Shoreview

# Utility Operations and 2014 Utility Rates

Water, Sewer,
Surface Water, and
Street Lighting

## What is safe tap water worth to you?

Our water towers and the pipes below streets need constant attention to keep the tap water that supports our daily lives flowing at the right pressure without fail. Consistent access to safe water helps:

- Keep us healthy
- Fight fires
- Support our economy
- Enhance our high quality of life

Ensuring continued access to safe water also involves the proper collection and treatment of waste water (sewage), and it doesn't stop there. In order to protect the quality of our lakes and streams it is also necessary to properly collect and direct storm water through the use of storm systems and ponds, and by removing debris in the form of sand and salt from roadways.

The process of protecting our varied and numerous water assets requires a coordinated effort to manage each of the resources carefully and to comply with increasing regulations that govern these activities. This document is intended to provide an overview of Shoreview's utility systems and utility rates in an effort to describe what it takes to run the City's utility operations.

The revenue generated by utility bills covers maintenance and replacement efforts, to keep the system strong and reliable.

## Water Operations

Shoreview's water system provides drinking water to about 9,000 homes and businesses within City limits, and provides limited service (at higher billing rates) to neighboring communities through service agreements.

The City's water system includes:

- 1,327 water hydrants
- 6 wells
- 2 elevated storage tanks (water towers)
- 1 underground water reservoir
- 108 miles of water lines

In recent years watering restrictions have become necessary to reduce the peak in daily demand for water, and to more evenly spread water use over different days. This enables the City to avoid the high cost of constructing additional wells and water storage capacity.

Operating and maintaining the system so that water is always available requires managing the following activities:

- Pump and store water
- Treat water (including a future water treatment facility)
- Operate distribution pumps
- Flush water mains (semi-annually)
- Repair, replace and maintain water system infrastructure
- Read meters (quarterly) and replace meters as needed
- Sample and test water per Department of Natural Resources and Minnesota Department of Health requirements

Hydrant flushing is performed by utility maintenance crews each spring and fall to remove mineral buildup in the system and to ensure the reliability of hydrants and water valves. The systematic and controlled flushing of the system improves the overall quality of water, assists in overall system maintenance, helps remove sediments and stale water, and maintains chlorine residuals.

The City is planning for the potential addition of a water treatment plant in 2016 to address rising levels of iron and manganese in the City's wells. Even though iron and manganese are not considered harmful to health, they can cause esthetic, taste and odor problems within the water system.

## Water Rates

Minnesota law requires the City to bill all water customers on a conservation-based rate structure (tiered rates). Further, the law requires billing each residential unit the same allocation of gallons per tier at the same water rates. This means that apartments and condominiums are billed the same rates and with the same allocation of gallons per unit as single-family homes.

Residential water rates are set in 2 components: a quarterly availability charge of $13.96 (up 56 cents from 2013), and 4 tiered rates for water used in the preceding quarter. Tiered rates for 2014 are shown at right, and are described below:

| Residential Water Rates (quarterly) | | |
|---|---|---|
| Water Tiers | Cost Per Thousand Gallons | Gallons Per Penny |
| Tier 1 (5,000 gal per unit) | $ 1.13 | 8.85 |
| Tier 2 (5,000 gal per unit) | $ 1.81 | 5.52 |
| Tier 3 (20,000 gal per unit) | $ 2.51 | 3.98 |
| Tier 4 (remaining water) | $ 4.13 | 2.42 |

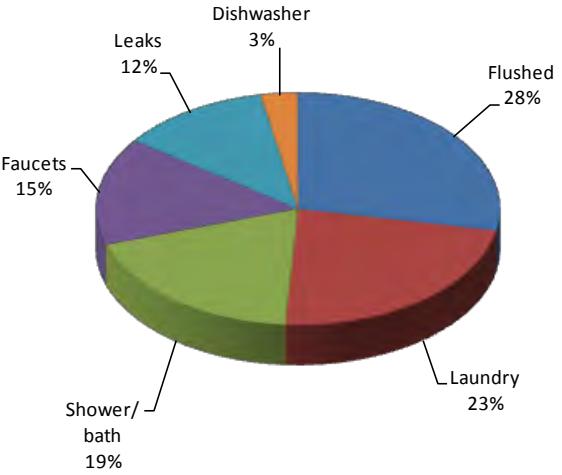
- The first 5 thousand gallons per unit is billed at $1.13 per thousand gallons (about 8.85 gallons for each penny).
- The second 5 thousand gallons per unit is billed at $1.81 per thousand gallons (5.52 gallons per penny).
- The next 20 thousand gallons per unit is billed $2.51 per thousand gallons (3.98 gallons per penny).
- Remaining water is billed at the highest rate of $4.13 per thousand gallons (2.42 gallons per penny).

Commercial customers are billed the same tiered rates, excluding the lowest tier (which is for residential customers only).

Tap water is quite inexpensive compared to bottled water. For instance, a gallon of self-serve spring water costs about 30-cents while 30-cents buys 266 gallons of Shoreview tap water at the lowest tier, and even at the highest tier buys 76 gallons of water.

## Household Water Use

According to the American Water Works Association (AWWA), about half of household water use is for flushing and laundry.

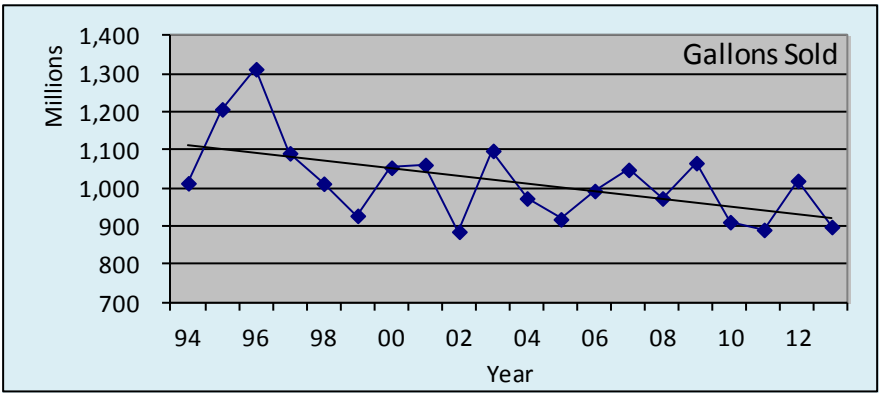



The pie chart at right illustrates average household water consumption. Some easy ways to reduce water consumption include:

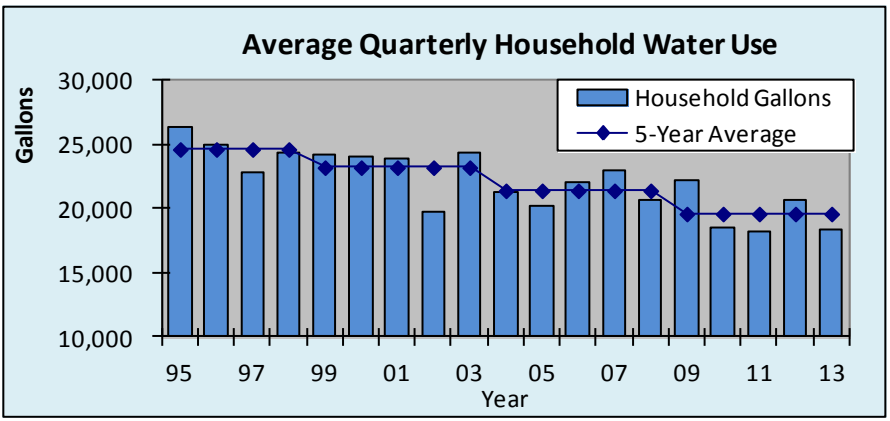
- Turn the water off while washing dishes by hand
- Run the clothes washer only when full, or upgrade to a high efficiency washing machine
- Use a water-efficient shower head (saves 750 gallons a month)
- Shorten shower time (1 to 2 minutes shorter saves 25 gallons a month)
- Upgrade older toilets with water efficient models
- Use sprinklers that deliver big drops of water close to the ground; smaller water drops and mist evaporate more quickly before reaching the ground
- Adjust sprinklers so only the lawn is watered, and not the house, sidewalk or street
- Water the lawn and garden in the morning or evening when temperatures are cooler, minimizing evaporation
- Check soil moisture to determine when to water rather than following set watering schedules
- Set a timer when watering, as a reminder to stop; a running hose can discharge up to 10 gallons a minute
- Adjust the lawn mower to a higher setting, allowing longer grass to shade the root system and hold soil moisture better

## Water Use Trends

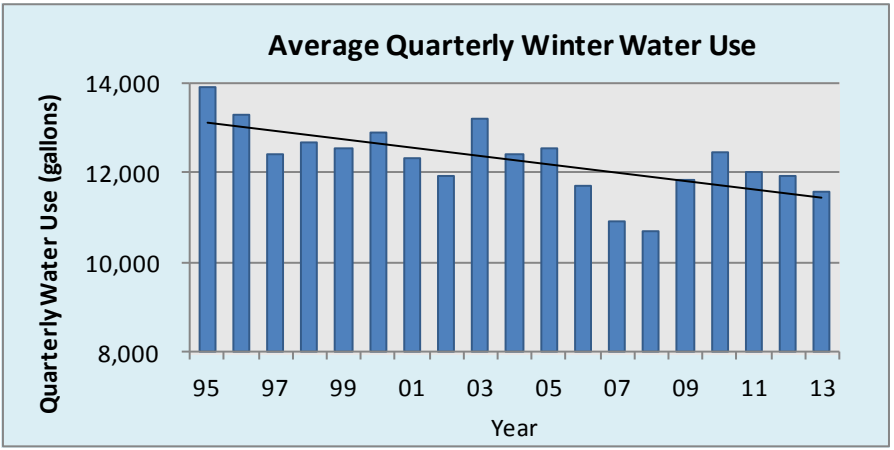
Water use fluctuates from year to year, primarily due to differences in rainfall. About 50% of the water sold is consumed during the four months of the growing season.




Other factors that reduce household water use include water conservation efforts, an aging population, new plumbing fixtures, and fewer people per household. The graph below shows average quarterly water consumption per home (estimated gallons are shown for 2013). Because this graph shows total average consumption throughout the year, both rainfall and water conservation efforts impact these results.



Examining winter water consumption is the easiest way to measure inside household water use (without the impact of summer watering). The graph below shows the decline in average quarterly winter water use over more than a decade.




Even though water conservation protects the long-term viability of the City's water source, it also means that water revenues decline in some years despite an increase in water rates. If the downward water trend in water use continues, existing customers need to pay more for the same level of service in order to sufficiently cover ongoing operating costs.

## Water System Assets

The historical cost of building the water system is amortized over the life of the system and expensed as annual depreciation ($639,000 for 2014). In the last 5 years the water fund has spent $5.6 million on water system repairs, replacements, improvements to system controls and water meter replacements. Over the next 5 years the City expects to spend $1.6 million on water system assets, plus the addition of a $9 million water treatment facility. Other capital costs are primarily repairs and maintenance of existing assets (wells, towers and water lines).

## Water Budget

Water rates are set with the knowledge that predicting water income is far more difficult than predicting expense and capital costs. In setting rates the City expects fluctuations in water consumption from year to year, and therefore expects a net loss in some years and a net gain in others. The rate setting process is designed to make gradual changes in rates whenever possible, focusing on a long-term strategy.

The table below provides a 4-year history of water fund activity. As shown, in 2 of the last 4 years the City's water fund ended with a net loss (excluding the value of contributed assets). This means water income was not sufficient to offset operating costs.

| Operating Summary | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Estimate |
|---|---|---|---|---|
| **Revenue** | | | | |
| Special Assessments | $ 1,113 | $ 1,187 | $ 1,002 | $ - |
| Intergovernmental | 557 | 13,366 | 13,198 | 11,815 |
| Utility Charges | 1,963,342 | 2,184,742 | 2,917,020 | 2,607,000 |
| Interest Earnings | 32,722 | 80,297 | 35,077 | 30,000 |
| Other Revenues | 44,846 | 210 | - | - |
| Total Revenue | 2,042,580 | 2,279,802 | 2,966,297 | 2,648,815 |
| **Expense** | | | | |
| Enterprise Operations | 1,339,306 | 1,368,874 | 1,405,259 | 1,489,821 |
| Miscellaneous | - | 108,152 | 1,901 | - |
| Debt Service | 192,894 | 202,063 | 183,921 | 207,718 |
| Depreciation | 543,688 | 609,067 | 614,991 | 624,000 |
| Total Expense | 2,075,888 | 2,288,156 | 2,206,072 | 2,321,539 |
| **Other Sources (Uses)** | | | | |
| Transfers Out | (151,037) | (225,000) | (240,000) | (262,500) |
| Net Change | $(184,345) | $(233,354) | $ 520,225 | $ 64,776 |

Once lower water consumption becomes a trend rather than a temporary fluctuation, it becomes necessary to adjust rates more significantly to close the gap between income and expense.

The table below shows estimated water fund activity for the 2014-2015 biennial budget. The 2014 budget is based on the expectation that water consumption will continue at base levels.

| Operating Summary | 2014 Budget | 2015 Budget |
|---|---|---|
| **Revenue** | | |
| Special Assessments | $ - | $ - |
| Intergovernmental | 12,620 | 12,200 |
| Utility Charges | 2,653,500 | 2,760,000 |
| Interest Earnings | 34,000 | 38,000 |
| Other Revenues | - | - |
| Total Revenue | 2,700,120 | 2,810,200 |
| **Expense** | | |
| Enterprise Operations | 1,503,536 | 1,565,163 |
| Miscellaneous | - | - |
| Debt Service | 160,623 | 148,243 |
| Depreciation | 639,000 | 651,000 |
| Total Expense | 2,303,159 | 2,364,406 |
| **Other Sources (Uses)** | | |
| Transfers Out | (303,000) | (345,000) |
| Net Change | $ 93,961 | $ 100,794 |

Over the next 5 years, significant water system costs include:

- Update SCADA system software
- Install natural gas/alternate power backup for well #6
- Add water treatment plant to address rising levels of iron and manganese in the City's water supply
- Redevelop well #7 and remove sand
- Repair and replace water lines

## Sewer Operations

Shoreview operates a sanitary sewer system that collects and directs waste water discharged from homes and businesses throughout the City. The City's sewer system includes:

- 17 lift (pumping) stations
- 108 miles of sanitary sewer lines
- 2,500 manholes

Operating and maintaining the sewer system so that it functions adequately and consistently includes:

- Operating, maintaining and inspecting lift stations daily
- Treating collected sewage (performed by Metropolitan Council Environmental Services)
- Relining sewer pipes
- Replacing, repairing and maintaining sewer system infrastructure
- Inspecting manholes
- Cleaning sewer lines

### Sewer Rates

Sewer rates are set in 2 components: a quarterly sewer availability charge of $39.05 per unit plus one of 5 tiered rates for water used in the winter quarter (because winter water use provides the best measure of water entering the sewer lines). The sewer availability charge is billed regardless of whether sewer discharge occurs because the City must maintain, repair, operate and replace the sewer system.

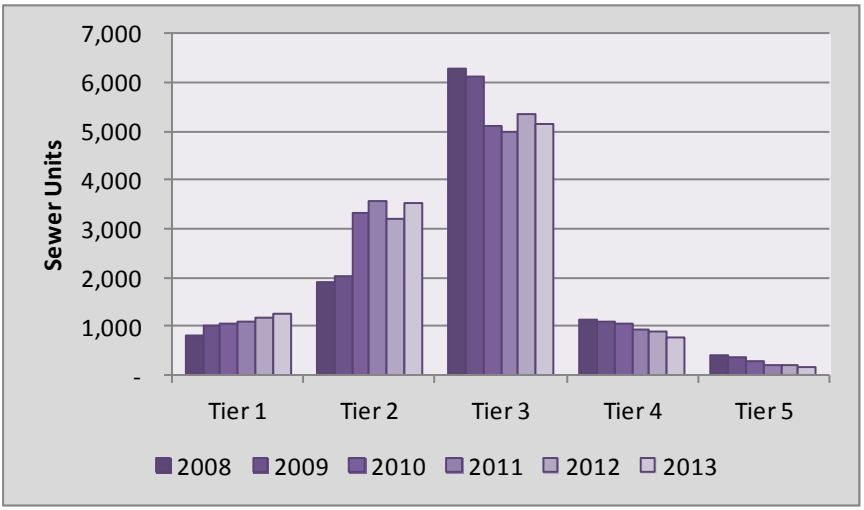
Tiered rates for 2014 are shown in the table at right, and are described at the top of the next page.

| Residential Sewer Rates (quarterly) | |
|---|---|
| Sewer Tiers | Sewer Tiers |
| Tier 1 (up to 5,000 gal per unit) | $16.50 |
| Tier 2 (5,001-10,000 gal per unit) | $28.41 |
| Tier 3 (10,001-20,000 gal per unit) | $43.56 |
| Tier 4 (20,001-30,000 gal per unit) | $59.25 |
| Tier 5 (more than 30,000 gal per unit) | $76.97 |

- Tier 1— homes using up to 5 thousand gallons in the winter quarter pay $16.50 per quarter.
- Tier 2— homes using between 5 and 10 thousand gallons in the winter quarter pay $28.41 per quarter.
- Tier 3— homes using between 10 and 20 thousand gallons in the winter quarter pay $43.56 per quarter.
- Tier 4— homes using between 20 and 30 thousand gallons in the winter quarter pay $59.25 per quarter.
- Tier 5— homes using more than 30 thousand gallons in the winter quarter pay $76.97 per quarter.

Sewer rates are designed to reward low volume customers with lower fees, and to charge high volume customers more since they contribute more flow to the sewer system. Further, rates are designed to treat single-family homes and multi-family units equally by establishing the multi-family cost on a per unit basis. Sewer only customers are billed at the middle tier since actual use cannot be established.

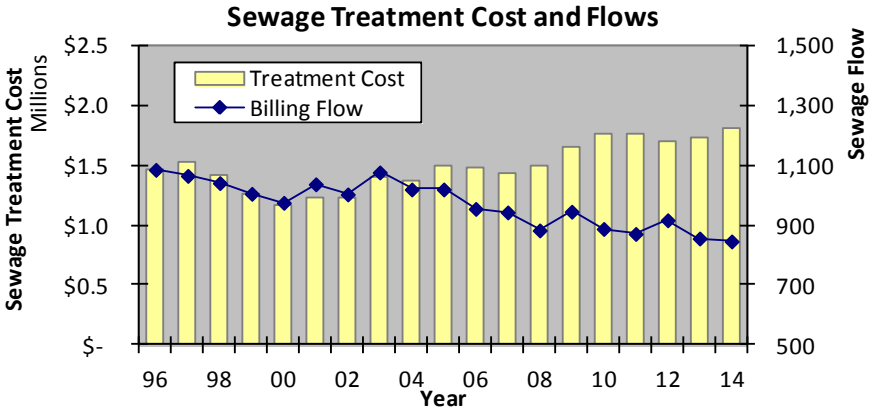
The graph below illustrates the number of residential sewer customers billed in each of the 5 sewer tiers over the last 6 years. As shown, the majority of homes are billed at tier 3, and the fewest number of homes are billed at tier 5. The number of customers in the first 2 tiers is generally rising, while the number of customers in tiers 3 through 5 is declining. The large increase in tier 2 for 2010 is the result of shifting apartments to the residential rate structure.



## Sewage Treatment

Sewage is collected in City-owned sanitary sewer mains and is routed or pumped into facilities owned and operated by the Metropolitan Council Environmental Services Division (MCES). Sewage flows are monitored and metered by MCES for the purpose of determining the City's sewage treatment costs. These costs are dependent on the amount of flow contributed to the system, and therefore water use impacts the City's sewage treatment costs.

Unfortunately, even when sewage flow declines (as it has since 2003) sewage treatment costs don't necessarily follow because the rate charged by the MCES continues to rise. As shown in the table below, sewage flow has generally declined in recent years, while sewage treatment costs have risen in most years. Shoreview's share of treatment costs will increase 4.3 percent for 2014.




Sewage flows can also be impacted by groundwater infiltration and storm water inflow, particularly during periods of heavy downpours. Cracks in sewer lines, openings in manholes, and illegal connections of roof drains and/or sump pumps to the sewer system allow water to flow directly into sewer pipes, which in turn drives up sewer flows and sewage treatment costs.

In an effort to reduce sewage flow, the City is actively working to evaluate and reline sewers where ground water infiltration occurs. The City also completed a commercial roof and residential sump pump inspection program to eliminate illegal discharges into the sewer system.

The table at right provides a 10-year summary of the City's sewage treatment costs. The sewage flow estimate for the 2014 bill is 17% lower than 2005 flows. Conversely, the 2014 rate per million gallons is 46% higher than the rate charged in 2005. The net result is a sewage treatment bill that is $1,812,000 (21% higher than 2005). If sewage flows had continued to grow, the cost would have been even higher.

| Year | Billing Flow (millions) | Rate Per Million Gallons | Annual Cost (millions) |
|---|---|---|---|
| 2005 | 1,019 | $ 1,465 | $ 1.492 |
| 2006 | 955 | $ 1,543 | $ 1.472 |
| 2007 | 943 | $ 1,527 | $ 1.438 |
| 2008 | 883 | $ 1,697 | $ 1.497 |
| 2009 | 945 | $ 1,754 | $ 1.657 |
| 2010 | 888 | $ 1,981 | $ 1.758 |
| 2011 | 871 | $ 2,026 | $ 1.764 |
| 2012 | 917 | $ 1,854 | $ 1.699 |
| 2013 | 856 | $ 2,029 | $ 1.737 |
| 2014 | 846 | $ 2,142 | $ 1.812 |

Since 2007 the MCES has considered charging an inflow/infiltration surcharge for the estimated increase in sewage flows generated by ground water infiltration. So far, Shoreview has avoided this cost because of the City's efforts to reduce inflow and infiltration of ground and storm water into the system.

**Sewer System Assets**

The historical cost of building the sanitary sewer system is amortized over the life of the system and expensed as annual depreciation ($330,000 for 2014). In the last 5 years the sewer fund has spent $2.5 million on sewer system repairs, replacements, improvements to system controls and new sewer lines, and expects to spend $1.7 million over the next 5 years.

## Sewer Budget

Establishing sewer rates and predicting sewer revenue is somewhat easier than predicting water revenue, because winter water consumption is used to determine residential sewer charges. Regardless, the gradual decline in water use also impacts sewer revenue because declining winter water use shifts more customers into lower sewer tiers.

The table below provides a 4-year history of sewer fund activity. In one of the last 4 years the City's sewer fund ended with a net loss (excluding the value of contributed assets). This means that sewer income was not sufficient to offset expense.

| Operating Summary | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Estimate |
|---|---|---|---|---|
| **Revenue** | | | | |
| Special Assessments | $ 1,092 | $ 1,541 | $ 1,525 | $ - |
| Intergovernmental | 444 | 10,649 | 10,516 | 9,415 |
| Charges for Services | 2,365 | 3,680 | 1,325 | 1,000 |
| Utility Charges | 3,250,742 | 3,543,104 | 3,565,927 | 3,700,500 |
| Interest Earnings | 19,357 | 58,518 | 24,964 | 21,000 |
| Total Revenue | 3,274,000 | 3,617,492 | 3,604,257 | 3,731,915 |
| **Expense** | | | | |
| Enterprise Operations | 2,869,607 | 2,953,041 | 2,893,667 | 3,120,250 |
| Debt Service | 57,495 | 76,061 | 72,489 | 74,499 |
| Depreciation | 279,711 | 295,893 | 317,853 | 326,000 |
| Total Expense | 3,206,813 | 3,324,995 | 3,284,009 | 3,520,749 |
| **Other Sources (Uses)** | | | | |
| Transfers Out | (127,037) | (187,000) | (188,000) | (196,500) |
| Net Change | $ (59,850) | $ 105,497 | $ 132,248 | $ 14,666 |

Rates are designed to change gradually whenever possible, focusing on a long-term strategy. However, as lower consumption becomes a trend, it may become necessary to charge higher rates for the same level of service to offset operating expenses.

The table below shows estimated sewer fund activity for the 2014-2015 biennial budget. Both years are based on the expectation that winter water consumption will continue at current levels, and estimates indicate a slight net profit in each year.

| Operating Summary | 2014 Budget | 2015 Budget |
|---|---|---|
| **Revenue** | | |
| Special Assessments | $ - | $ - |
| Intergovernmental | 10,050 | 9,720 |
| Charges for Services | 1,000 | 1,000 |
| Utility Charges | 3,822,500 | 3,936,500 |
| Interest Earnings | 24,000 | 27,000 |
| Total Revenue | 3,857,550 | 3,974,220 |
| **Expense** | | |
| Enterprise Operations | 3,219,590 | 3,308,671 |
| Miscellaneous | - | - |
| Debt Service | 58,177 | 54,309 |
| Depreciation | 330,000 | 348,000 |
| Total Expense | 3,607,767 | 3,710,980 |
| **Other Sources (Uses)** | | |
| Transfers Out | (181,000) | (181,000) |
| Net Change | $ 68,783 | $ 82,240 |

Over the next 5 years, significant sewer system costs include:

- Repair and replace sewer lines, including in conjunction with the Street Renewal program
- Sanitary sewer relining
- Rehabilitate 9 lift stations

## Surface Water Operations

The City of Shoreview maintains a storm water system that collects and directs storm water runoff and provides protection for surface and ground water quality. The City's surface water system includes:

- 4 storm water lift (pumping) stations
- 200 storm water ponds
- 485 storm inlets/outlets
- 35 miles of storm lines
- 50 structural pollution control devices

The purpose of the surface water management program is to preserve and use natural water storage and retention systems, as much as is practical, to reduce the amount of public capital expenditures necessary to:

- Control excessive volumes and runoff rates
- Improve water quality
- Prevent flooding and erosion from surface water flows
- Promote ground water recharge
- Protect and enhance fish and wildlife habitat and water recreational facilities (lakes, etc.)

The City's surface water management program seeks to prevent flooding and improve ground water quality through the best possible utilization of wetlands and artificial detention areas. Wetland management allows the City to maintain the integrity of its wetlands, improve water quality and reduce City maintenance efforts. Emphasis is placed on both sediment removal and storm water infiltration, as the primary methods of water quality improvement.

Operating the surface water system includes these activities:

- Maintain, inspect, replace and improve storm sewer systems (including storm lines)
- Maintain storm sewer lift stations (pumping stations)
- Maintain and inspect storm water ponds
- Construct new storm water ponds
- Collect debris from City streets through street sweeping
- Provide technical support to water management organizations
- Implement Surface Water Management Plan

## Surface Water Rates

Surface water charges are set by type of property, considering the amount of impervious surface typically present (in an attempt to address varying levels of rainfall runoff). The table below shows 2014 surface water rates for all classes of property. Townhomes pay a slightly higher rate because they have more impervious surface area and therefore generate more rainfall runoff.

| Surface Water Rates (quarterly) | | |
|---|---|---|
| Property Type | Rate | Basis |
| Residential | $ 21.26 | per unit |
| Townhomes | $ 22.52 | per unit |
| Condo, apartment, commercial, industrial, school, church | $ 177.79 | per acre |

## Surface Water System Assets

The historical cost of building the storm sewer system is amortized over the life of the system and expensed as annual depreciation ($248,000 for 2014). In the last 5 years the surface water fund has spent $2.9 million on storm system repairs, replacements, and improvements (including pond development), and expects to spend $1.7 million over the next 5 years.

## Surface Water Management Budget

The table below provides a 4-year history of surface water fund activity. As shown, the surface water fund has ended 2 of the last 4 years with a net loss (excluding the value of contributed assets). This has been largely due to higher repair and maintenance costs.

| Operating Summary | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Estimate |
|---|---|---|---|---|
| **Revenue** | | | | |
| Special Assessments | $ 534 | $ 472 | $ 303 | $ - |
| Intergovernmental | 161 | 3,863 | 3,815 | 3,580 |
| Utility Charges | 925,620 | 1,007,679 | 1,147,236 | 1,212,140 |
| Interest Earnings | 11,235 | 20,606 | 8,476 | 7,000 |
| Total Revenue | 937,550 | 1,032,620 | 1,159,830 | 1,222,720 |
| **Expense** | | | | |
| Enterprise Operations | 656,073 | 669,298 | 710,054 | 706,117 |
| Debt Service | 90,408 | 91,277 | 84,797 | 99,661 |
| Depreciation | 192,558 | 214,061 | 221,177 | 229,000 |
| Total Expense | 939,039 | 974,636 | 1,016,028 | 1,034,778 |
| **Other Sources (Uses)** | | | | |
| Transfers Out | (40,000) | (97,000) | (107,000) | (126,900) |
| Net Change | $ (41,489) | $ (39,016) | $ 36,802 | $ 61,042 |

The operating surplus generated in any given year is used to partially support anticipated storm sewer capital costs as mandated by the City's Surface Water Management Plan.

The table below shows estimated surface water fund activity for the 2014-2015 biennial budget. As shown, a net profit is anticipated for both years.

| Operating Summary | 2014 Budget | 2015 Budget |
|---|---|---|
| **Revenue** | | |
| Special Assessments | $ - | $ - |
| Intergovernmental | 3,660 | 3,550 |
| Utility Charges | 1,325,577 | 1,453,803 |
| Interest Earnings | 8,000 | 9,000 |
| Total Revenue | 1,337,237 | 1,466,353 |
| **Expense** | | |
| Enterprise Operations | 826,595 | 865,205 |
| Debt Service | 82,116 | 72,244 |
| Depreciation | 248,000 | 266,000 |
| Total Expense | 1,156,711 | 1,203,449 |
| **Other Sources (Uses)** | | |
| Transfers Out | (147,000) | (152,000) |
| Net Change | $ 33,526 | $ 110,904 |

Over the next 5 years, significant surface water system costs include:

- Repair and replace storm systems
- Improve and expand the storm system as part of street projects
- Sediment removal from ponds and other infrastructure
- Construct 2 pretreatment structures (East shore of Shoreview Lake, and another location to be determined)
- Update storm sewer lift station controls

## Street Lighting Operations

The City of Shoreview operates a street lighting system throughout the community in support of safe vehicle, bicycle and pedestrian traffic. The City's street light system includes lighting owned by the City or leased from Xcel Energy.

- 701 city-owned street lights
- Leased street lights

Operation and maintenance of the City's street light system includes:

- Periodic rewiring of existing lights
- Energy costs associated with operation of the lighting system
- Installation of new street lights
- Repair and replacement of existing poles and/or light fixtures

### Street Lighting Rates

Street lighting user charges are based upon property type. The table below shows 2014 street lighting rates for all classes of property. Apartments and mobile homes pay a lower fee than homes because there are significantly more homes per acre in those developments. All properties in Shoreview, regardless of locations or types of street light fixtures, pay street light charges. All properties receive benefit from the street light system through illumination of streets, which in turn enhances safety for drivers and pedestrians.

| Street Lighting Rates (quarterly) | | | |
|---|---|---|---|
| Property Type | | Rate | Basis |
| Residential, townhome | $ | 9.85 | per unit |
| Apartment, condo, mobile home | $ | 7.38 | per unit |
| Comm, industrial, school,church | $ | 29.56 | per acre |

## Street Lighting Assets

The historical cost of building the street lighting system is amortized over the life of the system and expensed as annual depreciation ($58,000 for 2014, not including lights owned by Xcel Energy). Over the last 5 years the City has spent $863,000 on lighting repairs and replacements, and expects to spend $1.3 million over the next 5 years due to the age of many of the lights in the system.

## Street Lighting Budget

The table below provides a history of street lighting fund activity for the last 4 years. As shown, the fund ended with a net gain in each year. An operating gain is necessary because the fund lacks sufficient cash balances to absorb the annual impact of street lighting replacement costs. These costs create an immediate drain on street light fund cash while impacting depreciation expense over the useful life of the assets (per governmental accounting rules).

| Operating Summary | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Estimate |
|---|---|---|---|---|
| **Revenue** | | | | |
| Special Assessments | $ 92 | $ 142 | $ 140 | $ - |
| Utility Charges | 348,220 | 365,333 | 456,144 | 474,000 |
| Interest Earnings | 2,221 | 4,337 | 3,114 | 2,000 |
| Other Revenues | 466 | - | - | 500 |
| Total Revenue | 350,999 | 369,812 | 459,398 | 476,500 |
| **Expense** | | | | |
| Enterprise Operations | 245,207 | 281,610 | 235,752 | 267,038 |
| Miscellaneous | 26 | - | - | - |
| Depreciation | 37,911 | 36,865 | 40,041 | 48,000 |
| Total Expense | 283,144 | 318,475 | 275,793 | 315,038 |
| **Other Sources (Uses)** | | | | |
| Transfers Out | (6,000) | (12,600) | (15,600) | (19,000) |
| Net Change | $ 61,855 | $ 38,737 | $ 168,005 | $ 142,462 |

The table below shows estimated street lighting fund activity for the 2014-2015 biennial budget. The planned operating surplus is intended to partially offset street light replacements of $150,000 in 2014, and $150,000 in 2015.

| Operating Summary | 2014 Budget | 2015 Budget |
|---|---|---|
| **Revenue** | | |
| Special Assessments | $ - | $ - |
| Intergovernmental | 493,000 | 513,000 |
| Utility Charges | 2,200 | 2,500 |
| Interest Earnings | 500 | 500 |
| Total Revenue | 495,700 | 516,000 |
| **Expense** | | |
| Enterprise Operations | 267,491 | 276,409 |
| Miscellaneous | - | - |
| Depreciation | 58,000 | 66,000 |
| Total Expense | 325,491 | 342,409 |
| **Other Sources (Uses)** | | |
| Transfers Out | (20,400) | (22,400) |
| Net Change | $149,809 | $ 151,191 |

In the next 5 years, energy, street light repair, and street light replacement costs will be the primary driving force when establishing street lighting charges.

- Energy costs account for 63% of operating expense in 2014 and 2015 (the largest expense for the fund)
- Repair costs are expected to rise in the future as street lights continue to age
- Plans to replace 128 street lights over the next 5 years (as part of street renewal projects and individual replacements) will result in capital costs of $926,000

## What Does This Mean for My Utility Bill?

The impact of the 2014 water and sewer rates on any individual customer depends on the amount of water consumed because rates are based on the philosophy that customers putting greater demands on the system should pay more than customers with lesser demand. The table below provides a breakdown of residential customers in 6 usage levels. As shown, 42% of residential customers fall into the "average" category (using an average of 17,500 gallons of water per quarter, and using about 12,000 gallons per quarter in the winter months).

| Use Level | Water Gallons | (winter) Sewer Gallons | Percent of Residential Customers |
|---|---|---|---|
| Very low | 5,000 | 4,000 | 10% |
| Low | 10,000 | 10,000 | 22% |
| Average | 17,500 | 12,000 | 42% |
| Above average | 25,000 | 22,000 | 19% |
| High | 55,000 | 26,000 | 5% |
| Very high | 80,000 | 34,000 | 2% |

The table at right illustrates the change in utility bills for 2014 in each of the usage levels, assuming that the same amount of water is used in each year.

| | Total Quarterly Utility Bill | | Quarterly Change |
|---|---|---|---|
| Use Level | 2013 | 2014 | $ |
| Very low | $ 103.12 | $ 107.86 | $ 4.74 |
| Low | $ 123.38 | $ 128.82 | $ 5.44 |
| Average | $ 156.17 | $ 162.80 | $ 6.63 |
| Above avg | $ 189.47 | $ 197.31 | $ 7.84 |
| High | $ 300.52 | $ 313.11 | $ 12.59 |
| Very high | $ 416.73 | $ 434.08 | $ 17.35 |

It should be noted that the cost estimates shown above include a water connection fee of $1.59 per quarter, mandated by and paid to the State of Minnesota.

## Available Payment Methods

The City of Shoreview provides a variety of payment methods for utility bills, including:

- City hall front desk during office hours (8 a.m. to 4:30 p.m.)
- Drop box near the city hall entrance
- Drop box at Rainbow Foods (corner of Highway 49 & 96)
- By mail
- Credit card, by calling utility billing
- Direct debit (from your bank account)
- On line via the City's website (look for "Online Payments")

## Contact Information

Utility billing questions information

- Phone - (651) 490-4630
- Email - utilities@shoreviewmn.gov

Utility maintenance questions

- Phone - (651) 490-4657 (public works admin coordinator)
- Phone - (651) 490-4661 (utilities supervisor)
- Email - dcurley@shoreviewmn.gov

Water and sewer emergencies

- Mon-Fri, 7:00 a.m.-3:30 p.m. (651) 490-4661
- Evenings, weekends and holidays, call the Ramsey County Sheriff (651) 484-3366. The Sheriff's office will contact the utility maintenance person on call.

We hope this information has been helpful
in explaining the City's utility systems.

Shoreview Utility Department
4600 Victoria Street North
Shoreview, MN 55126
www.shoreviewmn.gov