AGENDA
CITY COUNCIL WORK SESSION

October 28, 2024 - 6:00 PM

Lakeville City Hall, Marion Conference Room

Members of the public can participate in person at Lakeville City Hall, Marion Conference Room. Members of the public may join the meeting via Teams Meeting, **Meeting ID: 276 485 596 886 or by calling Toll Number 1-323-433-2142; Conference ID: 432 130 403#.** The mayor will allow for public comments and questions at the appropriate time.

The City Council is provided background information for agenda items in advance by staff and appointed commissions, committees, and boards. Decisions are based on this information, as well as City policy, practices, input from constituents, and a council member's personal judgment.

1. Call to order, moment of silence and flag pledge

2. Citizen Comments

3. Discussion Items

30 minutes	a.	Discuss current and potential amendments to Tree Preservation Ordinance	Tina Goodroad
20 minutes	b.	Discuss Local Affordable Housing Aid (LAHA) partnership with Dakota County Community Development Agency (CDA)	Tina Goodroad
20 minutes	c.	2025 Fee Schedule	Julie Stahl
15 minutes	d.	2025 Proposed Utility Fund Budgets & Rate Projections	Julie Stahl
15 minutes	e.	2025 Proposed Liquor Fund Budget	Julie Stahl

4. Items for Future Discussion

5. Committee/ City Administrator Updates

6. Adjourn

Date: 10/28/2024

Discuss current and potential amendments to Tree Preservation Ordinance

Proposed Action

No official action is required. Staff is requesting City Council input regarding potential amendments to the Tree Preservation Ordinance.

Overview

City Forestry and Community Development Staff have been evaluating our Tree Preservation Ordinance (Title 11, Chapter 21 Section 11) to consider amendments that would result in potential protection of valuable or significant trees. As development will be occurring on more wooded property versus agricultural land, the consideration of how we value tree preservation and reforestation is becoming more urgent. Currently, the ordinance requires a tree inventory but without specific requirements for preservation or reforestation of any trees.

Staff has prepared a summary of objectives, an overview of the current ordinance, and potential benefits of an amendment. Staff has also prepared a summary of tree preservation ordinances from several developing communities.

Staff is bringing this discussion to City Council first for input. Depending on council direction, additional discussions would take place with Parks, Recreation and Natural Resources Commission and the Planning Commission as well as outreach to the development community. Ultimately, any changes to the ordinance would require a text amendment and public hearing by the Planning Commission and approval by City Council.

Policy Questions

1. Is the City Council supportive of exploring policy options that would encourage the preservation of significant trees and woodlands through the development process.
2. Is the City Council supportive of considering reasonable reforestation standards as part of the development review and approval process?

Supporting Information

1. Summary of Tree Preservation Ordinance Review 2024
2. Lakeville Tree Preservation

3. Tree Preservation - Comparison of Cities

Financial Impact: \$0 **Budgeted:** No **Source:** **Envision Lakeville Community Values:** Access to a Multitude of Natural Amenities and Recreational Opportunities **Report Completed by:** Tina Goodroad, Community Development Director

Summary of Tree Preservation Ordinance Review

Introduction

- Benefits of trees:
  - Property value – for both owners and developers
  - Heating/cooling cost reduction
  - Water quality improvement
  - Storm water run-off and erosion control
  - Shade
  - Public health
  - Neighborhood/community character
- Why statement (why it's important to the community):
  - Development will transition from agricultural lands with few trees, to wooded parcels where large portions of the city's tree canopy exists.
  - Continue to hear from residents that trees are an important part of the community with concerns raised about the loss of trees when development occurs.
  - Envision Lakeville: Community Values
    - *Access to a multitude of natural amenities and recreational opportunities: We value widespread access to nature, the outdoors, and all types of recreational opportunities.*
    - *Design that connects the community: We value a well-designed community, and we place a priority on development that enhances connectivity and accommodates our changing needs.*
    - Document highlights natural resources as a strength of the community.
  - Preserving/providing tree canopy promotes resilient communities

- Current state of our tree preservation ordinance is:
  - Does:
    - Applies to subdivisions and new home construction on custom graded lots under the subdivision ordinance.
    - Requires a certified tree preservation plan which identifies all significant trees onsite and indicates which trees – if any – are to be preserved.
    - Identifies measures to be used to protect trees that are to be preserved.
    - Requires a financial security to ensure tree preservation measures are followed, or that damaged trees are replaced.
    - Requires replacement planting for trees that were identified by the development team to save, but which were removed or damaged during construction.
    - Prior to release of the security/issuance of the COO, requires written certification the tree preservation plan was followed including:
      - The status of all trees to be saved on the approved plan,
      - Whether tree protection measures were installed,
      - The status of trees that were to be removed,

        - Required replacement trees were planted.
    - Provides a developer driven framework to determine which trees on a site will be preserved.
    - Requires the development team to <u>consider</u> tree preservation when designing a site and to preserve, <u>where feasible</u>, all healthy trees of significant value.
  - Does not:
    - Require the preservation <u>of any trees</u> on a site.
    - Provide community defined preservation standards on the number or types of trees/forests to be preserved (doesn't account for loss of forest benefits, community resilience, access to nature, character, and well-designed development to the surrounding and larger community).
    - Provide any site-specific requirements based on the land-type in which development occurs. (wooded vs agricultural lands)
    - Define the intention of the tree preservation ordinance or benefits provided to the community.
    - Provide a mechanism to ensure tree protection measures are installed and maintained during construction.
    - Provide planting guidelines to promote tree diversity to limit future shade tree pest and disease issues.
    - Identify inspection requirements prior to release of security and issuance of CO.
    - Address development on individual lots, redevelopment, or expansion projects.

- What are pinch points/constraints for today's ordinance?
  - Contractors:
    - Requires a tree survey (costly) and preservation plan but does not provide clear guidance on tree removal and replanting goals to meet community expectations.
    - Replacement planting is only required when trees identified for preservation are damaged or removed. Identifying changes lengthens final tree preservation and landscape inspections and project approvals.
  - City:
    - Ability to review plans and monitor tree preservation before, during, and after construction.
    - The ordinance does not establish a standard of tree preservation that aligns with community values.
    - Undefined prioritization for tree preservation on a site allows for no tree preservation, or the preservation of low-quality trees or forests that can increase maintenance costs.

- Goals for a potential amended tree preservation ordinance?
    - Better address land cover changes in future development that will occur as growth moves from agricultural lands to wooded areas.
    - Retain natural elements that contribute to a sense of place while supporting the community values identified in Envision Lakeville.
    - Support development but provide guidelines and flexibility to encourage creative planning to preserve trees.
    - Provide a consistent level of city review at important points in the development process.

- Benefits/constraints of amending the ordinance to address pinch points
    - Updates would better address and guide tree preservation efforts with the projected changes in the future context of development in the city (woodland vs agricultural lands).
    - Provide a framework to preserve the existing benefits of trees and woodlands, including increases in property values, for the community.
    - Promotes tree preservation while allowing design options that account for different forest types or tree quality found on a site.
    - Establish clear and consistent levels of city oversight in development projects.
    - Encourage creative developments that preserve community natural resources.
    - Constraints:
        - Requirements could increase design costs to developers.
        - City's capacity to review plans and monitor for compliance depending on the pace of development.

- Potential developer response:
    - Currently completing a tree inventory for all new development (residential and non-residential) without any requirements for actual preservation or reforestation (many question the value in this).
    - Adding reasonable thresholds for what can be removed before replacement is required is common in many cities (see attached summary of ordinances)
    - Consider allowing replacement trees to count for required screening and buffering
    - Consider flexibility in removal threshold that does not count trees in areas for required roads, stormwater ponding, etc.

- Conclusion
    - Trees and woodlands have economic, environmental, and social value; and are valued by the community.
    - Amending the ordinance will result in better preservation of the value we have in trees, woodland, and natural areas and better represent community values.

Examples

10-4-11: TREE PRESERVATION:

The following process for preserving significant trees shall be required of subdividers and home builders. Subdividers shall preserve, where feasible, all healthy trees of significant value even if the trees are less than six inches (6") in diameter. (Ord. 673, sec. 1, 7-17-2000)

A. Definitions: The following words and terms, whenever they occur in this section, are defined as follows:

DIAMETER: The measurement of a tree's trunk measured four and one-half feet (4.5') above the ground.

DRIP LINE: The farthest distance away from the trunk of a tree that rain or dew will fall directly to the ground from the leaves or branches of the tree or one foot (1') per one inch (1") of diameter, whichever is greater.

SIGNIFICANT TREE: A healthy tree measuring six inches (6") in diameter or greater.

TREE CERTIFICATION: A certified inventory of trees on the site after work is complete listing all trees and their final disposition, which is signed by a licensed forester or landscape architect.

TREE PRESERVATION PLAN: A plan and inventory certified by a licensed or registered forester or landscape architect indicating all of the significant trees and their locations in the proposed development or on the lot. The tree preservation plan shall include the size, species, tag numbers, and location of all significant trees proposed to be saved and removed on the area of development, and the measures proposed to protect the significant trees to be saved.

TREE PROTECTION: Snow fencing or polyethylene laminar safety netting placed at the drip line of the significant trees to be preserved. The tree protection measures shall be shown on tree preservation plan drawings and remain in place until all grading and construction activity is terminated. (Ord. 673, sec. 1, 7-17-2000; amd. Ord. 866, sec. 39, 5-17-2010)

B. Subdividers:

1. Subdividers shall:

a. Prepare a tree preservation plan superimposed on the grading plan.

b. Ensure the tree preservation plan is followed during the plan development (mass grading). (Ord. 673, sec. 1, 7-17-2000)

c. Submit a one thousand five hundred dollar ($1,500.00) security for each mass graded lot with at least one significant tree to be saved and for each custom graded lot with at least one significant tree to be saved and a one thousand dollar ($1,000.00) security for each outlot with at least one significant tree to be saved. The security will be included in the development contract to ensure protective measures are installed and maintained and to guarantee replacement of all significant trees that were to be saved but were actually destroyed or damaged. (Ord. 866, sec. 40, 5-17-2010)

2. The tree preservation plan must be certified by a licensed or registered forester or landscape architect. The forester or landscape architect shall indicate on the plan the following items:

a. Mass graded areas and proposed grades.

b. Custom graded lots.

c. Size, species, tag numbers, and location of all significant trees, also in tabular form.

d. Identification of all significant trees proposed to be saved and significant trees proposed to be removed, also in tabular form.

e. Measures proposed to protect significant trees shall include, but are not limited to:

(1) Installation of snow fencing or polyethylene laminar safety netting at the drip line.

(2) Placing fill against the trunk of the tree, on the root crown, and under the drip line of the tree shall be prohibited.

(3) Installation of erosion control measures.

(4) Prevention of change in soil chemistry due to concrete washout and leakage or spillage of toxic materials such as fuels or paints.

(5) Pruning of oak trees must not take place from April 15 through July 1. If wounding of oak trees occurs, a nontoxic tree wound dressing must be applied immediately. Excavators must have a nontoxic tree wound dressing with them on the development site. (Ord. 866, sec. 41, 5-17-2010)

3. During preliminary plat review, the tree preservation plan will be reviewed according to the best available layout to preserve significant trees and the efforts of the subdivider to mitigate damage to significant trees. (Ord. 866, sec. 42, 5-17-2010)

4. After mass grading has been completed and streets and utilities installed, a licensed or registered forester or landscape architect shall:

a. Certify in writing to the city the status of all trees indicated as save trees in the approved plan.

b. Certify in writing to the city whether tree protection measures were installed.

c. Certify the status of any remove designated trees that were saved. (Ord. 866, sec. 44, 5-17-2010)

5. If a significant tree indicated to be saved on the tree preservation plan is destroyed or damaged, the tree replacement policy will be enforced by the city in accordance with subsection D of this section. (Ord. 866, sec. 45, 5-17-2010)

6. The financial security will be released upon: a) certification in writing by a licensed or registered forester or landscape architect indicating the tree protection measures were installed on mass graded lots and tree replacement is completed, if necessary; and/or b) the builders have posted security for the custom graded lots. (Ord. 866, sec. 46, 5-17-2010)

7. Removal of tree preservation measures shall require written approval from the city engineer. Tree preservation measures shall not be removed from the site until the city engineer has approved the grading as built plans for a mass graded site nor prior to the release of financial securities held by the city. (Ord. 673, sec. 1, 7-17-2000; amd. Ord. 866, sec. 46, 5-17-2010)

C. Home Builders:

1. The city will require an individual lot tree preservation plan prepared and incorporated on the required site survey for each custom graded lot with at least one significant tree or any mass graded lot with at least one significant tree. The plan shall be consistent with the original tree preservation plan for the plat. The homeowner, builder and a licensed or registered forester or landscape architect shall meet prior to the development of the individual lot tree preservation plan to determine the placement of the home where the fewest significant trees would be destroyed or damaged. The builder will be responsible for ensuring the tree preservation plan is followed during building construction. (Ord. 866, sec. 47, 5-17-2010)

2. The individual lot tree preservation plan must be certified by a licensed or registered forester or landscape architect and signed by the homeowner. The forester or landscape architect will indicate on the plan the following:

a. Size, species, tag number and location of all significant trees.

b. Identification of all significant trees proposed to be saved and significant trees proposed to be removed.

c. Measures proposed to protect significant trees shall include, but are not limited to:

(1) Installation of snow fencing or polyethylene laminar safety netting placed at the drip line.

(2) Placing fill against the trunk of the tree, on the root crown, and under the drip line of the tree shall be prohibited.

(3) Installation of erosion control methods.

(4) Prevention of change in soil chemistry due to concrete washout and leakage or spillage of toxic materials such as fuels or paints.

(5) Pruning of oak trees must not take place from April 15 through July 1. If wounding of oak trees occurs, a nontoxic tree wound dressing must be applied immediately. Excavators must have a nontoxic tree wound dressing with them on the development site. (Ord. 866, sec. 48, 5-17-2010)

3. Homebuilders will be required to furnish the following items for tree preservation at the time the building permit application is submitted for all lots with at least one significant tree:

a. Security of one thousand dollars ($1,000.00) per lot for tree protection requirements. (Ord. 673, sec. 1, 7-17-2000)

b. Certified individual lot tree preservation plan. (Ord. 866, sec. 49, 5-17-2010)

c. Builders are liable for subcontractors that destroy or damage significant trees that were indicated to be saved on the individual lot tree preservation plan.

4. Building inspectors will monitor the tree protection measures at the time of routine inspections. (Ord. 673, sec. 1, 7-17-2000)

5. Prior to the issuance of a certificate of occupancy and release of tree preservation security, the licensed or registered forester or landscape architect shall certify to the city in writing the final disposition of saved trees on the lot and that all the tree protection measures identified on the tree preservation plan were installed from the start of construction to the end of construction and tree replacement is completed, if necessary. (Ord. 866, sec. 50, 5-17-2010)

D. Tree Replacement Policy:

1. Responsibility Of Subdividers And Builders: Subdividers and builders shall be required to replace the significant trees which were indicated on the tree preservation plan to be saved but ultimately were destroyed or damaged. The subdivider and builder shall be required to replace each of the significant trees destroyed or damaged with two (2) replacement trees. Replacement trees must consist of nursery stock and be no less than the following sizes:

a. Deciduous trees: No less than two and one-half inches ($2^1/_2$") in diameter.

b. Coniferous trees: No less than eight feet (8') high as measured from the top of the ball to the bottom of the leader branch.

2. Identified Trees: Replacement trees shall be limited to those specified in appendix B of the Lakeville corridor and gateway design study, adopted on August 2, 1999, or as recommended in the management plan for the South Creek and tributary channel corridors, or as approved by the zoning administrator in accordance with established city policy.

3. Location:

a. Replacement trees shall not be placed within easements or street rights of way.

b. The city shall approve the types, species and locations of tree replacement for subdividers' tree plans.

c. If tree replacement is required on the individual lot because the builder destroyed or damaged a tree which was to be saved, the city and licensed or registered forester or landscape architect shall determine where the replacement trees shall be installed. (Ord. 866, sec. 51, 5-17-2010)

City	Link to Plan	Removal Threshold: Allowable removal limit before mitigation is required
Lakeville, Example Framework	https://codelibrary.amlegal.com/codes/lakevillemn/latest/lakeville_mn/0-0-0-5220	Define percentage of significant diameter inches removal allowed, after which replacment tree planting is required: Example: Residential - 40% Commercial and Industrial - 70%
Lakeville Description/Discussion		Establishes a framework for tree preservation goals and a metric for minimum tree replanting as part of the development/building process.

Examples from other communities

Maplewood	Division 3. - TREES	**Any** significant or specimen tree removed must be replaced.
Blaine	33.09 - Tree preservation.	Design so that the maximum number of trees are preserved.

Woodbury	DIVISION 4. - PROTECTION OF WOODLANDS	**30% of the total Diameter inches** of Significant trees on the site may be removed without replacement.
Plymouth	TREE PRESERVATION	Significant Trees: **Residential - 50%** **Industrial - 75%**
Edina	Ordinance No. 2024-04	**Any** protected or heritage tree removal requires replacement except those trees within defined building area.
Apple Valley	TREE PRESERVATION REQUIREMENTS	**Any** significant tree.
Maple Grove	Tree preservation standards	**Residential - 50%** **Industrial - 70%** **Commercial - 80%** **Ind+Comm -70%**
Shakopee	TREE PRESERVATION REGULATIONS	Residential, >6 buildings during subdivision - 30% Residential, >6 buildings after subdivision - 100% w/i building parameter Commercial, Industrial, >6 residential - 60% Redevelopment - 60%

Bloomington	TREE PRESERVATION.	**50%** of significant tree diam inches
Eagan	Performance Standards Under Chapter 11, definitions in 11.30 Sec11.70 - Subd 13: Tree preservation applies to new development, building, expansion 10%+, grading	Specimen tree, significant tree, significant woodland removal shall not exceed: **Single lot residential - 20%** **Single lot commercial - 30%** **Multi-lot single phase res - 40%** **Multi-lot single phase com/multifam - 47.5%** **Multi-lot 2 phase initial - 25%** **Multi-lot 2 phase individual lot single unit res - 20%** **Multi-lot 2 phase individual lot com/multifam res - 30%**
Minnetonka	314.01 TREE PROTECTION	**Woodland Preservation area: 25%** **High-Priority Trees: 35%** **Significant Trees: 50%**
St. Louis Park	Ordinance Ch24	**Significant Trees: 20%** of diam inches **Heritage Trees: All removals** require replacement.
Cottage Grove	Tree Preservation:	**Residential <10 units/acre -25% Residential >10 units/acre - 40% Industrial - 50%**
Inver Grove Heights	Tree Protection	Has maximum possible preservation. Threshold depends on zoning. **Residential R1 and R2- 30%** **Residential R3 - 40%** **Business 1-2 - 50%** **Business 3-4 and Industrial - 60%**

Burnsville	Woodland Protection standards	**CD, P - 20%** **CRD - 30%** **R-1, R-1A - 40%** **R-2, R-3A, R-3B, R-3D - 50%** **B-1, B-2 - 50%** **B-3, B-4, MIX - 60%** **I-1, I-2, I-3, GIM, GIH - 60%**
Prior Lake	Tree Preservation	**35%** of significant caliper inches.
Farmington	https://codelibrary.amlegal.com/codes/farmingtonmn/latest/farmington_mn/0-0-0-7031	**30%** of significant diameter inches
Dayton	https://codelibrary.amlegal.com/codes/daytonmn/latest/dayton_mn_zoning/0-0-0-4780	**Residential - 40%** **Non Residential - 60%**

Notes		
		mix of requirements: no requirements all significant trees range of 20%-80%

Tree species categories	Tree replacement
Designate and define tree preservation priorities with hardwood deciduous receiving higher priority: -Hardwood Deciduous -Conifer Trees -Common Trees	Must submit landscape plan/reforestation plan Replacement rate for approved removals above threshold: -Common Trees: 1/8 diameter inches lost. -Conifer Trees: 1/4 diameter inches lost. -Hardood Deciduous: 1/2 diameter inches lost. Replacement rate for trees that were to be preserved but which were removed (this is an existing requirement): -2:1 ratio Minimum required nursery stock: -Deciduous: 2.5" caliper trees (existing standard) -Coniferous: 6' tall trees (currently 8')
Helps prioritize which trees are preserved and allows flexibility based on tree/woodland type.	Provides guidance on landscape plan requirements. Different replacement rates provide flexibility when determining which trees will be preserved while acknowledging the ecological and community value placed on different tree species as well as the benefits different trees provide to the community.
	20% diam inch removal is threshold for more replacement. If <20% then replace one tree per signif/spec tree removed. If >20% replant using the formula w diam inches.
	All significant trees damaged in construction will be replaced. -Capped number of replacement trees. 8/acre of upland for both residential and non-residential land. -Parcels under one acre, 1:1 replacement for the first 7 trees removed.

The allowable 30% removal is first credited to the Common trees removed, then the Conifers, and lastly the Hardwood Deciduous species.	Tree replacement requirements differ btwn common trees, coniferous, and deciduous. Hardwood deciduous is 2:1 removed ratio. Contains a Tree replacement schedule. City must approve replacement trees. Warranty requirement of up to 2 years after construction finishes.
	"For each one (1.0) tree inch that is removed or disturbed beyond the threshold, the subdivider shall replant 1.25 inches of new trees or provide the City with $125.00 in restitution." Significant trees are determined by forester.
	If a protected tree is removed, it must be replaced with trees equal to at least 75 percent of the deciduous dbh and 75 percent of the coniferous height in feet. If a heritage tree removed, replace 100% inches or coniferous height feet. Replacement trees 3.5" or 4.5"or 8-10ft.
	10% of total diameter inches of significant tree loss must be replaced with caliper inches (if 300 total diameter inches removed, 30 caliper inches must be planted). Replace oak with oak, and location of replacement oak is determined by the city. Different requirements if trees are within building footprint, impervious surfaces, or w/in 20ft of foundation.
	Different replacement ratios are required for different areas and amounts. Sec 36-731 - Ongoing replacement requirements after development
	Generally, replacement above allowable at a 1:1.5 rate. Unauthorized removals replaced at 2:1 rate Replacement trees must be planted not more than 18 months from the date of the final approved tree replacement sheet. If number of replacement trees cannot be met then a cash payment of $400 per replacement tree must be provided to the city.

All plat applications that would create one or more new parcels in the R-1, R-1A and RS-1 Zoning Districts must include a reforestation plan if the amount of significant tree caliper inches to be removed or disturbed as shown on the tree survey and tree preservation plans exceeds the removal threshold. The reforestation plan must be prepared and signed by a registered landscape architect or forester.

Replacement defined for significant woodland, significant tree, Specimen tree.

Significant woodland replacement: Where replacement of a significant woodland is required, the applicant shall be responsible for furnishing and installing one category A replacement tree or two category B replacement trees or four category C replacement trees for every 500 square feet of significant woodland damaged or destroyed, or any increment thereof. Size of replacement trees: Category A trees shall be no less than the following sizes Deciduous trees, not less than four inches in diameter. Coniferous trees, not less than 12 feet in height. Category B trees shall be no less than the following sizes: Deciduous trees, not less than two and one-half inches in diameter. Coniferous trees, not less than six feet in height. Category C trees shall be no less than the following sizes: Deciduous trees, not less than one and one-half inches in diameter. Coniferous trees, not less than four feet in height. Species requirement. Where ten or more replacement trees are required, not more than 50 percent of the replacement trees shall be of the same species of tree without the approval of the city.

A tree or shrub that was required to be saved but was removed must be replaced at a rate of 2:1 based on dbh for deciduous species and height for conifers.

Significant trees shall be replaced with new trees at a rate of one and a one half caliper inch replaced for every one dbh. Heritage trees shall be replaced with new trees at rate of two caliper inch per every one diameter inch.

Qualifying tree inches removed in plan will be replaced at a 50% rate.Mitigate the unplanned tree removal through replacement at a rate of one hundred percent (100%).

Must submit reforestation plan, and must follow all guidelines similar to tree protection plans. This includes information on what types of species can be replanted, and how many of each in accordance with type of woodland. Where they can be planted. Replacement trees shall be planted no more than twelve months after the date that land alteration has commenced.

	Reforestation shall occur in an amount equal to 1.5 times the value of the trees removed beyond the tree removal threshold. The value of the trees removed shall be determined by the shade tree evaluation method.
	If significant tree is removed, replacement at 1/2 caliper inch per diam inch removed, replacement must be from 2.5 to 1.5 caliper inches. If the tree removed is a heritage tree, the tree must be replaced by the same species.
Removal limits first applied to common trees removed, then conifers, and lastly hardwood species	Replacement rate: -Common Trees: 1/8 diameter inches lost. -Conifer Trees: 1/4 diameter inches lost. -Hardood Deciduous: 1/2 diameter inches lost. -Significant Woodland: Tree(s) per 125ft2 of woodland lost, plus understory seed mix Trees replacement location priority a) within development, b) on city property under direction, c) fee in lieu.
	1:1 DBH. Trees to be planted onsite. Includes summary list and prohibits invasive and I&D issue trees. Allows 15% ornamental tree planting.

Range based on species/category removed:
-Common trees as low as 1/8th:1
-up to 1:1

include both significant and heritage (common as well?)

Range of replacement sizes: stick with 2.5" + 6'

Requirements for planned and unplanned removals (disincentive)

Performance guarantee for replacement trees - how long? 18mo, 1 year, etc -- would need addtl inspection
Enforce or at least specify timeline on replacement trees
Intention to design development to save the most amount of trees

Exceptions	Offsite/Fee in lieu option
Public improvements including collector and arterial roads, public trails and sidewalks, water quality ponds, utility mains Dead, diseased, hazard, invasive species, commercial nursery, or as determined by city Trees within buildable area of lot Where preservation is in conflict with reasonable development that is consistent with city comp plan Exception is the minimum removal needed Does not apply to general property maintenance outside building/construction/grading	Trees replacement location priority a) within development, b) within common areas of development, c) on property dedicated to city, as approved by city, d) fee in lieu. Rate to be determined, *example:* $125.00/diameter inch to be planted.
Exceptions are included and acknowledge that tree removal needs to happen as part of the development process to construct infrastructure and buildings. The changes are not designed to be a general tree protection ordinance and will not limit the community's abiltiy to maintain, remove, and manage trees on their property outside of the development/building process.	Prioritizes replanting locations. If trees are not able to be planted on the parcel being developed, funds are collected to replace trees within the community. Could also explore options to provide trees or vouchers to property owners for tree planting on private property within the development.
Minor home additions, adding sheds, road construction improvements, etc.	May be some flexibility but not spelled out.
	Significant trees removed or damaged must be replaced on-site with approval of the Zoning Administrator, or in the form of payment of a fee to the city reforestation fund in an amount established by the City Council.

Platted residential lots may remove up to 100% excluding specimen trees. Get a permit for specimen tree removal. If big woods get in the way of a mall the city retains right to reduce/waive requirements.	Replacement allowed on city property. Cash mitigation based on diam inch.
Existing developed private property.	$125 per diameter inch exceeding allowable removal. Or outside the site in "appropriate locations"
Removal not limited: -w/in 10' radius of building pad/deck/patio -5' radius of diveway -10' radius of infrastructure.	Offsite planting allowed with approval.
Not mentioned	Doesn't seem to be an option.
36-732: exceptions for nurseries, ROW, dead or diseased, dangerous, facility/utility impacts	After all onsite/in development options utilized, offsite planting or fee in lieu allowed in consultation with city
Residential property less than 2.5ac. Home gardens/landscaping by individual. Existing ag, silv, hort operations Emergency work Maintenance of existing infrastructure by the city.	May be planted on city owned/managed land with approval. May be planted on other properties owned by applicant, or in buffer area on property. $400 per replacement tree fee in lieu to be used to plant trees close to the site on public land, or to subsidize trees sold to residents. $500 per replacement tree fee for unauthorized removals.

Single family uses.	Cash fee to make up for replacement lower than required amount.
Practical difficulties or hardships may be permitted with reforestation plan or cash mitigation.	Fee per diameter inch.
Basic tree removal area. Greater public good When removal will preserve other unique natural features or promote growth of more climate resilient tree/vegetation on site.	Fee
Existing lots developed with single family or two family dwellings	City determines planting in park, boulevard, etc. Or cash fee in lieu.
Removal of individual trees on developed single-family residential that isn't pending construction. I&D, damaged, nuisance, trees under ag or harvest plan.	Alternatively, unplanned tree removal shall be mitigated by payment of a cash fee equivalent to the cost of the number of new trees this replacement rate would require, in accordance with the City Forester’s annual determination of the costs of new trees
Public improvement projects. Trees severely damaged by storm, nature, disease.	Cash equivalent of planting cost or planting on approved public property.

	Offsite planting may be permitted if aditional tree removal required. Letter of credit determined by city is at least 1.5x replacement value for each tree.
Streets, utilities, stormwater ponds	On site but may request planting on public land.
Includes list of trees not included in the tally (dead, invasive, commercial nursery). 18(a) includes property based exceptions that require council review/approval.	Fee to be used by city for tree planting
Significant trees removed for water quality ponds, public trails, sidewalks, and collector or arterial roads, invasive species.	Cash in lieu per city fee schedule
public improvements	Most cities have as a last option, commonly $125.00/diameter inch.
nurseries, dead, declining, shade tree pest, invasive	Direct fees to identified planting fund
as determined by the interest of the city	No examples, but is there an option to direct fees to free/low cost trees to private property within the development? - used to increase tree planting above requirements.

Are replacement trees in addition to landscape requirements	Incentives	Dis-incentive
Required to plant greater of two calculations (mitigated tree inches vs landscape requirements) while meeting the required screening and landscape standards established by ordinance. Only shade trees can be used in mitigation calculation.	**Examples, further discussion needed:** Heritage Tree Preservation: Offset replacement requirements when heritage trees are preserved. Rate TBD but 2:1 or 1:1 are examples. Woodland Preservation: Promote creative site design. Consider use of density transfer, unit bonuses, or tree bank areas.	Continue to require: 2:1 replacement for trees removed in violation of tree preservation plan as provided under current ordinance. Financial guarantees as outlined under current ordinance.
Works in tandem with existing landscape requirements, acknowledging trees planted as part of the landscape plan. **Question:** do the two trees required to be planted on each residential lot count toward any mitigation?	These are examples, but providing preservation based incentives may provide greater protection of heritage trees or woodlands for the benefit of the community.	These exist under the current ordinance.
	N/A	Any significant or specimen trees must be replaced. Escrow used. Includes rule for woodlot alterations.
	N/A	Financial guarantee cash deposit from developer/PO. Plan must preserve max amount of trees and be approved.

In addition to landscape requirements, however replacment trees may count toward landscape requirements if they are shade trees, ornamental trees do not count.	Specimen tree credit, significant woodland credit, density transfer, unit bonus.	Cash mitigation for trees removed against plan based on diam inches.
Required to plant the greater of the two calculations (mitigated tree inches vs landscape requirements)	N/A	Financial guarantee. Escrow or letter of credit. Calculation provided.
	N/A	Failure to replace protected trees on site results in a payment fee of $300.00 per dbh below 75 percent of the dbh removed, or $300.00 per coniferous foot below 75%. $500 for heritage trees removed. Escrow required.
	N/A	Violation means replacement with equal inches (if 300 total inches removed without approval, 300 caliper inches must be planted).
	Residential - Density bonus and transfers	Tree conservation fee.
	N/A	Pay $500/inch for unauthorized tree removal. Or install replacement trees at 2:1 removed inch. Escrow 150% total tree replacement. Held for 2 years

	N/A	Surety held until 1 year and re-inspection.
	N/A	Performance guarantee. Cash dedication covering cost of tree replacement.
	N/A	The city may also impose a financial penalty equal to $500 per ich of dbh for foot height removed, not to exceed $2000 per tree or shrub.
	Credits applied to required tree replacement when heritage tree is preserved. At ratio 1 caliper inch for every 1 diameter inch preserved.	Fee in lieu based on diam inches. Permission can be granted to plant in public land.
Replacement trees count as credits towards city landscaping requirements.		Cash mitigation fee.
	For each % under the thresholds applicant will be given a credit from 1% to 10% max towards total park dedication requirement (11-4-5 and 6). FOr each heritage tree saved receive credits towards required replacement trees(2 caliper inches per 1 dbh saved).	Letter of credit to amount 125% of replacement costs when exceeding limit.Remains with city for at least one year.

	N/A	Letter of credit, released 18 months after construction and city verified tree survival.
May be used to meet landscape requirments if location and species are consistant with required landscape standards	Credit for heritage trees saved. 2 caliper inches for each 1 dbh inch saved. Signif trees gain 1/2" per 1inch saved.	Financial guarantee 125% of estimate to replace trees. Maintained for at least one year.
Not defined	15(a)(b)(c) - Density transfer, unit bonus, tree bank areas	
	N/A	Resitiution $125/diam inch
A mix across cities This may cause a lot of the trees to be planted on private property like the screening lines that end up in backyards?	Density bonuses/transfers % under threshold allowed redux in park dedication preservation and/or replanting count toward landscape requirements landscape requirements and replacement requirements count toward each other	escrows and securities unplanned removals incur more fees Enforcement options -- timeline enforced on replacement trees?

Species Diversity	Look back clause	Types of development the ordinance applies to
No more than 20% of trees from any one genus	No	Currently includes subdivision and homebuilders in newly developed neighborhoods. Add: Commercial and Industrial expansion where a tree preservation plan is not in place. Individual lots and redevelopment, tree preservation limited to areas outside buildable area.
Promotes a diverse community forest to limit the impacts of forest pests and disease in the future.	Open for discussion. Would require review of changes to the property in the 12 months prior to review under the preliminary plat process.	Additional categories of expansion and individual lot development/building provide requirements for tree preservation while allowing for tree removal within the buildable areas of each lot.
May be some flexible requirements determined by city but not described.		All major new or re-development fall under the same plan.
Reforestation plan recomendations focus on native spp, no % requirement.		Any excavation, grading, building, Conditional Use permit, or site plan or plat approval.

Ornamental trees don't count. No more than 30% the same spp.	New development or new building construction in any zoning district. Expansion of existing commercial, industrial, institutional or impervious surface by 10% or greater. Any land disturbance permit.
25% limit of same spp. Preference for native spp.	Applies to lot divisions and new plat applications.
Hennepin County's "Recommended Tree List".	All permit types.
1/3 limit same spp. No boxelder, willow, silver maple.	Individual lot dvlpmt for commercial, industrial, and institutional = 10%. Requirments differ for individual lot for residential. Any other project must meet 10%.
No more than 20% of any one genus.	Development only in specific areas indicated within the T-zone.
More than 30 trees planted, no more than 10% species, 20% genus, 30% family. Less than 30, no more than 25% of one species	preliminary plat, final plat, minor subdivision, building permit, demo permit, CUP, grading permit

Proposed plan must be approved by forester. Diversity not specified.	one or more new parcels R-1, R1-A and RS-1 Zoning Districts fall under tree preservation ordinance. ANy application for new development or changes to landscape or screening plan on file.
not more than 50% same when 10+ trees planted	New development or new building construction in any zoning district. Expansion of existing commercial, industrial, institutional or impervious surface by 10% or greater.
Plant according to eco-type and referencing list "on file with city". Differs btwn woodland, high-priority tree, and significant tree.	Single-family, non-single family, and subdivisions. Removal restrictions vary by construction activity, see table.
Limited to species on city's tree list, no more than 50% shall be understory trees.	Any private property, any proposed land disturbing activity on commercial or new subdivision.
Not described	Removal of qualifying trees on any property excepting exceptions requires a tree preservation plan.
Should meet landscaping requirements in subsection 10-15-11A (where is this?)	All mentioned in Removal Threshold

Reforestation plans shall not include the use of any of the tree species which are currently on the city's list of "species which do not meet reforestation requirements". No more than twenty five percent (25%) of the reforestation plan shall consist of any one species, including shrubs provided on any related landscape plan.	See removal threshold list
Includes acceptable spp	All new public or private development on platted or unplatted property. NEw construction on old lots or redevelopment.
no more than 30% same species when 10+ trees planted	New development or new building construction in any zoning district. Expansion of existing commercial, industrial, institutional building where tree preservation plan not on file. Any land disturbance permit. Any landscape plan when signif tree/woodland in construction zone.
No more than 1/4 of trees from any one spp	Defined by residential vs no-residential districts. Water treatment quality ponds and public paths don't count towards removal threshold.

Replace with similar in woodland

reference list external to ordinance

woodland based on forest community

ability to reduce % based on current city wide species diversity

20% by genus general landscape

Inspections	Notes
Provide language on the installation and maintenance of tree protection measures prior to, and during construction. City may inspect site to confirm preservation plan is being followed.	
Codifies the installation, maintenance, and inspection of tree protection measures through the construction process.	
	Includes "Findings and Purpose" section. Defines significant and specimen trees.
Not specified but they have a section about it.	Similar to Lakeville's. Can't find the actual requirements for preservation, just says development must be designed to preserve "the maximum amount of signif trees". Significant trees are any healthy tree >8inches

City has right to inspect to determine compliance. Requires inspection of tree protection before construction.	Land development guidelines are similar to Lakeville's but there is protection standards for nondeveloping properties. This includes properties may only remove 30 percent of trees on there property. More on this in Sec. 27-41. *See incentive options
Inspection before construction, after grading (fines levied if disturbance), before certificate of occupancy issued.	For developments in mixed use districts that include both residential and non-residential uses, the developer of any lot that solely contains residential use may remove or disturb up to 50 percent of the total inches of significant trees on such lot. The developer may remove or disturb up to 75 percent of the significant trees on the remainder of the site. Any removal or disturbance beyond these thresholds shall require reforestation or restitution.
The tree protection plan will be inspected before work begins. 12 months after occupancy submit a landscape review by arborist to prove health of trees, either replace or escrow is retained.	Protected tree: any deciduous tree that is at least 5" dbh (not box elders, willow, silver maple, black locust, fruit trees, ash and mulberry) any coniferous tree that is at least 15ft high Heritage tree: a protected deciduous tree above 30' dbh and a protected coniferous tree taller than 30ft. Required to aerate and de-compact drip line after construction.
Not mentioned	Similar to Lakeville's. Significant trees to be kept are chosen by developers.
I don't think they were mentioned, surveys must be given to the city for review.	Division 6 - Tree Preservation District only applies to limited number of sites within the T-Zone. Development outside T-Zones general tree preservation but no defined percentages. T-Zones are established for trees in an area. These zones contain significant trees (defined in Sec. 36-721) 50% of T-zones must be preserved in development. Note section 36-728 (5) for building outside larger development projects. 36-730 for requirements before and during Construction. Extensive list of tree protection practices included, both prior to and during construction.
Inspect installed replacement trees and monitor through warranty. Final inspection requested to return rest of escrow. Can hold escrow for additional 2 yrs if >25% of trees require replacement.	Similar to Lakeville's but 35% of high priority trees should be kept. Details condition changes that count as tree removal (hydrology change, root/impact damage, etc). Mulching option provided if fence not possible. Replacement tree rules with recommended spp. **No construction activity allowed within the CRZ of a significant tree located on adjacent property.** Defines tree damage requiring removal.

Inspection scheduled before construction, post-grading, and after final construction.	Must keep 50% of the total inches DBH of significant trees. This applies to specific zones within the city. City forester inspects: pre-grading tree protection installation, post-grading tree inspection, and final tree preservation or re-planting inspection.
Inspection prior to construction.	Existing wooded areas designated for residential development shall be preserved 50 feet from freeway right of way, accept s maximum of 40% of the wooded are may be developed. Allowable tree removal may not exceed the following: single lot development - (residential 20% commercial/multiunit 30%) Multi-lot development (residential 40% commercial/multiunit 47.5%) Two-phase development - (initial site development 25%) Individual lot (single unit 20% commercial/multiunit 30%)
City insection before construction.	Definitions of forest types included. Escrow Trees saved as part of subdivision must remain on site for 2 years
City forester gets final determination of tree health or eligibilty for allowable removal when status questioned.	Significant - healthy tree not siberian elm and black locust. 5 diameter inches. Aspe, boxelder, cottonwood, or silver maple if 12" dbh. Heritage tree - healthy deciduous at 30" or coniferous at 25"dbh
City has right to inspect the development.	Defines a healthy tree
Vaguely mentioned	Replacement quantities differ per class of woodland. But I couldn't find spp requirement guidelines

18 months survival and inspection verified survival.	City is zoned, there is a different removal threshold per zone. Woodland preservation.
City has right to inspection. Inspect before construction and after replacement trees have been planted for 1 year.	Significant trees >6dbh or 12ft. Heritage trees 27dbh or 24 dbh.
Inspection prior to construction. City has right to inspect the development.	Woodlands and trees protected, includes replacement plan to re-create removed woodland environment (understory seed mix). Includes replacement requirements for existing commercial landscapes when altered later.
Includes insepction and enforcement paragraph	Subd 1 gives good context (6) Landscaped buffer yards as required by the city's landscaping regulations in Section 1001.24, Subd. 7 Screening, Buffering and Fencing may count toward the trees required for replacement/reforestation trees as shown on a reforestation plan. (7) Tree protective Measures - exhaustive list quite descriptive, provides optional methods as well
	Add intention statement
	Add to definitions

Date: 10/28/2024

Discuss Local Affordable Housing Aid (LAHA) partnership with Dakota County Community Development Agency (CDA)

Proposed Action

Provide direction to staff on distribution of LAHA funds.

Overview

At the June work session, Tony Schertler, Executive Director, and Lisa Alfson, Director of Community and Economic Development with the Dakota County CDA, shared information about three programs which cities can participate in using the LAHA funds.

The 2023 Legislature passed a housing bill with $1 billion in new funding for various housing programs. The Legislature appropriated state funds for the programs and established a metro wide sales tax for housing needs, including a portion of this tax as a local housing aid for metropolitan cities.

The new law establishes a 0.25% metropolitan regional sales tax, with a portion of the proceeds allocated to metropolitan cities over 10,000 in population. Lakeville will receive a distribution of aid under this legislation of $229,464.59 in 2024 (certified amount). This is lower than the previous estimate of $385,117. The Mn Department of Revenue has stated that the 2024 certified amounts are only based on five months of sales (October-February). In 2025, cities and counties will receive the full 12 months of payments. A spreadsheet showing the estimated distribution of aid by city, for 2024, is attached. Also attached is the estimate for the following years, which was provided in May.

Cities can use this aid for emergency rental assistance, financial support to nonprofit affordable housing providers, and projects for the construction, acquisition, rehabilitation, demolition or removal of existing structures, construction financing, permanent financing, interest rate reduction, refinancing, and gap financing of housing. Cities will be able to use this aid only for affordable housing assistance to households at 115 percent of the area median income (AMI) for homeownership projects, and 80 percent AMI for rental housing projects. For a household of four, 115% AMI is $142,850 and at 80% AMI is $97,800 (2024 income guidelines).

Cities must spend this aid by December 31st in the four-year following the year after the aid was received. Funds must be committed within three years. Beginning in 2025, cities must submit an annual report with documentation on any unspent funds, and documentation of qualifying projects completed or planned. This report will be due by December 1st of each year (starting in 2025) to the Minnesota Housing Finance Agency.

Uses of Funds
Dakota County cities have been working with the Dakota County CDA to identify methods to pool LAHA funds countywide to maximize affordable housing production and preservation and to minimize administrative costs. The CDA has identified two programs which build upon existing CDA programs and which the CDA could efficiently administer on cities' behalf:

Enhanced single-family home improvement loan program which would increase the number of homes improved from 60-70 per year to 115-120 per year countywide.

1. For program year 2024, six projects were completed totaling $193,894. There are currently 5 active projects in various stages of completion and two on the waitlist.
2. The average loan is $32,000 and radon loans at $2,000.

Radon mitigation grant program which would provide funds for radon testing and mitigation in at least 40 homes per year countywide. The average loan is $2,000.

The CDA is requesting a three-year commitment to staff appropriately to administer programs on behalf of participating cities. The city can determine which program(s) to participate in and how to distribute funding (percentage or specific dollar amount for each). Not all funding has to be committed to these programs. If the city desires funds can be held for gap financing or other purposes. Lakeville funding will be allocated only to residents/properties in Lakeville. A sample resolution is provided, and a future joint powers agreement would be entered into in the future.

Staff is requesting consideration that a $10,000 of the funds be allocated for the DARTS chores and home repair services program. Due to CDBG funding limitations, we have had to reduce our allocation through that program. The chores and repairs program provides seniors with assistance in outdoor chores such a weeding, lawn care, cleaning gutters, etc. Home repair is aimed at safety improvements, accessibility, and independence. This program can be a great resource to allow a senior citizen to remain in their home. Staff is working on verification with MN Housing that this program is a LAHA qualifying expense.

Policy Questions

1. Does the City Council support collaboration with the Dakota County CDA on one or both of the programs listed above? If so, how does the City Council wish to allocate funding?

Supporting Information

1. LAHA.Collaboration.Memo.Lakeville
2. LAHA.Sample.Resolution
3. 2024-local-affordable-housing-aid-amounts-cities
4. LAHA_Estimates_May2023
5. 2024 Expanded Home Imrpovement Loan Program Overview
6. 2024 Radon Mitigation Grant Program Overview

Financial Impact: $$229,464.59 **Budgeted:** No **Source:** Local Affordable Housing Aid (LAHA)
Envision Lakeville Community Values: A Home for All Ages and Stages of Life
Report Completed by: Tina Goodroad

Dakota County
Community Development
Agency
CDA

To: City of Lakeville

From: Dakota County Community Development Agency

Date: September 30, 2024

Re: Local Affordable Housing Aid (LAHA) Collaboration Opportunity

Dakota County Community Development Agency (CDA) staff were invited to nine Dakota County cities from June – September 2024 to discuss the Local Affordable Housing Aid (LAHA) funds and potential collaboration opportunities. CDA staff appreciated learning more about the housing needs within your communities and how we can work together to make a difference with this new funding source exclusively for affordable housing.

The first portion of 2024 LAHA funds have been distributed to the metro cities and counties. LAHA recipients have three years to commit the funds and another year to fully spend the funds. If the funds are not spent within those four years, the funds will be returned to the State. Annual reporting will begin December 1, 2025, with the reporting instrument yet to be developed by the Minnesota Housing Finance Agency (MHFA).

Based upon the well-received LAHA conversations, the CDA is formally requesting to collaborate with the cities to administer two programs: 1) an expansion of the CDA's existing Home Improvement Loan Program (rehab program); and 2) a new radon mitigation grant program that will be paired with the rehab program. The CDA will continue to have conversations with cities about utilizing LAHA funds for preservation and new construction gap financing, but we are not requesting cities commit to participating in that program at this time. We are only asking for a decision to collaborate on the rehab program and radon mitigation program so that we can add staff capacity to effectively deploy city LAHA funds.

LAHA funds cannot currently be used to pay for administrative expenses. At its September 25 meeting, the CDA Board of Commissioners approved the use of CDA levy funds to pay for a full-time home improvement advisor to administer and deploy city LAHA funds. The use of LAHA for administration dollars will be tracked, evaluated, and advocated for at the State to be an eligible use. If statutory authority ever allows LAHA to be used for administrative expenses, the CDA will determine a formula and will amend agreements with cities.

With the additional staff capacity, we estimate that we could deploy approximately $1.2 million of LAHA on the expanded rehab program and the new radon mitigation grant program. We are asking for cities to commit a minimum amount to the programs for a three-year term. Those cities that choose not to participate in 2024 may, of course, decide to collaborate with the CDA in the future.

As an administrator of LAHA funds on behalf of the city partners, the CDA will be responsible for: administering the programs; appropriately allocating and expending LAHA funds on eligible uses; hiring and supervising staff; providing regular updates to city staff; and completing reporting requirements for the LAHA funds administered by the CDA. See the attached CDA/City LAHA Partnership Proposed Term Sheet for additional information.

The CDA is requesting a formal response from cities no later than **Monday, December 2, 2024**, stating if the city will collaborate with the CDA on the two programs offered for the 2024 LAHA funds. A formal response must be taken by the city elected officials in the form of a resolution. A sample resolution is attached for your consideration. After responses are received, CDA staff will work with city staff to draft joint powers agreements (JPA). Approving a resolution in support of collaborating does not mean a city must sign the JPA if the CDA and the city cannot agree upon the terms.

We look forward to working with your community on this important resource to improve existing housing stock in Dakota County. Please contact Lisa Alfson at lalfson@dakotacda.org or 651-675-4467 if you have any questions.

Best regards,

Tony Schertler
Executive Director

Dakota County CDA-City Local Affordable Housing Aid (LAHA) Partnership
PROPOSED Term Sheet

The Dakota County CDA (CDA) provides housing and economic development assistance to residents and cities in Dakota County. As a leader in affordable housing and community development, the CDA seeks to partner with interested Dakota County municipalities to use their LAHA funds for three programs that are considered qualifying projects as defined in Minnesota Statutes 477A.35. The CDA will enter into Joint Powers Agreements (JPAs) with each city for the administration of the LAHA funds.

Here are the proposed terms for the partnership between the cities and CDA for the administration of the LAHA dollars. The CDA is open to discussing these proposed terms and how they can be improved to best serve the needs of the cities and the CDA.

1. Expanded Home Improvement Loan Program (Rehab Program): LAHA funds will be administered in accordance with the Home Improvement Loan Program policy and procedures handbook. Households at or below the 80% Area Median Income (AMI) will be prioritized. If/when there are no priority households on the waiting list to be served, the CDA will then consider serving households above 80% AMI to the maximum LAHA income limit of 115% AMI. See attached program summary for details.

2. Radon Mitigation Grant Program: This newly created grant program will pay for the radon testing and installation of a mitigation system, if needed. At this time, this program will only be for clients of the Rehab Program. See attached program summary for details.

3. Timeframe: The CDA is requesting to enter into a multi-year agreement (3-5 years) on agreed terms. Each city will decide annually whether it wants to continue providing its LAHA funds to the CDA for the proposed programs. Each city's annual allocation for the proposed programs will be an addendum to the agreement. Previous years' funds will remain with the CDA under the terms of the agreement.

4. Reporting: The CDA will provide data and will complete reporting forms for city partners that the cities will need to submit to the Minnesota Housing Finance Agency (MHFA). Because the CDA is not a direct recipient of LAHA funds, we do not believe we can submit the forms to MHFA. However, we will provide all requested information related to the CDA-administered programs in whatever form is required by MHFA.

   The CDA will provide quarterly reports to the cities regarding project pipeline, project start and completion dates, amount spent on project, and other information as requested. Identifying data for individual clients for the Rehab and Radon programs will be aggregated by city.

5. Funding Commitment: If your community chooses to allocate funds to the Rehab and Radon mitigation programs, the CDA respectfully requests cities commit the same amount of funding or more each year for a minimum of three years. Having a baseline funding amount and a funding commitment creates stability for the programs and allows rehab staff to work through waiting lists for the programs. Additionally, a stable funding source gives the CDA the confidence to hire additional staff to administer the cities' LAHA funds.

6. Program Income: As loans from the Rehab program are paid back, the CDA could retain these funds in individual city accounts and reuse the funds for other affordable housing projects. The CDA anticipates recycling Rehab loan payoffs for future single-family home loans.

7. Administrative Costs: Because the legislation does not allow LAHA to be used for administrative costs, the CDA Board has committed CDA levy funds to support an additional home improvement advisor to assist with the deployment of the cities' LAHA funds. However, if/when there is a change in the LAHA legislation to allow these funds to be used for administrative costs, the CDA will request that a portion of the LAHA funds be used for administrative costs rather than the CDA's levy.

8. Withdrawal: Either the city or the CDA may withdraw from the JPA at the end of the term of the agreement or when committed LAHA funds have been expended on qualifying projects. Neither the city nor the CDA may withdrawal from the agreement until the end of the term unless mutually agreed upon.

9. Finances: The CDA is proposing to hold and track CDA-administered LAHA funds on behalf of the cities.

SAMPLE RESOLUTION

CITY OF ____________
DAKOTA COUNTY, MINNESOTA

RESOLUTION NO. _________

A RESOLUTION APPROVING
THE DAKOTA COUNTY COMMUNITY DEVELOPMENT AGENCY TO ADMINISTER CITY LOCAL AFFORDABLE HOUSING AID FUNDS

WHEREAS, the City of ___________ (City) is a recipient of newly created sales taxed-funded Local Affordable Housing Aid (LAHA) dollars from the State of Minnesota; and

WHEREAS, the purpose of LAHA is to develop and preserve affordable housing and help persons experience homelessness find house; and

WHEREAS, the City's first annual allocation of LAHA funds was received in 2024 with a total of $____; and

WHEREAS, the City has three years to commit the 2024 funding (no later than December 31, 2027) and must spend the funds by December 31, 2028; and

WHEREAS, if the City's LAHA funds are not committed or spent the funding in the required timeframe, funds will be returned to Minnesota Housing Finance Agency for statewide housing needs; and

WHEREAS, the Dakota County Community Development Agency (CDA) is the housing and economic development authority for the County that has well established, success housing programs that are LAHA eligible; and

WHEREAS, the CDA has formally requested to partner with the City (and other Dakota County communities) on the administration of LAHA funds for two CDA programs: 1) the Home Improvement Loan program, and 2) the Radon Mitigation Grant Program (together "the Programs"); and

WHEREAS, the CDA has requested a formal response from the City by December 2, 2024, on whether the City agrees to partner with the CDA on the administration of the City's LAHA funds and the allocation of those funds on the Programs.

NOW, THEREFORE, BE IT RESOLVED that the City of _________ hereby approves the following:

1. The Dakota County CDA is designated as the entity to carry out certain administrative duties related to the Local Affordable Housing Aid (LAHA) program on behalf of the City of ___________, subject to a future joint power agreements to be executed between the two parties.

2. The City wishes to allocate its LAHA funds to two CDA programs in the amounts listed below:
    1. Home Improvement Loan Program, $________.
    2. Radon Mitigation Grant Program, $_________.

3. The _________ (Mayor, City Administrator, City Clerk, etc.) for the City of ____________ is authorized to execute the joint powers agreement related to partnership with the Dakota County CDA.

ADOPTED this ____ day of ___________, 202____.

By: ______________________________________

ATTEST:

____

2024 Local Affordable Housing Aid: Cities

CITY	FINAL DISTRIBUTION FACTOR	CERTIFIED 2024 LOCAL AFFORDABLE HOUSING AID
Andover	0.0061	$98,152.49
Anoka	0.0073	$118,154.37
Apple Valley	0.0176	$282,732.21
Blaine	0.0182	$292,706.63
Bloomington	0.0352	$567,427.48
Brooklyn Center	0.0117	$188,983.33
Brooklyn Park	0.0288	$464,128.62
Burnsville	0.0252	$405,820.74
Champlin	0.0065	$103,882.47
Chanhassen city	0.0079	$126,855.46
Chaska	0.0081	$130,038.78
Columbia Heights	0.0089	$142,878.19
Coon Rapids	0.0221	$355,471.16
Cottage Grove	0.0078	$125,476.02
Crystal	0.0079	$127,279.90
Eagan	0.0215	$346,610.91
East Bethel	0.0016	$25,466.59
Eden Prairie	0.0167	$268,672.53
Edina	0.0211	$339,342.32
Farmington	0.0055	$88,549.46
Forest Lake	0.0074	$118,578.81
Fridley	0.0102	$163,516.74
Golden Valley	0.0085	$137,095.15
Ham Lake	0.0038	$61,066.76
Hastings	0.0071	$114,387.44
Hopkins	0.0107	$172,642.26
Hugo	0.0037	$59,740.38
Inver Grove Heights	0.0124	$200,443.29
Lake Elmo	0.0030	$48,810.97
Lakeville	0.0142	$229,464.59
Lino Lakes	0.0055	$88,284.18
Little Canada	0.0047	$75,020.33
Maple Grove	0.0165	$265,701.43
Maplewood	0.0138	$221,506.29
Mendota Heights	0.0027	$43,876.81
Minneapolis	0.2033	$3,274,101.65
Minnetonka	0.0200	$321,515.71
Mounds View	0.0044	$71,412.57
New Brighton	0.0089	$142,719.02
New Hope	0.0113	$181,714.74
North St. Paul	0.0053	$84,570.30
Oakdale	0.0111	$178,743.63
Plymouth	0.0225	$363,111.14

2024 Local Affordable Housing Aid: Cities

CITY	FINAL DISTRIBUTION FACTOR	CERTIFIED 2024 LOCAL AFFORDABLE HOUSING AID
Prior Lake	0.0068	$109,824.67
Ramsey	0.0074	$118,897.15
Richfield	0.0145	$233,602.92
Robbinsdale	0.0064	$103,298.86
Rogers	0.0020	$32,204.63
Rosemount	0.0053	$85,047.80
Roseville	0.0131	$211,213.54
Savage	0.0091	$146,432.90
Shakopee	0.0132	$212,327.70
Shoreview	0.0081	$130,516.28
South St. Paul	0.0075	$120,170.48
St. Louis Park	0.0205	$330,429.02
St. Paul	0.1338	$2,154,208.31
Stillwater	0.0059	$94,703.88
Vadnais Heights	0.0050	$80,007.54
Victoria	0.0012	$19,046.89
Waconia	0.0046	$73,322.56
West St. Paul	0.0111	$178,000.86
White Bear Lake	0.0095	$152,905.66
Woodbury	0.0188	$301,991.32
TOTAL	**1.0000**	**$16,104,806.82**

LOCAL AFFORDABLE HOUSING AID

Source: Department of Revenue Analysis (5/10/2023)

	FY2024	FY2025	FY2026	FY2027
Metropolitan County Aid	$ 60,400,000	$ 93,600,000	$ 96,500,000	$ 99,300,000
State Rent Assistance	$ 30,200,000	$ 46,800,000	$ 48,200,000	$ 49,600,000
Metropolitan City Aid	$ 30,200,000	$ 46,800,000	$ 48,200,000	$ 49,600,000
Local Sales Tax Total	**$ 120,800,000**	**$ 187,200,000**	**$ 192,900,000**	**$ 198,500,000**

Source: Department of Revenue Preliminary Distribution Factors (7/1/2023)

Metropolitan County Aid	FY2024	FY2025	FY2026	FY2027
Anoka	$ 5,663,206	$ 8,776,094	$ 9,048,003	$ 9,310,536
Carver	$ 1,542,287	$ 2,390,034	$ 2,464,084	$ 2,535,580
Dakota	$ 7,328,569	$ 11,356,856	$ 11,708,724	$ 12,048,459
Hennepin	$ 27,466,074	$ 42,563,320	$ 43,882,055	$ 45,155,317
Ramsey	$ 12,096,062	$ 18,744,890	$ 19,325,661	$ 19,886,406
Scott	$ 2,220,235	$ 3,440,630	$ 3,547,230	$ 3,650,155
Washington	$ 4,083,567	$ 6,328,177	$ 6,524,242	$ 6,713,546
Total Metro County Aid	**$ 60,400,000**	**$ 93,600,000**	**$ 96,500,000**	**$ 99,300,000**

Metropolitan City Aid	FY2024	FY2025	FY2026	FY2027
Apple Valley	$ 510,148	$ 790,560	$ 814,209	$ 837,858
Burnsville	$ 726,955	$ 1,126,540	$ 1,160,240	$ 1,193,940
Eagan	$ 639,577	$ 991,133	$ 1,020,782	$ 1,050,432
Farmington	$ 181,406	$ 281,120	$ 289,529	$ 297,939
Hastings	$ 219,161	$ 339,627	$ 349,787	$ 359,946
Inver Grove Heights	$ 381,741	$ 591,572	$ 609,269	$ 626,965
Lakeville	$ 385,117	$ 596,804	$ 614,658	$ 632,511
Mendota Heights	$ 76,328	$ 118,283	$ 121,821	$ 125,359
Rosemount	$ 155,930	$ 241,639	$ 248,868	$ 256,096
South St. Paul	$ 255,892	$ 396,548	$ 408,411	$ 420,273
West St. Paul	$ 332,936	$ 515,941	$ 531,375	$ 546,809
Total City Aid	**$ 3,865,192**	**$ 5,989,767**	**$ 6,168,948**	**$ 6,348,129**
Total Dakota County + Cities	**$ 11,193,761**	**$ 17,346,623**	**$ 17,877,672**	**$ 18,396,589**

Dakota County Community Development Agency
CDA

Project Proposal:	**Expanded Single-Family Home Improvement Loan Program**
Project Purpose:	Expand the existing CDA-administered Home Improvement Loan Program to include Local Affordable Housing Aid (LAHA) funding. The expanded Home Improvement Loan Program would be available to residents earning no more than 80% of Area Median Income (AMI). Those homeowners who earn between 81-115% AMI in cities that contribute to the expanded Home Improvement Loan Program will be placed on a waitlist and will be eligible for the program only if there are no homeowners below 80% AMI on the waitlist.
Project Objectives:	• Continue to improve the housing stock of Dakota County. • Expand existing program with proven results to more income-eligible residents of County. • Provide cities with a way to use LAHA for an existing housing program. • Diversify funding resources for an existing CDA program.
Project Outcomes:	• Increase number of homes improved from 60-70 per year to 115-120 per year after Year 2 of infusion of cities' LAHA funds.

Project Details:	• Provide deferred 0% loans of up to $35,000 for home improvement projects.
	• Home improvement projects prioritize health, safety, and structural integrity issues.
	  ○ Common improvements include new roofs, siding, HVAC systems, windows, building foundation or other structural updates, accessibility improvements, kitchens and bathrooms(accessibility).
	  ○ Other improvements would be considered if they address health and safety issues or otherwise improve the value of the home. Common improvements are repairs or replacement of detached garages, kitchens and bathrooms (non-accessibility), driveway replacement/repair
	• Homeowners must be income eligible and meet other CDA program requirements, e.g. own and reside in home, meet credit standards, be current on property taxes, properties must be at least 15 years old, etc.
	  ○ CDBG funds require 80% AMI cap
	  ○ LAHA requires 115% AMI cap
	• Eligible homeowners with incomes at or below 80% AMI could use either countywide and city CDBG and cities' LAHA funds.
	• Eligible homeowners with incomes between 81-115% AMI would use only available city LAHA funds and only if there are no homeowners with incomes at or below 80% in that city.
	• Program income generated from LAHA would be used for future home improvement loans, similar to the CDBG program. The CDA would track program income and deposit into individual city accounts.

Dakota County Community Development Agency
CDA

Project Funding:	• Current CDBG entitlement funding totals $1,193,635 for FY 2023, which includes cities and Dakota County CDBG allocated to the CDA's existing Home Improvement Loan Program.
	• CDA spends approximately $1,900,000 to rehab 70 homes in a fiscal year, on average. These loans are currently financed primarily with federal Community Development Block Grant (CDBG) funds, though there are some CDA levy dollars included.
	  o Takes about 18 months to fully expend a year's worth of CDBG and program income.
	  o Funds are replenished annually, provided Congress funds the CDBG program.
	• Future LAHA – CDA estimates it could successfully deploy an additional approximately $1,400,000 to rehabilitate an additional 55 loans per year after first full year of additional funds.
	• Individual cities contributing their LAHA funds to the expanded Home Improvement Loan Program would have separate subaccounts that will be tracked by CDA staff.

Project Staff:	• Existing staff: o 1 FT Rehab Coordinator o 1 FT Rehab Advisor o 1 FT PSA o 2 Rehab Advisor contractors – each takes 5-7 files per year, total of 15 • One additional FT Rehab Advisor will be needed to deploy city LAHA funds. The CDA Board of Commissioners has committed to funding this position with CDA levy until the Local Affordable Housing Aid legislation is changed to allow LAHA funds to be used for administrative costs. At that time, the CDA will work with cities to use a portion of the LAHA funds for the Rehab Advisor position.

Project Reporting:	The CDA would provide annual reports to participating cities and Dakota County. The annual report would include the following:
	  o Community's contribution to program that fiscal year
	  o Number of loans using LAHA
	  o LAHA funds expended
	  o Program income generated

Dakota County Community Development Agency
CDA

Proposed Project:	**Dakota County Homeowner Radon Testing and Mitigation Grant Program**
Project Purpose:	The average radon level in Minnesota is more than three times higher than the U.S. radon level. This is due to our geology and how our homes operate. Minnesota homes are closed up or heated most of the year, which can result in higher levels of radon. In Minnesota, more than two in five homes have radon levels that pose a significant health risk. Exposure to radon over a prolonged period can lead to lung cancer. *Minnesota Department of Health website* The Environmental Protection Agency (EPA) has set the action level at 4 pCi/L (picocuries of radon per liter of air). The Minnesota Department of Health recommends installing a radon mitigation system when the radon level is at 4 pCi/L or higher. Between 2 and 4 pCi/L, a radon mitigation system should be considered to lower the level as much as possible. The average indoor radon level in Dakota County is 3.6 pCi/L as determined by radon test results from AirChek, an at-home radon testing company. There is no safe level of radon in a home. The proposed Homeowner Radon Testing and Mitigation Grant program would provide free testing services to clients of the Home Improvement Loan Program and would provide free mitigation services for those residents whose homes have radon levels greater than 2.6 pCi/L. A lower radon level was chosen as the benchmark in order to reduce radon levels in existing homes as much as possible. The Radon Grant Program will be paired with the CDA's Home Improvement Loan Program. Homeowners in the Home Improvement Loan Program have incomes at or below 80% of Area Median Income. By pairing a Radon grant with a Home Improvement Loan, homeowners can stretch their loans to cover more items that need improvement.
Project Objectives:	• Continue to improve the housing stock of Dakota County. • Reduce potential future risk of lung cancers in Dakota County residents. • Provide cities with a way to use Local Affordable Housing Aid (LAHA).
Project Outcomes:	• Test at least 50 homes in Dakota County for radon per year. The homes will be those of clients in the Home Improvement Loan Program. • Install radon mitigation systems in all homes assessed for radon with levels greater than 2.6 pCi/L per year, subject to available funding. • Reduce the number of homes with high radon levels. Mitigation systems would be required to reduce radon to $\leq$ 2.0 pCi/L.
Project Details:	• Provide grants to clients of the Home Improvement Loan Program to test for and mitigate radon when levels are 2.6 pCi/L or greater.

Dakota County Community Development Agency
CDA

	• Homeowners must own and reside in home, be current on property taxes, and be income eligible.
	    ○ CDBG funds require 80% AMI cap
	    ○ Sales tax funds require 115% AMI cap
	• Homeowners would need to sign a grant agreement if they are recipients.
	• Homeowners will solicit bids from two licensed mitigators; CDA will evaluate bids for cost reasonableness.
	• CDA will pay mitigators upon completion of project and satisfactory clearance test numbers (≤ 2.0).

Project Funding:	• Funding exclusively through LAHA funds. • Estimate program would need $200,000 per year to assess for and install radon mitigation systems in at least 50 homes per year. • LAHA funds would be placed in individual city accounts at the CDA and will be spent within the four-year spending deadline. • The individual city accounts will be tracked by the CDA.
Project Staff:	• The Radon Mitigation Grant program would use existing Home Improvement Loan Program staff and the additional Home Improvement Loan Program staff that will be hired to deploy LAHA funds.

Project Reporting:	The CDA would provide annual reports to participating cities and Dakota County. The annual report would include the following:
	    ○ Community's contribution to program that fiscal year.
	    ○ Number of grants using LAHA funds.
	    ○ Amount spent per year.

Date: 10/28/2024

2025 Fee Schedule

Proposed Action

The purpose of this agenda item is to discuss the proposed changes to the City of Lakeville 2025 Fee Schedule.

Overview

Summary

Annually staff reviews the fee schedule as part of the budget process and makes recommendations to the City Council for changes or additions as needed. The goal of fee changes is to recover our best estimate of costs incurred by the City in providing services. The Council is required to announce the time and place of the council meeting at which the 2025 official fee schedule would be discussed, and which would allow for stakeholder input. A public hearing as required by State Statute 462.353 is being held on December 2, 2024. The requirements to adopt a fee schedule set out in Minnesota Statute 462.353 subd. 4 will be met at the December 2, 2024 Council meeting.

The public hearing will allow citizens and other interested parties to voice their opinions regarding the fees and charges. The input received from the October 28th work session and public hearing on December 2nd will be incorporated into the 2025 Official Fee Schedule.

Conclusion

The 2025 Official Fee Schedule will be incorporated into the City Code with an effective date of January 1, 2025 unless noted otherwise. New fees, including fees that have historically been charged but haven't been reflected on the fee schedule, and proposed changes are indicated in the table on the following pages alongside their present amount. Please see the description of the changes below.

Explanations of Fee Changes

1. The residential, commercial, and industrial park dedication fees are proposed to increase by 1.0% as of January 1, 2025, to coincide with the increase in estimated market value of unplatted land.
2. Revised the staff hourly fees to reflect estimates for 2025 cost of living adjustments. Consistent with prior years, the rates are calculated using 2.5 times payroll costs (to account for benefit and other indirect costs).
3. Removed recycling fees because the City no longer hosts a drop off day event.
4. Revised credit/debit card fees to be more generic to reflect that we are passing the fees on to the customer rather than listing out individual payments.
5. Added a $300 fee for Consumption and Display licenses.

6. Relocated the investigation fees from the Public Safety section to the licenses section, as some were shown in both places in the Fee Schedule.
7. Renamed the Antlers Park Pavilion rental fee to reflect the pavilion's name change in 2024, changed the minimum rental period from 2 hours to 4 hours, and added ancillary equipment fees that are available for the space (sound system access/microphone).
8. Increased hourly rental fees for the Ed Mako ELC due to increasing staff and maintenance costs.
9. Revised athletic field fees to be hourly instead of per 4 hour block of time, and adjusted rates accordingly.
10. Added/removed additional rental items that are available with Heritage Center room rentals (sound system/microphone access).
11. Increased the fees for various Arts Center rental spaces to cover increasing staff and maintenance expenses. Also added additional amenities/options where available for certain spaces.
a. The added fee for the Theater/Auditorium Stage only allows us to provide a rehearsal space with no required staff setup time and at an affordable rate for theaters. It is designed to increase rentals during low traffic periods.
b. The added fee for Scene Shop is the replacement for the garage fee that was removed. The garage is now used for Arts Center equipment and event storage/construction projects.
c. The added fee for Classrooms (located in Fine Arts Building) is an added fee to accommodate rentals in the building that was recently acquired.
12. Increased the tech staff fee from $30/hr to $35/hr for Casperson park stage rentals to match the tech fee increase for Arts Center rentals.
13. Updated permit fees to reflect increases in staff costs. Note- Staff did a comparison of neighboring city permit fees to ensure we were in line with these recommended changes.
14. Added fee for single family home to assisted living conversion building permit. Due to changes at the state level, all assisted living facilities licensed by the MN Health Department are subject to review by the Department of Labor and Industry Buildings Code Division and issued a new Certificate of Occupancy. As a jurisdiction that has a delegation agreement with DLI to provide permits and inspections on state projects, this requirement now falls on the City. This flat fee permit is being created to cover processing of the building permit that is required to issue the new Certificate of Occupancy. Processing includes plan review and an onsite inspection, as well as administrative staff time.
15. Increased the fees for fire sprinkler permits. The minimum fee has not been updated in several years, and the cost covers the state processing fee as well as staff costs. The increase moves us closer to the rate charged by neighboring cities.
16. Revised the staff hourly fees to reflect estimates for 2025 cost of living adjustments. Consistent with prior years, the rates are calculated using 2.5 times payroll costs (to account for benefit and other indirect costs).
17. Increased the permanent installation sign fee to better recover staff time spent on review related to this process.
18. Adjusted the public safety vehicle fees for FEMA Emergency Incident Charges to match the most recent FEMA schedule (fee only used for FEMA-designated emergencies).
19. Increased the Fire department contract services rate from $52/hour to $58/hour to account for increases in payroll costs, and other fire response fees to account for increases in staff costs.
20. Removed investigation fees from Public Safety section, as these fees are also included in

the Licenses section of the Fee Schedule.

21. Increased the Public Safety Staff Services fees (Police Officers, Community Service Officers, Fire Chief, Assistant Fire Chief, and Fire inspection services fees) for estimated 2025 cost of living adjustments, the goal being to ensure City costs are recovered for when these services are billed. Also added fees for Fire Captain and Firefighter (FT) positions, in case there are situations where we need to bill for these positions that were newly added in 2024.
22. Removed the car seat installation fees as this service is no longer offered by the City.
23. Revised the staff hourly fees to reflect estimates for 2025 cost of living adjustments. Consistent with prior years, the rates are generally calculated using 2.5 times payroll costs (to account for benefit and other indirect costs).
24. Adjusted various equipment use fees and equipment descriptions to match the most recent FEMA schedule.
25. Adjusted the fee for valve replacement from $43/valve to $45/valve to account for changes in both staff and valve costs.
26. Sewer rates are proposed to increase in order to cover infrastructure improvements to lift stations in the 2025-2029 Capital Improvement Plan, as well as a 4.47% increase in the MCES charges, which are not controllable by the City. The recommended increase is a $.44 per quarter for the basic sewer charge and $.22 per thousand gallons of discharge. For the average residence using 15,000 gallons, the increase in the quarterly bill will be $3.68. More detail is provided in the October 28th Utility Budget/Rate memo.
27. Water rates are proposed to increase to cover infrastructure improvements as proposed in the 2025-2029 Capital Improvement Plan, as well as cost increases for normal operating expenses. The recommended increase is $0.62 per quarter for the basic water charge and $0.08 per thousand gallons of consumption (tier 1), $0.09 per thousand gallons of consumption (tier 2), $0.17 per thousand gallons of consumption (tier 3), and $0.30 per thousand gallons of consumption (tier 4). For the average residence using 15,000 gallons of water, the increase in the quarterly bill will be $1.91. More detail is provided in the October 28th Utility Budget/Rate memo.
28. The irrigation sprinkler rate is recommended to decrease to match the tier 4 rate, for a decrease of .063/thousand gallons. Matching the top tier water rate is consistent with most other nearby cities.
29. Changed the account fee set up charge for bulk water accounts to be $25 per CARD instead of per account. This charge is intended to cover average costs of setting up the water card and related account management (billing, tracking, etc). Also adjusted the usage charge on bulk water accounts to increase by 6%, consistent with the Residential/Commercial/Industrial/Institutional water usage rate increase.
30. Increased the fee for third and subsequent out of cycle meter reads, and the special meter read for tenant/owner changes to be $72/visit, consistent with the utility service call fees (during normal business hours).
31. Increased the water meter testing fees to ensure we are recovering costs incurred on water meter testing.
32. The water service call fees are proposed to be increased from $67/visit to $72/visit for calls during normal business hours and from $151/visit to $178/visit for service calls after normal business hours. The purpose of these increases is to better reflect the actual costs incurred by the City in performing the service calls. These fees are charged for water disconnection, water reconnection, other service calls, and for meter reading of customers who

have opted out of the radio-read type meters (meter must be read manually). The after-business hours charge is higher due to the minimum 2.5 hours paid to staff for after-hours work per the union contract.

33. Increased fees for mini manhole cover installation to ensure we are recovering costs incurred in providing these services (increase due to increase in staff costs).

34. Increased penalty fees to encourage timely payments.

35. Environmental Resources rates are proposed to increase in order to cover costs projected in the 2025-2029 Capital Improvement Plan, as well as normal operating increases. The recommended increase is a $.59 per quarter for the quarterly fee. More detail is provided in the October 28th Utility Budget/Rate memo.

Supporting Information

1. 2025 Fee schedule changes

Financial Impact: $ **Budgeted:** Yes **Source:** Various
Envision Lakeville Community Values: Good Value for Public Service
Report Completed by: Julie Stahl, Finance Director

2025 PROPOSED FEE SCHEDULE CHANGES*

City of Lakeville

*This schedule only includes the proposed changes/additions to fees, and is not the full fee schedule.

	ITEM/ACTIVITY	2024 Fee	Proposed 2025 Fee
	Connection Charges and Development Fees		
1	**Park Dedication Fee**		
	Residential (High-Density)	$3,012 per dwelling unit	$3,042 per dwelling unit
	Residential (Medium-Density)	$3,929 per dwelling unit	$3,968 per dwelling unit
	Residential (Low-Density)	$5,774 per dwelling unit	$5,832 per dwelling unit
	Commercial	$9,383 per acre	$9,477 per acre
	Industrial	$5,559 per acre	$5,615 per acre
	Engineering Charges		
2	**Engineering and Construction Services Staff Services** (Hourly fees are associated with staff time on City/County capital improvement projects, City and Developer-Installed Public Improvement Projects and planning applications (preliminary and final plat engineering review excluded). Fees may be billed based on the titles below or any changes to the position titles during the year.		
	City Engineer	$190.00	$203.00
	Assistant City Engineer	$170.00	$181.00
	Senior Project Engineer	$160.00	$171.00
	Project Engineer	$142.00	$152.00
	Civil Engineer	$120.00	$128.00
	Graduate Engineer	$107.00	$114.00
	GIS Manager	$134.00	$144.00
	GIS Analyst	$107.00	$114.00
	Environmental Resources Manager	$142.00	$152.00
	Environmental Resources Specialist	$113.00	$121.00
	Environmental Resources Technician	$101.00	$107.00
	City Forester	$134.00	$144.00
	Forester Technician	$90.00	$96.00
	Administrative Assistant	$90.00	$96.00
	Public Works Coordinator	$170.00	$181.00
	Construction Services Superintendent	$160.00	$171.00
	Senior Construction Representative	$120.00	$128.00
	Construction Representative	$107.00	$114.00
	General Government services		
	Other general government fees		
3	~~Recycling of appliances for residents (on Household Hazardous Drop-off Day only)~~	~~$25.00/ea.~~	~~$25.00/ea.~~
	~~Recycling of box springs and mattresses for residents (on Household Hazardous Drop-off Day only)~~	~~$30/unit~~	~~$30/unit~~
	~~Recycling of computer monitors, televisions, and microwaves for residents (on Household Hazardous Drop-off Day only)~~	~~$10/unit~~	~~$10/unit~~
4	Merchant Fees for Debit/Credit Card Payments- All Services ~~Credit/Debit card fees (to be charged on credit/debit card payments for building permits, utility bills, special assessments, and miscellaneous billings).~~	3.00% of charge amount- for amounts greater than or equal to $100; or 3.00% plus $.50 for amounts less than $100.	Paid by Customer
	~~Convenience Fees - on-line credit card payments for inspections fees~~	~~$2.50 / transaction~~	~~$2.50 / transaction~~

	Licenses		
	Other license fees		
5	Consumption and Display License	n/a- new in 2025	$300.00
6	Investigation fees:		
	Massge therapist	$150.00	$150.00
	Massage center	$150.00	$150.00
	Pawn Brokers and Precious Metal Dealers	$500.00/listed owner	$500.00/listed owner
	Sexually Oriented Business	$500.00	$500.00
	ITEM/ACTIVITY	**2024 Fee**	**Proposed 2025 Fee**
	Parks & Recreation- Shelter/Buildings		
	Outdoor Park Shelter Rental Fees ***Rates include tax**		
7	~~Antlers Park~~ John Hennen **Pavilion Rental Fees**		
	Resident	$100/hr, Mon-Thu $125/hr, Fri-Sun 2 hour minimum $200 refundable deposit	$100/hr, Mon-Thu $125/hr, Fri-Sun 4 hour minimum $200 refundable deposit
	Non-Resident	$120/hr, Mon-Thu $145/hr, Fri-Sun 2 hour minimum $200 refundable deposit	$120/hr, Mon-Thu $145/hr, Fri-Sun 4 hour minimum $200 refundable deposit
	TV-Sound System Access	n/a- new fee in 2025	$50.00
	Microphone	n/a- new fee in 2025	$50.00
8	**Ed Mako ELC Rental Fees**		
	Resident	$25/hr, 2 hour minimum $200 refundable deposit	$35/hr, 2 hour minimum $200 refundable deposit
	Non-Resident	$35/hr, 2 hour minimum $200 refundable deposit	$45/hr, 2 hour minimum $200 refundable deposit
	Parks & Recreation- Field Rental fees		
9	Baseball, Softball and Athletic Deck (per field/deck, per hour ~~4 hour block of time*~~) [1,2] *(Groups 2 and 3- field rental fee is waived for regular season league play and tournaments)*	Group 2- $40 Group 3-$45 Group 4- $50 Group 5- $60	Group 2- $10 Group 3-$12 Group 4- $14 Group 5- $16
	Heritage Center		
	A la carte Items		
10	Heritage Room Sound System access	n/a- new in 2025	$50.00
	Heritage Room microphone	n/a- new in 2025	$50.00
	~~Table linens~~	~~Inquire on pricing, price subject to change~~	~~Inquire on pricing, price subject to change~~
11	**Arts Center**		
	THEATER/AUDITORIUM (Theater Seating)		
	4 hour minimum rental time 25% discount available for Community Theater events advertised in the Playbill.	$65.00/hour for 1st 4 hours $50.00/additional hour	$70.00/hour for 1st 4 hours $55.00/additional hour
	THEATER/AUDITORIUM - STAGE ONLY (seating setup not included)		
	4 hour minimum rental time 25% discount available for Community Theater events advertised in the Playbill.	N/A- new in 2025	$50.00/hour for 1st 4 hours $45.00/additional hour
	Technical Services Fees		
	Tech services	$30.00/hour	$35.00/hour
	Large Meeting Room ~~Art classroom~~		
	2 hour minimum rental time 25% discount available for Community Theater events advertised in the Playbill.	$45.00/hour for 1st 4 hours $40.00/additional hour	$50.00/hour for 1st 2 hours $45.00/additional hour
	Scene Shop(Heated)		
	25% discount available for Community Theater events advertised in the Playbill.	N/A- new fee in 2025	$30.00/hour
	Classrooms (Located in the Fine Arts Building)		
	2 hour minimum rental time 25% discount available for Community Theater events advertised in the Playbill.	N/A- new fee in 2025	$50.00/hour for 1st 2 hours $45.00/additional hour
	~~**Garage rental**~~		
	~~Heated~~	~~$30.00/hour~~	~~$30.00/hour~~
	~~Non-heated~~	~~$15.00/hour~~	~~$15.00/hour~~
12	**Arts Center- Casperson Park Outdoor Performance Stage** • *Available Sunday-Thursday: 8am-9pm, Friday & Saturday: 8am-10pm* • *Hourly rentals, 2 hr minimum*		
	Tech Staff (required with lighting and sound equipment rental)	$30.00/hour	$35.00/hour
13	**Permits** * *Stated permit fees do not include the surcharge imposed on such permits by the State of Minnesota.*		
	Plumbing Permits (Adopted by Ordinance) *Requirement: Master License Number or pipe layers certificate, $25,000 license bond and current Certificate of Liability Insurance to be filed with City. Note: State Department of Health Bond and Insurance Certificate will satisfy this requirement.*		
	Residential - Minimum (repairs and alterations, lawn sprinkler systems)	$40.00	$70.00
	Complete installation	$90.00	$150.00

	Commercial	1.5% of contract/valuation price up to $10,000 and 1.0% of contract/valuation price above $10,000 *Minimum fee $40.00	1.5% of contract/valuation price ~~up to $10,000 and 1.0% of contract/valuation price above $10,000~~ *Minimum fee $70.00
	RPZ Valve (new)	$40.00	$70.00
	RPZ Valve (replacement or rebuild)	$40.00	$70.00
	Water softener/water heater	$40.00	$70.00
	Heating Permits (Adopted by Ordinance)		
	Residential - Minimum repairs and alterations	$40.00	$70.00
	Complete installation	$90.00	$150.00
	Commercial	1.5% of contract/valuation price up to $10,000 and 1.0% of contract/valuation price above $10,000 *Minimum fee $40.00	1.5% of contract/valuation price ~~up to $10,000 and 1.0% of contract/valuation price above $10,000~~ *Minimum fee $70.00
	Sewer and Water Permits (Adopted by Ordinance)		
	Residential - Minimum repairs and alterations	$40.00	$70.00
	Commercial	One percent (1%) of contract/valuation price *minimum fee $40.00	One percent (1%) of contract/valuation price *minimum fee $70.00
	Electrical Permits (Adopted by Ordinance)		
	Residential - Additions, remodels, lower levels (two trips)	$70.00	$80.00
	Additional trip charge	$35.00	$40.00
	Manufactured Home Inspections (Adopted by Ordinance)		
	Installation permit (foundation, sewer, water, gas)	$90.00	$100.00
	Swimming Pools (Adopted by Ordinance)		
	All in-ground pools, regardless of capacity, and above-ground pools that exceed 5,000 gallons	$50.00	$100.00
	Miscellaneous Commercial Mechanical (Adopted by Ordinance)		
	Refrigeration, piping, fuel tanks, etc.	1.5% of contract/valuation price up to $10,000 and 1% of the contract/valuation price in excess of $10,000 *Minimum fee $40.00	1.5% of contract/valuation price ~~up to $10,000 and 1% of the contract/valuation price in excess of $10,000~~ *Minimum fee $70.00
	Re-Roof, Re-Side, Re-deck and retaining walls over 4 ft. high (Adopted by Ordinance)		
	Residential	$50.00	$70.00
14	**Single Family Home to Assisted Living Conversion (Adopted by Ordinance)**		
	Building permit	n/a- new in 2025	$200.00
15	**Sprinkler Fire Protection (Adopted by Ordinance)**- *Requirement: State Fire Protection Contractor License to be filed with the City.*		
	Commercial - 1.5% of contract/valuation price up to $10,000 and 1.0% of contract/valuation price above $10,000 plus surcharge (.0005 times contract/valuation)	$45.00 minimum	$65.00 minimum
16	**Planning and Zoning Staff Services (hourly fees)**		
	~~Planning & Zoning Specialist~~ Code Enforcement Officer	$101.00	$107.00
	~~Associate Planner~~ Senior Planner	$134.00	$144.00
	Planning Manager	n/a- new in 2025	$192.00
	~~Planning Director~~ Community Development Director	$214.00	$229.00
17	**Signs (Adopted by Ordinance)**		
	Permanent installation	$75.00	$175.00
	Public Safety		
18	**FEMA Emergency Incident Charges (1 hour minimum, excludes personnel cost)**		
	Tanker Truck	$128.00/hr	$142.00/hr
	Officer, Vehicle & Utility Truck	$98.00/hr.	$120.00/hr.
19	**Response fees/fire**		
	Gas line encroachment (vehicle charge only; staff costs to be separately added)	$146.00/hr	$173.00/hr
	Extinguish illegal burning (includes recreational fire)- vehicle charge only; staff costs to be separately added	$146.00/hr	$173.00/hr
	Fire department contract services	$52.00/hr/person	$58.00/hr/person
20	~~**Investigation Fees**~~		
	~~Intoxicating liquor, special club, consumption and display, cocktail room, brewpub and taproom, 3.2 malt liquor~~	~~$700.00~~	~~$700.00~~
	~~Massage therapist~~	~~$150.00~~	~~$150.00~~
	~~Massage center~~	~~$150.00~~	~~$150.00~~
	~~Pawn brokers & precious metal dealers~~	~~$500.00/listed owner~~	~~$500.00/listed owner~~
	~~Sexually oriented business~~	~~$500.00~~	~~$500.00~~
	~~Tobacco & THC~~	~~$150.00~~	~~$150.00~~

	Other public safety charges		
21	Police Officers	$113.00/hr.	$121.00/hr.
	Community Service Officers	$56.00/hr.	$58.00/hr.
	Fire Chief	$213.00/hr	$228.00/hr.
	Assistant Fire Chief	$169.00/hr	$181.00/hr.
	Fire Captain	n/a- new in 2025	$123.00/hr.
	Firefighter (FT)	n/a- new in 2025	$97.00/hr.
	~~Fire District Chief~~	~~$52.00/hr.~~	~~$52.00/hr.~~
	Fire inspection services (provided to other cities) Regular time Overtime	 $112.00/hour $139.00/hour	 $113.00/hour $139.00/hour
22	~~Car Seat Installation~~ ~~1) Residents~~ ~~2) Non-residents~~	 ~~No Charge~~ ~~$35.00~~	~~Deleting fee~~
	Public Works		
23	**Streets and Parks staff services (per hour)** (Hourly fees are typically charged in cases where FEMA is involved, or if City staff assists another		
	Service Tech	$95.00	$101.00
	Maintenance II	$95.00	$101.00
	Lead Maintenance	$107.00	$119.00
	Lead Service Tech	$107.00	$119.00
	Fleet, Streets, Parks Supervisor	$134.00	$144.00
	Superintendent	$160.00	$171.00
	Administration	$90.00	$96.00
	Utilities staff services (per hour) (Hourly fees are typically charged in cases where FEMA is involved, if City staff assists another community/agency		
	Maintenance I	n/a- new in 2025	$76.00
	Maintenance II	$95.00	$101.00
	Lead Maintenance	$107.00	$119.00
	Supervisor	$134.00	$144.00
	Superintendent	$170.00	$181.00
	Administration	$90.00	$96.00
24	**Equipment Use Fees (per hour)** (Hourly fees are typically charged in cases where FEMA is involved, or if City staff assists another		
	Hydro-Vactor (~~includes vactor operator and helper,~~ minimum of 3 hours)	$110.00	$108.00
	Sewer Camera Truck ~~(includes operator)~~	$105.00	$105.00
	Other public works fees		
25	Valve replacement (fee includes cost of the valve and staff time to replace the valve; typically completed only as needed at the time of water meter replacement)	$43.00 per valve replacement	$45.00 per valve replacement

26	**SEWER USAGE RATES- Quarterly Charges**		
	Residential, Apartments and Manufactured Homes		
	Base Charge- per dwelling unit, per quarter	$10.90	$11.34
	Usage Charge • *Based on actual consumption during the first quarter of the year, or actual water consumption during the billing period, whichever is less* • *When an account is newly established, the maximum sewer usage charge shall be set at 18,000 gallons. Sewer for the remainder of the year will be set at this figure or actual usage, whichever is less.* • *Residential customers shall be billed for a minimum of 5,000 gallons per quarter.* • *For apartments and manufactured homes served by a single meter, the usage charge is determined by dividing the total gallons of water by the # of units.*	$5.40/1000 Gal	$5.62/1000 Gal
	Flat rate- per dwelling unit, per quarter shall be charged to those residential customers who do not have metered water.	$108.10	$112.50
	Commercial, Industrial and Institutional		
	Base Charge- per account, per quarter	$10.90	$11.34
	Usage Charge • *Based on actual consumption during the first quarter of the year, or actual water consumption during the billing period, whichever is less* • *When an account is newly established, the maximum sewer usage charge shall be set at 18,000 gallons. Sewer for the remainder of the year will be set at this figure or actual usage, whichever is less.* • *Industrial, Institutional, and Commercial customers shall be billed for a minimum of 5,000 gallons per quarter.*	$5.40/1000 Gal	$5.62/1000 Gal
27	**WATER USAGE RATES- Quarterly Charges**		
	Residential, Apartments and Manufactured Homes		
	Base Charge- per dwelling unit, per quarter	$10.30	$10.92
	Usage Charge • *Based on actual metered gallons consumed each quarter*		
	Tier 1- up to 6,000 gallons per quarter	1.34/1000 Gal	1.42/1000 Gal
	Tier 2- over 6,000 gallons up to 15,000 gallons per quarter (additional 9,000 gallons max)	1.49/1000 Gal	1.58/1000 Gal
	Tier 3- over 15,000 gallons up to 30,000 gallons per quarter (additional 15,000 gallons max)	2.88/1000 Gal	3.05/1000 Gal
	Tier 4- over 30,000 gallons per quarter	5.05/1000 Gal	5.35/1000 Gal
28	Irrigation sprinkler meters	5.98/1000 Gal	5.35/1000 Gal
	Commercial, Industrial and Institutional		
	Base Charge- per account, per quarter	$10.30	$10.92
	Usage Charge • *Based on actual metered gallons consumed each quarter*		
	Tier 1- up to 6,000 gallons per quarter	1.34/1000 Gal	1.42/1000 Gal
	Tier 2- over 6,000 gallons up to 15,000 gallons per quarter (additional 9,000 gallons max)	1.49/1000 Gal	1.58/1000 Gal
	Tier 3- over 15,000 gallons up to 30,000 gallons per quarter (additional 15,000 gallons max)	2.88/1000 Gal	3.05/1000 Gal
	Tier 4- over 30,000 gallons per quarter	5.05/1000 Gal	5.35/1000 Gal
28	Irrigation sprinkler meters	5.98/1000 Gal	5.35/1000 Gal
29	**Bulk Water Accounts**		
	Account fee set up charge	$25.00/account	$25.00/card
	New account set up deposit	$100/new account	$100/new account
	Usage Charge *o Based on actual metered gallons consumed each quarter*	$6.18/1000 Gal	$6.36/1000 Gal
	OTHER UTILITY FEES		
30	**Out of Cycle Meter Read (during normal business hours only)**		
	First and second out of cycle meter read	no charge	no charge
	Third and subsequent out of cycle meter reads	$67.00/visit	$72.00/visit
	Special meter read for tenant/owner changes	$67.00/visit	$72.00/visit
31	**Testing of Water Meters (only if meter tests correct, in accordance with Ordinance 7-5-4-6)**		
	5/8" to 1"	$68.00	$68.00
	1 1/4" to 2"	$87.00	$94.00
32	**Water Disconnection, Reconnection or other Service Call**		
	During normal business hours	$67.00/visit	$72.00/visit
	After normal business hours	$151.00/visit	$178.00/visit
	Other		
33	Mini Manhole Cover plus installation *Includes cost of mini manhole plus an additional 15% for staff administrative processing time, and staff time to install (including staff use of City patch truck).	Actual cost of mini manhole cover + 15%; plus $271 for installation	Actual cost of mini manhole cover + 15%; plus $286 for installation
34	Late payment penalty charge- per month	Greater of 1.5% or $1.00	Greater of 1.5%/month or $5.00
35	**ENVIRONMENTAL RESOURCES FEE (stormwater maintenance)**		
	Utility accounts served by water and/or sanitary sewer		
	-Single family (residential equivalent utility factor) Environmental Resources Fee	$14.79/dwelling unit/quarter	$15.38/dwelling unit/quarter
	Utility accounts NOT served by water and/or sanitary sewer		
	Utility accounts not served by water and/or sanitary sewer shall be billed annually.		
	-Residential equivalent utility factor Environmental Resources Fee	$59.16/dwelling unit/year	$61.52/dwelling unit/year
	Other		
	New subdivisions, as part of development contracts; one-time fee	$59.16/dwelling unit	$61.52/dwelling unit

Date: 10/28/2024

2025 Proposed Utility Fund Budgets & Rate Projections

Proposed Action

Discuss and direct staff with any changes for 2025 adoption of budgets and/or rates.

Overview

See Staff report below.

Supporting Information

1. Utilities 10yr Projections by Fund

Financial Impact: $ **Budgeted:** Yes **Source:** Utility Rates
Envision Lakeville Community Values: Good Value for Public Service
Report Completed by: Julie Stahl, Finance Director

City of Lakeville
Finance Department

Memorandum

To: Mayor and Council
From: Justin Miller, City Administrator
Julie Stahl, Finance Director
Date: October 28, 2024
Subject: 2025 Proposed Utility Fund Budgets & Utility Rate Projections

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The purpose of this report is to provide the City Council with an overview of the proposed 2025 Utility Fund budgets and proposed utility rates/projections to support the services provided.

UTILITY FEE CHANGES AND HIGHLIGHTS

The rate changes for 2025 include a 6% increase to Water rates, 4% increase to Sewer rates, 4% increase to the Environmental Resources rate, and no change for the Street Light rate. The 10-year projections are included by Fund and incorporate the anticipated revenues from the 2025 rate changes, proposed 2025 budgets, staff projections for future years, and the Capital improvement Plan.

Cash targets

One of the financial targets is a certain level of unassigned cash by fund at the end of each year. For Water and Sanitary Sewer, this amount is currently $500,000. For Street Lights and Environmental Resources, the amount is currently $100,000. Our model also includes an estimate of planned capital expenditures for the following year when calculating the amount of cash on hand needed at the end of each period. Many of the City's capital improvement projects are led and/or influenced by the County, and although we determine jointly what needs to be replaced, the cost is somewhat out of our control, and the level of predictability in our costs is reduced. We have included estimates of the utility costs related to these projects; however, some costs are unknown until the project is underway. At some point in the future, we may desire to increase the unassigned cash targets beyond $500,000 and $100,000.

Risks

The projected cash and revenue amounts by year can vary significantly from actuals depending on weather and usage. The 10-year projections discussed and portrayed in charts below are based on our predictions at a point in time, and our best guess of normal volumes based on our historical data. Effective 1/1/2023, Lakeville implemented four separate water tiers, when historically it was three tiers. We have one year of data where there was a drought (2023) and one partial year of data that was abnormally rainy (2024), therefore we have not yet seen a full year of normal volume data to influence our projections. Therefore, the 2025 and future revenues may be impacted by behavioral changes in water consumption following a more normal year of rainfall with billing under the four-tier structure. Our assumption of "normal" volume levels may shift over time as we progress under the new tier structure, in combination of whether a year has more or less rainfall.

Aging infrastructure

The 10-year rate projections include estimates for replacement or upgrade of aging utilities infrastructure. The chart below includes various statistics related to the current utilities infrastructure, and illustrates the significant cost involved in maintaining the infrastructure.

Infrastructure item:	**Statistic**
Water	
Water mains (miles)	396
Fire hydrants	4,595
Wells	19
Water Towers	6
Water capital asset gross historical cost	$178,933,000
Sanitary Sewer	
Sanitary sewer mains (miles)	303
Sanitary sewer lift stations	19
Sanitary sewer capital asset gross historical cost	$103,145,000

Source: City of Lakeville 2023 Annual Comprehensive Financial Report

Proposed 2025 rates and impact

The following chart reflects the fee changes that have been incorporated into the proposed revenues for each of the Utility Funds in the next year:

Proposed 2025 Utility Fee Structure					
Quarterly rates	Basis	2025 Proposed	2024 Actual	Increase	
Water base	Account	$ 10.92	$ 10.30	$ 0.62	6%
Water tier 1 -up to 6,000 gallons per quarter	Gallonage*	$ 1.42	$ 1.34	$ 0.08	6%
Water tier 2 -over 6,000 and up to 15,000 gallons per quarter (additional 9,000 gallons max)	Gallonage*	$ 1.58	$ 1.49	$ 0.09	6%
Water tier 3 -over 15,000 and up to 30,000 gallons per quarter (additional 15,000 gallons max)	Gallonage*	$ 3.05	$ 2.88	$ 0.17	6%
Water tier 4 -over 30,000 gallons per quarter	Gallonage*	$ 5.35	$ 5.05	$ 0.30	6%
Irrigation sprinkler accounts	Gallonage*	$ 5.35	$ 5.98	$ (0.63)	-11%
Water testing fee**		$ 2.43	$ 2.43	$ -	0%
Sanitary sewer base	Account	$ 11.34	$ 10.90	$ 0.44	4%
Sanitary sewer usage	Gallonage*	$ 5.62	$ 5.40	$ 0.22	4%
Sanitary sewer non metered accounts	Account	$ 112.50	$ 108.10	$ 4.40	4%
Street lights	Account	$ 10.12	$ 10.12	$ -	0%
	front footage	$ 0.2832	$ 0.2832	$ -	0%
Environmental Resources Fee	Account	$ 15.38	$ 14.79	$ 0.59	4%
Environmental Resources Fee	Annual	$ 61.53	$ 59.16	$ 2.37	4%

** Per 1000 gallons*

*** The Water testing fee is mandated by the state-- this is a pass-through fee for the City.*

PERSONNEL REQUESTS

There are no new positions requested that impact the 2025 Utility budgets.

UTILITY BILLING CYCLES

The City currently issues utility bills on a quarterly basis. Staff has contemplated changing to a monthly billing cycle to provide customers better visibility to their usage and costs. There are a few topics that need to be addressed prior to this change, the largest of which are listed below:

1) ERP-A system change-over from CIS to BS&A is in process in October/November 2024, and Staff will be focused on validating data in the new system and ensuring utility bills are accurately processed in the new system.
2) We are due for a staff audit of the system to ensure all city parcels are included in the system and that any changes to the pervious surfaces have been reflected in the composition of utility bills for those properties. Staff has begun this audit internally and plans to continue with the audit once the new system implementation has been completed.
3) The City transitioned to a fixed base meter system in 2022, which has resulted in the ability to remotely read many meters. Staff is currently working to reduce the number of missed readings from this technology.
4) A change from quarterly to monthly billing means more frequent meter reads, more payments to be processed, etc., which would add pressure to current City Staff resources.

WATER OPERATING FUND

The proposed 2025 Water Operating Fund budget reflects the cost of operating the City's water system as well ongoing well rehabilitation, watermain maintenance as part of the 2025 Street Reconstruction Project and other 2025 street projects. Water Treatment Facility costs including a portion of the costs for Water Treatment Plant filter improvements are also included in 2025. The costs of that project will be shared with the Water Trunk Fund.

This fund has annual debt service obligations of $1.01-$1.28 million in the next five years for $7.415 million in remaining bond principal at 12/31/2024, from bonds issued between 2014 and 2021. Debt is not planned to be issued for regular major maintenance projects in the future. Depending on the cash balances in the Water Operating Fund and Water Trunk Fund at the time of the project, a portion of the Water Treatment Plant expansion, which is planned for 2027, may need to be covered by bonds. The current forecast includes a $5,000,000 contribution to the project by the Water Operating Fund in 2027. No debt payments for the Water Treatment Plant expansion are currently included in the model, and as bonding decisions are made in 2026/2027, rates may need to be increased to cover future debt payments if bonds are needed.

The underlying goals with annual rate adjustments are as follows:

- Maintain a minimum cash balance to fund three months of operating expenses, debt service payments, major maintenance expenses (net of any bond proceeds during the period), emergency maintenance expenses (target of $500K), and accumulate a cash contribution toward the Water Treatment Plant project to reduce (or eliminate) the amount of bonds needed on that project;
- Avoid issuing debt for major maintenance projects in future years including for the Water Treatment Plant expansion in 2027. This means that the current users of the water system

are paying for the depreciation of the system (replacement costs) as we go. The current debt outstanding is scheduled to be completely paid off by 2036.

- Maintain a debt service coverage ratio of at least 125%.
- Maintain a ratio of unrestricted net assets that is at least 50% of the subsequent year's operating expenses.

The proposed water rates for 2025 (and projected increases for 2026-2034) are projected to have the following impacts on the financial targets for the years 2025-2034:

- Achieve cash target for future years 2028-2034; 2025-2027 are below target due to building cash for the planned capital investment in the Water Treatment Plant expansion.
- Achieve debt service coverage ratio for all years 2025-2034
- Achieve unrestricted net assets percentage for all years 2025-2034 except for 2027.

Staff develops the rate projections using a combination of historical financial and volume data as well as assumptions about future growth and volumes. There are two large unique financial considerations taken in the current projections.

1. The first is the projected ability to contribute $5M in cash toward the Water Treatment Plant Expansion. This has been made possible both by deliberate past rate increases and careful review of projections to avoid additional debt issuance for this fund, as well as the drought conditions in recent years, which have prompted customers to water grass and therefore increased water revenues beyond expected amounts. Note: In 2023, Staff projected being able to contribute $11M toward this project. Due to unusually rainy conditions in 2024, water revenues are significantly below projections, causing a decrease in the projected contribution to the expansion project. If subsequent years are more normal, the contribution amount may be able to increase.
2. From 2014-2021, there was debt issued on behalf of the Water Operating fund for regular maintenance activities with principal totaling $17.945M. This level of debt carries a significant principal and interest cost on an annual basis (2025 payments for principal and interest are more than $1.7M). These annual bond issuances start to mature in 2025, and there is a significant decrease in annual payments beginning in 2031 (down to $783K of principal and interest payments that year).

After we expand the Water Treatment Plant and as the existing debt matures, the current projections indicate that we may be able to hold water rates steady and/or decrease the rates for a number of years and still meet financial targets.

SANITARY SEWER OPERATING FUND

The proposed 2025 Sanitary Sewer Fund budget reflects the cost of operating the City's wastewater system as well as sewer main repair projects, other major maintenance and debt repayment for the debt that was issued in 2016 for lift station #6 rehabilitation. In addition, the Metropolitan Wastewater Charge as communicated by the Met Council will have a 4.47% increase for the City of Lakeville in 2025. The wastewater charges are the most significant component of the Sanitary Sewer Fund annual budget. The City does not control this cost, although the cost is based on our share of the discharge into the regional wastewater system.

The 2025 revenues for sanitary sewer sales are based on increasing the rates by 4%. Years 2026-2034 reflect annual increases of 3%-4%.

The underlying goals with these rate adjustments are as follows:

- Maintain a minimum cash balance to fund three months of operating expenses, debt service payments, and emergency maintenance expenses.
- Maintain a debt service coverage ratio of at least 125%. The current debt outstanding is scheduled to be completely paid off by 2025, and no additional debt is planned to be issued for the Sewer Fund.
- Maintain a ratio of unrestricted net assets that is at least 50% of the subsequent year's operating expenses.

The 2025 sewer rates and projected increases for 2026-2034 are projected to have the following impacts on the financial targets:

- Cash targets met in all years 2025-2034
- Achieve debt service coverage ratio for all years 2025-2034
- Achieve unrestricted net assets percentage for all years 2025-2034

Currently, the projected sewer revenues by year are not sufficient to meet the forecasted expenses by year for all of the next 10 years. On the other hand, the cash position by year is projected to exceed the desired cash position/targets. Since we would prefer to increase rates by the smallest possible amount to cover costs, staff is comfortable with the revenues being slightly under the expenses by year, knowing there is excess cash to cover the shortfall. We will continue reviewing each year to balance minimal rate changes with meeting the financial targets.

STREET LIGHT OPERATING FUND

The Street Light Operating Fund reflects the cost of operating city street lights.

The 2025 revenues for the Street Light Operating Fund reflect no rate increases. No annual increases for years 2026-2034 are currently projected. Current cash projections include some Xcel street light replacements based on available information from Xcel, but these costs have not been budgeted nor included in the projected expenditures due to uncertainties with the timing and costs. As those projects are scheduled in the future, rates may need to be adjusted accordingly.

The underlying goals of street light rates are as follows:

- Maintain a minimum cash balance to fund three months of operating expenses, debt service payments, and emergency maintenance expenses ($100K).
- Maintain a debt service coverage ratio of at least 125%. The current debt outstanding is scheduled to be completely paid off by 2026.
- Maintain a ratio of unrestricted net assets that is at least 50% of the subsequent year's operating expenses.

The current Street Light rate estimates are projected to have the following impacts on the financial targets:

- Achieve cash targets for seven of the 10 years presented
- Achieve debt service coverage ratio for all years presented
- Achieve unrestricted net assets percentage for all years presented

ENVIRONMENTAL RESOURCES OPERATING FUND

The Environmental Resources Fund reflects the cost of managing, promoting and protecting the City's natural resources including lakes, wetlands, streams, prairies and woodlands. The 2025 budget includes annual storm water rehabilitation projects as well as grant-funded projects.

The revenues for this Fund are based on an increase of 4%, with annual increases between 2%-4% projected for 2026-2034.

The underlying goals with these rate adjustments are as follows:

- Maintain a minimum cash balance to fund three months of operating expenses, debt service payments, and emergency maintenance expenses ($100K).
- Maintain a debt service coverage ratio of at least 125%.
- Maintain a ratio of unrestricted net assets that is at least 50% of the subsequent year's operating expenses.

The proposed Environmental Resources rate projections are anticipated to have the following impacts on the financial targets:

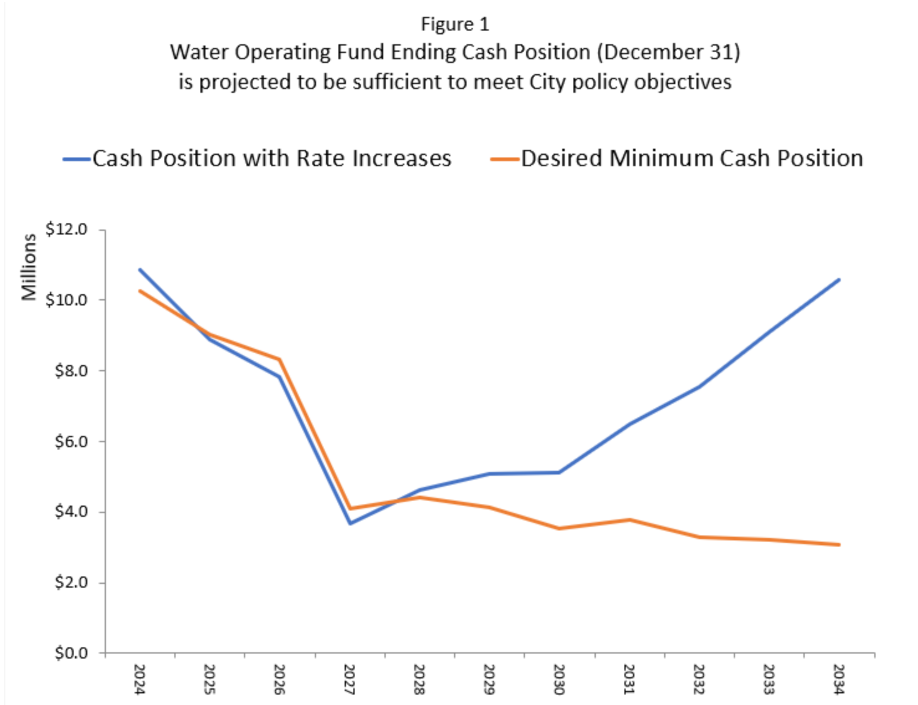
- Meeting all cash targets for all years presented
- The Environmental Resources Fund currently does not hold any debt, so the debt service coverage ratio target is not applicable.
- Meeting unrestricted net assets target percentage for 2025-2034, but very slightly below the target in 2031

The cash position is expected to exceed targeted levels for all years presented, therefore, staff is comfortable with being slightly below the target for the unrestricted net assets percentage in 2031. This will be monitored as projections are updated in subsequent years.

CHARTS

The following charts reflect the expenses, revenues, and projected cash position for each of the utility funds, including proposed rate increases. These will be referenced during our discussion.

WATER CHARTS



Note- Cash position with rate increases line includes anticipated contributions to the Water Treatment Plant expansion in 2027 (assumes payment toward the project in 2027, so the above chart shows a drop in both the cash position and the desired cash position at the end of 2027).

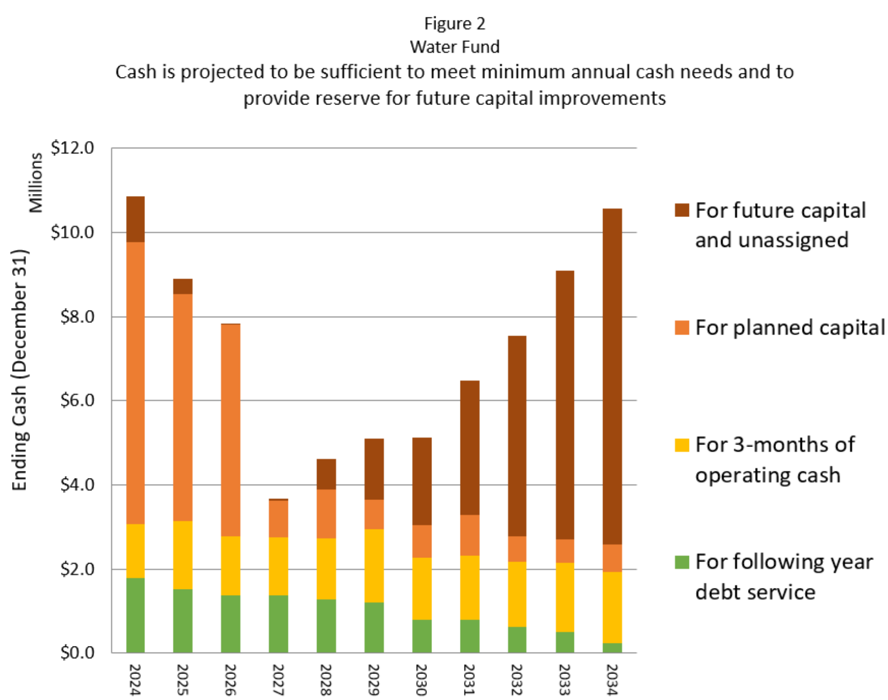


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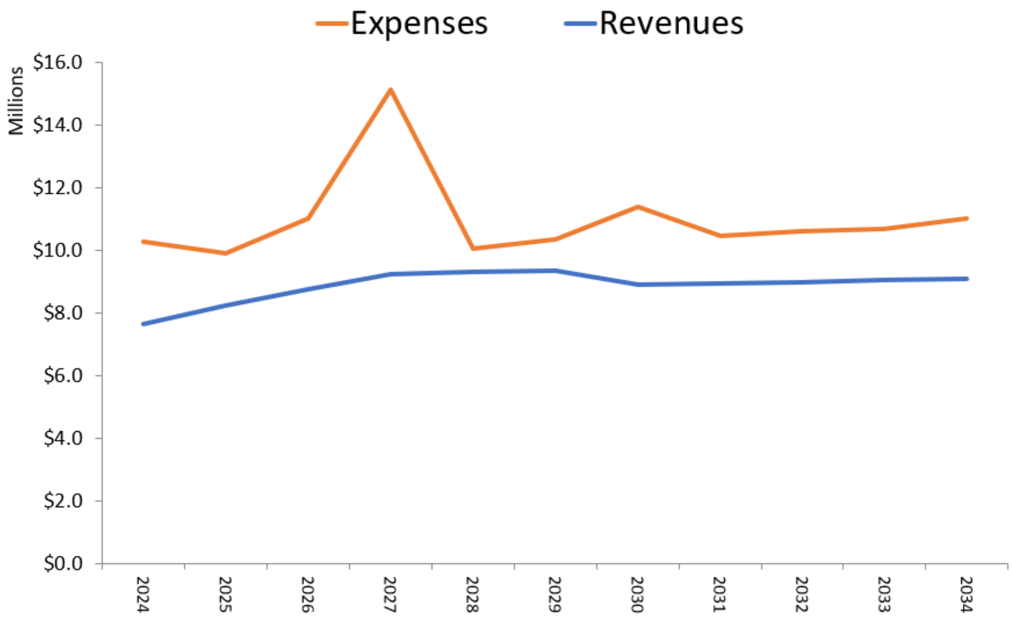
Figure 4
Water Fund
Revenues are projected to cover expenses, revenues in excess of annual expenses will provide funds in year 2027 for the Water Treatment Plant improvements



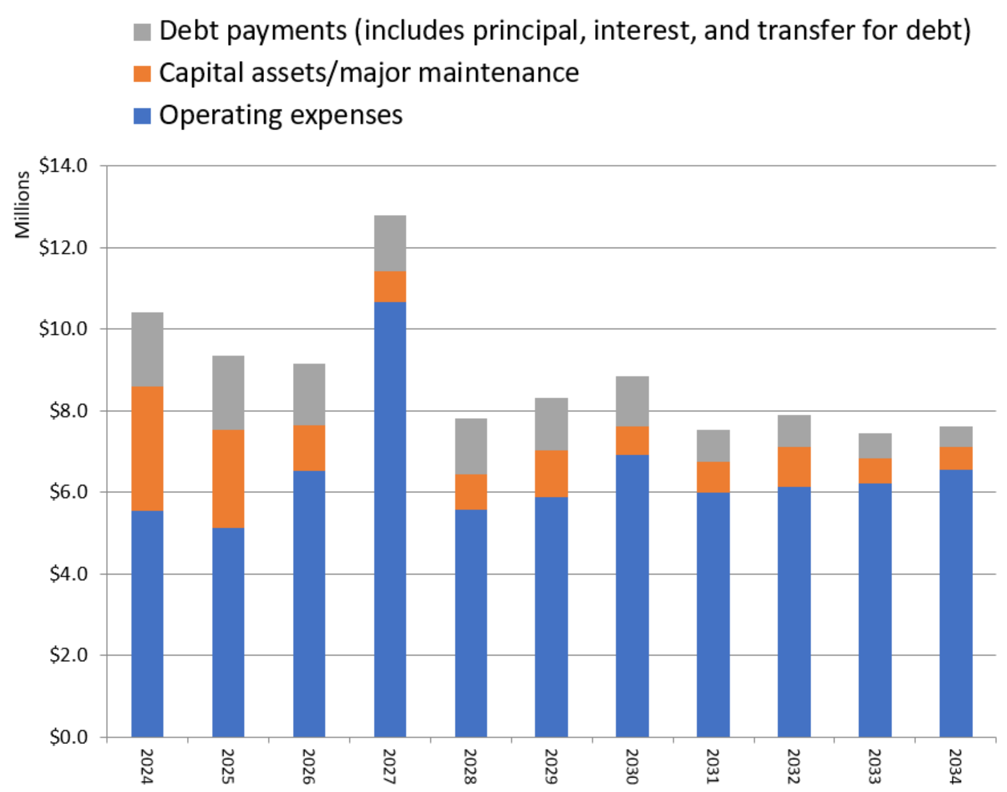
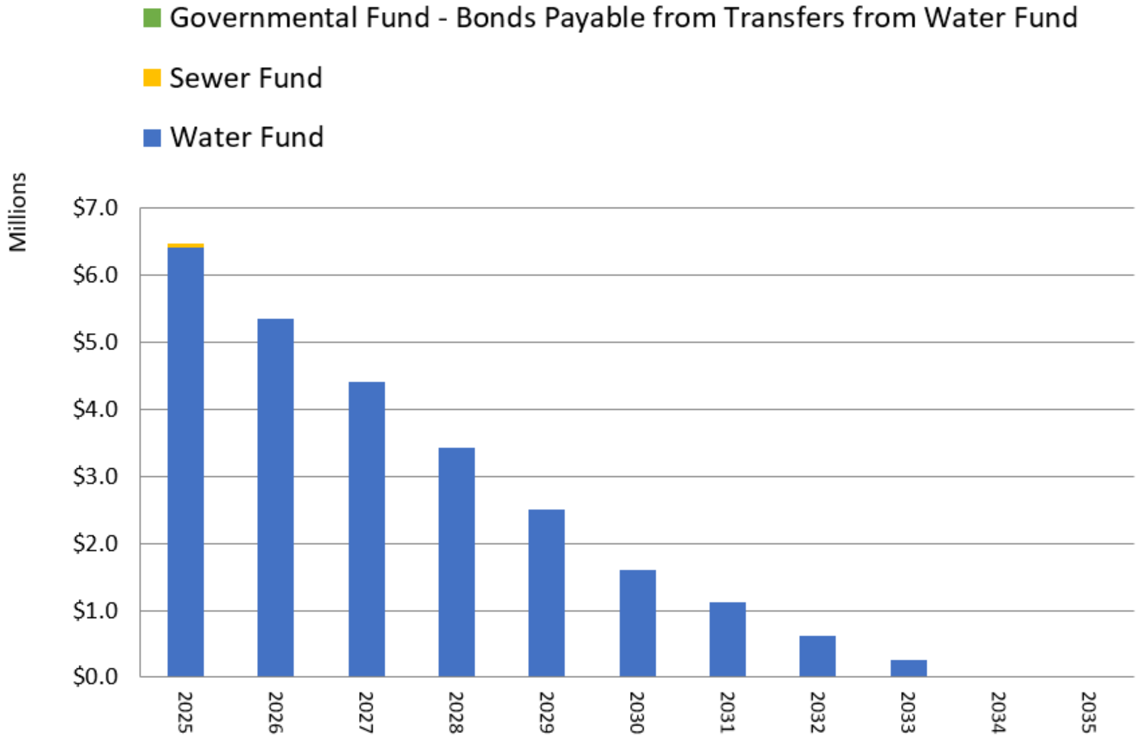


Figure 34
Outstanding Bonds Payable
Includes Existing and Planned Debt Issuance



SEWER CHARTS

Figure 6
Sanitary Sewer Operating Fund Cash Position (December 31)
is projected to be sufficient to meet City policy objectives

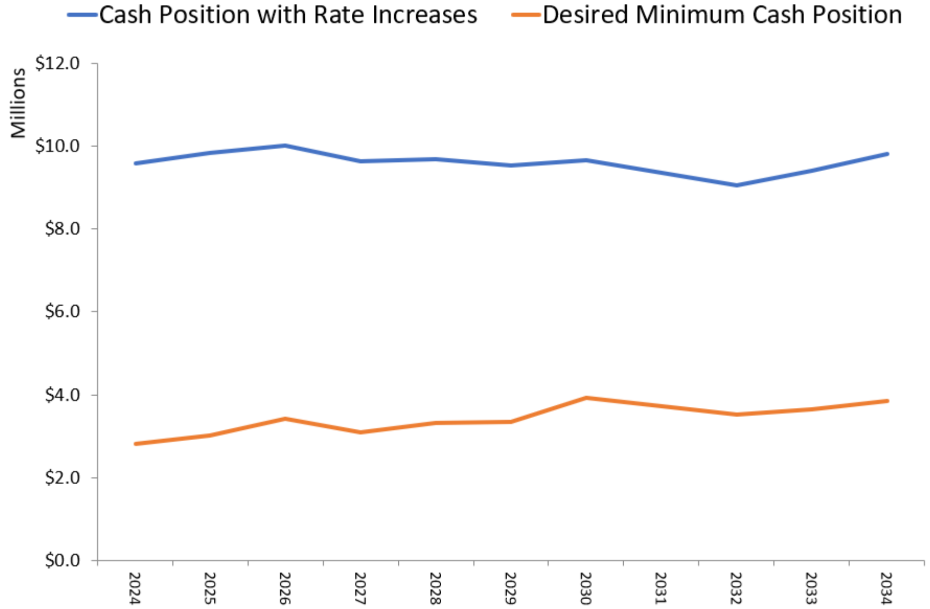


Figure 7
Sanitary Sewer Fund
Cash is projected to be sufficient to meet minimum annual cash needs and to provide reserve for future capital improvements

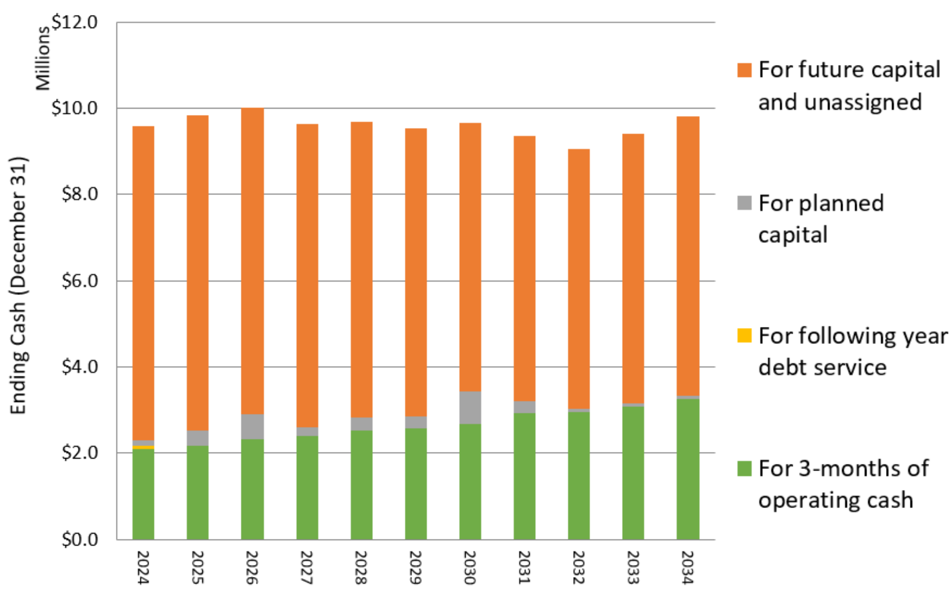


Figure 9
Sanitary Sewer Fund
Revenue is not projected to be sufficient to cover Expenses inclusive of depreciation, without depreciation revenue is closer to sufficient

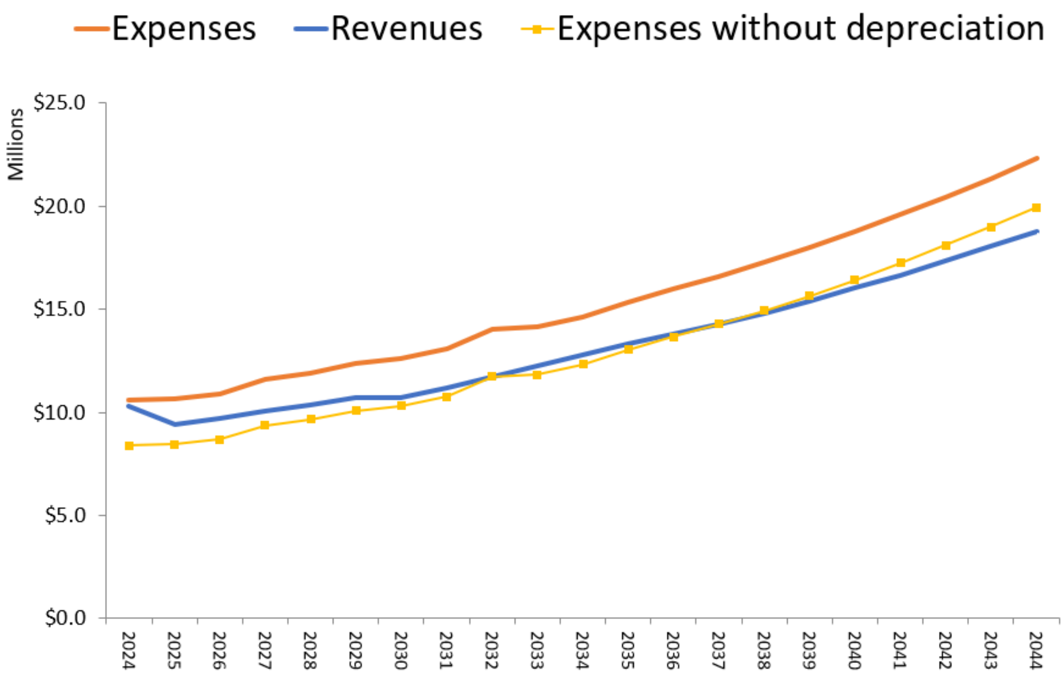
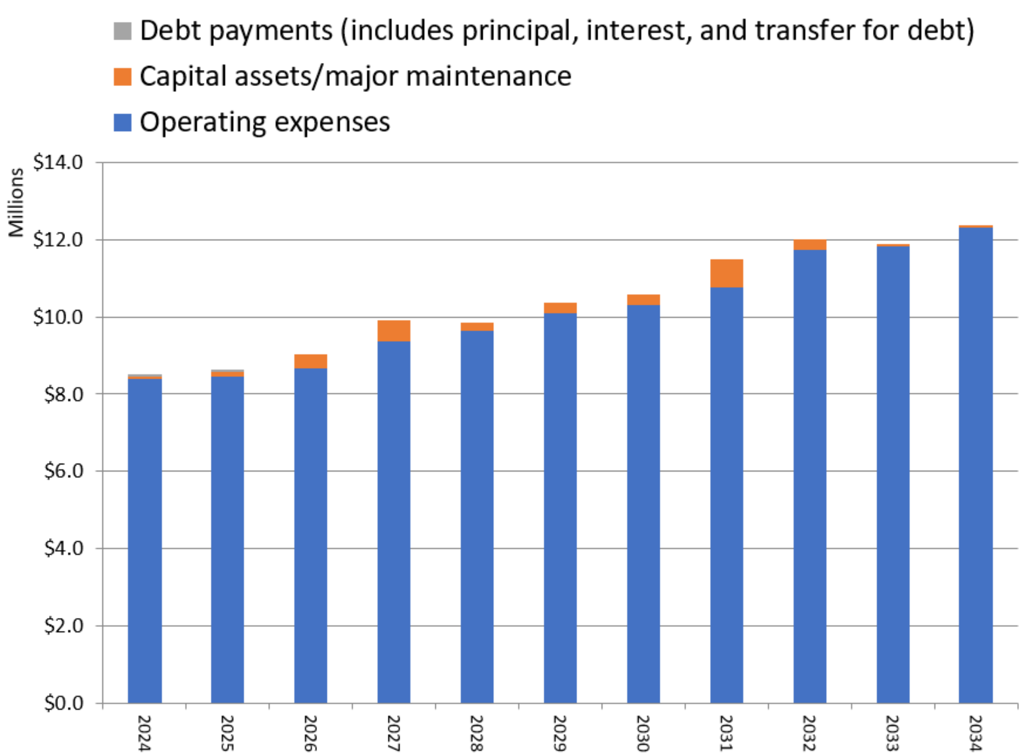
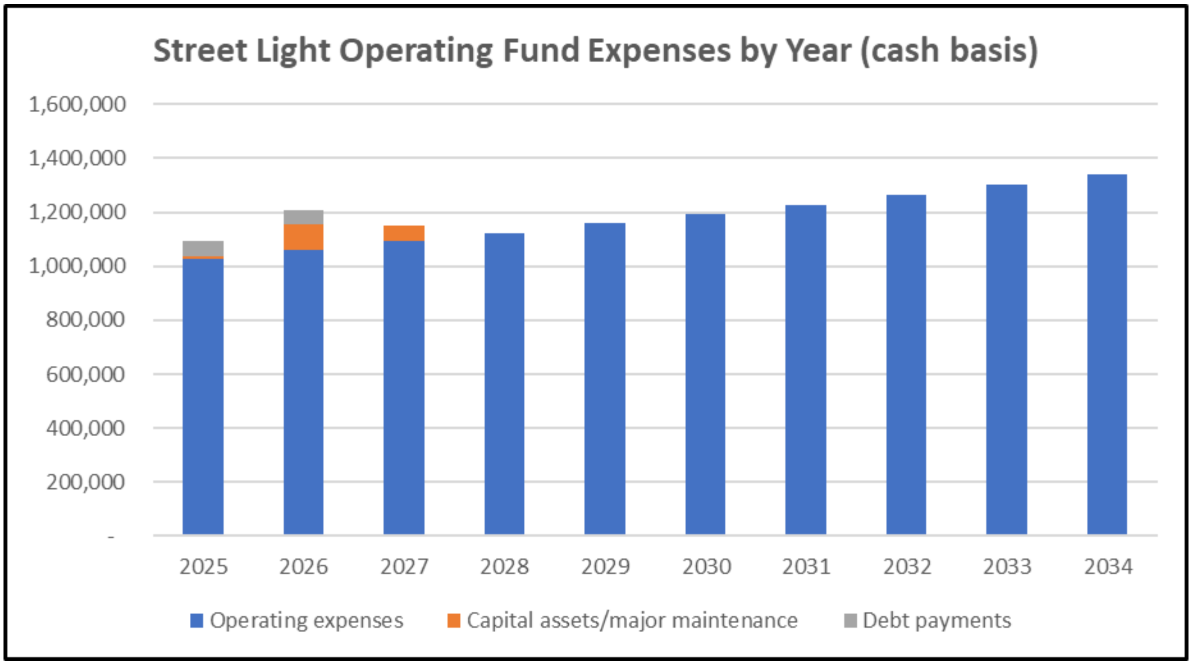
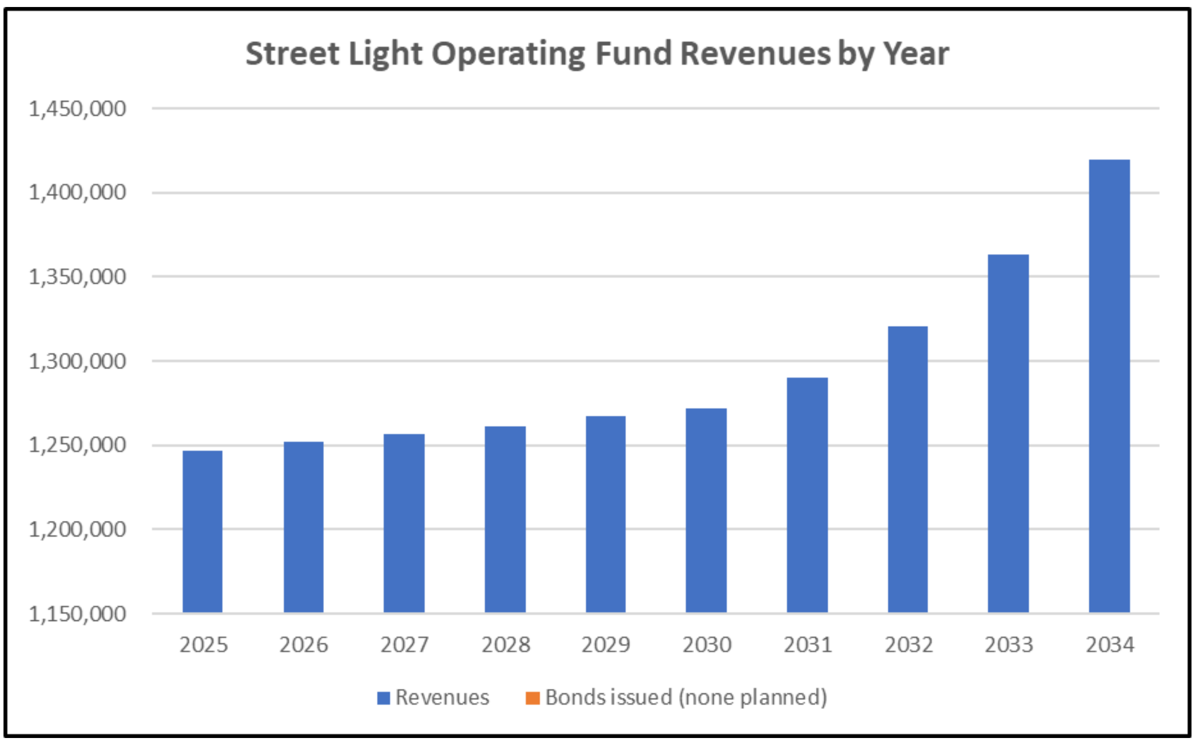


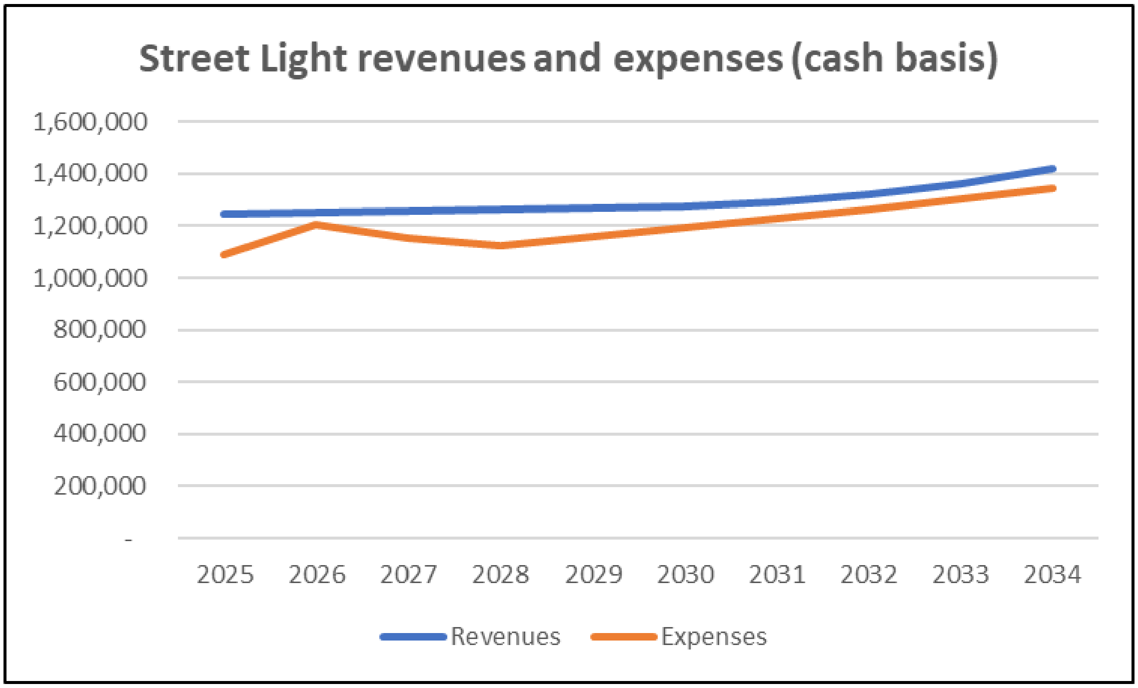
Figure 40
Sewer Operating Fund Expenses by Year

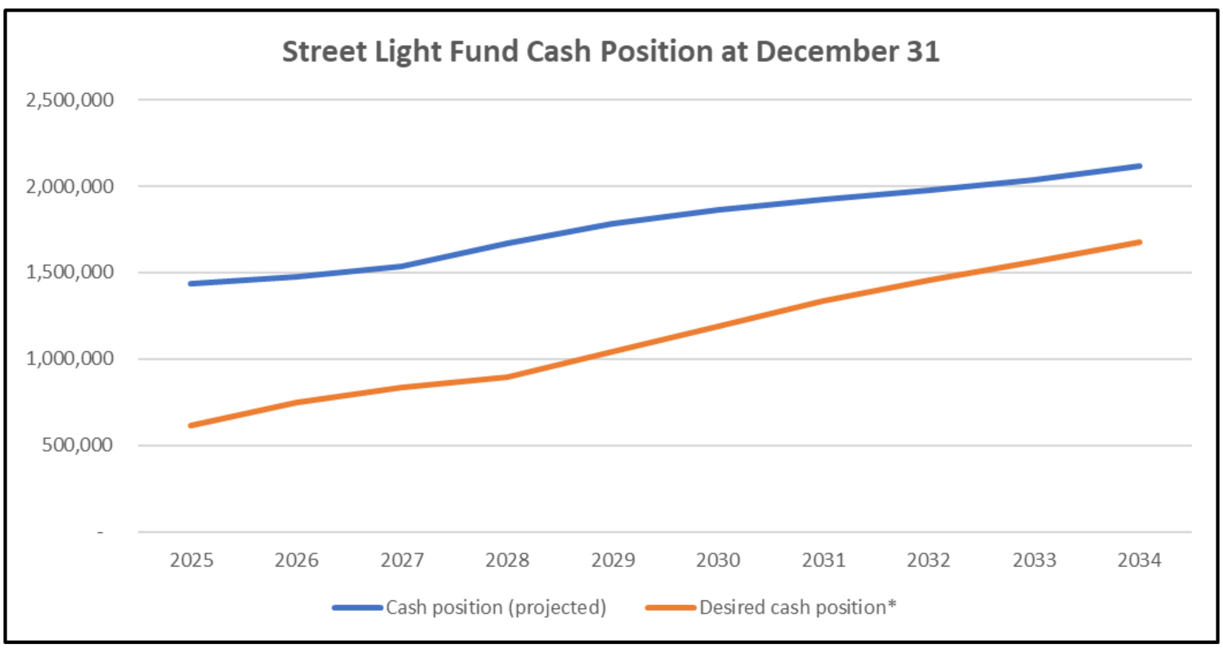


STREET LIGHT CHARTS



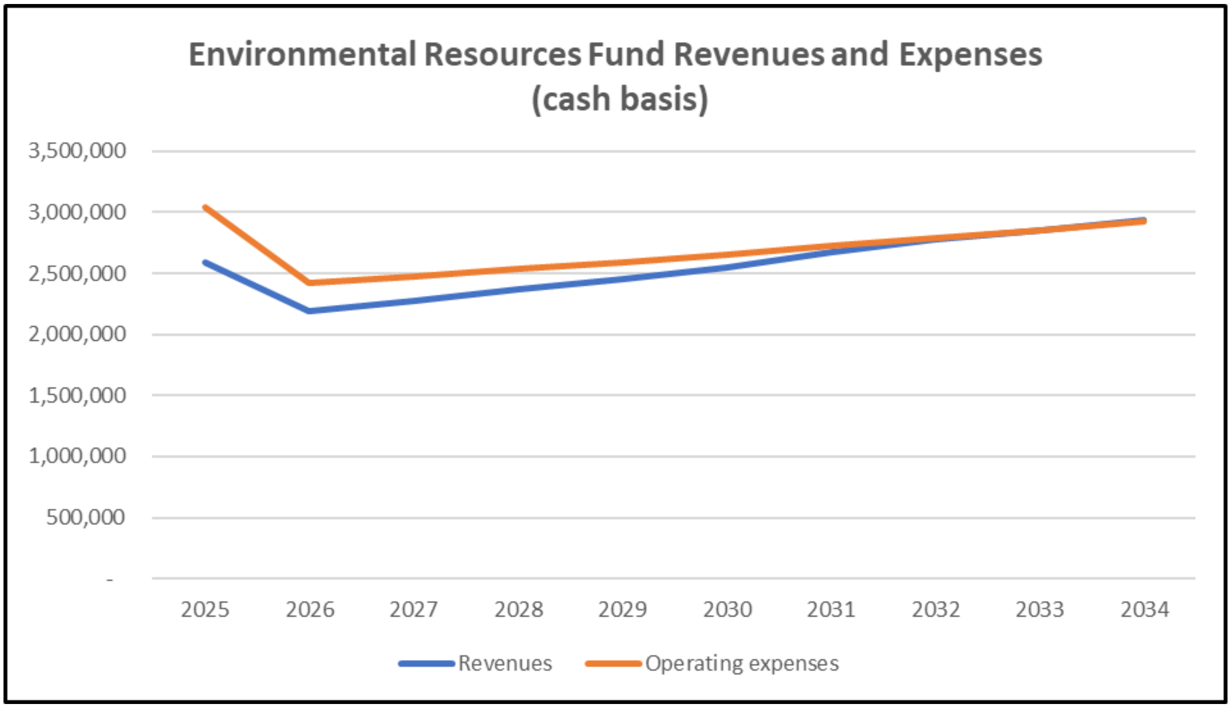


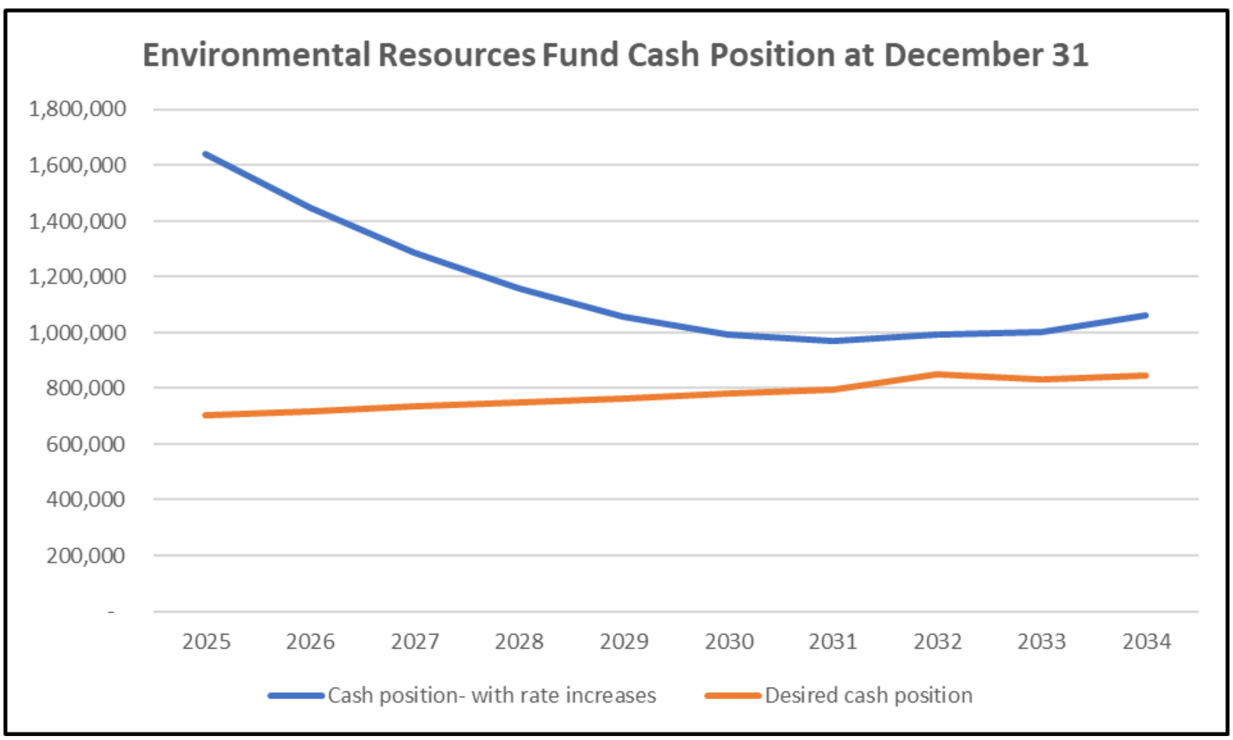




*The desired cash position for the Street Light Operating Fund includes a reserve for unscheduled capital replacement, which is our current estimate from data obtained from Xcel Energy. The timing of these replacements will be largely determined by Xcel.

ENVIRONMENTAL RESOURCES CHARTS





BUDGET AND FEE SCHEDULE REVIEW SCHEDULE

Nov 25	Workshop – Final 2025 Budget Review; 2024 Yearend Preview
Dec 2	Meeting – Public Budget Meeting (Truth in Taxation) / Adopt 2025 Budget & 2025 Tax Levy / Adopt 2025 Fee Schedule

COUNCIL DIRECTION

Staff is seeking direction regarding the Utility Fund budgets and utility rate adjustments.

Attachments

1. Utility Financial Planning Models- Staff Proposal

Table 8
Water Fund
Projected Year End Cash Balance

Lakeville

Ending Cash Balance

Water Fund

	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj	2031 Proj	2032 Proj	2033 Proj	2034 Proj
Use of Cash										
Operations & Maintenance	5,093,108	6,516,840	5,637,588	5,553,707	5,855,968	6,902,503	5,964,115	6,104,691	6,203,611	6,525,186
Capital Acquisition	2,417,289	1,103,001	748,853	859,247	1,162,317	698,768	770,000	981,314	600,699	570,000
Other Interfund Transfers	29,200	14,200	5,014,200	14,200	14,200	14,200	14,200	14,200	14,200	14,200
Debt Service (includes transfers for debt)	1,797,832	1,519,331	1,374,207	1,366,906	1,271,157	1,215,206	783,301	788,040	633,551	509,862
Total Use of Cash	9,337,429	9,153,371	12,774,848	7,794,060	8,303,642	8,830,678	7,531,616	7,888,246	7,452,061	7,619,248
Source of Cash										
Revenues	7,725,142	8,253,145	8,733,375	8,825,511	8,866,813	8,905,919	8,942,730	8,986,322	9,043,701	9,103,604
Total Source of Cash	7,725,142	8,253,145	8,733,375	8,825,511	8,866,813	8,905,919	8,942,730	8,986,322	9,043,701	9,103,604
Net Change in Other Assets and Liabilities	(361,416)	(146,390)	(123,004)	(100,534)	(77,876)	(55,589)	(42,025)	(36,817)	(32,514)	(29,728)
Change in Cash Balance	(1,973,702)	(1,046,617)	(4,164,477)	930,917	485,295	19,652	1,369,088	1,061,260	1,559,126	1,454,627
Projected Ending Cash	**8,891,667**	**7,845,050**	**3,680,574**	**4,611,491**	**5,096,786**	**5,116,438**	**6,485,527**	**7,546,787**	**9,105,913**	**10,560,540**

	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj	2031 Proj	2032 Proj	2033 Proj	2034 Proj
Ending Cash by Purpose										
Unassigned	363,155	35,624	65,994	714,025	1,457,186	2,072,108	3,189,999	4,761,634	6,394,754	7,968,632
For capital improvements WTF Expansion	4,276,970	4,276,970	-		-					
For next year planned capital	1,103,001	748,853	859,247	1,162,317	698,768	770,000	981,314	600,699	570,000	652,840
For 3-months of operating cash	1,629,210	1,409,397	1,388,427	1,463,992	1,725,626	1,491,029	1,526,173	1,550,903	1,631,297	1,690,155
For following year debt service	1,519,331	1,374,207	1,366,906	1,271,157	1,215,206	783,301	788,040	633,551	509,862	248,913
Projected Ending Cash	**8,891,667**	**7,845,050**	**3,680,574**	**4,611,491**	**5,096,786**	**5,116,438**	**6,485,527**	**7,546,787**	**9,105,913**	**10,560,540**

Note: Cash balances include cash and investments.

	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj	2031 Proj	2032 Proj	2033 Proj	2034 Proj
Beginning Cash	**10,865,369**	**8,891,667**	**7,845,050**	**3,680,574**	**4,611,491**	**5,096,786**	**5,116,438**	**6,485,527**	**7,546,787**	**9,105,913**
Plus revenues	7,725,142	8,253,145	8,733,375	8,825,511	8,866,813	8,905,919	8,942,730	8,986,322	9,043,701	9,103,604
Plus bond proceeds	-	-	-	-	-	-	-	-	-	-
Less capital assets acquisition	(2,417,289)	(1,103,001)	(748,853)	(859,247)	(1,162,317)	(698,768)	(770,000)	(981,314)	(600,699)	(570,000)
Less principal on debt	(1,010,000)	(1,055,000)	(950,000)	(980,000)	(915,000)	(895,000)	(490,000)	(505,000)	(365,000)	(250,000)
Less interest and fiscal charges	(265,788)	(215,962)	(173,688)	(138,687)	(104,563)	(69,662)	(44,213)	(30,912)	(18,763)	(7,812)
Less operating and other costs	(5,093,108)	(6,516,840)	(5,637,588)	(5,553,707)	(5,855,968)	(6,902,503)	(5,964,115)	(6,104,691)	(6,203,611)	(6,525,186)
Plus transfers in	-	-	-	-	-	-	-	-	-	-
Less transfers out other	(29,200)	(14,200)	(5,014,200)	(14,200)	(14,200)	(14,200)	(14,200)	(14,200)	(14,200)	(14,200)
Less transfers out debt service	(522,044)	(248,369)	(250,519)	(248,219)	(251,594)	(250,544)	(249,088)	(252,128)	(249,788)	(252,050)
Net change in other assets	(43,775)	(45,097)	(45,547)	(46,003)	(46,463)	(46,928)	(47,397)	(47,871)	(48,350)	(48,833)
Net change in other liabilities	(317,641)	(101,294)	(77,456)	(54,531)	(31,413)	(8,661)	5,371	11,054	15,835	19,105
Total Change in Cash	***(1,973,702)***	***(1,046,617)***	***(4,164,477)***	***930,917***	***485,295***	***19,652***	***1,369,088***	***1,061,260***	***1,559,126***	***1,454,627***
Projected Ending Cash	**8,891,667**	**7,845,050**	**3,680,574**	**4,611,491**	**5,096,786**	**5,116,438**	**6,485,527**	**7,546,787**	**9,105,913**	**10,560,540**
Must be zero	-	-	-	-	-	-	-	-	-	-
Must be zero	-	-	-	-	-	-	-	-	-	-

Table 1
Water Fund
Summary

Water Fund

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Revenues	8,225,142	8,753,145	9,233,375	9,325,511	9,366,813	8,905,919	8,942,730	8,986,322	9,043,701	9,103,604
Expenses	9,897,917	11,023,223	15,135,069	10,047,868	10,360,937	11,388,991	10,442,949	10,597,796	10,697,245	11,024,381
Revenue Over (Under) Expense	(1,672,774)	(2,270,078)	(5,901,694)	(722,356)	(994,125)	(2,483,072)	(1,500,218)	(1,611,474)	(1,653,544)	(1,920,777)
Projected Ending Cash by Purpose										
For future capital and unassigned	363,155	35,624	65,994	714,025	1,457,186	2,072,108	3,189,999	4,761,634	6,394,754	7,968,632
For planned capital	5,379,971	5,025,823	859,247	1,162,317	698,768	770,000	981,314	600,699	570,000	652,840
For 3-months of operating cash	1,629,210	1,409,397	1,388,427	1,463,992	1,725,626	1,491,029	1,526,173	1,550,903	1,631,297	1,690,155
For following year debt service	1,519,331	1,374,207	1,366,906	1,271,157	1,215,206	783,301	788,040	633,551	509,862	248,913
Projected Ending Cash	8,891,667	7,845,050	3,680,574	4,611,491	5,096,786	5,116,438	6,485,527	7,546,787	9,105,913	10,560,540
Net Position										
Ending unrestricted net position	11,926,048	10,905,704	6,767,762	7,725,480	8,237,843	8,284,834	9,681,535	10,770,683	12,357,977	13,841,053
As % of expense	120%	99%	45%	77%	80%	73%	93%	102%	116%	126%
Target: 50% or higher										
Net Revenues as % of Debt Service	192%	136%	254%	417%	381%	315%	583%	1156%	1134%	n/a
Target: 50% or higher 1.25x										
Projected Rate changes by year	**6%**	**6%**	**5%**	**1%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**

Table 7
Water Fund
Pro Forma

Lakeville

Finance Plan

Water Fund

	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj	2031 Proj	2032 Proj	2033 Proj	2034 Proj
Revenues										
Service charges	6,946,733	7,481,413	7,963,654	8,073,357	8,106,716	8,140,076	8,173,435	8,206,794	8,255,446	8,304,098
Senior discounts	-	-	-	-	-	-	-	-	-	-
Service charges - bulk water	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Service charges - unbilled revenues	125,240	126,492	127,757	129,035	130,325	131,628	132,945	134,274	135,617	136,973
Service charges - cancels/manual bill adjusts	37,370	37,744	38,121	38,502	38,887	39,276	39,669	40,066	40,466	40,871
Services charges	7,139,343	7,675,649	8,159,532	8,270,894	8,305,929	8,340,980	8,376,049	8,411,134	8,461,529	8,511,942
Connection permits	-	-	-	-	-	-	-	-	-	-
Sales of meters	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Penalties and other revenues	156,473	158,038	159,618	161,214	162,826	164,455	166,099	167,760	169,438	171,132
Investment income and other earnings	54,327	44,458	39,225	18,403	23,057	25,484	25,582	32,428	37,734	45,530
Intergovernmental revenues	-	-	-	-	-	-	-	-	-	-
Other revenues and special items	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Special assessments	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Capital contributions	500,000	500,000	500,000	500,000	500,000	-	-	-	-	-
Total Revenues	8,225,142	8,753,145	9,233,375	9,325,511	9,366,813	8,905,919	8,942,730	8,986,322	9,043,701	9,103,604
Expenses										
Fixed Expenses										
Personnel services	1,904,000	1,961,120	2,019,954	2,080,552	2,142,969	2,207,258	2,273,476	2,341,680	2,411,930	2,484,288
Major maintenance not capitalized	300,000	1,605,000	604,500	400,000	580,000	1,500,000	430,000	437,500	400,000	580,000
Transfers out General Fund	-	-	-	-	-	-	-	-	-	-
Transfer out Debt Service Fund	522,044	248,369	250,519	248,219	251,594	250,544	249,088	252,128	249,788	252,050
Transfer out Other Funds	29,200	14,200	5,014,200	14,200	14,200	14,200	14,200	14,200	14,200	14,200
Interest and fiscal expense	253,288	207,338	168,588	133,538	97,988	62,838	39,038	25,588	13,288	3,906
Depreciation	3,987,777	4,027,852	4,059,074	4,093,055	4,134,613	4,152,082	4,171,332	4,195,865	4,210,882	4,225,132
Subtotal Fixed Expenses	6,996,309	8,063,879	12,116,834	6,969,564	7,221,363	8,186,921	7,177,133	7,266,960	7,300,088	7,559,577
Variable Expenses										
Commodities	949,549	968,540	987,911	1,007,669	1,027,822	1,048,379	1,069,346	1,090,733	1,112,548	1,134,799
Other charges for services/disposal of assets	1,952,059	1,990,804	2,030,324	2,070,635	2,111,752	2,153,691	2,196,469	2,240,103	2,284,609	2,330,005
Subtotal Variable Expenses	2,901,608	2,959,344	3,018,235	3,078,304	3,139,574	3,202,070	3,265,815	3,330,836	3,397,157	3,464,804
Total Expenses	9,897,917	11,023,223	15,135,069	10,047,868	10,360,937	11,388,991	10,442,949	10,597,796	10,697,245	11,024,381
Beginning net position	126,268,979	124,596,204	122,326,126	116,424,432	115,702,076	114,707,951	112,224,879	110,724,661	109,113,187	107,459,643
Change in Net Position	(1,672,774)	(2,270,078)	(5,901,694)	(722,356)	(994,125)	(2,483,072)	(1,500,218)	(1,611,474)	(1,653,544)	(1,920,777)
Ending net position	124,596,204	122,326,126	116,424,432	115,702,076	114,707,951	112,224,879	110,724,661	109,113,187	107,459,643	105,538,866

Table 2
Sanitary Sewer Fund
Summary

Sanitary Sewer Fund

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Revenues	10,308,479	9,399,287	9,715,451	10,042,348	10,382,679	10,737,518	10,703,890	11,192,914	11,702,053	12,234,455	12,794,464
Expenses	10,576,007	10,639,766	10,890,922	11,591,322	11,909,686	12,356,312	12,589,790	13,056,033	14,040,336	14,124,108	14,626,551
Revenue Over (Under) Expense	(267,528)	(1,240,479)	(1,175,471)	(1,548,974)	(1,527,007)	(1,618,794)	(1,885,901)	(1,863,119)	(2,338,283)	(1,889,653)	(1,832,087)
Projected Ending Cash by Purpose											
For future capital and unassigned	7,271,225	7,310,832	7,109,511	7,034,326	6,859,056	6,690,641	6,236,780	6,149,410	6,028,519	6,254,232	6,471,280
For planned capital	130,217	348,743	573,853	194,247	302,317	273,768	743,751	286,314	75,699	75,000	85,840
For 3-months of operating cash	2,101,585	2,166,358	2,334,746	2,409,998	2,516,640	2,573,299	2,685,211	2,929,497	2,949,967	3,075,109	3,257,572
For following year debt service	70,292	-	-	-	-	-	-	-	-	-	-
Projected Ending Cash	9,573,318	9,825,933	10,018,110	9,638,571	9,678,014	9,537,709	9,665,742	9,365,221	9,054,185	9,404,341	9,814,692
Net Position											
Ending unrestricted net position	8,949,126	9,197,322	9,384,398	8,999,708	9,033,948	8,888,388	9,011,113	8,705,232	8,388,781	8,733,469	9,138,297
As % of expense	85%	86%	86%	78%	76%	72%	72%	67%	60%	62%	62%
Target: 50% or higher											
Net Revenues as % of Debt Service	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Target: 1.25X											
Projected Rate changes by year	**n/a**	**4.00%**	**3.00%**	**3.00%**	**3.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**

Table 10
Sanitary Sewer Fund
Pro Forma

Lakeville

Finance Plan

Sanitary Sewer Fund

	2023 Actual	2024 Estimated	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj	2031 Proj	2032 Proj	2033 Proj	2034 Proj
Revenues												
Services charges	8,929,881	9,245,213	8,817,654	9,132,555	9,458,492	9,800,720	10,155,362	10,622,435	11,110,819	11,621,461	12,155,418	12,713,676
Investment income and other earnings	356,426	30,000	47,867	49,130	50,091	48,193	48,390	47,689	48,329	46,826	45,271	47,022
Intergovernmental revenues	139,970	-	-	-	-	-	-	-	-	-	-	-
Other revenues and special items	(9,017)	-	-	-	-	-	-	-	-	-	-	-
Transfers in	33,002	33,266	33,766	33,766	33,766	33,766	33,766	33,766	33,766	33,766	33,766	33,766
Capital contributions	3,711,437	1,000,000	500,000	500,000	500,000	500,000	500,000	-	-	-	-	-
Total Revenues	13,161,699	10,308,479	9,399,287	9,715,451	10,042,348	10,382,679	10,737,518	10,703,890	11,192,914	11,702,053	12,234,455	12,794,464
Expenses												
Fixed Expenses												
Personnel services	1,014,246	1,255,826	1,242,775	1,280,058	1,318,460	1,358,014	1,398,754	1,440,717	1,483,938	1,528,456	1,574,310	1,621,539
Personal services / FTE changes	-	-	-	-	-	-	-	-	-	-	-	-
Major maintenance not capitalized	1,023,266	1,007,686	980,000	1,075,000	1,365,000	1,255,000	1,245,000	1,015,000	985,000	1,462,500	1,015,000	955,000
Transfers out General Fund	-	-	-	-	-	-	-	-	-	-	-	-
Transfer out Debt Service Fund	-	-	-	-	-	-	-	-	-	-	-	-
Transfer out Other Funds	10,100	14,200	43,064	14,200	14,200	14,200	14,200	14,200	14,200	14,200	14,200	14,200
Interest and fiscal expense	2,089	3,771	292	-	-	-	-	-	-	-	-	-
Depreciation	2,147,811	2,174,316	2,190,072	2,211,290	2,238,137	2,255,493	2,275,551	2,282,395	2,300,989	2,308,147	2,310,039	2,311,914
Subtotal Fixed Expenses	4,197,512	4,455,799	4,456,203	4,580,549	4,935,797	4,882,707	4,933,505	4,752,312	4,784,127	5,313,303	4,913,549	4,902,654
Variable Expenses												
Commodities	107,502	118,937	140,372	143,179	146,043	148,964	151,943	154,982	158,082	161,243	164,468	167,758
Other charges for services/disposal of assets	420,398	619,521	420,723	428,959	437,361	445,930	454,670	463,586	472,679	481,955	491,416	501,066
MCES disposal charge	5,066,715	5,381,750	5,622,468	5,738,235	6,072,122	6,432,085	6,816,193	7,218,911	7,641,145	8,083,835	8,554,674	9,055,073
Bond issuance cost	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Variable Expenses	5,594,615	6,120,208	6,183,563	6,310,374	6,655,526	7,026,979	7,422,807	7,837,478	8,271,906	8,727,033	9,210,558	9,723,897
Total Expenses	9,792,127	10,576,007	10,639,766	10,890,922	11,591,322	11,909,686	12,356,312	12,589,790	13,056,033	14,040,336	14,124,108	14,626,551
Beginning net position	71,325,862	74,695,434	74,427,906	73,187,427	72,011,955	70,462,981	68,935,975	67,317,181	65,431,280	63,568,161	61,229,878	59,340,226
Change in Net Position	3,369,572	(267,528)	(1,240,479)	(1,175,471)	(1,548,974)	(1,527,007)	(1,618,794)	(1,885,901)	(1,863,119)	(2,338,283)	(1,889,653)	(1,832,087)
Ending net position	74,695,434	74,427,906	73,187,427	72,011,955	70,462,981	68,935,975	67,317,181	65,431,280	63,568,161	61,229,878	59,340,226	57,508,139
		0.508864053										

Table 11
Sanitary Sewer Fund
Projected Ending Cash Balance

Lakeville

Ending Cash Balance
Sanitary Sewer Fund

	2024 Estimate	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj	2031 Proj	2032 Proj	2033 Proj	2034 Proj
Use of Cash											
Operations & Maintenance	8,383,720	8,406,338	8,665,432	9,338,986	9,639,993	10,066,561	10,293,195	10,740,844	11,717,989	11,799,869	12,300,436
Capital Acquisition	60,217	130,217	348,743	573,853	194,247	302,317	273,768	743,751	286,314	75,699	75,000
Interfund Transfers	14,200	43,064	14,200	14,200	14,200	14,200	14,200	14,200	14,200	14,200	14,200
Debt Service	68,771	70,292	-	-	-	-	-	-	-	-	-
Total Use of Cash	**8,526,908**	**8,649,911**	**9,028,375**	**9,927,038**	**9,848,440**	**10,383,078**	**10,581,164**	**11,498,795**	**12,018,504**	**11,889,767**	**12,389,636**
Source of Cash											
Revenues	9,275,213	8,865,521	9,181,685	9,508,582	9,848,913	10,203,752	10,670,124	11,159,148	11,668,287	12,200,689	12,760,698
Bond Proceeds	-	-	-	-	-	-	-	-	-	-	-
Interfund Transfer	33,266	33,766	33,766	33,766	33,766	33,766	33,766	33,766	33,766	33,766	33,766
Total Source of Cash	**9,308,479**	**8,899,287**	**9,215,451**	**9,542,348**	**9,882,679**	**10,237,518**	**10,703,890**	**11,192,914**	**11,702,053**	**12,234,455**	**12,794,464**
Net Change in Other Assets and Liabilities	(103,736)	3,239	5,101	5,152	5,203	5,255	5,308	5,361	5,414	5,468	5,523
Change in Cash Balance	677,835	252,615	192,177	(379,539)	39,442	(140,305)	128,033	(300,521)	(311,036)	350,156	410,351
Beginning Cash Balance	8,895,483	9,573,318	9,825,933	10,018,110	9,638,571	9,678,014	9,537,709	9,665,742	9,365,221	9,054,185	9,404,341
Projected Ending Cash	**9,573,318**	**9,825,933**	**10,018,110**	**9,638,571**	**9,678,014**	**9,537,709**	**9,665,742**	**9,365,221**	**9,054,185**	**9,404,341**	**9,814,692**

	2024 Estimate	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj	2031 Proj	2032 Proj	2033 Proj	2034 Proj
Ending Cash by Purpose											
Unassigned	7,271,225	7,310,832	7,109,511	7,034,326	6,859,056	6,690,641	6,236,780	6,149,410	6,028,519	6,254,232	6,471,280
For next year planned capital	130,217	348,743	573,853	194,247	302,317	273,768	743,751	286,314	75,699	75,000	85,840
For 3-months of operating cash	2,101,585	2,166,358	2,334,746	2,409,998	2,516,640	2,573,299	2,685,211	2,929,497	2,949,967	3,075,109	3,257,572
For following year debt service	70,292	-	-	-	-	-	-	-	-	-	-
Projected Ending Cash	**9,573,318**	**9,825,933**	**10,018,110**	**9,638,571**	**9,678,014**	**9,537,709**	**9,665,742**	**9,365,221**	**9,054,185**	**9,404,341**	**9,814,692**

Note: Cash balances include cash and investments.

	2024 Estimate	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj	2031 Proj	2032 Proj	2033 Proj	2034 Proj
Beginning Cash	**8,895,483**	**9,573,318**	**9,825,933**	**10,018,110**	**9,638,571**	**9,678,014**	**9,537,709**	**9,665,742**	**9,365,221**	**9,054,185**	**9,404,341**
Plus revenues	9,275,213	8,865,521	9,181,685	9,508,582	9,848,913	10,203,752	10,670,124	11,159,148	11,668,287	12,200,689	12,760,698
Plus bond proceeds	-	-	-	-	-	-	-	-	-	-	-
Less capital assets acquisition and COI	(60,217)	(130,217)	(348,743)	(573,853)	(194,247)	(302,317)	(273,768)	(743,751)	(286,314)	(75,699)	(75,000)
Less principal on debt	(65,000)	(70,000)	-	-	-	-	-	-	-	-	-
Less interest and fiscal charges	(3,771)	(292)	-	-	-	-	-	-	-	-	-
Less operating and other costs	(8,383,720)	(8,406,338)	(8,665,432)	(9,338,986)	(9,639,993)	(10,066,561)	(10,293,195)	(10,740,844)	(11,717,989)	(11,799,869)	(12,300,436)
Plus transfers in	33,266	33,766	33,766	33,766	33,766	33,766	33,766	33,766	33,766	33,766	33,766
Less transfers out other	(14,200)	(43,064)	(14,200)	(14,200)	(14,200)	(14,200)	(14,200)	(14,200)	(14,200)	(14,200)	(14,200)
Less transfer out debt service	-	-	-	-	-	-	-	-	-	-	-
Net change in other assets	(305)	(631)	-	-	-	-	-	-	-	-	-
Net change in other liabilities	(103,431)	3,870	5,101	5,152	5,203	5,255	5,308	5,361	5,414	5,468	5,523
Total Change in Cash	***677,835***	***252,615***	***192,177***	***(379,539)***	***39,442***	***(140,305)***	***128,033***	***(300,521)***	***(311,036)***	***350,156***	***410,351***
Projected Ending Cash	**9,573,318**	**9,825,933**	**10,018,110**	**9,638,571**	**9,678,014**	**9,537,709**	**9,665,742**	**9,365,221**	**9,054,185**	**9,404,341**	**9,814,692**
Must be zero	-	-	-	-	-	-	-	-	-	-	-
Must be zero	-	-	-	-	-	-	-	-	-	-	-

Street Light Summary
Street Light Fund
Revised 9.9.2024

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Ending Cash by Purpose										
Unassigned (target $100,000)	778,388	922,123	829,951	802,258	876,065	836,263	770,988	686,006	624,363	572,589
For 3-months of operating cash	257,168	264,883	272,829	281,014	289,444	298,128	307,071	316,284	325,772	335,545
For following year debt service	52,762	51,250	-	-	-	-	-	-	-	-
Reserve for unscheduled capital replacement (Xcel)	187,592	187,592	279,240	391,652	506,928	647,264	783,304	920,776	1,028,176	1,130,564
For next year planned capital	-	10,000	97,500	60,000	-	-	-	-	-	-
Ending Cash by Purpose	1,275,910	1,435,848	1,479,520	1,534,923	1,672,438	1,781,655	1,861,363	1,923,065	1,978,311	2,038,698
Unrestricted Net Assets										
Unrestricted Net Assets	1,179,345	1,384,283	1,477,955	1,583,358	1,720,873	1,830,090	1,909,800	1,971,504	2,026,752	2,087,141
Subsequent Year's Operating Expense*	1,028,670	1,059,530	1,091,316	1,124,055	1,157,777	1,192,510	1,228,286	1,265,134	1,303,088	1,342,181
Unrestricted Net Assets as % of Expense	115%	131%	135%	141%	149%	153%	155%	156%	156%	156%
Revenues	1,255,889	1,246,370	1,251,952	1,256,720	1,261,570	1,266,994	1,272,221	1,289,990	1,320,382	1,363,478
Expenditures	1,012,227	1,038,670	1,157,030	1,151,316	1,124,055	1,157,777	1,192,510	1,228,286	1,265,134	1,303,088
Cash	1,275,910	1,435,848	1,479,520	1,534,923	1,672,438	1,781,655	1,861,363	1,923,065	1,978,311	2,038,698
Net Revenue for Debt Coverage	243,662	207,700	94,922	105,404	137,514	109,217	79,711	61,704	55,248	60,389
Total Street Light Fund Debt Service	50,244	52,762	51,250	0	-	-	-	-	-	-
Debt Service Coverage Ratio	4.85	3.94	1.85	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Rate increase	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Change in Net Position	238,418	204,938	93,672	105,404	137,514	109,217	79,711	61,704	55,248	60,389

Targets	
Minimum Unassigned Cash Balance	100,000
Unrestricted Net Assets as % of Expense	50%
Debt Service Coverage	1.25
No New Debt After	n/a

*Excludes major maintenance estimates

STREET LIGHT OPERATING FUND

Statement of Revenue, Expense and Changes in Net Position

	2023 ESTIMATED BUDGET	2024 ESTIMATED BUDGET	2025 ESTIMATED BUDGET	2026 ESTIMATED BUDGET	2027 ESTIMATED BUDGET	2028 ESTIMATED BUDGET	2029 ESTIMATED BUDGET	2030 ESTIMATED BUDGET	2031 ESTIMATED BUDGET	2032 ESTIMATED BUDGET	2033 ESTIMATED BUDGET
PROPOSED QUARTERLY RATE:	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12
Revenues											
Street light fees	1,231,278	1,248,568	1,237,439	1,241,901	1,246,363	1,250,825	1,255,287	1,259,749	1,276,960	1,306,920	1,349,629
Penalties	-	-	-	-	-	-	-	-	-	-	-
Service charge	-	-	-	-	-	-	-	-	-	-	-
Other	49,280	7,321	8,931	10,051	10,357	10,744	11,707	12,472	13,030	13,461	13,848
Total Revenues	1,280,558	1,255,889	1,246,370	1,251,952	1,256,720	1,261,570	1,266,994	1,272,221	1,289,990	1,320,382	1,363,478
Expenses											
Personnel services	26,156	23,081	25,084	25,837	26,612	27,410	28,232	29,079	29,952	30,850	31,776
Commodities	31	23	103	106	109	113	116	119	123	127	130
Contractual services	1,222,852	989,123	1,003,483	1,033,587	1,064,595	1,096,533	1,129,429	1,163,312	1,198,211	1,234,158	1,271,182
Major maintenance projects	-	-	10,000	97,500	60,000	-	-	-	-	-	-
Total Expenses	1,249,039	1,012,227	1,038,670	1,157,030	1,151,316	1,124,055	1,157,777	1,192,510	1,228,286	1,265,134	1,303,088
Net Operating Income (loss)	31,519	243,662	207,700	94,922	105,404	137,514	109,217	79,711	61,704	55,248	60,389
Other Receipts (Disbursements)											
Transfers from/(to) General Fund	-	-	-	-	-	-	-	-	-	-	-
Transfers from/(to) Other funds											
Bond Proceeds/premium amortization	-	-	-	-	-	-	-	-	-	-	-
Debt Service Payments-Interest	(2,539)	(5,244)	(2,762)	(1,250)	-	-	-	-	-	-	-
Capital outlay acquisitions	-	-	-	-	-	-	-	-	-	-	-
Net Other	(2,539)	(5,244)	(2,762)	(1,250)	-	-	-	-	-	-	-
Net Increase (Decrease)	28,980	238,418	204,938	93,672	105,404	137,514	109,217	79,711	61,704	55,248	60,389
Net Assets, January 1	911,947	940,927	1,179,345	1,384,283	1,477,955	1,583,358	1,720,873	1,830,090	1,909,800	1,971,504	2,026,752
Net assets, December 31	940,927	1,179,345	1,384,283	1,477,955	1,583,358	1,720,873	1,830,090	1,909,800	1,971,504	2,026,752	2,087,141
	-	-	-	-	-	-	-	-	-	-	-

Environmental Resources Summary of Financial Targets- 10-yr projections
Environmental Resources Fund
Revised 9.9.24 LM

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Ending Cash by Purpose										
Unassigned (target $100,000)	1,252,787	1,036,777	828,787	654,513	508,964	394,076	309,825	270,534	241,121	270,935
For 3-months of operating cash	759,374	604,577	618,798	633,368	648,296	663,592	681,315	697,376	713,834	730,699
For following year debt service	-	-	-	-	-	-	-	-	-	-
For next year planned capital	31,898	-	-	-	-	-	-	-	36,596	-
Ending Cash by Purpose	2,044,059	1,641,354	1,447,584	1,287,880	1,157,259	1,057,668	991,140	967,910	991,551	1,001,635
Unrestricted Net Assets										
Unrestricted Net Assets	2,298,419	1,883,867	1,721,296	1,586,877	1,482,540	1,410,268	1,372,133	1,387,190	1,441,833	1,474,544
Subsequent Year's Operating Expense*	3,037,497	2,418,309	2,475,191	2,533,470	2,593,183	2,654,368	2,725,261	2,789,504	2,855,335	2,922,797
Unrestricted Net Assets as % of Expense	76%	78%	70%	63%	57%	53%	50%	50%	50%	50%
Revenues **(A)**	2,017,637	2,593,520	2,193,194	2,277,302	2,364,739	2,455,596	2,549,998	2,673,165	2,776,080	2,855,664
Expenditures **(B)**	2,729,025	3,037,497	2,418,309	2,475,191	2,533,470	2,593,183	2,654,368	2,725,261	2,789,504	2,855,335
Cash	2,044,059	1,641,354	1,447,584	1,287,880	1,157,259	1,057,668	991,140	967,910	991,551	1,001,635
Net Revenue for Debt Coverage **(A-B)**	(711,388)	(443,977)	(225,114)	(197,889)	(168,731)	(137,587)	(104,370)	(52,096)	(13,424)	329
Total Env Resources Fund Debt Service	-	-	-	-	-	-	-	-	-	-
Debt Service Coverage Ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Rate increase*	**0.0%**	**4.0%**	**4.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**4.0%**	**3.0%**	**2.0%**
Change in Net Position	(700,988)	(431,362)	(212,571)	(185,419)	(156,337)	(125,272)	(92,134)	(39,944)	(1,357)	12,307

Targets	
Minimum Unassigned Cash Balance	100,000
Unrestricted Net Assets as % of Expense	50%
Debt Service Coverage	1.25
No New Debt After 20XX	n/a

* 2023 decrease is due to moving Forestry activities to the General Fund, and implementing a corresponding rate decrease effective 1/1/2023

ENVIRONMENTAL RESOURCES OPERATING FUND

Statement of Revenue, Expense and Changes in Net Position

10-year Forecast

	2023 ACTUAL	2024 ESTIMATED BUDGET	2025 ESTIMATED BUDGET	2026 ESTIMATED BUDGET	2027 ESTIMATED BUDGET	2028 ESTIMATED BUDGET	2029 ESTIMATED BUDGET	2030 ESTIMATED BUDGET	2031 ESTIMATED BUDGET	2032 ESTIMATED BUDGET	2033 ESTIMATED BUDGET	2034 ESTIMATED BUDGET
Revenues												
Environmental Resources Fees	1,877,384	1,908,171	2,005,380	2,106,312	2,190,797	2,278,426	2,369,309	2,463,564	2,586,178	2,688,516	2,767,505	2,848,560
Other fees/misc	32,948	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000
Revenues from development contracts- MS4 ins	26,993	25,992	19,919	20,676	21,266	21,874	22,501	23,146	24,031	24,724	25,201	25,687
Grants/donations	888,200	44,346	535,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Investment income	113,636	16,128	10,220	8,207	7,238	6,439	5,786	5,288	4,956	4,840	4,958	5,008
Total Revenues	2,939,161	2,017,637	2,593,520	2,193,194	2,277,302	2,364,739	2,455,596	2,549,998	2,673,165	2,776,080	2,855,664	2,937,255
Expenses												
Personnel services	746,328	866,016	871,649	897,798	924,732	952,474	981,049	1,010,480	1,040,794	1,072,018	1,104,179	1,137,304
Commodities	34,229	44,752	55,978	57,098	58,240	59,404	60,592	61,804	63,040	64,301	65,587	66,899
Contractual services	1,330,641	1,477,202	1,986,896	2,026,634	2,067,167	2,108,510	2,150,680	2,193,694	2,237,568	2,282,319	2,327,965	2,374,525
Contractual services- projection adjustment	-	-	-	(688,500)	(702,270)	(716,315)	(730,642)	(745,255)	(760,160)	(775,363)	(790,870)	(806,687)
Depreciation Expense	45,912	47,289	48,708	50,000	51,000	52,000	53,000	54,000	55,000	56,000	57,000	58,000
Total Expenses	2,157,110	2,435,259	2,963,231	2,343,030	2,398,869	2,456,073	2,514,679	2,574,724	2,636,243	2,699,276	2,763,861	2,830,040
Net Operating Income (loss)	782,051	(417,622)	(369,711)	(149,836)	(121,567)	(91,334)	(59,083)	(24,726)	36,922	76,804	91,802	107,215
Other Receipts (Disbursements)												
Transfers (to) General Fund	(342,169)	-	-	-	-	-	-	-	-	-	-	-
Transfers from General Fund (EAB)	-											
Transfer to Building Fund	-	(220,000)	-	-	-	-	-	-	-	-	-	-
Transfer to Equipment Fund	(40,500)	(40,500)	(40,500)	(40,500)	(40,500)	(40,500)	(40,500)	(40,500)	(48,700)	(48,700)	(48,700)	(48,700)
Transfer to Storm Sewer Trunk fund												
Transfer to CPF- Technology Fund	(6,800)	(4,600)	(2,385)	(2,457)	(2,530)	(2,606)	(2,684)	(2,765)	(2,848)	(2,933)	(3,021)	(3,112)
Transfer to Sanitary Sewer Operating	(33,002)	(33,266)	(33,766)	(34,779)	(35,822)	(36,897)	(38,004)	(39,144)	(40,318)	(41,528)	(42,774)	(44,057)
Transfer from Storm sewer trunk fund												
Transfer from Water Operating fund	-	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Transfer from Liquor Fund	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of assets- gain (loss)	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Net Other	(422,471)	(283,366)	(61,651)	(62,736)	(63,853)	(65,003)	(66,188)	(67,409)	(76,866)	(78,161)	(79,495)	(80,869)
Net Increase (Decrease) in net assets	359,580	(700,988)	(431,362)	(212,571)	(185,419)	(156,337)	(125,272)	(92,134)	(39,944)	(1,357)	12,307	26,346
Net position, January 1	3,303,690	3,663,270	2,962,282	2,530,920	2,318,349	2,132,930	1,976,593	1,851,321	1,759,186	1,719,243	1,717,886	1,730,193
Net position, December 31	3,663,270	2,962,282	2,530,920	2,318,349	2,132,930	1,976,593	1,851,321	1,759,186	1,719,243	1,717,886	1,730,193	1,756,539
	-	-	-	-	-	-	-	-	-	-	-	-

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Date: 10/28/2024

2025 Proposed Liquor Fund Budget

Proposed Action
Staff is seeking council direction regarding the 2025 Liquor Fund budget.

Overview
The purpose of this report is to provide the City Council with an overview of the proposed 2025 Liquor Fund budget and 10-year projections.

2025 Budget
The proposed 2025 Liquor Fund budget reflects the costs of operating all four liquor stores for the full year.

The 2024 sales revenue is looking to come in under budget, but profit margins are up. Compared to the 2024 budget, the 2024 year-end estimate reflects a $743K decrease in sales with only a $4K decrease in gross profit. Expenditures in 2024 are expected to come in $184K above budget. After transfers out (and including depreciation and OPEB expenses), the Liquor Fund anticipates ending 2024 with a decrease in net position of $395K versus the budgeted decrease in net position of $223K.

Staff is proposing to increase the 2025 sales and gross profit budgets slightly to align more with recent sales activity. The budgeted 2025 gross profit is $120K (1.9%) more than the 2024 budget. The new Keokuk location's projected sales for 2024 are roughly $85K more than budgeted. The 2025 budget reflects the following increases/decreases in sales revenues (combined total decrease of 1.2%):

- Heritage – (3.7%)
- Galaxie – (4.4%)
- Kenrick – (2.8%)
- Keokuk – 6.6%

Personnel expense reflects the changes in staffing that have been required, such as additional full-time staff with benefits and fewer part-time staff.

The 2025 budget includes $1.74 million in transfers from the Liquor Fund to support other City endeavors. If not for these Liquor Fund transfers, the tax levy would need to be raised or other funding sources identified to cover these expenditures. The 2025 budgeted transfers, along with prior year comparisons, include the following:

Expenditure type	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Budget
Debt Service-police station bonds	$400,000	$400,000	$400,000	$400,000	$400,000
Debt Service-Keokuk liquor store bonds*	$0	$177,910	$348,900	$350,500	$346,800
Equipment Fund-capital equipment	$500,000	$500,000	$500,000	$500,000	$900,000
Technology Fund-capital equipment	$31,300	$38,500	$38,500	$59,500	$67,605
General Fund-admin/ technology/etc.	$150,075	$164,085	$238,286	$0	$0
General Fund-fireworks	$15,000	$15,000	$30,000	$30,000	$30,000
Total	**$1,096,375**	**$1,295,495**	**$1,555,686**	**$1,340,000**	**$1,744,405**

**The debt service for the Keokuk liquor store was not previously shown as a transfer.*

Financial Targets (history of)

At the September 26, 2022 council workshop, Staff presented some financial metrics for the City Council to consider incorporating into its Fund Balance Policy. Staff thought it would be appropriate to see how the Liquor Fund would do compared to those metrics.

The financial metrics are as follows:

- Available cash on hand to cover the following objectives:
    1. Three months of operating cash
    2. Following year debt service payments
    3. Next year planned capital expenditures not financed with bonds
- Maintain a debt service coverage ratio of at least 125% on existing and planned debt (Income before Contributions and Transfers / Existing and Planned Debt)

The Finance Committee discussed the metrics further on October 11, 2022. They noted the following:

1. The available cash on hand focuses on the balance sheet whereas the debt service coverage ratio focuses on the profit/loss statement and the performance of the liquor operations (Income before Contributions and Transfers).
2. The Council has the discretion to utilize the excess funds for other purposes.
3. It is considered a credit positive by rating agencies if we meet this target.

In addition, Moody's incorporated changes to their rating methodology in 2023. The changes included incorporating enterprise funds' financial performance into the overall rating for the City, among other changes.

The Liquor Fund estimates are projected to have the following impacts on the financial targets:

- Achieve cash targets for years 2024-2034
- Achieve debt service coverage ratio for years 2024 and 2028-2034
- Debt service coverage ratio slightly under desired goal for years 2025-2027, but still above 110% coverage. The last debt payment for the Galaxie store is in 2027.

Supporting Information

1. Liquor-Attach 1- 2025 Budget-Working Capital
2. Liquor-Attach 2 - 10yr Proforma
3. Liquor-Attach 3 - 10yr Capital Imprv-Facility

Financial Impact: $ **Budgeted:** Yes **Source:** Liquor sales.
Envision Lakeville Community Values: Good Value for Public Service
Report Completed by: Julie Stahl, Finance Director

LIQUOR FUND
PROJECTED WORKING CAPITAL

	2021 ACTUAL	2022 ACTUAL	2023 ACTUAL	2024 ADOPTED BUDGET	2024 DEPART ESTIMATE	2025 ADOPTED BUDGET
Revenues						
Rentals & Events	2,864	30,520	41,763	45,000	45,000	66,300
Liquor sales	19,675,809	21,828,266	22,650,780	23,455,234	22,712,528	23,172,082
Cost of goods sold	(14,445,698)	(16,008,561)	(16,474,954)	(17,232,321)	(16,493,998)	(16,828,635)
Net revenues	5,232,975	5,850,225	6,217,589	6,267,913	6,263,530	6,409,747
Expenses						
Personnel services	2,148,525	2,630,712	2,913,421	2,902,761	2,989,867	3,177,512
Commodities	152,011	96,980	111,452	100,655	91,240	97,056
Contractual services	1,430,691	1,454,955	1,539,906	1,593,225	1,631,522	1,577,184
Total expenses	3,731,227	4,182,647	4,564,779	4,596,641	4,712,629	4,851,752
Net operating income/(loss)	1,501,748	1,667,578	1,652,810	1,671,272	1,550,901	1,557,995
Other Receipts (Disbursements)						
Interest income	(47,819)	(175,872)	220,139	38,200	105,000	105,000
Other income	9,773	44,971	176	50,000	-	-
Sale of capital assets	-	(27,334)	-	-	-	-
Capital outlay acquisitions	(5,829,257)	(201,473)	-	(309,000)	(227,320)	(160,000)
Lease interest	-	(42,465)	(39,607)	-	-	-
Debt principal payments	(240,000)	(245,000)	(250,000)	(260,000)	(260,000)	(265,000)
Total other	(87,346)	(647,173)	(69,292)	(480,800)	(382,320)	(320,000)
Net incr(decr) before transfers	1,414,402	1,020,405	1,583,518	1,190,472	1,168,581	1,237,995
Transfer from Debt Service (TIF 10)	-	-	2,354,946	-	-	-
Transfer to General Fund (Admin.)	(19,408)	(18,000)	-	-	-	-
Transfer to Gen Fund (Fireworks)	(15,000)	(15,000)	(30,000)	(30,000)	(30,000)	(30,000)
Transfer to Building Fund		-	(1,218,246)	-	-	-
Transfer to Equipment Fund	(500,000)	(500,000)	(1,636,700)	(500,000)	(500,000)	(900,000)
Transfer to Technology Fund	(31,300)	(38,500)	(44,900)	(59,500)	(59,500)	(67,605)
Transfer to DSF (Keokuk Bonds)	-	(177,866)	(348,883)	(350,500)	(350,500)	(346,800)
Transfer to DSF Police Station Bonds	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)
Total transfers	(965,708)	(1,149,366)	(1,323,783)	(1,340,000)	(1,340,000)	(1,744,405)
Net increase/(decrease)	448,694	(128,961)	259,735	(149,528)	(171,419)	(506,410)
Working capital, January 1	3,518,984	3,967,678	3,838,717	3,200,156	4,098,452	3,927,033
Working capital, December 31	3,967,678	3,838,717	4,098,452	3,050,628	3,927,033	3,420,623
Total Working Capital	3,967,678	3,838,717	4,098,452	3,050,628	3,927,033	3,420,623
Work Cap -Reserved for future (Kenrick sal	1,806,756	1,622,361	1,429,361	1,437,966	1,236,361	1,039,058
Work Cap - Available for operations	2,160,923	2,216,357	2,669,092	1,612,662	2,690,673	2,381,566

Note: Amounts above do not include depreciation or OPEB expenditures

CITY OF LAKEVILLE - LIQUOR STORE PROFORMA

	Actual 2022	Actual 2023	Budget 2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Sales	21,858,786	22,692,543	23,500,234	23,238,382	23,637,547	24,043,917	24,457,624	24,878,807	25,307,603	25,744,156	26,188,609	26,641,110	27,101,810
Cost of goods sold	16,008,561	16,474,954	17,232,321	16,828,635	17,118,977	17,413,725	17,713,802	18,019,307	18,330,340	18,647,005	18,969,407	19,297,654	19,631,853
Gross profit	5,850,225	6,217,589	6,267,913	6,409,747	6,518,570	6,630,192	6,743,822	6,859,500	6,977,263	7,097,151	7,219,202	7,343,456	7,469,957
Gross Profit %	26.76%	27.40%	26.67%	27.58%	27.58%	27.58%	27.57%	27.57%	27.57%	27.57%	27.57%	27.56%	27.56%
Total operating expenses	4,678,779	5,171,593	4,979,572	5,370,751	5,472,658	5,546,862	5,656,992	5,781,637	5,929,397	5,865,988	6,187,323	6,323,029	6,459,706
Net operating income	1,171,446	1,045,996	1,288,341	1,038,996	1,045,913	1,083,330	1,086,830	1,077,863	1,047,867	1,231,163	1,031,879	1,020,428	1,010,251
Total other revenues/(expenses)	(200,700)	180,708	88,200	105,000	89,500	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Net income before transfers	**970,746**	**1,226,704**	**1,376,541**	**1,143,996**	**1,135,413**	**1,163,330**	**1,166,830**	**1,157,863**	**1,127,867**	**1,311,163**	**1,111,879**	**1,100,428**	**1,090,251**
Total transfers	971,500	974,900	989,500	1,397,605	1,131,981	1,425,120	1,494,542	1,219,653	1,297,065	1,232,594	1,339,737	910,499	823,669
Net income	**(754)**	**251,804**	**387,041**	**(253,609)**	**3,432**	**(261,790)**	**(327,712)**	**(61,790)**	**(169,198)**	**78,569**	**(227,858)**	**189,929**	**266,582**
Bond principal payments	(177,866)	(348,883)	(350,500)	(346,800)	(347,800)	(348,400)	(348,600)	(348,400)	(349,150)	(352,300)	(351,650)	(350,900)	(350,050)
Income after bond principal pmts	**(178,620)**	**(97,079)**	**36,541**	**(600,409)**	**(344,368)**	**(610,190)**	**(676,312)**	**(410,190)**	**(518,348)**	**(273,731)**	**(579,508)**	**(160,971)**	**(83,468)**
FINANCIAL METRICS													
Projected Ending Cash by Purpose													
Future and unassigned	1,706,056	1,881,277	1,495,840	1,031,525	911,802	895,802	302,189	444,429	(304,625)	136,379	(490,173)	(15,390)	503,810
Planned capital	201,473	-	309,000	160,000	80,640	-	65,000	-	361,860	100,000	305,142	91,000	-
3--months of operating cash	1,169,695	1,292,898	1,244,893	1,342,688	1,368,164	1,386,716	1,414,248	1,445,409	1,482,349	1,466,497	1,546,831	1,580,757	1,614,927
Subsequent year debt service	634,400	638,350	631,775	629,750	632,100	348,100	347,900	348,650	351,800	351,150	350,400	349,550	348,600
Projected Ending Cash	3,711,624	3,812,525	3,681,508	3,163,963	2,992,707	2,630,617	2,129,337	2,238,488	1,891,384	2,054,026	1,712,200	2,005,917	2,467,336
	3,711,624	3,812,525	3,681,508	3,163,963	2,992,707	2,630,617	2,129,337	2,238,488	1,891,384	2,054,026	1,712,200	2,005,917	2,467,336
	-	-	-	-	-	-	-	-	-	-	-	-	-
Income before Contributions & Transfers													
Net Revenue for Debt Coverage	970,746	1,226,704	1,376,541	1,143,996	1,135,413	1,163,330	1,166,830	1,157,863	1,127,867	1,311,163	1,111,879	1,100,428	1,090,251
Total CY Debt Service*	865,835	1,034,400	1,038,350	1,031,775	1,029,750	1,032,100	748,100	747,900	748,650	751,800	751,150	350,400	349,550
Debt Service Coverage Ratio	112%	119%	133%	111%	110%	113%	156%	155%	151%	174%	148%	314%	312%

* Includes transfer to Debt Service for Police Station Bonds to meet policy objectives for ending cash and net position.

10-YEAR CAPITAL IMPROVEMENT FACILITY PLAN

HERITAGE LIQUOR STORE

Capital Expenditures	2024 Budget	2024 Estimate	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	'25 - '34 TOTALS
Tenant Improvements*	100,000	100,000		-									-
All flooring replacement						65,000							65,000
Cooler mechanicals									25,000				25,000
Cooler racking										65,000			65,000
Total Capital Outlay	**100,000**	**100,000**	**-**	**-**	**-**	**65,000**	**-**	**-**	**25,000**	**65,000**	**-**	**-**	**155,000**
2025-2034 CIP	*100,000*	*100,000*	-	-	-	*65,000*	-	-	*25,000*	*65,000*	-	-	155,000
Change	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Heritage Major Maintenance													
Replace cooler door glass	8,300	8,300											-
Paint sales floor and office walls								8,000					8,000
Total Major Maintenance	**8,300**	**8,300**	**-**	**-**	**-**	**-**	**-**	**8,000**	**-**	**-**	**-**	**-**	**8,000**
Total Capital Outlay & Major Mntc	**108,300**	**108,300**	**-**	**-**	**-**	**65,000**	**-**	**8,000**	**25,000**	**65,000**	**-**	**-**	**163,000**

*** - To be offset by $50,000 contribution from landlord.**

GALAXIE LIQUOR STORE

Capital Expenditures	2024 Budget	2024 Estimate	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	'25 - '34 TOTALS
RTU 1, 2, 3, 4 replacement	80,000	-											-
Parking lot mill and overlay	65,000	208,720											
Wine room remodel			120,000										120,000
Roof Replacement								275,000					275,000
Building envelope improvements								56,570					56,570
All flooring replacement									65,000				65,000
Walk-in Cooler Mechanicals Rplc										50,000			50,000
Total Capital Outlay	**145,000**	**208,720**	**120,000**	**-**	**-**	**-**	**-**	**331,570**	**65,000**	**50,000**	**-**	**-**	**566,570**
2025-2034 CIP	*80,000*	-	*120,000*	-	-	-	-	*331,570*	*65,000*	*50,000*	-	-	**566,570**
Change	*65,000*	*208,720*	-	-	-	-	-	-	-	-	-	-	**-**
	Pk Lot	*Pk Lot*	*Pk Lot*										
Galaxie Major Maintenance													
RplcFire Sprinkler Heads - Cooler	13,500	13,500											-
Total Major Maintenance	**13,500**	**13,500**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Capital Outlay & Major Mntc	**158,500**	**222,220**	**120,000**	**-**	**-**	**-**	**-**	**331,570**	**65,000**	**50,000**	**-**	**-**	**566,570**

10-YEAR CAPITAL IMPROVEMENT FACILITY PLAN

KENRICK LIQUOR STORE

Capital Expenditures	2024 Budget	2024 Estimate	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	'25 - '34 TOTALS
Sign	15,000	15,000											
Reach In Cooler	47,000	47,000											
Cooler Mechanicals				40,000									40,000
Building Envelope Improvements								30,290					30,290
Cooler racking										80,000			80,000
RTU 1, 2 Replacement										40,000			40,000
Entrance Door Replacement											26,000		26,000
Total Capital Outlay	**62,000**	**62,000**	**-**	**40,000**	**-**	**-**	**-**	**30,290**	**-**	**120,000**	**26,000**	**-**	**216,290**
2025-2034 CIP	*62,000*	*62,000*	*-*	*40,000*	*-*	*-*	*-*	*30,290*	*-*	*120,000*	*26,000*	*-*	**216,290**
Change	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	**-**
Kenrick Major Maintenance													
Water savings								1,339					1,339
Total Major Maintenance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,339**	**-**	**-**	**-**	**-**	**1,339**
Total Capital Outlay & Major Mntc	**62,000**	**62,000**	**-**	**40,000**	**-**	**-**	**-**	**31,629**	**-**	**120,000**	**26,000**	**-**	**217,629**

KEOKUK LIQUOR STORE

Capital Expenditures	2024 Budget	2024 Estimate	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	'25 - '34 TOTALS
Sign - North side of building	15,000	15,000											-
Landscaping	-	-	20,000										20,000
Office Carpet Replacement									10,000				10,000
Automatic Door Replacements										45,000			45,000
Cooler Mechanicals											65,000		65,000
Total Capital Outlay	**15,000**	**15,000**	**20,000**	**-**	**-**	**-**	**-**	**-**	**10,000**	**45,000**	**65,000**	**-**	**140,000**
2025-2034 CIP	*15,000*	*15,000*	*20,000*	*-*	*-*	*-*	*-*	*-*	*10,000*	*45,000*	*65,000*	*-*	**140,000**
Change	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	**-**
Keokuk Major Maintenance													
Dock repair	-	12,900											-
Landscaping	-	4,295	-										-
Total Major Maintenance	**-**	**17,195**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Capital Outlay & Major Mntc	**15,000**	**32,195**	**20,000**	**-**	**-**	**-**	**-**	**-**	**10,000**	**45,000**	**65,000**	**-**	**140,000**

10-YEAR CAPITAL IMPROVEMENT FACILITY PLAN

EMPORIUM ROOM

Capital Expenditures	2024 Budget	2024 Estimate	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	'25 - '34 TOTALS
Landscaping	16,000	16,000											-
Wainscoating	-	-	20,000										20,000
Total Capital Outlay	**16,000**	**16,000**	**20,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20,000**
2025-2034 CIP	*16,000*	*16,000*	*20,000*	-	-	-	-	-	-	-	-	-	**20,000**
Change	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Emporium Major Maintenance													
None													-
													-
Total Major Maintenance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Capital Outlay & Major Mntc	**16,000**	**16,000**	**20,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20,000**

Total Capital Outlay	338,000	401,720	160,000	40,000	-	65,000	-	361,860	100,000	280,000	91,000	-	1,097,860
Total Major Maintenance	21,800	38,995	-	-	-	-	-	9,339	-	-	-	-	9,339
Total Capital Outlay/Major Mntc	359,800	440,715	160,000	40,000	-	65,000	-	371,199	100,000	280,000	91,000	-	1,107,199