

West Jefferson Sewer District

Annual Report/Operating Policy Manual

September 2022

Annual Report/Operating Policies

September 2022

Dear West Jefferson Sewer District Property Owners:

Over the last several months, the West Jefferson Sewer District Authority/Le Sueur County Board of Commissioners have been closely examining the operations of the sewer district. As part of those discussions, we have needed to make operating policy changes to ensure the sewer district is adequately funded and to provide clarity as to operational policies.

The following document serves as the first iteration of the formal operating policies for the sewer district which will be updated annually and shared with you.

As you may be aware, the current operating and capital reserve account is not building an adequate balance to address anticipated maintenance costs. In fact, the operating account has regularly run into deficits, which has required the County to use general taxpayer fund monies to pay for operations.

In an attempt to build a stronger and more sustainable financial position, and to address issues that have arisen since the beginning of operations of the system, the following key new policies have been implemented.

- *New Surcharge Policy*
 - *All 141 property owners that are part of the sewer district will be billed \$100 in October 2022. This will include properties that are using the system and properties that have infrastructure to their property that are not yet connected to the system. Based on 141 connections, anticipated revenue is around \$14,000. The surcharge may again be billed in 2023 depending on account balances.*

- *Charge for unused hookups with equipment installed not paying base fee*
 - *All pumps will be removed from these properties as to preserve their integrity.*
 - *If the properties are not connected by December 31, 2022, these properties will be assessed ½ of the monthly base fee starting January 1, 2023.*
 - *The cost for reinstallation of the pumps on these properties will be the sole responsibility of the landowner, not the sewer district.*

- *Charge for partial hookups and stubbed-in properties not paying base fee*
 - *Starting January 1, 2023, all partial hookups and stubbed-in properties will start paying ½ monthly base fee.*

The Sewer District Authority has not yet set the base rate charge for 2023. The current set rate is \$45.50 per month. The Board will act and set the official monthly base rate in late 2022 or early 2023. Budget projections for needed annual revenue is around \$80,000. To generate \$80,000, the base rate will need to be adjusted to around \$50 or additional surcharges will need to be placed.



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I. General System Overview

- The West Jefferson Sewer District has been designed and approved for 141 residential connections. All 141 connections are assigned to specific parcels. No new connections can be established in the system without concurrence from the City of Cleveland to add connections as the system is connected to the City of Cleveland's wastewater treatment facility.
- There are currently 130 properties with full connections and 11 properties with partial or stubbed in connections.
- The initial cost of building the system was paid for via a grant and loan program through the State of Minnesota. Assessments have been placed on parcels that are benefiting from the system. Some property owners have paid their entire assessment, while others have chosen to pay their assessment over several years.
- Any new connection that may be authorized in the system will require the landowner to pay for all costs of installation.
 - In addition to paying for the cost of installation, the landowner shall pay a sewer access charge. This charge is currently set at \$5,500, of which \$1,000 is paid by the Sewer District to City of Cleveland.

II. How Billing is Calculated and Managed

- Users of the system receive a quarterly bill, which lists their usage. Billing is managed by the County, but costs for billing is reimbursed to the County from the Sewer District.
- The bill lists usage and the amount due, but the bill is calculated using a "base fee" and a "flow charge". *Note: This detail is NOT included on the bill.*
 - The *base fee* is a flat monthly charge the Sewer District collects for operating costs and to build fund reserves. In an agreement with the City of Cleveland, \$1 per month per hookup goes to the City of Cleveland.
 - Historic base charges (per month, per connection)
 - 2020: \$42.95 2021: \$44.21 2022: \$45.50
 - The *flow charge* is a fee set by the City of Cleveland per 1,000 gallons of usage. This entire amount goes to the City of Cleveland (budgeted 3% annual increase)
 - Historic flow charges (per 1,000 gallons of usage)
 - 2020: \$7.44 2021: \$7.66 2022: \$7.89 2023: \$8.13 (est.)



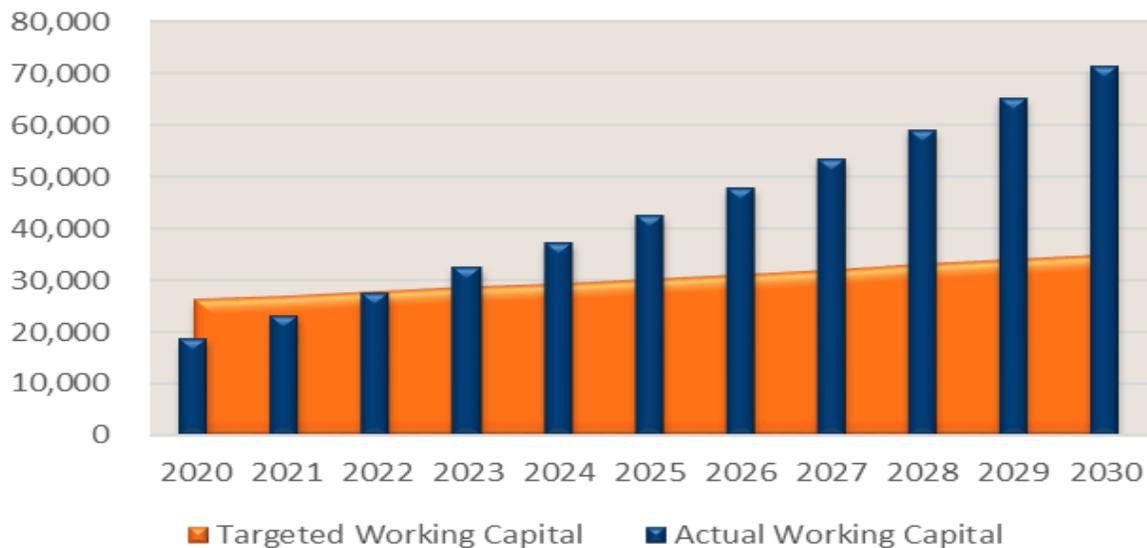
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III. Financials and Operating/Capital Reserves Account

- The West Jefferson Sewer District is intended to be a self-funded enterprise, with the users of the system paying for all costs associated with the operation and maintenance of the system. No county levy dollars were intended to be used for operations or maintenance of the system.
- Goal for operating reserves is four months of expenses, along with building an adequate reserve to pay for replacement of pumps when their warranty expires.
- The expected life expectancy of pumps is 20 years.
- In order to pay for operations and maintenance of the system, the following are target goals for operating and capital reserves.

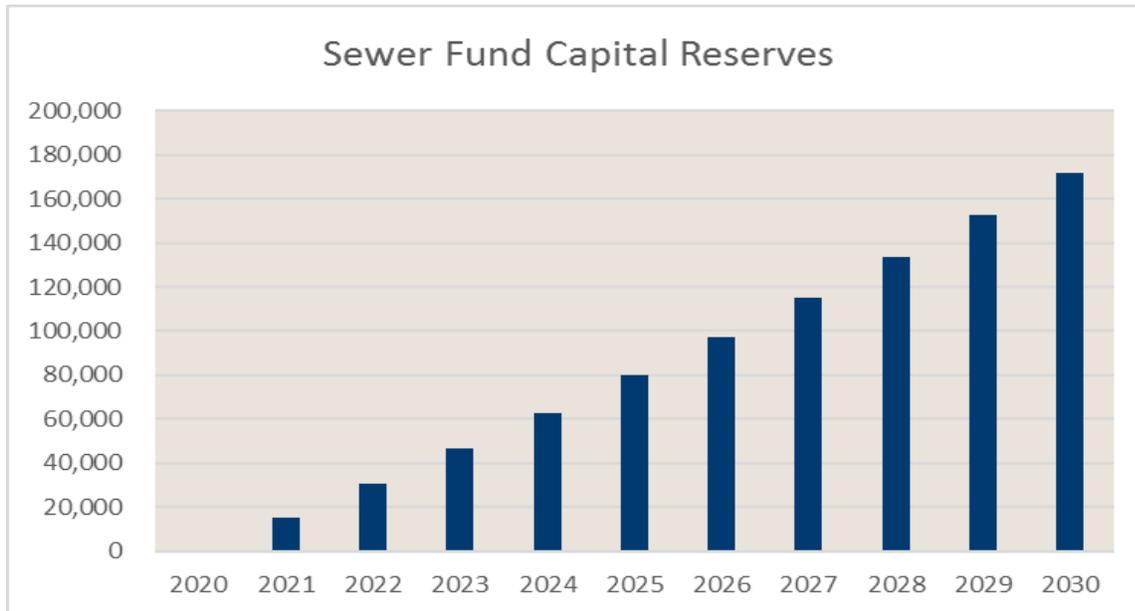
Sewer Fund Operating Reserves





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IV. Budget Summary and Forecasting

In referencing reserve guidance developed by professional municipal advisors, the Sewer District should have \$60,000 in reserves built up by the end of 2022 (\$30,000 in operating and \$30,000 in capital). That number jumps to \$80,000 by year-end 2023 (\$35,000 in operating and \$45,000 in capital). However, the sewer district is not currently building adequate reserves due to higher than anticipated maintenance costs.

The recent action to impose a \$100 surcharge to generate \$14,000 will assist in building reserves, but the system needs to generate more revenue to build adequate reserves.

Based on the \$14,000 surcharge, the anticipated reserve fund balance is projected to be around \$15,000 by year-end 2022, still far short of the \$60,000 in recommended reserves.

The Sewer District authority will need to make decisions on raising more funds from users of the system. The risk that will be run if operating and capital reserves are not built is that county taxpayers would be liable for paying for expenses, and subsequent large surcharges or assessments would need to be placed on users of the system to reimburse the County.



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2022 Budget Review

- Revenues
 - Budgeted Revenue from Base Charge=\$68,804
 - Estimated Revenue from Base Charge=\$68,300
 - *Note: Base charges are what funds the operating accounts.*
 - Budgeted Revenue from Flow Charge=\$26,028
 - Estimated Revenue from Flow Charge=\$22,760
 - *Note: All flow charges are paid directly to City of Cleveland.*

- Expenditures (Budgeted, 6-month and Estimated Year-end)
 - Estimated expenditures from operating account are \$68,215, essentially a break even budget year.

| Account | Budgeted | 6-month | Estimated YE |
|---------------------|----------|----------|--------------|
| Admin | \$20,465 | 0 | \$20,000 |
| Base Charge to City | \$1,512 | \$756 | \$1,512 |
| Utilities | \$14,662 | \$3,880 | \$8,000 |
| Postage | \$150 | \$83 | \$166 |
| Consulting | \$10,821 | 0 | *\$6,000 |
| Audit | \$0 | \$1,854 | \$1,854 |
| Insurance | \$3,183 | \$491 | \$491 |
| Repairs | \$16,470 | \$13,549 | \$30,000 |
| Services | \$5,305 | 0 | 0 |
| Misc | \$0 | \$192 | \$192 |
| Office Supplies | \$200 | \$0 | \$0 |
| Totals | \$72,768 | \$20,805 | \$68,215 |

*Development of GIS program



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2023 Budget Planning (Expenditures from Base Charges)

| Account | 2022 Budget | 2022 Est YE | 2023 Proposed |
|---------------------|-------------|-------------|---------------|
| Admin | \$20,465 | \$20,000 | \$15,000 |
| Base Charge to City | \$1,512 | \$1,512 | \$1,524 |
| Utilities | \$14,662 | \$8,000 | \$10,000 |
| Postage | \$150 | \$166 | \$200 |
| Consulting | \$10,821 | \$6,000 | \$1,000 |
| Audit | \$0 | \$1,854 | \$1,000 |
| Insurance | \$3,183 | \$491 | \$500 |
| Repairs | \$16,470 | \$30,000 | \$30,000 |
| Services | \$5,305 | 0 | 0 |
| Misc | \$0 | \$192 | \$500 |
| Office Supplies | \$200 | \$0 | \$0 |
| Totals | \$72,768 | \$68,215 | \$59,724 |

Setting the Base Rate in 2023

- With nearly \$60,000 in estimated operating expenses, the base rate should generate at least \$80,000, so as to generate a fund balance for future reserves.
- Assuming 130 properties paying full base rate, and 11 properties paying half base rate, the base rate should be set around \$49.50 per month to generate the needed \$80,000 of revenue.

Another Potential Surcharge in 2023

- Depending on the decision of setting the base rate, the sewer district authority may need to consider imposing another surcharge in 2023 to build reserves, or consider charging full base rates for all members of the system, regardless of status of usage.



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2023 Base Rate Scenarios Revenue Projections

| Rate | Full (130) | Partial (11) | Total Revenue |
|-------|------------|--------------|---------------|
| 45.50 | 70,980 | 3,003 | 73,983 |
| 46.00 | 71,760 | 3,036 | 74,796 |
| 46.50 | 72,540 | 3,069 | 75,609 |
| 47.00 | 73,320 | 3,102 | 76,422 |
| 47.50 | 74,100 | 3,135 | 77,235 |
| 48.00 | 74,880 | 3,168 | 78,048 |
| 48.50 | 75,660 | 3,201 | 78,861 |
| 49.00 | 76,440 | 3,234 | 79,674 |
| 49.50 | 77,220 | 3,267 | 80,487 |
| 50.00 | 78,000 | 3,300 | 81,300 |



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Contractor Relationships and Key Points of Contact

The following entities are contracted to provide services on the Sewer District

Ellingson Drainage

Serves as authorized contractor for installation of any and all infrastructure (e.g. pipes, pumps, control panels, etc.). Ellingson is not authorized to conduct any work without pre-authorization of sewer district authority.

Cole's Electric Inc

Cole's Electric is authorized contractor for electrical work on panels.

Bolton and Menk

Serves as authorized engineering firm.

Trident Water Systems

Contracted provider for on-site maintenance and service.

AMI Global

Provides readings for pumps and information for billing.

USIC

Provides locating services for sewer district.

Billing questions

All billing related questions should be directed to Pamela Herrmann with County Administrators Office. 507-357-8532

Maintenance

All maintenance related questions should be directed to Trident Water Systems/Mike Malterer. 507-720-5239

New or modified connection questions

All new connection or system alteration questions should be directed to Le Sueur County Environmental Services 507-357-8209, or County Administrators Office, 507-357-8532.



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Operating Policies

- **Issue (Operating and Capital Reserve Accounts)**
 - The current operating and capital reserve account is not building an adequate balance to address anticipated maintenance costs. Operating account regularly runs in deficit, which requires county to use general fund monies to pay for operations.
 - **Surcharge Policy**
 - *All 140 property owners that are part of the sewer district will be billed \$100 in October 2022. This will include properties that are using the system and properties that have infrastructure to their property that are not yet connected to the system. Based on 140 connections, anticipated revenue is \$14,000. The surcharge may again be billed in 2023 depending on account balances.*
-
- **Issue (Unused hookups with equipment installed not paying base fee)**
 - *Policy*
 - *All pumps will be immediately removed from these properties as to preserve their integrity.*
 - *If the properties are not connected by December 31, 2022, these properties will be assessed ½ of the monthly base fee starting January 1, 2023.*
 - *The cost for reinstallation and electrical wiring of the pumps on these properties will be the sole responsibility of the landowner, not the sewer district.*
-
- **Issue (Partial hookups and stubbed-in properties not paying base fee)**
 - *Policy*
 - *Starting January 1, 2023, all partial hookups and stubbed-in properties will start paying ½ monthly base fee.*
-



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- **Issue (Late Payments)**

- *Policy*

- *Late payment fee will be set at \$10 per month.*
 - *Any sums that are delinquent for more than 12 months will be added to property taxes and assessed to the property. A certificate of delinquency will be filed with a 10% penalty and an interest charge of 5%. Unpaid assessments may be subject to tax forfeiture under Minnesota law.*
 - *If the property is sold to a new owner, all assessments must be paid in full.*
-

- **Issue (Excessive Use Readings)**

- *Policy*

- *Any excessive use and corresponding charges, regardless of cause, shall be responsibility of property owner. The only exception to this is if the excessive use reading can be verified to be a mechanical failure of equipment that did NOT lead to discharge to the system.*
-

- **Issue (Vacating Property Voluntary Notification)**

- *Policy*

- *County and sewer district will have a form available for homeowners to submit when they are vacating the property for an extended period of time. This information will be shared with district maintenance contractor.*
-

- **Issue (Process for Requesting New Hookups for Partial and Stubbed-in Properties that are authorized to use system)**

- *Policy*

- *All individuals with partial hookups or stubbed-in properties shall contact the County Environmental Services Department of their intent to hook up to the system BEFORE any work is done. The Department will provide a form that will need to be completed, which will provide directions on hooking into the system.*
-



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- **Issue (Process for Requesting New Hookups for Properties that are NOT pre-authorized to use system)**
 - *Policy*
 - *All individuals who are NOT pre-authorized to use the system, but have an interest in joining the system, shall contact the County Environmental Services Department.*
 - *Individuals will be given an application form to complete which will be reviewed by the sewer district for feasibility.*
 - *Those applications that pass the feasibility test will be forwarded to the City of Cleveland for their review and concurrence.*
 - *If the City of Cleveland concurs with adding the connection, the landowner will be given guidance as to contacting the contractor to receive an estimate on costs.*
 - *The \$5,500 sewer access charge must be received before the system is connected.*

- **Issue (GIS Mapping System and Locating Services)**
 - *Policy*
 - *Any new connection will pay \$500 to have their property included in the GIS mapping program. This is considered a cost above and beyond the sewer access charge.*
 - *The Sewer District will enter into necessary agreements/contracts with engineer and other partners to insure the system is properly mapped and located as to preserve and protect the integrity of the system.*

- **Issue (Payment of Recorder's Office Filing Fees)**
 - *Policy*
 - *Any new connection will be required to pay \$46 filing fee to County Recorder's Office for recording of the utility easement.*



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APPLICATION FORM FOR NEW SERVICE (Not currently part of sewer system)

WEST JEFFERSON SANITARY SEWER DISTRICT APPLICATION FOR INCLUSION IN WJSSD AND SEWER SERVICE

Date: _____

To: The West Jefferson Sanitary Sewer District Commission and the Le Sueur County Board of Commissioners, Le Sueur County, Minnesota.

The undersigned, being all of the property owners of the following described property:

Property Owner or Owners: _____

Parcel Number: _____

Legal Description: _____

Site Address If Available: _____

Hereby apply for inclusion in WJSSD and sewer service to said property, and represent that this application is being made with the following understandings:

1. All costs incurred in hooking up the above property to sewer service shall be borne by the applicant. This includes, but is not limited to, purchasing an approved sewer grinder/pump station, control panel, connection of all associated sewer lines, and installing all components according to WJSSD policy. The WJSSD shall always first approve any construction work undertaken to hook up. It is understood that inspection of all sewer service installations must take place before any backfilling occurs and before usage begins.
2. The property is subject to all WJSSD SAC, O&M and usage fees. The Le Sueur county Board of Commissioners may adjust these fees on a yearly basis.



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3. Fees:

- A. A construction fee will be determined by the contractor, Ellingson, 56113 State Hwy 56, West Concord, MN 55985. Phone: (507) 527-2294
- B. \$5,500.00 SAC Fee
 - a. \$1,000 will be payable to City of Cleveland
 - b. \$4,500 will be retained by the WJSSD for operating costs
- C. \$500 GIS Fee
- D. \$46.00 filing fee for the Le Sueur County Records Office for recording the Utility Easement

Property Owner or Owners Printed Name(s): _____

Property Owner(s) Signature(s): _____

Mailing Address: _____

City, State, Zip: _____

Email: _____

Telephone: _____

For Office Use Only – Required Approvals:

- Joe Martin, Le Sueur County Administrator
- Le Sueur County Board of Commissioners
- Le Sueur County Environmental Services
- City of Cleveland
- Permanent Utility Easement Signed
- Permanent Utility Easement Recorded



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APPLICATION FORM FOR NEW SERVICE (Part of system, but not currently hooked up)

WEST JEFFERSON SANITARY SEWER DISTRICT

APPLICATION FOR EXISTING HOOKUP TO WJSSD

Date: _____

To: The West Jefferson Sanitary Sewer District Commission and the Le Sueur County Board of Commissioners, Le Sueur County, Minnesota.

The undersigned, being all of the property owners of the following described property:

Property Owner or Owners: _____

Parcel Number: _____

Legal Description: _____

Site Address If Available: _____

Hereby apply for inclusion in WJSSD and sewer service to said property, and represent that this application is being made with the following understandings:

4. All costs incurred in hooking up the above property to sewer service shall be borne by the applicant. This includes, but is not limited to, purchasing an approved sewer grinder/pump station, control panel, connection of all associated sewer lines, and installing all components according to WJSSD policy. The Director of the WJSSD shall always first approve any construction work undertaken to hook up. It is understood that inspection of all sewer service installations must take place before any backfilling occurs and before usage begins.
5. The property is subject to all O&M and usage fees. The Le Sueur county Board of Commissioners may adjust these fees on a yearly basis.
6. Fees:



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- E. A construction fee will be determined by the contractor, Ellingson, 56113 State Hwy 56, West Concord, MN 55985. Phone: (507) 527-2294
- F. \$500 GIS fee
- G. \$46.00 filing fee for the Le Sueur County Recorder's Office for recording the Utility Easement

Property Owner or Owners Printed Name(s): _____

Property Owner(s) Signature(s): _____

Mailing Address: _____

City, State, Zip: _____

Email: _____

Telephone: _____

For Office Use Only – Required Approvals:

- Joe Martin, Le Sueur County Administrator
- Le Sueur County Board of Commissioners
- Le Sueur County Environmental Services
- Permanent Utility Easement Signed
- Permanent Utility Easement Recorded



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WEST JEFFERSON SANITARY SEWER DISTRICT VACATE PROPERTY FORM

Date: _____

I will be vacating my property for more than 2 weeks.

Date Leaving: _____

Date Returning: _____

Property Owner or Owners Printed Name(s): _____

Mailing Address: _____

City, State, Zip: _____

Email: _____

Telephone: _____

WJSD Account #: _____

*If at any time you plan to shut electricity off, please let Mike Malterer know at twslcmn@gmail.com or 507-720-5239. A power source alarm will result in a service call to your property to investigate.



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SAMPLE: PERMANENT UTILITY EASEMENT FORM

(West Jefferson Sanitary Sewer District)

THIS PERMANENT UTILITY EASEMENT is given this ____ day of _____, 2022, by the owners identified in the attached **Exhibit A** (collectively the “Grantors”) to Le Sueur County, Minnesota (“County”) with respect to the real estate identified in **Exhibit A** and legally described in the attached signature pages (collectively the “Parcels”).

RECITALS

- A. Grantors are the fee title owners of the Parcels, as identified in **Exhibit A** and legally described in the attached signature pages;
- B. The County acted pursuant to its authority under Minnesota Statutes Chapter 375B to establish the West Jefferson Subordinate Service District (“District”) to provide a public wastewater collection system that shall connect to the City of Cleveland wastewater treatment facility in order to address wastewater needs within the District for those owners who elect to participate in the project and to connect their homes to the wastewater treatment system to be constructed as part of the District (“Wastewater Collection System”);
- C. A permanent utility easement is required over the Parcels to enable the County to properly construct, install, operate, and maintain the Wastewater Collection System, including the installation of facilities and equipment on the Parcels;
- D. The Grantors desire to grant a permanent utility easement over their Parcels to the County for the Wastewater Collection System;
- E. Initially, the utility easement shall be blanket easements over the Parcels in order to accommodate adjustments to initial construction plans necessitated by on the ground conditions; and
- F. Final as-built drawings for the sanitary sewer project will be recorded with the Le Sueur County Recorder and indexed against the Parcels once construction of the sanitary sewer project is completed that will confine the initial blanket utility easements.



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PERMANENT EASEMENT

1. Permanent Utility Easement. In consideration of the mutual covenants contained herein and for other good valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Grantors, the Grantors hereby convey and grant to the County a permanent, non-exclusive, easement (“Easement”) over, under, and across their Parcels (“Easement Area”) for utility purposes to allow the construction, operation, and maintenance of the Wastewater Collection System in accordance with the terms and conditions contained herein. The Easement Area excludes the portions of the Parcels currently covered by residences and other permanent buildings.
2. Scope of Easement. The Easement includes the right of the County, its contractors, agents, officers, employees, and inspectors to enter the Easement Area at all reasonable times for the purposes of performing such construction, excavation, reconstruction, inspection, alteration, pumping, and related work as is needed to install, operate, maintain, repair, improve, and replace the Wastewater Collection System. Grantors and the County will work together to minimize the disruption to Grantors by the excavation and work. The County shall require the contractors installing the Wastewater Collection System to perform the work in accordance with the plans and specifications developed for the Wastewater Collection System. The County shall also require the contractors to restore any excavated areas and to repair any damage done to the Property from their work, except that there shall be no obligation to restore or replace trees or shrubs cut or removed as part of the installation, repair, maintenance, or replacement of the Wastewater Collection System.
3. Obstructions and Placement of Structures Prohibited. Grantors shall not erect any structure under, on, across or within the Easement Area without obtaining the prior written consent of County. Grantors may pave over and use the Easement Area for parking, but shall take reasonable measures to protect any above ground or at-grade improvements. The Easement includes the right of the County to remove any object, including landscaping, trees, shrubs, timber and wood, which in the opinion of the County or its contractors will interfere with the sanitary sewer, which includes a prohibition on planting trees or shrubs within five feet of the grinder pump and sewer line once installed.
4. Warranty of Title. The Grantors warrant they are the owners of the respective Parcels and have the right, title, and capacity to convey the Easement to the County.
5. More Specific Description. Because the Easement for the Wastewater Collection System needs to be in place before the County can apply for grant funds and actually place the facilities and equipment associated with the Wastewater Collection System, a blanket easement is necessary



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and only a general location of the Easement Area can be identified at the time of executing this Easement. The Easement will be confined with as-built drawings upon completion of the Wastewater Collection System that will be recorded against the Parcels.

6. Easement Runs with the Land. The Easement shall be for the benefit of the County for installation of the Wastewater Collection System. The Easement shall run with the land and is binding upon the Grantors, their heirs, successors, and assigns.

[Signature pages to follow.]

THIS INSTRUMENT DRAFTED BY:

Rinke Noonan (AAR/mjr)
1015 W. St. Germain St., Suite 300
P.O. Box 1497
St. Cloud, MN 56302-1497
File No. 15741-0031

THIS INSTRUMENT DRAFTED FOR:

Le Sueur County
88 S. Park Ave.
Le Center, MN 56057
507-357-8220