



City of Willmar, Minnesota

Wastewater Utility Rate Study

November 2012

Wastewater Utility Rate Study

- Purpose of Study
- Assumptions
- Recent Financial Performance
- Recommendations
- Financial Projections
- Sample Bills
- Conclusions

Purpose of Study

- Review financial performance
- Recommend rate structure to generate revenues sufficient for:
 - Operating expenses
 - Capital maintenance and replacement
 - Debt service
 - Cash reserves

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.)

- Most expenses increase 3% per year
 - Benefits increase 5% per year
- \$5.4 million in capital outlay over 5 years
- Existing debt service of \$4.9 million annually
 - Includes Western Interceptor debt payments

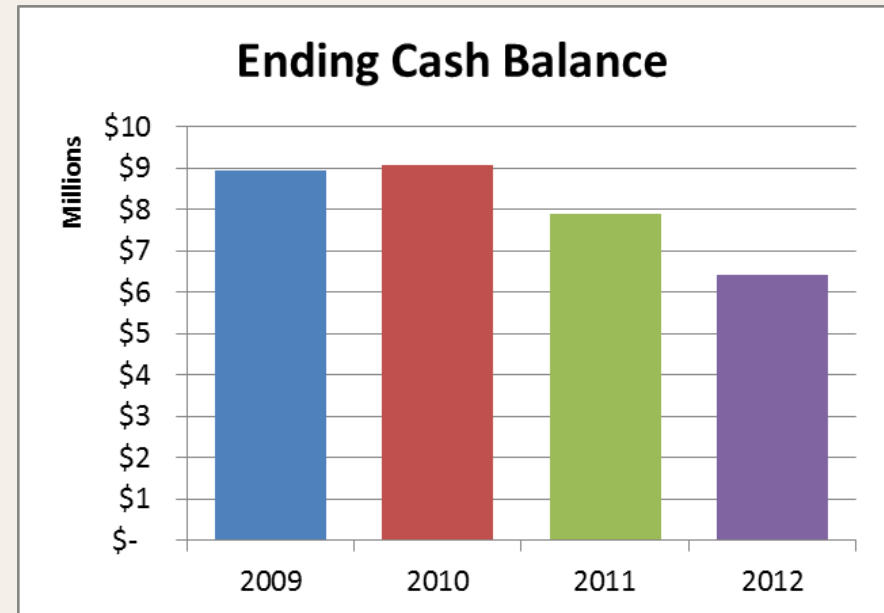
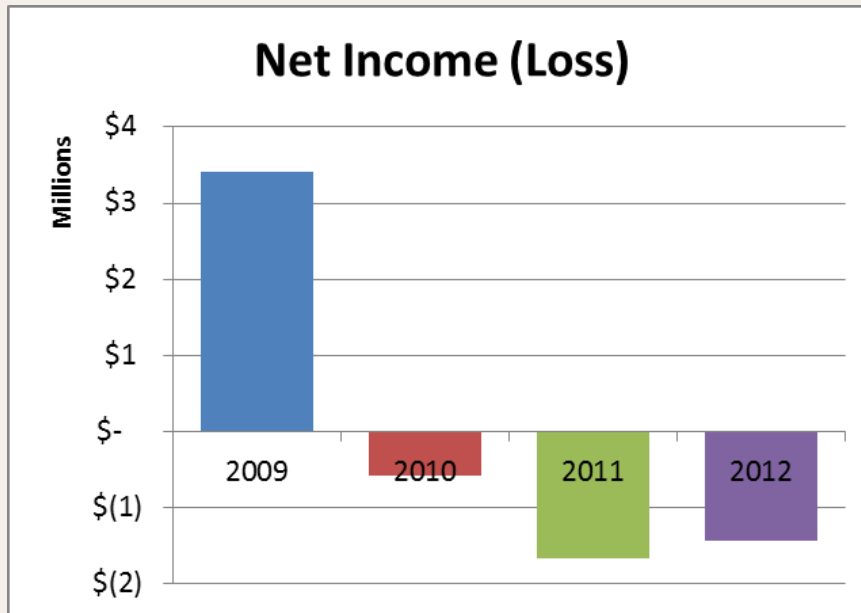
Recent Financial Performance

- Operating income is positive
- Net income is negative
 - \$2.3 million interest payments on debt
 - Net loss of (\$1.67 million) in 2011
 - Net loss of (\$1.44 million) in 2012
- Cash position is worsening
 - \$9.0 million in 2010
 - \$6.4 million in 2012

Recent Financial Performance (cont.)

	2009	2010	2011	2012
Total Operating Revenue	\$ 3,576,202	\$ 4,139,101	\$ 5,670,166	\$ 6,751,345
Total - Personal Services	\$ 905,654	\$ 950,855	\$ 945,389	\$ 957,093
Total - Supplies	\$ 131,241	\$ 275,966	\$ 481,454	\$ 757,550
Total - Other Services and Charges	\$ 1,180,672	\$ 1,851,491	\$ 3,209,440	\$ 3,655,050
Total Operating Expenses	\$ 2,217,567	\$ 3,078,312	\$ 4,636,283	\$ 5,369,693
Operating Income (Loss)	\$ 1,358,635	\$ 1,060,789	\$ 1,033,883	\$ 1,381,652
Total Non Operating Revenues (Expenses)	\$ 2,307,617	\$ (1,398,915)	\$ (2,034,795)	\$ (2,257,345)
Transfers (Out)	\$ (250,000)	\$ (250,000)	\$ (665,616)	\$ (560,200)
Net Income (Loss)	\$ 3,416,252	\$ (588,126)	\$ (1,666,528)	\$ (1,435,893)
Ending Cash Balance	\$ 8,954,947	\$ 9,070,148	\$ 7,886,546	\$ 6,410,390

Recent Financial Performance (cont.)



- Need to recover an additional \$1.5 million annually

JOTS – Revenues and Expenses

Expenses Allocated to JOTS		Revenues from JOTS	
General Admin, O&M	389,681	Meter charges	52,566
Utilities	349,990	Volume charges	1,791,776
Chemicals	227,787	Surcharges	475,045
Additional Biosolids	33,433		
Replacement Fund	160,409		
Debt Service	1,162,901		
Depreciation	-		
Total	2,324,199	Total	2,319,387
		Surplus/(Deficit)	(4,812)

- Current revenues match allocated expenses

Rate Recommendations

	2012	2013	2014	2015	2016	2017
Admin/Billing Charge	\$ 2.54	\$ 2.62	\$ 2.70	\$ 2.78	\$ 2.86	\$ 2.95
Utility Improvement Charge	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00
Meter Charge (5/8" meter)	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00
Tier 1 Volume (per 100 cu ft)	\$ 2.17	\$ 2.57	\$ 3.05	\$ 3.36	\$ 3.70	\$ 3.96
Tier 2 Volume (per 100 cu ft)	\$ 3.33	\$ 3.95	\$ 4.68	\$ 5.15	\$ 5.67	\$ 6.07

- Admin/Billing projected to grow 3% annually
- Meter charges unchanged
- Volume-based rates must rise to generate necessary revenues

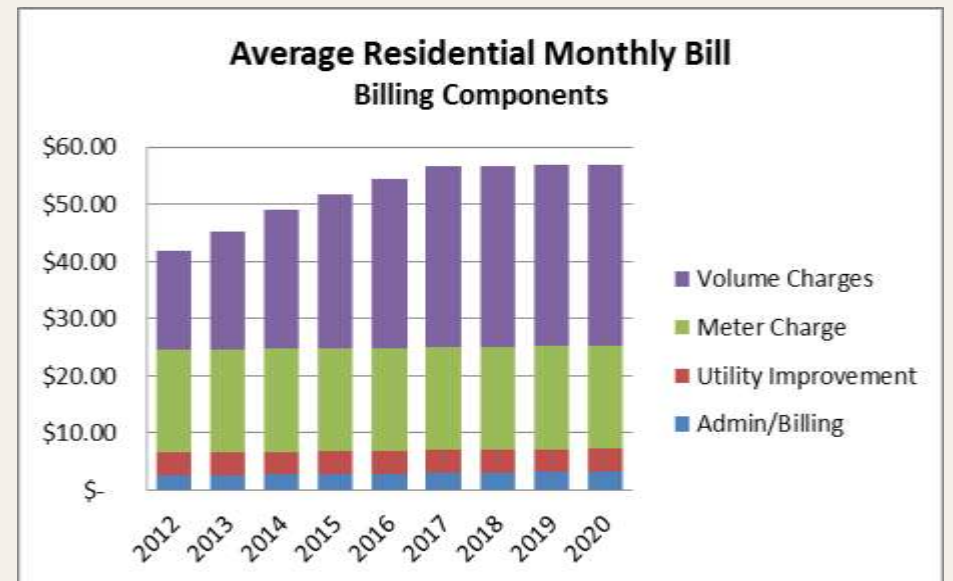
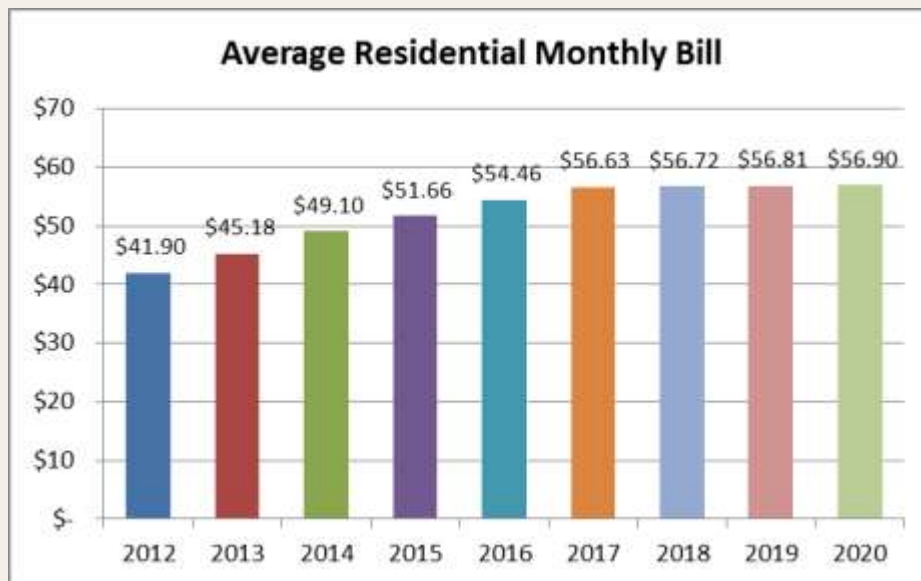
Financial Projections

	2012	2013	2014	2015	2016	2017
Beginning Cash & Investments	7,886,546	6,410,390	5,463,118	5,183,025	5,175,031	5,596,297
Net Income	(1,435,893)	(705,667)	192,550	670,648	1,325,510	1,878,269
Depreciation	2,400,000	2,280,000	2,176,167	2,144,867	2,058,182	1,963,108
Amortization	-	-	-	-	-	-
Acquisition and Construction of Assets	(2,958,557)	(425,700)	(3,775,000)	(783,000)	(100,000)	(308,500)
Proceeds from New Long-Term Debt	2,873,557	425,700	3,775,000	783,000	100,000	308,500
Payments on New Long-Term Debt		-	(15,843)	(109,371)	(140,862)	(147,860)
Payments on Existing Long-Term Debt	(2,355,263)	(2,521,605)	(2,632,968)	(2,714,137)	(2,821,563)	(2,941,630)
Ending Cash Balance	6,410,390	5,463,118	5,183,025	5,175,031	5,596,297	6,348,184
Minimum Cash Balance						
For ongoing operations (months)	1,342,423	1,336,199	1,334,805	1,352,360	1,356,913	1,360,242
For debt service	4,841,290	4,911,632	5,076,501	5,148,863	5,184,288	4,910,191
Minimum Cash Balance Required	6,183,714	6,247,831	6,411,306	6,501,223	6,541,201	6,270,433
Amount Over (Under) Minimum	226,677	(784,713)	(1,228,281)	(1,326,192)	(944,903)	77,750

- Positive net income in 2014
- Cash reserves rebuilt by 2017

Sample Bill – Residential

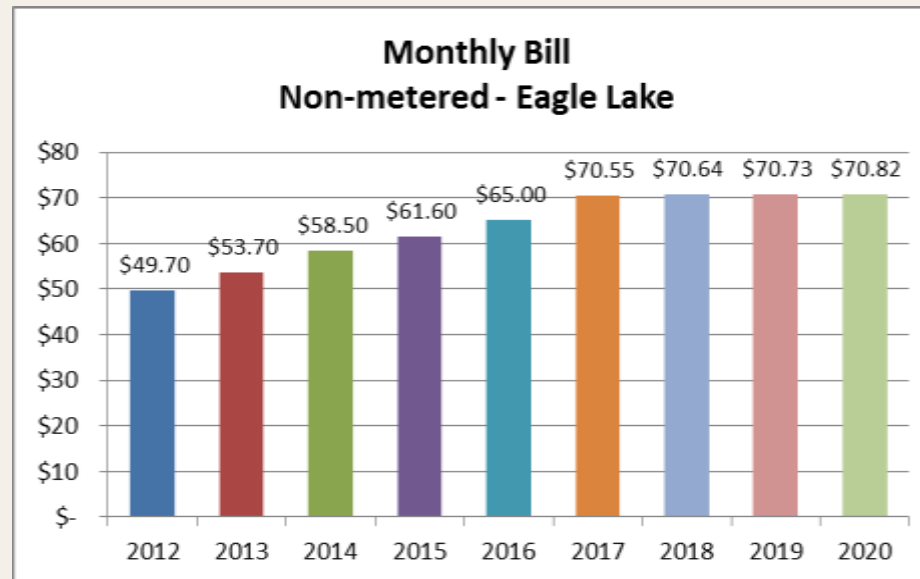
Average Residential User (5/8" meter and 800 cu ft (5,984 gallons) per month)									
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration and Billing	\$ 2.54	\$ 2.62	\$ 2.70	\$ 2.78	\$ 2.86	\$ 2.95	\$ 3.04	\$ 3.13	\$ 3.22
Utility Improvement Charge	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00
Meter Charge (5/8" meter)	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00
Volume Charge (800 cu ft)	\$ 17.36	\$ 20.56	\$ 24.40	\$ 26.88	\$ 29.60	\$ 31.68	\$ 31.68	\$ 31.68	\$ 31.68
Total Monthly Charges	\$ 41.90	\$ 45.18	\$ 49.10	\$ 51.66	\$ 54.46	\$ 56.63	\$ 56.72	\$ 56.81	\$ 56.90



Sample Bill – Eagle Lake

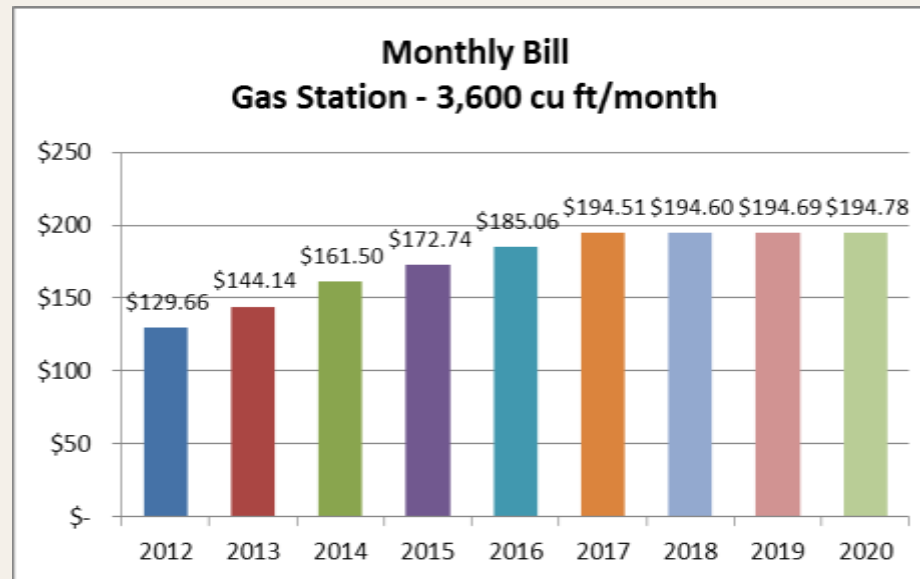
Non-Metered Eagle Lake User (1,000 cu ft (7,480 gal) per month and 1.5x residential meter charge)									
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration and Billing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2.95	\$ 3.04	\$ 3.13	\$ 3.22
Utility Improvement Charge	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Meter Charge (residential x 1)	\$ 27.00	\$ 27.00	\$ 27.00	\$ 27.00	\$ 27.00	\$ 27.00	\$ 27.00	\$ 27.00	\$ 27.00
Volume Charge (1,000 cu ft)	\$ 21.70	\$ 25.70	\$ 30.50	\$ 33.60	\$ 37.00	\$ 39.60	\$ 39.60	\$ 39.60	\$ 39.60
Total Monthly Charges	\$ 49.70	\$ 53.70	\$ 58.50	\$ 61.60	\$ 65.00	\$ 70.55	\$ 70.64	\$ 70.73	\$ 70.82

* Eagle Creek agreement expires in 2016; assume that Admin charges start in 2017



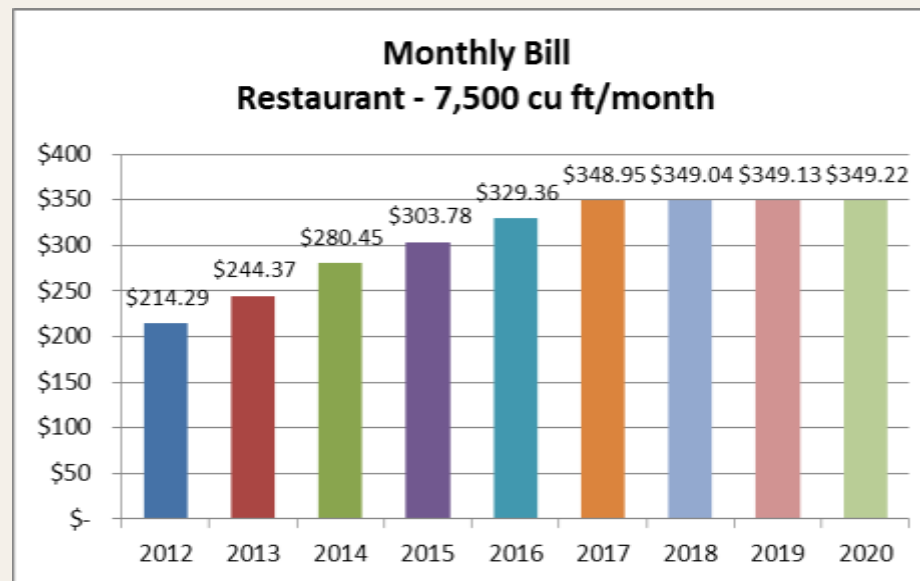
Sample Bill – Gas Station

Gas Station - 1" meter and 3,600 cu ft (26,928 gallons) per month									
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration and Billing	\$ 2.54	\$ 2.62	\$ 2.70	\$ 2.78	\$ 2.86	\$ 2.95	\$ 3.04	\$ 3.13	\$ 3.22
Utility Improvement Charge	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00
Meter Charge (1" meter)	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00
Volume Charge (3,600 cu ft)	\$ 78.12	\$ 92.52	\$ 109.80	\$ 120.96	\$ 133.20	\$ 142.56	\$ 142.56	\$ 142.56	\$ 142.56
Total Monthly Charges	\$ 129.66	\$ 144.14	\$ 161.50	\$ 172.74	\$ 185.06	\$ 194.51	\$ 194.60	\$ 194.69	\$ 194.78



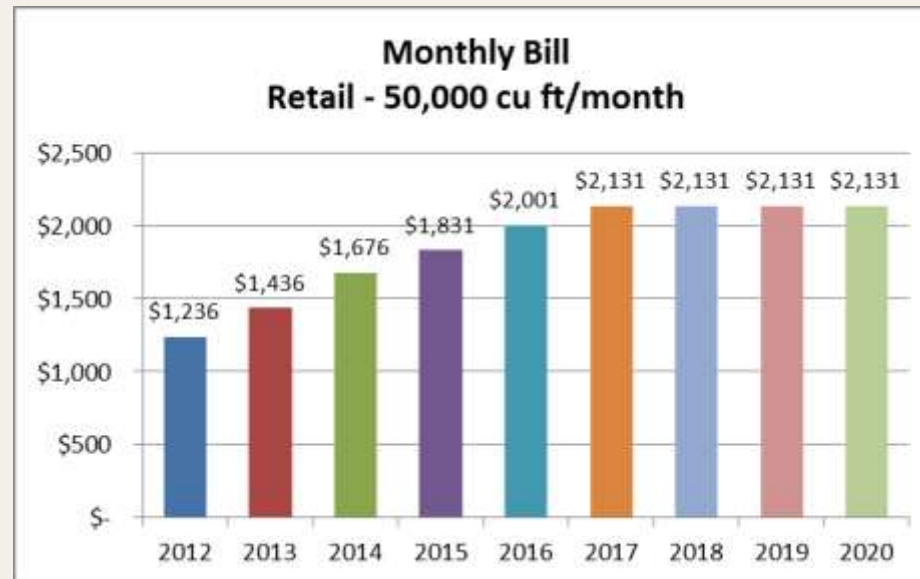
Sample Bill – Restaurant

Restaurant - 1" meter and 7,500 cu ft (56,100 gallons) per month									
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration and Billing	\$ 2.54	\$ 2.62	\$ 2.70	\$ 2.78	\$ 2.86	\$ 2.95	\$ 3.04	\$ 3.13	\$ 3.22
Utility Improvement Charge	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00
Meter Charge (1" meter)	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00
Volume Charge (7,500 cu ft)	\$ 162.75	\$ 192.75	\$ 228.75	\$ 252.00	\$ 277.50	\$ 297.00	\$ 297.00	\$ 297.00	\$ 297.00
Total Monthly Charges	\$ 214.29	\$ 244.37	\$ 280.45	\$ 303.78	\$ 329.36	\$ 348.95	\$ 349.04	\$ 349.13	\$ 349.22



Sample Bill – Retail

Retail User - 2" meter and 50,000 cu ft (374,000 gallons) per month									
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration and Billing	\$ 2.54	\$ 2.62	\$ 2.70	\$ 2.78	\$ 2.86	\$ 2.95	\$ 3.04	\$ 3.13	\$ 3.22
Utility Improvement Charge	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00
Meter Charge (2" meter)	\$ 144.00	\$ 144.00	\$ 144.00	\$ 144.00	\$ 144.00	\$ 144.00	\$ 144.00	\$ 144.00	\$ 144.00
Volume Charge (50,000 cu ft)	\$ 1,085.00	\$ 1,285.00	\$ 1,525.00	\$ 1,680.00	\$ 1,850.00	\$ 1,980.00	\$ 1,980.00	\$ 1,980.00	\$ 1,980.00
Total Monthly Charges	\$ 1,235.54	\$ 1,435.62	\$ 1,675.70	\$ 1,830.78	\$ 2,000.86	\$ 2,130.95	\$ 2,131.04	\$ 2,131.13	\$ 2,131.22



Sample Bill – Industrial

Industrial User - 12 meters and 3,848,000 cu ft (28,785,000 gallons) per month									
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration and Billing	\$ 2.54	\$ 2.62	\$ 2.70	\$ 2.78	\$ 2.86	\$ 2.95	\$ 3.04	\$ 3.13	\$ 3.22
Utility Improvement Charge (x12)	\$ 48.00	\$ 48.00	\$ 48.00	\$ 48.00	\$ 48.00	\$ 48.00	\$ 48.00	\$ 48.00	\$ 48.00
Meter Charge (12 various meters)	\$ 4,302	\$ 4,302	\$ 4,302	\$ 4,302	\$ 4,302	\$ 4,302	\$ 4,302	\$ 4,302	\$ 4,302
Volume Charge (3,848,000 cu ft)	\$ 126,277	\$ 149,781	\$ 177,470	\$ 195,299	\$ 215,020	\$ 230,187	\$ 230,187	\$ 230,187	\$ 230,187
Total Monthly Charges	\$ 130,629	\$ 154,134	\$ 181,823	\$ 199,652	\$ 219,373	\$ 234,540	\$ 234,540	\$ 234,540	\$ 234,540

