



City Council Meeting Agenda

Tuesday, September 5, 2017 - 7:00 PM

Cologne Community Center, 1211 Village Parkway

Vision Statement

The City of Cologne is a vibrant small town that respects its heritage, embraces its future and offers a high quality of life for all who live, work and visit our community.

Mayor: Matt Lein
Councilmember: Sarah Bruss
Councilmember: Kyle Evenski
Councilmember: Don Meyer
Councilmember: Carol Szaroletta

NOTE: AGENDA ITEMS ARE APPROXIMATE AND SUBJECT TO CHANGE ACCORDING TO LENGTH OF DISCUSSION. TO ENSURE THAT YOU ARE PRESENT FOR ITEMS OF INTEREST, PLEASE ARRIVE AT 7:00 PM.

- 1. CALL MEETING TO ORDER & ROLL CALL**
- 2. PLEDGE OF ALLEGIANCE**
- 3. ADOPT AGENDA**
- 4. VISITOR'S PRESENTATIONS, PETITIONS, CORRESPONDENCE**
- 5. ADOPT CONSENT AGENDA**

Items listed below are considered routine and non-controversial by the Council. There will be no separate discussion of these items unless requested by a Council member, Staff or Citizen. If removed, the item will be discussed at the end of the regular agenda.

- a. August 21, 2017 Minutes**
- b. August 21, 2017 Budget Workshop Minutes**
- c. August 18, 2017 Payroll**

d. September 5, 2017 Check Summary Register

6. NEW BUSINESS

- a. Budget Discussion - Employee Recommendations**
- b. Springsted TIF - CIP Update**
- c. M/I Homes L-O-C Reduction Request**
- d. Shed at Fritz Field - Appraisal Discussion**

7. UNFINISHED BUSINESS

- a. Cologne Dog Park**

8. BOARD REPORT

9. ANNOUNCEMENTS

10. ITEMS REMOVED FROM THE CONSENT AGENDA

11. ADJOURN

CALENDAR OF EVENTS/MEETINGS

Sept 4	Monday	Labor Day - City Offices Closed	
Sept 5	Tuesday	7:00 PM	City Council Meeting
Sept 18	Monday	6:00 PM	Water Plant Walk-through
Sept 18	Monday	7:00 PM	City Council Meeting

City of Cologne City Council
Meeting Minutes
Monday, August 21, 2017 - 7:00 PM
Cologne Community Center, 1211 Village Parkway

1. CALL MEETING TO ORDER & ROLL CALL

Mayor Matt Lein called the meeting to order at 7:00 p.m. Councilmembers Evenski, Meyer, and Szaroletta were present. Also present: City Administrator Jesse Dickson, City Engineer Jake Saulsbury, Public Works Superintendent Brian Vos, and Chuck Buckentin. Councilmember Bruss was absent.

2. PLEDGE OF ALLEGIANCE

3. ADOPT AGENDA

MOTION BY COUNCILMEMBER MEYER TO ADOPT THE AGENDA AND MOVE ITEM A OF NEW BUSINESS ABOVE ITEM A OF UNFINISHED BUSINESS. SECONDED BY SZAROLETTA. MOTION CARRIED UNANIMOUSLY.

4. VISITOR'S PRESENTATIONS, PETITIONS, CORRESPONDENCE

No visitors present.

5. ADOPT CONSENT AGENDA

- a. August 7, 2017 Minutes
- b. August 21, 2017 Payroll
- c. August 21, 2017 Check Summary Register
- d. Resolution 17-12 Supporting Carver County's MHFP freight funding application
- e. Resolution 17-13 Approving advertisement for open gym supervisor

MOTION BY COUNCILMEMBER EVENSKI TO ADOPT THE CONSENT AGENDA. SECONDED BY COUNCILMEMBER SZAROLETTA. MOTION CARRIED UNANIMOUSLY.

6. UNFINISHED BUSINESS

- a. Deer hunting on City property

City Administrator Dickson updated the Council on what he found out after speaking with a DNR representative. Dickson explained that the City of Red Wing does an in-house program. Dickson explained that the challenges are in creating the program and then maintaining/monitoring. Councilmember Szaroletta asked how many people can hunt safely in a 20 acre area at the same time. Given the questions, Councilmember Evenski doesn't think that a program like this can be safely implemented this year.

Mayor Lein asked Superintendent Vos if there is a deer problem on City property. Vos replied that they see deer, but that there aren't significant amounts.

Councilmember Szaroletta wondered where the deer will move as the City grows. Mayor Lein thinks that this is an issue that may need to be discussed down the road, but isn't an issue today.

Chuck Buckentin appeared before Council. Mr. Buckentin said that he doesn't think there is a deer problem, but was simply looking to find out if there was a way for him to be able to hunt on the City parcel.

Councilmember Evenski thinks that this should be a conversation that happens when we have a deer population issue in City limits. Evenski is concerned with being able to track everyone going in and out and the possible consequences of an accident on City property.

Mr. Buckentin suggests that if the City ever does a lottery, then it should require having hunters pass a shooting test before granting a license.

MOTION BY COUNCILMEMBER MEYER TO TABLE INDEFINITELY DEER HUNTING ON CITY PROPERTY. SECONDED BY COUNCILMEMBER SZAROLETTA. MOTION CARRIED UNANIMOUSLY.

b. Cologne Dog Park

City Administrator Dickson explained the results of the dog park survey conducted over the course of the last month. Mayor Lein said the Mayor of Watertown told him their park gets used quite often. Councilmember Evenski is concerned with the cost of the park vs. where the money could get spent elsewhere, including a park in Winkler Crossing, possibly using the money to resurface the basketball/tennis court in VFW Park, location of the park, and how it affects the people who live around it. Evenski summarized that it would be a benefit, but the money could possibly be better spent elsewhere.

Superintendent Vos figures there's two options for location: by the WWTP or south of City Hall. Mayor Lein looked for a consensus on moving forward or not, to look for a location and start pricing out a potential park. Lein likes the idea and

knows it will get used. Councilmember Evenski agreed, but thinks that there are better expenditures. Lein said that the park will be worth it depending on what it costs. Lein would like to have a number for how much the project would cost for it to pass or fail.

Councilmember Evenski sees the benefit but maintains his reservations. Councilmember Szaroletta also has reservations and thinks the money could be better spent elsewhere, but would like to see the project move forward until the City has an idea of what it will cost. Councilmember Meyer is in favor of looking into it, but thinks the Park Board should head up the inquiry into the project. Meyer is concerned with the potential mess that City staff would have to clean. Mayor Lein wants to know how much it will cost, where it will go, and he would like to get the park board involved. Councilmember Evenski wondered how much land will we need and whether we have the space? Evenski is concerned with a possible claim if something happens at the park, regardless of what sign we hang. Evenski is not in favor of moving forward at this time as long as there are other possible better uses for the money.

7. NEW BUSINESS

a. CIPP Award Letter

City Engineer Jake Saulsbury filled in the Council on the background of the CIPP sewer lining project. The City is spending \$28k each year on rainwater infiltrating the sewer lines through cracks and holes in lines. Saulsbury explained that these projects will reduce the amount of water that is being treated in the wastewater treatment plant. This project is a benefit towards the City's MPCA permit along with Cologne's Inflow & Infiltration reduction plan. There were five bidders for this project. The Engineer's estimate was \$77k, low bid is \$59k. Televising and evaluating on some point repairs are included in the bid. The bid price includes the extra work and the total price will go down if work can't be done. Hydro-Klean is local and gets about half the projects in the area that are bid. Another letter will most likely come in the winter depending on the evaluation of the point repairs.

Saulsbury recommends adding these CIPP projects into the next couple budgets.

MOTION TO APPROVE THE BID FROM HYDRO CLEAN FOR \$59, 073.29 FOR THE CIPP PROJECT BY COUNCILMEMBER EVENSKI. SECONDED BY COUNCILMEMBER MEYER. MOTION CARRIED UNANIMOUSLY.

b. Mueller's road work proposal

Public Works Superintendent Brian Vos appeared to present the Mueller's road work proposal. Vos explained that there are other areas to be patched but they will be patched by the City Staff. The work will be milling and overlaying each of the proposed spots. Vos suggested some other work to be budgeted for 2018. Councilmember Evenski asked about the heaved road that is being fixed and whether it will damage the storm sewer by milling it. Superintendent Vos did not foresee any issues. There was no definitive start date until the proposal is signed, but the work will be completed in one day.

MOTION TO APPROVE THE MUELLER BID FOR \$15,200.00 BY COUNCILMEMBER MEYER. SECONDED BY COUNCILMEMBER SZAROLETTA. MOTION CARRIED UNANIMOUSLY.

c. Carverlink fiber proposal

MOTION TO APPROVE THE CARVERLINK FIBER PROPOSAL BY COUNCILMEMBER EVENSKI. SECONDED BY COUNCILMEMBER SZAROLETTA. MOTION CARRIED UNANIMOUSLY.

d. Carverlink fiber construction agreement

MOTION TO APPROVE THE CARVERLINK FIBER CONSTRUCTION AGREEMENT BY COUNCILMEMBER EVENSKI. SECONDED BY COUNCILMEMBER MEYER. MOTION CARRIED UNANIMOUSLY.

8. BOARD REPORT

1) July Sheriff's report

9. ANNOUNCEMENTS

City Administrator Dickson announced that Roger Storms is presenting an idea to have new signs made through the Cologne Lions to hang through the City. Council preferred a couple of different signs to hang, potentially for Glad Days. Mayor Lein likes having the "established" date on the sign.

Councilmember Evenski announced that he and Councilmember Szaroletta have been talking about the employees that have gone through different trainings and how they are moved about on the pay scale. They would like to keep the process the same, but add a meeting around July 1 annually to address licenses throughout the year instead of at the end of the year. End of the year reviews will still work the same way. Employees will be expected to report to the Personnel Committee that classes have been taken/passed and a short summary explaining the training and how it is a benefit to the employee and

the City. The Personnel Committee expects that it will provide motivation for employees to search for extra training.

10. ITEMS REMOVED FROM THE CONSENT AGENDA

11. ADJOURN

**MOTION BY COUNCILMEMBER SZAROLETTA TO ADJOURN THE MEETING.
SECONDED BY COUNCILMEMBER MEYER. MOTION CARRIED UNANIMOUSLY.
MEETING ADJOURNED AT 7:57 P.M.**

Respectfully Submitted:

Jesse Dickson, City Administrator

Attest:

Matt Lein, Mayor

MOTION BY COUNCILMEMBER SZAROLETTA TO HOLD A BUDGET WORKSHOP MONDAY AUGUST 21 AT 5:30 PM. SECONDED BY COUNCILMEMBER MEYER. MOTION CARRIED UNANIMOUSLY.

7. BOARD REPORT

- 1) New Law Affecting Proposed Ordinances

8. ANNOUNCEMENTS

City Administrator Dickson announced that the water plant is having its floor poured and suggested walking through the building before the second September meeting. Council requested more information and to send out notice ahead of time.

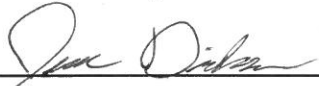
Mayor Lein announced that the dog park survey will be complete and in the next council packet.

9. ITEMS REMOVED FROM THE CONSENT AGENDA

10. ADJOURN


MOTION BY COUNCILMEMBER EVENSKI TO ADJOURN THE MEETING. SECONDED BY COUNCILMEMBER SZAROLETTA. MOTION CARRIED UNANIMOUSLY. (7:53 PM)

Respectfully Submitted:



Jesse Dickson, City Administrator

Attest:



Matt Lein, Mayor

City of Cologne, Payroll September 5, 2017

City of Cologne, Payroll - Sales Tax Payments				
EMPLOYEE	08/18/17	EFT	\$8,909.72	August 18, 2017 Payroll
IRS	08/18/17	EFT	\$3,241.43	August 18, 2017 Payroll
MN DEPT OF REVENUE	08/18/17	EFT	\$517.65	August 18, 2017 Payroll
PERA	08/18/17	EFT	\$1,688.48	August 18, 2017 Payroll
		Total	\$14,357.28	

CITY OF COLOGNE

08/31/17 1:44 PM

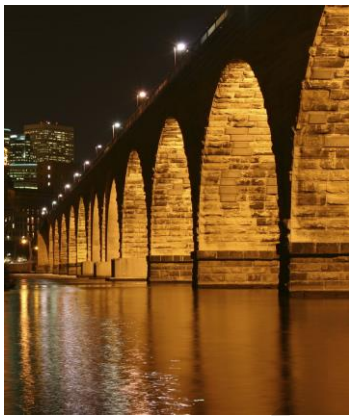
Page 1

*Check Summary Register©

August 2017 to September 2017

	Name	Check Date	Check Amt	
10100 Checking				
Paid Chk# 022313	DI-MAR CONSTRUCTION,INC.	8/28/2017	\$446,817.70	Pay Request #10
Paid Chk# 022314	HOLIDAY COMPANIES	8/28/2017	\$437.37	Fuel
Paid Chk# 022315	AFLAC	9/5/2017	\$230.04	Employee Flex Spending
Paid Chk# 022316	ARETZ, KELLE	9/5/2017	\$175.00	Refund Deposit
Paid Chk# 022317	CENTERPOINT ENERGY	9/5/2017	\$97.24	Utilities-Gas
Paid Chk# 022318	DAVIS EQUIPMENT CORPORATI	9/5/2017	\$448.71	Parts
Paid Chk# 022319	DIRECTV	9/5/2017	\$175.21	Satellite Radio
Paid Chk# 022320	HAWKINS, INC	9/5/2017	\$4,248.25	Chemicals
Paid Chk# 022321	HD SUPPLY WATERWORKS, LT	9/5/2017	\$1,016.86	Meters
Paid Chk# 022322	HEALTH PARTNERS	9/5/2017	\$4,088.98	Employee Health Insurance
Paid Chk# 022323	JOSTAN SERVICES, INC.	9/5/2017	\$2,987.23	July & August Janitorial Servi
Paid Chk# 022324	MELCHERT, HUBERT,SJODIN, P	9/5/2017	\$1,377.50	Misc. Legal Fees
Paid Chk# 022325	METRO WEST INSPECTION SER	9/5/2017	\$389.23	Building Inspection
Paid Chk# 022326	MICHEL, JESSE	9/5/2017	\$21.38	Refund Linen Charge
Paid Chk# 022327	MID COUNTY CO-OP	9/5/2017	\$528.31	Fuel
Paid Chk# 022328	MINNESOTA DEPART OF HEALT	9/5/2017	\$1,043.00	Qtrly Service Fee
Paid Chk# 022329	MN NCPERS LIFE INSURANCE	9/5/2017	\$80.00	Employee Life Insurance
Paid Chk# 022330	MN VALLEY ELECTRIC COOPER	9/5/2017	\$134.11	Utilities-Electricity
Total Checks			\$464,296.12	

FILTER: None



Financing Plan for 2005-2009 Capital Improvement Plan & Street Reconstruction Plan

City of North St. Paul, Minnesota

July 19, 2005

Table of Contents

1	EXECUTIVE SUMMARY	1
2	INTRODUCTION	4
3	FINANCING ALTERNATIVES.....	5
	Property Tax Levy	5
	User Fees	5
	Municipal State Aid	5
	Other Financing Sources.....	5
	Debt Financing	5
4	CAPITAL PROJECT USES	8
5	CAPITAL IMPROVEMENT FINANCING PLAN	10
	General Fund	17
	General Obligation Equipment Certificates.....	17
	General Obligation Capital Improvement Bonds.....	17
	General Obligation Capital Improvement Bonds.....	17
	MSA.....	18
	General Obligation Improvement Bonds.....	23
	Water Utility	25
	Storm Water Utility.....	27
	Sewer Utility.....	29
	Electricity Utility	31
	Projected Utility Rate Impacts.....	33
6	CONCLUSIONS AND RECOMMENDATIONS	34

Springsted provides high quality, independent financial and management advisory services to public and non-profit organizations, and works with them in the long-term process of building their communities on a fiscally sound and well-managed basis.

1 Executive Summary

The purpose of this study is to assist the City of North St. Paul in developing a financing plan for the City's 2005-2009 Capital Improvement Plan. This report outlines the major capital projects and equipment purchases anticipated by the City over the next five years and recommends sources of funding for these expenditures.

Traditionally, the purpose of capital improvement planning has been to optimize the use of the City's financial resources in funding capital improvements.

Springsted recommends that the City use a number of available options for financing the cost of the anticipated capital improvements. These include:

- Property tax levy
- User fees
- Grants and contributions
- Debt financing

The Capital Improvement Plan anticipates approximately \$18.977 million of expenditures over the 5-year planning period. Anticipated capital expenditures for the years 2005 through 2009 are as follows:

- 2005: \$1,595,000
- 2006: \$5,868,220
- 2007: \$3,710,000
- 2008: \$5,770,000
- 2009: \$2,034,200
- TOTAL \$18,977,420

The annual intended use of these dollars is summarized as follows:

	Public Works	Hwy 36	Park & Rec	Water	Sewer	Storm Water	Electric	TOTALS
2005	950,000			220,000	300,000	50,000	75,000	1,595,000
2006	1,175,000	1,200,000	143,220	1,234,000	1,967,000	75,000	74,000	5,868,220
2007	675,000		275,000	2,100,000	500,000	75,000	85,000	3,710,000
2008	1,475,000	3,000,000	145,000	500,000	500,000	75,000	75,000	5,770,000
2009	675,000		194,200	500,000	500,000	75,000	90,000	2,034,200
	4,950,000	4,200,000	757,420	4,554,000	3,767,000	350,000	399,000	18,977,420

The funding source for each project should be related to the intended use of the project. We recommend the following funding sources over the planning period:

• General Fund	\$757,420
• G.O. Street Reconstruction Bonds	2,800,000
• G.O. Improvement Bonds/Assessments	4,450,000
• State Aid	1,100,000
• G.O. State Aid Road Bonds	800,000
• G.O. Water Revenue Bonds	4,554,000
• G.O. Sewer Revenue Bonds	3,767,000
• Storm Water Fund	350,000
• Electric Fund	<u>399,000</u>
TOTAL	\$18,977,420

Our recommendations include a variety of General Obligation Bonds as funding sources. The G.O. Improvement Bonds and G.O. Street Reconstruction Bonds are projected to be issued over 15 years, all at current market rates. All G.O. Water and Sewer Bonds included in this report are also projected to be issued over 15 years at current market rates. As the planning period progresses and the City selects specific projects to be completed, certain types of bond issues recommended in this report may be combined, reducing issuance costs.

In order to minimize the increase of property taxes and user fees, the City may want to examine internal funds available to finance capital improvement projects. It is our understanding that various funds on hand are committed to Public Works projects already in progress.

The remaining CIP costs are projected to be funded with property taxes and user fees. The projected annual impact of our recommended funding sources on property taxes and user fees for a \$200,000 home in 2006-2010 is as follows:

	2005	2006	2007	2008	2009	2010
Tax Increase	\$ -	\$ 90.28	\$ 39.41	\$ 37.38	\$ 29.31	\$ 8.15
Water Rate Inc	-	5.92	6.15	6.39	6.64	6.90
Sewer Rate Inc	-	5.39	5.50	5.61	5.72	5.83
Storm Water Rate Inc	-	4.20	4.49	4.81	5.15	5.51
Electric Rate Inc	-	<u>7.11</u>	<u>7.18</u>	<u>7.25</u>	<u>7.32</u>	<u>7.40</u>
TOTAL	\$ -	\$ 112.89	\$ 62.73	\$ 61.43	\$ 54.13	\$ 33.78

The tax impacts are based on a residential homestead with an assessed market value of \$200,000. The water, sewer, storm water and electric rate impacts are annualized based on an average monthly residential user as provided by the City.

The annual impact of the CIP on a typical resident is projected to reach a maximum of \$112.89 in 2006, after which will decline each year until all of the projected bonds have been repaid in 2025.

It is important to point out that while the City has developed a Capital Improvement Plan, the plan represents a conceptual perspective of the City's capital improvement needs over the next 5 years and as such is a planning tool. The presence of any particular capital expenditure and the designation of an anticipated funding source or sources does not authorize the acquisition of the asset. The actual acquisition must be specifically authorized by the City Council.

The conclusions and recommendations resulting from this study are based on information provided to Springsted Incorporated. The City will need to periodically review and update the Capital Improvement Plan to reflect the actual cost of the anticipated capital improvements and to incorporate any changes in the capital improvements and/or their anticipated costs.

2 Introduction

The purpose of this report is to develop a financing plan for the City of North St. Paul's 2005-2009 Capital Improvement Plan. This report outlines the major capital projects and equipment purchases anticipated by the City over the next five years and provides funding recommendations for each project. The projected impact of our recommendations on property tax and user fees is also included in this analysis.

The purpose of capital improvement planning has traditionally been to maximize the use of the City's financial resources in funding capital improvements. It is a management tool that enables the City to be forward looking by anticipating the timing and the financing of future capital needs for necessary public improvements over a nominal period of time. It should be based on a systems approach to provide a "whole city" context for identifying future capital needs. It is designed to be a flexible, evolving plan that is updated each year as the City's capital needs and priorities change. The plan should be developed using a collaborative process involving all the major stakeholders in the City.

The City identified \$18,977,420 in needed capital improvement projects from 2005 through 2009. They also identified \$2,689,000 in potential funding sources as shown below:

State Aid	\$ 1,100,000
Assessments	890,000
Electric Utility	399,000
Storm Water Utility	<u>300,000</u>
	\$2,689,000

Springsted was retained to assist the City in developing a financing plan to fund the needed capital improvements, including the \$16,288,420 gap identified above, while minimizing the impact on property taxes, user charges and other fees.

3 Financing Alternatives

The City has a number of options available to finance the cost of capital improvements. In this section of the report we will provide a brief overview of these alternatives.

Property Tax Levy

The City can designate a portion of its property tax levy each year toward the acquisition of capital improvements. This is generally referred to as pay-as-you-go financing. The pay-as-you-go method of financing is useful for smaller projects where the cost of the capital improvement has a negligible effect on the property tax rates or user fees or where improvements provide very short-term benefits or whose useful life is short. The use of pay-as-you-go financing allows a jurisdiction to minimize the total acquisition cost of a capital expenditure by using accumulated funds on hand to avoid interest cost on borrowed funds. The pay-as-you-go method delays the improvement until adequate funds are available. This may mean increased costs due to inflation.

User Fees

The Water Charges, Sewer Charges, Storm Water Charges, and Electric Charges provide sources of revenue to finance the projected capital expenditures related to these utilities. The Capital Improvement Plan projects both pay-as-you-go and pay-as-you-use financing (see Debt Financing below) in these utilities.

Municipal State Aid

Municipal State Aid (M.S.A.) is a program by which the cities whose population exceeds 5,000 receive funding from the State for the maintenance and construction of certain designated streets within the city. The source of the funding is the State gasoline tax. The City currently receives an annual construction allotment of approximately \$403,050 annually. In addition, the City has carried over MSA construction allotments. At the beginning of 2005, the City is estimated to have approximately \$444,023 in MSA funds available from previous years.

Other Financing Sources

In addition to the financing sources listed above, the City has the ability to fund various capital improvements with other sources of revenue including grants, contributions and other available City funds. The City does not anticipate any grants or contributions at this time.

Debt Financing

The City can issue debt to finance capital improvements within certain statutory limits. This is generally referred to as pay-as-you-use financing. Pay-as-you-use financing relies on the use of the City's ability to leverage relatively small initial cash outlays to obtain funds from investors to finance a capital project. The investors are repaid over time from revenues charged against beneficiaries of the capital project. The alternatives available to the City for debt financing are listed below.

General Obligation Bonds/Equipment Certificates

A general obligation is as an obligation that pledges the full faith and credit of the City to the payment of principal and interest. The bond owner correctly understands this to mean that all available assets and resources of the City, including the unlimited power to tax, will be used by the issuer to fulfill the contract to pay back the amount of the bond

with the amount of interest agreed upon. The security for a general obligation bond is the pledge of those resources and taxing powers.

Revenue Bonds

A revenue bond pledges to pay the bond owner principal and interest only from a specified source of revenues most often from the facility or enterprise financed by the bond proceeds. The City gives the owner additional assurances in the bond documents that it will operate the facility efficiently and impose the necessary charges for the use of the facility to insure prompt and full payment of the bond and gives the holder rights to enforce those assurances, or "covenants," as they are known. This type of bond is used typically for self-supporting utilities, such as electric utilities, recreational facilities and municipal liquor stores. Revenue bonds typically also carry higher interest rates than general obligations because of the slightly higher risk of repayment. Normally, "net" revenues are pledged, but a gross revenue pledge is permitted by some statutes.

Cities may also issue tax increment revenue bonds payable solely from the tax increment generated by the TIF financing district, or in some instances even issue sales tax revenue bonds.

General Obligation Revenue Bonds

A general obligation revenue bond pledges both the City's full faith and credit and the revenues of the facility or the enterprise financed by the bond proceeds. Presumably, this should result in more favorable interest rates because of the enhanced security, but experience has shown that the bond investor looks primarily to the general obligation pledge in analyzing the underlying credit.

Other common bonds of this type, although not generally known as such, are general obligation improvement bonds and general obligation tax increment bonds that pledge special assessments against benefited property or tax increments from a financing district as security. These bonds are viewed by the investor as straight general obligations since the special assessments and increments are roughly equivalent to property taxes in their imposition and collection. General obligation improvement bonds require that no less than 20% of the project costs must come from special assessments levied against benefiting properties.

Laws Governing Bonds

The issuance of bonds by cities is governed by laws at both the federal level and at the state level in which the issuing City is located. The federal laws apply to all bonds issued regardless of the state in which the City is located. The basic statute governing Minnesota municipal bonds is Minnesota Statutes, Chapter 475. The principal provisions of Chapter 475 are as follows:

Debt Limit

Municipalities, except cities of the first class and school districts, may not incur debt in excess of 2% of the market value of taxable property in the municipality. The limit is 10% in first class cities and school districts. But subtracted from this overall 2% limit are almost all debt obligations for which some other source of revenue is pledged as security. Thus, improvement bonds, tax increment bonds, utility revenue bonds, pure revenue bonds and similar bonds may be issued without regard to the debt limit. The result is that, with only a few exceptions, the only types of obligations subject to the debt limit are general obligation bonds payable solely from ad valorem property taxes. The legal debt limit has nothing to do with the practical debt limit of a municipality, which is the debt burden beyond which the creditworthiness of the municipality is put in question. None of the bonds recommended in this financing plan will count against the City's legal debt limit. North St. Paul's legal debt limit as of January 2005 is \$16,110,990. As of April 27, 2005, the City has \$5,680,000 in outstanding debt that counts against this limit.

Voter Approval

Another general rule in the bond code is that the issuance of bonds must be approved by a majority of voters voting on the question. But as in the case of the debt limit, a number of exceptions limit this rule to a very few bond issues. The exceptions are:

- bonds to pay a judgment
- refunding bonds
- improvement bonds or tax increment bonds where special assessments or tax increments pay at least 20% of the cost of the project financed
- revenue bonds
- bonds issued under a charter provision or statute that permits the issuance without an election (such as G.O. Equipment Certificates)

The effect of those exceptions is that, in almost all cases, only general obligation bonds payable solely from ad valorem property taxes need be approved by the voters. However, in some cases a public hearing is required. None of the proposed bond issues included in our recommendations require voter approval.

If a bond election fails, the same question for the same amount may not be resubmitted to the voters for six months, and if it fails a second time, a one-year delay is required. The statute read literally means that a change of \$1 in the amount would permit an early resubmission, but general practice requires at least a 5% adjustment in amount or a substantive change in the purpose.

4 Capital Project Uses

In generating financing alternatives for the capital improvement plan, the City should review the purpose of each capital improvement project. The funding source for each project should be related to the intended use of the project. Below is the City's CIP, shown by projected uses of each project, as provided by the City Engineer.

EXAMPLE

Capital Improvement Plan		2005	2006	2007	2008	2009	FUTURE
Sewer, water, street reconstruction for Poplar Ave & Swan Ave	Public Works	1,020,000					
Charles Street ROW	Public Works	500,000					
Mill and overlay Northwood, Colby Hills, etc.	Public Works		750,000	750,000	750,000	750,000	
Margaret St from 7th Ave to 13th.	Public Works				500,000		
1st St from 12th Ave to 13th Ave and 12th Ave	Public Works		500,000				
Watermain along frontage road	Public Works			400,000			
Holloway from McKnight to 6th St.	Public Works				300,000		
Sewer repair/replacement	Public Works		500,000	500,000	500,000	500,000	
Defective or under-sized water main replacement	Public Works		500,000	500,000	500,000	500,000	
Total Public Works		1,520,000	2,250,000	2,150,000	2,550,000	1,750,000	
Highway 36 - local share match for construction	Highway		1,200,000		3,000,000		
Total Highway		-	1,200,000	-	3,000,000	-	
Hilltop Court underground electric	Electric		60,000				
Germain St. underground electric	Electric		14,000				
Oakdale electric poles	Electric			60,000			
Betty Jane Ct. underground electric	Electric			25,000			
Skillman Ave, Shryer Ave and Ryan Ct	Electric	75,000			75,000		
Ivy St	Electric					35,000	
Northwood Dr.	Electric					55,000	
Total Electric		75,000	74,000	85,000	75,000	90,000	
Improve storm sewer Casey lake	Park & Rec						50,000
Shoreline restoration @ Silver Lake	Park & Rec						400,000
Resurface tennis court at Casey Lake	Park & Rec						30,000
Netting over concession area @ McKnight Complex	Park & Rec						5,000
Reconstruct fencing and field @ Northwood Park	Park & Rec						30,000
Irrigation of Northwood Park Ball Field	Park & Rec						30,000
New playground equipment @ Northwood Park	Park & Rec						100,000
Resurface tennis court at Hause Park	Park & Rec						10,000
New shelter @ Hause Park and Northwood Park	Park & Rec					80,000	320,000
Reconstruct picnic area @ Silver Lake Park	Park & Rec				20,000		
New tennis courts Silver Lake Park	Park & Rec					32,400	
Resurface 8 Tennis Courts @ McKnight complex	Park & Rec						25,000
Bandshell at Franklyn Pond	Park & Rec						100,000
Repair or replace Paths at Casey Lake Park	Park & Rec		27,600				
Repair or replace Paths at Silver Lake Park	Park & Rec		15,620				
Playground equipment for Silver Lake Park	Park & Rec		100,000				
Irrigation and fencing upgrade at McKnight Complex	Park & Rec						40,000
Parking lot at Casey Park relocation	Park & Rec					81,800	
New shelter building @ Casey Lake Park	Park & Rec			275,000	125,000		
Total Park & Rec		-	143,220	275,000	145,000	194,200	1,140,000
.5MG water tower	Water			1,200,000			
Highway 36	Water/Sewer		2,201,000				
Total Water/Sewer		-	2,201,000	1,200,000	-	-	
TOTAL ANNUAL CIP		1,595,000	5,868,220	3,710,000	5,770,000	2,034,200	
						\$18,977,420	

5 Capital Improvement Financing Plan

Based on the projected purpose of each capital project, Springsted has developed a financing plan for each project that directly identifies a funding source related to the proposed capital improvement. A summary, by department, of proposed capital expenditures and their need is discussed below.

Public Works

- Poplar Ave & Swan Ave 2005
- Mill and overlay Northwood, Colby Hills, etc. 2006-2009
- Margaret Street from 7th Avenue to 13th Avenue 2008
- 1st Street from 12th Ave to 13th Ave and 12th Ave from 1st street to 2nd street 2006
- Watermain along frontage road 2007
- Holloway from McKnight to 6th street 2008
- Replace defective or undersized water mains and miscellaneous sewer projects 2006-2009
- Charles Street right of way 2005

Condition of City Infrastructure and Need for the Project

The City of North St. Paul needs to complete various road, sewer and water improvements throughout the city. The areas requiring the work are Margaret from 7th Avenue to 13th Avenue, Northwood, Colby Hills, several avenues in older section of City, 1st Street from 12th Avenue to 13th Avenue and 12th Avenue from 1st Street to 2nd Street, Holloway from McKnight to 6th Street, Poplar and Swan Avenue, and area along the Frontage Road and crossing for Highway 36 Project. These improvements include street reconstruction/restoration and water main replacement. The streets are in poor condition, water mains are defective, and a sanitary sewer lift station needs to be eliminated to reduce risk of backups in homes.

Demand for the Project

Infrastructure that is in a deteriorating condition, and is left to disrepair, becomes more expensive as time goes on. It is necessary to complete portions of such infrastructure rehabilitation each year. Those areas near the Highway 36 Project are in high demand. The remaining projects are a priority of the City because by completing them, maintenance costs will be reduced.

Estimated Costs of the Improvements

Stormwater	350,000
Street reconstruction	4,950,000
Water	2,620,000
Sewer	<u>2,300,000</u>
Total Public Works	10,220,000

Availability of Public Resources

The balance of the 1998C bonds is available to fund a portion of the Poplar and Swan Avenue projects. The mill and overlay of Northwood, Colby Hills and several avenues in older section of the City have only a small portion of public resources available. The remainder of the projects will require bonding.

Level of Overlapping Debt

The City does not have any other Capital Improvement Bonds outstanding.

Relative Costs and Benefits of Alternative Uses of the Funds

The Poplar and Swan Avenue project will eliminate ongoing lift station costs. The Frontage Road and crossing for Highway 36 Project will promote redevelopment possibilities within the City. The Margaret Street from 7th Avenue to 13th Avenue water main and street restoration will provide a high benefit as part of reconnecting City. The remainder of the projects will provide benefit to area residents by increasing street usability and safety.

Operating Costs of Proposed Improvements

The proposed improvement for the Poplar and Swan Avenue project will help reduce existing operating costs for maintaining existing lift station. The remaining projects will have no effect to their current operational costs.

Options for Shared Facilities with Other Counties or Local Government

The street reconstruction for Holloway from McKnight to 6th Street and water main replacement for McKnight to 5th Street is a joint project with the City of Maplewood of which they will fund half of the cost. The water main and street restoration for Margaret Street from 7th Avenue to 13th Avenue may be considered a part of the Highway 36 Project and thereby be partially funded with MnDOT dollars.

Highway 36 Project**Condition of City Infrastructure and Need for the Project**

The Highway 36 project involves the grade separation of Margaret Street, the construction of a new pedestrian bridge and the grade separation of McKnight Rd. Although Highway 36 is a at state owned highway and McKnight Road is a county street Margaret street and the pedestrian bridge are City owned. Margaret Street is the City's main north-south thoroughfare and connects major features including schools, churches, downtown and Silver Lake. Highway 36 carries 40,000 vehicles per day and causes considerable crossing challenges for both pedestrians and vehicles. In order to provide a safe crossing of the highway it is recommended bridges be built over the highway.

Demand for the Project

Infrastructure that is in a deteriorating condition, and is left to disrepair, becomes more expensive as time goes on. It is necessary to complete portions of such infrastructure rehabilitation each year.

Estimated Costs of the Improvements

\$8,000,000

Availability of Public Resources

The City is currently in the process of trying to obtain Federal funding to reduce the total cost.

Level of Overlapping Debt

The City does not have any other Capital Improvement Bonds outstanding.

Relative Costs and Benefits of Alternative Uses of the Funds

There are no higher priority alternatives for the use of funds designated for these projects.

Operating Costs of Proposed Improvements

The cost for continued maintenance for the Margaret Street Bridge is to be no different than what current costs are. The pedestrian bridge will require additional snow removal but is not expected to require hiring additional staff.

Options for Shared Facilities with Other Counties or Local Government

No options are available for jurisdictional control of these streets.

Electrical Utility

- Hilltop Court underground electric 2006
- Germain street underground electric 2006
- Oakdale electric poles 2007
- Betty Jane Court underground electric 2007
- Skillman Avenue, Shryer Avenue and Ryan Court 2005 & 2008
- Ivy Street underground electric 2009
- Northwood Drive underground electric 2009

Condition of City Infrastructure and Need for the Project

The City of North St. Paul needs to replace aging underground high voltage cable and pad mount transformers that were put in place between 1973 and 1976. They also need to replace many existing poles that are over 50 years old and in need of replacement.

Demand for the Project

The replacement of the underground cable and transformers will eliminate power outages and improve electric system reliability. The replacement of the poles will maintain the electric system and make it less vulnerable to normal wind forces.

Estimated Costs of the Improvements

Cable and transformers	\$339,000
Poles	<u>60,000</u>
Total Electrical Utility	\$399,000

Availability of Public Resources

There are no available public resources which may be used in completion of this project.

Level of Overlapping Debt

The City does not have any other Capital Improvement Bonds outstanding.

Relative Costs and Benefits of Alternative Uses of the Funds

There are no alternative uses of the funds.

Operating Costs of Proposed Improvements

Operational costs will not vary from current costs.

Options for Shared Facilities with Other Counties or Local Government

There are currently no alternatives to share facilities with other government units.

Park and Recreational Facilities

- Casey Park – resurface tennis courts, storm sewer improvements, parking lot relocation and new shelter building
- Northwood Park – fencing, irrigation for ball field, playground equipment and new shelter building
- Hause Park – resurface tennis courts and new shelter building
- Silver Lake Park – reconstruct picnic area, new tennis courts, repair and maintain paths, playground equipment and shoreline restoration
- McKnight complex – resurface tennis courts and irrigation and fencing upgrade
- Franklyn Pond – new bandshell

Condition of City Infrastructure and Need for the Project

The City of North St. Paul needs to improve the conditions of various parks and recreational areas throughout the City. The areas included in these improvements are Casey Lake Park, Silver Lake Park, Hause Park, Northwood Park and Ball Field, McKnight Complex and Franklyn Pond. The improvements include upgrading and/or constructing shelters, band shells or picnic areas, new playground equipment, path repair or replacement, fence and field reconstruction, tennis court construction and/or resurfacing, storm sewer improvement, irrigation and parking lot relocation. The conditions of these areas are anywhere from hazardous, to very poor, as well as non-ADA compliant.

Demand for the Project

The demand for these projects varies on the needs of the surrounding areas. The various areas are used by residents, neighborhoods and the school system. The path repair or replacement at Casey Lake and Silver Lake parks are considered a Park Commission high priority. The resurfacing the McKnight Complex is of high demand due to the fact that the school uses it heavily. There is public support for new playground equipment at Silver Lake Park and for a new shelter and parking lot relocation and reconstruction at Casey Park. The construction of a band shell at Franklyn Pond would assist in promoting City festivals and tourism. The demand is average for Casey Lake storm sewer replacement and Silver Lake's picnic area reconstruction.

Estimated Costs of the Improvements

Casey Lake Park	\$589,400
Hause Park	210,000
Silver Lake Park	668,020
Northwood Park	360,000
Franklyn Pond	100,000
McKnight Complex	70,000
Total Park and Recreational Facilities	\$1,997,420

Availability of Public Resources

A portion of the proceeds from the 1998C Bonds will be used for the Casey Lake storm sewer improvement project. The Franklyn Pond band shell has property available. There is very limited availability for Casey Lake Park's (parking lot relocation and reconstruction, new shelter building, and path repair and replacement), Silver Lake Park's (picnic area reconstruction, new playground equipment and path repair and replacement), and McKnight Complex's irrigation and fencing upgrade. The remaining projects have no available public resources that may be used in completion of the projects.

Level of Overlapping Debt

The City does not have any other Capital Improvement Bonds outstanding.

Relative Costs and Benefits of Alternative Uses of the Funds

The Casey Lake Park parking lot relocation and reconstruction will improve the conditions of the largest city park and the new shelter will increase the parks utilization. At Silver Lake Park, the new playground equipment will create high utilization of the park by the public, the path repair and replacement will prevent accidents, and the new tennis courts will provide availability. Reconstruction of the fencing and field at Northwood Park and Ball Field will improve safety and the irrigation will improve field conditions. The remainder of the projects will provide benefit to the neighborhood residents increasing both safety and usability.

Operating Costs of Proposed Improvements

The irrigation at Northwood Park and Ball Field and McKnight Complex will increase water cost and consumption. All path projects will reduce annual maintenance costs. The remaining projects will have no effect to current operational costs.

Options for Shared Facilities with Other Counties or Local Government

The resurfacing of the eight tennis courts at the McKnight complex could be shared with the school district. The new tennis courts at Silver Lake Park will be within ½ mile of the McKnight complex. There are currently no alternatives to share facilities with other government units for the remaining projects.

Water and Sewer Department

- 500,000 gallon water tower
- Various improvements along Highway 36.

Condition of City Infrastructure and Need for the Project

The City of North St. Paul's water supply is at minimum. New water storage is needed.

Demand for the Project

The City is currently not meeting water storage standards. After the completion of the Highway 36 corridor, there will be an even greater need for water storage.

Estimated Costs of the Improvements

Highway 36 Water and Sewer Improvements	\$2,201,000
Water Tower	<u>\$1,200,000</u>
Total Water Department	\$3,401,000

Availability of Public Resources

There are insufficient public resources which may be used in completion of this project.

Level of Overlapping Debt

The City does not have any other Capital Improvement Bonds outstanding.

Relative Costs and Benefits of Alternative Uses of the Funds

Overhead water storage is more cost effective than at grade.

Operating Costs of Proposed Improvements

There will be significant operating, electric and maintenance costs that the City will fund through water user fees.

Options for Shared Facilities with Other Counties or Local Government

There are currently no alternatives to share facilities with other government units.

Based on the projected purpose of each capital project, Springsted has developed a financing plan for each project that directly identifies a funding source related to the proposed capital improvement. In addition, we have determined the overall impact of the Capital Improvement Plan on taxes and user rates. Our recommended funding sources for each project is shown on the following page.

CAPITAL IMPROVEMENT PLAN		Funding Source									
	General Fund (Cash)	G.O. Street Reconstruction Bonds	State-Aid	G.O. State Aid Road Bonds	GO Improvement Bonds (Assessed portion)	GO Improvement Bonds (Levy portion)	GO Water Revenue Bonds	Storm Water Utility (Cash)	G.O. Sewer Revenue Bonds	Electric Utility (Cash)	TOTALS
2005											
Sewer, water, street reconstruction for Poplar Ave & Swan Ave			500,000		90,000	360,000	220,000	50,000	300,000		1,020,000
Charles Street ROW											500,000
Skillman Ave, Shryer Ave and Ryan Ct										75,000	75,000
Total	-	-	500,000	-	90,000	360,000	220,000	50,000	300,000	75,000	1,595,000
2006											
Mill and overlay Northwood, Colby Hills, etc.					135,000	540,000		75,000			750,000
Highway 36 - ROW			400,000	800,000							1,200,000
Highway 36 - ROW - water and sewer							734,000		1,467,000		2,201,000
1st St from 12th Ave to 13th Ave and 12th Ave					100,000	400,000					500,000
Defective or under-sized water main replacement							500,000		500,000		1,000,000
Hilltop Courty underground electric										60,000	60,000
Germain St. underground electric										14,000	14,000
Repair or replace Paths at Casey Lake Park	27,600										27,600
Repair or replace Paths at Silver Lake Park	15,620										15,620
Playground equipment for Silver Lake Park	100,000										100,000
Total	143,220	-	400,000	800,000	235,000	940,000	1,234,000	75,000	1,967,000	74,000	5,868,220
2007											
Mill and overlay Northwood, Colby Hills, etc.					135,000	540,000		75,000			750,000
Watermain along frontage road							400,000				400,000
Defective or under-sized water main replacement							500,000		500,000		1,000,000
New shelter building @ Casey Lake Park	275,000										275,000
Oakdale electric poles										60,000	60,000
Betty Jane Ct. underground electric										25,000	25,000
.SMG water tower							1,200,000				1,200,000
Total	275,000	-	-	-	135,000	540,000	2,100,000	75,000	500,000	85,000	3,710,000
2008											
Margaret St from 7th Ave to 13th.					100,000	400,000					500,000
Highway 36 - local share match for construction		2,800,000	200,000								3,000,000
Mill and overlay Northwood, Colby Hills, etc.					135,000	540,000		75,000			750,000
Holloway from McKnight to 6th St.					60,000	240,000					300,000
Defective or under-sized water main replacement							500,000		500,000		1,000,000
Skillman Ave, Shryer Ave and Ryan Ct										75,000	75,000
Reconstruct picnic area @ Silver Lake Park	20,000										20,000
New shelter building @ Casey Lake Park	125,000										125,000
Total	145,000	2,800,000	200,000	-	295,000	1,180,000	500,000	75,000	500,000	75,000	5,770,000
2009											
Mill and overlay Northwood, Colby Hills, etc.					135,000	540,000		75,000			750,000
Defective or under-sized water main replacement							500,000		500,000		1,000,000
Ivy St										35,000	35,000
Northwood Dr.										55,000	55,000
New tennis courts @ Silver Lake Park	32,400										32,400
New shelter @ Hause Park and Northwood Park	80,000										80,000
Parking Lot at Casey Park relocation	81,800										81,800
Total	194,200	-	-	-	135,000	540,000	500,000	75,000	500,000	90,000	2,034,200
2005-2009 TOTALS	757,420	2,800,000	1,100,000	800,000	890,000	3,560,000	4,554,000	350,000	3,767,000	399,000	18,977,420

General Fund

Due to the limited resources for park projects, the CIP shows all of the park projects to be paid for with General Fund levy dollars. We have suggested an annual levy for park improvements in order to minimize the impact on the City's tax rate. This levy will be a portion of the City's total levy.

General Obligation Equipment Certificates

General Obligation Equipment Certificates can be issued in accordance with Minnesota Statutes, Section 412.301. Proceeds of the Certificates can be used to finance public safety equipment, ambulance equipment, road construction or maintenance equipment, computer equipment, and other capital equipment so long as the useful life of the equipment is at least as long as the average life of the certificates. The maximum term of General Obligation Equipment Certificates is five years. The Capital Improvement Plan does not include any G.O. Equipment Certificates.

General Obligation Capital Improvement Bonds

Minnesota Statutes, Section 475.521 authorizes cities to issue G.O. Capital Improvement Bonds. Under this statute, a city that establishes a capital improvement program could issue general obligation bonds for capital improvements as defined in the Statutes, without an election. "Capital Improvements" means acquisitions or betterments to public lands, building or other improvements used as a city hall, public safety, or public works facility. The improvement must have a useful life of five years or more to qualify. The Capital Improvement Plan does not include G.O. Capital Improvement Bonds at this time.

General Obligation Street Reconstruction Bonds

The 2002 legislature amended Chapter 475.58 of the state statutes to enable cities to issue General Obligation Street Reconstruction Bonds without the 20% special assessment requirement for General Obligation Improvement Bonds and without a requirement for voter approval through an election. This new legislation includes several requirements that must be met as follows:

- The city must prepare a street reconstruction plan that describes the streets to be reconstructed, the estimated costs, and any planned reconstruction of other streets in the city over the next five years;
- The construction must be confined to the improvement of the current street and cannot include any widening or expansion of the street or other added elements like curb and gutter if they do not currently exist.
- The street reconstruction plan and the issuance of bonds require a unanimous vote of the City Council following publication of a public hearing for which at least ten days notice has been published in the official newspaper;

- There is a reverse referendum provision requiring a vote on the issuance of the bonds when a petition signed by voters representing 5% of votes cast in the last general municipal election is filed within 30 days of the public hearing;
- The bonds issued are subject to the net debt limit of the City which is 2% of Estimated Market Value.
- Taxes levied for the repayment of the debt are exempt from the City's levy limitation.

This legislation enables the City to fund the entire cost of their portion of these projects with General Obligation Street Reconstruction Bonds if it meets the above requirements. The bonds are to be repaid from ad valorem property taxes, special assessments or other revenues sources with the exception of M.S.A. allotments.

The Capital Improvement Plan includes \$2,800,000 in Street Reconstruction bonds to finance a portion of the Highway 36 project.

MSA

The allocation of State Aid monies to urban municipalities is made on the basis of a legislative formula pursuant to Minnesota Statutes 162.07 and 162.13. Under this formula, municipal state aid funds are apportioned to cities based on both money needs and on population. Fifty percent of the monies are allocated according to a needs study which is a report of the estimated construction costs required to improve the state aid system to standards adequate for future traffic. Each municipality's needs apportionment is determined as the prorated share that its needs bear to the total needs of all state aid eligible cities. The remaining fifty percent is allocated to each municipality based on population with each state aid eligible city receiving the prorated share that its population bears to the total population of all state aid eligible cities.

Assuming State appropriations remain at current rates and due to minimal growth in the City, it is reasonable to assume the City's M.S.A. allotment will remain at its 2005 level, \$403,050, throughout the planning period.

The municipal state aid funds received by cities are divided into two allotments, a construction allotment and a maintenance allotment. The maintenance allotment cannot exceed 35 percent of the cities total state aid funds in any year and must be used for the maintenance of the city's municipal state aid street system. The City has historically appropriated its maintenance allotment (approximately \$100,763) to the General Fund for maintenance purposes. Maintenance allotments can also be appropriated to pay the interest due on municipal state aid bonds. The City does not have any state aid bonds outstanding.

The City's current maintenance allotment capacity, based on estimated M.S.A. allotments are shown on the following page.

EXAMPLE

Summary of MSA Capacity

	2005	2006	2007	2008	2009
Total Projected Apportionment*	403,050	403,050	403,050	403,050	403,050
Maintenance Allocation:					
Projected 2006 Bonds Interest			43,540	26,100	23,460
Maintenance Allocation*	100,763	100,763	100,763	100,763	100,763
Projected Maintenance Allotment	100,763	100,763	144,303	126,863	124,223
Construction Allotment	302,287	302,287	258,747	276,187	278,827
Bond Principal Payments:					
Projected 2006 Bond Principal			80,000	80,000	80,000
Projected Bond Principal	-	-	80,000	80,000	80,000
Construction Amount Available For Projects	302,287	302,287	178,747	196,187	198,827
M.S.A. Debt Service Capacity:					
Projected 2006 Bonds D/S	-	-	(123,540)	(106,100)	(103,460)
Total Debt Service	-	-	(123,540)	(106,100)	(103,460)
Construction Allotment	302,287	302,287	258,747	276,187	278,827
Maximum D/S Allowed	151,144	151,144	129,374	138,094	139,414
Current Average D/S	-	-	-	-	-
Average D/S w/2006 Issue	-	-	(123,540)	(106,100)	(103,460)
Remaining Debt Service Capacity	151,144	151,144	5,834	31,994	35,954

Summary 2004 - 2009	MSA	MSA Bonds	Other	Total
Beginning MSA Balance**	444,023	-	-	444,023
MSA Allotment Received	2,015,250	800,000	-	2,815,250
Funds used for Construction	(1,100,000)	(800,000)	-	(1,900,000)
Funds used for Existing D/S	-	-	-	-
Funds used for New D/S	(333,100)	-	-	(333,100)
Funds Used for Maintenance	(503,815)	-	-	(503,815)
Remaining Balance	522,358	-	-	522,358

* Projected to remain constant at 2005 Apportionment.

** From State report. Unencumbered balance as of 12-31-04.

The construction allotment must be used for the construction or the reconstruction of the City's municipal state aid street system to established standards. Cities receive their construction allotment only after a contract has been awarded for the construction of a street on the state-aid system. Cities do not receive any interest on unspent construction allotments.

Construction allotments can also be used to pay the principal due on municipal state aid bonds. A city may issue municipal state aid bonds to finance construction of their state aid system; however, the average annual amount of principal and interest due in any subsequent calendar year on bonds sold by the city including any similar obligations outstanding cannot exceed 50 percent of their last annual construction allotment preceding the bond issue.

The municipal state aid rules allow cities, subject to MN D.O.T. approval, to request advanced funding for municipal state aid eligible projects from any municipal state aid funds available provided that the amount of the advances do not exceed the city's total estimated apportionment for the three years following the advance. However, in light of current state funding issues it is improbable that MN D.O.T. will approve advanced funding in the foreseeable future.

We recommend the City use approximately \$1,900,000 of M.S.A. funds to fund capital improvements during the 5-year planning period. The capital improvement projects to be funded with M.S.A. funds and the projected M.S.A. balance available for addition street projects is shown on the following page.

Projected MSA Capital Improvement Projects

	2005	2006	2007	2008	2009
Anticipated M.S.A. Project Needs:					
Charles Street ROW	(500,000)				
Highway 36 ROW		(1,200,000)	(200,000)		
Total MSA Project Needs	(500,000)	(1,200,000)	(200,000)	-	-
M.S.A. Cash Flow:					
Balance Forward*	444,023	246,310	148,597	127,344	323,531
Advance encumbrance	-	-	-	-	-
Repayment of advance encumbrance	-	-	-	-	-
Current MSA Construction Allotment	302,287	302,287	178,747	196,187	198,827
Total M.S.A. Funds Available	746,310	548,597	327,344	323,531	522,358
Other Funds	-	-	-	-	-
M.S.A. Bond Proceeds	-	800,000	-	-	-
Total Amount of Funds Available	746,310	1,348,597	327,344	323,531	522,358
M.S.A. Fund Used	(500,000)	(1,200,000)	(200,000)	-	-
Excess (Deficiency)	246,310	148,597	127,344	323,531	522,358
Ending M.S.A. Balance	246,310	148,597	127,344	323,531	522,358

*2005 beginning Balance Forward equals unused 2003 & 2004 construction allotments.

	Charles Street ROW	Highway 36 ROW	Totals
MSA Funds Used	500,000	600,000	1,100,000
MSA Bond Proceeds Used	-	800,000	800,000
	500,000	1,400,000	1,900,000

General Obligation Improvement Bonds

General Obligation Bonds must be repaid, at least in part, by special assessments (Minnesota Statutes Chapter 429.01 – 429.31). Special assessments are charges a city levies against benefited real property for local improvements. They provide a comparatively just and equitable means of financing capital improvements while minimizing the demand on the City's property tax levy and statutory debt limitations.

General Obligation Improvement Bonds have historically been used in conjunction with special assessments to fund improvement projects. In the past, the City could issue General Obligation Improvement Bonds without a referendum provided that at least 20% of the City's share of the project costs are paid for with special assessments. In practice, the City would issue bonds to finance their entire share of the project. The bonds would be repaid from special assessments received from benefiting properties and from other available sources including property tax levies. The Capital Improvement Plan includes \$4,450,000 of G.O. Improvement Bonds issued over 15 years, to be repaid with approximately \$890,000 in assessments and the remainder with tax levy dollars.

The repayment of each levy portion of G.O. Improvement Bonds and G.O. Capital Improvement Bonds is projected to be made with tax levy dollars. The projected impact of each of these issues on the City's tax rate is shown on the following page.

Projected Tax Impact of Bonds

	2005	2006	2007	2008	2009	2010
Projected Debt Issued (G.O. Improvement Bonds)	\$ 450,000	\$ 1,175,000	\$ 675,000	\$ 1,475,000	\$ 675,000	\$ -
Projected Debt Issued (G.O. Street Reconstruction Bonds)				\$ 2,800,000		
Projected Debt Issued (G.O. Equipment Certs)						
Projected Term (Yrs)	15	15	15	15	15	NA
Projected Net Tax Levy Due to Debt Service/Cash						
Additional Levy Amounts (Park Projects)	\$ -	\$ 143,220	\$ 275,000	\$ 145,000	\$ 194,000	\$ 199,820
2005 GO Improvement Bonds		34,595	34,595	34,595	34,595	34,595
2006 GO Improvement Bonds			79,950	79,950	79,950	79,950
2007 GO Improvement Bonds				51,975	51,975	51,975
2008 GO Street Reconstruction Bonds				261,500	261,500	261,500
2008 GO Improvement Bonds					113,555	113,555
2009 GO Improvement Bonds						51,975
Projected Net Tax Levy Due to Debt Service	\$ -	\$ 177,815	\$ 389,545	\$ 573,020	\$ 735,575	\$ 793,370
Projected Tax Levy:						
Projected Beginning City Tax Levy-NTC	\$ 1,930,721	\$ 2,079,576	\$ 2,268,787	\$ 2,472,585	\$ 2,694,926	\$ 2,937,240
Assume 9.8% increase due to growth (a)	-	189,211	203,798	222,341	242,313	264,103
Projected Net Tax Levy Due to Debt Service/Cash-NTC	-	177,815	389,545	573,020	735,575	793,370
Projected Tax Levy-NTC	1,930,721	2,446,602	2,862,130	3,267,946	3,672,815	3,994,712
Less Fiscal Disparities Offset	(300,576)	(328,297)	(420,833)	(478,436)	(539,278)	(597,587)
Projected Net Tax Levy-NTC	1,630,145	2,118,305	2,441,297	2,789,510	3,133,537	3,397,125
Projected ending Tax Levy-RMV	473,831	473,831	473,831	473,831	473,831	473,831
Total Projected Levy:	\$ 2,103,976	\$ 2,592,136	\$ 2,915,128	\$ 3,263,341	\$ 3,607,368	\$ 3,870,956
Projected Tax Capacity Rate:						
Projected Beginning Tax Capacity		\$ 7,744,747	\$ 8,286,879	\$ 8,866,961	\$ 9,487,648	\$ 10,151,783
Assume 7.0% increase due to growth (b)		542,132	580,082	620,687	664,135	710,625
Projected ending Tax Capacity	7,744,747	8,286,879	8,866,961	9,487,648	10,151,783	10,862,408
Projected Tax Capacity Extension Rate:	21.05%	25.56%	27.53%	29.40%	30.87%	31.27%
Percentage Increase in Tax Capacity Extension Rate:		4.51%	1.97%	1.87%	1.47%	0.41%
Projected Referendum Market Value Tax Rate:	0.061%	0.061%	0.061%	0.061%	0.061%	0.061%
Projected Property Taxes on a \$200,000 Residential Homestead (City Portion)*	\$ 351	\$ 441	\$ 480	\$ 518	\$ 547	\$ 555
Increase (Decrease) From Previous Year		90	39	37	29	8
Percentage Change From Previous Year		25.74%	8.94%	7.78%	5.66%	1.49%

*Taxes are reduced by the Market Value Homestead Credit

(a) City Levy (NTC & EMV)

annual change

percent change

AVERAGE = 9.8%

	2000	2001	2002	2003	2004	2005
	1,348,036	1,480,143	1,753,004	2,002,871	2,133,058	2,404,552
	75,622	132,107	272,861	249,867	130,187	271,494
	5.9%	9.8%		14.3%	6.5%	12.7%

9.8%

(b) City Net Tax Capacity

annual change

percent change

7,688,741	8,557,206	6,673,483	7,436,582	7,659,679	7,744,747
572,868	868,465	(1,883,723)	763,099	223,097	85,068
8.1%	11.3%		11.4%	3.0%	1.1%

7.0%

Water Utility

The Water Utility Fund is used to account for the operations of providing water service to City residents and businesses. The fund is supported by water user fees.

The City has budgeted \$882,000 in revenues and \$840,073 in expenditures for 2005. The City's cash balance in the Water Utility Fund as of December 31, 2004 was \$898,304.

For projection purposes, we have reviewed historical revenue and expenditure levels to determine a growth rate for future years. On average, revenues have increased 8.4% annually and expenditures have increased 7.8% annually. Our projections include annual increases in revenues and expenditure that match historical growth.

The CIP includes \$4,554,000 of water improvement projects over the planning period. We recommend these projects be funded with G.O. Water Revenue Bonds.

In order to fund operating and capital expenditures, debt service and to maintain adequate reserve levels, the City will need to increase water rates. We have projected a 3.90% increase annually, 2006 through 2010. Revenues with the increase are projected to increase from \$882,000 in 2005 to \$1,594,830 in 2010. Cash in the fund is projected to go from \$898,304 in 2005 to \$732,692 in 2010. This balance is sufficient to cover a three month operating reserve as well as the following years debt service. Our analysis of the Water Utility Fund is shown on the following page.

Water Utility**2004****Cash - 12/31/2004** \$ 898,304

	2005	2006	2007	2008	2009	2010
Cash	\$ 898,304	\$ 940,231	\$ 1,006,707	\$ 1,011,866	\$ 885,242	\$ 787,701

Operating Budget-Exp (a)	\$ (840,073)	(905,849)	(976,775)	(1,053,254)	(1,135,722)	(1,224,647)
Operating Budget-Rev (a)	\$ 882,000	955,657	1,035,466	1,121,939	1,215,634	1,317,154

Proposed Capital Expenditures	(220,000)	(1,234,000)	(2,100,000)	(500,000)	(500,000)	-
Proposed Bond Proceeds	220,000	1,234,000	2,100,000	500,000	500,000	-
Proposed Debt Service	-	(20,603)	(135,873)	(331,762)	(378,477)	(425,192)
Cash	-	-	-	-	-	-
Internal Funds	-	-	-	-	-	-
Surplus/(Deficiency)	41,927	29,205	(77,182)	(263,077)	(298,565)	(332,685)

Proposed Rate Increases	0.00%	3.90%	3.90%	3.90%	3.90%	3.90%
Projected Revenues w/Increase	882,000	992,928	1,117,807	1,258,392	1,416,658	1,594,830

Projected Ending Cash	\$ 940,231	\$ 1,006,707	\$ 1,011,866	\$ 885,242	\$ 787,701	\$ 732,692
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306,162 3 Mo Oper
 425,192 1 Yr DS
 1,338 Excess

(a) Annual Increase Estimate

budget

	1999	2000	2001	2002	2003	2004
Revenues	\$ 728,292	\$ 861,337	\$ 911,949	\$ 837,341	\$ 983,388	\$ 892,000
Expenditures (inc Depr)	\$ 625,068	\$ 627,510	\$ 721,219	\$ 751,472	\$ 840,148	\$ 821,528

	99-00	00-01	01-02	02-03	03-04	Avg.
Annual Change in Revenues	18.3%	5.9%	-8.2%	17.4%	-9.3%	8.4%
Annual Change in Expenditures	0.4%	14.9%	4.2%	11.8%	-2.2%	7.8%

Population	12,801	11,929	11,929	11,923	11,959	11,959
Annual Change		(872)	-	(6)	36	-
		-6.8%	0.0%	-0.1%	0.3%	0.0%

-1.6%

Annual Increase Used:

Revenues	8.4%
Expenditures	7.8%

Storm Water Utility

The Storm Water Fund is used to account for storm water fees designated to maintaining and improving the City's storm water system.

The City has budgeted \$404,800 in revenues and \$385,727 in expenditures for 2005. The City's cash balance in the Storm Water Fund as of December 31, 2004 was \$356,759.

For projection purposes, we reviewed historical revenue and expenditure levels to determine a growth rate for future years. Revenues have increased on average 0.9% from 1999 through 2004. Expenditures have increased, on average, 20.9% annually over the same period. The large increase in expenditures occurred most recently in 2003 and 2004. These large increases in expenditures may be the result of one-time expenditures, thus the average historical growth would not be a good indicator of future growth. Therefore, we have projected a 0.9% annual increase in revenues and an 8.0% annual increase in expenditures.

The CIP includes \$350,000 of storm water improvement projects over the planning period. We recommend these projects be funded with cash in the Storm Water Fund.

In order to fund operating and capital expenditures, debt service and to maintain adequate reserve levels, the City will need to increase storm water rates. We have projected a 7.00% increase annually, 2006 through 2010. Revenues with the increase are projected to increase from \$404,800 in 2005 to \$593,691 in 2010. Cash in the fund is projected to go from \$356,759 in 2005 to \$143,705 in 2010. This balance is sufficient to cover a three month operating reserve as well as the following years debt service. Our analysis of the Storm Water Fund is shown on the following page.

Storm Water Utility

2004
Cash - 12/31/2004 \$ 356,759

2005 2006 2007 2008 2009 2010
Cash \$ 356,759 \$ 325,832 \$ 271,270 \$ 218,170 \$ 166,634 \$ 116,773

Operating Budget-Exp (a)	\$ (385,727)	(416,585)	(449,912)	(485,905)	(524,777)	(566,760)
Operating Budget-Rev (a)	\$ 404,800	408,433	412,099	415,797	419,529	423,294

Proposed Capital Expenditures	(50,000)	(75,000)	(75,000)	(75,000)	(75,000)	-
Proposed Bond Proceeds	-	-	-	-	-	-
Proposed Debt Service	-	-	-	-	-	-
Cash	50,000	75,000	75,000	75,000	75,000	-
Internal Funds	-	-	-	-	-	-
Surplus/(Deficiency)	(30,927)	(83,152)	(112,813)	(145,108)	(180,249)	(143,466)

Proposed Rate Increases 0.00% 7.00% 7.00% 7.00% 7.00% 7.00%
 Projected Revenues w/Increase 404,800 437,023 471,812 509,369 549,916 593,691

Projected Ending Cash \$ 325,832 \$ 271,270 \$ 218,170 \$ 166,634 \$ 116,773 \$ 143,705

141,690 3 Mo Oper
 - 1 Yr DS
 2,015 Excess

(a) Annual Increase Estimate

	1999	2000	2001	2002	2003	2004
Revenues	\$ 387,694	\$ 394,698	\$ 401,033	\$ 407,305	\$ 401,661	\$ 396,000
Expenditures	\$ 132,600	\$ 153,375	\$ 153,620	\$ 154,829	\$ 258,533	\$ 383,552

	99-00	00-01	01-02	02-03	03-04	Avg.
Annual Change in Revenues	1.8%	1.6%	1.6%	-1.4%	-1.4%	0.9%
Annual Change in Expenditures	15.7%	0.2%	0.8%	67.0%	48.4%	20.9%

Population	12,801	11,929	11,929	11,923	11,959	11,959
Annual Change	(872)	-	(6)	36	-	-
	-6.8%	0.0%	-0.1%	0.3%	0.0%	-1.6%

Annual Increase Used:

Revenues 0.9%
 Expenditures 8.0%

Sewer Utility

The Sewer Utility Fund is used to account for the operations of providing sewer service to City residents and businesses. The fund is supported by sewer user fees.

The City has budgeted \$1,191,600 in revenues and \$1,125,851 in expenditures for 2005. The City's cash balance in the Sewer Fund as of December 31, 2005 was \$1,314,363.

For projection purposes, we reviewed historical revenue and expenditure levels to determine a growth rate for future years. On average, revenues have increased 0.7% annually and expenditures have increases 4.5% annually. Our projections include a 3.0% annual increase in revenues and a 4.5% annual increase in expenditures.

The CIP includes \$3,767,000 of sewer improvement projects over the planning period. We recommend these projects be funded with G.O. Sewer Revenue Bonds.

In order to fund operating and capital expenditures, debt service and to maintain adequate reserve levels, the City will need to increase sewer rates. We have projected a 2.00% increase annually, 2006 through 2010. Revenues with the increase are projected to increase from \$1,191,600 in 2005 to \$1,525,167 in 2010. Cash in the fund is projected to go from \$1,314,363 in 2005 to \$705,354 in 2010. This balance is sufficient to cover a three month operating reserve as well as the following years debt service. Our analysis of the Sewer Utility Fund is shown on the following page.

Sewer Utility

2004
Cash - 12/31/2004 \$ 1,314,363

2005 2006 2007 2008 2009 2010
Cash \$ 1,314,363 \$ 1,380,112 \$ 1,426,987 \$ 1,299,827 \$ 1,136,607 \$ 938,155

Operating Budget-Exp (a)	\$ (1,125,851)	(1,176,995)	(1,230,463)	(1,286,359)	(1,344,795)	(1,405,885)
Operating Budget-Rev (a)	\$ 1,191,600	1,227,348	1,264,168	1,302,093	1,341,156	1,381,391

Proposed Capital Expenditures	(300,000)	(1,967,000)	(500,000)	(500,000)	(500,000)	-
Proposed Bond Proceeds	300,000	1,967,000	500,000	500,000	500,000	-
Proposed Debt Service	-	(28,025)	(211,938)	(258,653)	(305,368)	(352,083)
Cash	-	-	-	-	-	-
Internal Funds	-	-	-	-	-	-
Surplus/(Deficiency)	65,749	22,328	(178,232)	(242,919)	(309,006)	(376,577)

Proposed Rate Increases	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Projected Revenues w/Increase	1,191,600	1,251,895	1,315,241	1,381,792	1,451,711	1,525,167

Projected Ending Cash \$ 1,380,112 \$ 1,426,987 \$ 1,299,827 \$ 1,136,607 \$ 938,155 \$ 705,354

351,471 3 Mo Oper
352,083 1 Yr DS
 1,800 Excess

(a) Annual Increase Estimate

	1999	2000	2001	2002	2003	2004
Revenues	\$ 1,171,436	\$ 1,183,291	\$ 1,164,929	\$ 1,163,520	\$ 1,204,881	\$ 1,242,000
Expenditures	\$ 868,290	\$ 810,129	\$ 918,216	\$ 893,532	\$ 1,020,552	\$ 1,206,886

	99-00	00-01	01-02	02-03	03-04	Avg.
Annual Change in Revenues	1.0%	-1.6%	-0.1%	3.6%	3.1%	0.7%
Annual Change in Expenditures	-6.7%	13.3%	-2.7%	14.2%	18.3%	4.5%

Population	12,801	11,929	11,929	11,923	11,959	11,959
Annual Change	(872)	-	(6)	36	-	-
	-6.8%	0.0%	-0.1%	0.3%	0.0%	-1.6%

Annual Increase Used:

Revenues 3.0%
 Expenditures 4.5%

Electric Utility

The Electric Fund is used to account for the operations of providing electricity to City residents and businesses. The fund is supported by electricity rates.

The City has budgeted \$6,431,790 in revenues and \$6,504,485 in expenditures for 2005. The City's cash balance in the Electric Fund as of December 31, 2005 was \$607,813.

For projection purposes, we reviewed historical revenue and expenditure levels to determine a growth rate for future years. On average, revenues have increased 5.9% annually and expenditures have increases 4.9% annually. Our projections include annual increases in revenues and expenditure that match historical growth.

The CIP includes \$399,000 of electric improvement projects over the planning period. We recommend these projects be funded with cash in the Electric Fund.

In order to fund operating and capital expenditures, debt service and to maintain adequate reserve levels, the City will need to increase electric rates. We have projected a 1.00% increase annually, 2006 through 2010. Revenues with the increase are projected to increase from \$6,431,790 in 2005 to \$9,015,006 in 2010. The proposed increase is due, in large part to raise the cash reserve levels held in the Electric Fund. Cash in the fund is projected to go from \$607,813 in 2005 to \$2,064,035 in 2010. This balance is sufficient to cover a three month operating reserve as well as the following years debt service. Our analysis of the Electric Utility Fund is shown on the following page.

Electric Utility

2004
Cash - 12/31/2004 \$ 607,813

2005 2006 2007 2008 2009 2010
Cash \$ 607,813 \$ 460,118 \$ 445,010 \$ 566,359 \$ 862,466 \$ 1,327,187

Operating Budget-Exp (a)	\$ (6,504,485)	(6,822,221)	(7,155,477)	(7,505,013)	(7,871,623)	(8,256,142)
Operating Budget-Rev (a)	\$ 6,431,790	6,812,983	7,216,768	7,644,485	8,097,551	8,577,469

Proposed Capital Expenditures	(75,000)	(74,000)	(85,000)	(75,000)	(90,000)	-
Proposed Bond Proceeds	-	-	-	-	-	-
Proposed Debt Service	-	-	-	-	-	-
Cash	75,000	74,000	85,000	75,000	90,000	-
Internal Funds	-	-	-	-	-	-
Surplus/(Deficiency)	(147,695)	(83,237)	(23,709)	64,472	135,928	321,327

Proposed Rate Increases	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Projected Revenues w/Increase	6,431,790	6,881,113	7,361,826	7,876,121	8,426,344	9,015,006

Projected Ending Cash \$ 460,118 \$ 445,010 \$ 566,359 \$ 862,466 \$ 1,327,187 \$ 2,086,051
 2,064,035 3 Mo Oper
 - 1 Yr DS
 22,016 Excess

(a) Annual Increase Estimate

	1999	2000	2001	2002	2003	2004
Revenues	\$ 5,194,184	\$ 5,647,196	\$ 5,949,144	\$ 6,261,378	\$ 6,536,255	\$ 6,826,000
Expenditures	\$ 5,449,932	\$ 5,582,560	\$ 6,077,700	\$ 6,223,647	\$ 6,586,806	\$ 7,160,868

	99-00	00-01	01-02	02-03	03-04	Avg.
Annual Change in Revenues	8.7%	5.3%	5.2%	4.4%	4.4%	5.9%
Annual Change in Expenditures	2.4%	8.9%	2.4%	5.8%	8.7%	4.9%

Population	12,801	11,929	11,929	11,923	11,959	11,959
Annual Change	(872)	-	(6)	36	-	-
	-6.8%	0.0%	-0.1%	0.3%	0.0%	-1.6%

Annual Increase Used:

Revenues 5.9%
 Expenditures 4.9%

Projected Utility Rate Impacts The impact of the proposed rate increases to an average residential homeowner's monthly bill for the Water Utility Fund, Sewer Utility Fund, Storm Water Fund, and the Electric Fund is projected to be as follows:

Water	2005	2006	2007	2008	2009	2010
Proposed Increase		3.90%	3.90%	3.90%	3.90%	3.90%
Service Charge	\$ 5.15	\$ 5.35	\$ 5.56	\$ 5.78	\$ 6.00	\$ 6.24
6,000 gallons (current = \$1.25/1,000)	<u>7.50</u>	<u>7.79</u>	<u>8.10</u>	<u>8.41</u>	<u>8.74</u>	<u>9.08</u>
Total	\$ 12.65	\$ 13.14	\$ 13.66	\$ 14.19	\$ 14.74	\$ 15.32
Sewer	2005	2006	2007	2008	2009	2010
Proposed Increase		2.00%	2.00%	2.00%	2.00%	2.00%
Service Charge	\$ 17.95	\$ 18.31	\$ 18.68	\$ 19.05	\$ 19.43	\$ 19.82
6,000 gallons (current = \$0.75/1,000)	<u>4.50</u>	<u>4.59</u>	<u>4.68</u>	<u>4.78</u>	<u>4.87</u>	<u>4.97</u>
Total	\$ 22.45	\$ 22.90	\$ 23.36	\$ 23.82	\$ 24.30	\$ 24.79
Storm Water	2005	2006	2007	2008	2009	2010
Proposed Increase		7.00%	7.00%	7.00%	7.00%	7.00%
Service Charge	\$ 5.00	\$ 5.35	\$ 5.72	\$ 6.13	\$ 6.55	\$ 7.01
Total	\$ 5.00	\$ 5.35	\$ 5.72	\$ 6.13	\$ 6.55	\$ 7.01
Electric	2005	2006	2007	2008	2009	2010
Proposed Increase		1.00%	1.00%	1.00%	1.00%	1.00%
Service Charge	\$ 6.50	\$ 6.57	\$ 6.63	\$ 6.70	\$ 6.76	\$ 6.83
703 Kwh (current = \$0.075/Kwh)	<u>52.73</u>	<u>53.25</u>	<u>53.78</u>	<u>54.32</u>	<u>54.87</u>	<u>55.41</u>
Total	\$ 59.23	\$ 59.82	\$ 60.42	\$ 61.02	\$ 61.63	\$ 62.25
TOTAL	\$ 99.33	\$ 101.21	\$ 103.15	\$ 105.16	\$ 107.23	\$ 109.36
% Increase		1.90%	1.92%	1.94%	1.97%	1.99%

6 Conclusions and Recommendations

The Capital Improvement Plan anticipates approximately \$18.977 million of expenditures over the 5-year planning period. Anticipated capital expenditures for the years 2005 through 2009 are as follows:

- 2005: \$1,595,000
- 2006: \$5,868,220
- 2007: \$3,710,000
- 2008: \$5,770,000
- 2009: \$2,034,200
- TOTAL \$18,977,420

The annual intended use of these dollars is summarized as follows:

	Public Works	Hwy 36	Park & Rec	Water	Sewer	Storm Water	Electric	TOTALS
2005	950,000			220,000	300,000	50,000	75,000	1,595,000
2006	1,175,000	1,200,000	143,220	1,234,000	1,967,000	75,000	74,000	5,868,220
2007	675,000		275,000	2,100,000	500,000	75,000	85,000	3,710,000
2008	1,475,000	3,000,000	145,000	500,000	500,000	75,000	75,000	5,770,000
2009	675,000		194,200	500,000	500,000	75,000	90,000	2,034,200
	4,950,000	4,200,000	757,420	4,554,000	3,767,000	350,000	399,000	18,977,420

The funding source for each project should be related to the intended use of the project. We recommend the following funding sources over the planning period:

- General Fund \$757,420
- G.O. Street Reconstruction Bonds 2,800,000
- G.O. Improvement Bonds/Assessments 4,450,000
- State Aid 1,100,000
- G.O. State Aid Road Bonds 800,000
- G.O. Water Revenue Bonds 4,554,000
- G.O. Sewer Revenue Bonds 3,767,000
- Storm Water Fund 350,000
- Electric Fund 399,000
- TOTAL \$18,977,420

As the planning period progresses and the City selects specific projects to be completed, certain types of bond issues recommended in this report may be combined, providing a more efficient financing option.

The projected annual impact of our recommended funding sources on property taxes and user fees in 2006-2010 is as follows:

		2005	2006	2007	2008	2009	2010
Tax Increase	\$ -	\$ 90.28	\$ 39.41	\$ 37.38	\$ 29.31	\$ 8.15	
Water Rate Inc	-	5.92	6.15	6.39	6.64	6.90	
Sewer Rate Inc	-	5.39	5.50	5.61	5.72	5.83	
Storm Water Rate Inc	-	4.20	4.49	4.81	5.15	5.51	
Electric Rate Inc	-	7.11	7.18	7.25	7.32	7.40	
TOTAL	\$ -	\$ 112.89	\$ 62.73	\$ 61.43	\$ 54.13	\$ 33.78	

The tax impacts are based on a residential homestead with an assessed market value of \$200,000. The water, sewer and storm water rate impacts are annualized based on an average monthly residential user, assumed to be 6,000 gallons for water and sewer users and 703Kwh per month for electric users (average electric use was provided by the City). The annual impact of the CIP on a typical resident are projected to reach a maximum of \$112.89 in 2006, after which they will decline each year until all of the project bonds have been repaid in 2025.

It is important to point out that while the City has developed a Capital Improvement Plan, the plan represents a conceptual perspective of the City's capital improvement needs over the next 5 years and as such is a planning tool. The presence of any particular capital expenditure and the designation of an anticipated funding source or sources does not authorize the acquisition of the asset. The actual acquisition must be specifically authorized by the City Council.

The conclusions and recommendations resulting from this study are based on information provided to Springsted Incorporated. The City will need to periodically review and update the Capital Improvement Plan to reflect the actual cost of the anticipated capital improvements and to incorporate any changes in the capital improvements and/or their anticipated costs.



Real People. Real Solutions.

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Bolton-Menk.com

August 24, 2017

City of Cologne
Attn: Jesse Dickson
1211 Village Parkway
PO Box 120
Cologne, MN 55322

RE: Village at Cologne North
Letter of Credit Reduction Request No 1

Dear Mr. Dickson:

We have reviewed the Letter of Credit reduction requested by M-I Homes in their letter dated August 22, 2017, together with the estimated amount of work remaining on the project as of this writing. We offer the following comments for your consideration.

- 1) Village at Cologne North 1st Addition: The requested reduction of the Letter of Credit to the amount of \$402,785.45, appears to be acceptable from an engineering perspective.
- 2) Village at Cologne North 2nd Addition: The requested reduction of the Letter of Credit to the amount of \$169,408.25, appears to be acceptable from an engineering perspective.
- 3) Village at Cologne North Site Grading: Considering the overall site restoration is approximately 50% established, and the perimeter site erosion control devices have approximately 30% of their required use remaining, we recommend the Site Grading Letter of Credit be reduced to the amount of \$16,500.

We are available to discuss this matter at your convenience.

Respectfully Submitted,
Bolton & Menk, Inc.

John K. Swanson

cc: Kreg Schmidt, P.E.
Jake Saulsbury, P.E.
Larry Harris, City Atty
John Rask, M-I Homes

MEMORANDUM

TO: Mayor Matt Lein & City Council Members
FROM: Jesse Dickson, City Administrator
SUBJECT: City-owned shed by Fritz Field
DATE: 9/1/2017

Background:

A local business owner is looking to purchase the City shed by Fritz Field for the purpose of redevelopment. With the new Water Treatment Facility, the City will have expanded storage room. The City-owned shed is fairly run-down, but still serves to store trucks and equipment as well as Fire Department equipment, including the La France.

It is the opinion of Staff that the City can operate without this shed given the new storage capacity of the Water Plant. However, the City must find a spot for the Fire Department equipment as the La France is an antique that needs to have a good storage spot.

Any possible redevelopment of the corner will require rezoning of the lot from Institutional to whatever use the buyer would want. This would need to go through the Planning Commission via public hearing.

Before the sale of property can be considered, the City should receive an appraisal for the lot. Staff recommends making any sale conditional on the shed being torn down, so the appraisal should specifically be for the empty lot and therefore be minimal.

Action Requested:

Approve Staff to seek an appraisal for the lot by Fritz Field.