



To: MAYOR AND COUNCIL

Agenda Item #: VII. B.

From: Eric Roggeman, Finance Director

Action

Discussion

Date: September 16, 2015

Information

Subject: Ordinance No. 2015-19 Amending City Code Section 2-724 Schedule A Setting Fees

Action Requested:

Adopt the attached ordinance, including waiver of second reading.

Information / Background:

Attached are schedules for fees and charges to be adopted by ordinance proposed to be changed at this time. The changes to Code that are proposed at this time are in **bold**. Utility fees are proposed as presented in the Water, Sanitary and Storm Sewer Utility Rate Study prepared by Ehlers & Associates and discussed by the City Council at the July 7, 2015 work session. Representatives from Ehlers will be present for the September 16, 2015 Council meeting to give a presentation on the rate study.

The first group of changes proposed at this time are increased charges for new connections to the City's water and sewer system. The increased charges better reflect the costs of building and maintaining infrastructure to meet increased demand for services. This group of changes will be effective October 1.

The second group of changes proposed at this time are meant to achieve two goals.

1. First, the water, sewer, and storm charges are proposed to increase by 4.75%, 4.5%, and 10%, respectively. The water and sewer increases are primarily to cover increasing costs of rebuilding, maintaining, and improving existing infrastructure. The storm increase is higher than normal this year due to a one-time change to better align of costs for street sweeping into the storm fund from the general fund. The total increase in a sample bill for a residential customer that uses 30 units of water per quarter would be about 5.3%. This group of changes will be effective January 1, 2016.
2. Second, staff is proposing to change the billing units from 100 cubic feet to 1,000 gallons. This is a change that was made possible when the new meters were installed because the new meters read in gallons. Currently the gallon usages read by our meters are converted to 100 cubic foot units for billing purposes. Staff believes that most residents will better understand their usage and bills if we convert the billing over to gallons to match the readings from the new meters. A few things to know about this conversion:

- a. We will have new tiers for water. We used to charge the lowest tier rate up to 35 units or 3,500 cubic feet. 3,500 cubic feet equals 26,181.8 gallons. Since it is not practical to set our new tier at that level, we are rounding it to 26,000 gallons even. All of the other tiers have similar rounding.
- b. We also have new minimums for sewer. Our minimum sewer charge is for 16 units or 1,600 cubic feet. The new level will be 12,000 gallons.
- c. Morningside rates will also be denominated in gallons. Our Morningside rates are based on Minneapolis rates which we will not receive until December or January, so for now the 2015 rates will be carried forward. We will likely be changing the Morningside rates again in January when we get the new Minneapolis rates.
- d. The conversion to gallon billings will not affect storm charges or water meter charges.
- e. The conversion to gallon billings is designed to align the meter readings with billings and improve customer understanding of their usage and the City billing process. The conversion to gallon billings is not designed to increase or decrease overall revenue to the City. However, because of the rounding necessary to make the conversion, individual accounts may have minor impacts during the transition.
- f. If adopted, the attached ordinance creates two groups of rates that will be effective January 1, 2016; one group denominated in 100 cubic foot units and another group denominated in 1,000 gallon units. Staff will transition accounts from cubic foot units to gallons, as schedules and technology permits us to after January 1. We hope to have all accounts converted by mid-2016 and will plan to adopt rates for 2017 in 1,000 gallon units only.

Attachments

Ordinance No. 2015-19 Amending Section 2-724 Schedule A Setting Fees
Utility Rate Study

ORDINANCE NO. 2015-19

THE CITY COUNCIL OF THE CITY OF EDINA ORDAINS:

Section 1. The following described fees of Schedule A to Code Section 2-724 are amended to read as follows:

<i>Chapter and Section</i>	<i>Purpose of Fee/Charge</i>	<i>Current Fee</i>		<i>Proposed Fee</i>	
Chapter 28					
28-143	Charge for connection to city water or sewer system	\$1,250.00	Water connection charge per REC unit x number of SAC units	\$2,000.00	Water connection charge per REC unit x number of SAC units
		\$625.00	Sewer connection charge per REC unit x number of SAC units	\$1,000.00	Sewer connection charge per REC unit x number of SAC units

Section 2. The following described fees of Schedule A to Code Section 2-724 are amended to read as follows:

<i>Chapter and Section</i>	<i>Purpose of Fee/Charge</i>	<i>Current Fee</i>		<i>Proposed Fee</i>	
Chapter 28					
28-43(b)	<i>Sewer Service:</i>	Based upon water usage during winter quarter (November 1 to March 1)		Based upon water usage during winter quarter (November 1 to March 1). City Staff will determine which accounts will be billed in cubic feet and which accounts will be billed in gallons and use the appropriate rates for each.	
	1. Single-family, townhouses, two-family dwellings, apartment buildings containing four or less dwelling units	\$54.58	Per quarter to and including 1,600 cubic feet	\$57.04	Per quarter to and including 1,600 cubic feet
		\$3.41	Additional from 1,601 cubic feet and over	\$3.56	Additional from 1,601 cubic feet and over
				\$57.00	Per quarter to and including 12,000 gallons
	2. Apartment building with more than four dwelling units			\$4.75	Per 1,000 gallons used, whichever is greater
		\$49.12	Per quarter for each unit over four; or	\$51.26	Per quarter for each unit over four; or
		\$3.41	Per 100 cubic feet of water used, whichever is greater	\$3.56	Per 100 cubic feet of water used, whichever is greater
				\$51.26	Per quarter for each unit over four; or
	3. Commercial and industrial buildings, including schools and churches			\$4.75	Per 1,000 gallons of water used, whichever is greater
		\$54.58	Per water meter or approved sewage metering device on premises; or	\$57.04	Per water meter or approved sewage metering device on premises; or
		\$3.41	Per 100 cubic feet of water used during the quarter, whichever is greater	\$3.56	Per 100 cubic feet of water used during the quarter, whichever is greater
				\$57.00	Per water meter or approved sewage metering device on premises; or
				\$4.75	Per 1,000 gallons of water used during the quarter, whichever is greater

	<i>Water Service:</i>			City Staff will determine which accounts will be billed in cubic feet and which accounts will be billed in gallons and use the appropriate rates for each.		
	1. Per 100 cubic feet for areas of city, except in the Morningside area	\$1.45	Up to 3,500 cubic feet	\$1.52	Up to 3,500 cubic feet	
		\$1.93	3,600 to 6,500 cubic feet	\$2.02	3,600 to 6,500 cubic feet	
		\$3.02	Over 6,500 cubic feet	\$3.16	Over 6,500 cubic feet	
		\$2.54	Per 100 cubic feet—Morningside area	\$2.54	Per 100 cubic feet—Morningside area	
	1. Per 1,000 gallons for areas of city, except in the Morningside area				\$2.03	Up to 26,000 gallons
					\$2.69	26,001 to 49,000 gallons
					\$4.21	Over 49,000 gallons
					\$3.39	Per 1,000 gallons—Morningside area
	2. Domestic accounts used by commercial and industrial buildings, including schools and churches	\$1.45	Up to 3,500 cubic feet		\$1.52	Up to 3,500 cubic feet
		\$1.93	Over 3,500 cubic feet		\$2.02	Over 3,500 cubic feet
					\$2.03	Up to 26,000 gallons
					\$2.70	Over 26,000 gallons
	3. Lawn watering accounts used by commercial and industrial buildings, including schools and churches	\$1.93	Up to 3,500 cubic feet		\$2.02	Up to 3,500 cubic feet
\$3.02		Over 3,500 cubic feet		\$3.16	Over 3,500 cubic feet	
				\$2.70	Up to 26,000 gallons	
				\$4.22	Over 26,000 gallons	
4. Meter charge	\$17.69	Per quarter for up to 3/4-inch meter		\$18.53	Per quarter for up to 3/4-inch meter	
	\$24.12	Per quarter for 1-inch meter		\$25.27	Per quarter for 1-inch meter	
	\$27.52	Per quarter for 1 1/4-inch meter		\$28.83	Per quarter for 1 1/4-inch meter	
	\$30.95	Per quarter for 1 1/2-inch meter		\$32.42	Per quarter for 1 1/2-inch meter	
	\$49.84	Per quarter for 2-inch meter		\$52.21	Per quarter for 2-inch meter	
	\$189.26	Per quarter for 3-inch meter		\$198.25	Per quarter for 3-inch meter	
	\$240.90	Per quarter for 4-inch meter		\$252.34	Per quarter for 4-inch meter	
	\$305.29	Per quarter for 6-inch meter		\$319.79	Per quarter for 6-inch meter	
\$387.70	Per quarter for 8-inch meter		\$406.12	Per quarter for 8-inch meter		
28-208 28-209	Stormwater drainage charge	\$24.26	Per quarter pursuant to formula in section 28-208	\$26.68	Per quarter pursuant to formula in section 28-208	

Section 3. The effective date of Section 1 of this Ordinance shall be October 1, 2015. The effective date of Section 2 of this Ordinance shall be January 1, 2016.

First Reading:

Second Reading:

Published:

Attest: _____
Debra Mangen-City Clerk

James B. Hovland-Mayor



EHLERS
LEADERS IN PUBLIC FINANCE

September, 2015

Water, Sanitary and Storm Sewer Utility Rate Study



Prepared By:

City Staff

And

Ehlers



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Executive Summary

The goal of a rate study is to ensure the long-term financial health of the utility enterprise funds. The last rate study was completed two years ago in the fall of 2013. This current update was prompted by increases in the amount of projected growth and revisions to the City's Capital Improvement Plan.

Key Findings

- The City of Edina's utility funds are in good financial health, and, in fact, the financial stability of the utilities contributes to the City's AAA and AAa bond ratings from Standard and Poor's and Moody's, respectively.
- Recommended water rate increase is 4.75% annually beginning in 2016. Anticipated growth helps reduce the annual rate increase. (The prior rate study recommendation was 5.25% per year.) No changes to the water rate structure are proposed.
- The City Of Edina has been reinvesting in its utility systems through street and utility reconstruction projects and storm water improvements. Specifically, the City has committed to replacing aging utility pipes under most street reconstruction projects. These ongoing and future improvements put pressure on sanitary and storm sewer rates.
- There is approximately \$100,000 of storm sewer related operating expense currently being paid from the City's General Fund. This rate study assumes that those expenses will be moved to the storm sewer fund, and will be paid for with storm sewer revenues.
- The City currently uses a combination of pay-as-you-go and bond financing for its capital needs. We expect that debt will continue to be necessary to support the capital improvements for the water and storm sewer systems. Approximately 70% of the water projects, 45% of sanitary sewer projects and 75% of storm sewer projects will be financed with bonds over the next ten years.
- The City will begin converting water and sewer bills from cubic feet to gallons over the course of the next year. Therefore, this report provides 2016 utility rates in both units of measurement. The rate increases recommended in this report are not related to the conversion. After a property's bill has been converted, the customer will pay the same amount (within pennies) of what they paid prior to the conversion.
- The City intends to update the rate study every four to five years, unless changes to capital spending or growth necessitate an earlier revision. Therefore, we are recommending that the City Council adopt rate increases for the five year period of 2016 -2020.

2016 Recommendations

Adopt the annual rate changes proposed for 2016 through 2020

- 4.75% increase per year to water rates
- 4.5% increase per year to sanitary sewer rates
- 10% increase in 2016 to storm sewer rates, followed by 6.5% increase per year from 2017 through 2020.
- Increase Water Access Charge (WAC) to \$2,000 per unit and Sewer Access Charge (SAC) to \$1,000 per unit effective October 1, 2015, followed by 7% annual increases to the fee.

Goals of the Utility Rate Study

The City of Edina requested that Ehlers update the rate study of its water, storm sewer, and sanitary sewer system utilities. Ehlers last completed a full rate study in 2013. The purpose of this update is to determine how rates will need to be adjusted for 2016 through 2020 to keep the utilities financially self-sufficient. The recommended rates are designed to accomplish the following:

1. Rates are sufficient to pay the ongoing operations and capital improvements, and to maintain adequate cash balances.
2. The rate structure distributes the costs of operating the system across utility users consistent with the policy objectives of the Council.

Background Information

Enterprise Funds

Most City operations, such as public works, public safety, administration and parks, are accounted for under governmental funds, primarily embedded in the General Fund. These operations usually depend on a variety of revenues including property taxes, intergovernmental aid, and charges for services.

Municipal utility funds are considered “enterprise funds.” They are intended to be operated as a private enterprise in which the fee revenue pays for all operations. City operations include three utility funds: water, sewer, and storm sewer. In the City’s Comprehensive Annual Financial Report (CAFR), enterprise funds are segregated funds, recognizing the unique purpose and revenue streams of these City functions.

In addition to the CAFR segregating the enterprise funds, the City’s Capital Improvement Plan (CIP) distinguishes between projects that will be funded by the enterprise funds and those to be funded by general governmental funds.

It should be noted that the City currently has one accounting fund for water, sanitary sewer, storm sewer, and recycling. For this analysis, we segregated the revenues and expenses for each utility, and treated each as a separate fund. By doing so, we can ensure that each utility will “pay its own way.” For purposes of this study, we refer to each segregated utility as its own fund.

Street Reconstruction Policy

Street reconstruction projects provide an opportunity for the City to strategically address its utility infrastructure needs. Recently, the City staff and Council decided to be more pro-active in replacing aging utility pipes and other infrastructure under street reconstruction projects. This led to changes in the Capital Improvement Plan (CIP) which affect the revenue demands on the utility funds. The following chart shows the change in the CIP for water line

replacements in connection with street reconstruction projects between the last rate study completed in 2013 and this current study.

**Average Annual Capital Improvements for Street Reconstruction Projects
Assumed in Rate Study**

	2013 Study	2015 Study	% Change
Water	\$2.3 million	\$2.0 million	-13%
Sanitary Sewer	\$1.4 million	\$2.5 million	80%
Storm Sewer	\$2.4 million	\$3.2 million	33%

Costs of improvements are inflated 4% per year beginning in 2016. Future capital costs include a water treatment plant constructed in 2017-2018. A summary of the CIP can be found in Appendices D-F.

Revenues from Growth Help Offset Costs

The rate study reflects the development of multi-family residential buildings in the Southdale area. It assumes 240 new housing units will be constructed each year for the next three years (2016 through 2018) and 30 units per year thereafter. To be conservative, there is no growth assumed from new commercial or institutional customers.

Growth Assumptions

Year	New Multifamily Units
2016-2018	240 units per year
2019 and beyond	30 units per year

The growth is assumed for estimating future water connection fees, and is projected to generate almost \$2.2 million over the next ten years. In addition, we included user revenues from the new units in the analysis. Within five years, the City will receive over \$100,000 per year in water revenues and over \$50,000 in sanitary sewer revenues from its newest customers. This revenue from growth moderate future water rate increases.

Water Utility Fund

Water Rate Structure

There are three components to the City’s water utility revenues:

- Fixed Charges
- Usage Fees
- WAC Fees (Water Access Fees or hook-up charges)

1) **Fixed Charges** are a fixed quarterly fee based on the property type and number of units. The fixed charge is established to recover certain administration expenses, such meter reading and billing, plus a portion of distribution costs. The 2015 fixed charge for single family residential accounts is \$17.69 per quarter and it increases as the size of the meter increases. This fixed charge raises approximately \$1.2 million per year.

2) **Usage Fees** are based on the metered use of water. Water is sold in “units” and currently one unit represents 100 cubic feet. With the new water meters, the City will convert to selling water by the gallon, and one unit will equal 1,000 gallons of water. For the sake of consistency, this report provides information based on cubic feet.

The billing structure for most Edina residents is tiered so that the rate per unit depends on the amount of water used per quarter. The first tier of usage is up to 3,500 cubic feet. The second tier is for usage over 3,500 cubic feet and up to 6,500 cubic feet, and the third tier is for water usage over 6,500 cubic feet per quarter. All types of property are included in the tiering of rates, although at different levels.

The prior rate study called for annual water rate increases of 5.25%. We now forecast that, due to growth and a small decrease in planned capital spending, annual rate increases of 4.75% will be needed. The 2015 and proposed future rates for each tier are listed in the chart below.

Usage Gallons	Actual		Proposed			
	2015	2016	2017	2018	2019	2020
Tier 1						
Rate Increase	5.25%	4.75%	4.75%	4.75%	4.75%	4.75%
0-35 units	\$1.45	\$1.52	\$1.59	\$1.67	\$1.75	\$1.83
Tier 2						
Rate Increase	5.25%	4.75%	4.75%	4.75%	4.75%	4.75%
36-65 units	\$1.93	\$2.02	\$2.12	\$2.22	\$2.32	\$2.43
Tier 3						
Rate Increase	5.25%	4.75%	4.75%	4.75%	4.75%	4.75%
> 65 units	\$3.02	\$3.16	\$3.31	\$3.47	\$3.64	\$3.81
Morningside	Future Morningside increases are dependent on the rate increases under the City of Minneapolis contract					
0-35 units						
36-65 units						
> 65 units						
	5.25%	4.75%	4.75%	4.75%	4.75%	4.75%

No changes to the tiered water rate structure are being proposed.

Water usage in the Morningside area is charged at a flat rate per unit. The Morningside rate is set at an amount sufficient to cover the cost of purchasing water from the City of Minneapolis, plus:

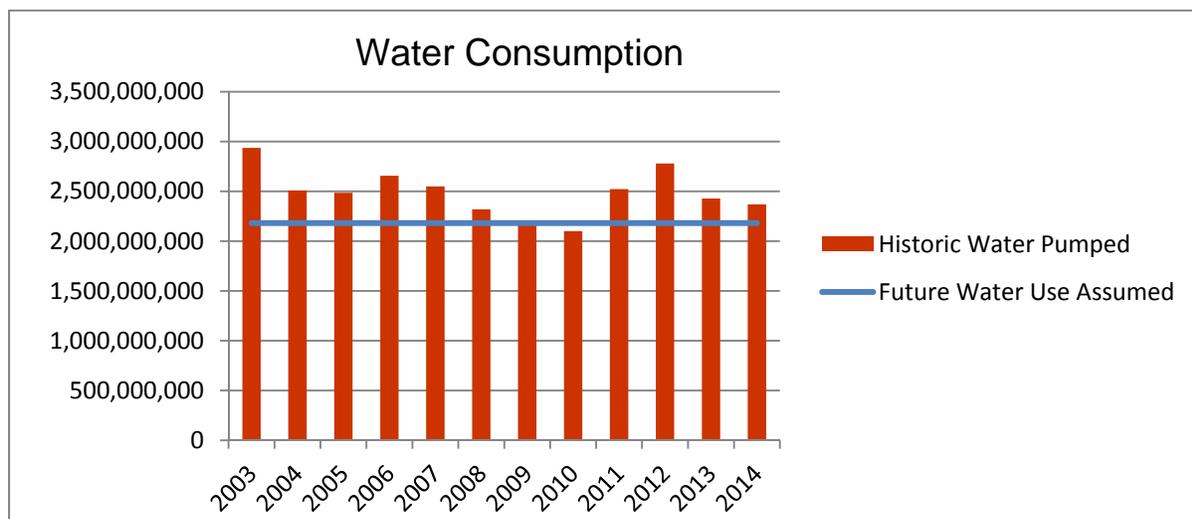
- a pro-rata share of the City of Edina’s water distribution costs not included in the fixed charge; and
- a capital cost allocation for improvements anticipated in the Morningside area.

The largest component of the Morningside water rate is the cost of water from the City of Minneapolis. Morningside customers receive softened water, unlike the water pumped and distributed by the City of Edina.

3) **Water Access Charges (WAC)** are paid by developers of new homes and businesses when a building permit is pulled. Developers do not pay connection fees when they are replacing an existing unit, as is the case for residential tear downs and rebuilds. These connection fees help pay for the capital costs of serving the new properties. The City of Edina currently charges \$1,250 per residential equivalency unit for new development. We recommend that the City increase its WAC fee to \$2,000 in 2016 as discussed later in this report.

Water Consumption

A significant assumption in the rate study is the amount of water used. Water demand, and thus revenue, varies with weather patterns. The following graph shows variation in water usage since 2003. The increased water consumption in 2012 reflects a dry year that resulted in more irrigation. In addition, the City began replacing its aging water meters in 2012. As water meters age, some will slow down and under-report water consumption.

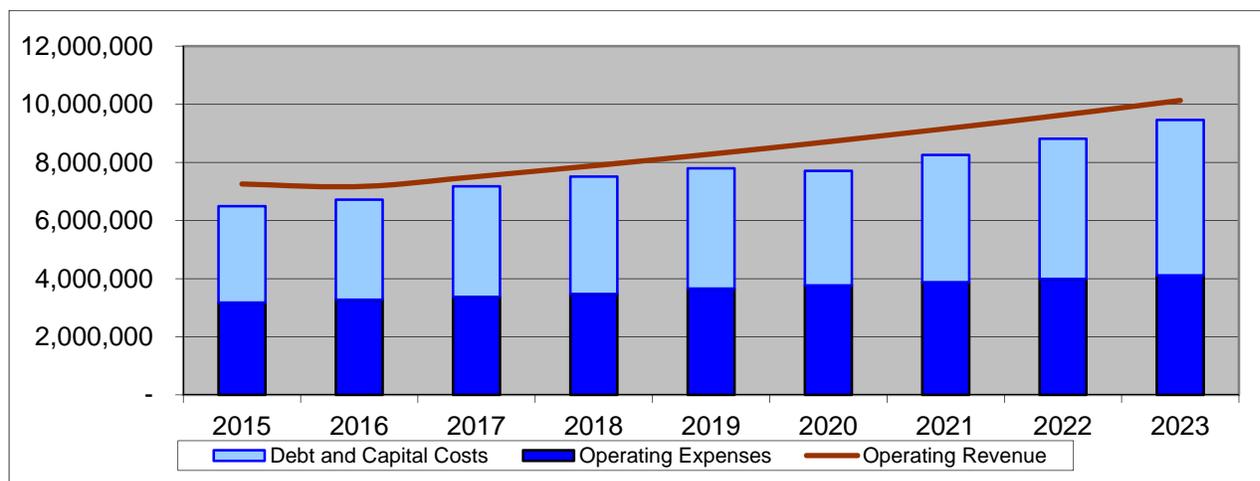


There is always a discrepancy between water pumped and water billed, referred to as “water loss” and it is related to flushing the system, water main breaks and leaks, and non-billed consumption. This study has assumed future use of approximately 2.175 billion gallons, or 2.9 million units per year (with one unit equal to 100 cubic feet), based on multi-year pumping and billing data. This represents a decrease of 225 million gallons from the prior rate study.

Investing in the Water Infrastructure

The need to reinvest in the City’s aging water system plus the construction of a new water treatment plant will continue to place financial stresses on the water utility fund. The City’s recent and projected investment for replacing and improving the water system is significant. Between 2008 and 2014, the City spent almost \$33.5 million on capital improvements from the water utility fund. This study incorporates the 2015-2019 Capital Improvement Plan for the utilities, and estimates of future capital costs for 2020 and beyond. The chart below shows that debt and capital costs are expected to continue to grow into the future.

Annual Capital Costs, Operating Expenses, and Revenue – Water Fund



Proposed Water Rates

Residential Water Rates

Fixed Charges are proposed to increase 4.75% per year in 2016 through 2020, as compared to the previous 5.25% rate increases recommended in the 2013 rate study.

Usage Fees are based on the metered use of water for all customers. This study proposes a 4.75% annual rate increase in 2016 through 2020.

Usage Fees for Morningside are determined by a formula that adds City of Edina water distribution costs to the cost of softened water purchased from the City of Minneapolis. Edina’s portion of the Morningside rate is expected to increase 4.75% annually, which translates into approximately two cents per year. The majority of the usage rate, however, is determined by the cost of water from Minneapolis. In 2015 the Morningside usage fee is \$2.45 per unit, which represents a 0% increase over the 2014 water rate. Future rate increases will largely depend on

the price of water from Minneapolis. Morningside residents and businesses, like those in the rest of Edina, will also pay the fixed quarterly fee which is proposed to increase 4.75% annually beginning in 2016.

The chart on page 5 and the rate schedule in Appendix G show the proposed residential water rates.

Irrigation/Sprinkler Meters

Water consumption used for sprinklers by residential customers is charged at the same rate as regular water usage in the same usage tiers.

Water used in sprinklers by commercial customers that have irrigation meters are currently charged the two highest tiers at a rate of \$1.93 per unit for 0-35 units per quarter, and \$3.02 for each unit over 35 units. The proposed 2016 commercial irrigation water rates are \$2.02 and \$3.16, respectively.

Commercial Customers

Non-irrigation usage by commercial customers is charged on the first two tiers. Currently, water consumption of 0-35 units is \$1.45 per unit, and all water consumption over 35 units is \$1.93 per unit. The proposed 2016 rates are \$1.52 and \$2.02 respectively.

Conversion from Cubic Feet to Gallons

The City will begin converting water and sewer bills from cubic feet to gallons over the course of the next year. For the sake of continuity and comparison, this report generally discusses the proposed rates in units equal to 100 cubic feet. The proposed tiers and rates in 1,000 gallon units is provided in Appendix G. The rates are designed to result in the same charge to the customer. The chart on the next page gives an example of two customer bills and shows that the rate charges in cubic feet and gallons for the same usage results in similar payment amounts.

It is important to note that the rate increases recommended in this report are not related to the conversion from cubic feet to gallons.

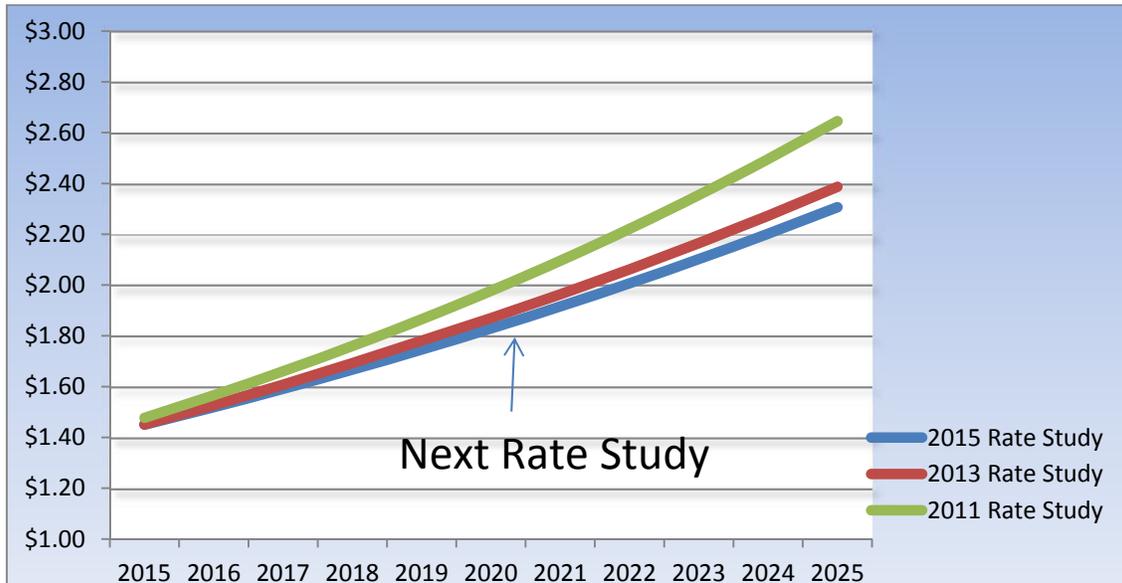
Over time, the City has been able to reduce the projected annual water rate increase. For example, the 2011 rate study projected the need for 6% annual rate increases well into the future. The graph below shows the proposed rates from the last three studies for the Tier 1 water rate. It suggests the next rate study should be completed in four to five years.

Sample Bill in Cubic Feet and Gallons

Sample 2016 Water + Sewer + Storm Bill		
Time Period and Usage	Cubic Foot Charge	Gallon Charge
2016 Winter Quarter - 2,000 cubic feet or 15,000 gallons		
Water	\$ 30.40	\$ 30.45
Sewer	\$ 71.28	\$ 71.25
Storm	\$ 26.68	\$ 26.68
Meter	<u>\$ 18.53</u>	<u>\$ 18.53</u>
Total	<u>\$ 146.89</u>	<u>\$ 146.91</u>
-		
2016 Summer Quarter - 4,400 cubic feet or 33,000 gallons		
Water	\$ 71.38	\$ 71.68
Sewer	\$ 71.28	\$ 71.25
Storm	\$ 26.68	\$ 26.68
Meter	<u>\$ 18.53</u>	<u>\$ 18.53</u>
Total	<u>\$ 187.87</u>	<u>\$ 188.14</u>

Over time, the City has been able to reduce the projected annual water rate increase. For example, the 2011 rate study projected the need for 6% annual rate increases well into the future. The graph below shows the proposed rates from the last three studies for the Tier 1 water rate. It suggests the next rate study should be completed in four to five years.

Water Rate Projections in Prior Rate Studies Compared to 2015 Study



Prudent Use of Debt for Water Projects

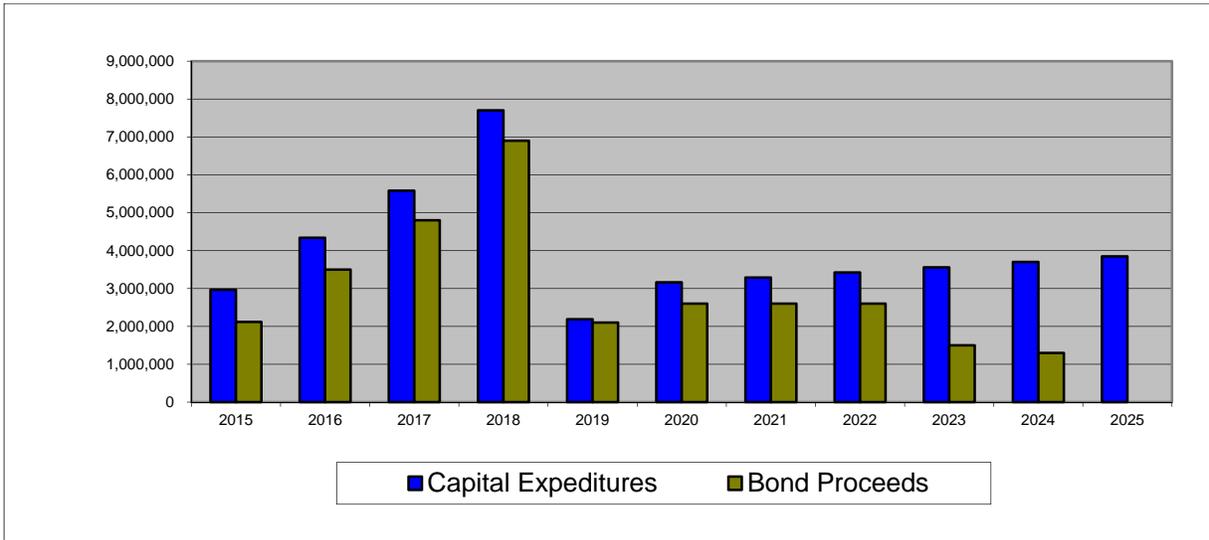
In order to maintain a positive cash position and achieve the target cash reserve over the long term, the City will need to finance the majority of its water system capital improvements in the near term. The projections assume most capital costs will be financed over the next nine years ending in 2019, after which bonds will pay for only a portion of the improvements through 2024. Beginning in 2025, the projections show the fund will be able to pay for capital project costs without issuing debt.

Capital projects financed with debt are amortized over a ten-year period and interest rates are estimated based on a spread over current market conditions. By keeping the term of the debt to ten years, the City will be able to:

- 1) Protect its bond rating; and
- 2) Allow time after the debt is retired to fund replacement reserves and reduce reliance on debt in the future.

The following chart demonstrates how much capital is to be expended and how much debt is to be issued in each year.

Water Capital Expenses and Debt Issues

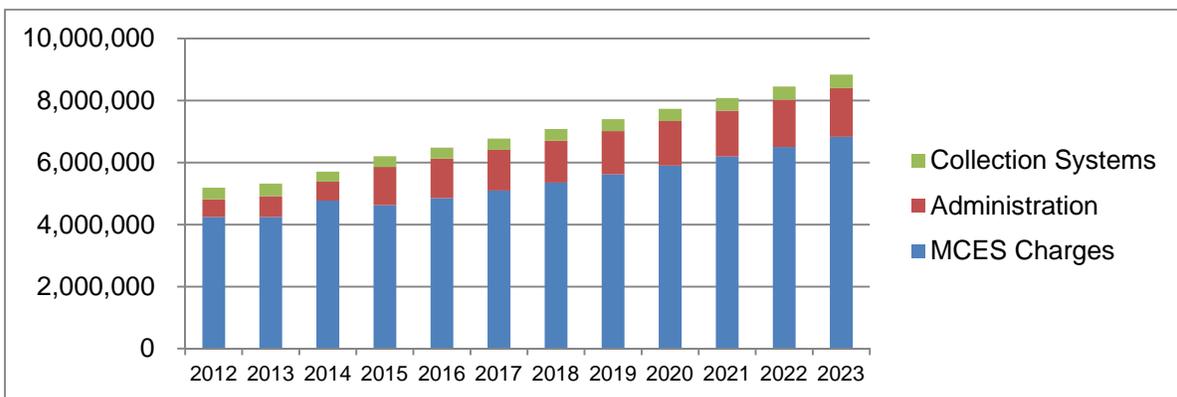


Sewer System

The Metropolitan Council Influence

The City of Edina participates in the Metropolitan Council Environmental Services (MCES) sewer system. This means that the City’s sanitary sewer system flows to the MCES treatment plant and the City receives a bill from the MCES for the service. The City does not maintain its own sanitary sewer treatment plant. MCES allocates the cost of the metro area sanitation system to a user city based on the relative percent of that city’s flow into the system. The MCES disposal charge is the single biggest expense in the City’s sewer fund and comprises almost 75% of operating expenses, excluding depreciation. The graph below breaks out the sanitary sewer operating expenses.

Sanitary Sewer Operating Expenses



Currently the MCES charge for service is budgeted at \$4,622,800, and is estimated to increase 5% to \$4,835,940 in 2015. This study assumes future increases to the MCES charge for service will be 5% per year, consistent with the average increase over the last two years.

The second biggest expenditure in the sewer fund is capital purchases, most of which is designated for replacing the sewer mains under road reconstruction projects.

In order to provide adequate revenue for these two cost drivers (MCES disposal fees and capital improvements), sewer rates will need to increase 4.5% in 2016 and annually thereafter. In the Council work session the question arose as to how much of this increase is attributable to capital, and how much to MCES fees. If MCES rates remained constant, the City’s sewer rate increase would need to be just 1.5% annually to pay for capital and other operating expenses. That is, one-third of the projected 4.5% rate increase is due to increases in the City’s capital and operating costs, and two-thirds is related to projected increases in the MCES disposal fees.

If MCES rates increase at less than 5%, then the City may moderate its own rate increases.

Pro-Forma Analysis Assumptions

	Sanitary Sewer Utility
Growth and Utility Usage	Sewer usage will remain constant except for the addition of new users consistent with the growth assumptions discussed previously.
Operating Expenses	City expenses increase 3% annually
MCES Disposal Expense	MCES disposal charges increase 5% annually
Capital Expenses	Costs of improvements are inflated 4% per year. Future total capital improvements from 2016 to 2025 are estimated at an uninflated value of \$23.3M. A summary of the CIP can be found in Appendix F .
Rate Structure	Residential sewer is billed based on a minimum fee that includes 1600 cubic feet plus a per unit usage fee for discharge above 16 units. Sewer usage is based on winter quarter water consumption. No changes to the rate structure are proposed.

Sewer Rates

City of Edina sewer customers pay a quarterly fixed charge and a flat rate per unit of water. Sewer is billed based on winter water consumption so that residents and businesses are not billed sewer charges on water that is used for irrigation or other outdoor uses. During the winter months, sewer is the biggest part of most customers’ utility bill.

The 2015 sewer rate is \$3.41 per unit. One unit is 100 cubic feet or approximately 750 gallons. There is a minimum quarterly fee, regardless of use, of \$54.58 (16 units or 1600 cubic feet).

The minimum charge helps pay for the fixed costs of the system. As with the water utility, when a customer account is converted from cubic feet to gallons, a different rate schedule will apply. Please see Appendix G for the schedule of sewer rates in both cubic feet and gallons. The per 1,000 gallon rates are established to result in an equivalent payment for the same amount of water used, regardless of the unit of measurement.

Proposed 2014 Sewer Rates

The projected rate increase for sanitary sewer is 4.5% per year from 2016 through 2020. This compares to a 3.25% rate increase projected in the 2011 rate study. Increases in capital costs and MCES disposal fees contribute to the higher rate increase.

We do not recommend changing the rate structure at this time. The proposed rate per unit (1 unit = 100 cubic feet) is in the following chart. The rate applies to all Edina residential and commercial customers.

Sanitary Sewer	2015	2016	2017	2018	2019	2020
Rate per Unit (100 cubic feet)	\$3.41	\$3.56	\$3.73	\$3.89	\$4.07	\$4.25

Prudent Use of Debt for Sewer Projects

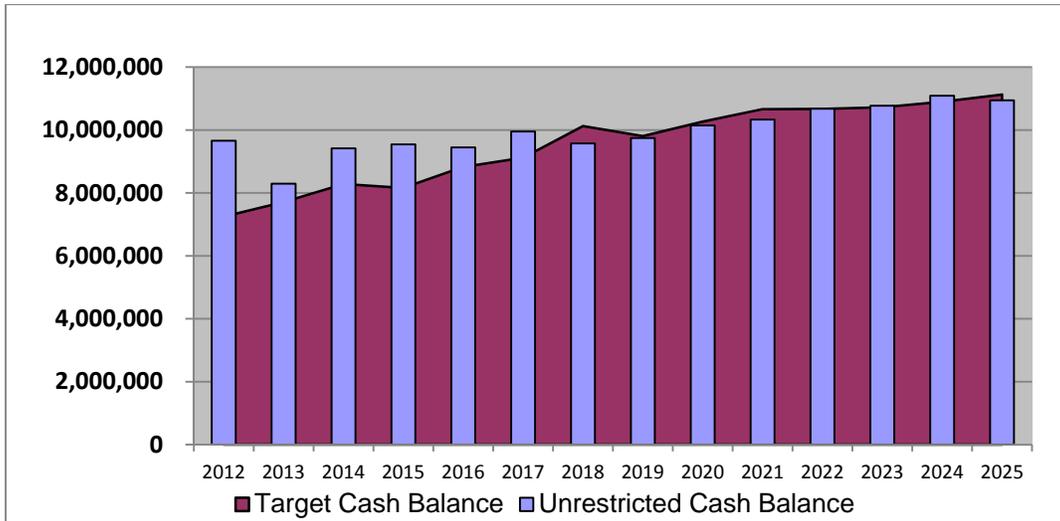
The proposed sewer rates will be sufficient to pay for over half of the capital projects with cash. The remaining portion is expected to be financed. This is a change from the prior rate study which moved the City away from annual bond issues and projected using cash for all future capital improvements. Because the total cost of 2016-2020 capital projects increased by 80%, we anticipate that financing a portion of the projects will be necessary to maintain adequate cash reserves.

Measures of Financial Strength: Water and Sewer Fund Cash Balances

The cash balance of a fund is a measure of its financial health. Cash balances are available to accommodate fluctuations in revenue depending on weather, and to fund unexpected repairs and a portion of capital improvements. They also give the City the flexibility to bond for capital improvements in conjunction with other City bonding needs, thereby reducing costs of issuance. Finally, because the cash balance is measured at the end of the calendar year, prior to the February 1 debt payment, the cash balance should include 100% of the upcoming debt service payment.

Over the long term, the City’s goal is a cash balance equal to 4 months of operating expenses plus the next year’s debt service. The following graph shows the projected cash balances as measured against target cash reserves. It can be seen that the proposed rate increases and use of debt financing should be adequate to achieve the target cash balance. The water and sewer fund is financially stable.

Combined Water and Sanitary Sewer Cash Balances



Water and Sewer Connection Fees

The City of Edina currently charges water and sewer connection fees that total \$1,200 per residential equivalency unit for new development. These connection fees help pay for the capital costs of serving the new properties. New growth in the Southdale area is requiring investment in additional water treatment and other water and sewer infrastructure. Therefore, we would recommend that the City increase its connections fees as indicated in the chart below. Increases in 2017 and beyond are proposed to be 7% annually.

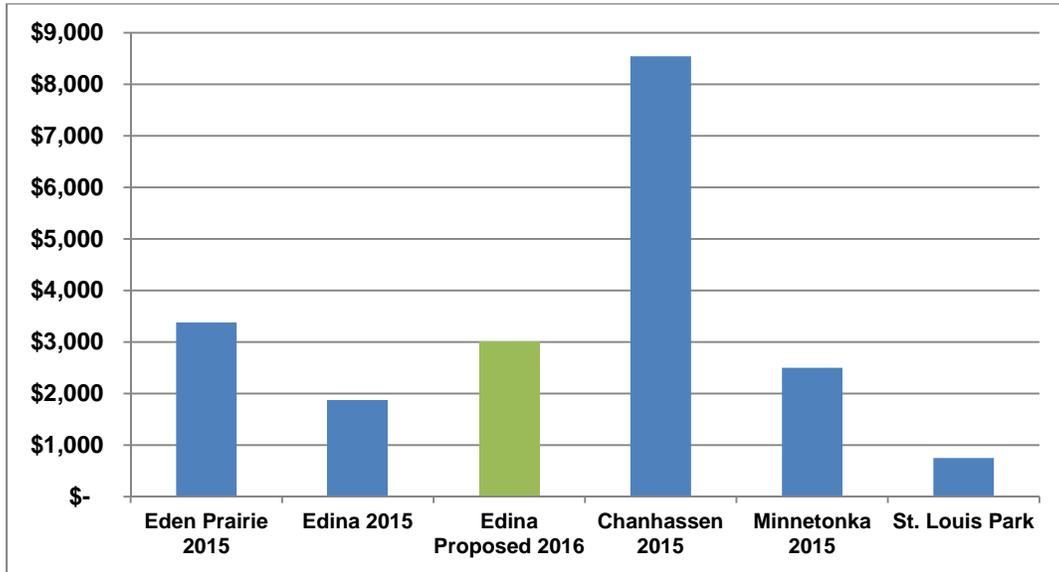
Proposed Connection Fees

	2013	2014	2015	2016*	2017
SAC	\$400	\$500	\$625	\$1,000	\$1,070
WAC	<u>\$800</u>	<u>\$1,000</u>	<u>\$1,250</u>	<u>\$2,000</u>	<u>\$2,140</u>
Total	\$1,200	\$1,500	\$1,875	\$3,000	\$3,210

*2016 rates will be effective October 1, 2015

Even with the proposed increases, the City of Edina’s connection fees will be competitive.

Comparison of Proposed 2016 Water and Sewer Connection Fees



Neighboring communities that do not charge a connection fee include Hopkins, Bloomington, and Richfield.

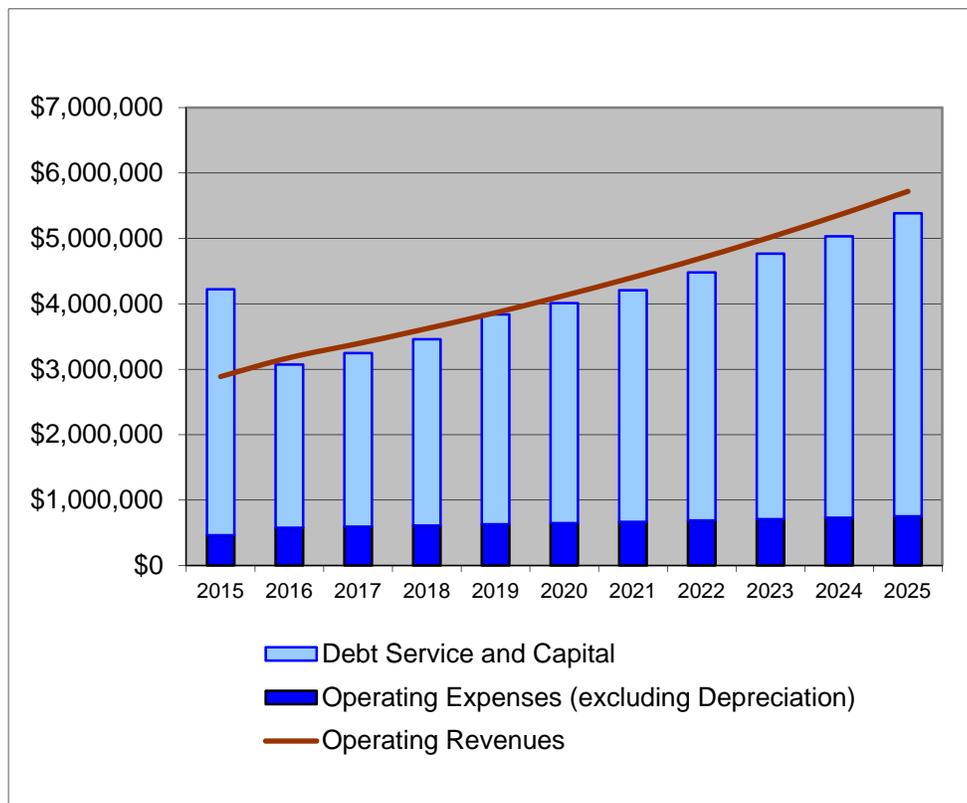
The revenue projections in the Appendices assume that connection fees will be collected on 240 residential equivalency units per year in the years 2016 through 2018, and 30 units per year thereafter.

Storm Sewer System

The storm sewer fund was created to pay for the management of storm water runoff in concert with the local watershed. City projects often include repair and maintenance of drainage systems, storm water ponds, and other wetland outlets. Single family residential properties pay a fixed quarterly fee. Commercial property owners are charged based on the amount of impervious surface that does not allow rainwater to be absorbed into the ground. Over time, capital costs for the storm water system have increased to meet increasingly stringent state standards intended to improve water quality. In addition, there are storm water related construction costs in connection with street reconstruction projects.

Over the next ten years, the City anticipates over \$30 million in uninflated capital costs for new storm sewer improvement projects and to replace its aging storm sewer system. The growth in capital needs for road reconstruction and water quality projects is shown in the graph below.

Annual Capital Costs, Operating Expenses, and Revenue – Storm Sewer Fund



In addition, there are approximately \$100,000 of storm sewer operating costs that the General Fund is routinely paying for. These expenses appropriately belong to the storm sewer fund and may be paid for with storm sewer revenues. The advantage of moving all costs to the storm sewer fund is that tax exempt property would pay its full share of the costs. It also reduces the property tax levy or provides more capacity in the General Fund for other City goals and expenses. Based on discussion with staff and the City Council, this rate study assumes the expenses currently being paid for from the General Fund will be moved to the storm sewer fund. Storm sewer rates will need to be increased to fund the additional operating expenses and planned capital projects.

Proposed Storm Sewer Rates

The City's 2015 quarterly storm sewer rate is \$24.26 per quarter. The proposed rate increases in the chart below will allow the City to maintain and improve its storm water infrastructure, as well as sustaining adequate cash reserves. These rates represent a 10% annual rate increase in 2016 followed by 6.5% annual increases in subsequent years. The prior rate study projected 6% annual rate increases.

Quarterly Storm Sewer Rates – Residential

2015	2016	2017	2018	2019	2020
\$24.26	\$26.68	\$28.42	\$30.27	\$32.23	\$34.33

Cities across the state will be facing pressure to generate more revenue to fund storm sewer systems. The Clean Water Legacy Act provided funding to test and develop plans for Minnesota’s polluted waterways. These plans may result in new unfunded mandates for local governments. While the future requirements for managing the quality and quantity of storm water are unknown, the level of projected capital expenses in this study should pay for many of the mandated improvements. As more cities undertake planning for storm sewer capital improvements, we expect to see higher storm sewer utility fees across the metro area.

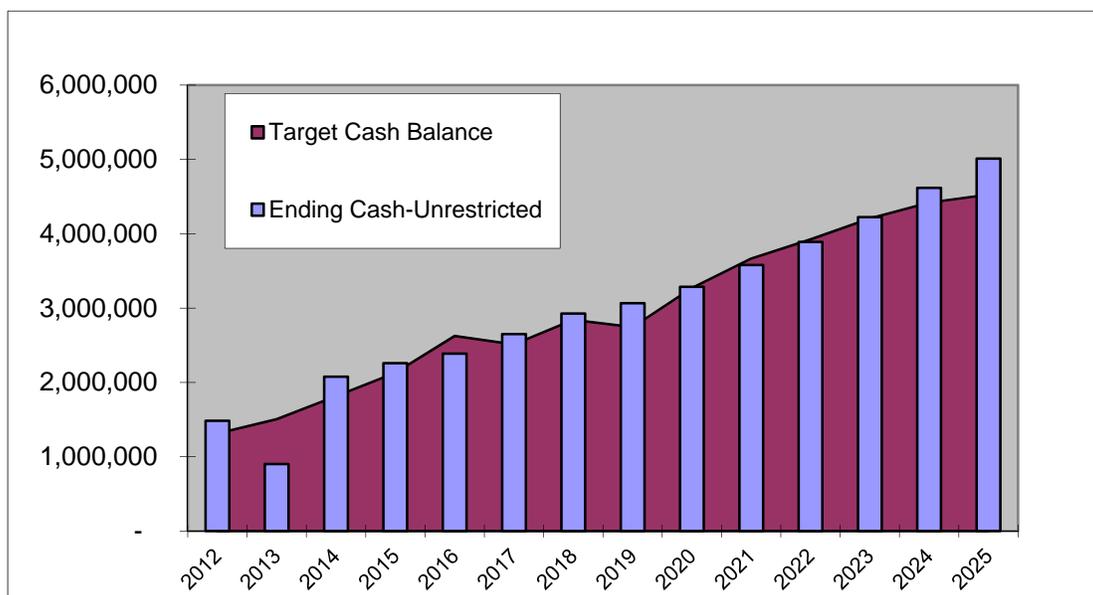
Future Debt for Capital Improvements

We are projecting the need to finance almost 60% of the anticipated \$16.4 million of 2016-2020 proposed capital improvements. (The \$16.4 million represents the inflated capital improvement costs.) The bonds are expected to have a 10 year amortization. As cash balances and project costs are evaluated in the future, the amount and term of the debt should be re-evaluated.

Storm Sewer Fund Cash Balances

The purpose of the cash balance is to allow the City to fund routine improvements on a “pay-as-you-go” basis, reserving the use of debt for major improvements. It is our recommendation that the system be operated to maintain a minimum cash balance equal to four months of operating expenses plus the next year’s debt service. The projected cash balances are shown in the following graph. The storm sewer fund is financially stable with the proposed rates.

Storm Sewer Cash Balances



Putting It All Together: The Utility Bill

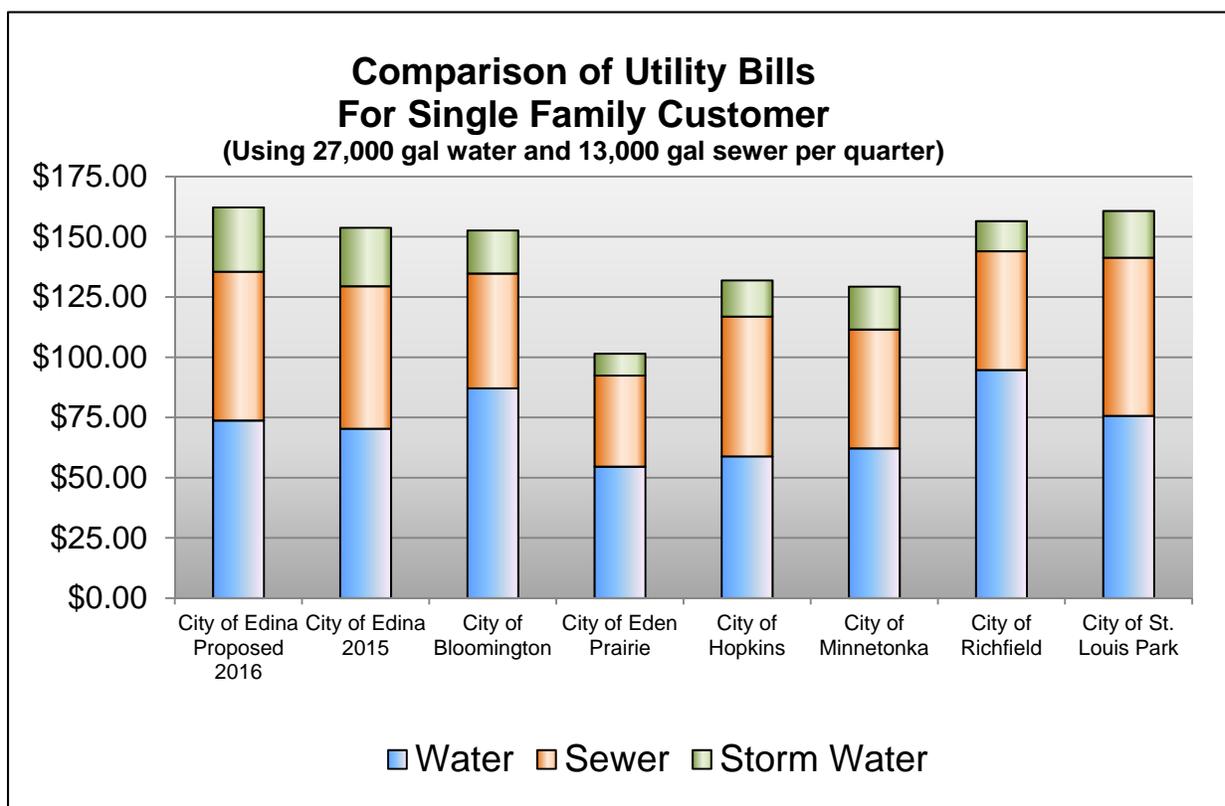
The chart below shows the total utility bill for sample residents who use varying amounts of water. Because residents view their utilities together in one bill, we have included water, sanitary, and storm water charges, along with a cumulative total.

City of Edina					
Sample Projected Residential Utility Bills					
Water increasing 4.75%; Sewer increasing 4.50%; Storm increasing 10% in 2016					
Sample Family Quarterly Bill	2015	2016	2017	2018	2019
Winter months - 30 units water and sewer					
Sewer	102.34	106.95	111.76	116.79	122.04
Water	61.19	64.10	67.14	70.33	73.67
Storm Water	<u>24.26</u>	<u>26.68</u>	<u>28.42</u>	<u>30.27</u>	<u>32.23</u>
Total	\$ 187.79	\$ 197.73	\$ 207.32	\$ 217.38	\$ 227.95
Combined Fee Increase	\$ 7.61	\$ 9.94	\$ 9.59	\$ 10.07	\$ 10.56
Percent Increase	4.23%	5.29%	4.85%	4.86%	4.86%
Summer months - 50 units water and 30 units sewer					
Sewer	102.34	106.95	111.76	116.79	122.04
Water	97.39	102.02	106.86	111.94	117.25
Storm Water	<u>24.26</u>	<u>26.68</u>	<u>28.42</u>	<u>30.27</u>	<u>32.23</u>
Total	\$ 223.99	\$ 235.65	\$ 247.04	\$ 258.99	\$ 271.53
Combined Fee Increase	\$ 9.45	\$ 11.66	\$ 11.39	\$ 11.95	\$ 12.54
Percent Increase	4.40%	5.20%	4.83%	4.84%	4.84%
Sample Summer Bill - High Water Use					
100 units water and 30 units sewer					
Sewer	102.34	106.95	111.76	116.79	122.04
Water	232.04	243.06	254.61	266.70	279.37
Storm Water	<u>24.26</u>	<u>26.68</u>	<u>28.42</u>	<u>30.27</u>	<u>32.23</u>
Total	\$ 358.64	\$ 376.69	\$ 394.79	\$ 413.76	\$ 433.65
Combined Fee Increase	\$ 16.06	\$ 18.05	\$ 18.09	\$ 18.97	\$ 19.89
Percent Increase	4.69%	5.03%	4.80%	4.81%	4.81%
Sample Bill for Low Utility User					
12 units water and sewer					
Sewer (minimum quarterly rate)	54.58	57.04	59.60	62.29	65.09
Water	35.09	36.76	38.50	40.33	42.25
Storm Water	<u>24.26</u>	<u>26.68</u>	<u>28.42</u>	<u>30.27</u>	<u>32.23</u>
Total	\$ 113.93	\$ 120.48	\$ 126.53	\$ 132.88	\$ 139.57
Combined Fee Increase	\$ 4.83	\$ 6.55	\$ 6.05	\$ 6.36	\$ 6.69
Percent Increase	4.42%	5.75%	5.02%	5.03%	5.03%
Sample Quarterly Bill - High Commercial					
8,300 units water and 8,300 units sewer					
Sewer	28,314.45	29,588.60	30,920.09	32,311.50	33,765.51
Water	16,002.20	16,762.30	17,558.51	18,392.54	19,266.19
Storm Water	<u>24.26</u>	<u>26.68</u>	<u>28.42</u>	<u>30.27</u>	<u>32.23</u>
Total	\$ 44,340.91	\$ 46,377.59	\$ 48,507.02	\$ 50,734.31	\$ 53,063.94
Combined Fee Increase	\$ 1,710.46	\$ 2,036.68	\$ 2,129.43	\$ 2,227.28	\$ 2,329.63
Percent Increase	4.01%	4.59%	4.59%	4.59%	4.59%

Utility Bill Comparison

There are many factors that determine a City's utility rates including water source, type of water treatment needed, geography and terrain of the community, development patterns, and demographics. Because these differ significantly between communities, one community cannot set their utility rates based on what their neighbors are charging. Nonetheless, it is interesting and helpful to know how the City of Edina compares to surrounding communities because residents and businesses often expect to pay similar rates.

The graph below compares the utility bill for a typical single family customer in Edina and its neighbors.



Recommendations

The City of Edina has managed its utility funds well, and as a result has been able to pay for improvements through a combination of cash and debt. The need to reinvest in the water, sewer, and storm sewer utility systems over the next several years will put financial pressures on all of the utility funds, particularly the storm sewer fund.

The rate study indicates that rate increases are necessary in 2016 through 2020. Steady annual rate increases will be needed for water, sanitary sewer, and storm water utilities to pay for City operating costs and capital improvements. We are also recommending increases in WAC and SAC fees.

While this analysis proposes the use of debt to allow for steady and predictable rate increases, it is not a debt plan. The City should review whether it has sufficient cash to pay for capital improvements prior to issuing debt. At its option, the City may accumulate less cash in its utility funds (thereby funding less depreciation) in order to reduce the amount of new debt issued for utility improvements. As with all other bonding decisions, the City's decision to issue debt for any given improvement will be based on many factors, including the City's cash balances, rating, and other financing needs.

2016 Recommendations

- Adopt the annual rate changes proposed for 2016 - 2020
 - 4.75% annual increase per year to water rates
 - 4.5% annual increase per year to sewer rates
 - 10% increase per year to storm sewer rates in 2016 and 6.5% annual increase in storm sewer rates 2017-2020.

- Adopt the following sewer connection (SAC) fees effective October 1, 2015:
 - 2015 - \$1,000
 - 2016 and thereafter – 7% annual increase

- Adopt the following water connection (WAC) fees:
 - 2015 - \$2,000
 - 2016 and thereafter – 7% annual increase

Appendices to this report follow:

Appendix A	Water Utility Projections
Appendix B	Sanitary Sewer Utility Projections
Appendix C	Storm Sewer Utility Projections
Appendix D	Capital Improvement Plan for Water
Appendix E	Capital Improvement Plan for Sanitary Sewer
Appendix F	Capital Improvement Plan for Storm Sewer
Appendix G	Proposed Rate Schedule in Cubic Feet and Gallons

Appendix A

Water Utility Projections

Appendix B

Sanitary Sewer Utility Projections

City of Edina
Utility Funds - Sanitary Sewer Fund
Exhibit B

Sanitary Sewer Charges Increase	3.25%	3.25%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Investment Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Other revenue increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
MCES Disposal Cost Increase	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Expenditure increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

	Per Financial Statements		Preliminary	Budget	Projected									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1 Revenues														
2														
3 Sewer Charges	7,490,136	7,811,785	7,551,076	7,984,906	8,344,227	8,719,717	9,112,104	9,522,149	9,950,646	10,398,425	10,866,354	11,355,340	11,866,330	12,400,315
4 Other	97,459	192,250	56,669	103,394	106,496	109,691	112,981	116,371	119,862	123,458	127,162	130,976	134,906	138,953
5 Sewer Charges related to growth			0	0	13,860	28,968	45,407	47,451	51,652	56,135	60,918	66,017	71,451	77,241
6 Total operating revenues	7,587,595	8,004,035	7,607,745	8,088,300	8,464,583	8,858,376	9,270,493	9,685,971	10,122,160	10,578,018	11,054,433	11,552,333	12,072,687	12,616,509
7														
8 Expenses														
9														
10 Disposal Charges	4,244,096	4,242,719	4,771,504	4,622,800	4,853,940	5,096,637	5,351,469	5,619,042	5,899,994	6,194,994	6,504,744	6,829,981	7,171,480	7,530,054
11 Admin.	570,903	672,004	610,547	1,239,238	1,276,415	1,314,707	1,354,148	1,394,773	1,436,616	1,479,714	1,524,106	1,569,829	1,616,924	1,665,432
12 Collection Systems	376,432	409,320	326,857	343,400	353,702	364,313	375,242	386,500	398,095	410,038	422,339	435,009	448,059	461,501
13 Depreciation	497,225	565,578	579,828	575,000	592,250	640,018	689,218	709,895	751,191	793,727	837,539	892,665	949,445	1,007,928
14														
15 Total operating expense	5,688,656	5,889,621	6,288,735	6,780,438	7,076,307	7,415,675	7,770,078	8,110,209	8,485,896	8,878,473	9,288,727	9,727,484	10,185,908	10,664,915
16														
17 Operating income (loss)	1,898,939	2,114,414	1,319,010	1,307,863	1,388,276	1,442,701	1,500,415	1,575,761	1,636,263	1,699,545	1,765,706	1,824,849	1,886,779	1,951,594
18														
19 Non operating rev (exp)														
20 Investment income	23,154	0			39,805	36,989	41,117	35,753	39,601	40,722	40,692	43,075	44,495	45,264
21 City SAC Revenue		0	114,700	150,000	240,000	256,800	274,776	36,751	39,324	42,077	45,022	48,173	51,546	55,154
22 Gain (loss) on disposal of asset														
23 Interest Expense: 1999A Bonds														
24 Interest Expense: 2003C Bonds	(12,778)													
25 Interest Expense: 2007B Bonds-2014B Rfd	(36,600)	(30,500)	(24,200)	(17,600)	(7,880)	(2,665)								
26 Interest Expense: 2008A Bonds-2014B Rfd	(92,812)	(82,312)	(73,588)	(62,431)	(34,776)	(25,289)	(15,404)	(5,192)						
27 Interest Expense: 2011A Bonds	(12,482)	(15,800)	(14,550)	(13,250)	(11,900)	(10,500)	(9,100)	(7,650)	(5,775)	(3,525)	(1,200)			
28 Interest Expense: 2012A Bonds		(25,529)	(34,300)	(30,900)	(27,300)	(23,600)	(19,700)	(15,600)	(11,850)	(8,550)	(5,175)	(1,725)		
29 Miscellaneous														
30 Intergovernmental			195,269											
31														
32 Total non operating	(131,518)	(154,141)	163,331	25,819	197,949	231,735	271,689	44,062	61,299	70,724	79,339	89,524	96,041	100,418
33														
34 Net income (loss)	1,767,421	1,960,273	1,482,341	1,333,682	1,586,226	1,674,436	1,772,104	1,619,824	1,697,563	1,770,268	1,845,045	1,914,373	1,982,820	2,052,012
35														
36 Operating transfers in														
37 Operating transfers out														
38														
39 Net change to retained earnings	1,767,421	1,960,273	1,482,341	1,333,682	1,586,226	1,674,436	1,772,104	1,619,824	1,697,563	1,770,268	1,845,045	1,914,373	1,982,820	2,052,012

Appendix C

Storm Sewer Utility Projections

City of Edina
Utility Funds - Storm Sewer Fund
Appendix C

Storm Sewer Revenue Increase	6.00%	6.00%	10.00%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Other revenue increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Expenditure increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

	Per Financial Statements		Preliminary	Budget	Projected									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1 Revenues														
2 Charges for services	2,540,358	2,710,871	2,864,931	2,854,346	3,139,781	3,343,866	3,561,218	3,792,697	4,039,222	4,301,772	4,581,387	4,879,177	5,196,323	5,534,084
3 Other	8,922	39,059	10,475	34,163	37,579	40,022	42,623	45,394	48,345	51,487	54,834	58,398	62,194	66,236
4														
5 Total operating revenues	2,549,280	2,749,930	2,875,406	2,888,509	3,177,360	3,383,888	3,603,841	3,838,091	4,087,567	4,353,258	4,636,220	4,937,575	5,258,517	5,600,320
6														
7 Expenses														
8 Admin	185,073	97,838	133,480	73,605	75,813	78,088	80,430	82,843	85,328	87,888	90,525	93,241	96,038	98,919
9 Operating Expenses	230,551	346,991	287,621	388,300	399,949	411,947	424,306	437,035	450,146	463,651	477,560	491,887	506,643	521,843
10 Depreciation	709,568	833,871	904,308	900,000	1,012,670	1,104,771	1,203,839	1,281,265	1,392,702	1,510,402	1,634,670	1,765,824	1,904,198	2,050,138
11 Total operating expense	1,125,192	1,278,700	1,325,409	1,361,905	1,588,432	1,594,806	1,708,575	1,801,143	1,928,176	2,061,941	2,202,755	2,350,952	2,506,879	2,670,900
12														
13 Operating income (loss)	1,424,088	1,471,230	1,549,997	1,526,604	1,588,928	1,789,083	1,895,266	2,036,948	2,159,390	2,291,318	2,433,465	2,586,623	2,751,638	2,929,421
14														
15														
16 Cash flow														
17 Operating income (loss)	1,424,088	1,471,230	1,549,997	1,526,604	1,588,928	1,789,083	1,895,266	2,036,948	2,159,390	2,291,318	2,433,465	2,586,623	2,751,638	2,929,421
18 Depreciation	709,568	833,871	904,308	900,000	1,012,670	1,104,771	1,203,839	1,281,265	1,392,702	1,510,402	1,634,670	1,765,824	1,904,198	2,050,138
19 Interest income	12,966	0	23,662	20,771	22,586	23,866	26,503	29,269	30,659	32,853	35,790	38,903	42,232	46,184
20 Transfers	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21 Bond proceeds	1,834,146		4,180,338	3,100,000	3,440,000	2,500,000	2,400,000	1,100,000	2,400,000	2,850,000	3,100,000	3,200,000	3,350,000	3,350,000
22 2014 Bond proceeds spent on capital				(1,668,500)										
23 Debt payments: 1999 bonds P&I														
24 Debt payments: 2007 bonds P&I-2014B Rfd Bd	(435,200)	(431,000)	(431,300)	(431,000)	(412,049)	(417,571)								
25 Debt payments: 2008A bonds P&I-2014B Rdg Bd	(266,538)	(276,195)	(267,862)	(269,881)	(253,504)	(258,392)	(258,736)	(259,688)						
26 Debt payments: 2011A bonds P&I	(27,522)	(169,850)	(177,050)	(174,150)	(176,200)	(178,150)	(175,050)	(176,900)	(177,825)	(177,800)	(177,625)			
27 Debt payments: 2012A bonds P&I		(41,564)	(180,950)	(195,550)	(194,650)	(193,550)	(197,150)	(195,450)	(194,425)	(194,100)	(193,625)	(197,925)		
28 Debt payments: 2014A bonds P&I				(279,568)	(252,850)	(253,700)	(254,450)	(255,100)	(249,600)	(252,850)	(252,050)	(251,100)	(253,750)	
29														
30 Debt (P&I) - 2015 Bonds (3% for 10 years)					(363,415)	(363,415)	(363,415)	(363,415)	(363,415)	(363,415)	(363,415)	(363,415)	(363,415)	(363,415)
31 Debt (P&I) - 2016 Bonds (3% for 10 years)						(403,273)	(403,273)	(403,273)	(403,273)	(403,273)	(403,273)	(403,273)	(403,273)	(403,273)
32 Debt (P&I) - 2017 Bonds (3.5% for 10 years)							(300,603)	(300,603)	(300,603)	(300,603)	(300,603)	(300,603)	(300,603)	(300,603)
33 Debt (P&I) - 2018 Bonds (3.5% for 10 years)								(288,579)	(288,579)	(288,579)	(288,579)	(288,579)	(288,579)	(288,579)
34 Debt (P&I) - 2019 Bonds (4.0% for 10 years)									(135,620)	(318,403)	(318,403)	(318,403)	(318,403)	(318,403)
35 Debt (P&I) - 2020 Bonds (4.0% for 10 years)										(295,898)	(295,898)	(295,898)	(295,898)	(295,898)
36 Debt (P&I) - 2021 Bonds (4.0% for 10 years)											(351,379)	(351,379)	(351,379)	(351,379)
37 Debt (P&I) - 2022 Bonds (4.0% for 10 years)												(382,202)	(382,202)	(382,202)
38 Debt (P&I) - 2023 Bonds (4.0% for 10 years)													(394,531)	(394,531)
39 Debt (P&I) - 2024 Bonds (4.0% for 10 years)														(413,025)
40 Debt (P&I) - 2025 Bonds (4.0% for 10 years)														
41 Debt (P&I) - 2026 Bonds (4.0% for 10 years)														
42 Debt (P&I) - 2027 Bonds (4.0% for 10 years)														
43 Debt (P&I) - 2028 Bonds (4.0% for 10 years)														
44 Debt (P&I) - 2029 Bonds (4.0% for 10 years)														
45 Net change in balance sheet items				(60,617)										
46 Capital	(3,020,000)	(1,968,576)	(1,200,011)	(5,511,230)	(4,283,485)	(3,086,036)	(3,296,246)	(2,065,547)	(3,649,959)	(3,795,957)	(3,947,795)	(4,105,707)	(4,269,935)	(4,440,733)
47														
48 Cash flow	231,508	(582,084)	4,340,515	(2,982,504)	128,031	263,633	276,684	138,927	219,452	293,695	311,280	332,866	395,276	392,880
49														
50 Beginning cash-Unrestricted	2,792,817	1,482,673	900,589	2,077,138	2,258,600	2,386,632	2,650,265	2,926,949	3,065,876	3,285,328	3,579,023	3,890,303	4,223,168	4,618,444
51 Less restricted cash			(3,163,966)	3,163,966										
52 Ending Cash-Unrestricted	1,482,673	900,589	2,077,138	2,258,600	2,386,632	2,650,265	2,926,949	3,065,876	3,285,328	3,579,023	3,890,303	4,223,168	4,618,444	5,011,324
63														
64 Quarterly Charge for Single Family Home	20.56	21.59	22.89	24.26	26.68	28.42	30.27	32.23	34.33	36.56	38.94	41.47	44.16	47.03

Appendix D

Capital Improvement Plan for Water

City of Edina
 Utility Funds
 Water Fund Capital Improvements
 Exhibit D

2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025

	PROJ. #													
1	Main Rehabilitation/Replacement/Extensions:													
2	Water main improvements	ENG-13-002	\$ 1,200,000						\$ 2,550,000	\$ 2,550,000	\$ 2,550,000	\$ 2,550,000	\$ 2,550,000	\$ 2,550,000
3	Morningside neighborhood water main relining	151-161		\$ 50,000	\$ 50,000									
4														
5	Well Rehabilitation/Replacement/Construction:													
6	Piping wells #15 and #9 to treatment plant 6	ENG-13-005	\$ 1,100,000											
7	Well #16 rehab	15-104						\$ 120,000						
8	Well #5 (W 69th St)	15-102					\$ 120,000							
9	Well #6 rehab	15-101				\$ 120,000								
10	Well #9 rehab	UT-10-008												
11	Well #11 rehab	UT-10-009	\$ 120,000											
12	Well #15 rehab	15-099			\$ 120,000									
13	Well #17 rehab	15-100			\$ 120,000									
14	Well #10 rehab	15-098		\$ 120,000										
15	Well #18	15-103					\$ 120,000							
16	Southdale Tower rehab	15-109			\$ 500,000									
17	Control System, Equipment Replacements/Upgrades:													
18	Utilities equipment replacement	PW-13-005	\$ 40,000	\$ 221,600	\$ 80,000		\$ 25,000	\$ 25,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
19	Water meter replacement project	UT-10-006												
20	SCADA radio system upgrade	15-094/15-095		\$ 17,000	\$ 24,000									
21	Asset management update	15-173	\$ 10,000	\$ 20,000	\$ 20,000									
22														
23														
24	Water Treatment Plant Rehab:													
25	Well #13 rehab	PW-13-006												
26	Well #17 rehab	PW-13-007												
27	Well #16 rehab	PW-13-008												
28	Water treatment plant #5	15-162			\$ 500,000	\$ 3,500,000	\$ 5,000,000							
29	Well #21 and raw water line	15-164			\$ 75,000			\$ 600,000						
30	Miscellaneous Projects: (engineer amts include inflation)													
31	Reconstruct Valley View Rd	ENG-15-124		\$ 40,000										
32	Reconstruct Tracy Ave	ENG-15-125			\$ 250,000									
33	Parklawn Ave	15-126			\$ 250,000									
34	W 62nd Street	15-128					\$ 250,000							
35	Birchcrest A and B Neighborhood	15-129/15-138		\$ 290,000		\$ 452,336								
36	Arden Park D Neighborhood	15-130		\$ 1,520,000										
37	Propect Knolls A and B Neighborhood	15-131/15-146		\$ 110,300				\$ 316,395						
38	Countryside H and I Neighborhood	15-132/15-145		\$ 318,055				\$ 151,240						
39	Dewey Hill B-E, G Neighborhood	15-133/15-142		\$ 64,730			\$ 1,105,158							
40	Strachhauer Park A Neighborhood	15-134			\$ 375,868									
41	Golf Terrace B Neighborhood	15-135			\$ 1,534,970									
42	Morningside A/White Oak C Neighborhood	15-136			\$ 340,248									
43	Normandale Park D Neighborhood	15-137				\$ 996,923								
44	Parkwood Kolls B Neighborhood	15-139				\$ 187,003								
45	Chowen Park A and B Neighborhood	15-140/15-141					\$ 379,752							
46	Concord D/Pamela B-E Neighborhood	15-143						\$ 807,727						
47	Indian Hills C/Creek Valley B Neighborhood	15-144						\$ 39,633						
48	Valley View, Tracy Lane, Valley Lane	15-151		\$ 70,000	\$ 40,000									
49	Dublin Reservoir Pump	15-105				\$ 30,000	\$ 45,000							
50	Cahill/Dewey Hill Rd	15-175												
51	Concrete rehab-Parklawn Ave	PW-00-074												
52	Reconstruct W 54th St (Wooddale to Francis)	PW-01-012	\$ 40,000											
53	Reconstruct W 58th St (Wooddale to Francis)	PW-15-123		\$ 122,500										
54	Miscellaneous Future													
55														
56	TOTAL		\$ 2,510,000	\$ 2,964,185	\$ 4,280,086	\$ 5,286,262	\$ 7,044,910	\$ 2,059,995	\$ 2,600,000	\$ 2,600,000	\$ 2,600,000	\$ 2,600,000	\$ 2,600,000	\$ 2,600,000
57														
58	Inflated Costs	4.00%	\$ 2,510,000	\$ 2,964,185	\$ 4,339,646	\$ 5,581,654	\$ 7,702,319	\$ 2,186,540	\$ 3,163,298	\$ 3,289,829	\$ 3,421,423	\$ 3,558,280	\$ 3,700,611	\$ 3,848,635

Appendix E

Capital Improvement Plan for Sanitary Sewer

City of Edina
Utility Funds
Sanitary Sewer Fund Capital Improvements
Appendix E

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1	Main Rehabilitation/Replacement/Extensions:	PROJ. #											
2	Trunk sanitary sewer lining project	UT-08-014	\$ 600,000										
3	Sanitary sewer main improvements	ENG-13-003	\$ 690,000					\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000
4													
5	Lift Station Rehabilitation/Replacement/Construction:												
6	Remove lift station #1	UT-03-010											
7	Sanitary lift station #3 upgrade	15-090		\$ 125,000									
8	Sanitary lift station #14 upgrade	15-092		\$ 75,000									
9													
10													
11	W 69th St and York Ave watermain loop	UT-10-011	\$ 150,000										
12													
13	Control System, Equipment Replacements/Upgrades:												
14	SCADA Upgrades	15-094	\$ 16,000	\$ 23,000									
15	Utilities equipment replacement	15-108	\$ 410,000	\$ 20,000	\$ 25,000	\$ 20,000	\$ 17,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
16													
17	Sanitary Sewer Treatment Plant Rehab:												
18													
19	Miscellaneous Projects: (engineer amts include inflation)												
20	Reconstruct Valley View Rd	ENG-13-009											
21	Reconstruct Tracy Ave	ENG-13-010											
22	Concrete rehab-Parklawn Ave	PW-00-074											
23	Reconstruct W 54th St (Wooddale to Francis)	PW-01-012	\$ 20,000										
24	Reconstruct Valley View Rd	ENG-15-124	\$ 20,000										
25	Reconstruct Tracy Ave	ENG-15-125		\$ 200,000									
26	Parklawn Ave	15-126		\$ 200,000									
27	W 62nd Street	15-128				\$ 200,000							
28	Birchcrest A and B Neighborhood	15-129/15-138	\$ 475,000		\$ 324,354								
29	Arden Park D Neighborhood	15-130	\$ 1,735,000										
30	Propect Knolls A and B Neighborhood	15-131/15-146	\$ 127,805				\$ 226,875						
31	Countryside H and I Neighborhood	15-132/15-145	\$ 238,580				\$ 108,449						
32	Dewey Hill B-E, G Neighborhood	15-133/15-142	\$ 126,445			\$ 546,573							
33	Strachhauer Park A Neighborhood	15-134		\$ 269,521									
34	Golf Terrace B Neighborhood	15-135		\$ 728,774									
35	Morningside A/White Oak C Neighborhood	15-136		\$ 375,893									
36	Normandale Park D Neighborhood	15-137			\$ 473,320								
37	Parkwood Kolls B Neighborhood	15-139			\$ 134,093								
38	Chowen Park A and B Neighborhood	15-140/15-141				\$ 272,307							
39	Concord D/Pamela B-E Neighborhood	15-143					\$ 383,493						
40	Minnehaha Trunk Sewer lining	15-150				\$ 1,100,000							
41	Sanitary trunk capacity expansion	15-147	\$ 120,000	\$ 250,000	\$ 1,600,000								
42	Cahill Rd/Dewey Hill	15-175	\$ 20,000										
43	Indian Hills C/Creek Valley B Neighborhood	15-144					\$ 28,419						
44	Valley View, Tracy Lane, Valley Lane	15-151	\$ 50,000	\$ 25,000									
45	Dublin Reservoir Pump	15-105											
46	Presidents Area sewer rehab	15-148		\$ 1,000,000									
47	72nd North Branch Trunk	15-149					\$ 1,300,000						
48	Reconstruct W 58th St (Wooddale to Francis)	PW-15-123											
49	Sewer jetter replacement	UT-07-008											
50	Manhole repair project	UT-10-010											
51	Annual vehicle replacement	UT-11-005											
52	Asset mgmt software	15-173	\$ 20,000	\$ 20,000									
53	Sewer camera and cable reel	UT-11-008											
54	30 Kw generator	UT-12-005											
55	Cityworks asset management update	UT-12-008	\$ 10,000										
56	TOTAL		\$ 1,470,000	\$ 3,358,830	\$ 3,312,188	\$ 2,556,767	\$ 2,138,880	\$ 2,064,236	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000
57													
58	Inflated Costs	4.00%	\$ 1,470,000	\$ 3,358,830	\$ 3,321,908	\$ 2,558,807	\$ 2,141,377	\$ 2,067,124	\$ 2,676,636	\$ 2,783,702	\$ 2,895,050	\$ 3,010,852	\$ 3,131,286

Appendix F

Capital Improvement Plan for Storm Sewer

City of Edina
 Utility Funds
 Storm Sewer Fund Capital Improvements
 Appendix F

2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025

	PROJ. #												
1													
2	Storm sewer-pipe and grading improvements	ENG-13-004	\$ 2,200,000										
3	Reconstruct 2nd St South	ENG-13-008											
4	Reconstruct Valley View Rd	ENG-13-009											
5	Reconstruct Tracy Ave	ENG-13-010											
6	2013-2014 Flood Protection and Water Improvements	ENG-13-011	\$ 35,000										
7	2014-2015 Flood Protection and Water Improvements	ENG-13-012	\$ 50,000										
8	2015-2016 Flood Protection and Water Improvements	ENG-13-013											
9	Comprehensive Water Resource Mgmt Plan	15-170		\$ 200,000									
10	Storm water pollution prevention plan	ENG-13-017											
11	NMWD Petition Projects-Phase I	ENG-13-018	\$ 180,000										
12	Concrete rehab:Parklawn Ave (France to W 77)	PW-00-074											
37	Flood protection	15-169		\$ 525,000		\$ 275,000							
38	Utilities equipment replacement	15-112	\$ 197,000		\$ 120,000		\$ 219,000						
39	Storm water lift station #3 rehab	UT-11-007	\$ 200,000										
40	Sewer camera and cable reel	UT-11-008											
41	SCADA radio system upgrade	15-094		\$ 16,000	\$ 23,000								
	Promenade Phase 2	15-172		\$ 550,000									
42	Asset management update	15-173	\$ 10,000	\$ 20,000	\$ 20,000								
43	Cooper Circle pond outlet	15-166		\$ 250,000									
44	Future estimated-based on average							\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
13	Miscellaneous Projects: (engineer amts include inflation)												
14	Reconstruct W 54th St (Wooddale to France)	PW-01-012	\$ 20,000										
15	Reconstruct W 58th St (Wooddale to France)	PW-04-001											
16	Reconstruct Tracy Ave	ENG-15-125		\$ 120,000									
17	Parklawn Ave	15-126		\$ 120,000									
18	W 62nd Street	15-128				\$ 120,000							
19	Birchcrest A and B Neighborhood	15-129/15-138	\$ 826,000		\$ 1,438,955								
20	Arden Park D Neighborhood	15-130	\$ 1,213,000										
21	Propect Knolls A and B Neighborhood	15-131/15-146	\$ 188,345					\$ 936,555					
22	Countryside H and I Neighborhood	15-132/15-145	\$ 1,250,400					\$ 447,684					
23	Dewey Hill B-E, G Neighborhood	15-133/15-142	\$ 437,485			\$ 975,801							
24	Strachhauer Park A Neighborhood	15-134		\$ 1,192,601									
25	Golf Terrace B Neighborhood	15-135		\$ 1,071,785									
26	Morningside A/White Oak C Neighborhood	15-136		\$ 1,011,579									
27	Normandale Park D Neighborhood	15-137			\$ 796,097								
28	Parkwood Kolls B Neighborhood	15-139			\$ 553,544								
29	Chowen Park A and B Neighborhood	15-140/15-141				\$ 1,954,100							
30	Concord D/Pamela B-E Neighborhood	15-143						\$ 563,992					
31	Indian Hills C/Creek Valley B Neighborhood	15-144						\$ 117,316					
32	Valley View, Tracy Lane, Valley Lane	15-151		\$ 80,000									
33	Dublin Reservoir Pump	15-105											
34	Reconstruct W 58th St (Wooddale to Francis)	PW-15-123	\$ 105,000										
35	Reconstruct Valley View Rd	ENG-15-124	\$ 340,000										
36	54th St	15-174		\$ 50,000									
	Cahill/Dewey Rd	15-175	\$ 40,000										
45	TOTAL		\$ 2,892,000	\$ 5,511,230	\$ 4,258,965	\$ 3,063,596	\$ 3,268,901	\$ 2,065,547	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
46													
47	Inflated Costs	4.00%	\$ 2,892,000	\$ 5,511,230	\$ 4,283,485	\$ 3,086,036	\$ 3,296,246	\$ 2,065,547	\$ 3,649,959	\$ 3,795,957	\$ 3,947,795	\$ 4,105,707	\$ 4,269,935

Appendix G

Proposed Rates in Cubic Feet and Gallons

Chapter and Section	Purpose of Fee/Charge	2015 Current Fee	Proposed Fee Effective January 1, 2016
Chapter 28			
28-43(b)	Sewer Service:	Based upon water usage during winter quarter (November 1 to March 1)	Based upon water usage during winter quarter (November 1 to March 1). City Staff will determine which accounts will be billed in cubic feet and which accounts will be billed in gallons and use the appropriate rates for each.
1. Single-family, townhouses, two-family dwellings, apartment buildings containing four or less dwelling units	\$54.58	Per quarter to and including 1,600 cubic feet	\$57.04 Per quarter to and including 1,600 cubic feet
	\$3.41	Additional from 1,601 cubic feet and over	\$3.56 Additional from 1,601 cubic feet and over
			\$57.00 Per quarter to and including 12,000 gallons
			\$4.75 Additional from 12,001 gallons and over
2. Apartment building with more than four dwelling units	\$49.12	Per quarter for each unit over four; or	\$51.33 Per quarter for each unit over four; or
	\$3.41	Per 100 cubic feet of water used, whichever is greater	\$3.56 Per 100 cubic feet of water used, whichever is greater
			\$51.33 Per quarter for each unit over four; or
			\$4.75 Per 1,000 gallons of water used, whichever is greater
3. Commercial and industrial buildings, including schools and churches	\$54.58	Per water meter or approved sewage metering device on premises; or	\$57.04 Per water meter or approved sewage metering device on premises; or
	\$3.41	Per 100 cubic feet of water used during the quarter, whichever is greater	\$3.56 Per 100 cubic feet of water used during the quarter, whichever is greater
			\$57.00 Per water meter or approved sewage metering device on premises; or
			\$4.75 Per 1,000 gallons of water used during the quarter, whichever is
	Water Service:		City Staff will determine which accounts will be billed in cubic feet and which accounts will be billed in gallons and use the appropriate rates for each.
1. Per 100 cubic feet for areas of city, except in the Morningside area	\$1.45	Up to 3,500 cubic feet	\$1.52 Up to 3,500 cubic feet
	\$1.93	3,600 to 6,500 cubic feet	\$2.02 3,600 to 6,500 cubic feet
	\$3.02	Over 6,500 cubic feet	\$3.16 Over 6,500 cubic feet
	\$2.54	Per 100 cubic feet—Morningside area	\$2.54 Per 100 cubic feet—Morningside area
1. Per 1,000 gallons for areas of city, except in the Morningside area			\$2.03 Up to 26,000 gallons
			\$2.70 26,001 to 49,000 gallons
			\$4.22 Over 49,000 gallons
			\$3.39 Per 1,000 gallons—Morningside area
2. Domestic accounts used by commercial and industrial buildings, including schools and churches	\$1.45	Up to 3,500 cubic feet	\$1.52 Up to 3,500 cubic feet
	\$1.93	Over 3,500 cubic feet	\$2.02 Over 3,500 cubic feet
			\$2.03 Up to 26,000 gallons
			\$2.70 Over 26,000 gallons
3. Lawn watering accounts used by commercial and industrial buildings, including schools and churches	\$1.93	Up to 3,500 cubic feet	\$2.02 Up to 3,500 cubic feet
	\$3.02	Over 3,500 cubic feet	\$3.16 Over 3,500 cubic feet
			\$2.70 Up to 26,000 gallons
			\$4.22 Over 26,000 gallons

Chapter and Section	Purpose of Fee/Charge	2015 Current Fee		Proposed Fee Effective January 1, 2016	
	4. Meter charge	\$17.69	Per quarter for up to 3/4-inch meter	\$18.53	Per quarter for up to 3/4-inch meter
		\$24.12	Per quarter for 1-inch meter	\$25.27	Per quarter for 1-inch meter
		\$27.52	Per quarter for 1 1/4-inch meter	\$28.83	Per quarter for 1 1/4-inch meter
		\$30.95	Per quarter for 1 1/2-inch meter	\$32.42	Per quarter for 1 1/2-inch meter
		\$49.84	Per quarter for 2-inch meter	\$52.21	Per quarter for 2-inch meter
		\$189.26	Per quarter for 3-inch meter	\$198.25	Per quarter for 3-inch meter
		\$240.90	Per quarter for 4-inch meter	\$252.34	Per quarter for 4-inch meter
		\$305.29	Per quarter for 6-inch meter	\$319.79	Per quarter for 6-inch meter
		\$387.70	Per quarter for 8-inch meter	\$406.12	Per quarter for 8-inch meter
28-208 28-209	Stormwater drainage charge	\$24.26	Per quarter pursuant to formula in section 28-208	\$26.68	Per quarter pursuant to formula in section 28-208