

Memo

To: Roseville Finance Commission
From: Michelle Pietrick, Finance Director
Date: October 12, 2021
Re: Item #7: Review the 2022 Proposed Utility Rates and adopt a recommendation -revised

Background

Unlike many city services that are supported by property taxes, the City's utility or *enterprise* operations are funded primarily by user fees and are operated as separate, stand-alone functions. Over the past several months, city Staff has been reviewing the City's utility operations to determine what customer rate adjustments are necessary for 2022. The City engaged Ehlers to perform a comprehensive utility rate study of the Water and Storm Drainage Funds based on the cash situations in these two funds in 2021.

Operational Review

Water Fund Operations

In 2021 the City had a Utility Rate Study done by Ehlers on the Water Fund due to the deficit fund balance and prior formula errors. The Utility Rate Study recommended 5% increases for 2022-2026 to cover fixed and variable costs, debt service and replenishment of fund reserves. Fiscal year 2022 will be the second year of utilizing the new utility rate structure and the rates have been established based on the Utility Rate Study recommendation of 5% increases.

Storm Drainage Operations

The City provides for the management of storm water drainage to prevent flooding and pollution control, as well as the street sweeping program. In 2021 the City had a Utility Rate Study done by Ehlers on the Storm Drainage fund. The Utility Rate Study recommended 4% increases for 2022-2024 to cover fixed and variable costs of the Storm Drainage fund. Fiscal year 2022 rates have been established based on the Utility Rate Study recommendation of a 4% increase.

Sanitary Sewer Operations

The City maintains a sanitary sewer collection system to ensure the general public's health and general welfare. For 2021, the operational costs are expected to decrease by 2.7% mainly as a result of a decrease in the costs charged by the Metropolitan Council Environmental Services Division (MCES). While they have increased costs of treatment, the City's share of flow has decreased the overall cost to the City of Roseville. The capital outlay that is factored into the rates is based on a 5 year average and that number has increased from \$1,349,000 to \$1,407,000.

The Base rates require a 3.5% increase to cover the fixed costs which are operational and capital only. The usage rates require a modest 1.96% increase to cover the MCES total costs. See Attachment A for the rate analysis.

Recycling Operations

The recycling operation provides for the contracted curbside recycling pickup throughout the City and related administrative costs. The primary operating cost is the amounts paid to a contractor to pick up recycling materials. In 2021 the City solicited bids on the recycling operations and on July 26, 2021, the City Council approved a contract for recycling services for 2022-2025. Based on the new contract, the 2022 base fees were increased by 34.62%. A customer rate increase from \$9.36 per quarter to \$12.60 has been proposed to accommodate the higher costs. See Attachment A for the rate analysis.

Recommended Rates for 2022

The following table provides a detailed breakdown of the proposed rates including the rate structure which depicts how the operating cost burden is distributed to various customer types

<u>Water Base Rate Category</u>	2021 <u>Rate</u>	2022 <u>Rate</u>	<u>Comments</u>
Single-Family Residential	\$ 34.57	\$ 36.30	Standard SF rate
Single-Family Residential: Low-Income Discount	34.57	36.30	Standard SF rate x 0.65
Non-SF Residential (5/8" Meter)	34.57	36.30	Standard SF rate
Non-SF Residential (1.0" Meter)	86.43	90.75	Standard SF rate x 1.25
Non-SF Residential (1.5" Meter)	172.85	181.49	Standard SF rate x 2.00
Non-SF Residential (2.0" Meter)	276.56	290.39	Standard SF rate x 3.75
Non-SF Residential (3.0" Meter)	553.12	580.78	Standard SF rate x 7.50
Non-SF Residential (3.0" Compound Meter)	604.98	635.23	
Non-SF Residential (4.0" Meter)	864.25	907.46	Standard SF rate x 15.00
Non-SF Residential (4.0" Compound Meter)	1,037.10	1,088.96	
Non-SF Residential (6.0" Meter)	2,765.60	2,903.88	Standard SF rate x 30.00
** Low Income Discount on sewer only			
<u>Water Usage Rate Category</u>	2021 <u>Rate</u>	2022 <u>Rate</u>	<u>Comments</u>
SF Residential: Up to 15,000 gals./qtr	\$ 3.18	\$ 3.34	
SF Residential: 15,001 to 30,000 gals./qtr	3.98	4.18	Standard SF rate
SF Residential: Over 30,000 gals./qtr (winter rate)	4.98	5.23	Standard SF rate +10%
SF Residential: Over 30,000 gals./qtr (summer rate)	4.98	5.23	Standard SF rate +20%
Apartments: Up to 8,000 gals/unit/qtr	3.18	3.34	per unit basis
Apartments: 8,001- 15,000 gals/unit/qtr	3.98	4.18	per unit basis
Apartments: Over 15,000 gals./unit/qtr	4.98	5.23	per unit basis
Commercial: Up to 60,0000 gals./qtr	3.18	3.34	
Commercial: 60,001 to 400,0000 gals./qtr	3.98	4.18	
Commercial: Over 400,000 gals./qtr	4.98	5.23	
Irrigation Water Usage	4.50	4.73	
Rates are per 1,000 gallons			

<u>Sewer Base Rate Category</u>	2021 Rate	2022 Rate	<u>Comments</u>
Single-Family Residential	\$ 41.66	\$ 42.49	Standard SF rate
Single-Family Residential: Low-Income Discount	27.08	27.62	Standard SF rate x 0.65
Multi-Family Residential (townhomes)	41.66	42.49	Standard SF rate x 1.00
Multi-Family Residential (apartments & condos)	29.24	29.82	Standard SF rate x 0.70
Non-SF Residential (5/8" Meter)	31.15	31.77	Standard SF rate x 0.75
Non-SF Residential (1.0" Meter)	62.36	63.61	Standard SF rate x 1.50
Non-SF Residential (1.5" Meter)	93.56	95.43	Standard SF rate x 2.25
Non-SF Residential (2.0" Meter)	145.83	148.75	Standard SF rate x 3.50
Non-SF Residential (3.0" Meter)	302.06	308.10	Standard SF rate x 7.25
Non-SF Residential (4.0" Meter)	604.13	616.21	Standard SF rate x 14.50
Non-SF Residential (6.0" Meter)	1,208.26	1,232.43	Standard SF rate x 29.00
Multi-family rate is per housing unit			
<u>Sewer Usage Rate Category</u>	2021 Rate	2022 Rate	<u>Comments</u>
Residential	\$ 2.65	\$ 2.70	Standard rate
Non-Residential	6.12	6.24	Standard rate x 2.30
Rates are per 1,000 gallons			
<u>Stormwater Base Rate Category</u>	2021 Rate	2022 Rate	<u>Comments</u>
Single-Family Residential & Duplex	\$ 14.54	\$ 15.12	Standard SF rate
Multi-Family & Churches	112.51	117.01	Standard SF rate x 7.75
Cemeteries & Golf Course	10.91	11.35	Standard SF rate x 0.75
Parks	33.86	35.21	Standard SF rate x 2.35
Schools & Community Centers	54.72	56.91	Standard SF rate x 3.75
Commercial & Industrial	224.91	233.91	Standard SF rate x 15.50
Rates for single-family are per housing unit; all others are per acre			
<u>Recycling Rate Category</u>	2021 Rate	2022 Rate	<u>Comments</u>
Single-Family	\$ 9.36	\$ 12.60	Standard rate
Multi-Family	9.36	12.60	Standard rate

Based on Staff analysis and the continued application of the Ehlers Utility Rate study, the estimated impact to a Single Family Home for all four utility funds is as follows:

Utility Rate Impact: Single Family Home <i>(Quarterly)</i>			
<u>Service</u>	<u>2021</u>	<u>2022</u>	<u>\$ Increase</u>
Water - base fee	34.57	36.30	1.73
Water - usage fee	38.16	40.07	1.91
Sanitary Sewer - base fee	41.66	43.12	1.46
Sanitary Sewer - usage fee	29.15	29.70	0.55
Storm Sewer	14.54	15.12	0.58
Recycling	9.36	12.60	3.24
Total per Quarter	\$ 167.44	\$ 176.91	\$ 9.47
Percentage Change			5.66%
per month	55.81	58.97	3.16

Staff Recommendation

The enclosed information is being recommended by Staff for Council review on November 8, 2021, with final Council approval on December 6, 2021.

Requested Commission Action

For information purposes only. No formal Commission action is required, however, the Commission may want to submit a recommendation to the City Council on the proposed 2022 utility rates.

Prepared by: Michelle Pietrick, Finance Director
 Attachments: A: 2022 Rate Calculation Worksheets for Utility Funds

City of Roseville
Sanitary Sewer Rate Analysis
2022

Total Fixed Costs		2022
Personnel Services	\$	508,830
Supplies & Maintenance		44,700
Other Charges (net of sewer treatment)		1,036,300
Less Depreciation		(456,000)
Capital Outlay		1,407,000
		** Switched to 5-Year CIP amortization in 2019 to better approximate <u>actual</u> cash flow needs
Total	\$	2,540,830 = Amount to recover from <u>BASE</u> rates

	# of Customers	Avg. Usage (a)	Current		Proposed		Current		Proposed			
			Base Fee	Revenue	Base Fee	% Increase (decrease)	Base Fee	Revenue	Fee per 1,000 gals.	Usage Fee Revenue	Fee per 1,000 gals.	% Increase (decrease)
Single-Family Residential	9,469	11	41.66	394,479	43.12	3.50%	408,303	2.65	276,021	2.70	1.89%	281,229
Residential - Apts & Condos: Accts. (b)	212	232.32						2.65	130,519	2.70	1.89%	132,982
Residential - Apts & Condos: Units (b)	6,392		29.24	186,902	30.26	3.49%	193,422					
Non-residential												
5/8" Meter or 3/4" Meter	144	13.79	31.15	4,486	32.24	3.50%	4,643	6.12	12,154	6.24	1.96%	12,393
1.0" Meter	199	59.84	62.36	12,410	64.54	3.50%	12,843	6.12	72,882	6.24	1.96%	74,311
1.5" Meter	161	91.80	93.56	15,063	96.83	3.50%	15,590	6.12	90,447	6.24	1.96%	92,221
2.0" Meter	139	152.02	145.83	20,270	150.93	3.50%	20,979	6.12	129,319	6.24	1.96%	131,854
3.0" Meter	50	203.50	302.06	15,103	312.63	3.50%	15,632	6.12	62,269	6.24	1.96%	63,490
4.0" Meter	10	49.68	604.13	6,041	625.27	3.50%	6,253	6.12	3,040	6.24	1.96%	3,100
6.0" Meter	-	-	1,208.26	-	1,250.55	3.50%	-					
	16,776			654,754			677,664		776,652			791,580
			Total Annual Revenue	2,619,014			2,710,657		3,106,608			3,166,319

(a) Usage is in 1,000's of gals. SF Res. usage is based on average WINTER usage

(b) Total UB Accounts = 189, total units for base revenue calculation = 5,976

** Multi-Family & Condo are charged a single property base fee plus a separate fee for each housing unit.

Total Costs to Recoup	2,540,830
Revenue over (under) Costs	169,827
Total Annual Revenue	2,710,657
Amount Needed for Operations	(1,133,830)
Amount Available for Capital	1,576,827

Total Costs to Recoup	2,875,000
Revenue over (under) Costs	291,319

12/31/19 Cash Balance	\$545,877
12/31/20 Cash Balance	\$168,736

Total Variable Costs

Total Wastewater Treatment Cost **2,875,000** ** based on Met Council email dated 9/1/2021

City of Roseville
Solid Waste Recycling Rate Analysis
2022

Total Costs		<u>2022</u>	
Personnel Services	\$	44,060	
Supplies & Maintenance		2,250	
Other Charges: Miscellaneous		27,260	
Contractor Costs: Curbside		766,289	
Contractor Costs: Parks		15,323	
Contractor Costs: Zero-Waste Events		7,000	
Contractor Costs: Clean-Up Day		10,000	
Contractor Costs: Shredding Day		5,000	\$ 804,612 = Total Contractor Costs
Contractor Costs: Additional Events		1,000	34.34% increase from 2020 budget
Total	\$	878,182	= Amount to recover from rates

	# of Customers <u>(Units)</u>	Current Rates		Proposed Rates			
		<u>Base Fee</u>	<u>Revenue</u>	<u>Base Fee</u>	<u>% Increase (decrease)</u>	<u>Base Fee</u>	<u>Revenue</u>
Single Family	9,434	9.36	88,302	12.60	34.62%	118,868	
Multi family	6,574	9.36	61,533	12.60	34.62%	82,832	
Opt-Ins	21	9.36	197	12.60	34.62%	265	
Applewood Service	1	62.00	62	62.00	0.00%	62	
Revenue Sharing from Contractor (quarterly)			-			-	
Ramsey Co. SCORE Grant (quarterly)			21,875			21,875	
Total Quarterly Revenue			171,968			223,902	
Total Annual Revenue			687,874			895,610	
				Total Costs to Recoup		878,182	
				Revenue over (under) Costs		17,428	