



2020 Sewer User Rate Review

October 17, 2019



Presentation Overview

Background on sewer user rates

Factors affecting sewer user rates for 2020

Recommended User Rates for 2020

User rate comparison

User rate estimates for next 5-years

Questions



Background on Sewer User Rates

The City has annually completed a user rate review since 2008

In 2011 a long-range finance plan was prepared to estimate future user rate increases necessary to fund the annual debt service payments associated with future Treatment Facility and collection system projects

- Updated annually in conjunction with user rate update

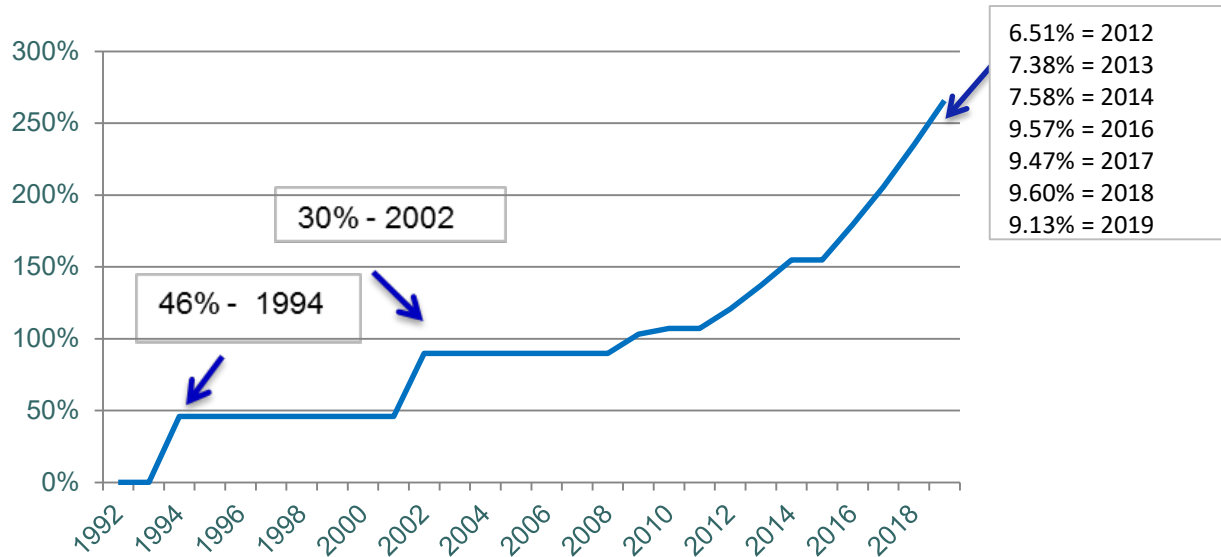
Goals:

- Design rates that are fair and equitable for all customer classes
- Recover the full revenue requirements for the Utility
- Avoid rate spikes in any particular year



History of Sewer User Rates

Cumulative Percent Increase to User Rates (Avg. Single-Family Home)





Factors Affecting 2020 Recommended User Rates

Need to maintain at least 1.25X debt coverage throughout the life of all revenue bonds and Clean Water Fund loans

Issued a Clean Water Fund Loan in 2018 for approximately \$20 million sewer interceptor project

Planning to issue debt for \$13.5 million of Clean Water fund Loans in 2020 for work at the Treatment Plant and interceptor system

Maintaining the minimum required replacement fund balance per the 2014-2015 Clean Water Fund Loan Requirements (\$1.58 million)



Factors Affecting 2020 Recommended User Rates

Billable flows have stabilized and increased slightly in the residential and commercial classes

Total billable flows have declined approximately 22% over the last 14-years

Operating and Maintenance costs are projected to increase 0.89% in 2020



Recommended 2020 Sewer Rates

	Current Rates Effective 1/1/2019	2020 Proposed Rates	\$ Change	% Change
<u>City (Inside) User Charges</u>				
Quarterly Fixed Charge	\$15.92	\$17.43	\$1.51	9.48%
Volumetric Charge per 1,000 gallons	\$7.25	\$7.90	\$0.65	9.00%
Quarterly flat charge (unmetered users only)	\$217.53	\$237.11	\$19.58	9.00%
Surcharge Rate BOD /lb	\$0.93	\$1.00	\$0.07	7.91%
Surcharge Rate SS /lb	\$0.50	\$0.53	\$0.04	7.35%
Surcharge Rate P /lb	\$8.48	\$8.48	\$0.00	0.00%
Surcharge Rate TKN /lb	\$1.72	\$1.72	\$0.00	0.00%
<u>Extraterritorial (Outside) User Charges</u>				
Quarterly Fixed Charge	\$15.92	\$17.43	\$1.51	9.48%
Volumetric Charge per 1,000 gallons	\$9.70	\$10.57	\$0.87	9.00%
Quarterly flat charge (unmetered users only)	\$290.96	\$317.15	\$26.19	9.00%
<u>Hauled Waste Charges</u>				
Septic Tank Rate per 1,000 gallons	\$59.52	\$65.38	\$5.86	9.85%
Holding Tank Rate per 1,000 gallons	\$19.67	\$21.61	\$1.94	9.85%
Chemical Toilet Waste Rate per 1,000 gallons	\$166.55	\$176.20	\$9.65	5.79%
Annual Cost for Average Residential User (48,000 gallons/year)	\$411.73	\$449.10	\$37.36	9.08%
Quarterly Increase			\$9.34	



2020 Estimated Utility Cash Flow (Not including return flow)

	2020
Cash Sources	
Revenues from User Rates ⁽¹⁾	\$17,760,554
Allowance for Unknowns (ie. Timing of billing, customer loss)	(\$621,619)
Other Income ⁽²⁾	\$120,000
Investment Income on Unrestricted Cash ⁽³⁾	\$301,722
Other Fees ⁽⁴⁾	\$40,550
Total Cash Sources	\$17,601,206
Cash Uses	
O&M	\$7,478,042
Net Before Debt Service	\$10,123,164
Total Debt Service	\$7,102,585
Capital Outlay (non reserve)	\$5,868,981
Addition to Replacement Fund	\$250,000
Subdivider Fees Received	\$1,000,000
Net Cash Flow	(\$2,098,402)

Notes:

- (1) Estimated user rate projections assume that user rates are taking effect 1/1.
- (2) Subtotal delinquent fees plus pre-treatment sampling fees.
- (3) Estimate of investment income assuming an interest rate of 1.5%.
- (4) Other charges includes connection fees, impact fees and special assessments.



Comparison of Sewer User Rates – (Including Return Flow User Rate)

Community	Annual Cost per Single-Family Home
New Berlin, City	\$783
Muskego, City	\$671
Menomonee Falls, Village	\$613
Waukesha, City, Proposed 1/1/20	\$560
Waukesha, City, Current	\$501
Brookfield, City	\$458
Pewaukee, City	\$440
Mukwonago, Village	\$404
Oconomowoc, City	\$331
Racine, City	\$258

Based Upon 48,000 gallons per year for the average single-family home



Estimated User Rate Increase for Next 5-Years (Not including return flow rate)

Year	Average Annual Payment - SF Home	Percent Rate Increase	Increase to Quarterly Bill
2020	\$449	9.08%	\$9.34
2021	\$490	9.00%	\$10.19
2022	\$534	9.00%	\$11.02
2023	\$582	9.00%	\$12.01
2024	\$634	9.00%	\$13.09

2020 Sewer Utility – Return Flow User Rates

Presentation to Board of Public Works –
10/17/2019



Joe Ciurro, CPA

Adm. Serv. Mgr., Waukesha Water Utility

Return Flow CIP 2018-2023

Capital Uses of Funds - Revised Estimates - 10/31/18

	2018	2019	2020	2021	2022	2023	Total
<u>Project/Activity</u>							
Proj Mgmt/WWU Admin	9,089,700	4,719,700	1,847,000	1,869,000	865,400	794,400	19,185,200
Return Flow Construct.	-	-	46,543,000	44,496,000	18,198,900	-	109,237,900
Total Capital Uses	9,089,700	4,719,700	48,390,000	46,365,000	19,064,300	794,400	128,423,100



Capital Uses of Funds - Revised Estimates - 10/11/19

	2018	2019	2020	2021	2022	2023	Total
<u>Project/Activity</u>							
Proj Mgmt/WWU Admin	7,783,540	5,635,967	12,001,700	5,400,700	3,468,500	1,224,000	35,514,407
Return Flow Construct.	-	-	31,282,000	49,414,000	21,067,000	-	101,763,000
Total Capital Uses	7,783,540	5,635,967	43,283,700	54,814,700	24,535,500	1,224,000	137,277,407

Return Flow CIP

2018-2023

- **Q -** Why the difference in Return Flow CIP from 2018 to 2019 (\$128.4 million vs. \$137.3 million)?
- **A –** Planning and design costs from 2016/2017 (\$8.3 million) associated with Return Flow portion of the project were added
- **Q –** Why include these costs now?
- **A –** Water Utility had planned on absorbing these costs and amortizing them over a 20-year period for rate recovery.

Based on discussions with the Public Service Commission, indications are that all costs associated with return flow will need to be funded by something other than water rates.

- **Other information:**
 - Discussions with the WDNR and the City's bond counsel has led Staff to the conclusion that these costs will be eligible for low-cost debt through the Clean Water Loan program.

Return Flow Rate Projection 2018-2023

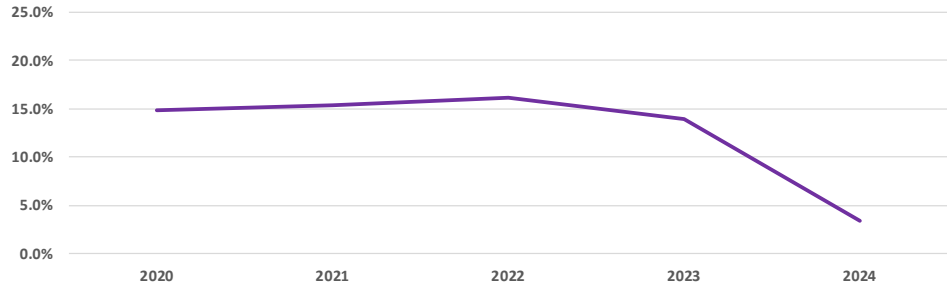
Return Flow Rate Calculation by Year						
	2019	2020	2021	2022	2023	2024
Revenues generated by rates	\$ 3,168,774	\$ 4,237,301	\$ 6,162,207	\$ 7,359,821	\$ 7,601,679	\$ 7,584,837
Investment income	18,200	29,800	42,600	67,100	75,100	78,700
Less: Operating Expenses	-	-	-	(219,600)	(452,300)	(465,900)
Net Revenues	\$ 3,186,974	\$ 4,267,101	\$ 6,204,807	\$ 7,207,321	\$ 7,224,479	\$ 7,197,637
Debt Service (Subsequent Year)	\$ 796,839	\$ 3,111,984	\$ 5,369,097	\$ 6,235,654	\$ 6,234,714	\$ 6,233,751
Total Debt Service Coverage	4.00	1.37	1.16	1.16	1.16	1.15
Return Flow Charge (\$/1,000 Gal.)	1.85	2.31	3.47	4.04	4.11	4.11
Return Flow Rate Increase (10/11/2019)		25.00%	50.00%	16.50%	1.75%	0.00%
Previous Projection (10/31/2018)						
Return Flow Rate Increase		17.00%	47.50%	17.00%	4.75%	0.00%

Rate Revenue Projection

Revised 10/11/19

Rate Revenue Increase Projections - Global View

	2019	2020	2021	2022	2023	2024
Return Flow Rate Increase		25.0%	50.0%	16.5%	1.7%	0.0%
Return Flow Rate Rev. (annualized)	\$ 3,168,774	\$ 4,237,301	\$ 6,162,207	\$ 7,359,821	\$ 7,601,679	\$ 7,584,837
<i>Sewer Rate Increase</i>	9.61%	9.18%	9.50%	9.50%	9.25%	9.00%
Sewer Rate Revenues	\$ 15,757,838	\$ 17,139,473	\$ 18,767,722	\$ 20,503,737	\$ 22,349,073	\$ 24,360,490
<i>Water Rate Increase</i>	0.00%	20.00%	15.00%	25.00%	25.00%	0.00%
Water Rate Revenues	\$ 11,180,791	\$ 13,202,528	\$ 14,968,296	\$ 18,476,627	\$ 22,841,033	\$ 22,618,867
Combined RF/Swr/Wtr Rate Revenues	\$ 30,107,403	\$ 34,579,302	\$ 39,898,225	\$ 46,340,185	\$ 52,791,785	\$ 54,564,194
Combined RF/Swr/Wtr Rate Increase		14.9%	15.4%	16.1%	13.9%	3.4%



Rate Revenue Projection

Revised 10/11/19

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Utility Billing Impact - Global View - Single Residential

	2019	2020	2021	2022	2023	2024
	\$/Yr	\$/Yr	\$/Yr	\$/Yr	\$/Yr	\$/Yr
Return Flow	\$ 89	\$ 111	\$ 166	\$ 194	\$ 197	\$ 197
Sewer	412	451	493	539	587	640
Water	344	413	475	594	743	743
RF/Swr/Wtr	\$ 845	\$ 975	\$ 1,135	\$ 1,327	\$ 1,528	\$ 1,580
Monthly Avg	\$ 70	\$ 81	\$ 95	\$ 111	\$ 127	\$ 132

**Assumes 48,000 gallons used annually.