



COUNCIL WORKSHOP

Tuesday, October 5, 2010

5:30 p.m

Common Council Chambers, 224 East Jefferson Street

A workshop for the Common Council will be held to discuss and review the results of a Utility Rate Study by John A. Mayer, Utility Rate Consultant. No city action will be taken at the workshop.

Note: If you are disabled and have accessibility needs or need information interpreted for you, please call the City Clerk's Office at 262-342-1161 at least 24 hours prior to the meeting.

Note: Notice is hereby given that a majority of the members of the Common Council may be present at the Open House and Workshop. Although this may constitute a quorum of the Council, the Council will not take any action at this function.



Common Council Workshop
Utility Rate Study
Common Council Chambers, 224 E. Jefferson Street
October 5, 2010

The workshop began at 5:30 p.m. Present at the workshop: Mayor Bob Miller, Aldermen Peter Hintz, Jim Prailes, Tom Vos, Katie Simenson, Steve Rauch and Ed Johnson. Also present: City Attorney John Bjelajac, City Administrator Kevin Lahner, Treasurer Steve DeQuaker, Utility Director Connie Wilson and John Mayer, Utility Rate Consultant.

John A. Mayer, Utility Rate Consultant, gave a presentation and overview of his analysis, recommendations and alternatives for a water rate increase. Mr. Mayer was hired by the City to conduct a study of the current rates and indebtedness of the department and to further submit an application to the Public Service Commission of Wisconsin (PSCW) if the City chooses to increase water rates. As this type of study has not been done since 2006 a rate increase has been recommended. Included in Mayer's memorandum dated September 27, 2010 were two options of rate increases, one being the lowest possible recommended rate and second a more aggressive increase. Key notes within the memorandum include:

- Option A – A 35.4% increase is recommended equaling approximately \$628,000 per year additional revenue. This option would mean an approximate increase to the average household of \$25/quarter or \$8.30 per month. This rate increase is for water only and not sewer charges.
- Option B – A 19.2% increase is recommended equaling approximately \$109,000 per year additional revenue. This option would mean an approximate increase to the average household of \$14/quarter or \$4.66 per month. Mr. Mayer explained this would be bare bones increase needed. This rate increase is for water only and not sewer charges.
- Alderman Vos questioned what the current indebtedness of the Water Department is. Mr. Mayer responded that per his study, there is \$2,160,000 in Revenue Bonds and \$1,050,000 in General Obligation Bonds.
- Mr. Mayer stated an increase of 35% is necessary to cover current normal and ordinary expenses only incurred with the Water Department including increasing materials and supply costs, labor costs and utility costs. He further stated that the Council chose a conservative rate increase of 10% in 2006 which did not offset the necessary expenses. Alderman Vos stated he does not understand why funds are so short and his dissatisfaction with the current proposal.
- Mayor Miller stated that approximately 35% of the rate increase would go towards radium removal equipment, 10% towards the new Public Works building and 55% towards normal costs of operation.

- Alderman Hintz questioned if this study takes into account water conservation practices by users. Mr. Mayer stated it does, however changes could occur with extreme conservation practices or if an industry came or left the city.
- Administrator Lahner questioned if a low rate were requested by the Council, would the PSC reject or deny the request because it was too low. Mr. Mayer stated the PSC will take into account the Fair Rate of Return, which in the city's case is 53.2%. He further stated it is possible the PSC may require a higher rate increase where the Council would either need to accept the rate or withdraw the request completely.
- Connie Wilson questioned what the cost of delay of submitting the application to the PSC would be. Mr. Mayer stated it is approximately \$52,000/month for Option A and \$28,000/month for Option B in lost revenue. He further stated the application process takes about three to four months for the PSC and then the time it takes for city approval.
- Mayor Miller stated the 35% increase appears worse than it actually is. The average household would only see an increase of \$100 per year and it will not affect the sewer use charges.
- Alderman Simenson questioned if a possible decline in water usage could be included in the study for the PSC. Mr. Mayer stated it cannot be included on the application to the PSC.
- Alderman Vos questioned how many old water mains are still left in the city to determine extraordinary expenses. Ms. Wilson stated there are some left however the city has been diligently replacing and repairing them every year. Mayor Miller stated these repairs are tied in with the street and sidewalk improvement projects each year.
- Alderman Simenson stated she feels the Council needs to take responsibility for what was spent in the last several years. She further questioned if reducing labor would help offset costs of daily operations. Lahner responded the city is bare bones when it comes to employment and further intends to cross-train Public Works staff when the new facility opens.
- Mr. Mayer stated direction is needed as to what the Council would like to see happen with the rates so the application to the PSC can be completed. Mayor Miller stated a discussion will be held at the October 19 Committee of the Whole meeting where a final answer can be determined.

The workshop concluded at 6:34 p.m.


 Recording Secretary
 Megan E. Johnson
 Assistant to the City Administrator