CLEARWATER
CITY COUNCIL

COUNCIL WORKSHOP
Discussion on Water and Sewer Rates

January 9, 2017 – 6:00 PM

Purpose of the Workshop is to address water and sewer rates and review the rate analysis.

*****The City Administrator will deliver the Oath of Office to the following prior to opening the Workshop:***

Mayor – Pete Edmonson
Councilmember – Andrea Lawrence
Councilmember – Rich Petty

1. Open Workshop

2. Roll Call

3. Water and Sewer Rate Discussion and Analysis

4. Close Workshop

OATH OF OFFICE

OATH

State of Minnesota

SS: County of Wright and Stearns

I, Pete Edmonson do solemnly swear or affirm that I will support the Constitution of the United States and the Constitution of the State of Minnesota, and that I will discharge faithfully the duties of the office for the City of Clearwater as Mayor in the County of Wright and Stearns, the State of Minnesota, to the best of my judgment and ability.

Signature

_____

_____

Subscribed and sworn to before me this _____ day of _____ 2017.

OATH OF OFFICE

OATH

State of Minnesota

SS: County of Wright and Stearns

I, Andrea Lawrence-Wheeler do solemnly swear or affirm that I will support the Constitution of the United States and the Constitution of the State of Minnesota, and that I will discharge faithfully the duties of the office for the City of Clearwater as Council Member in the County of Wright and Stearns, the State of Minnesota, to the best of my judgment and ability.

Signature

_____

_____

Subscribed and sworn to before me this _____ day of _____ 2017.

OATH OF OFFICE

OATH

State of Minnesota

SS: County of Wright and Stearns

I, Richard Petty do solemnly swear or affirm that I will support the Constitution of the United States and the Constitution of the State of Minnesota, and that I will discharge faithfully the duties of the office for the City of Clearwater as Council Member in the County of Wright and Stearns, the State of Minnesota, to the best of my judgment and ability.

Signature

_____

_____

Subscribed and sworn to before me this _____ day of _____ 2017.

People
+ Process
Going Beyond the Numbers

Rate Study Presentation

CLEARWATER
ESTABLISHED 1855
MINNESOTA

ABDO
EICK &
MEYERS LLP
Certified Public Accountants & Consultants

Summary of Assumptions - Sewer

People + Process
Going Beyond the Numbers

- Charges for services revenue is based on projected rate increase percentages.
- Payments to suppliers/providers increase 3.0% per year and payments to employees to increase 3.0%, with the exception of insurance which is increasing at 5.0%
- New connections are estimated at 2 per year.
- Investment income is estimated .25% of prior year ending cash balance.
- Cash paid for acquisition of capital assets is taken from the City CIP plan. All capital is expected to be funded with cash reserves.
- Multiple scenarios will be presented. See following slide.

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

Summary of Assumptions - Sewer

People + Process
Going Beyond the Numbers

- Four scenarios will be presented.
- **Scenario 1** – Debt re-finance with no rate increase
- **Scenario 2** – Debt re-finance with 3% rate increase
- **Scenario 3** – Debt re-finance with a one time general fund transfer, no rate increase.
- **Scenario 4** – Debt re-finance with no rate increase, no transfer extended beyond 5 years.

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

Scenario 1 - Debt re-finance with no rate increase

People + Process
Going Beyond the Numbers

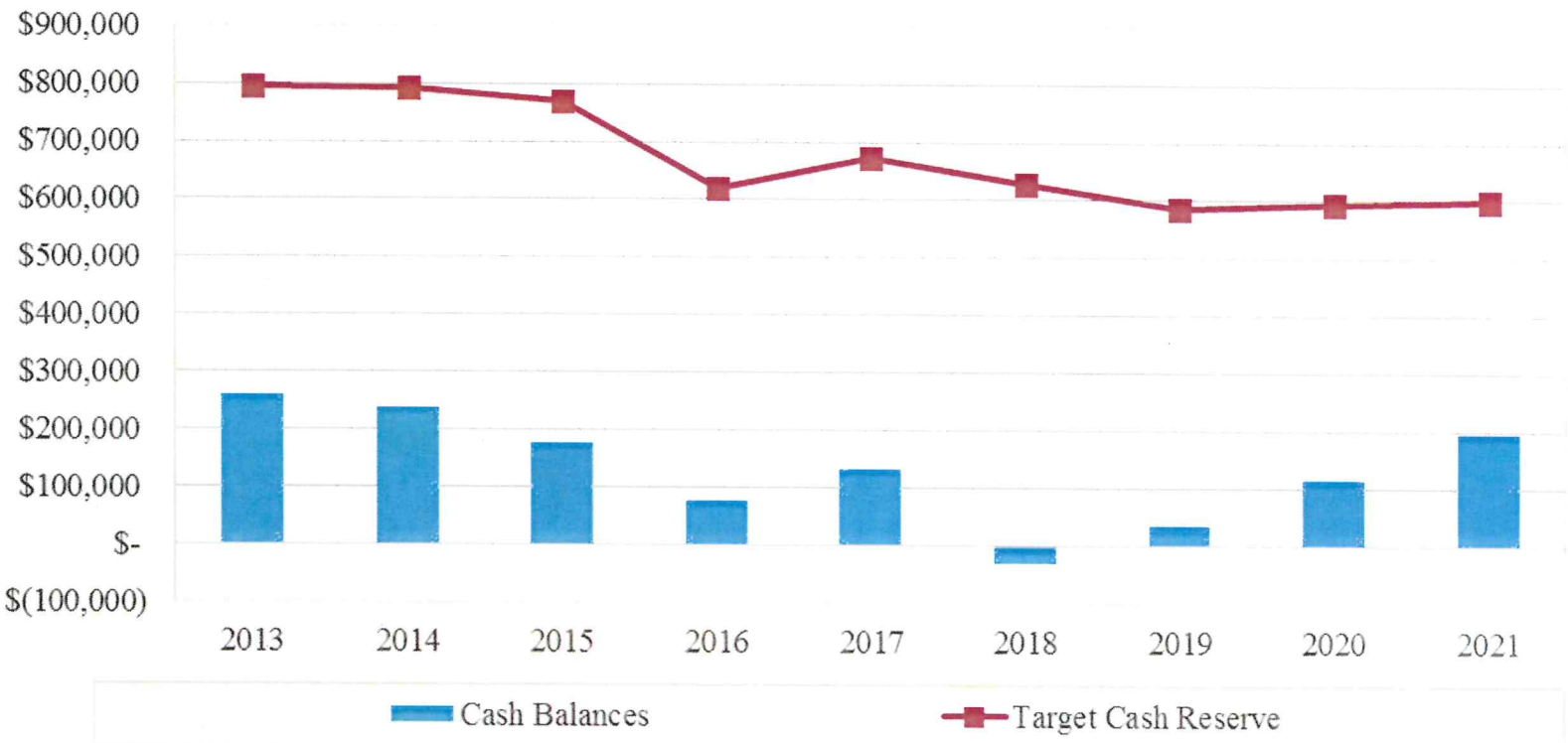
2017
Base - 0%
Usage - 0%

2018-2019	2020-2021
Base - 0%	Base - 0%
Usage - 0%	Usage - 0%

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

Scenario 1 – Debt re-finance with no rate increase

People + Process
Going Beyond the Numbers



ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

Scenario 2 – Debt re-finance with 3% rate increase

People + Process
Going Beyond the Numbers

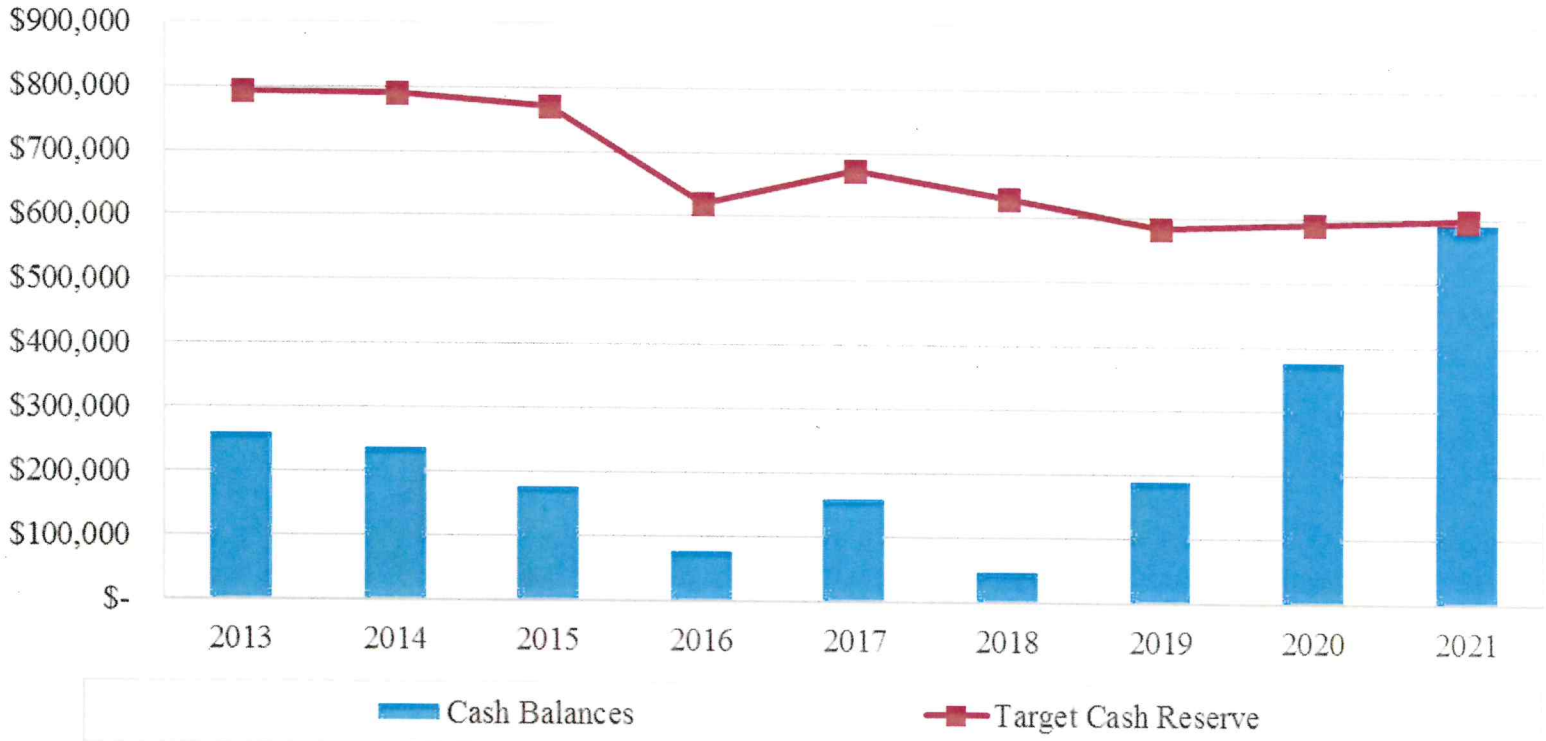
2017
Base - 3%
Usage - 3%

2018-2019	2020-2021
Base - 3%	Base -3%
Usage - 3%	Usage - 3%

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

Scenario 2 – Debt re-finance with 3% rate increase

People + Process
Going Beyond the Numbers



ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

- Scenario 3 - Debt re-finance with a one time general fund transfer, no rate increase.

People + Process
Going Beyond the Numbers

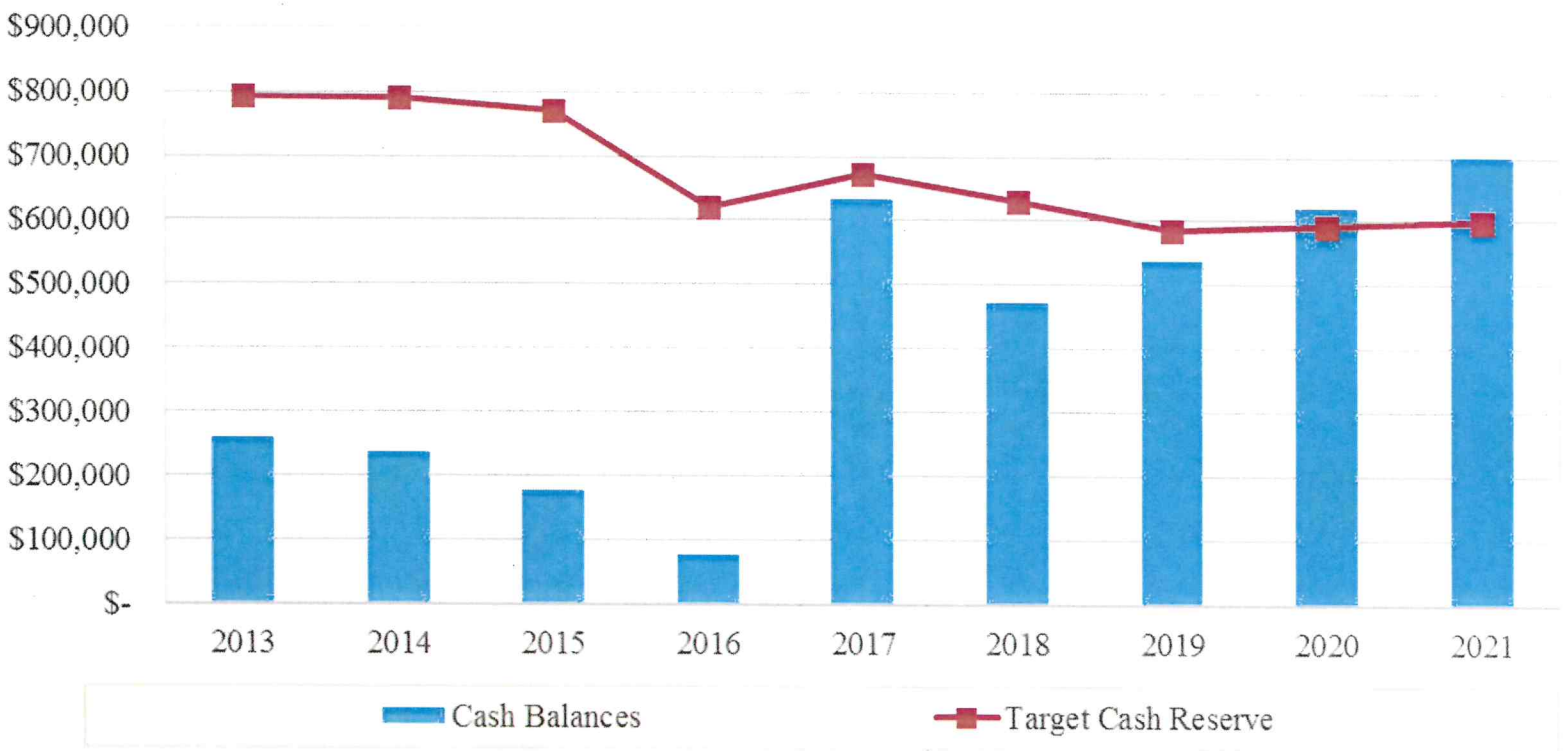
2017
Base - 0%
Usage - 0%

2018-2019	2020-2021
Base - 0%	Base - 0%
Usage - 0%	Usage - 0%

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

- Scenario 3 – Debt re-finance with a one time general fund transfer, no rate increase.

People + Process
Going Beyond the Numbers



ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

CITY OF CLEARWATER, MINNESOTA

Total Bond Payments - Four PFA Loans							Revenue Sources				Cash Flow
Mo.	Year	Principal	Coupon	Interest	Payment	Statutory 5% Cov'g	Total Required	Utility Rates	Special Assessments	Tax Levies	Interest Earnings	Fund Balance
												29,500
-	2017	554,896	-	95,048	649,944	32,497	682,441	682,000	0	0	0	29,059
-	2018	564,922	-	84,985	649,907	32,495	682,402	682,000	0	0	0	28,657
-	2019	524,214	-	74,741	598,955	29,948	628,903	628,500	0	0	0	28,254
-	2020	484,000	-	65,903	549,903	27,495	577,398	575,500	0	0	0	21,804
-	2021	492,000	-	57,403	549,403	27,470	576,873	575,500	0	0	0	20,432
-	2022	501,000	-	48,762	549,762	27,488	577,250	575,500	0	0	0	18,682
-	2023	455,000	-	39,964	494,964	24,748	519,712	519,000	0	0	0	9,366
-	2024	463,000	-	32,243	495,243	24,762	520,005	519,000	0	0	0	8,360
-	2025	471,000	-	24,386	495,386	24,769	520,155	519,000	0	0	0	7,205
-	2026	479,000	-	16,393	495,393	24,770	520,163	519,000	0	0	0	6,042
-	2027	487,000	-	8,264	495,264	24,763	520,027	519,000	0	0	0	5,015
		5,476,032		**548,091**	**6,024,123**	**301,206**	**6,325,329**	**6,314,000**	**0**	**0**	**0**	
		(1)		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)

(1) Indicates the total Principal payment due annually for all four bond issues.
(2) Indicates the total Interest payment due annually for all four bond issues.
(3) Combines the Principal and Interest payments due annually for all four bond issues.
(4) Indicates the Statutory 5% debt service coverage requirement for General Obligation debt (as per Minnesota Statutes § 475).
(5) Combines the Payment and the 5% Coverage columns for total annual payment requirement.
(6) Indicates the annual anticipated water rates or sewer rates as a revenue source.
(7) Indicates the annual anticipated special assessments or tax abatements as a revenue source.
(8) Indicates the annual anticipated tax levies as a revenue source.
(9) Indicates the annual anticipated level of interest earnings (at 2.0%) on the debt service Fund Balance as a revenue source.
(10) Indicates the yearend annual debt service Fund Balance following payment of Principal and Interest from expected revenue sources.

These projections have been made at the request of the City of Clearwater based on the parameters provided by the City and are intended solely for general information. These projections do not represent a recommendation of action or advice of Northland Securities related to the structure, terms, timing and other similar matters related to any issuance of bonds. In providing this information, Northland Securities is not acting as a municipal advisor to the City and does not owe a fiduciary duty to the City pursuant to applicable federal securities regulations. The City should discuss the information contained in this communication with other advisors as it deems appropriate before acting on this information.

1,645M G.O. Sewer Revenue Bonds of 1997 - PFA Loan (Fund #601)
Callable On Any Payment Date

Mo.	Year	Principal	Coupon	Interest	Payment	5% Cov'g	Total Required	Year	Sewer Rates	Special Assessments	Tax Levies	Interest Earnings	Fund Balance
													5,000
2	2017	96,896	2.08%	4,616	101,512	5,076	**106,588**	2017	106,500	0	0	0	4,912
2	2018	98,922	2.08%	2,590	101,512	5,076	**106,588**	2018	106,500	0	0	0	4,825
2	2019	50,214	2.08%	522	50,736	2,537	**53,273**	2019	53,000	0	0	0	4,552
		246,032		**7,728**	**253,760**	**12,688**	**266,448**		**266,000**	**0**	**0**	**0**	

667M G.O. Water Revenue Bonds of 2002 - PFA Loan (Fund #600)
Callable On Any Payment Date

Mo.	Year	Principal	Coupon	Interest	Payment	5% Cov'g	Total Required	Year	Water Rates	Special Assessments	Tax Levies	Interest Earnings	Fund Balance
													5,000
8	2017	36,000	2.13%	4,920	40,920	2,046	**42,966**	2017	43,500	0	0	0	5,534
8	2018	37,000	2.13%	4,154	41,154	2,058	**43,211**	2018	43,500	0	0	0	5,823
8	2019	38,000	2.13%	3,365	41,365	2,068	**43,434**	2019	43,500	0	0	0	5,889
8	2020	39,000	2.13%	2,556	41,556	2,078	**43,634**	2020	43,500	0	0	0	5,755
8	2021	40,000	2.13%	1,725	41,725	2,086	**43,812**	2021	43,500	0	0	0	5,443
8	2022	41,000	2.13%	873	41,873	2,094	**43,967**	2022	43,500	0	0	0	4,977
		231,000		**17,594**	**248,594**	**12,430**	**261,023**		**261,000**	**0**	**0**	**0**	

183M G.O. Water Revenue Bonds of 2003 - PFA Loan (Fund #600)
Callable On Any Payment Date

Mo.	Year	Principal	Coupon	Interest	Payment	5% Cov'g	Total Required	Year	Water Rates	Special Abatements	Tax Levies	Interest Earnings	Fund Balance
													5,000
8	2017	11,000	2.68%	1,849	12,849	642	**13,492**	2017	13,000	0	0	0	4,508
8	2018	11,000	2.68%	1,554	12,554	628	**13,182**	2018	13,000	0	0	0	4,326
8	2019	11,000	2.68%	1,260	12,260	613	**12,873**	2019	13,000	0	0	0	4,454
8	2020	12,000	2.68%	965	12,965	648	**13,613**	2020	13,000	0	0	0	3,841
8	2021	12,000	2.68%	643	12,643	632	**13,275**	2021	13,000	0	0	0	3,565
8	2022	12,000	2.68%	322	12,322	616	**12,938**	2022	13,000	0	0	0	3,628
		69,000		**6,593**	**75,593**	**3,780**	**79,372**		**78,000**	**0**	**0**	**0**	

7,700M G.O. Sewer Revenue Bonds of 2008 - PFA Loan (Fund #601)
Callable On Any Payment Date

Mo.	Year	Principal	Coupon	Interest	Payment	5% Cov'g	Total Required	Year	Sewer Rates	Special Assessments	Tax Levies	Interest Earnings	Fund Balance
													14,500
8	2017	411,000	1.70%	83,662	494,662	24,733	**519,395**	2017	519,000	0	0	0	14,105
8	2018	418,000	1.70%	76,687	494,687	24,734	**519,421**	2018	519,000	0	0	0	13,684
8	2019	425,000	1.70%	69,594	494,594	24,730	**519,324**	2019	519,000	0	0	0	13,360
8	2020	433,000	1.70%	62,382	495,382	24,769	**520,151**	2020	519,000	0	0	0	12,209
8	2021	440,000	1.70%	55,034	495,034	24,752	**519,786**	2021	519,000	0	0	0	11,423
8	2022	448,000	1.70%	47,567	495,567	24,778	**520,345**	2022	519,000	0	0	0	10,078
8	2023	455,000	1.70%	39,964	494,964	24,748	**519,712**	2023	519,000	0	0	0	9,366
8	2024	463,000	1.70%	32,243	495,243	24,762	**520,005**	2024	519,000	0	0	0	8,360
8	2025	471,000	1.70%	24,386	495,386	24,769	**520,155**	2025	519,000	0	0	0	7,205
8	2026	479,000	1.70%	16,393	495,393	24,770	**520,163**	2026	519,000	0	0	0	6,042
8	2027	487,000	1.70%	8,264	495,264	24,763	**520,027**	2027	519,000	0	0	0	5,015
		4,930,000		**516,176**	**5,446,176**	**272,309**	**5,718,485**		**5,709,000**	**0**	**0**	**0**	