

**CITY COUNCIL WORK SESSION AGENDA  
CITY OF LINO LAKES**

**Monday, March 1, 2021  
6:00 P.M.**

**Agenda Item 1. Zoom Link:**

<https://us02web.zoom.us/j/87686130663?pwd=bXAvdFRNYlB4RUlVREJhWGEzRHMlZz09>

- ~~1. Preliminary Report – Recreation and Aquatic Center Feasibility Study, Isaac Sports Group~~

**Council Chambers – No Zoom Link**

2. Springbrook Human Resources Management Module in Financial Software, Meg Sawyer
3. Easy CIP Software, Hannah Lynch
4. Smart Irrigation Controller Program, Andy Nelson
5. Outdoor Reader Boards, Rick DeGardner
6. Review Recommended 2021 Park and Trails Fund Projects, Rick DeGardner
7. Utility Rate Overview, Hannah Lynch
8. Council Updates on Boards/Commissions, City Council
9. Adjourn

**WORK SESSION STAFF REPORT**  
**Work Session Item No. 1**

**Date:** March 1, 2021

**To:** City Council

**From:** Sarah Cotton, City Administrator  
Michael Grochala, Community Development Director

**Re:** Preliminary Report – Recreation and Aquatic Center Feasibility Study

**Background**

In July of 2020, the City was notified that the YMCA would not be reopening the Lino Lakes Facility. In November of 2020, the City retained Isaac Sports Group (ISG) to evaluate potential facility operating options. Pursuant to a notice provided by the YMCA on January 4, 2021, and in accordance with the development agreement between the YMCA and the City, the YMCA will be transferring their property and building to the City on March 1, 2021.

ISG has completed a majority of their preliminary analysis. Stuart Isaac and Duane Proell, will join the Council via Zoom to present a preliminary report detailing potential facility operating options.

**Requested Council Direction**

For informational purposes only. The Council will discuss next steps and provide direction, if needed.

**Attachments**

Lino Lakes Recreation Center Presentation Outline



## **LINO LAKES RECREATION AND COMMUNITY CENTER Analysis**

**City Council Update  
March 1, 2021**

### **INTRODUCTION**

- Re-introduce the ISG Team

### **ANALYSIS OF CURRENT YMCA FACILITY**

- Evaluation of the current YMCA
  - Facility Analysis
  - Program Analysis
  - Financial Analysis
  - Why did the YMCA fail?

### **NEEDS, GOALS AND OPPORTUNITIES**

Identify and explore the community needs, goals, and opportunities in a repurposed Recreation center.

- Potential: Lino Lakes Recreation ***& Community*** Center
- How to enhance the benefits and reach of the previous Lino Lakes YMCA?
- What can the Recreation Center do that the YMCA could not do?
- Maximize the opportunities and access for a wider range of the Lino Lakes community
  - Enhanced community programming
    - Youth and community organizations
    - School District tie-ins
    - Senior programming
    - Special Needs
    - Health Care providers: Health, fitness, wellness, therapy opportunities
  - Programming partners
    - Community Ed
    - Outside program providers
  - Lower costs to use
    - Lino Lakes resident membership discounts

- Daily drop-in and multi-use passes
  - Subsidies/scholarships for lower income users
- Program priority registration and use for Lino Lakes residents
- Partnership opportunities
- Optimize connection to the site and immediate area
  - Economic/Business development
  - Coordination with outdoor activities and park and green space
- Support overall City economic development
  - Attract new residents and businesses
  - Create economic impact through sport tourism, regional use, or function spaces

### **HOW TO ACHIEVE THESE GOALS**

- Process to date
- Market research
- Meetings and interviews
- Best practice, comparable, and aspirational facilities and programs

### **IMMEDIATE/SHORT TERM**

- What can and should be done in the short term
- Optimizing the existing facilities
  - Upgrades
  - Enhancing operating efficiencies
- Opening timeline
- Financial cost of opening
- Jump starting programs, staffing, and expertise

### **MASTER PLAN/LONG TERM**

- Longer term opportunities
- Expansion opportunities
  - Priorities
  - Costs
  - Benefits
- Long term partnership opportunities
- Phasing and Timeline

### **MANAGEMENT/PROGRAMMING OPTIONS**

- Exploration of Facility/Program management options
  - City Management
  - Total facility outside management group
  - Hybrid options

### **BUSINESS MODEL & FINANCIAL OPERATING ANALYSIS**

- Membership, user fees, class costs, space rental fees, etc.
- Opening/Start-up costs
- Long term development costs

- Annual operating budget
  - 5-year annual operating budget
    - Facility Revenue
    - Program Revenue
    - Facility Operating Costs
    - Program Expenses
    - Annual P & L
    - Long term Capital Replacement and Maintenance projection
  - City managed facility
  - Impact on operating budget with outside management or hybrid management scenarios

#### **LONG TERM MASTER PLAN FUNDING**

- Review of current bond issue that financed original construction
- Extending that millage?
- Other funding sources?

#### **WRAPPING UP THE STUDY**

#### **NEXT STEPS**

**CITY COUNCIL  
AGENDA ITEM 2**

STAFF ORIGINATOR: Meg Sawyer, Human Resources Manager

MEETING DATE: March 1, 2021

TOPIC: Springbrook Human Resources Management Module

VOTE REQUIRED: 3/5

**INTRODUCTION**

The Council is being asked to consider the approval of the addition of the Human Resources Management Module to our Springbrook Financial System.

**BACKGROUND**

The estimated implementation and training cost of the Springbrook Human Resources Management Module is \$6,265 and the annual subscription fee is \$5,200. These initial costs would be funded through the Office Equipment Replacement Fund. The Office Equipment Replacement Fund has \$17,760 of reserves designated for finance software implementation. The funds were originally designated back in 2014 for the initial implementation of Springbrook Software.

Currently, the City has four Springbrook modules which include Finance Suite, Payroll, Accounts Receivable, and Utility Billing. The subscription fee for those modules total \$25,572 in 2021 and is funded through the Finance Department General Fund budget.

Springbrook's Human Resources module is a comprehensive solution to manage all employee information. Reporting capabilities meet all OSHA, FMLA, and EEOC requirements well as other human resource demands faced by governmental entities today.

- Applicant Screening – evaluate and hire internal and external applicants
- Bulk Deductions – apply multiple benefits and deductions to multiple employee records
- COLA – adjust pay step amounts to apply cost of living adjustments
- Open Enrollment – set up and maintain deduction and benefit enrollment cycles for employees
- Pay Adjustments – update employee grade, step, and pay schedule information
- Personnel Action Forms – create and maintain customized forms used to guide employees through various HR processes
- Web Approvals – approve or reject changes or requests submitted by employees through Employee Self Service
- Reporting – generate reports and display HR data
- Maintenance/Utilities – create and maintain HR units and execute specialized HR tools

In 2022, a budget increase of roughly \$6,060 would be required to continue funding the Springbrook subscriptions with the addition of the Human Resources Management Module.

## **RECOMMENDATION**

Please consider the approval of the implementation of the Springbrook Human Resources Management Module.

## **ATTACHMENTS**

Item 2B, Attachment Springbrook Human Resources Management Module Pricing and Implementation.pdf



**Order Form**  
**Lino Lakes, MN - City of**  
**02-01-2021**

Lino Lakes MN - HR Module pricing





Dear Meg,

Here is the pricing for the HR Module as requested. The service hours are billed just for the hours used (in the event all 35 hours are not necessary).

All of us at Springbrook are working to provide the best possible solutions for your agency and your citizens.

Our goal is nothing short of your 100% satisfaction.

Thank you for being a valued customer.

Sincerely,

**Hope Sampson**

Hope Sampson

## Annual Product Pricing

| Item Name                               | Rate       | Quantity | Net Price         |
|---|------------|----------|-------------------|
| Human Resources Management Subscription | \$5,200.00 | 1        | \$5,200.00        |
| <b>Products Total Net Price</b>         |            |          | <b>\$5,200.00</b> |

## Estimated Professional Services Pricing

| Item Name  | Rate     | Description                                 | Quantity | Net Price         |
|--|----------|---|----------|-------------------|
| Standard Professional Services                         | \$179.00 | Human Resources Implementation and Training | 35       | \$6,265.00        |
| <b>Estimated Professional Services Total Net Price</b> |          |   |          | <b>\$6,265.00</b> |

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|                     |                    |
|---------------------|--------------------|
| <b>Grand Total:</b> | <b>\$11,465.00</b> |
|---------------------|--------------------|

## Order Detail

| General Information     |   |
|-------------------------|---|
| Customer Name:          | Lino Lakes, MN - City of  |
| Customer Contact:       | Meg Sawyer  |
| Customer Address:       | 600 Town Center Pkwy, Lino Lakes, Minnesota, United States, 55014   |
| Governing Agreement(s): | This Order Form is governed by the applicable terms found at:<br>MSA: <a href="https://sprbrk.box.com/v/sprbrk-saas-terms">https://sprbrk.box.com/v/sprbrk-saas-terms</a><br>MLA: <a href="https://sprbrk.app.box.com/v/sprbrk-onpremise-terms">https://sprbrk.app.box.com/v/sprbrk-onpremise-terms</a><br>Professional Services: <a href="https://sprbrk.app.box.com/v/sprbrk-svcs-terms">https://sprbrk.app.box.com/v/sprbrk-svcs-terms</a> |
| Term(s):                | 3 year  |

| Order Terms   |  |
|---|--|
| Items Ordered   | Order Start Date   |
| Professional Services Orders  | Date of the last signature on the Order Form   |
| Software Licenses, Subscriptions, Maintenance and Hosting (New)     | The earlier of a) date of delivery** of software or log-in to hosted software to Customer or b) 60 days after last signature on the Order Form |
| Software Licenses, Subscriptions, Maintenance and Hosting (Renewal) | The day after expiration of your last order of the same product  |
| Special Order Terms   | None   |

\*\*The date of delivery of software to the Customer is the date the software is made available to the customer, either by delivery of software or delivery of first log-in to a hosted environment, which may be either a test or production environment. This date of delivery is frequently earlier than the dates professional services are completed, the Customer completes user acceptance testing, the Customer distributes additional log-ins to end users, and the Customer go-live in a production environment.

## Order Duration

### The Order Duration is defined as follows:

- Any Software Licenses or Hardware are one-time, non-refundable purchases.
- Subscriptions, Maintenance, Hosting and Support (“Recurring Services”) continue from the Order Start Date through the term listed in this Order Form (or if not listed, 1 year).
- Orders for Recurring Services auto-renew unless the Customer or Springbrook provides a written notice of non-renewal at least sixty (60) days’ before the end of the Order Term
- Subscription Service fees and any other recurring fees will be subject to an automatic annual increase by not more than five percent (5%) of the prior year’s Subscription Service fees (“Standard Annual Price Increase”).

### Invoice Timing and Delivery

Invoices are delivered electronically via e-mail to the billing contact on file for the Customer. Customer invoices are issued for the full amount of software and services purchased as follows:

| Items Ordered   | Invoice Timing                              |
|---|---|
| Professional Services Orders  | Monthly for services in the prior month*    |
| Software Licenses and Hardware                                      | Customer signature on Order Form            |
| Subscriptions, Maintenance and Hosting (New)                        | Customer signature on Order Form            |
| Software Licenses, Subscriptions, Maintenance and Hosting (Renewal) | 60 days in advance of the Order Start Date  |
| CivicPay Transactions   | Monthly for transactions in the prior month |

\*Professional Services pricing is based on expected hours using Springbrook’s standard implementation methodology. Actual hours and billings may vary from this estimate. Please note that only when project costs exceed \$5,000 of this estimate, a signed change order will be required to continue work – changes under \$5,000 will continue to be delivered and billed accordingly.

| Special Order Terms  |      |
|--|------|
| Special Order Terms  | None |
| In the event of an inconsistency between this Order Form, any governing agreement, purchase order, or invoice, the Order Form shall govern as it pertains to this transaction. |      |

| Payment Terms  |                     |
|--|---------------------|
| Payment Terms  | Net 30              |
| Special Invoicing Terms  | None                |
| Billing Contact  | Hannah Lynch        |
| Billing Email  | hlynch@linolakes.us |
| <p>If the Customer requires a PO number on invoices, Customer must provide Springbrook with the PO number and a copy of the PO <b>prior</b> to invoice issuance. If a PO number is not provided prior to the invoice issuance date, invoices issued on this Order Form will be valid without a PO reference.</p> |                     |
| <p>PO# (If required):</p>  |                     |

**WORK SESSION STAFF REPORT**  
**Work Session Item No. 3**

**Date:** March 1, 2021  
**To:** City Council  
**From:** Hannah Lynch, Finance Director  
**Re:** Easy CIP Software

**Background**

Easy CIP is a cloud-based application that aims to centralize, facilitate, plan, track, and report to simplify the Capital Improvement Planning (CIP) process.

The City currently has three CIP processes/documents; the Community Development 5-year Capital Plan, the Capital Equipment Plan, and the enterprise CIP which will be formalized as part of the Utility Rate Study. Each of these processes are manual and come together in separate excel spreadsheets.

Easy CIP would allow for a more standard and collaborative CIP process. After a project is entered into the software, reports and project details can be pulled in a variety of ways at the click of a button.

A detailed overview of Easy CIP is attached. The company set up a free Proof of Concept (POC) for the City of Lino Lakes which I have used to tailor the application to our needs as well as enter in our projects. I will preview our data in the POC during the work session.

The base price of the application is \$2,500/year which includes 1 user. Additional users can be added at \$500/year. Unlimited technical support is included within the price. The amount designated for finance software in the Office Equipment Replacement fund could cover the cost for roughly 2 years. After that, the annual fee would require General Fund budget dollars.

**Requested Council Direction**

Consideration of moving forward with Easy CIP to facilitate the CIP process.

**Attachments**

Easy CIP Overview

# Easy CIP Overview

Dreading Capital Improvement Program preparation this time of the year? We can help!

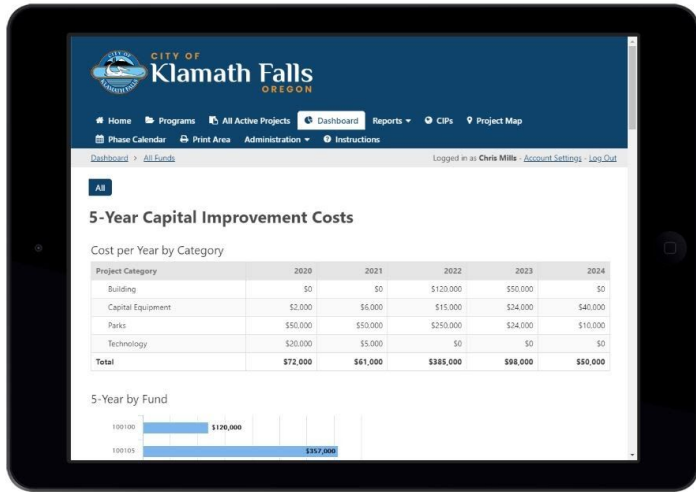
## About Easy CIP

We started the Easy CIP journey because we were there and understood the tedious and manual process of planning for Capital Improvement Programs (CIPs). We've always believed that there has to be an **easier way** than emailing Excel spreadsheets and Word files back and forth. Easy CIP is our mission realized, a **cloud-based application** that is mobile compatible to centralize, facilitate, plan, track, and report to **simplify your CIP process**.

## Features

We have a standard base setup that we use from our understanding and experience, however, we understand that different jurisdictions have different needs. Here are some features that set us apart:

- Highly configurable, we'll work with you to customize configurations **for your needs**
- Cloud-based hosted by secure Amazon Web Services (AWS)
- Highly mobile compatible so you have **access to your data anywhere**
- Easy and intuitive interface designed to keep it simple for all of your people
- Affordable and does **not require implementation cost**, just your time
- Easy cross-departmental collaboration
- Print all project sheets with a single click of a button
- Pre-built Excel report templates connected to the application. **No more manual report preparation**
- Customized high-level dashboards with drill-down capability
- Free webpage that can list all projects for your residents/citizens to give instant visibility to **live project information**. Can also be embedded into your website!



## Support

We believe in Easy CIP and our mission so we **fully support and maintain your configuration** of Easy CIP. You can expect mostly **same day responses** and quick turn-around time on requested features and add-ons. Bottom line is we want **you** to be successful.



**Chris Mills**  
Easy CIP Co-Founder  
(w) 650-649-7135  
(m) 559 765 7014



[www.easycip.com](http://www.easycip.com)

**Schedule a Demo to Discuss!**

[www.easycip.com/contact-us](http://www.easycip.com/contact-us)



# Detailed Overview of Easy CIP

**Home Page** - Shows Projects you have submitted and allows you to add a new project.

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[Dashboard](#)
[Reports](#)
[Project Map](#)
[Print Area](#)
[CIPs](#)
[Administration](#)
[Instructions](#)

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This **Home** page shows you all projects you've created:






- To add a project, click on **"Add Project"** and fill out required information on the form.
- Click on the Project links and add Financial Information

[+ Add Project](#)

### My Projects

search by keyword

Showing 1-7 of 7 [Export](#) [Add filters](#) 50 per page

| Project Number                               | Project Name  | Project Description  | 5-Year Funding      | 5-Year Expense  | Funding Delta       | Priority Score | Image   |
|--|---|--|---------------------|-----------------|---------------------|----------------|---|
| <b>Capital Street Program</b>                |   |  |                     |                 |                     |                |   |
| CIPCON0003                                   | <b>Ramp Pavement Rehabilitation</b>                 | The ramp serves the general aviation traffic and based aircraft at the Airport. PCI values taken from the 2016 Pavement Evaluation Report range between 68-85 for the ramp. Construction was conducted in 1999 and 2001 on the ramp and it is approaching <a href="#">view more</a>  | \$5,000,000         | \$0             | <b>\$5,000,000</b>  | 0.00           |    |
| CIPSF7W0002                                  | <b>Taxiway F &amp; Runway 7/25 Rehabilitation</b>   | Runway 7-25 and Taxiway F are showing various pavement distresses. A rehabilitation project in FY2013 addressed the major cracks and distress of these pavements. However, a more comprehensive reconstruction project is necessary to bring the pavement <a href="#">view more</a>  | \$15,510,000        | \$0             | <b>\$15,510,000</b> | 0.00           |    |
| CIPKF4142020001                              | <b>Taxiway D &amp; B Rehabilitation</b>             | Taxiway D & B are heavily used taxiways on the Airport and a recent pavement condition report rated the pavement as "serious/failed". To address this concern, a significant rehabilitation is required on Taxiway B & D along with taxiway edge <a href="#">view more</a>           | \$2,826,667         | \$0             | <b>\$2,826,667</b>  | 0.00           |   |
| CIPSTR00005                                  | <b>Vehicle Replacement Program</b>                  | The Vehicle replacement program assesses the replacement and maintenance cost of each type of equipment to determine the most cost-effective time to replace it. Several major factors are considered when replacement is reviewed. Miles, hours and age <a href="#">view more</a>   | \$2,041,000         | \$0             | <b>\$1,991,000</b>  | 0.00           |  |
| <b>Total - Capital Street Program</b>        |   |  | <b>\$25,377,667</b> | <b>\$0</b>      | <b>\$25,327,667</b> |                |   |
| <b>SYSTEM REHABILITATION PROGRAM</b>         |   |  |                     |                 |                     |                |   |
| 12345678                                     | <b>Dayton, Derby, Frieda Water Main Replacement</b> | Replace steel mains that have out lived their usefulness. Leak repair on existing 2" steel mains is a major operational expense. This project will require the replacement of approximately 1,100 feet of 2" steel water mainline on Dayton Street between <a href="#">view more</a> | \$850,000           | \$30,000        | <b>\$850,000</b>    | 0.00           |  |
| <b>Total - SYSTEM REHABILITATION PROGRAM</b> |   |  | <b>\$850,000</b>    | <b>\$30,000</b> | <b>\$850,000</b>    |                |   |

**Project Details** - View information about the project and view all of the project details.

**ALPINE**TX

Home All Active Projects Dashboard Reports Project Map Print Area CIPs Administration Instructions

All Active Projects > Project Details > General Info

General Information Project Criteria Financial Info Resources Priority Matrix Phases Comments

Update General Info

## Brett Way Extension


### System Optimization Program

**Council District** Ward 1

**Project Description** The project will extend Brett Way from its current termination point at Summers Lane over to Homedale Road aligning itself with Airway Drive. In addition to the roadway extension, Summers Lane will be cul-de-sac'd on either side of the railroad tracks and a signal will be installed at the intersection of Homedale and the South Side Bypass. The signal may not be immediately installed but once warrants are met, it will be placed. The project rose to the top of ODOT's STIP process and was supported by the South Central Oregon Area Commission on Transportation (SCOACT). The project is estimated at just over \$4 million with ODOT paying for the project and the City and County providing the necessary matching funds. The City's share comes to \$150,000 and the County will pay \$300,000.

There have been concerns raised by ODOT related to increased traffic at Summers Lane as a result of continued development of the industrial and business park near the airport. This project will alleviate those concerns and help to address safety at the Summers/South Side Bypass intersection which has seen 24 crashes, 28 injuries and 1 fatality over a 9-year period.

**5-Year Funding Total** \$110,000



**Project Financial Information** - The system can store various financial data including but not limited to Funding Sources and Expenditure.

**ALPINETX**

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[All Active Projects](#) > [Project Details](#) > [Financial Info](#)

[General Information](#)
[Project Criteria](#)
[Financial Info](#)
[Resources](#)
[Priority Matrix](#)
[Phases](#)
[Comments](#)

### Brett Way Extension

Funding Delta - if using expenditures

\$100,000

**5-Year Funding Total** \$110,000  
**5-Year Expense Total** \$0

[+ Add Funding Detail](#)

#### Funding Details

| Edit                 | Funding Source | Prior | 2020       | 2021            | 2022            | 2023       | 2024       |
|----------------------|----------------|-------|------------|-----------------|-----------------|------------|------------|
| <a href="#">edit</a> | Federal/State  |       | \$0        | \$50,000        | \$50,000        | \$0        | \$0        |
| <a href="#">edit</a> | Bond           |       | \$0        | \$10,000        | \$0             | \$0        | \$0        |
|                      | <b>Total</b>   |       | <b>\$0</b> | <b>\$60,000</b> | <b>\$50,000</b> | <b>\$0</b> | <b>\$0</b> |

**Optional Configured Areas**

[+ Add Project Expenditure](#)

#### Expense Details

| Edit    | Expenditure Type | Prior | 2020 | 2021 | 2022 | 2023 | 2024 |
|---------|------------------|-------|------|------|------|------|------|
| No Data |                  |       |      |      |      |      |      |

**Project Dashboard** - Quick view of all of the important CIP data you have on hand. Automatically updates live as projects get edited.

**ALPINETX**

Home
All Active Projects
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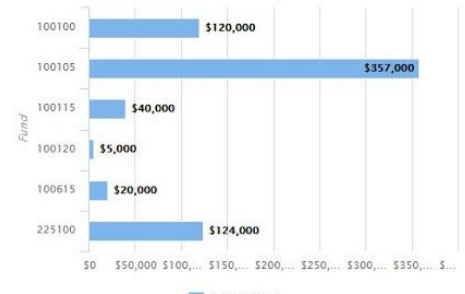
All

## 5-Year Capital Improvement Costs

Cost per Year by Category

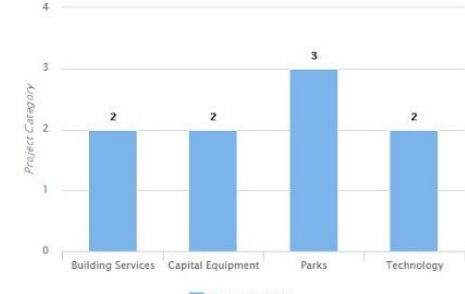
| Project Category  | 2020     | 2021     | 2022      | 2023     | 2024     |
|-------------------|----------|----------|-----------|----------|----------|
| Building Services | \$0      | \$0      | \$120,000 | \$50,000 | \$0      |
| Capital Equipment | \$2,000  | \$6,000  | \$15,000  | \$24,000 | \$40,000 |
| Parks             | \$50,000 | \$50,000 | \$250,000 | \$24,000 | \$10,000 |
| Technology        | \$20,000 | \$5,000  | \$0       | \$0      | \$0      |
| Total             | \$72,000 | \$61,000 | \$385,000 | \$98,000 | \$50,000 |

### 5-Year by Fund



| Fund   | 5-Year Total |
|--------|--------------|
| 100100 | \$120,000    |
| 100105 | \$357,000    |
| 100115 | \$40,000     |
| 100120 | \$5,000      |
| 100615 | \$20,000     |
| 225100 | \$124,000    |

### Number of Projects by Category



| Project Category  | No. of Projects |
|-------------------|-----------------|
| Building Services | 2               |
| Capital Equipment | 2               |
| Parks             | 3               |
| Technology        | 2               |

## Project Reports - Council Example - Specific Views tailored to your data with various report styles.

**ALPINE TX**

Home All Active Projects Dashboard Reports Project Map Print Area CIPs Administration Instructions

Logged in as Chris Mill

### Projects by Council Districts

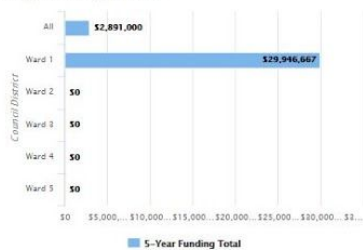
search by keyword search

Showing 1-7 of 7 Add filters

| Project Number  | Project Name                                 | 2019 Funding | 2020 Funding       | 2021 Funding       | 2022 Funding        | 2023 Funding       | 5-Year Funding Total |
|-----------------|--|--------------|--------------------|--------------------|---------------------|--------------------|----------------------|
| <b>All</b>      |  |              |                    |                    |                     |                    |                      |
| CIPSTR00005     | Vehicle Replacement Program                  |              | \$424,000          | \$169,000          | \$504,000           | \$394,000          | \$2,041,000          |
| 12345678        | Dayton, Derby, Frieda Water Main Replacement | \$0          | \$425,000          | \$425,000          | \$0                 | \$0                | \$850,000            |
|                 | <b>Sum - All</b>                             | <b>\$0</b>   | <b>\$849,000</b>   | <b>\$594,000</b>   | <b>\$504,000</b>    | <b>\$394,000</b>   | <b>\$2,891,000</b>   |
| <b>Ward 1</b>   |  |              |                    |                    |                     |                    |                      |
| CIPCON00003     | Ramp Pavement Rehabilitation                 |              | \$0                | \$0                | \$0                 | \$0                | \$5,000,000          |
| CIPSFTW0002     | Taxiway F & Runway 7/25 Rehabilitation       |              | \$160,000          | \$1,280,000        | \$8,425,000         | \$5,645,000        | \$15,510,000         |
| CIPKF4142020001 | Taxiway D & B Rehabilitation                 |              | \$210,000          | \$2,616,667        | \$0                 | \$0                | \$2,826,667          |
| CIPSTR00004     | Brett Way Extension                          |              | \$60,000           | \$50,000           | \$0                 | \$0                | \$110,000            |
| CIPSTR00006     | Center Reservoir Replacement                 | \$0          | \$0                | \$1,000,000        | \$1,500,000         | \$2,000,000        | \$6,500,000          |
|                 | <b>Sum - Ward 1</b>                          | <b>\$0</b>   | <b>\$430,000</b>   | <b>\$4,946,667</b> | <b>\$9,925,000</b>  | <b>\$7,645,000</b> | <b>\$29,946,667</b>  |
|                 | <b>Sum</b>                                   | <b>\$0</b>   | <b>\$1,279,000</b> | <b>\$5,540,667</b> | <b>\$10,429,000</b> | <b>\$8,039,000</b> | <b>\$32,837,667</b>  |

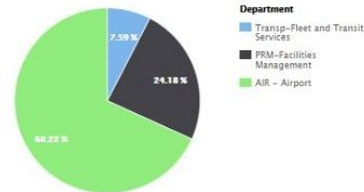
### Project Header Report

#### Budget Total by District

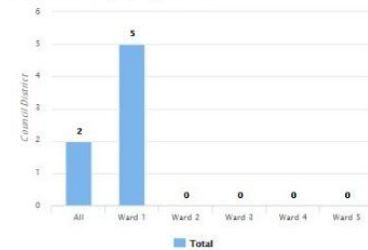


#### Budget by Department

[print](#) [download](#)



#### Number of Projects by District



## Project Map - Display your project by locations on an interactive map.

**ALPINETX**

Home All Active Projects Dashboard Reports Project Map Print Area CIPs Administration Instructions

Back to Project List

### Project Map

Search  within

Add filters 100 per page


|   |           |
|---|-----------|
| <b>CIPSTR00004</b><br>Brett Way Extension<br>Brett Way, Klamath Falls, OR, USA<br>Klamath Falls, OR 97603<br><a href="#">View Details</a>     | 4.1 miles |
| <b>CIPCON00003</b><br>Ramp Pavement Rehabilitation<br>6775 Arnold Avenue<br>Klamath Falls, OR 97603<br><a href="#">View Details</a>           | 4.6 miles |
| <b>CIPSFTW0002</b><br>Taxiway F & Runway 7/25 Rehabilitation<br>6775 Arnold Avenue<br>Klamath Falls, OR 97603<br><a href="#">View Details</a> | 4.6 miles |
| <b>CIPKF4142020001</b><br>Taxiway D & B Rehabilitation<br>6775 Arnold Avenue<br>Klamath Falls, OR 97603<br><a href="#">View Details</a>       | 4.6 miles |
| <b>CIPSTR00006</b><br>Center Reservoir Replacement<br>10944 Hill Road<br>Klamath Falls, OR 97603<br><a href="#">View Details</a>              | 8.5 miles |

© 1987-2020 HERE | Terms of use





**Project Easy View** - Embed example -You can embed a page into a website and/or just use a url to display all projects to guests and visitors.

Home How About Features Pricing Demo NowPrint

## CIP Introduction

Our CIP Program helps enhance the overall quality of life in the City by improving the physical structures, systems, and facilities that provide services to the community. CIP projects are generally large and expensive, and the assets they install, replace, or rehabilitate will likely be required for decades of public use.


## Projects

Showing 1-9 of 9

### Curb, Gutter & Sidewalk

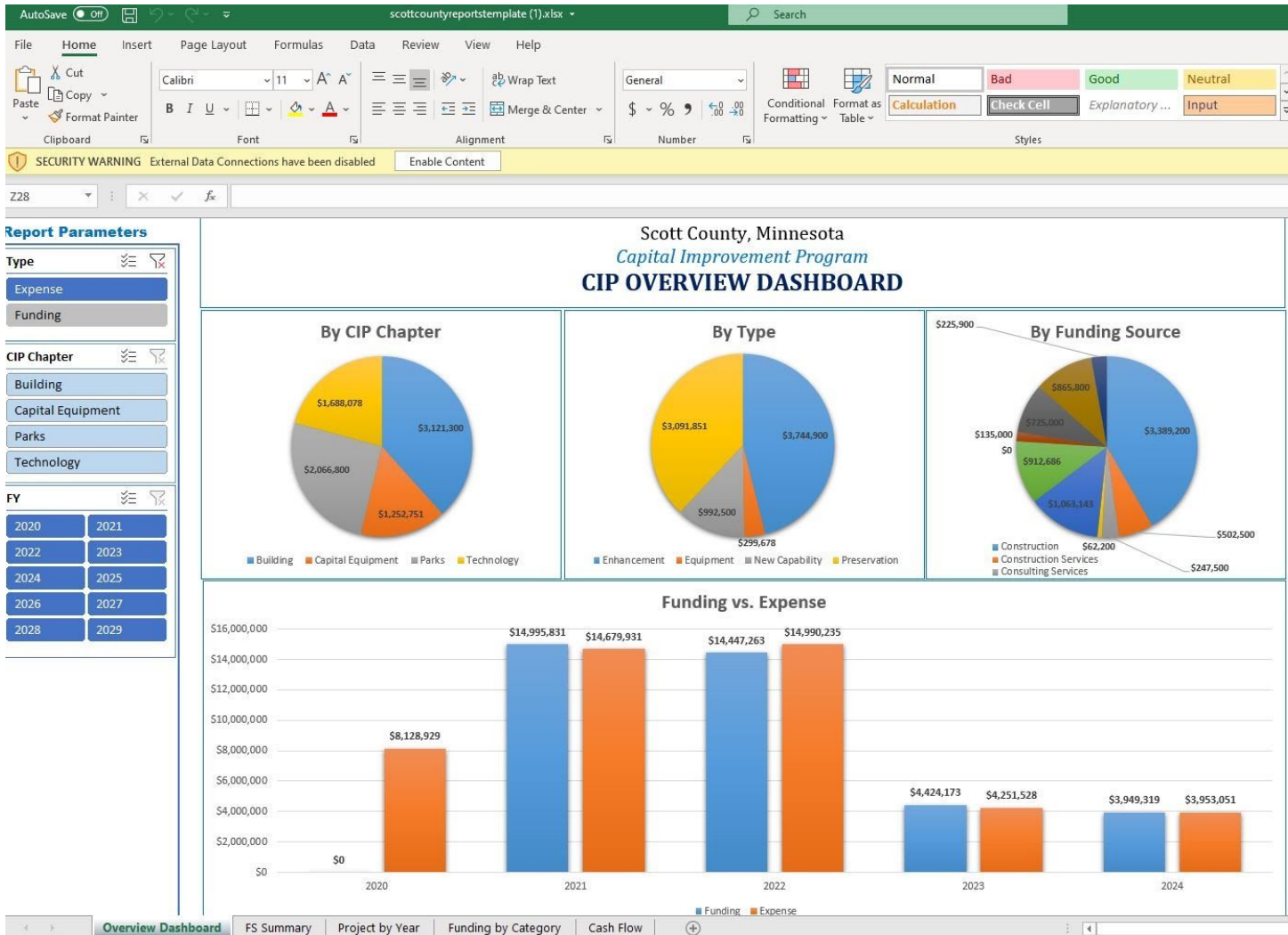
|                      |   |
|----------------------|---|
| <b>Description</b>   | The non-assessable portion is for city sidewalks, alley approaches, and curb & gutter. Emphasis will shift primarily to curb & gutter once the entire city-owned sidewalk is repaired. Tree removal is also included in this project. |
| <b>Justification</b> | This is an annual program to replace the hazardous sidewalks. The assessable portion will be assessed to homeowners to repair their sidewalks.  |
| <b>Total Cost</b>    | \$300,000.00  |
| <b>Type</b>          | Assessment  |
| <b>Phase</b>         | Planning/Design   |
| <b>Category</b>      | Facility  |

### Engineering





**Project Excel Export** - We work with you to create an excel document that connects to the database. It is as easy as clicking a button and then refreshing data to get the latest information down to an excel format that you are used to using.



SECURITY WARNING External Data Connections have been disabled Enable Content

J34

**Report Parameters**

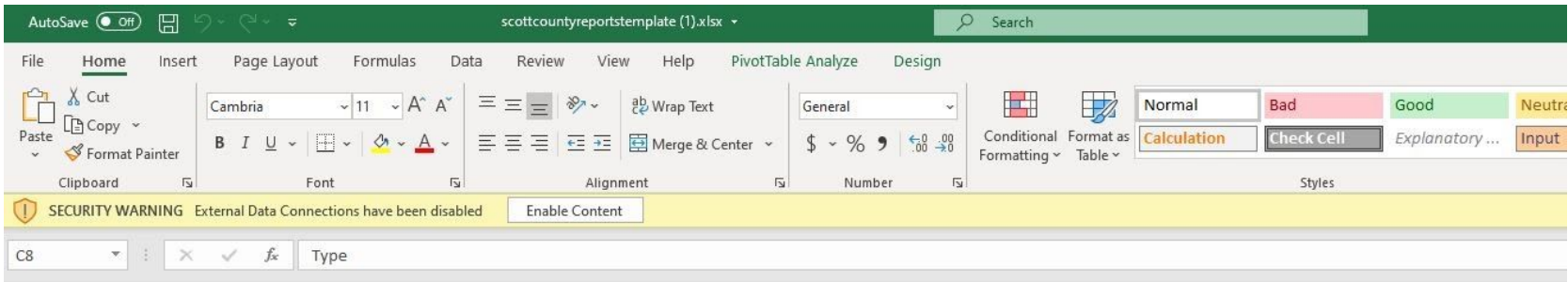
Type: Expense, Funding

Category: Building, Capital Equipment, Parks, Technology

Project Year: 2020, 2021, 2022, 2023, 2024

Scott County, Minnesota  
*Capital Improvement Program*  
**All**  
**PROJECTS & FUNDING SOURCES BY CATEGORY**  
 Category: All

| Year        | Project Name   | Department                        | Project Cost     |
|-------------|--|-----------------------------------|------------------|
| <b>2020</b> |  |                                   |                  |
|             | CSFIBER Fiber  | ADM-Administration                | 80,000           |
|             | CSGEN21819A Aerial Photos  | CS-Surveyor's Office              | 45,000           |
|             | CSGEN21820A Oblique Aerial Photo   | CS-Surveyor's Office              | 105,000          |
|             | CTCLEARYRECON01 Cleary Lake Maintenance Facility Replacement               | PRM-Parks and Trails              | 350,000          |
|             | CTGBLAKEREST02 Blakeley Bluffs Ravine Stabilization Phase 1                | PRM-Parks and Trails              | -                |
|             | HHS2019-02 Document Management for Social Services and Employment/Training | HHS-Social Services               | 200,000          |
|             | OMB2019-02 CRP (Capital Replacement Program) for IT                        | OMB-Information Technology        | 1,773,219        |
|             | PARKS16016 Murphy-Hanrehan Park Reserve - Sealcoat                         | PRM-Parks and Trails              | -                |
|             | PRM2019-04 Cedar Lake Farm Shop Fencing                                    | PRM-Parks and Trails              | -                |
|             | PRM2019-08 Cleary Lake Regional Park Master Plan Update                    | PRM-Parks and Trails              | -                |
|             | PRM2019-09 Regional Trail Master Plans                                     | PRM-Parks and Trails              | -                |
|             | PWCP99-02 Advanced Traffic Mgmt System                                     | Transp-Program Support            | -                |
|             | SHMHZ19 Radio Replacement  | SO-Sheriff Communications         | 444,108          |
|             | SHRF1601 Sheriff Body/Squad Cameras  | SO-Sheriff Operations             | -                |
|             | SYSSECACCESS01 Security Access Control System Upgrade                      | PRM-Facilities Management         | -                |
|             | SYSWORKSTAC18 Annual Device Rotation                                       | OMB-Information Technology        | 1,950,000        |
|             | VFJC18502 Technology in the Courtroom                                      | PRM-Facilities Management         | 129,000          |
|             | VFLEC11004 LEC Split AC/HVAC   | PRM-Facilities Management         | -                |
|             | VFLEC11006 LEC Courtroom Improvements                                      | PRM-Facilities Management         | -                |
|             | VFWFC14002 WFC Roof Replacement  | PRM-Facilities Management         | -                |
|             | WCIP201901 Fleet Improvement Program                                       | Transp-Fleet and Transit Services | 4,637,892        |
|             | ZPRMAP001 LOP Project Management   | CS-Property and Taxation Services | -                |
|             | <b>2020 Total</b>  |                                   | <b>9,714,219</b> |
| <b>2021</b> |  |                                   |                  |
|             | ADM1501 Board Room Audio System  | ADM-Administration                | 27,800           |
|             | RIP2021-20 Radio Tower HVAC Upgrade  | PRM-Facilities Management         | 93,000           |



**Report Parameters**

**Type** [List Icon] [Filter Icon]

Expense

**Funding**

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**FY** [List Icon] [Filter Icon]

2020 2021

2022 2023

2024 2025

2026 2027

2028 2029

Scott County, Minnesota  
*Capital Improvement Program*  
 2020 through 2024

**FUNDING SOURCE SUMMARY**

| Funding Source     | 2020        | 2021                 | 2022                 | 2023                | 2024                | Grand Total          |
|--------------------|-------------|----------------------|----------------------|---------------------|---------------------|----------------------|
| Bond               | \$ -        | \$ 10,858,000        | \$ 6,954,754         | \$ -                | \$ -                | \$ 17,812,754        |
| Dedicated Funds    | -           | 424,500              | 2,429,500            | 647,900             | 28,500              | 3,530,400            |
| Department         | -           | 517,500              | 499,500              | 894,500             | 894,500             | 2,806,000            |
| Federal/State      | -           | 203,000              | 1,186,370            | 412,688             | 115,000             | 1,917,058            |
| Fees               | -           | 184,500              | 122,500              | 17,500              | 17,500              | 342,000              |
| Levy               | -           | 2,808,331            | 3,254,639            | 2,451,585           | 2,893,819           | 11,408,374           |
| <b>Grand Total</b> | <b>\$ -</b> | <b>\$ 14,995,831</b> | <b>\$ 14,447,263</b> | <b>\$ 4,424,173</b> | <b>\$ 3,949,319</b> | <b>\$ 37,816,586</b> |



**WORK SESSION STAFF REPORT**  
**Work Session Item No. 4**

**Date:** March 1st, 2021

**To:** City Council

**From:** Andy Nelson, Environmental Coordinator  
Jessica Eller, Community Development Intern

**Re:** Smart Irrigation Controller Program

**Background**

This program was discussed at the February 1<sup>st</sup>, 2021 Work Session. At that time, Council requested that more information be presented.

Fresh water is a finite resource. In our area, over 60% of water usage for a typical home is used for outdoor irrigation during the growing season. Of that water use, roughly 50% is wasted on overwatering, evaporation, and non-target watering. Wasted fresh water could easily reach 150 gallons per house per day. One of the most powerful and easy to implement options to improve our water conservation efforts in the City involves increasing the efficiency of outdoor irrigation. Improving irrigation efficiency will reduce water consumption in the City without negatively impacting quality of life.

Smart irrigation controllers have been found to reduce water use by up to 50%. Installation of 100 controllers could save up to 2.2 million gallons a year, representing nearly 2 days of water use for the entire city. If smart irrigation controllers were installed at all addresses currently connected to municipal water, it could lead to a 20% savings on yearly water pumped in the entire City. This could lead to significant cost savings on infrastructure.

Currently, high manganese content in the municipal water supply makes water conservation even more important. If the City's water needs can be met through operating fewer wells, wells that have higher manganese levels can be utilized less or left offline, which will lead to higher quality water being supplied to residents.

As part of the City's water conservation efforts, staff is proposing to implement a smart irrigation controller purchase program. \$20,000 was budgeted for this program in the 2021 Water Utility budget.

### **Rachio 3 Smart Irrigation Controller Details:**

- Smart irrigation controllers can reduce water use by up to 50%.
- Irrigation system is controlled through a smart phone app and home wi-fi. App allows users to easily make adjustments to watering zones, schedules, and controller settings. App updates for Apple and Android are ongoing.
- Installation takes less than 30 minutes and matches the existing wiring on homeowner's current irrigation controller.
- Rachio app monitors local weather and adjusts irrigation run times accordingly.
- Watering is customized to account for plant types, soil types, slope, and evaporation to ensure that plants are only getting as much water as they need.
- Controllers have a 2 year warranty.
- Controllers typically have a 10-15 year lifespan.

### **Program Details:**

1. The City will purchase 100 controllers at \$189.99 each, using money from the Water Utility Fund.
2. These controllers will be available to residents on a first-come first-served basis at the discounted rate of \$38 each (20% of the cost).
3. We can compare water usage for properties that participate in the program to measure the program's impact.
4. Program will be available for water utility customers that have an existing irrigation system and will be limited to one controller per address.

The Environmental Board recommended implementation of the Smart Irrigation Controller program at their January 27, 2021 meeting.

### **Requested Council Direction**

Staff is requesting City Council direction to implement the Smart Irrigation Controller program.

### **Attachments**

Item 4A, Draft Application for Smart Irrigation Controller





# Smart Irrigation Controller Application



Lino Lakes City Hall · 600 Town Center Parkway, Lino Lakes, MN 55014 · (651) 982-2400  
 Hours: Monday – Friday, 8:00 am – 4:30 pm

|   |   |
|---|---|
| Applicant: _____<br>Property Address: _____<br>City: _____ State: _____ Zip: _____<br>Phone: _____<br>Cell: _____<br>Email: _____<br>Are you connected to City Water?    Yes: <input type="checkbox"/> No: <input type="checkbox"/> | <b>FOR OFFICIAL OFFICE USE ONLY</b><br>Staff Approval: _____<br>Date: _____<br>Irrigation Number: _____<br>Cash: <input type="checkbox"/> OR    Check: <input type="checkbox"/><br>Check Number: _____<br>Receipt Number: _____ |
|---|---|

My signature indicates that the information provided is true, I have read and understood the program guidelines, and that I comply with the City of Lino Lakes program requirements. I will allow a representative of the City of Lino Lakes to verify the installation if requested.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

| ELIGIBILITY  | GUIDELINES  |
|--|---|
| <ul style="list-style-type: none"> <li>Must be a resident of the City of Lino Lakes.</li> <li>Must be connected to the City water.</li> <li>Must currently have a functional irrigation controller.</li> <li>Must have a smartphone (necessary to program and to operate the controller).</li> <li>Must have in-home Wi-Fi strength at your existing controller by making sure that your smartphone picks up at least two bars. Failure to have sufficient Wi-Fi at the controller location may result in compatibility or functionality issues with your controller.</li> </ul> | <ul style="list-style-type: none"> <li>Installation and programming of your new controller is the responsibility of the property owner.</li> <li>Participants must provide the City with photos within 30 days of purchase of old and newly installed controllers to verify successful installation. If photos are not provided, full cost of controller will be assessed to homeowner's utility bill.</li> <li>Smart controllers will be distributed on a first come, first served basis and at the discretion of the City of Lino Lakes. The City reserves the right to refuse any application for any reason it sees fit.</li> <li>Limit one controller per property address.</li> <li>If your controller is located outside, you will need to purchase an outdoor enclosure. The City is not responsible for providing an outdoor enclosure.</li> <li>The City is not responsible for sensor performance or water savings.</li> <li>The City has the right to discontinue or amend the program at any time.</li> <li>All applications must be completed and turned in at Lino Lakes City Hall.</li> </ul> |

**WORK SESSION STAFF REPORT**  
**Work Session Item No. 5**

**Date:** March 1, 2021  
**To:** City Council  
**From:** Rick DeGardner, Public Services Director  
**Re:** Outdoor Reader Boards

**Background**

There has been some interest expressed regarding the installation of outdoor reader boards at Fire Station #1, Fire Station #2, and Lake Drive/Town Center Pkwy.

Section 1010.006 of the City Code regulates dynamic display (electronic) signs. For example, the message portion is limited to 20 square feet.

Project costs vary widely, depending on type of message board and aesthetic enhancements. Attached are examples from North St. Paul and Eden Prairie along with estimated total project costs.

Potential funding sources for 2021 include the Cable TV and Communications Fund. Beyond 2021, alternative funding sources can be identified and discussed as part of the budget discussions.

**Requested Council Direction**

For informational purposes

**Attachments**

Chapter 1010.006 Dynamic Display Sign Regulations  
North St. Paul Reader Board  
Eden Prairie Reader Board



## **§ 1010.006 DYNAMIC DISPLAY SIGN REGULATIONS.**

(1) Studies show that there is a correlation between dynamic displays on signs and the distraction of highway drivers. Distraction can lead to traffic accidents. Drivers can be distracted not only by a changing message, but also by knowing that the sign has a changing message. Drivers may watch a sign waiting for the next change to occur. Drivers are also distracted by messages that do not tell the full story in one look. People have a natural desire to see the end of the story and will continue to look at the sign in order to wait for the end. Additionally, drivers are more distracted by special effects used to change the message, such as fade-ins and fade-outs. Finally, drivers are generally more distracted by messages that are too small to be clearly seen or that contain more than a simple message. Time and temperature signs appear to be an exception to these concerns because the messages are short, easily absorbed and become inaccurate without frequent changes.

(2) In addition to safety concerns, light pollution creates negative impacts, particularly in rural areas and residential neighborhoods of the community. The city has adopted regulations of exterior lighting intended to reduce light pollution. Dynamic displays are by nature very bright and often are installed on highway signs, many of which are in rural and residential areas in Lino Lakes.

(3) In conclusion, the city finds that any sign containing, in whole or in part, a dynamic display, except signs solely displaying the time and/or temperature or similar, should not be allowed in any district except as otherwise set forth in this chapter.

(4) *Dynamic display signs.* In all districts no more than 20 square feet of the allowable sign area provided for in § [1010.008](#) shall be used for dynamic display signs, except that in Rural, Residential and Rural - Business Reserve zoning districts dynamic display signs shall only be allowed for non-residential uses.

(Am. Ord. 08-11, passed 4-11-2011; Am. Ord. 09-14, passed 11-10-2014)





NORTH  
ST PAUL  
2080

2019  
Park Reservations - Dec 9  
Non-Resident - Jan 2  
City Hall

watchfire

CASEY LAKE PARK

NORTH  
ST PAUL

3x7 16mm  
\$35,000 - \$40,000



EDEN PRAIRIE  
COMMUNITY CENTER

**EPCC**  
**CLOSED**

Until Further Notice

watchfire

16700 VALLEY VIEW ROAD

3 x 8 10mm  
\$45,000 \$50,000



**WORK SESSION STAFF REPORT**  
**Work Session Item No. 6**

**Date:** March 1, 2021  
**To:** City Council  
**From:** Rick DeGardner, Public Services Director  
**Re:** Review Recommended 2021 Park and Trails Fund Projects

**Background**

Pat Huelman, Park Board Chairperson, presented the Park Board's recommended 2021 Park and Trails Fund Projects during the February 1<sup>st</sup> City Council Work Session.

Renovate Lino Park – (\$240,000)

The open-air shelter was constructed in 1986 and the existing playground equipment was installed in 1998. In addition to replacing the playground equipment and park shelter, creating a landscaped buffer will provide improved separation from the parking lot and the active park area.

The Public Services Director will assume "general contractor" duties, rather than contracting this out to a consulting firm. In addition, Parks Department staff will perform many of the necessary work tasks including removal of the playground equipment and fencing, tree removals, earthwork, drain tile installation, erosion control, landscaping installation, and playground equipment installation (along with a certified installer).

Attached is the concept plan for the Lino Park renovation project and information related to park shelter options. Please note aesthetic enhancements (ie. brick work surrounding each column) would cost extra. The proposed playground equipment plan will be available at the March 1 work session.

Replace Clearwater Creek Park Playground Equipment - (\$85,000)

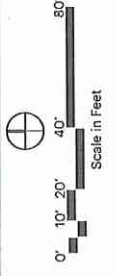
The Clearwater Creek playground was installed in 2002. After evaluating current conditions of all playground structures, along with the amount of use, the consensus was to recommend replacement of the playground equipment at Clearwater Creek Park. The scope of the project consists of the Parks Department removing the existing equipment and safety surfacing, and installing new equipment (with a certified playground installer). Some of the safety surfacing will then be backfilled, along with sufficient new engineered wood fiber. The proposed playground equipment plan will be available at the March 1 work session.

**Requested Council Direction**

Determine whether to have this item added to March 8, 2021 City Council meeting for consideration.

**Attachments**

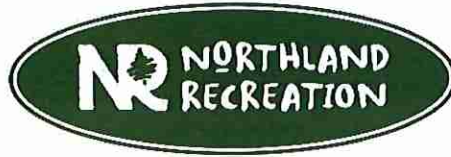
Lino Park Preferred Concept Plan  
Park Shelter Information – Lino Park



# Lino Park - Preferred Concept

Lino Lakes, Minnesota  
 October 2, 2020 | WSB Project number: 016678-000

# QUOTATION



Phone: 651-815-4097

10085 Bridgewater Bay

Woodbury, MN 55129

Fax: 414-395-8538

Email: [info@northlandrec.com](mailto:info@northlandrec.com)

To: City of Lino Lakes  
600 Town Center Parkway  
Lino Lakes, MN 55014

Date: 2/12/21

Contact: Rick DeGardner

Phone: 651-982-2444

Email: [Rick.DeGardner@ci.lino-lakes.mn.us](mailto:Rick.DeGardner@ci.lino-lakes.mn.us)

Project: Poligon Park Shelter

**Sourcewell Contract Pricing**

| QTY | ITEM    | DESCRIPTION  | UNIT | EXTENSION   |
|-----|---------|--|------|-------------|
| 1   | Shelter | Poligon Gable Roof Shelter 24' x 34' Includes:<br>--All Steel Frame with Standard Metal Roof 8:12<br>--4 Columns - 9'0" Eave Height<br>--Sunshine Ornamentation - Both Ends (see page 2)<br>--Electrical access with 3 cutouts<br>--Poli 5000 Paint System<br>--Wind Speed 115 mph / Ground Snow Load 50lb<br>--Stamped Engineered Drawings<br>--Shipping to Lino Lakes, MN<br>--Price is based on <u>surface mount</u> shelter design - see page 2<br>If buried columns are required price will be more expensive |      | \$45,959.00 |
| 1   | Option  | Optional Factory Stained Tongue & Groove Under Decking with Metal Roof   | ADD  | \$6,408.00  |

Above prices are for shelter only. Installation concrete footings, concrete pad, building permits, special inspections, etc.... are Not Included.

**\*\* Due to rising steel costs - this quote is good for 30 days only \*\***

**Site prepartation and restoration by others**

- \* Quotation is valid for See Above Details
- \* Freight based - shipping to Lino Lakes MN
- \* Estimated ship date is TBD based upon engineered drawing approval
- \* Terms based on NET 30

\* Orders will be placed upon receipt of Purchase Order made out to **Northland Recreation** or your signed acceptance.

|              |              |
|--------------|--------------|
| Sub Total    | Above        |
| Freight      | Included     |
| Tax - Exempt | Not Included |
| <b>TOTAL</b> | <b>Above</b> |

Quote By: **Sue Ayers**

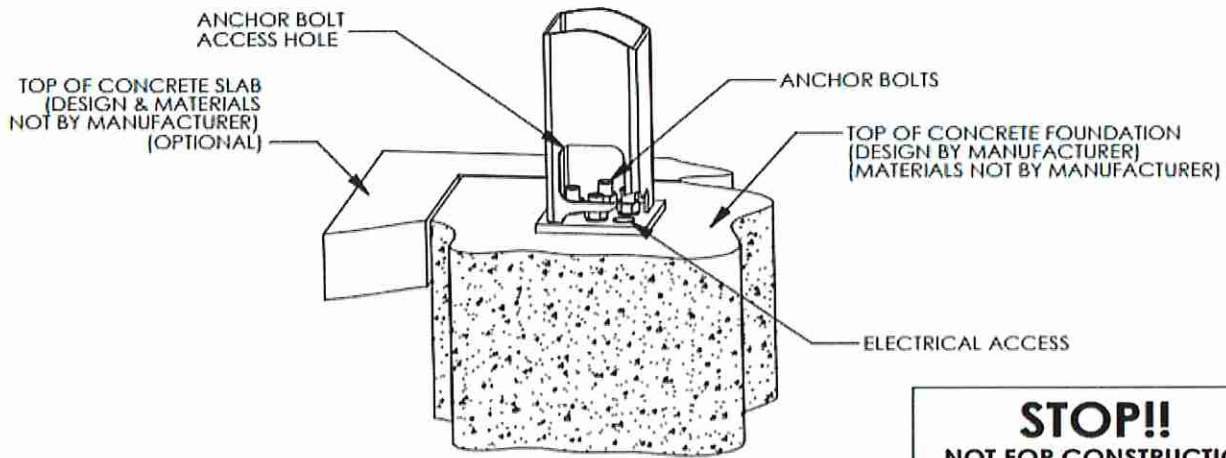
**THANK YOU !**

Accepted By: \_\_\_\_\_

Date: \_\_\_\_\_



NOTES: Polygon shelter listed on this quote will be engineered based on this design below. Internal anchor bolts at finished grade. Other anchor bolt layouts are available but may require additional engineering at an additional cost due to post length needed



**INTERNAL ANCHOR BOLTS**  
(AT FINISH GRADE)

|  |
|--|
| <b>STOP!!</b><br><b>NOT FOR CONSTRUCTION</b>           |
| USE FOR PRELIMINARY<br>PLANNING AND ESTIMATING<br>ONLY |

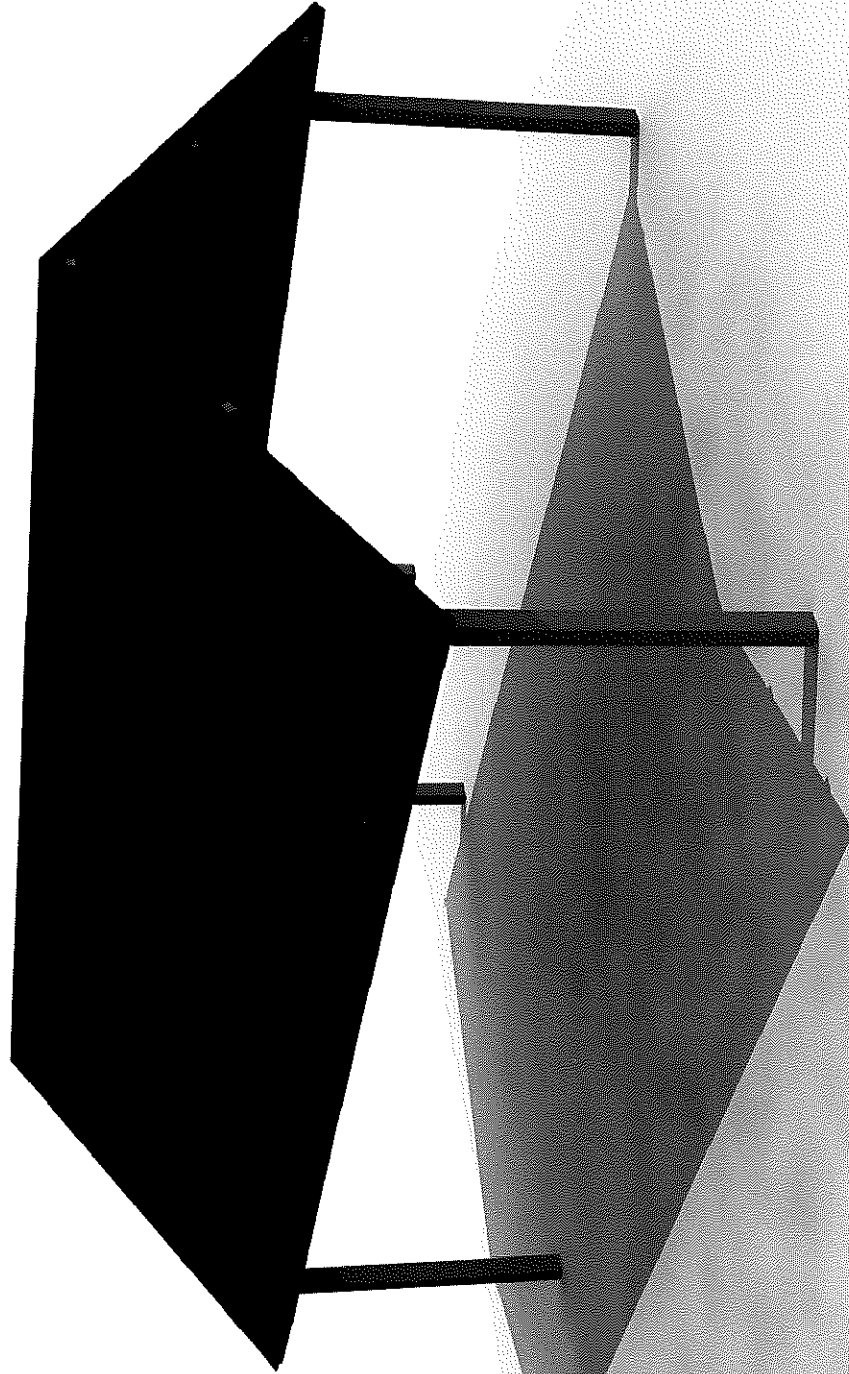
Shelter Ornamentation



**SUNSHINE ORNAMENTATION**



**poligon®**



FRAME COLOR: **SURREY BEIGE**  
ROOF COLOR: **EVERGREEN**  
COLORS MAY VARY SLIGHTLY FROM RENDERED IMAGE

LINO PARK  
LINO LAKES, MN  
REK 24X34

# QUOTATION



Phone: 651-815-4097

10085 Bridgewater Bay

Woodbury, MN 55129

Fax: 414-395-8538

Email: [info@northlandrec.com](mailto:info@northlandrec.com)

To: City of Lino Lakes  
600 Town Center Parkway  
Lino Lakes, MN 55014

Date: 2/12/21

Contact: Rick DeGardner

Phone: 651-982-2444

Email: [Rick.DeGardner@ci.lino-lakes.mn.us](mailto:Rick.DeGardner@ci.lino-lakes.mn.us)

Project: Poligon Park Shelter

**Sourcewell Contract Pricing**

| QTY | ITEM    | DESCRIPTION  | UNIT | EXTENSION   |
|-----|---------|--|------|-------------|
| 1   | Shelter | Poligon Gable Roof Shelter 24' x 34' Includes:<br>--All Steel Frame with Standard Metal Roof 8:12<br>--4 Columns - 9'0" Eave Height<br>--Truss End with Medallion Ornamentation - Both Ends (page 2)<br>--Electrical access with 3 cutouts<br>--Poli 5000 Paint System<br>--Wind Speed 115 mph / Ground Snow Load 50lb<br>--Stamped Engineered Drawings<br>--Shipping to Lino Lakes, MN<br>--Price is based on <u>surface mount</u> shelter design - see page 2<br>If buried columns are required price will be more expensive |      | \$51,957.00 |

|   |        |  |     |            |
|---|--------|--|-----|------------|
| 1 | Option | Optional Factory Stained Tongue & Groove Under Decking with Metal Roof | ADD | \$6,408.00 |
|---|--------|--|-----|------------|

NOT Included Above prices for shelter only. Installation, concrete footings, concrete pad, building permits, special inspections, etc... are Not Included.

**\*\* Due to rising steel costs - this quote is good for 30 days only \*\***

**Site preparation and restoration by others**

|   |  |              |              |
|---|--|--------------|--------------|
| * Quotation is valid for  | See Above Details                          | Sub Total    | Above        |
| * Freight based - shipping to   | Lino Lakes MN                              | Freight      | Included     |
| * Estimated ship date is  | TBD based upon engineered drawing approval | Tax - Exempt | Not Included |
| * Terms based on  | NET 30                                     | <b>TOTAL</b> | <b>Above</b> |
| * Orders will be placed upon receipt of Purchase Order made out to <b>Northland Recreation</b> or your signed acceptance. |  |              |              |

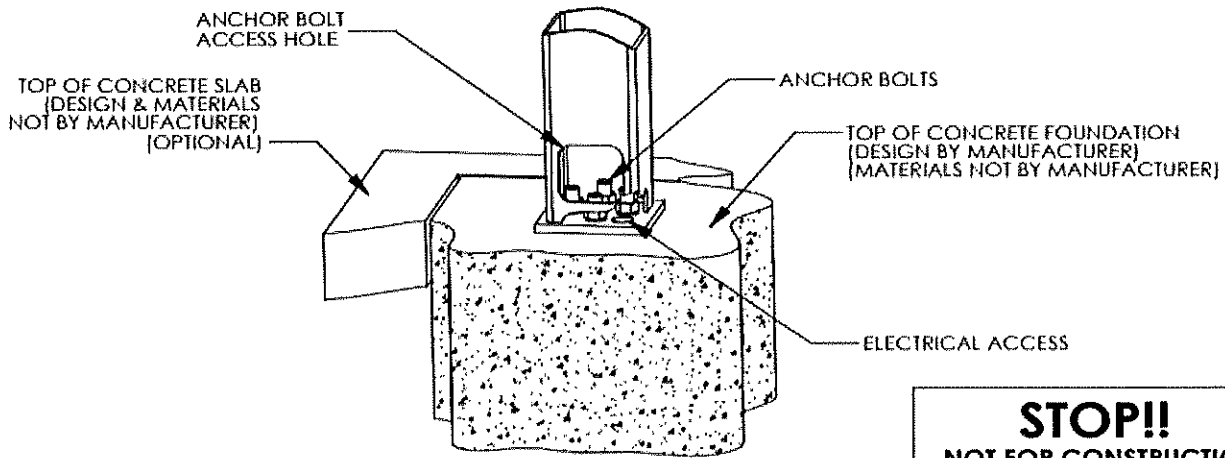
Quote By: **Sue Ayers**

**THANK YOU !**

Accepted By: \_\_\_\_\_

Date: \_\_\_\_\_

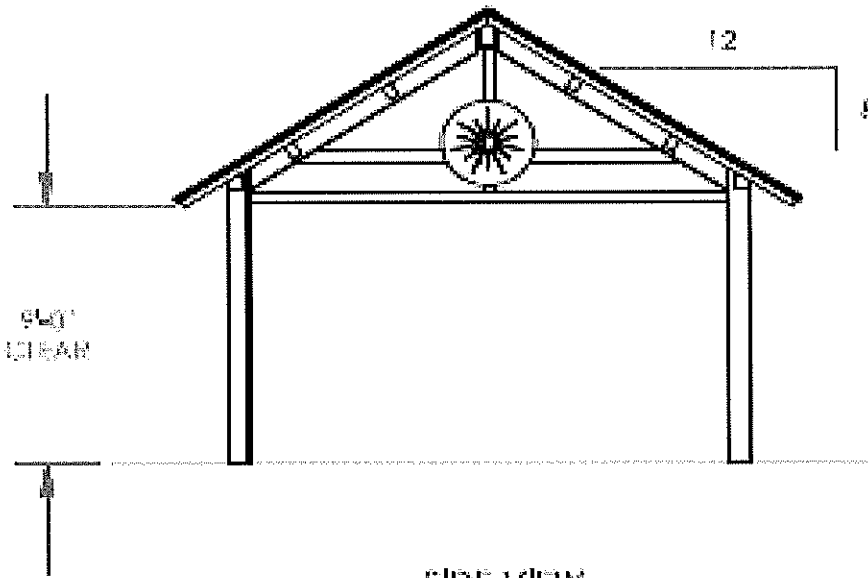
NOTES: Poligon shelter listed on this quote will be engineered based on this design below.  
 Internal anchor bolts at finished grade. Other anchor bolt layouts are available but  
 may require additional engineering at an additional cost due to post length needed



**INTERNAL ANCHOR BOLTS**  
 (AT FINISH GRADE)

|   |
|---|
| <p><b>STOP!!</b><br/> <b>NOT FOR CONSTRUCTION</b></p>                             |
| <p>USE FOR PRELIMINARY<br/>         PLANNING AND ESTIMATING<br/>         ONLY</p> |

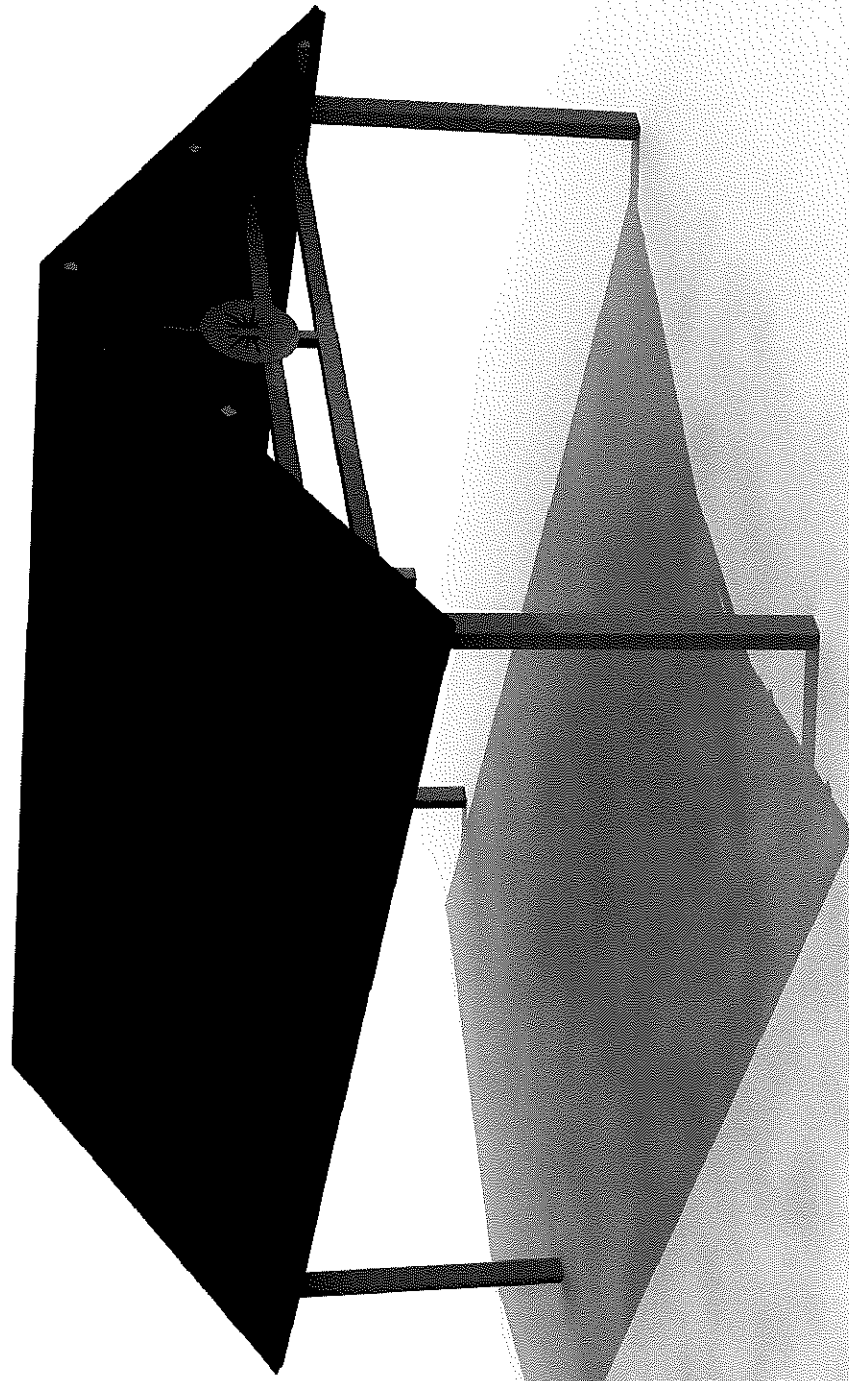
Shelter Ornamentation



**SIDE VIEW**

Laser Cut Medallion  
 Can Be Any Design  
 Poligon Has Standards  
 To Choose From Or  
 Custom Can Be Done

**poligon<sup>®</sup>**



FRAME COLOR: **SURREY BEIGE**  
ROOF COLOR: **EVERGREEN**  
COLORS MAY VARY SLIGHTLY FROM RENDERED IMAGE

LINO PARK  
LINO LAKES, MN  
REK 24X34

**WORK SESSION STAFF REPORT**  
**Work Session Item No. 7**

**Date:** March 1, 2021  
**To:** City Council  
**From:** Hannah Lynch, Finance Director  
**Re:** Utility Rate Overview

**Background**

On February 22, 2021, the City Council approved Baker Tilly to complete a Utility Rate Study. Many policies, procedures, statutes, and history are involved in utility rates and utility billing. This staff report is intended to give an overview for informational purposes throughout the Utility Rate Study process.

**Utility Billing**

Residential and commercial customers receive quarterly utility bills. The City is split into three cycles. Each month one cycle's meter reads are obtained and bills are generated. With 5,175 current accounts, roughly 1,500 to 2,000 accounts are included in each cycle.

Meter reads are obtained by a utility employee driving by and electronically obtaining the reads from the smart meters. In order to read more frequently, the City would need to invest in another employee to get the drive-by reads, or infrastructure that could sit on top of a water tower and electronically obtain the reads from the properties in its radius.

Customers can elect e-statements by accessing their account online and selecting that option. If an e-statement has not been elected, bills are printed and mailed by the Utility Billing Clerk.

**Current Utility Fees and Charges**

Attached are the current utility rates and fees. Ordinance No. 11-13 shows the City's current rates and rate structure. Connection fees are outlined in the City's Fee Schedule.

The rates and fees are deposited into the following funds:

- Water Fund (#601) accounts for the operations of supplying municipal water and for the ongoing maintenance and replacement of existing infrastructure.
  - Funding is provided by *water usage rates*

- Sewer Fund (#602) accounts for the operations of sewage disposal and for the ongoing maintenance and replacement of existing infrastructure. The major expenditure for this fund is the charge paid to Metropolitan Council Environmental Services for sewage treatment.
  - Funding is provided by *sewer base and usage rates*
  
- Area and Unit Charge Fund (#406) accounts for new water and sewer infrastructure.
  - Funding is provided by *water base rates and utility connection fees*

The City Council has established that the cost of depreciation be include in its rates to provide for the maintenance and eventual replacement of system infrastructure. The cash balance of each fund reflects the accumulation of resources for this purpose.

### Water Rate Structure

The City’s water rate structure is a conservation rate structure. To conserve groundwater, municipal water utilities serving more than 1,000 people must include a “conservation rate structure” or a uniform rate structure combined with other ways to reduce demand for water before requesting approval from the commissioner of Health to construct a public water supply well or requesting an increase in the authorized volume of water appropriation.

The City looked at uniform rate structures in the 2013 Utility Rate Study (attached), but elected to stay with the conservation rate structure. Cities must include an explanation of their conservation rate structure in their water supply plan. Public water suppliers serving more than 1,000 people must update their water supply plan and, upon notification, submit it to the Department of Natural Resources commissioner for approval every 10 years.

### Sewer Rate Structure

The City’s metered sewer rate includes a base fee plus a usage fee based on winter averaging. Winter averaging is a billing method developed to give you the best possible break on sewer billing costs. This method takes the water consumption used in the winter quarter as the basis for billing sewer charges throughout the year. Customers will not be paying additional sewer charges for warm weather purposes such as watering lawns, washing cars, landscaping, gardening, or filling pools.

### Utility Rate Study Consultant

The City received eight proposals from firms to complete the Utility Rate Study. Staff evaluated the firms on a variety of criteria including cost, project schedule, credentials, experience, references, and experience with Minnesota cities. A list of each firm and the cost proposed is included below:

| <b>Firm</b> | <b>Cost</b> |
|-------------|-------------|
| Stantec     | \$32,050    |
| AE2S Nexus  | \$31,750    |
| UFS         | \$28,795    |
| Ehlers      | \$27,560    |
| GovRates    | \$22,100    |
| AEM         | \$19,500    |
| Baker Tilly | \$17,730    |
| David Drown | \$12,500    |

Staff recommended Baker Tilly due to the positive history with the city, experience with many other cities within the metro area, project approach/work plan presented, key personnel assigned to the project, Series 50 qualification, and low cost.

### Baker Tilly Scope of Services

Baker Tilly’s overall objective is to recommend rates and fees that will equitably recover the cost of providing water and sewer services to customers through fiscal year 2030. Their recommended rates and fees will ensure adequate funding for operating and maintenance costs, and capital needs, while minimizing the impact on rates to the greatest extent possible.

Within their scope two water rate structure scenarios will be evaluated both with and without the assumption of constructing and operating a Water Treatment Plant.

1. Current tier structure – shown on Utility Rates & Fees attachment
2. Revised tier structure – Baker Tilly will look at historical consumption and determine if there is a different tier structure that makes more sense (i.e. first tier being 0-10,000 or 0-30,000 instead of 0-20,000 gallons)

If the City Council would like to explore a uniform rate structure scenario, Baker Tilly can provide that service for an additional \$2,200. Please note, the 2013 Utility Rate Study shows that a uniform rate for all users resulted in the highest rate when compared to conservation rate structures.

### Requested Council Direction

This staff report was provided mainly for informational purposes, but the Council should consider if the study of a uniform rate structure is desired.

### Attachments

1. Utility Rates & Fees
2. 2013 Utility Rate Study Final Report (Baker Tilly was previously Springstead)

**City of Lino Lakes  
Utility Rates & Fees**

**Ordinance No. 11-13**

Effective January 1, 2015:

Water Utility Rates

Residential

\$10.00 Per Quarter / REU\*, plus  
\$1.87 Per Thousand Gallons (0 – 20,000 Gal.)  
\$2.08 Per Thousand Gallons (20,001 – 40,000 Gal.)  
\$2.60 Per Thousand Gallons (40,001 – 80,000 Gal.)  
\$3.12 Per Thousand Gallons (80,001 – 120,000 Gal.)  
\$3.64 Per Thousand Gallons (over 120,000 Gal.)

Non-Residential Domestic

\$10.00 Per Quarter / REU\*, plus  
\$1.87 Per Thousand Gallons (0 – 20,000 Gal.)  
\$2.08 Per Thousand Gallons (20,001 – 40,000 Gal.)  
\$2.35 Per Thousand Gallons (over 40,000 Gal.)

Non-Residential Irrigation

\$2.60 Per Thousand Gallons (0 – 40,000 Gal.)  
\$3.12 Per Thousand Gallons (40,001 – 80,000 Gal.)  
\$3.64 Per Thousand Gallons (over 80,000 Gal.)

Sewer Utility Rates

Metered Sewer Rate

\$55.70/Quarter/REU\*, plus  
\$1.07 Per 1,000 Gallons Over 10,000 Gallons (based on winter  
average)

Flat Sewer Only

\$65.70/Quarter/REU\*

\* REU = a residential equivalent connection:

1. Residential – a single housing unit
2. Non-Residential REU = per Met Council Service Availability Charge Procedures Manual

Non-Residential users with irrigation systems that do not have a separate irrigation meter will be charged at residential rates until such time that a separate irrigation meter is installed and inspected.

**2021 Fee Schedule**

**UTILITY**  
**FEES**

Sewer Utility Rates

*To be considered by separate Ordinance,  
No. 11-13*

Water Utility Rates

*To be considered by separate Ordinance,  
No. 11-13*



City Trunk Utility Connection Fees - The Trunk Utility Connection Fee consists of two components: a Trunk Charge and an Availability Charge.

#### Trunk Charge

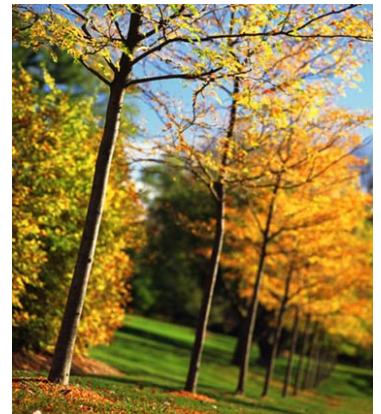
The trunk charge shall be paid at the time of subdivision approval or at the time of hook-up, whichever is first. Residential trunk charges are based on one unit per dwelling unit. Commercial/Industrial/Institutional (CII) trunk charges are based on a factor of 2.92 units per acre.

|                |             |       |
|----------------|-------------|-------|
| Sanitary Sewer | \$ 1,630.00 | /Unit |
| Water          | \$ 2,341.00 | /Unit |

#### Availability Charge

For residential properties, the availability charge shall be paid at the time of subdivision approval or at the time of hook-up, whichever is first. Commercial/Industrial/Institutional availability charges shall be paid at the time of building permit. Fees are based on the number of sanitary access charge (SAC) units assigned by Metropolitan Council Environmental Services (MCES). Residential uses shall be assigned one unit per dwelling unit unless otherwise noted by MCES.

|                   |             |           |
|-------------------|-------------|-----------|
| City Sewer (CSAC) | \$ 1,525.00 | /SAC Unit |
| City Water (CWAC) | \$ 1,473.00 | /SAC Unit |



# Final Report

City of Lino Lakes, Minnesota

Water and Sewer Utility Rate Study Update

January 28, 2013

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## LETTER OF TRANSMITTAL

January 28, 2013

Mr. Al Rolek, Finance Director  
Mr. Rick DeGardner, Public Services Director  
City of Lino Lakes  
600 Town Center Parkway  
Lino Lakes, Minnesota 55014-1182

Re: **Summary of Water and Sewer Utility Rate Study Update**

Dear Mr. Rolek and Mr. DeGardner:

Springsted Incorporated was hired to update the utility rate study for the Water Fund and Sewer Fund of the City of Lino Lakes. Each Fund was looked at individually. This Study includes a review of the past performance of each fund, determines the adequacy of revenues in each of the Funds, and provides rate recommendations which reflects recent cost experience as well as anticipated capital improvement costs of each Fund.

We appreciate the opportunity to conduct the Water and Wastewater Utility Rate Study for the City of Lino Lakes.

Respectfully submitted,

*Nick Dragisich*

Nick Dragisich, Executive Vice President  
Director, Management Consulting Services

*Patty Kettles*

Patty Kettles, Vice President

sml

## 1. Executive Summary

This report was prepared to review the financial performance of the City of Lino Lakes' current Water and Sewer Funds and determine the appropriate rate structure, availability charges, and other revenue needed to adequately fund operations through 2022. The process included a historical review of the two utility funds, the evaluation of the appropriate rate structures needed to fund these operations over the planning period, alternative water rate structures to encourage water demand reduction, connection fees, and a comparison of rates with other similar utilities.

One major consideration in determining the water rates is compliance with Minnesota State Statutes, Section 103G.291. In the 2012 the Minnesota Legislature redefined the water conservation requirements now calling them demand reduction measures. The law now states that “public water suppliers serving more than 1,000 people must encourage water conservation by employing water use demand reduction measures” as opposed to the initial law requiring “a conservation rate structure”. The law goes on further to state, “Demand reduction measures must include a conservation rate structure, or a uniform rate structure with a conservation program that achieves demand reduction.” It is important to point out that conservation rate structures by themselves do not constitute an effective water conservation/demand reduction program. Rate structures work best when coupled with a comprehensive program. A water demand reduction program should include, at a minimum, a public education program and public assistance program to achieve the reduction in per capita water use envisioned by the City.

In determining the water rates and rate structure options, Springsted reviewed historical water consumption patterns and used this information to recommend alternative rate structures that would promote water conservation.

All recommendations are based on information provided to us and on the assumptions given for the financial projections. The City will need to monitor the performance of each fund and make any necessary adjustments based upon its actual performance and on the actual construction costs of the anticipated capital improvements.

The following conclusions were determined as a result of this study and the financial projections prepared:

1. The Water and Sewer Fund's history shows revenues and expenditures, have remained fairly stable over time. Operating income in the Water Fund is projected to decrease from \$324,865 in 2009 to \$217,713 in 2012. Operating income in the Sewer Fund is projected to decline more rapidly from \$70,057 in 2009 to (\$56,275) in 2012, thereby not funding depreciation.
2. The City should maintain a minimum cash balance in each Utility fund of at least three months of anticipated operating expenses and one year's debt service at the end of each year. Current and projected cash levels support this recommendation.

3. The current Water Availability/Trunk Charge of \$3,854 is adequate to fund projected capital costs through our planning period of 2022. However, should growth be expedited and the need for the new water treatment plant currently projected for 2025 be moved up, we recommend the City revisit this charge to include the capital and associated borrowing costs of this large capital expenditure.
4. Water user rates should be set to encourage demand reduction as well as provide for simplicity in understanding. After analyzing current and historical consumption patterns, we have provided four scenarios for water rates. They are:

#### **Scenario 1 – Keep Current Block Structure and Adjust Rates**

| <b>Residential Rates</b>                               | <b>2012<br/>Rate per 1,000<br/>Gallons</b> | <b>2013<br/>Rate per 1,000<br/>Gallons</b> |
|--|--|--|
| Flat Fee of \$10 per Residential Equivalent Unit (REU) |  | Same                                       |
| 0 - 20,000 gallons                                     | \$1.80                                     | \$1.84                                     |
| 20,001 – 40,000 gallons                                | \$2.00                                     | \$2.04                                     |
| 40,001 – 80,000 gallons                                | \$2.50                                     | \$2.55                                     |
| 80,001 – 120,000 gallons                               | \$3.00                                     | \$3.06                                     |
| Over 120,000 gallons                                   | \$3.50                                     | \$3.57                                     |

| <b>Non-Residential Rates</b>                           | <b>2012<br/>Rate per 1,000<br/>Gallons</b> | <b>2013<br/>Rate per 1,000<br/>Gallons</b> |
|--|--|--|
| Flat Fee of \$10 per Residential Equivalent Unit (REU) |  | Same                                       |
| 0 - 20,000 gallons                                     | \$1.80                                     | \$1.84                                     |
| 20,001 – 40,000 gallons                                | \$2.00                                     | \$2.04                                     |
| Over 40,000 gallons                                    | \$2.25                                     | \$2.30                                     |

| <b>Non-Residential Irrigation Rates</b> | <b>2012<br/>Rate per 1,000<br/>Gallons</b> | <b>2013<br/>Rate per 1,000<br/>Gallons</b> |
|---|--|--|
| 0 - 40,000 gallons                      | \$2.50                                     | \$2.55                                     |
| 40,001 – 80,000 gallons                 | \$3.00                                     | \$3.06                                     |
| Over 80,000 gallons                     | \$3.50                                     | \$3.57                                     |

Future projections indicate rates may need to be increased by 2.00% annually 2014 - 2017.

#### **Scenario 2 – One Rate for Each Customer Class**

In Scenario 2, the rate for each residential, non-residential, and non-residential irrigation customer is assumed to be the rate which provides for residential customers generating 77% of total revenues, non-residential accounts generating 10% of annual revenues, and non-residential irrigation accounts generating 13% of total revenues, as is currently the case.

The proposed rates are:

|      | Residential | Non-Residential | Non-Residential Irrigation |
|------|-------------|-----------------|----------------------------|
| 2013 | \$2.02      | \$2.21          | \$3.40                     |

As in the first scenario, these volumetric rates would need to be increased by 2.0% annually 2014-2017.

### **Scenario 3 –Uniform Rate for All Use/All Users**

Scenario 3 assumes one rate for all use of all users. The 2013 rate for all users; residential, non-residential, and non-residential irrigation customers is recommended to be \$2.16 per 1,000 gallons to meet revenue requirements.

A uniform rate structure is estimated to alter the total revenues generated from each customer class as follows:

|               | Residential | Non-Residential | Non-Residential Irrigation |
|---------------|-------------|-----------------|----------------------------|
| Current Rates | 77%         | 10%             | 13%                        |
| Proposed Rate | 82%         | 10%             | 8%                         |

As in the first two scenarios, these volumetric rates would need to be increased by 2.0% annually 2014-2017.

### **Scenario 4 –Revised Block Rate Structure**

The final option reviewed is to keep a block rate structure, whereby the price of water increases with volume consumed, but reduce the number of blocks from five to three for residential and from three to two for non-residential and non-residential irrigation. The following block rate structure is proposed in order to meet revenue requirements:

#### **Proposed 2013 Residential Rates**

|                    | Residential |
|--------------------|-------------|
| 0 – 30,000 gallons | \$1.89      |
| 30,001 – 50,000    | \$2.09      |
| > 50,000           | \$2.91      |

#### **Proposed 2013 Non-Residential Rates**

|                    | Non-Residential |
|--------------------|-----------------|
| 0 – 50,000 gallons | \$2.04          |
| > 50,000           | \$2.30          |

### **Proposed 2013 Non-Residential Irrigation Rates**

|                    | <b>Non-Residential<br/>Irrigation</b> |
|--------------------|---------------------------------------|
| 0 – 50,000 gallons | \$2.55                                |
| > 50,000           | \$3.57                                |

Our proposed rates along with 2.0% increases in these rates 2014-2017 projects depreciation could be funded while maintaining recommended reserve levels.

5. The current Sewer Availability Charge of \$2,911 is adequate to fund projected capital costs.
6. Sewer user rates should be increased by 7.0% in 2013 and 2.0% annually 2014 through 2019.
7. The City should establish the user rates for each utility fund for a three-year period and review them on an annual basis. The rates should be reviewed on an annual basis concurrent with the development of the following year's budget.

These recommendations are based on information provided to us by City of Lino Lakes. The City will need to monitor the performance of the Water and Sewer Funds and make any necessary adjustments based upon its actual performance and on the actual construction costs of the anticipated capital improvements.



## 2. Introduction

The purpose of this report is to review and analyze City of Lino Lakes' Water and Sewer Funds to determine the appropriate rate structure and other revenue sources needed for its operation and financing of capital assets. The rate structure and other revenue in each fund must provide sufficient revenue to cover anticipated operating and maintenance expenses, debt service including principal and interest, capital improvements, replacements, and to provide adequate cash reserves. At the same time, the rate structure should promote water conservation. Since our initial study in 2007/08, the Minnesota Legislature has revised the definition of water conservation rates.

Total revenue collected should reflect not only recent cost experience, but should recognize anticipated future costs during the period for which rates are being established.

This report includes a review of the City's Water Fund and Sewer Fund revenues and expenditures, historical budgets, a projection of revenues and expenditures through 2022 (incorporating the City's plans for capital improvements), and a determination of the rates and charges necessary to provide sufficient revenues that will cover capital and operational costs.

### 3. Background

The City of Lino Lakes, which is located approximately 20 miles north of St. Paul in southeastern Anoka County, provides approximately 4,175 residential, commercial, industrial, and institutional customers with water and sewer services. The City encompasses approximately 33 square miles and had a 2010 Census population of 20,216 and an estimated 2011 population slightly higher at 20,505.

Currently, the City obtains its water supply from four raw water wells. Water storage for consistent pressure and for fire protection occurs in two elevated storage towers.

Wastewater treatment is provided by the Metropolitan Waste Control Commission. Collection is accomplished through a series of trunk lines that empty into one of nine lift stations operated by the City.

#### Water Fund Historical Information

A review of the City's most recent financial reports shows the Water Fund ending cash balance has increased since 2009. The 2012 budget was projected to result in an ending cash balance of \$3,861,609, up from \$3,432,696 in 2009.

Historically the fund has recorded positive operating income, funding depreciation each year.

Revenues and expenditures for the past three years and the 2012 budget, as well as the City's current water rate schedule are shown on the following pages.

## Current Water Rate Schedule

### Water Volume Charges (Quarterly)

| <b>Residential Rates<br/>Effective January 2009</b>    | <b>Rate per 1,000<br/>Gallons</b> |
|--|-----------------------------------|
| Flat Fee of \$10 per Residential Equivalent Unit (REU) |                                   |
| 0 - 20,000 gallons                                     | \$1.80                            |
| 20,001 – 40,000 gallons                                | \$2.00                            |
| 40,001 – 80,000 gallons                                | \$2.50                            |
| 80,001 – 120,000 gallons                               | \$3.00                            |
| Over 120,000 gallons                                   | \$3.50                            |

| <b>Non-Residential Rates<br/>Effective January 2009</b> | <b>Rate per 1,000<br/>Gallons</b> |
|---|-----------------------------------|
| Flat Fee of \$10 per Residential Equivalent Unit (REU)  |                                   |
| 0 - 20,000 gallons                                      | \$1.80                            |
| 20,001 – 40,000 gallons                                 | \$2.00                            |
| Over 40,000 gallons                                     | \$2.25                            |

| <b>Non-Residential Irrigation Rates<br/>Effective January 2009</b> | <b>Rate per 1,000<br/>Gallons</b> |
|--|-----------------------------------|
| 0 - 40,000 gallons   | \$2.50                            |
| 40,001 – 80,000 gallons  | \$3.00                            |
| Over 80,000 gallons  | \$3.50                            |

### Water Connection Fee

| <b>Meter Size<br/>(Inches)</b> | <b>Amount</b> |
|--------------------------------|---------------|
| All                            | \$250         |

### Water Availability Charge

| <b>Per SAC unit</b> | <b>Amount</b> |
|---------------------|---------------|
| 2012                | \$3,854       |

## Water Fund Information

|  | 2009             | 2010             | 2011             | 2012             |
|--|------------------|------------------|------------------|------------------|
| <b>Operating Revenues</b>                      | <b>Actual</b>    | <b>Actual</b>    | <b>Actual</b>    | <b>Budget</b>    |
| Charges for Services                           | 1,334,055        | 1,059,994        | 1,054,977        | 1,250,000        |
| Hook-up Charges                                | 8,750            | 8,000            | 9,260            | 9,000            |
| Water Meter Sales                              | 10,874           | 8,698            | 10,561           | 10,000           |
| Other Revenue                                  | 12,138           | 10,321           | 15,306           | 36,000           |
| <b>Total Operating Revenue</b>                 | <b>1,365,817</b> | <b>1,087,013</b> | <b>1,090,104</b> | <b>1,305,000</b> |
| <b>Operating Expenses</b>                      |                  |                  |                  |                  |
| Personal Services                              | 187,201          | 172,095          | 175,906          | 181,337          |
| Materials and Supplies                         | 269,925          | 208,872          | 154,450          | 237,500          |
| Contractual Services                           | 60,814           | 76,755           | 92,345           | 110,000          |
| Utilities                                      | 78,532           | 97,060           | 80,906           | 92,000           |
| Other  | 21,262           | 28,640           | 19,903           | 31,450           |
| Depreciation                                   | 423,218          | 426,861          | 421,616          | 435,000          |
| <b>Total Operating Expenses</b>                | <b>1,040,952</b> | <b>1,010,283</b> | <b>945,126</b>   | <b>1,087,287</b> |
| <b>Operating Income (Loss)</b>                 | <b>324,865</b>   | <b>76,730</b>    | <b>144,978</b>   | <b>217,713</b>   |
| <b>Non Operating Revenues (Expenses)</b>       |                  |                  |                  |                  |
| Investment Earnings                            | 74,818           | 37,249           | 43,983           | 25,000           |
| Special Assessments                            | 8,107            | 6,216            | 731              | 10,000           |
| Bond Interest                                  | (43,298)         | (29,858)         | (15,864)         | (13,566)         |
| Paying Agent Fees                              | (5,319)          | (5,760)          | (5,653)          | (5,500)          |
| <b>Total Non Operating Revenues (Expenses)</b> | <b>34,308</b>    | <b>7,847</b>     | <b>23,197</b>    | <b>15,934</b>    |
| <b>Net Income (Loss) Before Transfers</b>      | <b>359,173</b>   | <b>84,577</b>    | <b>168,175</b>   | <b>233,647</b>   |
| <b>Operating Transfers</b>                     |                  |                  |                  |                  |
| Transfers In                                   |                  |                  |                  |                  |
| Transfers (Out)                                | (35,561)         | (34,061)         | (33,061)         | (34,511)         |
| <b>Total Operating Transfers</b>               | <b>(35,561)</b>  | <b>(34,061)</b>  | <b>(33,061)</b>  | <b>(34,511)</b>  |
| <b>Net Income (Loss)</b>                       | <b>323,612</b>   | <b>50,516</b>    | <b>135,114</b>   | <b>199,136</b>   |
| <b>Beginning Cash &amp; Investments</b>        | <b>2,964,709</b> | <b>3,432,696</b> | <b>3,555,128</b> | <b>3,649,473</b> |
| Net Income                                     | 323,612          | 50,516           | 135,114          | 199,136          |
| Depreciation                                   | 423,218          | 426,861          | 421,616          | 435,000          |
| Amortization                                   | 5,319            | 5,760            | 5,653            | 5,500            |
| Acquisition and Construction of Assets         |                  |                  |                  | -                |
| Proceeds from New Long-Term Debt               |                  |                  |                  | -                |
| Payments on Long-Term Debt                     | (360,000)        | (375,000)        | (390,000)        | (427,500)        |
| Adjustment to Accruals                         | 75,838           | 14,295           | (78,038)         | -                |
| <b>Ending Cash Balance</b>                     | <b>3,432,696</b> | <b>3,555,128</b> | <b>3,649,473</b> | <b>3,861,609</b> |

## Sewer Fund Historical Information

A review of the City's most recent financial reports shows the cash balance in the Sewer Fund has also been increasing. The 2012 budget was projected to result in an ending cash balance of \$6,939,631; up from \$5,750,402 in 2009.

Historically, the fund recorded positive operating income in 2009 and 2010. Operating income was (\$143,875) in 2011 and is projected to be (\$56,275) in 2012, indicating the City is not fully funding depreciation as previously has been a goal.

Revenue and expenditures for the past four years in the Sewer Fund, as well as the City's current sewer rate schedule are shown below.

## Current Sewer Rate Schedule

### Sewer Volume Charges (Quarterly)

|                      | Rate    | Rate per 1,000 Gallons |
|----------------------|---------|------------------------|
| Up to 10,000 gallons | \$52.00 |                        |
| Over 10,000 gallons  |         | \$1.00                 |
| Sewer Customer Only  | \$62.00 |                        |

*\*Sewer based on winter quarter usage.*

### Sewer Connection Fee

| Water Meter Size (Inches) | Amount |
|---------------------------|--------|
| All                       | \$200  |

### Sewer Availability Charges

| Per SAC Unit | Amount  |
|--------------|---------|
| 2012         | \$2,911 |

## Sewer Fund Information

|  | 2009             | 2010             | 2011             | 2012             |
|--|------------------|------------------|------------------|------------------|
| <b>Operating Revenues</b>                      | <b>Actual</b>    | <b>Actual</b>    | <b>Actual</b>    | <b>Budget</b>    |
| Charges for Services                           | 1,477,007        | 1,491,728        | 1,486,616        | 1,480,000        |
| Hook-up Charges                                | 7,490            | 6,490            | 7,220            | 8,000            |
| Other Revenue                                  | 17,667           |                  | 352              | 500              |
| <b>Total Operating Revenue</b>                 | <b>1,502,164</b> | <b>1,498,218</b> | <b>1,494,188</b> | <b>1,488,500</b> |
| <b>Operating Expenses</b>                      |                  |                  |                  |                  |
| Personal Services                              | 172,744          | 173,937          | 177,758          | 184,942          |
| Materials and Supplies                         | 43,147           | 43,252           | 73,029           | 42,500           |
| Contractual Services                           | 91,973           | 70,464           | 163,233          | 105,000          |
| MCES Sewer Charges                             | 625,353          | 681,591          | 720,986          | 704,933          |
| Utilities                                      | 37,121           | 34,047           | 42,251           | 44,000           |
| Other  | 14,981           | 17,600           | 14,229           | 13,400           |
| Depreciation                                   | 446,788          | 445,956          | 446,577          | 450,000          |
| <b>Total Operating Expenses</b>                | <b>1,432,107</b> | <b>1,466,847</b> | <b>1,638,063</b> | <b>1,544,775</b> |
| <b>Operating Income (Loss)</b>                 | <b>70,057</b>    | <b>31,371</b>    | <b>(143,875)</b> | <b>(56,275)</b>  |
| <b>Non Operating Revenues (Expenses)</b>       |                  |                  |                  |                  |
| Investment Earnings                            | 153,929          | 67,521           | 82,232           | 50,000           |
| Special Assessments                            | 662              | 2,493            | 731              |                  |
| <b>Total Non Operating Revenues (Expenses)</b> | <b>154,591</b>   | <b>70,014</b>    | <b>82,963</b>    | <b>50,000</b>    |
| <b>Net Income (Loss) Before Transfers</b>      | <b>224,648</b>   | <b>101,385</b>   | <b>(60,912)</b>  | <b>(6,275)</b>   |
| <b>Operating Transfers</b>                     |                  |                  |                  |                  |
| Transfers In                                   |                  |                  |                  |                  |
| Transfers (Out)                                | (10,561)         | (34,061)         | (33,061)         | (34,511)         |
| <b>Total Operating Transfers</b>               | <b>(10,561)</b>  | <b>(34,061)</b>  | <b>(33,061)</b>  | <b>(34,511)</b>  |
| <b>Net Income (Loss)</b>                       | <b>214,087</b>   | <b>67,324</b>    | <b>(93,973)</b>  | <b>(40,786)</b>  |
| <b>Beginning Cash &amp; Investments</b>        | <b>5,609,938</b> | <b>5,750,402</b> | <b>6,237,600</b> | <b>6,575,417</b> |
| Net Income                                     | 214,087          | 67,324           | (93,973)         | (40,786)         |
| Depreciation                                   | 446,788          | 445,956          | 446,577          | 450,000          |
| Amortization                                   | -                | -                | -                | -                |
| Acquisition and Construction of Assets         | (27,748)         |                  | (17,524)         | (45,000)         |
| Proceeds from New Long-Term Debt               |                  |                  |                  | -                |
| Payments on Long-Term Debt                     |                  |                  |                  |                  |
| Adjustment to Accruals                         | (492,663)        | (26,082)         | 2,737            | -                |
| <b>Ending Cash Balance</b>                     | <b>5,750,402</b> | <b>6,237,600</b> | <b>6,575,417</b> | <b>6,939,631</b> |

## Cash Reserves

Springsted's clients often ask about the amount of cash that should be available in their Utility funds. Utility funds need sufficient cash to pay current expenses, together with principal and interest on outstanding bonds. This would typically require each Utility fund to have a minimum of three months of anticipated operating expenses and one year's total debt service in cash at the end of each year. However, this does not provide any level of cash reserves for unforeseen expenses, emergencies, or to cover any shortfalls in the budget. The amount of cash reserves that the Water and Sewer Funds should have is dependent on a number of factors, including:

- Reserves that are legally required
- Variability of the annual revenue stream
- Variability in annual expenditures
- Variability in rainfall
- Age and condition of fixed assets
- Anticipated future capital needs
  - Capital improvement plan
  - Regulatory compliance
- Tolerance for risk
- Number of relatively large customers

Unfortunately, there are no prescribed formulas, and the amount of reserves varies considerably between utilities. We encourage the City to maintain a minimum cash balance in the Water and Sewer Fund of at least three months/ninety days of anticipated operating expenses and one year's debt service at the end of the year.

## Depreciation

Costs incurred in the operation of each Utility are either recorded as operating expenses or capitalized as assets. Whether the cost is expensed immediately or capitalized, the City actually pays for the asset at the time it is acquired. Generally, anything that is used up in the period in which the cost of acquiring it is incurred is treated as an operating expense. Personnel, supplies, and repairs and maintenance are typical examples of costs that are treated as operating expenses. These costs are shown on the income statement each year in the total amount of the expenditure for each category. The cost incurred in the acquisition or construction of assets such as buildings and major pieces of equipment are capitalized. That means their cost does not show up as an expense on the income statement in the year in which the expenditure occurs, rather the cost of these assets are depreciated. Depreciation is the process of allocating the cost of an asset over its useful life in a systematic and rational manner.

The City currently includes depreciation in its annual budget and until recently, user rates in each utility fully funded annual depreciation. However, since 2011, sewer rates are not fully funding annual depreciation. Our recommendations will show the necessary rate increases in order to once again fully fund depreciation in the Sewer Fund.

## Assumptions

The City provided Springsted with a variety of material including:

- 2009-2011 Financial Reports
- 2012 and 2013 Operating Budgets for each Fund
- 2013-2025 Capital Improvement Plan – listing cost and year of expenditure in 2012 dollars
- Capital costs were inflated to year of construction cost, using the 10-year average of the Municipal Cost Index, or a 3.59% inflation factor
- Projected new connections to the water and sewer system over the planning period
- Detailed number of water connections by quarter by user class for 2010 and 2011
- Detailed water consumption data by quarter by user class for 2010 and 2011
- Previous utility rates

We have used the information provided by the City as the basis of our projections, as well as discussions with City personnel.



## 4. Water Utility

### Water Rates

The Water Availability Charge is a fee incurred to recover the capital costs associated with providing the necessary infrastructure to make water services available to the customer. These should include the cost of water supply, providing treatment capacity, and the cost of the distribution system. This insures that growth pays for the costs of growth. Springsted and City staff have determined the water meter charge, connection fee, and the availability charge to be sufficient at this time.

Due to limited growth recently experienced by the City, the new water treatment plant is now projected to occur in 2025 (it was projected to be in 2017 in the previous rate study), which is beyond the planning period of this analysis. Should growth be expedited, we recommend the City revisit these fees to include the capital and associated borrowing costs of this large capital expenditure.

It is important for the City to understand that while availability charges provide a valuable source of revenue for the utilities, they can be much more volatile than user fee revenue related to actual sales. Water availability charges are dependent on local economic conditions and will rise and fall accordingly. However, the fixed costs associated with debt issued to finance the necessary capital improvements will need to be paid regardless of how much revenue is collected. To minimize this risk, we have recommended the City maintain an adequate level of cash reserves that include one year of debt service.

### Water Customer Growth Projections

The projection of new residential water connections is based on those provided by the City's engineering consultant WSB (which used the Metropolitan Council projections) for capital planning purposes, revised to take into account the slower growth pattern the City has recently experienced. The projected number of added connections is shown below.

|      | Residential<br>(3/4" meter) | Commercial<br>(1" meter) |
|------|-----------------------------|--------------------------|
| 2013 | 50                          | 3                        |
| 2014 | 75                          | 3                        |
| 2015 | 75                          | 3                        |
| 2016 | 75                          | 3                        |
| 2017 | 100                         | 3                        |
| 2018 | 100                         | 3                        |
| 2019 | 125                         | 3                        |
| 2020 | 125                         | 3                        |
| 2021 | 150                         | 3                        |
| 2022 | 150                         | 3                        |

## Conservation Rate Structure

Water utilities have traditionally relied on increased capacity to meet their growing needs for additional water resulting from population growth and economic development. However, utilities are increasingly looking to conservation as an alternative strategy. This change in philosophy is the result of several factors including:

- Growing competition for limited water supplies;
- Increasing cost and difficulties in developing new water supplies;
- Increasing cost of capacity expansion;
- Increasing cost of water treatment and testing;
- Statutory requirements for increased water supply permits; and
- Growing public support for the conservation of our natural resources.

The City is required to complete a water emergency and conservation plan every 10 years. Included in this plan, the City must explain current water use trends and how they will address conservation in the future. The average use per resident in the City in 2007 was 86 gallons per day (gpd). The average use per resident in 2011 was 90 gallons per day. And the average use per resident in 2012 was 107 gallons per day. The average use in 2012 is reflective of the relatively dry watering months (July, August, and September). Precipitation in the summer watering months of 2012 were 50% lower than the 29 year average of those same months, most likely prompting residents to water more.

The DNR goal is to achieve an average consumption per user of 75 gpd. A conservation rate structure was developed to help the City achieve this goal. A conservation rate structure provides a financial incentive for users to reduce demands based upon the general economic theory that demand for a commodity decreases as its price increases. Water conservation rates generally involve one of the types listed below:

- Increasing block rates where the marginal cost of water to the user increases in blocks of usually two or more steps as water use increases;
- Flat rate where the cost of water is the same regardless of consumption; and
- Seasonal pricing where the cost of water consumed during the season of peak demand is charged at a higher rate than water consumed in the off-peak season.

The City currently tracks consumption patterns for the following eight types of users: residential, commercial, industrial, institutional, prison, church, school, and non-residential irrigation.

The total annual consumption by residential, non-residential and non-residential irrigation for 2010 and 2011 is shown in the chart below.

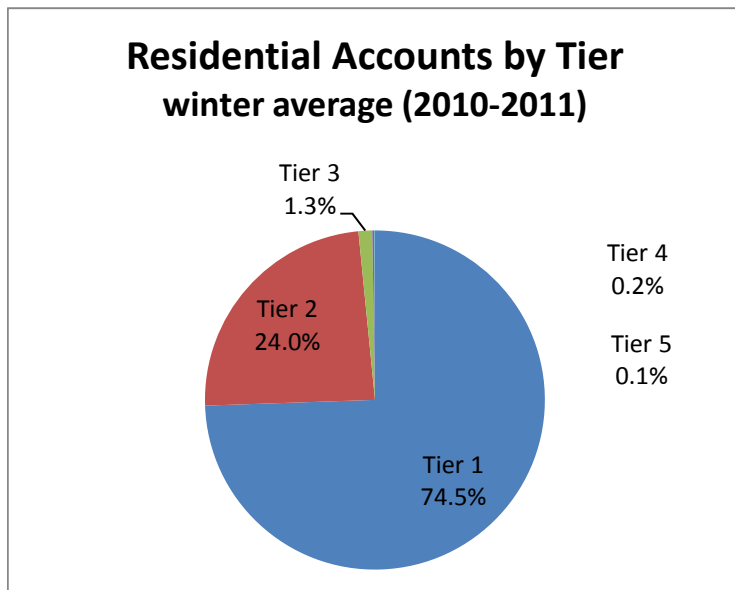
|                                   | 2010               | 2011               |
|-----------------------------------|--------------------|--------------------|
| <b>Residential</b>                | 396,630,500        | 402,204,500        |
| <b>Non-Residential</b>            | 48,644,000         | 48,995,500         |
| <b>Non-Residential Irrigation</b> | 38,534,000         | 40,999,000         |
| <b>Totals</b>                     | <b>483,808,500</b> | <b>492,199,000</b> |

The average use per quarter by residential, non-residential and non-residential irrigation is:

|                                   | 2011 – Q1 | 2011 – Q2 | 2011 – Q3 | 2011 – Q4 |
|-----------------------------------|-----------|-----------|-----------|-----------|
| <b>Residential</b>                | 16,328    | 18,404    | 32,624    | 33,077    |
| <b>Non-Residential</b>            | 104,639   | 94,178    | 125,257   | 143,080   |
| <b>Non-Residential Irrigation</b> | 66,700    | 98,083    | 243,061   | 343,500   |

Below are some additional highlights on past water use in the City:

Winter water use (Quarter 1, 2010 & 2011 data)

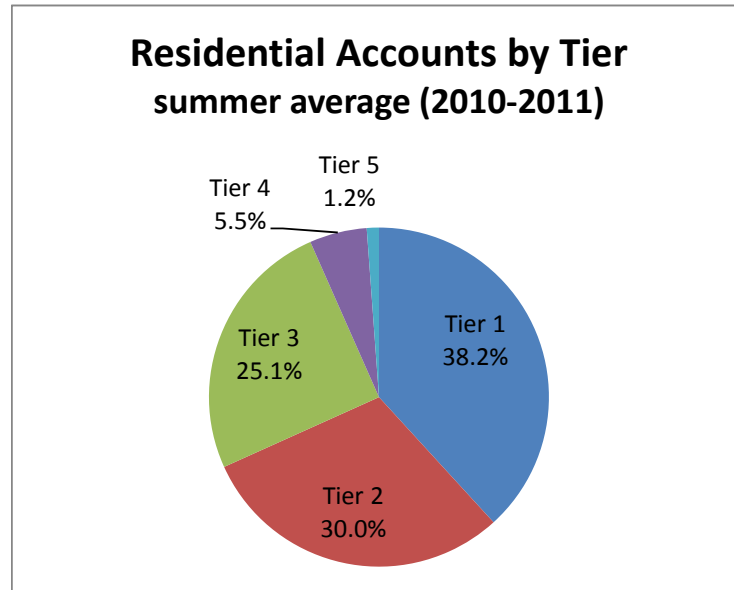


- 98.5% of residential users used 40,000 gallons or less, falling into the first two tiers of use.
- Only 61 customers (1.5% of users), used more than 40,000 gallons, falling into the top three tiers.

Therefore, our assumption was that water consumption over 40,000 gallons in the summer quarters is due primarily to non-residential irrigation.

Summer consumption statistics include:

Summer water use (Quarter 3, 2010 & 2011 data)



- 68.2% of residential users use 40,000 gallons or less, falling into the first two tiers of use.
- 1,290 or 31.8% of residential customers use 40,000 gallons or more in the summer months, which is over 21 times what customers use in winter.
- 47 or 1.2% of residential customers use 120,000 gallons or more in the summer months.

In the 2012 the Minnesota Legislature redefined the water conservation requirements now calling them demand reduction measures. The law now states that “public water suppliers serving more than 1,000 people must encourage water conservation by employing water use demand reduction measures” as opposed to the initial law requiring “a conservation rate structure”. The law goes on further to state, “Demand reduction measures must include a conservation rate structure, or a uniform rate structure with a conservation program that achieves demand reduction.” Therefore, the City can alter its current five-tiered system so long as it reduces water demand, water losses, peak water demands, and nonessential water uses. We have provided four options for future water rates; 1) leave the current five-tiered system the same but adjust the volume charge if necessary, 2) provide one rate for each user class (residential, non-residential, and non-residential irrigation) that will generate revenues from each user class that the current block rates do, 3) go to one rate for all water use, or 4) reduce the five-tiered system to something less.

## Water Utility Revenue Requirements

Revenue requirements indicate the amount of revenue needed for the City to continue efficient operations, as well as maintain an adequate cash balance in the utility. Revenue requirements include operating and maintenance expenses, debt service payments, capital outlay, and any operating or working capital reserves. The debt service payments to be made from the Water Utility are for a portion of the 2010A General Obligation Improvement and Utility Revenue Refunding Bonds.

In 2010 and 2011, revenues from volume charges were approximately \$1,055,000. In 2012, due to an extremely dry year, year-to-date figures estimate revenues to come in closer to \$1,250,000. In order to not overstate revenues in 2013 and beyond, we have assumed 2011 revenues to be a more “normal” revenue base assuming average rainfall. Therefore we assume 2013 revenues would increase somewhat to account for minimal new growth in 2012 and 2013 to approximately \$1,115,000.

2010 and 2011 consumption data also indicated 77% of volume-based revenues were derived from residential users, 10% from non-residential users, and 13% from non-residential irrigation accounts. We assume this pattern will continue when generating possible rate structures.

The following pages show the projected operating statement and annual cash balance in the Water Utility, assuming the current rate structure and volume charges are kept in place over the planning period with increases only attributable to new customers as discussed on page 13, not from increased rates. The 2013 proposed budget was used for operating expenditures.

The fund is projected to maintain positive operating income until 2015. At that time, the City will no longer be fully funding depreciation. However, projected ending cash balance is sufficient to fund the recommended reserve levels in all years of the planning period.

Water Utility Financial Projections – Current Block Rate Structure and Current Volumetric Rates

| Projected Water Rate Adjustment                | Projected Change<br>2013-2022 | Calculate        | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            |
|--|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  |                               | 2012             | 2013             | 2014             | 2015             | 2016             | 2017             | 2018             | 2019             | 2020             | 2021             | 2022             |
| <b>Operating Revenues</b>                      |                               |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Charges for Services                           |                               | 1,250,000        | 1,115,071        | 1,133,961        | 1,152,851        | 1,171,742        | 1,195,173        | 1,218,604        | 1,246,576        | 1,274,548        | 1,307,061        | 1,339,574        |
| Hook-up Charges                                |                               | 9,000            | 10,600           | 15,600           | 15,600           | 15,600           | 20,600           | 20,600           | 25,600           | 25,600           | 30,600           | 30,600           |
| Water Meter Sales                              |                               | 10,000           | 15,475           | 22,725           | 22,725           | 22,725           | 29,975           | 29,975           | 37,225           | 37,225           | 44,475           | 44,475           |
| Other Revenue                                  | 5.00%                         | 36,000           | 37,800           | 39,690           | 41,675           | 43,758           | 45,946           | 48,243           | 50,656           | 53,188           | 55,848           | 58,640           |
| <b>Total Operating Revenue</b>                 |                               | <b>1,305,000</b> | <b>1,178,946</b> | <b>1,211,976</b> | <b>1,232,851</b> | <b>1,253,825</b> | <b>1,291,694</b> | <b>1,317,422</b> | <b>1,360,057</b> | <b>1,390,562</b> | <b>1,437,984</b> | <b>1,473,290</b> |
| <b>Operating Expenses</b>                      |                               |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Personal Services                              | 5.00%                         | 181,337          | 196,545          | 206,372          | 216,691          | 227,525          | 238,902          | 250,847          | 263,389          | 276,559          | 290,386          | 304,906          |
| Materials and Supplies                         | 4.00%                         | 237,500          | 262,500          | 273,000          | 283,920          | 295,277          | 307,088          | 319,371          | 332,146          | 345,432          | 359,249          | 373,619          |
| Contractual Services                           | 10.00%                        | 110,000          | 120,000          | 132,000          | 145,200          | 159,720          | 175,692          | 193,261          | 212,587          | 233,846          | 257,231          | 282,954          |
| Utilities                                      | 6.00%                         | 92,000           | 92,000           | 97,520           | 103,371          | 109,573          | 116,148          | 123,117          | 130,504          | 138,334          | 146,634          | 155,432          |
| Other  | 6.00%                         | 31,450           | 32,450           | 34,397           | 36,461           | 38,648           | 40,967           | 43,425           | 46,031           | 48,793           | 51,720           | 54,824           |
| Existing Depreciation                          |                               | 435,000          | 435,000          | 421,950          | 409,292          | 397,013          | 385,102          | 373,549          | 362,343          | 351,473          | 340,928          | 330,701          |
| New Depreciation                               |                               | -                | -                | 700              | 76,233           | 76,233           | 89,511           | 89,511           | 89,511           | 89,511           | 89,511           | 89,511           |
| <b>Total Operating Expenses</b>                |                               | <b>1,087,287</b> | <b>1,138,495</b> | <b>1,165,939</b> | <b>1,271,167</b> | <b>1,303,990</b> | <b>1,353,410</b> | <b>1,393,082</b> | <b>1,436,511</b> | <b>1,483,947</b> | <b>1,535,660</b> | <b>1,591,946</b> |
| <b>Operating Income (Loss)</b>                 |                               | <b>217,713</b>   | <b>40,451</b>    | <b>46,037</b>    | <b>(38,316)</b>  | <b>(50,165)</b>  | <b>(61,716)</b>  | <b>(75,659)</b>  | <b>(76,454)</b>  | <b>(93,385)</b>  | <b>(97,676)</b>  | <b>(118,656)</b> |
| <b>Non Operating Revenues (Expenses)</b>       |                               |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Investment Earnings                            | 1.00%                         | 25,000           | 38,616           | 43,091           | 47,535           | 51,852           | 55,967           | 59,993           | 64,170           | 68,277           | 72,106           | 76,154           |
| Special Assessments                            |                               | 10,000           | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Bond Interest - Existing                       |                               | (13,566)         | (5,750)          | (5,225)          | (4,575)          | (3,825)          | (3,038)          | (2,213)          | (1,388)          | (488)            | -                | -                |
| Paying Agent Fees                              |                               | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          |
| <b>Total Non Operating Revenues (Expenses)</b> |                               | <b>15,934</b>    | <b>27,366</b>    | <b>32,366</b>    | <b>37,460</b>    | <b>42,527</b>    | <b>47,430</b>    | <b>52,281</b>    | <b>57,282</b>    | <b>62,289</b>    | <b>66,606</b>    | <b>70,654</b>    |
| <b>Net Income (Loss) Before Transfers</b>      |                               | <b>233,647</b>   | <b>67,817</b>    | <b>78,403</b>    | <b>(857)</b>     | <b>(7,638)</b>   | <b>(14,287)</b>  | <b>(23,379)</b>  | <b>(19,172)</b>  | <b>(31,096)</b>  | <b>(31,070)</b>  | <b>(48,002)</b>  |
| <b>Operating Transfers</b>                     |                               |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Transfers In                                   |                               | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Transfers (Out)                                |                               | (34,511)         | (35,861)         | (34,646)         | (33,416)         | (34,627)         | (35,726)         | -                | -                | -                | -                | -                |
| <b>Total Operating Transfers</b>               |                               | <b>(34,511)</b>  | <b>(35,861)</b>  | <b>(34,646)</b>  | <b>(33,416)</b>  | <b>(34,627)</b>  | <b>(35,726)</b>  | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         |
| <b>Net Income (Loss)</b>                       |                               | <b>199,136</b>   | <b>31,956</b>    | <b>43,756</b>    | <b>(34,273)</b>  | <b>(42,265)</b>  | <b>(50,013)</b>  | <b>(23,379)</b>  | <b>(19,172)</b>  | <b>(31,096)</b>  | <b>(31,070)</b>  | <b>(48,002)</b>  |
| <b>Beginning Cash &amp; Investments</b>        |                               | <b>3,649,473</b> | <b>3,861,609</b> | <b>4,309,065</b> | <b>4,753,471</b> | <b>5,185,222</b> | <b>5,596,703</b> | <b>5,999,304</b> | <b>6,416,985</b> | <b>6,827,667</b> | <b>7,210,555</b> | <b>7,615,423</b> |
| <b>Net Income</b>                              |                               | <b>199,136</b>   | <b>31,956</b>    | <b>43,756</b>    | <b>(34,273)</b>  | <b>(42,265)</b>  | <b>(50,013)</b>  | <b>(23,379)</b>  | <b>(19,172)</b>  | <b>(31,096)</b>  | <b>(31,070)</b>  | <b>(48,002)</b>  |
| <b>Depreciation</b>                            |                               | <b>435,000</b>   | <b>435,000</b>   | <b>422,650</b>   | <b>485,524</b>   | <b>473,246</b>   | <b>474,613</b>   | <b>463,060</b>   | <b>451,854</b>   | <b>440,983</b>   | <b>430,439</b>   | <b>420,211</b>   |
| <b>Amortization</b>                            |                               | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     |
| <b>Acquisition and Construction of Assets</b>  |                               | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         |
| <b>Payments on Existing Long-Term Debt</b>     |                               | <b>(427,500)</b> | <b>(25,000)</b>  | <b>(27,500)</b>  | <b>(25,000)</b>  | <b>(25,000)</b>  | <b>(27,500)</b>  | <b>(27,500)</b>  | <b>(27,500)</b>  | <b>(32,500)</b>  | <b>-</b>         | <b>-</b>         |
| <b>Ending Cash Balance</b>                     |                               | <b>3,861,609</b> | <b>4,309,065</b> | <b>4,753,471</b> | <b>5,185,222</b> | <b>5,596,703</b> | <b>5,999,304</b> | <b>6,416,985</b> | <b>6,827,667</b> | <b>7,210,555</b> | <b>7,615,423</b> | <b>7,993,133</b> |
| <b>Minimum Cash Balance</b>                    |                               |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| For ongoing operations                         |                               | 271,822          | 284,624          | 291,485          | 317,792          | 325,997          | 338,353          | 348,270          | 359,128          | 370,987          | 383,915          | 397,986          |
| For debt service                               |                               | 30,750           | 32,725           | 29,575           | 28,825           | 30,538           | 29,713           | 28,888           | 32,988           | -                | -                | -                |
| <b>Minimum Cash Balance Required</b>           |                               | <b>302,572</b>   | <b>317,349</b>   | <b>321,060</b>   | <b>346,617</b>   | <b>356,535</b>   | <b>368,065</b>   | <b>377,158</b>   | <b>392,115</b>   | <b>370,987</b>   | <b>383,915</b>   | <b>397,986</b>   |
| <b>Amount Over (Under) Minimum</b>             |                               | <b>3,559,037</b> | <b>3,991,716</b> | <b>4,432,411</b> | <b>4,838,606</b> | <b>5,240,169</b> | <b>5,631,239</b> | <b>6,039,827</b> | <b>6,435,552</b> | <b>6,839,568</b> | <b>7,231,508</b> | <b>7,595,146</b> |



## Capital Outlay

To determine the appropriate fees and rates needed for the operation of the Water Utility over the planning period, we have incorporated the anticipated future capital outlay needs provided by the Finance Director and City Engineer. These capital costs and their projected source of funding are shown in the table below. The capital items are projected to be paid the Area and Unit Charge Fund. All water and sewer trunk charges are deposited into the Area and Unit Charge Fund, in addition to the \$10 quarterly fee imposed on all water users.

|              | Water Utility | Area and Unit Charge Fund | Area and Unit Charge Bonds | Special Assessments - Area and Unit | Totals            |
|--------------|---------------|---------------------------|----------------------------|-------------------------------------|-------------------|
| <b>2012</b>  | -             | -                         | -                          | -                                   | <b>45,000</b>     |
| <b>2013</b>  | -             | 289,307                   | -                          | 317,307                             | <b>656,614</b>    |
| <b>2014</b>  | -             | 2,603,170                 | -                          | 337,185                             | <b>2,992,150</b>  |
| <b>2015</b>  | -             | 1,285,555                 | -                          | 1,285,555                           | <b>2,624,764</b>  |
| <b>2016</b>  | -             | 398,343                   | -                          | -                                   | <b>535,425</b>    |
| <b>2017</b>  | -             | -                         | 902,818                    | -                                   | <b>960,394</b>    |
| <b>2018</b>  | -             | -                         | 4,751,653                  | -                                   | <b>4,811,296</b>  |
| <b>2019</b>  | -             | -                         | 2,040,138                  | -                                   | <b>2,101,922</b>  |
| <b>2020</b>  | -             | 612,433                   | 3,970,743                  | 980,312                             | <b>5,728,200</b>  |
| <b>2021</b>  | -             | -                         | 745,178                    | 745,178                             | <b>1,556,656</b>  |
| <b>2022</b>  | -             | -                         | 4,940,354                  | -                                   | <b>5,009,034</b>  |
| <b>Total</b> | -             | <b>5,188,808</b>          | <b>17,350,884</b>          | <b>3,665,537</b>                    | <b>27,021,455</b> |

The only capital improvements planned for the Water Utility are related primarily to projected growth and include new water mains, wells, and a new ground storage unit. The water capital outlay is projected to be funded with a mixture of special assessments and G.O. Water Revenue Bonds, which are projected to be repaid from trunk charge revenue.

A detailed listing of the anticipated capital improvements to be paid from the Water Utility Fund through 2022 as well as the Area and Unit Charge Fund projections is shown on the following pages. Capital Outlay shown in the Area and Unit Charge Fund also includes Sewer Utility projects. Discussion of the Sewer Utility appears later in the report.

## Capital Outlay

| Year | Project   | Water Utility | Area and Unit Charge Fund | Area and Unit Charge Bonds | Special Assessments - Area and Unit | Totals            |
|------|---|---------------|---------------------------|----------------------------|-------------------------------------|-------------------|
| 2013 | NE Area Trunk Water Main PH 1 (400')                        |               | 21,000                    |                            | 49,000                              | 70,000            |
| 2014 | Strengthen Trunk Watermain (Phase 1)                        |               | 961,345                   |                            |                                     | 961,345           |
| 2014 | Well No. 6 & Watermain                                      |               | 1,068,640                 |                            |                                     | 1,068,640         |
| 2014 | Woodridge Estate Trunk Watermain extension                  |               | 236,000                   |                            |                                     | 236,000           |
| 2016 | Lake Dr. Trunk Watermain (Phase 2)                          |               | 398,343                   |                            |                                     | 398,343           |
| 2017 | Lake Dr. Trunk Watermain strengthening (Phase 3)            |               |                           | 902,818                    |                                     | 902,818           |
| 2018 | Ground Storage Reservoir 2.5 MG & booster Sta. & Well No. 7 |               |                           | 4,751,653                  |                                     | 4,751,653         |
| 2019 | Raw Watermains from Wells 1,3,5,6 to reservoir              |               |                           | 2,040,138                  |                                     | 2,040,138         |
| 2020 | Redundant 16 inch watermain to replace north loop           |               |                           | 2,683,656                  |                                     | 2,683,656         |
|      |   | -             | <b>2,685,328</b>          | <b>10,378,265</b>          | <b>49,000</b>                       | <b>13,112,593</b> |

### Water Utility Financial

| AREA & UNIT CHARGE FUND                        |                  |                  |                    |                    |                  |                  |                    |                  |                    |                  |                    |
|--|------------------|------------------|--------------------|--------------------|------------------|------------------|--------------------|------------------|--------------------|------------------|--------------------|
|  | 2012             | 2013             | 2014               | 2015               | 2016             | 2017             | 2018               | 2019             | 2020               | 2021             | 2022               |
| <b>Revenues</b>                                |                  |                  |                    |                    |                  |                  |                    |                  |                    |                  |                    |
| Quarterly Fees                                 | 242,400          | 245,560          | 249,720            | 253,880            | 258,040          | 263,200          | 268,360            | 274,520          | 280,680            | 287,840          | 295,000            |
| Special Assessments - Existing                 |                  |                  |                    |                    |                  |                  |                    |                  |                    |                  |                    |
| Special Assessments - New                      | -                | -                | 42,096             | 87,909             | 262,575          | 262,575          | 262,575            | 262,575          | 262,575            | 395,768          | 501,864            |
| Water Trunk Charges                            | 222,085          | 222,085          | 316,085            | 316,085            | 316,085          | 410,085          | 410,085            | 504,085          | 504,085            | 598,085          | 598,085            |
| Sewer Trunk Charges                            | 167,745          | 167,745          | 238,745            | 238,745            | 238,745          | 309,745          | 309,745            | 380,745          | 380,745            | 451,745          | 451,745            |
| <b>Total Revenue</b>                           | <b>632,230</b>   | <b>635,390</b>   | <b>846,646</b>     | <b>896,619</b>     | <b>1,075,445</b> | <b>1,245,605</b> | <b>1,250,765</b>   | <b>1,421,925</b> | <b>1,428,085</b>   | <b>1,733,438</b> | <b>1,846,694</b>   |
| <b>Operating Expenses</b>                      |                  |                  |                    |                    |                  |                  |                    |                  |                    |                  |                    |
| Capital Outlay                                 | -                | 606,614          | 2,940,355          | 2,571,110          | 398,343          | 902,818          | 4,751,653          | 2,040,138        | 5,563,488          | 1,490,356        | 4,940,354          |
| Other  |                  |                  |                    |                    |                  |                  |                    |                  |                    |                  |                    |
| <b>Total Operating Expenses</b>                | <b>-</b>         | <b>606,614</b>   | <b>2,940,355</b>   | <b>2,571,110</b>   | <b>398,343</b>   | <b>902,818</b>   | <b>4,751,653</b>   | <b>2,040,138</b> | <b>5,563,488</b>   | <b>1,490,356</b> | <b>4,940,354</b>   |
| <b>Revenue Over (Under) Expenditures</b>       | <b>632,230</b>   | <b>28,776</b>    | <b>(2,093,709)</b> | <b>(1,674,491)</b> | <b>677,102</b>   | <b>342,787</b>   | <b>(3,500,889)</b> | <b>(618,213)</b> | <b>(4,135,403)</b> | <b>243,082</b>   | <b>(3,093,659)</b> |
| <b>Other Financing Sources (Uses)</b>          |                  |                  |                    |                    |                  |                  |                    |                  |                    |                  |                    |
| Transfer in                                    | 34,511           | 35,861           | 34,646             | 33,416             | 34,627           | 35,726           | -                  | -                | -                  | -                | -                  |
| Bond Proceeds                                  | -                | 317,307          | 337,185            | 1,285,555          | -                | 902,818          | 4,751,653          | 2,040,138        | 4,951,055          | 1,490,356        | 4,940,354          |
| Debt Service - existing                        | (405,911)        | (383,470)        | (361,542)          | (313,013)          | (26,764)         | (30,623)         | -                  | -                | -                  | -                | -                  |
| Debt Service - new                             | -                | -                | (37,198)           | (77,742)           | (236,239)        | (236,239)        | (347,548)          | (933,384)        | (1,184,915)        | (1,795,335)      | (1,979,082)        |
| Other  |                  |                  |                    |                    |                  |                  |                    |                  |                    |                  |                    |
| <b>Total Non Operating Revenues (Expenses)</b> | <b>(371,400)</b> | <b>(30,301)</b>  | <b>(26,909)</b>    | <b>928,217</b>     | <b>(228,376)</b> | <b>671,682</b>   | <b>4,404,105</b>   | <b>1,106,754</b> | <b>3,766,140</b>   | <b>(304,979)</b> | <b>2,961,272</b>   |
| <b>Net Increase (Decrease) in fund balance</b> | <b>260,831</b>   | <b>(1,525)</b>   | <b>(2,120,617)</b> | <b>(746,274)</b>   | <b>448,726</b>   | <b>1,014,470</b> | <b>903,217</b>     | <b>488,541</b>   | <b>(369,263)</b>   | <b>(61,897)</b>  | <b>(132,388)</b>   |
| <b>Beginning Cash &amp; Investments</b>        | <b>3,217,984</b> | 3,478,815        | 3,477,289          | 1,356,672          | 610,397          | 1,059,123        | 2,073,593          | 2,976,810        | 3,465,350          | 3,096,088        | 3,034,191          |
| Net Income                                     | 260,831          | (1,525)          | (2,120,617)        | (746,274)          | 448,726          | 1,014,470        | 903,217            | 488,541          | (369,263)          | (61,897)         | (132,388)          |
| <b>Ending Cash Balance</b>                     | <b>3,478,815</b> | <b>3,477,289</b> | <b>1,356,672</b>   | <b>610,397</b>     | <b>1,059,123</b> | <b>2,073,593</b> | <b>2,976,810</b>   | <b>3,465,350</b> | <b>3,096,088</b>   | <b>3,034,191</b> | <b>2,901,803</b>   |

## Financial Projections

The financial projections assumed the City would maintain a minimum cash balance in the Water Fund equal to three months of anticipated operating expenses and one-year's debt service within the planning period. In addition, the City would fully fund depreciation and maintain positive operating income. These assumptions were made to ensure that the Water Fund would have sufficient cash to fund operations going forward as well as meet debt service requirements.

To determine the appropriate user rates needed for the repayment of debt service and operation of the Water Fund, we have projected future revenue and expenditures and have incorporated the anticipated future capital outlay needs for the time period covered by this study.

The financial projections began with the Water Fund expenditures; subsequently, revenues were adjusted to provide the recommended income, cash flow, and level of ending cash balances. Our expenditure projections are generally based on an analysis of past trends, anticipated changes in operations, and our significant experience in preparing Water rate studies.

### **Scenario 1 – Keep Current Block Rate Structure**

Our projections show that the existing block rate structure combined with projected growth in the customer-base, will provide sufficient revenues for the operation of the Water Utility through 2014. In order to obtain the goals stated above, we determined that a 2.0% increase in user rates in each of the five blocks is needed annually 2013-2017.

The projected rate increases are primarily needed to fund depreciation while maintaining recommended reserve levels.

The financial projections are shown on the following page.

Scenario 1 - Water Utility Financial Projections - Current Block Rate Structure with Volumetric Rate Increases

| Projected Water Rate Adjustment                | Projected Change 2013-2022 | Calculate        | 2.00%            | 2.00%            | 2.00%            | 2.00%            | 2.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            |
|--|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  |                            | 2012             | 2013             | 2014             | 2015             | 2016             | 2017             | 2018             | 2019             | 2020             | 2021             | 2022             |
| <b>Operating Revenues</b>                      |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Charges for Services                           |                            | 1,250,000        | 1,137,372        | 1,179,773        | 1,223,415        | 1,268,331        | 1,319,567        | 1,345,437        | 1,376,321        | 1,407,204        | 1,443,101        | 1,478,998        |
| Hook-up Charges                                |                            | 9,000            | 10,600           | 15,600           | 15,600           | 15,600           | 20,600           | 20,600           | 25,600           | 25,600           | 30,600           | 30,600           |
| Water Meter Sales                              |                            | 10,000           | 15,475           | 22,725           | 22,725           | 22,725           | 29,975           | 29,975           | 37,225           | 37,225           | 44,475           | 44,475           |
| Other Revenue                                  | 5.00%                      | 36,000           | 37,800           | 39,690           | 41,675           | 43,758           | 45,946           | 48,243           | 50,656           | 53,188           | 55,848           | 58,640           |
| <b>Total Operating Revenue</b>                 |                            | <b>1,305,000</b> | <b>1,201,247</b> | <b>1,257,788</b> | <b>1,303,415</b> | <b>1,350,414</b> | <b>1,416,089</b> | <b>1,444,256</b> | <b>1,489,801</b> | <b>1,523,218</b> | <b>1,574,024</b> | <b>1,612,714</b> |
| <b>Operating Expenses</b>                      |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Personal Services                              | 5.00%                      | 181,337          | 196,545          | 206,372          | 216,691          | 227,525          | 238,902          | 250,847          | 263,389          | 276,559          | 290,386          | 304,906          |
| Materials and Supplies                         | 4.00%                      | 237,500          | 262,500          | 273,000          | 283,920          | 295,277          | 307,088          | 319,371          | 332,146          | 345,432          | 359,249          | 373,619          |
| Contractual Services                           | 10.00%                     | 110,000          | 120,000          | 132,000          | 145,200          | 159,720          | 175,692          | 193,261          | 212,587          | 233,846          | 257,231          | 282,954          |
| Utilities                                      | 6.00%                      | 92,000           | 92,000           | 97,520           | 103,371          | 109,573          | 116,148          | 123,117          | 130,504          | 138,334          | 146,634          | 155,432          |
| Other  | 6.00%                      | 31,450           | 32,450           | 34,397           | 36,461           | 38,648           | 40,967           | 43,425           | 46,031           | 48,793           | 51,720           | 54,824           |
| Existing Depreciation                          |                            | 435,000          | 435,000          | 421,950          | 409,292          | 397,013          | 385,102          | 373,549          | 362,343          | 351,473          | 340,928          | 330,701          |
| New Depreciation                               |                            | -                | -                | 700              | 76,233           | 76,233           | 89,511           | 89,511           | 89,511           | 89,511           | 89,511           | 89,511           |
| <b>Total Operating Expenses</b>                |                            | <b>1,087,287</b> | <b>1,138,495</b> | <b>1,165,939</b> | <b>1,271,167</b> | <b>1,303,990</b> | <b>1,353,410</b> | <b>1,393,082</b> | <b>1,436,511</b> | <b>1,483,947</b> | <b>1,535,660</b> | <b>1,591,946</b> |
| <b>Operating Income (Loss)</b>                 |                            | <b>217,713</b>   | <b>62,752</b>    | <b>91,849</b>    | <b>32,247</b>    | <b>46,424</b>    | <b>62,678</b>    | <b>51,174</b>    | <b>53,290</b>    | <b>39,271</b>    | <b>38,364</b>    | <b>20,768</b>    |
| <b>Non Operating Revenues (Expenses)</b>       |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Investment Earnings                            | 1.00%                      | 25,000           | 38,616           | 43,314           | 48,218           | 53,248           | 58,343           | 63,636           | 69,118           | 74,572           | 79,790           | 85,276           |
| Special Assessments                            |                            | 10,000           | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Bond Interest - Existing                       |                            | (13,566)         | (5,750)          | (5,225)          | (4,575)          | (3,825)          | (3,038)          | (2,213)          | (1,388)          | (488)            | -                | -                |
| Paying Agent Fees                              |                            | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          |
| <b>Total Non Operating Revenues (Expenses)</b> |                            | <b>15,934</b>    | <b>27,366</b>    | <b>32,589</b>    | <b>38,143</b>    | <b>43,923</b>    | <b>49,805</b>    | <b>55,924</b>    | <b>62,231</b>    | <b>68,584</b>    | <b>74,290</b>    | <b>79,776</b>    |
| <b>Net Income (Loss) Before Transfers</b>      |                            | <b>233,647</b>   | <b>90,118</b>    | <b>124,438</b>   | <b>70,390</b>    | <b>90,347</b>    | <b>112,484</b>   | <b>107,098</b>   | <b>115,521</b>   | <b>107,855</b>   | <b>112,654</b>   | <b>100,544</b>   |
| <b>Operating Transfers</b>                     |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Transfers In                                   |                            | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Transfers (Out)                                |                            | (34,511)         | (35,861)         | (34,646)         | (33,416)         | (34,627)         | (35,726)         | -                | -                | -                | -                | -                |
| <b>Total Operating Transfers</b>               |                            | <b>(34,511)</b>  | <b>(35,861)</b>  | <b>(34,646)</b>  | <b>(33,416)</b>  | <b>(34,627)</b>  | <b>(35,726)</b>  | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         |
| <b>Net Income (Loss)</b>                       |                            | <b>199,136</b>   | <b>54,257</b>    | <b>89,791</b>    | <b>36,974</b>    | <b>55,721</b>    | <b>76,757</b>    | <b>107,098</b>   | <b>115,521</b>   | <b>107,855</b>   | <b>112,654</b>   | <b>100,544</b>   |
| <b>Beginning Cash &amp; Investments</b>        |                            | <b>3,649,473</b> | <b>3,861,609</b> | <b>4,331,366</b> | <b>4,821,807</b> | <b>5,324,806</b> | <b>5,834,272</b> | <b>6,363,643</b> | <b>6,911,801</b> | <b>7,457,176</b> | <b>7,979,014</b> | <b>8,527,607</b> |
| <b>Net Income</b>                              |                            | <b>199,136</b>   | <b>54,257</b>    | <b>89,791</b>    | <b>36,974</b>    | <b>55,721</b>    | <b>76,757</b>    | <b>107,098</b>   | <b>115,521</b>   | <b>107,855</b>   | <b>112,654</b>   | <b>100,544</b>   |
| <b>Depreciation</b>                            |                            | <b>435,000</b>   | <b>435,000</b>   | <b>422,650</b>   | <b>485,524</b>   | <b>473,246</b>   | <b>474,613</b>   | <b>463,060</b>   | <b>451,854</b>   | <b>440,983</b>   | <b>430,439</b>   | <b>420,211</b>   |
| <b>Amortization</b>                            |                            | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     |
| <b>Acquisition and Construction of Assets</b>  |                            | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         |
| <b>Payments on Existing Long-Term Debt</b>     |                            | <b>(427,500)</b> | <b>(25,000)</b>  | <b>(27,500)</b>  | <b>(25,000)</b>  | <b>(25,000)</b>  | <b>(27,500)</b>  | <b>(27,500)</b>  | <b>(27,500)</b>  | <b>(32,500)</b>  | <b>-</b>         | <b>-</b>         |
| <b>Ending Cash Balance</b>                     |                            | <b>3,861,609</b> | <b>4,331,366</b> | <b>4,821,807</b> | <b>5,324,806</b> | <b>5,834,272</b> | <b>6,363,643</b> | <b>6,911,801</b> | <b>7,457,176</b> | <b>7,979,014</b> | <b>8,527,607</b> | <b>9,053,863</b> |
| <b>Minimum Cash Balance</b>                    |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| For ongoing operations                         |                            | 271,822          | 284,624          | 291,485          | 317,792          | 325,997          | 338,353          | 348,270          | 359,128          | 370,987          | 383,915          | 397,986          |
| For debt service                               |                            | 30,750           | 32,725           | 29,575           | 28,825           | 30,538           | 29,713           | 28,888           | 32,988           | -                | -                | -                |
| <b>Minimum Cash Balance Required</b>           |                            | <b>302,572</b>   | <b>317,349</b>   | <b>321,060</b>   | <b>346,617</b>   | <b>356,535</b>   | <b>368,065</b>   | <b>377,158</b>   | <b>392,115</b>   | <b>370,987</b>   | <b>383,915</b>   | <b>397,986</b>   |
| <b>Amount Over (Under) Minimum</b>             |                            | <b>3,559,037</b> | <b>4,014,017</b> | <b>4,500,748</b> | <b>4,978,189</b> | <b>5,477,737</b> | <b>5,995,578</b> | <b>6,534,643</b> | <b>7,065,060</b> | <b>7,608,027</b> | <b>8,143,692</b> | <b>8,655,876</b> |

### **Scenario 2 – One Rate for Each Customer Class**

In Scenario 2, we assume the City will generally need to generate the same amount of revenues each year as shown in Scenario 1. The rate for each residential, non-residential, and non-residential irrigation customer is assumed to be the rate that provides for residential customers generating 77% of total revenues, non-residential accounts generating 10% of annual revenues, and non-residential irrigation accounts generating 13% of total revenues, as is currently the case with 2012 rates.

Based on these assumptions the uniform rates for each customer class would need to be:

|      | Residential | Non-Residential | Non-Residential Irrigation |
|------|-------------|-----------------|----------------------------|
| 2013 | \$2.02      | \$2.21          | \$3.40                     |

As in the first scenario, these volumetric rates would need to be increased by 2.0% annually 2014-2017.

The financial projections are shown on the following page.



Scenario 2 - Water Utility Financial Projections – One Rate for Each Customer Class

| Projected Water Rate Adjustment                | Projected Change 2013-2022 | Calculate        | 2.00%            | 2.00%            | 2.00%            | 2.00%            | 2.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            |      |
|--|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------|
|  |                            |                  | 2012             | 2013             | 2014             | 2015             | 2016             | 2017             | 2018             | 2019             | 2020             | 2021             | 2022 |
| <b>Operating Revenues</b>                      |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |      |
| Charges for Services                           |                            | 1,250,000        | 1,140,928        | 1,183,461        | 1,227,240        | 1,272,296        | 1,323,693        | 1,349,643        | 1,380,623        | 1,411,603        | 1,447,613        | 1,483,622        |      |
| Hook-up Charges                                |                            | 9,000            | 10,600           | 15,600           | 15,600           | 15,600           | 20,600           | 20,600           | 25,600           | 25,600           | 30,600           | 30,600           |      |
| Water Meter Sales                              |                            | 10,000           | 15,475           | 22,725           | 22,725           | 22,725           | 29,975           | 29,975           | 37,225           | 37,225           | 44,475           | 44,475           |      |
| Other Revenue                                  | 5.00%                      | 36,000           | 37,800           | 39,690           | 41,675           | 43,758           | 45,946           | 48,243           | 50,656           | 53,188           | 55,848           | 58,640           |      |
| <b>Total Operating Revenue</b>                 |                            | <b>1,305,000</b> | <b>1,204,803</b> | <b>1,261,476</b> | <b>1,307,239</b> | <b>1,354,379</b> | <b>1,420,214</b> | <b>1,448,462</b> | <b>1,494,104</b> | <b>1,527,617</b> | <b>1,578,536</b> | <b>1,617,337</b> |      |
| <b>Operating Expenses</b>                      |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |      |
| Personal Services                              | 5.00%                      | 181,337          | 196,545          | 206,372          | 216,691          | 227,525          | 238,902          | 250,847          | 263,389          | 276,559          | 290,386          | 304,906          |      |
| Materials and Supplies                         | 4.00%                      | 237,500          | 262,500          | 273,000          | 283,920          | 295,277          | 307,088          | 319,371          | 332,146          | 345,432          | 359,249          | 373,619          |      |
| Contractual Services                           | 10.00%                     | 110,000          | 120,000          | 132,000          | 145,200          | 159,720          | 175,692          | 193,261          | 212,587          | 233,846          | 257,231          | 282,954          |      |
| Utilities                                      | 6.00%                      | 92,000           | 92,000           | 97,520           | 103,371          | 109,573          | 116,148          | 123,117          | 130,504          | 138,334          | 146,634          | 155,432          |      |
| Other  | 6.00%                      | 31,450           | 32,450           | 34,397           | 36,461           | 38,648           | 40,967           | 43,425           | 46,031           | 48,793           | 51,720           | 54,824           |      |
| Existing Depreciation                          |                            | 435,000          | 435,000          | 421,950          | 409,292          | 397,013          | 385,102          | 373,549          | 362,343          | 351,473          | 340,928          | 330,701          |      |
| New Depreciation                               |                            | -                | -                | 700              | 76,233           | 76,233           | 89,511           | 89,511           | 89,511           | 89,511           | 89,511           | 89,511           |      |
| <b>Total Operating Expenses</b>                |                            | <b>1,087,287</b> | <b>1,138,495</b> | <b>1,165,939</b> | <b>1,271,167</b> | <b>1,303,990</b> | <b>1,353,410</b> | <b>1,393,082</b> | <b>1,436,511</b> | <b>1,483,947</b> | <b>1,535,660</b> | <b>1,591,946</b> |      |
| <b>Operating Income (Loss)</b>                 |                            | <b>217,713</b>   | <b>66,308</b>    | <b>95,537</b>    | <b>36,072</b>    | <b>50,389</b>    | <b>66,804</b>    | <b>55,380</b>    | <b>57,593</b>    | <b>43,670</b>    | <b>42,875</b>    | <b>25,391</b>    |      |
| <b>Non Operating Revenues (Expenses)</b>       |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |      |
| Investment Earnings                            | 1.00%                      | 25,000           | 38,616           | 43,349           | 48,291           | 53,360           | 58,495           | 63,832           | 69,357           | 74,857           | 80,122           | 85,656           |      |
| Special Assessments                            |                            | 10,000           | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |      |
| Bond Interest - Existing                       |                            | (13,566)         | (5,750)          | (5,225)          | (4,575)          | (3,825)          | (3,038)          | (2,213)          | (1,388)          | (488)            | -                | -                |      |
| Paying Agent Fees                              |                            | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          |      |
| <b>Total Non Operating Revenues (Expenses)</b> |                            | <b>15,934</b>    | <b>27,366</b>    | <b>32,624</b>    | <b>38,216</b>    | <b>44,035</b>    | <b>49,958</b>    | <b>56,119</b>    | <b>62,470</b>    | <b>68,869</b>    | <b>74,622</b>    | <b>80,156</b>    |      |
| <b>Net Income (Loss) Before Transfers</b>      |                            | <b>233,647</b>   | <b>93,674</b>    | <b>128,161</b>   | <b>74,288</b>    | <b>94,424</b>    | <b>116,761</b>   | <b>111,499</b>   | <b>120,063</b>   | <b>112,539</b>   | <b>117,497</b>   | <b>105,547</b>   |      |
| <b>Operating Transfers</b>                     |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |      |
| Transfers In                                   |                            | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |      |
| Transfers (Out)                                |                            | (34,511)         | (35,861)         | (34,646)         | (33,416)         | (34,627)         | (35,726)         | -                | -                | -                | -                | -                |      |
| <b>Total Operating Transfers</b>               |                            | <b>(34,511)</b>  | <b>(35,861)</b>  | <b>(34,646)</b>  | <b>(33,416)</b>  | <b>(34,627)</b>  | <b>(35,726)</b>  | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         |      |
| <b>Net Income (Loss)</b>                       |                            | <b>199,136</b>   | <b>57,813</b>    | <b>93,515</b>    | <b>40,872</b>    | <b>59,797</b>    | <b>81,035</b>    | <b>111,499</b>   | <b>120,063</b>   | <b>112,539</b>   | <b>117,497</b>   | <b>105,547</b>   |      |
| <b>Beginning Cash &amp; Investments</b>        |                            | <b>3,649,473</b> | <b>3,861,609</b> | <b>4,334,922</b> | <b>4,829,087</b> | <b>5,335,983</b> | <b>5,849,526</b> | <b>6,383,174</b> | <b>6,935,734</b> | <b>7,485,650</b> | <b>8,012,173</b> | <b>8,565,609</b> |      |
| <b>Net Income</b>                              |                            | <b>199,136</b>   | <b>57,813</b>    | <b>93,515</b>    | <b>40,872</b>    | <b>59,797</b>    | <b>81,035</b>    | <b>111,499</b>   | <b>120,063</b>   | <b>112,539</b>   | <b>117,497</b>   | <b>105,547</b>   |      |
| <b>Depreciation</b>                            |                            | <b>435,000</b>   | <b>435,000</b>   | <b>422,650</b>   | <b>485,524</b>   | <b>473,246</b>   | <b>474,613</b>   | <b>463,060</b>   | <b>451,854</b>   | <b>440,983</b>   | <b>430,439</b>   | <b>420,211</b>   |      |
| <b>Amortization</b>                            |                            | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     |      |
| <b>Acquisition and Construction of Assets</b>  |                            | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         |      |
| <b>Payments on Existing Long-Term Debt</b>     |                            | <b>(427,500)</b> | <b>(25,000)</b>  | <b>(27,500)</b>  | <b>(25,000)</b>  | <b>(25,000)</b>  | <b>(27,500)</b>  | <b>(27,500)</b>  | <b>(27,500)</b>  | <b>(32,500)</b>  | <b>-</b>         | <b>-</b>         |      |
| <b>Ending Cash Balance</b>                     |                            | <b>3,861,609</b> | <b>4,334,922</b> | <b>4,829,087</b> | <b>5,335,983</b> | <b>5,849,526</b> | <b>6,383,174</b> | <b>6,935,734</b> | <b>7,485,650</b> | <b>8,012,173</b> | <b>8,565,609</b> | <b>9,096,868</b> |      |
| <b>Minimum Cash Balance</b>                    |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |      |
| For ongoing operations                         |                            | 271,822          | 284,624          | 291,485          | 317,792          | 325,997          | 338,353          | 348,270          | 359,128          | 370,987          | 383,915          | 397,986          |      |
| For debt service                               |                            | 30,750           | 32,725           | 29,575           | 28,825           | 30,538           | 29,713           | 28,888           | 32,988           | -                | -                | -                |      |
| <b>Minimum Cash Balance Required</b>           |                            | <b>302,572</b>   | <b>317,349</b>   | <b>321,060</b>   | <b>346,617</b>   | <b>356,535</b>   | <b>368,065</b>   | <b>377,158</b>   | <b>392,115</b>   | <b>370,987</b>   | <b>383,915</b>   | <b>397,986</b>   |      |
| <b>Amount Over (Under) Minimum</b>             |                            | <b>3,559,037</b> | <b>4,017,573</b> | <b>4,508,027</b> | <b>4,989,366</b> | <b>5,492,991</b> | <b>6,015,109</b> | <b>6,558,576</b> | <b>7,093,535</b> | <b>7,641,186</b> | <b>8,181,694</b> | <b>8,698,881</b> |      |

### **Scenario 3 –Uniform Rate for All Use/Users**

Scenario 3 also assumes the same revenue requirements will need to be met as in Scenarios 1 and 2. However, Scenario 3 assumes one rate for all use of all users. The 2013 rate for all users; residential, non-residential, and non-residential irrigation customers is recommended to be \$2.16 per 1,000 gallons.

A uniform rate structure is estimated to alter the total revenues generated from each customer class as follows:

|               | Residential | Non-Residential | Non-Residential Irrigation |
|---------------|-------------|-----------------|----------------------------|
| Current Rates | 77%         | 10%             | 13%                        |
| Proposed Rate | 82%         | 10%             | 8%                         |

As in the first two scenarios, these volumetric rates would need to be increased by 2.0% annually 2014-2017.

The financial projections are shown on the following page.

Scenario 3 - Water Utility Financial Projections – Uniform Rate for All Use/Users

| Projected Water Rate Adjustment                | Projected Change 2013-2022 | Calculate        | 2.00%            | 2.00%            | 2.00%            | 2.00%            | 2.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            |
|--|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  |                            | 2012             | 2013             | 2014             | 2015             | 2016             | 2017             | 2018             | 2019             | 2020             | 2021             | 2022             |
| <b>Operating Revenues</b>                      |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Charges for Services                           |                            | 1,250,000        | 1,145,594        | 1,188,301        | 1,232,259        | 1,277,499        | 1,329,106        | 1,355,163        | 1,386,270        | 1,417,377        | 1,453,533        | 1,489,690        |
| Hook-up Charges                                |                            | 9,000            | 10,600           | 15,600           | 15,600           | 15,600           | 20,600           | 20,600           | 25,600           | 25,600           | 30,600           | 30,600           |
| Water Meter Sales                              |                            | 10,000           | 15,475           | 22,725           | 22,725           | 22,725           | 29,975           | 29,975           | 37,225           | 37,225           | 44,475           | 44,475           |
| Other Revenue                                  | 5.00%                      | 36,000           | 37,800           | 39,690           | 41,675           | 43,758           | 45,946           | 48,243           | 50,656           | 53,188           | 55,848           | 58,640           |
| <b>Total Operating Revenue</b>                 |                            | <b>1,305,000</b> | <b>1,209,469</b> | <b>1,266,316</b> | <b>1,312,258</b> | <b>1,359,582</b> | <b>1,425,627</b> | <b>1,453,981</b> | <b>1,499,750</b> | <b>1,533,390</b> | <b>1,584,456</b> | <b>1,623,405</b> |
| <b>Operating Expenses</b>                      |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Personal Services                              | 5.00%                      | 181,337          | 196,545          | 206,372          | 216,691          | 227,525          | 238,902          | 250,847          | 263,389          | 276,559          | 290,386          | 304,906          |
| Materials and Supplies                         | 4.00%                      | 237,500          | 262,500          | 273,000          | 283,920          | 295,277          | 307,088          | 319,371          | 332,146          | 345,432          | 359,249          | 373,619          |
| Contractual Services                           | 10.00%                     | 110,000          | 120,000          | 132,000          | 145,200          | 159,720          | 175,692          | 193,261          | 212,587          | 233,846          | 257,231          | 282,954          |
| Utilities                                      | 6.00%                      | 92,000           | 92,000           | 97,520           | 103,371          | 109,573          | 116,148          | 123,117          | 130,504          | 138,334          | 146,634          | 155,432          |
| Other  | 6.00%                      | 31,450           | 32,450           | 34,397           | 36,461           | 38,648           | 40,967           | 43,425           | 46,031           | 48,793           | 51,720           | 54,824           |
| Existing Depreciation                          |                            | 435,000          | 435,000          | 421,950          | 409,292          | 397,013          | 385,102          | 373,549          | 362,343          | 351,473          | 340,928          | 330,701          |
| New Depreciation                               |                            | -                | -                | 700              | 76,233           | 76,233           | 89,511           | 89,511           | 89,511           | 89,511           | 89,511           | 89,511           |
| <b>Total Operating Expenses</b>                |                            | <b>1,087,287</b> | <b>1,138,495</b> | <b>1,165,939</b> | <b>1,271,167</b> | <b>1,303,990</b> | <b>1,353,410</b> | <b>1,393,082</b> | <b>1,436,511</b> | <b>1,483,947</b> | <b>1,535,660</b> | <b>1,591,946</b> |
| <b>Operating Income (Loss)</b>                 |                            | <b>217,713</b>   | <b>70,974</b>    | <b>100,377</b>   | <b>41,091</b>    | <b>55,593</b>    | <b>72,217</b>    | <b>60,900</b>    | <b>63,239</b>    | <b>49,443</b>    | <b>48,796</b>    | <b>31,459</b>    |
| <b>Non Operating Revenues (Expenses)</b>       |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Investment Earnings                            | 1.00%                      | 25,000           | 38,616           | 43,396           | 48,386           | 53,507           | 58,695           | 64,088           | 69,671           | 75,230           | 80,557           | 86,155           |
| Special Assessments                            |                            | 10,000           | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Bond Interest - Existing                       |                            | (13,566)         | (5,750)          | (5,225)          | (4,575)          | (3,825)          | (3,038)          | (2,213)          | (1,388)          | (488)            | -                | -                |
| Paying Agent Fees                              |                            | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          |
| <b>Total Non Operating Revenues (Expenses)</b> |                            | <b>15,934</b>    | <b>27,366</b>    | <b>32,671</b>    | <b>38,311</b>    | <b>44,182</b>    | <b>50,158</b>    | <b>56,376</b>    | <b>62,784</b>    | <b>69,243</b>    | <b>75,057</b>    | <b>80,655</b>    |
| <b>Net Income (Loss) Before Transfers</b>      |                            | <b>233,647</b>   | <b>98,340</b>    | <b>133,048</b>   | <b>79,402</b>    | <b>99,774</b>    | <b>122,375</b>   | <b>117,275</b>   | <b>126,023</b>   | <b>118,686</b>   | <b>123,853</b>   | <b>112,114</b>   |
| <b>Operating Transfers</b>                     |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Transfers In                                   |                            | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Transfers (Out)                                |                            | (34,511)         | (35,861)         | (34,646)         | (33,416)         | (34,627)         | (35,726)         | -                | -                | -                | -                | -                |
| <b>Total Operating Transfers</b>               |                            | <b>(34,511)</b>  | <b>(35,861)</b>  | <b>(34,646)</b>  | <b>(33,416)</b>  | <b>(34,627)</b>  | <b>(35,726)</b>  | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         |
| <b>Net Income (Loss)</b>                       |                            | <b>199,136</b>   | <b>62,479</b>    | <b>98,402</b>    | <b>45,986</b>    | <b>65,147</b>    | <b>86,649</b>    | <b>117,275</b>   | <b>126,023</b>   | <b>118,686</b>   | <b>123,853</b>   | <b>112,114</b>   |
| <b>Beginning Cash &amp; Investments</b>        |                            | <b>3,649,473</b> | <b>3,861,609</b> | <b>4,339,588</b> | <b>4,838,639</b> | <b>5,350,650</b> | <b>5,869,543</b> | <b>6,408,805</b> | <b>6,967,141</b> | <b>7,523,017</b> | <b>8,055,687</b> | <b>8,615,478</b> |
| <b>Net Income</b>                              |                            | <b>199,136</b>   | <b>62,479</b>    | <b>98,402</b>    | <b>45,986</b>    | <b>65,147</b>    | <b>86,649</b>    | <b>117,275</b>   | <b>126,023</b>   | <b>118,686</b>   | <b>123,853</b>   | <b>112,114</b>   |
| <b>Depreciation</b>                            |                            | <b>435,000</b>   | <b>435,000</b>   | <b>422,650</b>   | <b>485,524</b>   | <b>473,246</b>   | <b>474,613</b>   | <b>463,060</b>   | <b>451,854</b>   | <b>440,983</b>   | <b>430,439</b>   | <b>420,211</b>   |
| <b>Amortization</b>                            |                            | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     | <b>5,500</b>     |
| <b>Acquisition and Construction of Assets</b>  |                            | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         |
| <b>Payments on Existing Long-Term Debt</b>     |                            | <b>(427,500)</b> | <b>(25,000)</b>  | <b>(27,500)</b>  | <b>(25,000)</b>  | <b>(25,000)</b>  | <b>(27,500)</b>  | <b>(27,500)</b>  | <b>(27,500)</b>  | <b>(32,500)</b>  | <b>-</b>         | <b>-</b>         |
| <b>Ending Cash Balance</b>                     |                            | <b>3,861,609</b> | <b>4,339,588</b> | <b>4,838,639</b> | <b>5,350,650</b> | <b>5,869,543</b> | <b>6,408,805</b> | <b>6,967,141</b> | <b>7,523,017</b> | <b>8,055,687</b> | <b>8,615,478</b> | <b>9,153,304</b> |
| <b>Minimum Cash Balance</b>                    |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| For ongoing operations                         |                            | 271,822          | 284,624          | 291,485          | 317,792          | 325,997          | 338,353          | 348,270          | 359,128          | 370,987          | 383,915          | 397,986          |
| For debt service                               |                            | 30,750           | 32,725           | 29,575           | 28,825           | 30,538           | 29,713           | 28,888           | 32,988           | -                | -                | -                |
| <b>Minimum Cash Balance Required</b>           |                            | <b>302,572</b>   | <b>317,349</b>   | <b>321,060</b>   | <b>346,617</b>   | <b>356,535</b>   | <b>368,065</b>   | <b>377,158</b>   | <b>392,115</b>   | <b>370,987</b>   | <b>383,915</b>   | <b>397,986</b>   |
| Amount Over (Under) Minimum                    |                            | 3,559,037        | 4,022,239        | 4,517,580        | 5,004,033        | 5,513,008        | 6,040,740        | 6,589,983        | 7,130,902        | 7,684,700        | 8,231,563        | 8,755,317        |

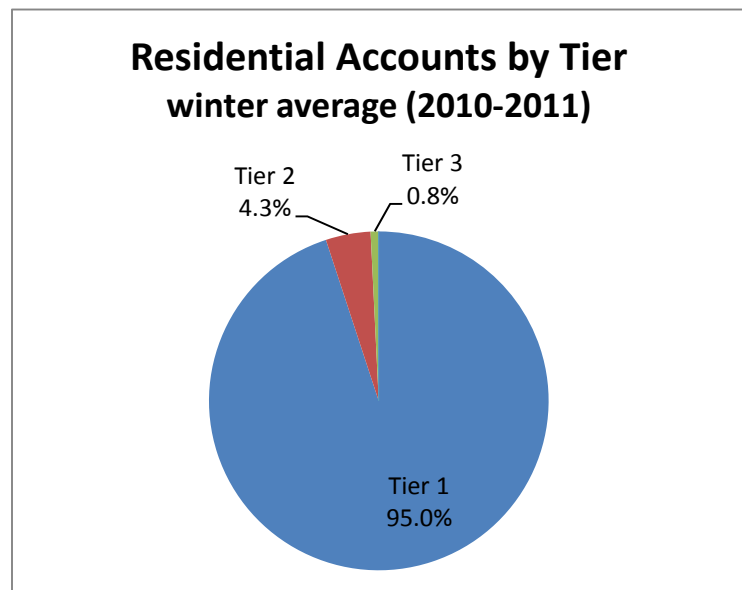
### **Scenario 4 – Revised Block Rate Structure**

One final option we reviewed is to keep a block rate structure, whereby the price of water increases with volume consumed, but reduce the number of blocks from five to three for residential and from three to two for non-residential and non-residential irrigation. The following block rate structure is proposed in order to meet revenue requirements:

#### **Proposed 2013 Residential Rates**

|                    | <u>Residential</u> |
|--------------------|--------------------|
| 0 – 30,000 gallons | \$1.89             |
| 30,001 – 50,000    | \$2.09             |
| > 50,000           | \$2.91             |

Based on this rate structure, 95% of residential accounts would fall into the first tier and 99.3% in the first two tiers (based on 2010 and 2011 winter average consumption records).



#### **Proposed 2013 Non-Residential Rates**

|                    | <u>Non-Residential</u> |
|--------------------|------------------------|
| 0 – 50,000 gallons | \$2.04                 |
| > 50,000           | \$2.30                 |

#### **Proposed 2013 Non-Residential Irrigation Rates**

|                    | <u>Non-Residential Irrigation</u> |
|--------------------|-----------------------------------|
| 0 – 50,000 gallons | \$2.55                            |
| > 50,000           | \$3.57                            |

Our proposed rates along with 2.0% increases in these rates 2014-2017 project depreciation could be funded while maintaining recommended reserve levels.

The financial projections are shown on the following page.

Scenario 4 - Water Utility Financial Projections – Revised Block-Rate Structure

| Projected Water Rate Adjustment                | Projected Change | Colocate         | 2.00%            | 2.00%            | 2.00%            | 2.00%            | 2.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  | 2013-2022        | 2012             | 2013             | 2014             | 2015             | 2016             | 2017             | 2018             | 2019             | 2020             | 2021             | 2022             |
| <b>Operating Revenues</b>                      |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Charges for Services                           |                  | 1,250,000        | 1,141,244        | 1,183,789        | 1,227,580        | 1,272,648        | 1,324,059        | 1,350,017        | 1,381,006        | 1,411,995        | 1,448,014        | 1,484,033        |
| Hook-up Charges                                |                  | 9,000            | 10,600           | 15,600           | 15,600           | 15,600           | 20,600           | 20,600           | 25,600           | 25,600           | 30,600           | 30,600           |
| Water Meter Sales                              |                  | 10,000           | 15,475           | 22,725           | 22,725           | 22,725           | 29,975           | 29,975           | 37,225           | 37,225           | 44,475           | 44,475           |
| Other Revenue                                  | 5.00%            | 36,000           | 37,800           | 39,690           | 41,675           | 43,758           | 45,946           | 48,243           | 50,656           | 53,188           | 55,848           | 58,640           |
| <b>Total Operating Revenue</b>                 |                  | <b>1,305,000</b> | <b>1,205,119</b> | <b>1,261,804</b> | <b>1,307,579</b> | <b>1,354,732</b> | <b>1,420,580</b> | <b>1,448,836</b> | <b>1,494,487</b> | <b>1,528,008</b> | <b>1,578,937</b> | <b>1,617,748</b> |
| <b>Operating Expenses</b>                      |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Personal Services                              | 5.00%            | 181,337          | 196,545          | 206,372          | 216,691          | 227,525          | 238,902          | 250,847          | 263,389          | 276,559          | 290,386          | 304,906          |
| Materials and Supplies                         | 4.00%            | 237,500          | 262,500          | 273,000          | 283,920          | 295,277          | 307,088          | 319,371          | 332,146          | 345,432          | 359,249          | 373,619          |
| Contractual Services                           | 10.00%           | 110,000          | 120,000          | 132,000          | 145,200          | 159,720          | 175,692          | 193,261          | 212,587          | 233,846          | 257,231          | 282,954          |
| Utilities                                      | 6.00%            | 92,000           | 92,000           | 97,520           | 103,371          | 109,573          | 116,148          | 123,117          | 130,504          | 138,334          | 146,634          | 155,432          |
| Other  | 6.00%            | 31,450           | 32,450           | 34,397           | 36,461           | 38,648           | 40,967           | 43,425           | 46,031           | 48,793           | 51,720           | 54,824           |
| Existing Depreciation                          |                  | 435,000          | 435,000          | 421,950          | 409,292          | 397,013          | 385,102          | 373,549          | 362,343          | 351,473          | 340,928          | 330,701          |
| New Depreciation                               |                  | -                | -                | 700              | 76,233           | 76,233           | 89,511           | 89,511           | 89,511           | 89,511           | 89,511           | 89,511           |
| <b>Total Operating Expenses</b>                |                  | <b>1,087,287</b> | <b>1,138,495</b> | <b>1,165,939</b> | <b>1,271,167</b> | <b>1,303,990</b> | <b>1,353,410</b> | <b>1,393,082</b> | <b>1,436,511</b> | <b>1,483,947</b> | <b>1,535,660</b> | <b>1,591,946</b> |
| <b>Operating Income (Loss)</b>                 |                  | <b>217,713</b>   | <b>66,624</b>    | <b>95,865</b>    | <b>36,412</b>    | <b>50,742</b>    | <b>67,170</b>    | <b>55,754</b>    | <b>57,975</b>    | <b>44,061</b>    | <b>43,276</b>    | <b>25,802</b>    |
| <b>Non Operating Revenues (Expenses)</b>       |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Investment Earnings                            | 1.00%            | 25,000           | 38,616           | 43,352           | 48,297           | 53,370           | 58,509           | 63,849           | 69,379           | 74,882           | 80,151           | 85,690           |
| Special Assessments                            |                  | 10,000           | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Bond Interest - Existing                       |                  | (13,566)         | (5,750)          | (5,225)          | (4,575)          | (3,825)          | (3,038)          | (2,213)          | (1,388)          | (488)            | -                | -                |
| Paying Agent Fees                              |                  | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          | (5,500)          |
| <b>Total Non Operating Revenues (Expenses)</b> |                  | <b>15,934</b>    | <b>27,366</b>    | <b>32,627</b>    | <b>38,222</b>    | <b>44,045</b>    | <b>49,971</b>    | <b>56,137</b>    | <b>62,491</b>    | <b>68,894</b>    | <b>74,651</b>    | <b>80,190</b>    |
| <b>Net Income (Loss) Before Transfers</b>      |                  | <b>233,647</b>   | <b>93,990</b>    | <b>128,492</b>   | <b>74,634</b>    | <b>94,787</b>    | <b>117,142</b>   | <b>111,891</b>   | <b>120,467</b>   | <b>112,955</b>   | <b>117,928</b>   | <b>105,992</b>   |
| <b>Operating Transfers</b>                     |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Transfers In                                   |                  | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Transfers (Out)                                |                  | (34,511)         | (35,861)         | (34,646)         | (33,416)         | (34,627)         | (35,726)         | -                | -                | -                | -                | -                |
| <b>Total Operating Transfers</b>               |                  | <b>(34,511)</b>  | <b>(35,861)</b>  | <b>(34,646)</b>  | <b>(33,416)</b>  | <b>(34,627)</b>  | <b>(35,726)</b>  | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         |
| <b>Net Income (Loss)</b>                       |                  | <b>199,136</b>   | <b>58,129</b>    | <b>93,846</b>    | <b>41,218</b>    | <b>60,160</b>    | <b>81,415</b>    | <b>111,891</b>   | <b>120,467</b>   | <b>112,955</b>   | <b>117,928</b>   | <b>105,992</b>   |
| <b>Beginning Cash &amp; Investments</b>        |                  | <b>3,649,473</b> | <b>3,861,609</b> | <b>4,335,238</b> | <b>4,829,734</b> | <b>5,336,976</b> | <b>5,850,882</b> | <b>6,384,910</b> | <b>6,937,861</b> | <b>7,488,181</b> | <b>8,015,120</b> | <b>8,568,987</b> |
| Net Income                                     |                  | 199,136          | 58,129           | 93,846           | 41,218           | 60,160           | 81,415           | 111,891          | 120,467          | 112,955          | 117,928          | 105,992          |
| Depreciation                                   |                  | 435,000          | 435,000          | 422,650          | 485,524          | 473,246          | 474,613          | 463,060          | 451,854          | 440,983          | 430,439          | 420,211          |
| Amortization                                   |                  | 5,500            | 5,500            | 5,500            | 5,500            | 5,500            | 5,500            | 5,500            | 5,500            | 5,500            | 5,500            | 5,500            |
| Acquisition and Construction of Assets         |                  | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Payments on Existing Long-Term Debt            |                  | (427,500)        | (25,000)         | (27,500)         | (25,000)         | (25,000)         | (27,500)         | (27,500)         | (27,500)         | (32,500)         | -                | -                |
| <b>Ending Cash Balance</b>                     |                  | <b>3,861,609</b> | <b>4,335,238</b> | <b>4,829,734</b> | <b>5,336,976</b> | <b>5,850,882</b> | <b>6,384,910</b> | <b>6,937,861</b> | <b>7,488,181</b> | <b>8,015,120</b> | <b>8,568,987</b> | <b>9,100,691</b> |
| <b>Minimum Cash Balance</b>                    |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| For ongoing operations                         |                  | 271,822          | 284,624          | 291,485          | 317,792          | 325,997          | 338,353          | 348,270          | 359,128          | 370,987          | 383,915          | 397,986          |
| For debt service                               |                  | 30,750           | 32,725           | 29,575           | 28,825           | 30,538           | 29,713           | 28,888           | 32,988           | -                | -                | -                |
| <b>Minimum Cash Balance Required</b>           |                  | <b>302,572</b>   | <b>317,349</b>   | <b>321,060</b>   | <b>346,617</b>   | <b>356,535</b>   | <b>368,065</b>   | <b>377,158</b>   | <b>392,115</b>   | <b>370,987</b>   | <b>383,915</b>   | <b>397,986</b>   |
| Amount Over (Under) Minimum                    |                  | 3,559,037        | 4,017,889        | 4,508,674        | 4,990,359        | 5,494,347        | 6,016,845        | 6,560,703        | 7,096,066        | 7,644,133        | 8,185,072        | 8,702,704        |

**Impact on Water Charges**

The proposed quarterly water bill for an average residential water user of 17,500 gallons per quarter, 24,000 gallons per quarter, and 30,000 gallons per quarter in 2013 compared to current rates for each rate scenario are shown in the tables below:

| Average Residential User of <b>17,500 gallons</b> per quarter (64.6% of users) | Fixed Fee/REU | Volume Charges | <b>Total Quarterly Bill 2013</b> | Total Quarterly Bill 2012 | Increase 2014-2017 |
|--|---------------|----------------|----------------------------------|---------------------------|--------------------|
| Scenario 1<br>(Current Blocks)   | \$10.00       | \$32.20        | <b>\$42.20</b>                   | \$41.50                   | 2.0%               |
| Scenario 2<br>(One Rate for Each Customer Class)                               | \$10.00       | \$35.35        | <b>\$45.35</b>                   | \$41.50                   | 2.0%               |
| Scenario 3<br>(One Rate for All Users/All Use)                                 | \$10.00       | \$37.80        | <b>\$47.80</b>                   | \$41.50                   | 2.0%               |
| Scenario 4<br>(Revised Block Rate Structure)                                   | \$10.00       | \$33.08        | <b>\$43.08</b>                   | \$41.50                   | 2.0%               |

| Average Residential User of <b>24,000 gallons</b> per quarter (86.4% of users) | Fixed Fee/REU | Volume Charges | <b>Total Quarterly Bill</b> | Total Quarterly Bill 2012 | Increase 2014-2017 |
|--|---------------|----------------|-----------------------------|---------------------------|--------------------|
| Scenario 1<br>(Current Blocks)   | \$10.00       | \$44.96        | <b>\$54.96</b>              | \$54.00                   | 2.0%               |
| Scenario 2<br>(One Rate for Each Customer Class)                               | \$10.00       | \$48.48        | <b>\$58.48</b>              | \$54.00                   | 2.0%               |
| Scenario 3<br>(One Rate for All Users/All Use)                                 | \$10.00       | \$51.84        | <b>\$61.84</b>              | \$54.00                   | 2.0%               |
| Scenario 4<br>(Revised Block Rate Structure)                                   | \$10.00       | \$45.36        | <b>\$55.36</b>              | \$54.00                   | 2.0%               |

| Average Residential User of <b>30,000 gallons</b> per quarter (95.0% of users) | Fixed Fee/REU | Volume Charges | <b>Total Quarterly Bill</b> | Total Quarterly Bill 2012 | Increase 2014-2017 |
|--|---------------|----------------|-----------------------------|---------------------------|--------------------|
| Scenario 1<br>(Current Blocks)   | \$10.00       | \$57.20        | <b>\$67.20</b>              | \$66.00                   | 2.0%               |
| Scenario 2<br>(One Rate for Each Customer Class)                               | \$10.00       | \$60.60        | <b>\$70.60</b>              | \$66.00                   | 2.0%               |
| Scenario 3<br>(One Rate for All Users/All Use)                                 | \$10.00       | \$64.80        | <b>\$74.80</b>              | \$66.00                   | 2.0%               |
| Scenario 4<br>(Revised Block Rate Structure)                                   | \$10.00       | \$56.70        | <b>\$66.70</b>              | \$66.00                   | 2.0%               |

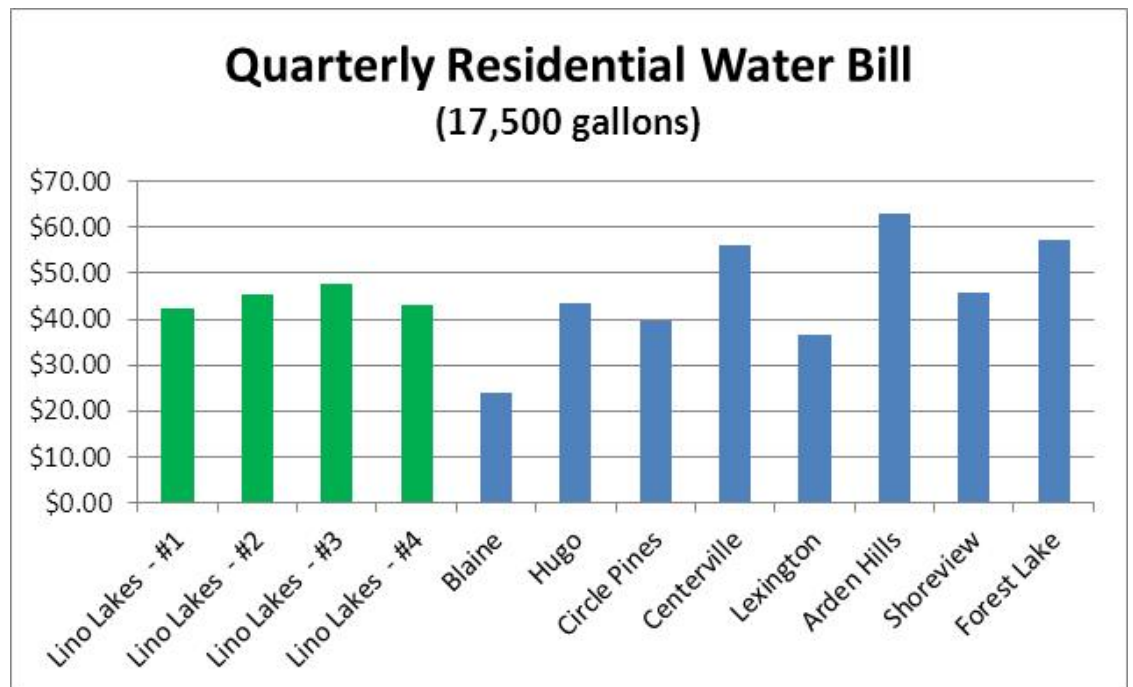
The bill for an average residential user in scenarios 2 and 3 is higher due to the need to generate lost revenues that higher end water users currently pay for using more water at higher rates.



We recommend the City establish Water rates on a three-year basis. The rates should be reviewed on an annual basis concurrent with the development of following year’s budget.

A comparison of an average residential quarterly bill for the City of Lino Lakes to the average quarterly bill of other communities selected by the City is shown below.

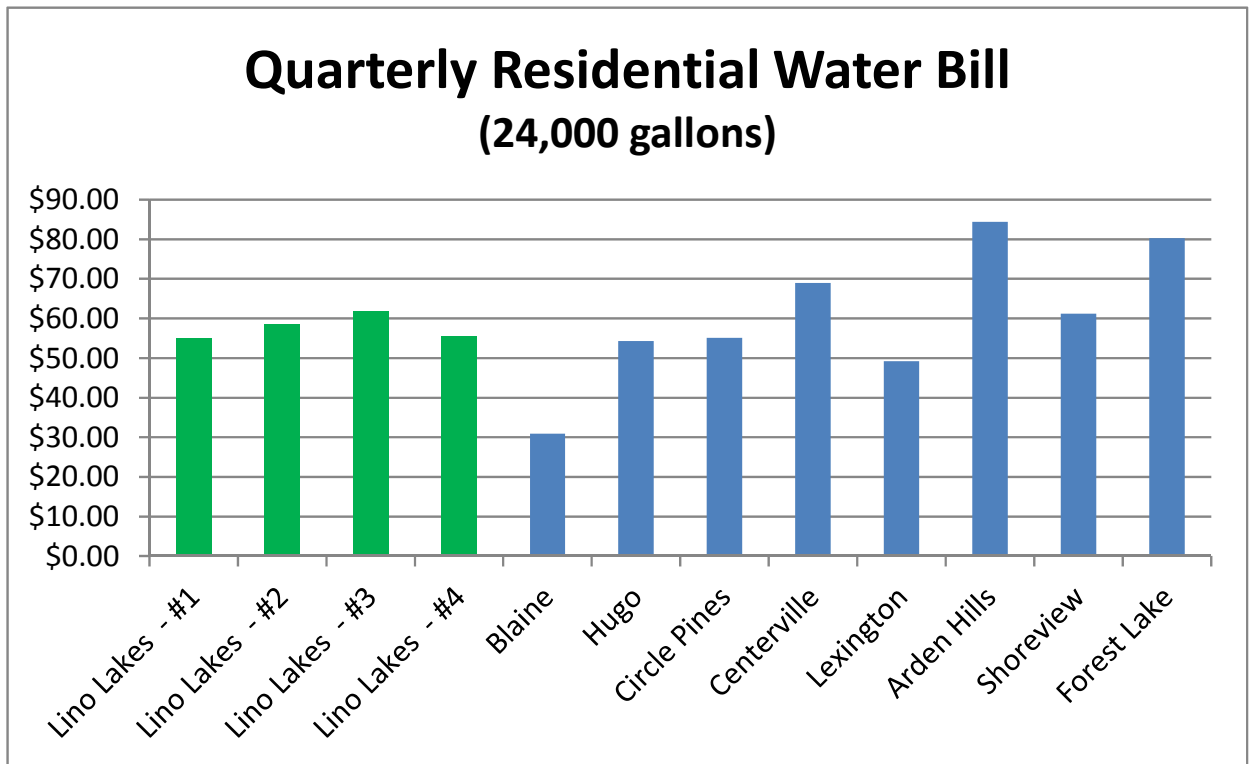
The average water bill of the seven communities for a resident using 17,500 gallons per quarter surveyed is \$45.75, putting three of the four the proposed 2013 options slightly below average. Some comparable communities have already adopted 2013 rates. It is noted where that is the case.



| <b>WATER RATES - RESIDENTIAL USER - AVERAGE USE 17,500 GALLONS/QUARTER</b> |                    |                                      |                      |                    |                                   |
|--|--------------------|--------------------------------------|----------------------|--------------------|-----------------------------------|
| <b>Jurisdiction</b>  | <b>Block Usage</b> | <b>Water Rates per 1,000 Gallons</b> | <b>Volume Charge</b> | <b>Base Charge</b> | <b>Total Avg Quarterly Charge</b> |
| Lino Lakes<br><b>SCENARIO 1 - 2013</b>                                     | 0 - 20,000         | \$1.84                               |                      |                    |                                   |
|  | 20,001 - 40,000    | \$2.04                               |                      |                    |                                   |
|  | 40,001 - 79,000    | \$2.55                               | \$32.20              | \$10.00            | <b>\$42.20</b>                    |
|  | 79,001 - 120,000   | \$3.06                               |                      |                    |                                   |
|  | > 120,000          | \$3.57                               |                      |                    |                                   |
| Lino Lakes<br><b>SCENARIO 2 - 2013</b>                                     | All Use            | \$2.02                               | \$35.35              | \$10.00            | <b>\$45.35</b>                    |
| Lino Lakes<br><b>SCENARIO 3 - 2013</b>                                     | All Use            | \$2.16                               | \$37.80              | \$10.00            | <b>\$47.80</b>                    |
| Lino Lakes<br><b>SCENARIO 4 - 2013</b>                                     | 0 - 30,000         | \$1.89                               |                      |                    |                                   |
|  | 30,001 - 50,000    | \$2.09                               | \$33.08              | \$10.00            | <b>\$43.08</b>                    |
|  | >50,000            | \$2.91                               |                      |                    |                                   |
| Blaine   | 0 - 24,000         | \$1.06                               |                      |                    |                                   |
|  | 24,001 - 150,000   | \$1.43                               | \$18.55              | \$5.50             | <b>\$24.05</b>                    |
|  | >150,000           | \$2.10                               |                      |                    |                                   |
| Hugo - 2012<br><i>(2013 rates determined in March)</i>                     | 0 - 15,000         | \$1.50                               |                      |                    |                                   |
|  | 15,001 - 30,000    | \$1.65                               | \$26.63              | \$17.00            | <b>\$43.63</b>                    |
|  | > 30,000           | \$2.50                               |                      |                    |                                   |
| Circle Pines   | 0 - 8,000          | \$1.70                               |                      |                    |                                   |
|  | 8,001 - 16,000     | \$1.90                               | \$32.33              | \$7.50             | <b>\$39.83</b>                    |
|  | 16,000 - 35,000    | \$2.35                               |                      |                    |                                   |
|  | >35,000            | \$3.25                               |                      |                    |                                   |
| Centerville<br><i>2013 rates</i>   | 0 - 90,000         | \$2.00                               |                      |                    |                                   |
|  | 90,001 - 150,000   | \$2.20                               | \$35.00              | \$21.00            | <b>\$56.00</b>                    |
|  | >150,001           | \$2.50                               |                      |                    |                                   |
| Lexington  | 0 - 10,000         | \$1.40                               |                      |                    |                                   |
|  | 10,001 - 20,000    | \$1.68                               |                      |                    |                                   |
|  | 20,001 - 30,000    | \$2.10                               | \$26.60              | \$10.00            | <b>\$36.60</b>                    |
|  | 30,001 - 40,000    | \$2.73                               |                      |                    |                                   |
|  | >40,000            | \$3.69                               |                      |                    |                                   |
| Arden Hills  | 0- 10,000          | \$0.00                               |                      |                    |                                   |
|  | 10,001 - 35,000    | \$3.28                               | \$24.60              | \$38.47            | <b>\$63.07</b>                    |
|  | >35,000            | \$5.75                               |                      |                    |                                   |
| Shoreview<br><i>2013 rates</i>   | 0 - 5,000          | \$1.08                               |                      |                    |                                   |
|  | 5,001 - 10,000     | \$1.74                               | \$32.18              | \$13.40            | <b>\$45.58</b>                    |
|  | 10,001 - 30,000    | \$2.41                               |                      |                    |                                   |
|  | 30,001 or >        | \$3.96                               |                      |                    |                                   |
| Forest Lake (a)<br><i>2013 rates</i>                                       | 0 - 5,000          | \$0.00                               |                      |                    |                                   |
|  | 5,001 - 15,000     | \$2.87                               | \$37.55              | \$19.70            | <b>\$57.25</b>                    |
|  | >15,001            | \$3.54                               |                      |                    |                                   |

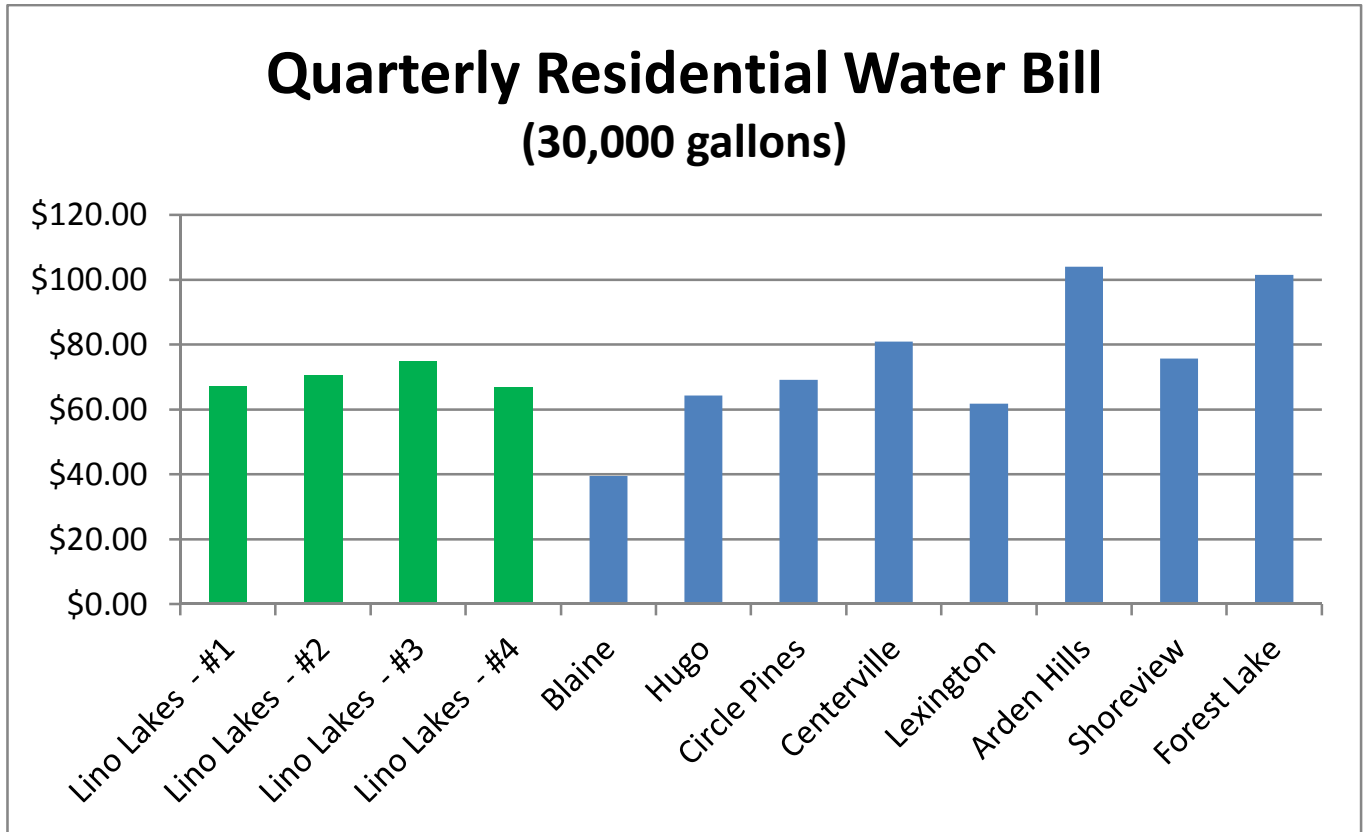
(a) City has fall/winter rates that vary from spring/summer. Our calculation is an average of the two.

The average water bill of the seven communities for a resident using 24,000 gallons per quarter surveyed is \$60.56, again putting three of the four proposed 2013 options below average.



| <b>WATER RATES - RESIDENTIAL USER - AVERAGE USE 24,000 GALLONS/QUARTER</b>                                    |                    |                                      |                      |                    |                                   |
|---|--------------------|--------------------------------------|----------------------|--------------------|-----------------------------------|
| <b>Jurisdiction</b>   | <b>Block Usage</b> | <b>Water Rates per 1,000 Gallons</b> | <b>Volume Charge</b> | <b>Base Charge</b> | <b>Total Avg Quarterly Charge</b> |
| Lino Lakes<br><b>SCENARIO 1 - 2013</b>  | 0 - 20,000         | \$1.84                               |                      |                    |                                   |
|   | 20,001 - 40,000    | \$2.04                               |                      |                    |                                   |
|   | 40,001 - 79,000    | \$2.55                               | \$44.96              | \$10.00            | <b>\$54.96</b>                    |
|   | 79,001 - 120,000   | \$3.06                               |                      |                    |                                   |
|   | > 120,000          | \$3.57                               |                      |                    |                                   |
| Lino Lakes<br><b>SCENARIO 2 - 2013</b>  | All Use            | \$2.02                               | \$48.48              | \$10.00            | <b>\$58.48</b>                    |
| Lino Lakes<br><b>SCENARIO 3 - 2013</b>  | All Use            | \$2.16                               | \$51.84              | \$10.00            | <b>\$61.84</b>                    |
| Lino Lakes<br><b>SCENARIO 4 - 2013</b>  | 0 - 30,000         | \$1.89                               |                      |                    |                                   |
|   | 30,001 - 50,000    | \$2.09                               | \$45.36              | \$10.00            | <b>\$55.36</b>                    |
|   | >50,000            | \$2.91                               |                      |                    |                                   |
| Blaine  | 0 - 24,000         | \$1.06                               |                      |                    |                                   |
|   | 24,001 - 150,000   | \$1.43                               | \$25.44              | \$5.50             | <b>\$30.94</b>                    |
|   | >150,000           | \$2.10                               |                      |                    |                                   |
| Hugo - 2012<br><i>(2013 rates determined in March)</i>  | 0 - 15,000         | \$1.50                               |                      |                    |                                   |
|   | 15,001 - 30,000    | \$1.65                               | \$37.35              | \$17.00            | <b>\$54.35</b>                    |
|   | > 30,000           | \$2.50                               |                      |                    |                                   |
| Circle Pines  | 0 - 8,000          | \$1.70                               |                      |                    |                                   |
|   | 8,001 - 16,000     | \$1.90                               |                      |                    |                                   |
|   | 16,000 - 35,000    | \$2.35                               | \$47.60              | \$7.50             | <b>\$55.10</b>                    |
|   | >35,000            | \$3.25                               |                      |                    |                                   |
| Centerville<br><i>2013 rates</i>  | 0 - 90,000         | \$2.00                               |                      |                    |                                   |
|   | 90,001 - 150,000   | \$2.20                               | \$48.00              | \$21.00            | <b>\$69.00</b>                    |
|   | >150,001           | \$2.50                               |                      |                    |                                   |
| Lexington   | 0 - 10,000         | \$1.40                               |                      |                    |                                   |
|   | 10,001 - 20,000    | \$1.68                               |                      |                    |                                   |
|   | 20,001 - 30,000    | \$2.10                               | \$39.20              | \$10.00            | <b>\$49.20</b>                    |
|   | 30,001 - 40,000    | \$2.73                               |                      |                    |                                   |
|   | >40,000            | \$3.69                               |                      |                    |                                   |
| Arden Hills   | 0- 10,000          | \$0.00                               |                      |                    |                                   |
|   | 10,001 - 35,000    | \$3.28                               | \$45.92              | \$38.47            | <b>\$84.39</b>                    |
|   | >35,000            | \$5.75                               |                      |                    |                                   |
| Shoreview<br><i>2013 rates</i>  | 0 - 5,000          | \$1.08                               |                      |                    |                                   |
|   | 5,001 - 10,000     | \$1.74                               |                      |                    |                                   |
|   | 10,001 - 30,000    | \$2.41                               | \$47.84              | \$13.40            | <b>\$61.24</b>                    |
|   | 30,001 or >        | \$3.96                               |                      |                    |                                   |
| Forest Lake (a)<br><i>2013 rates</i>  | 0 - 5,000          | \$0.00                               |                      |                    |                                   |
|   | 5,001 - 15,000     | \$2.87                               | \$60.56              | \$19.70            | <b>\$80.26</b>                    |
|   | >15,001            | \$3.54                               |                      |                    |                                   |
| <i>(a) City has fall/winter rates that vary from spring/summer. Our calculation is an average of the two.</i> |                    |                                      |                      |                    |                                   |

The average water bill of the seven communities for a resident using 30,000 gallons per quarter surveyed is \$74.63, putting three of the four proposed 2013 options below average.



| <b>WATER RATES - RESIDENTIAL USER - AVERAGE USE 30,000 GALLONS/QUARTER</b> |                    |                                      |                      |                    |                                   |
|--|--------------------|--------------------------------------|----------------------|--------------------|-----------------------------------|
| <b>Jurisdiction</b>  | <b>Block Usage</b> | <b>Water Rates per 1,000 Gallons</b> | <b>Volume Charge</b> | <b>Base Charge</b> | <b>Total Avg Quarterly Charge</b> |
| Lino Lakes<br><b>SCENARIO 1 - 2013</b>                                     | 0 - 20,000         | \$1.84                               |                      |                    |                                   |
|  | 20,001 - 40,000    | \$2.04                               |                      |                    |                                   |
|  | 40,001 - 79,000    | \$2.55                               | \$57.20              | \$10.00            | <b>\$67.20</b>                    |
|  | 79,001 - 120,000   | \$3.06                               |                      |                    |                                   |
|  | > 120,000          | \$3.57                               |                      |                    |                                   |
| Lino Lakes<br><b>SCENARIO 2 - 2013</b>                                     | All Use            | \$2.02                               | \$60.60              | \$10.00            | <b>\$70.60</b>                    |
| Lino Lakes<br><b>SCENARIO 3 - 2013</b>                                     | All Use            | \$2.16                               | \$64.80              | \$10.00            | <b>\$74.80</b>                    |
| Lino Lakes<br><b>SCENARIO 4 - 2013</b>                                     | 0 - 30,000         | \$1.89                               |                      |                    |                                   |
|  | 30,001 - 50,000    | \$2.09                               | \$56.70              | \$10.00            | <b>\$66.70</b>                    |
|  | >50,000            | \$2.91                               |                      |                    |                                   |
| Blaine   | 0 - 24,000         | \$1.06                               |                      |                    |                                   |
|  | 24,001 - 150,000   | \$1.43                               | \$34.02              | \$5.50             | <b>\$39.52</b>                    |
|  | >150,000           | \$2.10                               |                      |                    |                                   |
| Hugo - 2012<br><i>(2013 rates determined in March)</i>                     | 0 - 15,000         | \$1.50                               |                      |                    |                                   |
|  | 15,001 - 30,000    | \$1.65                               | \$47.25              | \$17.00            | <b>\$64.25</b>                    |
|  | > 30,000           | \$2.50                               |                      |                    |                                   |
| Circle Pines   | 0 - 8,000          | \$1.70                               |                      |                    |                                   |
|  | 8,001 - 16,000     | \$1.90                               | \$61.70              | \$7.50             | <b>\$69.20</b>                    |
|  | 16,000 - 35,000    | \$2.35                               |                      |                    |                                   |
|  | >35,000            | \$3.25                               |                      |                    |                                   |
| Centerville<br><i>2013 rates</i>   | 0 - 90,000         | \$2.00                               |                      |                    |                                   |
|  | 90,001 - 150,000   | \$2.20                               | \$60.00              | \$21.00            | <b>\$81.00</b>                    |
|  | >150,001           | \$2.50                               |                      |                    |                                   |
| Lexington  | 0 - 10,000         | \$1.40                               |                      |                    |                                   |
|  | 10,001 - 20,000    | \$1.68                               |                      |                    |                                   |
|  | 20,001 - 30,000    | \$2.10                               | \$51.80              | \$10.00            | <b>\$61.80</b>                    |
|  | 30,001 - 40,000    | \$2.73                               |                      |                    |                                   |
|  | >40,000            | \$3.69                               |                      |                    |                                   |
| Arden Hills  | 0- 10,000          | \$0.00                               |                      |                    |                                   |
|  | 10,001 - 35,000    | \$3.28                               | \$65.60              | \$38.47            | <b>\$104.07</b>                   |
|  | >35,000            | \$5.75                               |                      |                    |                                   |
| Shoreview<br><i>2013 rates</i>   | 0 - 5,000          | \$1.08                               |                      |                    |                                   |
|  | 5,001 - 10,000     | \$1.74                               | \$62.30              | \$13.40            | <b>\$75.70</b>                    |
|  | 10,001 - 30,000    | \$2.41                               |                      |                    |                                   |
|  | 30,001 or >        | \$3.96                               |                      |                    |                                   |
| Forest Lake (a)<br><i>2013 rates</i>                                       | 0 - 5,000          | \$0.00                               |                      |                    |                                   |
|  | 5,001 - 15,000     | \$2.87                               | \$81.80              | \$19.70            | <b>\$101.50</b>                   |
|  | >15,001            | \$3.54                               |                      |                    |                                   |

(a) City has fall/winter rates that vary from spring/summer. Our calculation is an average of the two.

## 5. Sewer Utility

### Sewer Rates

In addition to quarterly billing charges, the City currently has a Sewer Trunk/Availability Charge and a Sewer Connection Fee. These fees are as follows:

#### Quarterly Charges

| Volume Charges              | Amount  |
|-----------------------------|---------|
| 0 – 10,000 gal              | \$52.00 |
| >10,000 (per 1,000 gallons) | \$1.00  |

#### Availability Charge

| Per SAC Unit | Amount  |
|--------------|---------|
|              | \$2,911 |

#### Connection Fee

| Meter Size (Inches) | Amount |
|---------------------|--------|
| All                 | \$200  |

The Sewer Availability Charge is a fee incurred to recover the capital costs associated with extending and over-sizing of trunk lines to new developments within the City. This cost should be established to recover the capital cost associated with providing the necessary infrastructure to make these services available to the customer. City staff has determined the connection fee and availability charge to be sufficient at this time.

### Sewer Customer Growth Projections

The projection of residential sewer connections is the same as projected new water connections. The projected number of added sewer connections over the planning period is as follows:

|             | Residential (3/4" meter) | Commercial (1" meter) |
|-------------|--------------------------|-----------------------|
| <b>2013</b> | 50                       | 3                     |
| <b>2014</b> | 75                       | 3                     |
| <b>2015</b> | 75                       | 3                     |
| <b>2016</b> | 75                       | 3                     |
| <b>2017</b> | 100                      | 3                     |
| <b>2018</b> | 100                      | 3                     |
| <b>2019</b> | 125                      | 3                     |
| <b>2020</b> | 125                      | 3                     |
| <b>2021</b> | 150                      | 3                     |
| <b>2022</b> | 150                      | 3                     |



## Sewer Utility Revenue Requirements

Revenue requirements indicate the amount of revenue needed for the City to continue efficient operations as well as maintain an adequate cash balance in the utility. The following page shows the projected operating statement and annual cash balance in the Sewer Utility, assuming no rate increases, over the planning period 2013-2022.

Operating income is projected to become negative at the end of 2012 and remain negative through the end of the planning period, indicating that depreciation is not being fully funded. The projected ending cash balance in 2022 is \$8,759,808. Sewer utility projections through 2022 without any rate increases are shown on the following page.

Sewer Utility Financial Projections – NO RATE INCREASES

| Projected Sewer Rate Adjustment                | Projected Change 2013-2022 | Calculate        | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            |
|--|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  |                            | 2012             | 2013             | 2014             | 2015             | 2016             | 2017             | 2018             | 2019             | 2020             | 2021             | 2022             |
| <b>Revenues</b>                                |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Charges for Services                           | 3.42%                      | 1,480,000        | 1,530,616        | 1,582,963        | 1,637,100        | 1,693,089        | 1,750,993        | 1,810,877        | 1,872,809        | 1,936,859        | 2,003,099        | 2,071,605        |
| Hook-up Charges                                | 0.00%                      | 8,000            | 10,600           | 15,600           | 15,600           | 15,600           | 20,600           | 20,600           | 25,600           | 25,600           | 30,600           | 30,600           |
| Other Revenue                                  | 2.00%                      | 500              | 510              | 520              | 531              | 541              | 552              | 563              | 574              | 586              | 598              | 609              |
| <b>Total Revenue</b>                           |                            | <b>1,488,500</b> | <b>1,541,726</b> | <b>1,599,083</b> | <b>1,653,231</b> | <b>1,709,230</b> | <b>1,772,145</b> | <b>1,832,040</b> | <b>1,898,983</b> | <b>1,963,045</b> | <b>2,034,297</b> | <b>2,102,815</b> |
| <b>Operating Expenses</b>                      |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Personal Services                              | 5.00%                      | 184,942          | 200,435          | 210,457          | 220,980          | 232,029          | 243,630          | 255,811          | 268,602          | 282,032          | 296,134          | 310,940          |
| Materials and Supplies                         | 4.00%                      | 42,500           | 52,500           | 54,600           | 56,784           | 59,055           | 61,418           | 63,874           | 66,429           | 69,086           | 71,850           | 74,724           |
| Contractual Services                           | 10.00%                     | 105,000          | 115,000          | 126,500          | 139,150          | 153,065          | 168,372          | 185,209          | 203,730          | 224,102          | 246,513          | 271,164          |
| MCES Sewer Charges                             | 6.00%                      | 704,933          | 767,200          | 813,232          | 862,026          | 913,747          | 968,572          | 1,026,687        | 1,088,288        | 1,153,585        | 1,222,800        | 1,296,168        |
| Utilities                                      | 6.00%                      | 44,000           | 44,000           | 46,640           | 49,438           | 52,405           | 55,549           | 58,882           | 62,415           | 66,160           | 70,129           | 74,337           |
| Other  | 6.00%                      | 13,400           | 15,400           | 16,324           | 17,303           | 18,342           | 19,442           | 20,609           | 21,845           | 23,156           | 24,545           | 26,018           |
| Existing Depreciation                          |                            | 450,000          | 450,000          | 436,500          | 423,405          | 410,703          | 398,382          | 386,430          | 374,837          | 363,592          | 352,685          | 342,104          |
| New Depreciation                               |                            |                  | 1,500            | 12,110           | 25,076           | 69,717           | 74,286           | 76,205           | 78,193           | 80,253           | 106,158          | 108,368          |
| <b>Total Operating Expenses</b>                |                            | <b>1,544,775</b> | <b>1,646,035</b> | <b>1,716,363</b> | <b>1,794,163</b> | <b>1,909,062</b> | <b>1,989,650</b> | <b>2,073,707</b> | <b>2,164,339</b> | <b>2,261,967</b> | <b>2,390,813</b> | <b>2,503,823</b> |
| <b>Operating Income (Loss)</b>                 |                            | <b>(56,275)</b>  | <b>(104,309)</b> | <b>(117,280)</b> | <b>(140,932)</b> | <b>(199,832)</b> | <b>(217,505)</b> | <b>(241,667)</b> | <b>(265,356)</b> | <b>(298,922)</b> | <b>(356,516)</b> | <b>(401,008)</b> |
| <b>Non Operating Revenues (Expenses)</b>       |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Investment Earnings                            | 1.00%                      | 50,000           | 69,396           | 72,381           | 75,212           | 77,858           | 79,422           | 81,514           | 83,631           | 85,422           | 85,733           | 86,936           |
| Bond Interest - Existing                       |                            | -                | (5,750)          | (5,225)          | (4,575)          | (3,825)          | (3,038)          | (2,213)          | (1,388)          | (488)            | -                | -                |
| Paying Agent Fees                              |                            | -                | (1,500)          | (1,500)          | (1,500)          | (1,500)          | (1,500)          | (1,500)          | (1,500)          | (1,500)          | (1,500)          | (1,500)          |
| Other  |                            | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| <b>Total Non Operating Revenues (Expenses)</b> |                            | <b>50,000</b>    | <b>62,146</b>    | <b>65,656</b>    | <b>69,137</b>    | <b>72,533</b>    | <b>74,884</b>    | <b>77,802</b>    | <b>80,743</b>    | <b>83,434</b>    | <b>84,233</b>    | <b>85,436</b>    |
| <b>Net Income (Loss) Before Transfers</b>      |                            | <b>(6,275)</b>   | <b>(42,163)</b>  | <b>(51,624)</b>  | <b>(71,795)</b>  | <b>(127,299)</b> | <b>(142,621)</b> | <b>(163,865)</b> | <b>(184,613)</b> | <b>(215,488)</b> | <b>(272,283)</b> | <b>(315,572)</b> |
| <b>Operating Transfers</b>                     |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Transfers In                                   |                            | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Transfers (Out)                                |                            | (34,511)         | (35,861)         | (34,646)         | (33,416)         | (34,627)         | (35,726)         | -                | -                | -                | -                | -                |
| <b>Total Operating Transfers</b>               |                            | <b>(34,511)</b>  | <b>(35,861)</b>  | <b>(34,646)</b>  | <b>(33,416)</b>  | <b>(34,627)</b>  | <b>(35,726)</b>  |                  |                  |                  |                  |                  |
| <b>Net Income (Loss)</b>                       |                            | <b>(40,786)</b>  | <b>(78,024)</b>  | <b>(86,270)</b>  | <b>(105,211)</b> | <b>(161,926)</b> | <b>(178,347)</b> | <b>(163,865)</b> | <b>(184,613)</b> | <b>(215,488)</b> | <b>(272,283)</b> | <b>(315,572)</b> |
| <b>Beginning Cash &amp; Investments</b>        |                            | <b>6,575,417</b> | <b>6,939,631</b> | <b>7,238,107</b> | <b>7,521,152</b> | <b>7,785,768</b> | <b>7,942,180</b> | <b>8,151,424</b> | <b>8,363,051</b> | <b>8,542,184</b> | <b>8,573,330</b> | <b>8,693,589</b> |
| <b>Net Income</b>                              |                            | <b>(40,786)</b>  | <b>(78,024)</b>  | <b>(86,270)</b>  | <b>(105,211)</b> | <b>(161,926)</b> | <b>(178,347)</b> | <b>(163,865)</b> | <b>(184,613)</b> | <b>(215,488)</b> | <b>(272,283)</b> | <b>(315,572)</b> |
| <b>Depreciation</b>                            |                            | <b>450,000</b>   | <b>451,500</b>   | <b>448,610</b>   | <b>448,481</b>   | <b>480,419</b>   | <b>472,668</b>   | <b>462,635</b>   | <b>453,031</b>   | <b>443,845</b>   | <b>458,842</b>   | <b>450,472</b>   |
| <b>Amortization</b>                            |                            | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         |
| <b>Acquisition and Construction of Assets</b>  |                            | <b>(45,000)</b>  | <b>(50,000)</b>  | <b>(51,795)</b>  | <b>(53,654)</b>  | <b>(137,082)</b> | <b>(57,576)</b>  | <b>(59,643)</b>  | <b>(61,784)</b>  | <b>(164,712)</b> | <b>(66,300)</b>  | <b>(68,680)</b>  |
| <b>Payments on Existing Long-Term Debt</b>     |                            | <b>-</b>         | <b>(25,000)</b>  | <b>(27,500)</b>  | <b>(25,000)</b>  | <b>(25,000)</b>  | <b>(27,500)</b>  | <b>(27,500)</b>  | <b>(27,500)</b>  | <b>(32,500)</b>  | <b>-</b>         | <b>-</b>         |
| <b>Ending Cash Balance</b>                     |                            | <b>6,939,631</b> | <b>7,238,107</b> | <b>7,521,152</b> | <b>7,785,768</b> | <b>7,942,180</b> | <b>8,151,424</b> | <b>8,363,051</b> | <b>8,542,184</b> | <b>8,573,330</b> | <b>8,693,589</b> | <b>8,759,808</b> |
| <b>Minimum Cash Balance</b>                    |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| For ongoing operations                         |                            |                  | 411,509          | 429,091          | 448,541          | 477,266          | 497,413          | 518,427          | 541,085          | 565,492          | 597,703          | 625,956          |
| For debt service                               |                            |                  | 34,225           | 31,075           | 30,325           | 32,038           | 31,213           | 30,388           | 34,488           | 1,500            | 1,500            | 180,000          |
| <b>Minimum Cash Balance Required</b>           |                            |                  | <b>445,734</b>   | <b>460,166</b>   | <b>478,866</b>   | <b>509,303</b>   | <b>528,625</b>   | <b>548,814</b>   | <b>575,572</b>   | <b>566,992</b>   | <b>599,203</b>   | <b>805,956</b>   |
| <b>Amount Over (Under) Minimum</b>             |                            |                  | <b>6,792,373</b> | <b>7,060,987</b> | <b>7,306,902</b> | <b>7,432,877</b> | <b>7,622,799</b> | <b>7,814,237</b> | <b>7,966,612</b> | <b>8,006,338</b> | <b>8,094,386</b> | <b>7,953,853</b> |

## Capital Outlay

To determine the appropriate fees and rates needed for the operation of the Sewer Fund over the planning period, we have projected future revenue and expenditures and we have incorporated the anticipated future capital outlay needs provided by the City. The capital items are projected to be paid from both the Sewer Utility Fund and the Area and Unit Charge Fund. The capital costs and their projected source of funding are shown in the table below.

|              | <b>Sanitary Sewer Utility</b> | <b>Area and Unit Charge Fund</b> | <b>Area and Unit Charge Bonds</b> | <b>Special Assessments - Area and Unit</b> | <b>Totals</b>     |
|--------------|-------------------------------|----------------------------------|-----------------------------------|--|-------------------|
| <b>2012</b>  | 45,000                        | -                                | -                                 | -  | <b>45,000</b>     |
| <b>2013</b>  | 50,000                        | 268,307                          | -                                 | 268,307                                    | <b>586,614</b>    |
| <b>2014</b>  | 51,795                        | 337,185                          | -                                 | 337,185                                    | <b>726,165</b>    |
| <b>2015</b>  | 53,654                        | 1,285,555                        | -                                 | 1,285,555                                  | <b>2,624,764</b>  |
| <b>2016</b>  | 137,082                       | -                                | -                                 | -  | <b>137,082</b>    |
| <b>2017</b>  | 57,576                        | -                                | -                                 | -  | <b>57,576</b>     |
| <b>2018</b>  | 59,643                        | -                                | -                                 | -  | <b>59,643</b>     |
| <b>2019</b>  | 61,784                        | -                                | -                                 | -  | <b>61,784</b>     |
| <b>2020</b>  | 164,712                       | 612,433                          | 1,287,087                         | 980,312                                    | <b>3,044,544</b>  |
| <b>2021</b>  | 66,300                        | -                                | 745,178                           | 745,178                                    | <b>1,556,656</b>  |
| <b>2022</b>  | 68,680                        | -                                | 4,940,354                         | -  | <b>5,009,034</b>  |
| <b>Total</b> | <b>816,226</b>                | <b>2,503,480</b>                 | <b>6,972,619</b>                  | <b>3,616,537</b>                           | <b>13,908,862</b> |

These capital projects to be paid for from the Sanitary Sewer Utility are primarily related to repair and maintenance of existing infrastructure. New items, such as new lift stations and trunk lines will be repaid from trunk charges collected from new users and deposited into the Area and Unit Charge Fund.

A detailed listing of the anticipated capital improvements shows estimated sewer capital expenditures through 2022 of approximately \$13,909,000. The anticipated capital improvements are shown on the following page.

| Year | Project   | Sanitary Sewer Utility | Area and Unit Charge Fund | Area and Unit Charge Bonds | Special Assessments - Area and Unit | Totals            |
|------|---|------------------------|---------------------------|----------------------------|-------------------------------------|-------------------|
| 2012 | Capital Outlay from 2012 Sewer Budget                 | 45,000                 |                           |                            |                                     | 45,000            |
| 2013 | Gravity Sewer Extension, 21st Avenue Phase 1 (1,320') |                        | 50,000                    |                            | 50,000                              | 100,000           |
| 2013 | Gravity Sewer, Cedar Street/Centerville Rd            |                        | 218,307                   |                            | 218,307                             | 436,614           |
| 2013 | Sanitary Sewer Rehab                                  | 50,000                 |                           |                            |                                     | 50,000            |
| 2014 | Gravity Sewers, North of Century Farms, Stage 1       |                        | 337,185                   |                            | 337,185                             | 674,370           |
| 2014 | Sanitary Sewer Rehab                                  | 51,795                 |                           |                            |                                     | 51,795            |
| 2015 | Gravity Sewer Extension, 21st Avenue Phase 2 (3,960') |                        | 275,000                   |                            | 275,000                             | 550,000           |
| 2015 | Gravity Sewer, Lift Station & Forcemain Area 1G       |                        | 603,050                   |                            | 603,050                             | 1,206,100         |
| 2015 | NE Area Trunk Sewer, Stage 1                          |                        | 407,505                   |                            | 407,505                             | 815,010           |
| 2015 | Sanitary Sewer Rehab                                  | 53,654                 |                           |                            |                                     | 53,654            |
| 2016 | Sanitary Sewer Rehab                                  | 55,581                 |                           |                            |                                     | 55,581            |
| 2016 | Upgrade Lift Station No. 8                            | 81,501                 |                           |                            |                                     | 81,501            |
| 2017 | Sanitary Sewer Rehab                                  | 57,576                 |                           |                            |                                     | 57,576            |
| 2018 | Sanitary Sewer Rehab                                  | 59,643                 |                           |                            |                                     | 59,643            |
| 2019 | Sanitary Sewer Rehab                                  | 61,784                 |                           |                            |                                     | 61,784            |
| 2020 | Gravity Sewer, 77th Street/Country Lane               |                        | 84,427                    |                            | 337,708                             | 422,135           |
| 2020 | Gravity Sewer, Lake Drive North of Main Street        |                        |                           | 1,287,087                  | 321,772                             | 1,608,859         |
| 2020 | Lift Station & Forcemain, Area 3D                     |                        | 276,232                   |                            | 69,058                              | 345,290           |
| 2020 | NE Area Trunk Sewer, Stage 2                          |                        | 251,774                   |                            | 251,774                             | 503,548           |
| 2020 | Sanitary Sewer Rehab                                  | 64,002                 |                           |                            |                                     | 64,002            |
| 2020 | Upgrade Lift Station No. 10                           | 100,710                |                           |                            |                                     | 100,710           |
| 2021 | Gravity Sewers, North of Century Farms, Stage 2       |                        |                           | 745,178                    | 745,178                             | 1,490,356         |
| 2021 | Sanitary Sewer Rehab                                  | 66,300                 |                           |                            |                                     | 66,300            |
| 2022 | Sanitary Sewer Rehab                                  | 68,680                 |                           |                            |                                     | 68,680            |
| 2022 | West Side Relief Sewer                                |                        |                           | 4,940,354                  |                                     | 4,940,354         |
|      | <b>TOTALS</b>   | <b>816,226</b>         | <b>2,503,480</b>          | <b>6,972,619</b>           | <b>3,616,537</b>                    | <b>13,908,862</b> |

## Financial Projections

The financial projections assumed the City would maintain a minimum cash balance in the Sewer Fund equal to three months of anticipated operating expenses and one-year's debt service within the planning period as well as fully fund depreciation. This assumption was made to ensure that the Sewer Fund would have sufficient cash to fund operations going forward and meet future debt service requirements.

To determine the appropriate user rates needed for the repayment of debt service and operation of the Sewer Fund, we have projected future revenue and expenditures and have incorporated the anticipated future capital outlay needs for the time period covered by this study.

The financial projections began with the Sewer Fund expenditures; subsequently, revenues were adjusted to provide the recommended income, cash flow, and level of ending cash balances. Our expenditure projections are generally based on an analysis of past trends, anticipated changes in operations, and our significant experience in preparing sewer rate studies.

Our projections show that the existing rate structure combined with projected growth in the customer-base, will provided sufficient revenues to meet the minimum cash reserves recommended, but an increase of 7.0% in 2013 and 2.0% annual increases 2014-2019 will be needed to fully fund depreciation.

Our projections fund depreciation as well as the recommended reserve levels in the Sewer Fund throughout the planning period.

The financial projections are shown on the following pages.

### Sewer Utility Financial Projections

| Projected Sewer Rate Adjustment                | Projected Change 2013-2022 | Calculate        | 7.00%            | 2.00%            | 2.00%            | 2.00%            | 2.00%            | 2.00%            | 2.00%             | 0.00%             | 0.00%             | 0.00%             |      |
|--|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|------|
|  |                            |                  | 2012             | 2013             | 2014             | 2015             | 2016             | 2017             | 2018              | 2019              | 2020              | 2021              | 2022 |
| <b>Revenues</b>                                |                            |                  |                  |                  |                  |                  |                  |                  |                   |                   |                   |                   |      |
| Charges for Services                           | 3.42%                      | 1,480,000        | 1,637,759        | 1,727,646        | 1,822,466        | 1,922,490        | 2,028,004        | 2,139,309        | 2,256,723         | 2,333,903         | 2,413,722         | 2,496,272         |      |
| Hook-up Charges                                | 0.00%                      | 8,000            | 10,600           | 15,600           | 15,600           | 15,600           | 20,600           | 20,600           | 25,600            | 25,600            | 30,600            | 30,600            |      |
| Other Revenue                                  | 2.00%                      | 500              | 510              | 520              | 531              | 541              | 552              | 563              | 574               | 586               | 598               | 609               |      |
| <b>Total Revenue</b>                           |                            | <b>1,488,500</b> | <b>1,648,869</b> | <b>1,743,766</b> | <b>1,838,597</b> | <b>1,938,631</b> | <b>2,049,156</b> | <b>2,160,472</b> | <b>2,282,897</b>  | <b>2,360,089</b>  | <b>2,444,920</b>  | <b>2,527,481</b>  |      |
| <b>Operating Expenses</b>                      |                            |                  |                  |                  |                  |                  |                  |                  |                   |                   |                   |                   |      |
| Personal Services                              | 5.00%                      | 184,942          | 200,435          | 210,457          | 220,980          | 232,029          | 243,630          | 255,811          | 268,602           | 282,032           | 296,134           | 310,940           |      |
| Materials and Supplies                         | 4.00%                      | 42,500           | 52,500           | 54,600           | 56,784           | 59,055           | 61,418           | 63,874           | 66,429            | 69,086            | 71,850            | 74,724            |      |
| Contractual Services                           | 10.00%                     | 105,000          | 115,000          | 126,500          | 139,150          | 153,065          | 168,372          | 185,209          | 203,730           | 224,102           | 246,513           | 271,164           |      |
| MCES Sewer Charges                             | 6.00%                      | 704,933          | 767,200          | 813,232          | 862,026          | 913,747          | 968,572          | 1,026,687        | 1,088,288         | 1,153,585         | 1,222,800         | 1,296,168         |      |
| Utilities                                      | 6.00%                      | 44,000           | 44,000           | 46,640           | 49,438           | 52,405           | 55,549           | 58,882           | 62,415            | 66,160            | 70,129            | 74,337            |      |
| Other  | 6.00%                      | 13,400           | 15,400           | 16,324           | 17,303           | 18,342           | 19,442           | 20,609           | 21,845            | 23,156            | 24,545            | 26,018            |      |
| Existing Depreciation                          |                            | 450,000          | 450,000          | 436,500          | 423,405          | 410,703          | 398,382          | 386,430          | 374,837           | 363,592           | 352,685           | 342,104           |      |
| New Depreciation                               |                            |                  | 1,500            | 12,110           | 25,076           | 69,717           | 74,286           | 76,205           | 78,193            | 80,253            | 106,158           | 108,368           |      |
| <b>Total Operating Expenses</b>                |                            | <b>1,544,775</b> | <b>1,646,035</b> | <b>1,716,363</b> | <b>1,794,163</b> | <b>1,909,062</b> | <b>1,989,650</b> | <b>2,073,707</b> | <b>2,164,339</b>  | <b>2,261,967</b>  | <b>2,390,813</b>  | <b>2,503,823</b>  |      |
| <b>Operating Income (Loss)</b>                 |                            | <b>(56,275)</b>  | <b>2,834</b>     | <b>27,403</b>    | <b>44,434</b>    | <b>29,569</b>    | <b>59,506</b>    | <b>86,765</b>    | <b>118,558</b>    | <b>98,122</b>     | <b>54,107</b>     | <b>23,658</b>     |      |
| <b>Non Operating Revenues (Expenses)</b>       |                            |                  |                  |                  |                  |                  |                  |                  |                   |                   |                   |                   |      |
| Investment Earnings                            | 1.00%                      | 50,000           | 69,396           | 73,453           | 77,740           | 82,266           | 86,168           | 91,098           | 96,594            | 102,354           | 106,806           | 112,325           |      |
| Bond Interest - Existing                       |                            | -                | (5,750)          | (5,225)          | (4,575)          | (3,825)          | (3,038)          | (2,213)          | (1,388)           | (488)             | -                 | -                 |      |
| Paying Agent Fees                              |                            |                  | (1,500)          | (1,500)          | (1,500)          | (1,500)          | (1,500)          | (1,500)          | (1,500)           | (1,500)           | (1,500)           | (1,500)           |      |
| Other  |                            |                  |                  |                  |                  |                  |                  |                  |                   |                   |                   |                   |      |
| <b>Total Non Operating Revenues (Expenses)</b> |                            | <b>50,000</b>    | <b>62,146</b>    | <b>66,728</b>    | <b>71,665</b>    | <b>76,941</b>    | <b>81,630</b>    | <b>87,385</b>    | <b>93,707</b>     | <b>100,367</b>    | <b>105,306</b>    | <b>110,825</b>    |      |
| <b>Net Income (Loss) Before Transfers</b>      |                            | <b>(6,275)</b>   | <b>64,980</b>    | <b>94,131</b>    | <b>116,100</b>   | <b>106,510</b>   | <b>141,136</b>   | <b>174,150</b>   | <b>212,265</b>    | <b>198,489</b>    | <b>159,412</b>    | <b>134,483</b>    |      |
| <b>Operating Transfers</b>                     |                            |                  |                  |                  |                  |                  |                  |                  |                   |                   |                   |                   |      |
| Transfers In                                   |                            |                  |                  |                  |                  |                  |                  |                  |                   |                   |                   |                   |      |
| Transfers (Out)                                |                            | (34,511)         | (35,861)         | (34,646)         | (33,416)         | (34,627)         | (35,726)         |                  |                   |                   |                   |                   |      |
| <b>Total Operating Transfers</b>               |                            | <b>(34,511)</b>  | <b>(35,861)</b>  | <b>(34,646)</b>  | <b>(33,416)</b>  | <b>(34,627)</b>  | <b>(35,726)</b>  |                  |                   |                   |                   |                   |      |
| <b>Net Income (Loss)</b>                       |                            | <b>(40,786)</b>  | <b>29,119</b>    | <b>59,484</b>    | <b>82,683</b>    | <b>71,883</b>    | <b>105,410</b>   | <b>174,150</b>   | <b>212,265</b>    | <b>198,489</b>    | <b>159,412</b>    | <b>134,483</b>    |      |
| <b>Beginning Cash &amp; Investments</b>        |                            | <b>6,575,417</b> | <b>6,939,631</b> | <b>7,345,250</b> | <b>7,774,050</b> | <b>8,226,560</b> | <b>8,616,781</b> | <b>9,109,782</b> | <b>9,659,425</b>  | <b>10,235,436</b> | <b>10,680,559</b> | <b>11,232,513</b> |      |
| <b>Net Income</b>                              |                            | <b>(40,786)</b>  | <b>29,119</b>    | <b>59,484</b>    | <b>82,683</b>    | <b>71,883</b>    | <b>105,410</b>   | <b>174,150</b>   | <b>212,265</b>    | <b>198,489</b>    | <b>159,412</b>    | <b>134,483</b>    |      |
| <b>Depreciation</b>                            |                            | <b>450,000</b>   | <b>451,500</b>   | <b>448,610</b>   | <b>448,481</b>   | <b>480,419</b>   | <b>472,668</b>   | <b>462,635</b>   | <b>453,031</b>    | <b>443,845</b>    | <b>458,842</b>    | <b>450,472</b>    |      |
| <b>Amortization</b>                            |                            |                  |                  |                  |                  |                  |                  |                  |                   |                   |                   |                   |      |
| <b>Acquisition and Construction of Assets</b>  |                            | <b>(45,000)</b>  | <b>(50,000)</b>  | <b>(51,795)</b>  | <b>(53,654)</b>  | <b>(137,082)</b> | <b>(57,576)</b>  | <b>(59,643)</b>  | <b>(61,784)</b>   | <b>(164,712)</b>  | <b>(66,300)</b>   | <b>(68,680)</b>   |      |
| <b>Payments on Existing Long-Term Debt</b>     |                            |                  | <b>(25,000)</b>  | <b>(27,500)</b>  | <b>(25,000)</b>  | <b>(25,000)</b>  | <b>(27,500)</b>  | <b>(27,500)</b>  | <b>(27,500)</b>   | <b>(32,500)</b>   |                   |                   |      |
| <b>Ending Cash Balance</b>                     |                            | <b>6,939,631</b> | <b>7,345,250</b> | <b>7,774,050</b> | <b>8,226,560</b> | <b>8,616,781</b> | <b>9,109,782</b> | <b>9,659,425</b> | <b>10,235,436</b> | <b>10,680,559</b> | <b>11,232,513</b> | <b>11,748,788</b> |      |
| <b>Minimum Cash Balance</b>                    |                            |                  |                  |                  |                  |                  |                  |                  |                   |                   |                   |                   |      |
| For ongoing operations                         |                            |                  | 411,509          | 429,091          | 448,541          | 477,266          | 497,413          | 518,427          | 541,085           | 565,492           | 597,703           | 625,956           |      |
| For debt service                               |                            |                  | 34,225           | 31,075           | 30,325           | 32,038           | 31,213           | 30,388           | 34,488            | 1,500             | 1,500             | 180,000           |      |
| <b>Minimum Cash Balance Required</b>           |                            |                  | <b>445,734</b>   | <b>460,166</b>   | <b>478,866</b>   | <b>509,303</b>   | <b>528,625</b>   | <b>548,814</b>   | <b>575,572</b>    | <b>566,992</b>    | <b>599,203</b>    | <b>805,956</b>    |      |
| <b>Amount Over (Under) Minimum</b>             |                            |                  | <b>6,899,516</b> | <b>7,313,884</b> | <b>7,747,694</b> | <b>8,107,477</b> | <b>8,581,157</b> | <b>9,110,611</b> | <b>9,659,864</b>  | <b>10,113,567</b> | <b>10,633,310</b> | <b>10,942,832</b> |      |

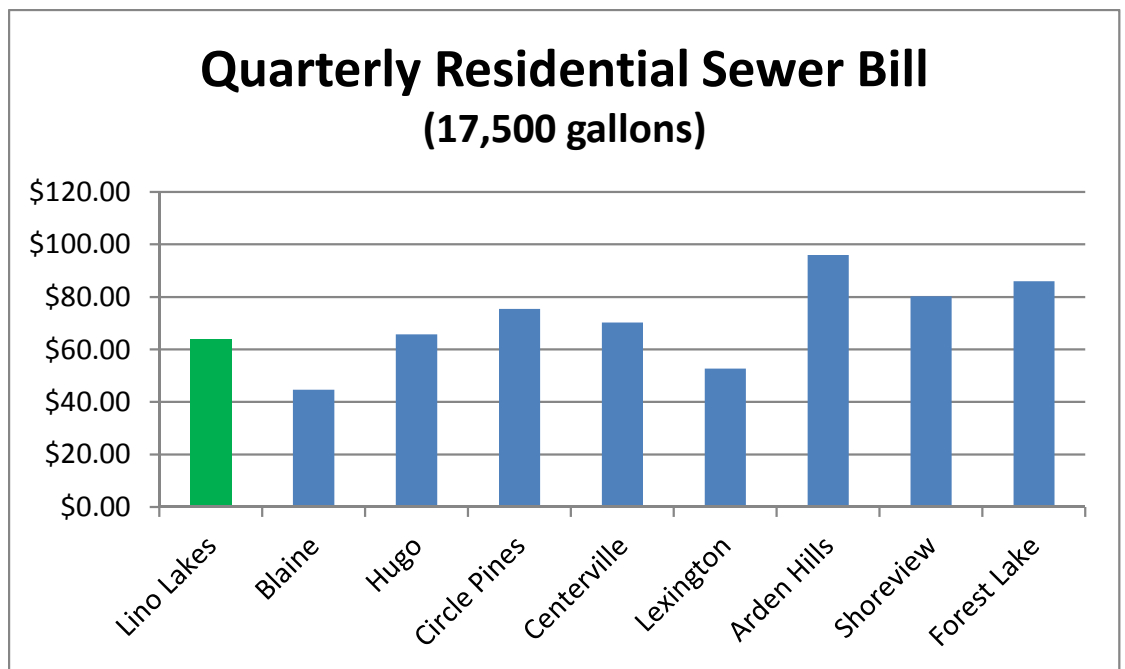
**Impact on Sewer Charges**

The proposed sewer rates are shown below. The proposed user rates were determined by increasing existing rates by 7.0% in 2013, and 2.0% annually 2014-2019.

|   | 2012     | 2013     | 2014     | 2015     | 2016     | 2017     | 2018     | 2019     |
|---|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>0 - 10,000 gallons</b>               | \$ 52.00 | \$ 55.64 | \$ 56.75 | \$ 57.89 | \$ 59.05 | \$ 60.23 | \$ 61.43 | \$ 62.66 |
| <b>&gt; 10,000 gals (per 1,000 gal)</b> | \$ 1.00  | \$ 1.07  | \$ 1.09  | \$ 1.11  | \$ 1.14  | \$ 1.16  | \$ 1.18  | \$ 1.20  |

We recommend the City establish Sewer rates on a three year basis. The rates should be reviewed on an annual basis concurrent with the development of following year’s budget.

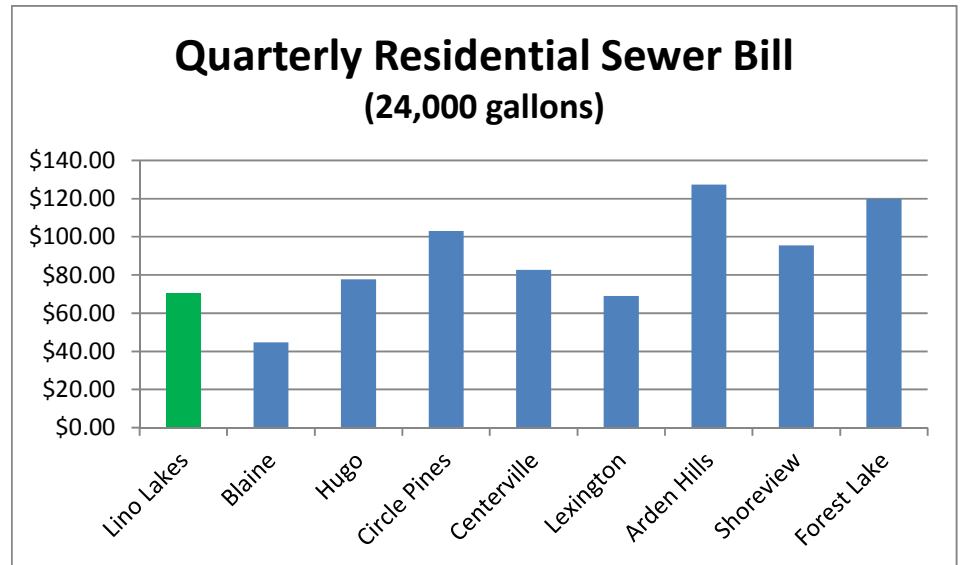
A comparison of an average residential 2013 quarterly bill for the City of Lino Lakes to the average quarterly bill of other communities selected by the City is also shown below. The average sewer bill of the seven communities for a resident using 17,500 gallons per quarter surveyed is \$71.38, putting the proposed sewer rates at 89.2% of the average.



| <b>SEWER RATES - RESIDENTIAL USER - AVERAGE USE 17,500 GALLONS/QUARTER</b> |                    |                                      |                      |                    |                                   |
|--|--------------------|--------------------------------------|----------------------|--------------------|-----------------------------------|
| <b>Jurisdiction</b>  | <b>Block Usage</b> | <b>Sewer Rates per 1,000 Gallons</b> | <b>Volume Charge</b> | <b>Base Charge</b> | <b>Total Avg Quarterly Charge</b> |
| Lino Lakes - 2013  | 0 -10,000          | \$0.00                               | \$8.03               | \$55.64            | <b>\$63.67</b>                    |
|  | 10,001 >           | \$1.07                               |                      |                    |                                   |
| Blaine   | Flat rate          | \$44.70                              |                      | \$44.70            | <b>\$44.70</b>                    |
| Hugo<br><i>(2013 rates determined in March)</i>                            | 0 - 9,000          | \$0.00                               | \$15.73              | \$50.00            | <b>\$65.73</b>                    |
|  | 9,000 and up       | \$1.85                               |                      |                    |                                   |
| Circle Pines   | 0 - 8,000          | \$3.55                               | \$65.47              | \$10.00            | <b>\$75.47</b>                    |
|  | 8,000 - 16,000     | \$3.84                               |                      |                    |                                   |
|  | >16,000            | \$4.23                               |                      |                    |                                   |
| Centerville<br><i>2013 rates</i>   | All Use            | \$1.90                               | \$33.25              | \$37.00            | <b>\$70.25</b>                    |
| Lexington  | All Use            | \$2.50                               | \$43.75              | \$9.00             | <b>\$52.75</b>                    |
| Arden Hills  | 0 - 15,000         | \$0.00                               | \$12.08              | \$83.87            | <b>\$95.95</b>                    |
|  | >15,000            | \$4.83                               |                      |                    |                                   |
| Shoreview<br><i>2013 rates</i>   | 0 - 5,000          |                                      | \$16.02              | \$37.91            | <b>\$80.20</b>                    |
|  | 5,001 - 10,000     |                                      | \$27.58              |                    |                                   |
|  | 10,000 - 20,000    |                                      | \$42.29              |                    |                                   |
|  | 20,001 - 30,000    |                                      | \$57.52              |                    |                                   |
|  | >30,000            |                                      | \$74.73              |                    |                                   |
| Forest Lake<br><i>2013 rates</i>   | 10,000             | \$0.00                               | \$39.00              | \$47.00            | <b>\$86.00</b>                    |
|  | 10,001 or >        | \$5.20                               |                      |                    |                                   |



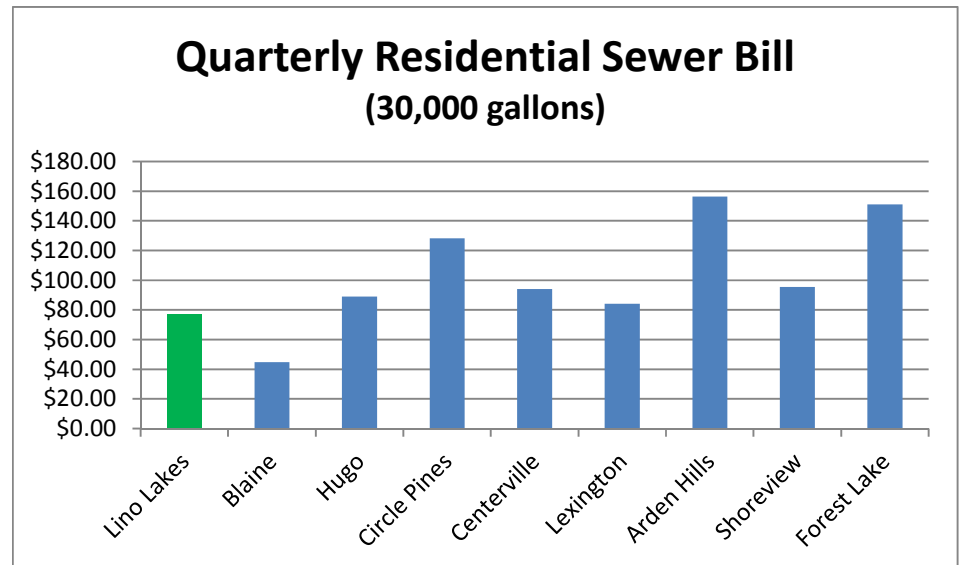
The average sewer bill of the seven communities for a resident using 24,000 gallons per quarter surveyed is \$89.95, putting the proposed sewer rates at 78.5% of the average.



**SEWER RATES - RESIDENTIAL USER - AVERAGE USE 24,000 GALLONS/QUARTER**

| Jurisdiction                                    | Block Usage  | Sewer Rates per 1,000 Gallons | Volume Charge                                       | Base Charge | Total Avg Quarterly Charge |
|---|--|-------------------------------|---|-------------|----------------------------|
| Lino Lakes - 2013                               | 0 -10,000<br>10,001 >  | \$0.00<br>\$1.07              | \$14.98   | \$55.64     | <b>\$70.62</b>             |
| Blaine  | Flat rate  | \$44.70                       |   | \$44.70     | <b>\$44.70</b>             |
| Hugo<br><i>(2013 rates determined in March)</i> | 0 - 9,000<br>9,000 and up  | \$0.00<br>\$1.85              | \$27.75   | \$50.00     | <b>\$77.75</b>             |
| Circle Pines                                    | 0 - 8,000<br>8,000 - 16,000<br>>16,000                                       | \$3.55<br>\$3.84<br>\$4.23    | \$92.96   | \$10.00     | <b>\$102.96</b>            |
| Centerville<br><i>2013 rates</i>                | All Use  | \$1.90                        | \$45.60   | \$37.00     | <b>\$82.60</b>             |
| Lexington                                       | All Use  | \$2.50                        | \$60.00   | \$9.00      | <b>\$69.00</b>             |
| Arden Hills                                     | 0 - 15,000<br>>15,000  | \$0.00<br>\$4.83              | \$43.47   | \$83.87     | <b>\$127.34</b>            |
| Shoreview<br><i>2013 rates</i>                  | 0 - 5,000<br>5,001 - 10,000<br>10,000 - 20,000<br>20,001 - 30,000<br>>30,000 |                               | \$16.02<br>\$27.58<br>\$42.29<br>\$57.52<br>\$74.73 | \$37.91     | <b>\$95.43</b>             |
| Forest Lake<br><i>2013 rates</i>                | 10,000<br>10,001 or >  | \$0.00<br>\$5.20              | \$72.80   | \$47.00     | <b>\$119.80</b>            |

The average sewer bill of the seven communities for a resident using 30,000 gallons per quarter surveyed is \$105.33, putting the proposed sewer rates at 73.1% of the average.



**SEWER RATES - RESIDENTIAL USER - AVERAGE USE 30,000 GALLONS/QUARTER**

| Jurisdiction                                    | Block Usage  | Sewer Rates per 1,000 Gallons | Volume Charge                                       | Base Charge | Total Avg Quarterly Charge |
|---|--|-------------------------------|---|-------------|----------------------------|
| Lino Lakes - 2013                               | 0 -10,000<br>10,001 >  | \$0.00<br>\$1.07              | \$21.40   | \$55.64     | <b>\$77.04</b>             |
| Blaine  | Flat rate  | \$44.70                       |   | \$44.70     | <b>\$44.70</b>             |
| Hugo<br><i>(2013 rates determined in March)</i> | 0 - 9,000<br>9,000 and up  | \$0.00<br>\$1.85              | \$38.85   | \$50.00     | <b>\$88.85</b>             |
| Circle Pines                                    | 0 - 8,000<br>8,000 - 16,000<br>>16,000                                       | \$3.55<br>\$3.84<br>\$4.23    | \$118.34  | \$10.00     | <b>\$128.34</b>            |
| Centerville<br><i>2013 rates</i>                | All Use  | \$1.90                        | \$57.00   | \$37.00     | <b>\$94.00</b>             |
| Lexington                                       | All Use  | \$2.50                        | \$75.00   | \$9.00      | <b>\$84.00</b>             |
| Arden Hills                                     | 0 - 15,000<br>>15,000  | \$0.00<br>\$4.83              | \$72.45   | \$83.87     | <b>\$156.32</b>            |
| Shoreview<br><i>2013 rates</i>                  | 0 - 5,000<br>5,001 - 10,000<br>10,000 - 20,000<br>20,001 - 30,000<br>>30,000 |                               | \$16.02<br>\$27.58<br>\$42.29<br>\$57.52<br>\$74.73 | \$37.91     | <b>\$95.43</b>             |
| Forest Lake<br><i>2013 rates</i>                | 10,000<br>10,001 or >  | \$0.00<br>\$5.20              | \$104.00  | \$47.00     | <b>\$151.00</b>            |

## 6. Conclusions and Recommendations

This study was undertaken to review and analyze the City’s Water and Sewer Funds to determine the appropriate rate structure needed to pay for anticipated operating expenditures, to provide for anticipated capital improvements, to provide operating cash flow, and to ensure an adequate level of cash reserves. In addition, water rates recommended were set to achieve water demand management as required by Minnesota Statutes.

The following conclusions were determined as a result of this study and the financial projections prepared for the years 2012 through 2022.

1. The Water and Sewer Fund’s history shows revenues and expenditures, have remained fairly stable over time. Operating income in the Water Fund is projected to decrease from \$324,865 in 2009 to \$217,713 in 2012. Operating income in the Sewer Fund is projected to decline more rapidly from \$70,057 in 2009 to (\$56,275) in 2012, thereby not funding depreciation.
2. The City should maintain a minimum cash balance in each Utility fund of at least three months of anticipated operating expenses and one year’s debt service at the end of each year. Current and projected cash levels support this recommendation
3. The current Water Availability/Trunk Charge of \$3,854 is adequate to fund projected capital costs through our planning period of 2022. However, should growth be expedited and the need for the new water treatment plant currently projected for 2025 be moved up, we recommend the City revisit this charge to include the capital and associated borrowing costs of this large capital expenditure.
4. Water user rates should be set to encourage demand reduction as well as provide for simplicity in understanding. After analyzing current and historical consumption patterns, we have provided four scenarios for water rates. They are:

### **Scenario 1 – Keep Current Block Structure and Adjust Rates**

| Residential Rates                                      | 2012<br>Rate per 1,000<br>Gallons | 2013<br>Rate per 1,000<br>Gallons |
|--|-----------------------------------|-----------------------------------|
| Flat Fee of \$10 per Residential Equivalent Unit (REU) |                                   | Same                              |
| 0 - 20,000 gallons                                     | \$1.80                            | \$1.84                            |
| 20,001 – 40,000 gallons                                | \$2.00                            | \$2.04                            |
| 40,001 – 80,000 gallons                                | \$2.50                            | \$2.55                            |
| 80,001 – 120,000 gallons                               | \$3.00                            | \$3.06                            |
| Over 120,000 gallons                                   | \$3.50                            | \$3.57                            |

| Non-Residential Rates                                  | 2012<br>Rate per 1,000<br>Gallons | 2013<br>Rate per 1,000<br>Gallons |
|--|-----------------------------------|-----------------------------------|
| Flat Fee of \$10 per Residential Equivalent Unit (REU) |                                   | Same                              |
| 0 - 20,000 gallons                                     | \$1.80                            | \$1.84                            |
| 20,001 – 40,000 gallons                                | \$2.00                            | \$2.04                            |
| Over 40,000 gallons                                    | \$2.25                            | \$2.30                            |

| Non-Residential Irrigation Rates | 2012<br>Rate per 1,000<br>Gallons | 2013<br>Rate per 1,000<br>Gallons |
|----------------------------------|-----------------------------------|-----------------------------------|
| 0 - 40,000 gallons               | \$2.50                            | \$2.55                            |
| 40,001 – 80,000 gallons          | \$3.00                            | \$3.06                            |
| Over 80,000 gallons              | \$3.50                            | \$3.57                            |

Future projections indicate rates may need to be increased by 2.00% annually 2014 - 2017.

**Scenario 2 – One Rate for Each Customer Class**

In Scenario 2, the rate for each residential, non-residential, and non-residential irrigation customer is assumed to be the rate which provides for residential customers generating 77% of total revenues, non-residential accounts generating 10% of annual revenues, and non-residential irrigation accounts generating 13% of total revenues, as is currently the case. The proposed rates are:

|      | Residential | Non-Residential | Non-Residential<br>Irrigation |
|------|-------------|-----------------|-------------------------------|
| 2013 | \$2.02      | \$2.21          | \$3.40                        |

As in the first scenario, these volumetric rates would need to be increased by 2.0% annually 2014-2017.

**Scenario 3 –Uniform Rate for All Use/All Users**

Scenario 3 assumes one rate for all use of all users. The 2013 rate for all users; residential, non-residential, and non-residential irrigation customers is recommended to be \$2.16 per 1,000 gallons to meet revenue requirements.

A uniform rate structure is estimated to alter the total revenues generated from each customer class as follows:

|               | Residential | Non-Residential | Non-Residential<br>Irrigation |
|---------------|-------------|-----------------|-------------------------------|
| Current Rates | 77%         | 10%             | 13%                           |
| Proposed Rate | 82%         | 10%             | 8%                            |

As in the first two scenarios, these volumetric rates would need to be increased by 2.0% annually 2014-2017.

**Scenario 4 –Revised Block Rate Structure**

The final option reviewed is to keep a block rate structure, whereby the price of water increases with volume consumed, but reduce the number of blocks from five to three for residential and from three to two for non-residential and non-residential irrigation. The following block rate structure is proposed in order to meet revenue requirements:

**Proposed 2013 Residential Rates**

|                    | <b>Residential</b> |
|--------------------|--------------------|
| 0 – 30,000 gallons | \$1.89             |
| 30,001 – 50,000    | \$2.09             |
| > 50,000           | \$2.91             |

**Proposed 2013 Non-Residential Rates**

|                    | <b>Non-Residential</b> |
|--------------------|------------------------|
| 0 – 50,000 gallons | \$2.04                 |
| > 50,000           | \$2.30                 |

**Proposed 2013 Non-Residential Irrigation Rates**

|                    | <b>Non-Residential<br/>Irrigation</b> |
|--------------------|---------------------------------------|
| 0 – 50,000 gallons | \$2.55                                |
| > 50,000           | \$3.57                                |

Our proposed rates along with 2.0% increases in these rates 2014-2017 project depreciation could be funded while maintaining recommended reserve levels.

5. The current Sewer Availability Charge of \$2,911 is adequate to fund projected capital costs.
6. Sewer user rates should be increased by 7.0% in 2013 and 2.0% annually 2014 through 2019.
7. The City should establish the user rates for each utility fund for a three-year period and review them on an annual basis. The rates should be reviewed on an annual basis concurrent with the development of the following year’s budget.

These recommendations are based on information provided to us by City of Lino Lakes. The City will need to monitor the performance of the Water and Sewer Funds and make any necessary adjustments based upon its actual performance and on the actual construction costs of the anticipated capital improvements.