



**City of Wyoming, Minnesota**  
**Utility Rate Study**  
**Water & Sanitary Sewer Services**  
**December 4, 2023**

Erickson Northstar, L.L.C



Table of Contents

- Project Objectives and Scope.....1**
- Background .....2**
  - Water Utility Fund Historical Information .....2*
  - Sewer Utility Fund Historical Information.....3*
  - Current Water and Sewer Rates .....7*
  - Cash Reserves.....7*
- Financial Projections.....9**
  - Water Utility Financial Projections ..... 10*
    - Capital Outlay ..... 10
    - Financial Projections – At Current Rates..... 10
    - Financial Projections – At Recommended Rate Increases..... 14
  - Sewer Utility Financial Projections..... 18*
    - Capital Outlay ..... 18
    - Financial Projections At Current Rates ..... 18
  - Projected Water and Sewer Rates.....22*
  - Sample Bills .....23*
  - Affordability .....24*
  - Comparison to Neighboring Communities .....25*
  - Water and Sewer Access Charges .....28*
- Conclusions and Recommendations .....29**



## **Project Objective and Scope**

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# **Project Objectives and Scope**

Erickson Northstar, L.L.C was engaged by the City of Wyoming to conduct a water and sewer utility rate study. The purpose of the study was to provide the City of Wyoming with a report that analyzed their Water and Sewer Utility Funds to determine the appropriate rates, fees, and charges needed to adequately fund these operations over the next five years. The user charges and other revenue in each fund must provide sufficient revenue to cover anticipated operating and maintenance expenses, debt service including principal and interest, capital improvements and replacements, and to maintain adequate cash reserves. The total revenue needed should reflect the historical performance of each fund while recognizing anticipated future costs during the period for which rates are being established.

Erickson Northstar's analysis was based on four primary objectives:

- Ability to maintain and expand each utility's capital assets
- Maintain financially viable utility operations
- Maintain acceptable user rates, fees, and charges
- Complement the local government's overall development and financial goals

This report includes a review of each fund's historical revenues and expenses, the 2023 budgets and actual performance to date, the projected 2024 budgets, the City's capital improvement plan, historical consumption and customer data, projected growth of the customer bases, and current outstanding debt repaid from each fund. Based on this information, a projection of each fund's financial performance over the next ten years was developed based on current rates and then on rates needed to provide sufficient revenues to adequately fund each utility.



## Background

# Background

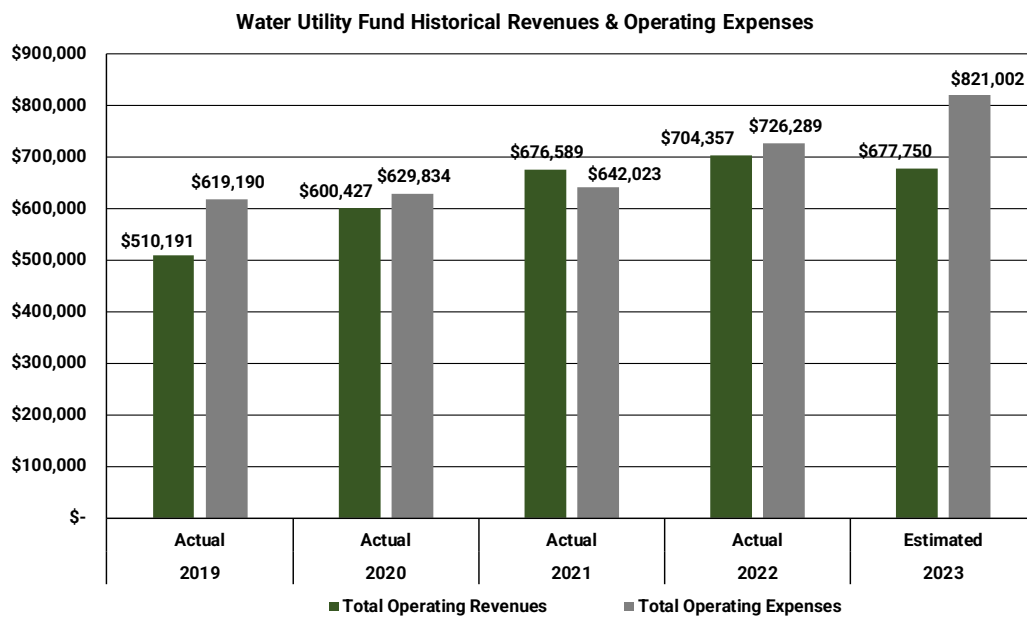
The City of Wyoming is located 36 miles northeast of the Twin Cities. They provide approximately 1,452 residential and commercial customers with water and sanitary sewer service. The City encompasses an area of approximately 21.74 square miles and has an estimated population of 8,057 persons according to the Census Bureau's 2022 estimate.

The existing water system has three wells ranging from 650 to 803 feet deep that draw water from the Mt. Simon and Tunnel City-Mt. Simon aquifers. The total supply capacity, or well pumping capacity, of the three wells is 2,125 gallons per minute. Disinfection and fluoridation are provided at each well site. There are two elevated storage tanks including one-300,000-gallon tower and one-750,000-gallon tower. Distribution mains includes pipes ranging in size from 6 to 16 inches in diameter.

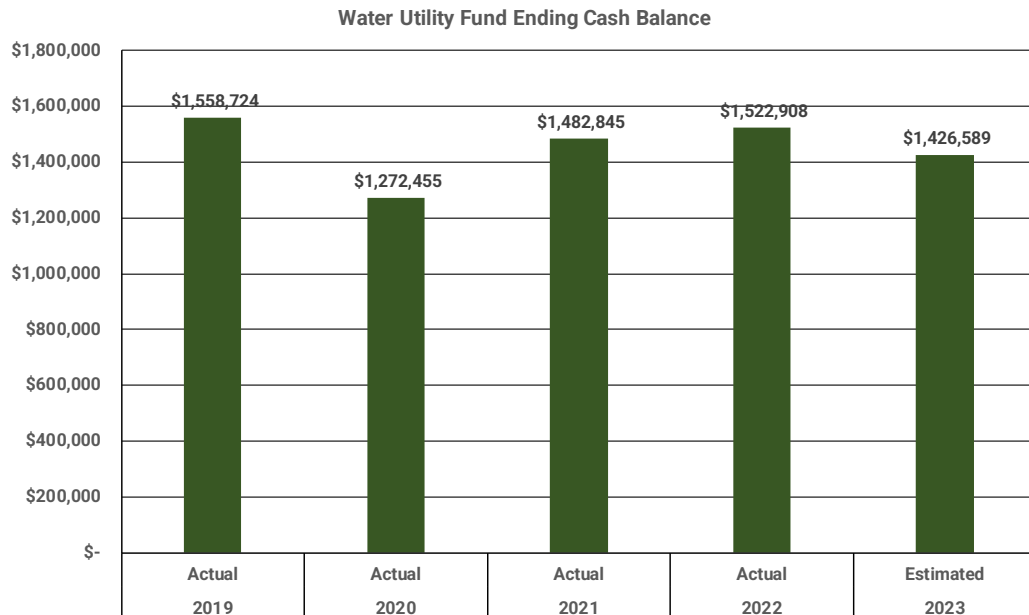
The City operates a sanitary sewer collection system with an average daily flow of 257,000 gallons per day, which discharges into the waste treatment system managed by Chisago Lakes Joint Sewage Treatment Commission (CLJSTC). The City's sewer system includes thirteen lift stations in addition to the collection system.

## Water Utility Fund Historical Information

A review of the City's most recent financial reports for the Water Utility Fund shows operating expenses have exceeded operating revenues in three of the past four years and are estimated to do so again in 2023. The Water Utility Fund's ending cash balance has fluctuated over the period from actual 2019 to budget 2023 ranging from a high of approximately \$1.56 million in 2019 to a low of approximately \$1.27 million in 2020. The 2023 budget is projected to result in an ending cash balance of approximately \$1.43 million, down from approximately \$1.52 million at the end of 2022. This variability is primarily resulted from the acquisition and construction of assets especially in 2022 where approximately \$500,000 in assets were acquired. These are shown in the charts below.

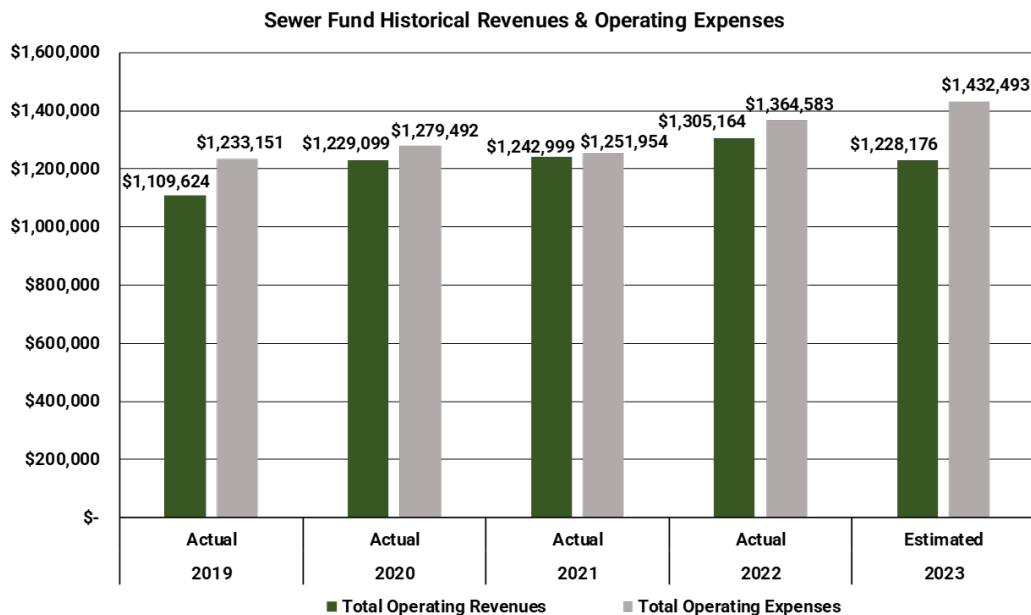


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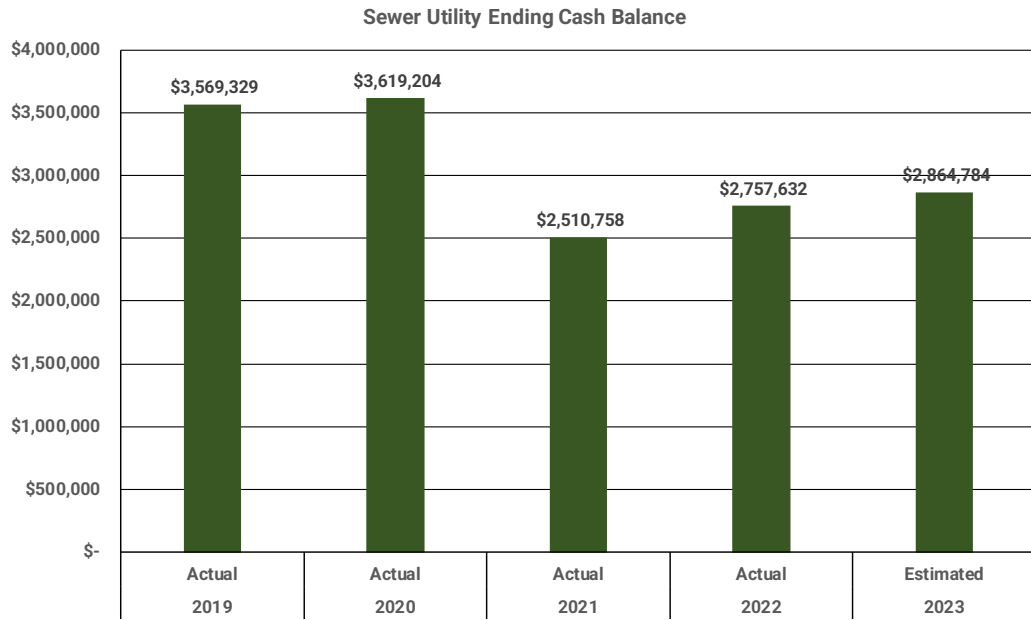
## Sewer Utility Fund Historical Information

In the Sewer Utility Fund, operating expenses have exceeded operating revenues in each of the past four years and are projected to exceed them again in 2023. Cash in the Sewer Utility Fund decreased from approximately \$3.57 million in 2019 to \$2.51 million in 2021 before increasing to \$2.76 million in 2022. The ending cash is projected to increase to approximately \$2.86 million at the end of 2023. As in the Water Utility Fund, the decrease in ending cash from 2020 to 2021 was primarily due to a \$1.29 million capital expenditure in that year. Historical operating revenues and expenses and ending cash balances are shown in the charts below and on the following page.



# Background

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Revenues and expenses for the past four years and the estimated 2023 budget for each fund are shown on the following pages.



## Background

### Water Utility Fund Historical Information

	2019	2020	2021	2022	2023
<b>Operating Revenues</b>	Actual	Actual	Actual	Actual	Estimated
Charges for Services	\$ 497,650	\$ 593,547	\$ 669,535	\$ 695,605	\$ 671,103
Penalties	\$ 11,211	\$ 6,460	\$ 824	\$ 6,652	\$ 5,667
Utility Inspections	\$ 1,330	\$ 420	\$ 6,230	\$ 2,100	\$ 980
<b>Total Operating Revenues</b>	<b>\$ 510,191</b>	<b>\$ 600,427</b>	<b>\$ 676,589</b>	<b>\$ 704,357</b>	<b>\$ 677,750</b>
<b>Operating Expenses</b>					
Personal services	\$ 173,519	\$ 164,291	\$ 200,583	\$ 260,794	\$ 217,830
Materials and supplies	\$ 20,893	\$ 14,873	\$ 37,260	\$ 25,018	\$ 23,192
Chemicals	\$ 10,724	\$ 8,501	\$ 6,638	\$ 6,083	\$ 10,399
Meters	\$ 46,256	\$ 52,344	\$ 46,255	\$ 49,822	\$ 212,338
Repairs and maintenance	\$ 20,125	\$ 58,964	\$ 18,859	\$ 32,199	\$ 34,500
Utilities	\$ 31,072	\$ 35,627	\$ 33,451	\$ 38,941	\$ 30,000
Depreciation	\$ 234,186	\$ 230,050	\$ 233,245	\$ 220,962	\$ 220,960
Other services and charges	\$ 21,814	\$ 12,534	\$ 10,921	\$ 11,879	\$ 31,783
Professional services (General)	\$ 34,018	\$ 25,297	\$ 46,184	\$ 36,394	\$ 20,000
Watermain break	\$ 26,583	\$ 27,353	\$ 8,627	\$ 44,197	\$ 20,000
<b>Total Operating Expenses</b>	<b>\$ 619,190</b>	<b>\$ 629,834</b>	<b>\$ 642,023</b>	<b>\$ 726,289</b>	<b>\$ 821,002</b>
<b>Operating income (Loss)</b>	<b>\$ (108,999)</b>	<b>\$ (29,407)</b>	<b>\$ 34,566</b>	<b>\$ (21,932)</b>	<b>\$ (143,252)</b>
<b>Nonoperating revenues (expenses)</b>					
Investment income	\$ 23,843	\$ 52,130	\$ (3,139)	\$ (34,151)	\$ 37,934
Refunds and reimbursements	\$ -	\$ -	\$ -	\$ 1,242	\$ -
Intergovernmental	\$ 6,725	\$ -	\$ 12,298	\$ -	\$ -
Miscellaneous	\$ -	\$ -	\$ 1,793	\$ -	\$ 6,925
Interest expense	\$ (65,393)	\$ (65,466)	\$ (60,236)	\$ (57,072)	\$ (57,032)
<b>Total nonoperating revenues (expenses)</b>	<b>\$ (34,825)</b>	<b>\$ (13,336)</b>	<b>\$ (49,284)</b>	<b>\$ (89,981)</b>	<b>\$ (12,173)</b>
<b>Income (loss) before capital contributions</b>	<b>\$ (143,824)</b>	<b>\$ (42,743)</b>	<b>\$ (14,718)</b>	<b>\$ (111,913)</b>	<b>\$ (155,425)</b>
Capital contributions	\$ 43,890	\$ 21,840	\$ 154,081	\$ 153,887	\$ 53,040
Transfers in	\$ 175,000	\$ 175,000	\$ -	\$ -	\$ -
Transfers out	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in net position</b>	<b>\$ 75,066</b>	<b>\$ 154,097</b>	<b>\$ 139,363</b>	<b>\$ 41,974</b>	<b>\$ (102,385)</b>
<b>Cash and Cash Equivalents</b>					
Beginning cash	\$ 1,351,206	\$ 1,558,724	\$ 1,272,455	\$ 1,482,845	\$ 1,522,908
Depreciation	\$ 234,186	\$ 230,050	\$ 233,245	\$ 220,962	\$ 220,960
Change in net position	\$ 75,066	\$ 154,097	\$ 139,363	\$ 41,974	\$ (102,385)
Acquisition of assets	\$ -	\$ (496,763)	\$ (50,556)	\$ (3,750)	\$ (50,000)
Principal payments on debt	\$ (154,283)	\$ (155,687)	\$ (157,089)	\$ (163,492)	\$ (164,895)
Adjustment for accruals	\$ 52,549	\$ (17,966)	\$ 45,427	\$ (55,631)	\$ -
<b>Ending cash balance</b>	<b>\$ 1,558,724</b>	<b>\$ 1,272,455</b>	<b>\$ 1,482,845</b>	<b>\$ 1,522,908</b>	<b>\$ 1,426,589</b>



# Background

## Sewer Utility Fund Historical Information

	2019	2020	2021	2022	2023
<b>Operating Revenues</b>	Actual	Actual	Actual	Actual	Estimated
Charges for Services	\$ 1,109,624	\$ 1,229,099	\$ 1,240,508	\$ 1,305,164	\$ 1,217,264
Penalties	\$ -	\$ -	\$ 2,491	\$ -	\$ 10,912
Other	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Operating Revenues</b>	<b>\$ 1,109,624</b>	<b>\$ 1,229,099</b>	<b>\$ 1,242,999</b>	<b>\$ 1,305,164</b>	<b>\$ 1,228,176</b>
<b>Operating Expenses</b>					
Personal services	\$ 145,532	\$ 165,720	\$ 180,333	\$ 248,410	\$ 210,650
Materials and supplies	\$ 15,297	\$ 32,021	\$ 10,004	\$ 16,065	\$ 28,345
Repairs and maintenance	\$ 44,602	\$ 38,146	\$ 46,164	\$ 88,892	\$ 43,733
Utilities	\$ 12,933	\$ 11,458	\$ 16,388	\$ 12,766	\$ 25,000
Depreciation	\$ 318,857	\$ 318,462	\$ 320,467	\$ 326,187	\$ 320,468
Other services and charges	\$ 367,280	\$ 348,961	\$ 345,768	\$ 329,897	\$ 445,838
Professional services (General)	\$ 20,829	\$ 59,700	\$ 28,852	\$ 31,493	\$ 20,000
Sewer Plant Fees	\$ 307,821	\$ 305,024	\$ 303,978	\$ 310,873	\$ 338,458
<b>Total Operating Expenses</b>	<b>\$ 1,233,151</b>	<b>\$ 1,279,492</b>	<b>\$ 1,251,954</b>	<b>\$ 1,364,583</b>	<b>\$ 1,432,493</b>
<b>Operating income (Loss)</b>	<b>\$ (123,527)</b>	<b>\$ (50,393)</b>	<b>\$ (8,955)</b>	<b>\$ (59,419)</b>	<b>\$ (204,316)</b>
<b>Nonoperating revenues (expenses)</b>					
Investment income	\$ 59,486	\$ 107,423	\$ (2,447)	\$ (64,870)	\$ 72,884
Refunds and reimbursements	\$ -	\$ 57,411	\$ -	\$ -	\$ -
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	\$ -	\$ -	\$ 12,500	\$ -	\$ -
Interest expense	\$ (18,218)	\$ (15,097)	\$ (11,869)	\$ (8,533)	\$ (16,829)
<b>Total nonoperating revenues (expenses)</b>	<b>\$ 41,268</b>	<b>\$ 149,737</b>	<b>\$ (1,816)</b>	<b>\$ (73,403)</b>	<b>\$ 56,055</b>
<b>Income (loss) before capital contributions</b>	<b>\$ (82,259)</b>	<b>\$ 99,344</b>	<b>\$ (10,771)</b>	<b>\$ (132,822)</b>	<b>\$ (148,261)</b>
Capital contributions	\$ 50,050	\$ 22,750	\$ 4,550	\$ 146,510	\$ 50,050
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	\$ (175,000)	\$ (175,000)	\$ -	\$ -	\$ -
<b>Change in net position</b>	<b>\$ (207,209)</b>	<b>\$ (52,906)</b>	<b>\$ (6,221)</b>	<b>\$ 13,688</b>	<b>\$ (98,211)</b>
<b>Cash and Cash Equivalents</b>					
Beginning cash	\$ 3,595,883	\$ 3,569,329	\$ 3,619,204	\$ 2,510,758	\$ 2,757,632
Depreciation	\$ 318,857	\$ 318,462	\$ 320,467	\$ 326,187	\$ 320,468
Change in net position	\$ (207,209)	\$ (52,906)	\$ (6,221)	\$ 13,688	\$ (98,211)
Acquisition of assets	\$ (60,525)	\$ (126,470)	\$ (1,294,744)	\$ (14,178)	\$ -
Principal payments on debt	\$ (100,717)	\$ (104,313)	\$ (107,911)	\$ (111,508)	\$ (115,105)
Adjustment for accruals	\$ 23,040	\$ 15,102	\$ (20,037)	\$ 32,685	\$ -
<b>Ending cash balance</b>	<b>\$ 3,569,329</b>	<b>\$ 3,619,204</b>	<b>\$ 2,510,758</b>	<b>\$ 2,757,632</b>	<b>\$ 2,864,784</b>





## Background

### Current Water and Sewer Rates

The City's 2023 Water Rate Schedule and Sewer Rate Schedule are shown below.

#### Current Water Rate Schedule

CHAPTER 36 – UTILITIES		
<b>Article II Water</b>		
Residential	Base Fee (5/8" to 7/8" Meter)	\$41.72
Residential	Per 100gal/20,000 or less	\$.003447/gallon
Residential	Per 100gal/20,000 or more	\$.004308/gallon
Commercial	Per 100gal/62,000 or less	\$.003447/gallon
Commercial	Per 100gal/62,000 or more	\$.004308/gallon
Commercial	<b>Base Fees – Meter Size</b>	
	1"	\$58.40
	1 1/2"	\$75.08
	2"	\$120.98
	3"	\$458.86
Curb Stop Connection Permit (WAC)		\$3,990.00

#### Current Sewer Rate Schedule:

<b>Article III – Sewer</b>	
Permit Fee for Connection to Sanitary Sewer Plus Installation Costs (SAC)	\$4,550.00
Base Fee	\$31.44
Cost Per Gallons (Sewage Cost Per/100 gallons)	\$.0134/gallon

### Cash Reserves

Utility funds need sufficient cash to pay current expenses together with principal and interest on outstanding debt. Cash reserves should be established at a level that will provide for fluctuations in revenues that can result from variable seasonal demands, unforeseen revenue losses, unforeseen expenses, timing differences between receipt of revenues and timing of expenses, emergencies or to cover any shortfalls in the budget. The amount of cash reserves that each fund should have depends on several factors, including:

- Reserves that are legally required
- Variability of the annual revenue stream
- Variability in annual expenses
- Variability in service demands (e.g. rainfall, temperature, climate changes events)
- Age and condition of fixed assets
- Anticipated future capital needs
- Tolerance for risk
- Number of relatively large customers
- Bond rating agency metrics

There are few prescribed formulas, and the level of cash reserves varies considerably between utilities. The level of cash reserves should be established based on a careful analysis of the factors above. The City of Wyoming has established a cash reserve policy for its enterprise funds as follows:



## Background

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*At the end of each fiscal year, each enterprise fund shall maintain a minimum cash reserve balance equal to 50% of the following year's budgeted operating expenses, 100% of the following year's debt service principal and interest payments due, and the 5 year average of future capital outlay*

This policy is well thought out and will provide each enterprise fund with an adequate level of cash reserves.



## Financial Projections

# Financial Projections

The financial projections for the Water and Sewer Funds were based in part on information provided to Erickson Northstar and information available on the City's website and from the Chisago Lakes Joint Sewer Treatment Commission (CLJSTC) including:

- City's 2019 through 2022 – Annual Comprehensive Financial Reports
- City's 2023 and 2024 Water and Sewer operating budgets
- Actual 2023 financial statements through September 30, 2023
- CLSTJC 2024 Draft Budget
- Current utility rates
- Capital Improvement Plan for the Water Utility Fund
  - o For 2024 through 2028 and 2033 the amounts from the C.I.P.
  - o \$450,000 in ARPA funds for the 2024 trunk watermain under Interstate 35
  - o For 2029 through 2032 capital outlay was estimated at the average annual amount programed from 2023 through 2028
- Capital Improvement Plan for the Sewer Utility Fund
  - o For 2024 through 2028 the amounts from the C.I.P.
  - o For 2029 through 2033 capital outlay was estimated at the average annual amount programed from 2023 through 2028
- CLJSTC planned capital improvements for 2024 through 2028
- Customer consumption data
- Increased cost for an employee in 2025
  - o \$25,000 in the Water Utility
  - o \$25,000 in the Sewer Utility
- The City's Comprehensive Plan
- Chisago County Comprehensive Housing Plan

Assumptions for the growth of revenues from the increase volume of water sold each year resulting from growth and development were projected to be 2.15% annually based on projections from the comprehensive plans.

Assumptions for the increase in operating expenses for each utility were based on historical trends and our experience in performing utility rate studies. Most operating expenses were projected to grow at three percent annually with the exception of chemicals for the Water Utility Fund which were projected to grow at 1.5% annually.

The interest income earned on the investment of annual ending cash was assumed to be at a rate of 1.5% based on the long-term average of interest rates for ninety-day certificates of deposit.



# Financial Projections

## Water Utility Financial Projections

Two financial projections were made for the Water Utility Fund. The first projection showed the financial performance of the fund at current rates and the second projection showed the financial performance at rates needed to adequately fund the utility. Both projections included the capital improvement program and the projected increase in sales resulting from growth and development.

### Capital Outlay

Capital outlay included in the financial projections totaled \$2.76 million of which \$1.11 million was projected to be funded with cash from the Water Utility Fund, \$1.2 million would be funded with new debt, and \$450,000 would be funded with ARPA funds. The capital improvement plan is shown below.

Year	Project	Water Utility	G.O. Water Revenue Bonds	Water Other	Total
2024	Trunk Watermain under I35	\$ 300,000		\$ 450,000	\$ 750,000
2024	Valve turner	\$ 17,000			\$ 17,000
2024	Water Tower Mixer	\$ 20,000			\$ 20,000
2024	Lift Station Service Truck	\$ 35,000			\$ 35,000
2026	Watermain Improvement with Street CIP	\$ 50,000			\$ 50,000
2028	East Viking Valving	\$ 40,000			\$ 40,000
2029	Water Utility Improvements	\$ 162,000			\$ 162,000
2030	Water Utility Improvements	\$ 162,000			\$ 162,000
2031	Water Utility Improvements	\$ 162,000			\$ 162,000
2032	Water Utility Improvements	\$ 162,000			\$ 162,000
2033	New Supply Well	\$ -	\$ 1,200,000		\$ 1,200,000
<b>Totals</b>		<b>\$ 1,110,000</b>	<b>\$ 1,200,000</b>	<b>\$ 450,000</b>	<b>\$ 2,760,000</b>

### Financial Projections – At Current Rates

The financial projection at current rates shows the following outcomes:

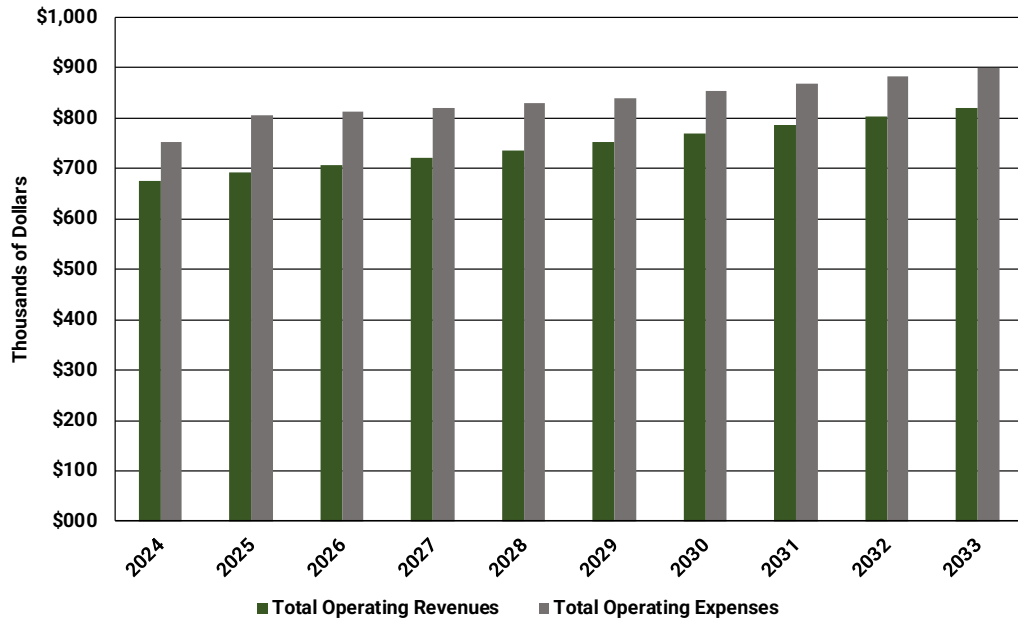
- Operating expenses exceed operating revenues every year
- Ending cash declines every year and is projected to be less the minimum cash required by the City’s policy beginning in 2028 and each year thereafter.

The financial projections at current rates are shown in the charts and tables on the following pages.

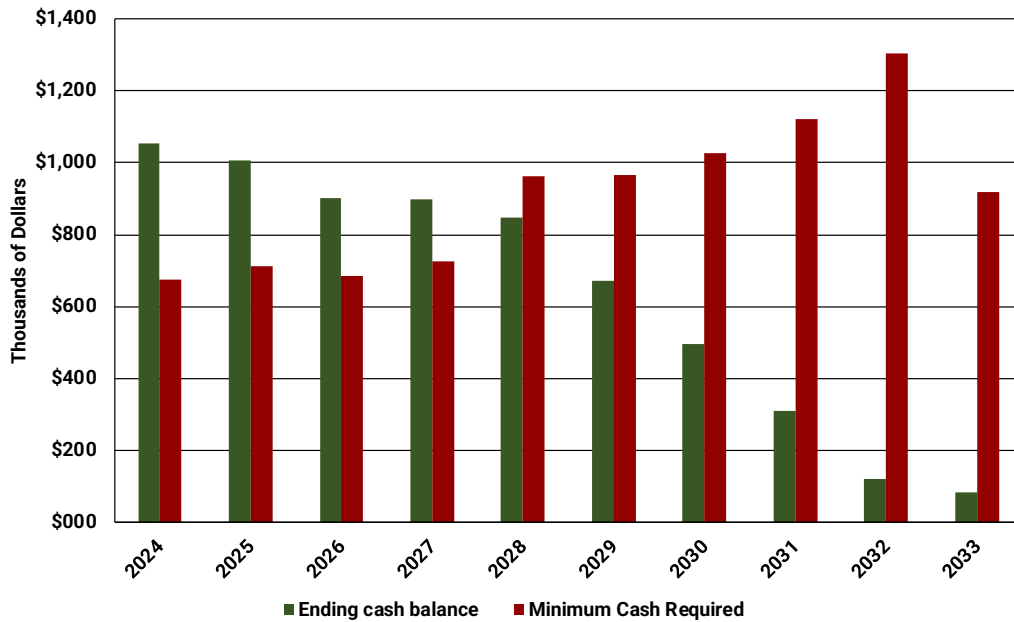


# Financial Projections

**Water Utility Fund No Rate Increases  
Projected Operating Revenues and Expenditures**



**Water Utility Fund No Rate Increases  
Projected Ending Cash Balances and Minimum Cash Required**



# Financial Projections

## Water Utility Financial Projections at Current rates

Projected growth in sales		2.15%	2.15%	2.15%	2.15%	2.15%
Projected rate increase		0.00%	0.00%	0.00%	0.00%	0.00%
		Projected	Projected	Projected	Projected	Projected
	Projected Change	2024	2025	2026	2027	2028
<b>Operating Revenues</b>						
Charges for Services	0.00%	\$ 667,403	\$ 681,752	\$ 696,410	\$ 711,383	\$ 726,677
Penalties	0.00%	\$ 8,000	\$ 8,172	\$ 8,348	\$ 8,527	\$ 8,711
Utility Inspections	0.00%	\$ 1,000	\$ 1,022	\$ 1,043	\$ 1,066	\$ 1,089
<b>Total Operating Revenues</b>		<b>\$ 676,403</b>	<b>\$ 690,946</b>	<b>\$ 705,801</b>	<b>\$ 720,976</b>	<b>\$ 736,477</b>
<b>Operating Expenses</b>						
Personal services	3.00%	\$ 248,528	\$ 280,984	\$ 289,413	\$ 298,096	\$ 307,039
Materials and supplies	3.00%	\$ 38,500	\$ 39,655	\$ 40,845	\$ 42,070	\$ 43,332
Chemicals	1.50%	\$ 15,000	\$ 15,225	\$ 15,453	\$ 15,685	\$ 15,920
Meters	3.00%	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255
Repairs and maintenance	3.00%	\$ 41,500	\$ 42,745	\$ 44,027	\$ 45,348	\$ 46,709
Utilities	3.00%	\$ 40,000	\$ 41,200	\$ 42,436	\$ 43,709	\$ 45,020
Depreciation existing		\$ 220,960	\$ 209,912	\$ 199,416	\$ 189,446	\$ 179,973
Depreciation new		\$ -	\$ 22,200	\$ 22,200	\$ 23,200	\$ 23,200
Other services and charges	3.00%	\$ 93,850	\$ 96,666	\$ 99,565	\$ 102,552	\$ 105,629
Professional services (General)	3.00%	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510
Watermain break	3.00%	\$ 25,000	\$ 25,750	\$ 26,523	\$ 27,318	\$ 28,138
<b>Total Operating Expenses</b>		<b>\$ 753,338</b>	<b>\$ 805,236</b>	<b>\$ 811,706</b>	<b>\$ 820,206</b>	<b>\$ 828,725</b>
<b>Operating income (Loss)</b>		<b>\$ (76,935)</b>	<b>\$ (114,291)</b>	<b>\$ (105,905)</b>	<b>\$ (99,230)</b>	<b>\$ (92,249)</b>
<b>Nonoperating revenues (expenses)</b>						
Investment income	1.50%	\$ 15,000	\$ 15,797	\$ 15,072	\$ 13,520	\$ 13,453
Intergovernmental	3.00%	\$ 450,000	\$ -	\$ -	\$ -	\$ -
Miscellaneous	3.00%	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Expense New Debt		\$ -	\$ -	\$ -	\$ -	\$ -
Interest Expense Existing Debt	3.00%	\$ (53,214)	\$ (49,242)	\$ (45,112)	\$ (41,385)	\$ (38,073)
<b>Total nonoperating revenues (expenses)</b>		<b>\$ 411,786</b>	<b>\$ (33,445)</b>	<b>\$ (30,040)</b>	<b>\$ (27,865)</b>	<b>\$ (24,620)</b>
<b>Income (loss) before capital contributions</b>		<b>\$ 334,851</b>	<b>\$ (147,736)</b>	<b>\$ (135,945)</b>	<b>\$ (127,095)</b>	<b>\$ (116,868)</b>
Capital contributions	2.15%	\$ 64,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
<b>Change in net position</b>		<b>\$ 398,851</b>	<b>\$ (107,736)</b>	<b>\$ (95,945)</b>	<b>\$ (87,095)</b>	<b>\$ (76,868)</b>
<b>Cash and Cash Equivalents</b>						
Beginning cash		\$ 1,426,589	\$ 1,053,102	\$ 1,004,777	\$ 901,345	\$ 896,895
Depreciation		\$ 220,960	\$ 232,112	\$ 221,616	\$ 212,646	\$ 203,173
Change in net position		\$ 398,851	\$ (107,736)	\$ (95,945)	\$ (87,095)	\$ (76,868)
Acquisition of assets		\$ (822,000)	\$ -	\$ (50,000)	\$ -	\$ (40,000)
Proceeds from bonds and/or loans		\$ -	\$ -	\$ -	\$ -	\$ -
Principal payments new debt		\$ -	\$ -	\$ -	\$ -	\$ -
Principal payments on debt		\$ (171,298)	\$ (172,701)	\$ (179,104)	\$ (130,000)	\$ (135,000)
<b>Ending cash balance</b>		<b>\$ 1,053,102</b>	<b>\$ 1,004,777</b>	<b>\$ 901,345</b>	<b>\$ 896,895</b>	<b>\$ 848,200</b>
<b>Minimum Cash Balance</b>						
Days operating cash	182.5	\$ 402,618	\$ 405,853	\$ 410,103	\$ 414,363	\$ 419,527
Capital Outlay		\$ 50,400	\$ 82,800	\$ 105,200	\$ 137,600	\$ 369,600
Debt Service		\$ 221,943	\$ 224,215	\$ 171,385	\$ 173,073	\$ 174,460
<b>Minimum Cash Required</b>		<b>\$ 674,961</b>	<b>\$ 712,868</b>	<b>\$ 686,688</b>	<b>\$ 725,036</b>	<b>\$ 963,587</b>
<b>Amount over (under) Minimum</b>		<b>\$ 378,141</b>	<b>\$ 291,909</b>	<b>\$ 214,657</b>	<b>\$ 171,859</b>	<b>\$ (115,387)</b>



# Financial Projections

## Water Utility Financial Projections at Current rates (continued)

		2.15%	2.15%	2.15%	2.15%	2.15%
Projected growth in sales		2.15%	2.15%	2.15%	2.15%	2.15%
Projected rate increase		0.00%	0.00%	0.00%	0.00%	0.00%
		Projected	Projected	Projected	Projected	Projected
	Projected Change	2029	2030	2031	2032	2033
<b>Operating Revenues</b>						
Charges for Services	0.00%	\$ 742,301	\$ 758,260	\$ 774,563	\$ 791,216	\$ 808,227
Penalties	0.00%	\$ 8,898	\$ 9,089	\$ 9,285	\$ 9,484	\$ 9,688
Utility Inspections	0.00%	\$ 1,112	\$ 1,136	\$ 1,161	\$ 1,186	\$ 1,211
<b>Total Operating Revenues</b>		<b>\$ 752,311</b>	<b>\$ 768,486</b>	<b>\$ 785,008</b>	<b>\$ 801,886</b>	<b>\$ 819,126</b>
<b>Operating Expenses</b>						
Personal services	3.00%	\$ 316,250	\$ 325,737	\$ 335,509	\$ 345,575	\$ 355,942
Materials and supplies	3.00%	\$ 44,632	\$ 45,971	\$ 47,350	\$ 48,771	\$ 50,234
Chemicals	1.50%	\$ 16,159	\$ 16,402	\$ 16,648	\$ 16,897	\$ 17,151
Meters	3.00%	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
Repairs and maintenance	3.00%	\$ 48,110	\$ 49,553	\$ 51,040	\$ 52,571	\$ 54,148
Utilities	3.00%	\$ 46,371	\$ 47,762	\$ 49,195	\$ 50,671	\$ 52,191
Depreciation existing		\$ 170,975	\$ 162,426	\$ 154,305	\$ 146,589	\$ 139,260
Depreciation new		\$ 24,000	\$ 27,240	\$ 30,480	\$ 33,720	\$ 36,960
Other services and charges	3.00%	\$ 108,798	\$ 112,062	\$ 115,424	\$ 118,886	\$ 122,453
Professional services (General)	3.00%	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
Watermain break	3.00%	\$ 28,982	\$ 29,851	\$ 30,747	\$ 31,669	\$ 32,619
<b>Total Operating Expenses</b>		<b>\$ 839,055</b>	<b>\$ 852,826</b>	<b>\$ 867,593</b>	<b>\$ 883,353</b>	<b>\$ 900,101</b>
<b>Operating income (Loss)</b>		<b>\$ (86,744)</b>	<b>\$ (84,340)</b>	<b>\$ (82,585)</b>	<b>\$ (81,467)</b>	<b>\$ (80,975)</b>
<b>Nonoperating revenues (expenses)</b>						
Investment income	1.50%	\$ 12,723	\$ 10,090	\$ 7,433	\$ 4,674	\$ 1,816
Intergovernmental	3.00%	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	3.00%	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Expense New Debt		\$ -	\$ -	\$ -	\$ -	\$ -
Interest Expense Existing Debt	3.00%	\$ (34,460)	\$ (30,610)	\$ (26,510)	\$ (22,085)	\$ (17,510)
<b>Total nonoperating revenues (expenses)</b>		<b>\$ (21,737)</b>	<b>\$ (20,520)</b>	<b>\$ (19,077)</b>	<b>\$ (17,411)</b>	<b>\$ (15,694)</b>
<b>Income (loss) before capital contributions</b>		<b>\$ (108,481)</b>	<b>\$ (104,860)</b>	<b>\$ (101,663)</b>	<b>\$ (98,878)</b>	<b>\$ (96,669)</b>
Capital contributions	2.15%	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
<b>Change in net position</b>		<b>\$ (68,481)</b>	<b>\$ (64,860)</b>	<b>\$ (61,663)</b>	<b>\$ (58,878)</b>	<b>\$ (56,669)</b>
<b>Cash and Cash Equivalents</b>						
Beginning cash		\$ 848,200	\$ 672,694	\$ 495,500	\$ 311,622	\$ 121,054
Depreciation		\$ 194,975	\$ 189,666	\$ 184,785	\$ 180,309	\$ 176,220
Change in net position		\$ (68,481)	\$ (64,860)	\$ (61,663)	\$ (58,878)	\$ (56,669)
Acquisition of assets		\$ (162,000)	\$ (162,000)	\$ (162,000)	\$ (162,000)	\$ (1,200,000)
Proceeds from bonds and/or loans		\$ -	\$ -	\$ -	\$ -	\$ 1,200,000
Principal payments new debt		\$ -	\$ -	\$ -	\$ -	\$ -
Principal payments on debt		\$ (140,000)	\$ (140,000)	\$ (145,000)	\$ (150,000)	\$ (155,000)
<b>Ending cash balance</b>		<b>\$ 672,694</b>	<b>\$ 495,500</b>	<b>\$ 311,622</b>	<b>\$ 121,054</b>	<b>\$ 85,605</b>
<b>Minimum Cash Balance</b>						
Days operating cash	182.5	\$ 426,413	\$ 433,797	\$ 441,676	\$ 450,050	\$ 487,299
Capital Outlay		\$ 369,600	\$ 421,500	\$ 508,000	\$ 681,000	\$ 162,000
Debt Service		\$ 170,610	\$ 171,510	\$ 172,085	\$ 172,510	\$ 269,076
<b>Minimum Cash Required</b>		<b>\$ 966,623</b>	<b>\$ 1,026,807</b>	<b>\$ 1,121,761</b>	<b>\$ 1,303,560</b>	<b>\$ 918,375</b>
<b>Amount over (under) Minimum</b>		<b>\$ (293,929)</b>	<b>\$ (531,306)</b>	<b>\$ (810,139)</b>	<b>\$ (1,182,506)</b>	<b>\$ (832,769)</b>



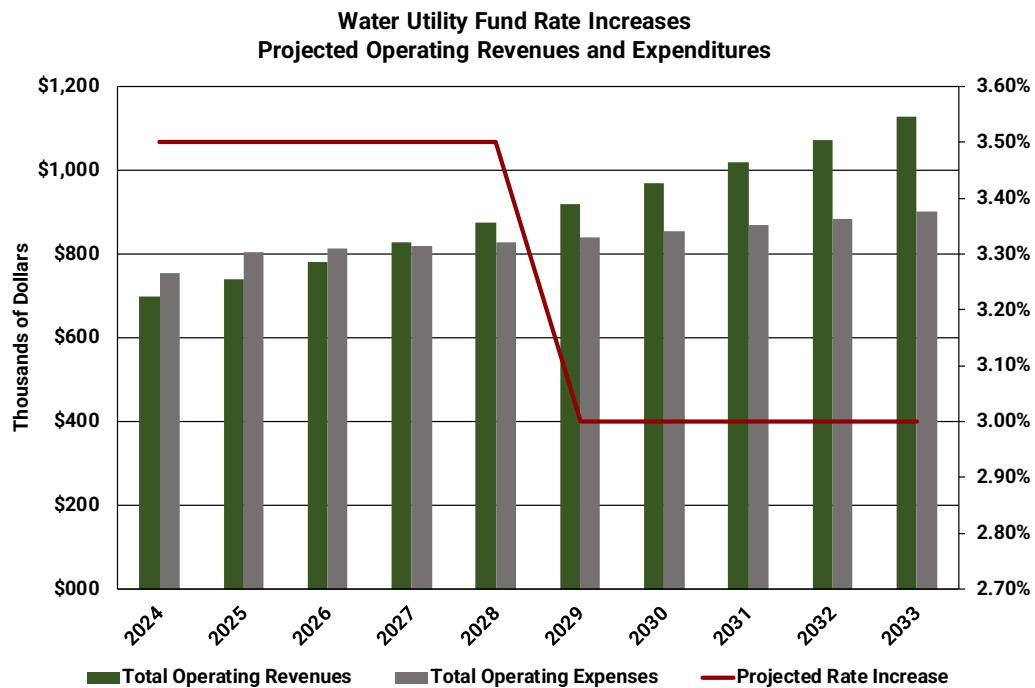
# Financial Projections

## Financial Projections – At Recommended Rate Increases

The financial projections at current rates showed rate increases are needed in FY 2024 and beyond to adequately fund the Water Utility. It is recommended the City increase water rates by 3.50% annually from 2024 through 2028 and by 3.00% from 2029 through 2033. These recommended rate increases will minimize the financial impact on water customers while improving the Water Utility Fund’s financial performance. Operating revenues will exceed operating expenses by 2027 and the ending cash balance will exceed the City’s reserve requirements each year.

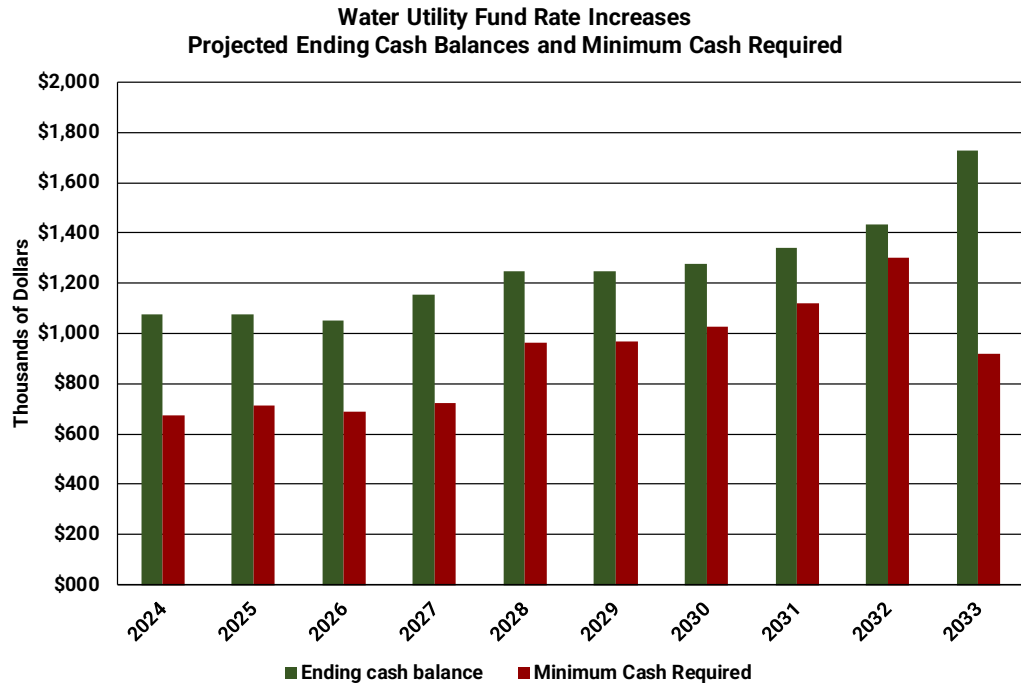
It would require a rate increase of 11.53% in 2024, a rate increase of 4.64% in 2025, and a 1% rate increase in 2026 to have operating revenues exceed operating expenses each year. No rate increases would be required from 2027 through 2033. The large rate increases in 2024 could be a burden for utility customers that is avoided with the more gradual rate increases recommended.

The financial projections at the recommended rate increases are shown in the charts and tables below and on the following pages.





# Financial Projections



# Financial Projections

## Water Utility Financial Projections at Recommended Rate Increases

Projected growth in sales		2.15%	2.15%	2.15%	2.15%	2.15%
Projected Rate Increase		3.50%	3.50%	3.50%	3.50%	3.50%
		Projected	Projected	Projected	Projected	Projected
	Projected Change	2024	2025	2026	2027	2028
<b>Operating Revenues</b>						
Charges for Services	0.00%	\$ 690,762	\$ 730,310	\$ 772,122	\$ 816,328	\$ 863,065
Penalties	0.00%	\$ 8,000	\$ 8,458	\$ 8,942	\$ 9,454	\$ 9,996
Utility Inspections	0.00%	\$ 1,000	\$ 1,057	\$ 1,118	\$ 1,182	\$ 1,249
<b>Total Operating Revenues</b>		<b>\$ 699,762</b>	<b>\$ 739,825</b>	<b>\$ 782,182</b>	<b>\$ 826,964</b>	<b>\$ 874,310</b>
<b>Operating Expenses</b>						
Personal services	3.00%	\$ 248,528	\$ 280,984	\$ 289,413	\$ 298,096	\$ 307,039
Materials and supplies	3.00%	\$ 38,500	\$ 39,655	\$ 40,845	\$ 42,070	\$ 43,332
Chemicals	1.50%	\$ 15,000	\$ 15,225	\$ 15,453	\$ 15,685	\$ 15,920
Meters	3.00%	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255
Repairs and maintenance	3.00%	\$ 41,500	\$ 42,745	\$ 44,027	\$ 45,348	\$ 46,709
Utilities	3.00%	\$ 40,000	\$ 41,200	\$ 42,436	\$ 43,709	\$ 45,020
Depreciation existing		\$ 220,960	\$ 209,912	\$ 199,416	\$ 189,446	\$ 179,973
Depreciation new		\$ -	\$ 22,200	\$ 22,200	\$ 23,200	\$ 23,200
Other services and charges	3.00%	\$ 93,850	\$ 96,666	\$ 99,565	\$ 102,552	\$ 105,629
Professional services (General)	3.00%	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510
Watermain break	3.00%	\$ 25,000	\$ 25,750	\$ 26,523	\$ 27,318	\$ 28,138
<b>Total Operating Expenses</b>		<b>\$ 753,338</b>	<b>\$ 805,236</b>	<b>\$ 811,706</b>	<b>\$ 820,206</b>	<b>\$ 828,725</b>
<b>Operating income (Loss)</b>		<b>\$ (53,576)</b>	<b>\$ (65,411)</b>	<b>\$ (29,524)</b>	<b>\$ 6,758</b>	<b>\$ 45,584</b>
<b>Nonoperating revenues (expenses)</b>						
Investment income	1.50%	\$ 15,000	\$ 16,147	\$ 16,160	\$ 15,771	\$ 17,328
Intergovernmental	3.00%	\$ 450,000	\$ -	\$ -	\$ -	\$ -
Miscellaneous	3.00%	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Expense New Debt		\$ -	\$ -	\$ -	\$ -	\$ -
Interest Expense Existing Debt	3.00%	\$ (53,214)	\$ (49,242)	\$ (45,112)	\$ (41,385)	\$ (38,073)
<b>Total nonoperating revenues (expenses)</b>		<b>\$ 411,786</b>	<b>\$ (33,095)</b>	<b>\$ (28,951)</b>	<b>\$ (25,614)</b>	<b>\$ (20,745)</b>
<b>Income (loss) before capital contributions</b>		<b>\$ 358,210</b>	<b>\$ (98,506)</b>	<b>\$ (58,475)</b>	<b>\$ (18,856)</b>	<b>\$ 24,839</b>
Capital contributions	2.15%	\$ 64,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
<b>Change in net position</b>		<b>\$ 422,210</b>	<b>\$ (58,506)</b>	<b>\$ (18,475)</b>	<b>\$ 21,144</b>	<b>\$ 64,839</b>
<b>Cash and Cash Equivalents</b>						
Beginning cash		\$ 1,426,589	\$ 1,076,461	\$ 1,077,366	\$ 1,051,404	\$ 1,155,193
Depreciation		\$ 220,960	\$ 232,112	\$ 221,616	\$ 212,646	\$ 203,173
Change in net position		\$ 422,210	\$ (58,506)	\$ (18,475)	\$ 21,144	\$ 64,839
Acquisition of assets		\$ (822,000)	\$ -	\$ (50,000)	\$ -	\$ (40,000)
Proceeds from bonds and/or loans		\$ -	\$ -	\$ -	\$ -	\$ -
Principal payments new debt		\$ -	\$ -	\$ -	\$ -	\$ -
Principal payments on debt		\$ (171,298)	\$ (172,701)	\$ (179,104)	\$ (130,000)	\$ (135,000)
Adjustment for accruals						
<b>Ending cash balance</b>		<b>\$ 1,076,461</b>	<b>\$ 1,077,366</b>	<b>\$ 1,051,404</b>	<b>\$ 1,155,193</b>	<b>\$ 1,248,206</b>
<b>Minimum Cash Balance</b>						
Days operating cash	182.5	\$ 402,618	\$ 405,853	\$ 410,103	\$ 414,363	\$ 419,527
Capital Outlay		\$ 50,400	\$ 82,800	\$ 105,200	\$ 137,600	\$ 369,600
Debt Service		\$ 221,943	\$ 224,215	\$ 171,385	\$ 173,073	\$ 174,460
<b>Minimum Cash Required</b>		<b>\$ 674,961</b>	<b>\$ 712,868</b>	<b>\$ 686,688</b>	<b>\$ 725,036</b>	<b>\$ 963,587</b>
<b>Amount over (under) Minimum</b>		<b>\$ 401,500</b>	<b>\$ 364,498</b>	<b>\$ 364,716</b>	<b>\$ 430,158</b>	<b>\$ 284,618</b>



# Financial Projections

## Water Utility Financial Projections at Recommended Rate Increases (continued)

Projected growth in sales		2.15%	2.15%	2.15%	2.15%	2.15%
Projected Rate Increase		3.00%	3.00%	3.00%	3.00%	3.00%
		Projected	Projected	Projected	Projected	Projected
	Projected Change	2029	2030	2031	2032	2033
<b>Operating Revenues</b>						
Charges for Services	0.00%	\$ 908,069	\$ 955,421	\$ 1,005,241	\$ 1,057,659	\$ 1,112,811
Penalties	0.00%	\$ 10,517	\$ 11,065	\$ 11,642	\$ 12,249	\$ 12,888
Utility Inspections	0.00%	\$ 1,315	\$ 1,383	\$ 1,455	\$ 1,531	\$ 1,611
<b>Total Operating Revenues</b>		<b>\$ 919,901</b>	<b>\$ 967,869</b>	<b>\$ 1,018,338</b>	<b>\$ 1,071,440</b>	<b>\$ 1,127,310</b>
<b>Operating Expenses</b>						
Personal services	3.00%	\$ 316,250	\$ 325,737	\$ 335,509	\$ 345,575	\$ 355,942
Materials and supplies	3.00%	\$ 44,632	\$ 45,971	\$ 47,350	\$ 48,771	\$ 50,234
Chemicals	1.50%	\$ 16,159	\$ 16,402	\$ 16,648	\$ 16,897	\$ 17,151
Meters	3.00%	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
Repairs and maintenance	3.00%	\$ 48,110	\$ 49,553	\$ 51,040	\$ 52,571	\$ 54,148
Utilities	3.00%	\$ 46,371	\$ 47,762	\$ 49,195	\$ 50,671	\$ 52,191
Depreciation existing		\$ 170,975	\$ 162,426	\$ 154,305	\$ 146,589	\$ 139,260
Depreciation new		\$ 24,000	\$ 27,240	\$ 30,480	\$ 33,720	\$ 36,960
Other services and charges	3.00%	\$ 108,798	\$ 112,062	\$ 115,424	\$ 118,886	\$ 122,453
Professional services (General)	3.00%	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
Watermain break	3.00%	\$ 28,982	\$ 29,851	\$ 30,747	\$ 31,669	\$ 32,619
<b>Total Operating Expenses</b>		<b>\$ 839,055</b>	<b>\$ 852,826</b>	<b>\$ 867,593</b>	<b>\$ 883,353</b>	<b>\$ 900,101</b>
<b>Operating income (Loss)</b>		<b>\$ 80,846</b>	<b>\$ 115,043</b>	<b>\$ 150,745</b>	<b>\$ 188,087</b>	<b>\$ 227,209</b>
<b>Nonoperating revenues (expenses)</b>						
Investment income	1.50%	\$ 18,723	\$ 18,694	\$ 19,156	\$ 20,074	\$ 21,490
Intergovernmental	3.00%	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	3.00%	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Expense New Debt		\$ -	\$ -	\$ -	\$ -	\$ -
Interest Expense Existing Debt	3.00%	\$ (34,460)	\$ (30,610)	\$ (26,510)	\$ (22,085)	\$ (17,510)
<b>Total nonoperating revenues (expenses)</b>		<b>\$ (15,737)</b>	<b>\$ (11,916)</b>	<b>\$ (7,354)</b>	<b>\$ (2,011)</b>	<b>\$ 3,980</b>
<b>Income (loss) before capital contributions</b>		<b>\$ 65,109</b>	<b>\$ 103,127</b>	<b>\$ 143,391</b>	<b>\$ 186,076</b>	<b>\$ 231,189</b>
Capital contributions	2.15%	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
<b>Change in net position</b>		<b>\$ 105,109</b>	<b>\$ 143,127</b>	<b>\$ 183,391</b>	<b>\$ 226,076</b>	<b>\$ 271,189</b>
<b>Cash and Cash Equivalents</b>						
Beginning cash		\$ 1,248,206	\$ 1,246,290	\$ 1,277,083	\$ 1,338,259	\$ 1,432,644
Depreciation		\$ 194,975	\$ 189,666	\$ 184,785	\$ 180,309	\$ 176,220
Change in net position		\$ 105,109	\$ 143,127	\$ 183,391	\$ 226,076	\$ 271,189
Acquisition of assets		\$ (162,000)	\$ (162,000)	\$ (162,000)	\$ (162,000)	\$ (1,200,000)
Proceeds from bonds and/or loans		\$ -	\$ -	\$ -	\$ -	\$ 1,200,000
Principal payments new debt		\$ -	\$ -	\$ -	\$ -	\$ -
Principal payments on debt		\$ (140,000)	\$ (140,000)	\$ (145,000)	\$ (150,000)	\$ (155,000)
Adjustment for accruals		\$ -	\$ -	\$ -	\$ -	\$ -
<b>Ending cash balance</b>		<b>\$ 1,246,290</b>	<b>\$ 1,277,083</b>	<b>\$ 1,338,259</b>	<b>\$ 1,432,644</b>	<b>\$ 1,725,052</b>
<b>Minimum Cash Balance</b>						
Days operating cash	182.5	\$ 426,413	\$ 433,797	\$ 441,676	\$ 450,050	\$ 487,299
Capital Outlay		\$ 369,600	\$ 421,500	\$ 508,000	\$ 681,000	\$ 162,000
Debt Service		\$ 170,610	\$ 171,510	\$ 172,085	\$ 172,510	\$ 269,076
<b>Minimum Cash Required</b>		<b>\$ 966,623</b>	<b>\$ 1,026,807</b>	<b>\$ 1,121,761</b>	<b>\$ 1,303,560</b>	<b>\$ 918,375</b>
<b>Amount over (under) Minimum</b>		<b>\$ 279,667</b>	<b>\$ 250,276</b>	<b>\$ 216,497</b>	<b>\$ 129,083</b>	<b>\$ 806,678</b>



# Financial Projections

## Sewer Utility Financial Projections

A financial projection of the Sewer Water Utility Fund showed the current rates will adequately fund the utility through 2033 and no rate increases are needed. This is a result of a \$285,000 decline in the City’s share of CLJSTC outstanding debt which is paid to CLJSTC annually. The debt supported by this payment will be retired in 2024 resulting in the Sewer Utility Fund’s current revenues being adequate to fund operations over this period.

### Capital Outlay

Capital outlay included in the financial projections totaled \$3.125 million all of which was projected to be funded with cash from the Sewer Utility Fund. The capital improvement plan is shown below.

Year	Project	Sewer Utility	G.O. Sewer Revenue Bonds	Sewer Other	Total
2024	Kettle River Blvd LS 8 Force Main Upsizing	\$ 575,000			\$ 575,000
2024	Lift Station Service Truck	\$ 100,000			\$ 100,000
2025	Lift Station Panel	\$ 65,000			\$ 65,000
2026	Portable Generator	\$ 50,000			\$ 50,000
2026	Sanitary Sewer Improvement with Street CIP	\$ 50,000			\$ 50,000
2027	Permanent Generator	\$ 50,000			\$ 50,000
2028	Sanitary Sewer Sag Correction	\$ 60,000			\$ 60,000
2028	Jetter Truck	\$ 750,000			\$ 750,000
2029	Sewer Utility Improvements	\$ 285,000			\$ 285,000
2030	Sewer Utility Improvements	\$ 285,000			\$ 285,000
2031	Sewer Utility Improvements	\$ 285,000			\$ 285,000
2032	Sewer Utility Improvements	\$ 285,000			\$ 285,000
2033	Sewer Utility Improvements	\$ 285,000			\$ 285,000
<b>Totals</b>		<b>\$ 3,125,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,125,000</b>

## Financial Projections At Current Rates

The financial projection at current rates shows the following outcomes:

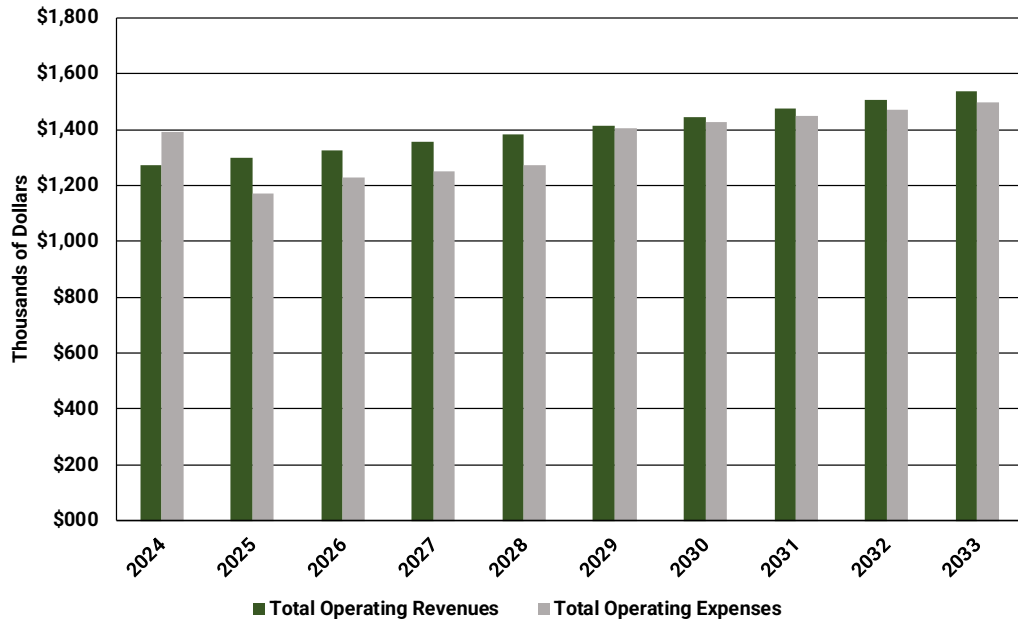
- Operating revenues exceed operating expenses in every year except 2024 where operating expenses are projected to exceed operating revenues by \$121,508. However, depreciation expense in 2024 is projected to be \$324,405.
- Ending cash is projected to exceed the City’s reserve requirements each year over the planning period. It is projected to increase each year from 2024 through 2027 then decline in 2028 as a result of a \$810,000 capital expenses. Ending cash is projected to increase every year thereafter through 2033.

The financial projections at current rates are shown in the charts and tables on the following pages.

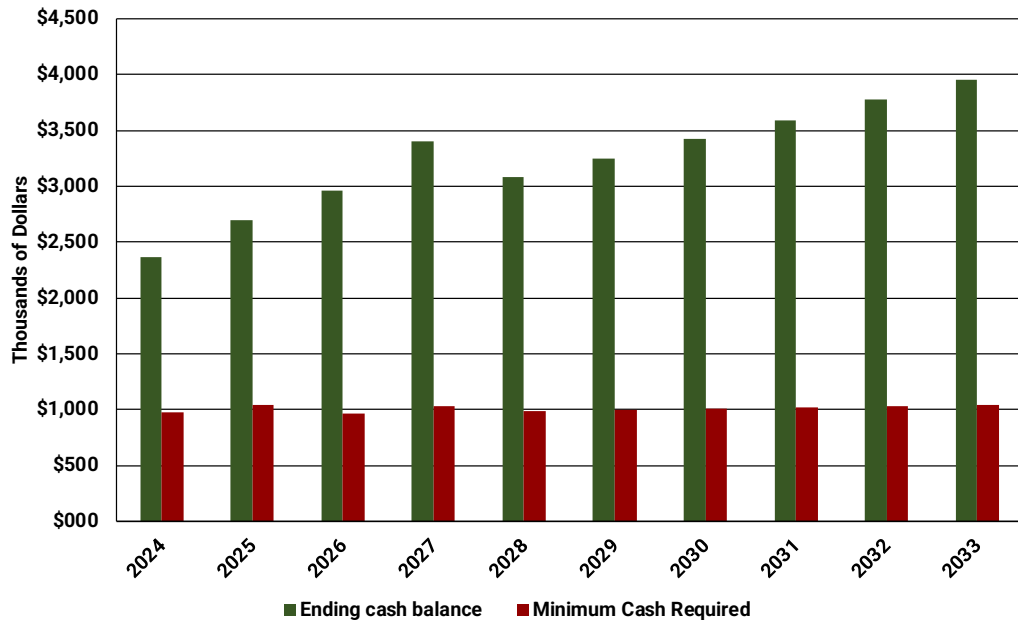


# Financial Projections

**Sewer Utility Fund No Rate Increases  
Projected Operating Revenues and Expenditures**



**Sewer Utility Fund No Rate Increases  
Projected Ending Cash Balances and Minimum Cash Required**



# Financial Projections

## Sewer Utility Financial Projections at Current Rates

Projected growth in sales		2.15%	2.15%	2.15%	2.15%	2.15%
Projected rate increase		0.00%	0.00%	0.00%	0.00%	0.00%
		Projected	Projected	Projected	Projected	Projected
	Projected Change	2024	2025	2026	2027	2028
<b>Operating Revenues</b>						
Charges for Services	0.00%	\$ 1,270,563	\$ 1,297,880	\$ 1,325,785	\$ 1,354,289	\$ 1,383,406
Penalties	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -
Other	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Operating Revenues</b>		<b>\$ 1,270,563</b>	<b>\$ 1,297,880</b>	<b>\$ 1,325,785</b>	<b>\$ 1,354,289</b>	<b>\$ 1,383,406</b>
<b>Operating Expenses</b>						
Personal services	3.00%	\$ 191,120	\$ 221,854	\$ 228,509	\$ 235,364	\$ 242,425
Materials and supplies	3.00%	\$ 33,250	\$ 34,248	\$ 35,275	\$ 36,333	\$ 37,423
Repairs and maintenance	3.00%	\$ 59,000	\$ 60,770	\$ 62,593	\$ 64,471	\$ 66,405
Utilities	3.00%	\$ 25,000	\$ 25,750	\$ 26,523	\$ 27,318	\$ 28,138
Depreciation Existing	0.00%	\$ 324,405	\$ 308,185	\$ 292,776	\$ 278,137	\$ 264,230
Depreciation New		\$ -	\$ 21,500	\$ 28,000	\$ 34,000	\$ 39,000
Other services and charges	3.00%	\$ 414,891	\$ 142,338	\$ 188,443	\$ 200,262	\$ 208,280
Professional services (General)	3.00%	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510
Sewer Plant Fees	3.00%	\$ 324,405	\$ 334,137	\$ 344,161	\$ 354,486	\$ 365,121
<b>Total Operating Expenses</b>		<b>\$ 1,392,071</b>	<b>\$ 1,169,381</b>	<b>\$ 1,227,497</b>	<b>\$ 1,252,226</b>	<b>\$ 1,273,532</b>
<b>Operating income (Loss)</b>		<b>\$ (121,508)</b>	<b>\$ 128,499</b>	<b>\$ 98,287</b>	<b>\$ 102,063</b>	<b>\$ 109,874</b>
<b>Nonoperating revenues (expenses)</b>						
Investment income	1.50%	\$ 27,000	\$ 35,486	\$ 40,448	\$ 44,374	\$ 50,952
Interest Expense New Debt		\$ -	\$ -	\$ -	\$ -	\$ -
Interest expense Existing Debt		\$ (9,226)	\$ (5,611)	\$ (1,888)	\$ -	\$ -
<b>Total nonoperating revenues (expenses)</b>		<b>\$ 17,774</b>	<b>\$ 29,875</b>	<b>\$ 38,559</b>	<b>\$ 44,374</b>	<b>\$ 50,952</b>
<b>Income (loss) before capital contributions</b>		<b>\$ (103,734)</b>	<b>\$ 158,374</b>	<b>\$ 136,846</b>	<b>\$ 146,436</b>	<b>\$ 160,826</b>
Capital contributions	2.15%	\$ 74,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
<b>Change in net position</b>		<b>\$ (29,734)</b>	<b>\$ 188,374</b>	<b>\$ 166,846</b>	<b>\$ 176,436</b>	<b>\$ 190,826</b>
<b>Cash and Cash Equivalents</b>						
Beginning cash		\$ 2,864,784	\$ 2,365,753	\$ 2,696,512	\$ 2,958,238	\$ 3,396,812
Depreciation		\$ 324,405	\$ 329,685	\$ 320,776	\$ 312,137	\$ 303,230
Change in net position		\$ (29,734)	\$ 188,374	\$ 166,846	\$ 176,436	\$ 190,826
Acquisition of assets		\$ (675,000)	\$ (65,000)	\$ (100,000)	\$ (50,000)	\$ (810,000)
Proceeds from bonds and/or loans		\$ -	\$ -	\$ -	\$ -	\$ -
Principal payments on new debt		\$ -	\$ -	\$ -	\$ -	\$ -
Principal payments on existing debt		\$ (118,702)	\$ (122,299)	\$ (125,896)	\$ -	\$ -
Adjustment for accruals						
<b>Ending cash balance</b>		<b>\$ 2,365,753</b>	<b>\$ 2,696,512</b>	<b>\$ 2,958,238</b>	<b>\$ 3,396,812</b>	<b>\$ 3,080,868</b>
<b>Minimum Cash Balance</b>						
Days operating cash	182.5	\$ 584,690	\$ 613,749	\$ 626,113	\$ 636,766	\$ 701,979
Capital Outlay		\$ 262,000	\$ 306,000	\$ 343,000	\$ 390,000	\$ 285,000
Debt Service		\$ 127,910	\$ 127,785	\$ -	\$ -	\$ -
<b>Minimum Cash</b>		<b>\$ 974,601</b>	<b>\$ 1,047,533</b>	<b>\$ 969,113</b>	<b>\$ 1,026,766</b>	<b>\$ 986,979</b>
Amount over (under) Minimum		\$ 1,391,152	\$ 1,648,979	\$ 1,989,125	\$ 2,370,046	\$ 2,093,889



# Financial Projections

## Sewer Utility Financial Projections at Current Rates (continued)

Projected growth in sales		2.15%	2.15%	2.15%	2.15%	2.15%
Projected rate increase		0.00%	0.00%	0.00%	0.00%	0.00%
		Projected	Projected	Projected	Projected	Projected
	Projected Change	2029	2030	2031	2032	2033
<b>Operating Revenues</b>						
Charges for Services	0.00%	\$ 1,413,149	\$ 1,443,532	\$ 1,474,568	\$ 1,506,271	\$ 1,538,656
Penalties	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -
Other	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Operating Revenues</b>		<b>\$ 1,413,149</b>	<b>\$ 1,443,532</b>	<b>\$ 1,474,568</b>	<b>\$ 1,506,271</b>	<b>\$ 1,538,656</b>
<b>Operating Expenses</b>						
Personal services	3.00%	\$ 249,698	\$ 257,189	\$ 264,905	\$ 272,852	\$ 281,038
Materials and supplies	3.00%	\$ 38,546	\$ 39,702	\$ 40,893	\$ 42,120	\$ 43,384
Repairs and maintenance	3.00%	\$ 68,397	\$ 70,449	\$ 72,563	\$ 74,739	\$ 76,982
Utilities	3.00%	\$ 28,982	\$ 29,851	\$ 30,747	\$ 31,669	\$ 32,619
Depreciation Existing	0.00%	\$ 251,018	\$ 238,467	\$ 226,544	\$ 215,217	\$ 204,456
Depreciation New		\$ 115,200	\$ 120,900	\$ 126,600	\$ 132,300	\$ 138,000
Other services and charges	3.00%	\$ 252,856	\$ 257,662	\$ 262,612	\$ 267,711	\$ 272,963
Professional services (General)	3.00%	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
Sewer Plant Fees	3.00%	\$ 376,074	\$ 387,357	\$ 398,977	\$ 410,947	\$ 423,275
<b>Total Operating Expenses</b>		<b>\$ 1,403,957</b>	<b>\$ 1,425,459</b>	<b>\$ 1,448,439</b>	<b>\$ 1,472,891</b>	<b>\$ 1,498,812</b>
<b>Operating income (Loss)</b>		<b>\$ 9,192</b>	<b>\$ 18,073</b>	<b>\$ 26,129</b>	<b>\$ 33,380</b>	<b>\$ 39,844</b>
<b>Nonoperating revenues (expenses)</b>						
Investment income	1.50%	\$ 46,213	\$ 48,712	\$ 51,280	\$ 53,913	\$ 56,610
Interest Expense New Debt		\$ -	\$ -	\$ -	\$ -	\$ -
Interest expense Existing Debt		\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total nonoperating revenues (expenses)</b>		<b>\$ 46,213</b>	<b>\$ 48,712</b>	<b>\$ 51,280</b>	<b>\$ 53,913</b>	<b>\$ 56,610</b>
<b>Income (loss) before capital contributions</b>		<b>\$ 55,405</b>	<b>\$ 66,785</b>	<b>\$ 77,409</b>	<b>\$ 87,293</b>	<b>\$ 96,455</b>
Capital contributions	2.15%	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
<b>Change in net position</b>		<b>\$ 85,405</b>	<b>\$ 96,785</b>	<b>\$ 107,409</b>	<b>\$ 117,293</b>	<b>\$ 126,455</b>
<b>Cash and Cash Equivalents</b>						
Beginning cash		\$ 3,080,868	\$ 3,247,491	\$ 3,418,644	\$ 3,594,197	\$ 3,774,007
Depreciation		\$ 366,218	\$ 359,367	\$ 353,144	\$ 347,517	\$ 342,456
Change in net position		\$ 85,405	\$ 96,785	\$ 107,409	\$ 117,293	\$ 126,455
Acquisition of assets		\$ (285,000)	\$ (285,000)	\$ (285,000)	\$ (285,000)	\$ (285,000)
Proceeds from bonds and/or loans		\$ -	\$ -	\$ -	\$ -	\$ -
Principal payments on new debt		\$ -	\$ -	\$ -	\$ -	\$ -
Principal payments on existing debt		\$ -	\$ -	\$ -	\$ -	\$ -
Adjustment for accruals		\$ -	\$ -	\$ -	\$ -	\$ -
<b>Ending cash balance</b>		<b>\$ 3,247,491</b>	<b>\$ 3,418,644</b>	<b>\$ 3,594,197</b>	<b>\$ 3,774,007</b>	<b>\$ 3,957,918</b>
<b>Minimum Cash Balance</b>						
Days operating cash	182.5	\$ 712,730	\$ 724,219	\$ 736,445	\$ 749,406	\$ 763,100
Capital Outlay		\$ 285,000	\$ 285,000	\$ 285,000	\$ 285,000	\$ 285,000
Debt Service		\$ -	\$ -	\$ -	\$ -	\$ -
<b>Minimum Cash</b>		<b>\$ 997,730</b>	<b>\$ 1,009,219</b>	<b>\$ 1,021,445</b>	<b>\$ 1,034,406</b>	<b>\$ 1,048,100</b>
Amount over (under) Minimum		\$ 2,249,762	\$ 2,409,425	\$ 2,572,752	\$ 2,739,601	\$ 2,909,818



# Financial Projections

## Projected Water and Sewer Rates

The projected water and sewer rates are shown in the tables below for the planning period. Water rates show the gradual increase recommended each year while sewer rates remain unchanged from their current levels.

### Projected Water and Sewer Rates 2024 - 2028

Water	2023	2024	2025	2026	2027	2028
<b>Residential</b>						
Base fee (5/8" to 7/8" Meters)	\$ 41.72	\$ 43.18	\$ 44.69	\$ 46.26	\$ 47.87	\$ 49.55
Usage - 20,000 gallons and less (per gallon)	\$ 0.003447	\$ 0.003568	\$ 0.003693	\$ 0.003822	\$ 0.003956	\$ 0.004094
Usage - 20,001 gallons and more (per gallon)	\$ 0.004308	\$ 0.004459	\$ 0.004615	\$ 0.004776	\$ 0.004944	\$ 0.005117
<b>Commercial</b>						
Base fee (5/8" to 7/8" Meters)	\$ 41.72	\$ 43.18	\$ 44.69	\$ 46.26	\$ 47.87	\$ 49.55
Based on Meter size						
1"	\$ 58.40	\$ 60.44	\$ 62.56	\$ 64.75	\$ 67.02	\$ 69.36
1.5"	\$ 75.08	\$ 77.71	\$ 80.43	\$ 83.24	\$ 86.16	\$ 89.17
2"	\$ 120.98	\$ 125.21	\$ 129.60	\$ 134.13	\$ 138.83	\$ 143.69
3"	\$ 458.86	\$ 474.92	\$ 491.54	\$ 508.75	\$ 526.55	\$ 544.98
Usage - 62,000 gallons and less (per gallon)	\$ 0.003447	\$ 0.003568	\$ 0.003693	\$ 0.003822	\$ 0.003956	\$ 0.004094
Usage - 62,001 gallons and more (per gallon)	\$ 0.004308	\$ 0.004459	\$ 0.004615	\$ 0.004776	\$ 0.004944	\$ 0.005117
<b>Sewer</b>						
Residential & Commercial						
Base fee	\$ 31.44	\$ 31.44	\$ 31.44	\$ 31.44	\$ 31.44	\$ 31.44
Usage/gallon	\$ 0.013400	\$ 0.013400	\$ 0.013400	\$ 0.013400	\$ 0.013400	\$ 0.013400

### Projected Water and Sewer Rates 2029 - 2033

Water	2029	2030	2031	2032	2033
<b>Residential</b>					
Base fee (5/8" to 7/8" Meters)	\$ 51.04	\$ 52.57	\$ 54.14	\$ 55.77	\$ 57.44
Usage - 20,000 gallons and less (per gallon)	\$ 0.004217	\$ 0.004343	\$ 0.004474	\$ 0.004608	\$ 0.004746
Usage - 20,001 gallons and more (per gallon)	\$ 0.005270	\$ 0.005428	\$ 0.005591	\$ 0.005759	\$ 0.005931
<b>Commercial</b>					
Base fee (5/8" to 7/8" Meters)	\$ 51.04	\$ 52.57	\$ 54.14	\$ 55.77	\$ 57.44
Based on Meter size					
1"	\$ 71.44	\$ 73.58	\$ 75.79	\$ 78.07	\$ 80.41
1.5"	\$ 91.85	\$ 94.60	\$ 97.44	\$ 100.36	\$ 103.37
2"	\$ 148.00	\$ 152.44	\$ 157.01	\$ 161.72	\$ 166.57
3"	\$ 561.33	\$ 578.17	\$ 595.52	\$ 613.38	\$ 631.78
Usage - 62,000 gallons and less (per gallon)	\$ 0.004217	\$ 0.004343	\$ 0.004474	\$ 0.004608	\$ 0.004746
Usage - 62,001 gallons and more (per gallon)	\$ 0.005270	\$ 0.005428	\$ 0.005591	\$ 0.005759	\$ 0.005931
<b>Sewer</b>					
Residential & Commercial					
Base fee	\$ 31.44	\$ 31.44	\$ 31.44	\$ 31.44	\$ 31.44
Usage/gallon	\$ 0.013400	\$ 0.013400	\$ 0.013400	\$ 0.013400	\$ 0.013400





# Financial Projections

## Sample Bills

Sample bills, based on the recommended rates, were prepared for the following users:

- Average Residential User – using 5,000 gallons of water/month
- Large Residential User – using 15,000 gallons of water/month
- Average Commercial User – using 20,000 gallons of water/month
- Large Commercial User – using 400,000 gallons of water/month

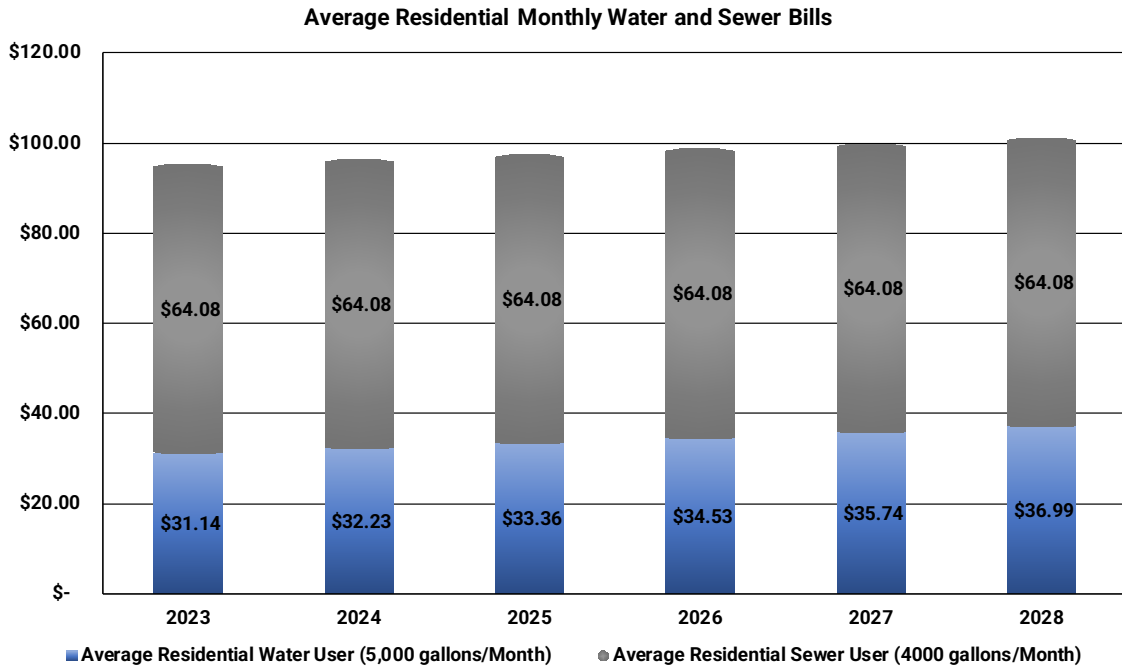
Sewer bills assume consumption of 80% of water use to account for the variation in water use over the course of a typical year.

An average residential user with 5,000 gallons of water consumption/month currently pays \$31.14 monthly for water and \$64.08 monthly for sewer. The combined cost is \$95.22/month. Water Utility costs at the recommended rates are projected to increase in 2024 to \$32.23/month, an increase of \$1.09 and Sewer Utility costs are projected to remain unchanged. The combined cost is projected to increase to \$96.31/month an increase of \$1.09 in 2024. The sample monthly cost of water and sewer utilities based on the financial projections are shown in the tables below.

<b>Sample Monthly Bills - Water</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
Average Residential User (5,000 gallons/Month)	\$ 31.14	\$ 32.23	\$ 33.36	\$ 34.53	\$ 35.74	\$ 36.99
Large Residential User (15,000 gallons/Month)	\$ 72.79	\$ 75.33	\$ 77.97	\$ 80.70	\$ 83.52	\$ 86.45
Average Commercial User (25,000 gallons/Month)	\$ 103.81	\$ 107.45	\$ 111.21	\$ 115.10	\$ 119.13	\$ 123.30
Large commercial User (400,000 gallons/Month)	\$ 1,858.36	\$ 1,923.40	\$ 1,990.72	\$ 2,060.40	\$ 2,132.51	\$ 2,207.15
<b>Sample Monthly Sewer Bills</b>						
Average Residential User (4,000 gallons/Month)	\$ 64.08	\$ 64.08	\$ 64.08	\$ 64.08	\$ 64.08	\$ 64.08
Large Residential User (12,000 gallons/Month)	\$ 171.28	\$ 171.28	\$ 171.28	\$ 171.28	\$ 171.28	\$ 171.28
Average Commercial User (20,000 gallons/Month)	\$ 278.48	\$ 278.48	\$ 278.48	\$ 278.48	\$ 278.48	\$ 278.48
Large Commercial User (320,000 gallons/Month)	\$ 4,298.48	\$ 4,298.48	\$ 4,298.48	\$ 4,298.48	\$ 4,298.48	\$ 4,298.48
<b>Sample Monthly Bills - Combined</b>						
Average Residential User (5,000 gallons/Month)	\$ 95.22	\$ 96.31	\$ 97.44	\$ 98.61	\$ 99.82	\$ 101.07
Large Residential User (15,000 gallons/Month)	\$ 244.07	\$ 246.61	\$ 249.25	\$ 251.98	\$ 254.80	\$ 257.73
Average Commercial User (25,000 gallons/Month)	\$ 382.29	\$ 385.93	\$ 389.69	\$ 393.58	\$ 397.61	\$ 401.78
Large commercial User (400,000 gallons/Month)	\$ 6,156.84	\$ 6,221.88	\$ 6,289.20	\$ 6,358.88	\$ 6,430.99	\$ 6,505.63



# Financial Projections



## Affordability

Utility user fees generate funds for daily operation and maintenance and long-term capital investments for water and sewer systems. Water and sewer rates should accurately reflect the true costs of providing high-quality water and sewer services to consumers, to maintain utility infrastructure, and to provide for the repair, rehabilitation, and replacement of that infrastructure. Affordability of rate increases involves considerations of equity as well as efficiency. Low-income households, especially those served by high-cost systems, may face affordability problems when rate increases result in high costs for utility services.

Affordability of water and sewer utility bills has typically been defined as 4.5% of household income based on criteria established by the United States Environmental Protection Agency (US EPA) back in 1995 and 1997. The median household income for the City of Wyoming is \$88,819 according to the most recent Census data. Therefore, a monthly bill exceeding \$333.07 would be considered to be unaffordable ( $\$88,819 * 4.5\% / 12 = \$333.07$ ). A typical residential customer in the City over the course of a year uses an average of 4,522 gallons of water monthly and is billed for an average sewer consumption of 3,075 gallons per month. Sewer usage is based on water use during the winter months. The monthly combined water and sewer bill for this use is currently \$81.18 based on 2023 rates and is projected to be \$82.21 in 2024 under the recommended rates. The 2024 recommended rates would find monthly water and sewer bills unaffordable for average residential users in households with incomes below \$21,923. The most recent Census data estimates that 130 households in the City have incomes below \$24,999.

A more recent measure of affordability developed by water and wastewater professional organizations including the American Water Works Association, National Association of Clean Water Agencies, and the Water



## Financial Projections

Environment Federation is based on a matrix that includes the percentage of homes below two-hundred percent of the federal poverty level and the cost of water and sewer as a percentage of the household income for households in the lowest quintile of income (LQI) which is the twentieth percentile of household incomes. Wyoming has 23.66% of households below 200% of the federal poverty level and the 2024 water and sewer cost at the recommend rates as a percentage of LQI is 6.58%. By this measure of affordability, Wyoming’s water and sewer bills are a moderate to low burden. The matrix below shows this more recent affordability measure.

HBI - Water and Sewer Costs as a Percent of Income at LQI	PPI - Percent of Households Below 200% of FPL		
	>=35%	20% to 35%	<20%
>=10%	Very High Burden	High Burden	Moderate-High Burden
7% to 10%	High Burden	Moderate-High Burden	Moderate-Low Burden
<7%	Moderate-High Burden	Moderate-Low Burden	Low Burden

## Comparison to Neighboring Communities

Although each City’s utility system is unique, Cities recognize the need to try to keep their utility rates competitive. The charts below show the 2023 monthly water and sewer bills for an average residential customer in four neighboring communities selected by the City and the 2023 and 2024 water and sewer bills for one neighboring community selected by the City who has already adopted 2024 rates, and the 2023 and projected 2024 water and sewer bills for Wyoming. The comparisons show:

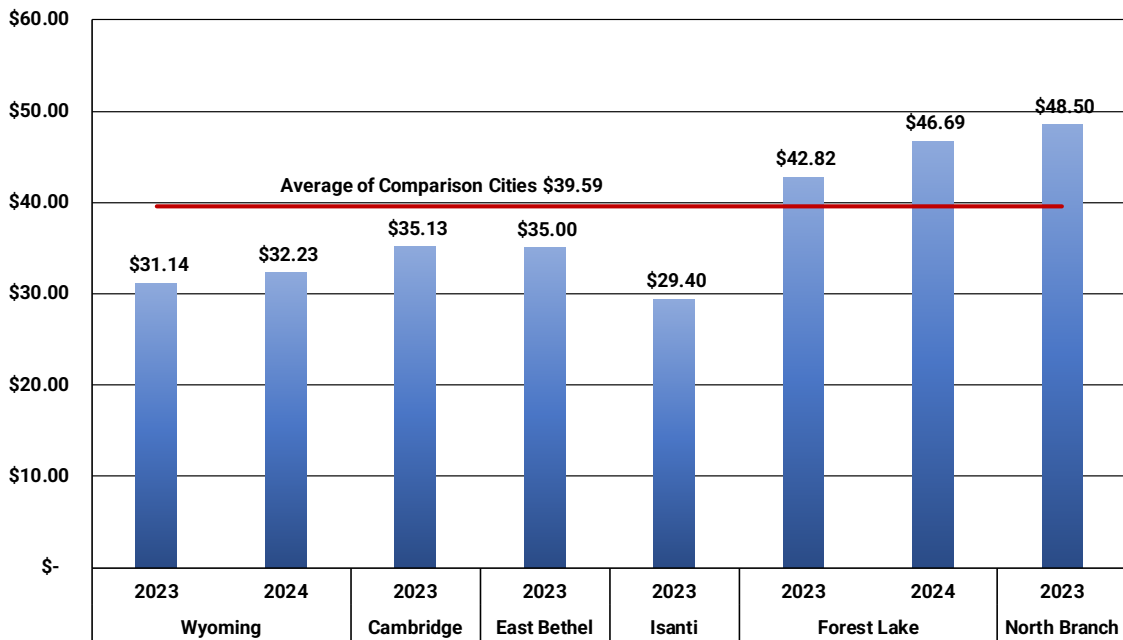
- For water utility services:
  - Wyoming’s current and 2024 projected monthly average residential water bills are less than four of the neighboring communities with only Isanti having a slightly lower monthly residential water bill
  - Wyoming’s current and 2024 projected monthly average residential water bills are less than the average of the comparison cities
  - Wyoming’s current and 2024 projected monthly average water bills for commercial customers using 20,000 gallons per month are lower than all the comparison cities
- For sewer utility services
  - Wyoming’s current and 2024 projected monthly average residential sewer bills are higher than the comparison cities. However, with no recommended increases in sewer rates, the gap will close considerably over the planning period.
  - Wyoming’s current and 2024 projected monthly average sewer bills for commercial customers using 20,000 gallons per month are also higher than the comparison cities. However, with no recommended increases in sewer rates, the gap will close considerably over the planning period.

These comparisons are shown on the following pages.

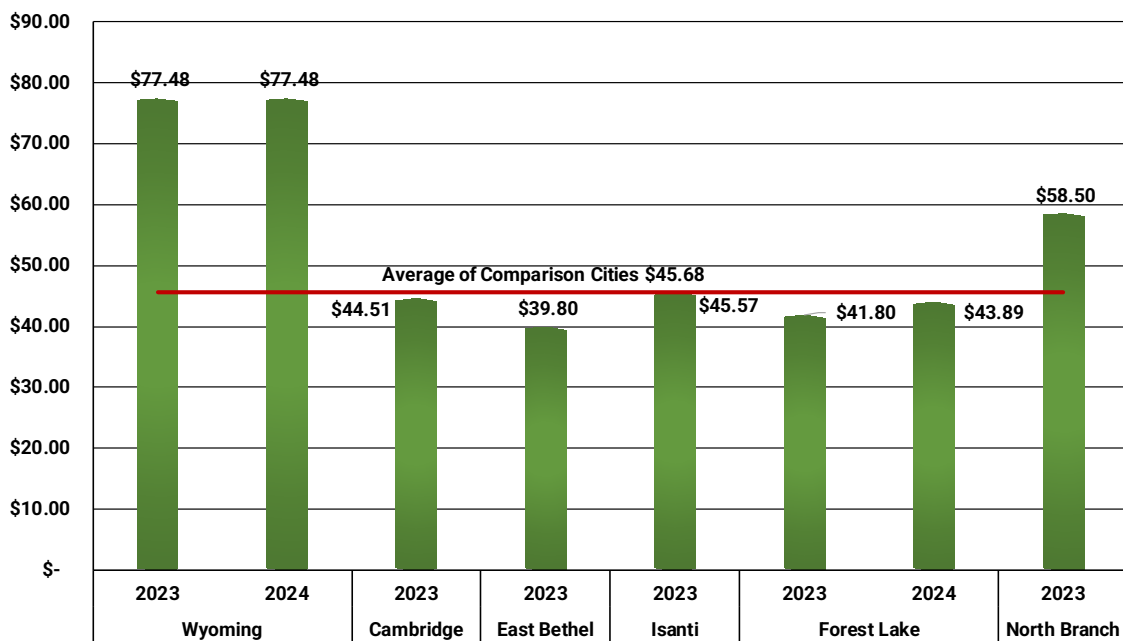


# Financial Projections

**Total Residential Monthly Water Bill - 5,000 Gallons/Month**

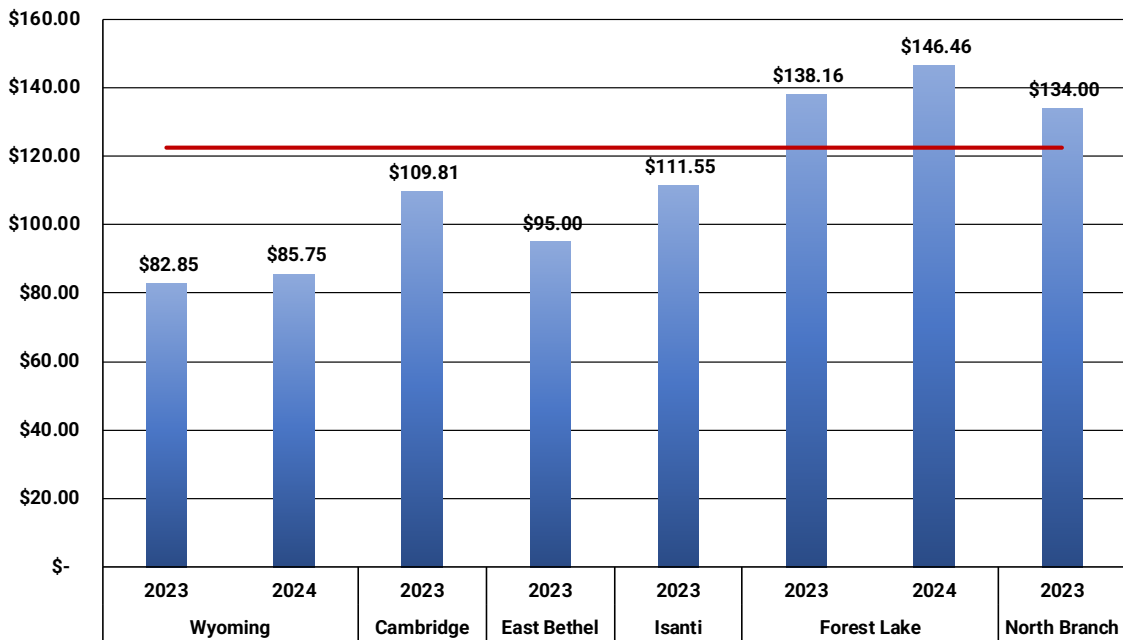


**Total Residential Monthly Sewer Bill - 5,000 Gallons/Month**

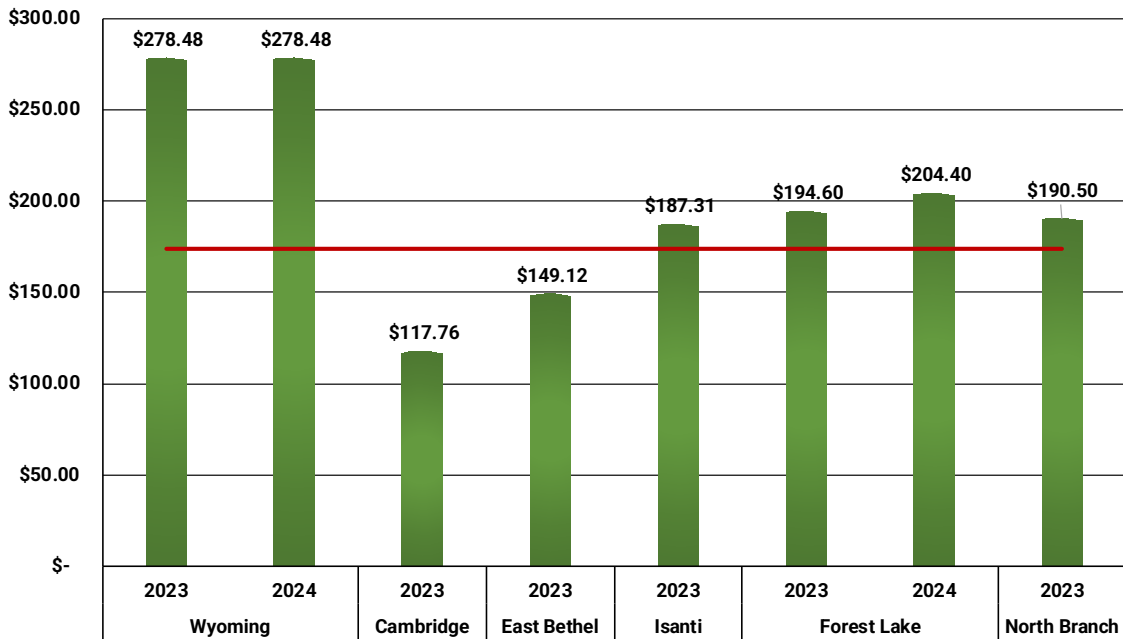


# Financial Projections

Total Commercial Monthly Water Bill - 20,000 Gallons/Month



Total Commercial Monthly Sewer Bill - 20,000 Gallons/Month



## **Financial Projections**

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### ***Water and Sewer Access Charges***

A review of water and sewer access charges (WAC and SAC) was included in the scope of work for this project. WAC and SAC are charged to new customers connecting to each utility to enable the City and its existing utility customers to equitably recover the cost of water and sewer infrastructure needed to provide services to new customers. The *American Water Works Association Manual M1 Principles of Water Rates, Fees, and Charges* and the *Water Environment Federation Financing and Charges for Wastewater Systems Manual of Practice No. 27* provide guidance in determining WAC and SAC charges. There are several approaches described in each of these references to determine WAC and SAC charges. The approach used for each utility needs to be based on the characteristics of that utility with no single approach being superior to the others. The cost of providing water and sewer infrastructure included in determining WAC and SAC charges includes the cost of system-wide assets that provide the utility services to all customers and from which they receive a benefit from connecting to the utility. Assets like water towers, wells, trunk water mains, and others for WAC. Assets like lift stations, trunk and interceptor sewers, and others for SAC.

Based on our review of the City's current WAC and WAC charges, we are not recommending any increase in these fees at this time.



## Conclusions and Recommendations

# Conclusions and Recommendations

This study was undertaken to review and analyze Wyoming's Water and Sewer Utility Funds to determine the appropriate rate levels needed to pay for anticipated operating expenses, to provide for anticipated capital improvements, and to ensure adequate levels of cash reserves.

The following conclusions were determined as a result of this study and the financial projections prepared:

1. We recommend the City increase water rates by 3.50% annually from 2024 through 2028 and by 3.00% annually from 2029 through 2033. These increases are needed to pay for anticipated operating expenses, debt service, planned capital improvements, and to provide the level of cash reserves established by City policy.
2. We recommend sewer rates be maintained at their current level from 2024 through 2033 as the financial projections show they are adequate to pay for anticipated operating expenses, planned capital outlay and to provide the level of cash reserves established by City policy.
3. Based on our review of the City's current WAC and WAC charges, we are not recommending any increase in these fees at this time.
4. The City should establish the user rates for the Water and Sewer Utility Fund 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 users to budget and plan accordingly, particularly large water and sewer utility customers.

These recommendations are based on information provided to us by city staff. The City will need to monitor the performance of the Water and Sewer Utility Funds and make any necessary adjustments based upon each fund's actual operating performance, the actual construction costs of the anticipated capital improvements, and any unforeseen changes that affect their financial performance.

