

ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: 11/16/09
Item No.: 12.e

Department Approval

City Manager Approval

Christopher K. Miller

W. J. Mahinen

Item Description: Adopting the 2010 Utility Rate Adjustments

BACKGROUND

Over the past several months, City Staff has been reviewing the City's utility operations to determine whether rate adjustments are necessary for 2010. In addition, Staff has also assessed the impacts that resulted from the implementation of a conservation-based rate structure made in 2009. The analysis included the City's water, sanitary sewer, storm water drainage, and solid waste recycling operations.

The analysis entailed a review of:

- ❖ Fixed costs including personnel, supplies and maintenance, and depreciation
- ❖ Variable costs including the purchase of water from the City of St. Paul, water treatment costs paid to the Metropolitan Council, and recycling contractor costs
- ❖ Capital replacement costs
- ❖ Current customer base, rates, and rate structure

Water Operations Overview: The City's water operation provides City customers with safe potable water, as well as on-demand water pressure sufficient to meet the City's fire protection needs. The City purchases its water supply from the City of St. Paul, which remains the single largest operating cost to the water operation. It is estimated that our wholesale water purchase costs will increase by approximately 4%. In addition, the City's internal operating costs are expected to increase by approximately 12% due to higher supply and capital replacement costs.

The 2010-2019 Capital Investment Plan call for an investment of nearly \$1 million dollars per year in the City's water system. By comparison, the City is currently setting aside only \$400,000 per year. To ensure that the City's water system infrastructure is replaced at the end of its useful life, sustained increases in the water rates will be necessary. Sustained rate increases will also be needed to improve the Water Fund's overall financial condition which is currently in a relatively poor position.

Sanitary Sewer Operations Overview: The City maintains a sanitary sewer collection system to ensure the general public's health and general welfare. The single largest operating cost to the sanitary sewer operation is the treatment costs paid to the Metropolitan Council Environmental Services Division (MCES). The MCES has notified us that our treatment costs are expected to increase by approximately 4% in 2010.

In addition, the City's internal operating costs are expected to increase by approximately 12% due to higher supply and capital replacement costs.

The 2010-2019 Capital Investment Plan call for an investment of nearly \$1 million dollars per year in the City's sanitary sewer system. By comparison, the City is currently setting aside only \$500,000 per year. To ensure that the City's sanitary sewer system infrastructure is replaced at the end of its useful life, sustained increases in the sewer rates will be necessary.

The Sanitary Sewer Fund is in good financial condition which has allowed for lower-than-inflation rate increases over the last 5 years. However, planned capital replacements over the next 10 years will necessitate a rate increase in 2010.

Storm Water Drainage Operations Overview: The City provides for the management of storm water drainage to prevent flooding and pollution control, as well as street sweeping and the leaf pickup program. The storm sewer costs are expected to be higher than in previous years, due to an increase in the planned capital replacement of stormwater systems, as well as additional costs resulting from the need to perform a citywide wetland inventory.

The 2010-2019 Capital Investment Plan call for an investment of nearly \$700,000 dollars per year in the City's sanitary sewer system. By comparison, the City is currently setting aside about \$600,000 per year. To ensure that the City's stormwater system infrastructure is replaced at the end of its useful life, an increase in the stormwater rates will be necessary.

Like the Sanitary Sewer Fund, the Storm Water Drainage Fund is in good financial condition which has allowed for lower-than-inflation rate increases over the last 5 years. However, planned capital replacements over the next 10 years will necessitate rate increases in 2010.

Recycling Operations Overview: The recycling operation provides for the contracted curbside recycling pickup throughout the City. The primary operating cost is the amounts paid to a contractor to pickup recycling materials. The current agreement with the recycling contractor specifies that the City is to receive a portion of the monies generated from the re-sale of recycled materials. However, over the past year the City's revenue sharing portion has dropped dramatically from a high of \$135,000 in 2008, to only \$42,000 in 2009. This drop in program revenue along with increases in general operating costs will necessitate an increase in recycling fees charged to residents.

Discussion on the Conservation-Based Rate Structure

For 2009, the City adopted a conservation-based rate structure that included a tiered water rate whereby higher-volume users paid a higher rate than low-volume users. This was designed to encourage water conservation year round. It also included a summer usage rate to encourage residents to use less water for irrigation purposes. The current residential water rates are as follows:

Category	Usage Rate
Up to 30,000 gals./qtr	\$ 1.85
Over 30,000 gals./qtr – winter rate	2.00
Over 30,000 gals./qtr – summer rate	2.10

Prior to adopting these measures it was noted that Roseville residents were, on average, already consuming less water than residents in many other communities. This is likely due to the fact that relatively few residential properties in Roseville have irrigation systems, which is in contrast to some 2nd and 3rd ring suburbs. It may also be the result of having a relatively lower population per household.

As a result, we would not expect any large-scale reductions in residential water usage simply due to the presence of a conservation-based rate structure.

In comparing average household water use in 2009 to the previous year, it appears that households used about the same amount of water in both years. In other words, the new rate structure implemented in 2009 did not appear to have any significant influence on consumer behavior. However, it should be noted that there are many varying factors that contribute to how much water each household uses; including the amount of rainfall, number of occupants, age of the occupants, etc.

And while we can intuitively conclude that there is a certain price point that individuals will make changes in their behavior, we will be challenged in determining what that price point is. That being said, changes to the rate structure would be warranted if we conclude that the 2009 rate changes were ineffective. However, it is arguably premature to make such a conclusion based solely on one year's data. Staff recommends that the City preserve the current tiered rate and summer rate differential for one additional year to gather more comprehensive usage data.

POLICY OBJECTIVE

An annual review of the City's utility rate structure is consistent with governmental best practices to ensure that each utility operation is financially sound. In addition, a conservation-based rate structure is consistent with the goals and strategies identified in the Imagine Roseville 2025 initiative.

FINANCIAL IMPACTS

Based on the 2010 Preliminary Budget and the Staff-recommended rate increases, a typical homeowner will pay approximately \$122 per quarter, an increase of \$4.45 or 3.8%. Additional detail is shown in the tables below.

Based on the 2010 recommended rates, the following impact will be realized on an average users' quarterly utility bill.

Single Family Homes

Service	2009	2010	\$ Change	% Change
Water – base fee	\$ 27.75	\$ 27.75	\$ -	
Water – usage fee	33.30	35.10	1.80	
Sanitary Sewer – base fee	23.35	23.35	-	
Sanitary Sewer – usage fee	21.60	22.50	0.90	
Storm Sewer	5.75	6.15	0.40	
Recycling	5.90	7.25	1.35	
Total	\$ 117.65	\$ 122.10	\$ 4.45	3.8 %

** Based on an average consumption of 18,000 gallons per quarter.

110 **Single Family Homes – with Utility Discount**

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Service	2009	2010	\$ Change	% Change
Water – base fee	\$ 18.00	\$ 18.00	\$ -	
Water – usage fee	18.50	19.50	1.00	
Sanitary Sewer – base fee	14.50	14.55	-	
Sanitary Sewer – usage fee	12.00	12.50	0.50	
Storm Sewer	5.75	6.15	0.40	
Recycling	5.90	7.25	1.35	
Total	\$ 74.70	\$ 77.95	\$ 3.25	4.3 %

112 ** Based on an average consumption of 10,000 gallons per quarter.
113 Discount is approximately 38% less than the standard rate.

114 **Commercial Property**

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Service	2009	2010	\$ Change	% Change
Water – base fee	\$ 55.00	\$ 55.00	\$ -	
Water – usage fee	480.00	500.00	20.00	
Sanitary Sewer – base fee	51.00	51.00	-	
Sanitary Sewer – usage fee	550.00	570.00	20.00	
Storm Sewer	266.40	285.00	18.60	
Recycling	-	-		
Total	\$ 1,402.40	\$1,461.00	\$ 58.60	4.1 %

117 ** Based on an average consumption of 200,000 gallons per quarter, with a 1 ½” meter, and occupying 3 acres.

119 **STAFF RECOMMENDATION**

120 Based on the increasing costs noted above, and in an effort to implement a conservation-based rate
121 structure, Staff is recommending rate adjustments as shown in the attached resolution.

122 **REQUESTED COUNCIL ACTION**

123 Adopt the attached resolution establishing the 2010 Utility Rates.

124 Prepared by: Chris Miller, Finance Director
Attachments: A: Resolution establishing the 2010 Utility Rates

EXTRACT OF MINUTES OF MEETING OF THE
CITY COUNCIL OF THE CITY OF ROSEVILLE

* * * * *

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Roseville, County of Ramsey, Minnesota was duly held on the 16th day of November, 2009 at 6:00 p.m.

The following members were present:
and the following were absent:

Member introduced the following resolution and moved its adoption:

RESOLUTION _____

RESOLUTION ESTABLISHING THE 2010 UTILITY RATES

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Roseville, Minnesota, the water, sanitary sewer, storm drainage, and recycling rates be established for 2010 in accordance with Schedule A attached to this Resolution.

The motion for the adoption of the foregoing resolution was duly seconded by member

and upon a vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

WHEREUPON, said resolution was declared duly passed and adopted.

State of Minnesota)
) SS
County of Ramsey)

I, undersigned, being the duly qualified City Manager of the City of Roseville, County of Ramsey, State of Minnesota, do hereby certify that I have carefully compared the attached and foregoing extract of minutes of a regular meeting of said City Council held on the 16th day of November, 2009 with the original thereof on file in my office.

WITNESS MY HAND officially as such Manager this 16th day of November, 2009.

William J. Malinen
City Manager

Seal

Schedule A

Water Base Rate

Category	2009 Base Rate	2010 Base Rate
Residential	\$ 27.75	\$ 27.75
Residential – Sr. Rate	18.00	18.00
Non-residential		
1.0" Meter	27.75	27.75
1.5" Meter	35.00	35.00
2.0" Meter	55.00	55.00
3.0" Meter	105.00	105.00
4.0" Meter	210.00	210.00
6.0" Meter	\$ 420.00	\$ 420.00

Water Usage Rate

Category	2009 Usage Rate	2010 Usage Rate
Residential; Up to 30,000 gals./qtr	\$ 1.85	\$ 1.95
Residential; Over 30,000 gals./qtr – winter rate *	2.00	2.15
Residential; Over 30,000 gals./qtr – summer rate **	2.10	2.35
Non-Residential – winter rate	2.40	2.50
Non-Residential – summer rate **	\$ 2.65	\$ 2.75

* Residential high water usage rate is 10% higher than basic rate

** Summer rate is 10% higher than highest winter rate for each property category

Sanitary Sewer Base Rate

Category	2009 Base Rate	2010 Base Rate
Residential	\$ 23.35	\$ 23.35
Residential – Sr. Rate	14.55	14.55
Residential – Multi family	16.10	16.10
Non-residential		
5/8" Meter	17.05	17.05
1.0" Meter	34.15	34.15
1.5" Meter	51.00	51.00
2.0" Meter	85.05	85.05
3.0" Meter	170.30	170.30
4.0" Meter	340.75	340.75
6.0" Meter	\$ 681.45	\$ 681.45

Sanitary Sewer Usage Rate

Category	2009 Usage Rate	2010 Usage Rate
Residential	\$ 1.20	\$ 1.25
Non-residential	\$ 2.75	\$ 2.85

Stormwater Rates

Category	2009 Flat Rate	2010 Flat Rate
Single Family & Duplex	\$ 5.75	\$ 6.15
Multi-family & Churches	44.40	47.50
Cemeteries & Golf Courses	4.45	4.75
Parks	13.35	14.25
Schools & Comm. Centers	22.20	23.75
Commercial & Industrial	\$ 88.80	\$ 95.00

Note: Stormwater rates are based on a per lot basis for single-family and duplex properties, and on a per acre basis for all other properties.

Recycling Rates

Category	2009 Flat Rate	2010 Flat Rate
Single Family	\$ 5.90	\$ 7.25
Multi Family (per unit)	\$ 4.00	\$ 4.90

Meter Security Deposit

Category	2009 Flat Rate	2010 Flat Rate
5/8" Meter	\$ 75.00	\$ 75.00
1.0" Meter	120.00	120.00
1.5" Meter	300.00	300.00
2" Meter	\$ 400.00	\$ 400.00

Larger meters and hydrant meters are evaluated on the basis of meter cost and consumption. A deposit is computed accordingly.