AGENDA
SHAKOPEE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
JULY 15, 2019

1. **Call to Order** at 5:00pm in the SPUC Service Center, 255 Sarazin Street.

2. **Approval of Minutes**

3. **Communications**

4. **Approve the Agenda**

5. **Approval of Consent Business**

6. **Bills: Approve Warrant List**

7. **Liaison Report**

8. **Reports: Water Items**
   - 8a) Water System Operations Report – Verbal
   - 8b) Water Rates/Water Fees Comparatives – Ehlers Consulting

9. **Reports: Electric Items**
   - 9a) Electric System Operations Report – Verbal

10. **Reports: Human Resources**

11. **Reports: General**
    - 11a) E-Bill Deployment – Presentation
    - 11b) Shakopee Valley News Request
    - 11c) July 2 City Council Meeting – Discussion

12. **New Business**

13. **Tentative Dates for Upcoming Meetings**
    - Regular Meeting -- August 5
    - Mid Month Meeting -- August 19
    - Regular Meeting -- September 3 (Tuesday)
    - Mid Month Meeting -- September 16

14. **Adjourn** to 8/5/19 at the SPU Service Center, 255 Sarazin Street

MINUTES

OF THE

SHAKOPEE PUBLIC UTILITIES COMMISSION
(Regular Meeting)

President Joos called the regular session of the Shakopee Public Utilities Commission to order at the Shakopee Public Utilities meeting room at 5:00 P.M., July 1, 2019.

MEMBERS PRESENT: Commissioners Joos, Amundson, Meyer, Clay and Mocol. Also present, Utilities Manager Crooks, Planning & Engineering Director Adams, Water Superintendent Schemel and Marketing/Customer Relations Director Walsh.

Motion by Amundson, seconded by Meyer to approve the minutes of the June 17, 2019 Commission meeting. Motion carried.

Under Communications, Utilities Manager read a letter from two children requesting the Lions Park Splash Pad be built. Commission Mocol stated that she had received two emails and four texts requesting the SPU Commission waive any fees for the Splash Pad.

President Joos offered the agenda for approval.

Motion by Mocol, seconded by Clay to approve the agenda as presented. Motion carried.

Motion by Amundson, seconded by Clay to approve the Consent Business agenda as presented. Motion carried.

President Joos stated that the Consent Items were: Item 8b: Quarterly Nitrate Results, Item 8c: Windermere Booster Station Construction Update, Item 11a: SPU Website Analytics and Item 11b: SPU Focus Newsletter.

The warrant listing for bills paid July 1, 2019 was presented.

Motion by Clay, seconded by Amundson to approve the warrant listing dated July 1, 2019 as presented. Motion carried.

Liaison Lehman did not attend the meeting.

Water Superintendent Schemel provided a report of current water operations. During hydrant flushing operations, 18 fire hydrants have been repaired. The crew has exercised 248 gate valves. Updates on construction projects were provided.

Item 8b: Quarterly Nitrate Results was received under Consent Business.

Item 8c: Windermere Booster Station Construction Update was received under Consent Business.

Planning and Engineering Director Adams reviewed the draft Property Purchase Agreement for the future municipal water well and water tower site in southwest Shakopee. The storm water drainage issues with the property were reviewed.

Motion by Meyer, seconded by Clay to approve the terms of the Purchase Agreement subject to legal review and the Utilities Manager's discretion on inconsequential language that do not materially affect the outcome as the document is finalized with the property owners and their attorney. The purchase agreement is with Latour Farms, L.P. for approximately 6.82 acres at $85,000 per acre for a total of $579,700 subject to an "as built" survey to determine the legal parcel boundaries and area. Motion carried.

Mr. Crooks presented information and an update on the Lion's Park Splash Pad. Representatives of the Shakopee Lions Club were present. A letter from Shakopee Mayor Bill Mars requesting a waiver of the Water Capacity Charge (WCC) was discussed. Mr. Crooks also reviewed a donation that SPU made in conjunction with the construction of Huber Park in downtown Shakopee in 2005. Additional information from Mr. Adams regarding alternatives to water usage with the Splash Pad were discussed. Two resolutions were prepared by SPU Staff for review by the Commission. One resolution waived the WCC with the dollars being subtracted from the SPU annual city contribution; the second resolution waiving the WCC in its entirety. The Commission opted for the second resolution as presented.

Motion by Mocol, seconded by Meyer to offer Resolution #1248. A Partnership Between the Shakopee Public Utilities Commission, the City of Shakopee and the Shakopee Lions, For the Project of Installing a Community Amenity (Splash Pad) Within Lion's Park and Terms and Conditions of Water Service. Ayes: Commissioners Clay, Meyer, Mocol, Amundson and Joos. Nay: none. Motion carried. Resolution passed.

Mr. Crooks provided a report of current electric operations. The electric system had a peak load of 91 MW during June. There were 4 electric outages since the last Commission meeting. One was caused by a contractor and three were caused by animals. For the three animal caused outages, all were on poles that have not yet been fitted with the deterrent wrap. Construction updates were provided.

Mr. Crooks read the MMPA Board Meeting Public Summary for June 2019.

Item 11a: SPU Website Analytics was received under Consent Business.

Item 11b: SPU Focus Newsletter was received under Consent Business.

The SPU online payment system, EBill, went live at 0800 Thursday June 27. The deployment was a "soft launch" to identify any issues, if any, before the EBill communications begin with our entire customer base. Mr. Crooks reviewed many of the features with the online

bill pay system. A demonstration of the new system will be made at the July 15 Commission meeting.

The tentative commission meeting dates of July 15 and August 5 were noted.

President Joos thanked the Commission for making an informed decision in regards to the Lions Club Splash Pad issue.

Motion by Meyer, seconded by Amundson to adjourn to the July 15, 2019 meeting. Motion carried.

Commission Secretary: John R. Crooks

SHAKOPEE PUBLIC UTILITIES

"Lighting the Way – Yesterday, Today and Beyond"

July 12, 2019

TO: John Crooks, Utilities Manager

FROM: Renee Schmid, Director of Finance and Administration

SUBJECT: Development Fee and Utility Rate Comparison

Background

SPU engaged the firm of Ehlers to complete a study to compare Development Fees and Utility Rates for neighboring communities with similar topography and development patterns. Mr. Jason Aarsvold, a municipal advisor with Ehlers, will present the results of the study at the SPU Commission meeting on Monday, July 17, 2019. The presentation and detail support information is enclosed for reference.

Commission Action Recommended

- Accept the study on Development Fee and Utility Rate Comparison as presented by Ehlers.

EHLERS
LEADERS IN PUBLIC FINANCE

Development Fee Comparison

For Shakopee Public Utilities

Why do development fees differ?

Infrastructure Costs

- Terrain
- Aquifers and Water Quality
- Development Patterns

Philosophy

- Should growth pay for itself?

Degree of Analysis

- Has a study been completed?

Current Water Development Fee Structure

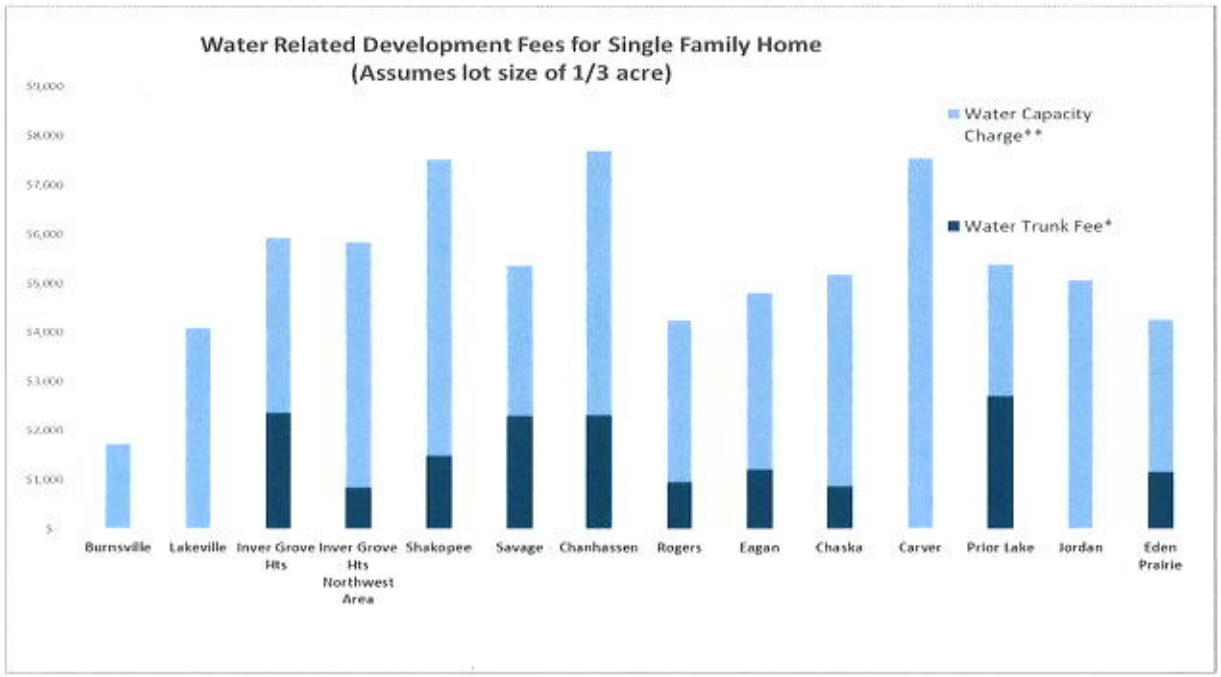
Trunk Water Fees (paid at plat)

- $4,451/acre
- Developers prefer paying fees with building permit
- Collecting fees at plat financially protects SPU

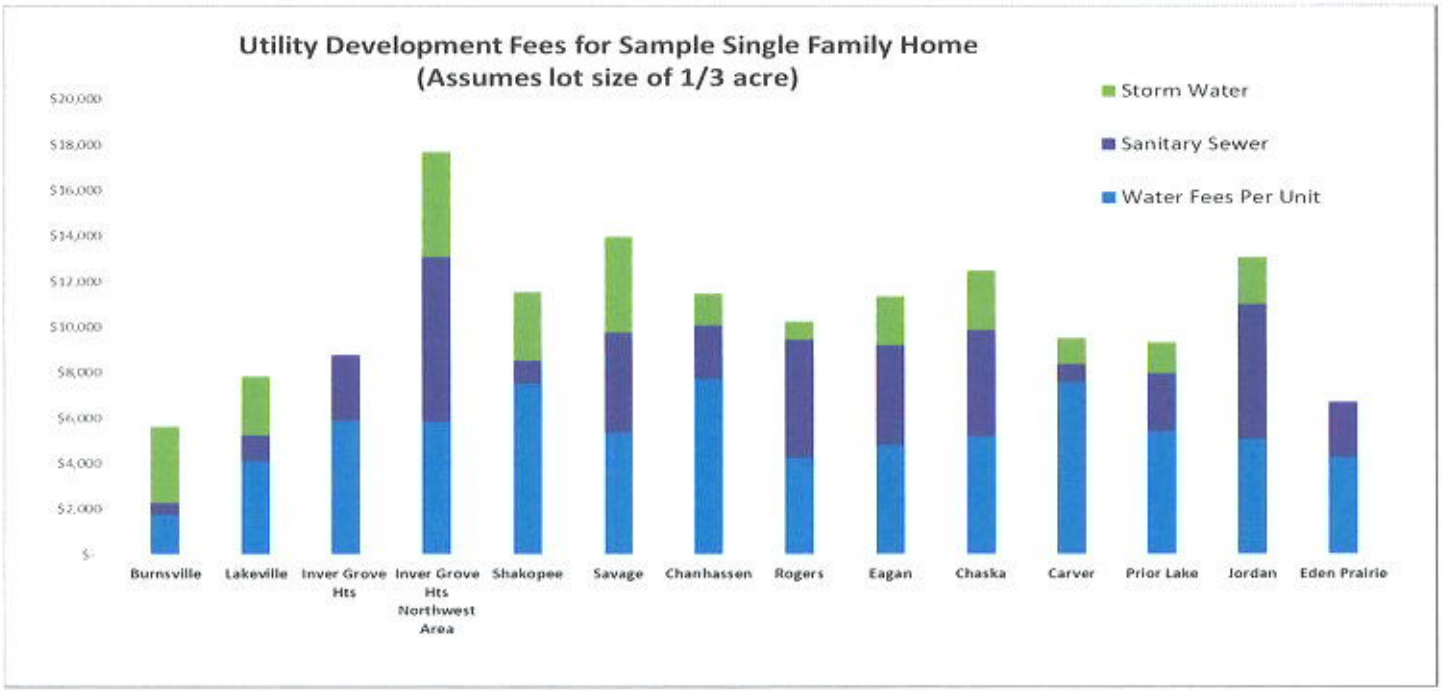
Water Capacity Charge (paid with building permit)

- $6,039 per SAC unit + 14.2 cents/sq. ft. for industrial

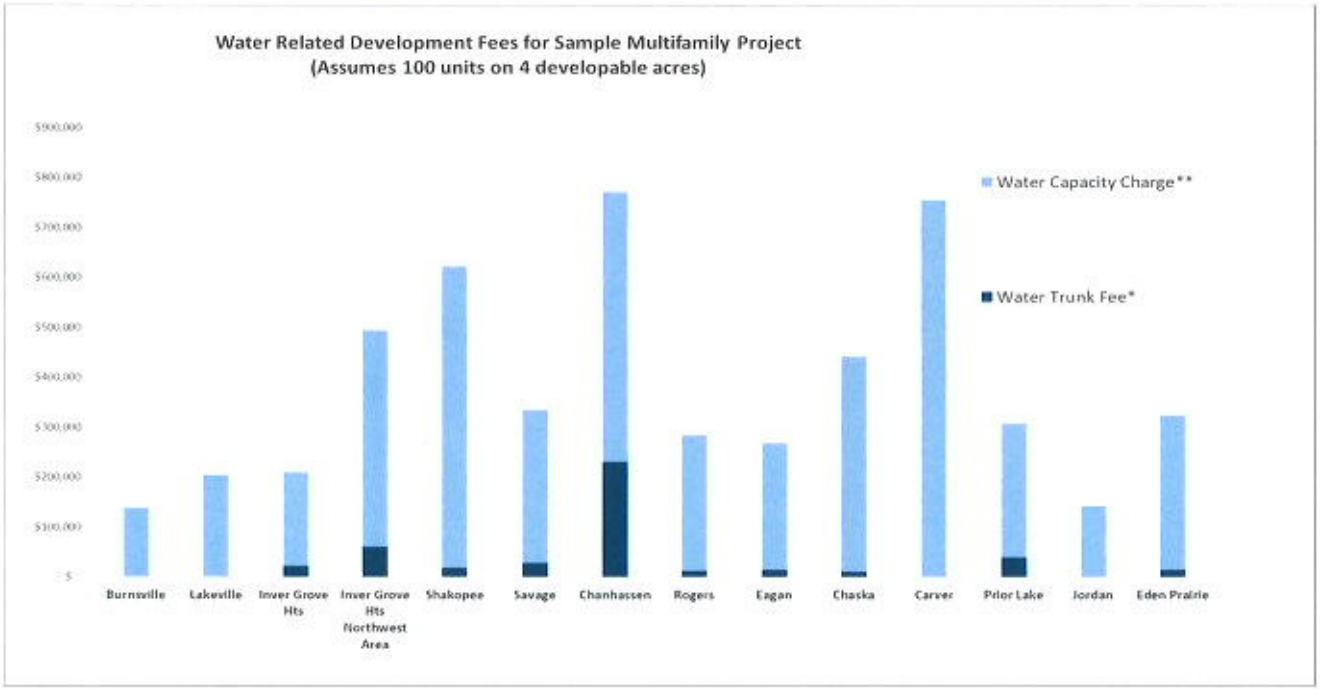
Water Dev. Fee Comparison – Single Family Home



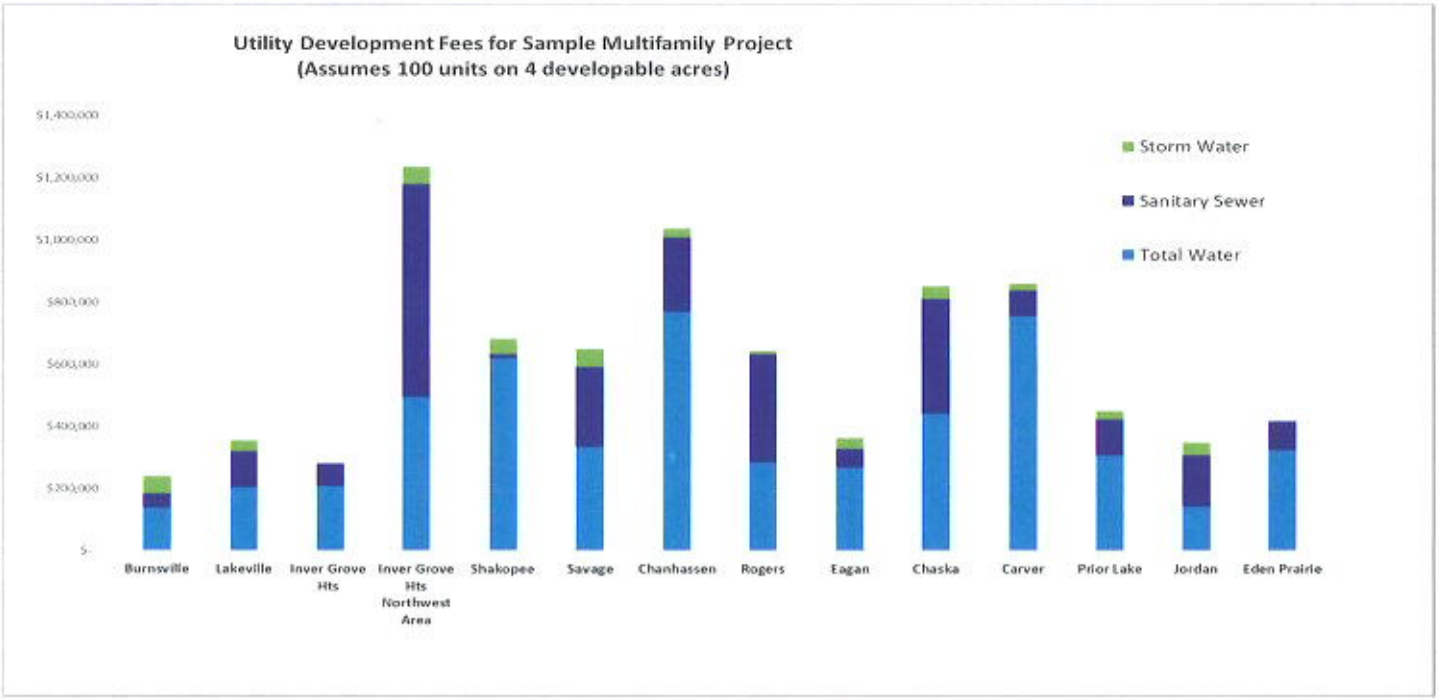
Total Utility Fee Comparison – Single Family Home



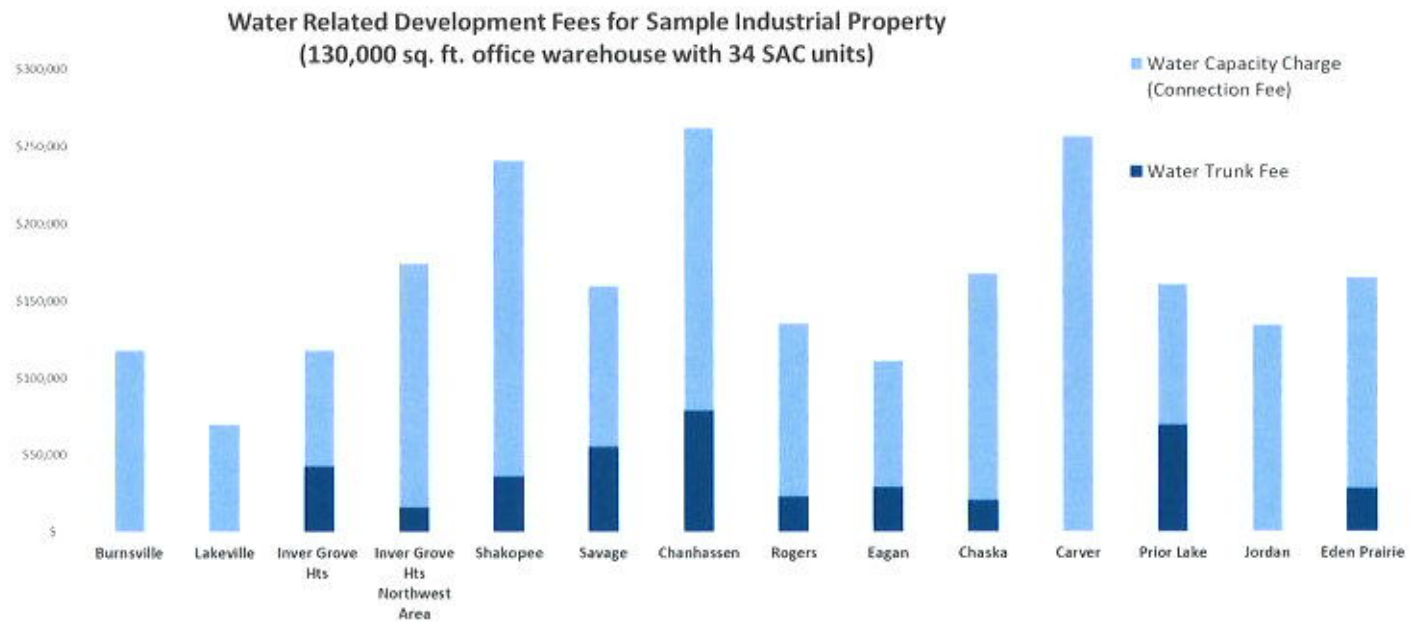
Water Dev. Fee Comparison – Multifamily Project



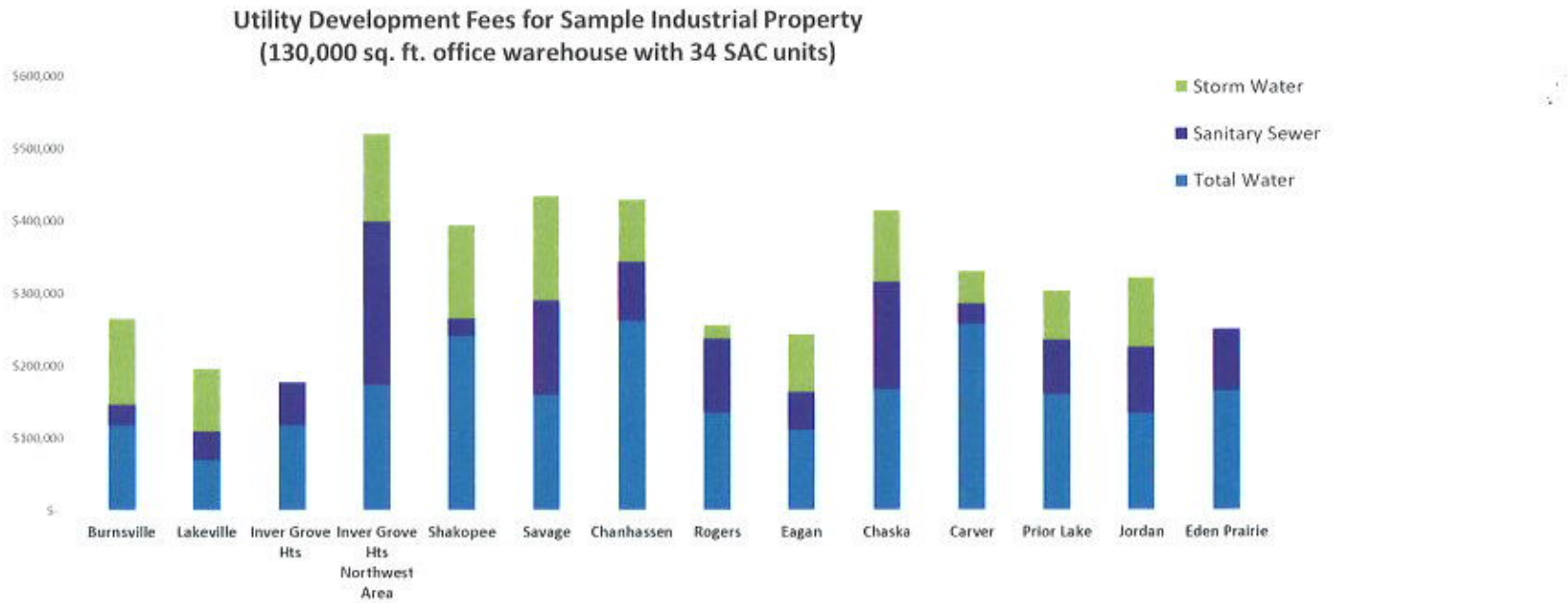
Total Utility Fee Comparison – Multifamily Project



Water Dev. Fee Comparison – Mixed Use Industrial



Total Utility Fee Comparison – Mixed Use Industrial



Trends in Development Fees

Developer Push-back

Trunk fees collected at platting becoming more common

Cities reducing costs for multi-family by:

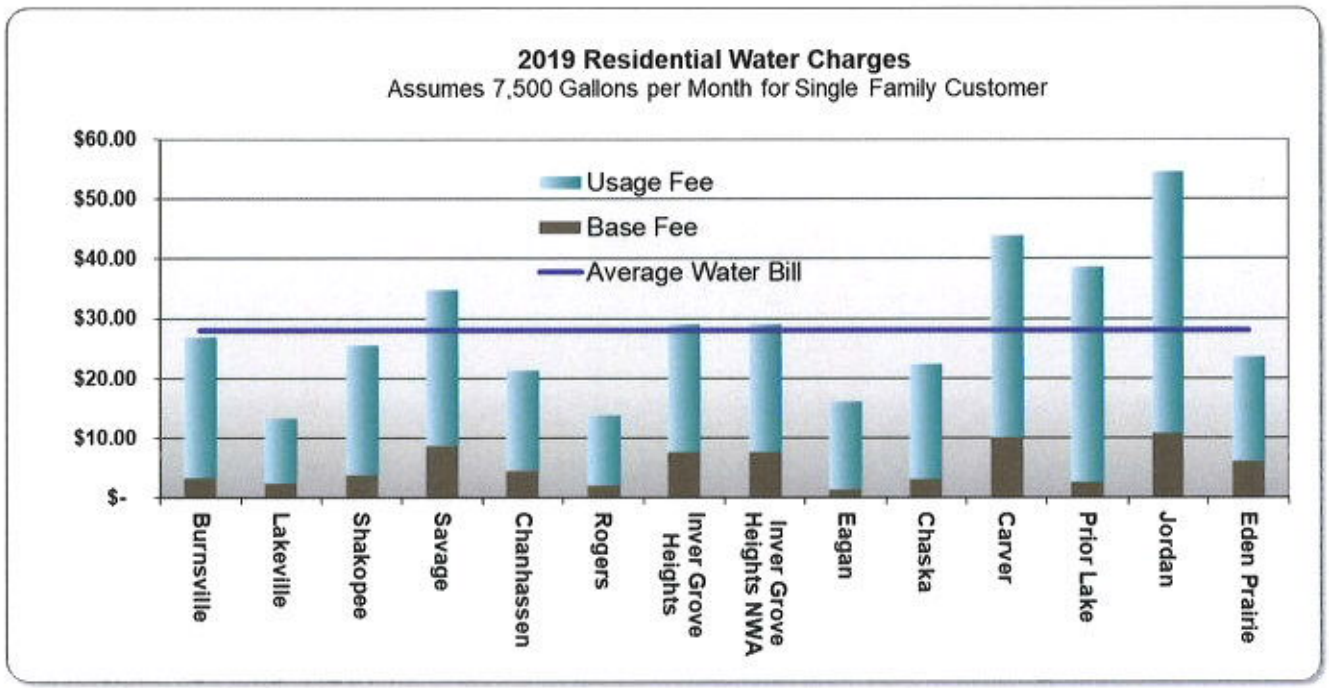
- Counting 1 multifamily unit as < 1 SAC unit
- More costs allocated by acreage, so denser developments pay less

Options to reduce fees

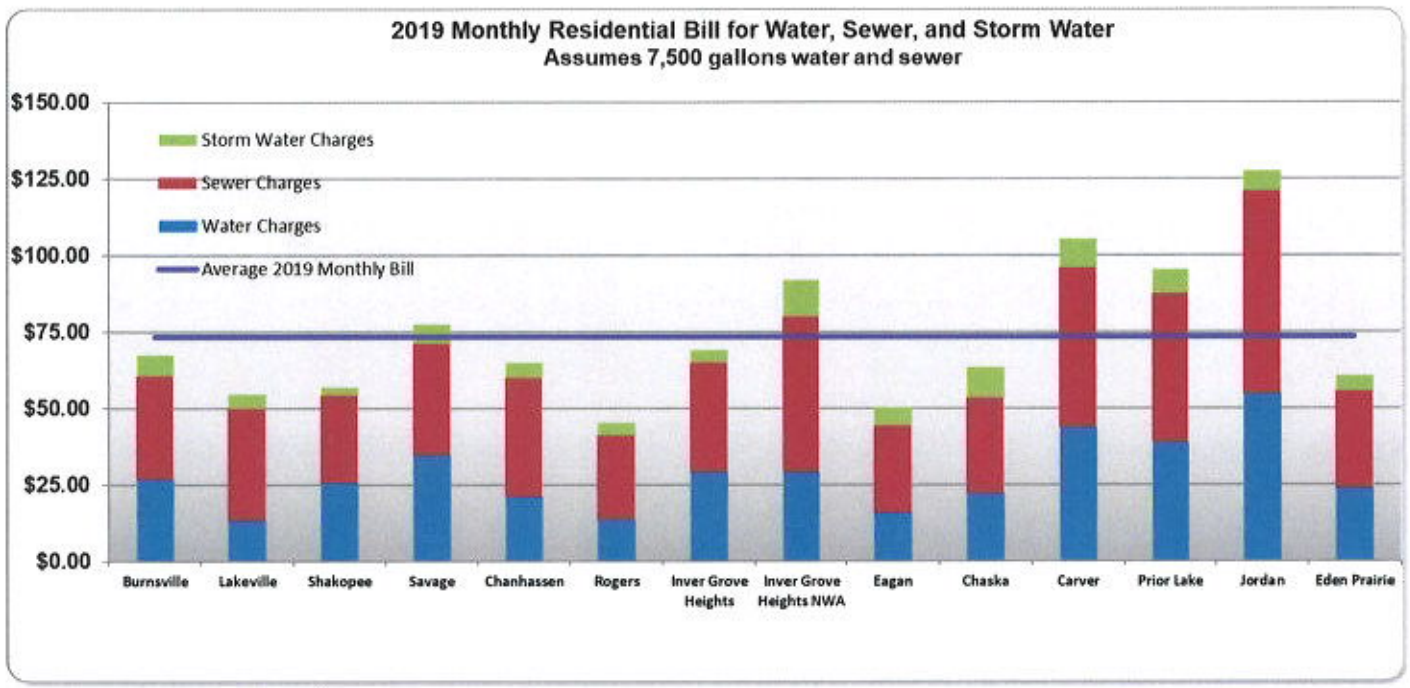
Postpone/eliminate capital projects

Shift cost burden to user charges

Fee Comparison – Monthly Water Bill



Fee Comparison – Monthly Utility Bill



Comparison of 2019 Sewer and Water Development Fees for a Single Family Home

July, 2019

Assumes one single family home on one-third of an acre. Assumes .5 gross acres.
Excludes lateral installation, permit fees and meter costs

	Water Trunk Fee*	Water Capacity Charge**	Water Fees Per Unit	Sanitary Sewer	Storm Water	Total Fees Per Unit	Comments
Burnsville	$ -	$ 1,731	**$ 1,731**	$ 559	$ 3,339	**$ 5,629**	
Lakeville	$ -	$ 4,100	**$ 4,100**	$ 1,152	$ 2,584	**$ 7,836**	
Inver Grove Hts	$ 2,363	$ 3,560	**$ 5,923**	$ 2,853	$ -	**$ 8,775**	Assumes a 1" water meter
Inver Grove Hts Northwest Area	$ 833	$ 5,000	**$ 5,833**	$ 7,243	$ 4,623	**$ 17,699**	Assumes a 1" water meter
Shakopee	$ 1,484	$ 6,039	**$ 7,523**	$ 994	$ 3,020	**$ 11,536**	Some areas require lateral sewer connection charges. Depending on the area this would range from $1,375 to $4,168 per single family unit. Additional stormwater cost of approx. $275 if property uses regional infiltration pond.
Savage	$ 2,301	$ 3,071	**$ 5,372**	$ 4,404	$ 4,181	**$ 13,957**	Additional stormwater charge of $2,018 per unit if no on-site ponding.
Chanhassen	$ 2,311	$ 5,393	**$ 7,704**	$ 2,377	$ 1,387	**$ 11,468**	Assumes property receives the 50% credit on stormwater fees for meeting NURP standards for on-site treatment.
Rogers	$ 950	$ 3,300	**$ 4,250**	$ 5,200	$ 783	**$ 10,233**	Trunk charges only pay for unassessable costs of system as a whole, such as oversizing.
Eagan	$ 1,201	$ 3,606	**$ 4,807**	$ 4,373	$ 2,178	**$ 11,357**	Water trunk charge assumes property is unplatted.
Chaska	$ 858	$ 4,314	**$ 5,172**	$ 4,690	$ 2,603	**$ 12,465**	
Carver	$ -	$ 7,547	**$ 7,547**	$ 834	$ 1,139	**$ 9,520**	
Prior Lake	$ 2,702	$ 2,690	**$ 5,392**	$ 2,561	$ 1,362	**$ 9,314**	Assumes a 15 acre plat.
Jordan		$ 5,066	**$ 5,066**	$ 5,923	$ 2,052	**$ 13,040**	
Eden Prairie	$ 1,159	$ 3,100	**$ 4,259**	$ 2,448	$ -	**$ 6,707**	
Average (excluding Inver Grove Heights NWA)	**$ 1,277**	**$ 4,460**	**$ 5,737**	**$ 3,197**	**$ 2,052**	**$ 10,987**	

* For purposes of comparison, fees that other cities charge at time of plat are characterized as water trunk fees.
** For purposes of comparison, fees that other cities collect at time of building permit are characterized as water capacity charges.

Comparison of 2019 Sewer and Water Development Fees for a 100 unit Multi-Family Housing Project

July, 2019

Assumes 25 multi-family units per net developable acre for a total site of 4.0 net developable acres. Assumes 4.75 gross acres.
Excludes lateral installation, permit fees and meter costs

	Water Trunk Fee*	Water Capacity Charge**	Total Water	Water Fees Per Unit	Sanitary Sewer	Storm Water	Total Fees	Total Fees per Unit	Comments
Burnsville	$ -	$ 138,400	**$ 138,400**	**$ 1,384**	$ 44,600	$ 55,757	**$ 238,757**	**$ 2,388**	
Lakeville	$ -	$ 205,000	**$ 205,000**	**$ 2,050**	$ 115,200	$ 34,500	**$ 354,700**	**$ 3,547**	
Inver Grove Hts	$ 22,444	$ 186,660	**$ 209,104**	**$ 2,091**	$ 71,444	$ -	**$ 280,548**	**$ 2,805**	Assumes a 3" water meter.
Inver Grove Hts Northwest Area	$ 60,000	$ 434,330	**$ 494,330**	**$ 4,943**	$ 684,760	$ 55,480	**$ 1,234,570**	**$ 12,346**	Assumes a 3" water meter.
Shakopee	$ 17,804	$ 603,900	**$ 621,704**	**$ 6,217**	$ 11,932	$ 48,264	**$ 681,900**	**$ 6,819**	Some areas require lateral sewer connection charges. Depending on the area this would range from $22,660 to $416,806 for the project. Additional stormwater cost of approx. $4,425 if property uses regional infiltration pond.
Savage	$ 27,611	$ 307,104	**$ 334,715**	**$ 3,347**	$ 256,239	$ 59,764	**$ 650,718**	**$ 6,507**	Additional stormwater charge of $41,470 if no on-site ponding.
Chanhassen	$ 231,100	$ 539,300	**$ 770,400**	**$ 7,704**	$ 237,700	$ 29,900	**$ 1,038,000**	**$ 10,380**	Assumes property receives the 50% credit on stormwater fees for meeting NURP standards for on-site treatment.
Rogers	$ 11,400	$ 272,500	**$ 283,900**	**$ 2,839**	$ 349,600	$ 9,400	**$ 642,900**	**$ 6,429**	Trunk charges only pay for unassessable costs of system as a whole, such as oversizing.
Eagan	$ 14,410	$ 253,259	**$ 267,669**	**$ 2,677**	$ 60,109	$ 34,848	**$ 362,626**	**$ 3,626**	
Chaska	$ 10,292	$ 431,400	**$ 441,692**	**$ 4,417**	$ 368,080	$ 42,280	**$ 852,052**	**$ 8,521**	
Carver	$ -	$ 754,700	**$ 754,700**	**$ 7,547**	$ 83,400	$ 21,388	**$ 859,488**	**$ 8,595**	
Prior Lake	$ 39,024	$ 269,000	**$ 308,024**	**$ 3,080**	$ 114,600	$ 26,940	**$ 449,564**	**$ 4,496**	
Jordan	$ -	$ 141,805	**$ 141,805**	**$ 1,418**	$ 166,095	$ 40,631	**$ 348,531**	**$ 3,485**	Multifamily units are treated as 0.8 units for purposes of water and sewer connection fees.
Eden Prairie	$ 13,906	$ 310,000	**$ 323,906**	**$ 3,239**	$ 91,858	$ -	**$ 415,764**	**$ 4,158**	
Average (excluding Inver Grove Heights NWA)	**$ 32,333**	**$ 367,752**	**$ 400,085**	**$ 4,001**	**$ 164,238**	**$ 33,639**	**$ 597,962**	**$ 5,980**	

* For purposes of comparison, fees that other cities charge at time of plat are characterized as water trunk fees.
** For purposes of comparison, fees that other cities collect at time of building permit are characterized as water capacity charges.

Comparison of 2019 Sewer and Water Development Fees for a Mixed Use Industrial Development

July, 2019

Assumes 34 SAC units, 130,000 square feet on 8 net developable acres (9 gross acres) with a 3" water meter.
Excludes lateral installation, permit fees and meter costs

	Water Trunk Fee*	Water Capacity Charge**	Total Water	Water Fees Per Square Foot of Building	Sanitary Sewer	Storm Water	Total Fees	Total Fees per Building Sq. Ft.	Comments
Burnsville	$ -	$ 117,742	**$ 117,742**	**$ 0.91**	$ 28,492	$ 118,483	**$ 264,717**	**$ 2.04**	Assumes all SAC units are categorized as industrial
Lakeville	$ -	$ 69,700	**$ 69,700**	**$ 0.54**	$ 39,168	$ 87,120	**$ 195,988**	**$ 1.51**	
Inver Grove Hts	$ 42,525	$ 75,120	**$ 117,645**	**$ 0.90**	$ 59,185	$ -	**$ 176,830**	**$ 1.36**	
Inver Grove Hts Northwest Area	$ 15,557	$ 158,450	**$ 174,007**	**$ 1.34**	$ 225,195	$ 120,560	**$ 519,762**	**$ 4.00**	
Shakopee	$ 35,608	**$ 205,326**	**$ 240,934**	**$ 1.85**	$ 23,856	$ 128,938	**$ 393,728**	**$ 3.03**	Some areas require lateral sewer connection charges. Depending on the area this would range from $4,096 in VIPII to $150,048 to connect to the Whispering Oaks Sanitary Sewer Lateral. Additional stormwater cost of approx. $8,850 if property uses regional infiltration pond.
Savage	$ 55,221	$ 104,415	**$ 159,637**	**$ 1.23**	$ 130,275	$ 144,271	**$ 434,183**	**$ 3.34**	Assume >55% of site is impervious. Additional stormwater charge of $165,877 if no on-site ponding.
Chanhassen	$ 78,574	$ 183,362	**$ 261,936**	**$ 2.01**	$ 80,818	$ 86,320	**$ 429,074**	**$ 3.30**	Assumes property receives the 50% credit on stormwater fees for meeting NURP standards for on-site treatment.
Rogers	$ 22,800	$ 112,200	**$ 135,000**	**$ 1.04**	$ 102,305	$ 18,800	**$ 256,105**	**$ 1.97**	Trunk charges only pay for unassessable costs of system as a whole, such as oversizing.
Eagan	$ 28,820	$ 81,943	**$ 110,763**	**$ 0.85**	$ 51,964	$ 80,150	**$ 242,877**	**$ 1.87**	
Chaska	$ 20,584	$ 146,676	**$ 167,260**	**$ 1.29**	$ 147,958	$ 99,312	**$ 414,530**	**$ 3.19**	
Carver	$ -	$ 256,598	**$ 256,598**	**$ 1.97**	$ 28,356	$ 45,296	**$ 330,250**	**$ 2.54**	
Prior Lake	$ 69,048	$ 91,460	**$ 160,508**	**$ 1.23**	$ 74,452	$ 67,696	**$ 302,656**	**$ 2.33**	
Jordan	$ -	$ 134,165	**$ 134,165**	**$ 1.03**	$ 90,967	$ 95,547	**$ 320,680**	**$ 2.47**	
Eden Prairie	$ 27,811	$ 137,020	**$ 164,831**	**$ 1.27**	$ 84,897	$ -	**$ 249,728**	**$ 1.92**	
Average (excluding Inver Grove Heights Northwest Area)	**$ 31,749**	**$ 142,977**	**$ 174,727**	**$ 1.34**	**$ 78,558**	**$ 80,994**	**$ 334,279**	**$ 2.57**	

* For purposes of comparison, fees that other cities charge at time of plat are characterized as water trunk fees.
** For purposes of comparison, fees that other cities collect at time of building permit are characterized as water capacity charges.

11a

SHAKOPEE PUBLIC UTILITIES

"Lighting the Way – Yesterday, Today and Beyond"

July 12, 2019

TO: John Crooks, Utilities Manager

FROM: Renee Schmid, Director of Finance and Administration

SUBJECT: Ebill Project Update and Demo

A presentation and demo of the new Ebill system will be made at the Commission meeting on Monday, July 15th, 2019. A copy of the presentation is attached for reference.

Commission Action

- No Commission action requested.

SHAKOPEE PUBLIC UTILITIES

"Lighting the Way – Yesterday, Today and Beyond"

EBILL PROJECT UPDATE

July 15, 2019

EBILL PROJECT UPDATE

- Ebill moved to live production on June 27, 2019 and is available for SPU customer use.
- Provides SPU customers with new capabilities and features.
- Will generate costs savings for SPU Commission and rate payers by reducing costs to print and mail billing statements.

2

NEW CUSTOMER FUNCTIONALITY

The Ebill project will provide our customers with the following new capabilities and features:

- Access to a secure customer portal to view billing statements and manage payment options and notifications
- The choice to go paperless for utility bills and go green!
- Ability to view 13 months of historical billing statements on-line
- Option to elect to receive summary billing statements via email or text
- Elect to receive electronic payment reminders via text or email
- Ability to pay your bill directly from your device via text or email - a "pay now" function

3

NEW CUSTOMER FUNCTIONALITY continued ...

The Ebill project will provide our customers with the following new capabilities and features:

- Ability to schedule automated bill payments
- Option to consolidate multiple accounts under one customer portal
- Increases the maximum payment limit per transaction from $300 to $500
- Ability to communicate with our customers through "campaigns" and share SPU information
- Paymentus is a third party vendor and is PCI compliant

4

Ebill Product Costs

The Ebill product will also generate cost savings for the Commission and rate payers by reducing costs to print and mail billing statements.

Ebill Product Costs

Number of Customers	Per Unit Cost	Total Monthly Costs	
		$ 450	PAYMENTUS MONTHLY HOSTING FEE FOR EBILL PRESENTMENT
17,693	0.05131	$ 908	MONTHLY COST FROM PRINT VENDOR TO PRODUCE PDF OF CUSTOMER BILLING STATEMENT (ASSUMES 17,693 CUSTOMERS AT $.0475/STATEMENT + TAX)
		$ 1,358	TOTAL MONTHLY EBILL PRESENTMENT COSTS

- The cost to print and mail a customer billing statement is $0.67 per statement.
- If 11% of our customers enroll in ebill and go paperless, we will cover our costs.
- If 30% of our customers enroll in ebill and go paperless, we will save $26,400 annually.

5

Ebill Product Costs continued...

Number of Electric Customers	
15,910	Residential Customers
1,206	Commercial Customers
577	Industrial Customers
17,693	Total Number of Customers - May 2019

- SPU prints and mails over 213,000 statements per year
- 2,027 – Number of customers (11%) needed to go paperless to break even
- 5,308 – Number of customers (30%) needed to go paperless to generate savings of $26,400 annually

6

EBILL PRODUCT DEMO

- Next we will review what a customer will see if they enroll in ebill and sign up for email or text notifications including:
  - Bill Summary notifications
  - Your bill is ready notification
  - Payment reminders

7

Ebill Product Demo
Text bill summary with Pay Now Option

Sat, Jun 22, 2:16 AM

Your Shakopee Public Utilities
bill summary:
Account #: 8683001
Amount due: $134.35
Due date: Jul 15, 2019
Reply 'PAY', 'PAY $$.cc', or
'OPTOUT'

8

Ebill Product Demo
Text Payment Reminder

Tuesday 11:06 PM

Shakopee Public Utilities payment reminder for account 8683001 in the amount of $134.35 is due in 4 days. You can pay at https://ipn.paymentus.com/cp/skp

9

Ebill Product Demo
Email Your Bill is Ready Notification

Verizon LTE 3:35 PM

Your bill is ready 1 of 3

From: billNotif@shakopeeutilities.c...

To: Renee Schmid Hide

Your bill is ready

June 22, 2019 at 2:24 AM

Dear Renee Schmid,

Your **Shakopee Public Utilities bill** is now available for account number: **8683001**

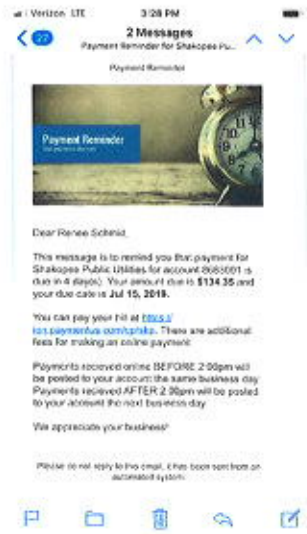
Total amount: **$134.35**
Bill due date: **Jul 15, 2019**

Please click on the following link to log in and access your account.
Customer Portal

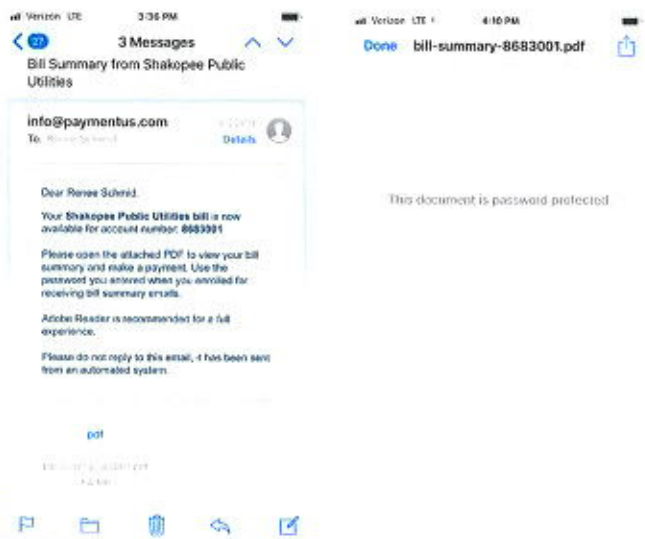
Please do not reply to this email, it has been sent from an automated system.

10

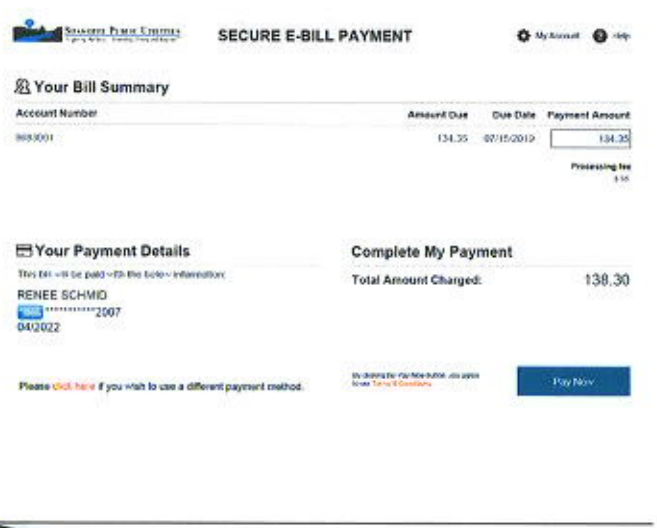
Ebill Product Demo
Email Payment Reminder



Ebill Product Demo
Email PDF Bill Summary



Email PDF Bill Summary


SECURE E-BILL PAYMENT

Your Bill Summary

Account Number	Amount Due	Due Date	Payment Amount
869001	134.35	07/15/2019	134.35

Processing fee
4.95

Your Payment Details

This bill will be paid with the following information:

RENEE SCHMID
**********2007
04/2022

Please click here if you wish to use a different payment method.

Complete My Payment

Total Amount Charged: 138.30

By clicking the Pay Now button, you agree to our Terms & Conditions.

Pay Now

13

EBILL DEMO AND NEXT STEPS

EBILL DEMO

- Finally, we will provide an online demo of the system including various features and functions.

NEXT STEPS.....

- Ebill is being introduced under a "soft roll out" and will be followed by a customer marketing campaign to formally communicate our new Ebill offering to our customers which is being led by Sharon Walsh.

14

EBILL Wrap Up

Questions or Comments?

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SHAKOPEE PUBLIC UTILITIES

"Lighting the Way – Yesterday, Today and Beyond"

June 25, 2019

TO: John Crooks, Utilities Manager

FROM: Renee Schmid, Director of Finance and Administration

SUBJECT: Request from Shakopee Valley News

Overview

- On Tuesday, July 9, 2019, I received an email from Ms. Maddie Debilzan, a Shakopee Valley News reporter, requesting verification of some facts and a statement made by Bill Reynolds, the City Administrator. A copy of that email and our response is attached to keep the Commission informed of the ongoing discussions being played out in the media. I was pleased that Ms. DeBilzan did her due diligence and asked for our input to these questions.

- Attached is a presentation of that response that will be discussed at the Commission meeting on Monday, July 15th, 2019.

Commission Action

- No Commission action requested.

Schmid, Renee

From: Schmid, Renee
Sent: Tuesday, July 9, 2019 4:53 PM
To: 'mdebilzan@swpub.com'
Cc: Crooks, John; Adams, Joe
Subject: Facts to look over

Dear Ms. DeBilzan –

The SPU Commission operates both an electric utility and a water utility. Each of these utilities are separate Enterprise funds of the City Shakopee. Within each utility there are separate funds with specific designated purposes.

The $45.5 million number used by Mr. Reynolds is incorrect. The water connection fund balance as of 12/31/2018 was $13.1 million. Planned infrastructure costs for the water connection fund from 2019 – 2023 total $15.6 million dollars with estimated additional fee revenue of $10.8 million resulting in an ending fund balance of $8.3 million by 12/31/2023. These are the current estimates and are updated every year in our annual budget planning.

Listed below are the fund balances per our 2018 audited financial statements for our electric and water utilities, approved 2019 CIP including planned capital infrastructure costs from 2019 – 2023, and estimated receipts from fees and/or net operating income over the same period, and an estimated fund balance as of 12/31/2023. SPU is required to maintain a minimum of three to six months of operating expenses as reserves per guidance from our auditors and financial advisors to be considered financially sound.

Water Utility

		WATER UTILITY FUND BALANCES					
		Water Operating	Water Trunk	Sub-Total	Water Reconstruction	Water Connection	Total Water Utility
2018 Audited Fund Balances	12/31/2018	8,289,300.00	199,157.10	8,488,457.10	844,900.81	13,085,882.90	22,419,240.81
2018 Street Reconstruction Costs Paid in 2019					(503,698.11)		(503,698.11)
2019 - 2023 Planned CIP Infrastructure Costs		(6,336,483.00)	(2,710,826.00)		(1,380,000.00)	(15,627,791.00)	(26,055,100.00)
2019 - 2023 Estimated Revenues/Net Receipts		4,205,931.74	3,933,233.00		2,097,259.00	10,830,672.00	21,067,095.74
Estimated/Projected Fund Balance	12/31/2023	6,158,748.74	1,421,564.10	8,488,457.10	1,058,461.70	8,288,763.90	16,927,538.44

Operating Revenues	2018	5,608,127.00
Operating Expenses	2018	4,261,042.00
Contribution to City of Shakopee	2018	1,091,814.00
Total Operating Expense with City Contribution		5,352,856.00
Operating Income after City Contribution		255,271.00
% of Operating Fund Balance as a % of Expenses		154.9%
Number of months of reserves:		19
Minimum Targeted Reserves:		3 - 6 months

Why do we have Fund Balances:

1 Audit and Financial Advisors recommend a minimum of 3-6 months of operating fund reserves

2 Bond Covenants required adequate operating reserves to meet debt service. SPU no longer has debt. The last bond issue was defeased in 2017 and saved the rate payers $2.2 million dollars.

3 In the event of a catastrophe such as a tornado or flooding, SPU would need to rebuild damaged facilities to restore services. Water mains are not insured.

4 As the system ages, SPU will need to replace facilities.

5 SPU currently pays 23.77% of Water sales less cost of energy for pumping to City of Shakopee which leaves a minimal net margin in the water operating fund.

Electric Utility

		ELECTRIC UTILITY FUND BALANCES				
		Electric Operating	Electric Relocation UG	Sub-Total	Electric Emergency	Total Electric Utility
2018 Audited Fund Balances	12/31/2018	31,367,275.41	822,208.59	32,189,484.00	100,000.00	32,289,484.00
2019 - 2023 CIP Infrastructure Costs		(36,451,976.00)	(1,123,750.00)		0	(37,575,726.00)
2019 - 2023 Estimated Revenues		34,443,740.00	785,472.00		0	35,229,212.00
Estimated/Projected Fund Balance	12/31/2023	29,359,039.41	483,930.59		100,000.00	29,942,970.00

Operating Revenues	2018	50,393,489.00
Operating Expenses	2018	43,934,958.00
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2018 Purchased power costs were $35.6 million dollars of this number.

Why do we have Fund Balances:

1 Audit and Financial Advisors recommend a minimum of 3-6 months of reserves
2 Bond Covenants required adequate reserves to meet debt service. SPU has no debt. The last bond issue was defeased in 2017 and saved the rate payers $2.2 million dollars.
3 In the event of a catastrophe such as a tornado, SPU would need to build damaged electric lines to restore power. Electric lines, transformer, and feeders are not insured and are expensive tc
4 The City of Shakopee has adopted a planned orderly annexation of adjacent townships. As a municipal utility and as allowed per state statute, SPU plans to grow with the city and acquire nev territory at SPU expense and cannot bond for this acquisition.
5 As system ages, SPU will need to replace facilities.
6 SPU currently pays 2.71% of Electric sales to City of Shakopee and provides additional free services for electricity for street lighting and LED upgrade project.

Regarding your question on the location of treatment, here is the response: One location for treatment is located at Pump house #3. This is out of service due to elevated levels of Radium 226/228. A treatment option has been approved by the MN DNR. The second treatment site is proposed to be the property that will be sited for the next well and pump house (SW Shakopee) due to the elevated levels of iron and manganese that have been seen in test wells south of bluff line.

Please let me know if you have any more questions. Thank you for the opportunity to provide factual information on this topic.

Thank you.

Renee Schmid
Director of Finance and Administration
Shakopee Public Utilities
PO Box 470
255 Sarazin Street
Shakopee, MN 55379
(952)233-1522 Direct (952)445-7767 Fax

From: Maddie Debilzan [mailto:mdebilzan@swpub.com]
Sent: Tuesday, July 9, 2019 2:37 PM
To: Schmid, Renee <rschmid@shakopeeutilities.com>
Subject: Facts to look over

1. "Reynolds said SPU has far too much money "just sitting in the bank" from its high water capacity charges, referring to the $45.5 million in investments SPU has in its 2018 audit report. Schmid said that investment money goes towards funds for both water and electric utility and is used for operating and maintaining both utilities. **Is this correct? I need a simple explanation of where this money goes. And if you would like to provide a statement yourself, feel free to do so.**

2. SPU plans to use $15.6 million from the water capacity fund to pay for new water facilities. Major projects include a $3.67 million booster station currently under construction, a $2.7 million storage tank that will be built in 2020 in the Windermere housing development, and a **$5.3 million water treatment plant in _ for 2023.** According to the audit reports, as of 2018, SPU holds $13 million in its water capacity fund. **Is this correct, and where will that water treatment plant be located?**

--
Maddie DeBilzan
Reporter | Shakopee Valley News
651-226-2981
mdebilzan@swpub.com

SHAKOPEE PUBLIC UTILITIES

"Lighting the Way – Yesterday, Today and Beyond"

Shakopee Valley News Request

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Response to Shakopee Valley News Request

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To: 'mdebilzan@swpub.com' <mdebilzan@swpub.com>
Cc: Crooks, John <jcrooks@shakopeeutilities.com>; Adams, Joe <jadams@shakopeeutilities.com>
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2018 Purchased power costs were $35.6 million dollars of this number.

Why do we have fund balances?

1) SPU is required to maintain a minimum of three to six months of operating expenses as reserves per guidance from our auditors and financial advisors to be considered financially sound.
2) In the past, bond covenants required specific reserves to meet debt service. SPU no longer has debt. SPU's last bond issue was defeased in 2018 and saved the rate payers $2.2 million dollars in interest expense.
3) In the event of a catastrophe such as a tornado or flood, SPU would need to rebuild damaged facilities to restore electric and water service. Water mains, electric lines, transformers, and electric circuit feeders are not insured and are expensive to replace.

Why do we have fund balances?

4) The City of Shakopee has adopted a planned orderly annexation of an adjacent township. As a municipal utility and as allowed per state statute, SPU plans to grow with the city and acquire new electric service territory at SPU expense and cannot bond for this acquisition.
5) As the distribution system ages, SPU will need to replace facilities.
6) SPU currently pays 23.77% of Water sales less cost of energy for pumping from revenues collected. User rates would be much lower without this transfer.
7) SPU currently pays 2.71% of Electric sales to the City of Shakopee and provides additional free services for electricity for street lighting and the LED upgrade project. User rates would be much lower without this transfer.

SHAKOPEE PUBLIC UTILITIES
MEMORANDUM

TO: SHAKOPEE PUBLIC UTILITIES COMMISSION

FROM: JOHN R. CROOKS, UTILITIES MANAGER

SUBJECT: JULY 2 CITY COUNCIL MEETING - DISCUSSION

DATE: JULY 12, 2019

The Shakopee City Council met on July 2, 2019 and agenda item10.A.1 was *"Response to SPUC June 17th Action on City RFI"*. There were several issues discussed during that meeting that warrant further review.

ISSUE –

1. City Attorney Jim Thompson provided information regarding the process for bring utility jurisdiction back under City Council governance.
2. The Shakopee City Administrator reviewed the June 7 letter sent to the Commission and the Utilities Manager requesting information as a follow up to the March 12 Commission/City Council Joint Meeting.
3. In the July 2 Council agenda packet, a memo from the City Administrator to the Mayor and Council members includes 12 requests for information, which summarizes the June 7 letter.

DISCUSSION –

Attachment A is MN Statute 412.391 Abolition of Commission or Utility Transfer. SPU Staff is familiar with the mandated procedures regarding the process.

Attachment B is the Council agenda packet materials provided for item 10.A.1 *"Response to SPUC June 17th Action on City RFI."* The Utilities Manager has received an email from Shakopee Mayor Bill Mars, requesting to address the SPU Commission in regards to this issue at the August 5 Commission meeting. This email is listed as Attachment C.

SPU Staff has provided detailed answers to the 12 requests for information included in the Council memo dated July 2. Attachment D is the responses to the inquiries.

Also for reference is the responses sent to the City Administrator from the questions in the March 25 letter to the Commission, Attachment E

RECOMMENDATION –

It is recommended that Attachment D be sent directly to the Mayor and each City Council member. It is also recommended that the Commission direct Staff to respond to the June 7 letter from the City Administrator, with the response brought to the next Commission meeting for review, discussion and acceptance.

Attachment A

Office of the Revisor of Statutes

2018 Minnesota Statutes

Authenticate PDF

Found 1 match for 412.391

412.391 ABOLITION OF COMMISSION OR UTILITY TRANSFER.

Subdivision 1. **To council; procedure.** The public utilities commission of any statutory city may be abolished or its jurisdiction over any particular utility transferred to the council by following the procedure prescribed in this section.

Subd. 2. **Ballot question if abolition.** The council may, and upon petition therefor signed by voters equal in number to at least 15 percent of the electors voting at the last previous city election shall submit to the voters at a regular or special election the question of abolition of the public utilities commission. The question on the ballot shall be stated substantially as follows: "Shall the public utilities commission be abolished?"

Subd. 3. **Ballot question if transfer.** Upon like presentation of a petition for election on the question of transfer to the council of the jurisdiction of the commission over any one or more of the utilities previously placed under its jurisdiction, the council shall, in the same manner as under subdivision 2, submit the question to the voters. The question on the ballot shall be stated substantially as follows: "Shall jurisdiction over (Name of public utility) be transferred from the public utilities commission to the council?"

Subd. 4. **Time of effect.** If a majority of the votes cast on a proposition submitted to the voters under subdivision 2 or 3 is in the affirmative, the provisions of sections 412.331 to 412.381 shall cease to apply to the city, in the case of an election under subdivision 2, or to the particular utility mentioned in the proposition submitted to the voters, in the case of an election under subdivision 3. Such change shall take place 30 days after the election.

History: *1949 c 119 s 49; 1953 c 735 s 7; 1973 c 123 art 2 s 1 subd 2*

Attachment B

10.A.1.

SHAKOPEE

Shakopee City Council
July 2, 2019

FROM: William H. Reynolds, City Administrator
TO: Mayor and Council Members

Subject:
Response to SPUC June 17th Action to File with No Response the City's June 7th letter Requesting Information Regarding Fees and Operations

Policy/Action Requested:
Guidance.

Recommendation:
None.

Discussion:
On March 12th, the city held a joint meeting with the Shakopee Public Utilities Commission that largely dealt with the long-standing concern expressed to the council over the years from developers, members of the business community, and residents regarding SPUC fees. (Agenda attached).

This joint meeting was scheduled after Council directed staff find a solution to the problems posed by SPUC to the general community following complaints by the developer of the Willy McCoy's restaurant in Southbridge earlier in the year. In the past, staff has not been involved in the frequent complaints directed towards SPUC other than to respond that "*this is not a city issue. This is a SPUC issue. You should address SPUC issues with SPUC directly.*" Following the joint meeting, city staff reviewed the information presented per council direction. A request for further information (RFI) was drafted and reviewed by Council. Input was solicited from Council and Council provided with a final draft for review and comment. After incorporating Council's comments, this RFI was sent to SPUC on June 7. (Attached).

This letter asked for information regarding multiple areas including:

1. How the SPUC Capital Improvement Plan (CIP) is funded;
2. Where funds collected are detailed in the SPUC budget;
3. Why consultant advice was not followed repeatedly over the years;
4. Where the two water treatment plants (which have been used to justify rate increases since 2003) were in the CIP;
5. Study or other reports used to justify the multiple increases to the SPUC water connection charge over the years;
6. Specific information for the 23% increase in 2008 – and the addition of a 2% kicker per year – which also was against the advice of SPUC's consultant who noted that increasing fees had significant issues because *"to fund the projected short-term fund deficits the current charges and fees would have to be substantially increased. Even with increased rates the long collection period could still result in fund deficits in the short term, depending on the size of the increase and a large surplus in the long term.";*
7. Study and other reports supporting the 2018 "one-time fee" of $500 per acre and the subsequent 2019 additional "one-time fee" of $500 in 2019;
8. Reasoning for failure to have a rate study since the last one expired in 2015, and inquiry into when the residents of Shakopee could expect a new rate study;
9. Inquiry regarding economic development efforts akin to that provided by Xcel Energy and other providers;
10. Inquiry regarding the current contribution provided to the city general fund (to help offset property taxes) based upon the city's study of similar utilities;

11. Council membership on SPUC; and
12. The stunning $211,365 charge to connect a donated splash pad to a water source.

At their June 17th meeting, SPUC discussed the RFI. Mr. Crooks stated that he believes that SPUC has already answered the City's questions on these issues, noting that SPUC had received a letter in March which the organization had answered. That is factually incorrect. The March 25th letter (attached) was an outline of the errors of SPUC's Comprehensive Water System Plan and Water Supply Plans – that were submitted for approval without coordination or review by the City of Shakopee – and which were an offshoot of the issues surrounding SPUC fees. To suggest that the SPUC response to this letter in any way answers the larger issues outlined above is misguided.

A review of the June 17th meeting finds multiple issues of concern. But none speaks as loud as SPUC's dismissal of the City's June 7th letter. These are important issues that should be resolved to restore the Council's faith in the Commission and its operations. All public bodies should be accountable. Shakopee Public Utilities accountability rests almost solely in the Shakopee Public Utility Commission unlike private energy companies that are regulated by the state.

Per Council direction, city staff is reviewing the process for bringing the utility back under the jurisdiction of the City. The Shakopee City Council has the responsibility to appoint members to the Commission. Per request we are also looking at the ability to remove commissioners as well.

Budget Impact:
Undetermined.

ATTACHMENTS:

- Council Agenda March 12, 2019
- SPUC Ltr June 7, 2019
- SPUC Ltr March 25, 2019

SHAKOPEE

Joint meeting with the Shakopee Public Utilities
Shakopee City Council
March 12, 2019
7:00 PM
City Hall 485 Gorman St.

Shakopee Mission Statement
The Mission of the City of Shakopee is to provide the opportunity to live, work and play in a community with a proud past, promising future, and small town atmosphere within a metropolitan setting.

A. Keep Shakopee a safe and healthy community where residents can pursue active and quality lifestyles.
B. Positively manage the challenges and opportunities presented by growth, development and change.
C. Maintain the City's strong financial health.
D. Maintain, improve and create strong partnerships with other public and private sector entities.
E. Deliver effective and efficient public services by a staff of well-trained, caring and professional employees.
F. Housekeeping item.

Mayor Bill Mars presiding

VIDEO1. Roll Call

VIDEO2. Pledge of Allegiance

VIDEO3. Approval of Agenda

4. RECOGNITION OF INVOLVED CITIZENS BY CITY COUNCIL - Provides an opportunity for the public to address the Council on items which are not on the agenda. Comments should not be more than five minutes in length. The Mayor may adjust that time limit based upon the number of persons seeking to comment. This comment period may not be used to make personal attacks, to air personality grievances, to make political endorsements or for political campaign purposes. Council Members will not enter into a dialogue with citizens, and questions from Council will be for clarification only. This period will not be used to problem solve issues or to react to the comments made, but rather for informational purposes only.

5. Joint meeting with Shakopee Public Utilities

VIDEO 5.A. The status of the current rate formulas for the SPUC Water Connection Charge (WCC) and Water Trunk Charge (WTC), to include any changes to the formulas that the commission forsees

VIDEO 5.B. A comparison of the SPUC WCC/WTC rates for our neighboring and comparable cities

VIDEO 5.C. SPUC's projected plans for the city's water infrastructure with an identification of funding stream

VIDEO 5.D. An outline of the water rates currently charged by SPUC and any past recommendations from consultants regarding appropriate rate structures that were not followed and why

6. Shakopee Public Utilities Presentation

VIDEO 6.A. Presentation Made to the Shakopee Chamber of Commerce Public Policy Committee Dec. 11, 2018

VIDEO 6.B. Services Provided to the City of Shakopee

VIDEO 6.C. SPU Economic Development Efforts

VIDEO 6.D. History and Statutory Authority of SPU

VIDEO 6.E. Respective roles of SPU V. City of Shakopee - discussion

VIDEO 6.F. Defined role of City Council Liaisons - discussions

VIDEO 6.G. Policy on the City's Sanitary Sewer Fund and Storm Sewer Fund

7. Informational Only

VIDEO 7.A. City Council and SPUC Joint Meeting Minutes of May 6, 2014

VIDEO8. Other Business

VIDEO9. Adjournment to March 19, 2019 at 7:00 p.m.

SHAKOPEE

June 7, 2019

Shakopee Public Utilities Commission
c/o Mr. John Crooks
255 Sarazin Street
Shakopee, MN 55379

Dear Members of the Commission and Mr. Crooks,

Thank you for your presentation at the Joint City/SPUC meeting of March 12, 2019. It was an enlightening discussion. After reviewing the information provided by the Commission and staff at the meeting, some clarifying questions have arisen. Staff has prepared the following with Council review.

We would appreciate if you could review and respond to the following.

To start, it is important to briefly outline why the city is interested in the operations of SPUC at this point. The impetus for this discussion is essentially that every major developer currently at work in the City has complained to city staff regarding SPUC fees. Some have come before the City Council to complain and demand that the Council act. It is not City fees that are a concern. In fact, most developers will tell you our fees are in the range of others and that they appreciate working with our staff.

In the past when a developer would complain about SPUC – mostly regarding 1) WCC (Water Connection Charge)/TWC (Trunk Water Charge) Rates; 2) looping requirements; and 3) the general "this is our policy" customer service – city staff always gave the same answer. "*This is not a city issue. This is a SPUC issue. You should address SPUC issues with SPUC directly.*"

Often the response was that the City Council appointed SPUC commissioners, so yes it was a city issue and the city should do something about what has generally been recognized as charges and fees grossly out of line with other utilities and communities. We would like the opportunity to bring the rationale of some past SPUC decisions to light as we seek to address resident and developer concerns.

Current Rate Formulas for the SPUC Water Connection Charge (WCC) and Water Trunk Charge (WTC)

Is it correct that SPUC has four different sources to fund their capital improvement plan, and are they as outlined below?

1) Water Connection Charge (WCC) (also known as Water Access Charge or WAC) funds infrastructure such as wells, pump houses, storage tanks, booster stations, water treatment plants, and transmission lines;
2) Water Rates fund everyday operations including maintenance of the existing system (painting water towers, rehab of wells, etc.);
3) Trunk Water Charge (TWC) funds oversizing water mains;

4) Reconstruction Fee (billed on monthly statements starting in 2007) funds replacement of existing, older water mains, hydrants and valves in coordination with City of Shakopee street reconstruction projects.

What is the cash flow policy that SPUC has for the above funds? In our analysis of your budget, we only see two funds – water and electric. What are the current fund balances for these charges and where are they located in your budget? It appears that there are separate business units under each fund. Please provide the budget for these business units or if there are not separate business units, how the charges are segregated to prevent comingling of funds.

It is our understanding that the current rate formula was established for the WTC (Water Trunk Charge) on Jan 1, 1982 and the WCC (Water Connection Charge) on Mar 3, 1984, as part of recommendations by the engineering and surveying company Schoell & Madson, Inc. (S&M) which has been doing the financial analysis since at least 1976.

Essentially the formula was originally based off the ENR Construction Cost Index widely used by the construction industry. Initially, increases to the formula were based upon the % increase of the CCI for the previous 12 months x the original fee. This formula saw a stable level of fund growth from 1982/84 (WTC $435 / WCC $352) to 2002 rates (WTC $831 / WCC $567) over a period of approximately 18 years.

In 2003, SPUC deviated from the formula for WTC and WCC, even though a March 2003 *Water Trunk Charge and Connection Charge Analysis* Report by S&M recommended against it. That report determined that the WTC was adequate to fund future trunk watermain oversizing costs and recommended that the fee structure remain as in the past which would increase the charge from $831 to $854. (Attachment #1) However, SPUC did not follow the consultant's recommendation and determined that the rate should increase to $1,213 and approved it by Resolution #714 on May 7, 2003 (backdated to January 1st, 2003). (Attachment #2). **What were the reasons for not following the advice of your consultant?**

Unlike the recommendation regarding the WTC, S&M recommended that the WCC be increased substantially from $567 to $2045 to fund two water treatment plants in the future. SPUC approved a $2035 fee on July 7, 2003 by Resolution #728. (Attachment #1, Page 3) **Where are these plants in your CIP? If not present, when will they be added? Fees have been collected since 2003 for these plants with no apparent planning. Have there been any studies or other reports that outline the plan for these plants, or a timeline for their construction? It also appears that the water system is not designed and built at this point for a centralized treatment facility. Since the treatment plants have been charged for since 2003, have the system infrastructure requirements since that time facilitated one or two treatment facilities?**

Charges in both accounts were relatively stable between 2003 and 2007. However, in 2007 the fee structures were changed significantly for both the WTC and WCC rising an additional 12% over the CCI. The reason given in Resolutions #866 and #867 was SPUC, *"...has observed that actual material and labor costs have escalated significantly above and beyond the amount indicated by the [CCI]... and determines an additional adjustment equal to 12% over and above the [CCI] is warranted."* (Attachment #3) **What were the observations of "actual material and labor costs" based upon since the Construction Cost Index would appear to be an**

accepted and accurate reflection of the construction costs? How was the 12% increase above and beyond the Construction Cost Index calculated? Where there any studies or other reports to support the contention that the actual increase was 12%?

In 2008, the formula was again adjusted as fees increased 23% over the CCI for the WCC (Resolution #901) and 24% for the TWC (Resolution #902), after yet another S&M report of August of 2007 (and revised in January of 2008) – but not following its recommendations. The *Water Connection Fund and Trunk Water Main Fund Analysis and Report*, noted that in the short-term (until 2023) the *"analysis of water improvement projects needed to meet the projected growth in project costs for water facilities (wells, pumps houses, storage tanks, booster stations, water treatment plants, trunk water transmission lines) and trunk water main (over sizing and SPUC trunk water main projects) will exceed the estimated revenue funds at the current rates charged for water connection charge and trunk water main fee."* (Attachment # 4, page 6 of the report).

However, the report determined that this short-term deficit would be transformed; *"[I]n the longer term the trunk water main fund trends to a 1.2 million dollar surplus balance and the water connect fund trends to an estimated 21.7 million dollar surplus."* (Attachment #4, page 9 of the report).

The report noted that options to address this short-term deficit included *"... bonding, inter-agency fund transfers and or raising water connection charges and trunk water main charges and "accelerating" water connection charge collection."* (Attachment #4, page 10 of the report).

The report ultimately concluded, *"[d]ue to the size of the projected deficits, planning to bond is the recommended option. Inter-agency borrowing would be viable to make up for a short term deficit not covered by bonding."* It specifically noted that increasing fees had significant issues because *"[t]o fund the projected short-term fund deficits the current charges and fees would have to be substantially increased. Even with increased rates the long collection period could still result in fund deficits in the short term, depend on the size of the increase and a large surplus in the long term."* (Attachment #4, page 21 of the report, underlining added).

Resolution #901 – ignoring this recommendation – states that SPUC *"...determines an upward adjustment in the trunk water charge equal to 23% is warranted at this time to provide adequate funding for the planned trunk water main facilities necessary to serve developing properties with the Commission's standard of level "A" service."* Resolution #902 used the same analysis to raise the WCC. (Attachment #5) **Why were the recommendations of your consultant not followed? There is a pattern of not following S&M's advice, yet they are consistently used for the financial analysis of the WCC and WTC. Why continue to use them if their recommendations were not being used on a relatively consistent basis? The report specifically recommends the risks involved with increasing the fees. What basis was there to make such drastic increases in the fees when the report specifically noted that the short-term deficit would lead to a substantial surplus (WTC - $1.2M and WCC $21.7 M) in the long-term?**

In addition, a 2% kicker on top of the CCI was added in 2008 – making the "new" formula the CCI + 2%. **How was this increase above and beyond the CCI determined as correct? What justification was used to increase the fees above and beyond the CCI? What analysis or studies/reports supported this decision?**

The new CCI + 2% rate was followed for both the WTC and WCC from 2008 to 2019. The average increase from this formula was just over 5% a year for each charge. However, in 2018 SPUC adjusted the TWC yet again. At that time, SPUC levied a $500 per acre fee on top of the CCI+2% formula. The justification was that SPUC *"...determines an additional one-time adjustment in the trunk water charge equal to $500 per acre is warranted at this time due to the continuing deficit in the trunk water fund."* (Attachment #6) **How was this "one-time" upwards adjustment calculated and justified? What studies/reports supported this decision? Again, we only see two funds in your budget – water and electric. It appears that there are separate business units under each fund (such as the "trunk water fund" with a deficit balance noted above). Please provide the budget for these business units or if there are not separate business units, how the charges are segregated to prevent comingling of funds.**

In 2019, another "one-time" $500 per acre was included due to yet again *"... the continuing deficit in the trunk water fund."* (Attachment #6) **How was this second "one-time" upwards adjustment calculated and justified? For two consecutive years this "one-time" adjustment was enacted. Did you recognize that this charge was going to be necessary in both 2018 and 2019 initially? What long-term analysis was conducted to justify two consecutive "one-time" charges? How can the second "one-time charge be justified as a "one-time" charge, as it was actually the second consecutive year of the $500 charge. What studies/reports supported the enactment of two consecutive "one-time" charges and when were they conducted?**

Since 2007, the WTC has increased from $1,628 to $4,451 (an increase of 173%); and the WCC increased from $2,846 to $6039 (not including the added "one-time" $500 per acre for 2018 and 2019) an increase of 112%.

It would appear that pre-2005, there was a concern regarding SPUC fees and charges compared to other cities. (see Attachment 1, page3) Being competitive is very important. As an example, Hastings lowered their WAC by 25% in 2017 "to be competitive" in the metro area. It went from $3,075 to $2,306. SPUC is currently $6,039. **Do you believe it is important to have competitive fees and charges with other cities in the Metro area?**

Attachment #7 is a comparison of the SPUC WCC/WTC for our neighboring and comparable cities. Our research could find no city in the Metro Area with the WCC as high as SPUC's current charge. **Are you aware of any other utilities with a comparable WCC as currently in place with SPUC?**

Water Delivery Rates

The last water rate study conducted by SPUC was done in 2009 by Progressive Consulting Engineers, Inc. The report recommended a 10% increase per year in water rates from 2009-2015 as *"[t]he operating fund capital improvements are funded by the rates and it is necessary that SPUC increase their rates to generate sufficient cash balance to fund their future capital improvement plan."* SPUC chose to have an increase in only 2009.

The report further notes that *"[r]evenue projections for five to seven years are considered adequate to provide a reasonable forecast of anticipated future revenue needs. Beyond this period, the projections become unreliable and an update of the rate study is normally required."* (Attachment #9) No further study has been conducted. **Although the study was not followed,**

it does have a shelf life of approximately 2009-2015 – as noted by the authors. When can the residents of Shakopee expect a new rate study? Water rates should cover the cost of replacing and reconstructing existing infrastructure. Is SPUC using WCC/WTC to in any way subsidize water rates? It would appear that SPUC's Reconstruction Fund Charge which was implemented in 2007 raises about $444,500 a year at the current $0.25 rate. Why implement this charge as opposed to just raising the water rate?

SPUC Economic Development Efforts

As part of the joint meeting, Mr. Crooks outlined what he believed to be SPUC's economic development efforts. These appear to be essentially SPUC's marketing efforts. **What does SPUC do for economic development besides these marketing efforts?** It appears Xcel Energy has economic development specialists that work with communities and assist new customers – including looking at Xcel Energy incentives (in an effort to encourage/develop new users/customers). **Does SPUC have any similar personnel or programs? Does SPUC offer any real incentives for new users?** On numerous occasions we have heard that SPUC electrical rates are lower than the alternatives. **Aren't SPUC residential rates actually higher than Xcel Energy rates 6 months of the year?**

Overview of the SPUC City Contribution

SPUC, as do most public utilities, provides a yearly transfer to the city's general fund from both their water and electrical utility operations. SPUC, if a private utility would have to provide 3% of sales to the city under our franchise ordinance. Attachment #10 is a review of other public utilities. SPUC has the second largest sales in water and pays the second largest water contribution to a city. However, SPUC has the largest sales in electric and is behind 5 of the top 6 in city contributions – several by millions. **Based upon this information, would SPUC be amenable to reviewing their contribution in regard to its electrical revenues?**

Council Membership on SPUC

The Shakopee City Council is responsible for appointing members on the commission. It would appear that per the 2002 statutes that changed commission membership, that the City Council actually had a seat on the expanded 5-person council – not just a liaison. (Attachment #11) **Why was the city council position changed to a liaison?**

Additional Matter Regarding the Initial Assessment for the Lions Park Splash Pad

As you may know, the City of Shakopee and the Lions Club are partnering with a private business to bring an all-inclusive splash pad to the city's Lions Park. This private/public/service group project is expected to cost approximately $80,000 to put in place – at no expense to the city.

As part of our need to provide water to the facility, our staff reached out to your staff and received the determination that the WCC for the project would be $211,365. (Attachment #12) I fully expect that SPUC will waive that fee at some point in the future. My point in addressing it now is that I believe it is a good example as to why SPUC's fees must be looked at. We are talking about an area the size of a small putting green that will be operational only about 2.5 months of the year and in order to have the water flowing you need to operate a button – which

will allow flowage from 30 second to 2 minutes. And this under your formula equates to $211,365. No one but SPUC believes that is appropriate.

While the fee amount and discussion are striking, probably the more alarming part of Attachment #12 is where SPUC is suggesting that we should drill our own well within the city. We believe that to be contrary to your wellhead protection plan and is of serious concern.

Thank you for reviewing the above questions and providing timely responses.

Sincerely,

William H. Reynolds
City Administrator

WATER TRUNK CHARGE

AND

CONNECTION CHARGE ANALYSIS

MARCH 2003

Prepared for

Public Utilities Commission

Schoell & Madson, Inc.
Engineering • Surveying • Planning
Soil Testing • Environmental Services

Attachment #1

I. SUMMARY AND CONCLUSIONS

This study estimated the future revenues from both the trunk water charges and water connection charges. It also identified the future trunk water system improvements and estimated the related costs. The projected revenue was compared with the estimated expenses to determine the adequacy of the current charge policies.

The current trunk water charge was found to be adequate to fund future trunk watermain oversizing costs. It is recommended to continue with the current policy and to continue to make the annual adjustments. On this basis, the 2003 charge would be $854 per acre.

The current water connection charge was found not to be adequate to fund future water production and storage facilities. The charge would need to be increased from the 2002 rate of $567 per unit to $859 per unit to fund the water production and storage facilities. The current charge policy does not and was not intended to fund water treatment facilities, as these were not anticipated twenty years ago when the policy was developed. Providing for a 3.0 MGD nitrate removal plant (6.0 MGD total capacity) would require increasing the charge to $1,338 per unit. Providing for a second treatment plan, consisting of a 6.0 MGD iron/manganese removal plant, would require increasing the charge to $2,035 per unit.

Even with the increase to $2,045 per unit, the combined Shakopee connection charge and trunk water charge is less than the current comparable charges in Chaska and Savage, and is only about six percent higher than Eden Prairie's charge.

We recommend increasing the connection to at least $1,338 to provide for one water treatment plant. One plant would treat about one-fourth of the ultimate peak day water demand. Therefore, providing funding for a second plant by increasing the connection charge to $2,045 per unit would not be overly conservative.

published 5/15/03

RESOLUTION #714

A RESOLUTION ADJUSTING FEES
APPLIED UNDER THE TRUNK WATER POLICY RESOLUTION

WHEREAS, the fees established in Resolution #222 which Resolution established the Trunk Water Policy are intended to be adjusted on the first day of January each year,

AND WHEREAS, the adjustment in the fees was specified as the amount equal to the original fee multiplied by the percentage increase in the Construction Cost Index for the previous 12 months as reported by the Engineering News Record,

AND WHEREAS, the Construction Cost Index for the date of adoption (February 2, 1981) of Resolution #222 was 3,378.19, and the Construction Cost Index for January 2003 is 6580.54,

AND WHEREAS, the Shakopee Public Utilities Commission has recently received and accepted a report entitled "Water Trunk Charge and Connection Charge Analysis" dated March 28, 2003 by Schoell and Madson, Inc. that details the current status of the Trunk Water Charge fund and projects future revenue and expenses for future trunk water improvements.

NOW THEREFORE, BE IT RESOLVED, that the fee charged under Resolution #222 be increased to $1,213.00 effective ~~May 7,~~ January 1, 2003.

BE IT FURTHER RESOLVED, that all things necessary to carry out the terms and purpose of this resolution are hereby authorized and performed.

Passed in regular session of the Shakopee Public Utilities Commission, this 5th day of May, 2003.

Commission President: Mark Miller

ATTEST:

Commission Secretary: Jerry Fox

Attachment #2

Published 12/28/06
Shakopee Valley News

RESOLUTION #866

A RESOLUTION ADJUSTING FEES
APPLIED UNDER THE TRUNK WATER POLICY RESOLUTION

WHEREAS, the fees established in Resolution #222 which Resolution established the Trunk Water Policy are intended to be adjusted on the first day of January each year, and

WHEREAS, the adjustment in the fees was specified as the amount equal to the original fee multiplied by the percentage increase in the Construction Cost Index for the previous period as reported by the Engineering News Record, and

WHEREAS, the fees were adjusted to $1,213.00 per acre by Resolution #714 in 2003 based on a report entitled "Water Trunk Charge and Connection Charge Analysis" dated March 28, 2003 by Schoell and Madson, Inc., and

WHEREAS, as noted in the analysis by Schoell and Madson, Inc., the "Construction Cost Index" as listed in the Engineering News Record was 6580.54, as of January 2003, and

WHEREAS, this index was 7887.62 as of December 2006, and

WHEREAS, the Shakopee Public Utilities Commission has observed that actual material and labor construction costs have escalated significantly above and beyond the amount indicated by the "Construction Cost Index" as reported by the Engineering News Record and determines an additional adjustment equal to 12% over and above the "Construction Cost Index" is warranted,

NOW THEREFORE, BE IT RESOLVED, that the fees charged under Resolution #222 be increased to $1,628.00 per acre effective January 1, 2007.

BE IT FURTHER RESOLVED, that all things necessary to carry out the terms and purpose of this resolution are hereby authorized and performed.

Passed in regular session of the Shakopee Public Utilities Commission, this 18th day of December, 2006.

John Engler
Commission President: John Engler

ATTEST:

Commission Secretary: Louis Van Hout

Attachment #3

Published 12/28/06
Shakopee Valley News

RESOLUTION #867

A RESOLUTION ADJUSTING FEES APPLIED
UNDER THE WATER CONNECTION CHARGE POLICY RESOLUTION

WHEREAS, the Shakopee Public Utilities Commission operates and maintains the municipal water system of the City of Shakopee, such system consisting of a complex of water production, treatment, storage, and delivery facilities interconnected across multiple service districts or pressure zones via a network of trunk and lateral watermains, and

WHEREAS, the water connection charge fees are intended to fund the construction of water production, treatment and storage facilities irrespective of their service district location within the "blended" system, and

WHEREAS, the water connection charge fees are a component of water availability charges, and

WHEREAS, the fees established in Resolution #261 which Resolution established the Water Connection Policy are intended to be adjusted on the first day of January each year, and

WHEREAS, the adjustment in the fees was specified as the amount equal to the original fee multiplied by the percentage increase in the Construction Cost Index for the previous period as reported by the Engineering News Record, and

WHEREAS, the water connection charge fees were adjusted to $2,120.00 per equivalent SAC unit for all service, plus 5.0 cents per square foot for industrial use only by Resolution #735 in 2003 based on a report entitled "Water Trunk Charges and Connection Charge Analysis" dated March 28, 2003 by Schoell and Madson, Inc., and

WHEREAS, as noted in the analysis by Schoell and Madson, Inc., the "Construction Cost Index" as listed in the Engineering News Record was 6580.54, as of January, 2003, and

WHEREAS, this index was 7887.62, as of December 2006, and

WHEREAS, the Shakopee Public Utilities Commission has observed that actual material and labor construction costs have escalated significantly above and beyond the amount indicated by the "Construction Cost Index" as reported by the Engineering News Record and determines an additional adjustment equal to 12% over and above the "Construction Cost Index" is warranted,

NOW THEREFORE, BE IT RESOLVED by the Shakopee Public Utilities Commission in meeting duly assembled that the charges for connection to the City of Shakopee water system are hereby adopted effective January 1, 2007 as follows:

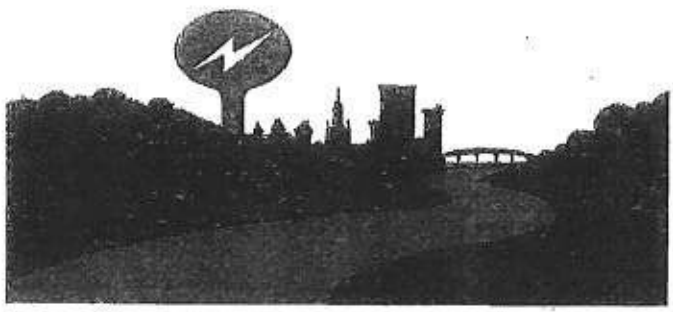
> $2,846.00 per equivalent SAC unit for all service, plus 6.7 cents per square foot for industrial use only (equivalent SAC units to be computed according to the Metropolitan Waste Control Commission Availability Charge Criteria, but applied to all municipal water usage whether discharged to sewer or not).

BE IT FURTHER RESOLVED, that the connection charges shall be applied to all water connections made to, or newly drawing water from, the City of Shakopee water system; and that

WATER CONNECTION FUND
AND
TRUNK WATER MAIN FUND

ANALYSIS AND REPORT

SHAKOPEE PUBLIC UTILITIES COMMISSION



Final Report
Revised January 18, 2008 (Original August 20, 2007)
Corrected 2007 Water Connection and Trunk Water Main Charges
(Corrections Identified with "*")

SMI Project No. 10007-292

Schoell Madson
Planning Engineering Surveying
15050 23rd Avenue North
Plymouth, Minnesota 55447

Attachment #4

WATER CONNECTION FUND AND TRUNK WATER MAIN FUND

ANALYSIS AND REPORT
Final Report
Revised January 18, 2008
Corrected 2007 Water Connection and Trunk Water Main Charges
(Corrections Identified with "*")

TABLE OF CONTENTS

III. REPORT SUMMARY

The analysis of water improvement projects needed to meet the projected growth in Shakopee indicated the project costs for water facilities (wells, pump houses, storage tanks, booster stations, water treatment plants, trunk water main transmission lines) and trunk water main (over sizing and SPUC trunk water main projects) will exceed the estimated revenue funds at the current rates charged for water connection charge and trunk water main fee. The projection for the water connection fund indicates a deficit until 2023. Then the fund balances and accumulates a surplus through 2030. The projection for the trunk water main fund indicates a deficit through the study period and a near balance in 2030. Both funds will run deficits for the next 15 years with the larger deficits occurring from 2008 to 2020. The projected project costs in the water connection fund result in the largest deficit amounts. Trunk water main fund deficits are smaller. A 2007 to 2030 tabulation of the projected accumulated revenues at the current charge rates, accumulated project costs and the difference between the accumulated costs and revenues are presented below in Tables A for the water connection fund and Table B for the trunk water main fund. A graphical illustration of the two funds is presented in Section V. This information along with the annual project cost information can be used in the preparation of funding alternatives for the time periods where the project costs exceed revenue generation. Refer to section V for tabulated CIP costs.

TABLE A

FUTURE CONNECTION CHARGE ACCUMULATING FUND BALANCE*

YEAR	ACCUMULATIVE REVENUE	ACCUMULATIVE COSTS	ACCUMULATIVE FUND BALANCE
2007	$1,310,362.00	906,755	$403,607.00
2008	$2,165,755.76	5,245,230	-($3,079,474.24)
2009	$3,055,365.27	6,665,517	-($3,610,151.73)
2010	$3,980,559.16	8,756,740	-($4,776,180.84)
2011	$6,214,598.28	10,698,300	-($4,483,701.72)
2012	$8,537,998.96	16,359,819	-($7,821,820.04)
2013	$10,954,335.67	20,646,743	-($9,692,407.33)
2014	$13,467,325.85	20,646,743	-($7,179,417.15)
2015	$16,080,835.63	21,955,883	-($5,875,047.37)
2016	$17,745,692.00	23,144,867	-($5,399,175.00)
2017	$19,477,142.62	23,144,867	-($3,667,724.38)
2018	$21,277,851.26	23,652,617	-($2,374,765.74)
2019	$23,150,588.26	23,652,617	-($502,028.74)
2020	$25,098,234.73	23,652,617	$1,445,617.73
2021	$26,892,154.55	23,652,617	$3,239,537.55
2022	$28,757,831.17	23,652,617	$5,105,214.17
2023	$30,698,134.86	28,777,617	$1,920,517.86
2024	$32,716,050.69	28,777,617	$3,938,433.69
2025	$34,814,683.15	28,777,617	$6,037,066.15
2026	$37,836,713.90	28,777,617	$9,059,096.90
2027	$40,979,625.88	29,412,305	$11,567,320.88
2028	$44,248,254.34	29,412,305	$14,835,949.34
2029	$47,647,627.93	29,412,305	$18,235,322.93
2030	$51,182,976.47	29,412,305	$21,770,671.47

TABLE B

FUTURE TRUNK WATERMAIN ACCUMULATING FUND BALANCE*

YEAR	ACCUMULATIVE REVENUE	ACCUMULATIVE COSTS	ACCUMULATIVE FUND BALANCE
2007	$106,349.00	$783,407.00	-($677,058.00)
2008	$234,416.60	$1,728,258.00	-($1,493,841.40)
2009	$367,606.90	$2,782,268.00	-($2,414,661.10)
2010	$506,124.81	$3,513,175.00	-($3,007,050.19)
2011	$944,052.38	$4,858,688.00	-($3,914,635.62)
2012	$1,399,497.05	$5,596,624.00	-($4,197,126.95)
2013	$1,873,159.50	$5,633,584.00	-($3,760,424.50)
2014	$2,365,768.46	$5,633,584.00	-($3,267,815.54)
2015	$2,878,081.77	$5,932,720.00	-($3,054,638.23)
2016	$3,307,542.66	$5,932,720.00	-($2,625,177.34)
2017	$3,754,181.98	$6,020,170.00	-($2,265,988.02)
2018	$4,218,686.87	$6,233,450.00	-($2,014,763.13)
2019	$4,701,771.95	$6,358,750.00	-($1,656,978.05)
2020	$5,204,180.44	$6,358,750.00	-($1,154,569.56)
2021	$5,858,002.18	$6,513,950.00	-($655,947.82)
2022	$6,537,976.78	$7,286,764.00	-($748,787.22)
2023	$7,245,150.37	$7,616,224.00	-($371,073.63)
2024	$7,980,610.90	$7,972,024.00	$8,586.90
2025	$8,745,489.85	$8,677,078.00	$68,411.85
2026	$9,541,204.06	$9,109,618.00	$431,586.06
2027	$10,368,746.83	$9,839,645.00	$529,101.83
2028	$11,229,391.32	$10,262,287.00	$967,104.32
2029	$12,124,461.59	$11,173,764.00	$950,697.59
2030	$13,055,334.66	$11,851,445.00	$1,203,889.66

The projected fund deficits indicated in the analysis are driven by future growth and development. The location of future developments and the timing of development dictate the required Commission projects, the project costs, and resulting fund deficits. Projecting developments and the projects required to service them is the largest single impact on the project costs and deficits in both of the water connection and trunk water main fund. The elements having the most impact on water connection fund revenue

generation are the infrastructure expenditures and the long period between development approvals and the collection of charges from all the possible water customers in the developments. Contributing to the rate of revenue collections are the following factors:

1. The pace of house building and collection of connection charges after the initial development construction is completed.
2. Construction of service water main in the rural developments and collection of water connection charges and trunk water main fees.

The short term fund analysis indicates the fees collected revenues at the current charge rates will not keep pace with project costs incurred by the Commission. In the longer term the trunk water main fund trends to a 1.2* million dollar surplus balance and the water connection fund trends to an estimated 21.7* million dollar surplus. Trending to a study period balance or a smaller surplus condition is preferred as a long range plan. The outcome for the trunk fund is slightly higher* than a balance. Financing adjustments may be considered by the Commission to raise current revenues to plan for a smaller surplus. The surplus outcome for the connection charge may seem excessive however there are different factors that influence the connection fund and a more conservative plan for current funding and a higher surplus may be considered by the Commission. The factors include:

1. Two water treatment plants are included in the analysis. These have been identified for existing wells. Unexpected elevated levels of contaminants could occur in future wells, requiring water treatment facilities.
2. The water connection charge facilities have a higher construction cost than

trunk water main fund projects. Influences from increasing construction costs have a greater impact on the water connection fund.

3. The trunk water main fund receives the development fees at the onset of a project rather than the long term collection period for the water connection charge. This results in the Commission either having to plan for a current fund surplus to pay for connection charge projects and/or carrying debt while connection charges are collected.

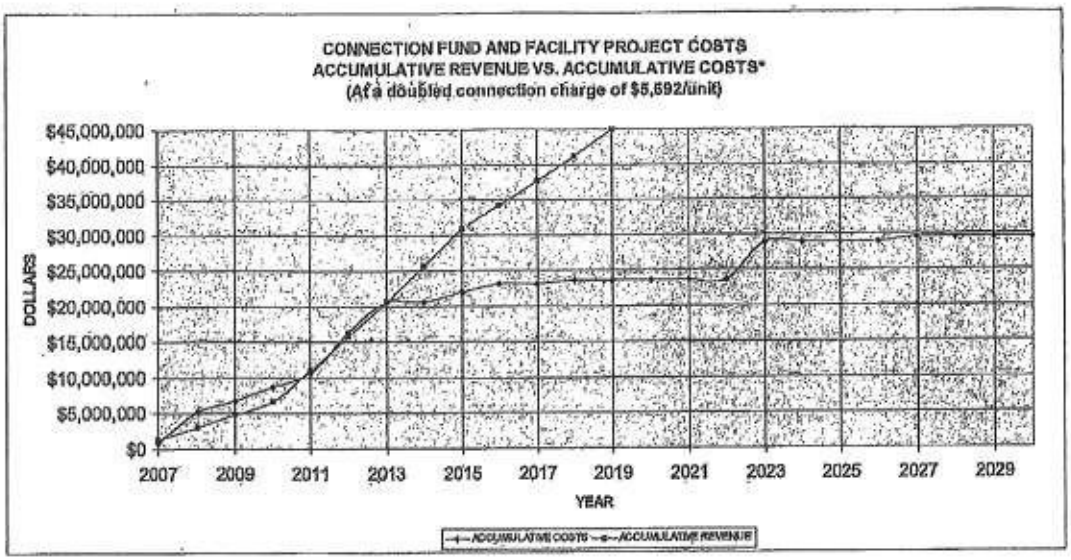
4. Both funds will be running deficits in the short term and will require addition funding source(s). A conservative policy would be to increase fees and rates as required to achieve a surplus to short term balance the funds annually or a combination of rate increases and borrowing to spread out rate increases over a longer time period.

The fund revenue and project cost analysis indicates the water connection and trunk water main funds will require using alternate sources of funding to make up for the projected projects and deficits. Funding options include bonding, inter-agency fund transfers and or raising water connection charges and trunk water main charges and "accelerating" water connection charge collection. "Accelerating" water connection charge collection is defined as developer's paying for water connection charges when developments receive municipal approvals. This is the same method used to collect the trunk water main fees. Funding options are evaluated in the "Financial Analysis of Water Connection and Water CIP Project Costs" prepared by Bill Fahey, the Commission's Financial Advisor.

V. CONCLUSIONS

As the City of Shakopee continues to develop, water projects will be required to serve the new water customers. The current water connection and trunk water main funds do not have surplus capital to provide funding for these projects and the current rate structure will not pay for projects needed in the short term period of 2007 to 2019*. The analysis indicates the water connection fund and trunk water main fund will require alternate sources of capital to keep the funds out of the projected deficits. Several options are presented below for consideration by the Commission:

1. Borrowing: Borrowing in the form of bonds or inter-agency borrowing. Due to the size of the projected deficits, planning to bond is the recommended option. Inter-agency borrowing would be viable to make up for a short term deficit not covered by bonding.
2. Raise rates: To fund the projected short-term fund deficits the current charges and fees would have to be substantially increased. Even with increased rates the long collection period could still result in fund deficits in the short term, depending on the size of the increase and a large surplus in the long term. As an example, the impact of doubling of the current connection charge to $5,692/unit is shown on the following graph. The graph indicates project funding with a minimum deficit for the short term and a large surplus develops over the long term. To decrease the long term surplus adjustments to the rates would be necessary. A combination of a smaller rate increase and bonding would be a viable alternative.



3. Accelerating collection of the water connection charges: This option is considered viable because the short term future development into the 2-HES will need new Commission facilities to provide water service. The new facilities will have a high up front cost and a long collection period to fully collect all the charges. To reduce the debt the Commission would have to fund the developers would pay all connection charges after the development is approved. This would offset some of the costs for new projects, however some projects cost more than the revenue from one development and other short term funding sources would be required. Over the longer term the charges from other developments would eventually pay for the projects.
4. Financing the 2-HES Capital Improvement Costs in different geographical areas of Shakopee: The projected growth and development into the 2-HES will occur in three separate areas in Shakopee. These areas can be geographically

identified as the SE Area (The SE Area Study), Central Area and West Area. These areas are described below: (Refer to land use map in Appendix A)

a. SE Area: The area north of County Road 16 to the Prior Lake city limits and east of the Mdewankonton Sioux lands to the Savage city limits.

b. Central Area: The area without water service between County Road 79 and the Mdewankonton Sioux lands and south to Spring Lake Township.

c. West Area: The area with out water service west of County Road 79 to the Minnesota River and north of County Road 78. The includes parts of Jackson Township.

Each area was evaluated for Capital Improvement Costs and the long term revenue generation for the study period of 2007 to 2030. The results of the evaluation are summarized below:

TABLE E

ESTIMATED CAPITAL IMPROVEMENT COSTS AND REVENUE GENERATION FOR THE SE AREA, CENTRAL AND WEST GEOGRAPHICAL AREAS FOR THE STUDY PERIOD OF 2007 TO 2030

GEOGRAPHICAL AREA	WATER CONNECTION FUND		TRUNK WATER MAIN FUND	
	CIP COSTS	REVENUE	CIP COSTS	REVENUE
SE AREA	$ 4,550,000	$ 4,930,000	$ 1,650,000	$ 1,470,000
CENTRAL AREA	$ 7,900,000	$ 17,900,000	$ 5,430,000	$ 5,100,000
WEST AREA	$ 6,500,000	$ 13,900,000	$ 2,650,000	$ 3,000,000

The results of the evaluation indicate the water connection fund capital improvement costs for each area will be supported by fees collected within each geographical area. The SE Area may need some revenue support from the other two areas. The trunk water fund capital improvement costs will also be supported by the fees from each area, however, the balance between costs and revenue is much closer than in the connection fund. In the long term some trunk water main revenue sharing between the geographical areas is possible or a raise in the trunk water main charge may be necessary.

In this the first part of the water connection charge fund and trunk water fee fund analysis the future project costs and revenue collection was projected out to 2030 and then evaluated. Based on the current charges and fees being levied by the Commission alternate funding sources will be needed. For the second part of the analysis the financial alternatives will be evaluated in the "Capital Improvement Plan Financial Report" prepared by Bill Fahey, the Commission's Financial Advisor.

Published 12/13/07
Shakopee Valley News

RESOLUTION #901

A RESOLUTION ADJUSTING FEES
APPLIED UNDER THE TRUNK WATER POLICY RESOLUTION

WHEREAS, the Shakopee Public Utilities Commission operates and maintains the municipal water system of the City of Shakopee, such system consisting of a ("blended") complex of water production, treatment, storage, and delivery facilities interconnected across multiple service districts or pressure zones via a network of trunk and lateral watermains, and

WHEREAS, the trunk water charge fees are a component of water availability charges, and

WHEREAS, the fees established in Resolution #222 are intended to be adjusted on the first day of January each year, and

WHEREAS, the fees were adjusted in 2006 by Resolution #866 to $1,628.00 per acre, and

WHEREAS, the Shakopee Public Utilities Commission has received a report by Schoell and Madson, Inc. titled "Water Connection Fund and Trunk Water Main Fund Analysis and Report" dated August 20, 2007 and a report by Northland Securities titled "Finance Analysis of Water Connection Fund and Water Trunk Fund CIP Projects for the Period 2007 through 2030" dated November 27, 2007, and

WHEREAS, the Shakopee Public Utilities Commission determines an upward adjustment in the trunk water charge equal to 23% is warranted at this time to provide adequate funding for the planned trunk water main facilities necessary to serve developing properties with the Commission's standard of level "A" service (i.e. a robust, redundant, looped water supply and distribution system capable of supplying water safe for human consumption at adequate pressure for domestic and fire protection uses).

NOW THEREFORE, BE IT RESOLVED, that the trunk water charge fees be increased to $2,002.00 per acre effective January 1, 2008.

BE IT FURTHER RESOLVED, that future increases in the trunk water charge fees shall be based on the percentage increase in the Construction Cost Index for the previous period as reported by the Engineering News Record plus 2.0%,

BE IT FURTHER RESOLVED, that the funds collected from the trunk water charges will be set aside by the Utility and used to pay for construction of trunk water main facilities.

BE IT FURTHER RESOLVED, that water availability shall not be granted until the acceptance by the Utility of payment of all standard water fees requisite by this resolution and by compliance with all other Shakopee Public Utilities Commission resolutions applicable to new services.

BE IT FURTHER RESOLVED, that in the case of large water users, specific authorization by Shakopee Public Utilities Commission is also a prerequisite to water availability.

BE IT FURTHER RESOLVED, that all things necessary to carry out the term purpose of this resolution are hereby authorized and performed.

Attachment #5

Published 12/13/07
Shakopee Valley News

RESOLUTION #902

A RESOLUTION ADJUSTING FEES APPLIED
UNDER THE WATER CONNECTION CHARGE POLICY RESOLUTION

WHEREAS, the Shakopee Public Utilities Commission operates and maintains the municipal water system of the City of Shakopee, such system consisting of a ("blended") complex of water production, treatment, storage, and delivery facilities interconnected across multiple service districts or pressure zones via a network of trunk and lateral watermains, and

WHEREAS, the water connection charge fees are a component of water availability charges, and

WHEREAS, the fees established in Resolution #261are intended to be adjusted on the first day of January each year, and

WHEREAS, the water connection charge fees were adjusted in 2006 by Resolution #867 to $2,846.00 per equivalent SAC unit for all service, plus 6.7 cents per square foot for industrial use only, and

WHEREAS, the Shakopee Public Utilities Commission has received a report by Schoell and Madson, Inc. titled "Water Connection Fund and Trunk Water Main Fund Analysis and Report" dated August 20, 2007 and a report by Northland Securities titled "Finance Analysis of Water Connection Fund and Water Trunk Fund CIP Projects for the Period 2007 through 2030" dated November 27, 2007, and

WHEREAS, the Shakopee Public Utilities Commission determines an upward adjustment in the water connection charge equal to 24% is warranted at this time to provide adequate funding for the planned water production, treatment and storage facilities necessary to serve developing properties with the Commission's standard of level "A" service(i.e. a robust, redundant, looped water supply and distribution system capable of supplying water safe for human consumption at adequate pressure for domestic and fire protection uses).

NOW THEREFORE, BE IT RESOLVED that the water connection charge fees be increased effective January 1, 2008 as follows:

> $3,529.00 per equivalent SAC unit for all service, plus 8.3 cents per square foot for industrial use only (equivalent SAC units to be computed according to the Metropolitan Waste Control Commission Availability Charge Criteria, but applied to all municipal water usage whether discharged to sewer or not).

BE IT FURTHER RESOLVED, that future increases in the water connection charge fees shall be based on the percentage increase in the Construction Cost Index for the previous period as reported by the Engineering News Record plus 2.0%.

BE IT FURTHER RESOLVED, that the water connection charges shall be applied to all water connections made to, or newly drawing water from, the City of Shakopee water system; and that the connection charges shall also be applied to all instances where increased water usage is indicated by an increase in SAC units or by other means.

BE IT FURTHER RESOLVED, that the funds collected from the water connection charges will be set aside by the Utility and used to pay for construction of water production,

8e

RESOLUTION #1179

A RESOLUTION ADJUSTING FEES
APPLIED UNDER THE TRUNK WATER CHARGE POLICY RESOLUTION

WHEREAS, the fees established in Resolution #222, which Resolution established the Trunk Water Charge Policy, and Resolution #901, which Resolution adjusted said fees, are intended to be adjusted on the first day of January each year, and

WHEREAS, the fees were adjusted in 2015 by Resolution #1107 to $2,911.00 per acre, and

WHEREAS, per Resolution #901 designated that future increases in the trunk water charge fees shall be based on the percentage increase in the Construction Cost Index for the previous period as reported by the Engineering News Record, plus 2%, multiplied by the present trunk water charge, and

WHEREAS, the "Construction Cost Index" as listed in the Engineering News Record was 10,442.61, as of November, 2016, and

WHEREAS, this index was 10,817.11 as of October, 2017, and

WHEREAS, the Shakopee Public Utilities Commission determines an upward adjustment in the trunk water charge equal to 5.8% is warranted at this time to provide adequate funding for the planned trunk water main facilities necessary to serve developing properties with the Commission's standard of level "A" service (i.e. a robust, redundant, looped water supply and distribution system capable of supplying water safe for human consumption at adequate pressure for domestic and fire protection uses), and

WHEREAS, the Shakopee Public Utilities Commission also determines an additional one time upward adjustment in the trunk water charge equal to $500.00 per acre is warranted at this time due to the continuing deficit in the trunk water fund.

3x

NOW THEREFORE, BE IT RESOLVED, that the fees charged under Resolution #222 and #901 be increased to $3,749.00 per acre effective January 1, 2018.

BE IT FURTHER RESOLVED, that the funds collected from the trunk water charges will be set aside by the Utility and used to pay for construction of trunk water main facilities.

BE IT FURTHER RESOLVED, that water availability shall not be granted until the acceptance by the Utility of payment of all standard water fees requisite by this resolution and by compliance with all other Shakopee Public Utilities Commission resolutions applicable to new services.

BE IT FURTHER RESOLVED, that in the case of large water users, specific authorization by Shakopee Public Utilities Commission is also a prerequisite to water availability.

BE IT FURTHER RESOLVED, that all things necessary to carry out the ter purpose of this resolution are hereby authorized and performed.

Attachment #6

8d

RESOLUTION #1219

A RESOLUTION ADJUSTING FEES
APPLIED UNDER THE TRUNK WATER CHARGE POLICY RESOLUTION

WHEREAS, the fees established in Resolution #222, which Resolution established the Trunk Water Charge Policy, and Resolution #901, which Resolution adjusted said fees, are intended to be adjusted on the first day of January each year, and

WHEREAS, the fees were adjusted in 2015 by Resolution #1107 to $2,911.00 per acre, and

WHEREAS, per Resolution #901 designated that future increases in the trunk water charge fees shall be based on the percentage increase in the Construction Cost Index for the previous period as reported by the Engineering News Record, plus 2%, multiplied by the present trunk water charge, and

WHEREAS, the "Construction Cost Index" as listed in the Engineering News Record was 10,817.11, as of October, 2017, and

WHEREAS, this index was 11,183.28.11 as of October, 2018, and

WHEREAS, the Shakopee Public Utilities Commission determines an upward adjustment in the trunk water charge equal to 5.4% is warranted at this time to provide adequate funding for the planned trunk water main facilities necessary to serve developing properties with the Commission's standard of level "A" service (i.e. a robust, redundant, looped water supply and distribution system capable of supplying water safe for human consumption at adequate pressure for domestic and fire protection uses), and

WHEREAS, the Shakopee Public Utilities Commission also determines an additional one time upward adjustment in the trunk water charge equal to $500.00 per acre is warranted at this time due to the continuing deficit in the trunk water fund. 3x

NOW THEREFORE, BE IT RESOLVED, that the fees charged under Resolution #222 and #901 be increased to $4,451.00 per acre effective January 1, 2019.

BE IT FURTHER RESOLVED, that the funds collected from the trunk water charges will be set aside by the Utility and used to pay for construction of trunk water main facilities.

BE IT FURTHER RESOLVED, that water availability shall not be granted until the acceptance by the Utility of payment of all standard water fees requisite by this resolution and by compliance with all other Shakopee Public Utilities Commission resolutions applicable to new services.

BE IT FURTHER RESOLVED, that in the case of large water users, specific authorization by Shakopee Public Utilities Commission is also a prerequisite to water availability.

BE IT FURTHER RESOLVED, that all things necessary to carry out the terms and purpose of this resolution are hereby authorized and performed.

SHAKOPEE

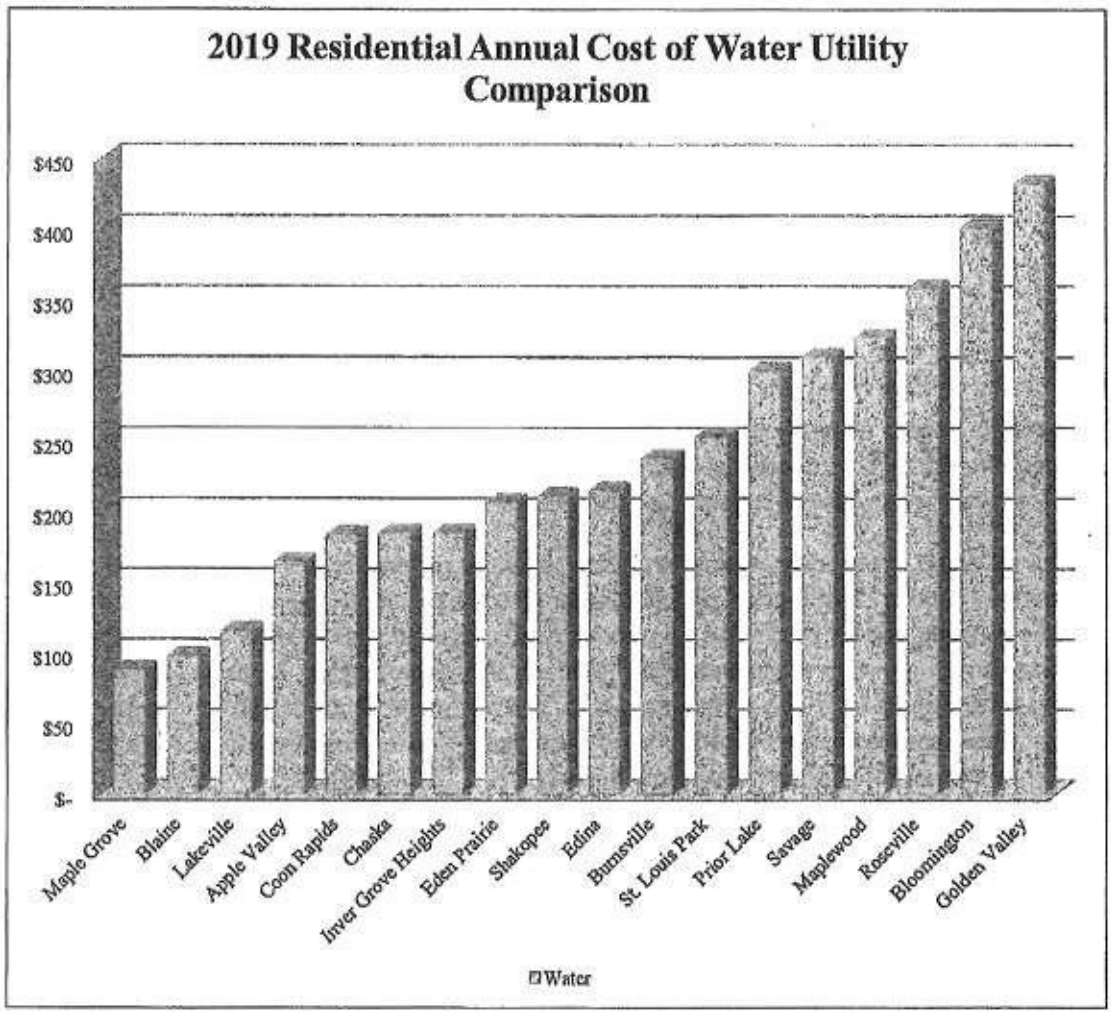
To:	Mayor and Councilmembers
From:	Darin Nelson, Finance Director
cc:	Bill Reynolds, City Administrator
Date:	February 27, 2019
Re:	Water Rate and Connection Charge Comparisons

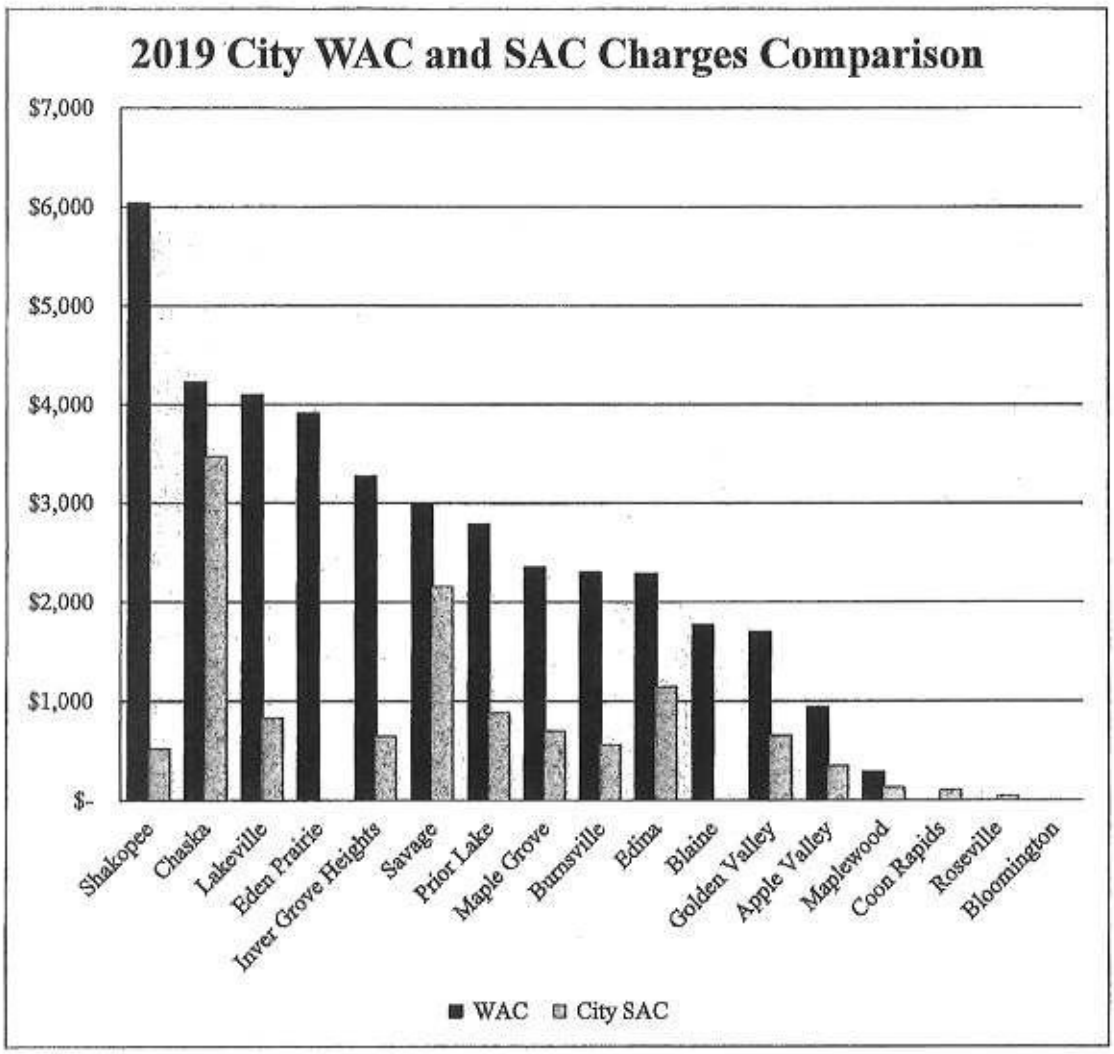
Annually the finance department gathers data on our comparable and surrounding cities. This data includes information on property taxes and utility rates. Since our comparable and surrounding cities all operate their own water utility, staff also gathers water rate information.

The Cost of Water Utility Comparison chart below compares residential annual cost of water based on an average monthly consumption of 5,000 gallons. 5,000 gallons is often considered an average monthly consumption for residential household. Annual costs include applicable variable and fixed fees associated with water usage and billing. Golden Valley, Bloomington, Roseville and Maplewood purchase their water from either Minneapolis or St. Paul, which tends to account for higher than average water costs compared to other cities. Also, Eden Prairie provides system-wide soft water eliminating the need for household water softeners.

The second chart provides a comparison of water and local sewer connection charges. The sewer connection charge (SAC) does not include the Met Council Environmental Services SAC charge. These SAC charges are strictly local charges. This chart only compares connection charges and does not include any trunk charges associated with installing necessary infrastructure to a specific area.

The information for both charges was gathered by reviewing fee schedules and/or contacting cities directly to confirm 2019 rate and connection charges.


2019 Residential Annual Cost of Water Utility Comparison
$450
$400
$350
$300
$250
$200
$150
$100
$50
$-
Maple Grove
Blaine
Lakeville
Apple Valley
Coon Rapids
Chaska
Inver Grove Heights
Eden Prairie
Shakopee
Edina
Burnsville
St. Louis Park
Prior Lake
Savage
Maplewood
Roseville
Bloomington
Golden Valley
Water


2019 City WAC and SAC Charges Comparison
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$-
Shakopee
Chaska
Lakeville
Eden Prairie
Inver Grove Heights
Savage
Prior Lake
Maple Grove
Burnsville
Edina
Blaine
Golden Valley
Apple Valley
Maplewood
Coon Rapids
Roseville
Bloomington
WAC
City SAC

WATER RATE STUDY
SHAKOPEE PUBLIC UTILITIES

Prepared For

SHAKOPEE PUBLIC UTILITIES
"Lighting the Way -- Yesterday, Today and Beyond"

July 2009

Progressive Consulting Engineers, Inc.

Attachment #9

Progressive Consulting Engineers Inc.
6120 Earle Brown Drive, Suite 629, Minneapolis, MN 55430-2581 (763) 560-9133 FAX (763) 560-0393

July 27, 2009

John Crooks
Water Superintendent
Shakopee Public Utilities
255 Sarazin Street,
P. O. Box 470
Shakopee, MN 55379-0470

Dear Mr. Crooks:

Progressive Consulting Engineers, Inc. (PCE) is pleased to submit herein the final report for the Water Rate Study for the Shakopee Public Utilities Commission (SPUC). The report includes the development of inclining block water rates as required by the Department of Natural Resources (DNR). The rates are developed using the cost of service analysis by Base-Extra Capacity method. As per your discussion with the DNR personnel, the inclining block is used only for the residential customers whereas the flat rate with separate irrigation meter rate is used for the commercial/institutional and industrial customers.

The proposed fixed and commodity water rates for 2010 as calculated from the study are:

Fixed Charge (5/8" meter size)	$3.06 per month
Residential	
0-5,000 gallons	$1.86 per 1,000 gallons
Above 5,000 gallons	$2.23 per 1,000 gallons
Commercial/Institutional	$1.71 per 1,000 gallons
Industrial	$1.49 per 1,000 gallons
Irrigation Meter	$2.23 per 1,000 gallons

It is recommended that the proposed calculated fixed rate and the commodity rates should be increased 10% every year until 2015 to generate the targeted cash balance of SPUC's one year of operating and maintenance costs. The reconstruction rate development was out of the scope of the study and hence not derived in this study. For the cash flow projections, it is assumed that SPUC will increase their current reconstruction rate by 10% every year.

This report is the product of a cooperative effort between SPUC and PCE staffs. The cooperation and assistance of SPUC staff is greatly appreciated, especially the assistance of Renee Schmid and yourself.

We will be available to discuss the report or any aspects of the study at your convenience.

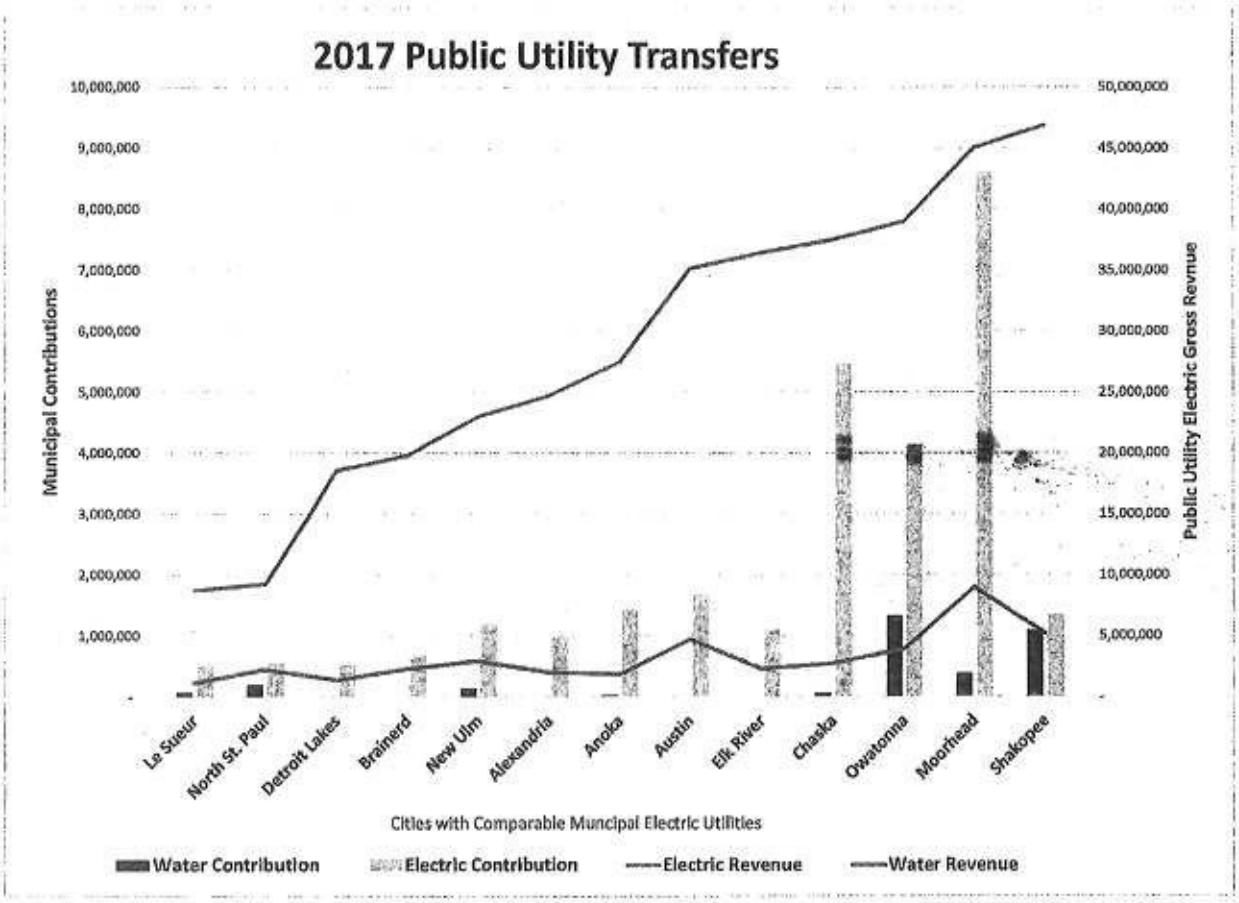
Sincerely,

Naeem Qureshi

Naeem Qureshi
NQ/Js

City of Shakopee
2017 Public Utility Transfers to Parent City
2/22/2019

	Water Contribution	Electric Contribution	Electric Revenue	Water Revenue	Source	Notes
Le Sueur	81,650	504,250	8,732,046	1,166,465	2017 CAFR	
North St. Paul	205,000	556,800	9,267,958	2,266,961	2017 CAFR	
Detroit Lakes	-	525,000	18,561,949	1,393,886	2017 CAFR	
Brainerd	-	672,823	19,826,394	2,335,002	2017 CAFR	
New Ulm	150,141	1,189,277	22,995,808	2,954,116	2017 CAFR	
Alexandria	-	980,825	24,724,008	2,028,338	2017 CAFR	
Anoka	40,000	1,425,000	27,487,642	1,873,597	2017 CAFR	
Austin	-	1,690,000	35,151,081	4,738,228	2017 CAFR	
Elk River	-	1,113,264	36,458,061	2,326,245	2017 CAFR	
Chaska	77,082	5,472,000	37,542,385	2,768,225	2017 CAFR	Add'tl admin charges to Ent. Funds of $3.1 million
Owatonna	1,328,912	4,135,713	39,025,342	3,948,324	2017 CAFR	Contributions are accounted for as admin costs
Moorhead	396,000	8,618,696	45,049,837	8,981,120	2017 CAFR	
Shakopee	1,092,000	1,344,000	46,887,042	5,184,201	2017 CAFR	



Attachment #10

Office of the Revisor of Statutes

Minnesota Session Laws - 2002, Regular Session

Authenticate PDF

Key: (1) ~~language to be deleted~~ (2) new language

CHAPTER 226-H.F.No. 2624

An act relating to the city of Shakopee; increasing its public utilities commission from three to five members.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. [SHAKOPEE UTILITIES COMMISSION INCREASED TO FIVE MEMBERS.]

(a) Notwithstanding Minnesota Statutes, sections 412.331 and 412.341, subdivision 1:

(1) the public utilities commission of the city of Shakopee is increased from three to five members;

(2) the additional members have three-year terms except that the first appointee to the fourth seat has an initial term expiring April 1, 2004, and the first appointee to the fifth seat has an initial term expiring April 1, 2005; and

(3) no more than one city council member may serve on the commission at any time.

(b) The provisions of sections 412.331 to 412.391 that do not conflict with paragraph (a) apply to the additional members to the same extent that they apply to the other members of the commission.

Sec. 2. [EFFECTIVE DATE; LOCAL APPROVAL.]

Section 1 is effective the day after the governing body of the city of Shakopee and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Presented to the governor March 6, 2002

Signed by the governor March 7, 2002, 2:26 p.m.

Attachment #11

SHAKOPEE
PLANNING AND DEVELOPMENT

March 25, 2019

Shakopee Public Utilities Commission
255 Sarazin Street
Shakopee, MN 55379

RE: City of Shakopee Review Comments for SPUC Comprehensive Water System Plan and Water Supply Plan

City staff have been able to review SPUC's Comprehensive Water System Plan and have the following comments which will need to be addressed prior to Metropolitan Council approval. First set of comments are in response to the Comprehensive Water System Plan, dated September 13, 2018.

1. Current Shakopee population is incorrect. Stated as "approximately 37,000", this number reflects 2010 census data. This number should be the latest Metropolitan Council estimate for 2017, which is 41,519.

2. On page 13, Table 3-2 "Projected Population Data" is not consistent with revised City or Met Council projections for city population, please refer to the following table for consistent information.

City of Shakopee Population Forecasts				
	2010	2020	2030	2040
Population	36,946	47,800	55,900	62,600
Households	12,722	16,300	19,400	22,100
Employment	18,831	25,700	29,100	32,800

3. Existing and projected land use maps and table should be revised to remain consistent with the City's 2040 Comprehensive Plan land use maps and tables.

   Table B-1 through B-5 "Projected Water Consumption by Land Use" need to be revised to reflect correct planned land use categories as defined in the 2040 Comprehensive Plan and correct full build out acreage for these planned categories. Information on these tables appears to be from the 2030 Comprehensive Plan which will not be in effect once the 2040 Plan is adopted.

   Figure 2-3 "Existing Water System Model Map" and Figure 3-1 "Existing Land Use" do not include the new Windermere development, this should be included in both maps.

4. Page ES-1 – The Existing Facilities inventory does not match the Water Supply Plan inventory in Table 5 of that plan.

5. Page ES-1 – 8 million gallons in well capacity plus 11.25 MG in storage is a substantial amount over the historic maximum day demand.

6. Recommend to include a more detailed discussion about the history and master planning for a water treatment plant, referencing any past studies that have been completed, etc.

7. Appendices were not provided for review. Please provide.

8. Page 38 – Suggest including more specific info on Manganese to supplement and support the text in section 5.2.3.2 as there are several wells within the window that should be monitored a little more critically to ensure they do not exceed the .1 mg/L health risk guidance level with mention in a health risk context vs. only discussing the aesthetic nuisances.

9. Page 37, section 5.2.3.1 – While the Nitrate levels as reported in the annual CCR are below the MCL, only barely. A more robust discussion about the timing of the testing from year to year, the historic trends, etc. should be discussed to very explicitly detail the extremely closeness of exceeding the MCL. The discussion of blending water to mitigate the levels should be better discussed. (e.g. since the wells are connected directly into the distribution/transmission system, there is little blending that occurs until further outward into the system; therefore, there could be potential consumers immediate to the higher-level nitrate wells that are receiving the higher levels of nitrates and this should be further disclosed in more detail to consumers if indeed fact. The historical levels of nitrates are concerning with little fluctuation over the years. Are the well head protection initiatives, testing, blending, etc. enough to protect and supply safe drinking water supply relative to Nitrates? It is not certain with the info provided.

Remainder of comments are in response to Water Supply Plan dated December 12, 2018

10. Table 3. Valley Fair is listed as the high drinking water user. This property needs to be better inventoried to confirm meters vs. sanitary sewer meters vs. any possible private wells. There is an auxiliary sewer meter, not certain on the entire story about having this auxiliary meter vs. the SPUC meters.

11. Table 5 – The ground vs. elevated inventory does not match the Comprehensive Plan inventory on page ES-1 of that plan.

12. P. 14, last paragraph – Seems that 125.5 gallons per capita is an extremely high assumption that would lead too much of an overbuild of the system.

13. Table 10 – There are many boxes that are checked where the city is not aware of the indicated coordination as follows:
    a. Lake – the "other" mitigation measure box that is checked, and the "monitored" regular check-in box
    b. Wetland – same comments for the boxes checked under Lake
    c. Trout Stream – same comments for the boxes checked under Lake

14. Table 11 – While the WHP was adopted as indicated on 11/2011, it is apparent from discussions with city staff that there is a lack of adequate coordination with the city pertaining to the well head protection implementation initiatives, issues, etc., most notably when it comes to development and surface water coordination.

15. Table 12 – A 2020 CIP year of Water Treatment Facilities does not reflect the current CIP.

16. Please provide the city a copy of SPUC's Emergency Response Plan dated May 2017.

17. Table 21 – the New Water Conservation Ordinances action taken box is checked "no". It seems as an initiative that dates back to the 2006 plan commitment that this should already be completed. Verify status.

18. Table 23 – Per the table, there are only 300 automated meters. An AMI project is included in the CIP to automate meter reading over the next few years. Please confirm that this project is expected to replace all mechanical meters. The coordination of this is important to better monitor the city's discharge into the sanitary sewer also (e.g. recent event where a water service/line broke, with 280k gallons flowing into the city's sanitary sewer system.

19. Table 26 – Install AMI timeframe indicates "when possible". Suggest to update to match timeline in CIP.

20. Table 30 – Not aware of SPUCs participation in any Rain Barrel initiative with the watersheds.

21. Table 31 – Seemingly very little educational inclusion methodologies are being used.

Find SRF Memorandum No. 11925 attached requesting revised water supply forecasts for the AUAR study currently underway.

The City can provide all required data by request. If there are any questions or concerns about the City's comments, please contact city staff, thank you.

Sincerely,

Bill Reynolds
City Administrator

CC
Michael Kerski, Director Planning and Development
Steve Lillehaug, City Engineer
Shakopee Public Utility Commissioners

Memorandum

SRF No. 11925

To: Mark Noble, Senior Planner
Planning Division, City of Shakopee

From: Stephanie Falkers, Senior Associate

Date: March 22, 2019

Subject: Jackson Township AUAR – Water System Planning

Jackson Township AUAR

SRF Consulting Group is assisting the City of Shakopee with the development of an Alternative Urban Areawide Review (AUAR) for the areas included within the Jackson Township Orderly Annexation Area to the southwest of the city. The AUAR is a form of environmental review, intended to describe a development scenario and assess potential impacts to environmental and cultural resources. Impacts to public infrastructure services are also assessed, including water and sanitary services and the transportation network.

The Jackson Township AUAR will assess the impacts that result from a full-build scenario of the study area, according to the land uses proposed in the Draft 2040 Comprehensive Plan Update. This scenario includes over 600 acres identified for residential development and over 550 acres of commercial/industrial development (see proposed land uses on the following page).

To assess the potential impacts and need for mitigation, a full build-out of the proposed 2040 land use plan should be used to inform any water and sanitary modeling. The use of the 2040 growth assumptions will result in a more accurate depiction of water needs to support the growing area and will allow for the identification of appropriate mitigation activities within the AUAR.

It is our understanding that the current Comprehensive Water System Plan for the City, includes growth assumptions that align with the growth assumptions proposed in the 2030 Comprehensive Plan. To provide an accurate assessment of the future water system, the modeling should be updated to reflect the growth assumptions included in the Draft 2040 Comprehensive Plan Update.

H:\Project\11000\11925_SENT\Client\Water System Memo\Jackson Township AUAR Water System.docx

Figure 1 - Proposed Land Use
Legend
Study Area
2040 Planned Land Use
Downtown Riverfront
Downtown Business District
Downtown Transition
Old Shakopee Neighborhood
Mixed Use Corridor
Mixed Use Center
Mixed Use Employment Center
Industrial
Institution
Entertainment District
Mixed Residential
Suburban Residential
Suburban Edge Residential
Rural Transition
Utilities
Railroad
Rights-of-Way
Parks
Open Space
Water
0 0.25 0.5 0.75 1 Miles
169
77
69
79

Attachment C

Crooks, John

From: William.Mars <William.Mars@target.com>
Sent: Thursday, July 11, 2019 11:55 AM
To: Crooks, John
Subject: City Letter update

John

Hello – We are going to send letter to request reconsideration of the previous letter from Bill R that your board took no action on.
We will be at your Aug 5th meeting. Thank you.
Bill

William Mars – [redacted]
[redacted]

SHAKOPEE

July 12, 2019

Shakopee Public Utilities Commission
c/o Mr. John Crooks
255 Sarazin Street
Shakopee, MN 55379

Dear Members of the Commission and Mr. Crooks,

On June 7, 2019, the City of Shakopee sent a letter requesting public information regarding the setting of your rates and other matters. It appears that on July 1, 2019, the commission decided to take no action on the letter.

On behalf of the City Council, we would request that the letter's concerns be addressed without further delay.

Sincerely,

William P Mars
Mayor

Matt Lehman
SPUC Liaison

1. **How is the SPU Water Capital Improvement Plan funded?**

The Capital Improvement Plan (CIP) for SPU Water is broken out into four separate funds with very specific, restricted uses and collection processes. An explanation of each of the funds is as follows:

Fund	Use	Who Pays
Operating	This is used to pay for the operation and maintenance of the water production and distribution system.	**Customers.** This is included in customer rates billed monthly based on usage.
Reconstruction Charge	This is used to replace water mains and services up to the curb stop in conjunction with the city's street reconstruction project.	**Customers.** This is a separate line item billed monthly to customers based on usage.
TWC Trunk Water Charge	This fee is only collected when water is made available to undeveloped property. It pays for the oversizing of pipes to provide adequate fire flow protection.	**Developers.** Developers pay this through fees based on the net acreage of their development.
WCC Water Capacity Charge (Formerly called Water Connection Charge)	This fee is collected when there is increased demand on the water system. It is used for siting and constructing new wells, pump houses, booster stations, water storage tanks, treatment plants and transmission mains to support customer needs.	**Property Owners/Developers.** This is a one-time, upfront charge to cover the additional demand on the water supply system. The anticipated volume of water to be used is measured in equivalent SAC units.*

*One SAC (Sewer Availability Charge) unit as defined by the Met Council is 274 gallons per day.

Please see attached 5-Year CIP. This plan is prepared by SPU staff and presented to the Commission and the City Council Liaison every year, typically in November. Within each of the four water funds the anticipated expenses for the next five years are detailed. Once approved by the Commission these numbers are included within our annual budget. While this is a 5-Year plan only the upcoming year is approved by the Commission annually.

Note: When a project is started but is not completed before yearend, the expense carries forward. Case in point is the $250,000 in the Operating Fund for 2018. This was the Rahr Looping project that extended into 2019. Another notation in the Operating Fund is the planned migration to AMI metering. This will take several years to complete as it involves replacing all electric and water meters with advanced metering technology.

Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: November 19, 2018

Water Detail

Item Description	Justification	2018 Carryover	2019	2020	2021	2022	2023
Operating Fund 1							
Miscellaneous							
Water Meters	PM/Development	-	145,000	150,000	150,000	150,000	175,000
Landscaping	Line of sight screening Riverview Booster	-	13,500	13,500	-	-	-
8" Watermain Looping Boulder Pointe	Development	-	104,000	-	-	-	-
Cl2 Feed Improvements	Safety/Enhanced Accuracy	-	72,000	75,000	75,000	-	-
Chemical Feed Scales	Life Cycle Replacement	-	23,000	24,000	25,000	26,000	-
Reservoir Maintenance	Preventative Maintenance	-	50,000	50,000	50,000	50,000	50,000
Power Wash Towers	Preventative Maintenance	-	15,000	15,000	15,000	15,000	15,000
Hydrant Replacement	As Needed	-	40,000	40,000	40,000	40,000	40,000
CR16 Valve & Hydrant Adjustments	County Trail Project CP-16-XX	-	25,000	-	-	-	-
CR 83 Valve & Hydrant Adjustments	County Road Project	-	-	-	50,000	-	-
8" Watermain Looping Apgar St and 2nd Avenue		250,000	100,000	-	-	-	-
Total Miscellaneous		**250,000**	**587,500**	**367,500**	**405,000**	**281,000**	**280,000**

25	**System Upgrades**							
26	Reservoir Mixers	Water Quality	-	35,000	35,000	35,000	-	-
27	Sidewalk Repair	Safety/Maintenance	-	5,000	-	-	-	-
28	Cl2 Leak Detection Upgrade	Safety/Lifecycle Replacement	-	13,500	13,500	9,000	-	-
29	SCADA Communications Upgrade	Water System Reliability	-	57,900	-	-	-	-
30	Sealcoat Drives/Repair	Preventative Maintenance	-	5,000	5,000	5,000	5,000	5,000
31	Driveway Replacement PH 6	Preventative Maintenance	-	16,000	-	-	-	-
32	Miscellaneous Equipment	As Needed	-	15,000	15,000	15,000	15,000	15,000
33	**Total System Upgrades**		**-**	**147,400**	**68,500**	**64,000**	**20,000**	**20,000**
34								
35	**ADVANCED METERING INFRASTRUCTURE (AMI)**							
36	Planning/Design/Project Management	Project Planning/Design	-	20,000	48,187	68,187	72,800	-
37	Construction/Implementation/Hardware/Software/Training	Customer Service	-	-	983,454	1,022,792	1,063,704	-
38	**Total ADVANCED METERING INFRASTRUCTURE (AMI)**		**-**	**20,000**	**1,031,641**	**1,090,979**	**1,136,504**	**-**
39	**Vehicles/Equipment**							
40	Portable Pressure Calibrator	Water Quality	-	4,300	-	-	-	-
41	Replace Truck #622	Life Cycle Replacement	-	-	-	40,000	-	-
42	New Positions Trucks	Customer Service	-	-	45,000	-	-	-
43	**Total Vehicles/Equipment**		**-**	**4,300**	**45,000**	**40,000**	**-**	**-**
44								
45	**Total Operating Fund**		**250,000**	**759,200**	**1,512,641**	**1,599,979**	**1,437,504**	**300,000**
46								
47		**Reconstruction Fund** **2**						
48	**Reconstruction**							
49	Bituminous Overlay	City CIP	-	30,000	30,000	30,000	20,000	20,000

50	Reconstruction	City Street Recon	-	450,000	150,000	150,000	150,000	150,000
51	Correct Deficient Services	As Needed	-	40,000	40,000	40,000	40,000	40,000
52	**Total Reconstruction**		-	**520,000**	**220,000**	**220,000**	**210,000**	**210,000**
53								
54	**Total Recontruction Fund**		-	**520,000**	**220,000**	**220,000**	**210,000**	**210,000**
55								
56								
57	**Trunk Water Mains - SPUC Projects (Completed by SPU)**							
58	Projects to be determined		-	25,000	25,000	25,000	25,000	25,000
59	**Total Trunk Water Mains - SPUC Projects**		-	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**
60								
61	**Over Sizing - Non-SPUC Projects (Completed by Others)**							
62	16" WM East from Monarch Estates parallel to 17th Ave to CR 83 0.875 mile NES	Development	-	152,400	79,250	164,800	171,400	-
63	16" WM Windermere South from Booster Station to 2-HES Tank Site	Development	-	60,000	62,400	32,500	-	-
64	16" WM Krystal Addition to CR 79 (800 ft) NES	Development	-	70,000	-	-	-	-
65	12" WM South from Hwy 169 to 17th Ave 0.25 mile (Hauer) NES	Development	-	48,700	-	-	-	-
66	12" WM West from CR 17 North of Wood Duck Trail (1200 ft) 2-HES	Development	-	40,000	-	-	-	-
67	12" WM C.R. 16 from C.R. 15 west to C.R. 69 - (DR Horton) 0.25 mile/segment 2-HES	Development/City Project/Scott County Proj	-	-	52,000	55,000	57,200	-
68	12" WM West of Windermere 0.75 mile 1-HES	Development	-	-	208,000	-	-	-
69	12" WM on Stagecoach Rd from Eagle Creek Preserve to Hansen Ave 0.5 mile NES	Development	-	-	104,000	-	-	-
70	12" WM Vierling Drive West from CR 69 0.25 mile NES	Development	-	-	50,856	-	-	-
71	12" WM Parallel to CR 69 South from Vierling Drive 0.75 mile NES	Development	-	-	-	52,900	110,000	-
72	12" WM Thrush Street from CR 83 to 0.25 mile West 1- HES	Development	-	-	-	55,000	-	-
73	12" WM CR 83 from Thrush Street to 0.25 mile north 1-HES	Development	-	-	-	55,000	-	-
74	12" WM West of Tank Site thru area B to CR69 0.25 mile	Development	-	-	-	110,000	-	-

Trunk Fund

3

75	12"WM West of CR 69 thru area B 0.50 mile 2-HES	Development	-	-	-	110,000	-	-
76	12" WM CR 69 South of HWY 169 0.50 mile 1-HES to 2-HES	Development	-	-	-	-	110,000	-
77	12" WM West of CR 69 thru area B 0.50 mile 1-HES	Development	-	-	-	-	114,400	-
78	12" WM Parallel to CR 69 South from CR 16 0.25 mile 2-HES	Development	-	-	-	-	-	59,500
79	12" WM Horizon Drive across CR 18 to Foothill Road 2-HES (1.0 mile) 2 HES to NES	Development	-	-	-	-	-	225,000
80	8" WM on Muhlenhardt Rd 0.50 mile 1-HES to 2-HES	Development	-	-	-	-	-	83,520
81	Projects to be determined		-	92,000	-	-	-	-
82	**Total Over Sizing - Non-SPUC Projects**		**-**	**463,100**	**556,506**	**635,200**	**563,000**	**368,020**
83								
84	**Total Trunk Fund**		**-**	**488,100**	**581,506**	**660,200**	**588,000**	**393,020**
85								
86								
87	**Wells**							
88	2-HES Well/Tank Site @ South of Windermere	Development	-	350,000	-	-	-	-
89	1 or 2-HES Jordan Well @ South of Windermere or @Windermere Booster	Development	-	-	53,040	520,000	-	-
90	**Total Wells**		**-**	**350,000**	**53,040**	**520,000**	**-**	**-**
91								
92	**Water Treatment**							
93	NES Jordan Well #22 Submersible (Pump House No. 3 modifications)	Radium Remediation	-	-	-	51,500	518,000	-
94	Water Treatment Plant	Water Quality	-	-	-	-	65,000	5,375,800
95	**Total Water Treatment**		**-**	**-**	**-**	**51,500**	**583,000**	**5,375,800**
96								
97	**Note: NES Well #22 and The Water Treatment Plant are not currently needed, they are put into the budget as placeholders as contingencies in the event they become necessary.**							
98								
99	**Pump House Additions/Expansions**							

Connection Fund

4

100	2-HES Pump House @ South of Windermere	Development	-	-	-	64,400	1,272,500	-
101	**Total Pump House Additions/Expansions**		**-**	**-**	**-**	**64,400**	**1,272,500**	**-**
102								
103	**New Tanks and Transmission Water Main**							
104	2-HES District Storage (0.5 MG, Elevated Tank) @ South of Windermere	Development	-	130,000	2,568,000	-	-	-
105	Transmission Watermain Equivalent (16"vs. 12") Windermere Booster Station to 2-HES Tank	Development	-	120,000	124,800	64,900		
106	**Total New Tanks and Transmission Water Main**		**-**	**250,000**	**2,692,800**	**64,900**	**-**	**-**
107								
108	**Booster Stations**							
109	Booster Station @ Windermere 1-HES to 2-HES	Development	3,671,851	-	-	-	-	-
110	**Total Booster Stations**		**3,671,851**	**-**	**-**	**-**	**-**	**-**
111								
112	**Auxiliary Facilities**	Development						
113	Inline Booster Station Site @ Foothill Road and Horizon Drive	Development	-	-	-	-	150,000	-
114	Inline Booster Station @ Foothill and Horizon NES to 2 HES	Development	-	-	-	-	50,000	400,000
115	Pressure Reducing Valve - 2-HES to 1-HES @ Horizon Drive and trail bend	Development	-	-	-	-	-	26,000
116	Pressure Reducing Valve - 2-HES to 1-HES @ Muhlenhardt Rd	Development	-	-	-	-	-	26,000
117	Pressure Reducing Valve - 2-HES to 1-HES @ CR 69	Development	-	-	-	-	-	26,000
118	**Total Auxiliary Facilities**		**-**	**-**	**-**	**-**	**200,000**	**478,000**
119								
120	**Total Connection Fund**		**3,671,851**	**600,000**	**2,745,840**	**700,800**	**2,055,500**	**5,853,800**
121								
122	**Total Water**		**3,921,851**	**2,367,300**	**5,059,987**	**3,180,979**	**4,291,004**	**6,756,820**

2. **Where are funds collected, detailed in the SPU budget?**

The budget process begins with the planning and approval of the 5-Year CIP as described above. Once approved by the Commission, the CIP becomes part of our annual budget. This budget is presented to the Commission and the City Council Liaison in Q4, typically November. The 2019 budget presented at the November 19, 2018 Commission Meeting is attached.

In a memo from Renee Schmid, SPU Director of Finance and Administration to Mr. John Crooks, SPU Utilities Manager, pages 1-6 provide the planning assumptions for the key areas of the budget, including fund balances and projected cash flows.

Detailed cash flows for both water and electric are also provided with the budget. The details for specific funds can be found here. The projected cash flows are broken out by fund for the remainder of the current year, as well as the upcoming 5-year plan. Both projected expenses and revenues are specified for each given year.

In addition to the annual budget, monthly financial budget analyses are also provided in the commissioners' and city council liaison's packets. These documents provide a fiscal overview of SPU's performance to plan monthly and YTD. An example of this analysis from May 2019 is also attached.

Both budgets and financial analysis can be found on the SPU website as part of the commission packets. Packets are listed by meeting date. Packets are retained on the site for 12-18 months. If earlier packets are required, please contact SPU for specific dates and we will provide these.

3. **Why consultant advice was not followed repeatedly over the years?**

Consultant studies are intended to be a resource or tool in the decision making process; not a directive. When consultant studies are authorized by the SPU Commission, it is the duty of the members to understand the detail within each study, ask appropriate questions, listen to consultant recommendations and make decisions in the best interest of our ratepayers. Below are two scenarios where the Commission did not follow specific consultant advice and the reasons for these decisions.

<u>March 2003 Water Trunk Charge and Connection Charge Analysis</u>.

The consultant recommended SPU increase the TWC to $854/acre. This recommendation resulted in a significant decrease in Trunk Fund reserves down from $950,000 to $81,000 in future plan years. The Commission determined this was not a sufficient minimum reserve balance based on nearly 4,000 acres of undeveloped land and anticipated growth. Therefore, the Commission increased the TWC to $1213/acre, thus maintaining the Trunk Fund similar reserve balances.

The WCC consultant recommendation was followed with the increases to the water connection charge.

2009 Water Rate Study

This was a cost of service study to analyze current and future water rates for existing customers. The consultant recommended, "the proposed calculated fixed rate and commodity rates should be increased 10% every year until 2015 to generate the targeted cash balance of SPUC's one year of operating and maintenance costs."

SPU increased the fixed charge and commodity by 10% the first year as recommended. A financial analysis at the end of that year indicated SPU could maintain the one-year cash reserve of operations and maintenance costs as recommended without an additional, automatic increase of 10% to our ratepayers. Based on Commission direction, SPU assessed the financial position of this fund on an annual basis and as a result was able to limit the increases to our customers to only four 10% increases instead of seven over the 7-year period, while maintaining the targeted cash balance. This saved SPU customers 30% in rate increases through 2019.

Please note that 23.77% of those rate increases are contributed to the City of Shakopee.

4. **Where are the two water treatment plants in the SPU CIP?**

Funding for water treatment has been identified in SPU CIPs since 2004. The costs can be found in the WCC Fund, under Water Treatment. The current 5-year CIP has water treatment costs 2021-2023. It is during these years based on annexation and the direction of Shakopee's growth that we will need water treatment. NOTE: 'Water treatment' includes more than a water treatment plant. With a blended system we can address treatments in other manners. See the spreadsheet above.

5. **Study or other reports used to justify the multiple increase to the SPU Water Connection Charge over the years.**

The following studies and reports were sent to the City Administrator between January 3 and January 11, 2019:

Chronology of WCC/TWC Analysis

- January 1976 - City of Shakopee Municipal Water Study; City of Shakopee Comprehensive Trunk Water System Study
- December 1979 – Supplement 1 – Fire Flow Study Municipal Water Study
- April 1980 – County Road 17-13th Ave Area Trunk Watermain Study
- May 1981 – Public Utilities Commission Water Connection Charge Study
- June 1982 – Public Utilities Commission Water Connection Charge Study
- December 1982 – Public Utilities Commission WCC Study Supplement
- April 1993 – Comprehensive Water Plan Section VI
- December 1998 – Comprehensive Water Plan 1998 Supplement Section VII
- December 2001 - Comprehensive Water Plan Section 8.0
- March 2003 – TWC/WCC Charge Analysis
- September 2004 - Comprehensive Water Plan Updated Section 8.0
- June 2006 – SE Area Water Service Report
- August 2007 – TWC/WCC Fund Analysis and Report
- November 2007 – Financial Analysis of WCC Fund & TWC Fund Program 2007

Note: It was communicated at the joint meeting between SPUC and Shakopee City Council on March 12, 2019 a new study will be completed in 2019.

6. Specific information for the 23% increase in 2008 – and the addition of a 2% kicker per year.

The SPUC received a report on the Connection and Trunk Fund status and projections based on prevailing assumptions of that era. At the time, growth was strong and there was pressure to build water facilities to serve a proposed elementary school and housing development called the Bluffs of Marystown on the west side of Shakopee. There was also development pressure in the area east and west of SFRMC campus, and in the Southbridge area in east Shakopee.

The elementary school was proposed to be located south of the housing in Bluffs of Marystown and would require the SPUC to fund the following:

- booster station
- long trunk water main
- water tower
- water supply well
- pump house.

A plan was created to enter into an agreement with the developer to place into security the future TWC and WCC fees for the Bluffs, while SPUC would finance the water improvements through a bond sale or inter-fund transfer from the electric utility. In either case, there would be a financing expense that was not included in previous financial analyses of the WCC and TWC.

A report that projected the WCC and TWC Funds cash flow and balances over an extended period was prepared. These projections determined an additional increase in the WCC and the TWC fees would be necessary, as the consultant's recommended increase fell short of SPUC's goal to keep the existing fund balances intact. Consequently, taking into account the consultant recommendation, financing expenses, projected growth and the projected cash flow and balance goals, the Commission determined it was in the best interest of the community that the fees be raised to the levels they were.

And then the unforeseen happened. The great recession hit and development came to a stop for a period of time before slowly picking up over the last 5-7 years. The Bluffs developer passed on the agreement since they were no longer confident they could sell houses in the near term. The elementary school was built in another location and the water facilities were not needed at that time.

As a result of the economic crisis of 2009, it's true the Connection (Capcacity) Fund had grown without immediate expenditures hitting it – until now. With the improving economy and recent developments, SPUC is on the cusp of completing all the water facilities envisioned in 2008 and is positioned to pay cash rather than-financing these expenses. This is a positive situation to be in for the utility and our ratepayers.

The Trunk Fund has not fared as well as the Connection Fund over time. Despite additional increases of $500 per acre, per year, the TWC is still projected to hover around the breakeven point in the near term.

The 2% "kicker" refers to SPUC's direction to add 2% to the inflation factor used to adjust the WCC and TWC each year. In 2008, this additional 2% was intended to offset the financing expense of bond sales, as well as the difference between actual construction costs vs. CIP budgetary estimates for water facility projects over previous years. As it turned out, bond sale financing did not come to fruition, but the real costs of the facilities had been (and continues to be) outstripping the ENR CCI (Engineering News Record Construction Cost Index). NOTE: It is speculated this is primarily due to the time lag between when the most current data is compiled and the index published.

Another factor on pricing is that facilities have to be built at the most inopportune times, i.e. when development pressure on labor, equipment and materials are the greatest. A recent example of this is demonstrated by the cost of the Windermere Booster Station under construction in 2019 vs. the Riverview Booster Station on Kelly Circle constructed in 2016. There was a nearly 50% total cost increase between the two in a period of approximately 36 months between bid dates.

7. **Study and other reports supporting the 2018 "one-time fee" of $500 per acre and subsequent 2019 additional "one-time fee" of $500 in 2019.**

SPU's engineering staff make recommendations to the Commission when it is found to be in the best interest of the water system that larger than standard size mains be installed for the overall benefit of the City water system, specifically fire safety. The Commission may elect to pay for the difference in cost of materials necessary to provide for the larger mains. When they do, it is the Trunk Water Fund that finances any trunk watermain oversizing agreements.

The cash flows for the Trunk Water Main Fund are analyzed annually with budgets. In 2018 and 2019, decreasing and negative projected cash balances in this fund warranted increases to the TWC. The additional one-time flat fees were added to keep minimum reserve balances intact.

Note: Oversizing costs approved by the Commission must be paid for in advance of completed development. The TWC payment from the developer is received after the project is completed. This requires cash flow, thus a minimum reserve balance.

8. **Reasoning for failure to have a rate study since the last one expired and inquiry into when the residents of Shakopee could expect a new rate study.**

The last cost-of-service study was completed in 2009. As indicated in the response for question #3, the recommendation was to generate a targeted cash balance of SPU's one-year operating and maintenance costs. This has been maintained and reflected in budgets. Additionally, please see response in question #5; SPU has agreed to complete a new study. Once the Jackson Township AUAR is completed the financial analysis can be initiated.

9. **Inquiry regarding economic development efforts akin to that provided by Xcel Energy and other providers.**

   More information is necessary for SPU to provide a more detailed response to this inquiry. We would be open to discussing the specific development efforts referred to above so a complete answer can be provided.

   A high-level response is that SPU is a municipal utility and operates under a different business model than Xcel Energy, which is a for profit, private investor-owned utility. Because our first commitment is to the rate payers to provide the best service with the lowest rates consistent with such service, we do not have the flexibility to take liberties with activities that may affect rates on a project-by-project basis. While this philosophy may be viewed as limiting, it has treated all customers equally since the commission's inception in 1951. It would require a change in practice/philosophy that potentially may affect rates and those who have already paid.

10. **Inquiry regarding the current contribution provided to the city general fund (to help offset property taxes) based upon the city's study of similar utilities.**

    Presently, SPU contributes 2.71% of gross electric sales and free street light service, along with other free service. This is a very similar contribution as with the City Franchise fee for both Xcel Energy and Minnesota Valley Electric Cooperative.

    With the water utility SPU contributes 23.77% of gross water sales less the cost of energy for pumping. This is considerably higher than the present City of Shakopee franchise fee.

    Please refer to the attachment for a historical overview of SPU contributions to the City of Shakopee.

11. **Council membership on SPU Commission.**

    State Statute 412.341 clearly states "No more than one member may be chosen from council membership." In 2002 the SPU Commission was increased from 3 to 5 members, which was accomplished by MN Session Laws Chapter 226 – H.F. No. 2624, which includes the statement "no more than one city council member may serve on the Commission at any time."

    The Shakopee City Council has had representation as a Commissioner in the past. It is a council appointment to allow a City Council member to serve as a SPU Commissioner. It is <u>not</u> a SPU Commission decision.

12. **The $211,000 (estimated WCC) was waived by the SPU Commission at their July 1, 2019 meeting. The Resolution waiving the WCC was approved unanimously.**

Shakopee Public Utilities Commission
Payment in Lieu of Taxes and Free Service to City of Shakopee Cost History

Year	PILOT Electric Transfer	PILOT Water Transfer	Free Service	Maintenance of Street Lights		TOTAL COSTS PILOT, Free Service & Maintenance of Street Lights
2000	727,102	366,736	47,597	(7,491)		$ 1,133,944
2001	727,102	446,703	54,353	10,136		$ 1,238,294
2002	492,262	438,281	49,871	76,734		$ 1,057,148
2003	534,344	534,025	53,982	4,960		$ 1,127,311
2004	593,115	532,725	40,498	140,681		$ 1,307,019
2005	741,847	584,850	46,434	146,140		$ 1,519,272
2006	858,898	677,999	50,082	103,290		$ 1,690,269
2007	987,031	704,809	93,931	128,282		$ 1,914,053
2008	1,021,293	651,924	130,135	33,450		$ 1,836,802
2009	905,441	726,200	189,761	43,617		$ 1,865,019
2010	975,175	816,350	197,882	59,982		$ 2,049,389
2011	993,928	822,726	194,705	45,469		$ 2,056,828
2012	1,057,044	1,054,271	208,910	35,185		$ 2,355,410
2013	1,083,698	937,073	165,648	63,801		$ 2,250,220
2014	1,120,541	862,487	168,842	28,623		$ 2,180,493
2015	1,142,531	843,988	175,098	114,828		$ 2,276,446
2016	1,219,749	891,017	167,898	115,833		$ 2,394,497
2017	1,246,132	1,001,919	168,038	135,301		$ 2,551,390
2018	1,340,049	1,091,814	170,988	830,027	*	$ 3,432,877
2019 Budget	1,362,449	1,078,578	84,019	156,725		$ 2,681,771
Total	19,129,732	15,064,475	2,458,671	2,265,575		$ 38,918,453

*Includes $610,000 for LED Street Light Project funded by SPU from operations and conservation

11d

November 15, 2018

TO: John Crooks, Utilities Manager

FROM: Renee Schmid, Director of Finance and Administration

SUBJECT: 2019 Proposed Operating Budget, Cash Flow, and Key Operating Budget Assumptions

The following documents are presented for review, discussion and recommended approval at the next meeting of the Shakopee Public Utilities Commission scheduled for November 19, 2018:

- 2019 Key Operating Budget Assumptions
- 2019 Proposed Operating Budget for Electric, Water, and Total Utility
- Projected Cash Flows 2019-2023

2019 Key Operating Budget Assumptions:

The following key budget assumptions were used to develop the 2019 Operating Budget:

Revenue Planning Assumptions:

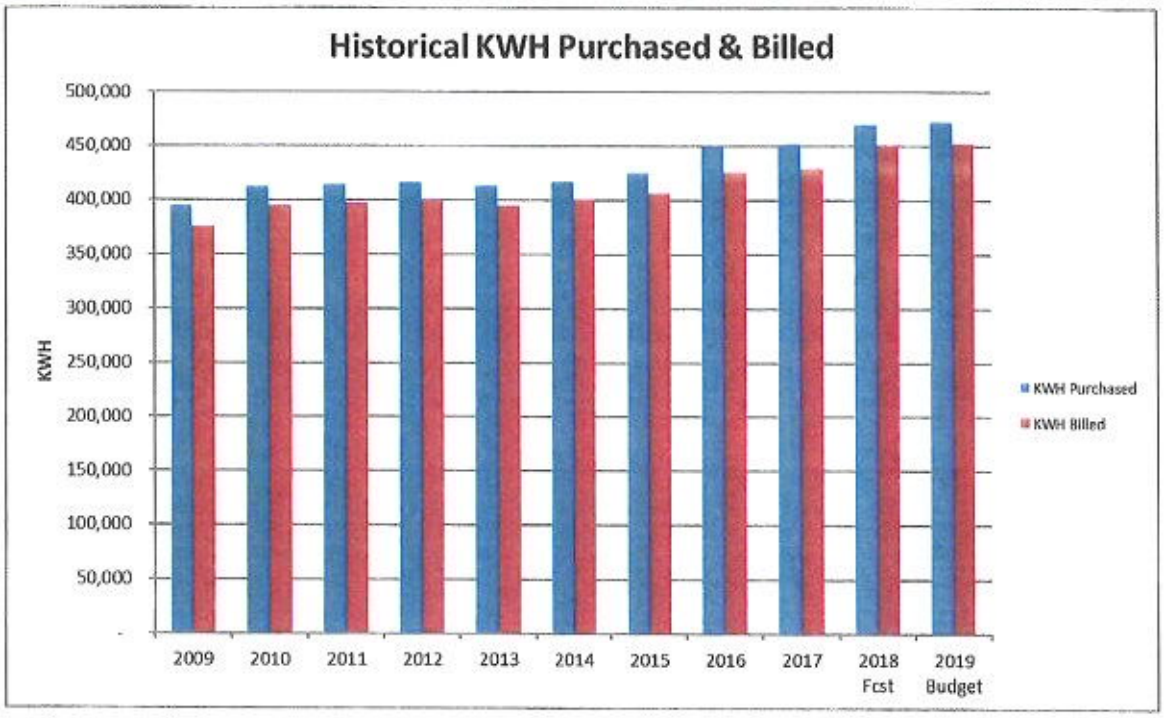
- Year to date revenues as of September 30, 2018 and forecasted revenues for the fourth quarter 2018 were used as the basis for developing the 2019 Operating Revenue Budget. Historical sales volumes over the last three years were also reviewed.

Electric Revenue Assumptions

- Revenue projections assume an increase in demand charges from $9.00/KW to $9.50/KW. No other rate increases are planned for energy or fixed charges as of January 1, 2019 in residential, commercial, and industrial rates. Rate adjustments to the service fee charges and demand charges were last made in 2016.

- Power costs are projected to increase $0.6 million dollars or 1.7% in 2019 reflecting a projected 0.6% growth in kWh purchased of $0.3 million dollars and an increase in the cost of purchased power of $0.3 million dollars or 1.1% per kilowatt. Increases in the cost per kWh of purchased power are being driven by increases in demand rate charges from our power supplier. The increase in purchased power costs is projected to impact the average cost of the power cost adjustment rate from an average of 1.64 cents per kWh in 2018 to 1.71 cents per kWh in 2019.

- Total sales of kilowatt hours are projected to increase by 0.4% from 450,949,300 in 2018 to 452,893,167 in 2019 driven by residential and industrial sales growth. Industrial kilowatt sales are projected to increase by 0.2% reflecting new business sales. Residential kilowatt sales are projected to increase by 0.9% driven by account growth of 1.4% and partially offset by a reduction in sales of 0.5% due to conservation initiatives. Commercial kilowatt sales are assumed flat from 2018 to 2019.



- Electric revenue is projected to increase by $1.1 million or 2.3% from $50.0 million to $51.1 million from 2018 to 2019 reflecting increased residential and industrial sales, and increased power cost adjustment revenues driven by projected increased power costs. Underground relocation revenues are projected to increase from $110k to $154k due to increase in kWh sales and a rate increase.

- The 2019 budget assumes the underground relocation charge will increase from the 2018 rate of $.00025/kWh to $.00034 in 2019. Specific project costs were reviewed and estimated over the next five years and the 2019 rate will result in sufficient fund balances to support operations over the next five years.

Relocation Underground Rates/Fund Balance Projections

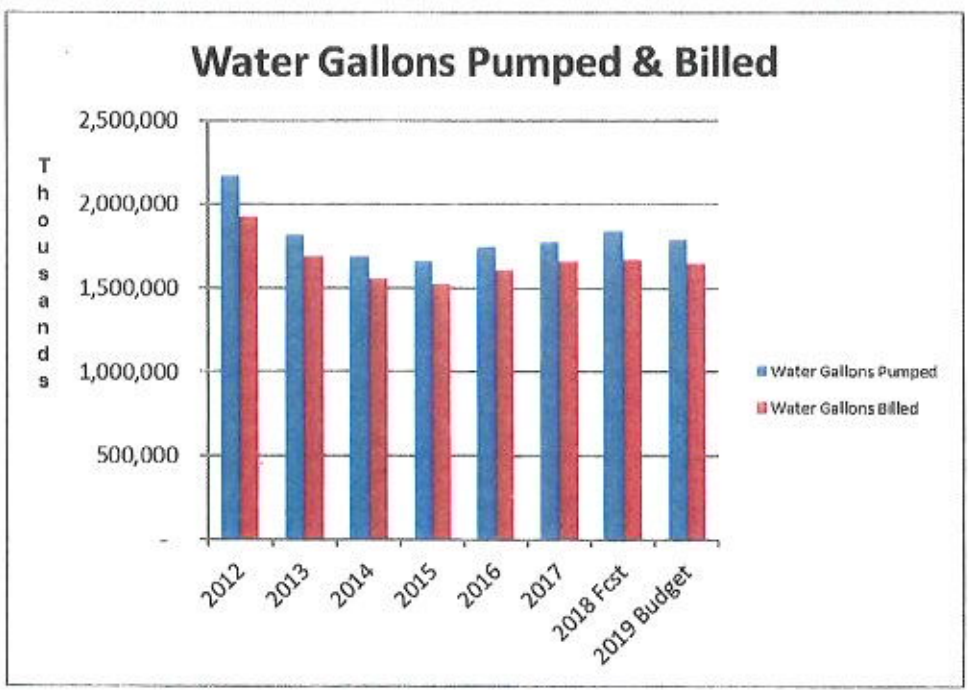
Date	KWH Billed	UGRL Rate	Revenue	Expense	Ending Balance
9/30/2018		0.00025			795,703.11
10/30/2018		0.00025	9,384.97		805,088.08
11/30/2018		0.00025	7,787.42		812,875.50
12/31/2018		0.00025	8,929.79	-	821,805.29
2019	452,893,167	0.00034	153,983.68	112,500.00	863,288.97
2020	457,422,099	0.00034	155,523.51	342,750.00	676,062.48
2021	461,996,320	0.00034	157,078.75	232,500.00	600,641.23
2022	466,616,283	0.00034	158,649.54	52,000.00	707,290.76
2023	471,282,446	0.00034	160,236.03	384,000.00	483,526.80

Water Revenue Assumptions

- Water revenue assumptions assume no changes to fixed or commodity rates from 2018 to 2019.

- Total water operating revenue is projected to decrease from $5.6 million to $5.3 million, a decrease of $351k or 6.3% from 2018 to 2019 driven by lower projected water sales volume of $43k, and a decrease in water reconstruction revenues of $308k driven by a reduction in the water reconstruction rate.

- Water sales are projected to decrease from 1.662 billion gallons to 1.644 billion gallons or 1.1% reflecting a more typical weather pattern based on historical sales volume data over the last three years. 2019 account growth is planned at 0.5% from 2018.



- As of January 1st, 2010, the DNR has required all utilities to adopt a conservation based rate structure. The utility engaged PCE to prepare a water rate study in 2009. The recommendation from this study, which has been accepted by the commission, suggested the utility will need to increase rates annually to meet operating requirements. The commission elected to review rates increases on an annual basis. The last water rate increases adopted by the commission were in 2018, 2017, 2013 and prior to that in 2010.

- The water reconstruction fee is projected to decrease from $.43 per thousand gallons to $.25 per thousand gallons, a 42% decrease, to support planned reconstruction projects over the next five years resulting in a decrease of $308k in revenue in 2019 form 2018.

Shakopee Public Utilities Water Reconstruction Fund Rates

	Projected Annual Retail Sales Gallons in Thousands	Estimated Average Charge Per 1,000 Gallons	Estimated Revenues	Reconstruction Project Costs	Projected Fund Balance
9/30/2018					694,230.96
10/30/2018			78,385.99		772,616.95
11/30/2018			40,291.00	(493,378.11)	319,529.84
12/31/2018	1,662,866	0.43	38,338.80		357,868.64
2019	1,644,585	0.25	411,146.17	(520,000.00)	249,014.81
2020	1,661,031	0.25	415,257.63	(220,000.00)	444,272.44
2021	1,677,641	0.25	419,410.20	(220,000.00)	643,682.64
2022	1,694,417	0.25	423,604.31	(210,000.00)	857,286.95
2023	1,711,361	0.25	427,840.35	(210,000.00)	1,075,127.30

Operating revenue for the Total Utility is budgeted at $56.4 million in 2019, an increase of $.8 million, or 1.4% from 2018.

Expense Planning Assumptions:

- Year to date expenses as of August 31, 2018 annualized were used as the basis for developing the 2019 Operating Expense Budget.
- The operating budget anticipates leaving two authorized positions vacant in 2019 for a savings of approximately $66k in salary or 1.4% of total base pay.
- Operating expense is expected to increase $1,781k or 4.0%. Purchased power costs are expected to increase by $606k or 1.7% driven by projected increases in power costs and growth in residential and industrial sales volumes. Wage ranges are projected to increase at 3.0%. Labor expense is increasing by $351k in direct operating expense and $31k in capitalized non-operating labor, including a provision of $141k to hire three authorized staff additions previously left unfilled,

one staff promotion, and one transitional retirement position. Other expense increases total $824k and are driven by increases in direct employee benefits of $255k, water well rehab and other maintenance costs of $45k, lower electric distribution maintenance expense of $54k due to completion of LED street light project, conservation expense of $13k, office supplies of $83k for software maintenance and disaster recovery, customer service $16k for Ebill and meter reading technology upgrades, insurance expense of $67k including insurance claim reserves, other expenses of $47k for staff training and bucket truck safety harnesses, and outside services expense of $352k to support project initiatives including $50k Territory Acquisition, $50k succession planning/other, $14k other HR legal/accounting, $63k IT disaster recovery and security assessment implementation, $47k web redesign/other customer service projects, $69k water SCADA and meter testing, $49k engineering projects, and other miscellaneous of $10k.

- Depreciation expense is projected to increase $464k from 2018 to 2019 driven by capital expenditures in both water and electric. The increase in depreciation expense anticipates the completion of several large capital projects including the additions of the Riverview and Windermere Booster Stations, the recently completed Dean Lake Substation expansion, and new capital projects in 2019.

Other Non-Operating Planning Assumptions:

- Non-Operating Income is anticipated to increase from 2018 to 2019 by $107k primarily due to lower debt amortization expense of $217k, lower miscellaneous income of $75k due to non-recurring income recognized in 2018, and lower investment income of $23k, and higher customer deposit interest expense of $12k due to higher rates. Investment income will decrease due to a decline in investment balances for planned capital expenditures.

- Trunk Water and Water Connection revenue projections were reviewed and adjusted to reflect current planned projects, expected building permit activity and related timing in the 5 Year Cash Flow projections. Capital Contributions are expected to be higher in 2019 than 2018 by $145k primarily due to increased Water Connection and Trunk Water fees, and partially offset by decreased paid in capital contributions.

- Transfer to Municipality of Shakopee expense is expected to decrease by $64k to $2.5 million dollars related to completion of the street light conversion to LED project implemented in 2018 and partially offset by net revenue increases in electric and water.

Outstanding Debt

- As of February 1, 2018, Shakopee Public Utilities has no outstanding debt. The final outstanding bond issue was fully callable for early defeasance as of February 1, 2015 and defeasance was approved by the Commission and executed on 2/1/2018. The Commission will realize savings in interest expense of $2.19 million dollars between 8/1/2018 – 2/1/2030 by early retirement of this bond issue.

Projected Cash Flows and Fund Balances

- The 2019 operating budget and related capital improvements as proposed result in positive cash flow projections near term in all funds with exception to the Trunk fund which is expected to have a deficit balance for the next several years. Please refer to the attached projected cash flow statement.

- Our financial advisors and auditors recommend maintaining a cash reserve of three to six months of operating expenses. The 2019 operating budget and related capital improvements as proposed will generate and maintain adequate cash reserves in 2019 in the electric and water operating funds.

Operating Reserve Analysis	2019	2020	2021	2022	2023
Water - Op Expense	(5,094)	(5,246)	(5,404)	(5,566)	(5,733)
Electric - Op Expense	(45,796)	(47,170)	(48,585)	(50,043)	(51,544)
Total Utility - Op Expense	(50,890)	(52,417)	(53,989)	(55,609)	(57,277)
40% as reserves - Water	(2,037)	(2,099)	(2,162)	(2,226)	(2,293)
40% as reserves - Electric	(18,319)	(18,868)	(19,434)	(20,017)	(20,618)
40% as reserves - Total Utility	(20,356)	(20,967)	(21,596)	(22,244)	(22,911)
Projected Water Op Cash Balance	5,768	5,006	4,150	3,480	3,948
Projected Electric Op Cash Balance	28,780	30,397	29,479	27,297	26,529
Total Operating Cash Balance	34,548	35,404	33,628	30,777	30,476
Reserve (Deficit)/Surplus - Water	**3,730**	**2,908**	**1,988**	**1,254**	**1,655**
Reserve (Deficit)/Surplus - Electric	**10,462**	**11,529**	**10,044**	**7,280**	**5,911**
Reserve (Deficit)/Surplus - Total	**14,192**	**14,437**	**12,033**	**8,534**	**7,566**

Requested Commission Action

- Approve the 2019 Operating Budget and 2019 – 2023 Projected Cash Flow Statement.

Thank you for your time and consideration of this budget proposal.

Shakopee Public Utilities
2019 Operating Budget - Electric
($ in Thousands)

	2017 Actual	2018 Projected	2018 Budget	2019 Budget	2018 Projected vs 2019 Budget $	2018 Projected vs 2019 Budget %
Operating Revenue	$ 46,887	$ 50,036	$ 48,500	$ 51,176	$ 1,140	2.3%
Operating Expense	(39,073)	(41,988)	(41,622)	(43,365)	(1,377)	-3.3%
Depreciation & Amortization	(2,056)	(2,214)	(2,395)	(2,432)	(217)	-9.8%
Operating Income	5,758	5,834	4,483	5,379	(454)	-7.8%
Non-Operating Income (Expense)	381	424	217	541	117	-27.6%
Net Income Before Contributions & Transfers	6,139	6,258	4,700	5,921	(337)	-5.4%
Capital Contributions	1,159	373	-	-	(373)	NA
Transfers To Municipality	(1,411)	(1,499)	(1,465)	(1,446)	53	3.5%
Net Income or Change in Net Assets	$ 5,886	$ 5,133	$ 3,236	$ 4,475	$ (658)	-12.8%

Shakopee Public Utilities
2019 Operating Budget - Water
($ in Thousands)

	2017 Actual	2018 Projected	2018 Budget	2019 Budget	2018 Projected vs 2019 Budget $	2018 Projected vs 2019 Budget %
Operating Revenue	$ 5,184	$ 5,600	$ 5,389	$ 5,250	$ (351)	-6.3%
Operating Expense	(2,807)	(2,996)	(3,173)	(3,400)	(404)	-13.5%
Depreciation & Amortization	(1,319)	(1,447)	(1,547)	(1,693)	(247)	-17.0%
Operating Income	1,058	1,158	669	156	(1,002)	-86.5%
Non-Operating Income (Expense)	222	411	231	400	(10)	2.5%
Net Income Before Contributions & Transfers	1,280	1,568	901	556	(1,012)	-64.5%
Capital Contributions - Includes Capital Contributions, Trunk, Connection, and Meter Fees	4,469	2,601	1,996	3,120	519	19.9%
Transfers To Municipality	(1,002)	(1,091)	(1,053)	(1,079)	12	1.1%
Net Income or Change in Net Assets	$ 4,747	$ 3,079	$ 1,845	$ 2,598	$ (481)	-15.6%

Shakopee Public Utilities
2019 Operating Budget - Total Utility
($ in Thousands)

	2017 Actual	2018 Projected	2018 Budget	2019 Budget	2018 Projected vs 2019 Budget $	2018 Projected vs 2019 Budget %
Operating Revenue	$ 52,071	$ 55,637	$ 53,890	$ 56,426	$ 789	1.4%
Operating Expense	(41,880)	(44,984)	(44,795)	(46,765)	(1,781)	-4.0%
Depreciation & Amortization	(3,375)	(3,661)	(3,942)	(4,125)	(464)	-12.7%
Operating Income	6,816	6,992	5,153	5,536	(1,456)	-20.8%
Non-Operating Income (Expense)	603	835	448	942	107	-12.8%
Net Income Before Contributions & Transfers	7,419	7,826	5,601	6,477	(1,349)	-17.2%
Capital Contributions	5,627	2,975	1,996	3,120	145	4.9%
Transfers To Municipality	(2,413)	(2,590)	(2,517)	(2,525)	65	2.5%
Net Income or Change in Net Assets	$ 10,633	$ 8,212	$ 5,080	$ 7,073	$ (1,139)	-13.9%

Projected Water Cash Flow
9/30/18 - 12/31/18
Final as of 11/19/18

	Operating Fund Less Customer Deposits*	Connection Fund	Trunk Fund	Water Reconstruction Fund	Sub-total Available Funds	Bond Reserve	Bond Reserve 2004	Bond Reserve 2006	Total Water Funds
Balance 9/30/18	$ 5,903,955.78	$ 13,468,197.96	$ 184,514.56	$ 694,230.96	$ 20,250,899.26	$ -	$ -	$ -	$ 20,250,899.26
Estimated Receipts		(1,179,884.01)	92,150.42	157,015.79	(930,717.80)	0.00	0.00	0.00	$ (930,717.80)
Est Cash Flow - 4th Qtr/Payments**	(272,701.64)	(78,000.00)	(398,608.48)	(480,342.61)	(1,229,652.73)	0.00	0.00	0.00	$ (1,229,652.73)
Transfers	447,068.86	(434,033.36)	0.00	(13,035.50)	0.00	0.00	0.00	0.00	$ -
Estimated 12/31/18 Balance	$ 6,078,323.00	$ 11,776,280.59	$ (121,943.50)	$ 357,868.64	$ 18,090,528.72	$ -	$ -	$ -	$ 18,090,528.72

** Connection Fund Cash include expenditures of $267K Windemere Land Acq, $150k Windemere Booster Design, $75k Windermere Well Design/Testing. Water Reconstruction includes $493k for 2018 Street Reconstruction Project.
Trunk Fund payments include $398.6k in oversizing for: $44k Stagecoach, $97 Ridge Creek, $23k Countryside 2nd, $164k Windermere 1st Addition, $8k Windemere 2nd Addition, $48k Shakoee Gateway, $15k Windermre Way.
Trunk Fund Revenue includes $47k Stagecoach & $46k Southbridge.

Projected Electric Cash Flow
9/30/18 - 12/31/18

	Operating Fund Less Customer Deposits*	Emergency Fund	Underground Relocation Fund	Sub-total Available Funds	Bond Reserve	Bond Reserve 2004	Bond Reserve 2006	Total Electric Funds
Balance 9/30/18	$ 28,127,290.28	$ 100,000.00	$ 795,703.11	$ 29,022,993.39	$ -	$ -	$ -	$ 29,022,993.39
Estimated Receipts	0.00	0.00	26,102.18	26,102.18				$ 26,102.18
Est Cash Flow - Oct - Dec**	409,609.72	0.00		409,609.72	0.00	0.00	0.00	$ 409,609.72
Transfers	0.00	0.00	0.00	-	0.00	0.00	0.00	$ -
Estimated 12/31/18 Balance	$ 28,536,900.00	$ 100,000.00	$ 821,805.29	$ 29,458,705.29	$ -	$ -	$ -	$ 29,458,705.29

**Operating cash flows include $618k in 4th quarter CIP project expenditures of $300k for Dean Lake Relays/SCADA & $318K in Underground & Feeder projects underway

Projected Cash Flow - Combined Water & Electric
9/30/18 - 12/31/18

	Operating Fund	Connection & Emergency Fund	Trunk & UGRL Funds	Water Reconstruction Fund	Sub-total Available Funds	Bond Reserve	Bond Reserve 2004	Bond Reserve 2006	Total Funds
Balance 9/30/18	$ 34,031,246.06	$ 13,568,197.96	$ 980,217.67	$ 694,230.96	$ 49,273,892.65	$ -	$ -	$ -	$ 49,273,892.65
Est Receipts	-	(1,179,884.01)	118,252.60	157,015.79	(904,615.62)	0.00	0.00	0.00	$ (904,615.62)
Est Cash Flow - Oct - Dec	136,908.08	(78,000.00)	(398,608.48)	(480,342.61)	(820,043.01)	0.00	0.00	0.00	$ (820,043.01)
Transfers	447,068.86	(434,033.36)	-	(13,035.50)	0.00	0.00	0.00	0.00	$ -
Estimated 12/31/18 Balance	$ 34,615,223.00	$ 11,876,280.59	$ 699,861.79	$ 357,868.64	$ 47,549,234.01	$ -	$ -	$ -	$ 47,549,234.01

Projected Cash Flows 2019 - 2023
Final as of 11/19/18

Water Cash Flow
2019-2023

	Operating Fund	Connection Fund	Trunk Fund	Reconstruction Fund	Sub-total Available Funds	Bond Reserve 2006	Total Bond Reserves	Total Water Funds
Estimated Balance 12/31/18	$ 6,078,323	$11,776,281	($121,944)	$357,869	$18,090,529	$0	$0	$18,090,529
2019								
CIP Costs	(1,009,200)	(4,271,851)	(488,100)	(520,000)	(6,289,151)		$0	($6,289,151)
CIP Costs - Administration	(126,014)				(126,014)		$0	($126,014)
Receipts		2,699,497	356,116	411,146	3,466,759		$0	$3,466,759
Bond Payments - P&I	0				0		$0	$0
Operations-Net	824,530				824,530		$0	$824,530
Balance 12/31/19	$5,767,639	$10,203,927	($253,928)	$249,015	$15,966,653	$0	$0	$15,966,653
2020								
CIP Costs	(1,512,641)	(2,745,840)	(581,506)	(220,000)	(5,059,987)		$0	($5,059,987)
CIP Costs - Administration	(81,450)				(81,450)		$0	($81,450)
Receipts		1,493,958	959,478	415,258	2,868,694		$0	$2,868,694
Bond P&I Payments	0				0		$0	$0
Operations-Net	832,775				832,775		$0	$832,775
Balance 12/31/20	$ 5,006,323	$ 8,952,045	$ 124,044	$ 444,272	$ 14,526,685	$ -	$0	$ 14,526,685
2021								
CIP Costs	(1,599,979)	(700,800)	(660,200)	(220,000)	(3,180,979)		$0	($3,180,979)
CIP Costs - Administration	(97,720)				(97,720)		$0	($97,720)
Receipts		1,985,949	1,043,434	419,410	3,448,793		$0	$3,448,793
Bond P&I Payments	0				0		$0	$0
Operations-Net	841,103				841,103		$0	$841,103
Balance 12/31/21	$ 4,149,728	$ 10,237,194	$ 507,278	$ 643,683	$ 15,537,883	$ -	$0	$ 15,537,883
2022								
CIP Costs	(1,437,504)	(2,055,500)	(588,000)	(210,000)	(4,291,004)		$0	($4,291,004)
CIP Costs - Administration	(81,863)				(81,863)		$0	($81,863)
Receipts		2,340,696	1,063,293	423,604	3,827,594		$0	$3,827,594
Bond P&I Payments	0				0		$0	$0
Operations-Net	849,514				849,514		$0	$849,514
Balance 12/31/22	$ 3,479,875	$ 10,522,390	$ 982,571	$ 857,287	$ 15,842,124	$ -	$0	$ 15,842,124
2023								
CIP Costs	(300,000)	(5,853,800)	(393,020)	(210,000)	(6,756,820)		$0	($6,756,820)
CIP Costs - Administration	(90,113)				(90,113)		$0	($90,113)
Receipts		2,310,571	510,912	427,840	3,249,324		$0	$3,249,324
Bond P&I Payments	0				0		$0	$0
Operations-Net	858,009				858,009		$0	$858,009
Balance 12/31/23	$ 3,947,772	$ 6,979,162	$ 1,100,464	$ 1,075,127	$ 13,102,525	$ -	$0	$ 13,102,525

*Note: Reconstruction Projects will be funded from operating account in the event funds are not sufficient in the Reconstruction Fund.

Projected Cash Flows 2019 - 2023
Final as of 11/19/18

Electric Cash Flow
2019-2023

	Operating Fund	Emergency Fund	Underground Relocation Fund	Sub-total Available Funds	Bond Reserve 2006	Total Bond Reserves	Total Electric Funds
Estimated Balance 12/31/18	**$ 28,536,900**	**$ 100,000**	**$ 821,805**	**$ 29,458,705**	**$ -**	**$ -**	**$ 29,458,705**
2019							
CIP Costs	(6,130,750)		(112,500)	(6,243,250)		$ -	$ (6,243,250)
CIP Costs - Administration	(378,042)			(378,042)		$ -	$ (378,042)
Receipts			153,984	153,984		$ -	$ 153,984
Bond P&I Payments	0			0		$ -	$ -
Operations-Net	6,752,344			6,752,344		$ -	$ 6,752,344
Balance 12/31/19	**$ 28,780,452**	**$ 100,000**	**$ 863,289**	**$ 29,743,741**	**$ -**	**$ -**	**$ 29,743,741**
2020							
CIP Costs	(4,958,500)		(342,750)	(5,301,250)		$ -	$ (5,301,250)
CIP Costs - Administration	(244,350)			(244,350)		$ -	$ (244,350)
Receipts			155,524	155,524		$ -	$ 155,524
Bond P&I Payments	0			0		$ -	$ -
Operations-Net	6,819,867			6,819,867		$ -	$ 6,819,867
Balance 12/31/20	**$ 30,397,469**	**$ 100,000**	**$ 676,062**	**$ 31,173,532**	**$ -**	**$ -**	**$ 31,173,532**
2021							
CIP Costs	(7,513,750)		(232,500)	(7,746,250)		$ -	$ (7,746,250)
CIP Costs - Administration	(293,159)			(293,159)		$ -	$ (293,159)
Receipts			157,079	157,079		$ -	$ 157,079
Bond P&I Payments	0			0		$ -	$ -
Operations-Net	6,888,066			6,888,066		$ -	$ 6,888,066
Balance 12/31/21	**$ 29,478,627**	**$ 100,000**	**$ 600,641**	**$ 30,179,268**	**$ -**	**$ -**	**$ 30,179,268**
2022							
CIP Costs	(8,892,750)		(52,000)	(8,944,750)		$ -	$ (8,944,750)
CIP Costs - Administration	(245,588)			(245,588)		$ -	$ (245,588)
Receipts			158,650	158,650		$ -	$ 158,650
Bond P&I Payments	0			0		$ -	$ -
Operations-Net	6,956,947			6,956,947		$ -	$ 6,956,947
Balance 12/31/22	**$ 27,297,236**	**$ 100,000**	**$ 707,291**	**$ 28,104,526**	**$ -**	**$ -**	**$ 28,104,526**
2023							
CIP Costs	(7,524,750)		(384,000)	(7,908,750)		$ -	$ (7,908,750)
CIP Costs - Administration	(270,338)			(270,338)		$ -	$ (270,338)
Receipts			160,236	160,236		$ -	$ 160,236
Bond P&I Payments	0			0		$ -	$ -
Operations-Net	7,026,516			7,026,516		$ -	$ 7,026,516
Balance 12/31/23	**$ 26,528,664**	**$ 100,000**	**$ 483,527**	**$ 27,112,191**	**$ -**	**$ -**	**$ 27,112,191**

Projected Cash Flows 2019 - 2023
Combined Water and Electric
Final as of 11/19/18

	Water Funds	Electric Funds	Total Funds	
Estimated Balance 12/31/18	**$ 18,090,529**	**$ 29,458,705**	**$ 47,549,234**	46,629,814 652,817.39
2019				
CIP Costs	(6,289,151)	(6,243,250)	$ (12,532,401)	
CIP Costs - Administration	(126,014)	(378,042)	$ (504,056)	
Debt Retirement	-	-	$ -	
Bond Payments - P&I	-	-	$ -	
Receipts/Operations-Net	4,291,289	6,906,327	$ 11,197,617	
Balance 12/31/19	**$ 15,966,653**	**$ 29,743,741**	**$ 45,710,394**	
2020				
CIP Costs	$ (5,059,987)	$ (5,301,250)	$ (10,361,237)	
CIP Costs - Administration	$ (81,450)	$ (244,350)	$ (325,800)	
Bond Payments - P&I	-	-	$ -	
Receipts/Operations-Net	3,701,469	6,975,391	$ 10,676,860	
Balance 12/31/20	**$ 14,526,685**	**$ 31,173,532**	**$ 45,700,216**	
2021				
CIP Costs	(3,180,979)	(7,746,250)	$ (10,927,229)	
CIP Costs - Administration	(97,720)	(293,159)	$ (390,878)	
Bond Payments - P&I	-	-	$ -	
Receipts/Operations-Net	4,289,896	7,045,145	$ 11,335,041	
Balance 12/31/21	**$ 15,537,883**	**$ 30,179,268**	**$ 45,717,150**	
2022				
CIP Costs	(4,291,004)	(8,944,750)	$ (13,235,754)	
CIP Costs - Administration	(81,863)	(245,588)	$ (327,450)	
Bond Payments - P&I	-	-	$ -	
Receipts/Operations-Net	4,677,108	7,115,596	$ 11,792,704	
Balance 12/31/22	**$ 15,842,124**	**$ 28,104,526**	**$ 43,946,650**	
2023				
CIP Costs	(6,756,820)	(7,908,750)	$ (14,665,570)	
CIP Costs - Administration	(90,113)	(270,338)	$ (360,450)	
Bond Payments - P&I	-	-	$ -	
Receipts/Operations-Net	4,107,333	7,186,752	$ 11,294,085	
Balance 12/31/23	**$ 13,102,525**	**$ 27,112,191**	**$ 40,214,716**	
Cumulative 5 Year CIP Costs	(25,577,941)	(36,144,250)	(61,722,191)	
Cumulative 5 Year CIP Costs - Admin	(477,159)	(1,431,476)	(1,908,634)	
Total Cumulative 5 Year CIP Costs	$ (26,055,100)	$ (37,575,726)	$ (63,630,825)	

11b

SHAKOPEE PUBLIC UTILITIES

"Lighting the Way – Yesterday, Today and Beyond"

June 14, 2019

PROPOSE AS CONSENT

TO: John Crooks

CC: Joe Adams
Sherri Anderson
Greg Drent
Lon Schemel
Sharon Walsh

FROM: Renee Schmid, Director of Finance and Administration

SUBJECT: Financial Results for May, 2019

The following Financial Statements are attached for your review and approval.

Month to Date & Year to Date Financial Results – May, 2019

- Combined Statement of Revenue & Expense and Net Assets – Electric, Water and Total Utility
- Electric Operating Revenue & Expense Detail
- Water Operating Revenue & Expense Detail

Key items to note:

Month to Date Results – May, 2019

- Total Utility Operating Revenues for the month of May totaled $3.7 million and were unfavorable to budget by $94k or 2.5%. Electric revenues were unfavorable to budget by $99k or 2.8% driven by lower than plan energy sales in the residential and commercial revenue groups and lower than plan power cost adjustment revenues. Water revenues were favorable to budget by $4k or 1.4% due to higher than plan residential and commercial sales.
- Total operating expenses were $3.7 million and were favorable to budget by $746k or 16.8%. Total purchased power in May was $2.6 million and was $644k or 19.8% lower than budget for the month. Total Operating Expense for electric including purchased power totaled $3.3 million and was favorable to budget by $747k or 18.5% due to lower than plan purchased power costs of $644k, lower than plan operation and maintenance expense of $17k, lower than plan energy conservation expense of $10k, and lower than plan administrative and general expense of $82k due to timing of expenses. Total Operating Expense for Water totaled $417k and was very slightly unfavorable to budget by $0.5k or 0.1%. Water operation and maintenance expense exceeded planned budget amounts by $38k and were offset by lower than plan administrative general and depreciation expenses of $39k.
- Total Utility Operating Income was a loss of $30k and was $652k favorable to budget due to lower than plan operating expenses of $746k and partially offset by lower than plan operating revenues of $94k.

- Total Utility Non-Operating Revenue was $252k and was favorable to budget by $157k driven by higher than plan investment income of $164k, and partially offset by lower than plan rental and miscellaneous income of $8k.
- Capital Contributions for the month of May totaled $647k and were favorable to budget by $387k due to timing of collection of water connection fees of $416k and partially offset by lower than plan trunk water fees of $31k.
- Transfers to the City of Shakopee totaled $210k and were very slightly lower than budget for the month by 0.1%.
- Change in Net Position was $659k and was favorable to budget by $1.2 million primarily due to higher than plan operating income of $652k, higher than plan capital contributions of $387k, and higher than plan non-operating revenues of $157k.
- Electric usage billed to customers in May was 30,611,971 kWh, a decrease of 1.0% from April usage billed at 30,939,647 kWh.
- Water usage billed to customers in May was 90.1 million gallons, an increase of 15.2% from April usage billed at 78.3 million gallons.

Year to Date Financial Results – May, 2019

- Total Utility Operating Revenue year to date May was $20.4 million and was favorable to budget by $1.0 million or 5.0%. Electric revenues totaled $18.9 million and were favorable to budget by $0.9 million or 5.0% driven by higher than plan energy sales in all revenue groups and partially offset by lower than plan power cost adjustment revenues. Water revenues totaled $1.5 million and were also favorable to budget by $0.1 million or 4.6% driven by higher than plan residential sales volumes.
- Total Utility Operating Expenses year to date May were $18.3 million and were favorable to budget by $1.1 million or 5.9% primarily due to lower than plan purchased power costs of $593k, timing of expenditures in energy conservation of $198k, administrative and general expense of $278k of which $162k is in outside services for projects, operations and maintenance expense in electric and water of $64k due to timing, and depreciation expense of $4k. Total Operating Expense for electric including purchased power was $16.3 million and was favorable to budget by $1.0 million or 5.7%. Total Operating Expense for Water was $2.0 million and was also favorable to budget by $0.1 million or 6.7%.
- Total Utility Operating Income was $2.1 million and was favorable to budget by $2.1 million driven by higher than planned operating revenues of $1.0 million and lower than plan operating expenses of $1.1 million.
- Total Utility Non-Operating Income was $1.0 million and was favorable to budget by $0.5 million due to higher than planned investment income of $0.4 million, higher than plan rental and miscellaneous income of $52k due to timing, a $26k net gain on the sale of electric vehicles and equipment, and lower than plan interest expense on customer deposits of $5k.
- YTD Capital Contributions were $2.0 million and are favorable to budget by $690k due to timing of collection of trunk water fees of $47k and timing of collection of water connection fees of $638k.
- Municipal contributions to the City of Shakopee totaled $1.0 million year to date and are lower than plan by $2k or 0.2%. The actual estimated payment throughout the year is based on prior year results and will be trued up at the end of the year.

- YTD Change in Net Position is $4.1 million and is favorable to budget by $3.3 million reflecting higher than plan operating revenues, lower than operating expense, higher than plan non-operating revenues, and higher than plan capital contributions.

SHAKOPEE PUBLIC UTILITIES

MONTH TO DATE FINANCIAL RESULTS

MAY 2019

SHAKOPEE PUBLIC UTILITIES
"Lighting the Way – Yesterday, Today and Beyond"

SHAKOPEE PUBLIC UTILITIES
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

	Month to Date Actual - May 2019			Month to Date Budget - May 2019			Electric		Water		Total Utility	
	Electric	Water	Total Utility	Electric	Water	Total Utility	MTD Actual v. Budget B/(W) $	%	MTD Actual v. Budget B/(W) $	%	MTD Actual v. Budget B/(W) $	%
OPERATING REVENUES	$ 3,378,349	295,389	3,673,738	3,476,880	291,190	3,768,071	(98,531)	-2.8%	4,199	1.4%	(94,333)	-2.5%
OPERATING EXPENSES						-						
Operation, Customer and Administrative	3,080,202	280,084	3,360,286	3,830,455	275,375	4,105,831	750,253	19.6%	(4,709)	-1.7%	745,544	18.2%
Depreciation	206,071	136,914	342,985	202,651	141,094	343,745	(3,420)	-1.7%	4,180	3.0%	760	0.2%
Amortization of Plant Acquisition	-	-	-	-	-	-	-	0.0%	-	-	-	0.0%
Total Operating Expenses	3,286,273	416,998	3,703,271	4,033,107	416,469	4,449,576	746,834	18.5%	(529)	-0.1%	746,305	16.8%
Operating Income	92,076	(121,609)	(29,533)	(556,226)	(125,279)	(681,505)	648,302	116.6%	3,670	2.9%	651,972	95.7%
NON-OPERATING REVENUE (EXPENSE)												
Rental and Miscellaneous	18,203	22,927	41,130	16,968	32,246	49,214	1,235	7.3%	(9,319)	-28.9%	(8,084)	-16.4%
Interdepartment Rent from Water	7,500	-	7,500	7,500		7,500	-	0.0%	-	-	-	0.0%
Investment Income	155,895	53,445	209,340	26,983	18,126	45,109	128,912	477.8%	35,319	194.8%	164,231	364.1%
Interest Expense	(5,460)	(179)	(5,639)	(6,327)	(162)	(6,489)	867	13.7%	(17)	-10.6%	850	13.1%
Amortization of Debt Issuance Costs and Loss on Refunding	-	-	-	-	-	-	-	#DIV/0!	-	-	-	#DIV/0!
Gain/(Loss) on the Disposition of Property	-	-	-	-	-	-	-	-	-	-	-	0.0%
Total Non-Operating Revenue (Expense)	176,138	76,193	252,331	45,124	50,211	95,334	131,014	290.3%	25,983	51.7%	156,997	164.7%
Income Before Contributions and Transfers	268,214	(45,416)	222,798	(511,103)	(75,068)	(586,171)	779,316	152.5%	29,652	39.5%	808,969	138.0%
CAPITAL CONTRIBUTIONS	-	646,730	646,730	-	260,029	260,029	-	-	386,701	148.7%	386,701	148.7%
TRANSFER TO MUNICIPALITY	(119,125)	(91,000)	(210,125)	(120,539)	(89,882)	(210,420)	1,414	1.2%	(1,118)	-1.2%	296	0.1%
CHANGE IN NET POSITION	$ 149,089	510,314	659,403	(631,642)	95,079	(536,562)	780,731	123.6%	415,235	436.7%	1,195,966	222.9%

SHAKOPEE PUBLIC UTILITIES
ELECTRIC OPERATING REVENUE AND EXPENSE

	MTD Actual April 2019	MTD Budget April 2019	MTD Actual v. Budget Better/(Worse) $	%
OPERATING REVENUES				
Sales of Electricity				
Residential	$ 1,050,788	1,135,894	(85,106)	-7.5%
Commercial and Industrial	2,239,893	2,260,588	(20,695)	-0.9%
Uncollectible accounts	-	-	-	-
Total Sales of Electricity	3,290,680	3,396,481	(105,801)	-3.1%
Forfeited Discounts	31,516	21,498	10,018	46.6%
Free service to the City of Shakopee	7,125	7,002	123	1.8%
Conservation program	49,028	51,899	(2,871)	-5.5%
Total Operating Revenues	3,378,349	3,476,880	(98,531)	-2.8%
OPERATING EXPENSES				
Operations and Maintenance				
Purchased power	2,614,757	3,259,098	644,341	19.8%
Distribution operation expenses	36,950	39,408	2,459	6.2%
Distribution system maintenance	50,910	61,384	10,474	17.1%
Maintenance of general plant	22,802	27,396	4,594	16.8%
Total Operation and Maintenance	2,725,419	3,387,286	661,867	19.5%
Customer Accounts				
Meter Reading	10,560	10,979	419	3.8%
Customer records and collection	48,453	43,775	(4,677)	-10.7%
Energy conservation	51,806	62,382	10,576	17.0%
Total Customer Accounts	110,819	117,136	6,317	5.4%
Administrative and General				
Administrative and general salaries	53,283	57,362	4,079	7.1%
Office supplies and expense	8,102	18,853	10,751	57.0%
Outside services employed	10,748	36,989	26,242	70.9%
Insurance	11,838	14,963	3,125	20.9%
Employee Benefits	148,555	165,159	16,604	10.1%
Miscellaneous general	11,439	32,708	21,268	65.0%
Total Administrative and General	243,964	326,033	82,069	25.2%
Total Operation, Customer, & Admin Expenses	3,080,202	3,830,455	750,253	19.6%
Depreciation	206,071	202,651	(3,420)	-1.7%
Amortization of plant acquisition	-	-	-	0.0%
Total Operating Expenses	$ 3,286,273	4,033,107	746,834	18.5%
OPERATING INCOME	$ 92,076	(556,226)	648,302	116.6%

SHAKOPEE PUBLIC UTILITIES
WATER OPERATING REVENUE AND EXPENSE

	MTD Actual April 2019	MTD Budget April 2019	MTD Actual v. Budget Better/(Worse) $	%
OPERATING REVENUES				
Sales of Water	$ 293,727	289,286	4,441	1.5%
Forfeited Discounts	1,662	1,905	(242)	-12.7%
Uncollectible accounts	-	-	-	-
Total Operating Revenues	295,389	291,190	4,199	1.4%
OPERATING EXPENSES				
Operations and Maintenance				
Pumping and distribution operation	40,934	43,902	2,967	6.8%
Pumping and distribution maintenance	83,496	39,937	(43,558)	-109.1%
Power for pumping	24,120	26,001	1,882	7.2%
Maintenance of general plant	4,312	4,683	371	7.9%
Total Operation and Maintenance	152,861	114,523	(38,339)	-33.5%
Customer Accounts				
Meter Reading	5,619	5,784	165	2.8%
Customer records and collection	14,059	12,148	(1,911)	-15.7%
Energy conservation	-	-	-	-
Total Customer Accounts	19,679	17,932	(1,747)	-9.7%
Administrative and General				
Administrative and general salaries	34,731	37,906	3,175	8.4%
Office supplies and expense	3,237	5,766	2,529	43.9%
Outside services employed	533	16,411	15,879	96.8%
Insurance	3,946	4,988	1,042	20.9%
Employee Benefits	52,045	59,681	7,636	12.8%
Miscellaneous general	13,053	18,170	5,117	28.2%
Total Administrative and General	107,544	142,921	35,377	24.8%
Total Operation, Customer, & Admin Expenses	280,084	275,375	(4,709)	-1.7%
Depreciation	136,914	141,094	4,180	3.0%
Amortization of plant acquisition	-	-	-	-
Total Operating Expenses	416,998	416,469	(529)	-0.1%
OPERATING INCOME	$ (121,609)	(125,279)	3,670	2.9%

SHAKOPEE PUBLIC UTILITIES

YEAR TO DATE FINANCIAL RESULTS

MAY 2019

SHAKOPEE PUBLIC UTILITIES

"Lighting the Way – Yesterday, Today and Beyond"

SHAKOPEE PUBLIC UTILITIES
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

	Year to Date Actual - May 2019			Year to Date Budget - May 2019			Electric		Water		Total Utility	
	Electric	Water	Total Utility	Electric	Water	Total Utility	YTD Actual v. Budget B/(W) $	%	YTD Actual v. Budget B/(W) $	%	YTD Actual v. Budget B/(W) $	%
OPERATING REVENUES	$ 18,976,211	1,460,504	20,436,714	18,069,089	1,396,096	19,465,185	907,122	5.0%	64,407	4.6%	971,529	5.0%
OPERATING EXPENSES						-						
Operation, Customer and Administrative	15,313,629	1,293,530	16,607,159	16,327,062	1,415,352	17,742,414	1,013,433	6.2%	121,822	8.6%	1,135,255	6.4%
Depreciation	1,030,355	684,568	1,714,923	1,013,257	705,468	1,718,725	(17,098)	-1.7%	20,900	3.0%	3,802	0.2%
Amortization of Plant Acquisition	-	-	-	-	-	-	-	0.0%	-	-	-	0.0%
Total Operating Expenses	16,343,984	1,978,098	18,322,082	17,340,319	2,120,820	19,461,139	996,335	5.7%	142,722	6.7%	1,139,057	5.9%
Operating Income	2,632,227	(517,595)	2,114,632	728,770	(724,724)	4,046	1,903,457	261.2%	207,129	28.6%	2,110,586	52161.5%
NON-OPERATING REVENUE (EXPENSE)												
Rental and Miscellaneous	107,542	199,532	307,073	84,840	170,038	254,878	22,701	26.8%	29,494	17.3%	52,195	20.5%
Interdepartment Rent from Water	37,500	-	37,500	37,500		37,500	-	0.0%	-	-	-	0.0%
Investment Income	451,336	217,148	668,484	134,913	90,632	225,546	316,423	234.5%	126,515	139.6%	442,938	196.4%
Interest Expense	(27,054)	(867)	(27,920)	(31,636)	(809)	(32,445)	4,582	14.5%	(58)	-7.1%	4,524	13.9%
Amortization of Debt Issuance Costs and Loss on Refunding	-	-	-	-	-	-	-	#DIV/0!	-	0.0%	-	#DIV/0!
Gain/(Loss) on the Disposition of Property	25,777	-	25,777	-	-	-	25,777	0.0%	-	-	25,777	-
Total Non-Operating Revenue (Expense)	595,101	415,813	1,010,914	225,618	259,861	485,479	369,483	163.8%	155,952	60.0%	525,434	108.2%
Income Before Contributions and Transfers	3,227,328	(101,782)	3,125,546	954,388	(464,863)	489,526	2,272,940	238.2%	363,081	78.1%	2,636,021	538.5%
CAPITAL CONTRIBUTIONS	-	1,990,160	1,990,160	-	1,300,145	1,300,145	-	-	690,015	53.1%	690,015	53.1%
MUNICIPAL CONTRIBUTION	(594,964)	(454,969)	(1,049,933)	(602,695)	(449,408)	(1,052,102)	7,731	1.3%	(5,561)	-1.2%	2,169	0.2%
CHANGE IN NET POSITION	$ 2,632,364	1,433,410	4,065,773	351,693	385,875	737,568	2,280,670	648.5%	1,047,535	271.5%	3,328,205	451.2%

SHAKOPEE PUBLIC UTILITIES
ELECTRIC OPERATING REVENUE AND EXPENSE

	YTD Actual May 2019	YTD Budget May 2019	YTD Actual v. Budget Better/(Worse) $	%
OPERATING REVENUES				
Sales of Electricity				
Residential	$ 6,554,698	6,323,005	231,694	3.7%
Commercial and Industrial	11,978,291	11,329,705	648,587	5.7%
Uncollectible accounts	-	-	-	#DIV/0!
Total Sales of Electricity	18,532,990	17,652,709	880,280	5.0%
Forfeited Discounts	131,255	107,491	23,764	22.1%
Free service to the City of Shakopee	35,623	35,008	615	1.8%
Conservation program	276,344	273,881	2,463	0.9%
Total Operating Revenues	18,976,211	18,069,089	907,122	5.0%
OPERATING EXPENSES				
Operations and Maintenance				
Purchased power	12,761,650	13,354,850	593,201	4.4%
Distribution operation expenses	174,187	197,042	22,855	11.6%
Distribution system maintenance	264,306	306,920	42,614	13.9%
Maintenance of general plant	150,827	136,980	(13,847)	-10.1%
Total Operation and Maintenance	13,350,970	13,995,792	644,822	4.6%
Customer Accounts				
Meter Reading	51,914	54,895	2,981	5.4%
Customer records and collection	243,343	218,875	(24,468)	-11.2%
Energy conservation	114,348	311,910	197,563	63.3%
Total Customer Accounts	409,605	585,681	176,076	30.1%
Administrative and General				
Administrative and general salaries	272,427	286,808	14,381	5.0%
Office supplies and expense	106,204	94,263	(11,941)	-12.7%
Outside services employed	87,025	184,946	97,921	52.9%
Insurance	59,190	74,815	15,625	20.9%
Employee Benefits	834,839	941,219	106,381	11.3%
Miscellaneous general	193,369	163,538	(29,831)	-18.2%
Total Administrative and General	1,553,054	1,745,589	192,535	11.0%
Total Operation, Customer, & Admin Expenses	15,313,629	16,327,062	1,013,433	6.2%
Depreciation	1,030,355	1,013,257	(17,098)	-1.7%
Amortization of plant acquisition	-	-	-	0.0%
Total Operating Expenses	$ 16,343,984	17,340,319	996,335	5.7%
OPERATING INCOME	$ 2,632,227	728,770	1,903,457	261.2%

SHAKOPEE PUBLIC UTILITIES
WATER OPERATING REVENUE AND EXPENSE

	YTD Actual May 2019	YTD Budget May 2019	YTD Actual v. Budget Better/(Worse) $	%
OPERATING REVENUES				
Sales of Water	$ 1,435,342	1,386,573	48,769	3.5%
Forfeited Discounts	25,160	9,523	15,637	164.2%
Uncollectible accounts	2	-	2	#DIV/0!
Total Operating Revenues	1,460,504	1,396,096	64,407	4.6%
OPERATING EXPENSES				
Operations and Maintenance				
Pumping and distribution operation	186,795	219,509	32,714	14.9%
Pumping and distribution maintenance	202,954	199,685	(3,268)	-1.6%
Power for pumping	124,420	130,007	5,587	4.3%
Maintenance of general plant	44,430	23,413	(21,018)	-89.8%
Total Operation and Maintenance	558,598	572,613	14,015	2.4%
Customer Accounts				
Meter Reading	28,369	28,920	551	1.9%
Customer records and collection	67,877	60,739	(7,138)	-11.8%
Energy conservation	-	-	-	-
Total Customer Accounts	96,246	89,659	(6,587)	-7.3%
Administrative and General				
Administrative and general salaries	178,302	189,528	11,226	5.9%
Office supplies and expense	37,894	28,830	(9,064)	-31.4%
Outside services employed	17,642	82,056	64,413	78.5%
Insurance	19,730	24,938	5,208	20.9%
Employee Benefits	285,574	336,880	51,306	15.2%
Miscellaneous general	99,543	90,848	(8,695)	-9.6%
Total Administrative and General	638,686	753,080	114,394	15.2%
Total Operation, Customer, & Admin Expenses	1,293,530	1,415,352	121,822	8.6%
Depreciation	684,568	705,468	20,900	3.0%
Amortization of plant acquisition	-	-	-	-
Total Operating Expenses	$ 1,978,098	2,120,820	142,722	6.7%
OPERATING INCOME	$ (517,595)	(724,724)	207,129	28.6%

Attachment E

8c

SHAKOPEE PUBLIC UTILITIES
MEMORANDUM

TO: SHAKOPEE PUBLIC UTILITIES COMMISSION

FROM: JOHN R. CROOKS, UTILITIES MANAGER

SUBJECT: SPU RESPONSE TO MARCH 25 LETTER FROM THE SHAKOPEE CITY ADMINISTRATOR.

DATE: APRIL 12, 2019

Attached to this memo is the original letter dated March 25, 2019 and received March 30, 2019. I have provided responses to each of the 21 comments and their requests for further information.

Since the letter was addressed to the SPU Commission and not myself or Staff, it is appropriate the responses be reviewed by Commissioners before writing the cover letter and returning the attachments back to the City Administrator.

SHAKOPEE
PLANNING AND DEVELOPMENT

March 25, 2019

Shakopee Public Utilities Commission
255 Sarazin Street
Shakopee, MN 55379

RE: City of Shakopee Review Comments for SPUC Comprehensive Water System Plan and Water Supply Plan

City staff have been able to review SPUC's Comprehensive Water System Plan and have the following comments which will need to be addressed prior to Metropolitan Council approval. First set of comments are in response to the Comprehensive Water System Plan, dated September 13, 2018.

1. Current Shakopee population is incorrect. Stated as "approximately 37,000", this number reflects 2010 census data. This number should be the latest Metropolitan Council estimate for 2017, which is 41,519.

2. On page 13, Table 3-2 "Projected Population Data" is not consistent with revised City or Met Council projections for city population, please refer to the following table for consistent information.

City of Shakopee Population Forecasts				
	2010	2020	2030	2040
Population	36,946	47,800	55,900	62,600
Households	12,722	16,300	19,400	22,100
Employment	18,831	25,700	29,100	32,800

3. Existing and projected land use maps and table should be revised to remain consistent with the City's 2040 Comprehensive Plan land use maps and tables.

   Table B-1 through B-5 "Projected Water Consumption by Land Use" need to be revised to reflect correct planned land use categories as defined in the 2040 Comprehensive Plan and correct full build out acreage for these planned categories. Information on these tables appears to be from the 2030 Comprehensive Plan which will not be in effect once the 2040 Plan is adopted.

   Figure 2-3 "Existing Water System Model Map" and Figure 3-1 "Existing Land Use" do not include the new Windermere development, this should be included in both maps.

4. Page ES-1 – The Existing Facilities inventory does not match the Water Supply Plan inventory in Table 5 of that plan.

5. Page ES-1 – 8 million gallons in well capacity plus 11.25 MG in storage is a substantial amount over the historic maximum day demand.

6. Recommend to include a more detailed discussion about the history and master planning for a water treatment plant, referencing any past studies that have been completed, etc.

7. Appendices were not provided for review. Please provide.

8. Page 38 – Suggest including more specific info on Manganese to supplement and support the text in section 5.2.3.2 as there are several wells within the window that should be monitored a little more critically to ensure they do not exceed the .1 mg/L health risk guidance level with mention in a health risk context vs. only discussing the aesthetic nuisances.

9. Page 37, section 5.2.3.1 – While the Nitrate levels as reported in the annual CCR are below the MCL, only barely. A more robust discussion about the timing of the testing from year to year, the historic trends, etc. should be discussed to very explicitly detail the extremely closeness of exceeding the MCL. The discussion of blending water to mitigate the levels should be better discussed. (e.g. since the wells are connected directly into the distribution/transmission system, there is little blending that occurs until further outward into the system; therefore, there could be potential consumers immediate to the higher-level nitrate wells that are receiving the higher levels of nitrates and this should be further disclosed in more detail to consumers if indeed fact. The historical levels of nitrates are concerning with little fluctuation over the years. Are the well head protection initiatives, testing, blending, etc. enough to protect and supply safe drinking water supply relative to Nitrates? It is not certain with the info provided.

Remainder of comments are in response to Water Supply Plan dated December 12, 2018

10. Table 3. Valley Fair is listed as the high drinking water user. This property needs to be better inventoried to confirm meters vs. sanitary sewer meters vs. any possible private wells. There is an auxiliary sewer meter, not certain on the entire story about having this auxiliary meter vs. the SPUC meters.

11. Table 5 – The ground vs. elevated inventory does not match the Comprehensive Plan inventory on page ES-1 of that plan.

12. P. 14, last paragraph – Seems that 125.5 gallons per capita is an extremely high assumption that would lead too much of an overbuild of the system.

13. Table 10 – There are many boxes that are checked where the city is not aware of the indicated coordination as follows:
    a. Lake – the "other" mitigation measure box that is checked, and the "monitored" regular check-in box
    b. Wetland – same comments for the boxes checked under Lake
    c. Trout Stream – same comments for the boxes checked under Lake

14. Table 11 – While the WHP was adopted as indicated on 11/2011, it is apparent from discussions with city staff that there is a lack of adequate coordination with the city pertaining to the well head protection implementation initiatives, issues, etc., most notably when it comes to development and surface water coordination.

15. Table 12 – A 2020 CIP year of Water Treatment Facilities does not reflect the current CIP.

16. Please provide the city a copy of SPUC's Emergency Response Plan dated May 2017.

17. Table 21 – the New Water Conservation Ordinances action taken box is checked "no". It seems as an initiative that dates back to the 2006 plan commitment that this should already be completed. Verify status.

18. Table 23 – Per the table, there are only 300 automated meters. An AMI project is included in the CIP to automate meter reading over the next few years. Please confirm that this project is expected to replace all mechanical meters. The coordination of this is important to better monitor the city's discharge into the sanitary sewer also (e.g. recent event where a water service/line broke, with 280k gallons flowing into the city's sanitary sewer system.

19. Table 26 – Install AMI timeframe indicates "when possible". Suggest to update to match timeline in CIP.

20. Table 30 – Not aware of SPUCs participation in any Rain Barrel initiative with the watersheds.

21. Table 31 – Seemingly very little educational inclusion methodologies are being used.

Find SRF Memorandum No. 11925 attached requesting revised water supply forecasts for the AUAR study currently underway.

The City can provide all required data by request. If there are any questions or concerns about the City's comments, please contact city staff, thank you.

Sincerely,

Bill Reynolds
City Administrator

CC
Michael Kerski, Director Planning and Development
Steve Lillehaug, City Engineer
Shakopee Public Utility Commissioners

Memorandum

SRF No. 11925

To: Mark Noble, Senior Planner
Planning Division, City of Shakopee

From: Stephanie Falkers, Senior Associate

Date: March 22, 2019

Subject: Jackson Township AUAR – Water System Planning

Jackson Township AUAR

SRF Consulting Group is assisting the City of Shakopee with the development of an Alternative Urban Areawide Review (AUAR) for the areas included within the Jackson Township Orderly Annexation Area to the southwest of the city. The AUAR is a form of environmental review, intended to describe a development scenario and assess potential impacts to environmental and cultural resources. Impacts to public infrastructure services are also assessed, including water and sanitary services and the transportation network.

The Jackson Township AUAR will assess the impacts that result from a full-build scenario of the study area, according to the land uses proposed in the Draft 2040 Comprehensive Plan Update. This scenario includes over 600 acres identified for residential development and over 550 acres of commercial/industrial development (see proposed land uses on the following page).

To assess the potential impacts and need for mitigation, a full build-out of the proposed 2040 land use plan should be used to inform any water and sanitary modeling. The use of the 2040 growth assumptions will result in a more accurate depiction of water needs to support the growing area and will allow for the identification of appropriate mitigation activities within the AUAR.

It is our understanding that the current Comprehensive Water System Plan for the City, includes growth assumptions that align with the growth assumptions proposed in the 2030 Comprehensive Plan. To provide an accurate assessment of the future water system, the modeling should be updated to reflect the growth assumptions included in the Draft 2040 Comprehensive Plan Update.

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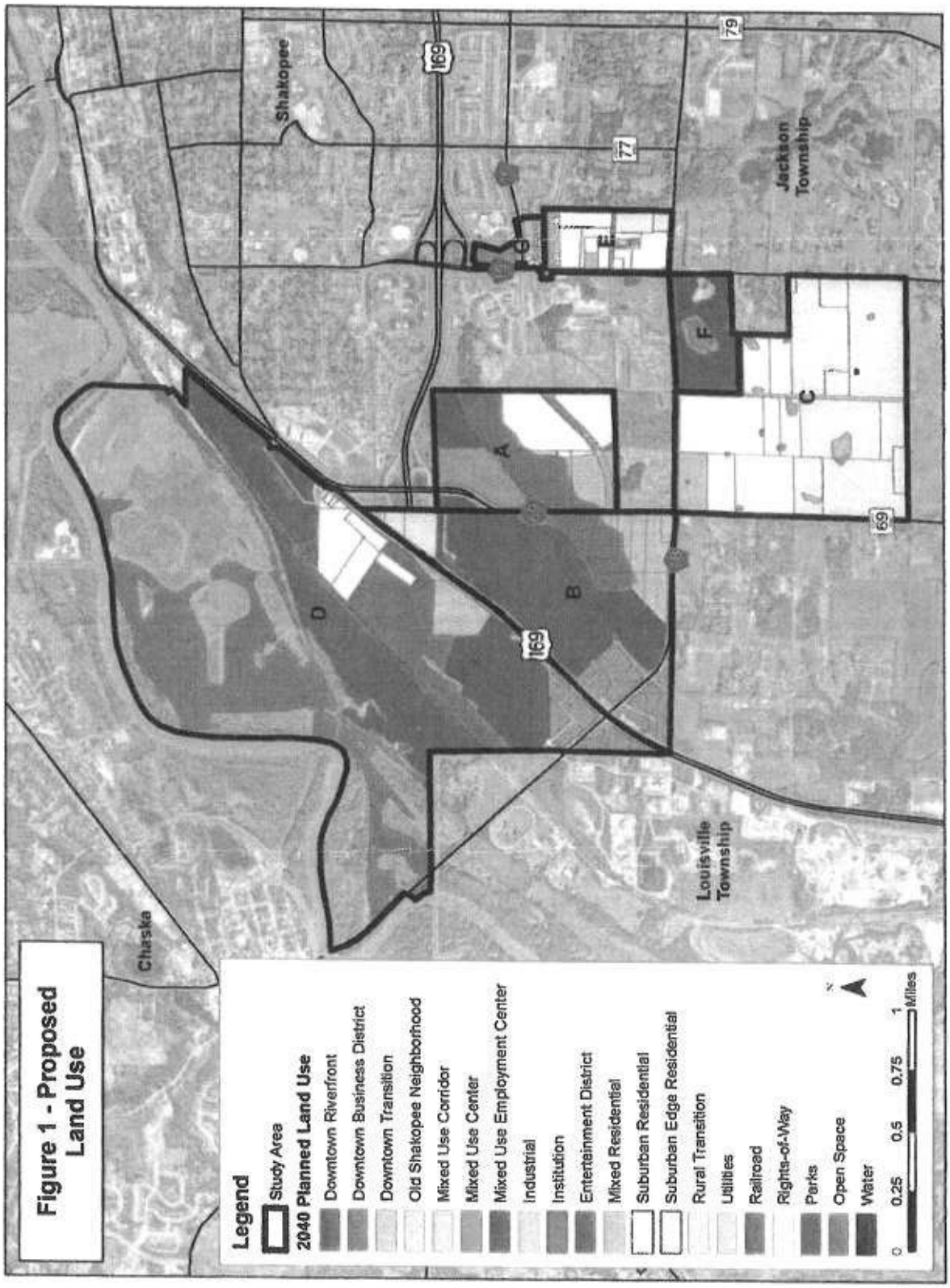
Figure 1 - Proposed Land Use
Legend
Study Area
2040 Planned Land Use
Downtown Riverfront
Downtown Business District
Downtown Transition
Old Shakopee Neighborhood
Mixed Use Corridor
Mixed Use Center
Mixed Use Employment Center
Industrial
Institution
Entertainment District
Mixed Residential
Suburban Residential
Suburban Edge Residential
Rural Transition
Utilities
Railroad
Rights-of-Way
Parks
Open Space
Water
0 0.25 0.5 0.75 1 Miles
N
Chaska
Shakopee
Louisville Township
Jackson Township
169
77
79
69
A
B
C
D
E
F

1. ***Current Shakopee population is incorrect. Stated as "approximately 37,000", this number reflects 2010 census data. This number should be the latest Metropolitan Council estimate for 2017, which is 41,519***

   -This population was listed in a general introduction paragraph, historical population data is reflected in table 3-1 which lists a 2017 population of 41,374, which is consistent with current estimates. Data included in table 3-1 was utilized in the report.

2. ***On page 13, Table 3-2 "Projected Population Data" is not consistent with revised City or Met Council projections for city population, please refer to the following table for consistent information.***

   -At the time of development of this plan, recently provided population information was not available, data from Met Council available at that time was referenced, water use projections will be updated with newly provided population information as needed.

3. ***Existing and projected land use maps and table should be revised to remain consistent with the City's 2040 Comprehensive Plan land use maps and tables.***

   -Maps utilized in the comp water plan were the most current at the time of development - the water plan will be updated to utilize these more recently updated maps as they are available. ***Table B-1 through B-5 "Projected Water Consumption by Land Use" need to be revised to reflect correct planned land use categories as defined in the 2040 Comprehensive Plan and correct full build-out acreage for these planned categories. Information on these tables appears to be from the 2030 Comprehensive Plan which will not be in effect once the 2040 Plan is adopted.***

   -Maps utilized in the comp water plan were the most current at the time of development - the water plan will be updated to utilize these more recently updated maps as they are available. ***Figure 2-3 "Existing Water System Model Map" and Figure 3-1 "Existing Land Use" do not include the new Windermere development, this should be included in both maps.***

   -The existing water system map was developed with current water mapping information at the time of development in 2017. Given the passage of time, new water main has since been added. This additional water main will be included in any updates completed to the comprehensive water plan.

4. ***Page ES-I - The Existing Facilities inventory does not match the Water Supply Plan inventory in Table 5 of that plan.***

   -The water supply plan (DNR) was due in October of 2017 and was completed a year before the comprehensive water plan. Both plans inventory a total storage capacity of 11.25 MGD. The 2017 water supply plan (table 5) listed tank 5 as an elevated tank. Though it functions as an elevated tank with "floating storage", as all tanks in the SPUC system function, it is constructed at grade, connected to its pressure zone via a transmission water main and thus is listed as a ground storage tank in the comprehensive water plan.

5. ***Page ES-1 - 8 million gallons in well capacity plus 11.25 MG in storage is a substantial amount over the historic maximum day demand.***

   -The sizing requirements for supply and storage are provided in great detail within the comprehensive water plan:

   The year 2012 had a maximum day demand of 16.26 MGD. Water supply capacity from wells are sized to satisfy max day demand in each pressure zone, with the two largest wells offline (for the total system, firm capacity is 20.3 mgd vs 24.4 mgd total) The trigger chart provided in section 7.6 of the comprehensive water plan recommends a new well be constructed when max day demand has the potential to approach 20.3 mgd. Given the time it takes to develop and place a new well online (in relation to site and production procurement, permitting, design and commissioning) proactive planning is required.

   With regards to storage, each pressure zone is assessed in relation to the storage needs of that zone. Given the pattern of development with the City first developing at lower elevations and then moving south to higher elevations, additional pressure zones have been created with their own unique storage needs. For many of the water storage performance metrics, higher elevation pressure zones do not have regular

access to water stored in lower pressure zones, except if it is pumped from a booster station. The ability of each pressure zone to receive water thorough booster stations from lower pressure zones was accounted for in the storage analysis for each pressure zone. While indeed it could be asserted that SPUC has ample water storage available, the development of expanded pressure zones has additional storage recommendations that are not satisfied by existing storage facilities within lower pressure zones

6. ***Recommend to include a more detailed discussion about the history and master planning for a water treatment plant, referencing any past studies that have been completed, etc.***
   In 2002, SPUC consultant, Bonestroo, completed a detailed analysis of potential water treatment strategies. Several options were reveiwed with technical and financial analysis. This information was used in the 2003 Water Trunk Charge and Connection Analysis Report by SPUC Consultant, Schoell and Madson, recommending funding one or two water treatment plants. Another follow-up letter report in 2006 was completed by Progressive Consulting to re-analyize the data for potential treatment at individual sites, if required.
7. ***Appendices were not provided for review. Please provide.***
   Appendices A through G will be provided.
8. ***Page 38 – Suggest including more specific info on Manganese to supplement and support text in section 5.2.3.2 as there are several wells within the window that should be monitored a little more critically to ensure they do not exceed the .1 mg/l health risk guidance level with mention in a health risk context vs. only discussing the aesthetic nuisances.***
   Information regarding the manganese levels was provided to Mr. Lillehaug on March 15 after discussion at the Joint meeting with City Council. Language concerning the MDH health risk guidance level will be included.
9. ***Page 37, section 5.23.1 – While the Nitrate levels as reported in the annual CCR are below the MCL, only barely. A more robust discussion about the timing of the testing from year to year, the historic trends, etc., should be discussed to very explicitly detail the extreme closeness of exceeding the MCL. The discussion of blending water to mitigate the levels should be better discussed. (e.g. since the wells are connected directly into the distribution system, there is little blending that occurs until further outward into the system; therefore, there could be potential consumers immediate to the higher-level nitrate wells that are receiving the higher levels of nitrates and this should be further disclosed in more detail to consumers if indeed fact. The historic levels of nitrates are concerning with little fluctuation over the years. Are the well head protection initiatives, testing, blending, etc. enough to protect and supply safe drinking water supply relative to Nitrates? It is not certain with the info provided.***
   Shakopee Public Utilities has followed a strict policy set by the Commission for stringent operations and protocol regarding elevated levels of nitrates in Shakopee's public water supply wells. The program is much more detailed than the MDH requirements. The MDH and DNR are fully aware of our practice and have applauded our efforts to monitor the NO3 levels in Shakopee. This policy was adopted in 1998 and followed with several updates due to the expansion of the water system. Staff will take exception to the above statements the levels are below the MCL, only barely and the extreme closeness of exceeding the MCL. This is certainly not the case. Based upon the latest 2 year average of Nitrate levels in water supply wells, Well #5 is below the MCL by 30% (7.189 mg/l), Well #8 by 45% (5.774mg/l) and Well #17 is 40% under the MCL (6.209mg/l). These are the 3 wells with the highest concentration of NO3.There are 2,898 nitrate results on record since 2002. Nitrate results are presented to the Commission on a quarterly basis. The wells are not directly connected to the distribution/transmission system. They come together within the Pumphouse for treatment where they blend together before going to the distribution system, which is a MDH recognized treatment approach.

10. ***Table 3. ValleyFair is listed as the high drinking water user. This property needs to be better inventoried to confirm meters vs. sanitary sewer meters vs. any private wells. There is an auxiliary sewer meter , not certain on the entire story about having this auxilary meter vs. SPUC meters.***
SPUC maintains monthly detailed record keeping in regards to the metering at ValleyFair. Toni Janzig, SAC Technician with the Met Council also conducts an annual review of water use records and has for many years. We provide the Met Council with quarterly data. There are no private wells owned by ValleyFair to our knowledge. The agreement regarding the auxiliary meters was set by the City of Shakopee over 20 years ago. At the time SPUC agreed to the arrangement and have complied with the City's request since that time.

11. ***Table 5 - The ground vs. elevated inventory does not match the Comprehensive Plan inventory on page ES-1 of that plan.***
-The water supply plan (DNR) was due in October of 2017 and was completed a year before the comprehensive water plan. Both plans inventory a total storage capacity of 11.25 MGD, all of which is considered "floating storage" meaning, it can flow to the pressure zone that is served by gravity. The 2017 water supply plan (table 5) listed tank 5 as an elevated tank. Though it functions as an elevated tank with "floating storage", as all tanks in the SPUC system function, it is constructed at grade and thus is listed as a ground storage tank in the comprehensive water plan.

12. ***P. 14, last paragraph- Seems that 125.5 gallons per capita is an extremely high assumption that would lead too much of an overbuild of the system.***
This figure, referenced in table 7 of the water supply plan is a system-wide per capita projection, so this figure accounts for all water use including, commercial, industrial and residential. This per capita figure is consistent with the historical total SPUC water system per capita water use (See table 2 of the water supply plan). With regards to only residential per capita water use, in recent years this figure has been in the range of 62-84 gallons per person per day, which is well within a normal range for residential users. This figure can vary depending on weather conditions which have a large effect on water use trends. A detailed summary of water use projection assumptions is included in the comprehensive water plan. The assumptions are for similar usage patterns to continue forward through ultimate development.

13. ***Table 10 – There are many boxes that are checked where the city is not aware of the indicated coordination as follows:***
    a. ***Lake-the "other' mitigation measure box is checked and "monitored' regular check –in box***
    b. ***Wetland – same comments for the boxes checked under Lake***
    c. ***Trout Stream-same comments for the boxes checked under Lake***
    SPUC Staff will provide examples of the coordination with others.

14. ***Table 11 – While the WHP was adopted as indicated on 11/2011, it is apparent from discussions with city staff that there is a lack of adequate coordination with the city pertaining to the well head protection implementations initiative, issues, etc., most notably when it comes to development and surface water coordination.***
SPUC Staff did work with City Staff with the implementation of the WHPP beginning in the early 2000's, most notably with Bruce Loney and Michael Leek. Staff agrees there has been little coordination with the current City Staff. SPUC will be filing an amendment to the WHPP per statutory mandate in 2020. MDH Staff will be setting up a mandated scoping meeting #1 in the near future (per MDH letter dated March 20, 2019) and it is at that time SPUC is required to submit it's 2 ½ year evaluation of the current WHPP.

15. ***Table 12 – A 2020 CIP of Water Treatment Facilities does not reflect the current CIP.***
This Water Supply Plan was written in the summer of 2017 and submitted in October of 2017, prior to the DNR mandated submission deadline of October 15, 2017. Thus the CIP included in the Water Supply Plan will not reflect the current 5 year Commission accepted CIP. The DNR did not approve the Water Supply Plan until February 19, 2018.

16. ***Please provide the city a copy of SPUC's Emergency Response Plan dated May 2017***
    A copy of the Plan will be provided to the City of Shakopee.
17. ***Table 21 – the New Water Conservation Ordinances action taken box is checked "no". It seems as an initiative that dates back to the 2006 plan commitment that this should be already be completed. Verify status.***
    Shakopee Public Utilities does not have the authorization to set ordinances. If this is something the City of Shakopee would like to pursue, Staff can be available to coordinate with the City.
18. ***Table 23 – Per the table, there are only 300 automated meters. An AMI project is included in the CIP to automate meter reading over the next few years. Please confirm that this is expected to replace all mechanical meters. The coordination of this is important to better monitor the city's discharge into the sanitary sewer also (e.g. recent event where a warter service/line broke, with 280k gallons flowing into the city's sanitary sewer system.***
    The information regarding the current number of automated meters in the system is accurate. These meters were installed as part of a pilot project to gather information in regards to efficiencies, cost savings, reliabilty of the technology, etc. SPUC is moving forward with the AMR/AMI project in 2019 with securing a consultant to assist in developing information with the latest technologies and eventual RFPs. The Project has been listed on the Commissioner's Goals and Objectyives for 2019. The project is currently on a 3 year timeline.
19. **Table 26 – Install AMI timeline indicates "when possible"/Suggest to update to match timeline in CIP.**
    Answered above. Once again, the Water Supply Plan was submitted in October of 2017. All pertinent information will be updated.
20. ***Table 31 – Not aware of SPUC's participation in any Rain Barrel initiative with the watersheds.***
    At the time of the report, rain barrels as an initiative was in our planning but funding could not be secured from Met Council. SPU participated in the Clean Water Fund Water Efficiency Grant program with Met Council in 2016 and 2017. Met Council lost funding and the program stopped.
21. ***Table 31 – Seemingly very little educational inclusion methodologies are being used.***
    SPUC Staff believes the inclusion methodologies are important and adequate. Staff has received no feedback from the DNR and the Met Council that the methodologies are insufficient to satisfy the Water Supply Plan.