



**Chisholm, Minnesota**  
Water, Sewer and Refuse Rate Study  
September 15, 2021



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September 15, 2021

Ms. Eileen Zah, Interim Clerk-Treasurer/Administrator  
City of Chisholm  
316 W Lake St  
Chisholm, MN 55719

Re: **Water, Sewer and Refuse Rate Study**

Dear Ms.Zah:

Baker Tilly Incorporated was hired to perform a rate study for the City's Water, Sewer and Refuse Utilities. This Study includes a review of the past performance of the Utilities, determines the adequacy of revenues in each Utility, and provides rate recommendations which reflect recent cost experience as well as recommended cash reserve levels.

We appreciate the opportunity to conduct this study for the City of Chisholm.

Respectfully submitted,

*Patty Kettles*

Patty Kettles, Director

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# 1. Introduction

Baker Tilly was hired to review and analyze the City of Chisholm's Water, Sewer and Refuse Funds to determine the appropriate rate structures and other revenue sources needed for operations and the financing of capital improvements. The rate structure and other revenue in each Fund must provide sufficient revenue to cover anticipated operating and maintenance expenses, debt service including principal and interest, capital improvements and replacements, and to maintain adequate cash reserves. The total revenue collected should reflect not only recent cost experience but should recognize anticipated future costs during the period for which rates are being established.

This report includes a review of the City's Water Fund, Sewer Fund and Refuse Fund, including their historical revenues and expenses and the 2021 budget, and a determination of the rates and charges necessary to provide revenues sufficient to cover the cost of operation, maintain the capital infrastructure, and to provide adequate cash reserves.

## 2. Background

Chisholm, located in St. Louis County, approximately 75 miles northwest of the Duluth area, is primarily a residential community with limited commercial establishments. The City encompasses an area of approximately 4.5 square miles (2,880 acres) with a current population estimate of approximately 4,914. The City provides approximately 2,130 residential accounts with water and sewer services. The City provides 2,085 accounts with Refuse services (540 accounts with a 65-gallon garbage bin, 1,480 accounts with a 95-gallon garbage bin and 65 accounts with a 300-gallon bin).

## Water Fund

### Historical Information

A review of the City’s most recent financial reports for the Water Fund shows operating expenses exceeded operating revenues in 2017, but operating revenues exceeded operating expenses in 2018, primarily due to the drop-in salary and wages, and equipment repair and maintenance in 2018. In 2019 and 2020, operating expenses exceeded operating revenues as a result of an increase in both salary and wages and equipment repair and maintenance. It is estimated that operating revenue will exceed operating expenses in 2020. The 2021 budget indicates that operating expenses will exceed operating revenue, due to the increases in salary and wages, professional services, and equipment. The Water Fund ending cash and investment balance, which was approximately \$392,000 in 2017, is projected to decrease to approximately \$178,383 at the end of 2021. This assumes an internal loan from the Sewer Fund of \$250,000 in 2021.

Operating revenues and expenses and annual cash positions are shown in the charts below.



## 2. Background

The operating statement for the past four years and the 2021 budget is shown below.

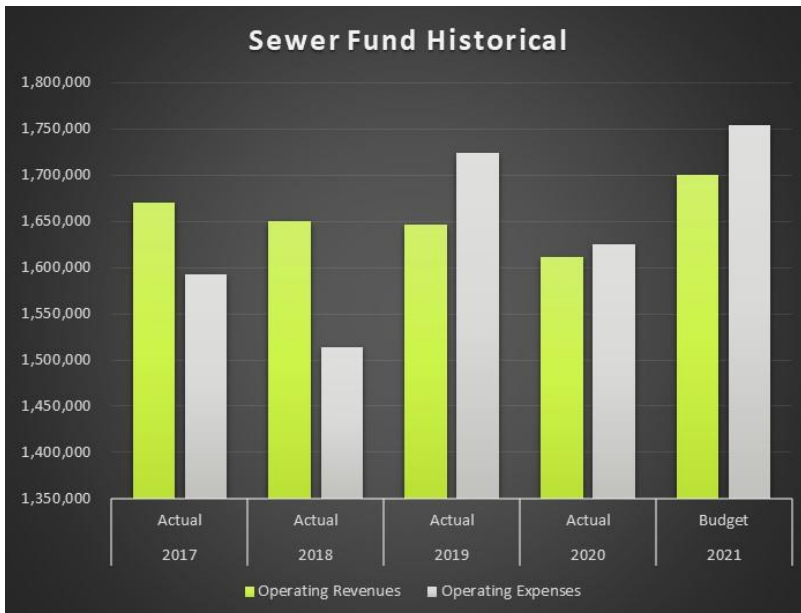
	2017	2018	2019	2020	2021
	Actual	Actual	Actual	Actual	Budget
<b>Operating Revenues</b>					
Sales and Services	549,890	568,235	568,970	562,023	620,740
MN Test Fee Receipts	13,155	13,118	13,087	19,768	19,800
Penalty	14,900	12,928	11,841	11,994	10,664
Bond Fee	49,361	49,369	49,430	49,606	49,000
Misc.	4,883	5,092	21,245	18,063	31,500
Hibbing Taconite Sales					35,672
<b>Total Operating Revenue</b>	<b>632,189</b>	<b>648,742</b>	<b>664,573</b>	<b>661,454</b>	<b>767,376</b>
<b>Operating Expenses</b>					
Water Power & Pumping	30,658	26,652	22,815	37,256	34,500
Water Purification	221,554	190,658	222,352	244,957	205,888
Water Distribution	146,559	118,614	127,601	101,720	182,318
Water Administration	57,223	56,816	71,340	72,166	139,554
Depreciation	181,436	189,127	238,618	237,046	240,000
<b>Total Operating Expenses</b>	<b>637,430</b>	<b>581,868</b>	<b>682,726</b>	<b>693,144</b>	<b>802,259</b>
<b>Operating Income (Loss)</b>	<b>(5,240)</b>	<b>66,873</b>	<b>(18,153)</b>	<b>(31,690)</b>	<b>(34,883)</b>
<b>Non Operating Revenues (Expenses)</b>					
Interest Expense Debt	(41,732)	(38,157)	(48,789)	(45,013)	(48,700)
Interest Income	2,530	2,583	2,264	1,312	2,200
<b>Total Non Operating Revenues (Expenses)</b>	<b>(39,202)</b>	<b>(35,573)</b>	<b>(46,525)</b>	<b>(43,701)</b>	<b>(46,500)</b>
<b>Net Income (Loss) Before Transfers</b>	<b>(44,442)</b>	<b>31,300</b>	<b>(64,678)</b>	<b>(75,391)</b>	<b>(81,383)</b>
<b>Operating Transfers</b>					
Transfers In	97,787	295,458	206,676	-	250,000
Transfers (Out)	-	-	-	-	-
<b>Total Operating Transfers</b>	<b>97,787</b>	<b>295,458</b>	<b>206,676</b>	<b>-</b>	<b>250,000</b>
<b>Net Income (Loss)</b>	<b>53,345</b>	<b>326,758</b>	<b>141,998</b>	<b>(75,391)</b>	<b>168,617</b>
<b>Beginning Cash &amp; Investments</b>	<b>465,512</b>	<b>392,159</b>	<b>391,280</b>	<b>234,438</b>	<b>88,067</b>
Net Income	53,345	326,758	141,998	(75,391)	168,617
Depreciation	181,436	189,127	238,618	237,046	240,000
Acquisition and Construction of Assets	(56,500)	(1,510,089)	(129,055)	(78,838)	(90,500)
Proceeds from New Long-Term Debt	-	1,484,281	-	-	-
Payments on Long-Term Debt	(165,400)	(172,000)	(219,214)	(223,424)	(227,800)
Adjustment to Accruals	(86,233)	(318,957)	(189,189)	(5,765)	-
<b>Ending Cash Balance</b>	<b>392,159</b>	<b>391,280</b>	<b>234,438</b>	<b>88,067</b>	<b>178,383</b>

## Sewer Fund

### Historical Information

In the Sewer Fund, operating revenues in 2017 and 2018 have exceeded operating expenses, however in 2019 and 2020 operating expenses exceeded operating revenues, primarily due to an increase in operating fees, professional services, and wages and salaries. In 2021, it is projected that operating expenses will exceed operating revenues. Cash in the Sewer Fund increased from approximately \$1.0 million in 2017 to approximately \$1.2 million at the end of 2020. The 2021 budget shows the ending cash position is projected to decrease slightly to approximately \$1,030,924 due to an internal loan to the Water Fund.

Historical revenues and expenses and ending cash and investment balances are shown in the charts below.





## 2. Background

The operating statement for the past four years and the 2021 budget is shown below.

	2017	2018	2019	2020	2021
	Actual	Actual	Actual	Actual	Budget
<b>Operating Revenues</b>					
Sales and Services	1,023,752	992,498	993,665	986,694	1,061,960
Fees	100	-	831	-	-
Penalty	37,123	31,019	26,232	25,527	22,250
Bond Fee-New WWTP	457,586	474,082	471,204	449,931	462,149
PFA Replacment Fund	123,355	123,428	123,717	121,173	125,000
Misc.	28,837	29,357	30,300	28,253	28,500
<b>Total Operating Revenue</b>	<b>1,670,754</b>	<b>1,650,384</b>	<b>1,645,950</b>	<b>1,611,578</b>	<b>1,699,859</b>
<b>Operating Expenses</b>					
Sewer Cleaning, Jetter/VAC Truck/Equipment	79,125	54,940	123,515	98,639	89,707
Sewer-Lift Station/Collection	150,542	148,579	177,651	306,339	252,861
Sewer Treatment Plant	1,175,802	1,123,683	1,180,554	1,127,457	1,163,192
Depreciation	187,281	186,353	242,929	93,177	248,000
<b>Total Operating Expenses</b>	<b>1,592,751</b>	<b>1,513,556</b>	<b>1,724,649</b>	<b>1,625,611</b>	<b>1,753,760</b>
<b>Operating Income (Loss)</b>	<b>78,003</b>	<b>136,828</b>	<b>(78,699)</b>	<b>(14,033)</b>	<b>(53,901)</b>
<b>Non Operating Revenues (Expenses)</b>					
Interest Expense Debt	(4,660)	(4,969)	(10,908)	(10,506)	(9,874)
Gain on sale of assets	-	-	8,190	-	-
Interest Income	1,548	2,400	2,923	947	1,832
Grant		1,889,011			
<b>Total Non Operating Revenues (Expenses)</b>	<b>(3,112)</b>	<b>1,886,442</b>	<b>206</b>	<b>(9,559)</b>	<b>(8,042)</b>
<b>Net Income (Loss) Before Transfers</b>	<b>74,891</b>	<b>2,023,270</b>	<b>(78,493)</b>	<b>(23,592)</b>	<b>(61,943)</b>
<b>Operating Transfers</b>					
Transfers In	38,416	279,044	89,859	-	-
Transfers (Out)	-	-	-	-	(250,000)
<b>Total Operating Transfers</b>	<b>38,416</b>	<b>279,044</b>	<b>89,859</b>	<b>-</b>	<b>(250,000)</b>
<b>Net Income (Loss)</b>	<b>113,307</b>	<b>2,302,314</b>	<b>11,366</b>	<b>(23,592)</b>	<b>(311,943)</b>
<b>Beginning Cash &amp; Investments</b>	<b>746,978</b>	<b>1,000,687</b>	<b>1,155,376</b>	<b>1,353,259</b>	<b>1,221,466</b>
Net Income	113,307	2,302,314	11,366	(23,592)	(311,943)
Depreciation	187,281	186,353	242,929	93,177	248,000
Grant	-	1,889,011	-	-	-
Acquisition and Construction of Assets	(25,316)	(2,536,166)	(9,508)	-	(88,000)
Proceeds from New Long-Term Debt		597,306	8,190	-	-
Payments on Long-Term Debt	(22,800)	(2,400)	(36,706)	(38,000)	(38,600)
Adjustment to Accruals	1,237	(2,281,729)	(18,387)	(163,378)	-
<b>Ending Cash Balance</b>	<b>1,000,687</b>	<b>1,155,376</b>	<b>1,353,259</b>	<b>1,221,466</b>	<b>1,030,924</b>

## Refuse Fund

### Historical Information

In the Refuse Fund, operating revenues have exceeded operating expenses in each of the past four years. It is expected that operating expenses will exceed operating revenues by a small margin in 2021. Cash in the Refuse Fund has increased each year from \$393,932 in 2017 to \$579,564 in 2019, but decreased to \$0 in 2020 due to motor vehicle and equipment purchases. The 2021 ending cash position is projected to increase to approximately \$90,000.

Historical revenues and expenses and ending cash and investment balances are shown in the charts below.



## 2. Background

The operating statement for the past four years and the 2021 budget is shown below.

	2017	2018	2019	2020	2021
<b>Operating Revenues</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>
Sales and Services	72,620	66,765	62,706	62,402	-
Collection Fees	231,708	232,996	234,844	226,073	166,500
Misc.	245,342	253,600	269,284	300,857	423,556
Penalties	10,717	9,660	4,678	(11)	8,000
Other Revenue	228	100	-	-	500
<b>Total Operating Revenue</b>	<b>560,615</b>	<b>563,121</b>	<b>571,512</b>	<b>589,321</b>	<b>598,556</b>
<b>Operating Expenses</b>					
Refuse Collection	195,275	185,056	214,097	242,588	259,138
Refuse Disposal	298,862	311,855	306,624	309,622	270,000
Depreciation	36,267	24,503	24,770	24,941	75,000
<b>Total Operating Expenses</b>	<b>530,404</b>	<b>521,414</b>	<b>545,491</b>	<b>577,151</b>	<b>604,138</b>
<b>Operating Income (Loss)</b>	<b>30,211</b>	<b>41,707</b>	<b>26,021</b>	<b>12,170</b>	<b>(5,582)</b>
<b>Non Operating Revenues (Expenses)</b>					
County MSW Haulage Reimbursement	12,043	19,476	16,066	17,207	19,500
Interest Income	774	1,200	1,169	730	1,200
<b>Total Non Operating Revenues (Expenses)</b>	<b>12,817</b>	<b>20,676</b>	<b>17,235</b>	<b>17,937</b>	<b>20,700</b>
<b>Net Income (Loss)</b>	<b>43,028</b>	<b>62,383</b>	<b>43,256</b>	<b>30,107</b>	<b>15,118</b>
<b>Beginning Cash &amp; Investments</b>	<b>313,154</b>	<b>393,932</b>	<b>465,711</b>	<b>579,564</b>	<b>0</b>
Net Income	43,028	62,383	43,256	30,107	15,118
Depreciation	36,267	24,503	24,770	24,941	75,000
Acquisition and Construction of Assets	-	-	(3,208)	(700,162)	
Adjustment to Accruals	1,483	(15,106)	49,035	65,550	-
<b>Ending Cash Balance</b>	<b>393,932</b>	<b>465,711</b>	<b>579,564</b>	<b>0</b>	<b>90,119</b>

## Current Rates

	Jan	Feb-Dec
<b>WATER RATES</b>	<b>2021</b>	<b>2021</b>
Residential - Billed Monthly		
Base Charge (includes 2330 Gal)	\$14.22	\$14.65
>2331 gallons	\$6.16	\$6.34
Water Bond Fee	\$2.00	\$2.00
PFA Replacment	\$5.00	\$5.00
<b>SEWER RATES</b>	<b>2021</b>	<b>2021</b>
Residential - Billed Monthly		
Base Charge (includes 2330 Gal)	\$24.12	\$24.84
>2331 gallons	\$10.45	\$10.76
Sewer Fee (per acreage up to \$4 for sewer replacement)	\$1.00	\$1.00
Usage Fee (sewer plant fee to CIRSSD)	\$15.24	\$15.24
<b>GARBAGE RATES</b>	<b>2021</b>	<b>2021</b>
Residential - Monthly	\$10.41	\$10.41
<b>GARBAGE TAX</b>	<b>2021</b>	<b>2021</b>
Residential - Monthly	\$1.01	\$1.01
<b>SOLID WASTE</b>	<b>2021</b>	<b>2021</b>
Residential - Monthly	\$5.00	\$7.08
<b>RECYCLE</b>	<b>2021</b>	<b>2021</b>
Residential - Monthly	\$2.16	\$0.82
<b>Dump Fee</b>	<b>2021</b>	<b>2021</b>
Dump Fee (95 GAL)	\$2.10	\$2.10
Dump Fee (65 GAL)	\$1.40	\$1.40

\* Solid Waste rates were increased in March/April 2021

### Cash Reserves

Baker Tilly's clients often ask about the amount of cash that should be available in their Utility funds. Utility funds need sufficient cash to pay current expenses, together with principal and interest on outstanding bonds. This would typically require each Utility fund to have a minimum of three months of anticipated operating expenses and one year's total debt service in cash at the end of each year. However, this does not provide any level of cash reserves for unforeseen expenses, emergencies, or to cover any shortfalls in the budget. The amount of cash reserves that each fund should have is dependent on several factors, including:

- Reserves that are legally required
- Variability of the annual revenue stream
- Variability in annual expenses
- Variability in rainfall
- Age and condition of fixed assets
- Anticipated future capital needs
  - Capital improvement plan
  - Asset renewal and replacement
  - Regulatory compliance
- Replacement reserve
- Tolerance for risk
- Number of relatively large customers

Unfortunately, there are no prescribed formulas, and the amount of reserves varies considerably between utilities. We recommend the reserve policy for the studied funds be established at 25% of operating expenses and one year of debt service.

### Assumptions

The City provided Baker Tilly with a variety of material including:

- Water, Sewer and Refuse 2020 audited financial activity and the 2021 budgets for each
- Outstanding loan amortization schedules
- Current utility rates
- Current capital improvement plan for each utility

### Existing Debt

The City of Chisholm has several outstanding debt issues that are factored into the Rate Study. They include:

- 2018 MN PFA Clean Water Loan
- 2018 MN PFA Drinking Water Loan
- 2015 GO Utility Revenue Bonds
- 2011 GO Utility Revenue Bonds

### **Transfers**

To keep water rate increases to a minimum, we recommend a transfer of \$250,000 in 2021 and \$250,000 in 2022 from the Sewer Fund to the Water Fund with repayment to the Sewer fund of \$100,000 annually over the period from 2023 to 2027. We also recommend a transfer from the Sewer Fund to the Refuse Fund of \$100,000 in 2023 with repayment to the Sewer Fund of \$50,000 in 2024 and 2025. These recommended transfers can be altered if the City elects to issue debt for various equipment or if additional customer revenues increase the cash position in the Water and/or Refuse Funds.

### **Capital Improvement Plans**

The City of Chisholm plans to develop, replace and purchase items over the planning period that total approximately \$769,500 for Water Utility, approximately \$1,184,500 for Sewer Utility and approximately \$680,000 for Refuse. Listed below are the items in each fund. In addition to this list, several annual maintenance items are included in each fund's operating budgets.

**Water Utility**

2021	3 Fire Hydrants
2021	Rebuild Water Plant Truck
2021	Water/Sewer Metering Tremble Program
2021	Work Truck, pickup with Utility Box
2022	3 Fire Hydrants
2022	Cap old Well in Balkan
2022	Clean Backwash Tank
2022	New Heating Unit
2022	Pumphouse Roof
2022	Water Plant front windows
2023	3 Fire Hydrants
2023	Clean Clarifier, upgrade heating unit and Tubidity Injectors
2023	Jumping Jack
2023	Replace Building Lighting with LED
2023	Start Dual Meterng System and new meters.
2024	3 Fire Hydrants
2024	Excavator with Trailer
2024	New Heating Unit
2024	Plant windows/doors, pumphouse leaks
2025	3 Fire Hydrants
2025	Replace Transmission Cable on WaterTower
2025	Start Dual Meterng System and new meters.
2025	Street Patching after digs
2026	3 Fire Hydrants
2026	Add Filter Median and repair Filter Nozzles
2026	New Heating Unit
2026	New Pumps at Fresh Water Intake Pumphouse
2026	Street Patching after digs
2027	3 Fire Hydrants
2028	3 Fire Hydrants
2028	New Heating Unit
2028	Portable Compressor
2028	Replace Roof
2029	3 Fire Hydrants
2029	Replace Truck
2030	3 Fire Hydrants
2030	Clean Reservoir
2031	3 Fire Hydrants

**Sewer Utility**

2021	Track Camera
2021	Water/Sewer Metering Tremble Program
2022	Push Camera Cable
2022	Rodder Rod
2023	2 stall and storage, new garage, new location
2023	Start Dual Metering System and new meters
2024	Excavator with Trailer
2024	Vac Truck Hose
2025	Heater for Vac truck
2026	Lift Station Pump
2027	Jetter/VAC Truck

**Refuse**

2023	New Building at new location OR Repurpose existing Building, "frame off"
2025	Replace stock of carts/dumpsters
2026	Replace stock of carts/dumpsters
2027	New Refuse Truck

The table below lists the approximate annual capital expenditures provided by the City for each utility fund over the next ten years.

	Water Utility	Sanitary Sewer Utility	G.O. Sewer Revenue Bonds	Refuse Utility	Totals
2021	90,500	88,000	-	-	178,500
2022	36,000	6,500	-	-	42,500
2023	88,000	365,000	-	350,000	803,000
2024	97,500	70,000	-	-	167,500
2025	45,000	5,000	-	10,000	60,000
2026	244,500	50,000	-	20,000	314,500
2027	10,000	-	600,000	300,000	910,000
2028	77,500	-	-	-	77,500
2029	50,000	-	-	-	50,000
2030	20,000	-	-	-	20,000
2031	10,000	-	-	-	10,000
<b>Total</b>	<b>769,000</b>	<b>584,500</b>	<b>600,000</b>	<b>680,000</b>	<b>2,633,500</b>



## 3. Water Utility

### Financial projections with no rate increases

To demonstrate the financial performance of the Water Utility at current rates, a financial projection with no rate increases was developed. This financial projection shows the Water Fund would have a negative cash position in 2024 of (\$146,189). Ending cash is projected to be (\$925,924) at the end of 2031. This means the Water Utility would run out of cash to pay for expenses with no rate increases.

### Scenario 1

The income statement shown on the following pages shows the financial projections with no rate increases.

### 3. Water Utility

		2021	2022	2023	2024	2025
<b>Operating Revenues</b>						
Sales and Services	0.00%	620,740	620,740	620,740	620,740	620,740
MN Test Fee Receipts	0.00%	19,800	19,800	19,800	19,800	19,800
Penalty	0.00%	10,664	10,664	10,664	10,664	10,664
Bond Fee	0.00%	49,000	49,000	49,000	49,000	49,000
Misc.	0.00%	31,500	31,500	31,500	31,500	31,500
Hibbing Taconite Sales	0.00%	35,672	35,672	35,672	35,672	35,672
<b>Total Operating Revenue</b>		<b>767,376</b>	<b>767,376</b>	<b>767,376</b>	<b>767,376</b>	<b>767,376</b>
<b>Operating Expenses</b>						
Water Power & Pumping	3.50%	34,500	35,708	36,957	38,251	39,590
Water Purification	0.00%	205,888	205,888	205,888	205,888	205,888
Water Distribution	3.00%	182,318	165,787	170,761	175,884	181,160
Water Administration	2.00%	139,554	131,845	134,482	137,172	139,915
Depreciation		240,000	235,200	230,496	225,886	221,368
New Depreciation			6,133	7,683	12,883	17,758
<b>Total Operating Expenses</b>		<b>802,259</b>	<b>780,561</b>	<b>786,267</b>	<b>795,963</b>	<b>805,679</b>
<b>Operating Income (Loss)</b>		<b>(34,883)</b>	<b>(13,185)</b>	<b>(18,891)</b>	<b>(28,587)</b>	<b>(38,303)</b>
<b>Non Operating Revenues (Expenses)</b>						
Interest Income	0.25%	2,200	446	875	282	-
Bond Interest Expense		(48,700)	(37,193)	(32,294)	(27,207)	(21,878)
Interest Expense New Debt			-	-	-	-
<b>Total Non Operating Revenues (Expenses)</b>		<b>(46,500)</b>	<b>(36,747)</b>	<b>(31,419)</b>	<b>(26,925)</b>	<b>(21,878)</b>
<b>Net Income (Loss) Before Transfers</b>		<b>(81,383)</b>	<b>(49,932)</b>	<b>(50,311)</b>	<b>(55,512)</b>	<b>(60,181)</b>
<b>Operating Transfers</b>						
Transfers In		250,000	250,000			
Transfers (Out)		-		(100,000)	(100,000)	(100,000)
<b>Total Operating Transfers</b>		<b>250,000</b>	<b>250,000</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>(100,000)</b>
<b>Net Income (Loss)</b>		<b>168,617</b>	<b>200,068</b>	<b>(150,311)</b>	<b>(155,512)</b>	<b>(160,181)</b>
<b>Beginning Cash &amp; Investments</b>		88,067	178,383	349,985	112,753	(146,189)
Net Income		168,617	200,068	(150,311)	(155,512)	(160,181)
Depreciation		240,000	241,333	238,179	238,769	239,127
Acquisition and Construction of Assets		(90,500)	(36,000)	(88,000)	(97,500)	(45,000)
Proceeds from New Long-Term Debt		-	-	-	-	-
Payments on New Long-Term Debt		-	-	-	-	-
Payments on Existing Long-Term Debt		(227,800)	(233,800)	(237,100)	(244,700)	(250,700)
<b>Ending Cash Balance</b>		<b>178,383</b>	<b>349,985</b>	<b>112,753</b>	<b>(146,189)</b>	<b>(362,943)</b>
<b>Minimum Cash Balance</b>						
For ongoing operations		200,565	195,140	196,567	198,991	201,420
For debt service		270,993	269,394	271,907	272,578	271,273
<b>Minimum Cash Balance Required</b>		<b>471,558</b>	<b>464,535</b>	<b>468,473</b>	<b>471,568</b>	<b>472,692</b>
<b>Amount Over (Under) Minimum</b>		<b>(293,175)</b>	<b>(114,550)</b>	<b>(355,720)</b>	<b>(617,757)</b>	<b>(835,636)</b>

### 3. Water Utility

	2026	2027	2028	2029	2030	2031
<b>Operating Revenues</b>						
Sales and Services	620,740	620,740	620,740	620,740	620,740	620,740
MN Test Fee Receipts	19,800	19,800	19,800	19,800	19,800	19,800
Penalty	10,664	10,664	10,664	10,664	10,664	10,664
Bond Fee	49,000	49,000	49,000	-	-	-
Misc.	31,500	31,500	31,500	31,500	31,500	31,500
Hibbing Taconite Sales	35,672	35,672	35,672	35,672	35,672	35,672
<b>Total Operating Revenue</b>	<b>767,376</b>	<b>767,376</b>	<b>767,376</b>	<b>718,376</b>	<b>718,376</b>	<b>718,376</b>
<b>Operating Expenses</b>						
Water Power & Pumping	40,975	42,409	43,894	45,430	47,020	48,666
Water Purification	205,888	205,888	205,888	205,888	205,888	205,888
Water Distribution	186,595	192,193	197,959	203,898	210,014	216,315
Water Administration	142,713	145,568	148,479	151,448	154,477	157,567
Depreciation	216,941	212,602	208,350	204,183	200,099	196,097
New Depreciation	20,758	34,583	35,083	38,125	41,292	41,792
<b>Total Operating Expenses</b>	<b>813,871</b>	<b>833,243</b>	<b>839,652</b>	<b>848,972</b>	<b>858,791</b>	<b>866,324</b>
<b>Operating Income (Loss)</b>	<b>(46,495)</b>	<b>(65,867)</b>	<b>(72,276)</b>	<b>(130,596)</b>	<b>(140,415)</b>	<b>(147,948)</b>
<b>Non Operating Revenues (Expenses)</b>						
Interest Income	-	-	-	-	-	-
Bond Interest Expense	(16,273)	(12,347)	(10,244)	(8,801)	(7,965)	(7,118)
Interest Expense New Debt	-	-	-	-	-	-
<b>Total Non Operating Revenues (Expenses)</b>	<b>(16,273)</b>	<b>(12,347)</b>	<b>(10,244)</b>	<b>(8,801)</b>	<b>(7,965)</b>	<b>(7,118)</b>
<b>Net Income (Loss) Before Transfers</b>	<b>(62,767)</b>	<b>(78,214)</b>	<b>(82,520)</b>	<b>(139,396)</b>	<b>(148,380)</b>	<b>(155,067)</b>
<b>Operating Transfers</b>						
Transfers In	-	-	-	-	-	-
Transfers (Out)	(100,000)	(100,000)	-	-	-	-
<b>Total Operating Transfers</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Income (Loss)</b>	<b>(162,767)</b>	<b>(178,214)</b>	<b>(82,520)</b>	<b>(139,396)</b>	<b>(148,380)</b>	<b>(155,067)</b>
<b>Beginning Cash &amp; Investments</b>	<b>(362,943)</b>	<b>(787,511)</b>	<b>(855,340)</b>	<b>(896,670)</b>	<b>(918,758)</b>	<b>(921,747)</b>
Net Income	(162,767)	(178,214)	(82,520)	(139,396)	(148,380)	(155,067)
Depreciation	237,699	247,186	243,433	242,308	241,391	237,889
Acquisition and Construction of Assets	(244,500)	(10,000)	(77,500)	(50,000)	(20,000)	(10,000)
Proceeds from New Long-Term Debt	-	-	-	-	-	-
Payments on New Long-Term Debt	-	-	-	-	-	-
Payments on Existing Long-Term Debt	(255,000)	(126,800)	(124,743)	(75,000)	(76,000)	(77,000)
<b>Ending Cash Balance</b>	<b>(787,511)</b>	<b>(855,340)</b>	<b>(896,670)</b>	<b>(918,758)</b>	<b>(921,747)</b>	<b>(925,924)</b>
<b>Minimum Cash Balance</b>						
For ongoing operations	203,468	208,311	209,913	212,243	214,698	216,581
For debt service	139,147	134,987	83,801	83,965	84,118	84,261
<b>Minimum Cash Balance Required</b>	<b>342,615</b>	<b>343,298</b>	<b>293,714</b>	<b>296,208</b>	<b>298,816</b>	<b>300,842</b>
<b>Amount Over (Under) Minimum</b>	<b>(1,130,126)</b>	<b>(1,198,638)</b>	<b>(1,190,384)</b>	<b>(1,214,966)</b>	<b>(1,220,563)</b>	<b>(1,226,766)</b>

## Financial projections with rate increases

A financial projection was developed with rate increases that provide for the Water Utility Fund to have sufficient revenues to pay for operating and maintenance expenses, debt service including principal and interest, to fund its planned improvements, and to maintain adequate levels of cash reserves.

### Scenario 2

The financial projection for the Water Fund with recommended rate increases is shown on the following pages. The recommended rate increases are projected to provide the City with adequate cash reserve levels within six years with ending cash projected to increase from approximately \$178,383 at the end of 2021 to approximately \$1,348,786 in 2031. The projections include the City's planned capital improvement projects within the next 10 years. To minimize the rate increases needed, the financial projection includes a \$250,000 transfer of funds in 2021 and \$250,000 in 2022 from the Sewer fund. The Water Fund would repay the Sewer Fund in \$100,000 annual increments over the period from 2023 to 2027.

### 3. Water Utility

		2021	2022	2023	2024	2025
<b>Operating Revenues</b>						
Sales and Services	0.00%	620,740	682,814	751,095	826,205	846,860
MN Test Fee Receipts	0.00%	19,800	19,800	19,800	19,800	19,800
Penalty	0.00%	10,664	11,730	12,903	14,194	14,549
Bond Fee	0.00%	49,000	49,000	49,000	49,000	49,000
Misc.	0.00%	31,500	31,500	31,500	31,500	31,500
Hibbing Taconite Sales	0.00%	35,672	39,239	43,163	47,479	48,666
<b>Total Operating Revenue</b>		<b>767,376</b>	<b>834,084</b>	<b>907,462</b>	<b>988,178</b>	<b>1,010,375</b>
<b>Operating Expenses</b>						
Water Power & Pumping	3.50%	34,500	35,708	36,957	38,251	39,590
Water Purification	0.00%	205,888	205,888	205,888	205,888	205,888
Water Distribution	3.00%	182,318	165,787	170,761	175,884	181,160
Water Administration	2.00%	139,554	131,845	134,482	137,172	139,915
Depreciation		240,000	235,200	230,496	225,886	221,368
New Depreciation			6,133	7,683	12,883	17,758
<b>Total Operating Expenses</b>		<b>802,259</b>	<b>780,561</b>	<b>786,267</b>	<b>795,963</b>	<b>805,679</b>
<b>Operating Income (Loss)</b>		<b>(34,883)</b>	<b>53,523</b>	<b>121,195</b>	<b>192,215</b>	<b>204,696</b>
<b>Non Operating Revenues (Expenses)</b>						
Interest Income	0.25%	2,200	446	1,042	799	705
Bond Interest Expense		(48,700)	(37,193)	(32,294)	(27,207)	(21,878)
Interest Expense New Debt			-	-	-	-
<b>Total Non Operating Revenues (Expenses)</b>		<b>(46,500)</b>	<b>(36,747)</b>	<b>(31,253)</b>	<b>(26,407)</b>	<b>(21,172)</b>
<b>Net Income (Loss) Before Transfers</b>		<b>(81,383)</b>	<b>16,776</b>	<b>89,942</b>	<b>165,808</b>	<b>183,523</b>
<b>Operating Transfers</b>						
Transfers In		250,000	250,000			
Transfers (Out)		-		(100,000)	(100,000)	(100,000)
<b>Total Operating Transfers</b>		<b>250,000</b>	<b>250,000</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>(100,000)</b>
<b>Net Income (Loss)</b>		<b>168,617</b>	<b>266,776</b>	<b>(10,058)</b>	<b>65,808</b>	<b>83,523</b>
<b>Beginning Cash &amp; Investments</b>						
Net Income		88,067	178,383	416,692	319,714	282,091
Depreciation		168,617	266,776	(10,058)	65,808	83,523
Acquisition and Construction of Assets		240,000	241,333	238,179	238,769	239,127
Proceeds from New Long-Term Debt		(90,500)	(36,000)	(88,000)	(97,500)	(45,000)
Payments on New Long-Term Debt		-	-	-	-	-
Payments on Existing Long-Term Debt		-	-	-	-	-
Payments on Existing Long-Term Debt		(227,800)	(233,800)	(237,100)	(244,700)	(250,700)
<b>Ending Cash Balance</b>		<b>178,383</b>	<b>416,692</b>	<b>319,714</b>	<b>282,091</b>	<b>309,041</b>
<b>Minimum Cash Balance</b>						
For ongoing operations		200,565	195,140	196,567	198,991	201,420
For debt service		270,993	269,394	271,907	272,578	271,273
<b>Minimum Cash Balance Required</b>		<b>471,558</b>	<b>464,535</b>	<b>468,473</b>	<b>471,568</b>	<b>472,692</b>
<b>Amount Over (Under) Minimum</b>		<b>(293,175)</b>	<b>(47,842)</b>	<b>(148,760)</b>	<b>(189,478)</b>	<b>(163,651)</b>

### 3. Water Utility

Operating Revenues	2026	2027	2028	2029	2030	2031
Sales and Services	868,032	868,032	868,032	868,032	868,032	868,032
MN Test Fee Receipts	19,800	19,800	19,800	19,800	19,800	19,800
Penalty	14,912	14,912	14,912	14,912	14,912	14,912
Bond Fee	49,000	49,000	49,000	-	-	-
Misc.	31,500	31,500	31,500	31,500	31,500	31,500
Hibbing Taconite Sales	49,883	49,883	49,883	49,883	49,883	49,883
<b>Total Operating Revenue</b>	<b>1,033,127</b>	<b>1,033,127</b>	<b>1,033,127</b>	<b>984,127</b>	<b>984,127</b>	<b>984,127</b>
<b>Operating Expenses</b>						
Water Power & Pumping	40,975	42,409	43,894	45,430	47,020	48,666
Water Purification	205,888	205,888	205,888	205,888	205,888	205,888
Water Distribution	186,595	192,193	197,959	203,898	210,014	216,315
Water Administration	142,713	145,568	148,479	151,448	154,477	157,567
Depreciation	216,941	212,602	208,350	204,183	200,099	196,097
New Depreciation	20,758	34,583	35,083	38,125	41,292	41,792
<b>Total Operating Expenses</b>	<b>813,871</b>	<b>833,243</b>	<b>839,652</b>	<b>848,972</b>	<b>858,791</b>	<b>866,324</b>
<b>Operating Income (Loss)</b>	<b>219,256</b>	<b>199,884</b>	<b>193,475</b>	<b>135,155</b>	<b>125,336</b>	<b>117,803</b>
<b>Non Operating Revenues (Expenses)</b>						
Interest Income	773	377	873	1,436	2,049	2,711
Bond Interest Expense	(16,273)	(12,347)	(10,244)	(8,801)	(7,965)	(7,118)
Interest Expense New Debt	-	-	-	-	-	-
<b>Total Non Operating Revenues (Expenses)</b>	<b>(15,500)</b>	<b>(11,970)</b>	<b>(9,371)</b>	<b>(7,364)</b>	<b>(5,916)</b>	<b>(4,407)</b>
<b>Net Income (Loss) Before Transfers</b>	<b>203,756</b>	<b>187,914</b>	<b>184,104</b>	<b>127,791</b>	<b>119,420</b>	<b>113,395</b>
<b>Operating Transfers</b>						
Transfers In	-	-	-	-	-	-
Transfers (Out)	(100,000)	(100,000)	-	-	-	-
<b>Total Operating Transfers</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Income (Loss)</b>	<b>103,756</b>	<b>87,914</b>	<b>184,104</b>	<b>127,791</b>	<b>119,420</b>	<b>113,395</b>
<b>Beginning Cash &amp; Investments</b>	<b>309,041</b>	<b>150,997</b>	<b>349,296</b>	<b>574,591</b>	<b>819,690</b>	<b>1,084,501</b>
Net Income	103,756	87,914	184,104	127,791	119,420	113,395
Depreciation	237,699	247,186	243,433	242,308	241,391	237,889
Acquisition and Construction of Assets	(244,500)	(10,000)	(77,500)	(50,000)	(20,000)	(10,000)
Proceeds from New Long-Term Debt	-	-	-	-	-	-
Payments on New Long-Term Debt	-	-	-	-	-	-
Payments on Existing Long-Term Debt	(255,000)	(126,800)	(124,743)	(75,000)	(76,000)	(77,000)
<b>Ending Cash Balance</b>	<b>150,997</b>	<b>349,296</b>	<b>574,591</b>	<b>819,690</b>	<b>1,084,501</b>	<b>1,348,786</b>
<b>Minimum Cash Balance</b>						
For ongoing operations	203,468	208,311	209,913	212,243	214,698	216,581
For debt service	139,147	134,987	83,801	83,965	84,118	84,261
<b>Minimum Cash Balance Required</b>	<b>342,615</b>	<b>343,298</b>	<b>293,714</b>	<b>296,208</b>	<b>298,816</b>	<b>300,842</b>
<b>Amount Over (Under) Minimum</b>	<b>(191,618)</b>	<b>5,999</b>	<b>280,877</b>	<b>523,482</b>	<b>785,685</b>	<b>1,047,944</b>

### 3. Water Utility

Current and recommended water rates for the next 5 years are shown below.

	Jan	Feb-Dec					
<b>WATER RATES</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Residential - Billed Monthly							
Base Charge (includes 2330 Gal)	\$14.22	\$14.65	\$16.11	\$17.72	\$19.49	\$21.44	\$23.59
>2331 gallons	\$6.16	\$6.34	\$6.98	\$7.68	\$8.44	\$9.29	\$10.22
Water Bond Fee	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
PFA Replacment	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00

## 4. Sewer Utility

### Financial projections with no rate increases

The financial projections with no rate increases shows the Sewer Fund would not have a negative cash position within the next 10 years. However, there would be net losses in every year but two within the next 10 years.

### Scenario 1

The income statement shown on the following pages shows the fund projections with no rate increases.



## 4.Sewer Utility

Revenues		2021	2022	2023	2024	2025
Sales and Services	0.00%	1,061,960	1,061,960	1,061,960	1,061,960	1,061,960
Penalty	0.00%	22,250	22,250	22,250	22,250	22,250
Bond Fee-New WWTP	0.00%	462,149	462,149	462,149	462,149	462,149
PFA Replacment Fund	0.00%	125,000	125,000	125,000	125,000	125,000
Misc.	0.00%	28,500	28,500	28,500	28,500	28,500
<b>Total Operating Revenue</b>		<b>1,699,859</b>	<b>1,699,859</b>	<b>1,699,859</b>	<b>1,699,859</b>	<b>1,699,859</b>
<b>Operating Expenses</b>						
Sewer Cleaning, Jetter/VAC Truck/Equipment	3.00%	89,707	92,398	95,170	98,025	100,966
Sewer-Lift Station/Collection	5.00%	252,861	260,004	273,004	286,654	300,987
Sewer Treatment Plant	1.00%	1,163,192	1,174,824	1,186,572	1,198,438	1,210,422
Depreciation		248,000	235,600	223,820	212,629	201,998
New Depreciation			5,733	6,217	15,717	19,383
<b>Total Operating Expenses</b>		<b>1,753,760</b>	<b>1,768,559</b>	<b>1,784,783</b>	<b>1,811,463</b>	<b>1,833,756</b>
<b>Operating Income (Loss)</b>		<b>(53,901)</b>	<b>(68,700)</b>	<b>(84,924)</b>	<b>(111,604)</b>	<b>(133,897)</b>
<b>Non Operating Revenues (Expenses)</b>						
Interest Income	0.25%	1,832	2,577	2,254	1,591	1,963
Bond Interest Expense		(9,874)	(9,236)	(8,592)	(7,930)	(7,233)
Interest Expense New Debt			-	-	-	-
<b>Total Non Operating Revenues (Expenses)</b>		<b>(8,042)</b>	<b>(6,659)</b>	<b>(6,338)</b>	<b>(6,340)</b>	<b>(5,270)</b>
<b>Net Income (Loss) Before Transfers</b>		<b>(61,943)</b>	<b>(75,359)</b>	<b>(91,262)</b>	<b>(117,944)</b>	<b>(139,167)</b>
<b>Operating Transfers</b>						
Transfers In		-	-	100,000	150,000	150,000
Transfers (Out)		(250,000)	(250,000)	(100,000)	-	-
<b>Total Operating Transfers</b>		<b>(250,000)</b>	<b>(250,000)</b>	<b>-</b>	<b>150,000</b>	<b>150,000</b>
<b>Net Income (Loss)</b>		<b>(311,943)</b>	<b>(325,359)</b>	<b>(91,262)</b>	<b>32,056</b>	<b>10,833</b>
<b>Beginning Cash &amp; Investments</b>						
Net Income		1,221,466	1,030,924	901,798	636,372	785,374
Depreciation		(311,943)	(325,359)	(91,262)	32,056	10,833
Acquisition and Construction of Assets		248,000	241,333	230,037	228,346	221,381
Proceeds from New Long-Term Debt		(88,000)	(6,500)	(365,000)	(70,000)	(5,000)
Payments on New Long-Term Debt		-	-	-	-	-
Payments on Existing Long-Term Debt		-	-	-	-	-
<b>Ending Cash Balance</b>		<b>1,030,924</b>	<b>901,798</b>	<b>636,372</b>	<b>785,374</b>	<b>971,188</b>
<b>Minimum Cash Balance</b>						
For ongoing operations		438,440	442,140	446,196	452,866	458,439
For debt service		47,836	47,792	49,330	48,633	48,505
<b>Minimum Cash Balance Required</b>		<b>486,276</b>	<b>489,932</b>	<b>495,526</b>	<b>501,499</b>	<b>506,945</b>
Amount Over (Under) Minimum		544,647	411,866	140,846	283,875	464,244

## 4.Sewer Utility

Revenues	2026	2027	2028	2029	2030	2031
Sales and Services	1,061,960	1,061,960	1,061,960	1,061,960	1,061,960	1,061,960
Penalty	22,250	22,250	22,250	22,250	22,250	22,250
Bond Fee-New WWTP	462,149	462,149	462,149	462,149	462,149	462,149
PFA Replacment Fund	125,000	125,000	125,000	125,000	125,000	125,000
Misc.	28,500	28,500	28,500	28,500	28,500	28,500
<b>Total Operating Revenue</b>	<b>1,699,859</b>	<b>1,699,859</b>	<b>1,699,859</b>	<b>1,699,859</b>	<b>1,699,859</b>	<b>1,699,859</b>
<b>Operating Expenses</b>						
Sewer Cleaning, Jetter/VAC Truck/Equipment	103,995	107,114	110,328	113,638	117,047	120,558
Sewer-Lift Station/Collection	316,037	331,838	348,430	365,852	384,144	403,352
Sewer Treatment Plant	1,222,527	1,234,752	1,247,099	1,259,570	1,272,166	1,284,888
Depreciation	191,898	182,303	173,188	164,528	156,302	148,487
New Depreciation	19,717	23,050	63,050	63,050	63,050	63,050
<b>Total Operating Expenses</b>	<b>1,854,172</b>	<b>1,879,058</b>	<b>1,942,095</b>	<b>1,966,638</b>	<b>1,992,709</b>	<b>2,020,335</b>
<b>Operating Income (Loss)</b>	<b>(154,313)</b>	<b>(179,199)</b>	<b>(242,236)</b>	<b>(266,779)</b>	<b>(292,850)</b>	<b>(320,476)</b>
<b>Non Operating Revenues (Expenses)</b>						
Interest Income	2,428	2,581	2,819	2,583	2,301	1,933
Bond Interest Expense	(6,505)	(5,904)	(5,454)	(5,110)	(4,880)	(4,650)
Interest Expense New Debt	-	-	(21,000)	(19,912)	(18,785)	(17,619)
<b>Total Non Operating Revenues (Expenses)</b>	<b>(4,078)</b>	<b>(3,322)</b>	<b>(23,634)</b>	<b>(22,439)</b>	<b>(21,365)</b>	<b>(20,337)</b>
<b>Net Income (Loss) Before Transfers</b>	<b>(158,391)</b>	<b>(182,521)</b>	<b>(265,871)</b>	<b>(289,218)</b>	<b>(314,215)</b>	<b>(340,812)</b>
<b>Operating Transfers</b>						
Transfers In	100,000	100,000	-	-	-	-
Transfers (Out)	-	-	-	-	-	-
<b>Total Operating Transfers</b>	<b>100,000</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Income (Loss)</b>	<b>(58,391)</b>	<b>(82,521)</b>	<b>(265,871)</b>	<b>(289,218)</b>	<b>(314,215)</b>	<b>(340,812)</b>
<b>Beginning Cash &amp; Investments</b>						
Beginning Cash & Investments	971,188	1,032,412	1,127,643	1,033,160	920,337	773,164
Net Income	(58,391)	(82,521)	(265,871)	(289,218)	(314,215)	(340,812)
Depreciation	211,614	205,353	236,238	227,578	219,352	211,537
Acquisition and Construction of Assets	(50,000)	(600,000)	-	-	-	-
Proceeds from New Long-Term Debt	-	600,000	-	-	-	-
Payments on New Long-Term Debt	-	-	(31,095)	(32,183)	(33,310)	(34,476)
Payments on Existing Long-Term Debt	(42,000)	(27,600)	(33,755)	(19,000)	(19,000)	(19,000)
<b>Ending Cash Balance</b>	<b>1,032,412</b>	<b>1,127,643</b>	<b>1,033,160</b>	<b>920,337</b>	<b>773,164</b>	<b>590,413</b>
<b>Minimum Cash Balance</b>						
For ongoing operations	463,543	469,764	485,524	491,660	498,177	505,084
For debt service	33,504	91,304	76,205	75,975	75,745	75,515
<b>Minimum Cash Balance Required</b>	<b>497,047</b>	<b>561,068</b>	<b>561,729</b>	<b>567,635</b>	<b>573,923</b>	<b>580,599</b>
Amount Over (Under) Minimum	535,365	566,576	471,431	352,702	199,241	9,814

## Financial projections with rate increases

A financial projection with recommended rate increases was developed for the Sewer Fund. The rate increases are recommended because the fund is showing operating losses each year at the current rates. The recommended increases are projected to result in positive operating income by 2025 and generally maintain it over the planning period. The ending cash balance would increase from approximately \$1,030,924 projected at the end of 2021 to approximately \$2,329,751 in 2031.

### Scenario 2

The financial projection for the Sewer Fund with recommended rate increases is shown on the following pages. The rate recommendations are projected to provide the Sewer Fund with adequate cash reserves.

4.Sewer Utility

Revenues		2021	2022	2023	2024	2025
Sales and Services	0.00%	1,061,960	1,093,819	1,126,633	1,160,432	1,195,245
Penalty	0.00%	22,250	22,918	23,605	24,313	25,043
Bond Fee-New WWTP	0.00%	462,149	462,149	462,149	462,149	462,149
PFA Replacment Fund	0.00%	125,000	125,000	125,000	125,000	125,000
Misc.	0.00%	28,500	29,355	30,236	31,143	32,077
<b>Total Operating Revenue</b>		<b>1,699,859</b>	<b>1,733,240</b>	<b>1,767,623</b>	<b>1,803,037</b>	<b>1,839,514</b>
<b>Operating Expenses</b>						
Sewer Cleaning, Jetter/VAC Truck/Equipment	3.00%	89,707	92,398	95,170	98,025	100,966
Sewer-Lift Station/Collection	5.00%	252,861	260,004	273,004	286,654	300,987
Sewer Treatment Plant	1.00%	1,163,192	1,174,824	1,186,572	1,198,438	1,210,422
Depreciation		248,000	235,600	223,820	212,629	201,998
New Depreciation			5,733	6,217	15,717	19,383
<b>Total Operating Expenses</b>		<b>1,753,760</b>	<b>1,768,559</b>	<b>1,784,783</b>	<b>1,811,463</b>	<b>1,833,756</b>
<b>Operating Income (Loss)</b>		<b>(53,901)</b>	<b>(35,319)</b>	<b>(17,160)</b>	<b>(8,426)</b>	<b>5,758</b>
<b>Non Operating Revenues (Expenses)</b>						
Interest Income	0.25%	1,832	2,577	2,338	1,844	2,475
Bond Interest Expense		(9,874)	(9,236)	(8,592)	(7,930)	(7,233)
Interest Expense New Debt			-	-	-	-
<b>Total Non Operating Revenues (Expenses)</b>		<b>(8,042)</b>	<b>(6,659)</b>	<b>(6,254)</b>	<b>(6,086)</b>	<b>(4,758)</b>
<b>Net Income (Loss) Before Transfers</b>		<b>(61,943)</b>	<b>(41,978)</b>	<b>(23,414)</b>	<b>(14,512)</b>	<b>999</b>
<b>Operating Transfers</b>						
Transfers In		-	-	100,000	150,000	150,000
Transfers (Out)		(250,000)	(250,000)	(100,000)	-	-
<b>Total Operating Transfers</b>		<b>(250,000)</b>	<b>(250,000)</b>	<b>-</b>	<b>150,000</b>	<b>150,000</b>
<b>Net Income (Loss)</b>		<b>(311,943)</b>	<b>(291,978)</b>	<b>(23,414)</b>	<b>135,488</b>	<b>150,999</b>
<b>Beginning Cash &amp; Investments</b>						
Beginning Cash & Investments		1,221,466	1,030,924	935,179	737,601	990,035
Net Income		(311,943)	(291,978)	(23,414)	135,488	150,999
Depreciation		248,000	241,333	230,037	228,346	221,381
Acquisition and Construction of Assets		(88,000)	(6,500)	(365,000)	(70,000)	(5,000)
Proceeds from New Long-Term Debt		-	-	-	-	-
Payments on New Long-Term Debt		-	-	-	-	-
Payments on Existing Long-Term Debt		(38,600)	(38,600)	(39,200)	(41,400)	(41,400)
<b>Ending Cash Balance</b>		<b>1,030,924</b>	<b>935,179</b>	<b>737,601</b>	<b>990,035</b>	<b>1,316,015</b>
<b>Minimum Cash Balance</b>						
For ongoing operations		438,440	442,140	446,196	452,866	458,439
For debt service		47,836	47,792	49,330	48,633	48,505
<b>Minimum Cash Balance Required</b>		<b>486,276</b>	<b>489,932</b>	<b>495,526</b>	<b>501,499</b>	<b>506,945</b>
Amount Over (Under) Minimum		544,647	445,247	242,075	488,535	809,070

## 4. Sewer Utility

Revenues	2026	2027	2028	2029	2030	2031
Sales and Services	1,219,150	1,243,533	1,268,404	1,293,772	1,319,647	1,346,040
Penalty	25,543	26,054	26,575	27,107	27,649	28,202
Bond Fee-New WWTP	462,149	462,149	462,149	462,149	462,149	462,149
PFA Replacment Fund	125,000	125,000	125,000	125,000	125,000	125,000
Misc.	32,719	33,373	34,040	34,721	35,416	36,124
<b>Total Operating Revenue</b>	<b>1,864,561</b>	<b>1,890,109</b>	<b>1,916,169</b>	<b>1,942,749</b>	<b>1,969,861</b>	<b>1,997,515</b>
<b>Operating Expenses</b>						
Sewer Cleaning, Jetter/VAC Truck/Equipment	103,995	107,114	110,328	113,638	117,047	120,558
Sewer-Lift Station/Collection	316,037	331,838	348,430	365,852	384,144	403,352
Sewer Treatment Plant	1,222,527	1,234,752	1,247,099	1,259,570	1,272,166	1,284,888
Depreciation	191,898	182,303	173,188	164,528	156,302	148,487
New Depreciation	19,717	23,050	63,050	63,050	63,050	63,050
<b>Total Operating Expenses</b>	<b>1,854,172</b>	<b>1,879,058</b>	<b>1,942,095</b>	<b>1,966,638</b>	<b>1,992,709</b>	<b>2,020,335</b>
<b>Operating Income (Loss)</b>	<b>10,389</b>	<b>11,052</b>	<b>(25,927)</b>	<b>(23,889)</b>	<b>(22,848)</b>	<b>(22,819)</b>
<b>Non Operating Revenues (Expenses)</b>						
Interest Income	3,290	3,857	4,574	4,883	5,214	5,528
Bond Interest Expense	(6,505)	(5,904)	(5,454)	(5,110)	(4,880)	(4,650)
Interest Expense New Debt	-	-	(21,000)	(19,912)	(18,785)	(17,619)
<b>Total Non Operating Revenues (Expenses)</b>	<b>(3,215)</b>	<b>(2,046)</b>	<b>(21,880)</b>	<b>(20,139)</b>	<b>(18,452)</b>	<b>(16,742)</b>
<b>Net Income (Loss) Before Transfers</b>	<b>7,174</b>	<b>9,005</b>	<b>(47,806)</b>	<b>(44,028)</b>	<b>(41,300)</b>	<b>(39,561)</b>
<b>Operating Transfers</b>						
Transfers In	100,000	100,000	-	-	-	-
Transfers (Out)	-	-	-	-	-	-
<b>Total Operating Transfers</b>	<b>100,000</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Income (Loss)</b>	<b>107,174</b>	<b>109,005</b>	<b>(47,806)</b>	<b>(44,028)</b>	<b>(41,300)</b>	<b>(39,561)</b>
<b>Beginning Cash &amp; Investments</b>						
Beginning Cash & Investments	1,316,015	1,542,803	1,829,561	1,953,142	2,085,509	2,211,251
Net Income	107,174	109,005	(47,806)	(44,028)	(41,300)	(39,561)
Depreciation	211,614	205,353	236,238	227,578	219,352	211,537
Acquisition and Construction of Assets	(50,000)	(600,000)	-	-	-	-
Proceeds from New Long-Term Debt	-	600,000	-	-	-	-
Payments on New Long-Term Debt	-	-	(31,095)	(32,183)	(33,310)	(34,476)
Payments on Existing Long-Term Debt	(42,000)	(27,600)	(33,755)	(19,000)	(19,000)	(19,000)
<b>Ending Cash Balance</b>	<b>1,542,803</b>	<b>1,829,561</b>	<b>1,953,142</b>	<b>2,085,509</b>	<b>2,211,251</b>	<b>2,329,751</b>
<b>Minimum Cash Balance</b>						
For ongoing operations	463,543	469,764	485,524	491,660	498,177	505,084
For debt service	33,504	91,304	76,205	75,975	75,745	75,515
<b>Minimum Cash Balance Required</b>	<b>497,047</b>	<b>561,068</b>	<b>561,729</b>	<b>567,635</b>	<b>573,923</b>	<b>580,599</b>
Amount Over (Under) Minimum	1,045,756	1,268,493	1,391,413	1,517,874	1,637,328	1,749,152

## 4. Sewer Utility

Current and recommended sewer rates for the next 5 years are shown below.

SEWER RATES	2021	2021	2022	2023	2024	2025	2026
Residential - Billed Monthly							
Base Charge (includes 2330 Gal)	\$24.12	\$24.84	\$25.59	\$26.36	\$27.15	\$27.96	\$28.52
>2331 gallons	\$10.45	\$10.76	\$11.09	\$11.42	\$11.76	\$12.11	\$12.48
Sewer Fee (per acreage up to \$4 for sewer replacement)	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Usage Fee (sewer plant fee to CIRSSD)	\$15.24	\$15.24	\$15.24	\$15.24	\$15.24	\$15.24	\$15.24

## 5. Refuse Utility

### Financial projections with no rate increase

A financial projection with no rate increases show the Refuse Fund would have negative operating income each year and a negative cash position in 2023 of approximately (\$23,200) due the capital expenditure of \$350,000 for a new building or repurposing the existing building.

### Scenario 1

The income statement on the following pages shows the Refuse Utility Fund projection with no rate increases, it includes the City's planned capital improvements of either development of a new building or repurposing the existing building in 2023, replacing the stock of carts/dumpsters in 2025 and 2026, and a new refuse truck in 2027. To mitigate rate increases, we recommend a loan from the Sewer Fund in 2023 with repayment in 2024 and 2025. This can be adjusted if the cash position in the fund improves.

## 5. Refuse Utility

Operating Revenues		2021	2022	2023	2024	2025
Sales and Services	0.00%	-	-	-	-	-
Collection Fees	0.00%	166,500	166,500	166,500	166,500	166,500
Misc.	0.00%	423,556	423,556	423,556	423,556	423,556
Penalties	0.00%	8,000	8,000	8,000	8,000	8,000
Other Revenue	0.00%	500	500	500	500	500
<b>Total Operating Revenue</b>		<b>598,556</b>	<b>598,556</b>	<b>598,556</b>	<b>598,556</b>	<b>598,556</b>
<b>Operating Expenses</b>						
Refuse Collection	4.00%	259,138	269,503	280,283	291,495	303,155
Refuse Disposal	1.50%	270,000	274,050	278,161	282,333	286,568
Depreciation		75,000	73,500	72,030	70,589	69,178
New Depreciation			-	-	7,000	7,000
<b>Total Operating Expenses</b>		<b>604,138</b>	<b>617,053</b>	<b>630,474</b>	<b>651,417</b>	<b>665,900</b>
<b>Operating Income (Loss)</b>		<b>(5,582)</b>	<b>(18,497)</b>	<b>(31,918)</b>	<b>(52,861)</b>	<b>(67,344)</b>
<b>Non Operating Revenues (Expenses)</b>						
County MSW Haulage Reimbursement		19,500	19,500	19,500	19,500	19,500
Interest Income	1.00%	1,200	901	1,655	-	-
<b>Total Non Operating Revenues (Expenses)</b>		<b>20,700</b>	<b>20,401</b>	<b>21,155</b>	<b>19,500</b>	<b>19,500</b>
<b>Net Income (Loss) Before Transfers</b>		<b>15,118</b>	<b>1,904</b>	<b>(10,763)</b>	<b>(33,361)</b>	<b>(47,844)</b>
<b>Operating Transfers</b>						
Transfers In				100,000		
Transfers (Out)		-	-	-	(50,000)	(50,000)
<b>Total Operating Transfers</b>		<b>-</b>	<b>-</b>	<b>100,000</b>	<b>(50,000)</b>	<b>(50,000)</b>
<b>Net Income (Loss)</b>		<b>15,118</b>	<b>1,904</b>	<b>89,237</b>	<b>(83,361)</b>	<b>(97,844)</b>
<b>Beginning Cash &amp; Investments</b>		<b>0</b>	<b>90,119</b>	<b>165,523</b>	<b>(23,210)</b>	<b>(28,982)</b>
Net Income		15,118	1,904	89,237	(83,361)	(97,844)
Depreciation		75,000	73,500	72,030	77,589	76,178
Acquisition and Construction of Assets		-	-	(350,000)	-	(10,000)
<b>Ending Cash Balance</b>		<b>90,119</b>	<b>165,523</b>	<b>(23,210)</b>	<b>(28,982)</b>	<b>(60,649)</b>
<b>Minimum Cash Balance</b>						
For ongoing operations		151,034	154,263	157,619	162,854	166,475
<b>Minimum Cash Balance Required</b>		<b>151,034</b>	<b>154,263</b>	<b>157,619</b>	<b>162,854</b>	<b>166,475</b>
<b>Amount Over (Under) Minimum</b>		<b>(60,916)</b>	<b>11,259</b>	<b>(180,829)</b>	<b>(191,837)</b>	<b>(227,124)</b>



5. Refuse Utility

Projected Solid Waste Rate Adjustment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	2026	2027	2028	2029	2030	2031
<b>Operating Revenues</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
Sales and Services	-	-	-	-	-	-
Collection Fees	166,500	166,500	166,500	166,500	166,500	166,500
Misc.	423,556	423,556	423,556	423,556	423,556	423,556
Penalties	8,000	8,000	8,000	8,000	8,000	8,000
Other Revenue	500	500	500	500	500	500
<b>Total Operating Revenue</b>	<b>598,556</b>	<b>598,556</b>	<b>598,556</b>	<b>598,556</b>	<b>598,556</b>	<b>598,556</b>
<b>Operating Expenses</b>						
Refuse Collection	315,281	327,892	341,008	354,648	368,834	383,587
Refuse Disposal	290,867	295,230	299,658	304,153	308,715	313,346
Depreciation	67,794	66,438	65,109	63,807	62,531	61,280
New Depreciation	8,000	10,000	40,000	40,000	40,000	40,000
<b>Total Operating Expenses</b>	<b>681,941</b>	<b>699,560</b>	<b>745,775</b>	<b>762,608</b>	<b>780,080</b>	<b>798,214</b>
<b>Operating Income (Loss)</b>	<b>(83,385)</b>	<b>(101,004)</b>	<b>(147,219)</b>	<b>(164,052)</b>	<b>(181,524)</b>	<b>(199,658)</b>
<b>Non Operating Revenues (Expenses)</b>						
County MSW Haulage Reimbursement	19,500	19,500	19,500	19,500	19,500	19,500
Interest Income	-	-	-	-	-	-
<b>Total Non Operating Revenues (Expenses)</b>	<b>19,500</b>	<b>19,500</b>	<b>19,500</b>	<b>19,500</b>	<b>19,500</b>	<b>19,500</b>
<b>Net Income (Loss) Before Transfers</b>	<b>(63,885)</b>	<b>(81,504)</b>	<b>(127,719)</b>	<b>(144,552)</b>	<b>(162,024)</b>	<b>(180,158)</b>
<b>Operating Transfers</b>						
Transfers In						
Transfers (Out)						
<b>Total Operating Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Income (Loss)</b>	<b>(63,885)</b>	<b>(81,504)</b>	<b>(127,719)</b>	<b>(144,552)</b>	<b>(162,024)</b>	<b>(180,158)</b>
<b>Beginning Cash &amp; Investments</b>	<b>(60,649)</b>	<b>(68,741)</b>	<b>(373,806)</b>	<b>(396,416)</b>	<b>(437,161)</b>	<b>(496,654)</b>
Net Income	(63,885)	(81,504)	(127,719)	(144,552)	(162,024)	(180,158)
Depreciation	75,794	76,438	105,109	103,807	102,531	101,280
Acquisition and Construction of Assets	(20,000)	(300,000)	-	-	-	-
<b>Ending Cash Balance</b>	<b>(68,741)</b>	<b>(373,806)</b>	<b>(396,416)</b>	<b>(437,161)</b>	<b>(496,654)</b>	<b>(575,531)</b>
<b>Minimum Cash Balance</b>						
For ongoing operations	170,485	174,890	186,444	190,652	195,020	199,553
<b>Minimum Cash Balance Required</b>	<b>170,485</b>	<b>174,890</b>	<b>186,444</b>	<b>190,652</b>	<b>195,020</b>	<b>199,553</b>
<b>Amount Over (Under) Minimum</b>	<b>(239,226)</b>	<b>(548,696)</b>	<b>(582,860)</b>	<b>(627,813)</b>	<b>(691,674)</b>	<b>(775,085)</b>

## Financial projections with rate increases

A financial projection with recommended rate increases to eliminate the operating losses each year in the Refuse Fund was developed. The recommended increase result in positive operating income in most years and provide an increase in the ending cash balance from approximately \$90,000 at the end of 2021 to approximately \$518,000 in 2031.

### Scenario 2

The financial projection for the Refuse Fund with recommended rate increases is shown on the following pages. The rate recommendations are providing the Refuse Fund with adequate cash reserves levels and incorporate the City's planned capital improvements.

5. Refuse Utility

		2021	2022	2023	2024	2025
<b>Operating Revenues</b>						
Sales and Services	0.00%	-	-	-	-	-
Collection Fees	0.00%	166,500	171,495	176,640	181,939	187,397
Misc.	0.00%	423,556	436,263	449,351	462,831	476,716
Penalties	0.00%	8,000	8,240	8,487	8,742	9,004
Other Revenue	0.00%	500	500	500	500	500
<b>Total Operating Revenue</b>		<b>598,556</b>	<b>616,498</b>	<b>634,978</b>	<b>654,012</b>	<b>673,617</b>
<b>Operating Expenses</b>						
Refuse Collection	4.00%	259,138	269,503	280,283	291,495	303,155
Refuse Disposal	1.50%	270,000	274,050	278,161	282,333	286,568
Depreciation		75,000	73,500	72,030	70,589	69,178
New Depreciation			-	-	7,000	7,000
<b>Total Operating Expenses</b>		<b>604,138</b>	<b>617,053</b>	<b>630,474</b>	<b>651,417</b>	<b>665,900</b>
<b>Operating Income (Loss)</b>		<b>(5,582)</b>	<b>(556)</b>	<b>4,503</b>	<b>2,595</b>	<b>7,717</b>
<b>Non Operating Revenues (Expenses)</b>						
County MSW Haulage Reimbursement		19,500	19,500	19,500	19,500	19,500
Interest Income	1.00%	1,200	901	1,835	313	813
<b>Total Non Operating Revenues (Expenses)</b>		<b>20,700</b>	<b>20,401</b>	<b>21,335</b>	<b>19,813</b>	<b>20,313</b>
<b>Net Income (Loss) Before Transfers</b>		<b>15,118</b>	<b>19,846</b>	<b>25,838</b>	<b>22,408</b>	<b>28,030</b>
<b>Operating Transfers</b>						
Transfers In				100,000		
Transfers (Out)		-	-	-	(50,000)	(50,000)
<b>Total Operating Transfers</b>		<b>-</b>	<b>-</b>	<b>100,000</b>	<b>(50,000)</b>	<b>(50,000)</b>
<b>Net Income (Loss)</b>		<b>15,118</b>	<b>19,846</b>	<b>125,838</b>	<b>(27,592)</b>	<b>(21,970)</b>
<b>Beginning Cash &amp; Investments</b>		<b>0</b>	<b>90,119</b>	<b>183,464</b>	<b>31,332</b>	<b>81,330</b>
Net Income		15,118	19,846	125,838	(27,592)	(21,970)
Depreciation		75,000	73,500	72,030	77,589	76,178
Acquisition and Construction of Assets		-	-	(350,000)	-	(10,000)
<b>Ending Cash Balance</b>		<b>90,119</b>	<b>183,464</b>	<b>31,332</b>	<b>81,330</b>	<b>125,537</b>
<b>Minimum Cash Balance</b>						
For ongoing operations		151,034	154,263	157,619	162,854	166,475
<b>Minimum Cash Balance Required</b>		<b>151,034</b>	<b>154,263</b>	<b>157,619</b>	<b>162,854</b>	<b>166,475</b>
<b>Amount Over (Under) Minimum</b>		<b>(60,916)</b>	<b>29,201</b>	<b>(126,286)</b>	<b>(81,525)</b>	<b>(40,938)</b>

## 5. Refuse Utility

Operating Revenues	2026	2027	2028	2029	2030	2031
Sales and Services	-	-	-	-	-	-
Collection Fees	193,019	198,810	204,774	210,917	217,245	223,762
Misc.	491,017	505,748	520,920	536,548	552,645	569,224
Penalties	9,274	9,552	9,839	10,134	10,438	10,751
Other Revenue	500	500	500	500	500	500
<b>Total Operating Revenue</b>	<b>693,811</b>	<b>714,610</b>	<b>736,033</b>	<b>758,099</b>	<b>780,827</b>	<b>804,237</b>
<b>Operating Expenses</b>						
Refuse Collection	315,281	327,892	341,008	354,648	368,834	383,587
Refuse Disposal	290,867	295,230	299,658	304,153	308,715	313,346
Depreciation	67,794	66,438	65,109	63,807	62,531	61,280
New Depreciation	8,000	10,000	40,000	40,000	40,000	40,000
<b>Total Operating Expenses</b>	<b>681,941</b>	<b>699,560</b>	<b>745,775</b>	<b>762,608</b>	<b>780,080</b>	<b>798,214</b>
<b>Operating Income (Loss)</b>	<b>11,869</b>	<b>15,050</b>	<b>(9,742)</b>	<b>(4,509)</b>	<b>747</b>	<b>6,024</b>
<b>Non Operating Revenues (Expenses)</b>						
County MSW Haulage Reimbursement	19,500	19,500	19,500	19,500	19,500	19,500
Interest Income	1,255	2,140	271	1,422	2,624	3,878
<b>Total Non Operating Revenues (Expenses)</b>	<b>20,755</b>	<b>21,640</b>	<b>19,771</b>	<b>20,922</b>	<b>22,124</b>	<b>23,378</b>
<b>Net Income (Loss) Before Transfers</b>	<b>32,625</b>	<b>36,690</b>	<b>10,029</b>	<b>16,413</b>	<b>22,872</b>	<b>29,402</b>
<b>Operating Transfers</b>						
Transfers In						
Transfers (Out)						
<b>Total Operating Transfers</b>	-	-	-	-	-	-
<b>Net Income (Loss)</b>	<b>32,625</b>	<b>36,690</b>	<b>10,029</b>	<b>16,413</b>	<b>22,872</b>	<b>29,402</b>
<b>Beginning Cash &amp; Investments</b>	125,537	213,956	27,084	142,223	262,443	387,846
Net Income	32,625	36,690	10,029	16,413	22,872	29,402
Depreciation	75,794	76,438	105,109	103,807	102,531	101,280
Acquisition and Construction of Assets	(20,000)	(300,000)	-	-	-	-
<b>Ending Cash Balance</b>	<b>213,956</b>	<b>27,084</b>	<b>142,223</b>	<b>262,443</b>	<b>387,846</b>	<b>518,529</b>
<b>Minimum Cash Balance</b>						
For ongoing operations	170,485	174,890	186,444	190,652	195,020	199,553
<b>Minimum Cash Balance Required</b>	<b>170,485</b>	<b>174,890</b>	<b>186,444</b>	<b>190,652</b>	<b>195,020</b>	<b>199,553</b>
<b>Amount Over (Under) Minimum</b>	<b>43,471</b>	<b>(147,806)</b>	<b>(44,221)</b>	<b>71,791</b>	<b>192,826</b>	<b>318,975</b>

## 5. Refuse Utility

Current and recommended Refuse rates for the next 6 years are shown below.

	Jan	Feb-Dec					
<b>GARBAGE RATES</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Residential - Monthly	\$10.41	\$10.41	\$10.72	\$11.04	\$11.38	\$11.72	\$12.07
<b>GARBAGE TAX</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Residential - Monthly	\$1.01	\$1.01	\$1.05	\$1.08	\$1.11	\$1.14	\$1.18
<b>SOLID WASTE</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Residential - Monthly	\$5.00	\$7.08	\$7.08	\$7.08	\$7.08	\$7.08	\$7.08
<b>RECYCLE</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Residential - Monthly	\$2.16	\$0.82	\$0.84	\$0.87	\$0.90	\$0.92	\$0.95
<b>Dump Fee</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Dump Fee (95 GAL)	\$2.10	\$2.10	\$2.16	\$2.23	\$2.29	\$2.36	\$2.43
Dump Fee (65 GAL)	\$1.40	\$1.40	\$1.44	\$1.49	\$1.53	\$1.58	\$1.62
<b>TOTAL SOLID WASTE FEES</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Monthly (Including Dump Fee, 95 Gal)	\$20.68	\$21.42	\$21.86	\$22.30	\$22.76	\$23.23	\$23.71
Monthly (Including Dump Fee, 65 Gal)	\$19.98	\$20.72	\$21.13	\$21.56	\$21.99	\$22.44	\$22.90
* Solid Waste rates were increased in March/April 2021							

# 6. Conclusions and Recommendations

This study was undertaken to review and analyze the City of Chisholm's Water, Sewer and Refuse Utility Funds to determine the appropriate rate structure and rate levels needed to pay for anticipated operating expenses, to provide for anticipated capital improvements, pay principal and interest on current and anticipated debt, and to provide adequate levels of cash reserves.

The following conclusions were determined as a result of this study and the financial projections prepared:

- We recommend the following increases to the City's Water Rates:

	Jan	Feb-Dec					
<b>WATER RATES</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Residential - Billed Monthly							
Base Charge (includes 2330 Gal)	\$14.22	\$14.65	\$16.11	\$17.72	\$19.49	\$21.44	\$23.59
>2331 gallons	\$6.16	\$6.34	\$6.98	\$7.68	\$8.44	\$9.29	\$10.22
Water Bond Fee	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
PFA Replacment	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00

- We recommend the following increases to the City's Sewer Rates:

<b>SEWER RATES</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Residential - Billed Monthly							
Base Charge (includes 2330 Gal)	\$24.12	\$24.84	\$25.59	\$26.36	\$27.15	\$27.96	\$28.52
>2331 gallons	\$10.45	\$10.76	\$11.09	\$11.42	\$11.76	\$12.11	\$12.48
Sewer Fee (per acreage up to \$4 for sewer replacement)	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Usage Fee (sewer plant fee to CIRSSD)	\$15.24	\$15.24	\$15.24	\$15.24	\$15.24	\$15.24	\$15.24

## 6. Conclusion and Recommendations

- We recommend the following increases to the City's Refuse Rates:

	Jan	Feb-Dec					
<b>GARBAGE RATES</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Residential - Monthly	\$10.41	\$10.41	\$10.72	\$11.04	\$11.38	\$11.72	\$12.07
<b>GARBAGE TAX</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Residential - Monthly	\$1.01	\$1.01	\$1.05	\$1.08	\$1.11	\$1.14	\$1.18
<b>SOLID WASTE</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Residential - Monthly	\$5.00	\$7.08	\$7.08	\$7.08	\$7.08	\$7.08	\$7.08
<b>RECYCLE</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Residential - Monthly	\$2.16	\$0.82	\$0.84	\$0.87	\$0.90	\$0.92	\$0.95
<b>Dump Fee</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Dump Fee (95 GAL)	\$2.10	\$2.10	\$2.16	\$2.23	\$2.29	\$2.36	\$2.43
Dump Fee (65 GAL)	\$1.40	\$1.40	\$1.44	\$1.49	\$1.53	\$1.58	\$1.62
<b>TOTAL SOLID WASTE FEES</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Monthly (Including Dump Fee, 95 Gal)	\$20.68	\$21.42	\$21.86	\$22.30	\$22.76	\$23.23	\$23.71
Monthly (Including Dump Fee, 65 Gal)	\$19.98	\$20.72	\$21.13	\$21.56	\$21.99	\$22.44	\$22.90

\* Solid Waste rates were increased in March/April 2021

- The City should establish the user rates for all the Utility Funds for a three to five-year period. The rates should be reviewed on an annual basis concurrent with the development of the following year's budget.

These recommendations are based on information provided to us by city staff. The City will need to monitor the performance of each of the Funds and make any necessary adjustments based upon its actual performance and on the actual construction costs of the anticipated capital improvements.