



2022 Sewer User Rate Review

October 21, 2021



Presentation Overview

Background on sewer user rates

Factors affecting sewer user rates for 2022

Recommended User Rates for 2022

User rate estimates for next 5-years

User rate comparison

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.

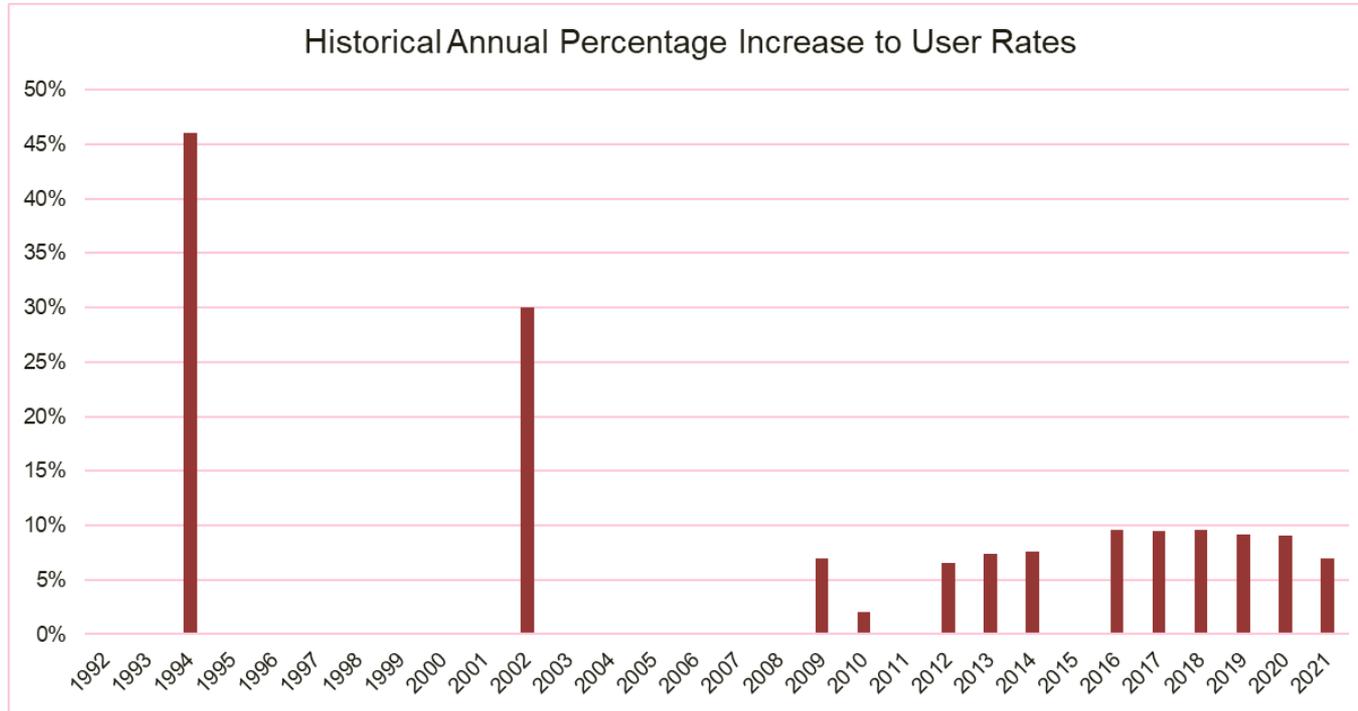
- Updated annually in conjunction with user rate update

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





Factors Affecting 2022 Recommended User Rates

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

Approximately \$8.7 million of capital expenditures planned in 2022

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



Factors Affecting 2022 Recommended User Rates

Billable flows have increased in the residential class, but declined in the industrial classes

2.21% overall increase in billable flows over past year

Operating and Maintenance costs are projected to increase 5.31% in 2022



Recommended 2022 Sewer Rates

	Current Rates Effective 1/1/2021	2022 Proposed Rates	\$ Change	% Change
<u>City (Inside) User Charges</u>				
Quarterly Fixed Charge	\$17.56	\$17.74	\$0.18	1.03%
Monthly Fixed Charge (If Switching to Monthly Billing)	\$5.85	\$5.91	\$0.06	1.03%
Volumetric Charge per 1,000 gallons	\$8.54	\$8.92	\$0.38	4.45%
Quarterly flat charge (unmetered users only)	\$256.20	\$274.34	\$18.14	7.08%
Surcharge Rate BOD /lb	\$1.09	\$1.14	\$0.05	4.59%
Surcharge Rate SS /lb	\$0.57	\$0.59	\$0.02	3.60%
Surcharge Rate P /lb	\$9.19	\$9.80	\$0.61	6.64%
Surcharge Rate TKN /lb	\$1.86	\$2.04	\$0.18	9.59%
<u>Extraterritorial (Outside) User Charges</u>				
Quarterly Fixed Charge	\$17.56	\$17.74	\$0.18	1.03%
Monthly Fixed Charge (If Switching to Monthly Billing)	\$5.85	\$5.91	\$0.06	1.03%
Volumetric Charge per 1,000 gallons	\$11.42	\$11.93	\$0.51	4.45%
Quarterly flat charge (unmetered users only)	\$342.68	\$357.92	\$15.25	4.45%
<u>Hauled Waste Charges</u>				
Septic Tank Rate per 1,000 gallons	\$71.82	\$78.89	\$7.07	9.85%
Holding Tank Rate per 1,000 gallons	\$23.74	\$26.08	\$2.34	9.85%
Chemical Toilet Waste Rate per 1,000 gallons	\$194.78	\$208.30	\$13.52	6.94%
Annual Cost for Average Residential User (48,000 gallons/year)	\$480.16	\$499.12	\$18.96	3.95%
Quarterly Cost	\$120.04	\$124.78	\$4.74	
Monthly Cost	\$40.01	\$41.59	\$1.58	



2022 Estimated Utility Cash Flow (Not including return flow)

	2022
Cash Sources	
Revenues from User Rates ⁽¹⁾	\$18,768,226
Allowance for Unknowns (ie. Timing of billing, customer loss)	(\$656,888)
Other Income ⁽²⁾	\$116,500
Investment Income on Unrestricted Cash ⁽³⁾	\$100,000
Other Fees ⁽⁴⁾	\$60,000
Total Cash Sources	\$18,387,838
Cash Uses	
O&M	\$7,853,521
Net Before Debt Service	\$10,534,317
Total Debt Service	\$7,484,733
Capital Outlay (non reserve)	\$2,500,000
Addition to Replacement Fund	\$250,000
Net Cash Flow	\$299,584

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.



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

Year	Average Annual Payment - SF Home	Percent Rate Increase	Increase to Monthly Bill
2022	\$499	3.95%	\$1.58
2023	\$537	7.50%	\$2.34
2024	\$577	7.50%	\$2.52
2025	\$620	7.50%	\$2.70
2026	\$645	4.00%	\$1.55



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

Including Return Flow Rate	Annual Cost per Single-Family Home
<u>Community</u>	
New Berlin, City	\$783
Waukesha, City, Proposed 1/1/22	\$705
Muskego, City	\$671
Waukesha, City, Current	\$647
Menomonee Falls, Village	\$619
Brookfield, City	\$458
Pewaukee, City	\$564
Mukwonago, Village	\$429
Oconomowoc, City	\$350
Racine, City	\$315

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

2022 Sewer Utility – Return Flow User Rates



Joe Ciurro, CPA

Adm. Serv. Mgr., Waukesha Water Utility

Return Flow CIP

Project Costs

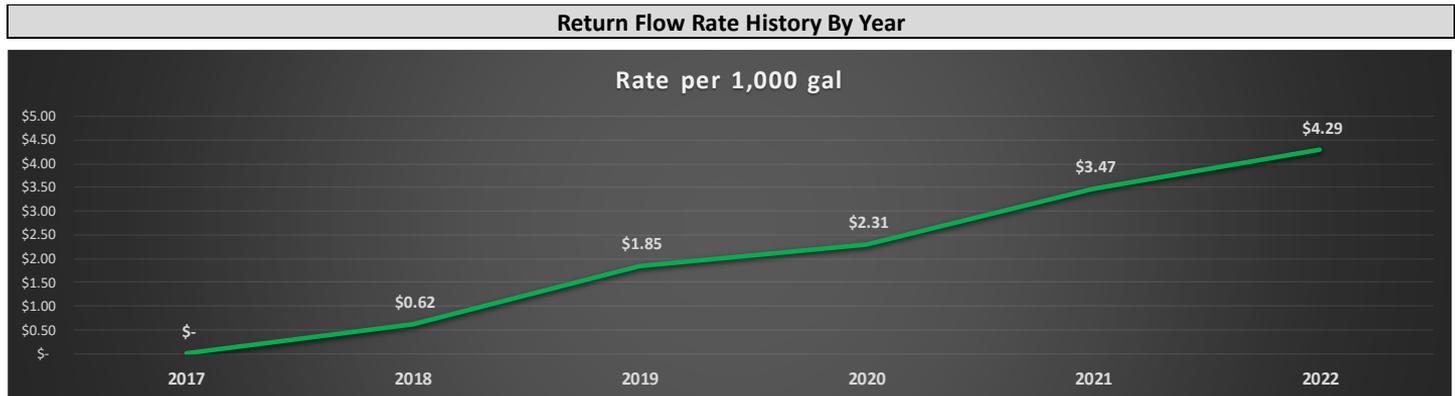
	Paid To-Date	Remainder 2021 & 2022	2023	Total
CP 2B (Pipeline)	\$ -	\$ 5,544,000	\$ -	\$ 5,544,000
CP 4 (RF Pump Station)	5,022,050	3,196,750	-	8,218,800
CP 5 (Pipeline)	17,310,607	16,585,393	-	33,896,000
CP 6 (Pipeline/Outfall)	8,724,903	40,941,097	-	49,666,000
	<u>\$ 31,057,560</u>	<u>\$ 66,267,240</u>	<u>\$ -</u>	<u>\$ 97,324,800</u>
Project Mgmt/WWU Admin.	27,139,329	6,020,589	\$ 1,176,637	34,336,555
	<u>\$ 58,196,889</u>	<u>\$ 72,287,829</u>	<u>\$ 1,176,637</u>	<u>\$ 131,661,355</u>

Financing / Funding

CWFL 4062-05	\$ 55,549,871	\$ -	\$ -	\$ 55,549,871
CWFL 4062-11	-	60,052,000	-	60,052,000
3rd CWFL Loan	-	-	-	-
Cash	-	14,882,847	1,176,637	16,059,484
	<u>\$ 55,549,871</u>	<u>\$ 74,934,847</u>	<u>\$ 1,176,637</u>	<u>\$ 131,661,355</u>

Return Flow Rate Projection

Return Flow Rate Calculation by Year						
	2021	2022	2023	2024	2025	2026
Revenues generated by rates	\$ 6,143,692	\$ 7,621,018	\$ 7,612,903	\$ 7,461,688	\$ 7,327,602	\$ 7,209,455
Investment income	46,700	33,600	8,900	15,200	23,100	30,200
Less: Operating Expenses	-	(241,530)	(492,253)	(757,801)	(780,534)	(803,951)
Net Revenues	\$ 6,190,392	\$ 7,413,088	\$ 7,129,550	\$ 6,719,087	\$ 6,570,168	\$ 6,435,704
Debt Service (Subsequent Year)	\$ 3,289,142	\$ 5,074,707	\$ 5,074,214	\$ 5,073,713	\$ 5,073,202	\$ 5,072,682
Total Debt Service Coverage (Min. = 1.10)	1.88	1.46	1.41	1.32	1.30	1.27
Return Flow Charge (\$/1,000 Gal.)	3.47	4.29	4.29	4.29	4.29	4.29
Return Flow Rate Increase		24%	0%	0%	0%	0%



Rate Revenue Projection 2021 - 2026

Rate Revenue Increase Projections - Global View

	2021	2022	2023	2024	2025	2026
Rate Revenues:						
Return Flow	\$ 6,143,692	\$ 7,621,018	\$ 7,612,903	\$ 7,461,688	\$ 7,327,602	\$ 7,209,455
Sewer	17,442,313	18,111,338	19,469,688	20,929,915	22,499,658	23,399,644
Water	12,695,779	13,177,934	18,835,495	25,797,262	25,390,048	27,477,015
RF/Swr/Wtr	<u>\$ 36,281,785</u>	<u>\$ 38,910,290</u>	<u>\$ 45,918,086</u>	<u>\$ 54,188,865</u>	<u>\$ 55,217,308</u>	<u>\$ 58,086,114</u>

Utility Billing Impact - Global View - Single Residential

	2021	2022	2023	2024	2025	2026
	\$/Yr	\$/Yr	\$/Yr	\$/Yr	\$/Yr	\$/Yr
Return Flow	\$ 167	\$ 206	\$ 206	\$ 206	\$ 206	\$ 206
Sewer	480	499	537	577	620	645
Water	399	429	597	830	830	913
RF/Swr/Wtr	<u>\$ 1,046</u>	<u>\$ 1,134</u>	<u>\$ 1,340</u>	<u>\$ 1,613</u>	<u>\$ 1,656</u>	<u>\$ 1,764</u>
Avg. Monthly Bill	<u>\$ 87</u>	<u>\$ 95</u>	<u>\$ 112</u>	<u>\$ 134</u>	<u>\$ 138</u>	<u>\$ 147</u>
Avg. Monthly Increase (\$)		<u>\$ 7</u>	<u>\$ 17</u>	<u>\$ 23</u>	<u>\$ 4</u>	<u>\$ 9</u>
Avg. Monthly Increase (%)		8.4%	18.2%	20.4%	2.7%	6.5%

**Assumes 48,000 gallons used annually.



Recommended 2022 Connection Charge Schedule

Comparison of Existing and Proposed Sewer Connection Fees

Meter Size	Existing Sewer Connection Charge ⁽¹⁾	Proposed Sewer Connection Charge	Dollar Change
5/8	\$2,054	\$2,150	\$96
3/4	\$3,047	\$3,190	\$143
1	\$5,068	\$5,305	\$237
1 1/2	\$10,135	\$10,610	\$475
2	\$16,229	\$16,990	\$760
3	\$30,405	\$31,829	\$1,424
4	\$50,675	\$53,049	\$2,374
6	\$101,317	\$106,064	\$4,746

Notes:

(1) Existing sewer connection fee schedule taken from the City of Waukesha 2021 Sewer Connection Charge Fee Schedule.