

# City of Rockford, Minnesota

6031 Main Street, Rockford, Minnesota 55373 | [www.cityofrockford.org](http://www.cityofrockford.org) | (763) 477-6565

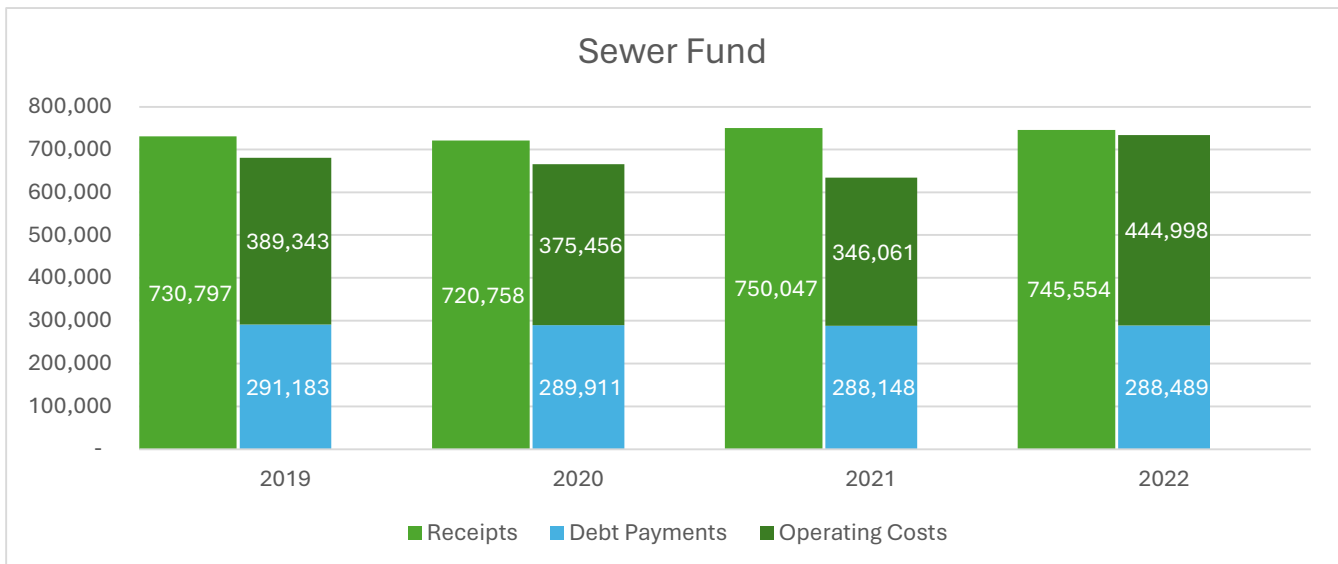
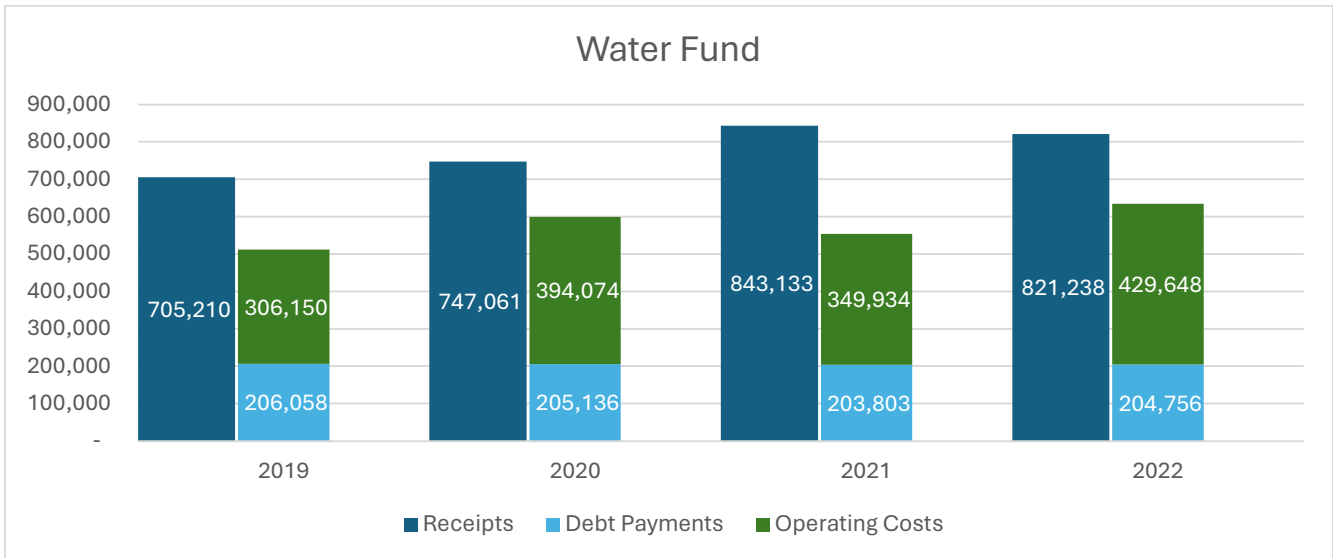
## 2024-2028 Utility Rate Study

### Introduction

The City of Rockford has prepared a Utility Rate Study for the purpose of sustaining the Water and Sewer Enterprise funds and to support the projected increase in rates. The health of these funds is crucial to the City’s plan of improving the quality of water and sanitation services to its residents. Our goal is to provide information, compare costs to surrounding cities, and project the cash flow for the next five years.

### Cash Flows from Operations

The following chart offers a historical review of revenues and expenditures for the last five years for both enterprise funds.



**Current Rates Comparable**

This chart shows the current rates for the City of Rockford and three other nearby cities. The Estimated Bill with usage section shows the amount that is charged per month depending on how many gallons are used.

	<b>Rockford</b> Population: 4,592	<b>Greenfield</b> Population: 2,895	<b>Delano</b> Population: 6,638	<b>Corcoran</b> Population: 6,770
<b>BASE</b>				
<b>Water</b>				
Residential	4.95	16.50	10.93	22.28
Commercial	4.95	33.00	17.50	27.53
<b>Sewer</b>				
Residential	4.95	20.21	8.00	31.36
Commercial	4.95	42.35	8.00	31.36
<b>RATES (Per 1,000 gallons)</b>				
<b>Water</b>				
Residential	4.94	4.50	5.08	2.43
Commercial	4.94	4.50	5.08	2.92
<b>Sewer</b>				
Residential	6.85	7.00	13.26	3.11
Commercial	6.85	7.00	13.26	3.11
<b>RECYCLING</b>				
<b>Fee</b>	2.00	5.50	-	4.43

Estimated Bill with usage:

3,000 gallons	47.27	76.71	73.95	74.69
4,000 gallons	59.06	88.21	92.29	80.23
5,000 gallons	70.85	99.71	110.63	85.77
6,000 gallons	82.64	111.21	128.97	91.31

## Assumptions and Rate Changes

Here are the assumptions for our projections:

- No increase in usage or base count due to limited development opportunities
- 5% increase in expenditures annually
- Debt payment amounts are collected from the bond documents. However, new debt may be issued which would change the income or loss calculation drastically.

Note that the Other Revenue Sources and Operating Expenses will change year to year. This includes usage changes due to weather patterns, fluctuating interest rates and increased fees for professional services.

The proposed projects below are not currently part of the operating expenditures and are listed as Planned Project Expenses in the water fund.

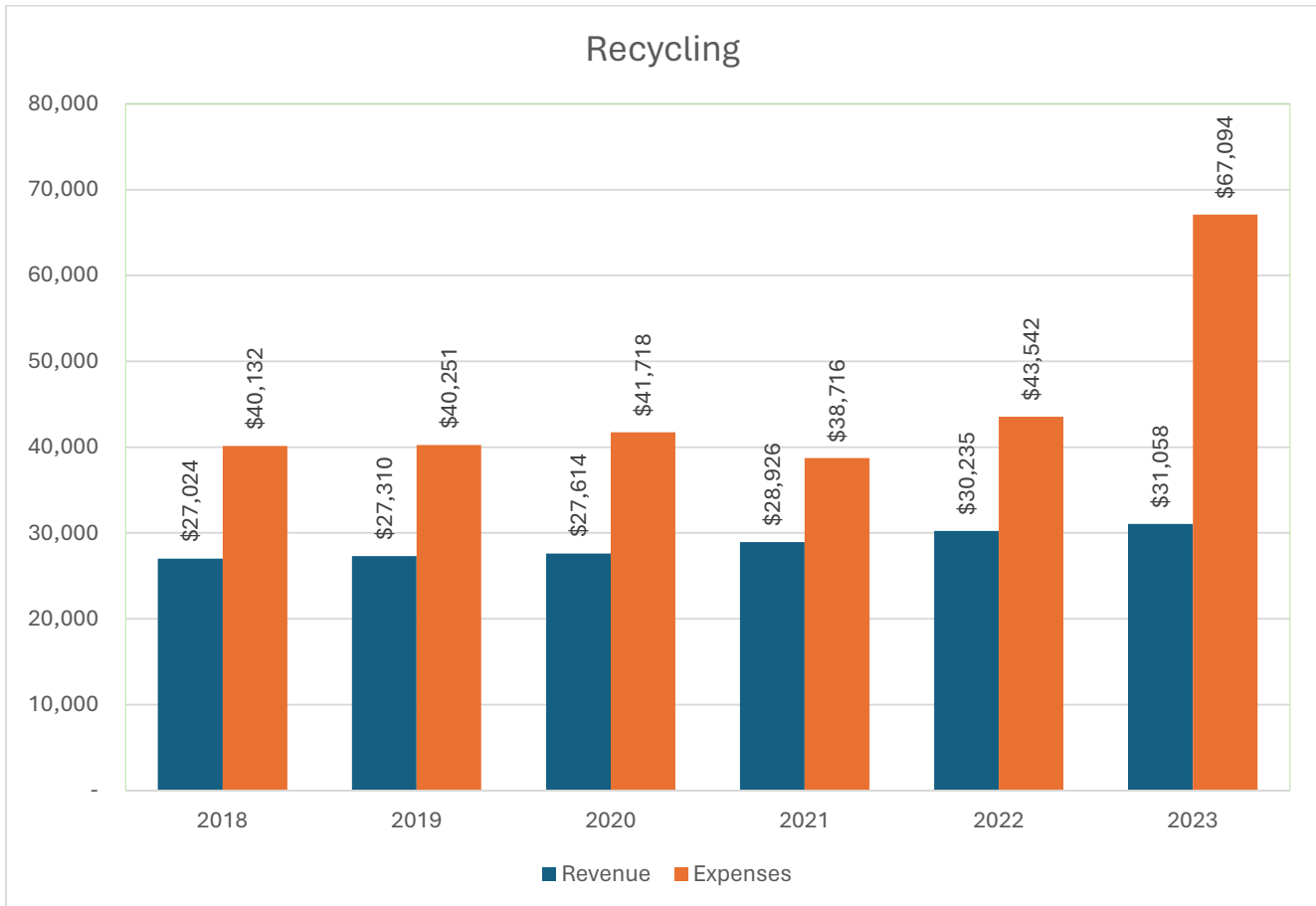
- Various projects are planned for 2024 – 2029
  - 2024 – Tower #3 Paint Project \$125,000 and two well inspections (\$30,000)
  - 2025 – Stage 1 Water and Radio Replacement (\$225,000)
  - 2026 – Two well inspections (\$30,000)
  - 2027 – Stage 2 Water and Radio Replacement (\$225,000)
  - 2028 - Tower #2 Paint Project (\$150,000) and a well inspection (\$15,000)
  - 2029 – Stage 3 Water and Radio Replacement (\$230,000) and one well inspection (\$15,000)

These charts do not include the 2028 Infrastructure project and the Wastewater Treatment Facilities Plant.

<i>Current 2024 rates</i>			Base Water		Usage		Base Sewer		Usage		
			Current	4.95	4.94	4.95	6.85				
	Average Quantity		<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>			
<b>Water</b>	Base Water	20,000	99,000	99,000	99,000	99,000	99,000	99,000			
	Water Usage	131,000	654,564	647,140	647,140	647,140	647,140	647,140			
	Other Revenue Sources		57,200	57,200	57,200	57,200	57,200	57,200			
	<b>Total Water Revenue</b>		<b>810,764</b>	<b>803,340</b>	<b>803,340</b>	<b>803,340</b>	<b>803,340</b>	<b>803,340</b>	<b>803,340</b>		
	Operating Expenses		474,852	498,595	523,524	549,701	577,186	606,045			
	Planned Project Expenses		155,000	225,000	30,000	225,000	165,000	245,000			
	Debt Payments		230,832	226,219	226,824	226,997	225,842	224,153			
	<b>Total Water Expenditures</b>		<b>860,684</b>	<b>949,814</b>	<b>780,348</b>	<b>1,001,698</b>	<b>968,028</b>	<b>1,075,198</b>			
	<i>Annual Income (Loss)</i>		<i>(49,920)</i>	<i>(146,474)</i>	<i>22,992</i>	<i>(198,358)</i>	<i>(164,688)</i>	<i>(271,858)</i>			
	<i>Accumulated Income (Loss)</i>		<i>(49,920)</i>	<i>(196,394)</i>	<i>(173,402)</i>	<i>(371,759)</i>	<i>(536,447)</i>	<i>(808,305)</i>			
<b>Sewer</b>	Base Sewer	20,000	99,000	106,425	106,425	106,425	106,425	106,425			
	Sewer Usage	95,000	675,999	675,999	675,999	675,999	675,999	675,999			
	Other Revenue Sources		15,000	15,000	15,000	15,000	15,000	15,000			
	<b>Total Sewer Revenue</b>		<b>789,999</b>	<b>797,424</b>	<b>797,424</b>	<b>797,424</b>	<b>797,424</b>	<b>797,424</b>	<b>797,424</b>		
	Operating Expenses		476,934	500,781	525,820	552,111	579,716	608,702			
	Debt Payments		309,659	305,287	303,977	302,758	305,752	303,242			
	<b>Total Sewer Expenditures</b>		<b>786,593</b>	<b>806,068</b>	<b>829,797</b>	<b>854,869</b>	<b>885,468</b>	<b>911,944</b>			
	<i>Annual Income (Loss)</i>		<i>3,406</i>	<i>(8,644)</i>	<i>(32,373)</i>	<i>(57,445)</i>	<i>(88,044)</i>	<i>(114,520)</i>			
<i>Accumulated Income (Loss)</i>		<i>3,406</i>	<i>(5,238)</i>	<i>(37,610)</i>	<i>(95,055)</i>	<i>(183,099)</i>	<i>(297,619)</i>				

## Recycling

Waste Management provides weekly residential recycling collection for the city. The fee for this service is currently \$2.00 per month. These fees have not been covering the full annual expense for the last 20 years. Instead, the city has been using general funds collected from levies and other charges for services to help pay for this service. This graph shows the annual recycling revenue received and the fees paid by the city from 2018 - 2023.



Increasing the recycling fee to \$5.00 per month is necessary to cover the annual fee for recycling services.

## Proposed Rate Increase and Projection

There had not been a rate increase since 2014 and adjustments are needed to plan for future maintenance and upgrades. This new rate structure will support these needed improvements to our infrastructure and allow the city to plan ahead.

Staff is proposing to increase the water base rates by \$5.05 and the usage rate by \$0.51 per thousand gallons. The proposed increase to the sewer base rate is also \$5.05 and the usage rate by \$0.50 per thousand gallons. Going forward, an annual increase to all rates of 5% will go into effect the first of the year.

Below is an updated projection using the new rate structure:

*The Income (Loss) calculation shows the annual net effect starting in 2024, then including the prior year's balance going forward. To see the current cash balance forecast, see page 5.*

**Proposed Wage Increase**  
 Increase 2024 base rates and  
 annually increase all rates by 5%

5.0% Proposed	Base Water 10.00	Usage 5.45	Base Sewer 10.00	Usage 7.35
2025	10.50	5.72	10.50	7.72
2026	11.03	6.01	11.03	8.10
2027	11.58	6.31	11.58	8.51
2028	12.16	6.62	12.16	8.93
2029	12.76	6.96	12.76	9.38

	Average Quantity	2024	2025	2026	2027	2028	2029
<b>Water</b>							
Base Water	20,000	149,500	210,000	220,500	231,525	243,101	255,256
Water Usage	131,000	687,969	749,648	787,130	826,486	867,811	911,201
Other Revenue Sources		57,200	57,200	57,200	57,200	57,200	57,200
<b>Total Water Revenue</b>		<b>894,669</b>	<b>1,016,848</b>	<b>1,064,830</b>	<b>1,115,211</b>	<b>1,168,112</b>	<b>1,223,658</b>
Operating Expenses		474,852	498,595	523,524	549,701	577,186	606,045
Planned Project Expenses		155,000	225,000	30,000	225,000	165,000	245,000
Debt Payments		230,832	226,219	226,824	226,997	225,842	224,153
<b>Total Water Expenditures</b>		<b>860,684</b>	<b>949,814</b>	<b>780,348</b>	<b>1,001,698</b>	<b>968,028</b>	<b>1,075,198</b>
Annual Income (Loss)		33,985	67,034	284,482	113,514	200,084	148,460
Accumulated Income (Loss)		33,985	101,019	385,500	499,014	699,099	847,558
<b>Sewer</b>							
Base Sewer	20,000	149,500	210,000	220,500	231,525	243,101	255,256
Sewer Usage	95,000	699,749	733,163	769,821	808,312	848,727	891,164
Other Revenue Sources		15,000	15,000	15,000	15,000	15,000	15,000
<b>Total Sewer Revenue</b>		<b>864,249</b>	<b>958,163</b>	<b>1,005,321</b>	<b>1,054,837</b>	<b>1,106,828</b>	<b>1,161,420</b>
Operating Expenses		476,934	500,781	525,820	552,111	579,716	608,702
Debt Payments		309,659	305,287	303,977	302,758	305,752	303,242
<b>Total Sewer Expenditures</b>		<b>786,593</b>	<b>806,068</b>	<b>829,797</b>	<b>854,869</b>	<b>885,468</b>	<b>911,944</b>
Annual Income (Loss)		77,656	152,095	175,524	199,968	221,360	249,476
Accumulated Income (Loss)		77,656	229,751	405,275	605,243	826,603	1,076,079

**Changes to the Monthly Bills**

The following charts and graphs show the proposed changes, the effects of these changes, and the comparison to surrounding cities.

**Current 2024 rates**

	Base Water	Usage	Base Sewer	Usage
Current	4.95	4.94	4.95	6.85

**Proposed Wage Increase**  
 Increase 2024 base rates and  
 annually increase all rates by 5%

5.0% Proposed	Base Water 10.00	Usage 5.45	Base Sewer 10.00	Usage 7.35
2025	10.50	5.72	10.50	7.72
2026	11.03	6.01	11.03	8.10
2027	11.58	6.31	11.58	8.51
2028	12.16	6.62	12.16	8.93
2029	12.76	6.96	12.76	9.38

<b>2024 Monthly Bills:</b>	3,000 gallons	4,000 gallons	5,000 gallons	6,000 gallon
Current 2024 rates with Current Recycling Charge	\$ 47.27	\$ 59.06	\$ 70.85	\$ 82.64
Proposed Increase	\$ 60.40	\$ 73.20	\$ 86.00	\$ 98.80
Plus Recycling Increase of \$3.00 per month	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00
Proposed Increase including Recycling	\$ 63.40	\$ 76.20	\$ 89.00	\$ 101.80
<i>Increase from current bill</i>	\$ 16.13	\$ 17.14	\$ 18.15	\$ 19.16

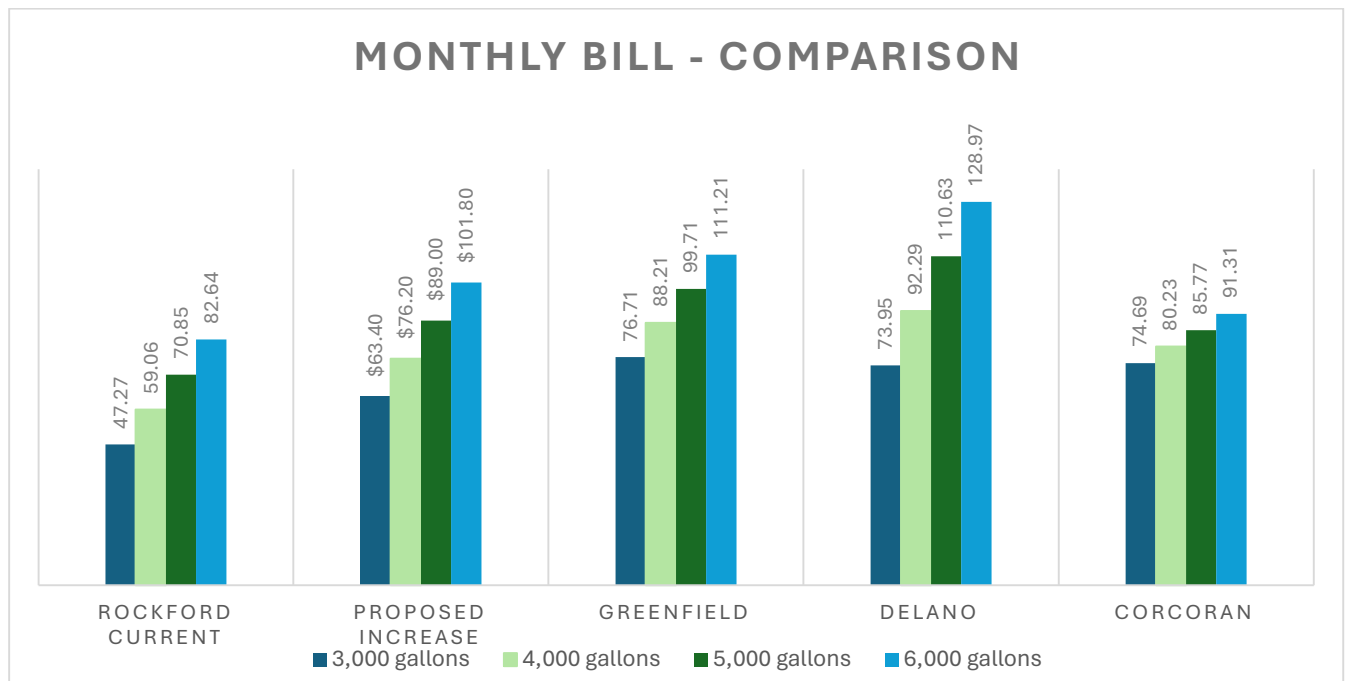
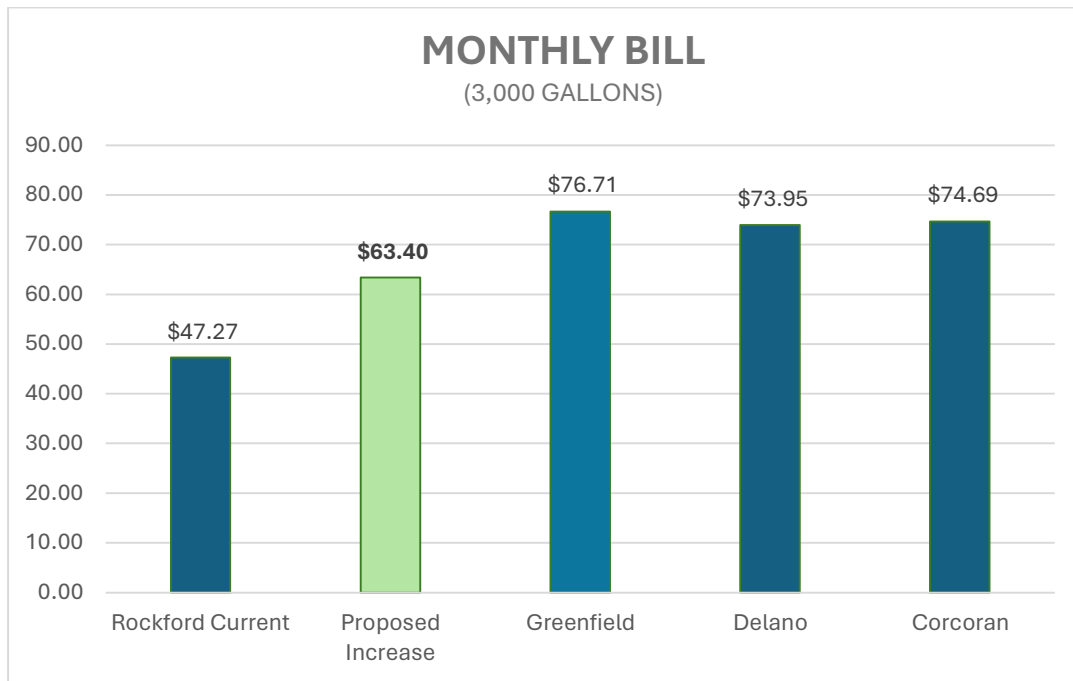
<b>2025 Monthly Bills:</b>				
Proposed Bill Amount	\$ 66.32	\$ 79.76	\$ 93.20	\$ 106.64

**How does this effect me now?**

Annual increase in 2024 (July - December)	\$ 96.78	\$ 102.84	\$ 108.90	\$ 114.96
---	----------	-----------	-----------	-----------

**How does this effect me next year?**

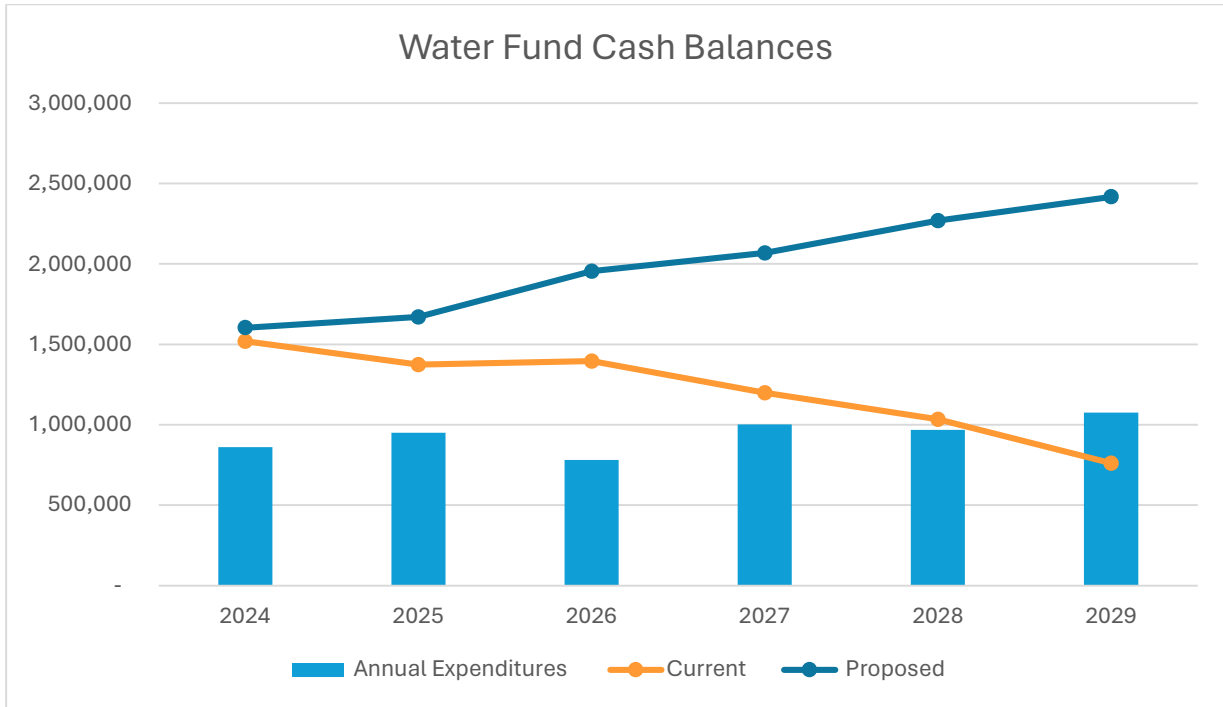
Annual increase from proposed amount in 2024 to 2025	\$ 35.04	\$ 42.72	\$ 50.40	\$ 58.08
--	----------	----------	----------	----------



## Cash Balance

Below are the projected cash balances and operating results based on the rate increases.

The Water Fund has a cash balance of \$1,570,136 as of 12/31/2023. The utility portion of the 2028 infrastructure project for approximately \$900,000 is expected to be funded with the issuance of a Utility Revenue Bond, assessments and/or cash reserves.



The Sewer Fund has a cash balance of \$ 2,019,817 as of 12/31/2023. The Wastewater Treatment Facilities Plant Improvement Project is in progress and a healthy fund balance is essential. The estimated cost of this project is \$4,000,000. The funding includes bond proceeds, cash reserves of approximately \$2,000,000 and potential grant funding.

