



City of St Louis Park Utility Rate Study Update

September 27, 2021

Overview

- What are enterprise funds
- What we did in 2018 study
- Purpose of the study
- Approach to study update
- Recommendations

Utility Funds

- Enterprise Funds
 - ✓ Water
 - Costs related to providing clean water for drinking, indoor and outdoor use
 - ✓ Sanitary Sewer
 - Costs related to treating water for indoor uses
 - St Louis Park is part of the Metropolitan Council wastewater services
 - ✓ Storm Sewer
 - Costs related to dealing with storm water runoff
 - ✓ Sanitation
 - Costs related to garbage collection and recycling and organic services

Utility Funds

- Meant to operate like a business
- Should have sufficient cash for
 - ✓ Capital Outlays
 - ✓ Operations
 - Staff, supplies and maintenance and repair
 - Cost incurred regardless of usage by end user
 - ✓ Replacement Reserves
 - ✓ Debt

Utility Funds

- Have a minimum of:
 - ✓ 3 months of operating expenses including depreciation
 - ✓ Following year's bond/debt payments, if any
 - ✓ Funding for capital equipment
 - ✓ Flexibility to accommodate unforeseen repairs

What We Did Last Time (2018 Study) - Water

- Revised tiers to match usage of single-family use

	Percent of Single-Family Users After Realigning Tiers	
	2018	2021
Tier 1	53%	55%
Tier 2	28%	27%
Tier 3	19%	18%

- Created flat rate for multi-family
- Created tiers for commercial (was flat rate prior)
- Created new industrial category and corresponding tiers

What We Did Last Time

Water Fund	2018	
	Water Usage	Usage Rev
Residential	41.22%	38.02%
Commercial	21.72%	21.68%
Industrial	8.61%	8.53%
Multi Family	24.09%	24.53%
Irrigation	4.36%	7.24%

Take Away: *Balance between water used and revenue generated*

What We Did Last Time (2018 Study) - Sanitation

- Phase out 20-gallon every week over 5 years (by 2024) – total of 802 users
 - ✓ These users would become 30-gallon users

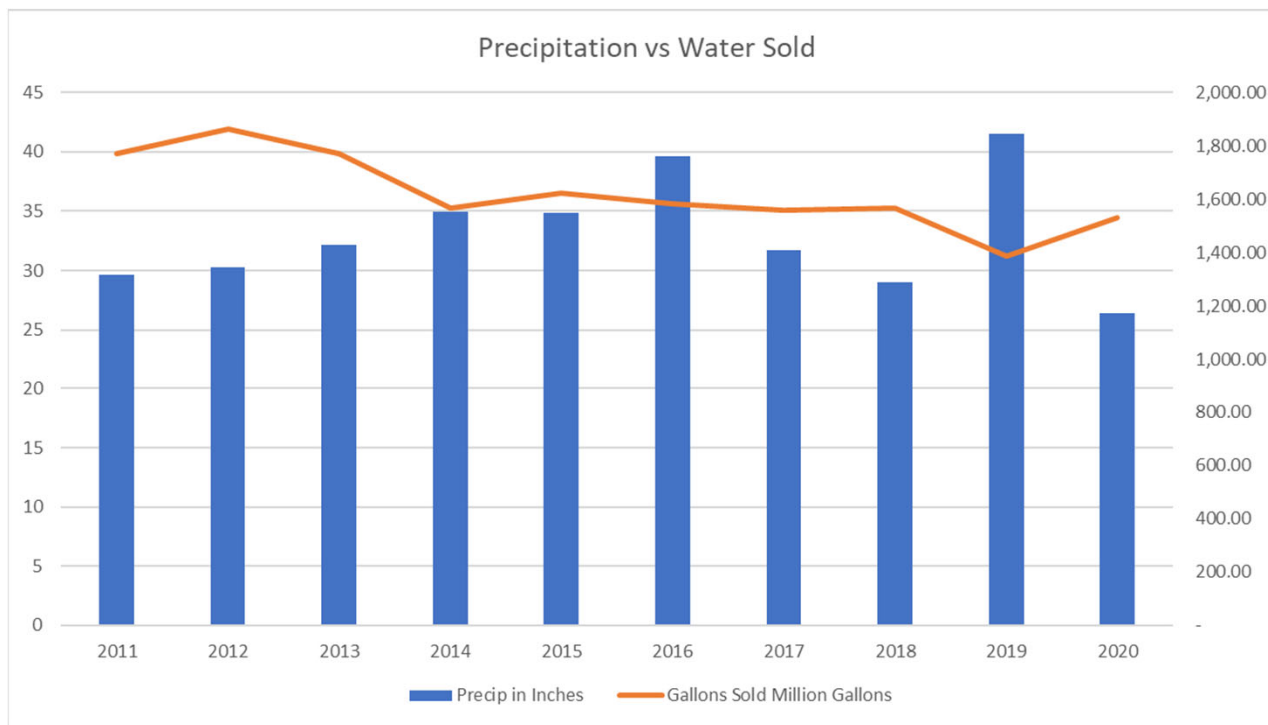
Purpose of the Update

- Last comprehensive study completed in 2018
 - ✓ **Determine if revised tiers are working as designed**
 - ✓ Ensure that operations, capital and debt continue to be funded with appropriate cash balances
 - ✓ **Continue phase out 20-gallon sanitation service levels**
 - Consider cost to the utility for providing the materials necessary to provide that level of service

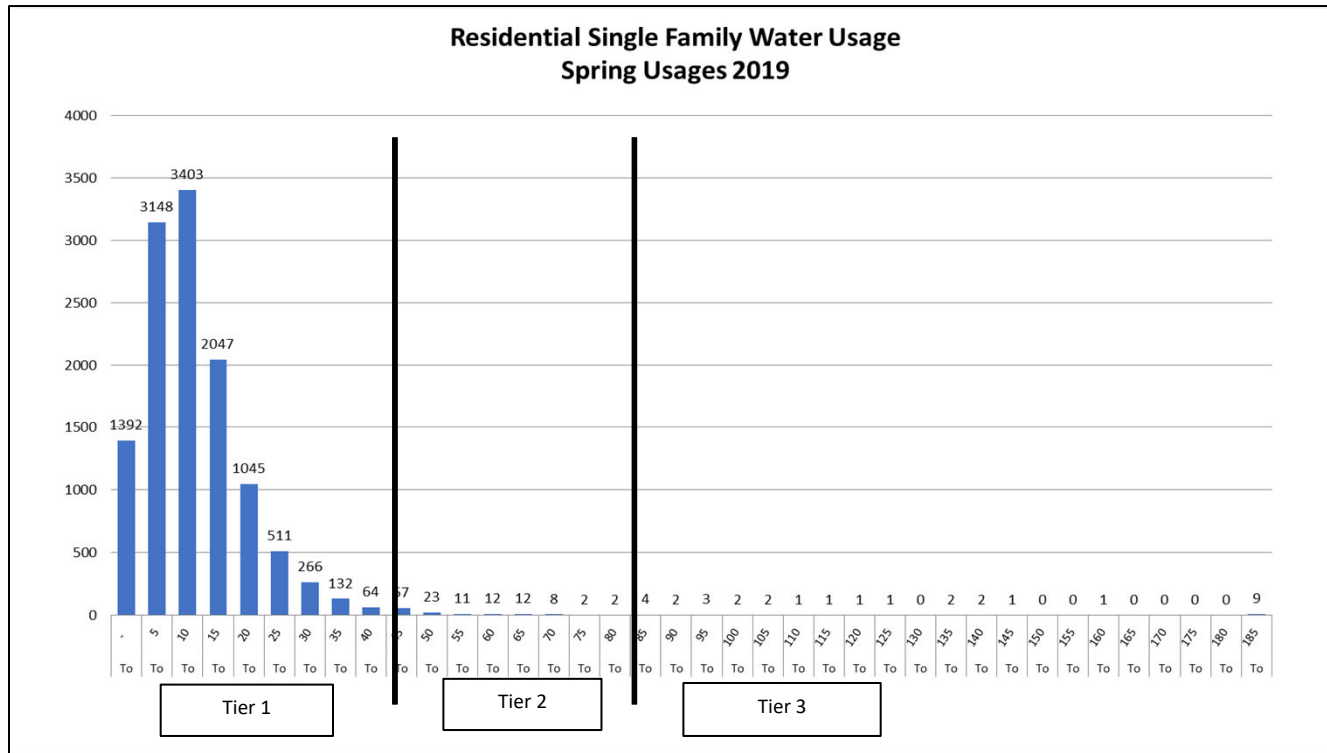
Approach to Study Update

- Water fund
 - ✓ Comprehensive analysis of user data to determine how usage aligned with revised rates and tiers
- All funds
 - ✓ All existing obligations
 - ✓ Updated capital improvement plans
 - ✓ Compliance with previously iterated council policies

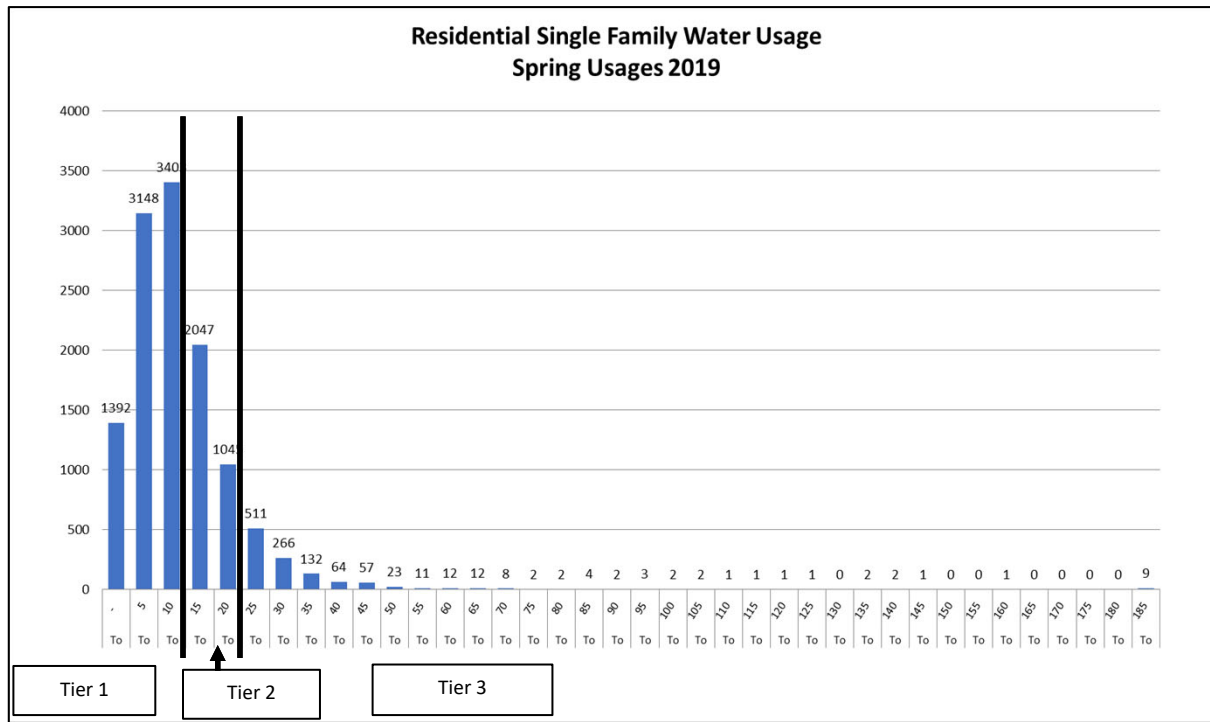
Precipitation vs Water Sold



2018 Water Usage Tiers-Before Realignment



Revised Water Usage Tiers



Result: Tiers are working as designed

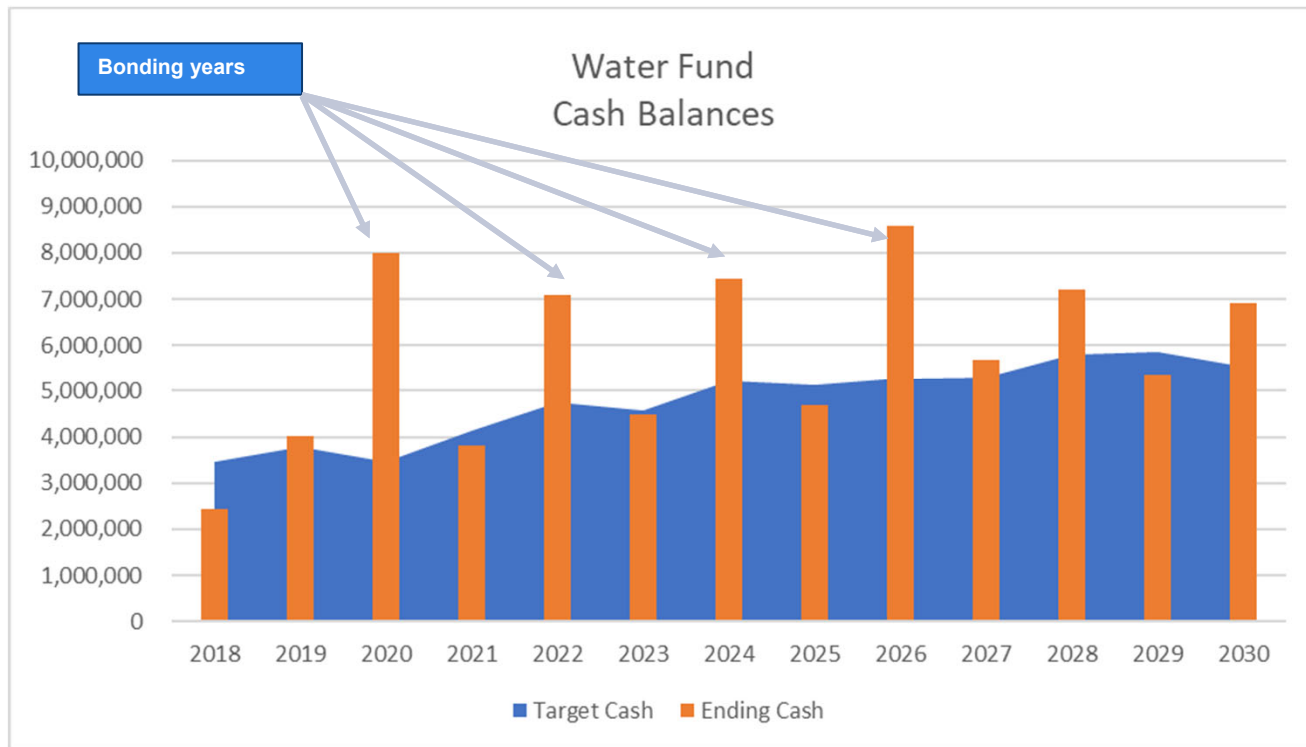
Water Usage and Revenue

Water Fund	2021	
	Percent Of Water Usage	Usage Rev
Residential	40.67%	37.7%
Commercial	20.70%	20.9%
Industrial	7.51%	7.2%
Multi Family	26.07%	26.0%
Irrigation	5.04%	8.2%

Take Away: *Balance between water used and revenue generated*

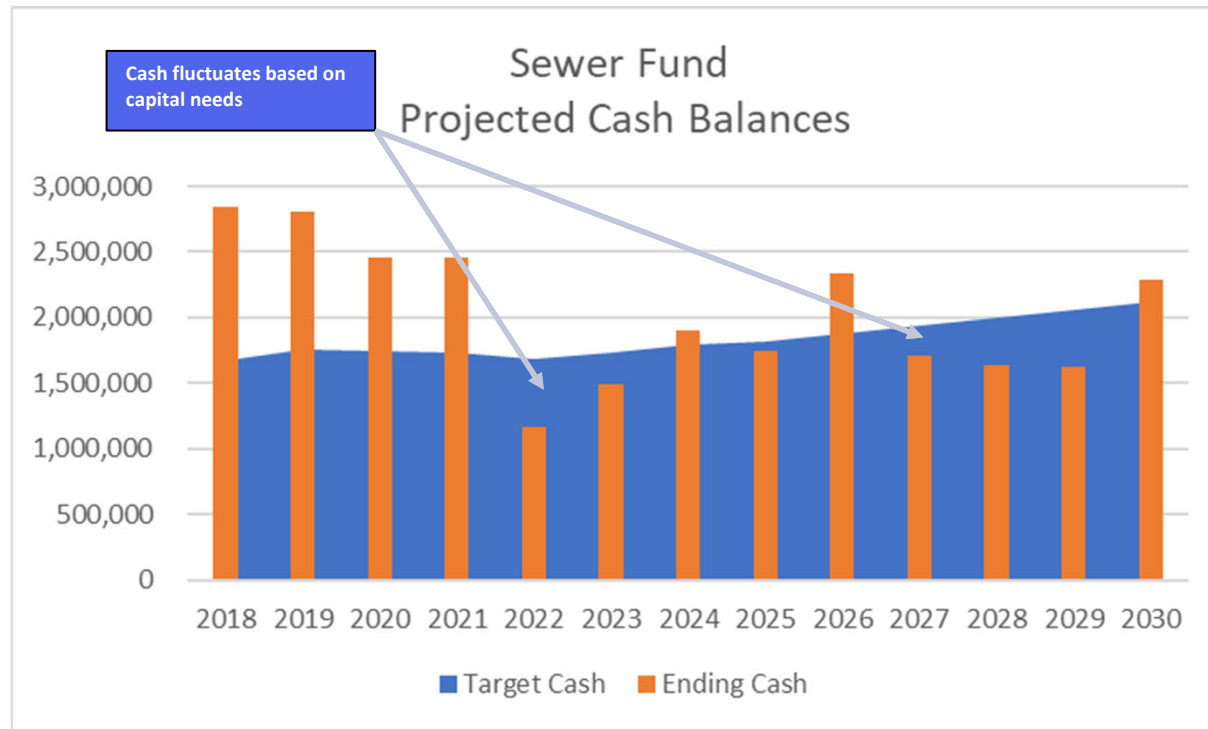
Ensure Adequate Cash Balances

Water Fund:



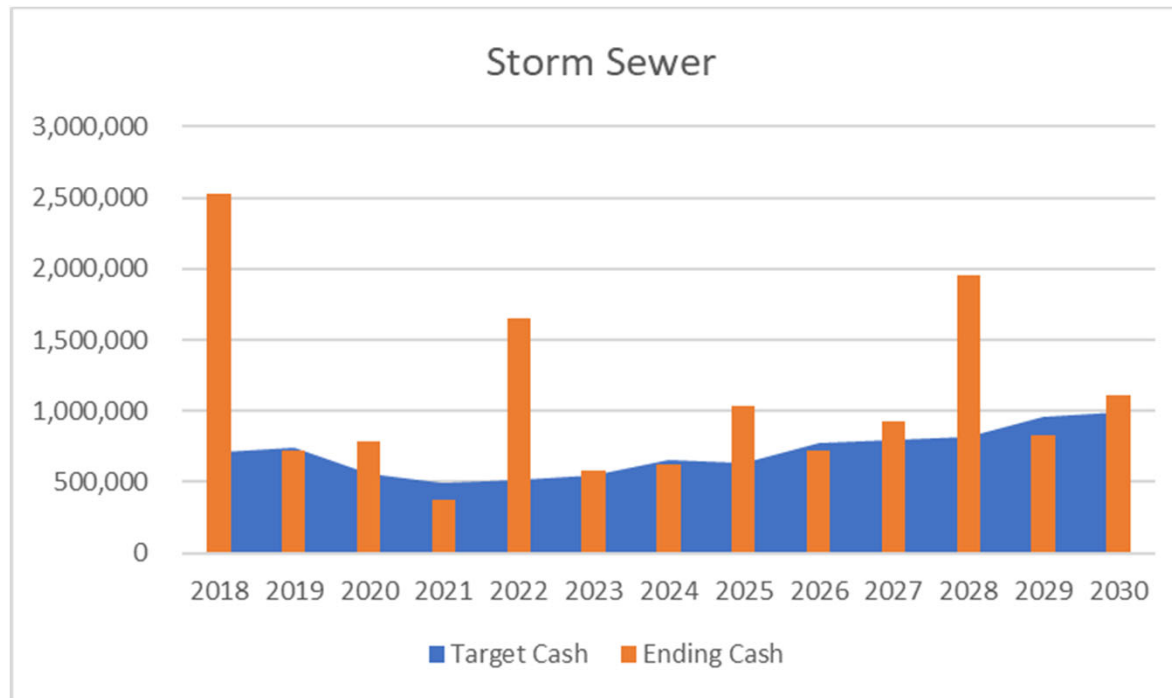
Ensure Adequate Cash Balances

Sanitary Sewer Fund:



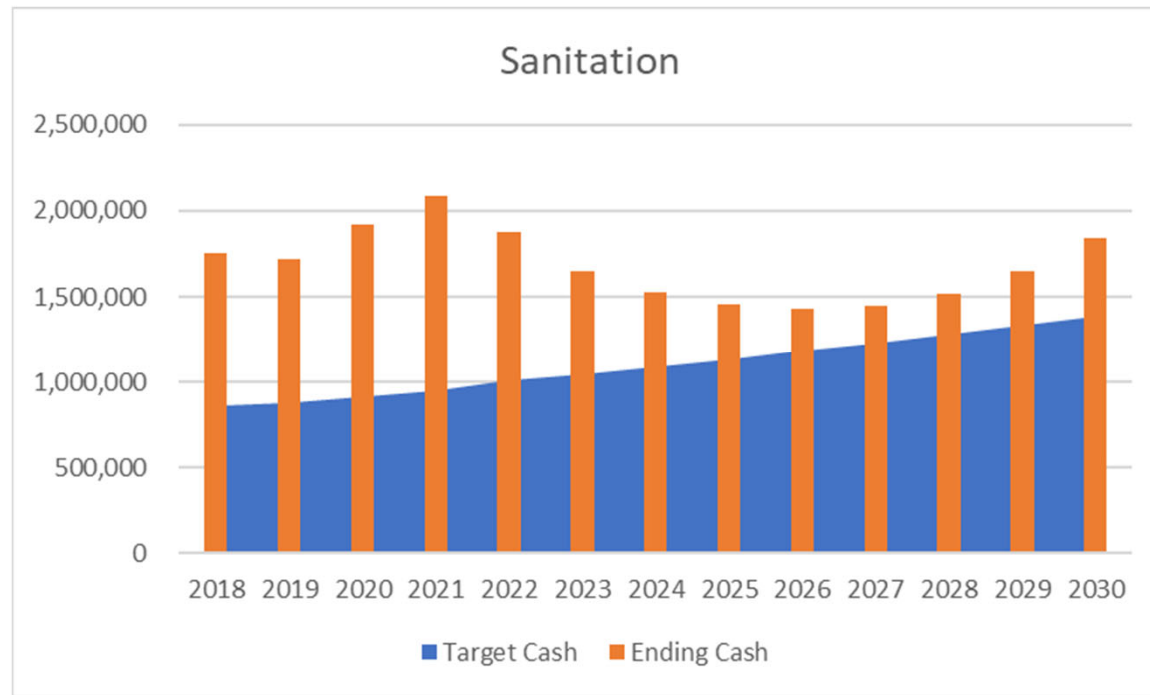
Ensure Adequate Cash Balances

Storm Sewer Fund:



Ensure Adequate Cash Balances

Sanitation
Fund:



User Impacts - Residential

	2021	2022	2023	2024	2025	2026
Single Family Residential Property (Low User)						
Water (13.33 units; 10,000 gallons) 3/4" meter	\$ 65.66	\$ 68.62	\$ 71.71	\$ 74.93	\$ 78.30	\$ 81.83
Sewer (10.67 units; 8,000 gallons)	\$ 61.92	\$ 64.08	\$ 66.33	\$ 68.65	\$ 71.05	\$ 73.54
Sanitation-20 gal switch to 30 Gal in 2024*	44.16	50.78	58.40	70.36	74.05	77.94
Storm	26.27	27.85	29.52	31.29	33.17	35.16
Total Quarterly Utility Bill	\$ 198.01	\$ 211.33	\$ 225.95	\$ 245.22	\$ 256.57	\$ 268.46
\$ Increase		13.32	14.62	19.27	11.35	11.89
% Increase		6.7%	6.9%	8.5%	4.6%	4.6%
Single Family Residential Property (Median User)						
Water (32 units; 24,000 gallons) 1" meter	\$ 133.70	\$ 139.72	\$ 146.01	\$ 152.58	\$ 159.45	\$ 166.62
Sewer (16 units; 12,000 gallons)	\$ 82.81	\$ 85.71	\$ 88.71	\$ 91.81	\$ 95.03	\$ 98.35
Sanitation-60 gal	85.91	90.43	95.17	100.16	105.42	110.96
Storm	26.27	27.85	29.52	31.29	33.17	35.16
Total Quarterly Utility Bill	\$ 328.69	\$ 343.71	\$ 359.40	\$ 375.84	\$ 393.06	\$ 411.08
\$ Increase		15.01	15.70	16.44	17.22	18.03
% Increase		4.6%	4.6%	4.6%	4.6%	4.6%
Single Family Residential Property (High User)						
Water (47 units; 35,000 gallons) 1" meter	\$ 177.85	\$ 185.85	\$ 194.22	\$ 202.96	\$ 212.09	\$ 221.64
Sewer (24 units; 18,000 gallons)	\$ 114.17	\$ 118.17	\$ 122.30	\$ 126.58	\$ 131.01	\$ 135.60
Sanitation-60 gal	85.91	90.43	95.17	100.16	105.42	110.96
Storm	26.27	27.85	29.52	31.29	33.17	35.16
Total Quarterly Utility Bill	\$ 404.20	\$ 422.30	\$ 441.20	\$ 460.99	\$ 481.69	\$ 503.35
\$ Increase		18.10	18.91	19.79	20.70	21.65
% Increase		4.5%	4.5%	4.5%	4.5%	4.5%



User Impacts – Multi Family

	Current 2021	Proposed Bills, Usage and Fixed Fee				
		2022	2023	2024	2025	2026
Multi-Family-23 Rental Units						
Water (487 units; 365,250 gallons) 2" meter	\$ 1,332.65	\$ 1,392.62	\$ 1,455.29	\$ 1,520.78	\$ 1,589.21	\$ 1,660.72
Sewer (487 units; 365,200 gallons)	\$ 2,371.11	\$ 2,454.10	\$ 2,539.99	\$ 2,628.89	\$ 2,720.90	\$ 2,816.13
Storm (REF of 1.9)	451.53	478.62	478.62	478.62	478.62	478.62
Total Quarterly Utility Bill	\$ 4,155.29	\$ 4,325.34	\$ 4,473.90	\$ 4,628.29	\$ 4,788.74	\$ 4,955.48
\$ Increase		170.05	148.56	154.39	160.45	166.75
% Increase		4.1%	3.4%	3.5%	3.5%	3.5%
Multi-Family-105 Rental Units						
Water (929 units; 696,750 gallons) 3" meter	\$ 2,750.20	\$ 2,873.96	\$ 3,003.29	\$ 3,138.44	\$ 3,279.66	\$ 3,427.25
Sewer (929 units; 696,750 gallons)	\$ 5,751.13	\$ 5,952.42	\$ 6,160.75	\$ 6,376.38	\$ 6,599.55	\$ 6,830.54
Storm (REF of 1.9)	971.18	1,029.45	1,029.45	1,029.45	1,029.45	1,029.45
Total Quarterly Utility Bill	\$ 9,472.51	\$ 9,855.83	\$ 10,193.49	\$ 10,544.26	\$ 10,908.67	\$ 11,287.24
\$ Increase		383.32	337.66	350.77	364.40	378.57
% Increase		4.0%	3.4%	3.4%	3.5%	3.5%
Multi-Family-206 Rental Units						
Water (2,602, units; 1,951,500 gallons) 4" meter	\$ 7,063.55	\$ 7,381.41	\$ 7,713.57	\$ 8,060.68	\$ 8,423.41	\$ 8,802.47
Sewer (2602 units; 1,951,500 gallons)	\$ 14,338.38	\$ 14,840.22	\$ 15,359.63	\$ 15,897.22	\$ 16,453.62	\$ 17,029.50
Storm (REF of 1.9)	641.63	680.12	680.12	680.12	680.12	680.12
Total Quarterly Utility Bill	\$ 22,043.56	\$ 22,901.76	\$ 23,753.33	\$ 24,638.03	\$ 25,557.16	\$ 26,512.09
\$ Increase		858.20	851.57	884.70	919.13	954.93
% Increase		3.9%	3.7%	3.7%	3.7%	3.7%

User Impacts - Commercial

	Current 2021	Proposed Bills, Usage and Fixed Fee				
	2021	2022	2023	2024	2025	2026
Commercial Property (Low User) - Midas						
Water (4 units; 3,000 gallons) 1" meter	\$ 26.91	\$ 28.12	\$ 29.39	\$ 30.71	\$ 32.09	\$ 33.53
Sewer (4 units; 3,000 gallons)	\$ 22.38	\$ 23.16	\$ 23.97	\$ 24.81	\$ 25.68	\$ 26.58
Storm	63.13	66.92	66.92	66.92	66.92	66.92
Total Monthly Utility Bill	\$ 112.42	\$ 118.20	\$ 120.28	\$ 122.44	\$ 124.69	\$ 127.03
\$ Increase		5.78	2.08	2.16	2.25	2.34
% Increase		5.1%	1.8%	1.8%	1.8%	1.9%
Commercial Property - Car Dealership						
Water (372 units, 279,000 gallons) 2" meter	\$ 970.64	\$ 1,014.32	\$ 1,059.96	\$ 1,107.66	\$ 1,157.51	\$ 1,209.59
Sewer (372 units; 279,000 gallons)	\$ 1,464.94	\$ 1,516.21	\$ 1,569.28	\$ 1,624.21	\$ 1,681.05	\$ 1,739.89
Storm	642.21	680.75	680.75	680.75	680.75	680.75
Total Monthly Utility Bill	\$ 3,077.79	\$ 3,211.28	\$ 3,309.99	\$ 3,412.61	\$ 3,519.30	\$ 3,630.23
\$ Increase		133.48	98.71	102.62	106.69	110.92
% Increase		4.3%	3.1%	3.1%	3.1%	3.2%
Commercial Property (Very High User) - Manufacturer						
Water (2,011 units, 1,508,250 gallons) 3" meter	\$ 4,977.19	\$ 5,201.16	\$ 5,435.22	\$ 5,679.80	\$ 5,935.39	\$ 6,202.48
Sewer (2,011 units, 1,508,250 gallons) 3" meter	\$ 7,889.82	\$ 8,165.96	\$ 8,451.77	\$ 8,747.58	\$ 9,053.75	\$ 9,370.63
Storm	152.42	161.57	161.57	161.57	161.57	161.57
Total Monthly Utility Bill	\$ 13,019.43	\$ 13,528.70	\$ 14,048.56	\$ 14,588.95	\$ 15,150.71	\$ 15,734.68
\$ Increase		509.26	519.86	540.40	561.76	583.97
% Increase		3.9%	3.8%	3.8%	3.9%	3.9%

Recommendations

- Rate increases as noted
 - ✓ Water **4.5%** annually
 - ✓ Sanitary sewer **3.5%** annually
 - ✓ Storm sewer **6.0%** annually
 - ✓ Sanitation **5.25%** annually
 - Continue phase out of 20-gallon container

Let's Talk!

