

2025 Budget Overview

The proposed 2025 budget for Saint Paul Regional Water Services (SPRWS) outlines the expected expenditures and required financing for the year. This budget is designed to ensure that we continue our tradition of delivering dependable, high-quality water and services to our customers at a reasonable cost.

CUSTOMERS: ~450k

EMPLOYEES: 300



TOTAL BUDGET



**\$136.9
Million**

**12.343
Billion
Gallons**

**CONSUMPTION
PROJECTION**



SPENDING = FINANCING

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

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

**Average Impact
for Residential
Accounts**



+ \$3.12

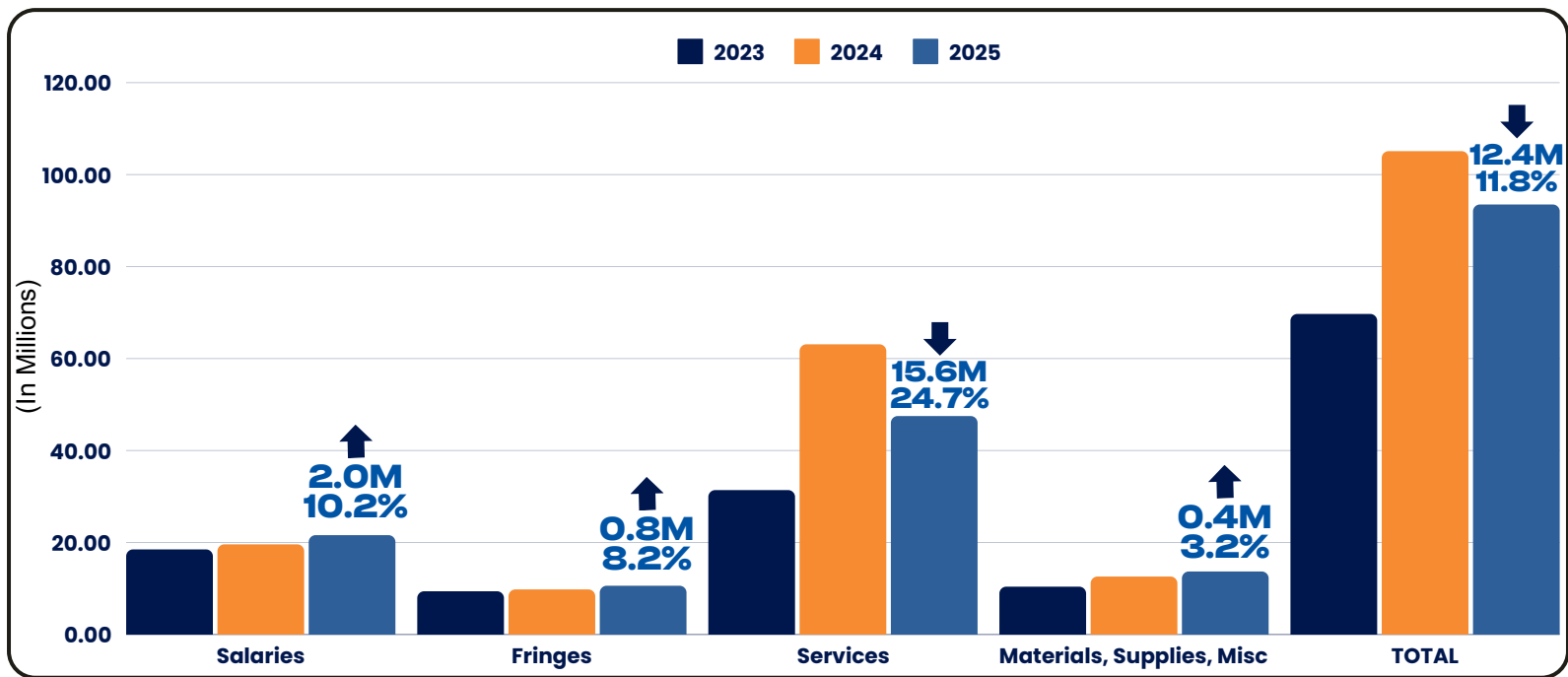
PER MONTH

Detailed on
Page 12

SPENDING OVERVIEW

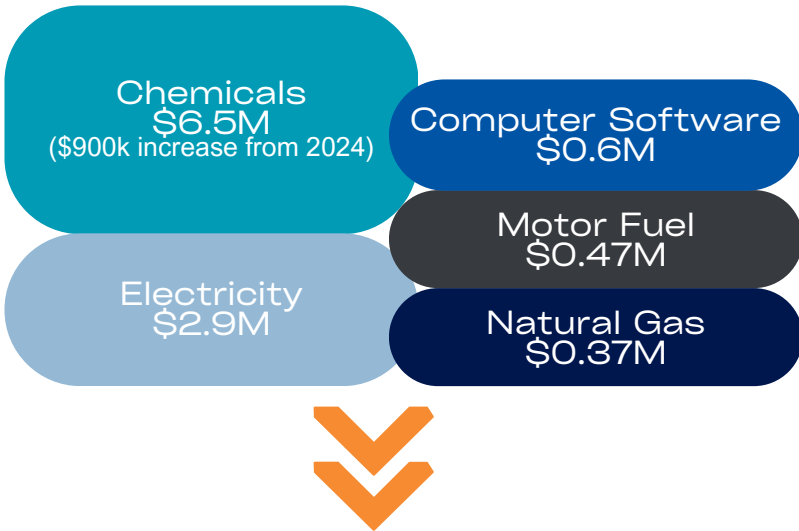
Operations & Maintenance (O&M) Spending

This spending category includes all expenses incurred to operate and maintain the water system. This includes salaries, fringe benefits, services, materials and supplies used to perform the variety of tasks involved in daily business.



2023	\$18.5	\$9.4	\$31.4	\$10.4	\$69.7
2024	\$19.6	\$9.8	\$63.1	\$12.6	\$105.1
2025	\$21.6	\$10.6	\$47.5	\$13.0	\$92.7

The **Services** category includes the amount budgeted for lead service line replacements on private property that are grant funded. The grant amount in 2025 is \$35 million, opposed to the \$50 million that was carried in 2024. This represents the bulk of the 2023 to 2024 to 2025 variation.

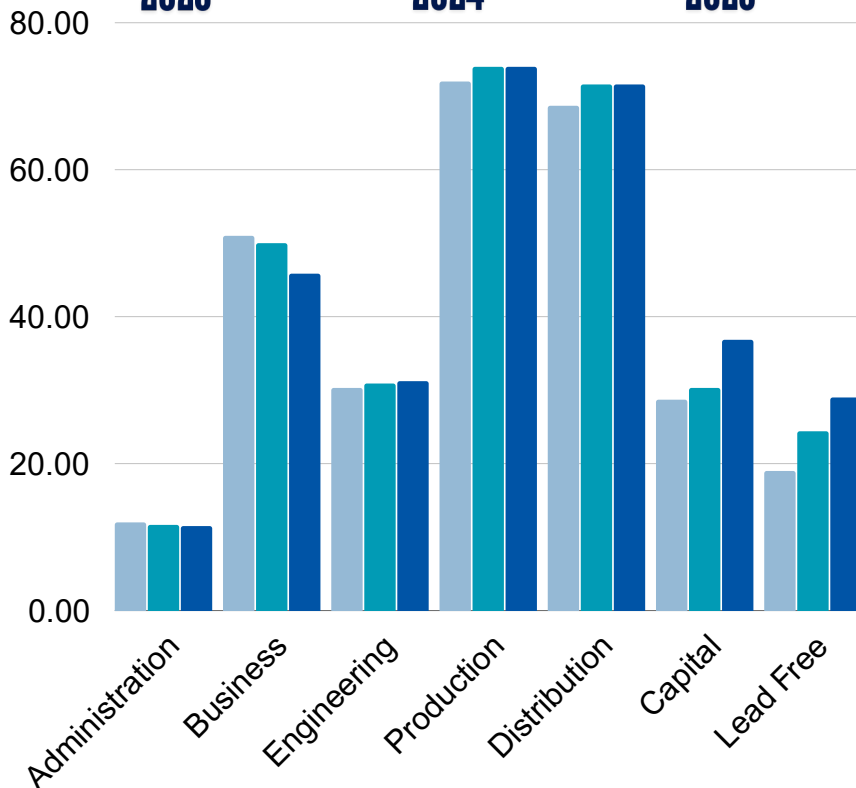


\$10.8M of the \$13M for **Materials, Supplies, Misc** are represented by these 5 large expense categories.

Noteworthy Operations & Maintenance Changes for 2025

TOTAL FTES

281 292 300
2023 2024 2025



Administration

Replaced 1 Business Improvement FTE with NEW Public Information Specialist role for increased community engagement efforts.

Business

Shifted 4.4 FTEs to Capital from Meter Operations to support meter register replacement project.

Added new 0.25 FTE Right Track Worker.

Production

Added Senior Operator and Asset Management roles to help with transition to new treatment plant.

Eliminated 1 custodian role.

Lead Free

Continuing to ramp up grant funded employees to support Lead Free SPRWS.

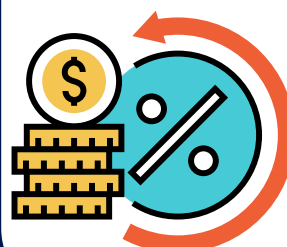


9.5%
increase in
Fringes + Salaries

\$53k
Decrease to
Travel & Training



\$120k
for
Rate Study



Additional \$275k
for
Water Works
Payment
Assistance



\$5k for Volunteer Stipends



Saint Paul Regional Water Services
**COMMUNITY
PANEL**

Debt Service Spending

Total SPRWS Outstanding Debt

Projected Estimate as of December 31, 2024

\$213.9
MILLION

2025 Debt Service

Increase of \$1.4M compared to 2024

\$16.4
MILLION

The McCarrons Plant Project which kicked off in 2021 represents the bulk of all outstanding debt. As a “forever business” SPRWS generally finances most of its work without debt, however, the water treatment plant is a significant investment which will serve our customers for the next century.

SPRWS does not have any additional debt funded projects planned for 2025, besides continued progress on the McCarrons Treatment Plant Project.

McCarrons Plant Project Debt Issuance Timeline

2021

\$15.4M debt note for
design phase

2022

\$46M debt note for
construction phase

2023*

\$25M debt note +
\$97.25M revenue bond
for construction phase

2024*

\$29M debt note for
construction phase

2025*

\$29M debt note for
construction phase

2026

\$10.85M debt note for
construction phase

*2023-2025 debt was
budgeted in 2022 at
project launch.



McCarrons
Plant Project SPRWS

PROJECT
TOTAL
COST

\$252.5
MILLION



Capital Investments

SPRWS updates the Capital Improvement Plan (CIP) each year to provide long-term financial planning and a 10-year roadmap for maintaining, upgrading, and replacing infrastructure. The plan guides investments in projects that will replace or rehabilitate the variety of utility assets SPRWS manages including those tied to water supply, treatment, distribution, and technology. These investments help ensure compliance with federal regulatory requirements as well as improved efficiency of operations. Capital project costs may include labor, equipment, materials, supplies and overhead expenses. The CIP includes revenue, grant, and debt funded projects and represents a large portion of annual spending.

In an effort to balance needs and funding limitations, comprehensive criteria are utilized to evaluate and prioritize projects. Criteria include:

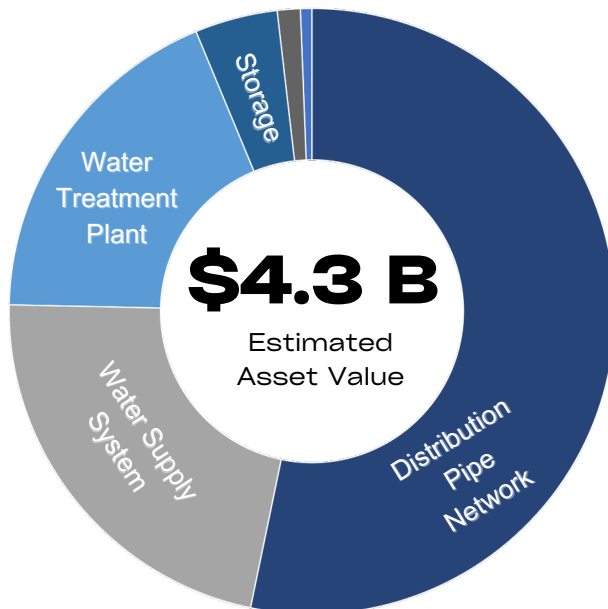
Regulatory Compliance, Water Quality, Level of Service, Safety & Security, Risk of Failure, Return on Investment, Social & Environmental, and Funding Opportunities.



What is a Capital Asset?

Assets used in operations valued at \$5,000 or more & have a useful life > 1 year.

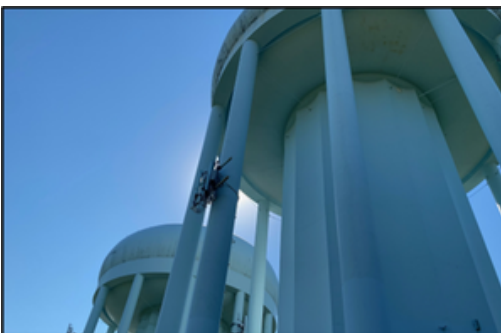
CAPITAL ASSET SUMMARY



Estimated Asset Replacement Value

Excludes Land, Easements, Office Equipment, IT Equipment

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



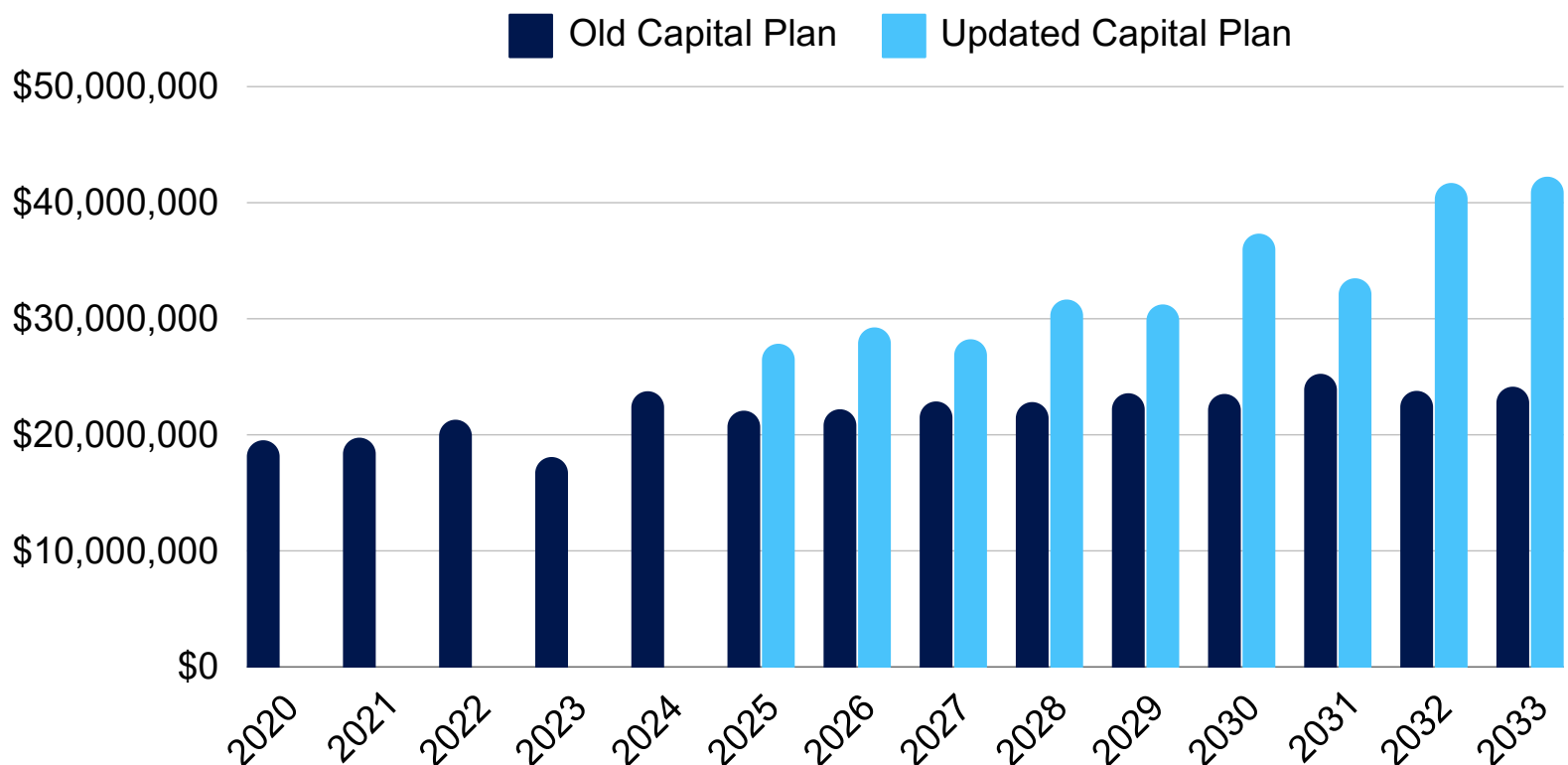
10 Year Capital Investment Plan

The SPRWS Capital Investment Program was revamped during this budget cycle to better meet the needs of the utility's aging infrastructure. SPRWS has historically budgeted capital expenditures within general categories applying minor inflationary adjustments each year, with the exception of a few significant projects including the current water treatment plant improvement project. The volume of projects each year were scaled to the amount of funding allocated within the annual budget.

While this approach allowed the annual budget to easily reconcile with available revenue, the capital planning approach did not meet the long-term capital needs of the utility and the rate at which the utility's assets were reaching the end of their service life cycle.

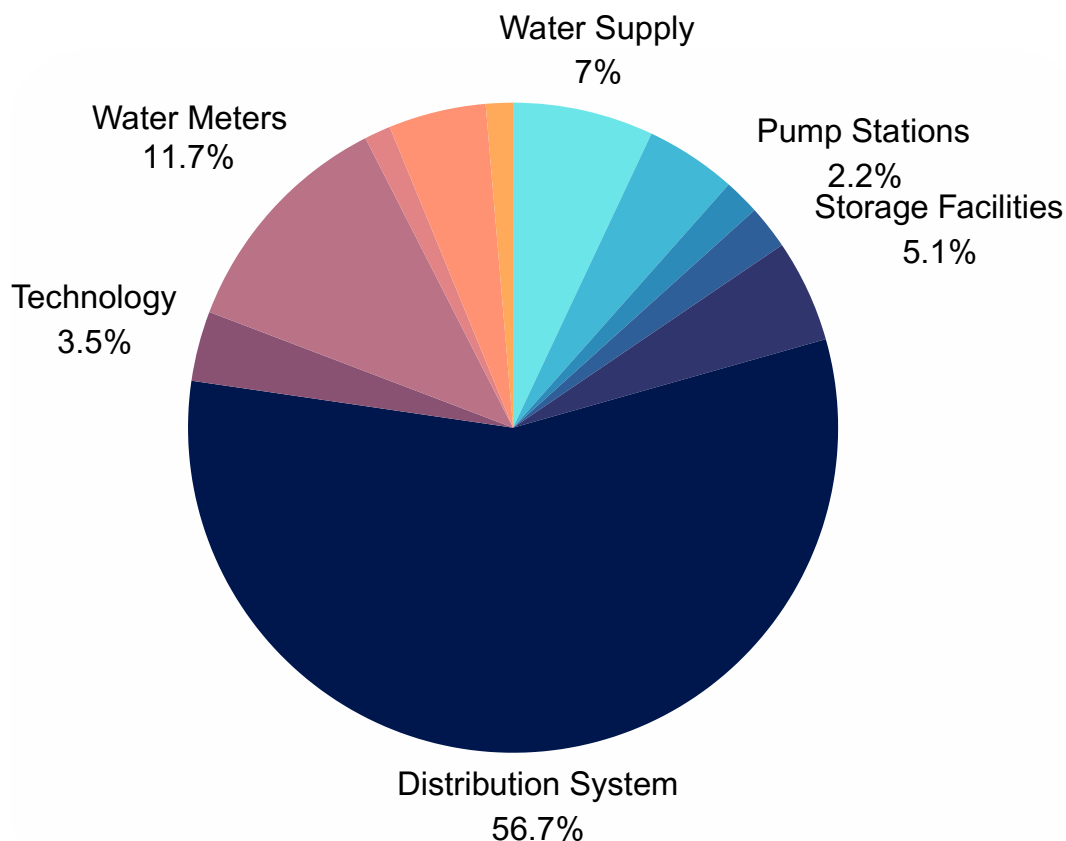
SPRWS has modified the capital planning approach to identify specific capital project needs and infrastructure replacement rates to better align with asset replacement cycles. Specific asset replacement goals were considered while identifying individual projects for each year of the plan. Total available capital funds per year were adjusted based on the prioritization criteria noted above to arrive at a 10-year capital plan that is fiscally constrained and maintains a stable cash position for SPRWS over the 10-year planning period.

The 2024-2033 Capital Investment Plan outlines over \$350M in system investments. The net result of updates to the new capital improvement plan are illustrated below.



2025 Capital Investments

\$27.8
MILLION



Asset Type	Capital Expenditure
Water Supply	\$1,950,000
Water Treatment	\$1,264,000
Electrical & SCADA	\$497,000
Pump Stations	\$605,540
Storage Facilities	\$1,421,580
Distribution System	\$15,788,000
Technology	\$970,000
Water Meters	\$3,258,000
Buildings, Grounds, Safety	\$365,000
Vehicles & Equipment	\$1,350,000
Water Service Connections	\$375,000



Distribution System: Capital funding in the 2025 budget includes the first year of investment changes to shift from the current water main replacement rate of 180 years toward a targeted replacement cycle of approximately 100 years over the 10-year planning period.



Water Meter Registers: 2025 capital funding is provided for the second year of a seven-year program to replace all ~96,000 water meter registers within the SPRWS system as these units reach the end of expected service life.



Highland Park Tank #3: SPRWS is implementing a multi-year program to rehabilitate water storage facilities. Highland #3 is the next project scheduled in this program and includes structural repairs along with interior and exterior painting.

Fridley Pump Station: Serving as one of the most critical facilities within the water supply system, this station is undergoing a 2-year rehabilitation of electrical, building and mechanical improvements.

The above investment information does not include the current water treatment plant improvement project detailed on page 4 or lead service line replacements detailed on page 8.



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

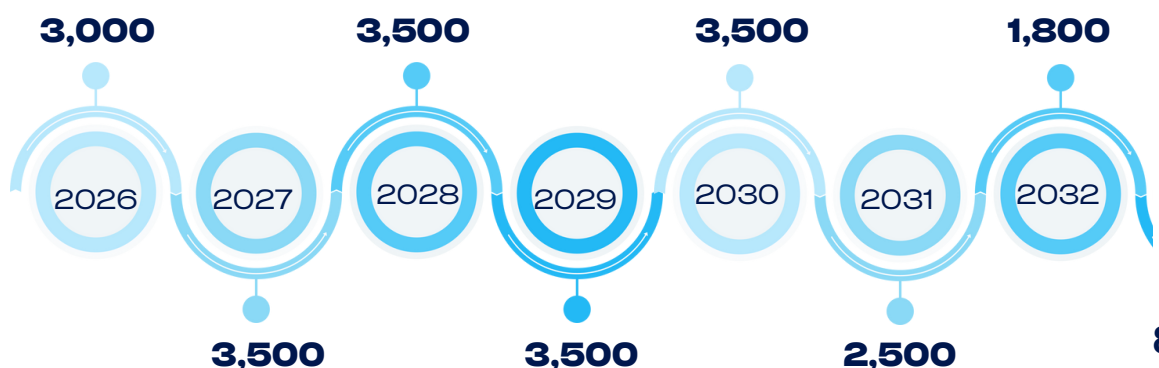
Beyond initial ARPA funding, SPRWS has been working closely with the State of MN to secure funding through the Public Facilities Authority. \$35M in program funding for 2025 will be provided through a combination of grants and forgivable loans. SPRWS will continue to work annually with the State to obtain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



2,500 Replacements

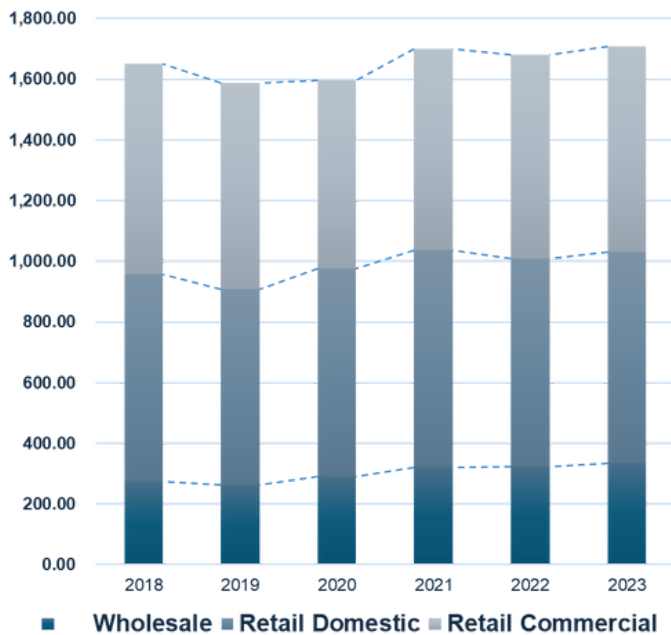
CDM
Smith

Future
Replacements



FINANCING OVERVIEW

Sale of Water



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

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:



Total Revenue
from the
Sale of Water

\$68.7
MILLION

Average Residential Consumption

~150
gallons / day

YEAR: 72 ccfs (units) = 53,856 gallons

QUARTER: 18 units = 13,464 gallons

MONTH: 6 units = 4,488 gallons

Other Bill Based Revenues

WATER MAIN SURCHARGE (CONSUMPTION BASED)

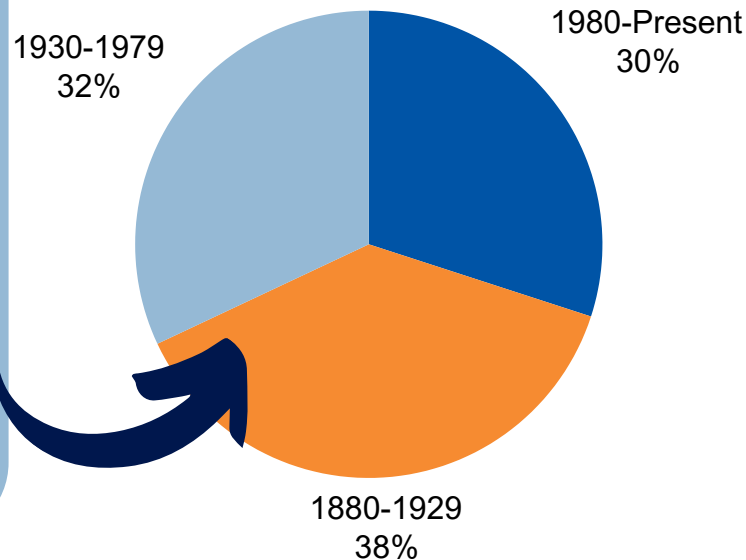
The water main surcharge is designed to fund additional water main replacement in the SPRWS retail service area. Currently, over a third of the water mains in the system are at or beyond what is expected for a useful life. This surcharge is helping put an emphasis on increasing replacement rates to catch up to industry standards.

The proposed rate is \$0.26 per CCF.

2024 Rate: \$0.24

**2025
Water Main
Surcharge Revenue:
\$3.6 million**

WATER MAIN BY INSTALLATION DATES



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. The fee increases as the meter size increases to reflect the increased cost of providing peak volume capacity.

Water service base fees for our wholesale customers are set by their contracts.

**2025
Base Fee Revenue:
\$14.1 million**

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

RIGHT-OF-WAY FEE

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

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

**2025
Right-of-Way Revenue:
\$1.9 million**

Fees match what was charged in 2024.

Miscellaneous Operating & Non-Operating Revenues

The proposed 2025 budget has a total of \$41 million in revenue from miscellaneous operating and non-operating income.

This is a decrease of \$89.2 million from the 2024 adopted budget.

This is mainly attributed to the removal of the \$70 million in carried over bond proceeds from the 2023A Bond.

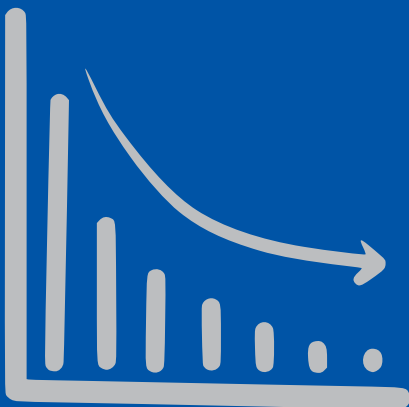


\$35 million
in grants for
Lead Free SPRWS
make up the bulk of this
revenue category.



Antenna revenue, plumbing inspections, interest earnings, and other grant funding make up a large portion of the rest of this category.

Cash Reserve Fund



We estimate we will use

\$7.6 million
from cash reserves in the
2025 budget.

The Board maintains a fund balance that includes the cash amounts we are legally required to maintain due to bond covenants, a reserve to cover tort and claim liabilities, funds for capital projects budgeted and approved in previous years. This account fluctuates with added savings and expenses and can be used to provide stabilization during times of extreme variation. In planning for the plant project, SPRWS built up the cash balance and will utilize this account for stabilization.

2024 vs 2025 RATE IMPACTS

The following compares 2025 proposed rates with 2024 adopted rates and summarizes the impact on customers utilizing these assumptions:

Single-family residential account
Average residential consumption which is 6 units/month
Averages winter + summer rates

	2024	2025
Consumption Charge	$\$4.065 \times 6 \text{ units} = \24.39	$\$4.45 \times 6 \text{ units} = \26.70
Water Service Base Fee	\$7.25	\$7.94
Water Main Surcharge	$\$0.24 \times 6 \text{ units} = \1.44	$\$0.26 \times 6 \text{ 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

Average Bill

\$37.70

PER MONTH

for 4,488 gallons of drinking water

Average Impact

+\$3.12

PER MONTH



Did You Know?
1 Gallon = \$0.008



CLOSING STATEMENT

With this budget, we've proposed increasing the consumption-based water rate by \$0.38 per CCF, the water service base fee by \$0.69 per month, and the water main surcharge by \$0.02 per CCF totaling an average monthly increase of \$3.12 for residential customers. We do not take these rate increases lightly, however, they are essential to ensure the long-term health of our system. These adjustments are necessary to cover rising operational costs and to allow for critical investments in our capital program. SPRWS remains focused on proactively addressing the needs of our system, including major upgrades to our treatment plant and an accelerated lead service line replacement program. Furthermore, many of our other capital assets are reaching the end of their lifecycle, making it crucial to act now to safeguard the consistent delivery of high-quality water into the future.

As rate increases continue to be necessary, we are deeply committed to ensuring that we are doing everything we can to keep our services affordable for all. SPRWS is developing and prioritizing a variety of affordability initiatives, including additional investments in low-income assistance funding and program modifications to better support customers in need. Strategically balancing necessary investments with affordability concerns shared by customers remains a top priority. We strive to be an innovative organization and are consistently exploring opportunities for improved operational efficiencies and other ways to move our organization forward.

Thank you to our customers for the trust they have given our team, and the feedback provided throughout the year to help guide decision making. Our team of nearly 300 dedicated professionals work around the clock to understand and exceed customer needs and expectations. Lastly, I want to extend my appreciation for the continued leadership and support shown by the Board of Water Commissioners as we work together to navigate the challenges ahead of us in this industry.

Thank you.

Sincerely,



Racquel Vaske
General Manager

