



CITY COUNCIL WORK SESSION
City Hall: 23340 Cree St NW
Tuesday, October 11, 2022 at 5:30 PM

AGENDA

- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. AGENDA ITEMS**
 - A. Park Commission
 - B. Water and Sewer Infrastructure
- 4. ADJOURNMENT**

Councilmember Joe Muehlbauer will be attending via Zoom from:

13971 Celebrate Life Way, Goodyear, AZ 85338

Join Zoom Meeting

<https://us02web.zoom.us/j/84157456928?pwd=ODY0bIZWeitGRzA4ZGx6eDlic2E5UT09>

Meeting ID: 841 5745 6928

Passcode: p2ESFS

One tap mobile

+13126266799,,84157456928#,,, *655922# US (Chicago)

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+1 386 347 5053 US

+1 564 217 2000 US

+1 669 444 9171 US

+1 669 900 6833 US (San Jose)

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Meeting ID: 841 5745 6928

Passcode: 655922

Find your local number: <https://us02web.zoom.us/j/84157456928>



**WORK SESSION
AGENDA REPORT**

TO: Mayor and Council
FROM: Kate Thunstrom, City Administrator
SUBJECT: Park Commission
DATE: 10-11-2022

OVERVIEW:

The City has made efforts in advancing its park system by extensive planning and funding. Staff would like to discuss the opinion of brining a Park Commission back into the process.

The powers and duties of the Commission include making recommendations concerning park improvements, park maintenance, upkeep and operations. To develop plans for community recreation and explore ways of providing recreational opportunities. This may include but is not limited to working with neighboring communities, applying for grants, etc. The Commission shall submit requests to Council.

If Council would like to bring a Park Commission together staff would recommend updating a couple of requirements.

	Current Ordinance	Staff Recommendation
Number of Commission	7	5
Meeting Schedule	Monthly	Quarterly
Length of Term	Three years staggered	Two years staggered

ACTION TO BE CONSIDERED:

Consider reinstating a Park Commission beginning in 2023
Consider updating Ordinance related to Commissioner requirements

BUDGET IMPLICATION:

Park Commission Pay as identified in the fee schedule as: Chair \$25 per meeting and Members at \$20 per meeting

- Four meetings a year would cost \$420 if number of Commission is reduced to five and quarterly meetings are held.
- Monthly meetings with the full seven members would cost roughly \$1,440 a year



WORK SESSION AGENDA REPORT

TO: Mayor and Council
FROM: Kate Thunstrom, City Administrator
SUBJECT: Water and Sewer Infrastructure
DATE: 10-11-2022

Staff will review a few historical points, upcoming projects and facility needs to be aware of, current financial standing and discussion future rates.

ACTION TO BE CONSIDERED:

Council to provide feedback on next steps including potential rate increases

Attachments: Council Agenda report from 06/13/2018 on Water/Sewer Rates



**CITY COUNCIL
AGENDA REPORT**
Agenda Item #:
9 A

TO: Joe Kohlmann, City Administrator
FROM: Darcy Mulvihill, Finance Director
SUBJECT: Water/Sewer Rates
DATE: 06/13/2018 & 07/02/2018

OVERVIEW:

Staff has provided a supplemental review to Abdo's rate study. Abdo, provided the City with a rate study that recommended a 3% increase for both utility funds. Since that recommendation, the City has seen a commitment of increased development. Staff has factored in the increased development approved by the City Council in May and June to determine an updated recommendation.

ACTION TO BE CONSIDERED:

Recommendation will draw on cash balances and increased user fees from development.

Water Fund Cash Balance

	Cash Balance	Recommended Cash Balance
2016 Actual	\$ 2,608,308.00	\$ 1,227,664.03
2017 Actual	\$ 3,054,114.00	\$ 1,375,116.88
2018 Budget	\$ 2,903,817.58	\$ 1,808,885.50
2019 Estimate	\$ 2,241,730.08	\$ 1,329,135.05
2020 Estimate	\$ 1,997,353.19	\$ 1,301,228.29
2021 Estimate	\$ 1,786,056.47	\$ 1,307,756.99
2022 Estimate	\$ 1,573,293.84	\$ 1,317,811.11
2023 Estimate	\$ 1,355,425.21	\$ 1,324,077.52

Sewer Fund Cash Balance

	Cash Balance	Recommended Cash Balance
2016 Actual	\$ 2,401,006.59	\$ 1,232,658.01
2017 Actual	\$ 2,257,889.00	\$ 1,347,738.13
2018 Budget	\$ 2,393,025.87	\$ 1,600,042.05
2019 Estimate	\$ 2,332,500.32	\$ 1,666,997.40
2020 Estimate	\$ 2,173,609.39	\$ 1,735,389.68
2021 Estimate	\$ 2,009,034.76	\$ 1,814,876.46
2022 Estimate	\$ 1,827,548.04	\$ 1,890,155.58
2023 Estimate	\$ 1,633,218.35	\$ 1,961,152.96



Rates recommended with a comparison to current rates are as follows:

Current & Proposed Rate Recommendations

	Current Rates	Proposed
Water Base	\$ 19.80	\$ 14.55
Usage Fee		
0-14,999	\$ 6.12	\$ 4.50
15,000-29,999	\$ 6.42	\$ 4.72
30,000-44,999	\$ 7.42	\$ 5.45
45,000 +	\$ 8.86	\$ 6.51
Sewer	\$ 24.50	\$ 20.82
Usage	\$ 9.60	\$ 8.16

This billing based on consumption would be:

Current and Proposed Bills Based on Consumption

Bill Summary				
Consumption	Current	Proposed	\$ Difference	% Difference
1000	\$ 60.55	\$ 48.56	\$ 11.99	20%
2000	\$ 76.27	\$ 61.22	\$ 15.05	20%
3000	\$ 91.99	\$ 73.88	\$ 18.11	20%
4000	\$ 107.71	\$ 86.54	\$ 21.17	20%
5000	\$ 123.43	\$ 99.20	\$ 24.23	20%
6000	\$ 139.15	\$ 111.86	\$ 27.29	20%
7000	\$ 154.87	\$ 124.52	\$ 30.35	20%
8000	\$ 170.59	\$ 137.18	\$ 33.41	20%
9000	\$ 186.31	\$ 149.84	\$ 36.47	20%
10000	\$ 202.03	\$ 162.50	\$ 39.53	20%



The timeline for these changes are as follows:

Council can change the rates as proposed by amending the Fee Schedule Ordinance.
Timeline would be as follows:

- June 18th, 2018: The council would have the 1st reading.
- July 2nd, 2018: The council would have the 2nd reading
- July 5th, 2018: Publication would be in the paper (needs 30 days).
- August 6th, 2018: Rates would be in effect for the bills due September 10, 2018.

At each meeting, there needs to be at least 4 of the council present as the readings need a 4/5's vote. If there are any delays, the rates would not go into effect until the next billing cycle or later.

BUDGET IMPLICATION:

See cash flow statements for estimates of future years.

With these rate adjustments, Council will need to be prepared to look at the rates each year to see how each fund is performing. If a decrease in the performance of either of the funds is seen, a recommended rate increase will have to be implemented to keep the funds performing at a level to provide for the operating expenses, debt service payments and covenants placed on the city.

Attachments:

Ordinance 241, Second Series – Amending Fee Schedule
Water and Sewer Financial Report – Prepared by Darcy Mulvihill
Powerpoint Presentation

CITY OF ST. FRANCIS
ST. FRANCIS MN
ANOKA COUNTY

ORDINANCE 241, SECOND SERIES

AN ORDINANCE AMENDING CHAPTER 2, SECTION 9 (FEE SCHEDULE), PART S
AND PART T (WATER AND SEWER RATES)

THE CITY OF ST. FRANCIS ORDAINS:

Section 1. Code Adopted. That Chapter 2, Section 9, Part S entitled “Water Rates” and Part T entitled “Sewer Rates” shall hereby be amended to read as follows:

	Current Rates	Proposed
Water Base	\$ 19.80	\$ 14.55
Usage Fee		
0-14,999	\$ 6.12	\$ 4.50
15,000-29,999	\$ 6.42	\$ 4.72
30,000-44,999	\$ 7.42	\$ 5.45
45,000 +	\$ 8.86	\$ 6.51
Sewer Base	\$ 24.50	\$ 20.82
Usage	\$ 9.60	\$ 8.16

Balance of Chapter 2, unchanged.

Section 2. Effective Date. This Ordinance shall take effect on the later of 30 days after its publication.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF ST. FRANCIS THIS 2nd DAY OF JULY, 2018.

APPROVED:

ATTEST:

Barbara I. Held
City Clerk

Steven D. Feldman
Mayor of St. Francis



WATER/SEWER RATES

June 18, 2018

Darcy Mulvihill, Finance Director

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History

In 2008, the city was required by the DNR to adopt a water rate structure that encouraged conservation. This was implemented in 2009 and took effect at the beginning of 2010. Over the years of 2009 to 2014, minimal rate increases were implemented. This meant the rates did not keep pace with the increasing operating, maintenance and bond payment costs for each fund. A decline in the cash balances had been happening in each fund.

Some projects paid out of water and sewer revenues have been:

- The new Water Treatment Plant funded by a MN PFA Loan in 2007
- Ambassador Boulevard Lift Station and Improvements in 2010 funded by bonds
- The Woodhaven water pit in 2013 paid out of water plant revenues.
- The new Wastewater Treatment Plant funded by a MN PFA Loan along with PSIG and WIF Grants in 2016

During the 2015 budget process, council was considering several capital improvements along with the new wastewater treatment plant construction. Staff recommended contracting with Northland Securities to complete a long range financial plan which was approved at the November 17th, 2015 council meeting. This plan would take into account all capital equipment requests, bond payments (existing and proposed) and current operating budgets. This plan was to include the funding sources for all projects. This included a rate analysis for the water and sewer funds. Northland securities worked with staff, consultants and the City Council to finalize the Financial Management Plan during January and February of 2015. The final plan was brought before council at a work session on March 15, 2015 and discussed at length. It showed justification for increasing the rates for water and sewer. This plan was accepted by council at the April 6, 2015 Council meeting. At that time, staff prepared an ordinance amending the fee schedule to include the recommended increase in the water and sewer rates. The first reading occurred at the April 20th, 2015 meeting, but the second reading was tabled at the May 4th and May 18th meetings due to concerns from some residents.

After the May 18th meeting, the cash flows were reworked on each of these funds, and a new recommendation was proposed. The new recommendation used a stepped increase for the water and sewer. The new rates were implemented for November 1st, 2015 (bills due 12/10/2015) of a 20% increase in the water rates and a 40% increase in the sewer rates. The next year would need the same increase in the rates and going forward rates would be analyzed during the budget cycle and with a recommendation to council on any changes. Without additional connections and/or increased sales, the rates would need to be increased due to the increasing bond payments for the water and sewer plants.

See below for the rate history since 2009 along with the monthly billing based on consumptions.

	2009	2010	2011	2012	2013	2014	2015	11/1/2015	12/1/2016 to current
Water Service Rates									
Increase								20%	20%
Monthly base fee	\$ 11.50	\$ 11.50	\$ 11.75	\$ 11.75	\$ 11.75	\$ 13.75	\$ 13.75	\$16.50	\$19.80
State test fee	\$ 0.53	\$ 0.53	\$ 0.53	\$ 0.53	\$ 0.53	\$ 0.53	\$ 0.53	\$ 0.53	\$ 0.53
Water usage per 1,000 gallons / equivalent connection:									
Tier 1: 0-14,999 gallons	\$ 3.85	\$ 3.95	\$ 4.25	\$ 4.25	\$ 4.25	\$ 4.25	\$ 4.25	\$ 5.10	\$ 6.12
Tier 2: 15,000-29,999 gallons	\$ 4.00	\$ 4.10	\$ 4.45	\$ 4.45	\$ 4.45	\$ 4.45	\$ 4.45	\$ 5.34	\$ 6.41
Tier 3: 30,000-44,999 gallons	\$ 4.80	\$ 4.80	\$ 5.15	\$ 5.15	\$ 5.15	\$ 5.15	\$ 5.15	\$ 6.18	\$ 7.42
Tier 4: >45,000 gallons	\$ 5.80	\$ 5.80	\$ 6.15	\$ 6.15	\$ 6.15	\$ 6.15	\$ 6.15	\$ 7.38	\$ 8.86
Sanitary Sewer Service Rates									
Increase								40%	40%
Monthly base fee	\$ 12.00	\$ 12.00	\$ 12.25	\$ 12.25	\$ 12.25	\$ 12.50	\$ 12.50	\$17.50	\$24.50
Charge per 1,000 gal used/equivalent connection	\$ 3.85	\$ 4.20	\$ 4.55	\$ 4.55	\$ 4.55	\$ 4.90	\$ 4.90	\$6.86	\$9.60
Monthly Billing (Based on Above Assumptions)									
Consumption	2009	2010	2011	2012	2013	2014	2015	11/1/2015	12/1/2016
1000	\$ 31.73	\$ 32.18	\$ 33.33	\$ 33.33	\$ 33.33	\$ 35.93	\$ 35.93	\$ 46.49	\$ 60.55
2000	\$ 39.43	\$ 40.33	\$ 42.13	\$ 42.13	\$ 42.13	\$ 45.08	\$ 45.08	\$ 58.45	\$ 76.27
3000	\$ 47.13	\$ 48.48	\$ 50.93	\$ 50.93	\$ 50.93	\$ 54.23	\$ 54.23	\$ 70.41	\$ 91.99
4000	\$ 54.83	\$ 56.63	\$ 59.73	\$ 59.73	\$ 59.73	\$ 63.38	\$ 63.38	\$ 82.37	\$ 107.71
5000	\$ 62.53	\$ 64.78	\$ 68.53	\$ 68.53	\$ 68.53	\$ 72.53	\$ 72.53	\$ 94.33	\$ 123.43
6000	\$ 70.23	\$ 72.93	\$ 77.33	\$ 77.33	\$ 77.33	\$ 81.68	\$ 81.68	\$ 106.29	\$ 139.15
7000	\$ 77.93	\$ 81.08	\$ 86.13	\$ 86.13	\$ 86.13	\$ 90.83	\$ 90.83	\$ 118.25	\$ 154.87
8000	\$ 85.63	\$ 89.23	\$ 94.93	\$ 94.93	\$ 94.93	\$ 99.98	\$ 99.98	\$ 130.21	\$ 170.59
9000	\$ 93.33	\$ 97.38	\$ 103.73	\$ 103.73	\$ 103.73	\$ 109.13	\$ 109.13	\$ 142.17	\$ 186.31
10000	\$ 101.03	\$ 105.53	\$ 112.53	\$ 112.53	\$ 112.53	\$ 118.28	\$ 118.28	\$ 154.13	\$ 202.03

Audit History

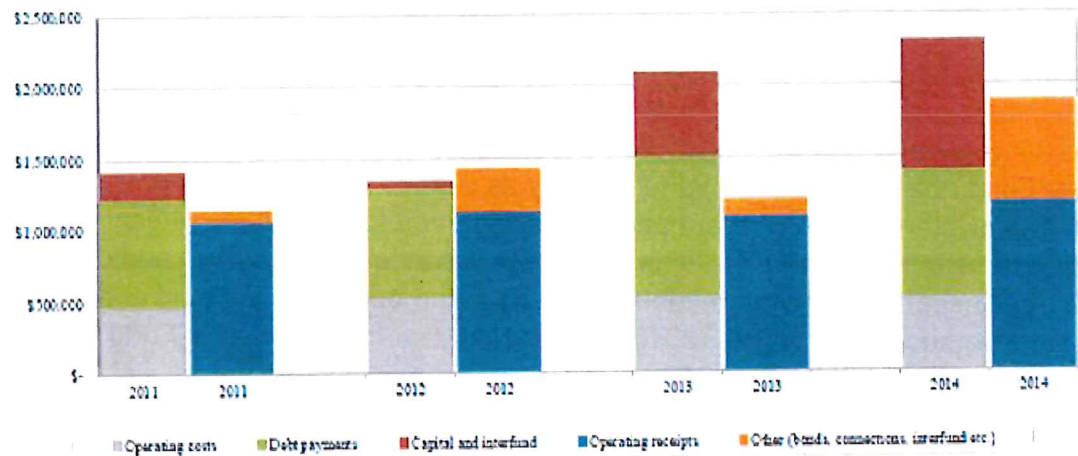
The following pages are taken from the 2014 Year End Management Letter and the 2017 Year End Management Letter prepared by Abdo, Eick and Meyers. This shows the history of the performance of the two funds. Water fund starts out with a cash balance in 2011 of \$3,982,808 and drops to a low in 2015 of \$2,129,397. This is when the first rate increase was implemented. The next year, the fund showed an increase in cash. It also shows the Water Fund cash balance increasing in 2017. The history of the income versus expenses is also shown. The graph shows that the first time since 2012, revenues were higher than expenses for the fund in 2017. Looking at the Sewer Fund, the cash balance varied greatly as the city was paying upfront costs on the new Wastewater Treatment Plant and then sold bonds for part of the project waiting for reimbursement from MN PFA . The 2017 cash balance has stabilized and does not have any unspent funds or unreimbursed costs in the balance. Looking at the revenues versus the expenses, 2016 was the first year that the Sewer Fund's receipts exceeded its expenses since 2012.

Enterprise Funds

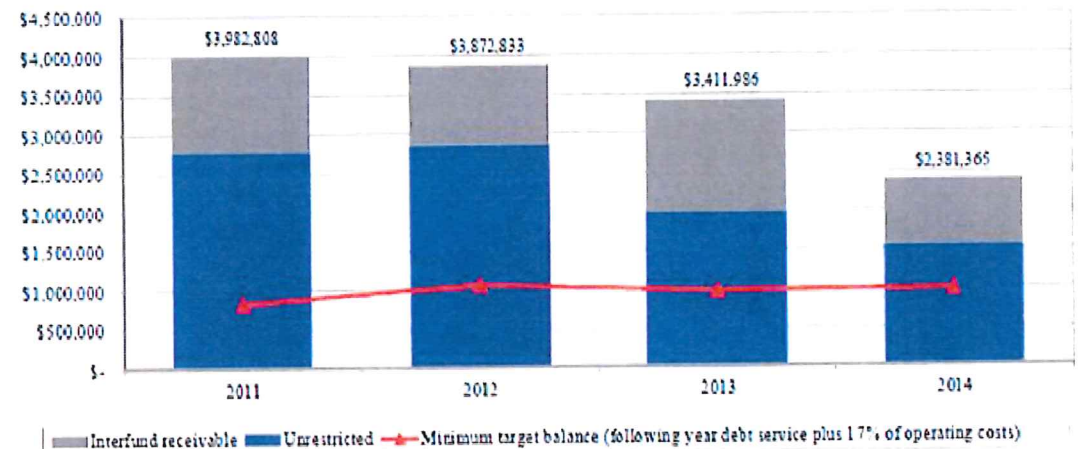
Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The results of the operations in terms of cash flow and the breakdown of the cash balances for the past four years are as follows:

Water Fund Cash Flow



Water Fund Cash Balance - Excluding 2013 Bond Refunding

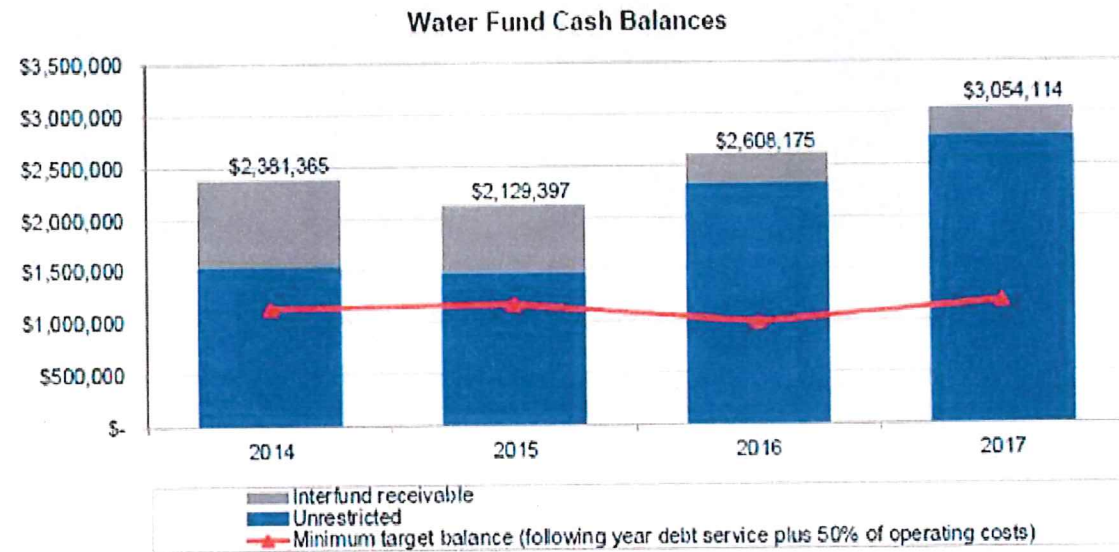
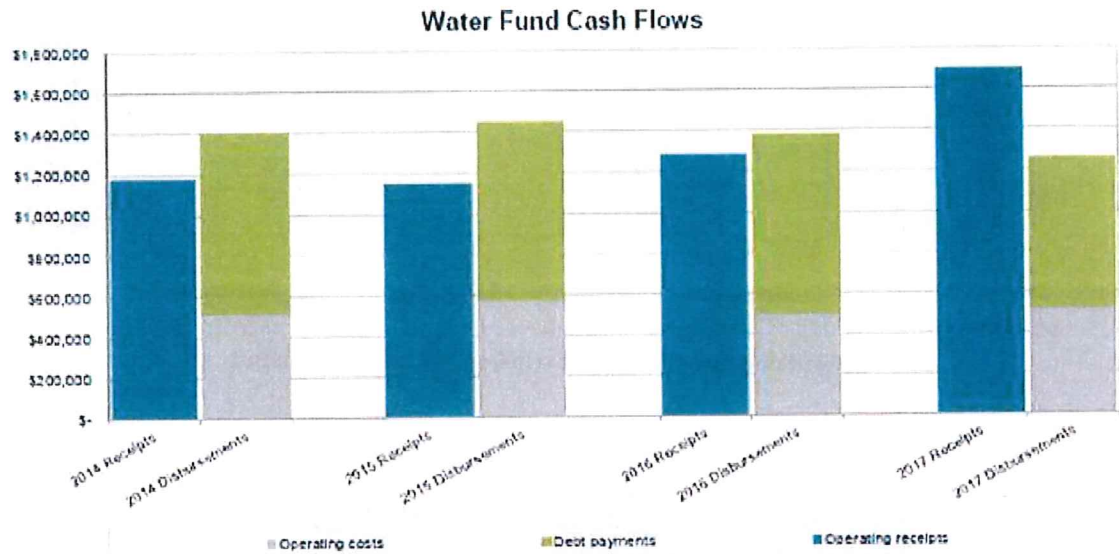


In addition to the cash balance, there is an interfund loan receivable of \$839,821 at the end of the year. The City should monitor the operations of the Water fund and analyze rates annually to ensure revenues will cover future operating expenses, repair and maintenance, new infrastructure and debt service. Total cash and interfund balance has decreased each of the four years presented.

Enterprise Funds

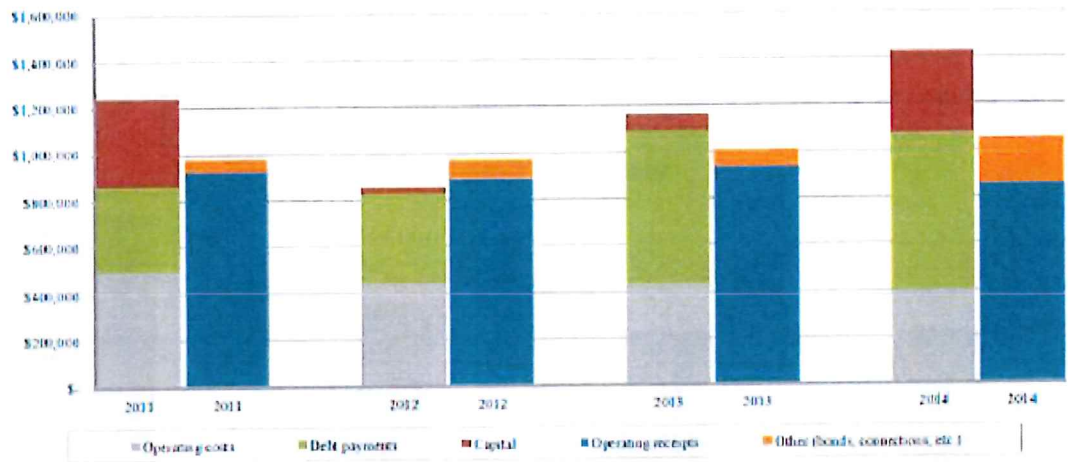
Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises-where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The results of the operations in terms of cash flow and the breakdown of the cash balances for the past four years are as follows:

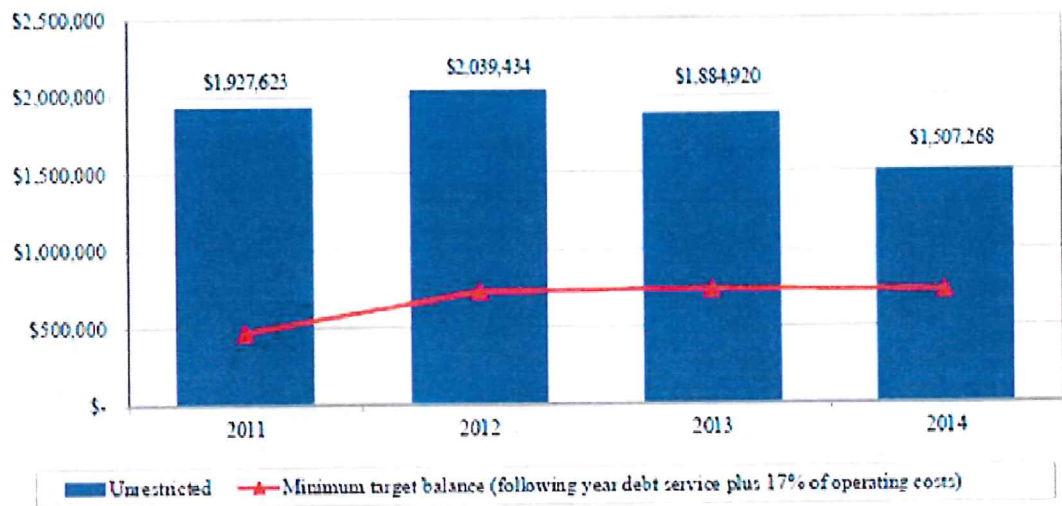


The City should monitor the operations of the Water fund and analyze rates annually to ensure revenues will cover future operating expenses, repair and maintenance, new infrastructure and debt service.

Sewer Fund Cash Flow

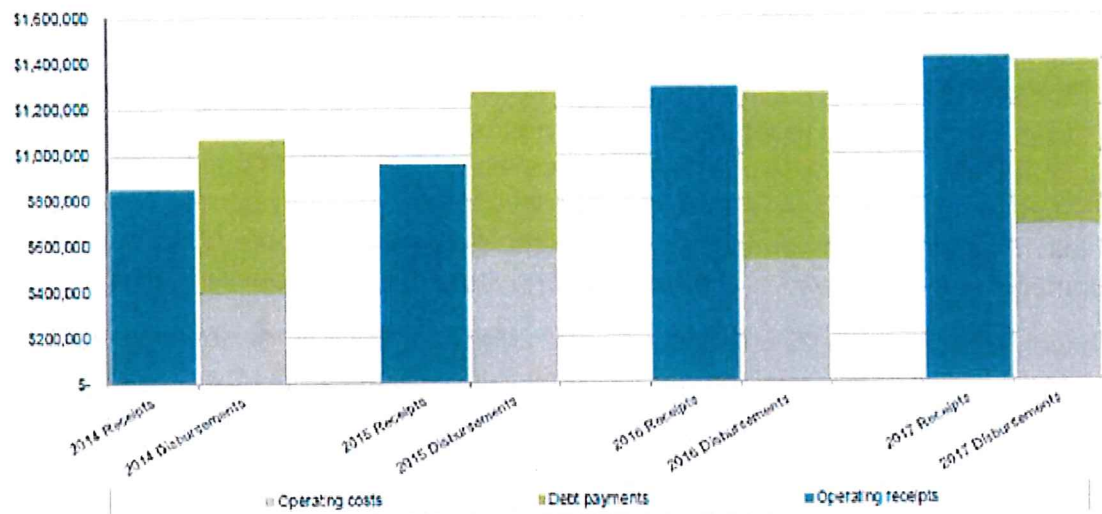


Sewer Fund Cash Balance - Excluding 2013 Bond Refunding

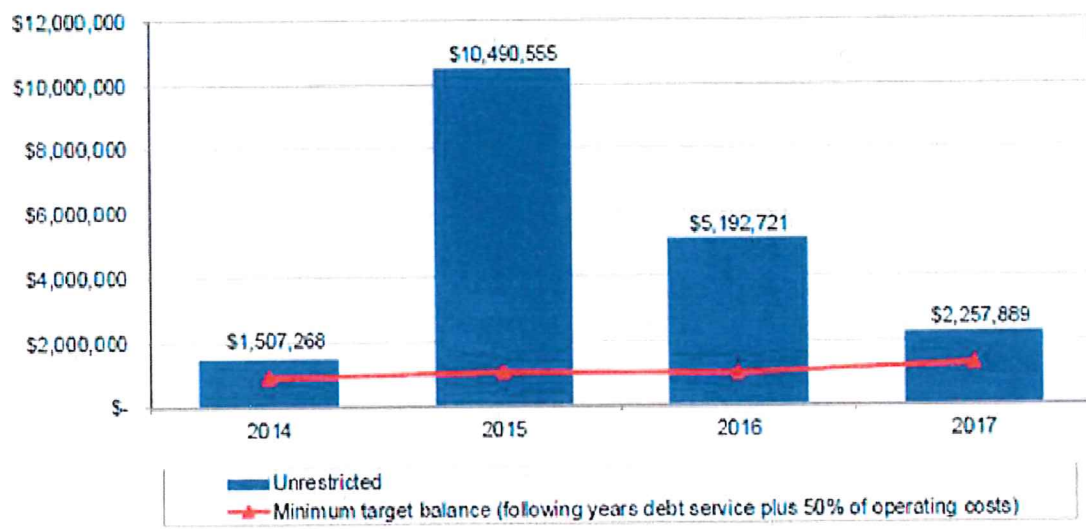


The City should continue to monitor the operations of the Sewer fund and analyze rates annually to ensure revenues will cover future operating expenses, repair and maintenance, new infrastructure and debt service. Cash has decrease the last two years.

Sewer Fund Cash Flows



Sewer Fund Cash Balances



Rate Study and Development

At the October 16, 2017 meeting, Council approved a rate study to be completed by Abdo, Eick and Meyers. This study has been worked on over the last several months. It was delivered to the City recently. It recommends a slight increase in the rates based on historical data. The city is now looking at several developments and building permits that could increase revenues including WAC, SAC, monthly access charges and sales. This information on the new connections was not available Abdo since the developments were approved at the May 21st and June 4th City Council meetings.

Woodhaven Mobile Home Park is adding units. Meridian Behavioral Health is working through the process of its development. River's Edge is starting its new development area. Plans for a Senior Living facility are been worked on. Building permit activity on the Water/Sewer system have increased (see below for history).

New Homes permits on Utility Billing

Year	#	WAC \$	SAC \$
2011	3	\$ 8,600	\$ 12,200
2012	8	\$ 24,000	\$ 33,600
2013	10	\$ 36,000	\$ 50,400
2014	12	\$ 36,000	\$ 50,400
2015	17	\$ 51,360	\$ 71,904
2016	30	\$ 91,800	\$ 128,520
2017	49	\$ 149,940	\$ 209,916
2018 to date*	18	\$ 55,080	\$ 77,112

*Decrease in 2018 due to low lot inventory prior to council approvals in May/June.

Approved Additional WAC & SAC Connections & Area Charges

Development	Number
River's Edge	23
Woodhaven	55
Meridian	60
Meadows	40
Anticipated Future Connections	
River's Edge	200
Assisted Living	80-90
Area Connection Charges to be received	Water/Sewer
River's Edge	\$ 390,000
Woodhaven	\$ 96,215

Rate Recommendations

Based on this data, cash flows have been updated for both funds and their rates. The recommendation is to lower the final bill overall by 20%. The water rates are proposed to drop by 26.5% while the sewer rates would drop by 15% generating the overall decrease of 20%. The current rates and the proposed rates are as follows:

Current & Proposed Rate Recommendations

	Current Rates	Proposed
Water Base	\$ 19.80	\$ 14.55
Usage Fee		
0-14,999	\$ 6.12	\$ 4.50
15,000-29,999	\$ 6.42	\$ 4.72
30,000-44,999	\$ 7.42	\$ 5.45
45,000 +	\$ 8.86	\$ 6.51
Sewer	\$ 24.50	\$ 20.82
Usage	\$ 9.60	\$ 8.16

The tier structure is not changing.

These rates would affect the overall bills based on usage as displayed in the following table:

Current and Proposed Bills Based on Consumption

Bill Summary				
Consumption	Current	Proposed	\$ Difference	% Difference
1000	\$ 60.55	\$ 48.56	\$ 11.99	20%
2000	\$ 76.27	\$ 61.22	\$ 15.05	20%
3000	\$ 91.99	\$ 73.88	\$ 18.11	20%
4000	\$ 107.71	\$ 86.54	\$ 21.17	20%
5000	\$ 123.43	\$ 99.20	\$ 24.23	20%
6000	\$ 139.15	\$ 111.86	\$ 27.29	20%
7000	\$ 154.87	\$ 124.52	\$ 30.35	20%
8000	\$ 170.59	\$ 137.18	\$ 33.41	20%
9000	\$ 186.31	\$ 149.84	\$ 36.47	20%
10000	\$ 202.03	\$ 162.50	\$ 39.53	20%

Assumptions

Revenues generated from these decreased rates along with an assumption of 50 new utility billing customers added in 2019 and then 30 new utility billing customers in the following years are shown in the table below. This also shows the expenses for each fund along with the net income for each fund.

Water Fund Summarized Cash Flow

	2016	2017	2018	2019	2020	2021
	Actual	Actual	Budget	Estimated	Estimated	Estimated
Revenues	\$ 1,385,958.00	\$ 1,671,817.00	\$ 1,400,000.00	\$ 1,230,000.00	\$ 1,242,598.00	\$ 1,255,269.60
Expense	\$ (818,761.00)	\$ (872,485.00)	\$ (934,200.00)	\$ (948,484.00)	\$ (963,119.68)	\$ (978,116.05)
Other Income/Expenses	\$ 96,185.00	\$ (110,821.48)	\$ (217,520.00)	\$ (103,405.31)	\$ (155,157.02)	\$ (139,002.08)
Net Income	\$ 663,382.00	\$ 688,510.52	\$ 248,280.00	\$ 178,110.69	\$ 124,321.31	\$ 138,151.47

Sewer Fund Summarized Cash Flow

	2016	2017	2018	2019	2020	2021
	Actual	Actual	Budget	Estimated	Estimated	Estimated
Revenues	\$ 1,335,914.00	\$ 1,810,376.00	\$ 1,728,000.00	\$ 1,585,000.00	\$ 1,599,178.00	\$ 1,613,445.40
Expense	\$ (823,192.00)	\$ (984,376.00)	\$ (1,132,650.00)	\$ (1,150,703.00)	\$ (1,169,183.06)	\$ (1,188,100.70)
Other Income/Expenses	\$ 3,028,120.00	\$ 4,442,707.00	\$ (294,789.55)	\$ (137,020.74)	\$ (222,084.06)	\$ (212,367.52)
Net Income	\$ 3,540,842.00	\$ 5,268,707.00	\$ 300,560.45	\$ 297,276.26	\$ 207,910.88	\$ 212,977.18

PFA Requirements

In setting the rates, the council has to be aware of some constraints that the MN PFA places on the city.

Per Becky Sabie's email dated 4/30/2018:

1. The City has a Bond Purchase and Project Loan Agreement with the City for both of the above referenced loans. The City issued a General Obligation Revenue Note as security for each of the loans. The Clean Water Loan Agreement includes a Revenue Sufficiency Covenant (Section 2.3) states *"The Borrower shall impose and collect rates and charges in compliance with Minnesota Statutes and in accordance with the Borrower's approved service charge system, so that sufficient gross revenues are available for the payment of system costs, including operation and maintenance and, together with other sources as may be applicable, debt service. The Borrower shall annually review and assure the revenue stream is sufficient for the payment of system costs including debt service."* (Note: Though this specific language is not in the Drinking Water Agreement, the requirement to produce revenues sufficient "at times in amounts required to produce net revenues adequate to pay all principal and interest when due on the note" is detailed in the authorizing resolution (refer to the transcript)).
2. Amendment #1 to the Clean Water Loan Agreement added Water Infrastructure Funds which requires the City to establish and set aside a replacement fund. Per Section 8.1 of the Amendment, *"The Borrower must establish a wastewater system replacement fund in its official books and records for the major rehabilitation, expansion, or replacement of the wastewater treatment system of the Borrower. During the term of this Agreement, the Borrower shall deposit in the replacement fund each calendar year a minimum of \$0.50 per 1,000 gallons of flow of the wastewater system. Money must remain in the fund for the term of the Loan, unless use of all or a portion of the fund is approved by the Authority for the major rehabilitation, expansion, or replacement of the wastewater treatment system. By March 1 of each year, the Borrower must submit a report to the Authority identifying the amount deposited into the fund during the prior calendar year and the fund balance of the fund as of the end of the prior calendar year. The Authority will assess a penalty fee to the Borrower equal to one percent of the WIF Grant for each year of noncompliance."* Reporting on the Replacement Fund will start for calendar year 2018.
3. The PFA Loan Agreements require the City to have annual independent audits conducted and submit them to PFA. PFA reviews the audits for compliance with the terms of the Agreements and the covenants of the General Obligation Notes issued to the PFA as security for the Loans. The City covenanted and pledged net revenues of the water system to pay for debt service on the PFA drinking water Loan and pledged net revenues of the sewer systems to pay for debt service on the PFA sewer Loan. The net revenues are what fund are available after paying operation and maintenance costs.

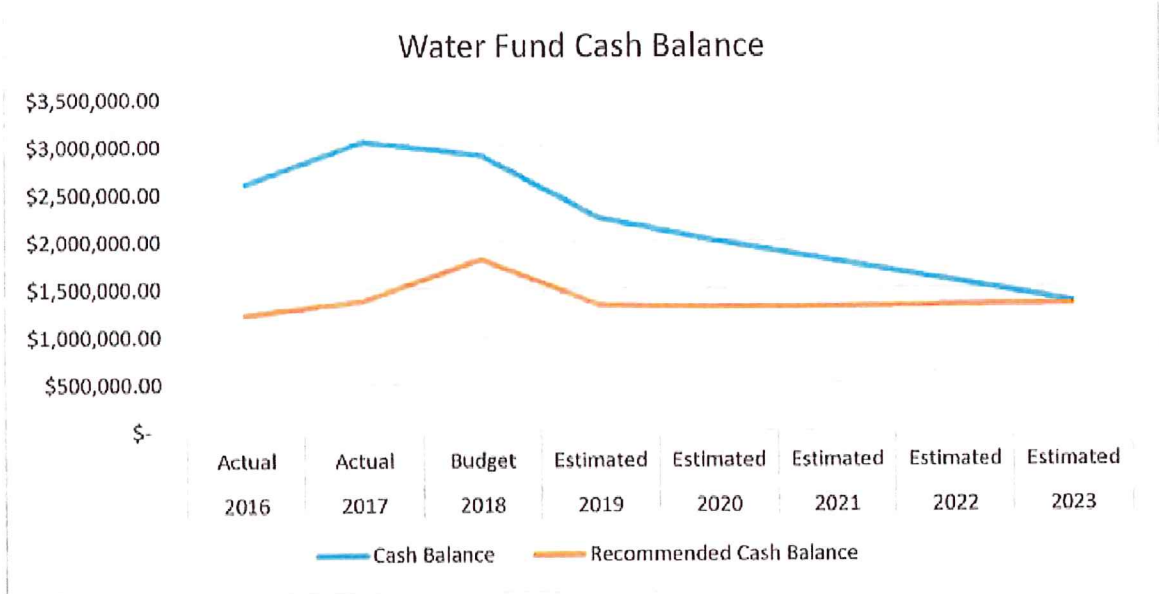
- 4. Annual review of the water and sewer system expenses and revenues by the City is necessary to make the determination that sufficient funds are available for system costs (see bullet #1). Adjustments to rates and charges need to be implemented in order to keep system expenses and revenues aligned.
- 5. The PFA strongly encourages the City to maintain one-years' debt service and at least 3 months operating expenses.

Recommended Cash Balances and Cash Flows

The following tables shows the recommended amounts for the cash balances for each fund. It shows a balance of the next year's debt service payment, a 50% balance of next year's operating expense and the next year's planned capital expense. The sewer fund also shows the replacement fund required by the Sewer Fund Loan agreement. I have included a graph showing the cash balance that has been generated from the cash flows on each fund along with the recommended balance. As you can see each fund's cash balance is dropping to the recommended level by 2023. The sewer fund is looking like it would drop below this level. The cash flow for each fund is also provided.

Water Fund Recommended Cash Balances

Water Fund Cash	2016 Actual	2017Actual	2018 Budget	2019 Estimate	2020 Estimate	2021 Estimate
Next Year Debt	\$ 791,421.53	\$ 813,016.88	\$ 812,643.50	\$ 811,075.21	\$ 812,170.27	\$ 811,015.80
Next Year Expense	\$ 436,242.50	\$ 467,100.00	\$ 474,242.00	\$ 481,559.84	\$ 489,058.03	\$ 496,741.19
Next Year Capital	\$ -	\$ 95,000.00	\$ 522,000.00	\$ 36,500.00	\$ -	\$ -
Total	\$ 1,227,664.03	\$ 1,375,116.88	\$1,808,885.50	\$ 1,329,135.05	\$ 1,301,228.29	\$ 1,307,756.99



**Incremental increases will be required in 2023.*

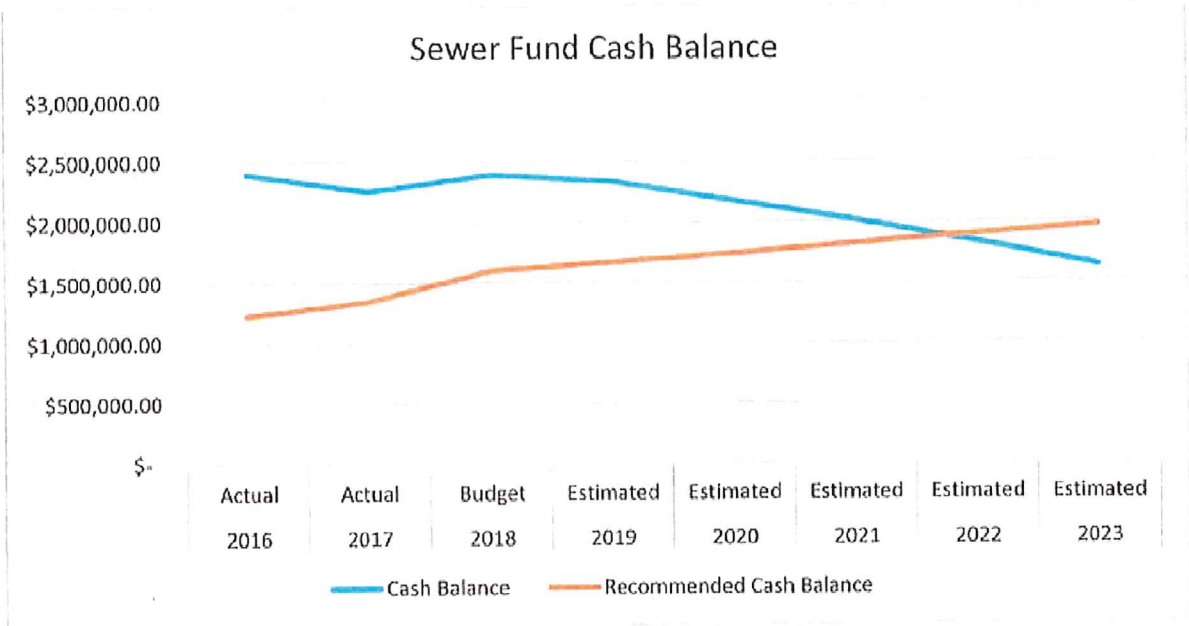
City of St. Francis
Water Fund Cash Flow Analysis

	Actual 2017	Budget 2018	Estimated 2019	Estimated 2020	Estimated 2021	Estimated 2022	Estimated 2023
Operating Revenues							
Base			\$ 458,000	\$ 463,238	\$ 468,476	\$ 473,714	\$ 478,952
Penalty			\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000
Usage	\$ 1,671,817	\$ 1,400,000	\$ 736,000	\$ 743,360	\$ 750,794	\$ 758,302	\$ 765,885
Total Operating Revenues	\$ 1,671,817	\$ 1,400,000	\$ 1,230,000	\$ 1,242,598	\$ 1,255,270	\$ 1,268,016	\$ 1,280,837
Operating Expenses							
Personal Services	\$ 207,718	\$ 220,000	\$ 226,600	\$ 233,398	\$ 240,400	\$ 247,612	\$ 255,040
Supplies	\$ 72,383	\$ 89,000	\$ 90,780	\$ 92,596	\$ 94,448	\$ 96,336	\$ 98,263
Professional Services	\$ 103,667	\$ 110,850	\$ 113,067	\$ 115,328	\$ 117,635	\$ 119,988	\$ 122,387
Communications	\$ 7,802	\$ 7,000	\$ 7,140	\$ 7,283	\$ 7,428	\$ 7,577	\$ 7,729
Insurance	\$ 18,880	\$ 18,200	\$ 18,564	\$ 18,935	\$ 19,314	\$ 19,700	\$ 20,094
Utilities	\$ 81,488	\$ 93,500	\$ 95,370	\$ 97,277	\$ 99,223	\$ 101,207	\$ 103,232
Repairs and maintenance	\$ 40,614	\$ 52,500	\$ 53,550	\$ 54,621	\$ 55,713	\$ 56,828	\$ 57,964
Depreciation	\$ 325,126	\$ 330,000	\$ 330,000	\$ 330,000	\$ 330,000	\$ 330,000	\$ 330,000
Other	\$ 14,807	\$ 13,150	\$ 13,413	\$ 13,681	\$ 13,955	\$ 14,234	\$ 14,519
Total Operating Expenses	\$ 872,485	\$ 934,200	\$ 948,484	\$ 963,120	\$ 978,116	\$ 993,482	\$ 1,009,228
Operating Income	\$ 799,332	\$ 465,800	\$ 281,516	\$ 279,478	\$ 277,154	\$ 274,533	\$ 271,608
NonOperating Revenues (Expenses)							
Miscellaneous Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Income	\$ 27,728	\$ 20,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Miscellaneous	\$ 10,646	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Gain on sale of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond issuance costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Expense	\$ (191,958)	\$ (179,440)	\$ (164,445)	\$ (148,877)	\$ (132,722)	\$ (115,946)	\$ (98,627)
Total NonOperating Revenues (Expenses)	\$ (153,584)	\$ (156,440)	\$ (151,445)	\$ (135,877)	\$ (119,722)	\$ (102,946)	\$ (85,627)
Income Before Transfers and Contributions	\$ 645,748	\$ 309,360	\$ 130,071	\$ 143,601	\$ 157,431	\$ 171,587	\$ 185,981
Transfers and Contributions							
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Connection Fees	\$ 153,843	\$ 50,000	\$ 159,120	\$ 91,800	\$ 91,800	\$ 91,800	\$ 91,800
Capital Contributions from other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out	\$ (111,080)	\$ (111,080)	\$ (111,080)	\$ (111,080)	\$ (111,080)	\$ (111,080)	\$ (111,080)
Total Transfers and Contributions	\$ 42,763	\$ (61,080)	\$ 48,040	\$ (19,280)	\$ (19,280)	\$ (19,280)	\$ (19,280)

Net Income	\$ 688,511	\$ 248,280	\$ 178,111	\$ 124,321	\$ 138,151	\$ 152,307	\$ 166,701
	Actual 2017	Budget 2018	Estimated 2019	Estimated 2020	Estimated 2021	Estimated 2022	Estimated 2023
Net Income		\$ 248,280	\$ 178,111	\$ 124,321	\$ 138,151	\$ 152,307	\$ 166,701
Add Depreciation		\$ 330,000	\$ 330,000	\$ 330,000	\$ 330,000	\$ 330,000	\$ 330,000
Capital Outlay Less Bonds		\$ 95,000	\$ 522,000	\$ 36,500	\$ -	\$ -	\$ -
Principal Payments		\$ 633,576	\$ 648,198	\$ 662,198	\$ 679,448	\$ 695,070	\$ 714,570
Change to Cash	\$ -	\$ (150,296)	\$ (662,088)	\$ (244,377)	\$ (211,297)	\$ (212,763)	\$ (217,869)
Cash Balance	\$ 3,054,114	\$ 2,903,818	\$ 2,241,730	\$ 1,997,353	\$ 1,786,056	\$ 1,573,294	\$ 1,355,425
Capital Outlay		95,000	522,000	36,500			
Total	-	95,000	522,000	36,500	-	-	-
Source of Funds:							
GO Revenue Bonds							
Total	-	-	-	-	-	-	-
Debt Service (Principal)							
2006A Refunding Bonds							
2007 MPFA (Water Plant)	\$ 527,000	\$ 541,000	\$ 555,000	\$ 569,000	\$ 584,000	\$ 599,000	\$ 614,000
2007A Revenue Bonds	\$ 65,250						
2013A Refunding (Refunded 2007A)		\$ 83,250	\$ 83,250	\$ 83,250	\$ 85,500	\$ 85,500	\$ 90,000
2016 Bonds		\$ 9,326.42	\$ 9,948.19	\$ 9,948.19	\$ 9,948.19	\$ 10,569.95	\$ 10,569.95
Total Principal	592,250	633,576	648,198	662,198	679,448	695,070	714,570
Debt Service (Interest)							
2006A Refunding Bonds							
2007 MPFA (Water Plant)	\$ 169,312	\$ 155,805	\$ 141,939	\$ 127,714	\$ 113,131	\$ 98,163	\$ 82,811
2007A Revenue Bonds	\$ 20,852						
2013A Refunding (Refunded 2007A)	\$ 9,007	\$ 17,598	\$ 16,662	\$ 15,517	\$ 14,145	\$ 12,542	\$ 10,787
2016 Bonds		\$ 6,037	\$ 5,845	\$ 5,646	\$ 5,447	\$ 5,241	\$ 5,030
Total Interest	199,172	179,440	164,445	148,877	132,722	115,946	98,627
Total Principal & Interest	791,422	813,017	812,644	811,075	812,170	811,016	813,197

Sewer Fund Recommended Cash Balances

Sewer Fund Cash	2016 Actual	2017Actual	2018 Budget	2019 Estimate	2020 Estimate	2021 Estimate
Next Year Debt	\$ 740,470.01	\$ 766,413.13	\$ 951,790.55	\$ 951,605.87	\$ 967,639.33	\$ 979,543.10
Next Year Expense	\$ 492,188.00	\$ 566,325.00	\$ 575,351.50	\$ 584,591.53	\$ 594,050.35	\$ 603,733.36
Replacement Fund	\$ -	\$ -	\$ 57,900.00	\$ 115,800.00	\$ 173,700.00	\$ 231,600.00
Next Year Capital	\$ -	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ -	\$ -
Total	\$ 1,232,658.01	\$ 1,347,738.13	\$1,600,042.05	\$ 1,666,997.40	\$ 1,735,389.68	\$ 1,814,876.46



**Incremental increases will be required in 2022.*

City of St. Francis
Sewer Fund Cash Flow Analysis

	Actual 2017	Budget 2018	Estimated 2019	Estimated 2020	Estimated 2021	Estimated 2022	Estimated 2023
Operating Revenues							
Base			\$ 655,000	\$ 660,238	\$ 665,476	\$ 670,714	\$ 675,952
Penalty			\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000
Usage	\$ 1,810,376	\$ 1,728,000	\$ 894,000	\$ 902,940	\$ 911,969	\$ 921,089	\$ 930,300
Total Operating Revenues	\$ 1,810,376	\$ 1,728,000	\$ 1,585,000	\$ 1,599,178	\$ 1,613,445	\$ 1,627,803	\$ 1,642,252
Operating Expenses							
Personal Services	\$ 222,731	\$ 220,000	\$ 226,600	\$ 233,398	\$ 240,400	\$ 247,612	\$ 255,040
Supplies	\$ 61,018	\$ 50,300	\$ 51,306	\$ 52,332	\$ 53,379	\$ 54,446	\$ 55,535
Professional Services	\$ 108,824	\$ 162,550	\$ 165,801	\$ 169,117	\$ 172,499	\$ 175,949	\$ 179,468
Communications	\$ 3,559	\$ 3,500	\$ 3,570	\$ 3,641	\$ 3,714	\$ 3,789	\$ 3,864
Insurance	\$ 26,323	\$ 16,400	\$ 16,728	\$ 17,063	\$ 17,404	\$ 17,752	\$ 18,107
Utilities	\$ 113,004	\$ 146,600	\$ 149,532	\$ 152,523	\$ 155,573	\$ 158,685	\$ 161,858
Repairs and maintenance	\$ 111,466	\$ 169,250	\$ 172,635	\$ 176,088	\$ 179,609	\$ 183,202	\$ 186,866
Depreciation	\$ 322,111	\$ 340,000	\$ 340,000	\$ 340,000	\$ 340,000	\$ 340,000	\$ 340,000
Other	\$ 15,340	\$ 24,050	\$ 24,531	\$ 25,022	\$ 25,522	\$ 26,032	\$ 26,553
Total Operating Expenses	\$ 984,376	\$ 1,132,650	\$ 1,150,703	\$ 1,169,183	\$ 1,188,101	\$ 1,207,467	\$ 1,227,292
Operating Income	\$ 826,000	\$ 595,350	\$ 434,297	\$ 429,995	\$ 425,345	\$ 420,336	\$ 414,960
NonOperating Revenues (Expenses)							
Miscellaneous Grants	\$ 4,606,071	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Income	\$ 44,596	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Miscellaneous	\$ 56,746	\$ 25,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Gain on sale of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond issuance costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Expense	\$ (360,822)	\$ (275,990)	\$ (268,989)	\$ (259,804)	\$ (250,088)	\$ (239,613)	\$ (228,579)
Total NonOperating Revenues (Expenses)	\$ 4,346,591	\$ (230,990)	\$ (245,989)	\$ (236,804)	\$ (227,088)	\$ (216,613)	\$ (205,579)
Income Before Transfers and Contributions	\$ 5,172,591	\$ 364,360	\$ 188,308	\$ 193,191	\$ 198,257	\$ 203,723	\$ 209,380
Transfers and Contributions							
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Connection Fees	\$ 209,916	\$ 50,000	\$ 222,768	\$ 128,520	\$ 128,520	\$ 128,520	\$ 128,520

Capital Contributions from other funds		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out	\$ (113,800)	\$ (113,800)	\$ (113,800)	\$ (113,800)	\$ (113,800)	\$ (113,800)	\$ (113,800)

Total Transfers and Contributions	\$ 96,116	\$ (63,800)	\$ 108,968	\$ 14,720	\$ 14,720	\$ 14,720	\$ 14,720
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Net Income	\$ 5,268,707	\$ 300,560	\$ 297,276	\$ 207,911	\$ 212,977	\$ 218,443	\$ 224,100
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	Actual 2017	Budget 2018	Estimated 2019	Estimated 2020	Estimated 2021	Estimated 2022	Estimated 2023
Net Income		\$ 300,560	\$ 297,276	\$ 207,911	\$ 212,977	\$ 218,443	\$ 224,100
Add Depreciation		\$ 340,000	\$ 340,000	\$ 340,000	\$ 340,000	\$ 340,000	\$ 340,000
Capital Outlay Less Bonds		\$ 15,000	\$ 15,000	\$ 15,000	\$ -	\$ -	\$ -
Principal Payments		\$ 490,424	\$ 682,802	\$ 691,802	\$ 717,552	\$ 739,930	\$ 758,430
Change to Cash		\$ 135,137	\$ (60,526)	\$ (158,891)	\$ (164,575)	\$ (181,487)	\$ (194,330)

Cash Balance	\$ 2,257,889	\$ 2,393,026	\$ 2,332,500	\$ 2,173,609	\$ 2,009,035	\$ 1,827,548	\$ 1,633,218
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Capital Outlay

		\$ 15,000	\$ 15,000	\$ 15,000			
Total	\$ -	\$ 15,000	\$ 15,000	\$ 15,000	\$ -	\$ -	\$ -

Source of Funds:

GO Revenue Bonds

Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	Budget 2017	2018	2019	2020	2021	2022	2023
Debt Service (Principal)							
2007A Revenue Bonds	79,750.00						
2010A Revenue Bonds	65,000.00	65,000.00	70,000.00	70,000.00	75,000.00	80,000.00	80,000.00
2013A Refunding (Refunded 2007A)		101,750.00	101,750.00	101,750.00	104,500.00	104,500.00	110,000.00
2015 Bonds	35,000.00	40,000.00	40,000.00	40,000.00	45,000.00	45,000.00	45,000.00
2016 MPFA (Treatment Plant)	218,544.00	218,000.00	401,000.00	410,000.00	423,000.00	436,000.00	449,000.00
2016 Bonds		65,673.58	70,051.81	70,051.81	70,051.81	74,430.05	74,430.05
Total All	398,294.00	490,423.58	652,801.81	691,801.81	717,551.81	739,930.05	758,430.05

Debt Service (Interest)

2007A Revenue Bonds	25,486.00						
2010A Revenue Bonds	38,650.00	37,188.00	35,669.00	34,094.00	32,406.00	30,466.00	28,326.00
2013A Refunding (Refunded 2007A)	11,008.80	21,508.85	20,364.30	18,965.65	17,288.15	15,328.50	13,183.50
2015 Bonds	17,610.00	16,860.00	16,060.00	15,260.00	14,410.00	13,510.00	12,610.00
2016 MPFA (Treatment Plant)	133,421.21	157,920.00	155,740.00	151,730.00	147,630.00	143,400.00	139,040.00
2016 Bonds		42,512.70	41,155.44	39,754.41	38,353.37	36,908.55	35,419.95
2016C Bonds	116,000.00						
Total All	342,176.01	275,989.55	268,988.74	259,804.06	250,087.52	239,613.05	228,579.45

Total Principal & Interest	740,470.01	766,413.13	951,790.55	951,605.87	967,639.33	979,543.10	987,009.50
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Rate Change Timeline

Council can change the rates as proposed by amending the Fee Schedule Ordinance. Timeline would be as follows:

- June 18th, 2018: The council would have the 1st reading.
- July 2nd, 2018: The council would have the 2nd reading
- July 5th, 2018: Publication would be in the paper (needs 30 days).
- August 6th, 2018: Rates would be in effect for the bills due September 10, 2018.

At each meeting, there needs to be at least 4 of the council present as the readings need a 4/5's vote. If there are any delays, the rates would not go into effect until the next billing cycle or later.

With these rate adjustments, Council will need to be prepared to look at the rates each year to see how each fund is performing. If a decrease in the performance of either of the funds is seen, a recommended rate increase will have to be implemented to keep the funds performing at a level to provide for the operating expenses, debt service payments and covenants placed on the city.

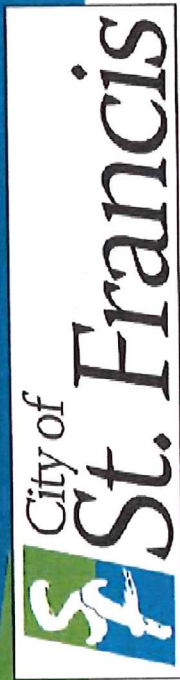
Recommended versus Actual/Estimated Cash Balances

Water Fund Cash Balance

	Cash Balance	Recommended Cash Balance
2016 Actual	\$ 2,608,308.00	\$ 1,227,664.03
2017 Actual	\$ 3,054,114.00	\$ 1,375,116.88
2018 Budget	\$ 2,903,817.58	\$ 1,808,885.50
2019 Estimate	\$ 2,241,730.08	\$ 1,329,135.05
2020 Estimate	\$ 1,997,353.19	\$ 1,301,228.29
2021 Estimate	\$ 1,786,056.47	\$ 1,307,756.99
2022 Estimate	\$ 1,573,293.84	\$ 1,317,811.11
2023 Estimate	\$ 1,355,425.21	\$ 1,324,077.52

Sewer Fund Cash Balance

	Cash Balance	Recommended Cash Balance
2016 Actual	\$ 2,401,006.59	\$ 1,232,658.01
2017 Actual	\$ 2,257,889.00	\$ 1,347,738.13
2018 Budget	\$ 2,393,025.87	\$ 1,600,042.05
2019 Estimate	\$ 2,332,500.32	\$ 1,666,997.40
2020 Estimate	\$ 2,173,609.39	\$ 1,735,389.68
2021 Estimate	\$ 2,009,034.76	\$ 1,814,876.46
2022 Estimate	\$ 1,827,548.04	\$ 1,890,155.58
2023 Estimate	\$ 1,633,218.35	\$ 1,961,152.96



City of St. Francis Water and Sewer Rates

Presentation to City Council on 6/18/18

Presented by

Joe Kohlmann

Brief Rate History

- 2009 – DNR mandated water conservation rates
- 2015 – Long Range Financial Plan – Northland Securities
- 2015/2016 – 20% increase in water/ 40% increase Sewer – 20% increase in water/ 40% increase Sewer
- 2018 – Abdo hired for a rate study analysis
 - Staff also conducted internal rate analysis

Rate Analysis Results

- Two approaches working with each other
- Abdo began rate study in February
- They increased development projections from 15 – 20 new units annually
- Provided recommended fund balances of 50% operating costs and 100% of next year bond payments
- 5 year average of Capital Improvement costs
- Resulted in a recommendation of 3% increase in both rates

Rate Analysis Results

- City Staff used same bench marks for cash balance
- Staff increased Development Activity based on more real time and City approvals
 - 50 Connections in 2018
 - 30 Connections annually thereafter
- Staff also factored in Fund Balance reduction
- Staff Proposal is for a 20% reduction in FINAL BILL
 - 26.5% reduction in water rates
 - 15% reduction in sewer rates

Final Rate Considerations

Bill Summary	Current	Proposed	\$ Difference	% Difference
Consumption				
1000	\$60.55	\$48.56	\$11.99	20%
2000	\$76.27	\$61.22	\$15.05	20%
3000	\$91.99	\$73.88	\$18.11	20%
4000	\$107.71	\$86.54	\$21.17	20%
5000	\$123.43	\$99.20	\$24.23	20%
6000	\$139.15	\$111.86	\$27.29	20%
7000	\$154.87	\$124.52	\$30.35	20%
8000	\$170.59	\$137.18	\$33.41	20%
9000	\$186.31	\$149.84	\$36.47	20%
10000	\$202.03	\$162.50	\$39.53	20%

FDL FRANCIS

Factors in Reduction – Development

New Homes permits on Utility Billing

Year	#	WAC \$	SAC \$
2011	3	\$ 8,600	\$ 12,200
2012	8	\$ 24,000	\$ 33,600
2013	10	\$ 36,000	\$ 50,400
2014	12	\$ 36,000	\$ 50,400
2015	17	\$ 51,360	\$ 71,904
2016	30	\$ 91,800	\$ 128,520
2017	49	\$ 149,940	\$ 209,916
2018 to date*	18	\$ 55,080	\$ 77,112

* 2018 units due to low lot inventory prior to May/June

Factors in Reduction – Development

Approved Additional WAC & SAC Connections and Area Charges

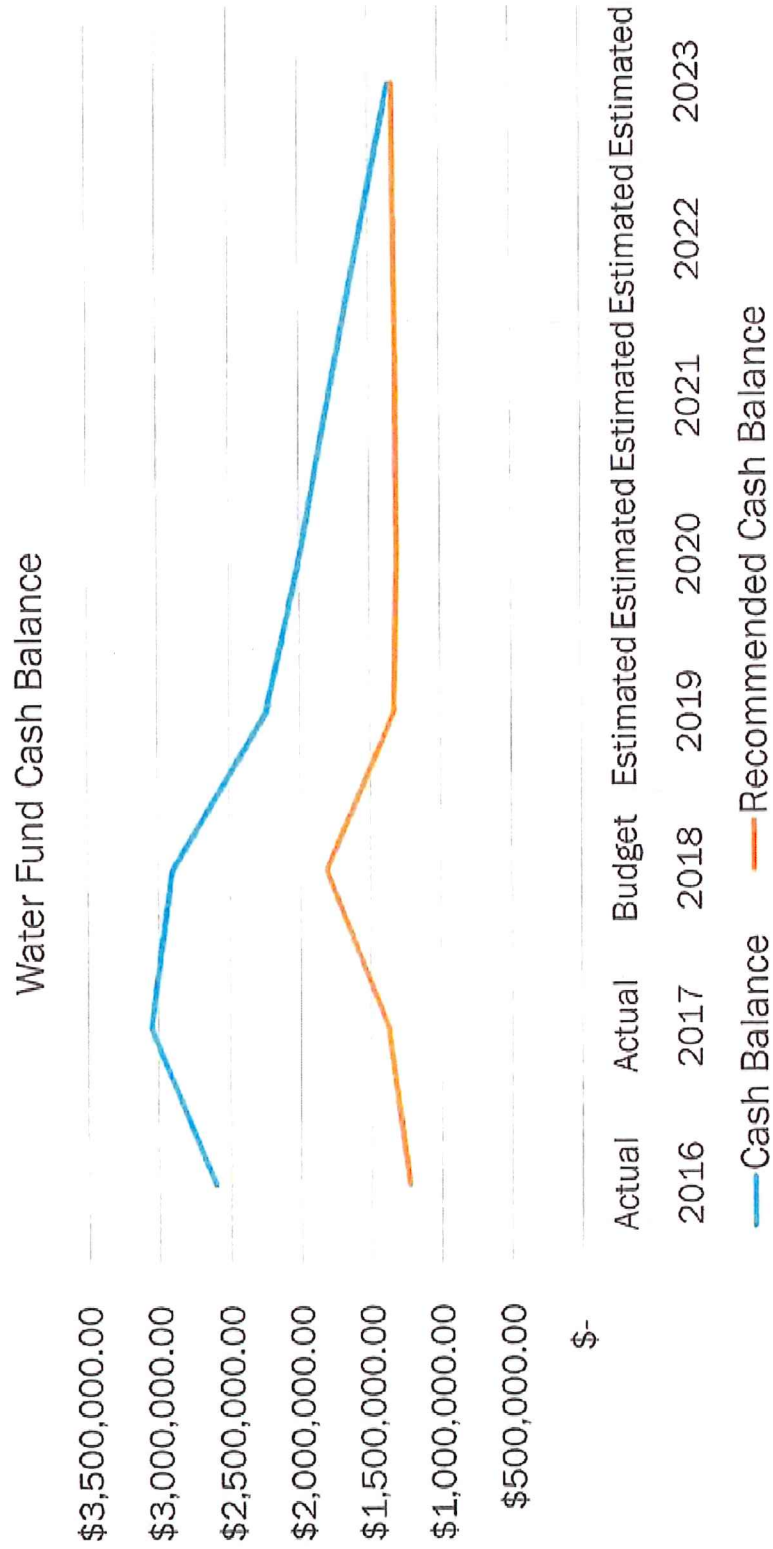
Development	Number
River's Edge	23
Woodhaven	55
Meridian	60
Meadows	40
Anticipated Future Connections	
River's Edge	200
Assisted Living	80-90
Area Connection Charges to be received	Water/Sewer
River's Edge	\$ 390,000
Woodhaven	\$ 96,215

Factors in Reduction- Fund Balance (Water Chart)

Recommended versus Actual/Estimated Cash Balances

	Cash Balance	Recommended Cash Balance
2016 Actual	\$ 2,608,308.00	\$ 1,227,664.03
2017 Actual	\$ 3,054,114.00	\$ 1,375,116.88
2018 Budget	\$ 2,903,817.58	\$ 1,808,885.50
2019 Estimate	\$ 2,241,730.08	\$ 1,329,135.05
2020 Estimate	\$ 1,997,353.19	\$ 1,301,228.29
2021 Estimate	\$ 1,786,056.47	\$ 1,307,756.99
2022 Estimate	\$ 1,573,293.84	\$ 1,317,811.11
2023 Estimate	\$ 1,355,425.21	\$ 1,324,077.52

Factors in Reduction – Fund Balance (Water Graph)



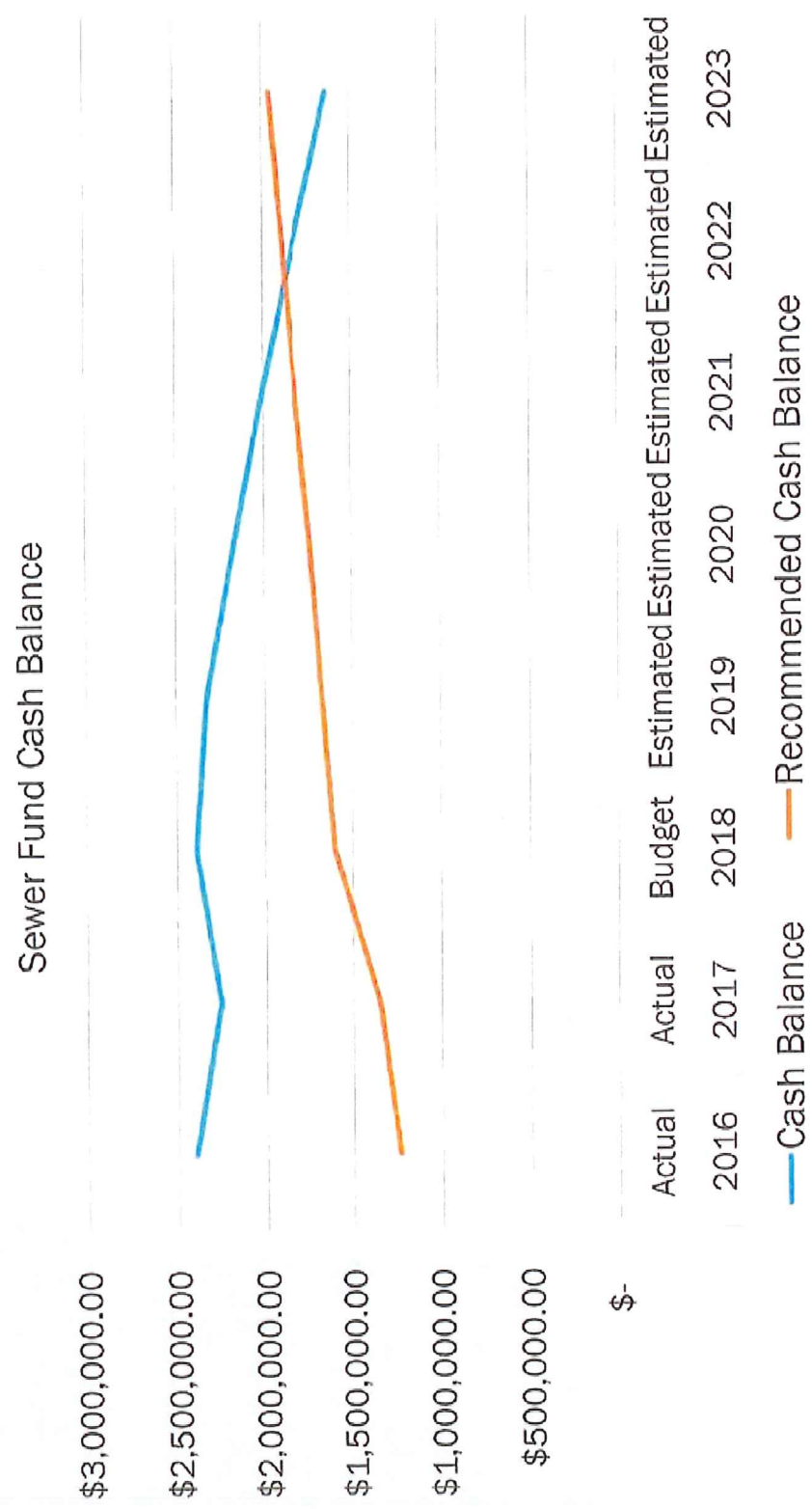
*Incremental increases will likely be required in 2023

Factors in Reduction – Fund Balance (Sewer Chart)

Sewer Fund Cash Balance

	Cash Balance	Recommended Cash Balance
2016 Actual	\$ 2,401,006.59	\$ 1,232,658.01
2017 Actual	\$ 2,257,889.00	\$ 1,347,738.13
2018 Budget	\$ 2,393,025.87	\$ 1,600,042.05
2019 Estimate	\$ 2,332,500.32	\$ 1,666,997.40
2020 Estimate	\$ 2,173,609.39	\$ 1,735,389.68
2021 Estimate	\$ 2,009,034.76	\$ 1,814,876.46
2022 Estimate	\$ 1,827,548.04	\$ 1,890,155.58
2023 Estimate	\$ 1,633,218.35	\$ 1,961,152.96

Factors in Reduction - Fund Balance (Sewer Chart)



* Incremental increase will likely be required in 2022

Factors in Reduction – Other Miscellaneous

- City's monthly billing requires less of a cash balance than quarterly billing
- City Received \$8,972,000 in Grant Funds from State of MN
 - Previous Estimates ranged from \$3,000,000 - \$7,000,000

Implementation Timeline if Council Approves Tonight

- Council can change the rates as proposed by amending the Fee Schedule Ordinance. Timeline would be as follows:
 - June 18th, 2018: The council would have the 1st reading.
 - July 2nd, 2018: The council would have the 2nd reading
 - July 5th, 2018: Publication would be in the paper (needs 30 days).
 - August 6th, 2018: Rates would be in effect for the bills due September 10, 2018.
- NOTE: 4/5 vote required on Ordinance Amendments

Questions?



CITY INFRASTRUCUTRE

Council Work Session October 11, 2022



TONIGHT'S GOALS

- Understand where we came from
- Understand where we need to go
- Educate the group on anticipated future needs and expenses
- Financial path
- Determine rate increases



HISTORY OF WWTF

- Original Plant built in 1970's
- Upgraded in 2000
- Influent issues : difficult and unsafe access, failed waterproofing, structure issues
- Effluent issues: numerous violations
- Pretreatment issues: handling of screening, unsafe pump access, no grit removal
- Ponds struggled to meet ammonia limits in cold weather
- Unable to treat new preliminary effluent limits



OPTIONS DISCUSSED 2014

- Alternatives that did not meet current or future regulation or capacity:
 - Repair/Rehab, Est \$10M
 - Stabilization pond system, Est. \$18M
- Regionalization with Met Council. Evaluate East Bethel, Est. \$5M plus SAC (roughly \$3,727,500)
- Biological Aerated Filter, \$25-\$30M, impractical and uneconomical
- Activated Sludge Extended Aeration – What we built.



WHAT WE BUILT

- Had a Pond system:
 - 540,000 gallon a day capacity
- Built an Activated Sludge Extended Aeration system:
 - 814,000 gallons a day capacity or 1590 connections aka Units

Increased the City's total growth and development ability by 274,000 gallons



UNITS

Not all “units” are equal!

Influent – the amount of capacity a plant takes in. The gallons per day it is capable of taking in.

Calculated based on where the water comes from.

Who or what is discharging.

Plant is at 44%

- Single family home = 1 unit
- Senior hsg, 1 bd, without laundry = 0.40
- Groomer pet tub = 1 unit, each tub
- Office 5,000 sq. ft. = 1.89
- Butcher shop 5,000 sq. ft = 3.85
- Restaurant 5,000 sq. ft = 16.67



UNITS

Not all “units” are equal!

Load – what type of material is coming into the plant.

What types of chemicals, organics, or bacteria is in the waste.

Load changes the value of a gallon because of what is in the gallon.

A unit no longer values one.

Plant is at 46%

- SF home - typical household use
- Brewery – yeast and bacteria
- Office – typical personal use
- Pet Grooming – shampoos, hair and cleaning
- Restaurant - milk, pop, food and cleaning agents
- Industrial – chemical, organics and cleaning agents



GROWTH CREATES PRESSURE

Number of Pending and Potential Connections:

Paid or in progress	Have partial land use approvals	Properties in preliminary discussions	Concept ideas discussed	Developable land with challenges	DNR Restricted
216	308	44	137	1332, estimated	75, estimated



WHERE WE ARE – INFLUENT

AS OF SEPTEMBER 19, 2022

Estimated number of remaining connections before 75% capacity

= 924

- 216 paid/in progress today
- 308 partial land use approvals

*400 est. connections remain before triggering next step.

*This will adjust base on the load of what is built



WHAT HAPPENS NEXT

AT 75%

- City hires an environmental engineer to begin review of water/sewer use, projections on population, industrial possibility, etc.
- City begins discussion expansion options and cost
- Construct expansion needs prior to hitting moratorium rate, if possible
- Three to four year process to open expansion

AT 90%

- City puts a moratorium on any new building until plant capacity is increased. This includes residential and commercial

Expansion Pro's:

- ✓ City has land and space to expand
- ✓ Pipes were laid in the ground for an expansion

Expansion Con's:

- ✓ New buildings will need to be built
- ✓ A solid year of engineering fees
- ✓ Cost and Bonding of the project



CHLORIDE WWTF

City to accept or deny State Chloride limits by December 2025.

If we do not accept:

- \$10,000 a day fine is possible

If we do accept:

- City needs to address an issue with water softeners
- City needs to create programs to provide wastewater users
- Ordinance updates

More is coming to Council in 2023

Today just know - It will have a budget implication for the city.



EXPANSIONS

WATER AND WWTF

Six future projects to be aware of:

- 2023 – Patriot Parkway
- 2023/2024 – Woodbine Extension
- 2026 est. – 24th West of Hwy 47, City will need to Bond for this project
- 2030 + three potential expansions to the north and on the east side of the river based on future growth and development

These are existing City roads.



REGULATORY CERTAINTY

WWTF

Current plant was granted 16 of years of regulatory certainty.

This means the State cannot force the City to change the plant to address new rules during this time.

In 11 years if new effluent limits are imposed, the City is required to make those adjustments



INCREASED COSTS TO MAINTAIN WATER AND WWTF

- Aging facilities (water and sewer) have increasing costs to maintain.
 - Repair/maintenance requirements
 - Electric and gas utilities
- Higher cost of treatment aids and chemicals
- Budget has seen the same inflation on labor, materials, transportation, etc. on our facilities



EXISTING PIPE REPLACEMENT

WATER AND WWTF

Anticipating the replacement of old pipe

- **227th**, scheduled for 2023, and
- **Rum River Blvd**, tentatively scheduled for 2030
 - Pipes along these streets are undersized and in replacement plan. Currently under review
- **Hwy 47 during reconstruction**
 - Need to update fittings at intersections
 - Possibly repair or replace the existing pipe under the Hwy
 - There is a level of unknown until we open the street
 - These needs are outside of the Hwy reconstruction pavement project with MnDOT but should be aligned to save money when Hwy project is completed.
 - City will need to Bond for this project



REVENUE SOURCES

	Utility Fee's	WAC/SAC	General Funds
When collected	Ongoing fee's for connected water and sewer users.	With new construction or a new connection from an existing home, commercial or industrial building.	Tax levy
Purpose of funds	<p>People benefiting from the service bear the cost of providing the service.</p> <p>This includes fees for the collection and treatment of water and wastewater. Cost includes facility, staffing, chemicals, utilities, and other ongoing current expenses.</p>	<p>Cover the eventual costs of improvements to local infrastructure including construction, reconstruction, repair or enlargement of the system.</p> <p>Fees contribute to the construction and expansion of the facilities. Intended to fund reserve capacity to accommodate the demand of future users.</p>	<p>To pay for the services and needs of a whole city.</p> <p>Are not to be used to supplement facilities unless the city as a whole derives from the benefit.</p>



SETTING UTILITY FEE'S

Plant Study, 2015 by Bolton Menk

- Identified increases needed to make payments based on loans, grants and bond payments.

Financial Management Plan, 2015 by Northland

- Water rates: 45% increase in 2015, 4% annual increase in years 2016-2019
- Sewer rates: 85% increase in 2015, 4% annual increase in years 2016-2019

Rate Study, 2018 by Abdo

- Recommend increase of ____ for 2018-2022
 - Water rate of 3%, no increase to base
 - Sewer rate of 2%, 2% increase to base

Council requested staff to reduce and provide resident relief.

Relief would be temporary with ongoing cost considerations to be reviewed.

Staff has utilized the cash and development fees and has identified a review is required to move forward.



RATE REDUCTION 2018

	Rate as increased from 2015	Reduced rate
	Based on Financial Management Plan	
Water Base	\$19.80	\$14.55
Usage Fee		
0-14,999	\$6.12	\$4.50
15,000 – 29,999	\$6.42	\$4.72
30,000 – 44,999	\$7.42	\$5.45
45,000 +	\$8.86	\$6.51
Sewer	\$24.50	\$20.82
Usage	\$9.60	\$8.16



HOW 2018 WAS SUBSIDIZED

Drawing on Cash balances and user fees from Development (WAC/SAC)

Assumptions: Revenues generated from decreased rates along with the assumptions of 50 new utility billing customers in 2019 and then a steady 30 new utility billing customers in each of the following years.

What was done in 2018 made sense in 2018. Time to begin making adjustments based on upcoming assumptions, recession, projects and needs.



CASH REVENUE IMPACT

WATER CASH BALANCES

- Cash has been drawn down after the use of WAC revenues
- Expenses have been high / inflation
- City has used over a million in cash plus \$785,400 in WAC in three years

A total of \$1,849,300 of WAC/SAC have been used

SEWER CASH BALANCES

- Cash has been drawn down after the use of SAC revenues
- Use of grant in 2018
- City has used cash plus \$1,063,900 in SAC in three years

Projects and upcoming needs will draw balances down in larger increments



REVENUE IMPACT

WAC/SAC:

- 2019 through 2021, City met assumptions
- 2022 – as of September, City is falling short of 30 connections

Utilizing WAC/SAC to subsidize has prevented the City from accruing a balance for future expansions and growth

TAKE NOTE:

- City is not recession proof
- City revenues lag economy changes, falls and recoveries
- If the markets crashes and home values, utility payments or state aid drops, we are required to provide services.
- Reserves are put in place to ensure we can pay our bills.



CASH RESERVES

This years collection pays next years bills.

- Next years operation and maintenance expenses
 - Utilities, staffing, supplies, general operating, etc.
 - Unforeseen and un-predicted issues
- Capital improvement projects
 - Line expansions, reconstructions, etc. old and new pipe
- Bond Payments



THE FUTURE

Considerations for the future:

- ✓ Growth that requires a plant expansion
- ✓ Federal and State requirements that require upgrades and changes to existing facilities
- ✓ Expansion of new pipe on existing roads
- ✓ Reconstruction of existing pipe
- ✓ Continued inflation of maintaining water and sewer plants
- ✓ Recessions reduce people paying water bills, creating special assessments and delays on city collecting funds to make monthly operating costs

Staff recommendation

- Raise rates with minor increases
- Create a three year plan to ensure stability through a possible recession
- Every year we delay increasing incrementally, we require the need for a larger increase in the future
- Review annually going forward to determine if raising to fast or not fast enough

Utility Rates-2023

Water Base Change	0.0%
Water Usage Change	0.0%
Sewer Base Change	0.0%
Sewer Usage Change	0.0%
WAC Change	0%
SAC Change	0%

Rates	Current	2023 Proposed
Monthly base fee	\$ 14.55	\$ 14.55
Water usage per 1,000 gallons / equivalent connection:		
Tier 1: 0-14,999 gallons	\$ 4.50	\$ 4.50
Tier 2: 15,000-29,999 gallons	\$ 4.72	\$ 4.72
Tier 3: 30,000-44,999 gallons	\$ 5.45	\$ 5.45
Tier 4: >45,000 gallons	\$ 6.51	\$ 6.51
Sanitary Sewer Service Rates		
Monthly base fee	\$ 20.82	\$ 20.82
Charge per 1,000 gal used/equivaler	\$ 8.16	\$ 8.16
Water Test Fee (Set by State)	\$ 0.81	\$ 0.81

Bill Summary

	Current
1000	\$ 48.84
2000	\$ 61.50
3000	\$ 74.16
4000	\$ 86.82
5000	\$ 99.48
6000	\$ 112.14
7000	\$ 124.80
8000	\$ 137.46
9000	\$ 150.12
10000	\$ 162.78

	2023 Proposed
1000	\$ 48.84
2000	\$ 61.50
3000	\$ 74.16
4000	\$ 86.82
5000	\$ 99.48
6000	\$ 112.14
7000	\$ 124.80
8000	\$ 137.46
9000	\$ 150.12
10000	\$ 162.78

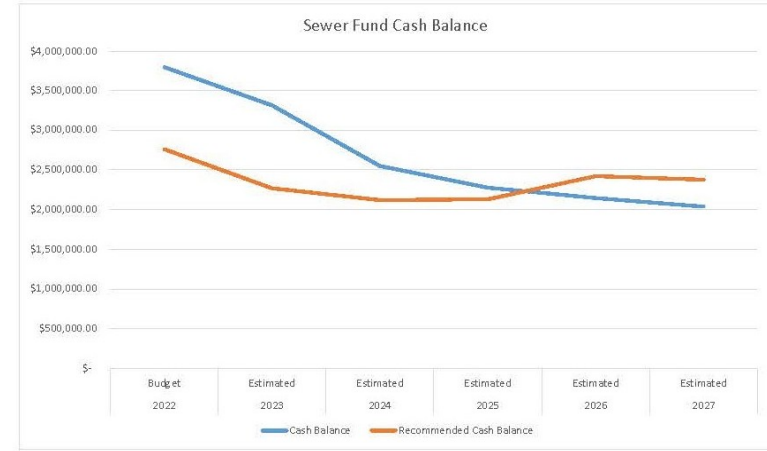
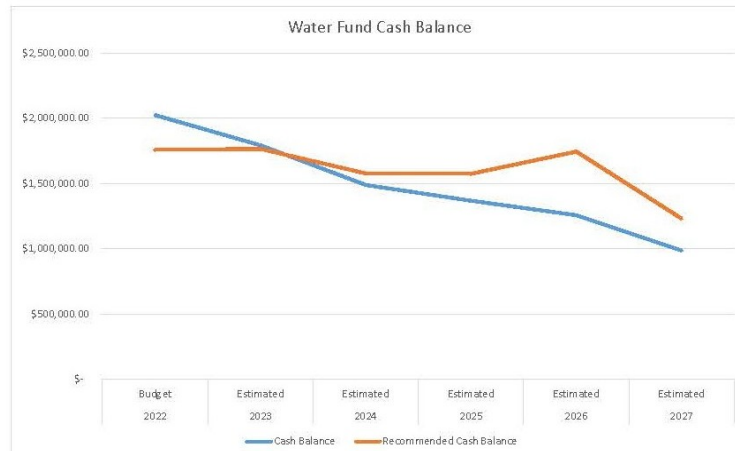
Utility Rates-2024

Water Base Change	0%
Water Usage Change	0%
Sewer Base Change	0%
Sewer Usage Change	0%
WAC Change	0%
SAC Change	0%

Rates	2024 Proposed	2025 Proposed
Monthly base fee	\$ 14.55	\$ 14.55
Water usage per 1,000 gallons / equivalent connection:		
Tier 1: 0-14,999 gallons	\$ 4.50	\$ 4.50
Tier 2: 15,000-29,999 gallons	\$ 4.72	\$ 4.72
Tier 3: 30,000-44,999 gallons	\$ 5.45	\$ 5.45
Tier 4: >45,000 gallons	\$ 6.51	\$ 6.51
Sanitary Sewer Service Rates		
Monthly base fee	\$ 20.82	\$ 20.82
Charge per 1,000 gal used/equivaler	\$ 8.16	\$ 8.16
Water Test Fee (Set by State)	\$ 0.81	\$ 0.81

	2024 Proposed
1000	\$ 48.84
2000	\$ 61.50
3000	\$ 74.16
4000	\$ 86.82
5000	\$ 99.48
6000	\$ 112.14
7000	\$ 124.80
8000	\$ 137.46
9000	\$ 150.12
10000	\$ 162.78

	2025 Proposed
1000	\$ 48.84
2000	\$ 61.50
3000	\$ 74.16
4000	\$ 86.82
5000	\$ 99.48
6000	\$ 112.14
7000	\$ 124.80
8000	\$ 137.46
9000	\$ 150.12
10000	\$ 162.78



Utility Rates-2023

Water Base Change	5.0%
Water Usage Change	5.0%
Sewer Base Change	2.0%
Sewer Usage Change	2.0%
WAC Change	0%
SAC Change	0%

Utility Rates-2024

Water Base Change	5%
Water Usage Change	5%
Sewer Base Change	2%
Sewer Usage Change	2%
WAC Change	0%
SAC Change	0%

Utility Rates-2025

Water Base Change	3.0%
Water Usage Change	3.0%
Sewer Base Change	3.0%
Sewer Usage Change	3.0%
WAC Change	0%
SAC Change	0%

Rates	Current	2023 Proposed	2024 Proposed	2025 Proposed
Monthly base fee	\$ 14.55	\$ 15.28	\$ 16.04	\$ 16.52
Water usage per 1,000 gallons / equivalent connection:				
Tier 1: 0-14,999 gallons	\$ 4.50	\$ 4.73	\$ 4.97	\$ 5.12
Tier 2: 15,000-29,999 gallons	\$ 4.72	\$ 4.96	\$ 5.21	\$ 5.37
Tier 3: 30,000-44,999 gallons	\$ 5.45	\$ 5.72	\$ 6.01	\$ 6.19
Tier 4: >45,000 gallons	\$ 6.51	\$ 6.84	\$ 7.18	\$ 7.40
Sanitary Sewer Service Rates				
Monthly base fee	\$ 20.82	\$ 21.24	\$ 21.66	\$ 22.31
Charge per 1,000 gal used/equivaler	\$ 8.16	\$ 8.32	\$ 8.49	\$ 8.74
Water Test Fee (Set by State)	\$ 0.81	\$ 0.81	\$ 0.81	\$ 0.81

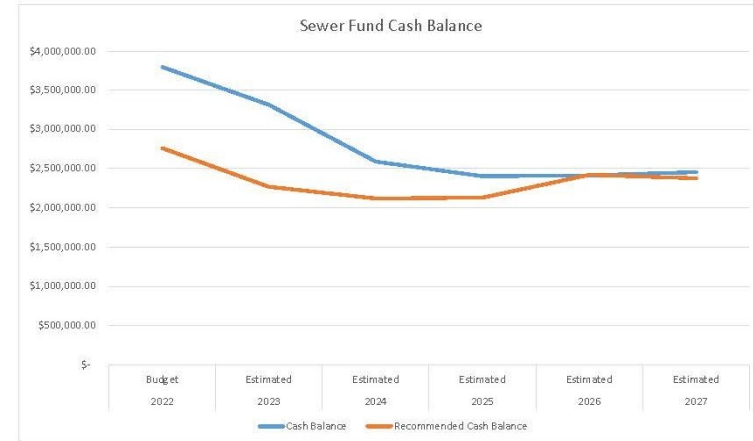
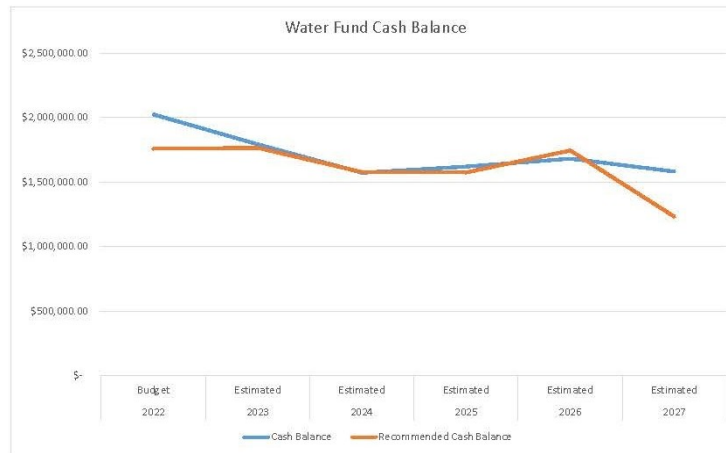
Bill Summary

	Current
1000	\$ 48.84
2000	\$ 61.50
3000	\$ 74.16
4000	\$ 86.82
5000	\$ 99.48
6000	\$ 112.14
7000	\$ 124.80
8000	\$ 137.46
9000	\$ 150.12
10000	\$ 162.78

	2023 Proposed
\$	50.38
\$	63.43
\$	76.48
\$	89.53
\$	102.58
\$	115.63
\$	128.68
\$	141.73
\$	154.78
\$	167.83

	2024 Proposed
\$	51.97
\$	65.43
\$	78.89
\$	92.35
\$	105.81
\$	119.27
\$	132.73
\$	146.19
\$	159.65
\$	173.11

	2025 Proposed
\$	53.50
\$	67.36
\$	81.22
\$	95.08
\$	108.94
\$	122.80
\$	136.66
\$	150.52
\$	164.38
\$	178.24





QUESTIONS