



# Memorandum

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**To:** Mayor Nelson and Members of the City Council

**From:** Daniel R. Buchholtz, MMC, Administrator, Clerk/Treasurer

**Date:** November 12, 2024

**Subject:** 2025 Public Utilities Budget

The proposed 2025 Public Utilities Budget encompasses the operating funds for water, sewer, and stormwater utilities. The budget is prepared with a focus on maintaining the quality of services while addressing the necessary operational and maintenance needs of the city's utility infrastructure.

## **Public Utilities (Fund 601)**

Total revenues are budgeted to increase by 5.75%. This increased revenue is due primary to increased rates, as well as increased interest earnings due to higher interest rates earned on the City's cash reserves.

Total expenditures are also budgeted to increase by 5.75%. Primary drivers include increases in wages and benefits, treatment charge imposed by Metropolitan Waste Council, and system repairs and maintenance.

Public Works Director Linngren has requested an additional full-time employee (FTE) to support maintenance of the City's utility system. Currently, one Public Works employee spends the majority of their time at City Hall performing custodial and light maintenance tasks, which underutilizes their position. The proposed budget reallocates a portion of this employee's salary from the General Fund to the Public Utilities Fund, allowing them to focus primarily on utility maintenance in the field. This shift enables us to contract a cleaning service for City Hall custodial needs, resulting in a \$32,000 budget impact—significantly lower than the \$80,000 cost of hiring an additional employee.

A significant line item is a contribution to the City's Public Utilities Renewal and Replacement Fund. This is collecting cash to fund capital improvements throughout the system. While the increase does not match anticipated depreciation for 2024, the City will still set aside over \$200,000 for capital improvements, thereby improving the fiscal stability of the Public Utilities fund.

### Stormwater Utility (Fund 603)

Total revenues are budgeted to increase by 7.3%. This increased revenue is due to increased rates to support the stormwater fund.

Total expenditures are also budgeted to increase by 7.3%. The primary driver for the increase is the City's cost share in Coon Creek Watershed District projects to bring the City in compliance with its TMDL for Springbrook Creek.

Proposed utility rates for 2025 are as follows:

1. **Water Conservation Rates:**

The water rates are structured in a tiered system to encourage conservation and reflect increasing costs for higher usage levels.

- **Administrative Base Rate:** \$19.45 per quarter
- **Usage Rates:**
  - Tier 1: \$2.22/1,000 gallons for 0–9,000 gallons/quarter
  - Tier 2: \$2.51/1,000 gallons for 9,001–18,000 gallons/quarter
  - Tier 3: \$3.86/1,000 gallons for 18,001–27,000 gallons/quarter
  - Tier 4: \$4.30/1,000 gallons for 27,001–36,000 gallons/quarter
  - Tier 5: \$4.66/1,000 gallons for 36,001–45,000 gallons/quarter
  - Tier 6: \$5.06/1,000 gallons for 45,001+ gallons/quarter

2. **Sewer Rates:**

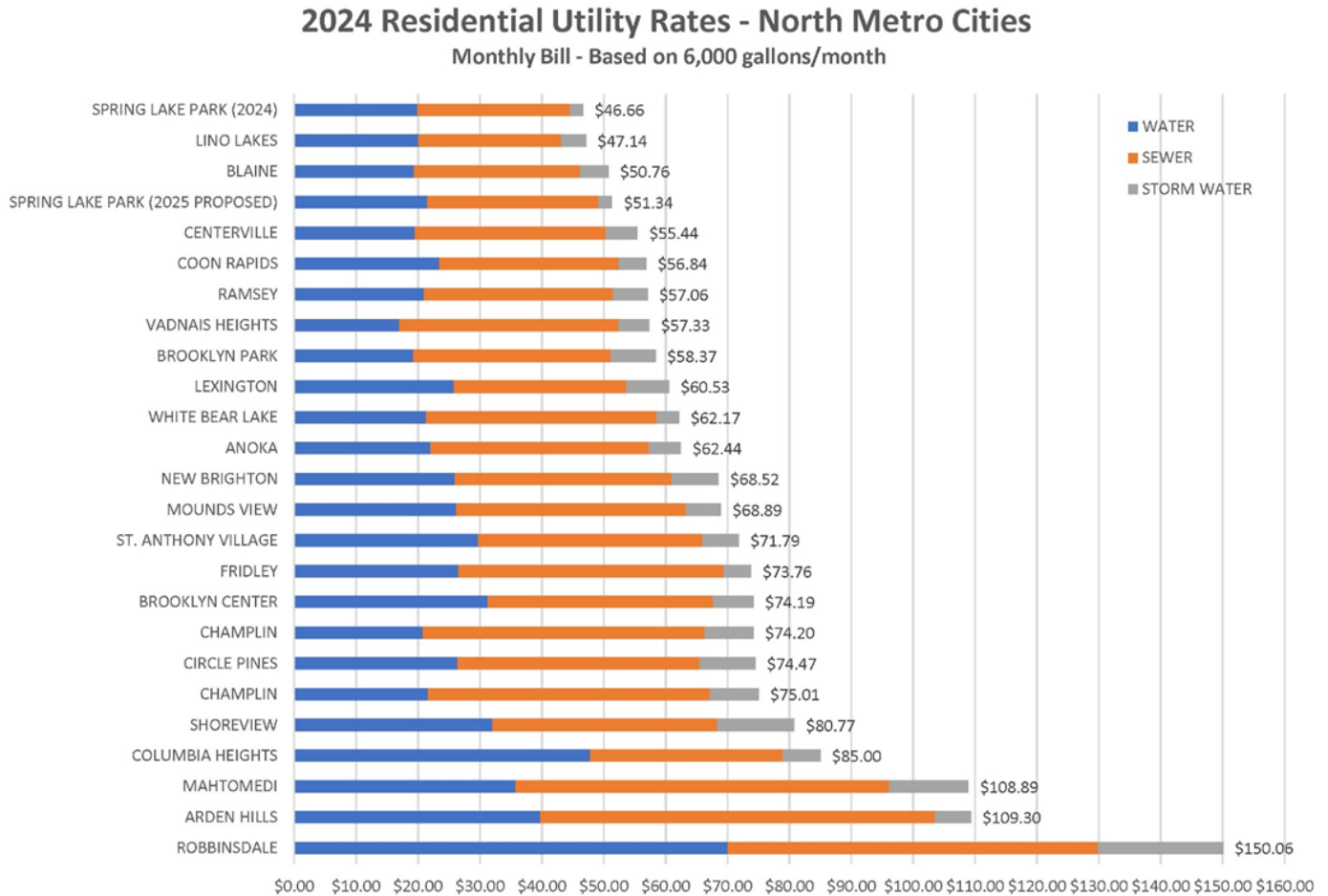
Rates for sewer services are designed to ensure equitable distribution of costs across property types.

- **Single-Family, Duplex, Townhouse & Similar Residential:** \$82.87/unit/quarter
- **Apartment, Mobile Home, Institutional, Commercial & Industrial:** Minimum \$82.87/quarter for 18,000 gallons, plus \$4.82/1,000 gallons for usage over 18,000 gallons.

3. **Additional Utility Charges:**

- **Recycling Fee:** \$14.97/quarter per residential unit
- **Street Light Fee:** \$4.37/quarter per water connection
- **Minnesota Water Test Fee:** \$2.43/quarter per water connection
- **Storm Water Utility Fee:** \$6.69/quarter per residential equivalency factor (REF)

Even with the proposed rate increases, the City's utility rates are very competitive with communities throughout the North Metro. The following chart compares the City's proposed 2025 rates with 2024 rates from communities across the North Metro.



If you have any questions, please do not hesitate to contact me at 763-784-6491.