

STAFF REPORT



Date: January 12, 2023

To: Mayor and City Council

From: Alisha, Finance Director

Subject: Ordinance No. 2023-01 Setting Morningside Water Rates

Information / Background:

The City of Minneapolis provides the water used by much of the Morningside area of Edina. Edina pays Minneapolis for the water that comes into our City from Minneapolis based on a contracted rate. The contracted rate that Edina pays is proportional to the rates the Minneapolis City Council sets for their own residents. The Minneapolis rate for 2023 is \$2.80 per 100 cubic feet of water, a 4% increase over the 2022 rate.

The City of Edina also provides services to this area in the form of meter reading, billing, water distribution infrastructure, and other services except for the water itself. To help offset the cost of these Edina-provided services, staff recommends increasing the Edina charge by 5% to \$0.84/1,000 gallons in 2023. This rate adjustment is consistent with the rates recommended by the City's financial advisor, Ehlers & Associates, in the 2022 utility rate study.

The recommended Morningside water rate for 2023 is \$4.58 per 1,000 gallons of water. Below is the rate history and the recommended rate for 2023. The rates have been converted to 1,000 gallons, which is the unit of measurement used for billing by the City of Edina

<i>(per 1,000 gal)</i>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Minneapolis charge	3.41	3.49	3.49	3.60	3.74
Edina charge	0.70	0.73	0.77	0.80	0.84
Total Rate	\$ 4.11	\$ 4.22	\$ 4.26	\$ 4.40	\$ 4.58

For areas of Edina that do not receive Minneapolis water, the 2023 adopted rates are \$2.42, \$3.68, or \$6.08 per 1,000 gallons, depending on type and quantity of usage. Another difference between Minneapolis and Edina water is Minneapolis delivers softened water, while Edina residents use home water softener systems.