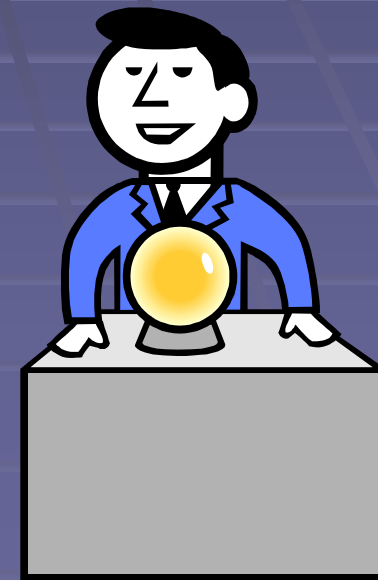


5 Year Forecast Enterprise Funds 2011-2015



Chaska Town Course

2011-2015 Forecast

Chaska Town Course 5-Year Key Assumptions

- 66% of total revenue coming through greens fees
- Assume that there are 27,100 rounds annually (Down from 31,000 we had budgeted two years ago to be more realistic with actual number of rounds we have experienced over past several years)
- CTC rounds have gradually moved from being nearly 70% non-resident when opening, to a 55/45 split between resident and non-resident
 - great for mission, but challenge for revenue
- Objective to keep CTC resident rates very competitive with area courses; keep the non-resident rates very competitive with other high-end courses in Metro
- Meet pricing objectives while also being cognizant of our future capital needs on the course-this has been challenge of course

2011 Resident Rates-Area Course Comparisons (with Carts)

	Weekend	Weekday
Course	18 Hole	18 Hole
Dalgreen	\$57.00	\$51.00
Bluff Creek	\$57.50	\$51.50
Ridges at Sand Creek	\$59.00	\$53.00
Deer Run	\$69.00	\$57.00
Stonebrook	\$74.00	\$68.00
Average	\$63.30	\$56.10
Town Course Weekend-Current	\$57.00	\$52.00
Town Course Weekend-Proposed	\$59.00	\$54.00

Non-Resident Rate-High End Comparison (with Cart)

	<i>Greens Fees</i>	
	Weekday	Weekend
Course	18 Hole	18 Hole
Edinburgh USA	\$67.00	\$67.00
Stoneridge	\$95.00	\$95.00
Rush Creek	\$98.00	\$124.00
The Legends	\$89.00	\$89.00
Troy Burne	\$85.00	\$96.00
Meadows at Mystic Lake	\$85.00	\$85.00
The Wilds	\$96.00	\$96.00
Average	\$87.86	\$93.14
Chaska-non res-Current	\$72.00	\$78.00
Chaska non-res-Proposed	\$75.00	\$81.00
Chaska Resident-Proposed	\$54.00	\$59.00

Other Revenue Sources

- Driving Range: 20% of golfers use
 - Budgeting at \$80,000 annually with 3% growth
- Golf Carts: Up to about 40% that utilize with “cart off path” policy-\$242,050 going up 3% annually
 - Do plan on \$1 per round cart rate increase in 2011 to keep consistent with competitor course fees for carts
- Pro Shop Sales: \$148,244, going up 3% annually

Food Service

- Charlie's Grill contracted in 2008 to do food service at Town Course
- Added food choices and catering options
- Generally positive feedback received over course of the summer
- City receives 10% of gross revenues-estimated in 2011 to be \$42,436
 - 2010 was better than budgeted (\$45,000 City revenue share, with budget at \$41,000)
- Improvements planned based on comments:
 - Increased frequency of beverage carts
 - Credit Card sales on beverage carts
 - Weekend full meal selections were a success

Major Expense Items in 5-year

- Staff levels to remain constant through 5-years in both pro-shop and maintenance
- Fully fund the maintenance equipment replacement schedule over 5-years-However, extended equipment replacement schedules for maintenance equipment and carts by one year
 - Major expense item will be Power Cart replacement in 2012, budgeted for \$195,000. This was able to be pushed from original replacement of 2011 because of staff maintenance
 - Have moved major items such as fairway and green mowers out to 6 years instead of 5
 - Over time will reduce equipment replacement costs for CTC without impacting quality
 - 2011 will have replacement of 1 ruff mower and a bunker rake and replacement of phone system (integrate with City system)
- 5-year plan will start parking lot and cart path maintenance program in 2011, with \$25,000 for parking lot seal coat in 2011 and \$12,000/year starting in 2012 for cart path maintenance

CTC Debt Service Payments

- CTC Debt Service runs through 2019
- CTC has always targeted \$414,000 transfer to TIF #4 fund to write down TIF Debt (target-not required amount). Will continue to be target that cannot be met
- In 2008, City extended TIF District #4 life-Payment of all CTC debt included in models
- Positive for CTC, as this does allow any reserve accumulation to be saved for future course maintenance
- Negative for CTC, as annual operational expenses are able to be met on course from CTC revenues. However, sufficient revenues for future capital replacement needs will continue to be a challenge
 - Depreciation on Course is ~\$500,000 per year-unable to fund these future replacement costs from Course Operations
- ~\$200,000 budgeted over 5-year period to be saved for future Course maintenance requirements

Revenue Projection

<i>Revenues</i>	Actual 2008	Actual 2009	Budget 2010	Budget 2011	Change	% Change
Green fees	\$1,108,264	\$ 1,089,661	\$ 1,115,000	\$ 1,115,000	\$ -	0.00%
Driving range	\$ 72,987	\$ 80,011	\$ 80,000	\$ 80,000	\$ -	0.00%
Member fees	\$ 43,835	\$ 40,686	\$ 41,000	\$ 46,000	\$ 5,000	12.20%
Sale of supplies	\$ 139,303	\$ 141,676	\$ 143,926	\$ 148,244	\$ 4,318	3.00%
Concessions	\$ 30,619	\$ 20,933	\$ 41,200	\$ 42,436	\$ 1,236	3.00%
Cart rental	\$ 232,682	\$ 225,257	\$ 235,000	\$ 242,050	\$ 7,050	3.00%
Misc	\$ 13,514	\$ 51,803	\$ 8,327	\$ 8,371	\$ 44	0.53%
Total revenues	\$1,641,204	\$ 1,650,027	\$ 1,664,453	\$ 1,682,101	\$ 17,648	1.06%

Expenditure Projection

	Actual 2008	Actual 2009	Budget 2010	Budget 2011	Change	% Change
Personnel Services	\$766,519	\$810,447	\$760,533	\$809,735	\$49,202	6.47%
Operating Supplies	\$244,963	\$268,324	\$231,903	\$235,575	\$3,672	1.58%
Other Services/Charges	\$402,070	\$414,278	\$411,840	\$424,358	\$12,518	3.04%
Capital Replacements	\$194,345	\$112,851	\$96,000	\$113,000	\$17,000	17.71%
Transfers Out/Debt Service	\$18,718	\$7,257	\$85,583	\$54,390	-\$31,193	-36.45%
Total Expenses	\$1,626,615	\$1,613,157	\$1,585,859	\$1,637,058	\$51,199	3.23%

Cumulative Balance in CTC

~\$200,000 over 5-years in fund balance

Year	2011	2012	2013	2014	2015
Balance	\$45,467	\$(170,533)	\$(59,533)	\$121,000	\$156,000

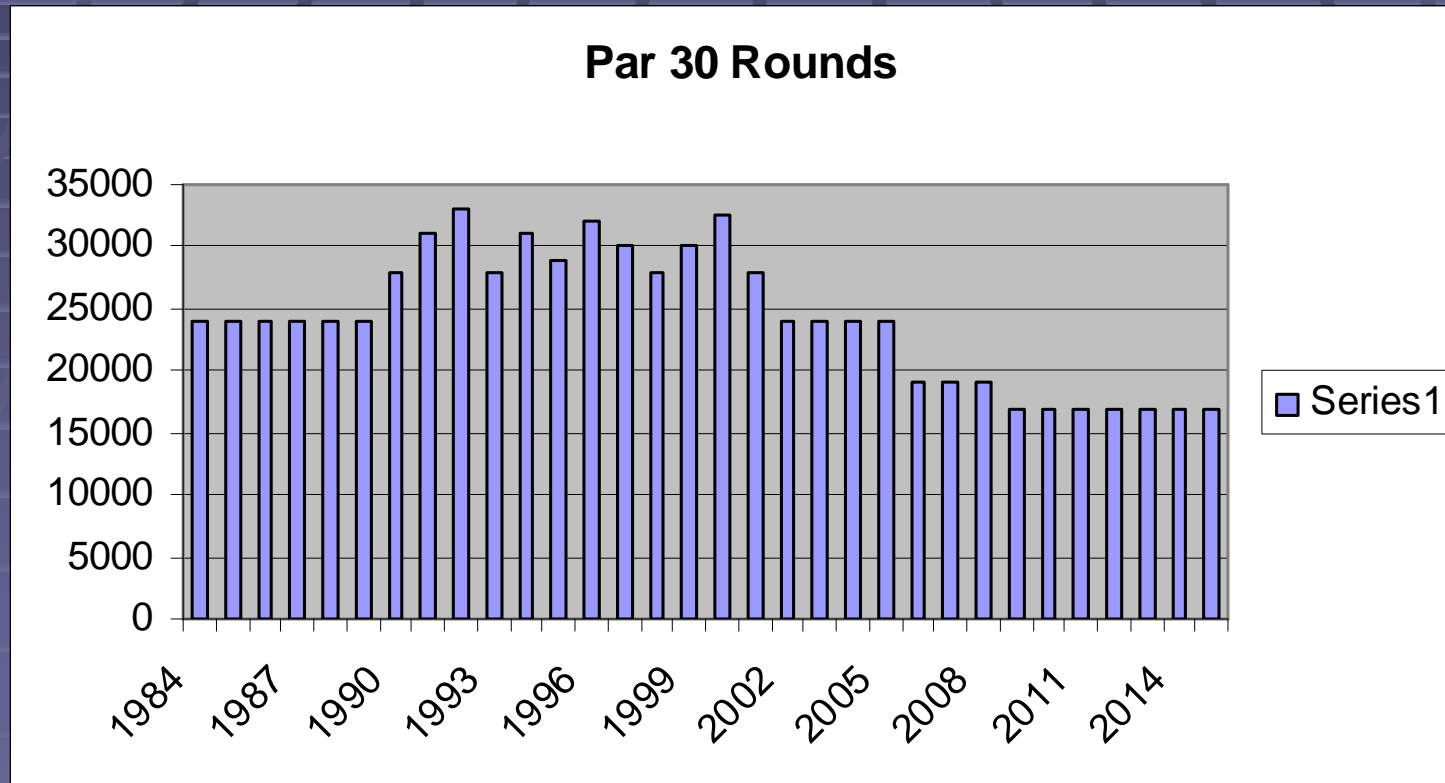
Note: \$195,000 in expenses in 2012 are cart replacement. We show it as a cash purchase in our forecast. This will be financed, which will change the fund balance over 5-year period.

Par 30 5-year Forecast

Par 30 Objectives

- Provide the necessary resources for the Par 30 to assure continuation of quality course maintenance and upkeep
- Maintain rates equal to or less than comparable executive courses in the Twin Cities, while also being cognizant that our main draw for the Par 30 is Seniors and Youth
 - Pricing strategies different than with Town Course-patrons often either golf Par 30 or do not golf at all
- Minimize drastic changes in rates, while at the same time maintaining adequate cash reserves for emergencies
- Allow Par 30 to be a Self-Supporting Recreational Program

Par 30 Rounds Played



Par 30 Forecast Assumptions

- 17,000 patrons use the facility annually (down from budgeted 19,000 that has been utilized past several years)
 - New competitors, such as Halla Greens (who also have driving range), have impacted number of players at course
 - Forces us to be more cognizant of pricing strategies
- The green fees stay at or below average of the comparable executive courses in area
 - Restructured rates to bring prime-time rates down for Seniors and Adults in 2011, kept other rates the same as in 2010.
 - By bringing down rates in prime-time, hope to bring more patrons back from competitors such as Halla, which has been major competitor
 - Had success in late summer 2010 using this strategy running it as a special
- Fully fund any equipment replacements or necessary course improvements during 5-year period
 - As in CTC, extended equipment replacement schedule by 1 year-will have impacts on increasing cash balance reserves over time-able to do because of high standard of maintenance on equipment
- Slightly reduce some Part-time maintenance staffing hours through 5-year to hold down costs
- Continue to assume eliminating \$12,000 parking lot rental after 2011 as part of Goodman Group Project

2011 Pricing Strategy

- Current Pricing:
 - Senior: Weekday \$11/Weekend \$13
 - Adult: Weekday \$13/Weekend \$15
 - Junior: Weekday \$10/Weekend \$11
- Proposed Pricing:
 - Senior: Weekday \$11/ Weekend \$11
 - Adult: Weekday \$13/ Weekend \$13
 - Junior: Weekday \$11/ Weekend \$11
- Proposed pricing is to help address the loss of patrons we have seen with both adults and seniors to Halla because of pricing
- Utilized strategy in late summer 2010 specials-helped increase play at Par 30

9 Hole Rate Comparisons

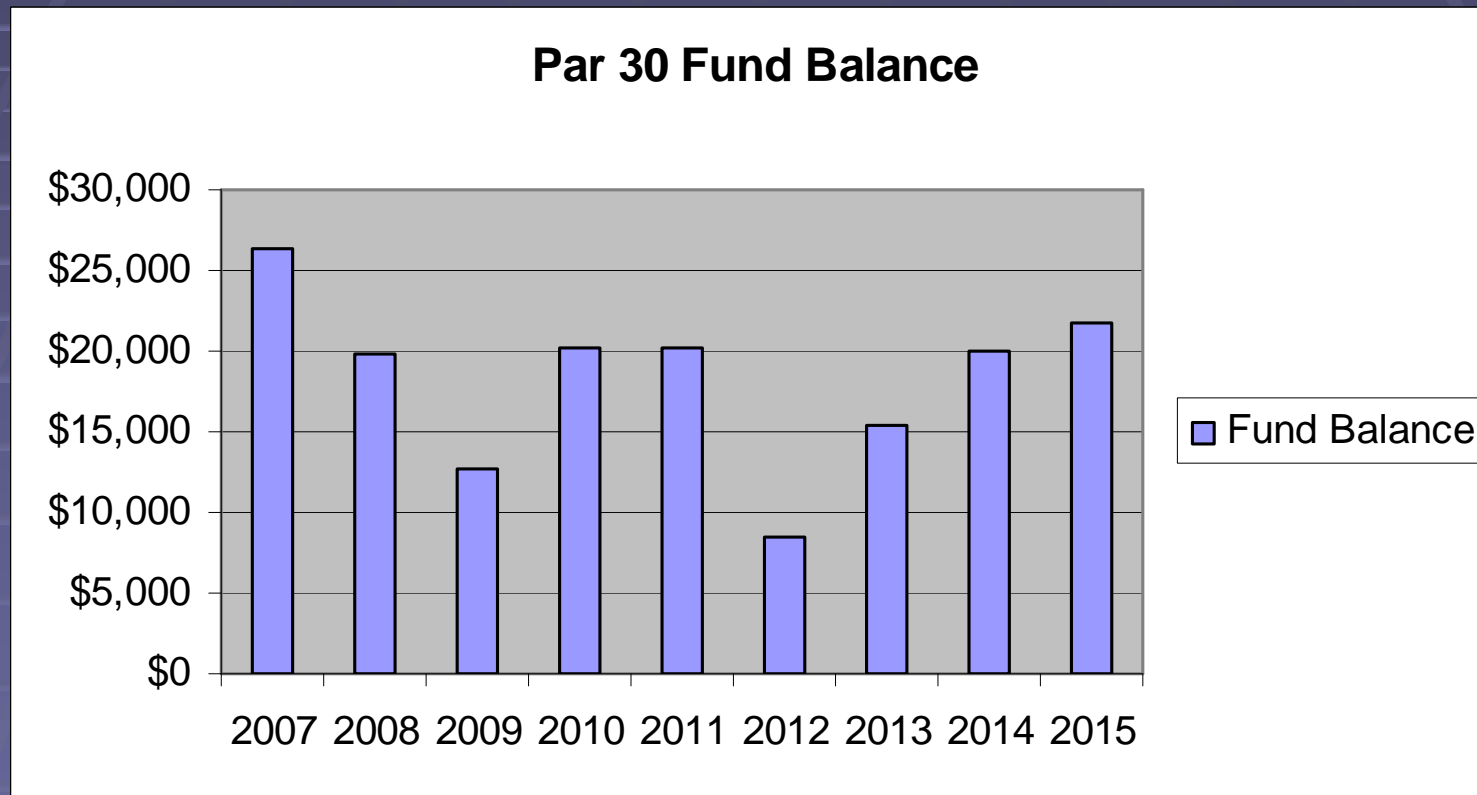
Course-9 Holes	Senior WD	Senior WE	Adult WD	Adult WE	Junior WD	Junior WE
Halla Greens	\$12	\$13	\$14	\$16	\$12	\$13
Braemar Executive	\$14	\$14	\$14	\$14	\$10	\$10
Waters Edge	\$10	\$10	\$14	\$15	\$10	\$10
Orono	\$9	\$9	\$12	\$14	\$9	\$9
Glen Lake	\$11	\$12	\$16	\$17	\$11	\$12
Average	\$11	\$12	\$14	\$15	\$10	\$11
Current Par 30	\$11	\$13	\$13	\$15	\$10	\$11
Proposed 2011 Rates	\$11	\$11	\$13	\$13	\$11	\$11
2011 Rates Compared to Halla	-\$1	-\$2	-\$1	-\$3	-\$1	-\$2

All comparisons above are using competitors 2010 rates compared to our proposed 2011 rate structure

Revenue/Expenditure Projection

	Actual 2008	Actual 2009	Budget 2010	Budget 2011	Change	%Change
Green Fees	\$145,563	\$158,798	\$172,000	\$170,000	-\$2,000	-1.16%
Other Fees	\$28,607	\$18,511	\$20,190	\$16,700	-\$3,490	-17.29%
Total Revenue	\$174,170	\$177,309	\$192,190	\$186,700	-\$5,490	-2.86%
Personnel	\$104,453	\$107,650	\$111,354	\$112,793	\$1,439	1.29%
Supplies	\$17,275	\$15,345	\$19,044	\$19,234	\$190	1.00%
Services	\$22,272	\$18,143	\$18,742	\$18,929	\$187	1.00%
Other	\$45,913	\$43,198	\$35,678	\$35,744	\$66	0.18%
Transfers Out	\$880	\$0	\$0	\$0	\$0	0.00%
Total Expenses	\$190,793	\$184,336	\$184,818	\$186,700	\$1,882	1.02%
Net Income (loss)	-\$17,502	-\$7,027	\$7,372	\$0	-\$7,372	
Cash Balance	\$19,781	\$12,753	\$20,125	\$20,125	\$0	

Par 30 Projected Annual Cash Balance



Water 5-Year Forecast

Review of 2009 Water Rate Analysis: Objectives

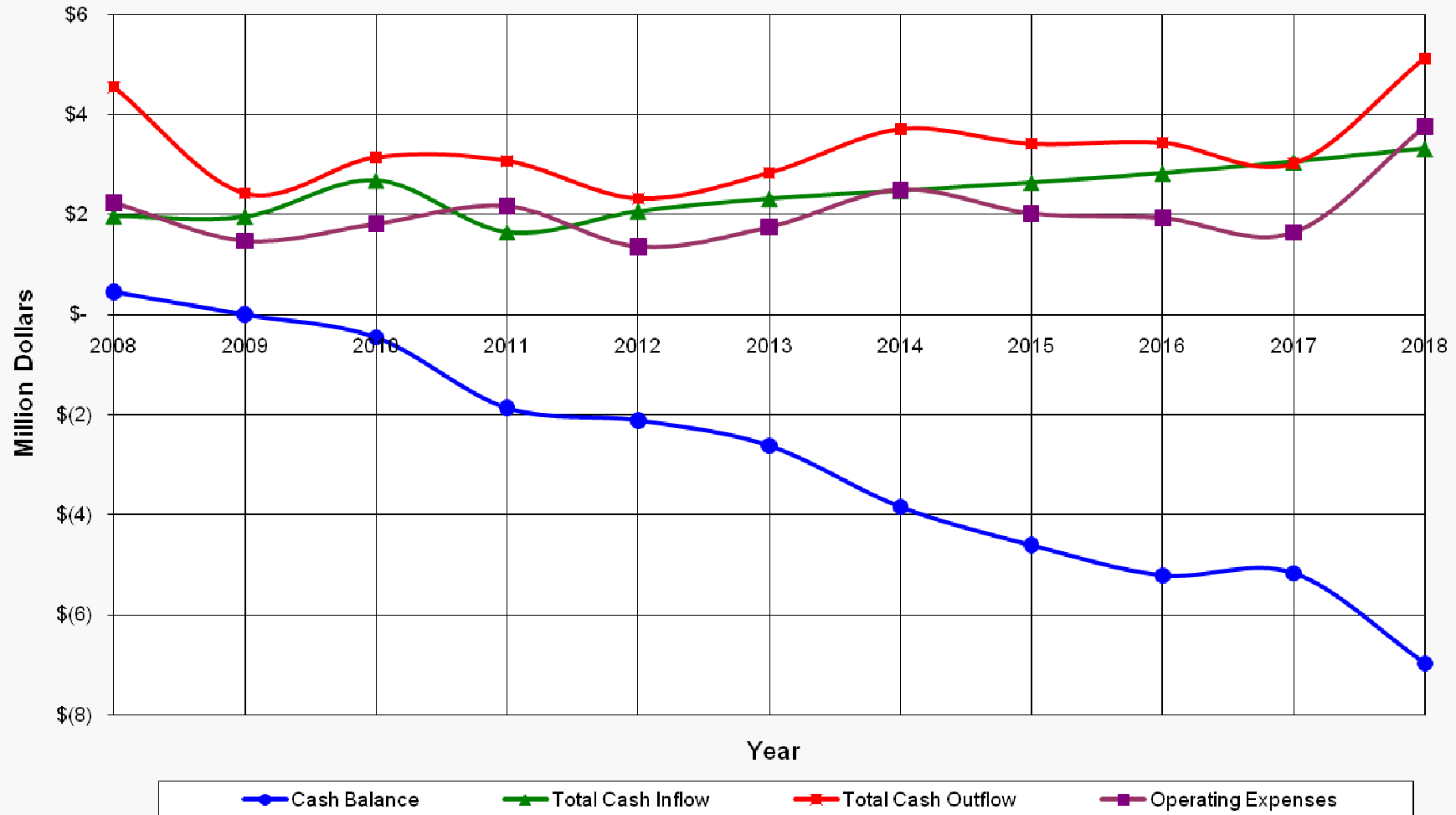
- Develop an inclining block rate that meets all DNR conservation requirements
- Develop a base rate that meets all of our current operational and debt obligations (especially with the significant decrease in development)
- Develop a rate structure that is competitive with surrounding communities
- Develop an ongoing rate strategy that helps the City maintain a sustainable water system into the future (existing assets being consumed at a higher rate than being replenished)

Results of Water Rate Analysis

- Continuing to utilize our strategy of a 5% increase annually for the next 10-years, we would have been ~\$7 million in debt after that period
- We were not meeting our current or future water needs at our past rate structure-evidenced by little contribution to Street Recon. Plan and the Trunk fund paying for large maintenance expenses such as repainting water tower
- Chaska was extremely low compared to all metro cities-would be considered an “outlier” in comparison to other cities

Results of Water Rate Analysis

Projected Cash Inflow, Outflow and Cash Balance with Existing Rates Increased 5% Every Year



Actions taken based on Analysis

- In August of 2009 approved new base water rates based on study:
 - \$2.01/1,000 residential
 - \$1.72/1,000 commercial
 - \$1.52/1,000 industrial
- ½ approved for implementation in January 2010; the other ½ in January 2011
 - Did implement the first half in 2010, full rate change would be completed this January
- Implemented Admin. Charge of \$2.27/month to cover fixed charges
- Based on this decision, refinanced the bonds on our Water Treatment Plant
- Approved inclining block rate implemented in January 2010 to meet DNR requirements

2011 Remaining Impact to Residents

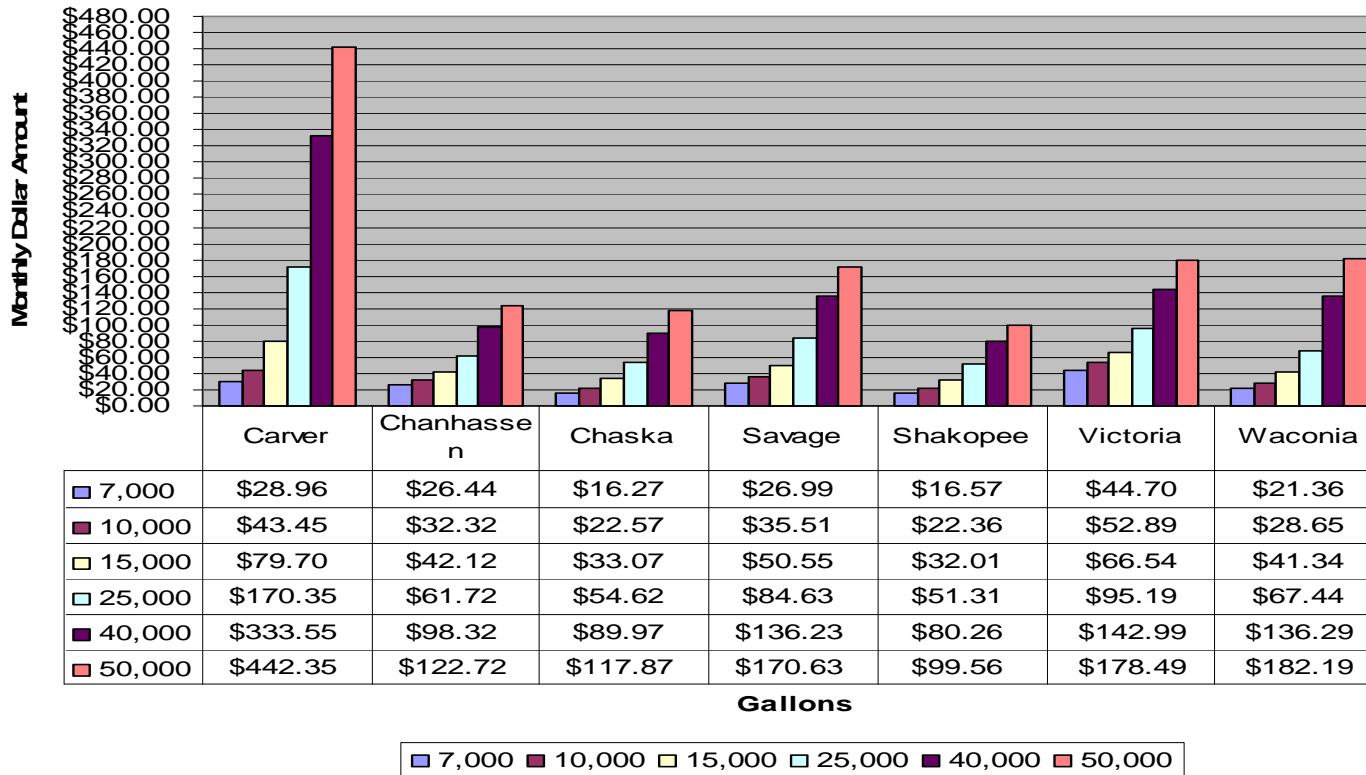
Average Winter Use	Existing Rate	Proposed Rate	Cost Difference
7,000 gallons	\$12.23	\$16.27	\$4.04
Average Summer Use	Existing Rate	Proposed Rate	Cost Difference
15,000 gallons	\$25.31	\$33.07	\$7.76

2011 Remaining Impact to Businesses

Commercial	Existing Rate	Proposed Rate	Cost Difference
47,000 gallons	\$70.47	\$85.95	\$15.48
Industrial	Existing Rate	Proposed Rate	Cost Difference
117,000 gallons	\$159.09	\$181.29	\$22.20

Comparison to Surrounding Communities (including Admin. Charge)

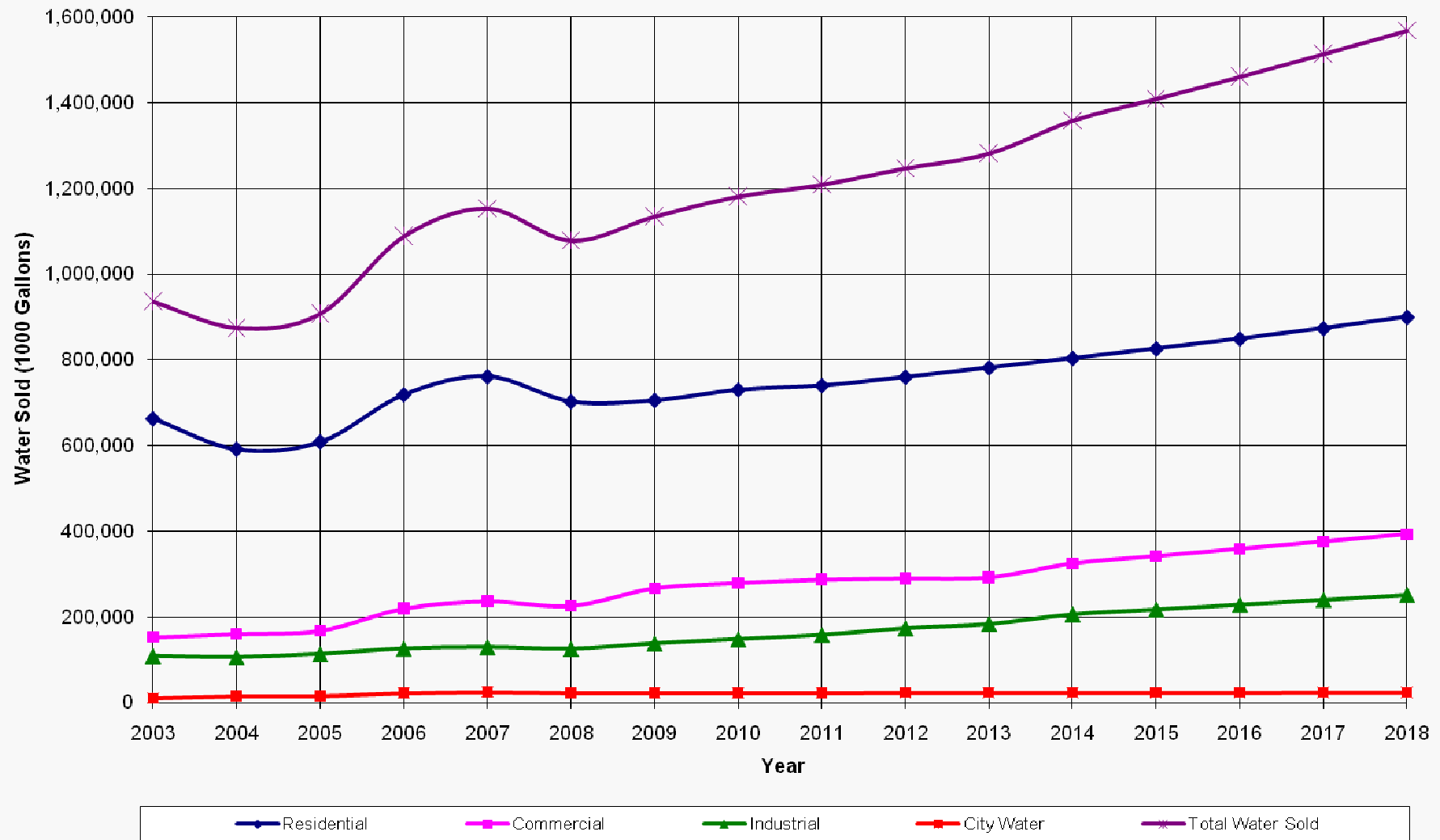
2010 Proposed Residential Rate Comparison With Neighboring Cities



-Rates would remain lowest of all surrounding communities, with comparisons showing 2009 rates of other communities

Chaska's Annual Water Usage

Historic and Projected Annual Water Sales



Water Fund Forecast Assumptions

- We will see just over 600 new homes constructed in Chaska over 5-year period, along with some C/I growth over 5-years
 - New C/I customers, such as 212 Medical Center and UHG will be significant users of our water system
- Estimating an average increase of 2.12% each year in water usage over 5-years based on growth assumptions (this is up from 1.3% we assumed last year-due mainly to new C/I users)
- Will have new rate structure fully implemented in January of 2011, with a 1% increase annually beyond this

Water Fund Forecast Assumptions

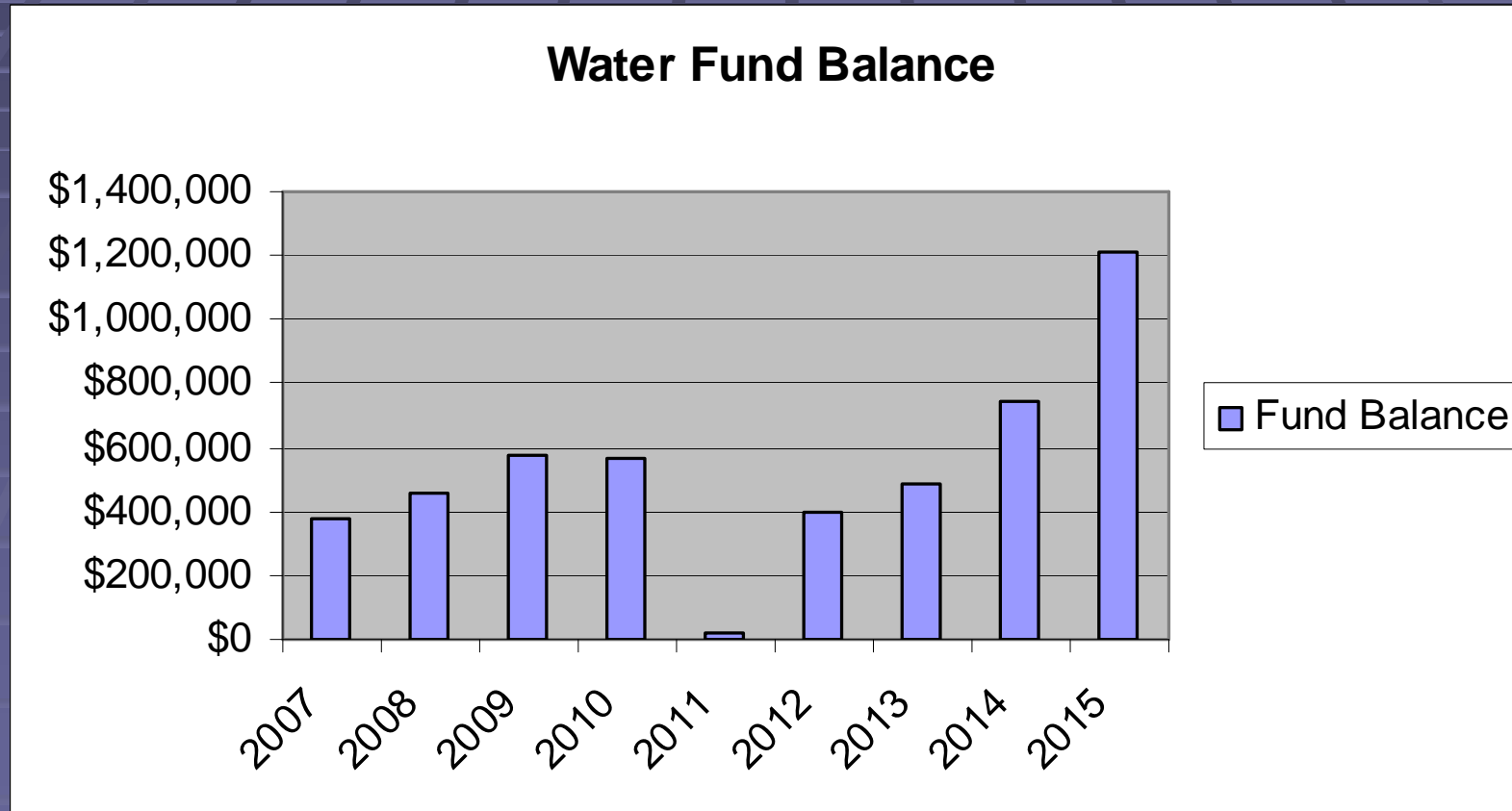
- Addition of 1 Maintenance worker in each of 2012 and 2015- dependent on actual pace of development (these are growth positions)
- Painting of Hazeltine Industrial Tower in 2011 for \$1,000,000 (originally to be completed in 2008-needs to be completed in 2011)
- Removal of the Hazeltine Water Tower in 2014
- 5-Year Meter replacement program starting in 2012
 - Will be done in conjunction with Electric Department and Utility Billing Software updates
 - Chaska.net infrastructure being used for this change
- Normal 4 year schedule of Well maintenance (6 wells)
- Contribution of \$40,000 annually towards Street Reconstruction Program. In future will look to increase this contribution

Water Fund

Revenue/Expenditure Projection

	Actual 2008	Actual 2009	Budget 2010	Budget 2011	Change	% Change
Revenues						
Metered	\$1,231,201	\$1,386,025	\$2,042,000	\$2,101,000	\$59,000	2.89%
Other	\$159,243	\$139,439	\$123,125	\$333,125	\$210,000	170.56%
Transfers In	\$1,215,152	\$482,461	\$252,470	\$623,795	\$371,325	147.08%
Total	\$2,605,596	\$2,007,925	\$2,417,595	\$3,057,920	\$640,325	26.49%
Expenses						
Pumping	\$213,384	\$171,761	\$303,815	\$1,205,853	\$902,038	296.90%
Treatment	\$209,386	\$213,439	\$219,524	\$221,719	\$2,195	1.00%
Distribution	\$527,316	\$472,156	\$593,264	\$537,697	-\$55,567	-9.37%
Administration	\$241,177	\$278,572	\$291,569	\$316,712	\$25,143	8.62%
Depreciation	\$667,378	\$635,906	\$0	\$0	\$0	0.00%
Debt Service	\$535,462	\$525,663	\$520,470	\$1,278,445	\$757,975	145.63%
Capital	\$8,626	\$3,690	\$0	\$0	\$0	0.00%
Tranfers Out	\$3,925	\$4,043	\$44,100	\$44,200	\$100	0.23%
Total	\$2,406,654	\$2,305,230	\$1,972,742	\$3,604,626	\$1,631,884	82.72%
Net Gain (loss)	\$187,097	-\$297,305	\$444,853	-\$546,706	-\$991,559	

5-Year Fund Balance Projection



Chaska Community Center

2011-2015 Five Year Forecast

CCC Objectives

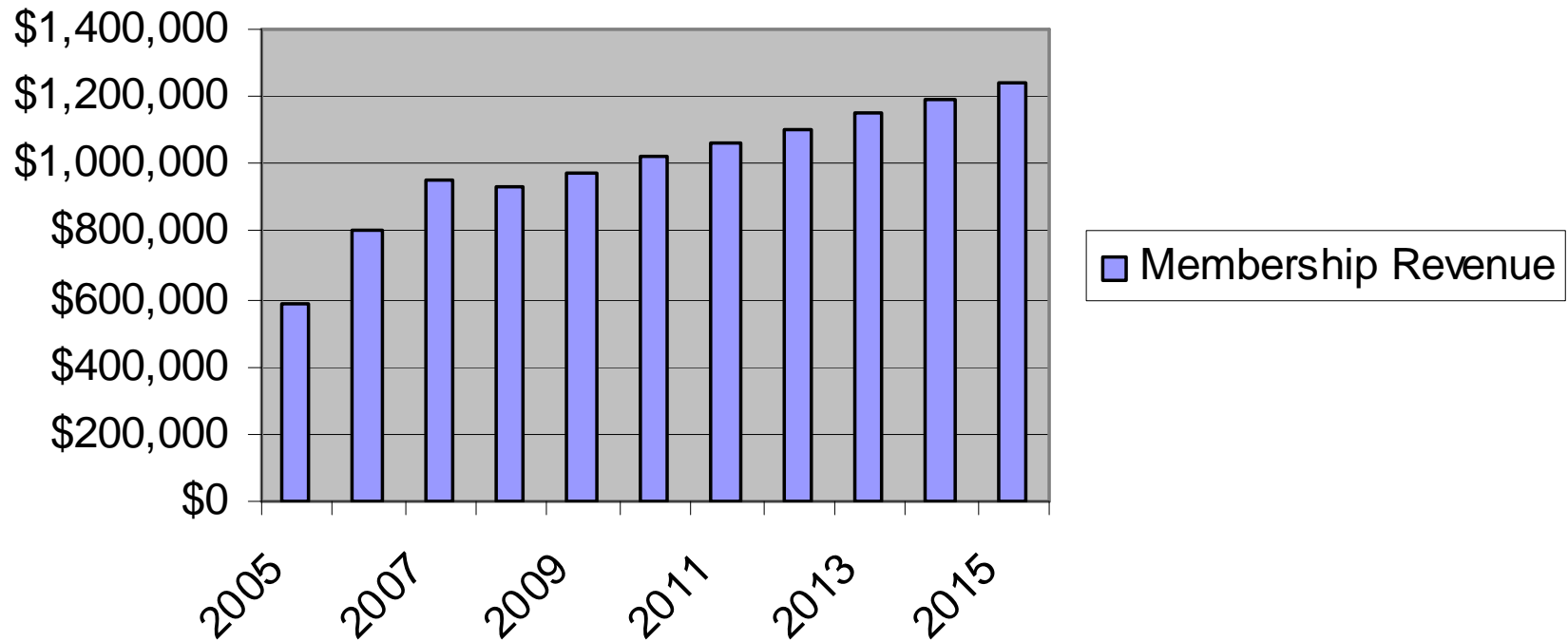
- Promote community gathering and interaction
- Provide family and individual recreation with an emphasis on fun
- Enhance Chaska's community pride and identity
- Be financially self-supporting with no property tax support
- Build a cash-balance in CCC fund to be able to accommodate future maintenance and improvements that will be needed on an aging facility

Membership vs Daily Admissions

- Over the past several years, we have seen a drop and stabilization of daily admissions
- At the same time we have seen a large increase in memberships-memberships account for 34% of revenues (increase of 2% from just last year)
- Increase in memberships started coming at the same time that we brought the Wellness Addition, The Lodge and Treks and Trails on-line
- Have also seen many memberships come through the Health Insurance packages-Health Partners, Medica, Blue Cross, U-Care, as well as a push for Corporate Memberships with area businesses

Membership Trends

CCC Membership Revenue



CCC Partnerships

- St. Francis Addition/Capable Kids: ~\$185,000 annually toward leasing addition and basement space
- ISD #112: \$37,000 annually for use of the CCC during daytime for school activities (does not include agreement for ice time)
- Ridgeview Medical Center: Health Fitness Coordinator- Provides 20 hours per week at CCC for multi-generational fitness programs
 - 2010 was first year that position focused on fitness program. Prior to this it was solely senior programming-has been a good move for all age programming

CCC-Transfers in From Other Funds

- \$100,000 Annually from the Electric Fund (has occurred since the original construction of the CCC)
- The Lodge Debt Service-Transfers in coming from Electric and Equipment Acquisition Fund (~\$250,000 annually)
 - Original plan to have CCC contributing towards this debt service starting in 2015 at \$70,000 annually-will be monitoring this to see if this is feasible-have programmed the continued contribution from Electric
- St. Francis wing/2nd Sheet of Ice debt was completed in 2010

5-Year Forecast Assumptions

- Membership revenue grows an average of 4% annually through 5-year period
- All other sales grow 2% annually
- No new full-time positions planned in the 5-Year period
 - Reallocating resources from existing position to combine with other existing City communications resources to create one FT communication position for entire City (no new resources-reprogramming of dollars)
- \$50,000 annually put toward annual building improvement program (are continuing to identify ways to build up reserve fund for future capital replacement-which is why we have continued to program Electric transfers for The Lodge debt)
- No new major additions through entire 5-year period

CCC Revenues

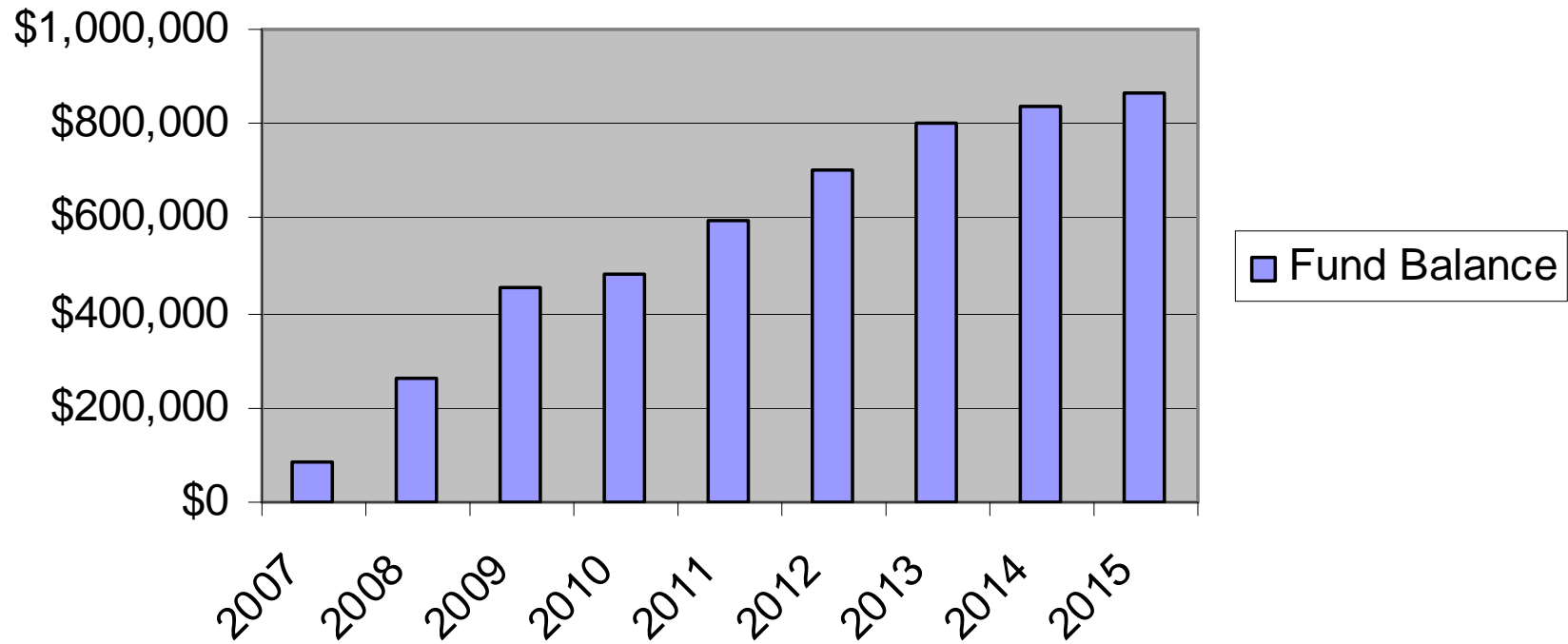
	Budget	Budget	Budget	Budget		%
REVENUES	2008	2009	2010	2011	Change	Change
<i>Admissions</i>	\$165,772	\$160,837	\$160,111	\$160,111	\$0	0%
<i>Membership</i>	\$910,498	\$971,950	\$1,045,395	\$1,062,505	\$17,110	2%
<i>Gymnasium</i>	\$70,415	\$71,824	\$70,427	\$74,402	\$3,975	5%
<i>Racquetball</i>	\$12,478	\$12,727	\$12,423	\$12,787	\$364	3%
<i>Swimming lessons</i>	\$59,000	\$59,000	\$65,000	\$85,500	\$20,500	24%
<i>Fitness area</i>	\$89,600	\$93,880	\$110,501	\$141,449	\$30,948	22%
<i>Arena</i>	\$629,469	\$640,956	\$608,097	\$624,573	\$16,476	3%
<i>Community Room</i>	\$20,000	\$20,000	\$20,000	\$20,000	\$0	0%
<i>Snior Center</i>	\$39,688	\$47,802	\$48,218	\$24,700	(\$23,518)	-95%
<i>Craft rooms</i>	\$34,540	\$35,231	\$35,936	\$37,103	\$1,167	3%
<i>Tot time</i>	\$13,300	\$13,566	\$10,000	\$11,400	\$1,400	12%
<i>St. Francis rental</i>	\$171,379	\$179,338	\$196,701	\$184,316	(\$12,385)	-7%
<i>IDS #112</i>	\$144,670	\$37,474	\$37,000	\$37,000	\$0	0%
<i>Theater</i>	\$55,999	\$58,907	\$72,085	\$72,085	\$0	0%
<i>Center Cafe</i>	\$3,000	\$3,500	\$2,751	\$2,000	(\$751)	-38%
<i>Birthday Party Room</i>	\$39,120	\$32,000	\$32,000	\$35,140	\$3,140	9%
<i>Day care/ indoor playground</i>	\$30,000	\$30,000	\$30,000	\$30,920	\$920	3%
<i>Trek and Trails pre school</i>	\$105,750	\$118,400	\$120,000	\$80,500	(\$39,500)	-49%
<i>Adventure Prog/Club Extreme</i>	\$52,000	\$65,000	\$70,000	\$74,326	\$4,326	6%
<i>Vending</i>	\$45,904	\$44,629	\$40,000	\$40,000	\$0	0%
<i>Misc.</i>	\$108,993	\$389,466	\$60,068	\$102,483	\$42,415	41%
Total Operating Revenues	\$2,962,400	\$3,086,487	\$2,846,713	\$2,913,300	\$66,587	2%
Non-operating						
<i>Equipment Acquisition/Interest</i>	\$18,600	\$9,513	\$28,400	\$29,700	\$1,300	4%
<i>The Lodge Debt Trans</i>	\$168,000	\$188,000	\$161,000	\$113,000	(\$48,000)	-42%
<i>Electric fund transfer</i>	\$100,000	\$100,000	\$100,000	\$100,000	\$0	0%
Total Non operating	\$286,600	\$109,513	\$289,400	\$242,700	(\$46,700)	-19%
TOTAL REVENUES	\$3,249,000	\$3,196,000	\$3,136,113	\$3,156,000	(\$59,887)	-2%

CCC Expenditures

EXPENSES	Actual 2008	Actual 2009	Budget 2010	Budget 2011	Increase	Increase %
<i>Personnel services</i>	\$1,508,876	\$1,544,005	\$1,568,016	\$1,543,048	\$ (24,968)	-1.59%
<i>Other services/ charges/supplies</i>	\$1,222,105	\$2,061,868	\$1,280,230	\$1,323,601	\$ 43,371	3.39%
<i>Ice arena debt service</i>	\$ 69,748	\$ 69,748	\$ 69,748	\$ -	\$ (69,748)	-100.00%
<i>Lodge Debt</i>	\$ 168,000	\$ 168,000	\$ 124,175	\$ 124,175	\$ -	0.00%
<i>St. Francis debt</i>	\$ 56,820	\$ 56,820	\$ 56,820	\$ -	\$ (56,820)	-100.00%
<i>Capital replacements</i>	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ -	0.00%
Total expenses	\$3,075,549	\$3,950,441	\$3,106,987	\$3,040,824	\$ (66,163)	-2.13%

CCC 5-Year Cash Balance

CCC Annual Fund Balance



Sewer Fund 5-Year Forecast

Sewer Fund

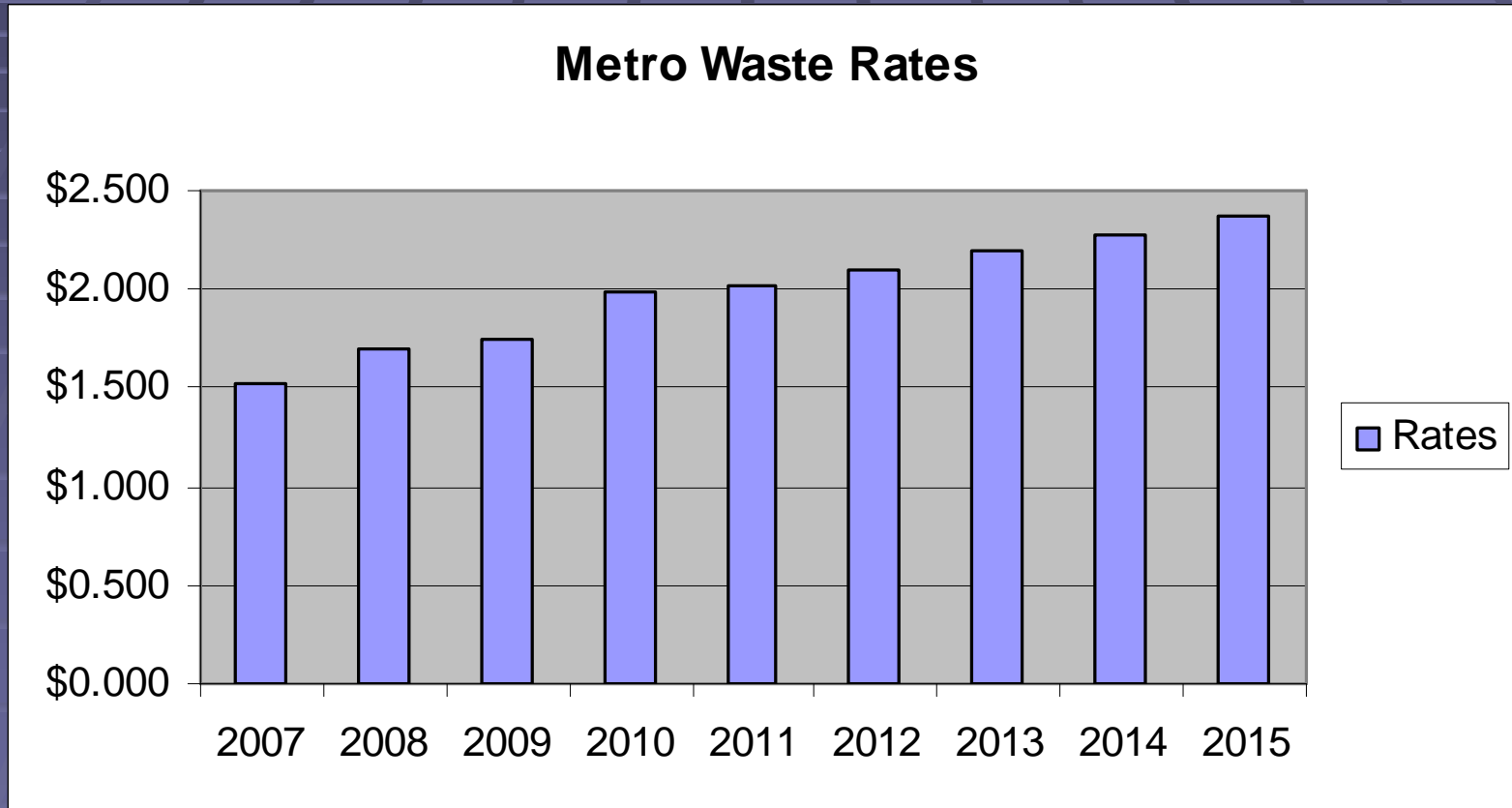
Objectives/Assumptions

- Provide the necessary resources for the Sewer Fund to assure continuation of quality of services to customers
- Maintain rates comparable to other cities, while at the same time maintaining adequate cash reserves for emergencies
- Assume that increases in Metro Sewer fees are not being subsidized through our sewer fund reserves
- Assume that major capital improvements to collection system not financed from rate revenue (financed through Trunk Funds)

Changes at Metro Waste

- Downturn in economy has had significant impact on Metro Waste
- Debt Service for Metro Waste's Treatment system was financed assuming use of SAC charges (associated with new development) paying for debt service
- Current low growth rate, and subsequent lack of SAC fee collection, has not allowed Metro Waste to generate enough to cover their debt service
- Metro Waste was forced to shift some of the debt service responsibility onto users through their rate structure-result is 12.91% increase in 2010 in Metro Waste fees
- 2011 the total Metro increase to Chaska has stabilized, with an effective 2.27% increase in our rates
- Five-year assumes that they continue to be an average of 3.9% annual increase in Metro Waste fees each year of 2011-2015
- Shift from SAC fees onto rates came through the work of a Metro Council task force that reviewed this issue

Metro Waste Rates



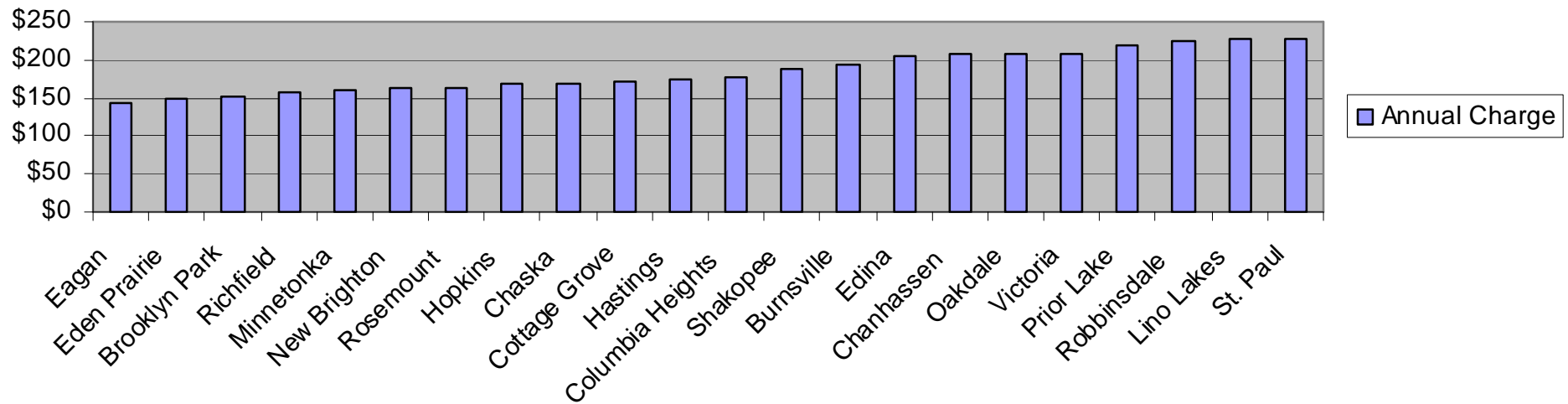
Metro Waste Impact on City Rates

- City has typically tried to establish City sewer rate to not force us to utilize reserves to subsidize any Metro Waste rate increase
- Since we had to increase 7.93% in 2010 to meet that objective to keep up with the Metro Waste sewer rates, Staff is recommending a rate increase of 1.51%
 - This would reduce our marginal revenue by 10.74%, but would still keep fund balance we are comfortable with
- Have assumed it would increase approximately 2.5% each of the other years in the forecast
- Average impact on residents in 2011:

Average Sewer Use,	2010	2011	Monthly Change
7,000/month	\$21.91	\$22.26	\$0.35

Sewer Rate Comparisons

Average Annual Sewer Charge



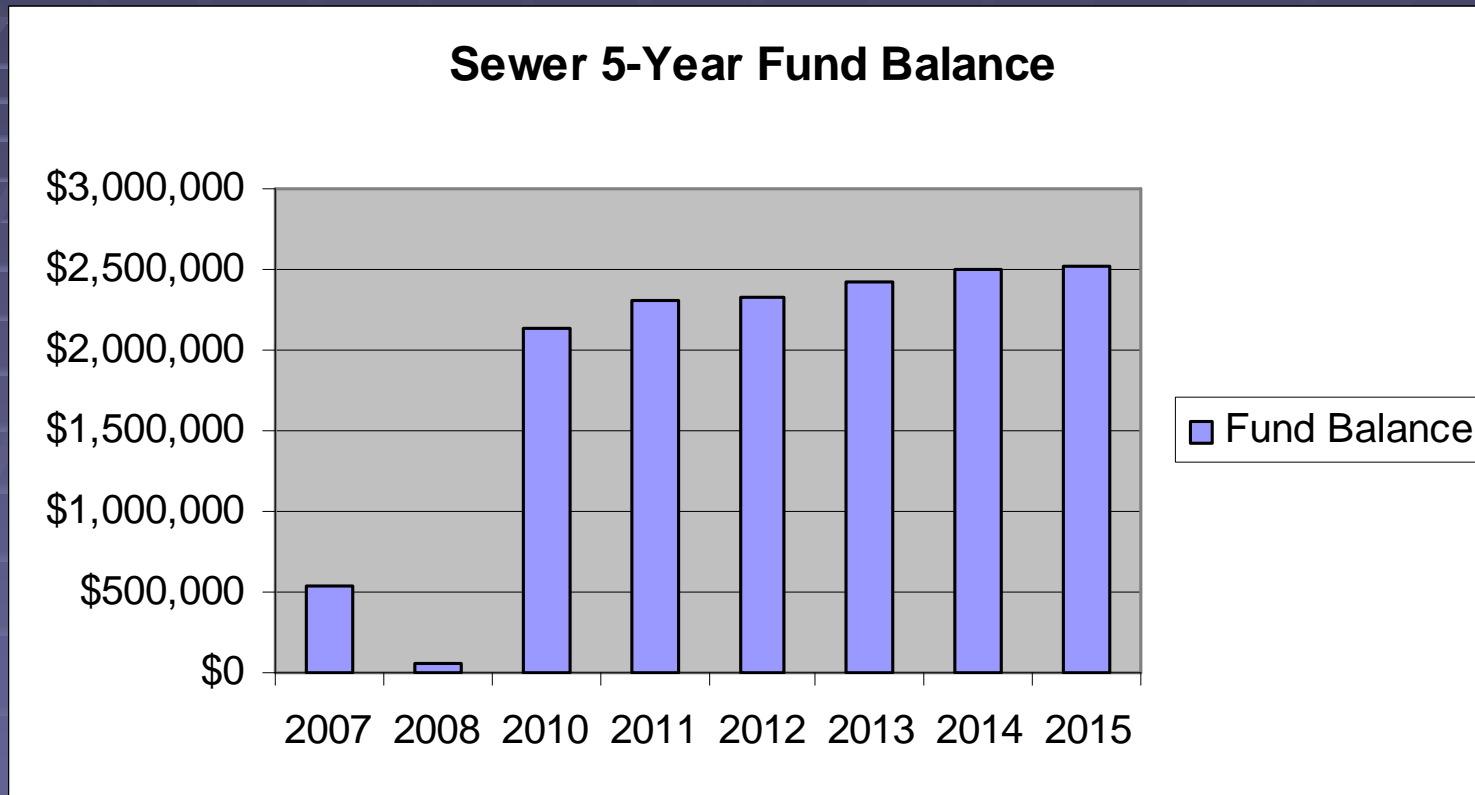
Key 5-Year Forecast Assumptions

- Retail rates increase by 1.51% in 2011 to keep up with Metro Waste changes, and then average 2.5% increase each subsequent year
 - Do this to mitigate large rate increase in 2010 from Metro Waste
- See just under 500 housing units with some comm/industrial developed in 5-years
- Addition of maintenance staff in 2012 and 2015-dependent on growth
- Fully Fund our Equipment Replacement Schedule
- Normal maintenance work on lift stations, sewer lines and Inflow and Infiltration Program
- Start of meter replacement program starting in 2012-in conjunction with Water/Electric/Utility Billing
- Addition of dollars to Street Reconstruction Program in 2011-Sewer replacement part of downtown portion of Street Program

Revenues/Expenditures

	Actual 2008	Actual 2009	Budget 2010	Budget 2011	Change	% Change
Revenues						
Metered Sales	\$2,001,465	\$2,079,239	\$2,356,000	\$2,743,000	\$387,000	16%
Other Revenues	\$120,939	\$213,811	\$42,613	\$55,992	\$13,379	31%
Total	\$2,081,424	\$2,171,556	\$2,398,613	\$2,798,992	\$400,379	17%
Expenses						
Pumping	\$12,387	\$7,329	\$19,716	\$19,913	\$197	1%
Treatment	\$1,401,054	\$1,467,994	\$1,563,594	\$1,794,911	\$231,317	15%
Collection	\$345,287	\$412,234	\$427,216	\$472,819	\$45,603	11%
Administration	\$236,222	\$278,479	\$320,067	\$345,584	\$25,517	8%
Capital	\$116,400	\$50,900	\$4,100	\$4,200	\$100	2%
Total	\$2,078,444	\$2,263,812	\$2,334,693	\$2,637,427	\$302,734	13%
Gain	\$2,980	-\$92,256	\$63,920	\$161,566	\$97,646	

5-Year Fund Balance



Sewer Fund Balance once again healthy, but will not see a lot of growth over the 5 year period

Chaska Electric Fund

2010-2014 Financial Forecast

Chaska Electric Utility Purpose and Mission

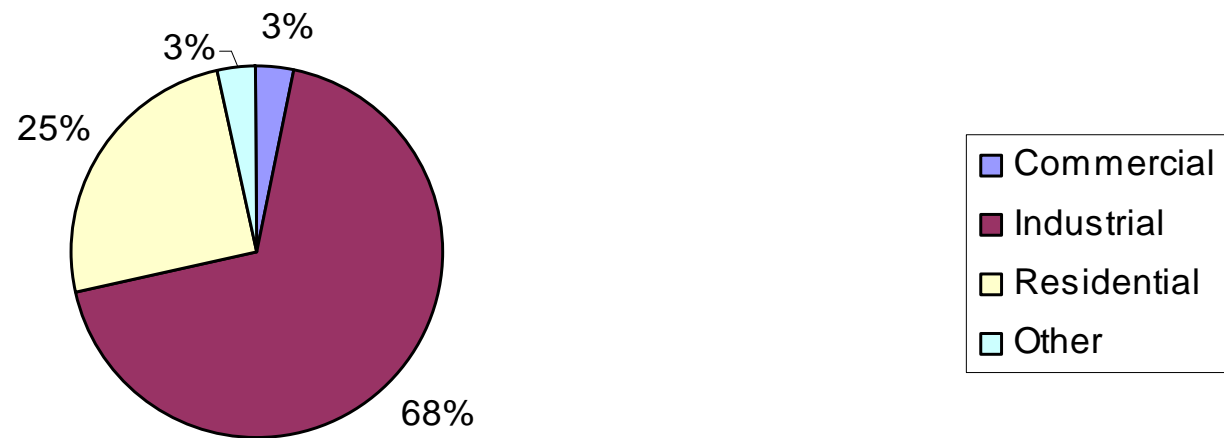
The mission of the Chaska Electric Utility is to provide reliable and efficient electric service to Chaska customers at competitive rates and to provide financial aid to the City in keeping Chaska's property taxes low.

Trends Effecting Chaska Electric

- Decreased residential development with renewed focus on the commercial/industrial market
- Increased loads coming from large C/I Economic Development Projects over next 3 years (I.e. Michael's Foods, 212 Medical Center, United Health Group)
- Increased electric usage by existing residential and commercial/industrial customers
- Stabilization of raw product costs to produce electricity (Natural Gas price stabilization positively has effected Energy Adjustments)
- Legislative mandates for "Green Power" initiatives
- Xcel has recently requested an additional 7.4% rate increase-will have positive impact in keeping our rates lower than our main competitor as they just received just over a 5% increase this past year

Chaska Electric Usage

Electric Sales by Class



Chaska's Projected Growth

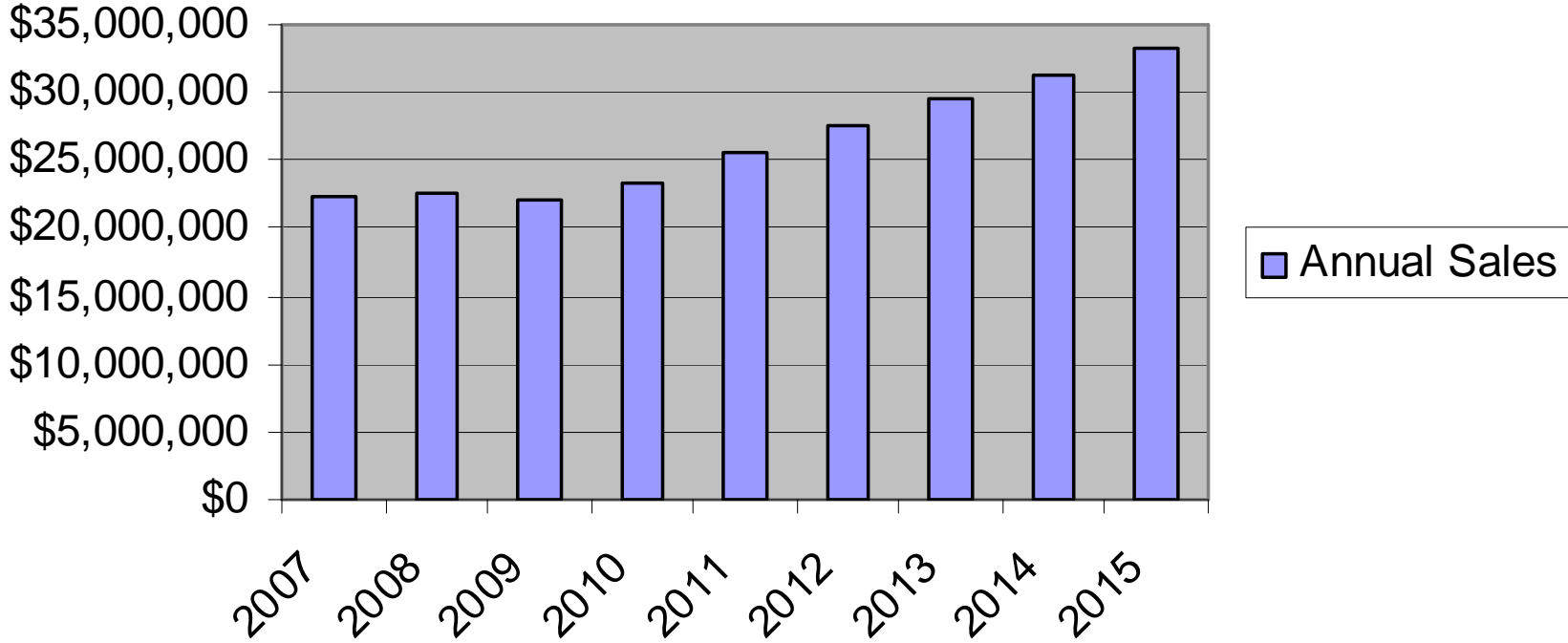
Year	# of Housholds	# of New	Est. Pop.
2000	6,979	445	17,449
2001	7,394	415	18,485
2002	7,909	515	19,773
2003	8,378	469	20,945
2004	8,854	476	22,135
2005	9,122	268	22,805
2006	9,323	201	23,308
2007	9,553	230	23,883
2008	9,743	190	24,358
2009	9,767	24	24,418
2010	9,832	65	24,580
2011	9,907	75	24,768
2012	10,039	132	25,098
2013	10,089	50	25,223
2014	10,235	146	25,588
2015	10,323	88	25,808

Green Power Initiatives

- State Mandates to achieve 25% generation from renewable sources by 2025-Targeted goals throughout this transition (i.e. 12% by 2012)
- MMPA is in the process of developing 3 large wind farms in Southern Minnesota to meet these requirements-1st of these 3 is planned to be developed and construction in 2011
 - MMPA sold bonds to support first project development on November 17th
- MMPA completed the Hometown Windpower Project –160KW in each member city
- MMPA received over \$3 million in grant funds to start Hometown Geopower initiative
 - Exploring the retrofit of existing apartment units in Chaska
- Members will be required to utilize conservation improvement fund dollars to demonstrate 1.5% actual decrease in electric usage annually
- Creation of our Residential Energy Auditor position

Projected Electric Sales

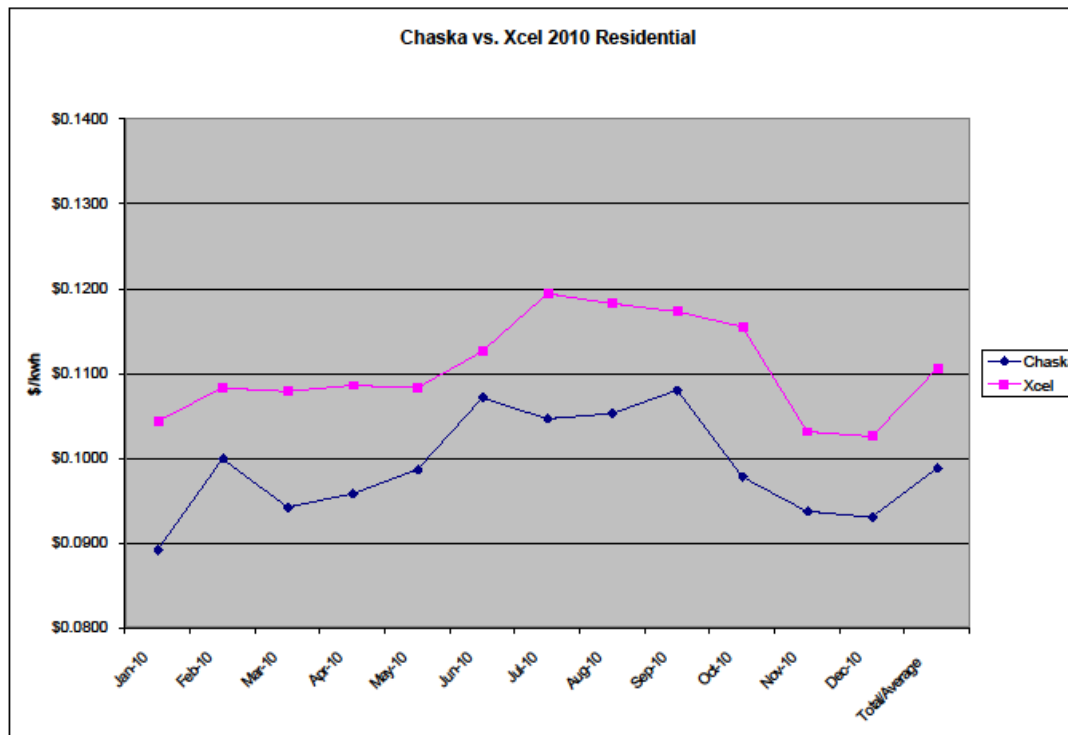
Chaska Electric Annual Sales



Electric Generating Cost Trends

- All Electric Utilities have seen the Energy Adjustment Costs to customers become more of a significant expense over last several years with the instability of raw product costs
- Chaska's EAC continued to be very low in 2010 due to continued low Natural Gas prices, and a stabilization of this market
- Expect to see that Natural Gas markets remain relatively low and stable in near future
- Had positive impact of making Chaska's electric prices significantly lower than other area utilities over past year, as our generating assets use mainly natural gas
 - Expect to see this trend continue as Xcel has requested another 7.4% rate increase for this upcoming year (is 2nd request in past two years)

Chaska vs Xcel Residential Comparison



2010 Rates were 12.1% lower in Chaska than Xcel (2009 rates were about 10.1% lower)

5-Year Forecast Assumptions –

- Wholesale costs of electricity from MMPA will increase in 2011 by 3%, with 2.63% average increases programmed through 5-year period (this does not include the EAC-which is determined and passed through on a month-to-month basis)
- Chaska's Electric rates would need to go up 2.25% in 2011 to keep our rates of marginal reserves staying steady
- This would continue to allow us to remain very competitive with Xcel's pricing, especially if they were to receive their rate increase request (would likely remain around 10% lower for residential rates)
- Projecting electric usage will be up by an average of 7.34% annually throughout the 5-year period
 - Growth coming through addition of new large Commercial/Industrial users

Revenue Forecast

	Actual 2008	Actual 2009	Budget 2010	Budget 2011	Change	% Change
Electric Sales	\$28,025,789	\$23,193,541	\$24,092,100	\$26,365,300	\$2,273,200	9.44%
Other Revenue	\$312,265	\$397,793	\$335,400	\$270,100	-\$65,300	-19.47%
Total Revenue	\$28,338,054	\$23,591,334	\$24,427,500	\$26,635,400	\$2,207,900	9.04%

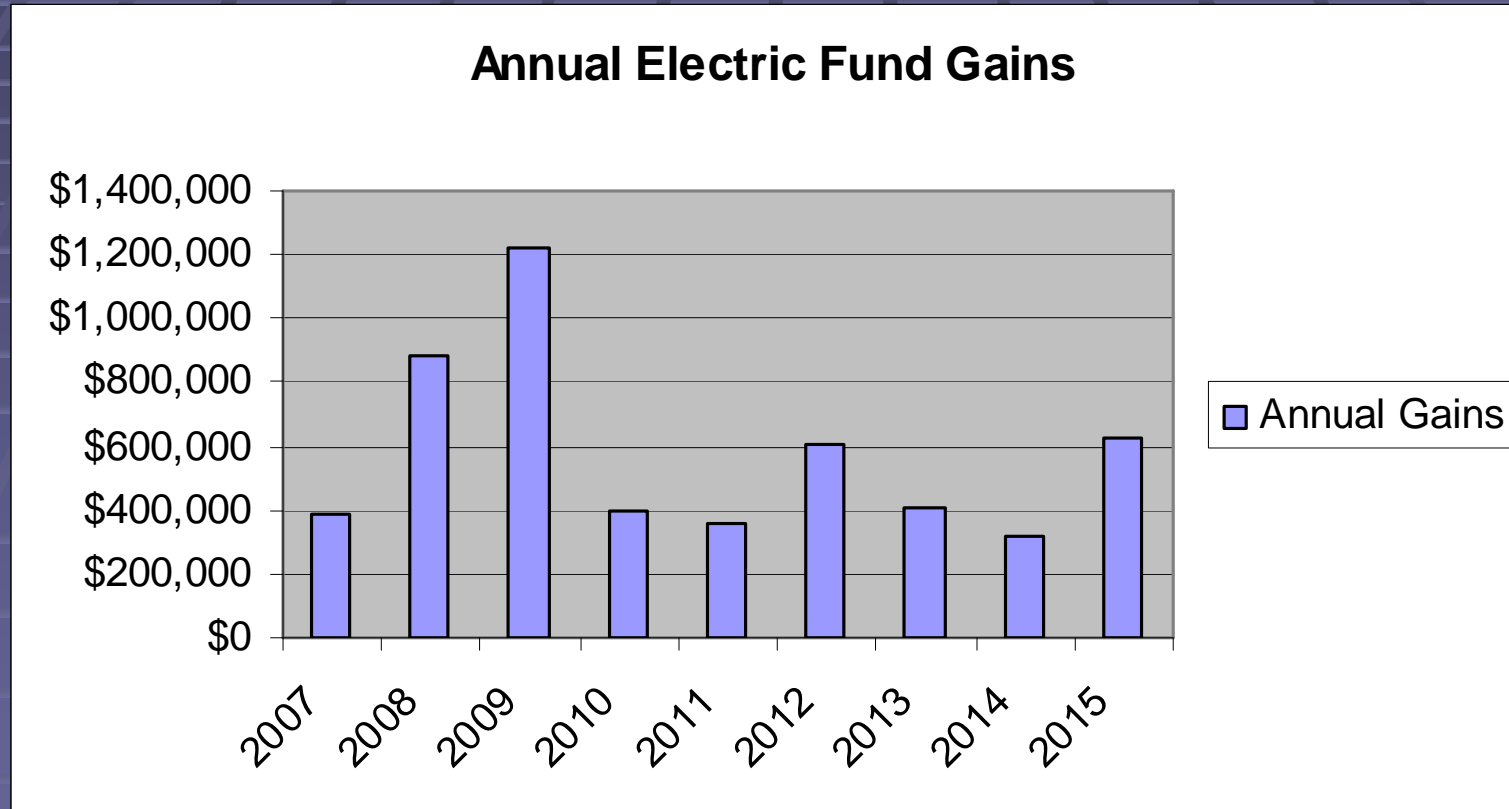
5-Year Major Expenses

- Line Crew Scheduled to start in 2012 and 2014 (dependent on growth)
- Continue to see Transfers to Fire Station for \$300,000 for debt service until 2015
- Continue to see \$100,000 transfers to CCC fund
- Continue contribution going toward The Lodge debt (averages just over \$100,000 annually through 2015)
- Major work to Chaska Substation in 2011 for \$1,500,000 million, along with the addition of new substation in the West Creek Development at same time
 - Would finance these improvements with debt service estimated at \$415,000 annually for 20 years
- Includes 5-year system improvement dollars built into each years budget:
 - 2011: \$595,000
 - 2012: \$525,000
 - 2013: \$830,000
 - 2014: \$790,000
 - 2015: \$600,000

Expenditure Forecast

	Actual 2008	Actual 2009	Budget 2010	Budget 2011	Change	% Change
Purchased Power	\$21,764,480	\$16,660,295	\$17,726,000	\$19,322,000	\$1,596,000	9.00%
Franchise Fee	\$2,309,000	\$2,256,000	\$2,380,000	\$2,529,000	\$149,000	6.26%
Operating Costs	\$2,555,307	\$2,477,333	\$2,699,935	\$2,795,662	\$95,727	3.55%
Capital	\$296,832	\$551,572	\$555,000	\$1,010,000	\$455,000	81.98%
Debt	\$77,170	\$75,536	\$104,219	\$104,219	\$0	0.00%
Transfer	\$453,657	\$346,087	\$569,200	\$521,300	-\$47,900	-8.42%
Total	\$27,456,446	\$22,366,823	\$24,034,354	\$26,282,181	\$2,247,827	9.35%
Annual Balance	\$881,608	\$1,224,511	\$393,146	\$353,219	-\$39,927	-10.16%

Electric Fund 5-Year Annual Gains in Cash Balance



Total Fund Balance estimated to be \$6,864,000 at end of 5-year period

Chaska.net 5-Year Financial Forecast

2011-2015 Financial Forecast

Chaska.net Mission

Through the use of existing fiber optic and wireless technology, develop a high quality, low cost, high speed Internet service for Chaska's public business and residential entities, thereby enhancing Chaska's vision of being a connected community.

Chaska.net History

- Started in 2000 with partnership between District #112 and City-City provided direct fiber service to School over KMC fiber line
- Expanded into Point-to-Multipoint Wireless Business-class service in 2001-in 2003, added service to surrounding communities
- In 2004, expanded to residential Wi-Fi service-low cost, fast speed service
- Have invested \$3.3 million in developing fiber and wireless service-approximately \$900,000 of cost invested into fiber technology
- Investment in this technology has not only had a positive impact on helping to connect our residents, but has also allowed us to garner more efficiencies in other services we deliver (I.e. Remote meter reading and remote SCADA service for utilities-save on labor costs) Will allow us to garner these efficiencies in future as well

Chaska.net Service Statistics

- 1,935 current residential Wi-Fi customers, and 59 business customers
 - Business Customers include wi-fi, point-to-multipoint and fiber)
- Currently charge \$19.99 per month for residential wi-fi service; \$100-\$500 per month for business-class service
- Provide direct fiber service to School District #112 for \$3,000/month

Chaska.net 5-Year Assumptions

- Increase residential wi-fi service by an average of 21 customers a year over the 5-year period- have seen a stabilization in the number of people who are taking on this service new-we had originally estimated 250 new customer/year
- Residential wi-fi rates stay the same at \$19.99/month
 - Starting to see more pricing competition, especially from DSL (pricing around \$25/month). Price-point and no long-term contract is biggest selling points of our customers
- Over time would phase out Point-to-Multipoint service to other communities -is labor drain to system-however, small investments have allowed us to keep this system going and somewhat profitable

Chaska.net 5-Year Assumptions

- See increase of service with planned C/I growth and Chaska Biotech Center growth
- Would plan on completing City fiber loop and service as continuing development occurs in Chaska Biotech Center- especially south of Engler
- Possibly a 2011 project although conservatively plan as a 2013 project

Year	Annual	Total
2010	\$0	\$0
2011	\$0	\$0
2012	\$0	\$0
2013	\$60,000	\$60,000
2014	\$60,000	\$120,000
2015	\$10,000	\$130,000

Chaska.net 5-Year Expenses

- Cancelled the Siemen's Network Operations Service in early 2010
 - This saved approximately \$120,000 per year, with these services being brought back in-house. Did add some dollars in expense for after-hours service by staff, but much less expensive than outsourced service
- Email service migrated to Google this past year.
 - Was done because internal system could not adequately and serve customers anymore
 - Provided better options to customers
 - \$35,000 annual cost for this service
- Overall annual expense savings with these moves-provide current services in a different manner

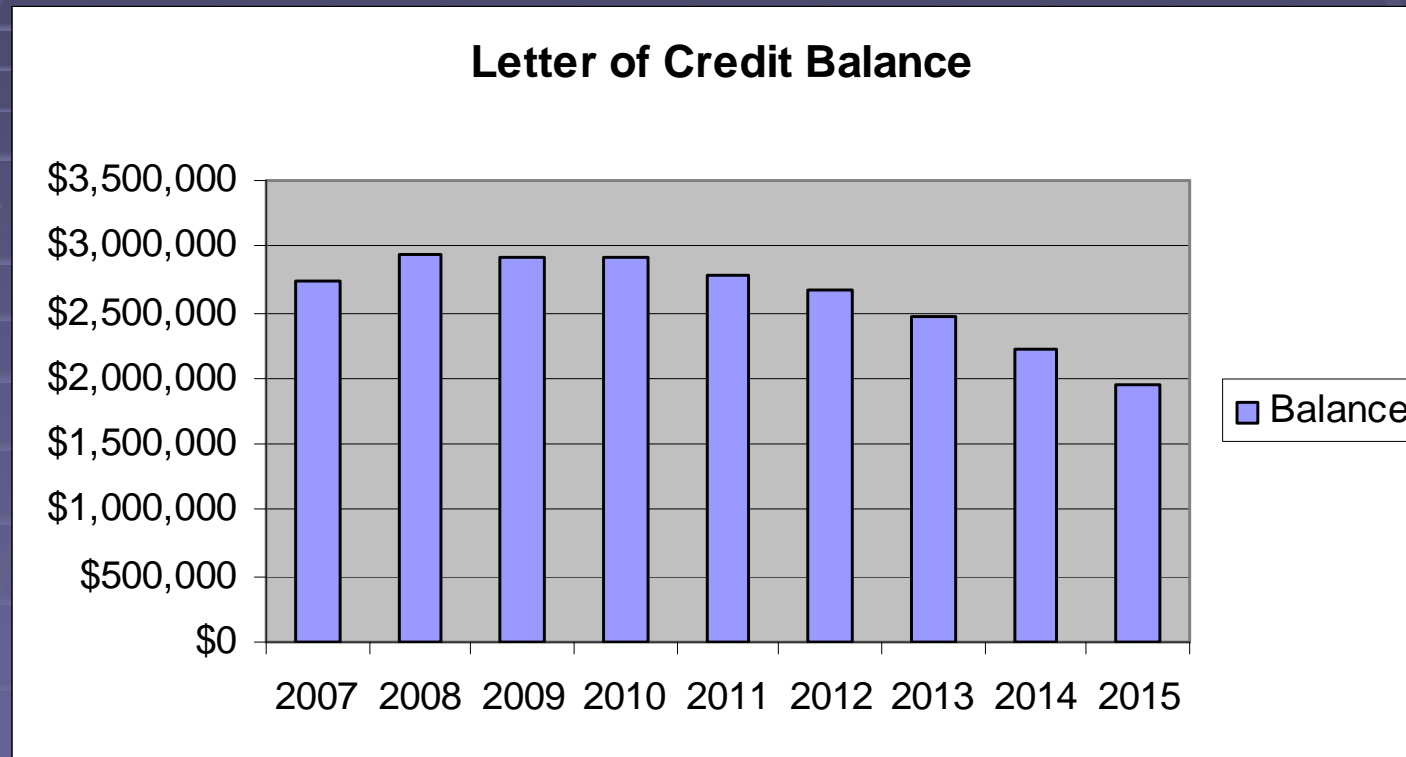
Chaska.net 5-Year Revenues

Revenues	2008 Actual	2009 Actual	2010	2011	2012	2013	2014	2015
Fiber	\$8,421	\$10,577	\$12,493	\$9,478	\$9,478	\$9,478	\$9,478	\$9,478
Fiber T-1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fiber Growth	\$0	\$0	\$0	\$0	\$0	\$60,000	\$120,000	\$130,000
Wireless MP	\$157,740	\$165,351	\$110,357	\$120,594	\$120,594	\$120,594	\$120,594	\$120,594
Wireless WiFi	\$496,524	\$475,586	\$492,834	\$470,884	\$475,922	\$485,997	\$501,109	\$521,259
Wireless Apartment	\$28,000	\$29,866	\$31,806	\$11,293	\$11,293	\$11,293	\$11,293	\$11,293
Other	\$169,516	\$28,485	\$9,511	\$14,519	\$17,037	\$19,556	\$22,075	\$24,594
Total	\$860,201	\$709,865	\$657,000	\$626,768	\$634,324	\$706,918	\$784,549	\$817,218

Chaska.net 5-Year Expenditures

Expenditure	2008 Actual	2009 Actual	2010	2011	2012	2013	2014	2015
Bandwidth	\$99,996	\$99,996	\$100,000	\$101,000	\$104,040	\$106,121	\$108,243	\$110,408
Distribution	\$384,795	\$414,459	\$159,000	\$93,605	\$94,198	\$94,604	\$95,017	\$95,439
Personnel	\$216,574	\$120,584	\$180,220	\$125,225	\$129,099	\$133,115	\$137,278	\$141,595
Operating	\$84,638	\$117,916	\$172,000	\$179,470	\$181,264	\$182,491	\$183,743	\$185,020
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital	\$208,275	\$5,000	\$45,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Bonds	\$230,720	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$1,224,998	\$905,741	\$656,220	\$504,300	\$513,601	\$521,331	\$529,281	\$537,462

Chaska.net 5-Year LOC Balance



Chaska.net Future Decisions

- When current residential wi-fi system is out-dated, will we reinvest into the next technology, or will the private sector be providing a service that meets our price-point and service expectations?
- Is there another service that is interested in purchasing our residential service?
- Are there other ways we should be looking at recouping the investment into the system we have made
 - I.e.: Our Wi-Fi system provides the City with efficiencies in other services we provide, such as utilities, policing, etc...Will our investment in our system in the future serve as an investment into serving City needs as opposed to being a retail product (I.e. Meter Reading Project)

Questions??