

City of Sedgwick
City Council Meeting
August 5, 2026

TO: Mayor and Members of City Council

SUBJECT: Resolution 08052026B & Resolution 08052026C: Water & Sewer Utility Rates

INITIATED BY: Administration

AGENDA: New Business

Background: During the June 3, 2026, workshop, Beth Warren, Water Services Financial Specialist from the Kansas Municipal Utilities group presented her financial analysis of the water and sewer utility funds. This analysis was contracted through KMU to verify the results of in-house analysis completed on the funds.

During the workshop, four options were considered regarding water rates and CIP funding: Option A: No rate increase, and fund CIP \$25,000, Option B: Breakeven in operating and fund CIP at \$50,000, Option C: Breakeven in operating and fund CIP at \$75,000, and Option D: Breakeven in operating and fund CIP at \$100,000.

The options considered for sewer rates and CIP funding were Option A: No rate increase and fund CIP \$50,000, Option B: Breakeven in operating and fund CIP \$50,000, Option C: Breakeven in operating and fund CIP \$75,000, and Option D: Breakeven in operating and fund CIP \$100,000.

The information shared during Mrs. Warren's presentation was based on historical actuals through 2024. The 2025 financial audit was shared with Mrs. Warren to update her projections and determine if the originally proposed rates would need to change.

Her findings concluded that for the water rates if we moved forward with Option B, we would need to reduce the amount of CIP funding to \$25,000, while slightly increasing the proposed rate increase. In doing this, we would be able to reduce the overall burden on our customers while still taking care of operational needs. The sewer utility rates held true to her original analysis.

Analysis: Historical data shows that starting in 1981, the City Council reviewed and increased water rates every three years to keep up with increases in operating costs until 1996. The City continued to operate with the 1996 water rates until 2007 when they raised rates from \$12.50 for a base charge to \$20.00 (\$7.50 increase). The City operated with that rate until 2009 when they raised it to \$22.50; then went another six years (2017) before raising the rate to what it is today - \$28.50 base rate. It has now been nine years since the last rate analysis and proposed rate change. While water utilization has stagnated during that time, expenditures have nearly doubled with revenues appearing flat.

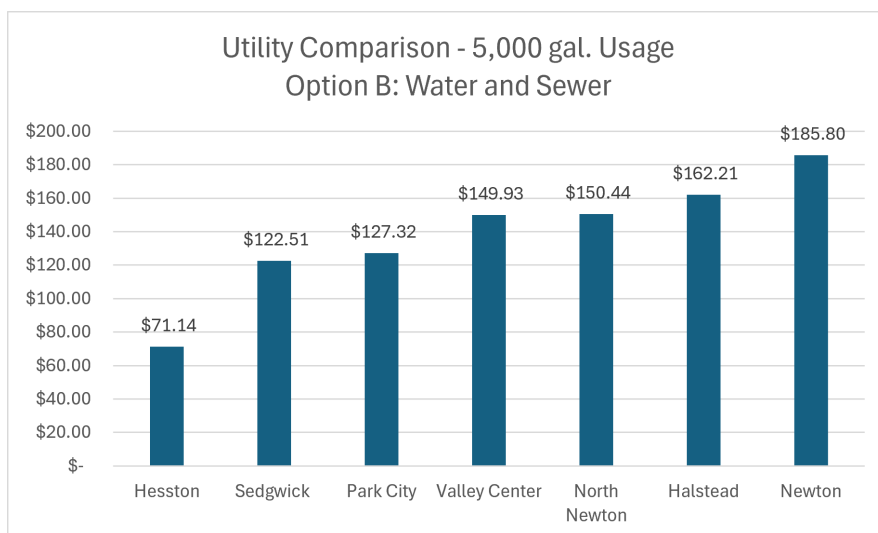
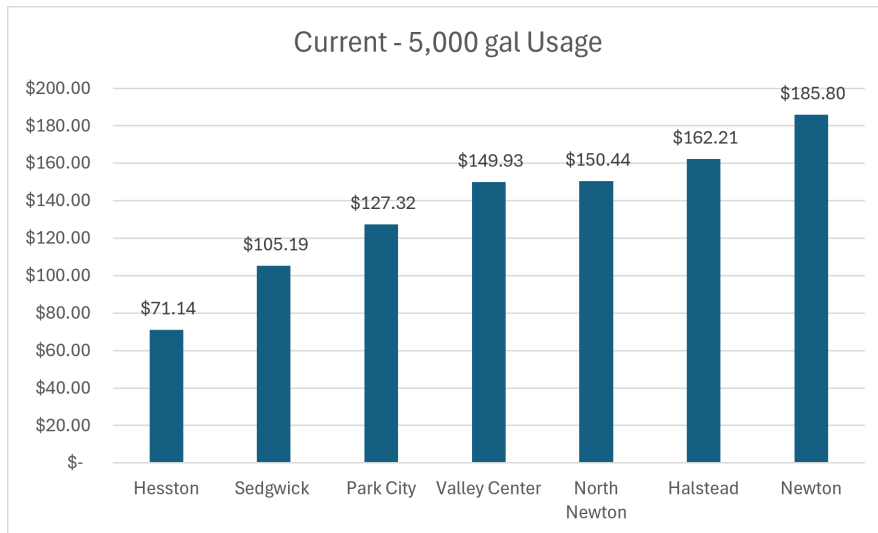
Financial analysis of the fund shows the City has historically operated in the negative, utilizing unencumbered funds annually to make up the difference. Only in years when the water rates were increased did the fund return a positive cash flow; albeit not long. When reviewing rates, revenues must,

at a bare minimum, cover expenditure related to daily operations. It is strongly recommended that they also cover future expenditures through the CIP and CEF.

Historical data for the Sewer fund shows that rates were reviewed in 1975, 1978, 1980, 1982 then went stagnant until 2004 when they were increased from \$9.65 base rate to \$22.50 base rate (\$12.85 increase). That rate was held until 2015 when it increased \$3. The last rate increase for the sewer utility was in 2017 when the rate increased by another \$5 to the \$30.50 base rate it is today. Similarly to water, this fund has historically utilized unencumbered cash to offset the rising expenditure costs of daily operations.

Financial Considerations: Option B would provide our residents with the least amount of water and sewer rate increase, while effectively planning with a \$25,000 CIP transfer for water and a \$50,000 CIP transfer for sewer. If approved, an average user of 5,000 gallons would see an increase of \$8.24 per month on the water side of their bill with an increase of \$9.08 per month on the sewer side of their bill. This represents a total monthly increase of \$17.32 for an average user of 5,000 gallons.

The charts below show how our residents compare in terms of utility fees to other municipalities of similar size and location.



If approved, residents would see the increases in utility rates go into effect on their bill due October 20, 2026. Additionally, the utility rates would automatically increase by 3% annually with the January billing of each year starting in 2027 and running through 2031. City Council would review the utility rates each year to ensure fiscal health and make any adjustments to rates deemed necessary at that time. The bill increase from October 2026 to January 2027 would be \$3.14.

Recommendation: It is recommended that city council move forward with Option B and approve the resolutions as presented.

Table 1

**City of Sedgwick, Kansas
Water Rate Analysis
Summary of Results and Financial Statistics**

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
Proposed Rate Increase for year 2027	0.00%	16.00%	29.00%	35.00%
Proposed Rate Increases for years 2028 - 2031	0.00%	3.00%	3.00%	3.00%
Estimated Surplus (Shortfall)				
Revenues Over (Under) Expenditures for 2027	(\$63,350)	(\$1,257)	(\$807)	(\$2,522)
Revenues Over (Under) Expenditures for 2031	(\$115,043)	\$3,551	\$10,333	\$11,540
Debt service coverage ratio	(1)			
Debt service coverage ratio for 2027	N/A	N/A	N/A	N/A
Debt service coverage ratio for 2031	N/A	N/A	N/A	N/A
Estimated Ending Cash Balance	(2)			
Estimated unencumbered cash for 2027	(\$22,136)	\$39,957	\$40,407	\$38,692
Days of cash on hand	(20)	35	36	34
Estimated unencumbered cash for 2031	(\$402,859)	\$46,770	\$64,619	\$63,241
Days of cash on hand	(317)	37	51	50
Summary of other Fund Balances				
Capital improvement				
Estimated unencumbered cash for 2027	\$271,147	\$271,147	\$321,147	\$346,147
Estimated unencumbered cash for 2031	\$371,147	\$371,147	\$621,147	\$746,147
Total Funds Available to the System				
Estimated unencumbered cash for 2027	\$249,011	\$311,104	\$361,554	\$384,839
Estimated unencumbered cash for 2031	(\$31,712)	\$417,917	\$685,766	\$809,388

(1) Recommendation for cities is to have a coverage ratio of 1.0000

(2) Recommendation is to have a minimum of 90 days of operating cash on hand

Notes:

All scenarios include annual budget of \$20,625 to fund general equipment replacement

Scenarios A and B include annual budget of \$25,000 to fund general capital improvement projects

Scenario C includes annual budget of \$75,000 to fund general capital improvement projects

Scenario D includes annual budget of \$100,000 to fund general capital improvement projects

Table 2

**City of Sedgwick, Kansas
Water Rate Analysis
Summary of Estimated Charges and Bill Amounts for All Water Users**

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
Proposed Rate Increase for year 2027	0.00%	16.00%	29.00%	35.00%
Proposed Rate Increases for years 2028 - 2031	0.00%	3.00%	3.00%	3.00%
Monthly minimum	(1)			
For 2026	\$28.50	\$28.50	\$28.50	\$28.50
For 2027	\$28.50	\$33.06	\$36.77	\$38.48
For 2031	\$28.50	\$37.21	\$41.38	\$43.30
Usage charge(s)	(2)			
For 2026	\$5.75	\$5.75	\$5.75	\$5.75
For 2027	\$5.75	\$6.67	\$7.42	\$7.76
For 2031	\$5.75	\$7.51	\$8.35	\$8.74
Summary of Charges for 5,000 gallon bill	(3)			
For 2026	\$51.50	\$51.50	\$51.50	\$51.50
For 2027	\$51.50	\$59.74	\$66.44	\$69.53
For 2031	\$51.50	\$67.24	\$74.77	\$78.25

(1) Includes 1,000 gallons

(2) Per 1,000 gallons

(3) Average residential water bill for 5,000 gallons across the State of Kansas was \$35.00 for cities

Notes:

All scenarios include annual budget of \$20,625 to fund general equipment replacement

Scenarios A and B include annual budget of \$25,000 to fund general capital improvement projects

Scenario C includes annual budget of \$75,000 to fund general capital improvement projects

Scenario D includes annual budget of \$100,000 to fund general capital improvement projects

Table 1

City of Sedgwick, Kansas
Sewer Rate Analysis
Summary of Results and Financial Statistics

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
Proposed Rate Increase for year 2027	0.00%	25.25%	34.75%	44.25%
Proposed Rate Increases for years 2028 - 2031	0.00%	3.00%	3.00%	3.00%
Estimated Surplus (Shortfall)				
Revenues Over (Under) Expenditures for 2027	(\$70,557)	\$40	\$351	\$662
Revenues Over (Under) Expenditures for 2031	(\$101,244)	\$13,303	\$16,948	\$20,593
Debt service coverage ratio (1)				
Debt service coverage ratio for 2027	N/A	N/A	N/A	N/A
Debt service coverage ratio for 2031	N/A	N/A	N/A	N/A
Estimated Ending Cash Balance (2)				
Estimated unencumbered cash for 2027	(\$23,417)	\$47,179	\$48,740	\$50,301
Days of cash on hand	(24)	48	47	45
Estimated unencumbered cash for 2031	(\$309,872)	\$151,365	\$167,381	\$183,397
Days of cash on hand	(293)	143	148	153
Summary of other Fund Balances				
Capital improvement				
Estimated unencumbered cash for 2027	\$254,197	\$254,197	\$279,197	\$304,197
Estimated unencumbered cash for 2031	\$454,197	\$454,197	\$579,197	\$704,197
Total Funds Available to the System				
Estimated unencumbered cash for 2027	\$230,780	\$301,376	\$327,937	\$354,498
Estimated unencumbered cash for 2031	\$144,325	\$605,562	\$746,578	\$887,594

(1) Recommendation for cities is to have a coverage ratio of 1.0000

(2) Recommendation is to have a minimum of 90 days of operating cash on hand

Notes:

All scenarios include annual budget of \$20,625 to fund general equipment replacement

Scenarios A and B include annual budget of \$50,000 to fund general capital improvement projects

Scenario C includes annual budget of \$75,000 to fund general capital improvement projects

Scenario D includes annual budget of \$100,000 to fund general capital improvement projects

Table 2

**City of Sedgwick, Kansas
Sewer Rate Analysis
Summary of Estimated Charges and Bill Amounts for All City Sewer Users**

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
Proposed Rate Increase for year 2027	0.00%	25.25%	34.75%	44.25%
Proposed Rate Increases for years 2028 - 2031	0.00%	3.00%	3.00%	3.00%
Monthly minimum	(1)			
For 2026	\$30.50	\$30.50	\$30.50	\$30.50
For 2027	\$30.50	\$38.20	\$41.10	\$44.00
For 2031	\$30.50	\$43.00	\$46.26	\$49.52
Usage charge(s)	(1)			
For 2026	\$2.75	\$2.75	\$2.75	\$2.75
For 2027	\$2.75	\$3.44	\$3.71	\$3.97
For 2031	\$2.75	\$3.88	\$4.17	\$4.46
Summary of Charges for 5,000 gallon bill'	(2)			
For 2026	\$36.00	\$36.00	\$36.00	\$36.00
For 2027	\$36.00	\$45.09	\$48.51	\$51.93
For 2031	\$36.00	\$50.75	\$54.60	\$58.45

⁽¹⁾ Includes 3,000 gallons

⁽²⁾ Per 1,000 gallons

⁽³⁾ Average residential sewer bill for 5,000 gallons across the State of Kansas was \$35.00 for cities

Notes:

All scenarios include annual budget of \$20,625 to fund general equipment replacement

Scenarios A and B include annual budget of \$50,000 to fund general capital improvement projects

Scenario C includes annual budget of \$75,000 to fund general capital improvement projects

Scenario D includes annual budget of \$100,000 to fund general capital improvement projects

RESOLUTION NO. 08052026B

A RESOLUTION ESTABLISHING WATER SERVICE RATES IN THE CITY OF SEDGWICK, KANSAS, REPEALING ANY AND ALL FOREGOING RESOLUTIONS IN CONFLICT HERewith INCLUDING BUT NOT LIMITED TO RESOLUTION NO. 030617A.

WHEREAS, the Governing Body of the City of Sedgwick, Kansas, passed Ordinance No. 809, codified at Sec. 15-221, of the Code of the City of Sedgwick, Kansas, authorizing said Governing Body to adjust such rate charges for water service which shall be established by Resolution duly adopted by the City Council; and

WHEREAS, the Governing Body of the City of Sedgwick, Kansas, has determined a need to adjust the existing rate charges for water service in the following amounts.

BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF SEDGWICK, KANSAS:

SECTION 1. RATES: Each and every person, firm or corporation who shall be furnished water service, whether within or beyond the corporate limits of the City of Sedgwick, Kansas, by the Waterworks System of said City shall pay to the City a charge therefore based upon the following scheduled rates, to wit:

- (a) For the first one thousand (1,000) gallons of water usage per month, a base charge of \$33.06; and
- (b) For all usage over one thousand (1,000) gallons of water per month, a charge of \$6.67 per one thousand (1,000) gallons; and
- (c) All rates shall automatically increase by 3% annually beginning January 1, 2027, through January 1, 2031; and
- (d) The above rates apply to all consumers regardless of meter size; and
- (e) The governing body shall review the rates established herein annually and may review such rates at such other times as the governing body deems it necessary.

SECTION 2. OTHER FEES: Other water utility fees that may be assessed such as service connection fees, meter fees, delinquent charges and reinstatement fees shall be defined and established in the City of Sedgwick Fee Collection Policy.

SECTION 3. EFFECTIVE DATE: The rate provided for herein shall become effective and be reflected on the utility billing statements sent to all consumers which have payment due on October 15, 2026, and all billings thereafter.

SECTION 4. REPEAL OF PRIOR RESOLUTIONS: Any and all foregoing resolutions in conflict herewith including but not limited to resolution No. 030617A are hereby repealed.

ADOPTED AND APPROVED by the Governing Body of the City of Sedgwick,
Kansas on _____, 2026.

Bryan Chapman, Mayor

ATTEST:

Shelia Agee, City Clerk

(SEAL)

RESOLUTION NO. 08052026C

A RESOLUTION ESTABLISHING SANITARY SEWER RATES, CONNECTION AND SERVICE, IN THE CITY OF SEDGWICK, KANSAS REPEALING ANY AND ALL FOREGOING RESOLUTIONS IN CONFLICT HEREWITH INCLUDING BUT NOT LIMITED TO RESOLUTION 030617B

WHEREAS, the Governing Body of the City of Sedgwick, Kansas, passed Ordinance No. 744, codified at Sec. 15-322 of the Code of the City of Sedgwick, Kansas, authorizing said Governing Body to adjust such rate charges for sewer rates, connection, and service which shall be established by Resolution duly adopted by the City Council; and

WHEREAS, the Governing Body of the City of Sedgwick, Kansas, has determined a need to adjust the existing rates charges for sewer rates, connection, and service in the following amounts.

BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF SEDGWICK, KANSAS:

SECTION 1. RATES: Each and every person, firm or corporation who shall be furnished sanitary sewer service, whether within or beyond the corporate limits of the City of Sedgwick, Kansas, shall pay the City a charge therefore based upon the following scheduled rates, to wit:

- A. For the first three thousand (3,000) gallons of water consumed per month a base charge of \$38.20; and
- B. For each additional one thousand (1,000) gallons of water consumed per month a charge of \$3.44 per one thousand (1,000) gallons; and
- C. Any person at the time of beginning or terminating service who receives service for a period of less than 16 consecutive days shall be billed at no less than one-half of the regular minimum monthly rate. For service of 16 consecutive days or more the charge shall be not less than full regular minimum monthly rate.
- D. All rates shall automatically increase by 3% annually beginning January 1, 2027, through January 1, 2031; and
- E. The governing body shall review the rates established herein annually and may review such rates at such other times as the governing body deems it necessary.

SECTION 2. OTHER FEES: Other sewer utility fees that may be assessed such as service connection fees, sewer tap fees, delinquent charges and reinstatement fees shall be defined and established in the City of Sedgwick Fee Collection Policy.

SECTION 3. EFFECTIVE DATE: The rate provided for herein shall become effective and be reflected on the utility billing statements sent to all consumers which have payment due on October 15, 2026, and all billings thereafter.

SECTION 4. REPEAL OF PRIOR RESOLUTIONS: Any and all foregoing resolution in conflict herewith including but not limited to Resolution No. 030617B are hereby repealed.

ADOPTED AND APPROVED by the Governing Body of the City of Sedgwick, Kansas on _____, 2026.

Bryan Chapman, Mayor

ATTEST:

Shelia Agee, City Clerk
(seal)