

Memo

To: Village Board

Fr: Julie Beauchamp, Finance Director

Re: Sanitary Sewer Utility Rate Increase

Date: May 14, 2026

The proposed 2026 sanitary sewer utility rate increase was discussed at the April 27, 2026, Finance/Personnel Ad Hoc Committee meeting. The committee recommended that the Village Board approve the increase, effective for June 2026 usage billed in July. The proposed increase was also reported to the Public Works Committee at its May 5, 2026, meeting. The rate increase packet presented to the Finance/Personnel Ad Hoc Committee is attached.

Background

The sanitary sewer utility rates fund the sanitary sewer operations and maintenance, capital improvements, and other costs incurred due to mandates.

- NEW Water charges for the treatment of the wastewater collected by the utility. These charges account for 75% of the utility's operation and maintenance (O&M) expenses.
- Total O&M expenses were \$3.0 million in 2024, budgeted at \$3.1 million and projected at \$2.8 million for 2025, and increased to \$3.3 million for the 2026 budget.

Rates

Sanitary sewer 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 $\frac{3}{4}$ " 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.

Rate Increase

The 2026 sanitary utility budget includes a modest increase in net position of just over \$84,000. Based on 2025 operating results, 2026 year-end cash is projected to be \$255,000 without a rate increase – down from the projected 2025 year-end balance of \$448,000.

To maintain adequate cash flow, the proposed rate increase would raise fixed monthly charges by \$0.90 for a $\frac{3}{4}$ " meter; and increase the volume charge 7.3% from \$8.46 to \$9.08 per 1,000 gallons.

Rate Increase (cont.)

Proposed:	<u>Allouez</u>	<u>NEW Water</u>	<u>Total</u>
Fixed charge/month (based on ¾" meter)	\$4.40	\$10.00	\$14.40
Variable (volume) charge/1,000 gals	\$3.15	\$5.93	\$9.08
Current:			
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

The rate increase results in a monthly increase of \$2.76 for a typical residential user with a ¾" meter using an average volume of 3,000 gallons of water per month.

Staff recommends the Village Board approve the following sanitary utility rates, effective for June 2026 usage billed in July:

- Volume Charge - \$9.08 per 1,000 of gallons used
- Fixed Charge – monthly based on the following meter sizes:

¾"	\$14.40	3"	\$215.95
1"	\$36.00	4"	\$431.90
1 ½"	\$72.00	6"	\$863.80
2"	\$115.20		

SANITARY SEWER UTILITY RATE INCREASE - 2026

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. The fixed charge is billed based on the size of the water meter and covers a portion of the NEW Water capital charges and principal and interest payments due on borrowed funds used for sanitary sewer utility infrastructure reconstruction. The variable charge is based on the volume of water used and covers the remaining fixed costs as well as NEW Water variable (volume-based) charges and all other costs of operating and maintaining the sanitary sewer utility.

With little growth in the user base, utility rates need to increase to keep pace with increasing operation and maintenance (O&M) expenses and to allow for a cash reserve available for unforeseen and/or emergency costs. NEW Water sanitary sewage capital and treatment costs represent 75% of the utility's total O&M expenses. Total O&M expenses were budgeted at \$2.9 million for 2024, \$3.1 million for 2025, and \$3.3 million for 2026. NEW Water costs were budgeted to increase 6.7% from \$2.3 million in 2025 to just under \$2.5 million in 2026.

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)	\$4.40	\$10.00	\$14.40
Variable (volume) charge/1,000 gals	\$3.15	\$5.93	\$9.08
Current:			
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

The above results in a monthly increase of \$2.76 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	2024 Actual	2025 Budget	2025 Actual	2026 Budget
21 SEWER UTILITY				
OPERATING REVENUES				
46410 Sewerage Service Charges	\$ 3,228,670	\$ 3,250,000	\$ 3,458,328	\$ 3,500,000
46200 Private Side Lateral Charges	116,807	-	-	-
44340 Sanitary Sewer Permits	640	1,000	1,500	1,000
TOTAL OPERATING REVENUES	3,346,117	3,251,000	3,459,828	3,501,000
OPERATING EXPENSES				
57410 Sewage Treatment	2,732,739	2,861,889	2,512,170	3,004,038
57410 Depreciation	248,204	240,000	267,379	255,000
57411 Lift Stations	7,522	9,998	3,024	10,827
57412 Locates/Sump Pump	5,495	27,459	6,590	29,908
69999 WRS and OPEB GASB Adjustments	30,057	-	(1,951)	-
TOTAL OPERATING EXPENSES	3,024,017	3,139,346	2,787,212	3,299,773
OPERATING INCOME	322,100	111,654	672,616	201,227
NONOPERATING REVENUES (EXPENSES)				
48110 Interest Income	22,197	15,000	34,725	15,000
48330 Gain/(Loss) on Retirement of Equip.	(5,372)	-	(9,232)	-
48910 Amortization of Premium on Debt	21,312	25,508	25,508	25,812
58200 Interest - Long-term Debt	(131,238)	(144,581)	(153,992)	(157,815)
58202 Debt Discount/Expense	(21,952)	-	(25,090)	-
TOTAL NONOP. REVENUES (EXPENSES)	(115,053)	(104,073)	(128,081)	(117,003)
Change in Net Position	\$ 207,047	\$ 7,581	\$ 544,535	\$ 84,224

Sanitary Sewer Utility - Estimated Cash Balance	2025 Actual	2026 Budget
Cash - January 1 (actual)	\$ 158,609	\$ 447,757
Operating Income	672,616	201,227
Depreciation Expense	267,379	255,000
WRS and OPEB GASB Adjustments	(1,951)	-
Debt Repayment (Principal & Interest)	(532,377)	(527,262)
Collection of Private-Side Lateral Assessments	68,445	-
Outlay for Project Costs in Excess of Debt Proceeds	(66,256)	(121,424)
Adjust for Significant Changes in Receivables/Payables	(117,559)	-
Cash - December 31 (projected)	\$ 448,906	\$ 255,298

Sanitary Sewer Utility - Revenue Requirements and Cash Requirements

	2025		2026		
	Rate Case	Actual	Budget	Proposed	
Revenues					
Sewerage service charges	\$ 3,500,000	\$ 3,458,328	\$ 3,500,000	\$ 3,750,000	
Other	1,000	1,500	1,000	1,000	
Operating revenues	3,501,000	3,459,828	3,501,000	3,751,000	
Operation & Maintenance (O&M) Expenses					
NEW Water - fixed charges	1,075,431	958,960	1,189,811	1,189,811	
NEW Water - variable charges	1,262,282	1,130,536	1,304,502	1,304,502	
NEW Water - total charges *	2,337,713	2,089,496	2,494,313	2,494,313	19.4% Increase - 2026 vs 2025 actual (6.7% increase - 2026 vs 2025 rate case)
Depreciation	240,000	267,379	255,000	255,000	
GASB adjustment for WRS and OPEB	-	(1,951)	-	-	
Other operation & maintenance	561,633	432,288	550,460	550,460	
Operating & maintenance expenses	3,139,346	2,787,212	3,299,773	3,299,773	75.6% Percentage of O&M expenses
Operating Income/(Loss)	361,654	672,616	201,227	451,227	
Other Revenues/(Expenses)					
Interest income	15,000	34,725	15,000	15,000	
Gain/(Loss) on retirement of equipment	-	(9,232)	-	-	
Interest and fiscal charges	(119,073)	(153,574)	(132,003)	(132,003)	
Other revenues (expenses)	(104,073)	(128,081)	(117,003)	(117,003)	
Change in Net Position	\$ 257,581	\$ 544,535	\$ 84,224	\$ 334,224	
Cash Balance - January (actual)	\$ 158,609	\$ 158,609	\$ 447,757	\$ 447,757	
Operating income/(loss)	361,654	672,616	201,227	451,227	
Private-side lateral assessment collections	-	68,445	-	-	
Depreciation	240,000	267,379	255,000	255,000	
GASB adjustment for WRS and OPEB	-	(1,951)	-	-	
Debt service	(532,377)	(532,377)	(527,262)	(527,262)	
Outlay for project costs > debt proceeds	-	(66,256)	(121,424)	(121,424)	
Significant changes in receivables/payables	-	(117,559)	-	-	
Cash flow	69,277	290,297	(192,459)	57,541	
Cash Balance - December (projected)	\$ 227,886	\$ 448,906	\$ 255,298	\$ 505,298	
Increase from rate increase			\$ 250,000		
Projected change in net position			\$ 334,224		
Projected cash flow			\$ 57,541		
Projected 12/31/2026 cash balance			\$ 505,298		
Revenue target			\$ 3,750,000		
Cash flow as % of O&M expenses	2%	10%	2%		
Cash balance as % of O&M expenses	7%	16%	15%		
Net Revenues	\$ 601,654	\$ 939,995	\$ 456,227	\$ 706,227	
Debt Coverage	1.13	1.77	0.87	1.34	

* NEW Water rounded to \$2.5M for 2026 budget. Add'l \$5,687 included with Other O&M above.

Sanitary Sewer Utility - Fixed and Variable Costs

Fixed Costs	Fixed Costs	Reclass 35% to Variable *	Net Fixed Costs
NEW Water capital charge	\$ 1,189,811	\$ (416,434)	\$ 773,377
Debt service	527,262	(184,542)	342,720
Total fixed costs	1,717,073	(600,976)	1,116,097
 Variable Costs	 2,032,927	 600,976	 2,633,903
 Total Costs/Revenue Target	 \$ 3,750,000		 \$ 3,750,000

* 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"	5377	1.0	5377
1"	85	2.5	212.5
1 1/2"	62	5.0	310
2"	27	8.0	216
3"	13	15.0	195
4"	1	30.0	30
6"	2	60.0	120
	<u>5567</u>		<u>6460.5</u>

Total fixed costs	\$ 1,116,097
Annual fixed charge per 3/4" meter	\$ 172.76
Monthly fixed charge per 3/4" meter	\$ 14.40

Village	NEW Water	Total
\$ 342,720	\$ 773,377	\$ 1,116,097
\$ 53.05	\$ 119.71	\$ 172.76
\$ 4.40	\$ 10.00	\$ 14.40

Calculated Fixed Charge per 3/4" Meter

\$4.42	\$9.98	\$14.40
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Monthly Fixed Charges per Meter Size

Meter Size	Current	Proposed	Increase	Village	NEW Water	Total
3/4"	\$ 13.50	\$ 14.40	\$ 0.90	\$ 4.40	\$ 10.00	\$ 14.40
1"	\$ 33.75	\$ 36.00	\$ 2.25	\$ 11.00	\$ 25.00	\$ 36.00
1 1/2"	\$ 67.50	\$ 72.00	\$ 4.50	\$ 22.00	\$ 50.00	\$ 72.00
2"	\$ 108.00	\$ 115.20	\$ 7.20	\$ 35.20	\$ 80.00	\$ 115.20
3"	\$ 202.50	\$ 215.95	\$ 13.45	\$ 66.00	\$ 149.95	\$ 215.95
4"	\$ 405.00	\$ 431.90	\$ 26.90	\$ 132.00	\$ 299.90	\$ 431.90
6"	\$ 810.00	\$ 863.80	\$ 53.80	\$ 264.05	\$ 599.75	\$ 863.80

Percentage change 6.6%

Revenue from Proposed Change in Meter Charges

Meter Size	Number of Meters	Monthly	Annual	Village	NEW Water	Mo. Total
3/4"	5377	\$ 77,410	\$ 928,920	\$ 23,663	\$ 53,747	\$ 77,410
1"	85	\$ 3,060	\$ 36,720	\$ 935	\$ 2,125	\$ 3,060
1 1/2"	62	\$ 4,464	\$ 53,568	\$ 1,364	\$ 3,100	\$ 4,464
2"	27	\$ 3,110	\$ 37,320	\$ 950	\$ 2,160	\$ 3,110
3"	13	\$ 2,807	\$ 33,684	\$ 858	\$ 1,949	\$ 2,807
4"	1	\$ 432	\$ 5,184	\$ 132	\$ 300	\$ 432
6"	2	\$ 1,728	\$ 20,736	\$ 528	\$ 1,200	\$ 1,728
	<u>5567</u>	<u>\$ 93,011</u>	<u>\$ 1,116,132</u>	<u>\$ 28,430</u>	<u>\$ 64,581</u>	<u>\$ 93,011</u>

Village	NEW Water	Annual Total
\$ 283,956	\$ 644,964	\$ 928,920
\$ 11,220	\$ 25,500	\$ 36,720
\$ 16,368	\$ 37,200	\$ 53,568
\$ 11,400	\$ 25,920	\$ 37,320
\$ 10,296	\$ 23,388	\$ 33,684
\$ 1,584	\$ 3,600	\$ 5,184
\$ 6,336	\$ 14,400	\$ 20,736
<u>\$ 341,160</u>	<u>\$ 774,972</u>	<u>\$ 1,116,132</u>

Sanitary Sewer Utility - Volume Charges Based on Variable Costs

Variable Cost	\$ 2,633,903
Estimated Volume (in gallons)	290,000,000
Rate per thousand of gallons used	\$ 9.08
Current rate per thousand of gallons used	\$ 8.46
Increase	\$ 0.62
Percentage change	7.3%

Variable Costs	Variable Costs	Reclass 35% from Fixed	Total Variable Costs
NEW Water variable charges	\$ 1,304,502	\$ 416,434	\$ 1,720,936
Village variable costs	728,425	184,542	912,967
Total variable costs	2,032,927	600,976	2,633,903

Fixed Costs	1,717,073	(600,976)	1,116,097
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Total Costs/Revenue Target	\$ 3,750,000	\$ 3,750,000
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Proposed rate per thousand of gallons used:

NEW Water	\$ 5.93	\$ 0.28
Village sanitary sewer utility	\$ 3.15	\$ 0.34
Total	\$ 9.08	\$ 0.62

Current rate per thousand of gallons used:

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

SANITARY SEWER RATE COMPARISON (MONTHLY)

April 27, 2026

RESIDENTIAL- MONTHLY

(Current)	(Proposed)	Fixed Charge for a 3/4" Meter						
Allouez	Allouez	Green Bay	Suamico	Bellevue	De Pere	Howard	Ashwaubenon	Ledgeview
13.50	14.40	19.70	6.16	11.32	10.97	9.00	9.61	7.75

(Current)	(Proposed)	Volume Charge (per 1,000 gallons)						
Allouez	Allouez	Green Bay	Suamico	Bellevue	De Pere	Howard	Ashwaubenon	Ledgeview
8.46	9.08	8.25	10.88	8.60	8.10	8.30	7.94	4.96

(Current)	(Proposed)	Total Sewer Charge (3/4" Fixed + 3,000 gals Volume)						
Allouez	Allouez	Green Bay	Suamico	Bellevue	De Pere	Howard	Ashwaubenon	Ledgeview
38.88	41.64	44.45	38.80	37.12	35.27	33.90	33.43	22.63

STORMWATER RATE COMPARISON**RESIDENTIAL**

(Current)	(Proposed)	ERU Rate - Monthly						
Allouez	Allouez	Green Bay	Suamico	Bellevue	De Pere *	Howard	Ashwaubenon	Ledgeview *
10.50	11.50	11.37	3.34	6.00	10.17	6.90	6.88	9.17

(Current)	(Proposed)	ERU Rate - Annual						
Allouez	Allouez	Green Bay	Suamico	Bellevue	De Pere	Howard	Ashwaubenon	Ledgeview
126.00	138.00	136.44	40.08	72.00	122.04	82.80	82.52	110.00

* Rates per those gathered for the 2024 rate increase comparison