



Richfield City Council Agenda

May 12, 2026 -- 5:45 PM

**Richfield Municipal Center
Bartholomew Conference Room
6700 Portland Avenue South**

- 1. Call to Order**
- 2. Item Discussion**
 - a. Discussion of Park Alcohol Ordinance Update.**
 - b. Discussion of outstanding items from the March 24, 2026 Utility Rate Study work session.**
- 3. Adjournment**

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9739.

Includes Materials - Materials relating to these agenda items can be found in the Council Chambers Agenda Packet book located by the entrance. The complete Council Agenda Packet is available electronically on the City of Richfield website.



Report Prepared By:
Karl Huemiller, Recreation Director

Department Director:
Karl Huemiller, Recreation Director

Item for Consideration:
Discussion of Park Alcohol Ordinance Update.

EXECUTIVE SUMMARY

The new Wood Lake Nature Center building will have a 3,000-square-foot room with a catering kitchen, one of the largest event spaces in the City. During the building design process, the community expressed a desire to host events such as weddings, anniversaries, and fundraisers in the space. The community also shared a desire to have alcohol at events in the new space.

City Code Chapter VII, Section 840 contains ordinances pertaining to park use. In section 840.11, the sale, possession with intent to consume, or consumption of alcoholic beverages is prohibited in the parks except for two situations expressly permitted. The first is as part of a City Council-authorized community celebration at Veterans Memorial Park. The second is by a Junior Hockey Team at the Ice Arena. These two exceptions were added piecemeal as the need arose.

With the development of the new Wood Lake Nature Center Building, there is now an opportunity to revise the City Code regarding alcohol use in the parks in a more comprehensive manner. Staff has drafted an ordinance that would give the City the flexibility to manage alcohol use in the parks without having to revise it every few years.

The drafted ordinance still prohibits general alcohol consumption in the parks but makes a few key changes.

- Defines low alcoholic beverages as anything with less than 17% alcohol by volume, providing flexibility in what can be consumed as drinking trends change, while preventing hard liquors, which can be more prone to overconsumption.
- Outlines locations where alcohol may be consumed, including Wood Lake Nature Center, the Community Center, Richfield Ice Arena, and designated park areas for City-sponsored events. This will allow alcohol at large events and allow discretion when alcohol is appropriate for events in the parks.
- Defines the requirements for serving alcohol, including licensure, permitting, and approvals.
- Expands the locations where a City Council-approved community Celebration could take place and serve alcohol.

- Defines ordinance enforcement that was not defined in the previous ordinance.

It is important to note that with these changes, there will not be a significant immediate change to how or when alcohol is consumed in park spaces. The draft ordinance only provides the latitude to allow consumption in park spaces.

RECOMMENDED ACTION

Staff is seeking feedback and direction on the draft ordinance change, specifically on the option to have alcohol at events in park spaces and the limitation of beverages with an alcohol by volume of less than 17%.

HISTORICAL CONTEXT

EQUITABLE OR STRATEGIC CONSIDERATIONS OR IMPACTS

Alcohol can be an important cultural aspect to celebrations and events. The current prohibition of alcohol in the parks impacts who chooses to use City spaces for special events.

The ability to consume alcohol at City facilities impacts the potential revenue generated by these facilities and their eventual cost recovery.

POLICIES (RESOLUTIONS, ORDINANCES, REGULATIONS, STATUTES, ETC.)

City Code Chapter VII section 840.11

CRITICAL TIMING ISSUES

Changes in this ordinance will impact the operations of the new Wood Lake Nature Center Building.

FINANCIAL IMPACT

Decisions around alcohol use at City facilities like Wood Lake Nature Center and the new Community Center will have impacts on their revenue generation capacity, which would impact the amount of subsidy needed for these facilities.

LEGAL CONSIDERATIONS

The proposed ordinance update was drafted with the City Attorney's office.

ALTERNATIVE RECOMMENDATION(S)

Discussion Only

ATTACHMENTS

1. Draft Alcohol in Parks Ordinance

840.11. - Sale and consumption of beer in parks.

Subdivision 1. Definitions. For purposes of this subsection, terms defined in the subdivision have the meanings given them below.

- (a) "Sale", "sell" and "sold" means all means of furnishing alcoholic beverages and includes but is not limited to the furnishing for money or other consideration.
- (b) "Beer" means any beverage which is produced wholly or in part from the brewing of any grains or malt or malt substitute and containing more than "Low alcohol beverages" mean any beverage which contains less than seventeen percent (17%) alcohol by volume but more than one-half (1/2) of one percent (1%) alcohol by volume.
- (c) "Organization" means any entity having a club, or religious, veteran, charitable or non-profit organization business activities as its principal purpose and which qualifies in all respects for the issuance of a license to sell the type of beer to be furnished at the activity or event for which the permit is being sought.
- (d) "Alcoholic Beverages" means any beverage containing more than one-half (1/2) of one percent (1%) alcohol by volume.
- (e) "Director" means the Recreation Services Director or their designee.

Subd. 2. Sale and consumption prohibited. The sale, possession with intent to consume, or consumption of alcoholic beverages is prohibited in the public parks of the City, except as expressly permitted by subdivisions 3 and 4 of this subsection. (Amended, Bill No. 1999-6; Bill No. 2013-16)

Subd. 3. Alcohol allowed in certain recreation facilities and parks. Low alcohol beverages may be sold and consumed in the following places, subject to the requirements in subdivision 4:

- (a) Inside the Wood Lake Nature Center building and on designated decks, patios, and outdoor areas which are adjacent to the Wood Lake Nature Center building.
- (b) Inside the Community Center building and on designated decks, patios, and outdoor areas which are adjacent to the Community Center building.
- (c) Inside the Richfield Ice Arena.
- (d) In park areas and park pavilions approved by the Director for City-sponsored events only.

Subd. 4. Requirements for sale and consumption of alcohol. Sale and consumption of low alcohol beverages allowed by this subsection is subject to the following requirements:

- (a) Persons, organizations, or entities selling or dispensing low alcohol beverages must have an appropriate liquor license or permit from the City and/or the State of Minnesota and meet all applicable provisions of city code and state law.
- (b) Alcohol sales or consumption are allowed only in connection with banquets, receptions, social functions, tasting events, or community festivals approved by the Director.
- (c) The Director must give written approval to the host of any event at which low alcohol beverages will be sold or consumed.
- (d) The host of an event at which low alcohol beverages will be sold or consumed must enter into a user or indemnification agreement with the City if determined appropriate by the Director and City Attorney.

Subd. 3 5. Community celebration. An organization or other authorized liquor licensee nonprofit corporation that has obtained a community celebration license in accordance with subsection 850.09 of this code may sell 3.2 percent malt liquor in Veteran's Memorial Park low alcohol beverages in connection with the licensed community celebration, provided that the corporation also obtains a license under subsection 1210.07 1202.05, subdivision 3 of this code and applicable state law. The community celebration license and temporary on-sale license must designate the area(s) of Veteran's Memorial Park where sales may be made. A person of legal age may possess with intent to consume or consume alcohol purchased pursuant to this subdivision within the areas designated in those licenses. (Added, Bill No. 1999-6)

Subd. 4. ~~Richfield Ice Arena.~~ An establishment holding a food license may sell 3.2 percent malt liquor at the Richfield Ice Arena, located in Veteran's Memorial Park, provided that the establishment obtains a license under subsection 1202.05, subdivision 3(a)(1) of this code. The 3.2 percent malt liquor license must designate the area(s) of the arena where sales may be made. Sale and consumption of 3.2 percent malt liquor under this subdivision are allowed only during junior hockey league games at the arena for consumption on the premises. Upon the effective date of special legislation enacted by the State of Minnesota Legislature allowing the issuance of on-sale wine and malt liquor licenses for beverage sales at the arena, this subdivision shall become null and void. (Added, Bill No. 2013-16)

Subd. 6. Enforcement. Those selling, possessing or consuming alcoholic beverages in public parks in violation of this subsection or other applicable provisions of city code or state law may be removed from public property. A violation of this subsection is a misdemeanor.



Report Prepared By:
Scott Kulzer, Senior Analyst

Department Director:
Kristin Asher, Public Works Director

Item for Consideration:
Discussion of outstanding items from the March 24, 2026 Utility Rate Study work session.

EXECUTIVE SUMMARY

Staff and the consultant will present findings and recommendations related to moving commercial and multifamily accounts to a conservation/tiered rate structure modeled similar to the existing residential conservation/tiered rate structure. These findings and recommendations are included in the attached City Council memo which was distributed to City Councilmembers on May 7th, 2026.

Staff and consultant will also cover the revised utility rate structure proposal for 2027 and beyond based on feedback received at the March 24th, 2026 work session.

RECOMMENDED ACTION

Staff and the Utility Rate Study consultant are seeking feedback and direction on a number of items that were refined or further explored following the March 24, 2026 work session on the Utility Rate Study. These items include but are not limited to:

- **Proposed rate structure for 2027 and beyond;**
- **Sanitary sewer reduced quarterly minimum volumetric charge (from 7kgal to 5kgal);**
- **Feasibility of a tiered rate structure for multifamily residential properties;**
and
- **Feasibility of a tiered rate structure for commercial properties.**

HISTORICAL CONTEXT

EQUITABLE OR STRATEGIC CONSIDERATIONS OR IMPACTS

POLICIES (RESOLUTIONS, ORDINANCES, REGULATIONS, STATUTES, ETC.)

CRITICAL TIMING ISSUES

FINANCIAL IMPACT

LEGAL CONSIDERATIONS

ALTERNATIVE RECOMMENDATION(S)

ATTACHMENTS

1. MFtieredRateStructure CC memo
2. [combined] 05122026_MF&CommercialTieredRateStructures



City Council Memorandum

Date: May 6, 2026 Item No.

To: The Honorable Mayor and Members of the City Council

From: Katie Rodriguez, City Manager

CC: Kristin Asher, Public Works Director
 Russ Lupkes, Utilities Superintendent
 Scott Kulzer, Public Works Senior Analyst

Subject: Multifamily/Commercial Conservation/Tiered Rate Structure Analysis

Background

At the March 24, 2026 work session, Public Works staff and the City’s engineering consultant HDR, Inc., presented the findings and recommendations of the Utility Rate Study. Throughout the presentation and discussion, City Council indicated the desire for Public Works to explore the implementation of a conservation/tiered rate structure for multifamily and commercial properties.

Conservation/Tiered Rate Structure

Richfield charges residential properties (including duplexes but excluding multifamily buildings) for their water consumption based on a conservation/tiered rate structure, per the MNDNR recommendation ([Minnesota Statutes, section 103G.291](#)). The conservation/tiered rate structure is designed to encourage water users to reduce consumption by charging higher rates for increased water usage. Water customers pay the lowest rate for the first 15,000 gallons, a higher rate for water use between 15,001 and 25,000 gallons, and an even higher rate for any water use exceeding 25,001 gallons per quarter. Irrigation accounts are billed at the highest tier for all property types in the City. The 2026 rates are detailed in the following figure.

2026 Conservation Rate Structure (Residential)

Tier	Rate	Quarterly Use
1	\$5.54 per 1000 gallons	0 to 15,000 gallons
2	\$6.66 per 1000 gallons	15,001 to 25,000 gallons
3	\$8.00 per 1000 gallons	25,001 gallons and over
Irrigation	\$8.00 per 1000 gallons	n/a

For calendar year 2025, the 10,011 residential properties in Richfield (including duplexes but excluding multifamily buildings) used water at the following volumes:

- 76.6% of residential accounts never exceed the tier 1 consumption limit;
- 17.8% of residential accounts use tier 2 volumes (15kgal-25kgal); and
- 5.6% of residential accounts use tier 3 volumes (>25kgal).

Flat Rate Structure for Multifamily, Commercial, School, and Church Properties

Richfield charges multifamily, commercial, school, and church properties a rate equal to the tier 1 water rate (\$5.54 per 1kgal for 2026) for all water consumption, regardless of use. Put another way, the conservation/tiered rate structure does not apply to these property classifications.

Hypothetical Multifamily Consumption & Conservation/Tiered Rate Structure

Based on feedback from the work session, staff set out to investigate whether or not multifamily residential buildings were using enough water per residential unit to warrant development of a conservation/tiered rate structure for multifamily buildings. In order to equitably implement a conservation/tiered rate structure for multifamily buildings, staff would need to create a unique rate structure for each property. To keep things simple for this exercise, staff assumed that 1 residential unit in a multifamily building would be allotted the same water consumption volumes as a single-family property. For instance, a 14-unit apartment building would have a conservation/tiered rate structure that was 14 times that of a single-family home. For this example, the 14-unit apartment building would have the following conservation/tiered rate structure:

Tier 1	Rate	Quarterly Use
Tier 1	\$5.54 per 1,000 gallons	0 to 210,000 gallons
Tier 2	\$6.66 per 1,000 gallons	210,001 to 350,000 gallons
Tier 3	\$8.00 per 1,000 gallons	350,001 gallons and over
Irrigation	\$8.00 per 1,000 gallons	n/a

Highest Multifamily Users and Random Apartments Spot Check Analysis

Using the multifamily conservation/tiered rate structure scheme detailed above, staff looked at the 9 highest use multifamily properties as well as 10 other randomly selected multifamily buildings using 2025 consumption data. Staff found:

- 88.1% of the billing cycles for these properties fell within tier 1 consumption volumes;
- 6.6% of the billing cycles for these properties would have had water consumption that pushed these properties into tier 2 water rates;
- 5.3% of the billing cycles would have moved into tier 3 rates, with 3 of those 4 barely eclipsing the tier 3 threshold of 25,001 gallons per unit; and

- The financial impact or difference in revenue from not capturing these higher consumption volumes via a multifamily conservation/tiered rate structure is \$5,044.58.

It is worth noting that 4 of the 9 billing cycles that crossed the tier 2 threshold all belong to the Villa Healthcare property which is a long-term care/rehabilitation/memory care facility and could arguably be removed from this analysis. The data for this exercise is below, with the billing cycles that eclipsed tier 1 consumption limits highlighted green.

Property Name/user	Property address	Units	Q1 kgal	Q2 kgal	Q3 kgal	Q4 kgal	Q1 kgal/units	Q2 kgal/units	Q3 kgal/units	Q4 kgal/units
Highest users in Richfield										
Richfield Towers	7717 Chicago	153	1217	1339	1319	3129	7.95	8.75	8.62	20.45
Village Shores	6501 Woodlake Dr	166	1266	2094	1302	1222	7.63	12.61	7.84	7.36
The Oaks LLC	6600 Pleasant Ave	122	1238	1270	1263	1344	10.15	10.41	10.35	11.02
NOVO Apartments	2400 66th St W	192	1034	1008	1042	2004	5.39	5.25	5.43	10.44
Villa HealthCare	7727 Portland Ave	36	951	894	911	1596	26.42	24.83	25.31	44.33
Lynk 65 LLC	6445 Lyndale	159	842	823	868	1117	5.30	5.18	5.46	7.03
Woodlake Point Condos	6500 Woodlake Pt	162	796	732	1063	1039	4.91	4.52	6.56	6.41
Mainstreet Village	7601 Lyndale	185	789	804	840	871	4.26	4.35	4.54	4.71
Gramercy	6600 Lyndale	144	807	749	859	842	5.60	5.20	5.97	5.85
Random Apartments										
Apts at 66th and Chicago	6600 Chicago Ave S	17	117	133	127	129	6.88	7.82	7.47	7.59
Apts at 66th and Elliot	901 66th St E	11	119	112	116	104	10.82	10.18	10.55	9.45
Apts at 72nd and Chicago	7145 Chicago	11	125	83	51	53	11.36	7.55	4.64	4.82
Apts at 76th and Cedar	7600 Cedar Ave S	23	156	166	176	341	6.78	7.22	7.65	14.83
Apts at 75th and Cedar	7444 Cedar Ave S	23	464	465	352	648	20.17	20.22	15.30	28.17
Apts at 73rd and Cedar	7320 Cedar Ave S	10	112	75	82	80	11.20	7.50	8.20	8.00
Apts at 75th and Oliver	7434 Oliver	9	55	86	18	63	6.11	9.56	2.00	7.00
Apts at 75th and Penn	7501 Penn Ave S	10	68	60	62	55	6.80	6.00	6.20	5.50
Apts at 63rd and Lyndale	6320 Lyndale Ave S	18	153	164	179	170	8.50	9.11	9.94	9.44
Apts at 67th and Queen	6629 Queen Ave S	13	155	153	162	133	11.92	11.77	12.46	10.23

Citywide Multifamily Conservation/Tiered Rate Structure Analysis

Staff then ran the same exercise on all 249 multifamily buildings in the utility billing system, using the same process and assumptions with 2025 consumption data. Staff found:

- 88% of multifamily buildings never exceeded the tier 1 consumption limit per unit (they are billed correctly, they use less than 15kgal per quarter per unit);
- 10% of multifamily building units used tier 2 volumes (15kgal-25kgal); and
- 2% of multifamily building units used tier 3 volumes (>25kgal).

Staff calculated the difference in revenue from not having multifamily accounts on a conservation/tiered rate structure which breaks down as follows:

- \$13,140.96 difference in tier 2 revenue; and
- \$5,901.54 difference in tier 3 revenue.

Commercial Accounts Analysis

As stated earlier, commercial accounts are billed at the tier 1 rate for all water use. Staff reviewed the 2025 water use for commercial accounts and found:

- 51% of commercial accounts averaged water use that was within the residential tier 1 volume limit;
- 11% of commercial accounts averaged water use that fell within the residential tier 2 volume limits; and
- 38% of commercial accounts had water use that reached residential tier 3 volumes.

Staff calculated the difference in revenue from not having commercial accounts on the same conservation/tiered rate structure as single family residences which breaks down as follows:

- \$5,834.08 difference in tier 2 revenue; and
- \$181,065.80 difference in tier 3 revenue.

Put another way, moving commercial accounts onto a structure that is modeled after the residential conservation/tiered rate structure would amount to a 44.4% increase in annual water expenses for all businesses that use water at tier 3 volumes. An estimated 115 commercial accounts would be affected by this change.

Other Considerations for Commercial Accounts

Staff believes the question of whether or not commercial accounts should be moved onto some sort of conservation/tiered rate structure is ultimately a policy decision that must be made by City Council. Some considerations include:

- How “business friendly” does Richfield want to be? Is creating a conservation/tiered rate structure for businesses even considered unfriendly to business?
- How can we make a conservation/tiered rate structure that is fair to both small and large businesses? Large corporate campuses and small independent stores would all fall under this same rate structure.
- Would a conservation/tiered rate structure influence businesses to implement water conservation measures, thereby reducing overall consumption and possibly revenue to the City when compared to the current system? Is a business even able to conserve water use and reap the benefit of lower water rates, or are they already doing everything they can given the nature of their business?
- Does the immense volume of water purchased from the City by many businesses outweigh the fact that they enjoy a flat rate for their water service when compared to single family residential properties? For instance, certain businesses in Richfield buy 85x to 137x more water than a typical home in a quarter.

Staff Recommendations

Multifamily properties: Based on the analysis above staff recommend no change to the current fixed tier 1 water rates for multifamily buildings. Each property would need a unique volumetric structure based upon the number of units in each building, and this will become an administrative burden in more ways than one. The limited difference in revenue and the likelihood of further complicating an already very complicated utility billing system led staff to this conclusion.

Commercial: As detailed above, staff believe the decision to change the utility billing structure for commercial properties ultimately is a policy decision that must be made by the City Council. Arguments can be made both in support of and opposition to a change to the commercial billing structure and that's why staff have no formal recommendation here.

Conclusion

Thank you for taking the time to read and understand this information. We hope this memo helps inform your discussion and ultimately any decisions you make related to the structure of our billing system for different classes of water users. Staff intends to present an abbreviated version of the information contained in this memo at the May 12, 2026 City Council work session. If you have any questions about the conclusions drawn here or the underlying data used for this memo please let me know and staff would be happy to discuss.



Multifamily & Commercial Conservation/Tiered Rate Structure Analysis

City Council Work Session
May 12th, 2026

Scott Kulzer
Senior Analyst

Current Billing Structure

2026 Conservation Rate Structure (Residential)

Tier	Rate	Quarterly Use
1	\$5.54 per 1000 gallons	0 to 15,000 gallons
2	\$6.66 per 1000 gallons	15,001 to 25,000 gallons
3	\$8.00 per 1000 gallons	25,001 gallons and over
Irrigation	\$8.00 per 1000 gallons	n/a

- Multifamily residential, commercial, schools, & churches are billed at a flat tier 1 rate

Residential Consumption (2025)

Actual residential consumption trends
(10,011 accounts):

- 76.6% tier 1;
- 17.8% tier 2; and
- 5.6% tier 3.

Multifamily Consumption Trends (2025)

Residential conservation/tiered rate structure multiplied by units (249 accounts):

- 88% tier 1;
- 10% tier 2; and
- 2% tier 3.

Revenue difference from current:

- +\$19,042

Commercial Consumption Trends (2025)

Commercial conservation/tiered rate structure (299 accounts):

- 51% tier 1;
- 11% tier 2; and
- 38% tier 3.

Revenue difference from current:

- +\$186,900

Staff Recommendations

Multifamily rate structure

- No change from status quo

Commercial rate structure

- Policy decision
- Things to consider

Questions?



City of Richfield

Rate and Financial Analysis for Infrastructure Renewal Planning



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May 12, 2026



Purpose of the Presentation

- Overview of proposed policies and preliminary rate analyses presented at previous work session
- Updated analyses based on Council feedback
 - Water rate design alternative – tiered commercial rate structure
 - Confirm preferred sewer rate design alternative – lower minimum charge from 7,000 gallons to 5,000 gallons quarterly
- Summary and next steps

Study Challenges

- Upcoming water, sewer, and stormwater infrastructure system renewal and replacement needs
 - Renewal and replacement funding sources undefined at this time
 - Study begins to provide funding for future replacement
 - Challenge not specific to the City
 - Unique to the City is majority of infrastructure put in place in same time period
- Adequately funding ongoing capital infrastructure improvements
- Balancing customer bill impacts while maintaining prudent financial metrics (i.e., financial policies)

Agenda

1.0 Rate Study Overview

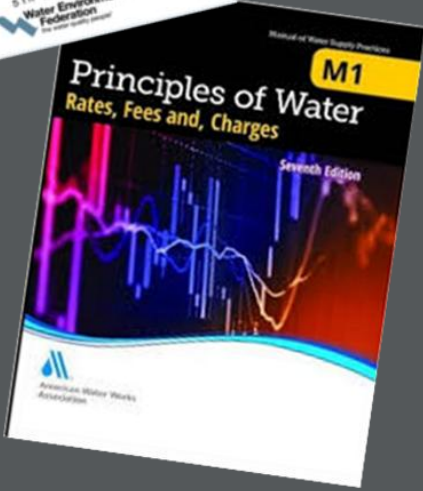
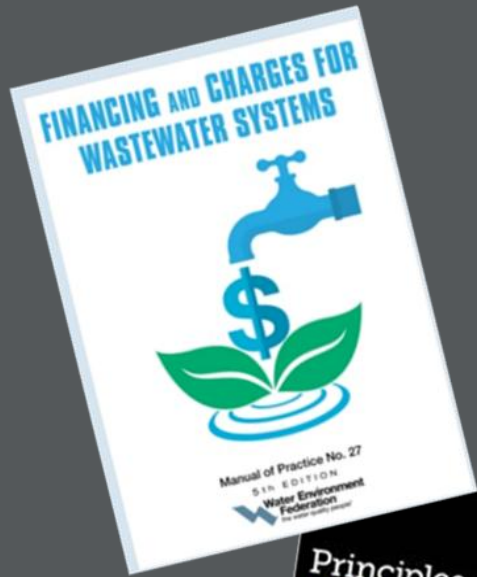
2.0 Rate Design Analysis and Alternatives

3.0 Summary and Next Steps

A close-up photograph of a person's hands holding a black pen over a document. The document contains various charts, including pie charts and a table. The background is blurred, showing other people and documents. A semi-transparent grey box with a thin white border is overlaid on the image, containing the text '1.0'.

1.0

Rate Study Overview



Purpose of a Rate Study

- Provide sufficient revenue to operate and maintain the City's water, sewer, and stormwater infrastructure
- Develop cost-based water, sewer, and stormwater rates
- Reflect prudent financial planning criteria
 - Prudent funding of annual O&M expenses
 - Meet target minimum reserve balances
 - Adequately fund identified capital improvement and replacement needs
- Develop the study using generally accepted methodologies tailored to the City's system and customer characteristics

Summary of Prior Presentation

- Reviewed process of establishing cost-based utility rates
- Discussed financial policies to guide the rate setting process
- Discussed renewal and replacement needs and the impacts to rates
 - Current analysis **does not** include funding of future renewal and replacement projects or renewal and replacement reserves
- Developed a rate revenue projection for each utility

Rate Transition Plans	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Water Rate Adj.	16.5%	15.0%	10.0%	5.0%	5.0%
Water Qtr \$ Change	\$12.34	\$13.07	\$10.02	\$5.51	\$5.79
Sewer Rate Adj.	9.0%	7.0%	7.0%	4.0%	4.0%
Sewer Qtr \$ Change	\$4.11	\$3.49	\$3.73	\$2.28	\$2.37
Stormwater Rate Adj.	17.0%	17.0%	17.0%	17.0%	10.0%
Stormwater Qtr \$ Change	\$4.49	\$5.26	\$6.15	\$7.20	\$4.95



2.0

Rate Design Analysis and Alternatives

Present Rate Schedules

Water Rates	
Administrative Charge (\$/Qtr)	\$10.00
Minnesota State Testing Fee (Annual)	\$15.22
Consumption Charge (\$/1,000 gal)	
Residential	
0 – 15,000	\$5.54
15,001 – 25,000	6.66
25,001+	8.00
Residential Irrigation	
All Consumption	\$8.00
Apartment (Multi-Family)	
All Consumption	\$5.54
Commercial	
All Consumption	\$5.54
Commercial Irrigation	
All Consumption	\$8.00

Sewer Rates	
Minimum Charge (\$/Qtr)	\$45.71
Sewer Usage (\$/1,000 gal)	
0 – 7,000	\$0.00
7,001+	6.53

Stormwater Rate	
Stormwater Rate (\$/REF/Qtr)	\$26.44

Rate Design Alternatives

Water

- **Status Quo** – adjusts all water rates by system rate adjustments, updates administrative charge to base charge
- **Alternative** – addition of tiered rate structure for commercial customers (multi-family tiered structure considered)

Sewer

- **Status Quo** – adjusts all sewer rates by system rate adjustments, no rate structure changes
- **Alternative** – updates sewer minimum charge usage from 7,000 gallons quarterly to 5,000 gallons quarterly

Stormwater

- **Status Quo** – adjusts all stormwater rates by system rate adjustments, no rate structure changes

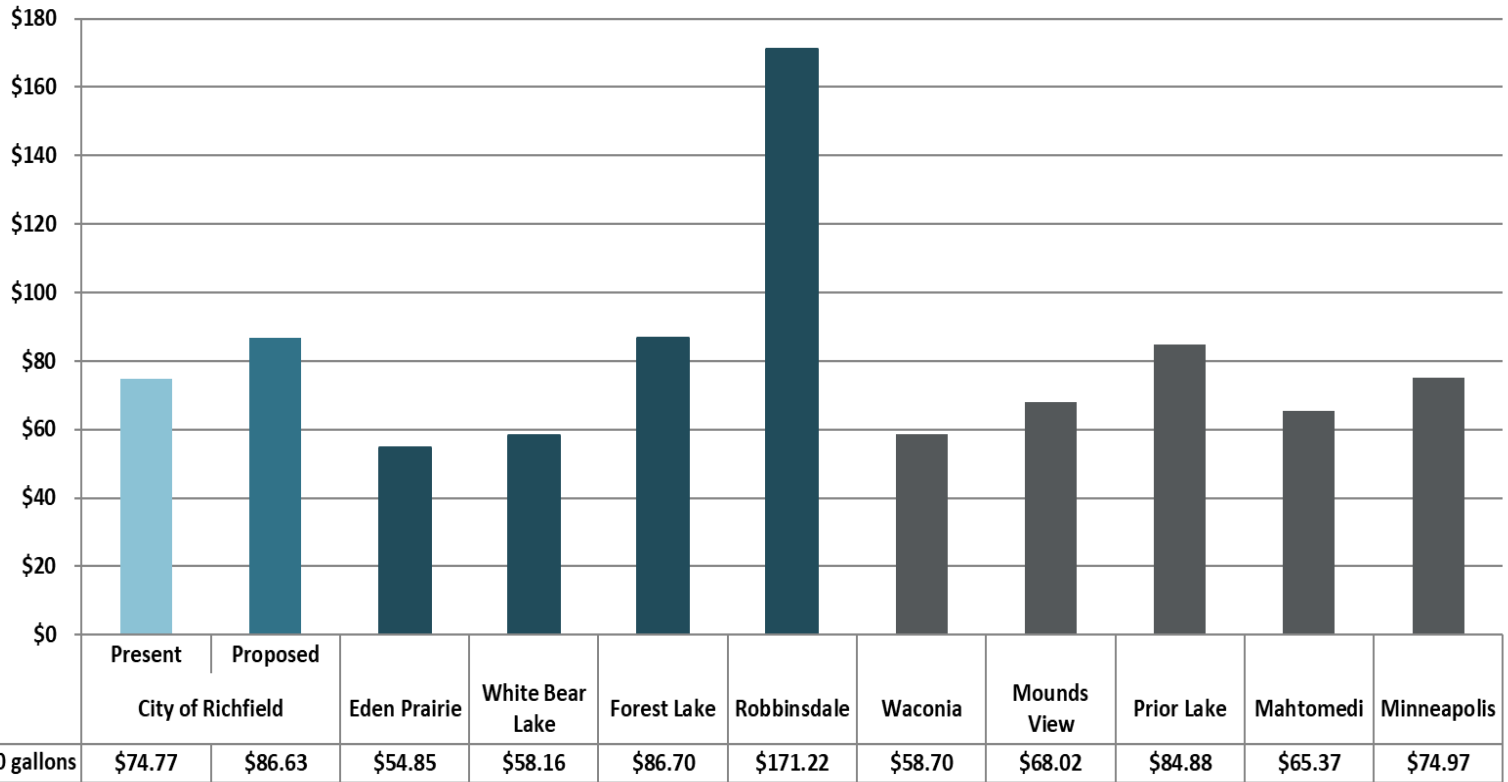
Proposed Water Rate Designs – Status Quo

Status Quo	Present Rates	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Administrative Charge (\$ / Qtr)						
Administrative Charge	\$10.00	N/A	N/A	N/A	N/A	N/A
Base Charge (\$ / Qtr)						
Base Charge	N/A	\$11.65	\$13.40	\$14.74	\$15.48	\$16.25
Residential Consumption Charge (\$ / 1,000 gal)						
0 – 15,000	\$5.54	\$6.47	\$7.44	\$8.18	\$8.59	\$9.02
15,001 – 25,000	6.66	7.75	8.91	9.80	10.29	10.80
25,001+	8.00	9.32	10.72	11.79	12.38	13.00
Residential Irrigation Consumption Charge (\$ / 1,000 gal)						
All Consumption	\$8.00	\$9.32	\$10.72	\$11.79	\$12.38	\$13.00
Apartment (Multi-Family) Consumption Charge (\$ / 1,000 gal)						
All Consumption	\$5.54	\$6.47	\$7.44	\$8.18	\$8.59	\$9.02
Commercial Consumption Charge (\$ / 1,000 gal)						
All Consumption	\$5.54	\$6.47	\$7.44	\$8.18	\$8.59	\$9.02
Commercial Irrigation Consumption Charge (\$ / 1,000 gal)						
All Consumption	\$8.00	\$9.32	\$10.72	\$11.79	\$12.38	\$13.00

Proposed Water Rate Designs – Alternative

Alternative	Present Rates	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Administrative Charge (\$ / Qtr)						
Administrative Charge	\$10.00	N/A	N/A	N/A	N/A	N/A
Base Charge (\$ / Qtr)						
Base Charge	N/A	\$11.65	\$13.40	\$14.74	\$15.48	\$16.25
Residential Consumption Charge (\$ / 1,000 gal)						
0 – 15,000	\$5.54	\$6.47	\$7.44	\$8.18	\$8.59	\$9.02
15,001 – 25,000	6.66	7.75	8.91	9.80	10.29	10.80
25,001+	8.00	9.32	10.72	11.79	12.38	13.00
Residential Irrigation Consumption Charge (\$ / 1,000 gal)						
All Consumption	\$8.00	\$9.32	\$10.72	\$11.79	\$12.38	\$13.00
Apartment (Multi-Family) Consumption Charge (\$ / 1,000 gal)						
All Consumption	\$5.54	\$6.47	\$7.44	\$8.18	\$8.59	\$9.02
Commercial Consumption Charge (\$ / 1,000 gal)						
All Consumption	\$5.54	N/A	N/A	N/A	N/A	N/A
0 – 20,000	N/A	\$6.47	\$7.44	\$8.18	\$8.59	\$9.02
20,001+	N/A	7.75	8.91	9.80	10.29	10.80
Commercial Irrigation Consumption Charge (\$ / 1,000 gal)						
All Consumption	\$8.00	\$9.32	\$10.72	\$11.79	\$12.38	\$13.00

Residential Local Water Rate Comparison (Quarterly Bill)



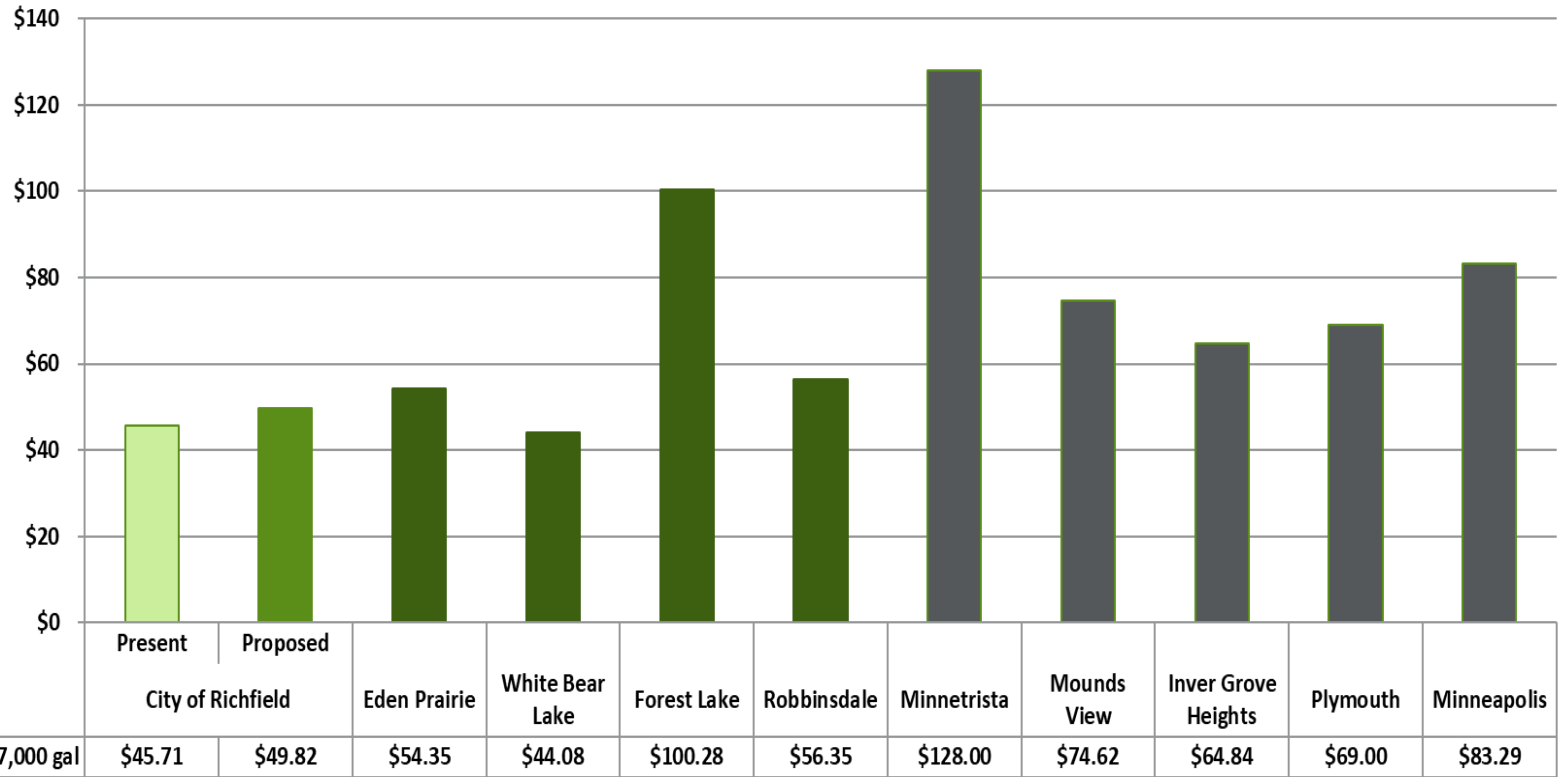
Assumes 11,000 gallons quarterly of water usage, 3/4" meter and winter rate (when applicable)

Proposed Sewer Rate Designs – Status Quo/Alternative

Status Quo	Present Rates	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Minimum Charge (\$ / Qtr)						
Minimum Charge	\$45.71	\$49.82	\$53.31	\$57.04	\$59.32	\$61.69
Sewer Usage (\$ / 1,000 gal)						
0 – 7,000	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
7,001+	6.53	7.12	7.62	8.15	8.48	8.82

Alternative	Present Rates	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Minimum Charge (\$ / Qtr)						
Minimum Charge	\$45.71	\$36.70	\$39.27	\$42.02	\$43.70	\$45.45
Sewer Usage (\$ / 1,000 gal)						
0 – 7,000	\$0.00	N/A	N/A	N/A	N/A	N/A
7,001+	6.53	N/A	N/A	N/A	N/A	N/A
Sewer Usage (\$ / 1,000 gal)						
0 – 5,000	N/A	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5,001+	N/A	7.34	7.85	8.39	8.56	9.08

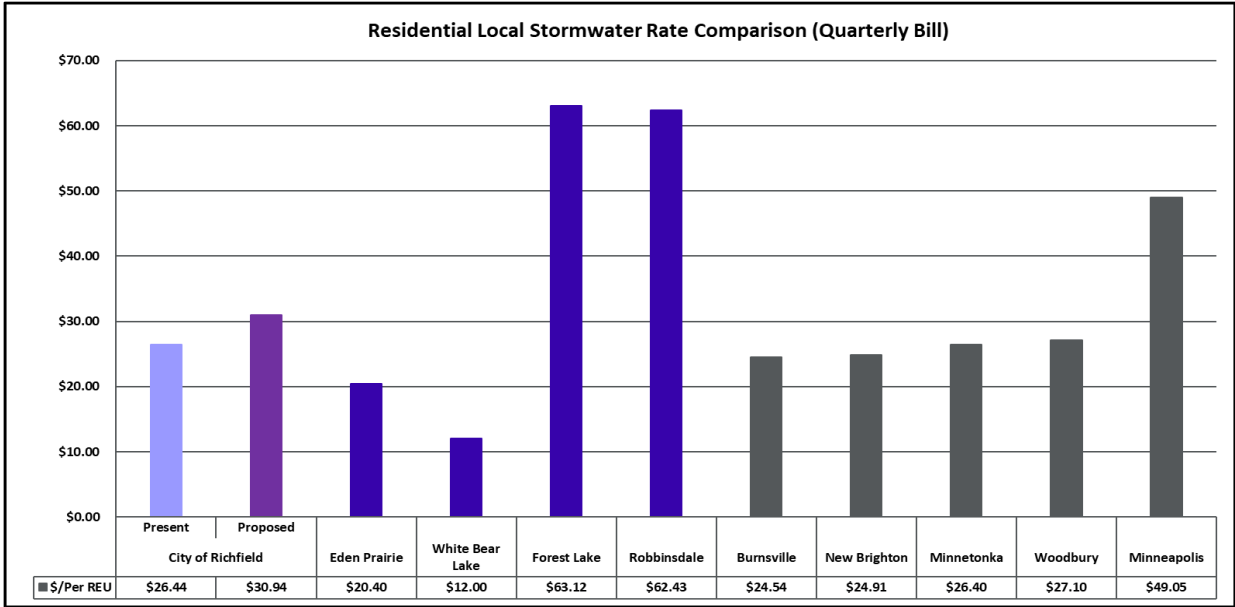
Residential Local Sewer Rate Comparison (Quarterly Bill)



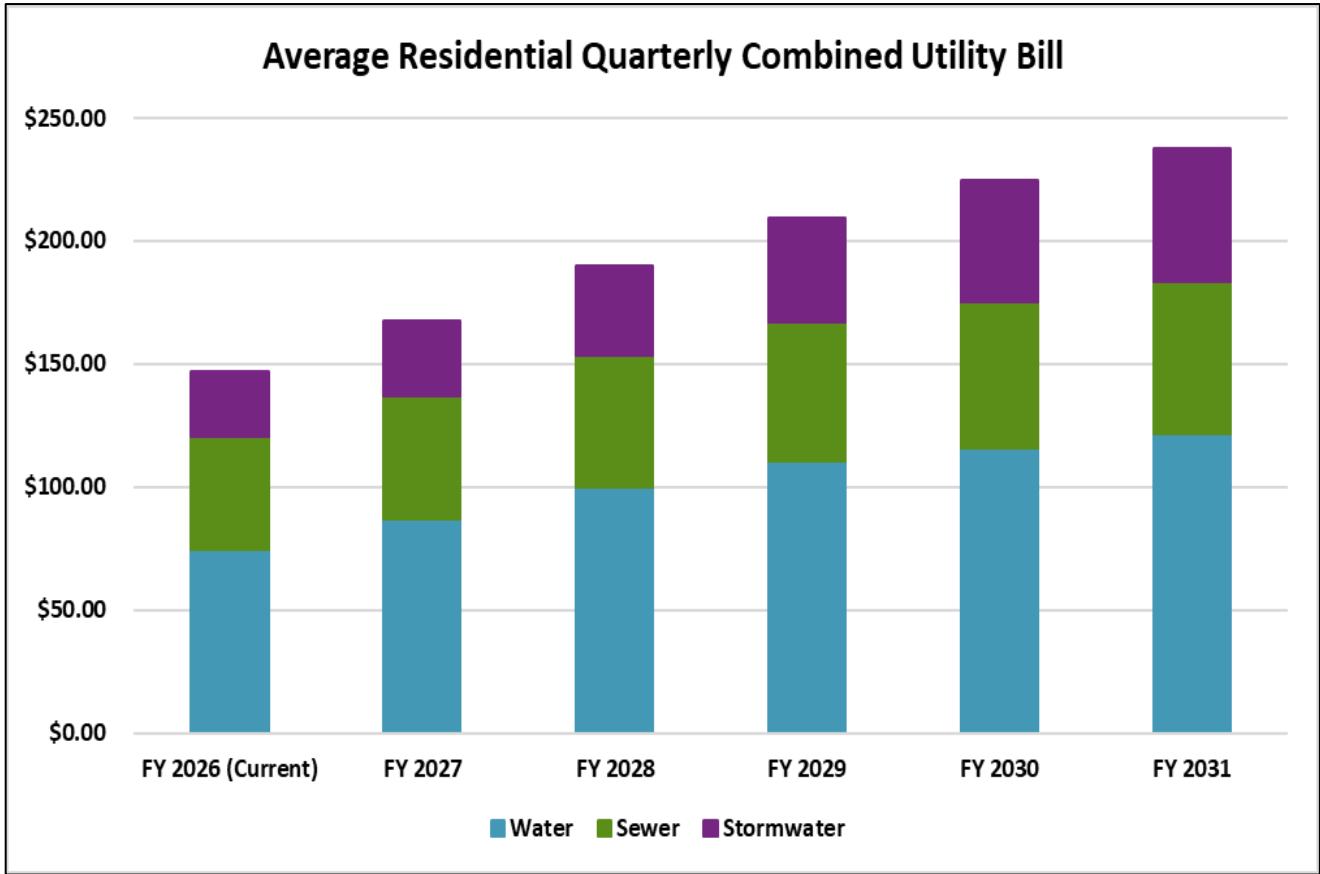
Assumes a monthly winter water average of 2,333 gallons and 3/4" meter (when applicable)

Proposed Stormwater Rate Design

Status Quo	Present Rates	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Stormwater Service Charge (\$ / REF /Qtr)						
Rate Per Equivalent Unit	\$26.44	\$30.94	\$36.20	\$42.35	\$49.55	\$54.51



Assumes one residential equivalent factor (REU), equal to one-fifth acre



Utility Bill Affordability
 MHI 2024 - \$83,058
 2% of MHI - \$1,661
 Quarterly Bill - **\$415.29**

Assumes 11,000 gallons quarterly of water usage, 7,000 gallons quarterly for sewer (minimum bill) and one-fifth acre or 1 REF for stormwater

Summary of the Study

- Proposed rate adjustments reflect the prudent funding of operating and capital expenses
 - Begins a rate transition to adequately fund ongoing and upcoming renewal and replacement needs
 - Does not establish a renewal and replacement reserve
- Proposed rate alternatives provide revenue based on study assumptions
 - Status quo maintains current rate structure
 - Water alternative adds tiered consumption charge for commercial customers
 - Sewer alternative lowers minimum charge usage from 7,000 gallons quarterly to 5,000 gallons quarterly
- Analysis reflects industry standard methodologies as well as the City's specific and unique system and customer characteristics

Summary

- Council feedback and input
 - Updated rate design alternatives
 - ✓ Water – commercial tiered consumption charge
 - ✓ Sewer – lower minimum charge

Next Steps

- Develop written documentation
- Present final study recommendations at public meeting

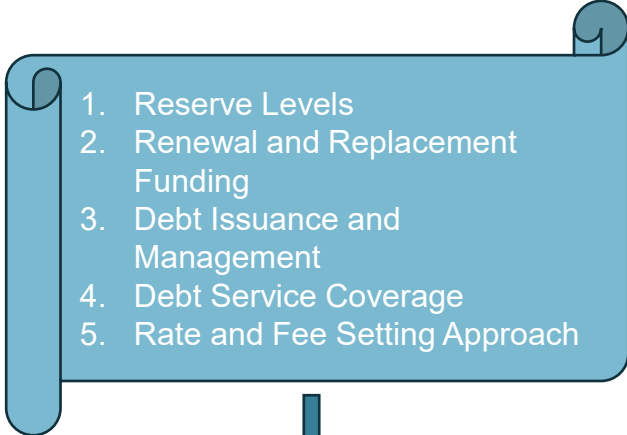


Discussion



Financial Policies Overview

- Reserves are reviewed on an individual utility basis
- Provides strong message to outside financial community (e.g., bond rating agencies)
- Financial policy goals and objectives
 - Maintain sufficient operating reserves for day-to-day cash flow requirements
 - Maintain sufficient capital and other reserves to minimize short-term and long-term borrowing for capital projects
 - Fund capital projects in a prudent and least cost manner
 - Provide rate stability
- Reserves established for different purposes and thus have different minimum and target balance amounts



Operating Reserve

Minimum – 90 days or 25% of annual O&M expenses for **each** utility

Target – 180 days or 50% of annual O&M expenses for **each** utility

Asset Replacement Reserve

Target – Equivalent to the escalated value of the fully depreciated assets divided by the number of years in the evaluation period less debt funding assumptions (**no minimum** and only to be used for utility infrastructure replacement)

Renewal and Replacement Policy and Analysis Overview

- Renewal and replacement funding approach for each utility based on the value of the existing system replacement costs
- Majority of City’s water, sewer and stormwater assets are fully depreciated
 - Significant infrastructure put in place around 1960
- Capital plan includes some renewal and replacement projects
 - Purpose of analysis is to identify total target funding levels
- Analysis for each utility based on replacement cost (in 2025 dollars) divided by total years useful for each asset
 - Provides an annual benchmark funding level

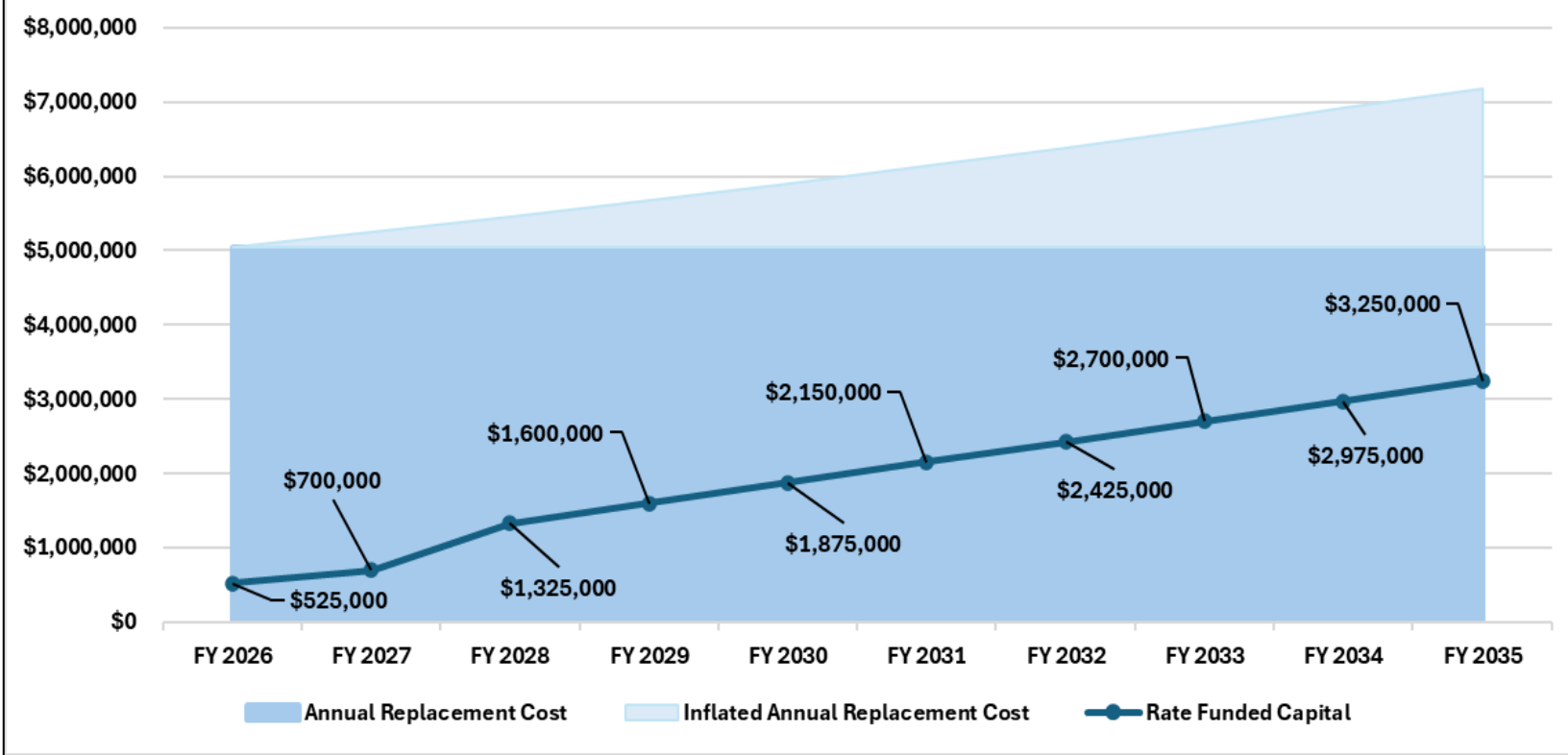
Proposed Renewal and Replacement Policy

Minimum – Fund an amount equal to annual (**1.0x**) depreciation expense for **each** utility

Target – **2.0 - 2.5x** annual depreciation expense for **each** utility or the identified renewal and replacement needs for **each** utility over a multi-year period (**5 or 10 years**)

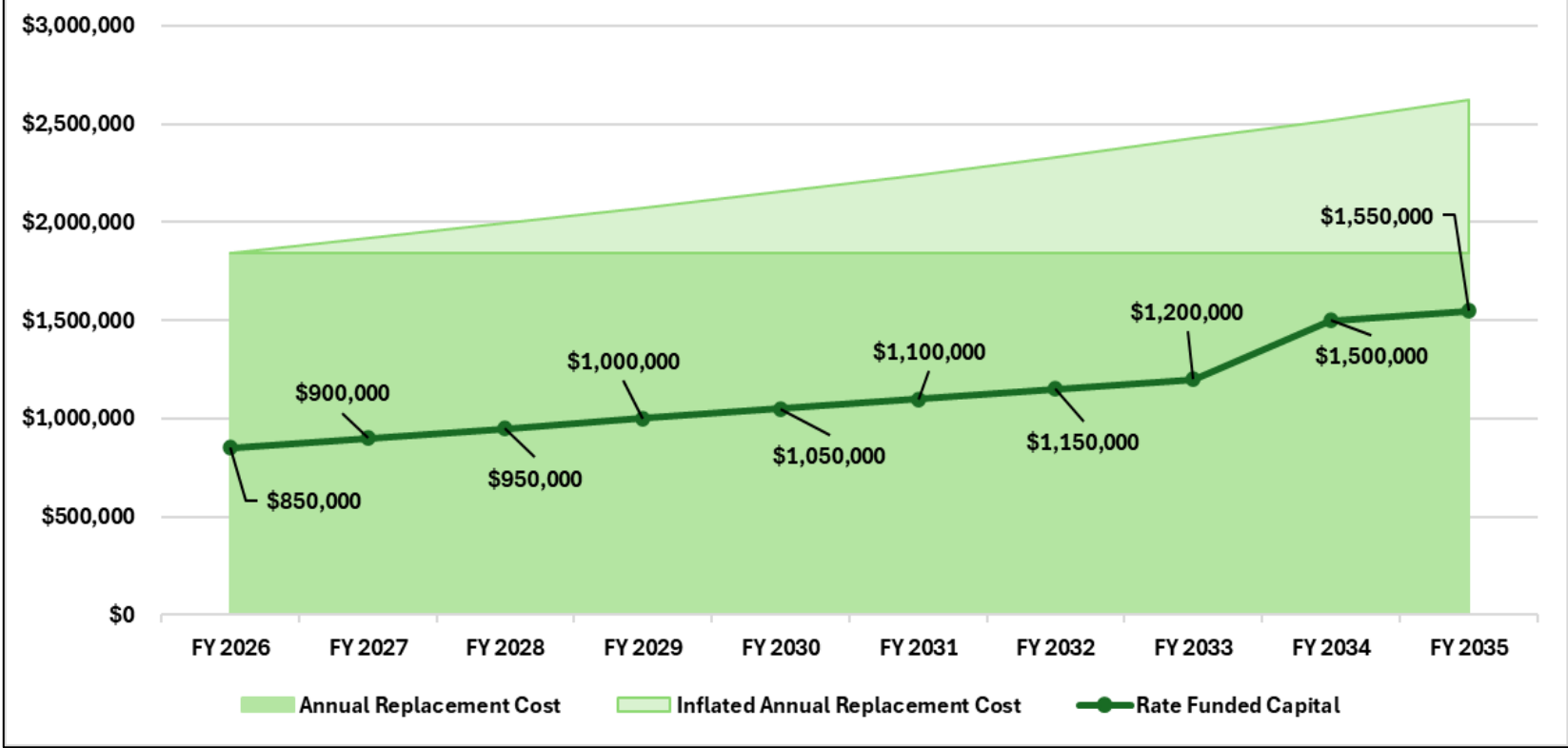
Purpose is to adequately fund the maintenance and replacement of existing infrastructure through user rates on an on-going basis

Annual Water Utility Replacement Cost and Rate Funded Capital Comparison

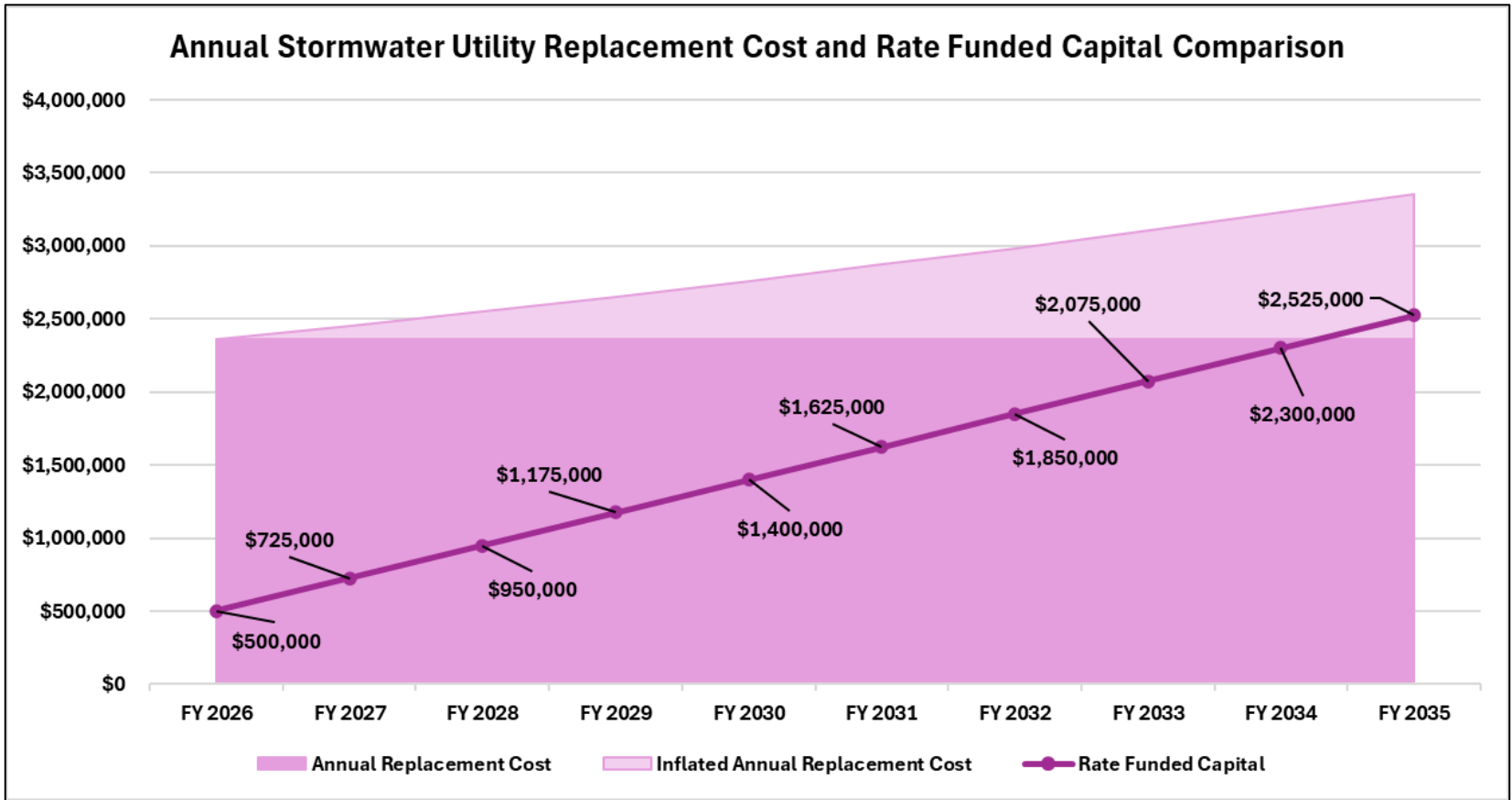


Rate funded capital dependent on proposed annual rate adjustments
Assumes 4.0% inflation

Annual Sewer Utility Replacement Cost and Rate Funded Capital Comparison

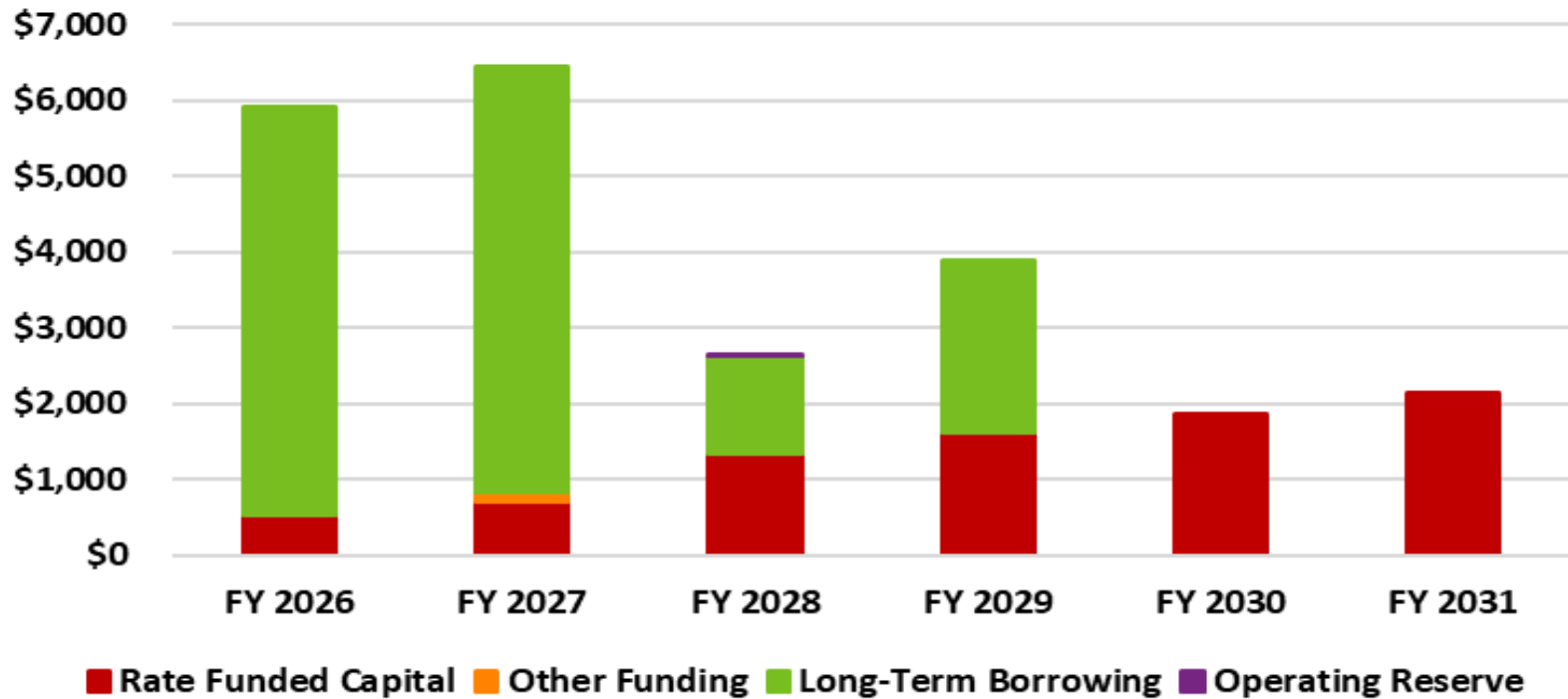


Rate funded capital dependent on proposed annual rate adjustments
Assumes 4.0% inflation

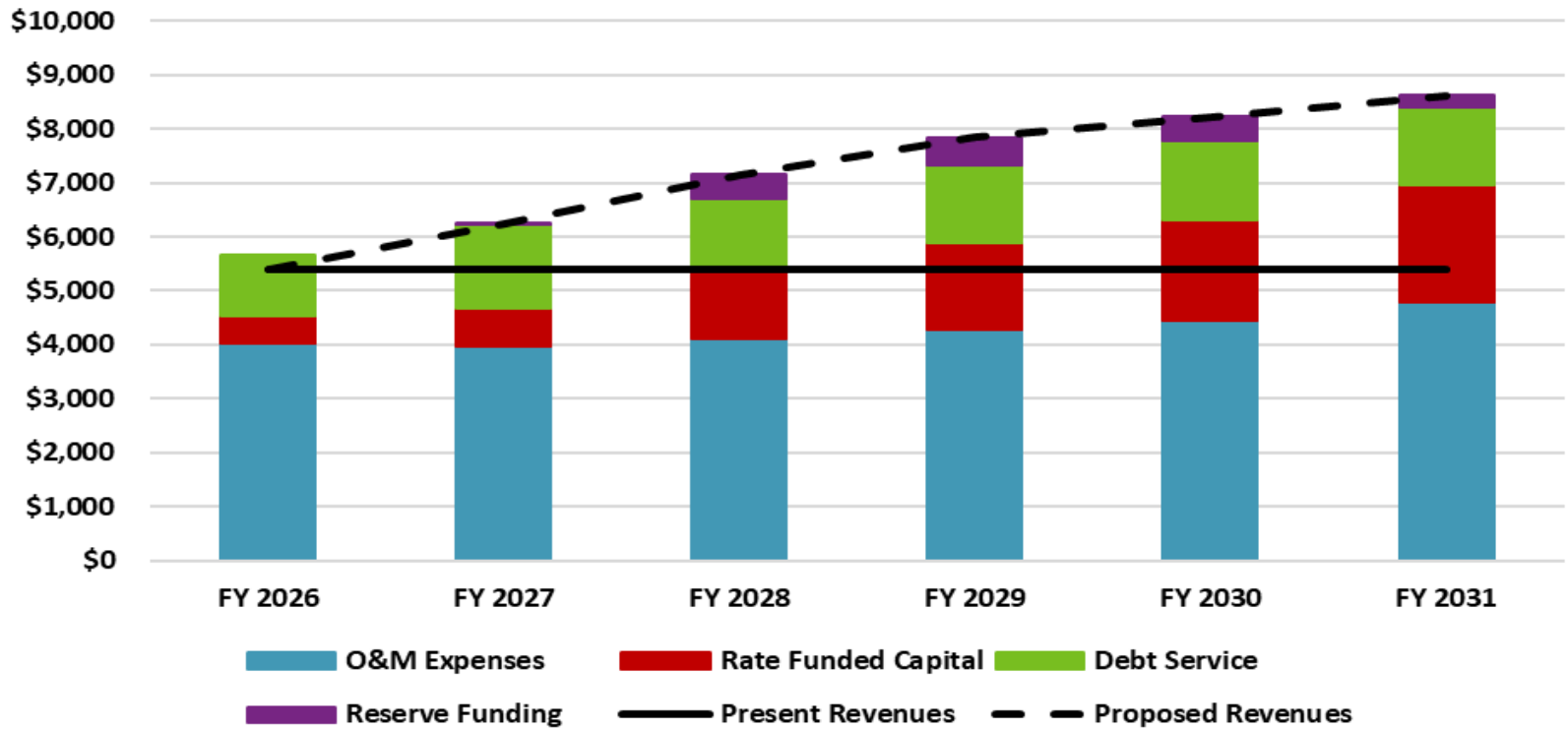


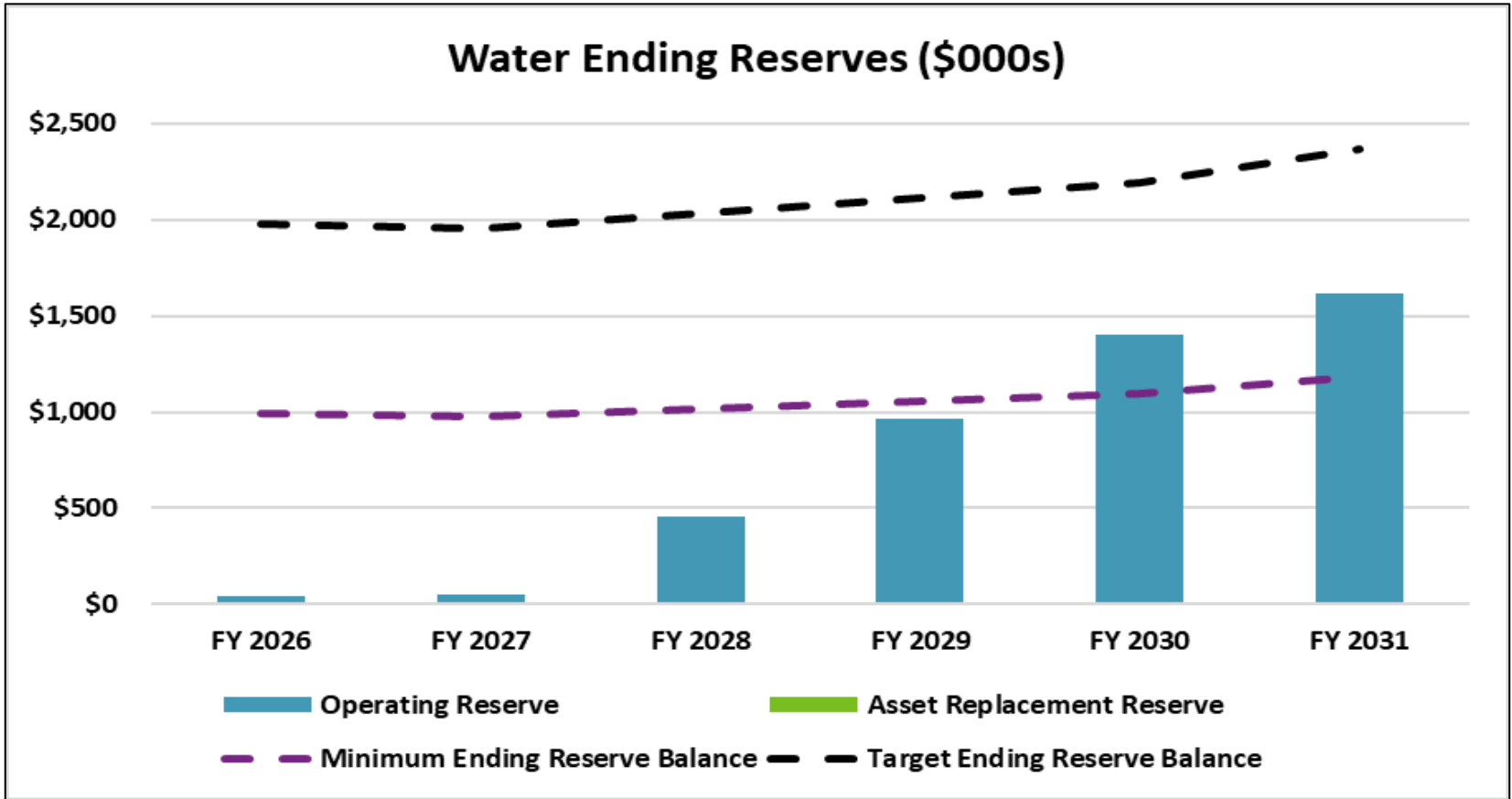
Rate funded capital dependent on proposed annual rate adjustments
Assumes 4.0% inflation

Water Capital Funding Plan (\$000s)



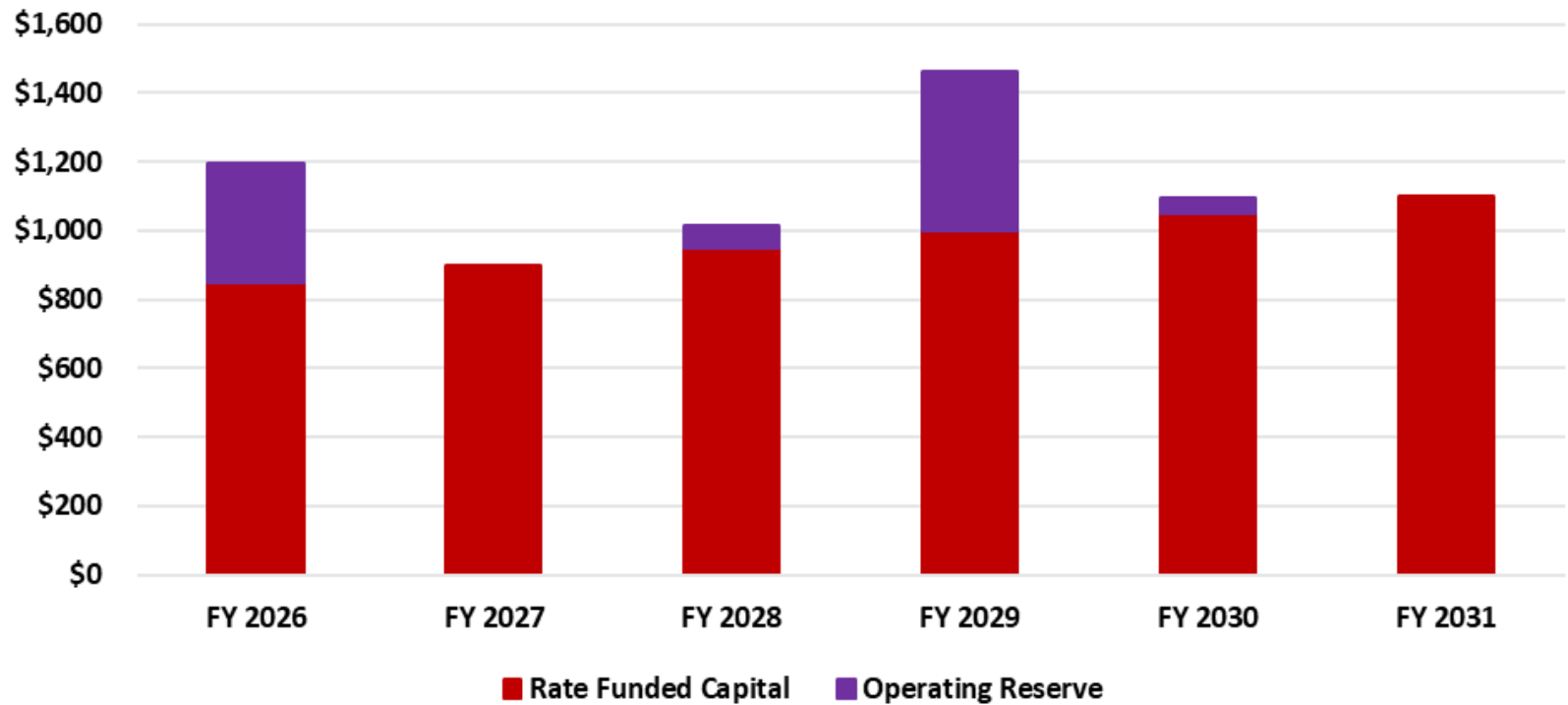
Water Revenue Requirement Summary (\$'000s)



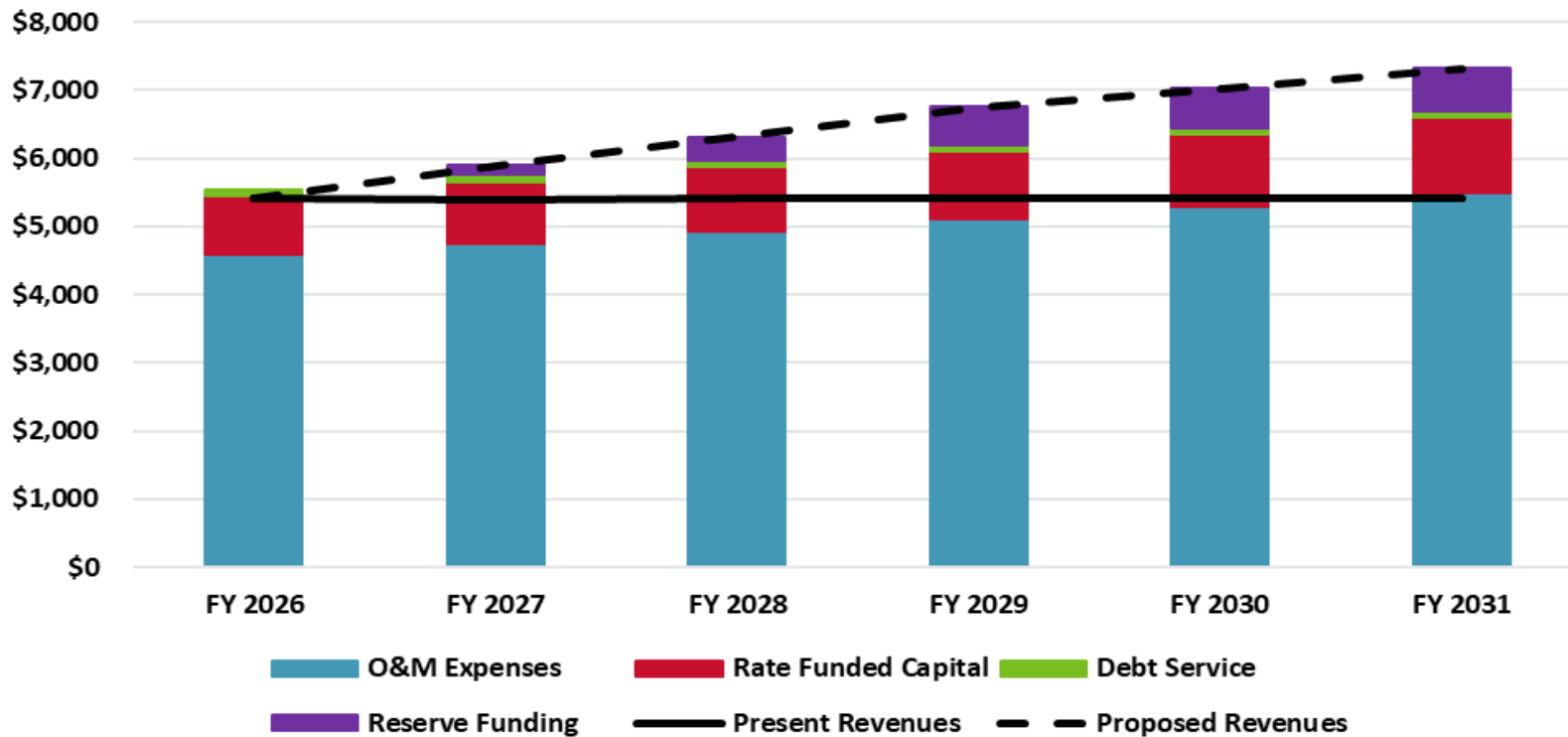


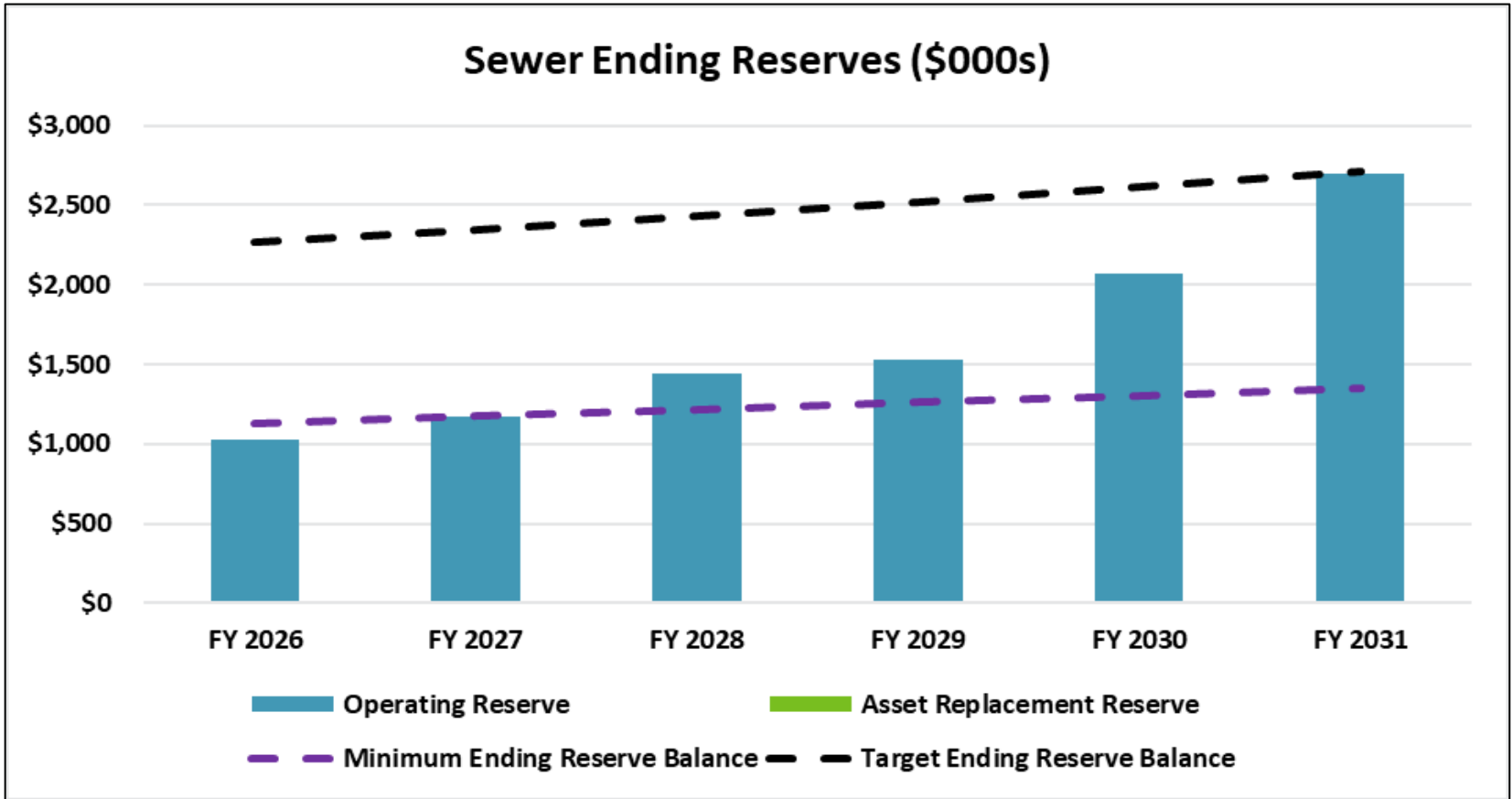
Reserve levels are dependent on proposed annual rate adjustments

Sewer Capital Funding Plan (\$000s)



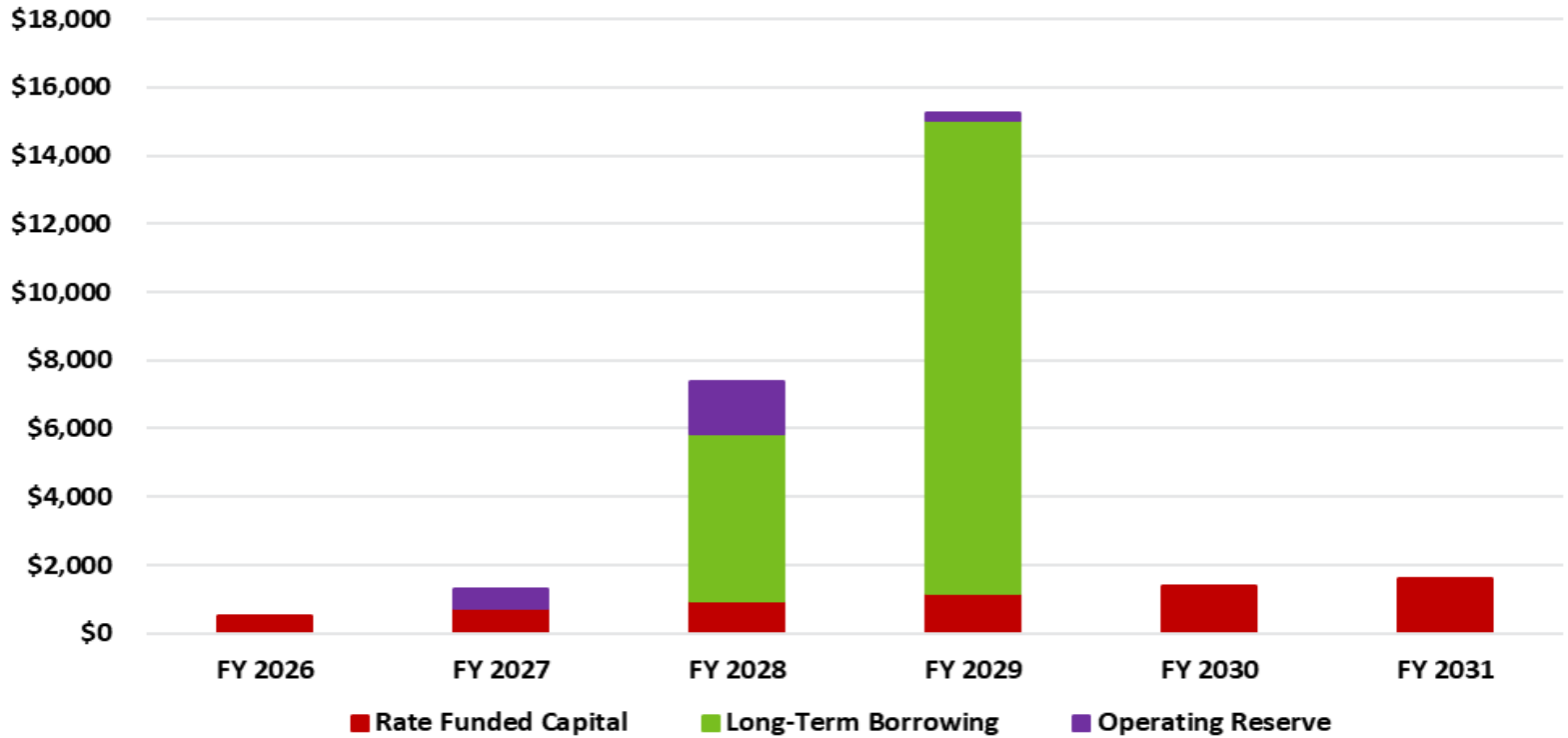
Sewer Revenue Requirement Summary (\$000s)



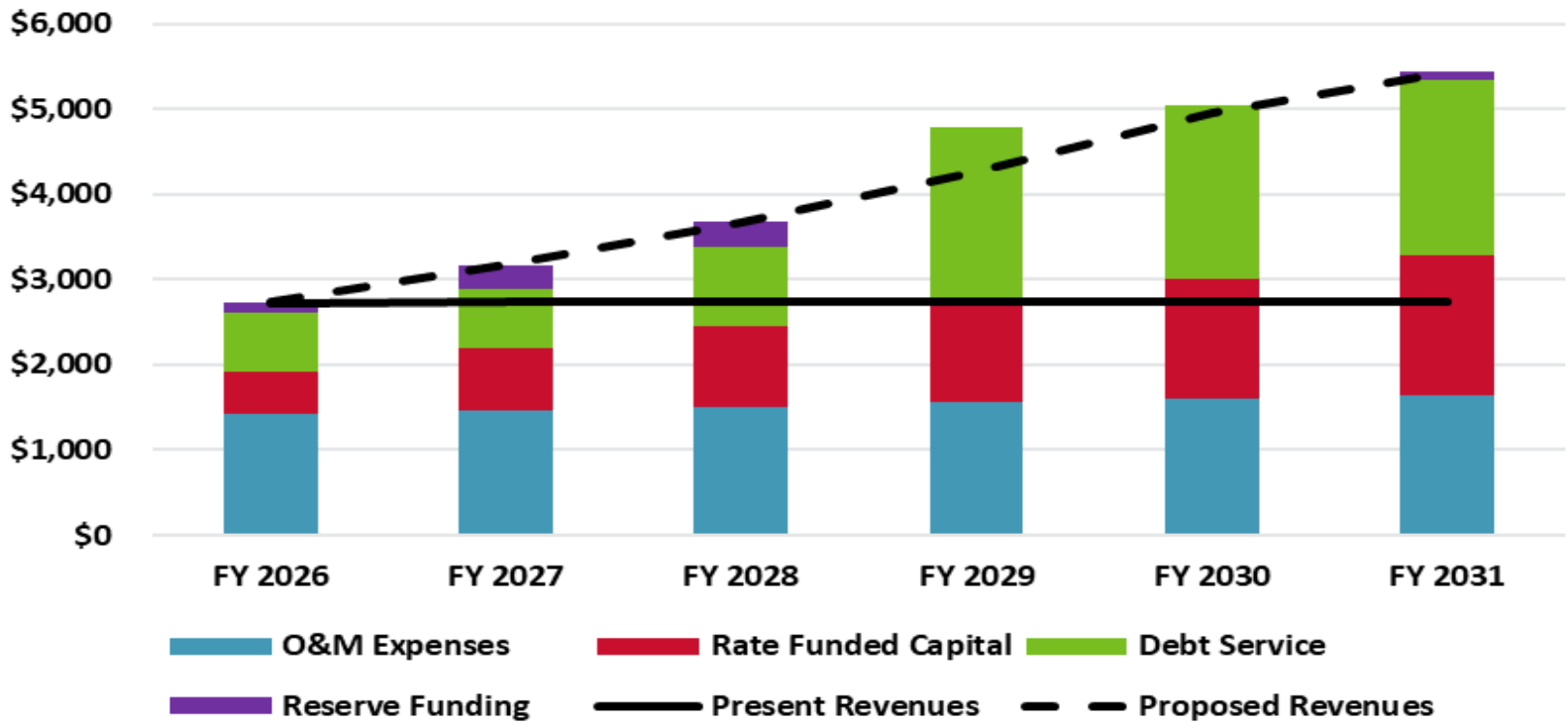


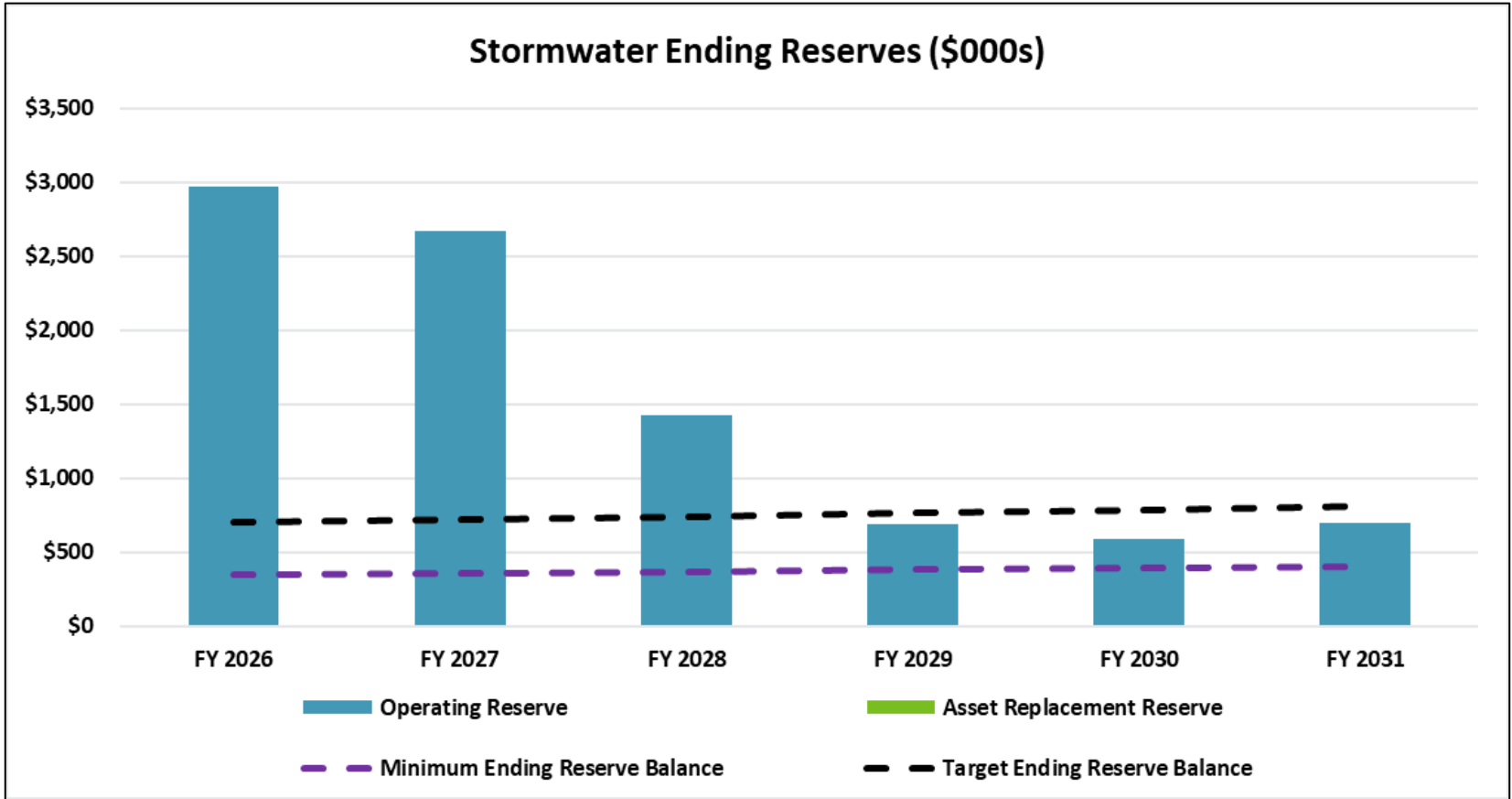
Reserve levels are dependent on proposed annual rate adjustments

Stormwater Capital Funding Plan (\$000s)



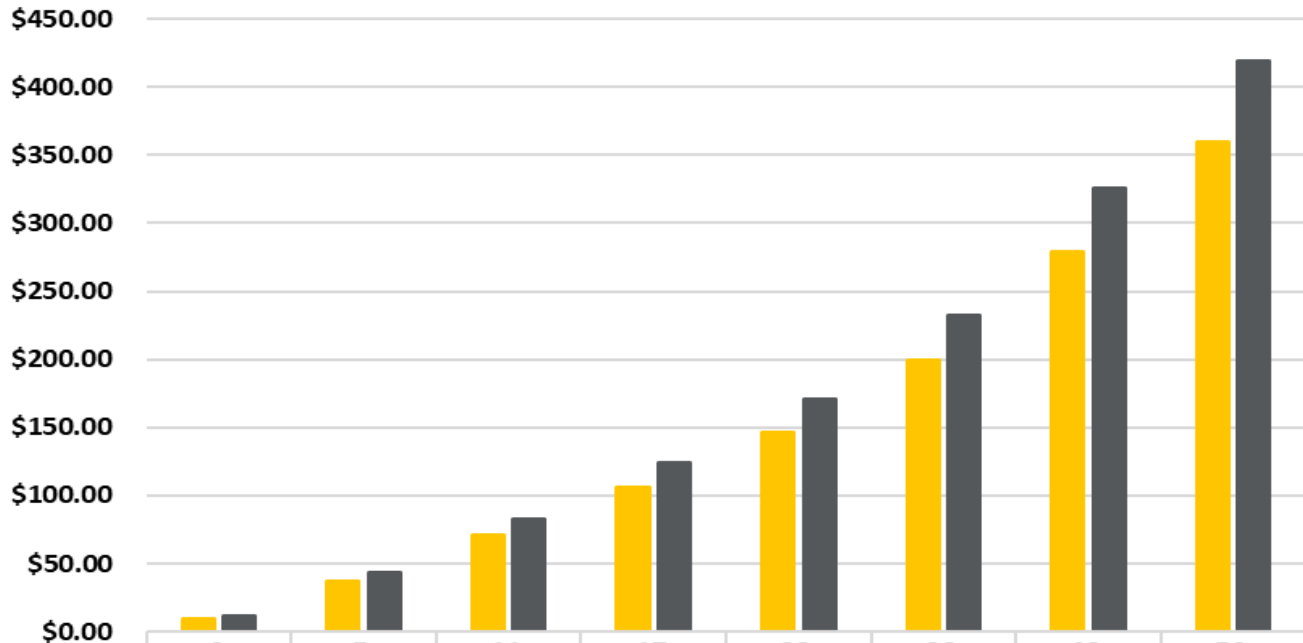
Stormwater Revenue Requirement Summary (\$000s)





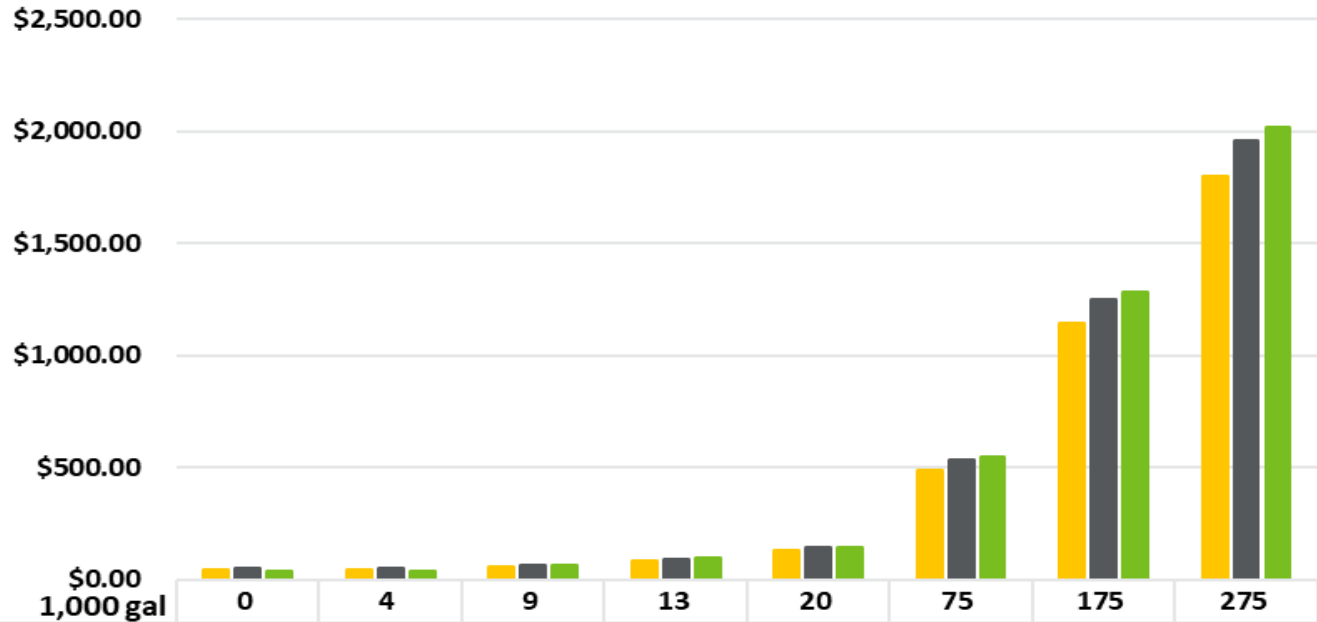
Reserve levels are dependent on proposed annual rate adjustments

Residential Water Rate Design Quarterly Bill Impacts



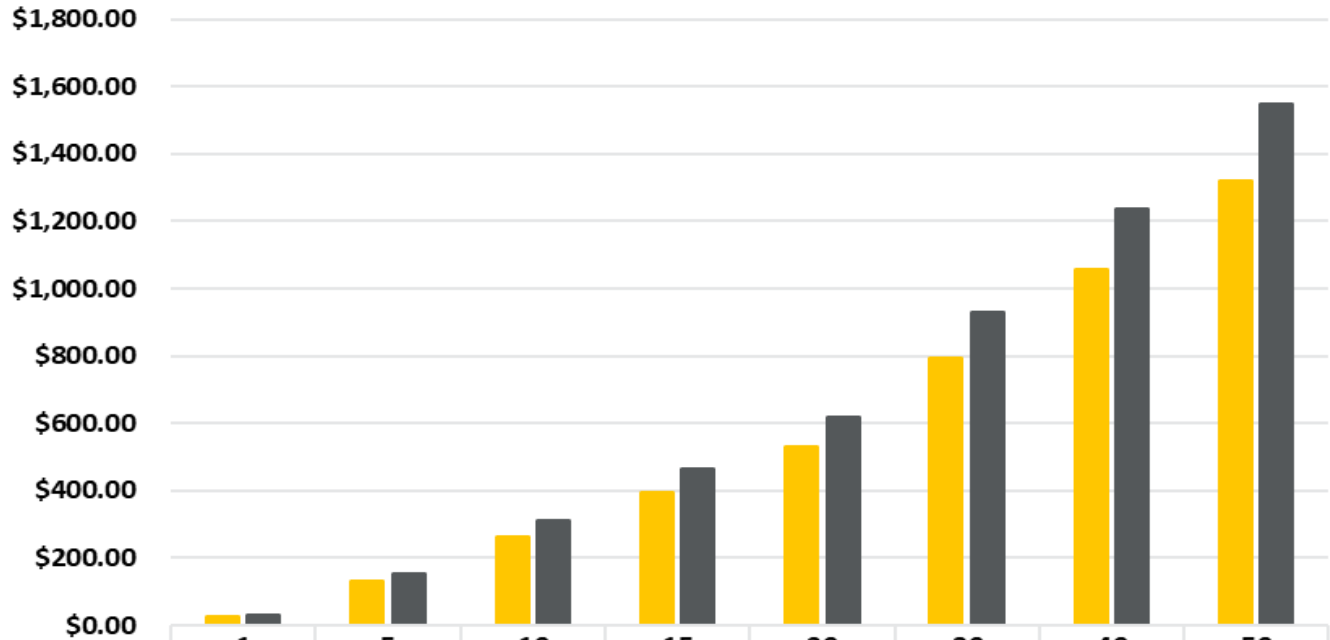
	0	5	11	17	23	30	40	50
Present Rates	\$10.00	\$37.71	\$70.97	\$106.45	\$146.38	\$199.71	\$279.75	\$359.78
Proposed Rates Status Quo	\$11.65	\$44.00	\$82.82	\$124.20	\$170.70	\$232.80	\$326.00	\$419.20

Residential Sewer Rate Design Quarterly Bill Impacts



	0	4	9	13	20	75	175	275
Present Rates	\$45.71	\$45.71	\$58.77	\$84.88	\$130.57	\$489.61	\$1,142.41	\$1,795.21
Proposed Rates Status Quo	\$49.82	\$49.82	\$64.06	\$92.54	\$142.38	\$533.98	\$1,245.98	\$1,957.98
Proposed Rates Alternative	\$36.70	\$36.70	\$66.06	\$95.42	\$146.80	\$550.50	\$1,284.50	\$2,018.50

Stormwater Rate Design Quarterly Bill Impacts



■ Present Rates	\$26.44	\$132.20	\$264.40	\$396.60	\$528.80	\$793.20	\$1,057.60	\$1,322.00
■ Proposed Rates Status Quo	\$30.94	\$154.70	\$309.40	\$464.10	\$618.80	\$928.20	\$1,237.60	\$1,547.00