



WASTEWATER TREATMENT PLANT and Rates

Presentation to City Council on 6/1/15

PRESENTATION OUTLINE

- 1) Revised Rate Proposal
- 2) Answers to Questions
- 3) Wastewater Treatment
Plant Proposal
Considerations

Revised Rate Proposal for Consideration

- 40% Sewer Rate increase effective November 1st, 2015
- 40% Sewer Rate increase effective December 1st, 2016
- 20% Water Rate increase effective November 1st, 2015
- 20% Water Rate increase effective December 1st, 2016
- Restructured debt to have lower payments at the beginning (sewer)

What does this mean in dollars?

2016 - \$10.56 - \$21.80 per month based on tier

2017 - \$14.06 - \$29.12 per month based on tier

			11/1/15 Increase	12/1/16 Increase
Consumption	2014	2015	2016	2017
1000	\$ 35.93	\$ 35.93	\$ 46.49	\$ 60.55
2000	\$ 45.08	\$ 45.08	\$ 58.45	\$ 76.28
3000	\$ 54.23	\$ 54.23	\$ 70.41	\$ 92.00
4000	\$ 63.38	\$ 63.38	\$ 82.37	\$ 107.73
5000	\$ 72.53	\$ 72.53	\$ 94.33	\$ 123.45

Addressing Questions from 5/18

ACCORDING TO THE 2010 CENSUS THE POPULATION FOR ST. FRANCIS IS APPROXIMATELY 7,300, OF THAT NUMBER, HOW MANY ARE THE CORE RESIDENTS THAT THIS RATE HIKE WILL ACTUALLY AFFECT?

- 1,511 residential connections
- 397 “equivalent units” (multifamily, etc.)
- Totaling 1,908
- 70 commercial connections
- 573 “equivalent units”
- Totaling 643 commercial

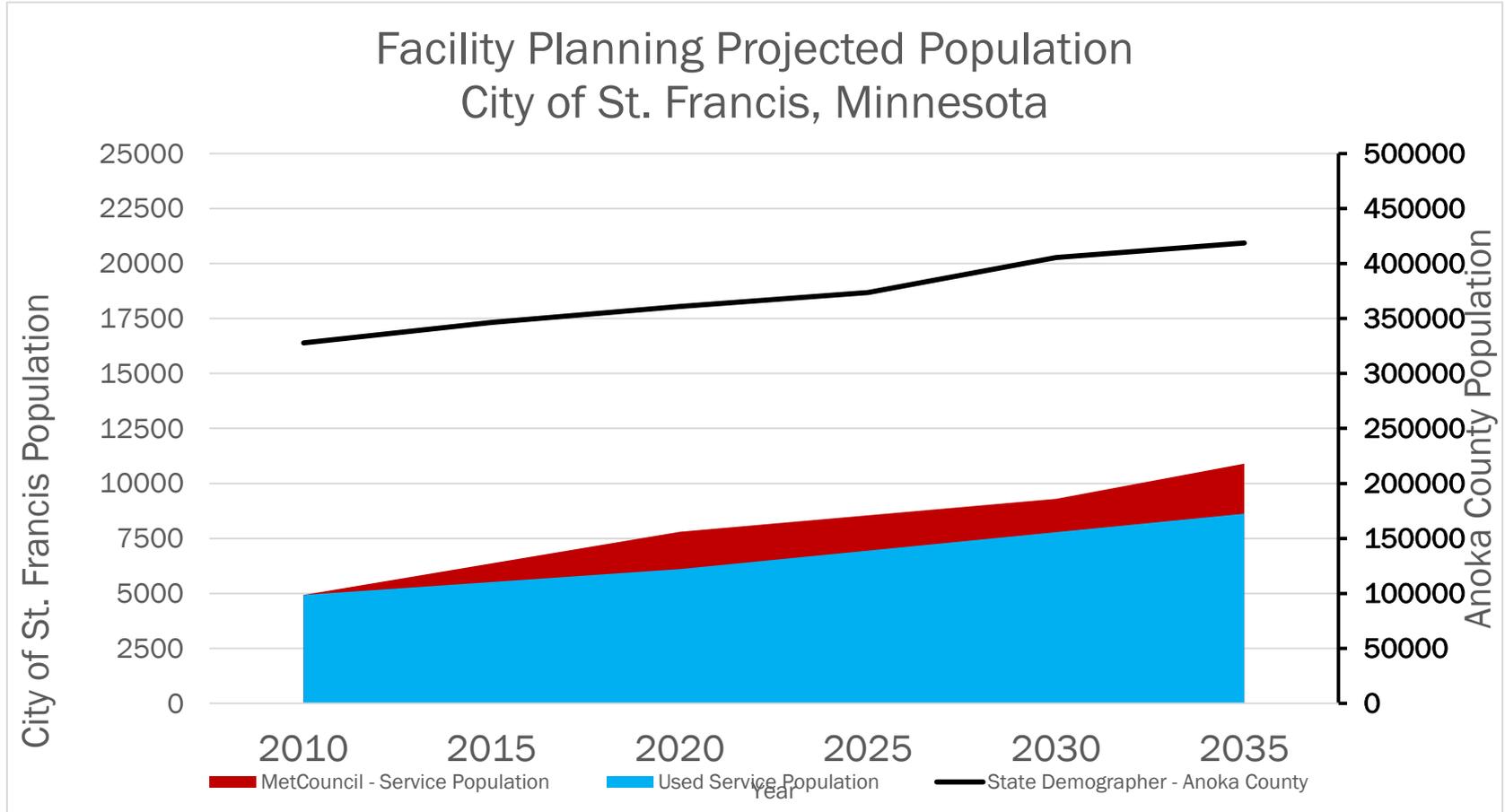
Assume 2.82 (2010) per household and 1 owner per commercial:

$$1,908 \times 2.82 = 5,380.56 + 70 = \mathbf{5,450}$$

WHAT POPULATION NUMBER IS THE CITY PROJECTING BY THE YEAR 2035 AND WHERE IS THIS NUMBER COMING FROM?

- State Demographer – 418,840 For Anoka County
- Met Council – 10,900 for St. Francis
- Projection Used by City – 8,624
- Number Staff used to be conservative due to number of communities over projecting their growth

CONTINUED...



WHY CAN'T THE CITY HOOK UP TO THE MET COUNCIL FACILITY?

- “For your information, our East Bethel wastewater reclamation plant has a capacity of 0.4 mgd. Your existing plant capacity is 0.54 mgd, and is proposed to be increased to 0.81 mgd. The two plants are also about 10 miles apart. That’s why I do not think that there would be an advantage to combining the two facilities.”

COULD THIS UPGRADE BE PHASED IN INSTEAD OF ALL AT ONCE?

- In order to increase capacity, a new plant needs to be built
- The project could be scaled down from .814 mgd to .7 mgd
 - Size of aeration basin from 72' x 72' to 68' x 68'
 - Clarifiers from 55' diameter to 50'
 - Resizing the filters
 - Resize bio solid storage tanks
- The City is being conservative in their growth projections and scaling back on capacity to save up to \$2 million could be a mistake

IS THE FACILITY MANUALLY MAINTAINED OR AUTOMATED AND WHAT IS THE COST DIFFERENCE?

- Proposed project in partially automated
- Allows for 24/7 – 365 operation at Staffing of 40 hrs. per week
- Less automation would requiring 24/7 – 365 Staffing
- Price tag = \$1 million
- Can be upgraded with future automation, if cost effective (energy saving)

HOW MUCH TIME HAS THE MPCA GIVEN THE CITY TO UPGRADE?

- There is no schedule from the MPCA
- Timing is related to two factors:
 - Ability to grow beyond 250 residential connections (capacity)
 - Address historic violations
- Wastewater Projects take years to develop, implement and construct

WHAT IS THE FINANCIAL RATING FOR THE CITY?

- St. Francis' Financial Rating: AA-

HAS THE CITY LOOKED INTO TAX EXEMPT MUNICIPAL BONDS TO HELP FINANCE THIS UPGRADE?

- The interest on the MN PFA Loan is estimated between 1% - 2%
- Financing through traditional bonding would increase interest significantly – likely 4% - 5%

WHERE IS THE CITY GETTING THEIR FINANCIAL ADVICE FROM?

- Northland Securities

IS THERE STATE OR FEDERAL MONEY OUT THERE FOR THIS TYPE OF IMPROVEMENT?

- Eligible for Federal and State money administered from the Public Facility Authority (PFA)
- This project is “scored” against other wastewater projects in the State
- Listed as “fundable” last fall
- Up to \$3 million in grant dollars available
- 20 year loan at approximately 1% - 2%

WHY CAN'T THIS RATE HIKE BE PHASED IN OVER A NUMBER OF YEARS INSTEAD OF IMMEDIATELY IN ORDER TO BUILD UP THE FINANCING NEEDED?

- After May 18th Meeting, Staff has revised proposal
- Generates less initial revenue so overall rates will end up higher as increases are needed

WHY CAN'T PAYBACK PERIOD BE 25-30 YEARS INSTEAD OF 20 YEARS?

- The MN PFA determines the payback period
- Based on the bids a 20 year term is required

HAS THE CITY GOTTEN MULTIPLE BIDS FOR THIS PROJECT AND IF SO, FROM WHAT COMPANIES?

- Gridor Construction - \$21,832,300.00
- Rice Lake Construction Group - \$25,394,700.00

IS THE CITY OVER BUILDING THIS PROJECT FOR IT'S PROPOSED POPULATION INCREASE?

(i.e. what if the City doesn't grow as projected, will this be too large of a facility and end up doing more damage to the city in regards to future growth because it will be too expensive to live here)

- Project flow was developed as a combination of State Demographer, Met Council and City Staff projections
- Selected projections provide for “sufficient” growth
- Sizes of treatment components did play a part to provide best value for the City of St. Francis

ANOKA, COON RAPIDS AND BLAINE- WE ARE PAYING DOUBLE THEIR RATES AND NOW IT WILL BE TRIPLE- WHY?

- Those cities are much more populated
- Many more properties connected to sewer and water
- They are connected to the Met Council
- Each city needs to determine costs and services and these are scaled by service and population
- They are using facilities originally built in the 1930s
- St. Francis built a new water plant in 2008

WHY ARE WATER RATES GOING UP?

- Current Rates are not covering operations, maintenance and debt service on the existing water plant
- The City needs to set rates to cover these expenses
- Sewer rates need to increase to cover additional debt service payments for proposed debt

IS THERE MONEY SET ASIDE?

- The City has experienced a decrease in its cash balance for both water and sewer
- Smaller increases showed negative cash balances in years in a few years

HOW WERE RATES DETERMINED?

- The rates were determined by a Financial Management Plan prepared by Northland Securities
- The plan reviewed operations, capital and bond expenses

ARE RATES HIGHER BECAUSE THE BIDS CAME IN HIGHER?

- Rates will need to be reviewed and adjusted annually
- The higher than anticipated bids require higher bond payments
- The City is proposing lower bond payments at the beginning to phase in the rates

“BAND-AID” APPROACH- HOW MUCH DOES THIS COST AND DOES IT ADDRESS CAPACITY?

- The “band aid” is a \$10 to \$12M project to address the needs at the existing wastewater treatment facility. This does not address the capacity issue the city will face.

WHAT OTHER OPTIONS DID THE CITY LOOK AT?

- Discharging to the Rum River
- Seeyle Brook
- Rapid Infiltration Basins
- Land Application and Reuse
- Rehabilitation/expansion of the Pond System
- Expansion at an east wastewater site
- BAF System
- Regionalism
- Activated Sludge Processes (selected)

END OF QUESTIONS

WATER RATE INCREASES – WHY?

- There is nothing wrong with the water plant, it is less than ten years old
- The water operating fund has been spending down the cash balance every year and revenues need to be increased to offset expenses
- A 2006 rate study suggested rates should be at \$15.00 base rate and \$5.00 per 1,000 gallons (in 2015) this included many more connections
- Currently the rates are at \$13.75 base rate and \$4.25 per 1,000 gallons
- The City eased off of the suggested rate increases in the study due to the recession shortly following, rightfully so
- However, expenses have continued to increase and revenue needs to cover expenses

WATER RATES

- Staff has brought forward a revised recommendation for tonight
- Staff is proposing a “phased in” rate increase that would increase rates 20% effective November 1st, 2015
- Staff is also recommending a 20% increase effective December 1st, 2016

WASTEWATER TREATMENT FACILITY – WHY?

- Two major reasons
 - 1) MPCA Regulation and requirements
 - 2) Number of connected users

MPCA REGULATIONS AND VIOLATIONS

- The City has had numerous violations
- The MPCA has statutory authority to fine up to \$10,000 per day
- They also have the authority to effectively issue a moratorium on sewer extensions

NUMBER OF CONNECTED USERS

- The City's current Wastewater Treatment Facility can accommodate up to 250 additional residential connections
- The City has approximately 256 residential lots that have received at least preliminary plat approval – which would essentially make them able to connect as soon as they are sold
- The City also has approximately 23 commercial lots with usage estimated to equal 82 “equivalent” connections
- This would mean there are approximately 340 users that are anticipated to connect
- These do not include any “new development” opportunities
- A new facility is estimated to take two years to construct

Recap of the Proposal Tonight

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