

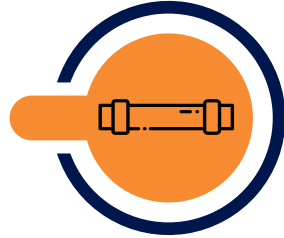
2025 BUDGET OVERVIEW

November 6, 2024



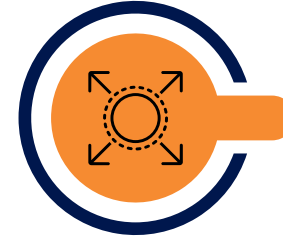
Lead Free SPRWS

Funding support to fully fund the 10-year program.



Potential Expansion

Assist those in NE Metro
Protect water rights



Affordability

Declining consumption
Rate impacts to support capital needs
Low-Income assistance program



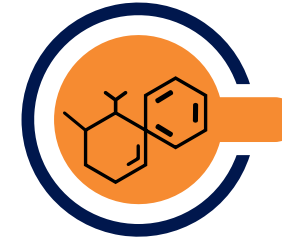
Cyber Security

Protect utility from increasing concerns around cyber security



PFAs

Groundwater-potentially no payout
Payouts insufficient to cover expense if treatment needed
Disposal of media



Workforce Development

Significant loss of institutional knowledge
Job market concerns



SAINT PAUL REGIONAL WATER SERVICES



McCarron's Treatment Plant

Successfully bring on new plant.
Employee development.



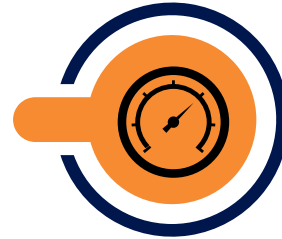
Aging Infrastructure

Funding support for Capital Investment Plan.



Meter Technology

96,000 register replacements
Move to automated metering
Leak detection



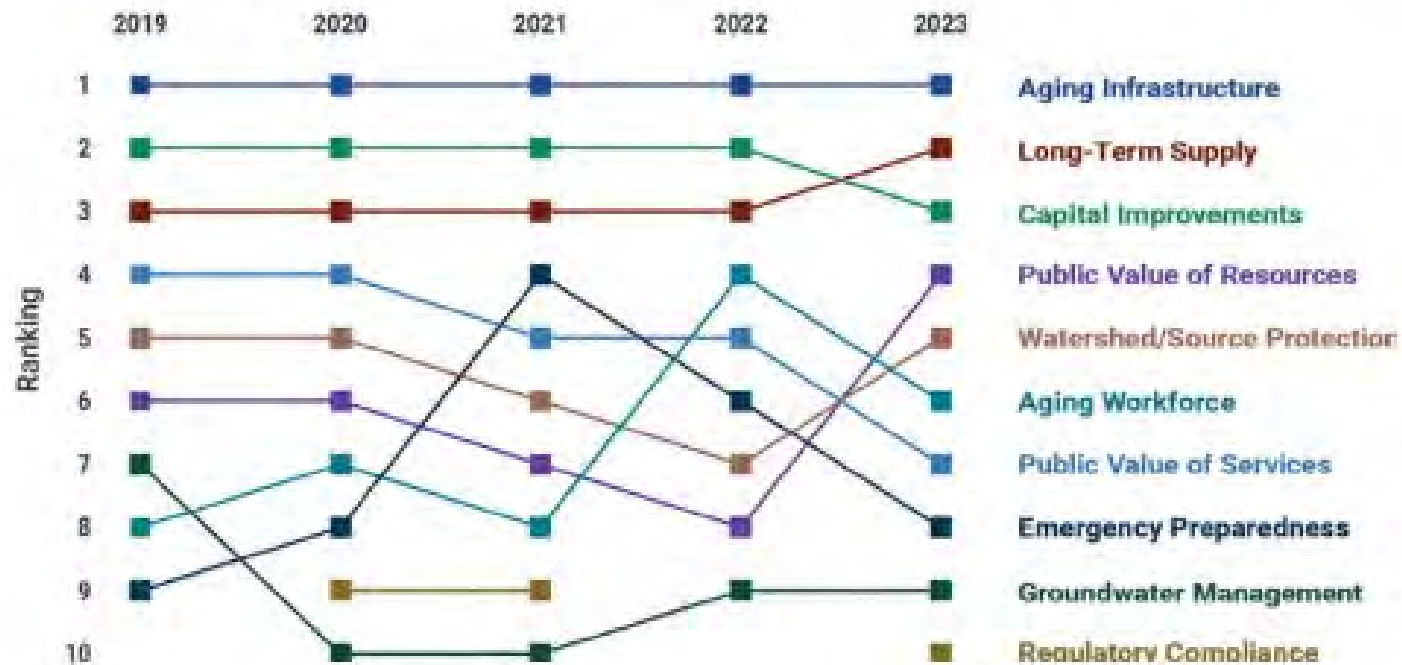
NEW Customer Portal

More payment flexibility
Customer contact information
Auto Pay, E Bills, etc.



State of the Water Industry

Top 10 recurring issues in the past five years by ranking



Budget Workshop Discussion Topics



Capital Investments



WaterWorks Commitment

2025 Budget Overview

CUSTOMERS:
EMPLOYEES:

~450k
300

TOTAL BUDGET

\$136.9 Million

12.343 Billion Gallons

CONSUMPTION PROJECTION

SPENDING = FINANCING

Type of Spending	2025
Operations & Maintenance <small>Pages 2-3</small>	\$92.7 Million 67.7%
Debt Service & Other Spending <small>Page 4</small>	\$16.4 Million 12%
Capital Investments <small>Pages 5-8</small>	\$27.8 Million 20.3%
TOTAL	\$136.9 Million

Type of Financing	2025
Sale of Water <small>Page 9</small>	\$68.7 Million 50.2%
Water Service Base Fee <small>Page 10</small>	\$14.1 Million 10.3%
Water Main Surcharge <small>Page 10</small>	\$3.6 Million 2.6%
Right-of-Way Fee <small>Page 10</small>	\$1.9 Million 1.4%
Misc Revenues <small>Page 11</small>	\$41.0 Million 30%
Cash Reserves <small>Page 11</small>	\$7.6 Million 5.5%
Debt Issuance	\$0.0 Million 0%
TOTAL	\$136.9 Million

Average Impact for Residential Accounts

\$3.12 PER MONTH

Consumption Based Rate

The proposed consumption rate increase is \$0.38/ccf for winter and \$0.39/ccf for summer.
The rates per CCF will be as follows:

UNIT

=

=

WINTER
\$4.38

SUMMER
\$4.52

AVERAGE
\$4.45

WATER SERVICE BASE FEE

This base fee enables SPRWS to cover a portion of annual fixed charges without consumption fluctuations. A customers' service fee is based on the size of their meter.

Base Fee (Monthly)	Meter Size	ROW Fee (Monthly)
\$7.94	5/8 Inch 3/4 Inch 1.0 Inch (sf*)	\$1.50
\$19.85	1.0 Inch (other)	\$3.75
\$39.70	1.5 Inch	\$7.58
\$63.52	2.0 Inch	\$12.08
\$127.04	3.0 Inch	\$24.17
\$198.50	4.0 Inch	\$37.75
\$397.00	6.0 Inch	\$75.50
\$635.20	8.0 Inch	\$120.83
\$913.10	10.0 Inch	\$173.65

WATER MAIN SURCHARGE (CONSUMPTION BASED)

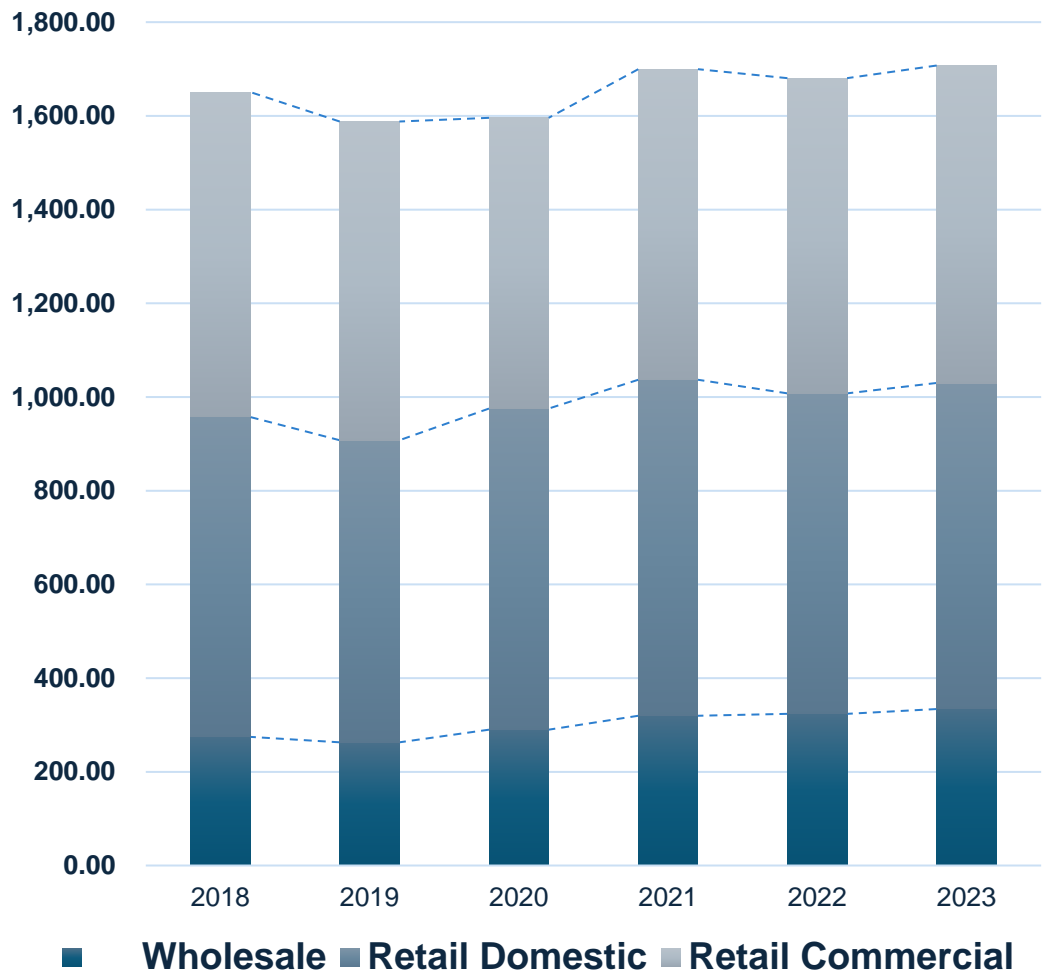
The water main surcharge is designed to fund additional water main replacement in the SPRWS retail service area. Currently, over a third of the water mains in the system are at or beyond what is expected for a useful life.

2025 Rate: \$0.26 per CCF

	2024	2025
Consumption Charge	\$4.065 * 6 units = \$24.39	\$4.45 * 6 units = \$26.70
Water Service Base Fee	\$7.25	\$7.94
Water Main Surcharge	\$0.24 * 6 units = \$1.44	\$0.26 * 6 units = \$1.56
Right-of-Way Recovery Fee	\$1.50	\$1.50
MONTHLY TOTAL	\$34.58 per month	\$37.70 per month
ANNUAL TOTAL	\$414.96 per year	\$452.40 per year

Consumption History

Retain Consumption Projection:
1,650,000,000 cf
Trending Slightly Higher 2021-2023



The projected volume of water to be sold in 2025 remains unchanged as actual consumption from 2018-2023 has remained very consistent.

12.343 billion gallons

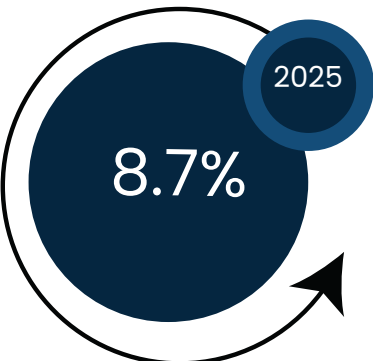
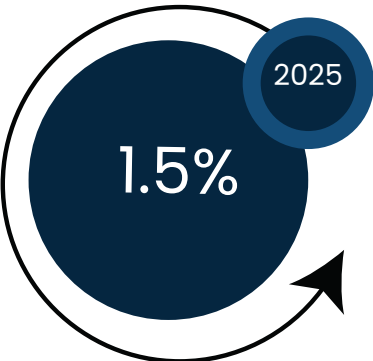
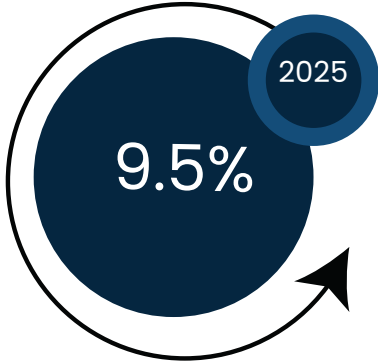
= 16.5 million units

Operating Budget Overview

Salaries and Fringes

2023-2025 employment contracts offered a wide variety of new incentives including:

- Cost of Living Adjustments
- Quicker Step Increases
- Certification Pay
- Performance Pay
- Longevity Pay



Services

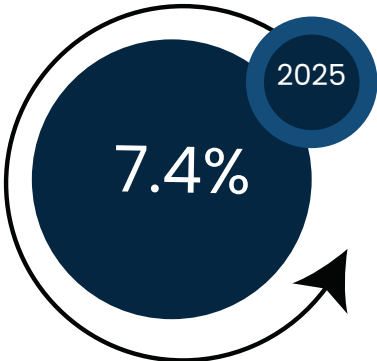
(Not Including Lead Free Grant Funded)

- \$120k to Conduct a Rate Study

Materials

- \$520k Increase for Supply System Chemicals
- \$395k Increase for Production Chemicals

Total O&M



2024	2025
58.4M	62.7M





10 YEAR CAPITAL PLAN + BUDGETING

1. INFRASTRUCTURE REPLACEMENT NEEDS
2. CURRENT CAPITAL FUNDING LEVELS
3. FUTURE CAPITAL FUNDING ALTERNATIVES

Capital
Budgeting

CAPITAL

DEFINITION AND POLICY



CAPITAL ASSET

Direct purchases of \$5,000 or more having a useful life in excess of 1 year must be capitalized. Includes rehabilitation that directly extends the service life of assets.



CAPITAL IMPROVEMENT PLAN

Identifies and prioritizes specific capital needs, schedules, and funding sources over a multi-year period, typically 5+ years. Guides project delivery and rate setting decisions.





26,000

LEAD
SERVICE
LINES

ESTIMATED
PROJECT
COST

\$400

MILLION

PROGRAM GOALS:

Voluntary and FREE for Customers
Completion within 10 Years
85% Participation

PROGRESS:

The program was authorized by the Board of Water Commissioners in March 2022.

\$16M in American Rescue Plan funding from the City of Saint Paul helped launch and pilot the program in 2022-2023 covering about 1,000 replacements including prioritization of all day care facilities!

In 2024 another 1,200 lead service lines were replaced. In addition, SPRWS has partnered with CDM Smith to assist in ramping up even further in future years.

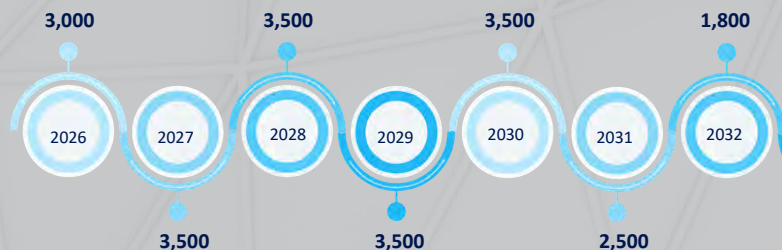
PROJECT FUNDING

Beyond initial ARPA funding, SPRWS has been working closely with the State of MN to secure funding through the Public Facilities Authority. \$35M in program funding for 2025 will be provided through a combination of grants and forgivable loans. SPRWS will continue to work annually with the State to obtain funding necessary for the next years' replacements.



2,500 Replacements

Future
Replacements





The SPRWS drinking water treatment plant has a century-long history of providing reliable, high-quality drinking water to the residents of Saint Paul and neighboring communities.

SPRWS is proactively looking towards the future and making significant improvements to replace roughly two-thirds of the existing treatment process with more modern technology.

2021
Design Phase

2022-2026
Construction Phase

PROJECT
TOTAL
COST

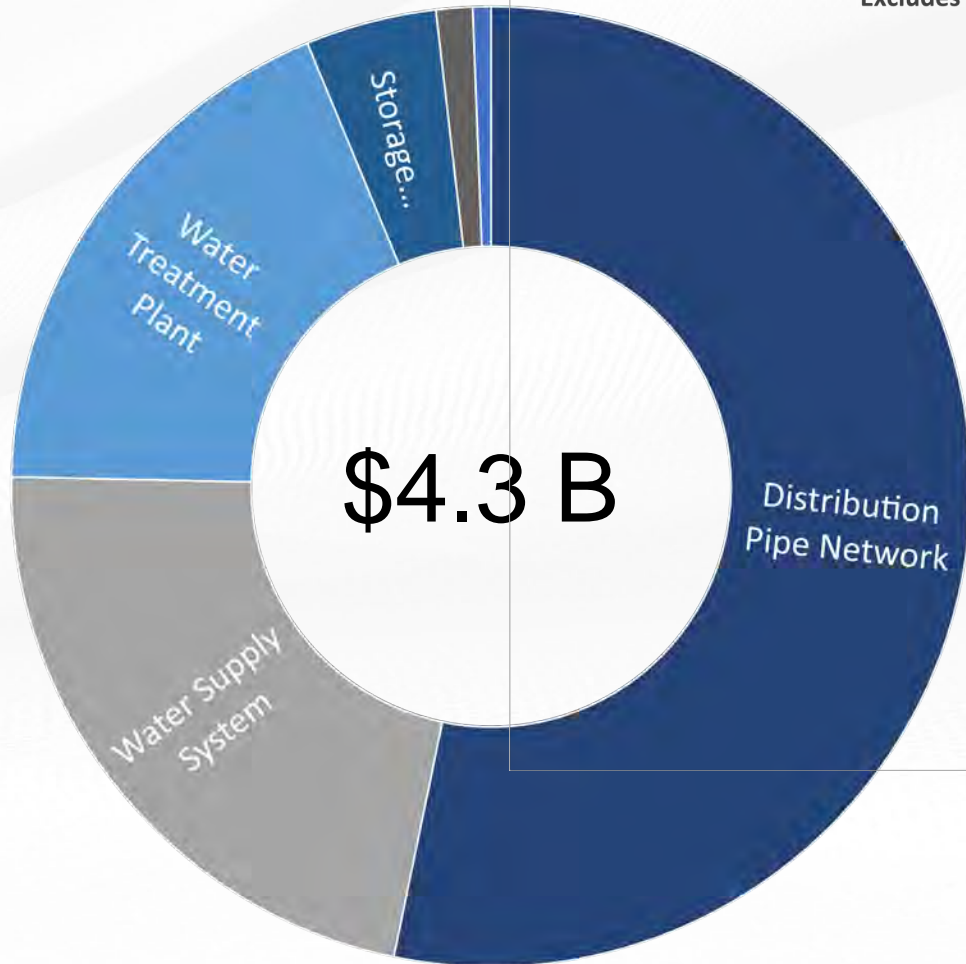
\$252.5
MILLION



ESTIMATED ASSET VALUE

Estimated Asset Replacement Value

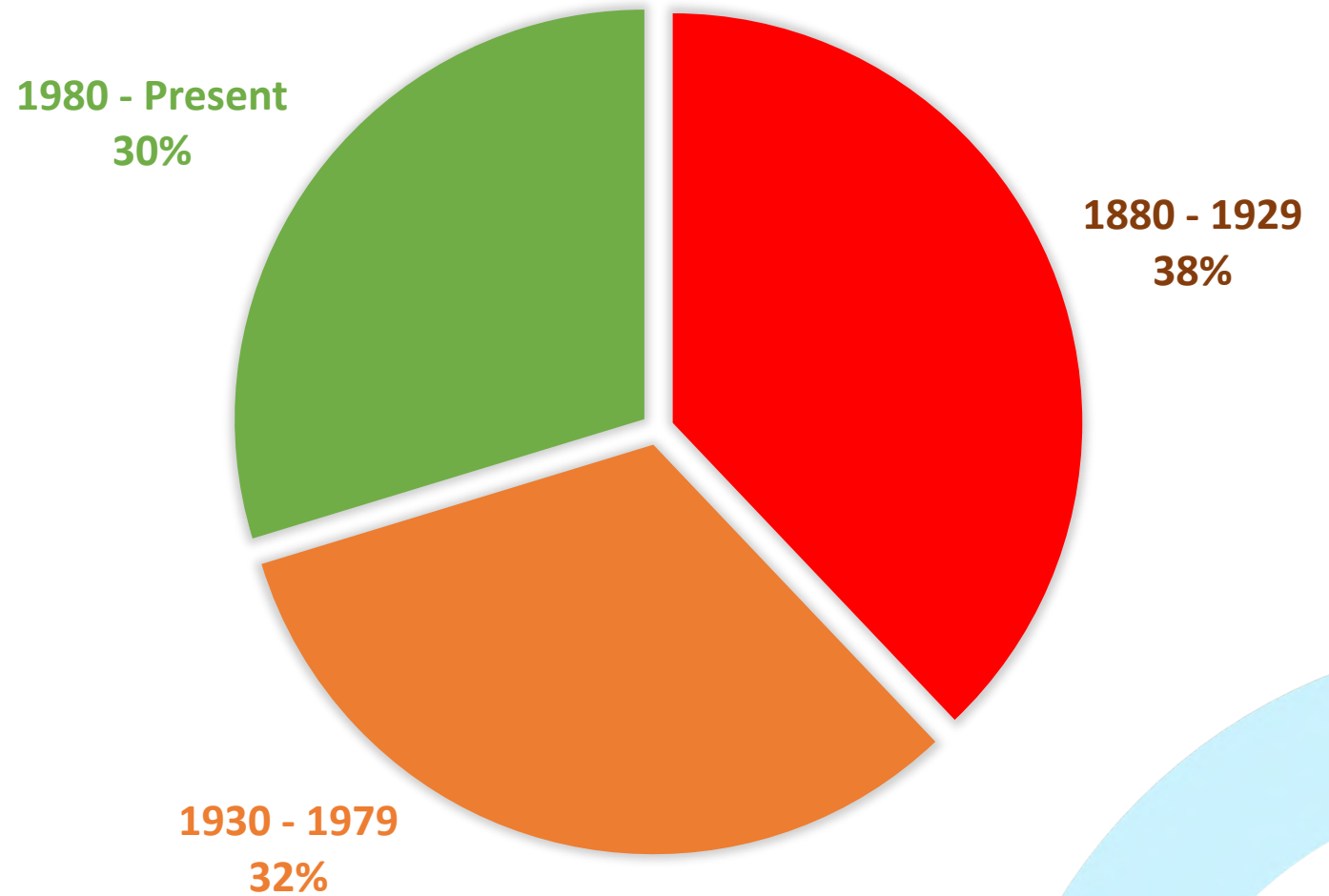
Excludes Land, Easements, Office Equipment, IT Equipment



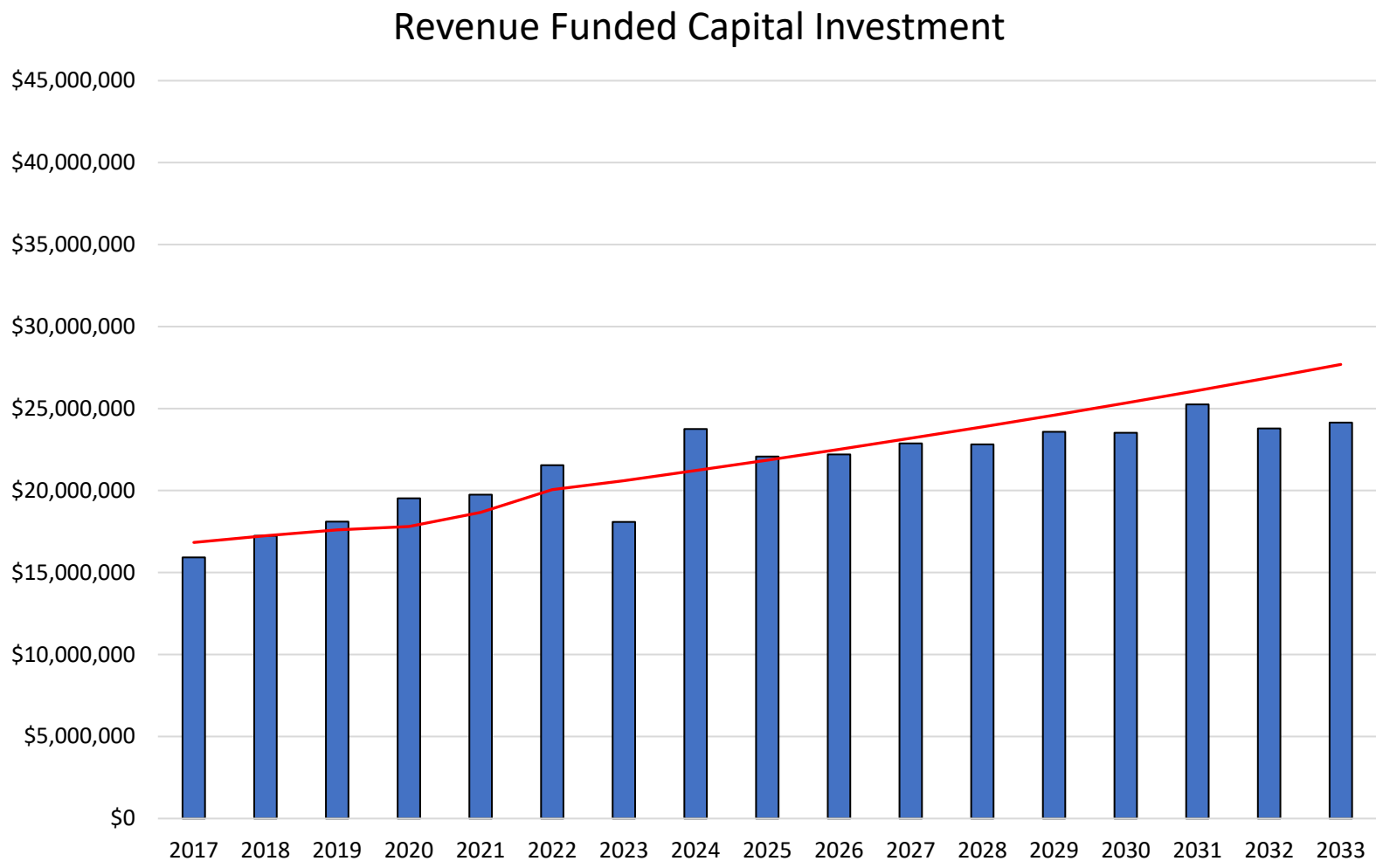
Fleet & Construction Equip	\$25 M
Water Supply System	\$900 M
Water Treatment Plant	\$750 M
Distribution Pipe Network	\$2,443 M
Pump Stations	\$50 M
Storage Facilities	\$180 M



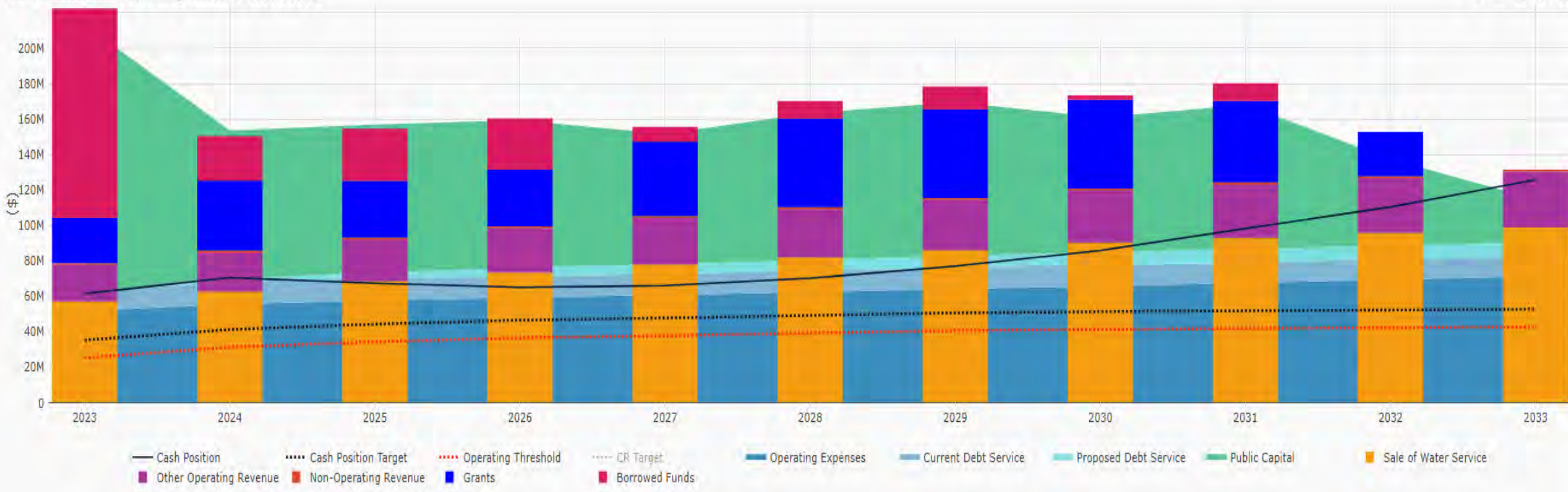
SERVICE AGE – DISTRIBUTION SYSTEM



Historical and
2024 Budget
Plan
Capital



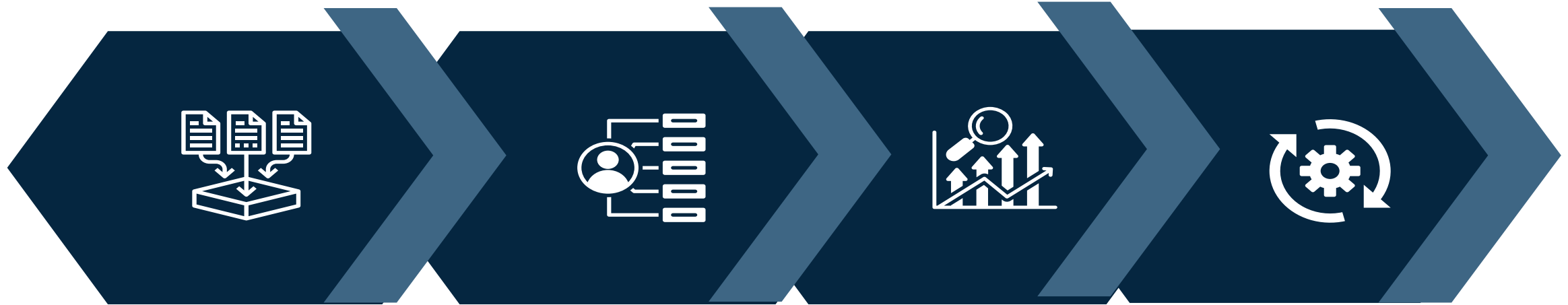
Financial Model - Jamie 2025 budget model C - PREVIOUS CIP



2025	2026	2027	2028	2029	2030	2031	2032	2033
7.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

Waterworth Model – 2024 Plan

Revised Asset Management Based Capital Plan



Data Collection

Reviewed asset management plans, conditions, asset age, and project needs

Project Planning

Estimated project scopes and timelines

Forecasting

Estimated costs and assembled annual expenditures

Optimization

Prioritized projects based on risk and value/ROI

Capital Improvement Plan

Category Name/Project Description	2025 (9.5%)	2026 (7.5%)	2027 (6.5%)	2028 (5%)	2029 (5%)	2030 (5%)	2031 (3%)	2032 (3%)	2033 (3%)	Total 10 Year
Total Revenue Funded (from Below)	\$ 28,062,120.38	\$ 29,722,209.91	\$ 28,313,718.20	\$ 31,934,302.26	\$ 32,366,071.31	\$ 37,683,910.37	\$ 33,656,659.73	\$ 35,730,904.83	\$ 37,162,686.50	\$ 294,632,583.50
Total Debt, Grant, & Revenue Funded (from Below)	\$ 40,112,120.38	\$ 29,772,209.91	\$ 28,363,718.20	\$ 31,934,302.26	\$ 39,866,071.31	\$ 45,183,910.37	\$ 33,656,659.73	\$ 35,730,904.83	\$ 37,162,686.50	\$ 321,782,583.50
Admin. Division										
Admin Total	\$ 320,000.00	\$ 360,000.00	\$ 435,000.00	\$ 315,000.00	\$ 235,000.00	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$ 2,265,000.00
Anticipated Debt/Grant Funding										\$ -
Total Revenue Funded	\$ 320,000.00	\$ 360,000.00	\$ 435,000.00	\$ 315,000.00	\$ 235,000.00	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$ 2,265,000.00
	\$							28.00		
Business Total	\$ 4,223,000.00	\$ 4,071,900.00	\$ 3,864,249.50	\$ 5,198,429.49	\$ 4,926,926.62	\$ 8,365,012.38	\$ 1,858,709.11	\$ 1,977,040.06	\$ 2,146,029.43	\$ 36,631,296.59
Anticipated Debt/Grant Funding	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00							\$ 150,000.00
Total Revenue Funded	\$ 4,173,000.00	\$ 4,021,900.00	\$ 3,814,249.50	\$ 5,198,429.49	\$ 4,926,926.62	\$ 8,365,012.38	\$ 1,858,709.11	\$ 1,977,040.06	\$ 2,146,029.43	\$ 36,481,296.59
Engineering Division										
Engineering Total	\$ 230,000.00	\$ 241,000.00	\$ 253,000.00	\$ 265,000.00	\$ 278,000.00	\$ 292,000.00	\$ 306,000.00	\$ 322,000.00	\$ 339,000.00	\$ 2,526,000.00
Anticipated Debt/Grant Funding										\$ -
Total Revenue Funded	\$ 230,000.00	\$ 241,000.00	\$ 253,000.00	\$ 265,000.00	\$ 278,000.00	\$ 292,000.00	\$ 306,000.00	\$ 322,000.00	\$ 339,000.00	\$ 2,526,000.00
Distribution Division										
Distribution Total	\$ 19,035,120.38	\$ 19,626,309.91	\$ 20,909,468.70	\$ 20,765,872.77	\$ 22,528,144.69	\$ 25,241,897.99	\$ 27,161,950.62	\$ 28,326,864.76	\$ 29,415,657.07	\$ 213,011,286.90
Anticipated Debt/Grant Funding										\$ -
Total Revenue Funded	\$ 19,035,120.38	\$ 19,626,309.91	\$ 20,909,468.70	\$ 20,765,872.77	\$ 22,528,144.69	\$ 25,241,897.99	\$ 27,161,950.62	\$ 28,326,864.76	\$ 29,415,657.07	\$ 213,011,286.90
Production Division										
Production Total	\$ 16,304,000.00	\$ 5,473,000.00	\$ 2,902,000.00	\$ 5,390,000.00	\$ 11,898,000.00	\$ 11,135,000.00	\$ 4,180,000.00	\$ 4,955,000.00	\$ 5,112,000.00	\$ 67,349,000.00
Anticipated Debt/Grant Funding	\$ 12,000,000.00	\$ -	\$ -		\$ 7,500,000.00	\$ 7,500,000.00	\$ -	\$ -	\$ -	\$ 27,000,000.00
Total Revenue Funded	\$ 4,304,000.00	\$ 5,473,000.00	\$ 2,902,000.00	\$ 5,390,000.00	\$ 4,398,000.00	\$ 3,635,000.00	\$ 4,180,000.00	\$ 4,955,000.00	\$ 5,112,000.00	\$ 40,349,000.00



Capital Funding Alternatives

SCENARIO 1

Accelerated Implementation

Full phase-in of current needs

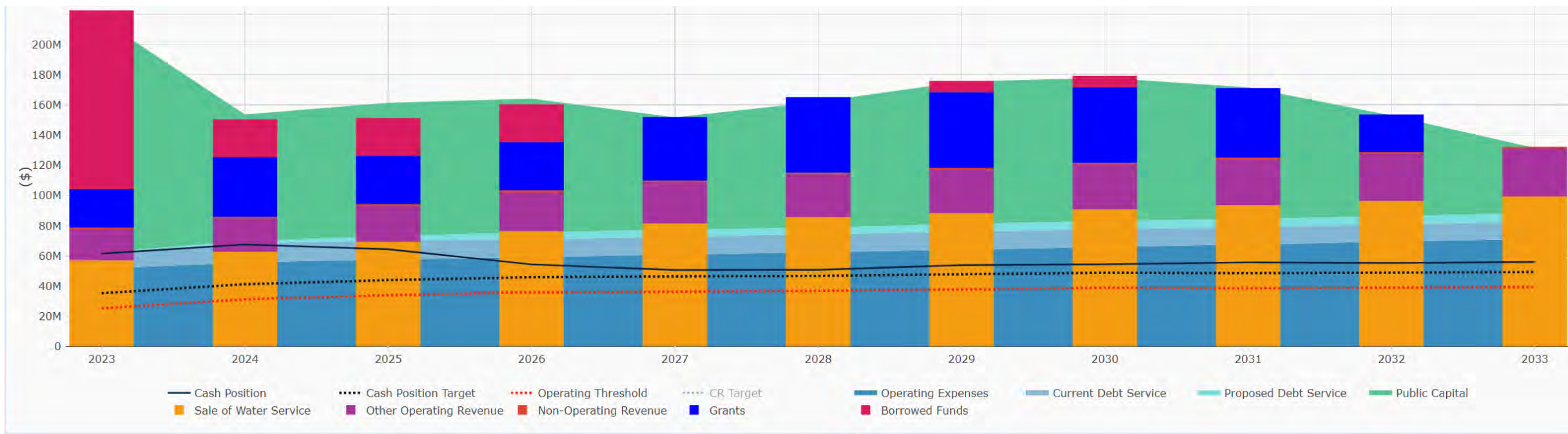
- Excessive Utilization of Cash

SCENARIO 2

Progressive Transition

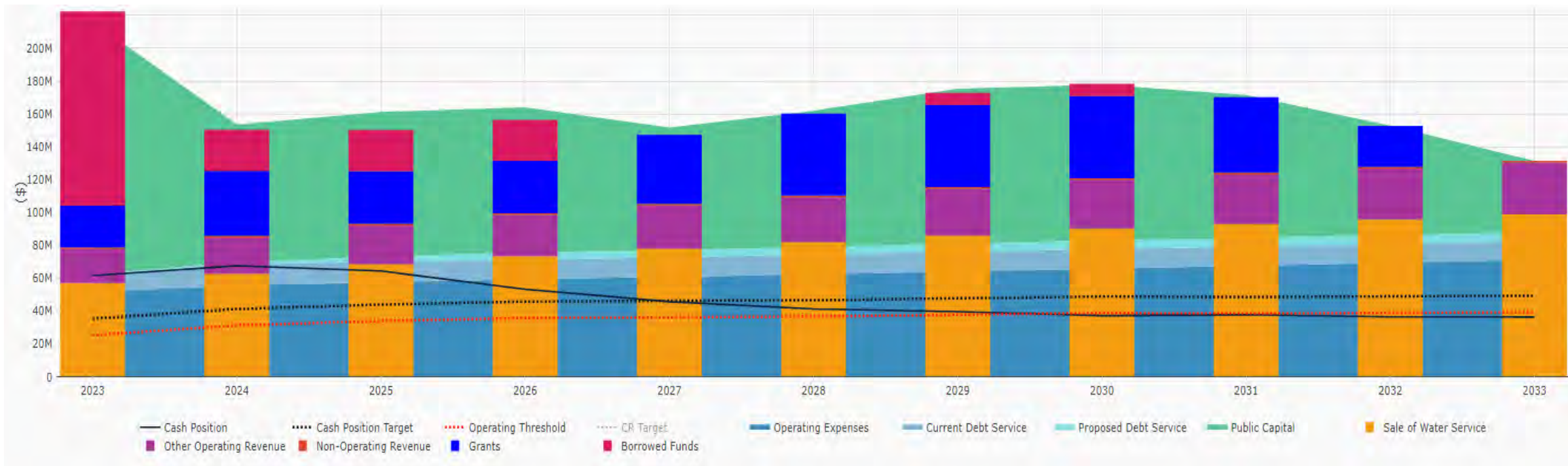
Criteria based prioritization

- Risk Reduction
- Return on Investment
- Customer Service
- Regulatory Compliance



2025	2026	2027	2028	2029	2030	2031	2032	2033
11.00%	11.00%	7.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%

Waterworth Model – Scenario 1A
Not Recommended Due to Excessive Rates



2025	2026	2027	2028	2029	2030	2031	2032	2033
9.5%	7.5%	6.5%	5.0%	5.0%	5.0%	3.0%	3.0%	3.0%

Waterworth Model – Scenario 1B
Not Recommended Due to Cash Balance



Capital Funding Alternatives

SCENARIO #1

Accelerated Implementation

Full phase-in of current needs

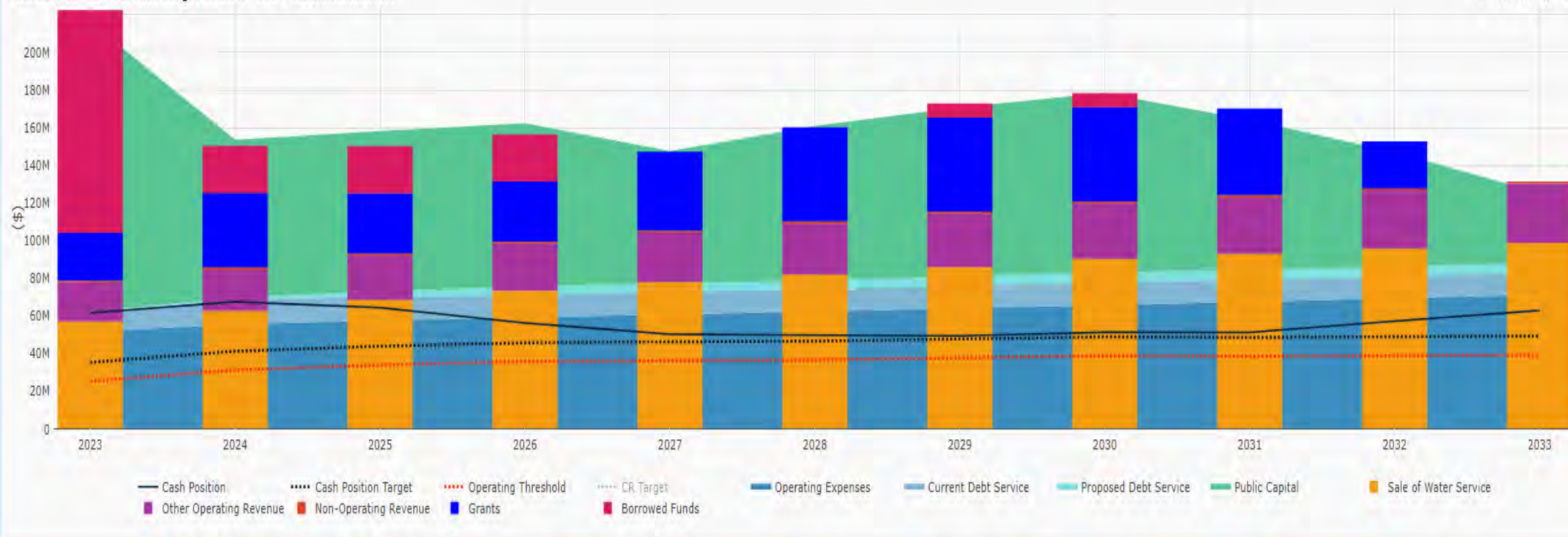
SCENARIO #2

Progressive Transition

Criteria based prioritization

- Risk Reduction
- Return on Investment
- Customer Service
- Regulatory Compliance

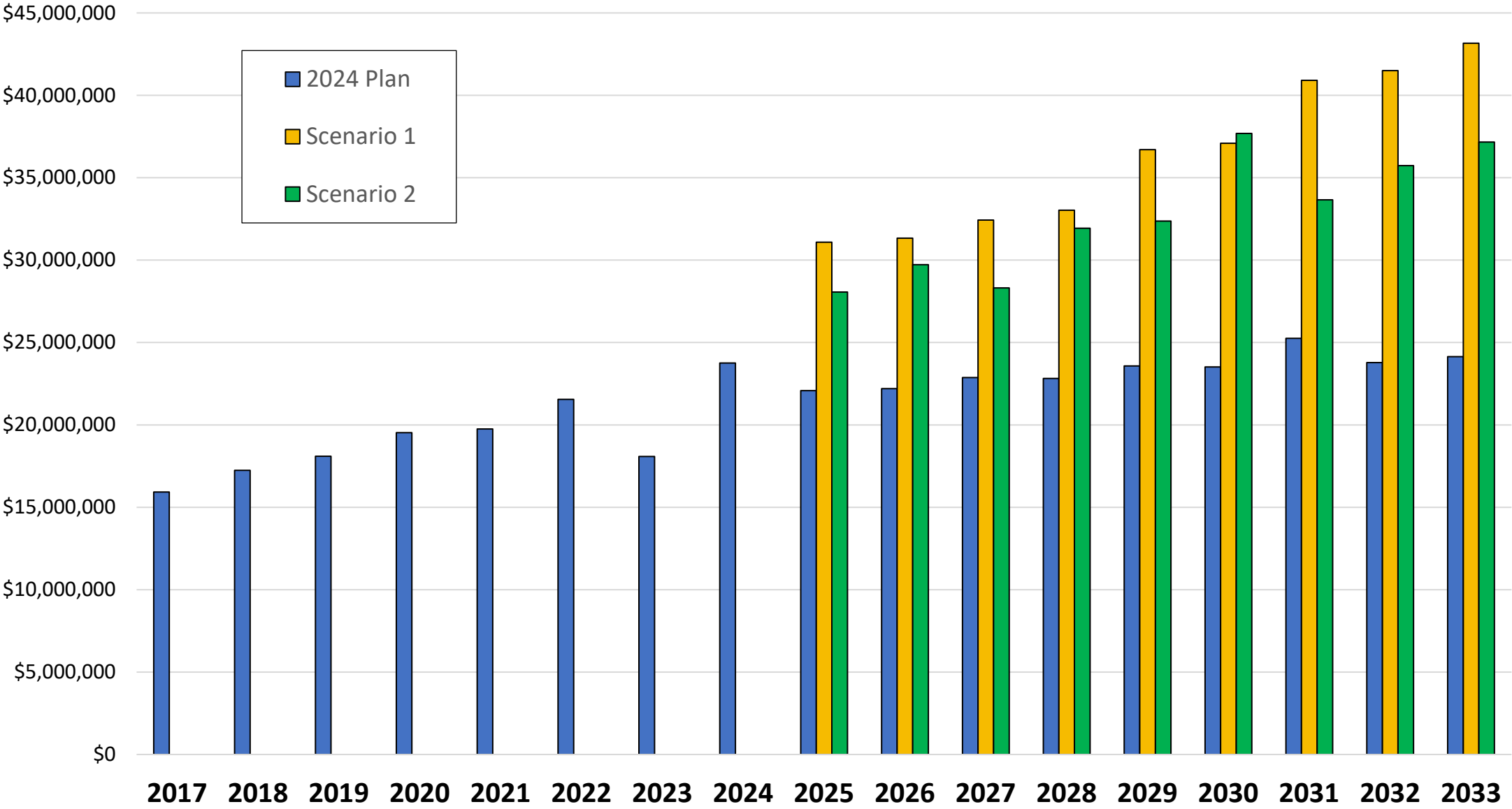
Financial Model - Jamie 2025 budget model A - STAFF RECOMMENDATION



2025	2026	2027	2028	2029	2030	2031	2032	2033
9.5%	7.5%	6.5%	5.0%	5.0%	5.0%	3.0%	3.0%	3.0%

Waterworth Model – Scenario 2

Revenue Funded Capital Investment



Adjustments Between Scenario 1 and 2

- Water main replacement rate reduced from 180 years to 125 years over next 9 years. Scenario #2 does not achieve 100-year water main replacement rate.
- Rehabilitation of McKnight and Fairgrounds tanks delayed.
- Replacement of outdated communications infrastructure (\$625k) is spread across 2025-2028 rather than all completed in 2025.
- Raw water supply projects have been delayed by 3-4 years (Lake Oxygenation System and Copper Sulfate Feed in Pleasant Lake).
- Raw water conduit rehab budget reduced 50 percent for 3 years.
- Investments in the filter gallery and piping improvements to the WTP pumping area phased such that only critical work in 2025/26 and less urgent work is delayed until later years.
- Sludge press replacements split into three separate projects (2026, 2028, and 2033) rather than a single, large project in 2026.

WaterWorks Funding

- **Adequate funding for those in need**
 - LIHWAP Assistance Exceeded \$400k in 2023
- **Ongoing commitment tied to rate increases**
 - Request: Contribution equal to 0.5% of all revenue generated from the sale of water to retail customers (~375k)
 - However, funds would come from the revenue generated from antennae leases (~\$800k)
 - Proactive vs Reactive: Tied to commitment to stop water shut offs due to non-payment. Operational expense of nearly \$1 million/year.
- **Improved program structure**
 - Require 2/3 payments from customers
 - Maintain \$300/year max in 2025
 - For example:
 - Quarterly Bill = \$200.00
 - Customer payment = \$133.00
 - WaterWorks Match = \$67.00

Customer Assistance Provided



Unpaid Bills Certified to Taxes




HOUSEHOLD BURDEN INDICATOR (HBI)

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

HBI Projections

Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Annual bill for 48,363 gallons used (~16 units/quarter) *18 units used for average*	\$755	\$824	\$884	\$939	\$985	\$1,033	\$1,083	\$1,115	\$1,147	\$1,181	\$1,215
Upper limit 20th percentile Household Income (estimates, 3% inflation)	\$30,353	\$31,264	\$32,201	\$33,168	\$34,163	\$35,187	\$36,243	\$37,330	\$38,450	\$39,604	\$40,792
Household Burden Indicator (HBI)	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.00%	3.00%	3.00%



Thank You
Questions?