



2025 Water Utility Budget Supplemental Lead Service Line Replacement

Rochester Public Utilities Board Meeting
Regular Agenda Item 4.A.
January 21, 2025
Peter Hogan



2025 Water Utility Budget Lead Service Line Replacement (LSLR) Grant

1. Potential grant through Minnesota Public Facilities Authority for LSLR.
 - \$18.5M to \$26.7M (910 to 1,310 properties)
2. The grant does not currently reimburse for program general overhead costs.
3. Water service lines in Rochester are owned by the property owner.
4. The State Statute governing municipal utilities and Rochester City Charter does not allow the use of utility funds to pay for improvements to privately owned property.
5. Management is proposing and requesting approval of an access fee to pay for unfunded program expenses not covered by the grant. Estimated to be less than \$500 per property.
6. Management will be requesting Board and Council approval for short-term borrowing up to \$5,000,000 between 2025 through 2029.
7. The average benefit is expected to be approximately \$20,000 per service.



2025 Water Utility Budget Lead Service Line Replacement Grant

Description	Program Year					
	2025	2026	2027	2028	2029	Total
Grant Proceeds	652,552	3,768,804	7,703,985	9,711,666	4,790,542	26,627,549
Fee Income	30,138	148,206	226,457	250,199	-	655,000
Total Proceeds	682,690	3,917,010	7,930,442	9,961,865	4,790,542	27,282,549
Grant Expense - Direct (20% Contingency)	1,225,200	6,024,991	9,206,099	10,171,260	-	26,627,549
Interest Expense	19,687	102,667	176,863	207,877	49,952	557,046
Admin Expense	20,000	20,000	20,000	20,000	20,000	100,000
Total Expenses	1,264,887	6,147,658	9,402,962	10,399,137	69,952	27,284,595
Cash Inflow (Outflow)	(582,197)	(2,230,648)	(1,472,520)	(437,272)	4,720,590	(2,046)
Cummulative Cashflow	(582,197)	(2,812,844)	(4,285,364)	(4,722,636)	(2,046)	(2,046)



Recommended Board Action

Adopt a Resolution authorizing the proposed 2025 Water Utility budget changes and recommend that the City Council approve the 2025 proposed budget changes:

1. Approve acceptance of the Minnesota Public Facilities Authority (MPFA) grant for Lead Service Line Replacement in an amount up to \$26,700,000 (projected 5 Years).
2. Approve an access fee charged to participating property owners for the indirect costs not covered by the grant.
3. Approve the addition of the revenues, and expenses (\$1,265K including contingencies) in the 2025 Water Utility Budget, and subsequent years contingent upon receiving the MPFA grant funding.