



STAFF REPORT

DATE: November 14, 2023

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

BACKGROUND:

First in 2016, and again in 2020, the city contracted with Northland Securities Inc to complete a long range financial management plan for the water, sewer and storm water funds. In June 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?
- 2) Are there any assumptions to change or additional direction from council?

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 10-year CIP, 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 the update in 2020. She has also worked with the city on bonding issuances in the past.

FISCAL IMPACT:

A proposed rate structure is offered in the plan in order to provide for the operation and capital needs of the utility funds over the next 10 years.

ATTACHMENTS:

- 1) Financial Management Plan for the Water, Sewer and Storm Water Funds November 2023
- 2) Presentation Handout



**City of Lake Elmo, MN
Financial Management Plan for
Water Fund, Sanitary Sewer Fund, and Storm Sewer Fund**

Draft for Presentation to City Council on November 14, 2023



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Registered with SEC and MSRB

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November 14, 2023

Kristina Handt, City Administrator
Clarissa Hadler, Finance Director
City of Lake Elmo
3880 Laverne Avenue North
Lake Elmo, MN 55042

RE: PRELIMINARY DRAFT Financial Management Plan for Water, Sanitary Sewer, and Storm Sewer Funds

Dear Kristina and Clarissa,

Northland Public Finance is pleased to present the City with this Financial Management Plan for the Water, Sanitary Sewer, and Storm Sewer Funds (the "Plan"). This Plan is an update to the Plan completed in 2020 by Northland. The current study included updating data and prior assumptions to perform a utility rate analysis for the utility systems. The analysis and study includes a review of the past and projected performance of the funds and projected growth in residential equivalent connections from new development to determine 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. Northland appreciates the opportunity to provide service to the City.

Sincerely,

NORTHLAND SECURITIES, INC.

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

Tammy Omdal
Managing Director

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EXECUTIVE SUMMARY

This Plan is intended to serve as a guide for financial management of the water, sanitary sewer, and storm sewer 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 existing rate structure for charging customers for service and propose modifications to provide fair and equitable distribution of costs that achieves revenue sufficiency, while promoting conservation of resources.

The Plan includes projections for growth in customers of the Utilities, projections for revenues and expenses, and incorporation of current City plans for capital improvements, among other items.

The growth projections prepared by the City are as of September 2023 and limit growth to the staging plan in the City’s 2040 Comprehensive Plan.

Conclusions and Recommendations

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

1. Impact of Growth in Customers on Utilities

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 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 City’s 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 capital improvement plans, the actual timing for the build out of already approved residential development and commercial areas will impact future revenue projections.

Table A provides the total estimated growth in utility customers between 2023-2032. Table A-1 provides the total estimated customers to be billed by service by year 2032. The projections are based on estimated platting of property and timing for new connections. Table E provides details, including estimates by year, for information summarized in Table A.

2. Utility Rate Adjustments

The Plan proposes an adjustment to the charges for water services based on adjustments to the percentage difference between the rates charged for different tiers of water usage for the purpose of promoting water conservation. The more water a customer uses, the more they will pay for each additional gallon as their usage moves between the five different tiers.

Table A Total Residential Equivalent Units (REC) Projected to Pay Access and Connection Charges Between Years 2023 and 2032	
Fee Type	REC
Platted - Sewer Access (REC)	2,376
Platted - Water Access (REC)	2,409
Connected - Sewer (REC)	3,165
Connected - Water (REC)	3,215
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 perfluorochlorinated compounds (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 2032	
Customers	REC
Water	6,216
Sanitary Sewer	5,117
Storm Sewer	7,572
Note to Table A-1: Storm Sewer units are based on calculation of residential equivalent units (REC). REU for commercial customers is calculated at 3.08X. REC for residential customers is 1X.	

The City currently has a five tier structure for charging water volume. The Plan proposes the City maintains its five tiers but provides for a higher cost per 1,000 gallons of water usage at the higher tiers (Tiers 3-5).

Table B provides a comparison of residential water fees for current year 2023 fees compared to the proposed 2024 fees.

Table B Residential Water Fees			
Charges	Current Year 2023 Fee	Proposed 2024 Fees	% Increase in Fees
Base Charge Rate	\$21.86	\$22.52	3.0%
Tier 1: Rate for 0-15,000 Gal	\$2.18	\$2.20	1.0%
Tier 2: Rate for 15,001-30,000 Gal	\$2.63	\$2.68	2.0%
Tier 3: Rate for 30,001-50,000 Gal	\$3.15	\$3.31	5.0%
Tier 4: Rate for 50,001-80,000 Gal	\$3.79	\$4.17	10.0%
Tier 5: Rate for 80,001 + Gal	\$4.52	\$5.20	15.0%

After implementation of the proposed 2024 fees for water services, the Plan then assumes water fees will adjust by 3.0-3.5% annually. There is no increase proposed to fees charged for water and sanitary sewer connection and availability charges, only to the base and usage fees charged for services.

Table C provides information on utility fees for residential customers, comparing current 2023 to future years.

TABLE C Utility Fees for Residential Customers					
Service	2023 Adopted	2024	2025	2026	2027
RESIDENTIAL WATER RATES (Based on Current Tier Structure)					
Residential quarterly base fee	21.86	22.52	23.19	23.89	24.60
Residential Tier 1: 0-15,000 gal	2.18	2.20	2.27	2.34	2.41
Residential Tier 2: 15,001-30,000 gal	2.63	2.68	2.76	2.85	2.93
Residential Tier 3: 30,001-50,000 gal	3.15	3.31	3.41	3.51	3.61
Residential Tier 4: 50,001-80,000 gal	3.79	4.17	4.29	4.42	4.56
Residential Tier 5: >80,001 gal	4.52	5.20	5.35	5.51	5.68
Connection charge Per REC Unit	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
RESIDENTIAL SANITARY SEWER RATES					
Residential quarterly base fee (first 10,000 gallons)	55.74	55.74	57.41	59.13	60.91
Volume charge (after 10,000 gal)	4.80	4.99	5.19	5.40	5.62
Connection charge Per REC Unit	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
STORM WATER RATES					
Storm Sewer Annual Charge	95.00	95.00	95.00	95.00	95.00

Notes:

1. This table provides a listing of some of the utility fees and is not a complete listing of all fees. The list is for residential customers only and does not include information for other customer classifications.

Maintaining a long term view for the management of the Utility Funds will help the City avoid 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.

3. Management of Cash Balances and Assets

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

The Financial Plan Section of the Plan provides a 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 (not less than 50% of operating expense, not including depreciation)

For the Plan restricted cash from availability charges is calculated as the net cash available after accounting for payment of debt service on bonds issued to fund projects to support development, use of current availability charges for planned capital projects to be paid from cash, and unrestricted cash for operating reserve.

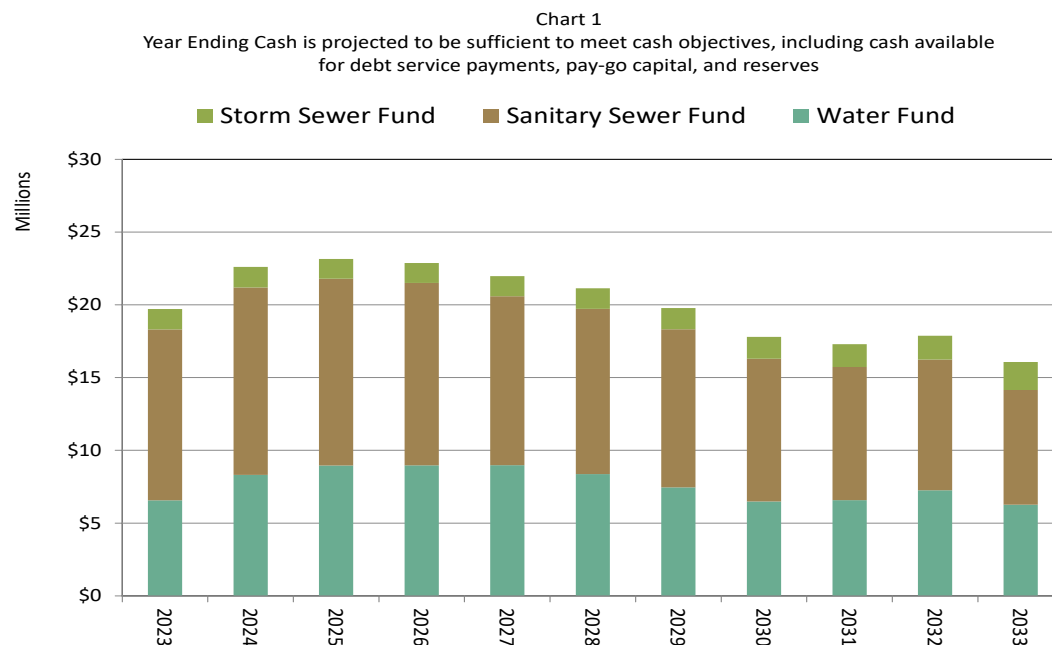
Table D provides a summary of the estimated annual operating expense (not including depreciation expense) and unrestricted cash, and unrestricted cash as percent of operating expense. The Plan seeks to maintain unrestricted cash greater than 50% of operating expense, not including depreciation or interest expense on bonds.

The Sanitary Sewer has unrestricted cash increasing over time. Unrestricted cash in excess of the minimum 50% is available to provide a source of funding for capital improvement projects that the City has not yet programmed in the CIP. As the City begins to include future capital improvements in the CIP the ending unrestricted cash over operating expense may decrease.

Table D Estimated Operating Expense and Unrestricted Cash			
Water Fund			
Year	Operating Expense (not including depreciation, interest expense, or transfers)	Unrestricted Cash	Unrestricted Cash as % of Operating Expense
2023	1,155,418	600,056	52%
2024	1,200,113	613,422	51%
2025	1,226,844	631,824	52%
2026	1,263,649	650,779	52%
2027	1,301,558	670,303	52%
Sanitary Sewer Fund			
Year	Operating Expense (not including depreciation, interest expense, or transfers)	Unrestricted Cash as of Prior Year End	Unrestricted Cash as % of Operating Expense
2023	982,621	560,235	57%
2024	1,120,469	608,357	54%
2025	1,216,715	1,480,316	122%
2026	1,300,032	1,261,154	97%
2027	1,384,796	1,849,703	134%
Storm Sewer Fund			
Year	Operating Expense (not including depreciation, interest expense, or transfers)	Unrestricted Cash as of Prior Year End	Unrestricted Cash as % of Operating Expense
2023	244,442	128,138	52%
2024	256,276	131,886	51%
2025	263,772	135,842	52%
2026	271,685	139,918	52%
2027	279,835	144,115	52%

Note: For purpose of this table, operating expense does not include depreciation expense or interest expense. Unrestricted cash as % of operating expense fluctuates as outstanding debt is amortized and with reduction in new debt issuance, among other factors. The Plan seeks to provide unrestricted cash that is greater than 50% of operating expense.

Executive Summary



Ending cash balances are projected to change from year to year due largely to the timing of collection of connection and access charges and use of these funds to pay debt service on bonds issued to finance improvements and use of these funds for pay-go capital in future years.

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. 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 included.
3. Utility Rates provides current, and future estimated rates to maintain a positive financial condition for the Utility Funds.
4. Financial Plans are provided for the Water Fund, Sanitary Sewer Fund, and Storm Sewer 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.
5. Appendices to Report provides supplemental information.

- 2021 and 2022 audited financial results and 2023 budget.

- Information provided by the City was organized, analyzed, and used to support the development of financial plans for the Utility Funds. Once the preliminary financial plans were developed then different scenarios were developed by Northland and considered by City staff.
- City staff offered input and feedback on the assumptions and desired outcomes.

Study Approach

Northland worked closely with city staff in the preparation of the Plan.

- The 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;

CAPITAL IMPROVEMENT PLAN AND DEBT SERVICE

The Plan incorporates portions of the City's current Capital Improvement Plan (the "CIP") funded from utility revenues. Other planned capital projects to be funded from sources other than utility revenues are not included in the Plan.

Tables E-1, E-2, and E-3 that follow provide details on planned capital spending for each of the utility funds. 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 is 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.

For the storm sewer 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 sewer utility that are anticipated to be addressed in the next five to ten years:

- Phase 2 Downtown Regional Drainage project consisting of over sizing costs paid to the developer for the construction of the regional storm sewer pond in Phase 2 (Shiltgen property west of Lake Elmo Avenue and north of CSAH 14), and a storm sewer 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.

Source of Funding for Capital Projects

The source of funding for 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.

When issuing bonds to finance utility improvements, 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 do not count against the City's debt limit.

The estimates for debt service are based on bonds to be paid over 15-20 years and level annual debt service. The estimated interest rates used to calculate annual debt service is 4.0%. The actual interest rates will vary and 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 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 completing capital spending for new municipal facility, including space for city hall. In 2021, the City transferred cash from the Water Fund and the Sanitary Sewer Fund in the amounts of \$3,750,000 and \$1,500,000, respectively to pay a portion of the total cost of the project. The balance of the project cost for the new municipal facility was financed through issuance of \$10,295,000 of general obligation capital improvement bonds (issued as a portion of the Series 2021A Bonds).

Capital Improvement Plan and Debt Service

Table E-1
Water Fund
Capital Improvement Plan

Project Description	Projected									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Use of Funds										
W-008 - Village East Trunk Watermain & PRV	210,000	-	210,000	-	-	-	-	-	-	-
W-010 - Paint Water Tank at PW	-	800,000	-	-	-	-	-	-	-	-
W-011 - Well #2 Pump - Maintenance	-	50,000	-	-	-	-	-	-	-	-
W-012 - Well #4 Pump - Maintenance	-	-	-	-	-	-	-	50,000	-	-
W-013 - Watermain Oversizing	100,000	75,000	-	-	-	-	-	-	-	-
W-023 - Water Meter Change Out	75,000	25,000	-	-	-	-	-	-	-	-
W-024 - Automated Radio Read System	-	-	325,000	-	-	-	-	-	-	-
W-033 - 2024 Street Projects-water component	1,425,000	-	-	-	-	-	-	-	-	-
W-034 - 2025 Street Projects-water component	-	2,826,000	-	-	-	-	-	-	-	-
W-035 - 2026 Street Projects-water component	-	-	2,118,000	-	-	-	-	-	-	-
W-036 - 45th Street Watermain Extension	-	-	-	400,000	-	-	-	-	-	-
W-037 - Well #6 & Treatment Plant	880,000	3,400,000	3,400,000	-	-	-	-	-	-	-
W-038 - Trunk Watermain Extensions	-	-	1,740,000	1,500,000	-	1,500,000	-	1,500,000	-	-
W-039 - Decommission Water Tower 1	-	-	50,000	-	-	-	-	-	-	-
W-040 - 2027 Street & Utility Improvements - Water Portion	-	-	-	2,088,900	-	-	-	-	-	-
W-041 - CSAH-14 Trunk Watermain Ext-Jamaca Ct to Klondike	2,800,875	-	-	-	-	-	-	-	-	-
W-042 - Well #5 Pump - Maintenance	-	-	-	-	-	-	50,000	-	-	-
W-043 - Paint/Rehab Water Tower 2 (Ideal Ave)	-	-	-	-	-	-	-	-	-	-
W-044 - Paint/Rehab Water Tower 4 (Inwood Ave)	-	-	-	-	-	-	-	-	-	800,000
W-046 - 2028 Street & Utility Improvements - Water	-	-	-	-	150,000	-	-	-	-	-
W-047 - Temporary PFAS Treatment Plant for Well #2	1,500,000	-	-	-	-	-	-	-	-	-
W-048 - Well #7 (or Well #3)	-	-	-	-	240,000	640,000	-	-	-	-
W-049 - 2030 Street & Utility Improvements - Water portion	-	-	-	-	-	-	100,000	-	-	-
W-050 - 2031 Street & Utility Improvements - Water portion	-	-	-	-	-	-	-	130,000	-	-
W-051 - 2032 Street & Utility Improvements - Water portion	-	-	-	-	-	-	-	-	210,000	-
W-052 - 2033 Street & Utility Improvements - Water portion	-	-	-	-	-	-	-	-	-	525,000
Cost of Issuance	94,125	85,000	121,000	30,000	-	30,000	-	30,000	-	-
Total Use of Funds	7,085,000	7,261,000	7,964,000	4,018,900	390,000	2,170,000	150,000	1,710,000	210,000	1,325,000
Source of Funds										
Par Amount of Bonds	4,775,000	4,435,000	6,160,000	1,530,000	-	1,530,000	-	1,530,000	-	-
Special assessments	-	318,000	-	-	-	-	-	-	-	-
Other revenues	2,310,000	2,508,000	1,804,000	2,488,900	-	-	-	-	-	-
Use of cash from fund	-	-	-	-	390,000	640,000	150,000	180,000	210,000	1,325,000
Total Source of Funds	7,085,000	7,261,000	7,964,000	4,018,900	390,000	2,170,000	150,000	1,710,000	210,000	1,325,000

Table E-2
Sanitary Sewer Fund
Capital Improvement Plan

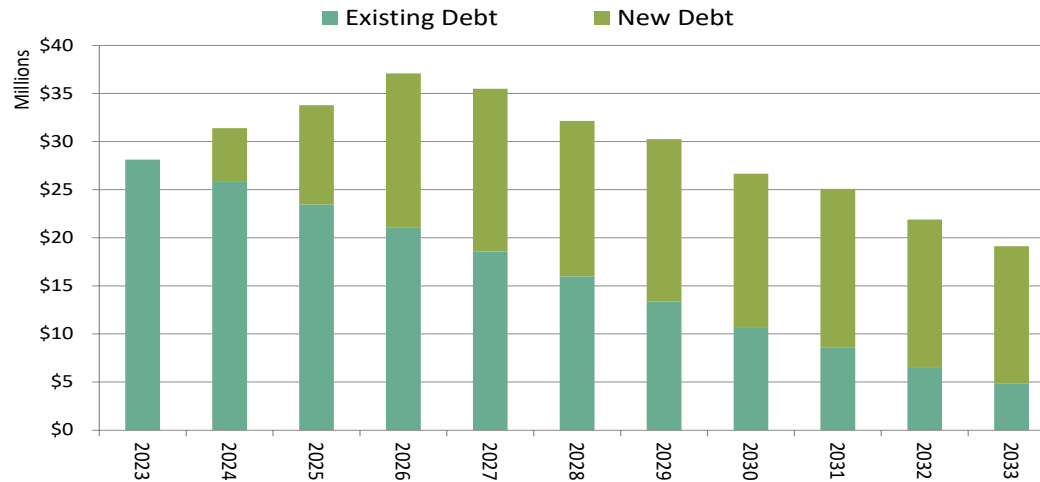
Project Description	Projected									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Use of Funds										
S-013 - Sewer Oversizing	89,102	200,000	-	-	-	-	-	-	-	-
S-019 - VAC Truck	300,000	-	-	-	-	-	-	-	-	-
S-021 - Low Pressure Sewer to Klondike	-	-	-	-	-	-	-	-	-	-
S-022 - Sewer to Sunfish Ponds	-	-	-	-	380,000	-	-	-	-	-
S-024 - I-94 Lift Station and Forcemain Upgrade	-	-	-	900,000	-	-	-	-	-	-
S-025 - Lake Jane Trail/Jane Road Sanitary Sewer Extension	-	-	-	-	-	-	-	-	-	-
S-026 - 50th Street & Hill Trail Low Pressure Sewer System	-	-	-	-	-	1,636,000	-	-	-	-
S-027 - Tapestry Sanitary Sewer Collection System Upgrades	-	-	-	-	-	-	-	-	1,000,000	-
Cost of Issuance	-	-	-	-	-	-	-	-	-	-
Total Use of Funds	389,102	200,000	-	900,000	380,000	1,636,000	-	-	1,000,000	-
Source of Funds										
Par Amount of Bonds	-	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	380,000	1,636,000	-	-	1,000,000	-
Use of cash from fund	389,102	200,000	-	900,000	-	-	-	-	-	-
Total Source of Funds	389,102	200,000	-	900,000	380,000	1,636,000	-	-	1,000,000	-

Table E-3
Storm Water Fund
Capital Improvement Plan

Project Description	Projected									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Use of Funds										
SW-001 - Phase 2 Regional Drainage Improvements	800,000	-	-	-	-	-	-	-	-	-
SW-002 - Phase 3 Regional Drainage Improvements	-	575,000	-	-	-	-	-	-	-	-
SW-005 - Storm Sewer Reuse-Irrigation Systems	-	40,000	40,000	-	-	-	-	-	-	-
SW-006 - Lions and VFW park irrigation Storm Sewer reuse	-	76,000	-	-	-	-	-	-	-	-
SW-TBD - Future Unidentified Storm Sewer Projects	-	-	-	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Cost of Issuance	15,000	10,000	-	-	-	-	-	-	-	-
Total Use of Funds	815,000	701,000	40,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Source of Funds										
Par Amount of Bonds	815,000	585,000	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-	-
Use of cash from fund	-	116,000	40,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Total Source of Funds	815,000	701,000	40,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000

Chart 2
Estimated Debt Outstanding for Existing and Planned New Debt Supported by Utility Revenues

New debt issuance planned for Water and Storm Sewer projects only, no debt issuance planned for Sanitary Sewer projects

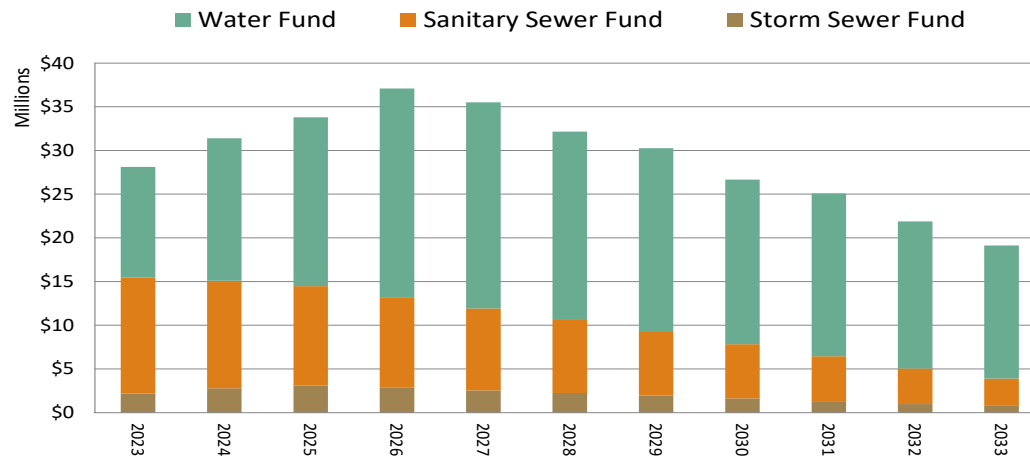


The chart includes both existing debt outstanding (as of December 31) and estimated new debt to be issued in the future and paid from the Utility Funds.

Other outstanding debt of the City supported by tax levy and other revenue is not included here.

Chart 3
Estimated Debt Outstanding by Fund Including Existing and Planned New Debt Supported by Utility Revenues

New debt issuance planned for Water and Storm Sewer projects only, no debt issuance planned for Sanitary Sewer projects



Capital Improvement Plan and Debt Service

Chart 4
Estimated Annual Debt Service by Fund
Includes Existing and Planned New Debt

Water Fund debt service is planned to increase with issuance of new debt

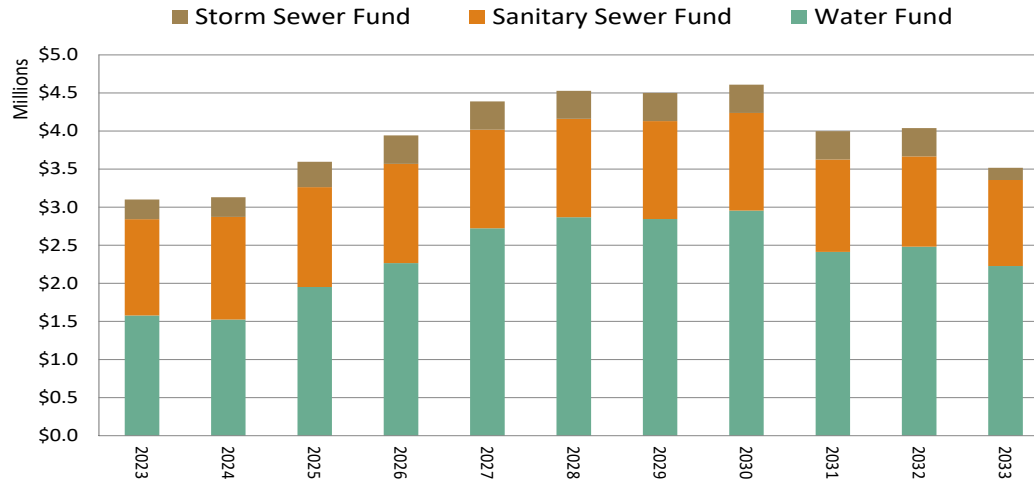
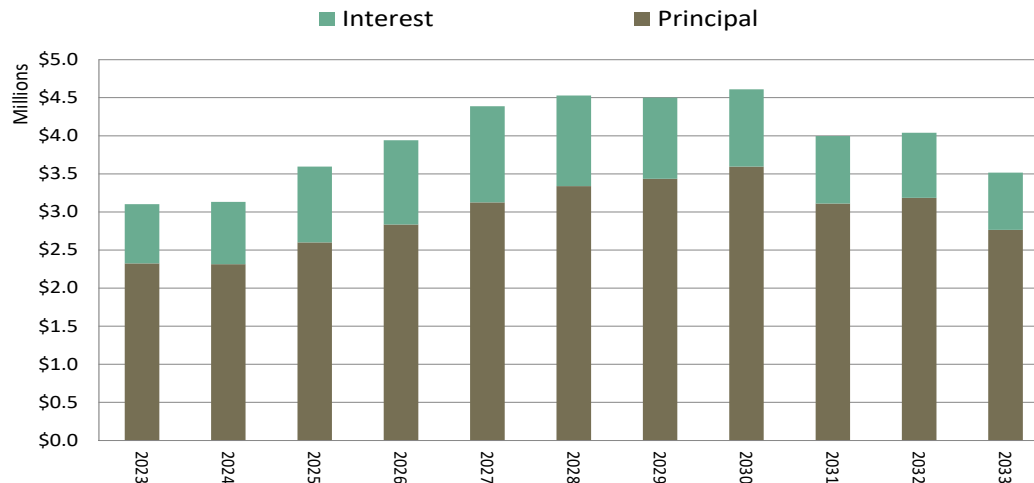


Chart 5
Estimated Annual Debt Service for Utility Funds
Includes Existing and Planned New Debt

Debt service is estimated to increase with planned new debt issuance



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 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. MCES has increased the fee charged based on metered volume by approximately 13-14% in recent years. The Plan assumes 7.0% annual increase in the MCES fee. The amount the City will pay to MCES will increase due the increase in MCES fee and increase in metered volume for the City from development.
- Annual capital expenditures are planned to maintain and improve the utility systems.
- Annual debt service is planned for 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 expenditures, not including the MCES sanitary sewer disposal charge, is estimated to increase by approximately 3.0% annually, with limited exceptions. The limited exceptions are as follows:

- New staff (personnel costs) are anticipated for the Utility Funds. Year 2024 includes funding for the new Finance Coordinator position added as part of the 2023 budget (with half of the cost budgeted in 2023 and remaining half in 2024). Starting in 2025, a new Public Works position is included with 50% of the cost funded from the Utility Funds.
- 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 2023) inflated by 7.0% 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 (availability and a connection charges).

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 planned debt obligations of the utility funds are accounted for in the financial plans and the projected revenues that will be needed for debt service. Debt service principal payments reduce the bonds payable liability (on the balance sheet) and are not recorded as an expense. Interest payments are reporting as an expense.

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 F 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 for the utility funds, meaning revenue that does not come from charges for services. The majority of the cost to operate and maintain the system is paid from charges collected from those using the system. Other on-going sources of revenue for the utility funds include interest income and other miscellaneous revenue collected.

During 2019, the City and 3M Company entered into a settlement agreement relating to the presence of perfluorochemicals 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).

Municipal sewer lines were extended along the city's western border in order to serve new development on the 180 acres the city received in a settlement with 3M in 2019. The new area will provide for business/industrial,

commercial and low-density housing options (source: Comprehensive Annual Financial Report of the City, for the year ended December 31, 2022).

Fees and Charges (Utility Rates)

The City bills utility customers quarterly. Information on prior years and projected utility fees for years 2024 to 2032 are included in Tables G, H, and I for each respective utility fund. The future rates reflect the rates necessary to maintain adequate cash balances and ending unrestricted net position in the Utility Funds. The rates applied against estimated customers and usage (volume) is used to calculate the annual estimated charges for services fees revenue shown in the Plan for each of the Utility Funds.

Water Fees

Figure 1 includes the proposed 2024 fees in the Plan for water fees. The Plan assumes the 2024 fee amounts for water will increase by 3.0% annually, beginning in year 2025. The Plan assumes fees for availability and connection charges will remain constant at 2023 amounts over the planning period.

Sanitary Sewer Fees

The Plan assumes sanitary sewer fees will increase annually by 3.0-4.0%, beginning in 2025, except for availability and connection fees which are assumed to remain constant at current amounts over the planning period (2024-2032). The Plan does not include any increase to the quarterly base fee for sanitary sewer in 2024. After 2024, the base charge increases by 3.0% annually. The volume charge is assumed to increase by 4.0% annually between 2024-2032.

Storm Sewer Fees

Storm Sewer fees are assumed to remain constant at current 2023 adopted amounts.

Figure 1.

Water Fees	2023 Adopted	2024 Proposed	% Increase
Residential quarterly base fee	\$21.86	\$22.52	3.0%
Residential Tier 1: 0-15,000 gal	\$2.18	\$2.20	1.0%
Residential Tier 2: 15,001-30,000 gal	\$2.63	\$2.68	2.0%
Residential Tier 3: 30,001-50,000 gal	\$3.15	\$3.31	5.0%
Residential Tier 4: 50,001-80,000 gal	\$3.79	\$4.17	10.0%
Residential Tier 5: >80,001 gal	\$4.52	\$5.20	15.0%
Commercial quarterly base fee	\$27.33	\$28.15	3.0%
Commercial Tier 1: 0-15,000 gallons	\$3.39	\$3.42	1.0%
Commercial Tier 2: 15,001-30,000 gal	\$3.56	\$3.63	2.0%
Commercial Tier 3: 30,001-50,000 gal	\$4.12	\$4.33	5.0%
Commercial Tier 4: 50,001-80,000 gal	\$5.46	\$6.01	10.0%
Commercial Tier 5: >80,001 gal	\$7.25	\$8.34	15.0%
Irrigation quarterly base fee	\$27.33	\$28.15	3.0%
Irrigation Tier 1: 0-30,000 gallons	\$2.63	\$2.68	2.0%
Irrigation Tier 2: 30,001-50,000 gal	\$3.15	\$3.31	5.0%
Irrigation Tier 3: 50,001-80,000 gal	\$3.79	\$4.17	10.0%
Irrigation Tier 4: >80,001 gal	\$4.52	\$5.20	15.0%
Hotel/Motel quarterly base fee	\$27.33	\$28.15	3.0%
Hotel/Motel Tier 1: 0-30,000 gal	\$3.39	\$3.42	1.0%
Hotel/Motel Tier 2: 30,001-50,000 gal	\$3.56	\$3.63	2.0%
Hotel/Motel Tier 3: >50,001 gal	\$4.36	\$4.80	10.0%
Multi-Family Residential quarterly base fee	\$21.86	\$22.52	3.0%
Multi-Family Residential Tier 1: 0-15,000 gal	\$2.18	\$2.20	1.0%
Multi-Family Residential Tier 2: 15,001-30,000 gal	\$2.63	\$2.68	2.0%
Multi-Family Residential Tier 3: 30,001-50,000 gal	\$3.15	\$3.31	5.0%
Multi-Family Residential Tier 4: 50,001-80,000 gal	\$3.79	\$4.17	10.0%
Multi-Family Residential Tier 5: >80,001 gal	\$4.52	\$5.20	15.0%

Estimated Volumes of Water Sold and Sanitary Sewer Billed

Annual estimated volume of water sold by tier and estimated sanitary sewer billed by year are included in Table G and Table H.

The estimated gallons of water sold and sanitary sewer volume billed by year is shown in Chart 6. The Plan assumes average annual water volume billed of approximately 80,000 gallons per residential customer. 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 60,000 gallons per residential customer.

The MCES reports total sewer volume for the City of approximately 150.37 million gallons for year 2021 and 163.89 million gallons for 2022. The MCES charges the City pays in the current year are based on flow from the prior year. For example, the 2023 total MCES disposal charge to the City is \$526,216, calculated based on 163,890 million gallons. (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. The volume the City bills to customers of the Sewer utility is less than the flow metered by MCES.

Table F

Residential Equivalent Customers (REC)										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	TOTAL 2023-2032
WATER CONNECTIONS-PAID AT TIME OF PERMIT										
Residential	328	217	200	150	150	150	150	150	150	1,795
Commercial	39	52	85	78	60	65	-	-	25	444
Multi Family	-	336	100	70	170	100	100		100	976
Total	367	605	385	298	380	315	250	150	175	3,215
SANITARY SEWER CONNECTIONS-PAID AT TIME OF PERMIT										
Residential	200	200	200	150	150	150	150	150	150	1,650
OV Residential	72	23								95
Commercial	39	52	85	78	60	65	-	-	25	444
OV Commercial										-
Multi Family	-	336	100	70	170	100	100		100	976
Total	311	611	385	298	380	315	250	150	175	3,165
WATER AVAILABILITY CHARGE-PAID AT TIME OF PLATTING										
Residential	180	177	176	90	62	62	62	-	90	989
Commercial	39	52	85	78	60	65	-	-	25	444
Multi Family	-	336	100	70	170	100	100		100	976
Total	219	565	361	238	292	227	162	-	115	2,409
SANITARY SEWER AVAILABILITY CHARGE-PAID AT TIME OF PLATTING										
Residential	69	160	176	90	62	62	62	-	90	861
OV Residential	72	23								95
Commercial	39	52	85	78	60	65	-	-	25	444
OV Commercial										-
Multi Family	-	336	100	70	170	100	100		100	976
Total	180	571	361	238	292	227	162	-	115	2,376

Source: Data provided by City.

Note: For commercial customers the city uses MCES SAC determination to calculate RECs for purpose of city charges. The number of new commercial utility customers (accounts) is as estimated as follows by year:

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	TOTAL 2023-2032
New Commercial accounts estimated by year:	4	4	3	3	3	3	2	1	1	2	26

Chart 6
Sanitary Sewer Fund
Estimated Residential Equivalent Units (REC)

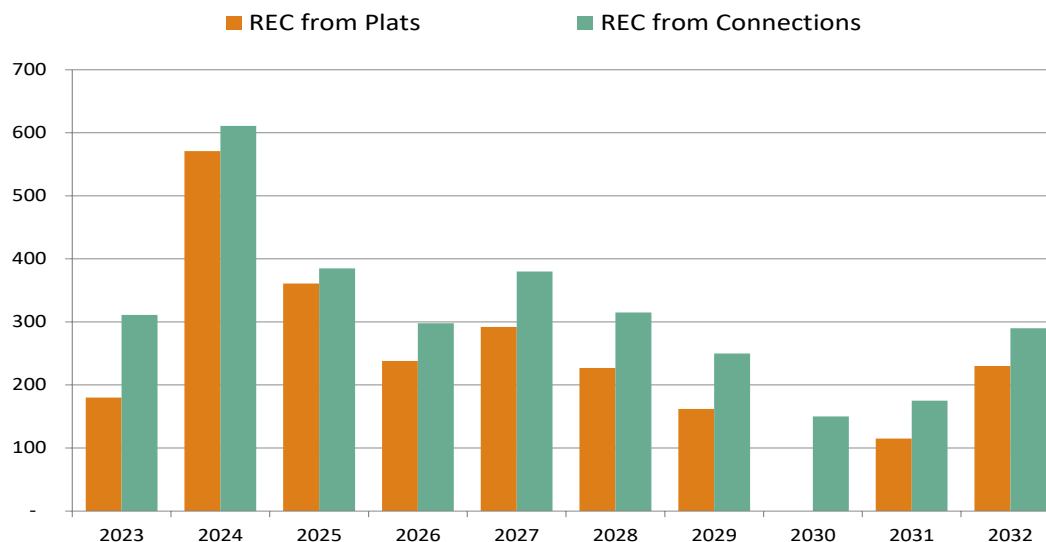
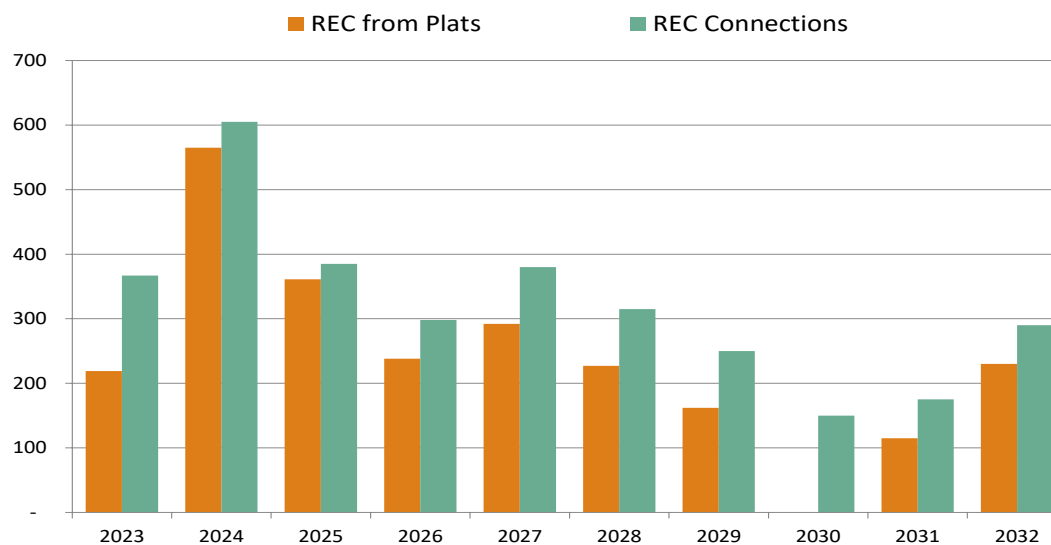


Chart 7
Water Fund
Estimated Residential Equivalent Units (REC)



The estimates for future growth from development, shown in residential equivalent units (REC), was prepared by the City. The estimates are as of September 2023.

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 payments for use of the systems.

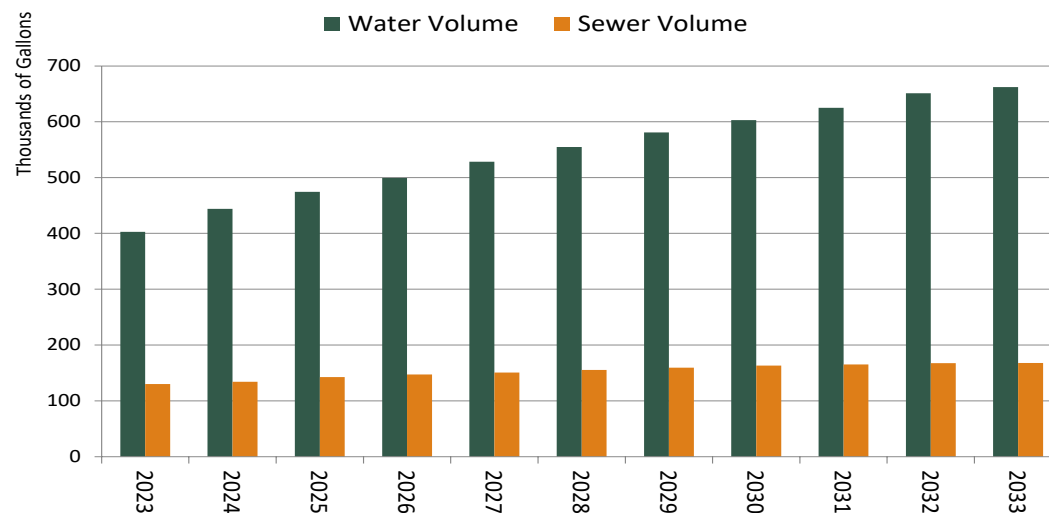
The City uses the Met Council's SAC determination to calculate residential equivalent units for City availability charges and connection charges. Availability charges for residential property (new units platted/developed) are paid at time of plat. For commercial property availability charges are paid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

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

Utility Rates

Chart 8
Projected Volume of Water and Sanitary Sewer Subject to Billing

Volume billed is projected to increase with addition of new customers



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.

Table G
Water Fund
Customers/Usage and Rates

	Current Year		Projected								
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Customers, Volume Billed (in 1,000 of gallons), and REC											
Residential customers	3,181	3,398	3,598	3,748	3,898	4,048	4,198	4,348	4,498	4,648	4,658
Residential Tier 1: 0-15,000 gal	143,329	156,349	168,349	177,349	186,349	195,349	204,349	213,349	222,349	231,349	231,949
Residential Tier 2: 15,001-30,000 gal	69,823	74,163	78,163	81,163	84,163	87,163	90,163	93,163	96,163	99,163	99,363
Residential Tier 3: 30,001-50,000 gal	44,146	44,146	44,146	44,146	44,146	44,146	44,146	44,146	44,146	44,146	44,146
Residential Tier 4: 50,001-80,000 gal	35,099	35,099	35,099	35,099	35,099	35,099	35,099	35,099	35,099	35,099	35,099
Residential Tier 5: >80,001 gal	37,524	37,524	37,524	37,524	37,524	37,524	37,524	37,524	37,524	37,524	37,524
Residential Volume Billed Total	329,921	347,281	363,281	375,281	387,281	399,281	411,281	423,281	435,281	447,281	448,081
Multi-Family Residential customers	118	454	554	624	794	894	994	994	994	1,094	1,094
Multi-Family Residential Tier 1: 0-15,000 gal	-	13,490	17,505	20,316	27,141	31,156	35,171	35,171	35,171	39,186	39,186
Multi-Family Residential Tier 2: 15,001-30,000 gal	-	-	-	-	-	-	-	-	-	-	-
Multi-Family Residential Tier 3: 30,001-50,000 gal	-	-	-	-	-	-	-	-	-	-	-
Multi-Family Residential Tier 4: 50,001-80,000 gal	-	-	-	-	-	-	-	-	-	-	-
Multi-Family Residential Tier 5: >80,001 gal	-	-	-	-	-	-	-	-	-	-	-
Multi-Family Residential Volume Billed Total	-	13,490	17,505	20,316	27,141	31,156	35,171	35,171	35,171	39,186	39,186
Commercial customers	192	196	199	202	205	208	210	211	212	214	215
Commercial Tier 1: 0-15,000 gallons	5,267	5,507	5,687	5,867	6,047	6,227	6,347	6,407	6,467	6,587	6,647
Commercial Tier 2: 15,001-30,000 gal	2,727	2,807	2,867	2,927	2,987	3,047	3,087	3,107	3,127	3,167	3,187
Commercial Tier 3: 30,001-50,000 gal	2,634	2,634	2,634	2,634	2,634	2,634	2,634	2,634	2,634	2,634	2,634
Commercial Tier 4: 50,001-80,000 gal	2,913	2,913	2,913	2,913	2,913	2,913	2,913	2,913	2,913	2,913	2,913
Commercial Tier 5: >80,001 gal	11,527	11,527	11,527	11,527	11,527	11,527	11,527	11,527	11,527	11,527	11,527
Commercial Volume Billed Total	25,068	25,388	25,628	25,868	26,108	26,348	26,508	26,588	26,668	26,828	26,908
Irrigation customers	230	234	237	240	243	246	248	249	250	252	253
Irrigation Tier 1: 0-30,000 gallons	4,007	10,007	16,007	22,007	28,007	34,007	40,007	46,007	52,007	58,007	64,007
Irrigation Tier 2: 30,001-50,000 gal	2,327	2,327	2,327	2,327	2,327	2,327	2,327	2,327	2,327	2,327	2,327
Irrigation Tier 3: 50,001-80,000 gal	3,188	7,188	11,188	15,188	19,188	23,188	27,188	31,188	35,188	39,188	43,188
Irrigation Tier 4: >80,001 gal	38,341	38,341	38,341	38,341	38,341	38,341	38,341	38,341	38,341	38,341	38,341
Irrigation Volume Billed Total	47,863	57,863	67,863	77,863	87,863	97,863	107,863	117,863	127,863	137,863	147,863
Hotel/Motel customers	-	-	-	-	-	-	-	-	-	-	-
Hotel/Motel Tier 1: 0-30,000 gal	-	-	-	-	-	-	-	-	-	-	-
Hotel/Motel Tier 2: 30,001-50,000 gal	-	-	-	-	-	-	-	-	-	-	-
Hotel/Motel Tier 3: >50,001 gal	-	-	-	-	-	-	-	-	-	-	-
Hotel/Motel Volume Billed Total	-	-	-	-	-	-	-	-	-	-	-
Total Customers Billed	3,721	4,282	4,588	4,814	5,140	5,396	5,650	5,802	5,954	6,208	6,220
Total Volume Billed	402,852	444,022	474,277	499,328	528,393	554,648	580,823	602,903	624,983	651,158	662,038
Total Connection REC	458	605	385	298	380	315	250	150	175	290	10
Total Water Availability REC	569	565	361	238	292	227	162	-	115	230	10

Table G
Water Fund
Customers/Usage and Rates

	Current Year	Projected									
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Customer Rates for Fees and Charges (Dollars)											
Residential quarterly base fee	21.86	22.52	23.19	23.89	24.60	25.34	26.10	27.02	27.96	28.94	29.95
Residential Tier 1: 0-15,000 gal	2.18	2.20	2.27	2.34	2.41	2.48	2.55	2.64	2.73	2.83	2.93
Residential Tier 2: 15,001-30,000 gal	2.63	2.68	2.76	2.85	2.93	3.02	3.11	3.22	3.33	3.45	3.57
Residential Tier 3: 30,001-50,000 gal	3.15	3.31	3.41	3.51	3.61	3.72	3.83	3.97	4.11	4.25	4.40
Residential Tier 4: 50,001-80,000 gal	3.79	4.17	4.29	4.42	4.56	4.69	4.83	5.00	5.18	5.36	5.55
Residential Tier 5: >80,001 gal	4.52	5.20	5.35	5.51	5.68	5.85	6.03	6.24	6.46	6.68	6.91
Multi-Family Residential quarterly base fee	21.86	22.52	23.19	23.89	24.60	25.34	26.10	27.02	27.96	28.94	29.95
Multi-Family Residential Tier 1: 0-15,000 gal	2.18	2.20	2.27	2.34	2.41	2.48	2.55	2.64	2.73	2.83	2.93
Multi-Family Residential Tier 2: 15,001-30,000 gal	2.63	2.68	2.76	2.85	2.93	3.02	3.11	3.22	3.33	3.45	3.57
Multi-Family Residential Tier 3: 30,001-50,000 gal	3.15	3.31	3.41	3.51	3.61	3.72	3.83	3.97	4.11	4.25	4.40
Multi-Family Residential Tier 4: 50,001-80,000 gal	3.79	4.17	4.29	4.42	4.56	4.69	4.83	5.00	5.18	5.36	5.55
Multi-Family Residential Tier 5: >80,001 gal	4.52	5.20	5.35	5.51	5.68	5.85	6.03	6.24	6.46	6.68	6.91
Commercial quarterly base fee	27.33	28.15	28.99	29.86	30.76	31.68	32.63	33.78	34.96	36.18	37.45
Commercial Tier 1: 0-15,000 gallons	3.39	3.42	3.53	3.63	3.74	3.85	3.97	4.11	4.25	4.40	4.55
Commercial Tier 2: 15,001-30,000 gal	3.56	3.63	3.74	3.85	3.97	4.09	4.21	4.36	4.51	4.67	4.83
Commercial Tier 3: 30,001-50,000 gal	4.12	4.33	4.46	4.59	4.73	4.87	5.02	5.19	5.37	5.56	5.75
Commercial Tier 4: 50,001-80,000 gal	5.46	6.01	6.19	6.37	6.56	6.76	6.96	7.21	7.46	7.72	7.99
Commercial Tier 5: >80,001 gal	7.25	8.34	8.59	8.85	9.11	9.38	9.67	10.00	10.35	10.72	11.09
Irrigation quarterly base fee	27.33	28.15	28.99	29.86	30.76	31.68	32.63	33.78	34.96	36.18	37.45
Irrigation Tier 1: 0-30,000 gallons	2.63	2.68	2.76	2.85	2.93	3.02	3.11	3.22	3.33	3.45	3.57
Irrigation Tier 2: 30,001-50,000 gal	3.15	3.31	3.41	3.51	3.61	3.72	3.83	3.97	4.11	4.25	4.40
Irrigation Tier 3: 50,001-80,000 gal	3.79	4.17	4.29	4.42	4.56	4.69	4.83	5.00	5.18	5.36	5.55
Irrigation Tier 4: >80,001 gal	4.52	5.20	5.35	5.51	5.68	5.85	6.03	6.24	6.46	6.68	6.91
Hotel/Motel quarterly base fee	27.33	28.15	28.99	29.86	30.76	31.68	32.63	33.78	34.96	36.18	37.45
Hotel/Motel Tier 1: 0-30,000 gal	3.39	3.42	3.53	3.63	3.74	3.85	3.97	4.11	4.25	4.40	4.55
Hotel/Motel Tier 2: 30,001-50,000 gal	3.56	3.63	3.74	3.85	3.97	4.09	4.21	4.36	4.51	4.67	4.83
Hotel/Motel Tier 3: >50,001 gal	4.36	4.80	4.94	5.09	5.24	5.40	5.56	5.75	5.96	6.16	6.38
Connection charge Per REC Unit	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Availability charge Per REC Unit	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00

Table G
Water Fund
Customers/Usage and Rates

	Current Year		Projected								
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Revenue by Fee Type (Dollars)											
Residential quarterly base fee	278,147	306,035	333,769	358,114	383,620	410,333	438,305	469,854	503,076	538,048	558,077
Residential Tier 1: 0-15,000 gal	312,457	344,249	381,791	414,268	448,349	484,103	521,599	563,631	607,967	654,716	679,388
Residential Tier 2: 15,001-30,000 gal	183,634	198,950	215,970	230,987	246,711	263,170	280,395	299,865	320,354	341,911	354,591
Residential Tier 3: 30,001-50,000 gal	139,060	146,013	150,393	154,905	159,552	164,339	169,269	175,193	181,325	187,672	194,240
Residential Tier 4: 50,001-80,000 gal	133,025	146,328	150,718	155,239	159,896	164,693	169,634	175,571	181,716	188,076	194,659
Residential Tier 5: >80,001 gal	169,608	195,050	200,901	206,928	213,136	219,530	226,116	234,030	242,221	250,699	259,473
Total Residential	1,215,932	1,336,624	1,433,542	1,520,442	1,611,265	1,706,169	1,805,317	1,918,145	2,036,660	2,161,121	2,240,429
Multi-Family Residential quarterly base fee	10,318	40,889	51,392	59,622	78,141	90,622	103,781	107,414	111,173	126,640	131,073
Multi-Family Residential Tier 1: 0-15,000 gal	-	118,813	158,799	189,823	261,205	308,840	359,099	371,667	384,675	443,589	459,114
Multi-Family Residential Tier 2: 15,001-30,000 gal	-	-	-	-	-	-	-	-	-	-	-
Multi-Family Residential Tier 3: 30,001-50,000 gal	-	-	-	-	-	-	-	-	-	-	-
Multi-Family Residential Tier 4: 50,001-80,000 gal	-	-	-	-	-	-	-	-	-	-	-
Multi-Family Residential Tier 5: >80,001 gal	-	-	-	-	-	-	-	-	-	-	-
Total Multi-Family	10,318	159,701	210,191	249,445	339,346	399,462	462,880	479,081	495,849	570,229	590,187
Commercial quarterly base fee	20,962	22,041	23,051	24,100	25,193	26,329	27,379	28,473	29,609	30,935	32,168
Commercial Tier 1: 0-15,000 gallons	17,855	18,855	20,056	21,311	22,624	23,997	25,193	26,321	27,497	28,988	30,276
Commercial Tier 2: 15,001-30,000 gal	9,708	10,193	10,723	11,276	11,852	12,453	12,995	13,537	14,101	14,781	15,395
Commercial Tier 3: 30,001-50,000 gal	10,852	11,395	11,737	12,089	12,451	12,825	13,210	13,672	14,150	14,646	15,158
Commercial Tier 4: 50,001-80,000 gal	15,905	17,495	18,020	18,561	19,118	19,691	20,282	20,992	21,727	22,487	23,274
Commercial Tier 5: >80,001 gal	83,571	96,106	98,990	101,959	105,018	108,169	111,414	115,313	119,349	123,526	127,850
Total Commercial	158,853	176,086	182,576	189,296	196,256	203,463	210,472	218,308	226,434	235,363	244,120
Irrigation quarterly base fee	25,144	26,348	27,487	28,670	29,899	31,176	32,372	33,641	34,958	36,471	37,897
Irrigation Tier 1: 0-30,000 gallons	10,538	26,845	44,229	62,631	82,098	102,677	124,417	148,083	173,255	200,006	228,418
Irrigation Tier 2: 30,001-50,000 gal	7,330	7,697	7,927	8,165	8,410	8,663	8,922	9,235	9,558	9,892	10,239
Irrigation Tier 3: 50,001-80,000 gal	12,083	29,967	48,042	67,175	87,412	108,804	131,400	156,008	182,177	209,987	239,520
Irrigation Tier 4: >80,001 gal	173,301	199,297	205,275	211,434	217,777	224,310	231,039	239,126	247,495	256,157	265,123
Total Irrigation	228,396	290,153	332,960	378,075	425,597	475,629	528,151	586,092	647,442	712,514	781,197
Hotel/Motel quarterly base fee	-	-	-	-	-	-	-	-	-	-	-
Hotel/Motel Tier 1: 0-30,000 gal	-	-	-	-	-	-	-	-	-	-	-
Hotel/Motel Tier 2: 30,001-50,000 gal	-	-	-	-	-	-	-	-	-	-	-
Hotel/Motel Tier 3: >50,001 gal	-	-	-	-	-	-	-	-	-	-	-
Total Hotel/Motel	-	-	-	-	-	-	-	-	-	-	-
Connection charges	458,000	605,000	385,000	298,000	380,000	315,000	250,000	150,000	175,000	290,000	10,000
Availability charges	1,707,000	1,695,000	1,083,000	714,000	876,000	681,000	486,000	-	345,000	690,000	30,000
Total Revenue by Fee Type	3,778,499	4,262,564	3,627,269	3,349,258	3,828,464	3,780,723	3,742,820	3,351,626	3,926,384	4,659,226	3,895,934
Total Charges for Services, Capital Contribution, and Connection Charges (Dollars)											
Charges for services	1,613,499	1,962,564	2,159,269	2,337,258	2,572,464	2,784,723	3,006,820	3,201,626	3,406,384	3,679,226	3,855,934
Connection charges	458,000	605,000	385,000	298,000	380,000	315,000	250,000	150,000	175,000	290,000	10,000
Availability charges	1,707,000	1,695,000	1,083,000	714,000	876,000	681,000	486,000	-	345,000	690,000	30,000
Total	3,778,499	4,262,564	3,627,269	3,349,258	3,828,464	3,780,723	3,742,820	3,351,626	3,926,384	4,659,226	3,895,934

Table H
Sanitary Sewer Fund
Customers/Usage and Rates

	Current Year		Projected								
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Customers and Usage											
Residential quarterly base fee Customer Count	2,476	2,748	3,307	3,607	3,827	4,147	4,397	4,647	4,797	4,947	4,957
Residential Sanitary Sewer Tier 1 (first 10,000 gallons included in base fee) Volume Billed	85,151	87,871	93,461	96,461	98,661	101,861	104,361	106,861	108,361	109,861	109,961
Residential Sanitary Sewer Tier 2 usage per 1,000 gallons (after first 10,000 gal) Volume Billed	25,772	27,132	29,927	31,427	32,527	34,127	35,377	36,627	37,377	38,127	38,177
Commercial quarterly Customer Count	88	92	95	98	101	104	106	107	108	110	111
Commercial Sanitary Sewer Tier 1 Volume Billed	-	40	70	100	130	160	180	190	200	220	230
Commercial Sanitary Sewer Tier 2 usage per 1,000 gallons Volume Billed	19,088	19,148	19,193	19,238	19,283	19,328	19,358	19,373	19,388	19,418	19,433
Total Customers Billed	2,564	2,840	3,402	3,705	3,928	4,251	4,503	4,754	4,905	5,057	5,068
Total Volume Billed (includes first tier billed)	130,011	134,191	142,651	147,226	150,601	155,476	159,276	163,051	165,326	167,626	167,801
Total Connection REC	365	611	385	298	380	315	250	150	175	290	10
Total Sewer Availability REC	278	548	361	238	292	227	162	-	115	230	10
Total Sewer Availability REC - Early Incentive Program	72	23	-	-	-	-	-	-	-	-	-
Total Sewer lateral benefit units	-	-	-	-	-	-	-	-	-	-	-
Customer Rates for Fees and Charges (Dollars)											
Residential quarterly base fee	55.74	55.74	57.41	59.13	60.91	62.74	64.62	66.56	68.55	70.61	72.73
Residential Sanitary Sewer Tier 1 (first 10,000 gallons included in base fee)	-	-	-	-	-	-	-	-	-	-	-
Residential Sanitary Sewer Tier 2 usage per 1,000 gallons (after first 10,000 gal)	4.80	4.99	5.19	5.40	5.62	5.84	6.07	6.32	6.57	6.83	7.11
Commercial quarterly	-	-	-	-	-	-	-	-	-	-	-
Commercial Sanitary Sewer Tier 1	-	-	-	-	-	-	-	-	-	-	-
Commercial Sanitary Sewer Tier 2 usage per 1,000 gallons	4.80	4.99	5.19	5.40	5.62	5.84	6.07	6.32	6.57	6.83	7.11
Connection charge Per REC Unit	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Availability charge Per REC Unit	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Availability charge Per REC Unit - Early Incentive Prg (50% of rate)	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Revenue by Fee Type (Dollars)											
Residential quarterly base fee	552,049	612,694	759,449	853,194	932,389	1,040,662	1,136,500	1,237,152	1,315,398	1,397,226	1,442,052
Residential Sanitary Sewer Tier 1 (first 10,000 gallons included in base fee)	-	-	-	-	-	-	-	-	-	-	-
Residential Sanitary Sewer Tier 2 usage per 1,000 gallons (after first 10,000 gal)	123,706	135,443	155,371	169,685	182,650	199,299	214,863	231,353	245,534	260,480	271,254
Total Residential	675,755	748,137	914,820	1,022,879	1,115,038	1,239,962	1,351,364	1,468,505	1,560,933	1,657,706	1,713,306
Commercial quarterly	-	-	-	-	-	-	-	-	-	-	-
Commercial Sanitary Sewer Tier 1	-	-	-	-	-	-	-	-	-	-	-
Commercial Sanitary Sewer Tier 2 usage per 1,000 gallons	91,620	95,584	99,641	103,870	108,277	112,871	117,568	122,366	127,359	132,658	138,071
Total Commercial	91,620	95,584	99,641	103,870	108,277	112,871	117,568	122,366	127,359	132,658	138,071
Connection charges	365,000	611,000	385,000	298,000	380,000	315,000	250,000	150,000	175,000	290,000	10,000
Availability charges	832,500	1,644,000	1,083,000	714,000	876,000	681,000	486,000	-	345,000	690,000	30,000
Availability charges - early incentive program	108,000	34,500	-	-	-	-	-	-	-	-	-
Total Revenue by Fee Type	2,072,875	3,133,221	2,482,461	2,138,749	2,479,316	2,348,833	2,204,932	1,740,871	2,208,292	2,770,364	1,891,377
Total Charges for Services, Capital Contribution, and Connection Charges (Dollars)											
Charges for services	767,375	843,721	1,014,461	1,126,749	1,223,316	1,352,833	1,468,932	1,590,871	1,688,292	1,790,364	1,851,377
Connection charges	365,000	611,000	385,000	298,000	380,000	315,000	250,000	150,000	175,000	290,000	10,000
Availability charges	940,500	1,678,500	1,083,000	714,000	876,000	681,000	486,000	-	345,000	690,000	30,000
Total	2,072,875	3,133,221	2,482,461	2,138,749	2,479,316	2,348,833	2,204,932	1,740,871	2,208,292	2,770,364	1,891,377

Table I
Storm Water Fund
Customer/Usage and Rates

	Current Year 2023	Projected									
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Customers (Residential Equivalent)											
Residential REC	5,012	5,565	5,865	6,085	6,405	6,655	6,905	7,055	7,205	7,455	7,465
Commercial REC	331	335	338	341	344	347	349	350	351	353	354
Vacant property (acres)	490	490	490	490	490	490	490	490	490	490	490
Customer Rates for Fees and Charges (Dollars)											
Storm Sewer Annual Basic Charge - Residential	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00
Storm Sewer Annual Equivalent Basic Charge Commercial Billed at 3.08X Residential	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00
Storm Sewer Annual Charge - Vacant Land - Per Acre Charge	14.25	14.25	14.25	14.25	14.25	14.25	14.25	14.25	14.25	14.25	14.25
Revenue by Fee Type (Dollars)											
Storm Sewer Annual Basic Charge - Residential	476,140	528,675	557,175	578,075	608,475	632,225	655,975	670,225	684,475	708,225	709,175
Storm Sewer Annual Equivalent Basic Charge Commercial Billed at 3.08X Residential	96,851	98,021	98,899	99,777	100,654	101,532	102,117	102,410	102,703	103,288	103,580
Storm Sewer Annual Charge - Vacant Land - Per Acre Charge	6,976	6,976	6,976	6,976	6,976	6,976	6,976	6,976	6,976	6,976	6,976
Total Revenue by Fee Type	579,966	633,672	663,050	684,827	716,105	740,733	765,068	779,611	794,153	818,489	819,731

FINANCIAL PLANS

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

Key Assumptions

The financial plans for each utility fund 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 3.0% annually, based on the 2023 budget, with an exception for MCES payments. The MCES fee charged on metered sewer volume is projected to increase by 7.0% annually.
- New staff (personnel costs) are anticipated for the Utility Funds. Year 2024 includes funding for the new Finance Coordinator position added as part of the 2023 budget (with half of the cost budgeted in 2023 and remaining half in 2024). Starting in 2025, a new Public Works position is included with 50% of the cost funded from the Utility Funds
- Implementation of proposed changes to the existing fees and tier structure for charging water fees is reflected in the finance plans. The maximum volume per tier is not proposed to change but the difference in rates between the tiers is proposed to widen. The rates for the higher tiers, Tier 3, 4, and 5 are proposed to increase at a greater percentage, from 2023 to 2024, compared to the rate for Tiers 1 and 2, which are proposed to decrease. See Figure 1 on page 16 for a comparison of rate changes from 2023 to 2024 by tier.
- 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.
- Depreciation is estimated based on current depreciation of existing assets and planned acquisition of capital assets with new assets depreciated over a 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.

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. The City reports in its financial statements for years 2021 and 2022 net operating losses before other financing sources, including contributions and transfers, among other financing sources. Operating revenue, which includes revenue from customers but does not include revenue from availability charges, connection charges, and special assessments, has not been sufficient to cover depreciation expense. The City acquired depreciable assets, in part, from issuance of bonds supported, in part, by projected future availability and connection charges (other financing sources). The Plan projects that over time, as the City continues to increase customers, and outstanding debt is amortized, that the City will begin to report net operating income.

The cash available within the fund is projected to be sufficient to cover debt service payments, pay-go capital plans, and to provide reserves for future improvements, while also providing unrestricted cash (equal to a minimum of 50% of operating expense not including depreciation or interest expense).

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 noted earlier in the Plan, during 2019, the City and 3M Company entered into a settlement agreement relating to the presence of perfluorochemicals 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) was 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. Annual adjustments to the service fees is planned to account for inflationary increases.

The financial plan assumes adjustments to fees from 2023 to 2024 to further promote water conservation. Fee increases in future years projected to average 3.0%-3.5%.

Investment income earned on cash balance is recorded as revenue. The plan conservatively assumes future revenue from interest income earned at the amount budgeted for year 2023.

Special assessments levied for 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.

The Plan includes anticipated donation/grant revenue for capital improvements. This is included as "other revenues".

Expenses

Expenses are to pay for the operation of the system, interest on debt, depreciation, and authorized transfers to other funds that may occur from time to time.

Principal payments on bonds supported by the fund are reported as a reduction of liability for the fund.

The financial plan for the Water Fund shows an increase in accumulated depreciation over time. The actual accumulated depreciation amount will vary depending on the City's accounting for capital assets and future depreciation.

Transfers

In 2021, the City transferred cash from the Water Fund in the amount of \$3,750,000 to pay a portion of the cost of the new municipal facility project.

The City does not transfer cash from the fund to the General Fund for overhead. Instead the City directly charges 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.

Financial Plans WATER FUND

Table J
Water Fund
Pro Forma

	Prior Year Actual 2021	Prior Year Actual 2022	Projected									
			2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenues												
Charges for services	1,538,316	1,647,656	1,613,499	1,962,564	2,159,269	2,337,258	2,572,464	2,784,723	3,006,820	3,201,626	3,406,384	3,679,226
Investment income	(11,572)	(66,764)	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000
Other operating revenue	23,336	400,075	2,000	33,455	33,455	33,455	33,455	33,455	33,455	33,455	33,455	33,455
Water meter sales	149,944	113,708	100,000	155,675	155,675	155,675	155,675	155,675	155,675	155,675	155,675	155,675
Other revenues	35,635	-	-	2,310,000	2,508,000	1,804,000	2,488,900	-	-	-	-	-
Availability charges	1,566,000	685,000	1,707,000	1,695,000	1,083,000	714,000	876,000	681,000	486,000	-	345,000	690,000
Capital assets contributions non-cash	1,837,010	1,503,597	243,638	-	-	-	-	-	-	-	-	-
Intergovernmental revenue	7,006,533	8,164,179	-	-	-	-	-	-	-	-	-	-
Special assessments	154,678	73,461	-	-	318,000	-	-	-	-	-	-	-
Lateral Benefit Fee	23,200	12,400	-	-	-	-	-	-	-	-	-	-
Connection charges	515,000	383,000	458,000	605,000	385,000	298,000	380,000	315,000	250,000	150,000	175,000	290,000
Total Revenues	12,838,080	12,916,312	4,156,136	6,793,694	6,674,399	5,374,388	6,538,494	4,001,853	3,963,950	3,572,756	4,147,514	4,880,356
Expenses												
Personal services	411,561	453,262	511,897	539,346	546,254	562,642	579,521	596,906	614,814	633,258	652,256	671,823
Materials and supplies	212,515	204,340	247,522	254,948	262,596	270,474	278,588	286,946	295,554	304,421	313,553	322,960
Professional services	131,108	109,490	192,999	198,789	204,753	210,895	217,222	223,739	230,451	237,364	244,485	251,820
Repairs and maintenance	19,628	84,958	71,000	73,130	75,324	77,584	79,911	82,308	84,778	87,321	89,941	92,639
Utilities	138,466	176,806	130,000	133,900	137,917	142,055	146,316	150,706	155,227	159,884	164,680	169,621
Depreciation expense	1,467,694	1,868,224	1,894,893	2,069,665	2,249,065	2,445,140	2,544,863	2,554,613	2,608,113	2,611,863	2,653,863	2,659,113
Interest and fees on long-term debt	223,270	346,637	376,941	374,262	557,590	685,215	886,946	853,113	773,666	766,531	682,488	687,025
Transfer out to Capital Fund	3,750,000	3,261,225	-	-	-	-	-	-	-	-	-	-
Other expenses	61,466	37,158	2,000	-	-	-	-	-	-	-	-	-
Cost of bond issuance	-	-	-	94,125	85,000	121,000	30,000	-	30,000	-	30,000	-
Total Expenses	6,415,708	6,542,100	3,427,253	3,738,165	4,118,498	4,515,004	4,763,367	4,748,330	4,792,602	4,800,642	4,831,266	4,855,001
Change in Net Position	6,422,372	6,374,212	728,884	3,055,530	2,555,901	859,384	1,775,127	(746,477)	(828,651)	(1,227,886)	(683,752)	25,355
Ending net position	40,073,644	46,447,856	47,176,740	50,232,269	52,788,170	53,647,554	55,422,681	54,676,204	53,847,552	52,619,666	51,935,914	51,961,270
Assets												
Cash and investments	4,820,465	5,738,584	6,564,185	8,316,029	8,954,330	8,963,468	8,977,172	8,367,923	7,454,994	6,489,165	6,573,766	7,253,073
Special assessments receivable	316,158	533,521	503,423	473,325	446,417	421,229	396,041	370,853	345,665	320,871	296,077	271,283
Other current assets / receivables	222,271	243,557	209,105	209,105	209,105	209,105	209,105	209,105	209,105	209,105	209,105	209,105
Due from other governmental units	665,541	1,429,117	-	-	-	-	-	-	-	-	-	-
Capital assets	55,401,846	65,601,629	66,668,407	73,659,282	80,835,282	88,678,282	92,667,182	93,057,182	95,197,182	95,347,182	97,027,182	97,237,182
Less Accumulated depreciation	(9,796,976)	(11,665,199)	(13,560,092)	(15,629,758)	(17,878,823)	(20,323,963)	(22,868,826)	(25,423,439)	(28,031,552)	(30,643,415)	(33,297,278)	(35,956,390)
Deferred outflows	94,261	109,550	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total Assets and Deferred Outflows	51,723,566	61,990,759	60,400,027	67,042,984	72,581,311	77,963,121	79,395,674	76,596,623	75,190,394	71,737,909	70,823,852	69,029,252
Liabilities												
Other current liabilities / payables	528,920	835,631	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Bonds payable	9,830,000	13,375,000	12,670,000	16,295,000	19,315,000	23,875,000	23,570,000	21,555,000	21,015,000	18,825,000	18,625,000	16,830,000
Unamortized bond premium	199,743	432,861	395,288	357,714	320,141	282,567	244,993	207,420	169,842	135,243	104,938	79,982
Other non-current liabilities	142,709	318,367	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Unearned revenues	829,000	575,000	-	-	-	-	-	-	-	-	-	-
Deferred inflows	119,550	6,044	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Total Liabilities and Deferred Inflows	11,649,922	15,542,903	13,223,288	16,810,714	19,793,141	24,315,567	23,972,993	21,920,420	21,342,842	19,118,243	18,887,938	17,067,982
Total Liabilities, Deferred Inflows, and Net Position	51,723,566	61,990,759	60,400,027	67,042,984	72,581,311	77,963,121	79,395,674	76,596,623	75,190,394	71,737,909	70,823,852	69,029,252

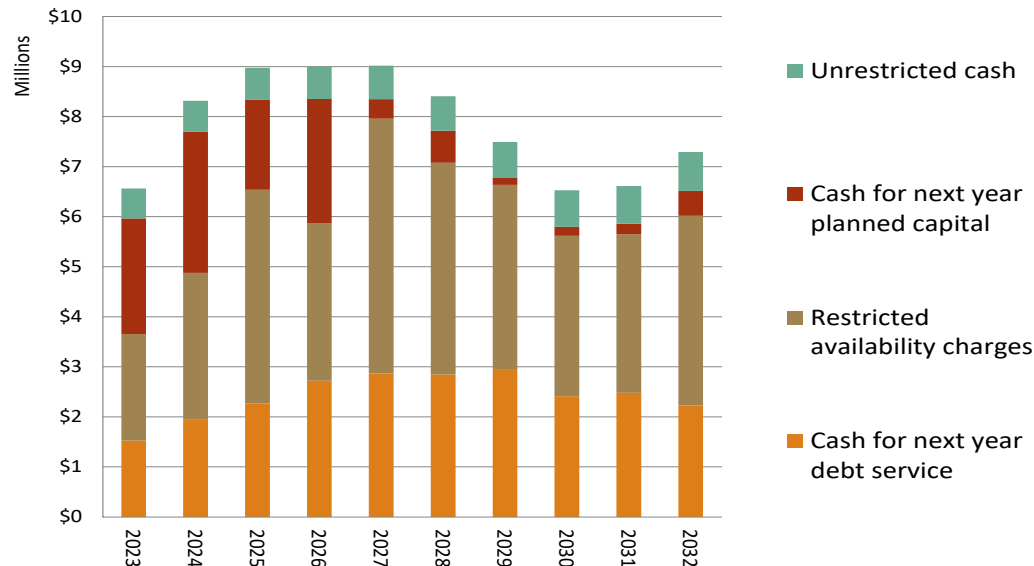
Financial Plans WATER FUND

Table K
Water Fund
Projected Year End Cash Balance

	Current Year 2023	2024	2025	2026	2027	Projected 2028	2029	2030	2031	2032
Use of Cash										
Operations & Maintenance	1,155,418	1,200,113	1,226,844	1,263,649	1,301,558	1,340,605	1,380,823	1,422,248	1,464,915	1,508,863
Capital Acquisition	1,066,778	7,085,000	7,261,000	7,964,000	4,018,900	390,000	2,170,000	150,000	1,710,000	210,000
Interfund Transfers Out	-	-	-	-	-	-	-	-	-	-
Debt Service (includes transfers for debt)	1,576,941	1,524,262	1,952,590	2,265,215	2,721,946	2,868,113	2,843,666	2,956,531	2,412,488	2,482,025
Total Use of Cash	3,799,137	9,809,374	10,440,433	11,492,863	8,042,404	4,598,718	6,394,489	4,528,779	5,587,403	4,200,888
Source of Cash										
Revenues	4,156,136	6,793,694	6,674,399	5,374,388	6,538,494	4,001,853	3,963,950	3,572,756	4,147,514	4,880,356
Bond Proceeds	495,000	4,775,000	4,435,000	6,160,000	1,530,000	-	1,530,000	-	1,530,000	-
Interfund Transfers In	-	-	-	-	-	-	-	-	-	-
Total Source of Cash	4,651,136	11,568,694	11,109,399	11,534,388	8,068,494	4,001,853	5,493,950	3,572,756	5,677,514	4,880,356
Net Change in Other Assets and Liabilities	(26,398)	(7,476)	(10,666)	(12,386)	(12,386)	(12,386)	(12,390)	(9,806)	(5,511)	(162)
Change in Cash Balance	825,601	1,751,844	658,300	29,139	13,704	(609,250)	(912,928)	(965,829)	84,601	679,307
Beginning Cash Balance	5,738,584	6,564,185	8,316,029	8,974,330	9,003,468	9,017,172	8,407,923	7,494,994	6,529,165	6,613,766
Ending Cash	6,564,185	8,316,029	8,974,330	9,003,468	9,017,172	8,407,923	7,494,994	6,529,165	6,613,766	7,293,073
Ending Cash by Purpose										
Cash for next year planned capital	2,310,000	2,826,000	1,804,000	2,488,900	390,000	640,000	150,000	180,000	210,000	500,000
Cash for next year debt service	1,524,262	1,952,590	2,265,215	2,721,946	2,868,113	2,843,666	2,956,531	2,412,488	2,482,025	2,228,088
Restricted availability charges	2,129,867	2,924,018	4,273,291	3,141,843	5,088,757	4,233,845	3,677,339	3,204,220	3,167,310	3,787,921
Unrestricted cash	600,056	613,422	631,824	650,779	670,303	690,412	711,124	732,458	754,431	777,064
Ending Cash	6,564,185	8,316,029	8,974,330	9,003,468	9,017,172	8,407,923	7,494,994	6,529,165	6,613,766	7,293,073
Net Position										
Ending Unrestricted Net Position	6,738,425	8,497,745	9,146,711	9,168,235	9,194,325	8,597,461	7,696,922	6,740,899	6,831,010	7,510,478
Ending Unrestricted Net Position as % of Expenses	180.3%	206.3%	202.6%	192.5%	193.6%	179.4%	160.3%	139.5%	140.7%	154.4%

Financial Plans WATER FUND

Chart 9
Water Fund
Ending Cash by Purpose



Changes in year end cash balances are projected to increase, in large part, due to timing of collection of revenue from development charges. Revenue from development charges provides a source of cash to service debt on bonds issued to finance projects and to pay for future development projects.

Chart 10
Water Fund
Ending Unrestricted Net Position as % of Expenses is projected to be well above the minimum 50% target for the Plan

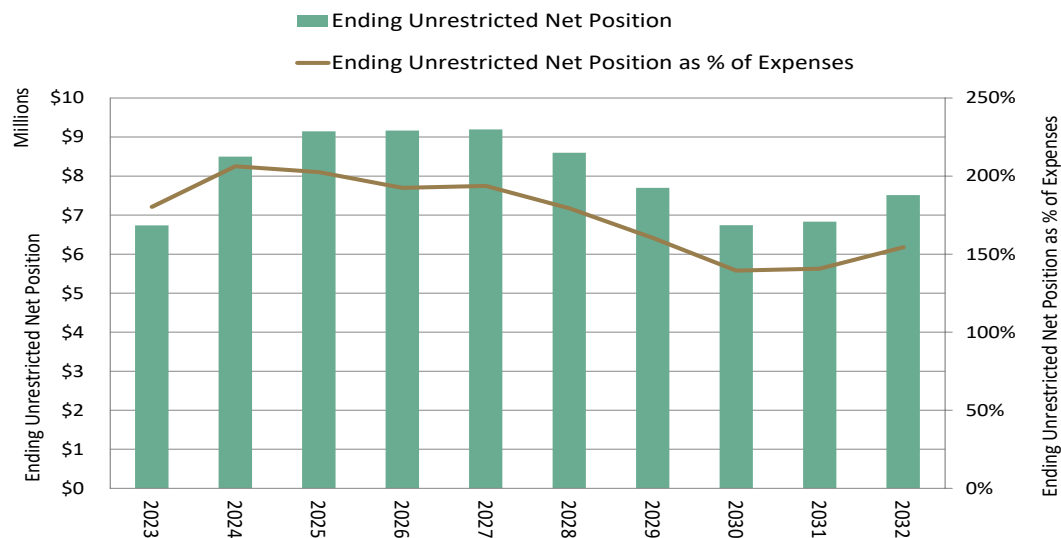


Chart 11
Water Fund
Revenues and Expenses

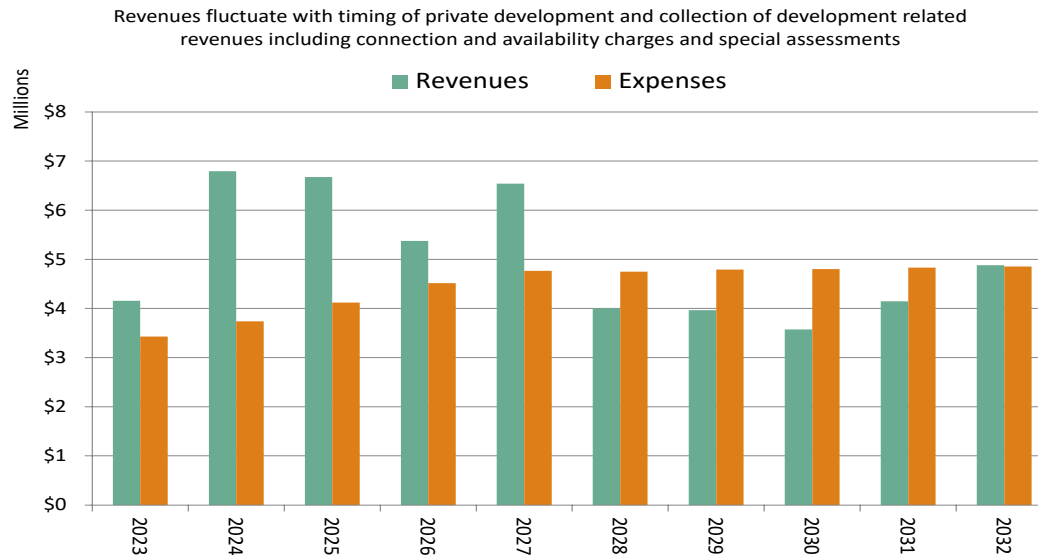
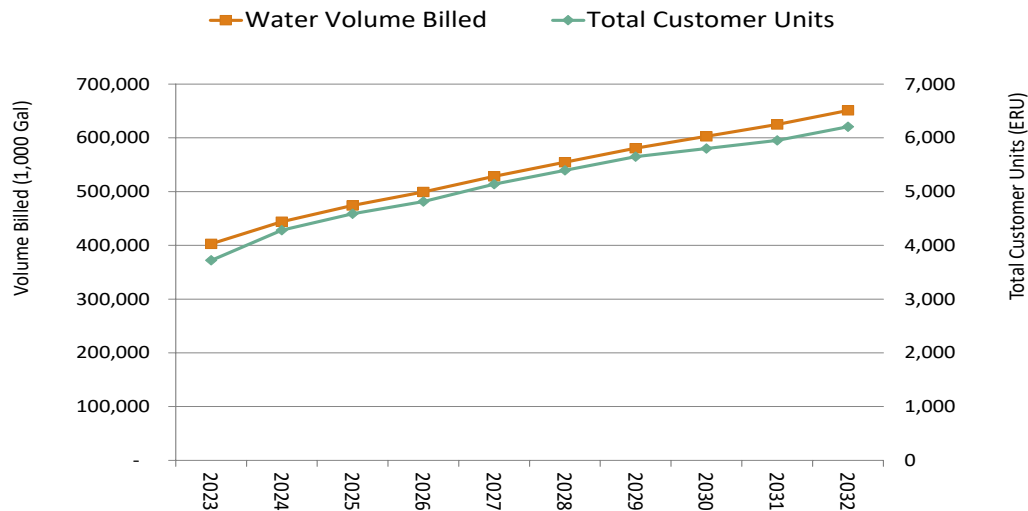


Chart 12
Water Fund
Customers and Annual Water Volume Billed is projected to continue to increase



Revenues and expenses include 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. The City reports in its financial statements for years 2021 and 2022 net operating losses before other financing sources, including contributions and transfers, among other financing sources. Operating revenue, which includes revenue from customers but does not include revenue from availability charges, connection charges, and special assessments, has not been sufficient to cover depreciation expense. The City acquired depreciable assets, in part, from issuance of bonds supported, in part, by projected future availability and connection charges (other financing sources). The Plan projects that over time, as the City continues to increase customers, and outstanding debt is amortized, that the City will begin to report net operating income.

The cash available within the fund is projected to be sufficient to cover debt service payments, pay-go capital plans, and to provide reserves for future improvements, while also providing unrestricted cash (equal to a minimum of 50% of operating expense not including depreciation or interest expense).

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.

The financial plan for the Sanitary Sewer Fund shows an increase in accumulated depreciation over time. The actual accumulated depreciation amount will vary depending on the City's accounting for capital assets and future depreciation.

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 Plan assumes sanitary sewer fees will increase annually by 3.0-4.0%, beginning in 2025, except for availability and connection fees which are assumed to remain constant at current amounts over the planning period (2024-2032). The Plan does not include any increase to the quarterly base fee for sanitary sewer in 2024. After 2024, the base charge increases by 3.0% annually. The volume charge is assumed to increase by 4.0% annually between 2024-2032.

Investment income earned on cash balance is recorded as revenue. The plan conservatively assumes future revenue from interest income earned at the amount budgeted for year 2023.

Special assessments levied for 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.

Expenses

Expenses are to pay for the operation of the system, interest on debt, depreciation, and authorized transfers to other funds that may occur from time to time.

Principal payments on bonds supported by the fund are reported as a reduction of liability for the Fund.

Transfers

In 2021, the City transferred cash from the Sewer Fund in the amount of \$1,500,000 to pay a portion of the cost of the new municipal facility project.

The City does not transfer cash from the fund to the General Fund for overhead. Instead the City directly charges 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.

Financial Plans SANITARY SEWER FUND

Table L
Sanitary Sewer Fund
Pro Forma

	Prior Year Actual 2021	Prior Year Actual 2022	Projected									
			2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenues												
Charges for services	539,130	671,474	767,375	843,721	1,014,461	1,126,749	1,223,316	1,352,833	1,468,932	1,590,871	1,688,292	1,790,364
Investment income	(7,335)	(138,866)	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Other revenues	10,437	26,819	-	-	-	-	-	-	-	-	-	-
Availability charges	1,491,000	477,500	940,500	1,678,500	1,083,000	714,000	876,000	681,000	486,000	-	345,000	690,000
Capital assets contributions non-cash	1,476,603	1,272,767	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenue	-	544	-	-	-	-	-	-	-	-	-	-
Special assessments	2,143,642	2,250,585	-	-	-	-	-	380,000	1,636,000	-	-	1,000,000
Connection charges	482,000	310,500	365,000	611,000	385,000	298,000	380,000	315,000	250,000	150,000	175,000	290,000
Transfer in	-	-	-	100,000	-	-	-	-	-	-	-	-
Total Revenues	6,135,477	4,871,323	2,075,375	3,235,721	2,484,961	2,141,249	2,481,816	2,731,333	3,843,432	1,743,371	2,210,792	3,772,864
Expenses												
Personal services	135,765	211,488	226,973	239,828	252,782	260,366	268,177	276,222	284,509	293,044	301,835	310,890
Materials and supplies	16,062	26,354	30,621	31,540	32,486	33,460	34,464	35,498	36,563	37,660	38,790	39,953
Professional services	63,876	61,544	170,061	175,163	180,418	185,830	191,405	197,147	203,062	209,154	215,428	221,891
Repairs and maintenance	9,850	25,283	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048
Utilities	19,630	26,466	18,750	19,313	19,892	20,489	21,103	21,736	22,388	23,060	23,752	24,464
Depreciation expense	880,861	960,729	968,457	978,184	983,184	983,184	1,005,684	1,015,184	1,056,084	1,056,084	1,056,084	1,081,084
Interest and fees on long-term debt	145,484	306,946	350,455	397,870	361,225	329,013	295,913	261,625	226,122	189,363	154,550	124,775
Transfer out to Capital Fund	1,500,000	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental payments (MCES)	265,011	421,859	526,216	644,326	720,528	788,960	858,392	940,433	1,024,573	1,115,757	1,206,410	1,304,436
Other expenses	26,469	31,189	-	-	-	-	-	-	-	-	-	-
Cost of bond issuance	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	3,063,008	2,071,858	2,301,533	2,496,523	2,561,124	2,612,229	2,686,393	2,759,438	2,865,242	2,936,420	3,009,517	3,120,542
Change in Net Position	3,072,469	2,799,465	(226,158)	739,198	(76,162)	(470,980)	(204,577)	(28,105)	978,190	(1,193,049)	(798,725)	652,322
Ending net position	22,460,630	25,260,095	25,033,937	25,773,135	25,696,973	25,225,992	25,021,416	24,993,311	25,971,501	24,778,452	23,979,727	24,632,049
Assets												
Cash and investments	10,067,392	11,464,351	11,747,655	12,867,506	12,835,316	12,541,154	11,609,703	11,354,223	10,859,936	9,800,162	9,151,110	8,979,538
Special assessments receivable	3,672,068	5,054,729	4,785,342	4,529,505	4,276,005	4,064,659	3,854,506	3,644,353	3,434,200	3,225,280	3,030,324	2,835,368
Other current assets / receivables	149,372	174,669	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Due from other governmental units	-	-	457,199	-	-	-	-	-	-	-	-	-
Capital assets	22,345,695	26,714,376	27,023,478	27,412,580	27,612,580	27,612,580	28,512,580	28,892,580	30,528,580	30,528,580	30,528,580	31,528,580
Less Accumulated depreciation	(3,322,887)	(4,283,616)	(5,252,073)	(6,230,257)	(7,213,441)	(8,196,625)	(9,202,309)	(10,217,493)	(11,273,577)	(12,329,661)	(13,385,745)	(14,466,829)
Deferred outflows	38,175	45,920	86,247	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total Assets and Deferred Outflows	32,949,815	39,170,429	38,937,848	38,684,334	37,615,460	36,126,768	34,879,480	33,778,663	33,654,139	31,329,360	29,429,269	28,981,657
Liabilities												
Other current liabilities / payables	236,780	566,880	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Bonds payable	9,760,000	12,665,000	13,255,000	12,305,000	11,355,000	10,380,000	9,380,000	8,350,000	7,290,000	6,200,000	5,140,000	4,080,000
Unamortized bond premium	385,942	542,623	499,911	457,199	414,488	371,776	329,064	286,352	243,638	201,908	160,542	120,607
Other non-current liabilities	58,046	133,291	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Deferred inflows	48,417	2,540	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Total Liabilities and Deferred Inflows	10,489,185	13,910,334	13,903,911	12,911,199	11,918,488	10,900,776	9,858,064	8,785,352	7,682,638	6,550,908	5,449,542	4,349,607
Total Liabilities, Deferred Inflows, and Net Position	32,949,815	39,170,429	38,937,848	38,684,334	37,615,460	36,126,768	34,879,480	33,778,663	33,654,139	31,329,360	29,429,269	28,981,657

Financial Plans SANITARY SEWER FUND

Table M
Sanitary Sewer Fund
Projected Year End Cash Balance

	Current Year 2023	2024	2025	2026	2027	Projected 2028	2029	2030	2031	2032
Use of Cash										
Operations & Maintenance	982,621	1,120,469	1,216,715	1,300,032	1,384,796	1,482,629	1,583,036	1,690,973	1,798,883	1,914,683
Capital Acquisition	309,102	389,102	200,000	-	900,000	380,000	1,636,000	-	-	1,000,000
Interfund Transfers Out	-	-	-	-	-	-	-	-	-	-
Debt Service (includes transfers for debt)	1,265,455	1,347,870	1,311,225	1,304,013	1,295,913	1,291,625	1,286,122	1,279,363	1,214,550	1,184,775
Total Use of Cash	2,557,178	2,857,441	2,727,940	2,604,045	3,580,709	3,154,254	4,505,158	2,970,335	3,013,433	4,099,458
Source of Cash										
Revenues	2,075,375	3,135,721	2,484,961	2,141,249	2,481,816	2,731,333	3,843,432	1,743,371	2,210,792	3,772,864
Bond Proceeds	1,505,000	-	-	-	-	-	-	-	-	-
Interfund Transfers In	-	100,000	-	-	-	-	-	-	-	-
Total Source of Cash	3,580,375	3,235,721	2,484,961	2,141,249	2,481,816	2,731,333	3,843,432	1,743,371	2,210,792	3,772,864
Net Change in Other Assets and Liabilities	(739,893)	741,571	210,788	168,634	167,441	167,441	167,438	167,190	153,590	155,021
Change in Cash Balance	283,304	1,119,851	(32,190)	(294,162)	(931,451)	(255,480)	(494,287)	(1,059,774)	(649,051)	(171,572)
Beginning Cash Balance	11,464,351	11,747,655	12,867,506	12,835,316	12,541,154	11,609,703	11,354,223	10,859,936	9,800,162	9,151,110
Ending Cash	11,747,655	12,867,506	12,835,316	12,541,154	11,609,703	11,354,223	10,859,936	9,800,162	9,151,110	8,979,538
Ending Cash by Purpose										
Cash for next year planned capital	389,102	200,000	-	900,000	380,000	1,636,000	-	-	1,000,000	-
Cash for next year debt service	1,347,870	1,311,225	1,304,013	1,295,913	1,291,625	1,286,122	1,279,363	1,214,550	1,184,775	1,127,838
Restricted availability charges	9,450,448	10,747,924	10,050,988	9,084,088	8,088,375	7,063,878	6,010,638	4,985,450	3,955,225	2,952,163
Unrestricted cash	560,235	608,357	1,480,316	1,261,154	1,849,703	1,368,223	3,569,936	3,600,162	3,011,110	4,899,538
Ending Cash	11,747,655	12,867,506	12,835,316	12,541,154	11,609,703	11,354,223	10,859,936	9,800,162	9,151,110	8,979,538
Net Position										
Ending Unrestricted Net Position	17,017,443	17,353,011	17,067,321	16,561,813	15,420,209	14,954,576	14,250,136	12,981,442	12,137,434	11,770,906

Financial Plans

SANITARY SEWER FUND

Chart 13
Sanitary Sewer Fund
Ending Cash by Purpose

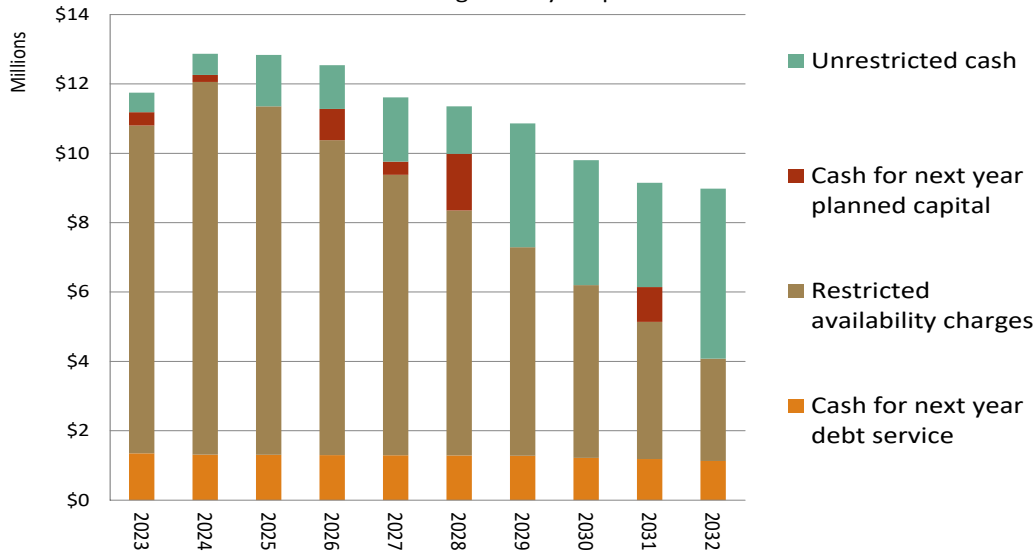
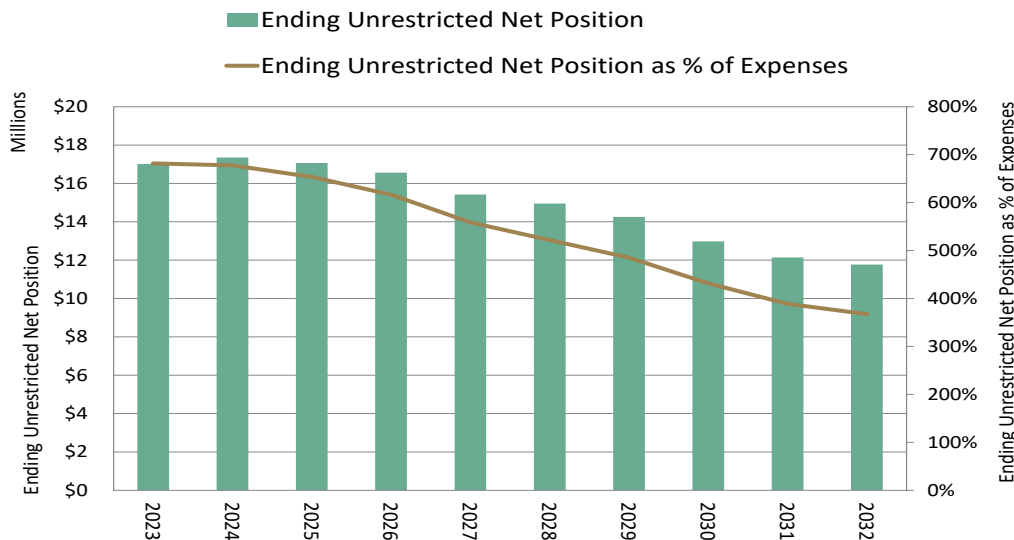


Chart 14
Sanitary Sewer Fund
Ending Unrestricted Net Position as % of Expense is projected to be above the minimum 50% for the Plan



Changes in year end cash balances are projected to increase with collection and use of future development charges for infrastructure projects. For purpose of the Plan, availability charges are shown as “restricted” for purpose of payment of debt service on bonds issued to finance certain infrastructure improvements to support development. The plan anticipates use of available funds to pay for future capital improvement projects with cash on hand versus debt issuance.

Chart 15
Sanitary Sewer Fund
Revenues and Expenses

Revenues fluctuate with timing of private development and collection of development related revenues including connection and availability charges and special assessments

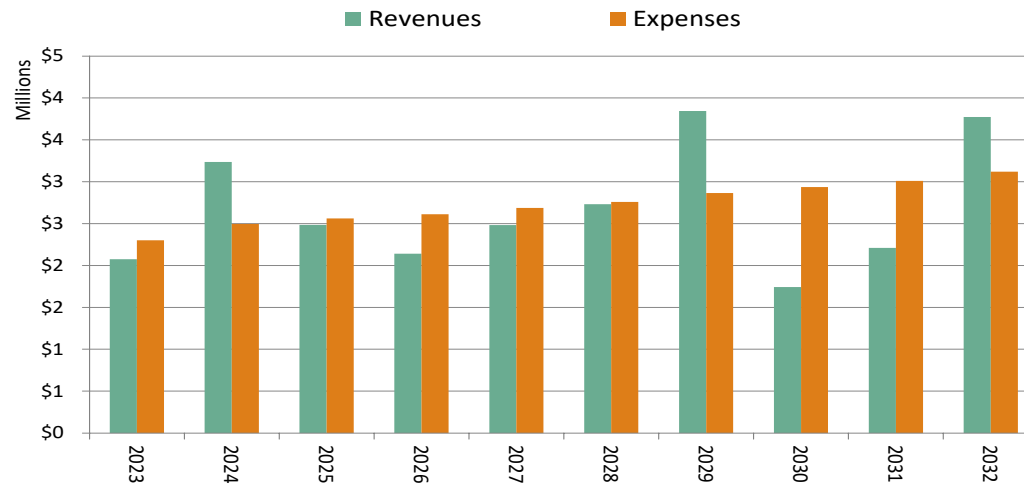
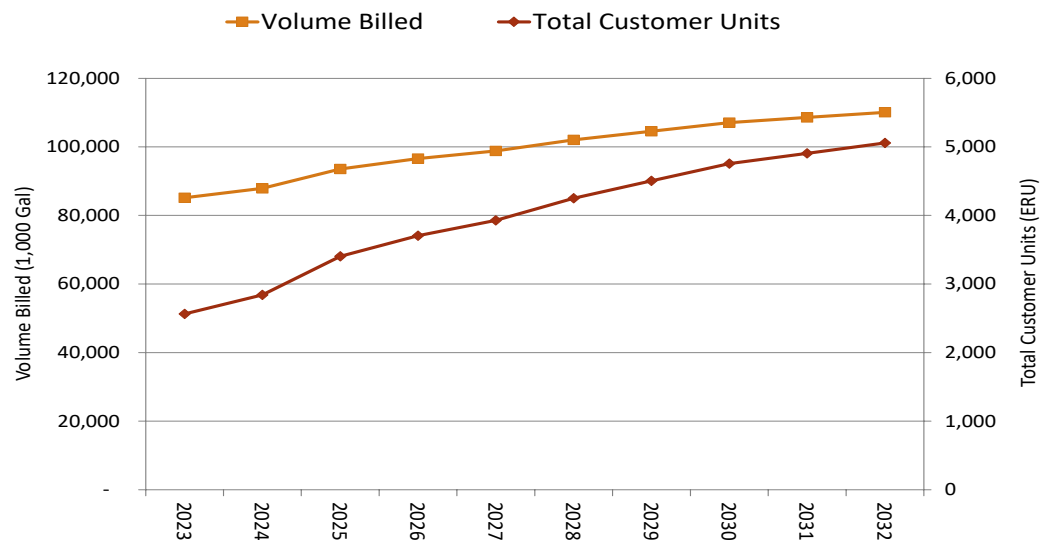


Chart 16
Sanitary Sewer Fund
Customers and Annual Volume Billed



STORM SEWER FUND

Fund Description

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

Background

The Storm Sewer Fund is in sound financial condition. The City reports in its financial statements for years 2021 and 2022 net operating losses before other financing sources, including contributions and transfers, among other financing sources. The Plan projects that over the long-term a new customers are added and outstanding debt is repaid, that the City will begin to report net operating income.

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 sewer utility system. Build out of the system has been paid as part of the developer's project costs.

The annual fee is currently \$95.00 per utility rate factor as determined by city code. This Plan assumes this rate remains constant for the planning period (2024-2032).

Investment income earned on cash balance is recorded as revenue. The plan conservatively assumes future revenue from interest income earned at the amount budgeted for year 2023.

Expenses

Expenses are to pay for the operation of the 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 Sewer Fund result in a reduction of liability for the Fund.

The financial plan for the Storm Sewer Fund shows an increase in accumulated depreciation over time. The actual accumulated depreciation amount will vary depending on the City's accounting for capital assets and future depreciation.

Transfers

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

The finance plan includes a \$100,000 transfer in year 2024 for the Storm Sewer Fund to pay a portion of a new Vac Truck purchase.

Balance Sheet Items

The financial plan includes estimated assets and liabilities, this includes estimated annual year-end cash balance.

Financial Plans STORM SEWER FUND

Table N
Storm Sewer Fund
Pro Forma

	Prior Year Actual 2021	Prior Year Actual 2022	Projected									
			2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenues												
Charges for services	457,517	510,061	579,966	633,672	663,050	684,827	716,105	740,733	765,068	779,611	794,153	818,489
Investment income	(2,038)	(15,423)	4,400	4,400	4,400	4,400	4,400	4,400	4,400	4,400	4,400	4,400
Other revenues	55,107	33,835	35,000	-	-	-	-	-	-	-	-	-
Availability charge	-	-	-	-	-	-	-	-	-	-	-	-
Capital assets contributions non-cash	1,605,495	1,994,356	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenue	-	-	-	-	-	-	-	-	-	-	-	-
Special assessments	202	253	-	-	-	-	-	-	-	-	-	-
Total Revenues	2,116,283	2,523,082	619,366	638,072	667,450	689,227	720,505	745,133	769,468	784,011	798,553	822,889
Expenses												
Personal services	67,497	118,674	112,148	121,558	125,012	128,763	132,626	136,604	140,703	144,924	149,271	153,750
Materials and supplies	5,935	10,885	9,700	9,991	10,291	10,599	10,917	11,245	11,582	11,930	12,288	12,656
Professional services	46,269	37,021	93,594	96,402	99,294	102,273	105,341	108,501	111,756	115,109	118,562	122,119
Repairs and maintenance	42,031	35,370	27,500	28,325	29,175	30,050	30,951	31,880	32,836	33,822	34,836	35,881
Utilities	-	572	-	-	-	-	-	-	-	-	-	-
Depreciation expense	611,565	691,840	691,840	711,840	729,115	730,115	731,365	732,615	733,865	735,115	736,365	737,615
Interest and fees on long-term debt	49,359	45,005	48,663	44,113	76,796	91,913	80,413	72,563	64,413	56,200	47,913	39,325
Transfer out to Capital Fund	-	-	-	100,000	-	-	-	-	-	-	-	-
Other expenses	7,388	13,432	1,500	-	-	-	-	-	-	-	-	-
Cost of bond issuance	-	-	-	15,000	10,000	-	-	-	-	-	-	-
Total Expenses	830,044	952,799	984,945	1,127,229	1,079,683	1,093,712	1,091,613	1,093,408	1,095,155	1,097,099	1,099,235	1,101,346
Change in Net Position	1,286,239	1,570,283	(365,578)	(489,157)	(412,233)	(404,485)	(371,108)	(348,275)	(325,687)	(313,088)	(300,682)	(278,458)
Ending net position	11,196,988	12,767,271	12,401,693	11,912,536	11,500,303	11,095,817	10,724,710	10,376,434	10,050,748	9,737,659	9,436,978	9,158,520
Assets												
Cash and investments	1,061,782	1,256,301	1,401,064	1,418,009	1,368,153	1,358,044	1,362,564	1,386,165	1,418,606	1,459,894	1,509,837	1,577,857
Cash and investments held in escrow	-	-	-	-	-	-	-	-	-	-	-	-
Special assessments receivable	41,374	33,460	-	-	-	-	-	-	-	-	-	-
Other current assets / receivables	420,563	307,271	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000
Due from other governmental units	-	-	-	-	-	-	-	-	-	-	-	-
Capital assets	14,128,874	16,123,229	16,123,229	16,923,229	17,614,229	17,654,229	17,704,229	17,754,229	17,804,229	17,854,229	17,904,229	17,954,229
Less Accumulated depreciation	(1,722,423)	(2,414,262)	(3,106,102)	(3,817,942)	(4,547,057)	(5,277,172)	(6,008,537)	(6,741,152)	(7,475,017)	(8,210,132)	(8,946,497)	(9,684,112)
Deferred outflows	21,187	26,010	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total Assets and Deferred Outflows	13,951,357	15,332,009	14,753,191	14,858,296	14,770,325	14,070,101	13,393,256	12,734,242	12,082,818	11,438,991	10,802,569	10,182,974
Liabilities												
Other current liabilities / payables	29,523	32,999	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Bonds payable	2,605,000	2,400,000	2,190,000	2,790,000	3,120,000	2,830,000	2,530,000	2,225,000	1,905,000	1,580,000	1,250,000	910,000
Unamortized bond premium	60,974	55,236	49,498	43,760	38,022	32,284	26,546	20,808	15,070	9,332	3,591	2,454
Other non-current liabilities	32,001	75,071	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Unearned revenues	-	-	-	-	-	-	-	-	-	-	-	-
Deferred inflows	26,871	1,432	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Total Liabilities and Deferred Inflows	2,754,369	2,564,738	2,351,498	2,945,760	3,270,022	2,974,284	2,668,546	2,357,808	2,032,070	1,701,332	1,365,591	1,024,454
Total Liabilities, Deferred Inflows, and Net Position	13,951,357	15,332,009	14,753,191	14,858,296	14,770,325	14,070,101	13,393,256	12,734,242	12,082,818	11,438,991	10,802,569	10,182,974

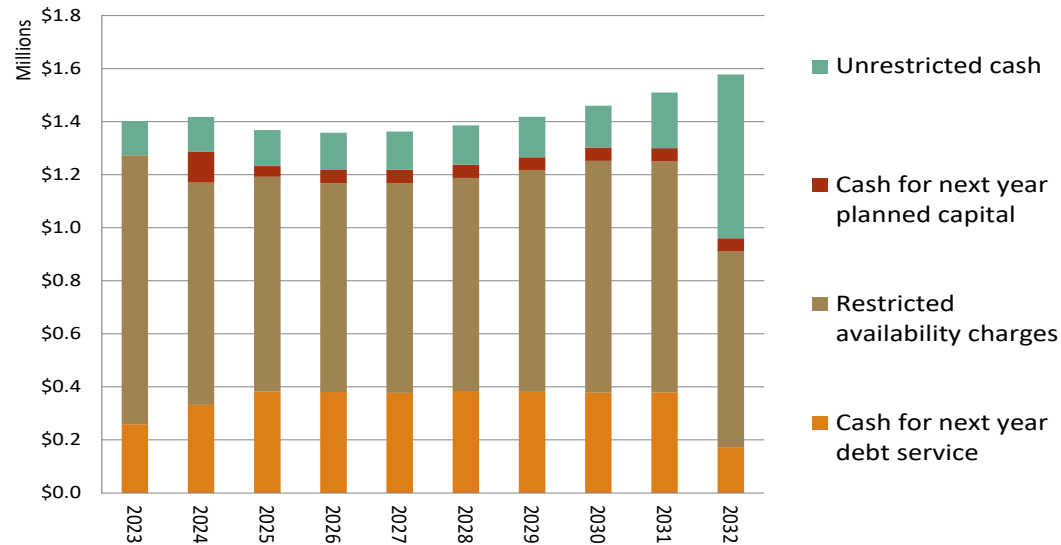
Financial Plans STORM SEWER FUND

Table O
Storm Sewer Fund
Projected Year End Cash Balance

	Current Year		Projected							
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Use of Cash										
Operations & Maintenance	244,442	256,276	263,772	271,685	279,835	288,231	296,877	305,784	314,957	324,406
Capital Acquisition	-	815,000	701,000	40,000	50,000	50,000	50,000	50,000	50,000	50,000
Interfund Transfers Out	-	100,000	-	-	-	-	-	-	-	-
Debt Service (includes transfers for debt)	258,663	259,113	331,796	381,913	380,413	377,563	384,413	381,200	377,913	379,325
Total Use of Cash	503,105	1,430,389	1,296,568	693,597	710,248	715,793	731,290	736,984	742,870	753,731
Source of Cash										
Revenues	619,366	638,072	667,450	689,227	720,505	745,133	769,468	784,011	798,553	822,889
Bond Proceeds	-	815,000	585,000	-	-	-	-	-	-	-
Interfund Transfers In	-	-	-	-	-	-	-	-	-	-
Total Source of Cash	619,366	1,453,072	1,252,450	689,227	720,505	745,133	769,468	784,011	798,553	822,889
Net Change in Other Assets and Liabilities	28,501	(5,738)	(5,738)	(5,738)	(5,738)	(5,738)	(5,738)	(5,738)	(5,741)	(1,137)
Change in Cash Balance	144,763	16,945	(49,856)	(10,108)	4,519	23,602	32,440	41,289	49,942	68,020
Beginning Cash Balance	1,256,301	1,401,064	1,418,009	1,368,153	1,358,044	1,362,564	1,386,165	1,418,606	1,459,894	1,509,837
Ending Cash	1,401,064	1,418,009	1,368,153	1,358,044	1,362,564	1,386,165	1,418,606	1,459,894	1,509,837	1,577,857
Ending Cash by Purpose										
Cash for next year planned capital	-	116,000	40,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Cash for next year debt service	259,113	331,796	381,913	380,413	377,563	384,413	381,200	377,913	379,325	172,513
Restricted availability charges	1,013,813	838,327	810,398	787,714	790,886	803,314	834,514	874,503	870,675	737,488
Unrestricted cash	128,138	131,886	135,842	139,918	144,115	148,439	152,892	157,479	209,837	617,857
Ending Cash	1,401,064	1,418,009	1,368,153	1,358,044	1,362,564	1,386,165	1,418,606	1,459,894	1,509,837	1,577,857
Net Position										
Ending Unrestricted Net Position	1,574,566	1,597,249	1,553,131	1,548,760	1,559,018	1,588,357	1,626,536	1,673,562	1,729,246	1,798,403

Financial Plans STORM SEWER FUND

Chart 17
Storm Sewer Fund
Ending Cash by Purpose



Year end cash balances are projected to increase with collection of charges for connection and availability (City SAC) to pay for future infrastructure projects.

Chart 18
Storm Sewer Fund
Ending Unrestricted Net Position as % of Expense is projected to be above the minimum 50% for the Plan

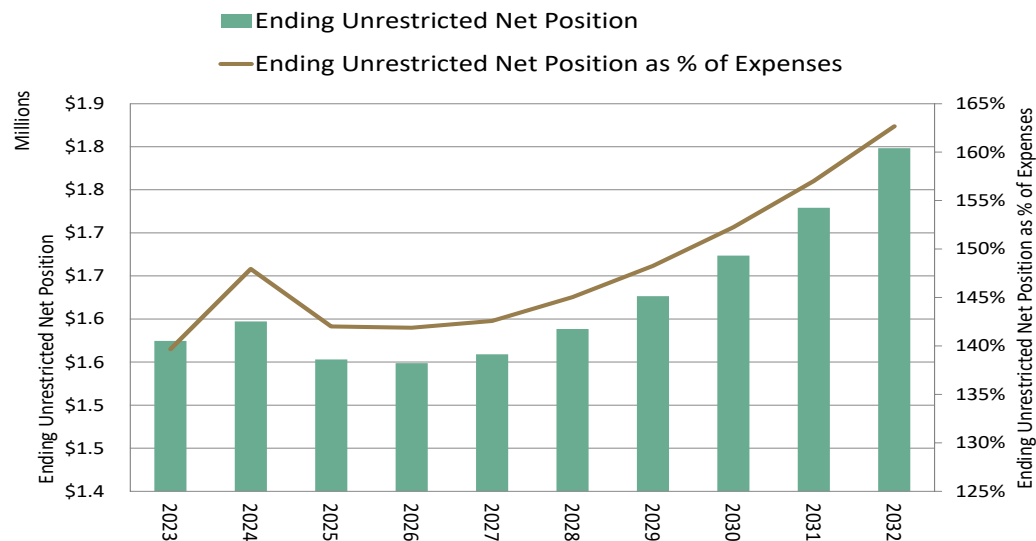


Chart 19
Storm Sewer Fund
Revenues and Expenses

Expense, inclusive of depreciation, is planned to exceed revenues as the City draws on available cash to pay interest expense on bonds outstanding and relies on private development to finance future improvements

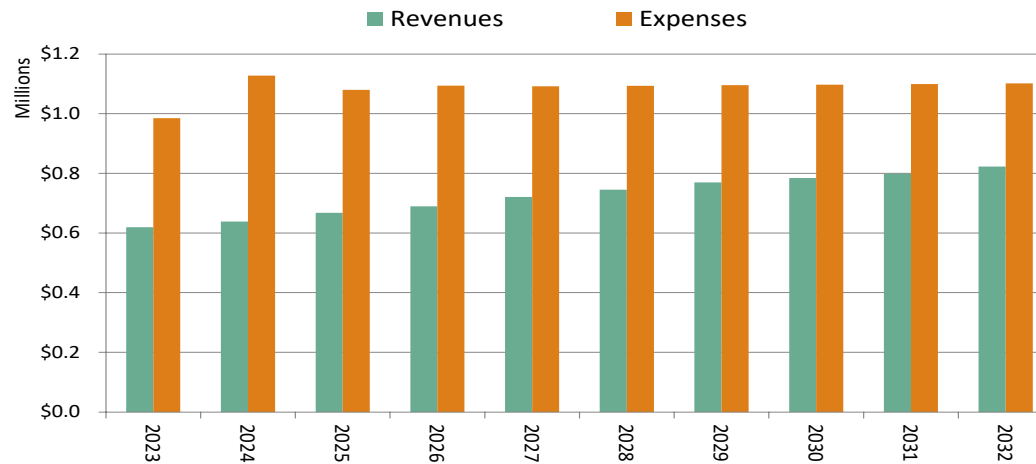
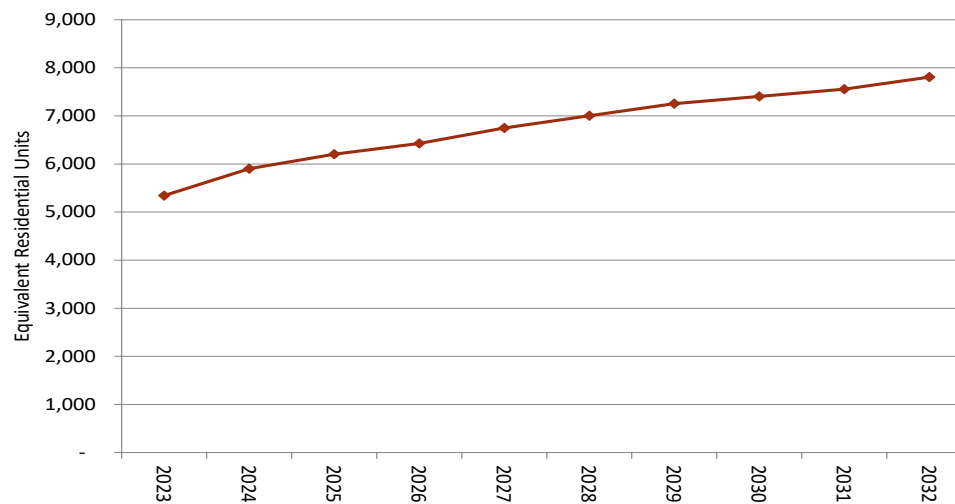


Chart 20
Storm Sewer Fund
Total Customer (Equivalent Residential Unit) Billed Annually



APPENDICES TO THE REPORT

APPENDIX A

Example Quarterly Utility Fees Payable by Property Types

TOTAL DOLLAR AMOUNT

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Low Volume Example, 6,000 gallons billed												
Residential Customer												
Water Bill	34.27	34.60	34.94	35.73	36.80	37.90	39.04	40.21	41.42	42.87	44.37	45.92
Sanitary Sewer Bill	54.64	55.19	55.74	55.74	57.41	59.13	60.91	62.74	64.62	66.56	68.55	70.61
Storm Sewer Bill	18.75	21.25	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75
Total	107.66	111.04	114.43	115.22	117.96	120.79	123.70	126.70	129.78	133.17	136.67	140.28
% Change		3.1%	3.1%	0.7%	2.4%	2.4%	2.4%	2.4%	2.4%	2.6%	2.6%	2.6%
Commercial Customer												
Water Bill	3.49	3.52	3.56	3.63	3.74	3.85	3.97	4.09	4.21	4.36	4.51	4.67
Sanitary Sewer Bill	4.70	4.75	4.80	4.99	5.19	5.40	5.62	5.84	6.07	6.32	6.57	6.83
Storm Sewer Bill	57.75	65.45	73.15	73.15	73.15	73.15	73.15	73.15	73.15	73.15	73.15	73.15
Total	65.94	73.72	81.51	81.77	82.08	82.40	82.73	83.08	83.43	83.82	84.23	84.65
% Change		11.8%	10.6%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%
Medium Volume Example, 20,000 gallons billed												
Residential Customer												
Water Bill	66.38	67.04	67.71	68.96	71.02	73.16	75.35	77.61	79.94	82.74	85.63	88.63
Sanitary Sewer Bill	101.64	102.69	103.74	105.66	109.33	113.13	117.06	121.14	125.35	129.72	134.24	138.93
Storm Sewer Bill	18.75	21.25	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75
Total	186.77	190.98	195.20	198.37	204.10	210.03	216.16	222.50	229.04	236.21	243.63	251.31
% Change		2.3%	2.2%	1.6%	2.9%	2.9%	2.9%	2.9%	2.9%	3.1%	3.1%	3.2%
Commercial Customer												
Water Bill	94.19	95.06	95.98	97.66	100.59	103.61	106.72	109.92	113.22	117.18	121.28	125.53
Sanitary Sewer Bill	47.00	47.50	48.00	49.92	51.92	53.99	56.15	58.40	60.74	63.16	65.69	68.32
Storm Sewer Bill	57.75	65.45	73.15	73.15	73.15	73.15	73.15	73.15	73.15	73.15	73.15	73.15
Total	198.94	208.01	217.13	220.73	225.66	230.76	236.02	241.47	247.11	253.50	260.13	267.00
% Change		4.6%	4.4%	1.7%	2.2%	2.3%	2.3%	2.3%	2.3%	2.6%	2.6%	2.6%
High Volume Example, 107,000 gallons billed												
Residential Customer												
Water Bill	365.35	369.19	373.04	399.56	411.55	423.90	436.62	449.71	463.21	479.42	496.20	513.56
Sanitary Sewer Bill	510.54	515.94	521.34	539.96	561.01	582.87	605.59	629.21	653.75	679.25	705.76	733.30
Storm Sewer Bill	18.75	21.25	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75
Total	894.64	906.38	918.13	963.28	996.31	1,030.52	1,065.96	1,102.67	1,140.71	1,182.42	1,225.71	1,270.62
% Change		1.3%	1.3%	4.9%	3.4%	3.4%	3.4%	3.4%	3.4%	3.7%	3.7%	3.7%
Commercial Customer												
Water Bill	515.41	520.23	525.20	562.84	579.72	597.12	615.03	633.48	652.48	675.32	698.96	723.42
Sanitary Sewer Bill	455.90	460.75	465.60	484.22	503.59	523.74	544.69	566.47	589.13	612.70	637.21	662.69
Storm Sewer Bill	57.75	65.45	73.15	73.15	73.15	73.15	73.15	73.15	73.15	73.15	73.15	73.15
Total	1,029.06	1,046.43	1,063.95	1,120.21	1,156.47	1,194.00	1,232.86	1,273.10	1,314.77	1,361.17	1,409.31	1,459.26
% Change		1.7%	1.7%	5.3%	3.2%	3.2%	3.3%	3.3%	3.3%	3.5%	3.5%	3.5%

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).

APPENDIX A-1

Example Quarterly Utility Fees Payable by Property Types

ANNUAL PERCENT CHANGE

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
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Low Volume Example, 6,000 gallons billed

Residential Customer

Water Bill	1.0%	1.0%	2.3%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.5%	3.5%	3.5%
Sanitary Sewer Bill	1.0%	1.0%	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Storm Sewer Bill	13.3%	11.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	3.1%	3.1%	0.7%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.6%	2.6%	2.6%
% Change												

Commercial Customer

Water Bill	0.9%	1.1%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.5%	3.5%	3.5%
Sanitary Sewer Bill	1.1%	1.1%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Storm Sewer Bill	13.3%	11.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	11.8%	10.6%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%
% Change												

Medium Volume Example, 20,000 gallons billed

Residential Customer

Water Bill	1.0%	1.0%	1.8%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.5%	3.5%	3.5%
Sanitary Sewer Bill	1.0%	1.0%	1.9%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Storm Sewer Bill	13.3%	11.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	2.3%	2.2%	1.6%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	3.1%	3.1%	3.2%
% Change												

Commercial Customer

Water Bill	0.9%	1.0%	1.8%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.5%	3.5%	3.5%
Sanitary Sewer Bill	1.1%	1.1%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Storm Sewer Bill	13.3%	11.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	4.6%	4.4%	1.7%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%	2.6%	2.6%	2.6%
% Change												

High Volume Example, 107,000 gallons billed

Residential Customer

Water Bill	1.1%	1.0%	7.1%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.5%	3.5%	3.5%
Sanitary Sewer Bill	1.1%	1.0%	3.6%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%
Storm Sewer Bill	13.3%	11.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	1.3%	1.3%	4.9%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.7%	3.7%	3.7%
% Change												

Commercial Customer

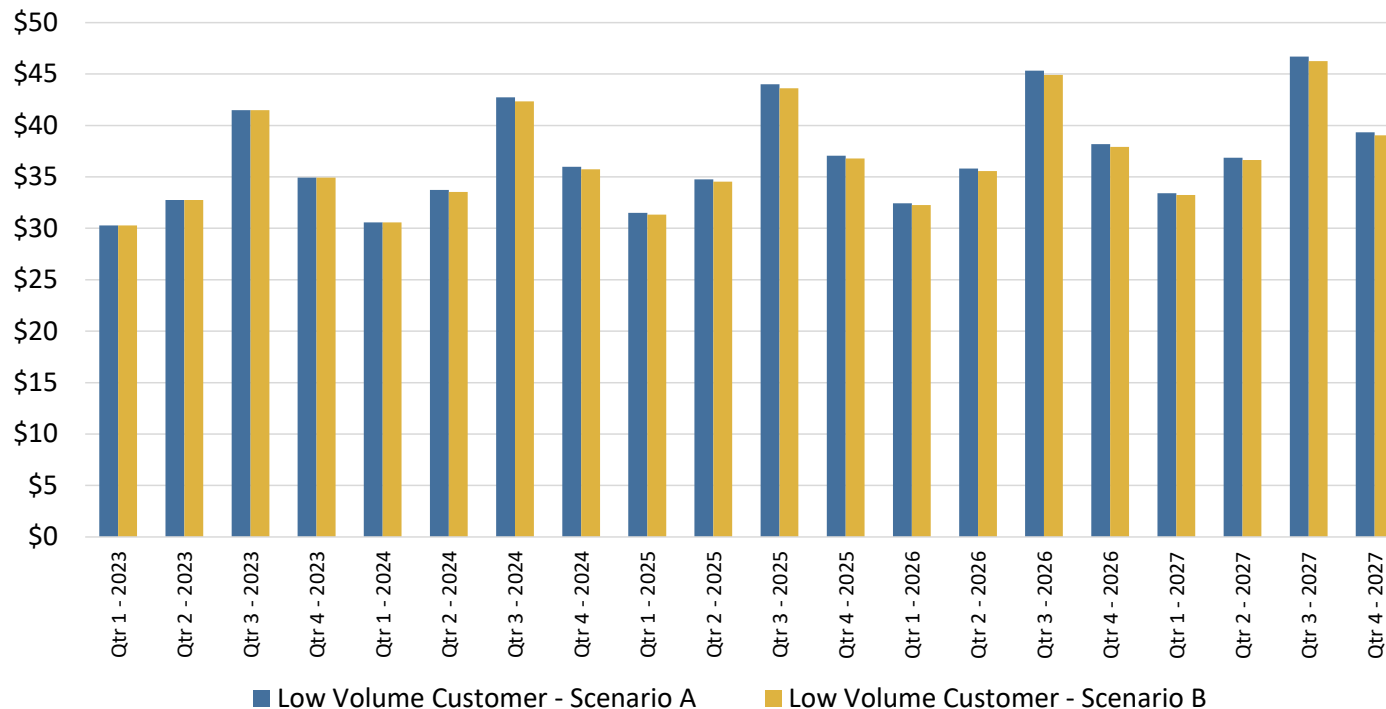
Water Bill	0.9%	1.0%	7.2%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.5%	3.5%	3.5%
Sanitary Sewer Bill	1.1%	1.1%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Storm Sewer Bill	13.3%	11.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	1.7%	1.7%	5.3%	3.2%	3.2%	3.3%	3.3%	3.3%	3.3%	3.5%	3.5%	3.5%
% Change												

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).

Customers with lower volume of water usage are estimated to pay slightly less in 2024 for quarterly water bills under the proposed changes to the fees by tier rate for water usage compared to if the City were to increase all water fees by 3.0% from 2023 to 2024.

Appendix B
Low Volume Residential Customer Quarterly Water Bill
Volume by Quarter: Qtr 1 Vol = 4,000 gallons; Qtr 2 = 5,000 gallons; Qtr 3 = 9,000 gallons; Qtr 4 = 6,000 gallons

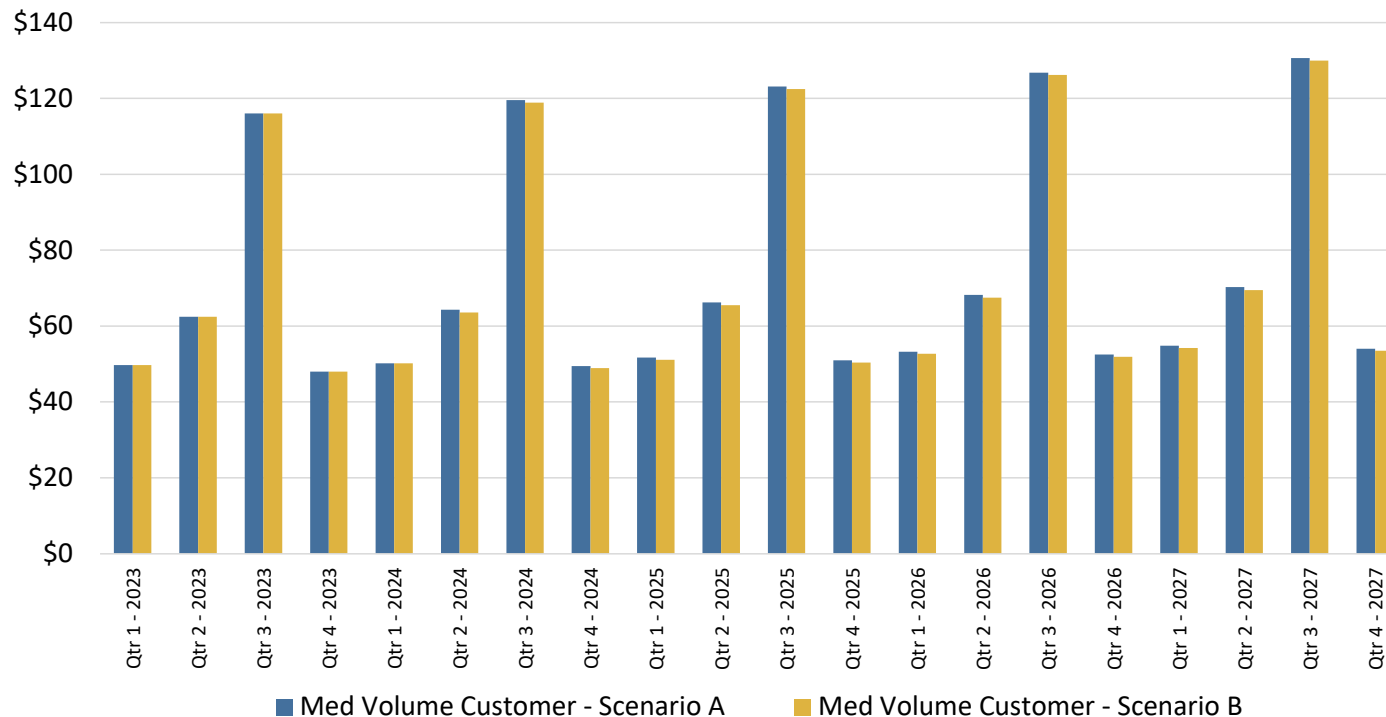


Scenario A = Current year 2023 adopted fee schedule adjusted by 3.0% annually between years 2024-2032.

Scenario B = Year 2024 proposed fee schedule to provide 1-2% increase for Tier 1 and Tier 2, and then higher (5-15%) adjustments for Tier 3 through Tier 5. After year 2024, then 3.0% annually.

Customers with medium volume of water usage are estimated to pay nearly the same amount in 2024 for quarterly water bills under the proposed changes to the fees by tier rate for water usage compared to if the City were to increase all water fees by 3.0% from 2023 to 2024.

Appendix C
Medium Volume Residential Customer Quarterly Water Bill
 Volume by Quarter: Qtr 1 Vol = 13,000 gallons; Qtr 2 = 18,000 gallons; Qtr 3 = 37,000 gallons;
 Qtr 4 = 12,000 gallons



Scenario A = Current year 2023 adopted fee schedule adjusted by 3.0% annually between years 2024-2032.

Scenario B = Year 2024 proposed fee schedule to provide 1-2% increase for Tier 1 and Tier 2, and then higher (5-15%) adjustments for Tier 3 through Tier 5. After year 2024, then 3.0% annually.

Customers with high volume of water usage are estimated to pay more in 2024 for quarterly water bills, in the quarters with higher water volume, under the proposed changes to the fees by tier rate for water usage compared to if the City were to increase all water fees by 3.0% from 2023 to 2024.

Appendix D
High Volume Residential Customer Quarterly Water Bill
Volume by Quarter: Qtr 1 24,000; Qtr 2 = 117,000 gallons; Qtr 3 = 248,000 gallons; Qtr 4 = 40,000 gallons



Scenario A = Current year 2023 adopted fee schedule adjusted by 3.0% annually between years 2024-2032.

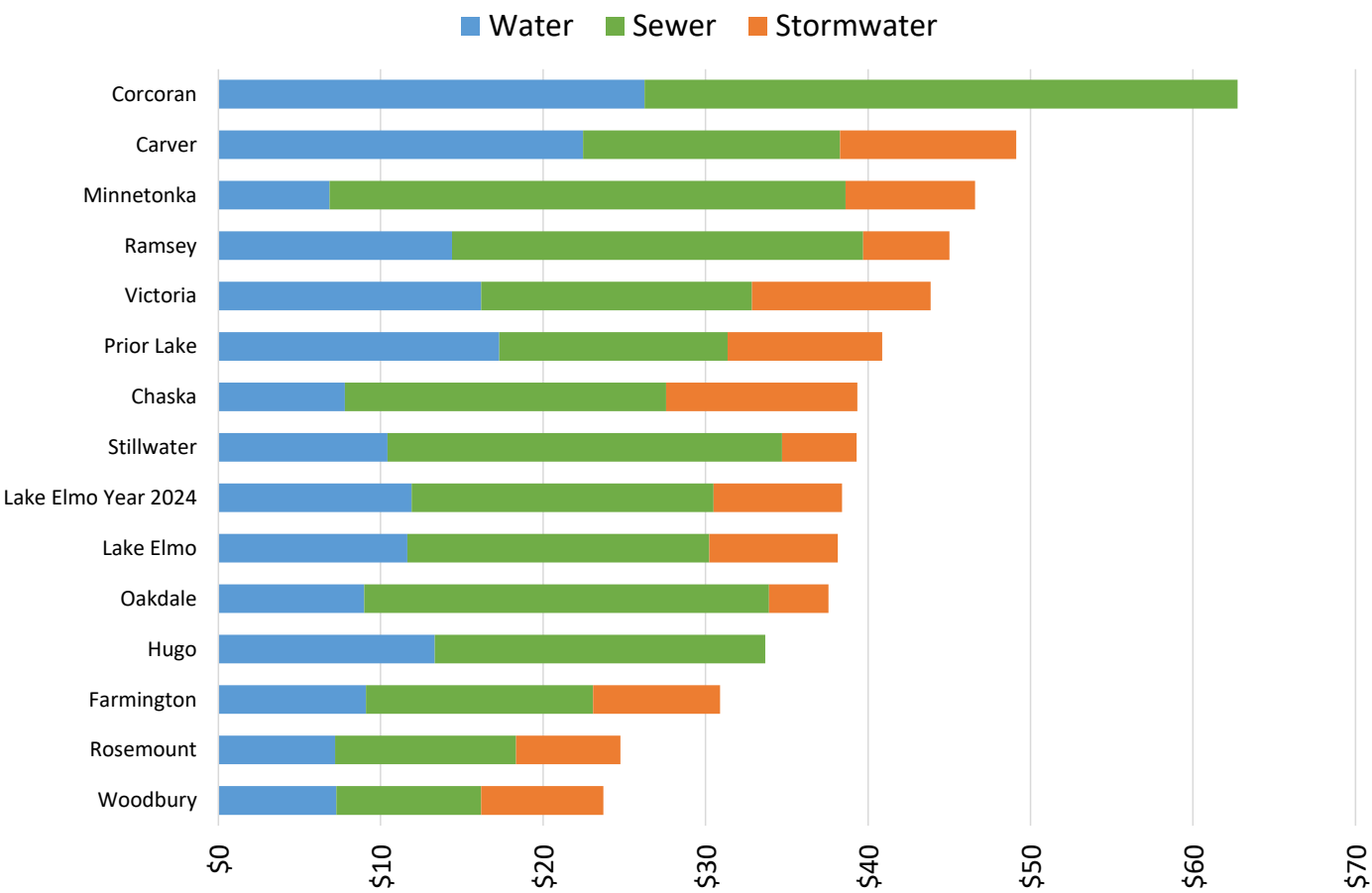
Scenario B = Year 2024 proposed fee schedule to provide 1-2% increase for Tier 1 and Tier 2, and then higher (5-15%) adjustments for Tier 3 through Tier 5. After year 2024, then 3.0% annually.

“Lake Elmo Year 2024” includes the proposed changes to the fees by tier for billing water volume, among other proposed fee changes included in the Plan.

The amounts shown for the other cities is an estimated amount based on interpretation of a city’s current published fee schedule. While it is believed the interpretation of the various cities fees is correct, it is possible that the calculated amounts are not correct.

Appendix E

2,000 Gallons Monthly Volume - Residential
Estimated Based on Published Rate Data and Interpretation of Fee Schedules
Cities have different billing cycles. For comparison billing is shown as monthly equivalent bills.

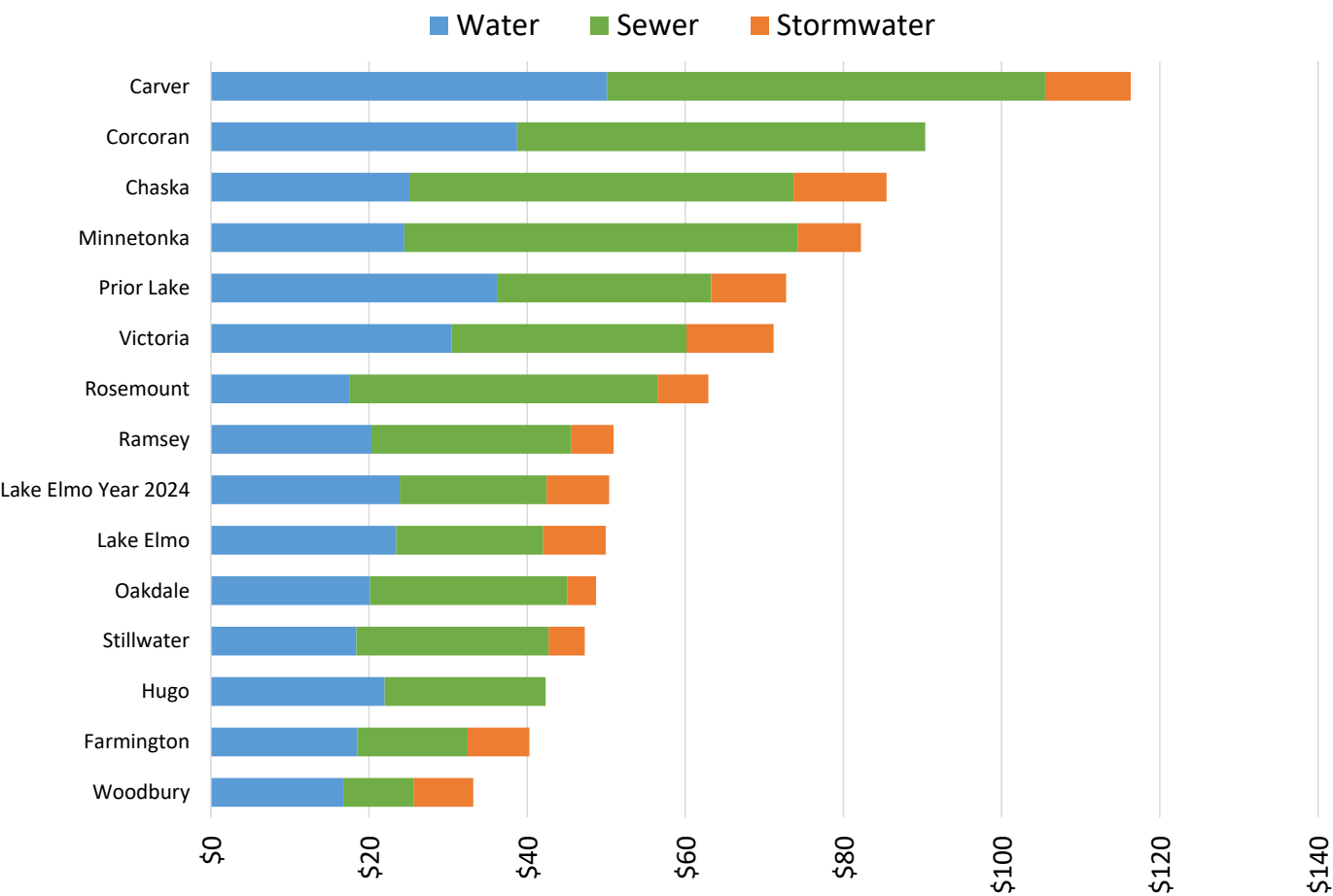


“Lake Elmo Year 2024” includes the proposed changes to the fees by tier for billing water volume, among other proposed fee changes included in the Plan.

The amounts shown for the other cities is an estimated amount based on interpretation of a city’s current published fee schedule. While it is believed the interpretation of the various cities fees is correct, it is possible that the calculated amounts are not correct.

Appendix F

7,000 Gallons Monthly Volume - Residential
Estimated Based on Published Rate Data and Interpretation of Fee Schedules
Cities have different billing cycles. For comparison billing is shown as monthly equivalent bills.

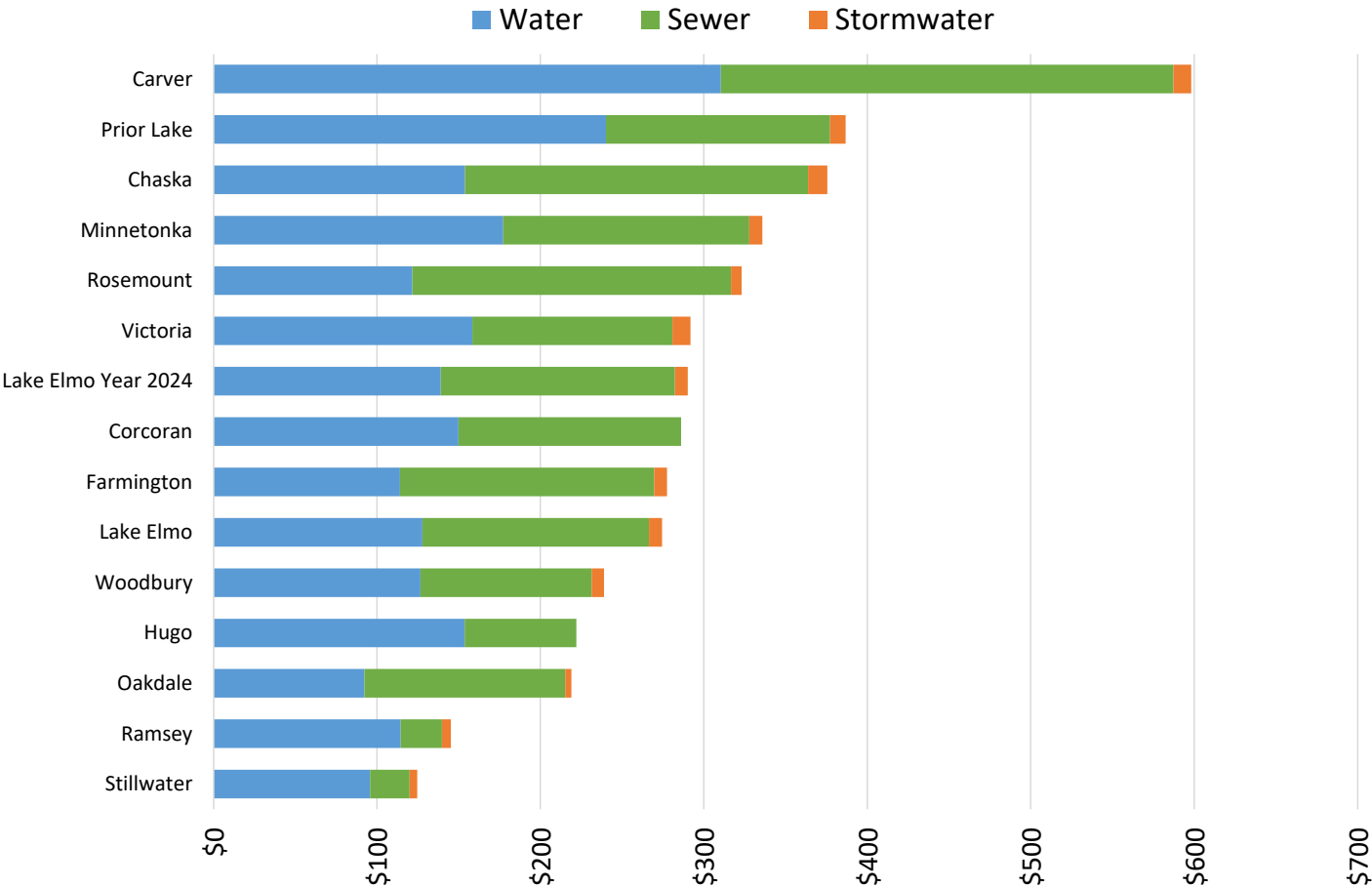


“Lake Elmo Year 2024” includes the proposed changes to the fees by tier for billing water volume, among other proposed fee changes included in the Plan.

The amounts shown for the other cities is an estimated amount based on interpretation of a city’s current published fee schedule. While it is believed the interpretation of the various cities fees is correct, it is possible that the calculated amounts are not correct.

Appendix G

35,000 Gallons Monthly Volume - Residential
Estimated Based on Published Rate Data and Interpretation of Fee Schedules
Cities have different billing cycles. For comparison billing is shown as monthly equivalent bills.





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