

City of Pine Island Utility Rate Study

2007/2008

Prepared by Ehlers & Associates
February 19, 2008

Utility Study Background

- Met with staff and compiled costs and growth estimates and future capital needs
- City Council workshop outlining important assumptions, findings and recommendations on December 18, 2007
- Utility Funds – Sewer and Water – are enterprise funds
 - Accounted for like a business
 - Operation and Maintenance funded through user rates
 - System upgrades due to growth funded through area/trunk charges and hook-up fees

Goals for Utility System

- Fund operations
- Fund capital improvements
- Use debt prudently
- Maintain adequate cash balances
- Affordable and reasonable rates

Water and Sanitary Sewer Funds

- **Operating Funds**
 - Day to day operations
 - Water treatment operations
 - Water and sewer main replacement
 - Funded by utility fees
- **Trunk Funds for Water and Sewer**
 - Capital costs for system improvements
 - Funds a portion of waste water treatment plant
 - Funded by hook-up fees

Assumptions in Base Study

- ❑ **Growth – Consistent with engineering assumptions**
 - **25** new residential units per year and **1** new commercial customer per year
- ❑ **Capital Improvements**
 - Inflate **4%** annually
- ❑ **Water and waste water treatment plant repair or expansion of capacity for existing population**
 - to be paid with utility fees
- ❑ **Maintenance contract for Treatment Plant cancelled and taken over by City Staff**

Capital Needs in the Sewer Utility System

- ❑ The following is a list of improvements necessary for the **Sewer Fund**

2009	\$209,290 of repairs to the current system to serve the existing population
2012	\$220,823 of repairs to the current system to serve the existing population
2014	\$8,158,800 for new treatment plant in order to serve the existing population

- ❑ Currently, funds ***are not adequate*** to fund improvements and major repairs

Capital Needs in the Sewer Utility System

- Additionally, there are ongoing capital operating needs in the Sewer Fund in order to serve the existing population
 - Approximately **\$1.1M** in capital needs have been identified from 2008 through 2030 for which there are no funds currently set aside
 - 2010 new Jetter Vac
 - 2012 and forward \$50,000 every other year for capital operating needs

Capital Needs in the Water Utility System

- The following is a list of improvements necessary for the **Water Fund**

2018	\$2,654,019 well and tank storage in order to serve the current population
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- Currently, funds ***are not adequate*** to fund improvements and major repairs

Capital Needs in the Water Utility System

- Additionally, there are ongoing capital operating needs in the Water Fund in order to serve the existing population
 - Approximately **\$1.9M** in capital needs have been identified from 2008 through 2030 for which there are no funds currently set aside

Recommended Sewer Rates

- Increases driven by operations and capital needs

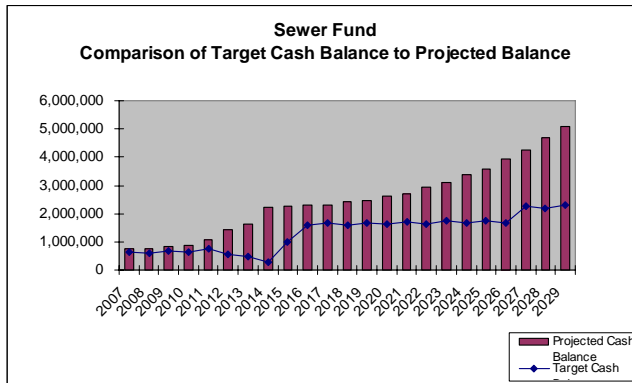
Average Monthly Sewer Bill for a 4,600 gal. user	
Year	
2007	\$11.50
2008	\$23.82
2009	\$24.47
2010	\$25.14
2011	\$25.85
2012	\$26.08
2013	\$26.34
2014	\$26.75

Note:

1. Rates don't include sewer debt service charge
2. Base fee of \$12 included in rate

Cash Balances – Sewer Operating Fund

- Recommend minimum cash balance of **\$2,300,000** by 2030
- Maintain adequate operating reserves
- Provide funds for major infrastructure improvement necessary in **2014**



Recommended Sewer Connection Fees and Unit Charges

- Sewer unit charges and connection fees are designed to pay for major infrastructure improvements/expansions to the system.
- Currently there are **no** funds set aside to pay for the scheduled repairs **\$209,000** (2008) and **\$220,800** (2012), and for the **\$8,158,000** in 2025 for the new treatment facility to serve the existing population.
- The table shows the recommended connection and unit charges at **7.00%** annual inflation

Year	Unit	Connection (Res)
2007	\$1,500	\$500
2008	\$8,400	\$1,300
2009	\$8,988	\$1,391
2010	\$9,617	\$1,488
2011	\$10,290	\$1,593

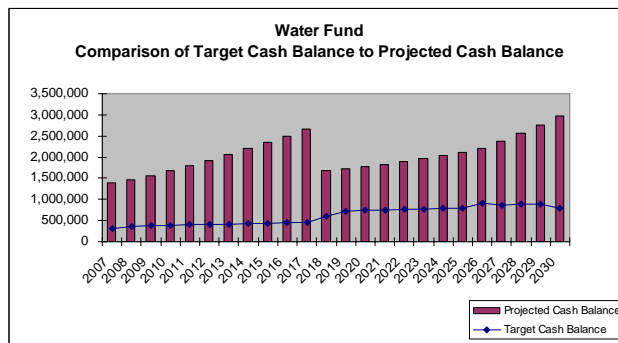
Recommended Water Rates

2008 Recommendation

Year	Average Monthly Water Bill for a 4,600 gal. user
2007	\$14.72
2008	\$15.18
2009	\$15.02
2010	\$15.78
2011	\$16.10
2012	\$16.42
2013	\$16.74
2014	\$17.12

Cash Balances – Water Operating Fund

- Recommend minimum balance of **\$792,000** by 2030
- Maintains adequate operating reserves
- Provide funds for major infrastructure improvement necessary in **2018**



Recommended Water Hook-up Fees

- Water unit charges and connection fees are designed to pay for major infrastructure improvements/expansions to the system
- Currently there are **no** funds set aside to pay for the scheduled **\$2,654,000** for well and tank storage in **2018** to serve the existing population
- The table shows the recommended connection and unit charges at an annual **4%** inflation rate

Year	Unit	Connection (Res)
2007	\$1,500	\$850
2008	\$2,000	\$1,000
2009	\$2,080	\$1,040
2010	\$2,163	\$1,082
2011	\$2,250	\$1,125

Comparable Cities – User Fees

- The following is a table of **total monthly water and sewer charges** for comparable cities for a user of **4,600 gallons** per month (using the recommended 2008 rates)

Stewartville	\$53.82
Byron	\$52.42
Kasson	\$47.89
Kenyon	\$43.97
Pine Island	\$39.00
Zumbrota	\$38.30
Plainview	\$37.86
Cannon Falls	\$31.78 (1k c.f)
Goodhue	\$28.58

Comparable Cities – Trunk & Connection Fees

City	Sewer Area Charges	Water	Connection		Total Res @ 4/A		Total
		Area Charges	Sewer	Water	Sewer	Water	
Pine Island	8400/A	2000/A	1,300	1,000	13,600	6,000	19,600
Cannon Falls	none	none	4,200	4,200	16,800	16,800	33,600
Zumbro Falls	none	none	2,500	2,500	10,000	10,000	20,000
Kasson	\$0 Probably Changing	750/a	2,250	350	9,000	2,150	11,150
Zumbrota	1750/a	1750/a	825	825	5,050	5,050	10,100
Byron	700/lot res	550/lot res	650	500	5,400	4,200	9,600
Kenyon	Based on cost		844	844	3,376	3,376	6,752
Stewartville	2000/a	2000/a	325	325	3,300	3,300	6,600
Goodhue	none	none	750	750	3,000	3,000	6,000
Plainview	none	none	750	750	3,000	3,000	6,000

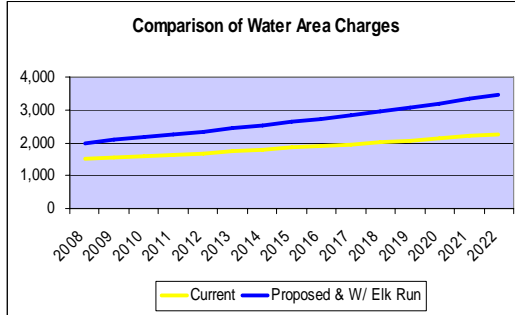
Recommendations

- Update the study at least every 1-2 years
- Adopt the 2008 rates as proposed

Year	Monthly Sewer Charges	Monthly Water Charges	Sewer Area Charge Per Acre	Sewer Connection Fee	Water Area Charge Per Acre	Water Area Charge Per Acre
2007	\$ 11.50	\$ 14.72	\$ 1,500	\$ 500	\$ 1,500	\$ 850
2008	\$ 23.82	\$ 15.18	\$ 8,400	\$ 1,300	\$ 2,000	\$ 1,000
Total	\$39.00		N/A	N/A	N/A	N/A

Elk Run Project Effects

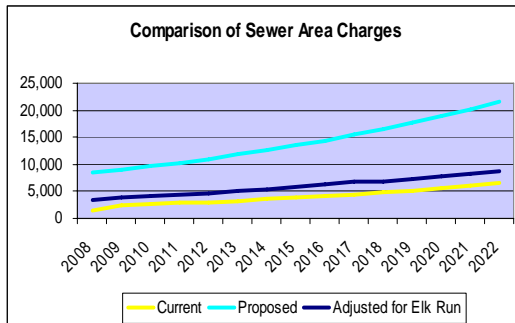
Water Trunk/Access Charges



Year	Existing Operations	Proposed	Adjusted for Elk Run
2007	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00
2008	\$ 1,500.00	\$ 2,000.00	\$ 2,000.00
2009	\$ 1,545.00	\$ 2,080.00	\$ 2,080.00
2010	\$ 1,591.35	\$ 2,163.20	\$ 2,163.20
2011	\$ 1,639.09	\$ 2,249.73	\$ 2,249.73
2012	\$ 1,688.26	\$ 2,339.72	\$ 2,339.72
2013	\$ 1,738.91	\$ 2,433.31	\$ 2,433.31
2014	\$ 1,791.08	\$ 2,530.64	\$ 2,530.64
2015	\$ 1,844.81	\$ 2,631.86	\$ 2,631.86
2016	\$ 1,900.16	\$ 2,737.14	\$ 2,737.14
2017	\$ 1,957.16	\$ 2,846.62	\$ 2,846.62
2018	\$ 2,015.87	\$ 2,960.49	\$ 2,960.49
2019	\$ 2,076.35	\$ 3,078.91	\$ 3,078.91
2020	\$ 2,138.64	\$ 3,202.06	\$ 3,202.06
2021	\$ 2,202.80	\$ 3,330.15	\$ 3,330.15
2022	\$ 2,268.88	\$ 3,463.35	\$ 3,463.35

Elk Run Project Effects

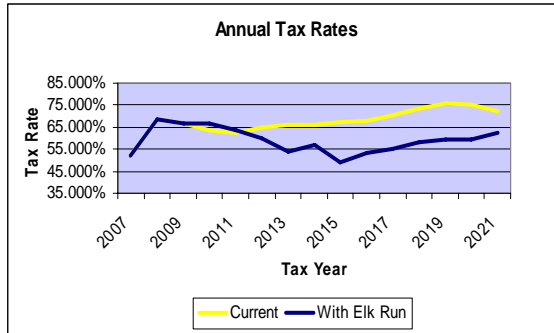
Sewer Trunk/Access Charges



Year	Existing Operations	Proposed	Adjusted for Elk Run
2007	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00
2008	\$ 1,500.00	\$ 8,400.00	\$ 3,500.00
2009	\$ 2,400.00	\$ 8,988.00	\$ 3,762.50
2010	\$ 2,592.00	\$ 9,617.16	\$ 4,044.69
2011	\$ 2,799.36	\$ 10,290.36	\$ 4,348.04
2012	\$ 3,023.31	\$ 11,010.69	\$ 4,674.14
2013	\$ 3,265.17	\$ 11,781.43	\$ 5,024.70
2014	\$ 3,526.39	\$ 12,606.13	\$ 5,401.56
2015	\$ 3,808.50	\$ 13,488.56	\$ 5,806.67
2016	\$ 4,113.18	\$ 14,432.76	\$ 6,242.17
2017	\$ 4,442.23	\$ 15,443.06	\$ 6,710.34
2018	\$ 4,797.61	\$ 16,524.07	\$ 7,200.00
2019	\$ 5,181.42	\$ 17,680.76	\$ 7,716.31
2020	\$ 5,595.93	\$ 18,918.41	\$ 8,263.35
2021	\$ 6,043.61	\$ 20,242.70	\$ 8,846.35
2022	\$ 6,527.10	\$ 21,659.69	\$ 9,460.35

Elk Run Project Effects

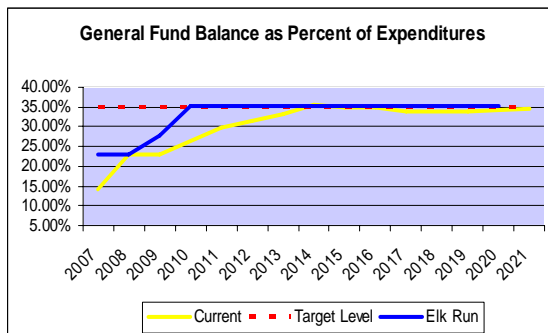
Property Tax Rate Estimates



Year	Tax Rate	Est w/ Elk Run
2007	52.073%	52.073%
2008	68.658%	68.658%
2009	66.642%	66.642%
2010	63.617%	66.642%
2011	62.426%	63.450%
2012	64.622%	59.879%
2013	66.218%	53.606%
2014	65.813%	56.793%
2015	67.071%	49.207%
2016	68.003%	53.091%
2017	70.384%	55.089%
2018	73.569%	58.271%
2019	75.900%	59.387%
2020	75.338%	59.498%
2021	72.273%	62.228%

Elk Run Project Effects

General Fund Recovery Estimates



Year	Existing Operations	Est W/ Elk Run
2008	22.89%	22.89%
2009	22.87%	22.87%
2010	26.55%	27.82%
2011	29.78%	35.34%
2012	31.54%	35.19%
2013	33.27%	35.27%
2014	35.62%	35.27%
2015	34.76%	35.30%
2016	34.77%	35.24%
2017	33.94%	35.21%
2018	33.96%	35.29%
2019	33.77%	35.23%
2020	34.26%	35.24%
2021	34.61%	35.30%