

# Memo

To: Village Board  
 Fr: Craig Berndt  
 Re: APPROVAL OF SANITARY AND STORM UTILITY RATES FOR 2015  
 Date: December 9, 2014

Attached is the utility rate evaluation for the Water, Storm and Sanitary Utilities.

## Water Utility

As rate change for 2015 is not proposed, however, the Water Utility rate of return is below the Public Service Commission approved rate.

A rate case application is recommended for 2015 with a rate increase likely for 2016. This will be important because of the low rate of return, a small rate increase is anticipated from the Central Brown County Water Authority, and the 2016 water main replacement project debt service will be factored into the rate case.

## Sanitary Utility

The Sanitary (Wastewater) Utility will incur a 9.9% rate increase from the Green Bay Metropolitan Sewage District (GBMSD) for 2016 due to the increasing debt costs for the R2E2 solids handling project. This is the 4<sup>th</sup> year of GBMSD rate increases for this project.

To maintain a minimal rate of return for the Sanitary Utility a 6.7% rate increase is proposed for 2016. This will result in the following rates:

|                             | <u>Allouez</u> | <u>GBMSD</u> | <u>Total</u> |
|-----------------------------|----------------|--------------|--------------|
| Volume Charge, \$/1000 gals | \$1.13         | \$4.00       | \$5.13       |
| Fixed Charge, \$/month      | \$7.50         | \$4.00       | \$11.50      |

The net increase for 2015 compared to 2014 is \$2.16 per month for a customer using the average volume of 4,500 gallons of drinking water per month.

## Stormwater Utility

A rate increase of \$0.25 per month per ERU is recommended due to the increase in debt payments for storm sewer replacements and stormwater treatment ponds. This rate increase should provide a slight income for the utility. Note that the increase results in a rate of \$7.50 per month per ERU which is the original rate recommended with the Stormwater Utility was established in 2004.

# VILLAGE OF ALLOUEZ

Allouez Village Hall • 1900 Libal Street • Green Bay, Wisconsin 54301-2453  
Phone No.: (920) 448-2800 • Fax No.: (920) 448-2850

## Department of Public Works

### ALLOUEZ UTILITY RATES FOR 2015

The following is a brief summary of the utility budgets and proposed rates for 2015.

#### Water Utility

The Water Utility 2014 estimated income will be approximately \$116,400 which is less than the budgeted income of \$172,495 due to lower water sales in 2014 (higher rainfall so less lawn watering). The utility income is less than the PSC approved rate of return.

The 2015 Water Utility budget income is forecasted at \$93,758. Based on the approved rate of return the income should be about \$225,000.

A Public Service Commission filing for a rate increase is recommended. The Water Utility rate of return is too low for continued operations with adequate cash reserves. Due to the number of years since the last PSC rate case the Utility cannot implement a purchased water rate increase should the CBCWA increase its wholesale water rate in 2016 (a CBCWA rate increase is forecasted). The PSC rate case would restore the purchased water rate increase option, as well as allow the utility to use the minor rate case adjustment option in future years. The cost of the PSC rate filing is included in the 2015 utility budget.

#### Sanitary Utility

A Sanitary Utility rate increase is recommended for 2015 due to the GBMSD sewage treatment cost increase from \$1,596,838 (2014 budget) to \$1,750,000 (2015 budget). This is 9.5% increase of which about 1/3 is due to the R2E2 project debt, and the balance due to the decrease in industrial BOD loading and increased operating costs.

Attached is the rate analysis for 2015. Without a rate increase the Sanitary Utility is projected to run a deficit of \$152,668 (essentially the GBMSD rate increase), and with a rate adjustment the income is projected at \$58,658. The goal has been to maintain at least a \$50,000 income in the Sanitary Utility, though the actual income should be greater base on the desired rate of return.

The GBMSD 2015 fixed charge to Allouez increases to \$302,641 which is \$4.00 per meter equivalent per month. The GBMSD volume charge increases to \$4.00 per 1000 gallons for 2015.

Due to the increase in the debt service amount for 2015, it is recommended that the Allouez fixed charge be increased to \$7.50 per meter equivalent, but the Allouez volume charge will be decreased to \$1.12 per 1000 gallons from the current \$1.23 per 1000 gallons.

The recommended sanitary rate for 2015 is a fixed charge of \$11.50 per month for the average residential customer, and a volume charge of \$5.13 per 1000 gallons. This is the combined rate for Allouez and GBMSD. This results in an increase to \$34.54 per month for 2015 from \$32.38 per month for 2014. This is a 6.7% rate increase for the average residential customer in Allouez.

#### Stormwater Utility

The Stormwater Utility is projected to operate at a loss in 2015. Refer to the attached summary of the Stormwater Utility income and ERU rate. The change in net position shows a negative \$31,413 for 2015. The need to increase the ERU rate has been discussed in recent years, with the expected future rate to be \$7.50 per ERU per month.

The attached summary, at the bottom of the page, shows that the required ERU rate to pay for operating costs and debt service should be at least \$7.43 per ERU per month. At this rate a slight increase in year-end cash will be obtained.

A rate increase of \$0.25 per ERU should be implemented, to an ERU of \$7.50 per month. The analysis shows that an ERU rate of \$7.43 is required pay for the utility operating expenses without providing for any utility income (near break-even).

It is not anticipated that there will be significant storm sewer or stormwater treatment projects over the next 2-3 years.



# SANITARY SEWER - 2015 BUDGET

## PROJECTED OPERATING STATEMENTS

|  | Actual<br>2012 | Actual<br>2013 | Estimated<br>2014 | Projected 2015<br>No Rate Increase | Projected 2015<br>Rate Increase |
|--|----------------|----------------|-------------------|------------------------------------|---------------------------------|
| Operating Revenues                     |                |                |                   |                                    |                                 |
| User charges                           | \$ 2,253,230   | \$ 2,364,803   | \$ 2,557,572      | \$ 2,557,572                       | \$ 2,768,898                    |
| Permit fees                            | 530            | 1,250          | 3,500             | 1,000                              | 1,000                           |
| Total Operating Revenues               | 2,253,760      | 2,366,053      | 2,561,072         | 2,558,572                          | 2,769,898                       |
| Operating Expenses                     |                |                |                   |                                    |                                 |
| Purchased services                     |                |                |                   |                                    |                                 |
| Green Bay MSD                          | 1,228,407      | 1,485,641      | 1,578,104         | 1,744,364                          | 1,744,364                       |
| Village water utility                  | 102,213        | 98,381         | 102,500           | 102,500                            | 102,500                         |
| City of Green Bay                      | 937            | 944            | 1,000             | 1,000                              | 1,000                           |
| Televising                             | 12,592         | 1,107          | 5,000             | 10,000                             | 10,000                          |
| Major maintenance and sewer repairs    | -              | -              | -                 | -                                  | 55,000                          |
| Other operation and maintenance        | 251,669        | 211,855        | 277,986           | 245,838                            | 245,838                         |
| Total operation and maintenance        | 1,595,818      | 1,797,928      | 1,964,590         | 2,103,702                          | 2,103,702                       |
| Depreciation                           | 150,161        | 151,952        | 155,000           | 155,000                            | 155,000                         |
| Total Operating Expenses               | 1,745,979      | 1,949,880      | 2,119,590         | 2,258,702                          | 2,258,702                       |
| Operating Income (Loss)                | 507,781        | 416,173        | 441,482           | 299,870                            | 511,196                         |
| Nonoperating Revenues (Expenses)       |                |                |                   |                                    |                                 |
| Interest revenue                       | 1,082          | 444            | 800               | 500                                | 500                             |
| Interest expense                       | (217,380)      | (129,467)      | (117,647)         | (150,623)                          | (150,623)                       |
| Amortization of premium on bonds       | 29,374         | 9,163          | 9,604             | 6,191                              | 6,191                           |
| Debt discount/expense                  | (49,179)       | -              | (21,737)          | -                                  | -                               |
| Special assessment revenue             | -              | 42,430         | 22,000            | 20,000                             | 20,000                          |
| Total Nonoperating Revenues (Expenses) | (236,103)      | (77,430)       | (106,980)         | (123,932)                          | (123,932)                       |
| Change in Net Assets                   | 271,678        | 338,743        | 334,502           | 175,938                            | 387,264                         |

|  |           |
|--|-----------|
| Change in Net Assets                           | 387,264   |
| Additional Cash Adjustments                    |           |
| Depreciation                                   | 155,000   |
| Amortization (net)                             | (6,191)   |
| Interest expense                               | 150,623   |
| Interest payments on long-term debt (cash)     | (145,838) |
| Principal payments on long-term debt (cash)    | (447,200) |
| Transfer to equipment reserve restricted cash  | (15,000)  |
| Purchase of non-bond capital assets (estimate) | (20,000)  |
| Total Additional Cash Adjustments              | (328,606) |
| Excess (Deficiency)                            | (152,668) |

## CALCULATION OF REVENUE REQUIREMENT

|                                  |            |
|----------------------------------|------------|
| Expenses                         |            |
| Fixed charges                    | \$ 886,098 |
| Recovered through volume charges | 1,882,800  |
|                                  | 2,768,898  |

|                         |            |
|-------------------------|------------|
| Total Revenue Generated |            |
|                         | \$ 886,098 |
|                         | 1,882,800  |
|                         | 2,768,898  |

Revenue needed  
based on this  
rate increase

see this form  
page 1  
10-9-2014

# SANITARY SEWER RATE - 2015 BUDGET

## 2015 Projected

|   |                        |
|---|------------------------|
| Costs to be recovered:                          |                        |
| Purchased services                              | \$ 1,545,223.00        |
| Televising                                      | 10,000.00              |
| Major maintenance and sewer repairs             | -                      |
| Other operation and maintenance                 | 245,838.00             |
| Total operation and maintenance                 | <u>1,801,061.00</u>    |
| Interest and principal payments on debt         | 895,679.00             |
| Transfer to equipment reserve restricted cash   | 15,000.00              |
| Purchase of non-bond capital assets (smoothed)  | <u>20,000.00</u>       |
| Allowance of operation and maintenance expenses | -                      |
|   | <u>930,679.00</u>      |
| Total   | <u>\$ 2,731,740.00</u> |

Less GBMSD fixed charge for debt of \$302,641

Add GBMSD fixed charge for debt of \$302,641

| Meter Size | Number of Customers | User Charge Factor | Allouez Fixed per Month | GBMSD Fixed per Month | Per Year | Annual Revenue       |
|------------|---------------------|--------------------|-------------------------|-----------------------|----------|----------------------|
| 3/4"       | 5,311               | 1.00               | 7.50                    | 4.00                  | 138.00   | \$ 732,918.00        |
| 1"         | 90                  | 2.50               | 18.75                   | 10.00                 | 345.00   | 31,050.00            |
| 1 1/2"     | 58                  | 5.00               | 37.50                   | 20.00                 | 690.00   | 40,020.00            |
| 2"         | 35                  | 8.00               | 60.00                   | 32.00                 | 1,104.00 | 38,640.00            |
| 3"         | 12                  | 15.00              | 112.50                  | 60.00                 | 2,070.00 | 24,840.00            |
| 6"         | 3                   | 45.00              | 337.50                  | 180.00                | 6,210.00 | 18,630.00            |
|            | <u>5,509</u>        |                    |                         |                       |          | <u>\$ 886,098.00</u> |

Costs to be applied to the volume charge

Estimated gallons of metered water

|    |                    |
|----|--------------------|
| \$ | 1,845,642.00       |
|    | <u>360,000,000</u> |

Rate per thousand -

GBMSD

Allouez

|                |
|----------------|
| 4.00           |
| 1.12           |
| <u>\$ 5.13</u> |

Rate per thousand - ( Can be Forced through allowance - currently no force amount)

|          |             |
|----------|-------------|
| Current  | Mo Increase |
| \$ 32.38 | \$ 2.16     |

AVERAGE RESIDENTIAL CUSTOMER - MONTHLY SEWER BILL (4500 gal/mo)

## TOTAL REVENUE GENERATED

|                |                        |
|----------------|------------------------|
| Fixed charges  | \$ 886,098.00          |
| Volume charges | <u>1,882,800.00</u>    |
| Total          | <u>\$ 2,768,898.00</u> |



Village of Allouez - Storm Water Utility

| With Rate Increase |                | JIERU          |
|--------------------|----------------|----------------|
| Projected 2015     | Projected 2016 | Projected 2016 |

| Without Rate Increase |  | Projected 2015 | Projected 2016 |
|-----------------------|--|----------------|----------------|
|-----------------------|--|----------------|----------------|

Operating Revenues  
 User charges - monthly billings  
 Storm water lateral inspections  
 Storm water management site reviews  
 Fee in Lieu of Treatment Chgs  
 Total Operating Revenues

|    |         |    |         |    |         |    |         |    |         |    |         |    |         |    |         |
|----|---------|----|---------|----|---------|----|---------|----|---------|----|---------|----|---------|----|---------|
| \$ | 570,604 | \$ | 573,344 | \$ | 570,247 | \$ | 607,470 | \$ | 615,000 | \$ | 625,000 | \$ | 625,000 | \$ | 646,552 |
|    | 3,230   |    | 4,100   |    | 3,100   |    | 3,300   |    | 3,500   |    | 2,000   |    | 2,000   |    | 2,000   |
|    |         |    | 300     |    | 1,731   |    | 8,844   |    | 6,542   |    | 6,000   |    | 6,000   |    | 6,000   |
|    |         |    |         |    |         |    |         |    | 10,000  |    | 5,000   |    | 5,000   |    | 5,000   |
|    |         |    |         |    |         |    |         |    |         |    |         |    |         |    |         |
|    | 573,834 |    | 577,744 |    | 575,078 |    | 619,614 |    | 634,500 |    | 638,000 |    | 638,000 |    | 659,552 |

Operating Expenses

Operation and maintenance  
 Engineering  
 Public works administration  
 Street cleaning  
 Storm sewer  
 Locates  
 Storm lateral inspections  
 Storm water treatment  
 Leaf collection  
 LeBrun road/farm  
 Total operation and maintenance  
 Depreciation  
 Total Operating Expenses

|         |         |         |         |         |         |         |         |
|---------|---------|---------|---------|---------|---------|---------|---------|
| 87,412  | 49,697  | 58,926  | 145,912 | 52,082  | 50,548  | 56,098  | 57,781  |
| 29,716  | 35,940  | 35,472  | 34,673  | 33,580  | 33,486  | 33,706  | 34,717  |
| 46,606  | 58,969  | 60,133  | 104,124 | 67,426  | 69,349  | 72,757  | 74,940  |
| 116,413 | 134,605 | 102,921 | 116,475 | 122,605 | 132,425 | 142,765 | 147,048 |
| 11,179  | 10,971  | 12,476  | 12,038  | 13,784  | 9,873   | 8,033   | 8,274   |
| 653     | 366     | 203     | 349     | 262     | 670     | 744     | 766     |
| 24,882  | 17,187  | 30,792  | 28,310  | 32,823  | 25,000  | 25,000  | 25,750  |
| 9,559   | 10,942  | 9,618   | 7,883   | 8,965   | 8,305   | 8,344   | 8,594   |
| 2,094   | 2,847   | 3,179   | 2,893   | 2,927   | 2,826   | 2,742   | 2,824   |
| 328,514 | 321,524 | 313,769 | 452,657 | 334,455 | 332,482 | 350,189 | 360,695 |
| 195,893 | 194,067 | 193,818 | 204,267 | 217,389 | 217,000 | 220,000 | 220,000 |
| 524,407 | 515,580 | 507,587 | 656,924 | 551,844 | 549,482 | 570,189 | 580,695 |

Operating Income (Loss)

|        |        |        |          |        |        |        |        |
|--------|--------|--------|----------|--------|--------|--------|--------|
| 49,427 | 62,153 | 67,490 | (37,310) | 79,252 | 85,018 | 67,811 | 57,305 |
|--------|--------|--------|----------|--------|--------|--------|--------|

Nonoperating Revenues (Expenses)

Interest revenue  
 Interest expense  
 Capital grant  
 Amortization of premium on bonds  
 Amortization of debt expense  
 Gain (loss) on asset removals  
 Other revenue  
 Total Nonoperating Revenues (Expenses)

|           |           |           |           |           |           |           |           |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 955       | 507       | 932       | 543       | 309       | 230       | 100       | -         |
| (110,664) | (106,649) | (113,674) | (163,177) | (107,492) | (116,964) | (123,058) | (111,656) |
| 90,061    | 303,494   | -         | 81,403    | 42,550    | 125,000   | -         | -         |
| 4,022     | 4,022     | 4,163     | 23,863    | 7,387     | 7,599     | 4,734     | 4,734     |
| (2,941)   | (2,941)   | (3,186)   | -         | -         | -         | -         | -         |
| -         | -         | -         | -         | (6,005)   | -         | -         | -         |
| 4,189     | -         | -         | -         | -         | -         | -         | -         |
| (14,378)  | 198,433   | (111,765) | (57,368)  | (63,252)  | 15,865    | (118,224) | (106,922) |

Net Income (Loss) Before Contributions

|        |         |          |          |        |         |          |          |
|--------|---------|----------|----------|--------|---------|----------|----------|
| 35,049 | 260,586 | (44,275) | (94,678) | 16,001 | 100,883 | (50,413) | (49,617) |
|--------|---------|----------|----------|--------|---------|----------|----------|

Capital Contributions (Special Assessments)

Cumulative Effect of Change in Accounting Principle

Change in Net Position

|    |        |    |         |    |          |    |           |    |        |    |         |    |          |    |          |
|----|--------|----|---------|----|----------|----|-----------|----|--------|----|---------|----|----------|----|----------|
| \$ | 39,561 | \$ | 263,563 | \$ | (43,411) | \$ | (131,556) | \$ | 45,644 | \$ | 119,883 | \$ | (31,413) | \$ | (49,617) |
|----|--------|----|---------|----|----------|----|-----------|----|--------|----|---------|----|----------|----|----------|

ESTIMATED CASH FLOWS

Cash - beginning of year

|    |        |    |        |    |        |
|----|--------|----|--------|----|--------|
| \$ | 15,167 | \$ | 40,220 | \$ | 33,893 |
|----|--------|----|--------|----|--------|

Operating income (loss)

|        |        |        |
|--------|--------|--------|
| 85,018 | 67,811 | 57,305 |
|--------|--------|--------|

Add back depreciation

|         |         |         |
|---------|---------|---------|
| 217,000 | 220,000 | 220,000 |
|---------|---------|---------|

Interest revenue

|     |     |   |
|-----|-----|---|
| 230 | 100 | - |
|-----|-----|---|

Principal paid on long-term debt

|          |           |           |
|----------|-----------|-----------|
| (99,978) | (112,435) | (103,406) |
|----------|-----------|-----------|

Principal paid on long-term debt

|           |           |           |
|-----------|-----------|-----------|
| (196,217) | (200,803) | (211,213) |
|-----------|-----------|-----------|

ADDITIONAL INTEREST & PRINCIPAL ON NEW DEBT

CAPITAL/PLANT OUTLAY

Capital contributions (special assessments)

|        |        |   |
|--------|--------|---|
| 19,000 | 19,000 | - |
|--------|--------|---|

Total cash activity

|        |         |          |
|--------|---------|----------|
| 25,053 | (6,327) | (37,314) |
|--------|---------|----------|

Cash - end of year

|    |        |    |        |    |         |
|----|--------|----|--------|----|---------|
| \$ | 40,220 | \$ | 33,893 | \$ | (3,421) |
|----|--------|----|--------|----|---------|

ESTIMATED ERUs

Operation & maintenance (excluding depreciation expense)

|    |         |    |         |    |         |
|----|---------|----|---------|----|---------|
| \$ | 332,482 | \$ | 350,189 | \$ | 360,695 |
|----|---------|----|---------|----|---------|

Principal & interest

|    |         |    |         |    |         |
|----|---------|----|---------|----|---------|
| \$ | 296,195 | \$ | 313,238 | \$ | 314,619 |
|----|---------|----|---------|----|---------|

Total

|    |         |    |         |    |         |
|----|---------|----|---------|----|---------|
| \$ | 628,677 | \$ | 663,427 | \$ | 675,314 |
|----|---------|----|---------|----|---------|

Estimated monthly ERU based on 7,440.48 ERUs

|    |      |    |      |    |      |
|----|------|----|------|----|------|
| \$ | 7.04 | \$ | 7.43 | \$ | 7.56 |
|----|------|----|------|----|------|

\$625,000 / 12 / \$7.25 = 7,183.91 ERUs  
 7,183.91 \* 12 \* \$7.50 = \$646,552

Shows a loss even with rate increase

Revised ERUs with insurance