

Memo

To: Village Board

Fr: Julie Beauchamp, Finance Director

Re: Sanitary Sewer Utility Rate Increase

Date: May 29, 2025

The sanitary sewer utility rate increase for 2025 was discussed at the May 19, 2025, Finance/Personnel Ad Hoc Committee meeting. The consensus of the committee was to recommend that the Village Board approve an increase in rates effective with the June 2025 usage billed in July. The rate increase packet presented to the committee is attached. A summary is as follows:

- Ruekert-Mielke (R/M) was contracted to perform a sanitary utility rate study in 2024.
 - R/M recommended a rate increase which was implemented in June 2024. Prior to this, sanitary utility rates were last updated in 2022.
 - R/M recommended yearly, or every other year rate increases to keep pace with projected increases in operation and maintenance (O&M) expenses. The consensus of the Village Board was to implement yearly sanitary rate increases.
 - R/M also recommended a targeted cash balance of 10% or more of O&M expenses be maintained for unforeseen issues such as emergency repairs or shortfalls in revenue.
- The 2025 sanitary utility budget was completed with a very modest increase to the net position of the utility of roughly \$7,500. With the results of the 2024 sanitary utility operations factored in, 2025 year-end utility cash is projected to be a negative \$22,000 without a 2025 rate increase.
- With little growth in the user base, utility rates need to increase to cover the increased O&M costs of the sanitary utility.
 - NEW Water charges the utility to treat the wastewater collected and accounts for 75% of the utility's O&M expenses.
 - Other O&M costs incurred by the utility are for the operation and maintenance of the wastewater collection system consisting of laterals, mains and lift stations.
 - O&M expenses were budgeted at \$2.9 million and projected at \$3.0 million for 2024 and increased to \$3.1 million for the 2025 budget.
- Sanitary utility rates consist of fixed and volume charges.
 - Fixed charges are based on the size of the water meter serving the customer using meter-equivalency factors that assign higher charges to larger meters.
 - Meter-equivalency factors reflect that customers with larger meters impose more costs on the utility than those with smaller meters.
 - Most residential users have a ¾" meter. Other meters in use range from 1" to 6".
 - The volume charge is based on the volume of water used and is the same for all customers regardless of meter size.

- To maintain adequate cash flows, the sanitary rate increase proposes an increase in fixed charges ranging from \$1.00/month for a ¾" meter to \$60.00/month for a 6" meter as well as a 5.4% increase in volume charges from \$8.02 to \$8.46 per thousand of gallons used.

Proposed:	<u>Allouez</u>	<u>NEW Water</u>	<u>Total</u>
Fixed charge/month (based on ¾" meter)	\$4.50	\$9.00	\$13.50
Variable (volume) charge/1,000 gals	\$2.81	\$5.65	\$8.46

Current:			
Fixed charge/month (based on ¾" meter)	\$4.50	\$8.00	\$12.50
Variable (volume) charge/1,000 gals	\$2.56	\$5.46	\$8.02

The above results in a monthly increase of \$2.32 for a typical residential user with a ¾" meter using an average volume of 3,000 gallons of water per month. (The projected impact on other users can be found on page 6 of the attached rate increase packet.)

- The Village Board is asked to approve the following sanitary utility rates effective with the June 2025 usage billed in July:
 - Volume Charge - \$8.46 per thousand of gallons used
 - Fixed Charge – monthly based on the following meter sizes:

¾"	\$13.50	3"	\$202.50
1"	\$33.75	4"	\$405.00
1 ½"	\$67.50	6"	\$810.00
2"	\$108.00		

SANITARY SEWER UTILITY RATE INCREASE - 2025

In 2024, Ruekert-Mielke was contracted to perform a rate study of the Allouez sanitary sewer utility. Prior to this, the sewer utility rates were last updated in 2022. Ruekert-Mielke did not propose any changes in the format of the rate structure; but along with the 2024 rate increase proposed, yearly or every other year rate increases were recommended. The consensus of the Village board was to implement yearly rate increases.

Sanitary sewer utility charges consist of a fixed and a variable charge. Fixed charges are billed based on the size of the water meter in use while the variable charge is based on the volume of water used. The need for a sanitary sewer rate increase is due to an increase in operation and maintenance (O&M) expenses. NEW Water sanitary sewage treatment costs represent 75% of the utility's total O&M expenses. Total O&M expenses were budgeted at \$2.9 million for 2024 and projected at \$3.0 million and increased to \$3.1 million for the 2025 budget. NEW Water costs are budgeted to increase 10% from \$2.1 million to \$2.3 million.

To maintain adequate cash flows, a rate increase is being proposed resulting in the following fixed and variable charges:

Proposed:	<u>Allouez</u>	<u>NEW Water</u>	<u>Total</u>
Fixed charge/month (based on ¾" meter)	\$4.50	\$9.00	\$13.50
Variable (volume) charge/1,000 gals	\$2.81	\$5.65	\$8.46
Current:			
Fixed charge/month (based on ¾" meter)	\$4.50	\$8.00	\$12.50
Variable (volume) charge/1,000 gals	\$2.56	\$5.46	\$8.02

The above results in a monthly increase of \$2.32 for a customer using an average volume of 3,000 gallons of water per month.

The sanitary sewer utility projections follow:

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Sanitary Sewer Utility - Estimated Revenues, Expenses and Change in Net Position		2023 Actual	2024 Budget	2024 Projected Actual	2025 Budget
Operating Revenues					
46410 Sewerage Service Charges	\$ 3,155,669	\$ 3,100,000	\$ 3,228,670	\$ 3,250,000	
46200 Private Side Lateral Charges	157,133	-	116,807	-	
44340 Sanitary Sewer Permits	800	1,000	640	1,000	
48600 Other Revenue/Miscellaneous	18,459	-	-	-	
Total Operating Revenues	3,332,061	3,101,000	3,346,117	3,251,000	
Operating Expenses					
57410 Sewage Treatment	2,604,065	2,625,962	2,732,739	2,861,889	
57410 Depreciation	234,344	240,000	248,204	240,000	
57411 Lift Stations	4,453	10,028	7,522	9,998	
57412 Locates/Sump Pump	5,895	27,337	5,495	27,459	
69999 WRS and OPEB GASB Adjustments	(3,146)	-	30,057	-	
Total Operating Expenses	2,845,611	2,903,327	3,024,017	3,139,346	
Operating Income	486,450	197,673	322,100	111,654	
Nonoperating Revenues (Expenses)					
48110 Interest Income (Equip. Fd/Debt)	30,945	15,000	22,197	15,000	
48330 Gain/(Loss) on Retirement of Equip.	-	-	(5,372)	-	
48910 Amortization of Premium on Debt	19,648	21,312	21,312	25,508	
58200 Interest - Long-term Debt	(114,007)	(114,144)	(131,238)	(144,581)	
58202 Debt Discount/Expense	(23,297)	-	(21,952)	-	
Total Nonoperating Revenues (Expenses)	(86,711)	(77,832)	(115,053)	(104,073)	
Change in Net Position	\$ 399,739	\$ 119,841	\$ 207,047	\$ 7,581	
Sanitary Sewer Utility - Estimated Cash Balance		2024 Budget	2024 Projected Actual	2025 Budget	
Cash - January 1 (actual)		\$ 349,056	\$ 349,056	\$ 158,609	
Operating Income		197,673	322,100	111,654	
Private Side Lateral Charges (Receivable)		-	(113,352)	-	
Depreciation		240,000	248,204	240,000	
WRS and OPEB GASB Adjustments		-	30,057	-	
Debt Repayment (Principal & Interest)		(533,750)	(535,750)	(532,377)	
Outlay for Project Costs in Excess of Debt Proceeds		-	(152,733)	-	
Cash - December 31 (projected)		\$ 252,979	\$ 147,582	\$ (22,114)	

Sanitary Sewer Utility - Revenue Requirements and Cash Requirements

	2024		2025	
	Rate Case	Projected	Budget	Proposed
Revenues				
Sewerage service charges	\$ 3,250,000	\$ 3,228,670	\$ 3,250,000	\$ 3,500,000
Private side lateral charges	-	116,807	-	-
Other	1,000	640	1,000	1,000
Operating revenues	3,251,000	3,346,117	3,251,000	3,501,000
Operation & Maintenance (O&M) Expenses				
NEW Water - fixed charges	949,804	908,461	1,075,431	1,075,431
NEW Water - variable charges	1,222,853	1,208,882	1,262,282	1,262,282
NEW Water - total charges	2,172,657	2,117,343	2,337,713	2,337,713
Depreciation	240,000	248,204	240,000	240,000
GASB adjustment for WRS and OPEB	-	30,057	-	-
Other operation & maintenance	490,670	628,413	561,633	561,633
Operating & maintenance expenses	2,903,327	3,024,017	3,139,346	3,139,346
Operating Income/(Loss)	347,673	322,100	111,654	361,654
Other Revenues/(Expenses)				
Interest income	15,000	22,197	15,000	15,000
Gain/(Loss) on retirement of equipment	-	(5,372)	-	-
Interest and fiscal charges	(92,832)	(131,878)	(119,073)	(119,073)
Other revenues (expenses)	(77,832)	(115,053)	(104,073)	(104,073)
Change in Net Position	\$ 269,841	\$ 207,047	\$ 7,581	\$ 257,581
Cash Balance - January	\$ 300,000	\$ 349,056	\$ 158,609	\$ 158,609
Operating income/(loss)	347,673	322,100	111,654	361,654
Private side lateral charges (receivable)	-	(113,352)	-	-
Depreciation	240,000	248,204	240,000	240,000
GASB adjustment for WRS and OPEB	-	30,057	-	-
Debt service	(533,750)	(535,750)	(532,377)	(532,377)
Outlay for project costs > debt proceeds	-	(152,733)	-	-
Cash flow	53,923	(201,474)	(180,723)	69,277
Cash Balance - December	\$ 353,923	\$ 147,582	\$ (22,114)	\$ 227,886

NEW Water Charges

10.4% Increase - 2025 vs 2024 projected
(7.6% increase - 2025 vs 2024 rate case)

74.5% Percentage of O&M expenses

Increase from rate increase \$ 250,000

Projected change in net position \$ 257,581

Projected cash flow \$ 69,277

Projected 01/01/2026 cash balance \$ 227,886

Revenue target \$ 3,500,000

Cash flow as % of O&M expenses 2% -7% 2%

Cash balance as % of O&M expenses 12% 5% 7%

Sanitary Sewer Utility - Fixed and Variable Costs

Fixed Costs	Fixed Costs	Reclass 35% to Variable *	Net Fixed Costs
NEW Water capital charge	\$ 1,075,431	\$ (376,401)	\$ 699,030
Debt service	532,377	(186,332)	346,045
Total fixed costs	1,607,808	(562,733)	1,045,075
 Variable Costs	 1,892,192	 562,733	 2,454,925
 Total Costs/Revenue Target	 \$ 3,500,000		 \$ 3,500,000

* Continue with 35% adjustment of fixed to variable costs as per the 2024 Sanitary Sewer Utility Rate Study performed by Ruekert Mielke

Sanitary Sewer Utility - Allocation of Fixed Charges Based on Meter Size

Meter Size	Number of Meters	Meter Equivalency	Total Meter Equivalents
3/4"	5379	1.0	5379
1"	84	2.5	210
1 1/2"	61	5.0	305
2"	27	8.0	216
3"	13	15.0	195
4"	1	30.0	30
6"	2	60.0	120
	<u>5567</u>		<u>6455</u>

Total fixed costs	\$ 1,045,075
Annual fixed charge per 3/4" meter	\$ 161.90
Monthly fixed charge per 3/4" meter	\$ 13.50

Village	NEW Water	Total
\$ 346,045	\$ 699,030	\$ 1,045,075
\$ 53.61	\$ 108.29	\$ 161.90
\$ 4.50	\$ 9.00	\$ 13.50

Calculated Fixed Charge per 3/4" Meter

\$4.47	\$9.03	\$13.50
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Monthly Fixed Charges per Meter Size

Meter Size	Current	Proposed	Increase	Village	NEW Water	Total
3/4"	\$ 12.50	\$ 13.50	\$ 1.00	\$ 4.50	\$ 9.00	\$ 13.50
1"	\$ 31.25	\$ 33.75	\$ 2.50	\$ 11.25	\$ 22.50	\$ 33.75
1 1/2"	\$ 62.50	\$ 67.50	\$ 5.00	\$ 22.50	\$ 45.00	\$ 67.50
2"	\$ 100.00	\$ 108.00	\$ 8.00	\$ 36.00	\$ 72.00	\$ 108.00
3"	\$ 187.50	\$ 202.50	\$ 15.00	\$ 67.50	\$ 135.00	\$ 202.50
4"	\$ 375.00	\$ 405.00	\$ 30.00	\$ 135.00	\$ 270.00	\$ 405.00
6"	\$ 750.00	\$ 810.00	\$ 60.00	\$ 270.00	\$ 540.00	\$ 810.00

Percentage change 8.0%

Revenue from Proposed Change in Meter Charges

Meter Size	Number of Meters	Monthly	Annual	Village	NEW Water	Mo. Total
3/4"	5379	\$ 72,626	\$ 871,514	\$ 24,192	\$ 48,435	\$ 72,626
1"	84	\$ 2,835	\$ 34,025	\$ 945	\$ 1,890	\$ 2,835
1 1/2"	61	\$ 4,117	\$ 49,409	\$ 1,372	\$ 2,745	\$ 4,117
2"	27	\$ 2,916	\$ 34,993	\$ 972	\$ 1,944	\$ 2,916
3"	13	\$ 2,632	\$ 31,590	\$ 878	\$ 1,755	\$ 2,632
4"	1	\$ 405	\$ 4,860	\$ 135	\$ 270	\$ 405
6"	2	\$ 1,620	\$ 19,440	\$ 540	\$ 1,080	\$ 1,620
	<u>5567</u>	<u>\$ 87,153</u>	<u>\$ 1,045,831</u>	<u>\$ 29,034</u>	<u>\$ 58,119</u>	<u>\$ 87,152</u>

Village	NEW Water	Annual Total
\$ 290,298	\$ 581,216	\$ 871,514
\$ 11,344	\$ 22,681	\$ 34,025
\$ 16,468	\$ 32,941	\$ 49,409
\$ 11,664	\$ 23,326	\$ 34,990
\$ 10,530	\$ 21,059	\$ 31,590
\$ 1,620	\$ 3,240	\$ 4,860
\$ 6,480	\$ 12,960	\$ 19,440
<u>\$ 348,404</u>	<u>\$ 697,424</u>	<u>\$ 1,045,828</u>

Sanitary Sewer Utility - Volume Charges Based on Variable Costs

Variable Cost	\$ 2,454,925
Estimated Volume (in gallons)	290,000,000
Rate per thousand of gallons used	\$ 8.46
Current rate per thousand of gallons used	\$ 8.02
Increase	\$ 0.44
Percentage change	5.4%

Variable Costs	Variable Costs	Reclass 35% from Fixed	Total Variable Costs
NEW Water variable charges	\$ 1,262,282	\$ 376,401	\$ 1,638,683
Village variable costs	629,910	186,332	816,242
Total variable costs	1,892,192	562,733	2,454,925

Fixed Costs	1,607,808	(562,733)	1,045,075
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Total Costs/Revenue Target	\$ 3,500,000	\$ 3,500,000
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Proposed rate per thousand of gallons used:

NEW Water	\$ 5.65	\$ 0.19
Village sanitary sewer utility	\$ 2.81	\$ 0.25
Total	\$ 8.46	\$ 0.44

Current rate per thousand of gallons used:

NEW Water	\$ 5.46
Village sanitary sewer utility	\$ 2.56
Total	\$ 8.02

Village of Allouez Utility Bill Comparison- Residential

Proposed 2025 Rates Compared to Current Rates

Meter Size	Customer Type	Consumption	Allouez		NEW Water (GBMSD)		Water	Public Fire Protection	Stormwater (1 ERU)	Total Monthly Bill	Total Monthly Bill	Increase	Increase
		100s of gals	Current	Proposed	Current	Proposed	Current	Current	Current	Current	Proposed	\$	%
3/4"	Zero Consumption	0	\$ 4.50	\$ 4.50	\$ 8.00	\$ 9.00	\$ 11.50	\$ 8.10	\$ 10.50	\$ 42.60	\$ 43.60	\$ 1.00	2.3%
3/4"	Small Residential	15	\$ 8.34	\$ 8.72	\$ 16.19	\$ 17.48	\$ 21.03	\$ 8.10	\$ 10.50	\$ 64.16	\$ 65.82	\$ 1.66	2.6%
3/4"	Average Residential	30	\$ 12.18	\$ 12.93	\$ 24.38	\$ 25.95	\$ 32.15	\$ 8.10	\$ 10.50	\$ 87.31	\$ 89.63	\$ 2.32	2.7%
3/4"	Large Residential	50	\$ 17.30	\$ 18.55	\$ 35.30	\$ 37.25	\$ 48.05	\$ 8.10	\$ 10.50	\$ 119.25	\$ 122.45	\$ 3.20	2.7%
3/4"	Large Residential	80	\$ 24.98	\$ 26.98	\$ 51.68	\$ 54.20	\$ 71.90	\$ 8.10	\$ 10.50	\$ 167.16	\$ 171.68	\$ 4.52	2.7%
3/4"	Large Residential	120	\$ 35.22	\$ 38.22	\$ 73.52	\$ 76.80	\$ 108.40	\$ 8.10	\$ 10.50	\$ 235.74	\$ 242.02	\$ 6.28	2.7%

1"	Zero Consumption	0	\$ 11.25	\$ 11.25	\$ 20.00	\$ 22.50	\$ 20.00	\$ 20.25	\$ 10.50	\$ 82.00	\$ 84.50	\$ 2.50	3.0%
1"	Small Residential	15	\$ 15.09	\$ 15.47	\$ 28.19	\$ 30.98	\$ 29.53	\$ 20.25	\$ 10.50	\$ 103.56	\$ 106.72	\$ 3.16	3.1%
1"	Average Residential	30	\$ 18.93	\$ 19.68	\$ 36.38	\$ 39.45	\$ 40.65	\$ 20.25	\$ 10.50	\$ 126.71	\$ 130.53	\$ 3.82	3.0%
1"	Large Residential	50	\$ 24.05	\$ 25.30	\$ 47.30	\$ 50.75	\$ 56.55	\$ 20.25	\$ 10.50	\$ 158.65	\$ 163.35	\$ 4.70	3.0%
1"	Large Residential	80	\$ 31.73	\$ 33.73	\$ 63.68	\$ 67.70	\$ 80.40	\$ 20.25	\$ 10.50	\$ 206.56	\$ 212.58	\$ 6.02	2.9%
1"	Large Residential	120	\$ 41.97	\$ 44.97	\$ 85.52	\$ 90.30	\$ 116.90	\$ 20.25	\$ 10.50	\$ 275.14	\$ 282.92	\$ 7.78	2.8%

1 1/2"	Non-Residential	200	\$ 73.70	\$ 78.70	\$ 149.20	\$ 158.00	\$ 20.00	\$ 20.25	\$ 10.50	\$ 273.65	\$ 287.45	\$ 13.80	5.0%
2"	Non-Residential	500	\$ 164.00	\$ 176.50	\$ 337.00	\$ 354.50	\$ 337.50	\$ 20.25	\$ 10.50	\$ 869.25	\$ 899.25	\$ 30.00	3.5%
3"	Non-Residential	600	\$ 221.10	\$ 236.10	\$ 447.60	\$ 474.00	\$ 40.65	\$ 20.25	\$ 10.50	\$ 740.10	\$ 781.50	\$ 41.40	5.6%