



Utility Rate Study

City of Shakopee

December 7, 2021

Agenda

- Purpose of the Rate Study
- Key Assumptions
- Storm Water Fund
- Sanitary Sewer Fund
- Next Steps

Purpose of the Rate Study

- Sanitary sewer and storm water rates evaluated
- Set “just and equitable” rates and charges
- Ensure growth pays for growth
- Ensure each enterprise pays for itself
- Maintain adequate cash reserves
- Pay for upcoming capital improvements

Observations

- Utility funds have been well managed
 - ✓ Adequate cash reserves
 - ✓ Capital projects funded with cash
 - ✓ Rates and development fees are competitive
 - ✓ Prior rate studies have served city well with annual rate adjustments
- 2 less FTE's for sanitary sewer than comparison communities

Key Assumptions: Growth

- 175 new single-family units per year
- Multi-family projects as anticipated through 2025, none thereafter
- Industrial and commercial projects as anticipated through 2025
 - ✓ Thereafter 60,000 sq. ft. per year

Annual Residential Growth Projection

	2019 Permits	2020 Permits	2021 Permits*	2022	2023	2024	2025
Single Family	140	165	113	175	175	175	175
Multi- Family	644	0	318	649	150	150	500
Total Units	784	165	431	824	325	275	675

Anticipated Commercial Growth

	2022	2023	2024	2025
Square Feet	1,087,000	525,000	425,000	526,000
SAC Units	145	70	57	70

Future growth beginning in 2026 assumed to be 60,000 square feet per year and 8 SAC units

Other Key Assumptions

- Personnel and general administration expenses increase 3.5% annually
- MCES disposal fee increases 4% annually
 - ✓ Makes up 74% of 2021 sewer operating expenses (excl. depreciation)
- Other sewer expenses increase 2% annually
- Other storm water expenses increase 4% annually
- Capital expenses inflate 3% annually

Storm Water Fund



Storm Water Major Capital Improvements

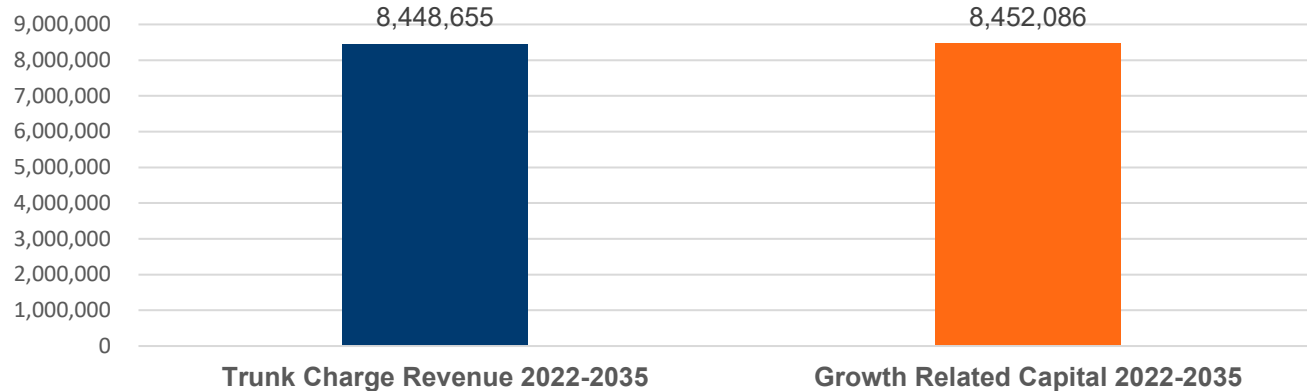
Improvement	Cost (Today's Dollars)	Timing
Street Sweeper	\$300,000	2022
Quarry Lake Outlet	\$500,000	2022
NW Shakopee BMP Retrofit	\$1,580,000	2023
West End Regional Pond	\$750,000	2023
Blue Lake Channel Regional Ponds	\$750,000 each	2024 and 2025
Street Reconstruction	Averages \$150,000	Annually
Erosion Control/Pond Cleaning	\$150,000	Annually
Regional Pond Expansion	\$300,000	Annually beginning in 2026

Paying for Growth Related Improvements: Storm Water Trunk Charge

- City charges storm water trunk charge when land is platted
- Currently fee is **\$0.14** per developable square foot
- Proposed fee for 2022: **\$0.143** per developable square foot
- 2% annual rate increases in 2023 and beyond
- Fee for single family home
 - ✓ 2021: \$2,033
 - ✓ 2022: \$2,076

Storm Water Trunk Charges pay for Development Costs

Storm Water
Comparison of Trunk Charge Revenue to Growth Related Capital Expenses



Storm Water Utility Fee

- Current rate structure
 - ✓ \$2.65/month for single family home
 - ✓ \$8.04/acre x R.E.F. x acreage for commercial property
 - R.E.F. (Residential Equivalency Factor) depends on storm water infrastructure on site
- No changes proposed to rate structure
- In process of correcting some property storm water fee calculations
 - ✓ May generate additional revenue

Sample Impacts of Storm Water Bill Corrections

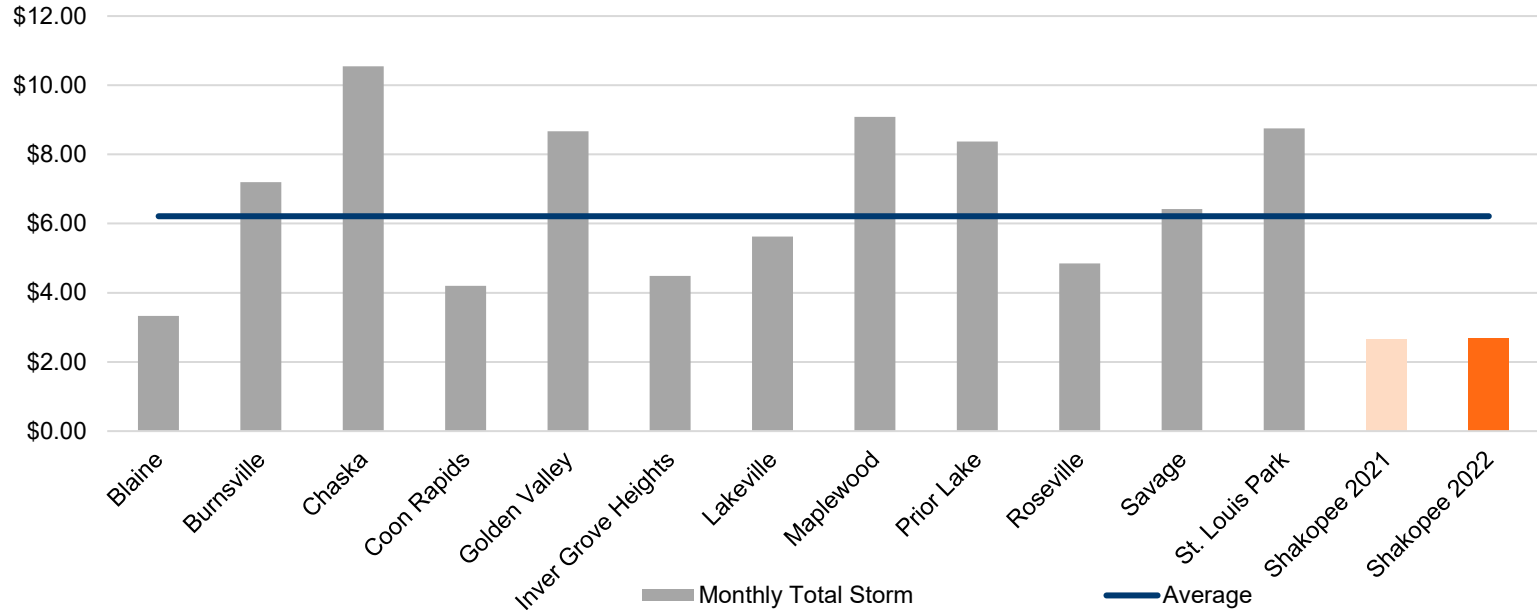
Sample Properties with Storm Water Billing Corrections			
	Existing Monthly Total 2021	Corrected Monthly Total 2021	Difference
City of Shakopee (all parcels)	\$2,251	\$2,934	\$683
Storage Facility	\$85	\$109	\$23
ISD 720 (all parcels)	\$3,624	\$4,213	\$589
Church	\$58	\$84	\$26

Proposed Storm Water Utility Fee

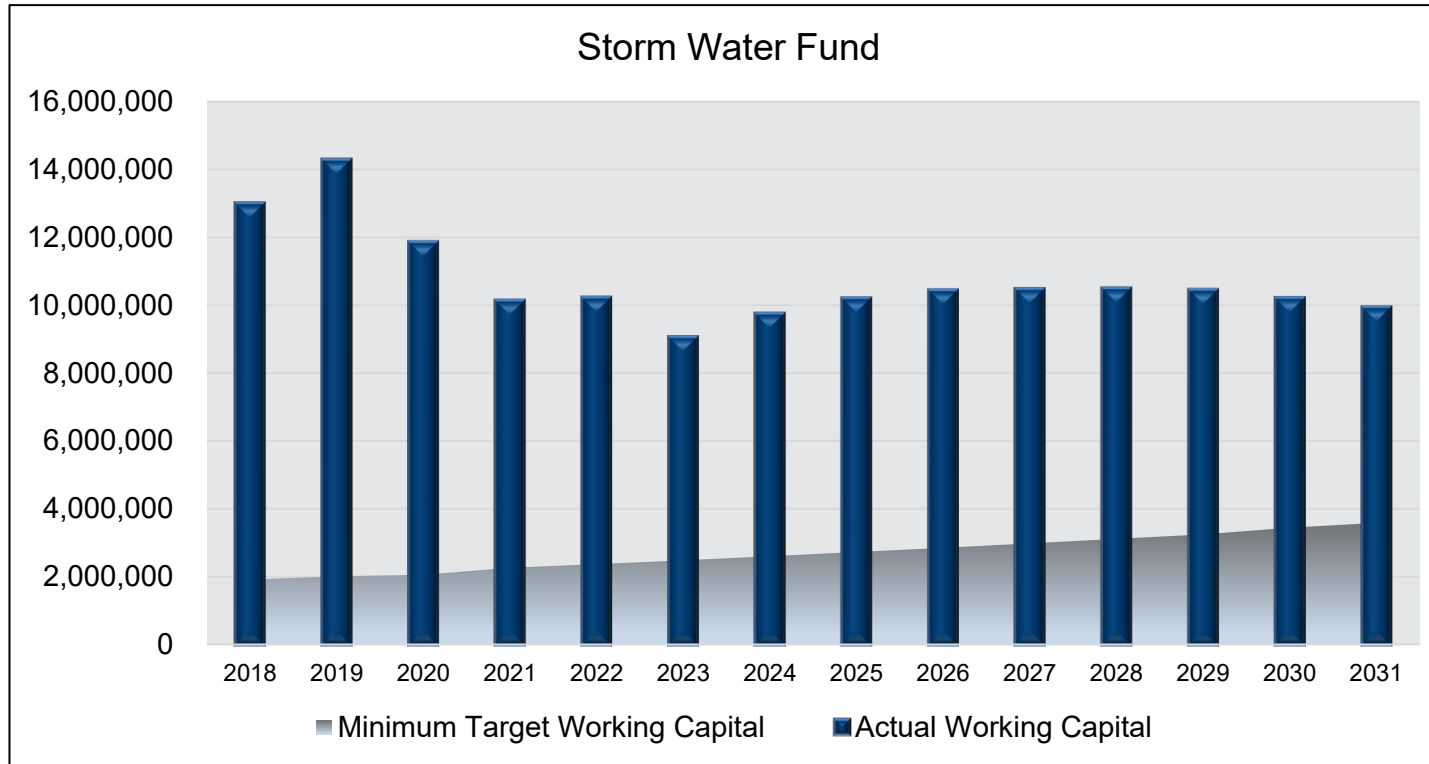
Monthly Storm Sewer Rates	Existing 2021	Proposed Rates				
		2022	2023	2024	2025	2026
Percentage Increase		1.00%	1.00%	1.00%	1.00%	1.00%
<u>Fixed Rates</u>						
Single Family Residential	\$ 2.65	\$ 2.68	\$ 2.70	\$ 2.73	\$ 2.76	\$ 2.79
Other Uses	\$ 8.04	\$ 8.12	\$ 8.20	\$ 8.28	\$ 8.37	\$ 8.45

Single Family Storm Water Bill Comparison

Monthly Residential Storm Water Bill Comparison



Projected Storm Water Cash Balance



Summary of Proposed Storm Water Rates

Fee	2021	Proposed 2022
Single Family Monthly Bill	\$2.65	\$2.68
Commercial Charge per R.E.F.	\$8.04	\$8.12
Trunk Charge	\$0.14/developable sq. ft.	\$0.143/developable sq. ft.
Storage and Treatment Charge		
3 or less lots/acre	\$0.07/dev. sq. ft	\$0.499/dev. sq. ft
over 3 lots/acre	\$0.139/dev. sq. ft.	\$0.750/dev. sq. ft.
commercial/industrial developments	\$0.233/dev. sq. ft.	\$1.002/dev. sq. ft.
Regional Infiltration Pond Charge	\$1,397/net dev. acre	\$44,911/net dev. acre

Sanitary Sewer Fund



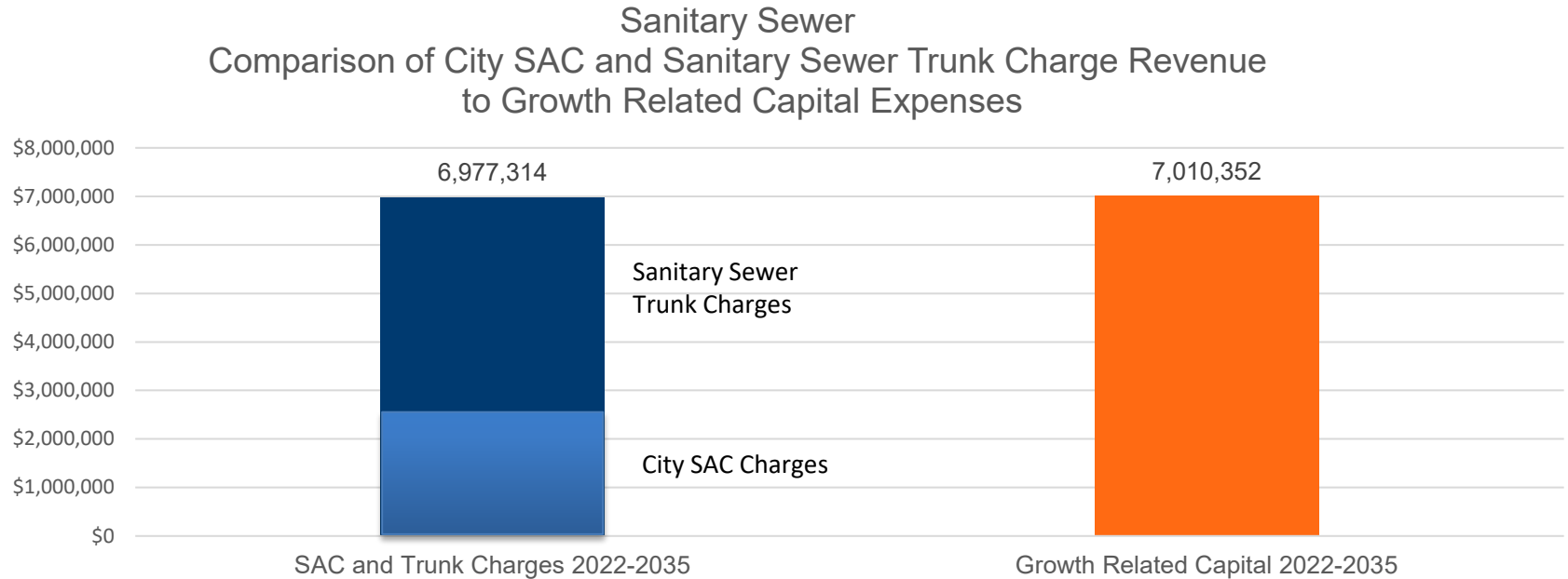
Sanitary Sewer Major Capital Improvements

Improvement	Cost (Today's Dollars)	Timing
Lift Station #16 Rehab	\$2,410,000	2021
Riverbank Stabilization	\$1,000,000	2022
Utility Extension – Maras St, 13 th Ave, Hansen Ave	\$695,000	2022
West End (Low Bluff) Lift Station and Forcemain	\$1,410,000	2022
L16 Forcemain and Lining	\$3,500,000	2030-2031
Trunk Extensions	\$150,000 per year	Annually
Street Reconstruction	Approx. \$100,000/ year	Annually

Paying for Growth Related Improvements

- City Sewer Trunk Charge
 - ✓ Current charge is **\$3,012** per developable acre
 - ✓ Proposed Sewer Trunk Charge for 2022: **\$3,095** per developable acre
- City Sewer Access Charge (SAC)
 - ✓ Current charge is **\$520** per SAC Unit
 - ✓ Proposed Sewer Access Charge for 2022: **\$534** per SAC Unit
- Both fees increase **2.75%** annually
- Fee for single family home
 - ✓ 2021: **\$1,524**
 - ✓ 2022: **\$1,566**

City SAC and Sanitary Trunk Charges Pay for Development Costs



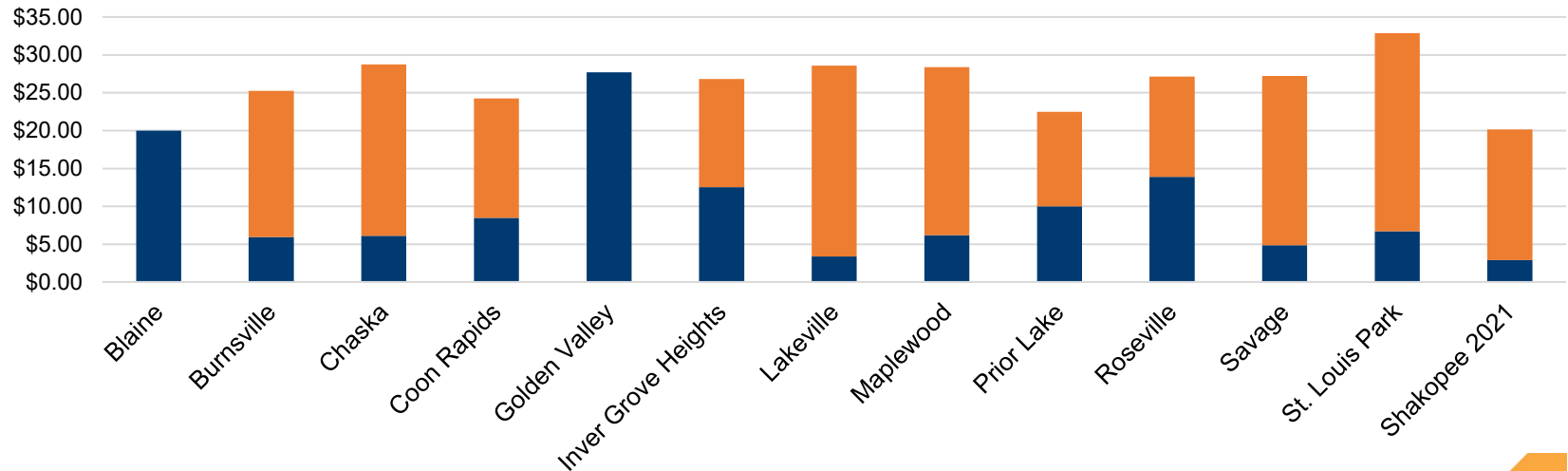
Sanitary Sewer Utility Fee

- Current Rate Structure for Monthly Bills
 - ✓ Base Fee - \$2.90
 - ✓ MCES Volumetric Charge - \$2.60 per 1,000 gallons
 - ✓ City Volumetric Charge - \$0.85 per 1,000 gallons

Sanitary Sewer Base Charge

- Base charge pays for fixed costs
- Shakopee's base charge low compared to many communities

Monthly Residential Sanitary Sewer Comparison



Sanitary Sewer Base Charge Analysis

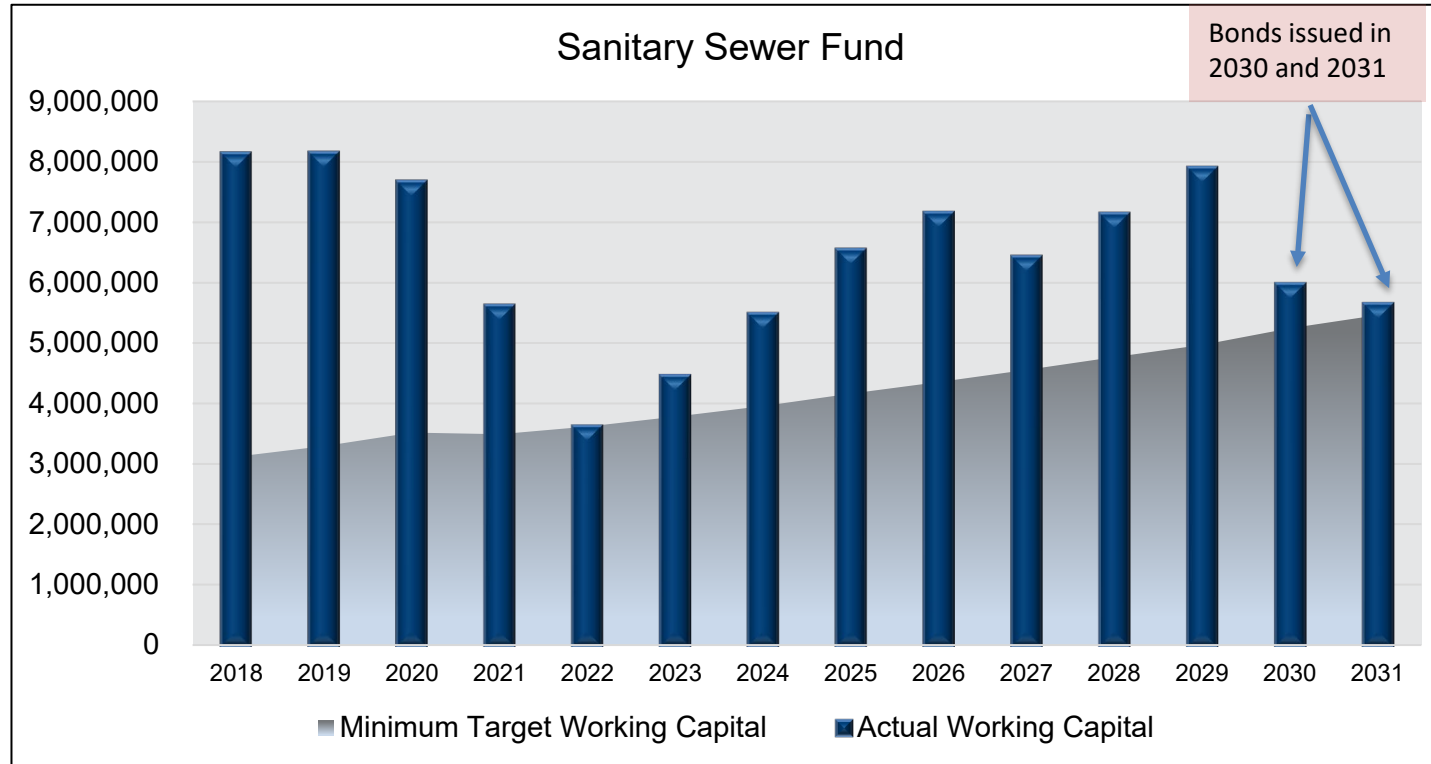
- 2022 fixed costs are **\$820,000**
- To fully cover fixed costs, base charge may increase from **\$2.90** up to **\$6.02** per month

Description	Est. 2022 Amount	Totals
Personnel Expenses		
Salaries & Benefits	\$438,500	\$ 438,500
Other Operating Expenses		
General Office		
Supplies	1,122	
Uniforms	5,100	
Attorney	1,020	
Telephone	1,734	
Printing	1,020	
Computer Access	510	
Building Rent	21,600	
Food	357	
General Liability Insurance	50,082	
Software		
Maintenance	13,668	
Dues &		
Subscriptions	714	
SPUC Billing Fee	85,000	
		181,927
Operating Transfers Out		
Admin Charge to General Fund	200,000	200,000
TOTAL FIXED COSTS - SEWER FUND		\$ 820,427

Proposed Sanitary Sewer Rates

Monthly Sanitary Sewer Rates	Existing	Proposed Rates				
	2021	2022	2023	2024	2025	2026
<u>Fixed Rates</u>						
All Users (Each Meter)						
Base Rate	\$ 2.90	\$ 3.00	\$ 3.11	\$ 3.21	\$ 3.33	\$ 3.44
<u>Usage Rates</u>						
City Rate	\$ 0.85	\$ 0.88	\$ 0.91	\$ 0.94	\$ 0.97	\$ 1.00
MCES Rate	2.60	2.80	2.81	2.82	2.93	3.04
Total Volumetric Rate	\$ 3.45	\$ 3.68	\$ 3.72	\$ 3.76	\$ 3.90	\$ 4.04

Projected Sanitary Sewer Cash Balance



Sample Residential Bills

Impact Analysis on Rate Payers			
	Existing 2021	Proposed Monthly Bills	
		2022	2023
Low Volume Residential Property			
Sanitary Sewer (3,000 gallons)	\$ 13.25	\$ 14.03	\$ 14.25
Storm Water	2.65	2.68	2.70
Total Monthly Utility Bill	\$ 15.90	\$ 16.70	\$ 16.96
\$ Increase/(Decrease)		0.80	0.25
Residential Property			
Sanitary Sewer (5,000 gallons)	\$ 20.15	\$ 21.38	\$ 21.69
Storm Water	\$ 2.65	\$ 2.68	\$ 2.70
Total Monthly Utility Bill	\$ 22.80	\$ 24.05	\$ 24.39
\$ Increase/(Decrease)		\$ 1.25	\$ 0.33
High Volume Residential Property			
Sanitary Sewer (8,000 gallons)	\$ 30.50	\$ 32.40	\$ 32.83
Storm Water	2.65	2.68	2.70
Total Monthly Utility Bill	\$ 33.15	\$ 35.08	\$ 35.54
\$ Increase/(Decrease)		\$ 1.93	\$ 0.46

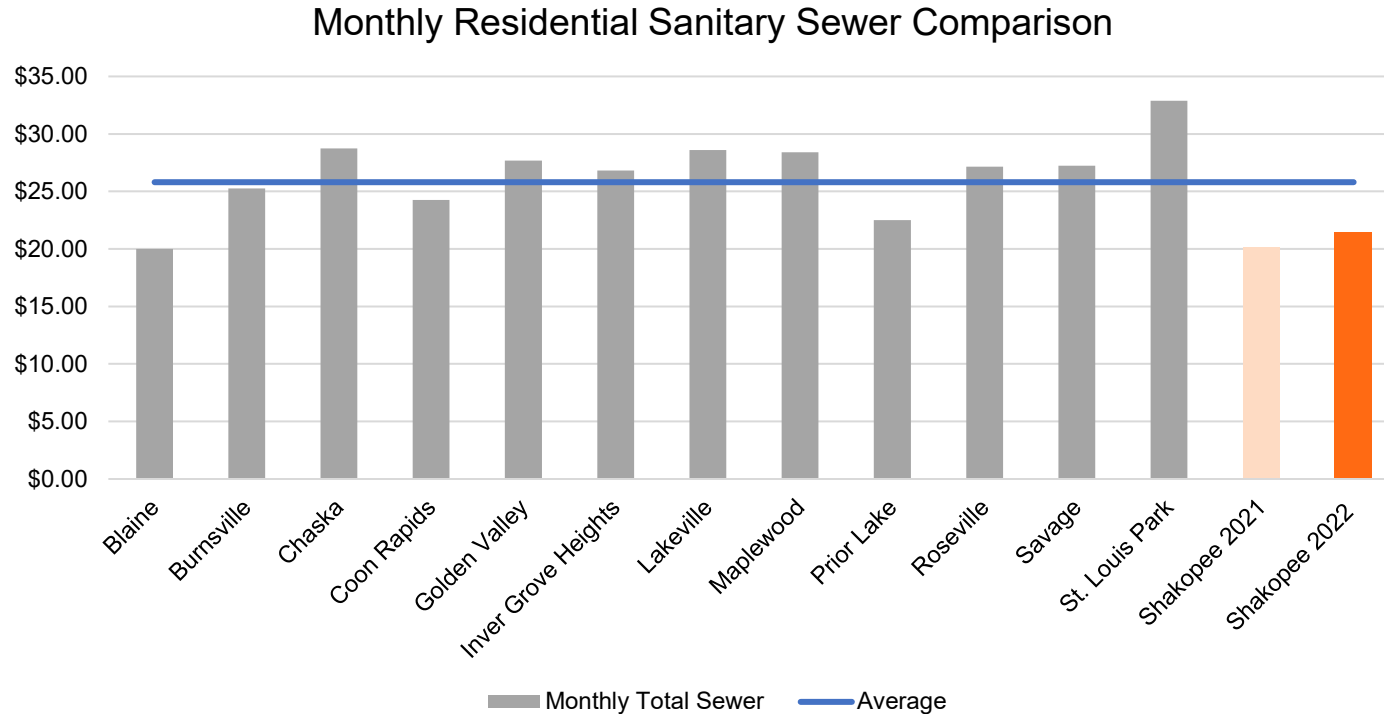
At least 75% of increase in 2022 monthly bills is due to Met Council charges

Sample Commercial Bills

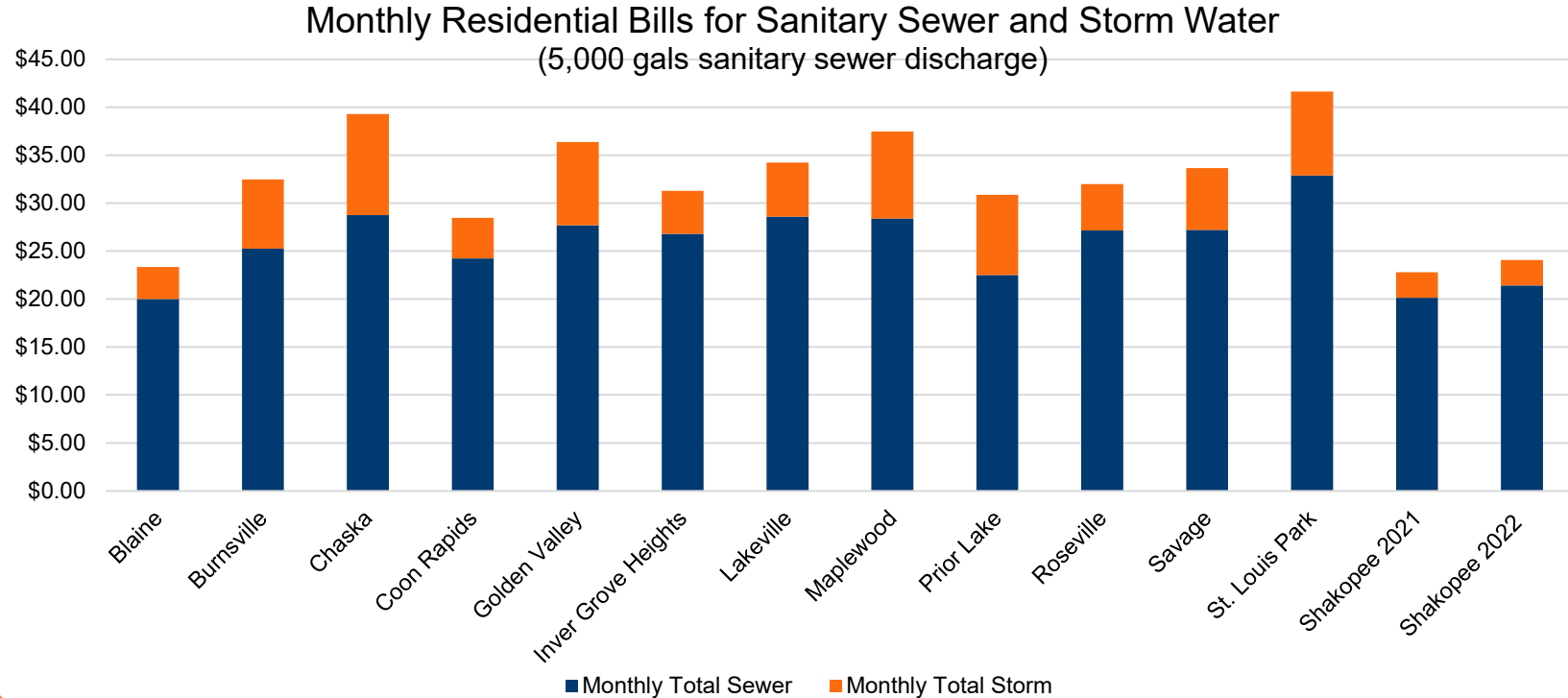
Impact Analysis on Rate Payers			
	Existing 2021	Proposed Monthly Bills	
		2022	2023
Small Commercial Property			
Sanitary Sewer (10,000 gallons)	\$ 37.40	\$ 39.76	\$ 40.27
Storm Water* (1 acre)	26.53	26.80	27.07
Total Monthly Utility Bill	\$ 63.93	\$ 66.55	\$ 67.33
\$ Increase/(Decrease)		\$ 2.62	\$ 0.78
Multifamily Property			
Sanitary Sewer (85,000 gallons)	\$ 296.15	\$ 315.42	\$ 318.98
Storm Water* (135 units on 4.2 acres)	111.43	112.55	113.67
Total Monthly Utility Bill	\$ 407.58	\$ 427.97	\$ 432.65
\$ Increase/(Decrease)		\$ 20.38	\$ 4.69
Hotel			
Sanitary Sewer (1,266,000 gallons)	\$ 4,370.60	\$ 4,656.18	\$ 4,707.74
Storm Water*	71.64	72.35	73.08
Total Monthly Utility Bill	\$ 4,442.24	\$ 4,728.54	\$ 4,780.82
\$ Increase/(Decrease)		286.30	52.28

* REF = 3.3 assuming no infiltration but the use of ponding for water quality

Community Comparison – Sanitary Sewer

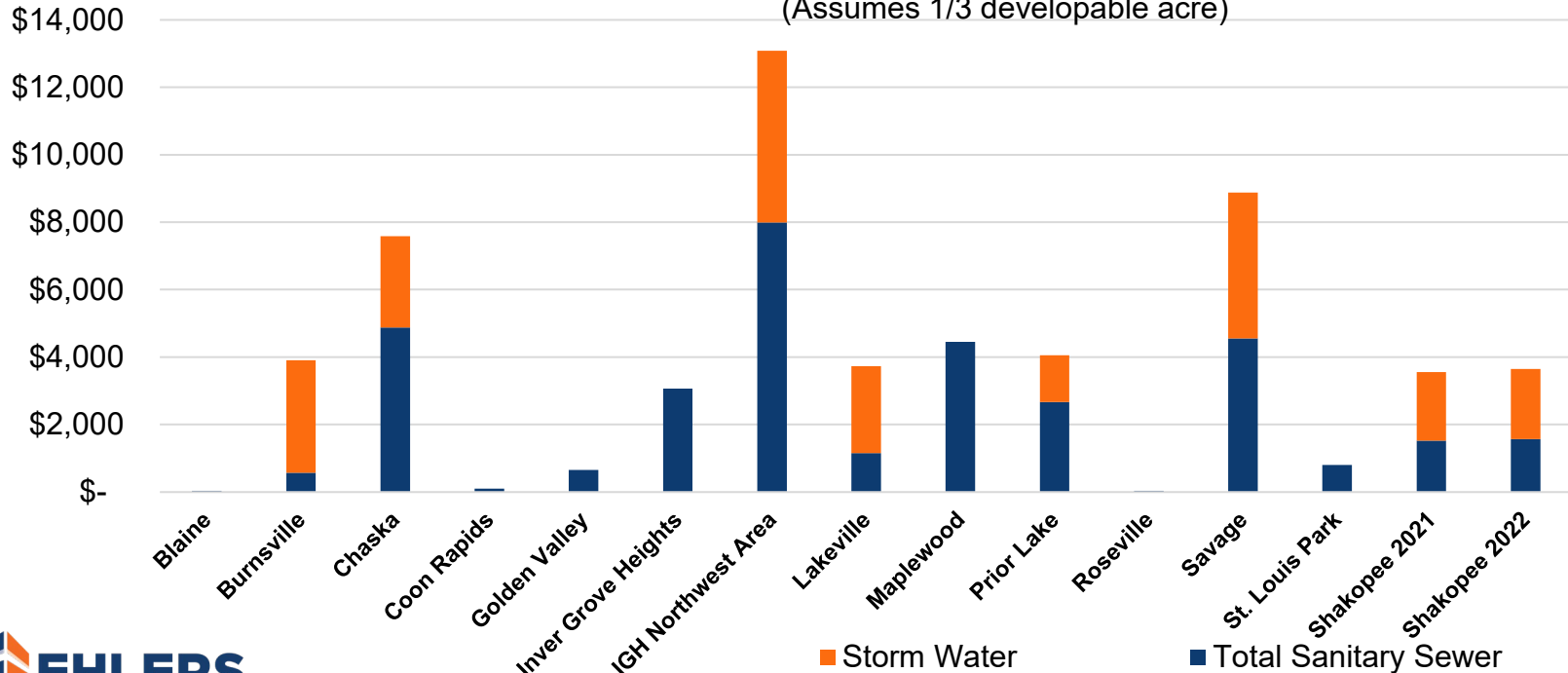


Putting it All Together: Sanitary Sewer and Storm Water Bill Comparison

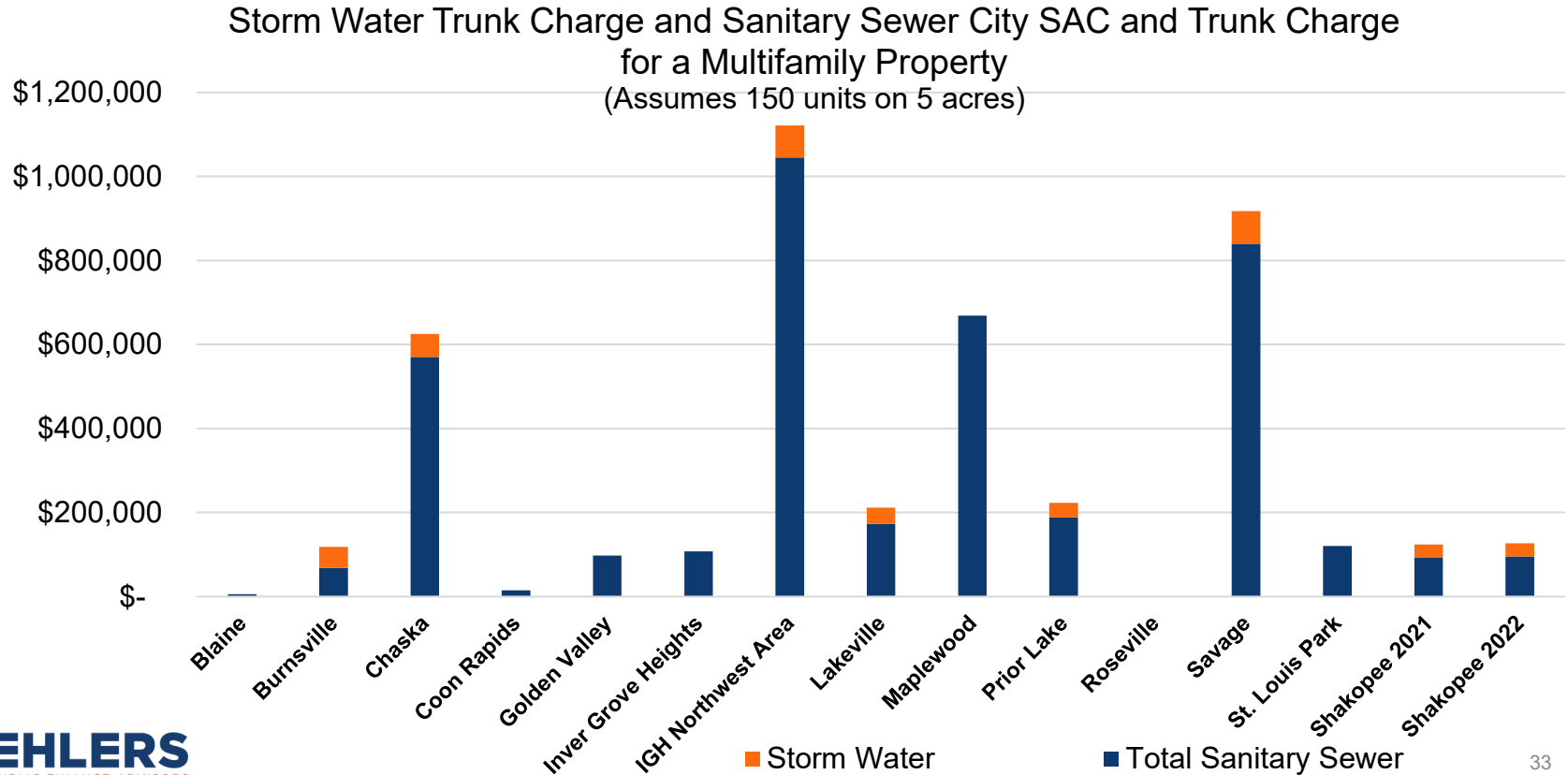


Development Fee Comparison: Single Family

Storm Water Trunk Charge and Sanitary Sewer City SAC and Trunk Charge
for a Single Family Home
(Assumes 1/3 developable acre)



Development Fee Comparison: Multifamily



Next Steps

- Council discussion
- Adopt 2022 Utility Rates at subsequent meeting

Sample Residential Bills

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At least 75%
of increase in
monthly bill is
due to Met
Council
charges

Storm Water and Sanitary Sewer Development Fees

Sanitary Sewer Development Fees	Existing 2021	Proposed Rates				
		2022	2023	2024	2025	2026
Percentage Increase		2.75%	2.75%	2.75%	2.75%	2.75%
Sewer Trunk Charge (per acre)	\$ 3,012	\$ 3,095	\$ 3,180	\$ 3,267	\$ 3,357	\$ 3,449
Sewer Access Charge (per SAC unit)	\$ 520	\$ 534	\$ 549	\$ 564	\$ 580	\$ 596
Total Fees - Single Family Home	\$ 1,524	\$ 1,566	\$ 1,609	\$ 1,653	\$ 1,699	\$ 1,746

Storm Water Trunk Charge	Existing 2021	Proposed Rates				
		2022	2023	2024	2025	2026
Percentage Increase		2.00%	2.00%	2.00%	2.00%	2.00%
Storm Trunk Charge (per Sq. Ft.)	\$ 0.140	\$ 0.143	\$ 0.146	\$ 0.149	\$ 0.152	\$ 0.155
Total Fees - Single Family Home	\$ 2,033	\$ 2,076	\$ 2,120	\$ 2,163	\$ 2,207	\$ 2,251