

**NOTICE OF CITY COUNCIL
WORKSHOP MEETING**

**City of Lake Elmo
3800 Laverne Avenue North
City Council Meeting
Thursday, February 28, 2013 6:00 P.M.**

AGENDA

A. CALL TO ORDER

B. PLEDGE OF ALLEGIANCE

C. APPROVAL OF AGENDA

D. AGENDA

- I. Security-based Developer Agreements – Jack Griffin,
City Engineer**
- II. Cash Flowing Utility Fees & Charges – Tammy
Omdahl, Northland Securities**
- III. Fair, Equitable Parkland Dedication Fees – Dean
Zuleger, City Administrator**
- IV. Extraneous Cost of Growth – Utility Easements -
Dean Zuleger, City Administrator**
- V. Public Comment**

E. ADJOURN

8:30 P.M.

(reserved for recording information)

DEVELOPMENT CONTRACT

(Public sewer and water)

PLAT NAME

AGREEMENT dated _____, 2_____, by and between the **CITY OF LAKE ELMO** a Minnesota municipal corporation ("City"), and _____
_____ (the "Developer").

1. REQUEST FOR PLAT APPROVAL. The Developer has asked the City to approve a plat for _____ (referred to in this Contract as the "plat"). The land is situated in the County of Washington, State of Minnesota, and is legally described as:

2. CONDITIONS OF PLAT APPROVAL. The City hereby approves the plat on condition that the Developer enter into this Contract, furnish the security required by it, and record the plat with the County Recorder or Registrar of Titles within (180) days after the City Council approves the final plat.

3. RIGHT TO PROCEED. Unless separate written approval has been given by the City, within the plat or land to be platted, the Developer may not grade or otherwise disturb the earth, remove trees, construct sewer lines, water lines, streets, utilities, public or private improvements, or any buildings until all the following conditions have been satisfied: 1) this agreement has been fully executed by both

parties and filed with the City Clerk, 2) the necessary security has been received by the City, 3) the plat has been recorded with the Washington County Recorder's Office, and 4) the City's Planning Director has issued a letter that all conditions have been satisfied, a preconstruction conference has been held, and that the Developer may proceed.

4. PHASED DEVELOPMENT. If the plat is a phase of a multi-phased preliminary plat, the City may refuse to approve final plats of subsequent phases if the Developer has breached this Contract and the breach has not been remedied. Development of subsequent phases may not proceed until Development Contracts for such phases are approved by the City. Park charges and area charges for sewer and water referred to in this Contract are not being imposed on outlots, if any, in the plat that are designated in an approved preliminary plat for future subdivision into lots and blocks. Such charges will be calculated and imposed when the outlots are final platted into lots and blocks.

5. PRELIMINARY PLAT STATUS. If the plat is a phase of a multi-phased preliminary plat, the preliminary plat approval for all phases not final platted shall lapse and be void unless final platted into lots and blocks, not outlots, within two (2) years after preliminary plat approval.

6. CHANGES IN OFFICIAL CONTROLS. For two (2) years from the date of this Contract, no amendments to the City's Comprehensive Plan or official controls shall apply to or affect the use, development density, lot size, lot layout or dedications of the approved final plat unless required by state or federal law or agreed to in writing by the City and the Developer. Thereafter, notwithstanding anything in this Contract to the contrary, to the full extent permitted by state law, the City may require compliance with any amendments to the City's Comprehensive Plan, official controls, platting or dedication requirements enacted after the date of this Contract.

7. DEVELOPMENT PLANS. The plat shall be developed in accordance with the following plans and at the Developer's sole expense. The plans shall not be attached to this Contract. If the plans vary from the written terms of this Contract, the written terms shall control. The plans are:

Plan A - Plat

Plan B - Final Grading, Drainage, and Erosion Control Plan

Plan C - Tree Preservation and Reforestation Plan
Plan D - Plans and Specifications for Public Improvements
Plan E - Street Lighting Plan
Plan F - Landscape Plan

8. IMPROVEMENTS. The Developer shall install and pay for the following:

- A. Streets
- B. Sanitary Sewer
- C. Watermain
- D. Surface Water Facilities (pipe, ponds, rain gardens, etc.)
- E. Grading and Erosion Control
- F. Sidewalks/Trails
- G. Street Lighting
- H. Underground Utilities
- I. Street Signs and Traffic Control Signs
- J. Landscaping
- K. Tree Preservation and Reforestation
- L. Wetland Mitigation and Buffers
- M. Monuments Required by Minnesota Statutes
- N. Miscellaneous Facilities

The improvements shall be installed in accordance with the City subdivision ordinance and the City's Engineering Design and Construction Standards Manual and pursuant to the direction of the City Engineer. The Developer shall submit plans and specifications which have been prepared by a competent registered professional engineer to the City for approval by the City Engineer. The Developer shall instruct its engineer to provide adequate field inspection personnel to assure an acceptable level of quality control to the extent that the Developer's engineer will be able to certify that the construction work meets the approved City standards as a condition of City acceptance. In addition, the City may, at the City's discretion and at the Developer's expense, have one or more City inspectors and a soil engineer inspect the work on a full or part-time basis. The Developer's engineer shall provide for on-site project management. The Developer's engineer is responsible for design changes and contract administration between the Developer

and the Developer's contractor. The Developer or his engineer shall schedule a pre-construction meeting at a mutually agreeable time at the City Hall with all parties concerned, including the City staff, to review the program for the construction work.

All labor and work shall be done and performed in the best and most workmanlike manner and in strict conformance with the approved plans and specifications. No deviations from the approved plans and specifications will be permitted unless approved in writing by the City Engineer. The Developer agrees to furnish to the City a list of contractors being considered for retention by the Developer for the performance of the work required by the Contract. The Developer shall not do any work or furnish any materials not covered by the plans and specifications and special conditions of this Contract, for which reimbursement is expected from the City, unless such work is first ordered in writing by the City Engineer as provided in the specifications.

9. CITY ENGINEERING ADMINISTRATION AND CONSTRUCTION

OBSERVATION. At the time of Final Plat, the Developer shall submit an escrow for City Engineering Administration and Construction Observation in an amount provided under paragraph 33. Summary of Cash Requirements. Thereafter, the Developer shall reimburse the City each month, within 30 days of receiving an invoice, for all engineering administration and construction observation performed during the construction of the plat. After 30 days of the invoice, the City may draw upon the escrow and stop the work on site until said escrow has been replenished in its full amount. City engineering administration will include monitoring of construction progress and construction observation, consultation with Developer and his engineer on status or problems regarding the project, coordination for testing, final inspection and acceptance, project monitoring during the warranty period, and processing of requests for reduction in security. Construction observation may be performed by the City's in-house staff or consulting engineer. Construction observation shall include, at the discretion of the city, part or full time inspection of proposed public utilities and street construction. Services will be billed on an hourly basis.

The direction and review provided through the inspection of the improvements should not be considered a substitute for the Developer required management of the development. Developer will cause the contractor(s) to furnish the City with a schedule of proposed operations at least five (5) days prior to the commencement of construction of each type of Improvement. City shall inspect all Developer Installed Improvements during and after construction for compliance with approved plans and specifications. Developer will notify the City Engineer at such times during construction as the City Engineer requires for inspection purposes. Such inspection is pursuant to the City's governmental authority, and no agency or joint venture relationship between the City and Developer is thereby created.

10. CONTRACTORS/SUBCONTRACTORS. City Council members, City employees, and City Planning Commission members, and corporations, partnerships, and other entities in which such individuals have greater than a 25% ownership interest or in which they are an officer or director may not act as contractors or subcontractors for the public improvements identified in Paragraph 8 above.

11. PERMITS. The Developer shall obtain or require its contractors and subcontractors to obtain all necessary permits, including but not limited to:

- A. Right-of-Way Excavations and Obstructions:
 - City of Lake Elmo, Right-of-Way Utility Installation(s)
 - City of Lake Elmo, Right-of-Way Obstruction(s)
 - Washington County, Utility Installations(s)
 - Washington County, Street or Driveway Access(s)
 - Minnesota Department of Transportation, Utility Installation
 - Minnesota Department of Transportation, Right-of-Way Permit
- B. Watermain Extensions:
 - Minnesota Department of Health
- C. Sanitary Sewer Extensions:
 - Minnesota Pollution Control Agency
 - Metropolitan Council Environmental Services
- D. Stormwater Management:
 - Valley Branch, Brown's Creek or South Washington Watershed District Permit
- E. Erosion, Sedimentation Control:
 - Minnesota Pollution Control Agency, General NPDES Stormwater Permit
 - SWPPP (Stormwater Pollution Prevention Plan)

- F. Wetland Mitigation:
 - Board of Water and Soil Resources, WCA
- G. Construction Dewatering:
 - Minnesota Department of Natural Resources

12. TIME OF PERFORMANCE. The Developer shall install all required public improvements by October 31, 2____, with the exception of the final wear course of asphalt on streets. The Developer shall have the option of installing the wearing course of streets within one (1) year following initial commencement of work on the required basic improvements or installing it after the first course has weathered a winter season, consistent with warranty requirements, however final acceptance of the improvements will not be granted until all work is completed included the final wear course. The Developer may, however, request an extension of time from the City. If an extension is granted, it shall be conditioned upon updating the security posted by the Developer to reflect cost increases and amending this agreement to reflect the extended completion date. Final wear course placement outside of this time frame must have the written approval of the City Engineer.

13. LICENSE. The Developer hereby grants the City, its agents, employees, officers and contractors a license to enter the plat to perform all work and inspections deemed appropriate by the City in conjunction with plat development.

14. CONSTRUCTION ACCESS. Construction traffic access and egress for grading, public utility construction, and street construction is restricted to access the subdivision via _____ No construction traffic is permitted on other adjacent local streets.

15. CONSTRUCTION SEQUENCE AND COMPLIANCE. The City will require the developer to construct the improvements in a sequence which will allow progress and compliance points to be measured and evaluated. The Developer and/or their representatives are required to supervise and coordinate all construction activities for all improvements and must notify the City in writing stating

when the work is ready for the inspection at each of the measurable points defined in the following paragraphs 16., 17. and 18.

16. EROSION CONTROL. Prior to initiating site grading, the erosion control plan, Plan B, shall be implemented by the Developer and inspected and approved by the City. Erosion control practices must comply with the approved plans and specifications for the plat, with all watershed district permits and with Minnesota Pollution Control Agency's Best Management Practices. The City may impose additional erosion control requirements as deemed necessary. The parties recognize that time is of the essence in controlling erosion. If the Developer does not comply with the erosion control plan and schedule or supplementary instructions received from the City, the City may take such action as it deems appropriate to control erosion. The City will endeavor to notify the Developer in advance of any proposed action, but failure of the City to do so will not affect the Developer's and City's rights or obligations hereunder. If the Developer does not reimburse the City for any cost the City incurred for such work within ten (10) days, the City may draw down the security to pay any costs. No development, utility or street construction will be allowed and no building permits will be issued unless the plat is in full compliance with the approved erosion control plan.

If building permits are issued prior to the acceptance of public improvements, the developer assumes all responsibility for erosion control compliance throughout the plat and the City may take such action as allowed by this agreement against the Developer for any noncompliant issue as stated above. Erosion control plans for individual lots will be required in accordance with the City's building permit requirements, or as required by the City or City Engineer.

17. GRADING PLAN. The plat shall be graded in accordance with the approved grading drainage and erosion control plan, Plan "B". The plan shall conform to Engineering Design and Construction Standards Manual. All grading shall be completed within the Subdivision prior to the preparation and submittal of the as-constructed grading plan.

Within thirty (30) days after completion of the grading, the Developer shall provide the City with a "record" grading plan certified by a registered land surveyor or engineer that all ponds, swales, and ditches have been constructed on public easements or land owned by the City. The "record" plan shall contain site grades and field verified elevations of the following: a) cross sections of ponds; b) location and elevations along all swales, emergency overflows, wetlands, wetland mitigation areas if any, ditches, locations and dimensions of borrow areas/stockpiles; c) lot corner elevations and house pads; and d) top and bottom of retaining walls. The City will not issue any building permits until the approved certified record grading plan is on file with the City.

18. STREET AND UTILITY IMPROVEMENTS. All storm sewers, sanitary sewers, watermain, and streets shall be installed in accordance with the approved Plans and Specifications for Public Improvements, Plan "D". The plan shall conform to the City's Engineering Design and Construction Standards Manual. Curb and gutter and the first lift of the bituminous streets, sidewalks, the boulevards graded, street signs installed, and all restoration work on the site shall be completed in accordance with the approved plans. Once the work is completed, the developer or its representative shall submit a written request to the City asking for an inspection of the initial improvements. The City will then schedule a walk-through to create a punch list of outstanding items to be completed. Upon receipt of the written punch list provided by the City, the punch list items must be completed by the Developer and the City notified to re-inspect the improvements. The final bituminous wear course may be installed in accordance with paragraph 12. above.

19. STREET MAINTENANCE DURING CONSTRUCTION. The Developer shall be responsible for all street maintenance until the streets are accepted by the City. Warning signs shall be placed when hazards develop in streets to prevent the public from traveling on same and to direct attention to detours. If and when streets become impassable, such streets shall be barricaded and closed. In the event residences are occupied prior to completing streets, the Developer shall maintain a smooth surface and provide proper surface drainage to insure that the streets are passable to traffic and emergency vehicles. The Developer shall be responsible for keeping streets within and without the

subdivision clean of dirt and debris that may spill, track, or wash onto the street from Developer's operation. The Developer may request, in writing, that the City keep the streets open during the winter months by plowing snow from the streets prior to final acceptance of said streets. The City shall not be responsible for repairing the streets because of snow plowing operations. Providing snow plowing service does not constitute final acceptance of the streets by the City. The Developer shall contract for street cleaning within and immediately adjacent to the development. At a minimum, scraping and sweeping shall take place on a weekly basis. A copy of this contract shall be approved by the City before grading is started. The contract shall provide that the City may direct the contractor to clean the streets and the contractor will bill the Developer.

20. OWNERSHIP OF IMPROVEMENTS. Upon completion of the work and construction required by this Contract, the improvements lying within public easements shall become City property. Prior to acceptance of the improvements by the City, the Developer must furnish the City with a complete set of reproducible "record" plans, an electronic file of the "record" plans in accordance with the City's Engineering Design and Construction Standards Manual together with the following affidavits:

- Developer/Developer Engineer's Certificate
- Land Surveyor's Certificate

certifying that all construction has been completed in accordance with the terms of this Contract. All necessary forms will be furnished by the City. Upon receipt of "record plans" and affidavits, and upon review and verification by the City Engineer, the City Engineer will accept the completed public improvements.

21. PARK DEDICATION. The Developer shall pay a cash contribution of \$_____ in satisfaction of the City's park dedication requirements. The charge was calculated as follows: ____ lots at \$_____ per lot.

22. SANITARY SEWER AND WATER UTILITY AVAILABILITY CHARGES (SAC AND WAC). The Developer shall be responsible for the payment of all sewer availability charges (SAC)

and all water availability charges (WAC) with respect to the Improvements required by the City and any state or metropolitan government agency.

The sewer availability charge (SAC) in the amount of \$3,000.00 per REU shall be paid by the Developer prior to the City recording the final plat. The total amount to be paid by the Developer is \$XXX,XXX.00.

The water availability charge (WAC) in the amount of \$3,000.00 per REU shall be paid by the Developer prior to the City recording the final plat. The total amount to be paid by the Developer is \$XXX,XXX.00.

In addition, a sewer connection charge in the amount of \$1,000.00 per REU, a Met Council sewer availability charge in the amount of \$2,435.00 per REU, and a water connection charge in the amount of \$1,000.00 per REU will be collected by the City at the time the building permit is issued for each lot.

23. TRAFFIC CONTROL SIGNS. The Developer shall pay to the City \$_____ for installation of traffic control signs.

24. STREET LIGHTS. The Developer is responsible for the cost of street light installation consistent with a street lighting plan approved by the City. Before the City signs the final plat, the Developer shall post a security for street light installation consistent with the approved plan. The required security is \$_____ and consists of _____ (____) decorative lights at \$_____ each, and _____ (____) mast arm lights at \$_____ each. The Developer shall also pay \$_____ in payment of the first year operating costs for street lights.

25. WETLAND MITIGATION. The Developer shall complete wetland mitigation/restoration in accordance with the approved Plans and Specifications and in accordance with any applicable Watershed or agency Permits. If the mitigation work is found to be incomplete or restoration is unsuccessful the City may draw down the security at any time during the warranty period if the Developer fails to take corrective measures to be used by the City to perform the work.

26. BUILDING PERMITS/CERTIFICATES OF OCCUPANCY.

A. Public sewer and water, curbing, and one lift of asphalt shall be installed on all public and private streets prior to issuance of any building permits, except one model home on a lot acceptable to the Planning Director.

B. Prior to issuance of building permits, wetland buffer monuments shall be placed in accordance with the City's zoning ordinance. The monument design shall be approved by the Community Development Department.

C. Written certification of the as-constructed grading must be on file at the City for the block where the building is to be located.

D. Breach of the terms of this Contract by the Developer, including nonpayment of billings from the City, shall be grounds for denial of building permits and/or withholding of other permits, inspection or actions, including lots sold to third parties, and the halting of all work in the plat.

E. If building permits are issued prior to the acceptance of public improvements, the Developer assumes all liability and costs resulting in delays in completion of public improvements and damage to public improvements caused by the City, Developer, their contractors, subcontractors, materialmen, employees, agents, or third parties.

F. No sewer and water connection permits may be issued until the streets needed for access have been paved with a bituminous surface and the utilities are tested and approved by the City Engineer.

G. The City will not issue a certificate of occupancy for any building constructed on any lot or parcel in the Plat until Public sewer and water, curbing, and one lift of asphalt is installed on all public and private streets; all utilities are tested and approved by the City Engineer; and the as-constructed grading must be on file at the City for the block where the building is to be located.

27. RESPONSIBILITY FOR COSTS.

A. In the event that the City receives claims from labor, materialmen, or others that work required by this Contract has been performed, the sums due them have not been paid, and the laborers, materialmen, or others are seeking payment from the City, the Developer hereby authorizes the

City to commence an Interpleader action pursuant to Rule 22, Minnesota Rules of Civil Procedure for the District Courts, to draw upon the letters of credit in an amount up to 125 percent of the claim(s) and deposit the funds in compliance with the Rule, and upon such deposit, the Developer shall release, discharge, and dismiss the City from any further proceedings as it pertains to the letters of credit deposited with the District Court, except that the Court shall retain jurisdiction to determine attorneys' fees pursuant to this Contract.

B. Except as otherwise specified herein, the Developer shall pay all costs incurred by it or the City in conjunction with the development of the plat, including but not limited to legal, planning, engineering and inspection expenses incurred in connection with approval and acceptance of the plat, the preparation of this Contract, review of construction plans and documents, and all costs and expenses incurred by the City in monitoring and inspecting development of the plat. All amounts incurred and due at the time, must be fully paid prior to execution and release of the final plat for recording.

C. The Developer shall hold the City and its officers, employees, and agents harmless from claims made by itself and third parties for damages sustained or costs incurred resulting from plat approval and development. The Developer shall indemnify the City and its officers, employees, and agents for all costs, damages, or expenses which the City may pay or incur in consequence of such claims, including attorneys' fees.

D. The Developer shall reimburse the City for costs incurred in the enforcement of this Contract, including reasonable engineering and attorneys' fees.

E. The Developer shall pay, or cause to be paid when due, and in any event before any penalty is attached, all special assessments referred to in this Contract. This is a personal obligation of the Developer and shall continue in full force and effect even if the Developer sells one or more lots, the entire plat, or any part of it.

F. The Developer shall pay in full all bills submitted to it by the City for obligations incurred under this Contract within thirty (30) days after receipt. Bills not paid within thirty (30) days shall be assessed a late fee per the City of Lake Elmo adopted Fee Schedule. Upon request, the City will provide copies of detailed invoices of the work performed.

28. SPECIAL PROVISIONS. The following special provisions shall apply to plat development:

- A. Implementation of the recommendations listed in the _____, Engineering memorandum.
- B. Before the City signs the final plat, the Developer shall convey Outlot ____ to the City by warranty deed, free and clear of any and all encumbrances.
- C. The Developer shall install a temporary turnaround on the _____ end of _____ until it is extended to the _____ with the second phase of the _____ development.
- D. _____
- E. The Developer must obtain a sign permit from the City Building Official prior to installation of any subdivision identification signs.
- F. (Other requirements).

29. MISCELLANEOUS.

- A. The Developer may not assign this Contract without the written permission of the City Council. The Developer's obligation hereunder shall continue in full force and effect even if the Developer sells one or more lots, the entire plat, or any part of it.
- B. Retaining walls that require a building permit shall be constructed in accordance with plans and specifications prepared by a structural or geotechnical engineer licensed by the State of Minnesota. Following construction, a certification signed by the design engineer shall be filed with the City Engineer evidencing that the retaining wall was constructed in accordance with the approved plans and specifications. All retaining walls identified on the development plans or by special conditions referred to in this Contract shall be constructed before any other building permit is issued for a lot on which a retaining wall is required to be built.
- C. Appropriate legal documents regarding Homeowner Association documents, covenants and restrictions, as approved by the City Attorney, shall be filed with the final plat. No third-party beneficiary is hereby conferred.

D. Developer shall take out and maintain or cause to be taken out and maintained until six (6) months after the City has accepted the public improvements, public liability and property damage insurance covering personal injury, including death, and claims for property damage which may arise out of Developer's work or the work of its subcontractors or by one directly or indirectly employed by any of them. Limits for bodily injury and death shall be not less than \$500,000 for one person and \$1,000,000 for each occurrence; limits for property damage shall be not less than \$200,000 for each occurrence; or a combination single limit policy of \$1,000,000 or more. The City shall be named as an additional insured on the policy, and the Developer shall file with the City a certificate evidencing coverage prior to the City signing the plat. The certificate shall provide that the City must be given thirty (30) days advance written notice of the cancellation of the insurance.

E. Third parties shall have no recourse against the City under this Contract.

F. If any portion, section, subsection, sentence, clause, paragraph, or phrase of this Contract is for any reason held invalid, such decision shall not affect the validity of the remaining portion of this Contract.

G. The action or inaction of the City shall not constitute a waiver or amendment to the provisions of this Contract. To be binding, amendments or waivers shall be in writing, signed by the parties and approved by written resolution of the City Council. The City's failure to promptly take legal action to enforce this Contract shall not be a waiver or release.

H. This Contract shall run with the land and may be recorded against the title to the property. The Developer covenants with the City, its successors and assigns, that the Developer has fee title to the property being final platted and/or has obtained consents to this Contract, in the form attached hereto, from all parties who have an interest in the property; that there are no unrecorded interests in the property being final platted; and that the Developer will indemnify and hold the City harmless for any breach of the foregoing covenants.

I. Each right, power or remedy herein conferred upon the City is cumulative and in addition to every other right, power or remedy, express or implied, now or hereafter arising, available to

City, at law or in equity, or under any other agreement, and each and every right, power and remedy herein set forth or otherwise so existing may be exercised from time to time as often and in such order as may be deemed expedient by the City and shall not be a waiver of the right to exercise at any time thereafter any other right, power or remedy.

J. The Developer represents to the City that the plat complies with all city, county, metropolitan, state, and federal laws and regulations, including but not limited to: subdivision ordinances, zoning ordinances, and environmental regulations. If the City determines that the plat does not comply, the City may, at its option, refuse to allow construction or development work in the plat until the Developer does comply. Upon the City's demand, the Developer shall cease work until there is compliance.

30. EVENTS OF DEFAULT. The following shall be "Events of Default" under this Agreement and the term "Event of Default" shall mean, whenever it is used in this Agreement, any one or more of the following events:

A. Subject to unavoidable delays, failure by Developers to commence and complete construction of the Public Improvements pursuant to the terms, conditions and limitations of this Agreement.

B. Failure by Developers to substantially observe or perform any material covenant, condition, obligation or agreement on their part to be observed or performed under this Agreement.

31. REMEDIES ON DEFAULT. Whenever any Event of Default occurs, the City, subject to any rights of third parties agreed to by the City pursuant to this Agreement, or otherwise by written, executed instrument of the City, may take any one or more of the following:

A. The City may suspend its performance under the Agreement until it receives assurances from Developers, deemed adequate by the City, that Developers will cure their default and continue their performance under the Agreement. Suspension of performance includes the right of the City to withhold permits including, but not limited to, building permits.

B. The City may initiate such action, including legal or administrative action, as is necessary for the City to secure performance of any provision of this agreement or recover any amounts

due under this Agreement from Developers, or immediately draw on the Letter of Credit, as set forth in this Agreement.

32. ENFORCEMENT BY CITY; DAMAGES. The Developers acknowledge the right of the City to enforce the terms of this Agreement against the Developers, by action for specific performance or damages, or both, or by any other legally authorized means. The Developers also acknowledge that their failure to perform any or all of their obligations under this Agreement may result in substantial damages to the City; that in the event of default by the Developers, the City may commence legal action to recover all damages, losses and expenses sustained by the City; and that such expenses may include, but are not limited to, the reasonable fees of legal counsel employed with respect to the enforcement of this Agreement.

33. WARRANTY. The Developer warrants all improvements required to be constructed by it pursuant to this Contract against poor material and faulty workmanship. The Developer shall submit either a letter of credit for twenty-five percent (25%) of the amount of the original cost of the improvements.

A. The required warranty period for materials and workmanship for the utility contractor installing public sewer and water mains shall be two (2) years from the date of final written City acceptance of the work.

B. The required warranty period for all work relating to street construction, including concrete curb and gutter, sidewalks and trails, materials and equipment shall be subject to one (1) year from the date of final written acceptance, unless the wearing course is placed during the same construction season as the bituminous base course. In those instances, the Developer shall guarantee all work, including street construction, concrete curb and gutter, sidewalks and trails, material and equipment for a period of two (2) years from the date of final written City acceptance of the work.

C. The required warranty period for sod, trees, and landscaping is two growing seasons following installation

34. SUMMARY OF SECURITY REQUIREMENTS. To guarantee compliance with the terms of this agreement, payment of special assessments, payment of the costs of all public improvements,

and construction of all public improvements, the Developer shall furnish the City with an irrevocable letter of credit, in the form attached hereto, from a bank, cash escrow or a combination cash escrow and Letter of Credit ("security") for \$_____. The amount of the security was calculated as follows:

CONSTRUCTION COSTS:

Streets\$

Sanitary Sewer

Watermain

Surface Water Facilities (pipe, ponds, rain gardens, etc.)

Grading

Erosion Control

Sidewalks/Trails

Street Lighting

Street Signs and Traffic Control Signs

Landscaping

Tree Preservation and Reforestation

Wetland Mitigation and Buffers (a separate letter of credit is required)

Monuments

Miscellaneous Facilities

Developer's Record Drawings

CONSTRUCTION SUB-TOTAL

\$

TOTAL PROJECT SECURITIES (at 125% Construction Costs): \$

This breakdown is for historical reference; it is not a restriction on the use of the security. The bank shall be subject to the approval of the City Administrator. The City may draw down the security, without notice, for any violation of the terms of this Contract or if the security is allowed to lapse prior to the end of the

required term. If the required public improvements are not completed at least thirty (30) days prior to the expiration of the security, the City may also draw it down. If the security is drawn down, the proceeds shall be used to cure the default.

35. REDUCTION OF SECURITY. Upon written request by the Developer and upon receipt of proof satisfactory to the City Engineer that work has been completed and financial obligations to the City have been satisfied, with City Engineer approval the security may be reduced as follows:

A. Up to 50%, or \$_____ of the security provided in accordance with paragraph 32. above may be released when: (1) Developer's obligations under this Agreement have been completed and the Public Improvements have been found to be complete to the satisfaction of the City including all corrective work for any identified punch list items, but not including the final wear course; and (2) completion of the Improvements is done to the satisfaction of the City and evidence of such is provided by the City in writing and satisfactory evidence of payment, such as lien waivers are provided.

B. Up to an additional 25%, or \$ _____ of the security provided in accordance with paragraph 32. above may be released when: (1) Developer's obligations under this Agreement have been completed and the Improvements have been found to be complete to the satisfaction of the City including all corrective work for any identified punch list items and including the final wear course; and (2) Improvements are accepted by the City in writing and satisfactory evidence of payment, such as lien waivers, are provided.

C. Twenty percent (25%) of the amounts certified by the Developer's engineer shall be retained as security until: (1) all improvements have been completed, (2) iron monuments for lot corners have been installed, (3) all financial obligations to the City satisfied, (4) the required "record" plans have been received and approved by the City, (5) a warranty security is provided, and (6) the public improvements are accepted by the City.

36. SUMMARY OF CASH REQUIREMENTS. The following is a summary of the cash requirements under this Contract which must be furnished to the City at the time of final plat approval:

Sewer Availability Charge (SAC)	\$
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Water Availability Charge (WAC)
Erosion Control
Park Dedication
Street Light Operating Fee
City Base Map Upgrading
City Engineering Administration Escrow

TOTAL CASH REQUIREMENTS

\$

37. NOTICES. Required notices to the Developer shall be in writing, and shall be either hand delivered to the Developer, its employees or agents, or mailed to the Developer by certified mail at the following address: _____. Notices to the City shall be in writing and shall be either hand delivered to the City Administrator, or mailed to the City by certified mail in care of the City Administrator at the following address: Lake Elmo City Hall, 3800 Laverne Avenue N. Lake Elmo, Minnesota 55042.

38. EVIDENCE OF TITLE. Developer shall furnish the City with evidence of fee ownership of the property being platted by way of an attorney's title opinion or title insurance policy dated not earlier than thirty (30) days prior to the execution of the plat.

CITY OF LAKE ELMO

BY: _____, Mayor

(SEAL)

AND _____, City Clerk

DEVELOPER:

BY: _____
Its

STATE OF MINNESOTA)
 (ss.
COUNTY OF WASHINGTON)

The foregoing instrument was acknowledged before me this _____ day of _____,
2_____, by _____ and by _____, the
Mayor and City Clerk of the City of Lake Elmo, a Minnesota municipal corporation, on behalf of the
corporation and pursuant to the authority granted by its City Council.

NOTARY PUBLIC

STATE OF MINNESOTA)
 (ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____,
2_____, by _____ the _____
of _____.

NOTARY PUBLIC

DRAFTED BY:
City of Lake Elmo
3800 Laverne Avenue North
Lake Elmo, MN 55042
(651) 747-3901

**FEE OWNER CONSENT
TO
DEVELOPMENT CONTRACT**

_____, fee owners of all or part of the subject property, the development of which is governed by the foregoing Development Contract, affirm and consent to the provisions thereof and agree to be bound by the provisions as the same may apply to that portion of the subject property owned by them.

Dated this _____ day of _____, 2_____.

STATE OF MINNESOTA)
 (ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2_____,
by _____.

NOTARY PUBLIC

DRAFTED BY:
City of Lake Elmo
3800 Laverne Avenue North
Lake Elmo, MN 55042
(651) 747-3901

**MORTGAGE CONSENT
TO
DEVELOPMENT CONTRACT**

_____, which holds a mortgage on the subject property, the development of which is governed by the foregoing Development Contract, agrees that the Development Contract shall remain in full force and effect even if it forecloses on its mortgage.

Dated this _____ day of _____, 2_____.

STATE OF MINNESOTA)
 (ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____,
2_____, by _____.

NOTARY PUBLIC

DRAFTED BY:
City of Lake Elmo
3800 Laverne Avenue North
Lake Elmo, MN 55042
(651) 747-3901

**CONTRACT PURCHASER CONSENT
TO
DEVELOPMENT CONTRACT**

_____, which/who has a contract purchaser's interest in all or part of the subject property, the development of which is governed by the foregoing Development Contract, hereby affirms and consents to the provisions thereof and agrees to be bound by the provisions as the same may apply to that portion of the subject property in which there is a contract purchaser's interest.

Dated this _____ day of _____, 2_____.

STATE OF MINNESOTA)
 (ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____,
2_____, by _____.

NOTARY PUBLIC

DRAFTED BY:
City of Lake Elmo
3800 Laverne Avenue North
Lake Elmo, MN 55042
(651) 747-3901

EXHIBIT "A"
TO
DEVELOPMENT CONTRACT

Legal Description of Property Being Final Platted as

IRREVOCABLE LETTER OF CREDIT

No. _____
Date: _____

TO: City of Lake Elmo

Dear Sir or Madam:

We hereby issue, for the account of _____ (Name of Developer) and in your favor, our Irrevocable Letter of Credit in the amount of \$ _____, available to you by your draft drawn on sight on the undersigned bank.

The draft must:

a) Bear the clause, "Drawn under Letter of Credit No. _____, dated _____, 2_____, of _____ (Name of Bank) _____";

b) Be signed by the Mayor or City Administrator of the City of Lake Elmo.

c) Be presented for payment at _____ (Address of Bank) _____, on or before 4:00 p.m. on November 30, 2_____.

This Letter of Credit shall automatically renew for successive one-year terms unless, at least forty-five (45) days prior to the next annual renewal date (which shall be November 30 of each year), the Bank delivers written notice to the Lake Elmo City Administrator that it intends to modify the terms of, or cancel, this Letter of Credit. Written notice is effective if sent by certified mail, postage prepaid, and deposited in the U.S. Mail, at least forty-five (45) days prior to the next annual renewal date addressed as follows: City Administrator, City Hall, 3800 Laverne Ave. N. Lake Elmo Minnesota 55042 and is actually received by the City Administrator at least thirty (30) days prior to the renewal date.

This Letter of Credit sets forth in full our understanding which shall not in any way be modified, amended, amplified, or limited by reference to any document, instrument, or agreement, whether or not referred to herein.

This Letter of Credit is not assignable. This is not a Notation Letter of Credit. More than one draw may be made under this Letter of Credit.

This Letter of Credit shall be governed by the most recent revision of the Uniform Customs and Practice for Documentary Credits, International Chamber of Commerce Publication No. 500.

We hereby agree that a draft drawn under and in compliance with this Letter of Credit shall be duly honored upon presentation.

BY: _____

Its _____

City of Lake Elmo 2013 Update to Utility Report Conclusions and Recommendations

February 28, 2013



Member FINRA and SIPC



The information presented at this meeting is intended solely for financial planning purposes. Northland Securities is not providing advice on the timing, terms, structure or similar matters related to a specific bond issue.

1

Presentation Overview

- Study overview and approach
- Conclusions
- Recommendations
- Projected Growth
- Capital Improvement Plans
- Debt Service
- Utility Rates/Fee Schedule
- Financial Plans



2

Recommendations

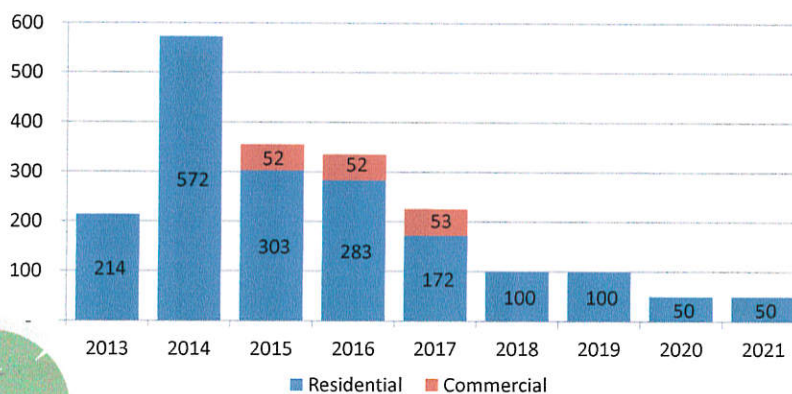
- Collect connection charge at time of permit
 - Adopt new charge for connecting to sewer and increase amount for connection to water
- Collect trunk line availability charge at time of development
 - Lateral lines will be 100% assessed to benefiting property
- Structure debt service around anticipated timing of development
- Adopt a formal fund balance policy



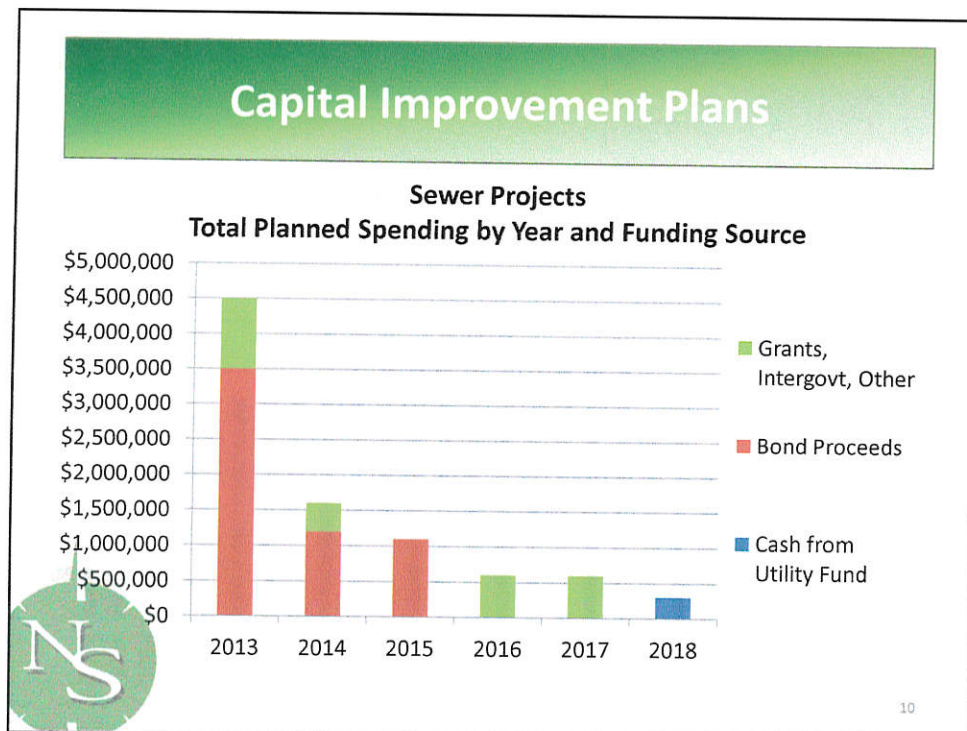
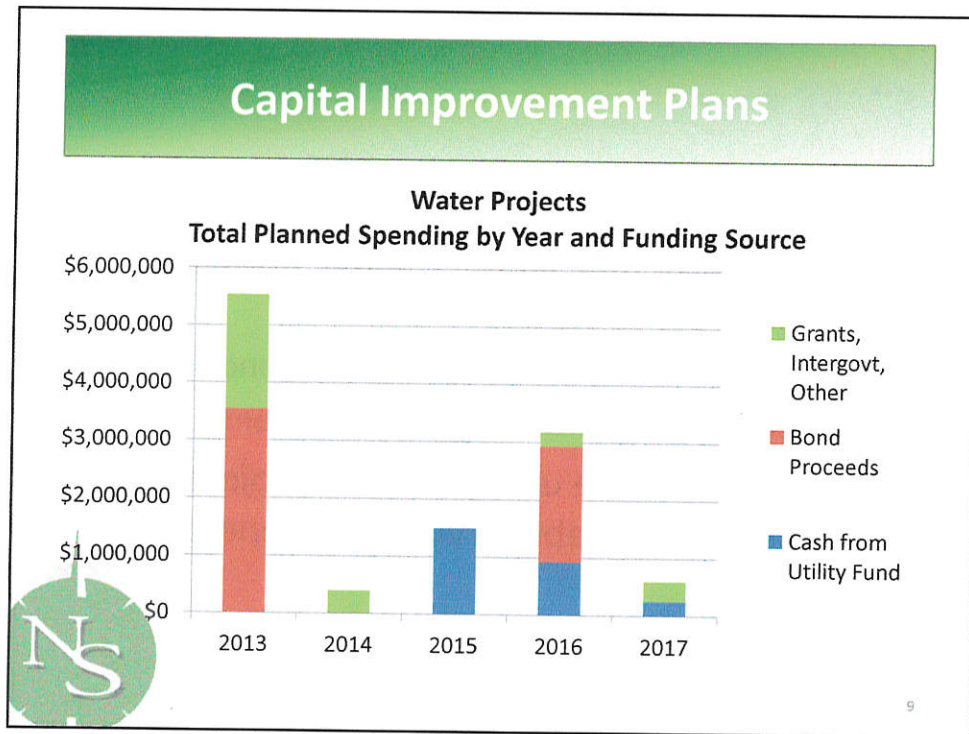
5

Updated Projected Growth

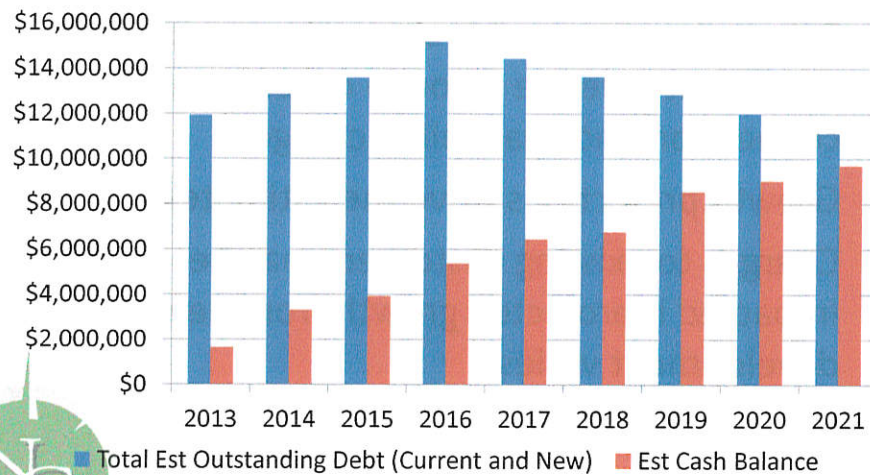
Projected New Residential Equivalent Units Added Per Year
As Prepared by the City of Lake Elmo



6



Est. Future Outstanding G.O. Revenue Debt Compared to Est. Cash Balances for Water and Sewer Funds Combined



13

Utility Rates

- Utility fees and charges will need to cover both operating and non-operating (capital and debt service)
- Fees based on service and volume activity are shown to increase by 3% per year
 - Actual fee increases will depend on operating performance and amount of actual revenue collected from SAC/WAC (development)

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Development Related Fees for Other Cities

- Amount, timing, and types of fees (i.e., areawide, special assessments, trunk line availability, etc.) varies by city
- Comparison of Connections Fees (Only):
 - Connection fee for water:
 - Woodbury charges from \$790 to \$1,025 for residential
 - Oakdale charges \$550
 - Stillwater charges is \$3,549
 - Connection fee for sanitary sewer:
 - Woodbury charges from \$390 to \$1,430 for residential
 - Oakdale charges \$550
 - Stillwater charges is \$3,549

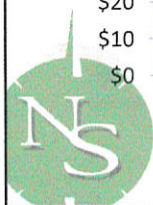
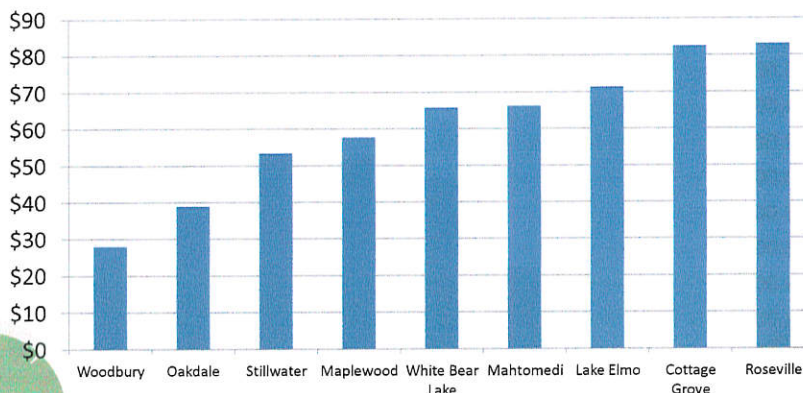


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Utility Rates

Comparison with Other Communities

Estimated Total Water Bill for Example Single Family Residential Property with Total 20,000 Gal of Water Usage in 3 Month Period



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Financial Plans

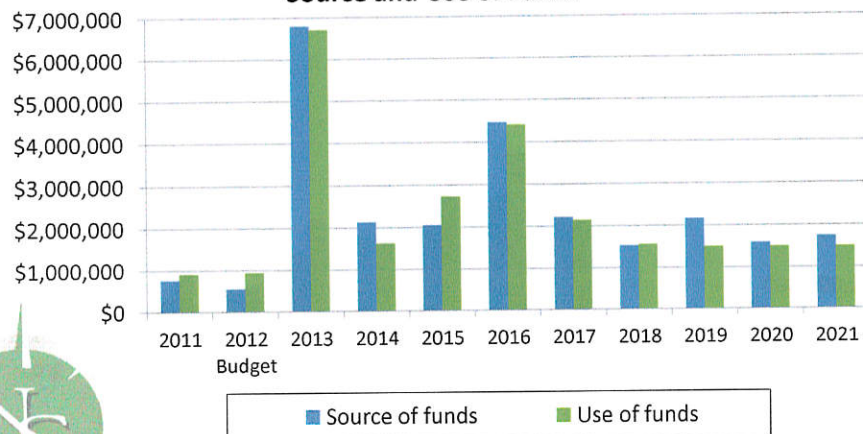
- Multi-year financial plans prepared for water, sanitary sewer, and storm water funds
- Goal of having minimum cash balance equivalent to 50% of operating expenditure
- Projections show cash balances in excess of minimum based on assumptions for rates, projected growth, operating expenses, capital spending and debt service



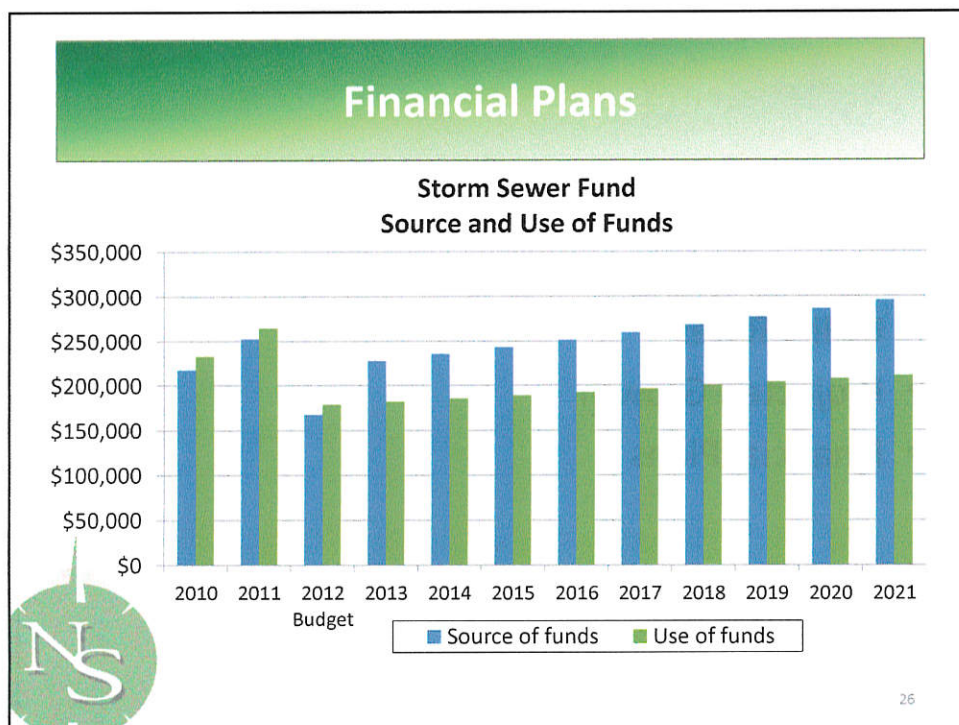
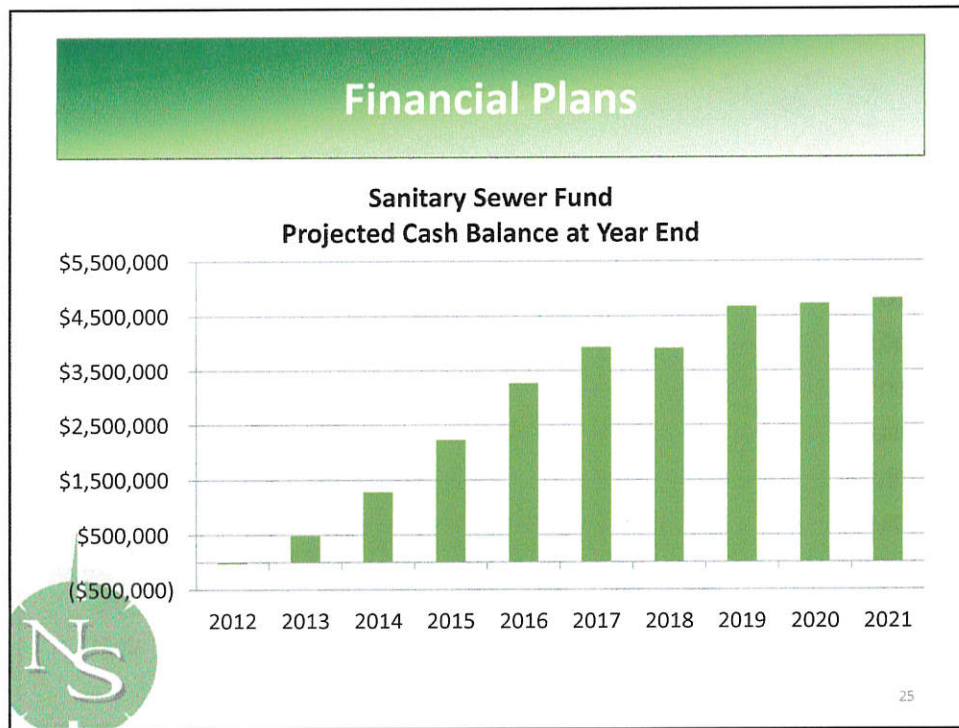
21

Financial Plans

**Water Fund
Source and Use of Funds**



22

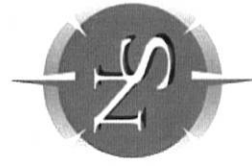




City of Lake Elmo, MN Financial Management Plan For Water, Sanitary Sewer, and Storm Sewer Services

2013 REPORT

As of February 28, 2013



NORTHLAND STRATEGIES
Special Projects Group

The information presented in the report is intended solely for financial planning purposes. Northland Securities is not providing advice on the timing, terms, structure or similar matters related to a specific bond issue.

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February 28, 2013

Dean Zuleger
City Administrator
Lake Elmo City Hall
3800 Laverne Avenue North
Lake Elmo, MN 55042

RE: Updated Financial Management Plan for City Utility Funds

Dear Dean:

Northland Securities, Inc. is pleased to present you with an update to the 2012 Financial Management Plan for City Utility Funds. Northland was hired for financial planning services for utility system user charges and rates. Services include performing a utility rate analysis for the Water, Sanitary Sewer, and Storm Water Utility Systems of the City of Lake Elmo. The analysis and report includes a review of the past financial performance, projected growth in residential equivalent connections, determines the adequacy of current revenues, and provides recommendation on future rates which reflect projected future expense and capital outlay.

We appreciate the opportunity to work with the City of Lake Elmo.

Sincerely,

Tammy Omdal
Manager of Northland Strategies/Senior Vice President

EXECUTIVE SUMMARY

The report is presented as an update to the October 2, 2012 Financial Management Plan for Water, Sanitary Sewer, and Storm Water presented to the Lake Elmo City Council. The City requested an update to the 2012 Report to consider the financial impact of revised growth projections for the City.

The report and financial management plan is intended to serve as a guide for the financial management of the City's utility services. The report contains information on capital improvement plans to increase capacity of the utility systems, estimated future utility rates needed to support operations and capital improvement plans, and multi-year financial plans for each of the three utility funds that includes projected sources and uses of funds and estimated cash balances by year.

The financial plans included in the report are built around identified key assumptions, including growth projections, cost drivers, and projected utility rates. To the extent the assumptions in the report change in the months and years ahead, which they will, the City will need to continue to adjust its financial plans accordingly.

Study Approach

The report was prepared by Northland Securities. The following steps were taken as part of the study process:

- City provided information on historical spending and revenues, volume of water sold by different tiers and customer, capital improvement plans, and prior years budget information.

- City provided information on projected growth from future residential and commercial development.

- Information provided by the City was organized, analyzed, and used to support the development of financial plans.

- Once the initial financial plans were developed different scenarios were considered and analyzed to determine impact on utility rates.

- City staff offered input and feedback on the assumptions and desired outcomes.

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

- The validity of the assumptions and figures provided by the City on future growth was not reviewed.

- Analysis of the basis for the City's determination of prior sewer and water availability charges was not reviewed.

- The report does not include identification of project costs for construction of lateral utility line build outs. The City anticipates that future lateral build outs will be financed 100 percent through special assessments to benefiting property.

- The financial impact to the City of potential changes to the existing customer tier structure for charging for water and sanitary sewer services was not reviewed as part of this study.

Conclusions from Study

The following conclusions were identified as a result of this study:

1. To meet projected service demands, the City will need to expand its capacity to deliver water and sanitary sewer services. This is driven by the City's projections for future development; the addition of housing and commercial units. The City plans to pay for the improvements through a combination of projected available cash, issuance of debt, grants and other intergovernmental proceeds.
2. Higher utility service fees for existing customers will be needed if new development does not occur at projected rate of growth. The issuance of debt to finance the identified improvements for water and sanitary sewer will require increased revenue to cover annual debt service. The City anticipates an increase in revenue driven by new development. If development occurs at a slower pace than projected, it may require the City to adjust the rates shown in the report. To be conservative, the study and report assume 50 percent of the total estimated annual growth (development) of residential and commercial units is realized for the purpose of estimating future revenue.
3. Projected future year-end cash balances in the utility funds is estimated to be at or greater than 50 percent of operating expenditures. The fees and charges included in the report, combined with the projected historical volume of water sold, plus the projected "new" revenue from new residential equivalent connections (REC) will provide the cash needed to operate and maintain the utilities and to cover debt service.

Recommendations

The following recommendations are offered based on the Conclusions from the Study.

1. The City should adopt a new charge for the cost of connecting to municipal sanitary sewer and increase the amount it presently charges for connection to municipal water. This charge should reflect the City's cost of infrastructure for providing service. This new and increased charge is included in the report and reflected in the revenue shown in the financial plans. The charge will be collected with the building permit.
2. The City should implement a uniform trunk line availability charge for water and sanitary sewer services. The charge will be collected from property owners/developers when property is developed; it will be collected with the development contract for new development. The report does not include the cost of lateral build outs of utility lines. The study anticipates the City will assess 100 percent of lateral lines to benefiting property.
3. The City should plan to structure future debt in a conservative manner to provide the City with time for future development to occur and the flexibility to restructure debt if necessary. This may include delaying certain maturities and earlier call dates. An issuance of debt into the public market will require an credit rating review. The City's general obligation debt is currently rated Aa2 by Moody's Investors Service. The City's current debt profile is viewed by Moody's as "moderate". Even though general obligation revenue bonds are planned to be self supporting from enterprise revenues, the debt will be fully accounted for in the G.O. debt

ratios. Moody's will eliminate that debt from the debt ratios after a few years of demonstrated self supporting revenues. Based on previous Moody's reports, the City has the capacity to absorb the increased debt ratios so long as there is not a deterioration of the City's tax base or weakening of the demographic profile and the City does not experience a material decline in financial reserves in comparison to similar rated cities.

4. The City should adopt a formal fund balance policy. This policy will provide guidance for financial management and will inform future decisions on adjustments to utility fees and charges. The report is based on direction from City staff to plan for achieving a cash balance at 50 percent of anticipated annual operating expenditures.

Organization of Report

The report is organized into five sections:

1. Executive Summary provides information on the organization of the report, study approach, using the report, and conclusions and recommendations.
2. Background discusses the historical context (i.e., growth and development of the community) and financial status of the City's utility funds.
3. Capital Improvement Plan provides information on the City's plans for expanding the capacity of the water and sanitary sewer systems. This includes estimates on project costs and sources of funds to pay for the improvements. The time horizon for the capital plan is years 2013 through 2017. The City anticipates capital spending after year 2018 but the specific projects and estimated costs have not yet been identified. Information on debt

service is included in the report for planned bond issuances.

4. Utility Rates provided in the report include historical, current, and future proposed rates necessary to maintain a positive financial condition for the utility funds. Information is provided in the Appendix of the report on what proposed rate increases will mean to customers. Comparison to other cities is included.
5. Financial Plans are provided for the Water Fund, Sanitary Sewer Fund, and Storm Sewer Fund. The financial plans provide both historical, current, and future projected sources and uses of funds. Financial plans take into account capital improvement plans and rate structure. (The capital improvements plans included in the report are for years 2013-2017; the City anticipates future capital projects after year 2017 but has not yet identified the specific projects or cost estimates.)
6. Appendix provides charts of data from the financial plans and information on projected growth in residential and commercial customers.

Using the Report

This report is intended to be a practical guide for ongoing management of the City's utility funds. Much of the information in the report has enduring value and will serve to continue to guide management decisions over a number of years. However, management of enterprise funds is a dynamic system. Customer base changes, statutes and rules change, cost of labor and materials and supplies will vary from assumptions from year-to-year. The report should continue to be the foundation of an annual review and update.

BACKGROUND

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

The City reports an estimated 2010 population of 8,069 and 2,774 households (2010 Census). Population is estimated to increase to 18,403 by 2020 and households to 6,324 (2030 Comprehensive Plan). The land area for the City encompasses approximately 15,250 acres.

The City's 2030 Comprehensive Plan provides guidance on the City's plans for managing future demand for utility infrastructure.

The City's 2011 financial statements were used as the basis for the report, along with the 2012 budget. The 2012 financial statements were not available for input for the report.

Water Utility

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

The City uses an enterprise fund to account for its wa-

ter operations. The unrestricted assets in the Water Fund totaled \$1,072,022 and a cash balance of \$752,658 at December 31, 2011. There were no significant transactions to report for the year ended December 31, 2011. (The 2012 financial statements are not yet available to include in this report.)

Sanitary Sewer Utility

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

The City uses an enterprise fund to account for its sewer operations. The unrestricted assets in the Sewer Fund totaled \$62,994 and a cash balance of \$27,062 at December 31, 2011. There were no significant transactions to report for the year ended December 31, 2011.

Storm Sewer Utility

The City operates a storm sewer utility. The system of conveyances is owned and operated by the City and designed for collecting or conveying storm water, and that is not used for collecting or conveying sewer. The City collects an annual fee from property owners that is used to pay for the cost of constructing and maintaining the system.

CAPITAL IMPROVEMENT PLAN AND DEBT SERVICE

The City has developed a multi-year (2013-2017) capital project plan for its utilities. The Capital Improvement Plan (CIP) provides details on project costs by year and proposed funding sources. Identified funding sources include the planned issuance of debt.

The City anticipates additional capital project spending after year 2017 but the specific projects and cost estimates have not been identified and are therefore not included in the report.

The CIP provides important input for the financial plans included in the report. The financial plans are inclusive of all sources and uses of funds, both operating and non-operating, including capital spending plans.

At this time the City does not anticipate any capital improvements for the storm sewer utility in the next five years. A CIP summary is therefore not included in the report for storm sewer projects.

Capital Projects

The projects included in the CIP include projects to expand the capacity and correct deficiencies of the water and sanitary sewer systems. The City of Lake Elmo is a developing community with significant utility expansion needs.

Projects include expansion of the City's water supply capacity and distribution system. Sanitary sewer services will be expanded through the construction of connections to the Regional Sewer System.

As a developing community, the City's capital improvement plans focus on expansion and does not presently include 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.

Source of Funding for Capital Projects

The source of funding for the planned capital projects includes either one of the following sources or a combination thereof: cash balance from Water Fund and Sewer Fund; bond proceeds; levying of special assessments; grants, tax increment revenue collections, and intergovernmental revenue.

To the extent future development expectations exceed or fall short of the City's projections, the City may want to adjust the amount of water project costs to be paid for with bond proceeds versus cash.

Debt Service

The current CIP for water and sanitary sewer utilities anticipates the use of bonds to undertake needed improvements while keeping fees as low as possible.

The projections assume that the City will issue general obligation bonds and use utility revenues to pay all principal and interest. This approach provides the lowest cost of debt. The bonds will not count against the City's debt limit. Debt management is an important factor in the City's ongoing capital improvements planning.

The City has the authority to issue pure revenue bonds for these improvements. With general obligation bonds, the City pledges to levy property taxes to cover any shortfall in utility revenues. Revenue bonds are

backed solely by utility revenues. The alternative use of revenue bonds without a general obligation pledge would have several financial implications for the City:

- Interest rates will be higher. The difference will depend on the terms of the issue and the operation of the Utility.
- The City will be required to set fees that will create revenues that produce net income in excess of debt service. Any scenarios with ongoing annual deficits would not be viable.
- The bond issue would include a debt service reserve fund. A portion of the bond proceeds would be set aside to make payments in the event of revenue shortfalls.

As a result, higher fees will be required with the use of revenue bonds to finance planned improvements.

The finance plans and related fee schedules included in the report anticipate the issuance of general obligation (G.O.) revenue bonds to finance certain capital improvements. The estimates for debt service are based on bonds to be paid generally over 20 years or less. The estimated interest rates used to calculate annual debt service were conservatively estimated based on today's current rate environment (today's rates for a Aa2 rating plus 25 basis points for anticipated 2013 bonding and 50 basis points for later years). The actual interest rates will depend on final structure and market conditions at time of issuance.

Beginning on page 9, a summary of estimated annual debt service is provided for years 2012 to 2021 which is the planning horizon for the financial plans. On pages 10 and 11, detail on the annual estimated debt service for future water and sanitary sewer bond issuances is shown. The chart on page 12 provides a longer term

view of projected annual debt service for years 2012 through 2035, or over the life of the City's existing bonds and the life of future estimated bond issuances included in the report.

The timing of principal payments shown in the report is structured to match estimated future revenue. Based on the debt structure and assumptions for the study and report, by year 2021 the City will have combined cash balance in the water and sewer funds that is nearly equivalent to 90% of the estimated outstanding debt obligations. Actual future growth (development) will greatly impact these estimates. The City will have options at time of bond issuance to consider debt repayment schedules that are more aggressive than what is included in this report, if future revenue and cash balances suggest a more aggressive schedule is feasible. The City will have the option to structure bond call dates that will provide the City with the greatest amount of flexibility to manage its debt. These decisions can be made on an issuance by issuance basis in the future.

Capital Improvement Plan and Debt Service

City of Lake Elmo Water Fund

Summary of Capital Improvement Plan (CIP)

City has not identified but does anticipate there will be future projects in years 2018-2021.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Water supply well No. 4 and pumphouse /connection	1,500,000									1,500,000
Keats Ave 16" trunk watermain extension	1,050,000									1,050,000
Phase I: Western 194 Corridor (Inwood to Keats)										-
Segment 1: Water booster pump	610,000									610,000
Segment 2: Inwood Ave 16" trunk watermain extension	1,600,000									1,600,000
Segment 3: 10th St to EP Bus Park 16" trunk watermain ext	780,000									780,000
Alt Segment 3: Azur Prop 16" trunk watermain extension										-
Alt Segment 5: 12" trunk watermain to non-contiguous East		400,000								400,000
Alt Segment 7: Ground storage tank			600,000							600,000
Phase II: Eastern 194 Corridor (Lake Elmo Ave. to Manning)				2,775,000						2,775,000
Segment 4: Lake Elmo Ave 12" trunk watermain extension										-
Phase IIIb: Village Area (East to Village Parkway)			900,000							900,000
Replace/upgrade watermains as streets disturbed					600,000					1,000,000
Village Parkway/39th Street				400,000						-
Total	5,540,000	400,000	1,500,000	3,175,000	600,000	-	-	-	-	11,215,000

Funding Source for Water Capital Projects

Cash from Water Fund			1,500,000	925,000	250,000					2,675,000
Bond proceeds	3,540,000			2,000,000						5,540,000
Grants	1,000,000									1,000,000
Intergovernmental	1,000,000									1,000,000
Tax Increment /Developer Contribution		400,000		250,000	350,000					1,000,000
Total	5,540,000	400,000	1,500,000	3,175,000	600,000	-	-	-	-	11,215,000

Capital Improvement Plan and Debt Service

City of Lake Elmo

Sanitary Sewer Fund

Summary of Capital Improvement Plan (CIP)

	2013	2014	2015	2016	2017	City has not identified but does anticipate there will be future projects in years 2018-2021.			
						2018	2019	2020	2021
Segment 4: New lift station at Hudson & Keats, Connecting FM	-	900,000	-	-	-	-	-	-	-
Segment 6: Hudson Blvd lift station replacement, connecting FM to WONE	-	-	-	-	-	300,000	-	-	-
Phase II: Easter 194 Corridor (Lake Elmo Ave. to Manning)	-	-	-	-	-	-	-	-	-
Option A: 27/30" trunk sewer extension from MCES connectoin									
Option B: 18/27" trunk sewer extension from MCES connection	700,000	500,000							
Option B: Future lift statoin west of Lake Elmo Ave.	200,000								
Phase IIIb: Village Area (East to Village Parkway)									
Village lift station and forcemain	3,800,000								
Segment 1: Lake Elmo Ave & 30th St & 39th St			1,100,000						
Segment 2: Village Parkway to TH5				600,000	600,000				
Total	4,500,000	1,600,000	1,100,000	600,000	600,000	300,000	-	-	-

Funding Source for Sanitary Sewer Capital Projects

Cash from Sewer Fund						300,000			
Bond proceeds	3,500,000	1,200,000	1,100,000						
Grants	1,000,000	-	-	-	-	-	-	-	-
Intergovernmental				180,000	180,000	-	-	-	-
Tax Increment/Developer Contribution (future TIF districts and development)	-	400,000	-	420,000	420,000	-	-	-	-
Total	4,500,000	1,600,000	1,100,000	600,000	600,000	300,000	-	-	-

Capital Improvement Plan and Debt Service

City of Lake Elmo Water, Sanitary Sewer, Storm Sewer Funds Summary of Future Debt Service and General Obligation (G.O.) Revenue Bonds Outstanding

	2013	2014	2015	2016	2017	2018	2019	2020	2021	Years 2022 to 2035	Total
DEBT SERVICE											
WATER UTILITY FUND											
GO Water Rev Bond 2005A	300,025	320,650	315,250	-	-	-	-	-	-	-	935,925
GO Ref Bond 2009A (Refund 2002B)	53,680	52,480	51,280	49,880	53,680	52,128	55,575	53,850	51,925	-	474,478
GO Ref Bond 2012A (Refund 2005A)	-	-	-	281,043	272,143	293,343	284,043	279,843	270,643	3,139,756	4,820,814
EST GO Water Rev 2013 Bonds	95,958	125,958	125,778	125,568	125,313	124,998	164,623	163,573	167,383	4,121,230	5,340,378
EST GO Water Rev 2016 Bonds	-	-	-	41,250	341,250	337,350	232,850	229,350	225,450	931,100	2,338,600
Total	449,663	499,088	492,308	497,741	792,386	807,818	737,091	726,616	715,401	8,192,086	13,910,194
SANITARY SEWER UTILITY FUND											
EST GO Sewer Rev 2013 Bonds	86,285	186,285	185,685	184,985	184,135	183,085	181,835	180,335	228,635	3,434,280	5,035,545
EST GO Sewer Rev 2014 Bonds	-	25,625	75,625	75,150	74,600	73,950	123,200	121,450	119,500	759,775	1,448,875
EST GO Sewer Rev 2015 Bonds	-	-	74,950	74,475	73,925	73,275	72,525	121,650	119,700	765,975	1,376,475
Total	86,285	211,910	336,260	334,610	332,660	330,310	377,560	423,435	467,835	4,960,030	7,860,895
STORM SEWER UTILITY FUND											
No existing or anticipated outstanding debt											
TOTAL ANNUAL COMBINED DEBT SERVICE											
Combined Total	535,948	710,998	828,568	832,351	1,125,046	1,138,128	1,114,651	1,150,051	1,183,236	13,152,116	21,771,089
DEBT OUTSTANDING											
WATER OUTSTANDING DEBT											
As of 12/31/2012	4,695,000	4,505,000	4,315,000	4,080,000	3,845,000	3,585,000	3,325,000	3,065,000	2,810,000	-	0
Estimated Future Debt	3,630,000	3,600,000	3,570,000	5,600,000	5,270,000	4,940,000	4,670,000	4,400,000	4,125,000	-	0
Total	8,325,000	8,105,000	7,885,000	9,680,000	9,115,000	8,525,000	7,995,000	7,465,000	6,935,000	-	0
SANITARY SEWER OUTSTANDING DEBT											
As of 12/31/2012	0	0	0	0	0	0	0	0	0	-	0
Estimated Future Debt	3,605,000	4,755,000	5,705,000	5,505,000	5,305,000	5,105,000	4,855,000	4,555,000	4,205,000	-	0
Total	3,605,000	4,755,000	5,705,000	5,505,000	5,305,000	5,105,000	4,855,000	4,555,000	4,205,000	-	0
STORM SEWER UTILITY FUND											
No existing or anticipated outstanding debt											
TOTAL DEBT OUTSTANDING											
Combined Total	11,930,000	12,860,000	13,590,000	15,185,000	14,420,000	13,630,000	12,850,000	12,020,000	11,140,000	-	0

Notes:

EST (estimated) amounts are shown for bonds with dates after 2012. Estimates are based on the capital improvement plan included in the report. Annual debt service figures are preliminary. Actual structure may vary depending on financial management decisions made by the City. Interest rates and terms will vary. Detail on estimated interest rates and terms are provided on pages 10 and 11.

Capital Improvement Plan and Debt Service

City of Lake Elmo

Estimated Future G.O. Water Revenue Bonds

Analysis of Possible Future Estimated Debt Service Based on Capital Improvement Plan (CIP)

(Terms shown including maturities and rates are for preliminary planning purposes only)

2013 G.O. Water Revenue Bonds

Year	Est Interest Rates	Principal	Interest	Total Debt Service	Outstanding Balance
Beg					\$3,630,000
2013	0.55%	\$0	\$95,958	\$95,958	\$3,630,000
2014	0.60%	\$30,000	\$95,958	\$125,958	\$3,600,000
2015	0.70%	\$30,000	\$95,778	\$125,778	\$3,570,000
2016	0.85%	\$30,000	\$95,568	\$125,568	\$3,540,000
2017	1.05%	\$30,000	\$95,313	\$125,313	\$3,510,000
2018	1.25%	\$30,000	\$94,998	\$124,998	\$3,480,000
2019	1.50%	\$70,000	\$94,623	\$164,623	\$3,410,000
2020	1.70%	\$70,000	\$93,573	\$163,573	\$3,340,000
2021	1.85%	\$75,000	\$92,383	\$167,383	\$3,265,000
2022	2.00%	\$150,000	\$90,995	\$240,995	\$3,115,000
2023	2.10%	\$150,000	\$87,995	\$237,995	\$2,965,000
2024	2.20%	\$150,000	\$84,845	\$234,845	\$2,815,000
2025	2.30%	\$150,000	\$81,545	\$231,545	\$2,665,000
2026	2.40%	\$150,000	\$78,095	\$228,095	\$2,515,000
2027	2.50%	\$150,000	\$74,495	\$224,495	\$2,365,000
2028	2.60%	\$200,000	\$70,745	\$270,745	\$2,165,000
2029	2.70%	\$200,000	\$65,545	\$265,545	\$1,965,000
2030	2.80%	\$200,000	\$60,145	\$260,145	\$1,765,000
2031	2.90%	\$375,000	\$54,545	\$429,545	\$1,390,000
2032	3.00%	\$375,000	\$43,670	\$418,670	\$1,015,000
2033	3.10%	\$375,000	\$32,420	\$407,420	\$640,000
2034	3.20%	\$325,000	\$20,795	\$345,795	\$315,000
2035	3.30%	\$315,000	\$10,395	\$325,395	\$0
Total		\$3,630,000	\$1,710,378	\$5,340,378	

Application of Funds:

Construction	\$3,540,000
Other Costs/Rounding	\$90,000
Total	\$3,630,000

2016 G.O. Water Revenue Bonds

Year	Est Interest Rates	Principal	Interest	Total Debt Service	Outstanding Balance
Beg					\$2,060,000
2013	0.80%	\$0	\$0	\$0	\$0
2014	0.85%	\$0	\$0	\$0	\$0
2015	0.95%	\$0	\$0	\$0	\$0
2016	1.10%	\$0	\$41,250	\$41,250	\$2,060,000
2017	1.30%	\$300,000	\$41,250	\$341,250	\$1,760,000
2018	1.50%	\$300,000	\$37,350	\$337,350	\$1,460,000
2019	1.75%	\$200,000	\$32,850	\$232,850	\$1,260,000
2020	1.95%	\$200,000	\$29,350	\$229,350	\$1,060,000
2021	2.10%	\$200,000	\$25,450	\$225,450	\$860,000
2022	2.25%	\$200,000	\$21,250	\$221,250	\$660,000
2023	2.35%	\$200,000	\$16,750	\$216,750	\$460,000
2024	2.45%	\$100,000	\$12,050	\$112,050	\$360,000
2025	2.55%	\$100,000	\$9,600	\$109,600	\$260,000
2026	2.65%	\$100,000	\$7,050	\$107,050	\$160,000
2027	2.75%	\$160,000	\$4,400	\$164,400	\$0
2028	2.85%		\$0	\$0	\$0
2029	2.95%		\$0	\$0	\$0
2030	3.05%		\$0	\$0	\$0
2031	3.15%		\$0	\$0	\$0
2032	3.25%		\$0	\$0	\$0
2033	3.35%		\$0	\$0	\$0
2034	3.45%		\$0	\$0	\$0
2035	3.55%		\$0	\$0	\$0
Total		\$2,060,000	\$278,600	\$2,338,600	

Application of Funds:

Construction	\$2,000,000
Other Costs/Rounding	\$60,000
Total	\$2,060,000

Capital Improvement Plan and Debt Service

City of Lake Elmo

Estimated Future G.O. Sewer Revenue Bonds

Analysis of Possible Future Estimated Debt Service Based on Capital Improvement Plan (CIP)

(Terms shown including maturities and rates are for preliminary planning purposes only)

Projected Future 2013 G.O. Sewer Revenue Bonds										Projected Future 2014 G.O. Sewer Revenue Bonds										Projected Future 2015 G.O. Sewer Revenue Bonds									
Year	Est			Total Debt			Outstanding			Year	Est			Total Debt			Outstanding			Year	Est			Total Debt			Outstanding		
	Principal	Interest	Rates	Service	Balance	Balance	Principal	Interest	Rates		Principal	Interest	Rates	Service	Balance	Balance	Principal	Interest	Rates		Principal	Interest	Rates	Service	Balance	Balance	Principal	Interest	Rates
Beg					\$3,605,000					Beg					\$1,250,000					Beg									
2013	1	\$0	0.55%	\$86,285	\$86,285	\$3,605,000				2013	\$0	0.80%		\$0						2013	\$0	0.80%		\$0					
2014	2	\$100,000	0.60%	\$86,285	\$186,285	\$3,505,000				2014	\$0	0.85%	\$25,625	\$25,625	\$1,250,000					2014	\$0	0.85%		\$0					
2015	3	\$100,000	0.70%	\$85,685	\$185,685	\$3,405,000				2015	\$50,000	0.95%	\$25,625	\$75,625	\$1,200,000					2015	\$50,000	0.95%	\$24,950	\$74,950			\$1,100,000		
2016	4	\$100,000	0.85%	\$84,985	\$184,985	\$3,305,000				2016	\$50,000	1.10%	\$25,150	\$75,150	\$1,150,000					2016	\$50,000	1.10%	\$24,475	\$74,475			\$1,050,000		
2017	5	\$100,000	1.05%	\$84,135	\$184,135	\$3,205,000				2017	\$50,000	1.30%	\$24,600	\$74,600	\$1,100,000					2017	\$50,000	1.30%	\$23,925	\$73,925			\$1,000,000		
2018	6	\$100,000	1.25%	\$83,085	\$183,085	\$3,105,000				2018	\$50,000	1.50%	\$23,950	\$73,950	\$1,050,000					2018	\$50,000	1.50%	\$23,275	\$73,275			\$950,000		
2019	7	\$100,000	1.50%	\$81,835	\$181,835	\$3,005,000				2019	\$100,000	1.75%	\$23,200	\$123,200	\$950,000					2019	\$50,000	1.75%	\$22,525	\$72,525			\$900,000		
2020	8	\$100,000	1.70%	\$80,335	\$180,335	\$2,905,000				2020	\$100,000	1.95%	\$21,450	\$121,450	\$850,000					2020	\$100,000	1.95%	\$21,650	\$121,650			\$800,000		
2021	9	\$150,000	1.85%	\$78,635	\$228,635	\$2,755,000				2021	\$100,000	2.10%	\$19,500	\$119,500	\$750,000					2021	\$100,000	2.10%	\$19,700	\$119,700			\$700,000		
2022	10	\$100,000	2.00%	\$75,860	\$175,860	\$2,655,000				2022	\$100,000	2.25%	\$17,400	\$117,400	\$650,000					2022	\$100,000	2.25%	\$17,600	\$117,600			\$600,000		
2023	11	\$100,000	2.10%	\$73,860	\$173,860	\$2,555,000				2023	\$100,000	2.35%	\$15,150	\$115,150	\$550,000					2023	\$100,000	2.35%	\$15,350	\$115,350			\$500,000		
2024	12	\$100,000	2.20%	\$71,760	\$171,760	\$2,455,000				2024	\$150,000	2.45%	\$12,800	\$162,800	\$400,000					2024	\$100,000	2.45%	\$13,000	\$113,000			\$400,000		
2025	13	\$100,000	2.30%	\$69,560	\$169,560	\$2,355,000				2025	\$150,000	2.55%	\$9,125	\$159,125	\$250,000					2025	\$150,000	2.55%	\$10,550	\$160,550			\$250,000		
2026	14	\$100,000	2.40%	\$67,260	\$167,260	\$2,255,000				2026	\$200,000	2.65%	\$5,300	\$205,300	\$50,000					2026	\$150,000	2.65%	\$6,725	\$156,725			\$100,000		
2027	15	\$250,000	2.50%	\$64,860	\$314,860	\$2,005,000				2027		2.75%	\$0	\$0	\$50,000					2027	\$100,000	2.75%	\$2,750	\$102,750			\$0		
2028	16	\$250,000	2.60%	\$58,610	\$308,610	\$1,755,000				2028		2.85%	\$0	\$0	\$50,000					2028		2.85%	\$0	\$0			\$0		
2029	17	\$250,000	2.70%	\$52,110	\$302,110	\$1,505,000				2029		2.95%	\$0	\$0	\$50,000					2029		2.95%	\$0	\$0			\$0		
2030	18	\$250,000	2.80%	\$45,360	\$295,360	\$1,255,000				2030		3.05%	\$0	\$0	\$50,000					2030		3.05%	\$0	\$0			\$0		
2031	19	\$300,000	2.90%	\$38,360	\$338,360	\$955,000				2031		3.15%	\$0	\$0	\$50,000					2031		3.15%	\$0	\$0			\$0		
2032	20	\$300,000	3.00%	\$29,660	\$329,660	\$655,000				2032		3.25%	\$0	\$0	\$50,000					2032		3.25%	\$0	\$0			\$0		
2033	21	\$300,000	3.10%	\$20,660	\$320,660	\$355,000				2033		3.35%	\$0	\$0	\$50,000					2033		3.35%	\$0	\$0			\$0		
2034	22	\$355,000	3.20%	\$11,360	\$366,360	\$0				2034		3.45%	\$0	\$0	\$50,000					2034		3.45%	\$0	\$0			\$0		
Total		\$3,605,000		\$1,430,545	\$5,035,545					Total			\$248,875	\$1,448,875						Total			\$226,475	\$1,376,475					

Application of Funds:

Construction	\$3,500,000
Other Costs/Rounding	\$105,000
Total	\$3,605,000

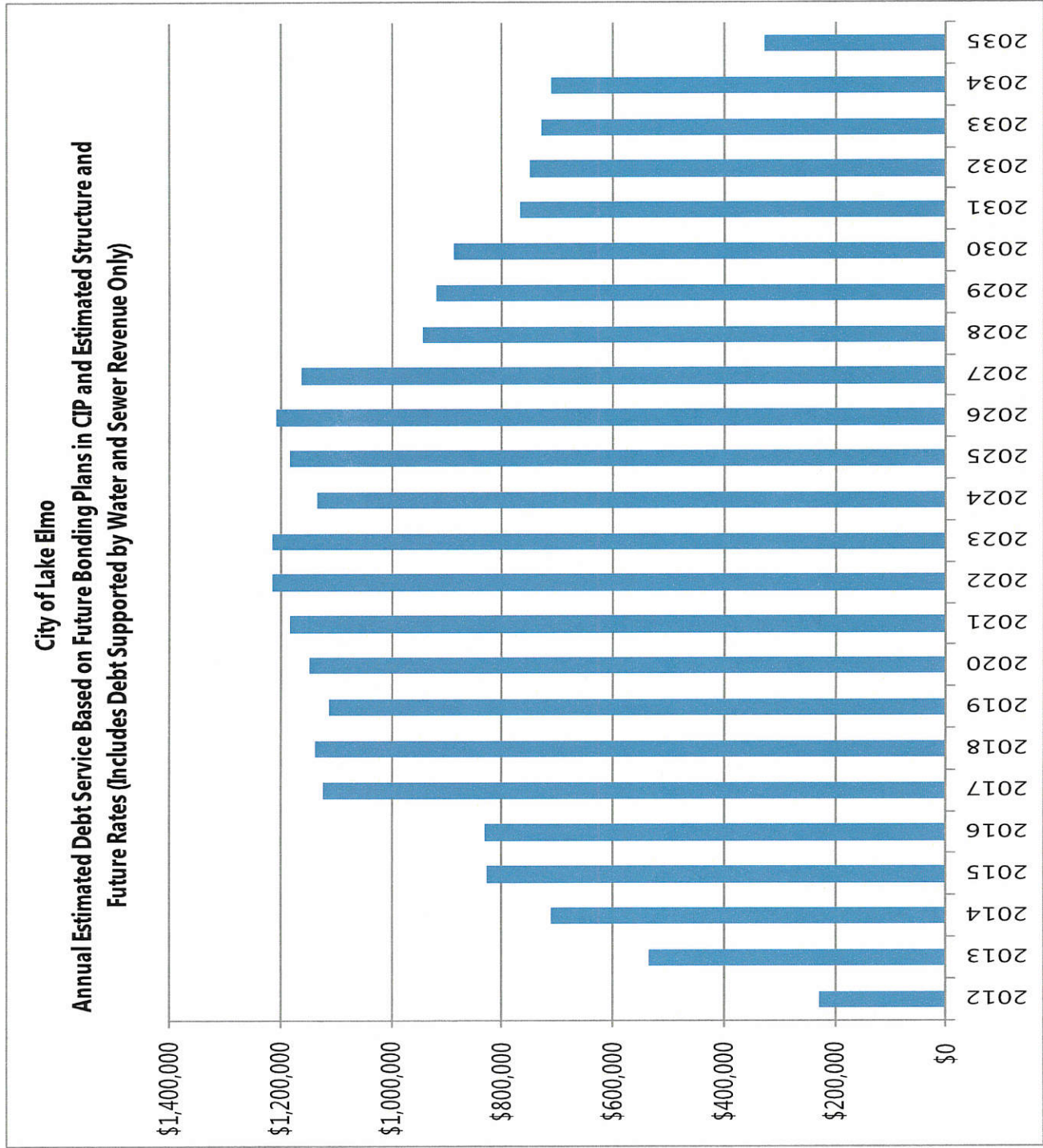
Application of Funds:

Construction	\$1,200,000
Other Costs/Rounding	\$50,000
Total	\$1,250,000

Application of Funds:

Construction	\$1,100,000
Other Costs/Rounding	\$50,000
Total	\$1,150,000

Capital Improvement Plan and Debt Service



The annual estimated debt service amounts shown in this chart include general obligation water revenue bonds and general obligation sewer revenue bonds. The annual amounts include both existing debt service (on outstanding bonds) and future estimated debt service on bonds anticipated to be issued in future years and paid from utility revenues. Future bond issuance estimates are based on the City's capital improvement plan.

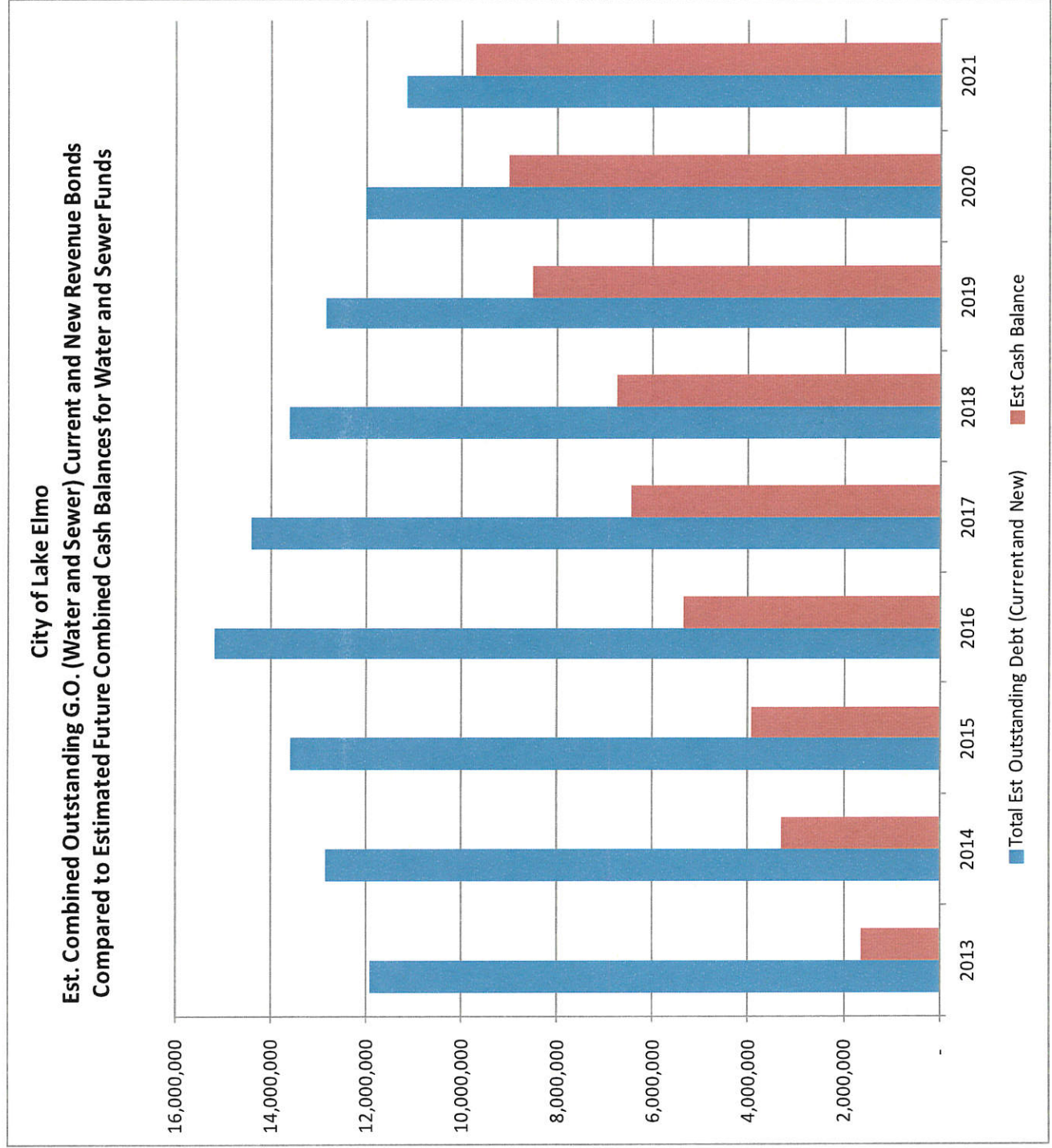
This chart includes general obligation debt supported by utility revenue only and does not include existing or future estimated general obligation debt that is paid from property tax levy.

Capital Improvement Plan and Debt Service

Over the next four years (from 2013 to 2016) the outstanding general obligation debt supported by water and sewer revenues is projected to increase each year.

The City anticipates the issuance of debt to support planned infrastructure expansion projects. During this same period, based on assumptions and information included in the study, the estimated annual cash balance for the water and sewer funds combined is estimated to increase each year. This is driven by the estimate that annual revenue from new development will exceed the growth in annual expense (including debt service expense).

Current financial plan estimates project that by year 2021 the City will have combined cash balance in the water and sewer funds that is nearly equivalent to 90% of the estimated outstanding debt obligations. Actual future growth (development) will greatly impact these estimates.



UTILITY RATES

Key Factors

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

- Estimates for future annual operating expenditures, including personnel, materials and supplies, cost of electricity, and other operating expenses.
- Metropolitan Council Environmental Service (MCES) sewer fee charged to the City by the Metropolitan Council for regional collection and treatment of waste water. This is an operating expense that the City does not have direct control over.
- Annual capital expenditure to maintain and improve the existing systems.
- Annual debt service on bonds issued to finance capital improvements.
- Growth in customers using and paying for the systems. Future growth will provide additional revenue but will also create additional demand for services.
- Available other revenue sources other than fees and charges to users of the water and sanitary sewer services.

Annual Operating Expenditures

Costs incurred in operating the water and sewer systems, which are used up in the period in which acquired, are recorded as operating expenditures. Annual growth in operating expenditures, not including the MCES charge, has been modest. It is anticipated that growth in future years will be about 2 percent per year. Approximately a third of the operating expense (not including depreciation) is for personnel costs (labor) and the balance for materials, supplies, and other operating expense.

Depreciation is shown under 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 shown to remain constant over the financial planning horizon for the study. Estimate for future depreciation was not part of the study. It will be important for future updates to the financial plans to consider funding of depreciation and replacement of infrastructure.

Metropolitan Council Environmental Services (MCES)

The MCES charge to cities for regional collection and treatment has been volatile in recent years. MCES has experienced revenue loss from the significant drop in regional development which has caused a corresponding decline in revenue collected by the Council for Sewer Availability Charges (a one time fee for new connections). For projection purposes, the study assumes that future charges paid to MCES for collection and treatment will increase by 2 percent annually. This is shown as an annual operating expense to the City's Sewer Fund which is paid from revenue collected from the City's utility customers.

Annual Capital Expenditures

The City anticipates paying for future capital improvement project costs with a combination of revenue sources. The City anticipates future development will provide revenue to pay for utility expansion through the collection of trunk line availability fees and connection fees. The City may reduce the amount of planned bonding to pay for capital improvements to the extent cash from collection of these charges is available in the utility funds to do so.

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

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

Debt Service

Debt service in the Water and Sanitary Sewer Funds is paid from revenue collected from utility fees and availability and connection charges. Presently the City has debt outstanding in the Water Fund but does not report debt outstanding in the Sanitary Sewer or

Storm Water Funds. The CIP anticipates the City will issue debt in the next five years that will be supported by revenue collected in the Water Fund and Sanitary Sewer Fund.

All current and future debt is accounted for in the financial plans that are included in this report. The estimated debt service is based on generally 20 years or less for bonds payable at estimated interest rates. Future estimated utility fees and charges reflect the cost of the estimated increase for debt service.

Growth in Customers

Growth in customers from future land development is a major factor in determining the projections for future utility rates. New development will bring an increase in revenue to the City's utility funds through the collection of availability and connection charges and fees collected for service. Availability charges and connection charges are one time charges collected at the time of development and building permit. Estimating the increase in future customers from growth in residential and commercial development is the most volatile factor in developing financial projections for the utility funds. The last page of the report, page 35, in the Appendix Section, includes information on the assumed growth in residential equivalent connections ("REC") from future development. The projected annual growth in REC's was established by City staff and provided to Northland for the study and report.

Growth in customers will allow the City to spread existing fixed costs, including overhead, over more units and volume. Growth in customers will allow the City to minimize future increases in utility fees that otherwise will be necessary.

Available Other Revenues

There is limited other revenues that provide a source of funding for utility services. The majority of the cost to operate and maintain the system is paid from fees and charges collected from those using the system. Other revenue includes interest income on cash balances, special assessments, grants, and rents.

Historical Utility Rates

Information on historical rates is provided on page 18. This includes a summary of prior years approved utility rates for years 2007 - 2012. Rates shown are billed quarterly, with the exception of the storm water fee which is billed to customers receiving this charge on an annual basis. The City charges a basic service fee for water only.

Future Utility Rates

Information on future projected utility rates for years 2013 to 2021 is provided on page 19. The projected future rates reflect the rates necessary to maintain adequate cash balances in the utility funds. These rates (applied against the estimated volumes on page 19) were used to calculate the annual estimated operating revenue that is shown in the financial plans for each fund.

The tier structure the City uses for charging customers for water, based on volume of water sold, was not reviewed as part of this study and report.

Connection and Trunk Line Availability Charges

Water and Sewer connection charges are estimated to be collected at time of building permit. The charges are to cover the cost of constructing and maintaining the utility systems.

The City presently does not have a connection charge for sanitary sewer. A charge is included for future years beginning with a rate of \$1,000 in year 2013 and inflated annually at 3-percent; this rate is necessary to maintain sufficient revenue to pay for debt service on capital projects. This is reflected in the revenue shown in the financial plans for the Sanitary Sewer Fund.

In addition, the report and financial plans are based on the City increasing the amount it charges for connection to municipal water to a level needed to fund infrastructure expansion. The amount is shown at \$1,000 for year 2013, which is an increase from the \$140 presently charged. This amount is shown to increase annually by 3-percent.

Water and Sewer Trunk Line Availability Charges are estimated to be collected at time of development of property (with the development contract). The charge is necessary to pay for the cost of constructing and maintaining the trunk lines and related infrastructure of the systems.

Beginning with year 2013, the following is estimated for development related charges for one residential equivalent connection (REC) unit:

City Sanitary Sewer Connection	\$1,000
City Water Connection	\$1,000
City Sanitary Sewer Trunk Line Availability	\$3,000
City Water Trunk Line Availability	\$3,000
<u>Met Council Sewer Availability Charge</u>	<u>\$2,435</u>
Total	\$10,435

Projected Volume of Water Sold and Sanitary Sewer Billed

Annual estimated volume of water sold by tier and estimated sanitary sewer billed by year is included on

page 20. The chart on page 21 provides a break-down of the increase in volume of water sold comparing the estimated amount sold by year to existing customers, which is based on 2011 volumes, to the estimated amount that is attributed to growth in the customer base from future projected development. Information on the projected increase in residential equivalent connections (REC) by year is provided on page 35, the last page of the report.

Utility Rates

City of Lake Elmo Fee Schedule for Prior Years

	2007	2008	2009	2010	2011	2012 Budget
WATER AND SEWER SERVICE						
Residential						
Water Basic Service fee (per meter or per unit/qtr)	\$23.50	\$23.75	\$25.00	\$25.00	\$25.00	\$25.00
Sewer Basic Service fee (per meter or per unit/qtr)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Water (per meter or per unit per 1,000 gallons):						
Tier 1: Water usage per first 15,000 gallons	\$1.80	\$2.05	\$2.15	\$2.10	\$2.14	\$2.14
Tier 2: Water usage +15,000 gallons to 30,000 gallons	\$1.80	\$2.05	\$2.15	\$2.80	\$2.86	\$2.86
Tier 3: Water usage +30,000 gallons to 50,000 gallons	\$1.80	\$2.05	\$2.15	\$3.70	\$3.77	\$3.77
Tier 4: Water usage +50,000 gallons to 80,000 gallons	\$1.80	\$2.05	\$2.15	\$4.90	\$5.00	\$5.00
Tier 5: Water usage +80,000 gallons	\$1.80	\$2.05	\$2.15	\$6.50	\$6.63	\$6.63
Sewer (per 1,000 gallons)	\$2.75	\$3.71	\$4.08	\$4.35	\$4.50	\$4.50
Commercial and Industrial						
Water Basic Service fee (per meter or per unit/qtr)	\$23.50	\$23.75	\$25.00	\$25.00	\$25.00	\$25.00
Sewer Basic Service fee (per meter or per unit/qtr)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Water (per meter or per unit per 1,000 gallons):						
Tier 1: Water usage per first 10,000 gallons	\$2.75	\$3.00	\$3.10	\$3.05	\$3.11	\$3.11
Tier 2: Water usage +10,000 gallons to 25,000 gallons	\$2.75	\$3.00	\$3.10	\$3.20	\$3.26	\$3.26
Tier 3: Water usage +25,000 gallons	\$2.75	\$3.00	\$3.10	\$3.70	\$3.77	\$3.77
Tier 4: Water usage +29,000 gallons to next Tier	\$2.75	\$3.00	\$3.10	\$4.90	\$5.00	\$5.00
Tier 5: Water usage +36,000 gallons to next Tier	\$2.75	\$3.00	\$3.10	\$6.50	\$6.63	\$6.63
Sewer (per 1,000 gallons)	\$2.75	\$3.71	\$4.08	\$4.35	\$4.50	\$4.50
SURFACE WATER						
Residential (flat fee charged annually)	\$30.00	\$30.00	\$35.00	\$40.00	\$50.00	\$50.00
Non-Residential (flat fee charged annually based on equivalent res. unit)	\$30.00	\$30.00	\$35.00	\$40.00	\$50.00	\$50.00
SEWER CONNECTION CHARGES (collected with permit)						
Single family, duplex, townhouse, mobile home (per unit)	\$0	\$0	\$0	\$0	\$0	\$0
Comm/Industrial, churches, schools, hospitals, nursing homes (per unit)	\$0	\$0	\$0	\$0	\$0	\$0
WATER CONNECTION CHARGES (collected with permit)						
Meter						
Single family, duplex, townhouse, mobile home (per unit)	\$275	\$275	\$285	\$300	\$300	\$300
Comm/Industrial, churches, schools, hospitals, nursing homes (per unit)	\$140	\$175	\$130	\$140	\$140	\$140
	\$140	\$175	\$130	\$140	\$140	\$140
TRUNK LINE AVAILABILITY CHARGES (collected at time of development)						
Sewer availability charge per unit	\$3,500	\$3,500	\$3,500	\$3,300	\$3,500	\$3,500
MCES connection charge (per unit)	\$2,150	\$2,150	\$2,150	\$2,150	\$2,230	\$2,230
Water availability charge for new development per unit	\$3,675	\$3,675	\$3,675	\$3,900	\$3,900	\$3,900
Water availability charge for existing structures within Old Village	\$800	\$800	\$800	\$800	\$800	\$800

Utility Rates

City of Lake Elmo											
Fee Schedule Estimated for Future Years											
	Annual %	2013	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Incr	Beg	Yr								
	2013										
WATER AND SEWER SERVICE											
Residential											
Water Basic Service fee (per meter or per unit/qtr)	3.0%	\$25.75	\$26.52	\$27.32	\$28.14	\$28.98	\$29.85	\$30.75	\$31.67	\$32.62	\$32.62
Sewer Basic Service fee (per meter or per unit/qtr)	3.0%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Water (per meter or per unit per 1,000 gallons):											
Tier 1: Water usage per first 15,000 gallons	3.0%	\$2.20	\$2.27	\$2.34	\$2.41	\$2.48	\$2.56	\$2.63	\$2.71	\$2.79	\$2.79
Tier 2: Water usage + 15,000 gallons to 30,000 gallons	3.0%	\$2.95	\$3.03	\$3.13	\$3.22	\$3.32	\$3.41	\$3.52	\$3.62	\$3.73	\$3.73
Tier 3: Water usage + 30,000 gallons to 50,000 gallons	3.0%	\$3.88	\$4.00	\$4.12	\$4.24	\$4.37	\$4.50	\$4.64	\$4.78	\$4.92	\$4.92
Tier 4: Water usage +50,000 gallons to 80,000 gallons	3.0%	\$5.15	\$5.30	\$5.46	\$5.63	\$5.80	\$5.97	\$6.15	\$6.33	\$6.52	\$6.52
Tier 5: Water usage +80,000 gallons	3.0%	\$6.83	\$7.03	\$7.24	\$7.46	\$7.69	\$7.92	\$8.15	\$8.40	\$8.65	\$8.65
Sewer (per 1,000 gallons)	3.0%	\$4.64	\$4.77	\$4.92	\$5.06	\$5.22	\$5.37	\$5.53	\$5.70	\$5.87	\$5.87
Commercial and Industrial											
Water Basic Service fee (per meter or per unit/qtr)	3.0%	\$25.75	\$26.52	\$27.32	\$28.14	\$28.98	\$29.85	\$30.75	\$31.67	\$32.62	\$32.62
Sewer Basic Service fee (per meter or per unit/qtr)	3.0%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Water (per meter or per unit per 1,000 gallons):											
Tier 1: Water usage per first 10,000 gallons	3.0%	\$3.20	\$3.30	\$3.40	\$3.50	\$3.61	\$3.71	\$3.82	\$3.94	\$4.06	\$4.06
Tier 2: Water usage + 10,000 gallons to 25,000 gallons	3.0%	\$3.36	\$3.46	\$3.56	\$3.67	\$3.78	\$3.89	\$4.01	\$4.13	\$4.25	\$4.25
Tier 3: Water usage + 25,000 gallons	3.0%	\$3.88	\$4.00	\$4.12	\$4.24	\$4.37	\$4.50	\$4.64	\$4.78	\$4.92	\$4.92
Tier 4: Water usage +29,000 gallons to next Tier	3.0%	\$5.15	\$5.30	\$5.46	\$5.63	\$5.80	\$5.97	\$6.15	\$6.33	\$6.52	\$6.52
Tier 5: Water usage +36,000 gallons to next Tier	3.0%	\$6.83	\$7.03	\$7.24	\$7.46	\$7.69	\$7.92	\$8.15	\$8.40	\$8.65	\$8.65
Sewer (per 1,000 gallons)	3.0%	\$4.64	\$4.77	\$4.92	\$5.06	\$5.22	\$5.37	\$5.53	\$5.70	\$5.87	\$5.87
SURFACE WATER											
Residential (flat fee charged annually)	3.0%	\$51.50	\$53.05	\$54.64	\$56.28	\$57.96	\$59.70	\$61.49	\$63.34	\$65.24	\$65.24
Non-Residential (flat fee charged annually based on equivalent res. unit)	3.0%	\$51.50	\$53.05	\$54.64	\$56.28	\$57.96	\$59.70	\$61.49	\$63.34	\$65.24	\$65.24
SEWER CONNECTION CHARGES (collected with permit)											
Single family, duplex, townhouse, mobile home (per unit)	3.0%	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126	\$1,159	\$1,194	\$1,230	\$1,267	\$1,267
Comm/Industrial, churches, schools, hospitals, nursing homes (per unit)	3.0%	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126	\$1,159	\$1,194	\$1,230	\$1,267	\$1,267
WATER CONNECTION CHARGES (collected with permit)											
Meter	3.0%	\$309	\$318	\$328	\$338	\$348	\$358	\$369	\$380	\$391	\$391
Single family, duplex, townhouse, mobile home (per unit)	3.0%	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126	\$1,159	\$1,194	\$1,230	\$1,267	\$1,267
Comm/Industrial, churches, schools, hospitals, nursing homes (per unit)	3.0%	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126	\$1,159	\$1,194	\$1,230	\$1,267	\$1,267
TRUNK LINE AVAILABILITY CHARGES (collected at time of development)											
Sewer availability charge per unit	3.0%	\$3,000	\$3,090	\$3,183	\$3,278	\$3,377	\$3,478	\$3,582	\$3,690	\$3,800	\$3,800
MCES connection charge (per unit)	2.0%	\$2,435	\$2,484	\$2,533	\$2,584	\$2,636	\$2,688	\$2,742	\$2,797	\$2,853	\$2,853
Water availability charge for new development per unit	3.0%	\$3,000	\$3,090	\$3,183	\$3,278	\$3,377	\$3,478	\$3,582	\$3,690	\$3,800	\$3,800
Water availability charge for existing structures within Old Village	3.0%	\$824	\$849	\$874	\$900	\$927	\$955	\$984	\$1,013	\$1,044	\$1,044

Utility Rates

City of Lake Elmo

Customer Equivalent Units, Volume of Water and Sanitary Sewer Service Billed

Future Estimates for Financial Plans											
	1	2	3	4	5	6	7	8	9	10	
2011	2012	Budget	2013	2014	2015	2016	2017	2018	2019	2020	2021

Volume figures below are annual amounts and shown in 1,000 of Gallons

Residential

Water Basic Service fee (per meter or per unit/qtr)	874	874	881	881	910	948	1,012	1,058	1,109	1,260	1,311	1,369
Sewer Basic Service fee (per meter or per unit/qtr)	874	874	881	881	910	948	1,012	1,058	1,109	1,260	1,311	1,369
Water (per meter or per unit):												
Tier 1: Water usage per first 15,000 gallons	52,440	52,440	52,860	52,860	54,580	56,905	60,715	63,490	66,565	75,610	78,655	82,150
Tier 2: Water usage +15,000 gallons to 30,000 gallons	7,500	7,500	7,560	7,560	7,806	8,139	8,683	9,080	9,520	10,814	11,249	11,749
Tier 3: Water usage +30,000 gallons to 50,000 gallons	5,000	5,000	5,040	5,040	5,204	5,426	5,789	6,054	6,347	7,209	7,500	7,833
Tier 4: Water usage +50,000 gallons to 80,000 gallons	6,841	6,841	6,896	6,896	7,120	7,423	7,921	8,283	8,684	9,864	10,261	10,717
Tier 5: Water usage +80,000 gallons	15,500	15,500	15,624	15,624	16,133	16,820	17,946	18,766	19,675	22,348	23,249	24,282
Total Water Volume Sold	87,281	87,281	87,980	87,980	90,843	94,713	101,054	105,673	110,791	125,845	130,913	136,730
Sewer (per 1,000 gallons)	2,337	2,337	2,356	2,356	2,432	2,536	2,706	2,829	2,966	3,369	3,505	3,661

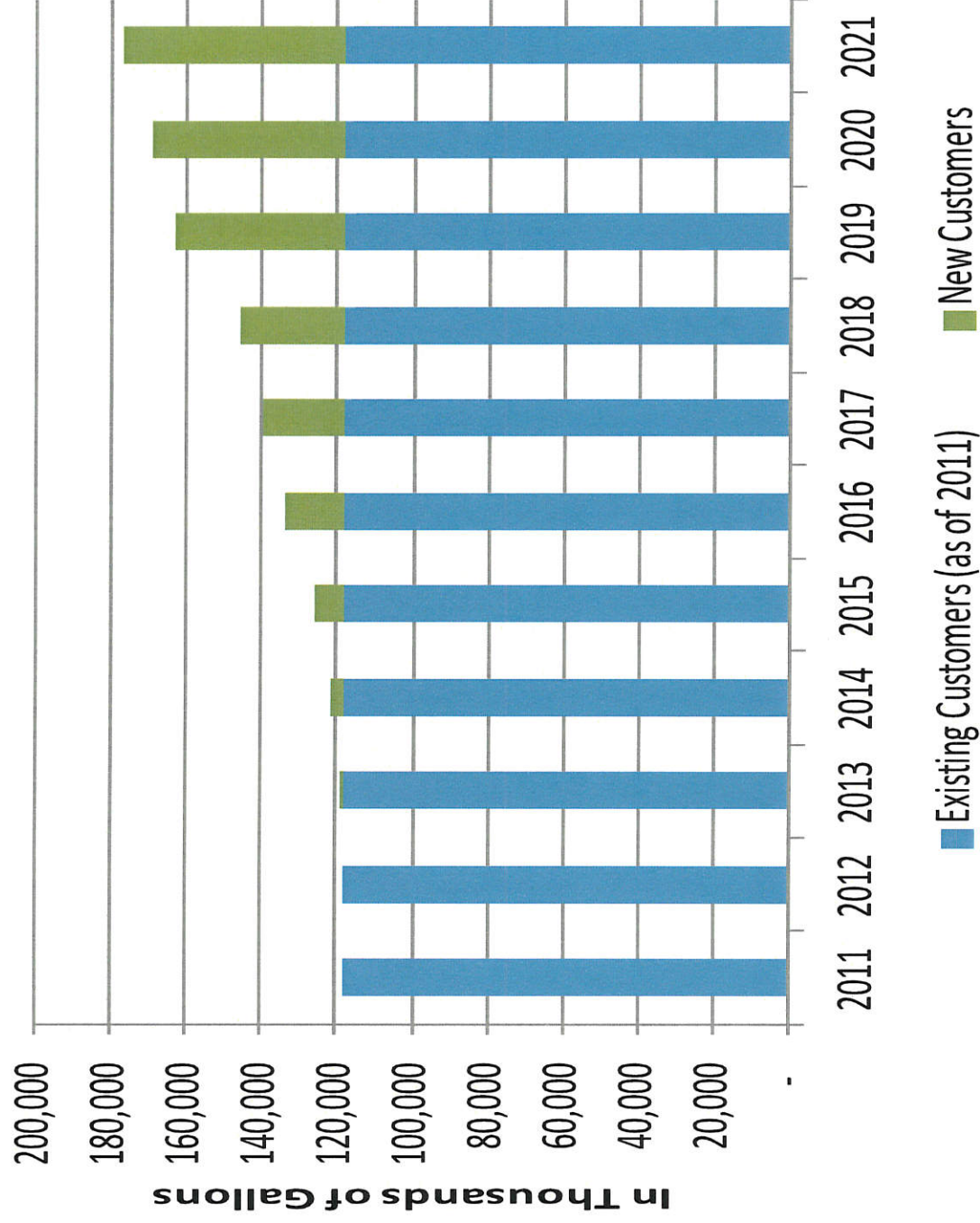
Commercial and Industrial

Water Basic Service fee (per meter or per unit/qtr)	109	109	109	109	109	112	114	120	124	132	135	143
Sewer Basic Service fee (per meter or per unit/qtr)	109	109	109	109	109	112	114	120	124	132	135	143
Water (per meter or per unit):												
Tier 1: Water usage per first 10,000 gallons	6,540	6,540	6,540	6,540	6,540	6,690	6,840	7,215	7,440	7,890	8,115	8,565
Tier 2: Water usage +10,000 gallons to 25,000 gallons	1,000	1,000	1,000	1,000	1,000	1,023	1,046	1,103	1,138	1,206	1,241	1,310
Tier 3: Water usage +25,000 gallons	1,000	1,000	1,000	1,000	1,000	1,023	1,046	1,103	1,138	1,206	1,241	1,310
Tier 4: Water usage +29,000 gallons to next Tier	3,000	3,000	3,000	3,000	3,000	3,069	3,138	3,310	3,413	3,619	3,722	3,929
Tier 5: Water usage +36,000 gallons to next Tier	19,416	19,416	19,416	19,416	19,416	19,861	20,307	21,420	22,088	23,424	24,092	25,428
Total Water Volume Sold	30,956	30,956	30,956	30,956	30,956	31,666	32,376	34,151	35,216	37,346	38,411	40,541
Sewer (per 1,000 gallons)	10,000	10,000	10,000	10,000	10,000	10,229	10,459	11,032	11,376	12,064	12,408	13,096

TOTAL ESTIMATED WATER BILLED (IN 1,000 OF GALLONS)

	118,237	118,237	118,936	118,936	121,799	126,379	133,430	139,824	146,007	163,191	169,324	177,271
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Estimated Total Gallons of Water Sold



The chart includes water sold to both commercial and residential property. The increase in volume of water sold to new customers is based on the projected new connections (from new development) that is estimated to occur in the future years. The analysis assumes the volume sold to existing customers (2011 is the base year) remains constant.

FINANCIAL PLANS

Based on historical financial performance, current utility rates and structure, and anticipated future capital projects, the following financial plans (pro forma) have been prepared for the utility funds.

Key Assumptions

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

- Operating expenditures, including personnel costs and materials supplies and all other operating expense will increase by 2 percent per year.
- No change in existing tier structure for fees and charges.
- Depreciation is held constant in the financial plans. Future depreciation expense will increase with the addition of infrastructure assets but for the purposes of this report the amount was held constant. Future updates to the financial plans will need to consider funding of depreciation and replacement of infrastructure.
- Current capital improvement plan will be implemented at estimated project costs and sources of funding. This includes an increase in future debt service for payment on bonds to be issued.
- Utility fees for use of the system (i.e., volume of water) are shown to increase at the rate of 3 percent per year for years 2013 to 2021. The percent increase is across all elements of the City's current rate structure, including the base and tier rates.

Actual year to year activity (i.e., volume of water sold, operating expenditures, etc) and actual expenditure on capital projects will determine what actual rates will need to be set at in order to maintain adequate cash in the utility funds.

- Connection and availability charges are shown to increase at the rate of 3 percent per year. Revenue from these charges will be needed to pay for the expansion of the system and the planned capital projects and related debt service.
- Water connection charge is increased from \$140 in 2012 to \$3,000 beginning in year 2013. The water connection charge is than adjusted annually at the rate of 3 percent.
- Sewer connection charge is implemented beginning in year 2013. The City presently does not charge for sewer connection. Initially shown to be set at \$3,000 than adjusted annually at the rate of 3 percent.
- Metropolitan Council Environmental Services (MCES) connection charge is shown to increase by an estimated 2 percent per year. The actual annual amounts will be set by MCES.
- The proposed future utility fees and charges are shown to increase at a level that is adequate to maintain a positive cash balance in the funds and to meet a goal of maintaining cash balance at 50 percent of operating expenditures.

Financial Plans

CITY OF LAKE ELMO WATER FUND FINANCIAL PLAN

Projected																		
	Notes	2010	2011	2012 Budget	1	2	3	4	5	6	7	8	9	10				
SOURCE OF FUNDS:																		
Operating:																		
Customer Billing Revenue	ADJ TOTAL	502,464	511,474	440,000	578,765	609,242	650,341	705,369	761,748	818,466	938,372	1,002,178	1,081,357					
Bulk water sales	FLAT	-	6,667	-	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000					
Special assessments	SEE AUDIT	3,774	(327)	2,500	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000					
Water meter sales	SEE SCHED	11,121	9,165	5,000	8,652	31,615	43,272	73,946	52,167	53,732	55,344	57,005	58,715					
Trunk Line Fees	SEE SCHED	78,000	74,100	48,000	600,000	927,000	1,129,859	1,096,552	759,718	347,782	358,216	184,481	190,016					
Connection Fees	SEE SCHED				28,000	118,107	175,049	288,480	236,357	255,040	755,835	268,113	333,161					
Investment earnings	1%	10,580	9,903	4,000	7,199	11,596	20,174	16,956	20,982	25,230	28,436	38,626	42,981					
Rents	1%	45,226	48,555	36,000	27,600	27,600	27,600	27,600	27,600	27,600	27,600	27,600	27,600					
Total Operating Sources		651,165	659,537	535,500	1,260,216	1,735,160	2,056,294	2,218,902	1,868,573	1,537,851	2,173,803	1,588,003	1,743,829					
Non-Operating:																		
Bond Proceeds	SEE CIP	23,928	56,226	-	3,540,000	-	-	2,000,000	-	-	-	-	-					
Grants	SEE CIP				1,000,000	-	-	-	-	-	-	-	-					
Intergovernmental	SEE CIP				1,000,000	-	-	-	-	-	-	-	-					
Trsf In from Other/TIF/Developer	SEE CIP				-	400,000	-	250,000	350,000	-	-	-	-					
Assessment/Litigation judgment	ESTIMATE				-	-	-	-	-	-	-	-	-					
Trsf In from Other/Due From Oth Funds	SEE AUDIT	50,000	50,000	25,000	-	-	-	-	-	-	-	-	-					
Contribution of capital assets	SEE AUDIT	187,401			-	-	-	-	-	-	-	-	-					
Total Non-Op Sources		261,329	106,226	25,000	5,540,000	400,000	2,135,160	2,056,294	4,468,902	2,218,573	1,537,851	2,173,803	1,588,003	1,743,829				
Total Source of Funds		912,494	765,763	560,500	6,800,216	2,135,160	2,056,294	4,468,902	2,218,573	1,537,851	2,173,803	1,588,003	1,743,829					
USE OF FUNDS:																		
Operating:																		
Personnel	2%	102,711	103,651	103,845	105,922	108,040	110,201	112,405	114,653	116,946	119,285	121,671	124,104					
NonPersonnel	2%	272,216	220,119	259,725	264,920	270,218	275,622	281,135	286,757	292,493	298,342	304,309	310,395					
Depreciation*	2%	324,818	324,192	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000					
Increase in O&M from future improv	2%																	
Total Operating Uses		699,745	647,962	703,570	710,841	718,258	725,823	733,540	741,411	749,439	757,628	765,980	774,500					
Non-Operating:																		
Capital improvements/acquisition	SEE CIP	33,320	12,831	-	5,540,000	400,000	1,500,000	3,175,000	600,000	City hasn't identified but does anticipate there will be future capital spending in years 2018 to 2021 not accounted for here.								
Surface Water Loan Payment	SEE CIP	56,226																
GO Water Rev Bond 2002B	SEE CIP																	
GO Water Rev Bond 2005A	SEE CIP																	
GO Ref Bond 2009A (Refund 2002B)	SEE CIP	175,025	175,025	175,025	300,025	320,650	315,250	49,880	53,680	52,128	55,575	53,850	51,925					
GO Ref Bond 2012A (Refund 2005A)	SEE CIP	51,131	55,069	54,680	53,680	52,480	51,280	281,043	272,143	293,343	284,043	279,843	270,643					
Future Debt Service on Bonds	SEE DEBT				95,958	125,958	125,778	166,818	466,563	462,348	397,473	392,923	392,833					
Bond Discount Amortization*	SEE CIP	7,418	7,418	7,418	6,277	6,277	6,277	6,277	6,277	6,277	6,277	6,277	6,277					
Other (Adjustments)	REC TO AUDIT	2,402	11,818															
Trsf out to Other/Due to Oth Funds	SEE AUDIT																	
Total Non-Operating		325,522	262,161	237,123	5,995,940	905,365	1,998,585	3,679,018	1,398,663	814,095	743,368	732,893	721,678					
Total Use of Funds		1,025,267	910,123	940,693	6,706,781	1,623,623	2,724,408	4,412,557	2,140,073	1,563,534	1,500,995	1,498,873	1,496,177					
NET DIFFERENCE SOURCES AND USES																		
CASH BALANCE																		
Available Cash Balance Purposes:																		
Maintain 50% of operating expense as reserve		323,981	351,785	355,421	359,129	362,912	366,770	370,705	374,719	378,814	382,990	387,250	398,867					
Net available for capital		241,427	400,873	364,462	800,466	1,654,497	1,328,802	1,727,488	2,148,250	2,464,750	3,479,658	3,910,805	4,493,116					
Ending Cash Balance		565,408	752,658	719,883	1,159,595	2,017,409	1,695,572	2,098,193	2,522,970	2,843,563	3,862,648	4,298,055	4,891,984					

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Financial Plans

CITY OF LAKE ELMO STORM SEWER FINANCIAL PLAN

	Notes	2010	2011	1 2012 Budget	2 2013	3 2014	4 2015	5 2016	6 2017	7 2018	8 2019	9 2020	10 2021
Projected													
SOURCE OF FUNDS:													
Operating:													
	Customer Billing Revenue	185,245	235,252	150,000	228,378	235,229	242,286	249,554	257,041	264,752	272,695	280,876	289,302
	Interest income	(83)	468	-	71	685	1,341	2,040	2,783	3,574	4,413	5,304	6,247
	Other Miscellaneous	32,721	17,000	17,500	-	-	-	-	-	-	-	-	-
	Total Operating Sources	217,883	252,720	167,500	228,449	235,914	243,627	251,594	259,825	268,326	277,108	286,179	295,549
Non-Operating:													
	Bond Proceeds	-	-	-	-	-	-	-	-	-	-	-	-
	Grants	-	-	-	-	-	-	-	-	-	-	-	-
	Trsf In from Other/TIF/Developer	-	-	-	-	-	-	-	-	-	-	-	-
	Total Non-Op Sources	-	-	-	-	-	-	-	-	-	-	-	-

USE OF FUNDS:

Operating:														
Personnel	2%	39,855	41,134	40,532		41,343	42,169	43,013	43,873	44,751	45,646	46,559	47,490	48,439
NonPersonnel	2%	96,341	95,062	123,200		125,664	128,177	130,741	133,356	136,023	138,743	141,518	144,348	147,235
Depreciation	2%	15,188	15,188	15,188		15,188	15,188	15,188	15,188	15,188	15,188	15,188	15,188	15,188
Total Operating Uses		151,384	151,384	178,920		182,195	185,535	188,942	192,417	195,961	199,577	203,265	207,026	210,863
Non-Operating:														
Capital	SEE CIP													
Existing Debt Service	NONE													
Future Debt Service on Bonds to be Issued	SEE DEBT													
Other (Adjustments)	REC TO AUDIT	81,687	113,197											
Trsf out to Other/Due to Oth Funds	NONE													
Total Non-Operating		81,687	113,197											
Total Use of Funds		233,071	264,581	178,920		182,195	185,535	188,942	192,417	195,961	199,577	203,265	207,026	210,863

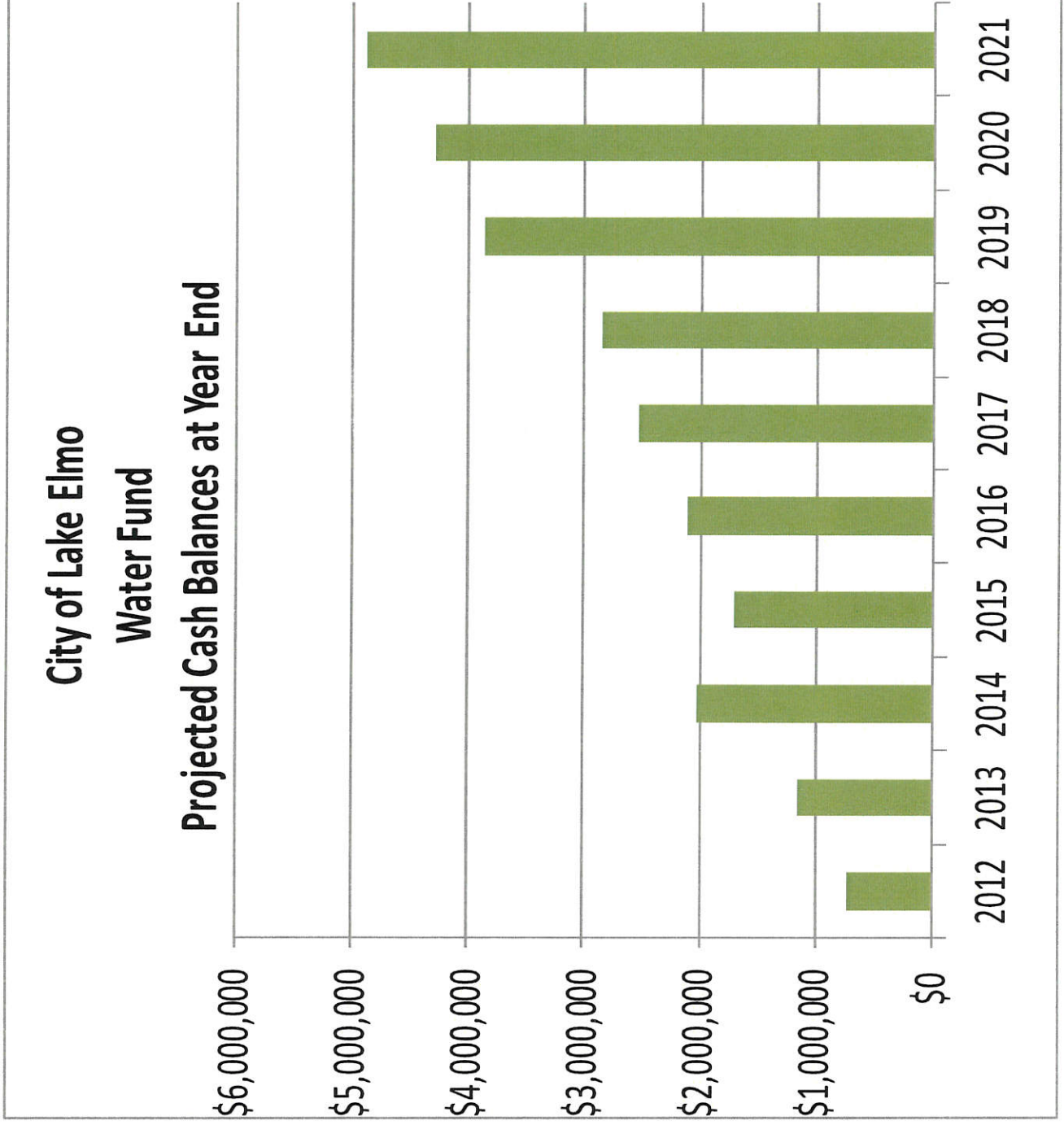
City hasn't identified but does anticipate there will be future capital spending in years 2018 to 2021 not accounted for here.

NET DIFFERENCE SOURCES AND USES

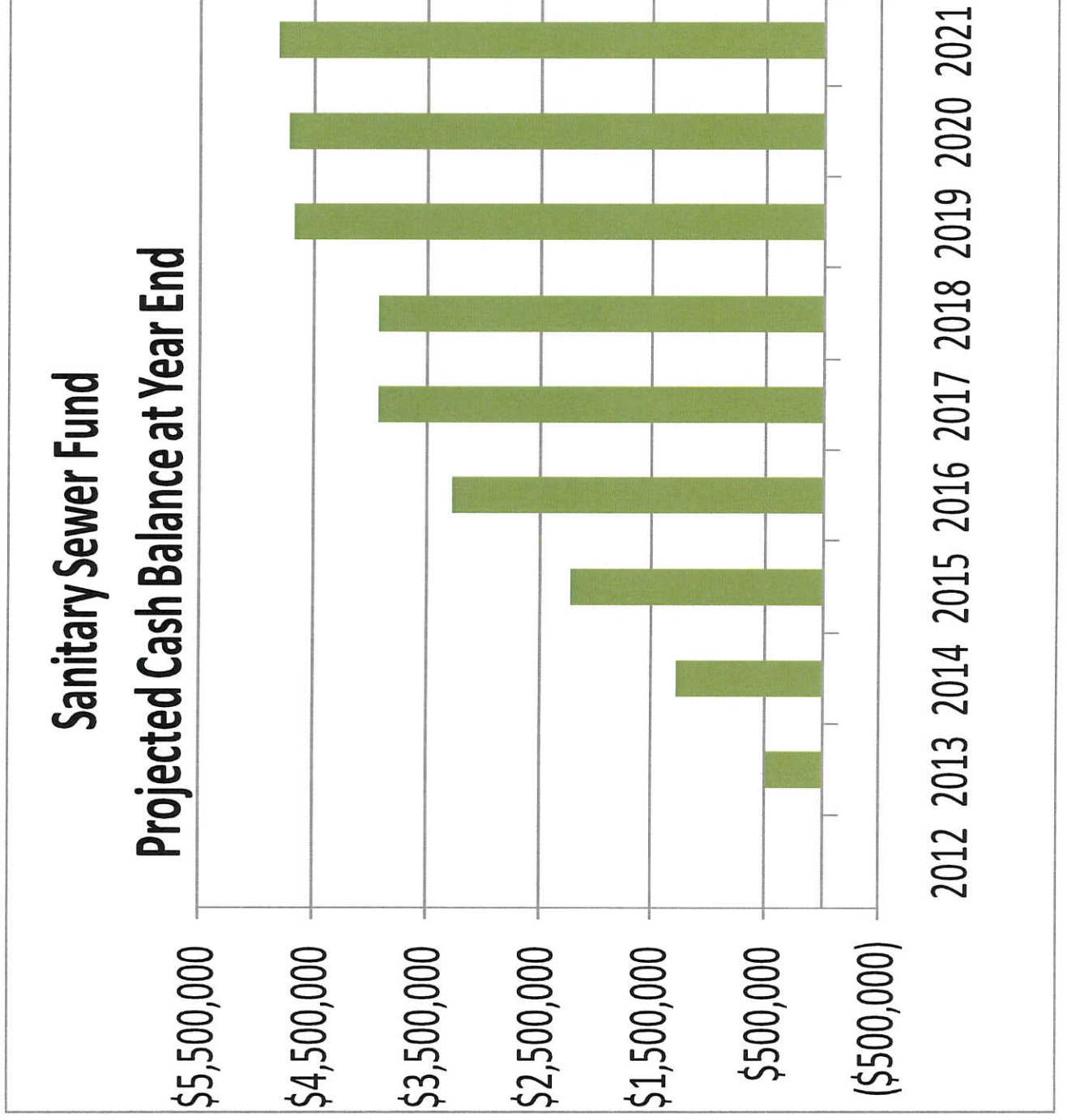
	(15,188)	(11,861)	(11,420)	46,254	50,380	54,685	59,177	63,863	68,749	73,844	79,153	84,686
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CASH BALANCE

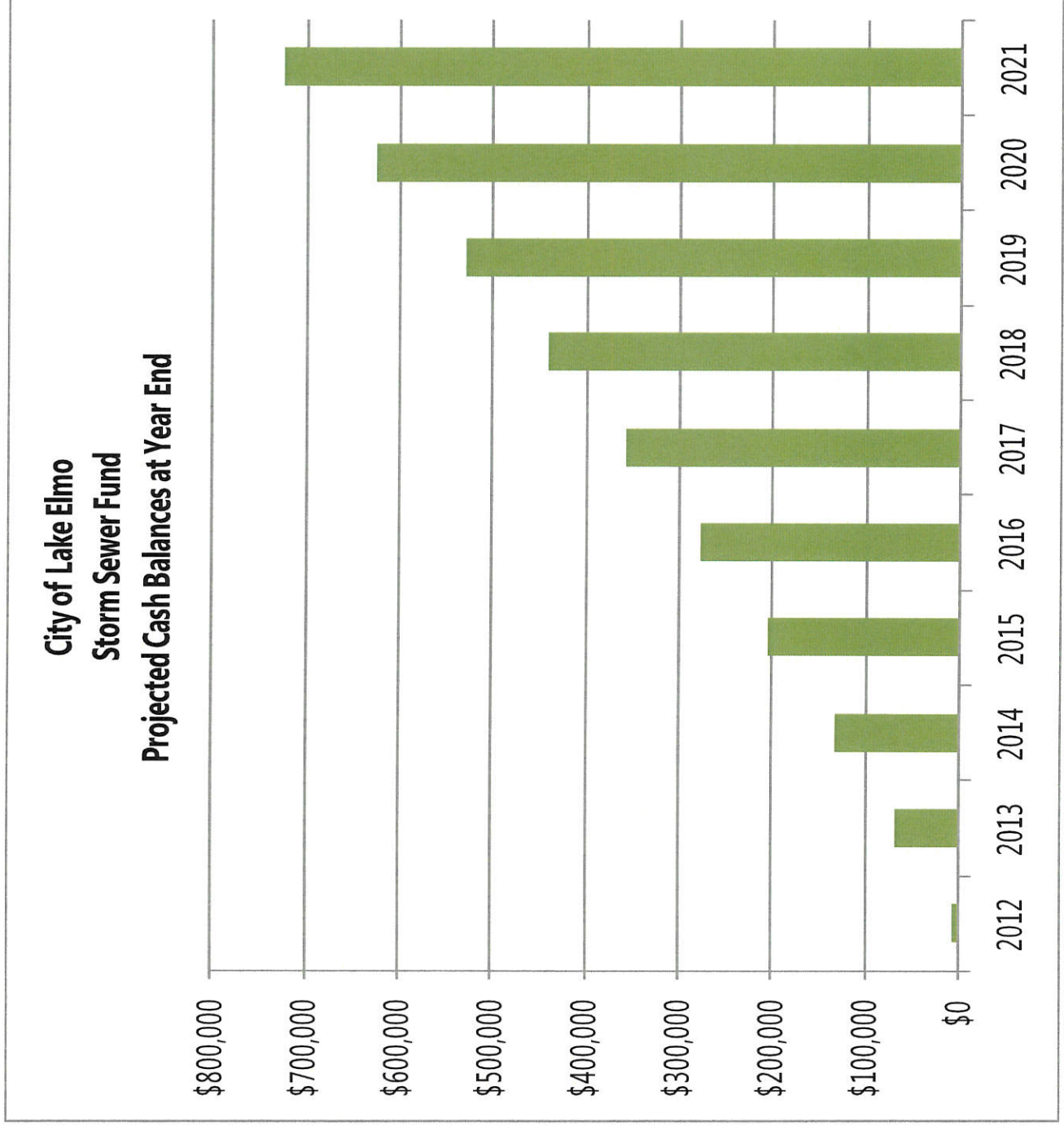
Available Cash Balance Purposes:												
Estimate of 50% of operating expense for reserve	75,692	89,460	91,097	92,767	94,471	96,208	97,981	99,788	101,632	103,513	105,431	108,594
Net available for capital	(75,692)	(86,133)	(84,002)	(24,230)	39,634	107,770	180,363	257,606	339,700	426,851	519,274	615,985
Ending Cash Balance	-	3,327	7,095	68,537	134,105	203,978	278,343	357,395	441,332	530,364	624,705	724,579



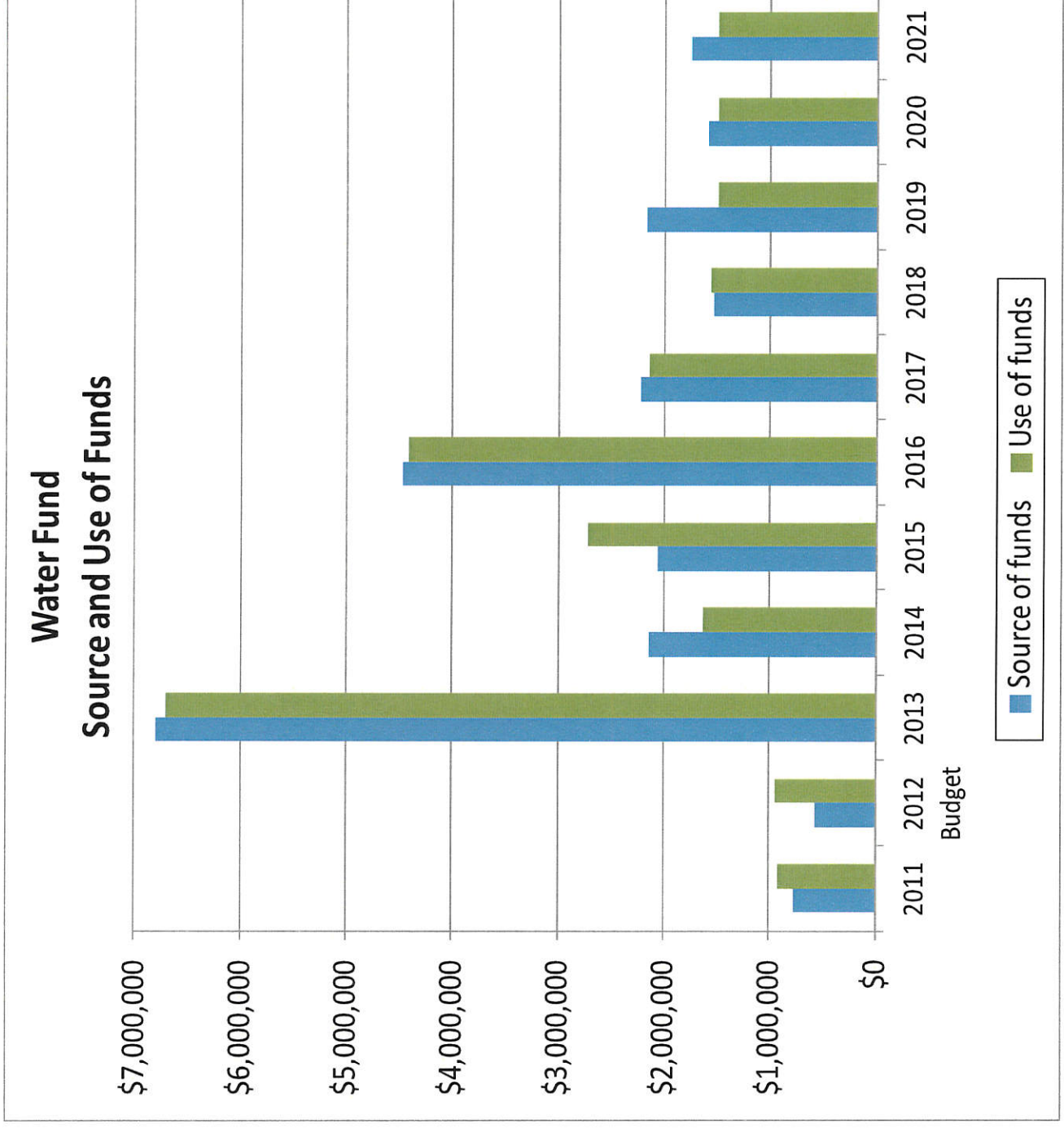
The Capital Improvement Plan anticipates the use of cash in years 2015, 2016, and 2017 for capital projects in lieu of bonding. Year 2015 includes the largest use of cash for capital, estimated at \$1.5 million in this year. The City may determine to increase or decrease the planned issuance of bonds depending on the actual amount of cash available in the in future years to pay for project costs or future debt service. The decision will depend on the amount of cash available which is a factor of the rate of growth from new development and the timing of collection of connection and availability charges and capital spending.



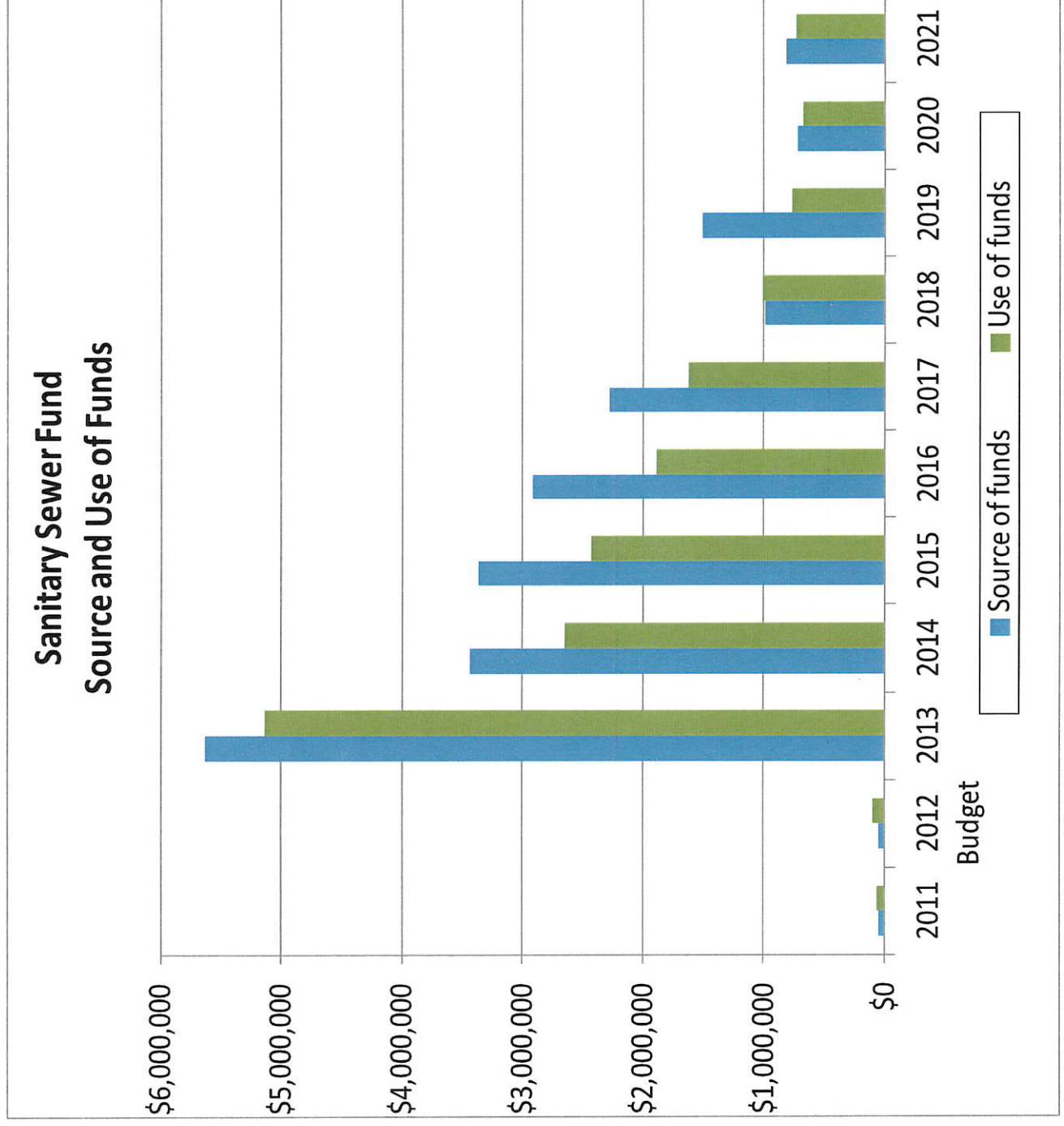
The City's CIP anticipates bonding to pay for capital improvement projects, with the exception of \$300,000 in year 2018. The City may determine to increase or decrease the planned issuance of bonds depending on the actual amount of cash available in the in future years to pay for project costs or future debt service. The decision will depend on the amount of cash available which is a factor of the rate of growth from new development and the timing of collection of connection and availability charges and capital spending.



The steady increase in cash balance in the Storm Sewer Fund is due to the assumption that the annual charge for service will increase by 3 percent annually and growth in expenditures will increase by 2 percent annually. The Storm Sewer Fund has no outstanding debt or planned use of cash for capital improvements at this time. Possible addition of capital spending in the future will impact the projected cash balances. If there is no future introduction of plans for capital improvements, the City may determine that future rate increases may not be necessary at the level included in the report.

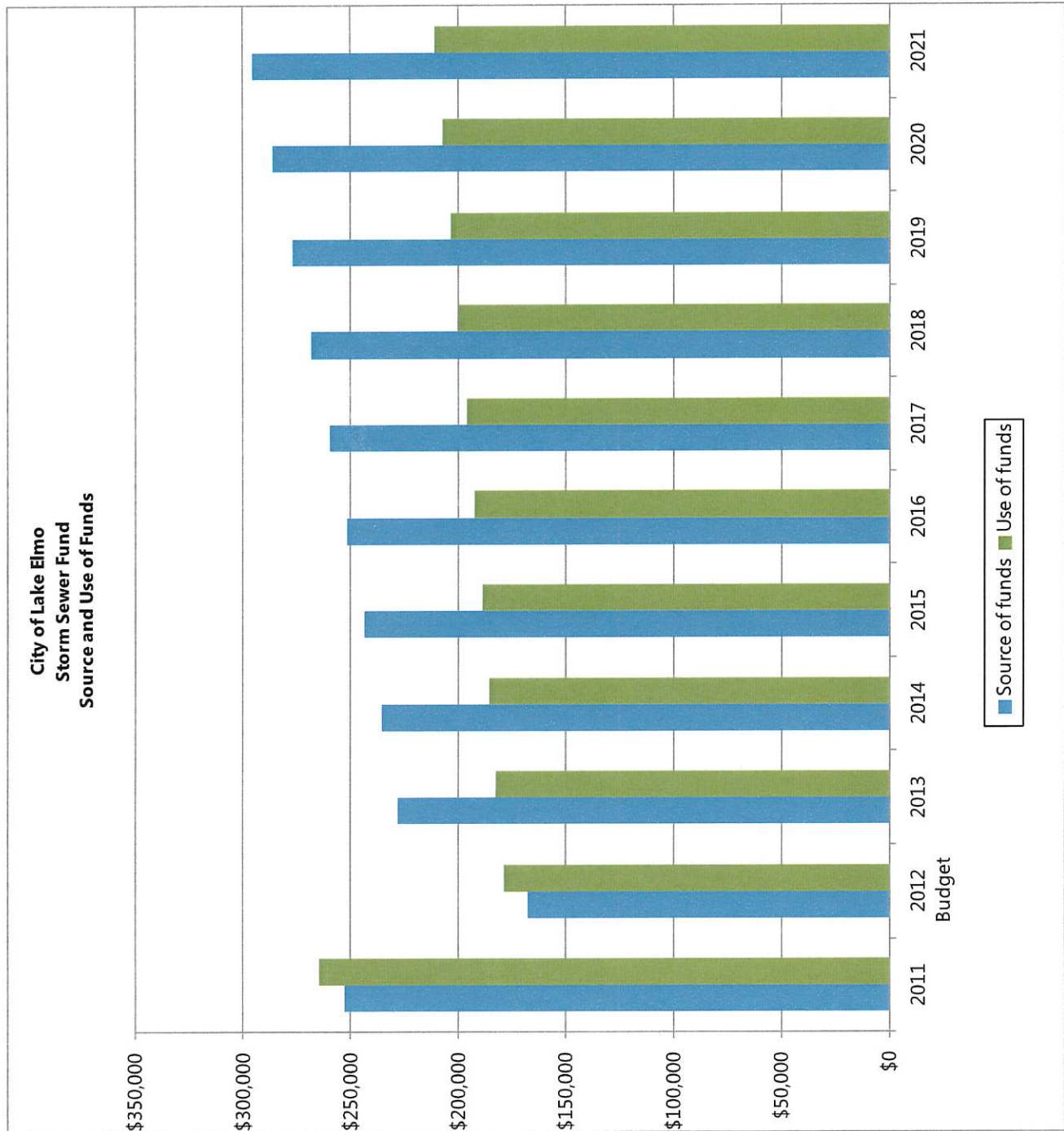


The annual projected source and use of funds varies due to the timing of capital improvement projects and planned use of cash. The other major factor is payment of debt service. For example, in year 2015 and 2016, the City plans to use \$1,500,000 and \$925,000 of cash for capital improvements, respectively by year.

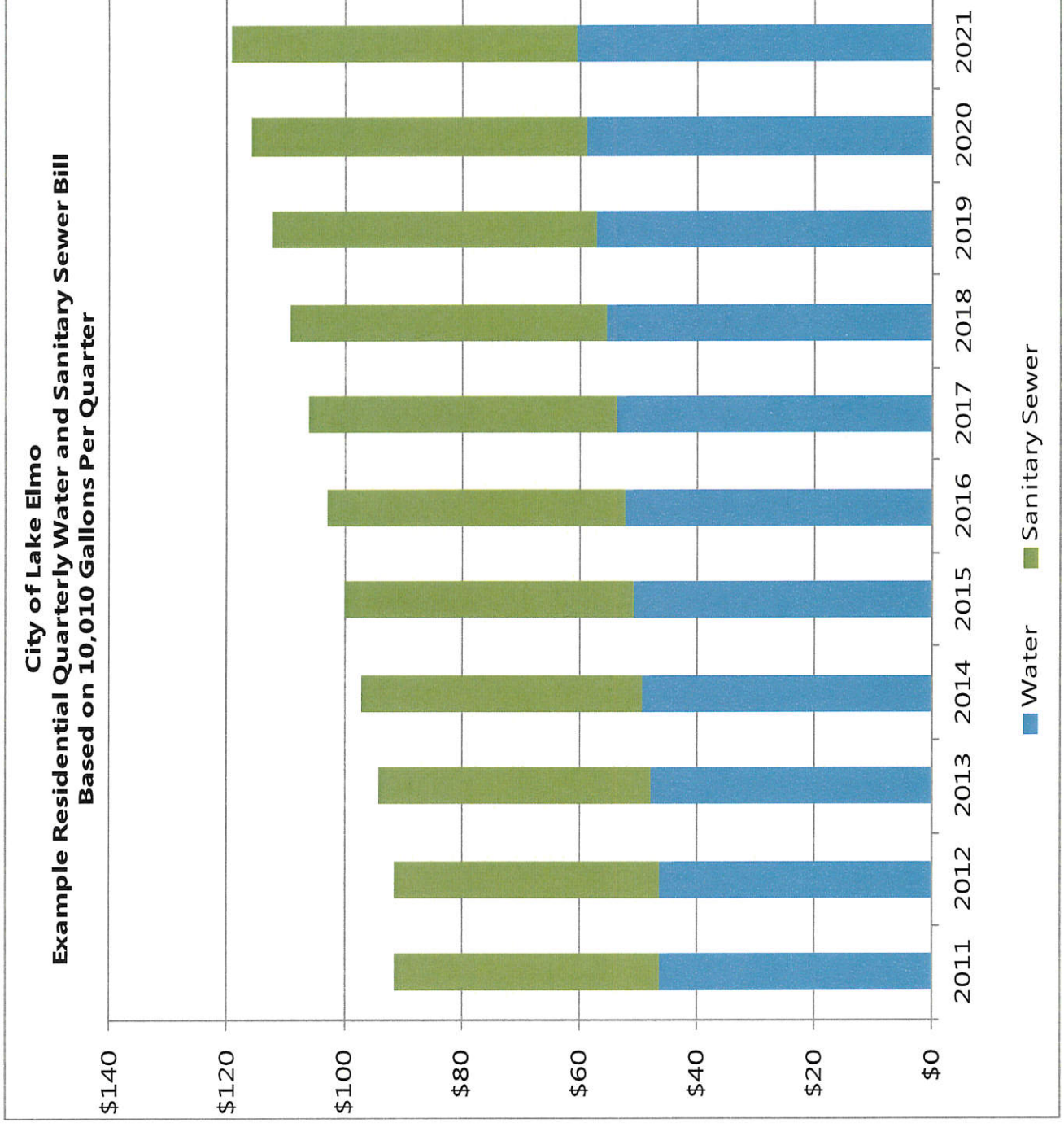


Projected source of funds exceeds use of funds, with the exception of year 2018. In year 2018, the City anticipates the use of \$300,000 of cash from the fund for capital improvements.

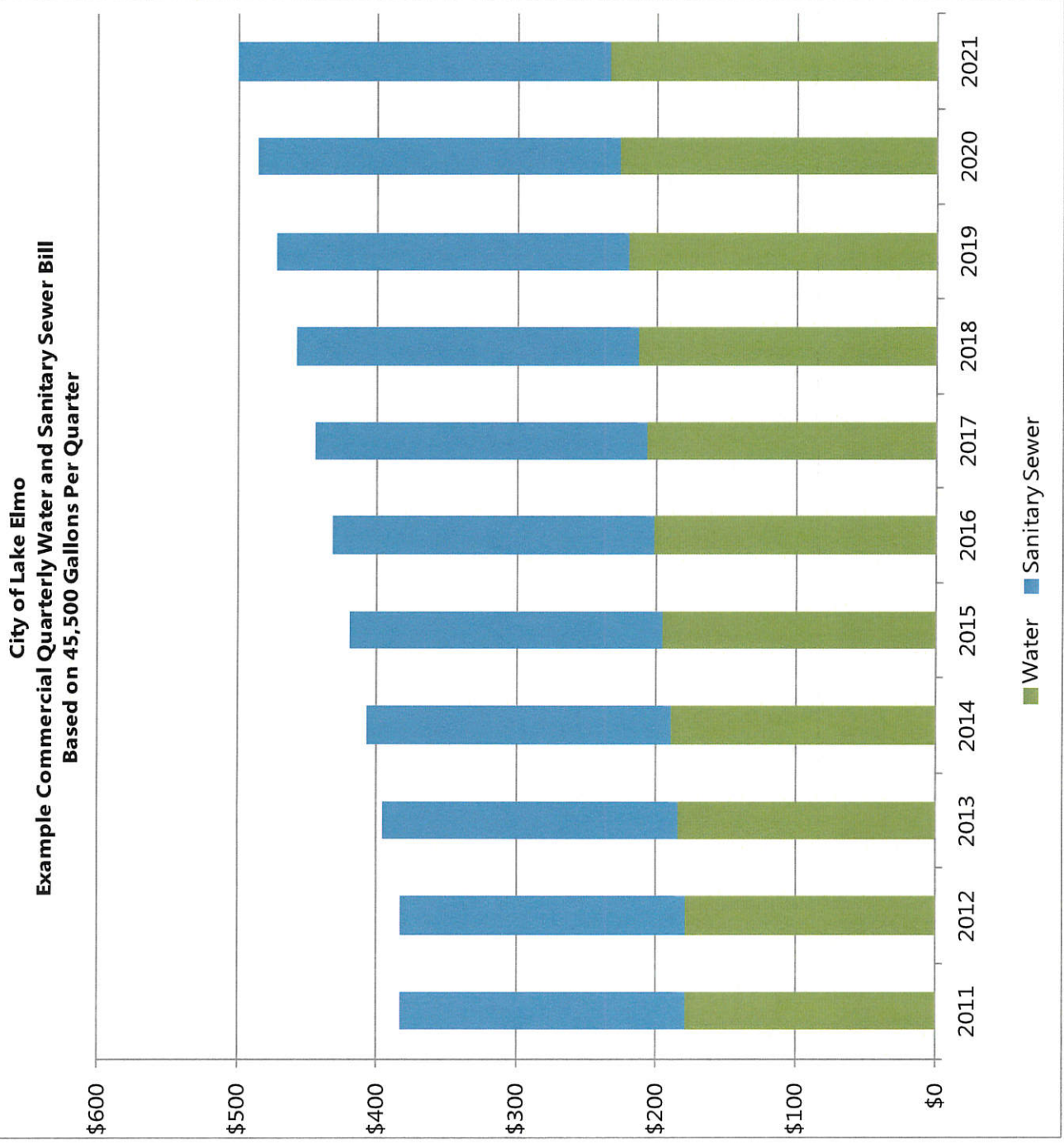
Appendix



The source of funds is projected to exceed the use of funds each year due to the projected 3 percent increase in the fee charged and 2 percent increase in annual operating expenditures. The Storm Sewer Fund has no outstanding debt or planned use of cash for capital improvements at this time. Possible addition of capital spending in the future will impact the projected cash balances and the draw-down of fund balance. The City may determine to reduce the planned increase in the fee depending on actual expenditures.



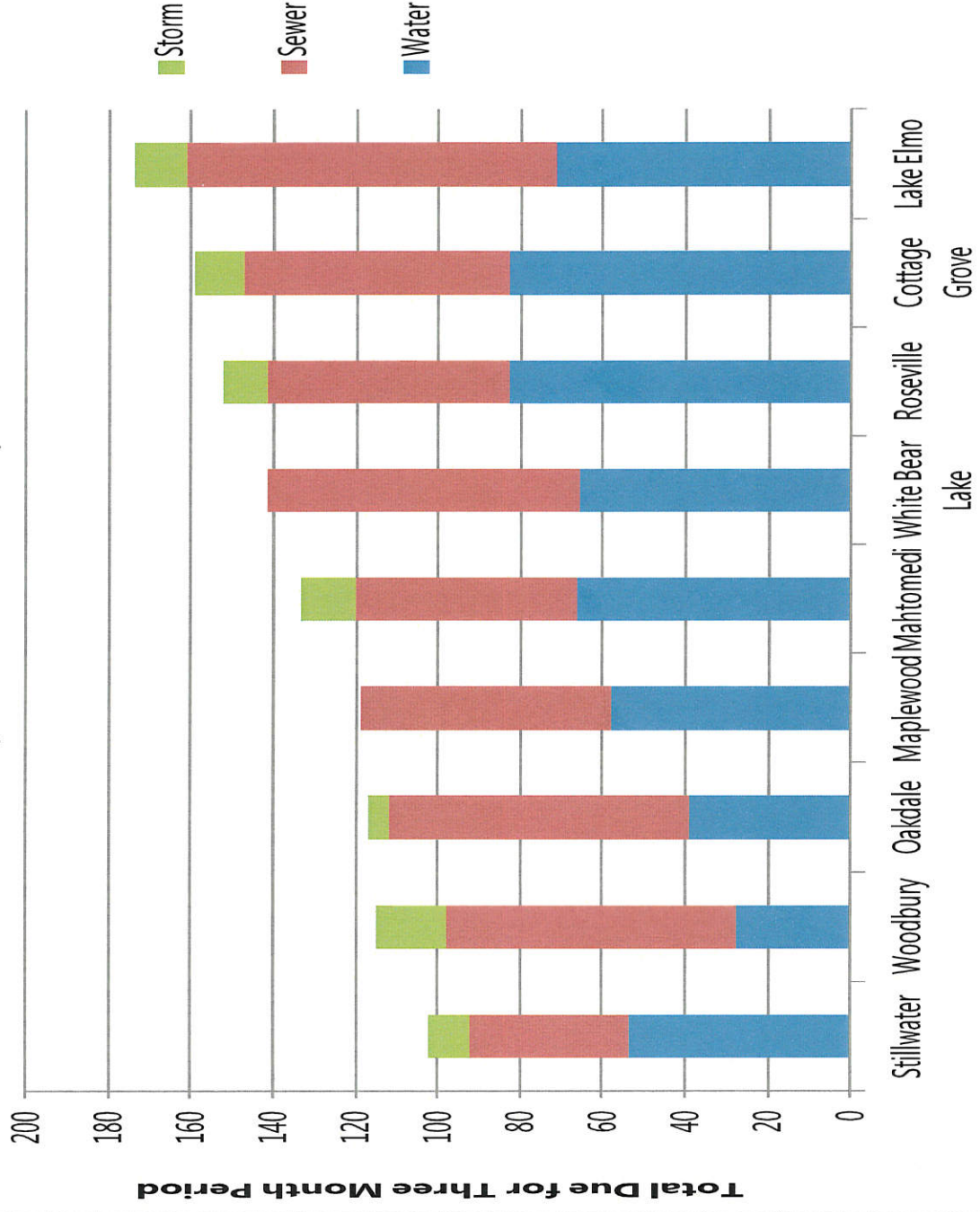
The quarterly charge amounts shown in this chart are based on the fee schedule shown on page 19. The estimated volume of 10,010 is for household water usage. Property with a sprinkler system will have a higher average volume.



The quarterly charge amounts shown in this chart are based on the fee schedule shown on page 19.

Appendix

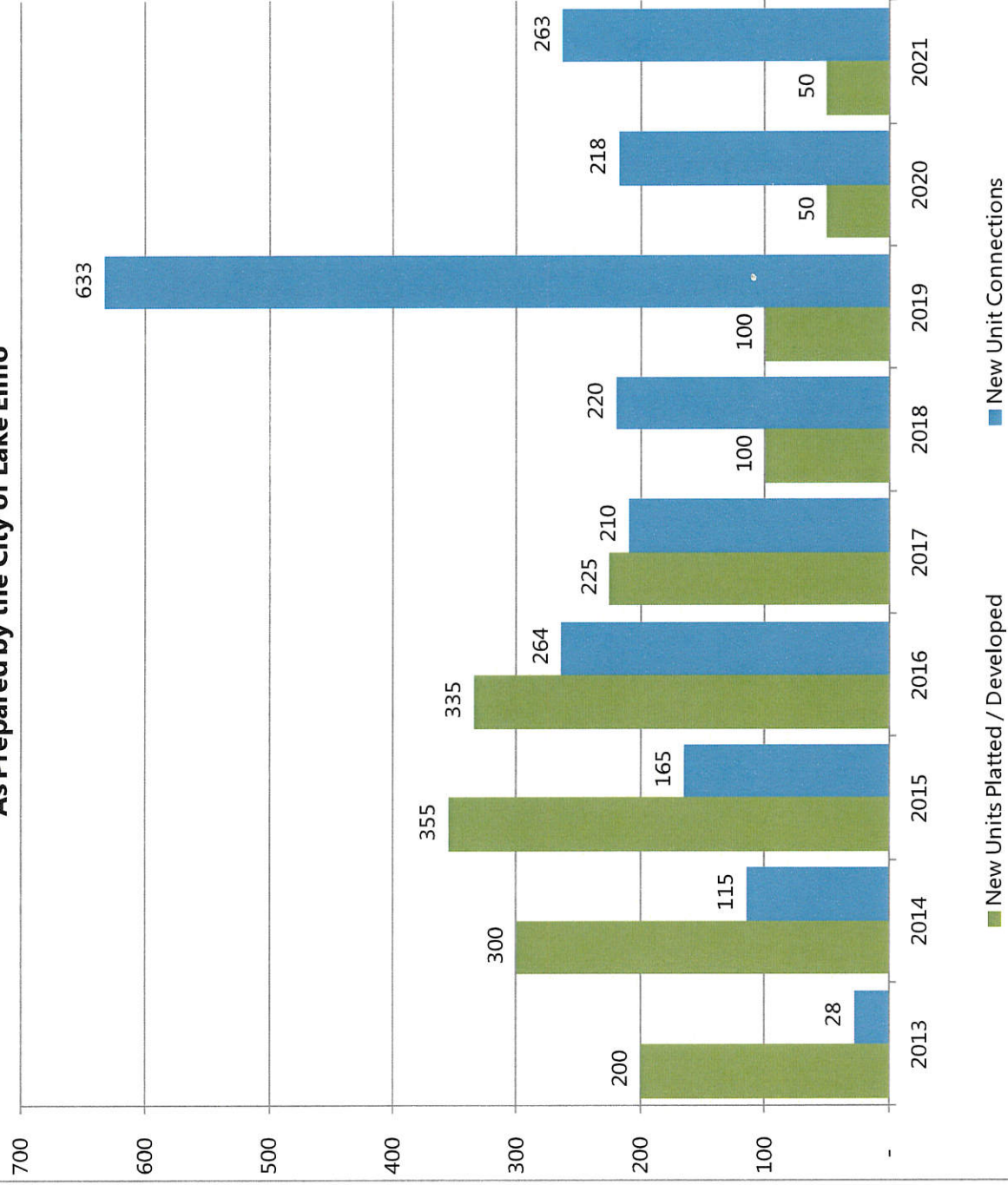
Comparison of Estimated Utility Bills
Example Single Family Res Property Total Charge for Equivalent Three Month Period with 20,000 Gallons of Usage
(Fee Data Available From Year 2012)



As the City of Lake Elmo's number of customers and volume of water sold increases, the City will have more customer units (and volume) to spread its fixed costs over and as a result the City of Lake Elmo's utility rates should begin to align more closely with other more developed cities utility rates over time.

Appendix

City of Lake Elmo
Projected New Residential Equivalent Connections
As Prepared by the City of Lake Elmo



City staff identified total possible new residential equivalent units to be plated / developed by year. To be conservative, for financial planning purposes, the study assumes that approximately 50% of the total possible units will be plated / developed. The figures shown in the chart are the units assumed for financial planning purposes.

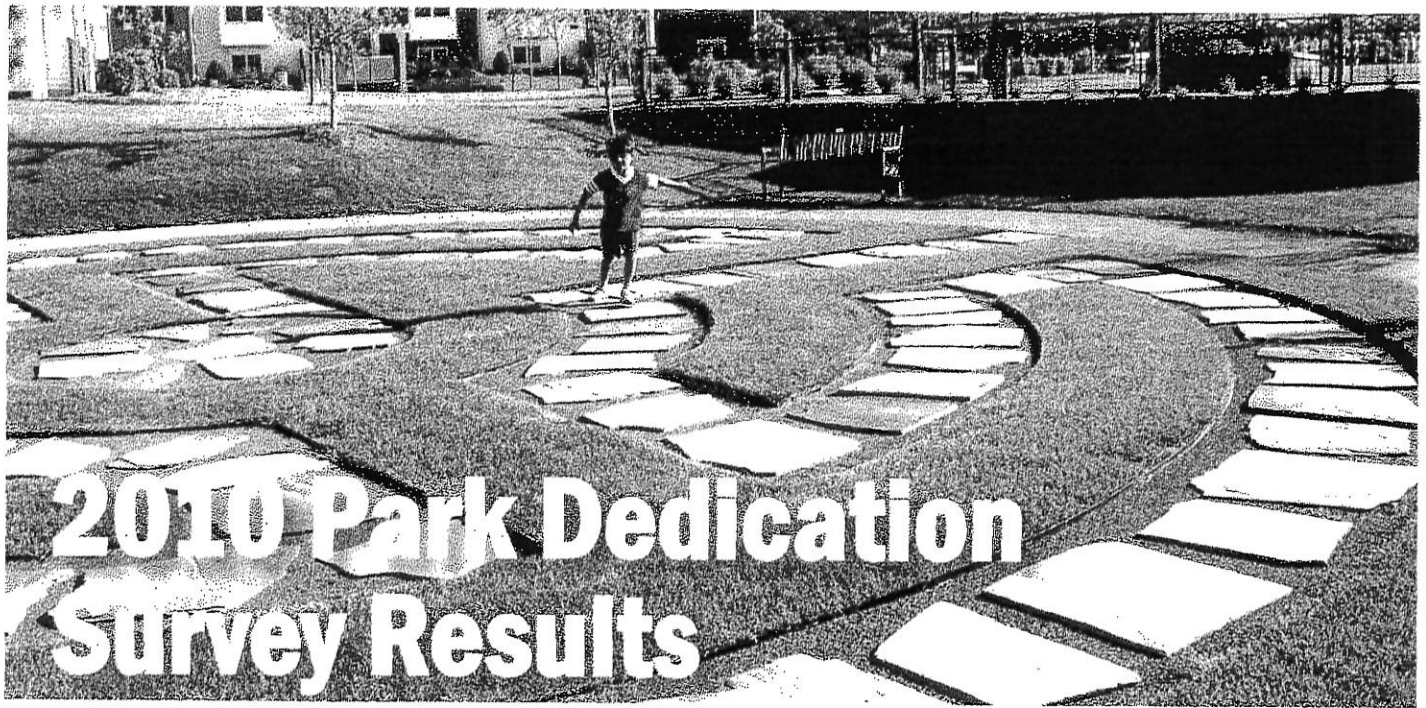
The "spike" in unit connections in year 2019 can be attributed to anticipated connections for units in Cimmaron Park.

Water and sewer availability charges will be collected at time of plat or development.

Water and sewer connection charges will be collected at time of building permit / connection to the systems.

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Northland Securities, Inc.
45 South 7th Street , Suite 2000
Minneapolis, MN 55402
Toll Free 1-800-851-2920 Main 612-851-5900
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2010 Park Dedication Survey Results

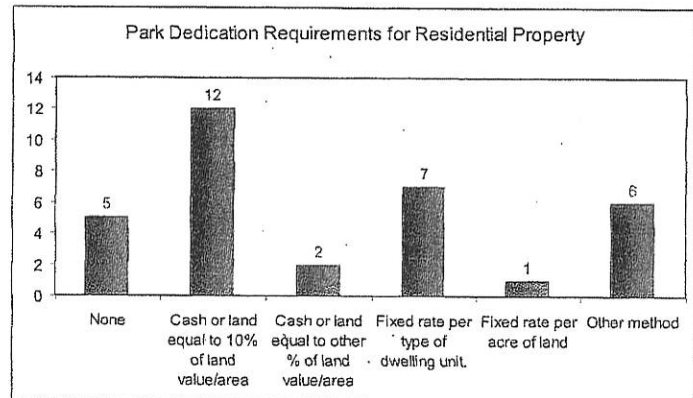
In July 2010, HkGi sent out Park Dedication Surveys to 120 Minnesota cities and counties. Thirty-two surveys were returned. This document summarizes the results of those surveys.

Of the 32 respondents, three municipalities have no residential park dedication requirements, and six have no commercial park dedication requirements.

Residential Property

The survey asked communities to select the response that matched the current park dedication requirements for residential property. The potential responses were:

- Cash or land equal to 10% of land value/area
- Cash or land equal to % of land value/area (fill in percentage)
- Fixed rate per type of dwelling unit
- Fixed rate per acre of land \$ /acre
- Other method of calculation



The chart on the right summarizes the survey responses. The total number of responses is more than 32 because one survey checked more than one method. The category with the most checked responses was Cash or land equal to 10% of land value/area. Several cities also listed fixed amounts per dwelling unit in the next survey question. The average of these amounts are shown below.

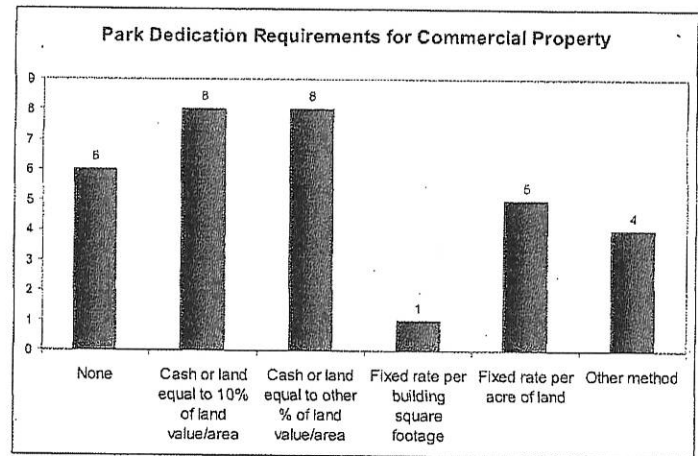
Fixed fee per unit: Many cities use a fixed fee per housing unit. The average park dedication fee by unit type is:

Fixed Fee Cash Dedication - Residential Property (amounts shown are per unit)			
Single Family	Duplex	Townhouse/Quad	Multi-Family
\$3,408	\$3,036	\$2,923	\$2,643

Commercial Property

Six of the survey respondents do not currently require park dedication for commercial property. The survey asked respondents to select the response that matched the current park dedication requirements for commercial-industrial property. The potential choices were:

- Cash or land equal to 10% of land value/area
- Cash or land equal to ___% of land value/area (fill in percentage)
- Fixed rate per building square footage
- Fixed rate per acre of land \$___/acre
- Other method of calculation



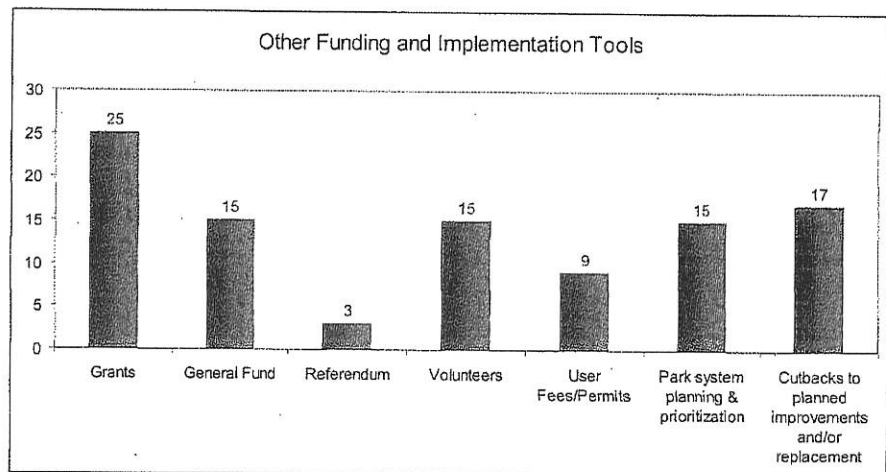
The chart on the right above summarizes the survey responses. Multiple cities selected cash or land as a percentage of the land value/area as well as listing fixed amounts for commercial and industrial property.

Fixed amount per acre: Several communities use a set fee per acre of commercial-industrial development. The average commercial-industrial park dedication fees per acre are:

Average Commercial-Industrial Fixed Fee Amounts	
Commercial Development per acre	Industrial Development per acre
\$6,041	\$5,607

Other Funding or Implementation Tools

The last question on the survey asked cities and counties to list methods being used for alternative funding tools for parks and recreation in this time of budget cuts and market decline. The potential answers were: grants, general fund, referendum, volunteers, user fees/permits, park system planning and prioritization, cutbacks to planned improvements and/or replacement and other tools. The chart on the right shows the frequency of checked answers. Other write-in answers included: delaying projects, donations, sponsorships, gifts, fundraising, reserves, cell tower revenues, liquor store proceeds, Park Infrastructure Fund levy each year, elimination of mowing, street reconstruction and stormwater projects, creating a dedicated fund for park improvements only funded by the selling of park land, and prayer.



Participating Municipalities

HKGi would like to extend its thanks to the following municipalities for participating in the survey this year.:

Andover	Bloomington	Chanhassen	Chisago County	City of Ramsey
Cloquet	Cottage Grove	Duluth	Eagan	Fairmont
Faribault	Golden Valley	Hastings	Hugo	Inver Grove Heights
Lakeville	Maplewood	Mendota Heights	Minneapolis	New Brighton
New Hope	New Ulm	Oakdale	Owatonna	Richfield
Rosemount	Roseville	Shakopee	St. Louis Park	Stillwater
Victoria	Woodbury			