

BEMIDJI CITY COUNCIL

Work Session Agenda

Monday, October 25, 2010

**City Hall
Conference Room
5:30 P.M.**



1. CALL TO ORDER / ROLL CALL

2. CAPITAL IMPROVEMENT PROGRAM/UTILITY CASHFLOW

3. ADJOURNMENT



The PFM Group

Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

2600 Grand Avenue
Suite 214
Des Moines, IA 50312

515-243-2600
515-243-6994 fax
www.pfm.com

October 20, 2010

City of Bemidji
Mr. John Chattin, City Manager
317 4th Street NW
Bemidji, MN 56601

Dear John,

Attached for your consideration is the updated long-term financial and capital planning model developed for the City of Bemidji, Minnesota (the "City") Public Utilities Enterprise Fund. We have included summary pages for the Sewer, Water, Storm Water and Refuse Funds as well as the detailed planning model. Below is an executive summary for these funds:

Sewer Fund

Relative to our previous projections, Sewer Fund usage decreased slightly from 399 million gallons to 396 million gallons for 2009. Based on discussions with staff, we assumed usage for 2010 will increase back to 399 million gallons. In 2011 and future years, we assumed no growth in usage.

The operating expenses on average have increased 3.8% per year from 2001 to 2009. In 2009, personnel costs decreased over \$100,000 which contributed to an overall decrease in operating expenses. Staff has maintained operating expenses at \$2.2 million since 2007. This decrease when combined with revenue increases, results in increased operating profits. The assumption for growth in future expenses has been limited to 2%. If actual expenses increase more than 2% per year, projected rate increases need to be higher just to maintain financial stability.

The sewer capital improvements planned for 2011 amount to \$3.5 million. These include \$3 million for waste water treatment plant upgrades, \$100,000 for lift station refurbishment and the balance for street project costs. In order to fund these projects a \$3.1 million Revenue Bond needs to be issued to be paid from sewer fees. Bonds issued in previous years will be paid off beginning in 2013, so the new bonds will be structured to utilize this debt payoff. Future capital outlays must be paid from existing cash reserves or ongoing net operating revenues.

Assuming there is no growth in usage, the 3% rate increases will be sufficient to cover 2% increases in operating expenses. **However these rate increases are not sufficient to cover future capital needs and therefore cash reserves will be drawn down over time.** Due to large amounts of future capital outlays, Sewer cash reserves will decrease significantly **and be negative by 2015**. Future rate increases may need to be higher or capital projects reduced in order to maintain adequate reserve levels.

Water Fund

Relative to our previous projections, Water Fund usage decreased slightly from 439 million gallons to 435 million gallons for 2009. Based on discussions with staff, we assumed the usage for 2010 will increase back to 439 million gallons. In 2011 and future years, we are assuming no growth in usage.

Operating expenses for water on average have increased 5.3% per year from 2001 to 2009. Expenses are expected to remain constant in 2010 and decrease in 2011. Future operating expense increases have been limited to 2%.

Assuming there is no usage growth, 3% rate increases are sufficient to cover 2% increases in operating expenses. These rate increases are not sufficient to cover capital needs so cash reserves will be decrease in 2010-2013, however the water fund has adequate cash reserves to accommodate this.

Perhaps the largest risk to the City's public utility system is the concentration of water supply at the Airport. If something contaminates or disrupts the water supply at this site, the entire city water distribution system is in jeopardy. Therefore, in 2014 the capital improvement plan includes \$7.5 million for development of a second well field and water treatment plant. In order to fund this project a Revenue Bond of \$7.6 million would be required. Again, the bonds are structured around existing debt pay offs.

Storm Water Fund

Incorporating 3% rate increases for 2011 and beyond in the Storm Water Fund, it is anticipated there will be sufficient revenues to pay for the debt service payments as shown by the strong debt service coverage ratios. The large transfer out in 2009 for SE Shore Development storm water improvements eliminated much of the cash reserves. However, due to strong net operating revenues and limited capital outlays, cash reserves approach historical averages in 2013.

Refuse Fund

Based on 3% rate increases for 2012 and beyond, it is anticipated there will be sufficient revenues to generate a surplus each year. Refuse profits and administrative costs of \$88,000 are transferred to General Fund annually.

SUMMARY

The City public utility enterprise funds have nearly \$7 million of debt with annual debt service payments totaling \$1.4 million. This debt was utilized to construct or improve the City's utility infrastructure. Despite the City's success in reducing operating costs in recent years, the capital needs of the systems outweigh the City's ability to pay for them. The City's utility rates are generally higher than comparable cities, due in part to the higher level of waste water treatment Bemidji incurs. In the future the City must prioritize capital projects and may need to increase utility rates more than 3%.

One way to improve the water/sewer fund financial position is changing the policy on deferred connection charges. These deferred charges amount to nearly \$1.8 million (see attached) of which no interest or principal is currently being collected. They represent construction costs for utility connections to vacant parcels or underdeveloped property. Staff is researching the City's legal options to collect these connection charges, some of which are over 30 years old. Collecting these outstanding amounts would improve the financial health of the water/sewer funds, minimize future rate increases and encourage property development resulting in increased tax base.

A second option for Council consideration is the opportunity to implement water/sewer connection charges where none previously existed on newly created parcels. This policy will be discussed by staff.

It is important to note our analysis reviews each enterprise fund separately to allow us to assess the sufficiency of each enterprise fund's rates and charges. However, the credit agency and the municipal bond market view the credit as the overall Public Utilities Enterprise Fund payable from all of the various enterprise funds.

Based on the results of our analysis, the City should continue to undertake a careful review of operating expenses in the enterprise funds. Our assumptions regarding the growth of operating expenses (2% annually) are shown in the top left hand corner of each analysis. Care must be taken to ensure that our assumptions are in line with operational experience.

Sincerely,
PUBLIC FINANCIAL MANAGEMENT

Jenny Blankenship

Jenny Blankenship, CPA
Senior Managing Consultant

**CITY OF BEMIDJI
DEFERRED CONNECTION CHARGES**

| Project Name | Parcel Count | Amount | Year of Project |
|--|---------------------|------------------|------------------------|
| PROJECT FROM 1977 | 4 | 18,990 | 1977 |
| 23RD ST/24TH ST/PINE RIDGE WATER EXTENSION | 2 | 2,248 | 1988 |
| 24TH ST WATERMAIN | 1 | 2,609 | 1988 |
| 23RD STREET (IRVINE TO DELTON) WATERMAIN | 2 | 2,742 | 1989 |
| 25TH ST WATERMAIN | 2 | 5,905 | 1989 |
| 28TH STREET PINE RIDGE TO HANNAH WATERMAIN | 3 | 6,302 | 1989 |
| ROOSEVELT RD/ TH197/ LAKE AVE RECON | 6 | 16,796 | 1990 |
| IRVINGBORO DEVELOPMENT | 13 | 52,119 | 1991 |
| ROOSEVELT ROAD WATERMAIN | 4 | 8,605 | 1991 |
| BIRCHMONT DR HANNAH AVE SEWER | 2 | 3,987 | 1993 |
| TELEPHONE COOP WATER SEWER EXT | 1 | 3,077 | 1994 |
| DELTON AVE MILES AVE WATERMAIN EXT STREET | 4 | 14,000 | 1996 |
| IRVINGBORO PROJECT II PAVING REHAB. | 3 | 23,413 | 1996 |
| OLD FAIRGROUNDS AREA UTILITIES | 11 | 170,000 | 1997 |
| PAUL BUNYAN DRIVE CORRIDOR IMPROVEMENTS | 2 | 15,000 | 1997 |
| STATE AID PROJECT 105-123-001 NORTON | 8 | 30,310 | 1997 |
| RAKO / CLAUSEN AREA WATER EXT | 8 | 38,175 | 1998 |
| SO. LAKE IRVING SEWER | 36 | 360,000 | 1998 |
| 5TH ST GOULD AVE PAVING | 7 | 23,515 | 1999 |
| 5TH ST / HIGH SCHOOL UTILITIES | 14 | 147,494 | 1999 |
| 30TH ST AND PINE RIDGE AVE NW IMPROVEMENTS | 2 | 2,601 | 2000 |
| SAP #105-112-08; #105-104-08 RECONSTRUCT | 3 | 3,158 | 2000 |
| 2003 FED AID - MIDDLE SCHOOL / 23RD ST | 1 | 4,522 | 2003 |
| FAIRVIEW ADDN WTR/SWR | 5 | 45,940 | 2003 |
| RAKO / CLAUSEN SEWER | 1 | 22,240 | 2003 |
| CEDAR LANE SANITARY SEWER | 5 | 28,599 | 2003 |
| LOST 40 WATER AND SEWER EXTENSION | 20 | 374,844 | 2003 |
| BARDWELL PARK HI WAY ACRES WTR/SWR | 26 | 383,813 | 2005 |
| MISCELLANEOUS OLDER PROJECTS | 11 | 28,694 | NOT KNOWN |
| Total | 207 | 1,839,696 | |

City of Bemidji, Minnesota

Public Utilities Enterprise Funds (Sewer, Water, Storm Water & Refuse)

Assumes No S/A CIP, prior Assessments only & 3% Rate Increases

EXHIBIT 4

| | |
|-------------------------|------|
| Assumptions: | |
| Interest Rate | 2.0% |
| Water Gallons Sold | 0.0% |
| Operating & Maintenance | 2.0% |

| | |
|-------------------------------|------|
| Sewer Rate Adjustments | |
| 01-01-09 | 3.0% |
| 01-01-10 | 3.0% |
| 01-01-11 | 3.0% |
| 01-01-12 | 3.0% |
| 01-01-13 | 3.0% |
| 01-01-14 | 3.0% |
| 01-01-15 | 3.0% |
| 01-01-16 | - |

| | Audited Financial Statements: | | | | Budget: FY Ending 12/31/2010 | Budget: FY Ending 12/31/2011 | Projection: FY Ending 12/31/2012 | Projection: FY Ending 12/31/2013 | Projection: FY Ending 12/31/2014 | Projection: FY Ending 12/31/2015 |
|---------------------------------------|-------------------------------|-------------------------|-------------------------|-------------------------|------------------------------------|------------------------------------|--|--|--|--|
| | FY Ending 12/31/2007 | FY Ending 12/31/2008 | FY Ending 12/31/2009 | FY Ending 12/31/2010 | | | | | | |
| SEWER DEPARTMENT: | | | | | | | | | | |
| Sewer Sales: | | | | | | | | | | |
| Base Rate | \$5.90 | \$6.08 | \$6.27 | \$6.46 | \$6.65 | \$6.85 | \$7.06 | \$7.27 | \$7.49 | \$7.49 |
| Meter Rate | \$4.45 | \$4.58 | \$4.72 | \$4.86 | \$5.01 | \$5.16 | \$5.31 | \$5.47 | \$5.64 | \$5.64 |
| Sewer Gallons Sold | 412,335,560 | 399,132,370 | 395,890,950 | 399,490,000 | 399,490,000 | 399,490,000 | 399,490,000 | 399,490,000 | 399,490,000 | 399,490,000 |
| Ave Revenue per 1,000 Gallons | \$4.55733 | \$4.53364 | \$4.76967 | \$4.91276 | \$5.06015 | \$5.21195 | \$5.36831 | \$5.52936 | \$5.69524 | \$5.69524 |
| Operating Revenues: | | | | | | | | | | |
| Charges for Services | \$1,879,148 | \$1,809,521 | \$1,888,271 | \$1,962,600 | \$2,021,478 | \$2,082,123 | \$2,144,586 | \$2,208,924 | \$2,275,192 | \$2,275,192 |
| SAC Fees | 0 | 61,490 | 114,260 | 54,000 | 60,000 | 60,000 | 60,000 | 60,000 | 60,000 | 60,000 |
| Connection Charges | 25,332 | 79,441 | 100,074 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Utility Late Charges | 23,473 | 22,990 | 21,101 | 25,000 | 22,000 | 22,000 | 22,000 | 22,000 | 22,000 | 22,000 |
| Other | 27,528 | 34,710 | 36,898 | 32,000 | 31,500 | 31,500 | 31,500 | 31,500 | 31,500 | 31,500 |
| Total Operating Revenues | \$1,955,481 | \$2,008,152 | \$2,160,604 | \$2,093,600 | \$2,154,978 | \$2,215,623 | \$2,278,086 | \$2,342,424 | \$2,408,692 | \$2,408,692 |
| Operating Expenses: | | | | | | | | | | |
| Wages and Employee Benefits | \$667,254 | \$628,191 | \$510,283 | \$536,700 | \$540,400 | \$551,208 | \$562,232 | \$573,477 | \$584,946 | \$584,946 |
| Utilities | 241,259 | 262,840 | 239,828 | 288,530 | 273,530 | 279,001 | 284,581 | 290,272 | 296,078 | 296,078 |
| Maintenance & Supplies | 396,308 | 388,759 | 423,059 | 383,500 | 394,800 | 402,696 | 410,750 | 418,965 | 427,344 | 427,344 |
| Other Services & Charges | 296,033 | 338,293 | 379,442 | 409,482 | 402,694 | 410,748 | 418,963 | 427,342 | 435,889 | 435,889 |
| Depreciation | 623,537 | 619,676 | 634,864 | 647,561 | 660,513 | 673,723 | 687,197 | 700,941 | 714,960 | 714,960 |
| Total Operating Expenses | \$2,224,391 | \$2,237,759 | \$2,187,476 | \$2,265,773 | \$2,271,937 | \$2,317,375 | \$2,363,723 | \$2,410,997 | \$2,459,217 | \$2,459,217 |
| Net Operating Income | (\$268,910) | (\$229,607) | (\$26,872) | (\$172,173) | (\$116,958) | (\$101,752) | (\$85,636) | (\$68,573) | (\$50,525) | (\$50,525) |
| Nonoperating Revenues/Expenses | | | | | | | | | | |
| Interest Income | \$226,404 | \$117,414 | \$84,634 | \$77,270 | \$69,159 | \$64,084 | \$54,389 | \$45,376 | \$37,231 | \$37,231 |
| Special Assessments | 133,078 | 33,587 | 71,368 | 88,584 | 84,437 | 80,290 | 76,143 | 71,996 | 67,849 | 67,849 |
| Depreciation & Amortization | 623,537 | 619,676 | 634,864 | 647,561 | 660,513 | 673,723 | 687,197 | 700,941 | 714,960 | 714,960 |
| Net Revenue for Debt Service | \$714,109 | \$541,070 | \$763,994 | \$641,242 | \$697,150 | \$716,344 | \$732,093 | \$749,740 | \$769,515 | \$769,515 |

City of Bemidji, Minnesota

Public Utilities Enterprise Funds (Sewer, Water, Storm Water & Refuse)

Assumes No S/A CIP, prior Assessments only & 3% Rate Increases

EXHIBIT 4

| | |
|-------------------------|------|
| Assumptions: | |
| Interest Rate | 2.0% |
| Water Gallons Sold | 0.0% |
| Operating & Maintenance | 2.0% |

| | | | |
|-------------------------------|------|----------|------|
| Water Rate Adjustments | | | |
| 01-01-09 | 3.0% | 01-01-13 | 3.0% |
| 01-01-10 | 3.0% | 01-01-14 | 3.0% |
| 01-01-11 | 3.0% | 01-01-15 | 3.0% |
| 01-01-12 | 3.0% | 01-01-16 | - |

| | Audited Financial Statements: | | | | Projection: | | | |
|--|-------------------------------|----------------------|----------------------|------------------------------|------------------------------|----------------------|----------------------|----------------------|
| | FY Ending 12/31/2007 | FY Ending 12/31/2008 | FY Ending 12/31/2009 | Budget: FY Ending 12/31/2010 | Budget: FY Ending 12/31/2011 | FY Ending 12/31/2012 | FY Ending 12/31/2013 | FY Ending 12/31/2014 |

WATER DEPARTMENT:

Water Sales:

| | | | | | | | | | |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Base Rate | \$5.90 | \$6.08 | \$6.27 | \$6.46 | \$6.65 | \$6.85 | \$7.06 | \$7.27 | \$7.49 |
| Meter Rate | \$2.82 | \$2.90 | \$2.99 | \$3.08 | \$3.17 | \$3.27 | \$3.37 | \$3.47 | \$3.57 |
| Water Gallons Sold | 453,116,000 | 438,607,000 | 435,045,000 | 439,000,000 | 439,000,000 | 439,000,000 | 439,000,000 | 439,000,000 | 439,000,000 |
| Ave Revenue per 1,000 Gallons | \$3.36648 | \$3.28391 | \$3.49288 | \$3.59767 | \$3.70560 | \$3.81676 | \$3.93127 | \$4.04921 | \$4.17068 |

Operating Revenues:

| | | | | | | | | | |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Charges for Services | \$1,525,405 | \$1,440,344 | \$1,519,560 | \$1,579,376 | \$1,626,757 | \$1,675,560 | \$1,725,826 | \$1,777,601 | \$1,830,929 |
| WAC Fees | 0 | 28,263 | 59,252 | 26,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| Connection Charges | 20,564 | 62,756 | 79,422 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Utility Late Charges | 19,054 | 18,162 | 16,746 | 18,000 | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 |
| Other | 22,345 | 36,863 | 41,416 | 57,000 | 56,500 | 56,500 | 56,500 | 56,500 | 56,500 |
| Total Operating Revenues | \$1,587,368 | \$1,586,388 | \$1,716,396 | \$1,700,376 | \$1,749,257 | \$1,798,060 | \$1,848,326 | \$1,900,101 | \$1,953,429 |

Operating Expenses:

| | | | | | | | | | |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Wages and Employee Benefits | \$235,094 | \$235,411 | \$243,815 | \$260,500 | \$206,800 | \$210,936 | \$215,155 | \$219,458 | \$223,847 |
| Utilities | 62,474 | 61,321 | 59,449 | 67,800 | 67,800 | 69,156 | 70,539 | 71,950 | 73,389 |
| Maintenance & Supplies | 174,838 | 115,222 | 127,715 | 133,000 | 150,000 | 153,000 | 156,060 | 159,181 | 162,365 |
| Other Services & Charges | 327,439 | 311,471 | 402,376 | 369,307 | 362,522 | 369,772 | 377,168 | 384,711 | 392,405 |
| Depreciation | 351,591 | 326,709 | 327,132 | 333,675 | 340,348 | 347,155 | 354,098 | 361,180 | 368,404 |
| Total Operating Expense | \$1,151,436 | \$1,050,134 | \$1,160,487 | \$1,164,282 | \$1,127,470 | \$1,150,020 | \$1,173,020 | \$1,196,480 | \$1,220,410 |

Net Operating Income

| | | | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | \$435,932 | \$536,254 | \$555,909 | \$536,094 | \$621,787 | \$648,040 | \$675,306 | \$703,621 | \$733,019 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

Nonoperating Revenues/Expenses

| | | | | | | | | | |
|----------------------|-----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Interest on Reserves | \$183,785 | \$92,754 | \$67,168 | \$70,988 | \$70,273 | \$65,922 | \$53,936 | \$52,638 | \$56,889 |
| Special Assessments | 108,027 | 26,533 | 56,641 | 66,827 | 63,698 | 60,569 | 57,441 | 54,312 | 51,184 |
| Depreciation | 351,591 | 326,709 | 327,132 | 333,675 | 340,348 | 347,155 | 354,098 | 361,180 | 368,404 |

Net Revenue for Debt Service

| | | | | | | | | | |
|--|-------------|-----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | \$1,079,335 | \$982,250 | \$1,006,850 | \$1,007,583 | \$1,096,106 | \$1,121,686 | \$1,140,782 | \$1,171,751 | \$1,209,496 |
|--|-------------|-----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|

City of Bemidji, Minnesota

Public Utilities Enterprise Funds (Sewer, Water, Storm Water & Refuse)

EXHIBIT 4

Assumes No S/A CIP, prior Assessments only & 3% Rate Increases

| | |
|-------------------------|------|
| Assumptions: | |
| Interest Rate | 2.0% |
| ERU Unit Growth | 0.0% |
| Operating & Maintenance | 2.0% |

| | |
|-------------------------------------|------|
| Storm Water Rate Adjustments | |
| 01-01-09 | 3.0% |
| 01-01-10 | 3.0% |
| 01-01-11 | 3.0% |
| 01-01-12 | 3.0% |
| 01-01-13 | 3.0% |
| 01-01-14 | 3.0% |
| 01-01-15 | 3.0% |
| 01-01-16 | - |

| Audited Financial Statements: | | Budget: | | Projection: | | Projection: | |
|-------------------------------|------------|------------|------------|-------------|------------|-------------|------------|
| FY Ending | FY Ending | FY Ending | FY Ending | FY Ending | FY Ending | FY Ending | FY Ending |
| 12/31/2007 | 12/31/2008 | 12/31/2009 | 12/31/2010 | 12/31/2011 | 12/31/2012 | 12/31/2013 | 12/31/2014 |

STORM WATER DEPARTMENT:

Storm Water Sales:

| | | | | | | | | | |
|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| ERU Unit Rate | \$5.73 | \$5.90 | \$6.08 | \$6.26 | \$6.45 | \$6.64 | \$6.84 | \$7.05 | \$7.26 |
|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|

Operating Revenues:

| | | | | | | | | | |
|---------------------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Charges for Services | \$906,794 | \$960,821 | \$965,369 | \$994,330 | \$1,024,160 | \$1,054,885 | \$1,086,531 | \$1,119,127 | \$1,152,701 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Operating Revenues | \$906,794 | \$960,821 | \$965,369 | \$994,330 | \$1,024,160 | \$1,054,885 | \$1,086,531 | \$1,119,127 | \$1,152,701 |

Operating Expenses:

| | | | | | | | | | |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Wages and Employee Benefits | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Utilities | 1,066 | 1,074 | 1,037 | 1,000 | 1,000 | 1,020 | 1,040 | 1,061 | 1,082 |
| Maintenance & Supplies | 141,416 | 11,442 | 73,928 | 50,000 | 50,000 | 51,000 | 52,020 | 53,060 | 54,122 |
| Other Services & Charges | 165,207 | 225,707 | 317,317 | 313,337 | 307,362 | 313,509 | 319,779 | 326,175 | 332,699 |
| Depreciation | 112,719 | 119,096 | 128,890 | 131,468 | 134,097 | 136,779 | 139,515 | 142,305 | 145,151 |
| Total Operating Expense | \$420,408 | \$357,319 | \$521,172 | \$495,805 | \$492,459 | \$502,308 | \$512,355 | \$522,602 | \$533,054 |

Net Operating Income

| | | | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | \$486,386 | \$603,502 | \$444,197 | \$498,525 | \$531,701 | \$552,576 | \$574,177 | \$596,526 | \$619,647 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

Nonoperating Revenues/Expenses

| | | | | | | | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Interest on Reserves | \$33,463 | \$16,235 | \$8,968 | \$2,399 | \$4,184 | \$3,286 | \$2,757 | \$10,086 | \$19,678 |
| Special Assessments | 4,066 | 4,946 | 6,854 | 5,000 | 0 | 0 | 0 | 0 | 0 |
| Depreciation | 112,719 | 119,096 | 128,890 | 131,468 | 134,097 | 136,779 | 139,515 | 142,305 | 145,151 |
| Net Revenue for Debt Service | \$636,634 | \$743,779 | \$588,909 | \$637,392 | \$669,982 | \$692,642 | \$716,449 | \$748,917 | \$784,477 |

City of Bemidji, Minnesota

Public Utilities Enterprise Funds (Sewer, Water, Storm Water & Refuse)

Assumes No S/A CIP, prior

Assessments only & 3% Rate Increases

EXHIBIT 4

| Assumptions: | |
|---------------------------|------|
| Interest Rate | 2.0% |
| No. of Garbage Can Growth | 0.0% |
| Operating & Maintenance | 2.0% |

| Refuse Revenue Adjustments | |
|----------------------------|------|
| 01-01-09 | 0.0% |
| 01-01-10 | 0.0% |
| 01-01-11 | 0.0% |
| 01-01-12 | 3.0% |
| 01-01-13 | 3.0% |
| 01-01-14 | 3.0% |
| 01-01-15 | 3.0% |
| 01-01-16 | - |

| | Audited Financial Statements: | | | | Budget: FY Ending 12/31/2010 | Budget: FY Ending 12/31/2011 | Projection: FY Ending 12/31/2012 | Projection: FY Ending 12/31/2013 | Projection: FY Ending 12/31/2014 | Projection: FY Ending 12/31/2015 |
|---------------------------------------|-------------------------------|-------------------------|-------------------------|-------------------------|------------------------------------|------------------------------------|--|--|--|--|
| | FY Ending 12/31/2007 | FY Ending 12/31/2008 | FY Ending 12/31/2009 | FY Ending 12/31/2010 | | | | | | |
| Operating Revenues: | | | | | | | | | | |
| Charges for Services | \$385,772 | \$293,606 | \$288,805 | \$299,000 | \$299,000 | \$307,970 | \$317,209 | \$326,725 | \$336,527 | |
| Utility Late Charges | 5,519 | 6,274 | 5,401 | 6,500 | 5,500 | 5,665 | 5,835 | 6,010 | 6,190 | |
| Connection Charges | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Other | 1,241 | 3,438 | 4,516 | 4,500 | 4,000 | 4,120 | 4,244 | 4,371 | 4,502 | |
| Total Operating Revenues | \$392,532 | \$303,318 | \$298,722 | \$310,000 | \$308,500 | \$317,755 | \$327,288 | \$337,106 | \$347,219 | |
| Operating Expenses: | | | | | | | | | | |
| Wages and Employee Benefits | \$252,944 | \$81,851 | \$131,334 | \$141,000 | \$108,900 | \$111,078 | \$113,300 | \$115,566 | \$117,877 | |
| Utilities | 22,025 | 15,597 | 326 | 500 | 500 | 510 | 520 | 531 | 541 | |
| Maintenance & Supplies | 29,569 | 50,531 | 29,374 | 25,500 | 25,500 | 26,010 | 26,530 | 27,061 | 27,602 | |
| Other Services & Charges | 138,052 | 89,034 | 75,785 | 109,000 | 126,456 | 128,985 | 131,565 | 134,196 | 136,880 | |
| Depreciation | 67,458 | 60,281 | 42,789 | 42,789 | 42,789 | 42,789 | 42,789 | 42,789 | 42,789 | |
| Total Operating Expense | \$510,048 | \$297,294 | \$279,608 | \$318,789 | \$304,145 | \$309,372 | \$314,704 | \$320,142 | \$325,689 | |
| Net Operating Income | (\$117,516) | \$6,024 | \$19,114 | (\$8,789) | \$4,355 | \$8,383 | \$12,584 | \$16,964 | \$21,530 | |
| Nonoperating Revenues/Expenses | | | | | | | | | | |
| Interest on Reserves | \$76,915 | \$0 | \$8,275 | \$8,275 | \$8,275 | \$8,275 | \$8,275 | \$8,275 | \$8,275 | |
| Special Assessments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Depreciation | 67,458 | 60,281 | 42,789 | 42,789 | 42,789 | 42,789 | 42,789 | 42,789 | 42,789 | |
| Net Revenue for Debt Service | \$26,857 | \$66,305 | \$70,178 | \$42,275 | \$55,419 | \$59,447 | \$63,648 | \$68,028 | \$72,594 | |

City of Bemidji, Minnesota

Public Utilities Enterprise Funds (Sewer, Water, Storm Water & Refuse)

EXHIBIT 4

Assumes No S/A CIP, prior Assessments only & 3% Rate Increases

**DEBT COVERAGE RATIOS:
(By Department)**

| | Audited Financial Statements: | | Budget: | | Projection: | | Projection: | | |
|--|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | FY Ending 12/31/2007 | FY Ending 12/31/2008 | FY Ending 12/31/2009 | FY Ending 12/31/2010 | FY Ending 12/31/2011 | FY Ending 12/31/2012 | FY Ending 12/31/2013 | FY Ending 12/31/2014 | FY Ending 12/31/2015 |
| SEWER DEPARTMENT: | | | | | | | | | |
| Sewer Net Rev for Debt Service | \$714,109 | \$541,070 | \$763,994 | \$641,242 | \$697,150 | \$716,344 | \$732,093 | \$749,740 | \$769,515 |
| Sewer Utility Parity Debt | | | | | | | | | |
| G.O. Revenue Bonds, 1998D/2009B Ref | \$54,256 | \$54,848 | \$54,922 | \$53,339 | \$54,549 | \$55,649 | \$45,705 | \$46,778 | \$0 |
| G.O. Revenue Bonds, 2001A/2009B Ref | 167,454 | 167,713 | 166,506 | 162,025 | 163,217 | 162,700 | 0 | 0 | 0 |
| G.O. Revenue Bonds, 2002A | 30,539 | 30,440 | 30,933 | 31,333 | 31,005 | 31,248 | 31,400 | 0 | 0 |
| G.O. Revenue Bonds, 2003 | 35,988 | 37,774 | 36,891 | 35,969 | 37,511 | 36,396 | 37,763 | 36,490 | 0 |
| G.O. Revenue Bonds, 2005 | 153,341 | 153,289 | 153,115 | 151,148 | 152,458 | 151,873 | 151,122 | 150,244 | 150,910 |
| Proposed G.O. Revenue Bonds, 2011 | 0 | 0 | 0 | 0 | 41,628 | 83,255 | 256,724 | 273,486 | 270,074 |
| Reserved | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Sewer Debt Service | \$441,579 | \$444,065 | \$442,368 | \$433,814 | \$480,368 | \$521,121 | \$522,713 | \$506,998 | \$420,984 |
| Sewer Debt Service Coverage Ratio | 1.62 x | 1.22 x | 1.73 x | 1.48 x | 1.45 x | 1.37 x | 1.40 x | 1.48 x | 1.83 x |

WATER DEPARTMENT:

| | | | | | | | | | |
|--|-------------|-----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Water Net Rev for Debt Service | \$1,079,335 | \$982,250 | \$1,006,850 | \$1,007,583 | \$1,096,106 | \$1,121,686 | \$1,140,782 | \$1,171,751 | \$1,209,496 |
| Water Utility Parity Debt | | | | | | | | | |
| G.O. Revenue Bonds, 1998D/2009B Ref | \$69,054 | \$69,807 | \$69,901 | \$67,886 | \$69,426 | \$70,826 | \$58,170 | \$59,535 | \$0 |
| G.O. Revenue Bonds, 2001A/2009B Ref | 316,151 | 316,793 | 312,186 | 305,468 | 307,716 | 306,741 | 0 | 0 | 0 |
| G.O. Revenue Bonds, 2002A | 55,737 | 55,062 | 58,414 | 61,131 | 58,899 | 60,553 | 213,220 | 0 | 0 |
| G.O. Revenue Bonds, 2003 | 34,274 | 35,976 | 35,134 | 34,256 | 35,725 | 34,663 | 35,965 | 34,752 | 0 |
| G.O. Revenue Bonds, 2005 | 175,891 | 175,832 | 175,632 | 173,376 | 174,879 | 174,207 | 173,345 | 172,339 | 173,102 |
| Proposed G.O. Revenue Bonds, 2014 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 132,550 | 669,873 |
| Reserved | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Water Debt Service | \$651,107 | \$653,469 | \$651,267 | \$642,117 | \$646,645 | \$646,990 | \$480,700 | \$399,176 | \$842,975 |
| Water Debt Service Coverage Ratio | 1.66 x | 1.50 x | 1.55 x | 1.57 x | 1.70 x | 1.73 x | 2.37 x | 2.94 x | 1.43 x |

STORM WATER DEPARTMENT:

| | | | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Storm Water Net Rev for Debt Service | \$636,634 | \$743,779 | \$588,909 | \$637,392 | \$669,982 | \$692,642 | \$716,449 | \$748,917 | \$784,477 |
| Storm Water Utility Parity Debt | | | | | | | | | |
| G.O. Revenue Bonds, 2001A/2009B | \$99,243 | \$99,243 | \$100,856 | \$96,457 | \$97,167 | \$96,859 | \$0 | \$0 | \$0 |
| G.O. Revenue Bonds, 2002A | 151,636 | 151,636 | 151,636 | 151,636 | 151,636 | 151,636 | 0 | 0 | 0 |
| G.O. Revenue Bonds, 2005 | 121,770 | 121,730 | 121,591 | 120,030 | 121,070 | 120,605 | 120,008 | 119,312 | 119,840 |
| Reserved | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reserved | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Storm Water Debt Service | \$372,649 | \$372,609 | \$374,084 | \$368,123 | \$369,873 | \$369,100 | \$120,008 | \$119,312 | \$119,840 |
| Storm Water Debt Service Coverage Ratio | 1.71 x | 2.00 x | 1.57 x | 1.73 x | 1.81 x | 1.88 x | 5.97 x | 6.28 x | 6.55 x |

REFUSE DEPARTMENT:

| | | | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Refuse Net Rev for Debt Service | \$26,857 | \$66,305 | \$70,178 | \$42,275 | \$55,419 | \$59,447 | \$63,648 | \$68,028 | \$72,594 |
| Refuse Utility Parity Debt | | | | | | | | | |
| Reserved | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Refuse Debt Service | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Refuse Debt Service Coverage Ratio | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |

City of Bemidji, Minnesota

Public Utilities Enterprise Funds (Sewer, Water, Storm Water & Refuse)

EXHIBIT 4

**DEBT COVERAGE RATIOS:
(For Public Utilities Fund)**

**Assumes No S/A CIP, prior
Assessments only & 3% Rate Increases**

| | Audited Financial Statements: | | | | Budget: | | Projection: | | Projection: | | Projection: | |
|---|-------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | FY Ending 12/31/2007 | FY Ending 12/31/2008 | FY Ending 12/31/2009 | FY Ending 12/31/2010 | FY Ending 12/31/2010 | FY Ending 12/31/2011 | FY Ending 12/31/2012 | FY Ending 12/31/2013 | FY Ending 12/31/2014 | FY Ending 12/31/2015 | FY Ending 12/31/2015 | FY Ending 12/31/2015 |
| Sewer Net Rev for Debt Service | \$714,109 | \$541,070 | \$763,994 | \$641,242 | \$697,150 | \$716,344 | \$732,093 | \$749,740 | \$769,515 | | | |
| Water Net Rev for Debt Service | 1,079,335 | 982,250 | 1,006,850 | 1,007,583 | 1,096,106 | 1,121,686 | 1,140,782 | 1,171,751 | 1,209,496 | | | |
| Storm Water Net Rev for Debt Service | 636,634 | 743,779 | 588,909 | 637,392 | 669,982 | 692,642 | 716,449 | 748,917 | 784,477 | | | |
| Refuse Net Rev for Debt Service | 26,857 | 66,305 | 70,178 | 42,275 | 55,419 | 59,447 | 63,648 | 68,028 | 72,594 | | | |
| Total Net Rev for Debt Service | \$2,456,935 | \$2,333,404 | \$2,429,931 | \$2,328,492 | \$2,518,657 | \$2,590,120 | \$2,652,971 | \$2,738,436 | \$2,836,082 | | | |
| Sewer Debt Service | \$441,579 | \$444,065 | \$442,368 | \$433,814 | \$480,368 | \$521,121 | \$522,713 | \$506,998 | \$420,984 | | | |
| Water Debt Service | 651,107 | 653,469 | 651,267 | 642,117 | 646,645 | 646,990 | 480,700 | 399,176 | 842,975 | | | |
| Storm Water Debt Service | 372,649 | 372,609 | 374,084 | 368,123 | 369,873 | 369,100 | 120,008 | 119,312 | 119,840 | | | |
| Refuse Debt Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| Total Debt Service | \$1,465,336 | \$1,470,142 | \$1,467,718 | \$1,444,054 | \$1,496,886 | \$1,537,211 | \$1,123,421 | \$1,025,486 | \$1,383,799 | | | |

Total Debt Service Coverage Ratio

| | 1.68 x | 1.59 x | 1.66 x | 1.61 x | 1.68 x | 1.68 x | 2.36 x | 2.67 x | 2.05 x |
|--------------------------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Total Debt Service | | | | | | | | | |
| Net Cashflow After Debt (Sewer) | \$272,530 | \$97,005 | \$321,626 | \$207,428 | \$216,782 | \$195,223 | \$209,379 | \$242,742 | \$348,531 |
| Net Cashflow After Debt (Water) | 428,228 | 328,781 | 355,583 | 365,466 | 449,461 | 474,696 | 660,082 | 772,574 | 366,521 |
| Net Cashflow After Debt (Stormwater) | 263,985 | 371,170 | 214,825 | 269,269 | 300,109 | 323,542 | 596,441 | 629,605 | 664,637 |
| Net Cashflow After Debt (Refuse) | 26,857 | 66,305 | 70,178 | 42,275 | 55,419 | 59,447 | 63,648 | 68,028 | 72,594 |
| Total Net Cashflow After Debt | \$991,599 | \$863,262 | \$962,213 | \$884,439 | \$1,021,771 | \$1,052,908 | \$1,529,550 | \$1,712,950 | \$1,452,283 |

Bond, Loan & Note Proceeds

| | | | | | | | | | |
|----------------------------------|----------------------|----------------------|--------------------|--------------------|--------------------|----------------------|-------------------|------------------|----------------------|
| Sewer- Grants | 36,922 | 782,602 | 1,549 | 0 | 3,000,000 | 0 | 0 | 7,500,000 | 0 |
| Water- Grants | 36,923 | 782,212 | 1,229 | 0 | 0 | 0 | 0 | 0 | 0 |
| Water- Op Transfers In (Out) | (57,449) | 1,422,857 | (215,045) | 0 | 0 | 0 | 0 | 0 | 0 |
| Sewer- Op Transfers In (Out) | 211,268 | 2,026,244 | (246,660) | 0 | 0 | 0 | 0 | 0 | 0 |
| St. Water- Op Transfers In (Out) | (1,133,861) | (436,772) | (1,129,105) | 0 | 0 | 0 | 0 | 0 | 0 |
| Refuse- Op Transfers In (Out) | (2,300,000) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Sources (Uses)- Sewer | 186,801 | (8,493) | 25,925 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Sources (Uses)- Water | 186,801 | (8,493) | 25,925 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Sources (Uses)-Stormwater | 0 | 0 | 57,807 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Sources (Uses)-Refuse | 0 | 219 | 230 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Sources (Uses) of Cash | (47,640) | 14,623 | 255,685 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital Outlays- Sewer | (177,862) | (3,240,380) | (603,036) | (613,000) | (3,470,500) | (680,000) | (660,000) | (650,000) | (3,595,000) |
| Capital Outlays- Water | (374,834) | (3,240,380) | (94,649) | (401,200) | (667,000) | (1,074,000) | (725,000) | (8,060,000) | (185,000) |
| Capital Outlays- Storm Water | (263,109) | (308,280) | 0 | (180,000) | (345,000) | (350,000) | (230,000) | (150,000) | (250,000) |
| Capital Outlays- Refuse | (23,109) | (175,156) | 0 | 0 | 0 | 0 | 0 | (70,000) | (200,000) |
| Annual Surplus or Deficit | (\$2,727,550) | (\$1,525,934) | (\$957,932) | (\$309,761) | (\$460,729) | (\$1,051,092) | (\$85,450) | \$282,950 | (\$2,777,717) |

Unrestricted Cash

| | | | | | | | | | |
|------------------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Cash Balance-Beginning | \$13,077,078 | \$10,349,529 | \$8,823,594 | \$7,865,662 | \$7,555,901 | \$7,095,172 | \$6,044,080 | \$5,958,630 | \$6,241,579 |
| Cash Balance-Ending | \$10,349,529 | \$8,823,594 | \$7,865,662 | \$7,555,901 | \$7,095,172 | \$6,044,080 | \$5,958,630 | \$6,241,579 | \$3,463,863 |

Cash as % of Net O&M

| | | | | | | | | | |
|--|------|------|------|------|------|------|------|------|------|
| | 328% | 313% | 261% | 245% | 235% | 196% | 190% | 195% | 106% |
|--|------|------|------|------|------|------|------|------|------|

Cash Position by Department

| | | | | | | | | | |
|----------------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Sewer | \$4,958,350 | \$4,416,643 | \$3,863,497 | \$3,457,926 | \$3,204,208 | \$2,719,431 | \$2,268,810 | \$1,861,552 | \$1,384,917 |
| Water | 4,442,594 | 3,528,885 | 3,549,378 | 3,513,644 | 3,296,105 | 2,696,802 | 2,631,884 | 2,844,458 | 3,025,979 |
| Stormwater | 655,936 | 615,399 | 119,946 | 209,215 | 164,325 | 137,866 | 504,307 | 983,912 | 1,398,549 |
| Refuse | 292,649 | 262,665 | 332,840 | 375,115 | 430,534 | 489,981 | 553,629 | 551,657 | 424,251 |
| Total Cash Balances | \$10,349,529 | \$8,823,592 | \$7,865,662 | \$7,555,901 | \$7,095,172 | \$6,044,080 | \$5,958,630 | \$6,241,579 | \$3,463,863 |