



# PUBLIC WORKS STAFF REPORT

<b>MEMO DATE:</b>	January 7 <sup>th</sup> , 2021
<b>MEETING DATE:</b>	January 13 <sup>th</sup> , 2021
<b>TO:</b>	Utility Commission
<b>FROM:</b>	JJ Larson, Director of Public Works & Utilities
<b>RE:</b>	<b>2021 Sewer Utility Budget memo</b>

## BACKGROUND

The packet includes the proposed operating and 5-year capital budget for the Village Sewer Utility. This memo serves to highlight the biggest proposed changes.

## OPERATING BUDGET HIGHLIGHTS

- The biggest change in the Sewer Utility operating budget is the increase in treatment costs for the wastewater we send to Madison Metropolitan Sewerage District. Their staff presented on the multiple reasons for the increase in charges. As we've discussed briefly, we intend to use operating dollars in 2021 to investigate where increases in specific wastewater contaminants may be coming from.
- The addition of 1 FTE that will be primarily focused on Water and Sewer Utility work; utility locates, ROW permit inspection, water meter work, sanitary inspections, flow monitoring, hydrant flushing, as well as many other duties. The position description is in your packet. If approved, I intend to offer the position internally first; obviously all of our staff is capable and experienced so I want to offer the chance to anyone who may be interested in specializing on the Utilities full time. The Village Board approved funding 10% of the position that will come from the General Fund. 45% of the position will be Water Utility and 45% Sewer Utility.
- The collection system operating lines have additional funds to purchase our own portable devices to monitor sanitary system flows and additional money to conduct system evaluations on inflow and infiltration and pinpointing sources of certain contaminants.

## CAPITAL BUDGET HIGHLIGHTS

This is the first year this document has been presented this way to the Utility Commission; I wanted to make sure the Commission sees everything that is paid with Utility funds, even the smallest share of a piece of equipment being replaced. The top portion shows the planned equipment replacements and building projects and the amount for which the Sewer Utility is responsible. Also of note, we have no major sewer system projects planned that would



require borrowing, we can utilize cash for the relatively small projects we have planned, assuming we keep up with inflationary rate increases.

- The largest item is the planned replacement of the Vactor truck. This important piece of equipment is vital to keeping our sewers flowing; it was purchased in 2006. Given the discussions internally and with Baker Tilly, we have opted to move this purchase outside of the current planning period; doing so reduces the percent increase required to fund the capital plan as presented. This replacement will be a part of the sewer rate adjustment in future years.
- Sewer main replacements and/or linings are planned in conjunction with road projects; A small stretch of Main St. will be completed in the same year the street reconstruction is planned.
- There are SCADA upgrades as well as pump upgrades at the Arrowwood lift station planned.

### **CUSTOMER IMPACT & FUTURE SEWER RATES**

Baker Tilly conducted a sewer rate study; to fund our operating and capital plans as presented would require an increase of over 28% in 2021. After additional consideration and talks with Baker Tilly, we feel the purchase of a Vactor can be delayed a few years. Moving this back means the rate increase for 202 will be 14%. We want to minimize it as much as possible given the pandemic and unclear economic impacts that may still follow us into 2021.

This does mean that an additional rate study will need to be conducted again next year to determine how to adequately fund our operating and capital needs in the longer term.

### **STAFF RECOMMENDATION**

I recommend approval of the proposed Sewer Utility Operating budget and modified 5-year Capital Plan and that the recommended rates are adopted effective January 1, 2021.