

Agenda
City Council Work Session
City of Edina, Minnesota
Community Room, City Hall

Tuesday, September 20, 2022
5:30 PM

- I. Call To Order
- II. Roll Call
- III. 2023 Budget and Preliminary Levy and 2023-2028 Capital Improvement Plan (CIP)
- IV. Overview of Parks & Recreation Enterprises
- V. Utility Billing Rate Study Update
- VI. Adjournment

The City of Edina wants all residents to be comfortable being part of the public process. If you need assistance in the way of hearing amplification, an interpreter, large-print documents or something else, please call 952-927-8861 72 hours in advance of the meeting.



CITY OF EDINA

4801 West 50th Street

Edina, MN 55424

www.edinamn.gov

Date: September 20, 2022

Agenda Item #: III.

To: Mayor and City Council

Item Type:

Other

From: Alisha McAndrews, Finance Director

Item Activity:

Subject: 2023 Budget and Preliminary Levy and 2023-2028
Capital Improvement Plan (CIP)

Discussion

ACTION REQUESTED:

Discussion only.

INTRODUCTION:

The City Manager will provide Council members with the recommendation for the 2023 Budgets and Preliminary Levy. The presentation will cover the changes that have occurred to the market and the city's operating expenses since council approved the 2022-2023 Biennial Budget at the December 7, 2021 meeting. Staff will ask for Council approval of the preliminary 2023 levy later at the Council meeting.

The City Manager will also provide an update on the Capital Improvement Plan recommendation to Council, which includes a levy increase of \$1 million specifically for special park improvements in 2023. The City Manager will provide a 2023-2028 CIP recommendation at a later Council meeting.

ATTACHMENTS:

Proposed 2023 Budget and Preliminary Levy

Staff Presentation

**CITY OF EDINA
Proposed Tax Levies**

	2019	2020	2021	Budget 2022	Budget 2023
General Fund Levies					
General Operating Levy	\$ 30,009,121	\$ 32,021,243	\$ 33,986,471	\$ 36,708,036	\$ 39,820,200
General Fund Subtotal	30,009,121	32,021,243	33,986,471	36,708,036	39,820,200
Increase From Prior Year (%)	5.32%	6.71%	6.14%	8.01%	8.48%
Arts and Culture Fund Levies					
Arts and Culture	20,000	20,000	20,000	-	
Arts and Culture Fund Subtotal	20,000	20,000	20,000	-	-
Increase From Prior Year (%)	0.00%	0.00%	0.00%	-100.00%	
Debt Service Fund Levies					
City Hall Debt Service	952,000	952,000	-	-	-
Gymnasium Debt Service	390,000	391,000	392,000	392,000	392,000
Fire Station Debt Service	406,000	402,000	402,000	403,000	403,000
Public Works Facility Debt Service	1,695,000	1,688,000	1,695,000	1,269,000	1,269,000
Sports Dome	1,168,900	1,163,300	1,162,400	1,168,000	1,166,000
Debt Service Fund Subtotal	4,611,900	4,596,300	3,651,400	3,232,000	3,230,000
Increase From Prior Year (%)	0.70%	-0.34%	-20.56%	-11.49%	-0.06%
Construction Fund Levies					
Capital Improvement Plan Levy	300,000	800,000	2,000,000	2,000,000	2,000,000
Equipment Levy	1,930,000	2,030,000	2,130,000	2,240,000	2,350,000
Street Special Levy				950,000	1,210,400
Weber Woods*	400,000	-	-	-	-
Special Park Improvement Levy	-	-	-	-	1,000,000
Construction Fund Subtotal	2,630,000	2,830,000	4,130,000	5,190,000	6,560,400
Increase From Prior Year (%)	2.45%	7.60%	45.94%	25.67%	26.40%
HRA Fund Levies					
HRA Operating Levy	160,000	192,000	230,400	237,300	244,400
HRA Fund Subtotal	160,000	192,000	230,400	237,300	244,400
Increase From Prior Year (%)	28.00%	20.00%	20.00%	2.99%	2.99%
Total Property Tax Levy	\$ 37,431,021	\$ 39,659,543	\$ 42,018,271	\$ 45,367,336	\$ 49,855,000
Increase From Prior Year (%)	4.60%	5.95%	5.95%	7.97%	9.89%

2023 GOVERNMENTAL FUND BUDGETS

	General Fund	HRA Fund	PACS Fund	CAS Fund	CDBG Fund	Police SR Fund	Braemar Memorial Fund	Arts & Culture Fund	Debt Service Fund	Construction Fund	Total
REVENUES AND OTHER FINANCING SOURCES											
Property tax levy	\$ 39,820,200	\$ 244,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,230,000	\$ 6,560,400	\$ 49,855,000
Tax increments	-	1,723,245	-	-	-	-	-	-	-	-	1,723,245
Franchise fees & other taxes	830,000	-	1,200,000	1,000,000	-	-	-	-	-	90,000	3,120,000
Special assessments	-	-	-	-	-	-	-	-	-	3,726,253	3,726,253
Licenses and permits	5,466,160	-	-	-	-	-	-	-	-	74,000	5,540,160
Intergovernmental	1,605,100	-	-	-	135,000	-	-	-	-	2,780,000	4,520,100
Charges for services	5,945,291	-	-	-	-	-	-	-	-	195,000	6,140,291
Fines and forfeitures	650,000	-	-	-	-	-	-	-	-	-	650,000
Investment income	250,000	186,000	-	15,000	-	-	1,000	-	-	203,000	655,000
Other revenue	376,000	-	-	-	-	289,122	2,500	-	-	-	667,622
Transfers and contributions	157,500	-	-	-	-	-	-	-	2,816,752	100,000	3,074,252
Loan received	-	-	-	-	-	-	-	-	-	-	-
Debt issued	-	-	-	-	-	-	-	-	-	2,813,402	2,813,402
Other financing sources	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	55,100,251	2,153,645	1,200,000	1,015,000	135,000	289,122	3,500	-	6,046,752	16,542,055	82,485,325
EXPENDITURES AND OTHER FINANCING USES - BY DEPARTMENT											
Administration	3,134,386	-	-	-	-	-	-	-	-	66,000	3,200,386
Communications	1,619,013	-	-	-	-	-	-	-	-	113,000	1,732,013
Information technology	-	-	-	-	-	-	-	-	-	30,000	30,000
Human resources	1,548,034	-	-	-	-	-	-	-	-	-	1,548,034
Finance	1,361,964	-	-	-	-	-	-	-	-	-	1,361,964
Public works	6,247,075	-	-	-	-	-	-	-	-	560,790	6,807,865
Engineering	3,888,188	-	1,257,188	732,345	-	-	-	-	-	9,842,506	15,720,227
Police	15,054,036	-	-	-	-	137,000	-	-	-	809,550	16,000,586
Fire	13,104,428	-	-	-	-	-	-	-	-	322,000	13,426,428
Parks & recreation	6,939,479	-	-	-	-	-	1,000	-	-	1,641,325	8,581,804
Community development	2,203,648	2,405,402	-	-	135,000	-	-	-	-	-	4,744,050
Loan issued	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	472,250	-	-	-	-	-	-	6,013,727	-	6,485,977
Transfers	-	-	-	-	-	-	-	-	-	2,816,752	2,816,752

TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>55,100,251</u>	<u>2,877,652</u>	<u>1,257,188</u>	<u>732,345</u>	<u>135,000</u>	<u>137,000</u>	<u>1,000</u>	<u>-</u>	<u>6,013,727</u>	<u>16,201,923</u>	<u>82,456,086</u>
EXPENDITURES AND OTHER FINANCING USES - BY TYPE											
Personal services	38,740,041	204,932	129,399	155,688	-	-	-	-	-	116,379	39,346,439
Contractual services	8,704,256	2,197,470	75,720	66,020	135,000	129,500	1,000	-	-	350,273	11,659,239
Commodities	2,529,570	3,000	13,000	1,200	-	7,500	-	-	-	58,375	2,612,645
Internal services	5,126,384	-	9,069	9,437	-	-	-	-	-	876	5,145,766
Equipment	-	-	-	-	-	-	-	-	-	1,936,665	1,936,665
Capital outlay	-	-	1,030,000	500,000	-	-	-	-	-	10,922,603	12,452,603
Loan issued	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	472,250	-	-	-	-	-	-	6,013,727	-	6,485,977
Transfers	-	-	-	-	-	-	-	-	-	2,816,752	2,816,752
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>55,100,251</u>	<u>2,877,652</u>	<u>1,257,188</u>	<u>732,345</u>	<u>135,000</u>	<u>137,000</u>	<u>1,000</u>	<u>-</u>	<u>6,013,727</u>	<u>16,201,923</u>	<u>82,456,086</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (724,007)</u>	<u>\$ (57,188)</u>	<u>\$ 282,655</u>	<u>\$ -</u>	<u>\$ 152,122</u>	<u>\$ 2,500</u>	<u>\$ -</u>	<u>\$ 33,025</u>	<u>\$ 340,132</u>	<u>\$ 29,239</u>

CITY OF EDINA
Proposed Budget by Fund Type

2022 Budget					2023 Budget				
	Governmental Funds	Enterprise Funds	Internal Service Funds	Total		Governmental Funds	Enterprise Funds	Internal Service Funds	Total
REVENUES AND OTHER FINANCING SOURCES									
Property tax levy	\$ 45,367,336	\$ -	\$ -	\$ 45,367,336	\$ 49,855,000	\$ -	\$ -	\$ 49,855,000	
Tax increments	1,670,245	-	-	1,670,245	1,723,245	-	-	1,723,245	
Franchise fees & other taxes	3,120,000	-	-	3,120,000	3,120,000	-	-	3,120,000	
Special assessments	4,624,553	-	-	4,624,553	3,726,253	-	-	3,726,253	
Licenses and permits	5,464,560	-	-	5,464,560	5,540,160	-	-	5,540,160	
Intergovernmental	5,940,309	180,000	-	6,120,309	4,520,100	180,000	-	4,700,100	
Charges for services	5,932,905	-	-	5,932,905	6,140,291	-	-	6,140,291	
Fines and forfeitures	650,000	-	-	650,000	650,000	-	-	650,000	
Operating revenue	-	54,139,043	6,840,351	60,979,394	-	56,223,559	6,991,192	63,214,751	
Investment income	655,000	381,000	-	1,036,000	655,000	381,000	-	1,036,000	
Other revenue	667,622	20,000	-	687,622	667,622	20,000	-	687,622	
Contributions	-	-	-	-	-	-	-	-	
Transfers	3,229,563	1,191,000	-	4,420,563	3,074,252	1,203,350	-	4,277,602	
Loan received	-	-	-	-	-	-	-	-	
Debt issued	1,768,370	-	-	1,768,370	2,813,402	-	-	2,813,402	
Other financing sources	250,000	-	-	250,000	-	-	-	-	
TOTAL REVENUES AND OTHER FINANCING SOURCES									
	79,340,463	55,911,043	6,840,351	142,091,857	82,485,325	58,007,909	6,991,192	147,484,426	
EXPENDITURES, EXPENSES AND OTHER FINANCING USES - BY FUNCTION									
Administration	3,092,833	-	-	3,092,833	3,200,386	-	-	3,150,731	
Communications	1,829,674	-	-	1,829,674	1,732,013	-	-	1,706,364	
Information technology	50,000	-	2,303,438	2,353,438	30,000	-	2,373,686	2,403,686	
Human resources	1,462,010	-	1,101,903	2,563,913	1,548,034	-	1,107,234	2,630,744	
Finance	1,297,658	409,281	-	1,706,939	1,361,964	411,968	-	1,752,356	
Public works	6,540,413	19,605,891	1,966,101	28,112,405	6,807,865	20,341,298	2,015,368	29,065,564	
Engineering	14,470,948	1,362,510	1,356,361	17,189,819	15,720,227	1,295,519	1,379,522	18,333,671	
Police	14,886,865	1,738,117	-	16,624,982	16,000,586	1,769,272	-	17,531,371	
Fire	12,647,083	-	-	12,647,083	13,426,428	-	-	13,218,827	
Parks & recreation	7,610,321	28,535,275	-	36,145,596	8,581,804	29,262,244	-	36,734,112	

CITY OF EDINA
Proposed Budget by Fund Type

Community development	7,014,431	-	-	7,014,431	4,744,050	-	-	4,709,140
Loan issued	-	-	-	-	-	-	-	-
Debt service	6,004,168	-	-	6,004,168	6,485,977	-	-	6,485,977
Transfers	2,979,563	1,441,000	-	4,420,563	2,816,752	1,460,850	-	4,277,602
TOTAL EXPENDITURES, EXPENSES AND OTHER								
FINANCING USES	<u>79,885,967</u>	<u>53,092,074</u>	<u>6,727,803</u>	<u>139,705,844</u>	<u>80,583,184</u>	<u>54,541,151</u>	<u>6,875,810</u>	<u>142,000,145</u>
EXPENDITURES, EXPENSES AND OTHER FINANCING USES - BY TYPE								
Cost of goods sold	-	11,027,161	-	11,027,161	-	11,414,891	-	11,414,891
Personal services	36,942,679	11,475,078	2,739,463	51,157,220	38,473,537	11,949,186	2,861,770	53,284,493
Contractual services	13,787,885	14,399,105	2,620,440	30,807,430	11,659,239	14,639,611	2,628,440	28,927,290
Commodities	2,559,719	2,338,650	1,367,900	6,266,269	2,612,645	2,320,850	1,385,600	6,319,095
Internal services	5,027,018	2,948,930	-	7,975,948	5,145,766	3,045,186	-	8,190,952
Equipment	1,728,550	-	-	1,728,550	1,936,665	-	-	1,936,665
Capital outlay	10,856,385	-	-	10,856,385	11,452,603	-	-	11,452,603
Depreciation	-	8,790,000	-	8,790,000	-	8,985,000	-	8,985,000
Loan issued	-	-	-	-	-	-	-	-
Debt service	6,004,168	672,150	-	6,676,318	6,485,977	725,577	-	7,211,554
Other expense	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Transfers	2,979,563	1,441,000	-	4,420,563	2,816,752	1,460,850	-	4,277,602
TOTAL EXPENDITURES, EXPENSES AND OTHER								
FINANCING USES	<u>79,885,967</u>	<u>53,092,074</u>	<u>6,727,803</u>	<u>139,705,844</u>	<u>80,583,184</u>	<u>54,541,151</u>	<u>6,875,810</u>	<u>142,000,145</u>
CHANGE IN FUND BALANCE								
OR NET POSITION	(545,504)	2,818,969	112,548	2,386,013	29,239	3,466,758	115,382	3,611,379
FUND BALANCE OR NET POSITION -								
JANUARY 1	<u>87,461,014</u>	<u>120,309,380</u>	<u>2,837,899</u>	<u>210,608,293</u>	<u>86,915,510</u>	<u>123,128,349</u>	<u>2,950,447</u>	<u>212,994,306</u>
FUND BALANCE OR NET POSITION -								
DECEMBER 31	<u>\$ 86,915,510</u>	<u>\$ 123,128,349</u>	<u>\$ 2,950,447</u>	<u>\$ 212,994,306</u>	<u>\$ 86,944,750</u>	<u>\$ 126,595,107</u>	<u>\$ 3,065,829</u>	<u>\$ 216,605,686</u>

2023 ENTERPRISE FUND BUDGETS

	Utilities Fund	Liquor Fund	Aquatic Center Fund	Golf Course Fund	Arena Fund	Braemar Field Fund	Art Center Fund	Edinborough Fund	Centennial Fund	Total
REVENUES AND TRANSFERS IN										
Operating revenues	\$ 28,979,624	\$ 15,665,239	\$ 1,089,070	\$ 4,562,500	2,642,739	\$ 560,000	\$ 502,483	\$ 1,388,904	\$ 833,000	\$ 56,223,559
Intergovernmental	180,000	-	-	-	-	-	-	-	-	180,000
Investment income	302,000	21,000	20,000	9,000	3,000	11,000	-	11,000	4,000	381,000
Other revenue	20,000	-	-	-	-	-	-	-	-	20,000
Transfers and contributions	-	3,750	16,000	53,600	392,000	1,000	300,000	12,000	425,000	1,203,350
TOTAL REVENUES AND TRANSFERS IN	29,481,624	15,689,989	1,125,070	4,625,100	3,037,739	572,000	802,483	1,411,904	1,262,000	58,007,909
EXPENSES AND TRANSFERS OUT - BY DEPARTMENT										
Administration	-	-	-	-	-	-	-	-	-	-
Human resources	-	-	-	-	-	-	-	-	-	-
Finance	411,968	-	-	-	-	-	-	-	-	411,968
Public works	20,341,298	-	-	-	-	-	-	-	-	20,341,298
Engineering	1,295,519	-	-	-	-	-	-	-	-	1,295,519
Fire	1,769,272	-	-	-	-	-	-	-	-	1,769,272
Parks and recreation	-	14,738,559	1,227,701	4,720,003	3,475,414	939,788	867,128	1,862,051	1,431,600	29,262,244
Transfers and contributions	460,850	1,000,000	-	-	-	-	-	-	-	1,460,850
TOTAL EXPENSES AND TRANSFERS OUT	24,278,907	15,738,559	1,227,701	4,720,003	3,475,414	939,788	867,128	1,862,051	1,431,600	54,541,151
EXPENSES AND TRANSFERS OUT - BY TYPE										
COGS	-	10,970,141	52,250	191,000	111,000	-	500	78,000	12,000	11,414,891
Personal services	3,113,700	2,490,550	532,559	2,047,206	1,248,641	150,689	601,125	947,015	817,701	11,949,186
Contractual services	11,089,188	681,984	190,234	673,050	1,007,222	211,070	115,819	387,676	283,368	14,639,611
Commodities	1,200,700	70,600	114,700	391,000	140,750	25,250	79,000	149,900	148,950	2,320,850
Internal services	1,624,720	408,284	43,183	334,130	244,365	38,779	64,684	154,460	132,581	3,045,186
Depreciation	6,307,000	117,000	290,000	904,000	665,000	514,000	6,000	145,000	37,000	8,985,000
Interest	482,749	-	4,775	179,617	58,436	-	-	-	-	725,577
Transfers and contributions	460,850	1,000,000	-	-	-	-	-	-	-	1,460,850
TOTAL EXPENSES AND TRANSFERS OUT	24,278,907	15,738,559	1,227,701	4,720,003	3,475,414	939,788	867,128	1,862,051	1,431,600	54,541,151
CHANGE IN NET POSITION	\$ 5,202,717	\$ (48,570)	\$ (102,631)	\$ (94,903)	(437,675)	\$ (367,788)	\$ (64,645)	\$ (450,147)	\$ (169,600)	\$ 3,466,758

2023 INTERNAL SERVICE FUND BUDGETS

	Risk Management Fund	Equipment Operations Fund	Information Technology Fund	Facilities Management Fund	Total
REVENUES AND TRANSFERS IN					
Operating revenues	\$ 1,107,240	\$ 2,055,684	\$ 2,421,160	\$ 1,407,108	\$ 6,991,192
Intergovernmental	-	-	-	-	-
Investment income	-	-	-	-	-
Other revenue	-	-	-	-	-
Transfers	-	-	-	-	-
TOTAL REVENUES AND TRANSFERS IN	<u>1,107,240</u>	<u>2,055,684</u>	<u>2,421,160</u>	<u>1,407,108</u>	<u>6,991,192</u>
EXPENSES AND TRANSFERS OUT - BY DEPARTMENT					
Administration	-	-	-	-	-
Communications	-	-	-	-	-
Information technology	-	-	2,373,686	-	2,373,686
Human resources	1,107,234	-	-	-	1,107,234
Finance	-	-	-	-	-
Public works	-	2,015,368	-	-	2,015,368
Engineering	-	-	-	1,379,522	1,379,522
Police	-	-	-	-	-
Fire	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Transfers	-	-	-	-	-
TOTAL EXPENSES AND TRANSFERS OUT	<u>1,107,234</u>	<u>2,015,368</u>	<u>2,373,686</u>	<u>1,379,522</u>	<u>6,875,810</u>
EXPENSES AND TRANSFERS OUT - BY TYPE					
COGS	-	-	-	-	-
Personal services	162,434	797,148	1,328,386	573,802	2,861,770
Contractual services	944,800	205,120	870,300	608,220	2,628,440
Commodities	-	1,013,100	175,000	197,500	1,385,600
Capital Outlay	-	-	-	-	-
Depreciation	-	-	-	-	-
Interest	-	-	-	-	-
Transfers	-	-	-	-	-
TOTAL EXPENSES AND TRANSFERS OUT	<u>1,107,234</u>	<u>2,015,368</u>	<u>2,373,686</u>	<u>1,379,522</u>	<u>6,875,810</u>
CHANGE IN NET POSITION	<u>\$ 6</u>	<u>\$ 40,316</u>	<u>\$ 47,474</u>	<u>\$ 27,586</u>	<u>\$ 115,382</u>



CITY OF EDINA

4801 West 50th Street

Edina, MN 55424

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Date: September 20, 2022

Agenda Item #: IV.

To: Mayor and City Council

Item Type:

Other

From: Alisha McAndrews, Finance Director

Item Activity:

Subject: Overview of Parks & Recreation Enterprises

Discussion

ACTION REQUESTED:

Discussion only.

INTRODUCTION:

Staff will provide a brief presentation with an overview of the City's Parks & Recreation Enterprises for discussion. The overview will include information on the operations of each enterprise, how they generate income, the 2021 financial performance, options for financing capital improvements, and the impact of "Edina Law".

ATTACHMENTS:

Staff Presentation



CITY OF EDINA

4801 West 50th Street

Edina, MN 55424

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Date: September 20, 2022

Agenda Item #: V.

To: Mayor and City Council

Item Type:

Reports / Recommendation

From: Alisha McAndrews, Finance Director

Item Activity:

Subject: Utility Billing Rate Study Update

Discussion

ACTION REQUESTED:

Discussion only.

INTRODUCTION:

Staff will provide an update on the 2022 utility rate study and recommend Council approve staff implementing the recommendations in the study for 2023. Formal approval of the 2023 rates will be presented to Council December 2022.

ATTACHMENTS:

2022 Utility Rate Study

Staff Presentation

September 2022

UTILITY RATE STUDY ANALYSIS FOR 2023 RATES:

City of Edina, MN



Prepared by:

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BUILDING COMMUNITIES. IT'S WHAT WE DO.

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I. EXECUTIVE SUMMARY

The goal of a rate study is to ensure the long-term financial health of the utility enterprise funds. The City of Edina conducts periodic updates to its utility rate study with the last update being completed in 2021. The recommendations from the 2021 study were conceptually approved by the Council in a work session, but implementation was delayed due to billing software conversion. This rate study revisits the rate structure provided in the 2021 update and seeks to achieve climate goals, reduce customer complaints, and accommodate updated capital cost estimates. The utilities are capital intensive operations with over \$175 million in capital costs estimated for 2022-2031, compared to \$149 million estimated in the 2021 update over the same timeframe. The rate study assumes the City will continue the practice of financing the majority of capital costs.

This rate study reviews each utility fund to ensure the recommended rates and fees will support operations, capital costs, capacity expansion projects, address the City's climate goal of water conservation, and maintain adequate cash reserves. This report details the findings and recommendations for each utility, provides an estimated 2023 utility bill for sample homeowners and businesses, and reviews connection fees. Moreover, the rate study provides a recommendation for the 2023 user rates and annual increases thereafter for the water, sanitary sewer, and storm water utilities as well as connection fees for the water and sanitary sewer utilities.

This rate study aims to find solutions to the increased capital costs and unique challenges each utility is facing, which is summarized below.

Water Fund – The City's existing tiered rate structure does not actively promote water conservation. Under the current structure, 95% of residential accounts have all their water use fall within the first two tiers of the rates. The current structure thus lacks an adequate price signal to customers to monitor their usage more closely, and results in similar fees being collected for irrigation and indoor water use.

Sewer Fund – The single biggest expense in the sewer fund is the Metropolitan Council Environmental Services (MCES) disposal fees, which is 76% of the 2022 operating budget. When these fees increase, it puts financial pressure on revenues to keep pace. In addition, the current rate structure does not promote conservation and winter quarter average billing is generating complaints from customers.

Storm Water Fund – The City is committed to adequately maintaining its stormwater infrastructure. In addition, the City needs to undertake flood mitigation projects over the next 20 years to address flooding risk. To balance affordability with capital needs, this rate study assumes one \$10 million flood mitigation project from 2022-2031, the timeframe of this study.

To address these challenges, Ehlers recommends restructuring water and sewer rates for 2023 and provides the following recommendations for annual increases to utility rates and connection fees.

Utility Fee	2023 Rate Increases	Annual Rate Increases Beginning in 2024
Water User Rates	Rate Restructure	5%
Sewer User Rates	Rate Restructure	6%
Storm Water Rates	8%	8%
Water Connection Fee	3%	3%
Sewer Connection Fee	28%	22% in 2024; 5% thereafter

II. BACKGROUND INFORMATION

Most City operations, such as public works, public safety, administration, and parks are accounted for under governmental funds, primarily embedded in the General Fund. These operations rely on a variety of revenues including property taxes, intergovernmental aid, and charges for services.

Municipal utility funds are considered enterprise funds. They are intended to be operated like a private enterprise in which the fee revenue pays for all operations and capital expenses. City utility operations include four funds: water, sewer, storm water, and recycling. Together these utilities are over a \$27 million operation. In the City’s Annual Comprehensive Financial Report (ACFR), enterprise funds are segregated funds, recognizing the unique purpose and revenue streams of these functions.

In addition to the ACFR segregating the enterprise funds, the City’s Capital Improvement Plan (CIP) distinguishes between projects that will be funded by the enterprise funds and those to be funded by governmental funds.

It should be noted that the City currently has one accounting fund for water, sanitary sewer, storm water and recycling. For this analysis, we segregated the revenues and expenses for each utility, and treated each as a separate fund. By doing so, we can ensure that each utility will recover its own costs. For purposes of this study, we refer to each segregated utility as its own fund.

III. METHODOLOGY AND ASSUMPTIONS

As part of this year's study, Ehlers prepared a 10-year cash flow projection for the water, sewer, and storm water utility funds through the year 2032. This projection examines anticipated cash flows in future years and estimates the user rate increases necessary to meet all financial obligations of the utility funds while maintaining adequate cash reserves.

The cash flow analysis method determines future revenue requirements by incorporating operating and maintenance expenses, transfer payments, current and future debt service and anticipated future capital projects. We also include future growth estimates in the model for calculating connection fees. The primary financial inputs in the development of the analysis were the City's audited financial statements, budget documents, annual water billing data for 2019, and the City's latest Capital Improvement Plan. This study assumes approximately 1.96 billion gallons per year of water consumption based on actual consumption over a 12-month period spanning 2019 and 2020. The City elected to use billing data from 2019 and 2020 because it reflected "normal" rainfall and excluded the COVID-19 pandemic which may have skewed the data.

The cashflow projections include the following assumptions:

- 3-5% annual inflation on operating costs.
- 4% annual inflation on MCES disposal charges.
- Growth is 175 and 119 new SAC units per year for the Southdale and Cahill areas respectively for connection fees.
- We did not assume any additional usage from growth for our user revenue calculations. This is based on previous years' experience with growth and minimal to no additional usage being realized city-wide, likely as the result of more efficient appliances.

Funding capital improvements for a redeveloping community as well as replacing aging utility infrastructure drive the need for adequate utility revenue. City staff developed a 10-year Capital Improvement Plan for each utility (See Appendix A). All capital costs listed in Appendix A assume historic inflation levels. If current inflation levels continue the costs will be understated.

IV. WATER FUND

There are three components to the City's water utility revenues:

- Fixed Charges
- Usage Fees
- WAC Fees (Water Access Charge or connection fees)

Fixed charges are a quarterly fee based on the size of the water meter. The fixed charge is established to recover certain administration expenses, such as meter reading and billing, plus a portion of distribution costs. The 2022 fixed charge for single family residential accounts is \$24.72 per quarter for a three-quarter inch meter and it increases as the size of the meter increases.

Usage fees are based on the metered use of water. Water is sold in units and currently one unit represents 1,000 gallons. The billing structure for most Edina residents is tiered so that the rate per unit depends on the amount of water used per quarter. Water usage in the Morningside area is charged at a flat rate per unit. The Morningside rate is set at an amount sufficient to cover the cost of purchasing water from the City of Minneapolis which is the largest component of the Morningside rate. The other components are a pro-rata share of the City of Edina's water distribution costs not included in the fixed charge. The current and proposed tier structure can be seen in Table 1.

Water access charges (WAC) are paid by developers of new homes and businesses when a building permit is pulled. Developers do not pay connection fees when they are replacing an existing unit, as is the case for residential tear downs and rebuilds. The connection fees help pay for the capital costs of serving the new properties. The City of Edina currently charges \$2,960 per sewer availability charge (SAC) unit for new development. We recommend the City increase its WAC fee 3% annually as discussed later in this report.

The rate study proposes making tiers 1 and 2 smaller in 2023 to promote conservation. As shown in Figure 1, under the current structure, only 17% of residents are outside of the first tier and as a result are the only users that receive a price signal to monitor their consumption more closely. As shown in Figure 2, under the proposed 2023 structure, 58% of residents will receive a price signal. In tandem with the increased rates in tiers 2 and 3, the new structure will incentivize less consumption.

Figure 1. Current 2022 Tiers and Residential Accounts by Usage

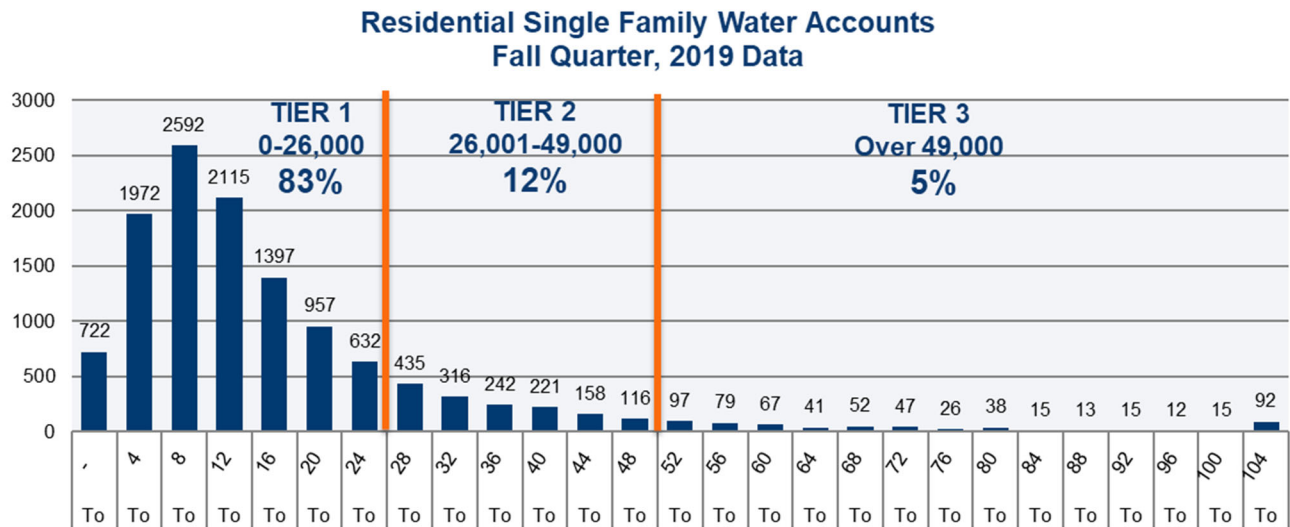
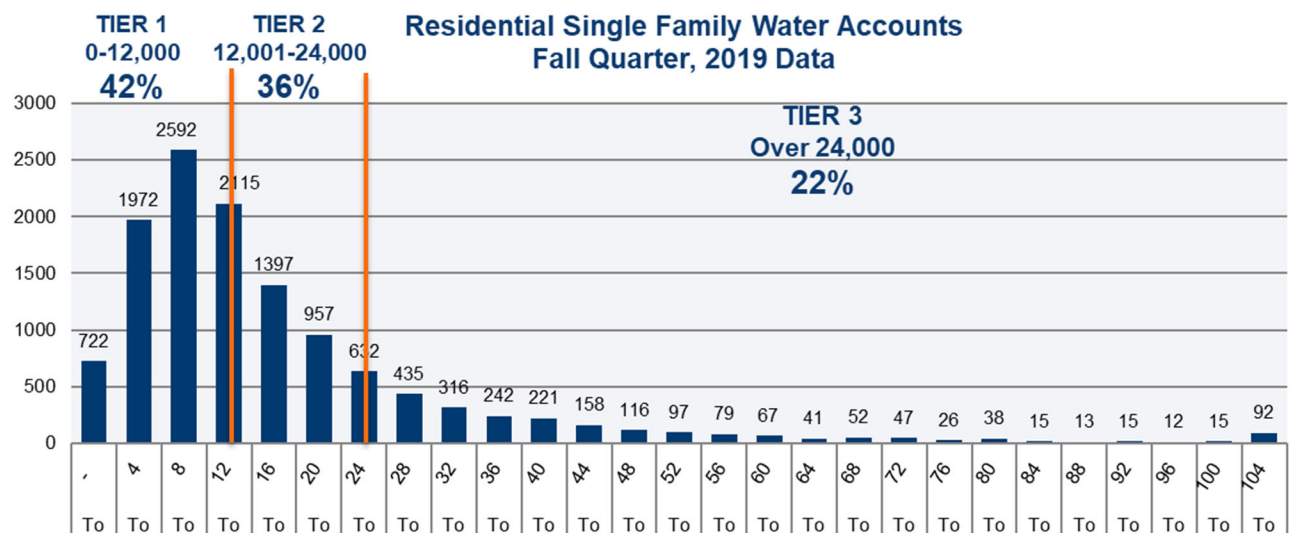


Figure 2. Proposed 2023 Tiers and Residential Accounts by Usage



The proposed changes to the tier structure, as shown in Table 1, are estimated to generate a 3.5% increase in water revenue in 2023 with low volume residential customers paying less and medium and high volume customers paying more, as shown in Table 2. The recommended annual rate increase in 2024 and beyond is 5%.

Table 1. Current Water Usage Fees compared to Proposed 2023 Tier Restructure and Rates

WATER		2022		Proposed 2023*		Annual Increase Beginning in 2024		
Residential	Tier 1	Up to 26,000 gallons	\$	2.71	Up to 12,000 gallons	\$	2.42	5.0%
	Tier 2	26,001 to 49,000 gallons	\$	3.60	12,001 to 24,000 gallons	\$	3.68	5.0%
	Tier 3	Over 49,000 gallons	\$	5.63	Over 24,000 gallons	\$	6.08	5.0%
Morningside		All Usage	\$	4.40	All Usage	\$	4.62	5.0%
Multifamily	Tier 1	Up to 26,000 gallons	\$	2.71	All Usage	\$	3.62	5.0%
	Tier 2	26,001 to 49,000 gallons	\$	3.60				
	Tier 3	Over 49,000 gallons	\$	5.63				
Comm/Ind	Tier 1	Up to 26,000 gallons	\$	2.71	Up to 50,000 gallons	\$	2.42	5.0%
	Tier 2	Over 26,000 gallons	\$	3.60	50,001 to 200,000 gallons	\$	3.02	5.0%
	Tier 3	N/A			Over 200,000 gallons	\$	3.77	5.0%
Irrigation	Tier 1	Up to 26,000 gallons	\$	3.60	Up to 12,000 gallons	\$	3.68	5.0%
	Tier 2	Over 26,000 gallons	\$	5.63	Over 12,000 gallons	\$	6.08	5.0%

*Fixed charges (i.e., meter fees) are proposed to increase 5% annually beginning in 2023.

Water use varies based on personal usage, lot size, irrigation, and weather. In 2019 to 2020 the City's residential customers used an average of 13,700 gallons in the winter quarter and 27,500 gallons in the summer quarter, with the average quarterly usage being 19,200 gallons. Table 2 shows sample water bills for customers at three different consumption levels.

Table 2. Residential Customer Comparison - Proposed Tier Restructure

	Low Volume Customer (10,000 gals)	Medium Customer (24,000 gals)	High Volume Customer (95,000 gals)
2022 Quarterly Water Bill	\$51.82	\$98.76	\$445.96
Proposed 2023 Water Bill	\$49.36	\$108.38	\$539.94
\$ Difference	-\$2.46	\$9.62	\$93.98
% Difference	-5%	10%	21%

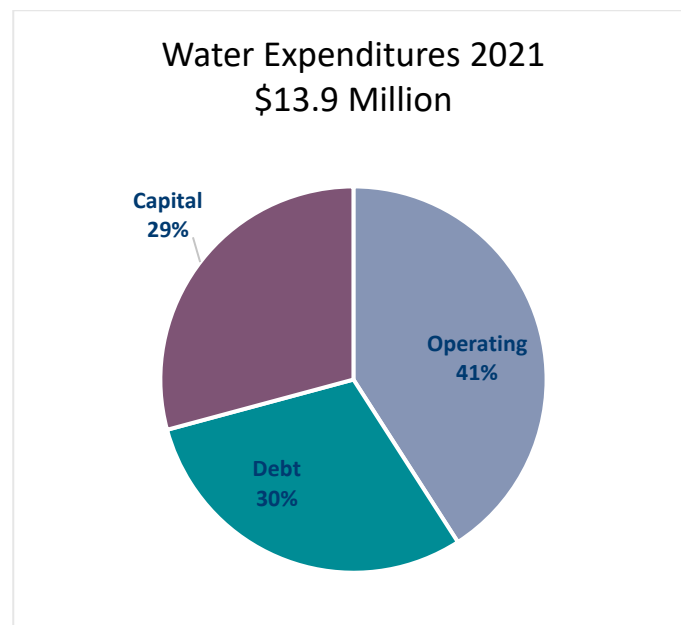
In addition to promoting conservation, the new structure and annual increase in rates will help pay for the reinvestment in the City’s aging water system as well as the construction of a new water treatment plant. Between 2022 and 2031, the City plans to spend \$62 million on capital improvements from the water utility fund (see Appendix A). The table below outlines some of the major water capital projects in the City’s capital improvement plan.

Table 3. Water Utility Major Capital Improvements

Major Projects	Year	Amount
Street Improvement Program	Annual Average	\$3,100,000
Well Rehab	Annual Average	\$280,000
New Water Treatment Plant	2028-2029	\$18,000,000
New Water Supply	2028-2029	\$6,200,000

Capital and annual debt expenditures comprised 59% of the total cash expenditures in the Water Fund in 2021 as shown in Figure 3. These are fixed costs that do not fluctuate with consumption; therefore, the revenue stream needs to be reliable from year to year.

Figure 3. 2021 Water Expenditures (Excluding Depreciation)



V. SEWER FUND

There are two components to the City's sewer utility revenues:

- Usage Fees
- SAC Fees (Sewer Access Charge or connection fees)

Currently, usage fees are based on the metered use of water in the winter quarter, or the current minimum of 12,000 gallons, whichever is greater.

Winter quarter averaging is used for single-family residential properties to avoid billing for irrigation usage. Run-off due to water used for irrigating is part of the storm water collection system and should not be part of the sewer charge. In some cases, the winter quarter average can be greater than the actual usage in the spring and summer months; an example of what can cause this is heavy usage in the winter with guests in town for the holidays. The City receives a substantial number of complaints from homeowners who are paying winter quarter consumption when their actual consumption is less.

The minimum charge provides revenue stability for the sewer fund. In addition, residents who travel to warmer climates in the winter still incur the minimum charge when no water is used. In smaller households the minimum is sometimes more than actual usage.

Sewer access charges (SAC) are paid by developers of new homes and businesses when a building permit is pulled. Developers do not pay connection fees when they are replacing an existing unit, as is the case for residential tear downs and rebuilds. The connection fees help pay for the capital costs of serving the new properties. The City of Edina currently charges \$1,810 per sewer availability charge unit for new development. We recommend the City increase its SAC fee 28% in 2023, 22% in 2024 and 5% annually thereafter as discussed later in this report.

The rate study proposes two structural changes to address customer complaints:

1. A reduction in the sewer minimum to 8,000 gallons in 2023; and
2. Charging the lesser of the Winter quarter or actual, but not less than the minimum.

The proposed changes maintain a sewer minimum for revenue stability, make sewer charges more affordable for low volume customers, as seen in Table 5, and charges the winter quarter average or actual usage, whichever is less. The 6% recommended rate increase in 2024 and beyond is 1% higher than last year's rate study to account for increased capital costs and to assist in funding new infrastructure related to the Cahill expansion. The current and proposed rates can be seen in Table 4.

Table 4. Current Sewer Utility Rates compared to Proposed 2023 Rates

SEWER	2022	Proposed 2023*	Annual Increase Beginning in 2024
Residential (including Morningside)	All Usage Minimum of 12,000 gallons Winter Quarter Averaging	All Usage Minimum of 8,000 gallons Lesser of Winter Quarter or Actual, but no less than 8,000 gallons	6.00%
Multifamily	All Usage Minimum of \$68.05 for each unit over 4 units	All Usage Minimum of 8,000 gallons	6.00%
Comm/Ind and Sewer Only	All Usage Minimum of 12,000 gallons	All Usage Minimum of 8,000 gallons	6.00%

*26% of customers will pay minimum in Winter quarter.

Table 5. Residential Customer Comparison – Proposed Lower Minimum

	Low Volume Customer (8,000 gals)	Medium Customer (12,000 gals)	High Volume Customer (40,000 gals)
2022 Quarterly Sewer Bill	\$75.60	\$75.60	\$252.00
Proposed 2023 Sewer Bill	\$54.88	\$82.32	\$274.40
\$ Difference	\$ (20.72)	\$6.72	\$22.60
% Difference	-27%	9%	9%

The City of Edina participates in the Metropolitan Council Environmental Services (MCES) sewer system. This means that the City's sanitary sewer system flows to the MCES treatment plant and the City receives a bill from the MCES for the service. The City does not maintain its own sanitary sewer treatment plant. MCES allocates the cost of the metro area sanitation system to user Cities based on their relative percent of flow into the system. Currently the MCES charge for services is budgeted at \$5,906,199 in 2022 and is the single biggest expense in the City's sewer fund, comprising almost 76% of budgeted operating expense in 2022, excluding depreciation. This study assumes future increases to the MCES charge for service will be 4% per year.

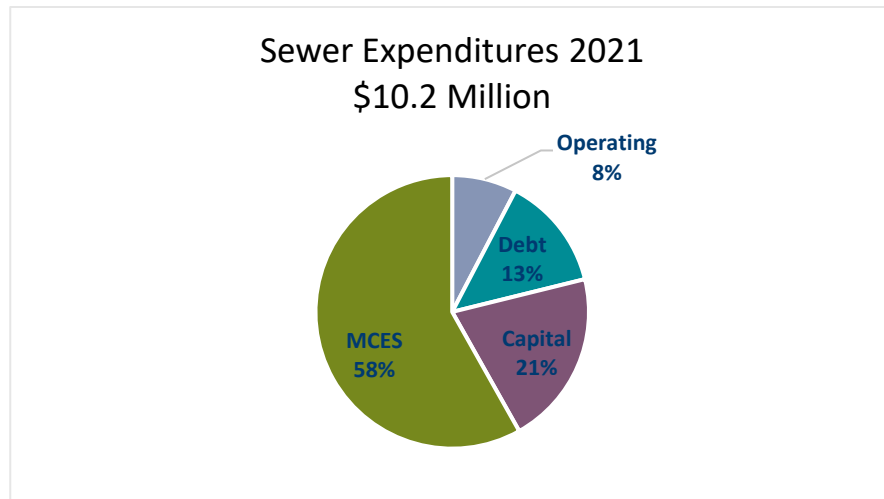
The second biggest expenditure in the sewer fund is capital purchases, most of which are designated for replacing the sewer mains under road reconstruction projects. Between 2022 and 2031, the City plans to spend \$48.5 million on capital improvements from the sewer fund, including the Cahill capacity expansion project (see Appendix A). The table below outlines some of the major sewer capital projects in the City's capital improvement plan.

Table 6. Sewer Utility Major Capital Improvements

Major Projects	Year	Amount
Street Improvement Program	Annual Average	\$1,400,000
Trunk Capacity Expansion	2023-2028	\$22,900,000
Lift Station 6 Rehabilitation	2022	\$8,000,000
72nd Street Sewer Line Upsize	2027	\$1,600,000

Capital, MCES, and debt expenditures comprised 92% of the total cash expenditures in the Sewer Fund in 2021 as shown in Figure 4. These are fixed costs that do not fluctuate with consumption; therefore, the revenue stream needs to be reliable from year to year.

Figure 4. 2021 Sewer Expenditures (Excluding Depreciation)



VI. STORM WATER FUND

The storm water fund was created to pay for the management of storm water runoff in concert with the local watershed. City projects include repair and maintenance of storm water infrastructure such as catch basins, manholes, pipes, and sediment collection devices. Single family residential properties pay a fixed quarterly fee. Commercial property owners are charged based on residential equivalency unit, acreage, and the storm water rate. Over time, capital costs for the storm water system have increased to meet increasingly stringent state standards intended to improve water quality. In addition, there are storm water related construction costs in connection with street reconstruction projects and flood mitigation.

To fund the capital improvements and on-going repairs and maintenance the City will need to generate more storm water revenue. We propose an annual 8% increase in 2023 and thereafter as shown in Table 7. The recommended rate increase is consistent with last year's rate study.

Table 7. Current Storm Water Utility Rates compared to Proposed 2023 Rates

STORM WATER		2022		Proposed 2023		Annual Increase Beginning in 2024
Residential (including Morningside)	Per Residential Lot	\$43.85	Per Residential Lot	\$47.36		8.0%

When considering increased storm water rates, it is necessary to balance affordability and capital needs. With the proposed 8% annual increase in storm water rates, the City will be able to fund approximately \$10 million in flooding mitigation projects every eight years. With this annual increase, it will take approximately 40 years to accomplish the City's \$50 million in flood projects unless other funding is secured.

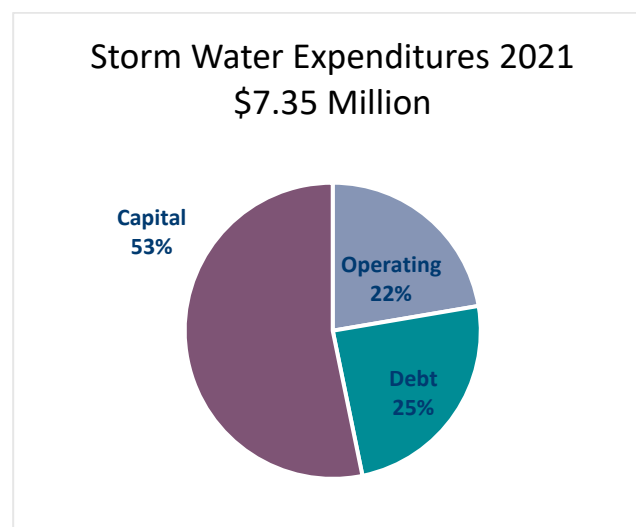
The 8% annual increase allows the City to spend \$64 million on capital improvements from the storm water fund in the next ten years, including the aforementioned \$10 million in flood mitigation projects (see Appendix A). The table below outlines some of the major storm water capital projects in the City's capital improvement plan.

Table 8. Storm Water Utility Major Capital Improvements

Major Projects	Year	Amount
Street Improvement Program	Annual Average	\$3,100,000
Flooding Mitigation	To be determined	\$10,000,000
Flooding Protection Strategy - Morningside	2022	\$14,000,000

Capital and debt expenditures comprised 78% of the total cash expenditures in the Storm Water Fund in 2021 as shown in Figure 5. These are fixed costs that do not fluctuate with consumption; therefore, the revenue stream needs to be reliable from year to year.

Figure 5. 2021 Storm Water Expenditures (Excluding Depreciation)



VII. CONNECTION FEES

The City of Edina currently charges water and sewer connection fees totaling \$4,770 per sewer availability charge unit for new development. The connection fees help pay for the capital costs of serving new properties. Growth in the Southdale area and expansion projects in the Cahill area are requiring an investment in an additional water treatment plant and other water and sewer infrastructure. The estimated costs and sewer availability charge units are show in Table 9.

Table 9. Project Areas and Estimated Utilities Expansion Cost and New SAC Units

Project Area	Estimated Cost	Estimated New SAC Units per Year
Southdale Area	\$11.4 Million	175
Cahill Area*	\$13.1 Million	119

*Cahill expansion projects will be constructed in 2023-2024 with assumed growth in that area to begin in 2027.

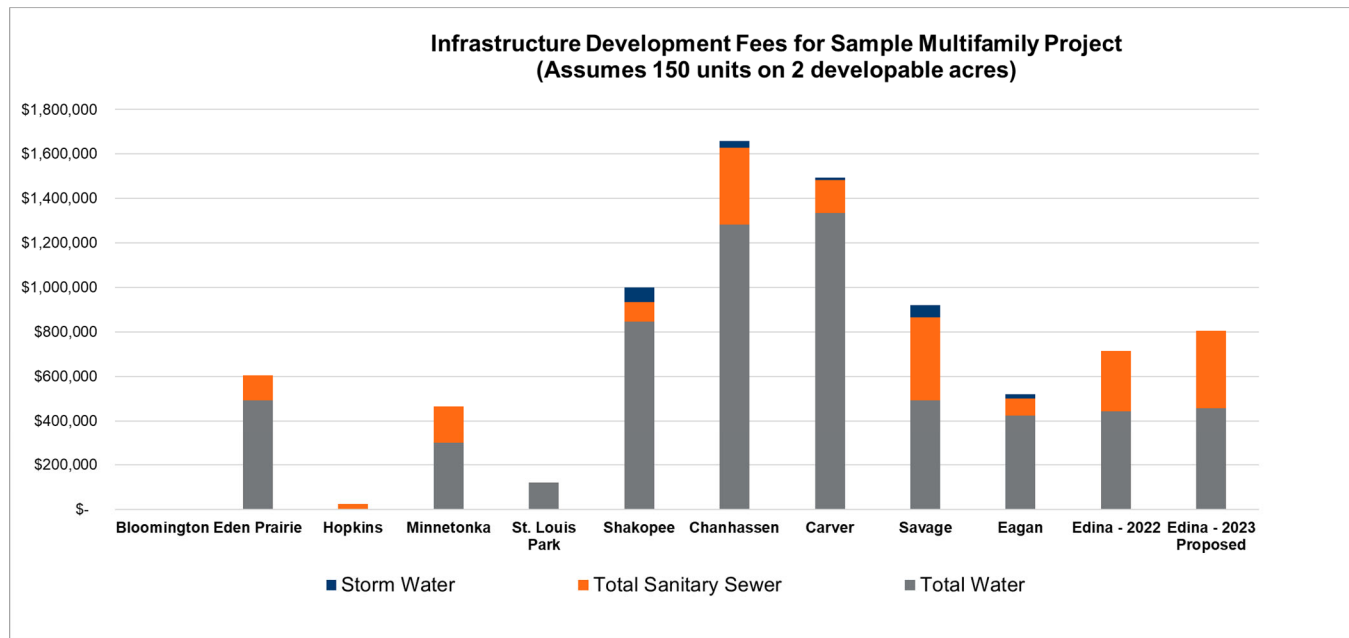
To pay for the improvements needed to accommodate the Cahill area growth from sewer connection fees alone, the fees would need to increase 50% in 2023, 37% in 2024, and 27% in 2025. This level of fee increase may deter the development needed to pay for the improvements. Instead, this study recommends increasing sewer usage fees half a percent more annually than otherwise needed to pay for sewer costs and increasing the water connections fees 3% annually and sewer connection fees 28% in 2023, 22% in 2024 and 5% annually thereafter as shown in Table 10.

Table 10. Proposed Connection Fees

	WATER	SEWER	TOTAL
2022	\$ 2,960	\$ 1,810	\$ 4,770
2023	\$ 3,049	\$ 2,317	\$ 5,366
2024	\$ 3,140	\$ 2,826	\$ 5,967
2025	\$ 3,234	\$ 2,968	\$ 6,202
2026	\$ 3,332	\$ 3,116	\$ 6,448
2027	\$ 3,431	\$ 3,272	\$ 6,703
2028	\$ 3,534	\$ 3,436	\$ 6,970
2029	\$ 3,640	\$ 3,607	\$ 7,248
2030	\$ 3,750	\$ 3,788	\$ 7,537
2031	\$ 3,862	\$ 3,977	\$ 7,839

Even with the proposed increases, the City of Edina’s connection fees remain competitive as shown in Figure 6.

Figure 6. Connection Fees for a 150-Unit Multifamily Project



VIII. CASH RESERVES

The proposed rate increases will maintain the financial health of the funds. Each graph compares the projected cash balance in the fund (in orange) with the City's target cash reserve (in blue). The target cash reserve for each utility is set at an amount necessary to provide adequate operating reserves plus fund next year's debt service and a portion of capital projects. Figures 7-9 show the City's projected ending cash compared to target cash reserves for each utility. See Appendix B for the full 10-year cash flow analyses for the City's utility funds.

Figure 7. Projected Water Fund Cash Balances

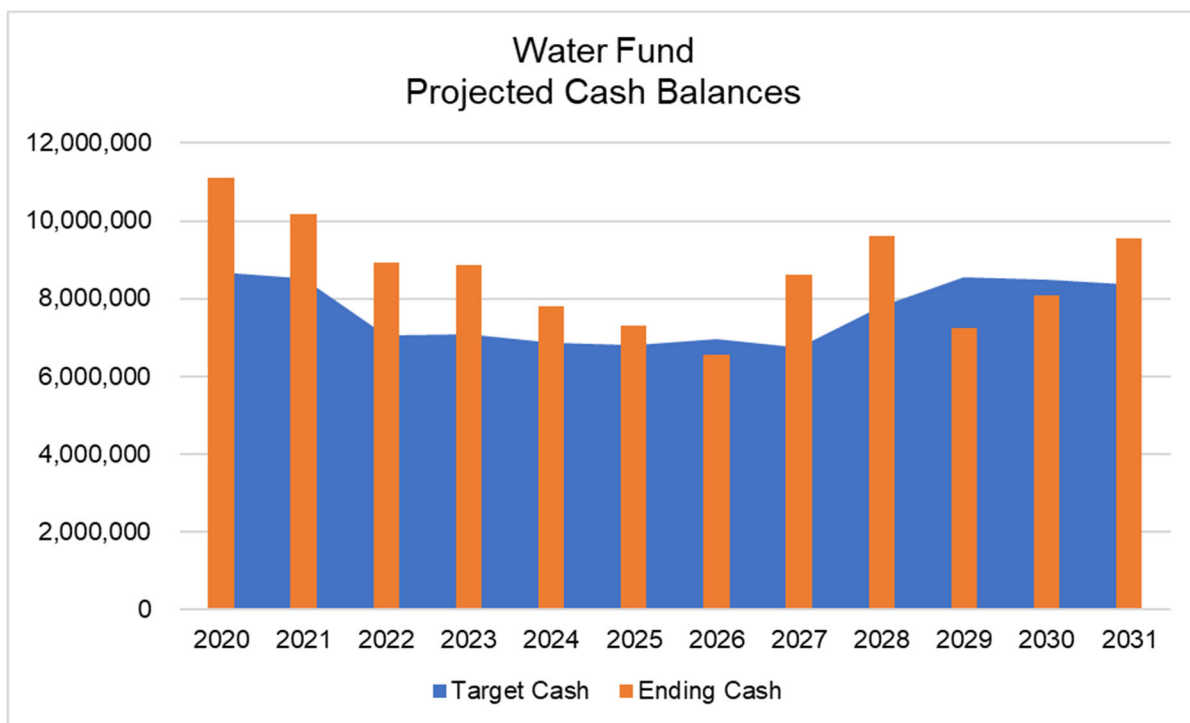
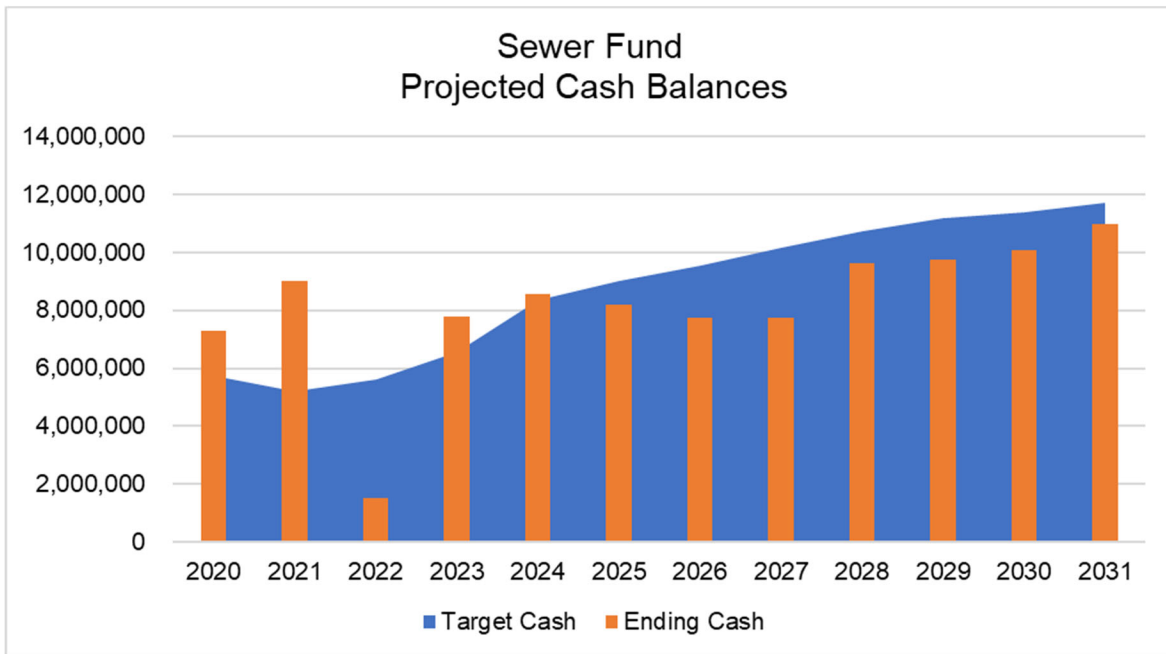
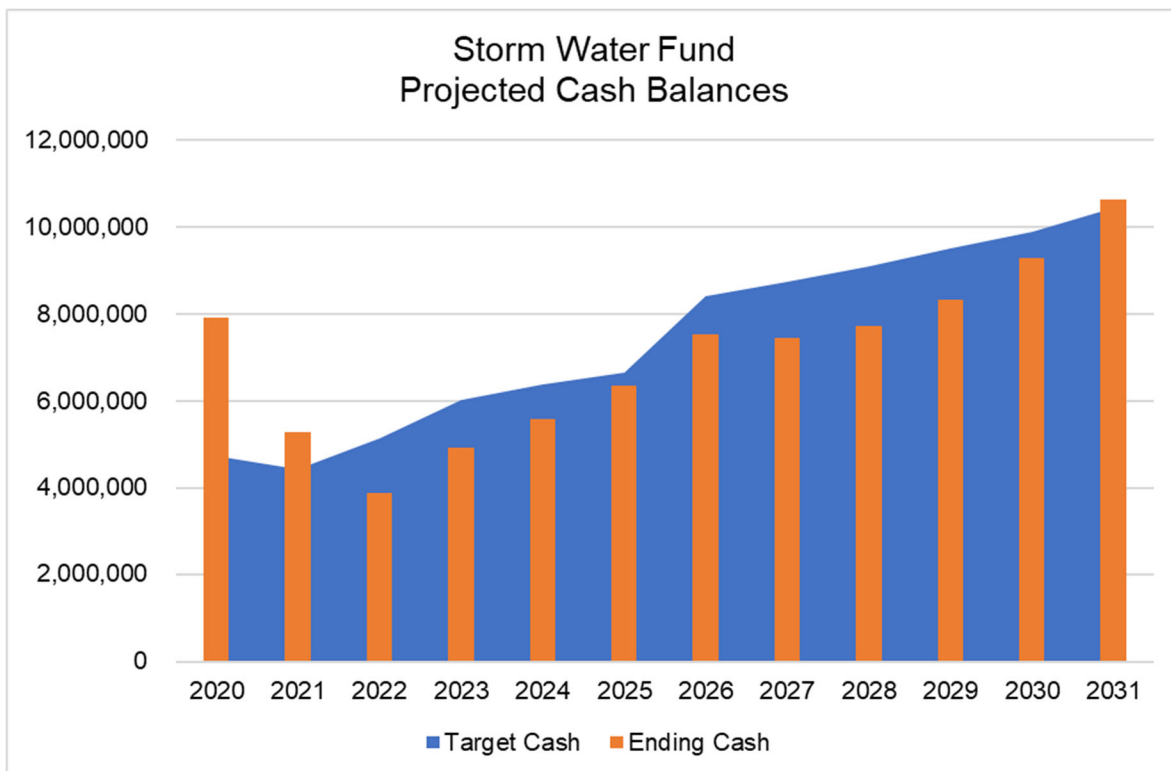


Figure 8. Projected Sewer Fund Cash Balances



Low ending cash in 2022 is the result of paying for lift stations with cash. Lower ending cash in later years is the result of funding utilities expansion related to Cahill area growth.

Figure 9. Projected Storm Water Fund Cash Balances



IX. COMMUNITY COMPARISON

Each community has different demands on its utility systems that make it unique – different growth patterns, groundwater sources, soil conditions, usage patterns and infrastructure. Therefore, one should set rates based on documented need, as the City of Edina does through its periodic rate studies. Nevertheless, it is helpful to know how the City compares to surrounding communities because residents and businesses often expect to pay similar rates. In Edina, water use varies significantly based on personal usage, lot size, irrigation, and weather. The data used for this analysis shows an average usage range of 13,700 gallons in the winter quarter to 27,500 gallons in the summer quarter, with the average quarterly usage being 19,200 gallons. Figures 10-11 compare utility bills for a low volume and medium volume residential customer.

Figure 10. Quarterly Bill Comparison of Neighboring Communities – Low Volume Residential

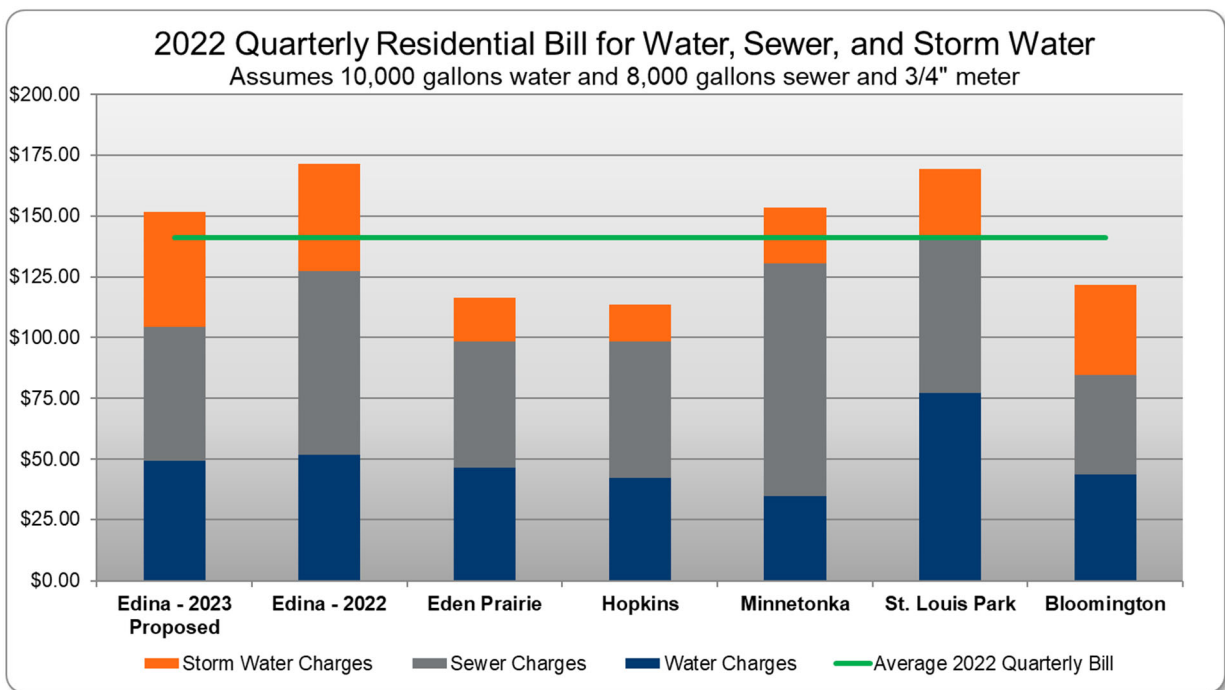
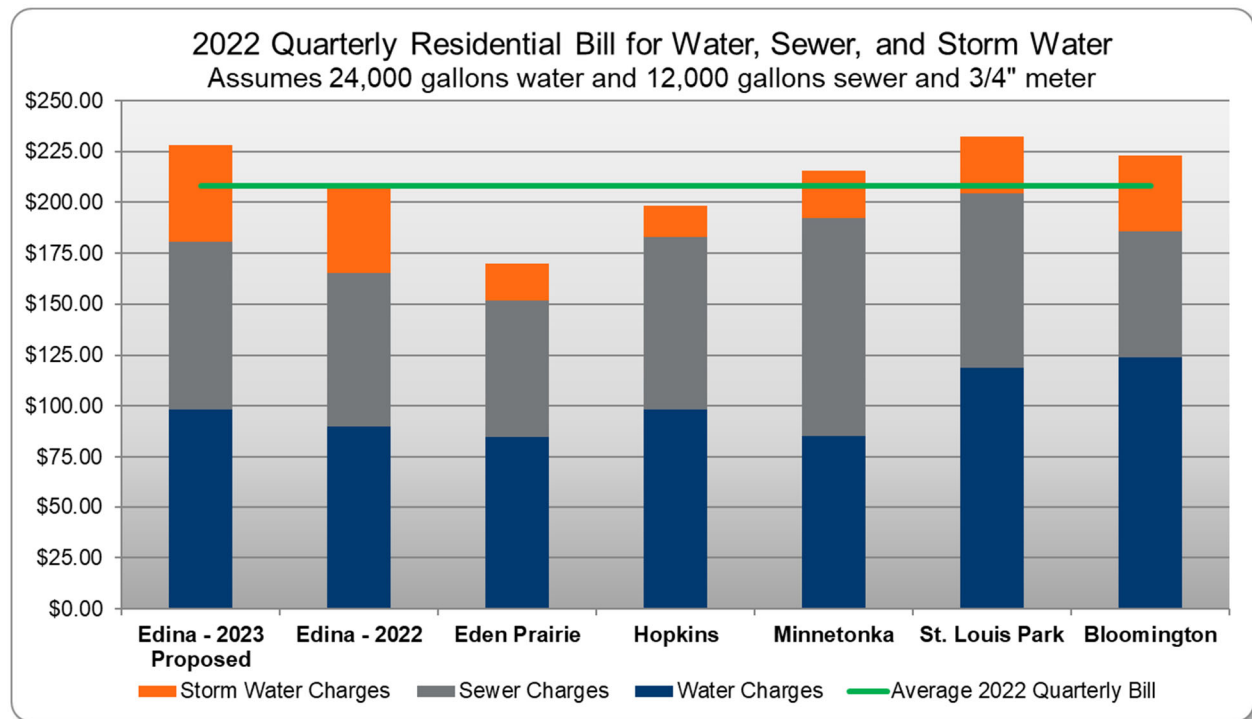


Figure 11. Quarterly Bill Comparison of Neighboring Communities – Medium Volume Residential



Under the current and proposed tier structure the low volume user's water usage is all being charged at the tier 1 rate which results in a reduced bill in 2023 due to a reduced tier 1 rate. Under the current tier structure, the medium volume user's water usage is all being billed at the tier 1 rate, and under the proposed 2023 tier structure 12,000 gallons will be billed at the tier 2 rate which results in a higher 2023 bill. The proposed tier structure provides more customers with a price signal and promotes water conservation while maintaining affordability for essential indoor water use.

X. PUTTING IT ALL TOGETHER: SAMPLE BILLS

Table 11 shows sample bills for residential and commercial customers with varying usage throughout the period of the analysis.

Table 11. Sample Quarterly Utility Bills for Residential and Commercial Customers

	Actual	Proposed				
	2022	2023	2024	2025	2026	
Quarterly Low Volume Residential Bill						
10,000 gallons water and 8,000 gallons sewer and 3/4" meter						
Water	\$ 51.82	\$ 50.16	\$ 52.66	\$ 55.30	\$ 58.06	
Sewer	\$ 75.60	\$ 54.88	\$ 58.17	\$ 61.66	\$ 65.36	
Storm	\$ 43.85	\$ 47.36	\$ 51.15	\$ 55.24	\$ 59.66	
Total	\$ 171.27	\$ 152.39	\$ 161.98	\$ 172.20	\$ 183.08	
Percent Increase	5.8%	-11.0%	6.3%	6.3%	6.3%	
Amount Increase- per quarter	\$9.33	(\$18.88)	\$9.59	\$10.22	\$10.88	
	Actual	Proposed				
	2022	2023	2024	2025	2026	
Quarterly Medium Volume Residential Bill						
24,000 gallons water and 12,000 gallons sewer and 3/4" meter						
Water	\$ 89.76	\$ 99.16	\$ 104.11	\$ 109.32	\$ 114.79	
Sewer	\$ 75.60	\$ 82.32	\$ 87.26	\$ 92.49	\$ 98.04	
Storm	\$ 43.85	\$ 47.36	\$ 51.15	\$ 55.24	\$ 59.66	
Total	\$ 209.21	\$ 228.83	\$ 242.52	\$ 257.05	\$ 272.49	
Percent Increase	1.2%	9.4%	6.0%	6.0%	6.0%	
Amount Increase- per quarter	\$2.58	\$19.62	\$13.69	\$14.53	\$15.43	
	Actual	Proposed				
	2022	2023	2024	2025	2026	
Quarterly High Volume Residential Bill						
95,000 gallons water and 40,000 gallons sewer and 1" meter						
Water	\$ 445.96	\$ 540.29	\$ 567.30	\$ 595.67	\$ 625.45	
Sewer	\$ 252.00	\$ 274.40	\$ 290.86	\$ 308.32	\$ 326.81	
Storm	\$ 43.85	\$ 47.36	\$ 51.15	\$ 55.24	\$ 59.66	
Total	\$ 741.81	\$ 862.04	\$ 909.31	\$ 959.22	\$ 1,011.92	
Percent Increase	20.3%	16.2%	5.5%	5.5%	5.5%	
Amount Increase- per quarter	\$125.35	\$120.23	\$47.27	\$49.91	\$52.70	
	Actual	Proposed				
	2022	2023	2024	2025	2026	
Quarterly Small Commercial Bill						
10,000 gallons water and sewer and 3/4" meter						
Water	\$ 51.82	\$ 50.16	\$ 52.66	\$ 55.30	\$ 58.06	
Sewer	\$ 75.60	\$ 68.60	\$ 72.72	\$ 77.08	\$ 81.70	
Storm	\$ 76.95	\$ 83.11	\$ 89.75	\$ 96.93	\$ 104.69	
Total	\$ 204.37	\$ 201.86	\$ 215.13	\$ 229.31	\$ 244.46	
Percent Increase	6.1%	-1.2%	6.6%	6.6%	6.6%	
Amount Increase- per quarter	\$11.78	(\$2.51)	\$13.27	\$14.18	\$15.14	
	Actual	Proposed				
	2022	2023	2024	2025	2026	
Quarterly Large Commercial Bill						
502,000 gallons water and sewer and 1" meter						
Water	\$ 1,817.78	\$ 1,747.95	\$ 1,835.34	\$ 1,927.11	\$ 2,023.47	
Sewer	\$ 3,162.60	\$ 3,443.72	\$ 3,650.34	\$ 3,869.36	\$ 4,101.53	
Storm	\$ 828.73	\$ 895.03	\$ 966.63	\$ 1,043.96	\$ 1,127.47	
Total	\$ 5,809.11	\$ 6,086.69	\$ 6,452.31	\$ 6,840.43	\$ 7,252.47	
Percent Increase	5.4%	4.8%	6.0%	6.0%	6.0%	
Amount Increase- per quarter	\$297.90	\$277.58	\$365.62	\$388.12	\$412.03	

XI. SUMMARY

The utility funds have been well managed and have adequate cash reserves. However, each utility is facing unique challenges putting upward pressure on rates, and our analysis indicates opportunity to change the rate structure to promote water conservation, a key climate action goal for the City.

To address these challenges, Ehlers proposes the following restructure of water and sewer rates in 2023 with annual increases in 2024 and beyond.

Table 12. Proposed Utility Rates

WATER				2022		Proposed 2023		Annual Increase Beginning in 2024	
Residential	Tier 1	Up to 26,000 gallons	\$	2.71	Up to 12,000 gallons	\$	2.42	5.00%	
	Tier 2	26,001 to 49,000 gallons	\$	3.60	12,001 to 24,000 gallons	\$	3.68	5.00%	
	Tier 3	Over 49,000 gallons	\$	5.63	Over 24,000 gallons	\$	6.08	5.00%	
Morningside		All Usage	\$	4.40	All Usage	\$	4.62	5.00%	
Multifamily	Tier 1	Up to 26,000 gallons	\$	2.71	All Usage	\$	3.62	5.0%	
	Tier 2	26,001 to 49,000 gallons	\$	3.60					
	Tier 3	Over 49,000 gallons	\$	5.63					
Comm/Ind	Tier 1	Up to 26,000 gallons	\$	2.71	Up to 50,000 gallons	\$	2.42	5.0%	
	Tier 2	Over 26,000 gallons	\$	3.60	50,001 to 200,000 gallons	\$	3.02	5.0%	
	Tier 3	N/A			Over 200,000 gallons	\$	3.77	5.0%	
Irrigation	Tier 1	Up to 26,000 gallons	\$	3.60	Up to 12,000 gallons	\$	3.68	5.0%	
	Tier 2	Over 26,000 gallons	\$	5.63	Over 12,000 gallons	\$	6.08	5.0%	
METER CHARGE				2022		Proposed 2023		Annual Increase Beginning in 2024	
All Customers	3/4"		\$	24.72	3/4"	\$	25.96	5.0%	
	1"		\$	33.72	1"	\$	35.41	5.0%	
	1 1/4"		\$	38.44	1 1/4"	\$	40.36	5.0%	
	1 1/2"		\$	43.24	1 1/2"	\$	45.40	5.0%	
	2"		\$	69.64	2"	\$	73.12	5.0%	
	3"		\$	264.41	3"	\$	277.63	5.0%	
	4"		\$	336.56	4"	\$	353.39	5.0%	
	6"		\$	426.50	6"	\$	447.83	5.0%	
	8"		\$	541.66	8"	\$	568.74	5.0%	
SEWER				2022		Proposed 2023		Annual Increase Beginning in 2024	
Residential (including Morningside)	All Usage	\$	6.30	All Usage	\$	6.86	6.00%		
	Minimum of 12,000 gallons			Minimum of 8,000 gallons					
	Winter Quarter Averaging			Lesser of Winter Quarter or Actual, but no less than 8,000 gallons					
Multifamily	All Usage	\$	6.30	All Usage	\$	6.86	6.00%		
	Minimum of \$68.05 for each unit over 4 units			Minimum of 8,000 gallons					
Comm/Ind and Sewer Only	All Usage	\$	6.30	All Usage	\$	6.86	6.00%		
	Minimum of 12,000 gallons			Minimum of 8,000 gallons					
STORM WATER				2022		Proposed 2023		Annual Increase Beginning in 2024	
Residential (including Morningside)	Per Residential Lot	\$43.85		Per Residential Lot	\$47.36		8.0%		

Table 13. Proposed Connection Fees

	WATER		SEWER		TOTAL
2022	\$	2,960	\$	1,810	\$ 4,770
2023	\$	3,049	\$	2,317	\$ 5,366
2024	\$	3,140	\$	2,826	\$ 5,967
2025	\$	3,234	\$	2,968	\$ 6,202
2026	\$	3,332	\$	3,116	\$ 6,448
2027	\$	3,431	\$	3,272	\$ 6,703
2028	\$	3,534	\$	3,436	\$ 6,970
2029	\$	3,640	\$	3,607	\$ 7,248
2030	\$	3,750	\$	3,788	\$ 7,537
2031	\$	3,862	\$	3,977	\$ 7,839

Water connections fees are proposed to increase 3% annually and sewer connection fees 28% in 2023, 22% in 2024 and 5% annually thereafter.

The proposed utility rate and connection fee increases accommodate the City's commitment to funding street reconstruction projects, expanding and maintaining the systems, achieving water conservation, and maintaining adequate cash reserves.

Appendix A – Capital Improvement Plans

Water Fund Capital Improvement Plan

Sewer Fund Capital Improvement Plan

Storm Water Fund Capital Improvement Plan

Appendix A - City of Edina Water Capital Improvements

		Water									
Capital Project	Project Number	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Utilities Equipment Replacement	15-108	-	-	-	-	-	-	-	-	-	-
New Water Treatment Plant 5 - Southdale	15-162	-	-	-	-	-	-	9,000,000	-	-	-
New Water Treatment Plant 5 - Southdale	15-162	-	-	-	-	-	-	-	9,000,000	-	-
Asset Management Software and Equipment	15-173	10,000	-	-	-	-	-	-	-	-	-
Asset Management Software and Equipment	15-173	-	10,000	-	-	-	-	-	-	-	-
Asset Management Software and Equipment	15-173	-	-	10,000	-	-	-	-	-	-	-
Asset Management Software and Equipment	15-173	-	-	-	10,000	-	-	-	-	-	-
Asset Management Software and Equipment	15-173	-	-	-	-	10,000	-	-	-	-	-
Blake Road Reconstruction	17-020	528,216	-	-	-	-	-	-	-	-	-
Morningside D Reconstruction	17-067	965,336	-	-	-	-	-	-	-	-	-
Watermain Rehabilitation	17-080	-	-	-	-	1,400,000	-	-	-	-	-
Prospect Knolls A Reconstruction	17-107	-	-	-	-	1,329,679	-	-	-	-	-
Prospect Knolls C Reconstruction	19-308	-	-	-	-	-	-	952,351	-	-	-
Prospect Knolls D Reconstruction	19-309	-	-	-	-	-	-	289,846	-	-	-
Presidents B Reconstruction	19-310	-	-	-	1,488,943	-	-	-	-	-	-
Morningside C Reconstruction	19-311	-	1,836,618	-	-	-	-	-	-	-	-
Southdale B Reconstruction	19-312	-	-	886,276	-	-	-	-	-	-	-
Concord B Reconstruction	19-313	-	-	2,055,132	-	-	-	-	-	-	-
Indian Trails A Reconstruction	19-314	-	-	-	-	587,533	-	-	-	-	-
Benton Avenue A		-	-	-	-	-	-	369,875	-	-	-
Todd Park B		-	-	-	-	-	-	463,753	-	-	-
Lincoln Drive A		-	-	-	-	-	-	348,740	-	-	-
W 7th Street		-	-	-	-	-	-	58,123	-	-	-
Eden Avenue Improvements	19-331	-	200,000	-	-	-	-	-	-	-	-
Morningside E Reconstruction	19-318	437,344	-	-	-	-	-	-	-	-	-
Water Main Condition Assessment	19-351	140,000	140,000	150,000	150,000	160,000	160,000	165,000	-	-	-
Water Treatment Plant 3 Facility Improvements	19-900	231,800	-	-	-	-	-	-	-	-	-
Water Treatment Plant 4 Facility Imp.	19-903	22,900	-	-	-	-	-	-	-	-	-
Water Treatment Plant 2 Facility Imp.	19-904	63,400	-	-	-	-	-	-	-	-	-
Well #2 Rehabilitation and Facility Improvement	PW 23007	-	-	-	-	-	-	170,000	-	-	-
Well #4 Rehab	19-911	-	-	130,000	-	-	-	-	-	-	-
Well #6 Rehab	19-912	-	120,000	-	-	-	-	-	-	-	-
Well #6 Rehab	23008	-	-	-	-	-	-	120,000	-	-	-
Well #5 Rehabilitation	19-913	-	120,000	-	-	-	-	-	-	-	-
Well #7 Rehabilitation	19-913	-	-	-	-	120,000	-	-	-	-	-
Well #10 Rehabilitation and Facility Improvement	19-914	420,000	-	-	-	-	-	-	-	-	-
Well #10 Rehab	PW 23004	-	-	-	-	-	120,000	-	-	-	-
Well #12 Rehabilitation and Facility Improvements	PW 23005	-	-	-	-	-	120,000	-	-	-	-
Well #13 Rehabilitation and Facility Improvements	PW 23006	-	-	-	-	-	-	120,000	-	-	-
Well #17 Rehabilitation and Facility Improvement	19-917	-	120,000	-	-	-	-	-	-	-	-
Well #20 Rehabilitation	19-918	-	-	-	120,000	-	-	-	-	-	-
Well #15 Rehabilitation	19-919	-	-	140,000	-	-	-	-	-	-	-
Concord C Reconstruction	ENG21020	-	-	757,830	-	-	-	-	-	-	-
Presidents A Reconstruction	ENG21021	-	-	-	2,565,768	-	-	-	-	-	-
Rolling Green Reconstrucion	ENG21024	-	-	-	-	-	1,744,276	-	-	-	-
Countryside E		-	-	-	-	-	584,092	-	-	-	-
Minnehaha Woods D Reconstruction	ENG21025	-	-	-	-	853,085	-	-	-	-	-
Hilary Lane Reconstruction	ENG21028	-	-	-	-	700,430	-	-	-	-	-
Well #5 69th Street Construct Underground Wellhead	ENG21034	350,000	-	-	-	-	-	-	-	-	-
Water Treatment Plant #2 Chemical Feed Equipment	PWK21001	80,000	-	-	-	-	-	-	-	-	-
Pneumatic Actuator Valve Replacement	PW 23012	-	80,000	-	-	-	-	-	-	-	-
Pneumatic Actuator Valve Replacement	PW 23013	-	-	70,000	-	-	-	-	-	-	-
Grandview Area Watermain Improvements		-	110,000	-	-	-	-	-	-	-	-
Grandview Area Watermain Improvements PH 2	ENG 19-349	-	-	-	-	-	-	240,000	-	-	-
Water Supply Grandview Area PH 3	ENG20058 (ENG 21-WM1)	-	-	-	-	-	-	2,500,000	-	-	-
Water Supply 50th and France	ENG20059 (ENG 21-WM2)	-	-	-	-	-	-	-	2,500,000	-	-
Water Supply Pentagon Park	ENG20060 (ENG 21-WM3)	-	-	-	-	-	-	-	1,000,000	-	-
Future water improvements		-	-	-	-	-	-	-	4,000,000	4,100,000	4,200,000
Total Capital Projects		3,248,996	2,736,618	4,199,238	4,334,711	5,160,727	2,728,368	14,797,688	16,500,000	4,100,000	4,200,000

Appendix A - City of Edina Sewer Capital Improvements

Capital Project	Project Number	Sewer									
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Asset Management Software and Equipment	15-173	10,000	10,000	10,000	10,000	10,000	-	-	-	-	-
Blake Road Reconstruction	17-020	352,354	-	-	-	-	-	-	-	-	-
Morningside D Reconstruction	17-067	506,897	-	-	-	-	-	-	-	-	-
Prospect Knolls A Reconstruction	19-NX4	-	-	-	-	713,905	-	-	-	-	-
Prospect Knolls C Reconstruction	19-308	-	-	-	-	-	-	639,146	-	-	-
Prospect Knolls D Reconstruction	19-309	-	-	-	-	-	-	194,523	-	-	-
Presidents B Reconstruction	19-310	-	-	-	561,435	-	-	-	-	-	-
Morningside C Reconstruction	19-311	-	692,533	-	-	-	-	-	-	-	-
Southdale B Reconstruction	19-312	-	-	367,606	-	-	-	-	-	-	-
Concord B Reconstruction	19-313	-	-	774,927	-	-	-	-	-	-	-
Indian Trails A Reconstruction	19-314	-	-	-	-	394,308	-	-	-	-	-
Morningside E Reconstruction	19-318	178,605	-	-	-	-	-	-	-	-	-
Sanitary Trunk Capacity Expansion York Segs 2	19-335	-	-	1,700,000	-	-	-	-	-	-	-
Sanitary Trunk Capacity Expansion York Segs3	19-335	-	-	-	1,800,000	-	-	-	-	-	-
Sanitary Trunk Capacity Expansion York Segs 4	19-336	-	-	-	-	-	3,000,000	-	-	-	-
Sanitary Trunk Capacity Expansion York Segs 5	19-336	-	-	-	-	-	-	1,100,000	-	-	-
Sanitary Trunk Capacity Expansion Hazelton Seg	21-SS1	-	-	-	-	-	-	995,000	-	-	-
Sanitary Trunk Capacity Expansion York 69th St W	21-SS2	-	-	-	-	1,200,000	-	-	-	-	-
Sanitary Trunk Capacity Expansion LS6 to TH100		-	1,100,000	12,000,000	-	-	-	-	-	-	-
72nd Street Sewer Line Upsize	ENG2055	-	-	-	-	-	1,600,000	-	-	-	-
Lift Station 6 Rehabilitation	19-338	8,000,000	-	-	-	-	-	-	-	-	-
Concord C Reconstruction	ENG21020	-	-	285,754	-	-	-	-	-	-	-
Presidents A Reconstruction	ENG21021	-	-	-	967,473	-	-	-	-	-	-
Rolling Green Reconstrucion	ENG20024	-	-	-	-	-	585,314	-	-	-	-
Countryside E		-	-	-	-	-	391,999	-	-	-	-
Todd Park B		-	-	-	-	-	-	311,236	-	-	-
Benton Avenue A		-	-	-	-	-	-	186,198	-	-	-
Lincoln Drive A		-	-	-	-	-	-	175,558	-	-	-
W 7th Street		-	-	-	-	-	-	29,260	-	-	-
Eden Avenue Improvements		-	200,000	-	-	-	-	-	-	-	-
Minnehaha Woods D Reconstruction	ENG21025	-	-	-	-	321,672	-	-	-	-	-
Hilary Lane Reconstruction	ENG21028	-	-	-	-	264,452	-	-	-	-	-
Sanitary Targeted Inflow Reduction Project		-	-	-	-	-	-	-	-	130,000	-
Lift Station Pump and VFD Renewal		-	25,000	25,000	25,000	25,000	25,000	25,000	-	-	-
9 Mile Village Sewer Lining		-	-	-	175,000	-	-	-	-	-	-
Olinger Road Dip Replacement (130 LF + Road Repair)		-	-	-	-	80,000	-	-	-	-	-
Hilary Lane Sanitary Sewer Lining	ENG21038	-	-	-	450,000	-	-	-	-	-	-
Future Sanitary Sewer improvements		-	-	-	-	-	-	-	1,875,000	1,975,000	2,075,000
Total Capital Projects		9,047,856	2,027,533	15,163,287	3,988,908	3,009,337	5,602,313	3,655,921	1,875,000	2,105,000	2,075,000

Appendix A - City of Edina Storm Water Capital Improvements

Capital Project	Project Number	Storm Water									
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Utilities Equipment Replacement	15-108	322,000	-	-	-	-	-	-	-	-	-
Street Sweeper	PW 23014		310,000	-	-	-	-	-	-	-	-
Asset Management Software and Equipment	15-173	15,000	15,000	15,000	15,000	15,000	-	-	-	-	-
W 69th Street Eastbound Roundabout	17-H04	-	-	-	-	-	-	50,000	-	-	-
Blake Road Reconstruction	17-020	821,366	-	-	-	-	-	-	-	-	-
Morningside D Reconstruction	17-067	862,201	-	-	-	-	-	-	-	-	-
Arden Park Restoration Project & Shelter Building	17-081	30,000	25,000	-	-	-	-	-	-	-	-
Prospect Knolls A Reconstruction	19-NX4		-	-	-	968,476	-	-	-	-	-
Prospect Knolls C Reconstruction	19-308	-	-	-	-	-	-	1,387,295	-	-	-
Prospect Knolls D Reconstruction	19-309	-	-	-	-	-	-	422,220	-	-	-
Presidents B Reconstruction	19-310	-	-	-	1,218,619	-	-	-	-	-	-
Morningside C Reconstruction	19-311	-	1,503,173	-	-	-	-	-	-	-	-
Southdale B Reconstruction	19-312	-	-	834,174	-	-	-	-	-	-	-
Concord B Reconstruction	19-313	-	-	1,934,316	-	-	-	-	-	-	-
Indian Trails A Reconstruction	19-314	-	-	-	-	950,007	-	-	-	-	-
Morningside E Reconstruction	19-318	307,403	-	-	-	-	-	-	-	-	-
Clean Wtr Strat & Lake Cornelia Clean Water Proj	19-342	250,000	-	-	-	-	-	-	-	-	-
Clean Wtr Strat & Lake Cornelia Clean Water Proj	19-342	-	-	600,000	-	-	-	-	-	-	-
Clean Wtr Strat & Lake Cornelia Clean Water Proj	19-342	-	-	-	750,000	-	-	-	-	-	-
CWRMP Major Amendment and Model Update	19-346	-	-	167,000	-	-	-	-	-	-	-
Concord C Reconstruction	ENG21020	-	-	620,243	-	-	-	-	-	-	-
Presidents A Reconstruction	ENG21021	-	-	-	2,099,942	-	-	-	-	-	-
Parklawn (Parklawn Ct)	ENG21023	-	-	-	-	-	-	-	-	-	-
Rolling Green Reconstrucion	ENG21024	-	-	-	-	-	3,811,347	-	-	-	-
Minnehaha Woods D Reconstruction	ENG21025	-	-	-	-	698,204	-	-	-	-	-
Hilary Lane Reconstruction	ENG21028	-	-	-	-	934,618	-	-	-	-	-
Countryside E		-	-	-	-	-	850,851	-	-	-	-
Todd Park B			-	-	-	-	-	776,885	-	-	-
Benton Ave A			-	-	-	-	-	434,318	-	-	-
Lincoln Drive A			-	-	-	-	-	372,272	-	-	-
W 7th Street			-	-	-	-	-	124,091	-	-	-
Wooddale Bridge Rehab - Historic	ENG 19-301		200,000	-	-	-	-	-	-	-	-
Valley View Road Bridge over CP Rail Redeck	ENG 19-303		100,000	-	-	-	-	-	-	-	-
Eden Avenue Improvements	ENG 19-331		200,000	-	-	-	-	-	-	-	-
Brook Drive Structure Rehab & Stream Bank Restore	ENG21032	100,000	-	-	-	-	-	-	-	-	-
Stormwater Infrastructure Maintenance	ENG20056	230,000	175,000	180,000	190,000	200,000	210,000	220,000	-	-	-
Flood Protect Strat & Morningside Weber Flood Proj	19-341	14,000,000									
Lynmar Basin Construction			128,500	-	-	-	-	-	-	-	-
Natural Areas Management	ENG20057	180,000	150,000	150,000	170,000	175,000	180,000	185,000	-	-	-
Flooding Mitigation		-	-	-	-	10,000,000	-	-	-	-	-
Future storm improvements		-	-	-	-	-	-	-	4,000,000	4,200,000	4,400,000
Total Capital Projects		17,117,970	2,806,673	4,500,733	4,443,561	13,941,305	5,052,198	3,972,081	4,000,000	4,200,000	4,400,000

Appendix B – Projections

Water Fund Projections

Sewer Fund Projections

Storm Water Fund Projections

	Water												
	Actual	Actual	Revised	Projected									
	2020	2021	Budget	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Rates Inflation				5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Investment earnings			1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Expense growth - operating			3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expense growth - personnel			5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Operating Revenues													
Water revenues	7,968,600	9,611,957	9,231,345	9,581,987	10,061,087	10,564,141	11,092,348	11,646,966	12,229,314	12,840,780	13,482,819	14,156,960	
Total Operating Revenues	7,968,600	9,611,957	9,231,345	9,581,987	10,061,087	10,564,141	11,092,348	11,646,966	12,229,314	12,840,780	13,482,819	14,156,960	
Operating Expenses													
Personal services	1,184,350	1,984,738	1,689,426	1,773,897	1,862,592	1,955,722	2,053,508	2,156,183	2,263,992	2,377,192	2,496,052	2,620,854	
Contractual services	2,552,308	2,203,938	1,613,628	1,662,037	1,711,898	1,763,255	1,816,153	1,870,637	1,926,756	1,984,559	2,044,096	2,105,419	
Commodities	700,754	867,545	904,500	931,635	959,584	988,372	1,018,023	1,048,563	1,080,020	1,112,421	1,145,794	1,180,167	
Internal services	738,407	617,827	599,580	617,567	636,094	655,177	674,833	695,078	715,930	737,408	759,530	782,316	
Depreciation	2,703,756	2,760,192	2,798,000	2,881,940	2,968,398	3,057,450	3,149,174	3,243,649	3,340,958	3,441,187	3,544,423	3,650,755	
Total Operating Expenses	7,879,575	8,434,240	7,605,134	7,867,077	8,138,567	8,419,976	8,711,689	9,014,110	9,327,657	9,652,767	9,989,894	10,339,511	
Net Operations	89,025	1,177,717	1,626,211	1,714,911	1,922,520	2,144,166	2,380,659	2,632,855	2,901,657	3,188,013	3,492,925	3,817,448	
Non operating revenues (expenses)													
Investment Income (Loss)	316,290	(31,902)	140,000	81,059	80,647	70,062	65,118	57,660	78,116	88,201	64,517	73,043	
Intergovernmental revenue	3,077			0	0	0	0	0	0	0	0	0	
Interest on existing debt	(531,306)	(474,238)	(379,177)	(383,623)	(313,950)	(251,025)	(196,675)	(144,263)	(96,675)	(60,475)	(33,600)	(16,050)	
Hookups and Miscellaneous Income	1,233,697	665,237	1,600,000	533,540	549,546	566,033	583,014	600,504	618,519	637,075	656,187	675,873	
Other income (expense)	38,511	28,054	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	
Transfers out-	(232,024)	(469,639)	(186,400)	(186,400)	(186,400)	(186,400)	(186,400)	(186,400)	(186,400)	(186,400)	(186,400)	(186,400)	
Bond discount	402,517	429,146	209,369										
Total non operating revenue (expenses)	1,230,762	146,658	1,403,792	64,576	149,843	218,670	285,057	347,502	433,560	498,401	520,704	566,466	
Net increase (decrease) in resources	1,319,787	1,324,375	3,030,003	1,779,487	2,072,363	2,362,836	2,665,716	2,980,357	3,335,217	3,686,414	4,013,629	4,383,914	
Change in accounting principle													
Ending net assets	38,910,229	40,234,604	43,264,607	45,044,094	47,116,457	49,479,293	52,145,008	55,125,365	58,460,582	62,146,996	66,160,625	70,544,539	

	Water											
	Actual	Actual	Revised Budget	Projected								
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Rates Inflation				5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Investment earnings			1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Expense growth - operating			3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expense growth - personnel			5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
CIP Funding												
Purchase of Capital Assets		(4,047,271)	(3,248,996)	(2,736,618)	(4,199,238)	(4,334,711)	(5,160,727)	(2,728,368)	(14,797,688)	(16,500,000)	(4,100,000)	(4,200,000)
Bond Proceeds			876,186						3,000,000	9,000,000	0	
Bond Proceeds - Expansion Projects				0	0	0	0	0	7,240,000	0	0	0
Unspent bond proceeds			(1,600,000)									
Bond P&I - Future										(1,135,989)	(1,135,989)	(1,135,989)
Bond P&I - Future											(809,470)	(809,470)
Bond Prin - Existing	(2,540,000)	(3,673,000)	(3,104,000)	(1,966,000)	(1,900,000)	(1,580,000)	(1,400,000)	(1,450,000)	(1,110,000)	(860,000)	(660,000)	(405,000)
Beginning Cash	9,875,353	11,093,424	7,754,702	8,105,895	8,064,704	7,006,227	6,511,802	5,765,964	7,811,602	8,820,089	6,451,702	7,304,295
Add net operations	89,025	1,177,717	1,626,211	1,714,911	1,922,520	2,144,166	2,380,659	2,632,855	2,901,657	3,188,013	3,492,925	3,817,448
Add back depreciation	2,703,756	2,760,192	2,798,000	2,881,940	2,968,398	3,057,450	3,149,174	3,243,649	3,340,958	3,441,187	3,544,423	3,650,755
Add net non operating	1,230,762	(282,488)	1,403,792	64,576	149,843	218,670	285,057	347,502	433,560	498,401	520,704	566,466
Add capital and bond	(2,540,000)	(7,828,549)	(5,476,810)	(4,702,618)	(6,099,238)	(5,914,711)	(6,560,727)	(4,178,368)	(5,667,688)	(9,495,989)	(6,705,458)	(6,550,458)
Net change in balance sheet items		136,076			0	0	0	0	0	0	0	0
Net change in investments		698,330										
Ending Cash	11,093,424	7,754,702	8,105,895	8,064,704	7,006,227	6,511,802	5,765,964	7,811,602	8,820,089	6,451,702	7,304,295	8,788,506
Other investments	3,053,498	2,409,485	809,485	809,485	809,485	809,485	809,485	809,485	809,485	809,485	809,485	809,485
Ending net assets	38,910,229	40,234,604	43,264,607	45,044,094	47,116,457	49,479,293	52,145,008	55,125,365	58,460,582	62,146,996	66,160,625	70,544,539
Target minimum working capital	8,662,531	8,512,988	7,070,477	7,089,945	6,867,491	6,799,135	6,968,442	6,758,508	7,792,101	8,564,877	8,489,119	8,379,716
Actual working capital-cash balance	11,093,424	10,164,187	8,915,380	8,874,189	7,815,712	7,321,287	6,575,449	8,621,087	9,629,574	7,261,187	8,113,780	9,597,991
Over (Under) target working capital	2,430,893	1,651,199	1,844,903	1,784,244	948,222	522,152	(392,993)	1,862,579	1,837,473	(1,303,690)	(375,339)	1,218,275

	Sewer											
	Actual	Acutal	Revised Budget	Projected								
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Rates Inflation					6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Investment earnings			1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Expense growth - operating			3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expense growth - personnel			5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Operating Revenues												
Sanitary sewer revenues	9,870,280	10,325,315	10,310,676	10,090,607	10,696,044	11,337,806	12,018,075	12,739,159	13,503,509	14,313,719	15,172,542	16,082,895
Total Operating Revenues	9,870,280	10,325,315	10,310,676	10,090,607	10,696,044	11,337,806	12,018,075	12,739,159	13,503,509	14,313,719	15,172,542	16,082,895
Operating Expenses												
Personal services	614,418	42,000	513,969	539,667	566,651	594,983	624,733	655,969	688,768	723,206	759,366	797,335
Contractual services	484,762	215,944	666,090	686,073	706,655	727,855	749,690	772,181	795,346	819,207	843,783	869,096
Commodities	69,196	62,651	101,500	104,545	107,681	110,912	114,239	117,666	121,196	124,832	128,577	132,434
Internal services	587,831	460,129	575,555	592,822	610,606	628,924	647,792	667,226	687,243	707,860	729,096	750,969
MCES	5,696,164	5,925,378	5,906,199	6,142,447	6,388,145	6,643,671	6,909,417	7,185,794	7,473,226	7,772,155	8,083,041	8,406,363
Depreciation	1,372,812	1,439,388	1,535,000	1,581,050	1,628,482	1,677,336	1,727,656	1,779,486	1,832,870	1,887,856	1,944,492	2,002,827
Total Operating Expenses	8,825,183	8,145,490	9,298,313	9,646,604	10,008,220	10,383,681	10,773,528	11,178,322	11,598,649	12,035,116	12,488,355	12,959,024
Net Operations	1,045,097	2,179,825	1,012,363	444,003	687,824	954,126	1,244,547	1,560,837	1,904,860	2,278,603	2,684,187	3,123,871
Non operating revenues (expenses)												
Investment Income (Loss)	145,464	(32,718)	72,000	15,023	77,680	85,742	81,732	77,469	77,491	96,149	97,465	100,600
Interest on existing debt	(246,175)	(236,864)	(205,132)	(187,816)	(158,725)	(129,975)	(100,875)	(71,213)	(44,450)	(25,200)	(10,475)	(1,450)
Hookups and Miscellaneous Income	752,130	406,878	1,000,000	405,440	494,637	519,369	545,337	962,109	1,010,214	1,060,725	1,113,761	1,169,449
Transfers out-	(132,024)	(119,443)	(186,400)	(186,400)	(186,400)	(186,400)	(186,400)	(186,400)	(186,400)	(186,400)	(186,400)	(186,400)
Bond discount	(96,846)	231,516	107,600									
Total non operating revenue (expenses)	422,549	249,369	788,068	46,247	227,192	288,736	339,794	781,966	856,855	945,274	1,014,351	1,082,199
Net increase (decrease) in resources	1,467,646	2,429,194	1,800,431	490,250	915,016	1,242,862	1,584,341	2,342,802	2,761,715	3,223,877	3,698,538	4,206,070
Change in accounting principle												
Ending net assets	28,001,863	30,431,057	32,231,488	32,721,738	33,636,754	34,879,616	36,463,957	38,806,760	41,568,474	44,792,351	48,490,889	52,696,959

	Sewer											
	Actual	Acutal	Revised Budget	Projected								
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Rates Inflation					6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Investment earnings			1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Expense growth - operating			3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expense growth - personnel			5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
CIP Funding												
Purchase of Capital Assets		(2,108,551)	(9,047,856)	(2,027,533)	(15,163,287)	(3,988,908)	(3,009,337)	(5,602,313)	(3,655,921)	(1,875,000)	(2,105,000)	(2,075,000)
Bond Proceeds				7,000,000	10,300,000	2,100,000	3,000,000	1,000,000	3,400,000	1,875,000	2,000,000	2,000,000
Bond Proceeds - Expansion Projects				0	4,700,000	1,800,000	0	4,600,000	2,095,000			
Unspent bond proceeds			(900,000)									
Bond P&I - Future					(829,011)	(829,011)	(829,011)	(829,011)	(829,011)	(829,011)	(829,011)	(829,011)
Bond P&I - Future						(1,628,328)	(1,628,328)	(1,628,328)	(1,628,328)	(1,628,328)	(1,628,328)	(1,628,328)
Bond P&I - Future							(466,581)	(466,581)	(466,581)	(466,581)	(466,581)	(466,581)
Bond P&I - Future								(358,908)	(358,908)	(358,908)	(358,908)	(358,908)
Bond P&I - Future									(669,962)	(669,962)	(669,962)	(669,962)
Bond P&I - Future										(657,400)	(657,400)	(657,400)
Bond P&I - Future											(224,318)	(224,318)
Bond P&I - Future												(239,272)
Bond Prin - Existing	(580,000)	(1,138,000)	(886,000)	(778,000)	(745,000)	(775,000)	(805,000)	(835,000)	(615,000)	(370,000)	(390,000)	(145,000)
Beginning Cash	(13,313,594)	5,865,969	8,181,860	1,502,271	7,768,038	8,574,238	8,173,188	7,746,927	7,749,074	9,614,947	9,746,489	10,060,010
Add net operations	1,045,097	2,179,825	1,012,363	444,003	687,824	954,126	1,244,547	1,560,837	1,904,860	2,278,603	2,684,187	3,123,871
Add back depreciation	1,372,812	1,439,388	1,535,000	1,581,050	1,628,482	1,677,336	1,727,656	1,779,486	1,832,870	1,887,856	1,944,492	2,002,827
Add net non operating	422,549	17,853	788,068	46,247	227,192	288,736	339,794	781,966	856,855	945,274	1,014,351	1,082,199
Add capital and bond	(580,000)	(2,818,195)	(10,015,020)	4,194,467	(1,737,298)	(3,321,248)	(3,738,257)	(4,120,142)	(2,728,712)	(4,980,191)	(5,329,509)	(5,293,781)
Net change in balance sheet items		902,355			0	0	0	0	0	0	0	0
Net change in investments		594,665										
Ending Cash	5,865,969	8,181,860	1,502,271	7,768,038	8,574,238	8,173,188	7,746,927	7,749,074	9,614,947	9,746,489	10,060,010	10,975,126
Other investments	1,404,334	818,836	0	0	0	0	0	0	0	0	0	0
Ending net assets	28,001,863	30,431,057	32,231,488	32,721,738	33,636,754	34,879,616	36,463,957	38,806,760	41,568,474	44,792,351	48,490,889	52,696,959
Target minimum working capital	5,728,624	5,212,961	5,606,141	6,540,008	8,342,691	8,989,669	9,535,046	10,151,261	10,744,573	11,181,744	11,382,268	11,698,359
Actual working capital-cash balance	7,270,303	9,000,696	1,502,271	7,768,038	8,574,238	8,173,188	7,746,927	7,749,074	9,614,947	9,746,489	10,060,010	10,975,126
Over (Under) target working capital	1,541,679	3,787,735	(4,103,870)	1,228,031	231,546	(816,482)	(1,788,119)	(2,402,187)	(1,129,626)	(1,435,255)	(1,322,258)	(723,232)

	Storm Water											
	Actual	Actual	Revised Budget	Projected								
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Rates Inflation		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Investment earnings				1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Expense growth - operating			3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expense growth - personnel			5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Operating Revenues												
Storm sewer revenues	4,747,668	5,203,845	5,420,070	5,853,676	6,321,970	6,827,727	7,373,945	7,963,861	8,600,970	9,289,048	10,032,171	10,834,745
Total Operating Revenues	4,747,668	5,203,845	5,420,070	5,853,676	6,321,970	6,827,727	7,373,945	7,963,861	8,600,970	9,289,048	10,032,171	10,834,745
Operating Expenses												
Personal services	544,755	503,608	612,169	642,777	674,916	708,662	744,095	781,300	820,365	861,383	904,452	949,675
Contractual services	947,822	753,315	1,113,642	1,147,051	1,181,463	1,216,907	1,253,414	1,291,016	1,329,747	1,369,639	1,410,728	1,453,050
Commodities	129,168	124,231	165,800	170,774	175,897	181,174	186,609	192,208	197,974	203,913	210,030	216,331
Internal services	0	258,622	336,459	346,553	356,949	367,658	378,688	390,048	401,750	413,802	426,216	439,003
Depreciation	1,649,279	1,731,602	1,794,000	1,847,820	1,903,255	1,960,352	2,019,163	2,079,738	2,142,130	2,206,394	2,272,586	2,340,763
Total Operating Expenses	3,271,024	3,371,378	4,022,070	4,154,975	4,292,480	4,434,753	4,581,969	4,734,310	4,891,965	5,055,131	5,224,013	5,398,822
Net Operations	1,476,644	1,832,467	1,398,000	1,698,700	2,029,489	2,392,974	2,791,977	3,229,551	3,709,005	4,233,916	4,808,158	5,435,923
Non operating revenues (expenses)												
Investment Income (Loss)	211,088	(32,836)	84,000	38,766	49,190	55,895	63,578	75,333	74,409	77,261	83,249	92,700
Intergovernmental revenue	21,009											
Interest on existing debt	(379,094)	(337,594)	(280,952)	(920,004)	(820,988)	(741,838)	(671,056)	(603,125)	(538,300)	(480,325)	(426,850)	(378,925)
Other income (expense)	4,755	3,450		0	0	0	0	0	0	0	0	0
Transfers out-	(59,954)	(163,169)	(68,200)	(68,200)	(68,200)	(68,200)	(68,200)	(68,200)	(68,200)	(68,200)	(68,200)	(68,200)
Bond discount	137,906	303,874	148,944									
Total non operating revenue (expenses)	(64,290)	(226,275)	(116,208)	(949,438)	(839,998)	(754,143)	(675,678)	(595,992)	(532,091)	(471,264)	(411,801)	(354,425)
Net increase (decrease) in resources	1,412,354	1,606,192	1,281,792	749,263	1,189,492	1,638,832	2,116,298	2,633,559	3,176,914	3,762,652	4,396,357	5,081,498
Change in accounting principle												
Ending net assets	26,728,488	28,334,680	29,616,472	30,365,735	31,555,226	33,194,058	35,310,356	37,943,916	41,120,829	44,883,482	49,279,839	54,361,336

	Storm Water											
	Actual	Actual	Revised Budget	Projected								
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Rates Inflation		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Investment earnings				1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Expense growth - operating			3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expense growth - personnel			5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
CIP Funding												
Purchase of Capital Assets		(3,911,519)	(17,117,970)	(2,806,673)	(4,500,733)	(4,443,561)	(13,941,305)	(5,052,198)	(3,972,081)	(4,000,000)	(4,200,000)	(4,400,000)
Bond Proceeds			14,418,600	2,800,000	4,500,000	4,400,000	14,000,000	5,000,000	4,000,000	4,000,000	4,200,000	4,400,000
Bond P&I - Future					(331,605)	(331,605)	(331,605)	(331,605)	(331,605)	(331,605)	(331,605)	(331,605)
Bond P&I - Future						(535,646)	(535,646)	(535,646)	(535,646)	(535,646)	(535,646)	(535,646)
Bond P&I - Future							(526,399)	(526,399)	(526,399)	(526,399)	(526,399)	(526,399)
Bond P&I - Future								(1,674,905)	(1,674,905)	(1,674,905)	(1,674,905)	(1,674,905)
Bond P&I - Future									(598,180)	(598,180)	(598,180)	(598,180)
Bond P&I - Future										(478,544)	(478,544)	(478,544)
Bond P&I - Future											(478,544)	(478,544)
Bond P&I - Future												(502,472)
Bond Prin - Existing	(1,460,000)	(2,109,000)	(1,767,000)	(1,548,000)	(2,090,000)	(1,920,000)	(1,625,000)	(1,685,000)	(1,395,000)	(1,225,000)	(1,100,000)	(940,000)
Beginning Cash	7,556,960	7,910,998	5,267,213	3,876,635	4,919,045	5,589,454	6,357,826	7,533,334	7,440,878	7,726,107	8,324,874	9,269,993
Add net operations	1,476,644	1,832,467	1,398,000	1,698,700	2,029,489	2,392,974	2,791,977	3,229,551	3,709,005	4,233,916	4,808,158	5,435,923
Add back depreciation	1,649,279	1,731,602	1,794,000	1,847,820	1,903,255	1,960,352	2,019,163	2,079,738	2,142,130	2,206,394	2,272,586	2,340,763
Add net non operating	(64,290)	(530,149)	(116,208)	(949,438)	(839,998)	(754,143)	(675,678)	(595,992)	(532,091)	(471,264)	(411,801)	(354,425)
Add capital and bond	(1,460,000)	(6,136,296)	(4,466,370)	(1,554,673)	(2,422,338)	(2,830,811)	(2,959,954)	(4,805,752)	(5,033,815)	(5,370,279)	(5,723,823)	(6,066,295)
Net change in balance sheet items		(292,990)			0	0	0	0	0	0	0	0
Net change in investments		751,581										
Ending Cash	7,910,998	5,267,213	3,876,635	4,919,045	5,589,454	6,357,826	7,533,334	7,440,878	7,726,107	8,324,874	9,269,993	10,625,959
Other investments	587,661	(76,973)										
Ending net assets	26,728,488	28,334,680	29,616,472	30,365,735	31,555,226	33,194,058	35,310,356	37,943,916	41,120,829	44,883,482	49,279,839	54,361,336
Target minimum working capital	4,744,571	4,435,464	5,153,232	6,013,274	6,388,032	6,639,818	8,400,964	8,741,601	9,092,668	9,496,562	9,898,376	10,437,679
Actual working capital-cash balance	7,910,998	5,267,213	3,876,635	4,919,045	5,589,454	6,357,826	7,533,334	7,440,878	7,726,107	8,324,874	9,269,993	10,625,959
Over (Under) target working capital	3,166,427	831,749	(1,276,597)	(1,094,230)	(798,579)	(281,991)	(867,631)	(1,300,723)	(1,366,561)	(1,171,688)	(628,383)	188,280



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2022 Utility Rate Study Update

September 20, 2022

2022 Utility Rate Study Update



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- Study had goals to recover operational and capital costs, incentivize conservation, support system capacity expansion, and provide adequate cash reserves.

Utility Fee	2023 Rate Increases	Annual Rate Increases Beginning in 2024
Water User Rates	Rate Restructure	5%
Sewer User Rates	Rate Restructure	6%
Storm Water Rates	8%	8%
Water Connection Fee	3%	3%
Sewer Connection Fee	28%	22% in 2024; 5% thereafter



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Other Utility Billing Changes

- Policy changes for billing adjustments for water leak
 - Onetime
 - Consumption is 100% more than historical quarterly average
 - Max adjustment of \$500
- New utility billing system, bills will look different
- Action required by those who pay by ACH to update account information
- Next steps:
 - Communicate to residents and rates submitted to Council for formal approval in December

Questions/Discussion



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