

CITY OF ST. AUGUSTA

CITY COUNCIL WORKSHOP MEETING

February 18, 2025

7:00 pm

AGENDA

1. Call Meeting to Order – Mayor Schmitz.
2. Pledge of Allegiance.
3. Consent Agenda
 - 3A. Bills Payable, Receipts and Treasurer’s Report.
 - 3B. Other
4. St. Cloud APO Presentation
5. Detached Structure Discussion
6. 2025 Fee Schedule Review
7. CIP Financial Planning
8. Adjourn.

REMINDERS: Presidents Day, Monday, February 17, City Hall Closed
Regular City Council Workshop Meeting, Tuesday, February 18, 2025
7:00pm
Regular City Council Meeting, Tuesday, March 4, 2025, 7:00pm
Regular City Council Workshop Meeting, Tuesday, March 4, 2025 7:00pm

City of St. Augusta

***Check Summary Register©**

Checks 02/05/25-02/18/25

Name	Check Date	Check Amt	
10100 STATE BANK OF KIMBAL			
25226e BLUE CROSS BLUE SHIELD	2/5/2025	\$4,428.96	Chad - employer paid insurance
25227e BANK FEES	2/5/2025	\$9.74	general - Jan 25 credit card fee
25228e STEARNS ELECTRIC ASSOCIATI	2/11/2025	\$1,942.00	fire dept - fire hall
26363 ASTECH	2/5/2025	\$135,699.16	CIP - pw dept, 2024 project
26364 GREAT AMERICA FINANCIAL SE	2/5/2025	\$121.37	general - copier support
26365 MN PUBLIC FACILITIES AUTHORI	2/5/2025	\$3,308.43	sewer dept - debt service interest
26366 STEARNS COUNTY RECORDER	2/5/2025	\$46.00	general - record one document
26367 VALLEY GREEN COMPANIES	2/5/2025	\$5,781.58	parks dept - fertilizer for HLP
26368 BLASHACK, CHAD C.	2/13/2025	\$1,779.84	
26369 HILL, MARY M	2/13/2025	\$1,035.73	
26370 HOLLERMANN, PAUL A.	2/13/2025	\$1,700.85	
26371 KIFFMEYER, MARK G.	2/13/2025	\$1,697.85	
26372 McCABE, WILLIAM R.	2/13/2025	\$2,936.28	
26373 RASMUSON, TERESA M.	2/13/2025	\$223.59	
26374 SCHLUETER, STEVEN F.	2/13/2025	\$216.40	
26375 WAIBEL, THOMAS F.	2/13/2025	\$299.82	
26376 BILL MCCABE	2/18/2025	\$50.00	general - McCabe conf meal
26377 CENTER POINT ENERGY	2/18/2025	\$860.28	fire dept - gas usage
26378 COMMUNITY TECHNOLOGY CEN	2/18/2025	\$2,395.50	general - internet, updates
26379 CRESCENT INVESTIGATIVE SER	2/18/2025	\$83.32	general - level 2 background check Desai
26380 FES, INC	2/18/2025	\$1,765.31	fire dept - gloves
26381 MOMENTUM TRUCK GROUP	2/18/2025	\$1,085.67	fire dept - repairs
26382 GANNETT MN LOCALIQ	2/18/2025	\$384.62	general - Honer IUP
26383 WEST CENTRAL SANITATION	2/18/2025	\$269.23	general - garbage service
	Total Checks	\$168,121.53	

Jeffery J Schmitz

FILTER: [Check Date] between #02/05/25# and #02/18/25# and [Check Nbr]>0 and [Cash Act]='10100'

***Check Detail Register©**

Batch: 02 18 25 cc mtg

Check #	Check Date	Vendor Name	Amount	Invoice	Comment
10100 STATE BANK OF KIMBAL					
26376	02/18/25	BILL MCCABE			
E 101-41000-208		Training, Inst., Travel	\$50.00		general - McCabe conf meal
		Total	\$50.00		
26377	02/18/25	CENTER POINT ENERGY			
E 101-42270-387		Fire Dept Utilities	\$860.28		fire dept - gas usage
		Total	\$860.28		
26378	02/18/25	COMMUNITY TECHNOLOGY CENTER			
E 101-41000-323		Internet	\$2,395.50	CTC5894	general - internet, updates
		Total	\$2,395.50		
26379	02/18/25	CRESCENT INVESTIGATIVE SERVICES			
E 101-41000-430		Miscellaneous	\$83.32	2489	general - level 2 background check Desai
		Total	\$83.32		
26380	02/18/25	FES, INC			
E 101-42270-389		uniforms	\$1,765.31	21283	fire dept - gloves
		Total	\$1,765.31		
26381	02/18/25	MOMENTUM TRUCK GROUP			
E 101-42270-220		Repair/Maint Supply	\$1,085.67	R194028731:	fire dept - repairs
		Total	\$1,085.67		
26382	02/18/25	GANNETT MN LOCALIQ			
E 101-41000-203		Legal Notice Publication	\$91.52	0006+916950	general - Honer IUP
E 101-41000-205		Ordinance Publication	\$62.68	0006+916950	general - 2025 fee schedule
E 101-41000-205		Ordinance Publication	\$110.06	0006+916950	general - Cannabis Ord
E 101-41000-205		Ordinance Publication	\$120.36	0006+916950	general - Cannabis Ord update
		Total	\$384.62		
26383	02/18/25	WEST CENTRAL SANITATION			
E 101-41000-384		Refuse/Garbage Disposal	\$232.69	13355066	general - garbage service
E 101-42270-384		Refuse/Garbage Disposal	\$36.54	13355066	fire dept - garbage service
		Total	\$269.23		
		10100	\$6,893.93		

Fund Summary

10100 STATE BANK OF KIMBAL	
101 GENERAL FUND	\$6,893.93
	\$6,893.93

Jeffery J Schmitz

- E. When a development is proposed which is to be located on two (2) or more lots, and such lots are required to meet the minimum district area and frontage requirement and/or are required to accommodate the use, the lots shall be combined in accordance with the City's Subdivision Ordinance, prior to the issuing of a building permit.
- F. When two (2) or more lots are located in the same residential district, one (1) or more of which lack adequate area or dimensions to qualify for residential use under the current Ordinance requirements and are contiguous and held in one ownership, they shall be combined for use in order to meet the lot requirements by re-subdividing the property in accordance with the City Subdivision Ordinance.

15.04 ACCESSORY BUILDINGS

- A. Farms are exempt from the requirements of this Subsection and are regulated by Section 23 of this Ordinance.
- B. Detached Single Family Uses:
 1. No accessory use, building, structure, or equipment shall be allowed within the required front yard. Except for an attached garage, no accessory building, structure, use or equipment may be placed within a front yard on lots less than five (5) acres. On lots five (5) acres or larger accessory buildings or structures may be in a front yard if it is no closer to the front lot line than the residence or principal building of adjoining properties and in no case closer than 150 feet from the front lot line
 2. The area of an accessory building, structure, and/or detached garage for a single-family dwelling shall not exceed twenty-five (25) percent of the area of the required rear yard.
 3. For lots less than five (5) acres, no building permit shall be issued for more than one (1) detached accessory building or detached garage for each single-family dwelling. Buildings attached by a breezeway or other similar method where there is no continuous frost depth foundation and fully enclosed attachment meeting all the standards of Section 16.07 is a detached building for this ordinance.
 4. On lots greater than 2 acres, attached garages shall not exceed one thousand one hundred twenty (1,120) square feet in area or the size of the house foundation (excluding garage) whichever is greater. On lots 2 acres or smaller, attached garages shall not exceed one thousand one hundred twenty (1,120) square feet in area or 90% of the size of the house foundation (excluding garage) whichever is greater.
 5. The combined total floor area of a detached accessory building or buildings or detached garages shall not exceed the following maximum area requirements:

Lot Area Maximum	Total Floor Area of All Detached Accessory Structures
1/3 acre or smaller	480 square feet
1/3 acre to 1/2 acre	624 square feet
1/2 acre to 2/3 acre	816 square feet
2/3 acre to 1 acre	1,250 square feet
1.01 acre to 2.00 acres	1,500 square feet
2.01 to 4.99 acres	2,000 square feet
5.00 to 6.99 acres	2,500 square feet
7.00 acres or larger	4,000 square feet
10.00 acres or larger	No Limit

- 6. Accessory buildings with an area of one thousand (1,000) square feet or less may encroach into the required side and rear yard setbacks within the rear yard of a lot unless it is abutting a street. In no case shall the setback be less than ten (10) feet.
- C. Except as was otherwise noted, accessory buildings and uses for all principal uses other than single family detached dwellings shall conform to the setback requirements specified for the respective zoning district in which they are located.
- D. No accessory uses or equipment such as air conditioning cooling structures or condensers which generate noise beyond established state standards may be located in a required side yard except for side yards abutting streets where equipment is fully screened from view.
- E. Height:
 - 1. Accessory buildings shall comply with the following height limitations:

Zoning District	Maximum Height
A-1	25 feet or the height of the principal structure, whichever is greater
R-R, R-1, R-2	25 feet
B-1, B-2, I-1	35 feet

- 2. Accessory buildings may exceed the height limitations in Section 15.04.E.1 by conditional use permit subject to the provisions of Section 16.02.A of this Ordinance.

F. Building Type and Standards:

Accessory buildings on all lots less than 2 acres (regardless of building structure type – post/pole versus stick) shall be similar in design to the principal building relative to:

- 1. Color schemes
- 2. Style of materials
- 3. Enclosed overhang (1 foot minimum required on all accessory structures)

Similar shall mean that the accessory structure has a substantial likeness, resemblance, or characteristics of the principal structure.

- 4. Architectural details for accessory buildings on all platted lots less than 10 acres are to be the same or similar as for the principal building, except for those specifically allowed in Section 2 below, based upon (but not limited to) the following criteria:
 - a. Scale and detailing.
 - b. Roof pitch orientation and slope.
 - c. Overhang depth and details.
 - d. Window and exterior door proportion and types.
 - e. Building material.
 - f. Exterior color.

**CITY OF ST. AUGUSTA
COUNTY OF STEARNS**

ORDINANCE NO. 2025-01

2025 SCHEDULE OF FEES

**THE CITY COUNCIL OF THE CITY OF ST. AUGUSTA, MINNESOTA, HEREBY
ORDAINS:**

Section 1. Purpose. The City of St Augusta establishes fees to provide for equitable payment for the provision of various services, use of facilities and related matters.

Section 2. 2024 Fee Schedule. Attached hereto.

Section 3: Effective Date: This ordinance shall be in full force and effective immediately following passage and publication.

Approved by the City Council of the City of St. Augusta this 7th day of January, 2025.

Jeff Schmitz, Mayor

Attest:

William R. McCabe, City Clerk-Administrator

City of St. Augusta
2025
Fee Schedule

Purpose/Application	Amount
Liquor Licenses	
On Sale	\$ 2,000.00
Off Sale	\$ 100.00
Sunday	\$ 200.00
Club up to	\$ 3,000.00
Wine - On Sale	\$ 2,000.00
3.2% - On Sale	\$ 100.00
3.2% - 6Month	\$ 50.00
3.2% - One Day	\$ 20.00
3.2% - Off Sale	\$ 30.00
Consumption and Display	\$ 300.00
Consumption and Display - One Day	\$ 25.00
Investigation - New License, inside Minnesota	actual Cost plus \$25
Investigation - New License, outside Minnesota	actual Cost plus \$25
THC License	\$ 500.00
Tobacco License	\$ 100.00
Residential Garbage Hauler's Licens	\$ 100.00
Cannabis Registration Fee and Microbusiness- Initial and Renewel	\$ 1,000.00
Mezzobusiness and Retail Registration - Initial	\$ 1,500.00
Mezzobisiness and Retail Registration - Renewal	\$ 1,000.00
Multi Family Residential Licensing/Inspection Fee	
Duplex	\$ 75.00
3-6 Units, 1st Unit	\$ 75.00
3-6 Units, Additional Units	\$ 15.00
7-12 Units, 1st Unit	\$ 100.00
7-12 Units, Additional Units	\$ 15.00
13+ Units, 1st Unit	\$ 125.00
13+ Units, Additional Units	\$ 15.00
Sexually Oriented Businesses	
Annual	\$ 5,000.00
Base Investigation	\$ 450.00
Additonal Investigation	Actual Cost
Sign Permit Fee	
fee	Based on Valuation, Minimum \$50
*If footings are required, design needed 2 sets of detailed plans required with sizes and demensions placement of sign and setback requirements	
Work in City Right of Way	
Permit	\$ 300.00
Refund after Clean Up	\$ 200.00

City of St. Augusta
2025
Fee Schedule

Water Meters

	5/8" x 3/4"	Actual Cost
	3/4" home irrigation	Actual Cost
	1" Commercial	Actual Cost
	1 1/2" Commercial	Actual Cost
	Inspection Fee	Actual Cost

Water

	Base Fee	\$ 32.09
	Volumetric per 1,000 gallons after 3,000 gallons/month	\$ 8.44
	WAC Rate	\$ 3,000
	Monthly Debt Service Charge	\$ 5.00

in the case where a residential lot has more than one meter, the combined usage together and one minimum will be assessed that property owner

Fire Fill Station Water

	First Use	\$ 30.00
	Refundable Deposit	\$ 100.00
	Volumetric per 1,000 gallons	\$ 3.00

Sanitary Sewer

	Base Fee	\$ 28.60
	Monthly Debt Service Charge	\$ 10.00
	Volumetric per 1,000 gallons after 3,000 gallons/month	\$ 7.52
	Water Supplemental Assistance Replacement Fund/1,000 gallons	\$ 0.50
	SAC Rate	\$ 3,000

Summer usage to be based on average water usage for the months of December, January and February of prior year

Storm Sewer

	Residential/month	\$ 2.40
	Multi-family/month/acre (Max \$25/month)	\$ 15.23
	Commercial-Industrial/acre/month (Max \$25/month)	\$ 23.72
	Institutional-church-ogvernment/acre/month(Max \$25/month)	\$ 18.51
	Agricultural/month	\$ 2.40

Shelter Rental

	Kiffmeyer Park	\$ 150.00
	Refund - Resident	\$ 75.00
	Refund - Non-Resident	\$ 50.00
	Hidden Lake Park	\$ 175.00
	Refund - Resident	\$ 75.00
	Refund - Non-Resident	\$ 50.00

Meeting Room Use

	partial day - commercial or private use	\$ 50.00
	full day - commercial or private	\$ 75.00
	civic or local groups	administrative discretion

City of St. Augusta
2025
Fee Schedule

Assessment Searches		\$	10.00
Copies and Documents			
	8.5 x 11	\$	0.25
	8.5 x 14	\$	0.50

City of St. Augusta
2025

Fee Schedule		
11 x 17	\$	1.00
Color Maps 8.5 x 11	\$	1.50
Color Maps 11 x 17	\$	3.00
Zoning Ordinance	\$	25.00
Subdivision Ordinance	\$	7.50
Comprehensive Plan	\$	25.00
Fax per page	\$	1.50

Zoning and Land Use	Escrow	Total
Administrative Subdivision	\$	50.00
Home Occupation Permit	\$ 250.00	\$ 500.00
Zoning Amendment - Map or Text	\$ 250.00	\$ 750.00
Appeals	\$ 250.00	\$ 750.00
Conditional & Interim Use Permits	\$ 250.00	\$ 750.00
Final Plat	\$ 150.00	\$ 400.00
Site Plan Review	\$ 250.00	\$ 500.00
Petition to Vacate	\$ 250.00	\$ 500.00
Variance	\$ 150.00	\$ 650.00
Storm Water Application	\$ 100.00	\$ 750.00

Preliminary Plat with services	First 8 Lots \$ 1,000.00	\$	1,500.00
	Between 8 and 50 Lots \$150/lot more than 8		
	Greater than 50 Lots \$75/lot more than 50		

Preliminary Plat without services	First 8 Lots \$ 800.00	\$	1,300.00
	Between 8 and 50 Lots \$100/lot more than 8		
	Greater than 50 Lots \$60/lot more than 50		

Subdivision Construction and Review Escrow

With Services	\$5,000 plus \$50/lot
Without Services	\$2,500 plus \$50/lot

**** Additional escrow fees may be required up front based on the complexity of the project.**

Developer is to maintain a positive balance in this Escrow Account at all times the applicant is required to pay a non-refundable base fee and escrow to be charged against the time and expense necessary to process the request. If the review and consideration of the request exceeds the cost covered by the escrow deposit as a consequence of lack of information, problems or questions raised by staff, Planning Commission, or City Council, all processing of the request will be halted until an estimation of completion is determined and a new escrow deposit made. The City Clerk will notify the applicant of the decision following the City Council's decision and refund any portion of the escrow deposit or bill the applicant for the balance due.

All fees must be paid at the time of application and shall be paid before issuance of a building permit

All new subdivisions must satisfy park dedication requirements (land an/or cash) as determined by the City Council prior to City execution of the Final Plat.

City of Saint Augusta Permit Fee Schedule

Residential Permits

Building Permits

Residential Permit Fee	Valuation based using UBC Table 1A
Plan Review Feedback	50% of Permit Fee
State Surcharge	The greater of .0005 x valuation or \$1.00

Building Permits - Maintenance

Roofing	\$100 + \$1.00 State Surcharge = \$101.00
Siding	\$100 + \$1.00 State Surcharge = \$101.00
Demolition	\$150 + \$1.00 State Surcharge = \$151.00
Window Replacement (same size)	\$100 + \$1.00 State Surcharge = \$101.00
Window Replacement (with structural change)	Valuation based using UBC Table 1A
Fences and Walls under 6'	\$100 + \$1.00 State Surcharge = \$101.00

Plumbing Permit

Residential Alteration	\$100 + \$1.00 State Surcharge = \$101.00
Residential New	\$100 + \$1.00 State Surcharge = \$101.00
Sprinkler/Irrigation System	\$100 + \$1.00 State Surcharge = \$101.00

Mechanical Permit

Residential Alteration	\$100 + \$1.00 State Surcharge = \$101.00
Residential Fireplace	\$100 + \$1.00 State Surcharge = \$101.00
Residential New	\$100 + \$1.00 State Surcharge = \$101.00

ISTS Permits - New, Replace or Repair

Permit Fee	\$400
Township Filing Fee	\$25

Commercial Permits

Building Permits

Building Permit Fee	Valuation based using UBC Table 1A
Plan Review Fee	65% of Permit Fee
State Surcharge	The greater of .0005 x valuation or \$.50

Commercial Demolition Permits

Building Permit Fee	Valuation based using UBC Table 1A
Plan Review Fee	65% of Permit Fee
State Surcharge	The greater of .0005 x valuation or \$.50

Plumbing Permits

Building Permit Fee	Valuation based using UBC Table 1A
Plan Review Fee	65% of Permit Fee
State Surcharge	The greater of .0005 x valuation or \$.50

Mechanical Permits

Building Permit Fee	Valuation based using UBC Table 1A
Plan Review Fee	65% of Permit Fee
State Surcharge	The greater of .0005 x valuation or \$.50

Fire Suppression and Alarm Permits

Plan Review Fee	Valuation based using UBC Table 1A
State Surcharge	65% of Permit Fee
	The greater of .0005 x valuation or \$.50

Fences/Walls over 6 Feet & Permanent Signs

Permit Fee	Valuation based using UBC Table 1A
Plan Review Fee	50% of Permit Fee
State Surcharge	The greater of .0005 x valuation or \$.50

Zoning Permits

Agriculture Buildings

Permit Fee	Valuation based - \$100 for \$0 to \$20,000 and \$6.00 per \$1,000 thereafter
No Plan Review Fee	
No Surcharge Fee	

Grain Bins

Flat fee of \$100

Inspections Outside Normal Business Hours

\$60 per hour, 1 hour minimum

Inspections for which no fee is specifically indicated

\$50.00 per inspection

Investigation Fees

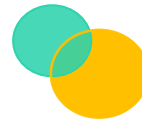
Work which was started without a permit shall be subject to an investigation fee equal to the permit fee, less the surcharge

Updated 1/1/2022

1994 UNIFORM BUILDING CODE TABLE 1-A – BUILDING PERMIT FEES Valuation	Fee
\$1 to \$25,000	\$62.25 for the first \$2000 plus \$12.50 for each additional \$1000, or fraction thereof, to and including \$25,000
\$25,001 to \$50,000	\$349.75 for the first \$25,000 plus \$9.00 for each additional \$1000, or fraction thereof, to and including \$50,000
\$50,001 to \$100,000	\$574.75 for the first \$50,000 plus \$6.25 for each additional \$1000, or fraction thereof, to and including \$100,000
\$100,001 to \$500,000	\$887.25 for the first \$100,000 plus \$5.00 for each addtl \$1000, or fraction thereof, to and incl. \$500,000
\$500,001 to \$1,000,000	\$2,887.25 for the first \$500,000 plus \$4.25 for each addtl \$1000, or fraction thereof, to and incl. \$1,000,000
\$1,000,001 and up	\$5,012.25 for the first \$1,000,000 plus \$2.75 for each addtl \$1000, or fraction thereof



Real People. Real Solutions.



DDA

David Drown Associates, Inc.
Public Finance Advisors

City of Le Sueur

Utility Rate and Capital Project/ Expenditure Study

September 2020

Submitted by:

Bolton & Menk, Inc.
1960 Premier Drive
Mankato, MN 56001
P: 507-625-4171

Submitted by:

David Drown Associates, Inc.
10555 Orchard Road
Cologne, MN 55322
P: 952-356-2992

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EXECUTIVE SUMMARY

In the spring of 2020 staff from Bolton and Menk (city engineer) and David Drown Associates (financial advisor) were authorized to begin work on a utility rate analysis that incorporated expenditures associated with a Capital Improvement Plan and a Capital Equipment Plan (CIP-CEP). The planning period for the utility rate analysis was set by the financial consult to be a period of 5-years. The analysis includes an examination of utility rates for the water system, Wastewater system, storm sewer system, and the forecasted debt service levy that would be necessary to accommodate the proposed expenditures.

The Capital Improvement and Capital Equipment plans include projects and expenditures totaling approximately \$36 million paid from a variety of revenue sources including enterprise fund contributions, tax levies, and special assessments. Funding sources include cash, state low interest loans, and the issuance of municipal debt.

This report will discuss the strengths and weaknesses of each of the enterprises examined and their ability to accomplish the projects and associated expenditures within each of those utilities. This report also provides specific recommendations regarding modifications to utility rate structures to accommodate the proposed capital projects and equipment expenditures (CIP-CEP).

Recommendations in each of the enterprises include the following:

Water System:

- 1) Annual increases to the water rate schedule of approximately 2% per year will be required to support CIP-CEP water projects/expenditures, planned transfers to the Wastewater fund, and inflationary increase in operating costs; and
- 2) An additional usage tier of 100,000 gallons plus has been added at a higher flow charge.

Wastewater System:

- 1) Annual increases to the Wastewater rate schedule of 7.8% per year from 2021 to 2025 will be required to reverse the revenue deficit in the sewer fund, support CIP-CEP Wastewater projects/expenditures, support inflationary increase in operating costs, and to start building cash.
- 2) To achieve breakeven results (elimination of fund deficit) by 2025, a delay in interfund loan payments is recommended until 2028.

Storm Sewer System:

- 1) Annual increases to the storm sewer rate schedule of approximately 10% per year through 2025 will be required to support CIP-CEP storm sewer projects/expenditures.

Debt Service Levy:

- 1) The projected debt service levy is projected to remain relatively flat as special assessments are used to offset debt service payments and other debt is retired as new projects are implemented.

Utility Analysis:

Five years of audit history were used in examining historical rates and impacts on cash reserves along with year-to-date revenues and expenditures in the water and Wastewater utilities. A comprehensive Capital Improvement Plan and Capital Equipment Plan has been developed by staff and those projects and expenditures have been incorporated into the 5-years of financial projections made for the water, Wastewater, and storm sewer utilities. A forecast of the debt service levy has also been made as a significant portion of the capital improvement plan includes street reconstruction which is funded through tax levy and special assessments.

Water System:

The water system is in the fortunate position of having retired (or will soon be retiring) all of its existing debt. A number of significant improvements to the water system are planned including a renovation of the water treatment plant, the addition of a new well, the construction of additional elevated storage and a series of reconstruction projects that will result in the replacement of watermain. Additional detail regarding the proposed improvements are included in the CIP-CEP narrative in Exhibit A.

The water system is in great financial position to undertake new projects as it has a healthy cash balance and low outstanding debt. Recommendations for the water system include the following:

- 1) Annual increases to the water rate schedule of approximately 2% per year will be required to support CIP-CEP water projects/expenditures and inflationary increase in operating costs; and
- 2) An additional rate tier for usage over 100,000 gallons has been added at a higher flow charge.

A 9-city survey to review water rates and charges was completed to analyze affordability through a peer group analysis. The average fee within the peer group for a 5,000 gallon per month residential customer is \$39.35. Le Sueur is presently below this average for 5,000 gallon per month customer at \$36.25 per month. A graph of peer group rates is attached in Exhibit B.

The financial model for the water system is provided on the next page along with the proposed rate schedules through 2025 on the following page.

City of Le Sueur, Minnesota Water Fund Analysis						Projected					
Annual Inflation Rate:		1.50%									
						Annual Sales Growth Rate					
						2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Operating Revenues	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
User Charges	1,031,913	1,047,422	1,166,465	1,414,342	1,834,324	2,100,000	2,309,000	2,355,180	2,402,284	2,450,329	2,499,336
WAC Fees	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total Operating Revenue	1,031,913	1,047,422	1,166,465	1,414,342	1,834,324	2,100,000	2,309,000	2,355,180	2,402,284	2,450,329	2,499,336
Operating Expenses											
Source of Power	63,913	220,215	8,175	23,317	10,016	29,500	29,943	30,392	30,848	31,310	31,780
Power and Pumping	111,822	130,227	114,543	131,676	136,992	149,000	151,235	153,504	155,806	158,143	160,515
Purification	7,009	12,275	7,823	9,047	7,755	7,500	7,613	7,727	7,843	7,960	8,080
Distribution	31,585	24,066	16,507	8,114	69,027	48,000	48,720	49,451	50,193	50,945	51,710
Administrative and General	274,488	469,607	353,375	414,721	500,114	676,520	812,130	869,997	883,047	896,293	909,737
Metering	15,817	18,747	11,408	6,115	17,986	25,010	45,010	-	-	-	-
Depreciation	197,735	201,530	240,075	249,450	270,059	210,000	280,000	280,000	280,000	280,000	280,000
Repairs and Maintenance	19	15	122,967	-	-	-	-	-	-	-	-
Equipment	-	-	-	35,923	93,219	94,617	96,037	97,477	98,939	100,423	101,930
Total Operating Expenses	702,388	1,076,682	874,873	878,363	1,105,168	1,240,147	1,470,687	1,488,547	1,506,675	1,525,075	1,543,751
Operating Income	329,525	(29,260)	291,592	535,979	729,156	859,853	838,313	866,633	895,609	925,254	955,585
Net Cash from Operations	578,134	382,192	532,631	669,372	1,021,889	1,069,853	1,118,313	1,146,633	1,175,609	1,205,254	1,235,585
Interfund Loans	(323,889)	323,889	-	-	(122,028)	-	-	-	-	-	-
Intergovernmental	(59,537)	(74,214)	(74,544)	(58,190)	(58,190)	28,000	-	-	-	-	-
Interest Income & Connection Fees	28,523	418	3,598	(273)	43,057	18,000	18,000	18,000	18,000	18,000	18,000
Assessment Receipts	(3,793)	(177)	14,238	11,581	485	5,000	-	-	-	-	-
Debt Service	(445,927)	(77,953)	(75,321)	(111,186)	41,480	(139,779)	(374,472)	(465,580)	(1,191,720)	(1,149,686)	(1,149,686)
Issuance of Bonds/Notes	-	-	330,000	-	-	2,689,269	1,010,951	11,020,281	833,750	-	714,850
Acquisition of Capital Assets	(144,909)	(583,976)	(149,940)	(75,392)	(291,749)	(3,173,450)	(1,896,902)	(11,020,281)	(1,889,101)	(166,051)	(821,601)
Transfers	(301,200)	(1,293)	(81,650)	(88,741)	(87,450)	-	(30,000)	(30,450)	(30,907)	(31,370)	(31,481)
Net Increase in Cash	(672,598)	(31,114)	499,012	347,171	547,494	496,893	(154,110)	668,603	(1,084,369)	(123,853)	(34,333)
Cash Beginning of Year	-	174,164	143,050	642,062	989,233	1,536,727	2,033,620	1,879,510	2,548,113	1,463,744	1,339,891
Cash End of Year	(672,598)	143,050	642,062	989,233	1,536,727	2,033,620	1,879,510	2,548,113	1,463,744	1,339,891	1,305,558

City of Le Sueur, Minnesota Water Fund Analysis			Projected						
			Annual Sales Growth Rate						
Year	2018	2019	2020	2.0% 2021	2.0% 2022	2.0% 2023	2.0% 2024	2.0% 2025	
Base Charge - Essential:									
5/8"	10.00	15.00	20.00	20.40	20.81	21.22	21.65	22.08	
1"	10.75	35.25	47.00	47.94	48.90	49.88	50.87	51.89	
1.5"	11.00	70.50	94.00	95.88	97.80	99.75	101.75	103.78	
2"	12.00	112.80	150.40	153.41	156.48	159.61	162.80	166.05	
3"	13.50	225.60	300.80	306.82	312.95	319.21	325.60	332.11	
4"	18.00	351.94	469.25	478.64	488.21	497.97	507.93	518.09	
6"		703.87	938.50	957.27	976.42	995.94	1,015.86	1,036.18	
Flow Charge - Essential:									
0-10,000	3.50	4.00	3.25	3.32	3.38	3.45	3.52	3.59	
10,001-20,000	3.50	4.00	3.75	3.83	3.90	3.98	4.06	4.14	
20,001 to 100,000	3.50	4.00	4.25	4.34	4.42	4.51	4.60	4.69	
Over 100,000				4.85	4.95	5.05	5.15	5.25	
Base Charge - Non-essential:									
5/8"	10.00	15.00	5.00	5.10	5.20	5.31	5.41	5.52	
1"	10.75	35.25	11.75	11.99	12.22	12.47	12.72	12.97	
1.5"	11.00	70.50	23.50	23.97	24.45	24.94	25.44	25.95	
2"	-	112.80	37.60	38.35	39.12	39.90	40.70	41.51	
3"	-	225.60	75.20	76.70	78.24	79.80	81.40	83.03	
4"	-	351.94	117.31	119.66	122.05	124.49	126.98	129.52	
6"	-	703.87	234.62	239.31	244.10	248.98	253.96	259.04	
Flow Charge - Non-essential:									
0-10,000	3.50	4.00	5.00	5.10	5.20	5.31	5.41	5.52	
10,001-20,000	3.50	4.00	6.00	6.12	6.24	6.37	6.49	6.62	
20,001 to 100,000	3.50	4.00	7.00	7.14	7.28	7.43	7.58	7.73	
Over 100,000				7.64	7.79	7.95	8.11	8.27	
5,000 Gal Residential Customer:	27.50	35.00	36.25	36.98	37.71	38.47	39.24	40.02	

Wastewater System:

Capital Improvement Plan and Capital Equipment Plan projects/expenditures are detailed in the CIP/CEP narrative and for the most part include replacement/repair projects within the collection system. The wastewater system is making debt payments on mostly treatment facility debt averaging close to \$1.3 million through 2027. Once that debt is retired, this utility will significantly improve its capabilities to pay for projects, establish a positive cash balance, and repay interfund loans.

As previously mentioned in this report interfund loan payments are recommended to be suspended until 2028 as the goal during that timeline is to eliminate the present deficit in the wastewater fund.

Recommendations for the wastewater system include the following:

- 1) Annual increases to the wastewater rate schedule of 7.8% per year from 2021 to 2025 will be required to eliminate the present deficit in the wastewater fund, support CIP-CEP wastewater projects/expenditures, and to support inflationary increase in operating costs; and
- 2) Where appropriate, special assessment revenues collected from street/utility reconstruction projects should be used to offset wastewater contributions to debt service; and
- 3) It is recommended that interfund loan payments from the wastewater fund be suspended until 2028.

A 9-city survey to review wastewater rates and charges was completed to analyze affordability through a peer group analysis. The average monthly fee within the peer group for a 5,000 gallon per month residential customer is \$68.90. Le Sueur is presently above this average for 5,000 gallon per month customer at \$89.25 per month. A graph of peer group wastewater rates is attached in Exhibit B.

The financial model for the wastewater utility is provided on the next page along with the proposed rate schedules through 2025 on the following page.

City of Le Sueur, Minnesota Sewer Fund Analysis						Projected					
Annual Inflation Rate: 1.50%											
						Annual Sales Growth Rate					
						7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Operating Revenues	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Sewer Charges	1,746,439	1,982,703	2,487,226	2,192,765	2,595,289	2,800,000	3,018,400	3,253,835	3,507,634	3,781,230	4,076,166
Treatment Charges	-	-	-	-	-	-	-	-	-	-	-
Misc	-	-	-	-	-	-	-	-	-	-	-
SAC Charges	-	-	-	-	-	-	-	-	-	-	-
Total Operating Revenue	1,746,439	1,982,703	2,487,226	2,192,765	2,595,289	2,800,000	3,018,400	3,253,835	3,507,634	3,781,230	4,076,166
Operating Expenses											
Administrative & General	200,638	321,874	338,591	324,657	1,167,051	1,335,660	1,325,000	1,344,875	1,365,048	1,385,524	1,406,307
Sanitary Sewer Cleaning	8,110	49,471	17,482	27,314	-	-	-	-	-	-	-
Sanitary Sewer Maintenance	-	1,555	7,085	-	-	-	-	-	-	-	-
Sewer Lift Stations	9,627	19,904	43,828	2,715	220,714	58,300	59,175	60,062	60,963	61,877	62,806
Sewer Treatment Plant	579,915	809,247	821,081	530,369	51,035	5,000	5,075	5,151	5,228	5,307	5,386
Metering	14,483	17,404	18,054	3,840	695	26,010	46,010	46,700	47,401	48,112	48,833
Sewer Cleaning/Flood Repair	168,433	85,503	239,461	-	32,262	32,746	-	-	-	-	-
PUC	43,198	42,753	40,552	303,705	317,105	317,105	-	-	-	-	-
Depreciation	563,219	558,974	609,237	609,238	697,346	535,500	700,000	700,000	700,000	700,000	700,000
Equipment	-	-	-	72,899	161,901	164,330	166,794	169,296	171,836	174,413	177,030
-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	1,587,623	1,906,685	2,135,371	1,874,737	2,648,109	2,474,650	2,302,054	2,326,085	2,350,476	2,375,233	2,400,362
Operating Income	158,816	76,018	351,855	318,028	(52,820)	325,350	716,346	927,750	1,157,158	1,405,997	1,675,804
Net Cash from Operations	728,412	888,118	1,050,158	922,937	1,090,243	860,850	1,416,346	1,627,750	1,857,158	2,105,997	2,375,804
Interfund Loans Receipts	367,122	307,282	200,690	332,993	(127,217)	(77,217)	(42,217)	-	-	-	-
Refunds & Reimbursements	184,828	122,515	189,243	179,038	314,837	75,000	75,000	75,000	75,000	75,000	75,000
Assessment Payments	(7,469)	(22,607)	27,837	17,162	697	-	-	-	-	-	-
Interfund Loan Payments	385,738	(100,290)	(150,698)	(127,218)	(156,283)	-	-	-	-	-	-
Interest Income & Connection Fees	28,891	10,374	3,000	-	37,500	18,000	18,000	18,000	18,000	18,000	18,000
Debt Service	(1,200,352)	(1,203,492)	(1,206,780)	(1,200,745)	535,122	(1,410,450)	(1,482,820)	(1,487,756)	(1,581,540)	(1,675,481)	(1,776,082)
Issuance of Bonds/Notes	-	-	-	-	-	-	714,639	1,026,339	1,076,199	458,565	1,012,199
Acquisition of Capital Assets	(33,600)	-	-	(10,604)	(1,556,925)	(160,000)	(714,639)	(1,026,339)	(1,076,199)	(458,565)	(1,012,199)
Transfers	298,850	(1,900)	(113,450)	(113,563)	(112,550)	-	(21,000)	(21,315)	(21,635)	(21,959)	(22,289)
Net Increase in Cash	752,420	-	-	-	25,424	(693,817)	(36,691)	211,679	346,983	501,557	670,433
Cash Beginning of Year	-	-	-	-	(996,424)	(971,000)	(1,664,817)	(1,701,508)	(1,489,829)	(1,142,846)	(641,289)
Cash End of Year	(311,717)	(618,999)	(819,689)	(1,152,682)	(971,000)	(1,664,817)	(1,701,508)	(1,489,829)	(1,142,846)	(641,289)	29,144

City of Le Sueur, Minnesota Sewer Fund Analysis					Projected							
					Annual Sales Growth Rate							
					7.8%		7.8%		7.8%		7.8%	
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
Base Rate - Residential:												
5/8"	18.00	20.00	21.00	20.00	25.00	26.95	29.05	31.32	33.76	36.39		
1"	21.00	23.00	24.00	47.00	58.75	63.33	68.27	73.60	79.34	85.53		
1.5"	30.00	32.00	34.00	94.00	117.50	126.67	136.54	147.20	158.68	171.05		
Base Rate - Commercial												
5/8"	18.00	20.00	21.00	20.00	25.00	26.95	29.05	31.32	33.76	36.39		
1"	21.00	23.00	24.00	47.00	58.75	63.33	68.27	73.60	79.34	85.53		
1.5"	30.00	32.00	34.00	94.00	117.50	126.67	136.54	147.20	158.68	171.05		
2"	37.00	39.00	41.00	150.40	188.00	202.66	218.47	235.51	253.88	273.69		
3"	53.00	55.00	57.00	300.80	376.00	405.33	436.94	471.03	507.77	547.37		
4"				469.25	586.56	632.31	681.63	734.80	792.11	853.90		
6"				938.50	1,173.12	1,264.62	1,363.26	1,469.60	1,584.23	1,707.80		
Flow/Thousand - Res	12.5	13.5	14.00	13.5	12.85	13.85	14.93	16.10	17.35	18.71		
Flow/Thousand - Comm	12.5	13.5	14.00	13.5	12.85	13.85	14.93	16.10	17.35	18.71		
5,000 Gal Residential Customer:	80.50	87.50	91.00	87.50	89.25	96.21	103.72	111.81	120.53	129.93		

Storm Water System:

Due to increasing regulations and costs associated with storm water management, the city created the storm water utility in 2018 and began charging a monthly fee to address capital projects required within that system. Improvements to the storm water system are planned to include a series of reconstruction projects that will result in the replacement of portions of the storm water collection system. Additional detail regarding the proposed improvements are included in the CIP-CEP narrative.

As a new utility the storm water system is in a good financial position to undertake new projects as it has a growing cash reserve and low outstanding debt. Recommendations for the storm water system include the following:

- 1) Annual increases to the storm sewer rate schedule of approximately 10% per year through 2025 will be required to support CIP-CEP storm sewer projects/expenditures; and
- 2) It is recommended that an operating budget be established for the utility to recognize the maintenance costs associated with maintaining the storm water system.

A 9-city survey to review storm water rates and charges was completed to analyze affordability through a peer group analysis. The average monthly fee within the peer group for a residential customer is \$6.89 per month. Le Sueur is presently slightly above this average at \$7.13 per month for a residential customer. A graph of peer group rates is attached in Exhibit B.

The financial model for the storm water system is provided on the next page along with the proposed rate schedules through 2025 on the following page.

City of Le Sueur, Minnesota Storm Water Fund Analysis				Projected					
Annual Inflation Rate:		1.50%							
				Annual Sales Growth Rate					
				10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Operating Revenues	2017	2018	2019	2020	2021	2022	2023	2024	2025
Storm Sewer Charges	-	115,670	116,750	116,750	128,425	141,268	155,394	170,934	188,027
Other	-	-	290	290	319	351	386	425	467
Other	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total Operating Revenue	-	115,670	117,040	117,040	128,744	141,618	155,780	171,358	188,494
Operating Expenses									
Administrative & General	-	-	-	-	-	-	-	-	-
Storm Sewer Cleaning	-	-	-	-	-	-	-	-	-
Storm Sewer Maintenance	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
PUC	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Equipment	-	-	17,734	18,000	18,270	18,544	18,822	19,105	19,391
	-	-	-	-	-	-	-	-	-
Total Operating Expenses	-	-	17,734	18,000	18,270	18,544	18,822	19,105	19,391
Operating Income	-	115,670	99,306	99,040	110,474	123,074	136,958	152,254	169,103
Net Cash from Operations	-	93,762	105,273	99,040	110,474	123,074	136,958	152,254	169,103
Interfund Loans Receipts	-	-	-	-	-	-	-	-	-
Refunds & Reimbursements	-	-	-	-	-	-	-	-	-
Assessment Payments	-	-	-	-	-	-	-	-	-
Interfund Loan Payments	-	(14,659)	-	-	-	-	-	-	-
Interest Income & Connection Fees	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	(86,194)	(86,194)	(106,124)	(170,329)	(170,329)
Issuance of Bonds/Notes	-	-	-	958,338	-	221,590	713,850	-	556,500
Acquisition of Capital Assets	-	-	-	(958,338)	(50,000)	(221,590)	(713,850)	-	(556,500)
Transfers	-	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)
Net Increase in Cash	-	73,103	99,273	93,040	(31,720)	30,880	24,834	(24,075)	(7,226)
Cash Beginning of Year	-	-	73,103	172,376	265,416	233,696	264,576	289,410	265,335
Cash End of Year	-	73,103	172,376	265,416	233,696	264,576	289,410	265,335	258,110

City of Le Sueur, Minnesota Storm Water Fund Analysis			Projected						
			Annual Sales Growth Rate						
			10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	
Operating Revenues	2018	2019	2020	2021	2022	2023	2024	2025	
Parcel Acreage:									
Less than .5 acres	5.25	6.00	7.13	7.84	8.63	9.49	10.44	11.48	
.5 acre to less than 1 acre	7.00	8.00	9.50	10.45	11.50	12.64	13.91	15.30	
1 acre to less than 2 acres	11.20	12.80	15.20	16.72	18.39	20.23	22.25	24.48	
2 acres to less than 3 acres	14.70	16.80	19.95	21.95	24.14	26.55	29.21	32.13	
Greater than 3 acres	21.00	20.00	23.75	26.13	28.74	31.61	34.77	38.25	
Average Residential Customer:	5.25	6.00	7.13	7.84	8.63	9.49	10.44	11.48	

Debt Service Levy:

The debt service levy that the city makes on previously issued project related debt will see significant existing debt payments falling off in the next three years. This creates capacity to take on additional project related debt without increasing the property tax levy that the City makes. As a series of street reconstruction projects are included in the Capital Improvement Plan, the city will be in a good position to financially manage the street components of those projects. Additional detail regarding the proposed projects are included in the CIP-CEP narrative.

Recommendations for the debt service levy include the following:

- 1) Continue to monitor when current project debt will be retired to assist with coordinating the implementation of new projects to avoid significant fluctuations in the debt service levy; and
- 2) Continue to use special assessments as a source of revenue that supplements the property tax levy as a means of paying for street reconstruction; and
- 3) A goal of an amortization of 15-years or less on street reconstruction project debt will enable the City to implement projects on a cyclical basis by taking advantage of the retirement of old project debt as new projects are implemented.

A financial projection of the city's debt service levy is provided on the next page.

City of Le Sueur, Minnesota
 Projected Debt Service Levies

	Street Recon 2013B	Rfdg (Fire) 2014B	Rfdg (Library) 2014B	CIP Bonds 2010D	Imp Rfdg 2011B	Imp Rfdg 2012A	Tax Abate 2008A	Johnson Lease - 2010	Street Recon 2017A	2019 Equip Lease	Existing D/S Levy:	Proposed CIP D/S Levy:	Total D/S Levy:
2018	75,095	92,600	61,000	50,685	80,000	70,000	36,295	146,000	33,337		645,012	-	645,012
2019	74,045	91,200	64,900	54,365	80,000	70,000	-	146,000	37,565		618,075	-	618,075
2020	72,995	94,800	63,700	52,610	80,000	70,000	-	146,000	37,282	230,000	847,387	-	847,387
2021	71,645	93,300	67,500	50,855	-	70,000	-	77,845	162,999	230,000	824,144	-	824,144
2022	75,295	91,800	61,200	54,100	-	-	-	-	165,308	230,000	677,703	60,710	738,413
2023	73,508	95,300	-	52,050	-	-	-	-	162,263	230,000	613,121	60,710	673,831
2024	76,720	92,900	-	-	-	-	-	-	164,088	230,000	563,708	214,608	778,316
2025	74,480	95,500	-	-	-	-	-	-	165,794	230,000	565,774	214,608	780,382
2026	72,240	92,950	-	-	-	-	-	-	166,975	230,000	562,165	371,632	933,797
2027	-	95,400	-	-	-	-	-	-	162,775	-	258,175	371,632	629,807
2028	-	92,700	-	-	-	-	-	-	162,985	-	255,685	525,728	781,413
2029	-	-	-	-	-	-	-	-	163,038	-	163,038	525,728	688,766
2030	-	-	-	-	-	-	-	-	162,933	-	162,933	652,289	815,222
2031	-	-	-	-	-	-	-	-	162,671	-	162,671	652,289	814,960
2032	-	-	-	-	-	-	-	-	162,251	-	162,251	652,289	814,540
2033	-	-	-	-	-	-	-	-	-	-	-	652,289	652,289
2034	-	-	-	-	-	-	-	-	-	-	-	652,289	652,289
	666,023	1,028,450	318,300	314,665	28,317,150	280,000	149,146	515,845	2,072,264	1,610,000	7,081,842	5,606,802	12,688,644

New Projects:	Cost:	Annual D/S Starts:	Term of D/S:	Amount of Annual D/S:	
2020 CIP Projects	136,620.53	2021	15	\$0.00	- D/S covered by special assessments
2021 CIP Projects	675,000.00	2022	15	\$60,710.24	
2022 CIP Projects	-	2023	0	\$0.00	
2023 CIP Projects	1,711,100.00	2024	15	\$153,898.22	
2025 CIP Projects	1,745,850.00	2026	15	\$157,023.67	
2027 CIP Projects	1,713,300.00	2028	15	\$154,096.09	
2029 CIP Projects	1,407,150.00	2030	15	\$126,560.62	
	7,389,020.53			\$652,288.84	
					- Special Assessments Applied to Reduce Debt Service

EXHIBIT A

Capital Improvement Plan/Capital Equipment Plan Narrative

The timing of maintenance and rehabilitation actions can greatly influence their effectiveness and cost as well as overall lifespan. The goal of this section is to assist with an understanding of the recommendations for capital improvements and equipment purchases planned over the next five years.

2021 CIP-CEP:

Capital Improvement Plan (CIP)

The adopted capital improvement plan identifies a street and utility project consisting of the second half of CSAH 22 (TH 112 Turnback) Improvement Project. The 2021 portion of the CSAH 22 project includes watermain and storm sewer replacement, sanitary sewer extension and bituminous roadway reconstruction. A new multi-use trail connection from Elmwood Avenue to Kingsway Drive will also be constructed. Additionally, the reconnection of South Main Street between Ferry and Bridge Street and extension of South 5th Street to connect with the new Meadows II development is planned to be completed.

Other capital improvements plan to include a new municipal well (#8) and new one-million-gallon water tower to replace the existing undersized tower in the low-pressure zone.

Capital Equipment Plan (CEP)

The following equipment replacements are planned for each of the respective utility enterprise funds this year:

A) Water

- EPA Risk and Resilience Assessment and Emergency Response Plan
- Water Treatment Plant Optimization and Rehabilitation Study
- Storage Building Remodel
- 2006 F-350 replacement

B) Sanitary Sewer

- Lift Station 4 Panel and Wells
- Lift Station Henderson Road Wells
- Roof Maintenance/Repair (Overall)
- Building B Equipment
- Building C Equipment
- Aeration Basins

C) Storm Sewer

- Overall System Study

2022 CIP-CEP:

Capital Improvement Plan (CIP)

The adopted capital improvement plan identifies a street and utility project consisting of the CSAH 36 (S Main St) Improvement Project. This project is planned to be a County led project with City partnership to reconstruct South Main Street from Ferry to the south City limits and Ferry Street from South Main Street to South 4th Street. The project will include watermain, sanitary sewer and storm sewer replacement, along with a full bituminous roadway reconstruction.

Capital Equipment Plan (CEP)

The following equipment replacements are planned for each of the respective utility enterprise funds this year:

A) Water

- Water Condition Assessment
- High Pressure Zone Redundant Water Line & Service Flow Booster
- High Pressure Zone Booster Station Generator
- 2005 F-150 replacement

B) Sanitary Sewer

- Lift Station 9 Panel
- Lift Station Henderson Road Wells
- Waste Water Treatment Facility Fencing and Gate
- Building B Equipment

C) Storm Sewer

- No major replacements

2023 CIP-CEP:

Capital Improvement Plan (CIP)

The adopted capital improvement plan identifies a street and utility project consisting of the South 5th, South 6th, and South 7th Street neighborhood, along with Cathcart Street and the utility improvements within the south parking lot of Zion Church on Elmwood Avenue. This is planned to be a City led project and will include watermain, sanitary sewer and storm sewer replacement, along with a full bituminous roadway reconstruction. This project will connect directly to the CSAH 22 improvements previously completed in 2020 and 2021, along with complete necessary utility improvements to allow Zion Church to complete the remainder of their parking lot resurfacing improvements.

Capital Equipment Plan (CEP)

The following equipment replacements are planned for each of the respective utility enterprise funds this year:

-
- A) Water
 - Low Pressure Zone to Middle Pressure Zone Booster Station for Redundant Water Supply
 - Water Bulk Fill Station with Hydropneumatic Tank

 - B) Sanitary Sewer
 - Lift Station Mayo Panel and Wells
 - Building B Equipment
 - Aeration Basins

 - C) Storm Sewer
 - a. No major replacements

2024 CIP-CEP:

Capital Improvement Plan (CIP)

No street and utility project planned for this year.

Capital Equipment Plan (CEP)

The following equipment replacements are planned for each of the respective utility enterprise funds this year:

- A) Water
 - SCADA Controls Fiber Conversion

- B) Sanitary Sewer
 - Lift Station Henderson Road Panel
 - Biosolid Storage Concrete

- C) Storm Sewer
 - a. No major replacements

2025 CIP-CEP:

Capital Improvement Plan (CIP)

The adopted capital improvement plan identifies a street and utility project consisting of the North 4th and North 5th St neighborhood, along with remainder of Bridge St, North 2nd St and Swan Street from 2nd to 4th. This is planned to be a City led project and will include watermain, sanitary sewer and storm sewer replacement, along with a full bituminous roadway reconstruction. This project will connect directly to the CSAH 22 improvements previously completed in 2020.

Capital Equipment Plan (CEP)

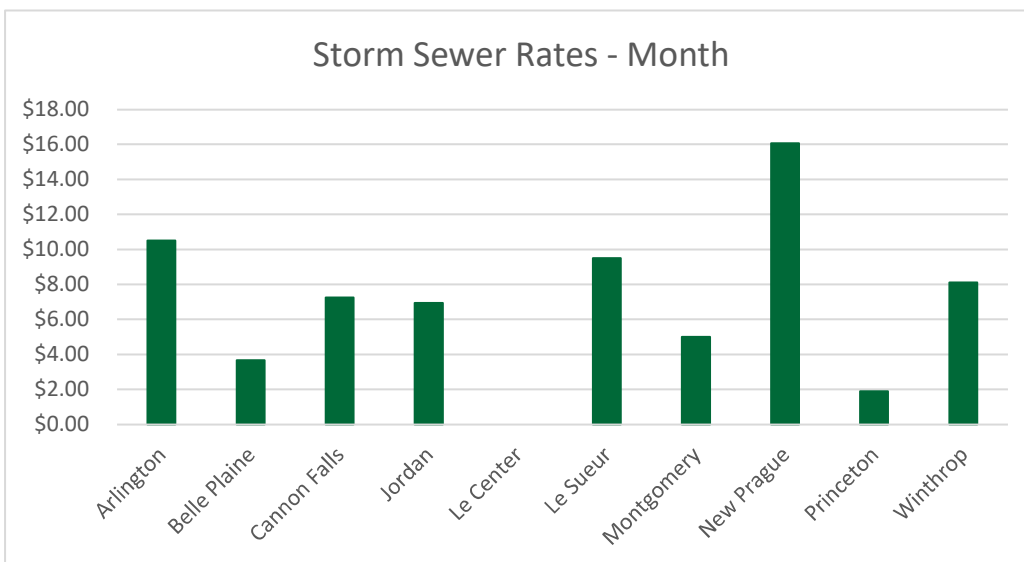
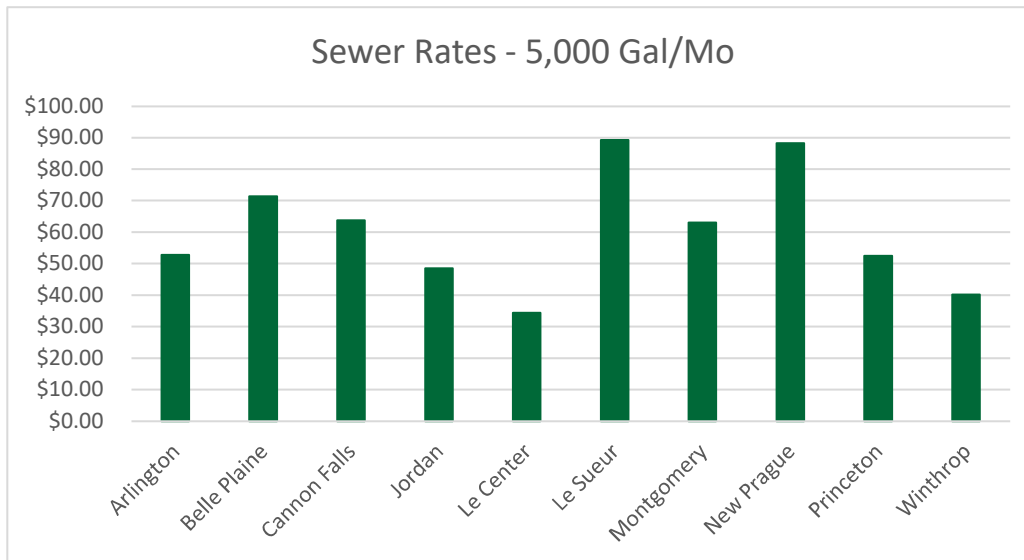
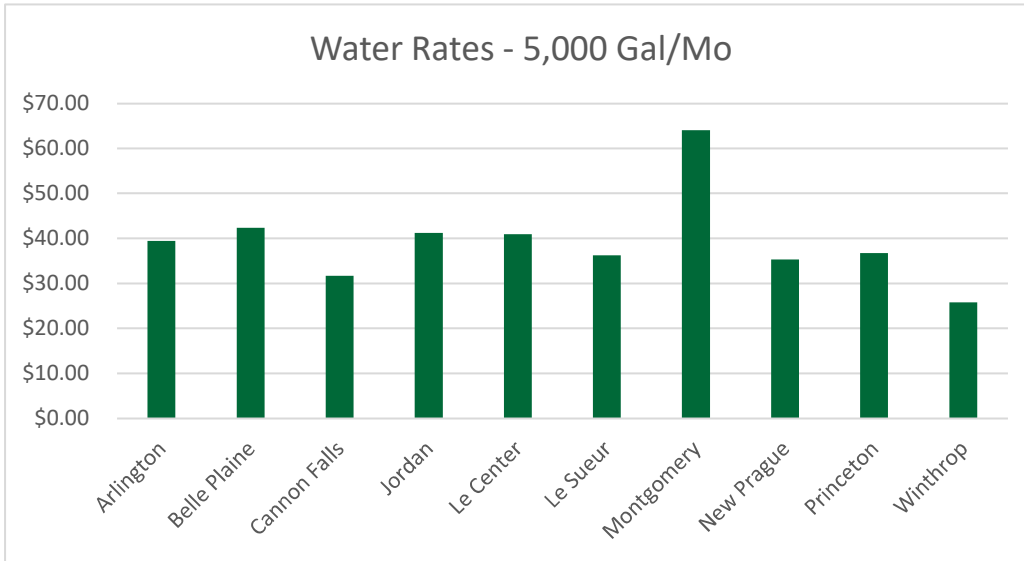
The following equipment replacements are planned for each of the respective utility enterprise funds this year:

- A) Water
 - No major replacements

- B) Sanitary Sewer
 - Lift Station 6 Panel
 - Lift Station 9 Wells
 - Aeration Basins

- C) Storm Sewer
 - a. No major replacements

Exhibit B



City of Lake Crystal, Minnesota

Capital Financial Plan

Dated: September 8, 2023



DDA

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Public Finance Advisors

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Lake Crystal Capital Financial Plan

Introductory Statement:

Over the second half of 2023 we have worked with the staff, city council, and public utilities commission members during a series of work session to assist in developing a funding plan for large capital expenditures. Our analysis included a review of the City's financial condition as compared to a peer group of like-sized communities.

During this process a number of projects on the City's capital improvement plan list were discussed but ultimately it was determined to be appropriate to focus on the most immediate needs which included the construction of the Crystal Gardens Subdivision, the sewer regionalization project with Mankato, the UP Rail Crossing (utilities), Crystal Gardens lift station, and the Trunk Highway 60 utility reconstruction project.

Current Financial Condition – A Comparative Analysis:

One good way to develop an understanding or “feeling” for the financial condition of a City is to select several financial measures and compare them with those of similar cities. For Lake Crystal we looked at a statewide group of fifteen (15) cities with similar size and location characteristics for the purpose of developing a peer group. Our findings based on this peer group analysis were as follows:

- **Lake Crystal has higher than average tax base:** Lake Crystal's tax base is about 18% higher than the average of the comparison group of cities. As per capita property values are higher than other communities of similar size/location, this means the City's tax rate would be lower if it were levying the same dollars/capita. The tax base is particularly strong in the residential category.
- **Lake Crystal receives about the same in LGA funding:** On a per capita basis the City of Lake Crystal receives about the same amount of Local Government Aid (LGA) from the State of Minnesota as its peer group. As LGA provides approximately 40% of general fund revenues, fluctuations in the funding formula and State budget allocations can have a significant impact on the annual operations of the City.
- **Lake Crystal has a lower than average City tax rate:** Generally we would expect that the tax rate would be lower in Lake Crystal due to the higher than average tax base, and this is the case. As Lake Crystal collects about the same amount of Local Government Aid from the State of Minnesota as its peer group, overall it appears that Lake Crystal's general fund spending is comparable to the peer group average.
- **Lake Crystal has higher than average debt levels:** The City has previously been active in street and utility reconstruction which in a small community can have significant impact on the amount of debt per capita. While debt levels are above average both statewide and for its peer group, the City is paying down existing obligations at a good pace which will create capacity for new projects. The overall debt per capita is not considered to be a significant barrier to additional investment required to maintain infrastructure.
- **Lake Crystal's sanitary sewer rates are higher than average:** Likely the most significant challenge will be the implementation of the sanitary sewer regionalization project as it will potentially impact sanitary sewer rates that are already comparatively high.

Comparative Analysis Conclusion:

The City of Lake Crystal is financially sound but will have a challenge with implementing projects that impact sanitary sewer rates. The City maintains strong cash reserves, particularly in the water utility which will be able to fund most, if not all of its immediately planned capital expenditures with cash. The pace of lot sales in the Crystal Gardens Subdivision will have an impact on project affordability if it is able to sustain itself with revenues from lot sales/special assessments. The strong tax base and comparatively low tax rate are also beneficial attributes for being able to afford to take on additional projects.

Capital Project Analysis:

Capital financial planning helps you balance two competing needs; the need to complete capital projects and the need to preserve or improve your financial condition. Many factors can affect project feasibility and financial impact; construction can be phased or delayed, debt payments can be stretched over a longer period of time, assessment burdens can be increased, etc., and when multiple projects are under consideration, the number of combinations and associated impacts quickly becomes quite complicated.

To help deal with the complexity, David Drown Associates prepared a financial computer model to crunch the numbers and quickly show the financial impact of a particular approach to a series of projects. If one or several conditions are changed, the model immediately shows the change in impacts to property taxes, utility rates, and cash balances. Using this model, the Council and other decision-makers can quickly see the impact of proposed projects on the City's financial condition, and weigh the pros and cons of implementation. Most importantly, the Council will have a realistic understanding of the financial impacts of a lengthy list of proposed projects.

Baseline Assumptions:

The computer model can operate under an unlimited number of assumptions. However, for the purpose of future financial planning we have worked with staff on the following set of assumptions:

- Increases in operational spending will outpace growth in tax base by 1% per year.
- Construction costs will inflate at a rate of 3% per year.
- LGA is expected to be received as certified.
- Modest tax base growth of 1% per year is used in the model.
- Project financial Impacts will be measured against a residence with a market value of \$225,000 that inflates 1% per year and uses 5,000 gallons of water monthly.

Project & Capital Purchase Assumptions:

The following set of assumptions have been used for projects and costs along with the time line for implementation and anticipated financing terms:

- **Crystal Gardens Subdivision** is being constructed in 2023 and financed through the issuance of \$1.59 million in general obligation bonds and \$607,493 in surplus proceeds from a prior bond issue. The financial model assumes that debt service will be paid by transfers from water (15% of debt service), sanitary sewer (22% of debt service) with a tax levy making up the balance. If lots are sold in steady fashion, it is expected that special assessments will reduce the financial contributions from those sources.
- **Sewer Regionalization** at a total estimated project cost of \$15.9 million is planned with the assumption that the Minnesota Public Facilities Authority (PFA) will make a grant of \$7 million to the project and the balance will be financed with a PFA loan of 1.5% over a 30-year term.
- **Crystal Gardens Lift Station** is planned for 2025 at a cost of approximately \$1 million. It is assumed that the project will be financed through the issuance of bonds structured over a 20-year term at an interest rate of 4%.
- **Trunk Highway 60 Utility Reconstruction** is expected to cost of \$1,706,000 and will be funded with cash from the water utility (\$660,000) with the balance financed over a 20-year term. It is anticipated that the sewer fund (32%) and tax levy (68%) will make debt service payments.

The impacts of implementing these projects as proposed will result in the following based on our underlying assumptions:

- **The local tax rate** will need to increase from approximately 62% to an average of approximately 68% over the next three years to accommodate the projects outlined above as proposed. The Council could choose to raise taxes incrementally and accumulate some cash in the meantime or implement a more significant increase as projects are implemented.
- **Water rates** will remain unchanged as that utility continues to build a significant amount of cash. It is anticipated the water fund will pay for most capital expenditures from cash reserves.

- **Sewer Rates** will need to significantly increase unless other sources of funding are identified for the proposed projects. A request for a State Appropriation through the bonding bill has been identified as the most likely source of additional grant funding. Without additional grant assistance sewer rates are expected to exceed \$120 per month for a 5,000 gallon per month customer by 2031.
- **In 2026 debt per capita levels will be high** as they reach approximately \$7,000 in debt per capita. The most significant new debt will likely be a loan from PFA for the Sewer Regionalization Project. While debt levels that high need to be carefully managed, the City will still have capacity to undertake additional projects as determined to be appropriate.
- **The sale of Crystal Gardens lots** will reduce the impacts outlined above as the model presently excludes new revenues generated by lot sales.

Closing Comments and Observations:

The City of Lake Crystal is in good financial health. While carrying a higher than average debt burden the City is making good progress in paying off existing obligations which will create capacity for new projects as those obligations are paid off. A lower than average property tax rate will assist in the implementation of projects that require some tax support including the Crystal Gardens Subdivision and the Trunk Highway 60 Project.

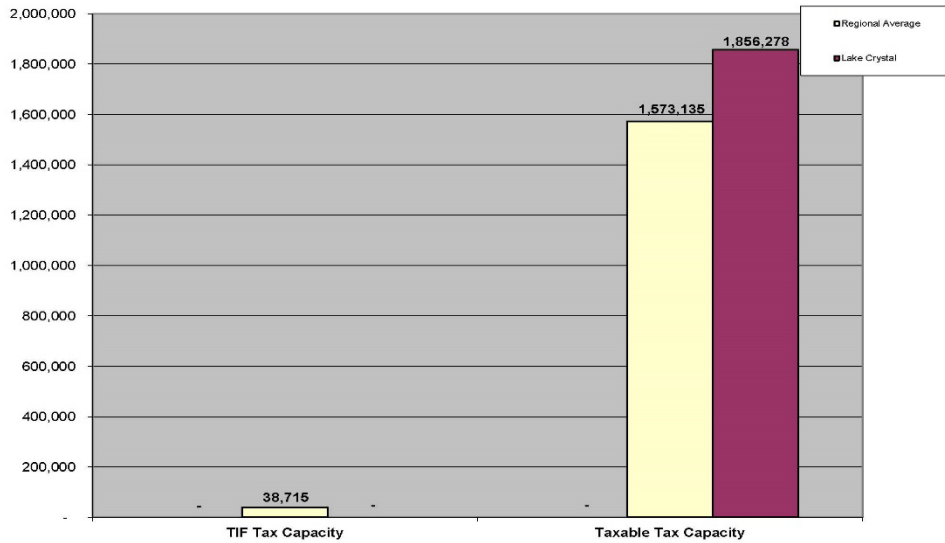
Higher than average sewer rates will require the City to utilize state and federal programs for sewer projects in hopes of receiving additional grant contributions based on affordability. The water utility is producing a significant amount of surplus cash that will assist the city in avoiding additional debt for water projects.

Inflow and Infiltration or "I&I" is the infiltration of ground and rainwater into the sanitary sewer system. As the City will pay for the treatment of each gallon of wastewater sent to the regional wastewater treatment facility when implemented, I&I is an issue that may have significant impact on future project planning.

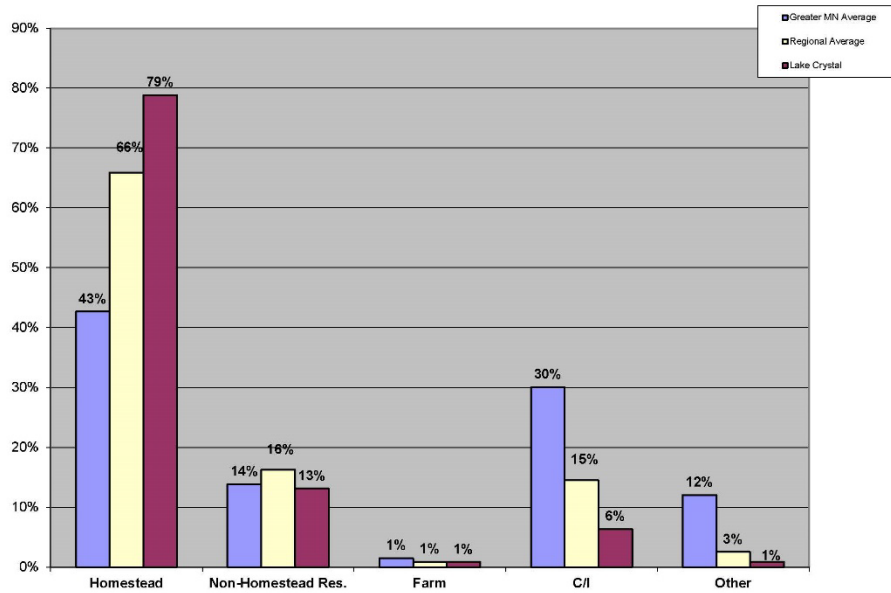
It is anticipated that the City will need to monitor and update this plan in the future to ensure that it remains relevant and appropriate. We will be able to assist with that activity as needed, and as always, appreciate the opportunity to be of service to the community.

EXHIBIT A
Comparable Analysis – 15 City Peer Group
Cities of Gaylord, Mapleton, Sleepy Eye, Breckenridge, Rush, City, Montgomery,
Le Center, Mountain Lake, Elbow Lake, Janesville, Barnesville, Rush City, Milaca,
Moose Lake, Hinkley

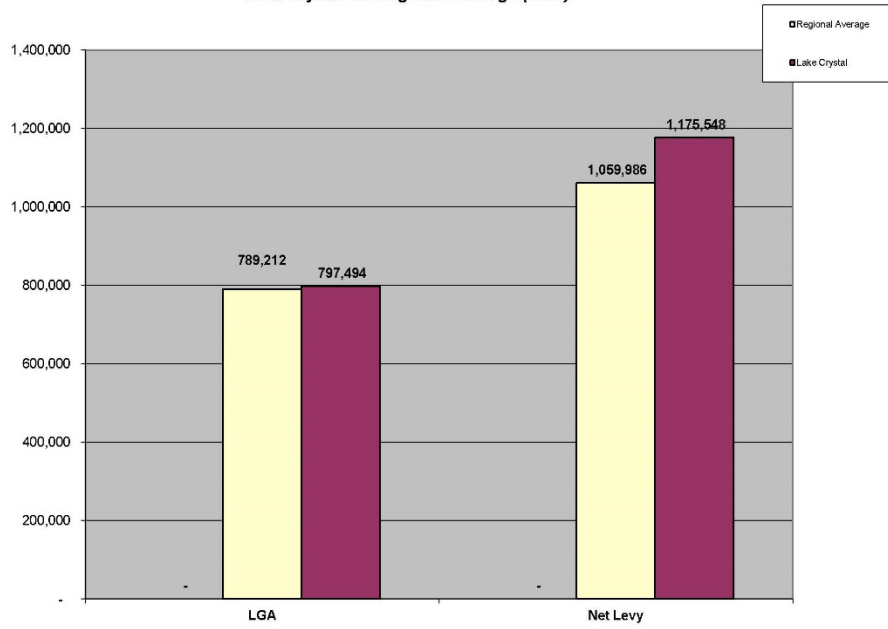
Valuation
Lake Crystal vs. Regional Average (2022)



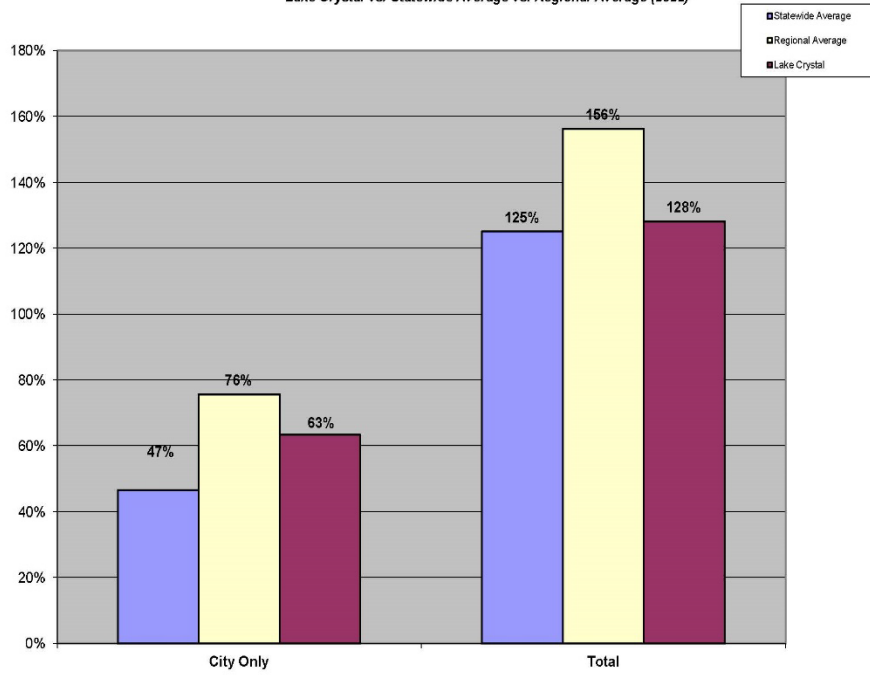
Valuation Distribution by Tax Capacity
Lake Crystal vs. Statewide Average vs. Regional Average (2022)



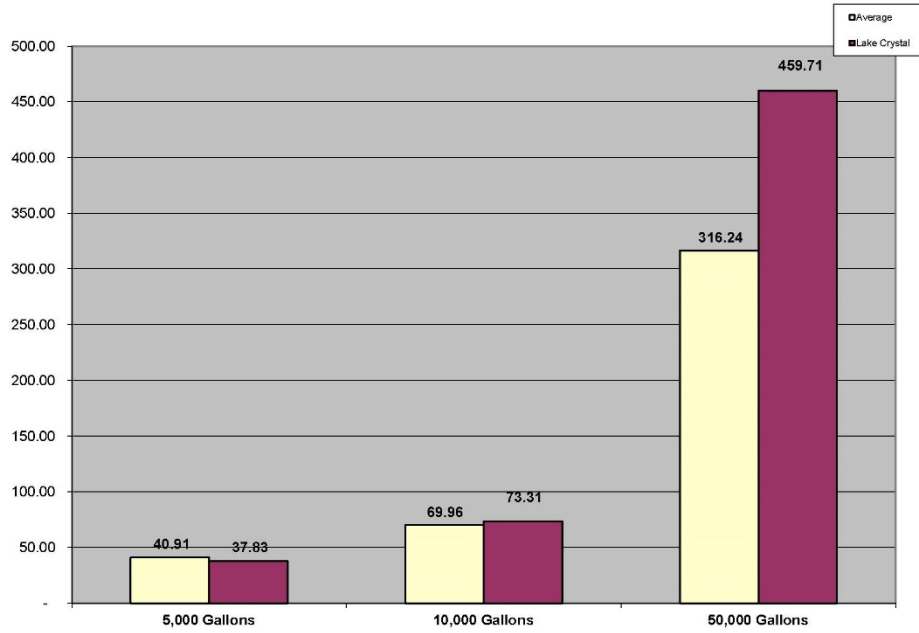
Revenues
Lake Crystal vs. Regional Average (2022)



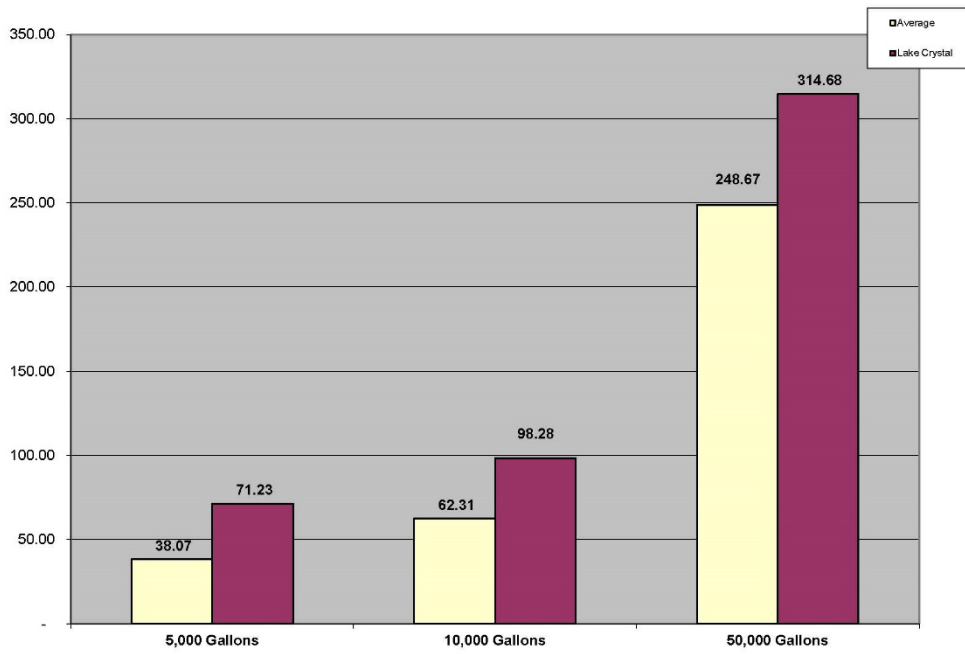
Tax Rates
Lake Crystal vs. Statewide Average vs. Regional Average (2022)



Water Rates
Lake Crystal vs. Peer Group Average (2023)



Sewer Rates
Lake Crystal vs. Peer Group Average (2023)



Debt Per Capita

Lake Crystal vs. Statewide Average vs. Regional Average (2020)

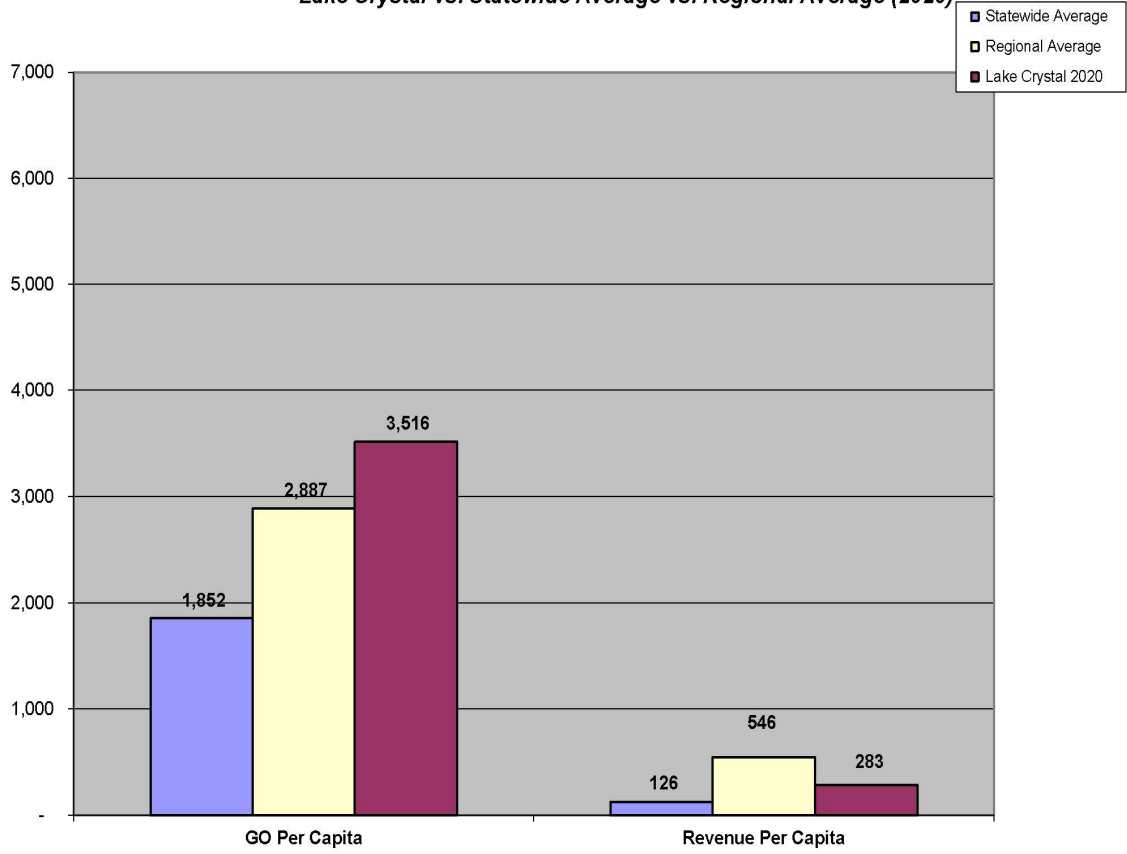


Exhibit B

Capital Improvement Planning Model Slides

City of Lake Crystal Projects, Debt & Revenue Allocation Worksheet

Baseline		Cap. Outlay	Historic
General Fund (CIP)	-	-	-
General Fund (CIP)	-	-	New 2024+
Sewer Fund	-	-	2023+
Water Fund	75,000	-	2023+
Other	-	-	2023+

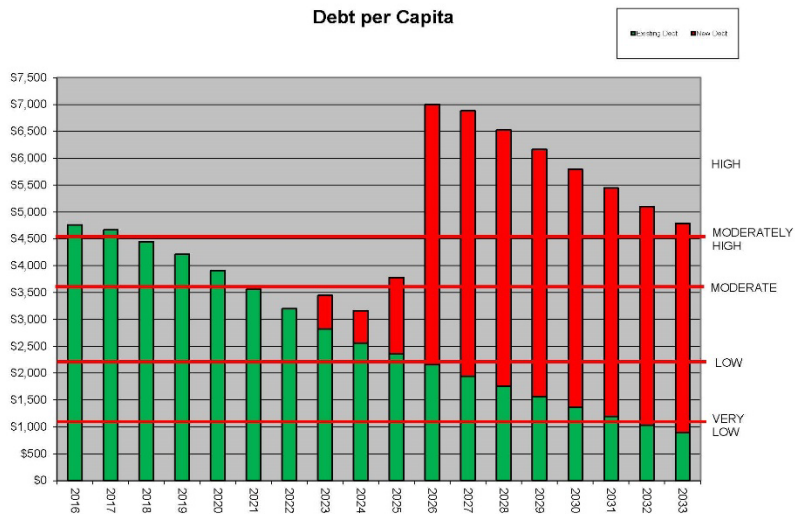
Graph Options			
yes	< prevent rate reductions? (yes/no)	2	Population Growth/Year
225,000	< value of "typical" homestead for impact	-	Households/Year
5,000	< typical water usage per month		
500,000	< value of business for impact		
1%	< market value inflation factor	0.0%	Water 2024+
3%	< construction inflation factor	8.0%	Sewer 2024+
2%	< Spending Increase % (GF, Water, Sewer)	0.0%	
1%	< Tax Base Growth Assumption		

# Project	Crystal Gardens Subd	Sewer Regionalization	LIP Rail Crossing	Crystal Gardens LRT Station	TH 60 Utilities
Est Year 2023 Cost	2,197,000	15,900,000	358,000	950,000	1,706,000
NET Financed (Inflation Less Cash)	1,589,507	8,900,000	-	1,007,855	1,149,895
Type Bond	GO	GO	GO	GO	GO
Term	20	30	20	20	20
Rate	4.00%	1.50%	4.00%	4.00%	4.00%
Bond Pymt Yr Built	116,959	370,589	-	74,160	84,611
	2023	2026	2024	2025	2025

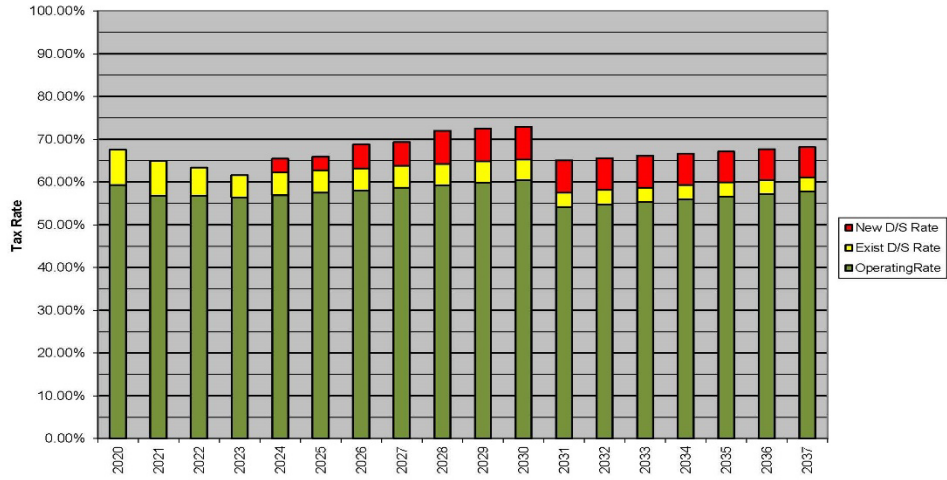
Repayment Sources						
CASH	Capital Reserves	-	-	-	-	-
	Donations	-	-	-	-	-
	Other Funds (USDA, etc.)	607,493	7,000,000	-	-	-
	Water Fund	-	-	154,300	-	860,000
	Sewer Fund	-	-	214,440	-	-
DEBT	Rents	0%	0%	0%	0%	0%
	NET Assmts	0%	0%	0%	0%	0%
	Storm Sewer	0%	0%	0%	0%	0%
	Sewer Rates/Fees	22%	100%	60%	100%	32%
	Water Rates/Fees	15%	0%	40%	0%	0%
	Tax Levies	63%	0%	0%	0%	68%
		100%	100%	100%	100%	100%

David Drown Associates, Inc.

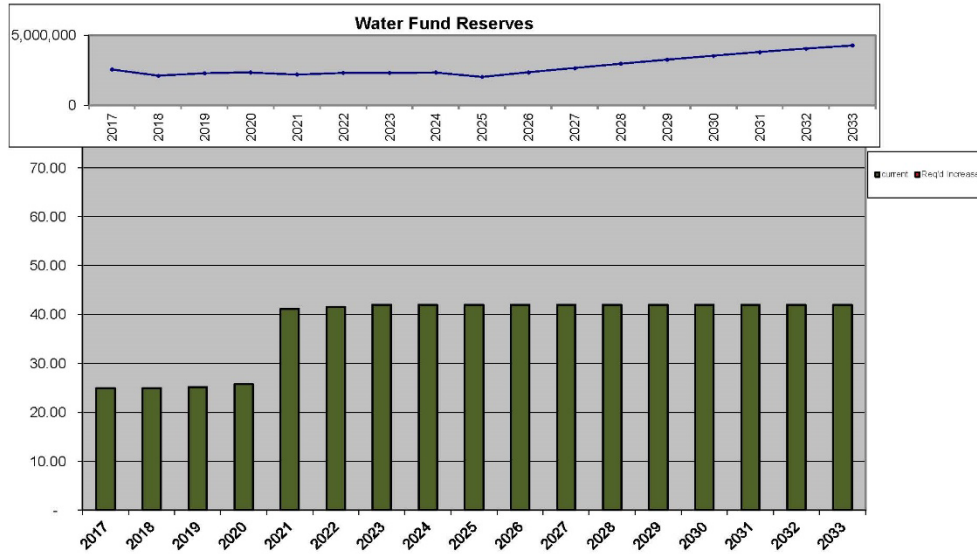
Debt per Capita



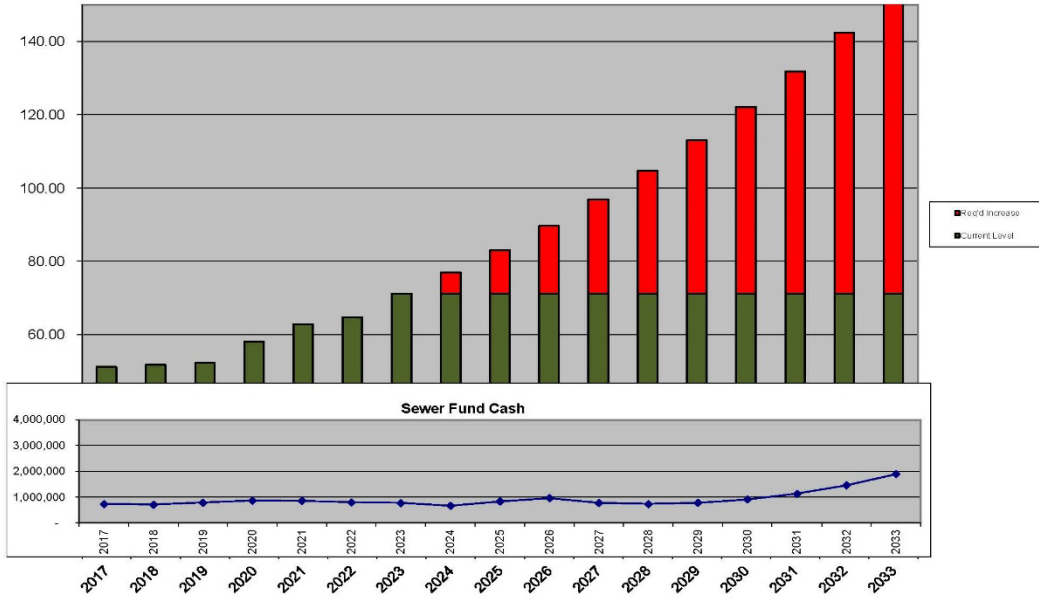
Tax Rate Projections



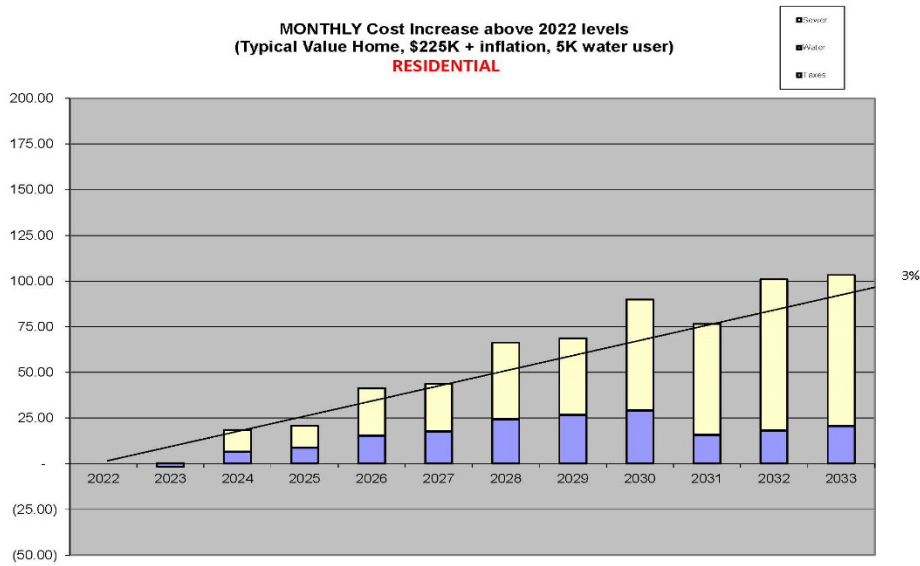
Monthly Water Bill ~ (5,000 gpm)



Monthly Sewer Bill ~ (5,000 gpm)



**MONTHLY Cost Increase above 2022 levels
(Typical Value Home, \$225K + inflation, 5K water user)
RESIDENTIAL**



MONTHLY Cost Increase above 2022 levels

COMMERCIAL

