

SPECIAL CITY COUNCIL WORK SESSION

**November 21, 2017
Rear Council Meeting Room
4100 Lakeview Avenue North
Robbinsdale, Minnesota
Immediately following the 7:00p.m. City Council meeting**

A G E N D A

1. CITY COUNCIL WORK SESSION CALLED TO ORDER BY MAYOR PRO TEM
2. ROLL CALL: Blonigan, Rogan, Selman, Backen, Mayor Murphy
3. REVIEW: Utility Rate Study Presentation
4. DISCUSSION: Follow Up on Birdtown Flats w/City Attorney
5. DISCUSSION: Council Information Requests for 2018 Budget
6. ADJOURNMENT

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City of Robbinsdale

MEMORANDUM

TO: City Council
FROM: Marcia Glick, City Manager
DATE: November 21, 2017
RE: Work Session – Review Financial Study Presentation

The City contracted with Ehlers to do a financial study to review the plan to finance street improvements, related utility improvements and other water system improvements. A preliminary report was reviewed with the council at the work session on October 17th. Attached is an updated version.

Recommendation

At the work session we want to review the presentation and obtain any comments and recommendations from the city council before the actual public presentation at the city council meeting on December 5th.



Marcia Glick, City Manager

CONCURRENCE:

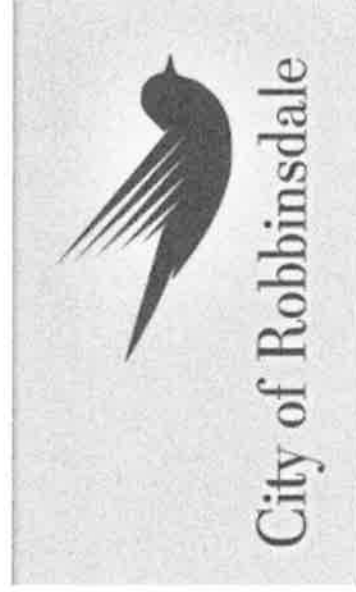


Larry Jacobson, Finance Director

City of Robbinsdale Financial Study

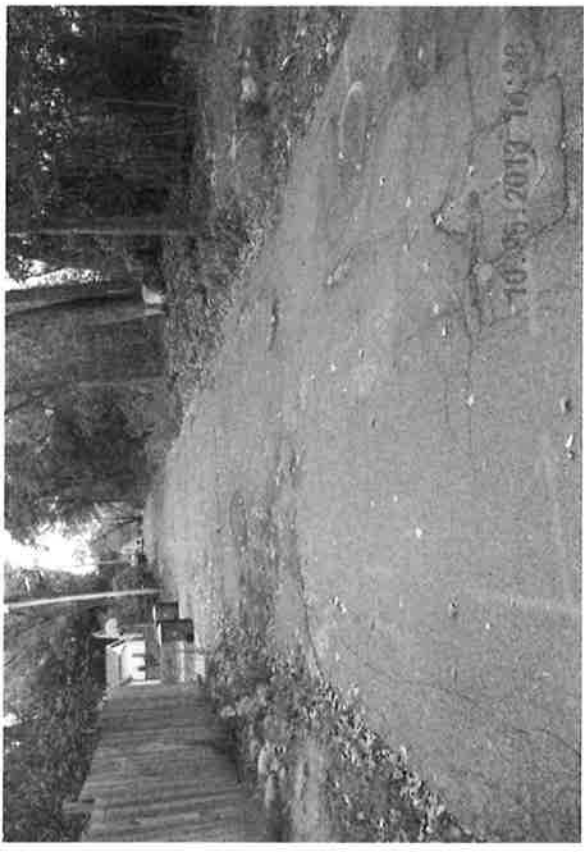
Jessica Cook – Ehlers
Kristina Norquist – Ehlers

12/5/2017



Overview: Why a Financial Plan?

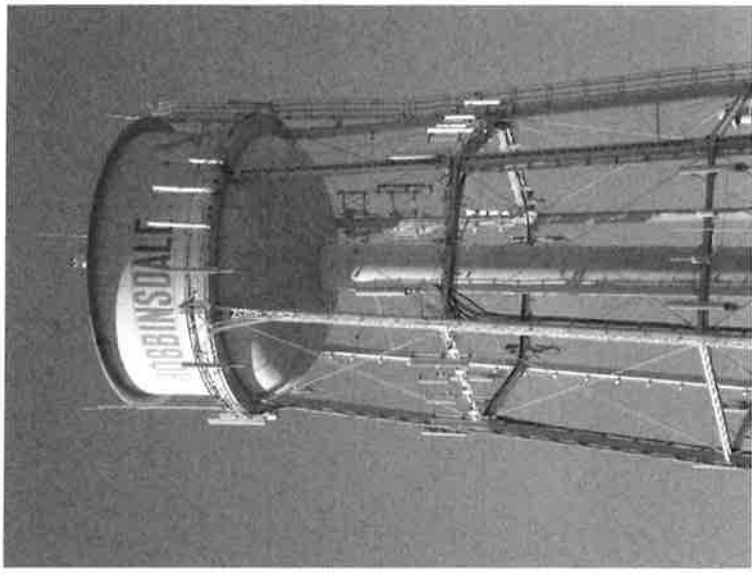
- **Need to address pavement management**



Overview: Why a Financial Plan?

- **Need to maintain utility infrastructure**

- New water treatment plant
- Reconstruct ___ year old water tower
- Water and sewer main replacement under street projects
- Storm water collection in street projects (curb and gutter, etc.)



Traffic and Transportation

Identify CIP for 71 miles of local roads and alleys

Average annual cost of \$3.96M

Assess capacity of existing funds to complete projects

Develop a funding strategy:
Tax Levy+Franchise Fees+Special Assessments

Street Project Assessments

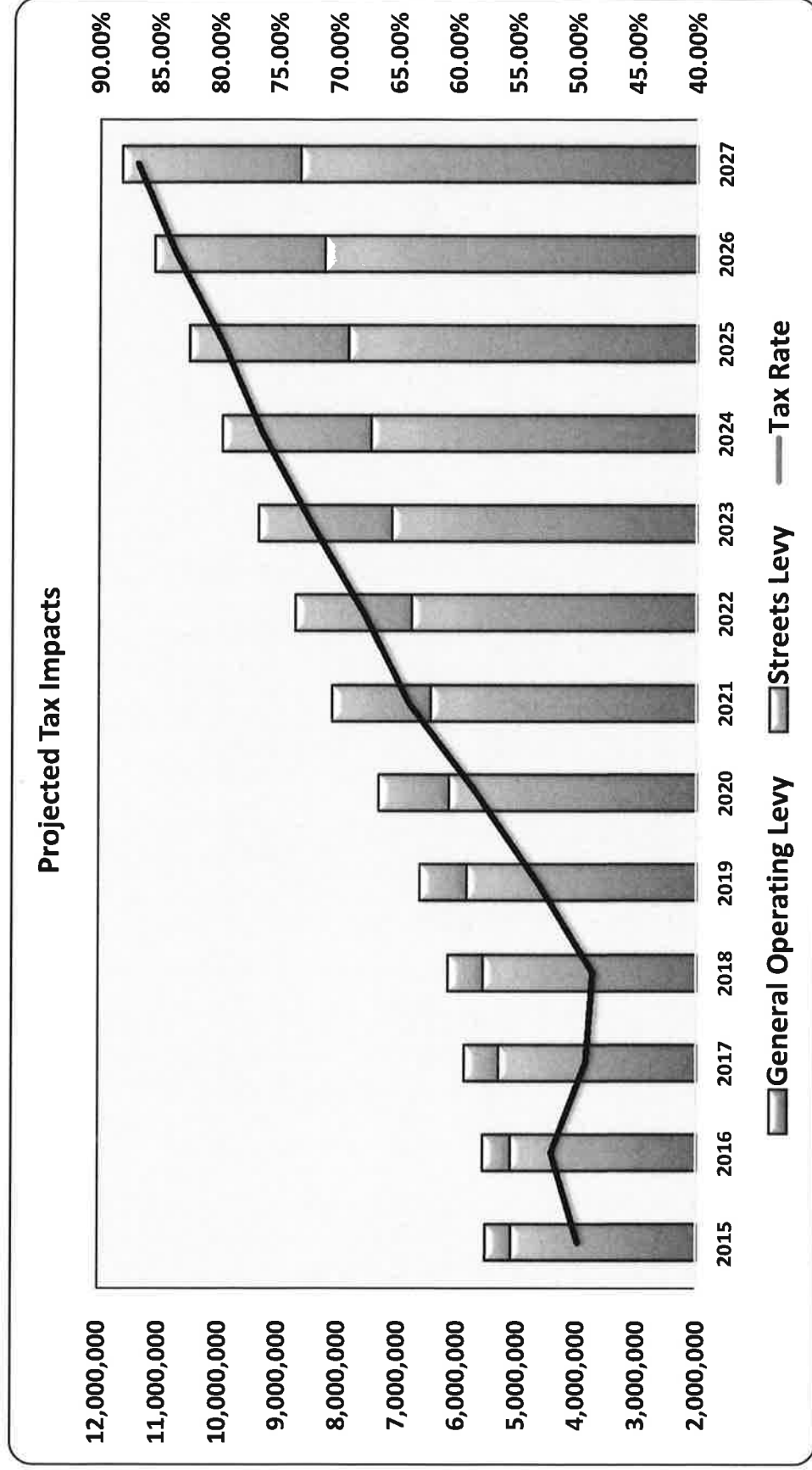
- Local street projects are assessed (about 1/3 of all projects)
- Plan assumes 30% of project costs are assessed to benefitting property owners
 - Assessed over 10 years
 - Assessment rate is True Interest Cost (TIC) plus 2.0%
 - Example: If TIC on bonds is 2.5%, assessment rate will be 4.5%
- Actual amount of assessment is project specific
- Unassessed portion paid for by property taxes

Future Property Tax Levy

Tax Levy Trends		Actual	Actual	Preliminary	Projected	Projected	Projected	Projected	Projected
		2016	2017	2018	2019	2020	2021	2022	2022
General Fund Operating		5,114,500	5,309,272	5,574,736	5,853,472	6,146,146	6,453,453	6,776,126	
Streets - Additional Levy for Road Resheeting Program		-	-	-	100,000	150,000	100,000	100,000	
Current Debt		454,696	572,259	571,209	569,634	446,264	454,139	452,444	
Future Debt for Streets		-	-	4,082	204,630	631,634	1,089,868	1,380,059	
Net City Levy to Taxpayers		5,569,196	5,881,531	6,150,027	6,727,736	7,374,044	8,097,461	8,708,629	
Tax Rate on Tax Capacity		52.161%	49.247%	48.674%	53.279%	58.448%	64.117%	67.900%	
Tax Rate % Change		4.57%	-5.59%	-1.16%	9.46%	9.70%	9.70%	5.90%	

- Assumes 5% growth in General Fund Operating Levy
- Assumes 1% growth in tax base
- Historical tax rate decline is due to growth in market values

Property Tax Levy



Tax Impact on Median Valued Home (\$173,000)

Year	Annual City Tax	Increase/(Decrease) from Prior Year	
		Annual	Monthly
2016	\$ 635.84	\$ 11.30	\$ 0.94
2017	664.83	28.99	2.42
2018	736.43	71.60	5.97
2019	816.24	79.81	6.65
2020	905.94	89.70	7.47
2021	1,006.64	100.70	8.39
2022	1,079.62	72.98	6.08

Home value of \$173,000 inflates 1% annually

Utility Funds

- They are Enterprise Funds
 1. Maintain City services including:
 - ✓ Combined 113 miles watermains, sanitary sewer lines and storm sewer
 - ✓ 5 drinking water wells
 - ✓ 3 water treatment plants
 - ✓ 13 lift stations
 2. Should be “flush” with cash with minimum reserves equal to:
 - ✓ 6 months of operations (not including depreciation)
 - ✓ Following year’s bond/debt payments
 - ✓ Funding for capital equipment and projects
 3. Sewer and Storm currently have insufficient cash balances

Proposed Residential Water Rates

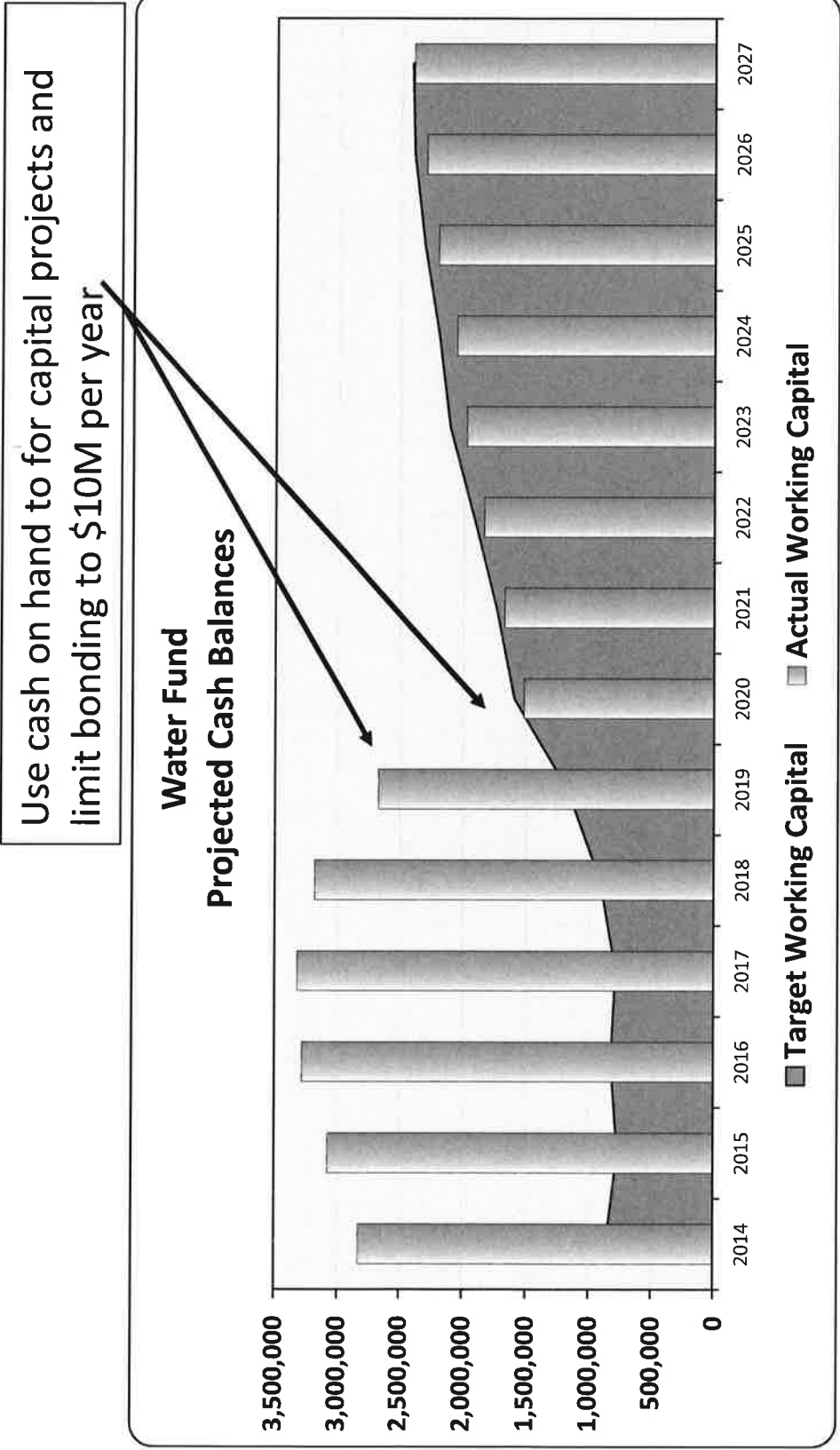
		2017	2018
Base Fee		\$10.02	\$10.72
		Rate per 1,000 Gallons	Rate per 1,000 Gallons
Capital Surcharge		\$0.55	\$0.59
Tier 1	0-12,000	\$2.96	\$3.17
Tier 2	12,001-26,000	\$3.97	\$4.25
Tier 3	26,001-40,000	\$5.15	\$5.51
Tier 4	Over 40,000	\$7.54	\$8.07

Proposed Water Rates and Sample Bill

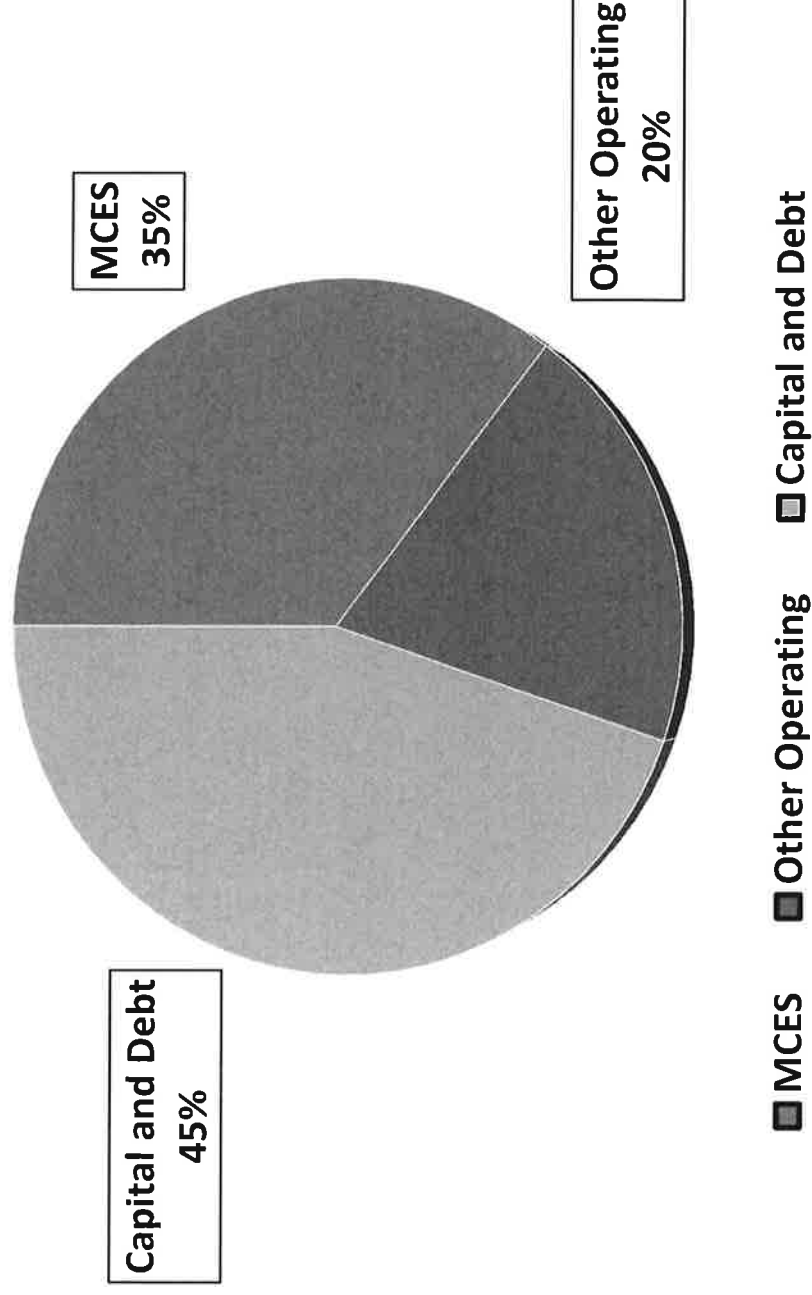
- Recommended 7.00% annual increase in 2018 and beyond
- Bill for residential customer using 15,000 gallons bi-monthly will increase \$4.60 in 2018
 - \$2.30 per month
 - 8 cents per day

	Existing 2017	Proposed Bi-Monthly Bills			
		2018	2019	2020	2021
UTILITY BILL EXAMPLES					
<u>Residential Property</u>					
Water (15,000 gallons/bi-monthly)	\$ 65.70	\$ 70.30	\$ 75.22	\$ 80.49	\$ 86.12

Maintains Health of Water Fund



2016 Sanitary Sewer Expenses



- Future Capital Costs Average \$1,243,000 per year

Proposed Sanitary Sewer Rates

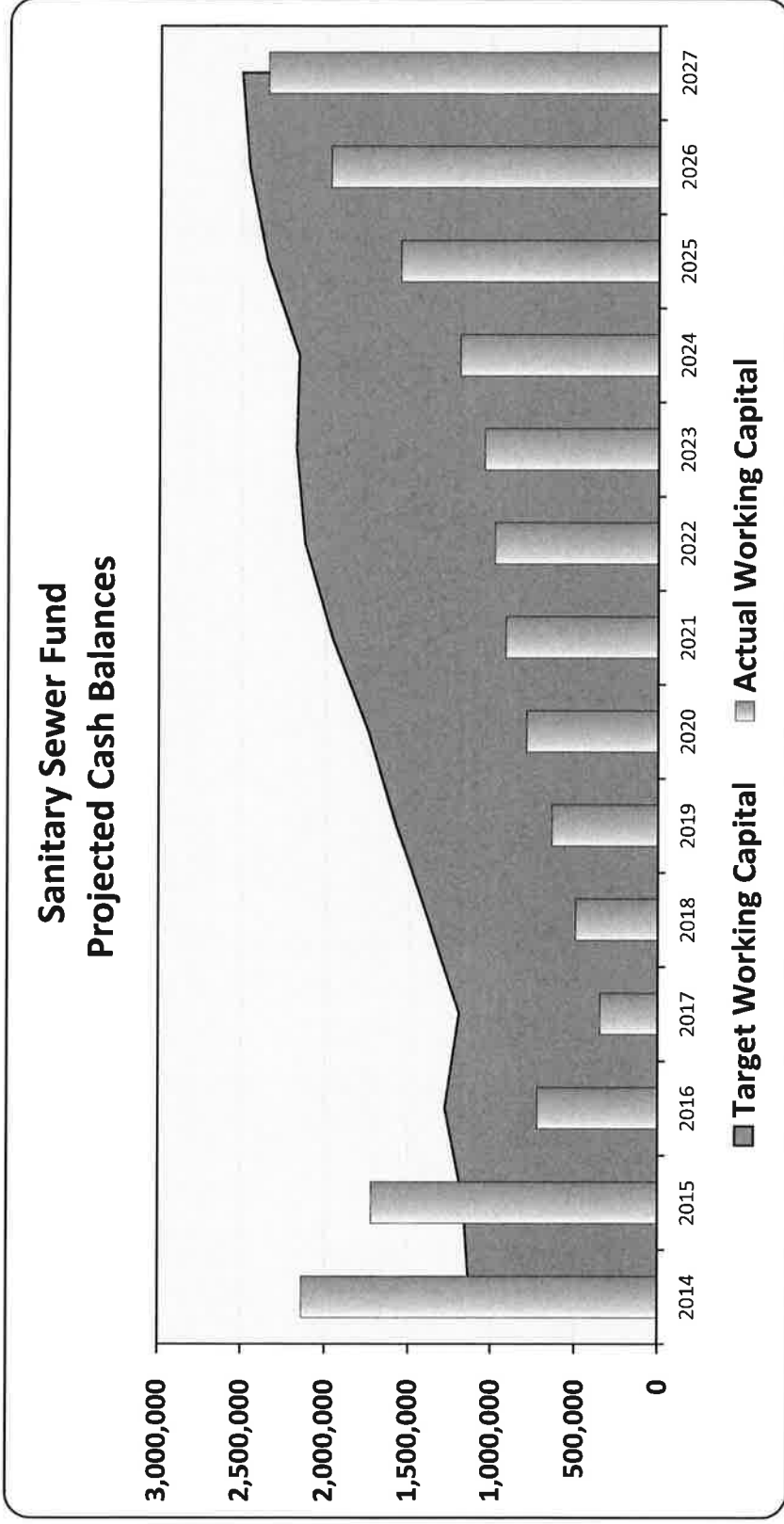
	2017	2018
Base Fee	\$14.96	\$16.46
All Usage	\$4.33 per 1,000 gal	\$4.76 per 1,000 gal.

Proposed Sanitary Sewer Rates

- Charges increase 10% annually 2018 – 2020
- 7% annual increases in 2021 and after
- Bill for residential customer discharging 7,500 gallons bi-monthly will increase \$4.74
 - \$2.37 per month
 - 8 cents per day

	Existing 2017	Proposed Bi-Monthly Bills			
		2018	2019	2020	2021
UTILITY BILL EXAMPLES					
<u>Residential Property</u>					
Sewer (7,500 gallons/bi-monthly)	\$47.44	\$52.18	\$ 57.40	\$ 63.14	\$67.56

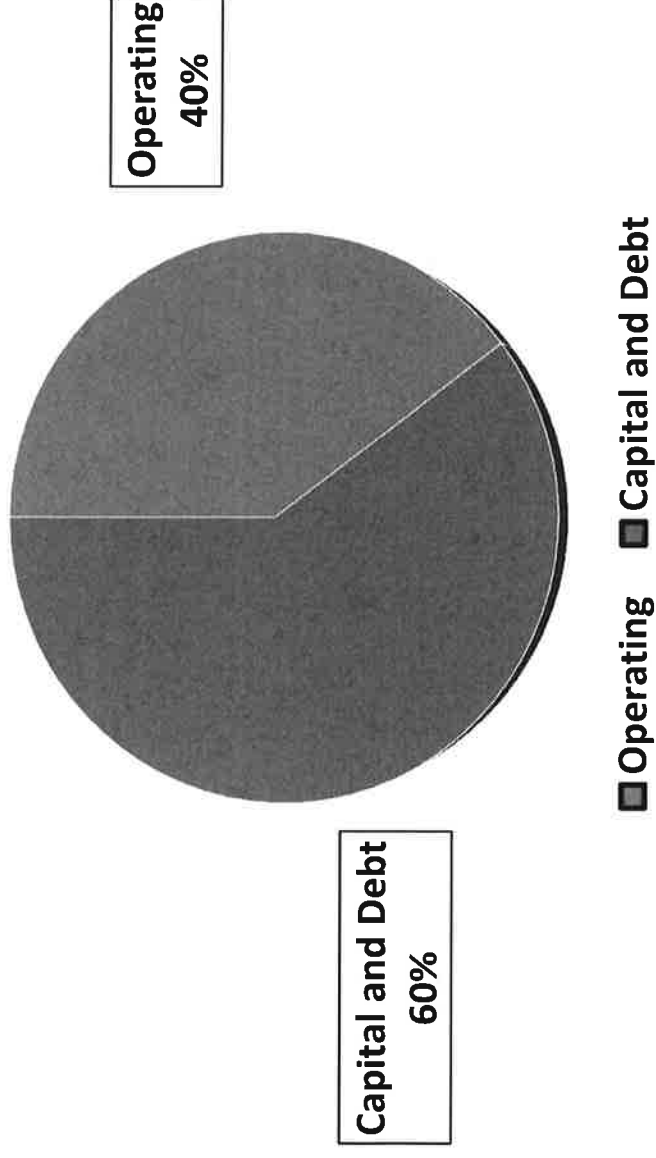
Restores Health of Sanitary Sewer Fund



Target working capital = 6 months operating expenses (excluding depreciation) plus next year's debt

Capital Driving Need for Storm Water Rate Increases

2016 Storm Sewer Expenses



- Future capital costs average \$1,097,000 per year

Proposed Storm Sewer Rates

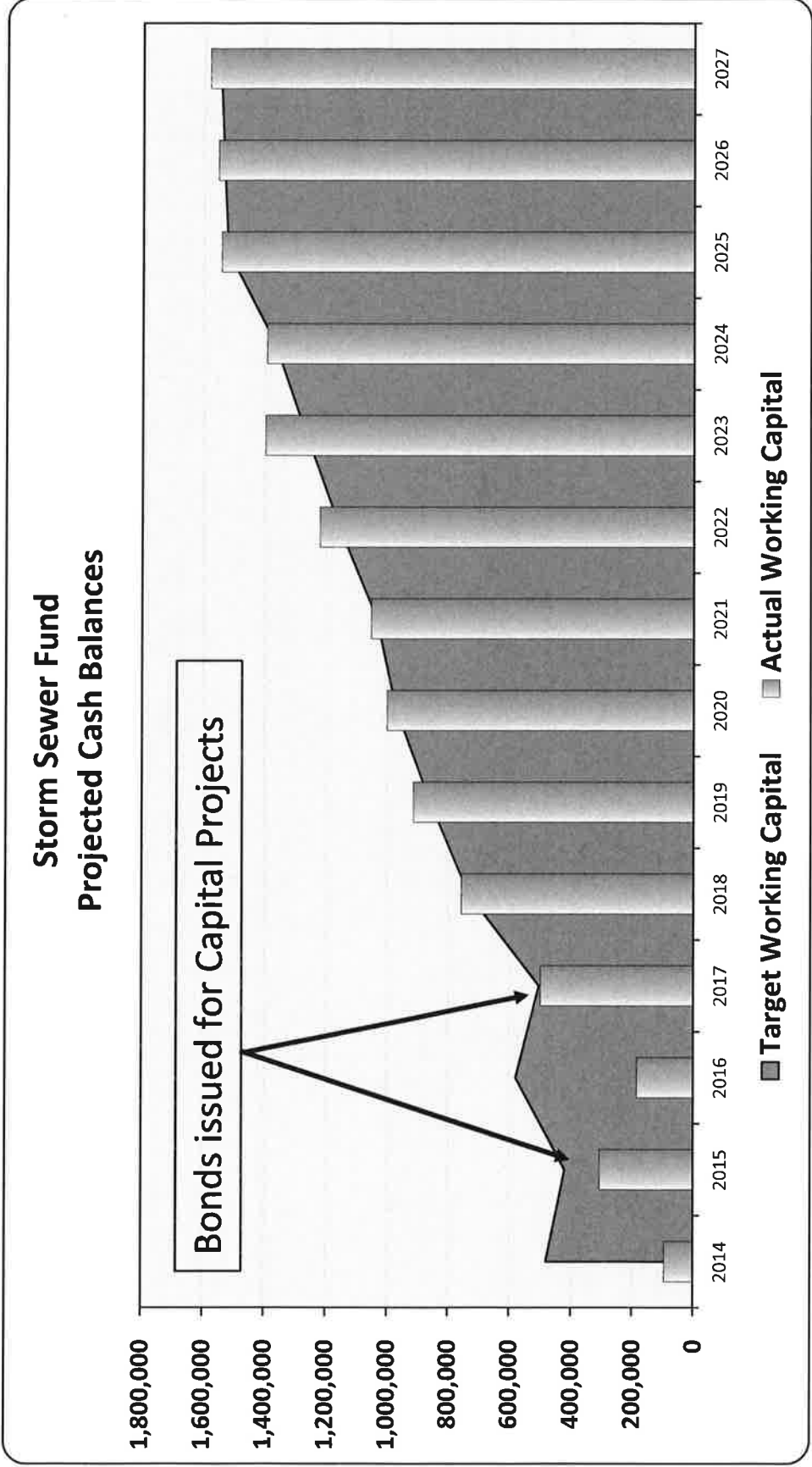
Base Fees	2017	2018
<u>Residential</u>		
Fee for .18 Acre	\$19.64	\$21.60
<u>Commercial</u>		
Fee per Acre	\$109.11	\$120.02

Proposed Storm Sewer Rates

- Recommended increase 10% for 2018
- All charges increase 9% annually 2019 – 2020
- All charges increase 8% annually after 2020
- Bill for residential customer will increase \$1.96
 - \$0.98 per month
 - 3 cents per day

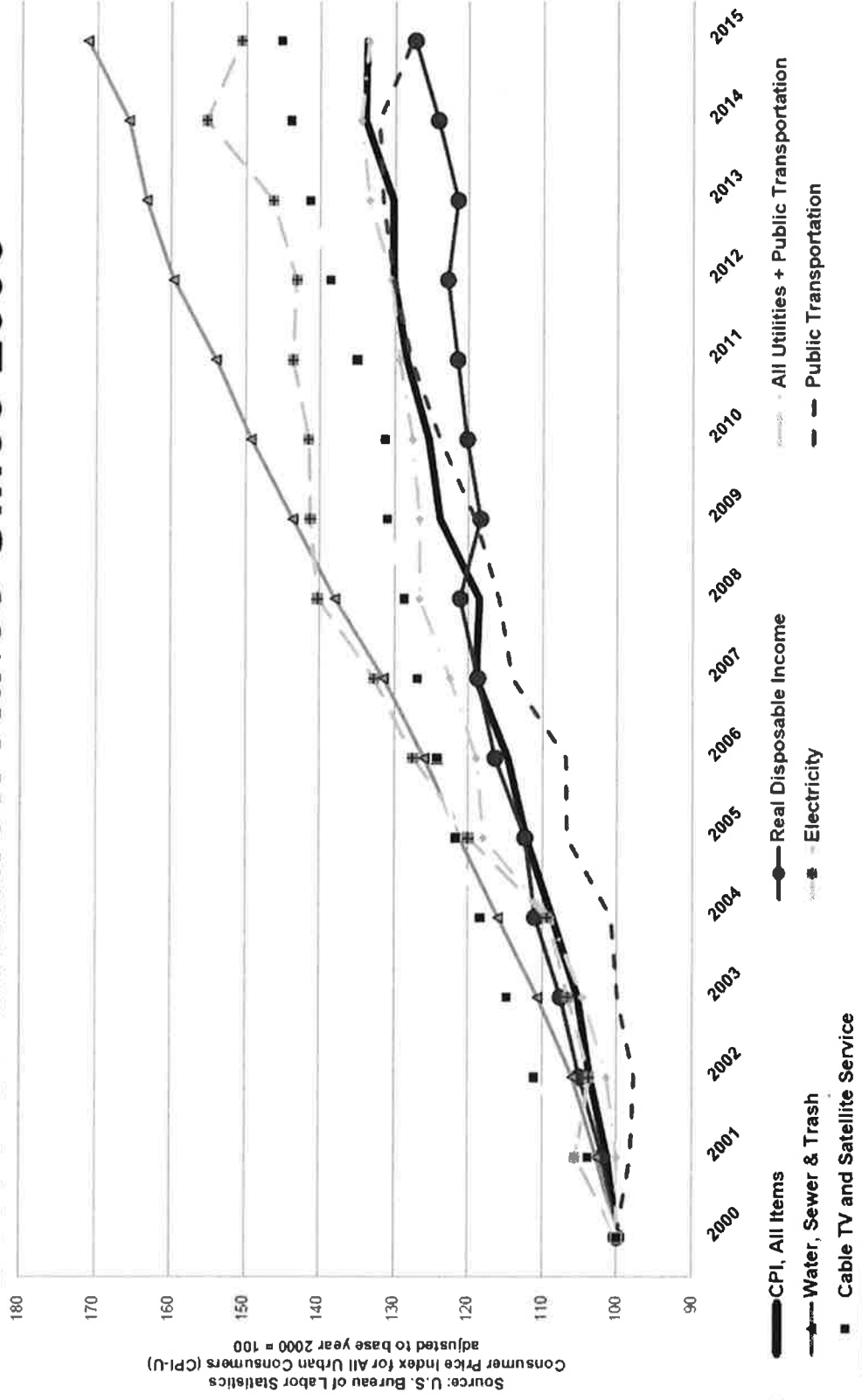
	Existing	Proposed Bi-Monthly Bills			
	2017	2018	2019	2020	2021
UTILITY BILL EXAMPLES					
<u>Residential Property</u>					
Storm Water	\$19.64	\$21.60	\$23.55	\$25.67	\$27.72

Impact on Storm Sewer Fund



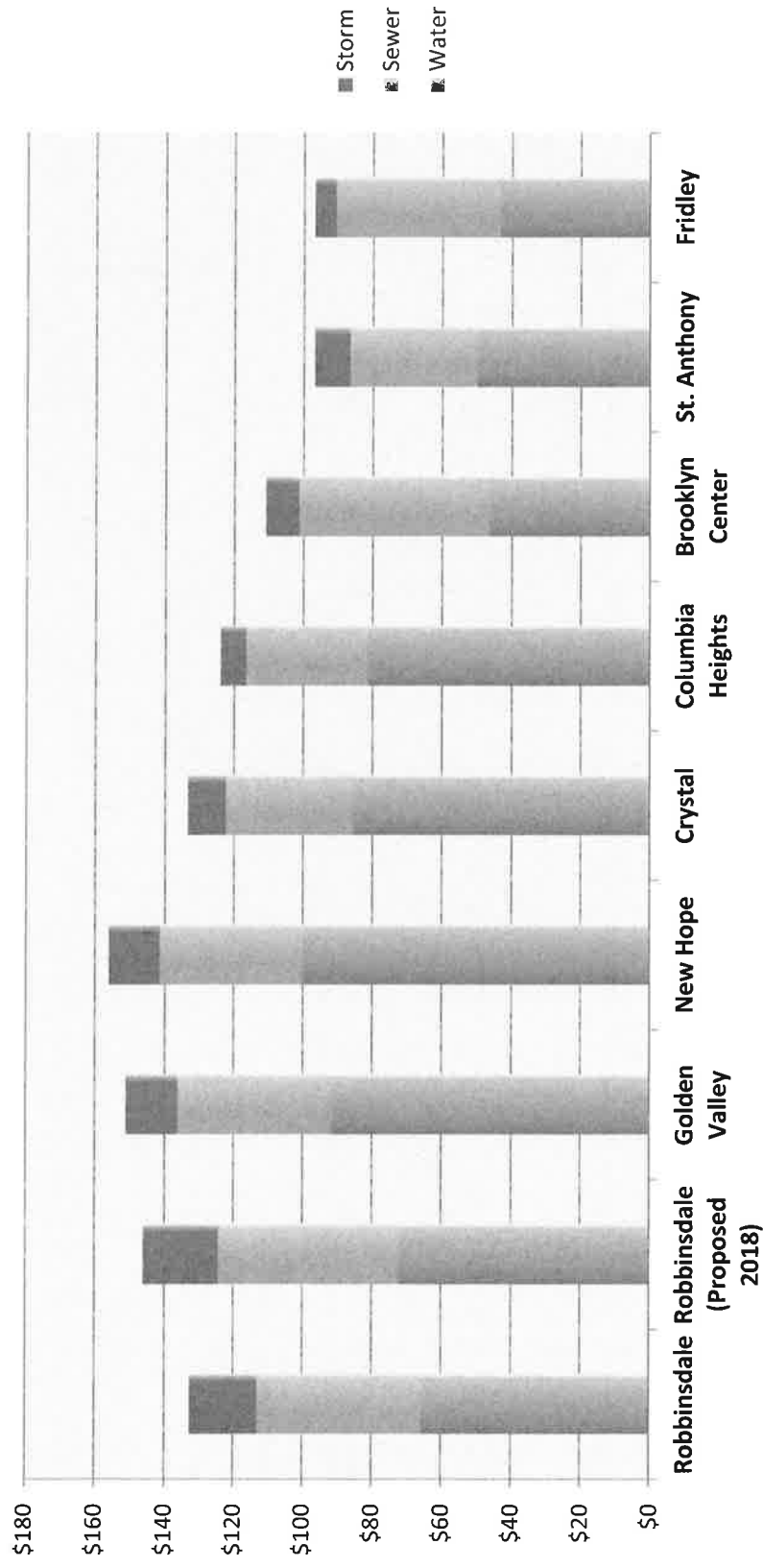
National Trends

Selected Inflation Rates Since 2000



Sample Bill Comparison

Comparison of 2017 Water, Sewer and Storm Charges Bi-Monthly for Residential Users
(based on 15,000 gallons water and 7,500 gallons sewer)



Bringing It All Together

- Total Residential Impact Analysis

	Existing 2017	Proposed Annual Impact			
		2018	2019	2020	2021
<u>\$173K Residential Homestead Property</u>					
Water (15,000 gallons/bi-monthly)	\$ 394.20	\$ 421.80	\$ 451.32	\$ 482.94	\$ 516.72
Sewer (7,500 gallons/bi-monthly)	284.64	313.08	344.40	378.84	405.36
Storm Sewer	117.84	129.62	141.29	154.01	166.33
Property Taxes - City Portion	664.83	736.43	816.24	905.94	1,006.64
Total Annual Cost	<u>\$1,461.51</u>	<u>\$1,600.93</u>	<u>\$1,753.25</u>	<u>\$ 1,921.72</u>	<u>\$2,095.04</u>
\$ Increase/(Decrease)		139.42	152.31	168.47	173.32
% Increase/(Decrease)		9.5%	9.5%	9.6%	9.0%

Bringing It All Together

- Total Commercial Impact Analysis

	Existing 2017	Proposed Annual Impact			
		2018	2019	2020	2021
<u>\$500K Commercial Property</u>					
Water (45,000 gallons/bi-monthly)	\$ 1,007.82	\$ 1,078.38	\$ 1,153.86	\$ 1,234.62	\$ 1,321.02
Sewer (45,000 gallons/bi-monthly)	1,258.86	1,384.74	1,523.22	1,675.56	1,792.86
Storm Sewer (1 acre, 75% impervious)	1,964.00	2,160.40	2,354.84	2,566.77	2,772.11
Property Taxes - City Portion	3,132.60	3,417.37	3,780.70	4,191.85	4,647.84
Total Annual Cost	<u>\$18,795.57</u>	<u>\$ 20,504.20</u>	<u>\$ 22,684.19</u>	<u>\$ 25,151.13</u>	<u>\$ 27,887.05</u>
\$ Increase/(Decrease)		1,708.63	2,180.00	2,466.93	2,735.92
% Increase/(Decrease)		9.1%	10.6%	10.9%	10.9%

Summary

- Increased Capital Expenses
 - Aging infrastructure
 - Study includes combined \$84.0M inflated project costs during 2018-2027
- Self-supporting utilities will require revenue increases in order to fund street reconstruction projects, maintain infrastructure and operations
- Tax levy increases needed to support pavement management program

Jessica Cook
Financial Specialist
651-697-8546
jcook@ehlers-inc.com