## Memo

**To:** Roseville Finance Commission

From: Chris Miller, Finance Director

**Date:** August 11, 2015

**Re:** Item #7: Review Discussion Items for the Joint Meeting with the City Council

## **Background**

At their April 20, 2015 City Council meeting, the Council discussed the Finance Commission's role in the upcoming 2016 Budget process. The discussion took place in the context of adopting a budget calendar that lays out various steps and milestone events in the process.

The Council expressed a desire for the Commission to participate in the following manner:

Date	Meeting Venue	Purpose / Comments
May 27th	Council	Observe/attend Departmental Budget Overview Presentations
June 1st	Council	Observe/attend Departmental Budget Overview Presentations
June 15 <sup>th</sup>	Council	Observe/attend Discussion on City Council Goals & Priorities
July 13th	Council	Observe/attend presentation of the City Manager Recommended Budget
July 14th	Commission	Receive a presentation of the City Manager Recommended Budget
August 10th	Council	Observe/attend Preliminary Budget Hearing
August 11 <sup>th</sup>	Commission	Conduct a Preliminary Budget Hearing
August 17th	Both	Joint meeting between the Council/Commission to Review CIP Funding Strategies
September 14th	Council	Observe/attend the Adoption of the Preliminary Tax Levy & Budget
October 19th	Council	Observe/attend Continued Discussion on the Budget/Review Water & Sewer Rates
November 30 <sup>th</sup>	Council	Observe/attend Final Budget Hearing
December 7 <sup>th</sup>	Council	Observe/attend Adoption of the Final Tax Levy, Budget, and Water & Sewer Rates

In setting these budget calendar dates, the Council was particularly interested in having the Commission take a lead/active role on the <u>July 14<sup>th</sup></u>, <u>August 11<sup>th</sup></u>, and <u>August 17<sup>th</sup></u> meeting dates. On August 17<sup>th</sup>, the Commission will be asked to participate in a joint meeting with the City Council to review the Commission's activities during the past year, to receive any Commission guidance or recommendations, and to discuss the Commission's Work Plan for the next 12 months.

The attached file contains the draft RCA including supporting attachments for the 8/17/15 Council meeting. The documents include a summary of the Commission's activities during the past year.

#### Staff Recommendation

Not applicable.

## **Roseville Finance Commission** Agenda Item

**Requested Commission Action**Review the draft RCA with attachments for the 8/17/15 Council meeting.

Prepared by:

Attachments:

Chris Miller, Finance Director
A: Draft RCA with Attachments for the 8/17/15 Council Meeting

# RESEVILLE REQUEST FOR COUNCIL ACTION

	Date: Item No.:	08/17/15
Department Approval	City Manage	er Approval
Department Approval  Chyl & mlh		
Item Description: Joint Meeting with the Finance Commission	n	
Background Earlier this year, the City established a joint meeting between the to review the Commission's activities during the past year, to recommendations, and to discuss the Commission's Work Plan Vice-Chair of the Finance Commission are Robin Schroder and In determining where to focus its efforts, the Commission began their duties and responsibilities as outlined in City Code Chapter prescribed duties were quite broad and diverse and included budgeting and financial planning, developing funding strategies including those associated with enterprise funds.  With this in mind, the Finance Commission performed the follow  Discussed alternative budget and financial reporting forms  Assessed the value in establishing a peer group(s) for finate Considered the merits of improved citizen engagement in Reviewed the 2014 Community Survey  Reviewed City financial policies & recommended revised Evaluated the 20-Year Capital Improvement Plan (CIP) strategy and financial review of the Golf Course and OVA Reviewed the 2016 City Manager Recommended Budget  There were a number of other discussions throughout the year, further consideration at a later date.  In recent months, the Commission has been focusing on financia of offering the Council some guidance on future decision may be a considered to the council some guidance on future decision may be a considered to the council some guidance on future decision may be a considered to the council some guidance on future decision may be a considered to the council some guidance on future decision may be a considered to the council some guidance on future decision may be a considered to the council some guidance on future decision may be a considered to the council some guidance on future decision may be a considered to the council some guidance on future decision may be a considered to the council some guidance on future decision may be a considered to the council some guidance on future decision may be a considered to the council some guidance on future decision may be a consid	receive any Commistor the next 12 monustin Rohloff respective its work over a year 207. The Council of reviewing policies, and recommending activities during ats meial or operational of the budget process.  Cash Reserve Policies recommended a AL.  Including several the policies and the Cl	ission guidance or oths. The Chair & tively.  ago by reviewing may recall that the es associated with ag budgetary goals the past year:  comparisons  y long-term funding  nat were tabled for the purposes

35 36	Commission members will be in attendance to address these recommendations.
37 38	The Finance Commission also has a number of potential Work Plan items that are tentatively scheduled for discussion in the coming months. They include, but are not limited to:
39	for discussion in the conning months. They metade, but are not infined to.
40	☐ Review utility rates and rate structure
41	Consider alternative budget or financial reporting formats
42 43	Developing a peer group(s) for financial or operational comparisons
44	The Commission is open to any other work direction the Council may want to suggest.
45	POLICY OBJECTIVE
46	Not applicable.
47	FINANCIAL IMPACTS
48	Not applicable.
49	STAFF RECOMMENDATION
50	Not applicable.
51	REQUESTED COUNCIL ACTION
51 52	For information purposes only. No formal Council action is required.
53	To information purposes only. To formal Council action is required.
54	
	Prepared by: Chris Miller, Finance Director
	Attachments: A: Finance Commission Recommended Financial Policies
	B: Finance Commission Recommended CIP Funding Strategies

## **Debt Policy**

## <u>Purpose</u>

- ❖ To define the role of debt in the City's total financial strategy so as to avoid using debt in a manner that weakens the City's overall financial condition.
- ❖ To establish limits on the amount of City debt which will allow for manageable debt service costs.
- ❖ To maintain the best possible Moody's and Standard and Poor's credit rating

## **Policy**

- ❖ The City will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues. The City shall not use debt for the purchase of vehicles and other rolling stock
- ❖ When the City finances capital projects by issuing bonds, it will pay back the bonds within a period not to exceed the expected useful life of the project
- ❖ The City will try to keep the average maturity of general obligation bonds at or below ten years
- As published in the Annual Budget document, the City will strive to keep the direct debt per capita and direct debt as a percent of estimated market value at or below the median set out by the credit rating agencies
- ❖ Total general obligation debt shall not exceed two percent of the market value of taxable property as required by State law
- ❖ The City shall not use debt for current operations
- ❖ The City will maintain good communications about its financial condition with credit rating agencies
- ❖ The City will follow a policy of full disclosure on every financial report and bond prospectus
- \* Refinancing or bond refunding will only be undertaken when there is significant economic advantage to the City, and when it does not conflict with other fiscal or credit policies
- ❖ The maintenance of the best possible credit rating shall be a major factor in all financial decisions. For the purposes of issuing debt, bond rating categories shall be used as a means of assessing the City's financial condition.

## <u>Implementation</u>

The debt management section of this approved Budget and Capital Improvement Program demonstrate compliance toward achieving the city's debt policy.

## **Operating Budget Policy**

## <u>Purpose</u>

The purpose of the City's Operating Budget Policy is to ensure that the City's annual operating expenditures are based on a stable stream of revenues. The policies are designed to encourage a long-term perspective to avoid pursuing short-term benefits at the expense of future impacts. The intent of this policy is to enable a sustainable level of services, expenditures, and property tax levies, and other revenue sources including fee revenue.

#### Scope

This policy applies most critically to those programs funded through the property tax, as fluctuations in this revenue source can have substantial impacts.

## **Policy**

- The City will pay for all current expenditures with current revenues. The City will avoid budgetary procedures that balance current expenditures at the expense of meeting future years' expenses. Specifically, accruing future year's revenues shall be prohibited. Practices to be avoided include postponing expenditures, rolling over short-term debt, and drawing down reserves beyond targeted levels using reserves to balance the operating budget.
- \* The operating budget will provide for adequate maintenance and periodic replacement of capital plant and equipment, and for their orderly replacement.
- ❖ A proportionate share of the administrative and general government costs incurred by the general operating fund of the City shall be borne by all funds as is practicable. Such administrative charges shall be predetermined and budgeted annually
- ❖ New programs or proposals shall be reviewed in detail by City staff and both a policy and fiscal analysis shall be prepared prior to budgetary inclusion, and provided to the City Council for review
- ❖ A request for a program or service expansion or reduction must be supported by an analysis of public policy implications of the change
- ❖ A request for new personnel must be supported by an analysis demonstrating the need for the position based on workload measures, comparative staffing levels, and City and department priorities
- ❖ A request for purchase of new (additional) capital equipment must be supported by an analysis demonstrating that the value of the benefits of the equipment is greater than the cost of the equipment over its expected life
- ❖ As specified under City Code section 103.05 all general purchases and/or contracts in excess of \$5.000 must be separately approved by the Council

In recognition of industry-recommended budgeting practices, the City has established the following budget controls:

- ❖ The City will maintain a budgetary control system to ensure adherence to the budget
- ❖ The Finance Department will prepare regular reports comparing actual expenditures to budgeted amounts as part of the budgetary control system. These reports shall be distributed to the City Council on a periodic basis.
- ❖ Department heads shall be primarily responsible for maintaining expenditures within approved budget guidelines that are consistent with approved financial policies

## Implementation

The budget as approved meets the above criteria and as a result, the above policies are considered to be implemented

## **Revenue Policy**

## **Purpose**

- ❖ To provide a diversified and strong set of revenues to ensure a stable revenue system for City programs and services
- ❖ To match revenues with similar uses to ensure adequate funding for the various City services and programs over the long-term

## <u>Policy</u>

- ❖ The City will try to maintain a diversified and stable revenue system and to shelter it from short run fluctuations in any one revenue source
- ❖ Absent any outside legal restrictions, all Federal, State, County, or other governmental financial aids, should be formally designated, by resolution, towards a specific program or service. General purpose aids shall only be used for capital or non-recurring expenditures and not for on-going operations.
- ❖ Each year the City will recalculate the full costs of activities supported by user fees, to identify the impact of inflation and other cost <u>changes</u> increases, and will set those fees as appropriate. Fees will be established and adopted annually on the Fee Schedule.
- The City will set fees and user charges for each enterprise fund, such as water and sewer, at a level that fully supports the total direct and indirect cost of the activity. Indirect costs include the <u>estimated replacement</u> cost of annual straight life depreciation of capital assets and each fund's share of the administrative and general government costs incurred by the general operating fund
- ❖ Absent public policy reasons to the contrary, the City will set fees and user charges for non-enterprise funds, at a level that fully supports the total direct and indirect cost of the activity. Indirect costs include the cost of annual straight life depreciation of capital assets

<u>Implementation</u>

The Budget accurately allocates the revenues and expenditures of City programs and services.

## **Accounting & Auditing Policy**

## **Purpose**

To ensure accurate and consistent accounting practices that conform to generally accepted accounting principles to ensure public confidence in and ensure the integrity of the City's financial system.

## Policy

- ❖ The City will establish and maintain a high standard of accounting practices.
- ❖ The Accounting system will maintain records on a basis consistent with accepted standards for local government accounting as established by State law and GAAFR.
- \* Regular monthly and annual financial reports will present a summary of financial activity by major types of funds.
- ❖ <u>As needed</u> Where possible, the reporting system will also provide monthly information on the total cost of specific services by type of expenditure and, if necessary, by fund.
- ❖ An Independent public accounting firm shall be engaged to perform an annual audit of all accounts, funds, and activities, and will publicly issue a financial opinion.
- ❖ Independent accounting firms shall be engaged for a period of not more than three years, selected through an open request for proposal process, and shall not be allowed to renew the City's account for up to more than three additional years.

#### Implementation

The City has earned the GFOA Excellence in Financial Reporting award each year since 1979.

## **Investment Policy**

## **Purpose**

The purpose of the Investment Policy is to ensure the most efficient use of the City's idle funds, and to ensure the best return on these funds while making only those investments allowed by law.

## **Policy**

- ❖ The City will make a cash flow analysis of all funds on a regular basis. Disbursement, collection, and deposit of all funds will be scheduled to ensure maximum cash availability.
- ❖ When permitted by law, the City will pool cash from several different funds for investment purposes.
- ❖ The City will invest 99 percent of its idle cash on a continual basis.
- ❖ The City will obtain the best possible return on all cash investments. Such investments will only be those legally permissible under Minnesota law.
- ❖ The accounting system will provide regular information concerning cash position and investment performance.
- ❖ The City will make arrangements for banking services on a contractual basis for a specified period of three years, with specified fees for each service rendered.
- ❖ The City includes interest earnings and investment summaries as part of the Comprehensive Annual Financial Report (CAFR).

### **Implementation**

See Investment and Portfolio procedures.

## **Investment and Portfolio Procedures**

#### Scope

These investment and portfolio procedures apply to the activities of the City with regard to investing the financial assets of all funds, including the following:

- ❖ General Fund
- Special Revenue Funds
- Capital Project Funds
- Debt Service Funds
- ❖ Special Service Funds
- ❖ Internal Service Funds
- Trust and Agency Funds

## **Objectives**

Funds of the City will be invested in accordance with Minnesota Statutes, Council-approved fiscal policies and these administrative procedures. The City's investment portfolio shall be managed in a manner to attain a market rate of return throughout budgetary and economic cycles while preserving and protecting capital in the overall portfolio.

The market rate of return shall be to the same rate as the target portfolio. Investments shall be made based on statutory and policy constraints. Funds held for future capital projects (i.e. bond proceeds) shall be invested to produce enough income to offset increases in construction costs due to inflation. Where possible, prepayment funds for long-term debt service shall be invested to ensure a rate of return at least equal to the interest being paid on the bonds.

## Delegation of Authority

The Finance Director is designated as investment officer of the City and is responsible for investment decisions and activities, under the direction of the City Manager.

#### Prudence

The standard of prudence to be applied by the investment officer shall be the "prudent investor" rule. This rule states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The prudent investor rule shall be applied in the context of managing the overall portfolio.

The investment officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments.

#### Monitoring and Adjusting the Portfolio

The investment officer will routinely monitor the contents of the portfolio, the available markets and the relative values of competing instruments and will adjust the portfolio accordingly.

#### **Internal Controls**

The Finance Director shall establish a system of internal controls, which shall be reviewed annually by an independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes, or imprudent actions. Investments shall be done on a pooled funds basis with interest allocated on a cash balance method. Those internal controls shall consist of competitive bids on investments, and division of duties among the staff including:

- ❖ Investments made by the investment officer
- \* Records maintenance by a finance staff member other than the investment officer
- \* Review and reconciliation by the assistant finance director

## Portfolio Management

Under the Council-adopted Fiscal Policies, it shall be the City's procedure to restrict investments to only Repurchase Agreements with national or state chartered banks, U.S. Treasury and U.S. Government Agencies, Guaranteed Investment Contracts, and Bankers Acceptances. All investments shall carry a minimum credit rating of 'AA'. An exception to these restrictions is permitted with regard to the investment of proceeds received from the 2011 and 2012 bonds due to extenuating economic circumstances and their effect on financial institutions. Repurchase Agreements associated with the bonds can be placed with any bank, bank holding company, savings and loan association, trust company or other financial institution including the trustee or any of its affiliates. The financial institution shall carry a credit rating of 'A' or better, and is required to pledge collateral from national or state chartered banks.

The procedures shall consist of yield curve analysis and implemented with the appropriate purchase of the above investments.

Maturity scheduling shall be within those investments and in a manner that will maximize yield and liquidity and minimize interest rate risk.

## Competitive Selection of Investment Instruments

Before the City invests any surplus funds, a competitive "bid" process shall be conducted. If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, bids will be requested for instruments that meet the maturity requirement. If no specific maturity is required, a market trend (yield curve) analysis will be conducted to determine which maturities would be most advantageous. Bids will be requested from financial institutions for various options with regards to term and instrument. The City will accept the bid that provides the highest rate of return within the maturity required and within the parameters of these procedures.

Bids for purchases through the treasury auctions are not required.

Records will be kept of the bids offered, the bids accepted and a brief explanation of the decision that was made regarding the investment.

#### Settlement

All settlements of investments shall be on a "Delivery vs. Payment" (DVP) basis. Physical delivery shall be avoided if at all possible, with book entry being the preferred method of safekeeping.

## Safekeeping and Collateralization

All investment securities purchased by the City shall be held in third-party safekeeping by an institution designated as primary agent. The primary agent shall issue a safekeeping receipt to the City listing the specific instrument, rate, maturity and other pertinent information.

#### Reporting Requirements

The investment officer shall generate daily and monthly reports for management purposes. The annual investment report shall be completed on a time weighted basis and shall be included as

part of the Comprehensive Annual Financial Report to the City Council. The target portfolio shall be the U.S. Government Bond Yield Index for the comparable period.

## Capital Improvement Policy

## <u>Purpose</u>

The purpose of the City's Capital Improvement Policy is to ensure that capital expenditures are well planned and enable the city to replace capital items when needed, without requiring significant fluctuations in the property tax levy.

#### Scope

All departments and City funds are included in the 20-Year Capital Improvement Program (CIP). The CIP identifies the timing and financing of all capital items.

## **Policy**

- \* All capital improvements shall be made in accordance with an adopted Capital Improvement Program
- \* The City will develop a 20-year Plan for capital improvements and update it no less than bi-annually
- ❖ The City will coordinate development of the capital improvement budget with development of the operating budget. Future operational costs associated with new capital improvements will be projected and included in operating budget forecasts
- \* The City will provide ongoing preventative maintenance and upkeep on all its assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs
- \* The City will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted to Council for approval
- ❖ The City will determine the least costly financing method for all new projects
- ❖ For future development or redevelopment proposals that require public infrastructure and/or public financing assistance and/or City support services; a fiscal analysis shall be prepared identifying the project sources and uses. The analysis should also demonstrate the costs and benefits of the project. The cost of this analysis shall be borne by the developer.

#### **Implementation**

The Capital Improvement Program has been updated to reflect capital expenditures through the next 20 years.

## Capital Replacement Policy

## **Purpose**

The Roseville City Council has set in place a stable funding mechanism for much of the city's infrastructure. The intent of the Council in having Replacement Policies is to provide for easing the burden on both present and future taxpayers and to assure the replacement of the city's infrastructure in a manner that is both fiscally and operationally prudent.

The primary purpose of this policy is to have specific resources set aside on a periodic basis, to create funding for the major equipment and infrastructure needs of the community, without encountering major tax increases for maintenance and replacement.

It is not the intent of the City Council to fund major new facilities, which have not had the original funding established either through tax increment, general taxes or other such sources. The replacement funds are expected to be only for replacement purposes. (See the Implementation section below)

#### **Policy**

- The City will establish departmental Vehicle Replacement Funds. The City will appropriate monies to them annually to provide for timely replacement of vehicles. The amount will be maintained at an amount equal to the accumulated depreciation including annual fund interest earnings to provide for vehicle replacement
- \* The City will establish a General Plant Replacement Fund to provide for non-vehicular equipment replacement; i.e., mowers, tools, etc. Funding should equal the amount of accumulated depreciation recorded on all general governmental equipment including annual fund interest earnings
- \* The City will establish a Building Replacement Fund, and will appropriate funds to it annually to provide for timely maintenance of all buildings and plants supported by general governmental funding. Maintenance includes major items such as roof repair and HVAC replacement.
- The City shall establish a Street Infrastructure Replacement Fund to provide for the general replacement of streets and related infrastructure throughout the community. The funding should equal the amount of accumulated depreciation recorded on all general governmental streets and related structures including annual fund interest earnings. The annual MSA capital allocation, will be included as part of the source of funds for computing the adequacy of this fund. This Fund has been formally categorized by the Council as a permanent fund, whereby only the interest proceeds are used each year for the stated purpose. The original principal amount remains intact
- \* The City shall establish a Park Improvement Fund to provide for the general replacement of parks and related infrastructure throughout the community. The funding

should equal the amount of accumulated depreciation recorded on all park system assets.

- \* Within each enterprise fund, the City shall establish a funding mechanism to provide for the general replacement of related infrastructure throughout the community. The funding should equal the amount of accumulated depreciation recorded on all enterprise fund system assets.
- \* From time to time the City Council-shall establish additional replacement funds as the need and funding ability becomes available
- \* The City should periodically review and follow industry-recommended replacement schedules for all City capital assets.

## **Implementation**

The City shall use replacement funds to assist in the replacement of equipment, vehicles, and building maintenance. New equipment or buildings are to be funded from new dollars, unless they are designated to replace currently depreciated assets. Funds from the replacement funds may be used up to the amount available from depreciation of the replaced asset. Any additional funding shall be from new sources.

## Capital Investment Policy (New)

The purpose of the City's Capital Investment Policy is to ensure future capital improvements, maintenance, and replacements are made when needed, in a manner which is both fiscally and operationally prudent. The goal of this policy is to provide a stable funding mechanism for the City's infrastructure by setting aside specific resources on a periodic basis. This will ease the burden on present and future taxpayers, without significant fluctuations in annual property tax levies.

It is not the intent of the City Council to fund major new facilities, which have not had the original funding established either through tax increment, general taxes, bonding or other such sources. The replacement funds and corresponding fund interest earnings are expected to be only for replacement purposes.

## Scope

All departments and City funds are included in the 20-Year Capital Improvement Plan (CIP). The CIP identifies the timing and financing of all capital items.

## **Policy**

- ❖ The City will develop a 20-year Plan for capital investments and update it no less than biannually.
- ❖ All call capital investments shall be made in accordance with an adopted Capital Improvement Plan
- ❖ All capital investments shall be made in accordance with an adopted Capital Improvement Plan.
- ❖ The City will coordinate development of the capital improvement budget with development of the operating budget. Future operational costs associated with new capital improvements will be projected and included in operating budget forecasts.
- The City will provide ongoing preventative maintenance and upkeep on all its assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs. The City should periodically review and follow industry-recommended replacement schedules for all City capital assets.
- ❖ The City will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted to Council for approval.
- ❖ The City will determine the least costly financing and acquisition method for all new projects.
- ❖ For future development or redevelopment proposals that require public infrastructure and/or public financing assistance and/or City support services, a fiscal analysis shall be prepared identifying the project sources and uses. The analysis should also demonstrate the costs and benefits of the project. The cost of this analysis shall be borne by the developer.

- ❖ The City will establish departmental Vehicle and Equipment Replacement Funds. The City will appropriate monies to them annually to provide for timely replacement of vehicles and equipment. The amount will be maintained at an amount equal to the proportion of useful life expired multiplied by estimated replacement cost.
- ❖ The City will establish a Building Capital Maintenance Fund, and will appropriate funds to it annually to provide for timely maintenance of all buildings supported by general governmental funding. Only maintenance which meets the capitalization threshold shall be paid for out of this fund. Maintenance includes major items such as roof repair and HVAC replacement.
- ❖ The City shall establish a Street Infrastructure Replacement Fund to provide for the general replacement of streets and related infrastructure throughout the community. The annual MSA capital allocation, will be included as a part of the source of funds for computing the adequacy of this fund. This fund has been formally categorized by the Council as a permanent fund, whereby the interest proceeds are only used for the stated purpose. The cash reserve amount should remain between \$8-12 million.
- ❖ The City shall establish a Park Capital Maintenance Fund to provide for the general replacement of parks and related infrastructure throughout the community. The funding should equal the proportion of useful life expired multiplied by estimated replacement cost for all park system assets.
- ❖ Within each enterprise fund, the City shall establish a funding mechanism to provide for the general replacement of related infrastructure throughout the community. The funding should equal the amount of accumulated depreciation recorded on all enterprise fund system assets.
- ❖ From time to time the City Council shall establish additional replacement funds as the need becomes apparent.
- ❖ The Finance Commission will annually oversee and report to the City Council a review and analysis of planned capital investments and related reserve balances. The purpose of such analysis will be to gauge the health and sustainability of City reserves related to capital investments for the short (1-3 year), medium (4-9 years), and long term (10+ years). It will also take into account related borrowing and repayment costs.

#### Definitions

Capital assets – Assets which cost \$5,000 or more and have a useful life of two or more years.

Capital Improvement Plan – A comprehensive 20 year outlook itemizing all capital assets and their replacement funding requirements. The plan will take into account useful asset lives and salvage values.

Replacement Cost—In today's dollars, the cost to replace the asset. If it is expected the retired asset will have a salvage value, the estimated salvage value should be deducted from the expected replacement cost.

Asset Life – The number of years which is the asset is in use, also known as the useful life of a capital asset.

Bonding – The amount of debt incurred to obtain capital assets.

Capital Asset Maintenance – Expenditures which protect the City's investment in capital assets and provide for ongoing upkeep.

Equipment – A tangible capital asset which does not qualify as a vehicle, building, street, or park asset. Examples are mowers, tools, etc.

MSA Capital Allocation – Municipal State Aid is money the City receives from the State to help pay for maintenance of MSA-designated streets. MSA streets are collector or arterial streets that interconnect to other cities or major thoroughfares.

Enterprise Fund - A separate accounting and financial reporting mechanism for municipal services for which is 100% fee supported. Examples are Water, Sewer, and Golf Course.

General Governmental Fund - A separate accounting and financial reporting mechanism for spending in which a property tax is generally levied. Examples are police, fire, streets, parks and recreation.

Enterprise Fund System Asset – Assets which support enterprise services such as water, sewer, and golf course.

Park System Asset – All assets within city parks excluding buildings. Examples would be trails, equipment, and courts.

#### Implementation

The City shall use replacement funds to assist in the replacement of equipment, vehicles, and capital building maintenance. New equipment or buildings are to be funded from new dollars, unless they are designated to replace currently owned assets. Funds may be used up to the

amount of the replacement funds set aside for that particular asset. Any additional funding shall be from new sources.

	Pavement M	gmt Program	General I	Facilities	Parks Improve	ment Program	TOTAL		
Year	Add'l Levy^	Total Levy^	Add'l Levy^	Total Levy^	Add'l Levy^	Total Levy^	Add'l Levy	Total Levy	
2015	-	160,000	-	135,000	-	40,000	-	335,000	
2016	150,000	310,000	50,000	185,000	160,000	200,000	360,000	695,000	*
2017	160,000	470,000	-	185,000	-	200,000	160,000	855,000	
2018	160,000	630,000	335,000	520,000	-	200,000	495,000	1,350,000	**
2019	200,000	830,000	-	520,000	-	200,000	200,000	1,550,000	
2020	-	830,000	-	520,000	650,000	850,000	650,000	2,200,000	***
2021	_	830,000	-	520,000	-	850,000	-	2,200,000	
2022	-	830,000	- '	520,000	-	850,000	-	2,200,000	
2023	-	830,000	-	520,000	-	850,000	-	2,200,000	
2024	-	830,000	-	520,000	-	850,000	-	2,200,000	
2025	-	830,000	-	520,000	-	850,000	-	2,200,000	
2026	-	830,000	-	520,000	-	850,000		2,200,000	
2027	-	830,000	-	520,000	-	850,000	-	2,200,000	
2028	-	830,000	-	520,000	-	850,000	-	2,200,000	
2029	-	830,000	-	520,000	-	850,000	-	2,200,000	
2030	-	830,000	-	520,000	-	850,000	_	2,200,000	
2031	-	830,000	-	520,000	-	850,000	-	2,200,000	
2032	-	830,000	-	520,000	-	850,000	-	2,200,000	
2033	-	830,000	-	520,000	-	850,000	-	2,200,000	
2034	-	830,000	-	520,000	-	850,000	-	2,200,000	
2035	-	830,000	-	520,000	-	850,000	-	2,200,000	
2036	-	830,000	-	520,000	-	850,000	-	2,200,000	

#### RESULTS:

20 year gap of (\$5.25M). Also eliminates Pavement Management Program Endowment fund.

Provides funding for 94.1% of \$88.9M in CIP expenditures

To fix, would need 2016 Levy Increase of \$263K in 2016 and keep for next 20 years to fully fund.

Then would need \$1.1M increase in 2037 to continue Pavement Management Program since Endowment would be depleted.

Finance Commission Supported Plan - Summary of Levy Levels - Pavement Mgmt, General Facilities, & PIP Capital Improvement Plans

	Pavement M	gmt Program	<u>General</u> !	<u>Facilities</u>	Parks Improve	ment Program	<u>TOTAL</u>		
Year	Add'l Levy^	Total Levy^	Add'l Levy^	Total Levy^	Add'l Levy^	Total Levy^	Add'l Levy^	Total Levy^	
2015	-	160,000	-	135,000	-	40,000	-	335,000	
2016	150,000	310,000	50,000	185,000	160,000	200,000	360,000	695,000	*
2017	160,000	470,000	-	185,000	50,000	250,000	210,000	905,000	
2018	160,000	630,000	335,000	520,000	50,000	300,000	545,000	1,450,000	**
2019	200,000	830,000	-	520,000	50,000	350,000	250,000	1,700,000	
2020	110,000	940,000	-	520,000	650,000	1,000,000	760,000	2,460,000	***
2021	110,000	1,050,000	-	520,000	50,000	1,050,000	160,000	2,620,000	
2022	110,000	1,160,000	-	520,000	-	1,050,000	110,000	2,730,000	
2023	23,200	1,183,200	-	520,000	-	1,050,000	23,200	2,753,200	
2024	23,664	1,206,864	-	520,000	-	1,050,000	23,664	2,776,864	
2025	24,137	1,231,001	-	520,000	-	1,050,000	24,137	2,801,001	
2026	24,620	1,255,621	-	520,000	-	1,050,000	24,620	2,825,621	
2027	25,112	1,280,734	-	520,000	-	1,050,000	25,112	2,850,734	
2028	25,615	1,306,348	-	520,000	-	1,050,000	25,615	2,876,348	
2029	26,127	1,332,475	-	520,000	-	1,050,000	26,127	2,902,475	
2030	26,650	1,359,125	-	520,000	-	1,050,000	26,650	2,929,125	
2031	27,182	1,386,307	-	520,000	-	1,050,000	27,182	2,956,307	
2032	27,726	1,414,034	-	520,000	-	1,050,000	27,726	2,984,034	
2033	28,281	1,442,314	-	520,000	-	1,050,000	28,281	3,012,314	
2034	28,846	1,471,160	-	520,000	-	1,050,000	28,846	3,041,160	
2035	29,423	1,500,584	-	520,000	-	1,050,000	29,423	3,070,584	
2036	30,012	<b>1,</b> 530, <b>5</b> 95	-	520,000	-	1,050,000	30,012	3,100,595	

#### **RESULTS:**

No funding gap. Also preserves Pavement Management Program Endownment fund at \$10M into perpetuity. Provides funding for 100% of 85.9M in CIP expenditures

By preserving PMP Endowment, we are able to reduce levy by \$300K annually into perpetuity

<sup>\* 2015</sup> Pavement Mgmt Program \$150K Levy increase was levy repurpose

<sup>\*\* 2018</sup> General Facilities \$335K Levy increase was levy repurpose

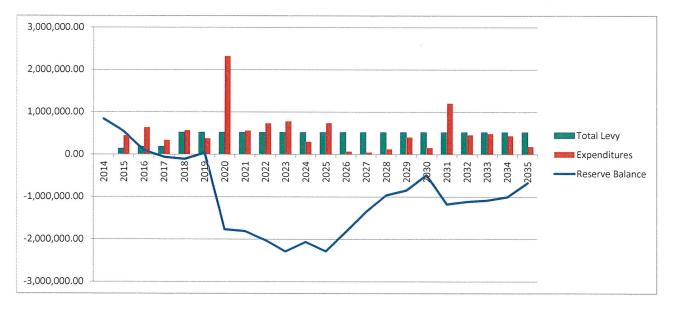
<sup>\*\*\* 2020</sup> Parks Improvement Program \$650K Levy increase was levy repurpose

<sup>^</sup> Dedicated Revenue Stream Needed, including levy and other sources

#### **General Facilities CIP**

Scenario 1 - Current "Revised" Plan

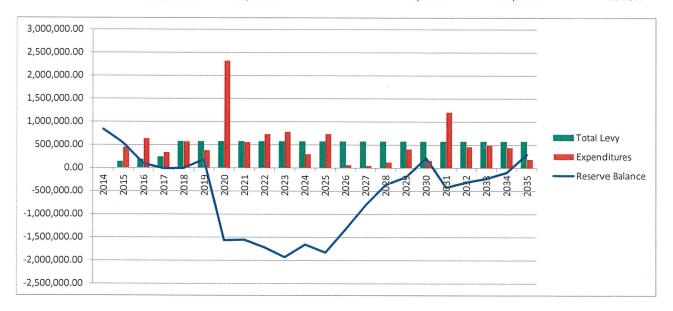
							Levy Expenditure
Year	Add'l Levy	Total Levy	Expenditures	Reserve Use	<b>Reserve Earnings</b>	Reserve Balance	Coverage %
2014						839,000.00	
2015		135,000.00	447,300.00	312,300.00	15,801.00	542,501.00	30.2%
2016	50,000.00	185,000.00	637,500.00	452,500.00	2,700.03	92,701.03	29.0%
2017	1-	185,000.00	337,700.00	92,701.03		(59,998.97)	54.8%
2018	335,000.00	520,000.00	569,000.00			(108,998.97)	91.4%
2019	1-	520,000.00	378,800.00		966.03	33,167.06	137.3%
2020	-	520,000.00	2,322,000.00	33,167.06		(1,768,832.94)	22.4%
2021	-	520,000.00	560,000.00			(1,808,832.94)	92.9%
2022	-	520,000.00	734,200.00			(2,023,032.94)	70.8%
2023	-	520,000.00	782,900.00			(2,285,932.94)	66.4%
2024	-	520,000.00	298,400.00			(2,064,332.94)	174.3%
2025	-	520,000.00	738,500.00			(2,282,832.94)	70.4%
2026	-	520,000.00	67,000.00			(1,829,832.94)	776.1%
2027	-	520,000.00	48,600.00			(1,358,432.94)	1070.0%
2028	1-	520,000.00	125,000.00			(963,432.94)	416.0%
2029	-	520,000.00	405,900.00			(849,332.94)	128.1%
2030	-	520,000.00	160,300.00			(489,632.94)	324.4%
2031	-	520,000.00	1,206,400.00			(1,176,032.94)	43.1%
2032	-	520,000.00	459,000.00			(1,115,032.94)	113.3%
2033	-	520,000.00	489,000.00			(1,084,032.94)	106.3%
2034	-	520,000.00	439,500.00			(1,003,532.94)	118.3%
2035	-	520,000.00	187,500.00			(671,032.94)	277.3%



Assumptions: Reserve Earnings of 3% 2016 Levy increase is tax increase

2018 Levy increase is repurpose of bond issuance

							Levy Expenditure
Year	Add'l Levy	Total Levy	Expenditures	Reserve Use	Reserve Earnings	Reserve Balance	Coverage %
2014						839,000.00	
2015		135,000.00	447,300.00	312,300.00	15,801.00	542,501.00	30.2%
2016	50,000.00	185,000.00	637,500.00	452,500.00	2,700.03	92,701.03	29.0%
2017	50,000.00	235,000.00	337,700.00	92,701.03		(9,998.97)	69.6%
2018	335,000.00	570,000.00	569,000.00			(8,998.97)	100.2%
2019	-	570,000.00	378,800.00		5,466.03	187,667.06	150.5%
2020	-	570,000.00	2,322,000.00	187,667.06		(1,564,332.94)	24.5%
2021	-	570,000.00	560,000.00			(1,554,332.94)	101.8%
2022	-	570,000.00	734,200.00			(1,718,532.94)	77.6%
2023	-	570,000.00	782,900.00			(1,931,432.94)	72.8%
2024	-	570,000.00	298,400.00			(1,659,832.94)	191.0%
2025	-	570,000.00	738,500.00			(1,828,332.94)	77.2%
2026	-	570,000.00	67,000.00			(1,325,332.94)	850.7%
2027	-	570,000.00	48,600.00			(803,932.94)	1172.8%
2028	-	570,000.00	125,000.00			(358,932.94)	456.0%
2029	-	570,000.00	405,900.00			(194,832.94)	140.4%
2030	-	570,000.00	160,300.00			214,867.06	355.6%
2031	-	570,000.00	1,206,400.00			(421,532.94)	47.2%
2032	-	570,000.00	459,000.00			(310,532.94)	124.2%
2033	-	570,000.00	489,000.00			(229,532.94)	116.6%
2034	-	570,000.00	439,500.00			(99,032.94)	129.7%
2035	-	570,000.00	187,500.00		8,504.01	291,971.07	304.0%
2035	-	570,000.00	187,500.00		8,504.01	291,971.07	304.0%



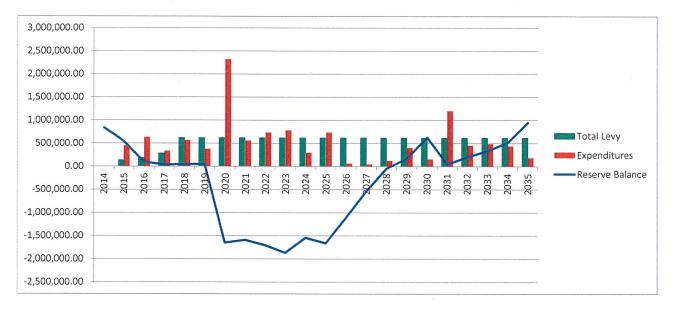
Assumptions: Reserve Earnings of 3%

2016 & 2017 Levy increase is tax increase

2018 Levy increase is repurpose of bond issuance

Scenario 3 - Additional 100K increase in 2017

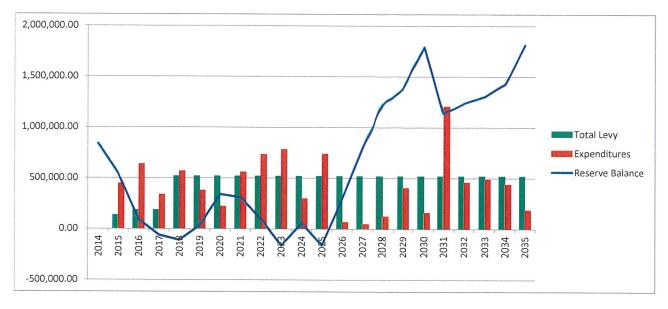
							Levy Expenditure
Year	Add'l Levy	Total Levy	Expenditures	Reserve Use	Reserve Earnings	Reserve Balance	Coverage %
2014						839,000.00	
2015		135,000.00	447,300.00	312,300.00	15,801.00	542,501.00	30.2%
2016	50,000.00	185,000.00	637,500.00	452,500.00	2,700.03	92,701.03	29.0%
2017	100,000.00	285,000.00	337,700.00	52,700.00	1,200.03	41,201.06	84.4%
2018	335,000.00	620,000.00	569,000.00		2,766.03	43,967.09	109.0%
2019	-	620,000.00	378,800.00		8,555.01	52,522.11	163.7%
2020	-	620,000.00	2,322,000.00	52,522.11		(1,649,477.89)	26.7%
2021	-	620,000.00	560,000.00			(1,589,477.89)	110.7%
2022	-	620,000.00	734,200.00			(1,703,677.89)	84.4%
2023	-	620,000.00	782,900.00			(1,866,577.89)	79.2%
2024	-	620,000.00	298,400.00			(1,544,977.89)	207.8%
2025	-	620,000.00	738,500.00			(1,663,477.89)	84.0%
2026	-	620,000.00	67,000.00			(1,110,477.89)	925.4%
2027	-	620,000.00	48,600.00			(539,077.89)	1275.7%
2028	-	620,000.00	125,000.00			(44,077.89)	496.0%
2029	-	620,000.00	405,900.00			170,022.11	152.7%
2030	-	620,000.00	160,300.00			629,722.11	386.8%
2031	-	620,000.00	1,206,400.00			43,322.11	51.4%
2032	-	620,000.00	459,000.00			204,322.11	135.1%
2033	-	620,000.00	489,000.00			335,322.11	126.8%
2034		620,000.00	439,500.00			515,822.11	141.1%
2035	-	620,000.00	187,500.00			948,322.11	330.7%



Assumptions: Reserve Earnings of 3%

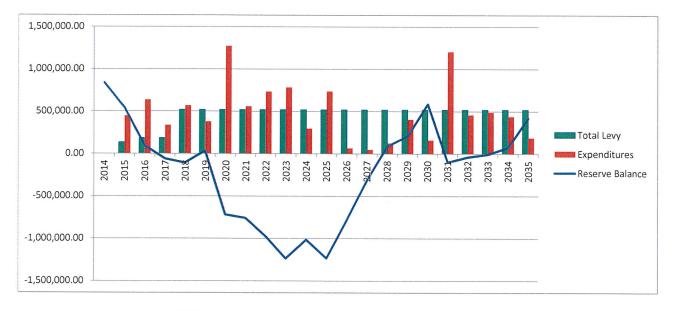
2016 & 2017 Levy increase is tax increase 2018 Levy increase is repurpose of bond issuance

							Levy Expenditure
Year	Add'l Levy	Total Levy	Expenditures	Reserve Use	Reserve Earnings	Reserve Balance	Coverage %
2014						839,000.00	
2015		135,000.00	447,300.00	312,300.00	15,801.00	542,501.00	30.2%
2016	50,000.00	185,000.00	637,500.00	452,500.00	2,700.03	92,701.03	29.0%
2017		185,000.00	337,700.00	92,701.03		(59,998.97)	54.8%
2018	335,000.00	520,000.00	569,000.00			(108,998.97)	91.4%
2019	-	520,000.00	378,800.00		966.03	33,167.06	137.3%
2020	g <b>-</b> g	520,000.00	222,000.00		9,935.01	341,102.07	234.2%
2021	e	520,000.00	560,000.00	40,000.00	9,033.06	310,135.13	92.9%
2022		520,000.00	734,200.00	214,200.00	2,878.05	98,813.19	70.8%
2023	-	520,000.00	782,900.00	98,813.19		(164,086.81)	66.4%
2024	-	520,000.00	298,400.00			57,513.19	174.3%
2025		520,000.00	738,500.00			(160,986.81)	70.4%
2026	8 <b>-</b>	520,000.00	67,000.00		8,760.40	300,773.58	776.1%
2027	-	520,000.00	48,600.00		23,165.21	795,338.79	1070.0%
2028	-	520,000.00	125,000.00		35,710.16	1,226,048.96	416.0%
2029	-	520,000.00	405,900.00		40,204.47	1,380,353.42	128.1%
2030	-	520,000.00	160,300.00		52,201.60	1,792,255.03	324.4%
2031	-	520,000.00	1,206,400.00	686,400.00	33,175.65	1,139,030.68	43.1%
2032	-	520,000.00	459,000.00		36,000.92	1,236,031.60	113.3%
2033	-	520,000.00	489,000.00		38,010.95	1,305,042.55	106.3%
2034	-	520,000.00	439,500.00		41,566.28	1,427,108.82	118.3%
2035	-	520,000.00	187,500.00		52,788.26	1,812,397.09	277.3%



Assumptions: Reserve Earnings of 3%
2016 Levy increase is tax increase
2018 Levy increase is repurpose of bond issuance
No \$2.1M Oval Expenditure in 2020
Reserve earnings of \$403K in 20 years

							Levy Expenditure
Year	Add'l Levy	Total Levy	Expenditures	Reserve Use	Reserve Earnings	Reserve Balance	Coverage %
2014						839,000.00	
2015		135,000.00	447,300.00	312,300.00	15,801.00	542,501.00	30.2%
2016	50,000.00	185,000.00	637,500.00	452,500.00	2,700.03	92,701.03	29.0%
2017	-	185,000.00	337,700.00	92,701.03		(59,998.97)	54.8%
2018	335,000.00	520,000.00	569,000.00			(108,998.97)	91.4%
2019	-	520,000.00	378,800.00		966.03	33,167.06	137.3%
2020	-	520,000.00	1,272,000.00			(718,832.94)	40.9%
2021	-	520,000.00	560,000.00			(758,832.94)	92.9%
2022	-	520,000.00	734,200.00			(973,032.94)	70.8%
2023	-	520,000.00	782,900.00			(1,235,932.94)	66.4%
2024	-	520,000.00	298,400.00			(1,014,332.94)	174.3%
2025	-	520,000.00	738,500.00			(1,232,832.94)	70.4%
2026	-	520,000.00	67,000.00			(779,832.94)	776.1%
2027	-	520,000.00	48,600.00			(308,432.94)	1070.0%
2028	-	520,000.00	125,000.00		2,597.01	89,164.07	416.0%
2029	-	520,000.00	405,900.00		6,097.92	209,361.99	128.1%
2030	=	520,000.00	160,300.00		17,071.86	586,133.85	324.4%
2031	=0	520,000.00	1,206,400.00	586,133.85		(100,266.15)	43.1%
2032	=0	520,000.00	459,000.00			(39,266.15)	113.3%
2033	-	520,000.00	489,000.00			(8,266.15)	106.3%
2034	-	520,000.00	439,500.00		2,167.02	74,400.87	118.3%
2035	-	520,000.00	187,500.00		12,207.03	419,107.90	277.3%



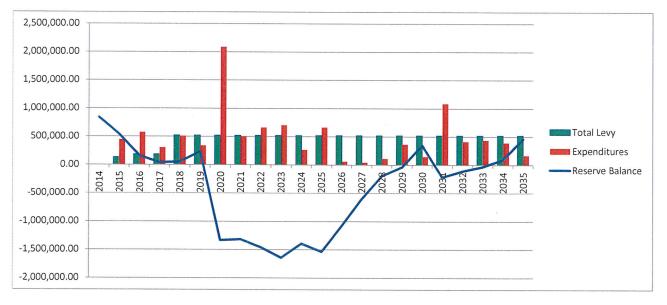
Assumptions: Reserve Earnings of 3%
2016 Levy increase is tax increase
2018 Levy increase is repurpose of bond issuance
Pay 50% of \$2.1M Oval Expenditure in 2020
Reserve earnings of \$60K in 20 years

							Levy Expenditure
Year	Add'l Levy	Total Levy	Expenditures	Reserve Use	Reserve Earnings	Reserve Balance	Coverage %
2014						839,000.00	
2015		135,000.00	447,300.00	312,300.00	15,801.00	542,501.00	30.2%
2016	50,000.00	185,000.00	637,500.00	452,500.00	2,700.03	92,701.03	29.0%
2017	-	185,000.00	337,700.00	92,701.03		(59,998.97)	54.8%
2018	335,000.00	520,000.00	569,000.00			(108,998.97)	91.4%
2019	-	520,000.00	378,800.00		966.03	33,167.06	137.3%
2020	-	520,000.00	1,797,000.00			(1,243,832.94)	28.9%
2021	-	520,000.00	560,000.00			(1,283,832.94)	92.9%
2022	-	520,000.00	734,200.00			(1,498,032.94)	70.8%
2023	-	520,000.00	782,900.00			(1,760,932.94)	66.4%
2024	-	520,000.00	298,400.00			(1,539,332.94)	174.3%
2025	-	520,000.00	738,500.00			(1,757,832.94)	70.4%
2026	-	520,000.00	67,000.00			(1,304,832.94)	776.1%
2027	=	520,000.00	48,600.00			(833,432.94)	1070.0%
2028	-	520,000.00	125,000.00			(438,432.94)	416.0%
2029	=	520,000.00	405,900.00			(324,332.94)	128.1%
2030		520,000.00	160,300.00		1,061.01	36,428.07	324.4%
2031		520,000.00	1,206,400.00	36,428.07		(649,971.93)	43.1%
2032		520,000.00	459,000.00			(588,971.93)	113.3%
2033	-	520,000.00	489,000.00			(557,971.93)	106.3%
2034		520,000.00	439,500.00			(477,471.93)	118.3%
2035	-	520,000.00	187,500.00			(144,971.93)	277.3%



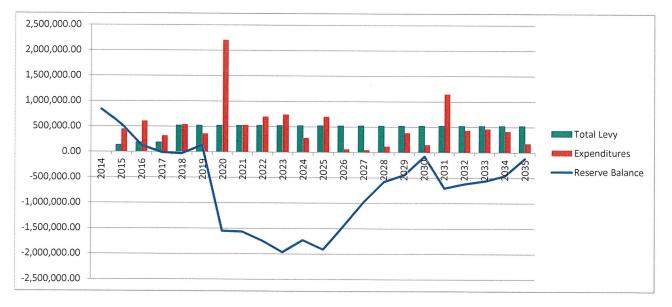
Assumptions: Reserve Earnings of 3%
2016 Levy increase is tax increase
2018 Levy increase is repurpose of bond issuance
Pay 75% of \$2.1M Oval Expenditure in 2020
Reserve earnings of \$60K in 20 years

							Levy Expenditure
Year	Add'l Levy	Total Levy	Expenditures	Reserve Use	Reserve Earnings	Reserve Balance	Coverage %
2014						839,000.00	
2015		135,000.00	447,300.00	312,300.00	15,801.00	542,501.00	30.2%
2016	50,000.00	185,000.00	573,750.00	388,750.00	4,612.53	158,363.53	32.2%
2017	-	185,000.00	303,930.00	118,930.00	1,183.01	40,616.54	60.9%
2018	335,000.00	520,000.00	512,100.00		1,455.50	49,972.03	101.5%
2019	-	520,000.00	340,920.00		6,871.56	235,923.59	152.5%
2020	-	520,000.00	2,089,800.00	235,923.59		(1,333,876.41)	24.9%
2021	7	520,000.00	504,000.00			(1,317,876.41)	103.2%
2022	n-	520,000.00	660,780.00			(1,458,656.41)	78.7%
2023	:-	520,000.00	704,610.00			(1,643,266.41)	73.8%
2024	1-	520,000.00	268,560.00			(1,391,826.41)	193.6%
2025	-	520,000.00	664,650.00			(1,536,476.41)	78.2%
2026	-	520,000.00	60,300.00			(1,076,776.41)	862.4%
2027	-	520,000.00	43,740.00			(600,516.41)	1188.8%
2028	-	520,000.00	112,500.00			(193,016.41)	462.2%
2029	-	520,000.00	365,310.00			(38,326.41)	142.3%
2030	-	520,000.00	144,270.00		10,122.11	347,525.70	360.4%
2031	_	520,000.00	1,085,760.00	347,525.70		(218,234.30)	47.9%
2032	-	520,000.00	413,100.00			(111,334.30)	125.9%
2033	-	520,000.00	440,100.00			(31,434.30)	118.2%
2034	-	520,000.00	395,550.00		2,790.47	95,806.17	131.5%
2035	-	520,000.00	168,750.00		13,411.69	460,467.86	308.1%



Assumptions: Reserve Earnings of 3%
2016 Levy increase is tax increase
2018 Levy increase is repurpose of bond issuance
All expenditures are at 90% of existing CIP

							Levy Expenditure
Year	Add'l Levy	Total Levy	Expenditures	Reserve Use	Reserve Earnings	Reserve Balance	Coverage %
2014						839,000.00	
2015		135,000.00	447,300.00	312,300.00	15,801.00	542,501.00	30.2%
2016	50,000.00	185,000.00	605,625.00	420,625.00	3,656.28	125,532.28	30.5%
2017	-	185,000.00	320,815.00	125,532.28		(10,282.72)	57.7%
2018	335,000.00	520,000.00	540,550.00			(30,832.72)	96.2%
2019		520,000.00	359,860.00		3,879.22	133,186.50	144.5%
2020	-/	520,000.00	2,205,900.00	133,186.50		(1,552,713.50)	23.6%
2021	-	520,000.00	532,000.00			(1,564,713.50)	97.7%
2022	-	520,000.00	697,490.00			(1,742,203.50)	74.6%
2023	-	520,000.00	743,755.00			(1,965,958.50)	69.9%
2024	·-	520,000.00	283,480.00			(1,729,438.50)	183.4%
2025	:-	520,000.00	701,575.00			(1,911,013.50)	74.1%
2026	-	520,000.00	63,650.00			(1,454,663.50)	817.0%
2027	-	520,000.00	46,170.00			(980,833.50)	1126.3%
2028	-	520,000.00	118,750.00			(579,583.50)	437.9%
2029	-	520,000.00	385,605.00			(445,188.50)	134.9%
2030	-	520,000.00	152,285.00			(77,473.50)	341.5%
2031	-	520,000.00	1,146,080.00			(703,553.50)	45.4%
2032	-	520,000.00	436,050.00			(619,603.50)	119.3%
2033	-	520,000.00	464,550.00			(564,153.50)	111.9%
2034	-	520,000.00	417,525.00			(461,678.50)	124.5%
2035	-	520,000.00	178,125.00			(119,803.50)	291.9%



Assumptions: Reserve Earnings of 3%
2016 Levy increase is tax increase
2018 Levy increase is repurpose of bond issuance
All expenditures are at 90% of existing CIP

## **Parks Improvement Program**

Scenario 1 - Current "Revised" Plan

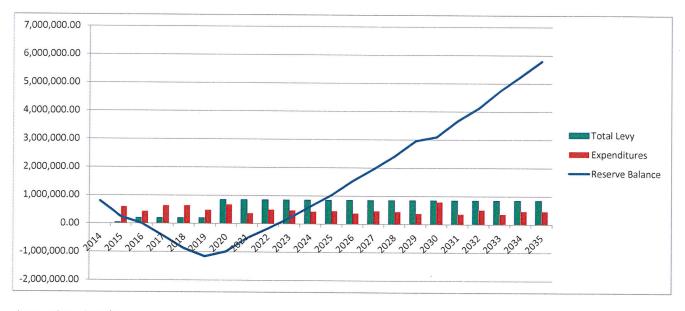
							Levy Expenditure
Year	Add'l Levy	Total Levy	Expenditures	Reserve Use	<b>Reserve Earnings</b>	Reserve Balance	Coverage %
2014						799,000.00	
2015		40,000.00	600,000.00	560,000.00	7,170.00	246,170.00	6.7%
2016	160,000.00	200,000.00	873,170.00	246,170.00		(427,000.00)	22.9%
2017		200,000.00	1,273,620.00			(1,500,620.00)	15.7%
2018		200,000.00	1,289,300.00			(2,589,920.00)	15.5%
2019		200,000.00	971,290.00			(3,361,210.00)	20.6%
2020	650,000.00	850,000.00	1,360,500.00			(3,871,710.00)	62.5%
2021		850,000.00	745,000.00			(3,766,710.00)	114.1%
2022		850,000.00	1,004,250.00			(3,920,960.00)	84.6%
2023		850,000.00	961,500.00			(4,032,460.00)	88.4%
2024		850,000.00	880,000.00			(4,062,460.00)	96.6%
2025		850,000.00	927,570.00			(4,140,030.00)	91.6%
2026		850,000.00	768,000.00			(4,058,030.00)	110.7%
2027		850,000.00	935,000.00			(4,143,030.00)	90.9%
2028		850,000.00	891,500.00			(4,184,530.00)	95.3%
2029		850,000.00	772,500.00			(4,107,030.00)	110.0%
2030		850,000.00	1,586,750.00			(4,843,780.00)	53.6%
2031		850,000.00	731,670.00			(4,725,450.00)	116.2%
2032		850,000.00	1,028,000.00			(4,903,450.00)	82.7%
2033		850,000.00	735,000.00			(4,788,450.00)	115.6%
2034		850,000.00	939,000.00			(4,877,450.00)	90.5%
2035		850,000.00	939,000.00			(4,966,450.00)	90.5%



Assumptions: 2016 levy increase is a tax increase

2020 levy increase is a repurpose of bond issuance #27

							Levy Expenditure
Year	Add'l Levy	Total Levy	Expenditures	Reserve Use	Reserve Earnings	Reserve Balance	Coverage %
2014						799,000.00	
2015		40,000.00	600,000.00	560,000.00	7,170.00	246,170.00	6.7%
2016	160,000.00	200,000.00	436,585.00	236,585.00	287.55	9,872.55	45.8%
2017		200,000.00	636,810.00	9,872.55		(426,937.45)	31.4%
2018		200,000.00	644,650.00			(871,587.45)	31.0%
2019		200,000.00	485,645.00			(1,157,232.45)	41.2%
2020	650,000.00	850,000.00	680,250.00			(987,482.45)	125.0%
2021		850,000.00	372,500.00			(509,982.45)	228.2%
2022		850,000.00	502,125.00			(162,107.45)	169.3%
2023		850,000.00	480,750.00			207,142.55	176.8%
2024		850,000.00	440,000.00		6,214.28	623,356.83	193.2%
2025		850,000.00	463,785.00		18,700.70	1,028,272.53	183.3%
2026		850,000.00	384,000.00		30,848.18	1,525,120.71	221.4%
2027		850,000.00	467,500.00		45,753.62	1,953,374.33	181.8%
2028		850,000.00	445,750.00		58,601.23	2,416,225.56	190.7%
2029		850,000.00	386,250.00		72,486.77	2,952,462.33	220.1%
2030		850,000.00	793,375.00		88,573.87	3,097,661.19	107.1%
2031		850,000.00	365,835.00		92,929.84	3,674,756.03	232.3%
2032		850,000.00	514,000.00		110,242.68	4,120,998.71	165.4%
2033		850,000.00	367,500.00		123,629.96	4,727,128.67	231.3%
2034		850,000.00	469,500.00		141,813.86	5,249,442.53	181.0%
2035		850,000.00	469,500.00		157,483.28	5,787,425.81	181.0%

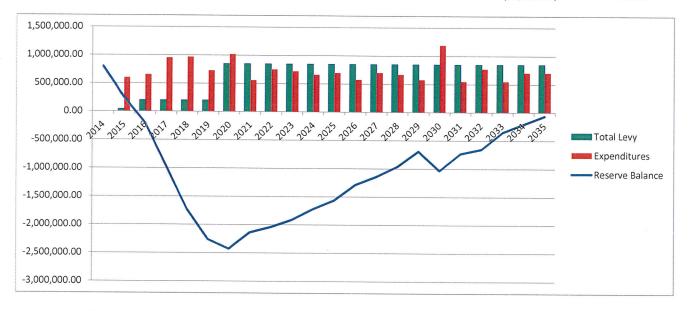


Assumptions: 2016 levy increase is a tax increase

2020 levy increase is a repurpose of bond issuance #27

Results: After temporary deficit, will accumulate \$951K in reserve earnings in next 20 years

<b>Year</b> 2014	Add'l Levy	Total Levy	Expenditures	Reserve Use	Reserve Earnings	Reserve Balance	Levy Expenditure Coverage %
2015		40,000.00	COO 000 00	F.CO. 000. 00	7 4 70 00	799,000.00	
	160,000,00		600,000.00	560,000.00	7,170.00	246,170.00	6.7%
2016	160,000.00	200,000.00	654,877.50	246,170.00		(208,707.50)	30.5%
2017		200,000.00	955,215.00			(963,922.50)	20.9%
2018		200,000.00	966,975.00			(1,730,897.50)	20.7%
2019		200,000.00	728,467.50			(2,259,365.00)	27.5%
2020	650,000.00	850,000.00	1,020,375.00			(2,429,740.00)	83.3%
2021		850,000.00	558,750.00			(2,138,490.00)	152.1%
2022		850,000.00	753,187.50			(2,041,677.50)	112.9%
2023		850,000.00	721,125.00			(1,912,802.50)	117.9%
2024		850,000.00	660,000.00			(1,722,802.50)	128.8%
2025		850,000.00	695,677.50			(1,568,480.00)	122.2%
2026		850,000.00	576,000.00			(1,294,480.00)	147.6%
2027		850,000.00	701,250.00			(1,145,730.00)	121.2%
2028		850,000.00	668,625.00			(964,355.00)	127.1%
2029		850,000.00	579,375.00			(693,730.00)	146.7%
2030		850,000.00	1,190,062.50			(1,033,792.50)	71.4%
2031		850,000.00	548,752.50			(732,545.00)	154.9%
2032		850,000.00	771,000.00			(653,545.00)	110.2%
2033		850,000.00	551,250.00			(354,795.00)	154.2%
2034		850,000.00	704,250.00			(209,045.00)	120.7%
2035		850,000.00	704,250.00			(63,295.00)	120.7%

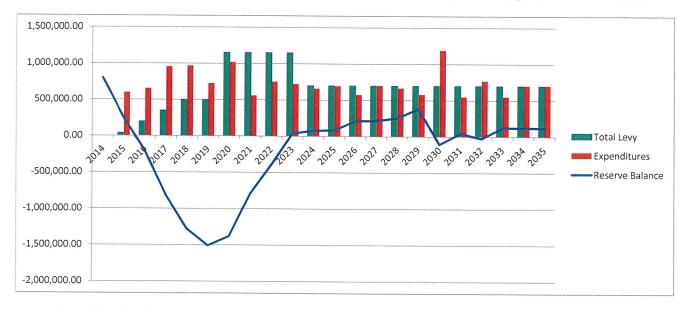


Assumptions: 2016 levy increase is a tax increase

2020 levy increase is a repurpose of bond issuance #27 Results: Solves itself over 20 years, CIP shortful during middle years

Scenario 4 - Expenditures at 75%, cash flow smoothing

							Levy Expenditure
Year	Add'l Levy	Total Levy	Expenditures	Reserve Use	Reserve Earnings	Reserve Balance	Coverage %
2014						799,000.00	
2015		40,000.00	600,000.00	560,000.00	7,170.00	246,170.00	6.7%
2016	160,000.00	200,000.00	654,877.50	246,170.00		(208,707.50)	30.5%
2017	150,000.00	350,000.00	955,215.00			(813,922.50)	36.6%
2018	150,000.00	500,000.00	966,975.00			(1,280,897.50)	51.7%
2019		500,000.00	728,467.50			(1,509,365.00)	68.6%
2020	650,000.00	1,150,000.00	1,020,375.00			(1,379,740.00)	112.7%
2021		1,150,000.00	558,750.00			(788,490.00)	205.8%
2022		1,150,000.00	753,187.50			(391,677.50)	152.7%
2023		1,150,000.00	721,125.00			37,197.50	159.5%
2024	(450,000.00)	700,000.00	660,000.00		1,115.93	78,313.43	106.1%
2025		700,000.00	695,677.50		2,349.40	84,985.33	100.6%
2026		700,000.00	576,000.00		2,549.56	211,534.89	121.5%
2027		700,000.00	701,250.00		6,346.05	216,630.93	99.8%
2028		700,000.00	668,625.00		6,498.93	254,504.86	104.7%
2029		700,000.00	579,375.00		7,635.15	382,765.01	120.8%
2030		700,000.00	1,190,062.50	382,765.01		(107,297.49)	58.8%
2031		700,000.00	548,752.50			43,950.01	127.6%
2032		700,000.00	771,000.00	43,950.01		(27,049.99)	90.8%
2033		700,000.00	551,250.00			121,700.01	127.0%
2034		700,000.00	704,250.00		3,651.00	121,101.01	99.4%
2035		700,000.00	704,250.00		3,633.03	120,484.04	99.4%



Assumptions: 2016, 2017, & 2018 levy increases are a tax increase

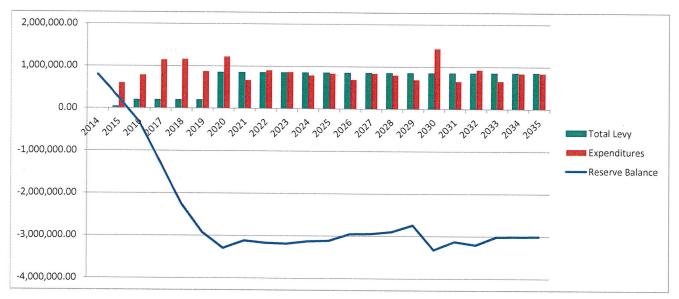
2020 levy increase is a repurpose of bond issuance #27

2024 tax levy decrease

\$41K in reserve earnings over 20 years

Scenario 5 - Expenditures at 90%

1212							Levy Expenditure
Year	Add'l Levy	Total Levy	Expenditures	Reserve Use	Reserve Earnings	Reserve Balance	Coverage %
2014						799,000.00	
2015		40,000.00	600,000.00	560,000.00	7,170.00	246,170.00	6.7%
2016	160,000.00	200,000.00	785,853.00	246,170.00		(339,683.00)	25.5%
2017		200,000.00	1,146,258.00			(1,285,941.00)	17.4%
2018		200,000.00	1,160,370.00			(2,246,311.00)	17.2%
2019		200,000.00	874,161.00			(2,920,472.00)	22.9%
2020	650,000.00	850,000.00	1,224,450.00			(3,294,922.00)	69.4%
2021		850,000.00	670,500.00			(3,115,422.00)	126.8%
2022		850,000.00	903,825.00			(3,169,247.00)	94.0%
2023		850,000.00	865,350.00			(3,184,597.00)	98.2%
2024		850,000.00	792,000.00			(3,126,597.00)	107.3%
2025		850,000.00	834,813.00			(3,111,410.00)	101.8%
2026		850,000.00	691,200.00			(2,952,610.00)	123.0%
2027		850,000.00	841,500.00			(2,944,110.00)	101.0%
2028		850,000.00	802,350.00			(2,896,460.00)	105.9%
2029		850,000.00	695,250.00			(2,741,710.00)	122.3%
2030		850,000.00	1,428,075.00			(3,319,785.00)	59.5%
2031		850,000.00	658,503.00			(3,128,288.00)	129.1%
2032		850,000.00	925,200.00			(3,203,488.00)	91.9%
2033		850,000.00	661,500.00			(3,014,988.00)	128.5%
2034		850,000.00	845,100.00			(3,010,088.00)	100.6%
2035		850,000.00	845,100.00			(3,005,188.00)	100.6%

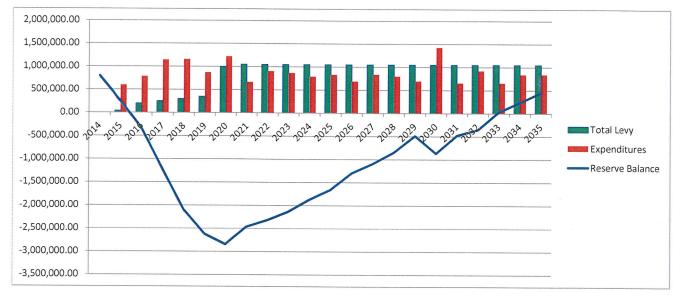


Assumptions: 2016 levy increase is a tax increase

2020 levy increase is a repurpose of bond issuance #27

Scenario 6 - Expenditures at 90% with several smaller levy increases

							Levy Expenditure
Year	Add'l Levy	Total Levy	Expenditures	Reserve Use	Reserve Earnings	Reserve Balance	Coverage %
2014						799,000.00	
2015		40,000.00	600,000.00	560,000.00	7,170.00	246,170.00	6.7%
2016	160,000.00	200,000.00	785,853.00	246,170.00		(339,683.00)	25.5%
2017	50,000.00	250,000.00	1,146,258.00			(1,235,941.00)	21.8%
2018	50,000.00	300,000.00	1,160,370.00			(2,096,311.00)	25.9%
2019	50,000.00	350,000.00	874,161.00			(2,620,472.00)	40.0%
2020	650,000.00	1,000,000.00	1,224,450.00			(2,844,922.00)	81.7%
2021	50,000.00	1,050,000.00	670,500.00			(2,465,422.00)	156.6%
2022		1,050,000.00	903,825.00			(2,319,247.00)	116.2%
2023		1,050,000.00	865,350.00			(2,134,597.00)	121.3%
2024		1,050,000.00	792,000.00			(1,876,597.00)	132.6%
2025		1,050,000.00	834,813.00			(1,661,410.00)	125.8%
2026		1,050,000.00	691,200.00			(1,302,610.00)	151.9%
2027		1,050,000.00	841,500.00			(1,094,110.00)	124.8%
2028		1,050,000.00	802,350.00			(846,460.00)	130.9%
2029		1,050,000.00	695,250.00			(491,710.00)	151.0%
2030		1,050,000.00	1,428,075.00			(869,785.00)	73.5%
2031		1,050,000.00	658,503.00			(478,288.00)	159.5%
2032		1,050,000.00	925,200.00			(353,488.00)	113.5%
2033		1,050,000.00	661,500.00			35,012.00	158.7%
2034		1,050,000.00	845,100.00		1,050.36	240,962.36	124.2%
2035		1,050,000.00	845,100.00		7,228.87	453,091.23	124.2%



Assumptions: 2016, 2017, 2018, 2019, & 2021 levy increases are a tax increase 2020 levy increase is a repurpose of bond issuance #27

Scenario 7 - Expenditures at 90% with fewer (larger) levy increases

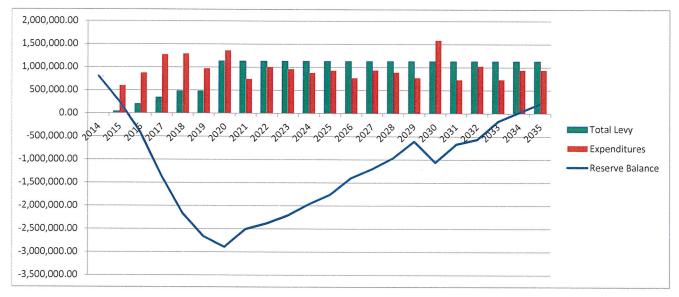
							Levy Expenditure
Year	Add'l Levy	Total Levy	Expenditures	Reserve Use	Reserve Earnings	Reserve Balance	Coverage %
2014						799,000.00	
2015		40,000.00	600,000.00	560,000.00	7,170.00	246,170.00	6.7%
2016	160,000.00	200,000.00	785,853.00	246,170.00		(339,683.00)	25.5%
2017	100,000.00	300,000.00	1,146,258.00			(1,185,941.00)	26.2%
2018	70,000.00	370,000.00	1,160,370.00			(1,976,311.00)	31.9%
2019		370,000.00	874,161.00			(2,480,472.00)	42.3%
2020	650,000.00	1,020,000.00	1,224,450.00			(2,684,922.00)	83.3%
2021		1,020,000.00	670,500.00			(2,335,422.00)	152.1%
2022		1,020,000.00	903,825.00			(2,219,247.00)	112.9%
2023		1,020,000.00	865,350.00			(2,064,597.00)	117.9%
2024		1,020,000.00	792,000.00			(1,836,597.00)	128.8%
2025		1,020,000.00	834,813.00			(1,651,410.00)	122.2%
2026		1,020,000.00	691,200.00			(1,322,610.00)	147.6%
2027		1,020,000.00	841,500.00			(1,144,110.00)	121.2%
2028		1,020,000.00	802,350.00			(926,460.00)	127.1%
2029		1,020,000.00	695,250.00			(601,710.00)	146.7%
2030		1,020,000.00	1,428,075.00			(1,009,785.00)	71.4%
2031		1,020,000.00	658,503.00			(648,288.00)	154.9%
2032		1,020,000.00	925,200.00			(553,488.00)	110.2%
2033		1,020,000.00	661,500.00			(194,988.00)	154.2%
2034		1,020,000.00	845,100.00			(20,088.00)	120.7%
2035		1,020,000.00	845,100.00			154,812.00	120.7%



Assumptions: 2016, 2017, & 2018 levy increases are a tax increase 2020 levy increase is a repurpose of bond issuance #27

Scenario 8 - Expenditures at 100% with levy increases

							Levy Expenditure
Year	Add'l Levy	Total Levy	Expenditures	Reserve Use	Reserve Earnings	Reserve Balance	Coverage %
2014						799,000.00	
2015		40,000.00	600,000.00	560,000.00	7,170.00	246,170.00	6.7%
2016	160,000.00	200,000.00	873,170.00	246,170.00		(427,000.00)	22.9%
2017	140,000.00	340,000.00	1,273,620.00			(1,360,620.00)	26.7%
2018	140,000.00	480,000.00	1,289,300.00			(2,169,920.00)	37.2%
2019		480,000.00	971,290.00			(2,661,210.00)	49.4%
2020	650,000.00	1,130,000.00	1,360,500.00			(2,891,710.00)	83.1%
2021		1,130,000.00	745,000.00			(2,506,710.00)	151.7%
2022		1,130,000.00	1,004,250.00			(2,380,960.00)	112.5%
2023		1,130,000.00	961,500.00			(2,212,460.00)	117.5%
2024		1,130,000.00	880,000.00			(1,962,460.00)	128.4%
2025		1,130,000.00	927,570.00			(1,760,030.00)	121.8%
2026		1,130,000.00	768,000.00			(1,398,030.00)	147.1%
2027		1,130,000.00	935,000.00			(1,203,030.00)	120.9%
2028		1,130,000.00	891,500.00			(964,530.00)	126.8%
2029		1,130,000.00	772,500.00			(607,030.00)	146.3%
2030		1,130,000.00	1,586,750.00			(1,063,780.00)	71.2%
2031		1,130,000.00	731,670.00			(665,450.00)	154.4%
2032		1,130,000.00	1,028,000.00			(563,450.00)	109.9%
2033		1,130,000.00	735,000.00			(168,450.00)	153.7%
2034		1,130,000.00	939,000.00			22,550.00	120.3%
2035		1,130,000.00	939,000.00			213,550.00	120.3%



Assumptions: 2016 levy increase is a tax increase

2020 levy increase is a repurpose of bond issuance #27

## Memo

**To:** Roseville Finance Commission

From: Chris Miller, Finance Director

**Date:** August 11, 2015

Re: Item #8: Initial Discussion on Utility Rates

## Background

Earlier this year, Commission Member Byrne agreed to take the lead in preparing an initial review and analysis of the City's Water & Sewer rates including a review of the rate structure. Commissioner Byrne's report will be distributed prior to the meeting.

## **Staff Recommendation**

Not applicable.

## **Requested Commission Action**

For information purposes only. No formal Commission action is required, but the Commission could offer guidance or recommendations to the City Council if desired.

Prepared by:

Chris Miller, Finance Director

Attachments:

A: Not applicable.