



2023 Sewer User Rate Review

November 3, 2022



Presentation Overview

Background on sewer user rates

Factors affecting sewer user rates for 2023

Recommended User Rates for 2023

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

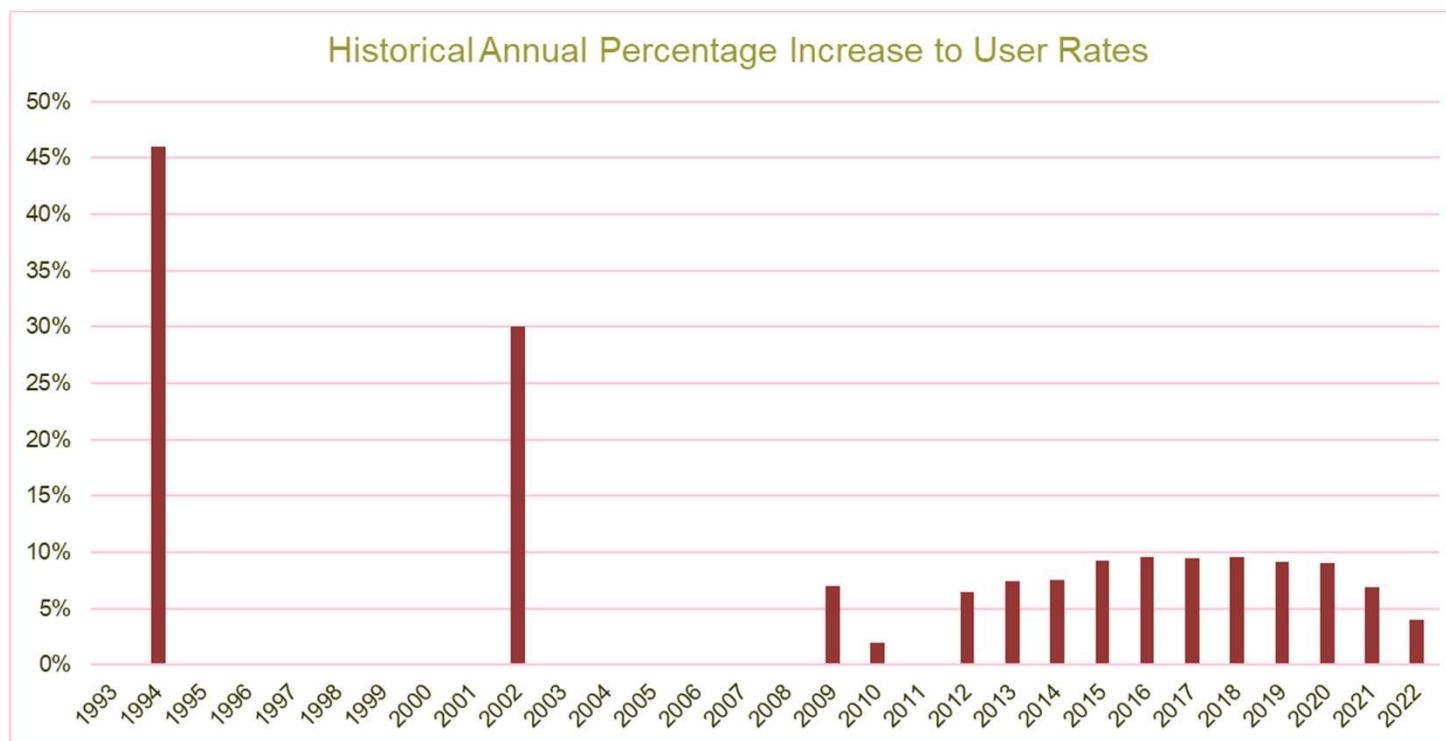
- Updated annually in conjunction with user rate update

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 2023 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 \$19.45 million of capital expenditures planned in 2023

Maintaining the minimum required replacement fund balance per the 2014-2015 Clean Water Fund Loan Requirements (\$1.70 million)



Factors Affecting 2023 Recommended User Rates

Billable flows have declined in all customer classes

6.35% overall decrease in billable flows over past year

Operating and Maintenance costs are projected to increase 8.85% in 2023

City staff desires to not increase sewer rates in 2024 and 2025 to provide a buffer for increased water rates



Recommended 2023 Sewer Rates

| | Current Rates Effective 1/1/2022 | 2023 Proposed Rates | \$ Change | % Change |
|-----------------------------------------------------------------------|-------------------------------------|---------------------------|----------------|---------------|
| <u>City (Inside) User Charges</u> | | | | |
| Monthly Fixed Charge | \$5.91 | \$6.88 | \$0.96 | 16.29% |
| Volumetric Charge per 1,000 gallons | \$8.92 | \$10.48 | \$1.56 | 17.52% |
| Quarterly flat charge (unmetered users only) | \$274.34 | \$314.49 | \$40.16 | 14.64% |
| Surcharge Rate BOD /lb | \$1.14 | \$1.48 | \$0.34 | 29.48% |
| Surcharge Rate SS /lb | \$0.59 | \$0.71 | \$0.12 | 19.59% |
| Surcharge Rate P /lb | \$9.80 | \$13.39 | \$3.59 | 36.65% |
| Surcharge Rate TKN /lb | \$2.04 | \$2.31 | \$0.27 | 13.46% |
| <u>Extraterritorial (Outside) User Charges</u> | | | | |
| Monthly Fixed Charge | \$5.91 | \$6.88 | \$0.96 | 16.29% |
| Volumetric Charge per 1,000 gallons | \$11.93 | \$14.02 | \$2.09 | 17.52% |
| Quarterly flat charge (unmetered users only) | \$357.92 | \$420.64 | \$62.72 | 17.52% |
| <u>Hauled Waste Charges</u> | | | | |
| Septic Tank Rate per 1,000 gallons | \$78.89 | \$97.59 | \$18.70 | 23.70% |
| Holding Tank Rate per 1,000 gallons | \$26.08 | \$32.22 | \$6.14 | 23.70% |
| Chemical Toilet Waste Rate per 1,000 gallons | \$208.30 | \$242.30 | \$33.99 | 16.32% |
| Annual Cost for Average Residential User (48,000 gallons/year) | \$499.12 | \$585.71 | \$86.59 | 17.35% |
| Monthly Cost | \$41.59 | \$48.81 | \$7.22 | |



2022 Estimated Utility Cash Flow (Not including return flow)

| | 2023 |
|---------------------------------------------------------------|------------------|
| Cash Sources | |
| Revenues from User Rates ⁽¹⁾ | \$21,406,612 |
| Allowance for Unknowns (ie. Timing of billing, customer loss) | (\$749,231) |
| Other Income ⁽²⁾ | \$117,000 |
| Investment Income on Unrestricted Cash ⁽³⁾ | \$100,000 |
| Other Fees ⁽⁴⁾ | \$60,000 |
| Total Cash Sources | \$20,934,380 |
| Cash Uses | |
| O&M | \$8,546,985 |
| Net Before Debt Service | \$12,387,395 |
| Total Debt Service | \$8,245,448 |
| Capital Outlay (non reserve) | \$6,720,000 |
| Addition to Replacement Fund | \$483,000 |
| Net Cash Flow | (\$3,061,053) |



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 |
|------|----------------------------------|-----------------------|--------------------------|
| 2023 | \$586 | 17.35% | \$7.22 |
| 2024 | \$586 | 0.00% | \$0.00 |
| 2025 | \$586 | 0.00% | \$0.00 |
| 2026 | \$621 | 6.00% | \$2.20 |
| 2027 | \$658 | 6.00% | \$2.33 |



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

| Including Return Flow Rate | |
|---------------------------------|---------------------------------------|
| Community | Annual Cost per Single-Family Home |
| Waukesha, City, Proposed | \$792 |
| New Berlin, City | \$783 |
| Waukesha, City, Current | \$705 |
| Muskego, City | \$671 |
| Menomonee Falls, Village | \$619 |
| Brookfield, City | \$492 |
| Pewaukee, City | \$564 |
| Mukwonago, Village | \$451 |
| Oconomowoc, City | \$362 |
| Racine, City | \$320 |

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