



Request for City Council Action

DEPARTMENT INFORMATION

ORIGINATING DEPARTMENT	REQUESTOR:	MEETING DATE:
Administration	City Administrator/Finance Director Flaherty	February 23, 2026
PRESENTER(S)	REVIEWED BY:	ITEM #:
Consent		3.4 – Utility Rates

STRATEGIC VISION

MEETS:	THE CITY OF OTSEGO:
X	Is a strong organization that is committed to leading the community through innovative communication.
	Has proactively expanded infrastructure to responsibly provide core services.
	Is committed to delivery of quality emergency service responsive to community needs and expectations in a cost-effective manner.
	Is a social community with diverse housing, service options, and employment opportunities.
	Is a distinctive, connected community known for its beauty and natural surroundings.

AGENDA ITEM DETAILS

RECOMMENDATION:	
City staff are recommending that the City Council adopt a resolution modifying water & sanitary sewer utility rates.	
ARE YOU SEEKING APPROVAL OF A CONTRACT?	IS A PUBLIC HEARING REQUIRED?
No	No
BACKGROUND/JUSTIFICATION:	
<p>The City has a public utility system with Water and Sanitary Sewer operations. The current system is comprised of approximately 5,797 customers who include both residential and commercial accounts. Those customers receive monthly utility bills for usage of the water and sanitary sewer utility system. The monthly charges include both a base fee, and a consumption fee which is calculated on their actual usage of the system.</p> <p>The utility rates for the water and sanitary sewer systems are analyzed by the Finance Director on an annual basis. This analysis includes reviews of budget-to-actuals, preparation of the operating budget, preparation of the capital improvement plan, and future projections.</p> <p>In addition to analysis by City staff, the City Council commissioned a Utility Rate Study with Ehlers during 2023, and again in 2025, which evaluated: funding capital projects, managing revenue volatility, reviewed billing structure, competitiveness of rates and adequacy of connection fees. The recommendations for utility rates in 2026 are consistent with the forecasted increases in the Utility Rate Studies and were factored into the 2026 Water and Sanitary Sewer Operating budgets.</p> <p>This information was reviewed and discussed by the Administrative Subcommittee and the Public Works Subcommittee at their respective February 2026 meetings and provided recommendations to proceed with consideration of approval by the City Council.</p>	
SUPPORTING DOCUMENTS ATTACHED:	
<ul style="list-style-type: none"> • Rate Summary Comparisons • Monthly Bill Illustrations • Resolution 2026-11 	

POSSIBLE MOTION

PLEASE WORD MOTION AS YOU WOULD LIKE IT TO APPEAR IN THE MINUTES:

Motion to adopt Resolution 2026-11, Modifying Water and Sanitary Sewer Utility Rates for 2026.

BUDGET INFORMATION

FUNDING:	BUDGETED:
Fund 601 – Water Utility Fund 602 – Sanitary Sewer Utility	Yes



**City of Otsego
Public Utility Charges
Water Rate Comparison
2026**

	Actual Increases						
	6.00%	6.00%	6.00%	7.00%	7.00%		
	2021	2022	2023	2024	2025	2026	Proposed Change
Base Rate							
5/8" Meter	\$ 4.00	\$ 4.24	\$ 4.49	\$ 4.80	\$ 5.14	\$ 9.19	78.79%
3/4" Meter	\$ 4.00	\$ 4.24	\$ 4.49	\$ 4.80	\$ 5.14	\$ 9.19	78.79%
1.00" Meter	\$ 10.00	\$ 10.60	\$ 11.24	\$ 12.03	\$ 12.87	\$ 20.22	57.11%
1.50" Meter	\$ 20.00	\$ 21.20	\$ 22.47	\$ 24.04	\$ 25.72	\$ 45.95	78.65%
2.00" Meter	\$ 32.00	\$ 33.92	\$ 35.96	\$ 38.48	\$ 41.17	\$ 58.82	42.87%
3.00" Meter	\$ 70.00	\$ 74.20	\$ 78.65	\$ 84.16	\$ 90.05	\$ 183.80	104.11%
4.00" Meter	\$ 120.00	\$ 127.20	\$ 134.83	\$ 144.27	\$ 154.37	\$ 459.50	197.66%
6.00" Meter			\$ 134.83	\$ 144.27	\$ 154.37	\$ 735.20	376.26%
Residential, Apartments, & City Owned Consumption (per 1k)							
0 - 5,000 Gallons	\$ 2.22	\$ 2.35	\$ 2.49	\$ 2.66	\$ 2.85	\$ 2.56	-10.18%
5,000 - 15,000 Gallons	\$ 2.78	\$ 2.95	\$ 3.13	\$ 3.35	\$ 3.58	\$ 3.20	-10.61%
15,000 - 35,000 Gallons	\$ 3.48	\$ 3.69	\$ 3.91	\$ 4.18	\$ 4.47	\$ 4.00	-10.51%
35,000 + Gallons						\$ 5.00	n/a
Commercial, Industrial & Institutional Consumption (per 1k)							
0 - 50,000 Gallons	\$ 2.22	\$ 2.35	\$ 2.49	\$ 2.66	\$ 2.85	\$ 2.56	-10.18%
50,000 - 150,000 Gallons	\$ 2.78	\$ 2.95	\$ 3.13	\$ 3.35	\$ 3.58	\$ 3.20	-10.61%
150,000 + Gallons						\$ 4.00	n/a
Irrigation & Bulk Water Consumption (per 1k)							
All Usage	\$ 3.48	\$ 3.69	\$ 3.91	\$ 4.18	\$ 4.47	\$ 5.00	11.86%



City of Otsego
Public Utility Charges
Sanitary Sewer Rate Comparison
2026

	Actual Increases	10.00%	10.00%	10.00%	2.00%	2.00%		
		<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Proposed Change</u>
Base Rate								
Base Fee		\$ 14.11	\$ 15.52	\$ 17.07	\$ 17.41	\$ 17.76	\$ 18.12	2.03%
Flat Fee		\$ 51.61	\$ 55.95	\$ 54.72	\$ 57.83	\$ 60.29	\$ 61.51	2.02%
Consumption								
Per 1,000 Gallons of Water Usage		\$ 7.50	\$ 8.25	\$ 9.08	\$ 9.26	\$ 9.45	\$ 9.64	2.01%
Dayton								
Base Charge		\$ 47.76	\$ 52.54	\$ 57.79	\$ 58.95	\$ 60.13	\$ 61.33	2.00%
Consumption		\$ 2.64	\$ 2.90	\$ 3.19	\$ 3.25	\$ 3.32	\$ 3.39	2.11%



City of Otsego
Public Utility Charges
Monthly Bill Estimations
2026

	<u>2025</u>	<u>2026</u>	<u>Proposed Change</u>
Residential (Winter = 4,501 Gallons)			
Base Fee	\$ 5.14	\$ 9.19	
Consumption: 0-5K Gallons	\$ 12.83	\$ 11.52	
Subtotal - Water Charges	<u>\$ 17.97</u>	<u>\$ 20.71</u>	15.28%
Base Fee	\$ 17.76	\$ 18.12	
Consumption	\$ 42.53	\$ 43.39	
Subtotal - Sanitary Sewer Charges	<u>\$ 60.29</u>	<u>\$ 61.51</u>	2.02%
Total Monthly Estimated Bill	<u>\$ 78.26</u>	<u>\$ 82.22</u>	5.06%
Residential (Summer = 13,478 Gallons)			
Base Fee	\$ 5.14	\$ 9.19	
Consumption: 0-5K Gallons	\$ 14.25	\$ 12.80	
Consumption: 5-15K Gallons	\$ 30.35	\$ 27.13	
Consumption: 15K + Gallons	\$ -	\$ -	
Subtotal - Water Charges	<u>\$ 49.74</u>	<u>\$ 49.12</u>	-1.25%
Base Fee	\$ 17.76	\$ 18.12	
Consumption (4.501K Gallons)	\$ 42.53	\$ 43.39	
Subtotal - Sanitary Sewer Charges	<u>\$ 60.29</u>	<u>\$ 61.51</u>	2.02%
Total Monthly Estimated Bill	<u>\$ 110.04</u>	<u>\$ 110.63</u>	0.54%

**CITY OF OTSEGO
COUNTY OF WRIGHT
STATE OF MINNESOTA**

RESOLUTION NO: 2026-11

**MODIFYING WATER & SANITARY SEWER
UTILITY RATES FOR 2026**

WHEREAS, Otsego City Code Chapter 7; Section 2 outlines that in order to pay for the costs associated with Water and Sanitary Sewer utility systems, that a just and equitable charge will be imposed upon users of those systems; and

WHEREAS, the Otsego City Council has identified and reviewed the operating, capital and debt service requirements of the Water and Sanitary Sewer utility systems.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF OTSEGO, MINNESOTA:

1. That the following rates, fees and charges be imposed on users of the Water utility system:

a. Base Charge (Monthly for All Users)

Meter Size	2026 Base Charge
5/8"	\$ 9.19
3/4"	\$ 9.19
1.00"	\$ 20.22
1.50"	\$ 45.95
2.00"	\$ 58.82
3.00"	\$ 183.80
4.00"	\$ 459.50
6.00"	\$ 735.20

b. Usage Rates (Monthly Per 1,000 Gallons of Consumption)

Customer Type	Consumption	2026 Rate
Residential, Apartments, & City Owned	0 - 5,000 Gallons	\$ 2.56
Residential, Apartments, & City Owned	5,000 - 15,000 Gallons	\$ 3.20
Residential, Apartments, & City Owned	15,000 - 35,000 Gallons	\$ 4.00
Residential, Apartments, & City Owned	35,000+ Gallons	\$ 5.00
Commercial, Industrial & Institutional	0 - 50,000 Gallons	\$ 2.56
Commercial, Industrial & Institutional	50,000 - 150,000 Gallons	\$ 3.20
Commercial, Industrial & Institutional	150,000+ Gallons	\$ 4.00
Irrigation & Bulk Water	All	\$ 5.00

c. Bulk Water

In order to access bulk water from the system, a meter rental from the City is required. There is a \$200.00 deposit required for that meter. The rental fee for that meter is a minimum of \$50.00, which includes the first month, with each additional month being charged at \$50.00.

The consumption tracked by the meter will be billed at the rates identified in paragraph 1(b) of this resolution. The local sales tax rate of 7.375% will also apply to the entire bulk water rental and consumption charge incurred.

2. That the following rates, fees and charged be imposed on users of the Sanitary Sewer utility system:

a. Base Charge

Customer Type	Frequency	2026 Rate
All Otsego Users	Monthly	\$ 18.12
Introductory Flat Fee (New Accounts)	Monthly	\$ 61.51
All Wholesale Users	Quarterly	\$ 61.33

b. Usage Rates (Per 1,000 Gallons of Average December-February Water Usage)

Customer Type	Frequency	2026 Rate
All Otsego Users	Monthly	\$ 9.64

c. Usage Rates (Per 1,000 Gallons of Actual Sewer Usage)

Customer Type	Frequency	2026 Rate
All Wholesale Users	Quarterly	\$ 3.39

d. Minimum Charges

These charges come into effect for new accounts where there is less than three months of usage history to base the average from. This minimum monthly charge is \$61.51.

3. That the rates, fees, and charges outlined in this resolution shall be effective for all billings issued on or after March 1, 2026.

ADOPTED by the Otsego City Council this 23rd day of February, 2026.

MOTION BY:
SECONDED BY:
IN FAVOR:
OPPOSED:

CITY OF OTSEGO

Jessica L. Stockamp, Mayor

ATTEST:

Audra Etzel, City Clerk