THE CITY OF WATERTOWN

MEMO

Public Works Department

To: Chairman Arnett and Commission Members

From: Andrew Beyer, P.E.

Date: September 18, 2025

Subject: Public Works Commission Meeting of September 23, 2025

Review and Discuss: Review and take possible action: 2025 Stormwater Utility Rate Study Update

Background

Ruekert & Mielke has completed the 2025 Stormwater Utility Best Practices Review and Rate Update. The City last adjusted stormwater rates in 2020. Since that time, operating expenses have grown about 3.6% annually, and capital needs have increased following the 2024 flood-control study, infrastructure projects, and MS4 Permit compliance projects.

The update modeled three alternatives; each paired with a draft 10-year Capital Improvement Plan:

- Alternative 1 funds the current approach, about $16.2 million over 10 years. A single-family bill would increase from $12.52 per month today to $15.77 per month in 2026, a 26% increase, with another 12% adjustment in 2027 and 3% inflationary increases thereafter. This approach includes implementation of the 2024 Flood Control Plan over the next 30-40 years.
- Alternative 2 provides a balanced approach at about $14.5 million over 10 years, with some project deferrals and a modest reduction in operating costs. A single-family bill would rise to $14.48 per month in 2026, a 16% increase, with an additional 9% adjustment in 2028 and 3–4% annual increases thereafter. Some equipment replacement would be deferred, and implementation of the 2024 Flood Control Plan would likely take more than 40 years.
- Alternative 3 reduces capital work to $12.6 million over 10 years and further delays projects. A single-family bill would increase to $13.99 per month in 2026, a 12% increase, with another 8% adjustment in 2030 and 3–4% increases thereafter. Additional equipment replacement would be deferred, and implementation of the 2024 Flood Control Plan would be spread further into the future.

All three alternatives maintain required reserves and debt coverage. Ruekert & Mielke's recommendation is Alternative 2, which balances affordability with continued progress on stormwater goals.

Budget Goal

1. Proactively maintains and improves our parks and infrastructure in an effort to ensure quality, safety and compliance
2. Promotes and fosters innovative approaches for community development and growth
3. Maintains a safe and healthy community, and expands community education on safety and health

Financial Impact

Financial Impact to Rate Payers

For the average single-family property, the monthly bills between the three proposed alternatives in 2026 ranges from $13.99 to $15.77, compared to the current $12.52. This equates to an annual increase of $18 to $39 per household, depending on the selected alternative. Other property owners, including larger commercial and industrial users would see proportional increases based on their ERU assignments. The recommended Alternative 2 keeps increases moderate while ensuring that stormwater infrastructure and flood mitigation projects continue moving forward.

Financial Impact to the Utility

The stormwater utility directly funds three core program areas: flood control, pollutant reduction and Municipal Separate Storm Sewer System (MS4) Permit compliance, and system maintenance. Flood control investments strengthen the City's ability to manage storm events and mitigate property damage. Pollutant reduction programs address water quality through compliance with DNR-issued MS4 permit requirements, including sediment and phosphorus load reductions. Maintenance funding ensures that outfalls, pipes, ditches, stormwater ponds and other BMPs function properly and remain in compliance with inspection and reporting requirements. Sustained investment in these areas keeps the City in good standing with the Wisconsin DNR and prepares the City to withstand large rain events, while reducing long-term liabilities tied to deferred maintenance or noncompliance.

Recommendation

Staff concurs with Ruekert & Mielke's recommendation of Alternative 2. This option keeps rate impacts moderate while still moving forward on flood control, pollutant reduction, and system maintenance. It maintains compliance with DNR permit requirements and keeps the utility financially sound. A single-family bill would move from $12.52 to $14.48 per month in 2026, with future adjustments as outlined.