

City of Excelsior

City Council Work Session

AGENDA

Monday, October 21, 2019

Council Chambers

343 Third Street

5:30 P.M.

1. Call to Order/Roll Call
2. Agenda Approval
3. Review Preliminary Capital Improvement Fund, Capital Improvement Plan and Utility Fund Budgets
4. Adjournment

Note: The purpose of a Work Session is for the Council to discuss matters informally and in greater detail than is allowed at formal Council meetings. All meetings of the Council including Work Sessions will be open to the public. While the privilege of participating in these discussions is generally limited to the Council, staff, and consultants, the Mayor may open a discussion from the floor.



MEMORANDUM

Item 3 – Prelim Capital Improvement Fund, Capital Improvement Plan (CIP) and Utility Fund Budgets

Re: _____

Date: October 21, 2019

To: City Council

From: Kelly Horn, Finance Director

The purpose of this work session is for the Council to review and discuss the preliminary 2020 Capital Project and Utility Fund budgets. The 2020 - 2029 Capital Improvement Plan (CIP) is also attached and should be reviewed and updated as the Council sees fit. Also included are the Pavement Management Plan (PMP) financing projections for Area 2 and the East and West Parking lots as well as 2018's Water Rate Study prepared by Springsted, for reference.

Note that the Capital Improvement, Water, Sewer and Surface Water Funds include both Area 2 and the East and West Parking Lots of the Pavement Management Plan (PMP). Council should continue to determine whether both projects should be included in financial planning for 2020.

Capital Improvement Fund

The City's Capital Improvement Fund budget incorporates expenditure estimates of \$1.8M for completing both Area 2 and the East and West Parking Lots per the City's Pavement Management Plan (PMP) within the Capital Improvement Plan (CIP). Additionally, \$225K is included for the planning and design of the St. Alban's bridge per the Council's 2019 Long-Term Financial Goals, as well as \$120K for crack sealing projects, \$100K for Water Street Trees in downtown and \$351K for small projects and equipment purchases. The Council should determine if any projects budgeted for 2020 are no longer priorities for 2020.

Revenue and other financing sources included in the budget are a newly created capital improvement levy, as well as \$1.64M in bond proceeds. As in prior years, the fund also budgets revenue arising from investment income, special assessments, parking impact fees, and rental income from the City's lease on the upper portion of City Hall.

Water Fund

Deferred major capital improvement projects are scheduled in the budget for 2020. They include water-related improvement costs for the Area 2 Pavement Management (PMP) project, as well as automation and updating of the Iron Filters at the water plant, and smaller projects such as the replacement of the windows at the Water Plant, hydrant replacements, SCADA upgrades and a new water meter reading device. The costs of these items will be funded through water usage fees and bond issuance for the PMP project.

Most notable changes in the preliminary Water Fund budget for 2020 include the following:

- The increase in charges for services relate to an increase of \$0.70 per 1,000 gallons of water used. This represents a 16% rate increase and will result in an annual increase of approximately \$42 for an 'average' household using 15,000 gallons of water per quarter.
- No change to water base rates.
- Increased Supplies expense of \$21,800 over 2019 budget related to increase in small CIP items such as the meter reader and SCADA upgrades.

- Increased Other Charges and Services expense of \$24,000 over 2019 is related to increased engineering, utilities expense and bond issuance costs related to the upcoming debt issue for Area 2.

Sewer Fund

Large capital projects scheduled for 2020 include the replacement of the 1978 Lift Station at Excelsior Boulevard, the ongoing annual sewer lining, and the Area 2 and the East and West Parking Lot Projects. The costs of these items will be funded through sewer usage fees and bond issuance for the PMP projects.

The preliminary 2020 Sewer Fund budget also reflects the following changes:

- Eighteen percent increase in usage charges to account for increased labor and infrastructure maintenance costs, as well as to prepare for the debt service on the Area 2 and East and West Parking Lot projects. This results in a \$0.97 increase per 1,000 gallons of use. For an 'average' residential sewer account this increase will be about \$58 per year.
- Increased Other Charges and Services expense of \$69,000 over 2019 is related to increased engineering, utilities expense and bond issuance costs related to the upcoming debt issue for Area 2, as well as items on the small CIP items such as televising sewer lines, replacement of the Control Panel Lift and other smaller items beneath the capitalization threshold.

Surface Water Management Fund

Large capital projects scheduled for 2020 are the Area 2 and the East and West Parking Lot Projects. The costs of these items will be funded through surface water fees and bond issuance for the PMP projects.

- Preliminary 2020 estimated revenues related to Surface Water Management have been increased to reflect a thirty-five percent increase to rates in anticipation of increased debt service costs relating to the planned PMP improvement projects. For each residential household this results in an increase of \$42 annually.

Summary of Proposed Utility Rate Increases:

| Increase over 2019 for Average* | |
|--|------------------|
| Residential Household | |
| Water | \$ 42.14 |
| Sewer | 58.10 |
| Surface Water | 42.00 |
| | \$ 142.25 |

(*assumes 15,000 gallons of water used per quarter)

Council Action: Review the preliminary 2020 budgets and provide staff with any comments, or changes.

**CITY OF EXCELSIOR
2020 BUDGET
Capital Improvement Fund**

| | 2015 <u>ACTUAL</u> | 2016 <u>ACTUAL</u> | 2017 <u>ACTUAL</u> | 2018 <u>ACTUAL</u> | 2019 <u>BUDGET</u> | 2020 <u>BUDGET</u> | Percent Change | Dollar Change |
|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------|------------------|
| REVENUE | | | | | | | | |
| CURRENT AD VALOREM TAXES | - | - | - | - | - | 125,800 | #DIV/0! | 125,800 |
| PARKING IMPACT FEE | 25,772 | 24,800 | 25,041 | 27,200 | 26,000 | 26,000 | 0.00% | - |
| SPECIAL ASSESSMENTS | 125,880 | 81,228 | 81,895 | 52,089 | 35,000 | 32,500 | -7.14% | (2,500) |
| GRANT REVENUES | 50,306 | - | 18,205 | 22,351 | - | - | #DIV/0! | - |
| INTEREST EARNINGS | 22,984 | 24,352 | 7,683 | 11,327 | 16,000 | 15,000 | -6.25% | (1,000) |
| INTERFUND INTEREST | - | 721 | 491 | 250 | 250 | - | -100.00% | (250) |
| MISCELLANEOUS REVENUE | 4,543 | 153,949 | 633,057 | 3,835 | - | - | #DIV/0! | - |
| TRANSFER FROM OTHER FUND | 201,618 | 94,363 | 229,195 | 1,121,144 | 199,384 | - | -100.00% | (199,384) |
| RENT - FIRE HALL | 38,300 | 26,567 | 27,702 | 28,365 | 28,000 | 28,560 | 2.00% | 560 |
| RENT - LIBRARY | - | - | 300 | 300 | - | - | #DIV/0! | - |
| RENT - 810 EXCELSIOR BLVD. | - | 5,251 | 18,000 | 16,888 | - | - | #DIV/0! | - |
| BOND PROCEEDS | - | - | 1,520,369 | - | 2,100,000 | 1,640,000 | -21.90% | (460,000) |
| | <u>469,403</u> | <u>411,232</u> | <u>2,561,938</u> | <u>1,283,748</u> | <u>2,404,634</u> | <u>1,867,860</u> | | |
| EXPENSE | | | | | | | | |
| PROFESSIONAL SERVICES | 37,794 | 25,151 | 179,383 | 27,152 | 85,000 | 300,000 | 252.94% | 215,000 |
| ENGINEERING FEES | 49,944 | 87,428 | 611,136 | 261,374 | 504,000 | 505,250 | 0.25% | 1,250 |
| CAPITAL OUTLAY | 473,488 | 141,344 | 1,308,487 | 364,890 | 2,065,286 | 1,866,750 | -9.61% | (198,536) |
| TRANSFER TO PARK IMPROV FUND | - | 25,000 | 25,000 | 25,000 | 27,500 | - | -100.00% | (27,500) |
| | <u>597,784</u> | <u>278,923</u> | <u>2,124,006</u> | <u>678,416</u> | <u>2,681,786</u> | <u>2,672,000</u> | | |
| NET INCOME (LOSS) | (128,381) | 132,309 | 437,932 | 605,332 | (277,152) | (804,140) | | |
| BEGINNING FUND BALANCE | 1,593,559 | 1,465,178 | 1,597,487 | 2,035,419 | 2,640,751 | 2,363,599 | | |
| ENDING FUND BLANCE | 1,465,178 | 1,597,487 | 2,035,419 | 2,640,751 | 2,363,599 | 1,559,459 | | |

**CITY OF EXCELSIOR
CAPITAL IMPROVEMENT PLAN (CIP)
2020 - 2029**

| Project Year Number Project | Department/Fund | Priority | Capital Improv Fund | Park Dept - Gen Fund | Water Fund | Sewer Fund | Storm Water Fund | Parking Lot Maint Fund | Street Light Fund | Dock Fund | Total | | | |
|--------------------------------|---|------------------|------------------------|-------------------------|---------------|-------------------|------------------------|------------------------------|----------------------|------------------|----------------|------------------|----------|-------------------|
| 2020 | Equipment/Minor Projects | Capital Projects | A | 351,000 | - | 181,000 | 67,000 | 7,000 | 1,000 | 11,000 | - | 618,000 | | |
| 2020 2020-1 | Crack Seal 2010/2011 Pavement Project | Capital Improv. | A | 40,000 | - | - | - | - | - | - | - | 40,000 | | |
| 2020 2020-2 | Crack Seal Met Council Project Streets | Capital Improv. | A | 40,000 | - | - | - | - | - | - | - | 40,000 | | |
| 2020 2020-3 | Crack Seal 2017 Pavement Project | Capital Improv. | A | 40,000 | - | - | - | - | - | - | - | 40,000 | | |
| 2020 2020-4 | Sewer Lining | Sewer Fund | A | - | - | 120,000 | - | - | - | - | - | 120,000 | | |
| 2020 2020-5 | 2020 Pavement Management - Area 2 | Multi | A | 1,149,000 | - | 522,000 | 731,000 | 345,000 | - | - | - | 2,747,000 | | |
| 2020 2020-6 | East and West Parking Lots | Multi | A | 652,000 | - | - | 170,000 | 67,000 | 200,000 | - | - | 1,089,000 | | |
| 2020 2020-7 | Replace 1978 Lift Station at Excelsior Blvd | Sewer Fund | A | - | - | 300,000 | - | - | - | - | - | 300,000 | | |
| 2020 2020-8 | Automate Iron Filters | Water Fund | A | - | - | 200,000 | - | - | - | - | - | 200,000 | | |
| 2020 2020-9 | St. Albans Bridge - Planning & Design | Capital Improv. | B | 225,000 | - | - | - | - | - | - | - | 225,000 | | |
| 2020 2020-10 | Water Street Tree Improvement | Cap Imp | B | 100,000 | - | - | - | - | - | - | - | 100,000 | | |
| | | | | <u>2,597,000</u> | <u>-</u> | <u>903,000</u> | <u>1,388,000</u> | <u>419,000</u> | <u>201,000</u> | <u>11,000</u> | <u>-</u> | <u>5,519,000</u> | | |
| 2021 | Equipment/Minor Projects | Capital Projects | A | 95,000 | 8,500 | 107,500 | 78,500 | 50,000 | - | 6,000 | - | 345,500 | | |
| 2021 2021-1 | Paint Water Tower | Water Fund | A | - | - | 250,000 | - | - | - | - | - | 250,000 | | |
| 2021 2021-2 | Sewer Lining | Sewer Fund | A | - | - | - | 120,000 | - | - | - | - | 120,000 | | |
| 2021 2021-3 | 2021 Pavement Management - Area 3 | Multi | A | 1,075,000 | - | 483,000 | 677,000 | 320,000 | - | - | - | 2,555,000 | | |
| 2021 2021-4 | MCES Project | Multi | A | - | - | - | (unknown at 10/21/19) | | - | - | - | - | | |
| 2021 2021-5 | Water Street Mill & Overlay | Multi | A | 367,000 | - | - | - | 239,000 | - | - | - | 606,000 | | |
| 2020 2021-6 | Recondition Interior / Exterior Water Tower | Water Fund | A | - | - | 325,000 | - | - | - | - | - | 325,000 | | |
| 2021 2021-7 | City Hall Remodel | Capital Projects | B | 1,250,000 | - | - | - | - | - | - | - | 1,250,000 | | |
| 2020 2021-8 | St. Albans Bridge - Construction | Capital Improv. | B | 500,000 | - | - | - | - | - | - | - | 500,000 | | |
| | | | | <u>3,287,000</u> | <u>8,500</u> | <u>1,165,500</u> | <u>875,500</u> | <u>609,000</u> | <u>-</u> | <u>6,000</u> | <u>-</u> | <u>5,951,500</u> | | |
| 2022 | Equipment/Minor Projects | Capital Projects | A | 45,000 | - | 72,500 | 55,500 | 15,000 | - | 6,000 | - | 194,000 | | |
| 2022 2022-1 | Replace Highway 7 Lift Station | Sewer Fund | A | - | - | - | 200,000 | - | - | 6,000 | - | 206,000 | | |
| 2022 2022-2 | Sewer Lining | Sewer Fund | A | - | - | - | 120,000 | - | - | - | - | 120,000 | | |
| | | | | <u>45,000</u> | <u>-</u> | <u>72,500</u> | <u>375,500</u> | <u>15,000</u> | <u>-</u> | <u>12,000</u> | <u>-</u> | <u>520,000</u> | | |
| 2023 | Equipment/Minor Projects | Capital Projects | A | 45,000 | 8,500 | 72,500 | 27,500 | 15,000 | - | 6,000 | - | 174,500 | | |
| 2023 2023-1 | Paint Ground Storage Tank | Water Fund | A | - | - | 150,000 | - | - | - | - | - | 150,000 | | |
| 2023 2023-2 | Sewer Lining | Sewer Fund | A | - | - | - | 120,000 | - | - | - | - | 120,000 | | |
| 2023 2023-3 | 2023 Pavement Management - Area 4 | Multi | A | 1,282,000 | - | 429,000 | 601,000 | 284,000 | - | - | - | 2,596,000 | | |
| | | | | <u>1,327,000</u> | <u>8,500</u> | <u>651,500</u> | <u>748,500</u> | <u>299,000</u> | <u>-</u> | <u>6,000</u> | <u>-</u> | <u>3,040,500</u> | | |
| 2024 | Equipment/Minor Projects | Capital Projects | A | 61,500 | - | 83,250 | 35,750 | 28,750 | 8,250 | 6,000 | - | 223,500 | | |
| 2024 2024-1 | Sewer Lining | Sewer Fund | A | - | - | - | 120,000 | - | - | - | - | 120,000 | | |
| 2024 2024-2 | Replace Public Works Building | Capital Projects | A | 1,250,000 | - | - | - | - | - | - | - | 1,250,000 | | |
| | | | | <u>1,311,500</u> | <u>-</u> | <u>83,250</u> | <u>155,750</u> | <u>28,750</u> | <u>8,250</u> | <u>6,000</u> | <u>-</u> | <u>1,593,500</u> | | |
| 2025 | Equipment/Minor Projects | Capital Projects | A | 45,000 | 8,500 | 72,500 | 27,500 | 15,000 | - | 6,000 | - | 174,500 | | |
| 2025 2025-1 | Crack Seal 2010/2011 Pavement Project | Capital Improv. | A | 45,000 | - | - | - | - | - | - | - | 45,000 | | |
| 2025 2025-2 | Crack Seal Met Council Project Street | Capital Improv. | A | 45,000 | - | - | - | - | - | - | - | 45,000 | | |
| 2020 2020-1 | Crack Seal 2017 Pavement Project | Capital Improv. | A | 45,000 | - | - | - | - | - | - | - | 45,000 | | |
| 2025 2025-3 | Replace Tank Media Iron Filters | Water Fund | A | - | - | 60,000 | - | - | - | - | - | 60,000 | | |
| 2025 2025-4 | Sewer Lining | Sewer Fund | A | - | - | - | 120,000 | - | - | - | - | 120,000 | | |
| 2025 2025-5 | 2025 Pavement Management - Area 5 | Multi | A | 875,000 | - | 371,000 | 520,000 | 246,000 | - | - | - | 2,012,000 | | |
| | | | | <u>1,055,000</u> | <u>8,500</u> | <u>503,500</u> | <u>667,500</u> | <u>261,000</u> | <u>-</u> | <u>6,000</u> | <u>-</u> | <u>2,501,500</u> | | |
| 2026 | Equipment/Minor Projects | Capital Projects | A | 52,500 | - | 120,000 | 35,000 | 22,500 | - | 6,000 | - | 236,000 | | |
| 2026 2026-1 | Sewer Lining | Sewer Fund | A | - | - | - | 120,000 | - | - | - | - | 120,000 | | |
| | | | | <u>52,500</u> | <u>-</u> | <u>120,000</u> | <u>155,000</u> | <u>22,500</u> | <u>-</u> | <u>6,000</u> | <u>-</u> | <u>356,000</u> | | |
| 2027 | Equipment/Minor Projects | Capital Projects | A | 15,000 | 8,500 | 72,500 | 27,500 | 15,000 | - | 6,000 | - | 144,500 | | |
| 2027 2027-1 | Sewer Lining | Sewer Fund | A | - | - | - | 120,000 | - | - | - | - | 120,000 | | |
| 2027 2027-2 | 2027 Pavement Management - Area 6 | Multi | A | 1,298,000 | - | 908,000 | 1,272,000 | 601,000 | - | - | - | 4,079,000 | | |
| | | | | <u>1,313,000</u> | <u>8,500</u> | <u>980,500</u> | <u>1,419,500</u> | <u>616,000</u> | <u>-</u> | <u>6,000</u> | <u>-</u> | <u>4,343,500</u> | | |
| 2028 | Equipment/Minor Projects | Capital Projects | A | 15,000 | - | 72,500 | 27,500 | 15,000 | - | 6,000 | - | 136,000 | | |
| 2028 2028-1 | Sewer Lining | Sewer Fund | A | - | - | - | 120,000 | - | - | - | - | 120,000 | | |
| | | | | <u>15,000</u> | <u>-</u> | <u>72,500</u> | <u>147,500</u> | <u>15,000</u> | <u>-</u> | <u>6,000</u> | <u>-</u> | <u>256,000</u> | | |
| 2029 | Equipment/Minor Projects | Capital Projects | A | 859,547 | 45,000 | 973,932 | 474,932 | 216,932 | 11,750 | 76,500 | - | 2,658,593 | | |
| 2029 2029-1 | Sewer Lining | Sewer Fund | A | - | - | - | 120,000 | - | - | - | - | 120,000 | | |
| 2027 2027-2 | 2029 Pavement Management - Area 7 | Multi | A | 875,000 | - | 685,000 | 959,000 | 454,000 | - | - | - | 2,973,000 | | |
| | | | | <u>1,734,547</u> | <u>45,000</u> | <u>1,658,932</u> | <u>1,553,932</u> | <u>670,932</u> | <u>11,750</u> | <u>76,500</u> | <u>-</u> | <u>5,751,593</u> | | |
| | | | | TOTALS | | 12,737,547 | 79,000 | 6,211,182 | 7,486,682 | 2,956,182 | 221,000 | 141,500 | - | 29,833,093 |

**City of Excelsior
2020 - 2029 Equipment/Minor Projects**

| Year | Capital Item Description | Budget | Cap Improv. | Park Dept (Gen Fund) | Water | Sewer | StrmWtr | Prk Lot Mnt | Str Lgt | Total |
|------|-------------------------------------|---------|-------------|----------------------|---------|--------|---------|-------------|---------|---------|
| | Placeholders | 80,000 | 15,000 | | 25,000 | 25,000 | 15,000 | | | 80,000 |
| | | 194,000 | 45,000 | - | 72,500 | 55,500 | 15,000 | - | 6,000 | 194,000 |
| 2023 | | | | | | | | | | |
| | Hydrant Replacement/Auto Flushers | 45,000 | | | 45,000 | | | | | 45,000 |
| | Ash Tree Injections | 8,500 | | 8,500 | | | | | | 8,500 |
| | Street Lighting Conduit | 6,000 | | | | | | | 6,000 | 6,000 |
| | Water Meter Inventory Replacement | 5,000 | | | 2,500 | 2,500 | | | | 5,000 |
| | Sidewalk Repairs and Replacement | 30,000 | 30,000 | | | | | | | 30,000 |
| | Placeholders | 80,000 | 15,000 | | 25,000 | 25,000 | 15,000 | | | 80,000 |
| | | 174,500 | 45,000 | 8,500 | 72,500 | 27,500 | 15,000 | - | 6,000 | 174,500 |
| 2024 | | | | | | | | | | |
| | Hydrant Replacement/Auto Flushers | 45,000 | | | 45,000 | | | | | 45,000 |
| | Placeholders | 80,000 | 15,000 | | 25,000 | 25,000 | 15,000 | | | 80,000 |
| | Sidewalk Repairs and Replacement | 30,000 | 30,000 | | | | | | | 30,000 |
| | Test Iron & Softener Media in tanks | 2,500 | | | 2,500 | | | | | 2,500 |
| | Skid Steer (replace 2014) | 55,000 | 16,500 | | 8,250 | 8,250 | 13,750 | 8,250 | | 55,000 |
| | Water Meter Inventory Replacement | 5,000 | | | 2,500 | 2,500 | | | | 5,000 |
| | Street Lighting Conduit | 6,000 | | | | | | | 6,000 | 6,000 |
| | | 223,500 | 61,500 | - | 83,250 | 35,750 | 28,750 | 8,250 | 6,000 | 223,500 |
| 2025 | | | | | | | | | | |
| | Hydrant Replacement/Auto Flushers | 45,000 | | | 45,000 | | | | | 45,000 |
| | Sidewalk Repairs and Replacement | 30,000 | 30,000 | | | | | | | 30,000 |
| | Ash Tree Injections | 8,500 | | 8,500 | | | | | | 8,500 |
| | Street Lighting Conduit | 6,000 | | | | | | | 6,000 | 6,000 |
| | Water Meter Inventory Replacement | 5,000 | | | 2,500 | 2,500 | | | | 5,000 |
| | Placeholders | 80,000 | 15,000 | | 25,000 | 25,000 | 15,000 | | | 80,000 |
| | | 174,500 | 45,000 | 8,500 | 72,500 | 27,500 | 15,000 | - | 6,000 | 174,500 |
| 2026 | | | | | | | | | | |
| | Replace Softener Filter Media | 40,000 | | | 40,000 | | | | | 40,000 |
| | Hydrant Replacement/Auto Flushers | 45,000 | | | 45,000 | | | | | 45,000 |
| | Water Meter Inventory Replacement | 5,000 | | | 2,500 | 2,500 | | | | 5,000 |
| | Placeholders | 80,000 | 15,000 | | 25,000 | 25,000 | 15,000 | | | 80,000 |
| | Sidewalk Repairs and Replacement | 30,000 | 30,000 | | | | | | | 30,000 |
| | Pickup (replace 2014) | 30,000 | 7,500 | | 7,500 | 7,500 | 7,500 | | | 30,000 |
| | Street Lighting Conduit | 6,000 | | | | | | | 6,000 | 6,000 |
| | | 236,000 | 52,500 | - | 120,000 | 35,000 | 22,500 | - | 6,000 | 236,000 |
| 2027 | | | | | | | | | | |
| | Hydrant Replacement/Auto Flushers | 45,000 | | | 45,000 | | | | | 45,000 |

City of Excelsior
2020 - 2029 Equipment/Minor Projects

| Year | Capital Item Description | Budget | Cap Improv. | Park Dept (Gen Fund) | Water | Sewer | StrmWtr | Prk Lot Mnt | Str Lgt | Total |
|------|-----------------------------------|------------------|----------------|----------------------|----------------|----------------|----------------|---------------|---------------|------------------|
| | Ash Tree Injections | 8,500 | | 8,500 | | | | | | 8,500 |
| | Placeholders | 80,000 | 15,000 | | 25,000 | 25,000 | 15,000 | | | 80,000 |
| | Sidewalk Repairs and Replacement | 30,000 | 30,000 | | | | | | | 30,000 |
| | Placeholders | 80,000 | | | 25,000 | 25,000 | 15,000 | | | 65,000 |
| | | 80,000 | - | - | 25,000 | 25,000 | 15,000 | - | - | 65,000 |
| 2028 | | | | | | | | | | |
| | Hydrant Replacement/Auto Flushers | 45,000 | | | 45,000 | | | | | 45,000 |
| | Water Meter Inventory Replacement | 5,000 | | | 2,500 | 2,500 | | | | 5,000 |
| | Placeholders | 80,000 | 15,000 | | 25,000 | 25,000 | 15,000 | | | 80,000 |
| | Street Lighting Conduit | 6,000 | | | | | | | 6,000 | 6,000 |
| | | 136,000 | 15,000 | - | 72,500 | 27,500 | 15,000 | - | 6,000 | 136,000 |
| | Ten Year Total (2018-2028) | 2,658,593 | 859,547 | 45,000 | 973,932 | 474,932 | 216,932 | 11,750 | 76,500 | 2,658,593 |
| | Ten year total | 2,658,593 | 859,547 | 45,000 | 973,932 | 474,932 | 216,932 | 11,750 | 76,500 | 2,658,593 |
| | Ten year average | 265,859 | 85,955 | 4,500 | 97,393 | 47,493 | 21,693 | 1,175 | 7,650 | 265,859 |

**CITY OF EXCELSIOR
2020 BUDGET
Water Fund**

| | 2015 Actual | 2016 Actual | 2017 Actual | 2018 Actual | 2019 Budget | 2020 Budget | Percent Change | Dollar Change |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|
| Revenue | | | | | | | | |
| Charges for Services | 504,698 | 544,305 | 520,314 | 519,507 | 571,392 | 647,010 | 13.23% | 75,619 |
| Interest Earnings | 9,184 | 6,191 | 5,907 | 8,127 | 6,500 | 6,500 | 0.00% | - |
| Other Revenue | 92,877 | 64,024 | 107,536 | 46,637 | 19,700 | 23,400 | 18.78% | 3,700 |
| Transfer from Other Fund | - | - | - | - | 75,000 | - | -100.00% | (75,000) |
| | <u>606,759</u> | <u>614,520</u> | <u>633,757</u> | <u>574,271</u> | <u>672,592</u> | <u>676,910</u> | | |
| Expenses | | | | | | | | |
| Personnel | 122,220 | 137,715 | 120,531 | 88,828 | 147,772 | 152,664 | 3.31% | 4,892 |
| Supplies | 62,212 | 71,853 | 49,226 | 58,910 | 55,800 | 77,600 | 39.07% | 21,800 |
| Other Charges & Services | 125,141 | 97,597 | 85,257 | 114,397 | 107,220 | 131,370 | 22.52% | 24,150 |
| Transfer Out | 11,000 | 10,000 | 9,000 | - | - | - | #DIV/0! | - |
| Depreciation | 100,698 | 135,254 | 139,447 | 137,956 | 149,400 | 155,000 | 3.75% | 5,600 |
| Debt Service/Issuance Costs | 41,580 | 40,367 | 101,942 | 82,927 | 130,285 | 108,442 | -16.77% | (21,843) |
| | <u>462,851</u> | <u>492,787</u> | <u>505,403</u> | <u>483,018</u> | <u>590,477</u> | <u>625,076</u> | | |
| Change in Net Position | 143,907 | 121,733 | 128,354 | 91,253 | 82,115 | 51,834 | | |
| Beginning Net Position | 1,895,989 | 2,039,896 | 2,161,629 | 2,288,793 | 2,380,046 | 2,462,161 | | |
| Ending Net Position | <u>2,039,896</u> | <u>2,161,629</u> | <u>2,289,983</u> | <u>2,380,046</u> | <u>2,462,161</u> | <u>2,513,996</u> | | |
| Non-Expensed Cash Transactions | | | | | | | | |
| Capital Outlay | 545,600 | 73,757 | 1,051,095 | 771,850 | 1,511,286 | 886,500 | | |
| Debt Service - Principal | 116,659 | 108,572 | 120,344 | 127,334 | 224,721 | 230,207 | | |
| | <u>662,259</u> | <u>182,329</u> | <u>1,171,439</u> | <u>899,184</u> | <u>1,736,007</u> | <u>1,116,707</u> | | |
| Fund Cash Position at Year End | 406,188 | 519,048 | 1,557,196 | 848,671 | | | | |

**CITY OF EXCELSIOR
2020 BUDGET
Sewer Fund**

| | 2015 Actual | 2016 Actual | 2017 Actual | 2018 Actual | 2019 Budget | 2020 Budget | Percent Change | Dollar Change |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|
| Revenue | | | | | | | | |
| Charges for Services | 582,024 | 577,451 | 542,615 | 543,805 | 552,440 | 623,500 | 12.86% | 71,060 |
| Interest Earnings | 14,084 | 13,078 | 5,627 | 7,639 | 8,500 | 7,500 | -11.76% | (1,000) |
| Other Revenue | 4,921 | 39,111 | 56,472 | 6,339 | 3,836 | 51,000 | 1229.51% | 47,164 |
| | <u>601,029</u> | <u>629,640</u> | <u>604,714</u> | <u>557,785</u> | <u>564,776</u> | <u>682,000</u> | 20.76% | 117,224 |
| Expenses | | | | | | | | |
| Personnel | 128,015 | 147,074 | 133,843 | 97,787 | 161,414 | 165,390 | 2.46% | 3,976 |
| Supplies | 6,707 | 8,365 | 5,515 | 13,935 | 9,900 | 10,300 | 4.04% | 400 |
| Other Charges & Services | 204,057 | 263,316 | 257,592 | 215,023 | 244,565 | 313,986 | 28.39% | 69,421 |
| Transfer Out | 11,000 | 10,000 | 9,000 | - | - | - | #DIV/0! | - |
| Depreciation | 68,932 | 75,791 | 81,732 | 81,429 | 85,000 | 87,000 | 2.35% | 2,000 |
| Debt Service | 11,785 | 11,314 | 17,538 | 23,698 | 23,660 | 54,046 | 128.43% | 30,386 |
| | <u>430,496</u> | <u>515,860</u> | <u>505,220</u> | <u>431,872</u> | <u>524,539</u> | <u>630,722</u> | | |
| Change in Net Position | 170,533 | 113,779 | 99,494 | 125,913 | 40,237 | 51,278 | | |
| Beginning Net Position | <u>2,321,627</u> | <u>2,492,160</u> | <u>2,605,939</u> | <u>2,704,466</u> | <u>2,830,379</u> | <u>2,870,616</u> | | |
| Ending Net Position | <u>2,492,160</u> | <u>2,605,939</u> | <u>2,705,433</u> | <u>2,830,379</u> | <u>2,870,616</u> | <u>2,921,894</u> | | |
| Non-Expensed Cash Transactions | | | | | | | | |
| Capital Outlay | 376,092 | 75,344 | 227,906 | 320,929 | 1,015,986 | 1,343,000 | | |
| Debt Service - Principal | 24,155 | 25,157 | 24,866 | 25,577 | 53,288 | 54,998 | | |
| | <u>400,247</u> | <u>100,501</u> | <u>252,772</u> | <u>346,506</u> | <u>1,069,274</u> | <u>1,397,998</u> | | |
| Fund Cash Position at Year End | 936,522 | 796,634 | 1,348,280 | 1,155,263 | | | | |

**CITY OF EXCELSIOR
2020 BUDGET
Surface Water Management Fund**

| | 2015 Actual | 2016 Actual | 2017 Actual | 2018 Actual | 2019 Budget | 2020 Budget | Percent Change | Dollar Change |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------------|------------------|
| Revenue | | | | | | | | |
| Charges for Services | 153,091 | 165,395 | 160,079 | 148,587 | 168,065 | 204,000 | 21.38% | 35,935 |
| Interest Earnings | 3,513 | 2,567 | 1,110 | 1,542 | 1,000 | 1,500 | 50.00% | 500 |
| Other Revenue | 3,550 | 3,431 | 3,219 | 3,297 | 3,000 | 2,900 | -3.33% | (100) |
| | <u>160,154</u> | <u>171,393</u> | <u>164,408</u> | <u>153,426</u> | <u>172,065</u> | <u>208,400</u> | | |
| Expenses | | | | | | | | |
| Personnel | 71,026 | 67,026 | 62,751 | 53,922 | 75,672 | 75,983 | 0.41% | 311 |
| Supplies | 5,102 | 1,147 | 2,492 | 2,395 | 3,900 | 10,900 | 179.49% | 7,000 |
| Other Charges & Services | 15,918 | 18,375 | 22,572 | 25,985 | 50,550 | 31,250 | -38.18% | (19,300) |
| Depreciation | 16,232 | 18,863 | 18,862 | 18,659 | 19,000 | 20,000 | 5.26% | 1,000 |
| Debt Service | 10,946 | 10,425 | 12,399 | 14,301 | 14,399 | 30,877 | 114.44% | 16,478 |
| Transfers Out | 1,200 | 800 | 400 | - | - | - | | |
| | <u>120,423</u> | <u>116,636</u> | <u>119,476</u> | <u>115,262</u> | <u>163,521</u> | <u>169,010</u> | | |
| Change in Net Position | 39,731 | 54,757 | 44,932 | 38,164 | 8,544 | 39,390 | | |
| Beginning Net Position | <u>270,769</u> | <u>310,500</u> | <u>365,257</u> | <u>409,984</u> | <u>448,148</u> | <u>456,692</u> | | |
| Ending Net Position | <u>310,500</u> | <u>365,257</u> | <u>410,189</u> | <u>448,148</u> | <u>456,692</u> | <u>496,082</u> | | |
| Non-Expensed Cash Transactions | | | | | | | | |
| Capital Outlay | 16,372 | 30,600 | 151,174 | 39,179 | 595,786 | 412,000 | | |
| Debt Service - Principal | 22,438 | 22,438 | 23,098 | 23,757 | 35,218 | 36,277 | | |
| | <u>38,810</u> | <u>53,038</u> | <u>174,272</u> | <u>62,936</u> | <u>631,004</u> | <u>448,277</u> | | |
| Fund Cash Position at Year End | 406,188 | 144,234 | 291,746 | 258,791 | | | | |

City of Excelsior, Minnesota
Pavement Management Plan - Financing Projections (ESTIMATES ONLY)

| AREA 2 | Surface | Water | Sanitary | Storm | Total |
|------------------------------|------------------|----------------|-----------------|----------------|------------------|
| Area 2 Costs | \$ 1,149,000 | \$ 522,000 | \$ 731,000 | \$ 345,000 | 2,747,000 |
| Financing Costs | 8,618 | 3,915 | 5,483 | 2,588 | 20,603 |
| Total Costs (Rounded) | 1,157,618 | 525,915 | 736,483 | 347,588 | 2,767,603 |

| | | | | | |
|--|---------------|---------------|---------------|---------------|----------------|
| Repayment Term | 15 | 15 | 15 | 15 | |
| Interest Rate | 2.50% | 2.50% | 2.50% | 2.50% | |
| Annual Payment (Rounded) | 93,000 | 42,000 | 59,000 | 28,000 | 222,000 |
| Assessment Percentage | 0% | 0% | 0% | 0% | |
| City Portion of Costs (Rounded) | 93,000 | 42,000 | 59,000 | 28,000 | 222,000 |

| AREA 3 | Surface | Water | Sanitary | Storm | Total |
|------------------------------|------------------|----------------|-----------------|----------------|------------------|
| Area 3 Costs | \$ 1,075,000 | \$ 483,000 | \$ 677,000 | \$ 320,000 | 2,555,000 |
| Financing Costs | 8,063 | 3,623 | 5,078 | 2,400 | 19,163 |
| Total Costs (Rounded) | 1,083,063 | 486,623 | 682,078 | 322,400 | 2,574,163 |

| | | | | | |
|--|---------------|---------------|---------------|---------------|----------------|
| Repayment Term | 15 | 15 | 15 | 15 | |
| Interest Rate | 2.50% | 2.50% | 2.50% | 2.50% | |
| Annual Payment (Rounded) | 87,000 | 39,000 | 55,000 | 26,000 | 207,000 |
| Assessment Percentage | 0% | 0% | 0% | 0% | |
| City Portion of Costs (Rounded) | 87,000 | 39,000 | 55,000 | 26,000 | 207,000 |

| Water Street - Mill and Overlay | Surface | Water | Sanitary | Storm | Total |
|--|----------------|--------------|-----------------|----------------|----------------|
| Water Street - Mill and Overlay | \$ 367,000 | \$ - | \$ - | \$ 239,000 | 606,000 |
| Financing Costs | 2,753 | - | - | 1,793 | 4,545 |
| Total Costs (Rounded) | 369,753 | - | - | 240,793 | 610,545 |

| | | | | | |
|--|---------------|----------|----------|---------------|---------------|
| Repayment Term | 15 | 15 | 15 | 15 | |
| Interest Rate | 2.50% | 2.50% | 2.50% | 2.50% | |
| Annual Payment (Rounded) | 30,000 | - | - | 19,000 | 49,000 |
| Assessment Percentage | 0% | 0% | 0% | 0% | |
| City Portion of Costs (Rounded) | 30,000 | - | - | 19,000 | 49,000 |

| Parking Lots | Surface | Water | Sanitary | Storm | Total |
|------------------------------|----------------|--------------|-----------------|---------------|------------------|
| Parking Lots | \$ 652,000 | \$ - | \$ 270,000 | \$ 82,000 | 1,004,000 |
| Financing Costs | 4,890 | - | 2,025 | 615 | 7,530 |
| Total Costs (Rounded) | 656,890 | - | 272,025 | 82,615 | 1,011,530 |

| | | | | | |
|--|---------------|----------|---------------|--------------|---------------|
| Repayment Term | 15 | 15 | 15 | 15 | |
| Interest Rate | 2.50% | 2.50% | 2.50% | 2.50% | |
| Annual Payment (Rounded) | 53,000 | - | 22,000 | 7,000 | 82,000 |
| Assessment Percentage | 0% | 0% | 0% | 0% | |
| City Portion of Costs (Rounded) | 53,000 | - | 22,000 | 7,000 | 82,000 |

| TOTAL CITY PORTION | Surface | Water | Sanitary | Storm | Total |
|---------------------------------|----------------|---------------|-----------------|---------------|----------------|
| Area 2 Costs | 93,000 | 42,000 | 59,000 | 28,000 | 222,000 |
| Area 3 Costs | 87,000 | 39,000 | 55,000 | 26,000 | 207,000 |
| Water Street - Mill and Overlay | 30,000 | - | - | 19,000 | 49,000 |
| Parking Lots | 53,000 | - | 22,000 | 7,000 | 82,000 |
| Total | 263,000 | 81,000 | 136,000 | 80,000 | 560,000 |



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See Page 3 - 5 for Water Rate Recommendations

MEMORANDUM

TO: City of Excelsior, Minnesota

FROM: Patty Kettles, Consultant
Doug Green, Client Representative

DATE: November 12, 2018

SUBJECT: Water Rate Study

The City of Excelsior engaged Springsted Incorporated to conduct an analysis and review of the financial performance of the City's Water Fund, and to recommend rate adjustments necessary for the Fund to maintain revenues sufficient to meet operating costs, capital outlays, maintenance, debt service, and cash reserves. The purpose of this memorandum is to present our findings and recommendations.

Historical Performance

Our analysis began with a look at the Fund's recent financial performance, paying particular attention to income levels and cash reserves.

The Water Fund's actual operating income and Change in Net Position have been positive over the past four years and are projected to be positive in the City's FY2018 budget. Ending cash has increased from \$675,278 at the end of FY2014 to \$1,557,196 at the end of FY2017 with the majority of the increase due to the issuance of bonds in 2017 for capital projects. The 2018 cash balance is anticipated to be \$1,445,594 with the 2019 cash balance projected to decrease to \$543,350 due to the water utility work related to the Pavement Management Projects, i.e. spending of the bond proceeds.

The historical performance of these funds is shown on the following pages.

Water Fund Historical Financial Performance

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|-----------------|-----------------|----------------|------------------|------------------|
| | Actual | Actual | Actual | Actual | Budget |
| Operating Revenues | | | | | |
| Charges for Service | 515,389 | 530,411 | 544,305 | 520,314 | 538,125 |
| Other Revenue | | | | | |
| Total Operating Revenue | 515,389 | 530,411 | 544,305 | 520,314 | 538,125 |
| Operating Expenses | | | | | |
| Personnel Services | 121,658 | 122,220 | 137,715 | 120,531 | 146,725 |
| Supplies | 76,750 | 62,213 | 71,853 | 51,980 | 51,100 |
| Other Services and Charges | 115,182 | 125,141 | 97,597 | 85,257 | 106,760 |
| Depreciation | 89,445 | 100,698 | 135,254 | 139,447 | 140,000 |
| Total Operating Expenses | 403,035 | 410,272 | 442,419 | 397,215 | 444,585 |
| Operating Income (Loss) | 112,354 | 120,139 | 101,886 | 123,099 | 93,540 |
| Non Operating Revenues (Expenses) | | | | | |
| Investment Income | 16,145 | 9,184 | 6,194 | 5,907 | 6,500 |
| Other Income | 11,191 | 15,585 | 50,644 | 6,478 | 14,840 |
| Debt Interest | (40,287) | (41,580) | (40,368) | (62,187) | (94,069) |
| Bond Issuance Costs | | | | (37,001) | (899) |
| Total Non Operating Revenues (Expenses) | (12,951) | (16,811) | 16,470 | (86,803) | (73,628) |
| Net Income (Loss) Before Transfers | 99,403 | 103,328 | 118,356 | 36,296 | 19,912 |
| Operating Transfers | | | | | |
| Transfers In (Capital Contributions) | 61,794 | 51,579 | 13,380 | 101,058 | |
| Transfers (Out) | (12,000) | (11,000) | (10,000) | (9,000) | (8,000) |
| Total Operating Transfers | 49,794 | 40,579 | 3,380 | 92,058 | (8,000) |
| Change in Net Position | 149,197 | 143,907 | 121,736 | 128,354 | 11,912 |
| Beginning Cash & Investments | 658,808 | 675,278 | 406,188 | 519,048 | 1,557,196 |
| Net Income | 149,197 | 143,907 | 121,736 | 128,354 | 11,912 |
| Depreciation | 89,445 | 100,698 | 135,254 | 139,447 | 140,000 |
| Acquisition and Construction of Assets | (836,857) | (545,600) | (73,757) | (1,051,095) | (136,182) |
| Proceeds from New Long-Term Debt | 587,944 | 196,841 | 52,576 | 1,865,520 | |
| Payments on Long-Term Debt | (116,659) | (108,572) | (123,259) | (120,344) | (127,332) |
| Adjustment to Accruals | 143,400 | (56,364) | 310 | 76,266 | - |
| Ending Cash Balance | 675,278 | 406,188 | 519,048 | 1,557,196 | 1,445,594 |

Assumptions

In our projections of future performance, we used a number of assumption based on historical trends, information provided by the City, discussions with the City, and our significant experience in preparing rate studies. These assumptions included:

- The capital improvements planned by the City to be approved with the 2019 budget was incorporated into the study.
- Capital would be funded with cash in the fund, and with bonding in the years 2019, 2020, 2021, 2023 and 2025 to finance the Pavement Management Program and also in a couple years to finance Capital Equipment/Minor Projects.
- \$786,000 of the 2017 Bond proceeds would be spent on Pavement Management projects
- Operating expenses would increase 3% - 4% each year based on historical trends
- Cash reserves would earn 1.0% interest each year

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 a utility fund should have is dependent on a number of factors, including:

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

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

Projected Water Utility Rates

The financial projections, based on the assumptions previously stated, indicate that increases of 18.5% in each of the next three years followed by a 10% increase in 2022 and 2.0% increases each year thereafter would enable the Water Utility to fund its operations, capital program and maintain the recommended level of cash reserves over the

next 10 years in all years. The detailed financial projections are shown on the following page followed by proposed rates for "In Town" and Out-of-Town" water users and examples of monthly water bills for various water customers.

Water Utility – Financial Projections

| Projected Rate Adjustment | Projected Change 2019-2028 | Calculate | 18.50% | 18.50% | 18.50% | 10.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
|--|-------------------------------|------------------|------------------|-----------------|------------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Operating Revenues | | | | | | | | | | | | |
| Charges for Service | 0.00% | 538,125 | 637,678 | 755,649 | 895,444 | 984,988 | 1,004,688 | 1,024,781 | 1,045,277 | 1,066,183 | 1,087,506 | 1,109,256 |
| Other Revenue | 0.00% | - | - | - | - | - | - | - | - | - | - | - |
| Total Operating Revenue | | 538,125 | 637,678 | 755,649 | 895,444 | 984,988 | 1,004,688 | 1,024,781 | 1,045,277 | 1,066,183 | 1,087,506 | 1,109,256 |
| Operating Expenses | | | | | | | | | | | | |
| Personnel Services | 4.00% | 146,725 | 130,883 | 136,118 | 141,563 | 147,226 | 153,115 | 159,239 | 165,609 | 172,233 | 179,122 | 186,287 |
| Supplies | 2.00% | 51,100 | 55,800 | 56,916 | 58,054 | 59,215 | 60,400 | 61,608 | 62,840 | 64,097 | 65,379 | 66,686 |
| Other Services and Charges | 3.00% | 106,760 | 107,220 | 110,437 | 113,750 | 117,162 | 120,677 | 124,297 | 128,026 | 131,867 | 135,823 | 139,898 |
| Existing Depreciation | | 140,000 | 143,321 | 140,455 | 137,645 | 134,893 | 132,195 | 129,551 | 126,960 | 124,421 | 121,932 | 119,494 |
| New Depreciation | | - | 6,079 | 71,098 | 96,965 | 121,198 | 124,398 | 150,365 | 154,281 | 170,581 | 176,948 | 180,548 |
| Total Operating Expenses | | 444,585 | 449,382 | 586,121 | 644,942 | 700,891 | 715,182 | 775,424 | 791,997 | 833,780 | 856,152 | 873,461 |
| Operating Income (Loss) | | 93,540 | 188,297 | 169,527 | 250,502 | 284,096 | 289,506 | 249,357 | 253,280 | 232,403 | 231,354 | 235,796 |
| Non Operating Revenues (Expenses) | | | | | | | | | | | | |
| Investment Income | 1.00% | 6,500 | 6,500 | 5,434 | 5,859 | 6,323 | 6,916 | 7,227 | 7,781 | 7,592 | 7,549 | 8,393 |
| Other Income | | 14,840 | 27,700 | 27,700 | 27,700 | 27,700 | 27,700 | 27,700 | 27,700 | 27,700 | 27,700 | 27,700 |
| Debt Interest - Existing | | (94,069) | (82,023) | (75,192) | (67,985) | (60,427) | (58,509) | (43,553) | (37,625) | (32,473) | (27,589) | (24,009) |
| Debt Interest - New | | - | - | (36,000) | (44,491) | (72,473) | (69,318) | (92,096) | (87,913) | (99,615) | (94,607) | (89,394) |
| Bond Issuance Costs | | (899) | (48,261) | - | (25,000) | - | (25,000) | - | (25,000) | - | - | - |
| Total Non Operating Revenues (Expenses) | | (73,628) | (96,084) | (78,058) | (103,917) | (98,877) | (118,211) | (100,722) | (115,058) | (96,795) | (86,947) | (77,311) |
| Net Income (Loss) Before Transfers | | 19,912 | 92,213 | 91,469 | 146,585 | 185,219 | 171,295 | 148,636 | 138,222 | 135,607 | 144,408 | 158,485 |
| Operating Transfers | | | | | | | | | | | | |
| Transfers In | | - | - | - | - | - | - | - | - | - | - | - |
| Transfers (Out) | | (8,000) | - | - | - | - | - | - | - | - | - | - |
| Total Operating Transfers | | (8,000) | - | - | - | - | - | - | - | - | - | - |
| Net Income (Loss) | | 11,912 | 92,213 | 91,469 | 146,585 | 185,219 | 171,295 | 148,636 | 138,222 | 135,607 | 144,408 | 158,485 |
| Beginning Cash & Investments | | 1,557,196 | 1,445,594 | 543,350 | 585,941 | 632,264 | 691,618 | 722,720 | 778,071 | 759,227 | 754,935 | 839,280 |
| Net Income | | 11,912 | 92,213 | 91,469 | 146,585 | 185,219 | 171,295 | 148,636 | 138,222 | 135,607 | 144,408 | 158,485 |
| Depreciation | | 140,000 | 149,400 | 211,552 | 234,610 | 256,090 | 256,593 | 279,915 | 281,241 | 295,002 | 298,880 | 300,041 |
| Amortization | | - | - | - | - | - | - | - | - | - | - | - |
| Acquisition and Construction of Assets | | (136,182) | (1,818,286) | (388,000) | (698,000) | (48,000) | (575,000) | (58,750) | (435,000) | (95,500) | (54,000) | (48,000) |
| Proceeds from New Long-Term Debt | | - | 900,000 | 388,000 | 669,000 | - | 521,000 | - | 321,000 | - | - | - |
| Payments on New Long-Term Debt | | - | (30,224) | (66,065) | (89,513) | (92,668) | (111,697) | (115,879) | (129,936) | (134,943) | (140,156) | (140,156) |
| Payments on Existing Long-Term Debt | | (127,332) | (225,570) | (230,207) | (239,807) | (244,443) | (250,117) | (202,754) | (208,428) | (209,465) | (170,000) | (170,000) |
| Ending Cash Balance | | 1,445,594 | 543,350 | 585,941 | 632,264 | 691,618 | 722,720 | 778,071 | 759,227 | 754,935 | 839,280 | 939,650 |
| Minimum Cash Balance | | | | | | | | | | | | |
| For ongoing operations | 3 | 76,146 | 74,995 | 93,642 | 102,583 | 111,200 | 114,647 | 123,877 | 127,689 | 134,695 | 139,318 | 143,355 |
| For debt service | 12 | 307,593 | 371,623 | 418,348 | 466,856 | 470,612 | 450,100 | 449,846 | 471,488 | 427,139 | 423,559 | 424,372 |
| Minimum Cash Balance Target | | 383,739 | 446,618 | 511,990 | 569,439 | 581,812 | 564,747 | 573,723 | 599,177 | 561,834 | 562,877 | 567,727 |
| Amount Over (Under) Target | | 1,061,855 | 96,732 | 73,951 | 62,825 | 109,805 | 157,974 | 204,348 | 160,049 | 193,101 | 276,402 | 371,923 |

Projected Water Rates – In Town Rates

| Water Rates | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2025 | 2026 | 2027 | 2028 |
|--|-------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Proposed Rate Increase | NA | 18.50% | 18.50% | 18.50% | 10.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Residential (Billed Quarterly) - In Town Rates | | | | | | | | | | |
| Fixed Charge Per Meter | \$ 30.25 | \$ 35.85 | \$ 42.48 | \$ 50.34 | \$ 55.37 | \$ 56.48 | \$ 58.76 | \$ 59.93 | \$ 61.13 | \$ 62.36 |
| Volume Charge - per 1,000/ 0-20,000 gallons | 4.39 | 5.20 | 6.16 | 7.30 | 8.04 | 8.20 | 8.53 | 8.70 | 8.87 | 9.05 |
| Volume Charge - per 1,000/ 21,000-40,000 gallons | 5.49 | 6.51 | 7.71 | 9.14 | 10.05 | 10.25 | 10.66 | 10.88 | 11.09 | 11.32 |
| Volume Charge - per 1,000/ Over 40,000 gallons | 8.23 | 9.75 | 11.56 | 13.69 | 15.06 | 15.37 | 15.99 | 16.31 | 16.63 | 16.96 |
| Commercial Properties with Greenspace Areas and without Irrigation Meters - In Town Rates | | | | | | | | | | |
| Base Rate | \$ 30.25 | \$ 35.85 | \$ 42.48 | \$ 50.34 | \$ 55.37 | \$ 56.48 | \$ 58.76 | \$ 59.93 | \$ 61.13 | \$ 62.36 |
| Volume Charge - per 1,000/ 0-20,000 gallons | 4.39 | 5.20 | 6.16 | 7.30 | 8.04 | 8.20 | 8.53 | 8.70 | 8.87 | 9.05 |
| Volume Charge - per 1,000/ 21,000-40,000 gallons | 5.49 | 6.51 | 7.71 | 9.14 | 10.05 | 10.25 | 10.66 | 10.88 | 11.09 | 11.32 |
| Volume Charge - per 1,000/ Over 40,000 gallons | 8.23 | 9.75 | 11.56 | 13.69 | 15.06 | 15.37 | 15.99 | 16.31 | 16.63 | 16.96 |
| Commercial Properties with Greenspace Areas and with Irrigation Meters or without Greenspace Areas - In Town Rate | | | | | | | | | | |
| Base Rate | \$ 30.25 | \$ 35.85 | \$ 42.48 | \$ 50.34 | \$ 55.37 | \$ 56.48 | \$ 58.76 | \$ 59.93 | \$ 61.13 | \$ 62.36 |
| Volume Charge - Every 1,000 gallons | 4.39 | 5.20 | 6.16 | 7.30 | 8.04 | 8.20 | 8.53 | 8.70 | 8.87 | 9.05 |
| Irrigation Meters - In Town Rates | | | | | | | | | | |
| Fixed Charge Per Meter | \$ 30.25 | \$ 35.85 | \$ 42.48 | \$ 50.34 | \$ 55.37 | \$ 56.48 | \$ 58.76 | \$ 59.93 | \$ 61.13 | \$ 62.36 |
| Volume Charge - per 1,000/ 0-20,000 gallons | 5.49 | 6.51 | 7.71 | 9.14 | 10.05 | 10.25 | 10.66 | 10.88 | 11.09 | 11.32 |
| Volume Charge - per 1,000/ 21,000-40,000 gallons | 8.23 | 9.75 | 11.56 | 13.69 | 15.06 | 15.37 | 15.99 | 16.31 | 16.63 | 16.96 |

Projected Average Residential Quarterly Water Bill (12,000 gallons/quarter)

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2025 | 2026 | 2027 | 2028 |
|--------------------------------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Fixed Charge | \$ 30.25 | \$ 35.85 | \$ 42.48 | \$ 50.34 | \$ 55.37 | \$ 56.48 | \$ 58.76 | \$ 59.93 | \$ 61.13 | \$ 62.36 |
| Volume Charge (based on 12,000 gal.) | \$ 52.68 | \$ 62.43 | \$ 73.97 | \$ 87.66 | \$ 96.43 | \$ 98.35 | \$ 102.33 | \$ 104.37 | \$ 106.46 | \$ 108.59 |
| Total Quarterly Water Bill | \$ 82.93 | \$ 98.27 | \$ 116.45 | \$ 138.00 | \$ 151.80 | \$ 154.83 | \$ 161.09 | \$ 164.31 | \$ 167.59 | \$ 170.95 |
| Change per quarter | | \$ 15.34 | \$ 18.18 | \$ 21.54 | \$ 13.80 | \$ 3.04 | \$ 3.16 | \$ 3.22 | \$ 3.29 | \$ 3.35 |
| Change per month | | \$ 5.11 | \$ 6.06 | \$ 7.18 | \$ 4.60 | \$ 1.01 | \$ 1.05 | \$ 1.07 | \$ 1.10 | \$ 1.12 |

Other Projected In-Town User Bills

| | | | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Residential User - In Town - 45,000 gal./quarter | 269.00 | 318.77 | 377.74 | 447.62 | 492.38 | 502.23 | 522.52 | 532.97 | 543.63 | 554.50 |
| Commercial User - In Town - 50,000 gal/quarter | 310.15 | 367.53 | 435.52 | 516.09 | 567.70 | 579.05 | 602.45 | 614.50 | 626.79 | 639.32 |
| Commercial User - In Town - 150,000 gal/quarter | 1,133.15 | 1,342.78 | 1,591.20 | 1,885.57 | 2,074.13 | 2,115.61 | 2,201.08 | 2,245.10 | 2,290.00 | 2,335.80 |

Projected Water Rates – Out-of-Town Rates

| Water Rates | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2025 | 2026 | 2027 | 2028 |
|--|-------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Proposed Rate Increase | NA | 18.50% | 18.50% | 18.50% | 10.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Residential (Billed Quarterly) - Out-of-Town Rates | | | | | | | | | | |
| Fixed Charge Per Meter | \$ 36.33 | \$ 43.05 | \$ 51.02 | \$ 60.45 | \$ 66.50 | \$ 67.83 | \$ 70.57 | \$ 71.98 | \$ 73.42 | \$ 74.89 |
| Volume Charge - per 1,000/ 0-20,000 gallons | 4.69 | 5.56 | 6.59 | 7.80 | 8.58 | 8.76 | 9.11 | 9.29 | 9.48 | 9.67 |
| Volume Charge - per 1,000/ 21,000-40,000 gallons | 5.87 | 6.96 | 8.24 | 9.77 | 10.74 | 10.96 | 11.40 | 11.63 | 11.86 | 12.10 |
| Volume Charge - per 1,000/ Over 40,000 gallons | 8.79 | 10.42 | 12.34 | 14.63 | 16.09 | 16.41 | 17.07 | 17.42 | 17.76 | 18.12 |
| Commercial Properties with Greenspace Areas and without Irrigation Meters - Out-of-Town Rates | | | | | | | | | | |
| Base Rate | \$ 36.33 | \$ 43.05 | \$ 51.02 | \$ 60.45 | \$ 66.50 | \$ 67.83 | \$ 70.57 | \$ 71.98 | \$ 73.42 | \$ 74.89 |
| Volume Charge - per 1,000/ 0-20,000 gallons | 4.69 | 5.56 | 6.59 | 7.80 | 8.58 | 8.76 | 9.11 | 9.29 | 9.48 | 9.67 |
| Volume Charge - per 1,000/ 21,000-40,000 gallons | 5.87 | 6.96 | 8.24 | 9.77 | 10.74 | 10.96 | 11.40 | 11.63 | 11.86 | 12.10 |
| Volume Charge - per 1,000/ Over 40,000 gallons | 8.79 | 10.42 | 12.34 | 14.63 | 16.09 | 16.41 | 17.07 | 17.42 | 17.76 | 18.12 |
| Commercial Properties with Greenspace Areas and with Irrigation Meters or without Greenspace Areas - Out-of-Town Rate | | | | | | | | | | |
| Base Rate | \$ 36.33 | \$ 43.05 | \$ 51.02 | \$ 60.45 | \$ 66.50 | \$ 67.83 | \$ 70.57 | \$ 71.98 | \$ 73.42 | \$ 74.89 |
| Volume Charge - Every 1,000 gallons | 4.69 | 5.56 | 6.59 | 7.80 | 8.58 | 8.76 | 9.11 | 9.29 | 9.48 | 9.67 |
| Irrigation Meters - Out-of-Town Rates | | | | | | | | | | |
| Fixed Charge Per Meter | \$ 36.33 | \$ 43.05 | \$ 51.02 | \$ 60.45 | \$ 66.50 | \$ 67.83 | \$ 70.57 | \$ 71.98 | \$ 73.42 | \$ 74.89 |
| Volume Charge - per 1,000/ 0-20,000 gallons | 5.87 | 6.96 | 8.24 | 9.77 | 10.74 | 10.96 | 11.40 | 11.63 | 11.86 | 12.10 |
| Volume Charge - per 1,000/ 21,000-40,000 gallons | 8.79 | 10.42 | 12.34 | 14.63 | 16.09 | 16.41 | 17.07 | 17.42 | 17.76 | 18.12 |

Projected Out-of-Town User Bills

| | | | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Residential User - Out-of-Town - 12,000 gal./quarter | 92.61 | 109.74 | 130.05 | 154.10 | 169.51 | 172.90 | 179.89 | 183.49 | 187.16 | 190.90 |
| Residential User - Out-of-Town - 45,000 gal./quarter | 291.48 | 345.40 | 409.30 | 485.02 | 533.53 | 544.20 | 566.18 | 577.51 | 589.06 | 600.84 |
| Commercial User - Out-of-Town - 50,000 gal/quarter | 335.43 | 397.48 | 471.02 | 558.16 | 613.97 | 626.25 | 651.55 | 664.58 | 677.88 | 691.43 |
| Commercial User - Out-of-Town - 150,000 gal/quarter | 1,214.43 | 1,439.10 | 1,705.33 | 2,020.82 | 2,222.90 | 2,267.36 | 2,358.96 | 2,406.14 | 2,454.26 | 2,503.35 |

Cities often like to know what other communities are charging for the same services. Rates charged vary across communities based on the life cycle of each system's assets. Communities that have recently updated or upgraded their water or sewer systems typically have higher rates than those who have not. The rates for six of Excelsior's neighbors are shown in the tables below.

Water Rates

| Excelsior Proposed 2019 Water Rates | |
|--|---------|
| Quarterly-Residential Base Rate-In Town | \$35.85 |
| 0 - 20,000 gallons | \$5.20 |
| 20,001 - 40,000 gallons | \$6.51 |
| >40,001 gallons | \$9.75 |
| Quarterly-Commercial w/o Irrigation Meter | |
| Base Rate-In Town | \$35.85 |
| 0 - 20,000 gallons | \$5.20 |
| 20,001 - 40,000 gallons | \$6.51 |
| >40,001 gallons | \$9.75 |

| | |
|--|-----------------|
| Tonka Bay | |
| Quarterly-Residential & Commercial Flat Rate | \$32.50 |
| 0-15,999 gallons | \$5.00 |
| 16,000-30,999 gallons | \$5.50 |
| 31,000-45,999 gallons | \$6.00 |
| > 46,000 gallons | \$6.66 |
| Spring Park | |
| Quarterly-Residential & Commercial Flat Rate | \$12.00 |
| 0 - 8,999 gallons | \$2.50 |
| 9,000 - 17,999 gallons | \$3.75 |
| >18,000 gallons | \$5.00 |
| Wayzata | |
| Monthly-Variou Water Meter Sizes Fixed | |
| 3/4"-4" | \$9.35-\$130.65 |
| Residential | |
| 0-6,000 gallons | \$1.90 |
| >6,000 gallons | \$2.35 |
| Commercial | |
| <25,000 gallons | \$1.90 |
| >25,000 gallons | \$2.05 |
| Minnetrista | |
| Quarterly-Residential Flat Rate | \$27.33 |
| <25,000 gallons | \$3.53 |
| 25,001 to 50,000 gallons | \$4.40 |
| >50,001 gallons | \$5.64 |
| Quarterly-Commercial Flat Rate | \$27.33 |
| < 80,000 gallons | \$3.74 |
| 80,001 to 150,000 gallons | \$4.37 |
| 150,001 and over | \$6.13 |
| Shorewood | |
| Quarterly for the first 5,000 gallons. | \$18.35 |
| 5,000 to 50,000 gallons. | \$3.10 |
| >50,000 gallons | \$4.46 |
| Mound | |
| Quarterly-Residential Base Rate | \$56.73 |
| 1,000 - 5,000 gallons | \$4.92 |
| 5,001 - 25,000 gallons | \$5.66 |
| >25,001 gallons | \$6.50 |
| Quarterly-Commercial Base Rate | \$18.91 |
| 1,000 - 2,000 gallons | \$4.92 |
| 2,001 - 15,000 gallons | \$5.66 |
| >15,001 gallons | \$6.50 |