



Audit and Investment Commission

March 24, 2023 | 7:30 a.m.

Ash North and South Conference Room (first floor)

Woodbury City Hall | 8301 Valley Creek Road

Agenda

1. Call to Order/Roll Call
 - A. Completion of oaths of office
2. Approval of Minutes
 - A. Audit and Investment Commission meeting: February 10, 2023
3. Review and Recommend Updates to CD-FIN-5:10 Water and Sanitary Sewer Utility Capital Asset Funding and Reserve Policy
4. Adjournment

Additional Attachment for Commission Information (no discussion or action):

- As requested from the previous meeting, Management Discussion and Analysis section from the most recent annual audit.

Next Meeting of Audit and Investment Commission: TBD

City of Woodbury

Audit and Investment Commission Minutes February 10, 2023

Pursuant to due call and notice thereof, a meeting of the Audit and Investment Commission was held at Woodbury City Hall, 8301 Valley Creek Road, on the 10th day of February 2023.

Item 1: Call to Order / Roll Call

Chair Lehman called the meeting to order at 7:30 a.m.

Upon roll call, the following members of the Audit and Investment Commission were present: Frank Gilbertson, Gracie George, Cody Groth, John Lehman, Alec Sonsteby, Ross Tollefson, Annmarie Weiser.

Absent: Jeanine Kuwik

Others present: Angela Gorall, Assistant City Administrator; Clint Gridley – City Administrator; Rob James, ICT Director, Jason Schirmacher, CFO/Controller; Kim Wilson, Council Member; Ryan Miles – Ehlers; Matt Tourville - Ehlers; Roxy Nowicki, Recording Secretary.

Item 2: Welcome and Introductions

Chair Lehman welcomed new members Gracie George and Ross Tollefson and asked them and other commission members to introduce themselves.

After introductions, Ms. Gorall stated that the City Code regarding the Audit and Investment Commission is included in the packet for the commission members' information. Periodically, Council refers to the Commission for other work than what is listed in code. In 2022, there were two previous meetings talking about water rates and the water treatment project. This will be brought to future meetings for discussion.

She continued talking about open meeting law and that emails should only be replied to the sender, not to everyone on the email list.

Item 3: Approval of Minutes – November 4, 2022

Moved by member Sonsteby, seconded by member Gilbertson to approve the November 4, 2022 minutes.

Voting in favor: All present Voting against: None Absent: Jeanine Kuwik

Item 4: Cybersecurity Assessment Review Update Presentation

ICT Director Rob James introduced himself. He stated this is a fairly new program and results are being reported to the Audit and Investment Commission.

He began by stating that the methodology used is the FISA score, which is similar to the FICO score. It was developed by a company called FRSecure, a Minnesota company nationally well known in the cybersecurity arena. The City brought in a consultant that uses this methodology for the assessment.

Mr. James then reviewed the area that were covered in the assessment:

- Administrative Controls
- Physical Controls
- Internal Technical Controls
- External Technical Controls

There is a lengthy questionnaire that covers all four of the areas and breaks it down into extreme detail. The consultant then comes in and reviews the questions with staff, does a physical site review, and an internal and external vulnerability scan of the network. They then compile all the results into a FISA score and a detailed report to help develop a mitigation plan and make recommendations to improve the overall score.

Mr. James continued with his presentation talking about the FISA score and the four phases of the assessment.

Mr. James then highlighted the enhancements that were previously made:

- Completed multi-factor authentication
- Added malicious domain blocking
- Hard drives on all the City laptops have been encrypted
- Added firewall to block certain IP addresses
- Security awareness testing (malicious email test)

Mr. James continued by reviewing current security program enhancements:

- Added a powerful Endpoint Detection and Response (EDR) security solution which replaced traditional antivirus solution
- Replaced all badges with a more secure ID badge technology
- Upgraded firewall technology to stay current
- Developed a better change control process administratively
- Improved the process and period of time to upgrade or patch software
- Transitioned to physical security having oversight by Emergency Preparedness Coordinator
- Hired a new Endpoint System Administrator

After a short discussion about phishing emails, ransomware and training of new staff, Mr. James continued with his presentation talking about administrative controls, physical controls, internal technical controls, and external technical controls recommendations.

After talking about future security program enhancements, Chair Lehman thanked Mr. James for his presentation.

Item 5: Quarterly Investment Results Review with Ehlers

Mr. Miles and Mr. Tourville introduced themselves to the Commission Members.

Mr. Miles began his presentation by briefly reporting on current economic indicators. The first indicator is Manufacturing PMI, which comes out monthly and shows how manufacturing is performing. When the number is above 50 manufacturing is expanding and when it's below 50, it's declining. The trend line for this year shows that manufacturing has slowed.

Another economic indicator is retail sales. Retail sales were down the last quarter. Inflation has peaked summer of 2022. Feds are trying to combat inflation by raising interest rates.

Mr. Miles continued with his presentation reviewing the portfolio:

- The City is heavily invested in US agencies, which is the safest place to be. It has the implied full faith and credit of the US Government as well as higher yielding investment options. As an investment advisor, they are engaged to make sure the portfolio is safe, that it provides liquidity, and provides a reliable rate of return.

Member Gilbertson stated that he has heard about full faith and credit of the US Government, but lately with the talk of debt default, how much faith is there in the US Government? Mr. Tourville stated that the US Government is always going to be the best credit available. Should there be any sort of realized default, every form of credit will suffer more greatly than the US.

After a short discussion, Mr. Miles continued with his presentation talking about the portfolio composition and liquidity of the portfolio.

Mr. Miles ended his presentation by reviewing the fourth quarter report:

- All funds have been fully reinvested with eye on liquidity and short duration. The overall portfolio duration has been reduced from 2.92 years to 2.27 years.
- The average credit rating increase to AA+.
- The book yield (IRR) increased from 0.98 percent to 1.96 percent and continues to climb.
- However, interest income was mitigated in 2022 by the current unrealized loss in the portfolio. This will be counteracted in 2023 by reinvesting shorter term and further lowering the portfolio duration.
- Looking ahead the Fed is likely going to raise the Fed Funds rate by another 0.25 percent and the yield curve will likely continue to remain inverted. There is room in the portfolio to remain invested short term with the eye of "locking" in longer term bond options later this year - likely Q2 or Q3 2023.

After a short discussion, the commission thanked Mr. Miles and Mr. Tourville for their presentation.

Ms. Gorall mentioned that a council memorandum was attached to the packet related to the ERP project. The City Council did approve the contracts at the February 8 Council meeting.

The next meeting is scheduled for March 24.

A short discussion ensued about the Capital Asset Funding and Reserve Policy, which will be discussed at the March meeting.

A short discussion ensued about operational risk management and audits that look at that process.

Item 6: Adjournment

Meeting adjourned at 9:10 a.m.

DRAFT

**City of Woodbury, Minnesota
Audit and Investment Commission**

March 24, 2023

To: City of Woodbury Audit and Investment Commission

From: Jason Schirmacher, CFO/Controller

Subject: Review of CD-FIN-5.10 Water and Sanitary Sewer Utility Capital Asset Funding and Reserve Policy

Summary

At the October and November meetings in 2022, Public Works Director Mary Hurliman introduced the Commission to the history of PFAS in the community, the State's settlement, the resulting conceptual drinking water supply plan (CDWSP) and the City's steps taken to this point and future plans to address PFAS, through water treatment.¹ This content was intended to provide the necessary context to further review and analyze an ongoing water rate analysis and associated policy questions.

The City has been working with a consultant, Carollo, to assist with the complex water rate analysis. Carollo reviewed Woodbury's current rate structure and provide an overview of the financial needs of the Woodbury water system, irrespective of PFAS and treatment at the November meeting. The City has taken an approach of having Carollo build a comprehensive model, which scenarios can then be added for analysis if directed by the City Council.

The Audit and Investment Commission will be asked to continue to provide guidance and analysis specific to utility rates at future meetings. However, as part of the comprehensive model being built, a recommendation from the Commission on an essential Council Directive (policy) is requested. The Commission had been previously provided CD-FIN-5.10 Water and Sanitary Sewer Utility Capital Asset Funding and Reserve Policy. Attached is a staff recommended red-lined version of the policy for Commission review and ultimately recommendation to the City Council.

Key considerations include the fact that significant infrastructure and associated debt is being added to the City's water system as we proceed with constructing a water treatment plant. The City will also likely be shifting from a mostly pay-as-you-go community to needing to manage debt to support the Woodbury water system. An update from previous meetings is that the City Council has provided clarity that water softening will not be included in the treatment plant, which had a significant capital component affecting our analysis and model.

Provided in the Background are further details on staff's recommended changes to the policy as provided. Also attached is the 2023 Budget for the Water and Sewer Utility Fund for reference.

¹ See <https://www.woodburymn.gov/321/Addressing-PFAS-in-Groundwater> for further and the latest information.

Recommendation

Commissioners are asked to review and provide comments on the provided red-lined policy and advise staff of any additional information that can be provided to assist. Staff will be seeking the Commission's recommendation on the policy to the City Council. Should the Commission be ready to provide that recommendation at this meeting, then a motion would be requested. If not, a further meeting will be scheduled to address the Commission's comments.

Fiscal Implications

Fiscal implications will be an ongoing analysis throughout the rate model process and will be partly dictated by final funding decisions on and funding sources for the required water treatment system infrastructure. The policy as provided will provide for the annual recommendations by staff to the City Council for rates.

Policy

Consistent with Council Strategic Initiative – Drinking Water – Water Treatment Implementation.

Background

Staff has recommended several changes to CD-FIN-5.10 Water and Sanitary Sewer Utility Capital Asset Funding and Reserve Policy as well as several components not to change. Provided are further details on recommendation in an effort to maximize our meeting time.

- **Operations or Working Capital Reserve:** Staff recommends the continued policy of a target level equal to 90 days of operating expenses. GFOA recommends a target working reserve for operating expenses of between 45 to 90 days. The Water and Sewer function only has one fund that it operates in unlike some functions that operate in the General Fund and may also have Special Revenue and Capital funds supporting its operations. For this reason, staff did not recommend a reduced target level. Staff also did not recommend a change due to current quarterly billing cycles and cash flow implications.
- **Revenue Stabilization Reserve:** Staff recommends a change from 20% of the following year's water revenue to 7.5% of the following year's water and sewer revenue. As the rate model was being developed by Carollo, it was evident that the water function revenues are subsidizing the sewer function. Therefore, the model has been developed to try to balance out each function within the fund so that each is generating enough revenue to support its specific needs. With this approach, it was then recommended that the revenue stabilization reserve should then draw off each function's revenue generation instead of just water's.

- **Renewal and Replacement (Capital Asset) Reserve:** Staff has recommended a change from a target funding approach to a depreciation funding approach. There are several positive features of this approach:
 - It is an easily identifiable target each year. The City has a fixed asset system which can easily produce the depreciation for the year being budgeted for and that depreciation amount is easily included into the rate model to help determine what rates will be needed to fund the operations and the reserve targets.
 - The target funding approach that is in the current policy identified a specific dollar amount to fund each year for replacements. The issue is that amount had to be reevaluated each year to account for the additional capital assets being added by our developing community. The depreciation funding approach updates itself by the work the Finance Division already does, as new capital assets are added to the system. Approach is therefore easier to maintain and clearer.
 - In City developer agreements, the developer is responsible for infrastructure needs including streets, water, sewer, storm water, etc. Although the City doesn't fund these capital asset initially, the City does take possession of those assets upon completion and is responsible for their repair, maintenance and eventual replacement. The other funding models, such as the target approach in the existing policy or using the Capital Improvement Plan (CIP) doesn't fully consider these assets and eventual replacements because the City doesn't have these assets identified in those approaches. In the depreciation funding approach, the developer funded assets are recorded as contributed assets at the time we take possession and are added to the City's fixed asset software and depreciated. This automatically brings these assets into the replacement funding target by work the Finance Division already does.
- **Options Considered, Not Recommended:** Staff considered using the CIP for the funding goals, however this approach was problematic. The CIP is not a consistent amount each year, so an average needs to be used (5-10 years) which is difficult to then work into the rate model. The CIP approach also takes more analytical work because the CIP is a mix of replacement of assets and new assets. The new asset construction could use the reserve as a funding source, but only if it's a smaller project that wouldn't deplete the reserve which was built up for replacement. The CIP approach doesn't factor in the replacement of developer contributed assets because those replacements wouldn't show until they're in the CIP plan for replacement giving up the opportunity to build up funds for their replacement over time.

Another consideration staff reviewed was use of a gross margin or margin percentage. This method would not be feasible or recommended for the Renewal and Replacement (Capital Asset) Reserve, Debt Service Reserve or the Operations or Working Capital Reserve. While it could potentially be considered for the Revenue Stabilization Reserve, that reserve is solely focused on revenue shortfalls from potential lower customer consumption and doesn't take into consideration expenses, which the margin approach would. Determining what the margin percentage should be (i.e. 20%, 30%) would need to be continually reviewed and reevaluated adding instability to the model process.

Audit and Investment Commission

March 24, 2023

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Overall, a gross margin approach is a more broad brush analytic that isn't as targeted to achieving the goals for each reserve and was therefore not recommended.

- **Prioritization of Funding Reserves:** In the rate model projecting out future rate increases with future CIP activity, there are years where we will and will not be able to fully fund all four reserve types. For this reason, staff made the recommendation that funding 100% of the annual depreciation would be our capital replacement funding goal, but also putting into the policy that the capital replacement reserve would be the last priority after the other three reserve's annual funding goals have been met. We will know the annual depreciation amount funding goal during the annual budget and rate setting process allowing for staff to make the determination on how much we can reasonably raise rates to fund all four reserve types 100%. The capital replacement reserve is the last priority in the policy as it can potentially be "underfunded" each year because debt issuance is always a funding option for capital asset replacement. For the other three reserves in the policy, we would never want to issue debt for the purposes of those reserves, therefore making them a higher priority for funding annually.

At the meeting, staff will provide a further thorough review of proposed changes and recommendations.

Written By: Jason Schirmacher, CFO/Controller
Approved Through: Angela Gorall, Assistant City Administrator
Attachments:

1. Water and Sanitary Sewer Utility Capital Asset Funding and Reserve Policy (CD-FIN-5.10), Staff Red-Lined
2. 2023 Budget for Water and Sewer Utility Fund

| | | |
|---|---|----------------------------|
|  <p>COUNCIL DIRECTIVE</p> | Adopted: | Number: CD-FIN-5.10 |
| | Mayor: | City Administrator: |
| | For: Finance | |
| | Subject: Water and Sanitary Sewer Utility Capital Asset Funding and Reserve Policy | |

PURPOSE

The purpose of this policy is to minimize the overall cost to the citizens of Woodbury for the operations of the water and sanitary sewer systems, and as a result, there are periods when a significant reserve balance may be present in the Water and Sanitary Sewer Utility Fund. Given the growth patterns of Woodbury and the life cycle of utility infrastructure, significant reserve balances are intentional and necessary in order to achieve the low cost objective. Positive reserve balances provide interest free funding capacity and a buffer against major uncertainty that is present in the life cycle assumptions of the utility infrastructure as well as uncertainties related to future water availability concerns.

This policy establishes a framework for the capital asset funding approach and reserve balances of the Water and Sanitary Sewer Utility Fund. The Water and Sanitary Sewer Utility is an enterprise fund that accounts for specific services funded directly by fees and charges to City water and sanitary sewer customers. The fund is intended to be self-supporting and separate from other governmental funds.

POLICY CONSIDERATIONS

- A. The reserve balance is defined as the difference between cash and investments minus current liabilities not including the current portion of bonds payable.
- B. The ~~Chief Financial Officer~~~~City Administrator~~ and ~~Budget Manager~~~~Finance Director~~, as part of the annual budget process, shall prepare an analysis of the reserve balances as defined by this policy.
- C. The City Council will direct any changes to the assigned reserve amounts. This policy reflects the intended use of those funds and the policies of the City Council.

~~CAPITAL ASSET FUNDING AND~~ RESERVE BALANCE POLICY

The Water and Sanitary Sewer Utility Fund target reserve levels are listed below:

1. Operations or Working Capital Reserve:

This reserve provides working capital for the day-to-day operations and absorbs fluctuations in the cash balances. The operating reserve will be funded at a target level equal to 90 days of operating expenses from the following year’s adopted budget for the Water and Sanitary Sewer Utility Fund.

Operating expenses are defined as personnel services, operating expenses and transfers to the General Fund.

2. Revenue Stabilization Reserve:

This reserve provides a revenue source during revenue shortfalls that result from lower than expected customer consumption. The revenue stabilization reserve will be funded at a target level equal to 7.520% of the following years' water and sewer revenue budget.

3. Debt Service Reserve:

This reserve provides a means of protecting against the risk of nonpayment of debt. The City will maintain this reserve to be in compliance with the existing-bond covenants at the time the annual budget and rate setting process begins. The debt service reserve will be funded at a target level equal to the following years principal and interest amount. The reserve calculation will include debt supported by the Water and Sanitary Sewer Utility Fund and accounted for through transfers to other funds.

4. Renewal and Replacement (Capital Asset) Reserve:

The utilities physical assets represent a long-term investment and service commitment. The long-term horizon extends beyond the window of the near-term five year capital improvement plan, including projects that are not yet identified. All of the system or infrastructure assets that comprise the existing system represent a liability as they will eventually need to be replaced or rehabilitated. This liability grows continuously as construction costs increase over time and the system expands as the City grows. The purpose of this policy is to establish a reinvestment approach that provides a predictable and stable source of funding for renewal and replacement of capital assets.

~~Target Funding Approach - This approach establishes a specific dollar amount of funding to be budgeted annually. The annual target amount is based on the renewal and replacement estimate from the latest third party user rate analysis. This approach uses the pay-as-you go strategy for system renewal and replacement needs including equipment and rolling stock. Each budget year, a specific dollar will be budgeted and funded through the utility's rate structure. Theoretically the utility will generate enough surplus cash to fully fund the utility's long-term system and capital needs. The target funding amount per the latest third party analysis is included as Attachment 1.~~

Depreciation Funding Approach - This approach sets aside cash in the amount equal to the City's annual depreciation. The annual depreciation is on capital assets with an initial cost of \$5,000 and an estimated useful life more than one year. This approach uses the pay-as-you go strategy for system renewal and replacement needs including equipment and rolling stock. Each budget year, a specific dollar amount will be budgeted for one year's worth of depreciation and funded through the utility's rate structure. Theoretically the utility will generate enough surplus cash to fully fund the utility's long-term system and capital needs.

Debt Utilization and Considerations - Debt may be utilized to mitigate the effects of large capital projects. The use of debt will be evaluated when the project cannot be financed using the ~~depreciation target~~ funding approach and the reserve balance drawdown would compromise the long-term financial capacity of the system renewal and replacement reserve. This policy will confine the use of long-term borrowing to capital improvements, equipment or projects that have a life greater than 15 years and a minimum cost greater than five million dollars. Debt may not be used to fund ongoing utility operations and maintenance costs that cannot be capitalized.

Renewal and Replacement (Capital Asset) Reserve – This reserve balance will be the residual balance after the calculation of all other reserve requirements ~~as~~ listed above are met. This reserve may be used in combination with the issuance of debt to fund large capital projects or unexpected emergencies.

Reserve Replenishment

RESERVE REPLENISHMENT

The four reserves will be reviewed and recalibrated through the normal annual budget and rate-setting process. Since expenses typically increase over time, the target funding amount ~~will~~should also increase proportionally with increases in expenses meaning that rates would incorporate small annual increments of additions to the target funding amount.

**Adopted by the Woodbury City Council on February 26, 2014 – Resolution No. 14-
Update adopted by the Woodbury City Council on _____ - Resolution No.**

Public Works Water and Sewer Utility Fund

Budget Summary

Current Financial Resources - January 1, 2023 **\$16,855,100**

Projected Revenue:

| | |
|------------------------------------|-------------|
| Payments from Utility Customers - | |
| Water Revenue | \$7,147,900 |
| Sewer Revenue | 9,044,200 |
| MN Testing Fee | 240,200 |
| Water Meter Sales | 159,500 |
| Penalties on Late Utility Payments | 314,000 |

| | |
|-----------------------------|-------------------|
| Total from Customers | 16,905,800 |
|-----------------------------|-------------------|

| | |
|--|---------|
| Other Revenue | 140,800 |
| Non-operating Intergovernmental Revenues | 236,000 |
| Interest Earned | 197,200 |
| Interest Earned-Other | 5,840 |

| | |
|----------------------|-------------------|
| Total Revenue | 17,485,640 |
|----------------------|-------------------|

Projected Expenses:

| | |
|--|-----------|
| Salary & Benefits | 2,728,200 |
| Operating Expenses | 3,341,900 |
| Metropolitan Council Environmental Services | 5,417,500 |
| Meter Replacement Program and Capital Outlay | 1,951,400 |
| Transfers Out | 9,585,890 |
| Non-operating Project Expenses | 556,000 |

| | |
|-----------------------|-------------------|
| Total Expenses | 23,580,890 |
|-----------------------|-------------------|

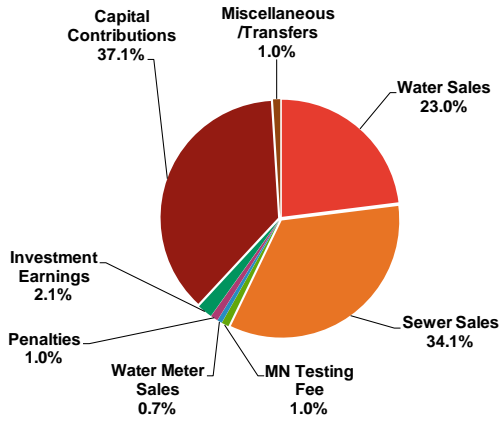
Projected Interfund Loan Activity:

| | |
|--|--------|
| Principal Payment - Fund 956 - Tax Abatement Bonds 2013A | 43,831 |
|--|--------|

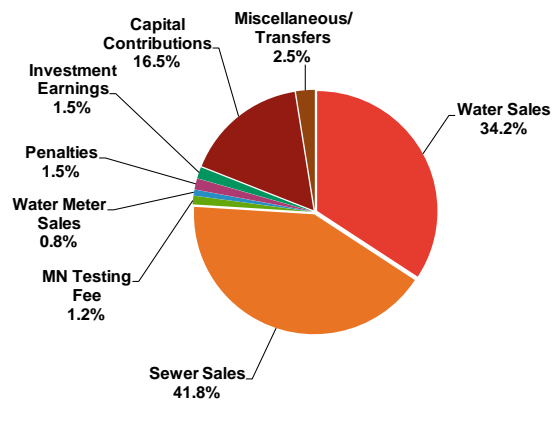
Current Financial Resources - December 31, 2023 **\$ 10,803,681**

Water and Sewer Utility Fund Revenue Comparison 2020 - 2023

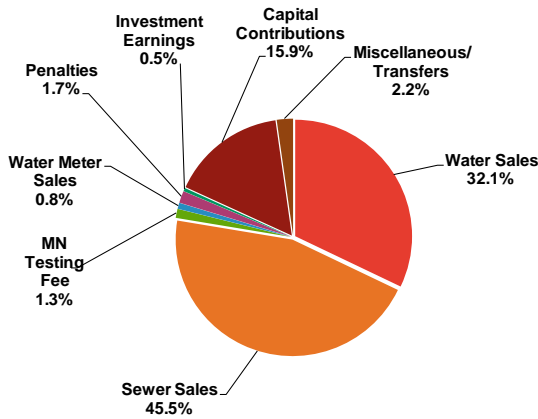
2020 Actuals



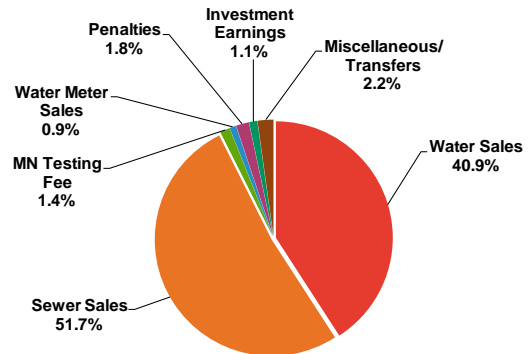
2021 Actuals



2022 Budget



2023 Budget



2020 Actuals

| | |
|-------------------------|-------------|
| Water Sales | 23.0% |
| Sewer Sales | 34.1% |
| MN Testing Fee | 1.0% |
| Water Meter Sales | 0.7% |
| Penalties | 1.0% |
| Investment Earnings | 2.1% |
| Capital Contributions | 37.1% |
| Miscellaneous/Transfers | 1.0% |
| Total | 100% |

2021 Actuals

| | |
|-------------------------|-------------|
| Water Sales | 34.2% |
| Sewer Sales | 41.8% |
| MN Testing Fee | 1.2% |
| Water Meter Sales | 0.8% |
| Penalties | 1.5% |
| Investment Earnings | 1.5% |
| Capital Contributions | 16.5% |
| Miscellaneous/Transfers | 2.5% |
| Total | 100% |

2022 Budget

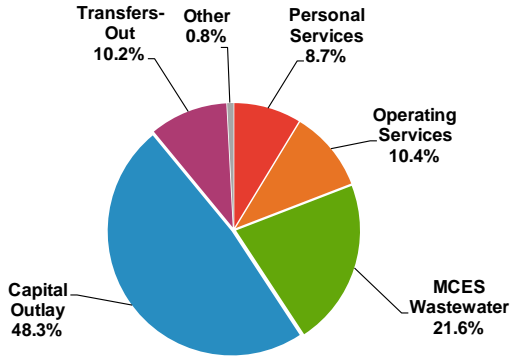
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|-------------------------|-------------|
| Water Sales | 32.1% |
| Sewer Sales | 45.5% |
| MN Testing Fee | 1.3% |
| Water Meter Sales | 0.8% |
| Penalties | 1.7% |
| Investment Earnings | 0.5% |
| Capital Contributions | 15.9% |
| Miscellaneous/Transfers | 2.2% |
| Total | 100% |

2023 Budget

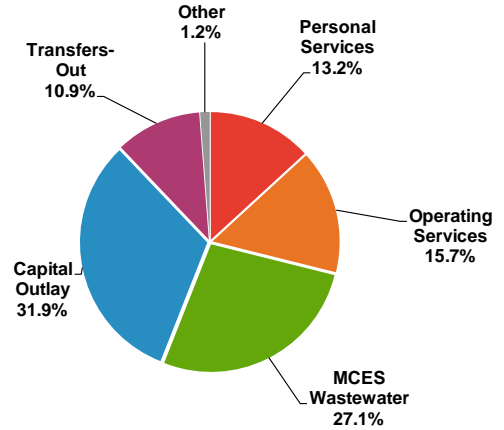
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|-------------------------|-------------|
| Water Sales | 40.9% |
| Sewer Sales | 51.7% |
| MN Testing Fee | 1.4% |
| Water Meter Sales | 0.9% |
| Penalties | 1.8% |
| Investment Earnings | 1.1% |
| Capital Contributions | 0.0% |
| Miscellaneous/Transfers | 2.2% |
| Total | 100% |

Water and Sewer Utility Fund Expenditures Comparison 2020 - 2023

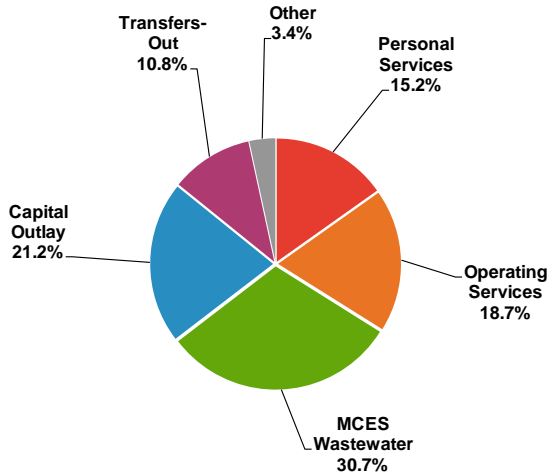
2020 Actuals



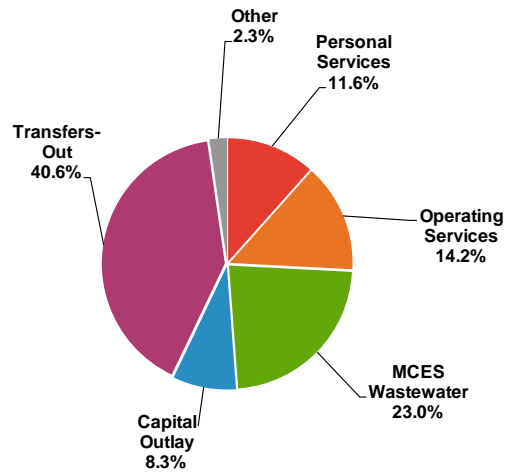
2021 Actuals



2022 Budget



2023 Budget



2020 Actuals

| | |
|--------------------|-------------|
| Personal Services | 8.7% |
| Operating Services | 10.4% |
| MCEW Wastewater | 21.6% |
| Capital Outlay | 48.3% |
| Transfers-Out | 10.2% |
| Other | 0.8% |
| Total | 100% |

2021 Actuals

| | |
|--------------------|-------------|
| Personal Services | 13.2% |
| Operating Services | 15.7% |
| MCEW Wastewater | 27.1% |
| Capital Outlay | 31.9% |
| Transfers-Out | 10.9% |
| Other | 1.2% |
| Total | 100% |

2022 Budget

| | |
|--------------------|-------------|
| Personal Services | 15.2% |
| Operating Services | 18.7% |
| MCEW Wastewater | 30.7% |
| Capital Outlay | 21.2% |
| Transfers-Out | 10.8% |
| Other | 3.4% |
| Total | 100% |

2023 Budget

| | |
|--------------------|-------------|
| Personal Services | 11.6% |
| Operating Services | 14.2% |
| MCEW Wastewater | 23.0% |
| Capital Outlay | 8.3% |
| Transfers-Out | 40.6% |
| Other | 2.3% |
| Total | 100% |

Public Works Water and Sewer Utility Fund

Operating Revenues

| Object No. | Item | 2020 | 2021 | 2022 | 2022 | 2023 |
|---------------------------------|--------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | | Actual | Actual | Budget | Adjusted Budget | Budget |
| 4401 | Water Revenue | \$ 5,275,677 | \$ 6,895,827 | \$ 6,063,700 | \$ 6,063,700 | \$ 7,147,900 |
| 4404 | Sewer Revenue | 7,839,790 | 8,413,241 | 8,591,400 | 8,591,400 | 9,044,200 |
| 4408 | MN Testing Fee | 228,517 | 232,533 | 236,000 | 236,000 | 240,200 |
| 4400 | Water Meter Sales | 153,365 | 162,177 | 159,500 | 159,500 | 159,500 |
| 4389:4402 | Penalties | 233,779 | 300,552 | 314,000 | 314,000 | 314,000 |
| Total Operating Revenues | | 13,731,128 | 16,004,330 | 15,364,600 | 15,364,600 | 16,905,800 |
| 4347 | Federal Grants & Aids | 4,642 | - | - | - | - |
| 4352 | State Grants & Aids | 38,759 | 134,830 | - | 84,254 | - |
| 4358 | Local Grants & Aids | 25,000 | 25,000 | - | 25,000 | - |
| 4378 | Citations | 4,625 | 20,775 | 15,000 | 15,000 | 17,000 |
| 4395 | Miscellaneous Revenue | 64,715 | 94,878 | 66,000 | 66,000 | 74,500 |
| 4398 | Hydrant Rental | 18,582 | 24,236 | 20,200 | 20,200 | 20,400 |
| 4403 | Water Sales - Other | 9,449 | 8,120 | 3,300 | 3,300 | 7,000 |
| 4575 | Water Efficiency Program Sales | 16,340 | 18,049 | 21,700 | 21,700 | 21,900 |
| Total Other Revenue | | 182,112 | 325,888 | 126,200 | 235,454 | 140,800 |
| Total Operation Revenue | | \$ 13,913,240 | \$ 16,330,218 | \$ 15,490,800 | \$ 15,600,054 | \$ 17,046,600 |

Water and Sewer Rate Study Results and Projections

| | 2020 | 2021 | 2022 | 2022 | 2023 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Actual | Actual | Budget | Adjusted Budget | Budget |
| Operations: | | | | | |
| Revenues | \$ 13,913,240 | \$ 16,330,218 | \$ 15,490,800 | \$ 15,600,054 | \$ 17,046,600 |
| Expenses | 10,271,604 | 10,595,042 | 12,013,202 | 12,216,413 | 13,035,290 |
| Operating Income | \$ 3,641,636 | \$ 5,735,176 | \$ 3,477,598 | \$ 3,383,641 | \$ 4,011,310 |
| Operating Income Minimum Target | \$ 3,467,000 | \$ 3,306,000 | \$ 3,538,000 | \$ 3,538,000 | \$ 4,910,100 |
| Over(Under) Minimum Target Before Budget Amendments | n/a | n/a | \$ (60,402) | n/a | \$ (898,790) |
| Over(Under) Minimum Target After Budget Amendments | \$ 174,636 | \$ 2,429,176 | n/a | \$ (154,359) | n/a |

Summary of Reconstruction and Replacement Costs Compared to Operating Income Target

| | 2020 | 2021 | 2022 | 2022 | 2023 |
|---|---------------------|---------------------|---------------------|---------------------|-----------------------|
| | Actual | Actual | Budget | Adjusted Budget | Budget |
| Reconstruction and Replacement (Net of Capital Contributions): | | | | | |
| Renewal and Replacement Costs | \$ 1,999,328 | \$ 1,771,206 | \$ 444,508 | \$ 1,033,933 | \$ 1,951,400 |
| Street Reconstruction/Improvement Project Costs | 789,376 | 337,386 | 255,000 | 203,804 | 8,038,200 |
| Total Reconstruction and Replacement Costs | \$ 2,788,704 | \$ 2,108,592 | \$ 699,508 | \$ 1,237,737 | \$ 9,989,600 |
| Operating Income Minimum Target | \$ 3,467,000 | \$ 3,306,000 | \$ 3,538,000 | \$ 3,538,000 | \$ 4,910,100 |
| Target to Cost Comparison - Surplus (Deficit) | \$ 678,296 | \$ 1,197,408 | \$ 2,838,492 | \$ 2,300,263 | \$ (5,079,500) |

Public Works Water and Sewer Utility Fund Water

Program Description

The mission of the Utility Division is to provide safe, reliable sanitary sewer and potable water systems to the community. This is accomplished through the pride and dedication of trained, licensed, professional personnel.

The Water Utility Division is funded through charges to Woodbury property owners connected to the City's potable water system. These funds are used for the maintenance, operation and management of the City's water supply, storage, and distribution system. These funds also finance potable water system planning studies, such as the Wellhead Protection Program, groundwater monitoring and well field studies, as well as Utility Division support services by other divisions. The water system includes wells, storage facilities, distribution lines, valves and fire hydrants. This budget also finances activities required by the Safe Drinking Water Act (SDWA), the Minnesota Department of Health (MDH) and the Minnesota Department of Natural Resources (DNR). Activities and requirements include water quality testing, providing an annual Water Quality Report, studies and reporting pumping and water usage.

Mission Critical/High Impact Deliverables

- Operate, inspect, and properly maintain and repair the potable water system
- Provide exceptional customer service

Priorities

- Implementation of Council strategic initiative: Water Treatment Implementation.
- Continued PFAS impact management and response.
- Update to Wellhead Protection Plan to include new wells that were put online in the last few years. Consultation selection and update to Wellhead Protection Plan for Well 20.
- Rehabilitation of two wells to ensure they continue to run and pump water efficiently.
- Continued self-implementation of the residential meter replacement program to ensure accuracy of water sold, minimize lost water, and maintain aging infrastructure as well as interim project to replace failing commercial meters.

Budget Highlights

- 5102-5154 Personnel Services: Includes an additional public service worker split evenly between the Water and Sewer Divisions.
- 5308 Professional Services-Studies: Wellhead Protection Plan updates and new wells.
- 5361 Utilities-Electric: Significant increase in electrical rates with the anticipated Xcel Energy rate case settlement and interim rate impact.
- 5405 Travel & Training: New federal training requirements for commercial driver's licenses.

**Public Works
Water and Sewer Utility Fund
Water**

Budget Highlights (Continued)

- 5501 Water Meter Replacement Program: Meter prices increasing as well as interim commercial project to continue replacing aging water meters.
- 5512 Furniture & Office Equipment: Supervisory Control and Data Acquisition (SCADA) server replacement.
- The 2023 water and sewer rate increases are discussed in detail in the budget transmittal letter.

Operating Budget – Detail of Personnel Services

| Position | 2023 Budget |
|------------------------------|----------------|
| Salaries - Regular: | |
| Assistant Utility Manager | 1.00 |
| Utility Coordinator | 1.00 |
| IT Specialist | 0.50 |
| Public Service Worker - Lead | 0.50 |
| Public Service Worker | 6.50 |
| Environmental Technician | 0.50 |
| Utility Billing Technician | 1.00 |
| Administrative Assistant* | 0.14 |
| Subtotal | 11.14 |
| Salaries - Part-time: | |
| Utility Billing Technician | 0.25 |
| Meter Readers | 0.75 |
| Seasonal positions | 1.18 |
| Subtotal | 2.18 |
| Total Salaries | 13.32 |

*1.00 Administrative Assistant - 72% Public Works
Administration, 28% Water and Sewer Utility Fund

Public Works Water and Sewer Utility Fund Water

Performance Measurements

| CORE PERFORMANCE MEASURES & STATISTICS | | | | | | | |
|---|----------|---------|----------|----------|---------|----------------|-------------|
| Measure | 2017 | 2018 | 2019 | 2020 | 2021 | 5 Year Average | Goal |
| Water Quality | | | | | | | |
| 1) Safe drinking water standards met | Yes | Yes | Yes | Yes | Yes | NA | |
| Water Use | | | | | | | |
| 2) Number of days on elevated water restrictions | 0 | 0 | 0 | 0 | 74 | 14.8 | |
| 3) Residential per capita served water usage (gallons per day) | 80 | 80 | 71 | 79 | 88 | 80 | 75 |
| 4) Percentage of total water pumped that is unaccounted for | 5.0% | 3.1% | 4.4% | 3.6% | 1.8% | 3.6% | <10% |
| Water System Infrastructure | | | | | | | |
| 5) Number of watermain breaks / leaks | 14 | 21 | 6 | 19 | 15 | 15 | |
| 6) Number of leak inspections | | 60 | 35 | 49 | 32 | | |
| Charges and Claims | | | | | | | |
| 7) Number of claims resulting in payment | 2 | 3 | 5 | 3 | 0 | 3 | |
| 8) Amount paid in claims | \$14,097 | \$2,296 | \$13,084 | \$13,105 | \$0 | \$8,516 | |
| SECONDARY PERFORMANCE MEASURES & STATISTICS | | | | | | | |
| Measure | 2017 | 2018 | 2019 | 2020 | 2021 | 5 Year Average | Goal |
| Water Supply, Storage, and Distribution | | | | | | | |
| 9) Average length of time per service disruption (hours) | 1.8 | 2.2 | 2.4 | 2.7 | 1.8 | 2.2 | |
| 10) Number of water connections affected by service disruptions due to repairs | 159 | 40 | 170 | 211 | 164 | 149 | |
| 11) Average cost of operation and maintenance and repair per mile of water main | \$5,878 | \$6,063 | \$6,019 | \$6,332 | \$6,439 | \$6,146 | |
| 12) Number of gallons pumped (millions) | 2,590 | 2,587 | 2,398 | 2,631 | 2,943 | 2,630 | |
| 13) Number of hydrants flushed | 3,536 | 3,444 | 3,629 | 3,816 | 3,985 | 3,682 | |
| 14) Number of hydrants flushed per FTE | 295 | 287 | 302 | 318 | 307 | 302 | |
| 15) Number of miles of water main | 309 | 316 | 319 | 323 | 328 | 319 | |
| 16) Number of valves | 5,836 | 6,017 | 6,098 | 6,213 | 6,359 | 6,105 | |
| 17) Number of water meter change-outs* | 799 | 2,161 | 2,012 | 1,895 | 3,284 | 2,030 | 2,000-2,200 |
| 18) Number of water meter change-outs per FTE | 66 | 180 | 168 | 158 | 252 | 165 | |
| Meter Reading | | | | | | | |
| 19) Average cost per 100 residential meters read | \$75.93 | \$90.27 | \$88.10 | \$91.28 | \$88.30 | \$86.78 | |
| 20) Average cost per 100 commercial meters read | \$38.60 | \$54.68 | \$52.92 | \$47.56 | \$35.62 | \$45.88 | |
| 21) Number of commercial meters read | 13,134 | 13,622 | 14,118 | 14,414 | 14,502 | 13,958 | |
| 22) Number of residential meters read | 83,603 | 90,458 | 86,636 | 91,139 | 91,465 | 88,660 | |
| 23) Number of water connections | 22,962 | 23,387 | 23,915 | 24,280 | 24,759 | 23,861 | |
| 24) Percentage of residential meters read per cycle by the 25th of the month | 75.0% | 50% | 58% | 83% | 92% | 72% | 100% |
| Water/Sewer Locate Requests | | | | | | | |
| 25) Average cost per water/sewer locate request | \$12.94 | \$10.72 | \$13.28 | \$13.85 | \$12.19 | \$12.60 | |
| 26) Number of water/sewer locate requests | 10,555 | 11,598 | 12,068 | 14,044 | 14,216 | 12,496 | |

*New measure for 2018 for program started in 2017. Reporting for 2017 only includes late Nov.-Dec. 31.

Public Works Water and Sewer Utility Fund Water

Operating Budget – Fund Number 501-075

| Object No. | Item | 2020 Actual | 2021 Actual | 2022 Budget | 2022 Adjusted Budget | 2023 Budget |
|----------------------------|---|------------------|------------------|------------------|----------------------------|------------------|
| Personnel Services: | | | | | | |
| 5102 | Salaries-Regular | \$ 709,151 | \$ 776,213 | \$ 801,300 | \$ 801,300 | \$ 861,900 |
| 5111 | Salaries-Overtime | 34,084 | 39,365 | 37,300 | 37,300 | 45,700 |
| 5115 | Salaries-Part-time | 69,920 | 63,873 | 84,600 | 84,600 | 92,300 |
| 5141 | F.I.C.A. | 58,182 | 63,839 | 70,700 | 70,700 | 76,500 |
| 5142 | P.E.R.A. | 57,932 | 62,828 | 66,200 | 66,200 | 71,400 |
| 5151 | Health Insurance | 102,736 | 121,025 | 135,700 | 135,700 | 173,300 |
| 5153 | Dental Insurance | 6,279 | 6,565 | 6,600 | 6,600 | 7,000 |
| 5154 | Workers Compensation | 24,346 | 23,138 | 28,000 | 28,000 | 22,700 |
| 5156 | Unemployment Compensation | 1,688 | 1,796 | 2,200 | 2,200 | 2,200 |
| 5159 | Change in Compensated Absences | 16,045 | 469 | 2,500 | 2,500 | 11,100 |
| 5165 | Labor Reimbursement | (125,378) | (42,438) | - | - | - |
| | Subtotal | 954,985 | 1,116,673 | 1,235,100 | 1,235,100 | 1,364,100 |
| Operating Expenses: | | | | | | |
| 5201 | Office Supplies | 272 | 305 | 600 | 600 | 600 |
| 5203 | Office Supplies-Printed Forms | 1,312 | 170 | 1,000 | 1,000 | 900 |
| 5211 | Operating Supplies | 70,328 | 61,648 | 94,000 | 94,000 | 94,000 |
| 5215 | Operating Supplies-Uniform All | 6,465 | 6,660 | 8,900 | 8,900 | 9,400 |
| 5217 | Operating Supplies-Hand Tools | 12,872 | 10,758 | 21,000 | 21,000 | 20,800 |
| 5220 | Operating Supplies-Small Equipment | 9,665 | 2,008 | 8,800 | 15,800 | 10,700 |
| 5222 | Cost of Goods Sold - Water Meters | 132,320 | 149,789 | 145,000 | 145,000 | 145,000 |
| 5301 | Professional Services-General | 291,916 | 316,106 | 371,000 | 371,000 | 380,200 |
| 5303 | Professional Services-Engineer | 9,112 | 7,117 | 83,000 | 83,000 | 63,000 |
| 5305 | Professional Services-Legal | - | 180 | 1,500 | 1,500 | 1,500 |
| 5306 | Professional Services-Hiring | 349 | - | 800 | 800 | 800 |
| 5307 | Professional Services-Auditing | 5,250 | 5,250 | 7,800 | 7,800 | 5,300 |
| 5308 | Professional Services-Studies | 138,101 | 151,985 | 257,000 | 419,711 | 314,000 |
| 5311 | Telephone | 11,025 | 11,222 | 12,900 | 12,900 | 13,400 |
| 5313 | Postage | 22,942 | 24,651 | 26,300 | 26,300 | 26,300 |
| 5321 | Use of Personal Auto | 135 | 456 | 600 | 600 | 600 |
| 5335 | Payment Processing Fees | 41,378 | 47,386 | 47,600 | 47,600 | 53,600 |
| 5353 | Insurance | 36,221 | 37,490 | 37,400 | 37,400 | 41,800 |
| 5361 | Utilities-Electric | 680,157 | 811,437 | 750,000 | 750,000 | 900,000 |
| 5362 | Utilities-Gas | 1,629 | 1,932 | 1,000 | 1,000 | 1,400 |
| 5365 | Utilities-Waste Removal | 3,244 | 3,259 | 3,300 | 3,300 | 3,500 |
| 5366 | Electric Interim Rate Refund | (10,802) | (2,520) | - | - | - |
| 5367 | Water/Sewer Utilities-Other Government Agency | 14,721 | 17,262 | 16,500 | 16,500 | 17,300 |
| 5368 | Community Solar Garden Program | (66,401) | (66,805) | (55,000) | (55,000) | (68,600) |
| 5371 | Repair & Maintenance-Buildings & Structure | 67,540 | 185,819 | 121,300 | 135,800 | 118,800 |
| 5372 | Repair & Maintenance-Water Meters | 40,091 | 13,697 | 39,500 | 51,500 | 39,500 |
| 5374 | Repair & Maintenance-Office Equipment | 625 | 7,885 | 8,400 | 8,400 | 10,800 |
| 5375 | Repair & Maintenance-Vehicle & Equipment | 994 | 813 | 2,400 | 2,400 | 2,400 |
| 5378 | Repair & Maintenance-Grounds | 2,900 | 15,182 | 6,000 | 6,000 | 10,000 |
| 5385 | Fleet Services Reimbursements | 56,408 | 61,303 | 70,300 | 70,300 | 89,500 |
| 5392 | Rental | - | - | 1,000 | 1,000 | 1,000 |
| 5401 | Cable & Internet Services-SCADA | 9,104 | 12,077 | 8,000 | 8,000 | 8,400 |
| 5402 | Dues & Subscriptions | 7,480 | 8,101 | 10,200 | 10,200 | 14,200 |
| 5404 | Technology Support & Services | 87,224 | 88,031 | 100,000 | 100,000 | 100,700 |
| 5405 | Travel & Training | 2,032 | 6,915 | 11,300 | 11,300 | 16,600 |
| 5425 | Contractual Services | 199,173 | 121,664 | 195,100 | 195,100 | 195,100 |
| 5431 | Uncollectible Accounts/Over-Short | 300 | 190 | - | - | - |
| 5433 | Small Balance Write Off -<\$10 | (350) | (266) | - | - | - |
| 5434-35 | Late Fees /Early Discounts Taken | (9) | (28) | - | - | - |
| | Subtotal | 1,885,723 | 2,119,129 | 2,414,500 | 2,610,711 | 2,642,500 |

Continued on next page

Public Works Water and Sewer Utility Fund Water

Operating Budget – Fund Number 501-075 (Continued)

| Object No. | Item | 2020 | 2021 | 2022 | 2022 | 2023 |
|--|--|---------------------|---------------------|---------------------|---------------------|----------------------|
| | | Actual | Actual | Budget | Adjusted Budget | Budget |
| Meter Replacement Program and Capital Outlay: | | | | | | |
| 5500 | Capital Improvements - Replacement Schedule | \$ 8,489 | \$ 25,964 | \$ - | \$ - | \$ 87,500 |
| 5501 | Water Meter Replacement Program | 411,855 | 986,433 | 510,000 | 551,000 | 640,000 |
| 5504 | Land & Improvements | - | 9,355 | - | - | - |
| 5510 | Buildings & Structures | 871,362 | 37,230 | 1,230,000 | 3,099,871 | 340,000 |
| 5512 | Furniture & Office Equipment | - | - | 6,000 | 6,000 | 242,500 |
| 5514 | Machinery & Equipment | 122,395 | 74,076 | 86,800 | 86,800 | 30,700 |
| | Subtotal | 1,414,101 | 1,133,058 | 1,832,800 | 3,743,671 | 1,340,700 |
| Transfers: | | | | | | |
| 5701 | Transfer to General Fund | 606,500 | 630,800 | 656,000 | 656,000 | 682,200 |
| 5701 | Transfer to Debt Service Funds | 110,050 | 110,007 | 109,851 | 109,851 | 110,195 |
| 5701 | Transfer to Street Reconst/Maint. Fund Projects | 168,901 | 168,693 | 100,000 | 74,402 | 5,089,900 |
| 5701 | Transfer to M.S.A. Roadway Construction Fund | 225,787 | - | 27,500 | 27,500 | - |
| | Subtotal | 1,111,238 | 909,500 | 893,351 | 867,753 | 5,882,295 |
| Non-operating Revenues (Expenses) | | | | | | |
| ----- | Intergovernmental Revenues - Water Treat/PFAS | 8,513,781 | 3,447,231 | - | 6,705,176 | - |
| 4346 | Capital Contributions - Infrastructure - ARP Funds | - | - | 1,503,146 | 3,006,292 | - |
| 4346 | Capital Contributions - State | - | 9,355 | - | - | - |
| 4352 | Intergovernmental Revenues - MPCA Grant | 39,349 | - | 291,000 | 665,310 | 236,000 |
| 4352 | Intergovernmental Revenues - MPCA Grant (pass-thru) | - | - | - | 200,000 | - |
| 4379 | Unrealized Gains/Losses on Investments | 46,564 | (59,309) | - | - | - |
| 4380 | Equity Investment Gains/Losses | 105,219 | 203,536 | - | - | - |
| 4381 | Interest Earned | 73,366 | (1,496) | 52,250 | 52,250 | 98,600 |
| 4382 | Sale of Property | - | 17,363 | - | - | - |
| 4383 | Dividend Income | 11,611 | 12,170 | - | - | - |
| 4384 | Internal Loan Interest/Other | 2,101 | 5,371 | 3,150 | 3,150 | 2,920 |
| 5165 | Labor Reimbursement - Water Treatment Improv. | - | - | (291,000) | (514,000) | (236,000) |
| 5550 | Pass-thru Grant Expenses (MPCA-municipal water hookup) | - | - | - | (200,000) | - |
| ----- | Water Treatment-PFAS Projects | (8,694,745) | (3,645,762) | (275,000) | (7,309,186) | (320,000) |
| | Subtotal | 97,246 | (11,541) | 1,283,546 | 2,608,992 | (218,480) |
| | Total Net Expenses | \$ 5,268,801 | \$ 5,289,901 | \$ 5,092,205 | \$ 5,848,243 | \$ 11,448,075 |

Detail of Capital Outlay

| Object No. | Item | 2023 Budget |
|-------------|---|---------------------|
| 5500 | Capital Improvement - Replacement Schedule | |
| | System Wide Infrastructure Condition Analysis | \$ 87,500 |
| | Subtotal | 87,500 |
| 5501 | Water Meter Replacement Program | |
| | Water Meter Replacements - Residential | 540,000 |
| | Water Meter Replacements - Commercial | 100,000 |
| | Subtotal | 640,000 |
| 5510 | Buildings & Structures | |
| | Well #5, #10 and #19 Rehabilitation | 340,000 |
| | Subtotal | 340,000 |
| 5512 | Office Equipment: | |
| | ERP Software | 232,500 |
| | SCADA Server Update | 10,000 |
| | Subtotal | 242,500 |
| 5514 | Machinery & Equipment: | |
| | Replacement SUV Plug-in Hybrid | 19,200 |
| | Replacement Mower 60" Zero Turn | 11,500 |
| | Subtotal | 30,700 |
| | Total Capital Outlay | \$ 1,340,700 |

Public Works Water and Sewer Utility Fund Sewer

Program Description

The mission of the Utility Division is to provide safe, reliable sanitary sewer and potable water systems to the community. This is accomplished through the pride and dedication of trained, licensed, professional personnel.

The Sanitary Sewer Division is funded through charges to Woodbury property owners connected to the City's sanitary sewer collection system. These funds are used for the maintenance, operation and management of the City's sanitary sewer collection and lift station systems. The sanitary sewer system includes collection mains, force mains, lift stations and manholes. This budget funds maintenance activities necessary to ensure a safe and efficient collection system. Sanitary sewer treatment is done by the Metropolitan Council Environmental Services (MCES). These costs are also funded from this budget.

Mission Critical/High Impact Deliverables

- Operate, inspect, and properly maintain and repair sanitary sewer system
- Provide great customer service

Priorities

- Continued cleaning, inspection, maintenance and repairs to the sanitary sewer system to minimize the risk of blockages and back-ups.
- Increase footage of televised and assessed sanitary infrastructure to maintain adequate assessment of system condition and to minimize backup and other operational concerns.

Budget Highlights

- 5102-5154 Personnel Services: Includes an additional public service worker split evenly between the Water and Sewer Divisions.
- 5371 Repair & Maintenance-Buildings & Structures: Cost increase to maintain standby, emergency generators that provide backup power to sanitary sewer lift stations.
- 5405 Travel & Training: New federal training requirements for commercial driver's licenses.
- 5701 Transfer to Street Reconstruction/Maintenance Fund: The Royal Oaks sanitary sewer lining project will include necessary sewer main lining throughout the neighborhoods. The current infrastructure has significant root intrusion which can and has led to sewer backups as well as inflow and infiltration.

**Public Works
Water and Sewer Utility Fund
Sewer**

Operating Budget – Detail of Personnel Services

| Position | 2023 Budget |
|------------------------------|----------------|
| Salaries - Regular: | |
| Assistant Utility Manager | 1.00 |
| Utility Coordinator | 1.00 |
| IT Specialist | 0.50 |
| Public Service Worker - Lead | 0.50 |
| Public Service Worker | 6.50 |
| Environmental Technician | 0.50 |
| Utility Billing Technician | 1.00 |
| Administrative Assistant* | 0.14 |
| Subtotal | 11.14 |
| Salaries - Part-time: | |
| Utility Billing Technician | 0.25 |
| Meter Readers | 0.75 |
| Seasonal positions | 1.18 |
| Subtotal | 2.18 |
| Total Salaries | 13.32 |

*1.00 Administrative Assistant - 72% Public Works
Administration, 28% Water and Sewer Utility Fund

Public Works Water and Sewer Utility Fund Sewer

Performance Measurements

| COMMUNITY SURVEY DATA | | | | | | | |
|---|---------|---------|---------|---------|---------|----------------|--------------|
| Measure | 2013 | 2015 | 2017 | 2019 | 2022 | 4 Year Average | Goal |
| 1) Percent of respondents who rated sanitary sewer services as excellent or good on the community survey* | | 92% | 91% | 94% | 91% | 92% | |
| * Excludes don't know/refused responses | | | | | | | |
| CORE PERFORMANCE MEASURES & STATISTICS | | | | | | | |
| Measure | 2017 | 2018 | 2019 | 2020 | 2021 | 5 Year Average | Goal |
| Sanitary Sewer Infrastructure | | | | | | | |
| 2) Number of sewer blockages | 1 | 2 | 1 | 0 | 2 | 1 | |
| 3) Actual operating cost per capita served* | \$79 | \$80 | \$82 | \$80 | \$77 | \$80 | |
| 4) MCES cost per capita served | \$61 | \$62 | \$63 | \$63 | \$58 | \$61 | |
| 5) MCES rate per 1,000 gallons | \$2.48 | \$2.38 | \$2.52 | \$2.63 | \$2.48 | \$2.50 | |
| Charges and Claims | | | | | | | |
| 6) Metropolitan Council Environmental Services surcharge penalty cost | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| 7) Number of claims resulting in payment | 0 | 0 | 0 | 0 | 1 | 0 | |
| * Excludes MCES costs | | | | | | | |
| SECONDARY PERFORMANCE MEASURES & STATISTICS | | | | | | | |
| Measure | 2017 | 2018 | 2019 | 2020 | 2021 | 5 Year Average | Goal |
| 8) Number of feet of sewer line jetted | 355,386 | 315,980 | 370,697 | 371,931 | 410,648 | 364,928 | 1/4 of City |
| 9) Percent of sewer line jetting goal achieved by Oct. 1 | | | 95% | 90% | 98% | | 100% |
| 10) Number of feet televised | 68,627 | 58,448 | 53,789 | 66,604 | 61,635 | 61,821 | 1/10 of City |
| 11) Average time to correct main line blockages (hours) | 0.2 | 0.5 | 0.0 | 0.0 | 2.6 | 0.7 | |
| 12) Number of manholes | 7,686 | 7,839 | 7,924 | 8,025 | 8,144 | 7,924 | |
| 13) Number of miles of sewer mains | 257 | 262 | 264 | 267 | 270 | 264 | |
| 14) Number of sewer connections | 22,374 | 22,862 | 23,318 | 23,727 | 24,192 | 23,295 | |

Public Works Water and Sewer Utility Fund Sewer

Operating Budget – Fund Number 501-085

| Object No. | Item | 2020 Actual | 2021 Actual | 2022 Budget | 2022 Adjusted Budget | 2023 Budget |
|----------------------------|---|----------------|------------------|------------------|----------------------|------------------|
| Personnel Services: | | | | | | |
| 5102 | Salaries-Regular | \$ 603,484 | \$ 688,497 | \$ 801,300 | \$ 801,300 | \$ 861,900 |
| 5111 | Salaries-Overtime | 34,083 | 35,274 | 37,300 | 37,300 | 45,700 |
| 5115 | Salaries-Part-time | 69,920 | 62,297 | 84,600 | 84,600 | 92,300 |
| 5141 | F.I.C.A. | 50,228 | 56,928 | 70,700 | 70,700 | 76,500 |
| 5142 | P.E.R.A. | 50,005 | 55,942 | 66,200 | 66,200 | 71,400 |
| 5151 | Health Insurance | 96,004 | 112,143 | 135,700 | 135,700 | 173,300 |
| 5153 | Dental Insurance | 5,644 | 5,994 | 6,600 | 6,600 | 7,000 |
| 5154 | Workers Compensation | 20,708 | 21,309 | 28,000 | 28,000 | 22,700 |
| 5156 | Unemployment Compensation | 1,688 | 1,796 | 2,200 | 2,200 | 2,200 |
| 5159 | Change in Compensated Absences | 16,045 | 469 | 2,500 | 2,500 | 11,100 |
| 5165 | Labor Reimbursement | (6,033) | (65) | - | - | - |
| | Subtotal | 941,776 | 1,040,584 | 1,235,100 | 1,235,100 | 1,364,100 |
| Operating Expenses: | | | | | | |
| 5201 | Office Supplies | 261 | 305 | 600 | 600 | 600 |
| 5203 | Office Supplies-Printed Forms | - | - | 300 | 300 | 300 |
| 5211 | Operating Supplies | 6,796 | 6,416 | 14,500 | 14,500 | 14,500 |
| 5215 | Operating Supplies-Uniform All | 6,456 | 6,647 | 8,900 | 8,900 | 9,400 |
| 5216 | Operating Supplies-Motor Fuels & Lubricants | 396 | 479 | - | - | - |
| 5217 | Operating Supplies-Hand Tools | 1,823 | 4,152 | 2,200 | 2,200 | 3,300 |
| 5220 | Operating Supplies-Small Equipment | 5,584 | 2,008 | 6,800 | 13,800 | 8,700 |
| 5301 | Professional Services-General | 12,660 | 13,708 | 65,700 | 65,700 | 70,700 |
| 5303 | Professional Services-Engineer | 3,218 | - | 8,000 | 8,000 | 8,000 |
| 5305 | Professional Services-Legal | - | 32 | 1,000 | 1,000 | 1,000 |
| 5306 | Professional Services-Hiring | 349 | - | 800 | 800 | 800 |
| 5307 | Professional Services-Auditing | 5,250 | 5,250 | 7,800 | 7,800 | 5,300 |
| 5311 | Telephone | 11,014 | 11,221 | 12,900 | 12,900 | 13,400 |
| 5313 | Postage | 22,897 | 24,623 | 26,300 | 26,300 | 26,300 |
| 5321 | Use of Personal Auto | 37 | 214 | 600 | 600 | 600 |
| 5335 | Payment Processing Fees | 40,884 | 47,007 | 47,400 | 47,400 | 53,300 |
| 5353 | Insurance | 35,300 | 36,400 | 37,400 | 37,400 | 41,800 |
| 5361 | Utilities-Electric | 5,760 | 5,697 | 8,000 | 8,000 | 12,600 |
| 5362 | Utilities-Gas | 1,297 | 1,605 | 1,600 | 1,600 | 3,300 |
| 5365 | Utilities-Waste Removal | 3,558 | 3,683 | 3,700 | 3,700 | 4,000 |
| 5366 | Electric Interim Rate Refund | (419) | (116) | - | - | - |
| 5367 | Water/Sewer Utilities-Other Government Agency | 45,019 | 49,703 | 50,500 | 50,500 | 51,900 |
| 5371 | Repair & Maintenance-Buildings & Structure | 1,372 | 13,109 | 3,000 | 3,000 | 6,500 |
| 5374 | Repair & Maintenance-Office Equipment | 76 | 3,174 | 8,300 | 8,300 | 10,800 |
| 5375 | Repair & Maintenance-Vehicle & Equipment | 1,193 | 1,015 | 9,000 | 9,000 | 9,000 |
| 5385 | Fleet Services Reimbursements | 69,190 | 83,470 | 83,800 | 83,800 | 108,900 |
| 5392 | Rental | - | 43 | 1,000 | 1,000 | 1,000 |
| 5401 | Cable & Internet Services-SCADA | 9,104 | 9,770 | 10,800 | 10,800 | 11,200 |
| 5402 | Dues & Subscriptions | 3,873 | 3,631 | 5,900 | 5,900 | 6,400 |
| 5404 | Technology Support & Services | 87,224 | 83,031 | 102,300 | 102,300 | 102,900 |
| 5405 | Travel & Training | 2,254 | 11,180 | 12,400 | 12,400 | 17,900 |
| 5425 | Contractual Services | 5,232 | 18,801 | 95,000 | 95,000 | 95,000 |
| 5434-35 | Late Fees /Early Discounts Taken | - | (24) | - | - | - |
| | Subtotal | 387,658 | 446,234 | 636,500 | 643,500 | 699,400 |

Continued on next page

Public Works Water and Sewer Utility Fund Sewer

Operating Budget – Fund Number 501-085 (Continued)

| Object No. | Item | 2020 | 2021 | 2022 | 2022 | 2023 |
|---|--|--------------------|---------------------|--------------------|---------------------|---------------------|
| | | Actual | Actual | Budget | Adjusted Budget | Budget |
| Metropolitan Council Environmental Services (MCES) | | | | | | |
| 5427 | Contractual Services-MCES | \$ 4,701,362 | \$ 4,425,208 | \$ 4,996,000 | \$ 4,996,000 | \$ 5,417,500 |
| Capital Outlay: | | | | | | |
| 5500 | Capital Improvements - Replacement Schedule | 3,783 | 6,638 | - | - | 87,500 |
| 5510 | Buildings & Structures | 459,049 | 566,789 | 1,525,200 | 3,210,046 | - |
| 5512 | Furniture & Office Equipment | - | - | 6,000 | 6,000 | 242,500 |
| 5514 | Machinery & Equipment | 122,395 | 74,076 | 86,800 | 86,800 | 280,700 |
| | Subtotal | 585,227 | 647,503 | 1,618,000 | 3,302,846 | 610,700 |
| Transfers: | | | | | | |
| 5701 | Transfer to General Fund | 573,500 | 596,400 | 620,300 | 620,300 | 645,100 |
| 5701 | Transfer to Debt Service Funds | 110,050 | 110,007 | 109,851 | 109,851 | 110,195 |
| 5701 | Transfer to Street Reconst/Maint. Fund Projects | 168,901 | 168,693 | 100,000 | 74,402 | 2,948,300 |
| 5701 | Transfer to M.S.A. Roadway Construction Fund | 225,787 | - | 27,500 | 27,500 | - |
| | Subtotal | 1,078,238 | 875,100 | 857,651 | 832,053 | 3,703,595 |
| Non-operating Revenues (Expenses) | | | | | | |
| 4346 | Capital Contributions - Infrastructure - ARP Funds | - | - | 1,503,146 | 3,006,292 | - |
| 4379 | Unrealized Gains/Losses on Investments | 46,564 | (59,309) | - | - | - |
| 4380 | Equity Investment Gains/Losses | 105,219 | 203,535 | - | - | - |
| 4381 | Interest Earned | 73,366 | (1,496) | 52,250 | 52,250 | 98,600 |
| 4382 | Sale of Property | - | 17,362 | - | - | - |
| 4383 | Dividend Income | 11,611 | 12,170 | - | - | - |
| 4384 | Internal Loan Interest/Other | 2,101 | 5,370 | 3,150 | 3,150 | 2,920 |
| | Subtotal | 238,861 | 177,632 | 1,558,546 | 3,061,692 | 101,520 |
| | Total Net Expenses | \$7,455,400 | \$ 7,256,997 | \$7,784,705 | \$ 7,947,807 | \$11,693,775 |

Detail of Capital Outlay

| Object No. | Item | 2023 Budget |
|-------------|--|-------------------|
| 5500 | Capital Improvements - Replacement Schedule | |
| | System Wide Infrastructure Condition Analysis | \$ 87,500 |
| | Subtotal | 87,500 |
| 5512 | Office Equipment: | |
| | ERP Software | 232,500 |
| | SCADA server update | 10,000 |
| | Subtotal | 242,500 |
| 5514 | Machinery & Equipment: | |
| | Replacement Truck Jetter | 250,000 |
| | Replacement SUV Plug-in Hybrid | 19,200 |
| | Replacement Mower 60" Zero Turn | 11,500 |
| | Subtotal | 280,700 |
| | Total Capital Outlay | \$ 610,700 |

Public Works Water and Sewer Utility Fund

Rates for 2023

| | | <u>2022</u> | <u>2023</u> |
|---|------------------------------|-------------|-------------|
| RESIDENTIAL RATE STRUCTURE - BILLED QUARTERLY | | | |
| WATER | | | |
| Administrative Charge | | \$7.00 | \$8.00 |
| Tier 1 | 1,000 to 25,000 gallons | \$1.70 | \$1.90 |
| Tier 2 | 25,001 to 50,000 gallons | \$2.70 | \$2.90 |
| Tier 3 | 50,001 to 75,000 gallons | \$3.70 | \$3.90 |
| Tier 4 | 75,001 to 100,000 gallons | \$4.70 | \$4.90 |
| Tier 5 | over 100,000 gallons | \$5.70 | \$5.90 |
| SANITARY SEWER | | | |
| Sanitary Sewer (City) | Flat Charge | \$30.45 | \$31.65 |
| MCES Sewer - Minimum Charge | 0-8,000 gallons | \$26.75 | \$26.75 |
| MCES Sewer - Tier 1 | per 1,000 gallons over 8,000 | \$3.55 | \$3.55 |
| OTHER | | | |
| Minnesota Test Fee | per quarter | \$2.43 | \$2.43 |
| COMMERCIAL RATE STRUCTURE - BILLED MONTHLY | | | |
| WATER | | | |
| Administrative Charge | | \$7.00 | \$8.00 |
| Tier 1 | per 1,000 gallons | \$1.70 | \$1.90 |
| SANITARY SEWER | | | |
| Sanitary Sewer (City) | Flat Charge | \$11.45 | \$11.90 |
| MCES Sewer - Minimum Charge | 0-3,000 gallons | \$10.10 | \$10.10 |
| MCES Sewer - Tier 1 | per 1,000 gallons over 3,000 | \$3.55 | \$3.55 |
| OTHER | | | |
| Minnesota Test Fee | per month | \$0.81 | \$0.81 |
| IRRIGATION | | | |
| Homeowners Association (Residential) - Billed July and December | | | |
| Administrative Charge | | \$7.00 | \$8.00 |
| Tier 1 | per 1,000 gallons | \$3.50 | \$4.00 |
| Commercial-Billed Monthly | | | |
| Administrative Charge | | \$7.00 | \$8.00 |
| Tier 1 | per 1,000 gallons | \$3.50 | \$4.00 |

City of Woodbury Management's Discussion and Analysis

As management of the City of Woodbury, Minnesota we offer readers of the City of Woodbury, Minnesota's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 through 11 of this report.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City of Woodbury exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$802,034,881 (net position). Of this amount, \$160,548,175 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.

The City's total net position increased by \$34,593,250.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$162,918,341. Of this amount, \$141,532,154 is available for spending at the City's discretion (committed, assigned, and unassigned fund balance).

At the end of the current fiscal year the general fund balance of \$16,735,441 included \$13,217,700 of unassigned fund balance available for cash flow purposes in the ensuing year.

The City's total debt decreased by \$8,380,563 during the current fiscal year, from \$62,884,490 to \$54,503,927. In 2021, the City did not issue any debt and had principal payments of \$8,165,000. Compensated Absences payable decreased by \$215,563 in 2021 primarily due to the allowed annual vacation carry over decreasing by 80 hours.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

City of Woodbury Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Woodbury that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community development, and parks and recreation. The business-type activities of the City include the M Health Fairview Sports Center, Street Lighting, Water and Sewer Utility, Storm Water Utility, and Eagle Valley Golf Course.

The government-wide financial statements can be found on pages 47 through 49 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories, governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resource, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Woodbury maintains four individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Improvement Fund, Municipal State Aid Roadway Construction Fund and the Development Construction Fund, which are considered to be major funds.

**City of Woodbury
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds (Continued)

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the report.

The City adopts an annual appropriated budget for its general fund, special revenue funds and nine capital project funds.

A budgetary comparison statement has been provided for those funds to demonstrate compliance with the adopted budget.

The basic governmental fund financial statements can be found on pages 50 through 57 of this report.

Proprietary Funds

The City of Woodbury, Minnesota maintains two different types of proprietary funds, enterprise funds and an internal service fund. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Woodbury uses enterprise funds to account for the M Health Fairview Sports Center, Street Lighting Operations, Water and Sewer Utility, Storm Water Utility, and Eagle Valley Golf Course. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for Risk Management activities; this includes the City's worker's compensation, general liability, property casualty insurance programs, and the self-insured dental program for employees. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the M Health Fairview Sports Center, Street Lighting Operations, Water and Sewer Utility, Storm Water Utility, and Eagle Valley Golf Course.

The basic proprietary fund financial statements can be found on pages 58 through 67 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 69 through 112 of this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 136 through 196 of this report.

City of Woodbury Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the case of the City of Woodbury, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$802,034,881 at the close of the most recent fiscal year.

City of Woodbury's Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current and other assets | \$ 215,864,389 | \$ 213,403,350 | \$ 35,125,359 | \$ 25,277,689 | \$ 250,989,748 | \$ 238,681,039 |
| Capital assets | 434,131,078 | 420,207,466 | 229,897,580 | 225,967,867 | 664,028,658 | 646,175,333 |
| Total assets | <u>649,995,467</u> | <u>633,610,816</u> | <u>265,022,939</u> | <u>251,245,556</u> | <u>915,018,406</u> | <u>884,856,372</u> |
| Deferred outflow of resources | <u>17,693,230</u> | <u>8,487,580</u> | <u>1,027,759</u> | <u>339,439</u> | <u>18,720,989</u> | <u>8,827,019</u> |
| Total assets and deferred outflows of resources | <u>\$ 667,688,697</u> | <u>\$ 642,098,396</u> | <u>\$ 266,050,698</u> | <u>\$ 251,584,995</u> | <u>\$ 933,739,395</u> | <u>\$ 893,683,391</u> |
| Long-term liabilities outstanding | \$ 67,305,696 | \$ 79,163,822 | \$ 5,199,184 | \$ 2,296,839 | \$ 72,504,880 | \$ 81,460,661 |
| Other liabilities | 27,789,494 | 30,003,658 | 1,805,214 | 1,582,493 | 29,594,708 | 31,586,151 |
| Total liabilities | <u>95,095,190</u> | <u>109,167,480</u> | <u>7,004,398</u> | <u>3,879,332</u> | <u>102,099,588</u> | <u>113,046,812</u> |
| Deferred inflow of resources | <u>28,431,797</u> | <u>13,077,907</u> | <u>1,173,129</u> | <u>117,041</u> | <u>29,604,926</u> | <u>13,194,948</u> |
| Net position | | | | | | |
| Net investment in capital assets | 397,105,148 | 382,300,819 | 229,831,384 | 225,967,867 | 609,268,846 | 589,421,120 |
| Restricted | 32,217,860 | 34,761,769 | - | - | 32,217,860 | 34,761,769 |
| Unrestricted | <u>114,838,702</u> | <u>102,790,421</u> | <u>28,041,787</u> | <u>21,620,755</u> | <u>160,548,175</u> | <u>143,258,742</u> |
| Total net position | <u>544,161,710</u> | <u>519,853,009</u> | <u>257,873,171</u> | <u>247,588,622</u> | <u>802,034,881</u> | <u>767,441,631</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 667,688,697</u> | <u>\$ 642,098,396</u> | <u>\$ 266,050,698</u> | <u>\$ 251,584,995</u> | <u>\$ 933,739,395</u> | <u>\$ 893,683,391</u> |

The largest portion of the City's net position (\$609,268,846 or 76%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Woodbury uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Woodbury's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$32,217,860 or 4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$160,548,175) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Deferred outflows of resources increased significantly in 2021 as a result of changes in actuarial assumptions and differences between expected and actual economic experience and actual investment earnings relating to the pension plans. Deferred inflows of resources increased as well in 2021 due to a significant increase of resources related to pensions.

**City of Woodbury
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The City's net position increased by \$34,593,250 in 2021; governmental activities accounts for 70.3% of the increase in net position or \$24,308,701 while business-type activities contributed \$10,284,549 or 29.7% to the increase. Charges for services related to development activity and capital contributions related to parks and recreation are largely attributable to the increase in net position for the governmental activities. The business-type activities reflected an increase to net position due to capital contributions from governmental activities along with increased charges for services primarily from the water and sewer operations.

City of Woodbury's Change in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------------|----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 15,498,996 | \$ 10,382,074 | \$ 23,160,546 | \$ 19,742,471 | \$ 38,659,542 | \$ 30,124,545 |
| Operating grants and contributions | 4,210,414 | 8,714,579 | 344,193 | 253,217 | 4,554,607 | 8,967,796 |
| Capital grants and contributions | 25,490,712 | 20,037,464 | 6,046,681 | 10,744,512 | 31,537,393 | 30,781,976 |
| General revenues | | | | | | |
| Property taxes | 39,521,520 | 37,991,810 | - | - | 39,521,520 | 37,991,810 |
| Other taxes | 157,437 | 156,668 | - | - | 157,437 | 156,668 |
| Unrestricted state aid | 51,643 | 45,937 | 3,011 | 4,707 | 54,654 | 50,644 |
| Unrestricted investment earnings | (354,449) | 4,319,093 | 257,446 | 610,082 | (97,003) | 4,929,175 |
| Gain on sale of assets | - | - | 34,725 | - | 34,725 | - |
| Total revenues | <u>84,576,273</u> | <u>81,647,625</u> | <u>29,846,602</u> | <u>31,354,989</u> | <u>114,422,875</u> | <u>113,002,614</u> |
| Expenses | | | | | | |
| General government | 9,941,615 | 7,688,976 | - | - | 9,941,615 | 7,688,976 |
| Public safety | 15,898,196 | 20,772,774 | - | - | 15,898,196 | 20,772,774 |
| Public works | 21,020,072 | 26,209,391 | - | - | 21,020,072 | 26,209,391 |
| Community development | 3,631,214 | 3,071,739 | - | - | 3,631,214 | 3,071,739 |
| Parks and recreation | 6,835,444 | 6,017,063 | - | - | 6,835,444 | 6,017,063 |
| Interest on long-term debt | 1,517,490 | 1,786,723 | - | - | 1,517,490 | 1,786,723 |
| M Health Fairview sports center | - | - | 1,935,459 | 1,674,521 | 1,935,459 | 1,674,521 |
| Street lighting | - | - | 555,712 | 536,542 | 555,712 | 536,542 |
| Water | - | - | 7,366,730 | 5,847,988 | 7,366,730 | 5,847,988 |
| Sewer | - | - | 7,370,139 | 7,460,594 | 7,370,139 | 7,460,594 |
| Storm sewer | - | - | 2,094,511 | 2,277,236 | 2,094,511 | 2,277,236 |
| Golf course | - | - | 1,663,043 | 1,538,233 | 1,663,043 | 1,538,233 |
| Total expenses | <u>58,844,031</u> | <u>65,546,666</u> | <u>20,985,594</u> | <u>19,335,114</u> | <u>79,829,625</u> | <u>84,881,780</u> |
| Increase (decrease) in net position | | | | | | |
| Before transfers | 25,732,242 | 16,100,959 | 8,861,008 | 12,019,875 | 34,593,250 | 28,120,834 |
| Transfers | (1,423,541) | (4,253,057) | 1,423,541 | 4,253,057 | - | - |
| Increase in net position | 24,308,701 | 11,847,902 | 10,284,549 | 16,272,932 | 34,593,250 | 28,120,834 |
| Net position - January 1 | 519,853,009 | 508,005,107 | 247,588,622 | 231,315,690 | 767,441,631 | 739,320,797 |
| Net position - December 31 | <u>\$ 544,161,710</u> | <u>\$ 519,853,009</u> | <u>\$ 257,873,171</u> | <u>\$ 247,588,622</u> | <u>\$ 802,034,881</u> | <u>\$ 767,441,631</u> |

**City of Woodbury
Management's Discussion and Analysis**

GOVERNMENTAL ACTIVITIES

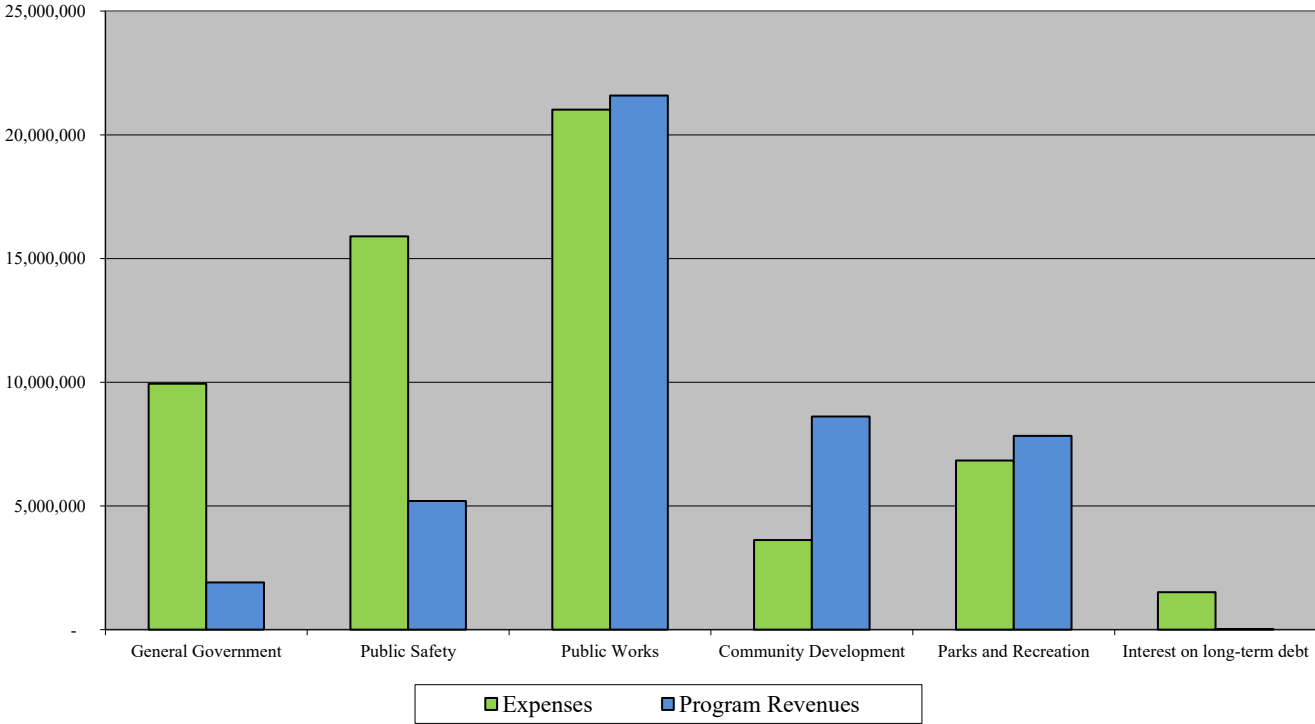
Governmental activities increased the City's net position by \$24,308,701, accounting for 70.3% of the total growth in net position; key elements of this increase as well as other highlights of the governmental activities are as follows:

- Charges for services increased by \$5,116,922 over 2020. Community Development increased \$3 million due to more permits issued at higher average valuations. Specifically, there were permits issued for two apartment projects, a significant leasehold improvement, a single family rental community and a 500,000 square foot commercial building. The remaining increase in charges for services is primarily due to more consistent programming being offered in Parks and Recreation; COVID 19 caused regular interruptions in programming in 2020.
- Capital grants and contributions specifically for the Public Works function continue to show strong performance because of the continued build out of the Phase 2 Metropolitan Urban Service Area (MUSA); this residential development activity continues to produce increased revenues. The result of this development activity is sizable collection of special assessment revenues associated with the developing properties. In addition, the City collected \$2.8 million in Municipal State Aid in 2021 for roadway projects. Overall, the Public Works function realized \$18.7 million of capital grants and contribution revenues in 2021.
- Capital grants and contributions for the Parks and Recreation function had significant capital contributions as well with \$6,475,102 in revenues. A majority of these contributions are development related and represent the donation of outlots and right of way in the developing areas for future park and trail development and park dedication fees paid by the developer.
- Property tax revenues had an increase over the prior year amounting to \$1,529,710. The City had a tax levy increase of 5% over 2020 which accounts for the increase. The City's collection rate in 2021 was 99.4% for the collection of current and delinquent taxes.
- There was a decrease of \$4,504,165 in operating grants and contributions in 2021 due to one-time CARES Act Coronavirus Relief Funds of \$5,337,104 received in 2020.
- There was a \$6,702,635 decrease of governmental activities expenditures in 2021 due to one-time expenditures in 2020 related to the aforementioned CARES Act Coronavirus Relief Funds received. The City used these funds in 2020 for the reimbursement of public health and safety payroll that was substantially dedicated to mitigating the pandemic.
- Investment earnings were a negative \$354,449 in 2021 due to significant unrealized losses from investments purchased at premiums. Assuming the investments are held to maturity, the increased return from purchasing at a premium will exceed the unrealized losses in the future.
- The net transfers for the governmental activities resulted in \$1,423,541 being transferred out of the governmental activities to the business type activities. In comparison, the governmental activities had net transfers in of \$4,253,057 in 2020.

**City of Woodbury
Management's Discussion and Analysis**

GOVERNMENTAL ACTIVITIES (CONTINUED)

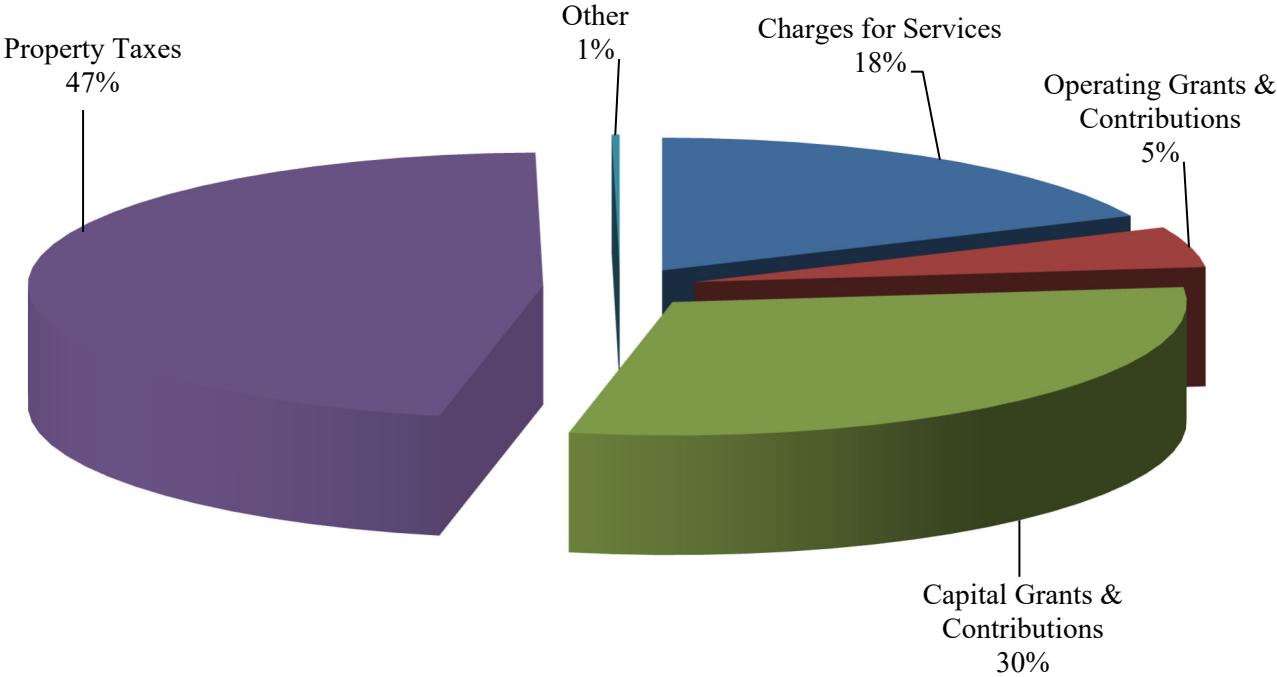
Expense and Program Revenues - Governmental Activities



**City of Woodbury
Management's Discussion and Analysis**

GOVERNMENTAL ACTIVITIES (CONTINUED)

Governmental Activities - Revenues

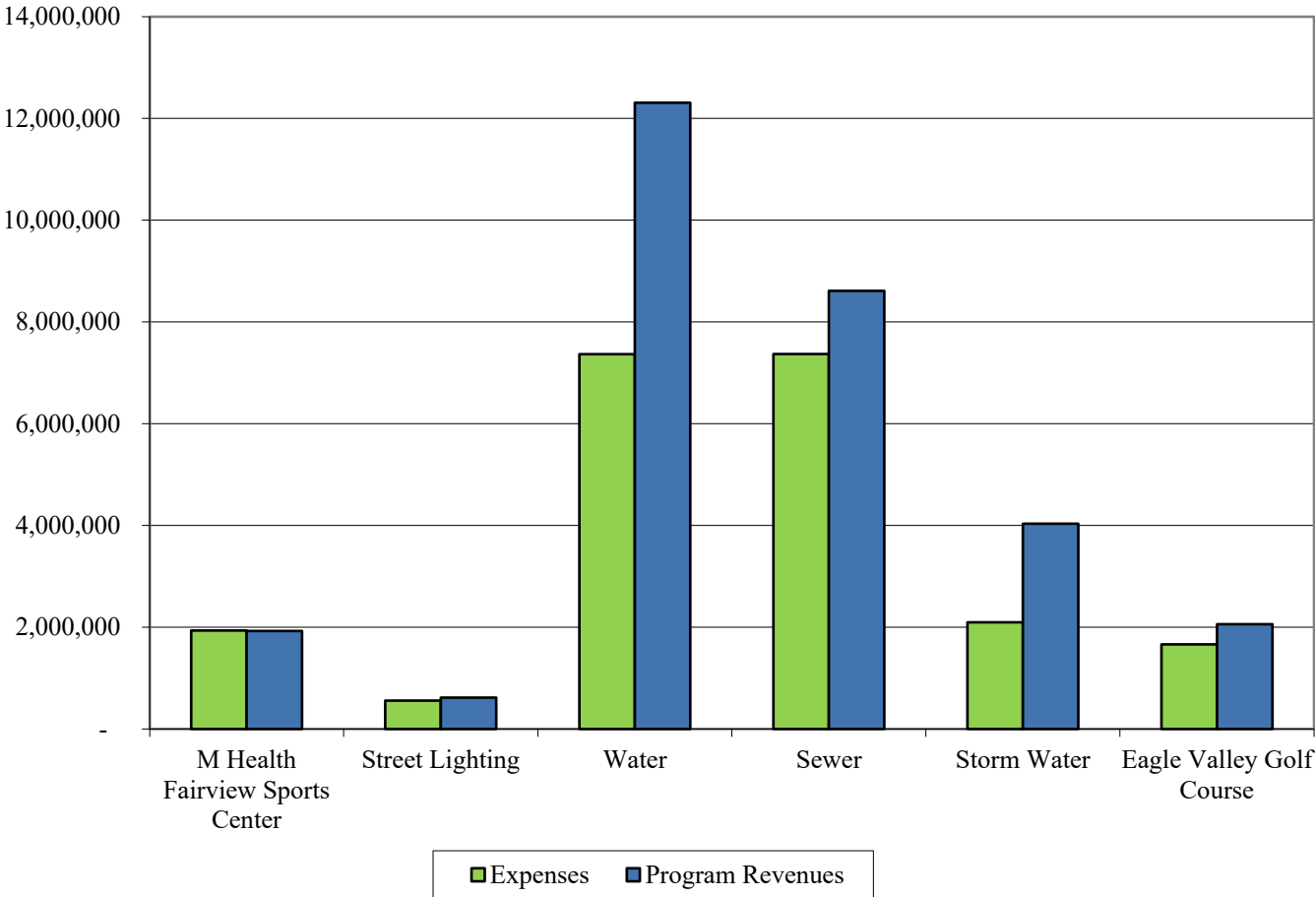


**City of Woodbury
Management’s Discussion and Analysis**

BUSINESS-TYPE ACTIVITIES

Business-type activities increased net position by \$10,284,549 accounting for 29.7% of the City of Woodbury’s growth in net position. This increase to net position was primarily due to capital contributions within the Water and Sewer Utility Fund and the Storm Water Utility Fund. In 2021, land was acquired for a long-term treatment plant at the cost of \$2.4 million and the temporary treatment plant was built out at a cost of \$907,316; both were funded by a grant through the Minnesota Pollution Control Agency. There were also significant capital contributions of publicly and privately constructed water, sanitary sewer and storm water infrastructure totaling \$6.8 million. In addition, charges for services revenue increased \$3.4 million due in large part to increased water usage resulting from less rain in 2021 compared to 2020. The remaining increase in charges for services is attributed to fewer operational interruptions in 2021 from COVID 19.

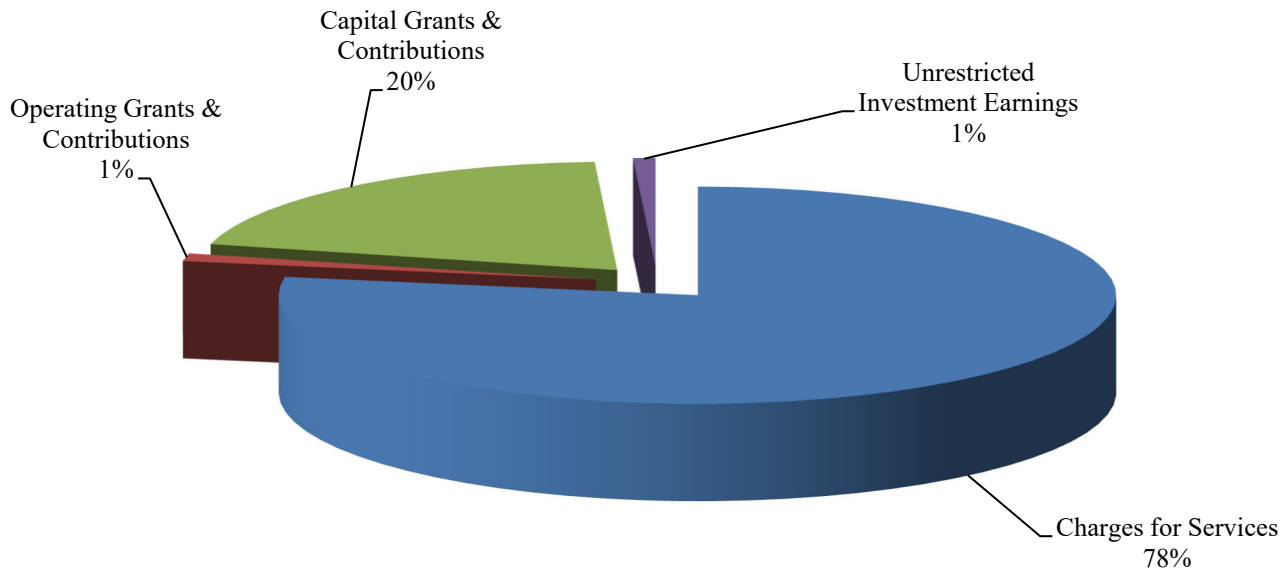
Expense and Program Revenues - Business-type Activities



**City of Woodbury
Management's Discussion and Analysis**

BUSINESS-TYPE ACTIVITIES (CONTINUED)

Business-Type Activities - Revenues



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Woodbury's governmental funds reported combined ending fund balance of \$162,918,341. Approximately 8.1% percent of this total amount; \$13,181,683, constitutes unassigned fund balance that is available for spending in the coming year. The remainder of fund balance includes \$456,403 in nonspendable fund balance, \$20,929,784 in restricted fund balance, \$19,300,008 in committed fund balance and \$109,050,463 of assigned fund balance. See Note 10 to the basic financial statements for additional detail on the fund balance amounts.

Major Governmental Funds

The General Fund revenues exceeded expenditures by \$3,933,205 and after including the other financing sources and uses, the net change in fund balance was a decrease of \$828,528. Other financing sources and uses reported \$2,710,922 of budgeted transfers into the General Fund but were offset by the transfers out of \$7,472,655. The General Fund balance at year end was \$16,735,441. Further detail on the 2021 General Fund activity is found later in this analysis.

**City of Woodbury
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Governmental Funds (Continued)

Major Governmental Funds (Continued)

The Capital Improvement Fund had a fund balance of \$15,448,144 as of December 31, 2021, an increase of \$1,483,561 from 2020. There was a transfer in of \$2,352,415 in 2021. \$2,335,099 of this transfer is the result of the General Fund positive budget variances in 2021 and 2019. The 2019 positive budget variances were held in the General Fund as unassigned fund balance in 2020 and to start 2021 as a cautionary measure due to the pandemic.

The Municipal State Aid Roadway Construction Fund had a fund balance of \$11,309,515 as of December 31, 2021. Expenditures exceeded revenues in 2021 by \$5,725,335. Other financing sources and uses reported \$2,909,802 which represents transfers in from other funding sources to support the 2021 public improvement projects accounted for in this fund. This resulted in a net decrease in fund balance of \$2,815,533.

The Development Construction Fund had a net increase in fund balance of \$269,520. This fund accounts for public improvement projects which are currently under construction and where special assessments or developer payments will be the major funding source. In 2021, special assessments collected exceeded expenditures, causing the increase to fund balance. The Development Construction Fund had a fund balance of \$3,435,115 as of December 31, 2021.

Non-Major Governmental Funds

The non-major special revenue funds experienced an increase in fund balance of \$5,925,959 in 2021.

- The Administrative Fee Fund had an increase in fund balance of \$183,450; the fees collected for development activity exceeded the fixed expenditure and transfer out.
- The HRA Fund had an increase in fund balance of \$183,141. In 2021, the HRA property tax levy collected was \$248,612 and interest collected on loans through the HRA loan programs was \$78,716. This was offset by the funding of a portion of the City's Housing & Redevelopment Coordinator's position and the outside professional service costs used to administer the loan programs; with minimal spending in other areas this resulted in the increase of fund balance.
- The M Health Fairview Sponsorship Fund had an increase in fund balance of \$122,016 and is reflective of the funds received from M Health Fairview for naming and branding rights for the City's sports center to be used to support community wellness projects.
- The Public Safety Training Center Fund had an increase in fund balance of \$4,277,713. A \$4,043,184 transfer in from the General Fund was approved in 2021 as the result of positive budget variances. This money will be used to pay off the remaining internal loan balance to the Community Investment Fund in 2022. In addition, the property tax levy revenues exceeded the planned expenditures in 2021.

**City of Woodbury
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Governmental Funds (Continued)

Non-Major Governmental Funds (Continued)

- The Public Safety Activities Fund had an increase of \$49,222 in fund balance; the fees and fines collected exceeded the spending on public safety activities.
- The Emergency Medical Services Fund had an increase in fund balance of \$1,105,377. Revenues were \$3,896,117 while expenditures were \$2,773,424. A transfer out to the Capital Improvement Fund occurred for the funding of ultrasound equipment in the amount of \$17,316. Run revenue increased in 2021 by \$836,411 while current expenditures decreased by \$79,800, accounting for the majority of the increase in fund balance

Total fund balance for all debt service funds was \$8,400,704 at December 31, 2021.

The non-major debt service funds had an overall decrease in fund balance of \$4,162,806.

- The 2010A Capital Improvement Bond Fund decreased by \$4,742,694 due to a current refunding bond issue that was settled on December 30, 2020 and the proceeds were being held at year end 2020 for the payoff of the original debt on the call date of February 1, 2021.
- The dedicated debt service revenue streams comprised of special assessments and a property tax levy was less than the debt service obligation for both the 2011A GO Improvement Bond and the 2012A GO Improvement and Refunding Bonds and resulted in decreases in fund balance of \$16,810 and \$380,926, respectively.
- The 2020A GO Improvement Bond Fund had an increase in fund balance of \$688,631. The dedicated debt serviced revenue streams comprised of special assessments and a property tax levy exceeded the debt service obligation.
- All other non-major debt service funds had minimal increases or decreases in fund balance.

Total fund balance for all non-major capital project funds was \$92,480,341 at December 31, 2021. The non-major capital project funds had an overall decrease to fund balance of \$440,703.

- The Park Dedication Fund had a decrease in fund balance of \$1,945,410. Park dedication fees collected from developers totaled \$649,700 and there was \$2,764,159 spent on capital outlay. The most significant spending occurred at Valley Creek Community Park with \$1,679,771 spent in 2021.
- The Parks and Trails Replacement Fund had an increase in fund balance of \$204,847. There was property tax levy revenue of \$686,000 and capital spending of \$445,430 in 2021. The majority of the capital expenditures were for the parks pavement project and playground replacement.

**City of Woodbury
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Governmental Funds (Continued)

Non-Major Governmental Funds (Continued)

- The Major Roadway Special Assessment Fund had a decrease in fund balance of \$1,587,783. This was due to a transfer out to provide funding to a major roadway improvement project. These were funds that were being held specifically for the application to this project.
- The Phase I & II Major Roadway Special Assessment Fund had a decrease in fund balance of \$1,254,944. The revenues of \$1,512,673 were comprised of special assessment and charges for services income. There were expenditures of \$2,546,594 for roadway projects accounted for in the fund, a transfer out of \$2,045,782 to fund the City's portion of a county roadway project, and an offsetting transfer in of \$1,812,834 from the Major Roadway Special Assessment and Trunk Water & Sanitary Sewer Funds to pay for their portion of a roadway improvement.
- The Tax Abatement Plan-I-94 Region Fund also had an increase to fund balance of \$860,590 with revenues of \$968,033 and minimal expenditures related to a various capital projects that began in 2021.
- The Trunk Water and Sanitary Sewer Fund had special assessment collections of \$4,550,390 and expenditures of \$2,368,046. The majority of the expenditures were for trunk credits to residential developers and the funding of a Water System Master Plan. There was an increase in fund balance of \$1,764,495.
- The Street Reconstruction/Maintenance Fund had an increase in fund balance of \$1,241,009. The 2021 street reconstruction projects amounted to \$4,144,616 of expenditures while revenues that were \$4,808,592 with 80% of the funding coming from property taxes. The fund balance as of December 31, 2021 was \$9,634,293 and will be used to fund the remaining work on the prior year projects and future rehabilitation projects.
- The Central District Trunk Storm Sewer Fund had special assessment collections of \$860,079, expenditures of \$335,137 and transfers out of \$878,133. The expenditures and transfers out were for storm sewer improvements and management. There was a decrease in fund balance of \$272,824.
- The Valley Branch Trunk Storm Sewer Fund had special assessment collections of \$461,865 and no expenditures. There was an increase in fund balance of \$457,238. The fund balance as of December 31, 2021 was \$972,767 and will be used for future storm sewer improvements and management.
- All other non-major capital project funds had minimal increases or decreases in fund balance.

**City of Woodbury
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position in the respective proprietary funds are M Health Fairview Sports Center, \$1,096,382; Street Lighting, \$1,259,128; Water and Sewer Utility, \$20,148,516; Storm Water Utility, \$4,666,096; and Eagle Valley Golf Course, \$871,665.

The M Health Fairview Sports Center had an increase in net position of \$13,057. The sports center produced operating income in 2021 of \$556,348; this was offset by depreciation expense of \$763,192 for an operating loss after depreciation of \$206,844. The rate structure does not include depreciation on the facility or GASB 68 pension expense liability. Non-operating revenues include tower lease income and income from a lease agreement with Summit Orthopedics, Ltd. These lease revenues totaled \$289,666 in 2021. Revenues from facility rental, programming, and concessions increased by \$593,212 in 2021 compared to 2020 due to operations being directly affected by the pandemic in 2020. In 2020 the facility was closed to the public from mid-March through the end of May and mid-November through the end of December.

The Street Lighting Operation Fund had an increase in net position of \$48,680. The City charges for services collected from the residential and commercial population exceeded the amount billed to the City for operational expenses of the street lighting infrastructure. The reserve addition is planned and will be used for the eventual replacement of the street light utility system when the lights under lease expire. Depreciation is not accounted for in the financial statements due to the structure of the street lighting contract with Xcel Energy.

The Water and Sewer Utility Fund had an increase in net position of \$7,052,779. Capital contributions for 2021 amounted to \$6,842,375 and is the main contributor of the increase in net position. As mentioned earlier, land was acquired for a long-term treatment plant at the cost of \$2.4 million and the temporary treatment plant was built out at a cost of \$907,316; both were funded by a grant through the Minnesota Pollution Control Agency. There were also significant capital contributions of publicly and privately constructed water and sanitary sewer infrastructure. The Water and Sewer Utility Fund produced operating income in 2021 of \$1,290,746 which includes depreciation. Non-operating revenues/expenses netted to \$704,259 due to investment income of \$309,801 and grants totaling \$296,977. Effective January 1, 2021, the water rate increased \$.20/1000 gallons for both commercial and residential. The administrative charge increased \$2.00 per quarter for residential and \$2.00 per month for commercial accounts. The irrigation water rate increased by \$.23/1000 gallons. The City Sewer rate increased by 1% in 2021.

The Storm Water Utility Fund had an increase in net position of \$2,784,387. There was net income in the amount of \$306,367 which includes depreciation and \$7,314 of non-operating revenues. In addition, there was \$3,301,868 of capital contributions in 2021 offset by the transfers out in the amount of \$894,945 to other funds. The budgeted rate structure does not include depreciation on the system. The rate structure provides infrastructure replacement funding based on the level of street reconstruction funding available and the capacity to do road and utility projects at the same time. There was a 3% rate increase in 2021 for the Storm Water Utility; the single family home rate increased \$.60 per quarter.

**City of Woodbury
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Proprietary Funds (Continued)

The Eagle Valley Golf Course Fund had an increase in net position of \$385,646. Golf Course operations saw a record number of rounds in 2021; 44,679 round played compared to 39,730 in 2020, a 12.5% increase. The net income from operations for 2021 was \$391,572 which includes depreciation.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget Amendments

During the year there was an increase between the original and final amended budget of \$8,520,495. The following amendments make-up that increase:

- The 2021 General Fund budget was amended to transfer out the 2019 positive budget variances of \$2,772,523 that were held in the General Fund as unassigned fund balance in 2020 and to begin 2021 as a cautionary measure to the pandemic. 2021 had positive budget variances resulting in an additional amendment to transfers out of \$4,670,760. The total budget amendment to transfers out was an increase of \$7,452,905, or 87.5% of the total increase.
- The 2021 General Fund budget was amended to include \$545,289 of budget carryovers from 2020; this is for projects or purchases that were not completed and or received by the end of 2020. This increases the budgeted expenditure line items and was funded by the use of fund balance (\$264,600) and intergovernmental and miscellaneous revenues (\$280,689) for grant specific purchases.

BUDGET TO ACTUAL

Revenues

In 2021, the General Fund exceeded the amended budgeted revenue by \$3,555,663. The City's largest revenue source, property taxes had a positive budget variance of \$182,533, recording a collection rate of 99.4%; this includes the current and delinquent collections. Licenses and permits had a positive budget variance exceeding budget by \$3,688,394; the 2021 budget forecast for permit revenues was conservative. There were permits issued for two apartment projects, a significant leasehold improvement, a single family rental community and a 500,000 square foot commercial building. In addition, charges for services exceeded budget expectations by \$159,291 as the result of fewer interruptions in operations from the pandemic in 2021. These variances were offset by revenues categories that came in under budget. Intergovernmental was \$229,673 under budget, fines and forfeitures, \$65,939; investment income, \$185,511; and Rentals, \$23,748.

Expenditures

The 2021 General Fund operating expenditures were under spent by \$3,695,820. Divisions that experienced significant variances of 2021 budget to actual comparison are the following:

**City of Woodbury
Management's Discussion and Analysis**

GENERAL GOVERNMENT

Administration/Elections

This division expended 88.8% of the \$1,883,900 budget with a positive budget variance of \$210,323. The line item for other services and charges was underspent by \$138,246; scanning into the document management system did not occur to the intended level of the budget. Also, the line item for personal services was under budget by \$70,056 due to an open position during the year and the employer contribution for health insurance also had a positive variance of \$11,328.

Finance

This division expended 90.4% of the \$1,167,700 budget with a positive budget variance of \$111,562. The line item for personal services was under budget by \$165,403 due to open positions during the year. Offsetting this underage was an overage in the other services and charges budget of \$52,325 due to unbudgeted consulting service expenses related to the aforementioned open positions.

PUBLIC SAFETY

Police

This division expended 90.5% of the \$13,383,577 budget with a positive budget variance of \$1,272,594. The majority of this variance is in personal services with a positive variance of \$1,082,609 due to open positions throughout the year and difficulty filling them.

Fire

This division expended 87.7% of the \$2,538,700 budget with a positive budget variance of \$311,923. The line item for personal services was under budget by \$322,803 due to turnover during the year.

PUBLIC WORKS

Engineering

This division ended the year with a positive budget variance of \$152,114 or 91.5% of budget. Personal services was under budget as a result of turnover during the year. The positive variance for personal services was \$103,883.

Streets

This division expended 88.8% of the \$3,230,500 budget with a positive budget variance of \$362,953. Personal services had a positive budget variance of \$230,288 due to turnover of full time staff during the year and only spending 19% of the \$70,700 budget for seasonal staff. In addition, there was underspending on materials and supplies (\$38,554) and other services and charges (\$94,111).

PARKS AND RECREATION

Recreation

This division ended the year with a positive budget variance of \$256,310 or 86.2% of budget. The variance is spread across the three categories; personal services (\$118,461), materials and supplies (\$60,441), and other services and charges (\$77,408). Recreational programming was not as limited as it was in 2020 from the pandemic, however there were still interruptions which is the cause for actuals being below budget.

**City of Woodbury
Management's Discussion and Analysis**

PARKS AND RECREATION (CONTINUED)

Parks & Forestry

This division expended 89% of the \$4,481,915 budget resulting in a positive variance of \$495,237. There was a positive variance in other services and charges of \$417,056, making up 84.2% of the variance. This is the result of budgeted project and maintenance activities being carried over to 2022.

**City of Woodbury
Management's Discussion and Analysis**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2021, amounts to \$664,028,658 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and city infrastructure.

**City of Woodbury's Capital Assets
(Net of Depreciation)**

| Primary Government | Beginning Balance | Increase | Decrease | Transfers | Ending Balance |
|---|-----------------------|----------------------|----------------------|--------------------|-----------------------|
| Governmental activities | | | | | |
| Land(not depreciated) | \$ 123,768,440 | \$ 5,503,242 | \$ 117,258 | \$ 90,758 | \$ 129,245,182 |
| Construction in progress(not depreciated) | 43,040,297 | 18,092,487 | 30,849,675 | (4,097,562) | 26,185,547 |
| Building and structures | 49,215,990 | 23,774,139 | 2,689,504 | - | 70,300,625 |
| Infrastructure | 301,830,084 | 9,073,429 | 478,831 | - | 310,424,682 |
| Furniture and fixtures | 1,468,526 | 149,421 | 190,051 | - | 1,427,896 |
| Machinery and equipment | 25,373,344 | 3,485,245 | 1,878,029 | 4,850 | 26,985,410 |
| Land improvements | 15,485,116 | 1,971,418 | 121,603 | - | 17,334,931 |
| Total capital assets | <u>560,181,797</u> | <u>62,049,381</u> | <u>36,324,951</u> | <u>(4,001,954)</u> | <u>581,904,273</u> |
| Less accumulated depreciation for | | | | | |
| Buildings and structures | 16,836,103 | 1,121,658 | 1,052,600 | - | 16,905,161 |
| Infrastructure | 103,159,824 | 7,286,607 | 377,015 | - | 110,069,416 |
| Furniture and fixtures | 995,848 | 124,511 | 177,420 | - | 942,939 |
| Machinery and equipment | 12,099,983 | 1,934,745 | 1,756,376 | 4,850 | 12,283,202 |
| Land improvements | 6,882,573 | 759,832 | 69,928 | - | 7,572,477 |
| Total accumulated depreciation | <u>139,974,331</u> | <u>11,227,353</u> | <u>3,433,339</u> | <u>4,850</u> | <u>147,773,195</u> |
| Governmental activities capital assets-net | <u>420,207,466</u> | <u>50,822,028</u> | <u>32,891,612</u> | <u>(4,006,804)</u> | <u>434,131,078</u> |
| Business-type activities | | | | | |
| Land(not depreciated) | 13,931,598 | 2,387,502 | - | (90,758) | 16,228,342 |
| Construction in progress(not depreciated) | 94,591 | 3,859,611 | 3,222,222 | - | 731,980 |
| Land improvements | 2,546,466 | 9,355 | - | - | 2,555,821 |
| Buildings and structures | 41,865,524 | - | - | - | 41,865,524 |
| Furniture and fixtures | 245,227 | - | - | - | 245,227 |
| Machinery and equipment | 4,931,468 | 201,225 | 91,640 | (4,850) | 5,036,203 |
| Water systems | 92,848,988 | 1,967,891 | - | 891,032 | 95,707,911 |
| Sewer systems | 65,955,325 | - | - | 1,496,918 | 67,452,243 |
| Storm sewer | 106,203,944 | 1,592,256 | - | 1,709,612 | 109,505,812 |
| Total capital assets | <u>328,623,131</u> | <u>10,017,840</u> | <u>3,313,862</u> | <u>4,001,954</u> | <u>339,329,063</u> |
| Less accumulated depreciation for | | | | | |
| Land improvements | 455,633 | 125,264 | - | - | 580,897 |
| Buildings and structures | 8,645,206 | 893,356 | - | - | 9,538,562 |
| Furniture and fixtures | 73,559 | 42,672 | - | - | 116,231 |
| Machinery and equipment | 2,241,246 | 366,775 | 91,640 | (4,850) | 2,511,531 |
| Water systems | 39,503,751 | 2,656,609 | - | - | 42,160,360 |
| Sewer systems | 25,103,510 | 1,298,201 | - | - | 26,401,711 |
| Storm sewer | 26,632,359 | 1,489,832 | - | - | 28,122,191 |
| Total accumulated depreciation | <u>102,655,264</u> | <u>6,872,709</u> | <u>91,640</u> | <u>(4,850)</u> | <u>109,431,483</u> |
| Business-type activities capital assets-net | <u>225,967,867</u> | <u>3,145,131</u> | <u>3,222,222</u> | <u>4,006,804</u> | <u>229,897,580</u> |
| Total capital assets | <u>\$ 646,175,333</u> | <u>\$ 53,967,159</u> | <u>\$ 36,113,834</u> | <u>-</u> | <u>\$ 664,028,658</u> |

Additional information on the City of Woodbury's capital assets can be found in Note 4.

**City of Woodbury
Management's Discussion and Analysis**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$50,855,000, a decrease of \$8,165,000 from 2020. This number is comprised of G.O. debt of \$33,685,000, G.O. Tax Increment debt of \$140,000, G.O. and debt supported by special assessments of \$17,030,000.

Additional long-term debt amounts to \$73,287 in notes and loans payable and compensated absences in the amount of \$3,575,640.

City of Woodbury's Outstanding Debt

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------------|----------------------------|----------------------|-----------------------------|-------------------|----------------------|----------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| General obligation debt | \$ 33,685,000 | \$ 40,085,000 | \$ - | \$ - | \$ 33,685,000 | \$ 40,085,000 |
| General obligation tax increment | 140,000 | 280,000 | - | - | 140,000 | 280,000 |
| General obligation improvement bonds | 17,030,000 | 18,655,000 | - | - | 17,030,000 | 18,655,000 |
| Notes and loans payable | 73,287 | 73,287 | - | - | 73,287 | 73,287 |
| Compensated absences | 3,281,117 | 3,515,705 | 294,523 | 275,498 | 3,575,640 | 3,791,203 |
| | <u>\$ 54,209,404</u> | <u>\$ 62,608,992</u> | <u>\$ 294,523</u> | <u>\$ 275,498</u> | <u>\$ 54,503,927</u> | <u>\$ 62,884,490</u> |

The above table does not include any unamortized loss or gain on refunding's nor issuance premiums and discounts. This along with additional information on the City's long term debt can be found in Note 5.

State statutes limit the amount of general obligation debt a Minnesota city may issue up to 3% of total estimated market value. The current debt limitation for the City of Woodbury is \$314,804,679. Only \$33,126,763 of the City's outstanding debt is counted within the statutory limitation.

In December of 2020, Standard & Poor's Rating Service rated the City as AAA. Standard & Poor's rationale behind this rating is "a very strong economy, with access to the broad and diverse metropolitan statistical area; strong management, with good financial policies and practices; strong budgetary performance; very strong budget flexibility; very strong liquidity; adequate debt and contingent liability profile and a strong institutional framework." An updated rating was not obtained in 2021 due to no new bonds being issued.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, 8301 Valley Creek Road, Woodbury, Minnesota 55125.