



AGENDA

City Council

Workshop Meeting

May 28, 2024

Hadley Conference Room

5:00 PM

Amended

- 5:00 PM Zoning and Subdivision Ordinance Update Project
- 5:30 PM Drinking Water Settlement Capital Improvement Plan
- 5:45 PM 2023 Cannabis Legislation and its Impact on Oakdale
- 6:15 PM Review Long Term Financial Plan Model, Workshop Continuation
- 6:35 PM Management Discussion – Chief of Police
- 6:55 PM Recess for Regular Meeting

Continue after Regular City Council Meeting, Hadley Conference Room

Utility Rate Study
Strategic Planning Update
Administrator Update
Council Topics



COUNCIL MEMORANDUM

To:	Honorable Mayor and City Council		
From:	Luke McClanahan, City Planner		
Date:	May 28, 2024	Time:	5:00 PM
Subject:	Zoning and Subdivision Ordinance Update Project		

BACKGROUND

A priority of the City of Oakdale’s 2040 Comprehensive Plan is to “Modify the...Zoning and Subdivision Ordinance...to facilitate the achievement of the City’s development and redevelopment goals” (Chapter 2 - Land Use, Goal 2, Policy 3). Another priority of the Comprehensive Plan is to “Identify opportunities to amend the zoning ordinance to promote housing reinvestment” (Chapter 9 - Neighborhoods, Goal 1, Policy 4). Beyond helping to fulfill the goals of the Comprehensive Plan, updating the City’s Zoning and Subdivision Ordinance will modernize it and improve its overall user friendliness. The last substantial set of updates to the City’s Zoning Ordinance was completed in 2008.

In March 2024, the City hired HKGi, a Twin Cities-based planning and urban design firm, to assist in updating key portions of the City Code. Staff is collaborating with HKGi to evaluate the City Code and diagnose existing issues. The project will emphasize updates to the City’s Zoning and Subdivision chapters, which govern land uses and development standards.

The project team obtained high level feedback on the Code update project from the Planning Commission at their regular meeting on May 2, 2024. Overall, the commissioners had mixed opinions on key sections of the Code, yet the discussion was informative. They had differing views on introducing exterior design standards for residential property, such as prohibiting pre-engineered metal buildings. Some of the commissioners noted that there should be more flexibility to reduce parking requirements for new developments. They felt that the lighting standards of the Code should be reviewed in full. They also had differing views on updating the signage regulations and whether it is appropriate to allow more flexibility for temporary signage and dynamic (i.e., electronic) signage.

Next, the project team is seeking feedback and guidance from the City Council for the update. Given that the Code Update process is still in its early stages, staff recommends that City Council consider broader themes and approaches rather than technical details.

An accompanying memo from HKGi further explains the code update project. Maps of existing zoning districts and tables of usage of current zoning districts are also provided for reference.

COUNCIL DIRECTION REQUESTED

It is requested that the City Council provide general feedback on specific areas of the City Code that may require updates.

Attachments

- Zoning and Subdivision Code Update Memo by HKGi
- Maps of Existing Zoning Districts by Category
- Tables of Usage of Zoning Districts on Current Zoning Map
- Presentation Slides

Meeting Memo

To: Oakdale City Council
From: Jeff Miller and Beth Richmond, HKGi
Date: May 21, 2024
Subject: Subdivision and Zoning Code Update
Meeting Date: May 28, 2024

Project Overview

In March 2024, the City hired HKGi to lead an update to the City’s development regulations, specifically Chapter 25 Zoning Code; Chapter 16 Planning and Development; Chapter 21 Subdivisions; and Chapter 22 Trees. This code update is a collaborative effort between HKGi and the City’s Community Development staff and is intended to address code inconsistencies, modernize the code for contemporary development, and generally make the code easier to use for staff, elected and appointed officials, and members of the public.

To address the above code chapters and meet the City’s desired timeline, the code update process consists of the following four phases and project schedule:

Phases	Project Schedule
1. Code Diagnosis	March – June
2. Initial Code Drafts	June – September
3. PC & CC Review	September – October
4. Adoption Process	November – December

HKGi is currently working with city staff to complete the Phase 1 Code Diagnosis. The purpose of this phase is to gain an understanding of the existing code chapters and to identify and prioritize the issues that will be addressed in the updating process. In order to gain a better understanding of the existing zoning regulations, HKGi has prepared several maps showing existing zoning districts by category (residential, business, infrastructure/open space, and planned unit developments) and tables showing the usage of the zoning districts on the current zoning map. These analysis documents are attached as background materials for the May 28th workshop.

Community engagement for this project will be focused on meetings with a variety of key stakeholders including developers, real estate professionals, builders, architects, engineers, businesses, Oakdale Chamber of Commerce, and the City’s Tree Board. Project information and a survey will be available during the project on the City’s website. A public hearing is required for this project.

Workshop Overview

One of the steps in Phase 1 of the project is to meet with both the Planning Commission and the City Council. The purpose of these project kickoff meetings is to introduce the consultant team, provide an overview of the project approach and schedule, share what the team has learned so far, discuss any specific topics that Commissioners and Council Members would like to see addressed in the code update process, and get input on the community engagement efforts.

At the May 28th meeting, HKGi will focus on presentation and inviting input from the Planning Commission on the following topics:

- Project overview
- Zoning districts
- Exterior building materials
- Parking
- Landscaping
- Screening
- Signs
- Community engagement efforts

In preparation for the May 28th workshop, please review the attached presentation slides and attached documents and consider the following questions:

1. Which parts of the current zoning and subdivision regulations are hard to understand?
2. Which parts of the development review process could benefit from simplifying?
3. As you think about recent development proposals, what issues/conflicts arose between proposed developments and the zoning or subdivision code regulations?
4. Over the next 10 years, what types of new development or redevelopment do you envision? How could the City update its zoning/subdivision codes to address and support future development issues?
5. Anything else to consider?

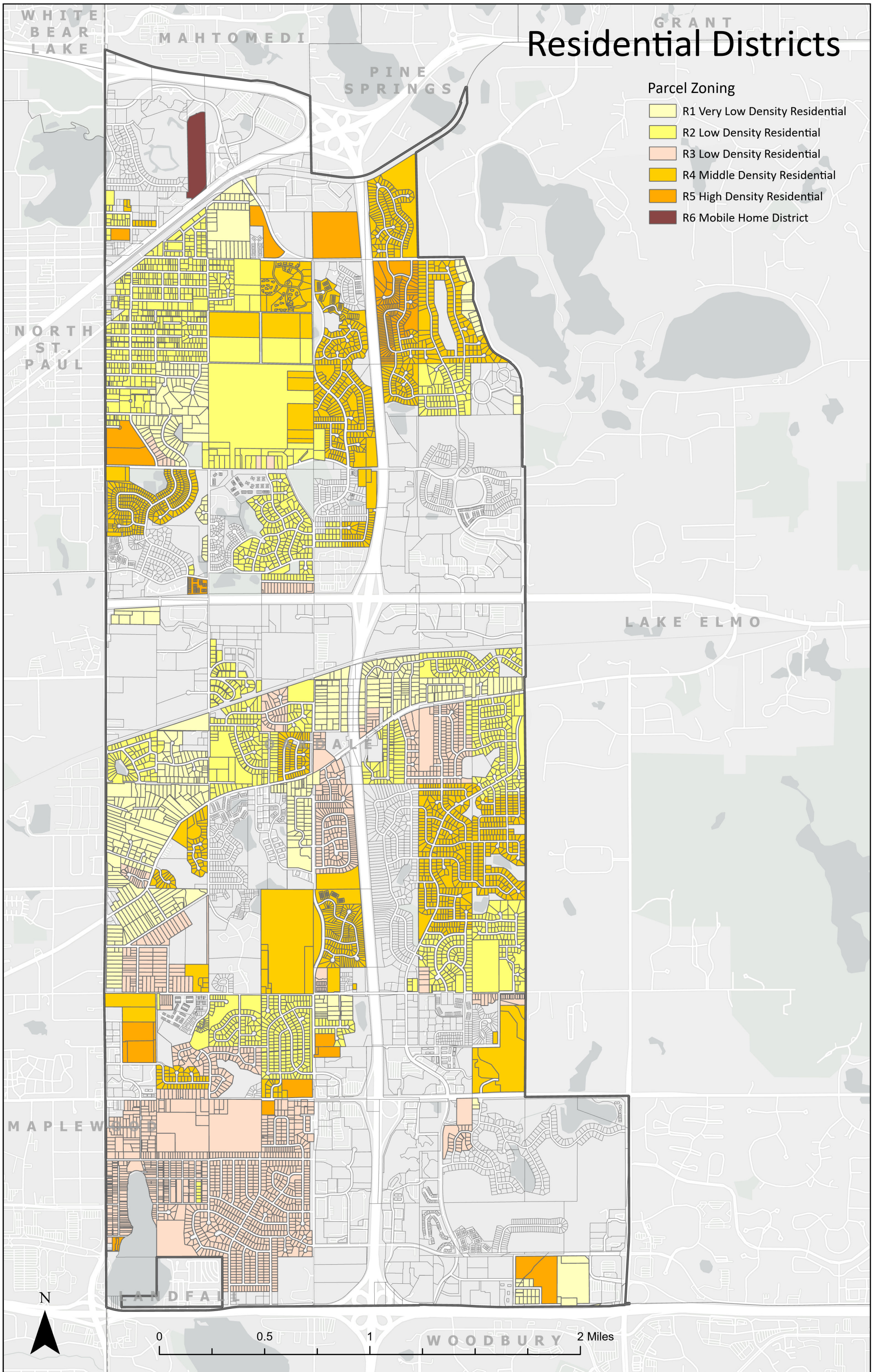
Attachments

- » Maps of existing zoning districts by category
- » Tables of usage of zoning districts on current zoning map

Residential Districts

Parcel Zoning

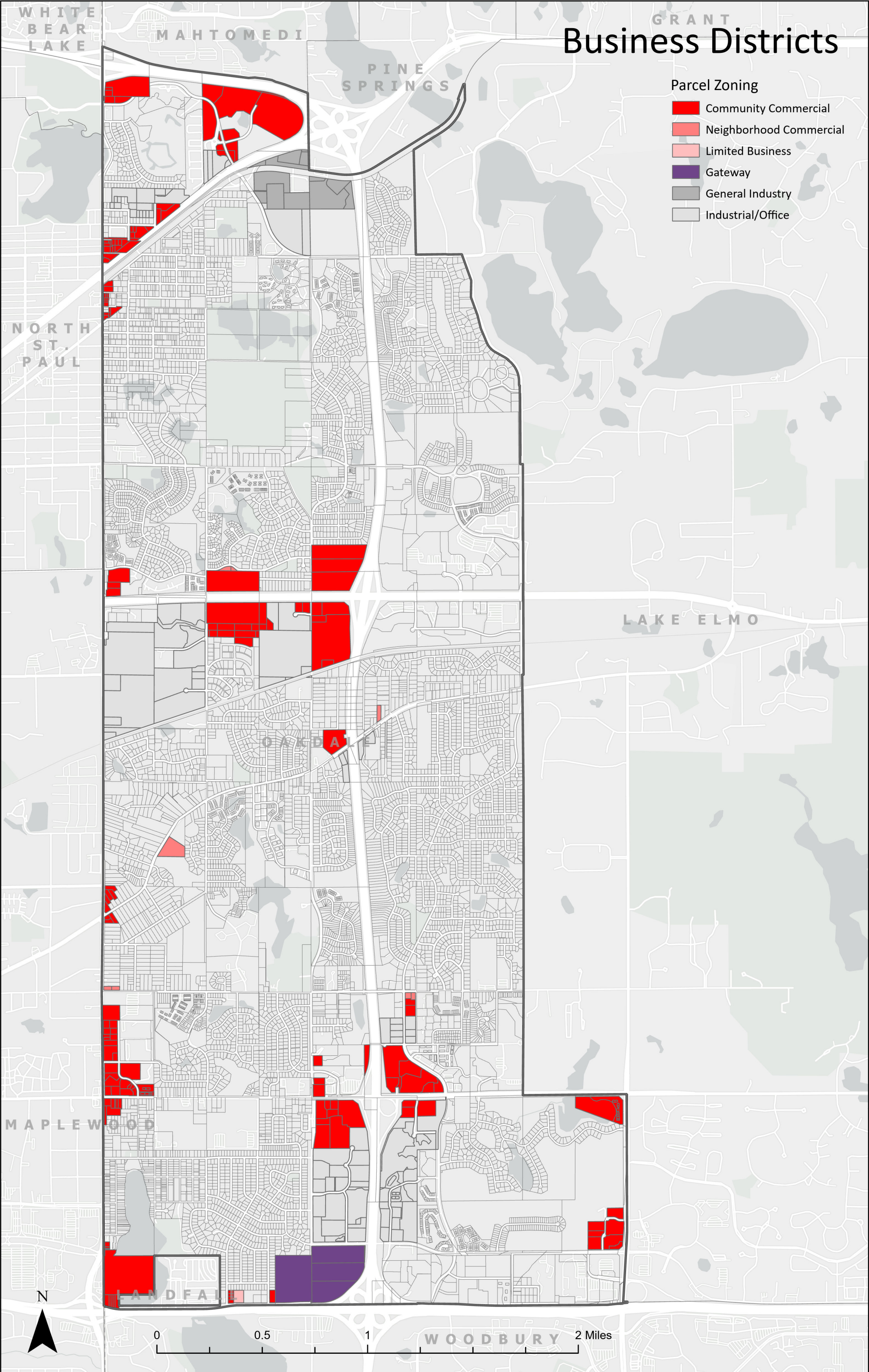
- R1 Very Low Density Residential
- R2 Low Density Residential
- R3 Low Density Residential
- R4 Middle Density Residential
- R5 High Density Residential
- R6 Mobile Home District



Business Districts

Parcel Zoning

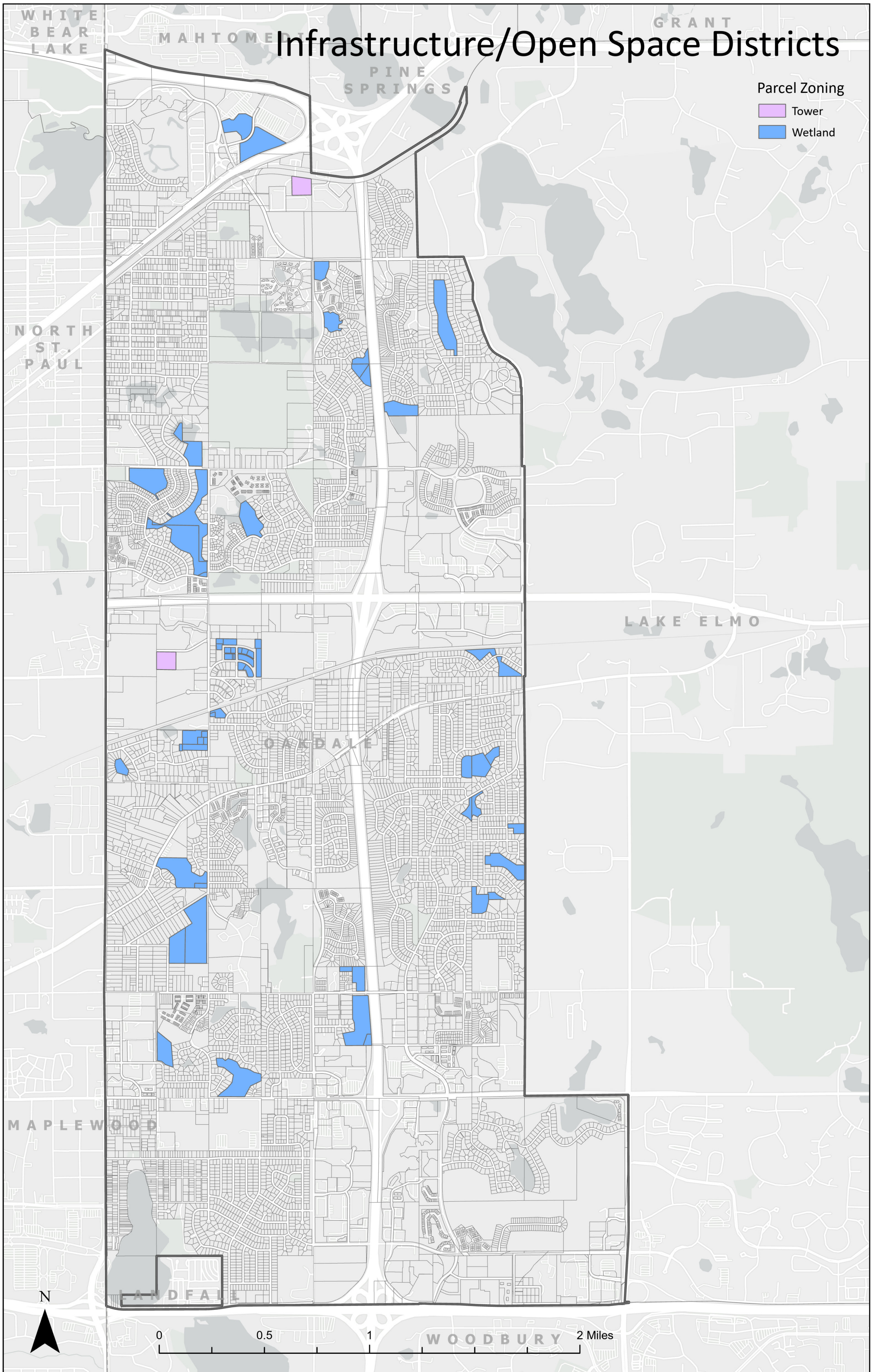
- Community Commercial
- Neighborhood Commercial
- Limited Business
- Gateway
- General Industry
- Industrial/Office



Infrastructure/Open Space Districts

Parcel Zoning

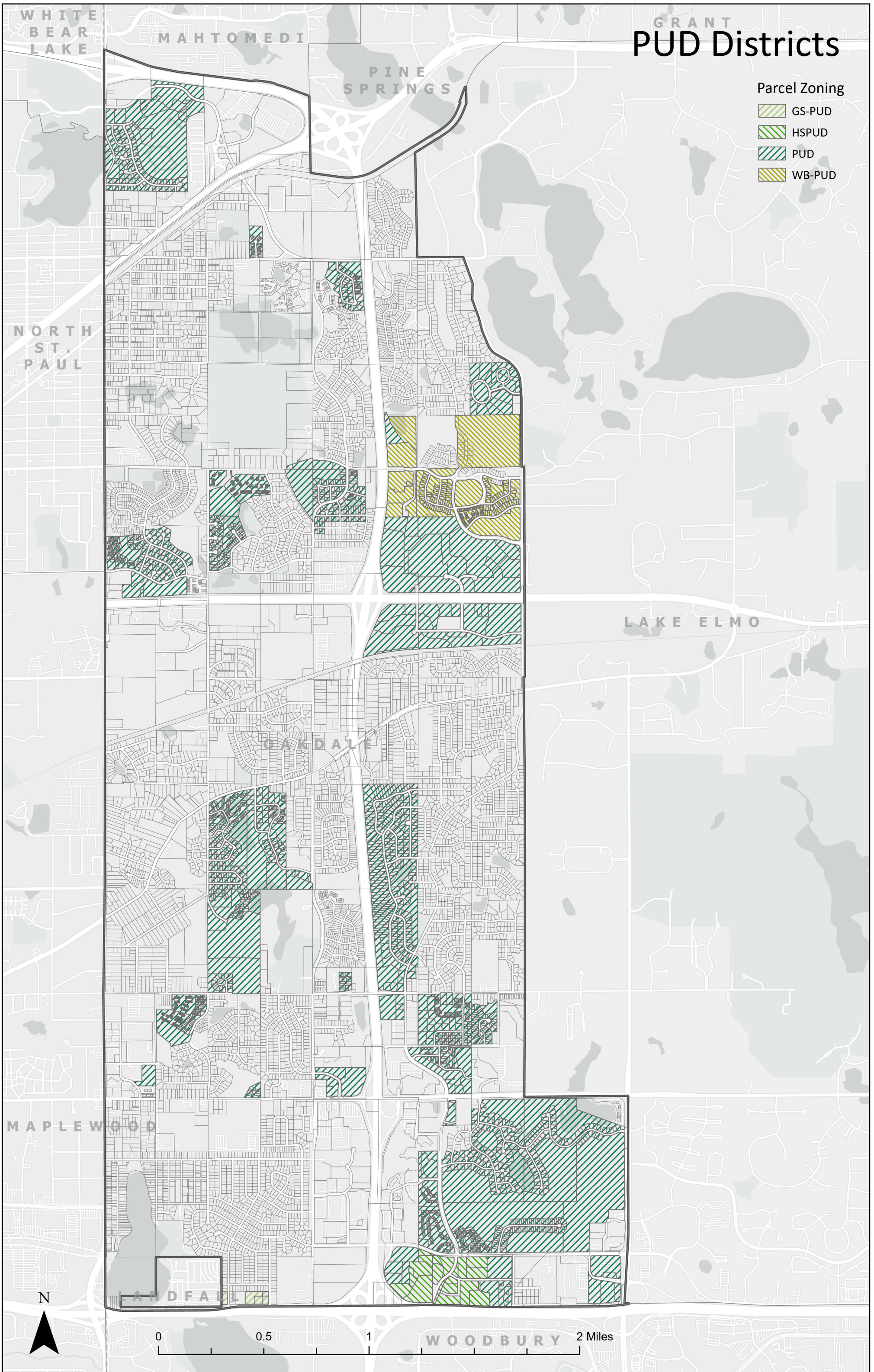
- Tower
- Wetland



GRANT PUD Districts

Parcel Zoning

- GS-PUD
- HSPUD
- PUD
- WB-PUD



Summary of Current Zoning Districts Usage

- **Number of zoned parcels**
- **Number of zoned acres**
- **District's percentage of category based on acres**

Residential Districts

6 Residential Districts	Number of Parcels	Number of Acres	% of Total Residential
R-1 Very Low Density Housing	666	492	14.2%
R-2 Low Density Housing	2,036	914	26.5%
R-3 Low Density Housing	1,742	654	18.9%
R-4 Mid Density Housing	2,275	1,062	30.7%
R-5 High Density Housing	378	310	9.0%
R-6 Manufactured Homes	2	21	0.6%
Total Residential Zoning	7,099	3,453	100.0%

Keep in mind that residential PUDs are not included in these numbers

Business Districts

6 Business Districts	Number of Parcels	Number of Acres	% of Total Business
C-1 Neighborhood Commercial	8	9	0.9%
C-2 Community Commercial	202	392	41.7%
IO Industrial-Office	128	426	45.3%
GI General Industrial	13	50	5.3%
LB Limited Business	1	2	0.2%
G Gateway	5	61	6.5%
Total Business Zoning	357	940	100.0%

Keep in mind that commercial PUDs are not included in these numbers

Infrastructure / Open Space Districts

2 Infrastructure/ Open Space Districts	Number of Parcels	Number of Acres
T Tower	2	10
W Wetland	61	242

PUD Districts

Planned Unit Development (PUD) Districts	Number of Parcels	Number of Acres	% of Total Business
Planned Unit Development	2,941	1,720	89.4%
HS-PUD	20	52	2.7%
GS-PUD	5	5	0.3%
WB-PUD	197	148	7.7%
Total PUD Zoning	3,163	1,925	100.0%



City Council Workshop – May 28, 2024

Oakdale Zoning & Subdivision Code Update



Tonight's Meeting Agenda

- **Project Overview**
- **Zoning Districts**
- **General Building & Performance Standards**
- **Community Engagement Strategy**
- **Next Steps**
- **Council Discussion**

May 28, 2024 City Council Work Session
Zoning & Subdivision Code Update



Scope of Code Updates

- Zoning (Chapter 25) – specific sections (articles)
 - Zoning districts, PUD, general building & performance standards, zoning administration, signs, definitions
- Subdivisions (Chapter 21)
- Trees (Chapter 22)
- Planning and Development (Chapter 16)

Understanding of the City's Needs

- The city is experiencing growth in development applications
- Zoning code is outdated, last full code update was in 2008
- Specific chapters and articles, not the entire code, need updating based on outside expertise and best practices
- The City Code will transition from a PDF to an online code hosting platform (Municode)

Code Update Objectives

- Update and modernize standards
- Align the zoning code with the Comprehensive Plan and other plans (Glenbrook SAP, Ped & Bike Plan)
- Improve code’s user-friendliness
- Ensure consistency with state statutes, federal laws, and judicial rulings
- Facilitate achievement of the City’s development and redevelopment goals

Approach

Project Phases	Schedule
1. Code Diagnosis	March – June
2. Draft the Code Updates	June – September
3. PC & CC Review	September – October
4. Adoption Process	November – December

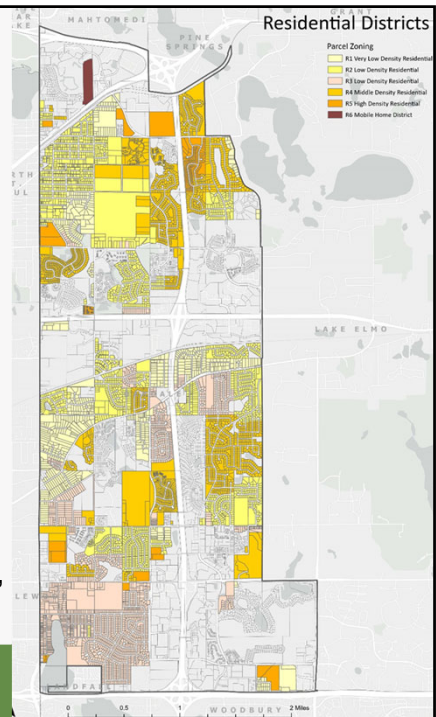
Note: HKGi and staff are partnering on code updates – HKGi leads on some sections, staff on others

Current Types of Zoning Districts

- **14 Base Districts**
 - 6 residential districts
 - 6 business districts
 - 2 infrastructure/open space districts (Wetland, Tower)
- **Planned Unit Development (PUD) Districts**
- **2 Overlay Districts**
 - Shoreland, Floodplain

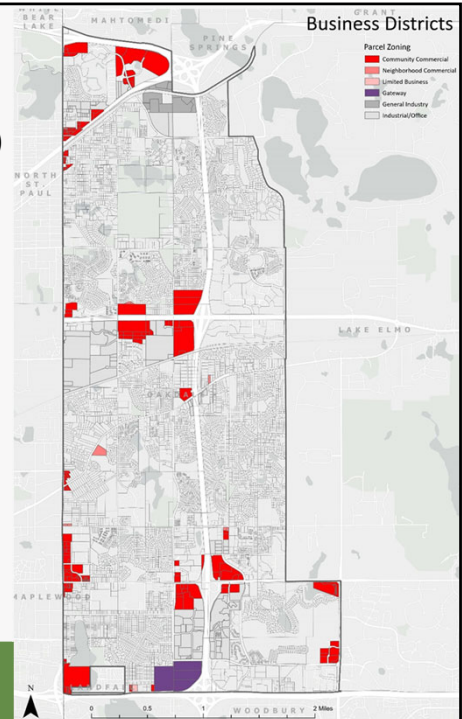
Residential Districts

- **Issues**
 - Housing types not well defined, e.g. overlapping housing types, middle density housing, senior housing
 - Each district's allowed uses are cumulative
 - Inconsistencies in densities allowed - zoning districts vs. 2040 Comprehensive Plan LU categories
 - Clarify standards for home occupations, accessory structures, auxiliary dwelling units, zero lot line buildings
- Create tables for uses and dimensional standards
- Align residential uses with State statute requirements
- Residential districts include existing park, institutional, and wetland uses



Business Districts

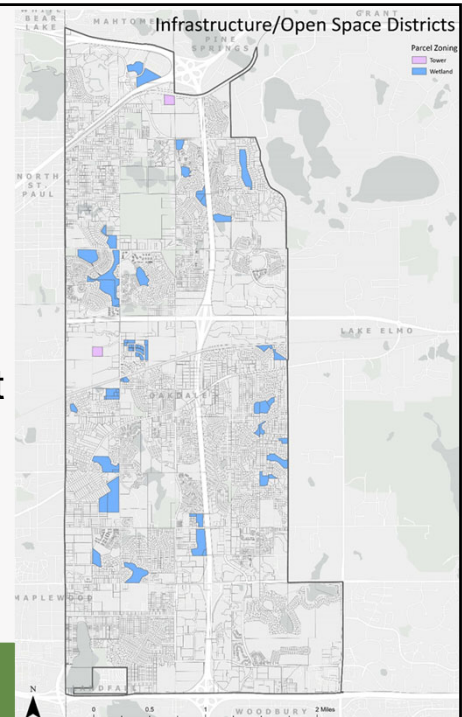
- Half of the districts not used much (LB, G, C-1)
- Long lists of overly specific uses in each district → consolidation + definitions
- Create tables for uses and dimensional standards
- Add standards and/or definitions for specific uses to ensure quality and compatibility
 - e.g. kennels, outdoor smoking area, auto towing services, office-warehouse
- Consider increasing height standard for industrial buildings



May 28, 2024 City Council Work Session
Zoning & Subdivision Code Update

Infrastructure/Open Space Districts

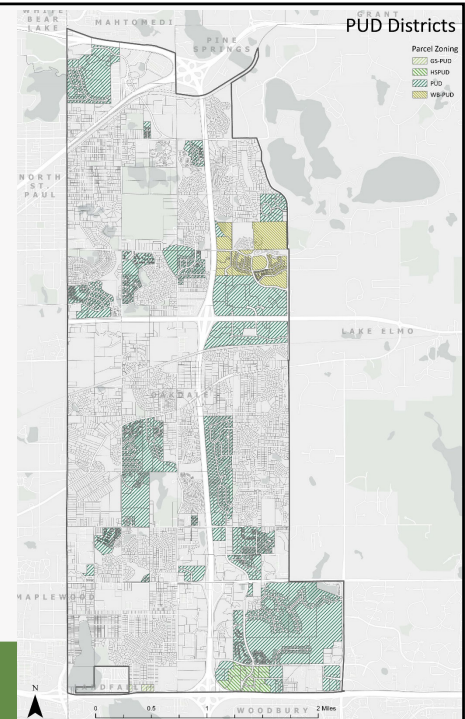
- Tower use could be simply be an allowed use in industrial districts rather than a separate district
- Wetlands are typically an overlay district
 - District does not include all wetlands
- Lack of public districts, even though 2040 Comp Plan has 4 public land uses



May 28, 2024 City Council Work Session
Zoning & Subdivision Code Update

PUD Districts

- 5 types of PUDs
- 29% of city's land currently zoned PUD
- Standards for some older PUDs are challenging to find and use
- Consider reducing minimum lot area (5 acres)
- Consider city's use of PUDs vs. use of base districts



May 28, 2024 City Council Work Session
Zoning & Subdivision Code Update

Key Building and Performance Standards

- Exterior building materials
- Parking
- Landscaping
- Screening
- Lighting
- Signs
- Other topics?

May 28, 2024 City Council Work Session
Zoning & Subdivision Code Update



Planning Commission Input

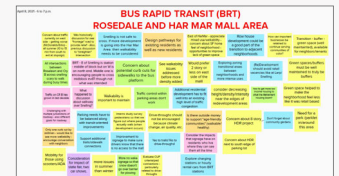
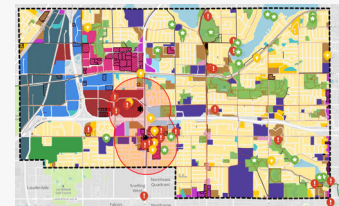
- **Exterior building materials** - simplification/flexibility of standards, allow architectural metal for residential
- **Parking** – reduction of parking spaces, joint parking for more use types, impacts on pervious surfaces and affordability
- **Landscaping** – native vegetation options
- **Lighting** – prevent impacts to adjacent properties, lighting that is too bright, consider screening of lights
- **Signs** – prefer static to dynamic signs, balance need for temporary signs with clutter

May 28, 2024 City Council Work Session
Zoning & Subdivision Code Update



Community Engagement

- Meetings with Stakeholder Groups
 - Developers, realtors
 - Builders
 - Architects, engineers
 - Businesses
 - Chamber of Commerce
 - Tree Board
- Online engagement with survey and interactive maps
- Public engagement at community events



May 28, 2024 City Council Work Session
Zoning & Subdivision Code Update



Next Steps

- Complete code diagnosis – Early June
- Conduct stakeholder meetings – May/June
- Prepare draft code revisions – June to September
- PC and CC review – September/October
- Adoption process – November/December

Council Discussion

1. Which parts of the current zoning and subdivision regulations are hard to understand?
2. Which parts of the development review process could benefit from simplifying?
3. As you think about recent development proposals, what issues/conflicts arose between proposed developments and the zoning or subdivision code regulations?
4. Over the next 10 years, what types of new development or redevelopment do you envision? How could the City update its zoning/subdivision codes to address and support future development issues?
5. Anything else to consider?



COUNCIL MEMORANDUM

To:	Honorable Mayor and City Council		
From:	Brian Bachmeier, Consulting City Engineer		
Date:	May 28, 2024	Time:	5:30 PM
Subject:	Drinking Water Settlement Capital Improvement Plan		

BACKGROUND

On May 9, 2024, the Minnesota Pollution Control Agency, and the Minnesota Department of Natural Resources, the Co-Trustees of the 3M Drinking Water Settlement Fund, held a joint meeting with the working groups. The agenda included a discussion on the new Environmental Protection Agency (EPA) maximum contaminant levels for PFAS compounds, a review of the on-site dashboard, and a review of updated project costs, funding projections, and future reallocations.

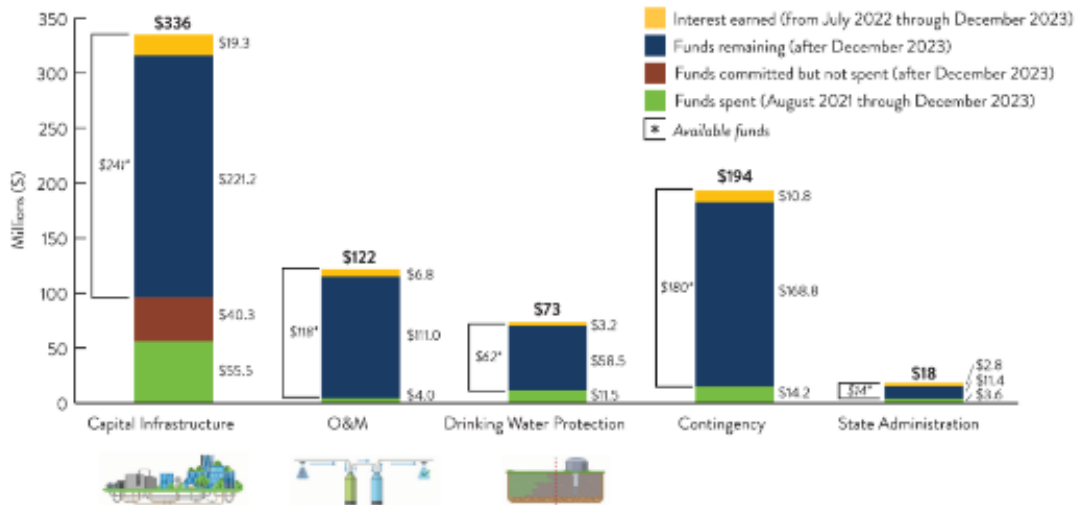
This memo will focus on the funding projections, future reallocations, and recommended action.

FUNDING PROJECTIONS

The Co-Trustees provided the following information.

Final plan	
Item	Final allocation (Dollars in Millions)
Capital	\$317
PWS O&M	\$87 / 20 yrs
POETS O&M	\$28 / 30 yrs
Drinking water protection	\$70
Contingency	\$183
Sustainability & conservation	\$0
Phase II capital (neighborhoods)	\$0
State administration costs	\$15
Total	\$700

Funds Committed through First Half of Fiscal Year 2024 (July 2023 through December 2023)



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Anticipated Awards through Remaining Fiscal Year 2024 (January 2024 through June 2024)

Major Projects Awarded in Second Half Fiscal Year 2024	Funding Category	Award Amount
Woodbury WTP Equipment Pre-procurement	Capital	\$24,501,600
Woodbury Temporary Water Treatment Capital	Capital	\$9,183,700
Cottage Grove IZWTP Design Grant Amendment	Capital	\$2,550,000
Cottage Grove High Zone Raw Water Main (planning and design)	Capital	\$572,000
Lake Elmo Neighborhood Connections	Contingency	\$451,100
Newport Home Connections	Capital	\$25,000
Newport Interconnection Improvements Planning	Capital	\$20,000
Other anticipated commitments or spending (e.g., on-going temporary treatment O&M, projects currently under discussion, etc.)	Multiple	\$18,404,900
Sum	-	\$55,663,400

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Anticipated Awards in Fiscal Year 2025

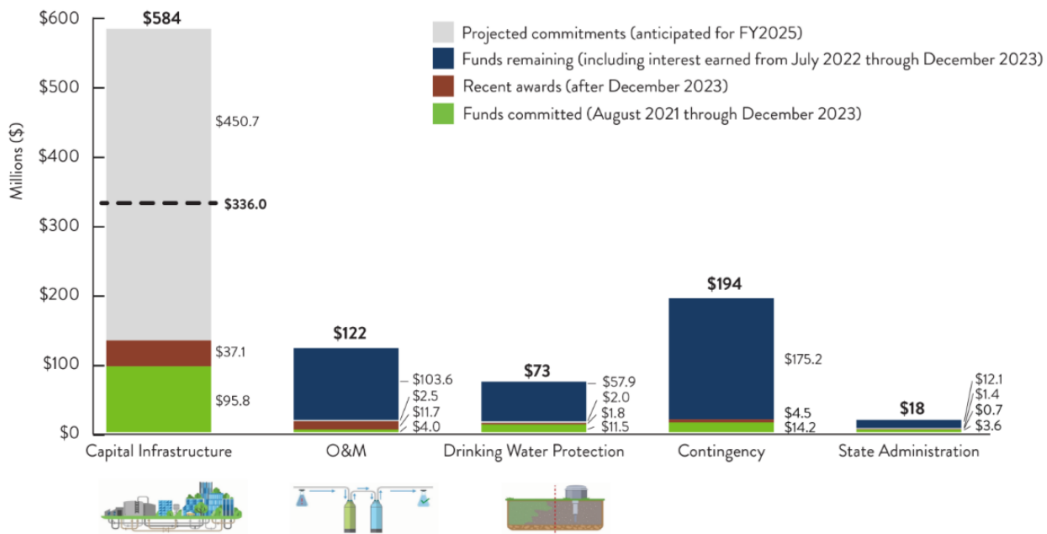
(July 2024 through June 2025)

Major Projects Anticipated in Fiscal Year 2025	Funding Category	Award Amount
Woodbury CWTP Construction	Capital	\$205,000,000
Woodbury Water Mains	Capital	\$136,000,000
Cottage Grove IZWTP Construction	Capital	\$100,000,000
Cimarron Connection or WTP	Capital	\$6,900,000
Lake Elmo Well 2 WTP	Capital	\$2,300,000
Lake Elmo South Area Production Wells 6 & 7	Capital	Unknown
POET Installation costs	Capital	\$528,800
Sum	-	\$450,728,800

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Fund Projections through Fiscal Year 2025

(July 2024 through June 2025)



We anticipate earning interest, but interest projections are not included in this graph due to uncertainty.

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Implications of Spending on Fund Allocations

- **Capital fund allocation** will continue to fund eligible projects, including using interest earned on capital funds, until the fund is depleted
 - Anticipated capital grants awarded through Fiscal Year 2025 will exceed the amount of funding originally allocated to capital in the Conceptual Plan
 - Reminder that the Fiscal Year 2025 capital projects (and costs) are expected over multiple years, but we want to have the full grant amount in the capital account before approving grant projects
- **Contingency fund allocation** will be used to fund eligible projects
 - Likely to use remaining dollars from the contingency fund allocation for capital projects in Fiscal Year 2025

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Implications of Spending on Fund Allocations

- **O&M allocation** will maintain individual POETs as well as municipal water treatment plants
 - Will likely need to reallocate a portion of O&M funding in Fiscal Year 2025
- **Drinking water protection allocation** will complete Project 1007 feasibility study, as required under the Settlement, and fund drinking water sampling for private wells and public systems
 - Will likely need to reallocate a portion of drinking water protection funding in Fiscal Year 2025
- **State administration allocation** will continue to fund the implementation of the Conceptual Plan
 - Will likely need to reallocate a portion of state administration funding in Fiscal Year 2025

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Fund Reallocation Discussion

- No reallocation is anticipated to be needed for Fiscal Year 2024
- Proposed approach for Fiscal Year 2025: After utilizing remaining uncommitted funds in Contingency, reallocate proportionately from Drinking Water Protection, O&M, and State Administration (see next slides)

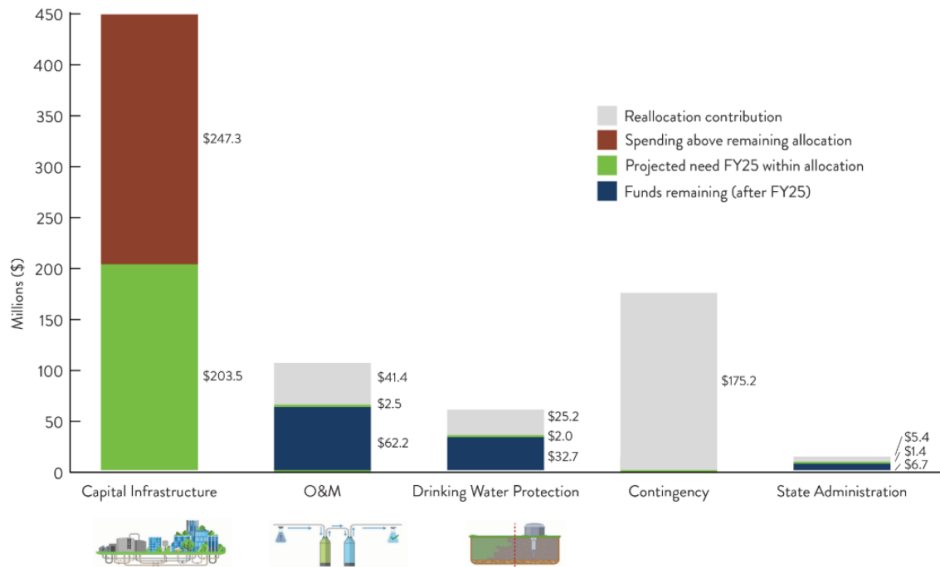
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Fund Reallocation Discussion

Fund Category	Anticipated Commitments FY25	Spending Above Available Funds	Reallocation Contribution	Funds Remaining After FY25
Capital	\$450,728,800	\$247,263,300	-	\$0
Contingency	\$0	-	\$175,196,100	\$0
Drinking Water Protection	\$2,000,000	-	\$25,223,500	\$32,681,100
O&M	\$2,530,200	-	\$41,538,600	\$62,195,700
State Administration	\$1,410,500	-	\$5,417,000	\$6,692,600
Sum	\$456,669,500	\$247,263,300	\$247,263,300	\$101,569,400

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Fund Reallocation Discussion



We anticipate earning interest, but interest projections are not included in this graph due to uncertainty.

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Remaining Potential Project Needs

- Additional POET Capital Costs
- O&M Costs
- Drinking Water Protection
 - Private well sampling
- Treatment on existing and new wells or alternatives in **Lake Elmo***
- Additional home connections in **Cottage Grove, Lake Elmo, Lakeland, Newport, Oakdale, St Paul Park and Woodbury**
- Expanding **Oakdale** drinking water treatment facility and additional treatment for Wells 3 and 10 *
- Construction on interconnects and potential WTP for **Newport ***
- **Prairie Island Indian Community** well treatment and distribution system
- Treatment on one well in **Lakeland ***
- Treatment on one well in **Eagle's Watch***

*Potential project needs are based on conservative assumptions and may change depending on anticipated MDH HBV guidance.

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Fund Reallocation Key Takeaways

- East Metro Area has additional PFAS treatment needs due to EPA MCLs and potentially MDH HBVs
 - Capital grant requests are anticipated to exceed the amount of funding originally allocated to capital and contingency in the Conceptual Plan, and a funding reallocation will be necessary
 - Propose reallocating proportionately from Drinking Water Protection, O&M, and State Administration

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Next Steps

- The remaining Settlement funding will likely be committed within approximately 2 years
- Need improved cost estimates and projections from Communities
- Co-Trustees are working on the path forward that we will discuss with the work groups
- When allocations run out of funding, drinking water activities would revert to being reimbursed by 3M under the 2007 Settlement Agreement and Consent Order (Consent Order)

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Next Steps

- Continue reviewing grant forms and implementing community projects
 - Evaluate Priority 1 funds as community projects are implemented
- Continue resampling private wells and communicating with residents about the need for private well testing
- Continue installing whole-home treatment systems in homes that have well advisories

Next Steps

- Fall 2024 work group meeting
 - Fiscal Year 2024 (July 2023 – June 2024) Annual Review
 - Track progress on project implementation
 - The annual review questionnaire will be sent to Communities this Summer
 - Compare actual costs to plan estimates
 - Continue discussions on reallocation needs with work group members

STAFF RECOMMENDATION

The Co-Trustees need to reevaluate how the funds are distributed as it is now obvious that the needs exceed the available funding. They cannot continue distributing the funds on a first-come, first-serve basis. It would be appropriate for the City to consider initiating and submitting applications for the projects as soon as possible so the Co-Trustees can consider options for preserving funds for critical projects on a more equitable basis, and/or for pursuing additional funding through the 2007 Settlement Agreement and Consent Order.

It is recommended the grant applications be submitted in two phases for each project, such that the preliminary design and cost estimating can be completed the year prior to the project. The revised schedule is as follows (green indicates advancing the project schedule from the current CIP schedule):

Current CIP Year	Initiate Design	Proposed CIP Year	Project Name
2024	2024	2024	Decommission Well 1
2024	2024	2024	Convert Well 1 Building to Electronic PRV
Not In Program	2024	2025	Replace Well 1 & 2
2025	2024	2025	Raw Water Transmission Lines from New Wells
2025	2024	2025	Decommission Well 8
2025	2024	2025	Convert Well 8 Building to Electronic PRV
2026		Don't Pursue	Acquire Site for Well 7
2026		Don't Pursue	Replace Well 7
2026	2024	2025	Decommission Well 2
2026	2025	2026	Water Treatment Facility Sewer Connection
2026	2025	2026	Modifications to Wells 5 & 9 and SCADA Upgrades
2026	2025	2026	Demolition of Public Works Facility
2026	2025	2026	Expansion of Public Works Treatment Plant
2026	2025	2026	Stormwater Management for Plant & Transmission Lines
2027		Don't Pursue	Decommission Well 7 Temporary Treatment Plant
2027		Don't Pursue	Decommission Well 7

It also seems prudent to consider not pursuing, or at least delaying, the relocation of the Well & Treatment Facility at the Well 7 site (1265 Helmo Avenue), as a contingency plan until it is determined there is a need for treatment at Well 3 and/or Well 10.

COUNCIL DIRECTION REQUESTED

The City Council should consider the information presented and provide feedback and intent regarding the proposed Drinking Water Settlement CIP schedule and grant application submission(s).



COUNCIL MEMORANDUM

To:	Honorable Mayor and City Council		
From:	John Stark, Special Projects Manager		
Date:	May 28, 2024	Time:	5:45 PM
Subject:	2023 Cannabis Legislation and its Impact on Oakdale		

BACKGROUND

During their 2023 session, State policymakers approved legislation related to cannabis growth, possession sales, and government oversight. The legislation:

- Legalized possession/use of cannabis (within limits) as of August 1, 2023
- Addresses past and present crimes and convictions
- Establishes the Office of Cannabis Management
- Establishes funding for treatment, law enforcement, etc.
- Authorizes sales of cannabis products (including sales by municipal government)
- Provides for the taxation of the sale of cannabis products

There have been many questions about how this legislation will affect Oakdale. While the legislation was 155 pages, as presented, there are still a number of issues that remain ambiguous or unaddressed.

The attached presentation was drafted by Oakdale staff and is a comprehensive review of the legislation, including both known and unknowns, and its effect on Oakdale. Special Projects Manager John Stark has been serving as an organizing member of a group of staff-people from approximately 25 metro communities on this topic and the group has met four times over the past few months to delve into many of these topics. Staff have also done a great deal of individual research on these topics and had discussions with staff from the League of Minnesota Cities related to their position on, and interpretation of, the legislation.

The slideshow presentation is quite lengthy, however, and staff will provide a high-level summary of the slides at the May 28, 2024 City Council Workshop, in the interest of time.

COUNCIL DIRECTION REQUESTED

The City Council should discuss:

- Questions and concerns about the cannabis legislation.
- Interest in exploring one or more municipal cannabis retail stores;
- The status of 2024 legislative amendments and any support or opposition thereof.
- Whether there is a preference on including “reasonable local controls” (setbacks from schools, placement in commercial districts, etc.) in the zoning ordinance or in licensing regulations (or both) – this is a preliminary discussion only and is also dependent on the advice of legal counsel.

Attachment

Presentation Slides

Minnesota Cannabis Sales

Impacts and Opportunities for Oakdale

May 28, 2024



2023 Legislation

- Introduced as Chapter 63 of Minnesota Statutes
 - (may be recodified, as frequently occurs with new legislation)
- 155 pages in length
- Legalizes possession/use of cannabis (within limits)
- Addresses past and present crimes and convictions
- Establishes the Office of Cannabis Management
- Establishes funding for treatment, law enforcement, etc.
- Authorizes commerce of cannabis products
- Provides for the taxation of the sale of cannabis products



2023 Legislation Personal Possession/Use & Decriminalization

- As of August 2023, allows an adult (21+):
 - Possession of up to 2 ounces of cannabis in public
 - Possession of up to 2 pounds of cannabis at home
 - Growth of up to 8 plants at home
- Prohibition of usage at schools, correctional facilities, etc.
- Limited ability for municipalities to enact their own usage prohibitions (use in parks and on city properties, etc.).



2023 Legislation Decriminalization

- Expunges the records of past convictions of possession of “low-level” cannabis
- Sentence adjustments for those currently serving sentences related to possession of “low-level” cannabis



2023 Legislation Office of Cannabis Management

- Creates the Office of Cannabis Management (OCM)
 - Originally intended to begin operations in “the 1st quarter of 2025”
 - Process is already delayed 6 to 9 months and legislative fixes are needed
- Manages grant programs for cannabis businesses, related nonprofits, law enforcement and the courts system
- Fund prevention and addiction recovery programs
- Regulates the cultivation, distribution, testing, transportation and sale of cannabis
- Administers licensing and taxation related to cannabis



2023 Legislation Commerce of Cannabis

- Establishes rules for the commerce of cannabis
- 16 categories of licenses
 - Microbusiness
 - Mezzobusiness
 - Cultivator
 - Cannabis Manufacturer
 - Four Medical Cannabis Licenses
 - Low-Potency Manufacturer
 - Cannabis Retailer
 - Low-Potency Retailer
 - Wholesaler
 - Transporter
 - Testing Facility
 - Event Organizer
 - Low-Potency Manufacturer
- Retailer license would most-likely impact Oakdale



Regulating Retail Sales of Cannabis

- Most oversight of retail sales done at the state level by OCM
- Local oversight limited to:
 - A city can limit the number of licenses to one per 12,500 residents
 - There is some ambiguity about this rule – LMC views it as a city has to allow at least 1 per 12,500, but is that the maximum?
 - Oakdale could place a limitation of 2 establishments
 - Limited ability to regulate sales at “special events”
 - Cities can enact reasonable Local Land Use Controls (zoning)
 - Similar to “Adult Uses”
 - Can limit to commercial zones, etc.
 - Can create distance setbacks from schools, daycares, etc.
 - Cannot leave them with no viable locations
- City registration fee: Lesser of \$500 (initial) / \$1,000 (renewal) or half of OCM registration



Retail Sales Licensing Priorities

- Potential retailers apply for a license to OCM
- OCM will prioritize the issuance of licenses to “Social Equity Applicants”
 - Those convicted of the sale or possession of cannabis
 - Had a parent, guardian, child, spouse or dependent who was convicted of the sale or possession of cannabis
 - Military veteran who “lost honorable status” related to cannabis
 - Has been a resident for more than 5 years of a geographic area that was:
 - Disproportionately impacted by cannabis arrests and/or convictions, or;
 - Had a poverty rate of 20% or more, or;
 - The median family income did not exceed 80% of that of the state or metropolitan area



Municipal Sales of Cannabis

- “A city or county may establish, own, and operate a municipal cannabis store subject to the restrictions in this chapter.”
- Minnesota is the first (and only) state to specify municipal sales
 - (Only 3 states in addition to Minnesota allow Municipal alcohol sales)
- Only 1 municipal cannabis retailer known
 - (In the state of Washington – went out of business)
- Municipal retailers are not (currently) considered Social Equity Applicants
- Oakdale staff has been participating in monthly Zoom meetings of municipalities exploring retail sales (about 20 cities)



Municipal Sales of Cannabis

Retail sales of cannabis have unique issues

- Almost exclusively a cash-based business
- Extraordinary security costs
- Property and liability insurance
- Loans for construction and operation
- Background checks of “Board of Directors” (City Council members)
- Higher employee turnover than other types of businesses
- Legislative vs market determination of maximum number of retailers
- Social Equity Applicants priority



Cash-Based Business

- While many states have legalized cannabis, the federal government has not.
- Banks, credit unions and credit cards that have FDIC insurance will typically not provide service to cannabis retailers.
- Both Visa and MasterCard are actively opposing efforts to let debit cards be used for cannabis purchases.
- A 2022 study found that “well over 90% of cannabis sales are cash-only transactions.”



Cash-Based Business

- Specialized cannabis consultant estimates of \$4 to 6 million in annual sales at each retailer, specific to a Minnesota study
- This is \$27,000 to \$37,000 in cash handled by each retailer every day.
- Average day of \$27,000 to \$37,000 per retailer could mean busy days of up to \$50,000 in cash changing hands
- One report cites 90% of “financial and product loss” being employee theft
- Product on-hand is also highly valuable
- This results in heavy investment in security – both technological and physical.
- League of Minnesota Cities estimates \$100,000 a month in security costs.



Other Banking Issues

- According to Reuters, Only about 10% of all U.S. banks and about 5% of all credit unions provide cannabis banking.
- 2023 Study: Typical businesses paid 5 to 5.7% interest rates, cannabis businesses routinely paid 20%; and a Forbes article stated that some lenders charge “loan shark fees as high as 40%”
- The State of Minnesota, through legislation and the OCM, hope to address some of these issues.
- Federal tax code doesn’t allow business expense deductions for cannabis businesses.
- LMC reports that employees of cannabis retailers may be unable to use their income in FHA (or other federally assisted) loan applications.
- Unknown/untested whether cities could issue bonds to pay for construction



Insurance

- Currently, the League of Minnesota Cities is stating that they will not provide property insurance for municipal cannabis stores.
- Unknown whether other insurers will provide coverage
- Staff has asked tribal dispensaries who insures them, but hasn’t yet received an answer.



Local Political Issues

- A cannabis retailer's "Board of Directors" is subject to extensive background checks.
- The City Council would be the "Board" of a municipal operation.
- Unknown impact of an existing or new Council member failing a check
- The one historical municipal dispensary in Washington described the dispensary as a "political hot potato" because the level of support for cannabis sales as a city-function varied among the City Council from election-to-election.



Employee Turnover

- Due to the cash-only nature and highly regulated activities, employee training is lengthier and more expensive than typical businesses.
- CannabisIndustry.org reported "the average cost of replacing an entry-level worker is up to 50% of their salary and high-level workers up to 400%."
- The average US turnover rate is around 44% (meaning that 44% of the employees in an organization will not be there a year later) for cannabis-related jobs, the turnover rate is closer to 75%.



Social Equity Applicant Prioritization

- Exploration of a cannabis retail store would require time and money
 - Public engagement
 - Feasibility study
 - Business plan and financing plan
 - Incorporation or other business establishment
 - Securing a property and/or building
 - Construction planning
- With the OCM’s prioritization, there is a concern among municipalities of expending time and money but not being selected in lieu of the selection of a Social Equity Applicant.



Retail Store Sales

Stats for the nine states that have legalized sales the longest*

State	legalization	Population	Retail Sales (2023)	Sales per Retailer	sales per capita
Washington	2012	7,812,880	\$ 1,214,136,000	\$ 2,577,783	\$ 155.40
Colorado	2012	5,877,610	\$ 1,529,324,553	\$ 1,494,941	\$ 260.19
Oregon	2015	4,233,358	\$ 953,875,800	\$ 1,157,616	\$ 225.32
California	2016	38,965,193	\$ 4,399,048,700	\$ 3,536,213	\$ 112.90
Massachusetts	2016	7,001,399	\$ 1,787,074,160	\$ 4,098,794	\$ 255.25
Nevada	2016	3,194,176	\$ 825,125,047	\$ 4,882,397	\$ 258.32
Maine	2016	1,395,722	\$ 215,670,733	\$ 1,089,246	\$ 154.52
Michigan	2018	10,037,261	\$ 3,057,161,286	\$ 3,075,615	\$ 304.58
Illinois	2019	12,549,689	\$ 1,960,762,880	\$ 8,451,564	\$ 156.24
Average				\$ 3,373,797	\$ 209.19
Median				\$ 3,075,615	\$ 225.32

* Excluding Alaska



How Many Retailers

- Difficult to determine “free market” demand
 - Retailers per capita vary widely from State to State among 9 “pioneer” states
 - How prohibitive/permissive are other states laws?
- Based on “pioneer” states, MN =
 - 312 (average) to 356 (median)
 - Low (IL) = 105 High (OR) > 1,000
- January OCM report states the current legislation could support 381 retailers
- Talk of a “cap” in 2024 legislative revision
- Fewer stores = higher profit/store

State	legalization	Population	Retailers (1/1/24)	1 retailer per...
Washington	2012	7,812,880	471	16,588
Colorado	2012	5,877,610	1023	5,745
Oregon	2015	4,233,358	824	5,138
California	2016	38,965,193	1244	31,323
Massachusetts	2016	7,001,399	436	16,058
Nevada	2016	3,194,176	169	18,900
Maine	2016	1,395,722	198	7,049
Michigan	2018	10,037,261	994	10,098
Illinois	2019	12,549,689	232	54,093
Average				18,333
Median				16,058

*Cap Numbers as low as 150 or as high as 381



Retail Store Sales Revenues

- Based on Stats from 9 Pioneer States
 - Sales per capita: \$1.2 billion (average) \$1.3 billion (median)
 - Sales per retailer: 312 retailers (based on average) = \$3.3 - \$3.8 million/retailer
356 retailers (based on median) = \$3.6 - \$4.1 million/retailer
- 2024 Presentation to MN Municipal Cannabis Group by consultant
 - \$1.54 billion in annual sales at peak
 - \$6.9 million/retailer per presentation to MN cities working group:
- \$1.2 - \$1.54 billion in Sales
- 125 - 375 Retailers

	Number of Retailers				
Peak Sales	125	175	225	300	375
Sales per Retailer	\$ 9.6	\$ 6.9	\$ 5.3	\$ 4.0	\$ 3.2
(in millions/year)	\$ 12.3	\$ 8.8	\$ 6.8	\$ 5.1	\$ 4.1



Taxation of Cannabis Sales

- The 2023 legislation established a 10% sales tax in addition to other taxes.
 - Applies to cannabis and medical cannabis but not low-potency
- 80% to the State – Administered by OCM
 - Funds administrative functions of the OCM
 - Funds grants and treatment programs among other uses
- 20% to “Local Government Cannabis Aid”
 - 50% to counties (20% equally among all counties and 80% proportionate to the number of cannabis businesses in that county)
 - 50% to cities - “Must be distributed proportionately according to the number of cannabis businesses in that City as compared to the number of cannabis businesses in all cities.”
 - Staff has not identified any regulations on how Cities can use these funds.



Taxation Analysis for Oakdale

- Function of:
 - Total state cannabis sales revenues
 - Varies from \$1.2 to \$1.54 billion (once stabilized in 2029)
 - Percentage to Municipal State Aid (10% of total tax collected)
 - Varies from \$120 to \$154 million
 - Total number of retailers in the state
 - Varies from 125 to 381
 - Total number of retailers in Oakdale
 - Varies from 0 to 2?
 - Oakdale’s proportion of retailers



Taxation Analysis for Oakdale

				Low	High
Peak Year (2029) Statewide Sales				\$ 1,200,000,000	\$ 1,540,000,000
10% Sales Tax				\$ 120,000,000	\$ 154,000,000
Proportion (10%) to Cities				\$ 12,000,000	\$ 15,400,000
Scenario	# of Oakdale Stores	# of Statewide Stores	Oakdale's Proportion	Oakdale's Tax Revenue (at peak year)	
1	0		0%	\$0	\$0
2	1	150	0.667%	\$80,000	\$102,667
3	1	380	0.263%	\$31,579	\$40,526
4	2	150	1.333%	\$160,000	\$205,333
5	2	380	0.526%	\$63,158	\$81,053



Taxation Analysis for Oakdale

- Oakdale's Portion of the Sales Tax could vary greatly (in peak year)
 - Assuming \$1.2 - \$1.54 billion statewide sales
 - \$0 with zero Oakdale retailers
 - \$31 - \$102,000 with 1 Oakdale retailer out of 150 - 380 statewide
 - \$63-\$205,000 with 2 Oakdale retailers out of 150 - 380 statewide

	-5 years 2025	-4 years 2026	-3 years 2027	-2 years 2028	-1 years 2029	Peak Year 2030
% of peak	20%	35%	60%	75%	90%	100%
Low Estimate	\$ 6,316	\$ 11,053	\$ 17,053	\$ 23,684	\$ 28,421	\$ 31,579
Mid-Point Estimate	\$ 23,691	\$ 41,460	\$ 71,074	\$ 88,842	\$ 106,610	\$ 118,456
High Estimate	\$ 41,067	\$ 71,867	\$ 123,200	\$ 154,000	\$ 184,800	\$ 205,333



2024 Legislative Issues

- Rumors of placing a cap on the number of stores (statewide or within each county?)
- Issuance of a license prior to ability to sell
 - Would allow potential retailers to start their business and construct earlier
 - 6 months?
- Establishing a “lottery” system of selecting Social Equity Applicants when the number of applicants exceeds the number of available licenses
- Elko/New Market is exploring language stating that a *“municipality shall have first priority for the first license to be issued in its jurisdiction.”*
 - It should be noted that this language would only preserve the ability for a single municipal retailer regardless of the total number of retailers in that municipality.



Next Steps

- Determine City Council interest in exploring one or more municipal cannabis retail stores
 - Check in with Anoka, Elko-New Market and Wayzata (seriously exploring)
- Monitor legislation and determine whether to provide “letters of support” for various proposals or to engage in lobbying
- Work with City Attorney’s office to determine whether reasonable local controls (setbacks from schools, placement in commercial districts, etc.) would be best accomplished in the zoning ordinance or in licensing regulations
- Other?





COUNCIL MEMORANDUM

To:	Honorable Mayor and City Council		
From:	Kyle Stasica, Finance Director Andrew Gitzlaff, Community Development Director		
Date:	May 28, 2024	Time:	6:15 PM
Subject:	Review Long Term Financial Plan Model – Workshop Continuation		

BACKGROUND

The purpose of the long-term financial plan model is to provide the City Council and City management staff a better understanding of the financial impacts of both near-term and long-term budget decisions. The model was developed by Baker Tilly, the City’s municipal advisor, in collaboration with City management staff through a year-long iterative process.

At the May 14, 2024 Council workshop, City staff and Mikaela Huot from Baker Tilly walked through the model assumptions, inputs, and results. The City Council asked staff to address the following items and return at a future workshop:

- Look into historical property value data and reassess whether a 2% annual market value inflation for existing development should be increased to better reflect historical averages and anticipated growth.
- The assessed values should be captured in the proper year and labeled as such or additional columns added with that data marking the proper year to account for the lag between when construction begins and full market value is realized.
- Population growth from new developments should be phased in to account for the time it takes from permits being issued through construction and occupancy.
- When a housing study is conducted later in 2024, it will analyze changing household sizes and other factors that may influence future population growth assumptions.
- There should be an annual review of the model presented to the City Council. As part of that review, the model will be adjusted to reflect “real-world” data. In addition, in the event of very large projects, the impact of those projects could also be considered.

COUNCIL DIRECTION REQUESTED

At the meeting, City staff and Mikaela Huot, Director with Baker Tilly Municipal Advisors, will review the updated changes made to the long-term financial plan model and seek council feedback



COUNCIL MEMORANDUM

To:	Honorable Mayor and City Council		
From:	Nicholas Newton, Police Chief		
Date:	May 28, 2024	Time:	6:35 PM
Subject:	Management Discussion – Chief of Police		

BACKGROUND

This is an opportunity to have time with the Police Chief to discuss items of interest and current happenings.

Below are some items of discussion for the workshop:

- **Recruitment and Retention:** Hiring qualified Police Officers is a major challenge in the policing profession and the forecast into the future is not promising. Currently, the Police Department is backgrounding three candidates for two open Police Officer positions. Retaining employees has become a challenge in this competitive market with agencies seeking the same few candidates and offering incentives for lateral transfers. The Police Department is working toward finding creative ways to find and retain Oakdale Police Officers.
- **Grants:** The Police Department was selected to receive grant funding for purchasing a firearms storage unit due to the new extreme risk protection order law, which requires agencies to store firearms through court orders. Additionally, the Police Department is currently applying for a federal grant for an award amount up to \$500,000 for funding the staff and equipment costs for starting a behavioral health coordinated response unit.
- **Compliance Checks and Licensing Items:** The Police Department will start a new year of compliance checks for alcohol, tobacco, and new to the list, THC. The Police Department will continue to focus on education as the primary goal while leveraging administrative fines for violations and criminal enforcement.
- **Vehicles and Equipment:** The Police squad cars ordered in October 2022 have still not arrived and it is anticipated they will be delivered in the summer of 2024. To complicate the vehicle situation further, two squad cars are in the custody of the Bureau of Criminal Apprehension with gunfire damage from the shooting incident recently.

With the current trend in violence toward the Police, the department will be seeking the purchase of ballistic shields that stop rifle gunfire. Currently, Oakdale Police Officers do not have shields capable of stopping rifle round penetration.



COUNCIL MEMORANDUM

To:	Honorable Mayor and City Council		
From:	Kyle Stasica, Finance Director		
Date:	May 28, 2024	Time:	After Regular Meeting
Subject:	Utility Rate Study		

BACKGROUND

The City’s Water, Sewer, Street Light, and Surface Water Utility operations are defined as enterprise funds, which are self-supporting operations that sell goods and services to the public for a fee, and are accounted for using the same accounting framework followed by entities in the private sector. This fee-based structure is different than the majority of the City’s funds, which are allocated a portion of the property tax levy paid by property owners.

In addition to the wages, benefits, supplies, and other ongoing operating costs associated with each specific activity, these utility funds are also used to accumulate revenues that are annually transferred to the Utility System Replacement Fund (USRF) to facilitate capital improvements related to the City’s utility infrastructure. These projects include utility improvements in conjunction with roadway reconstruction; water tower reconditioning; water meter transmitter replacements; well inspection and reconditioning; and lift station rehabilitation.

Rate increases are to support both current operations within each enterprise fund and future capital needs through the annual transfer into the Utility System Replacement Fund, which is used to finance capital projects.

Service	2022 Rate Increase	2023 Rate Increase	2024 Rate Increase
Water	4.0%	6.0%	10.0%
Sewer	3.5%	6.0%	6.5%
Street Light	2.5%	5.0%	3.5%
Surface Water	10.0%	10.0%	1.5%

The goal of a utility rate study is to ensure the long-term financial health of the utility enterprise funds, and ensure operations, capital, and future needs are met. The study will recommend rates, fees, and structures for billing.

The City of Oakdale last underwent a utility rate study that was issued on September 3, 2020. The assumptions used within this study are now outdated, including the current status of the enterprise funds, the Capital Improvement Plan, number of utility accounts, utilization of the new Long Term Financial Model, along with updated growth numbers due to significant development throughout the City.

There have been many discussions about utility rate increases and concerns raised by some council members regarding increases. Thus, city staff is recommending a utility rate study for the City of Oakdale.

Several consultants offer these rate studies with ranging scope, timelines, deliverables and costs. After doing some research, utility rate studies range in cost from \$15,000 to \$95,000. The more expensive studies would include customizable rate model spreadsheets for future updates, cost-of-service analysis, and further future projection. The more expensive studies may not be available for the 2025 budget discussions.

COUNCIL DIRECTION REQUESTED

The City Council should discuss whether they support a utility rate study along with the scope of project the City Council would like to pursue.

Attachments

2024-2028 CIP Utility System Replacement Fund Summary

2023 AE2S Annual Utility Rate Survey – excerpt

2022 AE2S Annual Utility Rate Survey – excerpt

2021 AE2S Annual Utility Rate Survey – excerpt

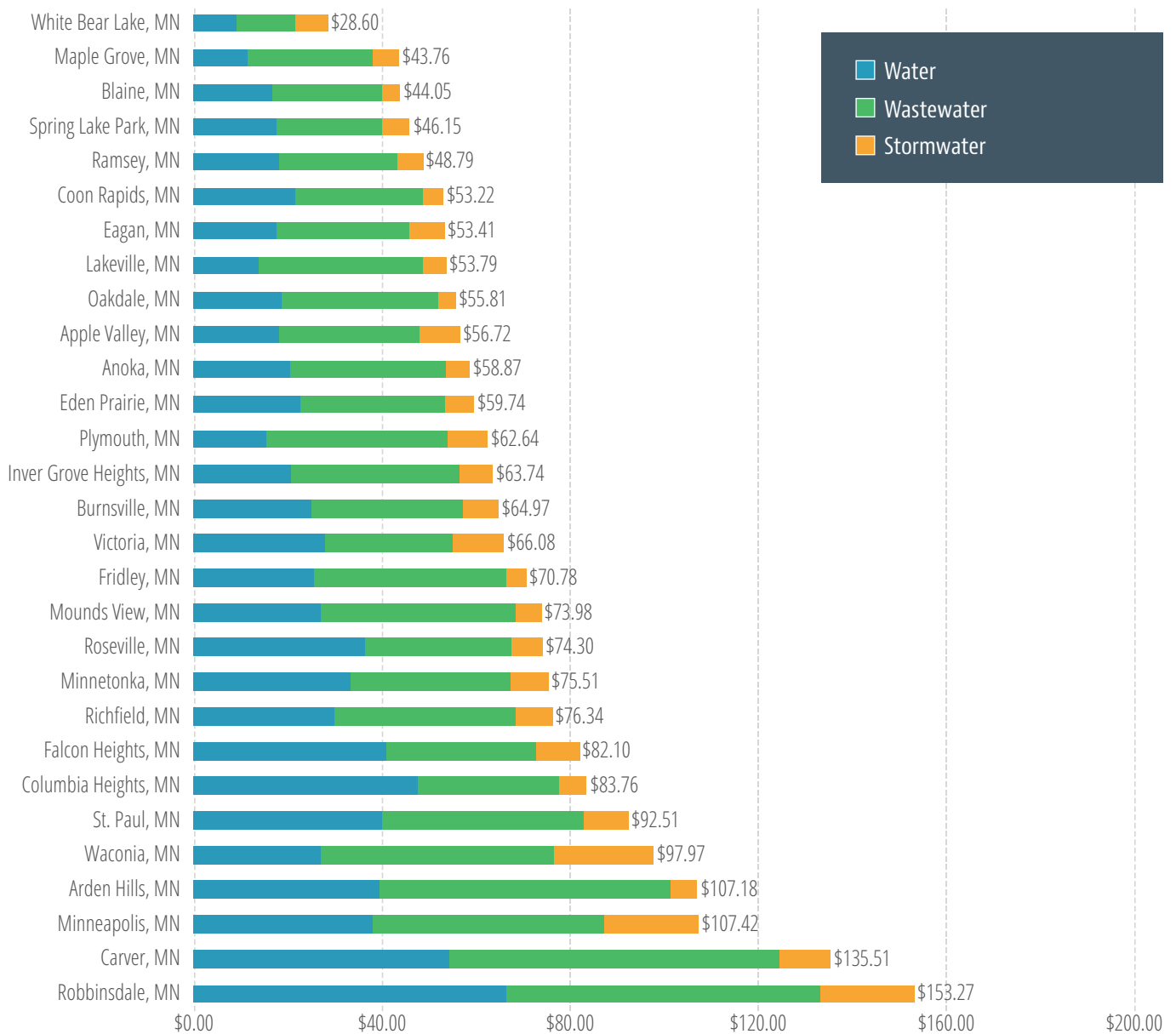
9/3/2020 Utility Rate Study



City of Oakdale, Minnesota
2024 Capital Projects Budget Summary
Utility System Replacement Fund (517)

	Actual 2022	Budget 2023	Budget 2024	Budget 2025	Budget 2026	Budget 2027	Budget 2028
Revenues:							
Property Taxes	\$ 1,578	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - MPCA	167,929	-	-	-	-	-	-
Interest	(9,477)	5,000	5,000	5,000	5,000	5,000	5,000
Claims & Reimbursements	4,500	-	-	-	-	-	-
Reimbursement - Lake Elmo	158,981	290,731	-	-	-	-	-
Developer Fees - CR 14 & Marketplace Dr Signals	-	-	200,000	-	-	-	-
Total Revenues	323,511	295,731	205,000	5,000	5,000	5,000	5,000
Expenditures:							
Current							
General Government	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-
Parks & Recreation	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-
Total Current Expenditures	-	-	-	-	-	-	-
Debt Service							
Total Debt Service	-	-	-	-	-	-	-
Capital Outlay							
Lift Station #6 Relocation/Rehabilitation	509,049	966,412	-	-	-	-	-
GAC Treatment Plant at Well 7	167,928	-	-	-	-	-	-
Water Meter Transmitter Replacement Program	3,025	350,000	350,000	350,000	350,000	350,000	350,000
Valve Installation Crossing I-694	23,748	-	-	-	-	-	-
Pumps at Lift Station 9	128,005	-	-	-	-	-	-
Painting Water Tower 2	17,478	782,523	-	-	-	-	-
Lift Station 14 Rails & Piping Replacement	-	50,000	-	-	-	-	-
Well No. 9 Reconditioning	-	75,000	-	-	-	-	-
Lift Station 1 Pump Replacement	-	30,000	-	-	-	-	-
Painting Water Tower 3	-	-	2,000,000	-	-	-	-
Stillwater Blvd and Helmo Ave Signal Impr.	-	-	-	100,000	-	-	-
CR 14 and Marketplace Dr Signal Impr.	-	-	-	200,000	-	-	-
Drainage Improvements	-	100,000	100,000	100,000	100,000	100,000	100,000
Total Capital Outlay	849,233	2,353,935	2,450,000	750,000	450,000	450,000	450,000
Total Expenditures	849,233	2,353,935	2,450,000	750,000	450,000	450,000	450,000
Excess of Revenues Over (Under) Expenditures	(525,722)	(2,058,204)	(2,245,000)	(745,000)	(445,000)	(445,000)	(445,000)
Other Financing Sources (Uses)							
Transfers In - Water	450,000	500,000	590,000	680,000	770,000	860,000	950,000
Transfers In - Waste Water	578,005	540,000	690,000	840,000	990,000	1,140,000	1,290,000
Transfers In - Surface Water	120,000	100,000	220,000	220,000	220,000	220,000	220,000
Transfers In - Street Light	38,000	-	150,000	155,000	160,000	165,000	170,000
Transfers In - WAC	-	345,000	375,000	375,000	345,000	275,000	265,000
Transfers In - SAC	-	230,000	230,000	125,000	75,000	125,000	100,000
Transfers Out - Street Capital Fund	-	-	312,000	6,255,473	243,500	407,464	482,400
Transfers Out - Street Projects	188,000	1,102,616	-	-	-	-	-
Total Other Financing Sources (Uses)	998,005	612,384	1,943,000	(3,860,473)	2,316,500	2,377,536	2,512,600
Net Change in Fund Balance	472,283	(1,445,820)	(302,000)	(4,605,473)	1,871,500	1,932,536	2,067,600
Fund Balances:							
Beginning of Year	3,076,024	3,548,307	2,102,487	1,800,487	(2,804,986)	(933,486)	999,050
End of Year	<u>\$ 3,548,307</u>	<u>\$ 2,102,487</u>	<u>\$ 1,800,487</u>	<u>\$ (2,804,986)</u>	<u>\$ (933,486)</u>	<u>\$ 999,050</u>	<u>\$ 3,066,650</u>

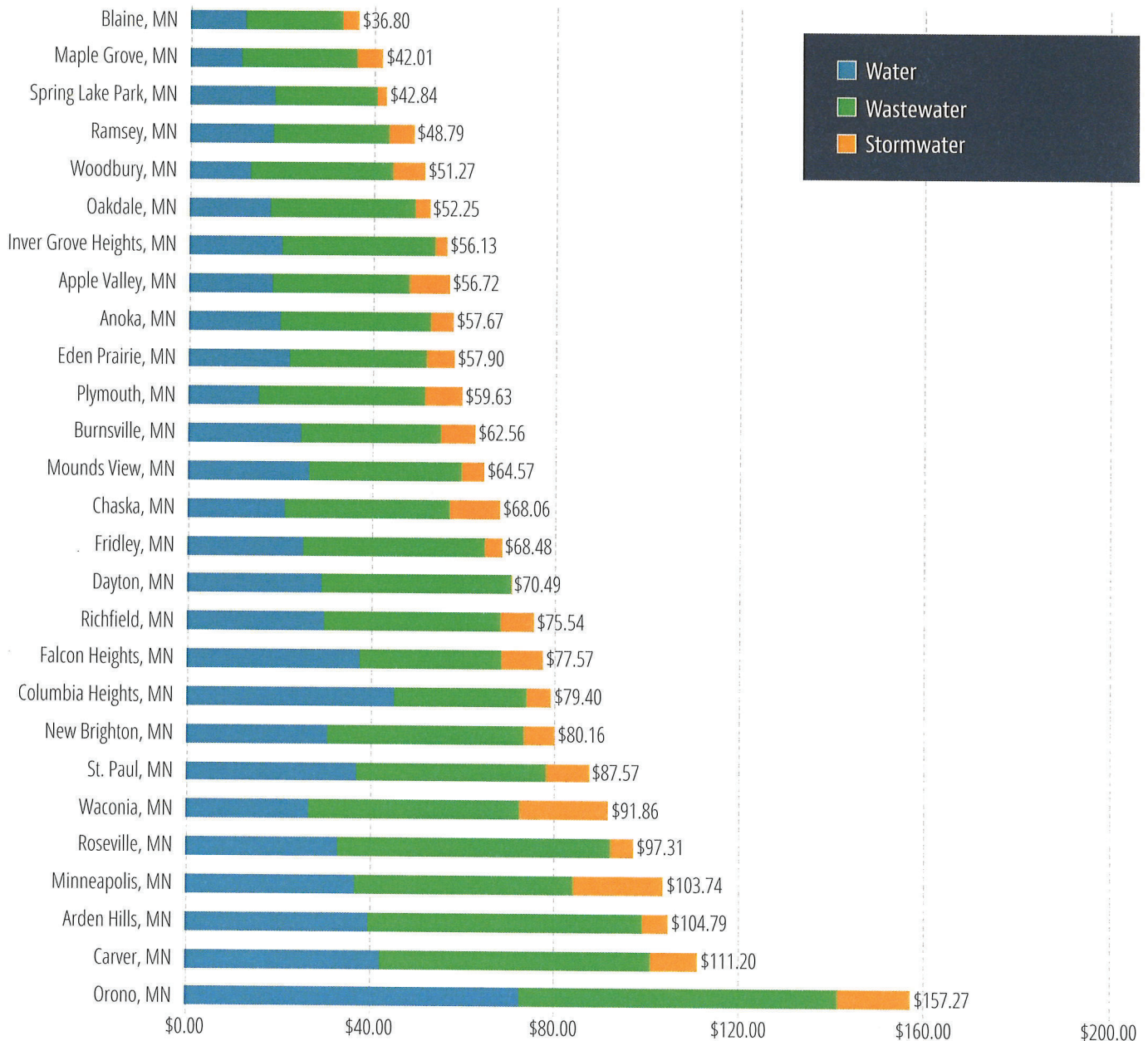
MINNEAPOLIS/ST. PAUL METRO AREA



GENERAL MN METRO STATISTICS

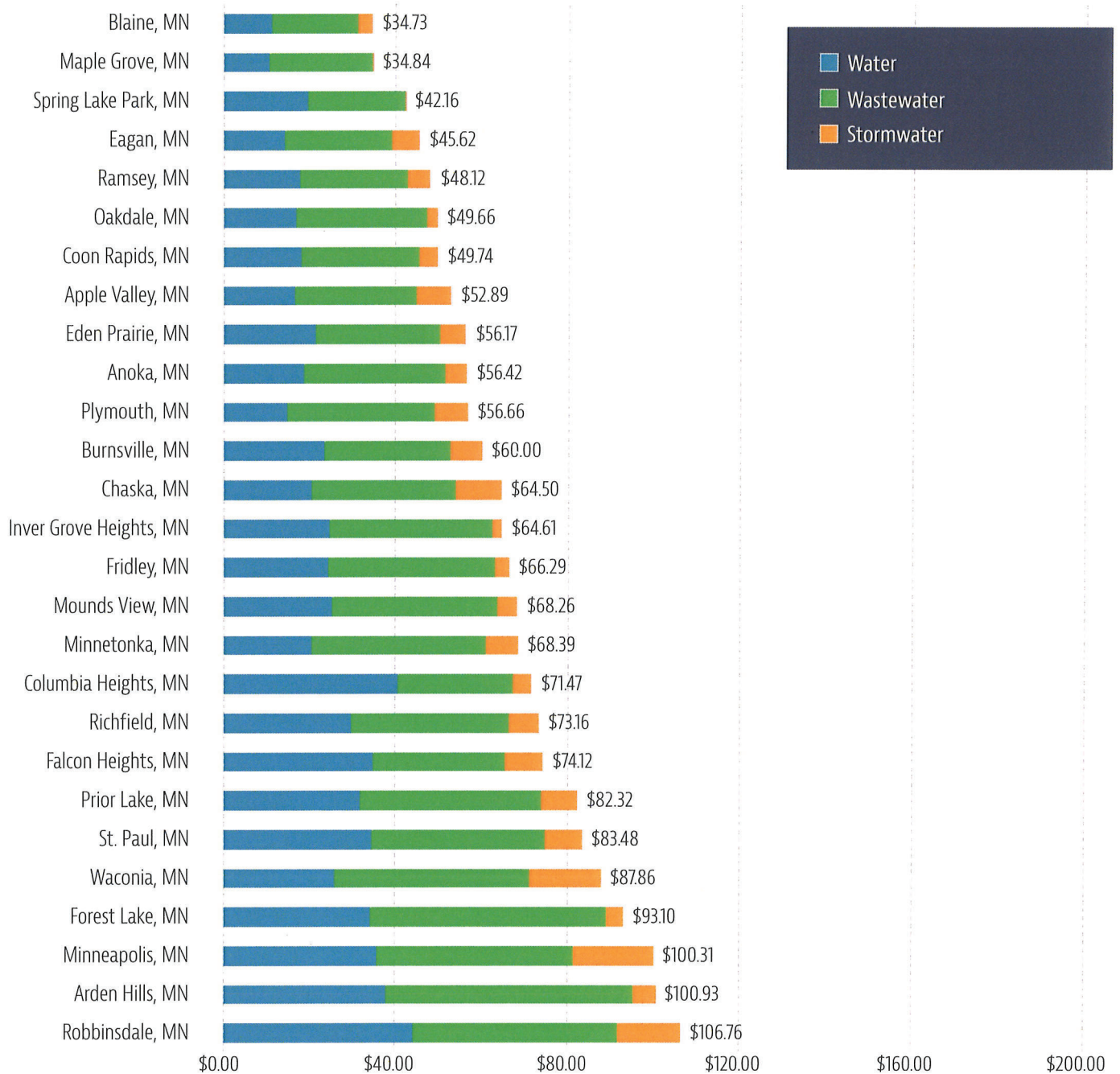
CITY	POPULATION	SURFACE WATER	GROUND WATER	WASTEWATER TREATMENT PLANT SERVING THE COMMUNITY	MONTHLY RATE (6,000 gallons)			
					WATER	WASTEWATER	STORMWATER	TOTAL
MINNESOTA METRO								
Anoka, MN	18,728		√	Metro	\$20.49	\$33.48	\$4.90	\$58.87
Apple Valley, MN	50,300		√	Empire/Seneca	\$18.32	\$29.72	\$8.68	\$56.72
Arden Hills, MN	9,969	Purchase		Metro	\$39.79	\$61.87	\$5.52	\$107.18
Blaine, MN	68,000		√	Metro	\$16.87	\$23.33	\$3.85	\$44.05
Burnsville, MN	61,290	√	√	Seneca	\$25.16	\$32.21	\$7.60	\$64.97
Carver, MN	5,861		√	Blue Lake	\$54.34	\$70.33	\$10.84	\$135.51
Columbia Heights, MN	19,496	Purchase		Metro	\$47.64	\$30.34	\$5.78	\$83.76
Coon Rapids, MN	64,000		√	Metro	\$21.62	\$27.40	\$4.20	\$53.22
Eagan, MN	69,231		√	Seneca	\$17.77	\$28.28	\$7.36	\$53.41
Eden Prairie, MN	64,180		√	Blue Lake	\$22.80	\$30.72	\$6.22	\$59.74
Falcon Heights, MN	55,000	Purchase	Purchase	Metro	\$41.14	\$31.79	\$9.17	\$82.10
Fridley, MN	27,800		√	Metro	\$25.81	\$40.90	\$4.07	\$70.78
Inver Grove Heights, MN	35,625		√	Metro/Seneca	\$20.73	\$36.00	\$7.01	\$63.74
Lakeville, MN	73,552	√	√	Metro/Seneca	\$13.89	\$34.97	\$4.93	\$53.79
Maple Grove, MN	68,412		√	Metro	\$11.69	\$26.57	\$5.50	\$43.76
Minneapolis, MN	432,114	√		Metro	\$38.14	\$49.26	\$20.02	\$107.42
Minnnetonka, MN	53,953		√	Blue Lake	\$33.67	\$33.87	\$7.97	\$75.51
Mounds View, MN	13,513		√	Metro	\$27.22	\$41.43	\$5.33	\$73.98
Oakdale, MN	27,930		√	Metro	\$18.71	\$33.43	\$3.67	\$55.81
Plymouth, MN	78,351		√	Blue Lake/Metro	\$15.70	\$38.28	\$8.66	\$62.64
Ramsey, MN	27,300		√	Metro	\$18.17	\$25.30	\$5.32	\$48.79
Richfield, MN	35,993		√	Metro	\$30.14	\$38.57	\$7.63	\$76.34
Robbinsdale, MN	14,860		√	Metro	\$66.45	\$67.02	\$19.80	\$153.27
Roseville, MN	36,254		√	Metro	\$36.44	\$31.16	\$6.70	\$74.30
Spring Lake Park, MN	6,412		√	Metro	\$17.73	\$22.42	\$6.00	\$46.15
St. Paul, MN	460,026	√		Metro	\$40.36	\$42.78	\$9.37	\$92.51
Victoria, MN	10,546		√	Blue Lake	\$28.12	\$27.30	\$10.66	\$66.08
Waconia, MN	13,124		√	Blue Lake	\$27.16	\$49.62	\$21.19	\$97.97
White Bear Lake, MN	24,880		√	Metro	\$9.33	\$12.27	\$7.00	\$28.60

MINNEAPOLIS/ST. PAUL METRO AREA



CITY	POPULATION	SURFACE WATER	GROUND WATER	WASTEWATER TREATMENT PLANT SERVING THE COMMUNITY	WATER	WASTEWATER	STORMWATER	TOTAL
					MONTHLY RATE (6,000 gallons)			
MINNESOTA METRO								
Anoka, MN	18,728		√	Metro	\$18.85	\$32.67	\$4.90	\$56.42
Apple Valley, MN	50,300		√	Empire/Seneca	\$16.66	\$28.34	\$7.89	\$52.89
Arden Hills, MN	9,969	Purchase		Metro	\$38.12	\$57.45	\$5.36	\$100.93
Blaine, MN	68,000		√	Metro	\$11.40	\$20.00	\$3.33	\$34.73
Burnsville, MN	61,290	√	√	Seneca	\$23.69	\$29.11	\$7.20	\$60.00
Chaska, MN	26,400		√	Blue Lake	\$20.67	\$33.28	\$10.55	\$64.50
Columbia Heights, MN	19,496	Purchase		Metro	\$40.88	\$26.24	\$4.35	\$71.47
Coon Rapids, MN	64,000		√	Metro	\$18.14	\$27.40	\$4.20	\$49.74
Eagan, MN	69,231		√	Seneca	\$14.25	\$25.00	\$6.37	\$45.62
Eden Prairie, MN	64,180		√	Blue Lake	\$21.40	\$28.90	\$5.87	\$56.17
Falcon Heights, MN	55,000	Purchase	Purchase	Metro	\$34.95	\$30.50	\$8.67	\$74.12
Forest Lake, MN	18,619		√	Metro	\$34.54	\$54.56	\$4.00	\$93.10
Fridley, MN	27,800		√	Metro	\$24.39	\$38.53	\$3.37	\$66.29
Inver Grove Heights, MN	35,625		√	Metro/Seneca	\$24.83	\$37.66	\$2.12	\$64.61
Maple Grove, MN	68,412		√	Metro	\$10.73	\$24.11		\$34.84
Minneapolis, MN	432,114	√		Metro	\$35.82	\$45.62	\$18.87	\$100.31
Minnetonka, MN	53,953		√	Blue Lake	\$20.67	\$40.21	\$7.51	\$68.39
Mounds View, MN	13,513		√	Metro	\$25.31	\$38.28	\$4.67	\$68.26
Oakdale, MN	27,930		√	Metro	\$17.03	\$30.46	\$2.17	\$49.66
Plymouth, MN	78,351		√	Blue Lake/Metro	\$14.74	\$34.36	\$7.56	\$56.66
Prior Lake, MN	27,500		√	Blue Lake	\$31.89	\$42.06	\$8.37	\$82.32
Ramsey, MN	27,300		√	Metro	\$17.75	\$25.05	\$5.32	\$48.12
Richfield, MN	35,993		√	Metro	\$30.06	\$36.18	\$6.92	\$73.16
Robbinsdale, MN	14,860		√	Metro	\$44.41	\$47.62	\$14.73	\$106.76
Spring Lake Park, MN	6,412		√	Metro	\$19.74	\$22.42		\$42.16
St. Paul, MN	460,026	√	√	Metro	\$34.61	\$40.13	\$8.74	\$83.48
Waconia, MN	13,124		√	Blue Lake	\$26.11	\$45.00	\$16.75	\$87.86

MINNEAPOLIS/ST. PAUL METRO AREA



GENERAL MN METRO STATISTICS

CITY	POPULATION	SURFACE WATER	GROUND WATER	WASTEWATER TREATMENT PLANT SERVING THE COMMUNITY	MONTHLY RATE (6,000 gallons)			TOTAL
					WATER	WASTEWATER	STORMWATER	
MINNESOTA METRO								
Anoka, MN	18,728		√	Metro	\$18.85	\$32.67	\$4.90	\$56.42
Apple Valley, MN	50,300		√	Empire/Seneca	\$16.66	\$28.34	\$7.89	\$52.89
Arden Hills, MN	9,969	Purchase		Metro	\$38.12	\$57.45	\$5.36	\$100.93
Blaine, MN	68,000		√	Metro	\$11.40	\$20.00	\$3.33	\$34.73
Burnsville, MN	61,290	√	√	Seneca	\$23.69	\$29.11	\$7.20	\$60.00
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Columbia Heights, MN	19,496	Purchase		Metro	\$40.88	\$26.24	\$4.35	\$71.47
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Plymouth, MN	78,351		√	Blue Lake/Metro	\$14.74	\$34.36	\$7.56	\$56.66
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Spring Lake Park, MN	6,412		√	Metro	\$19.74	\$22.42		\$42.16
St. Paul, MN	460,026	√	√	Metro	\$34.61	\$40.13	\$8.74	\$83.48
Waconia, MN	13,124		√	Blue Lake	\$26.11	\$45.00	\$16.75	\$87.86



Oakdale, Minnesota
Water, Sewer, Surface Water Management
and Street Light Rate Study
September 3, 2020



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September 3, 2020

Ms. Christina Volkers, City Administrator
Ms. Chelsea Petersen, Administrative Service Director
Mr. Brian Bachmeier, Public Works Director
City of Oakdale
1584 Hadley Ave N
Oakdale, Minnesota 55128

Re: Water, Sewer, Surface Water Management and Street Light Rate Study

Dear Christina, Chelsea and Brian:

Baker Tilly Incorporated was hired to perform a rate study for the City's Water, Sewer, Surface Water and Street Light Utilities. This Study includes a review of the past performance of the Utilities, determines the adequacy of revenues in each Utility, and provides rate recommendations which reflect recent cost experience as well as anticipated capital improvement costs for the Funds.

We appreciate the opportunity to conduct this study for the City of Oakdale.

Respectfully submitted,

Patty Kettles

Patty Kettles, Director
Consultant

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1. Introduction

Baker Tilly was hired to review and analyze Oakdale's Water, Sewer, Surface Water and Street Light Funds to determine the appropriate rate structures and other revenue sources needed for operations and the financing of capital improvements. The rate structure and other revenue in each Fund must provide sufficient revenue to cover anticipated operating and maintenance expenses, debt service including principal and interest, capital improvements and replacements, and to maintain adequate cash reserves. The total revenue collected should reflect not only recent cost experience but should recognize anticipated future costs during the period for which rates are being established.

This report includes a review of the City's Water Fund, Sewer Fund, Surface Water Management Fund and Street Light Fund and historical revenues and expenses, 2020 budget, our recently completed long-range financial plan which includes the potential new development in the City, and a determination of the rates and charges necessary to provide revenues sufficient to cover capital and operational costs. In addition, it provides a comparison of current and proposed rates and a comparison of Oakdale utility rates to those of several surrounding communities.

2. Background

Oakdale, a suburb east of St. Paul, provides approximately 8,500 residential and commercial accounts with water, sewer, street light and stormwater service. The City encompasses approximately 10 square miles and has an estimated 2018 population of 28,315 persons.

Currently, the City obtains its water supply from nine wells and has approximately 131.5 miles of water mains.

The City also maintains a sanitary sewer collection system which discharges into the waste treatment system managed by the Metropolitan Council Environmental Services. There are approximately 161 miles of sanitary sewer and storm water mains.

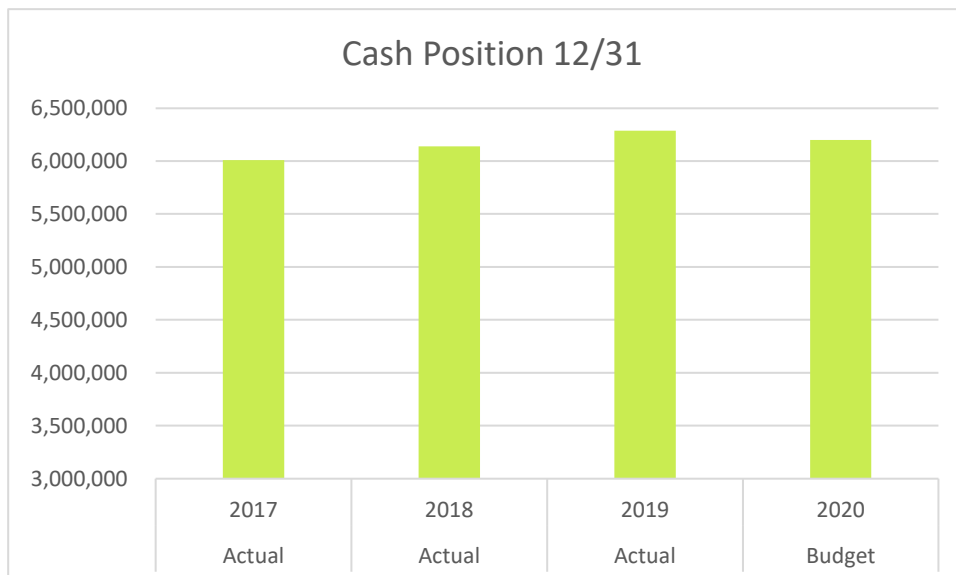
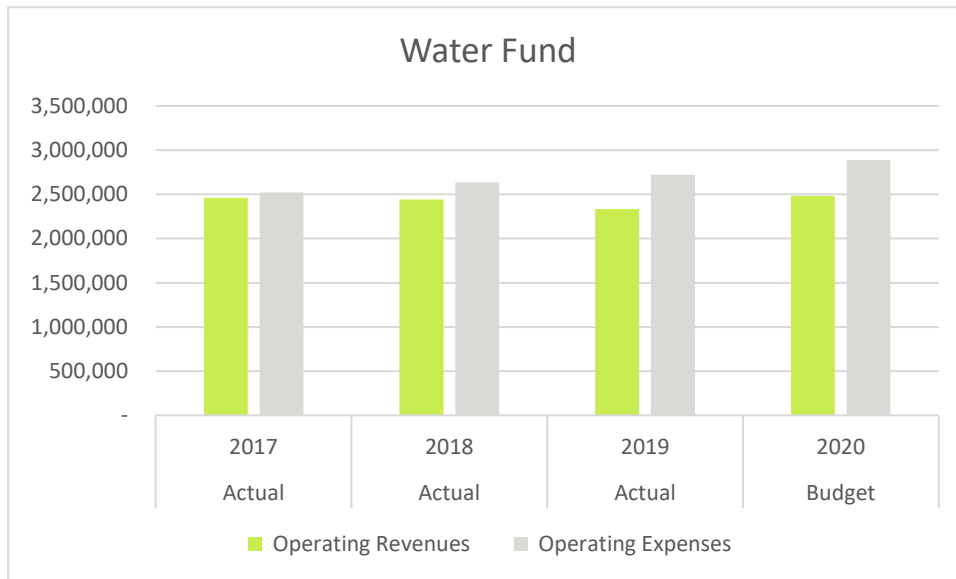
The City operates the Stormwater Utility (Surface Water) by taking an active role in managing stormwater run-off in flood prevention, erosion control, and in reducing pollution of local waterways.

The City's Street Light Utility is comprised of over 1,550 street lights, a majority of which are owned by the City. The City is responsible for the maintenance, repair and replacement of the street lights.

Water Fund

Historical Information

A review of the City's most recent financial reports for the Water Fund shows expenses have exceeded revenues over the period from 2017 through 2019 and are projected to do so again in the 2020 budget. However, depreciation, a non-cash item which is reported as an operating expense, exceeds the net difference. Therefore, the Water Fund ending cash and investment balance, which was approximately \$6.0 million in 2017, increased to \$6.3 million at the end of 2019. The budget reflects cash to remain at similar levels in 2020, however, with the COVID-19 pandemic, the impact on utility revenues may not be fully realized until 2021. Operating revenues and expenses and annual cash positions are shown in the charts below.



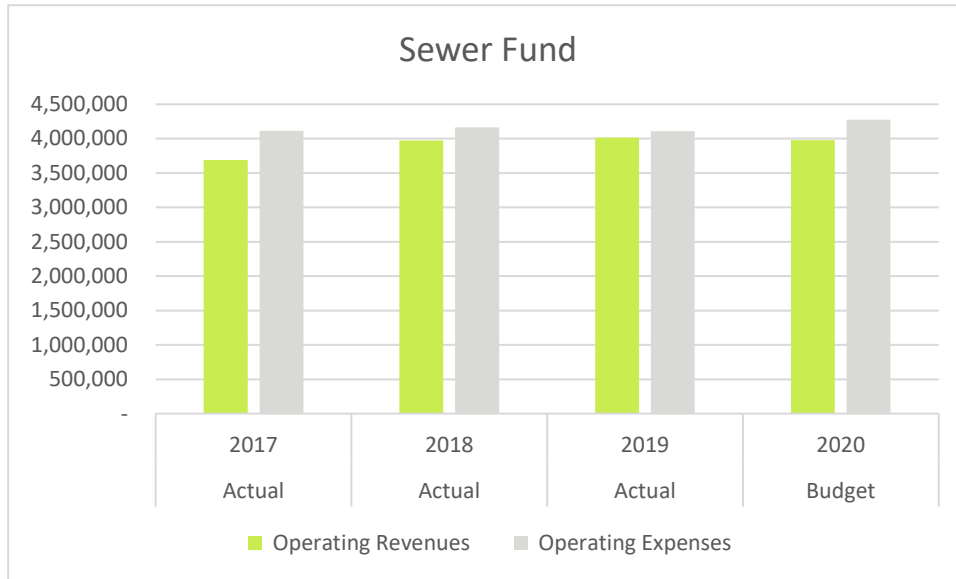
The operating statement for the past three years and the 2020 budget is shown below. Please note Charges for Services were reduced from \$2.73 million in the Adopted Budget to \$2.38 million to reflect historical water sales.

	2017	2018	2019	2020
	Actual	Actual	Actual	Budget
Operating Revenues				
Charges for Services	2,379,950	2,379,104	2,309,801	2,380,000
Charges for Services - State Fee	55,656	55,586		84,950
Permits	4,499	2,315		7,500
Sale of water meters	21,653	5,123		8,500
Other Revenue			22,905	
Total Operating Revenue	2,461,758	2,442,128	2,332,706	2,480,950
Operating Expenses				
Personal services	475,474	533,849	583,626	670,744
Materials and supplies	81,674	53,774	99,558	97,516
Chemicals	18,207	16,631		27,500
Communications	4,964	7,066		7,900
Utilities	248,425	222,058	179,315	252,000
Travel and training	1,436	1,268		6,200
Rent	75,000	75,000		80,000
Insurance	95,997	68,587		95,000
Contractual services	208,535	362,954	507,741	253,500
Repairs and maintenance	71,165	82,251	109,259	126,800
Other supplies and postage	6,617	10,820		5,150
Administrative fee	500,004	525,000	525,000	525,000
Collected for other agencies	55,700	55,744	55,744	84,950
Depreciation	678,242	619,799	659,486	660,000
Total Operating Expenses	2,521,440	2,634,801	2,719,729	2,892,260
Operating Income (Loss)	(59,682)	(192,673)	(387,023)	(411,310)
Non Operating Revenues (Expenses)				
State or Federal Grants				
Interest Income	82,541	102,039	222,380	60,000
Gain on Sale of Assets	11,750			
Other	6,504	5,561	(500)	(1,500)
Total Non Operating Revenues (Expenses)	100,795	107,600	221,880	58,500
Net Income (Loss) Before Transfers	41,113	(85,073)	(165,143)	(352,810)
Operating Transfers				
Transfers In		73,928		
Transfers (Out)	(300,000)	(400,000)	(400,000)	(400,000)
Total Operating Transfers	(300,000)	(326,072)	(400,000)	(400,000)
Net Income (Loss)	(258,887)	(411,145)	(565,143)	(752,810)
Beginning Cash & Investments	5,653,512	6,008,351	6,137,926	6,288,275
Net Income	(258,887)	(411,145)	(565,143)	(752,810)
Depreciation	678,242	619,799	659,486	660,000
Acquisition and Construction of Assets		(15,102)		-
Proceeds from New Long-Term Debt				
Payments on Long-Term Debt				
Adjustment to Accruals	(64,516)	(63,977)	56,006	-
Ending Cash Balance	6,008,351	6,137,926	6,288,275	6,195,465

Sewer Fund

Historical Information

In the Sewer Fund, expenses have exceeded revenues in each of the past three years and are projected to again in the 2020 budget. As in the Water Fund, cash in the Sewer Fund has remained fairly stable over the past three years and is projected to be approximately \$3.6 million at the end of 2020. Historical revenues and expenses and ending cash and investment balances are shown in the charts below.



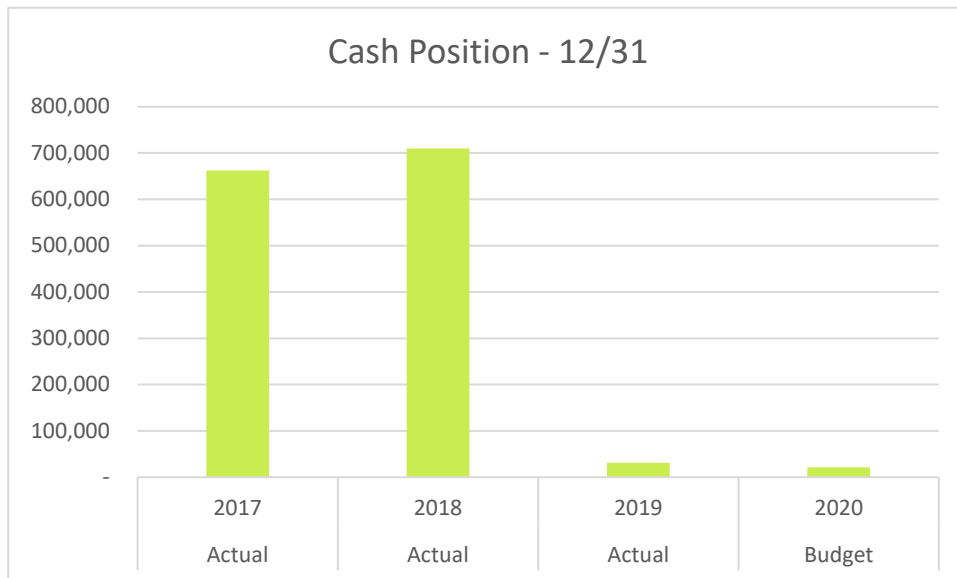
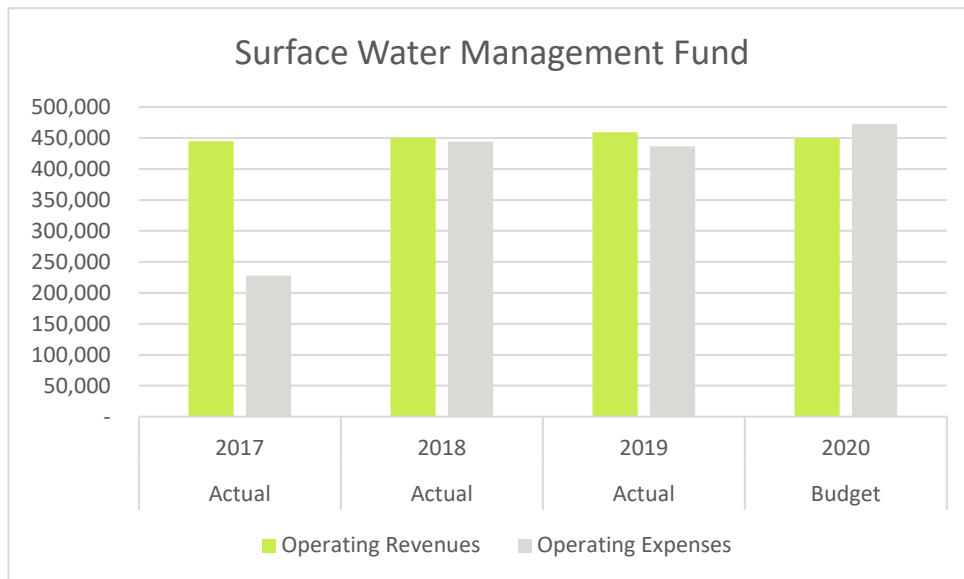
Revenues and expenses for the past three years and the 2020 budget are shown below.

	2017	2018	2019	2020
Operating Revenues	Actual	Actual	Actual	Budget
Charges for Services	3,690,346	3,973,512	4,015,582	3,976,365
Other Revenue				
Total Operating Revenue	3,690,346	3,973,512	4,015,582	3,976,365
Operating Expenses				
Personal services	343,801	342,431	361,558	388,467
Materials and supplies	55,209	56,303	58,324	64,750
Communications	4,514	6,601		8,400
Utilities	69,881	65,093	59,387	75,000
Travel and training	1,784	863		6,236
Rent	75,000	75,000		75,000
Insurance	97,455	68,587		97,500
Contractual services	111,009	104,828	247,483	83,000
MCES	2,270,452	2,354,100	2,283,251	2,328,014
Repairs and maintenance	53,405	37,727	64,727	67,950
Other supplies and postage	4,613	4,621		5,000
Administrative fee	500,004	525,000	525,000	525,000
Depreciation	525,191	521,251	508,732	550,000
Total Operating Expenses	4,112,318	4,162,405	4,108,462	4,274,317
Operating Income (Loss)	(421,972)	(188,893)	(92,880)	(297,952)
Non Operating Revenues (Expenses)				
State or Federal Grants				
Interest Income	50,545	62,445	126,947	60,000
Gain on sale of assets	11,750			
Other				
Total Non Operating Revenues (Expenses)	62,295	62,445	126,947	60,000
Net Income (Loss) Before Transfers	(359,677)	(126,448)	34,067	(237,952)
Operating Transfers				
Transfers In		74,106		
Transfers (Out)	(300,000)	(400,000)	(400,000)	(400,000)
Total Operating Transfers	(300,000)	(325,894)	(400,000)	(400,000)
Net Income (Loss)	(659,677)	(452,342)	(365,933)	(637,952)
Beginning Cash & Investments	3,900,239	3,560,061	3,561,063	3,684,473
Net Income	(659,677)	(452,342)	(365,933)	(637,952)
Depreciation	525,191	521,251	508,732	550,000
Acquisition and Construction of Assets				
Proceeds from New Long-Term Debt				
Payments on Long-Term Debt				
Adjustment to Accruals	(205,692)	(67,907)	(19,389)	-
Ending Cash Balance	3,560,061	3,561,063	3,684,473	3,596,521

Surface Water Management Fund

Historical Information

In the Surface Water Management Fund, operating revenues have exceeded operating expenses in each of the past three years but are projected to decline slightly below expenses in the 2020 budget. Cash in the Surface Water Management Fund had increased in the past to approximately \$700,000 in 2018 but the City transferred \$820,000 out of the fund in 2019 to assist in financing the Hadley/Hwy 36 project, which depleted a majority of the cash in the fund. Historical revenues and expenses and ending cash and investment balances are shown in the charts below.

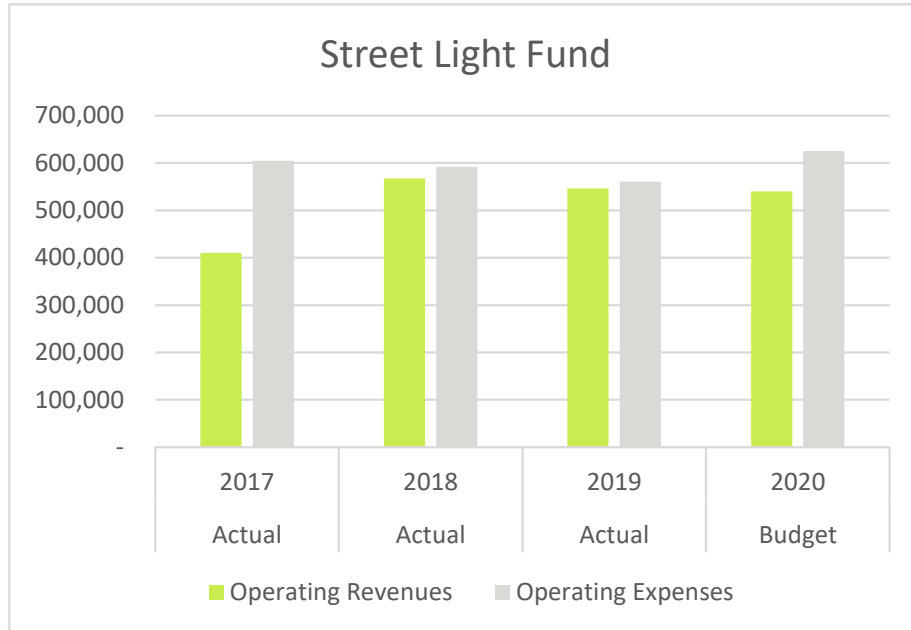


	2017	2018	2019	2020
Operating Revenues	Actual	Actual	Actual	Budget
Charges for Services	445,010	450,396	449,984	450,000
Other Revenue			9,260	
Total Operating Revenue	445,010	450,396	459,244	450,000
Operating Expenses				
General Administration	227,766	353,893	316,619	237,140
Street Sweeping		20,360		87,450
Maintenance & Drainage Correction		27,474		95,343
Catch Basin Maintenance		41,675		46,401
Fountain Maintenance & Aeration		1,158		6,227
Other Miscellaneous Expenses			120,000	
Total Operating Expenses	227,766	444,560	436,619	472,561
Operating Income (Loss)	217,244	5,836	22,625	(22,561)
Non Operating Revenues (Expenses)				
State or Federal Grants				
Interest Income	14,782	12,732	26,143	13,500
Other				
Total Non Operating Revenues (Expenses)	14,782	12,732	26,143	13,500
Net Income (Loss) Before Transfers	232,026	18,568	48,768	(9,061)
Operating Transfers				
Transfers In				
Transfers (Out)	(520,000)	-	(700,000)	
Total Operating Transfers	(520,000)	-	(700,000)	-
Net Income (Loss)	(287,974)	18,568	(651,232)	(9,061)
Beginning Cash & Investments	979,782	662,501	709,826	30,730
Net Income	(287,974)	18,568	(651,232)	(9,061)
Acquisition and Construction of Assets				-
Proceeds from New Long-Term Debt				
Payments on Long-Term Debt				
Adjustment to Accruals	(29,307)	28,757	(27,864)	-
Ending Cash Balance	662,501	709,826	30,730	21,669

Street Light Fund

Historical Information

In the Street Light Fund, expenses have exceeded revenues in each of the past three years and are projected to again in the 2020 budget. Cash in the Street Light Fund has risen significantly over the past three years and is projected to be approximately \$1.0 million at the end of 2020. Historical revenues and expenses and ending cash and investment balances are shown in the charts below.



	2017	2018	2019	2020
Operating Revenues	Actual	Actual	Actual	Budget
Charges for Services	409,723	537,295	545,980	540,000
Other Revenue		30,000		
Total Operating Revenue	409,723	567,295	545,980	540,000
Operating Expenses				
Personal services	57,756	64,443	63,841	61,918
Materials and supplies	44,746	25,156	36,745	35,750
Utilities	159,603	159,845	122,150	162,500
Insurance		3,193		
Contractual services	29,454	30,707	25,483	50,000
Repairs and maintenance	30,749	15,930	6,845	25,000
Administrative fee	39,996	39,996	39,996	40,000
Depreciation	242,783	252,987	265,553	250,000
Total Operating Expenses	605,087	592,257	560,613	625,168
Operating Income (Loss)	(195,364)	(24,962)	(14,633)	(85,168)
Non Operating Revenues (Expenses)				
Interest Income	5,418	9,181	25,589	5,000
Interest Expense Existing Debt				
Other	1,419			
Total Non Operating Revenues (Expenses)	6,837	9,181	25,589	5,000
Net Income (Loss) Before Transfers	(188,527)	(15,781)	10,956	(80,168)
Operating Transfers				
Transfers In				
Transfers (Out)				
Total Operating Transfers	-	-	-	-
Net Income (Loss)	(188,527)	(15,781)	10,956	(80,168)
Beginning Cash & Investments	338,704	415,024	604,573	845,959
Net Income	(188,527)	(15,781)	10,956	(80,168)
Depreciation	242,783	252,987	265,553	250,000
Acquisition and Construction of Assets		(12,068)	-	
Proceeds from New Long-Term Debt				
Payments on Long-Term Debt				
Adjustment to Accruals	22,064	(35,589)	(35,123)	-
Ending Cash Balance	415,024	604,573	845,959	1,015,791

Current Rates

	RESIDENTIAL Billed Quarterly	APARTMENTS Billed Monthly	COMMERCIAL Billed Monthly
WATER BASE CHARGE	\$12 per quarter	\$4 per month, per unit	\$4 per month for every 10,000 gallons used
WATER USAGE	\$1.97 per 1,000 gallons for first 35,000 gallons used per quarter	\$1.97 per 1,000 gallons for first 12,000 gallons used per month	\$1.97 per 1,000 gallons for first 12,000 gallons used per month
	\$2.16 per 1,000 gallons for next 15,000 gallons used per quarter	\$2.16 per 1,000 gallons for next 5,000 gallons used per month	\$2.16 per 1,000 gallons for next 5,000 gallons used per month
	\$2.33 per 1,000 gallons for remaining gallons used per quarter	\$2.33 per 1,000 gallons for remaining gallons used per month	\$2.33 per 5,000 gallons for remaining gallons used per month \$2.66 per 1,000 gallons for remaining gallons used per month
SEWER BASE CHARGE	\$21 per quarter	\$7 per month, per unit	\$7 per month, per unit, for every 10,000 gallons used; or \$7 minimum if under 10,000 gallons used per unit
SEWER USAGE	\$3.79 per 1,000 gallons, minimum of 12,000 gallons per quarter	\$3.79 per 1,000 gallons, minimum of 4,000 gallons per month, per unit	\$3.79 per 1,000 gallons; minimum usage of 5,000 gallons used per month
STREET LIGHTS	\$15 single-family \$ 8 duplex \$ 7 multiple dwelling	Based on total lineal feet	Based on total lineal feet
STORM SEWER	\$6.50 single-family \$5.85 duplex \$5.50 multiple dwelling	Based on total runoff	Based on total runoff

Cash Reserves

Baker Tilly's clients often ask about the amount of cash that should be available in their Utility funds. Utility funds need sufficient cash to pay current expenses, together with principal and interest on outstanding bonds. This would typically require each Utility fund to have a minimum of three months of anticipated operating expenses and one year's total debt service in cash at the end of each year. However, this does not provide any level of cash reserves for unforeseen expenses, emergencies, or to cover any shortfalls in the budget. The amount of cash reserves that each fund should have is dependent on several factors, including:

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

Unfortunately, there are no prescribed formulas, and the amount of reserves varies considerably between utilities. We recommend the reserve policy for the studied funds be established at 25% of operating expenses and one year of debt service (which there is no outstanding debt at this time).

Assumptions

The City provided Baker Tilly with a variety of material including:

- 2020 Utility Budgets
- Current Utility rates
- Capital Improvement Plans
- Number of water accounts
- Number of water meters by size
- Information about each utility
- New connections related to the proposed Willow Brooke and Helmo Station developments

Assumptions for the growth of revenues resulting from volume of new customers were projected to be 1.0% annually in each Fund.

Expenses were projected based on an analysis of past trends, capital improvements, and the assumptions previously stated. The 2020 budget figures were used as the base for

expense projections. Revenues were projected to ensure the recommended income, cash flow, and level of ending cash balances were met each year. Assumptions for the increase in operating expenses were based on historical trends and typically range from 0-5%, based on individual line item and fund.

The investment interest rate earned on the investment of annual cash was assumed to be 1% based on the annual beginning cash balance in each fund.

Capital Outlay

To determine the appropriate future fees and rates needed for the operation of each Utility over the planning period, we have incorporated the anticipated future capital outlay needs provided by the City.

Capital outlay is projected to be \$9,403,856 over the planning period. Many of the capital items are projected to be paid from cash in the Utility System Replacement Fund.

	Storm Water Utility	Street Light Utility	Water Availability Reserve	Sewer Availability Reserve	Utility System Replacement Fund	Totals
2020	145,000	-	-	-	30,000	175,000
2021	120,000	169,456	200,000	1,200,000	30,000	1,719,456
2022	120,000	300,000	-	-	1,730,000	2,150,000
2023	226,600	-	-	-	314,000	540,600
2024	233,400	100,000	-	-	230,000	563,400
2025	240,400	-	-	-	2,350,000	2,590,400
2026	247,600	-	-	-	230,000	477,600
2027	255,100	-	-	-	30,000	285,100
2028	262,800	-	-	-	30,000	292,800
2029	270,700	-	-	-	30,000	300,700
2030	278,800	-	-	-	30,000	308,800
Total	2,400,400	569,456	200,000	1,200,000	5,034,000	9,403,856

The Storm Water costs are related to annual pond cleaning and storm water projects done in conjunction with the annual street projects. The Street Light Utility projects are related to installing lights on Helmo, 4th Street and Hadley and Stillwater Blvd and Hadley. A detail listing of the water and sewer projects is shown in the table on the following page.

Year	Project	Dept.	Amount
2020	Annual Road Improvement Project	Water	30,000
2021	Rehab Lift Station at Stillwater Blvd & Ideal	Sewer	600,000
2021	Rehab Lift Station at Northdale Park	Sewer	600,000
2021	Water Main Extension from 40th St to Olson Lake Estates	Water	200,000
2021	Annual Road Improvement Project	Water	30,000
2022	Annual Road Improvement Project	Sewer	30,000
2022	Painting Water Tower #3	Water	1,500,000
2022	Water Meter Battery Changeout Program	Water	200,000
2023	Annual Road Improvement Project	Sewer	30,000
2023	Hudson Blvd Sanitary Sewer	Sewer	84,000
2023	Water Meter Battery Changeout Program	Water	200,000
2024	Annual Road Improvement Project	Water	30,000
2024	Water Meter Battery Changeout Program	Water	200,000
2025	Annual Road Improvement Project	Sewer	30,000
2025	TH 120 from Innovation to TH 5	Sewer	1,060,000
2025	TH 120 from Innovation to TH 5	Water	1,060,000
2025	Water Meter Battery Changeout Program	Water	200,000
2026	Annual Road Improvement Project	Water	30,000
2026	Water Meter Battery Changeout Program	Water	200,000
2027	Annual Road Improvement Project	Sewer	30,000
2028	Annual Road Improvement Project	Water	30,000
2029	Annual Road Improvement Project	Sewer	30,000
2030	Annual Road Improvement Project	Water	30,000

3. Water Utility

Financial Projections

The financial projections assume the City would strive to maintain a minimum cash balance in the Water Fund equal to three months of anticipated operating expenses.

To determine the appropriate user rates needed for the operation of the Water Fund, we have projected future revenue and expenses and have incorporated the anticipated future capital outlay needs for the time period covered by this study.

Annual increases of 2.5% in the current rate structure are recommended. At that level, the Water Fund’s ending cash balance is projected to go from approximately \$6.2 million at the end of 2020 to approximately \$5.5 million at the end of 2030.

Current and recommended water rates for the next 5 years are shown below.

WATER RATES	2020	2021	2022	2023	2024	2025
Residential - Billed Quarterly						
Base Charge	\$12.00	\$12.30	\$12.61	\$12.92	\$13.25	\$13.58
0 - 35,000 gallons	\$1.97	\$2.02	\$2.07	\$2.12	\$2.17	\$2.23
35,001 - 50,000 gallons	\$2.16	\$2.21	\$2.27	\$2.33	\$2.38	\$2.44
>50,000 gallons	\$2.33	\$2.39	\$2.45	\$2.51	\$2.57	\$2.64
Apartments - Billed Monthly						
Base Charge (PER UNIT)	\$4.00	\$4.10	\$4.20	\$4.31	\$4.42	\$4.53
0 - 12,000 gallons	\$1.97	\$2.02	\$2.07	\$2.12	\$2.17	\$2.23
12,001 - 17,000 gallons	\$2.16	\$2.21	\$2.27	\$2.33	\$2.38	\$2.44
>17,000 gallons	\$2.33	\$2.39	\$2.45	\$2.51	\$2.57	\$2.64
Commercial - Billed Monthly						
Base Charge (FOR EVERY 10,000 GAL)	\$4.00	\$4.10	\$4.20	\$4.31	\$4.42	\$4.53
0 - 12,000 gallons	\$1.97	\$2.02	\$2.07	\$2.12	\$2.17	\$2.23
12,001 - 17,000 gallons	\$2.16	\$2.21	\$2.27	\$2.33	\$2.38	\$2.44
17,001 - 22,000 GALLONS	\$2.33	\$2.39	\$2.45	\$2.51	\$2.57	\$2.64
>22,000 GALLONS	\$2.66	\$2.73	\$2.79	\$2.86	\$2.94	\$3.01

The financial projection for the Water Fund is shown on the following pages.

3. Water Utility

Projected Water Rate Adjustment	Projected Change	<i>Calculate</i>	2.50%	2.50%	2.50%	2.50%
	2021-2030	2020	2021	2022	2023	2024
Operating Revenues						
Charges for Services	1.00%	2,380,000	2,463,895	2,550,747	2,640,661	2,733,744
Charges for Services - State Fee	0.00%	84,950	84,950	84,950	84,950	84,950
Permits	0.00%	7,500	7,500	7,500	7,500	7,500
Sale of water meters	0.00%	8,500	8,500	8,500	8,500	8,500
Other Revenue	0.00%	-	-	-	-	-
Total Operating Revenue		2,480,950	2,564,845	2,651,697	2,741,611	2,834,694
Operating Expenses						
Personal services	5.00%	670,744	704,281	739,495	776,470	815,294
Materials and supplies	4.00%	97,516	101,417	105,473	109,692	114,080
Chemicals	3.00%	27,500	28,325	29,175	30,050	30,951
Communications	2.00%	7,900	8,058	8,219	8,384	8,551
Utilities	2.00%	252,000	257,040	262,181	267,424	272,773
Travel and training	5.00%	6,200	6,510	6,836	7,177	7,536
Rent	2.00%	80,000	81,600	83,232	84,897	86,595
Insurance	2.00%	95,000	96,900	98,838	100,815	102,831
Contractual services	3.50%	253,500	262,373	271,556	281,060	290,897
Repairs and maintenance	5.00%	126,800	133,140	139,797	146,787	154,126
Other supplies and postage	1.00%	5,150	5,202	5,254	5,306	5,359
Administrative fee	3.00%	525,000	540,750	556,973	573,682	590,892
Collected for other agencies	0.00%	84,950	84,950	84,950	84,950	84,950
Other Miscellaneous Expenses	3.00%	-	-	-	-	-
Existing Depreciation		660,000	646,800	633,864	621,187	608,763
New Depreciation		-	1,500	9,667	98,000	111,333
Total Operating Expenses		2,892,260	2,958,845	3,035,508	3,195,880	3,284,932
Operating Income (Loss)		(411,310)	(394,000)	(383,811)	(454,269)	(450,237)
Non Operating Revenues (Expenses)						
Interest Income	1.00%	60,000	61,955	61,117	60,326	59,578
Other		(1,500)				
Total Non Operating Revenues (Expenses)		58,500	61,955	61,117	60,326	59,578
Net Income (Loss) Before Transfers		(352,810)	(332,045)	(322,693)	(393,943)	(390,659)
Operating Transfers						
Transfers In		-				
Transfers (Out)		(400,000)	(400,000)	(400,000)	(400,000)	(400,000)
Total Operating Transfers		(400,000)	(400,000)	(400,000)	(400,000)	(400,000)
Net Income (Loss)		(752,810)	(732,045)	(722,693)	(793,943)	(790,659)
Beginning Cash & Investments		6,288,275	6,195,465	6,111,720	6,032,557	5,957,800
Net Income		(752,810)	(732,045)	(722,693)	(793,943)	(790,659)
Depreciation		660,000	648,300	643,531	719,187	720,096
Ending Cash Balance		6,195,465	6,111,720	6,032,557	5,957,800	5,887,237
Minimum Cash Balance						
For ongoing operations		723,065	739,711	758,877	798,970	821,233
For debt service		-	-	-	-	-
Minimum Cash Balance Required		723,065	739,711	758,877	798,970	821,233
Amount Over (Under) Minimum		5,472,400	5,372,009	5,273,680	5,158,830	5,066,004

3. Water Utility

Projected Water Rate Adjustment	Projected Change 2021-2030	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
		2025	2026	2027	2028	2029	2030
Operating Revenues							
Charges for Services	1.00%	2,830,109	2,929,870	3,033,148	3,140,067	3,250,754	3,365,343
Charges for Services - State Fee	0.00%	84,950	84,950	84,950	84,950	84,950	84,950
Permits	0.00%	7,500	7,500	7,500	7,500	7,500	7,500
Sale of water meters	0.00%	8,500	8,500	8,500	8,500	8,500	8,500
Other Revenue	0.00%	-	-	-	-	-	-
Total Operating Revenue		2,931,059	3,030,820	3,134,098	3,241,017	3,351,704	3,466,293
Operating Expenses							
Personal services	5.00%	856,058	898,861	943,804	990,994	1,040,544	1,092,571
Materials and supplies	4.00%	118,643	123,389	128,324	133,457	138,796	144,348
Chemicals	3.00%	31,880	32,836	33,822	34,836	35,881	36,958
Communications	2.00%	8,722	8,897	9,075	9,256	9,441	9,630
Utilities	2.00%	278,228	283,793	289,469	295,258	301,163	307,187
Travel and training	5.00%	7,913	8,309	8,724	9,160	9,618	10,099
Rent	2.00%	88,326	90,093	91,895	93,733	95,607	97,520
Insurance	2.00%	104,888	106,985	109,125	111,308	113,534	115,804
Contractual services	3.50%	301,078	311,616	322,523	333,811	345,494	357,587
Repairs and maintenance	5.00%	161,833	169,924	178,420	187,341	196,708	206,544
Other supplies and postage	1.00%	5,413	5,467	5,521	5,577	5,632	5,689
Administrative fee	3.00%	608,619	626,877	645,684	665,054	685,006	705,556
Collected for other agencies	0.00%	84,950	84,950	84,950	84,950	84,950	84,950
Other Miscellaneous Expenses	3.00%	-	-	-	-	-	-
Existing Depreciation		596,588	584,656	572,963	561,504	550,274	539,268
New Depreciation		126,167	192,500	207,333	207,333	208,833	-
Total Operating Expenses		3,379,306	3,529,154	3,631,632	3,723,573	3,821,483	3,713,710
Operating Income (Loss)		(448,247)	(498,333)	(497,534)	(482,557)	(469,779)	(247,417)
Non Operating Revenues (Expenses)							
Interest Income	1.00%	58,872	58,206	57,576	56,980	56,412	55,870
Other							
Total Non Operating Revenues (Expenses)		58,872	58,206	57,576	56,980	56,412	55,870
Net Income (Loss) Before Transfers		(389,375)	(440,127)	(439,957)	(425,577)	(413,367)	(191,547)
Operating Transfers							
Transfers In							
Transfers (Out)		(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)
Total Operating Transfers		(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)
Net Income (Loss)		(789,375)	(840,127)	(839,957)	(825,577)	(813,367)	(591,547)
Beginning Cash & Investments		5,887,237	5,820,617	5,757,646	5,697,985	5,641,245	5,586,985
Net Income		(789,375)	(840,127)	(839,957)	(825,577)	(813,367)	(591,547)
Depreciation		722,754	777,156	780,296	768,837	759,107	539,268
Ending Cash Balance		5,820,617	5,757,646	5,697,985	5,641,245	5,586,985	5,534,706
Minimum Cash Balance							
For ongoing operations		844,827	882,288	907,908	930,893	955,371	928,427
For debt service		-	-	-	-	-	-
Minimum Cash Balance Required		844,827	882,288	907,908	930,893	955,371	928,427
Amount Over (Under) Minimum		4,975,791	4,875,357	4,790,077	4,710,352	4,631,614	4,606,279

4. Sewer Utility

Financial Projections

The financial projections for the Sewer Fund assume the City would strive to maintain a minimum cash balance in the Sewer Fund equal to three months of anticipated operating expenses.

To determine the appropriate user rates needed for the operation of the Sewer Fund, we have projected future revenue and expenses and have incorporated the anticipated future capital outlay needs from the C.I.P. The financial projections began with the Sewer Utility expenses. Expenses were projected based on an analysis of past trends, capital improvements, and the assumptions previously stated. The 2020 budget figures were used as the base for expense projections. Revenues were projected to ensure the recommended income, cash flow, and level of ending cash balances were met each year.

Similar to the Water Utility, 2.5% annual rate increases in the current rate structure are recommended. Ending cash is projected to increase from approximately \$3.6 million at the end of 2020 to approximately \$5.7 million at the end of 2030.

Current and recommended sewer rates for the next 5 years are shown below.

SEWER RATES	2020	2021	2022	2023	2024	2025
Residential - Billed Quarterly						
Base Charge	\$21.00	\$21.53	\$22.06	\$22.61	\$23.18	\$23.76
per 1,000 gal (min of 12,000 gal/qtr)	\$3.79	\$3.88	\$3.98	\$4.08	\$4.18	\$4.29
Apartments - Billed Monthly						
Base Charge (PER UNIT)	\$7.00	\$7.18	\$7.35	\$7.54	\$7.73	\$7.92
per 1,000 gal (min of 4,000 gal/mo/unit)	\$3.79	\$3.88	\$3.98	\$4.08	\$4.18	\$4.29
Commercial - Billed Monthly						
Base Charge (FOR EVERY 10,000 GAL)	\$7.00	\$7.18	\$7.35	\$7.54	\$7.73	\$7.92
per 1,000 gal (min of 5,000 gal/mo)	\$3.79	\$3.88	\$3.98	\$4.08	\$4.18	\$4.29

The financial projection for the Sewer Fund is shown on the following pages.

4. Sewer Utility

Projected Sewer Rate Adjustment	Projected Change 2021-2030	2020	2.50%	2.50%	2.50%	2.50%
			2021	2022	2023	2024
Revenues						
Charges for Services	1.00%	3,976,365	4,116,532	4,261,640	4,411,862	4,567,381
Other Revenue		-	-	-	-	-
Total Operating Revenue		3,976,365	4,116,532	4,261,640	4,411,862	4,567,381
Operating Expenses						
Personal services	4.00%	388,467	404,006	420,166	436,973	454,451
Materials and supplies	4.00%	64,750	67,340	70,034	72,835	75,748
Communications	5.00%	8,400	8,820	9,261	9,724	10,210
Utilities	2.00%	75,000	76,500	78,030	79,591	81,182
Travel and training	5.00%	6,236	6,548	6,875	7,219	7,580
Rent	0.00%	75,000	75,000	75,000	75,000	75,000
Insurance	2.00%	97,500	99,450	101,439	103,468	105,537
Contractual services	2.00%	83,000	84,660	86,353	88,080	89,842
MCES	2.00%	2,328,014	2,374,574	2,422,066	2,470,507	2,519,917
Repairs and maintenance	5.00%	67,950	71,348	74,915	78,661	82,594
Other supplies and postage	2.00%	5,000	5,100	5,202	5,306	5,412
Administrative fee	3.00%	525,000	540,750	556,973	573,682	590,892
Existing Depreciation		550,000	539,000	528,220	517,656	507,302
New Depreciation			-	120,000	121,500	125,800
Total Operating Expenses		4,274,317	4,353,095	4,554,533	4,640,200	4,731,469
Operating Income (Loss)		(297,952)	(236,563)	(292,893)	(228,338)	(164,088)
Non Operating Revenues (Expenses)						
Interest Income	1.00%	60,000	35,965	35,349	35,256	35,717
Other		-				
Total Non Operating Revenues (Expenses)		60,000	35,965	35,349	35,256	35,717
Net Income (Loss) Before Transfers		(237,952)	(200,598)	(257,544)	(193,082)	(128,372)
Operating Transfers						
Transfers In		-				
Transfers (Out)		(400,000)	(400,000)	(400,000)	(400,000)	(400,000)
Total Operating Transfers		(400,000)	(400,000)	(400,000)	(400,000)	(400,000)
Net Income (Loss)		(637,952)	(600,598)	(657,544)	(593,082)	(528,372)
Beginning Cash & Investments		3,684,473	3,596,521	3,534,923	3,525,599	3,571,672
Net Income		(637,952)	(600,598)	(657,544)	(593,082)	(528,372)
Depreciation		550,000	539,000	648,220	639,156	633,102
Ending Cash Balance		3,596,521	3,534,923	3,525,599	3,571,672	3,676,403
Minimum Cash Balance						
For ongoing operations			1,088,274	1,138,633	1,160,050	1,182,867
For debt service			-	-	-	-
Minimum Cash Balance Required			1,088,274	1,138,633	1,160,050	1,182,867
Amount Over (Under) Minimum			2,446,649	2,386,965	2,411,622	2,493,536

4. Sewer Utility

Projected Sewer Rate Adjustment	Projected Change							
		2020	2025	2026	2027	2028	2029	2030
Revenues								
Charges for Services	1.00%	3,976,365	4,728,381	4,895,056	5,067,607	5,246,240	5,431,170	5,622,619
Other Revenue		-	-	-	-	-	-	-
Total Operating Revenue		3,976,365	4,728,381	4,895,056	5,067,607	5,246,240	5,431,170	5,622,619
Operating Expenses								
Personal services	4.00%	388,467	472,630	491,535	511,196	531,644	552,910	575,026
Materials and supplies	4.00%	64,750	78,778	81,929	85,207	88,615	92,159	95,846
Communications	5.00%	8,400	10,721	11,257	11,820	12,411	13,031	13,683
Utilities	2.00%	75,000	82,806	84,462	86,151	87,874	89,632	91,425
Travel and training	5.00%	6,236	7,959	8,357	8,775	9,213	9,674	10,158
Rent	0.00%	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Insurance	2.00%	97,500	107,648	109,801	111,997	114,237	116,522	118,852
Contractual services	2.00%	83,000	91,639	93,471	95,341	97,248	99,193	101,177
MCES	2.00%	2,328,014	2,570,316	2,621,722	2,674,156	2,727,639	2,782,192	2,837,836
Repairs and maintenance	5.00%	67,950	86,723	91,059	95,612	100,393	105,413	110,683
Other supplies and postage	2.00%	5,000	5,520	5,631	5,743	5,858	5,975	6,095
Administrative fee	3.00%	525,000	608,619	626,877	645,684	665,054	685,006	705,556
Existing Depreciation		550,000	497,156	487,213	477,469	467,920	458,561	449,390
New Depreciation			125,800	180,300	180,300	181,800	181,800	-
Total Operating Expenses		4,274,317	4,821,315	4,968,615	5,064,451	5,164,907	5,267,068	5,190,726
Operating Income (Loss)		(297,952)	(92,934)	(73,559)	3,156	81,333	164,102	431,893
Non Operating Revenues (Expenses)								
Interest Income	1.00%	60,000	36,764	38,432	40,756	43,773	47,521	52,041
Other		-	-	-	-	-	-	-
Total Non Operating Revenues (Expenses)		60,000	36,764	38,432	40,756	43,773	47,521	52,041
Net Income (Loss) Before Transfers		(237,952)	(56,170)	(35,127)	43,911	125,106	211,623	483,933
Operating Transfers								
Transfers In		-	-	-	-	-	-	-
Transfers (Out)		(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)
Total Operating Transfers		(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)
Net Income (Loss)		(637,952)	(456,170)	(435,127)	(356,089)	(274,894)	(188,377)	83,933
Beginning Cash & Investments		3,684,473	3,676,403	3,843,190	4,075,576	4,377,256	4,752,082	5,204,066
Net Income		(637,952)	(456,170)	(435,127)	(356,089)	(274,894)	(188,377)	83,933
Depreciation		550,000	622,956	667,513	657,769	649,720	640,361	449,390
Ending Cash Balance		3,596,521	3,843,190	4,075,576	4,377,256	4,752,082	5,204,066	5,737,389
Minimum Cash Balance								
For ongoing operations			1,205,329	1,242,154	1,266,113	1,291,227	1,316,767	1,297,682
For debt service			-	-	-	-	-	-
Minimum Cash Balance Required			1,205,329	1,242,154	1,266,113	1,291,227	1,316,767	1,297,682
Amount Over (Under) Minimum			2,637,861	2,833,422	3,111,144	3,460,855	3,887,299	4,439,708

5. Surface Water Management Utility

Financial Projections

As with the Water and Sewer Funds, financial projections for the Surface Water Management Fund (also referred to as “Storm water”) assume the City would strive to maintain a minimum cash balance equal to three months of anticipated operating expenses.

To determine the appropriate user rates needed for the operation of the Surface Water Management Fund, we have projected future revenue and expenses and have incorporated the anticipated future capital outlay needs from the C.I.P. The financial projections began with the expenses. Expenses were projected based on an analysis of past trends, capital improvements, and the assumptions previously stated. The 2020 budget figures were used as the base for expense projections. Revenues were projected to ensure the recommended income, cash flow, and level of ending cash balances were met each year.

Due to the depletion of the cash in Surface Water Management Fund, A rate increase of 40% (\$2.60/quarter on a single family home) is recommended in 2021, 10% annual increases in 2022 and 2023, 5% annual increases in 2024 and 2025 and 2.50% annual increases thereafter. This also assumes excess interest earnings from the Street Light Utility Fund of \$125,000 in 2020 and \$75,000 in 2021 are transferred into the Surface Water Management Fund. With these recommendations, ending cash is projected be \$1,669 at the end of 2020 and increase to approximately \$1.3 million at the end of 2030.

Current and recommended surface water rates for the next 5 years are shown below.

SURFACE WATER RATES	2020	2021	2022	2023	2024	2025
Residential - Billed Quarterly						
Single Family	\$6.50	\$9.10	\$10.01	\$11.01	\$11.56	\$12.14
Duplex	\$5.85	\$8.19	\$9.01	\$9.91	\$10.41	\$10.93
Multiple Dwelling	\$5.50	\$7.70	\$8.47	\$9.32	\$9.78	\$10.27
Apartment - Billed Monthly						
Based on total runoff	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Commercial - Billed Monthly						
Based on total runoff	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

The financial projection for the Surface Water Management Fund is shown on the following pages.

5. Surface Water Management Utility

Projected Storm Water Rate Adjustment	Projected Change	<i>Calculate</i>	40.00%	10.00%	10.00%	5.00%
	2021-2030	2020	2021	2022	2023	2024
Operating Revenues						
Charges for Services	1.00%	450,000	636,300	706,929	785,398	832,915
Other Revenue	0.00%	-	-	-	-	-
Total Operating Revenue		450,000	636,300	706,929	785,398	832,915
Operating Expenses						
General Administration	1.50%	237,140	240,697	244,308	247,972	251,692
Street Sweeping	3.00%	87,450	90,074	92,776	95,559	98,426
Maintenance & Drainage Correction	2.00%	95,343	97,250	99,195	101,179	103,202
Catch Basin Maintenance	2.00%	46,401	47,329	48,276	49,241	50,226
Fountain Maintenance & Aeration	2.00%	6,227	6,352	6,479	6,608	6,740
Other Miscellaneous Expenses	2.00%	-	-	-	-	-
Existing Depreciation						
New Depreciation						
Total Operating Expenses		472,561	481,701	491,032	500,559	510,286
Operating Income (Loss)		(22,561)	154,599	215,897	284,839	322,629
Non Operating Revenues (Expenses)						
Interest Income	1.00%	13,500	17	1,113	2,083	2,686
Total Non Operating Revenues (Expenses)		13,500	17	1,113	2,083	2,686
Net Income (Loss) Before Transfers		(9,061)	154,616	217,010	286,922	325,315
Operating Transfers						
Transfers In		125,000	75,000			
Transfers (Out)		-	-	-	-	-
Total Operating Transfers		125,000	75,000	-	-	-
Net Income (Loss)		115,939	229,616	217,010	286,922	325,315
Beginning Cash & Investments		30,730	1,669	111,285	208,295	268,617
Net Income		115,939	229,616	217,010	286,922	325,315
Acquisition and Construction of Assets		(145,000)	(120,000)	(120,000)	(226,600)	(233,400)
Ending Cash Balance		1,669	111,285	208,295	268,617	360,532
Minimum Cash Balance						
For ongoing operations		118,140	120,425	122,758	125,140	127,572
For debt service		-	-	-	-	-
Minimum Cash Balance Required		118,140	120,425	122,758	125,140	127,572
Amount Over (Under) Minimum		(116,471)	(9,141)	85,536	143,477	232,960

5. Surface Water Management Utility

Projected Storm Water Rate Adjustment	Projected Change 2021-2030	5.00%	2.50%	2.50%	2.50%	2.50%	2.50%
		2025	2026	2027	2028	2029	2030
Operating Revenues							
Charges for Services	1.00%	883,306	914,443	946,677	980,047	1,014,594	1,050,359
Other Revenue	0.00%	-	-	-	-	-	-
Total Operating Revenue		883,306	914,443	946,677	980,047	1,014,594	1,050,359
Operating Expenses							
General Administration	1.50%	255,467	259,299	263,189	267,136	271,143	275,211
Street Sweeping	3.00%	101,379	104,420	107,552	110,779	114,102	117,525
Maintenance & Drainage Correction	2.00%	105,266	107,372	109,519	111,710	113,944	116,223
Catch Basin Maintenance	2.00%	51,230	52,255	53,300	54,366	55,453	56,563
Fountain Maintenance & Aeration	2.00%	6,875	7,013	7,153	7,296	7,442	7,591
Other Miscellaneous Expenses	2.00%	-	-	-	-	-	-
Existing Depreciation							
New Depreciation							
Total Operating Expenses		520,218	530,358	540,713	551,287	562,085	573,112
Operating Income (Loss)		363,089	384,085	405,964	428,760	452,509	477,247
Non Operating Revenues (Expenses)							
Interest Income	1.00%	3,605	4,868	6,282	7,853	9,591	11,505
Total Non Operating Revenues (Expenses)		3,605	4,868	6,282	7,853	9,591	11,505
Net Income (Loss) Before Transfers		366,694	388,953	412,246	436,614	462,101	488,752
Operating Transfers							
Transfers In							
Transfers (Out)		-	-	-	-	-	-
Total Operating Transfers		-	-	-	-	-	-
Net Income (Loss)		366,694	388,953	412,246	436,614	462,101	488,752
Beginning Cash & Investments		360,532	486,826	628,179	785,325	959,138	1,150,539
Net Income		366,694	388,953	412,246	436,614	462,101	488,752
Acquisition and Construction of Assets		(240,400)	(247,600)	(255,100)	(262,800)	(270,700)	(278,800)
Ending Cash Balance		486,826	628,179	785,325	959,138	1,150,539	1,360,491
Minimum Cash Balance							
For ongoing operations		130,054	132,590	135,178	137,822	140,521	143,278
For debt service		-	-	-	-	-	-
Minimum Cash Balance Required		130,054	132,590	135,178	137,822	140,521	143,278
Amount Over (Under) Minimum		356,772	495,589	650,146	821,316	1,010,017	1,217,213

6. Street Light Utility

Financial Projections

As with the other Funds, financial projections for the Street Light Fund assume the City would strive to maintain a minimum cash balance equal to three months of anticipated operating expenses.

To determine the appropriate user rates needed for the operation of the Street Light Fund, we have projected future revenue and expenses and have incorporated the anticipated future capital outlay needs from the C.I.P. The financial projections began with the expenses. Expenses were projected based on an analysis of past trends, capital improvements, and the assumptions previously stated. The 2020 budget figures were used as the base for expense projections. Revenues were projected to ensure the recommended income, cash flow, and level of ending cash balances were met each year. In addition, we have assumed transfers out of the Street Light Utility Fund of \$125,000 in 2020 and \$75,000 in 2021.

An annual rate increase of 2.50% to current rates is recommended. Ending cash is projected be \$890,000 at the end of 2020 and increase to approximately \$2.6 million at the end of 2030. This is with minimal capital outlay projections. Should the capital outlay not increase in later years, the City may wish to forgo rate increases in certain years.

Current and recommended surface water rates for the next 5 years are shown below.

STREET LIGHT RATES	2020	2021	2022	2023	2024	2025
Residential - Billed Quarterly						
Single Family	\$15.00	\$15.38	\$15.76	\$16.15	\$16.56	\$16.97
Duplex	\$8.00	\$8.20	\$8.41	\$8.62	\$8.83	\$9.05
Multiple Dwelling	\$7.00	\$7.18	\$7.35	\$7.54	\$7.73	\$7.92
Apartments - Billed Monthly						
Based on total lineal feet	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Commercial - Billed Monthly						
Based on total lineal feet	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

The financial projection for the Street Light Fund is shown on the following pages.

6. Street Light Utility

Projected Street Light Rate Adjustment	Projected Change	<i>Calculate</i>	2.50%	2.50%	2.50%	2.50%
	2021-2030	2020	2021	2022	2023	2024
Revenues						
Charges for Services	1.00%	540,000	559,035	578,741	599,142	620,261
Other Revenue		-	-	-	-	-
Total Operating Revenue		540,000	559,035	578,741	599,142	620,261
Operating Expenses						
Personal services	3.00%	61,918	63,776	65,689	67,659	69,689
Materials and supplies	3.00%	35,750	36,823	37,927	39,065	40,237
Utilities	2.00%	162,500	165,750	169,065	172,446	175,895
Contractual services	5.00%	50,000	52,500	55,125	57,881	60,775
Repairs and maintenance	3.00%	25,000	25,750	26,523	27,318	28,138
Administrative fee	0.00%	40,000	40,000	40,000	40,000	40,000
Existing Depreciation		250,000	250,000	250,000	250,000	250,000
New Depreciation			-	8,473	23,473	23,473
Total Operating Expenses		625,168	634,598	652,801	677,843	688,207
Operating Income (Loss)		(85,168)	(75,563)	(74,060)	(78,701)	(67,946)
Non Operating Revenues (Expenses)						
State or Federal Grants		-				
Interest Income	1.00%	5,000	8,908	8,297	7,224	9,244
Total Non Operating Revenues (Expenses)		5,000	8,908	8,297	7,224	9,244
Net Income (Loss) Before Transfers		(80,168)	(66,655)	(65,764)	(71,477)	(58,702)
Operating Transfers						
Transfers In		-				
Transfers (Out)		(125,000)	(75,000)			
Total Operating Transfers		(125,000)	(75,000)	-	-	-
Net Income (Loss)		(205,168)	(141,655)	(65,764)	(71,477)	(58,702)
Beginning Cash & Investments						
Beginning Cash & Investments		845,959	890,791	829,680	722,389	924,384
Net Income		(205,168)	(141,655)	(65,764)	(71,477)	(58,702)
Depreciation		250,000	250,000	258,473	273,473	273,473
Acquisition and Construction of Assets		-	(169,456)	(300,000)	-	(100,000)
Ending Cash Balance		890,791	829,680	722,389	924,384	1,039,155
Minimum Cash Balance						
For ongoing operations			158,650	163,200	169,461	172,052
For debt service			-	-	-	-
Minimum Cash Balance Required			158,650	163,200	169,461	172,052
Amount Over (Under) Minimum			671,030	559,189	754,924	867,103

6. Street Light Utility

Projected Street Light Rate Adjustment	Projected Change	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	2021-2030	2025	2026	2027	2028	2029	2030
Revenues							
Charges for Services	1.00%	642,126	664,760	688,193	712,452	737,566	763,565
Other Revenue		-	-	-	-	-	-
Total Operating Revenue		642,126	664,760	688,193	712,452	737,566	763,565
Operating Expenses							
Personal services	3.00%	71,780	73,933	76,151	78,436	80,789	83,213
Materials and supplies	3.00%	41,444	42,687	43,968	45,287	46,646	48,045
Utilities	2.00%	179,413	183,001	186,661	190,395	194,203	198,087
Contractual services	5.00%	63,814	67,005	70,355	73,873	77,566	81,445
Repairs and maintenance	3.00%	28,982	29,851	30,747	31,669	32,619	33,598
Administrative fee	0.00%	40,000	40,000	40,000	40,000	40,000	40,000
Existing Depreciation		250,000	250,000	250,000	250,000	250,000	250,000
New Depreciation		28,473	28,473	28,473	28,473	28,473	28,473
Total Operating Expenses		703,906	714,951	726,355	738,132	750,296	762,860
Operating Income (Loss)		(61,780)	(50,191)	(38,162)	(25,680)	(12,730)	706
Non Operating Revenues (Expenses)							
State or Federal Grants							
Interest Income	1.00%	10,392	12,662	15,072	17,626	20,330	23,191
Total Non Operating Revenues (Expenses)		10,392	12,662	15,072	17,626	20,330	23,191
Net Income (Loss) Before Transfers		(51,389)	(37,528)	(23,090)	(8,055)	7,600	23,896
Operating Transfers							
Transfers In							
Transfers (Out)							
Total Operating Transfers		-	-	-	-	-	-
Net Income (Loss)		(51,389)	(37,528)	(23,090)	(8,055)	7,600	23,896
Beginning Cash & Investments		1,039,155	1,266,239	1,507,184	1,762,566	2,032,985	2,319,058
Net Income		(51,389)	(37,528)	(23,090)	(8,055)	7,600	23,896
Depreciation		278,473	278,473	278,473	278,473	278,473	278,473
Acquisition and Construction of Assets		-	-	-	-	-	-
Ending Cash Balance		1,266,239	1,507,184	1,762,566	2,032,985	2,319,058	2,621,427
Minimum Cash Balance							
For ongoing operations		175,976	178,738	181,589	184,533	187,574	190,715
For debt service		-	-	-	-	-	-
Minimum Cash Balance Required		175,976	178,738	181,589	184,533	187,574	190,715
Amount Over (Under) Minimum		1,090,263	1,328,446	1,580,978	1,848,452	2,131,484	2,430,712

7. Sample Bills

Sample bills, based on the current and proposed rates, were prepared for the following users:

- Average Single-Family Residential User – uses 18,000 gallons of water/quarter
- Low Commercial User – uses 20,000 gallons of water/month
- High Commercial User – uses 100,000 gallons of water/month

An average residential user with 18,000 gallons of water consumption/quarter currently pays \$158.18 for water, sewer, surface water and street lights. The combined costs of all utilities are projected to increase to \$164.57/quarter or an increase of \$6.39/quarter or \$2.13/month in 2021. The sample cost of water, sewer, surface water and street light utilities based on the financial projections are shown in the tables below.

Average Residential (16,000 gal/qtr)	2020	2021	2022	2023
Water	\$47.46	\$48.65	\$49.86	\$51.11
Sewer	\$89.22	\$91.45	\$93.74	\$96.08
Storm	\$6.50	\$9.10	\$10.01	\$11.01
Street Lights	<u>\$15.00</u>	<u>\$15.38</u>	<u>\$15.76</u>	<u>\$16.15</u>
	\$158.18	\$164.57	\$169.37	\$174.35
Change per quarter		\$6.39	\$4.80	\$4.98
Changer per month		\$2.13	\$1.60	\$1.66

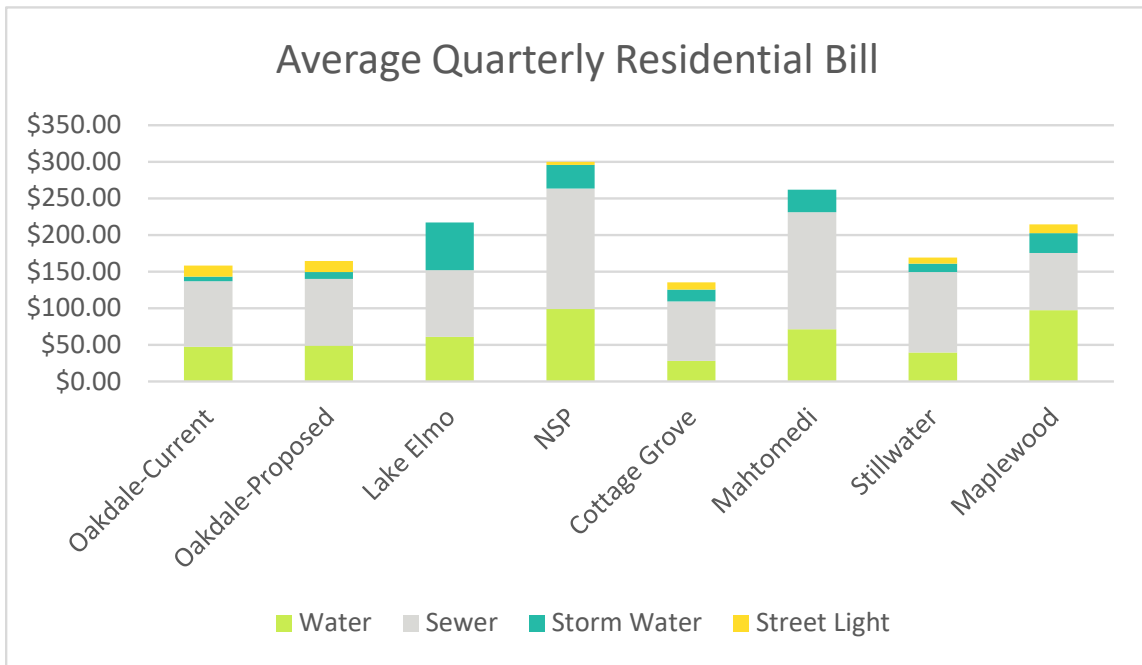
Small Commercial (20,000 gal/month)	2020	2021	2022	2023
Water	\$49.43	\$50.67	\$51.93	\$53.23
Sewer	\$89.80	\$92.05	\$94.35	\$96.70
Storm	based on runoff			
Street Lights	based on lineal feel			
	\$139.23	\$142.71	\$146.28	\$149.94
Changer per month		\$3.48	\$3.57	\$3.66

Large Commercial (100,000 gal/month)	2020	2021	2022	2023
Water	\$293.57	\$300.91	\$308.43	\$316.14
Sewer	\$449.00	\$460.23	\$471.73	\$483.52
Storm	based on runoff			
Street Lights	based on lineal feel			
	\$742.57	\$761.13	\$780.16	\$799.67
Changer per month		\$18.56	\$19.03	\$19.50

8. Comparison to Neighboring Communities

Although each City's utility system is unique, most of the local governments we work with try to keep their utility rates competitive with those of their neighboring local governments to the extent possible. The charts below show the 2020 monthly water, sewer, surface water and street light bills for an average residential customer for six neighboring communities and the proposed 2021 bill for a residential customer of Oakdale. Oakdale's current and projected quarterly utility bills are less than four of the neighboring communities with one having a higher bill and one approximately the same.

The City has the highest street light rates in the group, but the lowest surface water rates. Four communities have higher water and sewer rates. The combined monthly bills are shown in the table below.



9. Conclusions and Recommendations

This study was undertaken to review and analyze Oakdale's Water, Sewer, Surface Water and Street Light Utility Funds to determine the appropriate rate structure and rate levels needed to pay for anticipated operating expenses, to provide for anticipated capital improvements, and to ensure adequate levels of cash reserves.

The following conclusions were determined as a result of this study and the financial projections prepared:

- We recommend the City increase water, sewer and street light rates by 2.5% annually 2021 through 2030. These increases are needed to pay for anticipated operating expenses, and capital outlay including the targeted amount to maintain adequate cash reserves.
- We recommend the City increase surface water rates by 40.0% (\$2.60/quarter on a single family home) in 2021, 10% annual increases in 2022 and 2023, 5% annual increases in 2024 and 2025 and 2.50% annual increases thereafter through 2030. These increases are needed to pay for anticipated operating expenses, debt service and capital outlay including the targeted amount to maintain adequate cash reserves.
- We recommend the City transfer excess interest earnings from the Street Light Fund to the Surface Water Fund in 2020 and 2021 to cover any shortfalls in cash.
- The City should establish the user rates for all the Utility Funds for a three to five-year period. The rates should be reviewed on an annual basis concurrent with the development of the following year's budget.

These recommendations are based on information provided to us by city staff. The City will need to monitor the performance of each of the Funds and make any necessary adjustments based upon its actual performance and on the actual construction costs of the anticipated capital improvements.



COUNCIL MEMORANDUM

To:	Honorable Mayor and City Council	
From:	Christina M. Volkers, City Administrator	
Date:	May 28, 2024	Time: After Regular Meeting
Subject:	Strategic Planning Update	

BACKGROUND

The City of Oakdale began a strategic planning effort most recently in 2021. A series of joint meetings on teambuilding with Council and the management team was accomplished.

Now the City would like to continue with a more robust strategic planning effort. The City Administrator has queried neighboring cities to get recommendations and experiences with consultants with the goal of securing a consultant to lead this effort of creating a shared vision, strategies, goals, and timelines.

After research and discussions, HueLife is being recommended as the consultant to restart Oakdale's strategic planning effort.

HueLife specializes in working with communities to engage, collaborate, innovate, and change for the greater good. They offer a menu of options tailored to fit our intent and needs for strategic planning and to create a vision and plan that will have a lasting impact on the City of Oakdale and our citizens/residents.

HueLife's strategic planning process is proposed to include three major phases: 1) Data collection & Assessment, 2) Visioning & Strategic Areas of Focus, and 3) Development of the Plan. It is expected this engagement will include a two-day retreat starting with 1:1 interviews with Council, data collection, pre-retreat work and post-retreat planning for implementation.

FINANCIAL CONSIDERATIONS

Funds are budgeted for this effort.

COUNCIL DIRECTION REQUESTED

The City Administrator would like to provide an overview of the plan, seek council feedback, and secure dates for a two-day retreat.