

At the April 27 City Council meeting, the Council received the 2019 audit report. Included in that report was an analysis of the utility funds and their financial position. Here is a summary of the condition of those funds:

Water fund: Water has sufficient revenue for operating costs (excluding depreciation), but does not have adequate resources for planned capital improvements and related debt service payments. The water fund's net cash was in a deficit position at December 31, 2019.

Sewer fund: The sewer fund has adequate reserves to fund operations and short-term debt service. However, since the audit report, the city has received notice from the Met Council that the amount they charge the city for sewer treatment will increase 20.5% in 2021 over the 2020 charge. The amount paid to the Met Council for sewer treatment is the largest expense of the fund, \$826,307 in 2020, increasing to \$995,899 next year.

Storm Water fund: Over the past several years, storm water has emerged as a significant issue for the city. The issues are particularly acute in the western part of the city, which led the city to engage Barr Engineering to identify the issues and propose solutions to help mitigate the major storm water issues. The recommendations in that report identify over \$5 million dollars of storm water infrastructure work. The revenue for the storm water fund will have to increase every year to fund upcoming costs.

At the May 26 City Council meeting, the council discussed utility rate charges (water, sanitary sewer, and storm water). This discussion follows approval of an overall ten-year capital improvement plan and a five-year street reconstruction plan at the May 11, 2020 City Council meeting. Those documents can be found at: [???](#) The street reconstruction plan provides for the implementation of infrastructure projects, many of which include utility improvements to be financed by general obligation bonds.

The capital improvement plan, including the street reconstruction plan, will require the city to increase utility rates to cover utility fund expenses, including increasing operating costs, capital outlays, and debt service payments on bonds. Without rate increases, the utility fund balances will be insufficient to cover utility fund costs. The utility rate analysis has planned annual increases over the next ten years.

These three utility funds, as well as the recycling fund, are considered to be enterprise funds. This means that they function and operate as businesses, and the rates that each of the funds charge are expected to cover the expenses of that fund. It is important to note that property taxes are not used to support the activities of the enterprise funds.

The rate table below shows the current rates versus the rates being proposed to go into effect for utility usage beginning on or near July 1, 2020 and first charged with the city's quarterly utility billing on or near October 1, 2020.

Water fund:

CATEGORIES	CURRENT RATES	PROPOSED RATES
First 5,000 gallons	\$20.18	\$ 22.20
Per/1,000 gal from 5,001 to 50,000	\$ 3.41	\$ 3.75
Per/1,000 gal above 50,0000	\$ 4.90	\$ 5.39

Water Service – low income	\$17.32	\$ 19.05
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Sewer Fund:

CATEGORY	CURRENT RATES	PROPOSED RATES
Residential	\$86.76/qtr. \$57.84/qtr. low income	\$94.57/qtr. \$63.05/qtr. low income
Commercial	\$9.81 base, \$86.76/qtr. fee for 1-28,500 gallons, \$2.26/1,000 gallons in excess of 28,500 gallons per qtr.	\$10.69 base, \$94.57/qtr fee for 1-28,500 gallons, \$2.46/1,000 gallons in excess of 28,500 gallons per qtr.

Storm Water Management Fund:

Current Basic System Rate: \$29.60	\$20.73/qtr.: lots less than 10,000 sq. ft.
	\$29.60/qtr.: lots 10,000 – 50,000 sq. ft.
	\$38.53/qtr.: lots 50,000 plus sq. ft.
Proposed Basic System Rate: \$31.97	\$22.39/qtr.: lots less than 10,000 sq. ft.
	\$31.97/qtr.: lots 10,000 – 50,000 sq. ft.
	\$41.61/qtr.: lots 50,000 plus sq. ft.

The city examined switching to a monthly billing cycle last year, but it was determined to be cost prohibitive. However, the city is able to accept partial payments. If you want to divide your bill and make smaller, more frequent payments, you are welcome to do that. If you are on the auto debit program, we are investigating the ability to create an auto debit each month that will spread the quarterly payment over three monthly payments, making budgeting easier.

More information will be available on the city website, http://ci.shorewood.mn.us/services/public_utilities, or contact city hall at 952.960.7900.