



# Osseo City Council

## AGENDA

**WORK SESSION**  
**Monday, February 27, 2023**  
**5:00 p.m., Council Chambers**

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MAYOR DUANE POPPE    COUNCILMEMBERS: JULIANA HULTSTROM, HAROLD E. JOHNSON, MARK SCHULZ, ALICIA VICKERMAN

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1.    **Call to Order**
2.    **Roll Call** (quorum is 3)
3.    **Approval of Agenda** (requires unanimous additions)
4.    **Discussion Items**
  - A.    **Discuss Utility Rate Study – Ehlers**
5.    **Adjournment**



## City of Osseo

Sewer and Water Utility Rate Analysis

February 27, 2023

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## Enterprise Funds

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- Utilities should be financially self-sufficient
  - ✓ No tax support
  - ✓ Pay for portion of public works time and facilities dedicated to maintaining utilities
- “Good” financial years (lots of water sales during drought) offset rainy years (reduced revenues)



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## 2022 Sewer Rate Structure

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- Base fee of \$55.44 per quarter
  - ✓ Includes 15,000 gallons (equal to \$3.70 per 1,000 gallons)
- \$10.67 per 1,000 gallons over 15,000 gallons
- City did winter quarter averaging prior to 2022
  - ✓ Residential customers only
  - ✓ Customers pay for sewer based on 1<sup>st</sup> quarter water consumption
- 2022 was first year without winter quarter averaging implemented



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## Sewer Credit for 2022

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- Propose sewer credit for 2022
  - ✓ Credit the 2022 amounts paid in excess of winter quarter averaging
  - ✓ Applies only to residential customers who used more than 15,000 gallons per quarter and whose summer use exceeded their winter quarter use
    - Not all customers will see a credit
  - ✓ Provide as credit on utility bills for existing customers later in 2023



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## Proposed 2023 Rate Structure

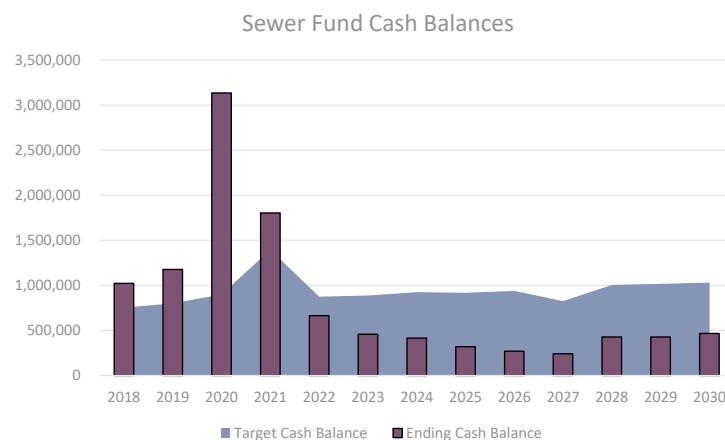
- Resume winter quarter averaging for residential customers
  - ✓ Pay lesser of 1<sup>st</sup> quarter or actual use
- Base fee of \$58.77 per quarter
  - ✓ Includes 15,000 gallons (equal to \$3.92 per 1,000 gallons)
- \$11.31 per 1,000 gallons over 15,000 gallons
- Future rate increases 7% per year beginning in 2024



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## Financial Health of Sewer Fund



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## Current Rate Structure – Residential Water

- Meter fee of \$21.84 per quarter for single-family customers
  - ✓ Fee increases with meter size
- Additional minimum fee of \$21.84 includes 8,000 gallons
  - ✓ Equal to \$2.73 per 1,000 gallons
- Use after 8,000 gallons is tiered

Tier	Rate per 1,000 gallons
Tier One (8,001 to 16,000 gallons)	\$4.37
Tier Two (16,001 to 24,000 gallons)	\$5.46
Tier Three (over 24,000 gallons)	\$6.83

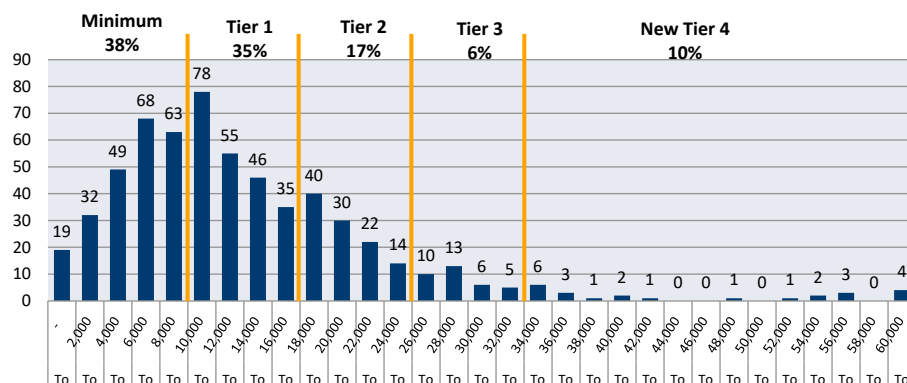


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## Proposed Tier Breaks

Residential Single Family Water Usage Spring 2022



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## Proposed Water Meter Rates

Quarterly Water Meter Rates		
	Current	Proposed
	2022	2023
3/4"	21.84	21.84
1"	21.84	21.84
1.5"	32.76	34.15
2"	43.68	45.54
3"	109.20	113.84
4"	436.81	455.37
6"	436.81	455.37

No increase to Meter Charge for Single Family Meters



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## Proposed 2023 Minimum Rates - Residential

Quarterly Water Minimum Charge		
	Current	Proposed
	2022	2023
<b>Flat Rates</b>		
Minimum (includes 8,000 gallons for single family residential users)	21.84	
Minimum (includes 10,000 gallons for single family residential users)		21.84

No increase to Minimum Charge in 2023  
Includes 2,000 more gallons at no extra charge



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## Proposed 2023 Water Rates for Residential Tiers

Quarterly Water Rates		
	Current	Proposed
	2022	2023
<b>Usage Rates</b>		
<b>Residential</b>		
Tier 1 (8,000 to 16,000 gallons)	4.37	
Tier 2 (16,000-24,000 gallons)	5.46	
Tier 3 (over 24,000 gallons)	6.83	
Tier 1 (10,000 to 18,000 gallons)		4.56
Tier 2 (18,000-26,000 gallons)		5.73
Tier 3 (26,000 to 34,000 gallons)		7.17
Tier 4 (Over 34,000)		10.68



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## Proposed 2023 Water Rates - Multifamily

Quarterly Water Rates		
	Current	Proposed
	2022	2023
<b>Multi Family</b> all Usage	4.64	4.56



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## Proposed 2023 Water Rates - Commercial

Quarterly Water Rates		
	Current	Proposed
	2022	2023
<b>Commercial</b>		
Tier 1 (to 50,000 gallons)	4.37	4.56
Tier 2 (50,000-100,000 gallons)	5.02	5.24
Tier 3 (100,000-125,000 gallons)	5.78	6.03
Tier 4 (over 125,000)	6.64	6.93



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## Proposed 2023 Water Rates – Irrigation and Bulk

Quarterly Water Rates		
	Current	Proposed
	2022	2023
<b>Irrigation</b>		
All usage	6.83	7.17
<b>Bulk Water Sales</b>		
All usage	6.83	7.17

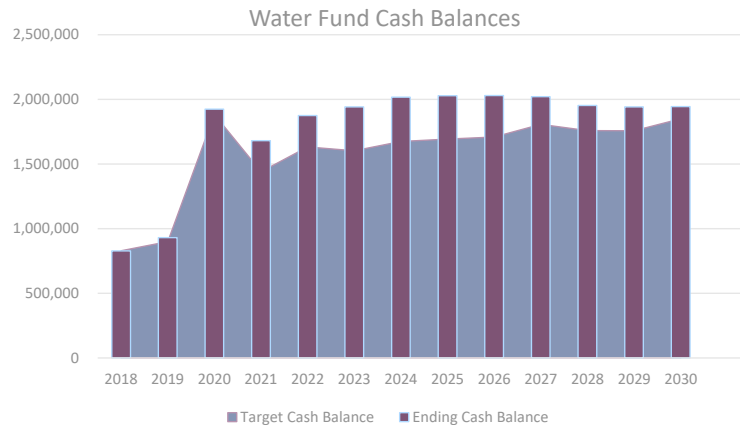


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## Financial Health of Water Fund



Future rates increases of 2.5% annually beginning in 2024  
needed to maintain fund health



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## Sample Sewer and Water Bill – Low Volume Residential

Impact Analysis on Rate Payers Proposed Bills		
	2022	2023
<b>Single Family Residential Property (Low User)</b>		
Water (7,500 gallons)	\$43.68	\$43.68
Sewer (5,500 gallons)	\$55.44	\$58.77
Total Quarterly Utility Bill	\$99.12	\$102.45
<b>\$ Increase/(Decrease)</b>		<b>\$3.33</b>



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## Sample Sewer and Water Bill – Medium Volume Residential

		Impact Analysis on Rate Payers Proposed Bills	
		2022	2023
<b>Single Family Residential Property (Medium User)</b>			
Water (15,000 gallons)		\$74.26	\$66.46
Sewer (10,000 gallons)		\$55.44	\$58.77
Total Quarterly Utility Bill		\$129.70	\$125.23
\$ Increase/(Decrease)			-\$4.47



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## Sample Sewer and Water Bill – High Volume Residential

		Impact Analysis on Rate Payers Proposed Bills	
		2022	2023
<b>Single Family Residential Property (High User)</b>			
Water (37,500 gallons)		\$214.45	\$220.74
Sewer (25,500 gallons)		\$167.48	\$177.53
Total Quarterly Utility Bill		\$381.93	\$398.27
\$ Increase/(Decrease)			\$16.34



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## Sample Sewer and Water Bill – Low Volume Commercial

	Impact Analysis on Rate Payers	
	Proposed Bills	
	2022	2023
<b>Commercial Property (Low User)</b>		
Water (6,000 gallons)	\$48.05	\$49.17
Sewer (6,000 gallons)	\$55.44	\$58.77
Total Quarterly Utility Bill	\$103.49	\$107.94
\$ Increase/(Decrease)		\$4.45

## Sample Sewer and Water Bill – High Volume Industrial

	Impact Analysis on Rate Payers	
	Proposed Bills	
	2022	2023
<b>Industrial User</b>		
Water (343,500 gallons)	\$2,088.10	\$2,178.58
Sewer (343,500 gallons)	\$3,560.67	\$3,774.11
Total Quarterly Utility Bill	\$5,648.77	\$5,952.69
\$ Increase/(Decrease)		\$303.92

## Limitations of the Data

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- First year of new meters – kinks getting worked out
- Transition to new billing software 1<sup>st</sup> quarter 2022

### Conclusions:

- Staff should carefully monitor actual revenues against projections on a quarterly basis
- Adjust rates in 1-2 years if needed.



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## Next Steps

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- Discussion and Feedback
- Reinstitute winter quarter averaging for sewer
- Adopt 2023 rates in March
- Bills go out in April
- Sewer credits processed for 3<sup>rd</sup> quarter billing
- Monitor revenues against expectations every quarter



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