



The Connection

November 2021

106 N. Main St. P.O. Box 92 Canton, MN 55922 (507) 743-5000



Winter parking rules start November 1

Snow or no snow, alternate side street parking begins Monday, November 1. It is in effect from 2 a.m. to 8 a.m., November through March, regardless of the weather forecast. Under this parking system, no vehicle is permitted to be parked on the even-numbered side of any street on even-numbered days, and no vehicle can be parked on the odd-numbered side of any street on odd-numbered days. **Remember, you are parking for the calendar day at 2 a.m.** Initially, sheriff deputies will be issuing warnings to owners of vehicles parked illegally. Repeat offenders may eventually receive a \$25 citation per offense; only the city council can waive a citation. Please contact city hall if you have questions about alternate side parking.

City Ordinance § 71.04

From November 1 through March 31 of each year, between 2:00 a.m. and 8:00 a.m. each day, no motor vehicles, trailers, wagons or any other obstacles to snow plowing vehicles shall be parked on the even-numbered side of any City Street on even-numbered days, and no motor vehicle shall be parked on the odd-numbered side of any City Street on odd-numbered days.

Water and sewer rates on November agenda

Helping you understand the decision before the city council

It ranks up there as a city councilmember's least favorite topic – utility rate increases. Unfortunately, the Canton City Council must tackle this issue at its November 10 meeting. The Utilities Committee, comprised of councilmembers Josh Nordsving and Cindy Shanks, is leading the effort to replenish the City's depleting proprietary funds – often referred to as enterprise funds.

➤ Understanding the funds

By definition, an enterprise fund is a self-supporting government fund that sells goods and services to the public for a fee. The City has three enterprise funds: our Water Fund, Sewer Fund and Garbage Fund. Prior to the start of this calendar year, the City operated and managed a joint Water, Sewer and Garbage Fund. Under that financial arrangement, all monies collected for water, sewer and garbage services went into one account, with all payments associated with those three services also coming out of one account. In 2017, following Hawkins Ash CPAs' first review of the City's financial records, the auditing firm recommended fund segregation for more accurate reporting and budgeting. The accounting transition began in 2020, with the City officially establishing a separate Water Fund, Sewer Fund and Garbage Fund on January 1, 2021, following the launch of our new computer system. It's important to note that enterprise funds are not subsidized by other governmental funds, such as our General Fund – which is comprised of your tax dollars.

➤ Understanding the financial history

According to calendar year audit reports, the Water, Sewer and Garbage Fund ended December 31 with net decreases in cash (and cash equivalents) six out of the last 10 years. Additionally, during this 10-year period, approximately \$57,500 in reserve funds were transferred into the Water, Sewer and Garbage Fund checking account to assist in covering operating costs.

Water, Sewer & Garbage Fund Net Increase (Decrease) in Cash	
2020	\$20,355
2019	(\$2,117)
2018	(\$11,415)
2017	(\$2,929)
2016	(\$26,325)
2015	\$10,354
2014	\$14,973
2013	(\$25,785)
2012	\$21,633
2011	(\$2,913)

Between 2011 and 2020, customer water and sewer rates were adjusted twice – in early-2014 and late-2017. The 2017 adjustment coincided with the water meter replacement project. It included the implementation of the water and sewer usage fees, or the charges per thousand gallons of water and wastewater used. The 2017 rates adjustment resulted in a decrease to the monthly residential water service charge. It was lowered from \$17.00 to \$12.50. The cost per thousand gallons of water used was set at \$3.00. A \$5.00 monthly water delivery system upgrade fee, which took effect in 2014, remained in place. On the sewer side, the \$33.00 residential monthly service charge stayed the same, with the cost per thousand gallons of wastewater used established at \$2.40. In 2018, the first complete calendar year under the revised rates structure, the audit reported Water, Sewer and Garbage Fund operating revenues totaling \$120,801 – or a 2.5% decrease from the 2017 total operating revenues of \$123,862. In 2020, the city council approved a reserve funds transfer of more than \$27,000, which allowed for the net increase in cash reported at the end of the calendar year. Without that transfer, the 2020 net decrease would have been \$5,098.

Sorry We're
CLOSED

November 11
Veterans' Day

November 25 & 26
Thanksgiving

**Canton American Legion
Garrett Barth Memorial
Pancake Breakfast**



November 7
7 a.m. to Noon
Canton Town Hall

**Community
Thanksgiving Meal**



November 25
Noon to 1:30 p.m.
Mabel Methodist Church

Drive-thru & Delivery Only

Open to first 350 people
by November 20; RSVP
required by contacting
LeeAnn Howard at
(507) 459-9243

**Canton Fire Dept.
Donation Drive**

*Help us continue
to help you.*

Mail to: PO Box 179
Canton, MN 55922 or
drop-off at Canton City Hall

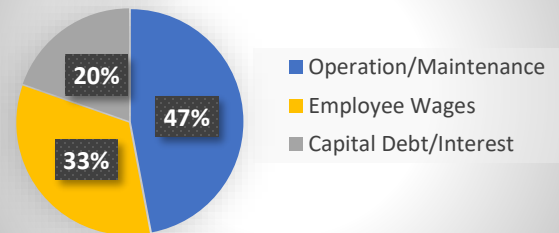
➤ Understanding the 2021 rates increase

In November 2020, the council approved a rates adjustment to address the financial hardships associated with the enterprise funds. The monthly residential water service charge was increased to \$28.50, with the \$5.00 monthly water delivery system upgrade fee eliminated. The cost per thousand gallons of water used was set at \$4.84. The council kept the monthly residential sewer service charge at \$33.00, with the cost per thousand gallons of wastewater used set at \$2.44. The revised rates, effective January 1, 2021, resulted in a monthly increase of around \$15.00 for a residential user of 2,500 gallons water/wastewater. A representative from the Minnesota Rural Water Association attended the November 2020 city council meeting. He explained Canton's average daily water use is much lower than the statewide average – by nearly half. That said, he encouraged the council to establish a higher monthly service charge to guarantee additional revenue, since daily water volume is controlled by the user. Additionally, he noted Canton's number of service connections has remained nearly unchanged for many years; therefore, without additional growth, the City must rely on the existing 170-some users for its revenue stream.

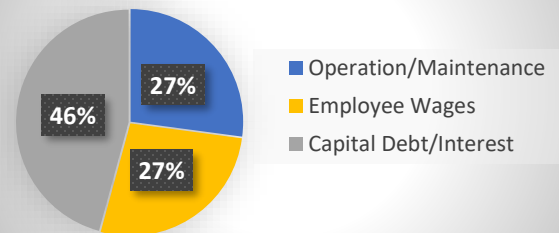
➤ Understanding the current financial picture

As of September 30, the Water Fund carried a checking account balance of around \$62,000 with approximately \$28,000 in the Sewer Fund account. Reserve fund balances at the end of September totaled \$55,400 for the Sewer Fund, with \$0 remaining in the Water Fund. The unexpected and essential repairs to one of the City's wells required the redemption of two CDs totaling more than \$55,000. Based on budget forecasts, the Water Fund will end the calendar year with a checking balance of just over \$55,000. That projected balance would be right around \$0 without the transfer of reserve funds. Come February 1, 2022, an annual bond payment of nearly \$15,000 is due from the Water Fund. The Sewer Fund is poised to end the year with a little over \$43,000 in checking. A nearly \$20,000 bond payment is due from the Sewer Fund on January 1, 2022. Additional equipment repairs will be needed at the wastewater treatment facility in 2022, as the original equipment associated with the facility's 2006 construction is aging and becoming obsolete. Given the present rates structure, no additional revenue is being generated for reserve fund purposes.

2020 WATER FUND DISBURSEMENTS



2020 SEWER FUND DISBURSEMENTS



➤ Understanding what happens next

At last month's council meeting, Councilmembers Nordsving and Shanks proposed adjustments to monthly water charges for 2022. They suggested increasing the monthly residential service charge from \$28.50 to \$34.00, and increasing the cost per thousand gallons of water used from \$4.84 to \$5.00. This would increase monthly water-related charges by \$5.90 for a user of 2,500 gallons. While the two Utility Committee members acknowledged the proposal was not the be-all and end-all to the City's Water Fund woes, it provides an incremental approach to arriving at a solution. Going into the October 13 meeting, Nordsving and Shanks recommended leaving current sewer rates in place for 2022. However, the need to replace nearly \$22,000 worth of equipment at the wastewater treatment facility, over the next two years, has additional number crunching occurring ahead of the November 10 meeting, which begins at 6 p.m. in the Canton Town Hall. The public is encouraged to attend and may provide comments during designated time on the agenda. A vote on potential water and sewer rate increases is expected, with an implementation date of January 1, 2022. At this time, no monthly increases to garbage and recycling rates are planned for 2022.