



City of Wyoming, Minnesota
Stormwater Utility Rate Study
Final Report
November 18, 2020

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1. Project Objectives and Scope

Baker Tilly Municipal Advisors, LLC (Baker Tilly) was engaged by the City of Wyoming to undertake a comprehensive storm water utility rate and fee study. Baker Tilly partnered with WSB who provided their knowledge of the City's storm water system's operational and capital needs. The purpose of the study is to provide the City of Wyoming with a report establishing equitable storm water rates for residential, commercial, and industrial customers over the next five years.

The stormwater utility (SWU) provides funding to support the City's stormwater mandates and needs. The SWU is used to implement the requirements outlined in the City's NPDES Phase II Storm Water Pollution Prevention Plan (SWPPP) and the Watershed Management Plan (WMP). The SWU provides for the following:

- Maintenance and repair of the City's storm water ponds, collection systems, and storm water treatment systems
- Replacement of trunk and lateral storm water conveyance systems
- Street sweeping program
- Erosion and sedimentation control inspections
- Development of and future updates to the City's Wetland Management Plan
- Development of the City's Watershed Management Plan
- Administration of the storm water utility fund

Background

The City of Wyoming is located 36 miles northeast of the Twin Cities. The City encompasses approximately 23.9 square miles. The U.S. Census Bureau's 2018 American Community Survey (ACS) provides census data that shows demographic, economic, social, and housing data for the City. The data shows an estimated population of 7,839 persons living in the City with a median age of 40.3 years. It also shows there are 2,849 housing units of which 2,403 are owner-occupied and 372 are renter occupied. The median value of housing units was \$226,100. Median household income was estimated to be \$87,462. Educational attainment of City residents over the age of 25 years shows that 95.1% are high school graduates or have achieved higher education and 17.1% have a bachelor's degree or higher education.

PROJECT OBJECTIVES AND METHODOLOGY

The overall objective of this study was to recommend rates and fees that will equitably recover the cost of providing storm water service to customers. The recommended rates and fees should ensure adequate funding for operating and maintenance costs and

capital needs, while minimizing the impact on rates to the greatest extent possible. New rates recommended should be fair and equitable to all customers. Our methodology to help the City achieve its objectives and our approach to this project is shown in the diagram below



ACKNOWLEDGEMENTS

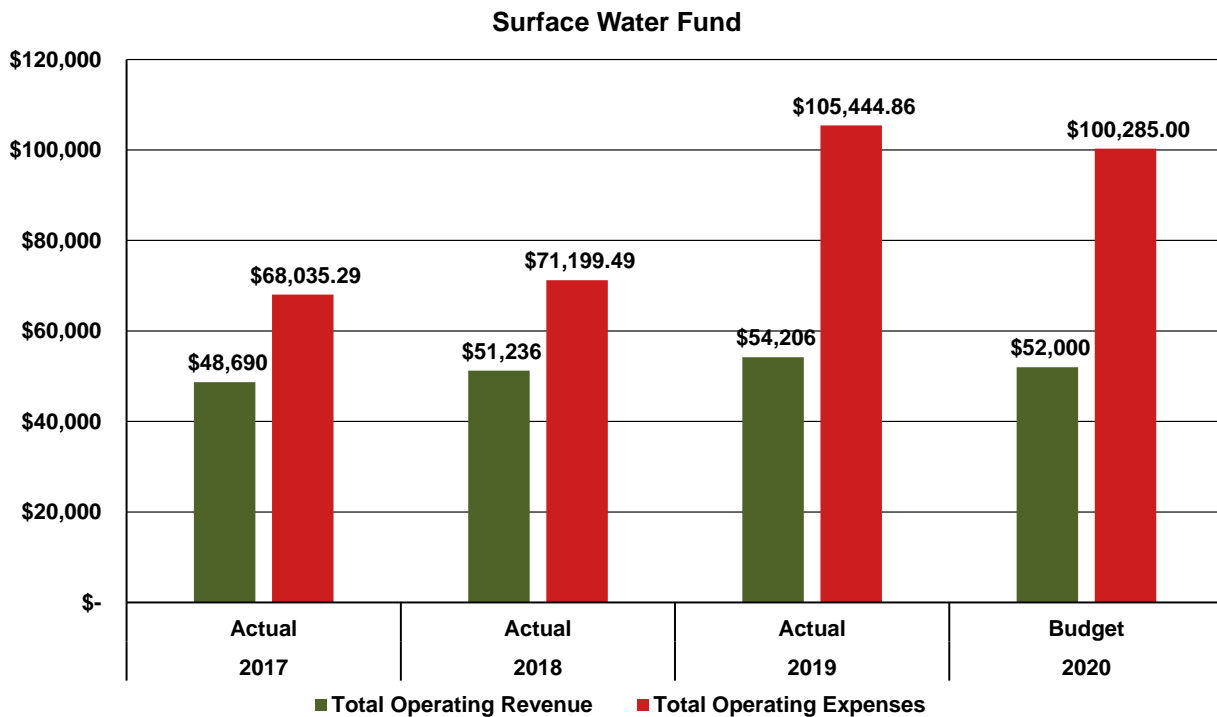
The City of Wyoming Storm Water Utility Rate Study was conducted as a collaboration between the Baker Tilly consulting team and many members of the City staff. Throughout the course of this assessment, the Baker Tilly team maintained contact and interaction with the City Administrator and the management team of the Public Works Department. The information and access required for the completion of the review was made readily available. No request for additional information was declined. Specific thanks and acknowledgment are due to several individuals including:

- Robb Linwood, City Administrator who clearly articulated his support and expectations for this study
- Chuck Almhjeld, Public Works Superintendent, who provided professional support and response to data requests throughout the process
- Mark Erichson, City Engineer who provided his professional support and response to capital improvement and operational maintenance needs

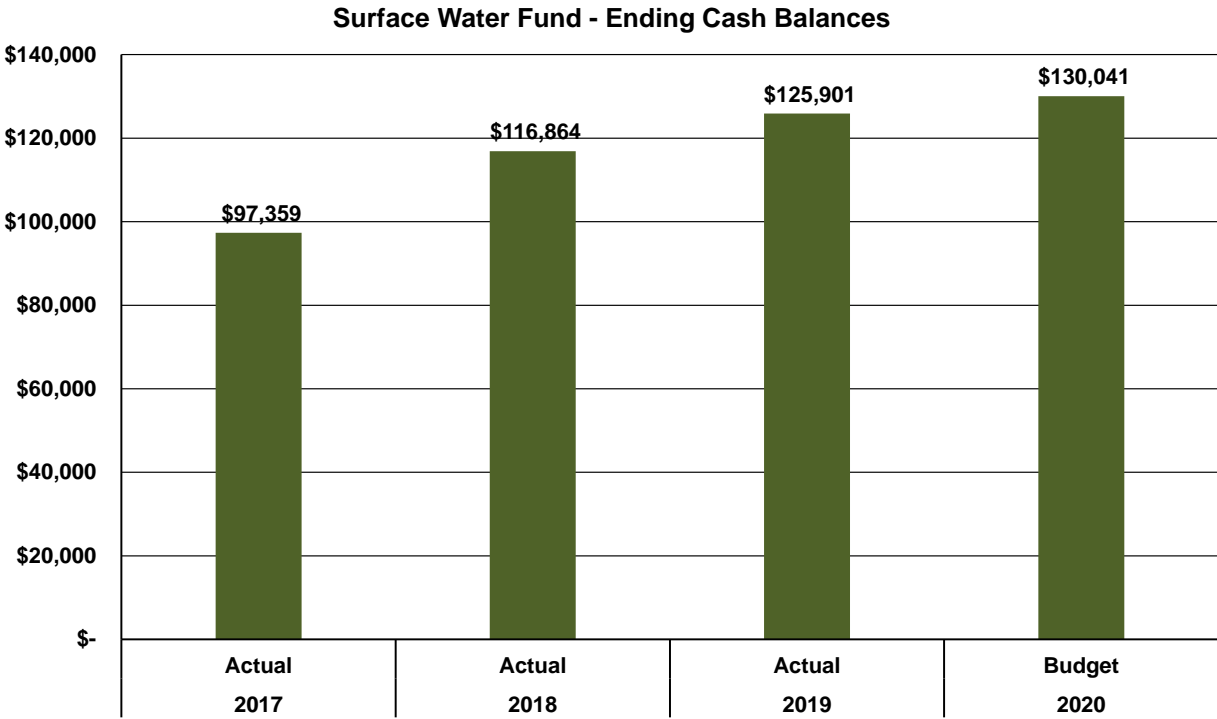
The progress of this study was hampered by the COVID 19 pandemic with its resulting travel restrictions and shelter at home requirements. It also occupied both Baker Tilly and City staff time. Through Baker Tilly’s resources, we were able to complete this study and provide the City of Wyoming with conclusions and recommendations for Storm Water Utility rate increases that will provide an adequate level of funding over the next five years.

2. Background

The City's most recent financial reports for the Surface Water Fund was reviewed to gain an understanding of its recent financial performance and trends. This review showed that actual operating expenses have exceeded operating revenues in each of the past three years from 2017 to 2019 and are projected to exceed operating revenues in the 2020 budget as shown in the chart below.



The ending cash balance has increased each year from \$97,359 in 2017 to \$125,901 at end of 2019 and is projected to increase to \$130,041 in the 2020 budget. The increase in ending cash balances is primarily a result of the non-cash depreciation expense. In addition, the Surface Water Fund has not expended any cash for the acquisition and construction of assets over this entire period. The ending cash balances are shown in the chart on the following page.



The actual revenues and expenses for the past three years and for the 2020 budget are shown on the following pages.

Surface Water Fund Historical Financial Information

	2017	2018	2019	2020
Operating Revenues	Actual	Actual	Actual	Budget
Charges for Services	48,690	51,236	54,206	52,000
Total Operating Revenue	48,690	51,236	54,206	52,000
Operating Expenses				
Salaries	3,157	6,104	10,183	11,730
F.I.C.A. & Medicare	262	451	754	900
PERA	266	458	764	880
Pension Expense	1,921	921	3,238	-
Employer Paid In (General)	216	1,689	2,308	2,450
Training and Instruction	181	1,040	320	1,500
Operating Supplies	127	284	94	300
Small Tools		99		
Uniforms	210	294	175	
Other Supplies	9,122	10,608	11,974	4,000
Repair & Maintenance of Equipment	115	7		
Repair & Maintenance of Buildings	99	-	-	1,500
Repair & Maintenance Other	1,251	2,935	1,833	-
Professional Services	8,138	64	2,696	10,000
MS4 Permit - Engineering		4,155	16,287	15,000
Other Indirect Charges	4,147	265	328	500
Communication Expenses		2		
Other Miscellaneous Expenses	677	-	3,067	-
Utilities	108	33	-	100
Depreciation	38,040	41,792	51,423	51,425
Total Operating Expenses	68,035	71,199	105,445	100,285
Operating Income (Loss)	(19,345)	(19,963)	(51,239)	(48,285)
Non Operating Revenues (Expenses)				
Interest Income	183	633	1,845	1,000
Total Non Operating Revenues (Expenses)	183	633	1,845	1,000
Net Income (Loss) Before Transfers	(19,162)	(19,331)	(49,394)	(47,285)
Operating Transfers				
Transfers In		-	-	
Capital Contributions	112,569	288,925		
Transfers (Out)				
Total Operating Transfers	112,569	288,925	-	-
Net Income (Loss)	93,407	269,594	(49,394)	(47,285)
Beginning Cash & Investments	110,979	97,359	116,864	125,901
Net Income	93,407	269,594	(49,394)	(47,285)
Depreciation	38,040	41,792	51,423	51,425
Adjustment to Accruals	(145,066)	(291,882)	7,008	-
Ending Cash Balance	97,359	116,864	125,901	130,041

Current Surface Water Management Fees

The City's current Surface Water Management fees are based on land use which is fairly common. The basic charge for agricultural, single family residential, one and two family residential, and rural residential properties is \$2.00 per quarter. High density residential and manufactured homes along with non-residential properties except industrial properties are charged \$16.20/acre. Industrial properties are bifurcated with industrial properties in the urban areas of the City charged \$21.00/acre and industrial properties in the rural areas of the City charged \$2.00/unit. The Carlos Avery WMA is not charged a surface water fee. The City's current quarterly charges for surface water management is shown in the table below.

Quarterly Charge for Surface Water Management		Quarterly Rate
Land Use Designation		
Agricultural/Single Family Residential/One and Two Family Residential/Rural Residential		\$2.00/Unit
High Density Residential/Manufactured Homes		\$16.20/Acre
Commercial		\$16.20/Acre
Central Business		\$16.20/Acre
Office and Health Care		\$16.20/Acre
Industrial (Urban)		\$21.00/Acre
Industrial (Non-Urban)		\$ 2.00/Unit
Carlos Avery WMA (Exempt)		

Cash Reserves

Baker Tilly clients often ask us about the level of cash reserves that should be available in their Utility funds. Utility funds need sufficient cash to pay current expenses, together with any principal and interest on outstanding bonds. This would typically require each Utility fund to have a minimum of three months of anticipated operating expenses and one year's total debt service in cash at the end of each year. However, this does not provide any level of cash reserves for unforeseen expenses, emergencies, or to cover any shortfalls in the budget. The amount of cash reserves that each fund should have is dependent on a number of factors, including:

- Reserves that are legally required
- Variability of the annual revenue stream
- Variability in annual expenses
- Variability in rainfall
- Age and condition of fixed assets
- Anticipated future capital needs
- Capital improvement plan
 - Regulatory compliance
 - Replacement reserve
- Tolerance for risk
- Number of relatively large customers

Unfortunately, there are no prescribed formulas, and the amount of reserves varies considerably between utilities. We recommend the City formalize a reserve policy that includes a minimum cash balance in the Surface Water Fund at the end of any given year equal to:

- At least three months of anticipated operating expenses and
- An amount equal to the following year's debt service requirements

Depreciation

Costs incurred in the operation of the Surface Water Utility are either recorded as operating expenses or capitalized as assets. Whether the cost is expensed immediately or capitalized, the City pays for the asset at the time it is acquired. Generally, anything that is used up in the period in which the cost of acquiring it is incurred is treated as an operating expense. Personnel, supplies, and repairs and maintenance are typical examples of costs that are treated as operating expenses. These costs are shown on the income statement each year in the total amount of the expense for each category. The cost incurred in the acquisition or construction of assets such as sewer pipes, manholes, and major pieces of equipment are capitalized. Cost that are capitalized means the cost do not show up as an expense on the income statement in the year in which the expense occurs; rather, the costs of these assets are depreciated. Depreciation is the process of allocating the cost of an asset over its useful life in a systematic and rational manner. The City currently budgets for depreciation each year, but the operating losses shown on the income statement indicate the City is not fully funding depreciation. This can result in a lack of financial resources to fund the renewal and replacement of assets as they wear out and/or the financial resources within the fund to acquire new assets.

Assumptions

The City provided Baker Tilly with a variety of material for this utility rate study including:

- 2016-2019 Financial Reports
- 2020 Surface Water Utility Budget
- 2021 Surface Water Utility Budget
 - \$200,000 grant to offset the cost of the street sweeper
 - \$250,000 transfer into the Surface Water Utility Fund from the Capital Revolving Fund to pay for capital improvements
- Current Surface Water quarterly charges
- 2021- 2025 capital improvement for the Surface Water Utility
- Draft 2020 Long-Term Plan

It was assumed that there would be no growth of revenues resulting from changes in land use.

Operating expenses were projected to grow at an annual rate of 3% to be consistent with the City's Draft 2020 Long-Term Plan.

The investment interest rate earned on the investment of annual cash was assumed to be 1% based on the annual beginning cash balance in the fund.

It was also assumed there would be a transfer into the Surface Water Fund from the Capital Revolving Fund for 2020 in the amount of \$250,000 as shown in the Draft 2020 Long-Term Plan.

Capital Improvements

The City's capital improvement plan for the Surface Water Utility is incorporated into financial projections. The capital improvement plan included projected improvements through 2025. The City's RFP requested a ten-year financial projection, so we estimated capital improvements in 2026 through 2030 each year using the capital improvements in years 2022 through 2025 in the City's plan as a guide. Total capital improvements included in the financial projects were \$935,000. The projected capital improvements and their funding sources are shown in the table below.

Capital Improvement Plan

Year	Project	Surface Water Utility	Grants	Totals
2021	Excavator	\$ 75,000		\$ 75,000
2021	Pond/Storm Sewer/Culvert Improvements	\$ 40,000		\$ 40,000
2021	Street Sweeper	\$ 50,000	\$ 200,000	\$ 250,000
2021	Vactor trailer unit	\$ 150,000		\$ 150,000
2022	Pond/Storm Sewer/Culvert Improvements	\$ 40,000		\$ 40,000
2023	Pond/Storm Sewer/Culvert Improvements	\$ 40,000		\$ 40,000
2024	Pond/Storm Sewer/Culvert Improvements	\$ 45,000		\$ 45,000
2025	Pond/Storm Sewer/Culvert Improvements	\$ 45,000		\$ 45,000
2026	Pond/Storm Sewer/Culvert Improvements	\$ 45,000		\$ 45,000
2027	Pond/Storm Sewer/Culvert Improvements	\$ 50,000		\$ 50,000
2028	Pond/Storm Sewer/Culvert Improvements	\$ 50,000		\$ 50,000
2029	Pond/Storm Sewer/Culvert Improvements	\$ 50,000		\$ 50,000
2030	Pond/Storm Sewer/Culvert Improvements	\$ 55,000		\$ 55,000

3. Financial Projections

Three financial projections were made for the Surface Water Fund. The first assumed no increase in rates, the second projected rate increases needed provide adequate funds over the planning period and the third incorporated additional transfers into the Surface Water Fund to soften the impact of rate increases. The financial projects are based on the City's proposed 2021 budget for the Surface Water Fund. In addition, the previous assumptions related to operating expenses and capital improvements are incorporated.

Financial Projection with No Rate Increases

The financial projection with no rate increases shows the Surface Water Fund would run out of cash in 2021 with a negative projected ending cash balance of (\$11,899). Ending cash would grow more negative each year reaching a negative (\$1,328,807) at the end of 2030. In addition, there are operating losses each year beginning in 2021. This financial projection shows that the City would need to transfer funds into the Surface Water Fund from other sources to pay for its operations. The transfers in needed are projected to begin at \$11,899 in 2021 before increasing to \$122,353 in 2022 and steadily increasing each through 2030 where the transfer in would need to be \$173,194. In total, the City would need to transfer \$1,328,807 over the planning period. This financial projection with no rate increases is shown on the following pages.

Surface Water Fund Financial Projection – No Rate Increases

	Quarterly	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
	Monthly	\$ 0.67	\$ 0.67	\$ 0.67	\$ 0.67	\$ 0.67
	2021-2031	2020	2021	2022	2023	2024
Revenues		Budget	Budget			
Charges for Services	0.00%	52,000	52,000	52,000	52,000	52,000
Total Operating Revenue		52,000	52,000	52,000	52,000	52,000
Operating Expenses						
Salaries	3.00%	11,730	28,760	29,623	30,511	31,427
F.I.C.A. & Medicare	3.00%	900	2,200	2,266	2,334	2,404
PERA	3.00%	880	2,160	2,225	2,292	2,360
Employer Paid In (General)	3.00%	2,450	7,520	7,746	7,978	8,217
Training and Instruction	3.00%	1,500	10,000	10,300	10,609	10,927
Operating Supplies	3.00%	300	900	927	955	983
Safety Equipment	3.00%	-	500	515	530	546
Small Tools	3.00%	1,500	1,500	1,545	1,591	1,639
Other Supplies	3.00%	4,000	-	-	-	-
Repair & Maintenance of Equipment	3.00%	-	10,000	10,300	10,609	10,927
Repair & Maintenance Other	3.00%	-	35,000	36,050	37,132	38,245
Contracted Services	3.00%	10,000	20,000	20,600	21,218	21,855
MS4 Permit - Engineering	3.00%	15,000	10,000	10,300	10,609	10,927
Other Indirect Charges	3.00%	500	-	-	-	-
Communication Expenses	3.00%	-	400	412	424	437
Other Miscellaneous Expenses	3.00%	-	1,500	1,545	1,591	1,639
Utilities	3.00%	100	-	-	-	-
Depreciation		51,425	51,425	50,139	48,886	47,664
New Depreciation			-	49,500	51,500	53,500
Total Operating Expenses		100,285	181,865	233,993	238,770	243,699
Operating Income (Loss)		(48,285)	(129,865)	(181,993)	(186,770)	(191,699)
Non Operating Revenues (Expenses)						
State or Federal Grants		-	200,000			
Interest Income	1.00%	1,000	1,500	-	-	-
Total Non Operating Revenues (Expenses)		1,000	201,500	-	-	-
Net Income (Loss) Before Transfers		(47,285)	71,635	(181,993)	(186,770)	(191,699)
Operating Transfers						
Transfers In		-	250,000			
Total Operating Transfers		-	250,000	-	-	-
Net Income (Loss)		(47,285)	321,635	(181,993)	(186,770)	(191,699)
Beginning Cash & Investments		125,901	130,041	(11,899)	(134,252)	(260,636)
Net Income		(47,285)	321,635	(181,993)	(186,770)	(191,699)
Depreciation		51,425	51,425	99,639	100,386	101,164
Acquisition and Construction of Assets		-	(515,000)	(40,000)	(40,000)	(45,000)
Ending Cash Balance		130,041	(11,899)	(134,252)	(260,636)	(396,171)

Surface Water Fund Financial Projection – No Rate Increases

	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
	\$ 0.67	\$ 0.67	\$ 0.67	\$ 0.67	\$ 0.67	\$ 0.67
	2025	2026	2027	2028	2029	2030
Revenues						
Charges for Services	52,000	52,000	52,000	52,000	52,000	52,000
Total Operating Revenue	52,000	52,000	52,000	52,000	52,000	52,000
Operating Expenses						
Salaries	32,370	33,341	34,341	35,371	36,432	37,525
F.I.C.A. & Medicare	2,476	2,550	2,627	2,706	2,787	2,871
PERA	2,431	2,504	2,579	2,657	2,736	2,818
Employer Paid In (General)	8,464	8,718	8,979	9,249	9,526	9,812
Training and Instruction	11,255	11,593	11,941	12,299	12,668	13,048
Operating Supplies	1,013	1,043	1,075	1,107	1,140	1,174
Safety Equipment	563	580	597	615	633	652
Small Tools	1,688	1,739	1,791	1,845	1,900	1,957
Other Supplies	-	-	-	-	-	-
Repair & Maintenance of Equipment	11,255	11,593	11,941	12,299	12,668	13,048
Repair & Maintenance Other	39,393	40,575	41,792	43,046	44,337	45,667
Contracted Services	22,510	23,185	23,881	24,597	25,335	26,095
MS4 Permit - Engineering	11,255	11,593	11,941	12,299	12,668	13,048
Other Indirect Charges	-	-	-	-	-	-
Communication Expenses	450	464	478	492	507	522
Other Miscellaneous Expenses	1,688	1,739	1,791	1,845	1,900	1,957
Utilities	-	-	-	-	-	-
Depreciation	46,472	45,310	44,178	43,073	41,996	40,946
New Depreciation	55,750	58,000	60,250	62,750	65,250	67,750
Total Operating Expenses	249,034	254,526	260,180	266,248	272,484	278,891
Operating Income (Loss)	(197,034)	(202,526)	(208,180)	(214,248)	(220,484)	(226,891)
Non Operating Revenues (Expenses)						
State or Federal Grants						
Interest Income	-	-	-	-	-	-
Total Non Operating Revenues (Expenses)	-	-	-	-	-	-
Net Income (Loss) Before Transfers	(197,034)	(202,526)	(208,180)	(214,248)	(220,484)	(226,891)
Operating Transfers						
Transfers In						
Total Operating Transfers	-	-	-	-	-	-
Net Income (Loss)	(197,034)	(202,526)	(208,180)	(214,248)	(220,484)	(226,891)
Beginning Cash & Investments	(396,171)	(535,983)	(680,198)	(833,951)	(992,375)	(1,155,613)
Net Income	(197,034)	(202,526)	(208,180)	(214,248)	(220,484)	(226,891)
Depreciation	102,222	103,310	104,428	105,823	107,246	108,696
Acquisition and Construction of Assets	(45,000)	(45,000)	(50,000)	(50,000)	(50,000)	(55,000)
Ending Cash Balance	(535,983)	(680,198)	(833,951)	(992,375)	(1,155,613)	(1,328,807)

Financial Projection with Rate Increases

The second financial projection was made incorporating rate increases needed to adequately fund the Surface Water Fund over the planning period. The financial projections show that the quarterly charges for all land uses would need to increase each year. The increases need to be larger in the early years for several reasons. First, because the operating budget is projected to increase from \$100,285 in 2020 to \$181,865 in 2021, and second because of the capital improvements projected to be acquired. Remember there have been no capital improvements paid for from the Surface Water Fund over the past four years. The agricultural and residential land use designations would need to increase from its current \$2.00/quarter (\$0.67/month) in 2020 as follows:

- \$4.00/quarter (\$1.33/month) in 2021
- \$7.20/quarter (\$2.40/month) in 2022
- \$9.36/quarter (\$3.12/month) in 2023

From that point forward the increases needed are much smaller.

This financial projection shows operating losses in 2021 and 2022 then positive operating income thereafter. Ending cash is positive each year and the recommended ending cash balance is reached in 2023 and maintained thereafter. The ending cash balance is projected to increase from \$40,101 in 2021 to \$53,349 in 2022, to \$118,858 in 2023 then steadily thereafter reaching \$553,543 at the end of the planning period in 2030. The increase in ending cash balances will enable the City to fund additional capital improvements or to manage unanticipated operating costs that may arise. These financial projections are shown on the following pages.

Surface Water Fund Financial Projection with Rate Increases

	Quarterly	\$ 2.00	\$ 4.00	\$ 7.20	\$ 9.36	\$ 9.55
	Monthly	\$ 0.67	\$ 1.33	\$ 2.40	\$ 3.12	\$ 3.18
	2021-2031	2020	2021	2022	2023	2024
Revenues		Budget	Budget			
Charges for Services	0.00%	52,000	104,000	187,200	243,360	248,227
Total Operating Revenue		52,000	104,000	187,200	243,360	248,227
Operating Expenses						
Salaries	3.00%	11,730	28,760	29,623	30,511	31,427
F.I.C.A. & Medicare	3.00%	900	2,200	2,266	2,334	2,404
PERA	3.00%	880	2,160	2,225	2,292	2,360
Employer Paid In (General)	3.00%	2,450	7,520	7,746	7,978	8,217
Training and Instruction	3.00%	1,500	10,000	10,300	10,609	10,927
Operating Supplies	3.00%	300	900	927	955	983
Safety Equipment	3.00%	-	500	515	530	546
Small Tools	3.00%	1,500	1,500	1,545	1,591	1,639
Other Supplies	3.00%	4,000	-	-	-	-
Repair & Maintenance of Equipment	3.00%	-	10,000	10,300	10,609	10,927
Repair & Maintenance Other	3.00%	-	35,000	36,050	37,132	38,245
Contracted Services	3.00%	10,000	20,000	20,600	21,218	21,855
MS4 Permit - Engineering	3.00%	15,000	10,000	10,300	10,609	10,927
Other Indirect Charges	3.00%	500	-	-	-	-
Communication Expenses	3.00%	-	400	412	424	437
Other Miscellaneous Expenses	3.00%	-	1,500	1,545	1,591	1,639
Utilities	3.00%	100	-	-	-	-
Depreciation		51,425	51,425	50,139	48,886	47,664
New Depreciation		-	-	49,500	51,500	53,500
Total Operating Expenses		100,285	181,865	233,993	238,770	243,699
Operating Income (Loss)		(48,285)	(77,865)	(46,793)	4,590	4,528
Non Operating Revenues (Expenses)						
State or Federal Grants		-	200,000			
Interest Income	1.00%	1,000	1,500	401	533	1,189
Total Non Operating Revenues (Expenses)		1,000	201,500	401	533	1,189
Net Income (Loss) Before Transfers		(47,285)	123,635	(46,392)	5,124	5,717
Operating Transfers						
Transfers In		-	250,000			
Total Operating Transfers		-	250,000	-	-	-
Net Income (Loss)		(47,285)	373,635	(46,392)	5,124	5,717
Beginning Cash & Investments		125,901	130,041	40,101	53,349	118,858
Net Income		(47,285)	373,635	(46,392)	5,124	5,717
Depreciation		51,425	51,425	99,639	100,386	101,164
Acquisition and Construction of Assets		-	(515,000)	(40,000)	(40,000)	(45,000)
Ending Cash Balance		130,041	40,101	53,349	118,858	180,739

Surface Water Fund Financial Projection with Rate Increases

	\$ 9.74	\$ 9.93	\$ 10.13	\$ 10.33	\$ 10.54	\$ 10.75
	\$ 3.25	\$ 3.31	\$ 3.38	\$ 3.44	\$ 3.51	\$ 3.58
	2025	2026	2027	2028	2029	2030
Revenues						
Charges for Services	253,192	258,256	263,421	268,689	274,063	279,544
Total Operating Revenue	253,192	258,256	263,421	268,689	274,063	279,544
Operating Expenses						
Salaries	32,370	33,341	34,341	35,371	36,432	37,525
F.I.C.A. & Medicare	2,476	2,550	2,627	2,706	2,787	2,871
PERA	2,431	2,504	2,579	2,657	2,736	2,818
Employer Paid In (General)	8,464	8,718	8,979	9,249	9,526	9,812
Training and Instruction	11,255	11,593	11,941	12,299	12,668	13,048
Operating Supplies	1,013	1,043	1,075	1,107	1,140	1,174
Safety Equipment	563	580	597	615	633	652
Small Tools	1,688	1,739	1,791	1,845	1,900	1,957
Other Supplies	-	-	-	-	-	-
Repair & Maintenance of Equipment	11,255	11,593	11,941	12,299	12,668	13,048
Repair & Maintenance Other	39,393	40,575	41,792	43,046	44,337	45,667
Contracted Services	22,510	23,185	23,881	24,597	25,335	26,095
MS4 Permit - Engineering	11,255	11,593	11,941	12,299	12,668	13,048
Other Indirect Charges	-	-	-	-	-	-
Communication Expenses	450	464	478	492	507	522
Other Miscellaneous Expenses	1,688	1,739	1,791	1,845	1,900	1,957
Utilities	-	-	-	-	-	-
Depreciation	46,472	45,310	44,178	43,073	41,996	40,946
New Depreciation	55,750	58,000	60,250	62,750	65,250	67,750
Total Operating Expenses	249,034	254,526	260,180	266,248	272,484	278,891
Operating Income (Loss)	4,158	3,730	3,241	2,441	1,579	653
Non Operating Revenues (Expenses)						
State or Federal Grants						
Interest Income	1,807	2,439	3,084	3,692	4,311	4,943
Total Non Operating Revenues (Expenses)	1,807	2,439	3,084	3,692	4,311	4,943
Net Income (Loss) Before Transfers	5,966	6,169	6,325	6,133	5,890	5,596
Operating Transfers						
Transfers In						
Total Operating Transfers	-	-	-	-	-	-
Net Income (Loss)	5,966	6,169	6,325	6,133	5,890	5,596
Beginning Cash & Investments	180,739	243,927	308,406	369,158	431,114	494,251
Net Income	5,966	6,169	6,325	6,133	5,890	5,596
Depreciation	102,222	103,310	104,428	105,823	107,246	108,696
Acquisition and Construction of Assets	(45,000)	(45,000)	(50,000)	(50,000)	(50,000)	(55,000)
Ending Cash Balance	243,927	308,406	369,158	431,114	494,251	553,543

The third financial projection was made incorporating rate increases and transfers in needed to provide adequate revenues for the Surface Water Fund over the planning period. The transfers in are projected in 2021 (an additional \$25,000 above the \$250,000 already budgeted) and \$25,000 in 2022 for a total of \$50,000. These transfers are repaid with 3% interest in 2023 and 2024 by transferring out \$26,500 in each of those years. The financial projections show that the quarterly charges for all land uses would increase at a slower rate in the first two years but would match the rate projected in the previous financial projection in 2024 and thereafter. The benefit of this approach is lesser increases in the first two years, but it does require the transfers in to accomplish this.

The agricultural and residential land use designations would increase from its current \$2.00/quarter (\$0.67/month) in 2020 as follows:

- \$3.60/quarter (\$1.20/month) in 2021
- \$6.48/quarter (\$2.16/month) in 2022
- \$9.40/quarter (\$3.13/month) in 2023

Similar to the rate increase projection, the increases needed from this point forward are much smaller.

This financial projection shows operating losses in 2021 and 2022 then positive operating income thereafter. Ending cash is positive each year and the recommended ending cash balance is maintained every year. The ending cash balance is projected to increase from \$54,701 in 2021 to \$74,375 in 2022 after which it increases steadily reaching \$528,081 at the end of the planning period in 2030. These financial projections are shown on the following pages.

Surface Water Fund Financial Projection with Rate Increases and Transfers

	Quarterly	\$ 2.00	\$ 3.60	\$ 6.48	\$ 9.40	\$ 9.58
	Monthly	\$ 0.67	\$ 1.20	\$ 2.16	\$ 3.13	\$ 3.19
	2021-2031	2020	2021	2022	2023	2024
Revenues		Budget	Budget			
Charges for Services		52,000	93,600	168,480	244,296	249,182
Total Operating Revenue		52,000	93,600	168,480	244,296	249,182
Operating Expenses						
Salaries	3.00%	11,730	28,760	29,623	30,511	31,427
F.I.C.A. & Medicare	3.00%	900	2,200	2,266	2,334	2,404
PERA	3.00%	880	2,160	2,225	2,292	2,360
Employer Paid In (General)	3.00%	2,450	7,520	7,746	7,978	8,217
Training and Instruction	3.00%	1,500	10,000	10,300	10,609	10,927
Operating Supplies	3.00%	300	900	927	955	983
Safety Equipment	3.00%	-	500	515	530	546
Small Tools	3.00%	1,500	1,500	1,545	1,591	1,639
Other Supplies	3.00%	4,000	-	-	-	-
Repair & Maintenance of Equipment	3.00%	-	10,000	10,300	10,609	10,927
Repair & Maintenance Other	3.00%	-	35,000	36,050	37,132	38,245
Contracted Services	3.00%	10,000	20,000	20,600	21,218	21,855
MS4 Permit - Engineering	3.00%	15,000	10,000	10,300	10,609	10,927
Other Indirect Charges	3.00%	500	-	-	-	-
Communication Expenses	3.00%	-	400	412	424	437
Other Miscellaneous Expenses	3.00%	-	1,500	1,545	1,591	1,639
Utilities	3.00%	100	-	-	-	-
Depreciation		51,425	51,425	50,139	48,886	47,664
New Depreciation		-	-	49,500	51,500	53,500
Total Operating Expenses		100,285	181,865	233,993	238,770	243,699
Operating Income (Loss)		(48,285)	(88,265)	(65,513)	5,526	5,483
Non Operating Revenues (Expenses)						
State or Federal Grants		-	200,000			
Interest Income	1.00%	1,000	1,500	547	744	1,145
Total Non Operating Revenues (Expenses)		1,000	201,500	547	744	1,145
Net Income (Loss) Before Transfers		(47,285)	113,235	(64,966)	6,270	6,628
Operating Transfers						
Transfers In		-	275,000	25,000		
Transfers (Out)		-			(26,500)	(26,500)
Total Operating Transfers		-	275,000	25,000	(26,500)	(26,500)
Net Income (Loss)		(47,285)	388,235	(39,966)	(20,230)	(19,872)
Beginning Cash & Investments		125,901	130,041	54,701	74,375	114,531
Net Income		(47,285)	388,235	(39,966)	(20,230)	(19,872)
Depreciation		51,425	51,425	99,639	100,386	101,164
Acquisition and Construction of Assets		-	(515,000)	(40,000)	(40,000)	(45,000)
Ending Cash Balance		130,041	54,701	74,375	114,531	150,823

Surface Water Fund Financial Projection with Rate Increases and Transfers

	\$ 9.78	\$ 9.97	\$ 10.17	\$ 10.37	\$ 10.58	\$ 10.79
	\$ 3.26	\$ 3.32	\$ 3.39	\$ 3.46	\$ 3.53	\$ 3.60
	2025	2026	2027	2028	2029	2030
Revenues						
Charges for Services	254,166	259,249	264,434	269,723	275,117	280,619
Total Operating Revenue	254,166	259,249	264,434	269,723	275,117	280,619
Operating Expenses						
Salaries	32,370	33,341	34,341	35,371	36,432	37,525
F.I.C.A. & Medicare	2,476	2,550	2,627	2,706	2,787	2,871
PERA	2,431	2,504	2,579	2,657	2,736	2,818
Employer Paid In (General)	8,464	8,718	8,979	9,249	9,526	9,812
Training and Instruction	11,255	11,593	11,941	12,299	12,668	13,048
Operating Supplies	1,013	1,043	1,075	1,107	1,140	1,174
Safety Equipment	563	580	597	615	633	652
Small Tools	1,688	1,739	1,791	1,845	1,900	1,957
Other Supplies	-	-	-	-	-	-
Repair & Maintenance of Equipment	11,255	11,593	11,941	12,299	12,668	13,048
Repair & Maintenance Other	39,393	40,575	41,792	43,046	44,337	45,667
Contracted Services	22,510	23,185	23,881	24,597	25,335	26,095
MS4 Permit - Engineering	11,255	11,593	11,941	12,299	12,668	13,048
Other Indirect Charges	-	-	-	-	-	-
Communication Expenses	450	464	478	492	507	522
Other Miscellaneous Expenses	1,688	1,739	1,791	1,845	1,900	1,957
Utilities	-	-	-	-	-	-
Depreciation	46,472	45,310	44,178	43,073	41,996	40,946
New Depreciation	55,750	58,000	60,250	62,750	65,250	67,750
Total Operating Expenses	249,034	254,526	260,180	266,248	272,484	278,891
Operating Income (Loss)	5,132	4,723	4,254	3,475	2,633	1,728
Non Operating Revenues (Expenses)						
State or Federal Grants						
Interest Income	1,508	2,147	2,799	3,413	4,041	4,680
Total Non Operating Revenues (Expenses)	1,508	2,147	2,799	3,413	4,041	4,680
Net Income (Loss) Before Transfers	6,640	6,870	7,053	6,888	6,674	6,408
Operating Transfers						
Transfers In						
Transfers (Out)	-	-	-	-	-	-
Total Operating Transfers	-	-	-	-	-	-
Net Income (Loss)	6,640	6,870	7,053	6,888	6,674	6,408
Beginning Cash & Investments	150,823	214,685	279,865	341,345	404,057	467,977
Net Income	6,640	6,870	7,053	6,888	6,674	6,408
Depreciation	102,222	103,310	104,428	105,823	107,246	108,696
Acquisition and Construction of Assets	(45,000)	(45,000)	(50,000)	(50,000)	(50,000)	(55,000)
Ending Cash Balance	214,685	279,865	341,345	404,057	467,977	528,081

Sample Bills

The impact of the proposed rate increases on different customer classes based on land use designation are shown in the tables below. The first table shows the quarterly bills with rate increases and the second shows the rate quarterly bills based on rate increases with transfers. The proposed rate increases without transfers projects the quarterly bills for all land uses to increase somewhat faster in the period from 2021 through 2023 in response to the increased operating costs. The Agricultural/Single Family Residential/One and Two Family Residential/Rural Residential land use designation current \$2.00/quarter bill would increase to \$4.00/ quarter in 2021 an increase of \$2.00. The quarterly bill for 2022 would increase \$3.20 to \$7.20 and the quarterly bill for 2023 would increase \$2.16 to \$9.36. After that, the increases are projected to be \$0.19 to \$9.55 in 2024 and \$0.19 to \$9.74 in 2025. Other land uses follow a similar pattern as shown in the table below.

Surface Water Fund Financial Projection with Rate Increases

Land Use Designation	2020	2021	2022	2023	2024	2025
Agricultural/Single Family Residential/One and Two Family Residential/Rural Residential/Unit	\$ 2.00	\$ 4.00	\$ 7.20	\$ 9.36	\$ 9.55	\$ 9.74
High Density Residential/Manufactured Homes/Acre	\$ 16.20	\$ 32.40	\$ 58.32	\$ 75.82	\$ 77.33	\$ 78.88
Commercial/Acre	\$ 16.20	\$ 32.40	\$ 58.32	\$ 75.82	\$ 77.33	\$ 78.88
Central Business/Acre	\$ 16.20	\$ 32.40	\$ 58.32	\$ 75.82	\$ 77.33	\$ 78.88
Office and Health Care/Acre	\$ 16.20	\$ 32.40	\$ 58.32	\$ 75.82	\$ 77.33	\$ 78.88
Industrial (Urban)/Acre	\$ 21.00	\$ 42.00	\$ 75.60	\$ 98.28	\$ 100.25	\$ 102.25
Industrial (Non-Urban)/Unit	\$ 2.00	\$ 4.00	\$ 7.20	\$ 9.36	\$ 9.55	\$ 9.74

The proposed rate increases with transfers projects the quarterly bills for all land uses to increase at slower rate in the period from 2021 through 2023. The Agricultural/Single Family Residential/One and Two Family Residential/Rural Residential land use designation current \$2.00/quarter bill would increase to \$3.60/ quarter in 2021 an increase of \$1.60. The quarterly bill for 2022 would increase \$2.88 to \$6.48 and the quarterly bill for 2023 would increase \$2.92 to \$9.40. After that, the increases are projected to be \$0.18 to \$9.58 in 2024 and \$0.20 to \$9.7/ in 2025. Other land uses follow a similar pattern as shown in the table below.

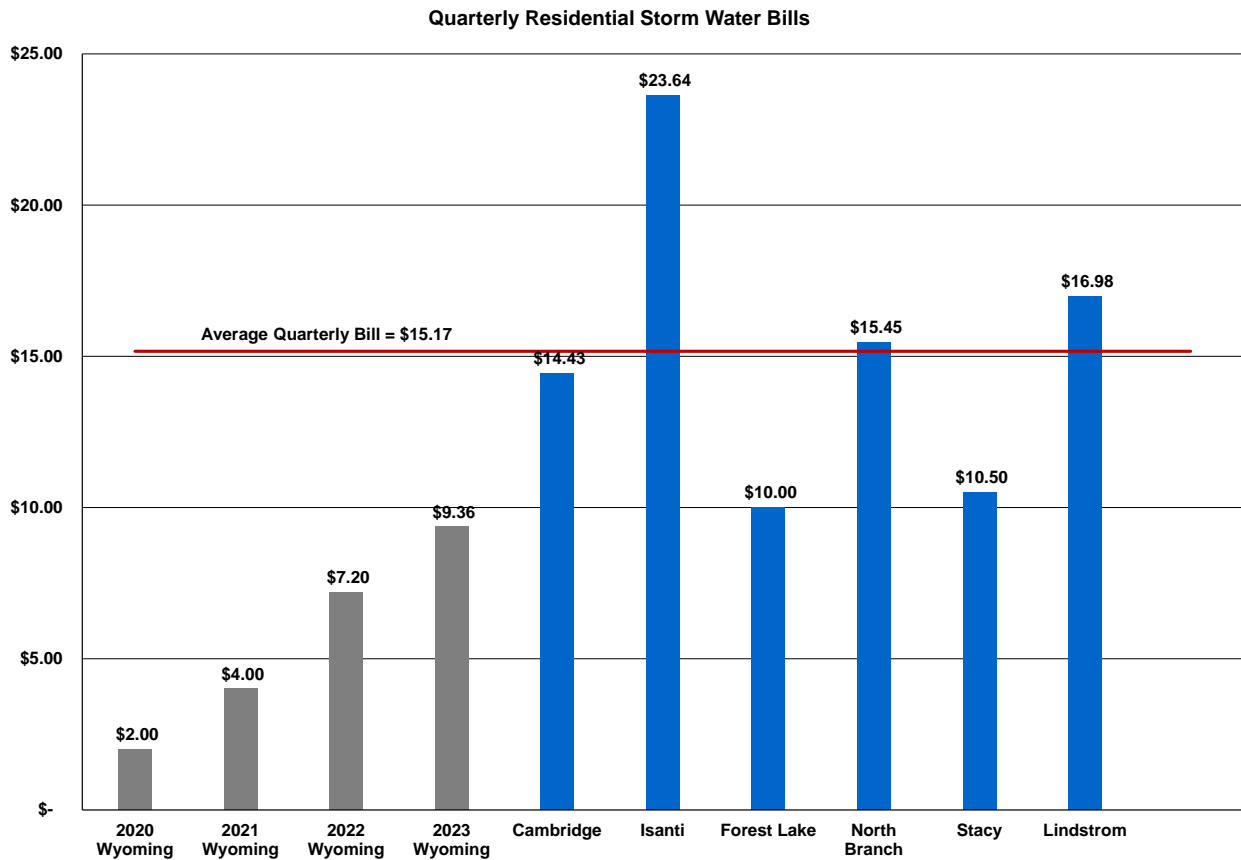
Surface Water Fund Financial Projection with Rate Increases and Transfers

Land Use Designation	2020	2021	2022	2023	2024	2025
Agricultural/Single Family Residential/One and Two Family Residential/Rural Residential/Unit	\$ 2.00	\$ 3.60	\$ 6.48	\$ 9.40	\$ 9.58	\$ 9.78
High Density Residential/Manufactured Homes/Acre	\$ 16.20	\$ 29.16	\$ 52.49	\$ 76.11	\$ 77.63	\$ 79.18
Commercial/Acre	\$ 16.20	\$ 29.16	\$ 52.49	\$ 76.11	\$ 77.63	\$ 79.18
Central Business/Acre	\$ 16.20	\$ 29.16	\$ 52.49	\$ 76.11	\$ 77.63	\$ 79.18
Office and Health Care/Acre	\$ 16.20	\$ 29.16	\$ 52.49	\$ 76.11	\$ 77.63	\$ 79.18
Industrial (Urban)/Acre	\$ 21.00	\$ 37.80	\$ 68.04	\$ 98.66	\$ 100.63	\$ 102.64
Industrial (Non-Urban)/Unit	\$ 2.00	\$ 3.60	\$ 6.48	\$ 9.40	\$ 9.58	\$ 9.78

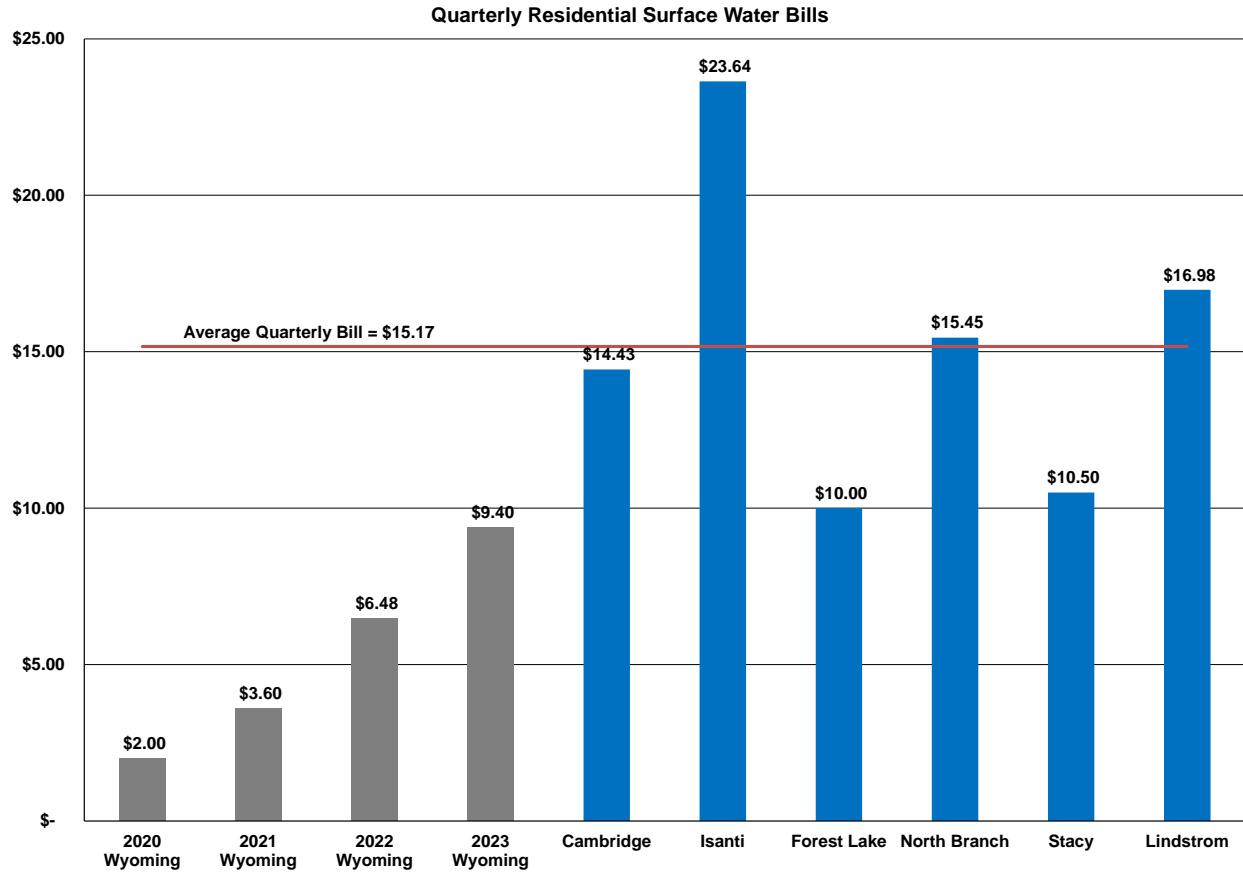
4. Comparison to Neighboring Communities

Cities often compare their utility rates to those of their neighboring communities to get a sense of how they differ and the relative differences. These comparisons can provide a measure of competitiveness, but it is important to understand that each utility system is unique and the difference in rates is often the result of factors outside each community's control. Ultimately, each city needs to set rates for its utilities that provide sufficient revenues to pay for the operation of that utility. The charts below shows a comparison of City of Wyoming's 2020 and projected 2021 through 2023 residential quarterly Surface Water bills compared to the 2020 quarterly bills of six neighboring communities Wyoming's current and projected residential quarterly bills are less than all of the neighboring communities 2020 bills.

Surface Water Quarterly Bills with Rate Increases

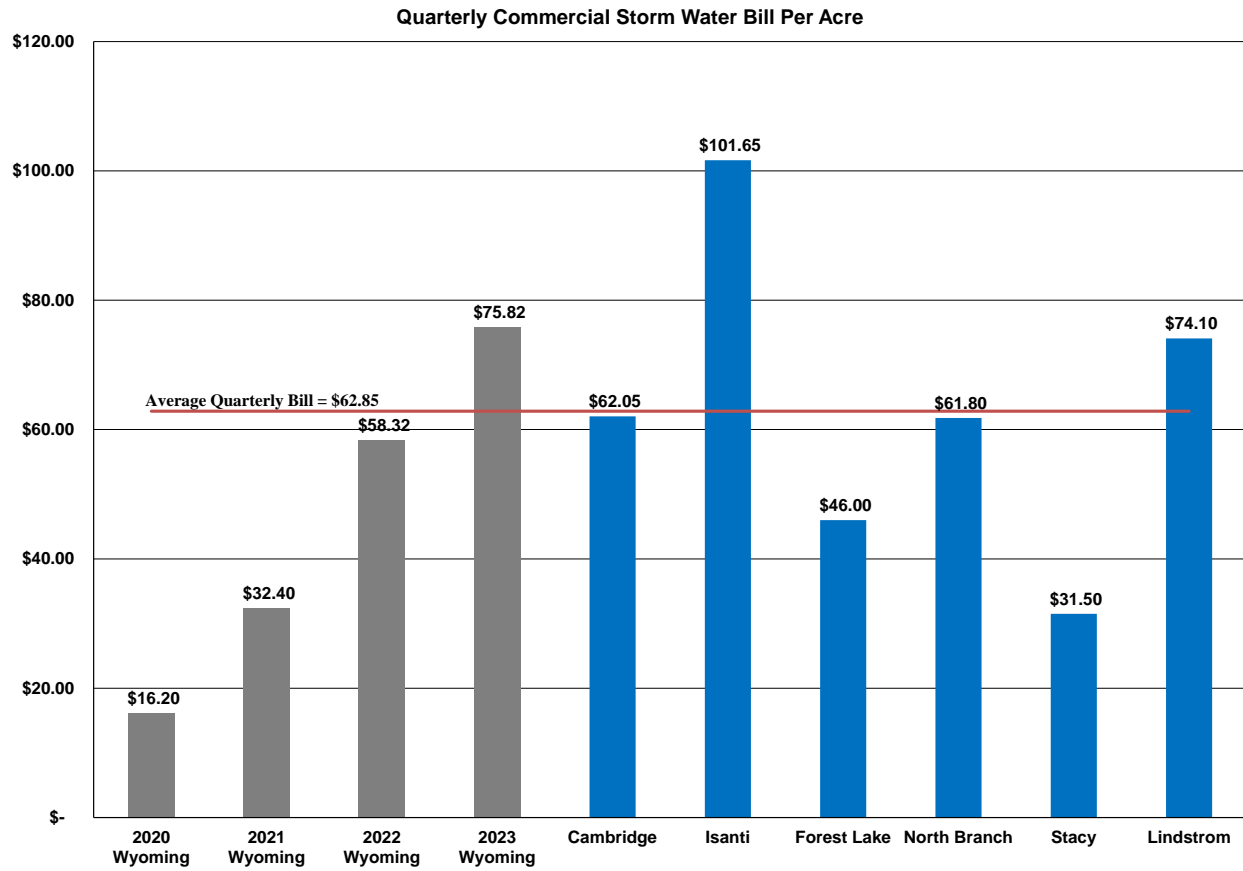


Surface Water Quarterly Bills with Rate Increases and Transfers

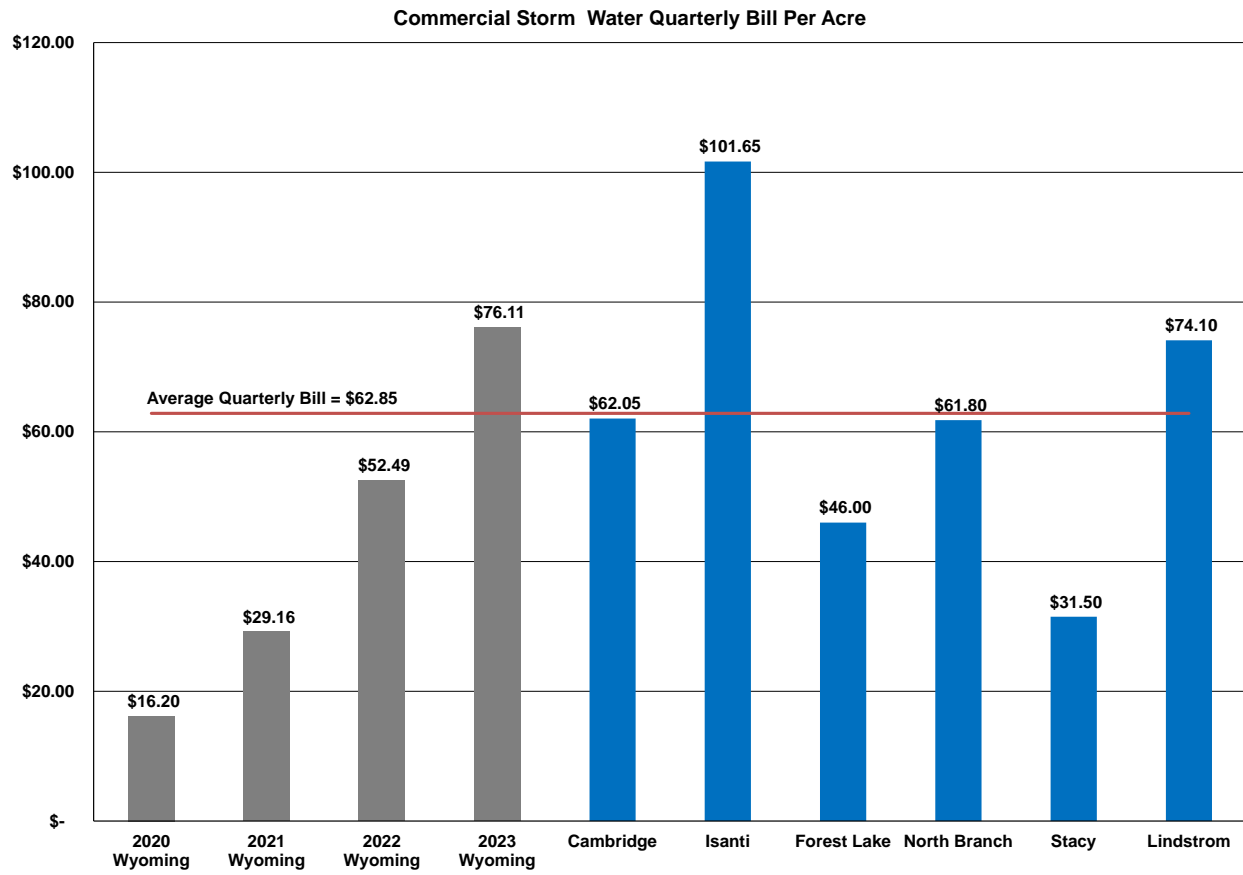


A comparison of the City of Wyoming’s 2020 and projected 2021 through 2023 commercial quarterly Surface Water bills for properties of one acre to the 2020 quarterly bills of the same six neighboring communities is provided below. Wyoming’s current quarterly bill is less than all the neighboring communities’ 2020 bills. The projected increases would place Wyoming’s 2021 quarterly bill about the same as Stacy’s 2020 bill but lower than the bills in the other five comparison communities. The 2022 projected bill would place it higher than both Stacy’s and Forest Lake’s 2020 bill and Wyoming’s projected 2023 bill would place it higher than four of the six comparison cities’ 2020 bills. It is important to understand the comparison communities may also increase their storm water rates for 2021 through 2023 so that the comparison may actually be more favorable for Wyoming. These comparisons are shown on the following pages.

Surface Water Quarterly Bills with Rate Increases



Surface Water Quarterly Bills with Rate Increases and Transfers



5. Conclusions and Recommendations

This study was undertaken to review and analyze the City of Wyoming's Surface Water Utility Fund to determine the appropriate rates needed to pay for anticipated operating expenses, to provide for anticipated capital improvements, and to ensure adequate levels of cash reserves. The following conclusions and recommendations were determined as a result of this study and the financial projections prepared:

1. The Surface Water Utility is projected to experience increased operating and capital costs over the planning period covered by this study.
2. The City's current Surface Water Utility rates are considerably less than those of its neighboring communities.
3. Surface Water Utility rates need to be increased to provide adequate revenues for operating expenses, capital outlay and to provide the recommended level of cash reserves.
4. We recommend the City adopt a cash reserve policy that will maintain a minimum cash balance in the Surface Water Utility Fund of at least three months of anticipated operating expenses and one year's debt service at the end of each year.
5. We recommend the City should establish the Surface Water Utility rates for a three to five-year period. The rates should be reviewed on an annual basis concurrent with the development of the following year's budget. Establishing utility rates for next three to five years enables customers to budget and plan accordingly, particularly large utility customers.
6. Recommended quarterly rates for the Surface Water Utility are listed below. These rates could be softened if the City would transfer funds into the Surface Utility Fund. We provided an example of this in our third set of financial projections.
 - Agricultural/Single Family Residential/One and Two Family Residential/Rural Residential and Industrial (Non-Urban) land use designation/unit
 - 2021 - \$4.00
 - 2022 - \$7.20
 - 2023 - \$9.36
 - 2024 - \$9.55
 - 2025 - \$9.74
 - All other land use designations excluding Industrial
 - 2021 - \$32.40/acre
 - 2022 - \$58.32/acre
 - 2023 - \$75.82/acre

- 2024 - \$77.33/ace
- 2025 - \$78.88/acre
- Industrial (Urban)
 - 2021 - \$42.00/ace
 - 2022 - \$75.60/acre
 - 2023 - \$98.28/acre
 - 2024 - \$100.25/ace
 - 2025 - \$102.25/acre

These recommendations are based on information provided to us by city staff. The City will need to monitor the performance of the Surface Water Utility Fund and make any necessary adjustments based upon the fund's actual operating performance and on the actual costs of the anticipated capital improvements.