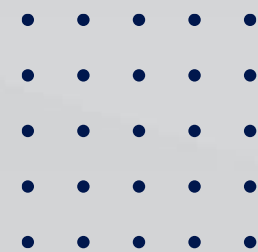


2026

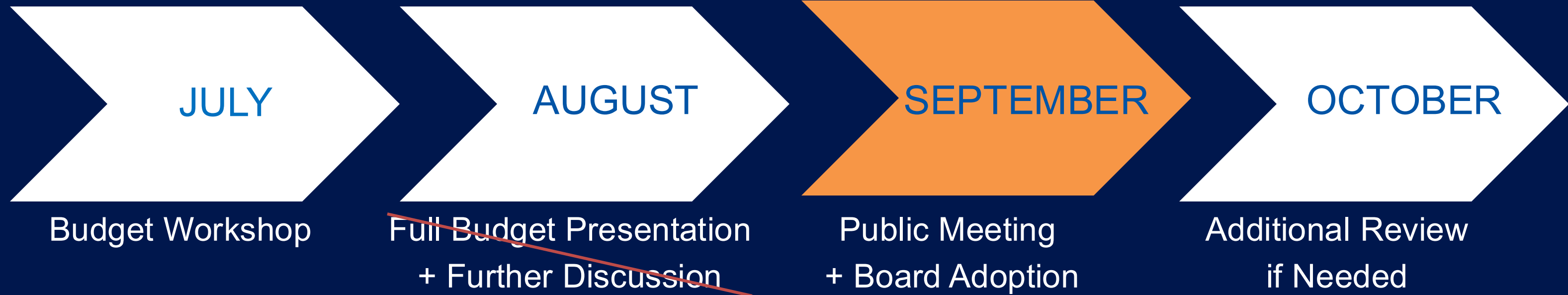
BUDGET OVERVIEW

SPRWS BOARD OF WATER COMMISSIONERS

September 9, 2026



TIMELINE OF EVENTS



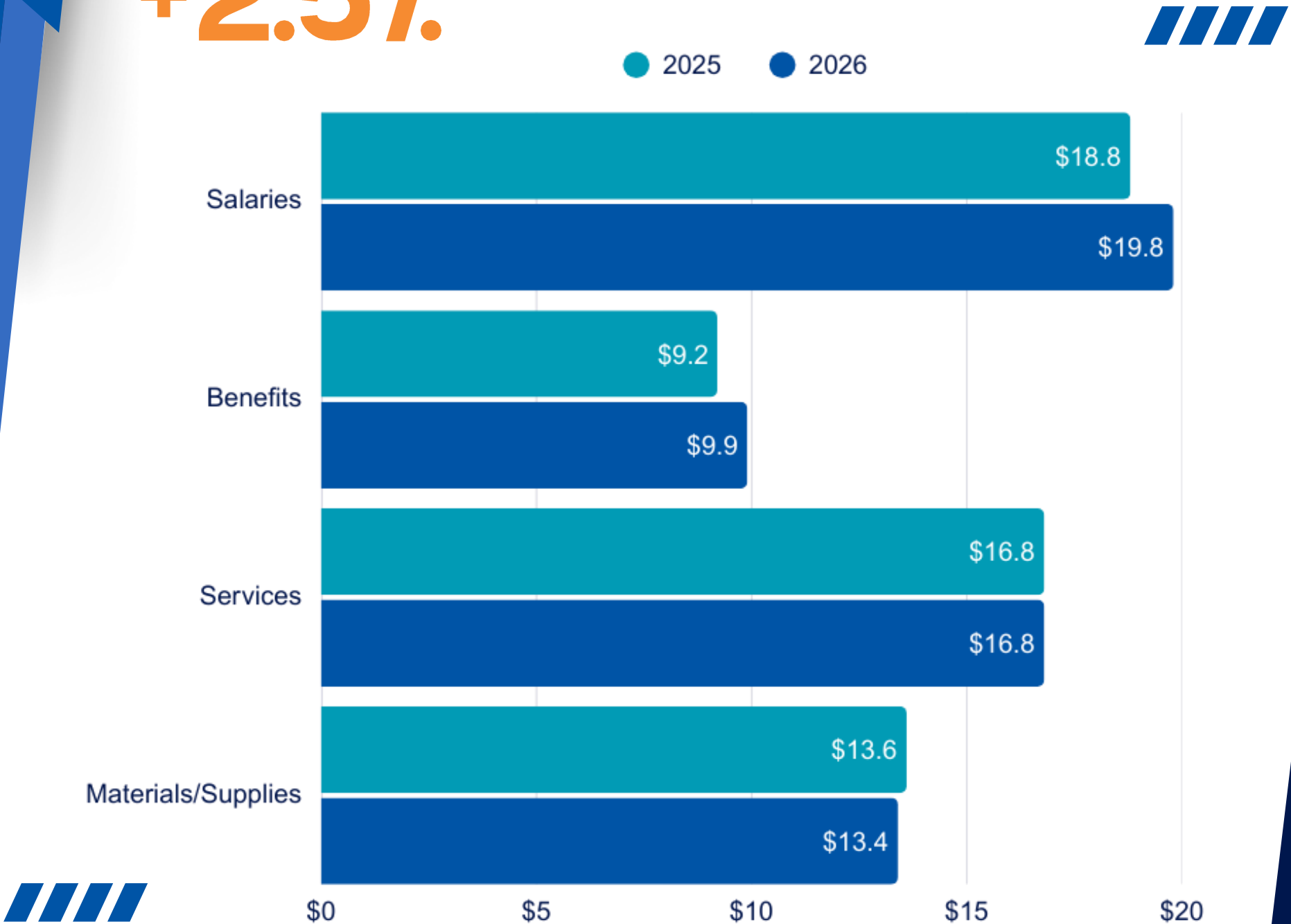
Operations & Maintenance Cost Management

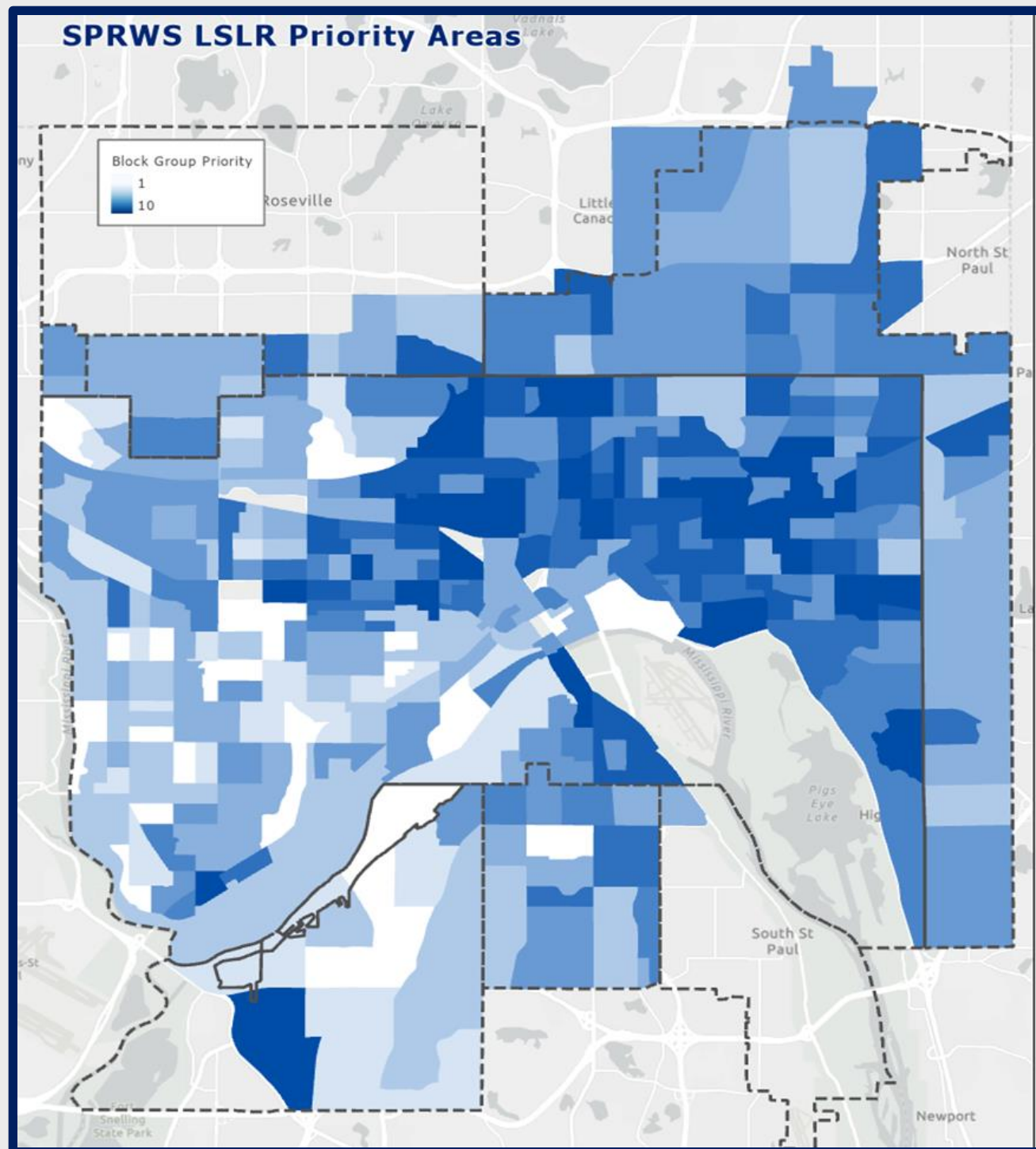


Over the last few years, innovation and substantial progress has occurred in many key areas - community engagement, register replacements, a new customer portal, asset management, affordability, a new plant, lead service line replacements...

While we continue moving these initiatives forward, overall increases in Operations & Maintenance (O&M) costs have been kept minimal through a focus on efficiency and prioritizing existing efforts.

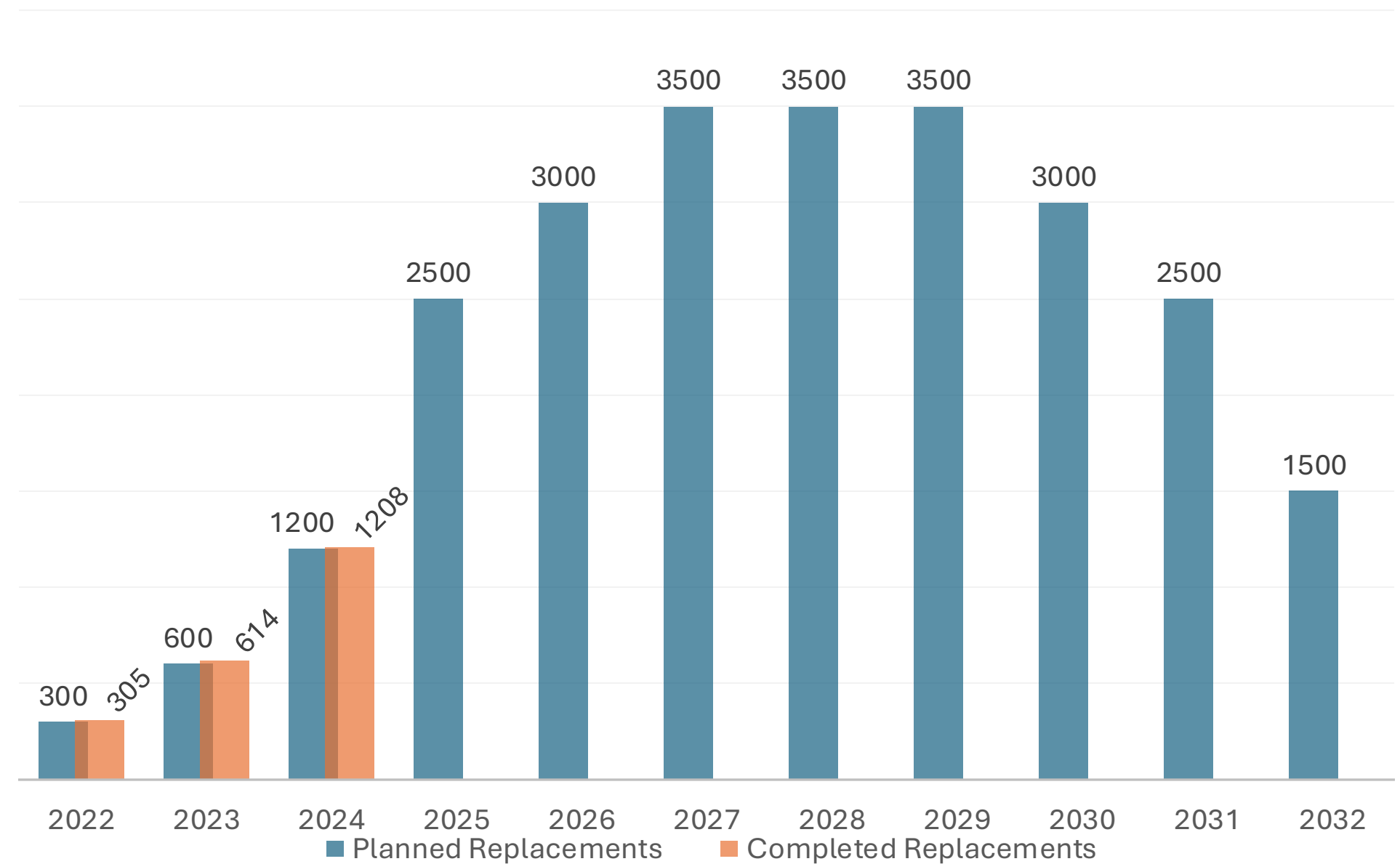
+2.5%





Prioritization and Progress

- Water main replacement projects managed by SPRWS
- Paving projects managed by other agencies
- Census tract data at block group level
 - Density of children 5 and under
 - Economic Justice Index



SAINT PAUL REGIONAL WATER SERVICES
**ACCESS & AFFORDABILITY
ROADMAP**
2024-2030

Increase Capital Budget to Meet Infrastructure Needs

Develop detailed 10-Year Capital Improvement Plan and support for associated rate impacts.

Increase Water Works Contribution from SPRWS

Commit to contribution from antennae leases equal to 0.5% of revenue generated from the sale of water to retail customers.

Allow for Water Works Contributions from Others

Reaffirm ability to solicit, accept, and utilize contributions from customers or others.

Develop Water Shut Off Policy

Finalize decision to NOT return to water shut offs due to non-payment for residential and medical properties.

2025

2029

Increase Assistance Program Contributions from Others

Utilize new materials and outreach approaches to request and obtain contributions from customers, visitors, companies etc. Attempt other fundraising opportunities.

Advocate for Ongoing Funding

Advocate for State and/or Federal funding to support assistance programs into the future.

Conduct Thorough Rate Study in 2025

Evaluate rate structure alternatives and select one that better supports conservation and affordability.

Implement New Rate Structure in 2026

Begin to use new rate structure aimed at minimizing costs associated with water used for basic needs and encouraging conservation efforts.

Revamp Water Works Program Structure

New matching requirement, application process and branding materials will help to increase participation and program success.

Increase Assistance Program Participation

Utilize new materials and outreach approaches to increase awareness and participation from qualified customers.

Establish Program for Internal Plumbing Repairs

Partner with the Plumber's Union to establish a resource that low income customer's can utilize when facing internal plumbing issues.

Transition from Quarterly to Monthly Billing

Upon complete rollout of AMI, transition all customers over to monthly billing.

2024

Continue to Roll Out AMI

Increase # of customers on AMI by 25% annually through installation of collectors and replacement of registers to assist in leak auditing.

Continue Toilet Replacement Program

Partner with Metropolitan Council to continue pursuit and use of grant funding to replace inefficient toilets in low income homes.

Explore Opportunities for Expansion

Work with local stakeholders to evaluate the potential for expansion, its impact on current customers, and the potential benefit for other Minnesotans.

Encourage Collaboration on Access and Affordability Efforts

Work to obtain partnership from the Metropolitan Council and PW for assistance program funding and customer education opportunities.

Implement Program for Leak Assistance

With full AMI coverage, leaks should be detected and fixed much quicker however this program will help with unexpected leak bills.



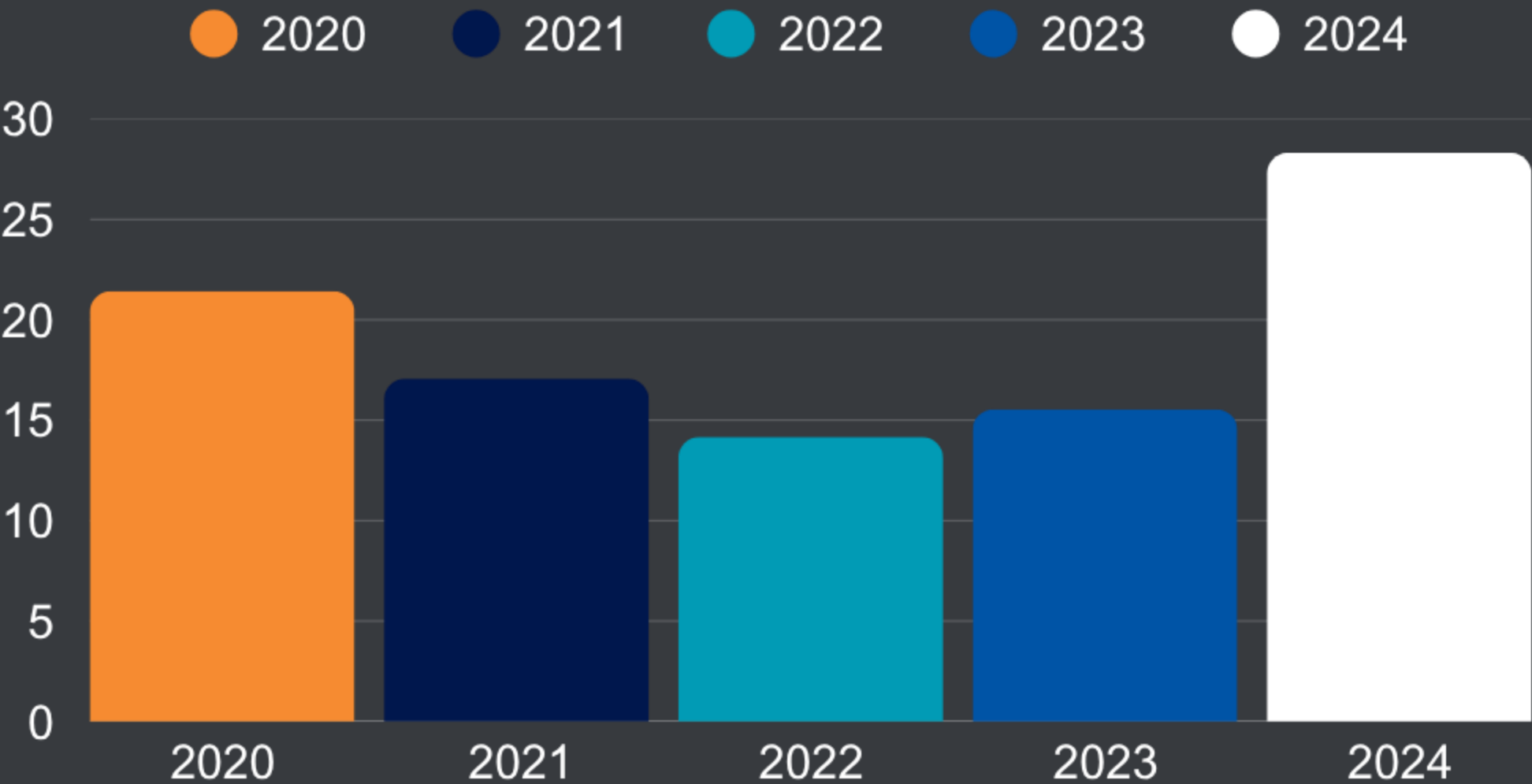
REVENUE FLUCTUATIONS

DUE TO PRECIPITATION

When precipitation levels rise, demand for water drops. This decline in consumption directly impacts revenue, leading to shortfalls that can strain the budget and result in the use of additional cash or cuts in projects. In essence, wet weather means fewer gallons sold, and fewer dollars earned.

PRECIPITATION TOTALS

APRIL - SEPTEMBER



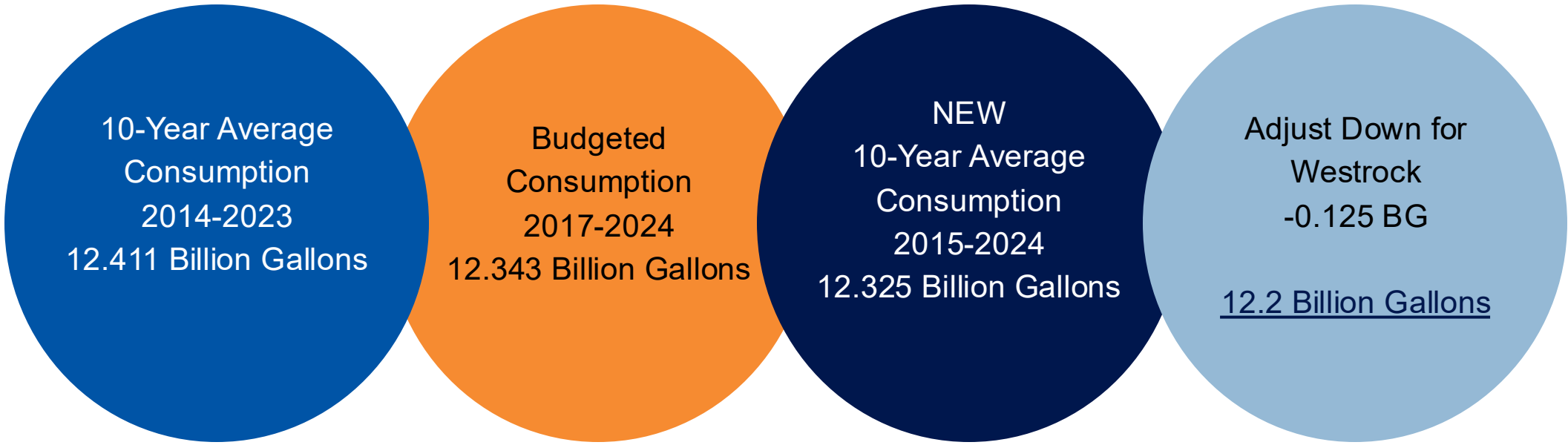


Smurfit Westrock announced on April 30, 2025 that it will permanently close its coated recycled board (CRB) mill in St. Paul, Minnesota. This closure will occur in June 2025 and will impact revenue at SPRWS (and PW) in 2025 as well as all future years.

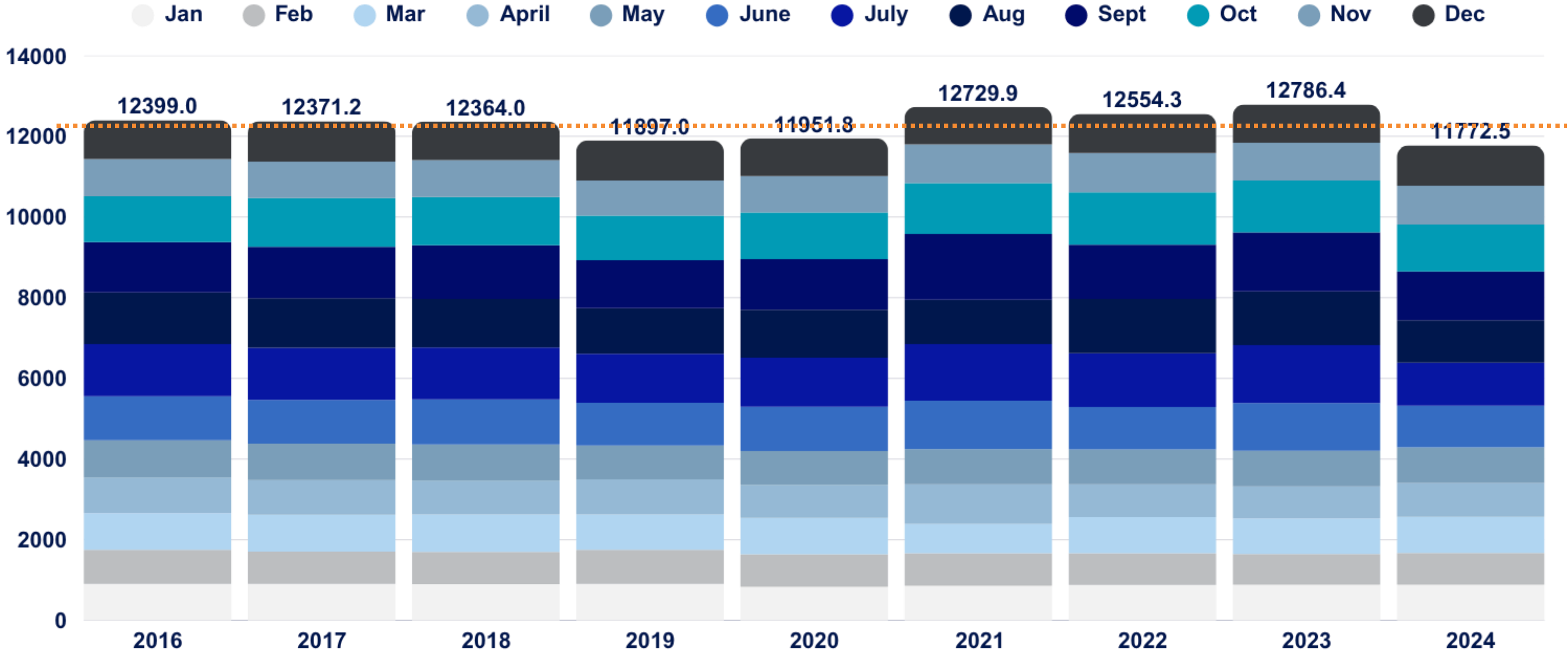
In 2024, SPRWS generated \$1,627,887 in revenue from water sales to Westrock
Westrock was our 3rd largest customer



UPDATED CONSUMPTION PROJECTION



2026
-1.16%
CONSUMPTION PROJECTION



2024 Budgeted Consumption:
12.343 Billion Gallons

2024 Actual Consumption:
11.772 Billion Gallons

Consumption Shortfall:
0.571 Billion Gallons (4.6%)

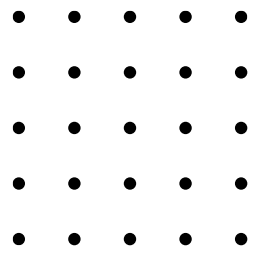
2024 Budgeted Revenue:
\$75,681,580

2024 Actual Revenue:
\$73,067,991

Revenue Shortfall:
\$2,613,589 (3.5%)

AAA
RATING

AWWA
UTILITY
BENCHMARKING



DAYS CASH ON HAND

Definition: This measure represents the number of days a company can continue to pay its operating expenses with the current cash it has available.

$$= \frac{\text{Undesignated Cash and Cash Equivalents}}{\text{Operating Expenses Excluding Depreciation} / 365 \text{ Days}}$$

Utility should report directly from utility’s Annual Comprehensive Financial Report (ACFR), Annual Information Statement (AIS) or approved financial documents.

Saint Paul Regional Water Services
Days Cash on Hand (2023 ACFR):
325 Days

Since 2023, SPRWS has continued to spend down cash while operating expenses continue to increase. This will likely result in a lower Days Cash on Hand measure once 2024 ACFR is ready.

	75th Percentile	Median	25th Percentile	Sample Size
Water Utilities	505	357	184	38
Combined Utilities - Water Operations	786	461	218	32

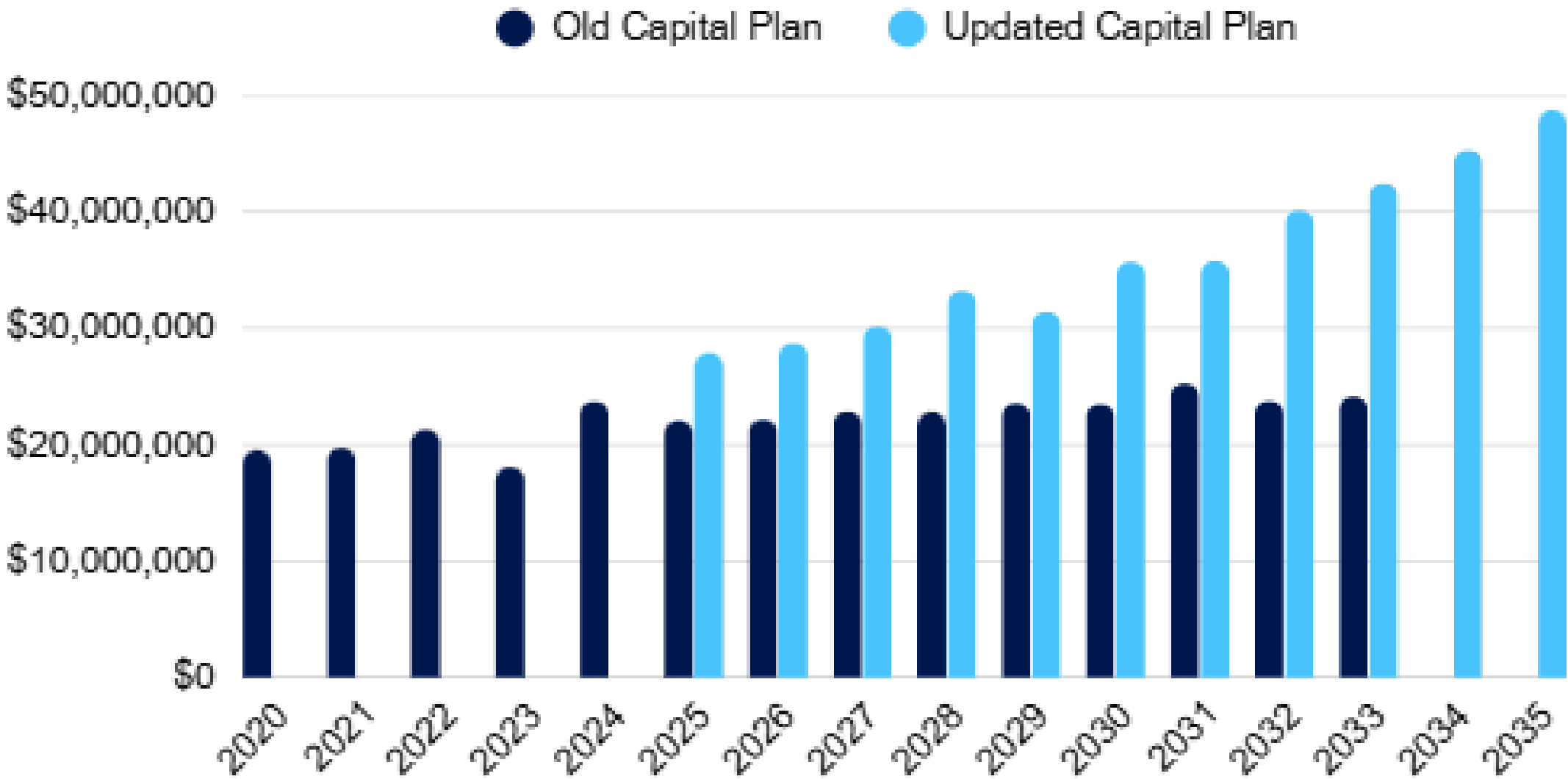
THE PATH FORWARD

13.0%

Accelerated Recovery

- Covers Operational Expenses
- Addresses Consumption Projection Decline
- Zero Cash Utilized
- Quicker Recovery of Cash Reserve
- Follows Saint Paul Public Works Increase (14%)
- Quicker Ability to Level Rates

Commits to Previous Capital Investment Proposal
Capital + Contingency - Total: \$29.8
(\$29.2 was in the 2025 Model)



CUSTOMER IMPACT

The following shows the impact to 2026 a customer's monthly expenditure compared to 2025 adopted rates assuming average usage which = 6 units/month (4,488 gallons of drinking water).

With consumption projections decreasing, average usage is dropping as well. We've left this analysis at 6 units/month but it is approaching 5 units/month.



Did You Know?
1 Gallon = \$0.0095?



ENERGY COSTS

SPRWS Proposals Range from
\$38.94 - \$40.93/month

When Wastewater is Included:
\$82.92 - \$85.96



The average monthly electricity and natural gas costs for single-family homes in Saint Paul, MN typically fall within the following ranges:

Season	Electricity	Natural Gas	Total
Winter	\$180+	\$150+	~\$330/month
Summer	\$150+	\$60+	~\$210/month

POTENTIAL FUTURE RATE IMPACTS

As we explore potential rate models beyond 2026 with the Board of Water Commissioners, it's important to emphasize:

- These projections are planning tools, not commitments.
- While they are helpful in evaluating today's decisions, they are not intended as promises of future rates.



Primary Reason - Comprehensive Rate Study Underway

- A detailed rate structure study is starting soon and expected to conclude by 2026 for potential implementation in 2027.
- This study could lead to substantial changes in how SPRWS water rates are calculated and applied, including tiered structures, fixed vs. variable charges, and equity considerations.



Additional Uncertainties

- Evolving consumption patterns (e.g. conservation trends, climate impacts)
- Changing capital investment needs and timelines
- Potential state/federal regulatory updates
- Inflation and material/labor cost volatility



Looking Ahead Responsibly

We will share potential long-term concepts to:

- Illustrate the affordability impacts of today's choices.
- Highlight how different decisions may shape future paths.

✚ But again, these are not forecasts, just frameworks to support informed discussion.



AFFORDABILITY ANALYSIS

HBI - Water Costs as a Percent of Income at LQI	PPI - Percent of Households Below 200% of FPL		
	>=35%	20% to 35%	<20%
>=10%	Very High Burden	High Burden	Moderate-High Burden
7% to 10%	High Burden	Moderate-High Burden	Moderate-Low Burden
< 7%	Moderate-High Burden	Moderate-Low Burden	Low Burden

The Household Burden Indicator (HBI), defined as basic water service costs (combined) as a percent of the 20th percentile household income (i.e., the Lowest Quintile of Income (LQI) for the Service Area)

The Poverty Prevalence Indicator (PPI), defined as the percentage of community households at or below 200% of Federal Poverty Level (FPL).
PPI = 29.1%

	2024	2025	2026	2027	2028	2029	2030	2031	2032
Potential Rate Increases	9.5%	9.5%	13.0%	8.5%	8.0%	7.5%	5.0%	5.0%	5.0%
Annual bill for 48,363 gallons used (~16 units/quarter)	\$757.76	\$825.88	\$933.24	\$1,012.57	\$1,093.58	\$1,175.59	\$1,234.37	\$1,296.09	\$1,360.90
Household Burden Indicator (HBI)	2.15%	2.27%	2.49%	2.63%	2.75%	2.88%	2.93%	2.99%	3.05%

2024 Average HBI
(50 Largest US Cities): **2.8%**

CONTINUED AFFORDABILITY ANALYSIS

The EPA’s standard affordability benchmark is 2% of median household income on water alone (or 4.5% of median household income if including wastewater). This approach has two major flaws:

- It’s tied to median income instead of the most economically vulnerable.
- It uses average consumption instead of basic essential needs.

By focusing on median income and average use, it overlooks the very households and core usage levels that face the greatest affordability challenges.

SPRWS projections are well within the goal. The values below assume consistent rate increases by SPRWS + wastewater entities.



	2024	2025	2026	2027	2028	2029	2030	2031	2032
Potential Rate Increases	9.5%	9.5%	13.0%	8.5%	8.0%	7.5%	5.0%	5.0%	5.0%
Annual bill for 53,856 gallons used (18 units/quarter)	\$833.64	\$912.84	\$1,031.50	\$1,119.18	\$1,208.72	\$1,299.37	\$1,364.34	\$1,432.56	\$1,504.18
% of Total Income (Goal: Less than 4.5%)	1.14%	1.21%	1.33%	1.40%	1.47%	1.53%	1.56%	1.59%	1.63%

RIGHT OF WAY RECOVERY FEE

RIGHT-OF-WAY FEE

This fee is only charged to Saint Paul residents and is for a payment to the City of Saint Paul for the extra costs they incur due to SPRWS facilities being located in the public rights-of-way.

This fee, like the water service base fee, varies by water meter size.

Fees match what was charged in 2025.

2026
Right-of-Way Revenue:
\$1.9 million

The 2026 proposal maintains the current ROW fee structure to generate the necessary revenue to cover the charge from the City of Saint Paul.

Recent inquiries have resulted in a thorough investigation of the fee's purpose and justification. Once completed, the results will be shared with the Board for discussion on if adjustments are needed.

Established in 2012:

Meter Size	ROW Fee (Monthly)
5/8 Inch 3/4 Inch 1.0 Inch (sf*)	\$1.50
1.0 Inch (other)	\$3.75
1.5 Inch	\$7.58
2.0 Inch	\$12.08
3.0 Inch	\$24.17
4.0 Inch	\$37.75
6.0 Inch	\$75.50
8.0 Inch	\$120.83
10.0 Inch	\$173.65

