AGENDA
CITY COUNCIL
WORK SESSION
CITY OF WYOMING, MINNESOTA
NOVEMBER 21, 2023
5:30 PM

CALL TO ORDER:

CALL OF ROLL:

DETERMINATION OF A QUORUM:

NEW BUSINESS:

1. Water and Sanitary Sewer Rate Study Discussion

ADJOURN

Water and Sanitary Sewer Rate Study

Presentation To:

City of Wyoming, MN

November 21, 2023

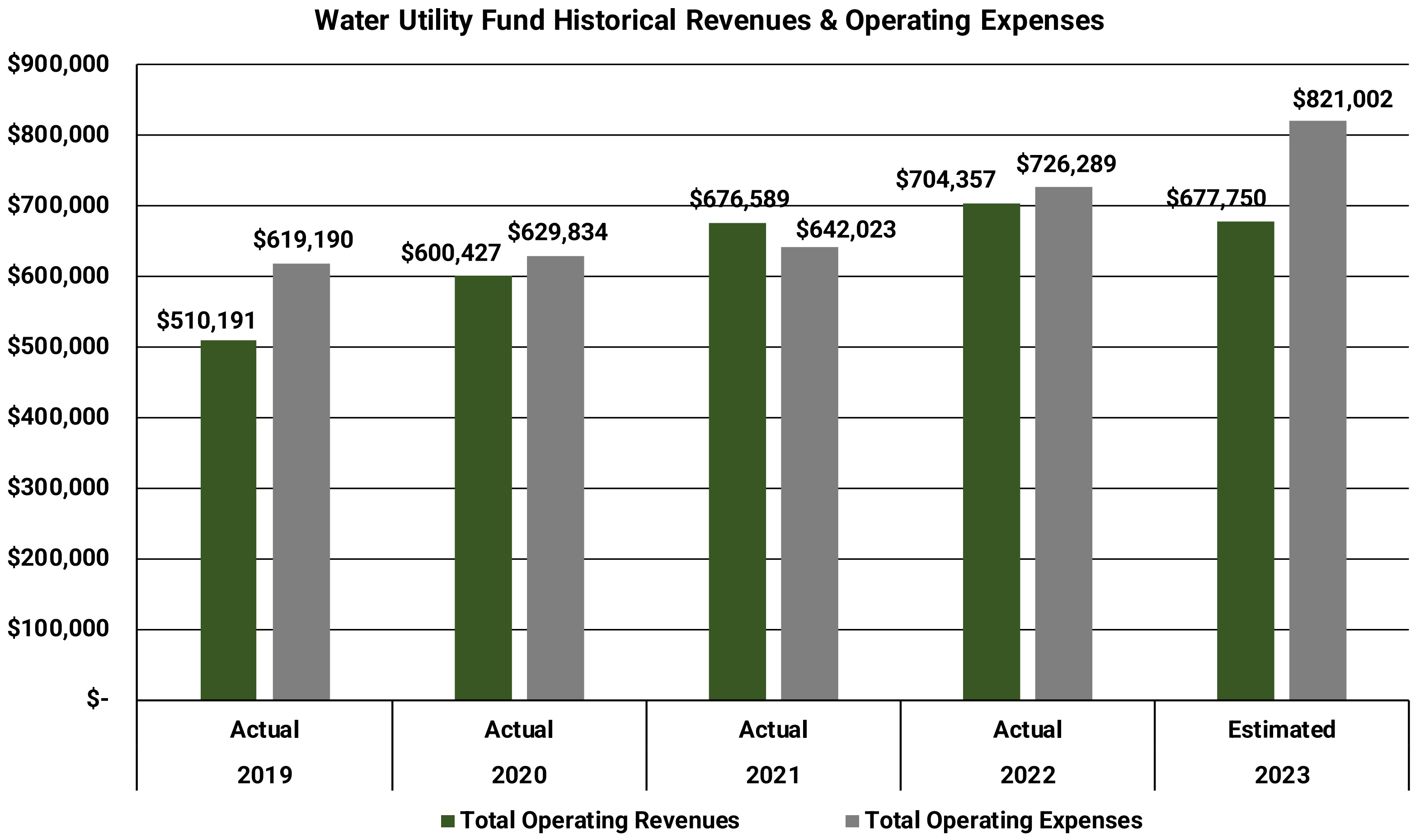
Erickson Northstar, L.L.C

Nick Dragisich & Alan Erickson

Purpose

- **Review and analyze Water Utility and Sanitary Sewer Utility Funds**
  - **Determine appropriate rate structure and other revenue needed to fund:**
    - **Anticipated operating and maintenance expenses**
    - **Capital improvements including asset renewal and replacement**
    - **Debt Service for existing and projected infrastructure and equipment**
    - **Adequate cash reserves**

Historical Financial Information



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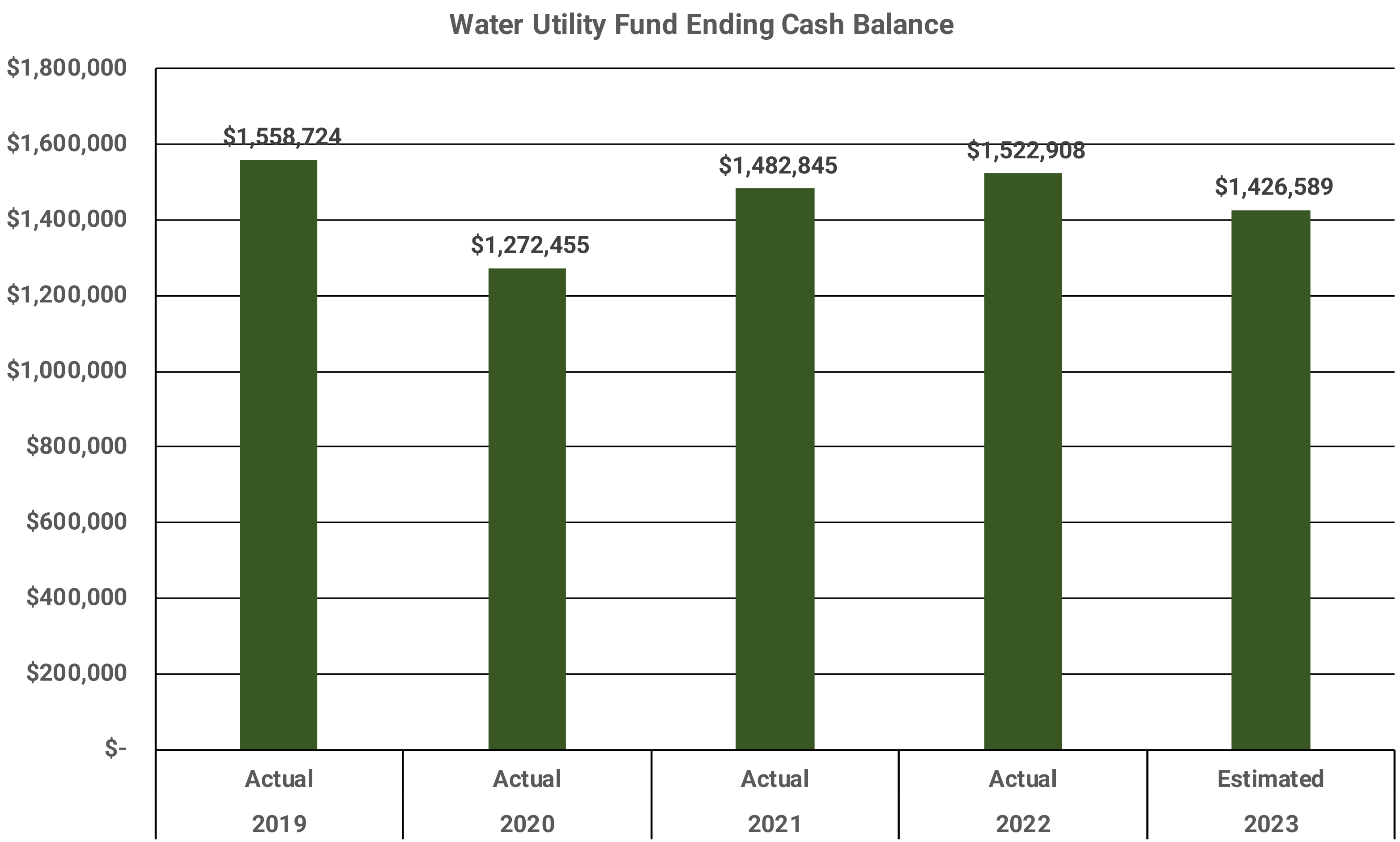

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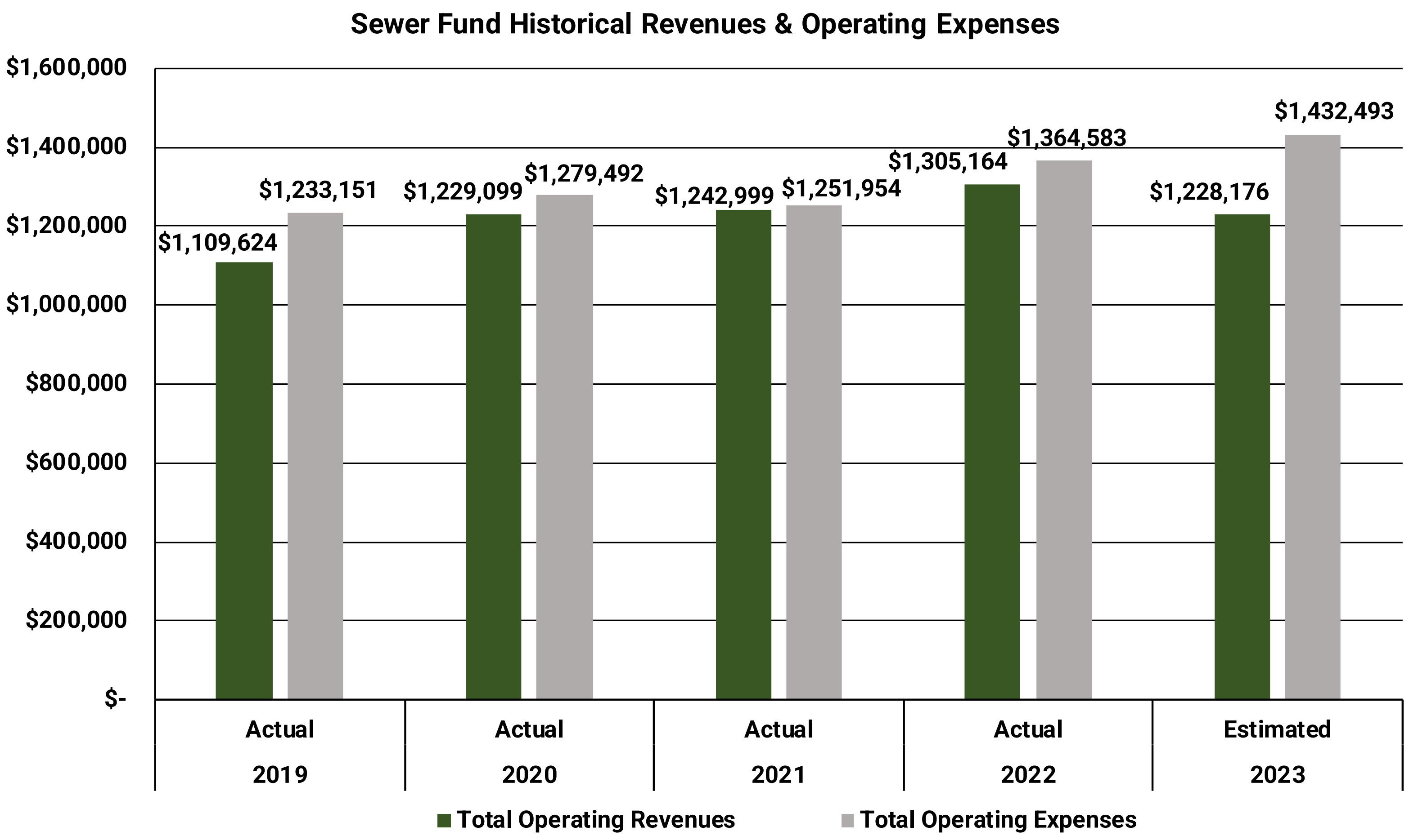

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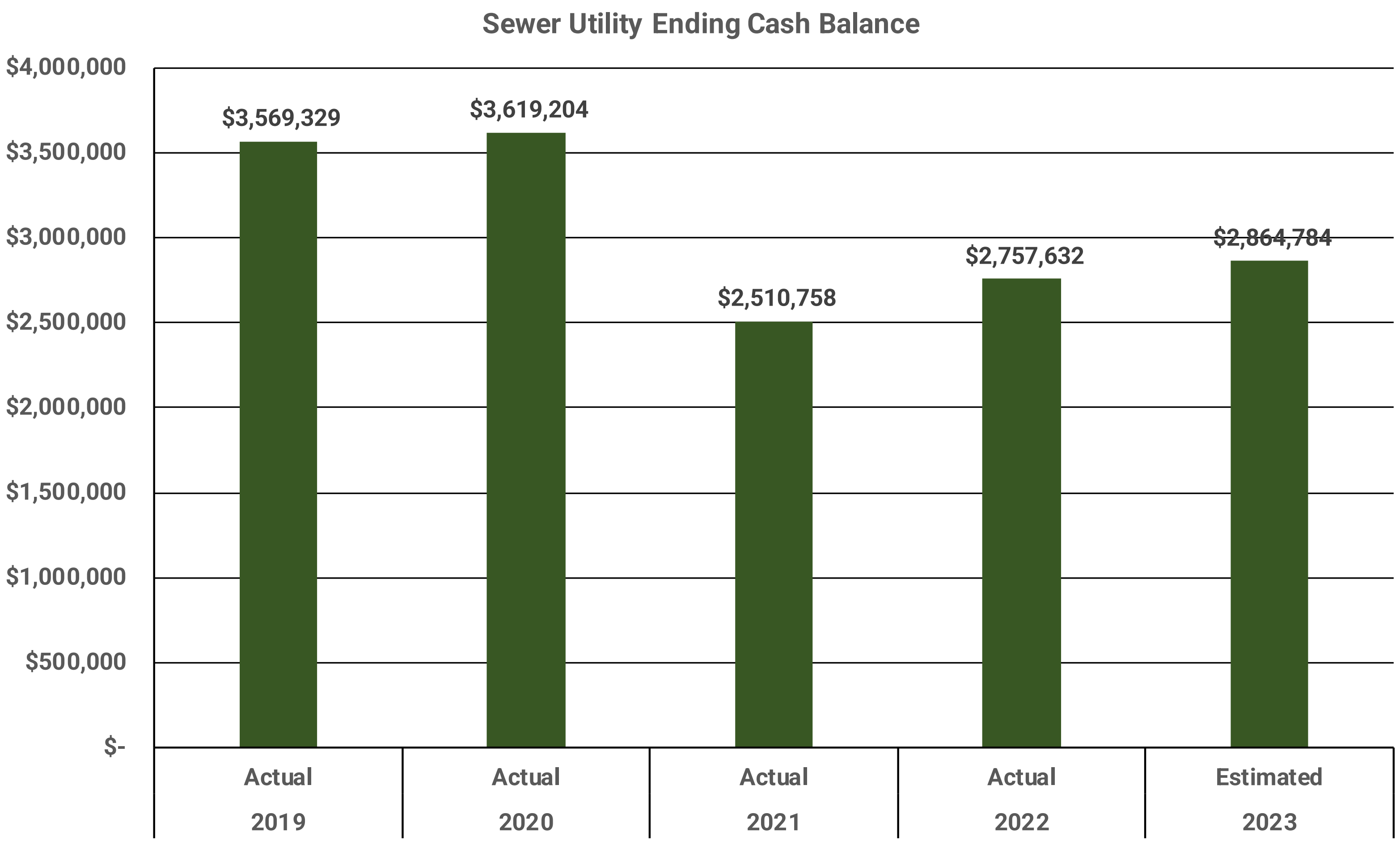


Cash Reserves

- **Reserves that are legally required**
- **Variability of annual revenue stream**
- **Variability in annual expenses**
- **Variability in service demands**
- **Age and condition of fixed assets**
- **Anticipated future capital needs**

Cash Reserves

- **Tolerance for risk**
- **Number of relatively large customers**
- **Bond rating agency metrics**
- **City's cash reserve policy**
  - **50% of following year's budgeted operating expenses**
  - **100% of following year's debt service principal and interest payments due**
  - **Five-year average of future capital outlay**

Key Assumptions

- **Historical and current financial data from City and CLJSTC**
- **City and CLJSTC 2024 budgets**
- **Projected growth and development over the planning period**
- **Operating expenses were projected to increase at 3% annually with the exception of water chemical which were projected to increase at 1.5% annually**

Key Assumptions

- **Investment interest was assumed to be 1.5%**
- **$450,000 in ARPA funds for the 2024 Trunk Watermain under I35**
- **City's planned capital expenditures**
  - **Water Utility Fund**
    - **For 2024 through 2028 and 2033 amounts from C.I.P.**
    - **For 2029 through 2032 the average amount programmed from 2023 through 2028**

Key Assumptions

- **City's planned capital expenditures**
  - **Sewer Utility Fund**
    - **For 2024 through 2028 amounts from C.I.P.**
    - **For 2029 through 2033 the average amount programmed from 2023 through 2028**
- **CLJSTC planned capital expenditures for 2024 through 2028**
- **Increased cost for employee**
  - **$25,000 in Water Utility in 2025**
  - **$25,000 in Sewer Utility in 2025**

Water Utility Fund C.I.P.

Year	Project	Water Utility	G.O. Water Revenue Bonds	Water Other	Total
2024	Trunk Watermain under I35	$ 300,000		$ 450,000	$ 750,000
2024	Valve turner	$ 17,000			$ 17,000
2024	Water Tower Mixer	$ 20,000			$ 20,000
2024	Lift Station Service Truck	$ 35,000			$ 35,000
2026	Watermain Improvement with Street CIP	$ 50,000			$ 50,000
2028	East Viking Valving	$ 40,000			$ 40,000
2029	Water Utility Improvements	$ 162,000			$ 162,000
2030	Water Utility Improvements	$ 162,000			$ 162,000
2031	Water Utility Improvements	$ 162,000			$ 162,000
2032	Water Utility Improvements	$ 162,000			$ 162,000
2033	New Supply Well	$ -	$ 1,200,000		$ 1,200,000
Totals		**$ 1,110,000**	**$ 1,200,000**	**$ 450,000**	**$ 2,760,000**

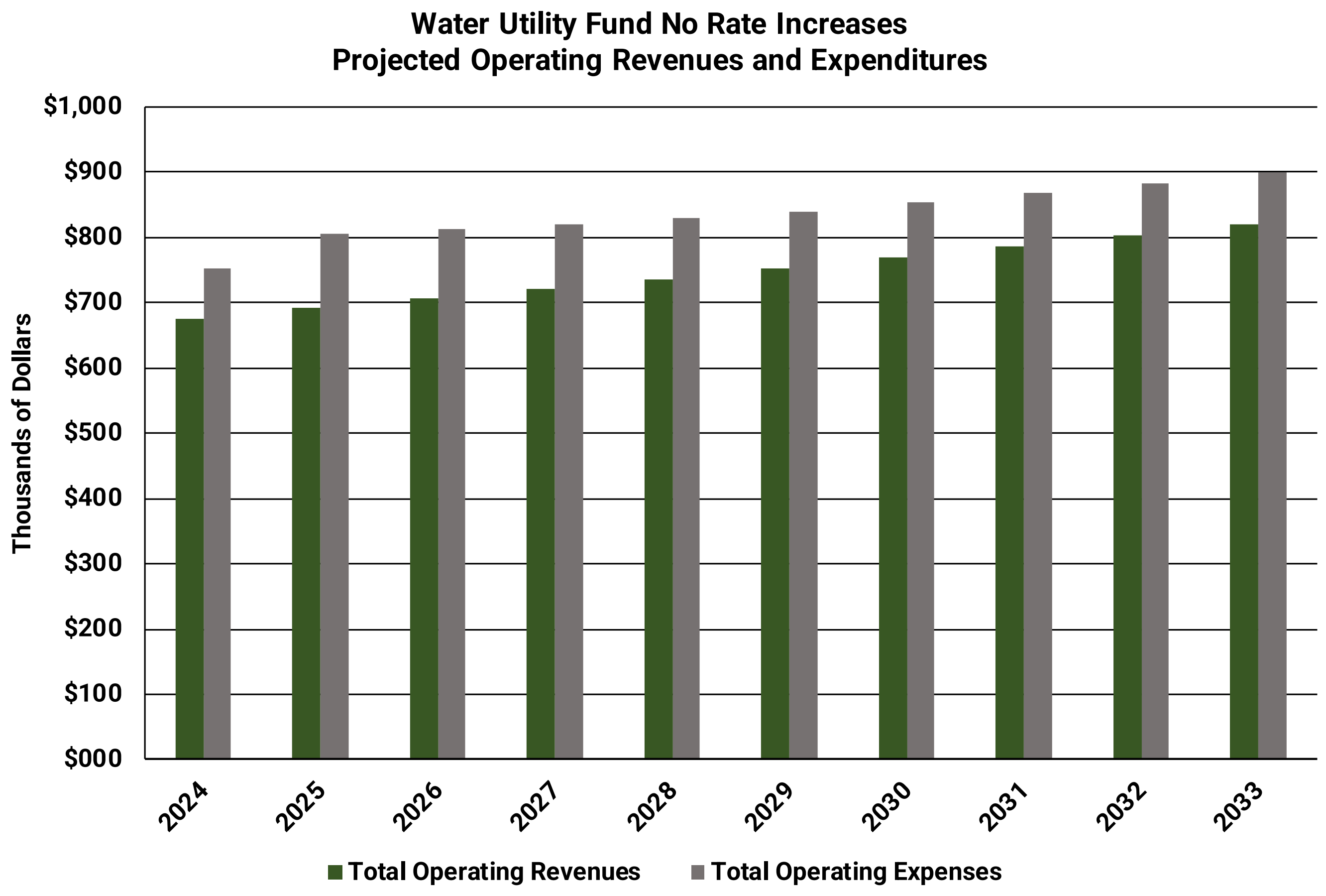
Sewer Utility Fund C.I.P.

Year	Project	Sewer Utility	G.O. Sewer Revenue Bonds	Sewer Other	Total
2024	Kettle River Blvd LS 8 Force Main Upsizing	$ 575,000			$ 575,000
2024	Lift Station Service Truck	$ 100,000			$ 100,000
2025	Lift Station Panel	$ 65,000			$ 65,000
2026	Portable Generator	$ 50,000			$ 50,000
2026	Sanitary Sewer Improvement with Street CIP	$ 50,000			$ 50,000
2027	Permanent Generator	$ 50,000			$ 50,000
2028	Sanitary Sewer Sag Correction	$ 60,000			$ 60,000
2028	Jetter Truck	$ 750,000			$ 750,000
2029	Sewer Utility Improvements	$ 285,000			$ 285,000
2030	Sewer Utility Improvements	$ 285,000			$ 285,000
2031	Sewer Utility Improvements	$ 285,000			$ 285,000
2032	Sewer Utility Improvements	$ 285,000			$ 285,000
2033	Sewer Utility Improvements	$ 285,000			$ 285,000
Totals		**$ 3,125,000**	**$ -**	**$ -**	**$ 3,125,000**

CLJSTC C.I.P.

Year	Project	New Debt	Wyoming Share 23.12%
2024	Service Truck	$ 150,000	$ 34,680
2024	Lift Station Improvements	$ 1,050,000	$ 242,760
2025	Tractor	$ 80,000	$ 18,496
2025	Biosolids	$ 2,000,000	$ 462,400
2025	Lift Station Improvements	$ 175,000	$ 40,460
2026	MAU-4	$ 25,000	$ 5,780
2026	Lift Station Improvements	$ 375,000	$ 86,700
2027	MAU-3	$ 63,000	$ 14,566
2027	Lift Station Improvements	$ 125,000	$ 28,900
2028	Vac Truck	$ 500,000	$ 115,600
2028	Decant & Instrumentation	$ 776,250	$ 179,469
2028	Phase 2: Replace VFDs for blower 4	$ 125,000	$ 28,900
2028	UV System	$ 400,000	$ 92,480
2028	Lift Station Improvements	$ 350,000	$ 80,920
Total		$ 6,194,250	**$ 1,432,111**

Financial Projections



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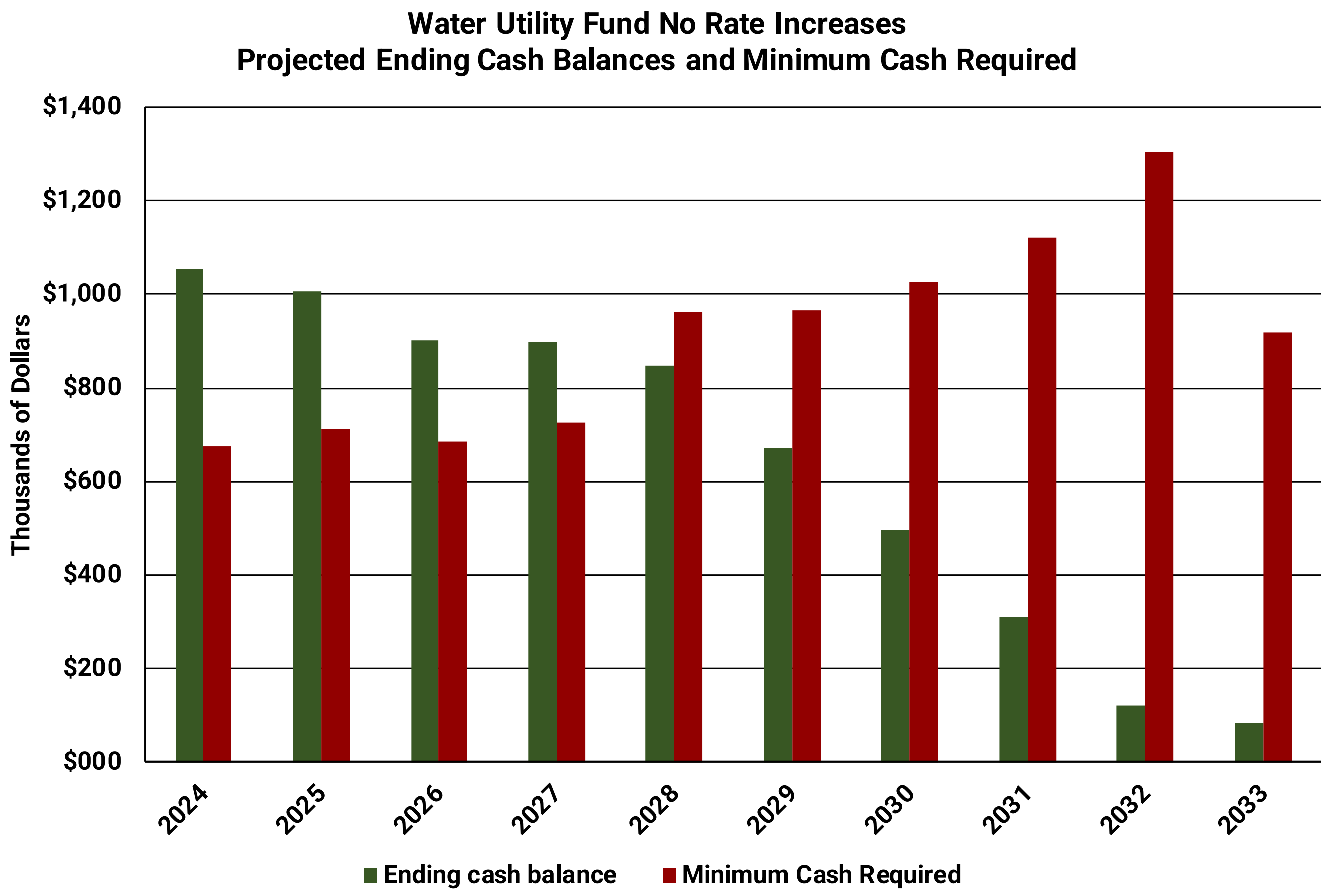

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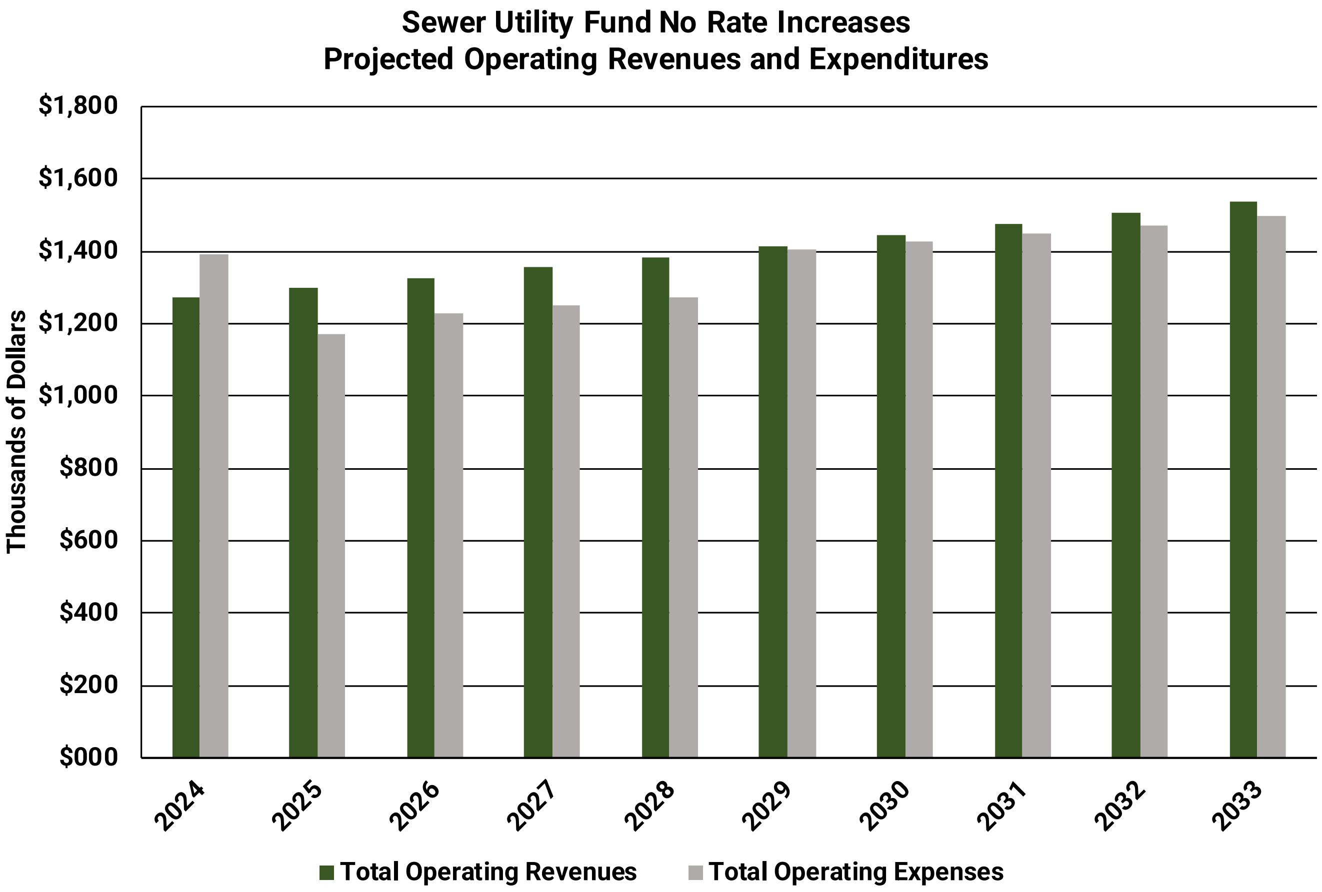

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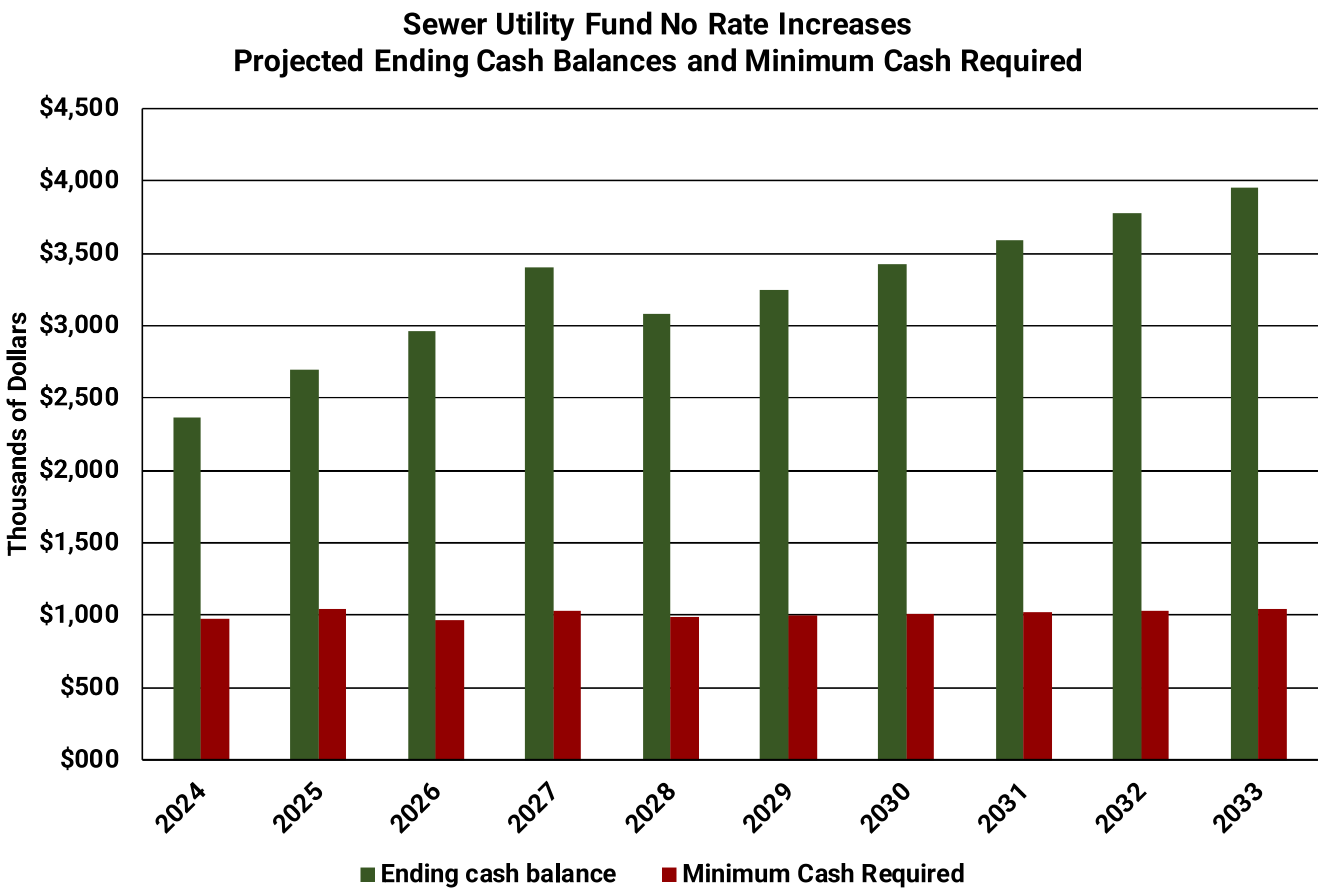
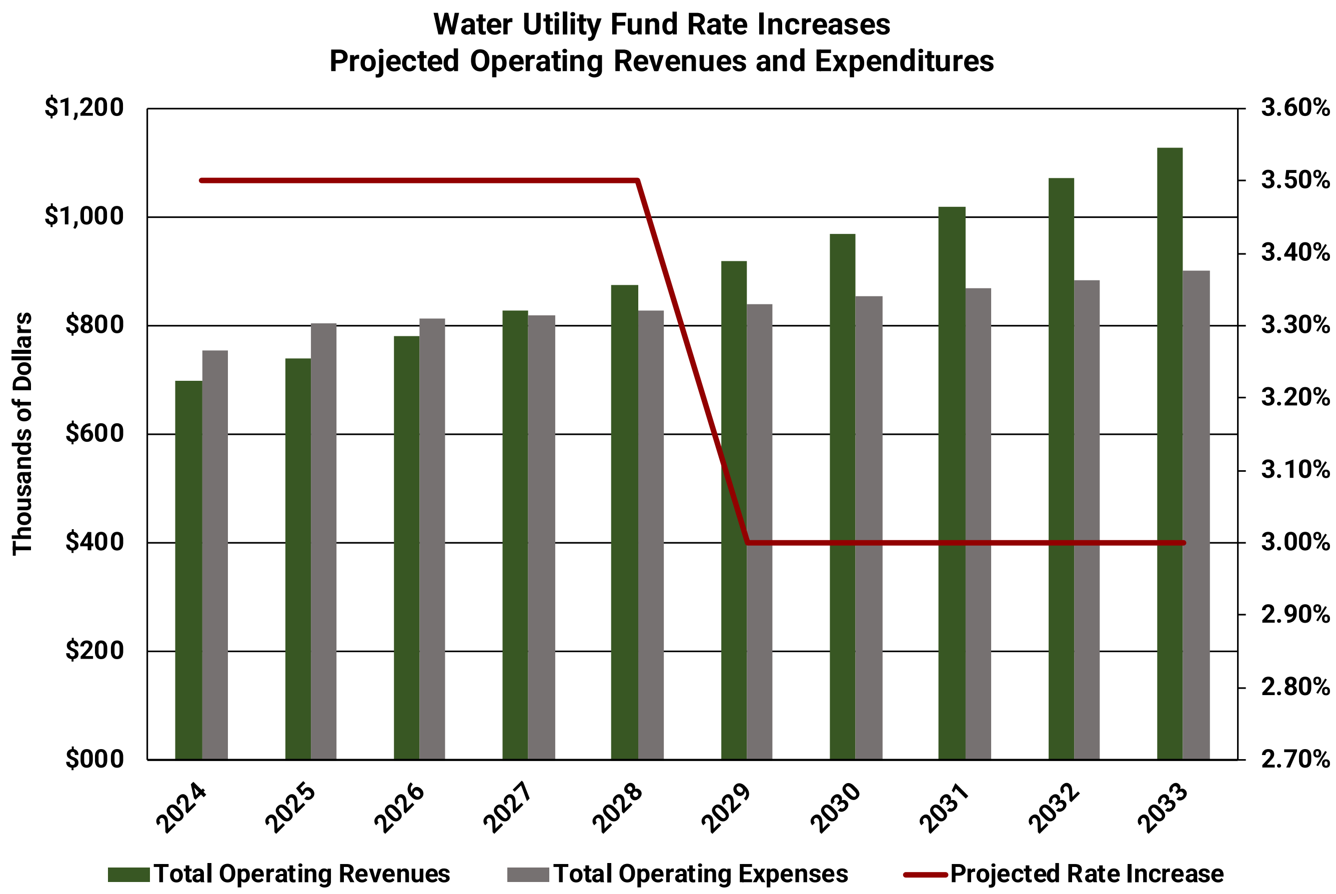


Financial Projections

- **Recommended Annual Rate Increases**
  - **Water Utility Fund**
    - **3.50% annually 2024 through 2028**
    - **3.00% annually 2029 through 2033**
  - **Sewer Utility Fund**
    - **No rate increases recommended**
      - **$285,000 decrease in CLJSTC debt service payments beginning in 2025**

Financial Projections



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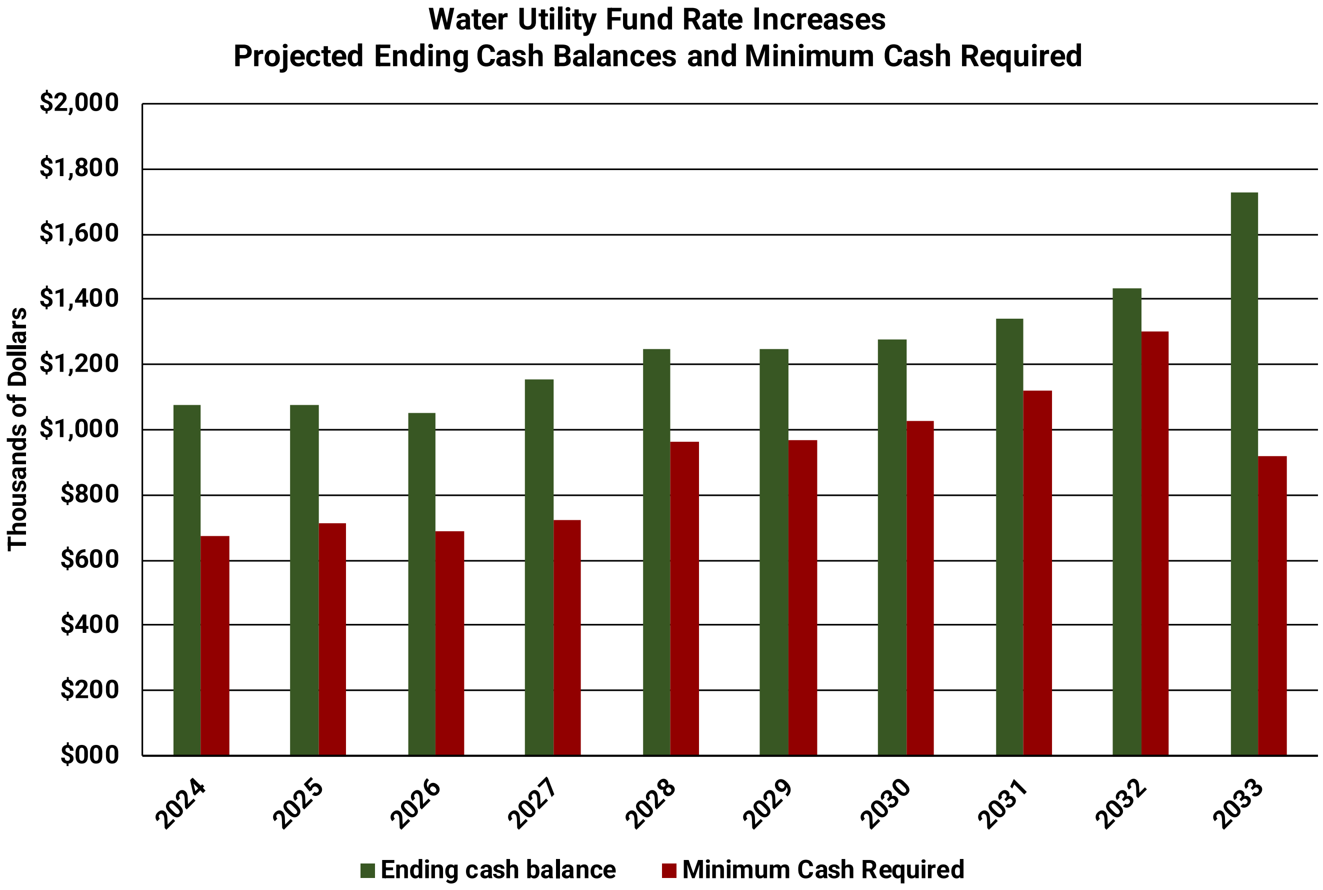


Financial Projections

- Projected Water and Sewer Rates 2024 - 2028

Water	2023	2024	2025	2026	2027	2028
Residential						
Base fee (5/8" to 7/8" Meters)	$ 41.72	$ 43.18	$ 44.69	$ 46.26	$ 47.87	$ 49.55
Usage - 20,000 gallons and less (per gallon)	$ 0.003447	$ 0.003568	$ 0.003693	$ 0.003822	$ 0.003956	$ 0.004094
Usage - 20,001 gallons and more (per gallon)	$ 0.004308	$ 0.004459	$ 0.004615	$ 0.004776	$ 0.004944	$ 0.005117
Commercial						
Base fee (5/8" to 7/8" Meters)	$ 41.72	$ 43.18	$ 44.69	$ 46.26	$ 47.87	$ 49.55
Based on Meter size						
1"	$ 58.40	$ 60.44	$ 62.56	$ 64.75	$ 67.02	$ 69.36
1.5"	$ 75.08	$ 77.71	$ 80.43	$ 83.24	$ 86.16	$ 89.17
2"	$ 120.98	$ 125.21	$ 129.60	$ 134.13	$ 138.83	$ 143.69
3"	$ 458.86	$ 474.92	$ 491.54	$ 508.75	$ 526.55	$ 544.98
Usage - 62,000 gallons and less (per gallon)	$ 0.003447	$ 0.003568	$ 0.003693	$ 0.003822	$ 0.003956	$ 0.004094
Usage - 62,001 gallons and more (per gallon)	$ 0.004308	$ 0.004459	$ 0.004615	$ 0.004776	$ 0.004944	$ 0.005117
Sewer						
Residential & Commercial						
Base fee	$ 31.44	$ 31.44	$ 31.44	$ 31.44	$ 31.44	$ 31.44
Usage/gallon	$ 0.013400	$ 0.013400	$ 0.013400	$ 0.013400	$ 0.013400	$ 0.013400

Financial Projections

- Projected Water and Sewer Rates 2029 - 2033

Water	2029	2030	2031	2032	2033
Residential					
Base fee (5/8" to 7/8" Meters)	$ 51.04	$ 52.57	$ 54.14	$ 55.77	$ 57.44
Usage - 20,000 gallons and less (per gallon)	$ 0.004217	$ 0.004343	$ 0.004474	$ 0.004608	$ 0.004746
Usage - 20,001 gallons and more (per gallon)	$ 0.005270	$ 0.005428	$ 0.005591	$ 0.005759	$ 0.005931
Commercial					
Base fee (5/8" to 7/8" Meters)	$ 51.04	$ 52.57	$ 54.14	$ 55.77	$ 57.44
Based on Meter size					
1"	$ 71.44	$ 73.58	$ 75.79	$ 78.07	$ 80.41
1.5"	$ 91.85	$ 94.60	$ 97.44	$ 100.36	$ 103.37
2"	$ 148.00	$ 152.44	$ 157.01	$ 161.72	$ 166.57
3"	$ 561.33	$ 578.17	$ 595.52	$ 613.38	$ 631.78
Usage - 62,000 gallons and less (per gallon)	$ 0.004217	$ 0.004343	$ 0.004474	$ 0.004608	$ 0.004746
Usage - 62,001 gallons and more (per gallon)	$ 0.005270	$ 0.005428	$ 0.005591	$ 0.005759	$ 0.005931
Sewer					
Residential & Commercial					
Base fee	$ 31.44	$ 31.44	$ 31.44	$ 31.44	$ 31.44
Usage/gallon	$ 0.013400	$ 0.013400	$ 0.013400	$ 0.013400	$ 0.013400

Financial Projections

Projected Monthly Bills

Sample Monthly Bills - Water	2023	2024	2025	2026	2027	2028
Average Residential User (5,000 gallons/Month)	$ 31.14	$ 32.23	$ 33.36	$ 34.53	$ 35.74	$ 36.99
Large Residential User (15,000 gallons/Month)	$ 72.79	$ 75.33	$ 77.97	$ 80.70	$ 83.52	$ 86.45
Average Commercial User (25,000 gallons/Month)	$ 103.81	$ 107.45	$ 111.21	$ 115.10	$ 119.13	$ 123.30
Large commercial User (400,000 gallons/Month)	$ 1,858.36	$ 1,923.40	$ 1,990.72	$ 2,060.40	$ 2,132.51	$ 2,207.15
Sample Monthly Sewer Bills						
Average Residential User (4,000 gallons/Month)	$ 64.08	$ 64.08	$ 64.08	$ 64.08	$ 64.08	$ 64.08
Large Residential User (12,000 gallons/Month)	$ 171.28	$ 171.28	$ 171.28	$ 171.28	$ 171.28	$ 171.28
Average Commercial User (20,000 gallons/Month)	$ 278.48	$ 278.48	$ 278.48	$ 278.48	$ 278.48	$ 278.48
Large Commercial User (320,000 gallons/Month)	$ 4,298.48	$ 4,298.48	$ 4,298.48	$ 4,298.48	$ 4,298.48	$ 4,298.48

Affordability

- **Affordability for water and sewer utility bills**
  - **Historically defined by the EPA as 4.5% of household income**
    - **Median household income in City is $88,819**
      - **Affordable monthly utility bill is $333.07**
    - **Households with incomes below $21,923 would have monthly bills that exceed 4.5% of income**
    - **Census data estimates approximately 130 homes with incomes below $24,999**

Affordability

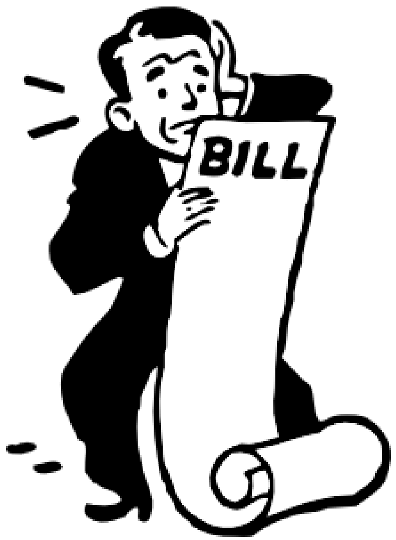
- **Affordability for water and sewer utility bills**
  - **A more recent measure of affordability is based on the percentage of households below 200% of the federal poverty level and the water and sewer cost as a percentage of household income for those in the lowest quintile income (LQI) which is the 20th percentile of household incomes**
    - **Wyoming has 23.66% of households below 200% of the Federal Poverty Level**
    - **Wyoming water and sewer cost as a percent of income at LQI was 6.58%**

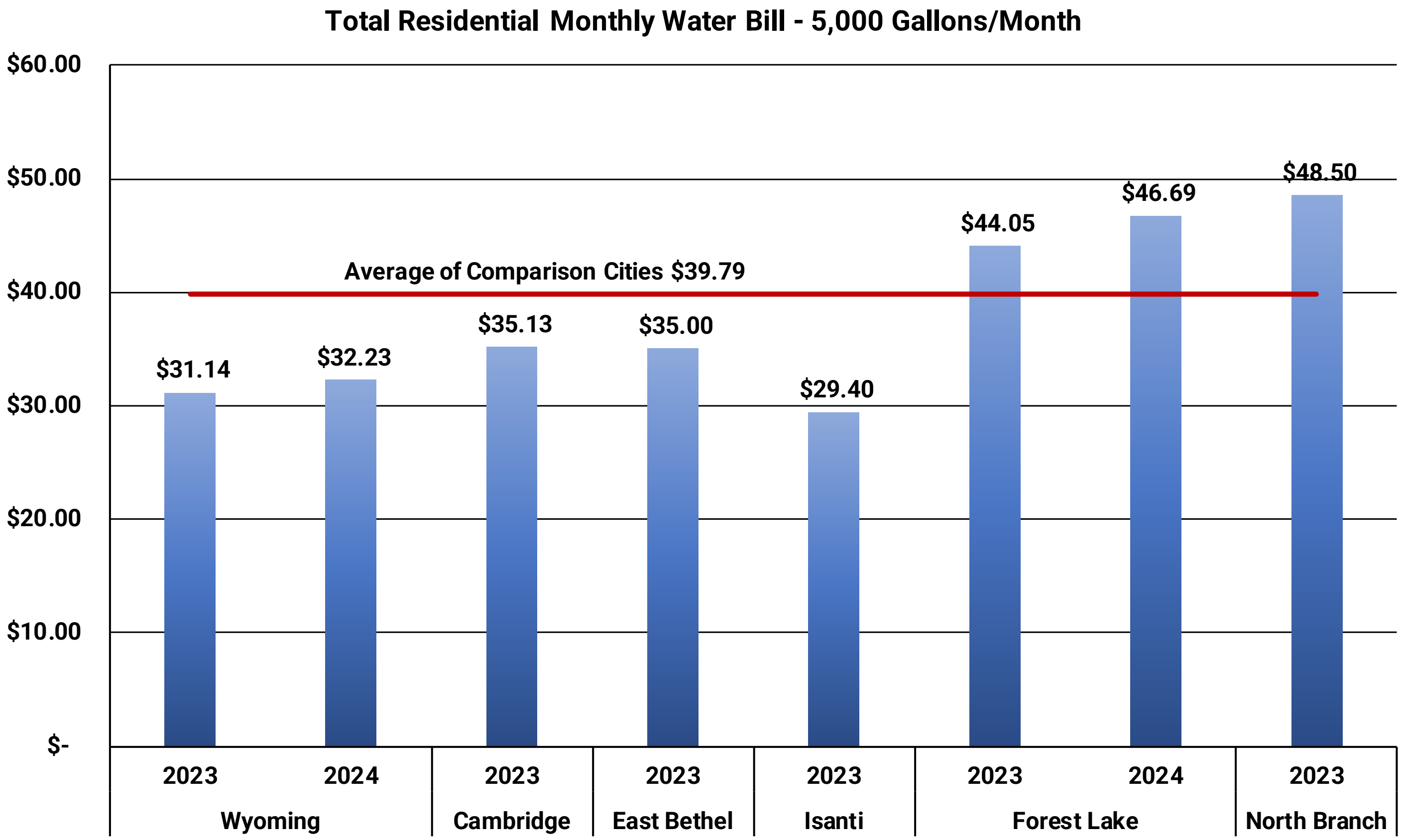
Affordability

- **Affordability for water and sewer utility bills (continued)**
  - **By this measure Wyoming's water and sewer bills are a moderate to low burden as shown below.**

	PPI - Percent of Households Below 200% of FPL		
HBI - Water and Sewer Costs as a Percent of Income at LQI	**>=35%**	**20% to 35%**	**<20%**
>=10%	Very High Burden	High Burden	Moderate-High Burden
7% to 10%	High Burden	Moderate-High Burden	Moderate-Low Burden
<7%	Moderate-High Burden	Moderate-Low Burden	Low Burden

Comparison of Monthly Bills





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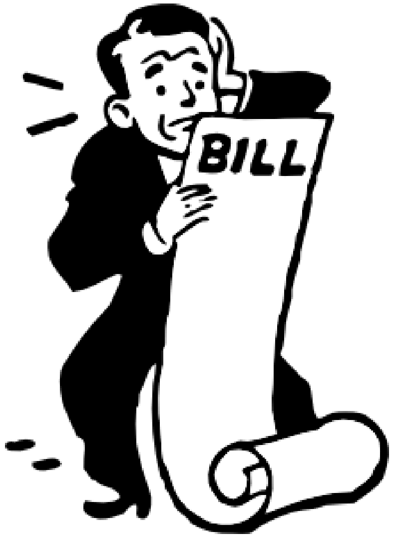

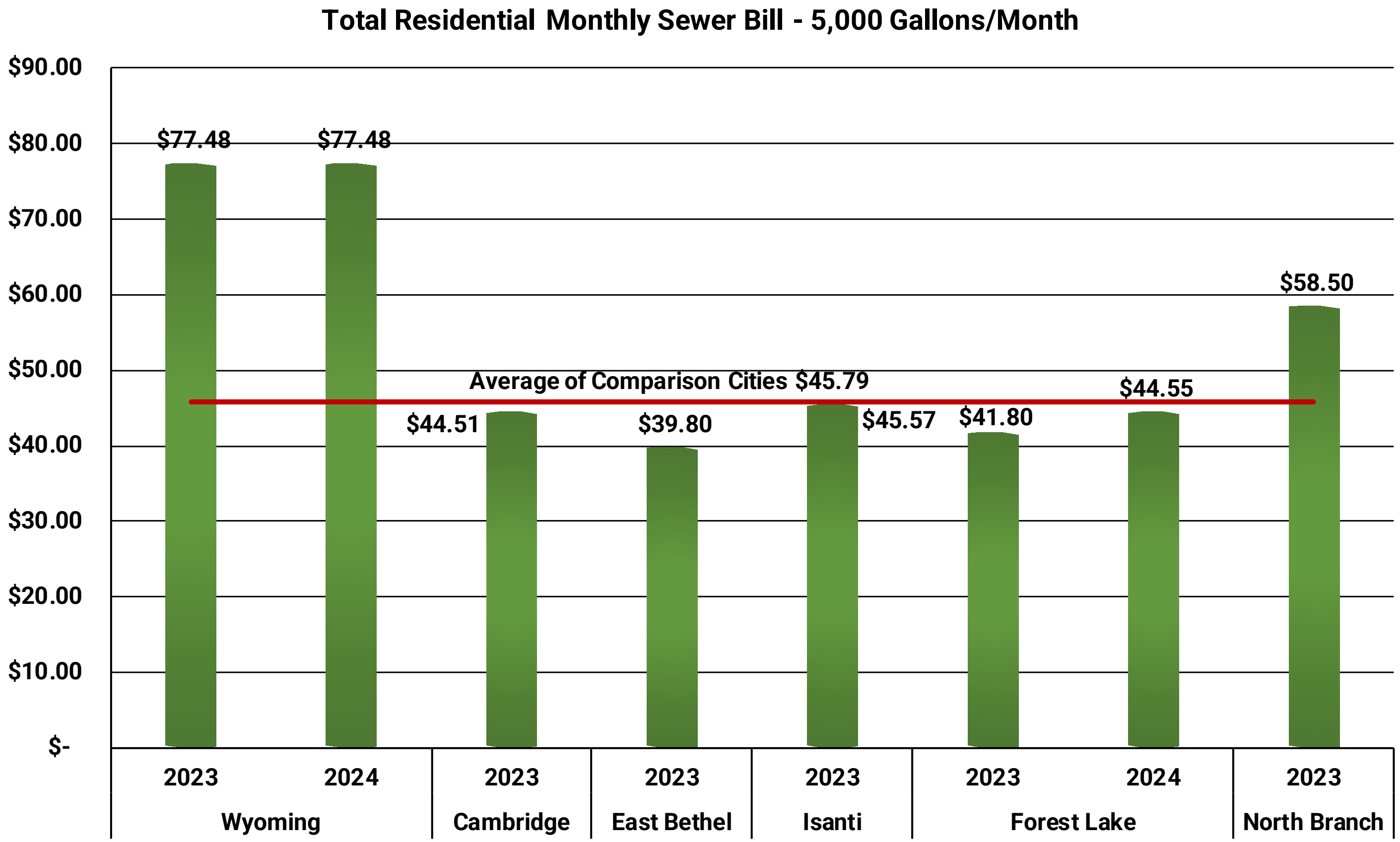

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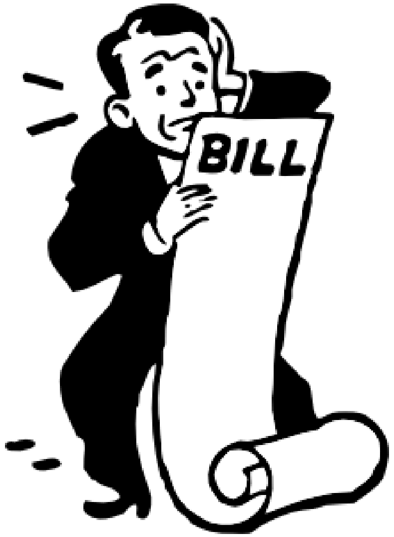

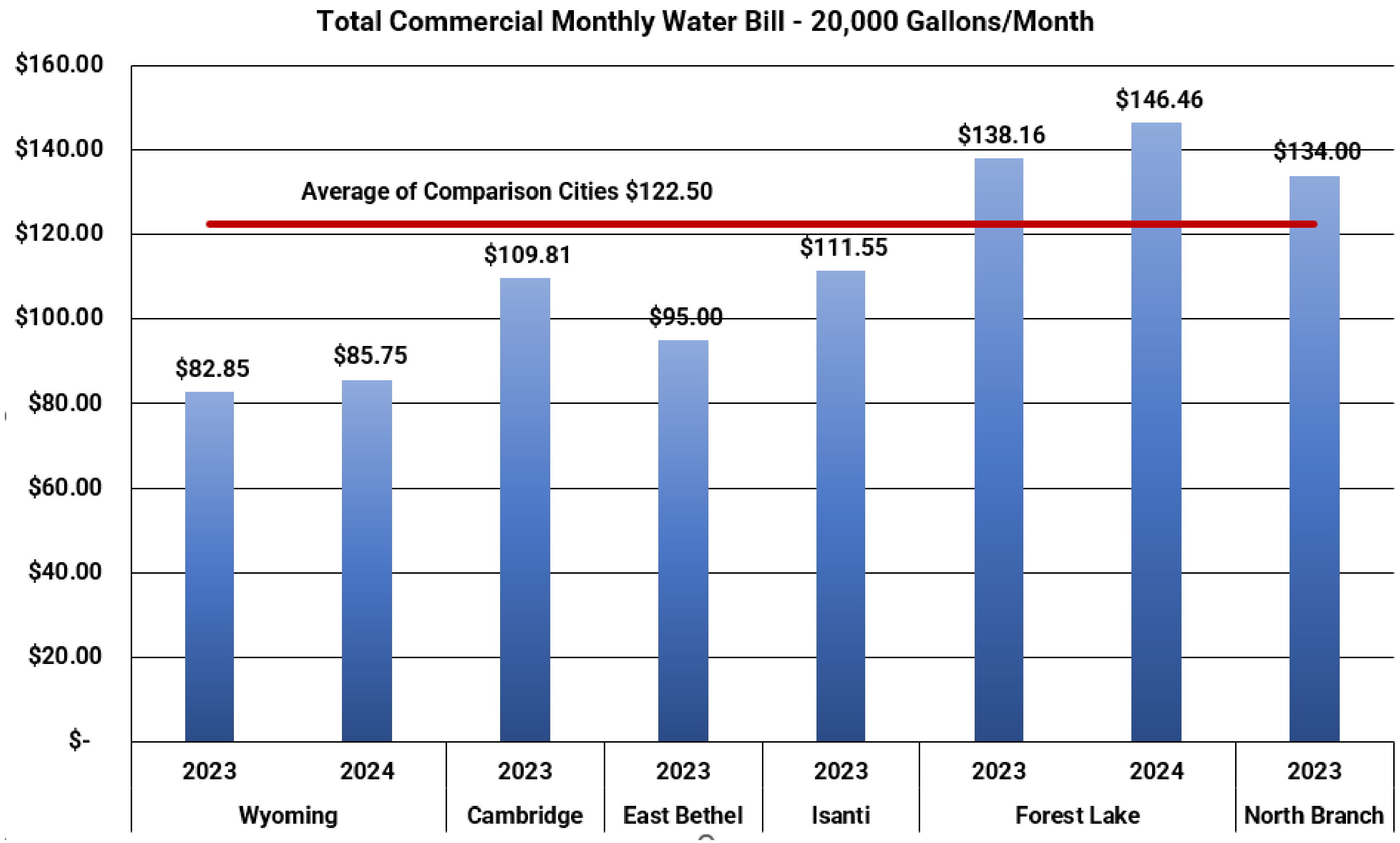

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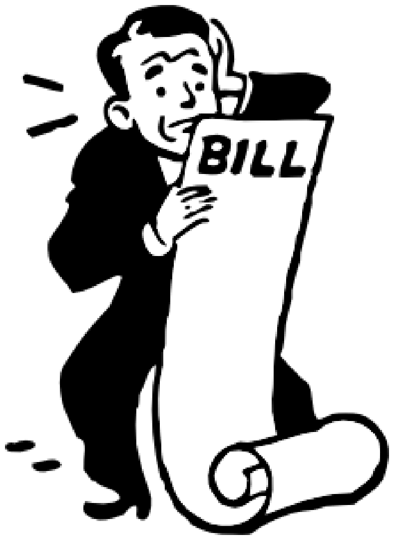

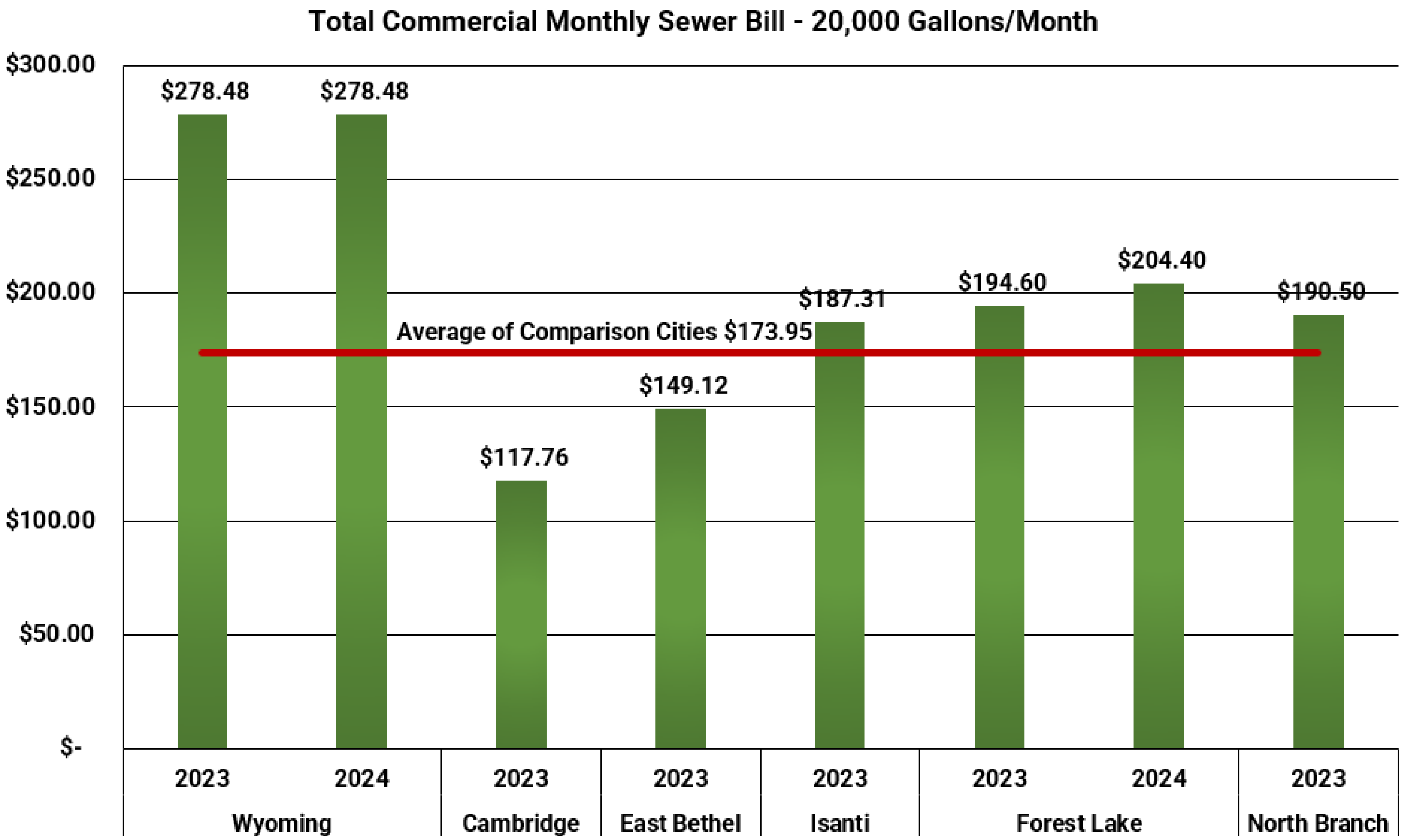

Questions?

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  - **nickdragisich@comcast.net**