

City of Chaska 2025 Budget



2025 Annual Budget

To the Citizens of Chaska, Honorable Mayor, and Chaska City Council:

Submitted for your review is the proposed 2025 Annual Budget for the City of Chaska, along with a review of major issues and opportunities relating to the City's general operations. I believe the budget, as proposed, meets the needs for continuing to provide excellent municipal services, while at the same time meeting the City's objectives that we have established during the budgeting process. As we did during the 2023 and 2024 budget process, we have continued to spend the better part of this year talking to the public about our largest current challenge, which will be taking care of our existing City facilities and investing into improvements that will be needed to allow us to meet our service objectives moving into the future. While this has been a difficult discussion because of its impact on taxes, it is one that we need to address if we are going to be able to continue to provide services at the level residents have come to expect.

As you read this budget, you will find that beyond trying to maintain our current services at levels that our residents expect, this budget seeks to continue our efforts to keep our Capital Asset Maintenance Program (CAMP) fully funded as we move into the future so that we continue to reinvest back into the assets that are aging in our community such as trails, roads, and parks. We also have put a high priority on making sure we are working towards keeping our General Fund Reserve balances at a sufficient level to be able to meet the requirements of our Bond Rating Agency to maintain our quality rating, which we have affirmed three times over the past year. We have budgeted \$300,000 annually to go directly to our reserves.

One thing that will be different in our 2025 budget, compared to the past four years, will be that we will not need to implement any additional recommendations from our Staffing Gap Analysis. With us starting the implementation of this in 2020 and completing it in 5 years because of a break that we took during COVID, we finished implementing the recommendations of this study in 2024 and should now have our baseline staffing in every area of our organization consistent with where it should be for a community our size and one that provides the services we do for our community. While we will still need to consider adding positions in the future to address growth, we should not have to play "catch-up" for positions we did not address when we needed them in the past.

Finally, as we started in 2023 and continued in 2024, an emphasis was placed in this budget on implementing the plan to address our City Facility needs for buildings supporting our General Fund services in Chaska. This includes our Police and Fire Services, our Municipal Services Campus, Chaska Library, and our City Hall. All these facilities are over 30 years old, with very little change or improvements occurring in these facilities as our community has grown. Not only do these facilities have deferred maintenance projects that need to occur, but none of them are large enough to handle our current staffing or equipment levels in the City, let alone our future needs as we continue to grow. As will be described throughout this budget document, the 2025 budget will be the third of 4-years of revenue increase that will be needed to support the debt service of rehabilitating and expanding these facilities, which will take the rest of this decade to complete construction. 2024 did mark the first facility in our Building

Improvement Program that moved forward to construction, with our Public Safety campus starting construction in the Spring of this year. This facility is slated to be completed by mid-December of 2025, and will house both our Police and Fire Departments on the property that housed our former Fire Department.

This budget document will talk about when we expect to see all 4 facilities completed, and the impact we expect it will have on taxpayers as this program is implemented.

2024 Revenue Discussion

As we go into 2025, we are seeing continued increases in our Market Values, with more than half of the overall market growth (53%) coming from new growth. In 2023, we saw only 40% of the market value increases come from new market growth. What this means is that more of the tax burden is shifting away from existing properties.

For taxes payable 2025, we are seeing a 6.73% increase in our community's taxable market value, with 3.58% driven by new construction and the other 3.14% being driven by changes in existing properties values. For the second year in a row, the strongest growth we have seen in the City has been in the category of Apartments, which saw a 20.33% overall increase in value, with 85% of the value coming from new apartment units. Last year we saw most of the growth coming from existing apartment units, which indicated that there was a strong demand for new units in the community. Based on that demand, there were over 600 new rental units built in the community last year.

Commercial/Industrial properties saw moderate growth over the past year with a 6.75% increase. Most of that change occurred with an increase in existing C/I properties at 4.86%, which could indicate we start to see more demand in this area over the next year. We know for certain that large projects like Costco and the Chaska Tech Center will be fully brought into the market over the next year, meaning we will likely see an increase in new market values just from these two properties alone.

Residential saw the smallest change in property values for 2025, with existing residential properties seeing only a 2.69% increase in market values. This is smaller than the increase we saw for residential properties in 2024, which was around 2.75%.

Our tax capacity for 2025 is slated to grow at a slightly faster rate of 6.59% compared to 5.4% in 2024. The tax capacity measures the amount of value that is taxable within a community. The positive news is that there is much more growth in the tax capacity from new growth in the community than there was over the past couple of years. This translates into tax increases having a larger impact on new properties than on existing ones.

As we have seen since 2021, building activity in Chaska was very strong during 2024. This building activity has included completing the two apartment buildings in the Clover Ridge Neighborhood, the completion of an additional apartment building in the Hazeltine Plaza development, and the addition of rental townhomes on the former site of Oak Ridge Conference Center. These all totaled over 600 rental units in all. In addition to this, we saw strong Commercial/Industrial development with the completion of construction on

the Costco building, and the completion of the Chaska Tech Center industrial building on the former Chaska Building Center site.

We also saw the addition of a significant amount of new owner-occupied residential units in 3 separate development areas in Southwest Chaska, and in the westerly neighborhood addition to the Clover Ridge Neighborhood. The Lennar Development on the east side of the Autumn Woods neighborhood was also completed, and we have seen most of the homes in the Dell Webb Adlewood Neighborhood get completed just north of Clayhole Lake in Fireman's Park.

As we finish out 2024, we expect that permits will be similar to the 2021 and 2022 levels of \$1.5 million, but less than that nearly \$3 million that we saw in 2023. In each of these years, we have budgeted just over \$1.1 million in permits. For 2025, we are expecting to see a very similar market to what we saw in 2024, with us budgeting around \$1.3 million over the course of the year to be conservative on our estimate. Between the continued steady construction of residential units, the opportunity for additions to existing buildings, and inquiries into our new industrial park, we think this will be a realistic number for us to attain.

As the 2025 budget was put together, there were several major budget environmental factors we needed to consider as it related to revenues, including:

- Market Values across the community increased by 6.73% compared to the 8.18% increase we saw last year. This will bring our overall property values in the community to \$4.89 billion, a little over \$300 million higher than last year. 3.58% of this change came from new construction, with the rest of the increase coming from existing properties. This 3.58% increase in new construction represents 53% of all growth in the community
- Based on Legislative Changes made during the 2023 session, while we will continue to see \$0 in Local Government Aid, we did receive a 1-time allocation of \$1.22 million in Public Safety Aid to support Police and Fire services. While we received these dollars in 2024, we did not utilize them all and are carrying them into this year's budget to offset some one-time costs
- Based on Legislative Changes during the 2023 session, the State did create a Metro Sales Tax, with a portion of this sales tax coming back to each Metro Area City for the purpose of supporting the creation of more affordable housing stock. The allocation in 2024 was a little over \$130,000. We expect that number to be similar in 2025
- While building permits in Chaska have been over \$1.5 million each year since 2021, and being close to \$2.8 million in 2023, we do not want to set this budgeted revenue too high since we cannot directly control it. For this reason, we are budgeting this number to be a little over \$1.3 million
- We are continuing to see an increase in population, with a steady increase in the number of residential units being built in the community. While the Met Council's estimate was just under 30,000 this past year, we do believe that we have surpassed that number this year, and would expect to be around 30,500 by the end of 2025

- Our Electric Revenue has continued to increase, as we have seen a significant amount of Economic Development occurring in the last several years, including Data Centers and additions to existing industrial businesses driving up this usage. This has had a positive impact on the Electric Right of Way Usage Fee coming back to our General Fund. We expect the amount coming back to the General Fund in 2025 to be approximately \$5.1 million

MAJOR INITIATIVES OVER PAST DECADE

During the recession (2008-2013), to navigate the financial impacts to our revenue collection that supported our budgeted activities, the City deferred many planned expenditures as a strategy to balance the budget. This was needed because we did not change the tax levy for four years during this recession period.

When the economy improved after 2013, the City was able to put more emphasis into the projects that we had to defer, which revolved around the reinvestment back into our existing infrastructure and assets, as well as making sure that we were staffing at a level that could sustain the level of services residents have come to expect in our community.

CAMP Program

This renewed emphasis on reinvestment back into our existing infrastructure was first demonstrated through the establishment of our Capital Asset Maintenance Program (CAMP). The CAMP focused on how to properly maintain the assets in which we have already invested and have a responsibility to keep in good condition moving into the future. In 2014 we started investment into this program, with a 4-year plan for how to fully fund these needs. This 4-year plan increased revenue in the General Fund to support a \$1 million gap, with the final \$250,000 of this being incorporated into the 2017 budget. With this program fully funded every year since, we have been able to move forward by making the proper reinvestment back into our existing General Fund Assets, such as roads, trails, and parks. The budget for 2025 continues with full investment into the CAMP to continue to keep up with these reinvestment needs.

Staffing Gap Program

During the 2020 budget, we did turn our attention to addressing the gaps we had identified in our staffing levels across the City in past years, and what we felt was needed to sustainably meet our service level expectations in the future. Following direction from the City Council in the 2017 Council/Department Head Retreat, focus was put on having our Financial Advisors at Baker Tilly complete a Staffing Study looking not only at what staff we need to plan for going into the future to keep up with our service level demands as our community grows, but also on any gaps we currently have in being able to sustainably meet our service level expectations in the current environment.

Based on this study, we were able to determine that we were 16 employees short in being able to meet our current service level needs, but that once we filled this gap, we could expect that we would need an additional 57 employees City-wide to meet our staffing needs when our community is fully developed over the next 20 years.

To work on filling our existing gap, we divided implementation of this plan over a 4-year period to spread the costs over multiple years, so as not to have all the financial impact

fall into one budget year. We were able to start this Staffing program in 2020, needing to take a break in 2021 because of COVID challenges. However, in 2022, we did re-establish this program, implementing the 2nd of the 4 years, along with addressing public safety gaps (shortage of 3 Police Officers) that were not identified in the original study. These 3 Police Officers were spread into each of the remaining 3 years of the Staffing program implementation, with 1 new position being added each year. In addition to funding the positions through this program, \$500,000 was also allocated to the program to help fund the on-going maintenance of our City facilities as positions being added in this program included Building Maintenance Staff. Up until this point, Chaska had not had any dedicated Building Maintenance personnel on Staff, which created challenges with our aging facilities.

In 2024 we completed this program with all the anticipated positions now being added. As we move into the future, it will now be our job to make sure we keep up with the positions we need when we need them, so we do not create a gap again.

Building Improvement Program

In 2023, a new program was added to address necessary building improvements in our General Fund facilities. As we have been discussing over the last three years both internally and through educational events for the public, there is a significant need to reinvest into our General Fund facilities that are over 30 years old, are in poor condition, and are not sized or designed properly to serve our growing community, nor the changes in services we have had to make to properly serve our residents.

When doing our initial needs analysis, it was identified that the following 4 buildings need reinvestment and expansion, without there being available resources to properly address these needs. The four General Fund facilities discussed, in order of their priority, include:

- Public Safety (Police and Fire)
- Municipal Services Building (Public Works, Water/Sewer, Storm Water, Electric)
- Chaska Library
- Chaska City Hall

Later in this document I will discuss the needs that we have found with these facilities, and the revenue we would need to properly address these deficiencies. As I will also discuss later, the program is one that we are laying out to have the financial resources necessary collected over a 4-year period to help spread the additional tax impact into multiple years. The first facility in this program is scheduled to be completed in late 2025 (Public Safety Facility), with the final facility being completed in late 2030 (City Hall Rehabilitation). This Building Improvement Program is where we have spent the bulk of our budget discussions over the past three years, and what we have been out educating the public on since early spring of 2022.

2025 will be the third year of implementing the needed tax levy to support this program, with the City levying the first two years of this program in 2023 and 2024. 2025 would also mark the completion of construction on the Public Safety Facility and the start of design on the MSB building. The Municipal Services Building is scheduled to be

constructed in 2026 and completed in 2027. The last two buildings in this program would be The Library and a renovation/remodeling of City Hall.

Tax Levy Establishment Policy

This Budget Document discusses the continued use of our tax levy establishment policy, which the Council adopted during our 2014 budgeting process. Our current policy focusses on what the actual driving factors are in setting our tax levy, including actual new growth in our population and inflationary factors, instead of focusing solely on keeping a constant tax rate, which was the past policy direction the City utilized. In this respect we feel that any new increases in tax resources are directly tied to the increased costs we need to support the level of services we currently provide in the community. This policy also allows us to capture the resources of any new development in the community to make sure that all new homes and businesses are contributing their "fair share" to support our General Fund services. Capturing this new value has no impact on the taxes paid by existing properties, but instead helps make sure that we are capturing this new value to contribute to the overall service need increases in the community because of new growth. This tax levy establishment policy goes on to say that we would only increase our tax levy above and beyond this amount if we were addressing new items in our budget, and that the levy would increase by the actual amount that is needed to support the direct cost of these new initiatives.

In this 2025 budget, the only item that would be above and beyond our base-level tax levy establishment policy, which the Council has decided is critical to address in 2025 includes:

- Commit to the third of 4-years of ramping up revenues for our Building Improvement Program, which would add \$1.125 million of tax levy each of the 4 years of the program, along with \$590,500 of Utility Funds each of the next 4 years to support the ultimate \$6.8 million of estimated funds needed to pay for the financing needed for the entire program.

As we will discuss later in this budget, utilizing our base tax levy policy, and addressing the Building Improvement Program would have an impact on the Median Value Home in the community (\$390,000) of \$11.75 per month, or \$141 over the course of the entire year. This is down from the impact of \$16.75 per month (\$201 annually) in the 2024 budget and is due mainly to the increase in new construction value we are seeing for the 2025 budget.

Staff feel that this budget document continues to move forward in taking a more comprehensive look at not just our current operations, but also the future costs of properly maintaining our assets through our CAMP and Building Improvement Programs. We also think that it creates a logical nexus between how we set our tax levy and what actual changes we see in the community that cause us to increase the resources we need to meet our primary service objectives.

Budget Objectives

As with all our budgeting processes, the first place that we start is by establishing the objectives we are trying to accomplish in setting our budget for the upcoming year. Below

is the list of those objectives that were used in establishing the proposed 2025 budget you see before you now:

- *Support budgeting programs that help Chaska strengthen its mission of being "The Best Small Town in Minnesota"*
- *Maintain existing high-quality service levels*
- *Utilize our Existing Tax Levy policy, which limits tax levy growth to capture only new real growth in community and inflation. Only increasing levy beyond this point if new service levels/assets are being added*
- *Fully fund maintenance and replacement of our vehicles, equipment, and physical assets on a regular schedule to ensure sustainability of investments already made*
- *Fund new programs only after existing, necessary programs are funded*
- *Budget utilizing a plan that avoids draw-down of City's General Fund Reserves and builds these reserve levels to a targeted level*
- *Fully fund levy needs of Street Reconstruction Program*
- *Develop a budget plan that is sustainable from a resource perspective to support service levels that residents expect*

The newest objective on this list is the last one, in which we discuss the importance of resourcing our organization at a level that can sustain the service levels our residents have come to expect. Over the past five years, the City Council has discussed some of the biggest financial challenges the City will face over the next several years, with one of our biggest challenges being able to keep our service levels constant if we do not put sustainable levels of resources in to support them.

In the past, the City of Chaska was very lean when it came to resources used to support the high level of services we provide in the community. As the community grows, and assets such as our facilities get older, these levels of resources will not be sustainable to keep our service levels constant if we do not keep up with these changes.

This is especially true when it comes to the Staffing levels throughout the organization, and the dollars allocated towards maintaining our aging facilities. We addressed one of these areas by completing the implementation of our Staffing Gap Study and are addressing the latter by continuing to fund our Building Improvement Program. Putting these resources in place now will also help us 25-30 years down the road when our City facilities will once again need additional reinvestment and debt service from the original improvements will be complete. It will make sure we have an existing funding source available to support these future improvements.

As mentioned previously, continuing to implement our Building Improvement Program in 2025 would impact the Median-Valued home in the community (\$390,000) by \$11.75 per month or \$141 per year. In 2024, implementing our plan put up a #62 lowest out of 84 cities. Even with the changes proposed for 2025, we would expect that we would still be in the lowest 30% of cities for tax levy per capita in the entire Twin Cities Metropolitan Area.

Tax Levy Establishment Policy

For nearly 30 years, the City of Chaska had a policy of establishing our annual tax levy based on keeping a constant tax rate. Based on this policy, the tax levy would go up by the amount of increase we saw annually in our tax capacity, which is directly related to the amount of market value growth we see in the City. For instance, if market values (and hence tax capacity) increased in the community by 6.73% (as it will for taxes payable 2025), the levy could also increase by 6.73% and have no impact on the tax rate in the community. This would mean that if someone's property did not change in taxable market value from one year to the next, that their City taxes would not see any increase.

While the constant tax rate policy worked very well for several years, during our last major recession (2010-2013) we did start to experience some of the practical limitations of this policy. The first practical issue experienced is that not all market value increases are associated with the construction of new buildings. Some of the market value increase also occurs on existing properties as we experience inflationary growth from one year to the next. While the tax rate would not change, a resident's taxes would change unless their market value stayed the same. This often was the practical reality, as we saw a significant amount of property value growth in existing properties from 2000-2008.

The other issue that we experienced from 2010-2013 was the impact of decreasing market values in the community. As with increasing market values, the same can be said for decreasing market values when trying to keep a constant tax rate. If the market values go down, the tax levy also needs to decrease accordingly to keep the tax rate constant. With one of our primary objectives of keeping our service levels constant, this was a significant issue the City faced when market values declined for four straight years. This led to the City temporarily modifying its tax levy policy to state that the tax levy would be set to keep the tax rate constant, unless that forced the actual levy to decrease, in which case the tax levy would stay the same. This change was made based on the notion that while property values decrease, the cost for providing these services does not decrease unless a community is willing to reduce the amount of services it provides. In fact, if the service levels are kept the same, the actual cost of providing the service in subsequent years increases because of inflationary factors. Based on this change, and the decrease in market values in 2010-2013, the City of Chaska's tax levy saw a 0% increase during each of those 4 years, with the tax levy remaining at \$4,880,354 for each of these 4 years.

Finally, the practical reality is that if the tax levy change is only tied to the changes in market values, and a large portion of this market value change is in existing properties, this does not really tie the tax levy increase directly to a need for additional services. Theoretically, it does not cost the City more to provide services for a residence that is already existing, except for our actual inflationary increases in costs from year to year for supplies and labor. Beyond inflationary increases, our costs only increase by the amount of new growth that occurs in the community. By focusing only on new growth and our inflationary increase in costs, we are more truly representing and justifying the needs we have for additional resources to support the services we already provide.

Based on this premise, it was during the 2014 budgetary process that the City Council made a permanent change to our tax levy establishment policy to learn from the issues

we experienced during the Great Recession. The tax levy policy established in 2014 focuses specifically on looking at the two items that create increased cost pressures on our General Fund, if one of our primary objectives is to keep a constant level of services in the community:

- New construction in the community (3.58% for taxes payable 2025)
- Inflationary increases in the market. (~5% for 2025)
 - Total Base-line tax levy increase of 8.76% to keep current service levels constant
 - It should be noted above that the actual rate of inflation we have been seeing over the past three years has been over 5%. However, we capped it at 5% for budgeting purposes because we are addressing the addition of our Building Improvement Plan again in 2025

If the City desires to keep service levels constant, it costs more money to provide the same services when we have new users in the community. Also, market inflation increases the impact on the cost of providing our services regardless of whether we make any changes in service levels or not. To make sure we take these issues into account, our tax levy policy states that we would set the increase in our operational levy based on the percentage market value increase attributed to new growth in addition to whatever the inflation rate is running in any given year. In that way, we can make sure that all new users are paying their fair share of service costs in the community, and that we consider that costs go up on an annual basis because of inflation, no matter what policy decisions we make.

The new policy goes on to state that we would only increase the levy beyond this point if we were adding new services, and that the actual cost of providing those new services would determine the amount of additional increase we would need in the tax levy. In the case of the 2025 budget, the continued new item we have in the budget is the \$1.125 million towards the third year of our Building Improvement Program.

Key Factors in Revenue Forecast

Key factors which impact both the cost of providing services and the City's revenue resources are changes in Chaska's population and households. As the number of households in the community increases, there are increased demands for street maintenance, snow plowing, park usage, recreation, police calls, utility bills, etc. Population and household levels also impact expected revenues from utilities, building permits and property tax levies.

A significant trend that occurred in the early part of the past decade was the increased rate of residential development in the City. In the 1990s, Chaska's residential development remained relatively stable, with an average of 200 new living units per year.

During the 1990s, Chaska's population increased from 11,339 to 17,450. From 2001 to 2005, more than 2400 new living units were approved within new residential subdivisions. In addition, the type of developer shifted from local developers to large national firms. As a result of both increased demand and supply of residential dwellings, a significant

increase in new residential dwelling construction activity occurred in the 2003-2005 period. This large amount of growth resulted in a 35% increase in our population from 2000-2010, with our official population being 23,770. This compares to the 8% average increase in population that was experienced across the rest of the Twin Cities Metropolitan Area during the same period, making Chaska and the Southwest Metro Area one of the fastest growing areas in the entire Twin Cities. This growth resulted in an increased demand for services, and hence an increase in revenue necessary to provide the same level of services in the future for our residents.

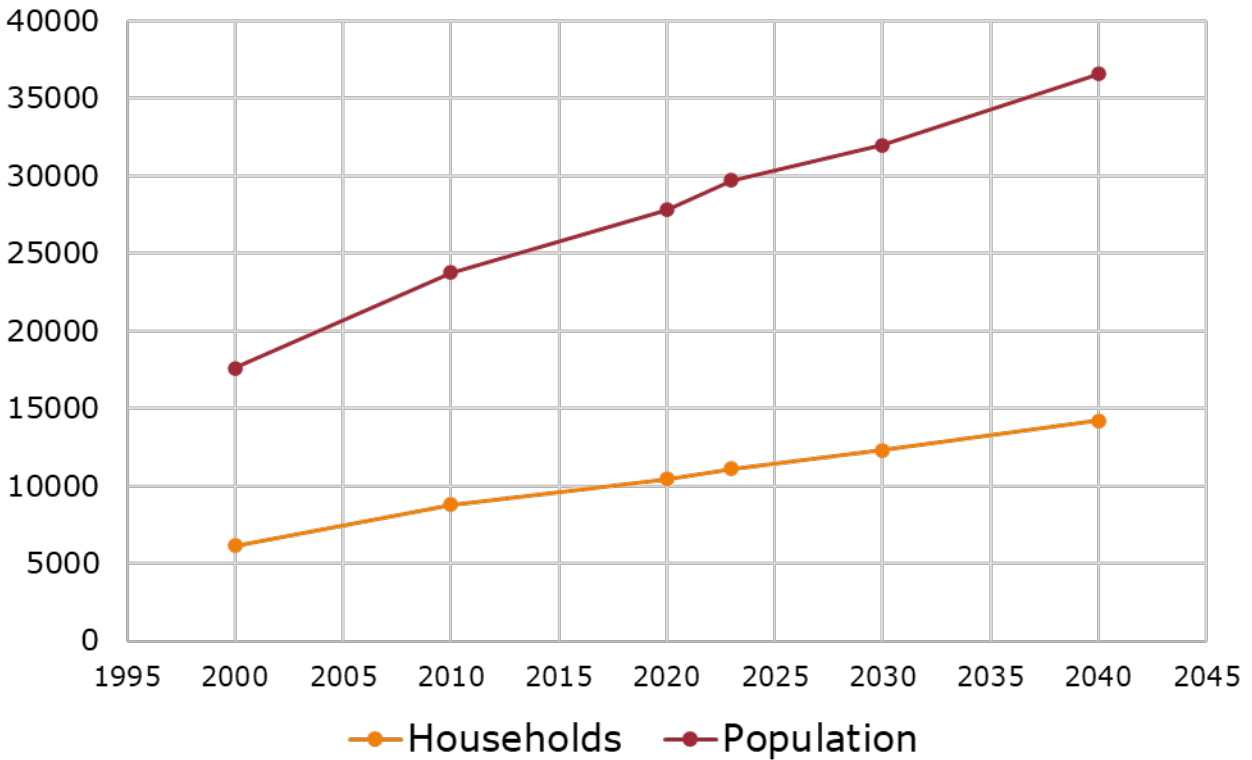
From 2008-2013, however, residential development in the metro area decreased significantly because of both over-building and a significant recession in the economy. At the same time, the supply of new available lots within the Chaska area decreased, resulting in a significant downturn in building activity. This resulted in a period of very stagnant residential growth from 2008-early 2012.

This downward trend reversed itself in late 2012, and stabilized, with several new residential developments approved over the past decade. Starting in 2013, this included the approval for several new residential subdivisions both on the north end of Chaska, and in the Southwest quadrant of the community. We also saw very robust growth in our Commercial/Industrial properties, with the addition of the 212 Medical Center, several Data Centers, commercial additions in Hazeltine Plaza, and the expansion of buildings in our existing Industrial Parks. Over the past several years, we have seen a continued push in residential development, while also seeing a large increase in Commercial/Industrial activity. In 2024, we saw robust Commercial/Industrial development, which included a new Costco, Industrial Buildings in Chaska Creek Industrial Park, the addition of the Chaska Tech Center on the old Chaska Building Center Site, and the addition of a 5th story on the south building at 212 Medical Center. We also saw additions and expansion of businesses in our North Industrial Parks. Along with this, we have seen several rental projects open over the past 12 months, including the addition of 3 apartment buildings and rental townhomes, totaling over 600 new rental units introduced into the community. Finally, we have continued to see steady building occurring with our single-family residential homes, including the expansion of the Clover Ridge Neighborhood to the west, continued building in three subdivisions in SW Chaska, and in the Lennar Development located on the east side of the Autumn Woods neighborhood.

We have seen four years of very strong growth in 2021-2024, with building permit revenues being over \$1.5 million in 2021, 2022 and 2024, and permit revenue in 2023 being close to \$2.8 million. In each of these years we outperformed our budget, with us budgeting approximately \$1.1 million in permit revenues each year. For 2025, we are budgeting approximately \$1.3 million as we expect to see similar levels of growth occur during the year. If we do see the start of the new data center in West Creek Corporate Center or an additional Industrial Building in the Chaska Creek Corporate Center, we will likely see our building permit numbers exceed this budgeted number.

Below is a chart showing our population and household growth in the community over the past 25 years and extrapolating out to full build of our community:

Population and Household Growth



An analysis of General Fund revenues by major fund source:

Total revenues anticipated to fund the 2025 General Fund operating budget are \$32,206,447, which is an increase of 11.6% from our 2024 General Fund Revenues of \$28,848,773.

As you will find on the chart below, Property taxes are the largest source of increased income going into the General Fund budget, with taxes representing an 18.3% increase for the 2025 budget. It should be noted that while the General Fund is seeing an 18.3% increase in property taxes, that does not mean that the overall tax levy went up 18.3%. That is because a portion of the property tax levy also goes into our Equipment Acquisition Fund, which is the Fund we use to support the replacement of all equipment utilized in our General Fund. The overall increase in tax levy for 2025 is 15.9%. The 18.3% just represents the increase in taxes specifically going into the General Fund, not the General Fund and Equipment Acquisition Fund, which both take a portion of our overall levy.

As has been explained earlier, most of the increase in tax levy for 2025 is coming from the implementation of the third of four years of levy increase needed to support our Building Improvement Program. Of the total \$2,438,893 increase in property taxes, 46% of that increase is associated with our Building Improvement Program, with the other 54% going towards new growth we have seen in the community over the last year, and inflationary increases in our expenditures. Next year (2026) will be the last year of our planned additional levy dedicated to our Building Improvement Program. After that, any levy increases will be associated solely with our new growth in the community and expenditure inflation.

One additional thing to point out is with our Building Permit revenues. As mentioned previously, we have seen actual permits in 2021 and 2022 and 2024 be over \$1.5 million and 2023 be close to \$2.8 million. In looking at potential projects for 2025, we expect to see building activity very similar to 2024, which will end the year somewhere over \$1.8 million. However, while we expect construction to be similar in 2024, we do not want to over-budget this number and have budgeted building permit revenue to be approximately \$1.3 million in 2025.

Finally, the other main source of income in our General Fund is our 5% Electric Payment for Right of Way usage, the operational transfer of an additional 5% from the Electric Fund, and our Gas Franchise Fees. These are budgeted to be \$5,627,000, which is a 6.9% increase expected for 2025. Based on our increase each year in 2023 and 2024, we think that this is a number that is attainable with the growth of our electric load in the City.

Finally, we have our Administrative Charges to our multiple internal funds to provide administrative services to these funds, so they do not have to provide these services themselves. These administrative services that our General Fund provides include Finance, HR, Administration as well as minor areas of service from Engineering and Public Works. That fee is scheduled to be \$5,438,550 in 2025.

The chart below shows a summary of revenues for the 2025 budget year:

General Fund Revenues					
	2023	2024	2025		
	Actual	Budget	Budget	Increase	%Increase
Property Tax	\$10,565,683	\$13,358,797	\$15,797,690	\$2,438,893	18.3%
Elec/Gas Franchise Fees	5,234,171	5,264,000	5,627,000	\$363,000	6.9%
Other Franchise Fees	291,424	314,150	280,000	(\$34,150)	-10.9%
License and Permits	2,870,710	1,135,098	1,326,260	\$191,162	16.8%
Other Revenues	3,629,600	3,683,728	3,736,947	\$53,219	1.4%
Admin Charges to Funds	4,803,302	5,093,000	5,438,550	\$345,550	6.8%
Total Revenue	<u>\$27,394,890</u>	<u>\$28,848,773</u>	<u>\$32,206,447</u>	<u>\$3,357,674</u>	<u>11.6%</u>

An analysis of Major Programs in our General Fund Expenditures:

Besides funding our existing general governmental services, the General Fund includes two major initiatives, including:

- Capital Asset Maintenance Program (CAMP)
- Building Improvement Plan

I will talk in greater detail about each one individually below.

1. Capital Asset Maintenance Program (CAMP)

As we build and bring new assets into the City, a critical function we have as a local government agency is to plan for the proper maintenance and replacement of these assets, so we keep them in good working order. Just as we would individually with our own home, the City has the responsibility to be good stewards of our resources and make sure our assets are as good for future generations as they are for us now. If we do not do this, these costs will be passed on to future generations who will have to invest more to replace the assets that are in poor condition or beyond repair. This is truly an issue of equity from one generation to the next, making sure we each take on the responsibility of our generation in this asset maintenance.

As was discussed previously, between 2014-2017, the City worked to create the Capital Asset Maintenance Program (CAMP) to fund the replacement of major items in our General Fund. During this time, we raised an additional \$1 million in revenue, which has since stayed in our budget to fully fund this program on an annual basis. The types of activities that this program funds include replacing playgrounds, repaving trails, resurfacing roads, rehabbing parking lots, as well as other items that keep assets used by everyone in the community in good condition.

With the CAMP fully funded, 2025 will bring several rehabilitation projects to the table, including:

- \$757,000: Street Overlay (We were going to do Bavaria Road north of Pioneer Trail but are no longer doing this with 82nd St Construction. The roads included for 2025 will be Hundertmark Road West, Brinkhaus Road, Isabella Road and the roads with the Town Course Heights development)
- \$60,000: Trail Resurfacing (3 miles)
- \$160,000: Playground Replacement at Hickory Park

In addition to these items, we are also moving the dollars we had budgeted in 2024 for work to be completed on rehabbing City Square Park to 2025, which was budgeted at \$500,000. We now have all the State and Tribal approvals necessary to move forward with this project.

2. Building Improvement Program

Since the City Council officially established this as a priority goal in 2021, reinvesting back into our Core Assets has been a focus of activity that the City has been working on over the past three years. This work and discussions have revolved specifically around the significant needs we have for improvements in our General Fund facilities, including:

- Public Safety (Police and Fire)
- Municipal Service Building (Public Works, Water/Sewer, Storm Water, Electric and Mechanics)
- New Library
- Remodeled City Hall

As we have discussed throughout this process, each of these facilities is over 30 years old (Fire Station was 28 years old in 2024), with little reinvestment being put back into these buildings over that time. These buildings have also not increased in size to accommodate new employees added as the community has grown, and they have not kept up from a space perspective to store all our equipment. The buildings have also not kept up with our service needs as the community has grown. Finally, these City facilities have not kept up with security measures that are now critical in public facilities to keep our employees and visitors safe.

To address this issue, the City hired architects from Leo A Daly and the construction management firm RJM Construction to complete the following tasks:

- Identify the square footage needs of every General Fund Department
- Develop a Concept Plan to address each of the department's needs
- Develop conceptual pricing to accomplish implementing these building recommendations

The findings of this study were presented to the Council in May of 2022, along with recommendations for how to fund each of these facility needs. The total estimated costs to address the needs of each of these facilities was estimated at \$121,500,000, which would create an annual debt service need of a little over \$6.86 million per year. In this study we identified that \$4.5 million of these annual costs were attributed to General Fund costs, and \$2.36 million attributed to costs of our Enterprise Funds (i.e., Electric, Water/Sewer, Storm) who happen to be housed in General Fund facilities.

As we have discussed during this process, one of the things that makes this issue difficult to address is both the fact that the original facilities were funded using one-time dollars, and our tax levy has historically been very low, giving us few resources to reinvest back into these facilities as needs have arisen. This has meant that to address this issue, we have needed to create new resources to avoid cutting back on our existing services levels, which for many years have also been leanly funded.

To address the funding of this program, but to not see the impact of this all come at once, Staff presented a recommendation to Council in 2022 to increase the funding over a 4-year period, with the tax levy needing to increase by \$1.125 million each year over a 4-year period. Spreading this cost out over several years would also recognize that we would not have the organizational capacity to work on each of these facilities at once, only having the capacity to address one facility at a time.

With this plan, all four buildings would be completed by late 2030. The priority in the recommendation went to our Public Safety facility, since it has the greatest immediate needs. It then moved to our Municipal Services Building. Both buildings have significant issues with space, especially with the Police and Municipal Services (with many of their vehicles being left outside in the elements). We also had immediate needs in our Fire Department to be able to add Dorm and living quarters to support our 24/7 Duty Crew model, which Staff feels we need to migrate to if we are going to keep a Paid-on-call base of employees in our Fire Department.

The new Library was identified as the third building to be addressed. This is because we need to move the library out of City Hall to pick up the needed space for City Hall operations without having to add onto the building. The last piece of the program would be the remodeling of City Hall to pick up the spaces vacated by the Library and Police Department to address our current space needs, as well as address accessibility and safety issues and long-time issues with the roof and HVAC in the building.

The following is the schedule that would be anticipated for each of the facilities in our current Building Improvement Plan:

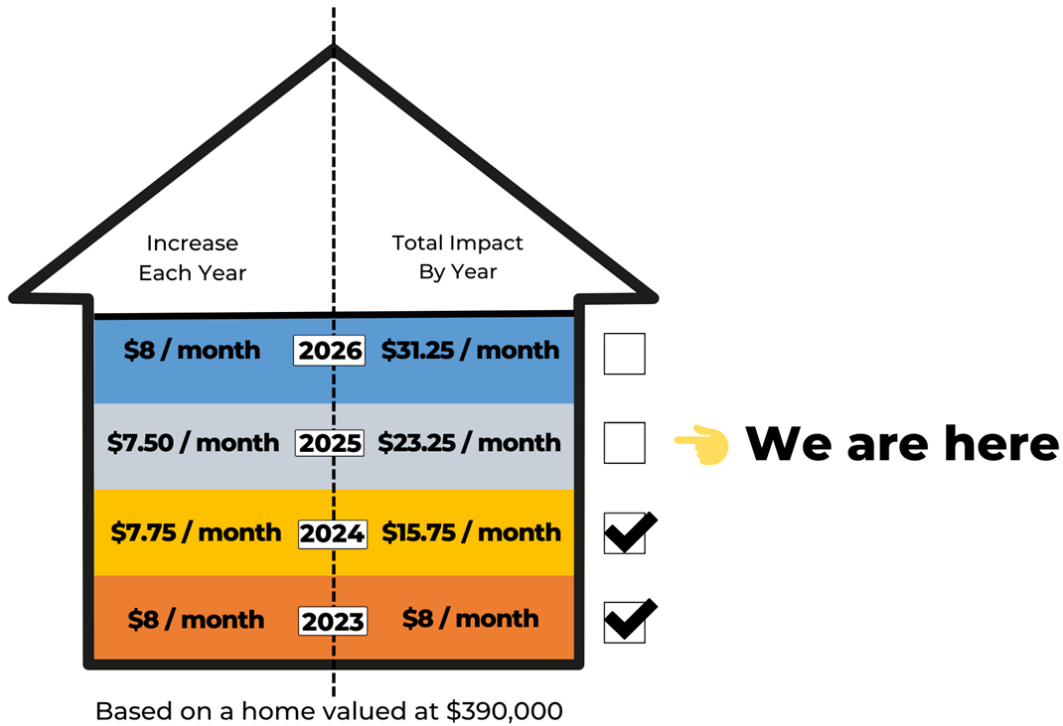
- Public Safety Building: Construction started in the Spring of 2024 and will be completed in December of 2025.
- Municipal Services Building: Plan to start building in spring of 2026-Complete in Fall of 2027
- Library: Plan to start building in 2028-Complete in Fall of 2029
- City Hall Remodel: Start and Complete in 2030

As the Council is aware, a significant amount of public outreach has been done to educate our residents not only on the need, but also the impact they could expect on taxes if we were to move forward with this plan. The plan started in 2023 with an \$8 monthly impact on the median-valued home. In 2024, the impact to the median valued home added an additional \$7.75 per month. For 2025, we are expecting that the impact to a median valued home would be an additional \$7.50 per month. For 2026 the program would add an additional \$8 per month to the Median Valued Home. At the end of 4 years, the cumulative monthly impact to a median-valued home would be \$31.25 per month, or \$375 per year. As we move into the third year of implementation, we can see that the addition of these dollars for this plan (along with other changes due to growth and inflationary increases) will rank us at approximately 60th lowest out of 84 cities, meaning that we are still in the lowest 70% of cities in the Metro Area for Tax Levy Per Capita.

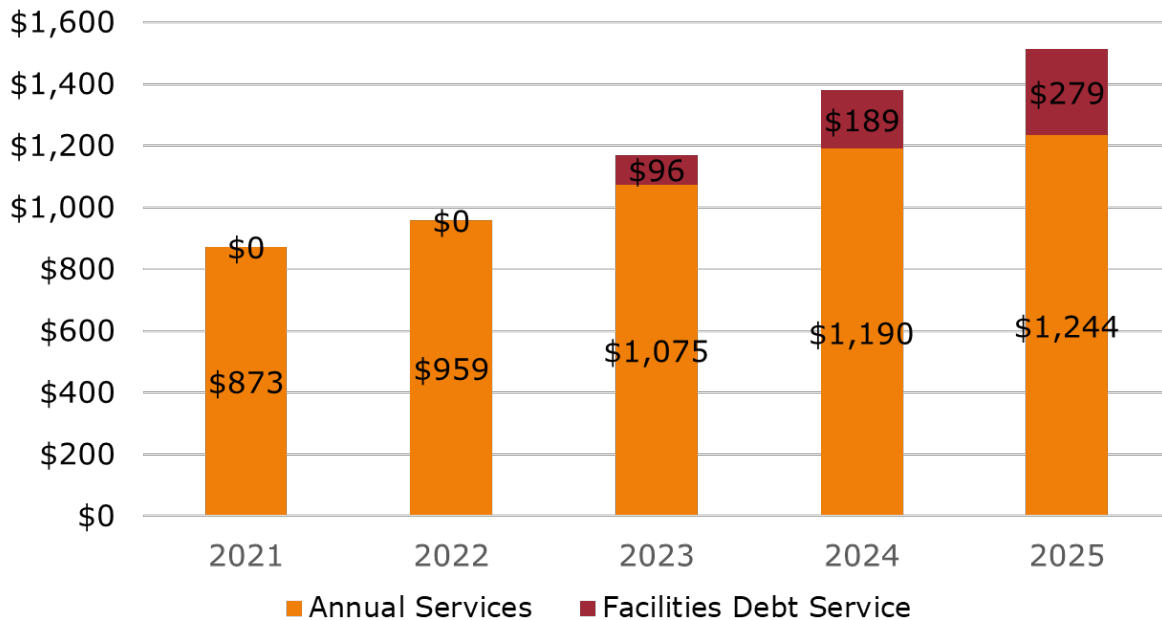
Below are two charts we have been showing the public illustrating the financial impact of the program:



Funding the Facilities



City Taxes on a Median Value Home



As was mentioned previously, looking at the total impact to the Median Valued Home (\$390,000) in Chaska for our Baseline General Fund Services and the Building Improvement Program would be \$1,520 for the entire year. This is compared to the City tax bill for the same house last year, which was \$1,379, making the increase for 2025 be \$11.75 per month, or \$141 for the entire year. The percentage increase for a median valued home would be 10.22% for everything included in the 2025 budget. It is important

to point out that while our total tax levy is going up by 15.88%, the actual impact on the median valued home is 10.22%. The reason for this is because we saw not only a lot of new growth in the community to spread these costs, but we also saw Commercial/Industrial Properties go from making up 9% to 15% of the total market value. This came from the many new Commercial/Industrial Properties that were added to the community. We expect that trend to continue now that we have the infrastructure extended to serve the Industrial Park at County Road 44 and Highway 212. The development of all this property as industrial will help to spread the costs for our services beyond just residential property owners.

Property Taxes:

For 2025, to accomplish establishing our base-line budget, fully funding the CAMP and continuing with the third year of the Building Improvement Program, the total tax levy needed would be \$21,037,556. This levy represents our entire levy, which includes General Fund, Equipment Acquisition Fund, Cemetery Fund, Tax Abatement Fund, and the EDA. This represents an increase of 15.88% from the 2024 total tax levy.

This levy increase would be made up of 8.76% to support the baseline levy (5.18% for inflation and 3.58% for new growth in the community). In addition, we would also need an additional \$1.125 million of tax levy added for the third (of 4) year of the Building Improvement Program.

Besides understanding our total tax levy, it should be noted that a portion of our total levy goes towards our General Fund Operational Budget, with the remaining going towards our Equipment Acquisition Fund and debt service for our current Downtown Street Reconstruction Program.

It should also be noted that out of the total tax levy amount for 2025, \$613,709 represents a levy for tax abatement assistance provided in the past. This additional amount represents the 13th year of tax abatement that is being provided to the West Creek Corporate Center Development for development of infrastructure to support this new industrial park, along with some other tax abatement projects including the 212 Medical Center Addition and the Chaska Creek Medical Building. While we are required to officially levy this assistance, the City is a "pass-through" for these funds, with the same amount coming in from this project that goes out to provide the tax abatement assistance. It does not influence other taxpayers in the community.

Within this total levy amount, the Chaska Economic Development Authority also has a \$231,440 levy. Last year this levy was \$212,801. The amount levied for 2025 in the EDA Fund represents the dollars supporting the operations of our Economic Development Activity and was included in the total tax levy amount of \$21,037,556.

In summary, the total levy will include:

- Continuation of dollars to support the Downtown Street Reconstruction Program Debt Service
- \$18,067,407 being levied to support General Fund Operations, a portion of Street Reconstruction Debt Service, Mt. Pleasant Cemetery, and existing Equipment Acquisition Fund needs
- \$1,125,000 to support the second year of the Building Improvement Program (included in total above)
- \$1,000,000 for our CAMP (included in total above)
- \$231,440 being levied in the Economic Development Authority Fund for operations
- \$613,709 in tax abatement that is generated from the new West Creek Corporate Center Development, 212 Medical Center, Chaska Creek Medical Center and Exactec.

The following table summarizes Chaska’s actual tax levies (General Levy, EDA, Tax Abatement and Mount Pleasant Cemetery for 2021, 2022, 2023, 2024 along with next year’s 2025 levy:

	2021	2022	2023	2024	2025	Increase	%
General/EQA/EDA/Tax Abatement	\$ 11,406,925	\$ 12,666,429	\$ 15,210,147	\$ 18,148,194	\$ 21,031,556	\$ 2,883,362	15.89%
Mt Pleasant	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ -	0.00%
Total Operating and Special Levy	\$ 11,412,925	\$ 12,672,429	\$ 15,216,147	\$ 18,154,194	\$ 21,037,556	\$ 2,883,362	15.88%

Impact of Tax Levy on Property Owners

To understand the impact of the tax levy on individual taxpayers, three factors must be analyzed:

- Market Value Changes
- Any changes in the Tax Capacity Formulas Established by the State
- The City’s Tax Levy

Overall, Chaska’s market values, excluding tax-exempt property, increased by \$308,360,600 to \$4,892,876,000—an overall increase of 6.73%. The largest percentage increase that we saw in 2024 was in apartment properties, with a 20.33% overall increase. 17.37% of that came from construction of new apartment units in the community, with the other 2.96% coming from increasing values in existing residential units. That increase in value materialized through the over 600 rental properties coming on-line in the community over the past several months.

The other major area of increase we saw was in Commercial/Industrial properties, with a 6.75% increase in market values. 1.89% of that growth came from new construction, meaning that 4.86% of the increase was experienced in existing Commercial/Industrial buildings. We expect that we will see valuations of new buildings be realized in 2026 as many new buildings that opened will have their full values come online at that time.

Residential properties saw a 5.46% increase in 2024, with 2.78% coming from new construction and the rest from valuation increases in existing properties. Finally, Undeveloped Agricultural land saw a 9.10% increase, which means that we are seeing a

higher demand for developable land than last year, where we saw a decrease in valuations for undeveloped land.

Below is a summary of the Market Values for taxes payable 2025 (assessed 2024) as established by the County Assessor’s office:

	Residential	Commercial/Industrial	Apartment	Ag	Total
2024 EMV	\$3,691,789,600	\$741,897,300	\$373,697,500	\$85,491,600	\$4,892,876,000
2023 EMV	\$3,500,587,900	\$695,005,100	\$310,560,500	\$78,361,900	\$4,584,515,400
Total Value Change	\$191,201,700	\$46,892,200	\$63,137,000	\$7,129,700	\$308,360,600
New Construction	\$97,188,600	\$13,128,800	\$53,942,000	\$0	\$164,259,400
Market Change	\$94,013,100	\$33,763,400	\$9,195,000	\$7,129,700	\$144,101,200
% New Construction	2.78%	1.89%	17.37%	0.00%	3.58%
% Market Change	2.69%	4.86%	2.96%	9.10%	3.14%
2024 Total % Change	5.46%	6.75%	20.33%	9.10%	6.73%

Using the 2024 market values and the classification formulas established by the State, the County Auditor has calculated Chaska’s 2024 (for taxes payable 2025) adjusted tax capacity to be \$48,633,982, for an increase of 6.59%. To calculate this net tax capacity used for determining Chaska’s tax rate, a reduction is made for captured tax increment and fiscal disparity contributions.

Based on these estimates, Carver County has estimated Chaska’s 2025 General Fund tax rate to be 38.962%. This is an increase of 7.13% from 2024, where we had a tax rate of 36.370%. With the median value of homes going up from \$379,100 to \$390,000 in the community, this would bring the median-valued home’s City taxes from \$1,379 in 2024 to \$1,520 in 2025, or an increase of approximately \$11.75 per month or \$141 for the year. As always, the actual amount of impact is completely dependent on the actual market value change experienced on that property over the past year.

As we have discussed in previous years, Chaska has been in the lowest tax levies per capita of all Metropolitan cities for several years. As we have moved forward to implement the Building Improvement Program, this has impacted Chaska’s place in these rankings. However, as shown below, we still provide very good value in the Twin Cities, being in the lowest 70% of all 84 cities for Tax levy per capita.

Rank	City	Total 2024	Population	Total Tax Levy Per Capita
1	Golden Valley	\$ 33,411,310	22,305	\$ 1,498
2	Wayzata	\$ 6,407,122	4,549	\$ 1,408
3	Oak Park Heights	\$ 6,676,680	4,820	\$ 1,385
4	Orono	\$ 9,415,100	8,383	\$ 1,123
5	Mendota Heights	\$ 12,889,319	11,670	\$ 1,104
59	Maple Grove	\$ 44,105,600	71,676	\$ 615
60	Woodbury	\$ 48,372,932	78,740	\$ 614
61	Rosemount	\$ 16,501,479	26,965	\$ 612
62	Chaska	\$ 18,154,194	29,739	\$ 610
63	Circle Pines	\$ 3,049,945	5,055	\$ 603
64	Blaine	\$ 43,909,600	73,546	\$ 597
65	Shoreview	\$ 16,335,747	27,369	\$ 597
80	East Bethel	\$ 6,290,600	11,992	\$ 525
81	Lauderdale	\$ 1,110,179	2,275	\$ 488
82	White Bear Lake	\$ 12,003,000	24,617	\$ 488
83	Falcon Heights	\$ 2,700,072	5,640	\$ 479
84	North Oaks	\$ 2,476,679	5,570	\$ 445

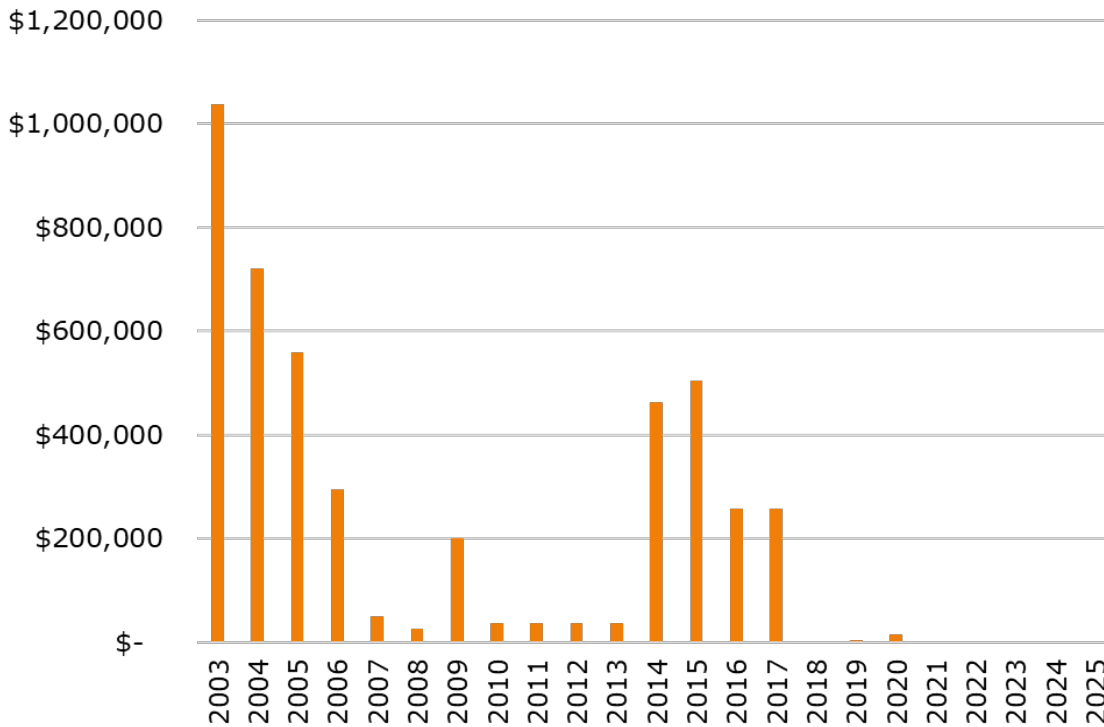
Intergovernmental Revenues:

One significant change we experienced starting in 2018, and has continued into 2024, is the reduction of our Local Government Aid by approximately \$250,000, bringing us down to \$0 for the past 4 years. We expect this will continue at this level in the future. This change is due to the State's LGA formula, the increase in market values we have seen in the community over the last few years, and the decertification of our large TIF District #4 in 2014, which reincorporated a large taxable market value back into the community in that following year.

In 2003, the City of Chaska received approximately \$1 million in LGA from the State on an annual basis. We now receive \$0 in LGA from the State. This was a very significant hit on the City's budget, representing approximately 10% of our overall revenues. The loss of nearly \$1 million in revenue every year since 2007 (totaling almost \$14.5 million in lost revenue over this time) was a significant reason why we started to get behind in properly staffing our services and have had a difficult time catching back up ever since.

In 2014, the City received did see an allocation of LGA in the amount of \$462,000, with it going to just over \$500,000 in 2015 and \$550,000 in 2016. In 2017, we once again saw this amount reduced to just under \$250,000. With it now officially certified at \$0, we do not expect we will see this revenue source return. Below is a chart of our experience for local government aid, and what we expect to see in LGA over the next 5-year period.

Local Government Aid (LGA)



While we will not see any LGA from the State to support our General Fund Services, there are two new sources of income that the State created that directly impact cities.

First, the State created a one-time allocation of dollars to cities to support Public Safety Activities. These are dollars that we will only receive once but are not dollars that we are required to utilize in any defined period. The City received this aid in the 2024 budget year but has not utilized all the dollars allocated. The Public Safety Aid the City of Chaska received was approximately \$1.2 million. For our 2025 budget, we have planned to utilize the dollars for one-time expenditures that we encounter, trying to avoid using it for on-going costs (like staffing) as we will likely not receive these dollars again. Last year we utilized the dollars to implement our drone program, which has become a major asset for our Public Safety departments to have. This year, we only have one project identified, which is the replacement of all our radar equipment in our Police Squads, which is out of date and is no longer being supported.

The other form of State Aid that we received, and will come on an annual basis, is from the Metro Sales Tax that was just implemented. While a portion of the Metro Sales Tax will go towards transit activities, the portion that will come to cities will go to support the building of more affordable housing within the entire Twin Cities Metropolitan Area. For the City of Chaska, we received approximately \$130,000 in 2024, with that amount scheduled to go up in 2025 based on the amount of increase they see in the collection of this sales tax across the Metro Area. For 2025 we are working with the Carver County CDA to help utilize these dollars, potentially looking at adding additional Community Land Trust homes in Chaska.

Licenses and Permits

From 2008-2011, Chaska and the rest of the metropolitan area experienced a dramatic slowdown in not only residential development, but development in all sectors of the market. As a result of the downturn, building permit revenues dropped significantly. Up through 2005, this revenue source was over \$1 million per year, and in 2010 brought in approximately \$500,000. In mid-2011, we did start to see this change as some larger Commercial/Industrial development activity did start to occur, and we ended 2011 with over \$1 million in permit revenue. While we continued to see good activity during 2012 and saw positive movement since 2013, the consistency and predictability of this revenue stream has continued to be volatile and can be somewhat difficult to project from year to year.

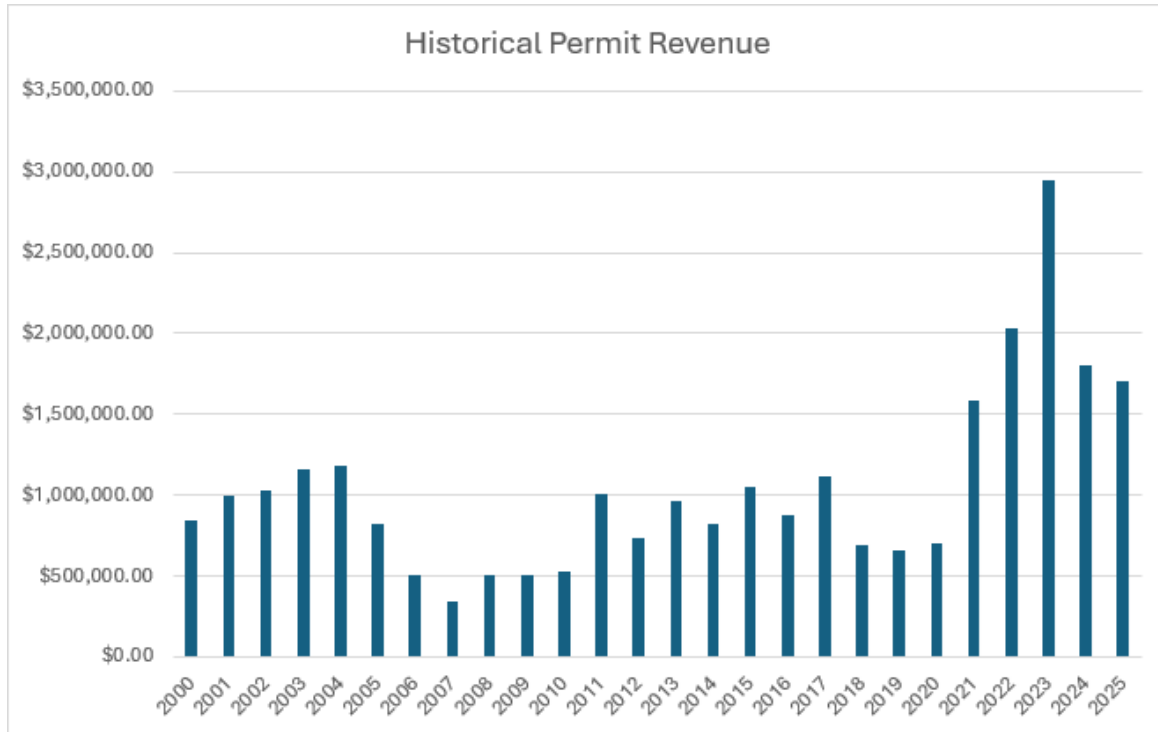
With the downturn in the economy in early 2020 due to the pandemic, we did see the permit revenue we expected to see be reduced significantly. While we continued to see relatively steady single-family residential development, we did see a big downturn in Commercial/Industrial activity, with only a few projects moving forward. In early July of 2020, we did amend our General Fund budget when we started to understand the impact it would have on our budgeted revenues, especially on building permits. As part of that action, we did adjust our budget numbers down to \$600,000, a reduction of approximately \$400,000 from what we had budgeted at the beginning of the year.

While we continued being conservative in our budgeting for 2021 and 2022, budgeting for approximately \$1 million over the course of each year, we did see a much larger than anticipated growth in residential activity, as well as growth in the Commercial/Industrial Market in both years. Although we budgeted just under \$900,000 in 2021, we ended the year with close to \$1.5 million in activity. In 2022, while we budgeted \$1.1 million in permit revenue, we ended up with approximately \$1.5 million of activity in that year as well.

In 2023, we saw several projects move forward with construction including Costco, the residential development next to Costco, the apartment building at Hazeltine Plaza, the industrial Building on the old Chaska Building Center Site and continued work on two Apartment buildings in the Clover Ridge Neighborhood. We also saw a significant amount of single-family home development occurring throughout the year. While we had budgeted for \$1.1 million in permit revenue because we had anticipated some slowdown during the year, we had permit revenue closer to \$2.8 million for the entire year-almost 3 times more than what we budgeted.

While we did not see development numbers as high in 2024 as we did in 2023, it was still a very robust year, with us expecting to end the year with approximately \$1.8 million in building permits activity. We expect that numbers in 2025 will be similar as we continue to see steady building permit activity with our residential units, and we also expect to see additional Commercial/Industrial activity during the year as well. While we expect to see similar levels of growth, we are being conservative in budgeting this volatile revenue stream and budgeting to collect \$1.3 million in 2025.

Under our current building projections, our staffing levels will be enough to cover the anticipated workload and be able to turn around building permits in a timely fashion.



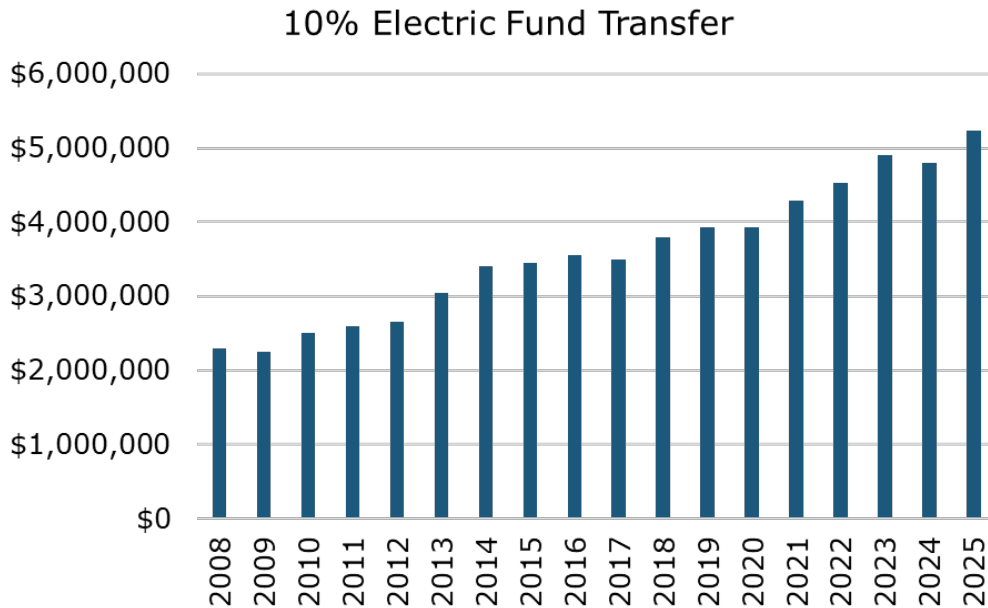
Electric Fund Transfers

The City has a formal policy of charging ourselves a per kilowatt-hour Right of Way usage fee, which is roughly equivalent to 5% of the total electricity rate of our electric utility. In addition, we do an operational transfer from our Electric Fund to the General Fund to help support General Fund services, which is an objective of the Electric Fund. For 2025, the total amount of Right of Way fee transfer and operational transfer, as well as franchise fee that we generate from the Natural Gas provider in the community, is budgeted to be just over \$5.6 million.

We have seen an a dramatic increase in this portion of our revenue over the past several years, which has represented both an increase in usage by our existing customers, but also reflects the positive impacts we are seeing through the addition of large economic development projects such as Data Centers, additional commercial uses in town, and the recent expansions we have seen with existing businesses in our original Industrial Parks on the north end of the community. We continue to expect that to increase in 2025 as we start to see the loads come on from large projects we have added in the community over the past year, including 3 apartment buildings, new industrial and the addition of Costco in our commercial district.

Over time we will see a significant amount of industrial growth occur in the territory that now belongs to Minnesota Valley Electric Cooperative. While that currently is in their territory, the right for them to maintain these future users in their service territory ends in 2040. At that time the City of Chaska would then move to acquire this territory,

something that State Statute allows us to do. So, while these users will not initially be in our territory, they eventually will be, which will allow us to increase the amount of support from our Electric Utility into our General Fund significantly.



Charges for Services

Charges for services are those revenues that support the City derived from charges to individual users for services, other governmental agencies, or inter-fund charges for administrative services. These would include payroll, finance, administration, and Human Resources costs to our Enterprise Funds (i.e. Electric, Sewer, Water, Storm Water, etc...). For 2025, charges for services are programmed to be \$5,438,550 as compared to \$5,093,000 in 2024, or an increase of \$345,550. This increase in charges for services is occurring to help us keep up with the actual cost of service the General Fund is providing to our other Enterprise Funds.

Over the past 4 years, as part of our Staffing Study, we did have the addition of a Building Maintenance Division, as well as funding \$500,000 annually to be proactive in taking care of our facilities. This is something that did not previously exist and we felt it was critical to have in place as we are now going through reinvestment in our General Fund facilities. It should be noted that dollars supporting this Building Maintenance function are also part of the Charges for Services from the General Fund to our other Enterprise Funds, as the Building Maintenance Department supports all the Funds in the City.

Finally, it should also be noted that there is an additional \$590,000 that will be brought into the General Fund from the Utility Funds to support the 3rd year of the Building Improvement Program, bringing the total to \$1,770,000 over the three years. These funds are needed to support the Utility Fund's fair share of the overall program and the buildings they will be utilizing after this program is complete. After 4 years of the program, the Utility Funds are planned to contribute \$2.36 million of the total \$6.86 annual debt service needed to support our overall Building Improvement Program.

General Fund Expenditures:

General fund operating expenditures are forecast to be \$32,206,447 in 2025, which is an increase of 11.64% over the 2024 Operating Budget of \$28,848,773.

In preparing the 2025 budget the following general assumptions were used for the operating budget:

- *Utilize budgeting objectives developed*
- *Increase in the tax levy by 3.58% due to new growth and 5.18% for inflation for a total baseline increase in the operational levy of 8.76%*
- *Implement the third year (of 4 years) of the Building Improvement Program, adding \$1.125 million to the tax levy, and \$590,000 from the Utility Funds to support the third phase of funding for this program.*
- *Continuing with the implementation of our CAMP, with \$1 million allocated to improvements to our existing General Fund Assets in the City*
- *Personnel salaries up 3%, with employer benefit contribution seeing a 6% increase in 2025 (Consistent with our current contracts).*
- *Assume continuation of our Street Reconstruction Program and debt service payments associated with it*
- *Continuing to contract with City of Carver for shared recreational services, bringing in \$87,310 to support our recreational services*
- *Continue with \$12,000 expense in 2025 for "Scholarships" to support large community activities utilizing our banquet facility (\$1,000 per month)*
- *Fully fund the Equipment Replacement Schedule for 2025*
- *Assume we are building up our General Fund reserves by dedicating \$300,000 in the budget specifically for this purpose*
- *All other items in the budget remain unchanged*

Based on this, and the other changes that were listed above, the level of expenditure we are recommending to the budget would allow us to meet our budget and service objectives set forth in the 2025 budget process, while also providing good value for our residents who receive our services in the community.

Department	2023	2024	2025	Increase	%Increase	Notes
	Actual	Budget	Budget			
Council	\$145,368	\$199,486	\$200,221	\$735	0.37%	
Communication	\$193,496	\$354,330	\$356,475	\$2,145	0.61%	
Administration	\$941,510	\$1,049,096	\$1,040,195	-\$8,901	-0.85%	
Human Resources	\$451,178	\$492,336	\$620,995	\$128,659	26.13%	Due for Compensation Study which is \$50,000
Elections	\$19,084	\$40,783	\$0	-\$40,783	-100.00%	There are no elections we provide in 2025
Admin Serv-Finance	\$1,838,502	\$2,022,258	\$2,207,636	\$185,378	9.17%	Staffing Study position receiving full funding in 2025
Admin Serv-IS	\$1,232,010	\$1,318,518	\$1,481,759	\$163,241	12.38%	Staffing Study position receiving full funding eg 2025
Legal	\$144,757	\$140,000	\$145,000	\$5,000	3.57%	
Community Dev.	\$470,387	\$590,700	\$588,387	-\$2,313	-0.39%	
Engineering	\$680,231	\$657,531	\$739,858	\$82,327	12.52%	\$50,000 for document scanning
City Hall Bldg	\$222,366	\$235,505	\$227,666	-\$7,839	-3.33%	
Building Maint Div	\$708,878	\$967,283	\$838,262	-\$129,021	-13.34%	
Unallocated	\$300,000	\$300,000	\$300,000	\$0	0.00%	
Police	\$6,590,305	\$6,791,993	\$7,425,948	\$633,955	9.33%	Staffing Study position receiving full funding in 2025
Fire	\$2,670,941	\$2,929,751	\$3,253,537	\$323,786	11.05%	Assistance Chief Full Funding in 2025, and training increased to reflect actuals
Building Inspection	\$1,075,316	\$1,030,044	\$962,198	-\$67,846	-6.59%	
Public Works Admin	\$409,017	\$459,911	\$479,228	\$19,317	4.20%	
Streets	\$1,748,564	\$2,056,646	\$2,222,304	\$165,658	8.05%	CAMP dollars towards Street Overlay
Snow Removal	\$398,988	\$322,861	\$382,119	\$59,258	18.35%	Staffing Studay position receiving full funding in 2025
MSB Building	\$213,062	\$261,792	\$410,129	\$148,337	56.66%	Roof on MSB in need of replacement
Park Maintenance	\$1,541,656	\$1,506,325	\$1,661,780	\$155,455	10.32%	Playground Improvements as part of CAMP
ISD 112 Maint	\$23,603	\$38,199	\$36,667	-\$1,532	-4.01%	
Tree Control	\$68,234	\$85,293	\$86,239	\$946	1.11%	
Parks Admin	\$677,469	\$771,513	\$804,648	\$33,135	4.29%	
Parks Special Events	\$196,899	\$170,995	\$208,789	\$37,794	22.10%	Shifting Park and Rec expenses from CCC to General Fund
Parks Youth	\$382,607	\$383,820	\$416,592	\$32,772	8.54%	Shifting Park and Rec expenses from CCC to General Fund
Park Senior	\$220,735	\$226,278	\$274,490	\$48,212	21.31%	Shifting Park and Rec expenses from CCC to General Fund
Parks Adult	\$77,872	\$87,210	\$88,911	\$1,701	1.95%	Shifting Park and Rec expenses from CCC to General Fund
Firemen's Park	\$114,803	\$122,053	\$110,374	-\$11,679	-9.57%	
Parks Skating Rink	\$4,670	\$12,612	\$5,542	-\$7,070	-56.06%	
Unallocated	\$3,632,382	\$3,223,651	\$4,630,498	\$1,406,847	43.64%	Building Improvement Plan Dollars
Total	\$ 27,394,890	\$ 28,848,773	\$ 32,206,447	\$3,357,674	11.64%	

Specific Department 2025 Activities

Administration

For 2025, the Administration Department plans to remain unchanged for Staffing levels. In 2023, we did add the Community Engagement Coordinator Position in the Administration Department, as well as the Economic Development Coordinator. Both were new positions for the organization. For the 2024 budget, one change that we did make was to move the Community Engagement Coordinator and Communications Coordinator positions out of Administration and into the Communications Department. This has had no change in our budgeted expenses but moves the positions into a department that better fits what their day-to-day duties entail. This change will continue into 2025.

Administrative Services

In 2024, the Administrative Services Department had one new position budgeted as part of the Staffing Gap Plan. This was the addition of a Payroll Support Specialist. With the City having over 160 Full time employees, and more than 300 employees when we include our Part time employees, it had made it difficult for one individual to be able to complete all the duties of a payroll cycle by themselves. This also allows us to be able to have a trained backup in place should one of the payroll positions be out for any reason. This position was not funded in 2024 until the end of the year. The increase in funding in 2025 represents a full year of funding for this position. Other than this, there are no major changes planned for 2025.

Community Development

For 2025, we do not have any new positions planned for this department. A little over a year ago, we did add a second planner position that was part of the Staffing Gap plan. This has helped us spread the load of planning activities between two people and allowed us to start focusing on more proactive projects such as completing the overhaul of our Planning and Zoning ordinances-something that we identified as a priority over the past year and which we have received grant dollars to complete.

Police

As we implemented the final year of our Staffing Gap plan in 2024, the Police Department did add Officer #31. With the addition of this officer, we will have addressed the shortage of officers that we had identified as part of our Staffing Gap analysis. While we did start funding for this position in the 2024 budget, it was not until the end of 2024. We will see the full year of funding for the position in the 2025 budget.

In addition to this position that was added in 2024, we also have the need to move our evidence clerk from a part-time to a full-time position. We recently saw the retirement of our long-term clerk. As she moved out of the position, we found that it was very difficult to recruit a part-time person for this very technical job. At the same time, the

workload of this position has increased enough to justify moving this position to full-time. The 2025 budget being presented includes moving this position to full time.

Fire Department

For 2024, the position that we had scheduled to start was Fire Chief #4 which is an Operations Chief. With the number of calls that we take as a department, and the training demands that we have, we felt we needed to separate the Operations responsibilities from the Training responsibilities. With the addition of this position, this will allow someone to focus on the day-to-day operations of the department with the Training Chief then being able to focus solely on making sure that we properly train our fire personnel in the department. This will also allow our Fire Chief #1 to be able to step back from the day-to-day operations and focus on more of the strategic direction of the department. It should be noted that while we had planned on adding this position in 2024, because of extended leaves of absence due to health issues within the department, we were not able to move on filling this position until now, meaning it will be sometime in mid-December before that position can start and it is funded. This means that the first full year of funding for this position will be reflected in the 2025 budget. In addition to this, we increased our Fire Training budget by \$55,000 to better reflect the costs we are seeing with training new hires. Finally, we have budgeted dollars in 2025 to fully implement our new First Due Software. This software will help us manage our calls better and be a good tool for planning future service.

It will be the end of the year when the Fire Department moves into the new station along with the Police. The costs for both the Police and Fire Department with their FF and E are built into the overall project budget for the building and will not come out of the General Fund.

Public Works

As we discussed in 2024, there were two positions that needed to be added as part of the Staffing Gap Program. These positions were not added until later in the year to help with balancing the 2024 budget, and therefore will be reflected completely in the 2025 budget. In addition to this, we do have the CAMP projects, such as Street Overlays and replacement of two neighborhood playgrounds built into the 2025 budget. As part of our 2025 CAMP, we had planned on overlaying Bavaria Road from Pioneer Trail north to our border with Victoria. However, we are pushing this back now because of all the major projects the County has up in that area with 82nd Street and Highway 5 reconstruction. We hope to look at that when those projects are completed in 3 years. With our CAMP dollars now not being spent on that project, we will go back to a more typical schedule of work, which would include about \$757,000 for an overlay project, about \$160,000 for a playground replacement at Hickory Park, and \$60,000 to fund 3 miles of trail resurfacing.

Recreation

Although functionally the Recreation Department, Community Center, and Curling/Event Center are in essence combined, Recreation Administration and Programming are

budgeted as separate General Fund activities. Having them functionally work together does create efficiencies, which has kept our Park and Recreation expenditures significantly below the State average for communities our size. In 2025, we plan to continue to have our Park and Recreation Director, our Recreation Manager, our Recreation Coordinator, the Recreation/Special Events Coordinator and Athletics Supervisor all funded fully out of the General Fund, with a portion of other support positions allocated to the General Fund. We are also budgeting dollars in the General Fund this year to pay for use of the Community Center when General Fund Recreational Programs are held in that facility.

As we discussed during the Community Center Budget process, moving the General Fund Park and Recreation activities out of the Community Center Fund and into the General Fund where they belong is critical if we are going to have the Community Center be able to be financially self-supporting. It cannot continue to subsidize General Fund Parks and Recreation activities and expect to be financially solvent.

Finally, as mentioned previously, we also are planning to relieve the Community Center of close to \$300,000 of Administrative Fees charged to it annually to recognize the significant negative impacts COVID has continued to have on that facility, and to recognize the large capital improvements we have had to address in this facility as the facility has aged. While we will still see the Administrative Fee come in from the CCC into the General Fund, it will now be supported by funds in the General Fund transferred to the Community Center Fund. The Staffing Study did not identify any gaps in our overall staffing levels for recreation, and Staffing levels will remain unchanged for 2025 and into the near future. As opportunities open in the future, we will continue to look for ways to shift what are true General Fund Park and Recreation Services out of the Community Center and into the General Fund so that we can see what the true costs of the Community Center are, and what are general recreational services that should be provided to every resident through our General Fund.

Community

For the Chaska Community Center's 34th year of operation. As the Center has evolved, we are confident it has fulfilled its mission *of being Chaska's community gathering place, while providing an opportunity to run into people you know.* The objectives of the Community Center are:

Budget

- 1. To promote community gathering and interaction.*
- 2. To provide family and individual recreation with an emphasis on fun and providing a variety of program opportunities.*
- 3. To enhance Chaska's pride and identity.*
- 4. To be operationally self-supporting with no property tax support.*
- 5. To reinvest back into the facility to keep it quality for future generations*
- 6. To build a cash balance in the CCC Fund to be able to accommodate all the maintenance and improvement needs of this aging facility*

Historically, the Community Center has done a good job of accomplishing the first four objectives listed above. Not only has it served as a central gathering place in the community, providing opportunities for family and individual recreation in Chaska, but has also been able to manage the center's day-to-day operations in a financially self-supporting way. In this respect, it is one of the few community centers in the State of this size that can offer the services it does and has not utilized tax levy to support its operations. As we have found through our Master Planning process that we completed in 2023, most city-owned community centers/recreation facilities have some level of tax levy support, with a common split being 60% coming from revenue generated from the facility and 40% being supported by a property tax levy. While not having tax levy support the Chaska Community Center has helped to keep property taxes down, it has led to us not having the proper resources to put back into the facility, leaving our facility with many deferred maintenance items that have not been addressed.

This especially became apparent during COVID. While the facility in the past was able to meet our first four objectives successfully from an operational standpoint, this changed with COVID, as we still have not been able to regain the membership base we had prior to COVID. And while the facility was able to meet the first four objectives through most of its years from a day-to-day standpoint, it has never been able to effectively build sufficient cash balances to reinvest back into the facility, with it having never been able to sufficiently fund its depreciation on an annual basis. Depreciation on the facility is a little under \$ 1 million per year. Later in this report I will discuss how we are planning to address this and make sure that the CCC is not only operationally self-supporting, but that it can also cover its depreciation/deferred maintenance costs on an annual basis so we can properly reinvest back into this facility to preserve for future users.

Community Center's Support of General Fund

Because the Chaska Community Center has not relied on tax levy for support, it has had the effect of being a factor in what has kept our General Fund tax levy low in the past. This has occurred primarily because the CCC has taken on many of the City's general recreational services that would normally be covered in other communities by tax levy support. For example, in most cities Special Events (i.e. Fire and Ice Festival) are organized and staffed by employees that are paid out of the General Fund, which is tax-levy supported. In Chaska, we have always had these functions taken on by our Community Center Staff, which are paid for through our Community Center fund and the revenues it generates.

This is especially true for the expense of Recreation Staff members who are providing programming in many different venues outside of our Community Center. While this has provided many efficiencies that have kept our overall City tax contribution to recreation low, over the past few years this has become a major limiting factor in the Community Center as the facility has aged and we have not had the cash flow to be able to accommodate all the needed upkeep work on the facility. Since 2018, when we had some major infrastructure equipment in the Community Center fail, the replacement of these necessary items has caused the CCC Enterprise Fund to run deficits. We anticipate this issue will only build if we do not identify a plan to properly fund the Community Center as well as the General Fund Park and Recreation Services independently.

This has become a major issue within the Community Center, as this facility has in essence subsidized General Fund Park and Recreation services, while at the same time trying to account for all the current and future costs for owning and operating this facility. A key indicator of this has been the fact that the Community Center depreciates by approximately \$865,000 annually without us being able to fund this depreciation. This means that as our assets have been consumed, we have not been able to properly reinvest back into the facility to deal with replacing and maintaining key aspects of this facility. Instead, we have been much more reactive to failing equipment and systems in the building, which can be much more expensive to deal with.

Also, as mentioned previously, most City-owned recreational facilities are supported through some other source of funds, with 40% being a common number that most communities will use. While that does not need to be tax dollars that support a facility like a Community Center, most communities will fund at least a portion of their recreational facilities through tax dollars.

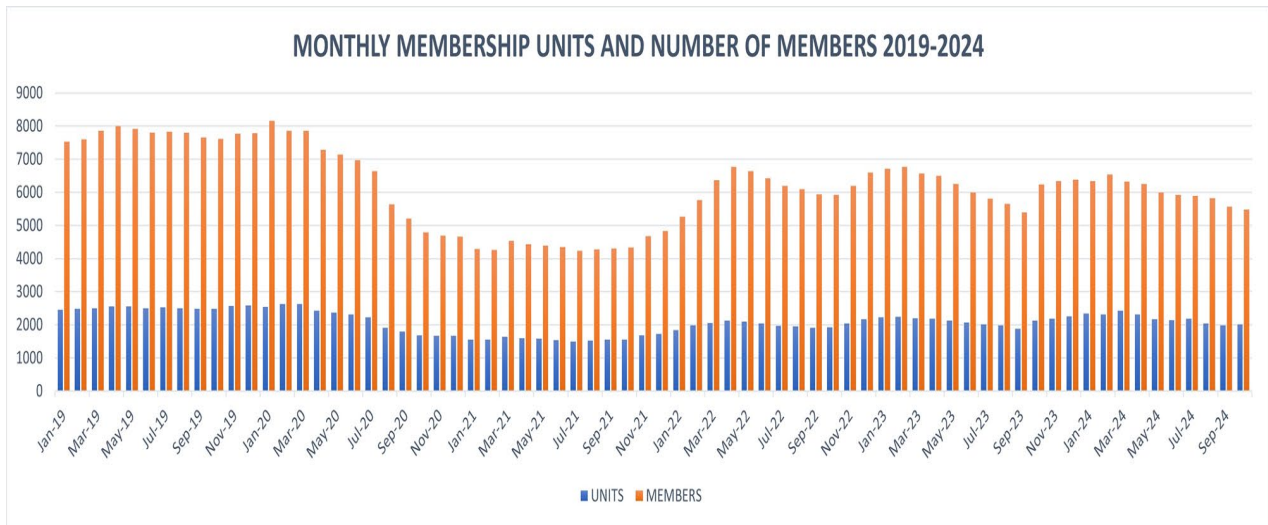
In Chaska, this has been an issue that has existed from the initial construction of this facility with only \$100,000 annually dedicated from the Electric Fund coming into the CCC Fund to support capital replacements. This represents only 2% of the overall Community Center budget. It has especially become an issue as the Community Center has aged and we have been forced to use sources like the Electric Fund to take on some of these necessary improvements above and beyond the \$100,000 we have dedicated to this facility annually. It has also not allowed us to replace things within the facility when they are needed, but instead replace items when it becomes an emergency and we have no alternative but to replace the equipment that has failed.

This is a key factor that was taken into consideration when putting together this budget, and the ten-year financial plan for this facility.

Continued Impact of COVID 19 on Community Center

Of all our facilities within the City of Chaska, the Community Center was hit the hardest financially from the impacts of the pandemic. This was both because we were forced to close our facility twice through Executive Orders coming from the State (totaled 4.5 months of closure through 2020 and 2021), but also because we were limited to 25% capacity in the facility in the months going through 2021. In fact, operations did not get back to normal until the Spring of 2022 when we removed our fitness equipment from the large lower gym and moved this equipment back into the Fitness Center. This especially had an impact on being able to program the facility, as a lot of our programs rely on big spaces in the facility, such as the gym, to be able to be held. These spaces being closed, along with patrons not feeling comfortable working out in a group setting, led to many patrons dropping memberships, with it being difficult to get them to come back. One trend that we saw increase in popularity during the pandemic was people utilizing low-cost Fitness Centers (i.e. Snap Fitness, Anytime Fitness, etc...) if they were only interested in utilizing fitness and weight equipment, but were not interested in the other amenities a full community center offers such as a pool, ice rinks and gymnasium space. While we have continued to see consistent progress towards getting our memberships back to pre-Covid levels, all of these factors have made that rebound much longer than we would have expected.

As we moved into 2024, while memberships rebounded from their lowest point in February of 2021, we have still not seen memberships rebound back to where they were right before the pandemic started in January of 2020. As you will see from the chart below, in January of 2020, we have approximately 8,100 members. At our lowest point during the pandemic, our memberships dropped to approximately 4,100, or nearly a 50% decrease. Since that time, we have seen memberships get up to close to 7,000 members in both the winter months of 2022, 2023, and 2024, but have never reached that 8,100 mark that existed prior to the pandemic. With our natural dips in the summer months, we have averaged about 26% lower than our peak of 8,100 members prior to the pandemic. Not surprisingly, this has created financial challenges for the Community Center as a facility, especially as the facility has aged and more dollars have had to be put into capital replacements.



While the pandemic certainly started the decline in memberships that we have seen at the CCC, there are other circumstances that Staff believes have also contributed to us not fully recovering in our membership numbers. As mentioned above, one thing that has changed has been in the ways people exercised during the pandemic that has continued until now. We have seen many more people who complete workouts in their homes or outside. There has been a rise in lower cost options such as Snap Fitness and Anytime Fitness that have filled a niche of people who only go to a recreational facility for the fitness equipment. Since Fitness is a major reason that patrons get memberships at our facility, this has had a negative impact.

A second issue that we have seen at the CCC has been in the age and condition of the building and equipment we provide. With an aging facility it becomes important to be able to continuously reinvest back into the facility to keep people interested in becoming a member. We made big strides in our 2024 budget as we replaced our Selecterized Weight Equipment and our Free Weights. Both items are dated and have not kept up with equipment that patrons could get at other fitness facilities. While we are still waiting to see the full impact of these improvements as we have promotions to get people back in the building, anecdotally we have had very good reviews from patrons on the new equipment we have and have seen memberships coming at a faster pace than they have in the past three years.

We will be keeping a close eye on memberships to see what type of impact the improvements we made in 2024 will have on our membership numbers. It will also give us data to understand what will attract people to come to the Community Center in lieu of going to low-cost options who only offer fitness equipment.

Membership Comparisons to Other Municipal Facilities

As mentioned previously, the Chaska Community Center is one of the few City-owned community centers/recreational facilities that does not have any tax levy support and relies solely on memberships and other user fees to support its annual operations. This is true even though a good portion of our Community Center (entire first floor and upper track) does not require a membership or daily admission for entrance.

With its reliance on memberships and daily admissions for support of our operations and reinvestment, it is critical that we price our memberships to be able to meet our current and future needs. At the same time, we need to be cognizant of how our competition (other municipal facilities) are priced so that we do not have our membership pricing get too far out of the market.

In 2022, we did make some larger adjustments to our membership rates because we had become very low compared to other City facilities in the Twin Cities. As we move into 2025, we want to make sure that we keep up with the average of facilities we compare to in the market, so as not to lose ground on the changes we made two years ago. However, we also want to make sure that we are providing our patrons with competitive rates.

Based on that objective, we are recommending that the rates for membership go up by 3%-4% for 2025, based on the type of membership being sold. The only membership category we are recommending not change is our Dual Membership rate. With that category of membership being offered for the first time in 2024, we want to give it additional time to market this new option, as we do think that there are a significant number of new residents in the community who are "empty nesters", and who the Dual Membership Rate would be more beneficial for them to use as opposed to the Family Membership that was available to them before, if they want to have more than one person on the account.. Below are charts comparing where we fall with this 3%-4% increase with both our monthly and our annual membership rates:

MONTHLY BILLING	Enrl.Fee	YOUTH-SINGLE		ADULT-SINGLE		DUAL		HOUSEHOLD		SENIOR-SINGLE		SENIOR DUAL	
		Resident	Regular	Resident	Regular	Resident	Regular	Resident	Regular	Resident	Regular	Resident	Regular
Eden Prairie	\$30.00	\$42.26	\$59.59	\$52.01	\$60.67	\$88.83	\$104.00	\$119.17	\$141.93	\$43.33	\$60.67	\$70.42	\$104.00
Shakopee	\$30.00	\$34.00	\$45.00	\$44.00	\$56.00	\$53.00	\$70.00	\$63.00	\$81.00	\$34.00	\$45.00		
Williston	\$30.00	\$38.00	\$48.00	\$48.00	\$60.00	\$67.00	\$83.00	\$77.00	\$96.00	\$33.00	\$43.00	\$48.00	\$60.00
Waconia	\$30.00	\$30.00	\$37.00	\$40.00	\$47.00	\$50.00	\$57.00	\$65.00	\$72.00	\$30.00	\$37.00	\$40.00	\$47.00
Maplewood		\$42.00		\$75.00		\$126.00		\$137.00		\$75.00		\$126.00	
Shoreview		\$35.75	\$48.25	\$42.25	\$54.75	\$63.25	\$77.75	\$71.50	\$91.75	\$37.75	\$48.25		
Eagan	\$25.00			\$40.00	\$45.00	\$71.00	\$81.00	\$89.00	\$101.00	\$33.00	\$37.00	\$56.00	\$63.00
Chaska CURRENT	\$39.00	\$29.00	\$35.00	\$39.00	\$47.00	\$68.00	\$82.00	\$72.00	\$87.00	\$29.00	\$35.00	\$51.00	\$61.00
Chaska 2025 PROPOSED		\$30.00	\$36.00	\$40.25	\$48.50	\$68.00	\$82.00	\$74.25	\$90.00	\$30.00	\$36.00	\$51.00	\$61.00
Average		\$37.00	\$47.57	\$48.75	\$53.90	\$74.15	\$78.79	\$88.81	\$97.28	\$40.87	\$45.15	\$68.08	\$68.50
Current Rate % Below Avg		22%	26%	20%	13%	8%	-4%	19%	11%	29%	22%	25%	11%
Proposed % Below Avg		19%	24%	17%	10%	8%	-4%	16%	7%	27%	20%	25%	11%

ANNUAL PRE-PAID	FEE	YOUTH-SINGLE		ADULT-SINGLE		DUAL		HOUSEHOLD		SENIOR-SINGLE		SENIOR DUAL	
		Resident	Regular	Resident	Regular	Resident	Regular	Resident	Regular	Resident	Regular	Resident	Regular
Eden Prairie	\$0.00	\$507.12	\$715.09	\$624.06	\$727.99	\$1,065.93	\$1,247.99	\$1,430.06	\$1,703.15	\$520.01	\$727.99	\$845.06	\$1,247.99
Shakopee	\$0.00	\$276.00	\$369.00	\$378.00	\$533.00	\$485.00	\$669.00	\$595.00	\$800.00	\$276.00	\$369.00	\$485.00	\$669.00
Williston	\$0.00	\$448.00	\$545.00	\$545.00	\$690.00	\$769.00	\$961.00	\$882.00	\$1,090.00	\$385.00	\$481.00	\$545.00	\$690.00
Waconia	\$0.00	\$330.00	\$407.00	\$440.00	\$520.00	\$550.00	\$627.00	\$715.00	\$792.00	\$330.00	\$407.00	\$440.00	\$520.00
Maplewood													
Shoreview		\$370.00	\$480.00	\$440.00	\$600.00	\$660.00	\$860.00	\$740.00	\$1,010.00	\$370.00	\$480.00	\$660.00	\$860.00
Eagan				\$435.00	\$490.00	\$774.00	\$882.00	\$973.00	\$1,103.00	\$360.00	\$403.00	\$612.00	\$688.00
Chaska CURRENT		317.00	380.00	422.00	507.00	739.00	887.00	792.00	950.00	317.00	380.00	555.00	665.00
Chaska 2025 PROPOSED		330.00	396.00	442.75	533.50	748.00	902.00	816.75	990.00	330.00	396.00	561.00	671.00
Average		386.22	503.22	477.01	593.50	\$717.32	874.50	\$889.18	1,083.03	373.50	478.00	597.84	779.17
Current Rate % Below Avg		18%	24%	12%	15%	-3%	-1%	11%	12%	15%	21%	7%	15%
Proposed % Below Avg		15%	21%	7%	10%	-4%	-3%	8%	9%	12%	17%	6%	14%

As you will see from the charts above, our current rates are generally about 7-21% lower for both monthly and annual membership rates. As you will also see from our proposed rate structure, we would continue to be 7-21% below the market comparisons.

As mentioned before, one thing that did change in our rate structure in 2024 was that we started offering Dual Membership options for our patrons. This allows a family of two people to be able to purchase a membership together without having to purchase a Family Membership which allows more than two people. This is something that we have never offered, which other similar facilities have. We do think that this will be a popular option, especially with our AOA members instead of them having to purchase two single memberships. As I mentioned previously, we are recommending that we do not increase this rate for 2025 both because we want to have more time to market this our AOA population, but also because our Dual Memberships are the only membership option we offer that are currently priced above the market. By not increasing this rate class in 2025, we do feel that by 2026 our rates in this category will be comparable to the average our market comparisons.

For any of our membership options, one thing that should be noted is that many of the facilities we compare to have tax levy support (usually around 40% of the total budget). While we do not have that current financial support from outside of the facility, our memberships have remained very competitive.

One thing to note about our memberships, as we look at our current operational needs for the facility, and the Capital Improvements that we are going to need to make over the next several years, we will have to keep in mind that only relying on membership and other fees will not be significant enough to keep up with our capital replacement needs. If we make our fees higher than in the market, we will be uncompetitive with other municipal facilities. The solution to addressing our long-term capital needs will need to come from outside of the facility if it is to be successful, as simply raising rates to cover our costs may have the opposite effect by decreasing our memberships and users if membership rates and user fees are too high.

CCC Master Plan: Addressing Aging Facility Creates Additional Needs

While the effects of the COVID pandemic continue to be a concern, there are more systemic issues that we need to consider to help properly plan for the future of this facility.

Starting in 2023, and culminating in a final report in 2024, we have been looking at these issues through our Community Center Masterplan Process. The focus of these discussions has been both around what we envision the Community Center to be as we move into the future, but also how we structurally fix the financial issues that have kept the CCC from being financially sound in the past. While it is easy to focus on the vision for what we would like the facility to become, it is important that we address the current financial needs first to make sure we have a solid foundation on which to build our community center of the future when we reach that point.

To address this first issue of creating a sound financial foundation for the facility, we need to be able to understand what we have not been able to address just through revenue derived from the Community Center itself. As we have mentioned previously, one number that we know we need to be able to fund annually is the depreciation of the facility. At this point in time, depreciation is \$865,000. The other number we need to understand is the average amount of the deficits we have had in the Fund to be able to balance the budget on an annual basis. This number has run around \$500,000, with a good portion of that funding equipment repair and replacement we cannot avoid and needs to be completed.

It should be noted that the Chaska Community Center originally cost us \$22.5 million to construct in 1991. With all the additions we have put onto the facility, our Master Plan process has determined it would be over \$145,000,000 to replace if we were to start from scratch. Again, we currently depreciate \$865,000 of this facility annually but have never had a mechanism to properly reinvest back into this asset with dollars generated from the facility itself. This has become a major issue, as a facility this age has significant issues pop up every year if they are not able to be addressed on a proactive basis.

To illustrate this issue, below is a list of the improvements in the facility that are overdue for replacement. As you will see, this list totals close to \$2.1 million.

Capital Assets Currently Passed Estimated Useful Life	
RTU St Francis 3	\$31,250.00
RTU St Francis 4	\$31,250.00
Dasher Boards Arena 2	\$300,000.00
Dry Sauna Heater	\$13,000.00
Steam Room Boiler	\$19,500.00
Plate Loaded Weight Equipment	\$36,280.00
Plates and free weights	\$17,250.00
Selecterize weight equipment	\$308,000.00
Leisure Pool Heat Exchanger	\$15,600.00
Tire Curtain - Theater	\$24,000.00
Theater Lighting	\$66,000.00
Brick City Banquet Room Audio/Visual	\$26,400.00
Brick City Banquet room divider	\$30,000.00
Multipurpose Chairs	\$15,000.00
Multipurpose Tables	\$20,000.00
Forklift	\$45,000.00
Red Maple Cupboards	\$18,000.00
White Oak cupboards	\$18,000.00
Lower gym divider	\$60,000.00
Lower gym basketball hoops	\$57,500.00
Upper gym basketball hoops	\$55,200.00
Play tunnel/climbing wall	\$84,500.00
Upper corridor carpet	\$31,030.00
Fitness Center Flooring	\$32,100.00
Lower gym flooring	\$312,500.00
Dance Studio Flooring	\$50,000.00
Arena 1 painting	\$63,600.00
Arena 2 painting	\$63,600.00
Theater Painting	\$10,600.00
Lower Gym Painting	\$47,700.00
Arena 1 sounds system	\$166,000.00
Spin Bikes	\$16,640.00
Water Softeners Arena	\$20,000.00
Current Asset Liability	\$2,105,500.00

While some of the items on this list we have been able to address over the past few years, none have been able to be repaired/replaced on a proactive basis, but instead of been dealt with when critical issues arise. Ideally, we would not be approaching the items on this list for replacement on an emergency basis but instead it would be wise to replace them now before they become an emergency. While there are many more improvements that we would like to be able to attend to in this upcoming year, below is a list of the priorities we need to address in 2025 and are a priority to keeping our operations running smoothly next year:

1. Replace Ice Arena Softeners that are overdue for replacement for \$25,000
2. Replace Heat Exchanger in Rink 2 for \$108,000
3. Replace the tables and chairs in the Brick City Room for \$20,000
4. Replace the Indoor Playground Structure for \$125,000
 - This is original to the facility and no longer meets safety requirements

As you will see, there are \$278,000 of improvements that we need to be able to make this year to make sure that they do not fail. If we allow any of these to completely fail, it could make operations in certain components of the facility very difficult and could take a long time to replace with long lead times that we are seeing.

Strategy for Addressing Financial Issues Moving Forward

Knowing that this will continue to be an issue unless we develop a long-term strategy to address these needs, Staff has been exploring strategies for not only how to fill this financial gap, but how to spread it out over time so as not to have a dramatic impact on our residents and patrons in any given year. Specifically, the plan that we identified during the 2024 budget process was to address this deficit over a 10-year period, with the goal of trying to create at least \$1.5 million in annual income that can accumulate in the fund to support both operations and capital reinvestment.

In the short term, which we defined last year as 2024 and 2025, we would see filling the budget gap for these years from the Self Insurance Fund, as the issues we are currently facing are largely due to the COVID Pandemic. While we would see these dollars filling the gap in 2024 and 2025, we would not see this as a long-term solution. Instead, it would serve to cover gaps until we replace this with permanent funding solutions.

As we move into the years 2026-2029, we would then start to add Utility dollars from the Electric, Water and Sewer Funds. Specifically, we would recommend adding \$100,000 per year through each of these four years until we reach an amount of \$400,000, at which point the Utility dollars would be capped. In addition to this, we have debt service coming off in the Community Center after 2027 when The Lodge Addition is fully paid. This debt service totals \$220,000 per year. Instead of these dollars that currently come into the Community Center from our Electric Fund going away, we would keep this \$220,000 coming into the Community Center Fund into the future. However, now instead of supporting debt, it would go to help annually fund our depreciation. The second debt service in the Community Center is \$240,000 for the Pool and Ice Arena Improvements we completed approximately 10 years ago, which comes off after 2032. Again, we would keep these dollars coming into the Community Center from the Electric Fund into the future but use it to fund depreciation instead of debt service like it was funding before.

The last part of the strategy would be implemented over the period from 2027-2034. During this period, we would be moving forward each of those years to remove the portions of the Community Center budget that should be funded through our General Fund Parks and Recreation Services. We would do this by increasing our Tax Levy in the General Fund by \$100,000 per year in each of these years to allow us to move over \$100,000 of expenses that should be associated with the General Fund Park and

Recreation services instead of Community Center functions. This would have an impact of approximately 0.5% or less each year to the tax levy, while making sure that we get our General Fund recreation services moved to the correct fund, so our Community Center does not continue subsidizing this cost. This would have the effect of removing \$800,000 of expenses from the CCC over this time period, while making sure it funded in the proper Fund.

At the end of this 10-year plan, we would have approximately \$1.7 million of annual impact (either expenses getting reclassified in the proper location or new revenues) to the Community Center Fund, providing it with the proper amount of dollars to be able to keep the facility we have in as good of shape as possible. It will also create a good financial foundation on which to reinvest back into the CCC when we tackle the other part of the Community Center Master Plan, which is implementing our vision for where we want this facility to go into the future.

2025 Community Center Revenues

While we plan to continue to see improvement in the market, 2025 will continue to be a challenging year as we focus on how to rebuild the remaining lost memberships that we saw from prior to the COVID pandemic. With our Fitness equipment now refreshed, and a wide variety of fitness classes being offered, we do think that this will help in rebuilding the memberships that we lost through the Pandemic. We will continue to market our new offering of Dual Memberships in the community, as we do think with the addition of more housing for AOAs in the community that this could be an attractive option for them to join compared to when we just had a Family Plan option.

Our revenue projections for the 2025 Budget include:

- Increasing our membership rates by 3%-4% on all membership options except our Dual Membership option that we will not be changing the price for 2025
- Increasing our Ice rental rates by \$5/hour
- Increasing our Room Rental rates by 4%
- No increase in Daily Rates
- 4% increase for our Swim Lessons
- Continue expanding our After School Extended Stay offering similar to Club Care at the School District. We did not get up and running until mid-year last school year, but have seen this be a popular option for people as this school year opened

Besides the specific areas mentioned above, we do plan to continue other operations like what we saw in 2024. As you will see from the chart below, we would recommend adopting a budgeted revenue number of \$5,156,667 for 2025. This number includes the addition of \$353,665 from the Self Insurance Fund to help fill the gap we are projecting for 2025, especially with the \$278,000 in Capital Improvements we are planning for 2025 that was listed above in this report. Below is a chart listing the expected revenues by area expected in 2025. One thing that should be noted is that in areas with large changes, many of these are being driven by us recategorizing revenue into consolidated areas. The overall increase in revenue for the Community Center is a 3.84% increase.

	<i>Actual</i>	<i>Budget</i>	<i>Budget</i>		<i>%</i>
REVENUES	2023	2024	2025	Change	Change
<i>Member/Admis/Rental</i>	\$1,597,750	\$1,636,072	\$1,687,767	\$51,695	3.16%
<i>Community Room</i>	\$65,576	\$90,000	\$80,000	(\$10,000)	-11.11%
<i>Craft Rooms</i>	\$18,104	\$24,000	\$24,000	\$0	0.00%
<i>Fitness Programs</i>	\$26,080	\$75,000	\$50,000	(\$25,000)	-33.33%
<i>Gym</i>	\$22,004	\$35,000	\$25,500	(\$9,500)	-27.14%
<i>Ice Arena</i>	\$895,402	\$966,273	\$956,854	(\$9,419)	-0.97%
<i>Maintenance</i>	\$22,750	\$38,031	\$25,000	(\$13,031)	-34.26%
<i>Wellness-PT</i>	\$31,513	\$80,000	\$40,000	(\$40,000)	-50.00%
<i>Play & Daycare Room</i>	\$19,140	\$114,000	\$116,280	\$2,280	2.00%
<i>Swimming Pool</i>	\$35,108	\$35,000	\$36,000	\$1,000	2.86%
<i>Swim Lessons</i>	\$103,028	\$219,240	\$200,000	(\$19,240)	-8.78%
<i>Theater</i>	\$46,187	\$56,700	\$57,800	\$1,100	1.94%
<i>The Lodge</i>	\$4,088	\$20,400	\$15,000	(\$5,400)	-26.47%
<i>General Facility Revenue</i>	\$225,754	\$0	\$0	\$0	0.00%
<i>Vending</i>	\$27,663	\$11,000	\$11,000	\$0	0.00%
<i>Misc.</i>	\$60,113	\$361,972	\$616,801	\$254,829	70.40%
Total Oper Rev	\$3,200,260	\$3,762,688	\$3,942,002	\$179,314	4.77%
Non-operating					
Self Insurance (CIP)		\$389,000	\$353,665	(\$35,335)	-9.08%
Utility Funds	\$322,303	\$814,524	\$861,000	\$46,476	5.71%
Total Non oper	\$322,303	\$1,203,524	\$1,214,665	\$11,141	0.93%
TOTAL REV	\$3,522,563	\$4,966,212	\$5,156,667	\$190,455	3.84%

While memberships and admissions make up a large percentage of the overall revenue that we see coming into the Community Center Fund, I think it is important to recognize some other significant sources of revenue that help support the Community Center Fund, which fortunately have seen little impact from COVID due to them being dollars generated through leases/agreements for space in the facility, or are annual contributions made through the Utility Funds. Below is a listing of the other key revenues that support the Community Center Facility:

- St. Francis/Capable Kids-Receive approximately \$211,404 annually to lease space on the north end of the building
- Breakaway Academy: \$79,125 annually to lease space in the lower level of the building
- Orchard Hill Preschool (formerly Alphabet Junction): \$53,956 per year
- ISD #112: Makes payments to the City of Chaska in the amount of \$45,000 annually to support the debt service for adding onto the building to make Girls Locker Rooms for the Chaska/Chanhasen Girls Hockey Program. This continues for 15 years or until the loan is repaid
- Utility Fund Transfers to the Community Center to support the following:
 - \$100,000 annually from Electric Fund since the facility opened in 1991 to help offset the costs of improvements in the building

- \$220,000 annually from Electric Fund supporting the Debt Service for The Lodge-debt is retired in 2027.
- \$240,000 annually from Electric Fund to support the Debt Service for the Pool/Ice Renovations
- \$353,665 from Self Insurance Fund to support the Capital Improvements being made in facility in 2024, along with some operational support

Other than these major sources of income, our memberships and admissions, the remainder of our revenue for the facility comes from user fees paid to participate in programs, classes, and purchases from our vending machines.

Expenditures

From an expenditure perspective, we are approaching the budget in 2025 from the perspective of being strategic on where we spend dollars to keep our costs as low as possible, but to also make sure that we are investing into those areas that have the greatest return. As we have also discussed previously, while there are several capital reinvestment items that are due for replacement, we are focusing our efforts on addressing both the items in our facility that absolutely need replacement and repair.

If we look at the expenditure chart below, you can see that we are budgeting to have our expenditures in 2025 be \$5,156,667. This would represent a 3.86% increase in our expenditures from our 2024 budget, or an increase of \$191,415. We would anticipate that we would see little changes in staffing compared to the 2024 budget.

To assist the Community Center as we try to build back up our membership to pre-pandemic levels, we are also looking to reduce expenditures to the Fund that other funds can help support. Specifically, we are planning to support the payment of the Administrative Fee to the General Fund to relieve this cost for the Community Center. We have done this the past two years.

Below is a list of the Expenditures budgeted for 2025:

	<i>Actual</i>	<i>Budget</i>	<i>Budget</i>		
EXPENSES	2023	2024	2025	Increase	%
<i>Admin</i>	\$ 815,099	\$ 944,884	\$ 937,082	\$ (7,802)	-0.83%
<i>Front Desk</i>	\$ 229,736	\$ 185,157	\$ 231,828	\$ 46,671	25.21%
<i>Well- Prog</i>	\$ 13,289	\$ 12,000	\$ 16,632	\$ 4,632	38.60%
<i>Ice Arena</i>	\$ 213,621	\$ 237,459	\$ 257,425	\$ 19,966	8.41%
<i>Maintenance</i>	\$1,617,300	\$1,621,393	\$1,859,034	\$ 237,641	14.66%
<i>Personal Train</i>	\$ 35,215	\$ 38,141	\$ 41,366	\$ 3,225	8.46%
<i>Wellness Add</i>	\$ 287,511	\$ 304,908	\$ 315,030	\$ 10,122	3.32%
<i>Play/Daycare</i>	\$ 95,100	\$ 108,024	\$ 98,987	\$ (9,037)	-8.37%
<i>Swim Pool</i>	\$ 585,890	\$ 633,138	\$ 631,436	\$ (1,702)	-0.27%
<i>Theater</i>	\$ -	\$ 7,641	\$ -	\$ (7,641)	-100.00%
<i>Lodge</i>	\$ 900	\$ 4,372	\$ 3,232	\$ (1,140)	-26.08%
<i>Gen Facility</i>	\$ 49,464	\$ 311,230	\$ 191,385	\$ (119,845)	-38.51%
<i>Depreciation</i>	\$ 882,470	\$ -	\$ -	\$ -	0.00%
<i>Debt Service</i>	\$ 119,842	\$ 556,905	\$ 573,230	\$ 16,325	2.93%
<i>Other</i>	\$ 632	\$ -	\$ -	\$ -	
Expenses	\$4,946,069	\$4,965,252	\$5,156,667	\$ 191,415	3.86%

Based on our forecasted Revenues and Expenditures, we are estimating that the facility will break even in 2025.

As was discussed in detail earlier in this section of the budget, the bigger issue that we need to focus on is not just balancing the budget for 2025 but looking at how we have a plan in place to address the larger systemic issues of funding the Community Center in the long term. As we move through the next 10 years, we will continue to use the plan that was described above as a roadmap for how to not only allow the Community Center to be able to address its annual operating needs, but also address its deferred maintenance in a pro-active manner. If we follow that plan, we do think we can move the Community Center in that positive direction and set it up well going into the future whether or not we implement recommendations in the Community Center Master Plan.

Town Course

The mission of the Chaska Town Course is to develop and operate a quality municipal golf course serving as a community resource and as a community gathering place, that is viewed as a top facility in the Twin Cities, helping also attract visitors to our community.

Budget

In developing the course's annual budget our objective is to provide adequate resources to meet this mission by maintaining a high-quality golfing experience from both a maintenance and customer service perspective. An objective during our budgeting process has also been to position the Town Course in such a way that we attempt to generate enough profit to build up reserves sufficient to keep up with our capital replacement needs to keep it running as a high-end facility into the future, while still providing good value to our patrons.

As we look into the future, keeping up with capital reinvestment will be the largest single challenge of the course, as it has historically been able to be self-sufficient from an operational standpoint, but has had more difficulty being able to generate a sufficient amount of reserves to cover all future depreciation costs. This has been changing over the past few years as we have put more focus into making this a sustainable facility and have started to generate cash balances that have allowed us to reinvest back into the course. This will be explored in greater detail as we discuss both the impact COVID has had on the golfing market, but also the work we have been doing to better target what the Resident discounts should be on the course as we move into future years.

COVID's Impact on the Golf Market

In 2018 and 2019, the Chaska Town Course had just over 29,000 rounds per year. While these were not great weather years, which did impact the number of rounds played, it also signified a greater trend we were seeing where the number of golfers was declining in general. This was true not only at the Town course, but was true industry wide, as the number of U.S. golfers peaked in 2003 at 30.6 million and dropped to 24.3 million in 2019, according to the National Golf Foundation. This number dropped approximately 1.9 million golfers between 2012 and 2017 but increased slightly by 500,000 between 2017-2019.

While the COVID pandemic negatively impacted our other recreational facilities in the City, one positive trend that we and other golf courses saw during the pandemic was the increase of golfers coming back to the game, as well as some picking it up for the first time. In just 2020, the number of golfers nationwide increased by 500,000 players in just one year, getting the total up to 24.8 million. Since 2020, this number has continued to increase, with an additional 1.8 million golfers coming to the game, bringing the total number of golfers in the U.S. up to 26.6 million at the end of 2023.

While the Chaska Town Course has always been a popular facility for golfers across the Twin Cities, the Town Course also benefited from this increase of golfers, seeing our rounds go from an average of about 32,000 rounds per year to our 5-year average being 39,805 rounds. Since 2020 our rounds have been over 38,000 rounds per year with the rounds being close or above 40,000 rounds for three of those years including our last season in 2024. Industry-wide, it appears that this is a permanent change to the number of golfers in the market, as rounds have not decreased since the pandemic ended, but have stayed relatively stable to slightly increasing each of the past 5 years. This is a positive change that has helped us in meeting our objective of generating fund balances to be able to reinvest back into our course.

Resident vs Non-Resident Rounds

The larger economic challenge the Chaska Town Course has experienced, especially over the past decade, is the shift in the demographic of patrons who golf at this facility. When the Chaska Town Course first opened in 1997, over 70% of the rounds that were played on the course were by non-resident golfers, with around 30% being made up of Chaska residents. As the community has continued to grow, and as people moving to the area have recognized the benefit of moving to Chaska as opposed to surrounding communities because of our resident Town Course discount, this patron makeup has moved to be approximately 50% resident play, with only 50% coming from outside of the community. Finishing up the 2023 golf season, we saw for the first time ever that we had more resident golfers than non-resident golfers. While the percentage slipped down to 49% Residents in 2024, we expect that as our community grows that we will continue to see the percentage of Resident rounds increase. While this has been great for our mission of making the Chaska Town Course a premier community gathering place for our residents, this has been a very difficult financial transition for the course as our resident discount peaked in 2019 at around a 40% discount from the regular rate that non-residents pay. This means that we every resident round being played in that year, we saw a 40% discount being provided which was beginning to make it very difficult to not only get our budget to balance, but also have sufficient dollars available to make important improvements to the course to keep people wanting to come back.

While we think it is important to keep a resident discount in place as we go into the future, it will be much more important for us to look at exactly what this discount is, as having over 50% of our golfers continue to have this level of discount will not be financially sustainable. This is something that we started discussing during the 2020 budget process, and which we discussed with some of our most loyal resident patrons prior to the 2021 budget process to identify a pathway to address this issue while still providing a benefit to our resident golfers. This will be described in greater detail later in this report, as we have been going through a transition over the past 4 seasons with Resident rates and have seen success in transition into a more sustainable financial model.

2024 Chaska Town Course Season

2024 was an excellent year for the Chaska Town Course, as we saw 39,864 rounds throughout the season, even with us having to close the course for two weeks in August to Co-host the US Amateur Tournament. This was coming off of 2023 where we saw 38,500 rounds of golf being played. In 2023, we would have been over 40,000 rounds

but did not reach that amount because we needed to close the course early for replacement of our Cart Paths. This was an improvement that needed to be completed during a warm weather season and could not be done while patrons were playing the course.

As mentioned previously, this has been the level of use we have seen at the CTC since the Pandemic started, as our 5-year average number of annual rounds went from around 32,000 to well over 39,000 rounds per year. As mentioned previously, if you look at the five years since the pandemic started, the average has gone to 39,805. Again, this has not just been the experience with the Town Course but has been experienced by golf courses in general across the industry.

Besides continuing to see new golfers come to the Town Course, we were also helped by great weather and turf conditions throughout the summer. While 2024 was not as hot and dry as the last two golf seasons, we did have good weather at the right times, making our usage in 2024 higher than both 2022 and 2023. Based on this high usage, we estimate that we will end the season with an increase of at least over \$200,000 in cash balance which we will use to continue to build our Fund Balance to take care of necessary reinvestment back into the course.

Depreciation Funding-Continued Reinvestment into Facility

With the refinancing of our TIF District #4 in 2008, we did put the Town Course in a better position to accumulate cash reserves, as it did not have to directly support the remaining years of debt service for the course anymore. In 1997, resources from TIF District #4 were the main financial resource that allowed us to construct the course and contributed towards our debt service on the course until all debt was repaid with the Closing of TIF District #4 in 2014. It was planned that the refinancing of this TIF District in 2008, and once again in 2011, would provide us with sufficient resources to pay off the initial capital construction cost debt at the Town Course from these TIF funds. What this did was to allow the Town Course to keep any annual profits and accumulate reserves in this Enterprise Fund.

While this move in 2014 took away the need for the Town Course to contribute directly towards its annual debt service from its initial construction, and while the Town Course continued to meet its annual operational needs of the course, it continued to struggle to generate significant reserves to go towards its future capital replacement needs. Specifically, the Town Course did not meet the depreciation expenses of the facility, which are just under \$500,000 per year.

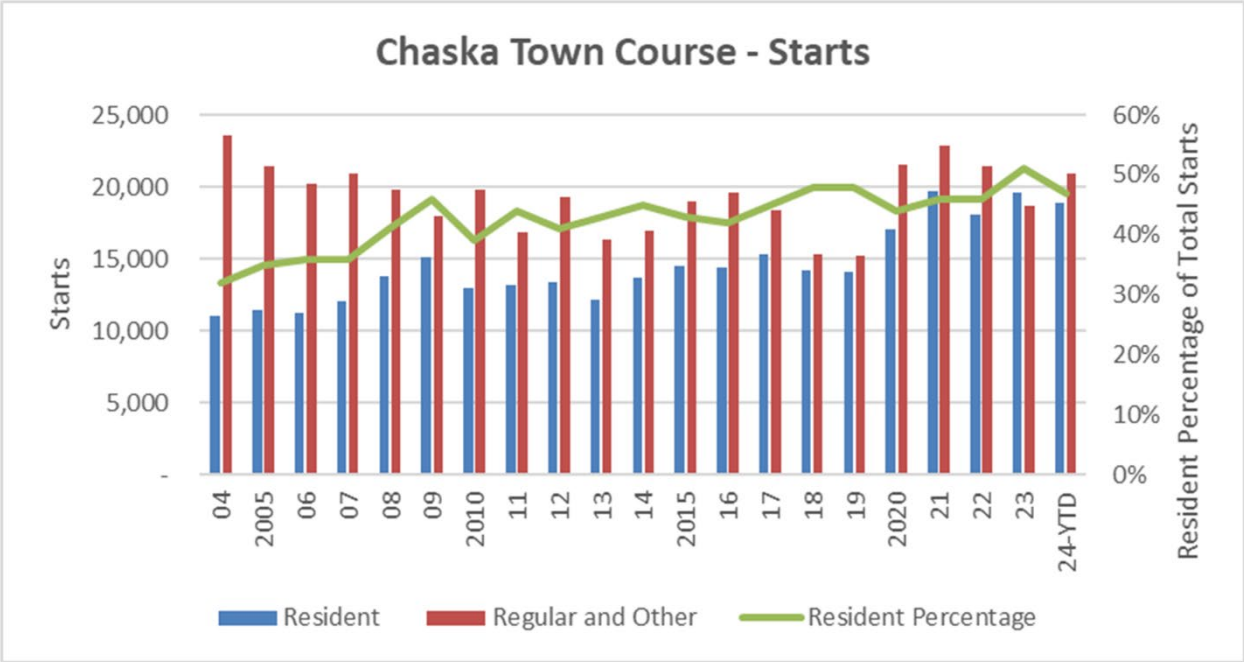
Not being able to meet its Depreciation obligations, and therefore not having the funds to properly reinvest back into the facility, was a significant reason why we started looking at the issue of resident vs regular rates. With over 50% of our patrons receiving a discount close to 40%, we knew it would be difficult to keep the Town Course financially sustainable in the future while also reinvesting back into those things that are important to keep the high-quality reputation the course has had since its opening.

Resident vs Regular Rates

As discussed above, one of the largest items that Staff has focused on while putting together the budget for the Chaska Town Course over the past five years has been looking at the split between resident and regular play at the Course. As mentioned previously, when the Town Course first opened, approximately 70% of our rounds came from non-resident play. As our community has grown, we now see that resident play is approximately 50% of the rounds during the season.

While this has been great for meeting our mission of having this be a premier community gathering location, it has made it very difficult from a financial perspective to keep the Chaska Town Course financially sustainable with our residents seeing a very large discount on our regular rates. When we started this discussion in 2019, residents were seeing close to a 40% discount on rates. Having 50% of our patrons see this large of a discount was not something we could continue to do if we wanted to have this course be both operationally self-sustaining and be able to reinvest back into the course as it ages.

Below is a chart illustrating the changes we have seen in resident vs. non-resident play since 2004 to illustrate the changes we have seen:



In examining this issue, Staff committed to meeting with resident patrons of the Chaska Town Course to both educate them on this issue, but to also get their feedback on how to structure our rates going into the future so that residents still feel they are receiving significant benefit for having this asset in their community while also being cognizant of how changes can positively affect the financial sustainability of the Chaska Town Course going into the future.

This discussion with these resident patrons occurred in January 2020 and resulted in a significant amount of good feedback that led to the recommendations Staff ultimately

made to the City Council for where to go with rates over the next few years. Some of the feedback received included:

- They understood the importance of making this a financially stable facility and understood the changes in demographics we have seen at the Town Course over the past several years
- They felt it was important that we reinvest back into this facility and understood that to do this the course needed to be financially strong
- They understood that a 37% discount was likely too much, but asked that we not let it get lower than a 20% discount
- They understood that not all Chaska residents are golfers and that it would be difficult to expect others in the community to support the course if they saw/perceived no benefit
- While they understood changes needed to be made, they asked that we give special consideration to the residents who are frequent customers of the course
- They appreciated being asked their opinion on this before we just moved forward with making any changes

Based on these discussions this did help us in developing conclusions on what we should ultimately be targeting for resident discounts when we have fully made the transition to our new rate structure. Through these conversations we were also able to recognize that there was a way to provide a better benefit to our most loyal resident patrons, while keeping our highest revenue generating times (weekends) open to maximize the revenue we generate during these times.

Specifically, what we recognized is that our most loyal resident golfers were playing during the weekdays both because they play in a league, but also because most of them play multiple times per week. At the same time, we recognized that the weekend tee times represented a time when we have no problem selling, and that we do not typically see as many residents during the weekend times because of how busy it can be.

Based on this feedback from these resident patrons, and from looking at the sales data from the Town Course's history, we were able to generate the following rate recommendations for how we structurally approach changing our rates over the next few years to work towards economic sustainability of this facility. The following bullet points represent the main components of the recommendation that was made:

- Continue to view this change as a multi-year implementation to allow patrons to ease into this change (we started in 2020, and we are anticipating that we will complete this transition by 2028)
- With most of our regular resident patrons playing during weekday times, (i.e. Leagues and evenings), provide a greater discount to residents during these times to recognize them for their loyalty, and to financially incent them to play during these times so we can keep our higher rates on the weekends when we have no issues selling tee times
- Target that by the end of our implementation period we have resident rates set based on the following guidelines:

- Resident discounts set at 25% of the Regular Rate for Weekdays and 20% of the Regular Rate for Weekends
- Do not allow resident rates to go below the average for local courses (i.e. Dahlgreen, Bluff Creek, Deer Run, etc...) as these are not as quality of a course as the Town Course
- Keep our cart rental competitive with the market for both residents and non-residents

Based on these guidelines, the Council did move forward with starting to implement this plan in 2020. 2025 will be the sixth year of implementation, with our rounds increasing significantly during the first five years of implementation. These increases have also been with Resident golfers, although their discount has decreased. For 2025, the changes to the rates to reflect this plan would be as follows:

- Resident Weekdays: Up \$3 to \$58 (\$81 with Cart)-Represents 31% discount
- Resident Weekends: Up \$2.50 to \$65.50 (\$88.50 with Cart)-Represents 22% discount
- Non-Resident Weekdays: Up \$2 to \$78 (\$101 with Cart)
- Non-Resident Weekends: Up \$2 to \$84 (\$107 with Cart)
- Cart Rates: Up \$2 to \$23 (this is the average of High-end courses we compare to)

Moving based on these recommendations would allow us to continue to move towards our goal of resident weekday discount being 25% and resident weekend discounts being 20%, with us still having three more years to implement this overall plan.

Based on this recommendation, below are two charts both showing our rates compared to High-End Courses as well as a second chart comparing our proposed rates to area golf courses:

Comparisons of High-End Courses

Top Public 18 Hole	WD 18 Hole GF	WE 18 Hole GF	18 Hole Cart	Twilight GF	Twilight Cart
Edinburgh	\$50.00	\$60.00	\$20.00	\$39.00	\$15.00
Stoneridge	\$115.00	\$125.00	\$25.00	\$89.00	\$10.00
The Wilds	\$95.00	\$95.00	\$20.00	\$60.00	\$20.00
Meadows at Mystic	\$120.00	\$135.00	Included	\$90.00	Included
Rush Creek	\$135.00	\$135.00	\$25.00	\$89.00	\$25.00
Troy Burne	\$110.00	\$110.00	\$25.00	\$85.00	\$20.00
Legends	\$130.00	\$130.00	Included	\$95.00	Included
Average	\$107.86	\$112.86	\$23.00	\$78.14	\$18.00
Current 2024 CTC Regular	\$76.00	\$82.00	\$21.00	\$59.00	\$16.00
Proposed 2025 CTC Regular	\$78.00	\$84.00	\$23.00	\$61.00	\$23.00
Current 2024 CTC Resident	\$55.00	\$63.00	\$21.00	\$49.00	\$16.00
Proposed 2025 CTC Resident	\$58.00	\$65.50	\$23.00	\$52.00	\$23.00
% Discount for Resident vs Non-Resident	30.95%	22.02%			

Comparisons of Area Golf Courses

	WD 18 Hole GF	WE 18 Hole GF	18 Hole Cart	Twilight GF	Twilight Cart
Ridges at Sand Creek	\$45.00	\$50.00	\$17.00	\$38.00	\$12.00
Stonebrooke	\$84.00	\$99.00	Included	\$69.00	Included
Deer Run	\$70.00	\$70.00	\$20.00	\$60.00	\$20.00
Dahlgreen	\$45.00	\$50.00	\$20.00	\$45.00	\$20.00
Bluff Creek	\$50.00	\$60.00	\$20.00	\$50.00	\$20.00
Average	\$58.80	\$65.80	\$19.25	\$52.40	\$18.00
CTC Resident	\$58.00	\$65.50	\$23.00	\$52.00	\$23.00

As is illustrated above, these changes would make us very competitive with both the High-End and Local 18-hole golf courses, still making our course a very good deal for both residents and non-resident play. In fact, we have become a better deal compared to other courses since COVID, as other courses have been much more aggressive in increasing rates since there is such a high demand with new golfers.

Revenue Projections for 2025

Based on the changes that we are recommending for rates next 2025, we are forecasting total revenues of \$3,420,000. This compares to the budgeted revenues for 2024 of \$3,192,400, or an increase of 7.13%.

As we discussed previously, the past 5 seasons have been very good for golf, with the 5-year average going from 32,000 to 39,805 rounds. Even though the average is at close to 40,000 rounds, we used 37,000 rounds as the number we budgeted be conservative on our assumptions.

Based on these assumptions, the total 2025 revenues would be budgeted to come from the following sources:

	Actual	Expected	Budget	Budget	Change	Change
<i>Revenues</i>	2023	2024	2024	2025		
Green fees	\$ 1,940,740	\$ 1,988,380	\$ 1,984,000	\$ 2,002,000	\$ 18,000	0.91%
Driving range	\$ 179,635	\$ 177,994	\$ 170,000	\$ 185,000	\$ 15,000	8.82%
Member fees	\$ 102,691	\$ 102,093	\$ 95,000	\$ 105,000	\$ 10,000	10.53%
Sale of supplies	\$ 284,954	\$ 345,564	\$ 226,125	\$ 250,000	\$ 23,875	10.56%
Concessions	\$ 52,815	\$ 57,557	\$ 50,000	\$ 60,000	\$ 10,000	20.00%
Cart rental	\$ 410,527	\$ 374,378	\$ 430,000	\$ 401,000	\$ (29,000)	-6.74%
Misc	\$ 416,820	\$ 33,116	\$ 237,275	\$ 417,000	\$ 179,725	75.75%
Total revenues	\$ 3,388,182	\$ 3,079,082	\$ 3,192,400	\$ 3,420,000	\$ 227,600	7.13%

Components of the Chaska Town Course Revenue

A key revenue assumption for the CTC is the green fees schedule, as the greens fees do generate approximately 59% of our revenue. Our strategy has been to have green fees for non-residents consistent with the market for other high-end public courses, while at the same time offering a course for our residents of higher quality and challenge compared to any other area course, at a price that is very competitive. As mentioned previously, based on our efforts to reduce the resident discounts to a reasonable amount over a multi-year period (plan to have rate changes fully implemented by 2028), but to do this in a way that benefits our most loyal Town Course patrons by providing a greater resident discount on weekdays, we are recommending the following rates for the 2025 budget:

- Resident Weekdays: Up \$3 to \$58 (\$81 with Cart)-Represents 31% discount
- Resident Weekends: Up \$2.50 to \$65.50 (\$88.50 with Cart)-Represents 22% discount
- Non-Resident Weekdays: Up \$2 to \$78 (\$101 with Cart)
- Non-Resident Weekends: Up \$2 to \$84 (\$107 with Cart)
- Cart Rates: Up \$2 to \$23 (this is the average of High-end courses we compare to)

Based on this, the projected Green Fees revenue for 2025 would be \$2,002,000, which would be an increase of 0.91% from the budgeted 2024 Greens Fee Revenue.

For the first several years the Town Course was open, we averaged cart rental revenues in the range of \$150,000 to \$175,000, with 22% to 24% of golfers renting carts. In 2006 we modified our cart policy to permit carts off the cart path. At that time, we purchased a new set of carts equipped with a GPS system. This system allows us to remotely control the carts so they do not go in areas that would be detrimental to the condition of the course. The system was implemented in 2006 and increased cart revenues to \$212,000.

For 2025 we are once again anticipating that 40% of patrons will continue to utilize a cart, as we have seen over the past several years, and we are recommending that we increase this rate for 2025 by \$2 per cart, which would make our rate equal to the average of high-end courses in the Twin Cities. Based on this, the total revenue in 2025 for cart rentals would be \$401,000.

Through our twenty years of operation, the driving range has been a popular element of the facility. One attribute contributing to the success of our driving range is the size of the practice facility, being one of the larger driving ranges on golf courses in the area. For projection purposes, we have assumed that 20% of golfers will use the range before playing, with an additional 40 people per day will come to the facility solely to use the practice complex. Range revenues are expected to come in at \$177,000 for 2024. For 2025 we are proposing that we budget the number at \$185,000, as we would like to be conservative. It should be noted that one of the improvements we made to the Driving Range in 2023 was the addition of mats on a concrete slab at the back of the driving range. We plan to use these in the early and wet parts of the season to keep our Driving Range in good condition. We hope that this increases the use of our Driving Range during the season as we can keep our tee box area in better shape throughout the entire season.

Pro Shop sales have continued to be strong with 2024 expected to see around \$345,000 of sales. In 2025 we are proposing a budget of \$250,000 for Pro Shop sales. One reason for bringing this number down from what we experienced this summer is because we hosted the US Amateur this past summer which helped drive merchandise sales higher than normal. We expect 2025 to be much closer to what we would normally see.

A key service element of the facility is the provision of a quality food and beverage operation, while at the same time assuring that this element does not become a financial drain on the operation. In 2016, we changed vendors, as Charlie's Grill had its final year of operation in 2015. Charlie's set a new bar for expectation of our food service at the Chaska Town Course, which was important for us to keep or improve with the new vendor coming into the facility.

After completing an RFP Process, the City Council did choose to go with the new vendor, Oak 19 Grill. While the Town Course did have to undergo approximately \$150,000 in upgrades to the kitchen prior to the 2016 season to be able to handle a new vendor coming into the facility, and to increase offerings to our Patrons, Oak 19 has been a very positive addition to the Chaska Town Course, as we illustrated through their record-breaking first and second years of service. In 2016, Oak 19 had over \$650,000 in sales, making it the highest grossing year for food service in the Town Course's history. We saw very similar sales occurring during the 2017 season. In 2018, despite not being able to open the entire month of April because of weather, they still were able to exceed their budgeted revenue to the City and had the peak months during the summer set sales records over the past 4 years. In 2019, despite the less-than-ideal weather conditions, they continued to exceed our budgeted revenue for the facility, based on our revenue-sharing lease agreement. In 2020, although restaurants were closed at the beginning of the season due to the pandemic, they did see a very successful year, with them shifting to a model where patrons order at the Counter and have their food delivered to them. This allowed them to have more control over service to reduce exposure issues for Staff and Patrons but also ended up being a very popular service delivery model change that they have kept in place the last five years. This has also helped them address the difficulty in getting service staff, which has been an issue for all restaurants over the past few years. Staff have continued to see very positive reviews from patrons on both food and beverage service in the Clubhouse, along with beverage cart service on the course.

Oak 19 did have their lease renewal in 2021, which not only increased the number of years they will be at the facility, but also changed the percentage that we charge for rent to be more responsive to market changes. The new lease has them paying 6% of total revenue based on both their alcohol and food sales. 2021 was the first year of this change, with the restaurant earning close to \$80,000, which was above the \$40,000 we budgeted. And even though our percentage for alcohol went down in the new lease structure, we saw the revenue be significantly greater than the \$41,873 that was generated in 2020. We expect to generate approximately \$57,000 from the lease in 2024. We are budgeting \$60,000 for 2025 to keep our projections conservative.

Operating Expenses

For the Chaska Town Course to be considered a high-end public facility, the turf maintenance needs to be a very high priority. During the past few Golf Seasons, we have had some of the best turf conditions since our course opened. We received very good comments from the USGA on our turf condition when the US Amateur was hosted at the CTC this past summer. This has also been confirmed in feedback we have received from golfers in our surveys and helped continue to drive patrons to our course during the summer of 2024.

To achieve the objective of having high-quality turf we have attempted to establish a maintenance budget that will permit adequate resources for above-average maintenance. The key to achieving this objective is attracting and retaining high quality dedicated personnel. It is imperative that our full-time personnel not only have the technical capabilities to maintain a high-level facility, but also (and possibly more importantly) have true ownership in the course and a commitment to the facility's quality.

The budget anticipates staffing levels the same as in 2025, with five full-time Greenskeepers, plus a Superintendent who is responsible for the maintenance of the Chaska Town Course facility as well as the Loop that just opened this past summer.

As in the past these full-time positions will be supplemented by eight, six-month and six four-month seasonal employees. The total budgeted expenses for 2025 are \$1,573,016. This is a 28% increase from 2024 but includes all the course improvements and equipment replacement we will have over the course of 2025.

The second cost component of the golf course operation is the Clubhouse and its related activities. Our objective is to differentiate the Town Course and Clubhouse operation from other courses through a noticeable difference in its commitment to customer service. Achieving this objective will be significantly affected by the quality, skill and personality of personnel hired to staff the complex. The overall responsibility of the Clubhouse operation is the responsibility of the Club Pro. For 2024 expenses were budgeted at \$1,208,856, with them being budgeted at \$1,286,818 in 2025. This would bring our Clubhouse expenses up by 6.45% in 2025.

The final cost component that is critical to maintaining a high-quality course is continuing to invest in timely replacement of our maintenance equipment and capital improvements to the facility. For 2025, the following are the pieces of equipment that are scheduled for replacement, along with the improvements we would be making to the facility in the upcoming year:

Equipment Replacement

- Beverage Cart: \$9,000
- Fairway Mower: \$56,000
- Fairway Aerifiers: \$35,000
- Fairway Blowers: \$11,000
- Mini Loader: \$15,000
- Range Tractor: \$20,000
- Stand-on Fertilizer Spreader: \$10,000
- Toro GTX Vehicle: \$26,000

- Walksgreen Mower: \$25,000

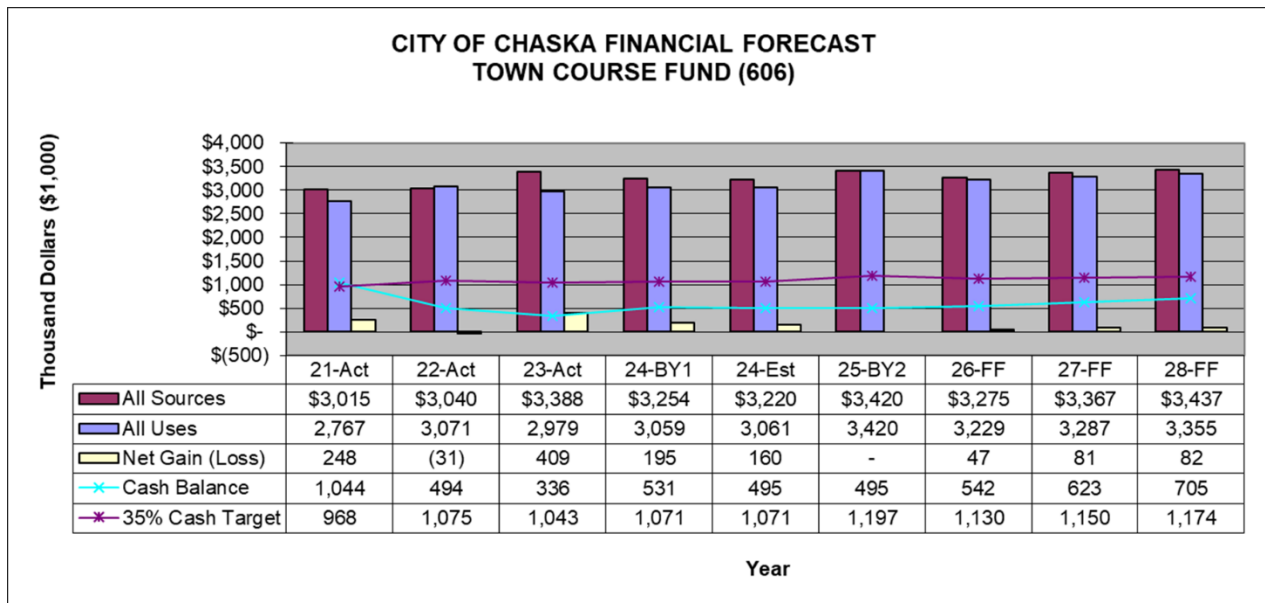
Capital Improvements:

- Irrigation Satellites: \$40,000
- Repaving the south half of the Parking Lot: \$125,000 (we would repave the north half of the parking lot in 2026 so we do not disrupt play)

The following is the proposed Expenditure Budget for 2025:

Expenses	Actual 2023	Expected 2024	Budget 2024	Budget 2025	Change	Change
Course Maintenance	\$1,193,233	\$1,276,122	\$1,230,287	\$1,573,016	\$342,729	27.86%
Course Admin/Clubhouse	\$1,232,718	\$1,237,152	\$1,208,856	\$1,286,818	\$77,962	6.45%
Merchandise	\$285,004	\$345,738	\$226,125	\$250,000	\$23,875	10.56%
Debt Service (Equip)	\$58,382	\$45,884	\$331,700	\$310,100	-\$21,600	-6.51%
Transfers Out/Debt Service	\$16,109	\$0	\$0	\$0	\$0	
Misc	\$179	\$0	\$0	\$0	\$0	
Depreciation	\$193,372	\$0	\$0	\$0	\$0	
Total Expenses	\$2,978,997	\$2,904,896	\$2,996,968	\$3,419,934	\$422,966	14.11%

Based on the proposed expenditures, we would expect the Town Course to break even for the 2025 season. If the rounds of golf end up being like what we have seen over the past 5 years, we would expect to see a gain in our Fund Balance, as we based our budgeted revenues on 37,000 rounds, when our actual 5-year average is close to 40,000 rounds. Below is a chart illustrating what we have seen since 2001 from a financial perspective, and projections we have made going out to 2028 to show where we see the Town Course going financially into the future:



With the Town Course making the changes in discount percentages for residents, and with the great reputation our course has for being a high-quality facility, we think that we are setting ourselves up well to continue to be successful in the future and continue

to be a premier facility that can both attract people to live in our community and to encourage people from out of town to visit.

Utility Fund Overview

The Utility Fund Budgets are broken down into series for the City's four utilities: water, sewer, electric and storm sewer. The total proposed budgets for these four utilities have been developed based on the following objectives:

- *Providing the necessary resources for each utility to assure continuation of quality and reliable services to our customers.*
- *Maintaining water/sewer/storm sewer rates competitive with comparable cities.*
- *Maintaining residential electric rates less than comparable rates charged by Xcel.*

- *Maintaining competitive industrial and commercial electric rates compared with Xcel, while also making sure we maintain a system that provides reliability for our customers.*
- *Minimizing drastic changes in utility rates while at the same time maintaining adequate cash reserves for each enterprise.*

As I will discuss in greater detail through this section of the Budget Report, the continued focus in our utilities in 2025, as it has been for the past few years, is in the implementation of the most recent Cost-of-Service study analysis we completed for our Water, Sewer, and Electric Utilities. The purpose of completing a detailed cost of service study analysis is to identify all current and future operational needs of each fund, as well as the timely maintenance of our existing systems. We also use this study to identify new additions to our system that will be needed for future growth to make sure that we have enough financial resources available to support the sustainability of our entire utility system in the future.

The results of this Cost-of-Service study provide us with data that can help accomplish the following objectives in each of our utilities:

- Accurately set our rates (variable costs)
- Accurately set our service charges (fixed costs)
- Equitably set our rate structure to assure that our users are being charged properly based on their usage
- Set rates to encourage desired consumer behaviors to help conserve our finite resources
- Set rates to be able to accommodate all necessary maintenance and improvement activities in the future, ensuring that we have a proper level of reserves available in each fund to make our systems sustainable

The results of a Cost-of-service study provide the City with a concrete, data-driven analysis to set our rates precisely to accomplish the objectives we have in each fund. If the quantitative results of a Cost-of-Service study are used to set both our current and future rates, as well as the work plan for when improvements or additions to our system need to occur, the results can provide confidence to our residents and businesses that we are planning for a sustainable system in the future while also keeping our rate structure competitive. It can also allow us to plan for changes over a longer period to try to avoid large changes in rates at any given time.

As you will see through the discussion of each of our Utilities in this section of the Budget Report, we did rely on our most recent Cost-of-Service study findings to drive our recommendations this year, and to know how we should look at the next 5-year period. We are at the end of the 5-year planning period with the current Cost-of-Service study, and we are already in the process of completing the next Study which we will use during the 2026 budget process and the subsequent 5-year period. We strive to complete a Cost-of-Service study every five years to stay current with the assumptions that we are using and to factor in any changes that were not anticipated during previous studies. In this way, we can have more confidence with the data we are using when making decisions

about what work we need to complete in each utility and the revenue that will be needed to support this work.

I will be talking about the Cost-of-Service study as it relates to each individual Utility Fund throughout this section of the Budget Report as there are different issues and factors that affect each utility. In the end, you will see how we meshed these findings together to try to provide the average user with a reasonable overall rate increase for all utilities for 2025, although some utilities may see larger individual changes than others. Below is a chart that illustrates our total increase for all utilities in 2025 for an average residential user in each utility. As you will see, our average residential user will experience a 2.99% overall increase, which would result in an actual increase of \$5.83 per month for the total utility bill.

Utility Fund	Units/Month	2024 Bill	2025 Bill	Increase	% Increase	COS Revenue Target
Electric (kWh)	750	\$127.92	\$130.81	\$2.89	2.26%	2.75%
Water (Gal X 1000)	4	\$20.22	\$21.78	\$1.56	7.72%	8.00%
Sewer (Gal X 1000)	4	\$34.77	\$35.65	\$0.88	2.53%	2.50%
Storm Water	1	\$12.27	\$12.77	\$0.50	4.07%	4.00%
Total		\$195.18	\$201.01	\$5.83	2.99%	

Water Fund

As will be discussed in more detail in the breakdown of the Water Fund budget, the City of Chaska did move forward with making some significant changes to the Water Utility rates starting in 2010, as it was found through a comprehensive Water Rate Analysis at that time that the City's water rates were set significantly lower than what was needed both to fund the future maintenance activities of our existing system, and to fund a portion of the debt service on the new Water Treatment Plant. The study found that over the 10-year planning period, our Water Fund would be \$7 million in debt if changes were not made to our rate structure in the short term. Over the course of 2010 and 2011 our rates were significantly changed to get the base closer to where it should be. However, because our rates were so low to begin with, these changes were able to be made while maintaining our rates at a very competitive level compared to our neighboring communities.

Because of the large changes that were made in 2010 with our first Water Rate Analysis, this allowed our Water Fund to stabilize over the last decade and now allows us to really focus on the fine-tune details of our fund and rate structure to make sure that we are structuring our rates correctly to meet both our future needs but to also make sure that the cost of our services are equitably spread to users that have the greatest impact on our system.

As we will discuss in the Water Fund section below, the main findings we had in our Cost-of-Service study are that water usage in general has decreased and that too much of our costs have been allocated into our rates instead of our service fees, which cover our fixed costs. These fixed costs are the expenses we have regardless of how much water is utilized, and reflect the costs associated with simply making sure water service is available to customers, whether they use it or not.

Consequently, although we do need to increase our overall revenue to meet our long-term financial needs, a lot of change revolves around the reallocation of fees from our rates, which cover variable costs of actual water usage, to our service charges which cover our fixed costs that we incur regardless of how much water is utilized in our system.

As you will see in the 2025 budget for the Water Fund, the revenue target established in the Cost-of-Service Study for this year is an overall increase of 8% in total revenue to the fund. Based on that target, this would have an impact on the average user of a 7.72% increase. Based on the cost-of-service study, we would break this increase appropriately between our service fee (fixed cost) and our actual usage rates (variable costs) to make sure that we are funding both appropriately.

The other major change that we continued to see this year is the decrease in overall water usage that we are seeing in our community, and how that has required us to change our tiered rate structure to assure both that we have it structured in a way that encourages water conservation, but also that it puts more of the burden of our water system on those who choose to use more than the average user in the community.

When we initially established our tiered water rate structure in 2010, the average residential user in the community utilized 7,000 gallons per month. That number has gone down to 4,000 gallons per month. As a result, in 2021 we changed the rate tiers in the Water Fund to make sure that we were not rewarding users that utilize more than what the average user should use. I will also discuss in the Water Fund's section of the budget how the percentage increase in our variable water rates went up by a higher percentage the more water that one uses, with the lowest users seeing an 8% increase and our highest users seeing an 8.1% increase. In this way we are helping to meet our goal of setting our rates in such a way that it encourages the types of conservation we desire to help preserve our limited water resources.

Electric Fund

From an electric fund perspective, our total rates in 2024, including the Energy Adjustment Clause, averaged 11.46% lower than Xcel for residential customers. This result is about 5% lower than the difference we saw in 2023.

While these results have been very good for our customers, who not only experience lower rates than Xcel, but also a higher reliability of service, this will be something that we will need to continue to watch, as both Chaska Electric and Xcel are going to have to make major investments in the future to meet new electricity standards created by the State. These mandates will require us to have 80% of our energy from carbon free sources by 2030, and 100% from carbon free sources in 2040. This will clearly have a cost associated with it, as this standard is significantly higher than the standard we had before (and had already met) of having 25% of our electricity from renewable sources by 2025. This will make it critical to have our wholesale power provider (MMPA) not only focus on how we can meet the standards that have been set but do it in a way that keeps us competitive with Xcel over the long term.

As we will discuss in the Electric Fund Section of the Budget Report, our Cost-of-Service study looked at many different factors in our current rate structure. Besides making sure

that we can meet all our future maintenance and development needs, and maintain an adequate cash balance in the Fund, the major finding in the Electric analysis was very similar to the Water Fund, in that it found that we are currently allocating too much of our cost to our rates, which cover variable costs, and not enough to our service charges that cover our fixed costs.

Consequently, the recommendation in the Cost-of-Service study for 2025 is to continue to increase our fixed customer service charge by a higher percentage than our actual rates to properly allocate our costs. As we do this, we will have to keep an eye on our market comparisons with Xcel to make sure that our service charges do not get too high. The last two years, even though we would have preferred to allocate more dollars to our service fee, we ultimately did not because it would have put our service fees at a higher rate than Xcel. We do have more of a gap between us and Xcel to work with this year, which is why we are recommending that some of our increase comes through an increase to this service charge.

Sewer Fund

From a sewer perspective, a major factor that drives our cost of service is our charge from the Met Council for the treatment of our sewage. This is a fee that is charged to all municipalities in the Twin Cities that are on Metro Sewer, which means that we see similarities between Metro municipalities in Sewer Rates due to the treatment being centralized within the Met Council. Our Met Council rate for 2025 is scheduled to go down by 4.71% to \$4,170,000. This is both to what other cities used in 2023 for sewer services compared to what our community used. This is a fixed charge that we know before the budget year has begun, and one that we have no control over.

As for our Cost-of-Service study findings in the Sewer Fund, we once again found that our focus needs to be on setting our fixed service charge correctly as we have not necessarily allocated our costs equitably in the past. We started making changes to our Sewer Service Charges seven years ago. After six years we were able to implement the ultimate service charge being recommended. After this action we have been taking the last several years, we think our service fee is properly set for 2025 and are recommending no increase for next year. As for our rates, while the Met Council treatment charges have gone down, we do have our internal services that we provide to collect the sewer to take into account, which have gone up. Based on our internal needs, such as increases in personnel costs and capital projects we need to undertake, we are targeting a 2.5% increase in our rates for 2025. For the average user, this would have their bill going up by \$0.88 per month.

Storm Sewer

Finally, with the Storm Sewer Utility, we did not include this in our overall Cost-of-Service study, mainly because this is a relatively new utility, and we have been making many changes to this over the past several years to get this set correctly based on the additional information we collect each year we have had this utility in existence. As we have discussed in detail, the activities have continued to increase in this fund, as there are both changing mandates from the State of Minnesota to follow, and heavy rain seasons that have put pressure on our Storm Water System. In 2018, to recognize the increased

activities we were having in this fund, and to recognize that the work done in a River community such as Chaska is significantly more than a typical community, the methodology that Staff used to compare Chaska rates changed, with us comparing ourselves to other similar waterfront communities in the State that have similar expenses in their Storm Water Fund. We feel that this has created a more accurate base to compare ourselves. Based on this activity load and comparisons to other similar communities, an increase in rates of 4% is recommended for 2025, which would equate to a \$0.50 increase per month. This will keep us competitive with Cities our size and put us on the road to build our cash reserves to desired levels.

Again, based on the changes that are being recommended, which will be discussed in more detail in following sections, below is a breakdown of what a typical resident can expect for total bill in 2025 compared to 2024 for all City utilities. As you will see, based on the recommendations above, the average user would see a 2.99% increase in all their Utility Rates for 2025, which translates into an increase of \$5.83 in increased costs each month for the average household in the community.

Utility Fund	Units/Month	2024 Bill	2025 Bill	Increase	% Increase		COS Revenue Target
Electric (kWh)	750	\$127.92	\$130.81	\$2.89	2.26%		2.75%
Water (Gal X 1000)	4	\$20.22	\$21.78	\$1.56	7.72%		8.00%
Sewer (Gal X 1000)	4	\$34.77	\$35.65	\$0.88	2.53%		2.50%
Storm Water	1	\$12.27	\$12.77	\$0.50	4.07%		4.00%
Total		\$195.18	\$201.01	\$5.83	2.99%		

Water Fund Budget

As was mentioned above, five years ago the City of Chaska completed a comprehensive Cost-of-Service Study for three of our municipal utilities. This included our Water Fund. This was a follow-up to the study that we completed a decade ago, which brought some of the initial changes to our fund. This initial study introduced an inclining block rate structure to help incent our residents to conserve more of this finite resource, and the study worked to get our rates to a point where we could start to build adequate cash reserves in the Fund to be able to plan for future maintenance and improvement work that will be needed within our Water System. The intent of this most recent study was to evaluate how things have worked since that initial analysis, and to identify any changes we need to plan to meet all our physical and financial objectives within this fund. It should be noted that we are currently finishing up the next Cost-of-Service study in our Utility Funds that we will be using next year while establishing the 2026 budget to make sure we have sound data that allows us to properly plan for the future of our utilities.

The overall objective of this analysis is:

Identify all current and future operational needs, as well as timely maintenance of our existing system and new additions to our system needed to support future growth, making sure we have enough financial resources available to support the sustainability of our Water System, and to be able to have quantifiable data to support the accurate setting of our variable rates and service charges that support the fixed costs within our system

Findings of Water Cost of Service Study

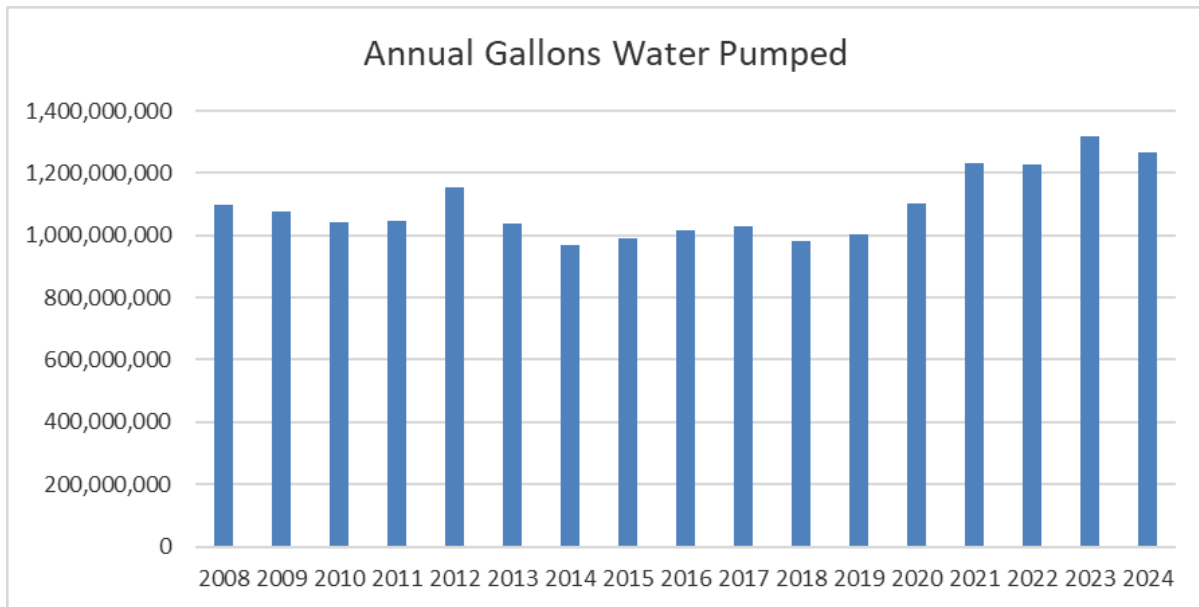
While a major reason we complete a financial analysis of our Water System on a regular basis is to give us confidence that we are generating enough financial resources to be able to ensure a sustainable system as we go into the future, another major objective that we try to achieve is making sure that not only are we collecting enough revenue to support the system, but that we are generating these revenues in an equitable way. We want to make sure that not only are we setting rates to benefit those residents and businesses that actively work to conserve our water resources, but that we also are setting our fixed charges in a way that makes sure everyone is paying their fair share of system costs whether they use the system or not. There are fixed costs that exist to ensure water is made available to a home or a business whether they use any water or not. It is the value of making this resource available to everyone that we need to make sure we are covering through our fixed service charges.

To that end, looking at the rate structure of our Water Utility was a major focus of our latest Cost-of-Service Study. The major findings of the Water Analysis were:

1. Water consumption by typical users has decreased over the past several years and our Tiered-Rate structure has not kept up with these changes
2. More focus needs to be put on increasing our service charge in the Water Fund, as opposed to our rates, as our service charge has not adequately covered our fixed costs in the past
3. Our City facilities are not currently contributing fairly to our Water System costs and we should be changing this to make sure that we are not utilizing the Water Fund to subsidize our other Enterprises within the City

Water Usage Continues to Drop

As mentioned previously, one trend that we have seen in water usage over the past decade is the overall decrease in water usage per customer that we have in the system. As the Chart below illustrates, our water usage in 2008 was \$1,100,000,000 gallons, compared to the usage in 2024, which we were approximately \$1,200,000,000 for the year. While the number in 2024 is higher, it is not significantly higher than it was in 2008. At the same time, we have significantly more residential units and businesses in the community than we had in 2008, meaning that the usage per customer has gone down over this 16-year period.



This decrease in our customers’ water usage has come mainly because of technological changes that have made water conservation much easier. This includes technology like low flow plumbing fixtures, as well as “smart” technology in lawn irrigation that only waters the lawn when it is needed.

As we completed our Cost-of-Service Study, one thing that we found is that the average usage of water per household dropped from around 7,000 gallons per month down to 4,000 gallons per month. While the study did not see a need to change the base rate drastically, it did recommend that we adjust the tiers in our rate structure to make sure that we are still providing a benefit to those who conserve water as opposed to those who utilize a higher-than-average amount of water. Our intent with our rate structure is that we do not penalize our average users, but that people only pay a higher rate if they are using more than what our data would show the average user would consume. In this respect, we are putting more of the burden of cost for the system on those who consume it at a rate higher than the majority of our residents and businesses.

The only way to accomplish this is to decrease our first tier of water rates to capture what that new average use has become. This will help ensure that the tiered structure is still meeting its purpose, which is to reward those who utilize an average amount of water, and to disincentivize through higher rates the usage of water above average amounts.

Current Structure (gallons)	Percent of bills ending in block	2021 Structure (gallons)	Group	Percent of bills ending in block
0 to 7,000	72%	0 to 2,000	Small home	8%
7,001 to 20,000	23%	2,001 to 5,000	Average home	42%
20,001 to 30,000	3%	5,001 to 8,000	Large home	28%
30,001 to 40,000	1%	8,001 to 12,000	Some sprinkling	10%
40,000 +	1%	12,001 to 40,000	More sprinkling	11%
		40,000 +	High use	1%

As you can see from the chart above, if we kept the tier structure where we had it when this latest study was completed (the first tier would go up to 7,000 gallons per month) 78% of our users would fall into the first tier. This means that some would receive the benefit of a rate meant to reward consumers who use less than average water in their home. Based on this, in 2021 we changed the tiered structure of our rates to what was recommended in our Cost-of-Service Study. It should also be noted that many Cities ended up changing their tiered structure around the same time because of stricter requirements being put on cities by the DNR who regulates the drilling of new wells. Because of their push for Cities to adopt a different tiered rate structure, we now see that most cities have a tiered system very similar to ours.

With the rate structure now reset, and the Cost-of-Service Study recommending a revenue target of 8% for 2025 to keep up with our on-going and anticipated costs, below is the rate structure that is being recommended for the upcoming year:

Rate Tiers (Gallons)	2024 Rates	2025 Rates	Percent Increase
0-2,000	\$2.86	\$3.09	8.0%
2,001-5,000	\$3.07	\$3.32	8.1%
5,001-8,000	\$3.35	\$3.62	8.1%
8,001-12,000	\$3.74	\$4.04	8.0%
12,001-40,000	\$4.24	\$4.58	8.0%
40,001 & Above	\$5.43	\$5.87	8.1%

Service Charges Not Set to Support True Fixed Costs

The purpose of a service charge on a utility account is to make sure that we can capture all those fixed costs that we have, regardless if someone uses any water or not. Some of these costs include Utility Billing, our Staffing and equipment costs and the cost of our facilities (i.e. debt service costs on our Water Treatment Plant). These are costs that we have regardless of the amount of water utilized, and to make sure that when people do want to utilize our water system it is available.

What the Cost-of-Service Study found was that we have been putting too much of these fixed costs into our water rates, which are meant to cover our variable costs (i.e. it costs

less to treat less water than more water). Also, for all residents and businesses to simply have our water system available, everyone who is hooked onto our system should have to contribute equitably to have access to this system based on the type of user they are.

Based on understanding what all our fixed costs are through this study, and looking at how it should be allocated equitably based on the type of user (i.e. a residential unit should pay less than a large industrial user because they will consume less of our water system), the following chart represents what the study recommends for where we should go with our customer service charges.

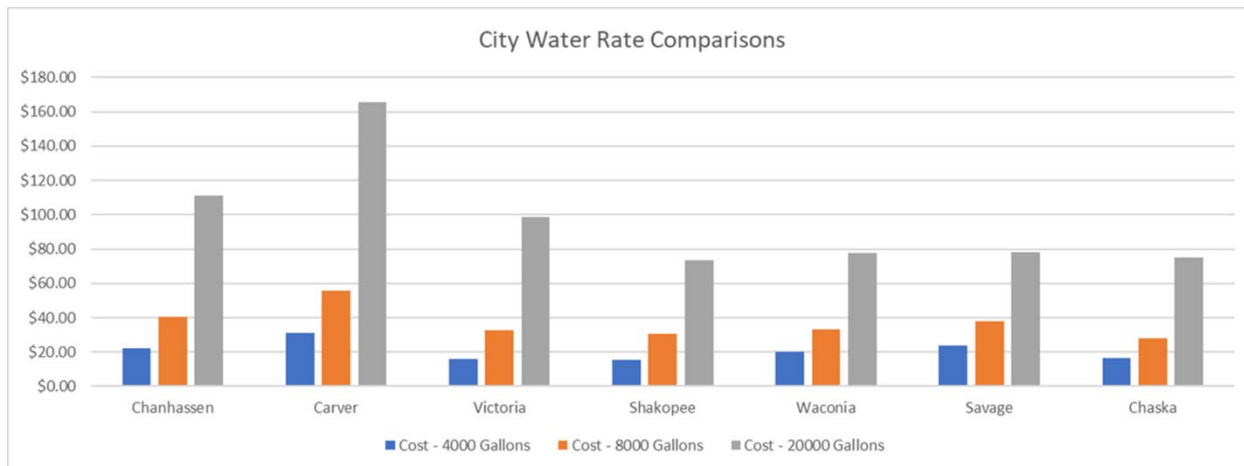
COS Customer Charge									
Meter Size	5/8"	3/4"	1"	1.5"	2"	3"	4"	6"	
Total Customer COS	\$ 8.66	\$ 9.18	\$ 13.15	\$ 23.38	\$ 35.07	\$ 123.33	\$ 223.69	\$ 468.39	
Total # Meters	5,812	468	498	299	90	29	11	3	
5 Year Correction (\$/year change)	\$ 1.10	\$ 1.21	\$ 1.77	\$ 3.61	\$ 5.29	\$ 18.14	\$ 36.41	\$ 81.21	
Current Customer Charge	\$ 3.15	\$ 3.15	\$ 4.30	\$ 5.35	\$ 8.60	\$ 32.65	\$ 41.65	\$ 62.35	
Year 1 (2021)	4.25	4.36	6.07	8.96	13.89	50.79	78.06	143.56	
Year 2 (2022)	5.35	5.56	7.84	12.56	19.19	68.92	114.47	224.77	
Year 3 (2023)	6.46	6.77	9.61	16.17	24.48	87.06	150.87	305.97	
Year 4 (2024)	7.56	7.97	11.38	19.77	29.78	105.19	187.28	387.18	
Year 5 (2025)	8.66	9.18	13.15	23.38	35.07	123.33	223.69	468.39	

As you will notice, it not only makes recommendations about where we should ultimately be, but also sets a five-year plan for how to get there so as not to cause too much change all at once. As you will also see, 2025 is the last year of implementation of our Fixed Service Charge recommendations. For a residential user, who would have a 5/8th inch meter size, that would mean that the last step to take in these recommendations is to move our Service Charge to \$8.66 per month. When we complete the next Cost-of-Service study, one of the things we can expect to see is recommendations about how we should handle the Service Charge over the next five years now that we have these initial changes made.

Based on looking at both our tiered rate structure and our adjusted fixed costs, while the water bill for the average user is going to go up by 7.9%, this will occur by them seeing approximately a 4.4% increase in their water rates (variable cost) with 14.6% being the increase to their service charge. Overall, the rate change is 7.9%, but we are recommending that much more of that get allocated to our fixed costs instead of our variable costs, as that is where we have fallen behind in the past. The chart below helps illustrate this.

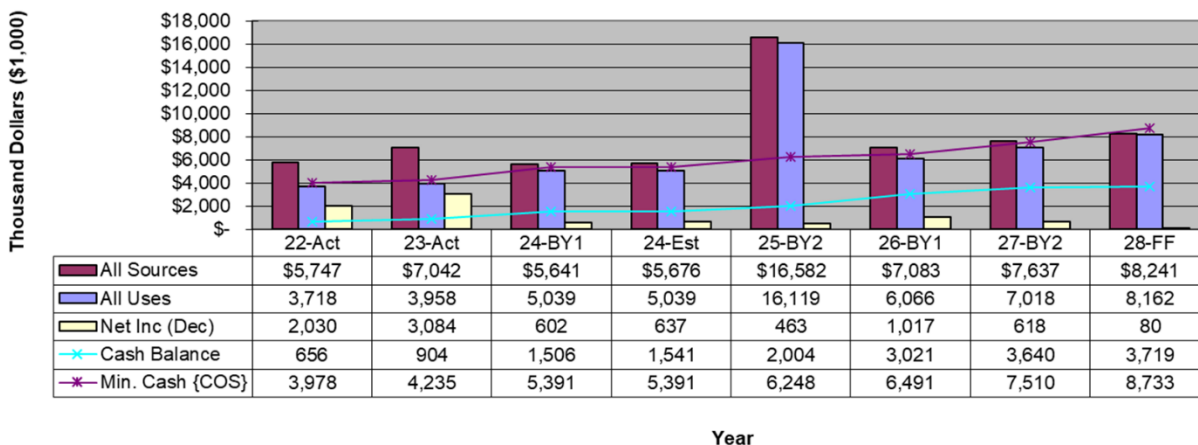
Average Home	Units/Month	2024	2025	Increase	% Incease
Service Fee	1 x per month	\$7.56	\$8.66	\$1.10	14.6%
Usage Fee	4,000 gallons	\$12.28	\$12.82	\$0.54	4.4%
State Water Fee	1 x per month	\$0.81	\$0.81	\$0.00	0.0%
TOTAL		\$20.65	\$22.29	\$1.64	7.9%

While the Cost-of-Service study does adjust our rates to accommodate our future needs, it does so in a way that keeps our rates competitive with surrounding communities. Below is a chart which illustrates how we compare other cities in the area:



It should be noted that based on our last Cost-of-Service study, the recommended minimum cash reserve in our Fund at the end of 5 years should be about \$5.3 million. As you will see on the following chart, while we anticipate that we will still be short of that goal within the 5 years from when the study was completed that we are heading in the right direction to meet this goal. Our next Cost-of-Service study will provide us with recommendations about how we continue to move towards that as our goal.

**CITY OF CHASKA FINANCIAL FORECAST
WATER FUND (602)**



2025 Budget

Based on the changes in rates described above, the Water Fund Revenues for 2025 are budgeted to be \$16,582,340 compared to the 2024 budget of \$5,640,940. While this represents a significant increase in revenues from 2024 (193.96%), it is important to note that \$11,000,000 of this total amount is Bond Proceeds we will have to pay for the construction of our 2nd Water Treatment Plant Facility and the 3 wells we are currently drilling to meet our expanded demand in our community. If you were to take those bond proceeds out, the amount that we plan on bringing in for operational revenue would be

nearly identical, if not slightly less than what we had budgeted in 2024. We adjusted down our estimates for water usage when we factored in weather factors. In 2022 and 2023, we saw very high water usage due to us having two very dry and hot years. Our past summer was much more typical and led to a more typical amount of water being utilized in the year. We are budgeting for 2025 using the more conservative numbers of a typical year.

It is important to note that as we look at 2025, and weather adjust our projections based on what we saw in 2024, we expect any increase we see in revenue coming from the changes we make to the rate structure which puts a larger burden on those who utilize an above-average amount of water. The average water user will see an overall increase of 7.9% in 2025 on their bills, which represents a \$1.64 per month increase. With the new rate structure focused on 4,000 gallons of water per month being the average instead of 7,000 gallons, this will mean that those who use an amount between these numbers will see a higher impact on their bill than they did in the past because they are using more than what the average use is. In this way, it makes sure that our rate system is set equitably and that our average users are not having to subsidize those who use more than an average amount of water.

The major categories of revenues and expenses in the Water Fund as compared to past years are presented below:

Water	Actual	Budget	Budget	
	2023	2024	2025	% Change
Revenues				
Metered	\$6,434,961	\$5,189,040	\$5,123,840	-1.26%
Other	\$207,059	\$49,900	\$11,050,500	22045.29%
Transfers In	\$400,000	\$402,000	\$408,000	1.49%
Total	\$7,042,020	\$5,640,940	\$16,582,340	193.96%
Expenses				
Pumping	\$360,370	\$503,110	\$684,709	36.10%
Treatment	\$479,274	\$467,487	\$569,598	21.84%
Distribution	\$950,520	\$1,159,399	\$12,215,909	953.64%
Administration	\$792,507	\$905,231	\$968,270	6.96%
Utility Billing	\$136,928	\$159,644	\$167,375	4.84%
Depreciation	\$854,301	\$0	\$0	0.00%
Debt Service	\$126,828	\$1,161,000	\$1,170,000	0.78%
Tranfers Out	\$255,797	\$330,850	\$398,400	20.42%
Other	\$138,566	\$511,577	\$170,694	-66.63%
Total	\$3,958,163	\$5,038,654	\$16,177,580	221.07%

Total water expenses for 2025 are programmed to be \$16,177,580. This compares with \$5,038,654 budgeted in 2024. As with revenues, the percentage increase in expenditures is much higher than usual because of the construction of the new Water Treatment Plant facility and the three new wells. If we did not have these major expenses, we would be

able to reduce our expenditures for 2025 by \$11,000,000. This would bring the number much closer to what we saw budgeted for expenses in 2024.

The following are the major activities we are planning for in the year 2025:

- Continue to contribute \$70,000 annually towards our Street Reconstruction Program
- Replacement of 2 Trucks in our Fleet for \$65,000 (It should be noted that half of the expense of each of these is in our Sewer Fund)
- Complete normal Well Maintenance with Well #5 and #8 scheduled for 2025 for \$125,000 a piece
- Contribution of additional dollars to Building Improvement Program for 2nd year of the program-this eventually builds up to \$370,000 coming from the Water Fund by the end of the 4th year
- Replacement of our Meter system with a debt service for \$185,000 a year for a 10-year period starting in 2024 (Total Water cost towards this project is \$1,250,000)
- Construction of the 2nd Water Treatment Plant facility for \$11,000,000

Based on this budget that is being proposed, we would see a \$404,760 increase in our Fund Balance, with us continuing to strive to meet our goal of getting our cash reserves up to the amount recommended in our Cost-of-Service Study.

Sewer

Cost-of-Service Study Findings

Just like in the Water Fund, the Sewer Fund is a part of the overall Cost-of-Service Study for our utilities. As the study found, the Sewer System is depreciated, with several old sewer pipes in our community needing to be replaced (many of which we have replaced as we have completed the reconstruction of our downtown streets). Also, just like our Water Fund, the main finding of the Sewer Fund's portion of the Study found that we have fallen behind on our monthly service charges to be able to capture the fixed costs we have in our system.

Just like in the Water Fund, there are several fixed costs associated with our system that we need to pay for regardless of whether someone is using our Sewer system or not. They are costs that need to be covered just to provide access to our system when it is needed. These costs include Utility Billing, Staffing and Equipment Costs, as well as things such as our facilities and their upkeep. They do not include things like our Met Council Sewer Treatment Charge, which is a variable cost based on the amount of sewage our City has used in the past year.

Just like in the Water Fund, it is important that people contribute to these fixed costs, whether they use the system or not to make sure that there is equity in how our system is paid for, and that the users of our system are not subsidizing those who might need access to the system but may not use it.

Unlike the Water Fund, where we just started increasing our fixed rates in 2021, we started making this change in the Sewer Fund in 2019, as we had no service charge in place in our Sewer Fund prior to that time. In fact, as you will see from the chart below, we finished the ramp up of our service charge in this current budget year (2023)

COS Customer Charge		38 Meters		54 Meters	
Meter Size	Residential : Class 1	Commercial : Class 2	Industrial : Class 3.1 (5/8", 3/4" & 1")	Industrial : Class 3.2 (1.5" and above)	
Total Customer COS	\$ 8.23	\$ 15.65	\$ 26.93		
3 Year Correction (\$/year change)	\$ 1.08	\$ 3.55	\$ (7.69)	\$ -	
Current Customer Charge	\$ 5.00	\$ 5.00	\$ 50.00	\$ 50.00	
Year 4 of 6 (2021)	\$ 6.08	\$ 8.55	\$ 26.93	\$ 50.00	
Year 5 of 6 (2022)	7.15	12.10	26.93	50.00	
Year 6 of 6 (2023)	8.23	15.65	26.93	50.00	

While we did not increase our sewer service charge in 2024 due to a very high increase in our Met Council Sewer Service Fee, we are moving forward with making an increase to our Sewer Service Charge in 2025 to make sure that we do not let this fee get behind because of inflationary influences. For 2025, we are increasing this service charge to \$8.45 per month for a residential customer, compared to the \$8.23 per month we had in 2023 and 2024. This represents a 2.7% increase.

Just like in our Water Fund, greater emphasis was placed in the Cost-of-Service Study on getting the service charges set correctly than on our usage rates, which the Study found were not far from where they should be. However, one significant difference between the Water Fund and the Sewer Fund is that the Sewer Fund has most of its variable costs controlled by factors external to our organization. This is because the Met Council provides all treatment of our sewer through their regional plant infrastructure. So, while our Water Fund's variable rates can be relatively stable and predictable because we control the entire system, the Sewer Fund's variable rates are often much more unpredictable and volatile. It is also impacted by the way other cities utilize the sewer system-not just ours.

We saw this in 2024 when our Met Council rates went up 12.32%. This followed a 20.84% increase we saw in 2023. For 2025, we will see our Met Council fees go down by 4.71%, which will decrease our annual cost from \$4,170,070 (2024) to \$3,973,648 (2025). Unlike some other expenditures we see, this number is not just a projection of what we will see in costs for 2025 but represents the actual number we will be charged

by the Met Council in 2025. The Met Council Fee represents 54% of our total costs in our Sewer Fund in 2025.

One of the objectives that we have of our Sewer Fund is that we do not subsidize any of our rate increases from reserves that we have in the Sewer Fund, as this would negatively impact our ability to utilize these reserves to continue to reinvest back into our system which in many areas of the City is very old. Based upon that objective, below is what the bill for an average user will look like both with the service charge and the usage charge included for 2025:

Average Home	Units/Month	2024 Bill	2025 Bill	Increase	% Increase
Sewer					
Service Charge	1x/month	\$8.23	\$8.45	\$0.22	2.67%
Water (Gal x 1,000)	4	\$26.54	\$27.20	\$0.66	2.49%
Total		\$34.77	\$35.65	\$0.88	2.53%

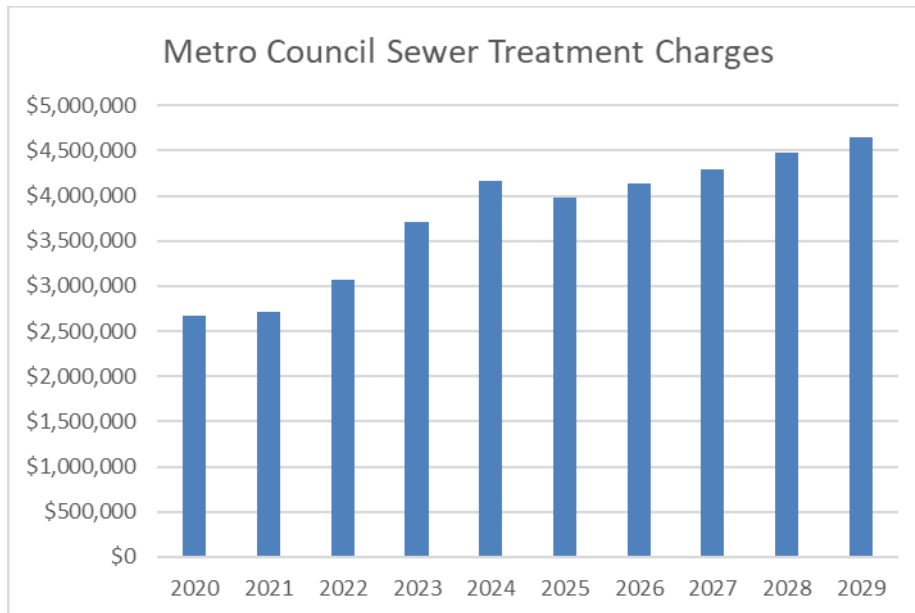
As you can see above, the increase to the average user’s bill would be \$0.88 per month, representing a 2.53% increase in their overall bill. This is down significantly from 2024 when we saw increases over 15% because of the large increase in our Met Council Sewer Charge.

2024 Budget

Sewer Fund revenues for 2025 are anticipated to be \$8,027,950, a 6.07% increase over the budget in 2024. As mentioned previously, this change in revenue is significantly lower than in both 2023 and 2024 because we are seeing an actual decrease in our Met Council Sewer Service Fee of 4.71%. This is helping keep the overall impact on our residents lower, with the impact for rate increases only being a 2.53% increase in 2025 compared to the impact of over 15% last year.

Metro Waste treats all the sewage for not only Chaska, but for each of the Cities in the Twin Cities Metropolitan Service Area. It is the largest single factor of costs for our sewage service, as what we do locally is only to collect the waste that then gets transported to the Treatment Facility in Shakopee (Blue Lake Regional Treatment Facility). The Met Council’s fee in 2025 will make up 54% of our overall expenditures.

The following is a chart illustrating the cost increases we have seen since 2020, and what we expect as we look out over our planning horizon:



You can see in the chart above that our rates have been trending upwards since 2020, with their being significant increases in 2023 and 2024. 2025 will be the first decrease in rates we have seen from the Met Council in some time.

Expenses:

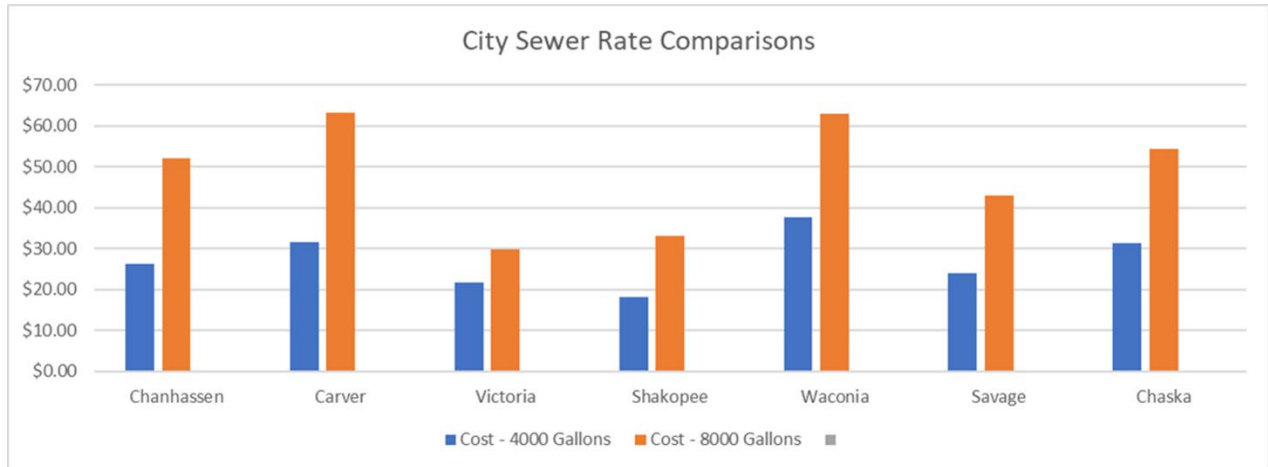
Sewer expenses are anticipated to be \$7,738,643 for 2025, which is an increase of 7.21% compared to 2024. This increase is much less than the increase we saw in 2024, which was a 13.9% increase. This again is due mainly to our Met Council Sewer Service Charges.

Besides our costs for treatment of our sewer through the Met Council, the major costs for 2025 revolve around our improvement schedule. Below is a list of the improvements that we have scheduled for the 2025 budget year:

- Contribution of \$110,000 annually towards our Street Reconstruction Program
- Continue to put \$125,000 annually towards our Inflow and Infiltration Reduction Program (help us reduce our costs over time by not allowing clean water to get into our system that needs to be treated)
- Continue \$125,000 annually towards our Sewer Lining Program (helps to keep pipes in good condition without having to excavate our road/trail surfaces)
- \$10,000 towards the rehabilitation of the Hazeltine Bluff Lift Station
- \$500,000 towards Sewer Improvements to our main sewer trunk line running up the East Creek Ravine. This work will include relining manholes and the trunk sewer line itself running through this ravine.
- Replacement of two Trucks for \$65,000 (shared cost with the Water Fund)
- Replacement of Camera/Trailer: \$100,000
- Updating of our SCADA System which monitors our sewer system remotely for \$30,000

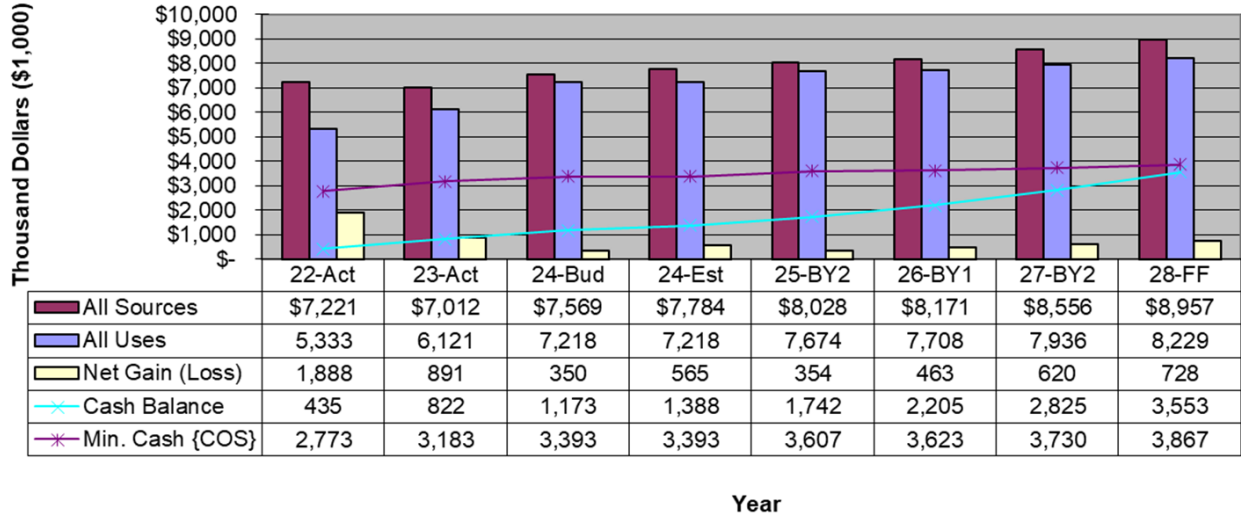
- Contribution towards the Building Improvement Program, getting it up to \$370,000 per year by 2028 (just like water) to support debt service on buildings attributable to our Utility Funds
- Replacement of our AMI Meter System with debt service being \$185,000 per year for 10 years (do in conjunction with Water and Electric Departments)

Currently, Chaska’s sanitary sewer rates are very comparable to other cities in the metropolitan area, and in the southwest metro area in particular. Metro City sewer rates tend to be very similar from city to city since a significant portion of the monthly bill is based on the Metro Council sewer charges. Below is a comparison of Chaska sewer rates to other surrounding cities for both winter and summer usage averages:



Based on our total expenditures and revenues, we are budgeting that the Sewer Fund, we would expect that we would be able to add \$354,000 to our Sewer Fund Reserve Fund, which we anticipate will end the year at approximately \$1.7 million. Below is a chart illustrating our projections over the next 5 years:

**CITY OF CHASKA FINANCIAL FORECAST
SEWER FUND (603)**



In our last Cost of Service study, we identified that we should be working to get our Fund Balance in the Sewer Fund up to approximately \$3.9 million. While we will not reach that milestone in the 2025 budget year, you can see from the chart above that over our planning horizon, we do anticipate that we will be able to get very close to that number by 2028. Achieving this will help us make sure that we have enough in reserves to properly reinvest back into our Sewer System and make it financially viable for the future.

Below is a chart illustrating the Revenues and Expenses for the Sewer Fund in 2025. As mentioned in our Water Fund Discussion, we will be completing a follow-up cost of service study for the Sewer Fund as well over the next several months, which will give us good information for how to plan for the next 5-year period.

Sewer	Actual	Budget	Budget	
	2024	2024	2025	% Change
Revenues				
Metered Sales	\$6,928,883	\$7,563,450	\$8,021,250	6.05%
Other Revenues	\$82,959	\$5,100	\$6,700	31.37%
Total	\$7,011,842	\$7,568,550	\$8,027,950	6.07%
Expenses				
Pumping	\$21,136	\$31,014	\$31,770	2.44%
Treatment	\$3,712,603	\$4,170,070	\$3,973,648	-4.71%
Collection	\$796,887	\$1,010,831	\$1,569,185	55.24%
Administration	\$782,814	\$890,848	\$948,910	6.52%
Transfers Out	\$348,798	\$399,112	\$491,400	23.12%
Utility Billing	\$137,465	\$140,091	\$146,530	4.60%
Depreciation	\$219,196	\$0	\$0	0.00%
Debt Service	\$100,471	\$576,200	\$57,200	-90.07%
Other	\$137,464	\$140,091	\$666,530	0.00%
Total	\$6,119,369	\$7,218,166	\$7,738,643	7.21%

Electric Fund

Cost-of-Service Study Findings Budget

As with both the Water and Sewer Utilities, the City also completed a Cost-of-Service Study in the Electric Department to ensure that we are planning financially for the future, helping to make sure we continue to be a sustainable utility both from a cost and reliability perspective.

As with the other two utilities, a major finding of this department's study was that our Service Charge, supporting the fixed costs of our utility, had not been set at an adequate level to support all fixed costs associated with running our Electric Utility. We also determined that our City Facilities need to work towards paying full rates on their utilities, so these funds are not being subsidized by our Electric Department. Besides making sure that we have adequate cash reserves, and that we maintain our minimum restricted cash balances in the fund to support the covenants of the bonds used to support financing activities in this Fund, a final finding of this study was that we needed to move away from having an unpredictable discount for our senior users and instead move to a predictable credit which will more equitably treat our users and provide support to those who need it most.

Service Charge

As mentioned above, it was found that our customer service charges have not been set adequately to recover the fixed costs of our utility that do not change regardless of how much energy one customer uses. We have instead been putting too much emphasis on the actual rates, which should instead be set to address only the variable cost of our utility that represents the actual amount of energy a customer uses.

Below is a chart illustrating the recommendations for service charges the Cost-of-Service study recommended for our Electric Utility:

Customer Class	2017 Rates	2018 Rates	2019 Rates	2020 Rates	2018 COS	2021 COS	Difference
Residential and Water Heating Electric	\$ 9.40	\$ 9.75	\$ 9.95	\$ 10.30	\$ 13.68	\$ 14.74	\$ 4.44
Senior Citizen Residential Electric	8.40	8.75	8.95	9.25	13.68	14.74	5.49
On & Off Peak Electric Space Heating Rate	5.70	5.90	6.00	6.20	13.68	14.74	8.54
General Service - Below 20 KW Demand	17.70	18.35	18.70	19.35	28.22	30.39	11.04
Large General Service - 20 KW Demand & Above	52.00	53.90	55.00	56.95	135.54	145.96	89.01

Customer Class	Current Rates	Annual Change	Year 1	Year 2	Year 3	Year 4	Year 5
Residential and Water Heating Electric	\$ 10.30	\$ 0.89	\$ 11.19	\$ 12.07	\$ 12.96	\$ 13.85	\$ 14.74
On & Off Peak Electric Space Heating Rate	\$ 6.20	\$ 1.71	\$ 7.91	\$ 9.61	\$ 11.32	\$ 13.03	\$ 14.74
General Service - Below 20 KW Demand	\$ 19.35	\$ 2.21	\$ 21.56	\$ 23.77	\$ 25.98	\$ 28.19	\$ 30.39
Large General Service - 20 KW Demand & Above	\$ 56.95	\$ 17.80	\$ 74.75	\$ 92.55	\$ 110.35	\$ 128.16	\$ 145.96

As can be seen from this chart, the study ultimately recommends that we raise our service charge for residential users up to \$14.74 per month. In 2024, we charged \$12.10 per month for our service charge, which has remained unchanged from 2022. The reason we did not make the change to the service fee for the past two years is because our service fee would be above what Xcel was charging for their service fee at the time. Within the Electric Department, because one of our primary goals is to remain competitive with Xcel, we need not only be concerned about the recommendations of a COS Study recommendations, but also the market so we stay competitive with Xcel for that portion of our bill. With our rates being very competitive with Xcel in 2024, now was a good time to continue forward with the Cost-of-Service Study recommendations to make sure that we do not get too far behind in charging a rate that tries to cover our fixed costs. As you can see from the chart above, while the next step in implementing changes to this fee would have us moving to \$12.96 per month for a residential user (Year 3 of implementation), we ultimately set this rate at \$12.45 for 2025 to make sure we continue to move forward, but not too aggressively that we get ourselves ahead of the market. We will continue to monitor the market comparisons over the next year to see what type of change we should consider in 2026 and 2027, to see if we can accomplish getting this Service Charge up to the ultimate levels recommended in the Study.

From a usage rate perspective (variable costs), the Cost-of-Service Study recommends that we increase our rates by 2.75%, which will have the effect of increasing the average user’s bill by 2.26% in 2025. While our wholesale energy provider MMPA has budgeted a 0% increase in both rates and demand, we do have the need to increase our rates to be able to keep up with the capital investment we need to make into the community because of growth, and to properly maintain our assets to keep them in good condition going into the future. Below is a sample Electric bill for the average residential user in Chaska for 2025 based on these recommendations:

Average Home	Units/Month	2024 Bill	2025 Bill	Increase	% Increase
Electric					
Service Charge	1x/month	\$12.10	\$12.45	\$0.35	2.89%
Energy (kWh)	750	\$92.05	\$94.59	\$2.54	2.76%
EAC* (kWh)	750	\$23.77	\$23.77	\$0.00	0.00%
Total		\$127.92	\$130.81	\$2.89	2.26%

The other major finding of the Electric Cost of Service study was looking at our Senior Discount. Prior to 2021, the City had a 10% discount for seniors who say they have fixed-income needs. The intent of this program was to provide a discount to those who may not be able to afford as much because of being on a fixed income. However, in practicality, because it is difficult to verify income, we saw households that have very large usage requesting this discount, which potentially provided them with a discount that they did not need.

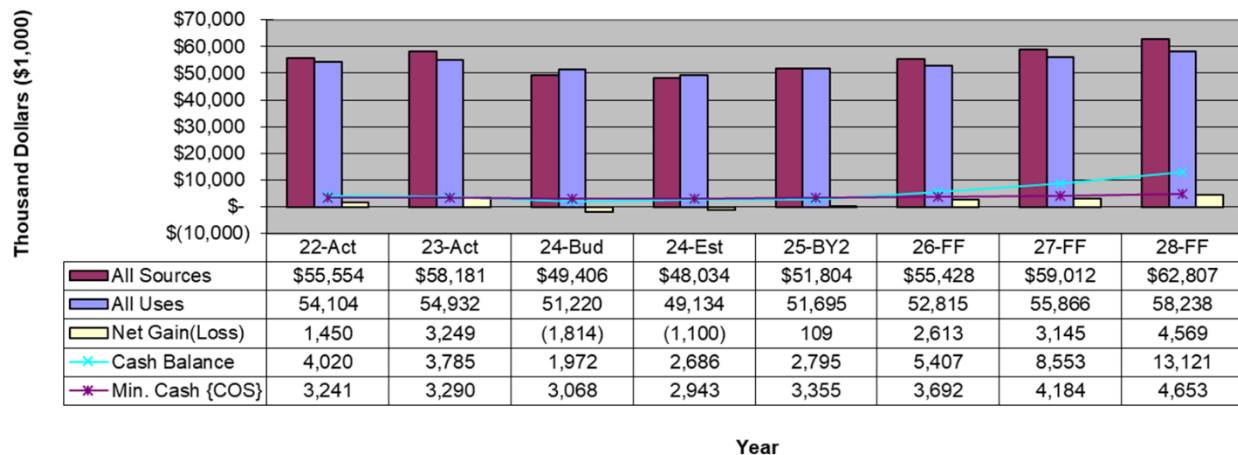
Instead of approaching the discount in this way, the Study recommended providing a credit equal to what a typical low-income user might see as a discount on their bill if they received our current 10% discount. In that respect, if someone requests this who may not really need this discount, they will be capped at receiving only the credit that meets the needs of our lower-income user, without seeing a 10% discount on a larger bill.

To help ease into this transition, we phased implementation of this credit over a 3-year period, with the final year being in 2022. As you will see from the chart below, seniors who apply for this credit now just receive a \$6 credit on their bill instead of a 10% discount. If someone who did not need this credit now were to somehow receive it, it would cap them at a \$6 credit instead of 10% of their bill, which could be a much higher number.

- 2020 (Current): 10% Discount, \$0 credit
- 2021 (year 1): 5% Discount, \$3 credit
- 2022 (year 2): 0% Discount, \$6 credit

Finally, as a part of the Cost-of-Service study, it indicated that we should be working to continue to build the cash balance in the Electric Fund, with a goal of trying to get it close to \$19 million. As you will see in the chart below, while we do continue to anticipate building our cash balance in the fund, and project to get it to over \$13 million by the end of 2028 (which is above the 35% target we set for all other funds), we will still need to continue to work at building the cash balance in this fund beyond the 5-years identified in this planning period. However, with that being said, we do anticipate building our cash balance in each of these years, which will only increase more if we are able to attract large Commercial/Industrial users and expansions to our community.

**CITY OF CHASKA FINANCIAL FORECAST
ELECTRIC FUND (601)**



2025 Revenues

For 2025, Electric Fund revenues are anticipated to be \$51,694,644. This compares to the \$51,219,687 we had budgeted for revenue in 2024, which is an increase of 4.85%. Much of this growth in revenue is coming from the new development and expansions that we are seeing in the community that drive our overall load in the system. This includes the 600 new units of rental that we are currently seeing leased up, the new addition to

the 212 Medical Center, Costco, and the additional new Industrial Buildings as they continue to lease up. Promoting continued strategic growth in the community will continue to help drive our revenues up, which will help to keep the electricity we sell competitive as we move into the future.

As part of the 2025 budget process, one of the items that Staff has continued to look at is the affect that new large users in our system will have on our overall electric sales, not only for 2025, but for the years included in our 5-year forecast. Over the past several years, we have seen large growth in our electric usage not only because of the additions of large data center facilities in the community, but also because of several existing Industrial customers on the north end of the community expanding. We saw some of this expansion occur over the past 12 months, and we expect to continue to experience this as users like Beckman Coultier and others expand their footprints in our existing industrial areas.

One thing to note, however, is that our electric utility will not see growth from Industrial development on the property south of Engler Boulevard, as this area is currently within MN Valley Electric Cooperative’s service territory. Based on an existing contract, we are not allowed to repurchase this territory until after 2040, which we would plan on doing and is currently allowed through State Statute. While we know that we can plan on this acquisition in 2040, we are looking at whether there may be options to acquiring this territory earlier as there are large capital improvements that Mn Valley will have to make in this area to serve our new industrial load, and they will only have about 15 years left in the territory to recoup these costs.

The other action that Chaska Electric is currently working on is acquiring the small area of territory that Xcel has within our community. While it is not a large area that we would acquire, it will allow us to work towards controlling all of the territory in our community in the future. We do expect in 2025 that we will have a proposal from Xcel to purchase this territory as we have requested that they do this. State Statute does give us the right to purchase this property.

For 2025, while we do expect to see growth continue. As you will see from the chart below, we did not budget in 2024 or 2025 to generate as much revenue as we saw in 2023. This is because 2023 was a very hot and dry year, which brings higher usage of our Electric Utility. We weather normalize our projections so that we do not end up budgeting off an unrealistically high number. With that being said, we are budgeting for a 4.94% increase in our Electric Sales, much of which is driven by the new load in our community. Below are the projections that we have for the 2025 budget.

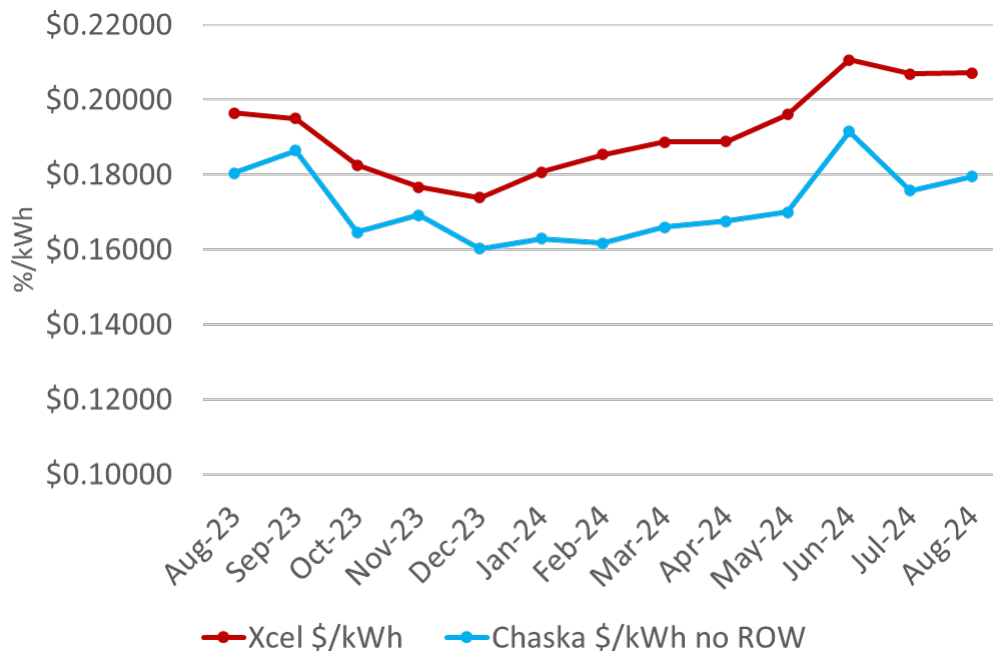
	Actual	Budget	Budget		
	2023	2024	2025	Change	% Change
Electric Sales	\$57,363,717	\$49,053,200	\$51,476,700	\$2,423,500	4.94%
Other Revenue	\$817,007	\$352,900	\$326,900	-\$26,000	-7.37%
Total Revenue	\$58,180,724	\$49,406,100	\$51,803,600	\$2,397,500	4.85%

To develop our 2025 revenue budget, we did utilize the following assumptions:

- Continue implementing our Cost-of-Service Study recommendations, including increasing our Service Charge to get closer to the target set in this study
- Total impact of retail rate changes to the average residential user of 2.26%
- Continued Economic Development activity in the upcoming year
- Single Family residential developing at similar pace to 2024
- Wholesale electric rates and demand from MMPA see 0% change in 2025

The City’s objective is to maintain electric rates that are competitive to Xcel Energy. As we have seen over the past 12 months, Chaska’s residential rates have compared well to this market. Looking at the past 13 months, we did see total bills for residential users that averaged 11.46% lower than Xcel. This is significantly better than the 6% spread we saw in 2023. For this next year, we expect to see rate increases from Xcel as they did recently put in their formal request for a rate increase. We are uncertain what their interim rate will be as they go through their rate case. One thing that we know will impact the comparison over the next 12 months is the rebate that Xcel has to provide back to their customers for their interim rate from the last rate increase request they made being higher than what the PUC actually granted. In the short term (rebates are currently occurring) this will keep our rates very close to Xcel, but this should improve in early 2025 after the rebates to Xcel customers have been made as we will see them implement some sort of rate increase this next year.

Below is a graph showing our total residential bill compared to Xcel in 2024:



2025 Expenses

Electric Fund expenses for 2025 are projected to be \$51,694,644 compared to the budget of \$51,219,687 in 2024, for a total increase of 0.93%.

A primary factor in seeing our expenditures increase in 2025 compared to 2024 has to do with the continued Capital Improvement/Expansion projects needing to be completed in 2025-largely because of the amount of growth we have seen in the community, as well as major road projects such as the Engler Boulevard reconstruction requiring us to relocate or existing infrastructure. Below is a list of the Capital Improvement Projects we have scheduled for 2025.

- 82nd Street (New Feeder Ties): \$450,000
- Capital TBD: \$120,000
- Carlson Bluffs Development: \$75,000
- Cloud HQ Development: \$100,000
- Daupler CRC-Dispatching: \$30,000
- Elm/Cedar Alley (Overhead to Underground): \$200,000
- Engler Reconstruction (Reconductoring): \$1,100,000
- Ermark Foundry (Reconductoring): \$70,000
- FB Fields at Middle School West (Reconductoring): \$50,000
- Frenz/Worm/Highpoint Vistas Development: \$250,000
- Fuse Cabinet Replacement: \$160,000
- GeoDigital Software: \$105,000
- McDonalds Downtown (Reconductoring): \$100,000
- Old Water Treatment Plant (Reconductoring): \$150,000
- Savannah Way Extension: \$100,000
- Well #7 (New Service): \$60,000
- Wells 8 and 9 (New Service): \$100,000

This represents a cost of \$3,220,000 in Capital Improvements in 2025. There are two things to recognize about the list above. First is that some of this work is a carry-over from 2024 project, so not all costs will be incurred in 2025 (some have already been incurred during the 2024 budget year). Second, the projects that are listed as Developments above have costs associated with our share of the overall costs in providing service to these new development areas. Our current policy states that we are responsible for 60% of the new service cost, with 40% being paid for by the new development. The dollars listed above represent the City's 60% of the overall cost of completing these projects.

In addition to the work listed above, we will also be continuing with the replacement of our AMI Meter Reading system in 2025. This system will be replaced in conjunction with the Sewer/Water Department and will be replacing the AMI Meter system that we installed in 2015 for all 3 departments. It should be noted that while we would not normally expect to be doing this work at this time (given it has been less than 10 years since we installed our current AMI Meter system), the system has not worked properly since the initial installation and has only gotten worse. We have tried to have the original vendor fix the issues we have experienced, with them not only failing to address the issues but the system continuing to get worse. We are currently in arbitration to try to recover a good portion of the dollars that we originally invested in this system but need to move forward at the same time with installing a new system as it is critical to the functioning of our utility. The Electric Fund has \$4 million budgeted between 2024 and 2025 to

complete this process, with work on this project having started during the fall of 2024. We would hope to have the entire new system up and running by the fall of 2025.

Besides these items, below is a list of the items that are budgeted for the Electric Fund in 2025:

- Addition of 1 Apprentice Line Worker starting January 1st: \$104,000
- Purchase of Radios for Switching Procedures: \$80,000
- Continued Implementation of our new Metering System: \$4 million budgeted between 2024 and 2025
- Continued contribution towards the Community Building Fund of \$1.3 million (grows by 4% per year)
- Continued contribution of \$240,000 towards the debt service of Community Center Ice/Pool project, \$270,000 towards The Lodge debt service and \$100,000 annual made to the Community Center for annual repairs
- Contribution towards the Building Improvement Program-Builds up to \$960,000 contribution by Electric by 2026: \$240,000 is being added in 2025
- \$244,000 annual contribution that goes towards the debt service of The Loop capital improvements
- 5% Franchise Fee for use of General Fund Right of Way
- 5% General Fund contribution to support General Fund operations

Debt Service:

The Electric Fund has Debt Service payments for two projects it has completed within the past few years. The first is for the construction of the West Creek Substation, with this being financed over a 20-year period. The second was for the construction of the new North Industrial Substation as well as new switch gear at West Creek Substation. Both projects were completed to increase the capacity and reliability of our electric system, especially as we are seeing growth in usage from our existing Industrial customers on the north end of the community. This debt was sold in 2018 and goes for 20 years. The annual debt service in the Electric Fund is \$702,000, which is 1.27% less than in 2024.

Based on this, the following would be the expenditures for 2025:

	Actual	Budget	Budget		
	2023	2024	2025	Change	% Change
Purchased Power	\$38,018,782	\$29,909,000	\$29,722,000	-\$187,000	-0.63%
Trans/Distribution	\$2,858,703	\$7,551,509	\$7,563,989	\$12,480	0.17%
Load Conservation	\$289,892	\$487,589	\$302,678	-\$184,911	-37.92%
Admin System	\$4,060,631	\$4,063,736	\$4,333,638	\$269,902	6.64%
Admin Billing	\$690,475	\$803,153	\$837,189	\$34,036	4.24%
Franchise Fee	\$4,741,210	\$4,798,000	\$5,027,000	\$229,000	4.77%
Depreciation	\$1,645,519	\$0	\$0	\$0	0.00%
Debt Service	\$237,961	\$711,000	\$702,000	-\$9,000	-1.27%
Transfer Out	\$2,387,480	\$2,895,700	\$3,187,100	\$291,400	10.06%
Other (EAC)	\$984	\$0	\$19,050	\$19,050	0.00%
Total	\$54,931,637	\$51,219,687	\$51,694,644	\$474,957	0.93%

Based on the budget as proposed, the Electric Fund would increase its Fund Balance by approximately \$109,000 in 2025, bringing us to a Fund Balance of \$3.3 million after 2025. As mentioned earlier, we do project over the 5-year period to continue to grow our Fund Balance, with us expecting to be at just over \$13 million by the end of 2028.

One final note on the Electric Fund that will impact all Electric utilities in the State over the next several years are the new mandates that the State of Minnesota put in place for renewable energy requirements. While the standards up until now were for 25% of our energy coming from renewable sources by 2025 (we are now at 44%), the new standard will require 80% of our energy to not only be renewable but come from Carbon free sources by 2030. By 2040, 100% of our energy will need to come from Carbon-free sources. This is something our power agency (MMPA) is currently working on, as well as every other utility in the State. While hitting the 2030 goals seems feasible at this time, while keeping electric costs competitive, the 2040 standards will cause a challenge for all utilities in the State. This will be a requirement that will dominate the work of what we do as a power agency at MMPA for the next several years and will undoubtedly change the way we produce energy going into the future. We will continue to discuss this in budgets going into the foreseeable future.

In 2008, the City of Chaska created, by ordinance, a Storm Water Utility Fund to address the growing requirements of managing surface water runoff throughout the community. With the implementation of new MS4 Storm Water Management requirements at both the State and Federal level, the City of Chaska, along with other communities across the country, needed to look at their surface water management practices differently, and generate the resources to complete all requirements of the new laws. Up until the point of creating a separate Storm Water Utility Fund, any activities that the City of Chaska completed with Storm Water Management were completed by the Public Works department utilizing General Fund resources. With the new statutory requirements, it was apparent that these resources would not be sufficient to complete all necessary activities.

As the City of Chaska established our Storm Water Utility Fund, the City identified several objectives to complete in this Enterprise Fund, including:

- Provide the necessary resources for the Storm Sewer Fund to assure continuation of quality services to customers
- Maintain rates comparable to other cities, while at the same time generating adequate cash reserves for the replacement of existing capital, necessary maintenance of our system, and for emergencies
- Meet all the new MS4 requirements for Storm Water Management, addressing changes in the requirements as they occur
- Assume that major capital additions to the collection system are not financed from rate revenue (these are paid through Trunk Funds paid for through our development agreements)
- Move all Storm Water Management activities out of our General Fund, treating the management of our Storm Water System the same financially as our other Utility Enterprise Funds (i.e. Water/Sewer and Electric)

In 2008 when the Storm Water Utility Fund was created, the City identified all work that needed to be completed as part of the Storm Water management activities so we could develop an estimate of what it would cost to complete this work on an annual basis. We also estimated what future costs would likely be for the replacement of infrastructure as our system aged. From this analysis, the City developed a rate structure in 2008, charging residential property owners \$3 per month based on each residential parcel that they owned, and attributed a per acre fee to those Commercial/Industrial and undeveloped properties in the City, based on what each of these parcels contributes for surface water runoff in our overall system. Some of the major operations that these fees helped to fund included:

- Completing certification and maintenance of Chaska's Flood Control System
- Completing maintenance of our Storm Water treatment ponds across the City
- Completing Street Cleaning to keep surface water runoff as clean as possible
- Maintaining our ravine systems throughout the City
- Completing our MS4 reporting and maintenance requirements

- Monitoring development activities to ensure Storm Water runoff and treatment requirements both during and after construction were completed

With the Minnesota River Flood Control system, and the many ravine systems around the community, Chaska's Storm Water Management activities are often more complex than communities not located next to a body of water such as the Minnesota River. This especially became apparent during the early summer of 2014, as we experienced significant rains in a short period of time that put our system to the test. While we did experience some localized issues in our Storm water system, which the 2015 budget addressed, our system has generally worked very well, demonstrating the need to have a well-maintained and properly functioning system. However, it also helped to expose what work needs to be done in the future to address the increasing intensity of rain events, so we are prepared to protect the community in these situations.

2025 Revenues

When the initial fee was established in 2008, this fee was based on estimates that were developed to help complete each of the activities listed above. It was the intent that once we had the Storm Water Utility Fund fully up and running that we would come back and review our fee structure to determine if it had been set at the proper level. In 2012 it became clear that not only was our rate set too low to accommodate all the activities that needed to be completed, but that we were also very low compared to many of the surrounding cities who also have a Storm Water Utility Fund.

Based on what we were seeing for actual costs in Storm Water Management system, and based on having the ability to increase these fees and still stay very competitive compared to other surrounding communities, in 2012 the Council decided to raise the fee by \$1.50, bringing it to \$4.50 per month, still below the area average. We increased this fee slightly each year between 2012-2018.

Based on the continued increases in the amount of Storm Water work that municipalities are now required to complete, and especially because of large projects we needed to continue to undertake to deal with the storm water issues we did experience during the large rains of 2014, we continued to realize that the activities that we thought were one-time events were becoming the norm, and that our stormwater system was not sized properly to accommodate this "new normal" for rainfall events we were experiencing. We also recognized that there were significantly more issues to address with Storm Water being a river community with a flood control system than there would be in a non-river community.

During the budgeting process in 2018, we did begin to realize that as we compared our rates to other cities, that we were likely not comparing ourselves to the right communities to truly give an "apples to apples" comparison of the work we were needing to undertake. While we always had looked at the surrounding communities as a comparison, we realized it was probably more appropriate to compare ourselves to other Cities with similar types of Storm Water services that need to be provided if we were to truly set our rates at the proper level. We used this new comparison, along with a projection that if we did not increase our rates, we would find ourselves in a \$900,000 deficit over a 5-year period with the work we knew needed to be completed,

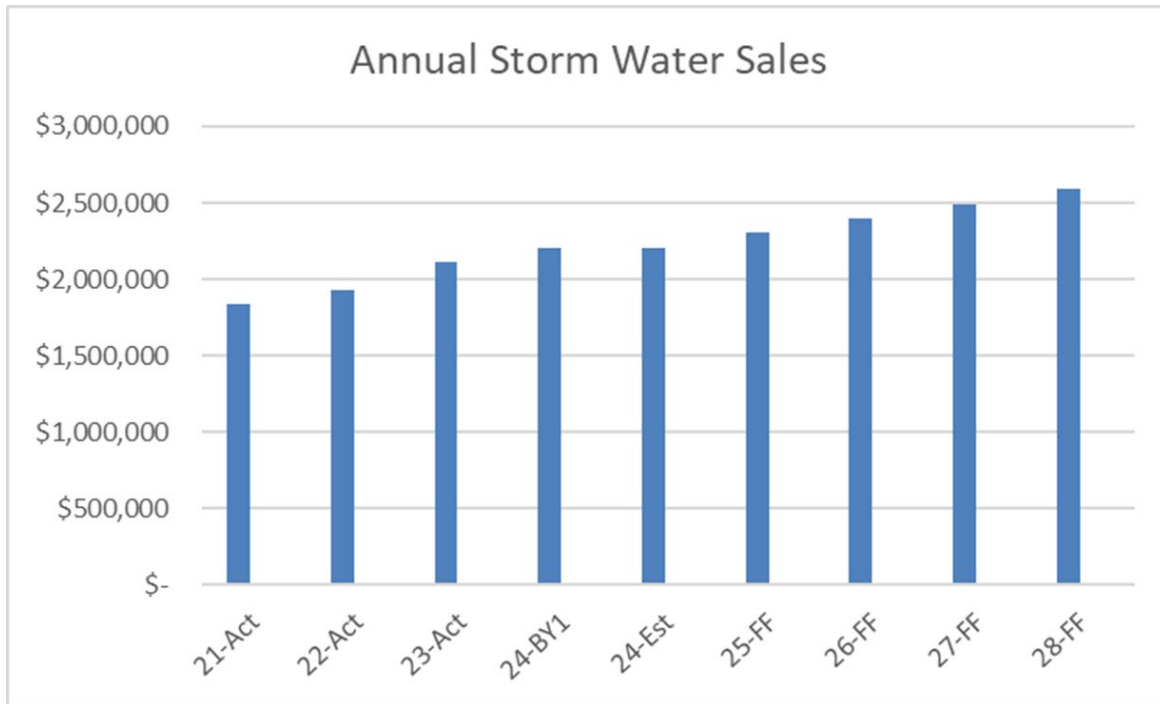
to establish our new base rate of \$9.50 per month. We have adjusted off that new “base rate” with annual adjustments ever since.

Below is a survey of 2024 monthly rates for cities around the State that we feel are good comparisons based on the types of work that we need to complete, and that have similar types of systems to maintain:

Victoria	\$11.88
Shakopee	\$8.52
Moorhead	\$10.31
Carver	\$16.84
Chaska	\$12.27
Edina	\$12.79
Red Wing	\$12.00
Waconia	\$22.25
Average	\$13.36

As can be seen above, the average of these communities is \$13.36 per month per residential unit. Based on the needs of our system for the upcoming year, along with comparing to these other communities, Staff recommended that the rate go to \$12.77 per residential unit per month, which would be a 4% increase for 2025. This rate increase meets our needs for the upcoming year, starts building up necessary reserves in the fund, and keeps us in line with the average of these other communities, even when comparing us to the 2024 average.

Based on this new rate, and assuming we would need approximately a 4% annual increase to keep up with our needs over the next 5 years, the following chart illustrates what would happen during the 5-year period with anticipated Storm Water Sales:



2025 Expenditures

Within the Storm Water system, there are really two distinct types of activities that occur. There is the day-to-day maintenance of our Storm Water system, and there is the inspection and reporting work that is required as part of the MS4 requirements. In 2015, we also added one other category to this work, which is system improvements that need to be completed to address issues that became apparent during the 2014 rain/flooding event.

From a maintenance perspective, the City of Chaska does utilize our Public Works crew to support the maintenance activities of the fund. The time that they put into Storm Water maintenance functions is charged directly back to the Storm Water Fund. One change that we first saw in 2013, and will continue to see in coming years, is the addition of significant work for maintenance of our Flood Control Levy system. In 2012, the Army Corp of Engineers went through an inspection process to re-certify our levy. This inspection included new standards for levy maintenance that were not in effect at the time our Flood Control System was completed in the mid-1990s. One component of the work identified is the annual Rock Channel Weed/Brush control program. This is a program we will have to complete each year and adds approximately \$10,000 annually to our budget.

The other major maintenance work needed is the regular maintenance schedule of the storm water ponds we have scattered throughout the community. For this, we have \$50,000 allocated annually.

Another maintenance activity comes through the maintenance of our Storm Water system as part of our Street Reconstruction Program. To support these activities, the Storm Water Fund has contributed \$246,000 annually to the Street Reconstruction program. These dollars go towards addressing the addition of a storm water system

into our downtown streets, something that was not included when these roads were originally built over 70 years ago. We continue to include these dollars for the Street Reconstruction Program in the budget both to support new projects addressed during a Street Reconstruction project, but also to support the debt service of projects that have already been completed.

To be able to address the ever-increasing areas that we need to address through our Storm Water system, the budget includes a \$70,000 allocation toward storm water maintenance, and an additional \$80,000 towards consulting engineering fees to help support the design of our future improvements in the City. \$200,000 is also budgeted each year towards supporting capital improvements in our system. This year we are focusing our capital improvements on purchasing an additional pump to have as backup for our Flood Control System. The cost of this addition is \$225,000. As we saw during the record breaking flood we had during the summer of 2024, if we had a breakdown of one of our levy's pumps during a major event, it would be very difficult and expensive for us to be able to find a pump to rent, and may be impossible to find a backup pump on short notice because everyone else around us is in the same situation. If we lost the use of a pump during a major flood, this would cause water to back up behind our flood control levy as it could not get out with our flood gates closed. That could have the potential of creating significant flooding issues for some residents in our downtown area. Having a backup pump on hand helps reduce that potential significantly.

For 2024, we do have 1 piece of equipment that we will be purchasing. This is an Excavator/Skid for \$52,000. This is a new piece of equipment for the Storm Water Fund that will help us complete maintenance activities that we have either had to contract out or utilize equipment from our other departments which is not always available when we need it.

The functions of inspections and reporting in the past were mainly completed through contract Engineering services. We now have a Storm Water Coordinator position that resides in our Engineering Department that was added in 2019. This position not only completes much of the work our consulting engineers once did, but it also takes work off our City Engineering Department as it relates to other areas of our City.

One thing to note from a staffing perspective is that the Utility Billing Department does support the billing for the Storm Water System. Because of this, 10% of the costs of UB are allocated to the Storm Water Fund. In 2025 this cost is \$116,826.

Finally, as we discussed in the Water, Sewer and Electric Funds, the Storm Water Fund is scheduled to contribute an additional \$40,000 to the Building Improvement Program in 2025. This will bring the total up to \$120,000, with the final amount coming from the Storm Water Fund being \$160,000 when the ramp up of funding for the program is complete in 2026. These dollars will help support the overall \$2.36 million that will be needed from our Utilities each year to support the debt service of this program.

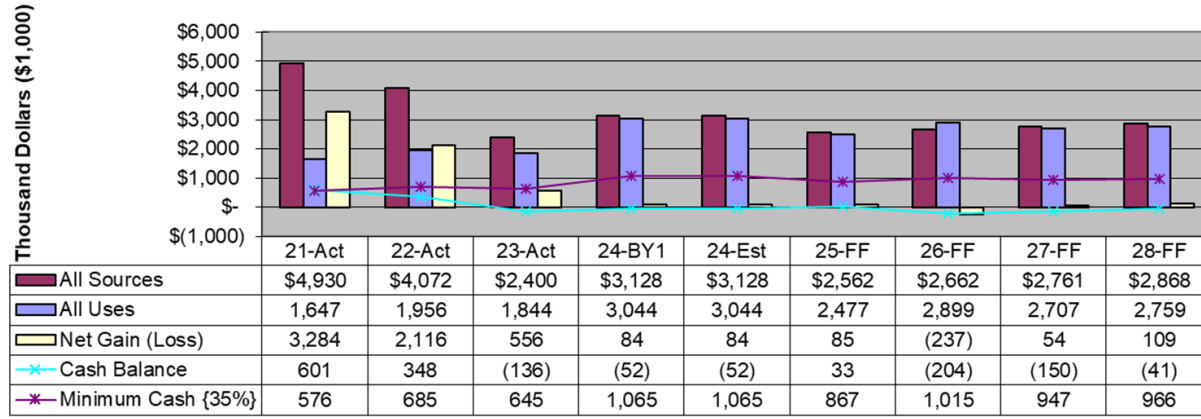
Based on the changes to our rate structure and our planned projects for 2025, below is a breakdown of the revenues and expenditures for this next year:

	2023	2024	2025		
Revenues	Actual	Budget	Budget	Change	% Change
Storm Water Fees	\$2,071,083	\$2,912,000	\$2,305,000	-\$607,000	-20.84%
Other	\$329,212	\$216,100	\$257,000	\$40,900	18.93%
Total	\$2,400,295	\$3,128,100	\$2,562,000	-\$566,100	-18.10%
Expenditures					
Transfer Out	\$252,000	\$327,600	\$369,300	\$41,700	12.73%
Transmission/Distribution	\$426,690	\$1,625,775	\$936,794	-\$688,981	-42.38%
Administration	\$666,074	\$680,187	\$727,255	\$47,068	6.92%
Utility Billing	\$104,730	\$113,758	\$116,826	\$3,068	2.70%
Depreciation	\$317,881	\$0	\$0	\$0	0.00%
Debt Service Support	\$65,460	\$296,000	\$326,600	\$30,600	10.34%
Other	-\$1,650	\$1,000	-\$20	-\$1,020	-102.00%
Total	\$1,831,185	\$3,044,320	\$2,476,755	-\$567,565	-18.64%

The Storm Water Fund is budgeted to increase its Fund Balance in 2025 by \$85,000. It should be noted that the budget decreased by over 18% in 2025. This is due mainly to the fact that we acquired the Vactor/Jetter Truck for the utility in 2024, which was an expense of \$700,000. This was acquired utilizing equipment certificates meaning that we had \$700,000 of revenue come in from this financing, with \$700,000 going out in the expense of the vehicle. We do not have that expense in 2025 and that is the reason the overall budget dropped. From an operational perspective, it is very similar to the budget we had in 2024.

During the 5-year period, we will continue to look at how we can increase the Fund balance to get it up to the minimum 35% recommended over the next 5 years. As you can see below, the Fund does not accumulate as much as we would like to see over the 5 years. However, this projection also assumes we pay cash for all equipment replacement scheduled in the future, including a replacement Street Sweeper, which is over \$200,000 in cost. We will likely utilize equipment certificates for this, meaning that we will keep our cash flow positive, and be able to see some modest growth in our Fund Balance.

**CITY OF CHASKA FINANCIAL FORECAST
STORM WATER FUND (609)**



Year

Curling and Event Center Fund Budget

In 2015, the City of Chaska completed the redevelopment of Firemen's Park, and the Block 6 corner at the northwest intersection of Highways 41 and 61. This project was first identified in the Downtown Master Plan as a catalyst site, with the main objective of the redevelopment to create a destination in Downtown Chaska to drive more resident and visitor traffic into our downtown commercial district.

While the redevelopment included the entire renovation of Firemen's Park on the south side of Firemen's Lake, Veteran's Park on the north side of the lake, and the addition of the Curling and Event Center (CEC) building, the CEC was set up as a separate Enterprise Fund, separating itself operationally from the Park, which is in the General Fund. In this way, the Curling and Event Center is run very similarly to our other recreational Enterprise Funds including the Community Center, the Town Course and The Loop.

While the overall goal of the CEC and the Firemen's/Veteran's Park redevelopment was to help attract more people and activity into our historic downtown commercial district, the Curling and Event Center did identify key objectives to determine the success of this facility, including:

- Provide the necessary resources for the CEC Fund to ensure continuation of quality service to our customers, including providing a world-class curling facility
- Utilize the facility's amenities and newly renovated Firemen's Park to attract people to downtown Chaska as a destination location
- Promote community gathering and interaction, with an emphasis on creating a variety of programs and services to draw people to this location throughout the year
- Be operationally self-supporting with no property tax support
- Reinvest back into the facility to keep it in good condition for future generations
- Work to build a cash reserve in the CEC Fund to support future maintenance and improvements

As an Enterprise, the Chaska Curling and Event Center has three main components in the building including the 300-seat Event Center and catering kitchen, the restaurant/bar, and the 6-sheet Curling Facility. All three of these components are tied together by the Great Hallway, which contains displays to help orient visitors to the history of our community and community events taking place.

From an operational standpoint, the City of Chaska owns the entire facility, operating both the Event Center and the Curling Facility. The City of Chaska leases out the restaurant space to Crooked Pint, a restaurant that was chosen through an RFP process as the facility was being planned. The relationship with the restaurant in the CEC is very similar to the structure and relationship we have between the Chaska Town Course and the restaurant operator Oak 19, who leases this space from the City based on a revenue sharing agreement.

Impacts of COVID Pandemic

Very similar to what we experienced in the Community Center, the Curling and Event Center also was impacted significantly during this pandemic period, having to be shut down by Executive Order twice, which had a significant impact on revenues that we were able to generate in the facility in both 2020 and 2021.

The largest impact that we saw was on revenue from the restaurant, as they were closed during a good portion of the pandemic period. Because we have a lease agreement based on a percentage of revenue generated by the restaurant, this meant that we saw no rent revenue during the entire period they were closed. We also saw significant impacts on our Event Center, as most events that were planned during this period were either postponed, cancelled or were reduced based upon restrictions being imposed by the State. The Curling portion of the operations saw the least amount of impact as we were able to hold leagues taking proper precautions, although at a reduced number of participants. In general, we saw a \$400,000 loss in revenue in each of these two years, with the Self Insurance Fund supporting this loss.

While we did experience significant impacts during this time, we were able to recover relatively quickly after State restrictions were lifted, and by 2022 saw most of our operations return to normal.

2025 Revenues

As indicated previously, one of the main goals of the CEC Fund is to make it an operationally self-supporting entity. While the Debt service for the construction of the facility itself is supported by our "Community Building Fund", which derives its revenues from multiple sources including the Chaska Electric Fund and the Economic Development Authority, the CEC is meant to support all its own operational costs, including Staffing, maintenance, utilities, and programming.

There are four main sources of revenue for the CEC, including:

- Restaurant Lease Revenue
- Curling Membership and League Fees
- Event Center Rental/Event Center Food Alcohol Sales
- Corporate Curling Events

I will spend some time discussing each of these revenue sources in detail below.

Currently, the CEC has a lease with Crooked Pint Restaurant to operate the restaurant within the building. Crooked Pint was chosen as the vendor for the restaurant service after going through an RFP process while the facility was being developed. As part of our lease, Crooked Pint is responsible for providing all the food service within the facility, Staff, inventory, Point of Sales system and a liquor license. While Crooked Pint is not the exclusive provider of food service within our Event Center, they are the sole liquor license holder for the entire CEC building, and because of this are the only vendor allowed for alcohol sales in the entire building. We structured it this way to make sure that we limited any potential liability issues relating to alcohol sales.

The Crooked Pint lease is currently structured so that lease payments are made based on a percentage of all gross sales in the building. Specifically, their lease is based on 7.5% of all food and alcohol sales. Their lease expires in 2025, with them having two options to renew. Should they decide to renew, which they have indicated they will, their lease would go to 8.25% of all food and alcohol sales by mid-2025 when the lease option would need to be acted upon by Crooked Pint.

As we looked at establishing the budget for 2025, one of the things we considered is the rent we can expect from Crooked Pint for the year. While they have continued to have strong business following COVID and the reconstruction of Highway 41, we have not seen this number growing but instead staying relatively stable. For this reason, we are budgeting \$402,000 in lease revenue for 2025 as we did during the 2024 budget year.

The second major source of revenue is Curling Membership and League fees. As mentioned previously, while we saw a loss of members during COVID, we have built much of that membership back, with there now being approximately 800 members of the facility. With that, our Leagues are at 661 unique members curling in our leagues, with 843 rostered curlers overall (some play in more than one league). Because of this, we are budgeting \$441,032 for Curling Revenue, which is slightly more than what we budgeted in 2024. It should be noted that out of all the members of our facility, approximately 25% are residents, meaning the other 75% come from out of town each week to participate in our leagues. This demonstrates that we have been able to accomplish using this facility to drive not only our residents but people from other communities to visit our downtown on a regular basis.

The third major source of revenue in the CEC is from the Event Center itself. For the event center, we generate revenue off both the rental of the room for events, as well as from the sale of food and alcohol in the facility. For the room rental, we have groups renting the facility for anything as big as weddings, class reunions and Senior Proms, all the way to renting it for non-profit fundraisers. Depending on the day, fees can be as low as \$350 for 4 hours on a Sunday-Thursday block for residents, all the way to \$2,650 for an 8- hour block on a Saturday for non-residents.

Below are the rates that are adopted for 2025, along with a comparison to other municipal facilities to show where we fall compared to market. It should be noted that while we are above average for weekend time periods, we have no issues selling space in these time periods. We exceeded our budgeted projections in 2024 because of this. The most difficult period we have to sell is Monday-Thursday.

	Regular Rate				Resident Rate				Capacity
	M-Th	Fri.	Sat.	Sun.	M-Th	Fri.	Sat.	Sun.	
Maple Grove	\$535	\$630	\$1,039	\$630	\$483	\$578	\$934	\$578	250
Brooklyn Park	\$750	\$1,000	\$1,150	\$1,000	\$650	\$850	\$950	\$850	375
Minnetonka	\$525	\$1,175	\$1,450	\$1,000	\$400	\$850	\$950	\$850	250
Plymouth	\$1,175	\$3,700	\$3,700	\$3,200	\$1,000	\$3,350	\$3,350	\$2,850	350
Shoreview	\$1,000	\$1,465	\$1,820	\$1,000	\$855	\$1,300	\$1,600	\$855	300
Coon Rapids	\$1,020	\$1,440	\$1,920	\$960	\$970	\$1,330	\$1,760	\$860	230
Eagan	\$900	\$1,650	\$1,950	\$1,100	\$900	\$1,650	\$1,950	\$1,100	350
Current Chaska	\$775	\$1,975	\$2,375	\$775	\$700	\$1,750	\$2,050	\$700	300
Chaska 2025 Rates	\$775	\$2,275	\$2,650	\$1,475	\$700	\$2,000	\$2,300	\$1,250	300
Chaska 2026 Rates	\$775	\$2,350	\$2,700	\$1,500	\$700	\$2,000	\$2,300	\$1,275	300
Average	\$844	\$1,580	\$1,861	\$1,270	\$751	\$1,415	\$1,653	\$1,131	
Current % Below Avg.	8.1%	-25.0%	-27.6%	39.0%	6.8%	-23.6%	-24.0%	38.1%	

As mentioned previously, all alcohol sales for the Event Center are required to go through the Crooked Pint restaurant, as they are the liquor license holder for the entire facility. We receive 10.5% of all alcohol sales in the event center. Users of the facility can utilize whatever caterer they want to for their event, with the caterer's fee being equal to 17% of their gross sales for outside vendors and a 12% fee for use of the Crooked Pint. The reason for this difference is because outside caterers are provided with the full caterer's kitchen as part of their package, and it takes more staff resources to be able to manage the outside vendor.

Finally, our last source of revenue for the Curling facility is through Corporate Events in our Curling Facility. Our Corporate Events are booked on weekday afternoons within the Curling Center and include the use of the Curler's Lounge in the front of the rink for business meetings and lunch, with a Learn to Curl session, complete with instructors, provided for the participants as a team building event. These Corporate Events have been very popular, with several afternoons per week booked for these events. The fee for these Corporate Events is \$50 per person, with a minimum fee of \$500. Food is something that is provided separately from Crooked Pint, but they can order and be served directly in the Curler's Lounge Space. The total revenue generated for this service is budgeted to be \$220,000.

The final revenue source we have coming in is \$1,790,500 from the Community Building Fund to support the debt service on the construction of this project, as well as help support the reinvestment back into equipment and infrastructure in the facility as it continues to age. This amount increases by 4% annually, with the base going towards the debt service on the building, and the annual inflator going towards capital reinvestment. For 2025, we have two items scheduled for Capital Reinvestment, including:

- Installation of Streaming Equipment in the Curling Center: \$30,000
 - Having this equipment available has become much more common in Curling Clubs, especially if they want to host national events, so people at home are able to watch the games on-line
- Painting of houses/new blades in the Curling Center: \$15,000

Based on this, we are recommending that the adopted revenue budget we have for 2025 will be \$3,025,759, which is 2.40% higher than in 2024.

Below is a chart reflecting the actual revenue number for 2023, as well as the budgeted revenue for the 2024 budget year, along with the proposed budget for 2025:

Revenues	Actual 2023	Budget 2024	Budget 2025	Change	%Change
Event Center Rental	\$171,644	\$175,985	\$171,000	-\$4,985	-2.83%
Curling Center Leagues/Memberships	\$444,285	\$428,675	\$441,032	\$12,357	2.88%
Corporate Curling Events	\$246,329	\$225,000	\$220,000	-\$5,000	-2.22%
Restaurant Lease	\$317,571	\$402,000	\$402,000	\$0	0.00%
Community Fund Transfer (Debt)	\$1,397,666	\$1,782,058	\$1,790,500	\$8,442	0.47%
Other Revenue	\$1,524	-\$58,944	\$1,227	\$60,171	-102.08%
Total Operating Revenues	\$2,579,019	\$2,954,774	\$3,025,759	\$70,985	2.40%

2025 Expenditures

From an expenditure standpoint, there are two main types of expenses that we have within the Curling and Event Center. The first expense that we have is with Staffing as it relates both to scheduling and programming of the facility, as well as on-going and daily maintenance of the facility. The second major expense is with the day-to-day operational costs such as cleaning, utilities, and on-going maintenance of mechanical systems within the building.

From a staffing standpoint, we are currently budgeting for 4 full-time employees within the CEC facility office as well as some part-time help to staff at the front desk and to put up and tear down equipment for different events happening within the CEC.

Our full-time staff consists of our Curling Manager, our Curling Ice Maker, the Curling and Event Center Coordinator and our Curling and Event Center Supervisor. Each are responsible for the day-to-day leadership of their individual areas, although we do see a crossover between the positions because of the interrelation of many things within the facility.

As with the Community Center, because this facility falls under the general Parks and Recreation Department, we do get the efficiency of being able to provide some shared staff both with the Park and Recreation Department out of the General Fund and the Community Center staff. These are similar efficiencies we see between other Enterprise Funds and the General Fund, thus allowing us to keep our Administrative costs as low as possible in each of these funds.

From a day-to-day operational standpoint, the biggest expenses we have other than staffing in the CEC is the cost of Utilities, general custodial duties within the facility, and the cost of maintaining our mechanical systems within the building. From a utility perspective, we break down the cost of Utilities based on the area of the building and based on the City versus leasable portions of the building. The utilities include sewer, water, electric, gas and garbage. Within the Event Center, Curling Center and general common areas of the facility, our Utility costs are approximately \$236,000 per year, with the costs within the restaurant area being approximately \$100,000 per year.

The only other thing to mention as part of the CEC budget is that all debt service is included in the overall budget for the entire project, including the Firemen’s Park redevelopment components. Because this debt service is covered through dollars accumulated in our “Community Building Fund” and the EDA, we do see a transfer of dollars coming into the CEC Fund, with those then going back out to support this debt service. This debt service cost is \$1,580,717 in 2025 but is supported through a transfer from the Community Fund into the CEC Fund for a similar amount. This is not an expense related to day-to-day operations.

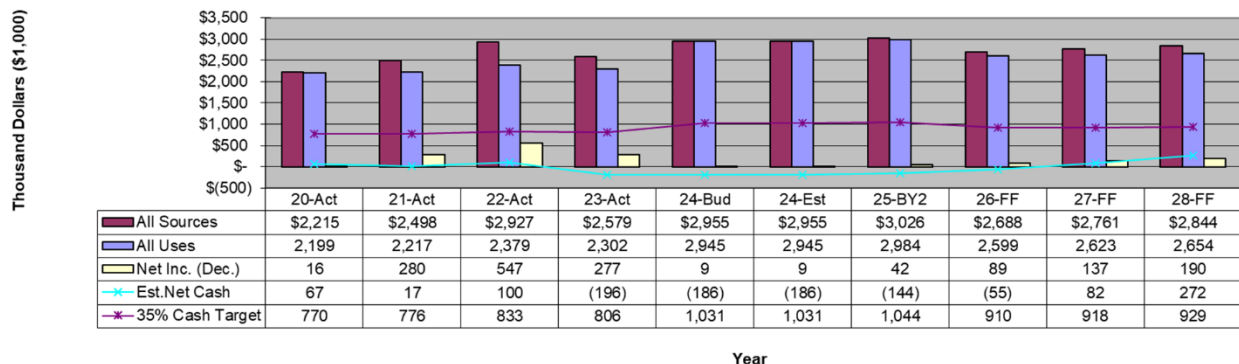
Based on the total Revenue and Expense budget for 2025, below is the expenditure budget for 2025.

Expenditures	Actual 2023	Budget 2024	Budget 2025	Change	% Change
Administration/General Facilities	\$775,665	\$937,025	\$943,410	\$6,385	0.68%
Event Center	\$98,188	\$33,361	\$36,806	\$3,445	10.33%
Curling Center	\$302,905	\$329,834	\$355,078	\$25,244	7.65%
Crooked Pint	\$108,642	\$65,890	\$67,725	\$1,835	2.78%
Other	\$0	\$0	\$0	\$0	0.00%
Depreciation	\$632,900	\$0	\$0	\$0	0.00%
Debt Service	\$374,279	\$1,579,363	\$1,580,717	\$1,354	0.09%
Total Operating Expenses	\$2,292,579	\$2,945,473	\$2,983,736	\$38,263	1.30%

It should be noted that while not included as a part of our budget for 2025, we continue to explore whether sponsorships or naming rights for the building may be an opportunity for us, specifically to help generate another source of revenue that could be put back into capital replacements in the building as we move through the years. While we have not had a major sponsor step up, we are looking at whether there might be opportunities for smaller sponsors to be a part of the CEC if it were able to be done in a tasteful manner.

With the CEC being nearly 10 years old, we are now starting to focus on regular reinvestment into this facility. For this reason, we are starting to focus on building up cash reserves in our CEC Fund. Below is a 5-year forecast for this fund, and what we expect to happen from a financial perspective. As you will see, we do plan on trying to build up this fund balance, with it projected to be close to \$300,000 by 2028. This will especially be helped shortly as our debt service payments on the facility will start to decline and we can utilize these savings to also put back into the facility.

**CITY OF CHASKA FINANCIAL FORECAST
CURLING AND EVENT CENTER (FUND 610)
[Does not include \$5.3 million construction deficit.]**



The Loop Golf Budget

History of Par 30

For nearly 50 years, the Chaska Par 30 was a small Executive Course that the City of Chaska owned and operated. Being a remnant of the development of Hazeltine National Golf Course and designed by Robert Trent Jones, it was a unique course that offered opportunities for many in Chaska to take up golf. Not only was the course inexpensive in price for patrons to play, but it also provided opportunities for those that may not have the skill or desire to play on a high-end course, such as the Chaska Town Course, the opportunity to go out and get exposed to the game of golf.

In its early years, the Chaska Par 30 attracted over 30,000 rounds per year, and was a source of income for the City to be able to reinvest back into the facility. However, as the course aged, the Chaska Town Course was added in the community, and additional Executive Courses around the area opened, its rounds dropped to around 14,000-15,000 rounds per year making it very difficult to not only operate without outside support, let alone be able to reinvest back into the facility. With the City facing a very large decision about whether to reinvest back into the course with the needed replacement of the irrigation system, which would have been over \$750,000, the City needed to evaluate whether it made financial sense to make this investment back into the Course if it likely would not increase rounds and financially support its own operations.

Learning Links of Chaska

It was at this time that a group of individuals who started a non-profit called *The Learning Links of Chaska* approached the City with an idea to completely rebuild the course, but to do it in a way that no other course in the Country had deliberately tried to do yet, which was to make it a course physically accessible to people of all abilities. The concept was to take the land that the Par 30 sat on and redesign it in a way that any person could play it, whether they had a physical disability or not, whether they were a child or senior, whether they were a new golfer or an expert, and that each of these individuals would find it fun to play the Course. *The Learning Links of Chaska* committed that if the City would agree to move forward with developing such a course that they would do significant fundraising to help support the construction of this facility and would work with the course to help facilitate the programming, including introducing those with physical disabilities to the game of golf.

With a total development cost of just over \$3.5 million, *The Learning Links of Chaska* raised \$750,000 to support the efforts of reinvesting back into this course, which was rebuilt over the summers of 2022 and 2023, with the Clubhouse and Maintenance Facilities being completed shortly before we opened this past May. With at least a partial summer of play having occurred, we now have more knowledge on setting our operational budget for 2025 when we will have our first full season of golf available at The Loop.

The Loop Objectives

As part of developing the budget for The Loop, the Council did adopt the following objectives for this facility:

- Provide a high-quality golf experience for the residents of Chaska and visitors of all abilities
- Be viewed as a golf course facility with innovative design that breaks down barriers for people of all abilities to play
- Provide another opportunity to create a premier Community Gathering Location in our community
- Assume that we are providing adequate resources for The Loop to support all operations of a high-quality golf course, including adequate and well-trained staff and well-maintained equipment
- Ensure that we are operating a golf course that can be financially sustainable and generate enough reserves to continue to reinvest back into the facility in

It is these objectives that we utilized to put together the budget for the 2025 year.

2025 Budgeted Revenue

In determining the revenues for this upcoming year, we need to look at two factors. First, we must make assumptions on the number of rounds that we expect to see on the course for the year, as well as play on the Minnalayas Green. Second, we needed to determine what we should set the rate at for 2024.

From a rate perspective, we utilized the area Executive Courses as a benchmark on where to set our fees. The one thing that we took into consideration is that the quality of course that we will be providing here is at a higher level than other Executive Courses in the area, and that the main user of our course will be Seniors and Juniors. Based on that, the following are the rates that we have set for 2025:

- Juniors: \$18
- Seniors: \$18
- Adults: \$23
- Minnalayas Green: \$5

Based on this, the following is a comparison of other Executive Courses in the area and well as a look at how our fees compare to what was charged during the 2024 season:

Course	Junior	Senior	Adult
Halla Greens	\$15.00	\$17.00	\$22.00
Braemar Executive	\$12.00	\$19.00	\$19.00
Waters Edge	\$20.00	\$20.00	\$20.00
Orono	\$13.00	\$15.00	\$20.00
Glen Lake	\$16.00	\$16.00	\$20.00
Average	\$15.20	\$17.40	\$20.20
2024 Loop Rate	\$18.00	\$18.00	\$23.00
2025 Loop Rate	\$18.00	\$18.00	\$23.00
Minnalayas Proposed Rate	\$5.00	\$5.00	\$5.00

As you will see above, we are recommending that we keep our rates the same for 2025 as we did in 2024, as we still feel we need to get more people reintroduced to this Course, especially if their last experience was golfing at The Par 30. It is also important to point out that our rates are close to the average of other area Executive Courses, but slightly higher. This is because the quality of this course, and especially the greens, is much better than other area Executive courses, and we need to make sure that we charge enough to keep the maintenance of this course a high priority as we move into the future.

As for assumptions on the usage of the course, we assumed that we will have 26,500 rounds in 2025. We had close to 20,000 rounds in 2024, and this was with the Course opening later than usual and being closed throughout most of the U.S. Amateur, as the course was highlighted by several groups and the media for its uniqueness as a golf course and the ability to serve those with disabilities that would not normally get to have an experience golfing like this.

Finally, we are budgeting that we have 17,100 patrons utilizing the Minnalayas Green during the summer. While we did not get that many rounds on the Minnalayas last summer, this summer there will be programming and league play that will take place on just this part of the course which we expect will help increase the amount of use this amenity receives.

While we do expect that programming will be a source of income in the future, we are not budgeting that for the first couple of years, as we want to get a good sense of how the facility operates and what is popular before we block off too many programmed times.

Based on the assumptions above, we budget that we will at \$825,000 in revenue for 2025. While this is less than what we budgeted in 2024, we already have a better sense of what is realistic to expect after 1 year of operations, which allows us to be more accurate as we budget for this facility next year.

Budgeted Expenditures

From an expenditure perspective, there are two things that drive the costs that go into the course from an operational standpoint. First is the staffing that we will need both in the clubhouse and for maintenance. The other expenditure will be for the equipment and supplies we will need to operate and maintain the facility.

From a staffing standpoint, we have programmed that we will need 2 full-time Greenskeepers, along with the support of approximately 700 hours of part-time maintenance staffing to keep the course in good condition. The main difference from the Par 30 is that we only had 1 full-time Greenskeeper as there was less to maintain than we have at The Loop. It should be noted that we reduced the number of part-time hours from 2,200 hours that we budgeted in 2024. The reason we were able to reduce this amount is because we were able to see after one year of operation what it takes from Part-time help to keep the course in great condition. Last year's budget utilized an estimate, without having the benefit of having a year under our belt to see what amount of part-time staff hours will actually be need to meet our maintenance standards.

From a Clubhouse perspective, we plan to continue to have a Clubhouse Manager position, which will be a 9-month full-time position. To support this person, we will have programmed 5,040 hours of part-time support through the summer to make sure that we always have 2 people scheduled to work in the clubhouse at any given time.

From an equipment perspective, we plan on utilizing the Town Course maintenance equipment that is scheduled to be replaced to maintain The Loop. While this equipment is too old to continue maintaining a course the size of The Town Course, it will work fine for The Loop. While we will have equipment that we shift over to The Loop from the Town Course this year, we do not have any new equipment that is scheduled to be purchased for The Loop in 2025.

Besides these items, all other expenditures such as supplies, utilities and insurance are budgeted based on what we experienced for actual expenditures this past year. The only improvement that we have scheduled for the Course in 2025 is to put a roof over the pergola area to create more shade around the Clubhouse area. This area is utilized to teach classes, for people to wait for their round, or a place to gather after they play. It has been unusable on many days because the direct sun makes it too hot. We hope that adding this roof will help make this a more desirable and usable space in the future. The cost of this improvement is \$10,000.

Based on this, the total expenditures we are budgeting for 2025 is \$825,000, compared to the \$1,002,900 in expenses we budgeted in 2024. It is not that we are cutting anything that was provided as a service last year by reducing this amount. Instead, it is us "right-sizing" this budget after we have had a year of experience to base our decisions on when establishing the 2025 budget. Below is a chart showing the revenues and expenditures we are budgeting for 2025:

	Budget	Budget	Dollar	Percent
	2024	2025	Change	Change
Green Fees	\$489,500	\$489,500	\$0	0.00%
Minnalayas Fees	\$85,500	\$30,000	-\$55,500	-64.91%
Transfer In/Learning Link	\$405,000	\$254,000	-\$151,000	-37.28%
Other	\$22,900	\$51,500	\$28,600	124.89%
Total Revenue	\$1,002,900	\$825,000	-\$177,900	-17.74%
Maintenance	\$384,264	\$287,348	-\$96,916	-25.22%
Administration	\$228,647	\$246,161	\$17,514	7.66%
Merchandise	\$15,000	\$15,000	\$0	0.00%
Other	\$0	\$0	\$0	0.00%
Debt Service	\$369,500	\$249,800	-\$119,700	-32.40%
Total Expenses	\$997,411	\$798,309	-\$199,102	-19.96%
Net Income (loss)	\$5,489	\$26,691	\$21,202	

Based on the budget above, we would anticipate that we generate an increase in our fund in 2025 of \$21,202. As is illustrated in the chart above, we may be budgeting for less revenues, but we are also budgeting for less expenses based on what we experienced during the 2024 season. We expect to continue to learn more about the operations of this course during the 2025 season as we will be doing more to open up league play, and more programming opportunities will exist. We expect that there will be things that we learn during this upcoming year that will change the way we view establishing the budget for 2026 as we do believe that there are opportunities we have not tapped into yet with the course being so new. We also believe that having the course be able to be opened right away in the Spring will be a big benefit for the Course, as The Par 30 in the past saw some of its busiest play right away at the beginning of the season, especially with kids using it as a practice facility if they are on a competitive golf team.