



City of Willmar, Minnesota

Wastewater Utility Rates

June 2013 Hearing

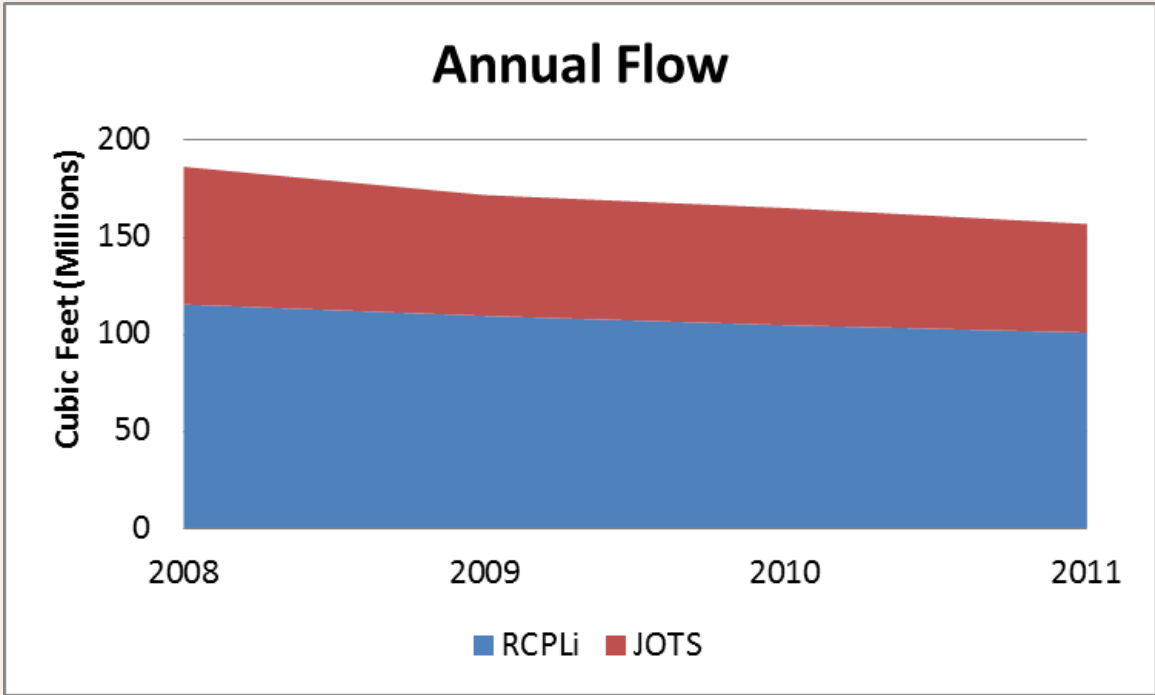
Why rates must increase

- Wastewater Fund has been operating at a loss for several years
- Without increases, the Fund will run out of money
- City's bond rating relies on a performing fund as a demonstration of ability and willingness to pay
- Minnesota Public Facilities Authority, a primary funder, requires a balanced finance plan
- A stable operation relies on rates that support operations, debt, and reserves

Wastewater Utility Rates – What has changed?

- Time has passed
 - Last rate review occurred in 2008
 - Plant is now completed, finished 1st full year of operations
- Performance differs from 2008 projection
 - Consumption is down
 - Revenues are down
 - Expenses are down
 - Cash position continues to drop

Usage Trends



Consumption (cu ft)	2008	2009	2010	2011
RCPLi	115,495,455	109,624,400	104,809,100	100,959,400
JOTS	70,965,107	62,281,700	60,382,400	55,993,300
Overall	186,460,830	171,906,100	165,191,500	156,952,700

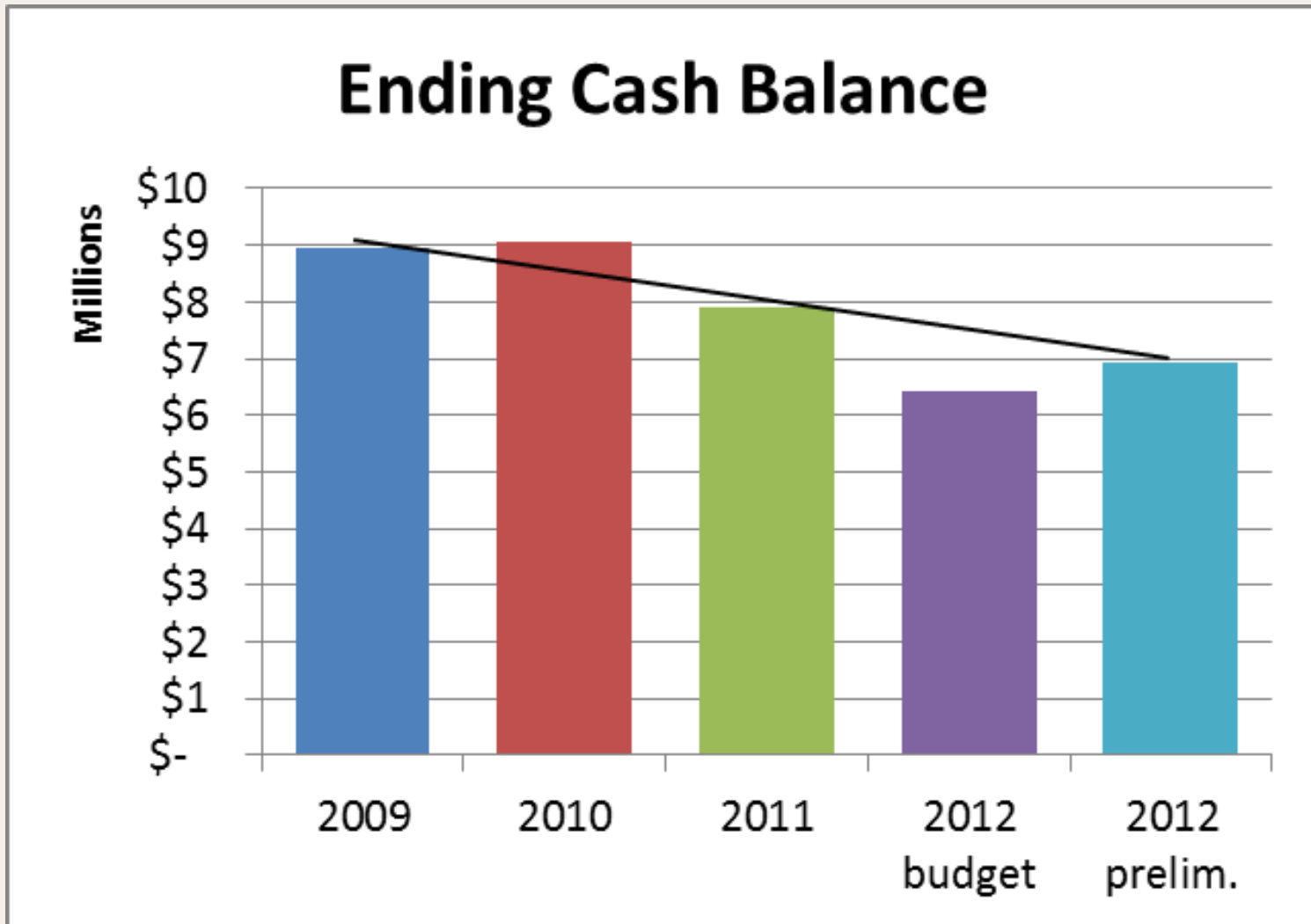
Recent Financial Performance

- Operating income is positive (before transfers & interest)
- Net income is negative (after transfers & interest)
 - Must cover principal on debt & capital acquisitions
 - Net loss of (\$1.67 million) in 2011
 - Net loss budgeted (\$1.4 million) in 2012
 - Net loss actual (\$0.7 million) in 2012
- Cash position continues to drop

Financial Performance – 2012 Preliminary vs. Budget

- Revenues higher by \$100,000
- Expenses under budget (especially general supplies and utility costs by \$500,000)
- Transfers out up \$100,000
- Overall result: still an annual operating loss, but less than projected by \approx \$700,000

Ending Cash Balance



Ending Cash	2009	2010	2011	2012 Budget	2012 Prelim
Estimated	\$ 7,636,020	\$ 8,652,159	\$ 8,272,405	\$ 8,465,332	\$ 8,465,332
Actual	\$ 8,954,947	\$ 9,070,148	\$ 7,886,546	\$ 6,410,390	\$ 6,944,115
Difference	\$ 1,318,927	\$ 417,989	\$ (385,859)	\$ (2,054,942)	\$ (1,521,217)

Assumptions

- 6,310 accounts
- 8,575 meters
- Sewer Volume
 - 56.0 million cubic feet/year from JOTS
 - 4.3 million cubic feet/year from Eagle Lake
 - 88.8 million cubic feet/year from RCPLI
 - 7.5% lower than total water sales

Assumptions (cont.)

- 2013 budget used as base
- General Supplies & Utility adjusted to 2012 plus 3%
- 3% inflation used for most expenses
- Benefits, general supplies and utilities have been increased 5%/year in subsequent years
- \$10.3 million in capital outlay over 5 years, including Western Interceptor

Rates – Challenges

- Setting rates that support
 - Operations
 - Capital expenditures and debt service in place & projected
 - Fund up and maintain essential reserves
- Funding Reserves
 - 3 months of operating expenses
 - 12 months of debt service
- Minimizing changes that affect the current balance between types of users

Rate Changes - Objectives

- Moderate impact if possible
 - Spread increases over multiple years, resolving funding needs by end of 2017
 - Manage rate increases so that once they are ramped up, system only produces revenues it needs
- Make reasonable assumptions regarding expenses and growth in number of users
- Moderate impact of changes in consumption by increasing a fixed charge, the meter fee

Rate structure proposed

		2013	2014	2015	2016	2017
1	Administration (Billing) Charge	\$2.62	\$2.70	\$2.78	\$2.86	\$2.95
2	Utility Improvement Charge	4.00	4.00	4.00	4.00	4.00
3	Usage Charge (basic metered rate)					
	1 Unit = 1,000 Gallons					
	Usage 0-1,200 units	3.20	3.36	3.53	3.70	3.89
	Usage > 1,200 units	4.89	5.13	5.39	5.66	5.94
	1 Unit = 100 Cubic Feet					
	Usage 0-1,605 units	2.39	2.51	2.64	2.77	2.91
	Usage > 1,605 units	3.66	3.84	4.03	4.23	4.44
4	Meter Charge					
	5/8 inch	28.00	28.00	28.00	28.00	28.00
	3/4 inch	42.00	42.00	42.00	42.00	42.00
	1 inch	70.00	70.00	70.00	70.00	70.00
	1.5 inch	140.00	140.00	140.00	140.00	140.00
	2.0 inch	224.00	224.00	224.00	224.00	224.00
	3.0 inch	448.00	448.00	448.00	448.00	448.00
	4.0 inch	700.00	700.00	700.00	700.00	700.00
	6.0 inch	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00

Rate structure proposed

		2013	2014	2015	2016	2017
5	Surcharge					
	BOD & TSS charge per pound over 250 mg/l					
	250 mg/l - 299 mg/l	0.15	0.16	0.16	0.17	0.18
	300 mg/l- 399 mg/l	0.17	0.17	0.18	0.18	0.19
	400 mg/l- 499 mg/l	0.18	0.18	0.19	0.19	0.20
	500 mg/l - 599 mg/l	0.19	0.19	0.20	0.20	0.21
	600 mg/l - 699 mg/l	0.20	0.20	0.21	0.22	0.22
	over 700 mg/l	0.21	0.21	0.22	0.23	0.23
	TKN per pound over 40 mg/l*	0.65	0.67	0.69	0.71	0.74
	TP per pound over 5 mg/l*	1.22	1.26	1.30	1.34	1.38
6	Non-Metered Rates					
	Residential	\$61.93	\$63.13	\$64.42	\$65.71	\$67.10
	Commercial/Industrial**	101.71	103.68	105.80	107.92	110.21
	Eagle Lake	60.60	61.64	62.76	63.88	65.09
	* Note charges only apply when TKN & TP removal are in place					
	** Maximum charge; may be increased if City engineer determines that flow and/or strength of sewage to be more than the average commercial/industrial user.					

Rate structure proposed

		2013	2014	2015	2016	2017
7	Non-Compliance Fine					
	a. Maximum Day Loading	\$1,000	per day			
	b. Maximum Month Loading	\$5,000				
	c. Maximum 12-month rolling average	\$20,000				
	d. Instantaneous Maximum	\$1,000	per occurrence			
8	Violation Fine - \$100 to \$25,000					
9	Sump Pump Users Fee	\$10.00 Per Month				

Average Monthly Billings

	2013	2014	2015	2016	2017
Avg. Residential	\$ 53.74	\$ 54.78	\$ 55.90	\$ 57.02	\$ 58.23
Eagle Lake	\$ 60.60	\$ 61.64	\$ 62.76	\$ 63.88	\$ 65.09
Gas	\$ 162.66	\$ 167.06	\$ 171.82	\$ 176.58	\$ 181.71
Restaurant	\$ 255.87	\$ 264.95	\$ 274.78	\$ 284.61	\$ 295.20
Retail	\$ 1,426	\$ 1,486	\$ 1,551	\$ 1,616	\$ 1,686
Industrial	\$ 208,629	\$ 218,507	\$ 228,712	\$ 239,332	\$ 249,685