

Overview of Financial Management Plan for Utility Fund

Spring Lake Park, MN
November 6, 2023

Study Conclusions and Recommendations

■ Revenue sufficiency

- Management of cash balances and assets
- Plan provides for cash sufficient to support operations, CIP, debt service, and to provide contingency

■ Rate adjustments

- Fee increases are proposed to provide revenue sufficiency
- No changes to structure for charging services

Proposed Fees

Base (Fixed) Quarterly Fees

		2023	2024	2025	2026	2027	2028	2029
<u>Fee Description</u>	<u>Customer Classification</u>	<u>Annual % Change</u>						
Water base charge	Commercial / All Other	5.0%	5.0%	4.8%	4.4%	4.0%	4.0%	
Water base charge	Residential	5.0%	5.0%	4.8%	4.4%	4.0%	4.0%	
Sewer base charge	Commercial / All Other	10.0%	8.8%	8.5%	8.0%	8.0%	7.0%	
Sewer base charge	Residential	10.0%	8.8%	8.5%	8.0%	8.0%	7.0%	
Storm water charge	All Customers	5.3%	5.0%	4.8%	4.5%	4.0%	4.0%	
<u>Fee Description</u>	<u>Customer Classification</u>	<u>Fee Amount (in Dollars)</u>						
Water base charge	Commercial / All Other	17.64	18.52	19.45	20.37	21.27	22.12	23.00
Water base charge	Residential	17.64	18.52	19.45	20.37	21.27	22.12	23.00
Sewer base charge	Commercial / All Other	67.26	73.99	80.46	87.30	94.28	101.83	108.95
Sewer base charge	Residential	67.26	73.99	80.46	87.30	94.28	101.83	108.95
Storm water charge	All Customers	6.00	6.32	6.63	6.95	7.26	7.55	7.85

Note: Commercial / All Other includes apartments, mobile homes, institutional, commercial, and industrial customers.

Proposed Fees

Volumetric Rates Based on Quarterly Usage, Per 1,000 Gallons

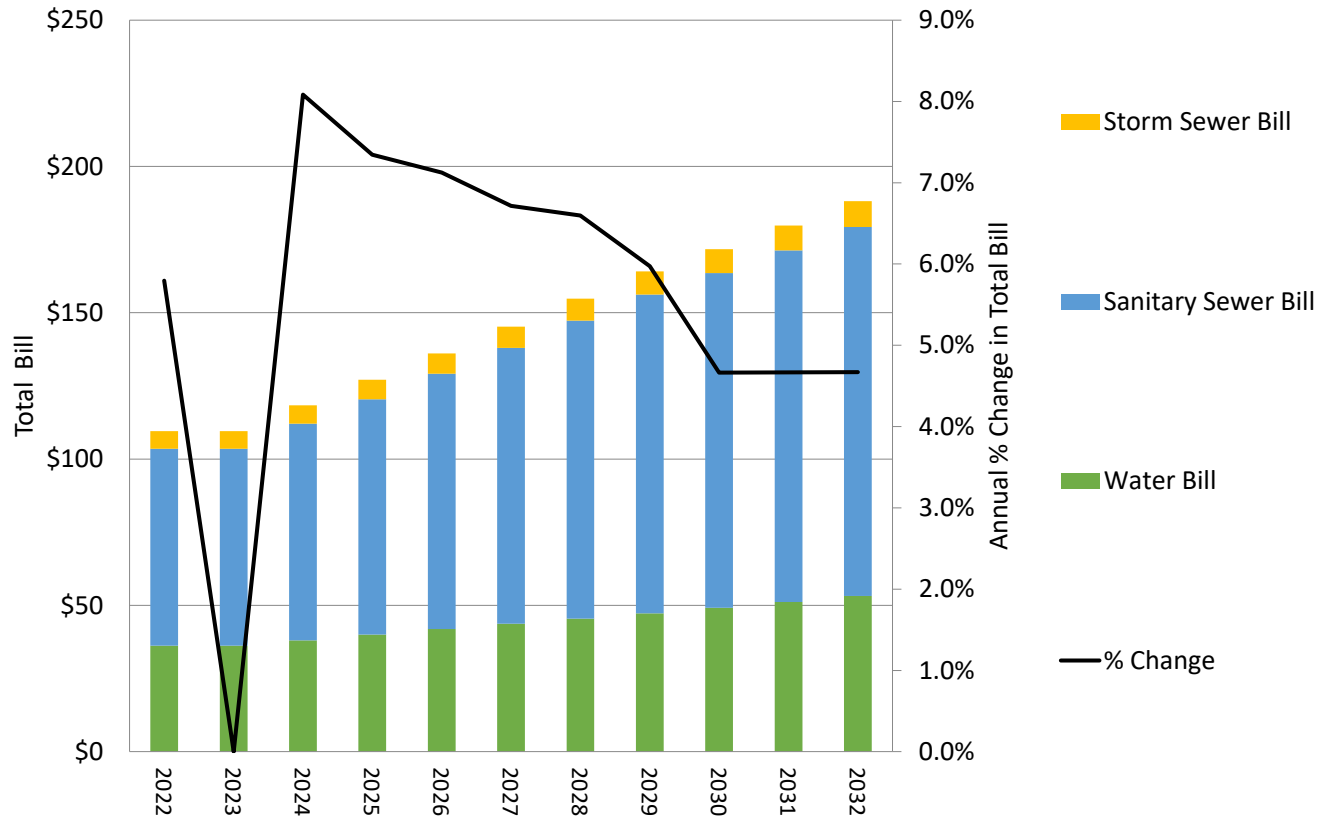
		2023	2024	2025	2026	2027	2028	2029
<u>Fee Description</u>	<u>Customer Classification</u>	<u>Annual % Change</u>						
Water Volume Tier 1: first 9,000 gallons	All Customers	5.0%	5.0%	4.8%	4.4%	4.0%	4.0%	4.0%
Water Volume Tier 2: 9,001 to 18,000 gallons	All Customers	5.0%	5.0%	4.8%	4.4%	4.0%	4.0%	4.0%
Water Volume Tier 3: 18,001 to 27,000 gallons	All Customers	5.0%	5.0%	4.8%	4.4%	4.0%	4.0%	4.0%
Water Volume Tier 4: 27,001 to 36,000 gallons	All Customers	5.0%	5.0%	4.8%	4.4%	4.0%	4.0%	4.0%
Water Volume Tier 5: 36,001 to 45,000 gallons	All Customers	5.0%	5.0%	4.8%	4.4%	4.0%	4.0%	4.0%
Water Volume Tier 6: greater than 45,000 gallons	All Customers	5.0%	5.0%	4.8%	4.4%	4.0%	4.0%	4.0%
Sewer Volume: Over 18,000 gallons	Commercial / All Other	10.0%	8.8%	8.5%	8.0%	8.0%	8.0%	7.0%

<u>Fee Description</u>	<u>Customer Classification</u>	<u>Fee Amount (in Dollars)</u>						
Water Volume Tier 1: first 9,000 gallons	All Customers	1.84	1.93	2.03	2.12	2.22	2.31	2.40
Water Volume Tier 2: 9,001 to 18,000 gallons	All Customers	2.07	2.17	2.28	2.39	2.50	2.60	2.70
Water Volume Tier 3: 18,001 to 27,000 gallons	All Customers	3.19	3.35	3.52	3.68	3.85	4.00	4.16
Water Volume Tier 4: 27,001 to 36,000 gallons	All Customers	3.55	3.73	3.91	4.10	4.28	4.45	4.63
Water Volume Tier 5: 36,001 to 45,000 gallons	All Customers	3.85	4.04	4.24	4.45	4.64	4.83	5.02
Water Volume Tier 6: greater than 45,000 gallons	All Customers	4.18	4.39	4.61	4.83	5.04	5.24	5.45
Sewer Volume: Over 18,000 gallons	Commercial / All Other	3.67	4.04	4.39	4.76	5.14	5.56	5.94

Note: Commercial / All Other includes apartments, mobile homes, institutional, commercial, and industrial customers.

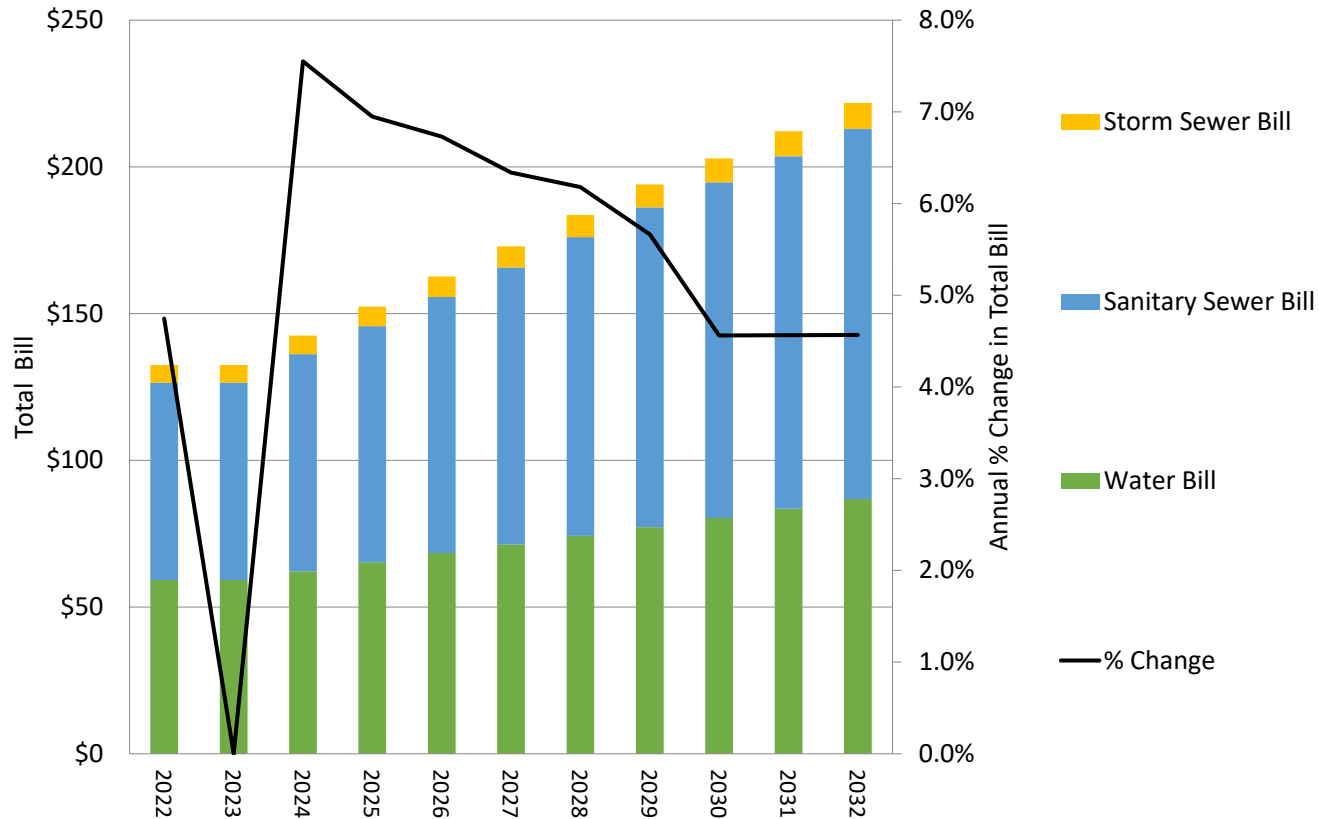
Residential customer monthly bill example

Municipal Utility Bill
Residential Customer Example
10,000 Gallons Per Quarter Water Usage



Residential customer monthly bill example

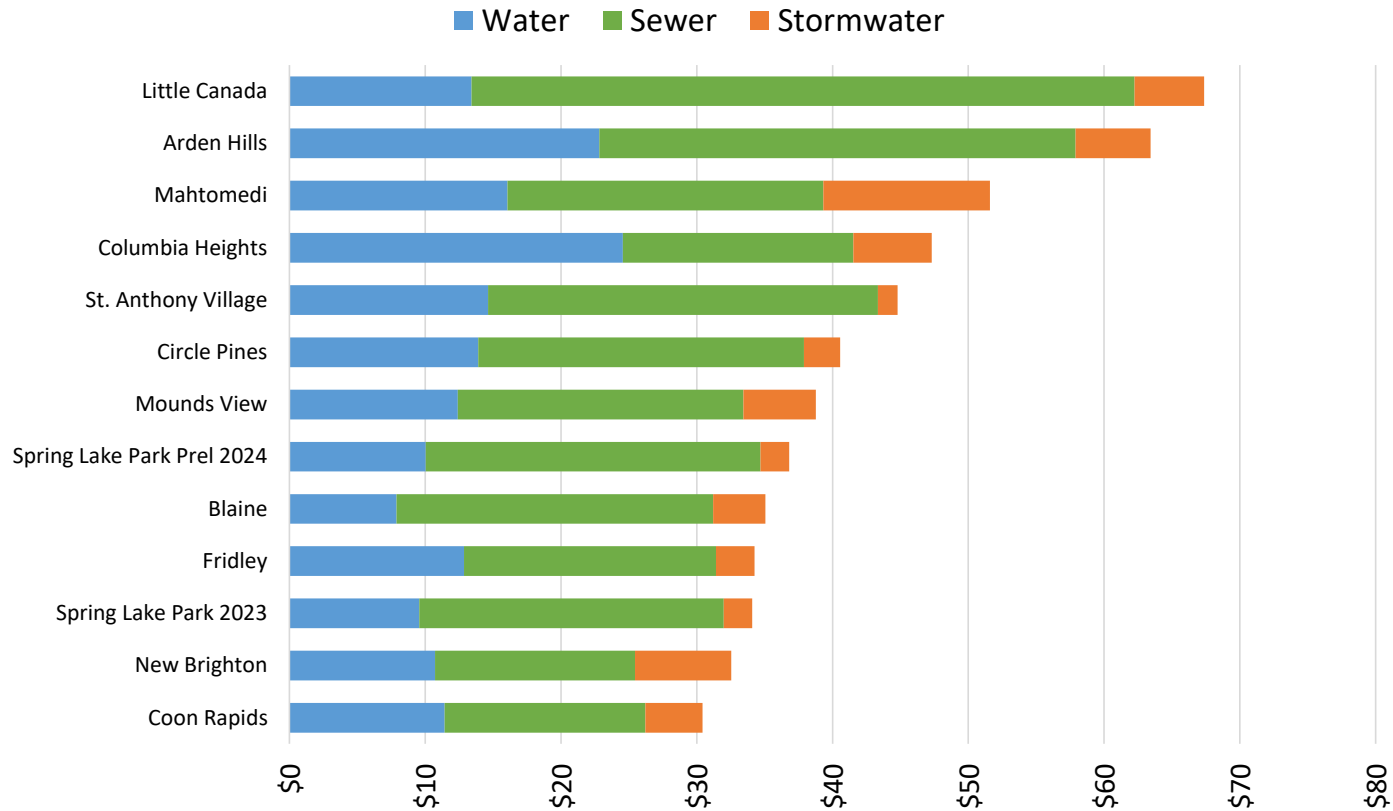
Municipal Utility Bill
Residential Customer Example
20,000 Gallons Per Month Water Usage



Comparison to other cities

2,000 Gallons Monthly Volume - Residential

Estimated Based on Published Fees and Rates and Interpretation of Schedules for Year 2023.
 Cities have different billing cycles. For comparison billing is shown as monthly equivalent bills.



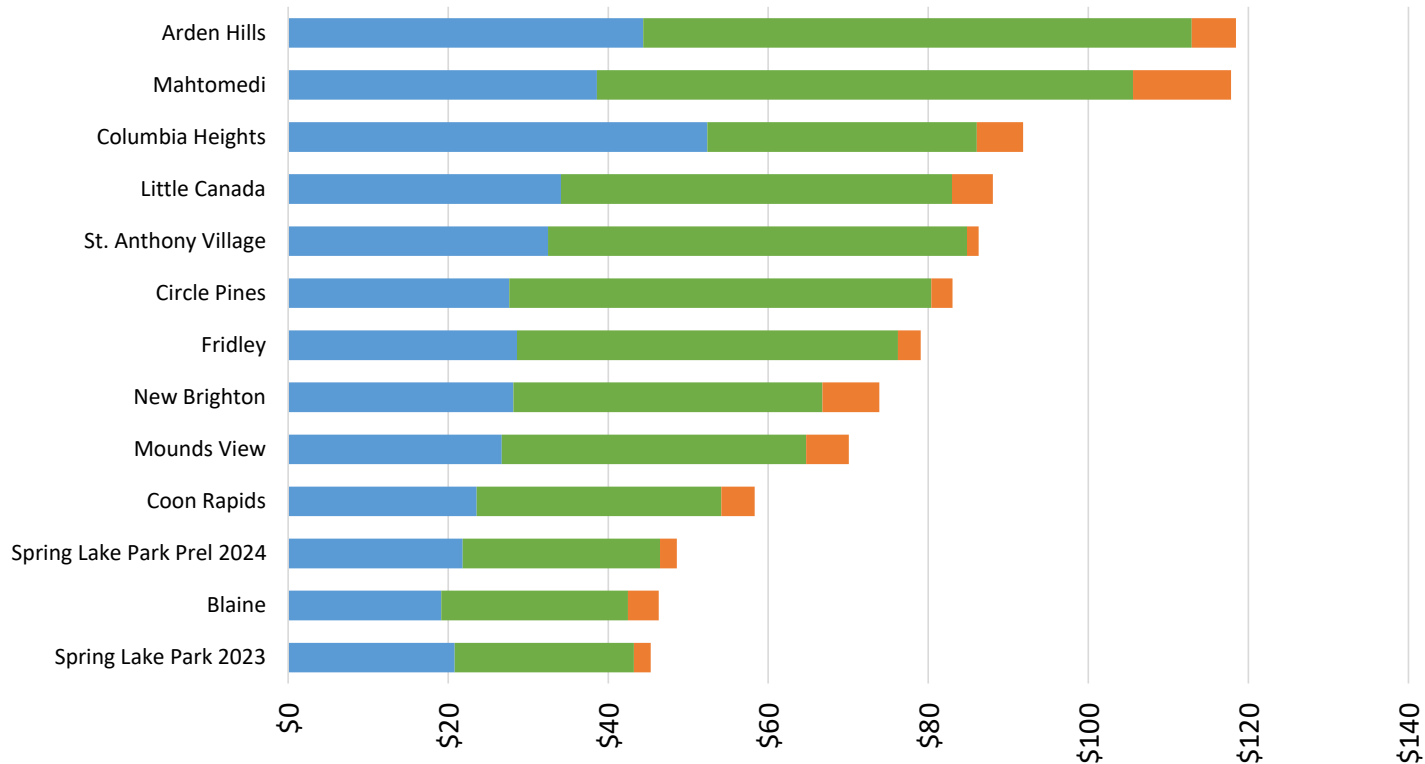
Disclaimer: Bill amounts are calculated based on published fee schedules. While the information presented in this chart is believed to be accurate, the interpretation of a city fee schedule may have not been correct and therefore the information presented for a city may not be correct.

Comparison to other cities

7,000 Gallons Monthly Volume - Residential

Estimated Based on Published Fees and Rates and Interpretation of Schedules for Year 2023.
 Cities have different billing cycles. For comparison billing is shown as monthly equivalent bills.

■ Water ■ Sewer ■ Stormwater

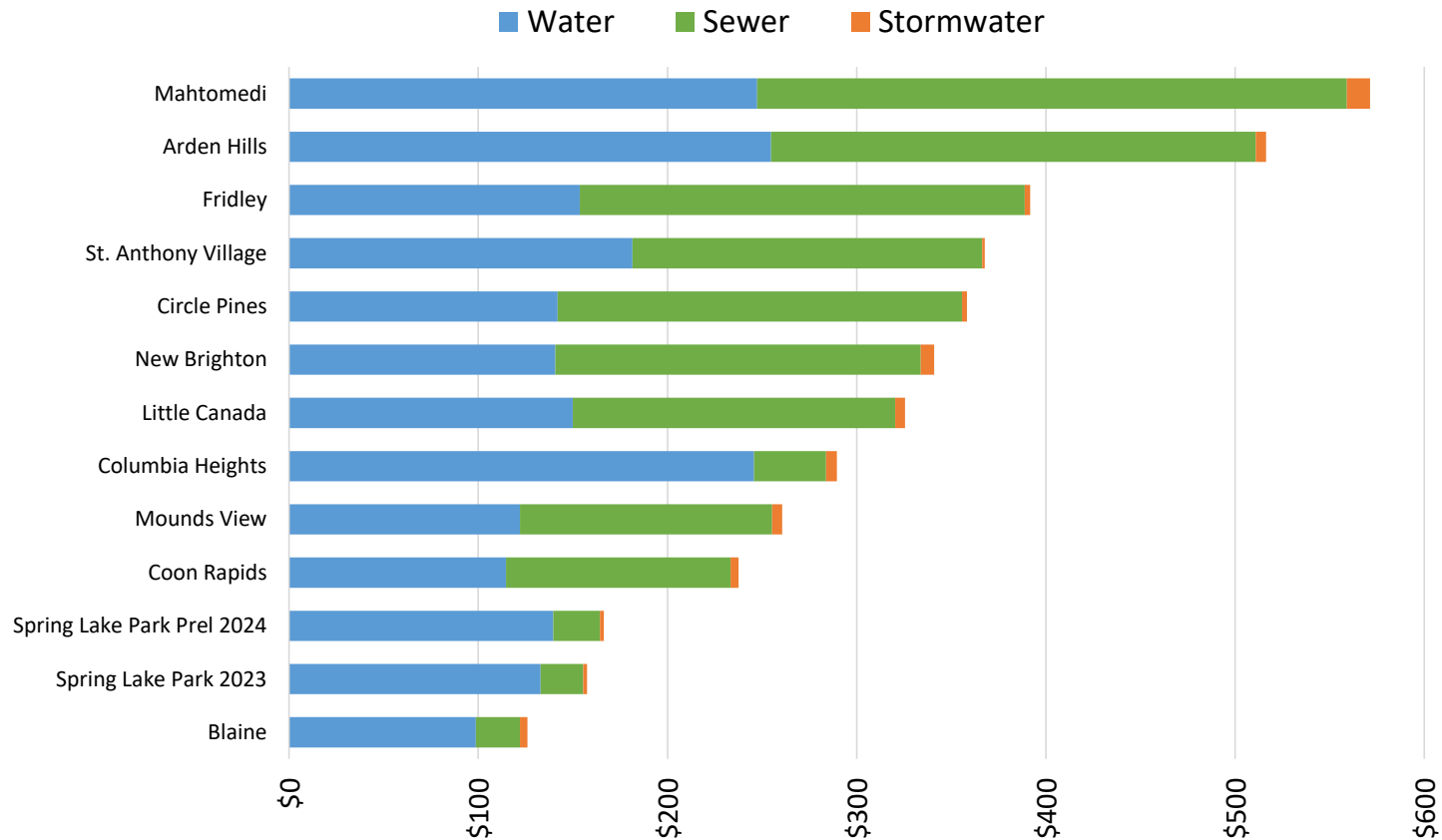


Disclaimer: Bill amounts are calculated based on published fee schedules. While the information presented in this chart is believed to be accurate, the interpretation of a city fee schedule may have not been correct and therefore the information presented for a city may not be correct.

Comparison to other cities

35,000 Gallons Monthly Volume - Residential

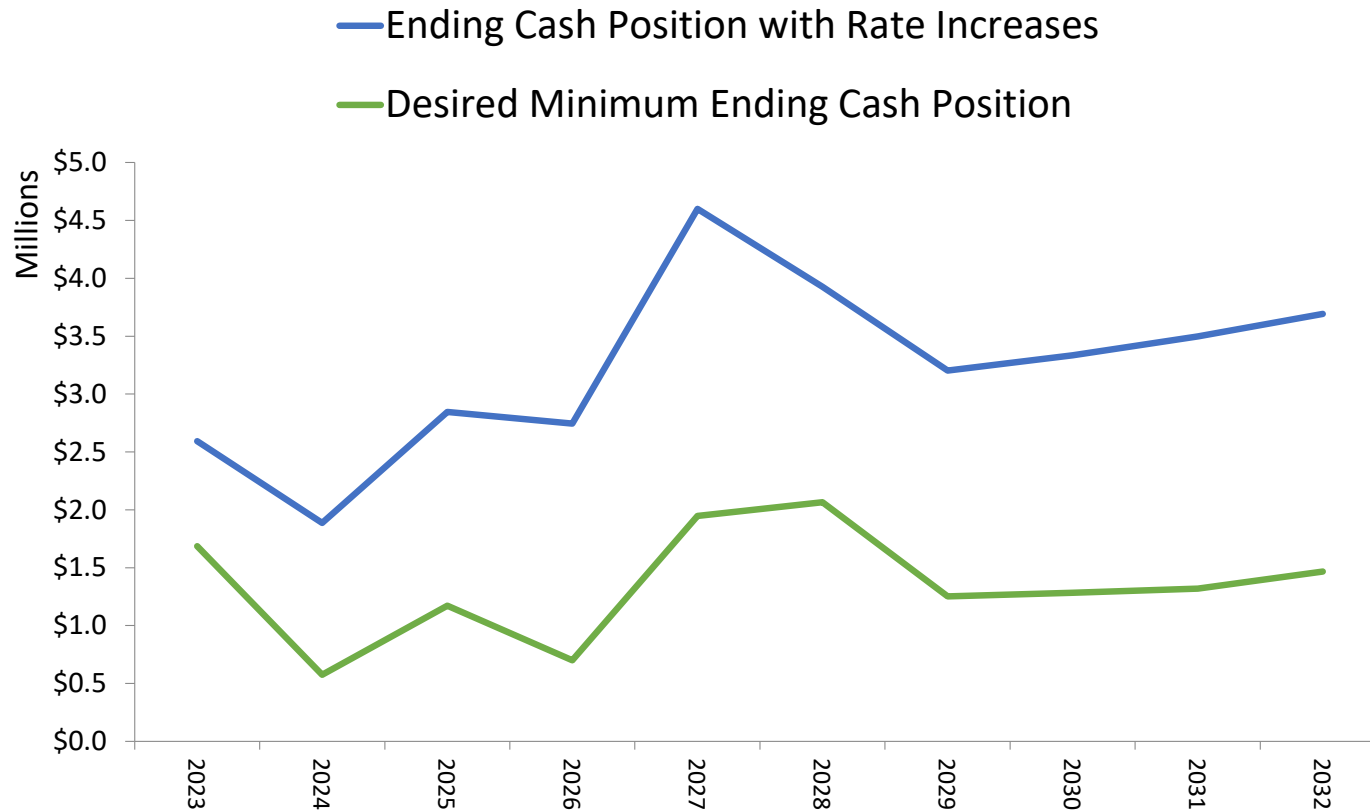
Estimated Based on Published Fees and Rates and Interpretation of Schedules for Year 2023.
 Cities have different billing cycles. For comparison billing is shown as monthly equivalent bills.



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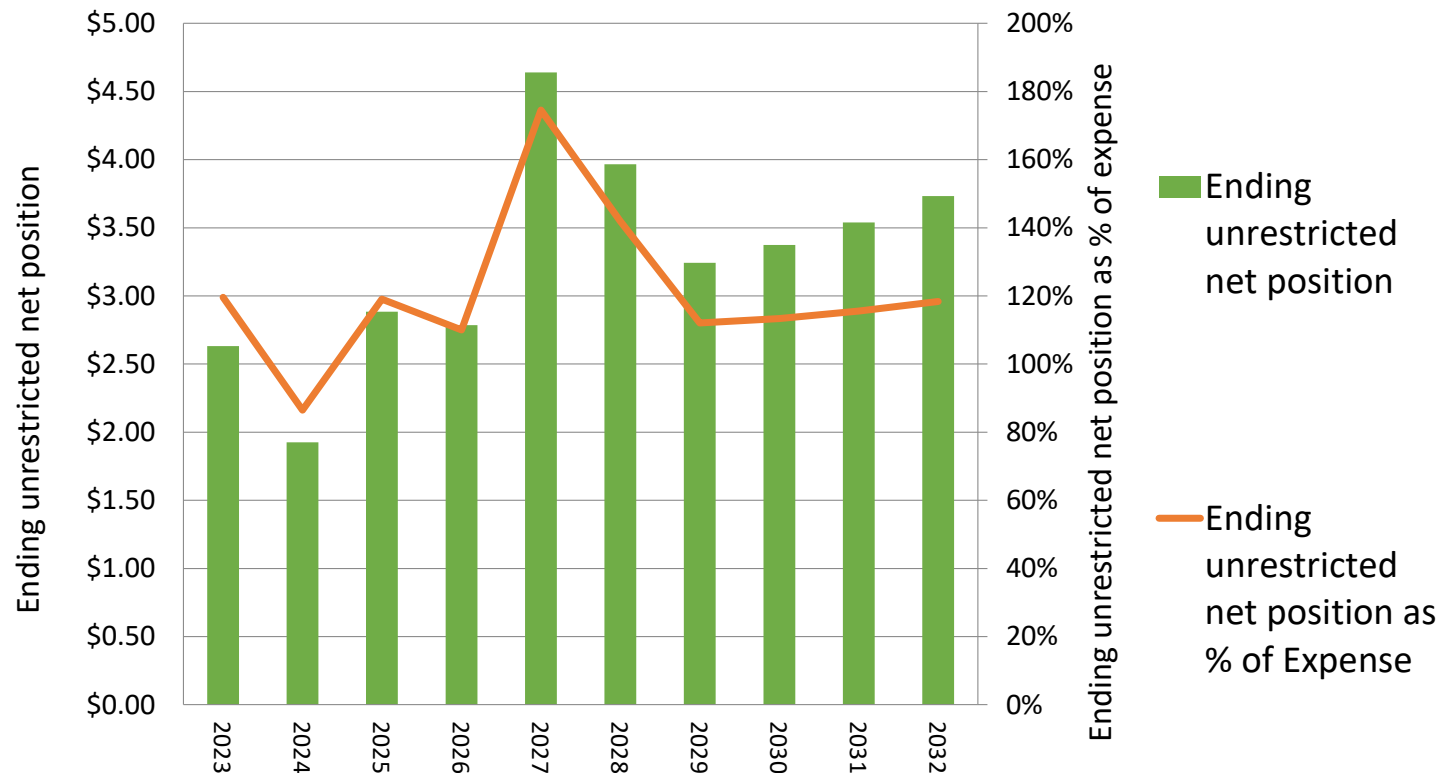
Projected future cash balance

Cash is projected to increase over time to position the City for pay-go strategy for capital improvements in the long-term



Projected unrestricted net position

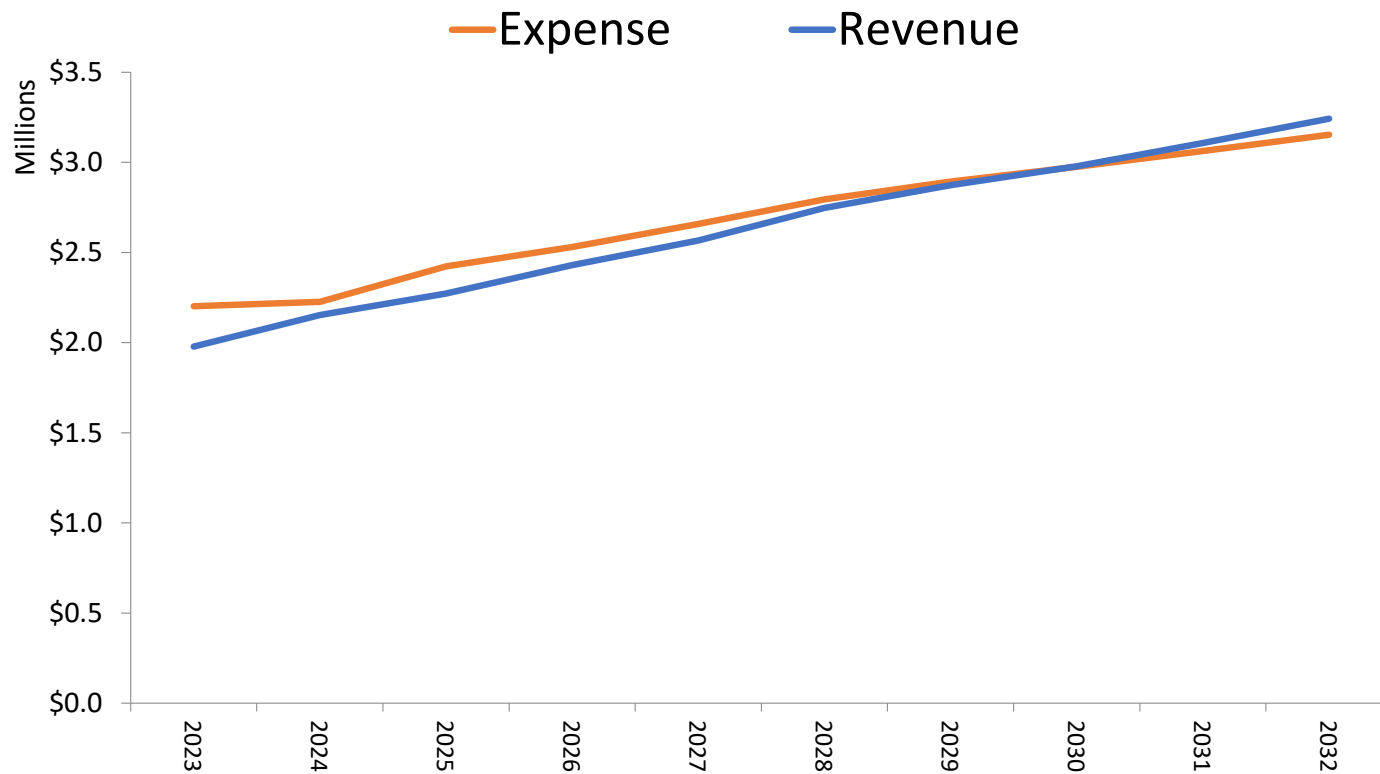
Ending Unrestricted Net Position as % of Expense is projected to be above the minimum 50% target



*The reduction in ending unrestricted net position as % of expense is due to planned capital outlay in 2027 and 2028.

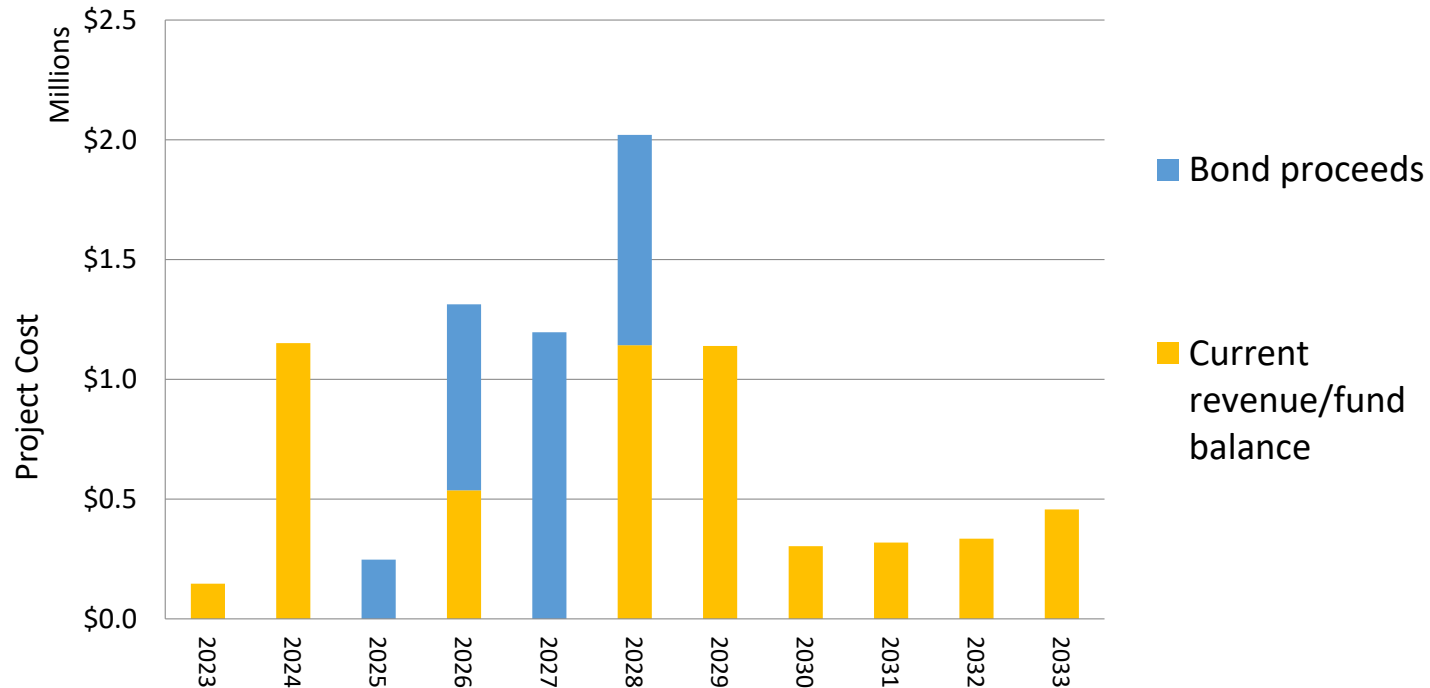
Revenue and Expense

Revenues are projected to begin to come closer to covering expenses, including depreciation, with rate increases over time



Capital improvement costs and funding

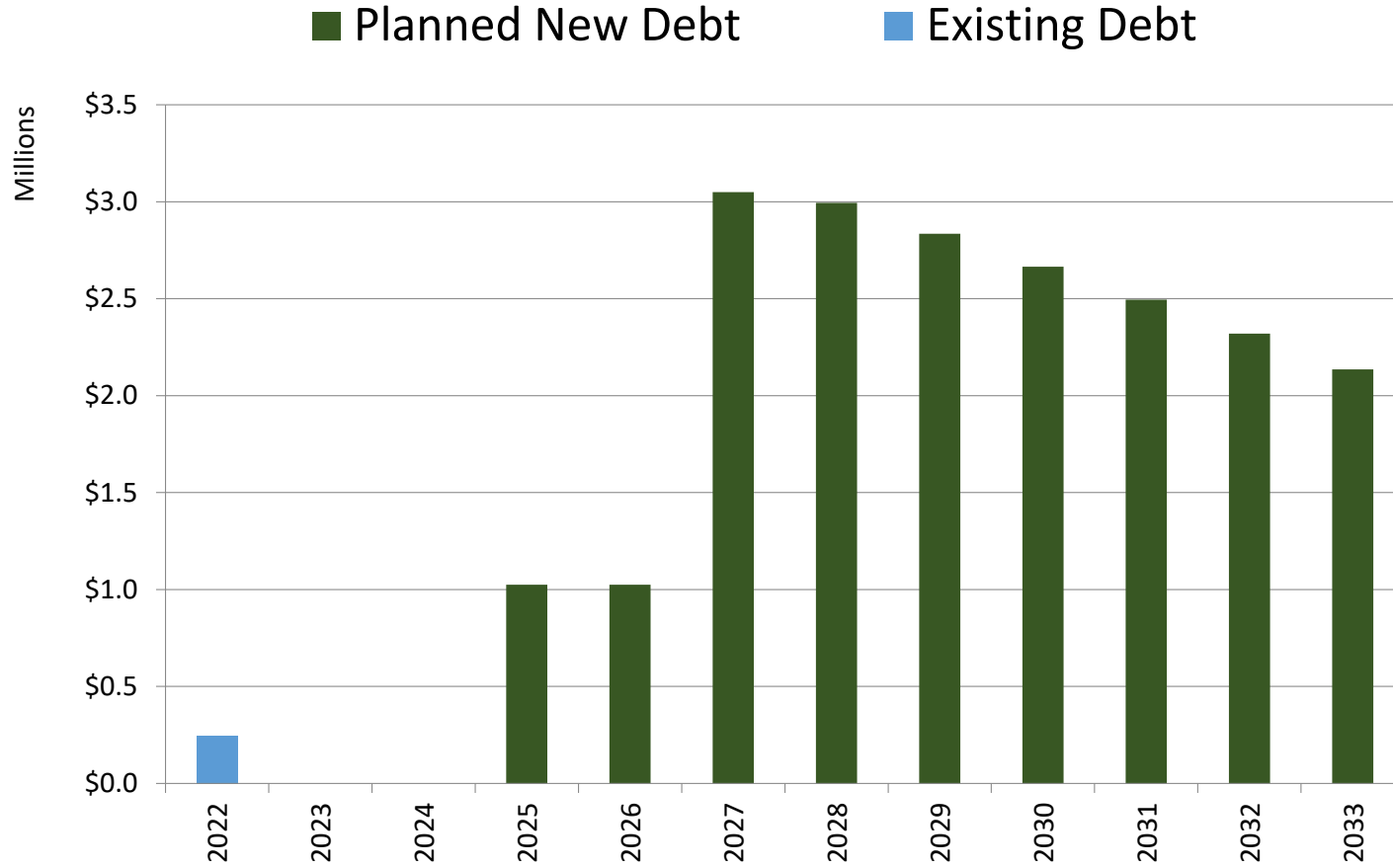
Bonding is proposed in future years to spread the cost of projects over multiple years to minimize rate increases that would otherwise be needed



Note: Proposed rate increases in the Plan over the next five years would need to be 3-4X the amounts proposed in the Plan if the city wanted to pay for future capital improvements without bonding.

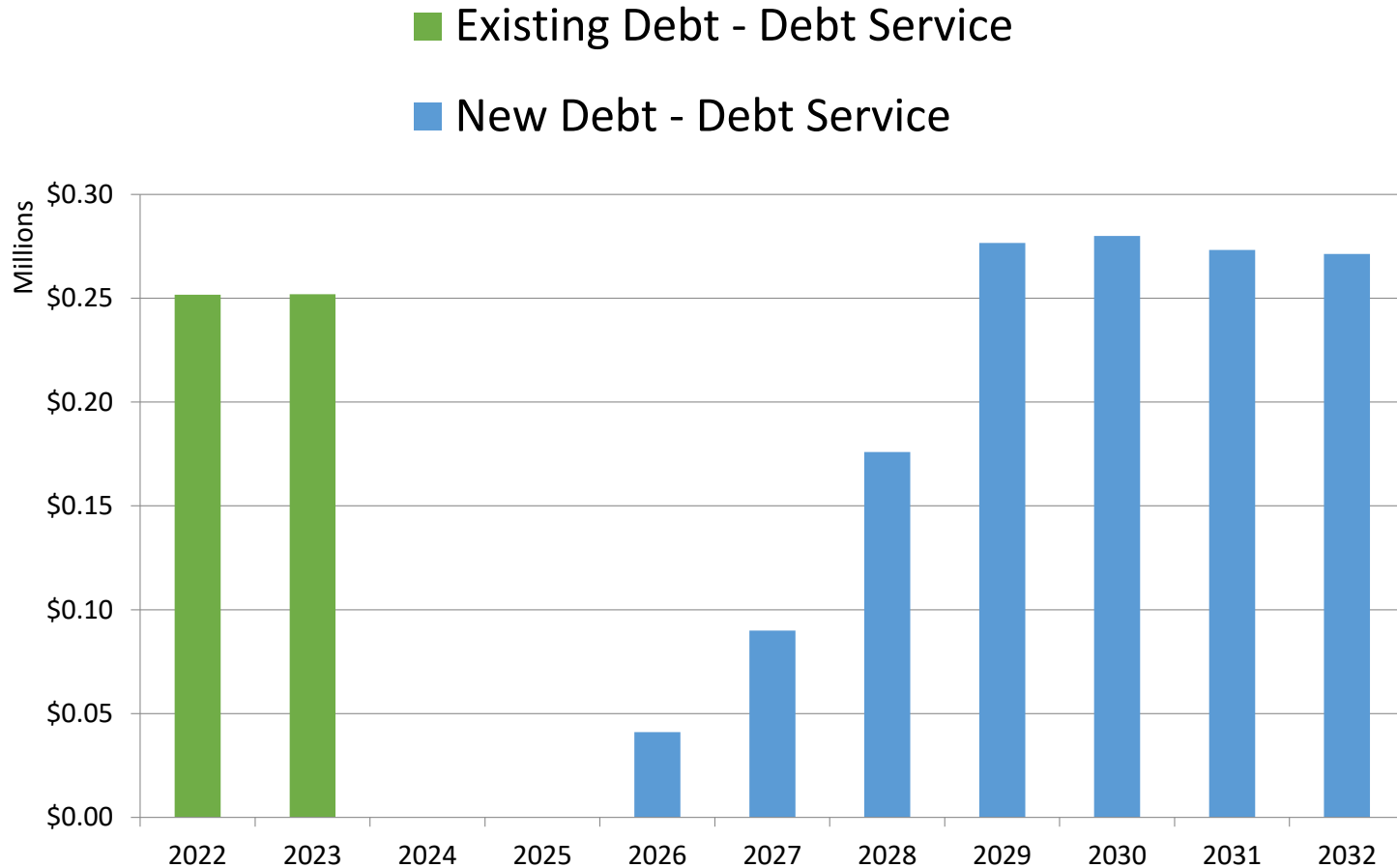
Bonds outstanding payable from utility revenue

Debt Outstanding for Existing and Planned New Debt



Debt service payable from utility revenue

Debt Service For Existing and Planned New Debt



Utility Fund is in sound financial condition

- Future financial condition will be impacted by operating costs and capital improvement costs, among other factors
- Increase to fees charged for water, sewer, and storm water services are needed to provide revenue sufficiency to provide these services
- Bonding for capital improvements is needed if the city wants to minimize the fee increases that would otherwise be needed

Questions

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