



EHLERS
LEADERS IN PUBLIC FINANCE

November, 2013

Water, Sanitary and Storm Sewer Utility Rate Study

City of Edina, Minnesota



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And

Ehlers



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Executive Summary

The goal of a rate study is to ensure long-term financial health of the utility enterprise funds. This rate study takes into account historic trends, assumptions, future capital improvement plans and state law, as applicable.

Key Findings

- The City Of Edina has been reinvesting in its utility systems through street and utility reconstruction projects, water treatment plants, and storm water improvements. The capital projects put financial pressures on the utility funds. 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. It is the City's goal to reduce the issuance of debt in the long-term, and this rate study shows that, over time, the City will be able to pay for a portion of projects with cash on hand.
- No changes to the rate structure are proposed.
- The City of Edina has reviewed its utility rates on a regular basis since 2006 and implemented the recommendations in the rate study reports. This has resulted in stable fund balances and predictable rates. Given this history, the current recommendation is to adopt the rates proposed below for a five year period.

2014 Recommendations

- Adopt the annual rate changes proposed for 2014 through 2018
 - 5.25% increase per year to water rates
 - 3.25% increase per year to sewer rates
 - 6% increase per year to storm sewer rates
- Staff and Ehlers should update the cashflow projections periodically over the next five years to determine progress with cash balance goals.

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 2011. The purpose of this update is to determine how rates will need to be adjusted for 2014 through 2018 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 on Enterprise Systems

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.

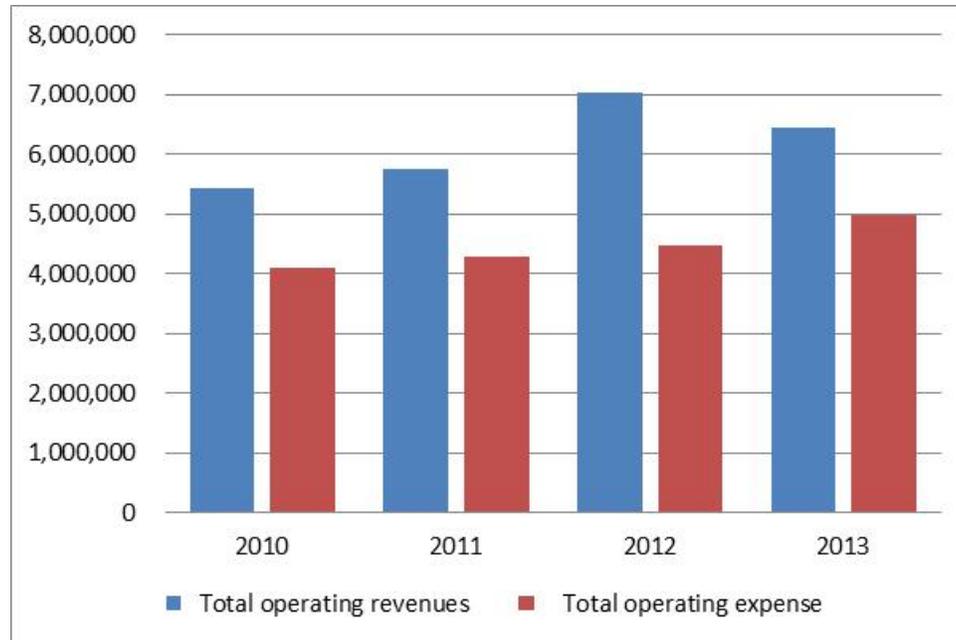
In addition to the CAFR segregating the enterprise funds, the City’s Capital Improvement Plan (CIP) distinguishes between projects that will be funded by the enterprise funds and those to be funded by general governmental funds.

It should be noted that the City currently has one accounting fund for water, sanitary sewer, storm water, 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.

Water Utility Fund

Historic Financial Trends

The following graph for the Water Utility shows the trend of operating revenues and expenses. The fund has been managed effectively because revenues have exceeded expenses.



Water Rate Structure

There are three primary 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 2013 fixed charge for single family residential accounts is \$15.97 per quarter. The fee does not include any water usage and it increases as the size of the meter increases. This fixed charge raises approximately \$1 million per year.

2) **Usage Fees** are based on the metered use of water. Water is sold in “units” and 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 rate conversion to gallons is provided in Appendix I.

The billing structure is tiered, and 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 rates for each tier are listed in the chart on Page 7. No changes to the tiers 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 Connection Fees** are paid by developers of new homes and businesses at the time of a building permit. Developers do not pay connection fees when they are replacing an existing unit, as is the case for residential tear downs and rebuilds. The City of Edina charges \$800 per residential equivalency unit for new development. These connection fees help pay for the capital costs of serving the new properties. We recommend that the City increase its connection fees annually as discussed later in this report.

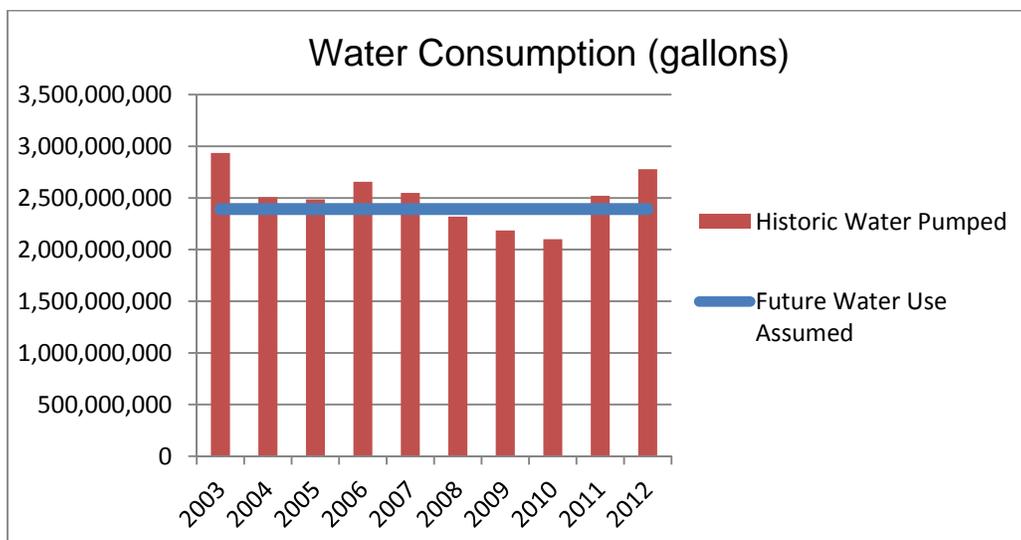
Pro-Forma Analysis Assumptions

Following is a chart that summarizes the significant assumptions in the rate study.

	Water Utility
Growth	The rate study reflects the development of multi-family residential buildings in the Southdale area. It assumes 240 new units per year for the next five years. The growth is assumed for estimating future water connection fees; however, to be conservative, there is no growth assumed in future water consumption.
Operating Expenses	Increase 3% annually
Capital Expenses	Costs of improvements are inflated 4% per year. Future total capital improvements from 2014 to 2023 are estimated at an uninflated value of \$29.5M and include a water treatment plant in 2017. A summary of the CIP can be found in Appendix E.
Rate Structure	Water usage is based on a tiered rate structure plus a base fee.

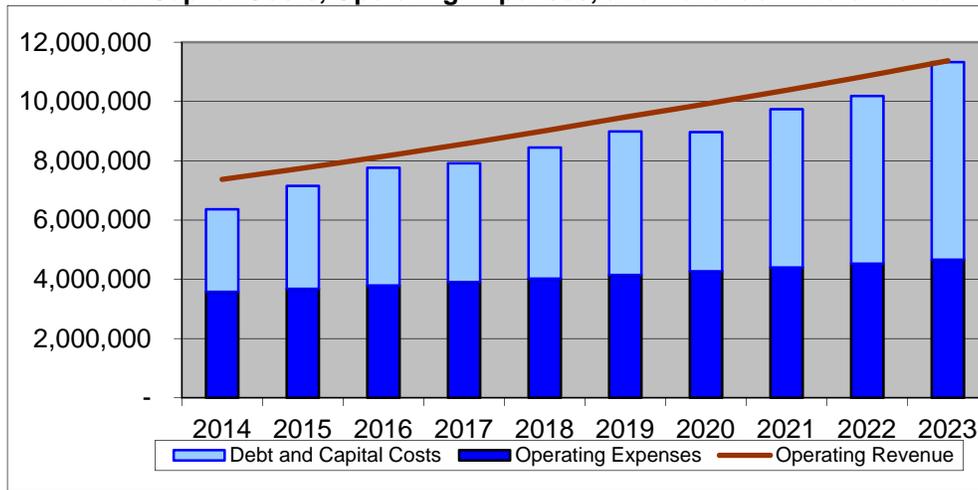
Another significant assumption is the amount of water used. Water demand, and thus revenue, varies with weather patterns. The following graph shows variation in water usage since 2006. The increased water consumption in 2012 reflects a dry year that resulted in more irrigation. In addition, the City began replacing its aging water meters in 2012. As water meters age, some will slow down and under-report water consumption. Therefore, we expect that the City's new water meters will demonstrate higher consumption, on average, than was experienced in the five years preceding 2012. This study has assumed future use of 2.4 billion gallons, or 3,193,699 units per year (with one unit equal to 100 cubic feet), based on multi-year pumping and billing data reviewed by staff and Ehlers.

The chart below compares the historical water pumped with the volume of water usage assumed in this study.



The need to reinvest in the City's aging utility systems continues to place financial stresses on the utility fund, particularly related to water. The City's recent and projected investments for replacing and improving the water and sewer systems are significant. Between 2008 and 2012, the City spent over \$26.4 million on capital improvements in the water utility fund. This study incorporates the proposed 2014-2018 capital improvement plan for the utilities, and estimates of future capital costs from 2019 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 5.25% per year in 2014 through 2018, as compared to the previous 6% rate increases recommended in the 2011 rate study.

Usage Fees are based on the metered use of water for all customers. The most recent rate study completed in 2011 projected a 6% rate increase for 2014, based on declining water consumption. Because of the new meters and solid revenues in 2012, this study proposes a 5.25% rate increase in 2014 through 2018.

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 5.25% 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 2014 the Morningside usage fee will be \$2.45 per unit, which represents a one cent increase over the 2013 water rate and is based on the agreement with the City of Minneapolis approved by the Edina City Council on November 4, 2013. 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 5.25% annually beginning in 2014.

The following chart shows the proposed residential water rates.

Usage Gallons	Proposed					
	2013	2014	2015	2016	2017	2018
Tier 1						
Rate Increase 0-35 units	6.00%	5.25%	5.25%	5.25%	5.25%	5.25%
	\$1.31	\$1.38	\$1.45	\$1.53	\$1.61	\$1.69
Tier 2						
Rate Increase 36-65 units	6.00%	5.25%	5.25%	5.25%	5.25%	5.25%
	\$1.74	\$1.83	\$1.93	\$2.03	\$2.14	\$2.25
Tier 3						
Rate Increase > 65 units	6.00%	5.25%	5.25%	5.25%	5.25%	5.25%
	\$2.73	\$2.87	\$3.02	\$3.18	\$3.35	\$3.53
Morningside						
0-35 units	2.44	2.45	Future Morningside increases are dependent on the rate increases under the City of Minneapolis contract			
36-65 units	2.44	2.45				
> 65 units	2.44	2.45				
	3.00%	5.25%				

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 \$1.74 per unit for 0-35 units per quarter, and \$2.73 for each unit over 35 units. The proposed 2014 commercial irrigation water rates are \$1.83 and \$2.87, respectively.

Commercial Customers

Non-irrigation usage by commercial customers is charged on the first two tiers. Currently, water consumption of 0-35 units is \$1.31 per unit, and all water consumption over 35 units is \$1.74 per unit. The proposed 2014 rates are \$1.38 and \$1.83 respectively.

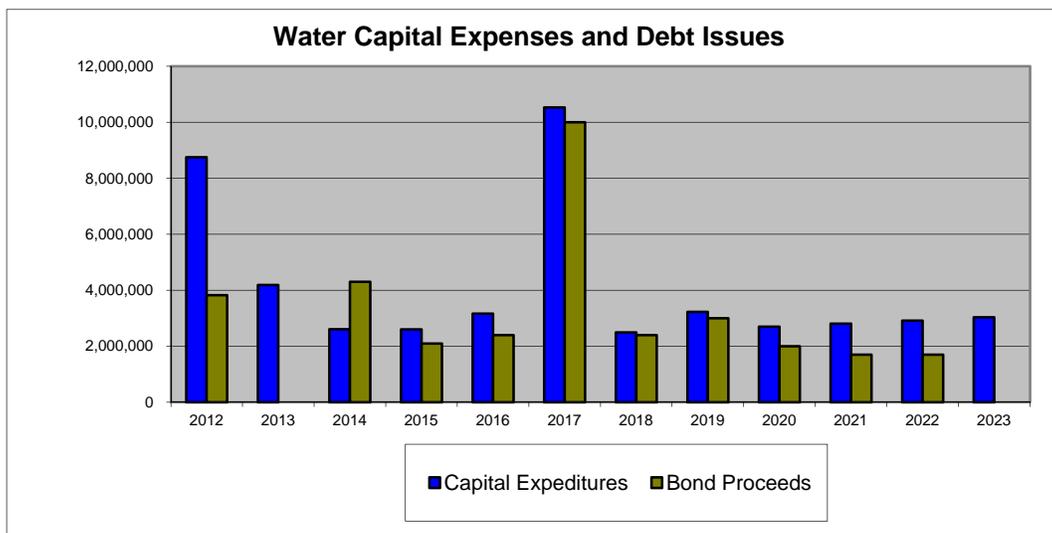
Prudent Use of Debt

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 2022, after which bonds will be issued less frequently and will pay for only a portion of the improvements. This is a change from the last study, when the use of bonds dropped off after 2016. The change is attributable to the delay in the construction of the water treatment plant #5 from 2013-2015 to 2017.

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:

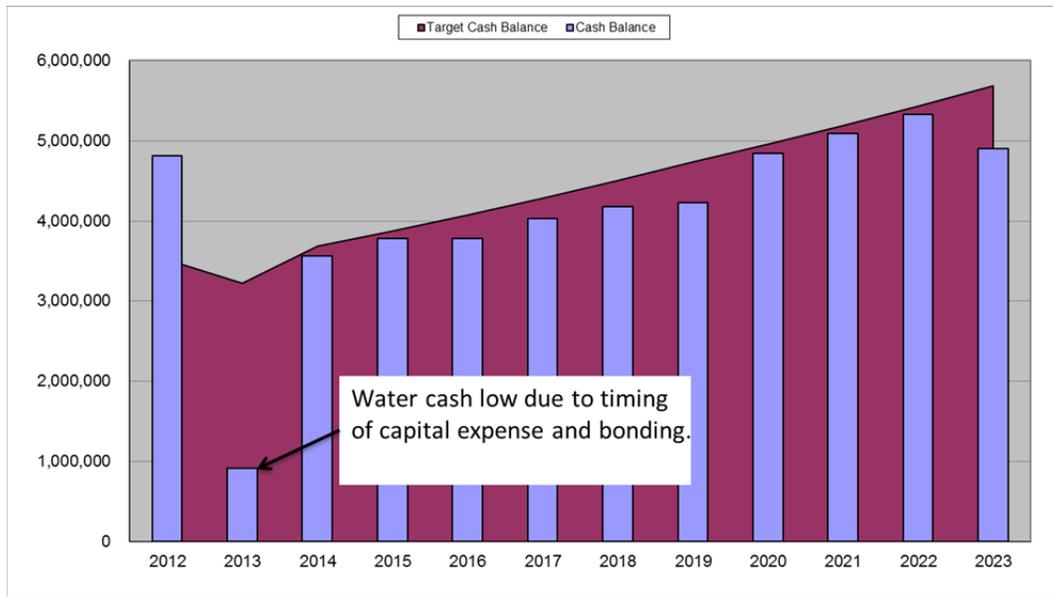
- 1) Protect its bond rating; and
- 2) Allow time after the debt is retired to fund replacement reserves and reduce reliance on debt in the future.

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



Measures of Financial Strength

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. Over the long term, the City's goal is a cash balance equal to 50% of operating revenues. The following graph shows the projected cash balances as measured against target cash reserves.



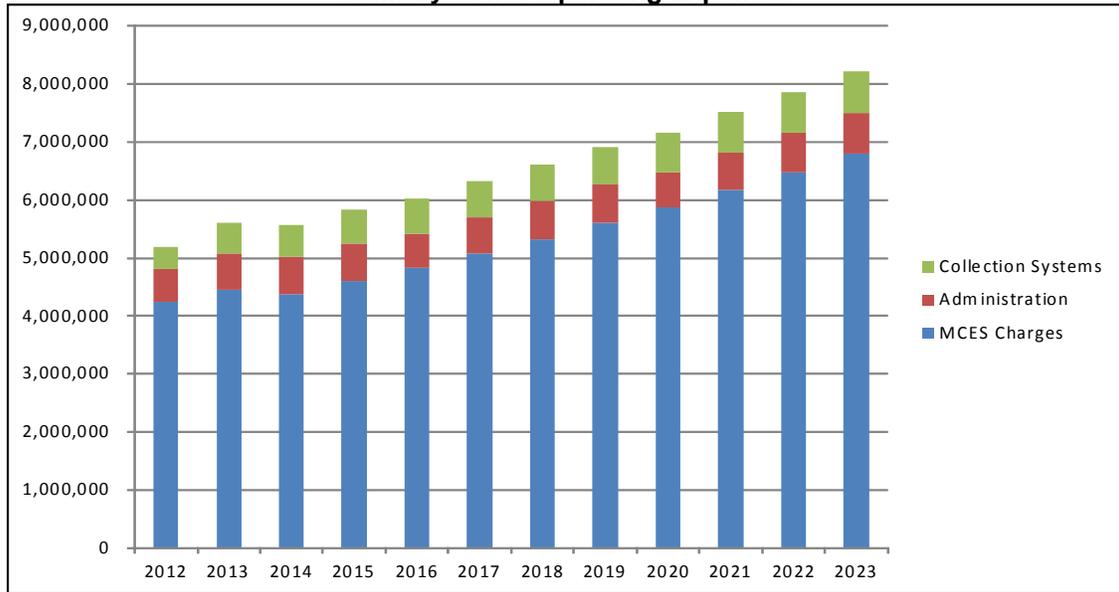
Sewer System

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 over 70% of operating expenses.

The graph below breaks out the sanitary sewer operating expenses.

Sanitary Sewer Operating Expenses



The MCES disposal fees increased at an average rate of 5.5% between 2009 and 2011, and prior rate studies assumed future increases would be similar, resulting in the need for the City to raise sewer rates by 4% annually. Beginning in 2011 the MCES increases have moderated and, in fact, the 2014 disposal charge is expected to be similar to what the City paid in 2011. Currently the MCES charge for service is budgeted at \$4,456,000, and is estimated to decline to \$4,386,273 in 2014. This study assumes future increases to the MCES charge for service will be 5% per year.

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.

Pro-Forma Analysis Assumptions

	Sanitary Sewer Utility
Growth and Utility Usage	Sewer usage will remain constant
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 2014 to 2023 are estimated at an uninflated value of \$14M. A summary of the CIP can be found in Appendix F.
Rate Structure	Sewer is billed based a flat rate plus a usage rate on winter quarter water consumption.

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 2013 sewer rate is \$3.20 per unit based on water used during the winter quarter. One unit is 100 cubic feet or approximately 750 gallons. There is a minimum quarterly fee, regardless of use, of \$51.20 (16 units or 1600 cubic feet). The minimum charge helps pay for the fixed costs of the system.

Proposed 2014 Sewer Rates

The projected rate increase for sanitary sewer is 3.25% per year from 2014 through 2018. This compares to a 4% rate increase projected in the 2011 rate study. Strong revenues, combined with healthy cash balances have allowed for the lower rate increase. We do not recommend changing the rate structure at this time. The proposed rate per unit is in the chart below. The rate applies to all residential and commercial customers in Edina.

Sanitary Sewer	2012	2013	2014	2015	2016	2017	2018
Rate per Unit	\$3.08	\$3.20	\$3.30	\$3.41	\$3.52	\$3.64	\$3.75

The new water meters measure a "unit" of water as 1000 gallons rather than 100 cubic feet (or approximately 750 gallons). When the meter conversion is completed, the sewer rate will be adjusted to reflect the new "unit" measurement. The equivalent rate in gallons is provided in the memo attached as Appendix I.

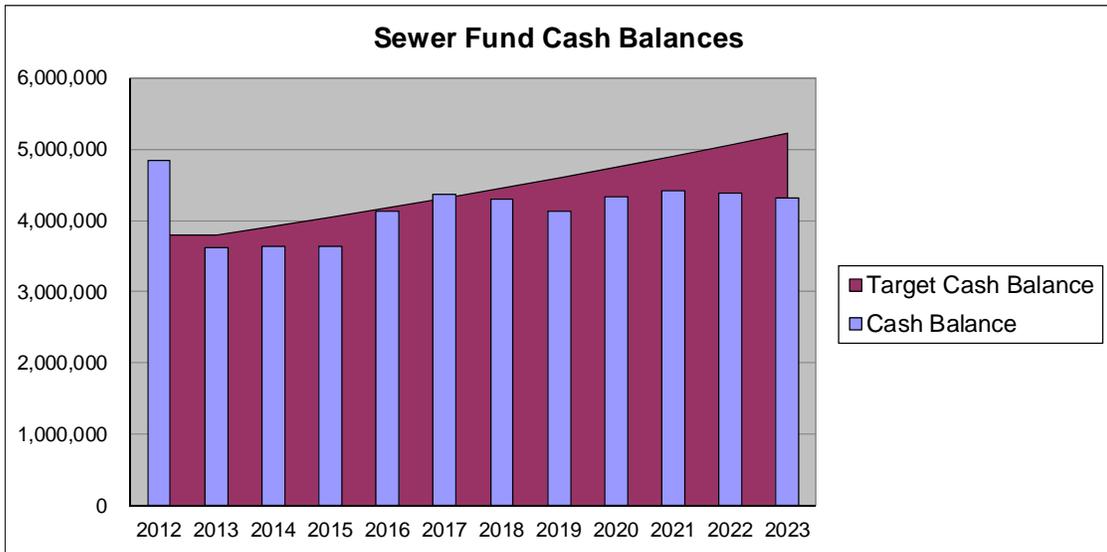
Paying for Capital Projects

The proposed sewer rates will move the City away from annual bond issues for capital improvements. Healthy cash balances and prudent management of the utility will allow for the use of cash to pay for all capital improvements in the future.

Recommended Sewer Fund Cash Balances

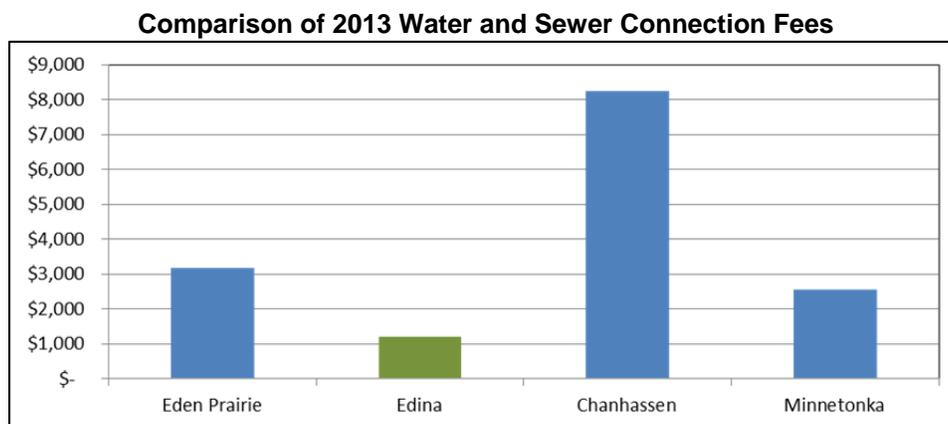
The target cash balance for the sewer fund equals 50% of sewer operating revenues. Cash balances are available to accommodate fluctuations in revenue, pay for new and unexpected regulatory requirements, to fund a portion of capital improvements, and to establish replacement reserves.

The graph below portrays the projected cash balances based on the stated assumptions and proposed capital expenditures. It can be seen that the proposed rate increases and use of debt financing should be adequate to achieve the target cash balance.



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. In 2013, the City of Edina had lower water and sewer connection fees than nearby communities that charge connection fees. The graph below compares Edina’s connection fees with its neighbors.



Neighboring communities that do not charge a connection fee in 2013 include Hopkins, Bloomington, Richfield, and St. Louis Park.

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 2016 and beyond are proposed to be 5% annually.

Proposed Connection Fees

	2013	2014	2015	2016	2017	2018
SAC	\$ 400	\$ 500	\$ 625	\$ 656	\$ 689	\$ 724
WAC	\$ 800	\$ 1,000	\$ 1,250	\$ 1,313	\$ 1,378	\$ 1,447
Total	\$ 1,200	\$ 1,500	\$ 1,875	\$ 1,969	\$ 2,067	\$ 2,171

The revenue projections in the Appendices assume that connection fees will be collected on 240 residential equivalency units per year in the years 2014 through 2018, and that no connection fee revenue is received thereafter.

Storm Sewer System

The storm sewer fund was created to manage storm water runoff quality 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.

Proposed Storm Sewer Rates

Over the next five years, the City anticipates approximately \$14.25 million in uninflated capital costs for new storm sewer improvement projects and to replace its aging storm sewer system. Storm sewer rates will need to be increased to fund the capital projects and maintain minimum cash reserves.

The City’s 2013 quarterly storm sewer rate is \$21.59 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 6.0% annual rate increase, as compared to the 5% annual increases in the previous rate study. The higher rate increases are due to growing capital costs and are comparable with other fully developed metro area communities.

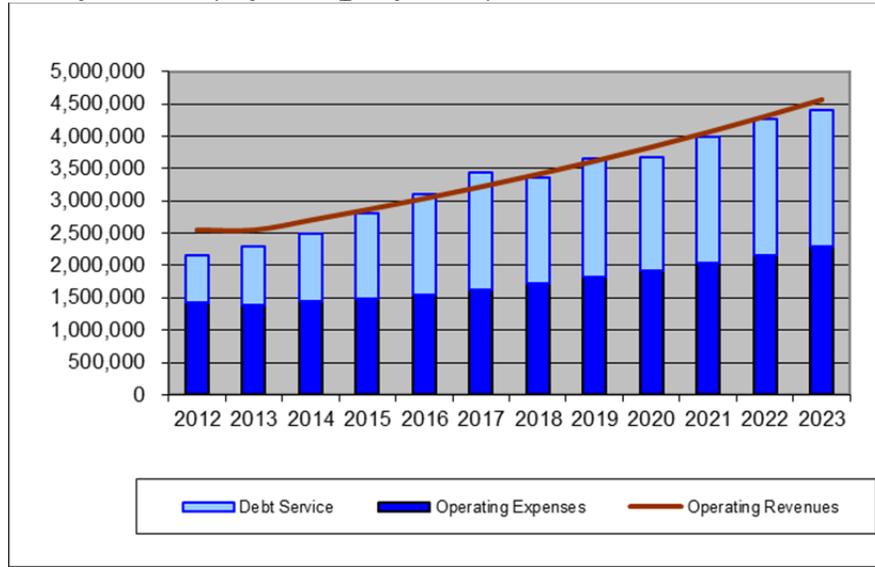
Quarterly Storm Sewer Rates - Residential

2013	2014	2015	2016	2017	2018
\$21.59	\$22.89	\$24.26	\$25.71	\$27.26	\$28.89

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. Our experience with other cities indicates that most are beginning to plan financially for significant improvements to their storm sewer system, but their quarterly fees are still established at a level that will only pay for the annual operations and maintenance of the storm sewer system. As more cities undertake planning for capital improvements to their storm sewer systems, we expect to see higher storm sewer utility fees across the metro area.

The following chart shows the increasing capital costs projected in the City of Edina.

Capital Costs, Operating Expenses, and Revenue – Storm Sewer



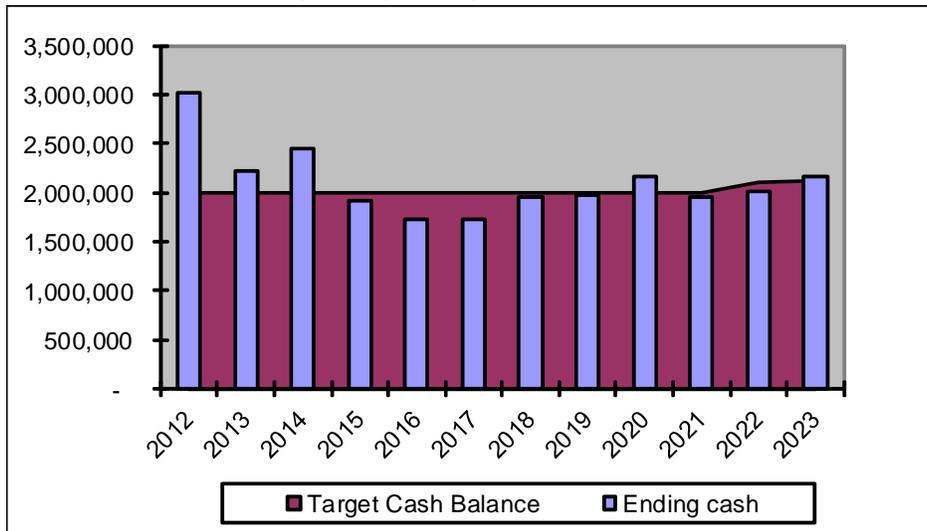
Future Debt for Capital Improvements

We are projecting bond proceeds to finance approximately \$10M of the anticipated \$16M of 2014-2018 proposed capital improvements. (The \$16M represents the inflated costs of capital improvements.). 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 can 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 the greater of \$2M or one year’s debt service. The projected cash balances are shown in the graph below.

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.

Sample Family Quarterly Bill	2013	2014	2015	2016	2017	2018
Winter months - 30 units water and sewer						
Sewer	96.00	99.12	102.34	105.67	109.10	112.65
Water	55.27	58.17	61.23	64.44	67.82	71.38
Storm Water	<u>21.59</u>	<u>22.89</u>	<u>24.26</u>	<u>25.71</u>	<u>27.26</u>	<u>28.89</u>
Total	\$ 172.86	\$ 180.18	\$ 187.83	\$ 195.82	\$ 204.18	\$ 212.92
Combined Fee Increase	\$ 7.32	\$ 7.65	\$ 8.00	\$ 8.36	\$ 8.74	
Percent Increase		4.23%	4.25%	4.26%	4.27%	4.28%
Summer months - 50 units water and 30 units sewer						
Sewer	96.00	99.12	102.34	105.67	109.10	112.65
Water	87.92	92.54	97.39	102.51	107.89	113.55
Storm Water	<u>21.59</u>	<u>22.89</u>	<u>24.26</u>	<u>25.71</u>	<u>27.26</u>	<u>28.89</u>
Total	\$ 205.51	\$ 214.54	\$ 223.99	\$ 233.89	\$ 244.25	\$ 255.09
Combined Fee Increase	\$ 9.03	\$ 9.45	\$ 9.89	\$ 10.36	\$ 10.85	
Percent Increase		4.39%	4.41%	4.42%	4.43%	4.44%
Sample Summer Quarterly Bill -						
100 units water and 30 units sewer						
Sewer	96.00	99.12	102.34	105.67	109.10	112.65
Water	209.57	220.57	232.15	244.34	257.17	270.67
Storm Water	<u>21.59</u>	<u>22.89</u>	<u>24.26</u>	<u>25.71</u>	<u>27.26</u>	<u>28.89</u>
Total	\$ 327.16	\$ 342.58	\$ 358.75	\$ 375.72	\$ 393.53	\$ 412.21
Combined Fee Increase	\$ 15.42	\$ 16.17	\$ 16.97	\$ 17.80	\$ 18.68	
Percent Increase		4.71%	4.72%	4.73%	4.74%	4.75%
Sample Bill for Low Utility User						
12 units water and sewer						
Sewer (minimum quarterly rate)	51.20	52.86	54.58	56.36	58.19	60.08
Water	31.69	33.35	35.10	36.95	38.89	40.93
Storm Water	<u>21.59</u>	<u>22.89</u>	<u>24.26</u>	<u>25.71</u>	<u>27.26</u>	<u>28.89</u>
Total	\$ 104.48	\$ 109.10	\$ 113.95	\$ 119.02	\$ 124.33	\$ 129.90
Combined Fee Increase	\$ 4.62	\$ 4.84	\$ 5.07	\$ 5.31	\$ 5.57	
Percent Increase		4.42%	4.44%	4.45%	4.47%	4.48%

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 water and storm sewer funds.

The rate study indicates that rate increases are necessary in 2014 through 2018. Modest and 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.

2014 Recommendations

- Adopt the annual rate changes proposed for 2014 through 2018
 - 5.25% increase per year to water rates
 - 3.25% increase per year to sewer rates
 - 6% increase per year to storm sewer rates
- The proposed rate increases will result in a total bill for most customers that increases by less than 5% per year.
- Adopt the following sewer connection (SAC) fees:
 - 2014 - \$500
 - 2015 - \$625
 - 2016 and thereafter – 5% annual increase
- Adopt the following water connection (WAC) fees:
 - 2014 - \$1,000
 - 2015 - \$1,250
 - 2016 and thereafter – 5% annual increase

Appendices to this report follow:

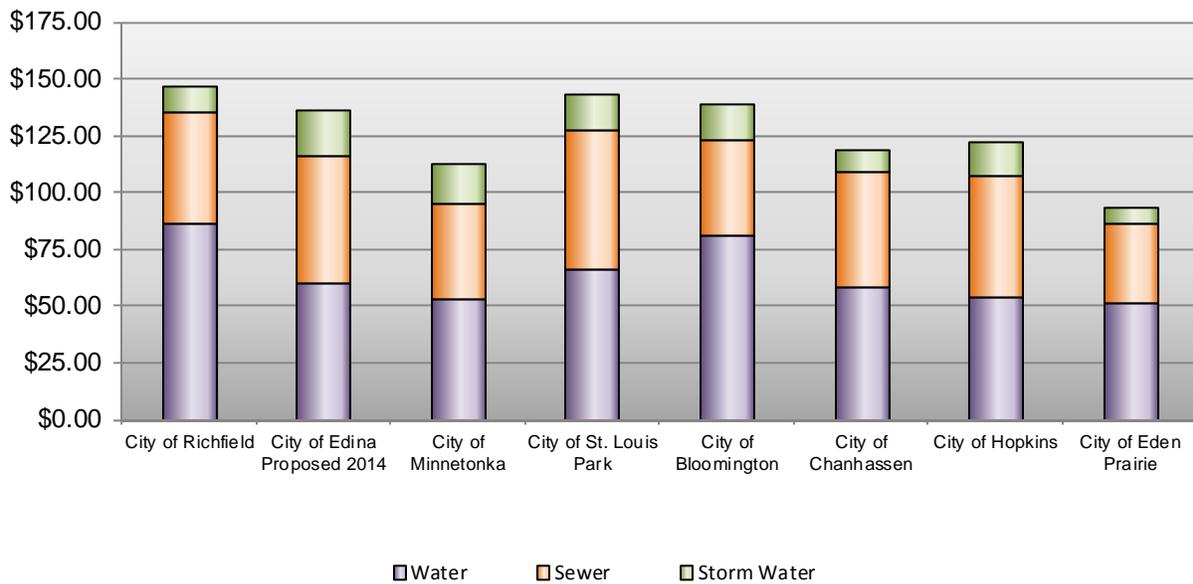
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Appendix A

Comparison of Rates in Comparable Cities

The graph below compares a the quarterly utility bill of a residential customer using 27,000 gallons of water and 13,500 gallons of sewer, plus storm water charges. The Edina rates are those proposed for 2014, while the rates for the comparable communities are the actual 2013 rates.

Comparison of Proposed Edina 2014 Rates to Total 2013 Water, Sewer, and Storm Water Charges per Quarter for Residential Users



Appendix B

Water Utility Projections

City of Edina

Utility Funds - Water Fund

Water Fund

Usage/fixed rate increase	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.00%	5.00%	5.00%	5.00%
Other revenue increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expenditure increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment Earnings	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

	Per Financial Statements		Budget	Proposed	Projected								
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
48 Cash flow													
49 Operating income (loss)	1,451,595	2,563,711	1,476,390	2,246,883	2,464,126	2,695,962	2,943,253	3,206,914	3,496,087	3,781,439	4,084,421	4,406,016	4,747,259
50 Depreciation	1,312,139	1,461,418	1,500,000	1,545,000	1,591,350	1,639,091	1,688,263	1,738,911	1,791,078	1,844,811	1,900,155	1,957,160	2,015,875
54 Bond payments 2003C Prin	(172,500)	(180,000)	(185,000)										
55 Bond payments 2007B Prin	(280,000)	(295,000)	(305,000)	(320,000)	(330,000)	(345,000)	(360,000)						
56 Bond payments 2008A Prin	(700,000)	(725,000)	(750,000)	(780,000)	(810,000)	(845,000)	(880,000)	(920,000)	(960,000)				
57 Bond payments 2011A Prin			(770,000)	(840,000)	(855,000)	(870,000)	(890,000)	(905,000)	(925,000)	(945,000)	(970,000)	(1,000,000)	
58 Bond payments 2012A Prin				(265,000)	(305,000)	(315,000)	(325,000)	(340,000)	(355,000)	(370,000)	(380,000)	(390,000)	(400,000)
59 Non operating	(334,393)	(483,564)	(571,220)	(540,274)	(470,087)	(394,850)	(315,850)	(241,400)	(170,400)				
60 Miscellaneous-payment of IFL	(135,000)	(751,547)	0	0	0	0	0	0	0	0	0	0	0
61 Investment income	9,099	10,188	0	9,196	35,589	37,653	37,411	39,629	40,638	40,713	46,593	49,121	51,750
62 Transfers	(100,000)	(100,000)	(103,000)	(106,090)	(109,273)	(112,548)	(115,927)	(119,408)	(122,992)	(126,680)	(130,480)	(134,394)	(138,422)
63 Reconcile operating to cash	(107,950)	12,295											
64 Capital	(8,902,480)	(8,749,138)	(4,189,000)	(2,610,400)	(2,601,248)	(3,164,242)	(10,528,727)	(2,494,138)	(3,226,563)	(2,697,660)	(2,805,567)	(2,917,789)	(3,034,501)
65 2011 proceeds spent													
66 2012 proceeds spent													
67 Bond Proceeds	9,188,960	3,822,174		4,300,000	2,100,000	2,400,000	10,000,000	2,400,000	3,000,000	2,000,000	1,700,000	1,700,000	
68 Bonds:													
69 Debt (P&I) - 2012 Bonds-3%, 10 yrs				0	0	0	0	0	0	0	0	0	
70 Debt (P&I) - 2013 Bonds				0	0	0	0	0	0	0	0	0	0
71 Debt (P&I) - 2014 Bonds					(504,091)	(504,091)	(504,091)	(504,091)	(504,091)	(504,091)	(504,091)	(504,091)	(504,091)
72 Debt (P&I) - 2015 Bonds						(246,184)	(246,184)	(246,184)	(246,184)	(246,184)	(246,184)	(246,184)	(246,184)
73 Debt (P&I) - 2016 Bonds							(281,353)	(281,353)	(281,353)	(281,353)	(281,353)	(281,353)	(281,353)
74 Debt (P&I) - 2017 Bonds 4%, 10 yrs								(1,232,909)	(1,232,909)	(1,232,909)	(1,232,909)	(1,232,909)	(1,232,909)
75 Debt (P&I) - 2018 Bonds									(295,898)	(295,898)	(295,898)	(295,898)	(295,898)
76 Debt (P&I) - 2019 Bonds-4.5%, 10 yrs										(379,136)	(379,136)	(379,136)	(379,136)
77 Debt (P&I) - 2020 Bonds											(252,758)	(252,758)	(252,758)
78 Debt (P&I) - 2021 Bonds												(214,844)	(214,844)
79 Debt (P&I) - 2022 Bonds													(214,844)
80 Debt (P&I) - 2023 Bonds													
81													
82 Net Cashflow	1,260,059	(3,413,788)	(3,896,830)	2,639,316	206,367	(24,211)	221,796	100,970	7,412	588,050	252,792	262,939	(380,056)
83													
84 Beginning cash	6,970,170	8,230,228	4,816,441	919,611	3,558,927	3,765,293	3,741,082	3,962,878	4,063,848	4,071,260	4,659,309	4,912,101	5,175,041
85													
86 Ending cash	8,230,228	4,816,441	919,611	3,558,927	3,765,293	3,741,082	3,962,878	4,063,848	4,071,260	4,659,309	4,912,101	5,175,041	4,794,984
88													
89 Target cash balance (50% of operating revenues)	2,869,351	3,516,067	3,223,499	3,683,305	3,868,722	4,063,740	4,268,858	4,484,606	4,715,626	4,947,330	5,190,519	5,445,766	5,713,670
90													
91 Actual cash over (under) target	5,360,878	1,300,374	(2,303,888)	(124,378)	(103,429)	(322,657)	(305,980)	(420,758)	(644,367)	(288,021)	(278,418)	(270,726)	(918,686)

Appendix C

Sanitary Sewer Utility Projections

City of Edina

Utility Funds - Sanitary Sewer Fund

Sanitary Sewer Charges Increase	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
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%
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%
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%
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		Budget	Proposed	Projected								
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1 Revenues													
2													
3 Sewer Charges	7,191,039	7,490,136	7,490,136	7,733,565	7,984,906	8,244,416	8,512,359	8,789,011	9,074,654	9,369,580	9,674,091	9,988,499	10,313,126
4 Other	80,862	97,459	97,459	100,383	103,394	106,496	109,691	112,982	116,371	119,862	123,458	127,162	130,977
5													
6 Total operating revenues	7,271,901	7,587,595	7,587,595	7,833,948	8,088,301	8,350,912	8,622,050	8,901,993	9,191,025	9,489,442	9,797,550	10,115,661	10,444,102
7													
8 Expenses													
9													
10 Disposal Charges	4,383,691	4,244,096	4,456,000	4,386,273	4,605,587	4,835,866	5,077,659	5,331,542	5,598,119	5,878,025	6,171,927	6,480,523	6,804,549
11 Admin.	583,500	570,903	613,499	631,904	650,861	588,030	631,904	650,861	670,387	605,671	650,861	670,387	690,499
12 Collection Systems	263,972	376,432	542,249	558,516	575,272	592,530	610,306	628,615	647,474	666,898	686,905	707,512	728,737
13 Depreciation	426,895	497,225	450,000	463,500	477,405	491,727	506,479	521,673	537,324	553,443	570,047	587,148	604,762
14													
15 Total operating expense	5,658,058	5,688,656	6,061,748	6,040,193	6,309,125	6,508,153	6,826,348	7,132,692	7,453,303	7,704,037	8,079,739	8,445,570	8,828,547
16													
17 Operating income (loss)	1,613,843	1,898,939	1,525,847	1,793,755	1,779,176	1,842,758	1,795,702	1,769,301	1,737,721	1,785,405	1,717,811	1,670,092	1,615,555
18													
19 Non operating rev (exp)													
20 Investment income	20,679	23,154	0	36,259	36,390	36,416	41,345	43,615	42,945	41,334	43,371	44,184	43,835
21 City SAC Revenue			0	120,000	150,000	157,500	165,375	173,644	0	0	0	0	0
22 Gain (loss) on disposal of asset													
23 Interest Expense: 1999A Bonds													
24 Interest Expense: 2003C Bonds	(18,470)	(12,778)	(6,568)										
25 Interest Expense: 2007B Bonds	(42,500)	(36,600)	(30,500)	(24,200)	(17,600)	(10,700)	(3,600)						
26 Interest Expense: 2008A Bonds	(101,412)	(92,812)	(83,550)	(73,588)	(62,431)	(50,026)	(36,726)	(22,826)	(7,863)				
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													
31													
32 Total non operating	(141,704)	(131,518)	(161,947)	9,621	62,209	93,990	132,294	165,633	11,832	23,709	31,296	37,809	42,110
33													
34 Net income (loss)	1,472,140	1,767,421	1,363,900	1,803,376	1,841,384	1,936,749	1,927,996	1,934,934	1,749,554	1,809,114	1,749,106	1,707,900	1,657,665
35													
36 Operating transfers in													
37 Operating transfers out													
38													
39 Net change to retained earnings	1,472,140	1,767,421	1,363,900	1,803,376	1,841,384	1,936,749	1,927,996	1,934,934	1,749,554	1,809,114	1,749,106	1,707,900	1,657,665

City of Edina

Utility Funds - Sanitary Sewer Fund

Sanitary Sewer Charges Increase	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
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%
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%
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%
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		Budget	Proposed	Projected									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
40														
41	Cash flow													
42	Operating income (loss)	1,613,843	1,898,939	1,525,847	1,793,755	1,779,176	1,842,758	1,795,702	1,769,301	1,737,721	1,785,405	1,717,811	1,670,092	1,615,555
43	Depreciation	426,895	497,225	450,000	463,500	477,405	491,727	506,479	521,673	537,324	553,443	570,047	587,148	604,762
47	Bond payments: 1999A P&I													
48	Bond payments: 2003C Prin	(172,500)	(180,000)	(185,000)	(160,000)	(170,000)	(175,000)	(180,000)						
49	Bond Payments: 2007B Prin	(145,000)	(150,000)	(155,000)	(160,000)	(170,000)	(175,000)	(180,000)						
50	Bond Payments: 2008A Prin	(270,000)	(280,000)	(290,000)	(300,000)	(315,000)	(325,000)	(340,000)	(355,000)	(370,000)				
51	Bond Payments: 2011A Prin			(60,000)	(65,000)	(65,000)	(70,000)	(70,000)	(70,000)	(75,000)	(75,000)	(75,000)	(80,000)	
52	Bond Payments: 2012A Prin				(80,000)	(90,000)	(90,000)	(95,000)	(100,000)	(105,000)	(110,000)	(110,000)	(115,000)	(115,000)
53	Net other	(162,382)	(154,672)	(161,947)	(146,638)	(124,181)	(99,926)	(74,426)	(51,626)	(31,113)	(17,625)	(12,075)	(6,375)	(1,725)
54	Investment income	20,679	23,154	0	36,259	36,390	36,416	41,345	43,615	42,945	41,334	43,371	44,184	43,835
55														
56	Met Council I&I Surcharge													
57	Met Council I&I Surcharge Rebate (50%)													
58	Capital	(725,000)	(2,320,000)	(2,339,000)	(1,528,800)	(1,526,138)	(1,118,115)	(1,357,036)	(1,824,979)	(1,897,979)	(1,973,898)	(2,052,854)	(2,134,968)	(2,220,366)
59	2008 proceeds spent													
60	Bond proceeds	729,395	1,126,033								-	-	-	-
61	Bonds:													
62														
63	Debt (P&I) - 2012 Bonds (3% for 10 years)				-	-	-	-	-	-	-	-	-	-
64	Debt (P&I) - 2013 Bonds (3% for 10 years)				0	0	0	0	0	0	0	0	0	0
65	Debt (P&I) - 2014 Bonds (3% for 10 years)					0	0	0	0	0	0	0	0	0
66	Debt (P&I) - 2015 Bonds (3% for 10 years)						0	0	0	0	0	0	0	0
67	Debt (P&I) - 2016 Bonds (3% for 10 years)							0	0	0	0	0	0	0
68	Debt (P&I) - 2017 Bonds (4% for 10 years)								0	0	0	0	0	0
69	Debt (P&I) - 2018 Bonds (4% for 10 years)									0	0	0	0	0
70	Debt (P&I) - 2019 Bonds (4.5% for 10 years)										0	0	0	0
71	Debt (P&I) - 2020 Bonds (4.5% for 10 years)											0	0	0
73														
74	Cash flow	1,315,930	460,679	(1,215,100)	13,076	2,652	492,861	227,064	(67,016)	(161,101)	203,660	81,299	(34,919)	(72,939)
75														
76	Beginning cash	3,064,377	4,380,306	4,840,985	3,625,885	3,638,961	3,641,612	4,134,473	4,361,537	4,294,521	4,133,420	4,337,080	4,418,379	4,383,459
77														
78	Ending cash	4,380,306	4,840,985	3,625,885	3,638,961	3,641,612	4,134,473	4,361,537	4,294,521	4,133,420	4,337,080	4,418,379	4,383,459	4,310,520
79														
80	Target Cash Balance (50% of operating revenues)	3,635,951	3,793,798	3,793,798	3,916,974.095	4,044,150	4,175,456	4,311,025	4,450,996	4,595,512	4,744,721	4,898,775	5,057,831	5,222,051
81														
82	Actual cash over (under) target	744,356	1,047,188	(167,913)	(278,013)	(402,538)	(40,983)	50,512	(156,475)	(462,093)	(407,642)	(480,396)	(674,371)	(911,531)

Appendix D

Storm Sewer Utility Projections

City of Edina
Utility Funds - Storm Sewer Fund

Storm Sewer Revenue Increase	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
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%
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		Budget	Proposed	Projected								
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1 Revenues													
2 Charges for services	2,431,574	2,540,358	2,540,358	2,692,779	2,854,346	3,025,607	3,207,143	3,399,572	3,603,546	3,819,759	4,048,945	4,291,881	4,549,394
3 Other	9,483	8,922	8,922	9,457	10,025	10,626	11,264	11,940	12,656	13,415	14,220	15,074	15,978
4													
5 Total operating revenues	2,441,057	2,549,280	2,549,280	2,702,237	2,864,371	3,036,233	3,218,407	3,411,512	3,616,202	3,833,175	4,063,165	4,306,955	4,565,372
6													
7 Expenses													
8 Admin	169,309	185,073	185,073	190,625	196,344	202,234	208,301	214,550	220,987	227,616	234,445	241,478	248,723
9 Operating Expenses	221,632	230,551	230,551	237,468	244,592	251,929	259,487	267,272	275,290	283,549	292,055	300,817	309,841
10 Depreciation	580,893	709,568	750,228	832,888	931,424	1,028,276	1,122,296	1,209,498	1,301,457	1,398,402	1,500,571	1,608,214	1,721,591
11 Total operating expense	971,834	1,125,192	1,165,852	1,260,981	1,372,359	1,482,439	1,590,085	1,691,320	1,797,734	1,909,567	2,027,071	2,150,509	2,280,155
12													
13 Operating income (loss)	1,469,223	1,424,088	1,383,428	1,441,256	1,492,012	1,553,794	1,628,322	1,720,192	1,818,469	1,923,608	2,036,094	2,156,446	2,285,218
14													
15													
16 Cash flow													
17 Operating income (loss)	1,469,223	1,424,088	1,383,428	1,441,256	1,492,012	1,553,794	1,628,322	1,720,192	1,818,469	1,923,608	2,036,094	2,156,446	2,285,218
18 Depreciation	580,893	709,568	750,228	832,888	931,424	1,028,276	1,122,296	1,209,498	1,301,457	1,398,402	1,500,571	1,608,214	1,721,591
19 Other changes													
20 Intergovernmental	0	0	0	0	0	0	0	0	0	0	0	0	0
21 Interest income	11,580	12,966	0	22,176	24,491	19,145	17,295	17,354	19,641	19,817	21,713	19,630	20,092
22 Transfers	0	0	0	0	0	0	0	0	0	0	0	0	0
23 Disposal of assets	0	0	0	0	0	0	0	0	0	0	0	0	0
24 Bond proceeds	1,608,881	1,834,146		2,000,000	2,000,000	2,200,000	2,200,000	1,600,000	1,500,000	1,500,000	1,200,000	1,500,000	1,500,000
25 Debt payments: 1999 bonds P&I													
26 Debt payments: 2007 bonds P&I	(433,900)	(435,200)	(431,000)	(431,300)	(431,000)	(430,100)	(433,500)						
27 Debt payments: 2008A bonds P&I	(267,713)	(266,538)	(264,956)	(267,862)	(269,881)	(270,962)	(271,362)	(271,362)	(270,631)				
28 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)	
29 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)
30													
31 Debt (P&I) - 2013 Bonds				0	0	0	0	0	0	0	0	0	0
32 Debt (P&I) - 2014 Bonds (3% for 10 years)					(234,461)	(234,461)	(234,461)	(234,461)	(234,461)	(234,461)	(234,461)	(234,461)	(234,461)
33 Debt (P&I) - 2015 Bonds (3% for 10 years)						(234,461)	(234,461)	(234,461)	(234,461)	(234,461)	(234,461)	(234,461)	(234,461)
34 Debt (P&I) - 2016 Bonds (3% for 10 years)							(257,907)	(257,907)	(257,907)	(257,907)	(257,907)	(257,907)	(257,907)
35 Debt (P&I) - 2017 Bonds (4% for 10 years)								(271,240)	(271,240)	(271,240)	(271,240)	(271,240)	(271,240)
36 Debt (P&I) - 2018 Bonds (4% for 10 years)									(197,266)	(197,266)	(197,266)	(197,266)	(197,266)
37 Debt (P&I) - 2019 Bonds (4.5% for 10 years)										(189,568)	(199,002)	(199,002)	(199,002)
38 Debt (P&I) - 2020 Bonds (4.5% for 10 years)											(189,568)	(189,568)	(189,568)
39 Debt (P&I) - 2021 Bonds (4.5% for 10 years)												(151,655)	(151,655)
40 Debt (P&I) - 2022 Bonds (4.5% for 10 years)													(189,568)
41													
42 Capital	(1,595,000)	(3,020,000)	(2,033,000)	(3,007,680)	(3,677,440)	(3,445,458)	(3,158,618)	(2,676,636)	(2,783,702)	(2,895,050)	(3,010,852)	(3,131,286)	(3,256,537)
43													
44 Cash flow	1,373,964	231,508	(806,714)	231,478	(534,556)	(185,077)	5,904	228,776	17,549	189,623	(208,278)	46,195	147,311
45													
46 Beginning cash	1,418,853	2,792,817	3,024,325	2,217,611	2,449,089	1,914,533	1,729,456	1,735,360	1,964,136	1,981,685	2,171,309	1,963,030	2,009,225
47													
48 Ending cash	2,792,817	3,024,325	2,217,611	2,449,089	1,914,533	1,729,456	1,735,360	1,964,136	1,981,685	2,171,309	1,963,030	2,009,225	2,156,536
63													
64 Quarterly Charge for Single Family Home	19.58	20.56	21.59	22.89	24.26	25.71	27.26	28.89	30.63	32.46	34.41	36.48	38.66

Appendix E

Capital Improvement Plan-Water Utility

City of Edina
 Utility Funds
 Water Fund Capital Improvements
 Exhibit

2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023

1	Main Rehabilitation/Replacement/Extensions:	<u>PROJ. #</u>											
2	Water main improvements	ENG-13-002	\$ 1,375,000	\$ 1,200,000	\$ 2,000,000	\$ 2,000,000	\$ 1,800,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
3	Morningside neighborhood water main relinig	ENG-13-014			\$ 200,000	\$ 100,000							
4													
5	Well Rehabilitation/Replacement/Construction:												
6	Piping wells #15 and #9 to treatment plant 6	ENG-13-005		\$ 1,100,000									
7	Piping wells #5 and #18 TO WTP #5	UT-08-008	\$ 100,000										
8	Well #5 (W 69th St)	UT-08-009				\$ 120,000							
9	Well #2 rehab project	UT-09-010	\$ 120,000										
10	Well #9 rehab	UT-10-008	\$ 200,000										
11	Well #11 rehab	UT-10-009		\$ 120,000									
12	Well #10 rehab	UT-11-006			\$ 120,000								
13	Well #8	UT-12-006	\$ 35,000										
14	Tower repainting							\$ 500,000					
15	Control System, Equipment Replacements/Upgrades:												
16	Utilities equipment replacement	PW-13-005	\$ 64,000	\$ 40,000	\$ 25,000	\$ 103,000	\$ 40,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
17	Water meter replacement project	UT-10-006	\$ 2,100,000										
18	SCADA radio system upgrade	UT-12-007	\$ 20,000										
19	Asset management update	UT-12-008	\$ 25,000	\$ 10,000	\$ 20,000	\$ 20,000							
20													
21	Water Treatment Plant Rehab:												
22	Well #13 rehab	PW-13-006				\$ 120,000							
23	Well #17 rehab	PW-13-007				\$ 120,000							
24	Well #16 rehab	PW-13-008					\$ 120,000						
25	Water treatment plant #5	UT-07-002	\$ 150,000				\$ 7,000,000						
26													
27	Miscellaneous Projects:												
28	Reconstruct Valley View Rd	ENG-13-009			\$ 40,000								
29	Reconstruct Tracy Ave	ENG-13-010				\$ 220,000							
30	Concrete rehab-Parklawn Ave	PW-00-074				\$ 10,000							
31	Reconstruct W 54th St (Wooddale to Francis)	PW-01-012		\$ 40,000									
32	Reconstruct W 58th St (Wooddale to Francis)	PW-04-001					\$ 40,000						
33													
34	Future estimated-based on average												
35													
36	TOTAL		\$ 4,189,000	\$ 2,510,000	\$ 2,405,000	\$ 2,813,000	\$ 9,000,000	\$ 2,050,000	\$ 2,550,000	\$ 2,050,000	\$ 2,050,000	\$ 2,050,000	\$ 2,050,000
37													
38	Inflated Costs	4.00%	\$ 4,189,000	\$ 2,610,400	\$ 2,601,248	\$ 3,164,242	\$ 10,528,727	\$ 2,494,138	\$ 3,226,563	\$ 2,697,660	\$ 2,805,567	\$ 2,917,789	\$ 3,034,501

Appendix F

Capital Improvement Plan-Sanitary Sewer Utility

City of Edina
 Utility Funds
 Sanitary Sewer Fund Capital Improvements
 Exhibit

2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023

1	Main Rehabilitation/Replacement/Extensions:	PROJ. #											
2	Trunk sanitary sewer lining project	UT-08-014	\$ 540,000	\$ 600,000									
3	Sanitary sewer main improvements	ENG-13-003	\$ 1,451,000	\$ 690,000	\$ 931,000	\$ 700,000	\$ 1,100,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000
4													
5	Lift Station Rehabilitation/Replacement/Construction:												
6	Remove lift station #1	UT-03-010	\$ 150,000										
7	W 69th St and York Ave watermain loop	UT-10-011		\$ 150,000									
8													
9	Control System, Equipment Replacements/Upgrades:												
10	SCADA Upgrades	UT-12-007	\$ 20,000										
11	Utilities equipment replacement	PW-13-005	\$ 133,000		\$ 440,000	\$ 104,000	\$ 40,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
12													
13	Sanitary Sewer Treatment Plant Rehab:												
14													
15	Miscellaneous Projects:												
16	Reconstruct Valley View Rd	ENG-13-009			\$ 20,000								
17	Reconstruct Tracy Ave	ENG-13-010				\$ 145,000							
18	Concrete rehab-Parklawn Ave	PW-00-074				\$ 25,000							
19	Reconstruct W 54th St (Wooddale to Francis)	PW-01-012		\$ 20,000									
20	Reconstruct W 58th St (Wooddale to Francis)	PW-04-001					\$ 20,000						
21	Sewer jetter replacement	UT-07-008											
22	Manhole repair project	UT-10-010											
23	Annual vehicle replacement	UT-11-005											
24	Sewer camera and cable reel	UT-11-008	\$ 20,000										
25	30 Kw generator	UT-12-005											
26	Cityworks asset management update	UT-12-008	\$ 25,000	\$ 10,000	\$ 20,000	\$ 20,000							
27	Future estimated-based on average												
28	TOTAL		\$ 2,339,000	\$ 1,470,000	\$ 1,411,000	\$ 994,000	\$ 1,160,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
29													
30	Inflated Costs	4.00%	\$ 2,339,000	\$ 1,528,800	\$ 1,526,138	\$ 1,118,115	\$ 1,357,036	\$ 1,824,979	\$ 1,897,979	\$ 1,973,898	\$ 2,052,854	\$ 2,134,968	\$ 2,220,366

Appendix G

Capital Improvement Plan-Storm Sewer Utility

City of Edina
 Utility Funds
 Storm Sewer Fund Capital Improvements
 Exhibit

			2013	2014	2015	2016	2017	2018	2018	2019	2020	2021	2022	2023
1		<u>PROJ. #</u>												
2	Storm sewer-pipe and grading improvements	ENG-13-004	\$ 1,800,000	\$ 2,200,000	\$ 2,600,000	\$ 2,600,000	\$ 2,600,000							
3	Reconstruct 2nd St South	ENG-13-008	\$ 30,000											
4	Reconstruct Valley View Rd	ENG-13-009			\$ 20,000									
5	Reconstruct Tracy Ave	ENG-13-010				\$ 90,000								
6	2013-2014 Flood Protection and Water Improvements	ENG-13-011	\$ 30,000	\$ 35,000	\$ 250,000									
7	2014-2015 Flood Protection and Water Improvements	ENG-13-012		\$ 50,000	\$ 275,000									
8	2015-2016 Flood Protection and Water Improvements	ENG-13-013			\$ 50,000	\$ 275,000								
9	Comprehensive Water Resource Mgmt Plan	ENG-13-016			\$ 45,000									
10	Storm water pollution prevention plan	ENG-13-017	\$ 45,000											
11	NMWD Petition Projects-Phase I	ENG-13-018		\$ 180,000	\$ 140,000									
12	Concrete rehab:Parklawn Ave (France to W 77)	PW-00-074				\$ 15,000								
13	Reconstruct W 54th St (Wooddale to Francis)	PW-01-012		\$ 20,000										
14	Reconstruct W 58th St (Wooddale to Francis)	PW-04-001					\$ 20,000							
15	Utilities equipment replacement	PW-13-005	\$ 63,000	\$ 197,000		\$ 63,000								
16	Storm water lift station #3 rehab	UT-11-007		\$ 200,000										
17	Sewer camera and cable reel	UT-11-008	\$ 20,000											
18	SCADA radio system upgrade	UT-12-007	\$ 20,000											
19	Asset management update	UT-12-008	\$ 25,000	\$ 10,000	\$ 20,000	\$ 20,000								
20	Cooper Circle pond outlet	UT-12-009					\$ 80,000							
21	Future estimated-based on average							\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000
22	TOTAL		\$ 2,033,000	\$ 2,892,000	\$ 3,400,000	\$ 3,063,000	\$ 2,700,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000
23														
24	Inflated Costs	4.00%	\$ 2,033,000	\$ 3,007,680	\$ 3,677,440	\$ 3,445,458	\$ 3,158,618	\$ 2,676,636	\$ 2,783,702	\$ 2,895,050	\$ 3,010,852	\$ 3,131,286	\$ 3,256,537	\$ 3,386,799

Appendix H

Proposed Rates

Proposed	2014	2015	2016	2017	2018
Water Rates					
Quarterly Usage Rates					
0-35 units	\$ 1.38	\$ 1.45	\$ 1.53	\$ 1.61	\$ 1.69
36-65 units	\$ 1.83	\$ 1.93	\$ 2.03	\$ 2.14	\$ 2.25
> 65 units	\$ 2.87	\$ 3.02	\$ 3.18	\$ 3.35	\$ 3.53
Morningside	\$ 2.45	Future rate increases for the Morningside area is dependent on increases to the City of Minneapolis contract			
Quarterly Fixed Rates-Based on Meter Size					
3/4"-5/8"	\$ 16.81	\$ 17.69	\$ 18.62	\$ 19.60	\$ 20.63
1"	\$ 22.91	\$ 24.12	\$ 25.38	\$ 26.71	\$ 28.12
1.25"	\$ 26.14	\$ 27.52	\$ 28.96	\$ 30.48	\$ 32.08
1.5"	\$ 29.41	\$ 30.95	\$ 32.58	\$ 34.29	\$ 36.09
2"	\$ 47.35	\$ 49.84	\$ 52.45	\$ 55.21	\$ 58.11
3"	\$ 179.82	\$ 189.26	\$ 199.20	\$ 209.65	\$ 220.66
4"	\$ 228.89	\$ 240.90	\$ 253.55	\$ 266.86	\$ 280.87
Sanitary Sewer Rates					
Quarterly Usage Rates	\$ 3.30	\$ 3.41	\$ 3.52	\$ 3.64	\$ 3.75
Quarterly Fixed Rates	\$ 52.86	\$ 54.58	\$ 56.36	\$ 58.19	\$ 60.08
Storm Sewer Rates					
Quarterly Fixed Rates	\$ 22.89	\$ 24.26	\$ 25.71	\$ 27.26	\$ 28.89

Appendix I

Conversion of Rates from Cubic Feet to Gallons

November, 2013

John Wallin, Finance Director, City of Edina
 Eric Roggeman, Assistant Finance Director, City of Edina
 4801 W. 50th Street
 Edina, MN 55424

Re: Utility Rate Study-Conversion from Cubic Feet to Gallons

Ehlers has worked with City staff to update the Utility Rate study. We have completed the study and have arrived at rate recommendations. The City is currently undertaking a conversion of water meters that read in cubic feet to those that read in gallons. We have been asked to prepare a conversion schedule showing the equivalent gallon rates that have been preliminarily discussed by City Council. The following table shows the conversion of the rates, holding the usages constant. They have been expressed in terms of price per gallon.

The City currently bills some accounts on a unit basis, which is 100 cubic feet. One hundred cubic feet of water equals 750 gallons. The table below shows the preliminary rates from the Utility Study converted to a rate per gallon and a rate per thousand gallons.

Residential	Cubic Feet Units	Prelim 2014 Rate	Gallons Per Tier	Rate per Gallon	Rate per Thousand Gallon
Water Rates					
Tier 1	35	1.38	26,250	0.001834	1.83
Tier 2	30	1.83	22,500	0.002436	2.44
Tier 3		2.87	26,251	0.003822	3.82
Commercial					
Tier 1	35	1.38	26,250	0.001834	1.83
Tier 2		1.83	26,251	0.002436	2.44
Tier 3					
Irrigation					
Tier 1	35	1.83	26,250	0.002436	2.44
Tier 2		2.87	26,251	0.003822	3.82
Tier 3					
Morningside					
	all usage	2.45		0.003267	3.27
Sewer Rates					
	Winter quarter water use	3.30		0.004400	4.40

The following table shows the calculation of the total water bill for users at two different levels of usage. The user bill is calculated using the cubic foot rate and the converted gallon rate.

	Gallons Used	Cubic Foot Charge	Gallon Charge
30 Units	22,500		
Tier 1		\$ 41.27	\$ 41.27
Fixed Charge		\$ 16.81	\$ 16.81
Total		\$ 58.08	\$ 58.08
50 Units	37,500		
Tier 1		\$ 48.14	\$ 48.14
Tier 2		\$ 27.41	\$ 27.41
Fixed Charge		\$ 16.81	\$ 16.81
Total		\$ 92.36	\$ 92.36

Sincerely,



Elizabeth Diaz
Senior Financial Specialist