



# CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-2724

## Public Works Department

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September 11, 2007

To: Public Works Committee

Cc: City Council  
Mayor Alan Hanks

From: Dirk Jablonski, PE  
Public Works Director

Ref: Status of Sewer Rates

At the July 10, 2007 Public Works Committee Meeting the Committee directed staff to bring an analysis regarding the rates and recommendations for funding the sewer utility fund to the first Public Works Committee meeting in September. Therefore, the following is provided.

### **Background**

In mid 2004 a utility rate committee comprised of five City Council members was formed to determine a user rate structure for the water and sewer utilities. Following considerable discussion at the Committee and Council level Ordinance No. 4097 setting sewer rates and fees was approved at the Special City Council meeting of November 22, 2004.

Attachment A provides a summary of the sewer rates established and the key assumptions used in establishment of the rates. A key factor in establishment of the rates at their current level was annual supplement funding from the Utility Facility (.16) Fund to the Sewer Enterprise Fund.

### **Current Status**

The sewer rate study projected the year end cash balance for 2007 would be approximately \$1,600,000.00. The information available at this time indicates that as of August 31, 2007 the cash balance for the sewer enterprise fund was at or near \$1,600,000.00. Therefore, all indications are that the sewer utility enterprise fund balance is tracking in accordance with the 2004 rate study.



EQUAL OPPORTUNITY EMPLOYER

### **Recommendation**

As part of the Utility System Master Plan future capital improvement projects will be identified for both the water and sewer utilities. This information will be vital in development of a future rate and fee structure for both the water and sewer utilities. The final Utility System Master Plan report is scheduled to be complete in April 2008. However, the Capital Improvement Plan (CIP) portion of the study should be available prior to this date. The rates as adopted in 2004 are in effect through 2008. Therefore, the Public Works Department recommends:

- No change to the sewer rates or fees at this time.
- A Utility Rate Committee be formed to develop new five year rate plans (2009 to 2013) for the water and sewer utilities in early 2008 or as soon as the Utility System Master Plan CIP information is available.

DJ/dc

**Attachment A**  
**Final Sewer Rates**  
**Expansion Scenario**  
for \$1.8 Million CIP, \$500,000 in Expansion Projects, Doubling of Fees and No Change in Units Sold

	2004	2005	2006	2007	2008
<b>TOTAL O&amp;M</b>	\$3,602,416	\$3,816,729	\$3,971,569	\$4,132,697	\$4,300,371
<b>CONSTRUCTION</b>	\$3,080,391	\$932,416	\$1,590,466	\$2,054,009	\$2,613,262
<b>DEBT SERVICE</b>	\$1,285,654	\$1,444,805	\$1,444,805	\$1,444,805	\$1,333,344
<b>MISCELLANEOUS EXPENSES</b>	\$137,057	\$142,539	\$148,241	\$154,170	\$160,337
<b>TOTAL REVENUE REQUIREMENT</b>	\$8,105,518	\$6,336,490	\$7,155,081	\$7,785,682	\$8,407,314
<b>MINUS MISCELLANEOUS REVENUE</b>	\$443,789	\$503,798	\$517,017	\$530,603	\$544,564
<b>TOTAL REVENUES NEEDED FROM RATES</b>	\$7,661,730	\$5,832,691	\$6,638,063	\$7,255,079	\$7,862,750
Escalation Rate for Units Sold	0%				
Projected Total Units Sold	3,081,424	3,081,424	3,081,424	3,081,424	3,081,424
Cost per unit	<b>\$2.49</b>	<b>\$1.89</b>	<b>\$2.15</b>	<b>\$2.35</b>	<b>\$2.55</b>
Rate Schedule 2004-2008	<b>\$1.48</b>	<b>\$2.01</b>	<b>\$2.25</b>	<b>\$2.52</b>	<b>\$2.82</b>
Rate for last 3 months of 2004	<b>\$1.48</b>				
<b>PROJECTED CASH FLOW</b>	\$4,560,508	\$6,193,663	\$6,933,205	\$7,765,190	\$8,689,617
<b>PROJECTED YEAR END CASH BALANCE</b>	<b>\$400,000</b>	<b>\$760,972</b>	<b>\$1,056,114</b>	<b>\$1,566,224</b>	<b>\$2,393,091</b>

Monthly charge for average SFR using 7 units/month at proposed rates:	<b>\$10.36</b>	<b>\$14.07</b>	<b>\$15.75</b>	<b>\$17.64</b>	<b>\$19.74</b>
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Assumes Supplemental Funding from other Sources:	Year	2005	2006	2007	2008
	Amount	\$1,500,000	\$1,232,571	\$862,800	\$400,586

- Key Assumptions
- Replacement and Improvement Projects are funded at \$1.8 million per year starting in 2005, increasing 3% per year in 2006
- Expansion type projects are funded at \$500,000 per year starting in 2005, increasing 3% per year in 2006
- Approximately \$2.5 million unencumbered year end cash balance by 2008