



The Water and the Wastewater/Sewer departments must stand on their own merits. Their function and income needs are separate as any other city departments. None of us want to pay more but council and staff must look at this from the business view. We are all tasked with protecting the viability of this citizen owned utility. One must use forethought to see the savings moves made now will make. To correct issue from under funding we know far too well and are constantly laboring under. The city does not request excessive things. What is unseen is the savings through our economical approach to projects and efficient performance of services and operations.

## **Water**

The City is working to be more aggressive in the replacement of water infrastructure and to be in the forefront of DNR mandates. With this comes the requirement of raising rates to fund the water system. The water system is multimillion-dollar utility consisting of three wells, booster station, two towers, miles of mains, numerous valves hydrants, meters, and staff. The main function of the utility is to provide safe potable water and fire protection.

City staff is proposing that the city work toward three goals to work toward a fully functional sustainable water utility.

- Fund the 2021 Water Infrastructure Project
  - Cost \$1,319,500
  - Funding
    - \$600,000 CDBG
    - \$779,500 (proposed city loan)
- Additional loan money for future projects
- Create a Capital Improvement Program (CIP)
  - Cost \$100,000

The City Administrator proposes a five-year plan with rate increases and fee increases to reach a revenue goal of \$240,000 annually. The water rates would increase six percent, six percent, six percent, two percent, and two percent. The water infrastructure fee would increase to \$7.00 in year one, then increase to \$8.00 in year two. Council has provided direction that industry should pay more considering they are heavy users of the water system. Rate increases are the best way to increase cost on industrial and commercial users. The City is also pursuing fees that center around fire flow and meter size. Both of those ideas are being researched and will be presented outside of this proposed rate and fee increases.

The City must prepare themselves to start paying for projects in cash, and loaning when DNR mandates are imposed. The water department needs consistent CIP funding. The utility's recent additions of a booster station, larger well pumps and generators bring increased maintenance needs. Staff is already working on upcoming lead & copper regulations that will need to be studied and implemented at a cost.

The proposed increases in rates and fees will increase fee revenue by an estimated \$140,000 annually and water infrastructure revenue \$129,600. The City Administrator proposes removing the 150,000 and 100,000 cubic feet category. This will move the largest user into a category resulting in a fee increase.



## **Sewer/Wastewater**

Sewer and Wastewater has a grade IV multimillion-dollar facility consisting of a state certified lab, EQ basin and reed bed system, six lift stations, miles of mains, and manholes. The main function is to transport waste and treat the sewage to a point where it is safe for release back into the environment.

City staff is proposing that the city work toward several goals/projects and CIP funding goals for the Sewer/Wastewater Utility.

- \$1,000,000 Reed Bed Expansion
- \$300,000 Nutrient Reduction
- \$200,000 Clean Out Equalization Basin Replace Liner
- \$200,000 Sewer Main Replacement
- \$135,000 UV Disinfection
- Infiltration/Inflow (INI Study)
- Improvements to 4th and 5th NE
- \$100,000 annual revenue for capital improvement projects in sewer/wastewater
- \$70,000 in operating loss needs to be reconciled

The City Administrator proposes a five-year plan with rate increases and fee increases to reach a revenue goal of \$320,000 annually. The proposal includes a five-year increase plan with six percent, five percent, five percent, two percent, and two percent. The sewer infrastructure fee, titled 20 ST lift station fee, would increase to \$3.00 then \$4.00 for the remainder of the five-year plan. These increases are weighted 70 percent toward rates and 30 percent toward fees. Increasing more in rates works toward the council's direction of charging more to users that need more from the utility.

The last step in this plan is in 2027 when the city will no longer be paying \$500,000 annually toward the wastewater plant. This will open the city for many possibilities of paying down debt drastically and starting to pay for projects in cash. Once the city can determine on a year-to-year basis priorities, rather than by 10 years with each bond, improvements will happen much quicker.

City Council provided direction that heavy users of the wastewater utility should pay more. This direction was based off information that load was coming from the top users. Staff investigated this claim further and realized that no one industry could be pinpointed for the increase in load to the plant. Load from plants does face a surcharge. Staff still directed rate increases toward industry as they are large users and still provide significant amount of water that needs to be treated. While it may appear that industry is paying a lot more in dollars, their ratio will be the same to that of a residential homeowner.