

REVISED

**City of Oconomowoc
Committee-Of-The-Whole**

Tuesday, November 01, 2022 - 7:00 PM
City Hall - Council Chambers
174 E. Wisconsin Ave. Oconomowoc, WI 53066
(or immediately following Public Services)



Notice: If a person with a disability requires that the meeting be accessible or that materials at the meeting be in accessible format, call the City Clerk at least 48 hours prior to the meeting to request adequate accommodations. Tel: (262) 569-2186.

1. Call to order and confirmation of appropriate meeting notification
2. Committee Business
 - a. Consider/recommend approval of the 2023 Wastewater Rates
 - b. Consider/recommend Approval of the 2023 Utility Budgets
3. Adjourn

Diane Coenen, City Clerk
City of Oconomowoc

Notice is hereby given that a majority of the Common Council will be present at the above scheduled meeting to gather information about a subject over which they have decision-making responsibility. This constitutes a meeting of the Common Council pursuant to State ex rel. Badke v. Greendale Village Board, 173Wis. 2d 553, 494 N.W. 2d 408 (1993) and must be noticed as such, although the Common Council will not take any formal action at this meeting.



MEMORANDUM

UTILITY FINANCE

Date: October 14, 2022
To: Utility Committee, City Council, Mayor Magnus
From: John Schuh, Utility Accounting Manager
Laurie Sullivan, Director of Finance/Administrative Services
Re: Proposed 2023 Sanitary Sewer Rates

RELATES TO THE STRATEGIC PLAN

Strategic Goal-N/A

BACKGROUND

A thorough cost of service study has been conducted so that the Wastewater Utility is recovering adequate revenues to meet its financial needs. Service rates based on the study have been developed so that all customers pay a fair and proportional share of all operating and capital costs. See the attached pages showing the current and proposed 2023 service rates. Wastewater treatment rates are not regulated by the Public Service Commission and are typically adjusted annually.

ADDITIONAL ANALYSIS

After review by the Utility Committee and recommendation from the COW, the rates would then require Council approval.

FINANCIAL IMPACT

The proposed rates for city customers represent an increase of 7.5% for an average residential customer. City commercial customer rates would increase on average 9.0% depending on volume and concentration of waste. This increase is recommended to cover annual operating expenses and continue funding capital projects necessary to maintain the integrity of our collection system, pumping stations and the treatment facility.

Overall combined charges for the extraterritorial customers will also increase as a result of this rate review. Charges to this customer group consist of annual license fees based on the number of residential equivalent connections (RECs), and volumetric charges based on metered flow from each sanitary district. The license fees are municipal (non-utility) revenue that increase annually by 4.0% per year under the terms of the sewer service agreements. Volumetric charges are impacted by changes in operating and maintenance expense, annual flows and capital costs. The volumetric rates vary by district and would increase 3.3% to 3.7%. Under the terms of the agreements, the extraterritorial customers pay an 8.5% return on the net investment rate base.

RECOMMENDATION

Recommend approval of Proposed 2023 Sanitary Sewer Rates.

SUGGESTED MOTION

Motion to Recommend to the Common Council the approval the Proposed 2023 Sanitary Sewer Rates.

RESOLUTION NO. 22-R3075

RESOLUTION FOR WASTEWATER TREATMENT RATE ADJUSTMENT

WHEREAS, §13.50 of the Municipal Code of the City of Oconomowoc sets forth the various sewer service charges and fees and provides in §13.50(6)(d) that the Common Council shall establish the charges and fees by resolution; and

WHEREAS, §13.50 provides that there shall be an annual review of the user charge system, which shall be computed by the Finance Director and presented to the Common Council in time to provide for implementation of new charges for the following year; and

WHEREAS, the Finance Director has computed all rates, charges and fees for 2023 and has submitted a recommendation to the Utility Committee, which has reviewed and approved the recommended sewer user rates, charges and fees for all wastewater treatment plant users, including extraterritorial users, and the proposed septage disposal charges and fees.

NOW THEREFORE, BE IT HEREBY RESOLVED that the attached schedule of sewer rates, charges and fees, including septage disposal charges, are approved and established as the 2023 sewer rates, which rates shall remain in effect until further amendment by Common Council resolution.

BE IT FURTHER RESOLVED that all other rates, charges and fees, including the sewer availability charge, shall remain in effect unless amended by ordinance or resolution of the Common Council.

BE IT FURTHER RESOLVED that this resolution and the rates, charges and fees set forth on the attached schedule shall become effective January 1, 2023.

DATED: _____

CITY OCONOMOWOC

By: _____
Robert P. Magnus, Mayor

ATTEST:

Diane Coenen, Clerk

**City of Oconomowoc
2023 Wastewater Rate Forecast-Adjusted
Current and Proposed Rates**

<u>Retail Rates (Individually Metered Customers)</u>	<u>Class</u>	<u>Unit of Measure</u>	<u>2022 Rates</u>	<u>Proposed 2023 Rates</u>
City of Oconomowoc				
Domestic Strength Volume	A	per 1,000 gallons	\$ 5.94	\$ 6.50
Above Domestic Strength Volume	B	per 1,000 gallons	\$ 6.51	\$ 7.17
High Sgrength Volume	C	per 1,000 gallons	\$ 5.94	\$ 6.50
Fixed Customer Charge	n/a	per customer, per month	\$ 6.41	\$ 6.50
Outside Contract Retail				
Domestic Strength Volume	A	per 1,000 gallons	\$ 7.36	\$ 7.63
Above Domestic Strength Volume	B	per 1,000 gallons	\$ 7.82	\$ 8.16
Fixed Customer Charge	n/a	per customer, per month	\$ 3.24	\$ 2.72
<u>Retail High-Strength Surcharges</u>	<u>Class</u>	<u>Unit of Measure</u>	<u>2022 Rates</u>	<u>Proposed 2023 Rates</u>
Biochemical Oxygen Demand (BOD)	C	pounds over 250 mg/L	\$ 0.43	\$ 0.51
Total Suspended Solids (TSS)	C	pounds over 270 mg/L	\$ 0.28	\$ 0.33
Phosphorus	C	pounds over 7 mg/L	\$ 13.76	\$ 19.62
<u>Wholesale Contract Rates (Metered By District)</u>	<u>Class</u>	<u>Unit of Measure</u>	<u>2022 Rates</u>	<u>Proposed 2023 Rates</u>
Blackhawk				
Volume		per 1,000 gallons	\$ 7.36	\$ 7.63
Direct Cost		annual	\$ 675.00	\$ 609.00
Ixonia				
Volume		per 1,000 gallons	\$ 5.53	\$ 5.71
Direct Cost		annual	\$ 863.00	\$ 809.00
Mary Lane				
Volume		per 1,000 gallons	\$ 5.53	\$ 5.71
Direct Cost		annual	\$ 675.00	\$ 609.00
Lac LaBelle				
Volume		per 1,000 gallons	\$ 5.53	\$ 5.71
Direct Cost		annual	\$ 863.00	\$ 809.00
Town of Oconomowoc				
Volume		per 1,000 gallons	\$ 7.85	\$ 8.11
Village of Oconomowoc Lake				
Volume		per 1,000 gallons	\$ 7.85	\$ 8.11
Silver Lake				
Volume		per 1,000 gallons	\$ 7.85	\$ 8.11

**City of Oconomowoc
2023 Wastewater Rate Forecast-Adjusted
Miscellaneous Fees**

Description	Unit of Measure	Current Fee	Proposed Fee
Application and Registration Fees			
Renewal Application	per firm	\$ 203.00	\$ 218.00
Truck Registration	per truck	\$ 18.10	\$ 19.00
Initial Application	per firm	\$ 294.00	\$ 316.00
Sampling Fees			
Composite Grab Sample	per sample	\$ 10.70	\$ 11.50
Grab Sample	per sample	\$ 4.40	\$ 4.70
Sample Storage	per sample	\$ 4.40	\$ 4.70
Analysis Fees			
Biochemical Oxygen Demand (BOD)	per test	\$ 34.00	\$ 36.60
Total Suspended Solids (TSS)	per test	\$ 14.50	\$ 15.60
Phosphorus	per test	\$ 17.00	\$ 18.30
Oil and Grease	per test	\$ 34.00	\$ 36.60
pH	per test	\$ 4.40	\$ 4.70

Rates may be set for a particular originator based on sampling averages.

Septic and Holding Tanks Assumed Strength	BOD (mg / L)	TSS (mg / L)	P (mg / L)
Holding Tank	350	500	18.2
Failed Septic Tank	2,700	5,500	21.0
Septic Tank	5,000	11,000	23.9
High Strength Rate per Pound	\$ 0.51	\$ 0.33	\$ 19.62

Description	Unit of Measure	Current Fee	Proposed Fee
Septic and Holding Tank Fees			
Holding Tank	per 1,000 gal	\$ 8.10	\$ 10.00
Failed Septic Tank (0-180 days)	per 1,000 gal	\$ 28.50	\$ 34.10
Septic Tank	per 1,000 gal	\$ 49.90	\$ 59.50
Other Fees			
Recreational Vehicle	per load	\$ 5.00	\$ 5.00
Administrative Charge	per load	\$ 24.20	\$ 26.00
Special Waste Review Fee (prepayment required)	per review	\$ 86.00	\$ 92.00

City of Oconomowoc
2023 Wastewater Rate Forecast-Original
License Fees for Contract Communities
Sanitary District

	2021	2022	2023
Blackhawk - Residential	\$ 149.29	\$ 155.26	\$ 161.47
Ixonia - Residential	\$ 138.63	\$ 144.18	\$ 149.95
Ixonia - Non-Residential	\$ 138.63	\$ 144.18	\$ 149.95
Mary Lane - Residential	\$ 138.63	\$ 144.18	\$ 149.95
Mary Lane - Non-Residential	\$ 138.63	\$ 144.18	\$ 149.95
Lac LaBelle - Residential	\$ 138.63	\$ 144.18	\$ 149.95
Lac LaBelle - Non-Residential	\$ 138.63	\$ 144.18	\$ 149.95
Town of Oconomowoc - Residential	\$ 149.29	\$ 155.26	\$ 161.47
Town of Oconomowoc - Non-Residential	\$ 149.29	\$ 155.26	\$ 161.47
Village of Oconomowoc Lake - Residential	\$ 149.29	\$ 155.26	\$ 161.47
Village of Oconomowoc Lake - Non-Residential	\$ 149.29	\$ 155.26	\$ 161.47
Village of Summit - Residential	\$ 149.29	\$ 155.26	\$ 161.47
Village of Summit - Non-Residential	\$ 298.58	\$ 310.52	\$ 322.94
Silver Lake - Residential	\$ 149.29	\$ 155.26	\$ 161.47
Silver Lake - Non-Residential	\$ 298.58	\$ 310.52	\$ 322.94

Note - Fee increases 4.0% annually per contracts.

Note - License fees are revenue for the municipal general fund, not the wastewater utility.

Monthly First Year Amortization for Village of Summit

	<u>\$ 149.29</u>	<u>\$ 155.26</u>	<u>\$ 161.47</u>
Residential			
Jan	\$ 149.29	\$ 155.26	\$ 161.47
Feb	\$ 136.85	\$ 142.32	\$ 148.01
Mar	\$ 124.41	\$ 129.38	\$ 134.56
Apr	\$ 111.97	\$ 116.45	\$ 121.10
May	\$ 99.53	\$ 103.51	\$ 107.65
Jun	\$ 87.09	\$ 90.57	\$ 94.19
Jul	\$ 74.65	\$ 77.63	\$ 80.74
Aug	\$ 62.20	\$ 64.69	\$ 67.28
Sep	\$ 49.76	\$ 51.75	\$ 53.82
Oct	\$ 37.32	\$ 38.82	\$ 40.37
Nov	\$ 24.88	\$ 25.88	\$ 26.91
Dec	\$ 12.44	\$ 12.94	\$ 13.46
Non-Residential	<u>\$ 298.58</u>	<u>\$ 310.52</u>	<u>\$ 322.94</u>
Jan	\$ 298.58	\$ 310.52	\$ 322.94
Feb	\$ 273.70	\$ 284.64	\$ 296.03
Mar	\$ 248.82	\$ 258.77	\$ 269.12
Apr	\$ 223.94	\$ 232.89	\$ 242.21
May	\$ 199.05	\$ 207.01	\$ 215.29
Jun	\$ 174.17	\$ 181.14	\$ 188.38
Jul	\$ 149.29	\$ 155.26	\$ 161.47
Aug	\$ 124.41	\$ 129.38	\$ 134.56
Sep	\$ 99.53	\$ 103.51	\$ 107.65
Oct	\$ 74.65	\$ 77.63	\$ 80.74
Nov	\$ 49.76	\$ 51.75	\$ 53.82
Dec	\$ 24.88	\$ 25.88	\$ 26.91

City of Oconomowoc
 2023 Wastewater Rate Forecast-Adjusted
 Average Residential Customer Impact

	Average Residential Customer Rate Impact	2022 Volume	2021 Rates	% of Total	2022 Rates	% of Total	\$ Change	% Change
per Month	Average Annual Usage	42,000						
	# of Months	12						
	Average Monthly Usage	3,500						
	Thousand Gallons	3.50	3.50		3.50			
	Volume Rate		5.94		6.50		0.56	9.4%
	Volume Charge		20.79	76%	22.75	78%	1.96	9.4%
	Fixed Monthly Charge		6.41	24%	6.50	22%	0.09	1.4%
Total Charges			27.20	100%	29.25	100%	2.05	7.5%

	Average Residential Customer Rate Impact	2022 Volume	2021 Rates	% of Total	2022 Rates	% of Total	\$ Change	% Change
per Year	Average Annual Usage	42,000						
	Thousand Gallons	42.00	42.00		42.00			
	Volume Rate		5.94		6.50			
	Volume Charge		249.48	76%	273.00	78%	23.52	9.4%
	Fixed Monthly Charge		6.41		6.50			
	# of Months		12		12			
	Fixed Charge		76.92	24%	78.00	22%	1.08	1.4%
Total Charges			326.40	100%	351.00	78%	24.60	7.5%

Note, prior year budget average customer annual estimated consumption was: 44,400
 This represents a change in volume of: (2,400)
 -5.4%



MEMORANDUM

UTILITY FINANCE

Date: October 26, 2022
To: City Council, Mayor Magnus
From: John Schuh, Utility Accounting Manager
Laurie Sullivan, Director of Finance/Administrative Services
Re: Proposed 2023 Utility Budget

RELATES TO THE STRATEGIC PLAN

Strategic Goal-N/A

BACKGROUND

The proposed 2023 Utility Budget was distributed to Council members on October 14 for their review. This budget was on the agenda at the meeting of the Utility Committee on October 25, 2022 for committee discussion and review. A majority of the City Council attended the Utility budget meeting.

ADDITIONAL ANALYSIS

This memo is intended to give you an overview of the budget and budgeting process.

The Utility Committee reviewed the proposed the 2023 Utility Budgets and sends it forward to the Committee-of-the-Whole meeting for a recommendation to the City Council.

FINANCIAL IMPACT

Wastewater Budget Overview

As part of the annual budget process, a detailed rate study model is updated for the planned expenses. This provides guidance on how to structure rates for both our metered city customers and the outlying adjacent sanitary districts. The model also reflects anticipated customer growth and changes in volume flow. Based on study results, a net 7.0% rate increase is recommended. Unlike the PSC regulated water & electric utilities, wastewater rates are typically adjusted annually. An average residential customer would have a 7.5% rate increase of \$2.05/month. City commercial customers would increase 9.0% on average. Sanitary district rates are adjusted by their agreement and the rate model results, with a lower 3.3% average increase.

The Wastewater Utility expands funding significant activities related to the Oconomowoc River watershed phosphorus reduction project. The primary purpose of this innovative project is to avoid significantly larger capital equipment expenses at the treatment facility in future years. The 2023 budget includes about \$534,000 of expenses for this project.

Overall operating expenses are projected to increase 17.85% (\$713,112). Depreciation represents the largest increase in operating expenses. Because the Wastewater Utility is very capital intensive, depreciation is one of the largest components, representing 27% of total operating expenses.

The Wastewater capital budget continues to fund sewer main replacements and reinforcements in conjunction with street repair projects. The budget assumes completion of the digester cover replacements and the start of a septic receiving station project. Both projects are funded by previously collected Sewer Availability Charges paid by new development.

The Wastewater Utility is budgeted to produce an operating loss of \$58,399 and a negative rate of return of 0.40%. Actual operating expenses have usually been less than budgeted amounts. In addition, the utility has adequate cash reserves.

Water Budget Overview

The Water Utility is budgeted for an increase in operating revenue of 5.55% (\$228,210) from updated customer and volume assumptions. Upon completion of Well #8, the second step of a previously approved rate adjustment would be implemented. However, this is not anticipated until the start of 2024.

Overall operating expenses are projected to increase 6.53% (\$219,039). The largest increases are from depreciation. This is the result of a growing base of assets from street project main replacements and Well #8. The multi-year tower maintenance contract will provide for repainting the West standpipe tank.

The capital project budget includes \$1,500,000 for water main replacements to keep pace with the sixth year of the city's accelerated street projects. The utility borrowed \$2.6 million 2022 and anticipates additional borrowing of \$4.0 million in 2023.

The Water Utility is projected to produce an operating income of \$769,350 and a rate of return of 3.46%.

Electric Budget Overview

Operating revenue is projected to increase 22.3% (\$5,323,700). This is mostly from the cost of purchased power, increasing 24.8% (\$4,179,000). WPPI provides our initial guidance in forecasting future sales and costs of purchased power. The budget also includes revenue from an anticipated 5.0% base rate increase, effective mid-year. Electric rates were last changed in March 2019.

Total operating expenses of the Electric Utility are budgeted to increase 18.7% (\$4,366,400). Purchased power is the largest expenditure in the electric budget (\$21,027,000) and accounts for 76% of the operating expenses. If the power cost inflationary assumptions are different than budgeted, the impact is recovered through monthly adjustments to our Purchase Cost Adjustment Charge (PCAC) which minimize the impact to our local utility operations.

Excluding purchased power, the remaining operating expenses are expected to increase 2.89% (\$187,400). The largest increases are due to depreciation from a growing base of assets.

The capital project budget includes \$2,190,000 of distribution system upgrade projects. This represents a continued expansion of efforts to replace problematic cable, implement distribution voltage improvements, and upgrade industrial services. The budget also includes replacement of our digger-derrick truck and a large bucket truck repairing overhead cable.

Overall, the Electric Utility is estimated to produce \$1,506,108 in operating income with a rate of return of 4.14%.

RECOMMENDATION

Recommend approval of Proposed 2023 Utility Budgets.

SUGGESTED MOTION

Motion to recommend to the Common Council approval of the Proposed 2023 Utility Budgets.