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Financial Management Plan & Utility Rate Study for the City of Cannon Falls

Rebecca Kurtz – Ehlers

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Agenda

- Financial Management Plan
 - Community Goals
 - Capital Needs
 - Funding Sources
 - Impact on General Fund
 - Projected Tax & Debt Levies
- Utility Rate Study
 - Key Assumptions
 - Key Findings
 - Cash Reserves
- Impact Analysis
 - Comparable Communities



What is a Financial Management Plan?

- A multi-year fiscal plan that integrates:
 - ✓ Existing Debt
 - ✓ Capital Improvement Plans
 - ✓ Future Debt
 - ✓ Tax base growth
 - ✓ Future operating expenses
- Helps to manage expectations
 - ✓ New spending proposals evaluated against other identified priorities
 - ✓ Weigh proposals vs. predefined affordability parameters
- Reduces stress during budget process
 - ✓ Previously agreed spending guidelines
 - ✓ Better understanding of the effect decisions have



Results of a Financial Management Plan

- **Council can focus on big picture and policy issues**
 - Get away from randomly picking a percent or number increase for the budget
- **Council can focus on long-term financial health of the City**
 - Good roads, facilities, services, reinvestment, etc.
 - Not on single-year tax impacts
- **Projects, in the context of multi-year planning, tend to be less controversial**
 - Provides background/perspective on issues for discussion
 - Provides framework to make informed decisions
- **If there is a plan, projects get done and the City has a vehicle through which to inform the residents on the goals of the City**



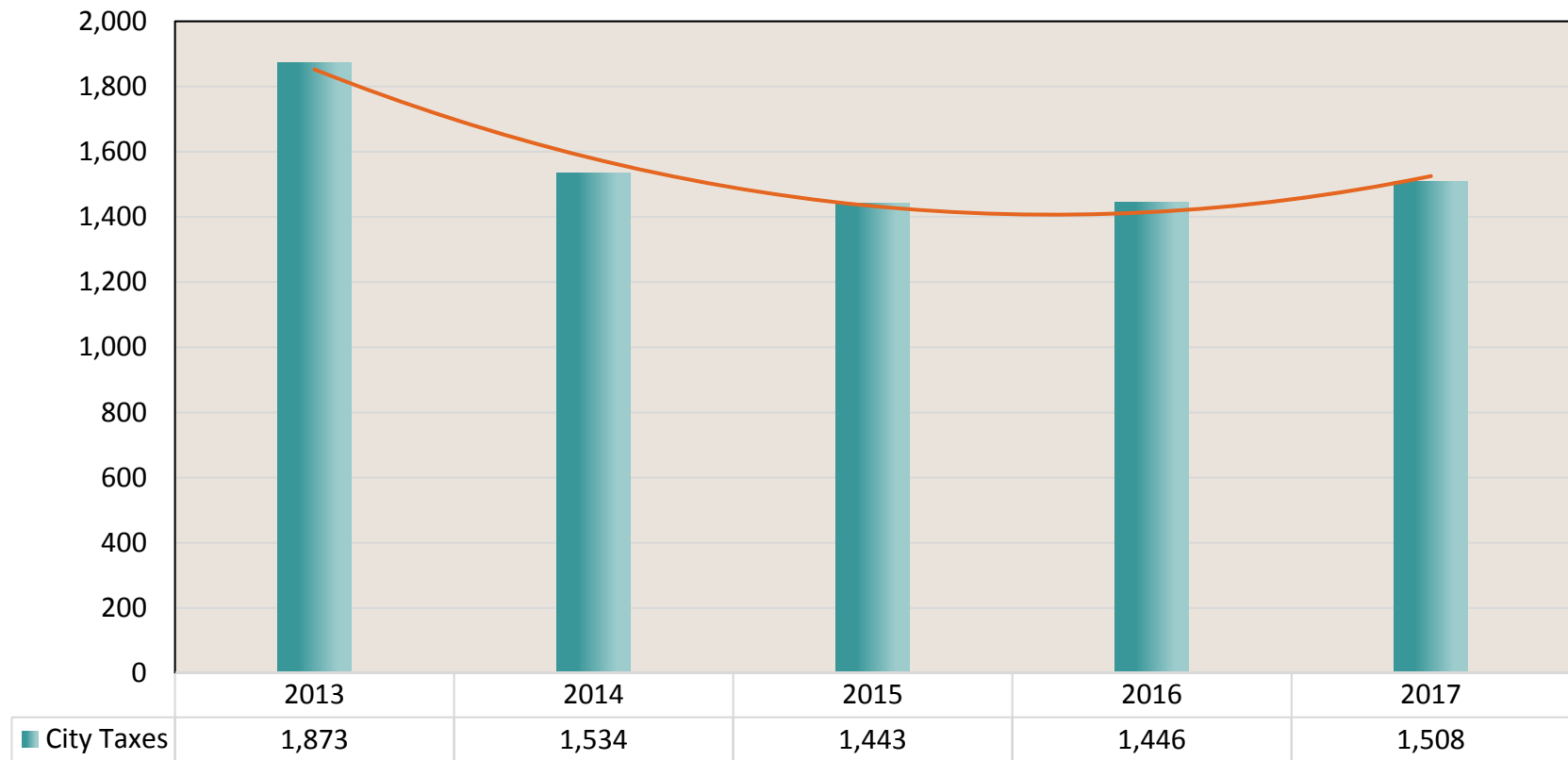
Community Goals

- Maintain stability of tax rate
 - General Levy
 - Debt Levy
 - Special Levies
 - EDA Levy
- Long-range capital plan for all funds
- Limited bonding to pay for projects
 - Use cash on hand when possible
- Sustainability of all funds



History of Tax Impacts

City of Cannon Falls - Financial Management Plan
Tax Impacts on Average \$250,000 Home



Capital Needs

PROJECT COSTS BY CAPITAL PROJECT FUND		Budget 2017	Projected				
			2018	2019	2020	2021	2022
	<u>Fund</u>						
Streets	504	-	772,380	-	423,691	-	981,109
Public Works Equipment	505	90,000	42,000	-	341,499	-	182,498
Police	506	80,855	46,305	87,279	199,691	625,261	48,028
Fire	507	500,000	572,250	28,665	52,093	-	42,583
Ambulance Capital	508	-	308,700	33,075	355,391	70,192	321,196
Administration	509	10,000	57,330	368,235	34,729	63,172	-
Parks/Trails	510	20,000	52,500	66,150	3,472,875	-	-
Library	511	2,000	15,750	-	-	-	-
Total Project Costs		702,855	1,867,215	583,404	4,879,969	758,625	1,575,414

- Pool project currently planned for 2020



Funding Sources

PROJECT COSTS BY FUNDING SOURCE	Budget 2017	Projected				
		2018	2019	2020	2021	2022
Bond Proceeds	-	750,000	-	3,870,000	-	975,000
Equipment Certificates	510,000	450,000	520,000	425,000	625,000	-
Property Tax Levy	92,130	123,253	26,783	92,926	19,142	113,441
Ambulance Charges	-	308,700	33,075	355,391	70,192	321,196
Transfers from Other Funds	20,000	20,000	-	20,000	-	20,000
Funds on Hand	80,725	215,262	3,546	116,652	44,291	145,777
Total Project Costs	702,855	1,867,215	583,404	4,879,969	758,625	1,575,414



Street Project Assessments

- Assumes 20% of project costs are assessed to benefitting property owners
 - Assessed over 15 years
 - Assessment rate is True Interest Cost (TIC) plus 2.0%
 - Example: If TIC on bonds is 2.5%, assessment rate will be 4.5%
- Projects financed as needed with bonds
- Bonds have 15 year term
- Assumes 0% paid for from County or State Aid

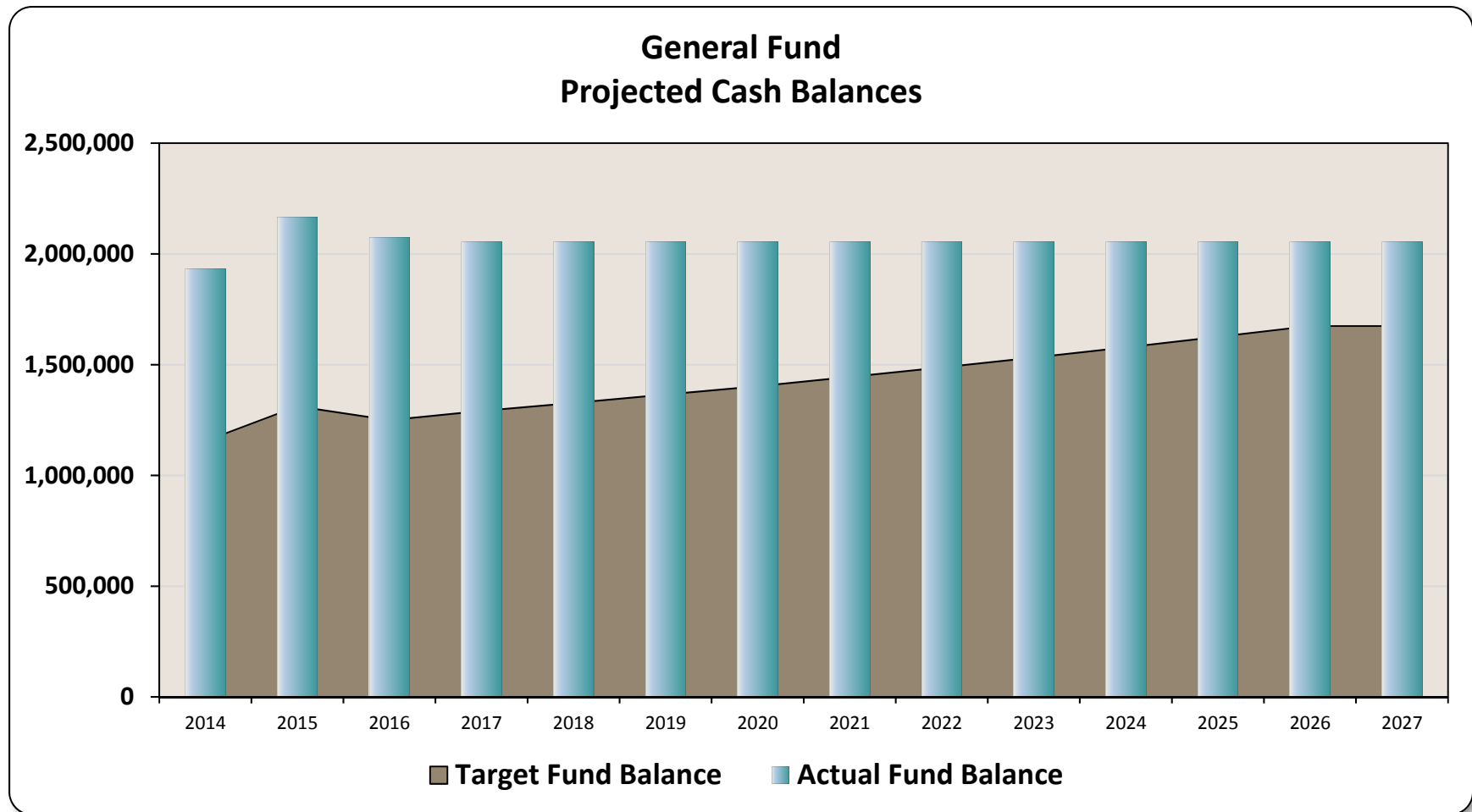


General Fund – Key Assumptions

- Activities accounted for in General Fund also have significant impact on taxes
 - General Fund assumptions include:
 - 3% increase in expenditures
 - No increase in LGA over 2017
 - 2% increase in non-tax revenue
- ➔ **Structural imbalance in General Fund**
- LGA provides over 20% of total revenues for 2016
 - Target Fund Balance = 40-50% of budgeted expenses (Based on City Policy)
 - Originally Levied for PFA Loan and after 2021 there will be sufficient utility revenues for PILOT to General Fund



Target Fund Balance



Property Tax Levies

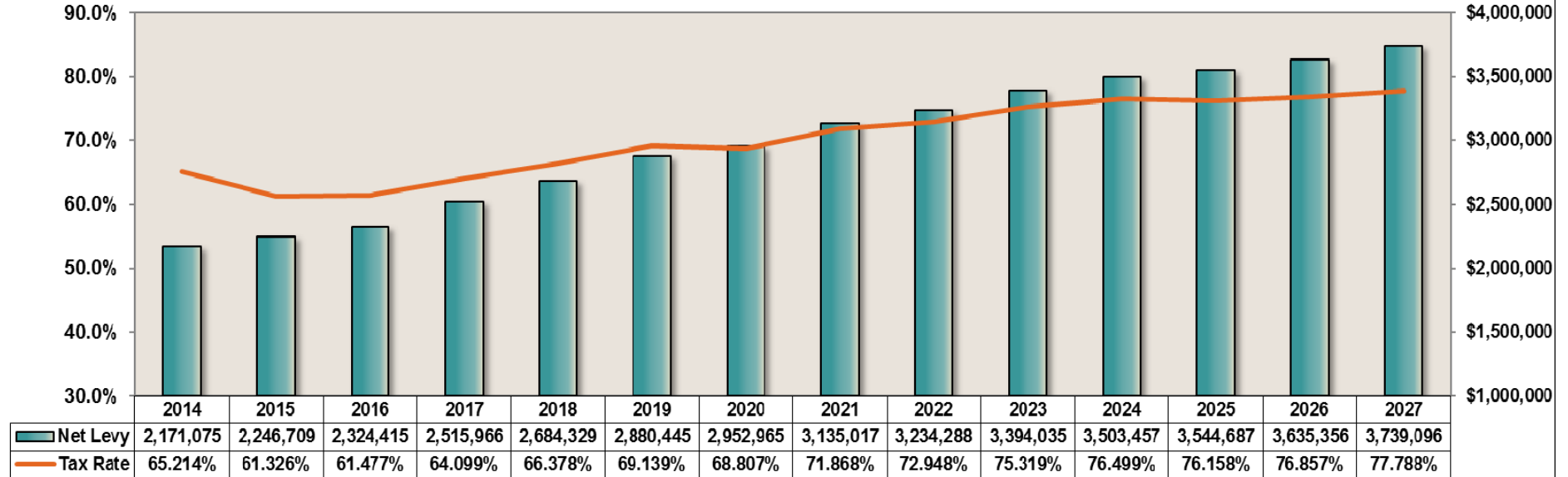
- PILOT transfers from the Utilities reduces the Operating Levy to offset Future Debt Levy

Tax Levy Trends	Actual 2015	Preliminary 2016	Budget 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
General Fund Operating	1,320,624	1,366,917	1,416,407	1,536,379	1,605,877	1,679,226	1,400,131
Library Levy	307,011	321,250	328,700	338,561	348,718	359,179	369,955
Fire Department Levy	106,999	115,923	118,084	121,627	125,275	129,034	132,905
EDA Levy	128,275	128,275	140,525	144,741	149,083	153,555	158,162
Current Debt	383,800	392,050	512,250	476,364	479,331	341,438	341,048
Potenital Future Debt	-	-	-	66,658	172,160	290,532	732,816
Net Levy to Taxpayers	2,246,709	2,324,415	2,515,966	2,684,329	2,880,445	2,952,965	3,135,017
Tax Rate on Tax Capacity	61.326%	61.477%	64.099%	66.378%	69.139%	68.807%	71.868%
Tax Rate % Change	-5.96%	0.25%	4.27%	3.56%	4.16%	-0.48%	4.45%



Tax Impacts

City of Cannon Falls - Financial Management Plan
Projected Tax Impacts



Tax Impact on Median Valued Home (\$250,000)

Year	Annual City Tax	Increase/(Decrease) from Prior Year	
		Annual	Daily
2016	\$ 1,446.31	\$ 3.55	\$ 0.01
2017	1,507.99	61.69	0.17
2018	1,597.78	89.79	0.25
2019	1,702.68	104.90	0.29
2020	1,733.50	30.82	0.08
2021	1,831.78	98.28	0.27
2022	1,880.77	48.99	0.13
2023	1,964.07	83.30	0.23
2024	2,017.34	53.27	0.15
2025	2,031.60	14.27	0.04
2026	2,073.70	42.09	0.12
2027	2,122.56	48.87	0.13

- Ten year average increase of \$61.46 annually or \$0.17 daily



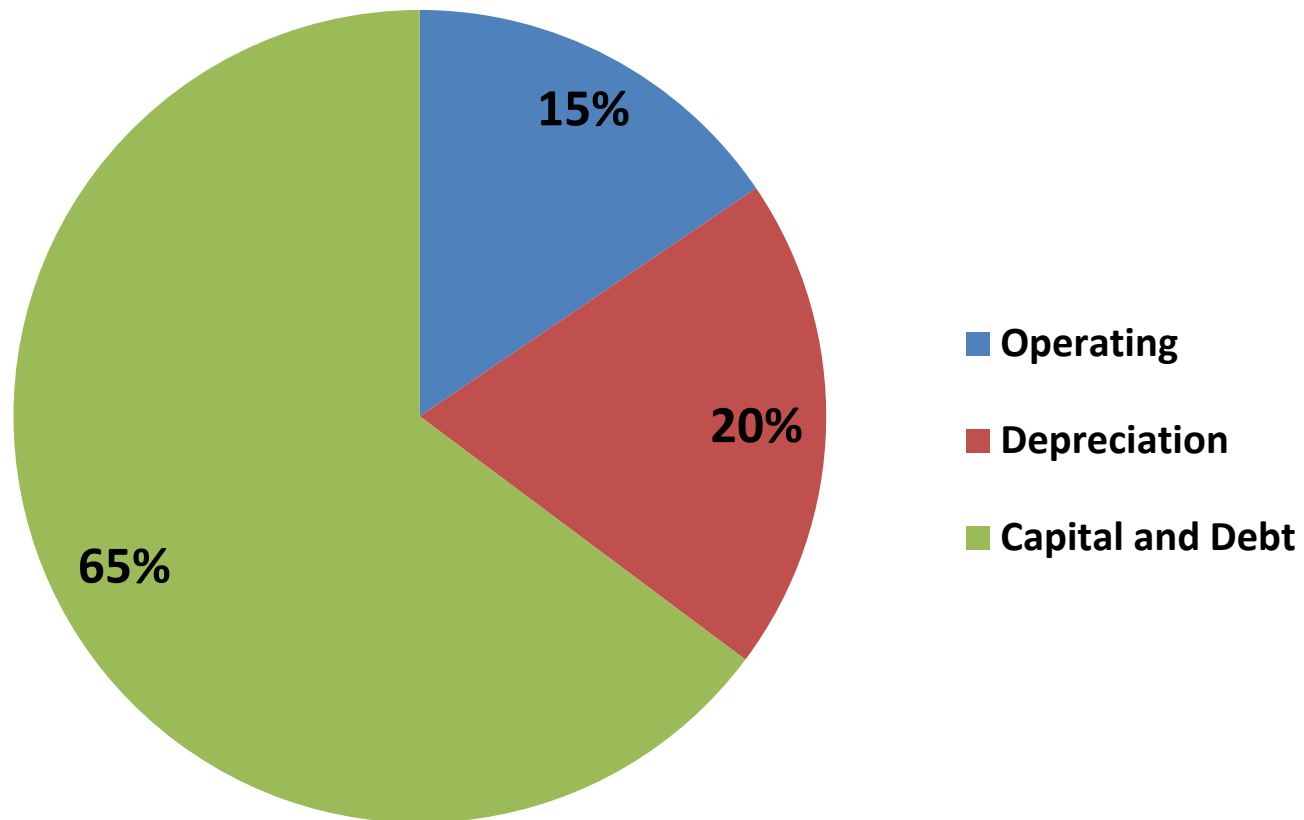
Utility Rate Study - Key Assumptions

- Increased Capital Expenses
 - Debt Obligations
 - New Wastewater Treatment Plant built in 2001
 - PFA Financing Payment through 2021 for Water and 2022 for Sewer
 - Originally levied for PFA Loan & now rates need to catch-up
 - Ongoing Street Reconstruction, Repairs and Maintenance
- Less Water Consumption
 - Heavy Rainfall
- Steady Growth
- Reduce Future Reliance on Debt



Break-Down of Costs

2016 Preliminary Costs



Utility Rate Study – Capital Projects

Water Fund

Description	2017	2018	2019	2020	2021	2022
Capital Costs	\$20,000	\$341,250	\$55,125	\$291,722	\$58,493	\$377,162
Bonding Needs	-	325,000	-	275,000	-	-

Sewer Fund

Description	2017	2018	2019	2020	2021	2022
Capital Costs	\$50,000	\$126,000	\$0	\$324,135	\$0	\$705,659
Bonding Needs	-	126,000	-	324,000	-	705,000

Storm Sewer Fund

Description	2017	2018	2019	2020	2021	2022
Capital Costs	\$0	\$189,000	\$0	\$439,898	\$187,177	\$486,661
Bonding Needs	-	-	-	250,000	-	400,000



Utility Rate Study - Key Findings

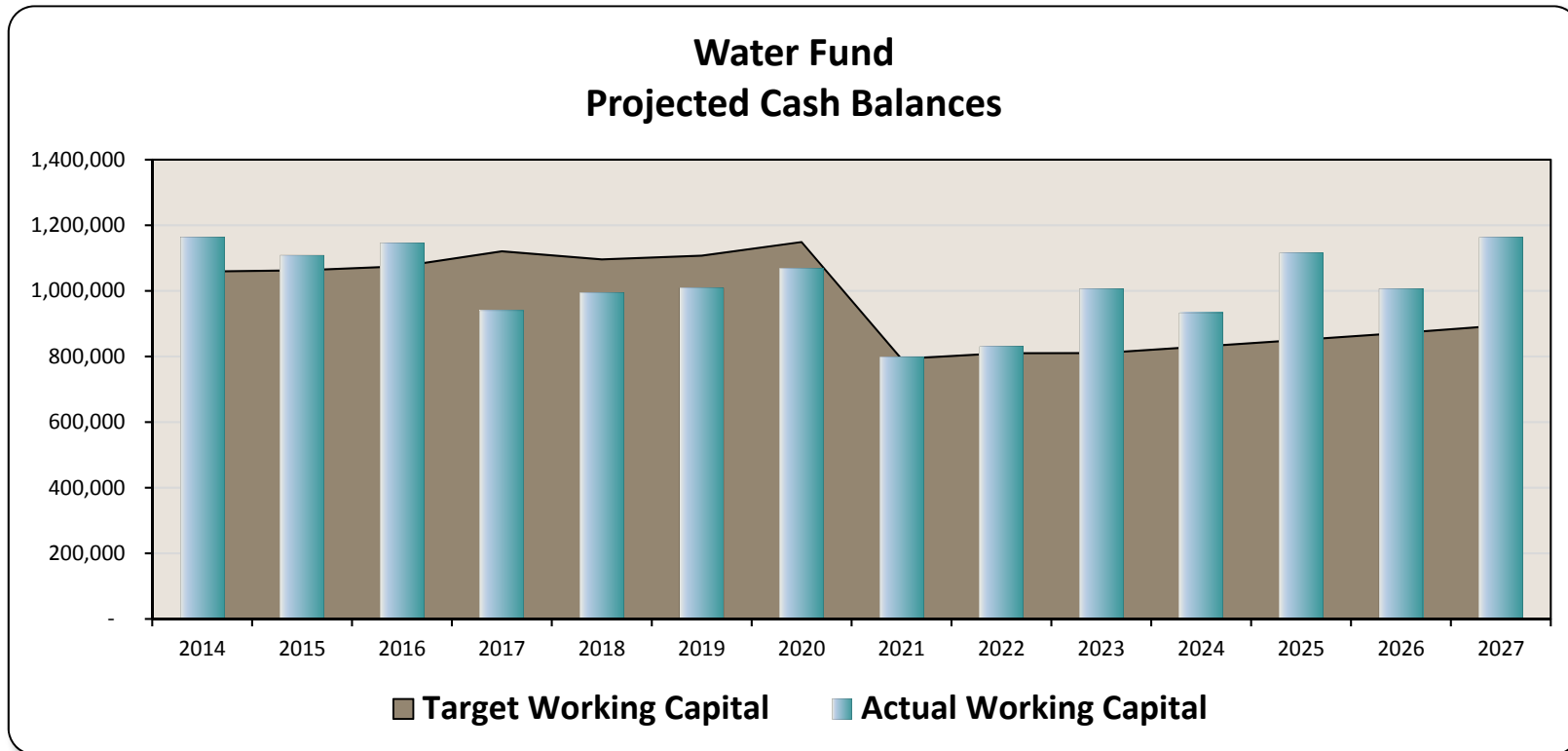
- Proposed utility rate increases

Annual Rate Increase	Proposed				
	2017	2018	2019	2020	2021
Water	5.00%	5.00%	5.00%	1.00%	1.00%
Sewer	5.00%	5.00%	5.00%	1.00%	1.00%
Storm Sewer	2.00%	2.25%	2.50%	3.00%	3.50%

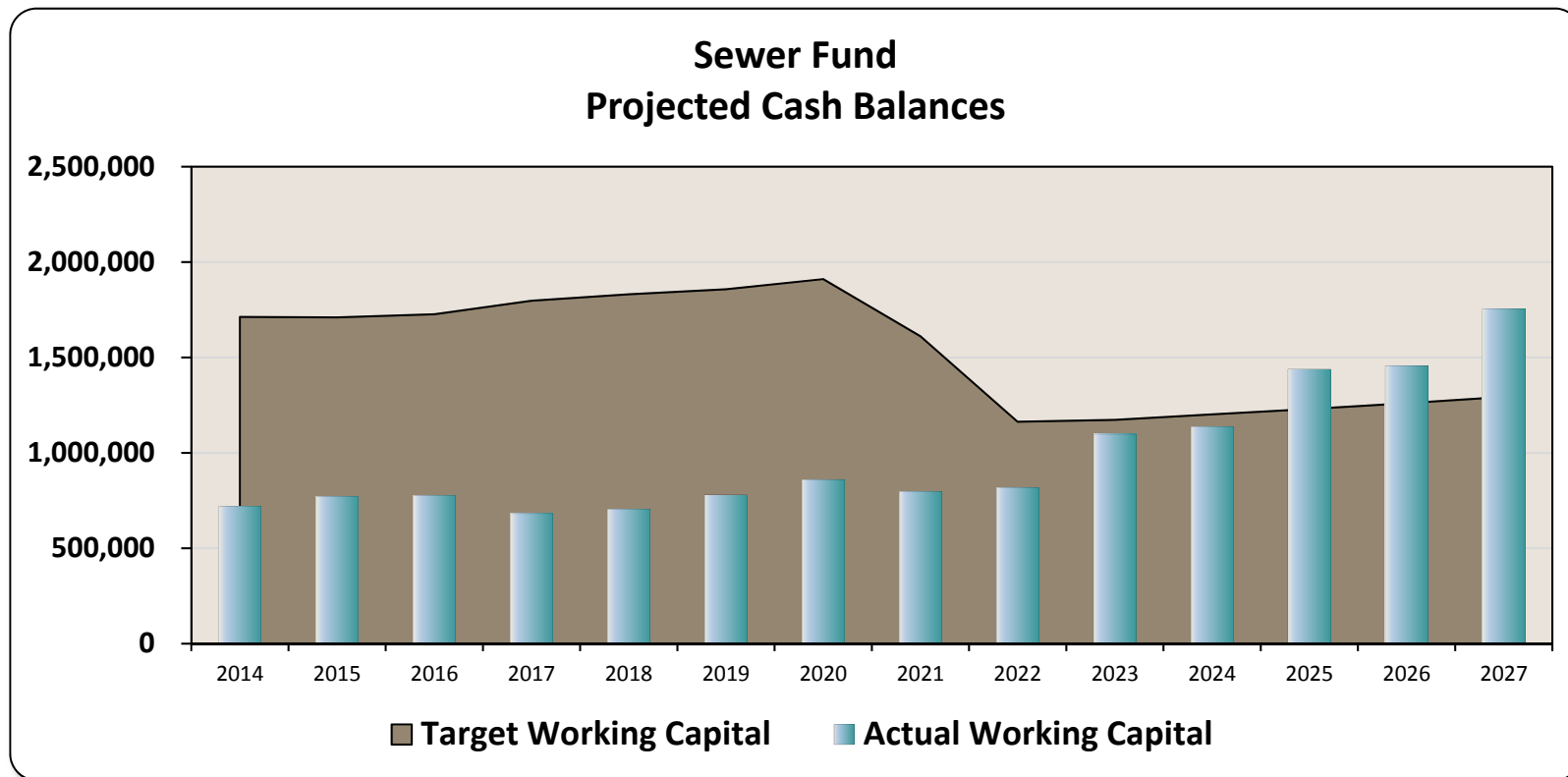
- Adequate revenue and cash balances in utility funds are important
 - Ensure payments of current debt obligations
 - Minimize future reliance on bonding
 - Avoid sudden rate increases in the future



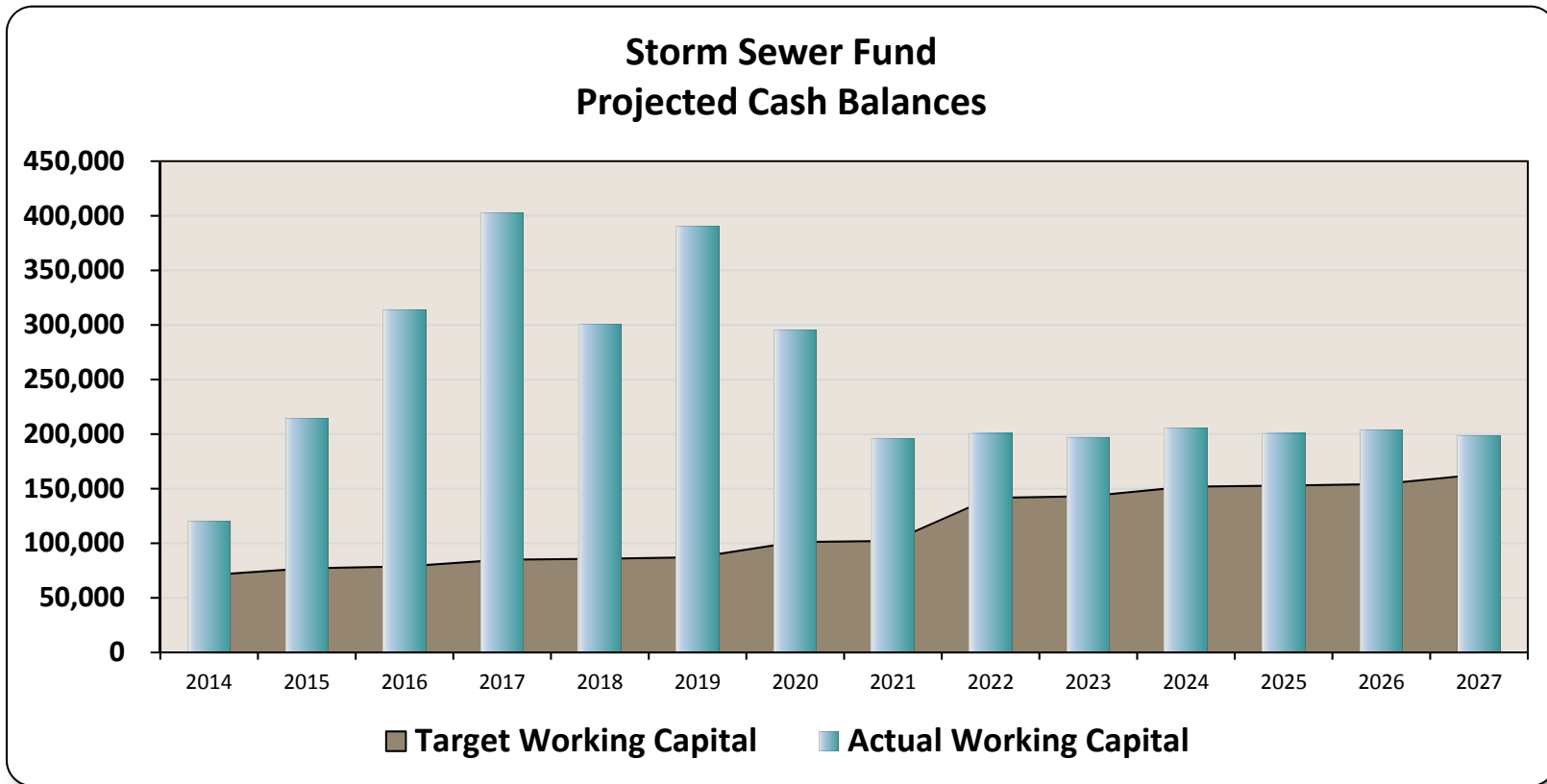
Water Fund Cash Reserve



Sewer Fund Cash Reserve



Storm Sewer Cash Reserve



Utility Rate Study – Impact Analysis

- Residential bill assumes 800 cubic ft. of usage; Commercial assumes 2,600 cubic ft.

Residential Monthly Bill	Existing 2016	Proposed				
		2017	2018	2019	2020	2021
Water	\$ 29.58	\$ 31.06	\$ 32.61	\$ 34.24	\$ 34.58	\$ 34.93
Sanitary Sewer	64.40	67.62	71.00	74.55	75.30	76.05
Storm Sewer	2.57	2.62	2.68	2.75	2.83	2.93
Total Bill	\$ 96.55	\$101.30	\$106.29	\$111.54	\$112.71	\$113.91
\$ Increase		\$ 4.75	\$ 4.99	\$ 5.25	\$ 1.17	\$ 1.20

Commercial Monthly Bill	Existing 2016	Proposed				
		2017	2018	2019	2020	2021
Water	\$ 83.67	\$ 87.85	\$ 92.25	\$ 96.86	\$ 97.83	\$ 98.81
Sewer	245.06	257.31	270.18	283.69	286.52	289.39
Storm Water	2.57	2.62	2.68	2.75	2.83	2.93
Total Bill	\$331.30	\$347.78	\$365.11	\$383.30	\$387.18	\$391.13
\$ Increase		\$ 16.48	\$ 17.33	\$ 18.19	\$ 3.88	\$ 3.95



Next Steps

- Discussion of Key Assumptions
 - Expenses increase 3% per year
 - No increase to LGA
 - General Fund assistance from Utility Funds
- Feedback on impacts





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Rebecca Kurtz
Senior Financial Advisor

(651) 697-8516
rkurtz@ehlers-inc.com

