

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

**Tuesday, November 07, 2023 - 6:30 PM**  
**City Hall - Council Chambers**  
**174 E. Wisconsin Ave. Oconomowoc, WI 53066**  
**(or immediately following Utility Committee)**



**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 Resolution 23-R3158 for Wastewater Treatment Rate Adjustment
  - b. Consider/recommend 2024 Utility Budgets - **"Please bring your Utility Budget Workbook"**
3. Adjourn

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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

## DEPARTMENT

Date: November 7, 2023  
To: Committee of the Whole, City Council, Mayor Magnus  
From: John Schuh, Utility Accounting Manager  
Laurie Sullivan, Director of Finance/Administrative Services  
Re: Consider/act on Resolution 23-R3158 for Proposed 2024 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 2024 service rates. Wastewater treatment rates are not regulated by the Public Service Commission and are typically adjusted annually.

## ADDITIONAL ANALYSIS

If recommended by the Committee of the Whole, the rates would then require council approval.

## FINANCIAL IMPACT

The proposed rates for city customers represent an increase of 6.5% for an average residential customer. City commercial customer rates would increase on average 6.3% 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 expenses, annual flows and capital costs. The volumetric rates vary by district and would increase 3.0% to 4.2%.

## RECOMMENDATION

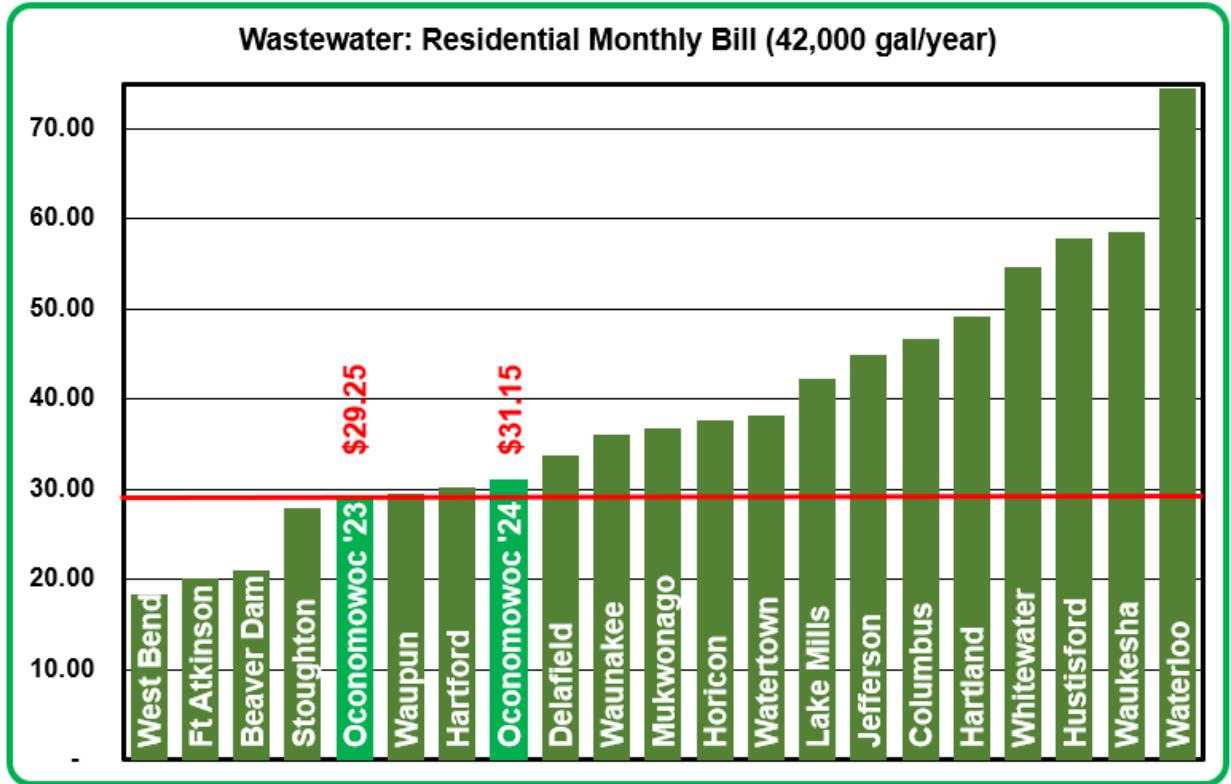
Recommendation to the Common Council approval of Proposed 2024 Sanitary Sewer Rates.

SUGGESTED MOTION

Motion to adopt Resolution 23-R3158 for the 2024 Sanitary Sewer Rates.

EXHIBIT

The below chart shows the average wastewater monthly bill at our current and proposed rates compared to a peer group of neighboring communities.



**RESOLUTION No. 23-R3158**

**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 2024 and has submitted a recommendation to the Committee of the Whole, which has reviewed and approved the recommended 2024 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 2024 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, 2024.

DATED: \_\_\_\_\_

CITY OCONOMOWOC

By: \_\_\_\_\_  
Robert P. Magnus, Mayor

ATTEST:

\_\_\_\_\_  
Diane Coenen, Clerk

City of Oconomowoc  
 2024 Wastewater Rate Forecast-Adjusted  
 Average Residential Customer Impact

	Average Residential Customer Rate Impact	2024 Volume	2023 Rates	% of Total	2024 Rates	% of Total	\$ Change	% Change
<b>per Month</b>	Average Annual Usage	41,200						
	# of Months	12						
	Average Monthly Usage	3,433						
	Thousand Gallons	3.43	3.43		3.43			
	Volume Rate		6.50		<b>6.90</b>		0.40	6.2%
	Volume Charge		22.32	77%	23.69	77%	1.37	6.2%
	Fixed Monthly Charge		6.50	23%	<b>7.00</b>	23%	0.50	7.7%
Total Charges			28.82	100%	30.69	100%	1.87	6.5%

	Average Residential Customer Rate Impact	2024 Volume	2023 Rates	% of Total	2024 Rates	% of Total	\$ Change	% Change
<b>per Year</b>	Average Annual Usage	41,200						
	Thousand Gallons	41.20	41.20		41.20			
	Volume Rate		6.50		<b>6.90</b>			
	Volume Charge		267.80	77%	284.28	77%	16.48	6.2%
	Fixed Monthly Charge		6.50		<b>7.00</b>			
	# of Months		12		12			
	Fixed Charge		78.00	23%	84.00	23%	6.00	7.7%
Total Charges			345.80	100%	368.28	77%	22.48	6.5%

Note, prior year budget average customer annual estimated consumption was: 42,000  
 This represents a change in volume of: (800)  
 -1.9%

**City of Oconomowoc  
2024 Wastewater Rate Forecast-Original  
License Fees for Contract Communities**

<b>Sanitary District</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Vendor #			
11090 Blackhawk - Residential	\$155.26	\$161.47	\$167.93
11091 Ixonia - Residential	\$144.18	\$149.95	\$155.95
11091 Ixonia - Non-Residential	\$144.18	\$149.95	\$155.95
11093 Mary Lane - Residential	\$144.18	\$149.95	\$155.95
11093 Mary Lane - Non-Residential	\$144.18	\$149.95	\$155.95
11092 Lac LaBelle - Residential	\$144.18	\$149.95	\$155.95
11092 Lac LaBelle - Non-Residential	\$144.18	\$149.95	\$155.95
11042 Town of Oconomowoc - Residential	\$155.26	\$161.47	\$167.93
11042 Town of Oconomowoc - Non-Residential	\$155.26	\$161.47	\$167.93
11094 Village of Oconomowoc Lake - Residential	\$155.26	\$161.47	\$167.93
11094 Village of Oconomowoc Lake - Non-Residential	\$155.26	\$161.47	\$167.93
11095 Village of Summit - Residential	\$155.26	\$161.47	\$167.93
11095 Village of Summit - Non-Residential	\$310.52	\$322.94	\$335.86
11096 Silver Lake - Residential	\$155.26	\$161.47	\$167.93
11096 Silver Lake - Non-Residential	\$310.52	\$322.94	\$335.86

Note - Fee increases 4.0% annually per contracts.

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

**City of Oconomowoc  
2024 Wastewater Rate Forecast-Adjusted  
Current and Proposed Rates**

<u>Retail Rates (Individually Metered Customers)</u>	<u>Class</u>	<u>Unit of Measure</u>	<u>2023 Rates</u>	<u>Proposed 2024 Rates</u>
<b>City of Oconomowoc</b>				
Domestic Strength Volume	A	per 1,000 gallons	\$ 6.50	\$ 6.90
Above Domestic Strength Volume	B	per 1,000 gallons	\$ 7.17	\$ 7.57
High Sgrength Volume	C	per 1,000 gallons	\$ 6.50	\$ 6.90
Fixed Customer Charge	n/a	per customer, per month	\$ 6.50	\$ 7.00
<b>Outside Contract Retail</b>				
Domestic Strength Volume	A	per 1,000 gallons	\$ 7.63	\$ 7.88
Above Domestic Strength Volume	B	per 1,000 gallons	\$ 8.16	\$ 8.41
Fixed Customer Charge	n/a	per customer, per month	\$ 2.72	\$ 2.80
<u>Retail High-Strength Surcharges</u>	<u>Class</u>	<u>Unit of Measure</u>	<u>2023 Rates</u>	<u>Proposed 2024 Rates</u>
Biochemical Oxygen Demand (BOD)	C	pounds over 250 mg/L	\$ 0.51	\$ 0.50
Total Suspended Solids (TSS)	C	pounds over 270 mg/L	\$ 0.33	\$ 0.33
Phosphorus	C	pounds over 7 mg/L	\$ 19.62	\$ 17.76
<u>Wholesale Contract Rates (Metered By District)</u>	<u>Class</u>	<u>Unit of Measure</u>	<u>2023 Rates</u>	<u>Proposed 2024 Rates</u>
<b>Blackhawk</b>				
Volume		per 1,000 gallons	\$ 7.63	\$ 7.88
Direct Cost		annual	\$ 609.00	\$ 630.00
<b>Ixonia</b>				
Volume		per 1,000 gallons	\$ 5.71	\$ 5.95
Direct Cost		annual	\$ 809.00	\$ 829.00
<b>Mary Lane</b>				
Volume		per 1,000 gallons	\$ 5.71	\$ 5.95
Direct Cost		annual	\$ 609.00	\$ 630.00
<b>Lac LaBelle</b>				
Volume		per 1,000 gallons	\$ 5.71	\$ 5.95
Direct Cost		annual	\$ 809.00	\$ 829.00
<b>Town of Oconomowoc</b>				
Volume		per 1,000 gallons	\$ 8.11	\$ 8.35
<b>Village of Oconomowoc Lake</b>				
Volume		per 1,000 gallons	\$ 8.11	\$ 8.35
<b>Silver Lake</b>				
Volume		per 1,000 gallons	\$ 8.11	\$ 8.35

**City of Oconomowoc  
2024 Wastewater Rate Forecast-Adjusted  
Miscellaneous Fees**

<b>Description</b>	<b>Unit of Measure</b>	<b>Current Fee</b>	<b>Proposed Fee</b>
<b>Application and Registration Fees</b>			
Renewal Application	per firm	\$ 218.00	\$ 232.00
Truck Registration	per truck	\$ 19.00	\$ 20.00
Initial Application	per firm	\$ 316.00	\$ 337.00
<b>Sampling Fees</b>			
Composite Grab Sample	per sample	\$ 11.50	\$ 12.20
Grab Sample	per sample	\$ 4.70	\$ 5.00
Sample Storage	per sample	\$ 4.70	\$ 5.00
<b>Analysis Fees</b>			
Biochemical Oxygen Demand (BOD)	per test	\$ 36.60	\$ 39.00
Total Suspended Solids (TSS)	per test	\$ 15.60	\$ 16.60
Phosphorus	per test	\$ 18.30	\$ 19.50
Oil and Grease	per test	\$ 36.60	\$ 39.00
pH	per test	\$ 4.70	\$ 5.00

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

<b>Septic and Holding Tanks Assumed Strength</b>	<b>BOD (mg / L)</b>	<b>TSS (mg / L)</b>	<b>P (mg / L)</b>
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	\$ 0.50	\$ 0.33	\$ 17.76

<b>Description</b>	<b>Unit of Measure</b>	<b>Current Fee</b>	<b>Proposed Fee</b>
<b>Septic and Holding Tank Fees</b>			
Holding Tank	per 1,000 gal	\$ 10.00	\$ 9.70
Failed Septic Tank (0-180 days)	per 1,000 gal	\$ 34.10	\$ 33.60
Septic Tank	per 1,000 gal	\$ 59.50	\$ 58.70
<b>Other Fees</b>			
Recreational Vehicle	per load	\$ 5.00	\$ 5.00
Administrative Charge	per load	\$ 26.00	\$ 27.70
Special Waste Review Fee (prepayment required)	per review	\$ 92.00	\$ 98.00
Misc Debris	per load	\$ 250.00	\$ 266.00





# MEMORANDUM

## DEPARTMENT

Date: November 7, 2023  
To: City Council, Mayor Magnus  
From: John Schuh, Utility Accounting Manager  
Laurie Sullivan, Director of Finance/Administrative Services  
Re: Consider/act on Proposed 2024 Utility Budgets

## RELATES TO THE STRATEGIC PLAN

Strategic Goal-N/A

## BACKGROUND

Attached for your review is a copy of the proposed 2024 Utility Budget. This budget will be on the agenda at the meeting of the Committee-of-the Whole on November 7, 2023 for recommendation to the Council. This memo is intended to give you an overview of the budget and budgeting process.

Should the Committee of the Whole recommend the Utility Budget for action by the Common Council, there is an agenda item for action at the November 7 meeting. If the Committee would rather have a workshop prior to a Council recommendation, one will be scheduled.

## ADDITIONAL ANALYSIS

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

## 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 6.5% rate increase is recommended. Unlike the PSC regulated water & electric utilities, wastewater rates are typically adjusted annually. An average residential customer would have an increase of \$1.87/month. City commercial customers would increase 6.2% on average. Sanitary district rates are adjusted by their agreement and the rate model results, with increases varying between 4.2% and 3.0%.

The Wastewater Utility continues funding 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. Due to prior budget one-time projects, the 2024 budget is lower at about \$356,000 of expenses for this project.

Overall operating expenses are projected to increase 1.7% (\$79,122). Depreciation represents the largest increase in operating expenses. Because the Wastewater Utility is very capital intensive, depreciation is one of the largest components, representing 30% of total operating expenses.

The Wastewater capital budget continues to fund sewer main replacements and reinforcements in conjunction with street repair projects. The budget provides additional funding for the septic tank receiving station, and a return activated sludge pipe replacement. Both of these projects are at the treatment facility.

The Wastewater Utility is budgeted to produce an operating income of \$240,549 and a rate of return of 1.21%. 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 1.2% (\$53,069) from updated customer and volume assumptions. No rate adjustments are planned until after completion of Well #8, currently anticipated in early 2025.

Overall operating expenses are projected to increase 4.5% (\$161,505). The largest increases are from wages & benefits.

The capital project budget includes \$3,300,000 for water main replacements to keep pace with the seventh year of the city's accelerated street projects. This includes the significant Concord Road project. An additional \$3,000,000 was added to the Well #8 project for iron filtration. The utility anticipates additional borrowing of \$9.3 million in 2024.

The Water Utility is projected to produce an operating income of \$660,913 and a rate of return of 2.91%.

### **Electric Budget Overview**

Operating revenue is projected to decrease 2.4% (\$713,537). This is mostly from the cost of purchased power, decreasing 8.8% (\$1,858,000). WPPI provides our initial guidance in forecasting future sales and costs of purchased power. The budget also includes revenue from the recently implemented rate change, which became effective in August.

Total operating expenses of the Electric Utility are budgeted to decrease 4.9% (\$1,367,822). Purchased power is the largest expenditure in the electric budget (\$19,169,000) and accounts for 73% 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 7.4% (\$490,178). The largest increases are due to wages & benefits and depreciation.

The capital project budget includes \$1,750,000 of distribution system upgrade projects. This represents a continued effort to replace problematic cable, implement distribution voltage improvements, and upgrade industrial services. The budget also includes the significantly higher cost of transformers and also some truck & equipment replacements.

Overall, the Electric Utility is projected to produce \$2,160,393 in operating income with a rate of return of 5.66%.

## RECOMMENDATION

Recommendation to the Common Council approval of Proposed 2024 Utility Budgets.

## SUGGESTED MOTION

Motion to approve the 2024 Utility Budgets.