



Finance Committee Agenda Item

Meeting Date:	December, 2024
Agenda Item:	Storm Water Rate Increase
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BACKGROUND

(Enter the who, what when, where, why)

The City established the Stormwater Utility on October 1, 2007, as outlined in Municipal Code [Chapter 16.10](#). According to Section 16.10.070, Rates and Charges, the value of one ERU (Equivalent Runoff Unit) is to be determined annually based on the applicable year's budget. However, the last rate adjustment occurred in 2015.

In November 2020, Ehlers completed a long-range cash flow analysis for the utilities, which included a series of recommended rate adjustments for the Stormwater Utility (p. 14 of the analysis). The recommendations included a 20.52% rate increase in 2022 and a 3% increase in 2024. It is unclear why these recommendations were not implemented at the time. Nevertheless, it is now evident that a significant rate increase is necessary to prevent future negative cash balances in the utility fund.

PREVIOUS ACTIONS – COMMITTEE RECOMMENDATIONS

(Dates, committees, action taken)

- 2007 – Stormwater utility created, rates set at \$3.58 per ERU
- 2011 – Rates increased to \$4.08 per ERU
- 2013 – Rates increased to \$4.75 per ERU
- 2014 – Rates increased to \$5.58 per ERU
- 2015 – Rates increased to \$6.17 per ERU

FINANCIAL IMPACT

(If none, state N/A)

If rates are not adjusted, the Stormwater Utility's projected operating cash balance is expected to be approximately negative \$180,000 by the end of 2025. To avoid a deficit and achieve a positive year-end balance, rates would need to increase by \$2.38 per ERU, bringing the minimum required rate to \$8.55 per ERU.

STAFF RECOMMENDATION

It is recommended to implement a rate increase sufficient to, at a minimum, address the projected operating cash deficit for 2025. Additionally, engaging Ehlers to conduct a comprehensive stormwater rate study is advised to determine the necessary rate adjustments beyond 2025, ensuring the long-term financial stability of the utility. The cost of a rate study is \$9,000.

ATTACHMENT(S) INCLUDED

(If none, state N/A)

1. Ehler's cash flow analysis for utilities (2020)
2. Ordinance 16.10 Stormwater Utility and Management Services
3. ERU Calculation