BOARD OF WATER COMMISSIONERS

AUGUST 11, 2026

Meeting Agenda

CONSENT AGENDA

1 · Min 26-25 — Approve minutes of the July 14, 2026 meeting
2 · RES 26-1285 — Approve June 2026 Financial Statements
3 · RES 26-1286 — Water revenue note, not to exceed $10,000,000
4 · RES 26-1287 — Joint Powers Agreement with Dakota County

ACTION ITEM (allow for Commissioner Jost to Recuse due to Conflict of Interest)

5 · RES 26-1288 — Professional Services Agreement with SEH (Hillcrest & West Side Reservoir Overflow Reconfiguration)

DISCUSSION ITEM

6 · CO 26-37 — 2027 Proposed Budget Presentation and Proposal

INFORMATIONAL ITEMS

7 · CO 26-33 — General Manager's Report
8 · CO 26-34 — Employee Injury Summary, Q1 2026
9 · CO 26-35 — Vehicle Accident Summary, Q1 2026
10 · CO 26-36 — Pipeline Express

ADJOURNMENT

SAINT PAUL REGIONAL WATER SERVICES

SAINT PAUL REGIONAL WATER SERVICES

2027 Proposed Budget

Presented to the Board of Water Commissioners

Racquel Vaske, General Manager

August 2026

TIMELINE OF EVENTS

JUNE

Budget Workshop

AUGUST

Full Budget Presentation
+ Further Discussion

SEPTEMBER

Public Meeting
Budget Adoption

OCTOBER

Alternative
Budget Adoption

2027 PROPOSED BUDGET

Budget at a Glance

Total Budget

Customers Served

Total FTEs

Gallons Consumption Projection

SPENDING = FINANCING

Total spending of $135.1 million is fully balanced by total financing of $135.1 million

STRATEGIC FOCUS

Three Priorities Guide This Budget

1

Advance the Capital Plan

Continue the capital investment program the Board has supported over the past several years, guided by our updated 10-year Capital Plan. $30.2 million in revenue-funded investment in 2027 alone.

2

Rebuild Cash Reserves

Take deliberate steps toward the industry benchmark of roughly 365 days cash on hand, adding an estimated $4.5 million to unrestricted reserves in 2027 and protecting our AAA bond rating.

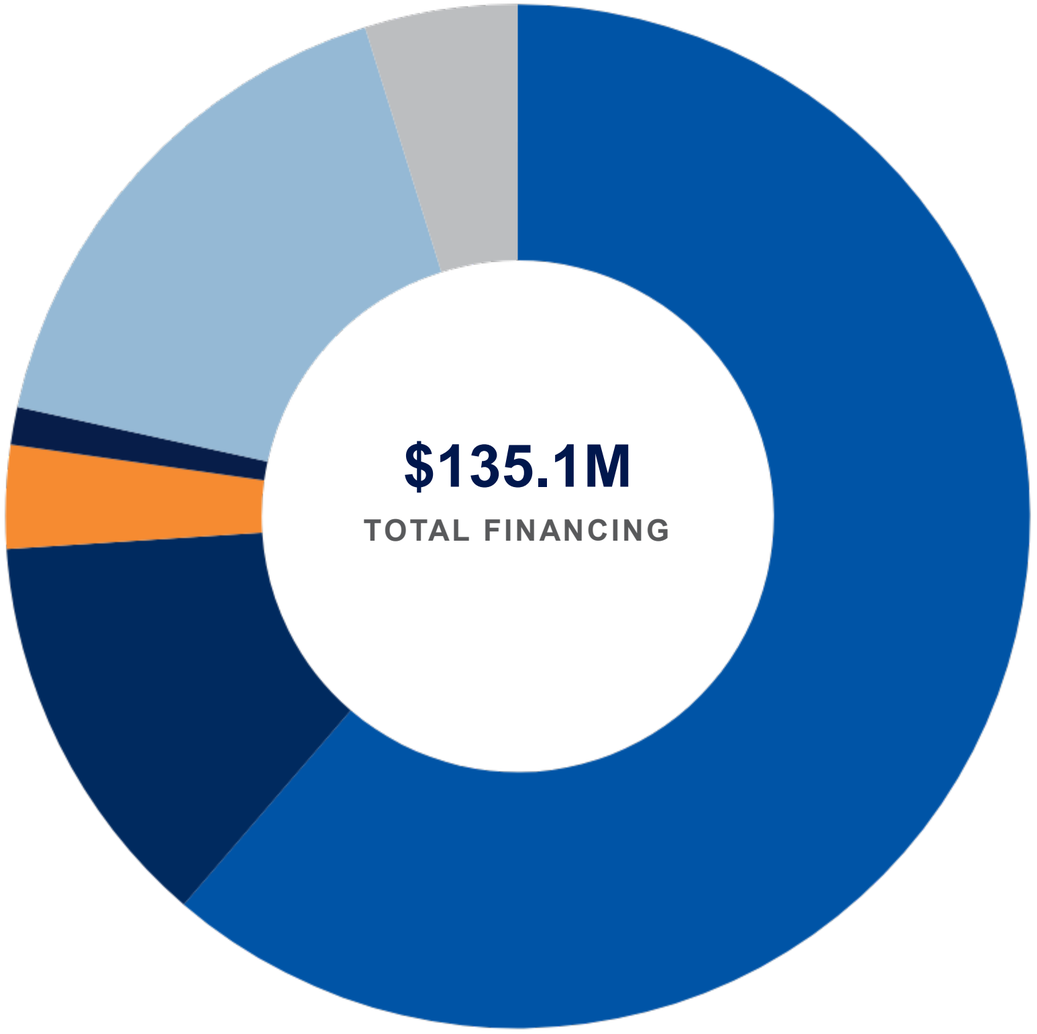
3

Maintain Cost Discipline

Keep tight control of operating costs with targeted staffing additions only (cybersecurity, capital delivery), with a 3% COLA and anticipated 5.5% health insurance increase factored in.

WHERE THE MONEY COMES FROM

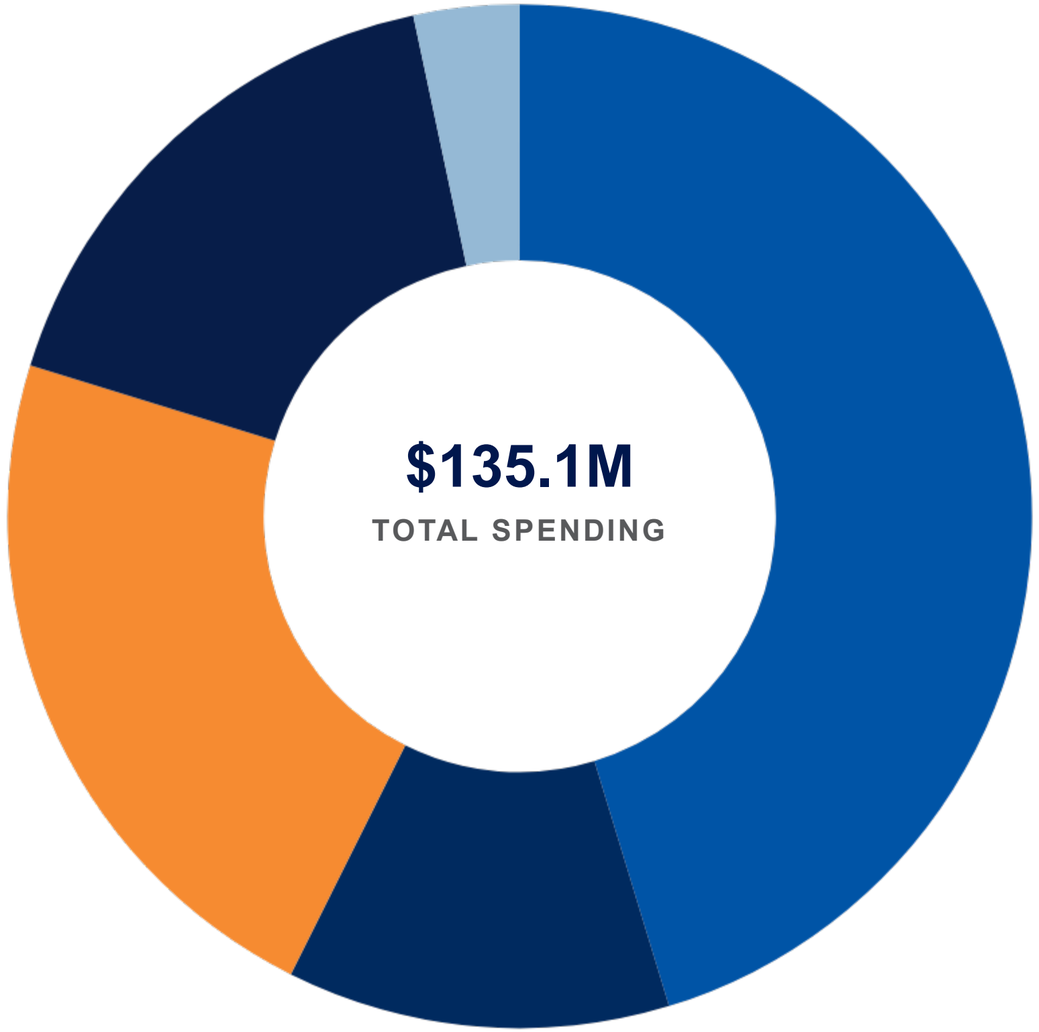
2027 Financing Sources



Sale of Water	$82.7M	61.2%
Water Service Base Fee	$17.1M	12.7%
Water Main Surcharge	$4.4M	3.3%
Right-of-Way Fee	$1.8M	1.3%
Lead Free Grants	$22.6M	16.7%
Misc. Revenues	$6.5M	4.8%
Debt Issuance	$0.0M	0.0%

WHERE THE MONEY GOES

2027 Spending Overview

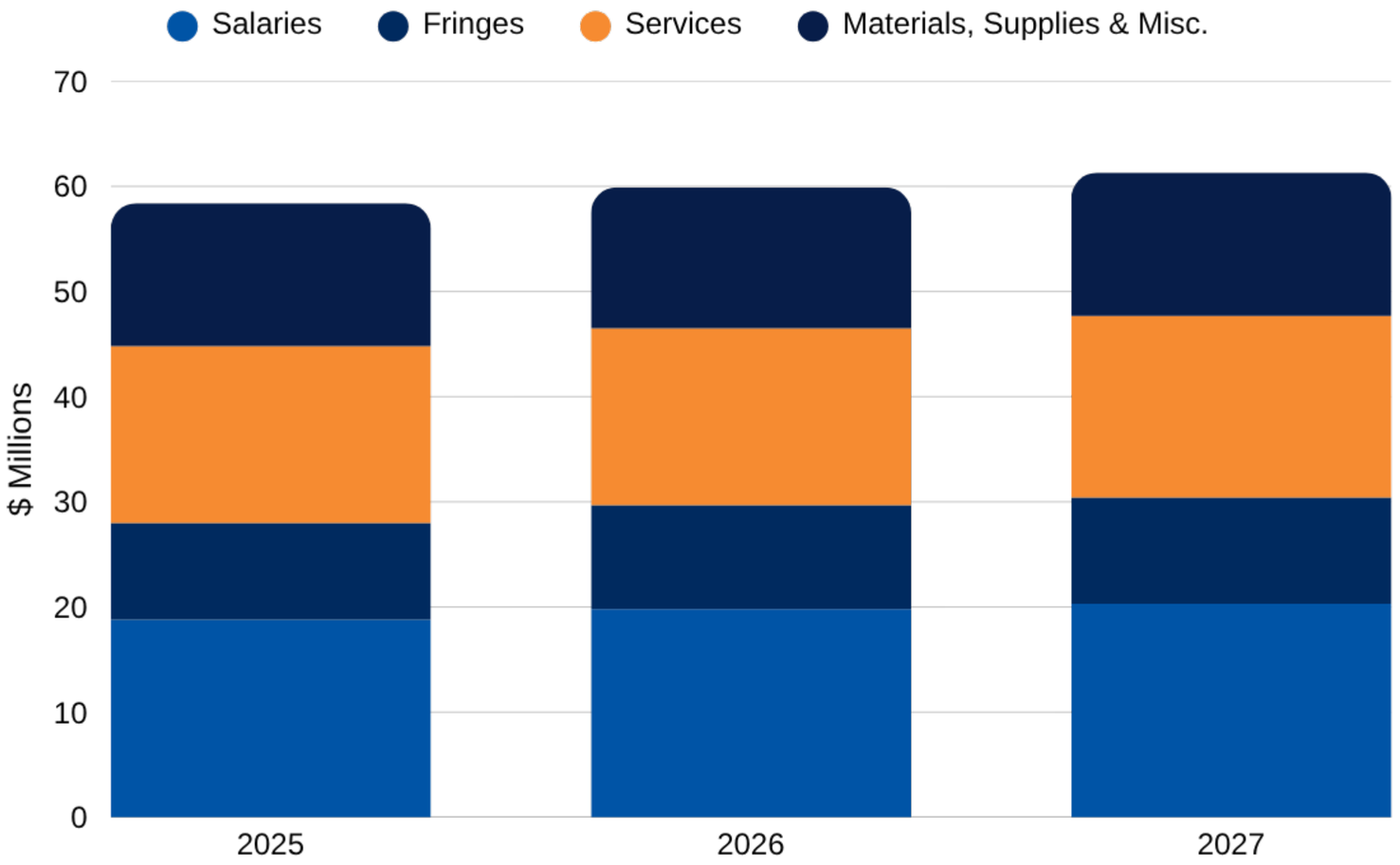


Operations & Maintenance	$61.1M	45.2%
Debt Service	$16.3M	12.1%
Capital Investments	$30.2M	22.4%
Lead-Free SPRWS	$22.8M	16.9%
Additions to Cash Reserve	$4.7M	3.4%

No debt-funded or grant-funded capital projects are proposed for 2027.

COST DISCIPLINE IN ACTION

Operations & Maintenance Spending



KEY COST DRIVERS

3% COLA + step increases

Factored into 2027 salaries across all divisions.

5.5% health insurance increase

Anticipated rise in employer health insurance costs; PERA employer contribution holds at 7.5%.

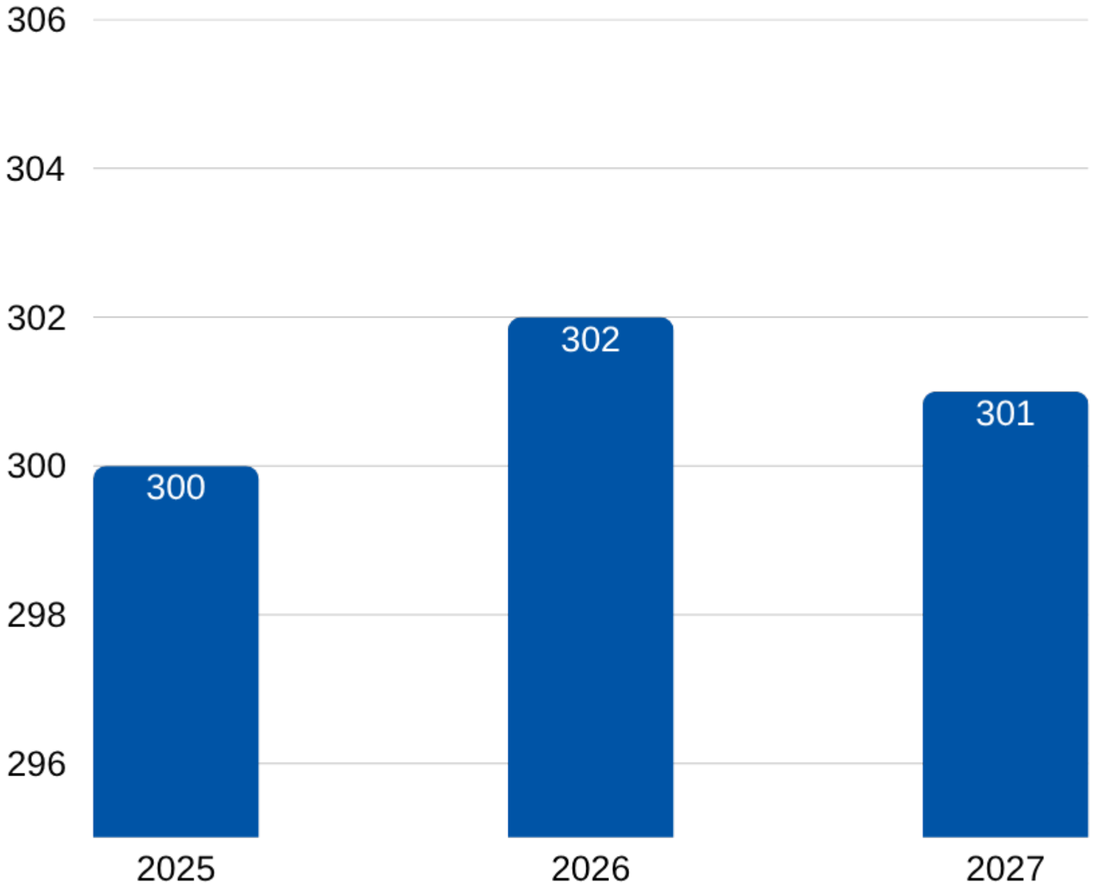
Chemicals, electricity & fuel: $9.9M

Electricity projected up $0.3M; chemical costs expected to hold roughly flat.

$61.3M total O&M spending in 2027 (excludes Lead-Free program and depreciation)

301 TOTAL FTES IN 2027

Staffing Overview



NOTEWORTHY CHANGES FOR 2027

Business

New FTE added to IT to support cybersecurity needs.

Engineering

New FTE added to support capital project delivery;
1 FTE reduced (Lead-Free).

Distribution

2 FTEs reduced (Lead-Free); 1 FTE added (Project Manager).

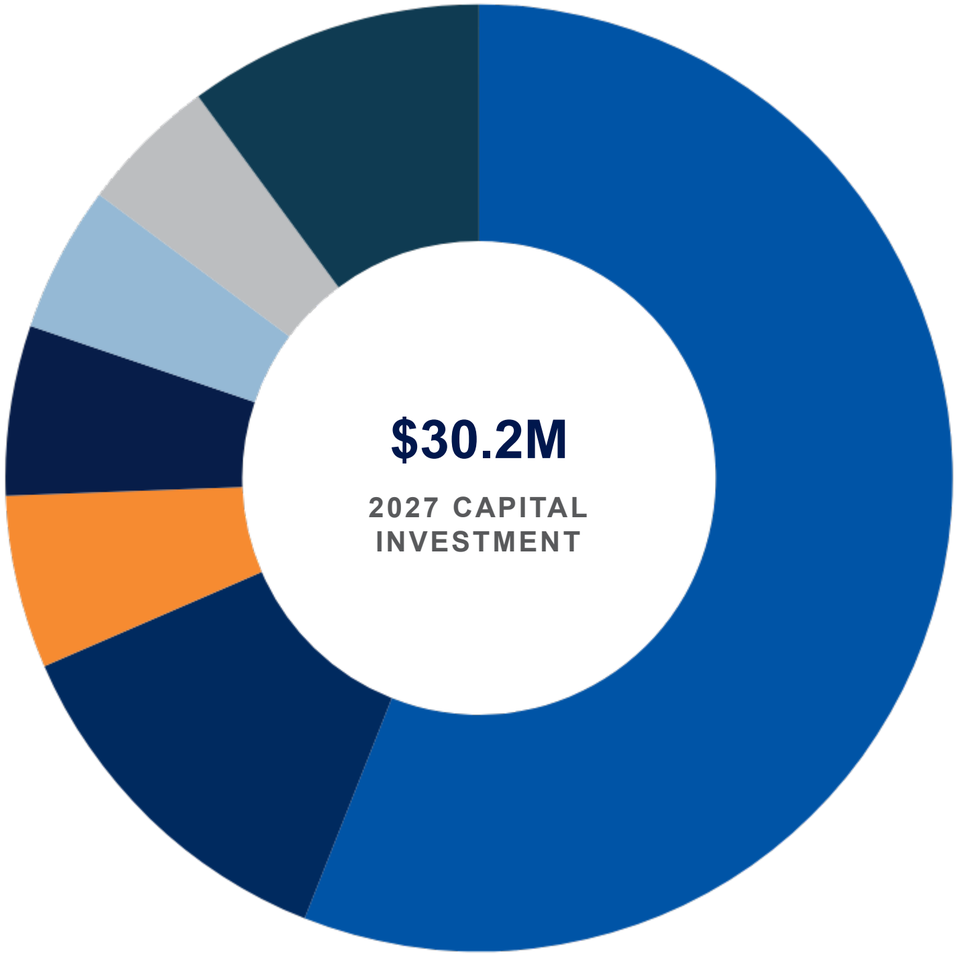
Administration

1 Painter position removed from the facilities maintenance team.

3.8% increase in combined salaries and fringes for 2027.

ADVANCING THE 10-YEAR CAPITAL PLAN

2027 Capital Investment Program



Distribution System	56%
Water Meters	12.5%
Storage Facilities	5.9%
Water Supply	5.8%
Technology	5%
Buildings, Grounds & Safety	4.7%
Other Categories	10.1%

10-YEAR PLAN

$350M+

in planned system investment, 2026–2035, under the Capital Improvement Plan.

100-YEAR

Targeted water main replacement cycle over the 10-year planning period.

No debt-funded capital projects are proposed for 2027.
Figures exclude the McCarrons Water Treatment Plant improvement project and Lead Service Line replacements, detailed separately.

FINANCING THE MCCARRONS IMPROVEMENT PROJECT

Debt Service & Outstanding Debt

$234.7M

Total Outstanding Debt (12/31/25)

$16.3M

2027 Debt Service Budget

$0

New Debt Proposed for 2027

McCarrons Water Treatment Plant — Financing History

$15.4M issued (design phase)	$174M authorized for construction; $46M note	$25M note + $93.4M revenue bond	$29M note	$28M note	$10M note	No new debt proposed

FINANCIAL RESILIENCE

Rebuilding Our Cash Reserves

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.

$4.5M

estimated addition to cash reserves in the 2027 budget.

365

days cash on hand is the industry benchmark we are working toward.

WHY THIS MATTERS

- **AAA Bond Rating**

  Stronger reserves protect our top-tier credit rating, which keeps borrowing costs low on future capital needs.

- **Operational Resiliency**

  Reserves provide a buffer against revenue volatility.
  From weather-driven consumption swings to the loss of a major customer.

- **Turning the Corner**

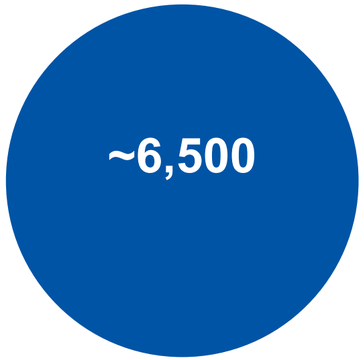
  This is the first budget to neutralize reserves after several years of drawing it down; 2027 continues that reversal.

- **No Reliance on Debt**

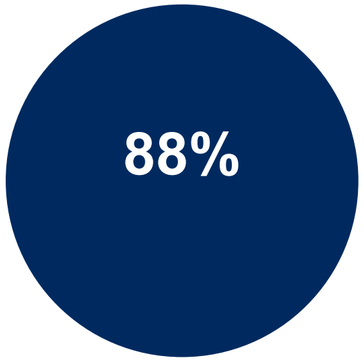
  Adequate cash on hand reduces the need for short-term borrowing to bridge cash flow during major capital years.

PROTECTING PUBLIC HEALTH

Lead-Free SPRWS Program



Lines Replaced
2022–2026



Participation
Rate

Replacements
Planned for 2027

2027 Grant
Funding

PROGRAM AT A GLANCE

- Authorized by the Board of Water Commissioners in March 2022.
  - Voluntary and free for customers, with a program-wide participation goal of 85%.
- 2027 funding is fully grant-funded through the PFA
  - SPRWS separately budgets $200K/year for an assessment program for customers who want to proceed ahead of the scheduled program.
- Statewide, Minnesota has received or dedicated nearly $600M toward an estimated $2.6B total need
  - $2B funding gap that will require continued advocacy in future years.

Proposed 2027 Rate Changes

Rate Component	2027	2026	Change
Consumption – Winter	$5.37/CCF	$4.95/CCF	**+$0.42**
Consumption – Summer	$5.54/CCF	$5.11/CCF	**+$0.43**
Water Service Base Fee	$9.73/mo	$8.97/mo	**+$0.76**
Water Main Surcharge	$0.32/CCF	$0.30/CCF	**+$0.02**
Right-of-Way Recovery Fee	$1.43/mo	$1.50/mo	**–$0.07**

8.5%

2026 vs 2027

RATE IMPACTS

The following compares 2027 rates with 2026 rates and summarizes the impact on customers utilizing these assumptions:

Single-family residential account

Median residential consumption of 5 units/month (Updated from 6 units/month in 2026)

Averages winter + summer rates

	2026	2027
Consumption Charge	$5.03 * 5 units = $25.15	$5.46 * 5 units = $27.30
Water Service Base Fee	$8.97	$9.73
Water Main Surcharge	$0.30 * 5 units = $1.50	$0.32 * 5 units = $1.60
Safe Drinking Water Fee (Pass to MDH)	$1.27	$1.27
Right-of-Way Recovery Fee (Pass to CSP)	$1.50	$1.43
MONTHLY TOTAL	$38.39 per month	$41.33 per month
ANNUAL TOTAL	$460.68 per year	$495.96 per year

2026 Average Bill

$41.33

PER MONTH

for 3,740 gallons of drinking water

Customer Impact

+$2.94

PER MONTH

Did You Know

1 Gallon costs ~$0.01

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%

SUMMARY & RECOMMENDATION

Approval of the 2027 Proposed Budget

RATE ADJUSTMENT

+$0.42/CCF, +$0.76/mo base fee,
+$0.02/CCF main surcharge,
–$0.07/mo ROW fee

CAPITAL INVESTMENT

$30.2M in 2027, guided by the updated 10-year Capital Plan

CASH RESERVES

+$4.5M toward the industry benchmark of 365 days cash on hand

This budget sustains our capital commitments to the Board, takes a deliberate step toward financial resiliency by rebuilding cash reserves, and holds the line on operating costs while keeping the average residential rate increase as low as responsibly possible.

Staff recommend the Board approve the 2027 Proposed Budget as presented at next month’s meeting.

Thank you for your continued leadership and support.