



Legislation Text

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**File #:** 18-514, **Version:** 1

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**City Council Meeting Date:** October 16, 2018

**To:** Mayor and City Council  
City Administrator

**From:** David E. Bennett, Public Works Director/City Engineer  
Justin Wagner, Utilities Manager  
Brenda Angelstad, Finance Director

Consider Motion Accepting Final Report for Water, Sanitary Sewer, Storm Water, and Garbage Rate Study.

**Action Requested:**

The Northfield City Council considers a Motion Accepting Final Report for Water, Sanitary Sewer, Storm Water, and Garbage Rate Study.

**Summary Report:**

As part of the City's long term planning for financial stability, the City worked with a financial advisory firm Springsted Inc. to conduct a rate study for the City's Enterprise Funds (Water, Wastewater, Sanitary Sewer, Storm Water, and Garbage). This study provides for a 5-10 year outlook on rate recommendations. It is anticipated that these rate studies will be performed every four-five years to continually monitor and update these funds.

As a background, the rate study takes into account historical and projected operations costs, 10-year capital improvement plan, 10-year capital equipment plan, debt, reserves, and risks. In addition, the study looked at the administrative charge related to operations of the City behind the scenes such as payroll, finance, HR, and other functions that support these funds. In general, this administrative charge should be between 10-15% for these funds. The report has been updated to adjust the administrative charge to 12.5%.

The study is proposing the following modifications to the City's Utility Rates:

- Water Fund - 1% Increase through 2023 and 4% through 2028
- Sanitary Sewer - 1.75% Increase through 2028
- Storm Water - 5% Increase through 2028
- Garbage - 0% through 2022 and 1% through 2028

Other recommendations in the report include adopting a Utility Fund Reserve Policy and a policy for Administrative Transfers on all utility funds for support services provided by the General Fund.

**Alternative Options:**

Staff supports the proposal for rate adjustment to continue with ongoing operations and capital replacement projects. If rates were not adopted at the proposed recommendation in the study, staff would need to move back

capital improvement projects.

**Financial Impacts:**

N/A

**Tentative Timelines:**

Adopt Utility Rates October 16, 2018