

Item 23-1182 Approve wastewater rate increase of 7% for general service and special hauled waste service and increase compost fee to \$13/cu. yard to be effective January 1, 2024

Utilities Committee

Tue, Oct 10, 2023 4:30PM

Alderson Vered Meltzer (District 2) 03:29

Moving down 23-1182 approve wastewater rate increase of 7% for general service and special hauled waste service and increased compost fee to \$13 per cubic yard to be effective January 1, 2024.

Alderson Brad Firkus (District 3) 03:48

Moved to approve.

Alderson Vered Meltzer (District 2) 03:50

All right, we have a motion. Do we have a second?

Alderson Chad Doran (District 15) 03:52

I'll second for discussion here, yeah.

Alderson Vered Meltzer (District 2) 04:00

Director Shaw, what mic do you have? Go ahead.

Director Chris Shaw (Utilities) 04:06

Thank you, Chairperson Meltzer. Back in 2020 we're using 2019 data to figure our rates for the wastewater treatment plant. We knew that based on our financials that we had to have a rate increase, at any rate—not at any rate, no pun intended. We had we had projected for this year that there would have been a 4% increase based on just what the capital plan was so that was coming into the year. We've now realized that due to inflationary factors, project costs, chemical costs that we'll need an additional 3%. So, we're asking for a 7% rate increase for both our residential and industrial customers. Other than that, I suppose I can open it up for questions because I don't know where you're gonna go.

Alderson Vered Meltzer (District 2) 04:54

Thank you. Alderson Del Toro.

Alderson Israel Del Toro (District 4) 04:59

Director Shaw—if I may address the director? How often do we see rate increases in these fees? Are they periodic? Are they yearly? What's the trend?

Director Chris Shaw (Utilities) 05:13

Well, really, it depends on a number of factors. So, for our wastewater utility, you can have equipment upgrades, you can have feasibility studies that completely upgrade the facility, and you can have increases of like, say, even 100% rate increases. Right. Okay. So, I mean, if we, if we looked up globally, it would depend on what the project was.

Director Chris Shaw (Utilities) 05:37

The wastewater treatment plant right now is in a state of constant upgrading. It it's just got to that that point. And so, we're managing with rate increases. And if you looked at the memo, you can see where we are proportionally to other communities. And I'd say that the wastewater treatment plant is in a good state. We repair, replace the equipment that we have to. You've been supportive of that. So, there's not an issue where we've gotten an impending super rate increase, but we do have to cover our expenses. That's, that's what the Enterprise Fund is about. That's what the wastewater utility's about. So, it just really depends on what our future needs are, and to cover our planning.

Account Manager Kelli Rindt (Utilities) 06:25

Some of this current 7% rate increase is driven a little bit by that five-year CIP plan. When we put the original plan or the original study back in 2020 there are a number of projects that we have now added to that CIP plan that were not part of that 2020 study. There's some MCC stuff that's coming forward. The cost for the belt filter project is higher than what we had anticipated. And there's some other larger maintenance repair projects that are being done at Wastewater that were not part of that 2020 study so we need to take that into consideration as we move forward.

Director Chris Shaw (Utilities) 07:02

So, for so for instance, the motor control centers—there's 22 motor control centers around the plant, and it's literally over \$10 million are the projections. We're trying to manage and implement that replacement program appropriately, and try to manage it along with major capital projects. But like—I wanna say Kelli—Accounts Manager Rindt noted our dewatering project was \$2 million over what was projected. So, in four years, we had a project that was estimated that was going to be 6 million, then it turned into to 8 million. So, 4 million, plus project cost, plus, you know, you know, the problems with just getting equipment. I mean, we've got turnaround times of a full year to get equipment, which we'd never seen in in the past. Usually, if a municipality or water utility or wastewater utility had the funds, it would be available, like, in an eight-week turnaround. So just unprecedented times. And it's all it's all returning, right? I mean, we are seeing a number of some of our spending start to look more normal.

Director Chris Shaw (Utilities) 08:12

We'll find out a little bit more to with like our chemical consortium, where we're going out for quotes. We're still going out annually instead of by annually every two years, just because it's still a little volatile. But actually, some of our costs—unit costs are actually coming down. So that's good news. And at one point, actually, over the past couple of years, or a couple points, we had a couple of chemicals that we didn't even know if we were going to be able to get which is just unheard of for, you know, for a water utility. And that was—that wasn't just us. That was around the state and around the country. So unprecedented times.

Director Chris Shaw (Utilities) 08:50

We are going to be—we have asked for an increase in some of our compost. Those costs for processing have gone up, and we took a critical look at composting, and we are selling compost. I believe we did \$32,500 last year in sales. It still doesn't cover our costs to the extent that a land application would so but we are covering expenses that way.

Aldersperson Vered Meltzer (District 2) 09:18

Thank you. Aldersperson Doran.

Alderman Chad Doran (District 15) 09:21

Thank you. I think it is important to remember that we're—what we're trying to do here at these rate increases is just cover costs for the utility, not that anyone likes to see the rate a rate increase at all, let alone bigger than what we'd expected. But I guess my question is, looking forward from here, if I recall correctly, we were anticipating like a 4% increase over the next couple of years. Correct? Are we likely to see that 4% be higher now in future years then still as well? And I guess the bigger question to that then is do we need to be looking at redoing this study to project our future rate increases? Or is it something we just handle like we are with this one?

Account Manager Kelli Rindt (Utilities) 10:04

So included in the 2024 budget, I would have projected out the 7%. We'll have two more years of increases beyond 2024 that would be part of that five-year study. So, the budget includes 7% again next year and 7% again the following year. After that, we'd have to make the decision then do we do another rate study to determine rates going forward also to make sure that we're keeping our general services and our Q and Q customer rates in sync with the cost of the service to provide to them? So, in another two years, we'll have to make the decision if we want—if we need to do another rate study again, at that point.

Alderman Chad Doran (District 15) 10:44

Okay. So, we're comfortable at this point, right? Seven percent for the next two years?

Account Manager Kelli Rindt (Utilities) 10:49

Yeah, we'll review. It's part of the budget review. Each year, I do review that, and it'll, again, will come to Council, or committee and Council, to get that approval, whether it's 7%, 6%, we gotta go to 8%. If we continue to see prices increase and project needs increase, it may be more. It may be less. But it's reviewed each year as part of the budget process.

Director Chris Shaw (Utilities) 10:49

Right?

Director Chris Shaw (Utilities) 11:15

One of the reasons for the rate study was to bring equity amongst the customer class. So, our industrial customers weren't paying appropriately. The residential had to pay for nutrients, phosphorus, and nitrogen. And that was part of the reason is to make sure that everyone was paying an equitable share of the wastewater utility based on their pollutant concentration to the utility. So that had to correct. So, this isn't something that's new that's going to have to be changed. That was a major part of the last rate study. So now that everybody's paying their fair share, moving up incrementally isn't as much of an issue. And just to talk about, I mean, I don't think we did, but the PSC is allowing rate case—inflationary rates without a rate case—up to 7%. So, they're just saying, due to inflationary pressures, utilities can just go 7%. We're not even going to test you or check you or anything. Right Kelli?

Account Manager Kelli Rindt (Utilities) 12:09

Yeah, for PSC, for water purposes, if you've had a rate study, in the—yeah, in the last five years, they do have an automatic (I shouldn't say automatic; you still apply for it) but a very simplified rate case, to allow for inflationary increases.

Alderman Chad Doran (District 15) 12:25

If I could, just one more question. Just given the discussion we've been having for a while now about inflationary pressures and things like that, have we given any thought to trying to, or is there value in looking at advancing

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some of our upcoming projects that we know, to try and see if we can head off, you know, even higher costs in the future? I know, it's a combination of things to look at there. But is there value in that? Or have we thought about that at all?

Director Chris Shaw (Utilities) 12:53

Well, I think that's a—there's a little bit of risk taking there. Because actually, cost could come down. I mean, we should—actually when I bring the chemical consortium numbers you—I think you'll be able to see that. The prices will actually come down. So, I'm anticipating that some of the things that we're seeing, the 52-week lead times on equipment, and having to pay for that equipment just based on need—right?—so we're paying that premium cost, I'm wondering if it's not going to actually come down. And I don't know what the, you know, unit cost is on, you know, ductile iron or anything like that, but I don't know what your projections are on the wastewater collection system side. But I'm almost thinking it's going to actually come down.

Director Chris Shaw (Utilities) 13:34

You've had a ripple effect. We've said, "We've got to get this work done." Utilities just have to get it done. Right? You can't stop serving water and wastewater services. So, you have to pay for it. Right? There was a lull in in, you know, the different industries that support a utility, and so, you know, I don't—I can't predict the future, but I'm thinking that prices aren't going to continue to go up. Just like inflation was at 8%—right?—and it's down whatever, 3% year over year, you know, from what, you know—I mean, it's, it's coming down. So, kind of like, I don't know if everybody remembers what plywood was. You know, at Home Depot, it was like three times the cost. I don't want to jinx it anymore. I'm gonna stop talking.

Aldersperson Vered Meltzer (District 2) 14:19

Thank you.

Director Chris Shaw (Utilities) 14:20

Because we really don't know.

Aldersperson Israel Del Toro (District 4) 14:23

Follow up question.

Aldersperson Vered Meltzer (District 2) 14:24

Go ahead.

Aldersperson Israel Del Toro (District 4) 14:27

Given our position in this graph and compare it to other communities, we're amongst the most affordable wastewater utilities sewer rates. If inflation is affecting all of these communities equally, is that gap, can it grow in projected years. Like let's say Kaukauna, for example, increases by 7%, everybody increases by 7% across the board, it just shifts the scale up. Should we'd be looking at something that puts us more in the median—at rate increases that put us more in the median of the communities around us?

Director Chris Shaw (Utilities) 15:07

Well, we can't really do that. Because then we'd have to be either investing, or we would be outside of what we do. So, we'd be replacing equipment when it didn't really need to be replaced, that sort of thing. Or, I mean, on the collection side, we'd have to be doing a public [construction?] out in the street. And I won't speak to that. But I mean, I think you're aware of the issues there.

Alderman Israel Del Toro (District 4) 15:34

So, I'm guessing I guess what I'm asking is just to clarify, are there projects currently that are going to require that increased funding? Or that might pop up this year that—guess you don't have a crystal ball? Right? So.

Director Chris Shaw (Utilities) 15:51

Yeah, so our operations budget covers things that that break and that sort of thing.

Alderman Israel Del Toro (District 4) 15:56

Okay.

Director Chris Shaw (Utilities) 15:56

That's a fraction of what our capital plan is when we're doing wholesale replacement of systems.

Alderman Israel Del Toro (District 4) 16:01

Gotcha.

Director Chris Shaw (Utilities) 16:01

And so, we planned accordingly with that five-year plan. And sometimes we get outside that five-year plan. But that's where the real money is, in the utility is, is those big projects.

Alderman Israel Del Toro (District 4) 16:13

Thank you, Director.

Alderman Vered Meltzer (District 2) 16:16

Any other comments or questions? All right, seeing none, we'll go ahead and vote. All in favor? Aye. Any opposed? That is recommended for approval four zero.