511	286	506	290	435	165	139
Availability Charge (Number of REC) - Downtown	0	20	-	-	27	29	30	23	-	-	-	-
Charges for Service Fees												
Residential quarterly base fee (first 10 gallons)	\$53.03	\$53.56	\$54.10	\$54.64	\$55.19	\$55.74	\$56.30	\$56.86	\$57.43	\$58.00	\$58.58	\$59.17
Residential usage per 1,000 gallons:	\$4.55	\$4.60	\$4.65	\$4.70	\$4.74	\$4.79	\$4.84	\$4.89	\$4.94	\$4.99	\$5.04	\$5.09
Commercial quarterly base fee	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Commercial usage per 1,000 gallons:	\$4.55	\$4.60	\$4.65	\$4.70	\$4.74	\$4.79	\$4.84	\$4.89	\$4.94	\$4.99	\$5.04	\$5.09
Commercial off-site customer (per quarter)	\$75.75	\$76.51	\$77.28	\$78.05	\$78.83	\$79.62	\$80.42	\$81.22	\$82.03	\$82.85	\$83.68	\$84.52
Development Fees												
Connection charge Per REC Unit	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Availability charge Per REC Unit	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Sewer lateral benefit charge	\$11,300	\$11,600	\$12,200	\$12,500	\$12,800	\$13,100	\$13,400	\$13,700	\$14,000	\$14,300	\$14,600	\$14,900
SAC Charge (pass-thru payable to Met Council)	\$2,485	\$2,485	\$2,485	\$2,485	\$2,485	\$2,485	\$2,485	\$2,485	\$2,485	\$2,485	\$2,485	\$2,485
Annual Revenue												
Base charges	\$205,665	\$260,852	\$317,149	\$383,922	\$431,912	\$486,842	\$543,278	\$601,022	\$658,258	\$705,442	\$753,505	\$802,458
Usage charges	\$47,065	\$67,430	\$67,338	\$82,456	\$112,101	\$134,634	\$201,732	\$276,842	\$406,343	\$569,192	\$729,518	\$811,826
<i>Adjustments to reconcile with audited statements</i>	<i>-\$8,347</i>	<i>-\$28,503</i>										
Total Charges for Service Fees	\$244,383	\$299,779	\$384,486	\$466,378	\$544,013	\$621,476	\$745,010	\$877,864	\$1,064,601	\$1,274,635	\$1,483,023	\$1,614,284
Connection charges	\$565,044	\$321,000	\$665,000	\$389,000	\$351,500	\$344,500	\$357,000	\$359,500	\$315,000	\$310,000	\$240,000	\$245,000
Availability charge Per REC Unit	\$766,723	\$633,000	\$1,782,000	\$1,359,000	\$823,050	\$1,450,350	\$772,500	\$1,452,450	\$870,000	\$1,305,000	\$495,000	\$417,000
<i>Adjustments to reconcile with audited statements</i>	<i>\$913</i>	<i>\$61,733</i>										
Total Development Fees	\$1,332,680	\$1,015,733	\$2,447,000	\$1,748,000	\$1,174,550	\$1,794,850	\$1,129,500	\$1,811,950	\$1,185,000	\$1,615,000	\$735,000	\$662,000
Total Revenue	\$1,577,063	\$1,315,512	\$2,831,486	\$2,214,378	\$1,718,563	\$2,416,326	\$1,874,510	\$2,689,814	\$2,249,601	\$2,889,635	\$2,218,023	\$2,276,284

Notes:

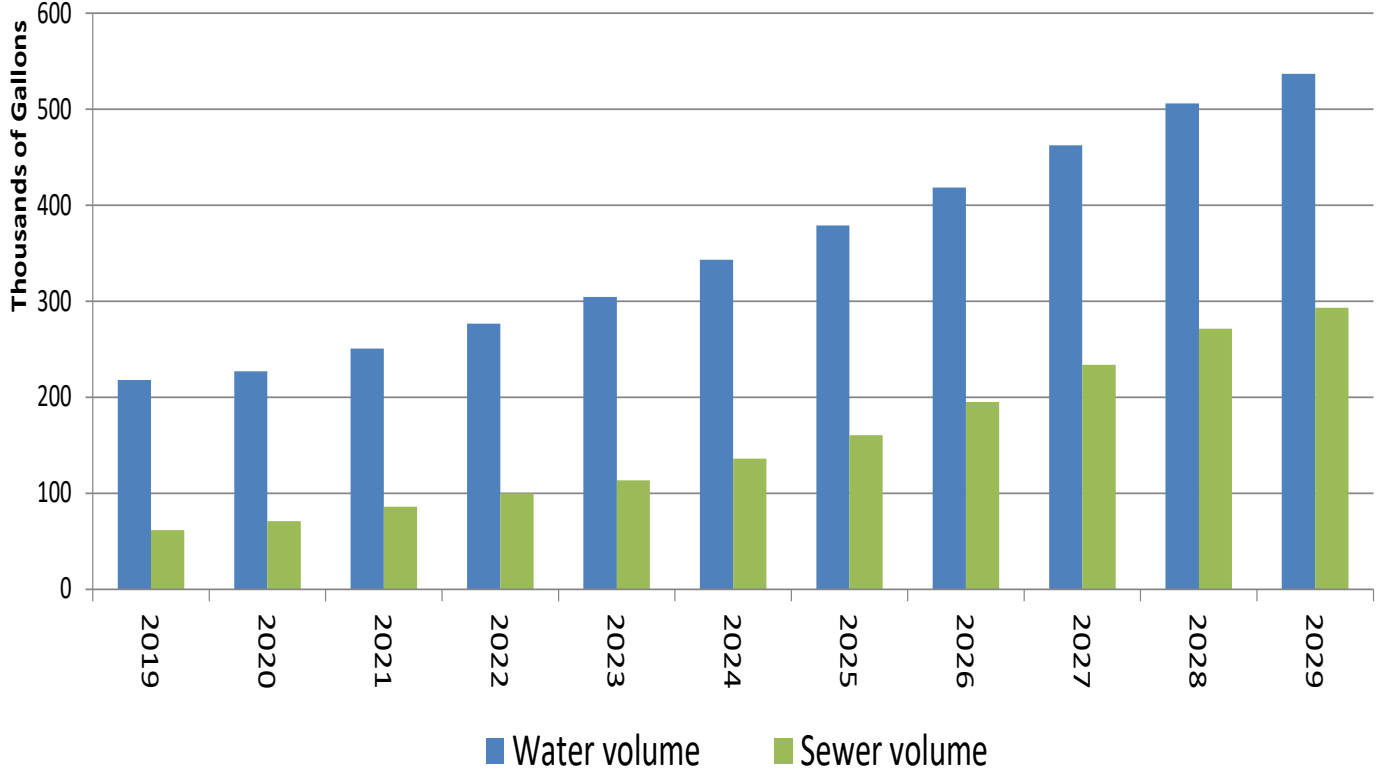
1. The Availability charger per REC Unit is broken-out separately for the "Downtown" because the charge to the Downtown units is spread over 20 years. Beginning in 2017, the base charge includes 10 units.
2. Adjusting entries reflect classification changes, recording of receivables, and/or other audit 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									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Customer Units Billed (Quarterly Average)												
Residential units billed	3,656	3,887	4,149	4,399	4,671	4,960	5,288	5,572	5,822	6,047	6,272	6,497
Commercial residential equivalent units billed ¹	641	644	693	736	789	850	1,035	1,238	1,546	1,978	2,393	2,594
Total residential equivalent units billed	4,297	4,531	4,842	5,135	5,460	5,810	6,323	6,810	7,368	8,025	8,665	9,091
Charges for Service Fees												
Residential fee	\$55.00	\$60.00	\$65.00	\$75.00	\$85.00	\$95.00	\$105.00	\$115.00	\$116.15	\$117.31	\$118.48	\$119.67
Commercial fee	\$55.00	\$60.00	\$65.00	\$75.00	\$85.00	\$95.00	\$105.00	\$115.00	\$125.00	\$135.00	\$145.00	\$155.00
Annual Revenue												
Base charges	\$236,335	\$271,860	\$314,748	\$385,155	\$464,080	\$551,984	\$663,932	\$783,201	\$869,530	\$976,364	\$1,090,184	\$1,179,507
Adjustments to reconcile with audited statements	\$49,440	\$0										
Total Revenue	\$285,775	\$271,860	\$314,748	\$385,155	\$464,080	\$551,984	\$663,932	\$783,201	\$869,530	\$976,364	\$1,090,184	\$1,179,507

Notes:
 Note: 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 Subject to Billing



The estimated annual gallons of volume increases 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 at historical levels.

Note: Future volume billed is calculated based on 7,050 gallons per month of water usage for residential customers and 15,000 gallons per month for commercial customers.

FINANCIAL PLANS

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

Key Assumptions

The financial plans for each utility funds was developed based on 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 preliminary 2021 budget, with an exception for meter and supplies, and MCES payments.
- No change in existing tier structure for fees and charges.
- Depreciation is estimated based on current depreciation of existing assets and planned acquisition of capital assets with new assets depreciated over 40 year term.
- Capital improvement plans will be implemented based on current estimated project costs and sources of funding, as included in the Plan. Estimated debt service on bonds to be issued is included in the Plan.
- Utility fees for use of the system are assumed to increase annually for water and sanitary sewer services, see Table B on page 3 for annual percentage increases for water and sewer fees and the fee adjustment for storm water.
- Connection and availability charges are assumed to remain at current levels, with no planned increases in current rates.
- Fees and charges for the Utility Funds are planned to be at levels adequate to maintain cash balances in the funds sufficient to meet targets for ending cash. This includes ending cash available for the following year pay-go capital expenditures, debt service, and for operating reserves, and restricted cash collected from availability charges for infrastructure and related debt.

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 continue to be impacted by the timing of development of land in the City and the timing of receipt of development fees to cover debt service on the infrastructure and receipt of charges for service for usage of the system.

As note earlier in the Plan, during 2019, the City and 3M Company entered into a settlement agreement relating to the presence of perfluorochemicals (PFCs) in the City's municipal water supply. As part of the settlement, the City received \$2,700,000 of cash and parcels of land located within the City with an estimated acquisition value of \$3,420,000. The City incurred \$1,567,821 of professional service fees relating to the settlement. The net amount of these items (\$4,552,179) is reported as an extraordinary item in the business-type activities (source: Comprehensive Annual Financial Report of the City, for the year ended December 31, 2019).

Revenues

There are two major sources of revenues: 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 is projected to 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 1.0% average annual between 2021-2029.

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 are recorded as revenue when certified. Certified special assessments collected over a certified number of years, which are not prepaid, are recorded as an accounts receivable. When special assessment payments are collected by the City, the receivable is reduced.

Other revenue from grant proceeds is anticipated to pay for certain capital project. The City plans to record \$5.45 million in year 2020 for the following projects funded from grant proceeds:

- \$2.50 million for Well No. 5
- \$2.48 million for Stonegate watermain extension
- \$0.47 million for 31st Street watermain extension

Expenses

Expenses are 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 that follows.

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 2021 is assumed. The Plan anticipates the Water Fund will pay 10% of the annual debt service on an estimated total bond issuance of \$11,505,000 for the 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.

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 that follows provides details on estimated annual change in reported ending cash.

Financial Plans WATER FUND

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

	Actual		Projected									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenues												
Charges for service fees	835,164	851,114	923,266	1,029,177	1,147,441	1,276,703	1,461,813	1,641,345	1,847,150	2,089,326	2,330,954	2,503,590
Charges for service fees - meters	115,036	97,342	95,000	95,000	97,900	100,000	40,000	41,800	43,636	45,509	47,419	49,367
Special assessments	48,742	11,968	10,740	10,740	10,740	10,591	9,860	9,860	9,860	9,860	9,860	3,742
Intergovernmental	704	261,244										
Investment income	31,305	183,386	33,040	39,928	39,841	22,096	23,698	22,073	25,570	13,929	18,474	19,738
Contributions and donations		4,698,595										
Water availability charge	844,100	480,800	1,659,000	1,617,000	1,167,000	1,707,000	1,080,000	1,668,000	1,020,000	1,455,000	645,000	417,000
Water connection fee	489,000	500,900	624,000	451,000	427,000	458,000	426,000	385,000	365,000	360,000	290,000	295,000
Extraordinary item		4,552,179										
Rents/leases	-	-	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000
Miscellaneous	1,785	13,547	13,818	14,094	14,376	14,664	14,957	15,256	15,561	15,872	16,190	16,514
Grants for capital			5,450,000									
Capital contributions			-									
Total Source of Funds	2,365,836	11,651,075	8,834,864	3,282,940	2,930,298	3,615,053	3,082,328	3,809,334	3,352,778	4,015,496	3,383,897	3,330,951
Expenses												
Operating and other expense	898,600	666,463	727,689	823,679	865,473	886,980	842,235	888,355	907,255	926,577	946,334	966,534
Interest and fiscal expense	267,529	257,766	270,238	254,326	235,571	216,583	196,006	174,631	152,406	129,188	104,438	78,891
Depreciation	902,049	1,015,919	1,159,294	1,197,140	1,307,995	1,338,811	1,373,811	1,399,936	1,489,936	1,514,936	1,539,936	1,564,936
Transfer out to other funds	840	-	-	36,241	80,196	80,409	80,574	80,175	80,262	80,301	80,294	80,238
Total Use of Funds	2,069,018	1,940,148	2,157,221	2,311,386	2,489,236	2,522,782	2,492,626	2,543,098	2,629,859	2,651,002	2,671,001	2,690,599
Change in Net Position	296,818	9,710,927	6,677,643	971,554	441,063	1,092,271	589,701	1,266,237	722,919	1,364,494	712,896	640,352
<i>Prior period adjustment</i>	<i>(271,735)</i>	<i>1,855,369</i>										
Net Position, End of Year	14,133,240	25,699,536	32,377,179	33,348,733	33,789,795	34,882,067	35,471,768	36,738,005	37,460,924	38,825,418	39,538,314	40,178,666
Assets												
Cash and investments	4,970,049	6,608,007	7,985,666	7,968,162	4,419,162	4,739,531	4,414,631	5,114,035	2,785,780	3,694,714	3,947,622	4,148,520
Due from other governments		58,372										
Special assessments receivable	304,332	299,549	313,594	232,958	204,706	176,453	149,303	126,213	103,123	80,033	56,943	33,853
Other assets	146,829	199,934	199,934	199,934	199,934	199,934	199,934	199,934	199,934	199,934	199,934	199,934
Capital assets	27,744,662	38,140,439	43,875,439	45,389,283	49,823,467	51,056,117	52,456,117	53,501,117	57,101,117	58,101,117	59,101,117	60,101,117
<i>Less accumulated depreciation</i>	<i>(5,953,481)</i>	<i>(6,989,032)</i>	<i>(8,148,326)</i>	<i>(9,345,466)</i>	<i>(10,653,461)</i>	<i>(11,992,272)</i>	<i>(13,366,083)</i>	<i>(14,766,019)</i>	<i>(16,255,955)</i>	<i>(17,770,891)</i>	<i>(19,310,827)</i>	<i>(20,875,762)</i>
Deferred outflows of resources	26,991	14,122	14,122	14,122	14,122	14,122	14,122	14,122	14,122	14,122	14,122	14,122
Total Assets and Deferred Outflows	27,239,382	38,331,391	44,240,430	44,458,993	44,007,930	44,193,885	43,868,024	44,189,403	43,948,122	44,319,030	44,008,912	43,621,784
Liabilities												
Due to other funds and government	8,786	8,733										
Unearned revenue	654,000	729,000	757,000	807,000	807,000	807,000	807,000	807,000	807,000	807,000	807,000	807,000
Contracts and retainage payable	118,977	7,273										
Net Unamortized Prem/Discount	215,755	208,785	194,866	181,875	169,750	158,433	147,871	138,013	128,812	120,225	112,210	104,729
Bonds payable	11,795,000	11,415,000	10,645,000	9,855,000	8,975,000	8,080,000	7,175,000	6,240,000	5,285,000	4,300,000	3,285,000	2,265,000
Accounts payable / Other	289,998	246,385	246,385	246,385	246,385	246,385	246,385	246,385	246,385	246,385	246,385	246,385
Deferred inflows of resources	23,626	16,679	20,000	20,000	20,000	20,000	20,000	20,000	20,001	20,002	20,003	20,004
Total Liabilities and Deferred Inflows	13,106,142	12,631,855	11,863,251	11,110,260	10,218,135	9,311,818	8,396,256	7,451,398	6,487,198	5,493,612	4,470,598	3,443,118
Total Liabilities and Net Assets	27,239,382	38,331,391	44,240,430	44,458,993	44,007,930	44,193,885	43,868,024	44,189,403	43,948,122	44,319,030	44,008,912	43,621,784

Financial Plans WATER FUND

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

	Actual	Projected									
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Source of Cash:											
Operating and other non-operating revenues	2,400,301	1,101,864	1,214,940	1,336,298	1,450,053	1,576,328	1,756,334	1,967,778	2,200,496	2,448,897	2,618,951
Development revenues	981,700	2,283,000	2,068,000	1,594,000	2,165,000	1,506,000	2,053,000	1,385,000	1,815,000	935,000	712,000
Extraordinary revenue (settlement)	4,552,179	-	-	-	-	-	-	-	-	-	-
Grant proceeds for capital	-	5,450,000	-	-	-	-	-	-	-	-	-
Bond proceeds	393,683	-	-	-	-	-	-	-	-	-	-
Total Source of Cash	8,327,863	8,834,864	3,282,940	2,930,298	3,615,053	3,082,328	3,809,334	3,352,778	4,015,496	3,383,897	3,330,951
Use of Cash:											
Operations and maintenance	643,971	727,689	823,679	865,473	886,980	842,235	888,355	907,255	926,577	946,334	966,534
Capital improvement / acquisitions	4,817,564	5,735,000	1,513,844	4,434,184	1,232,650	1,400,000	1,045,000	3,600,000	1,000,000	1,000,000	1,000,000
Interfund transfers	-	-	36,241	80,196	80,409	80,574	80,175	80,262	80,301	80,294	80,238
Debt service	1,040,258	1,040,238	1,044,326	1,115,571	1,111,583	1,101,006	1,109,631	1,107,406	1,114,188	1,119,438	1,098,891
Total Use of Cash	6,501,793	7,502,927	3,418,090	6,495,425	3,311,621	3,423,815	3,123,162	5,694,923	3,121,066	3,146,065	3,145,663
Net Change in Other Assets and Liabilities	(188,112)	45,723	117,645	16,128	16,936	16,588	13,232	13,890	14,503	15,076	15,610
Net Change in Ending Cash Balance	1,637,958	1,377,659	(17,505)	(3,548,999)	320,368	(324,900)	699,404	(2,328,255)	908,934	252,908	200,898
Ending Cash Balance	6,608,007	7,985,666	7,968,162	4,419,162	4,739,531	4,414,631	5,114,035	2,785,780	3,694,714	3,947,622	4,148,520
Ending Cash Balance by Purpose:											
Cash for next year planned capital	285,000	1,513,844	4,434,184	1,232,650	1,400,000	1,045,000	3,600,000	1,000,000	1,000,000	1,000,000	1,000,000
Cash for next year debt service	1,040,238	1,044,326	1,115,571	1,111,583	1,101,006	1,109,631	1,107,406	1,114,188	1,119,438	1,098,891	1,076,631
Restricted WAC (Water Availability Charges)	4,918,924	5,015,657	1,985,670	1,631,440	1,817,407	1,815,822	(46,998)	208,305	1,102,110	1,365,465	1,578,294
Unrestricted cash	363,845	411,840	432,737	443,490	421,117	444,178	453,627	463,288	473,167	483,267	493,595
Total Ending Cash	6,608,007	7,985,666	7,968,162	4,419,162	4,739,531	4,414,631	5,114,035	2,785,780	3,694,714	3,947,622	4,148,520

Notes:

1. City policy guidelines provide that the City maintain unrestricted cash equal to 50% of operating expenditures (not including depreciation). The pro forma meets this objective.

Financial Plans WATER FUND

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

	Projected									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Personnel Services										
Salaries	179,910	231,699	236,333	241,060	245,881	250,798	255,814	260,931	266,149	271,472
Allocation of New FTEs	-	-	20,321	25,782	26,813	56,625	58,890	61,245	63,695	66,243
Overtime	6,000	6,000	6,120	6,242	6,367	6,495	6,624	6,757	6,892	7,030
PERA Contributions	13,924	18,288	18,654	19,027	19,407	19,796	20,191	20,595	21,007	21,427
FICA Contributions	10,728	14,737	15,032	15,332	15,639	15,952	16,271	16,596	16,928	17,267
Medicare Contributions	2,516	3,447	3,516	3,586	3,658	3,731	3,806	3,882	3,960	4,039
Health\Dental Insurance	38,822	46,276	47,202	48,146	49,108	50,091	51,092	52,114	53,157	54,220
Other	400	400	408	416	424	433	442	450	459	469
Workers Compensation	6,984	7,682	7,836	7,992	8,152	8,315	8,482	8,651	8,824	9,001
Total Personnel Services	259,284	328,529	355,420	367,584	375,451	412,235	421,613	431,222	441,072	451,167
Supplies										
Office Supplies	750	800	816	832	849	866	883	901	919	937
Printed Forms	700	750	765	780	796	812	828	845	862	879
Operating Supplies	3,350	3,500	3,570	3,641	3,714	3,789	3,864	3,942	4,020	4,101
Fuel, Oil, and Fluids	8,600	9,000	9,180	9,364	9,551	9,742	9,937	10,135	10,338	10,545
Chemicals	11,000	11,000	11,220	11,444	11,673	11,907	12,145	12,388	12,636	12,888
Utility System Maintenance	14,500	16,000	16,320	16,646	16,979	17,319	17,665	18,019	18,379	18,747
Water Meters & Supplies	145,000	145,000	147,900	150,000	90,000	91,800	93,636	95,509	97,419	99,367
Personal Protective Equipment	800	800	816	832	849	866	883	901	919	937
Small Tools & Minor Equipment	9,000	9,800	9,996	10,196	10,400	10,608	10,820	11,036	11,257	11,482
Total Supplies	193,700	196,650	200,583	203,737	144,811	147,708	150,662	153,675	156,749	159,883
Other Services and Charges										
Engineering Services	25,000	25,000	25,500	26,010	26,530	27,061	27,602	28,154	28,717	29,291
Legal Services	-	-	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743
Newsletter	1,100	1,100	1,122	1,144	1,167	1,191	1,214	1,239	1,264	1,289
Audit Services	8,812	8,227	8,392	8,559	8,731	8,905	9,083	9,265	9,450	9,639
Contract Services	30,000	30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150
Telephone	2,000	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343
IT Hardware and Software Programs	17,097	18,927	19,306	19,692	20,085	20,487	20,897	21,315	21,741	22,176
Credit Card Fees	7,050	7,262	7,407	7,555	7,706	7,861	8,018	8,178	8,342	8,509
Postage	3,500	4,000	4,080	4,162	4,245	4,330	4,416	4,505	4,595	4,687
Mileage	200	200	204	208	212	216	221	225	230	234
Insurance	10,552	11,607	11,839	12,076	12,317	12,564	12,815	13,071	13,333	13,599
Electric Utility	75,000	80,000	81,600	83,232	84,897	86,595	88,326	90,093	91,895	93,733
Water Utility	21,810	23,000	23,460	23,929	24,408	24,896	25,394	25,902	26,420	26,948
Repairs\Maint Imp Bldgs	33,000	45,000	45,900	46,818	47,754	48,709	49,684	50,677	51,691	52,725
Repairs\Maint Imp Equipment	7,500	7,500	7,650	7,803	7,959	8,118	8,281	8,446	8,615	8,787
Repairs\Maint Imp Not Bldgs	4,000	4,000	4,080	4,162	4,245	4,330	4,416	4,505	4,595	4,687
Miscellaneous and Other	2,000	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343
Equipment Rental	1,000	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172
Uniforms	1,000	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172
Conferences & Training	600	2,500	2,550	2,601	2,653	2,706	2,760	2,815	2,872	2,929
Real estate taxes	23,084	23,777	24,253	24,738	25,232	25,737	26,252	26,777	27,312	27,859
Dues & Subscriptions	400	400	408	416	424	433	442	450	459	469
Total Other Services and Charges	274,705	298,500	309,470	315,659	321,973	328,412	334,980	341,680	348,513	355,484
Total Operating and Other Expenses	727,689	823,679	865,473	886,980	842,235	888,355	907,255	926,577	946,334	966,534

Notes:

1. Future year amounts are projected based on the 2019 budget plus 2.0% annual increase per year, with a few exceptions. 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

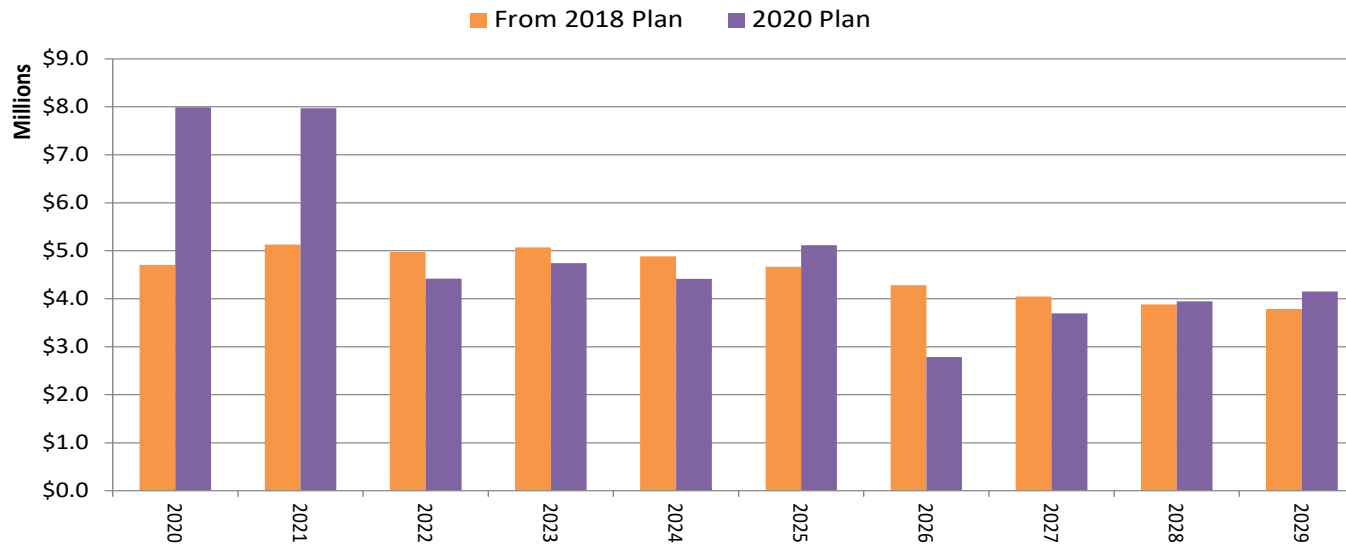
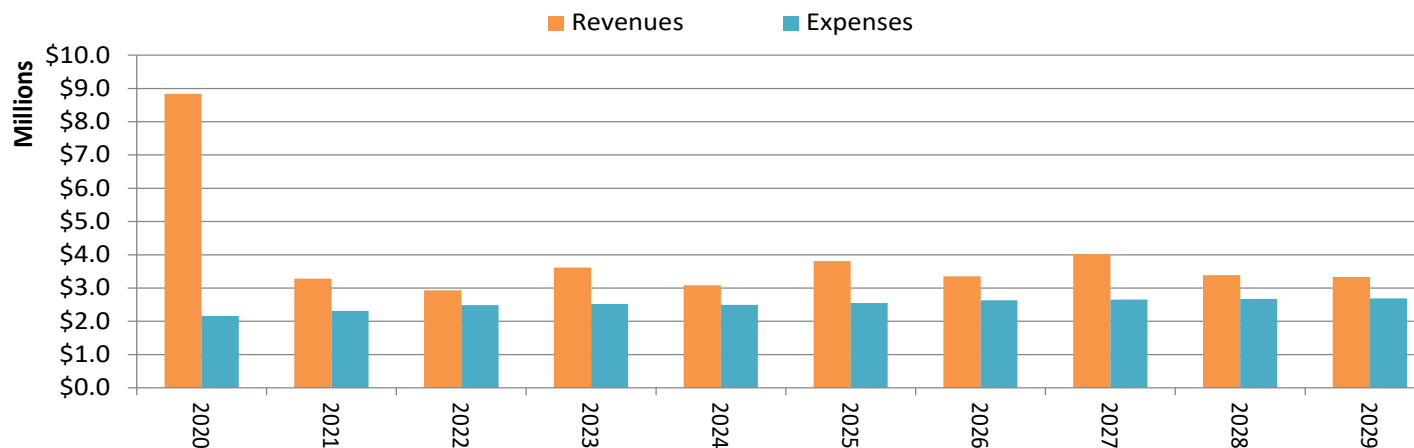


Chart 8
City of Lake Elmo, MN
Water Fund
Projected Source and Use of Funds



Note: Year 2019 revenues included extraordinary revenues from legal settlement, among other sources.

Year end cash balances are projected, as shown in Chart 7, to increase with collection of future development charges to pay for future infrastructure projects.

The revenues and expenses in Chart 8 includes depreciation expense, and other contributions, transfers, and extraordinary items. The difference between annual revenues and expenses equals the change in net position of the fund. Sources of revenue are projected to exceed uses (expenses) as planned to provide (source of funds) for payment of debt on outstanding bonds (liabilities) and revenue for future 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 continue to be impacted by the timing of development of land in the City and the timing of receipt of development fees to cover debt service on the infrastructure and receipt of charges for service for usage of the system.

Revenues

There are two major sources of revenues: 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 to the rate structure with annual rate increases of 1.0% average annual between 2021-2029.

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 are recorded as revenue when certified. Cer-

tified special assessments collected over a certified number of years, which are not prepaid, are recorded as an accounts receivable. When special assessment payments are collected by the City, the receivable is reduced.

Expenses

Expenses are to pay for the operation of the sanitary sewer system, interest and fiscal expense on debt, depreciation expense, 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 that follows.

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 2021 is assumed. The Plan anticipates the Sanitary Sewer Fund will pay 10% of the annual debt service on an estimated total bond issuance of \$11,505,000 for the municipal facilities improvements. The municipal facilities improvements will not be recorded as an asset in the Sanitary Sewer Fund. The outstanding debt obligation for the municipal facilities improvements will not be a liability of the Sanitary Sewer Fund.

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 that follows provides details on estimated annual change in reported ending cash.

Financial Plans SANITARY SEWER FUND

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

	Actual		Projected									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenues												
Charges for service fees	244,383	299,779	384,486	466,378	544,013	621,476	745,010	877,864	1,064,601	1,274,635	1,483,023	1,614,284
Special assessments	1,427,565	109,944	83,686	2,652,927	629,954	175,087	174,939	174,783	174,783	174,783	174,783	163,609
Intergovernmental	168											
Investment income	48,218	190,342	34,025	39,812	40,941	40,192	43,755	45,919	51,436	54,240	59,479	60,538
Contributions and donations		3,358,478										
Sewer availability charge	767,500	505,732	1,782,000	1,359,000	823,050	1,450,350	772,500	1,452,450	870,000	1,305,000	495,000	417,000
Sewer connection fee	565,180	510,001	665,000	389,000	351,500	344,500	357,000	359,500	315,000	310,000	240,000	245,000
Sewer lateral benefit		11,000										
Miscellaneous	8,231	6,262	6,387	6,515	6,645	6,778	6,914	7,052	7,193	7,337	7,484	7,633
Total Source of Funds	3,061,245	4,991,538	2,955,585	4,913,632	2,396,103	2,638,383	2,100,118	2,917,568	2,483,014	3,125,995	2,459,768	2,508,064
Expenses												
Operating and other expense	264,218	383,079	477,606	517,685	502,608	564,407	625,296	748,489	857,486	1,012,230	1,197,101	1,395,271
Interest and fiscal expense	167,079	172,929	179,655	172,279	292,019	320,073	299,664	277,501	254,764	231,344	206,631	181,166
Depreciation	414,735	526,989	580,636	717,684	778,517	792,658	797,033	802,033	807,033	812,033	817,033	822,033
Transfer out to other funds		-	-	36,241	80,196	80,409	80,574	80,175	80,262	80,301	80,294	80,238
Total Use of Funds	846,032	1,082,997	1,237,897	1,443,888	1,653,341	1,757,546	1,802,567	1,908,199	1,999,544	2,135,908	2,301,059	2,478,708
Change in Net Position	2,215,213	3,908,541	1,717,688	3,469,744	742,762	880,837	297,551	1,009,369	483,469	990,087	158,710	29,356
<i>Prior period adjustment</i>	<i>(136,324)</i>	<i>1,606,660</i>										
Net Position, End of Year	10,376,847	15,892,048	17,609,736	21,079,480	21,822,243	22,703,080	23,000,631	24,010,000	24,493,470	25,483,557	25,642,266	25,671,622
Assets												
Cash and investments	5,548,853	6,805,012	7,962,368	8,188,169	8,038,334	8,750,984	9,183,728	10,287,203	10,847,950	11,895,752	12,107,586	12,170,446
Special assessments receivable	2,791,034	2,485,002	2,302,462	4,647,893	4,832,037	4,524,187	4,223,493	3,924,390	3,627,582	3,330,775	3,033,967	2,737,160
Other assets	108,898	137,185	137,185	137,185	137,185	137,185	137,185	137,185	137,185	137,185	137,185	137,185
Capital assets	10,376,146	15,479,534	16,004,034	21,485,965	23,919,287	24,484,912	24,659,912	24,859,912	25,059,912	25,259,912	25,459,912	25,659,912
<i>Less accumulated depreciation</i>	<i>(1,110,369)</i>	<i>(1,679,575)</i>	<i>(2,260,210)</i>	<i>(2,977,894)</i>	<i>(3,756,412)</i>	<i>(4,549,069)</i>	<i>(5,346,102)</i>	<i>(6,148,135)</i>	<i>(6,955,168)</i>	<i>(7,767,200)</i>	<i>(8,584,233)</i>	<i>(9,406,266)</i>
Deferred outflows of resources	6,454	3,377	3,377	3,377	3,377	3,377	3,377	3,377	3,377	3,377	3,377	3,377
Total Assets and Deferred Outflows	17,721,016	23,230,535	24,149,216	31,484,695	33,173,809	33,351,575	32,861,593	33,063,931	32,720,838	32,859,800	32,157,794	31,301,814
Liabilities												
Due to other governments	257,285	295,909										
Unearned revenue	50,000	50,000										
Contracts and retainage payable	70,888	8,171										
Net Unamortized Prem/Discount	145,117	148,910	138,983	129,717	121,069	112,998	105,465	98,434	91,872	85,747	80,030	74,695
Bonds payable	6,695,000	6,695,000	6,260,000	10,135,000	11,090,000	10,395,000	9,615,000	8,815,000	7,995,000	7,150,000	6,295,000	5,415,000
Accounts payable / Other	120,230	136,509	136,509	136,509	136,509	136,509	136,509	136,509	136,509	136,509	136,509	136,509
Deferred inflows of resources	5,649	3,988	3,988	3,988	3,988	3,988	3,988	3,988	3,988	3,988	3,988	3,988
Total Liabilities and Deferred Inflows	7,344,169	7,338,487	6,539,480	10,405,214	11,351,566	10,648,495	9,860,962	9,053,931	8,227,369	7,376,244	6,515,527	5,630,192
Total Liabilities and Net Assets	17,721,016	23,230,535	24,149,216	31,484,695	33,173,809	33,351,575	32,861,593	33,063,931	32,720,838	32,859,800	32,157,794	31,301,814

Financial Plans SANITARY SEWER FUND

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

	Actual	Projected										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
Source of Cash:												
Operating and other non-operating revenues	606,327	508,585	3,165,632	1,221,553	843,533	970,618	1,105,618	1,298,014	1,510,995	1,724,768	1,846,064	
Development revenues	1,026,733	2,447,000	1,748,000	1,174,550	1,794,850	1,129,500	1,811,950	1,185,000	1,615,000	735,000	662,000	
Bond proceeds	440,262	-	4,340,000	1,430,000	-	-	-	-	-	-	-	
Total Source of Cash	2,073,322	2,955,585	9,253,632	3,826,103	2,638,383	2,100,118	2,917,568	2,483,014	3,125,995	2,459,768	2,508,064	
Use of Cash:												
Operations and maintenance	383,079	477,606	517,685	502,608	564,407	625,296	748,489	857,486	1,012,230	1,197,101	1,395,271	
Capital improvement / acquisitions	103,545	524,500	5,481,931	2,433,322	565,625	175,000	200,000	200,000	200,000	200,000	200,000	
Interfund transfers	-	-	36,241	80,196	80,409	80,574	80,175	80,262	80,301	80,294	80,238	
Debt service	605,679	614,655	637,279	767,019	1,015,073	1,079,664	1,077,501	1,074,764	1,076,344	1,061,631	1,061,166	
Total Use of Cash	1,092,303	1,616,761	6,673,135	3,783,145	2,225,513	1,960,534	2,106,166	2,212,512	2,368,875	2,539,026	2,736,675	
Net Change in Other Assets and Liabilities	275,140	(181,468)	(2,354,696)	(192,793)	299,779	293,161	292,072	290,245	290,683	291,091	291,472	
Net Change in Ending Cash Balance	1,256,159	1,157,356	225,801	(149,835)	712,649	432,745	1,103,474	560,747	1,047,802	211,834	62,861	
Ending Cash Balance	6,805,012	7,962,368	8,188,170	8,038,335	8,750,984	9,183,729	10,287,203	10,847,950	11,895,752	12,107,586	12,170,446	
Ending Cash Balance by Purpose:												
Cash for next year planned capital	35,000	1,228,523	1,032,922	565,625	175,000	200,000	200,000	200,000	200,000	200,000	200,000	
Cash for next year debt service	614,655	637,279	767,019	1,015,073	1,079,664	1,077,501	1,074,764	1,076,344	1,061,631	1,061,166	1,059,456	
Restricted WAC	5,916,554	5,837,724	6,136,925	6,175,434	7,183,672	7,531,983	8,583,696	9,065,491	10,035,571	10,148,784	10,137,020	
Unrestricted cash	238,803	258,842	251,304	282,203	312,648	374,245	428,743	506,115	598,551	697,636	773,970	
Total Ending Cash	6,805,012	7,962,368	8,188,170	8,038,335	8,750,984	9,183,729	10,287,203	10,847,950	11,895,752	12,107,586	12,170,446	

Notes:

1. City policy guidelines provide that the City maintain unrestricted cash equal to 50% of operating expenditures (not including depreciation). The pro forma meets this objective.
2. 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.

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									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Personnel Services												
Full-time Salaries	69,750	79,409	80,997	82,617	84,269	85,955	87,674	89,427	91,216	93,040	94,901	96,799
Allocation of New FTEs	-	-	-	-	20,321	25,782	26,813	56,625	58,890	61,245	63,695	66,243
Overtime	123	6,000	6,120	6,242	6,367	6,495	6,624	6,757	6,892	7,030	7,171	7,314
PERA Contributions	4,919	5,956	6,075	6,197	6,321	6,447	6,576	6,707	6,842	6,978	7,118	7,260
FICA Contributions	4,308	6,075	6,197	6,320	6,447	6,576	6,707	6,841	6,978	7,118	7,260	7,405
Medicare Contributions	961	-	-	-	-	-	-	-	-	-	-	-
Health\Dental Insurance	11,275	18,335	18,702	19,076	19,457	19,846	20,243	20,648	21,061	21,482	21,912	22,350
Other Benefits (Life, Disab, Clothes)		756	771	787	802	818	835	851	868	886	903	922
Unemployment Benefits	342	-	-	-	-	-	-	-	-	-	-	-
Workers Compensation	3,911	3,911	3,989	4,069	4,150	4,233	4,318	4,404	4,493	4,582	4,674	4,767
Total Personnel Services	95,589	120,442	122,851	125,308	148,135	156,152	159,791	192,262	197,240	202,362	207,634	213,061
Supplies												
Repair/Maint/Supplies	5,000	4,000	4,080	4,162	4,245	4,330	4,416	4,505	4,595	4,687	4,780	4,876
Office Supplies	1,199	800	816	832	849	866	883	901	919	937	956	975
Fuel, Oil, and Fluids		4,500	4,590	4,682	4,775	4,871	4,968	5,068	5,169	5,272	5,378	5,485
Operating Supplies	1,000	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	1,219
Personal Protective Equipment	800	800	816	832	849	866	883	901	919	937	956	975
Small Tools & Minor Equipment	4,500	4,500	4,590	4,682	4,775	4,871	4,968	5,068	5,169	5,272	5,378	5,485
Total Supplies	12,499	15,600	15,912	16,230	16,555	16,886	17,224	17,568	17,919	18,278	18,643	19,016
Other Services and Charges												
Engineering Services	20,000	20,000	20,400	20,808	21,224	21,649	22,082	22,523	22,974	23,433	23,902	24,380
Audit Services		7,987	8,147	8,310	8,476	8,645	8,818	8,995	9,175	9,358	9,545	9,736
Contract Services	40,000	30,400	31,008	31,628	32,261	32,906	33,564	34,235	34,920	35,618	36,331	37,057
IT Support	33,533	4,041	4,122	4,204	4,288	4,374	4,462	4,551	4,642	4,735	4,829	4,926
IT Hardware		800	816	832	849	866	883	901	919	937	956	975
Software Prorams		3,010	3,070	3,132	3,194	3,258	3,323	3,390	3,458	3,527	3,597	3,669
Telephone	1,500	1,707	1,741	1,776	1,811	1,848	1,885	1,922	1,961	2,000	2,040	2,081
Credit Card Fees		1,972	2,011	2,052	2,093	2,135	2,177	2,221	2,265	2,311	2,357	2,404
Postage	1,175	1,175	1,199	1,222	1,247	1,272	1,297	1,323	1,350	1,377	1,404	1,432
Insurance	3,187	3,665	3,738	3,813	3,889	3,967	4,046	4,127	4,210	4,294	4,380	4,468
Electric Utility	7,000	9,000	9,180	9,364	9,551	9,742	9,937	10,135	10,338	10,545	10,756	10,971
Sewer Utility - Met Council	92,140	169,359	229,887	265,011	224,560	275,743	330,344	418,362	519,624	666,434	843,163	1,032,981
Repairs\Maint Imp Equipment	4,500	4,500	4,590	4,682	4,775	4,871	4,968	5,068	5,169	5,272	5,378	5,485
Repairs\Maint Imp Not Bldgs	1,200	15,000	15,300	15,606	15,918	16,236	16,561	16,892	17,230	17,575	17,926	18,285
Equipment Rental	1,000	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	1,219
Uniforms		563	574	586	597	609	622	634	647	660	673	686
Conferences & Training	2,000	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	2,438
Miscellaneous			-	-	-	-	-	-	-	-	-	-
Other Costs Related to Financing			-	-	-	-	-	-	-	-	-	-
Total Other Services and Charges	207,235	276,179	338,843	376,147	337,919	391,369	448,281	538,659	642,326	791,590	970,823	1,163,194
Total Operating and Other Expenses	315,323	412,221	477,606	517,685	502,608	564,407	625,296	748,489	857,486	1,012,230	1,197,101	1,395,271

Financial Plans SANITARY SEWER FUND

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

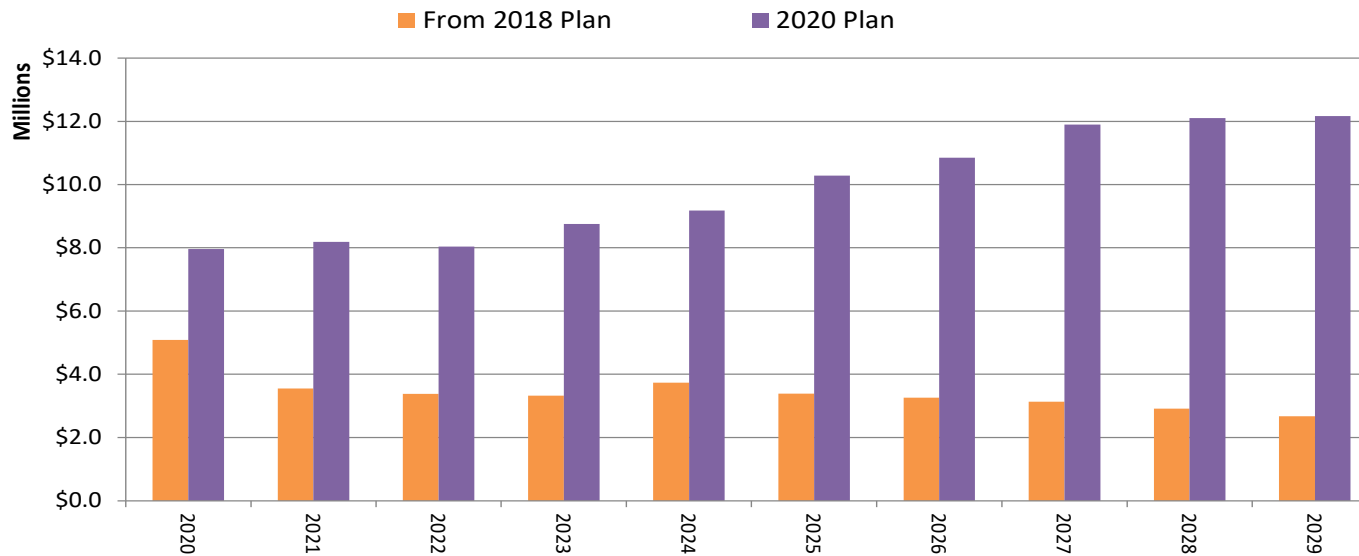
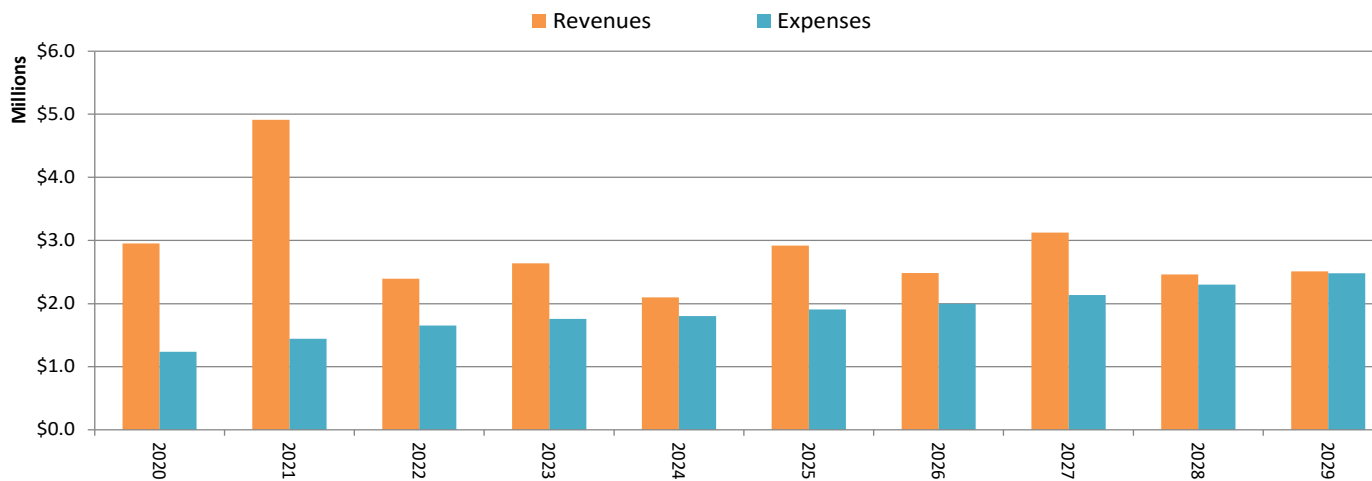


Chart 10
City of Lake Elmo, MN
Sanitary Sewer Fund
Projected Source and Use of Funds



Year end cash balances are projected, as shown in Chart 9, to increase with collection of future development charges to pay for future infrastructure projects.

The revenues and expenses in Chart 10 includes depreciation expense, and other contributions, transfers, and extraordinary items. The difference between annual revenues and expenses equals the change in net position of the fund. Sources of revenue are projected to exceed uses (expenses) as planned to provide (source of funds) for payment of debt on outstanding bonds (liabilities) and revenue for future build-out of the system.

Year 2021 revenues is projected to be larger than other years due to the anticipated certification of special assessments (accounts receivable) for several larger capital projects in this year, with assessments (cash) to be collected over multiple years.

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.

Revenues

There is one major source of revenue, 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 \$65.00, is assumed to increase annually by \$10.00 per year between 2021-2025, and then 1.0% average annual increases. The increases will help to maintain cash balance sufficient to meet operating and future capital needs, and to cover debt service.

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 expanded. The City anticipates \$60,000 in grant funds in 2022

for the Kraemer Lake Floodplain Study.

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.

Expenses

Expenses are 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 that follows.

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 that follows provides details on estimated annual change in reported ending cash.

Financial Plans STORM WATER FUND

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

	Actual		Projected									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenues												
Charges for service fees	285,775	344,211	314,748	385,155	464,080	551,984	663,932	783,201	869,530	976,364	1,090,184	1,179,507
Special assessments	361		-	-	-	-	-	-	-	-	-	-
Intergovernmental	84											
Investment income	16,902	37,478	5,040	4,574	4,072	3,586	3,801	4,175	4,988	6,068	7,536	9,726
Contributions and donations		4,183,075										
Miscellaneous		980	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,148	1,171	1,195
Storm water plan review charges	36,925	35,454	35,000	35,000	35,000	35,000	35,000	35,000	30,000	30,000	30,000	30,000
Total Source of Funds	340,047	4,601,198	355,788	425,749	504,191	591,630	703,815	823,480	905,644	1,013,581	1,128,891	1,220,428
Expenses												
Operating and other expense	116,529	132,018	210,052	214,253	228,698	233,272	237,938	257,066	262,207	267,451	272,800	278,256
Interest and fiscal expense	49,537	57,606	58,616	57,013	52,713	48,288	55,963	83,938	77,338	70,188	62,988	55,563
Depreciation	149,901	280,141	328,695	329,945	332,695	354,370	369,995	371,245	372,495	373,745	374,995	376,245
Transfer out to other funds		394,600										
Total Use of Funds	315,967	864,365	597,362	601,210	614,106	635,930	663,895	712,248	712,040	711,384	710,783	710,064
Change in Net Position	24,080	3,736,833	(241,574)	(175,461)	(109,914)	(44,299)	39,920	111,231	193,604	302,197	418,108	510,364
<i>Prior period adjustment</i>	74,348	2,556,241										
Net Position, End of Year	1,696,959	7,990,033	7,748,459	7,572,997	7,463,083	7,418,784	7,458,703	7,569,935	7,763,539	8,065,735	8,483,844	8,994,207
Assets												
Cash and investments	1,029,457	1,008,024	914,838	814,321	717,102	760,173	835,087	997,564	1,213,663	1,507,154	1,945,258	2,466,866
Special assessments receivable	44,503	69,802	69,802	69,802	69,802	69,802	69,802	69,802	69,802	69,802	69,802	69,802
Other assets	318,980	372,922	372,922	372,922	372,922	372,922	372,922	372,922	372,922	372,922	372,922	372,922
Capital assets	3,461,973	10,249,843	10,249,843	10,299,843	10,409,843	11,276,843	11,901,843	11,951,843	12,001,843	12,051,843	12,101,843	12,151,843
<i>Less accumulated depreciation</i>	<i>(284,276)</i>	<i>(612,971)</i>	<i>(941,666)</i>	<i>(1,271,611)</i>	<i>(1,604,306)</i>	<i>(1,958,676)</i>	<i>(2,328,671)</i>	<i>(2,699,916)</i>	<i>(3,072,411)</i>	<i>(3,446,156)</i>	<i>(3,821,151)</i>	<i>(4,197,396)</i>
Deferred outflows of resources	3,235	1,692										
Total Assets and Deferred Outflows	4,573,872	11,089,312	10,665,739	10,285,277	9,965,363	10,521,064	10,850,983	10,692,215	10,585,819	10,555,565	10,668,674	10,864,037
Liabilities												
Due to other funds												
Contracts and retainage payable												
Net Unamortized Prem/Discount	64,254	72,450	67,450	62,450	57,450	52,450	47,450	42,450	37,450			
Bonds payable	2,765,000	2,980,000	2,805,000	2,605,000	2,400,000	3,005,000	3,300,000	3,035,000	2,740,000	2,445,000	2,140,000	1,825,000
Accounts payable / Other	44,828	44,830	44,830	44,830	44,830	44,830	44,830	44,830	44,830	44,830	44,830	44,830
Deferred inflows of resources	2,831	1,999										
Total Liabilities and Deferred Inflows	2,876,913	3,099,279	2,917,280	2,712,280	2,502,280	3,102,280	3,392,280	3,122,280	2,822,280	2,489,830	2,184,830	1,869,830
Total Liabilities and Net Assets	4,573,872	11,089,312	10,665,739	10,285,277	9,965,363	10,521,064	10,850,983	10,692,215	10,585,819	10,555,565	10,668,674	10,864,037

Financial Plans STORM WATER FUND

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

	Actual	Projected										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
Source of Cash:												
Revenues	418,123	355,788	425,749	504,191	591,630	703,815	823,480	905,644	1,013,581	1,128,891	1,220,428	
Bond proceeds	390,000	-	-	-	815,000	510,000	-	-	-	-	-	
Total Source of Cash	808,123	355,788	425,749	504,191	1,406,630	1,213,815	823,480	905,644	1,013,581	1,128,891	1,220,428	
Use of Cash:												
Operations and maintenance	132,018	210,052	214,253	228,698	233,272	237,938	257,066	262,207	267,451	272,800	278,256	
Capital improvement / acquisitions	-	-	50,000	110,000	867,000	625,000	50,000	50,000	50,000	50,000	50,000	
Interfund transfers	394,600	-	-	-	-	-	-	-	-	-	-	
Debt service	229,500	233,616	257,013	257,713	258,288	270,963	348,938	372,338	365,188	367,988	370,563	
Total Use of Cash	756,118	443,667	521,265	596,411	1,358,560	1,133,900	656,003	684,545	682,639	690,788	698,819	
Net Change in Other Assets and Liabilities	(73,438)	(5,307)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(37,450)	-	-	
Net Change in Ending Cash Balance	(21,433)	(93,186)	(100,516)	(97,219)	43,071	74,915	162,476	216,099	293,492	438,103	521,609	
Ending Cash Balance	1,008,024	914,838	814,321	717,102	760,173	835,087	997,564	1,213,663	1,507,154	1,945,258	2,466,866	
Ending Cash Balance by Purpose												
Cash for next year planned capital	-	-	50,000	50,000	67,000	125,000	50,000	50,000	50,000	50,000	50,000	
Cash for next year debt service	233,616	257,013	257,713	258,288	270,963	348,938	372,338	365,188	367,988	370,563	368,050	
Unrestricted cash	774,408	657,825	506,609	408,814	422,210	361,150	575,226	798,475	1,089,167	1,524,695	2,048,816	
Total Ending Cash	1,008,024	914,838	814,321	717,102	760,173	835,087	997,564	1,213,663	1,507,154	1,945,258	2,466,866	

Notes:

1. City policy guidelines provide that the City maintain unrestricted cash equal to 50% of operating expenditures (not including depreciation). The pro forma meets this objective.

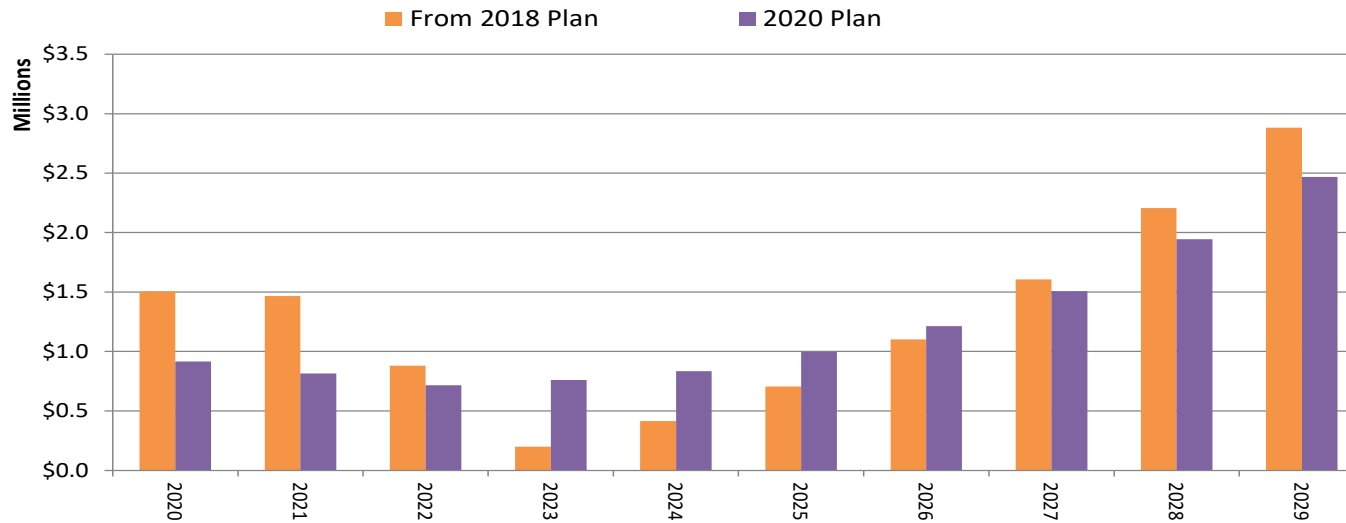
Financial Plans STORM WATER FUND

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

	Actual		Projected									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Personnel Services												
Full-time Salaries	34,773	54,068	55,149	56,252	57,377	58,525	59,695	60,889	62,107	63,349	64,616	65,909
Allocation of New FTEs	-	-	-	-	10,160	10,364	10,571	25,152	25,655	26,168	26,691	27,225
PERA Contributions	2,820	4,055	4,136	4,219	4,303	4,389	4,477	4,567	4,658	4,751	4,846	4,943
FICA Contributions	2,349	4,136	4,219	4,303	4,389	4,477	4,566	4,658	4,751	4,846	4,943	5,042
Medicare Contributions	497	-	-	-	-	-	-	-	-	-	-	-
Health\Dental Insurance	6,806	12,755	13,010	13,270	13,536	13,806	14,083	14,364	14,651	14,945	15,243	15,548
Other Benefits (Life, Disab, Clothes)	53	432	441	449	458	468	477	487	496	506	516	527
Unemployment Benefits	342	-	-	-	-	-	-	-	-	-	-	-
Workers Compensation	1,626	1,626	1,659	1,692	1,726	1,760	1,795	1,831	1,868	1,905	1,943	1,982
Total Personnel Services	49,266	77,072	78,613	80,186	91,950	93,789	95,665	111,947	114,186	116,470	118,800	121,176
Supplies												
Office Supplies	800	800	816	832	849	866	883	901	919	937	956	975
Fuel, Oil, and Fluids		400	408	416	424	433	442	450	459	469	478	488
Repair/Maint/Maint Supplies	2,000	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	2,438
Operating Supplies	1,000	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	1,219
Printed Forms			-	-	-	-	-	-	-	-	-	-
Other Equipment	4,300	4,300	4,386	4,474	4,563	4,654	4,748	4,842	4,939	5,038	5,139	5,242
Total Supplies	8,100	8,500	8,670	8,843	9,020	9,201	9,385	9,572	9,764	9,959	10,158	10,361
Other Services and Charges												
Engineering Services	20,000	20,000	20,400	20,808	21,224	21,649	22,082	22,523	22,974	23,433	23,902	24,380
Audit Services		7,987	8,147	8,310	8,476	8,645	8,818	8,995	9,175	9,358	9,545	9,736
Contract Services	15,000	6,000	6,120	6,242	6,367	6,495	6,624	6,757	6,892	7,030	7,171	7,314
IT Support	15,500	3,668	3,741	3,816	3,893	3,970	4,050	4,131	4,213	4,298	4,384	4,471
IT Hardware		1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	1,219
Software Programs		3,010	3,070	3,132	3,194	3,258	3,323	3,390	3,458	3,527	3,597	3,669
Telephone		351	358	365	372	380	388	395	403	411	419	428
Credit Card Fees		360	367	375	382	390	397	405	414	422	430	439
Postage	2,000	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	2,438
Insurance	5,001	5,751	5,866	5,983	6,103	6,225	6,350	6,477	6,606	6,738	6,873	7,010
Street Sweeping	25,000	30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150	35,853	36,570
Repairs/Maint Equip	750	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	1,219
Repairs/Maint Not Bldg	33,358	33,500	34,170	34,853	35,550	36,261	36,987	37,726	38,481	39,251	40,036	40,836
Equipment Rental	1,000	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	1,219
Uniforms		234	239	243	248	253	258	264	269	274	280	285
Miscellaneous Expenses	2,000	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	2,438
Conferences & Training	1,500	2,500	2,550	2,601	2,653	2,706	2,760	2,815	2,872	2,929	2,988	3,047
Other Costs Related to Financing	-	-	-	-	-	-	-	-	-	-	-	-
Other/adjustments			-	-	-	-	-	-	-	-	-	-
Total Other Services and Charges	121,109	120,361	122,768	125,224	127,728	130,283	132,888	135,546	138,257	141,022	143,843	146,719
Total Operating and Other Expenses	178,475	205,933	210,052	214,253	228,698	233,272	237,938	257,066	262,207	267,451	272,800	278,256

Financial Plans STORM WATER FUND

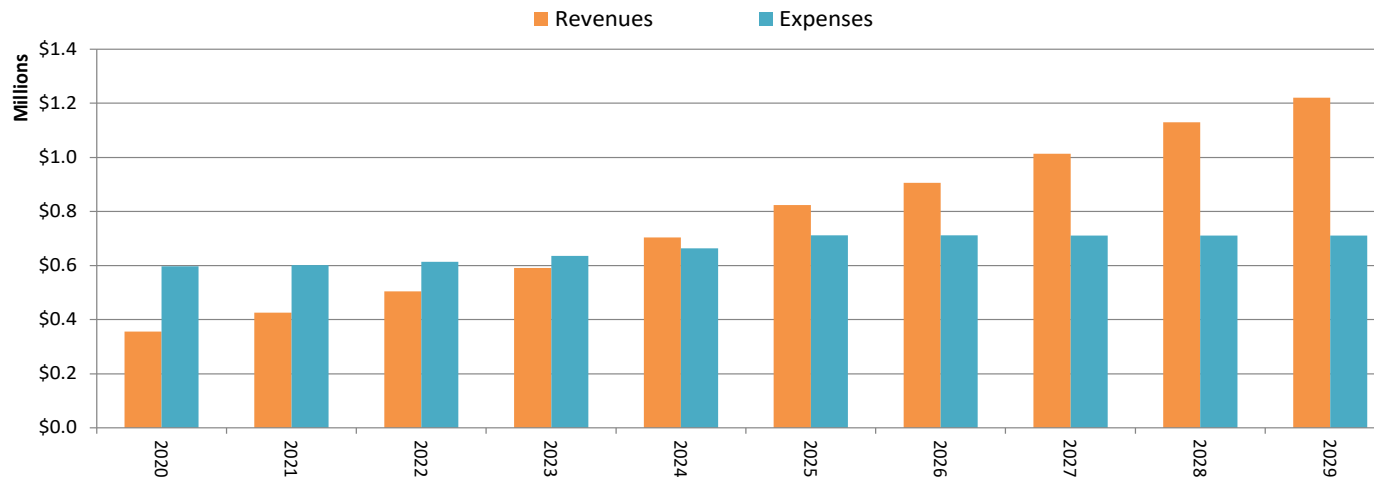
Chart 11
City of Lake Elmo, MN
Storm Water Fund
Year End Cash Balance Projections



Year end cash balances are projected, as shown in Chart 11, to increase with collection of charges to pay for future infrastructure projects.

The revenues and expenses in Chart 12 includes depreciation expense, and other contributions, transfers, and extraordinary items. The difference between annual revenues and expenses equals the change in net position of the fund. Sources of revenue are projected to exceed uses (expenses) as planned to provide (source of funds) for payment of debt on outstanding bonds (liabilities) and revenue for future build-out of the system.

Chart 12
City of Lake Elmo, MN
Storm Water Fund
Projected Source and Use of Funds



APPENDICES TO THE REPORT

APPENDIX A

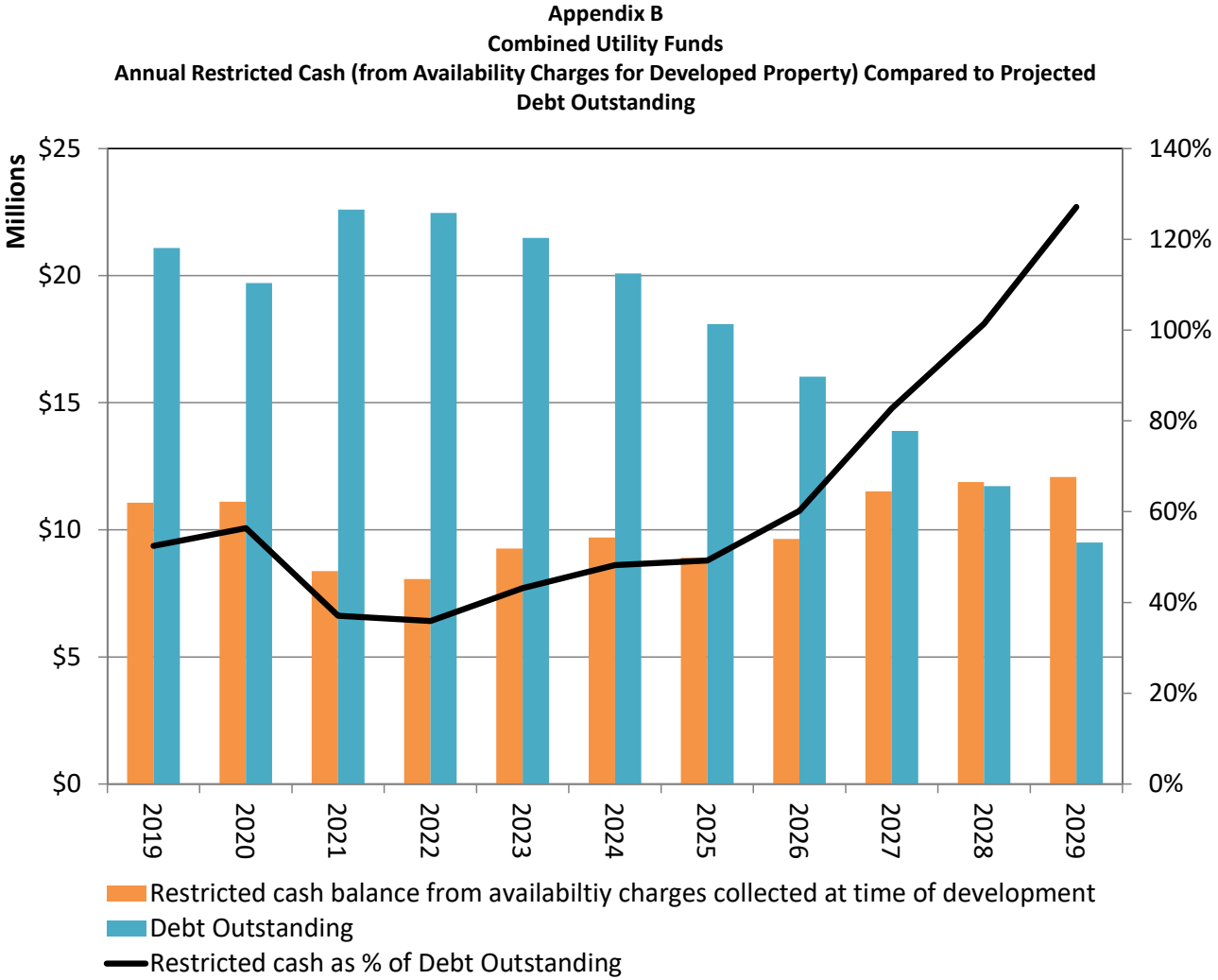
City of Lake Elmo, MN

Example Quarterly Utility Fees Payable by Property Types

	Based on Actual Rates		Projected								
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
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	8,000
Water Bill	\$38.18	\$38.18	\$38.56	\$38.95	\$39.34	\$39.73	\$40.13	\$40.53	\$40.93	\$41.34	\$41.76
Sanitary Sewer Bill	\$117.96	\$119.20	\$120.39	\$121.60	\$122.81	\$124.04	\$125.28	\$126.53	\$127.80	\$129.08	\$130.37
Storm Sewer Bill ¹	\$15.00	\$16.25	\$18.75	\$21.25	\$23.75	\$26.25	\$28.75	\$29.04	\$29.33	\$29.62	\$29.92
Total	\$171.14	\$173.63	\$177.70	\$181.79	\$185.90	\$190.02	\$194.16	\$196.10	\$198.06	\$200.04	\$202.04
Commercial Customer											
<i>Gallons of water per quarter</i>	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Water Bill	\$207.92	\$207.92	\$210.00	\$212.10	\$214.22	\$216.36	\$218.53	\$220.71	\$222.92	\$225.15	\$227.40
Sanitary Sewer Bill	\$230.00	\$232.50	\$234.83	\$237.17	\$239.54	\$241.94	\$244.36	\$246.80	\$249.27	\$251.76	\$254.28
Storm Sewer Bill ^{1,2}	\$46.20	\$50.05	\$57.75	\$65.45	\$73.15	\$80.85	\$88.55	\$96.25	\$103.95	\$111.65	\$119.35
Total	\$484.12	\$490.47	\$502.57	\$514.72	\$526.92	\$539.15	\$551.44	\$563.76	\$576.14	\$588.56	\$601.03

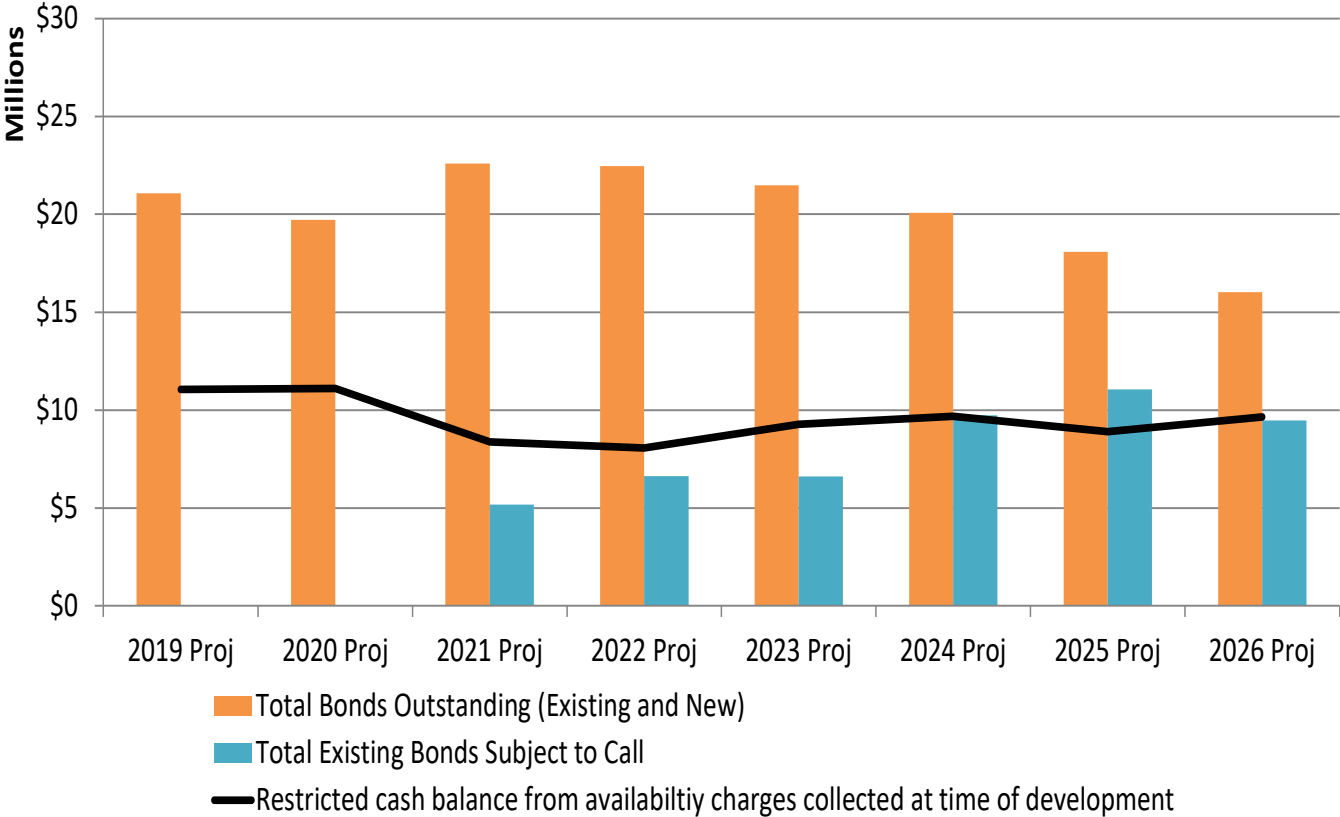
Note:

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



The estimated future restricted cash as % of debt outstanding will increase as cash increases from the collection of development fees. The cash is available to pay debt service on bonds issued to finance infrastructure improvements to support development and to pay for other future infrastructure improvements.

Appendix C
Total Bonds Outstanding and Bonds Subject to Call Provision



Note: For purpose of illustration this chart combines all bonds outstanding payable by net revenues of the Water Fund, Sanitary Sewer Fund, and Storm Water Fund. Restricted cash balance is 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, among other factors.

See page 13 for information by bond series on the par amount of bonds subject to a future call date.



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

Overview of Draft Financial Management Plan for Utility Funds

City of Lake Elmo, MN
November 17, 2020



1

Items to Cover

- Study approach
- Conclusions and recommendations
- CIP and debt service
- Utility rates
- Financial plans



2

2

Study Approach

- City provided information on key inputs
 - Historical spending and revenue trends
 - Projected growth in customers
 - Audited financial statements, preliminary estimates for 2020 and 2021 budget, capital improvement plans
- Meetings with city staff to review assumptions and plans
- Certain aspects not reviewed as part of the study
 - Comparison of rates to other communities



3

3

Conclusions and Recommendations

- Growth in customer units
 - Staff estimated the customer growth based upon the 2040 Comp Plan
 - Impact CIP and future revenue estimates
- No change to planned average annual utility rate increases
 - 1% average annual increases between 2021-2029 for water and sanitary sewer
 - \$10 per year for storm water between 2021-2025, and then 1.0% average annual increase between 2026-2029
- Management of cash balances and Assets
 - Cash for operations, CIP, and debt service, and undesignated cash equal to 50% of operating expenditures



4

4

Future customers

Table A Total Residential Equivalent Units (REC) Projected to be Charged Between Years 2020 and 2029	
Activity	Residential Equivalent Units (REC)
Platted - Sewer Access (REC)	3,788
Platted - Water Access (REC)	4,145
Connected - Sewer (REC)	3,631
Connected - Water (REC)	4,081

Note: 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. An increase in water only customers is due to grant funding related to presence of perfluorochemicals (PFCs) in groundwater. The sanitary sewer improvements in the Old Village also accounts for the differences.

5

Utility rates

TABLE B-1 Utility Rates					
Service	2020 Actual	2021 Projected	2022 Projected	2023 Projected	2024 Projected
WATER RATES					
Residential Quarterly Base Fee	\$21.22	\$21.43	\$21.65	\$21.86	\$22.08
Residential Tier 1	\$2.12	\$2.14	\$2.16	\$2.18	\$2.21
Commercial Quarterly Base Fee	\$26.52	\$26.79	\$27.05	\$27.32	\$27.60
Commercial Tier 1	\$3.30	\$3.33	\$3.37	\$3.40	\$3.43
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	\$54.10	\$54.64	\$55.19	\$55.74	\$56.30
Sewer per 1,000 gallons	\$4.65	\$4.70	\$4.74	\$4.79	\$4.84
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	\$65.00	\$75.00	\$85.00	\$95.00	\$105.00

- Average annual utility rate increases
 - 1.0% for water and sanitary sewer
 - \$10 per year for storm water between 2021-2025, and then 1.0% between 2026-2029

6

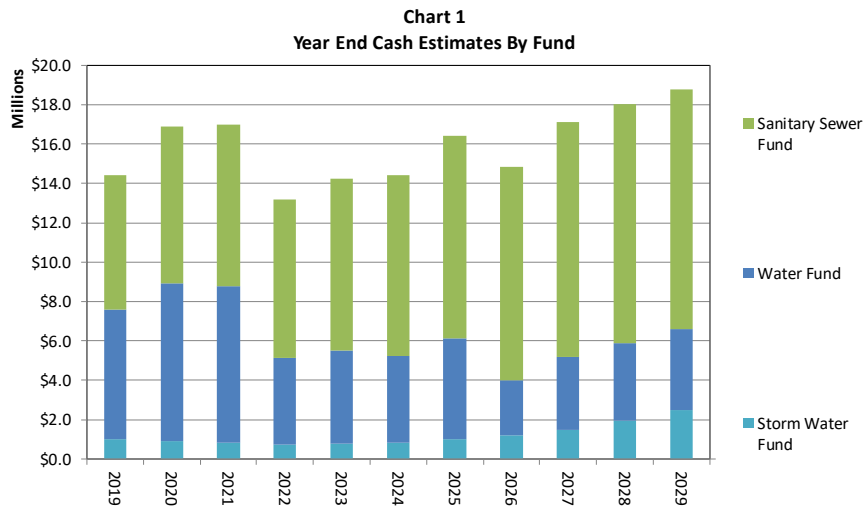
Management of cash balances

Table C
Operating Expenses and Unrestricted Cash
Water and Sanitary Sewer Funds

Year	Operating Expenses (Not Including Depreciation)	Unrestricted Cash	Unrestricted Cash as % of Expense
2020	\$1,205,295	\$602,648	50%
2021	\$1,341,364	\$670,682	50%
2022	\$1,368,082	\$684,041	50%
2023	\$1,451,386	\$725,693	50%
2024	\$1,467,530	\$733,765	50%
2025	\$1,636,844	\$818,422	50%
2026	\$1,764,740	\$882,370	50%
2027	\$1,938,807	\$969,404	50%
2028	\$2,143,435	\$1,071,717	50%
2029	\$2,361,806	\$1,180,903	50%

7

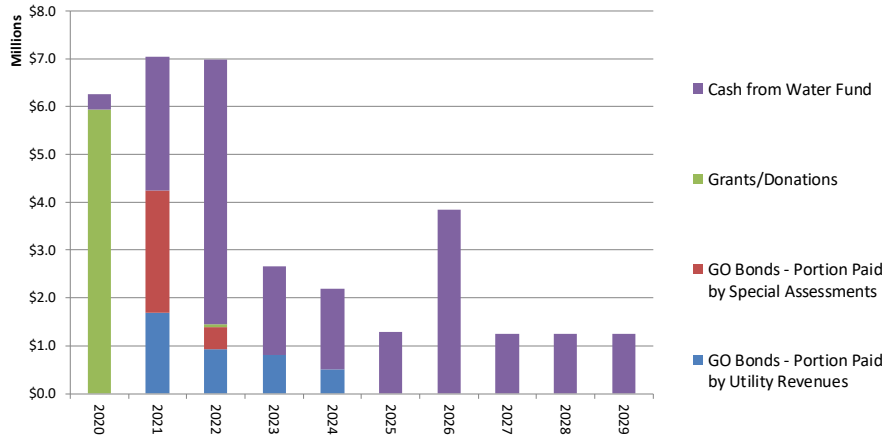
Cash balances



8

Capital Improvement Plan

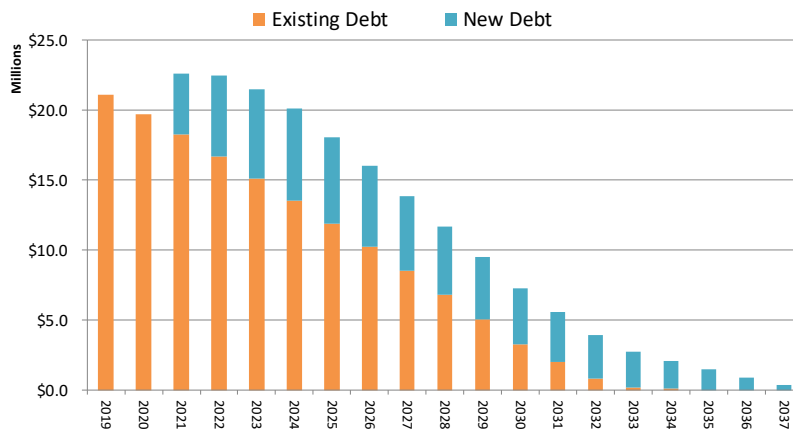
Planned Capital Improvement Project Spending by Source of Funds



9

Projected bonds outstanding

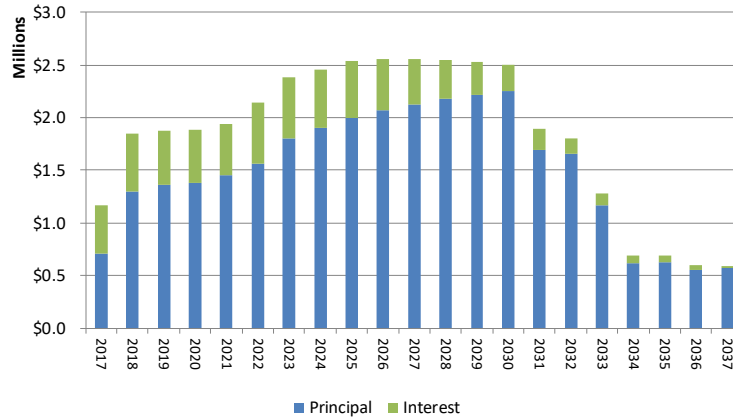
Chart 2
City of Lake Elmo, MN
Estimated Debt Outstanding at Year-End
Includes Existing Debt and Projected Debt Issuance
Debt Supported by Utility Funds Only



10

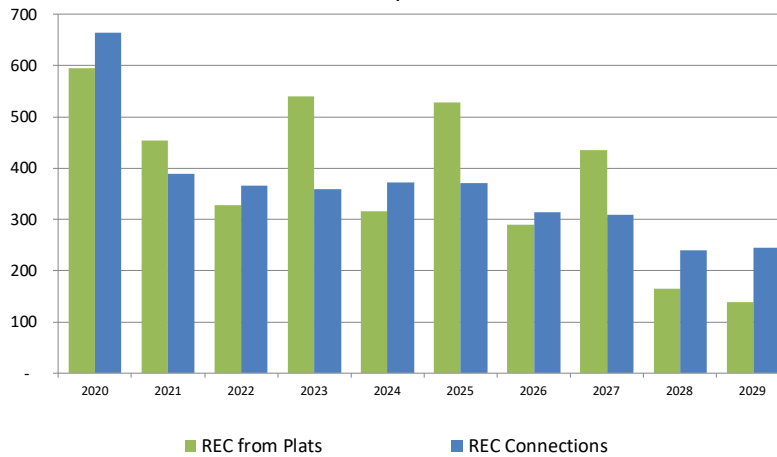
Projected debt service

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



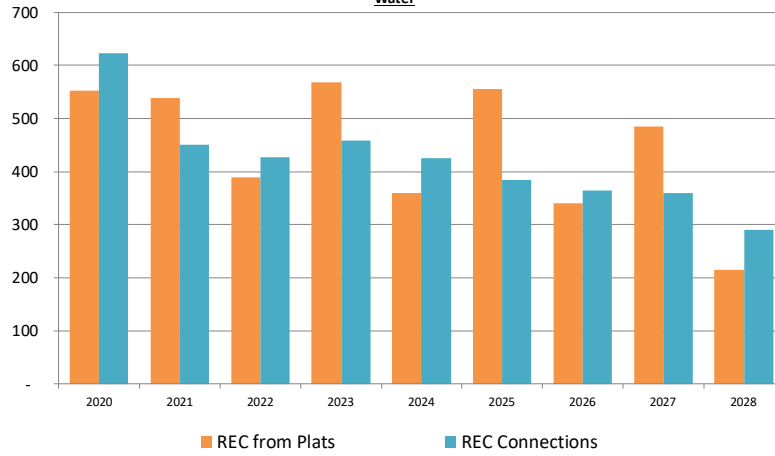
Increase in Utility Customers

Chart 4
City of Lake Elmo, MN
Estimated Residential Equivalent Units (REC)
Sanitary Sewer



Increase in Utility Customers

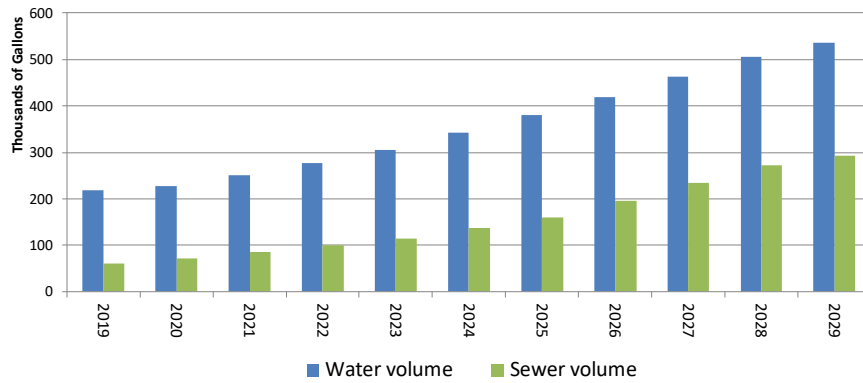
Chart 5
City of Lake Elmo, MN
Estimated Residential Equivalent Units (REC)
Water



13

Increase in Utility Customers

Chart 6
City of Lake Elmo, MN
Projected Volume of Water and Sanitary Sewer Subject to Billing



Note: Future volume billed is calculated based on 7,050 gallons per month of water usage for residential customers and 15,000 gallons per month for commercial customers.

14

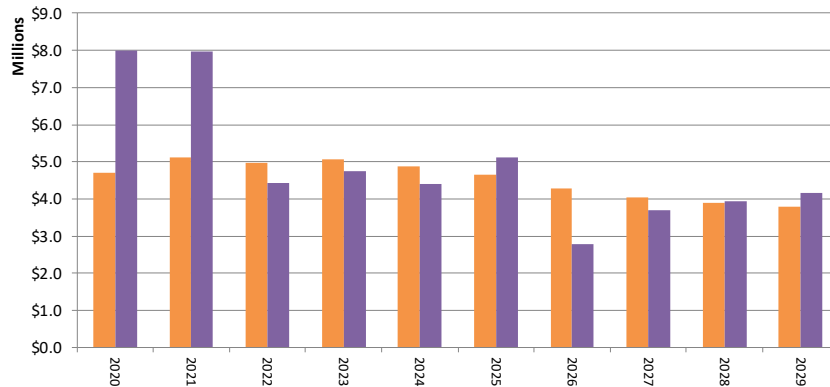
Water Fund

- Water Fund is in sound financial condition
- Future performance will be impacted by timing of future development and receipt of revenue
- Minimal adjustment to fees are anticipated (inflationary) but actual increases will depend on pace of development
- Annual debt service is projected to remain at about \$1.0 million annually 2021-2029, with no planned new debt issuance

15

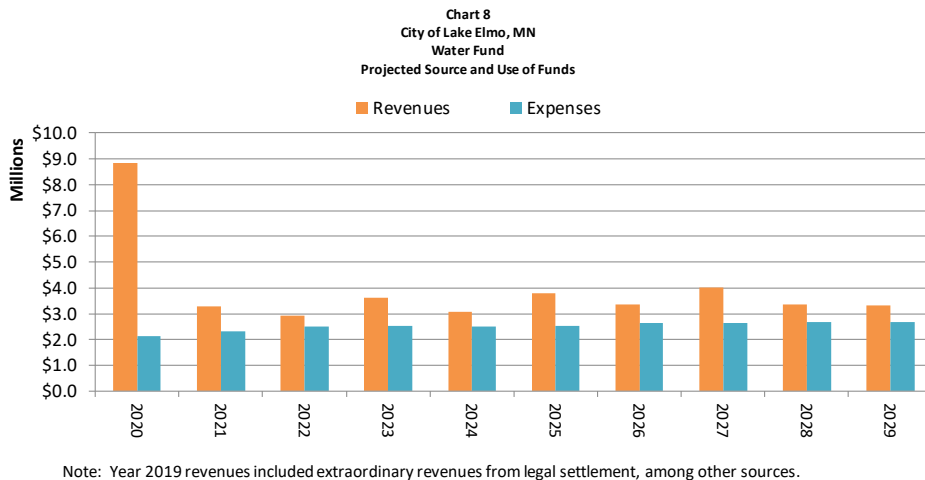
Water Fund

Chart 7
City of Lake Elmo, MN
Water Fund
Year End Cash Balance Projections
From 2018 Plan 2020 Plan



16

Water Fund



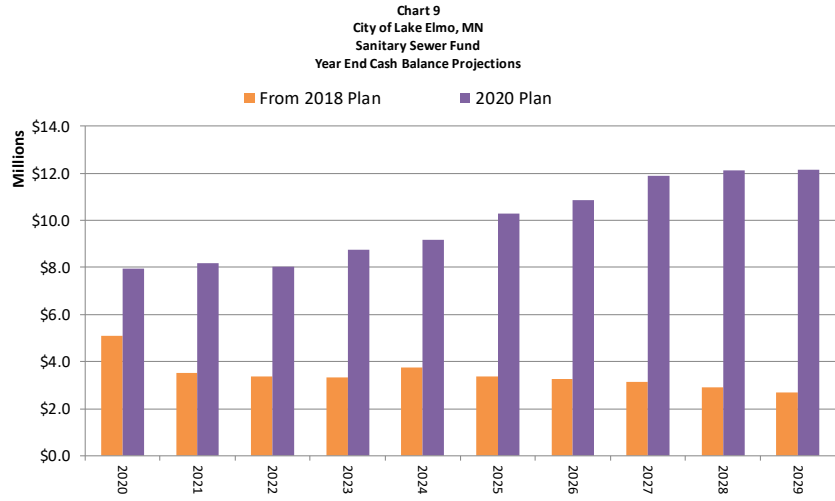
17

Sanitary Sewer Fund

- Sanitary Sewer Fund is in sound financial condition
- Future performance will be impacted by timing of future development and receipt of revenue
- Minimal adjustment to fees are anticipated (inflationary) but actual increases will depend on pace of development
- Annual debt service is projected to increase from about \$0.6 million in 2020 to \$1.06 million by 2029, new debt issuance is planned

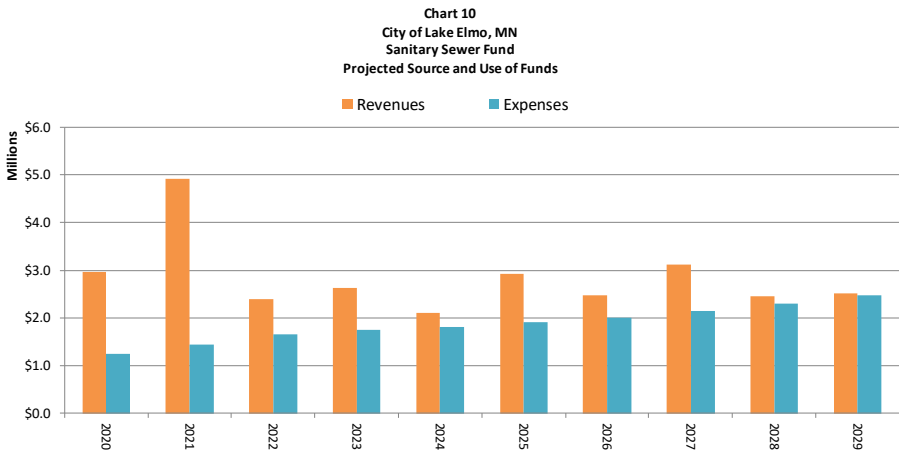
18

Sanitary Sewer Fund



19

Sanitary Sewer Fund



20

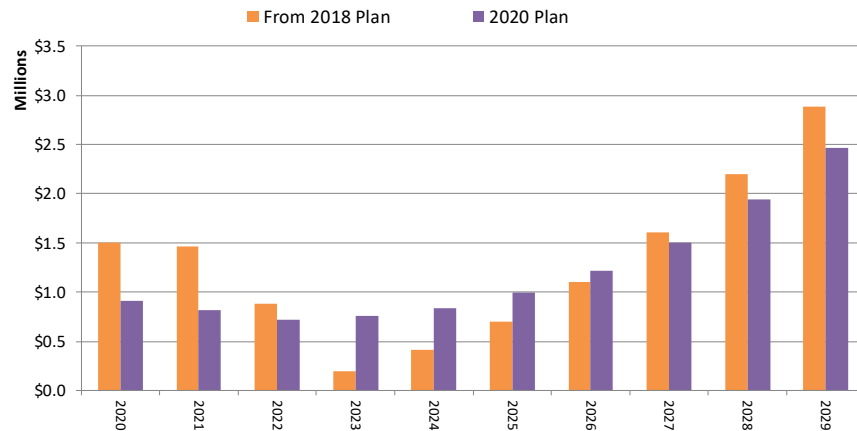
Storm Water Fund

- Storm Water Fund is in sound financial condition
- Future performance will be impacted by timing of future development and receipt of revenue
- Rate increase of \$10.00 between 2021-2025, and then minimal adjustment to fee is anticipated (inflationary) but rate increases will depend on the pace of development
- No outstanding debt

21

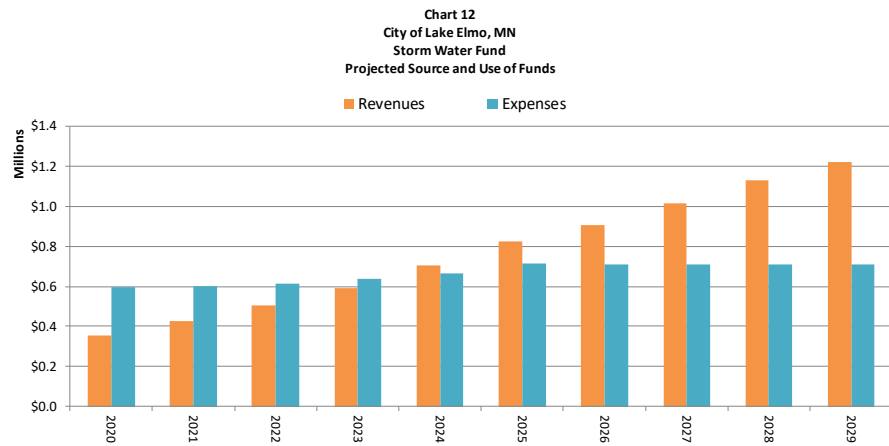
Storm Water Fund

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



22

Storm Water Fund



23

Closing Comments

- Utility funds are projected to remain in sound financial condition
 - WAC and SAC and connection charges (both current balances and future collection) are needed to pay a portion of debt service expense; and
 - Future operating revenues are needed to cover debt service expense
- Minimal rate increases will be needed
 - Level of increase and timing will depend on actual pace of development and actual year to year financial performance

24

Questions

Tammy Omdal
612-851-4964
tomdal@northlandsecurities.com

Northland Securities, Inc.
150 South Fifth Street, Suite 3300
Minneapolis, Minnesota 55402
800-851-2920
www.northlandsecurities.com/public_finance

Member NASD and SIPC
Registered with SEC and MSRB



25

25