

2025 Proposed Fees

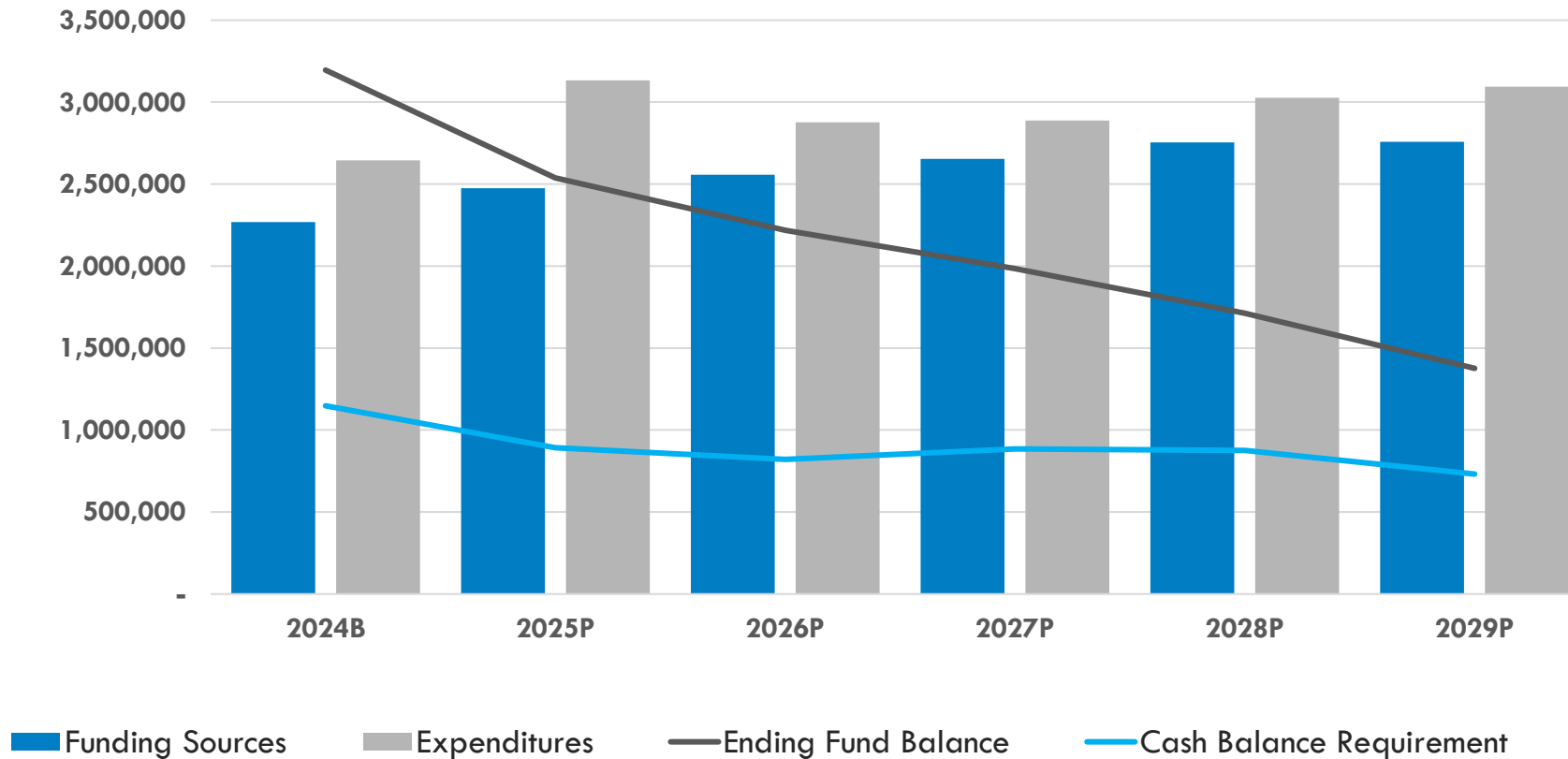
Budget calendar

Discuss proposed 2025 fees and utility rate study	September 10
Adopt proposed city and EDA property tax levy	September 17
Discuss proposed 2025 budget (if needed)	November 26
Adopt city and EDA property tax levy and budget	December 5

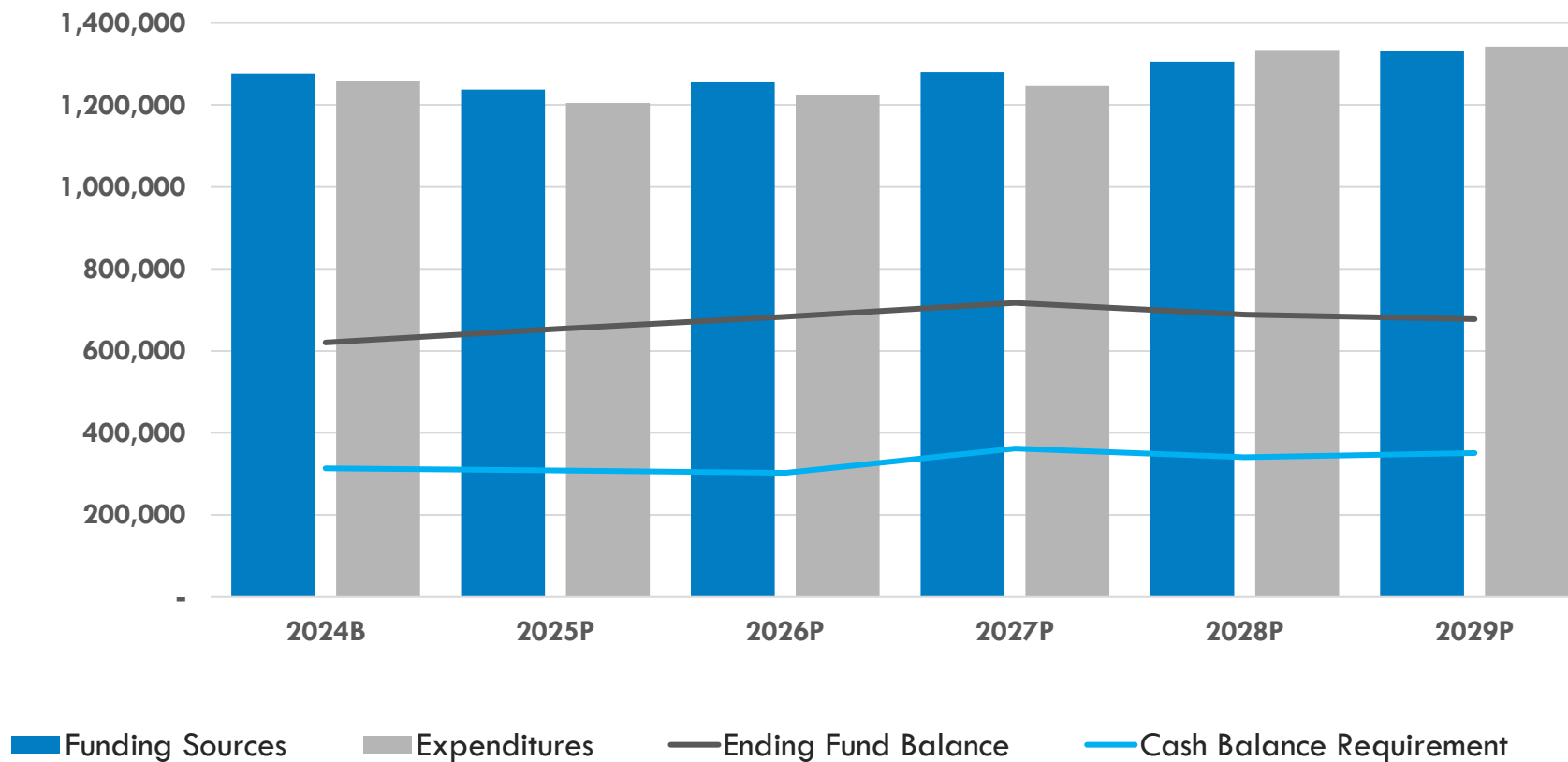
2025 Fees

- Leadership team reviews fees
- Some fees are set by statute, city policy or agreements
- Annual utility rate study informs rates
- Other discretionary fees increased by 3%
- Primary source of revenues in enterprise funds

Ames Center

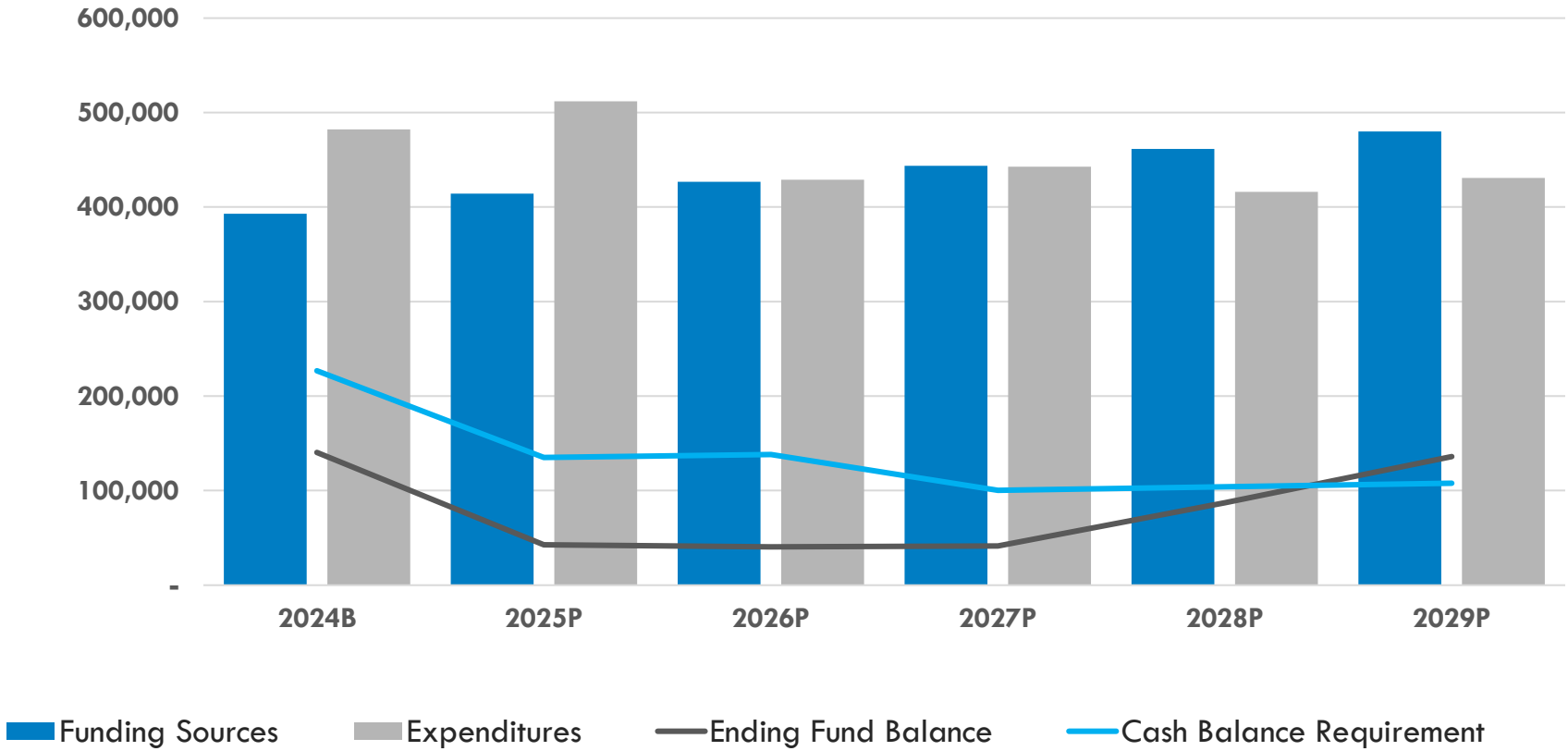


Ice Center



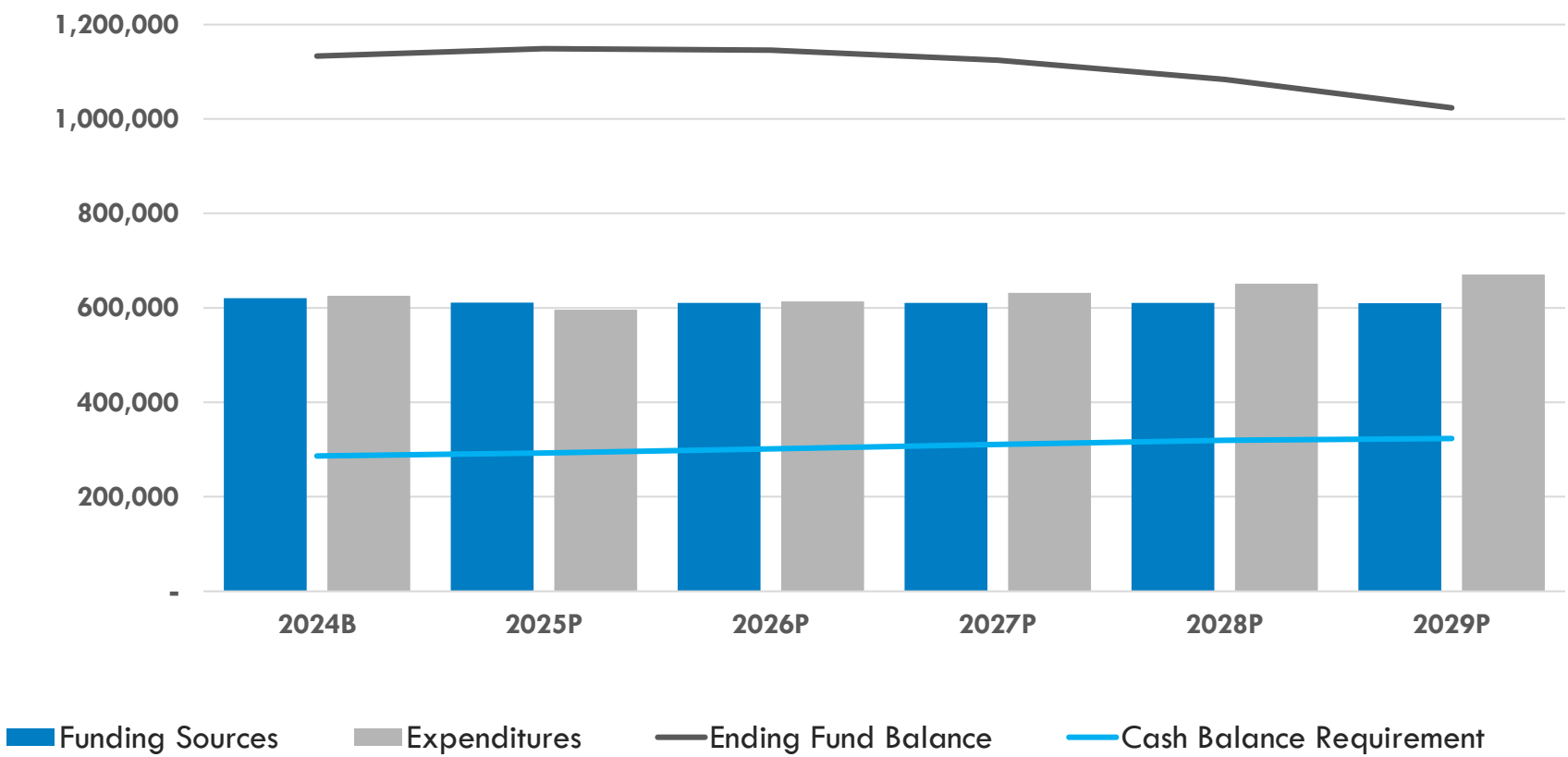


Golf Course





Street Lighting





City of Burnsville, Minnesota

Utility Rate Study Update

September 10, 2024

Overview

- Goal of the Study
- Water, Sanitary Sewer & Storm Water Utilities
 - ✓ Goals & Assumptions
 - ✓ General Findings
 - ✓ Capital Project Needs
 - ✓ Rate Modifications
 - ✓ Projections & Recommendations
- Ratepayer Impact Analysis
- Next Steps

Goals of the Study

Utility Funds

- To ensure funds remain self-sufficient
- To maintain appropriate fund & cash balances
- To balance the use of cash & debt for capital projects

Utility Rates

- To recommend utility rates and fees to support the funds

Assumptions & Other Factors

- Fund & cash balance requirements
 - ✓ Minimum Working Capital: **Six** Months of Operations (including some depreciation) + **One-Year** of Debt Service
- Funds all capital projects per the Capital Improvement Plan (CIP)
- Assumes all expenses occur in their budgeted year

Assumption or Variable	Annual Amount
Flat & Monthly Rates	Varies by Fund
Other Revenue Growth	2.0% - 4.0%
Investment Earnings	2.0%
Expenses, Operations	2.0% - 3.6%
Expenses, Capital Projects	0%

Assumptions & Other Factors, continued...

- Allows the City to continue to meet operating costs pressures
 - ✓ Assumes historic personnel allocations among funds
 - ✓ Supports an additional 4.0 FTEs
- Addresses the \$3.6 million request for State bonding between 2025 & 2029 for the Water Utility
 - ✓ Assumes a 50% local contribution
- Plans & Studies
 - ✓ Includes: Water Treatment Plant Condition Assessment
 - ✓ Pending: horizontal infrastructure & fleet studies, pavement management plan

General Findings & Other Considerations

- Water & Sanitary Sewer Fund
 - ✓ Water Utility generally performing well
 - ✓ Sanitary Sewer Utility
 - Requires additional cash in current & future years
 - Preliminary questions about usage patterns & revenue generation
- Storm Water Utility Fund also performing well
- Other Findings & Considerations
 - ✓ Moderate impact to ratepayers for 2025
 - ✓ Debt limited to larger capital projects
 - ✓ Capital projects pressures tend to result in utility rates toward utility rate increases

Capital Projects – Next 5 Years

Project	Water*	Sewer	Storm
Capital Equipment	\$1,322,000	\$1,740,750	\$983,000
Street Projects	11,501,000	1,847,000	5,263,000
Water Production Projects	5,571,500		
Water Treatment Projects	4,535,000		
Transmission & Distribution	6,872,000		
Lift Station Rehabilitation Projects		1,000,000	
Sanitary Sewer Rehab Projects		3,866,000	
Storm Water Maintenance Projects			5,826,000
Storm Water Studies/Plans/Projects			1,750,000
Total	\$29,801,500	\$8,453,750	\$13,822,000

* Does not include any carryover projects

Capital Projects – Next 5 Years

Proposed Bonding by Fund				
Year	Water Fund*	Sewer Fund	Storm Water Fund	Total
2025	7,000,000	1,300,000	-	8,300,000
2026	5,100,000	1,000,000	-	6,100,000
2027	1,450,000	1,500,000	-	2,950,000
2028	3,000,000	1,100,000	-	4,100,000
2029	5,000,000	1,700,000	-	6,700,000
Total	21,550,000	6,600,000	-	28,150,000

* Assumes 50% match for any State bonding requests

Water Utility – Proposed Rates

Take Aways

- Capital costs driving rate increases
- Maintaining cash reserves for future capital & debt needs
- Some impact on the average ratepayer

Monthly Water Rates		
	Existing 2024	Proposed 2025
Percentage Increase		5.00%
Flat Rates Based on Meter Size		
5/8" & 3/4"	\$ 9.82	\$ 10.31
1.0"	24.55	25.78
1.5" R2	49.10	51.55
1.5" T2	58.92	61.86
1.5" C2	58.92	61.86
2.0" R2	78.56	82.48
2.0" T2	93.29	97.95
2.0" C2	78.56	82.48
3.0" T2	214.08	224.76
3.0" C2	171.85	180.43
4.0" T2	368.25	386.63
4.0" C2	294.60	309.30
6.0" T2	785.60	824.80
6.0" C2	662.85	695.93
8.0" Buck Hill	1,374.80	1,443.40

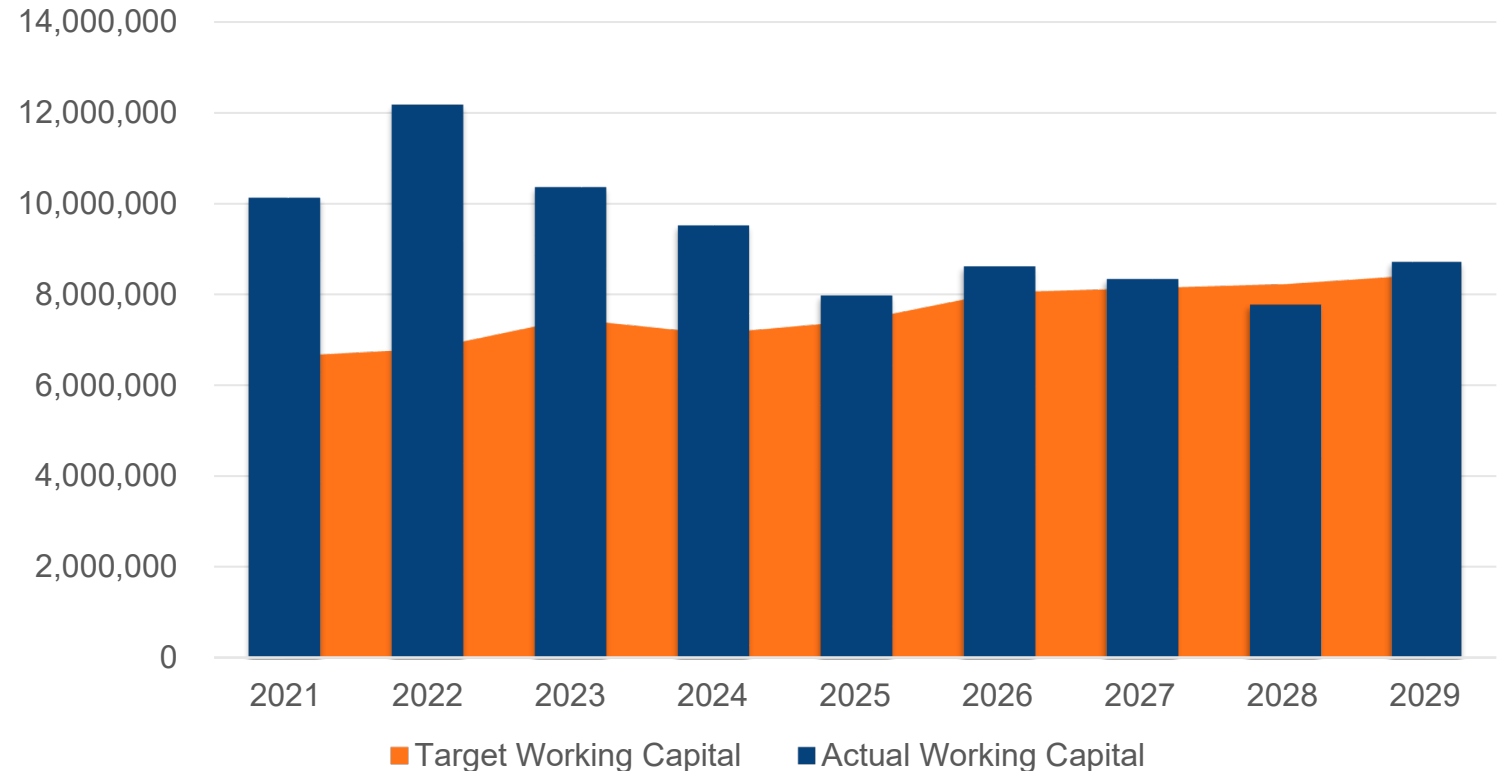
Monthly Water Rates		
	Existing 2024	Proposed 2025
Percentage Increase		5.00%
Usage Rates		
<u>Residential & Multi-Family</u>		
0 - 5,000	\$ 2.46	\$ 2.58
5,001 - 15 000	3.06	3.21
+15,000	3.84	4.03
<u>Commercial</u>		
0 - 15,000	\$ 2.46	\$ 2.58
15,001 - 105,000	3.06	3.21
+105,000	3.84	4.03
<u>Irrigation & Pools</u>		
All Usage	\$ 3.84	\$ 4.03
<u>Snow Making</u>		
All Usage	\$ 2.73	\$ 2.87

Water Utility - Projections

Take Aways

- Cash balances continue to remain stable & above the target for working capital
- Supports **\$29.8** million in capital projects between 2025 & 2029
 - ✓ Includes **\$21.6** million bonding

Water Utility Cash Reserves



Target Working Capital = 6 months of operating expenses, including some depreciation + next year's debt service

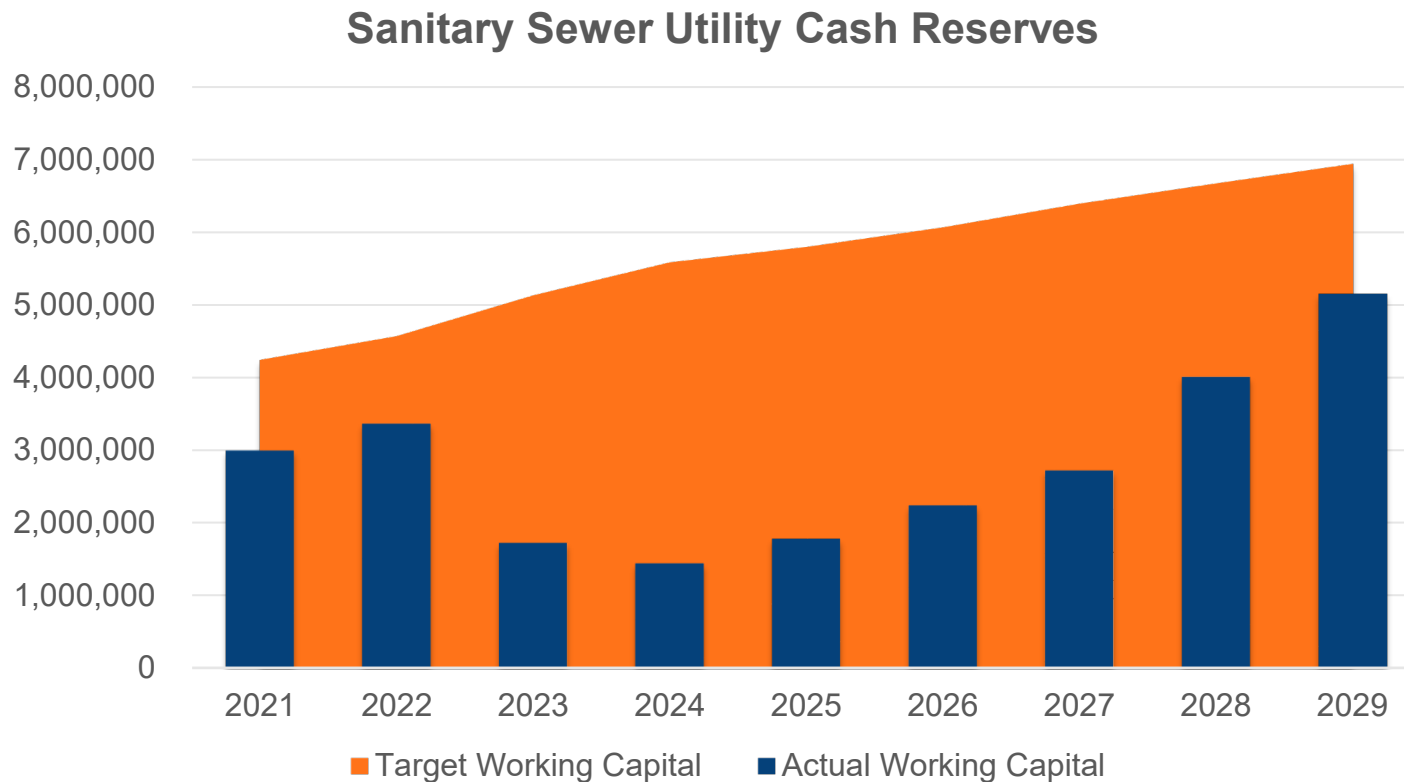
Sanitary Sewer Utility – Proposed Rates

Monthly Sanitary Sewer Rates		
	Existing 2024	Proposed 2025
Percentage Increase		9.50%
Flat Rates		
All water users	7.05	7.72
Sewer Only	29.93	32.77
Usage Rates		
All Users		
City Sewer	4.57	5.00

Take Aways

- Concerns about usage & revenue trends
- First year of a three-year phase in of rate increases
 - ✓ Designed to build cash reserves over time
 - ✓ Helps the City to pursue a more additional capital projects

Sanitary Sewer Utility – Projections



Target Working Capital = 6 months of operating expenses, including depreciation + next year's debt service

Take Aways

- Cash balance remains below the target working capital until 2032
- Supports about **\$8.5** million in capital projects between 2025 & 2029
 - ✓ Includes **\$6.6** million bonding

Storm Water Fund – Proposed Rates

Take Aways

- No changes to rate increase since last study update
 - ✓ Fund has sufficient reserves
 - ✓ Minimal impact on ratepayers

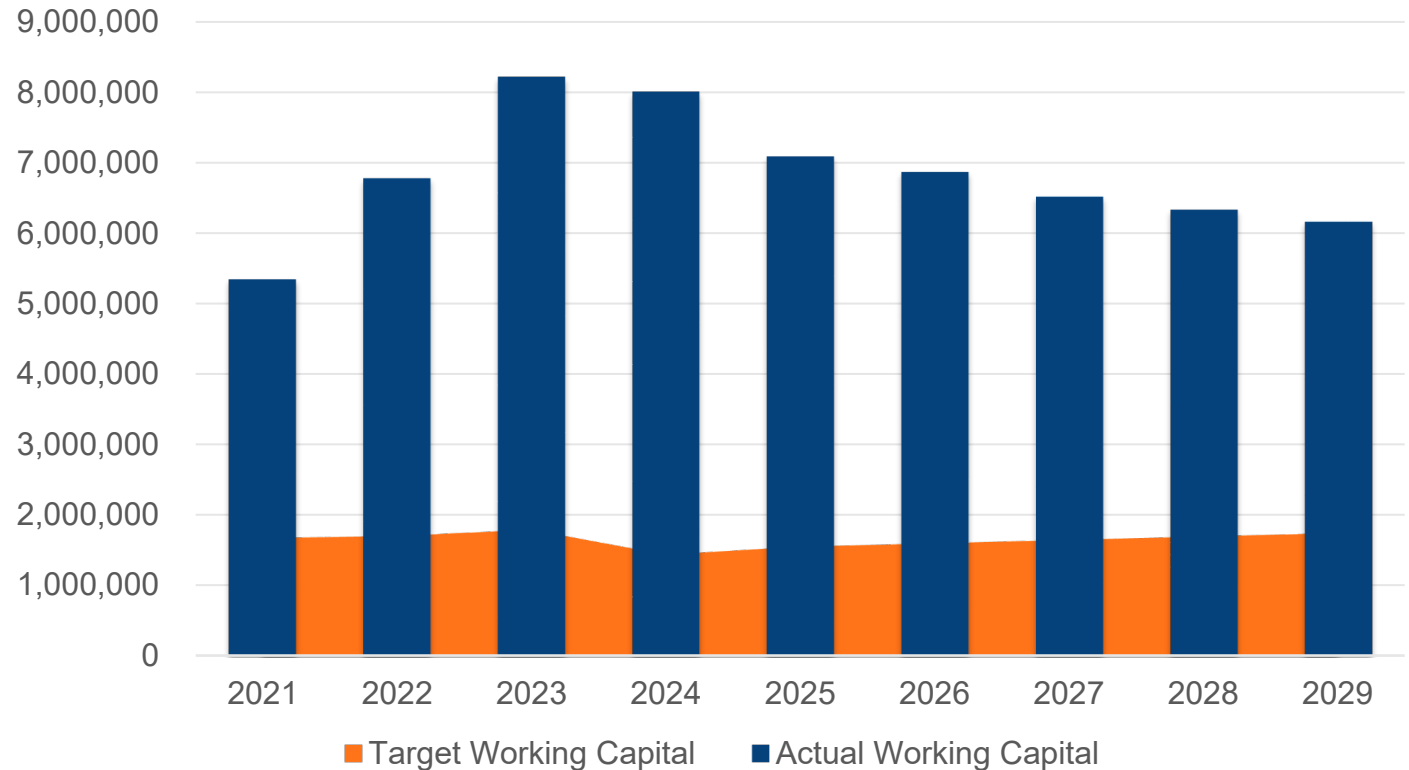
Monthly Storm Water Rates		
	Existing 2024	Proposed 2025
Percentage Increase		2.50%
<u>Flat Rates</u>		
Residential	7.79	7.98
<u>Per REU Rates</u>		
Commercial	7.79	7.98

Storm Water Fund – Projections

Take Aways

- Cash balances generally decrease but remain well above the target for working capital
- ✓ Supports **\$13.8** million in capital projects between 2025 & 2029
- ✓ No bonding recommended

Storm Water Fund Cash Reserves



Target Working Capital = 6 months of operating expenses, including depreciation + next year's debt service

Impact Analysis – Monthly Bills

Take Aways

- Moderate impact on median users
- Residential: **\$3.55/month** –or- **\$42.60/year**
 - ✓ Assumes 4,000 gallons/month
- Commercial: **\$15.18/month** -or- **\$182.16/year**
 - ✓ Assumes 10,000 gallons/month

Impact Analysis on Rate Payers

	Existing 2024	Proposed 2025
<u>Residential Property</u>		
Water (4,000 gallons/month)	\$ 19.66	\$ 20.63
Sewer (4,000 gallons/month)	25.33	27.72
Storm Water	7.79	7.98
Total Monthly Utility Bill	\$ 52.78	\$ 56.33
\$ Increase/(Decrease)		3.55
% Increase/(Decrease)		6.7%
<u>Commercial Property</u>		
Water (10,000 gallons/month)	\$ 34.42	\$ 36.11
Sewer (10,000 gallons/month)	49.75	57.72
Storm Water (29.06 REU's)	226.38	231.90
Total Monthly Utility Bill	\$ 310.55	\$ 325.73
\$ Increase/(Decrease)		15.18
% Increase/(Decrease)		4.9%

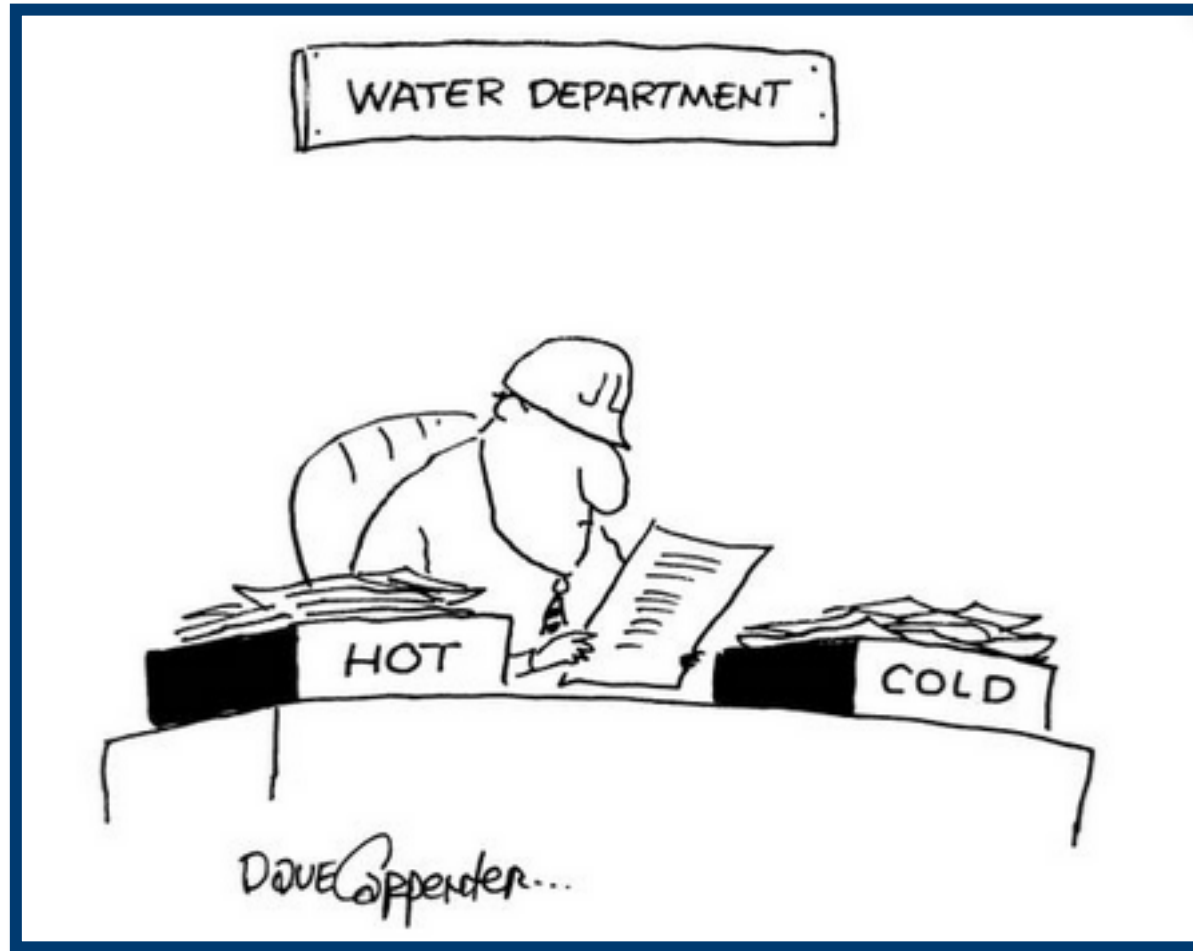
Summary & Conclusions



- Utility rate increases needed to....
 - ✓ Maintain & increases cash balances
 - ✓ Support community needs & the various capital programs
 - ✓ Pay for existing & recommended debt service
- Additional needs may require more debt and/or greater increases in utility rates

Next Steps

- Refine the Utility Rate Study Update
 - ✓ Include any City Council feedback
 - ✓ Revise the Utility Rate Study Update, as needed
- Complete a more in-depth review of the utility rates
 - ✓ Review at a future City Council Work Session
- Review the activity & status of the utility funds annually
- Separate the Water & Sanitary Sewer Fund into two funds



Thank you! Questions?
