



Pipestone Sewer Utility Rate Study

Why did the City undertake a Rate Study?

- Ensure financial sustainability
 - ✓ Adequate cash reserves
 - ✓ Repay debt obligations
 - ✓ Fund long-range capital plans
- Ensure equity across user classes
 - ✓ Review rate structure



Overview of Sewer Utility

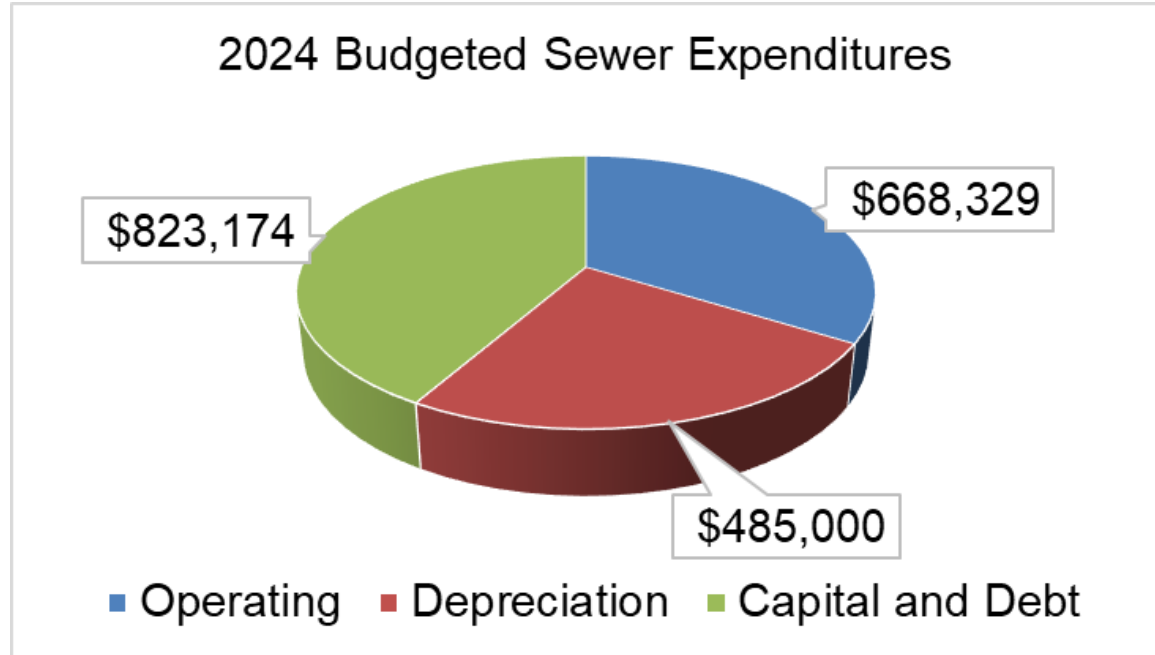
- Sewer Fund cash depleted
 - ✓ Averaging over \$800,000 in annual debt service payments for the next five years
 - ✓ More than \$1.75M cash deficit payable to the Capital Equipment Fund at 12/31/2023
- Upcoming projects
 - ✓ NE streets improvement phase II currently under construction
 - ✓ NE streets improvement phase III anticipated 2025 or 2026

Completed a Cost of Service Rate Study

- Fairly allocates cost of system to different user classes
- Fairly allocates cost of system into two rate components:
 - ✓ Base Charge
 - Pays for fixed costs that don't change with volume flow
 - ✓ Volumetric Usage Charge
 - Rate per 100 gallons of domestic strength flow

Break-Down of Sewer Costs

Allocation for
fixed costs
equals
\$632,075





Fixed Costs

- What are they?
 - ✓ Staff
 - ✓ A portion of fixed assets, including equipment/vehicles and depreciation
 - ✓ Supplies, insurance and utilities
 - ✓ Cost to send out the bills
- Why important?
 - ✓ Include in base charges to ensure everyone is paying regardless of usage

Rate Study Findings

- Sewer Fund needs additional large rate increases
 - ✓ Already increased rates 17% in 2024
- Base charge too low
 - ✓ High volume users subsidizing low volume users



Study Results: Proposed Sewer Rates

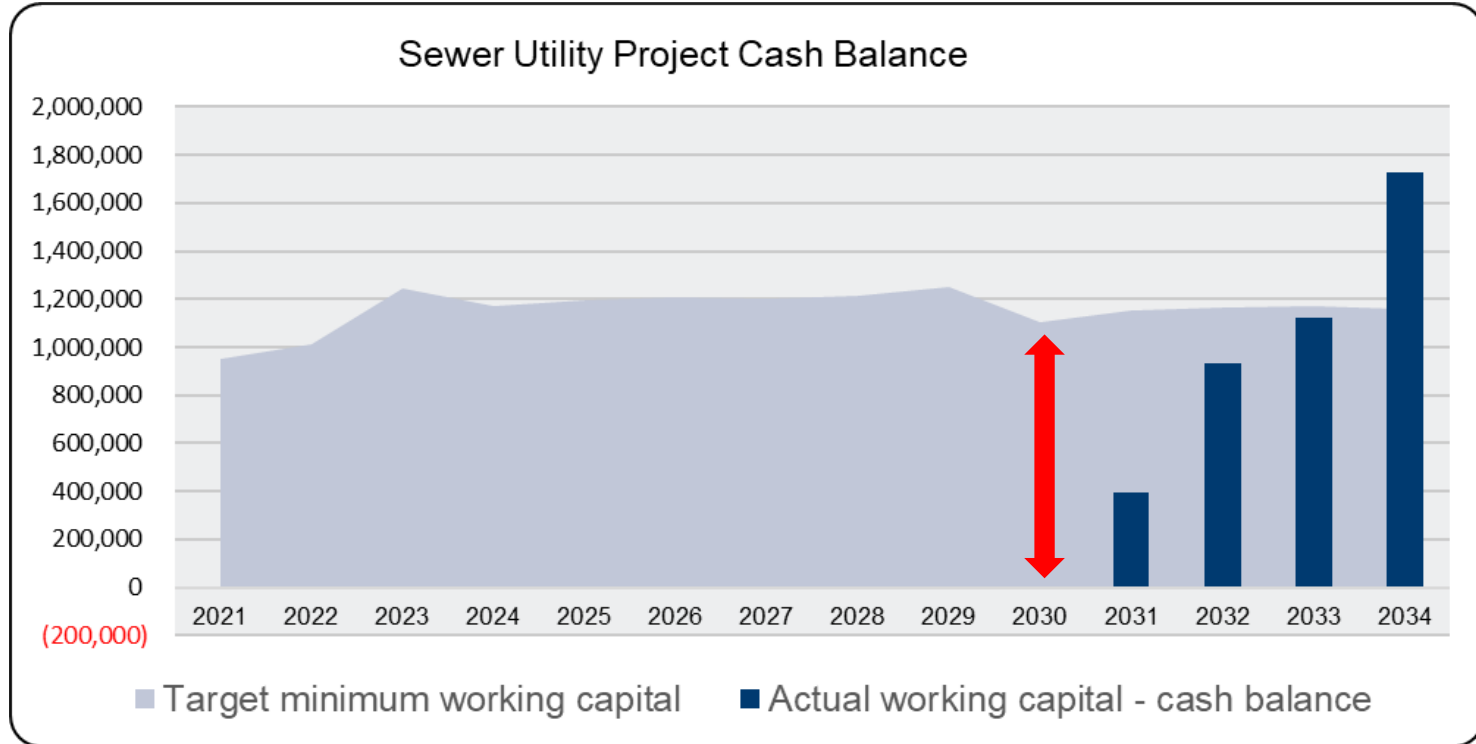
Proposed Monthly Sanitary Sewer Rates						
	Existing	Proposed Monthly Rates				
	2024	2025	2026	2027	2028	2029
Percentage Increase						
Fixed Rates		26.50%	26.50%	2.00%	2.00%	2.00%
Usage Rates		10.50%	10.50%	2.00%	2.00%	2.00%
<u>Fixed Rates</u>						
All Users						
Base Fee	17.55	22.20	28.08	28.64	29.21	29.79
<u>Usage Rates</u>						
All Users						
per 100 gallons	1.11	1.23	1.36	1.39	1.42	1.45

Comparing to Other Communities

- Comparing rates doesn't tell whole story
- All communities are unique
 - ✓ Population
 - ✓ Changes in topography
 - ✓ Age of existing infrastructure
 - ✓ Development vs. Redevelopment communities
 - ✓ City policies differ
 - Fund Balance
 - Bonding



Sewer Cash Balance



Next Steps

- Tonight – Feedback
 - ✓ Discuss initial recommendations
- Ehlers to incorporate feedback, revise plan if necessary
- Adopt rates for 2025
- Future:
 - ✓ Further develop capital plans
 - ✓ Update rate study for determining 2027 rate increases