

2026 Budget Work Session #2

Long Term Financial Management Plan

JUNE 23, 2025

Long Term Financial Plan & Rate Study

Schedule Overview

Plan Presentation

Public Engagement

February 18 - Retreat Goals/Visions

March 24 – 2026 Budget/Schedule Preview

June 9-Goal Setting Session

SCHEDULE OVERVIEW

June 23-Long Term Financial Plan

July 28 - Personnel, Fee Schedule, Franchise Fees

August 11 - General Fund, Levies & Tax Impact

August 25 - Special Revenue & Enterprise

September 8 - Approve Preliminary Levy

September 22 - 2026-2035 CIP

November 24 - Final Review

December 8 - TNT & Final Approvals



OVERVIEW OF LONG-TERM FINANCIAL MANAGEMENT PLAN

COUNCIL WORK SESSION

JUNE 23, 2025

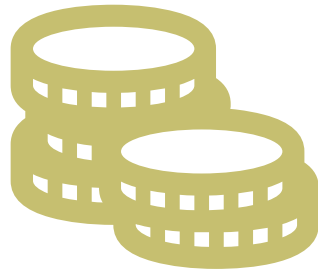
Introduction of the LTFP

- Long-Term Finance Plan (LTFP) is intended to serve as an on-going guide for management of the city funds
- LTFP is comprehensive and includes all city funds

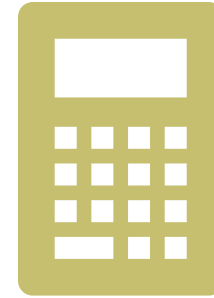
Key Takeaways

- LTFP is not the city budget – the city budget is where decisions are made
- LTFP is based on certain assumptions that reflect a “snapshot” in time
- Actual results will impact future LTFP
- LTFP is intended to provide a guide for the City to pivot in response to changes in the economy, community, and unforeseen events that will impact city services

Study Objectives



Revenue Sufficiency



Levy and Rate Calculations

Study Objectives

■ Revenue Sufficiency

- Develop and populate a forecasting model to determine revenue needed to satisfy general government and utility operations, capital improvements, and debt service, while maintaining adequate reserves for service and capital needs of the City.

Study Objectives

■ Levy and Rate Calculations

- Model projected future annual tax levies, tax rates, and utility rates to meet revenue sufficiency objectives.

Study Approach

- City staff provided
 - Detailed data on utility customers
 - Historical financial data, along with current year estimates
 - Input and feedback on assumptions and proposed rate structures
 - Assumptions for future development in the City and increase in market value

Revenue Sufficiency

- Revenue to meet current and future obligations
- Meet guidelines for City Reserve Policy
- Meet cash needs of the Utilities to include:
 - Six-months of operating expense
 - Following year debt service payments
 - Following year capital acquisition (planned to be paid from cash)
 - Reserves for future capital improvements and other reserve purposes

Rate Calculations - City Tax Levy



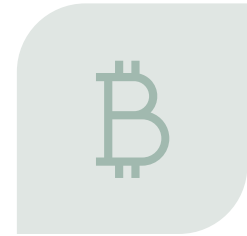
City council
certifies annual
property tax levy



City does not set
the tax rate for
the city



Tax rate is a
factor of the
certified tax levy
spread over the
City's tax base



Net tax capacity
is a factor of
assessed market
value and
classification
rates

Rate Calculations - City Tax Levy



Plan provides information on projected future City tax rates to show potential impact of planned tax levy on taxpayers



Many factors impact the final tax rate – many of these factors are outside of the City's direct control

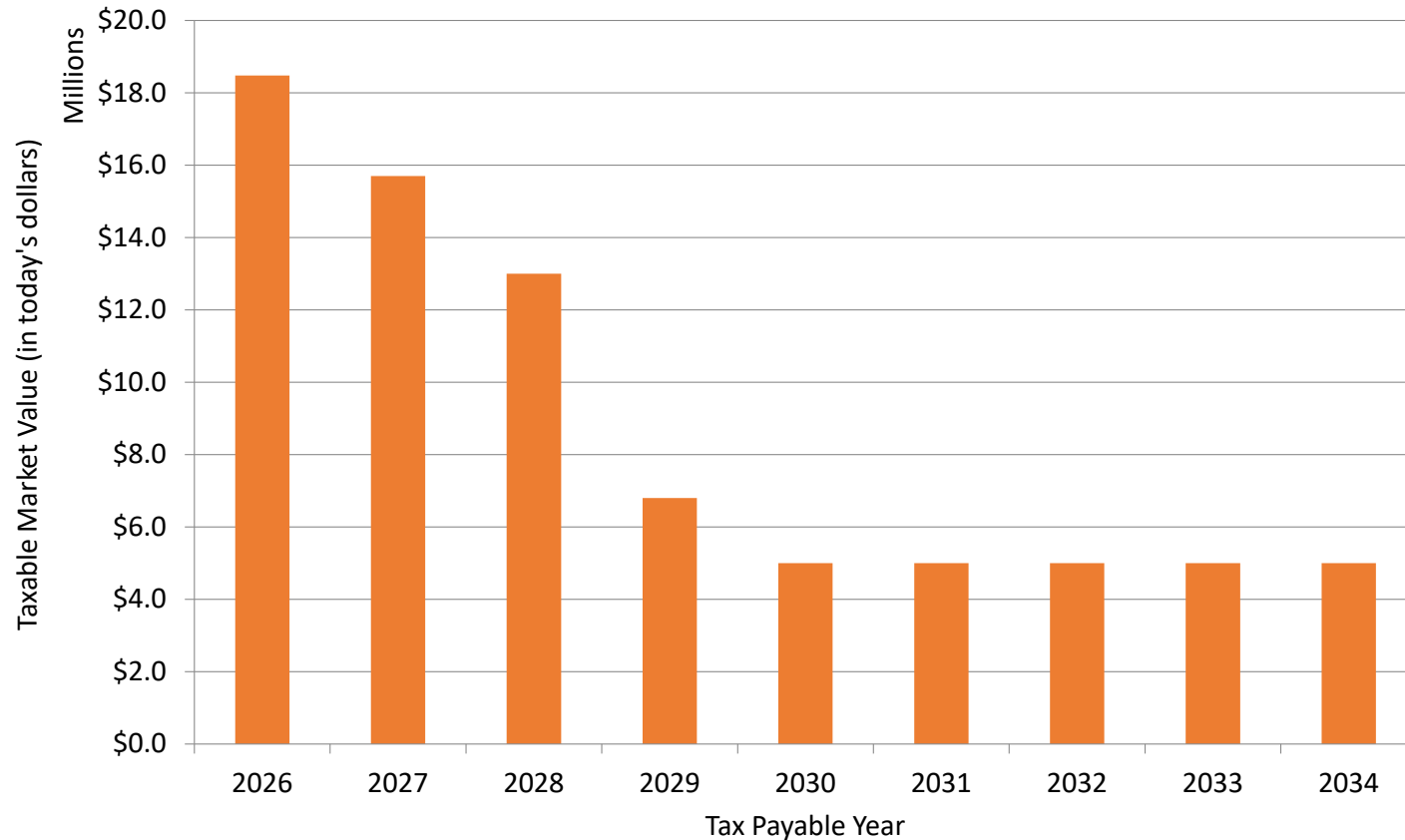


City sets the annual tax levy

New Development is a major variable

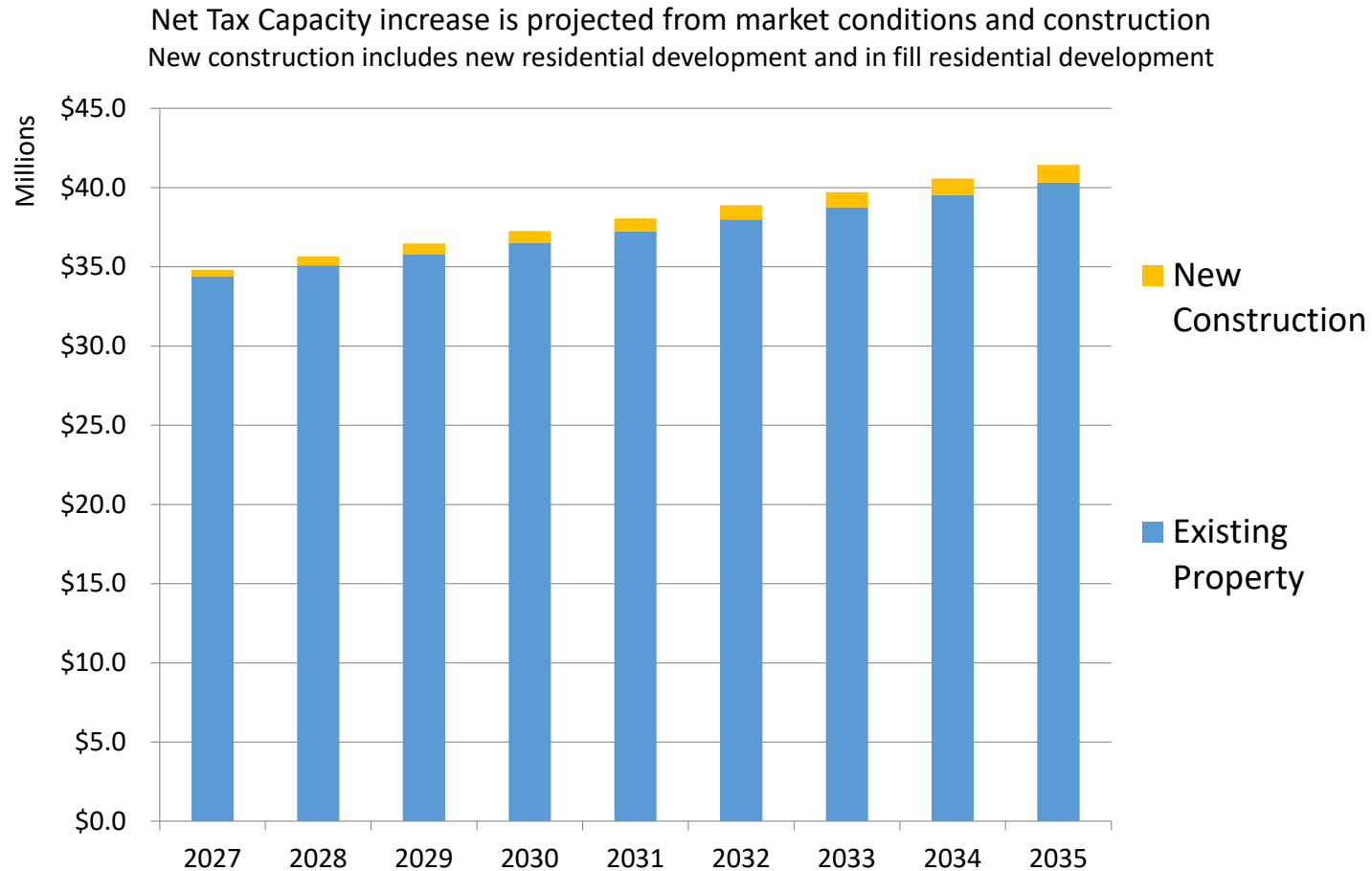
Chart 1

Residential construction is projected to provide an increase in taxable market value
Valuation increase from new development and net increases from new in fill residential development



Net Tax Capacity

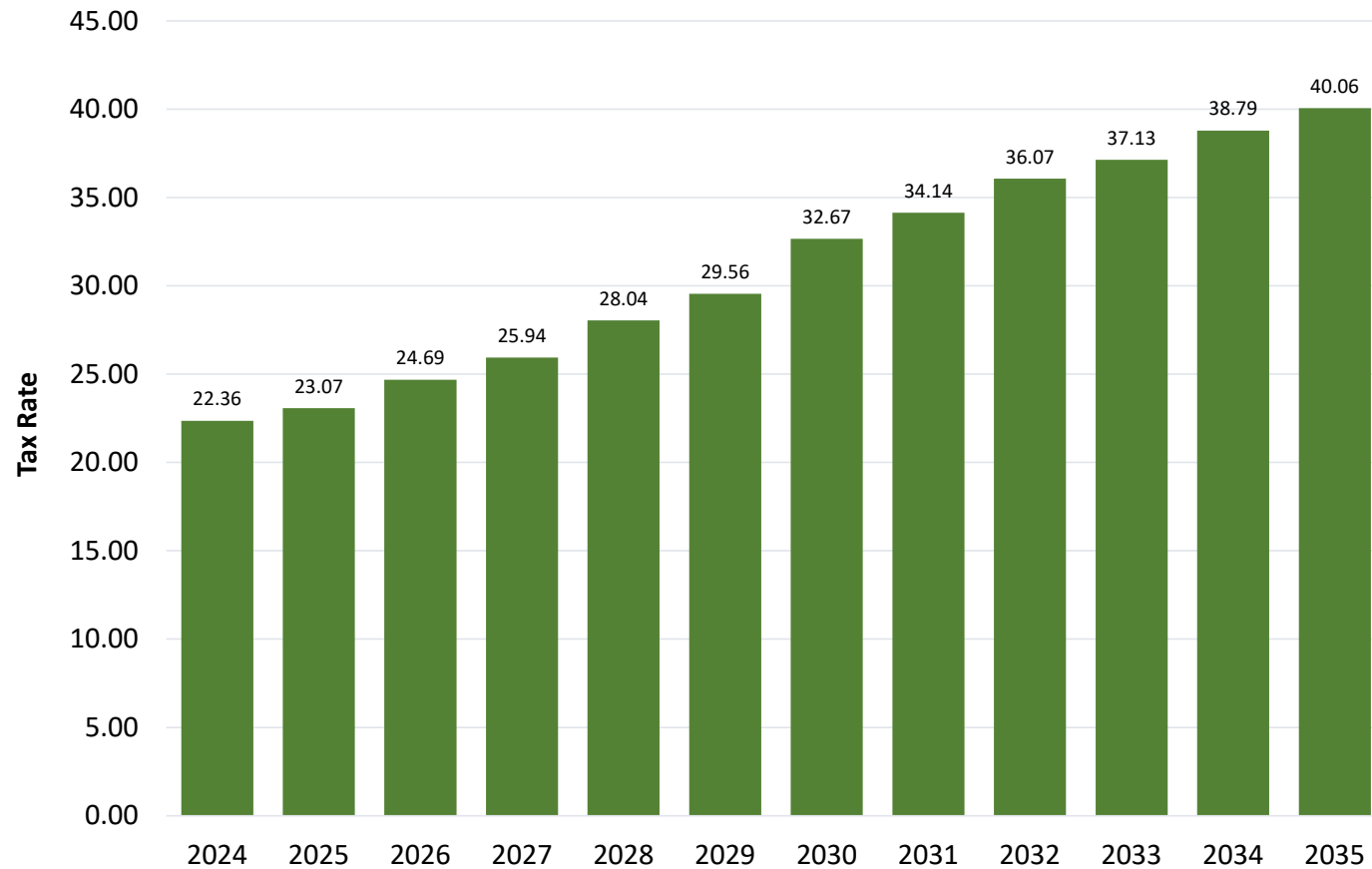
Chart 2



City Tax Rate

Chart 3

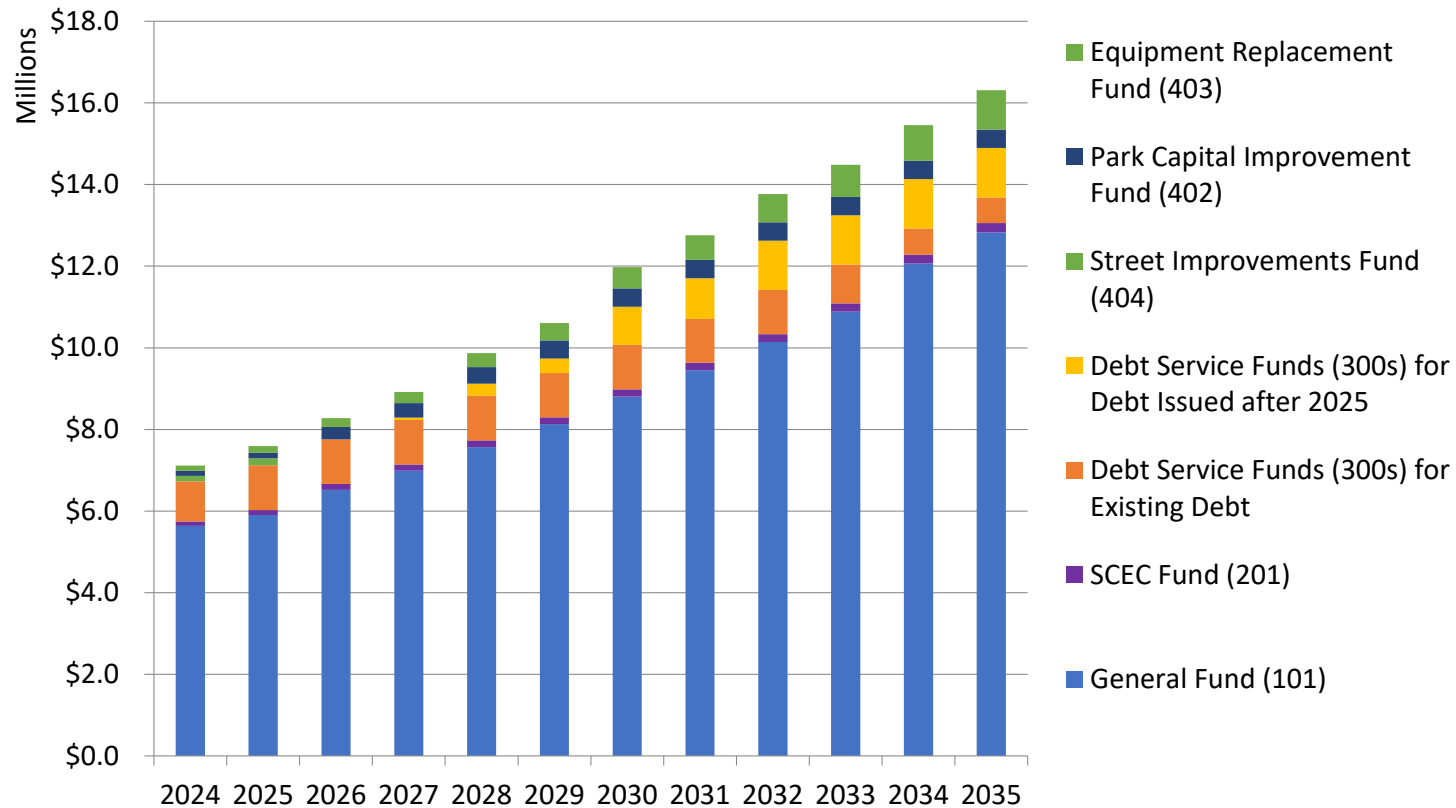
City Tax Rate is a factor of Tax Levy Spread Over Net Tax Capacity



City Tax Levy

Chart 4
City Tax Levy

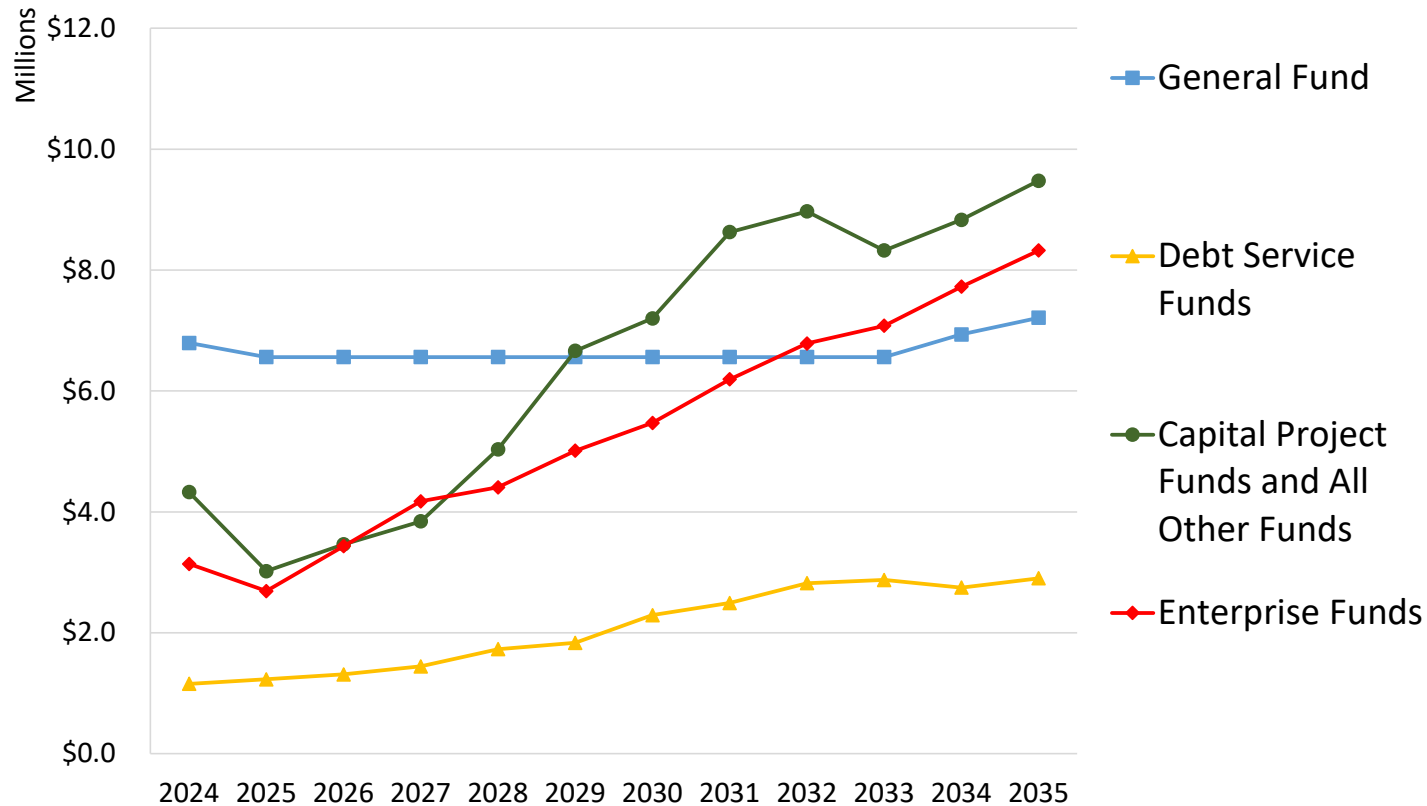
City tax levy is projected to increase with increase in levy for operations and capital



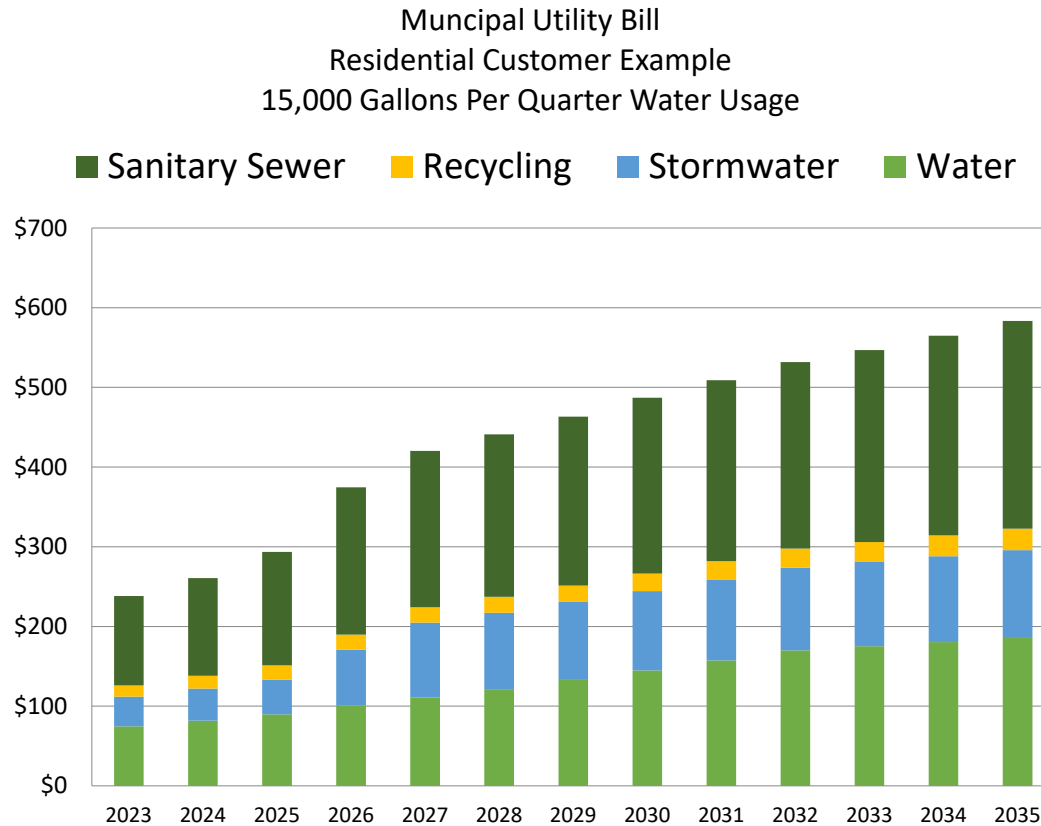
Projected City Cash Balances for Funds

Chart 6

Ending Cash Balances are projected to be at levels to meet City objectives for reserves and planned capital improvements



Projected Utility Rates – Customer Bill Example



■ Plan anticipates annual utility rate increases

■ City bills quarterly for utility services

Projected Utility Rates – Fee Schedule

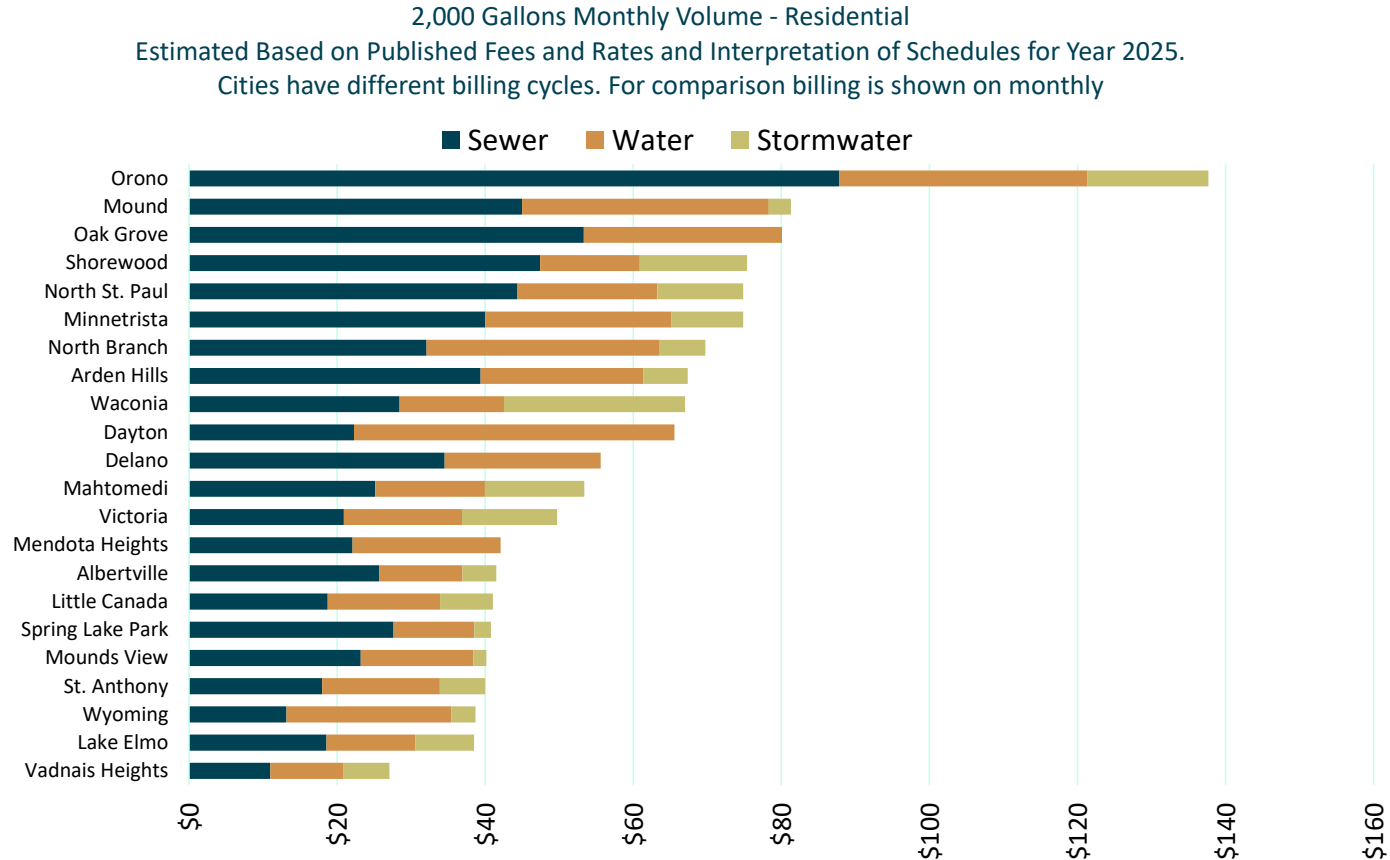
Figure 2
Snapshot of Single Family Residential Utility Fees*

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<u>City Fixed (Base) Fee Per Customer Unit</u>											
Water	32.51	32.51	35.68	39.16	42.98	46.84	50.99	55.20	56.85	58.56	60.31
Water Infrastructure Fee	-	-	10.00	11.00	12.00	13.00	14.00	15.00	16.00	17.00	18.00
Sewer	142.25	184.93	196.02	203.86	212.02	220.50	227.11	233.92	240.94	250.58	260.60
Stormwater	43.49	69.58	93.94	95.82	97.73	99.69	101.68	103.72	105.79	107.91	110.06
Recycling	18.00	19.00	19.50	20.00	20.50	22.00	23.00	24.00	25.00	26.00	27.00
Total	236.25	306.02	355.14	369.84	385.23	402.03	416.78	431.84	444.58	460.04	475.98
<u>City Water Volume Fees (Per 1,000 gallons)</u>											
Tier 1 (first 5,000 gallons included in base fee)	-										
Tier 2 (5,001 to 50,000 gallons)	5.49										
Tier 3 (over 50,000 gallons)	7.89										
Tier 1 (first 5,000 gallons)		1.75	1.92	2.11	2.31	2.52	2.74	2.97	3.06	3.15	3.25
Tier 2 (5,001 to 25,000 gallons)		5.75	6.31	6.93	7.60	8.29	9.02	9.76	10.06	10.36	10.67
Tier 3 (25,001 to 50,000 gallons)		8.65	9.49	10.42	11.43	12.46	13.57	14.69	15.13	15.58	16.05
Tier 4 (over 50,000 gallons)		10.35	11.36	12.47	13.68	14.91	16.23	17.57	18.10	18.64	19.20

Note: *Figure 2 does not list all utility fees that are included in the City's fee schedule. Figure 2 includes a snapshot of the estimated fees applicable to single family residential customers. Figure 2 includes quarterly utility bill fees only and not development related (connection) fees that are subject to collection at time of development and connection of property.

Utility Rates Comparison

Chart 44
Comparison of Fees to Other Cities



Disclaimer: Bill amounts are calculated based on published fee schedules. While the information presented in this chart is believed to be accurate, the interpretation of a city fee schedule may have not been correct and therefore the information presented for a city may not be correct.

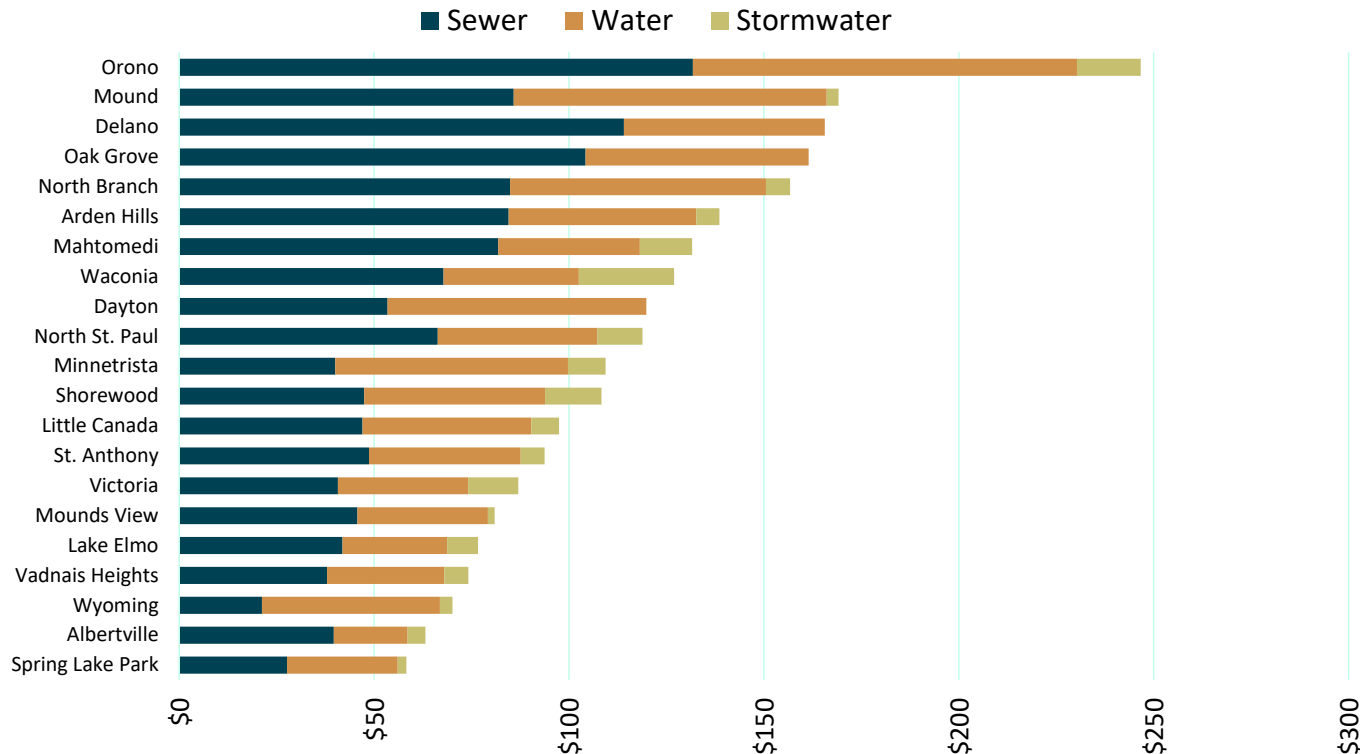
Utility Rates Comparison

Chart 45
Comparison of Fees to Other Cities

8,000 Gallons Monthly Volume - Residential

Estimated Based on Published Fees and Rates and Interpretation of Schedules for Year 2025.

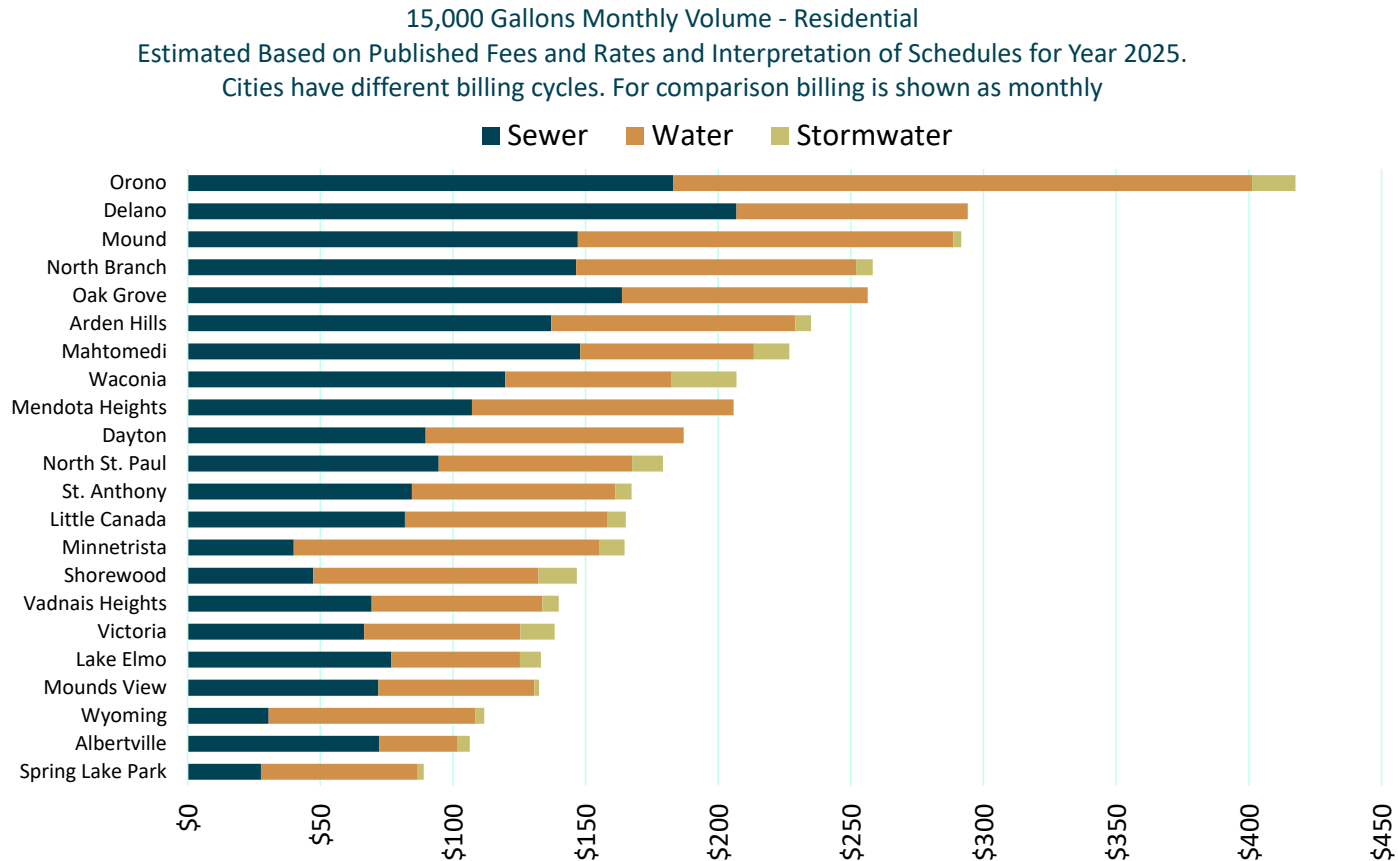
Cities have different billing cycles. For comparison billing is shown on monthly



Disclaimer: Bill amounts are calculated based on published fee schedules. While the information presented in this chart is believed to be accurate, the interpretation of a city fee schedule may have not been correct and therefore the information presented for a city may not be correct.

Utility Rates Comparison

Chart 46
Comparison of Fees to Other Cities



Disclaimer: Bill amounts are calculated based on published fee schedules. While the information presented in this chart is believed to be accurate, the interpretation of a city fee schedule may have not been correct and therefore the information presented for a city may not be correct.

Water Rates

- City will increase water utility fees and adopt a new base fee and new tier structure for charging water volume to customers beginning in 2026
- New infrastructure fee for water services payable by property owners that are connected to sanitary sewer but not connected to the City's water system
 - Fee is proposed to begin in 2027 at initial quarterly amount of \$10.00 then with \$1.00 increase annually between 2026-2035

Water Rates

- New tier rates for Water fees are proposed to begin in 2026
 - After 2026 tier structure changes are implemented, then beginning in 2027 annual increases to the new tier rates is proposed for future years, ranging from approximately 8-10% between 2027-2032; then 3.0% annually after 2032
- No changes to the base rate for water services is proposed for 2026, with increases included for future years
- WAC for new development is to remain at current amount (\$10,000 per unit)

Sanitary Sewer Rates

- Sanitary sewer utility fees increases are proposed
 - No proposed adjustment to the structure for charging fees
- Annual fee increase of 30% is proposed for 2026, 6% for 2027, then approximately 3-4% annually
- Increases are needed to achieve a pay-go strategy for capital improvements with no bonding
- Increases are inclusive of all sanitary sewer fees except for SAC for new development is to remain at current amount (\$1,200 per unit)

Stormwater Rates

- Storm water utility fees is proposed to increase by 60% in 2026; then 35% in 2027; then dropping to 2.0% annually between 2028-2035
 - Average annual dollar increase is approximately \$4.50 for basic system rate between 2026-2035. Fees are paid quarterly.
- Fee increases are needed to offset transition of franchise fee revenues from a revenue source for stormwater management services to street improvements
- Plan anticipates a temporary advance of funds from the Street Improvements Fund to the Stormwater Management Fund to allow time for rate increases to be implemented

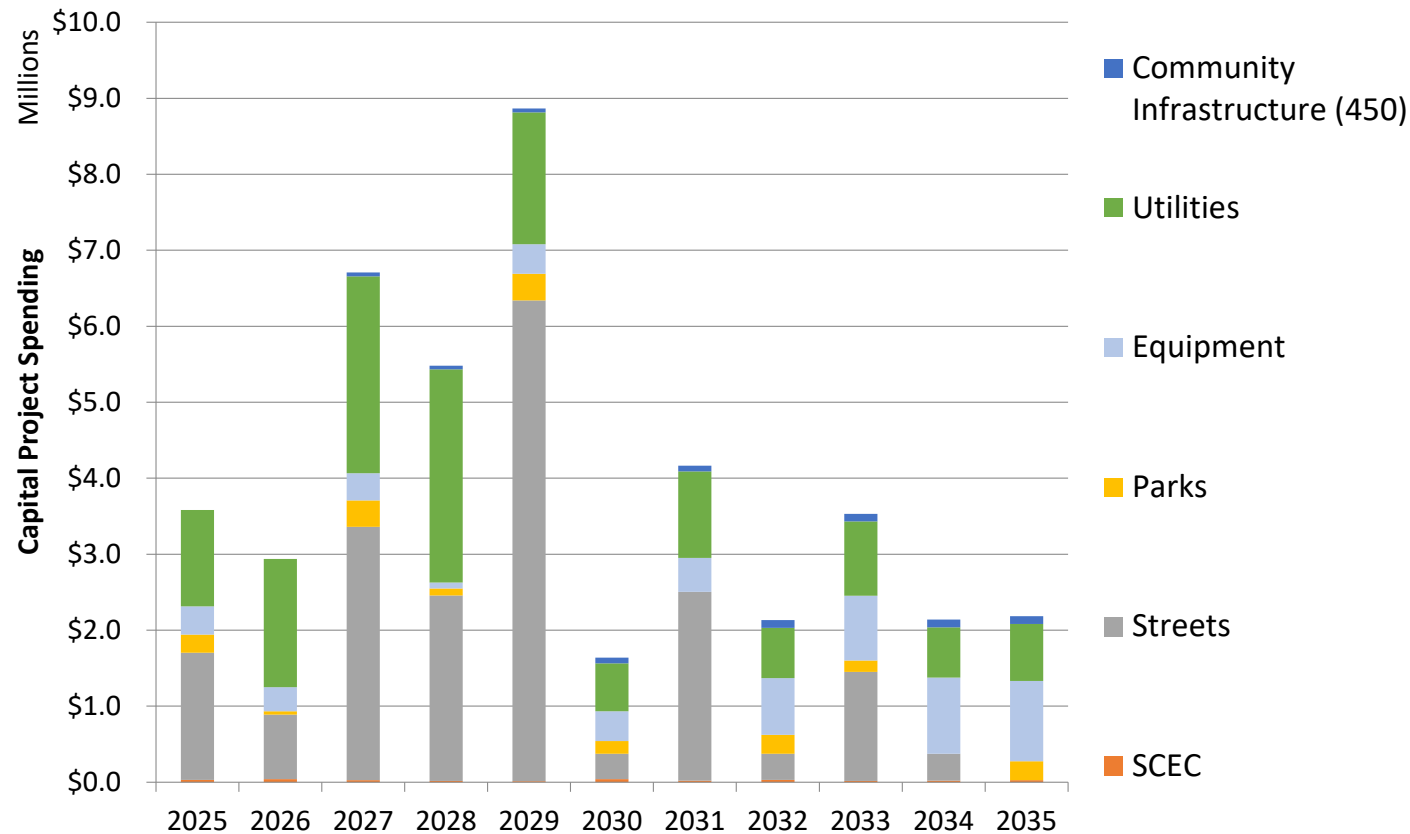
Recycling Rates

- Recycling utility fee is proposed to increase by \$0.5 to \$1.00, or approximately 2.5-5.5%, annually between 2026-2035
- Fees will depend on cost of contractual services for recycling services

Capital Project Spending

Chart 12

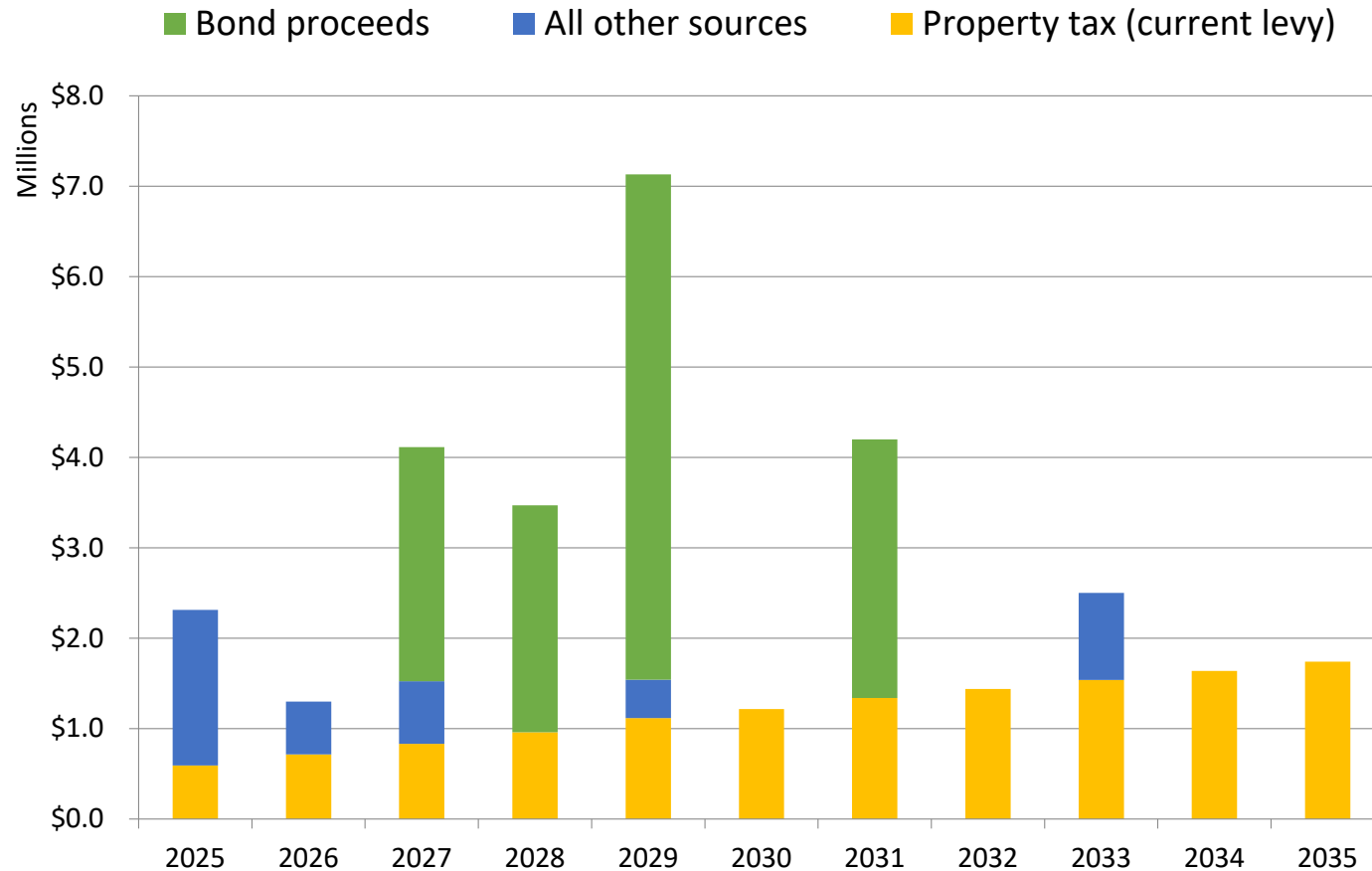
Capital project spending is projected to fluctuate from year to year due to timing for street improvement projects, among other projects



Capital Projects Source of Revenue

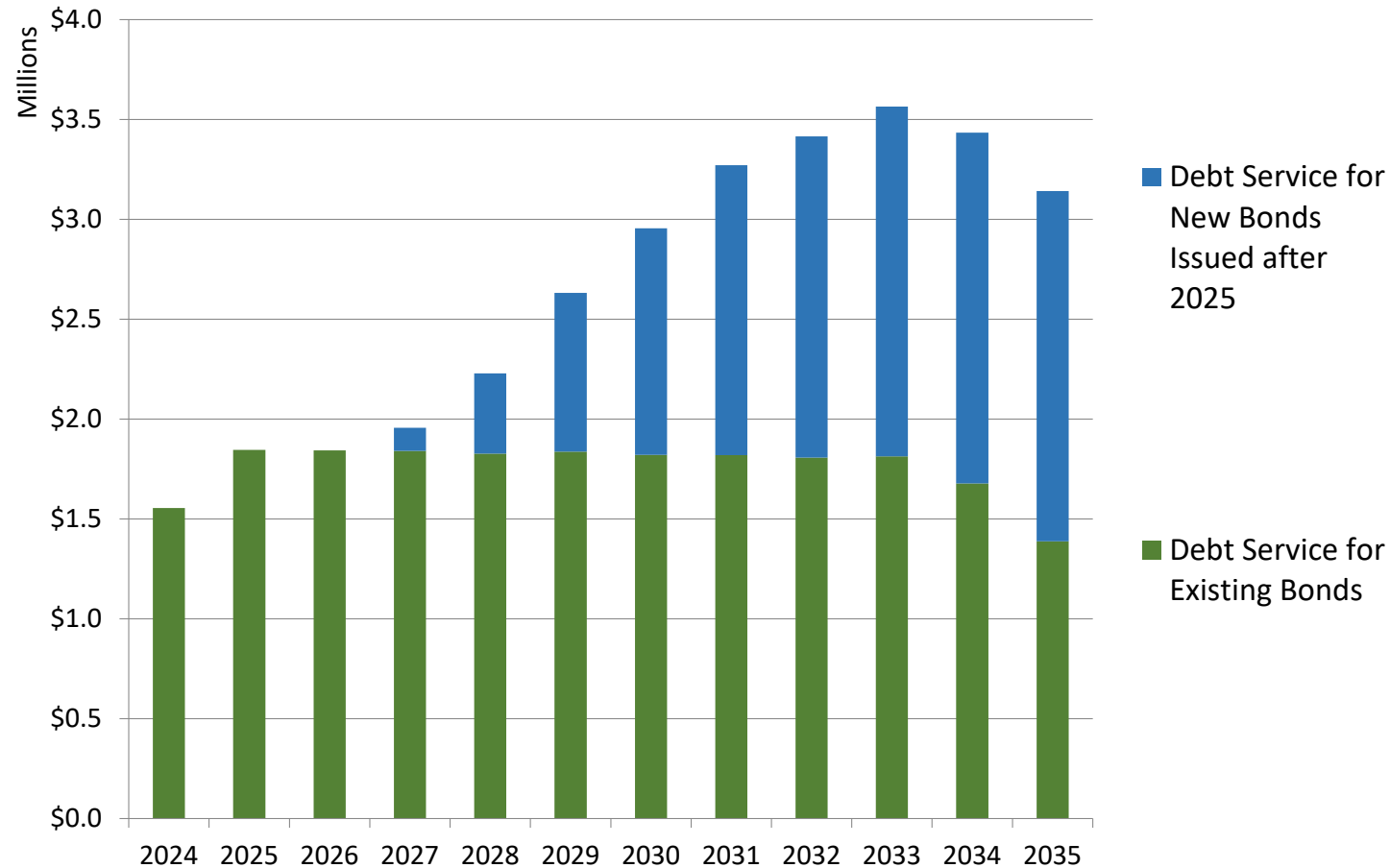
Chart 13

Source of funds for Capital Projects includes a combination of revenue sources



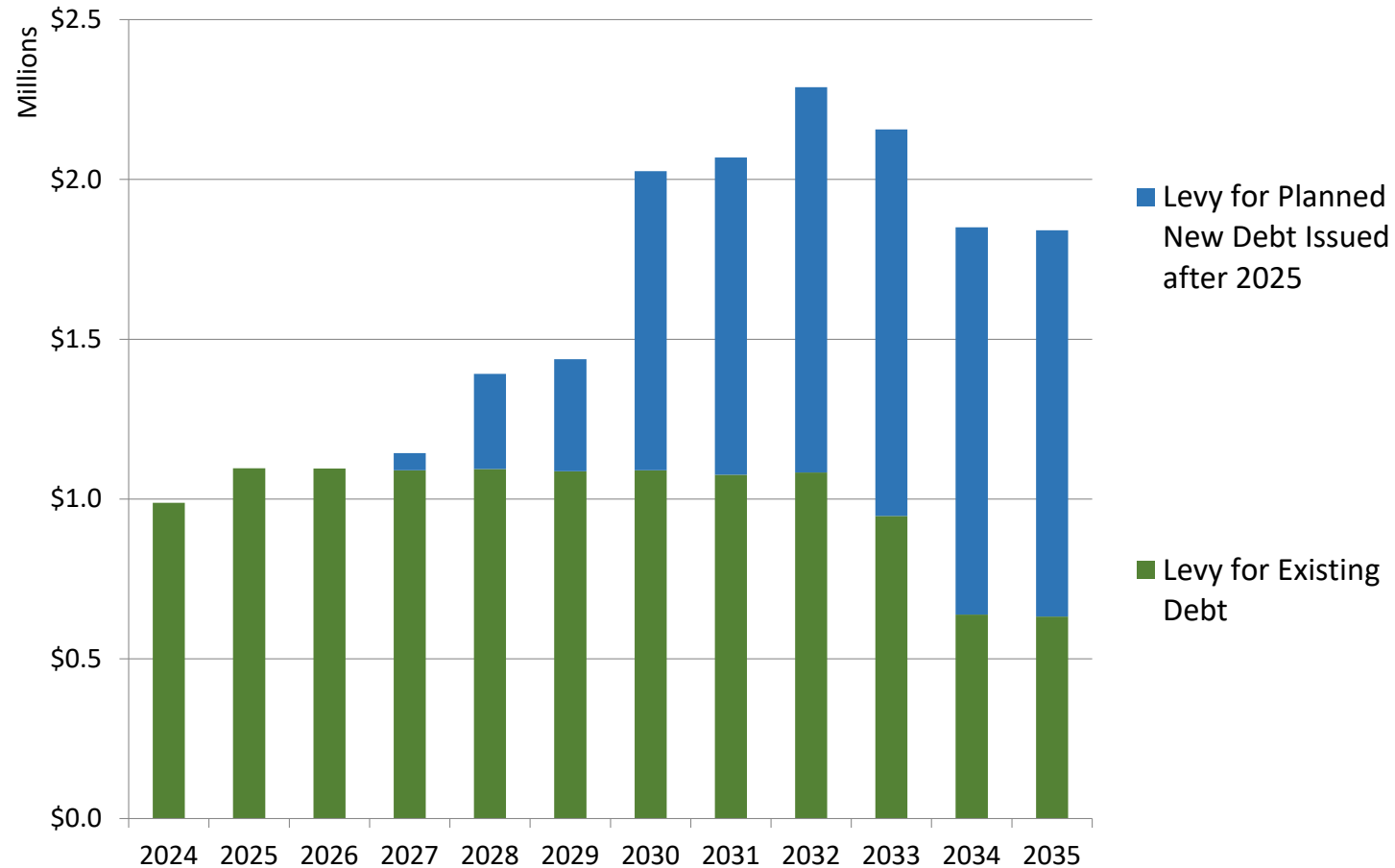
Existing and Planned New Debt Issuance

Chart 14
Total Annual Debt Service For Existing and Planned New Debt



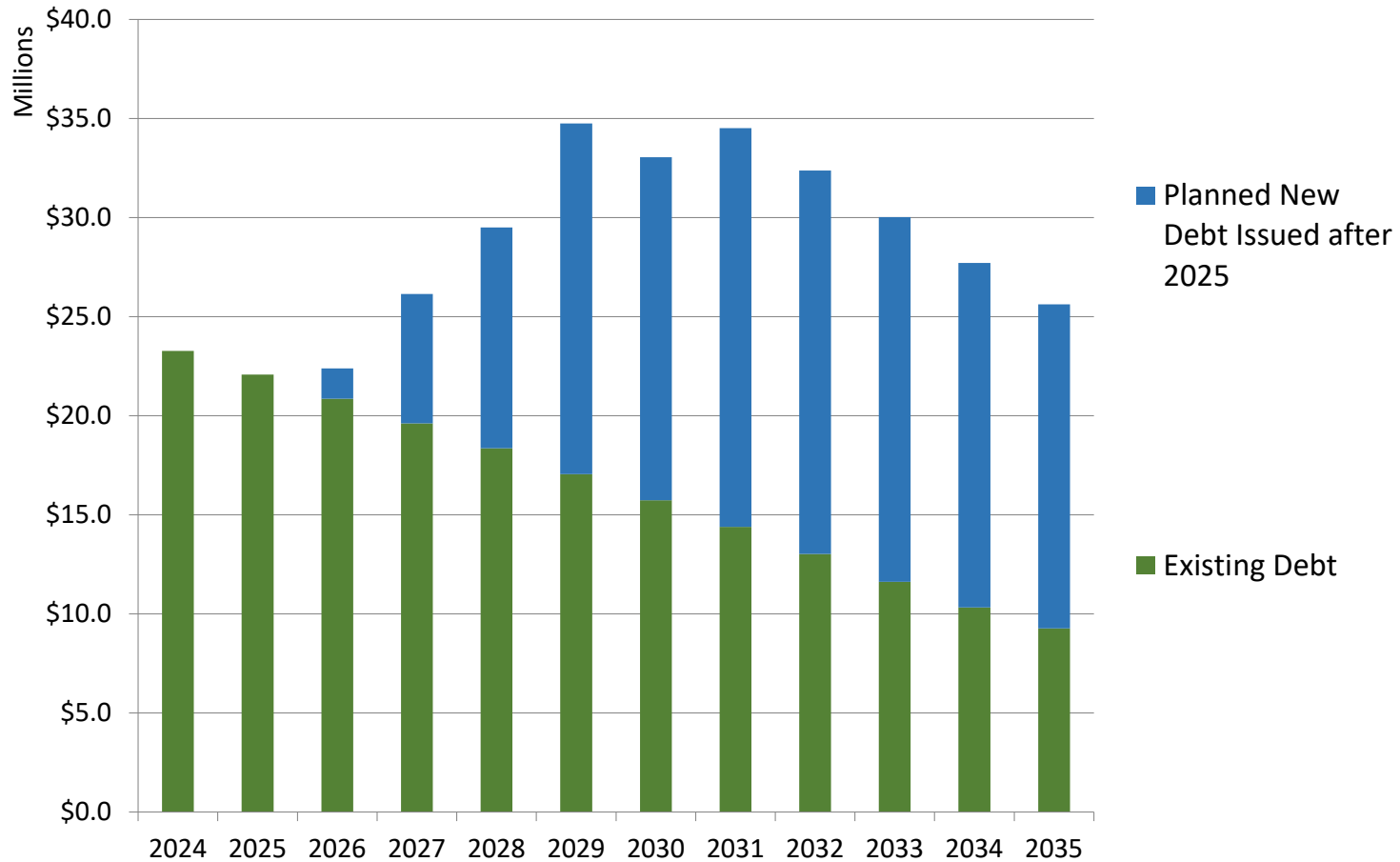
Tax Levy for Debt Service Payments

Chart 15
Tax Levy for Debt Service For Existing and Planned New Debt



Debt Outstanding

Chart 16
Total Debt Outstanding Existing and Planned

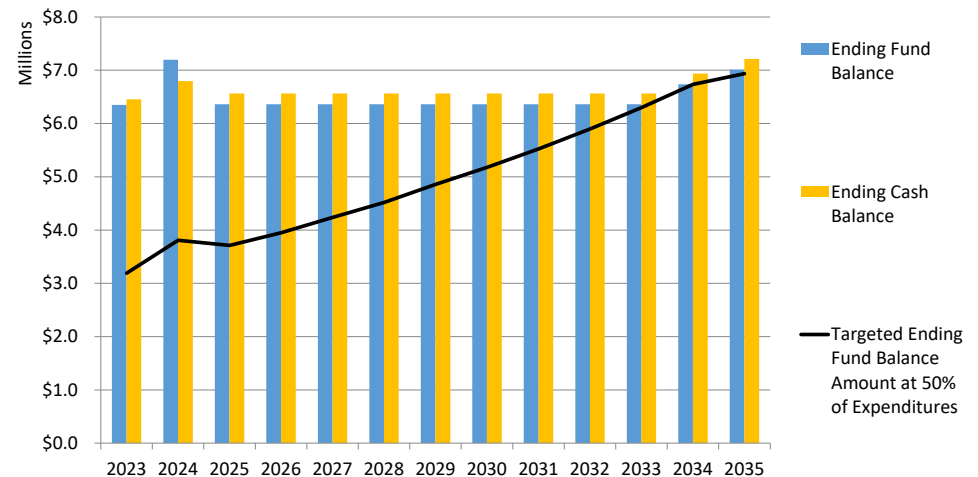


General Fund – Fund Balance

- Policy states that the City's goal will be to maintain an end-of-year unassigned fund balance in the General Fund of an amount between 35% and 50% of the next year's budgeted expenditures and transfers out of the General Fund
- Plan assumes a balanced budget from year to year (fund balance remains constant at the projected year-end 2025 ending balance)
- Based on assumptions in the Plan, Fund Balance for the General Fund as a % of expenditures will decrease over time but will remain greater than 50%
- Over time the Fund Balance for the General Fund will need to increase to keep pace with growth in expenditures

Chart 19
General Fund

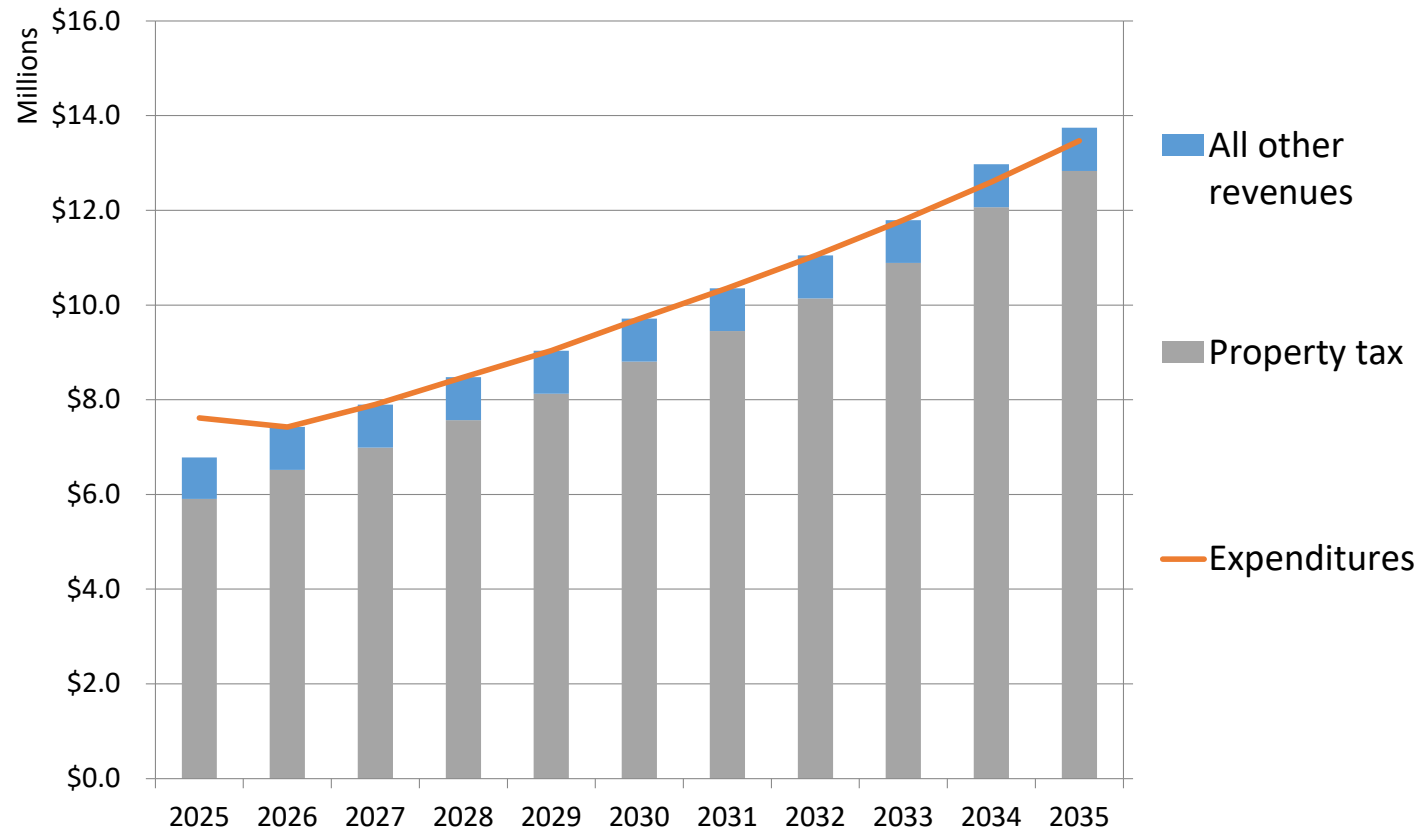
Ending fund balance is projected to remain above Targeted Ending Fund Balance Amount at 50% of Expenditures, including transfers. The Plan does not include transfer out of funds above the 50% thus Ending Fund Balance is shown to be gr



General Fund – Expenditures and Revenues

Chart 20
General Fund

Expenditures and revenues are projected to increase in operating costs, other revenues are not projected to increase in the Plan



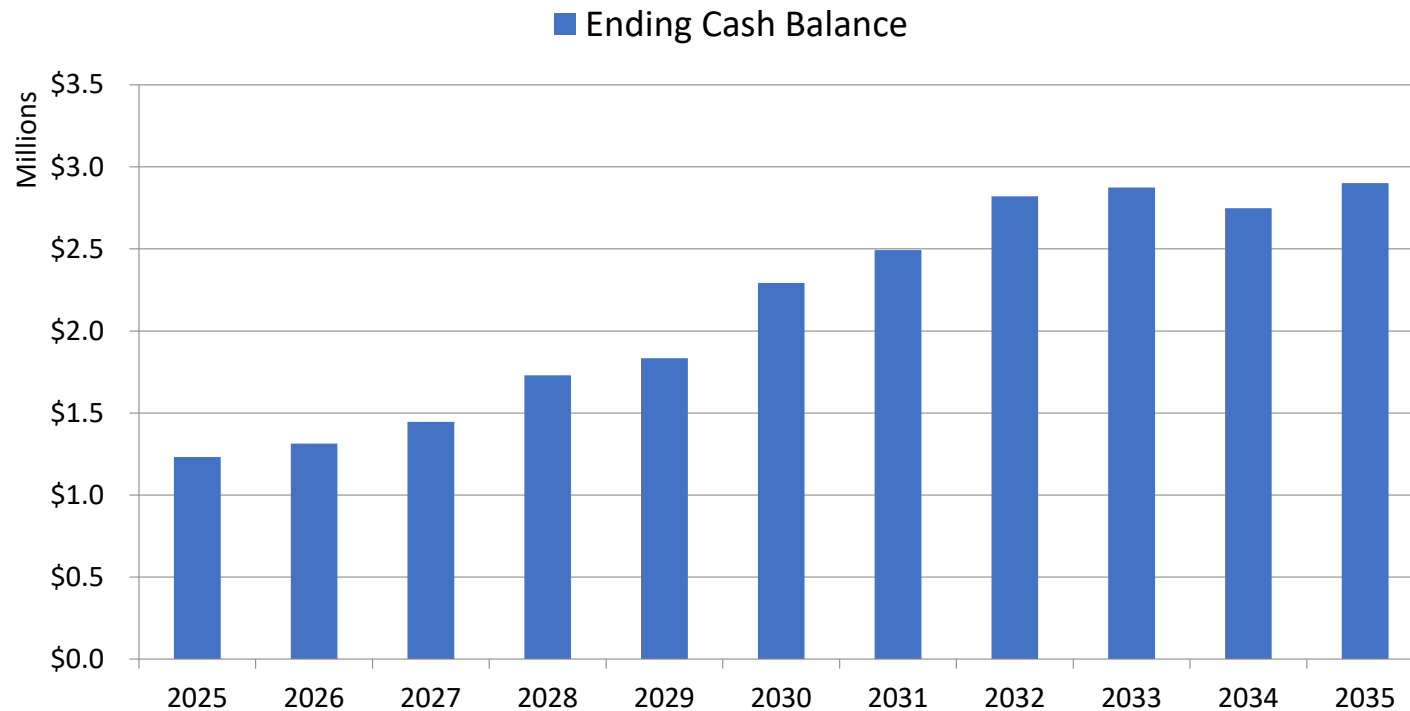
SCEC Fund

- City has committed charges for services revenues for operations
- Property taxes support the SCEC when fees generated from facility rental are not sufficient to cover expenditures
- Plan assumes charges for service remain constant during the planning period
- Plan assumes annual increases in property tax levy support for the SCEC
 - Tax levy support to increase from \$122,000 to \$145,000 from 2025 to 2026, then 5.0% annual increases
- Expenditures include costs for personnel, supplies, professional services, and capital outlay, among other expenditures

Debt Service Funds

Chart 21
Debt Service Funds (Governmental Funds)

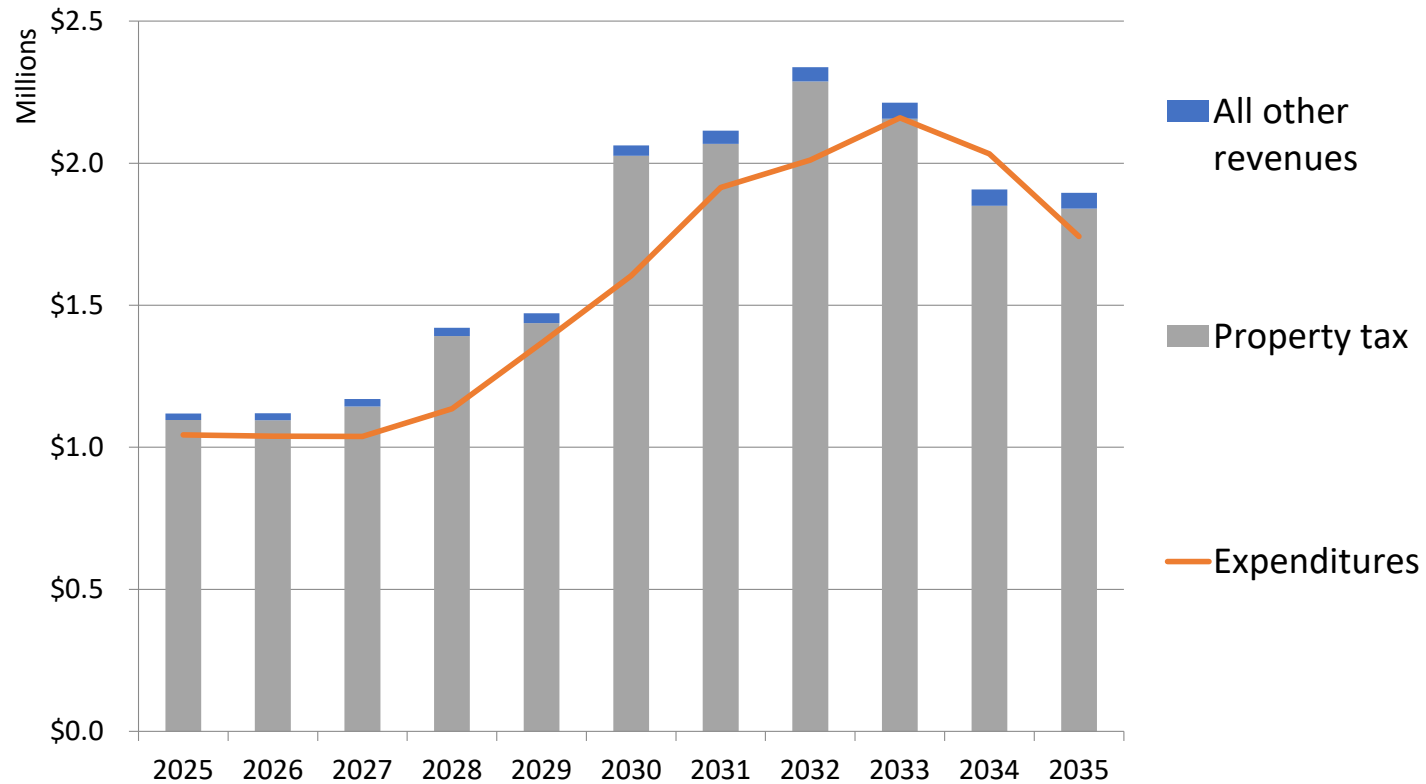
Ending cash balance is projected to increase over time as debt issuance increases, this is due to statutory requirement for collection of tax revenue in year prior to debt payment year



Debt Service Funds

Chart 22
Debt Service Funds (Governmental Funds)

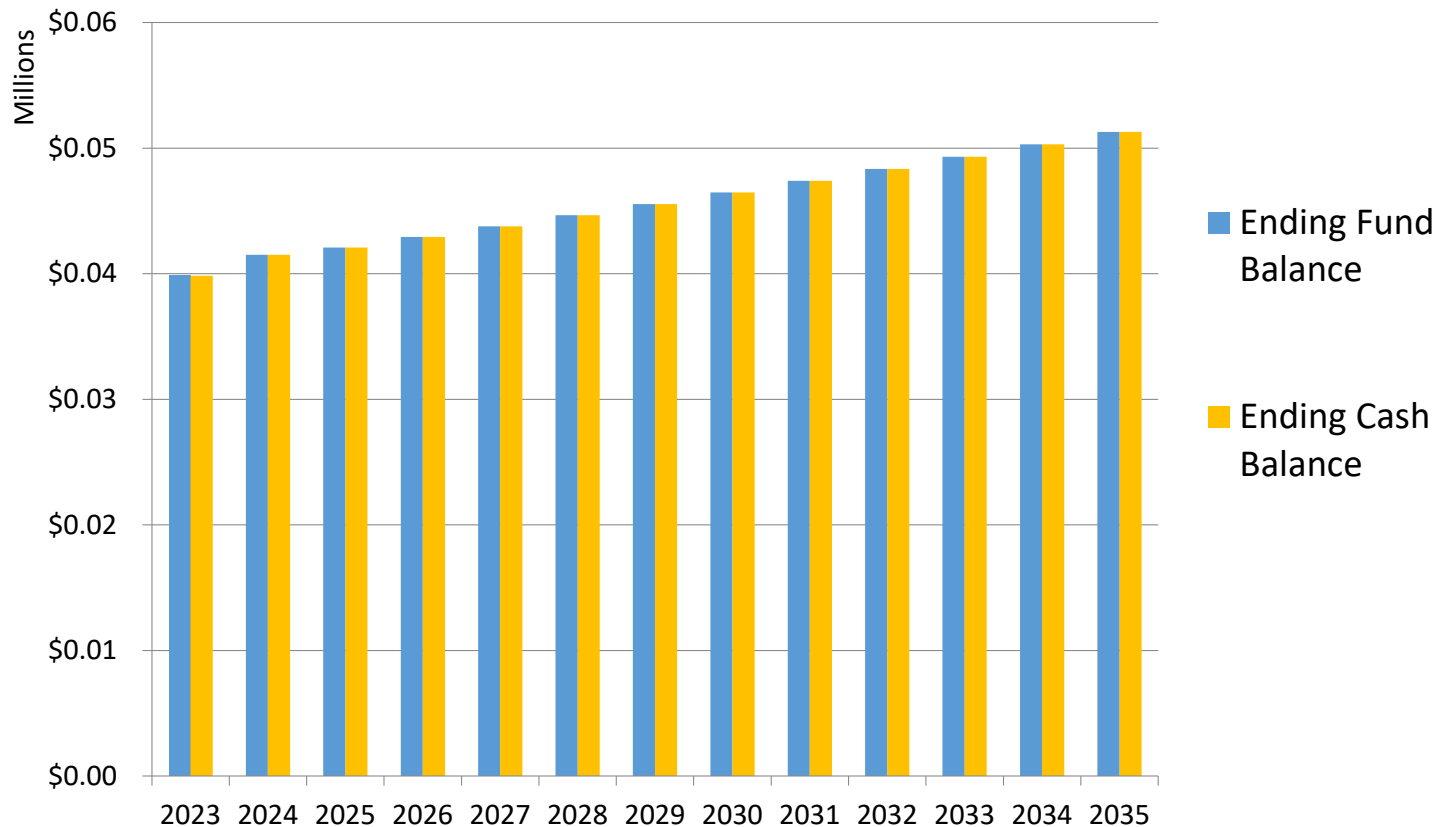
Total revenues may exceed use of funds due to the timing of collection of revenue and payment of debt



Municipal State Aid (MSA) Fund

Chart 24
Municipal State Aid (MSA) Fund

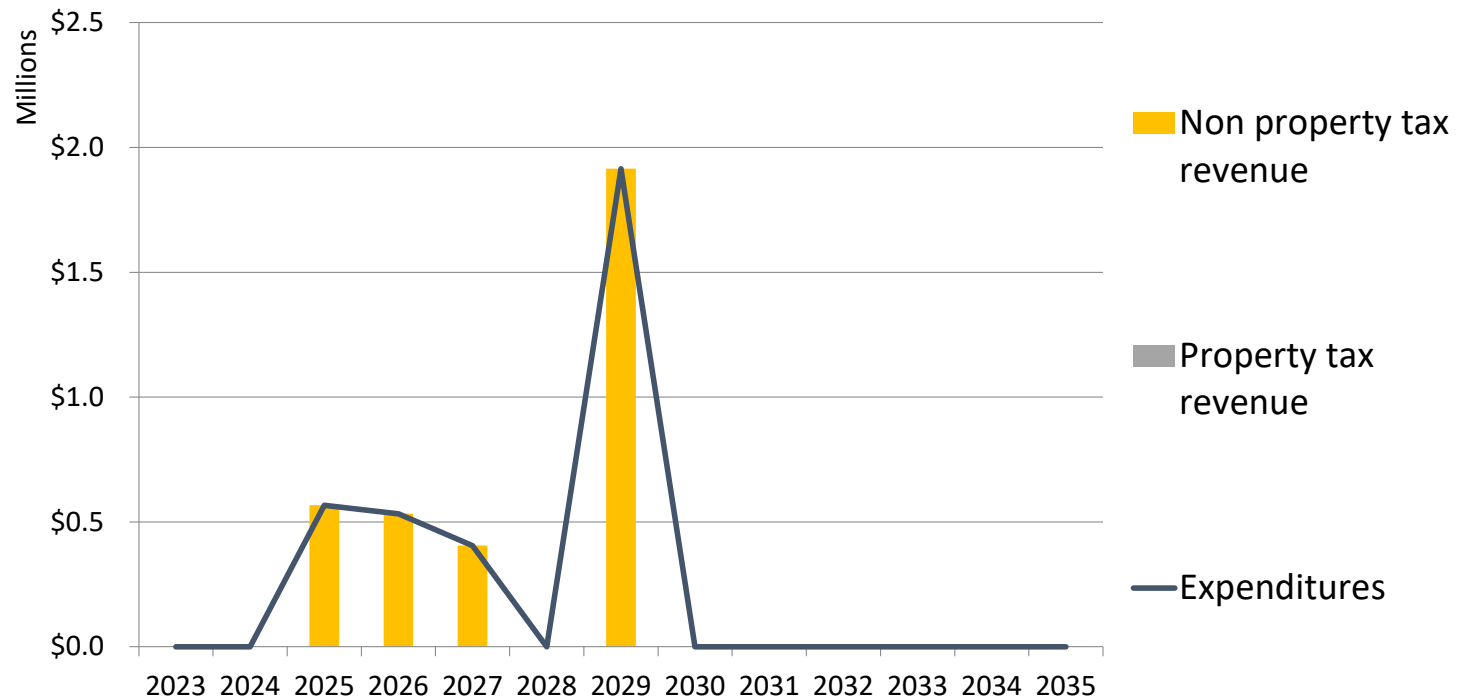
Ending balances will fluctuate with timing of projects and receipt of bond proceeds



Municipal State Aid (MSA) Fund

Chart 25
Municipal State Aid (MSA) Fund

MSA Fund anticipates draw on MSA Funds in year of planned projects



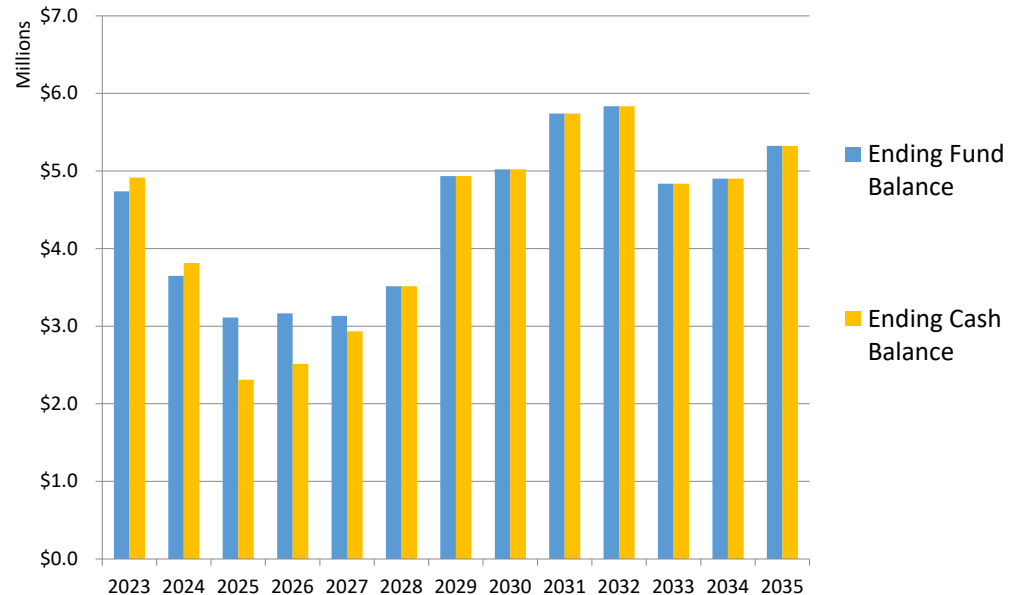
Note: As of January 1, 2025 the City reports unencumbered available Municipal State Aid funds of \$1,993,188. The City plans to draw on this balance, plus additional estimated funds to be available, between 2025-2029.

Street Improvements Fund

- Plan includes an advance of cash to the Stormwater Fund between 2025-2027
- Advance is planned to be temporary related to transition of use of franchise fee revenues from stormwater to streets

Chart 26
Street Improvements Fund

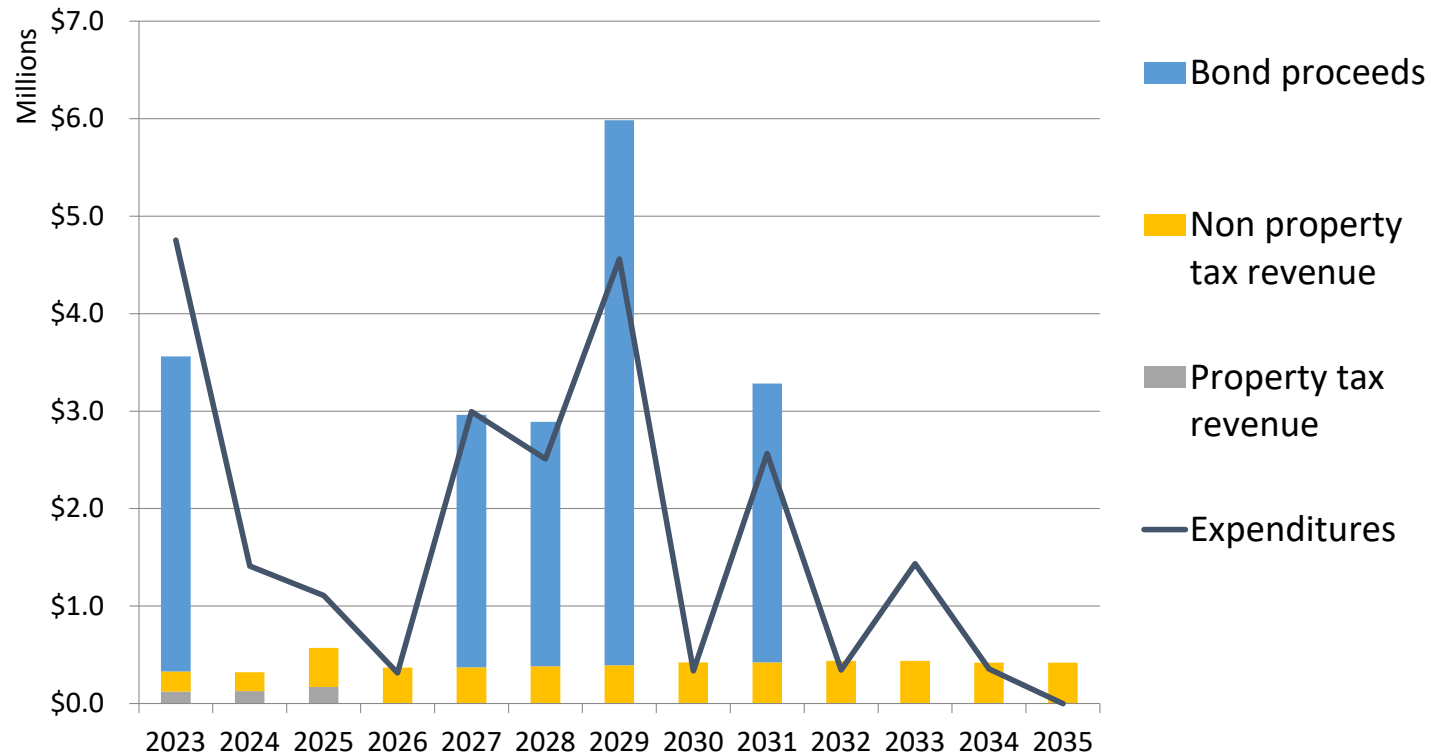
Ending balances will fluctuate with timing of capital projects



Street Improvements Fund

Chart 27
Street Improvements Fund

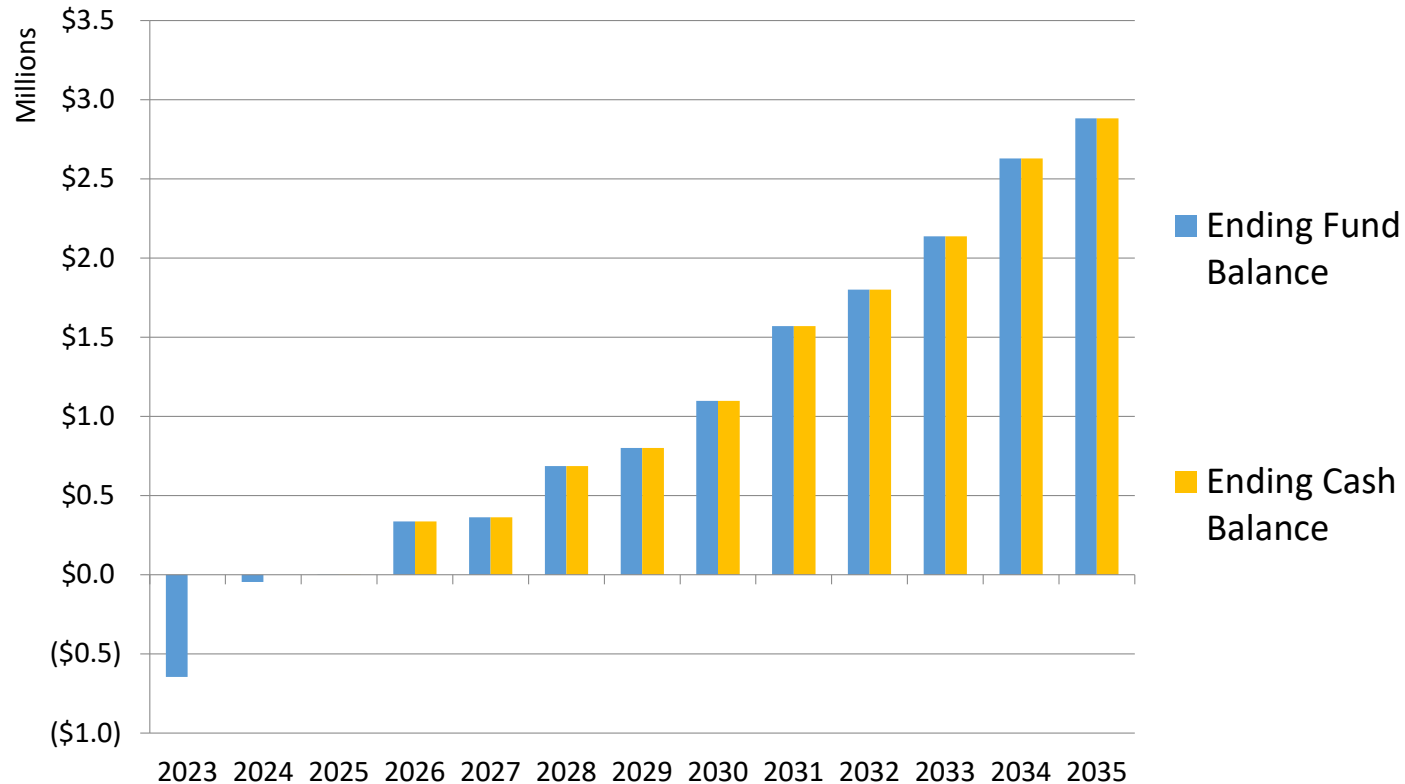
Street Improvements Fund anticipates receipt of bond proceeds for financing of project costs



Park Capital Improvement Fund

Chart 28
Park Capital Improvement Fund

Ending balances will fluctuate with timing of capital projects

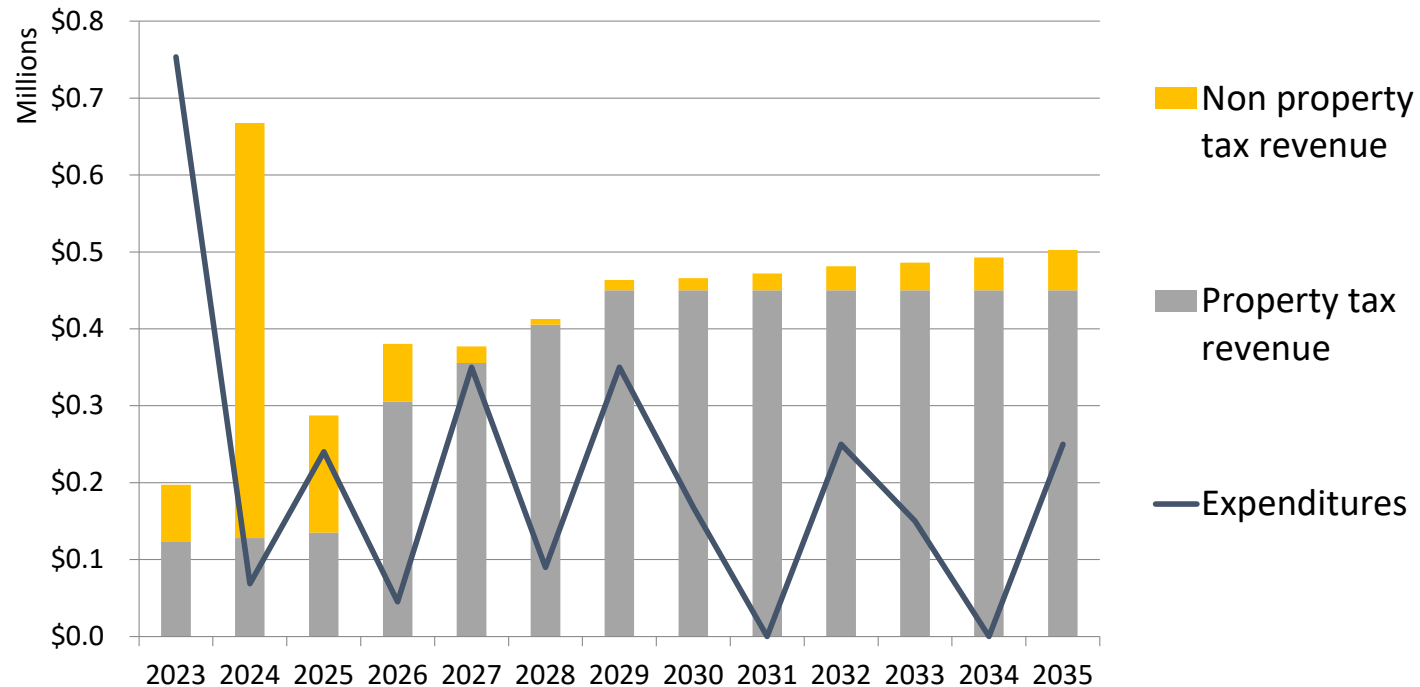


Note: Negative ending fund balance in 2023 was offset by an advance from the General Fund.

Park Capital Improvement Fund

Chart 29
Park Capital Improvement Fund

Park Capital Improvement Fund anticipates receipt of property tax revenue and park dedication fees for financing of project costs

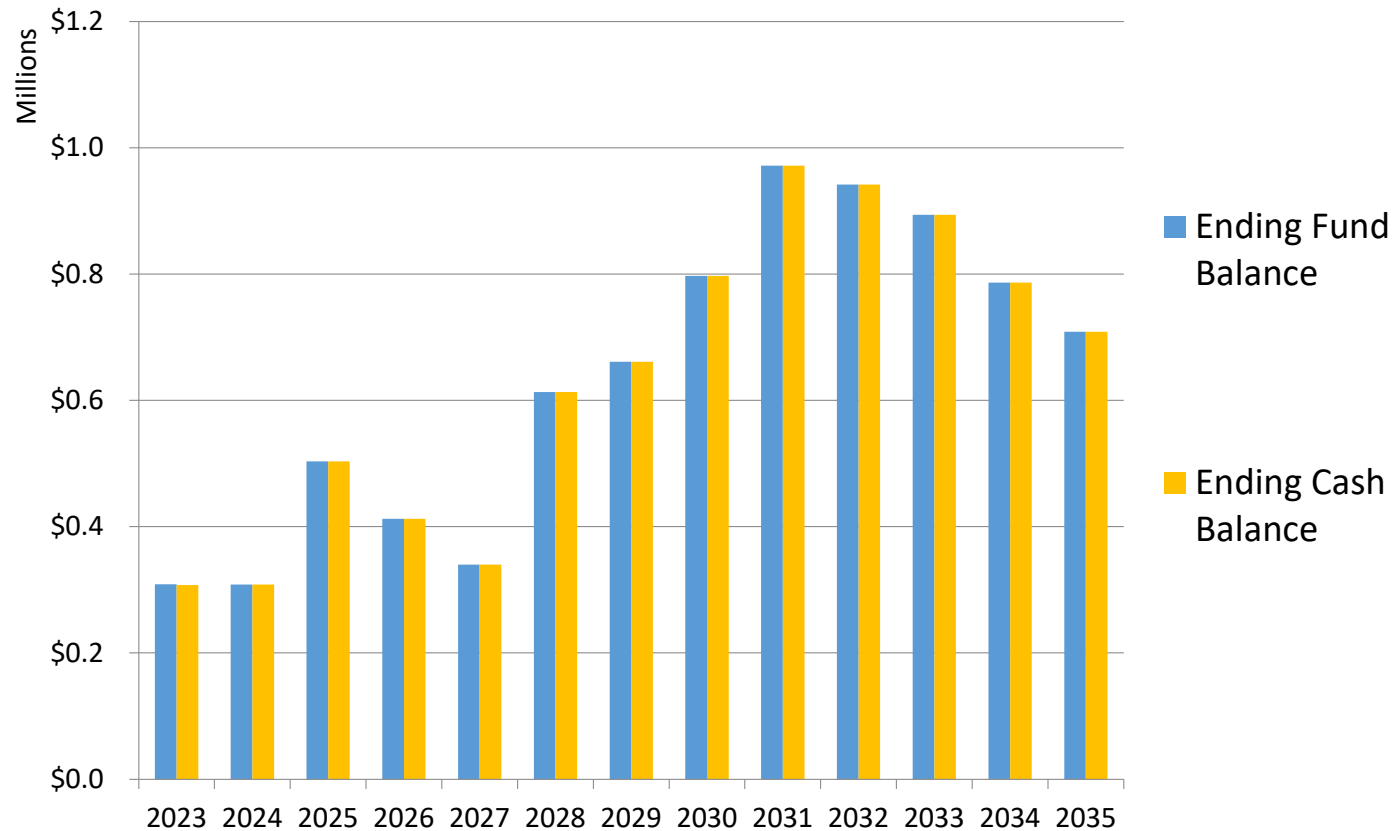


Note: Years 2024 and 2025 include one-time transfers in from the General Fund, \$205,000 in 2024 and \$150,000 in 2025.

Equipment Replacement Fund

Chart 30
Equipment Replacement Fund

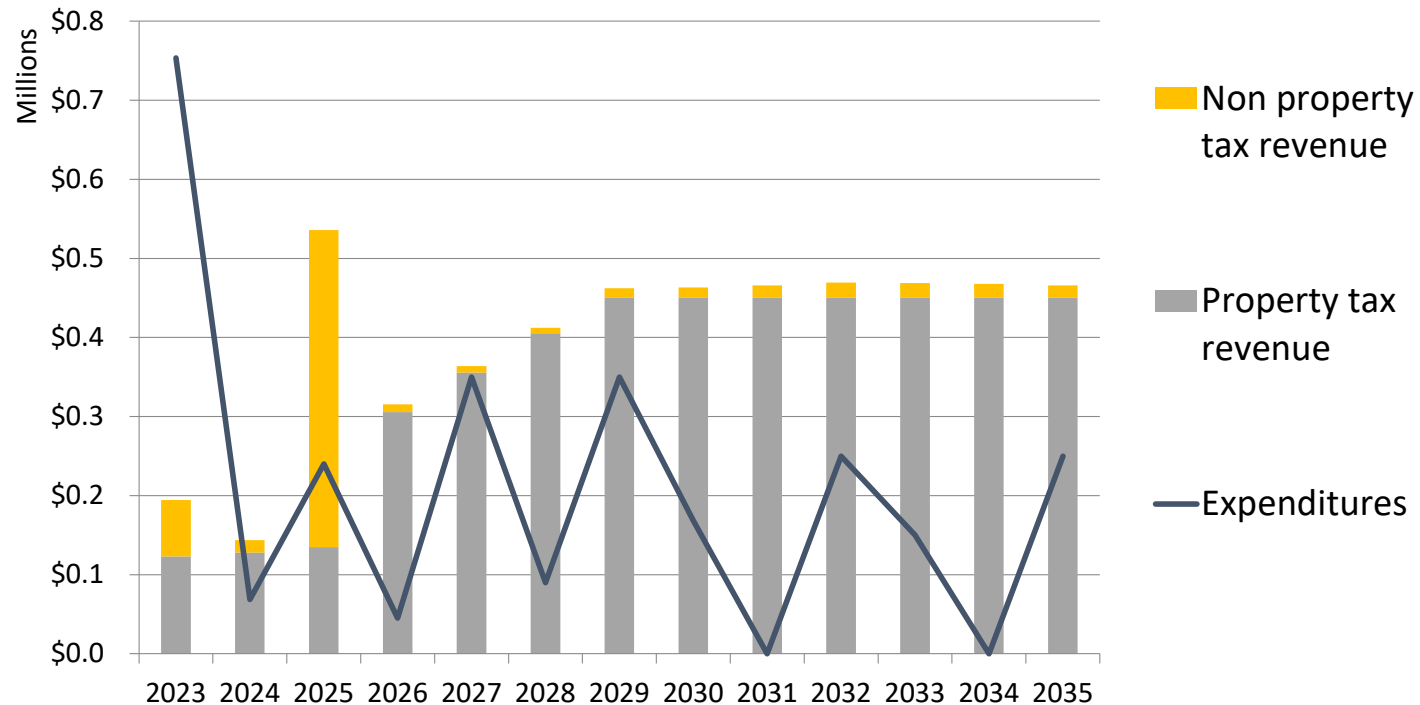
Ending balances will fluctuate with timing of capital projects



Equipment Replacement Fund

Chart 31
Equipment Replacement Fund

Equipment Replacement Fund anticipates receipt of property tax revenue and investment income for financing of project costs



Note: Year 2025 includes one-time \$400,000 transfer in from the General Fund.

Community Infrastructure Fund

- Source of revenues are planned to come from tax levy and investment earnings on the balance of funds
- Land held for resale on the balance sheet is projected to remain as held with no assumption for land sale proceeds (cash) assumed
- Expenditures are for capital improvements related to municipal facility capital needs of the City
- Finance plan for the Community Infrastructure Fund includes preliminary planning amounts for capital expenditures
 - Annual expenditures are estimated at \$50,000 annually while estimated tax levy is assumed to increase over time (from \$50,000 to \$100,000) to allow for cash reserves

Summary

- Timing of private development in the city is a variables for the LTFP and the projection of tax revenue and utility revenues
- Specific timing and cost of future capital improvements will impact future projected tax levy, utility fees, and reserves included in the LTFP

Summary

- City should continue to actively manage its funds to achieve its policy goals, which includes maintaining sufficient reserves
- From the key takeaways –
 - LTFP is not the city budget – the city budget is where decisions are made
 - LTFP is based on certain assumptions that reflect a “snapshot” in time, actual factors will vary, and these variance will impact the plan

Thank You

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Wednesdays 7-11 AM

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