

Financial Analysis

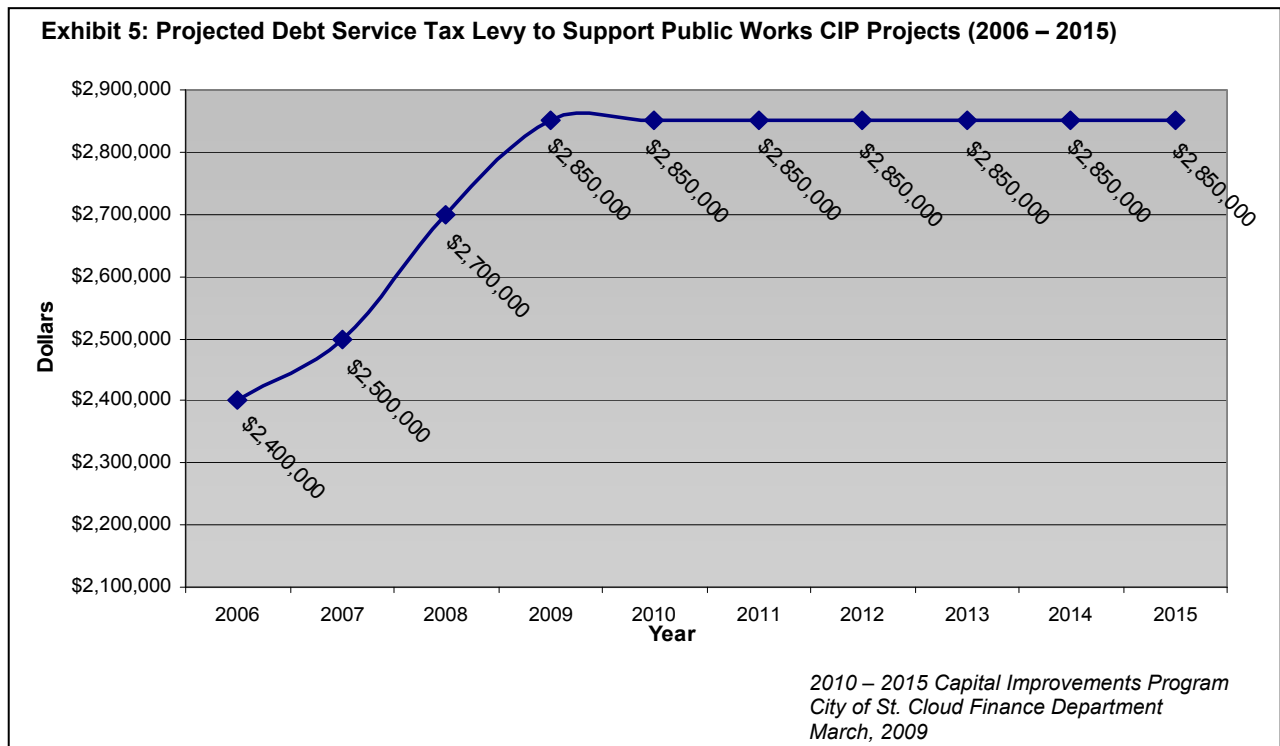


Projected Debt Service Levy to Support Public Works CIP Projects

The City of St. Cloud completed a ten-year project to extend utilities to the merged area from the former St. Cloud Township. The City incurred an average of \$9.5 million each year in the General Obligation Debt from 1997-2006 to support the Public Works capital projects. There were significant City costs associated with the merger projects that resulted in an increasing debt service levy to support the City cost of these improvements.

The goal of the City Council and Administration is to apply similar levels of City funding previously committed to the merger to the neighborhood revitalization projects in the future years. The City cost share for neighborhood projects is higher than the agreed upon City costs for the extension of utilities in the merged area. Therefore, the size of the neighborhood revitalization projects has to be set to match the level of City funding that is supported by a property tax levy for debt. The CIP for the Public Works includes at least one neighborhood improvement project each year.

The current CIP includes reduced funding for neighborhood improvement projects in 2010 and 2011. The total cost of a neighborhood project in previous years was approximately \$3,000,000 - \$4,000,000. The current economic downturn has put increased pressure on the property tax levy. In order to keep the tax levy for debt flat (currently \$2,850,000 annual levy), the City is only including funding for neighborhood projects for \$1,000,000 in 2010 and \$1,500,000 in 2011. The funding for 2012-2015 is projected to increase to previous levels pending an economic recovery.



Projected Property Tax Impact from Construction of Law Enforcement Center and Fire Station

The City is constructing a new Law Enforcement Center and Fire Station at a cost of \$36,500,000 in 2008 and 2009. The City financed this project using General Obligation bonds authorized by voter approval at the November 2006 election. The bonds will be paid back at an estimated annual payment of approximately \$2,870,000 over a 20-year period. The source of funds to pay for the annual debt service payment would be the property tax levy for debt. The Minnesota State legislature has required that voter approved bond levies be spread on market value. The annual impact on City taxpayers (regardless of whether property is residential, commercial, or industrial) is as follows:

Exhibit 6: Projected Property Tax Impact from Construction of Law Enforcement Center and Fire Station

Estimated Market Value	Amount
\$150,000	\$107
\$200,000	\$143
\$250,000	\$178
\$500,000	\$357
\$1,000,000	\$713

*2010 – 2015 Capital Improvements Program
 City of St. Cloud Finance Department
 March, 2009*

Impact on Utility Rates from CIP Water and Wastewater Projects

The City has significant utility projects for both the water and wastewater utilities. In the water utility, the expansion of the water plant from a capacity of 16 million gallons a day to 24 million gallons a day (mgd) will cost approximately \$17,700,000 for phase one scheduled for 2013 and phase two estimated at \$17,700,000. The City would finance the expansion of the water treatment facility by a General Obligation Revenue Bond. The annual debt service to pay off the bonds would be approximately \$2,650,000 beginning in 2014. However, the bonds issued to construct the water plant in 1992 will be paid off in 2013. Therefore, the City would be able to replace the stream of debt payments from the original construction with the new debt for expansion. There would only be a slight increase in overall debt service as a result.

The City has projected over \$19,000,000 in projects in the wastewater utility in 2010 and 2011. The most significant project is the expansion of the wastewater treatment facility that provides services to St. Cloud and five surrounding cities. The City would finance the 2010 and 2011 CIP wastewater projects by issuing a General Obligation Revenue Bond. The annual debt service to pay off the bonds over a 20-year period would be approximately \$1,400,000 beginning in 2010. The City has initiated a phased increase in the utility rates for wastewater in order to pay the annual debt service requirement. The City Council has approved a rate increase of 8% on wastewater rates for 2007, 2008, and 2009. Also, there is an expectation that similar rate increases would be necessary in 2010. This will result in rate payers gradually increasing their bills over a four-year period rather than a large one-time increase in 2010.

St. Cloud Area Local Option Sales Tax

The City received authorization by the Minnesota State Legislature for a 13-year sales tax beginning in 2006. The Cities of St. Cloud, Sartell, Sauk Rapids, Waite Park, St. Joseph, and St. Augusta will participate in the collection and distribution of the sales tax revenue. The City of St. Cloud received voter approval to fund the following:

- \$39,933,000 to pay for principal and interest on Regional Library.
- \$17,000,000 to pay for regionally significant road projects.
- \$10,000,000 for regional park and trail projects.
- \$10,000,000 for an aquatic/community center.
- \$5,000,000 for improvements at the St. Cloud Regional Airport.

Exhibit 7: Sales Tax Cash Flow Projection for St. Cloud's Portion of Sales Tax (2010 – 2015)

Description	2010	2011	2012	2013	2014	2015
Projected Revenue	\$5,622,800	\$5,791,500	\$5,965,200	\$6,144,200	\$6,328,400	\$6,518,300
Expended for:						
Library	(2,858,000)	(3,003,800)	(3,166,000)	(3,328,000)	(3,494,300)	(3,699,200)
Roads	(1,000,000)	(1,000,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)
Airport	0	0	(1,800,000)	(1,000,000)	0	0
Parks	(1,210,000)	(2,500,000)	(285,000)	(450,000)	(500,000)	(5,500,000)
Total Expenditures	(5,062,000)	(6,503,000)	(6,351,000)	(5,878,000)	(5,094,300)	(10,269,200)
Surplus/Deficit	\$560,800	(\$712,300)	(\$385,800)	\$266,200	\$1,234,200	(\$3,750,900)
Balance Carried Forward	\$1,552,000	\$839,700	\$453,900	\$720,100	\$1,954,200	(\$1,796,700)

2010 – 2015 Capital Improvements Program
 City of St. Cloud Finance Department
 March, 2009