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Water, Sanitary and Storm Sewer Utility Rate Study

City of Edina, Minnesota



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Executive Summary

The goal of a rate study is to ensure long-term financial health of the utility enterprise funds.

- As part of this analysis, the rate study takes into account historic trends, assumptions and state mandates, as applicable.
- New legislation requires cities within the seven county Twin Cities Metropolitan Area to implement conservation rates by January 1, 2010. The City is in compliance with the conservation rates as we understand the Department of Natural Resources rules today. These rules are evolving.
- The utility funds have had stable cash balances over the past several years. However the need for capital improvement projects may bring financial pressures to the funds in future years. The funds currently use a combination of pay-as-you-go and bond financing for its capital needs. We expect that debt will continue to be necessary to support the capital improvements in the near future.
- The Metropolitan Council will likely increase sanitary sewer rates in the next several years to compensate for a lack of revenues from hook-up fees. Future increases in City sewer rates will also likely be necessary to keep pace with the Met Council rates.

Recommendations

- **Recommendation One:** Adopt the rate changes as proposed
- **Recommendation Two:** Update the utility study periodically to determine progress with cash balance goals and an updated capital improvement plan.
- **Recommendation Three:** Consider tiering the Morningside residential and commercial as proposed.

Goals of a Utility Rate Study

The City of Edina requested that Ehlers & Associates update the rate study of its water, storm water, and sanitary sewer system utilities. The purpose of the rate study is to ensure that:

1. Rates are sufficient to pay for the ongoing operations and capital improvements, and to maintain adequate cash balances.
2. The rate structure distributes the costs of operating the system across utility users consistent with the policy objectives of the Council.
3. Staff and Council revisit cash balance policies to ensure they are meeting their enterprise system's current and future needs.
4. The rate structure distributes the costs of operating the system across utility users consistent with the policy objectives of the Council.
5. Edina complies with the new State mandates of conservation rate structures.

Background Information on Enterprise Systems

Enterprise Funds

Most City operations, such as public works, public safety, administration and parks, are accounted for under governmental funds, primarily embedded in the General Fund. These operations usually depend on a variety of revenues, including property taxes, intergovernmental aid, and charges for services.

Municipal utility funds are considered “enterprise funds.” They are intended to be operated as a private enterprise in which the fee revenue pays for all operations. City operations include three utility funds: water, sewer, and storm sewer. In the City’s Comprehensive Annual Financial Report (CAFR), enterprise funds are segregated funds, recognizing the unique purpose and revenue streams of these City functions.

In addition to the CAFR segregating the enterprise funds, the City’s Capital Improvement Plan (CIP) distinguishes between projects that will be funded by the enterprise funds, and those funded by general governmental funds.

The Water Fund:

The City’s water is provided by groundwater wells that pumped 2,318,846,594 gallons in 2008 and served residents in Edina. The City also purchases water from the City of Minneapolis, which is in turn provided to the residents of the Morningside area.

The need to reinvest in the City’s aging utility systems has placed new financial stresses on the utility fund, particularly related to water. The City’s recent and projected investments for replacing and improving the water and sewer systems are significant. Between 2004 and 2008, the City spent over \$17.9 million on capital improvements in the utility fund.

Faced with increasing capital costs, the City increased user rates consistently since 2006. In addition, in 2007 the City modified water rates to add usage tiers. The usage tiers charge higher water rates at higher levels of consumption. The rationale for a tiered rate structure was three-fold:

1. A tiered rate structure may promote water conservation and is now required by the Minnesota Department of Natural Resources as discussed below.
2. By charging more for water used on the lawn than water used in the home, the City is ensuring that essential water use remains as affordable as possible.
3. Cities construct water systems to meet the capacity of peak watering days in the summer. In Edina, the peak summer demand is approximately three times the average daily winter demand. A tiered rate system charges more per gallon for peak use, thereby allocating the cost of “oversizing” the system for peak days to the peak users.

The purpose of this update is to determine how rates will need to be adjusted for 2010 and beyond to keep the utilities financially self-sufficient.

This study incorporates the proposed 2009-2014 capital improvement plan for the utilities, and the city engineer's estimates of future capital costs from 2015 and beyond.

It should be noted that the City currently has one accounting fund for water, sanitary sewer, storm water, and recycling. For this analysis, we segregated the revenues and expenses for each utility, and treated each as a separate fund. By doing so, we can ensure that each utility will "pay its own way." Municipal utility funds are considered "enterprise funds," meaning they are intended to be operated as a private enterprise in which the fee revenue pays for all expenses. For purposes of this study, we refer to each segregated utility as its own fund.

The State of Minnesota Mandate

In 2008, the State of Minnesota mandated conservation rate structures for all water systems in the State. All cities in the metropolitan area serving more than 1,000 people are required to comply with this mandate by January 1, 2010.

The Sewer Fund: The Metropolitan Council Influence

The City of Edina participates in the Metropolitan Council Environmental Services (MCES) sewer system. This means that the City's sanitary sewer system flows to the MCES treatment plant and the City receives a bill from the MCES for the service. The City does not maintain its own sanitary sewer treatment plant. The MCES disposal fees have increased 5% each year since 2006, with actual increases in 2009 and projected increases in 2010. Currently, the MCES charge for service is \$4,132,800, which is lower than the budget, and is estimated to increase to \$4,266,000 in 2010, and then by 5.50% per year. MCES is currently in a transition period where the allocation of system costs is concerned. MCES allocates the cost of the metro area sanitation system to a user city based on the relative percent of that city's flow into the system. The allocation method may change as the MCES and a user city task force work through this issue in the coming year. Edina's share of the cost may change by more than 5.50%. At this point, our best estimate is that the MCES costs will increase by approximately 5.50% per year. The MCES disposal fees comprise approximately 76.8% of the sewer utility operating expenses.

The Storm Sewer Fund: The City's Perspective

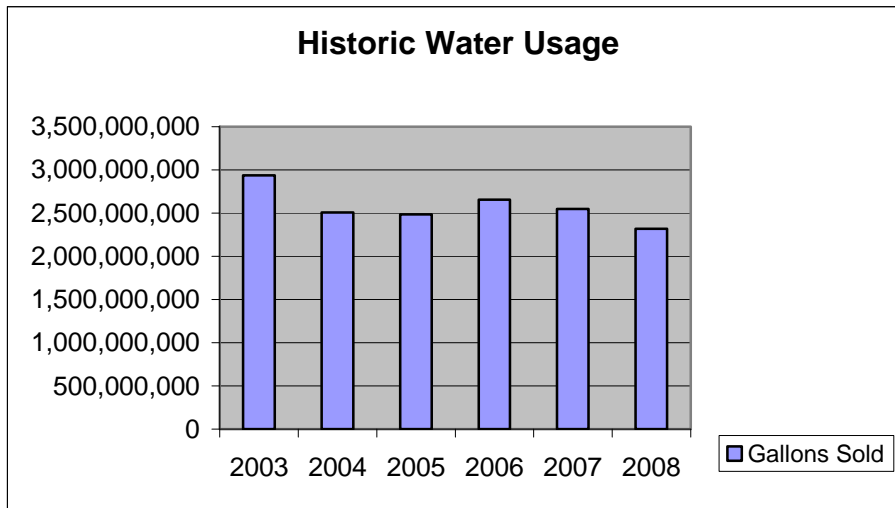
The storm sewer fund was created to manage storm water runoff quality in concert with the local watershed. City projects often include repair and maintenance of drainage ditches, storm water ponds, and other wetland outlets. Property owners are usually charged based on the amount of impervious land, which doesn't allow rainwater to be absorbed into the ground, but rather flows through the drainage ditches and into local lakes and streams.

Water System

Description of the Water System

Edina's water supply is provided by groundwater.

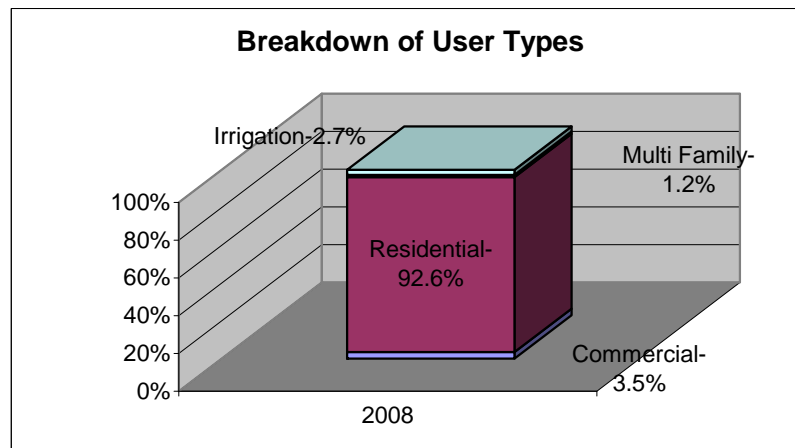
The graph below shows the historic water usage from 2005 to 2008.



(Source: Department of Natural Resources Annual Report of Water Use)

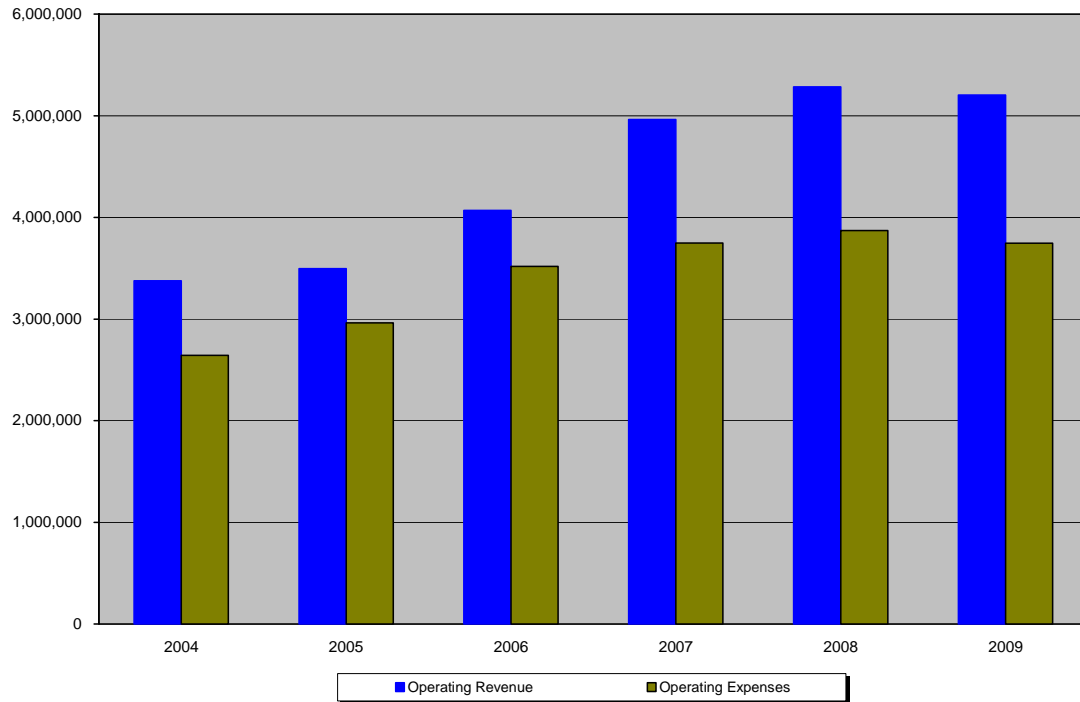
Factors impacting the amount of water usage include: 1) change in the number of users / accounts from new development or closures; 2) the level of activity by individual users and 3) weather (dry summers translate into heavier water demand).

As of December 31, 2008, Edina had 13,281 water accounts. The user accounts can be broken into the following categories:



Historic Financial Trends

The following graph for the Water Utility shows the trend of operating revenues, operating expenses. The fund has been managed effectively because revenues have exceeded expenses. Furthermore, overall cash balances, as discussed later, are at healthy levels because bond issues for capital projects have also been managed effectively.



Current Rate Structure: Water Fees

There are three primary components to the City's water utility revenues:

- Fixed Charges
- Usage Fees
- WAC Fees (Water Access Fees or hook-up charges)

1) **Fixed Charges** are a fixed quarterly fee based on the property type and number of units. The fixed charge is established to recover certain fixed expenses, such as the billing system, that the City must incur for a customer regardless of the amount of water consumed. Single family residential accounts are at \$12.78 per quarter. The fee does not include any water usage and increases as the size of the meter increases. This fixed charge raises approximately \$864,000 per year. This charge pays for administration of the system and a portion of the operating cost.

2) **Usage Fees** are based on the metered use of water. Currently the billing structure is tiered. The first tier of usage is \$1.05 per cubic feet to 3,500 cubic feet. The second tier is a rate of \$1.39 from usage over 3,500 cubic feet to 6,500 cubic feet. Usages over 6,500 cubic feet are charged a rate of \$2.18 per cubic feet. The usage fee generates approximately \$4,500,000 in annual revenues and pays for the remainder of operating and debt. The usage charge represents 84% of revenues. The fixed charge accounts for the remaining 16% of revenues.

3) **Water Connection Fees** are paid by new construction of homes and businesses at the time of a building permit and are based upon residential equivalents of usage. The City of Edina charges \$800 per residential equivalency unit for new development. These connection fees will help pay for the capital costs of serving the new properties. To be conservative, the financial analysis does not count on any development related connection fee revenue for 2010 and beyond. We would recommend that the City increase its connections fees annually by an inflationary factor.

Pro-Forma Analysis Assumptions

Following is a chart that summarizes the significant assumptions in the rate study.

	Water Utility
Growth and Utility Usage	No new connections. The estimated usage for the existing residents is anticipated to be the 2008 usage levels.
Operating Expenses	Increase 3% annually
Capital Expenses	Costs of improvements are inflated 4% per year. Future total capital improvements from 2010 to 2018 are estimated at an inflated value of \$25.5M and include two water treatment plants in the 2010 to 2014 timeframe.
Rate Structure	No change proposed to proposed rate structure, with the possible exception of the Morningside area. Water has quarterly fixed charge and usage fee (see above)

A summary of the CIP can be found in Appendix E.

Proposed Water Rates

There are two primary components to the City’s water utility revenues:

Meter Charges are a fixed quarterly fee based on the size of meter in the home or business. The meter charge is established to recover certain fixed expenses, such as the billing system, that the City must incur for a customer regardless of the amount of water consumed. The meter charge varies with meter size, and is proposed to increase 5.50% in 2010.

Usage Fees are based on the metered use of water, based on a tiered approach to charging for water usage. All types of property are included in the tiering of rates, although at different levels.

Edina obtains water for the Morningside area residents from the City of Minneapolis. The City of Minneapolis indicated in August 2009 that the rate they will charge Edina would decrease from \$2.86 per 100 cubic feet to a rate of \$1.80 per 100 cubic feet pursuant to an amended contract rate. City staff completed a study of the Morningside water rates in August 2009 and concluded that the Morningside rate should be \$.34 over the rate charged by the City of Minneapolis. Further analysis was done to tier the Morningside area in a manner similar to other residents in the City. This was done because the DNR has provided guidance that it is the responsibility of the city which buys the water to institute conservation rates to the ultimate end user. The tier breaks are the same as residents in the City as a whole, but the tier rate is different in order to generate enough revenues from this area to pay for purchased water. The Council should consider tiering the Morningside area as discussed below. The projections do not include tiering the Morningside area because the tiering option is revenue neutral and generates enough revenues to cover the cost of the purchased water and the City’s administration.

Proposed Residential Water Rates

Projected rate increases for residential users are shown in the following chart.

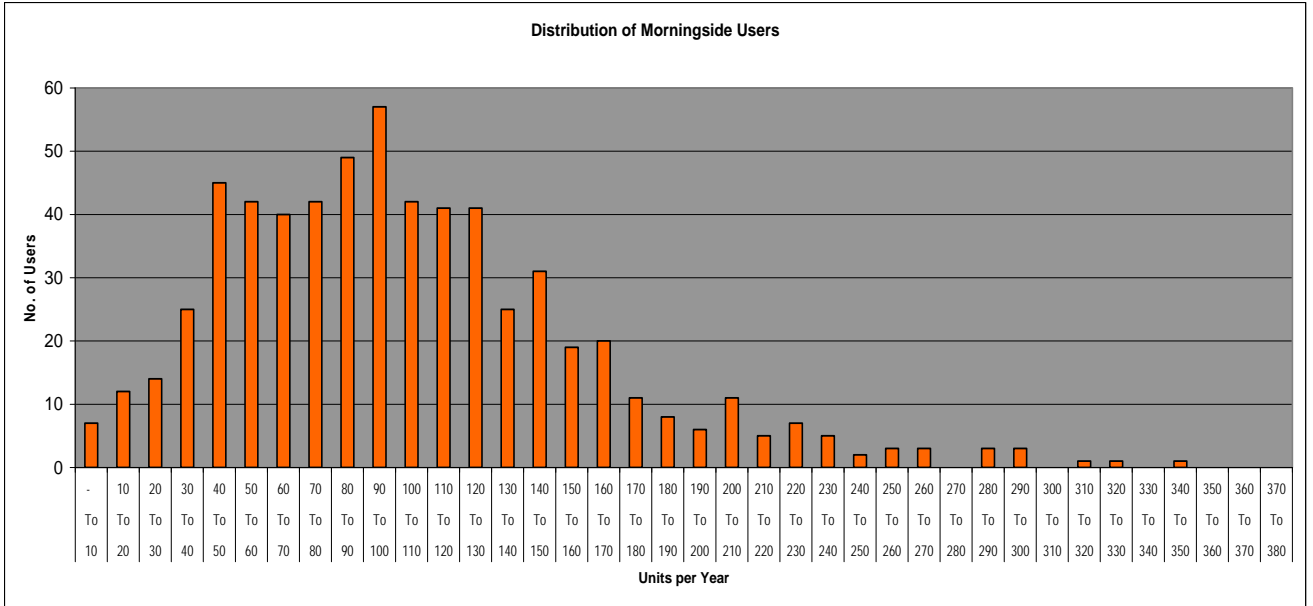
Usage Gallons	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Rate Increase	6.40%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
0-35 units	\$1.05	\$1.11	\$1.17	\$1.23	\$1.30	\$1.37	\$1.45	\$1.53	\$1.61	\$1.70
Rate Increase	6.40%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
36-65 units	\$1.39	\$1.47	\$1.55	\$1.63	\$1.72	\$1.82	\$1.92	\$2.02	\$2.13	\$2.25
Rate Increase	6.40%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
> 65 units	\$2.18	\$2.30	\$2.43	\$2.56	\$2.70	\$2.85	\$3.01	\$3.17	\$3.35	\$3.53
Morningside	2.14									
0-35 units		2.26	2.38	2.51	2.65	2.80	2.95	3.11	3.28	3.46
36-65 units		2.26	2.38	2.51	2.65	2.80	2.95	3.11	3.28	3.46
> 65 units		2.26	2.38	2.51	2.65	2.80	2.95	3.11	3.28	3.46
		5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%

As stated above, the Morningside area is not tiered for the projections because the tier option produces enough revenues to cover the cost of the purchased water and applicable administration.

Optional Morningside Tiering

The tier option is revenue neutral for the Water System as a whole. We looked at tiering Morningside residential and commercial using the same unit tier breaks of the City as a whole.

The analysis shows that more than half of the Morningside residents would be included in the first tier. The following chart shows the distribution of Morningside residents in units per year.



The first tier of usage would 140 units per year, or 35 units per quarter times 4 quarters. The graph above shows that 482 of the 634 Morningside users fall into tier one.

Tier	Number of Users in Tier
Tier One	482
Tier Two	131
Tier Three	21

The Morningside area also includes 20 commercial users, which are included in the above totals. These commercial users would be treated similar to other commercial users in that their usage would be charged at the first two tiers using the tier breaks as described below.

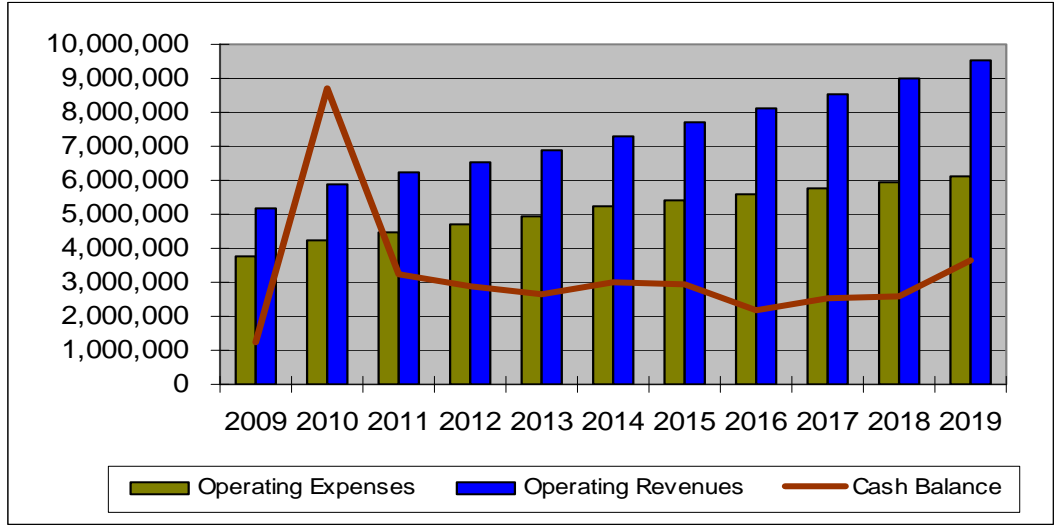
The tier breaks and rates proposed are as follows:

- Tier One-Usage to 35 units charged at \$1.90 per unit
- Tier Two-Usage between 35 units and 65 units charged at \$2.38 per unit
- Tier Three-Usage over 65 units charged at \$2.85 per unit.

Operating Margins and Cash Balance

Below is a chart that demonstrates the future cash balances for the water fund. It is important to remember that the water fund income will vary significantly by the volume of water used by residents and businesses. The amount of rain in a summer is a primary determinant of the volume of water usage. The tiering of rates does augment the fluctuations in income because the marginal use of water is priced at the highest tier.

Water Operating Revenue and Expenses (with Cash Balances)

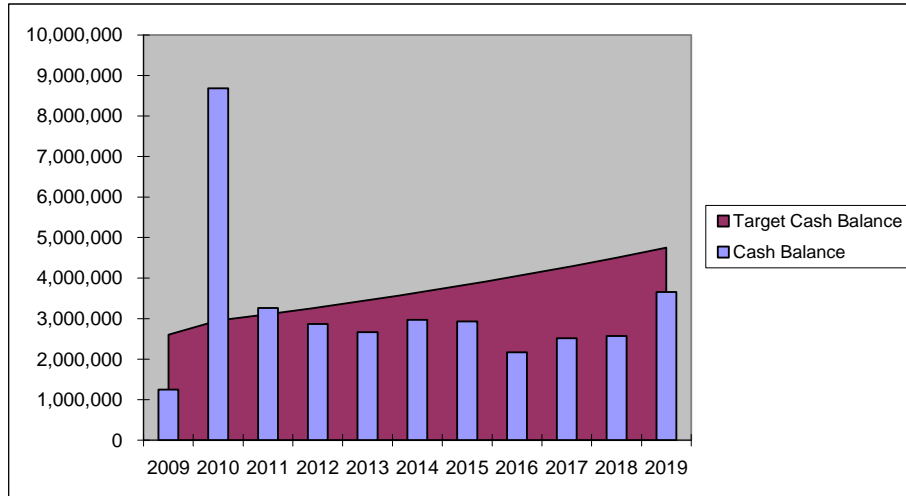


The cash balance spike in 2011 is the year in which bonds are issued for 2011 and 2012 capital improvement projects. The full amount of the bond proceeds is spent in the subsequent year and thus the decline in cash to normal levels.

Cash Balances and Prudent Use of Debt

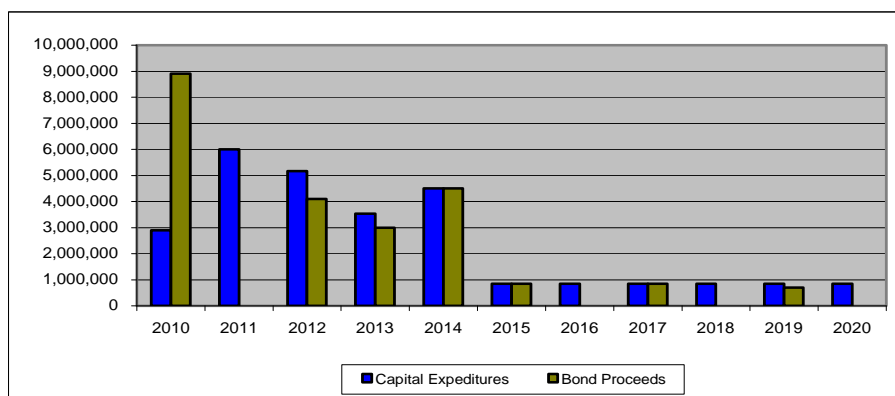
Cash balances are available to accommodate fluctuations in revenue depending on weather, and to fund unexpected repairs and a portion of capital improvements. Over the long term, the City’s goal is a cash balance equal to 50% of operating revenues. The chart below demonstrates the projected cash balance and the City’s goal for operating reserves.

Water Fund Cash Balances



In order to return to a positive cash position and achieve the target cash level over the long term, the City will need to finance almost all of its future capital improvements. Capital projects financed with debt are amortized over a ten-year period and interest rates are estimated based on a spread over current market conditions. The chart below demonstrates how much capital is to be expended and how much debt is to be issued in each year:

Water Capital Expenses and Debt Issues



It is unrealistic to expect ratepayers to fund the level of proposed improvements and fully fund depreciation at the same time. By keeping the term of the debt to ten years, the City will be able to:

- 1) Protect its bond rating; and
- 2) Allow time after the debt is retired to fund replacement reserves and reduce reliance on debt in the future.

Recommendation for Water Fees

Based on the completed rate study, we would recommend:

- 1) The 2010 meter charges and usage water rates increase 5.50% from 2009.
- 2) The City Council review and establish water rates on an annual basis. The analysis projects 5.5% annual water rate increases after 2010.
- 3) Implement a change in the tiering for Morningside residential and commercial, similar to the established tiering for residential in the City as a whole.

Sewer System

The City of Edina participates in the Metropolitan Council Environmental Services (MCES) sanitary sewer system. The City is responsible for the sewer collection system within the City limits and then pays MCES disposal fees for treatment. The MCES disposal fees have increased 5% each year since 2006, with another projected increase of 3.2% between 2009 and 2010. The rate study anticipates that future increases for these fees will be 5.5%, annually. The MCES disposal fees comprise almost 77% of the sewer utility's operating expenses. Another 7% of expenditures represent depreciation, while only 16% of operating expenditures are within the City's control.

Sewer Rate Structure

The 2009 rate structure is \$2.67 per unit of sewer over the base usage. One unit is 100 cubic feet or approximately 750 gallons. The sewer usage is assumed to be identical to water usage during the winter quarter when there is almost no outside water use (car washing, lawn sprinkling, swimming pool, etc.). There is a minimum quarterly fee, regardless of use, of \$42.72 (16 units or 1600 cubic feet). The minimum charge helps pay for the fixed costs of the system

Pro-Forma Analysis Assumptions

	Sanitary Sewer Utility
Growth and Utility Usage	Sewer usage will remain constant
Operating Expenses	City expenses increase 3% annually
Capital Expenses	Costs of improvements are inflated 4% per year. Future total capital improvements from 2010 to 2018 are estimated at an inflated value of \$9.7M.
Rate Structure	Sewer billed based on winter quarter water consumption.

Proposed Sewer Rates:

Sewer Rate Structure

The 2009 rate structure is \$2.67 per unit of sewer over the base usage. One unit is 100 cubic feet or approximately 750 gallons. The sewer usage is assumed to be identical to water usage during the winter quarter when there is almost no outside water use (car washing, lawn sprinkling, swimming pool, etc.). There is a minimum quarterly fee, regardless of use, of \$42.72 (16 units or 1600 cubic feet). The minimum charge helps pay for the fixed costs of the system.

Proposed Sewer Rates

The projected rate increase for sanitary sewer is 5.25% per year from 2010 to 2016, with lesser increases thereafter. We do not recommend changing the rate structure at this time. The unit charge and the minimum quarterly charge would both be increased by 5.25% for 2010. The percentages vary in later years. The proposed rate per unit is in the chart below.

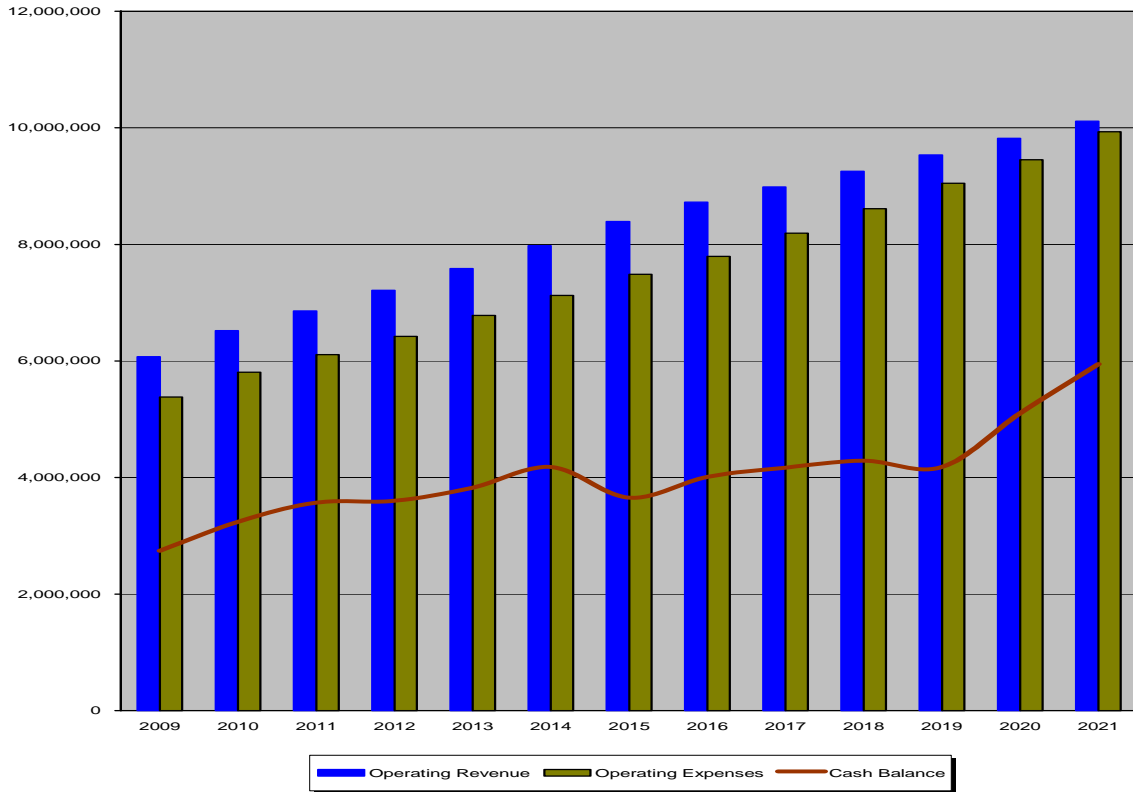
Sanitary Sewer	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Rate per Unit	\$2.67	\$2.81	\$2.96	\$3.11	\$3.28	\$3.45	\$3.63	\$3.77	\$3.89	\$4.00	\$4.12

Proposed Sanitary Sewer City Connection Fees

Sanitary Sewer City Connection Fees

The City charges a sewer connection fee for new users to “buy-in” to the system. Connection fees are paid at the time a builder or homeowner pulls a building permit. The 2008 and 2009 connection fee in the City of Edina is \$400 per residential equivalency unit. In addition, the City collects the MCES connection fee and remits it to the Metropolitan Council. The City sewer connection fees will help offset City sanitary sewer infrastructure costs associated with new development and redevelopment. To be conservative, the projections presented in the Appendices to the rate study do not consider the collection of any connection fee revenues for projects not already approved. We would recommend an annual inflationary increase to the connection fee.

Sanitary Sewer Operating Margins (with Debt)



The above graph shows that steady rate increases are necessary in order fund operations.

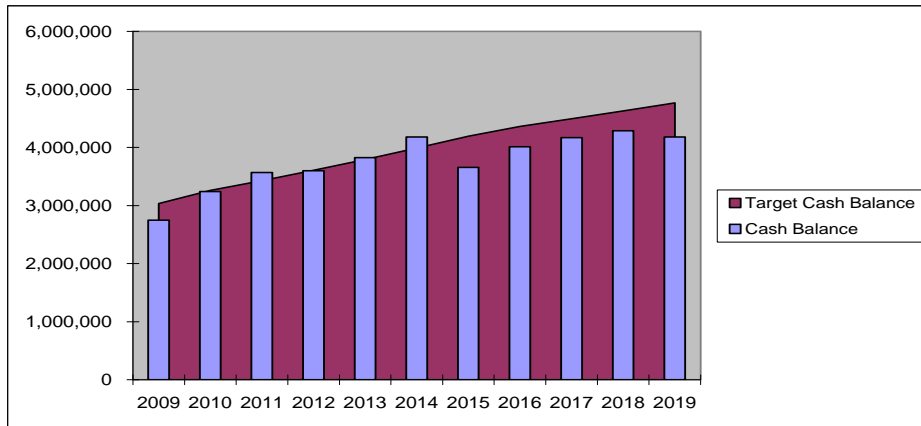
Recommended Sewer Fund Cash Balances

Cash Balances

The target cash balance for the sewer fund equals 50% of sewer operating revenues. We are recommending an increase in the target (reserve) cash balance for unexpected sewer operation interruptions, such as main breaks. The projections include \$500,000 in reserves for this reason.

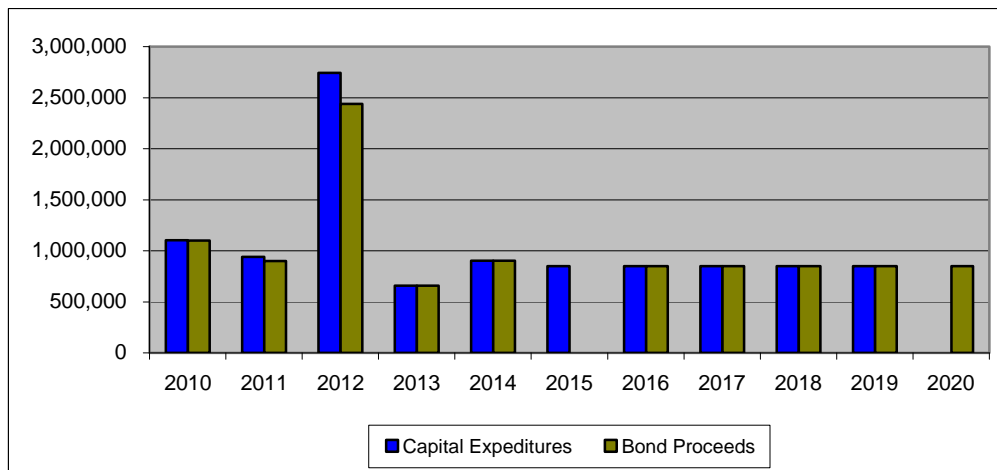
Cash balances are available to accommodate fluctuations in revenue, pay for new and unexpected regulatory requirements, to fund a portion of capital improvements, and to establish replacement reserves.

Sanitary Sewer Cash Balances



The graph below portrays the projected cash balances based on the stated assumptions and proposed capital expenditures. It can be seen that the proposed rate increases and use of debt financing should be adequate to achieve the target cash balance.

Sanitary Sewer Capital Expenses and Debt Issues



Recommendation for Sanitary Sewer Fees

Based on the completed rate study, we would recommend that the City increase sewer rates 5.25% per year from 2010 to 2015, in order to meet the goals of funding capital improvements of the system and a 50% operating reserve balance plus sewer interruption reserves.

Storm Sewer System

Storm Sewer revenues are based on a fixed quarterly fee based on the type of property being served. The quarterly charge is established to pay for the cost of operating and maintaining the system.

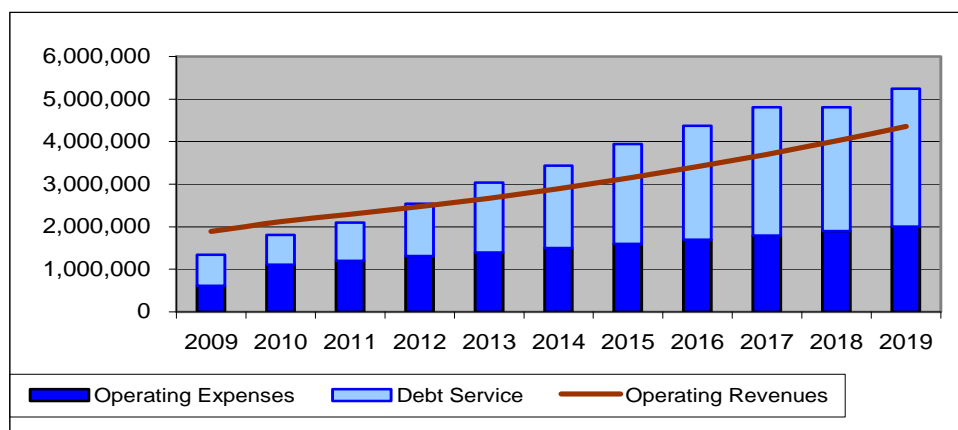
Proposed Storm Sewer Rates

Over the next five years, the City anticipates approximately \$24.7 million in capital costs to address storm water from drain tile systems, expand storm water ponds, rehabilitate lift stations and replace its aging storm water system. Storm water rates will need to be increased to fund the capital projects and maintain minimum cash reserves.

The City's current quarterly storm water rate is \$16.79 per quarter. The proposed rate increases in the chart below will allow the City to maintain and improve its storm water infrastructure, as well as sustaining adequate cash reserves. These rates are consistent with the rates proposed in previous studies, and are comparable with other fully developed metro area communities.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
\$16.79	\$18.13	\$19.58	\$21.15	\$22.84	\$24.78	\$26.89	\$29.18	\$31.66	\$34.35

Cities across the state will be facing pressure to generate more revenue to fund storm water systems. The Clean Water Legacy Act provided funding to test and develop plans for Minnesota's polluted waterways. These plans may result in new unfunded mandates for local governments. While the future requirements for managing the quality and quantity of storm water are unknown, the level of projected capital expenses in this study should pay for many of the mandated improvements. Our experience with other cities indicates that most have not yet planned for significant improvements to their storm water system, and their quarterly fees are established at a level that will only pay for the annual operations and maintenance of the storm water system. As more cities undertake planning for capital improvements to their storm water systems, we expect to see higher storm water utility fees across the metro area.



The chart above indicates that most of the capital improvements will need to be funded with debt unless the City decides to increase the quarterly fee more than the 8% projected increases.

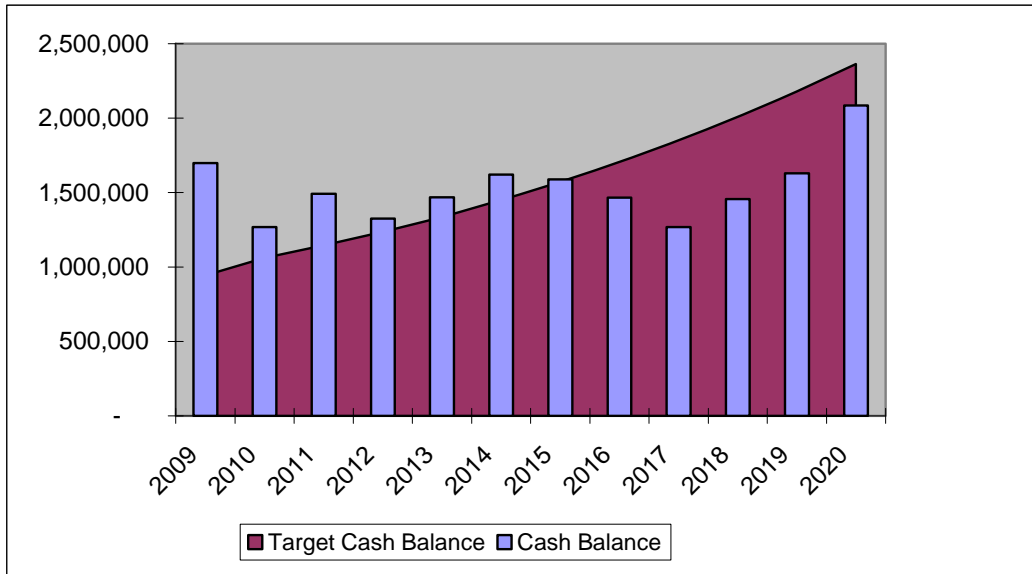
Future Debt for Capital Improvements

We are projecting bond proceeds of approximately \$22.5M for the currently proposed capital improvements of \$24.7M for the time period of 2010 to 2018 with a 10 year amortization to balance the current cash needs of the system with future cash flows. The bond issues are proposed to cover the majority of capital improvements necessary for the utility. As cash balances and project costs are evaluated in the future, the amount of debt and the term of debt can be re-evaluated.

Cash Balances

The purpose of the cash balance is to allow the City to fund routine improvements on a “pay-as-you-go” basis, reserving the use of debt for major improvements, and have operating reserves available for cashflow purposes. It is our recommendation that the system be operated to maintain a minimum cash balance equal to 50% of operating revenues. The projected cash balances, assuming the proposed rates above, are shown in the following graph.

Storm Sewer Cash Balances



Combined Utility Billing Structure

The chart below shows the total utility bill for sample residents who use varying amounts of water. Because residents view their utilities together in one bill, we have included water, sanitary, and storm water charges, along with a cumulative total.

City of Edina Sample Projected Residential Utility Bills

Sample Family Quarterly Bill	2009	2010	2011	2012	2013	2014	2015	2016
Winter months - 30 units water and sewer								
Sewer	80.10	84.31	88.73	93.39	98.29	103.45	108.88	113.24
Water	44.28	46.72	49.29	52.00	54.86	57.87	61.10	64.50
Storm Water	16.79	18.13	19.58	21.15	22.84	24.78	26.89	29.18
Total	\$ 141.17	\$ 149.15	\$ 157.60	\$ 166.54	\$ 175.99	\$ 186.11	\$ 196.87	\$ 206.92
Combined Fee Increase	\$ 7.98	\$ 8.45	\$ 8.94	\$ 9.45	\$ 10.12	\$ 10.76	\$ 10.05	
Percent Increase	5.66%	5.66%	5.67%	5.68%	5.75%	5.78%	5.10%	
Summer months - 50 units water and 30 units sewer								
Sewer	80.10	84.31	88.73	93.39	98.29	103.45	108.88	113.24
Water	70.38	74.25	78.33	82.64	87.19	91.98	97.09	102.47
Storm Water	16.79	18.13	19.58	21.15	22.84	24.78	26.89	29.18
Total	\$ 167.27	\$ 176.69	\$ 186.65	\$ 197.18	\$ 208.32	\$ 220.22	\$ 232.86	\$ 244.89
Combined Fee Increase	\$ 9.42	\$ 9.96	\$ 10.53	\$ 11.14	\$ 11.90	\$ 12.64	\$ 12.02	
Percent Increase	5.63%	5.64%	5.64%	5.65%	5.71%	5.74%	5.16%	
Sample Summer Quarterly Bill - 100 units water and 30 units sewer								
Sewer	80.10	84.31	88.73	93.39	98.29	103.45	108.88	113.24
Water	167.53	176.74	186.47	196.72	207.54	218.96	231.04	243.79
Storm Water	16.79	18.13	19.58	21.15	22.84	24.78	26.89	29.18
Total	\$ 264.42	\$ 279.18	\$ 294.78	\$ 311.26	\$ 328.68	\$ 347.19	\$ 366.81	\$ 386.21
Combined Fee Increase	\$ 14.76	\$ 15.60	\$ 16.48	\$ 17.41	\$ 18.52	\$ 19.62	\$ 19.39	
Percent Increase	5.58%	5.59%	5.59%	5.59%	5.63%	5.65%	5.29%	
Sample Bill for Low Utility User 12 units water and sewer								
Sewer (minimum quarterly rate)	42.72	44.96	47.32	49.81	52.42	55.17	58.07	60.39
Water	25.38	26.78	28.25	29.80	31.44	33.17	35.04	37.01
Storm Water	16.79	18.13	19.58	21.15	22.84	24.78	26.89	29.18
Total	\$ 84.89	\$ 89.87	\$ 95.16	\$ 100.76	\$ 106.71	\$ 113.13	\$ 120.00	\$ 126.58
Combined Fee Increase	\$ 4.98	\$ 5.28	\$ 5.60	\$ 5.95	\$ 6.42	\$ 6.87	\$ 6.58	
Percent Increase	5.87%	5.88%	5.89%	5.90%	6.02%	6.07%	5.48%	

Recommendations

The City of Edina has managed its utility funds well, and as a result has been able to pay for improvements through a combination of cash and debt. The need to reinvest in the water and sewer utility system over the next several years will put new financial pressures on all of the utility funds.

The rate study indicates that rate increases are necessary in 2010 to maintain cash balances and pay for capital improvements. Modest and steady annual rate increases will be needed for water, sanitary sewer, and storm water utilities to pay for City operating costs and capital improvements.

While this analysis proposes the use of debt to allow for steady and predictable rate increases, it is not a debt plan. The City should review whether it has sufficient cash to pay for capital improvements prior to issuing debt. At its option, the City may accumulate less cash in its utility funds (thereby funding less depreciation) in order to reduce the amount of new debt issued for utility improvements. As with all other bonding decisions, the City's decision to issue debt for any given improvement will be based on many factors, including the City's cash balances, rating, and other financing needs.

Summary of Recommendations

- Adopt rates as recommended
- Update the Utility Rate Study periodically
- Consider tiering the residential and commercial rates for the Morningside area similar to the tiering for the City as a whole.

Appendices to this report follow:

Appendix A	Comparisons to Other Cities' Rates
Appendix B	Water Utility Projections
Appendix C	Sanitary Sewer Utility Projections
Appendix D	Storm Sewer Utility Projections
Appendix E	Capital Improvement Plan for Water
Appendix F	Capital Improvement Plan for Sanitary Sewer
Appendix G	Capital Improvement Plan for Storm Sewer
Appendix H	Proposed Residential Rate Tier Options

Appendix A

Comparison of Rates in Comparable Cities

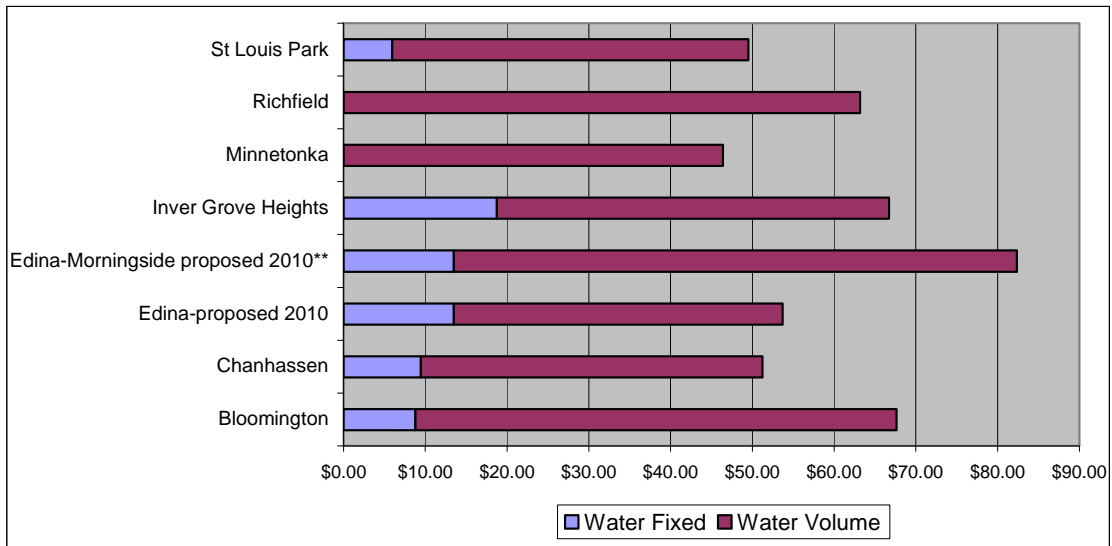
Using proposed 2010 rates with a quarterly usage of 27,000 gallons of water and 13,500 gallons for sewer

	Tiered Rates?	Usage Incl in Min?	Storm	Water		Sewer		Total
				Fixed	Volume	Fixed	Volume	
Bloomington	No	No		\$8.79	\$58.86	\$38.46		\$106.11
Chanhassen	Yes	Yes	\$8.43	\$9.45	\$41.80	\$18.50	\$30.60	\$108.78
Edina-proposed 2010	Yes	No	\$18.13	\$13.48	\$40.24	\$44.96	\$5.62	\$122.44
Edina-Morningside proposed 2010**	No	No	\$18.13	\$13.48	\$68.88	\$44.96	\$5.62	\$151.08
Inver Grove Heights	Yes	Yes	\$0.00	\$18.76	\$47.95	\$23.54	\$22.28	\$112.53
Minnetonka	Yes	No	\$15.30		\$46.40	\$41.85		\$103.55
Richfield	No	No	\$10.35		\$63.18	\$18.90	\$17.55	\$109.98
St Louis Park	Yes	No	\$13.50	\$5.94	\$43.56		\$36.18	\$99.18

Based on a quarterly use of 36 units of water and 18 units of sewer

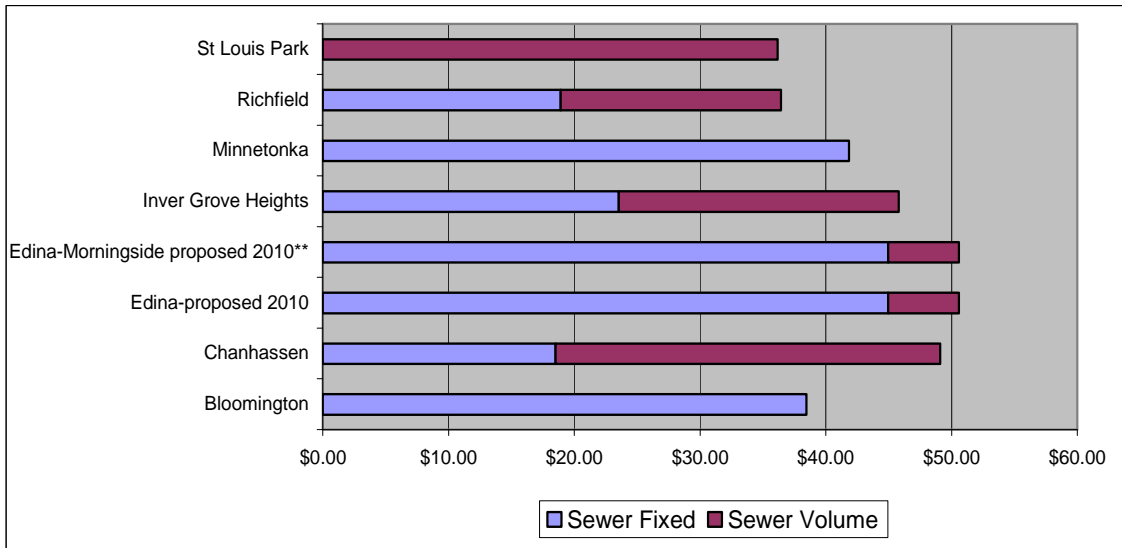
**Reflects tiered rates

Comparison of Water Rates



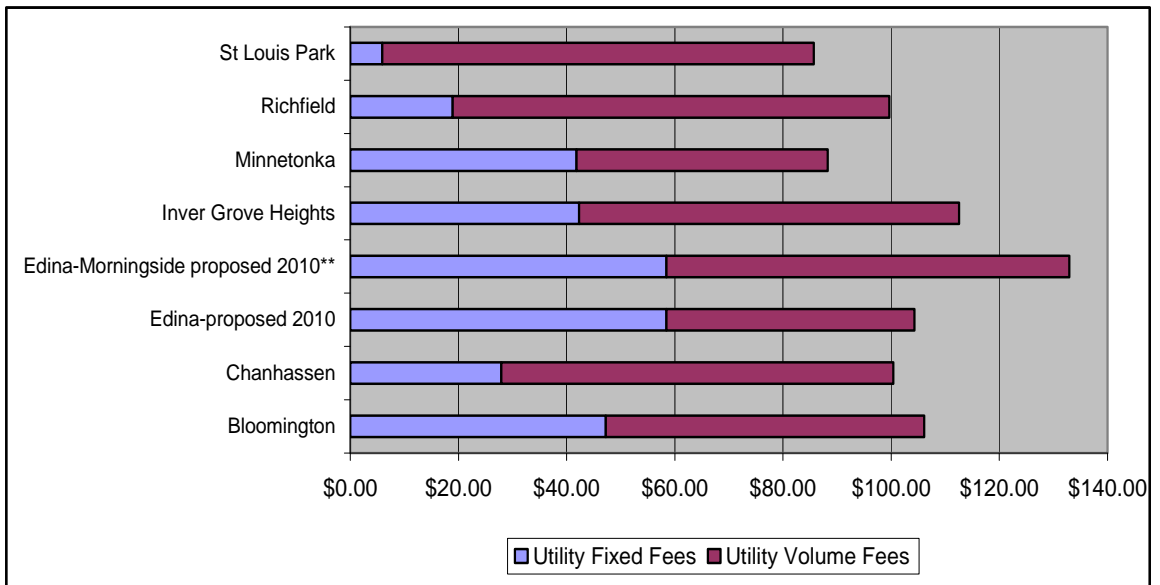
** Reflects tiered rates

Comparison of Sewer Rates



** Reflects tiered rates

Comparison of Total Water and Sewer Utility Fees



** Reflects tiered rates

Appendix B

Water Utility Projections

City of Edina

Utility Funds - Water Fund

Other revenue increase					3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expenditure increase					3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment Earnings					1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%

	Per Financial Statements								Projected							
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
55 Cash flow																
56 Operating income (loss)	733,121	533,578	551,052	1,179,876	1,344,490	1,456,170	1,672,888	1,744,241	1,842,348	1,984,250	2,090,592	2,314,305	2,554,648	2,815,824	3,096,160	3,396,865
57 Depreciation	542,775	656,629	668,797	728,148	781,454	832,750	861,000	1,006,888	1,140,357	1,245,227	1,372,762	1,430,945	1,490,873	1,552,599	1,616,177	1,681,663
61 Bond payments 2003C Prin			(182,328)	(184,935)	(155,000)	(160,000)	(165,000)	(172,500)	(180,000)	(185,000)						
62 Bond payments 2007B Prin					(285,000)	(260,000)	(270,000)	(280,000)	(295,000)	(305,000)	(320,000)	(330,000)	(345,000)	(360,000)		
63 Bond payments 2008A Prin						(365,000)	(675,000)	(700,000)	(725,000)	(750,000)	(780,000)	(810,000)	(845,000)	(880,000)	(920,000)	(960,000)
64																
65																
66 Miscellaneous	0	0	0			0	0	0	0	0	0	0	0	0	0	0
67 Investment income	37,360	122,850	50,390	11,500	104,834	27,500	22,000	152,227	57,641	51,066	47,868	53,603	53,202	40,325	46,874	48,307
68 Transfers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
69																
70 Capital	(3,086,797)	(1,183,532)	(5,774,240)	(1,074,468)	(6,848,353)	(5,459,000)	(2,899,520)	(6,002,880)	(5,163,126)	(3,532,973)	(4,508,916)	(850,000)	(850,000)	(850,000)	(850,000)	(850,000)
71 2008 proceeds spent						(641,061)										
72 2007 proceeds spent						(153,480)										
73 Bond Proceeds				3,062,766	8,464,414		8,902,400		4,100,000	3,000,000	4,509,000	850,000		850,000		700,000
74 Bonds:																
75																
76 Debt (P&I) - 2009 Bonds (5.0% for 10 years)							0	(1,152,902)	(1,152,902)	(1,152,902)	(1,152,902)	(1,152,902)	(1,152,902)	(1,152,902)	(1,152,902)	(1,152,902)
77 Debt (P&I) - 2010 Bonds (5.0% for 10 years)									0	0	0	0	0	0	0	0
78 Debt (P&I) - 2011 Bonds (5.25% for 10 years)										(537,434)	(537,434)	(537,434)	(537,434)	(537,434)	(537,434)	(537,434)
79 Debt (P&I) - 2012 Bonds (5.25% for 10 years)											(393,245)	(393,245)	(393,245)	(393,245)	(393,245)	(393,245)
80 Debt (P&I) - 2013 Bonds (5.5% for 10 years)												(598,199)	(598,199)	(598,199)	(598,199)	(598,199)
81 Debt (P&I) - 2014 Bonds (5.5% for 10 years)													(112,768)	(112,768)	(112,768)	(112,768)
82 Debt (P&I) - 2015 Bonds (5.5% for 10 years)														0	0	0
83 Debt (P&I) - 2016 Bonds (5.5% for 10 years)															(112,768)	(112,768)
84 Debt (P&I) - 2017 Bonds (5.5% for 10 years)																0
85 Debt (P&I) - 2018 Bonds (5.5% for 10 years)																
86 Debt (P&I) - 2019 Bonds (5.5% for 10 years)																
91 Debt (P&I) - 2020 Bonds (5.5% for 10 years)																
92 Net Cashflow	(1,773,541)	129,525	(4,686,328)	3,722,886	3,406,838	(4,722,121)	7,448,768	(5,404,926)	(375,682)	(182,765)	327,726	(22,926)	(735,824)	374,201	81,896	1,109,520
93																
94 Beginning cash					2,565,198	5,972,036	1,249,915	8,698,683	3,293,757	2,918,075	2,735,310	3,063,037	3,040,110	2,304,286	2,678,487	2,760,384
95																
96 Ending cash				2,565,198	5,972,036	1,249,915	8,698,683	3,293,757	2,918,075	2,735,310	3,063,037	3,040,110	2,304,286	2,678,487	2,760,384	3,869,904
98																
99 Target cash balance (50% of operating revenues)				2,481,519	2,641,252	2,601,500	2,958,580	3,117,949	3,286,009	3,463,234	3,650,128	3,848,629	4,058,045	4,280,554	4,515,402	4,763,274
100																
101 Actual cash over (under) minimum cash balance				83,679	3,330,784	(1,351,585)	5,740,104	175,808	(367,933)	(727,924)	(587,091)	(808,519)	(1,753,758)	(1,602,067)	(1,755,018)	(893,370)

Appendix C

Sanitary Sewer Utility Projections

Appendix D

Storm Sewer Utility Projections

City of Edina
Utility Funds - Storm Sewer Fund

Storm Sewer Revenue Increase	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
Other revenue increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment Rate	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
Expenditure increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

	Per Financial Statements					Estimated	Budget	Projected								
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1 Revenues																
2																
3 Charges for services	735,222	824,068	1,242,082	1,894,086	1,853,669	1,870,000	2,100,000	2,268,000	2,449,440	2,645,395	2,870,254	3,114,225	3,378,935	3,666,144	3,977,766	4,315,876
4 Other	0	0	0	186,701	19,000	20,000	21,600	23,328	25,194	27,336	29,659	32,180	34,916	37,883	41,104	
5																
6 Total operating revenues	735,222	824,068	1,242,082	1,894,086	2,040,370	1,889,000	2,120,000	2,289,600	2,472,768	2,670,589	2,897,590	3,143,885	3,411,115	3,701,060	4,015,650	4,356,980
7																
8 Expenses																
9 Admin					106,498	84,500	155,415	160,077	164,880	169,826	174,921	180,169	185,574	191,141	196,875	202,781
10 Operating Expenses	204,074	208,211	195,196	188,188	211,808	178,000	586,700	604,301	622,430	641,103	660,336	680,146	700,550	721,567	743,214	765,510
11 Depreciation	272,265	291,568	334,398	364,074	371,146	350,000	365,000	434,486	524,551	586,287	665,389	735,351	807,412	881,634	958,083	1,036,825
12 Total operating expense	476,339	499,779	529,595	552,262	689,452	612,500	1,107,115	1,198,865	1,311,861	1,397,216	1,500,646	1,595,666	1,693,536	1,794,342	1,898,172	2,005,117
13																
14 Operating income (loss)	258,883	324,289	712,488	1,341,824	1,350,918	1,276,500	1,012,885	1,090,735	1,160,907	1,273,373	1,396,943	1,548,219	1,717,579	1,906,718	2,117,478	2,351,863
15																
31 Cash flow																
32																
33 Operating income (loss)	258,883	324,289	712,488	1,341,824	1,350,918	1,276,500	1,012,885	1,090,735	1,160,907	1,273,373	1,396,943	1,548,219	1,717,579	1,906,718	2,117,478	2,351,863
34 Depreciation	272,265	291,568	334,398	364,074	371,146	350,000	365,000	434,486	524,551	586,287	665,389	735,351	807,412	881,634	958,083	1,036,825
35 Other changes		(3,421)														
36 Intergovernmental		4,246	0	0	0	0	0	0	0	0	0	0	0	0	0	0
37 Interest income	0	0	0	0	47,859	35,000	28,000	22,204	26,096	23,190	25,696	28,377	27,806	25,642	22,179	25,463
38 Transfers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
39 Disposal of assets	0	0	4,553	0	0	0	0	0	0	0	0	0	0	0	0	0
40 Bond proceeds				3,625,043	2,343,693		1,500,000	2,500,000	3,200,000	2,200,000	3,075,700	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
41 Debt payments: 1999 bonds P&I	(120,605)	(121,995)	(123,145)	(123,945)	(124,545)	(119,830)										
42 Debt payments: 2007 bonds P&I					(504,474)	(434,600)	(432,000)	(433,900)	(435,200)	(431,000)	(431,300)	(431,000)	(430,100)	(433,500)		
43 Debt payments: 2008A bonds P&I						(176,513)	(268,488)	(267,713)	(266,538)	(264,956)	(267,862)	(269,881)	(270,962)	(271,362)	(271,362)	(270,631)
44 Debt (P&I) - 2009 Bonds (5.0% for 10 years)							0	0	0	0	0	0	0	0	0	0
45 Debt (P&I) - 2010 Bonds (5.25% for 10 years)								(196,622)	(196,622)	(196,622)	(196,622)	(196,622)	(196,622)	(196,622)	(196,622)	(196,622)
46 Debt (P&I) - 2011 Bonds (5.25% for 10 years)									(327,704)	(327,704)	(327,704)	(327,704)	(327,704)	(327,704)	(327,704)	(327,704)
47 Debt (P&I) - 2012 Bonds (5.25% for 10 years)										(419,461)	(419,461)	(419,461)	(419,461)	(419,461)	(419,461)	(419,461)
48 Debt (P&I) - 2013 Bonds (5.5% for 10 years)											(291,869)	(291,869)	(291,869)	(291,869)	(291,869)	(291,869)
49 Debt (P&I) - 2014 Bonds (5.5% for 10 years)												(408,046)	(408,046)	(408,046)	(408,046)	(408,046)
50 Debt (P&I) - 2015 Bonds (5.5% for 10 years)													(331,669)	(331,669)	(331,669)	(331,669)
51 Debt (P&I) - 2016 Bonds (5.5% for 10 years)														(331,669)	(331,669)	(331,669)
52 Debt (P&I) - 2017 Bonds (5.5% for 10 years)															(331,669)	(331,669)
53 Debt (P&I) - 2018 Bonds (5.5% for 10 years)																(331,669)
54 Debt (P&I) - 2019 Bonds (5.5% for 10 years)																
55																
56 Capital	(871,384)	(1,028,970)	(805,948)	(2,427,125)	(2,401,858)	(2,160,000)	(2,633,540)	(2,926,810)	(3,851,534)	(2,299,942)	(3,075,699)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)
57																
58 Cash flow	(460,841)	(534,283)	122,346	2,779,871	1,082,739	(1,229,443)	(428,143)	222,381	(166,044)	143,166	153,212	(32,637)	(123,637)	(197,909)	187,667	173,140
59																
60 Beginning cash					1,843,660	2,926,399	1,696,956	1,268,813	1,491,194	1,325,150	1,468,315	1,621,527	1,588,890	1,465,253	1,267,343	1,455,010
61																
62 Ending cash				1,843,660	2,926,399	1,696,956	1,268,813	1,491,194	1,325,150	1,468,315	1,621,527	1,588,890	1,465,253	1,267,343	1,455,010	1,628,150
63																
64 Quarterly Charge for Single Family Home		6.74	10.74	15.54	16.79	16.79	18.13	19.58	21.15	22.84	24.78	26.89	29.18	31.66	34.35	37.27

Appendix E

Capital Improvement Plan-Water Utility

City of Edina
Capital Projects

	2009	2010	2011	2012	2013	2014	Total
00 020	3,553,000						3,553,000
02 003							-
03 010	130,000						130,000
03 012 Backhoe replacement					170,000		170,000
03 016 GPS System			30,000				30,000
04 005 Braemar site - lead removal				200,000			200,000
05 008 Lift Station #2	100,000	300,000					400,000
05 009 Lift Station #7	120,000		200,000				320,000
05 010 Lift Station #8				200,000			200,000
05 012	150,000						150,000
05 013 Well #6		120,000					120,000
07 002 New Water Treatment Plant #5	2,500,000				1,600,000	2,500,000	6,600,000
07 003 New Water Treatment Plant #6		500,000	3,000,000	3,000,000			6,500,000
07 007 Water meter reading system		10,000					10,000
07 008 Sewer Jetter Replacement				300,000			300,000
07 009 Paint Gleason water tower			500,000				500,000
08 008 Piping wells to WTP #5						100,000	100,000
08 009 Well #5					100,000		100,000
08 010 Piping wells to WTP #6		1,200,000	750,000				1,950,000
08 012 Lift station pump and VFD		60,000					60,000
08 014 Trunk sanitary sewer lining				1,200,000			1,200,000
09 001	1,000,000						1,000,000
09 003	60,000						60,000
09 004	2,100,000						2,100,000
09 005	50,000						50,000
09 006 SCADA upgrades	50,000	50,000	50,000				150,000
09 007 SCADA computer replacement		35,000					35,000
09 008 Well #4 Rehab			100,000				100,000
09 009 Well #12 Rehab				120,000			120,000
09 010 Well #2 Rehab					120,000		120,000
10 001 Water Main improvements		604,000	830,000	720,000	590,000	746,000	3,490,000
10 002 Sanitary sewer main improvements		495,000	589,000	589,000	483,000	611,000	2,767,000
10 003 Storm Sewer - pipe and grading		2,017,000	2,646,000	2,324,000	1,906,000	2,408,000	11,301,000
10 004 pond and lake dredging		60,000	60,000	1,100,000	60,000	120,000	1,400,000
10 005 Annual vehicle replacements		50,000	50,000	70,000	50,000	50,000	270,000
10 006 Water Meter replacement project		240,000	240,000	240,000	240,000	240,000	1,200,000
10 007 Well #7 rehab project				200,000			200,000
10 008 Well #9 rehab project					150,000		150,000
10 009 Well #11 rehab project						120,000	120,000
10 010 Manhole repair		80,000	80,000	80,000	80,000	80,000	400,000
10 011 Watermain loop - W 69th				110,000			110,000
10 012 San Sewer Improv - 44th & Brookside		110,000					110,000
10 013 Culvert Replacement - W 56th		450,000					450,000
Total	9,813,000	6,381,000	9,125,000	10,453,000	5,549,000	6,975,000	48,296,000
Sanitary Sewer	2,194,000	1,060,750	869,000	2,439,000	563,000	741,000	7,866,750
Storm Sewer	2,160,000	2,532,250	2,706,000	3,424,000	1,966,000	2,528,000	15,316,250
Water	5,459,000	2,788,000	5,550,000	4,590,000	3,020,000	3,706,000	25,113,000
Watershed							-
Total	9,813,000	6,381,000	9,125,000	10,453,000	5,549,000	6,975,000	48,296,000
Inflated costs	0.04						
Sanitary Sewer		\$ 1,103,180	\$ 939,910	\$ 2,743,543	\$ 658,630	\$ 901,540	
Storm Sewer		\$ 2,633,540	\$ 2,926,810	\$ 3,851,534	\$ 2,299,942	\$ 3,075,699	
Water		\$ 2,899,520	\$ 6,002,880	\$ 5,163,126	\$ 3,532,973	\$ 4,508,916	
Watershed		\$ -	\$ -	\$ -	\$ -	\$ -	

Appendix F

Capital Improvement Plan-Sanitary Sewer Utility

City of Edina
Capital Projects

	2009	2010	2011	2012	2013	2014	Total
00 020	3,553,000						3,553,000
02 003							-
03 010	130,000						130,000
03 012 Backhoe replacement					170,000		170,000
03 016 GPS System			30,000				30,000
04 005 Braemar site - lead removal				200,000			200,000
05 008 Lift Station #2	100,000	300,000					400,000
05 009 Lift Station #7	120,000		200,000				320,000
05 010 Lift Station #8				200,000			200,000
05 012	150,000						150,000
05 013 Well #6		120,000					120,000
07 002 New Water Treatment Plant #5	2,500,000				1,600,000	2,500,000	6,600,000
07 003 New Water Treatment Plant #6		500,000	3,000,000	3,000,000			6,500,000
07 007 Water meter reading system		10,000					10,000
07 008 Sewer Jetter Replacement				300,000			300,000
07 009 Paint Gleason water tower			500,000				500,000
08 008 Piping wells to WTP #5						100,000	100,000
08 009 Well #5					100,000		100,000
08 010 Piping wells to WTP #6		1,200,000	750,000				1,950,000
08 012 Lift station pump and VFD		60,000					60,000
08 014 Trunk sanitary sewer lining				1,200,000			1,200,000
09 001	1,000,000						1,000,000
09 003	60,000						60,000
09 004	2,100,000						2,100,000
09 005	50,000						50,000
09 006 SCADA upgrades	50,000	50,000	50,000				150,000
09 007 SCADA computer replacement		35,000					35,000
09 008 Well #4 Rehab			100,000				100,000
09 009 Well #12 Rehab				120,000			120,000
09 010 Well #2 Rehab					120,000		120,000
10 001 Water Main improvements		604,000	830,000	720,000	590,000	746,000	3,490,000
10 002 Sanitary sewer main improvements		495,000	589,000	589,000	483,000	611,000	2,767,000
10 003 Storm Sewer - pipe and grading		2,017,000	2,646,000	2,324,000	1,906,000	2,408,000	11,301,000
10 004 pond and lake dredging		60,000	60,000	1,100,000	60,000	120,000	1,400,000
10 005 Annual vehicle replacements		50,000	50,000	70,000	50,000	50,000	270,000
10 006 Water Meter replacement project		240,000	240,000	240,000	240,000	240,000	1,200,000
10 007 Well #7 rehab project				200,000			200,000
10 008 Well #9 rehab project					150,000		150,000
10 009 Well #11 rehab project						120,000	120,000
10 010 Manhole repair		80,000	80,000	80,000	80,000	80,000	400,000
10 011 Watermain loop - W 69th				110,000			110,000
10 012 San Sewer Improv - 44th & Brookside		110,000					110,000
10 013 Culvert Replacement - W 56th		450,000					450,000
Total	9,813,000	6,381,000	9,125,000	10,453,000	5,549,000	6,975,000	48,296,000
Sanitary Sewer	2,194,000	1,060,750	869,000	2,439,000	563,000	741,000	7,866,750
Storm Sewer	2,160,000	2,532,250	2,706,000	3,424,000	1,966,000	2,528,000	15,316,250
Water	5,459,000	2,788,000	5,550,000	4,590,000	3,020,000	3,706,000	25,113,000
Watershed							-
Total	9,813,000	6,381,000	9,125,000	10,453,000	5,549,000	6,975,000	48,296,000
Inflated costs	0.04						
Sanitary Sewer	\$	1,103,180	\$ 939,910	\$ 2,743,543	\$ 658,630	\$ 901,540	
Storm Sewer	\$	2,633,540	\$ 2,926,810	\$ 3,851,534	\$ 2,299,942	\$ 3,075,699	
Water	\$	2,899,520	\$ 6,002,880	\$ 5,163,126	\$ 3,532,973	\$ 4,508,916	
Watershed	\$	-	\$ -	\$ -	\$ -	\$ -	

Appendix G

Capital Improvement Plan-Storm Sewer Utility

City of Edina
Capital Projects

	2009	2010	2011	2012	2013	2014	Total
00 020	3,553,000						3,553,000
02 003							-
03 010	130,000						130,000
03 012 Backhoe replacement					170,000		170,000
03 016 GPS System			30,000				30,000
04 005 Braemar site - lead removal				200,000			200,000
05 008 Lift Station #2	100,000	300,000					400,000
05 009 Lift Station #7	120,000		200,000				320,000
05 010 Lift Station #8				200,000			200,000
05 012	150,000						150,000
05 013 Well #6		120,000					120,000
07 002 New Water Treatment Plant #5	2,500,000				1,600,000	2,500,000	6,600,000
07 003 New Water Treatment Plant #6		500,000	3,000,000	3,000,000			6,500,000
07 007 Water meter reading system		10,000					10,000
07 008 Sewer Jetter Replacement				300,000			300,000
07 009 Paint Gleason water tower			500,000				500,000
08 008 Piping wells to WTP #5						100,000	100,000
08 009 Well #5					100,000		100,000
08 010 Piping wells to WTP #6		1,200,000	750,000				1,950,000
08 012 Lift station pump and VFD		60,000					60,000
08 014 Trunk sanitary sewer lining				1,200,000			1,200,000
09 001	1,000,000						1,000,000
09 003	60,000						60,000
09 004	2,100,000						2,100,000
09 005	50,000						50,000
09 006 SCADA upgrades	50,000	50,000	50,000				150,000
09 007 SCADA computer replacement		35,000					35,000
09 008 Well #4 Rehab			100,000				100,000
09 009 Well #12 Rehab				120,000			120,000
09 010 Well #2 Rehab					120,000		120,000
10 001 Water Main improvements		604,000	830,000	720,000	590,000	746,000	3,490,000
10 002 Sanitary sewer main improvements		495,000	589,000	589,000	483,000	611,000	2,767,000
10 003 Storm Sewer - pipe and grading		2,017,000	2,646,000	2,324,000	1,906,000	2,408,000	11,301,000
10 004 pond and lake dredging		60,000	60,000	1,100,000	60,000	120,000	1,400,000
10 005 Annual vehicle replacements		50,000	50,000	70,000	50,000	50,000	270,000
10 006 Water Meter replacement project		240,000	240,000	240,000	240,000	240,000	1,200,000
10 007 Well #7 rehab project				200,000			200,000
10 008 Well #9 rehab project					150,000		150,000
10 009 Well #11 rehab project						120,000	120,000
10 010 Manhole repair		80,000	80,000	80,000	80,000	80,000	400,000
10 011 Watermain loop - W 69th				110,000			110,000
10 012 San Sewer Improv - 44th & Brookside		110,000					110,000
10 013 Culvert Replacement - W 56th		450,000					450,000
Total	9,813,000	6,381,000	9,125,000	10,453,000	5,549,000	6,975,000	48,296,000
Sanitary Sewer	2,194,000	1,060,750	869,000	2,439,000	563,000	741,000	7,866,750
Storm Sewer	2,160,000	2,532,250	2,706,000	3,424,000	1,966,000	2,528,000	15,316,250
Water	5,459,000	2,788,000	5,550,000	4,590,000	3,020,000	3,706,000	25,113,000
Watershed							-
Total	9,813,000	6,381,000	9,125,000	10,453,000	5,549,000	6,975,000	48,296,000
Inflated costs	0.04						
Sanitary Sewer	\$	1,103,180	\$ 939,910	\$ 2,743,543	\$ 658,630	\$ 901,540	
Storm Sewer	\$	2,633,540	\$ 2,926,810	\$ 3,851,534	\$ 2,299,942	\$ 3,075,699	
Water	\$	2,899,520	\$ 6,002,880	\$ 5,163,126	\$ 3,532,973	\$ 4,508,916	
Watershed	\$	-	\$ -	\$ -	\$ -	\$ -	

Appendix H

Proposed 2010 Residential Rates and Tiers

		Usage Range	Rates
Water Usage			
Residential	Tier One	0-35 units	\$1.11
	Tier Two	36-65 units	\$1.47
	Tier Three	Over 65 units	\$2.30
Morningside Residential	Tier One	0-35 units	\$1.90
	Tier Two	36-65 units	\$2.38
	Tier Three	Over 65 units	\$2.85
Morningside Commercial	Tier One	0-35 units	\$1.90
	Tier Two	36-65 units	\$2.38
	Tier Three	Over 65 units	\$2.38
Commercial	Tier One	0-35 units	\$1.11
	Tier Two	36-65 units	\$1.47
	Tier Three	Over 65 units	\$1.47
Irrigation-Commercial	Tier One	0-35 units	\$1.47
	Tier Two	Over 35 units	\$2.30
Sewer Usage			
Res and Commercial	To 16 units		\$44.96
	Over 16 units		\$2.81
		Based on winter quarter use	
Storm Sewer			
		Based on residential equivalent units	\$18.13