

**TO: MAYOR AND CITY COUNCIL**  
**FROM: RONALD JOHNSON, CITY ADMINISTRATOR**  
**SUBJECT: 2016 UTILITY RATES**  
**DATE: MAY 17, 2016**

**BACKGROUND**

At the April 19<sup>th</sup> City Council meeting, Rebecca Kurtz from Ehlers & Associates presented the utility rate study and recommendation for the 2016 utility rates. The Council called for a public hearing to be held on May 17<sup>th</sup> to consider the utility rate adjustments.

The recommended increases were as follows:

Water – 5%  
Sanitary Sewer – 5%  
Storm Sewer – 2%

**RECOMMENDED COUNCIL ACTION**

Council will hold the public hearing and consider a motion to adopt the resolution increasing the utility rates for the remainder of 2016.

Attachments:

Utility Rate Study Executive Summary  
Resolution

## City of Cannon Falls Water, Sewer, and Storm Water Rate Analysis

Executive Summary  
April 19, 2016

### Introduction

The City of Cannon Falls has requested Ehlers to complete an updated utility rate analysis to review water, sewer, and storm water rates for 2016 and beyond. The City's utility enterprise funds continue to be managed well and are in good financial health. This year's update takes into account significant changes to anticipated future capital improvement projects.

Future utility upgrades within the street reconstruction program are planned for every other year. In the next five years, the City also has plans for several water projects. It is expected that after the final phases of the street reconstruction program are finished there will be minimal capital costs associated with sustaining the utility infrastructure and operations.

At this time the City has identified the need to increase utility rates for 2016 in order to build sufficient revenues to pay for the upcoming projects and maintain operating reserves. Long term rate increases will depend greatly on future utility improvements and the rate of growth within the community. Toward this end, the City will need to continue reviewing capital and financial conditions regularly.

### Growth

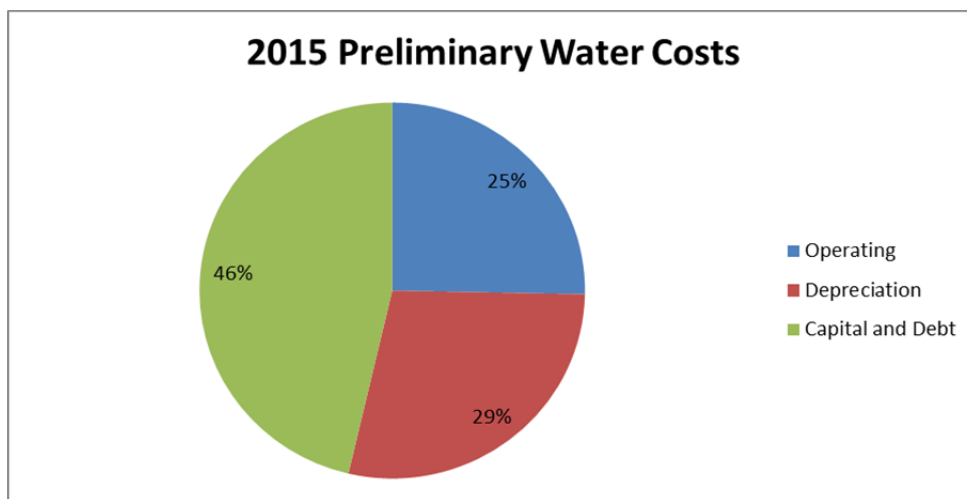
How quickly the City grows will impact the utility revenues and fees collected, as well as capital requirements. While the City is already seeing some new business with the addition of a local brewery, growth estimates remain conservative. Assumptions regarding growth and future development were held consistent with prior year's rate studies. The chart below reflects the number of future connections assumed in the study.

	2017	2018	2019	2020	2021
Residential	5	5	5	5	5
Commercial	3	3	3	3	3

## Water Utility

The City of Cannon Falls owns and operates the water utility that serves its residents and businesses. The utility's financial activity is accounted for in the City's Water Fund. By looking at the fund as a whole, we can see key features of the utility operations.

Capital and debt are currently the biggest expense of the water utility. As a rule, utilities are capital intensive operations. The following chart shows the proportion of operating costs to capital and debt service, with capital and debt accounting for 46% of the 2015 Water Fund costs.



The City has consistently increased water rates on an annual basis. Ehlers is recommending the City continue this trend through 2019. This will allow the City to collect adequate revenues to provide for operating expenses, debt obligations and future scheduled capital improvements.

## Proposed Water Rates

This report proposes, for the City Council's consideration, a 5% rate increase for flat rates and usage rates for 2016. This is consistent with last year's report. Rate increases are still necessary in order to provide cash flow for operations, future capital and debt service requirements. This rate increase takes these factors into consideration and also compensates for the conservative growth projections.

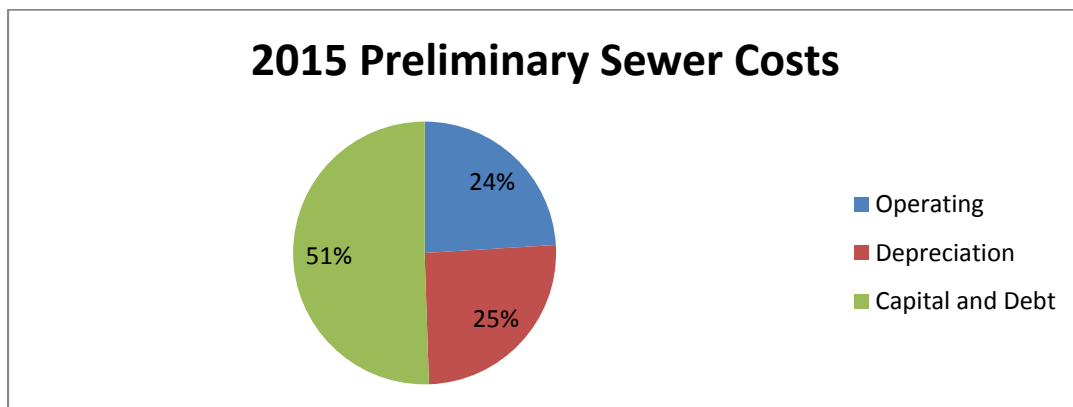
An average residential property consumes 800 cubic feet of water per month. With a 5% rate increase in 2016, this type of property would see an increase of \$1.41 in their monthly water bill. The average commercial property using only 2,600 cubic feet per month would receive a modest \$3.99 increase in their monthly bill. The chart on the following page shows the current water rate and the proposed rates for 2016 through 2020.

Monthly Water Rates	Existing 2015	Proposed				
		2016	2017	2018	2019	2020
<b>Annual Rate Increase</b>		<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>0.0%</b>
<b>Base Rate</b>	\$ 5.74	\$ 6.03	\$ 6.33	\$ 6.64	\$ 6.98	\$ 6.98
(All Users)						
<b>Residential Users</b>						
100-300 cu. Ft.	\$ 2.43	\$ 2.55	\$ 2.68	\$ 2.81	\$ 2.95	\$ 2.95
400-900 cu. Ft.	3.03	3.18	3.34	3.51	3.68	3.68
1,000-6,000 cu. Ft.	3.78	3.97	4.17	4.38	4.59	4.59
+6,000 cu. Ft.	5.66	5.94	6.24	6.55	6.88	6.88
<b>Commercial Users</b>						
100-800 cu. Ft.	\$ 2.43	\$ 2.55	\$ 2.68	\$ 2.81	\$ 2.95	\$ 2.95
900-2,800 cu. Ft.	3.03	3.18	3.34	3.51	3.68	3.68
2,900-7,500 cu. Ft.	3.78	3.97	4.17	4.38	4.59	4.59
+7,500 cu. Ft.	5.66	5.94	6.24	6.55	6.88	6.88
<b>Irrigation Accounts</b>						
All Usage	\$ 5.66	\$ 5.94	\$ 6.24	\$ 6.55	\$ 6.88	\$ 6.88

## Sanitary Sewer Utility

The City is responsible for maintaining the utility system of collecting and treating wastewater from its residents and businesses. The utility's financial activity is accounted for in the City's Sanitary Sewer Fund. As with the Water Fund, the Sanitary Sewer Fund currently carries a large amount of capital and debt expense.

The Sanitary Sewer Fund is still paying for the 2001 PFA loans, plus has planned utility upgrades in conjunction with the street reconstruction program. It is anticipated the City will need to issue debt every other year starting in 2016 to help pay for street reconstruction projects. The following chart shows the proportion of operating costs to capital and debt service, with capital and debt accounting for over half of the 2015 Sanitary Sewer Fund costs.



In favor of level annual rate increases, we recommend the City continue to consistently increase sewer rates on an annual basis through 2019.

## Proposed Sewer Rates

This report proposes, for the City Council's consideration, a 5% rate increase for flat rates and usage rates for 2016. This is consistent with last year's report. Rate increases are still necessary in order to provide cash flow for operations, future capital and debt service requirements. This rate increase takes these factors into consideration and also compensates for the conservative growth projections.

An average residential property consumes 800 cubic feet of water per month. With a 5% rate increase in 2016, this type of property would see an increase of \$3.07 in their monthly sewer bill. The average commercial property using 2,600 cubic feet of water per month would receive an increase of \$11.67 in their monthly bill. The chart below shows the current water rate and the proposed rates for 2016 through 2020.

Monthly Sewer Rates	Existing	Proposed				
	2015	2016	2017	2018	2019	2020
<b>Annual Rate Increase</b>		<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>0.0%</b>
<b>Residential Users</b>						
Minimum Charge	\$ 25.60	\$ 26.88	\$ 28.22	\$ 29.63	\$ 31.12	\$ 31.12
(Includes 400 cu. Ft.)						
Consumption Rate	8.94	9.38	9.85	10.34	10.86	10.86
<b>Commercial Users</b>						
Minimum Charge	\$ 36.86	\$ 38.70	\$ 40.63	\$ 42.66	\$ 44.80	\$ 44.80
(Includes 400 cu. Ft.)						
Consumption Rate	8.94	9.38	9.85	10.34	10.86	10.86

## Storm Sewer Utility

The Storm Sewer utility was established in 2009 and has made great strides over the last couple of years to build cash reserves. This will allow for capital improvement projects associated with the street reconstruction program to be paid from cash on hand during the next few years. Currently, residential rates are a fixed amount of \$2.52 per home. Commercial properties are calculated individually based on the amount of impervious surface.

Ehlers is recommending only an inflationary rate increase of 2% for 2016. This is consistent with last year's report. However, annual rate increases will need to be incrementally larger in future years in order to keep the cash reserve at target levels and fund future capital improvement projects.

The rate chart below shows the recommended storm sewer rates through 2020.

Monthly Storm Sewer Rates	Existing 2015	Proposed				
		2016	2017	2018	2019	2020
<b>Annual Rate Increase</b>		<b>2.00%</b>	<b>2.00%</b>	<b>2.25%</b>	<b>2.25%</b>	<b>2.25%</b>
<b>Residential Users</b>						
Fixed Charge	\$ 2.52	\$ 2.57	\$ 2.62	\$ 2.68	\$ 2.74	\$ 2.80
<b>Commercial Users</b>						
Calculated individually	Contact City Finance Staff for details					

## Putting It All Together: The Utility Bill

From a customer's perspective, they receive one bill for water, sewer, and storm sewer and are concerned about the total amount. The increases to each of the utility rates provides for a consistent and equitable approach each year, thus avoiding high spikes in rates or "sticker shock". The following chart shows a sample utility bill for average residential customers consuming 800 cubic feet of water per month using the rates proposed above.

Monthly Bill	Existing 2015	Proposed				
		2016	2017	2018	2019	2020
Water	\$ 28.18	\$ 29.59	\$ 31.07	\$ 32.62	\$ 34.25	\$ 34.25
Sanitary Sewer	61.34	64.41	67.63	71.01	74.56	74.56
Storm Sewer	2.52	2.57	2.62	2.68	2.74	2.80
<b>Total Bill</b>	<b>\$ 92.04</b>	<b>\$ 96.57</b>	<b>\$101.32</b>	<b>\$106.31</b>	<b>\$111.55</b>	<b>\$111.61</b>
\$ Increase		\$ 4.53	\$ 4.75	\$ 4.99	\$ 5.24	\$ 0.06

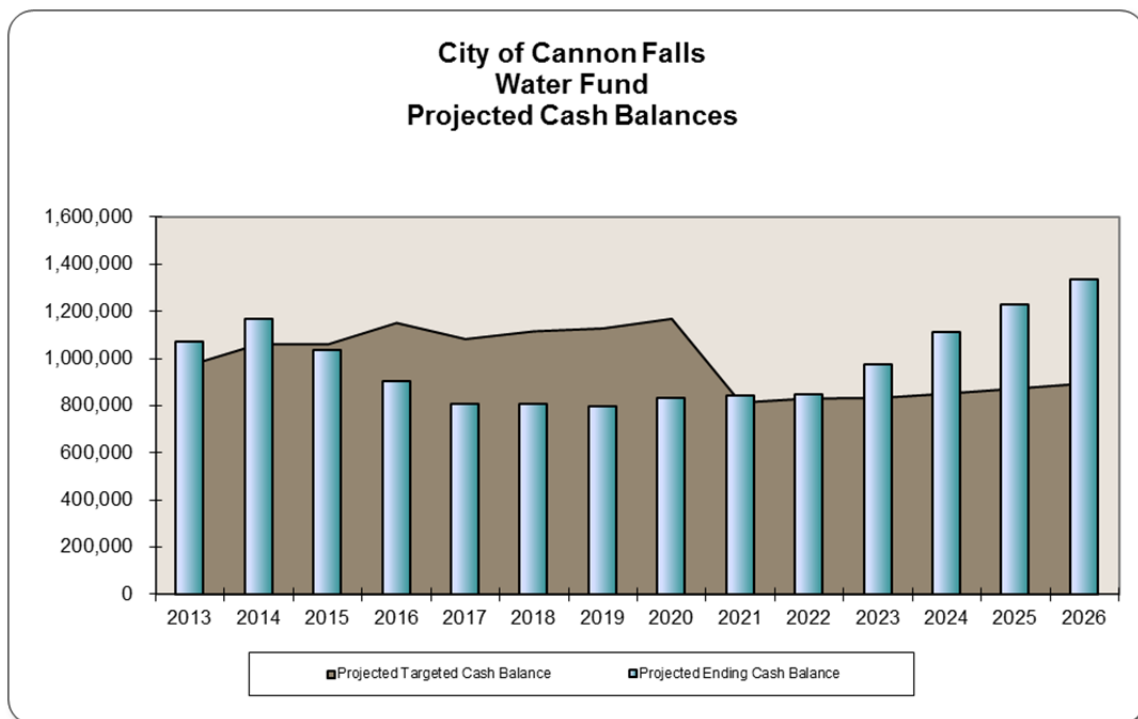
## Financing Capital Improvements

The capital improvement plans for the water, sewer and storm funds are attached in Exhibit A.

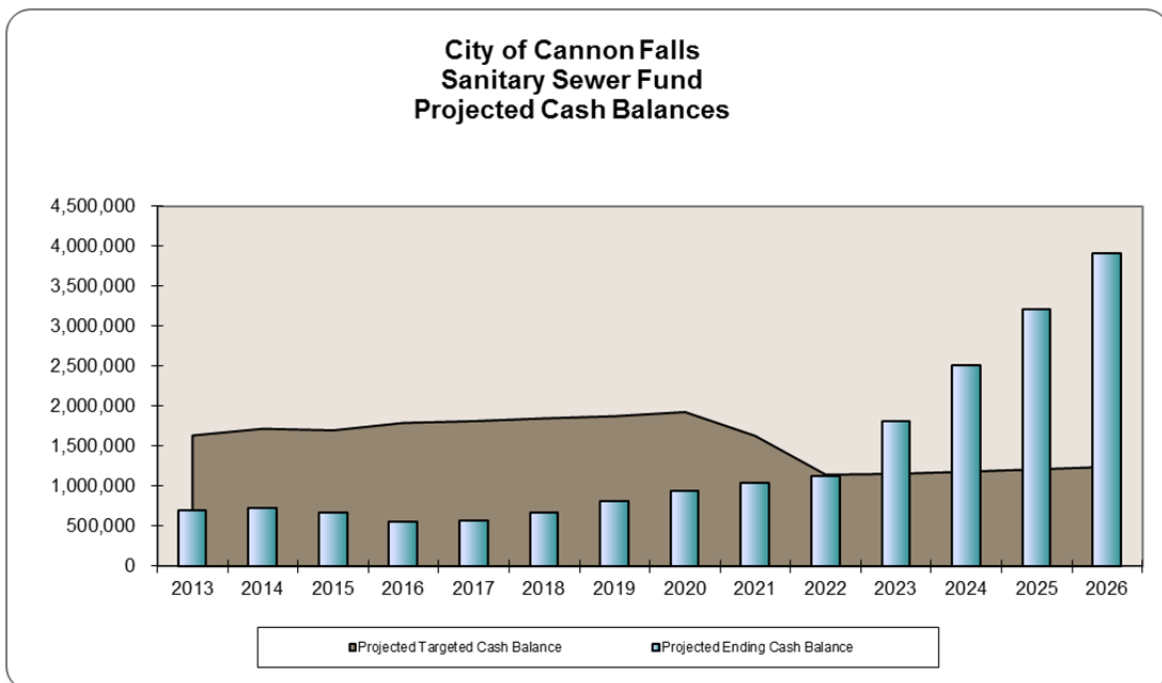
The City is planning to upgrade existing utility infrastructure every other year, from 2016 through 2022, in conjunction with the street reconstruction program. There are also plans for water tower cleaning, capital equipment purchases and other utility upgrades. However, it is anticipated that after the current street reconstruction program is completed in 2022 there will be minimal capital improvement costs going forward. The City will need to maintain adequate cash flow for any unpredictable expenses and continue reviewing capital requirements regularly in order to adjust utility rates accordingly.

## Target Cash Reserves

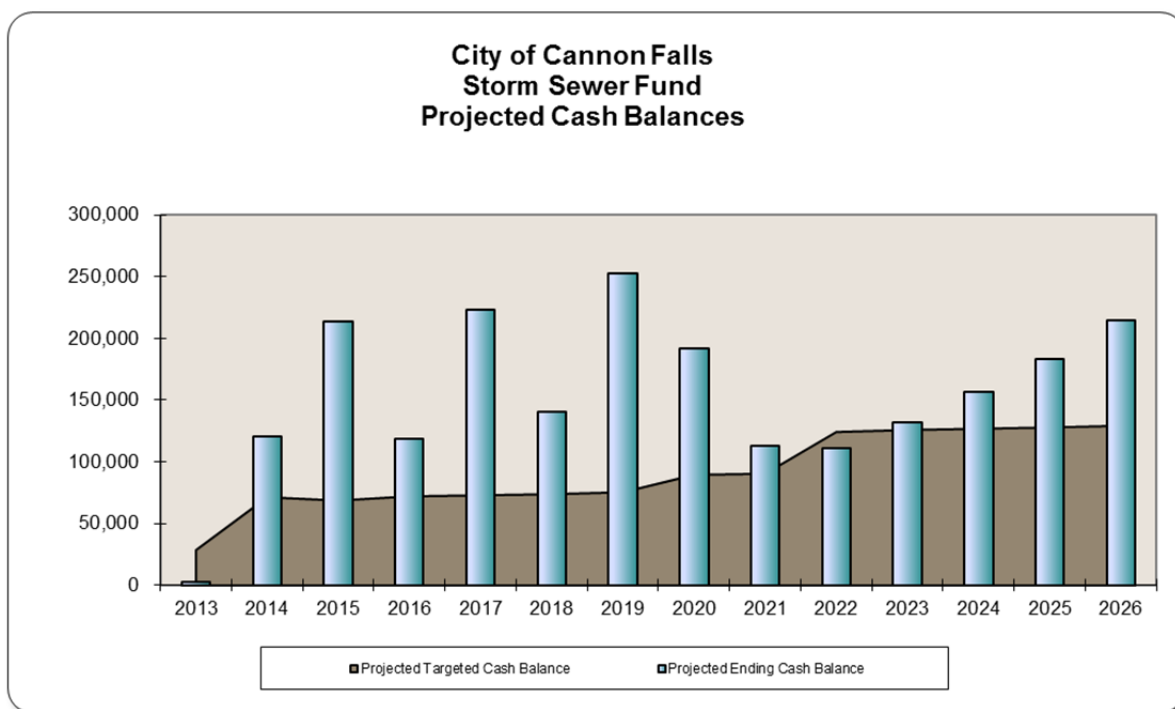
The proposed rates impose the lowest rate increases that will still leave the City's utility systems in good financial health and were designed to approximate a targeted cash balance equal to 50% of the current year's operating expense, plus 100% of current year's depreciation expense and next year's debt payments. The projected cash balances for the funds, a measure of financial health, are shown on the following page.



For the Water Fund, the cash balance is currently very close to the target. However, consistent annual increases will be needed to maintain cash reserves in the near term.



The Sewer Fund continues to close in on its target amount each year. We are estimating that with annual rate increases over the next few years the Sewer Fund will hit target around year 2022.



The Storm Sewer Fund cash balance currently exceeds the target. However, combined with steady incremental annual rate increases, this will allow the City to minimize reliance on bonding and avoid sudden large rate increases in the future.

## Summary

The proposed rates will provide sufficient revenue to pay routine operating expenses, pay for capital improvements to upgrade and expand the system, and provide prudent cash balances. Adequate cash balances allow the City to:

- Survive changing circumstances in the economy and the weather without rapidly increasing rates;
- Use cash to pay for a portion of capital improvements and reduce the frequency of borrowing.

Ehlers is recommending a dual-pronged approach to maintain the financial health of the City's utilities.

1. Consider the proposed changes in the rates for water, sewer, and storm sewer for 2016.
  - a. Water Fund – 5%
  - b. Sanitary Sewer Fund – 5%
  - c. Storm Sewer Fund – 2%
2. Consider annual updates to the utility rate study to ensure continued financial health of the funds.

The study assumes the City will finance major utility improvements in order to keep cash balances relatively steady from year to year. This study is not a debt plan. In practice, the City staff will continue to use the rate study's financing plan as a guide and, in consultation with its municipal advisor, consider when and how much debt to incur in any given year.



## Exhibit A – Capital Improvement Projects by Fund

### City of Cannon Falls

#### Water System Capital Improvement Plan

Project	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
R&R N. Booster Generator												
Radio Telemetry System												
North Reservoir				30,000								
Upgrade East Booster					50,000							
Water Treatment Facility												
Street Reconstruction Projects		653,000		160,000		232,000		310,000				
Pickup Truck (50%)	20,000		20,000									
Water Tower Clean			50,000	50,000	50,000	50,000	50,000	50,000				
Future Year Placeholder									150,000	150,000	150,000	150,000
Total	20,000	653,000	70,000	240,000	100,000	282,000	50,000	360,000	150,000	150,000	150,000	150,000
Total Inflated CIP Expense	20,000	653,000	72,100	254,616	109,273	317,393	57,964	429,859	184,481	190,016	195,716	201,587
Inflation Rate			3%	3%	3%	3%	3%	3%	3%	3%	3%	3%

#### Sanitary Sewer System Capital Improvement Plan

Project	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sewer River Crossing												
Sludge Dryer												
Two New Clarifiers												
Increase Size of Fine Screen								100,000				
Oxidation Ditch												
Replace Portable Generator												
Street Reconstruction Projects		611,000		120,000		260,000		480,000				
Pickup Truck (50%)	20,000		20,000									
Future Year Placeholder									125,000	125,000	125,000	125,000
Total	20,000	611,000	20,000	120,000	-	260,000	-	580,000	125,000	125,000	125,000	125,000
Total Inflated CIP Expense	20,000	611,000	20,600	127,308	-	292,632	-	692,550	153,734	158,346	163,097	167,990
Inflation Rate			3%	3%	3%	3%	3%	3%	3%	3%	3%	3%

#### Storm Sewer System Capital Improvement Plan

Project	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
318th St./CSAH 24 storm work												
4th & Mill St. storm						40,000						
Amsbury pond improvements												
Interchange storm share												
Equipment - Sweeper							160,000					
Street Reconstruction Projects		198,000		180,000		340,000		400,000				
Future Year Placeholder									50,000	50,000	50,000	50,000
Total	-	198,000	-	180,000	-	380,000	160,000	400,000	50,000	50,000	50,000	50,000
Total Inflated CIP Expense	-	198,000	-	190,962	-	427,693	185,484	477,621	61,494	63,339	65,239	67,196
Inflation Rate			3%	3%	3%	3%	3%	3%	3%	3%	3%	3%

## Exhibit B – Projected Cash Flows by Fund

### City of Cannon Falls Utility Rate Study

Water Fund	Actual	Preliminary	Budget	Projected									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Proposed Rate Increase (%)</b>		<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
Operating Revenues	707,799	719,316	760,608	843,968	887,810	934,030	937,949	941,867	945,786	949,705	953,623	957,542	961,461
Operating and Maintenance Expense	319,882	314,268	375,500	386,765	398,368	410,319	422,629	435,307	448,367	461,818	475,672	489,942	504,641
Net Before Debt Service	387,917	405,048	385,108	457,203	489,442	523,711	515,320	506,560	497,419	487,887	477,951	467,600	456,820
Existing Debt Service (P&I)	453,256	555,427	550,913	548,441	463,574	465,861	460,647	460,064	86,338	85,155	67,012	65,575	66,022
Projected Debt Service (P&I)	0	0	0	54,700	54,700	68,521	68,521	91,906	91,906	91,906	91,906	91,906	91,906
Total Debt Service	453,256	555,427	550,913	603,140	518,274	534,382	529,168	551,970	178,244	177,061	158,917	157,480	157,927
Net Revenues	(65,339)	(150,380)	(165,806)	(145,937)	(28,832)	(10,671)	(13,848)	(45,410)	319,175	310,826	319,034	310,120	298,893
Interest Income	5,573	5,133	10,334	9,014	8,079	8,053	9,927	12,495	14,741	16,933	19,505	22,166	24,588
Special Assessments	68,263	49,441	44,000	130,994	123,158	116,252	115,681	115,681	115,682	824	0	0	0
Other Non Operating Revenues/(Expenses)	(7,300)	(15,475)	(20,475)	(15,475)	(15,475)	(15,475)	(15,475)	(15,475)	(15,475)	(15,475)	(15,475)	(15,475)	(15,475)
Net Annual Cash Flow	1,197	(111,281)	(131,947)	(21,405)	86,931	98,159	96,285	67,292	434,123	313,108	323,064	316,811	308,006
Capital Projects	(80,720)	(20,000)	(653,000)	(72,100)	(254,616)	(109,273)	(317,393)	(57,964)	(429,859)	(184,481)	(190,016)	(195,716)	(201,587)
Bond Proceeds	0	0	653,000	0	165,000	0	260,000	0	0	0	0	0	0
Net Cash Flow after Capital Projects	(79,523)	(131,281)	(131,947)	(93,505)	(2,685)	(11,114)	38,891	9,328	4,265	128,626	133,049	121,095	106,418
<b>Ending Cash Balance</b>	<b>1,164,672</b>	<b>1,033,391</b>	<b>901,445</b>	<b>807,940</b>	<b>805,255</b>	<b>794,141</b>	<b>833,033</b>	<b>842,361</b>	<b>846,626</b>	<b>975,252</b>	<b>1,108,301</b>	<b>1,229,395</b>	<b>1,335,814</b>
<b>Targeted Working Capital</b>	1,061,195	1,060,038	1,150,890	1,082,456	1,115,490	1,127,710	1,168,467	813,237	831,103	832,581	851,353	872,617	894,058
<b>Over/(Under) Target Working Capital</b>	<b>103,477</b>	<b>(26,647)</b>	<b>(249,445)</b>	<b>(274,516)</b>	<b>(310,235)</b>	<b>(333,568)</b>	<b>(335,434)</b>	<b>29,124</b>	<b>15,523</b>	<b>142,672</b>	<b>256,947</b>	<b>356,778</b>	<b>441,756</b>

Sanitary Sewer Fund	Actual	Preliminary	Budget	Projected									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Proposed Rate Increase (%)</b>		<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
Operating Revenues	1,279,346	1,373,574	1,381,058	1,500,269	1,581,998	1,668,251	1,677,494	1,686,737	1,695,979	1,705,222	1,714,465	1,723,708	1,732,951
Operating and Maintenance Expense	492,958	471,300	534,850	550,896	567,422	584,445	601,978	620,038	638,639	657,798	677,532	697,858	718,794
Net Before Debt Service	786,388	902,274	846,208	949,374	1,014,575	1,083,806	1,075,515	1,066,699	1,057,341	1,047,424	1,036,933	1,025,850	1,014,157
Existing Debt Service (P&I)	872,062	970,536	965,888	964,934	964,363	964,653	966,659	966,360	641,648	99,264	81,968	80,234	79,886
Projected Debt Service (P&I)	0	0	0	51,098	51,098	61,568	61,568	87,651	87,651	119,131	119,131	119,131	119,131
Total Debt Service	872,062	970,536	965,888	1,016,032	1,015,461	1,026,221	1,028,227	1,054,011	729,299	218,394	201,099	199,365	199,016
Net Revenues	(85,674)	(68,262)	(119,680)	(66,658)	(885)	57,584	47,288	12,687	328,042	829,030	835,834	826,485	815,141
Interest Income	4,248	4,149	6,632	5,600	5,718	6,609	10,060	14,081	18,282	22,552	36,213	50,178	64,139
Special Assessments	54,943	40,909	36,300	109,028	101,993	95,219	94,648	94,648	94,649	674	0	0	0
Other Non Operating Revenues/(Expenses)	(9,953)	(15,475)	(25,475)	(15,475)	(15,475)	(15,475)	(15,475)	(15,475)	(15,475)	(15,475)	(15,475)	(15,475)	(15,475)
Net Annual Cash Flow	(36,436)	(38,679)	(102,223)	32,494	91,352	143,938	136,522	105,942	425,497	836,781	856,573	861,188	863,805
Capital Projects	(24,214)	(20,000)	(611,000)	(20,600)	(127,308)	0	(292,632)	0	(692,550)	(153,734)	(158,346)	(163,097)	(167,990)
Bond Proceeds	0	0	610,000	0	125,000	0	290,000	0	350,000	0	0	0	0
Net Cash Flow after Capital Projects	(60,650)	(58,679)	(103,223)	11,894	89,044	143,938	133,890	105,942	82,947	683,047	698,226	698,091	695,816
<b>Ending Cash Balance</b>	<b>721,854</b>	<b>663,175</b>	<b>559,951</b>	<b>571,846</b>	<b>660,889</b>	<b>804,827</b>	<b>938,716</b>	<b>1,044,658</b>	<b>1,127,605</b>	<b>1,810,652</b>	<b>2,508,878</b>	<b>3,206,969</b>	<b>3,902,785</b>
<b>Targeted Working Capital</b>	1,720,733	1,700,406	1,793,457	1,816,208	1,850,992	1,877,740	1,929,010	1,630,548	1,146,681	1,157,234	1,184,184	1,213,379	1,243,810
<b>Over/(Under) Target Working Capital</b>	<b>(998,879)</b>	<b>(1,037,231)</b>	<b>(1,233,506)</b>	<b>(1,244,362)</b>	<b>(1,190,103)</b>	<b>(1,072,913)</b>	<b>(990,294)</b>	<b>(585,890)</b>	<b>(19,076)</b>	<b>653,418</b>	<b>1,324,694</b>	<b>1,993,590</b>	<b>2,658,975</b>

Storm Sewer Fund	Actual	Preliminary	Budget	Projected									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Proposed Rate Increase (%)		2.00%	2.00%	2.00%	2.25%	2.25%	2.25%	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%
Operating Revenues	147,072	146,702	149,883	153,132	156,835	160,626	164,509	168,897	173,401	178,022	183,212	188,551	194,052
Operating and Maintenance Expense	8,072	10,327	10,950	11,279	11,617	11,965	12,324	12,694	13,075	13,467	13,871	14,287	14,716
Net Before Debt Service	139,000	136,375	138,933	141,853	145,218	148,661	152,184	156,203	160,326	164,555	169,341	174,263	179,336
Existing Debt Service (P&I)	(1,077)	42,639	38,696	38,560	38,454	38,333	38,792	29,291	29,113	28,948	29,331	29,110	28,880
Projected Interfund Loan Payments (P&I)	0	0	0	0	0	0	0	22,485	22,485	55,314	55,314	55,314	55,314
Total Debt Service	(1,077)	42,639	38,696	38,560	38,454	38,333	38,792	51,776	51,598	84,261	84,644	84,424	84,194
Net Revenues	140,077	93,737	100,237	103,293	106,764	110,329	113,392	104,427	108,728	80,294	84,697	89,839	95,142
Interest Income	169	76	2,140	1,184	2,228	1,409	3,158	2,872	1,982	2,227	2,648	2,648	3,128
Special Assessments	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Non Operating Revenues/(Expenses)	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Annual Cash Flow	140,246	93,813	102,377	104,477	108,992	111,737	116,550	107,299	110,710	82,521	87,345	92,487	98,270
Capital Projects	(23,017)	0	(198,000)	0	(190,962)	0	(427,693)	(185,484)	(477,621)	(61,494)	(63,339)	(65,239)	(67,196)
Bond Proceeds	0	0	0	0	0	0	250,000	0	365,000	0	0	0	0
Net Cash Flow after Capital Projects	117,229	93,813	(95,623)	104,477	(81,970)	111,737	(61,144)	(78,185)	(1,910)	21,028	24,006	27,249	31,074
Ending Cash Balance	120,178	213,991	118,367	222,844	140,875	252,612	191,469	113,283	111,373	132,401	156,407	183,656	214,730
Targeted Working Capital	71,313	68,681	72,035	72,933	73,846	75,371	89,452	90,405	124,232	125,814	126,830	127,871	129,182
Over/(Under) Target Working Capital	48,865	145,310	46,332	149,911	67,029	177,241	102,016	22,879	(12,860)	6,586	29,577	55,785	85,548

**CITY OF CANNON FALLS  
GOODHUE COUNTY, MINNESOTA**

**RESOLUTION NUMBER 2202**

**A RESOLUTION TO ESTABLISH UTILITY RATE CHARGES**

WHEREAS, the Cannon Falls City Code provides that rates for City utilities not specifically set by the Code, shall be fixed and determined by resolution of the City Council.

NOW, THEREFORE BE IT RESOLVED, that the following utility rate charges shall be effective on or after July 1, 2016.

**Water User Charges**

Effective with the billing for July 1, 2016 usage, the following rates shall apply for residential, multi-family, commercial and industrial users of City water:

1. Base Charges:
  - a. The base residential water charge shall be \$6.03 for the month.
  - b. The base commercial/industrial water charge shall be \$6.03 for the month.
2. Residential Usage Charges:
  - a. The water charge shall be \$2.55 per 100 cu. ft. per month for usage up to 300 cu. ft. for the month.
  - b. The water charge shall be \$3.18 per 100 cu. ft. for usage between 301 cu. ft. up to 900 cu. ft. for the month.
  - c. The water charge shall be \$3.97 per 100 cu. ft. for usage between 901 cu. ft. up to 6,000 cu. ft. for the month.
  - d. For usage over 6,000 cu. ft., the rate shall be \$5.94 per 100 cu. ft. per month.
3. Commercial/Industrial Usage Charges:
  - a. The water charge shall be \$2.55 per 100 cu. ft. per month for usage up to 800 cu. ft. for the month.
  - b. The water charge shall be \$3.18 per 100 cu. ft. for usage between 801 up to 2,800 cu. ft. for the month.
  - c. The water charge shall by \$3.97 per 100 cu. Ft. for usage between 2,801 up to 7,500 cu. ft. for the month.
  - d. For usage over 7,500 cu. ft., the rate shall be \$5.94 per 100 cu. ft. per month.
4. Irrigation Charges:
  - a. The charge for irrigation meters shall be \$5.94 per 100 cu. ft. per month.

### 5. Multiple Dwelling Units

The water usage for multiple dwelling units is calculated by multiplying the number of units by the tier breaks (ex: 3 units X 300 cu. ft. = 900 cu ft for the first tier). The base charge is the flat fee multiplied by the number of units. Such water charges for multiple dwelling units shall be based upon the number of living units per structure, whether said living units are occupied or not.

## Sewer Charges

Sewer system charges are hereby imposed upon all users in a total amount sufficient to pay the costs of the treatment system. Sewer system charges shall consist of the minimum charge, the O & M User Charge for most users, and the industrial charge for users subject to regular monitoring or which have BOD5 or TSS concentrations higher than domestic waste. User rates shall be updated annually to reflect current costs and to maintain equity in user fees.

Effective with the billing for July 1, 2016 usage, the following rates shall apply for residential, multi-family, commercial and industrial users of City water:

1. Residential Usage Charge
  - a. The minimum residential sewer charge shall be \$26.88 per month and allows for usage up to 400 cu. ft. for the month.
  - b. If the total usage is over 400 cu. ft., the sewer charge for all usage, including the first 400 cu. ft., the rate shall be \$9.38 per 100 cu. ft. for the month.
2. Commercial/Industrial Usage Charge
  - a. The minimum commercial sewer charge shall be \$38.70 per month and allows for usage up to 400 cu. ft. for the month.
  - b. If the total usage is over 400 cu. ft., the sewer charge for all usage, including the first 400 cu. ft., the rate shall be \$9.38 per 100 cu. ft. for the month.
3. The Industrial Charge

The industrial charge shall be applicable to industrial discharges subject to regular wastewater monitoring for biochemical oxygen demand (BOD5) and suspended solids (SS). The unit rates for the industrial charges are as follows:

### O & M UNIT RATES FOR BOD5 & SUSPENDED SOLIDS EXCEEDING DOMESTIC STRENGTH

	BOD \$ per 100 lb.	TSS \$ per 100 lb.	Phosphorus \$ per 100 lb.	Nickel & Zinc \$ per 100 lb.
Effective 1/1/14	\$65.00	\$63.00	\$107.00	\$62.00

#### 4. Surcharge

If the character of any user's waste discharge is such that special laboratory testing, monitoring, pretreatment or other extraordinary costs are incurred by the City, then such extra costs shall be added to said user's bill and paid in the same manner as other user charges.

#### Sewer Only Users

1. All commercial, industrial and apartment dwelling of five (5) families or more that are not using City water shall be required to purchase and install a water meter at user's expense. Sewer charges shall be at current rates based upon water meter readings.
2. Dwellings of 4 or less units not using City water but connected to City sewer may either purchase a meter and be charged at the ongoing sewer rates or pay a resident charge per unit per monthly billing period for sewer usage in lieu thereof.

Effective with the billing for July 1, 2016 usage, the resident charge shall be \$89.65 per unit per monthly period.

#### Subd. C. Sewer Usage Credit (Sprinkling Credit)

Since water used on lawns, gardens, trees and the like, does not go into the sanitary sewer, the City will give a credit for said use. The credit shall be the difference between the actual metered use and an amount equal to 150% of the average use from November 1 to March 31. The sewer credit shall be applied to billings for May through September usage (June through October billings).

#### Storm Water Charges

Effective with the billing for July 1, 2016 usage, the following unit rates shall apply for residential, multi-family, commercial and industrial accounts:

Residential:	\$ 6.76
Multi-Family:	\$18.40
Institutional:	\$22.33
Industrial:	\$22.33
Commercial:	\$28.62

The unit rate is the rate charged per acre. For example, a residential unit is based upon 0.38 acres that would result in a \$2.57 monthly charge.

Adopted by the City Council of the City of Cannon Falls on this 17<sup>th</sup> day of May, 2016.

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Lyman M. Robinson, Mayor

ATTEST:

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Ronald S. Johnson, City Administrator