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Finance Department
100 N. Appleton Street
Appleton, WI 54912
920-832-6442

TO: Chairperson Vered Meltzer and Members of the Utilities Committee

FROM: Kelli Rindt, Enterprise Fund Accounting Manager

DATE: September 15, 2021

RE: *Approve wastewater rate rate increase of 4% to be effective January 1, 2022.*

BACKGROUND:

In 2020, the Wastewater Utility contracted with Trilogy Consulting to complete a comprehensive rate study to evaluate revenue and cash flow needs in anticipation of upcoming capital improvements and decreasing hauled waste revenues. The study, which was approved by Council on October 20, 2020, recommended a six-year schedule of rate adjustments which included a 20 percent overall increase in 2021, which has been implemented, and a series of 4 percent annual increases in 2022 – 2026. As part of the rate approval process in 2020, it was agreed that future rate increases would be reviewed annually by the Utilities Committee and Council.

Since that time, the Utility lost a high-strength industrial customer which put further strains on the financial position of the Utility. This loss was not known at the time the initial study was completed so this decrease in revenue was not factored into the initial recommendations.

This revenue loss was factored into the completion of the Wastewater 2022 Budget which included projected annual revenue needs through 2026 (page 519 of the 2022 Budget and Service Plan). During completion of those projections, which took into consideration the anticipated decrease in both industrial and hauled waste revenues, the necessary funding of upcoming capital projects, and the need to preserve adequate cash reserves, it was determined that the 4 percent increase (which provides an additional \$215,000 in revenue) would be necessary in 2022.

RECOMMENDATION:

Staff is requesting approval of the 4% rate increase in wastewater rates as recommended by the 2020 rate study, and detailed on the attached rate sheet, effective January 1, 2022. It is anticipated the rate increase would increase the average residential customer's City Service invoice by slightly less than \$3 per quarter.

Should you have any questions regarding this project please contact me at phone: 832-6316.