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## MEMORANDUM

TO: Glenn Rodden, City Administrator  
Brad Smith, Finance Director

FROM: Patty Kettles, Consultant

DATE: April 11, 2018

SUBJECT: Utility Rate Comparison

Springsted was hired to assist the City of Baldwin City in comparing current Water, Wastewater and Electric rates to surrounding communities as well as Investor/Municipal Owned Utilities. Water and Sewer rates were compared to those in Lawrence, Ottawa, Edgerton, Eudora, and Gardner. Electric rates were compared to those of Lawrence, Eudora, Westar, and Kansas City Power and Light.

Some notes regarding each of the tables:

- They represent bills for residential users only.
- In the upper half of each table, the total bill is shown. In the lower half, the component units of the bill are broken out. The City provided low, medium and high users for each utility. These bills are shown in the top half of the table.
- Each total bill row will have 1 cell colored green and one yellowish-orange. Green reflects highest bill in the group for that usage amount, yellowish-orange is the lowest bill in the group.
- The average of the comparison entities is shown on the far right.
- In the water table, I noted the base fee vs. the minimum bill.
- In the sewer table, I noted which months were used to determine winter water use.

### **Water Rate Comparison**

For the low user of 1,421 gallons of water per month, Edgerton has the highest bill in the group at \$25.35 and Lawrence has the lowest of the group at \$12.42. Baldwin City's bill would be \$20.80.

For the medium user of 4,713 gallons of water per month, Baldwin City has the highest bill at \$53.93 and Ottawa has the lowest of the group at \$29.41.

For the high water user of 33,962 gallons of water per month, Edgerton as the highest bill in the group at \$400.24 and Ottawa has the lowest of the group at \$88.17. Baldwin City's bill would be \$348.48.

The table showing bills for a low, medium and high user as well as a user of 1,000, 5,000 and 10,000 gallons per month is shown below.

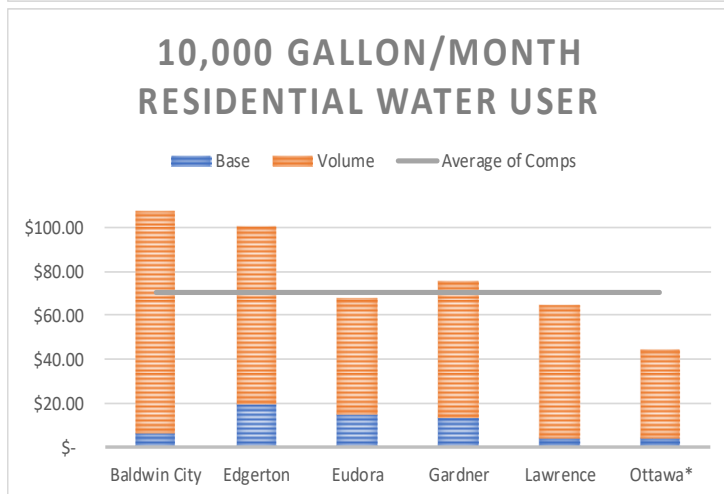
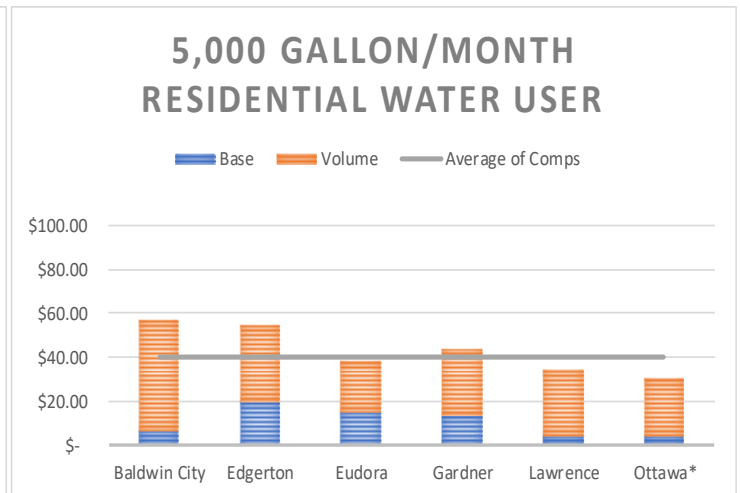
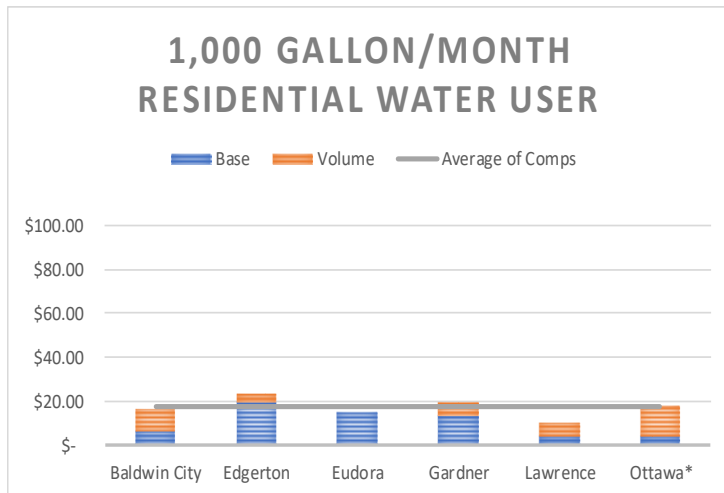
lowest bill in group  
 highest bill in group

Residential Water Consumption		Baldwin City	Edgerton	Eudora	Gardner	Lawrence	Ottawa*	Average of Comps
Base Fee		\$ 6.50	\$ 19.62	\$ 15.16	\$ 13.45	\$ 3.75	\$ 3.69	
Minimum Bill		\$ 10.00	NA	NA	NA	NA	NA	
Low User	1,421	\$ 20.80	\$ 25.35	\$ 17.61	\$ 21.96	\$ 12.42	\$ 19.38	\$ 19.34
Medium User	4,713	\$ 53.93	\$ 52.29	\$ 36.77	\$ 41.68	\$ 32.50	\$ 29.41	\$ 38.53
High User	33,962	\$ 348.48	\$ 400.24	\$ 207.00	\$ 252.34	\$ 210.92	\$ 88.17	\$ 231.73
1,000 gallons	Base	\$ 6.50	\$ 19.62	\$ 15.16	\$ 13.45	\$ 3.75	\$ 3.69	
	Volume	\$ 10.07	\$ 4.03	\$ -	\$ 5.99	\$ 6.10	\$ 14.39	
	TOTAL	\$ 16.57	\$ 23.65	\$ 15.16	\$ 19.44	\$ 9.85	\$ 18.08	\$ 17.24
5,000 gallons	Base	\$ 6.50	\$ 19.62	\$ 15.16	\$ 13.45	\$ 3.75	\$ 3.69	
	Volume	\$ 50.35	\$ 35.27	\$ 23.28	\$ 29.95	\$ 30.50	\$ 26.59	
	TOTAL	\$ 56.85	\$ 54.89	\$ 38.44	\$ 43.40	\$ 34.25	\$ 30.28	\$ 40.25
10,000 gallons	Base	\$ 6.50	\$ 19.62	\$ 15.16	\$ 13.45	\$ 3.75	\$ 3.69	
	Volume	\$ 100.70	\$ 80.62	\$ 52.38	\$ 62.34	\$ 61.00	\$ 40.60	
	TOTAL	\$ 107.20	\$ 100.24	\$ 67.54	\$ 75.79	\$ 64.75	\$ 44.29	\$ 70.52

\*Rates are projected to increase 9/1/18 by approximately 5%. Bills shown in table above do not reflect the increase.

All Sample bills shown above are exclusive of any franchise fees.

Eudora Base includes 1,000 gallons



**Sewer Rate Comparison**

For the low user of 1,272 gallons per month, Baldwin City has the highest bill in the group at \$26.66 and Edgerton has the lowest of the group at \$15.17.

For the medium user of 4,713 gallons per month, Baldwin City has the highest bill at \$55.49 and Ottawa has the lowest of the group at \$36.00.

For the high user of 15,709 gallons per month, Gardner has the highest bill in the group at \$151.66 and Ottawa has the lowest of the group at \$80.98. Baldwin City's bill would be \$147.64. The table showing bills for a low, medium and high user as well as a user of 1,000, 5,000 and 10,000 gallons per month is shown below.

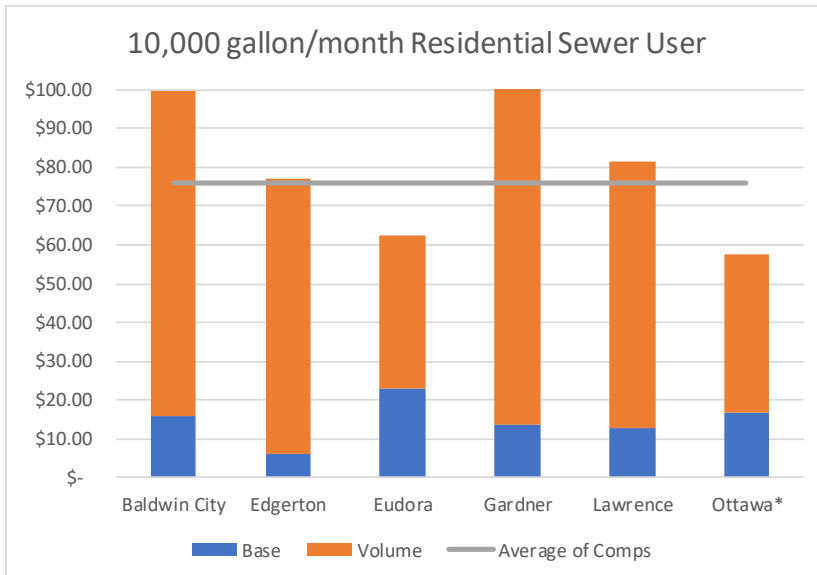
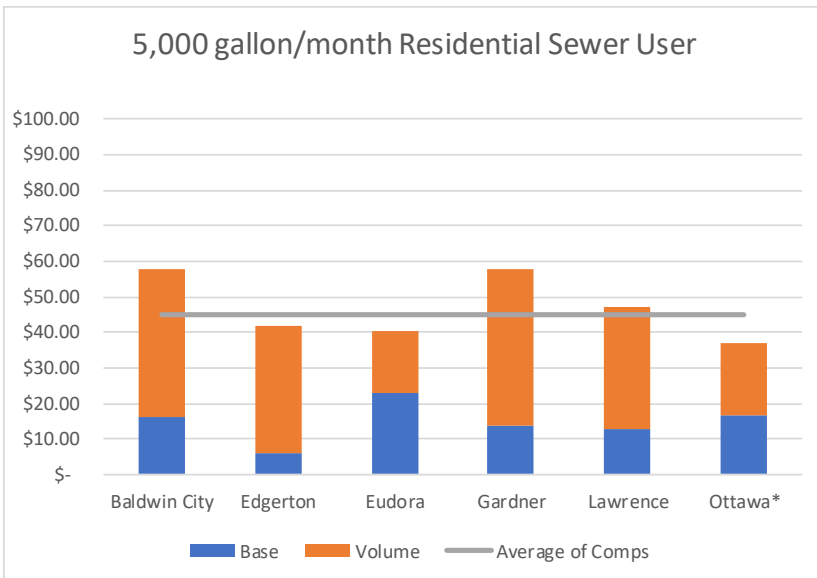
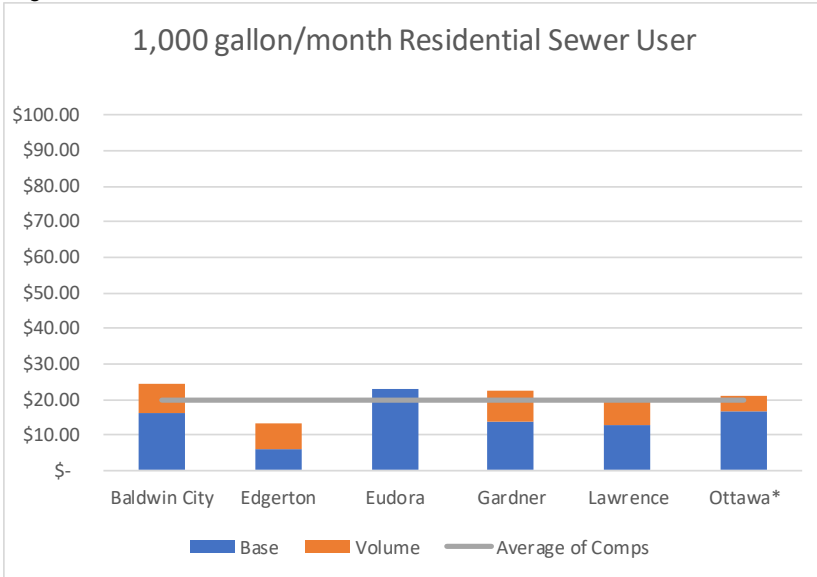
lowest bill in group  
 highest bill in group

Residential Sewer Consumption		Baldwin City	Edgerton	Eudora	Gardner	Lawrence	Ottawa*	Average of Comps
gallons								
Low User	1,272	\$ 26.66	\$ 15.17	\$ 24.27	\$ 24.90	\$ 21.48	\$ 21.92	\$ 21.55
Medium User	4,713	\$ 55.49	\$ 39.60	\$ 39.24	\$ 55.11	\$ 45.08	\$ 36.00	\$ 43.01
High User	15,709	\$ 147.64	\$ 117.67	\$ 87.07	\$ 151.66	\$ 120.51	\$ 80.98	\$ 111.58
1,000 gallons	Base	\$ 16.00	\$ 6.14	\$ 23.09	\$ 13.73	\$ 12.75	\$ 16.72	\$ 19.85
	Volume	\$ 8.38	\$ 7.10	\$ -	\$ 8.78	\$ 6.86	\$ 4.09	
	<b>TOTAL</b>	<b>\$ 24.38</b>	<b>\$ 13.24</b>	<b>\$ 23.09</b>	<b>\$ 22.51</b>	<b>\$ 19.61</b>	<b>\$ 20.81</b>	
5,000 gallons	Base	\$ 16.00	\$ 6.14	\$ 23.09	\$ 13.73	\$ 12.75	\$ 16.72	\$ 44.80
	Volume	\$ 41.90	\$ 35.50	\$ 17.40	\$ 43.90	\$ 34.30	\$ 20.45	
	<b>TOTAL</b>	<b>\$ 57.90</b>	<b>\$ 41.64</b>	<b>\$ 40.49</b>	<b>\$ 57.63</b>	<b>\$ 47.05</b>	<b>\$ 37.17</b>	
10,000 gallons	Base	\$ 16.00	\$ 6.14	\$ 23.09	\$ 13.73	\$ 12.75	\$ 16.72	\$ 75.98
	Volume	\$ 83.80	\$ 71.00	\$ 39.15	\$ 87.80	\$ 68.60	\$ 40.91	
	<b>TOTAL</b>	<b>\$ 99.80</b>	<b>\$ 77.14</b>	<b>\$ 62.24</b>	<b>\$ 101.53</b>	<b>\$ 81.35</b>	<b>\$ 57.63</b>	
<b>Bills are calculated based on:</b>		<b>Avg Water Use Oct-Mar</b>	<b>Avg. Water Use Dec-Feb</b>	<b>Avg. Water Use Dec-Feb</b>	<b>Avg Water Use Jan &amp; Feb</b>	<b>Avg. Water Use Dec-Feb</b>	<b>Avg. Water Use Dec-Mar</b>	

\*Rates are projected to increase 9/1/18 by approximately 5%. Bills shown in table above do not reflect the increase.

All Sample bills shown above are exclusive of any franchise fees.

Eudora Base includes 1,000 gallons



**Electric Rate Comparison**

We compared the electric rates for Baldwin City to that of two investor-owned utilities; Kansas City Power and Light and Westar. In addition, for those cities for whom we compared water and sewer rates, where their electric rates were readily available, we included them in the comparison as well. Comparing the electric rates across the various entities proves to be the most difficult. There are several rate tariffs that have a significant impact on the bill, but which often vary monthly for each utility. One example is the Power Cost Adjustment (PCA) or Energy Cost Adjustment (ECA) factors. We called each entity to determine the factors for the most recently billed months.

The following ECAs were provided:

<b>Baldwin City</b>	<b>Eudora</b>	<b>Gardner</b>	<b>KCP&amp;L (Olathe)</b>	<b>Westar (Lawrence)</b>
\$0.0058	\$0	\$0.0005	\$0.02326	\$.021265
	(increased fixed fee so they don't need to make monthly adjustments)			

For the low user of 188 kWh per month, KCP&L summer rates generate the highest bill in the group at \$40.21 and Gardner has the lowest of the group at \$27.15. Baldwin City's bill would be \$34.79.

For the medium user of 517 kWh per month, KCP&L summer rates generate the highest bill in the group at \$86.07 and Gardner has the lowest of the group at \$62.90. Baldwin City's bill would be \$74.66.

For the high user of 4,132 kWh per month, KCP&L summer rates generate the highest bill in the group at \$590.04 and Westar winter rates has the lowest of the group at \$453.03. Baldwin City's bill would be \$512.80.

The table on the following page showing bills for a low, medium and high user as well as a user of 500, 1,000, 2,500 and 5,000 kWh per month.

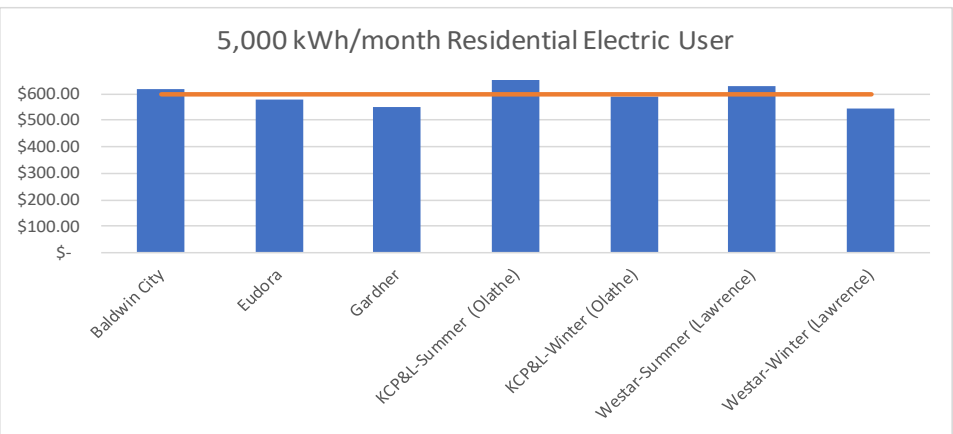
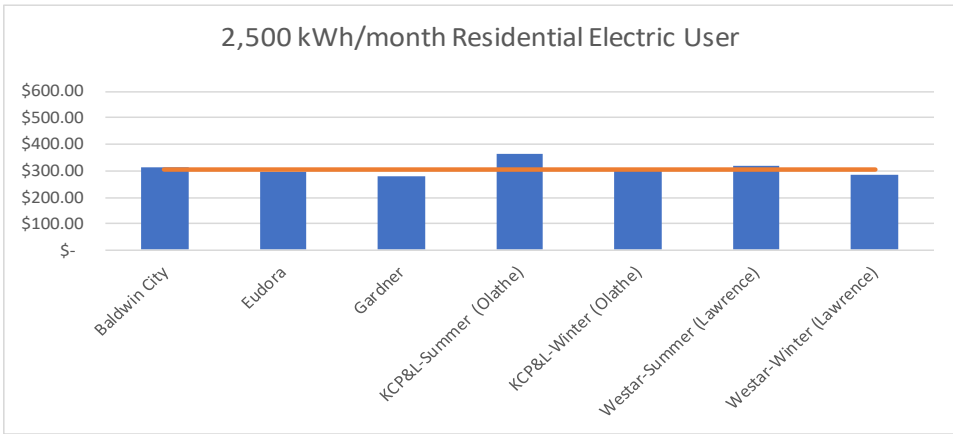
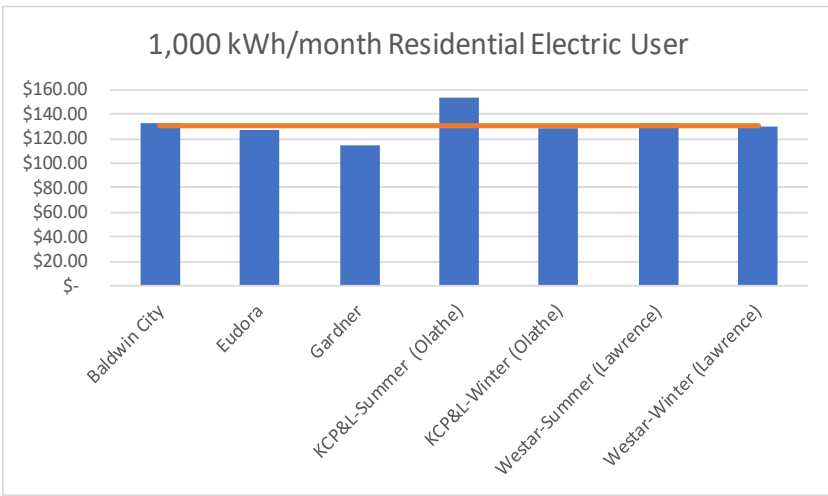
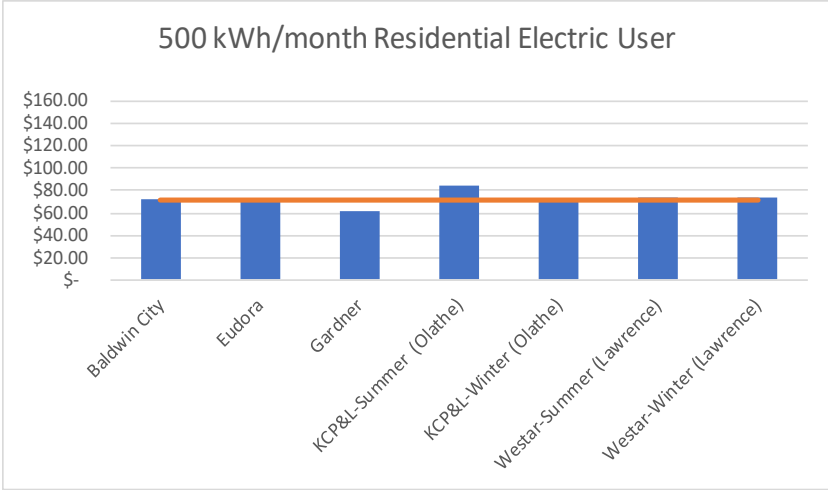
City of Baldwin City, Kansas  
 Utility Rate Comparison  
 Page 6

lowest bill in group  
 highest bill in group

Residential Electric Consumption		Baldwin City	Eudora	Gardner	KCP&L-Summer (Olathe)	KCP&L-Winter (Olathe)	Westar-Summer (Lawrence)	Westar-Winter (Lawrence)	Average of Comps
<b>kWh</b>									
Low User	188	\$ 34.79	\$ 34.59	\$ 27.15	\$ 40.21	\$ 35.60	\$ 36.52	\$ 36.52	\$ 35.10
Medium User	517	\$ 74.66	\$ 71.93	\$ 62.90	\$ 86.07	\$ 73.40	\$ 75.04	\$ 75.04	\$ 74.06
High User	4,132	\$ 512.80	\$ 482.23	\$ 455.69	\$ 590.04	\$ 488.77	\$ 523.96	\$ 453.03	\$ 498.95
500 kWh	Base	\$ 12.00	\$ 13.25	\$ 6.72	\$ 14.00	\$ 14.00	\$ 14.50	\$ 14.50	
	Energy Use	\$ 57.70	\$ 56.75	\$ 54.10	\$ 53.76	\$ 41.50	\$ 38.42	\$ 38.42	
	Transmission	\$ -	\$ -	\$ -	\$ 3.83	\$ 3.83	\$ 8.94	\$ 8.94	
	Energy Efficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.12	\$ 0.12	
	Environmental Recovery	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	ECA/PCA	\$ 2.90	\$ -	\$ 0.23	\$ 11.63	\$ 11.63	\$ 10.63	\$ 10.63	
	Property Tax Surcharge	\$ -	\$ -	\$ -	\$ 0.49	\$ 0.49	\$ 0.45	\$ 0.45	
	<b>TOTAL</b>	<b>\$ 72.60</b>	<b>\$ 70.00</b>	<b>\$ 61.05</b>	<b>\$ 83.71</b>	<b>\$ 71.45</b>	<b>\$ 73.05</b>	<b>\$ 73.05</b>	\$ 72.05
1,000 kWh	Base	\$ 12.00	\$ 13.25	\$ 6.72	\$ 14.00	\$ 14.00	\$ 14.50	\$ 14.50	
	Energy Use	\$ 115.40	\$ 113.50	\$ 108.19	\$ 107.51	\$ 83.00	\$ 77.62	\$ 75.43	
	Power Generation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Transmission	\$ -	\$ -	\$ -	\$ 7.66	\$ 7.66	\$ 17.88	\$ 17.88	
	Energy Efficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.23	\$ 0.23	
	Environmental Recovery	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	ECA/PCA	\$ 5.80	\$ -	\$ 0.47	\$ 23.26	\$ 23.26	\$ 21.27	\$ 21.27	
	Property Tax Surcharge	\$ -	\$ -	\$ -	\$ 0.98	\$ 0.98	\$ 0.89	\$ 0.89	
<b>TOTAL</b>	<b>\$ 133.20</b>	<b>\$ 126.75</b>	<b>\$ 115.38</b>	<b>\$ 153.41</b>	<b>\$ 128.90</b>	<b>\$ 132.39</b>	<b>\$ 130.20</b>	\$ 131.17	
2,500 kWh	Base	\$ 12.00	\$ 13.25	\$ 6.72	\$ 14.00	\$ 14.00	\$ 14.50	\$ 14.50	
	Energy Use	\$ 288.50	\$ 283.75	\$ 270.48	\$ 268.78	\$ 207.50	\$ 204.75	\$ 169.64	
	Power Generation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Transmission	\$ -	\$ -	\$ -	\$ 19.15	\$ 19.15	\$ 44.71	\$ 44.71	
	Energy Efficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.58	\$ 0.58	
	Environmental Recovery	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	ECA/PCA	\$ 14.50	\$ -	\$ 1.17	\$ 58.15	\$ 58.15	\$ 53.16	\$ 53.16	
	Property Tax Surcharge	\$ -	\$ -	\$ -	\$ 2.45	\$ 2.45	\$ 2.23	\$ 2.23	
<b>TOTAL</b>	<b>\$ 315.00</b>	<b>\$ 297.00</b>	<b>\$ 278.37</b>	<b>\$ 362.53</b>	<b>\$ 301.25</b>	<b>\$ 319.93</b>	<b>\$ 284.81</b>	\$ 307.31	
5,000 kWh	Base	\$ 12.00	\$ 13.25	\$ 6.72	\$ 14.00	\$ 14.00	\$ 14.50	\$ 14.50	
	Energy Use	\$ 577.00	\$ 567.50	\$ 540.95	\$ 537.55	\$ 415.00	\$ 416.63	\$ 326.65	
	Power Generation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Transmission	\$ -	\$ -	\$ -	\$ 38.30	\$ 38.30	\$ 89.41	\$ 89.41	
	Energy Efficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1.16	\$ 1.16	
	Environmental Recovery	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	ECA/PCA	\$ 29.00	\$ -	\$ 2.34	\$ 116.30	\$ 116.30	\$ 106.33	\$ 106.33	
	Property Tax Surcharge	\$ -	\$ -	\$ -	\$ 4.90	\$ 4.90	\$ 4.46	\$ 4.46	
<b>TOTAL</b>	<b>\$ 618.00</b>	<b>\$ 580.75</b>	<b>\$ 550.01</b>	<b>\$ 711.05</b>	<b>\$ 588.50</b>	<b>\$ 632.48</b>	<b>\$ 542.50</b>	\$ 600.88	

All Sample bills shown above are exclusive of any franchise fees or local sales tax. Energy cost adjustments are based on most recent billing period.

Franchise Fee	5.00%	NA	5.00%	5.26%	5.26%	5.00%	5.00%
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**Rate Comparison Disclaimer**

When comparing water, sewer and electric rates across entities, it is imperative that the reader understands there may be underlying reasons for some of the differences in rates. For example, some entities may allocate time of management staff and associated costs (City Administrator, Finance Director, etc.) to the utility funds, thereby increasing the expenditures that rates must support, while others may not. Rates could also be artificially lower if a community uses local option sales tax (LOST) dollars or another revenue source other than rates to finance operations and/or debt service. Another example is that Baldwin City purchases their water from Lawrence so there is little room to reduce fixed costs. The age of the utility assets impacts costs as well.

While we recognize these are only a small sample of reasons why rates may be different amongst communities, we sent a brief four question survey to the comparable communities. The results are shown in the matrix on the following pages.



	Baldwin City	Edgerton	Eudora
<b>Question 1: Do you pay for all water and sewer debt from rates or do you subsidize with Gen Fund \$, LOST, or other sources?</b>	100% from utility revenues, funds and rates.	From rates.	Our enterprise funds fully pay for their own debt.
<b>Question 2: Do you allocate a portion of administrative/mgmt. salaries/benefits to your enterprise funds?</b>	Yes, all labor, including staff and management plus related benefits are allocated.	We allocate directly through payroll the salaries/wages/benefits of utility staff and the finance director, accounting technician, customer service rep.	We annually transfer monies from the enterprise funds to the General Fund for overhead costs plus 5-10% "internal franchise fees" based on each fund's performance. It is cumbersome and not ideal. We are currently reviewing the enterprise funds to develop a better methodology.
<b>Question 3: Do you transfer money TO the General Fund from enterprise funds? If so, what amount?</b>	Yes 4.5% of budgeted expenditures are transferred as an administration fee. The utilities collect a 5% franchise fee which is also transferred to the General Fund.	No. Allocate bills as we pay them vs. transfers later on.	The money we have transferred has fluctuated. 2018 numbers are: Electric \$682,484 Water \$60,000 Wastewater \$104,759
<b>Question 4: Do you impose a franchise fee on your utilities? If so, what amount?</b>	Yes the Franchise Fee is 5%. Prior to 9/2016 the 5% of budgeted revenue was transferred to the General Fund but not collected by the utility funds. Beginning in 9/2016, the utilities started collecting 2.5%. As of 3/2016 the full 5% is being collected.	No on the utilities run by the City. Other 3rd party utilities we have a fee of 5%	We do not impose a franchise fee or pass on any franchise fee to our customers.

	Gardner	Lawrence	Ottawa
<b>Question 1: Do you pay for all water and sewer debt from rates or do you subsidize with Gen Fund \$, LOST, or other sources?</b>	Utility debt is paid from utility funds/revenues/rates.	100% rates. We have rate covenants in place that we follow	We pay the majority of water and sewer debt from the rates. However, in 2015 the community approved a 10 year, 1/2 cent sales tax to help pay for infrastructure being extended to our new industrial park, to include water, wastewater and electric. In 2017 that revenue stream generated \$1,351,922.
<b>Question 2: Do you allocate a portion of administrative/mgmt. salaries/benefits to your enterprise funds?</b>	Yes. Within each utility is an expenditures for "GF allocations" and corresponding revenue received into the General Fund aggregate of that expenditure from electric, water, and wastewater funds.	We currently have a dozen employees that are paid directly out of utilities for a portion or all of their salary. For example, the Finance Director is 50% utilities and 50% General Fund. We also have a division within the utility fund that pays for administrative expenses at city hall.	Not to Water and Sewer Funds. However, we do allocate some to the Electric Fund.
<b>Question 3: Do you transfer money TO the General Fund from enterprise funds? If so, what amount?</b>	See above response. It is a cost allocation charge, not a true transfer, but the impact is the same.	Yes. The transfer is \$3.657 million: a. Water \$3.085 million b. Stormwater \$400,000 c. Sanitation \$164,000 d. Central Maintenance \$8,000	Yes we do. Approximately 10% of expected revenue. Actual we transfer a bit more than that from Water.
<b>Question 4: Do you impose a franchise fee on your utilities? If so, what amount?</b>	There is a transfer from the Electric fund to the General Fund which has been referred to as both a "franchise fee" and also as a "PILOT". Either way it is 5% of electric fund revenues.	We are moving to a franchise fee and in lieu of taxes method. Basically we will take the value of assets of the utilities multiplied times the city property tax rate. Then we will charge a franchise fee against the revenues.	No.

**Benjamin O. Hart, CPA, CGMA**

*Senior Vice President and Client Representative*

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Mr. Benjamin Hart, Senior Vice President and Client Representative has 23 years exclusively serving governmental entities, including 15 years of direct government financial leadership experience as a former CFO for Unified Government of Wyandotte County/City of Kansas City and City of Olathe; 8 years in public accounting specializing in budget and capital planning, economic development policy, performance measurement as well as governmental auditing. He specializes in debt and risk management, economic development policy, development negotiations and performance management. Mr. Hart is an active member of the GFOA, Missouri Municipal League and Missouri and Kansas Society of CPAs, and frequently presents educational topics.

**Patricia L. “Patty” Kettles, CIPMA**

*Vice President*

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Ms. Patty Kettles has over 22 years of experience working with Springsted clients on various projects, including performing utility rate analyses and financial feasibilities, financing options, capital improvement programming and debt management. She has assisted clients with utility rate studies and cost of service analysis studies as well as in the development of Excel®-based computer models for utilities in Minnesota, Iowa, Kansas, Maryland, Minnesota, Missouri, North Carolina, North Dakota, Virginia, and Wisconsin. Ms. Kettles holds a master’s in business administration and a bachelor’s degree in finance. She is also a Municipal Advisor Representative.