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June 20, 2019

CALL OF MEETING TO THE MEMBERS OF THE COUNCIL OF THE CITY OF NEW RICHMOND AND UTILITY COMMISSION

Notice is hereby given there will be a Special Session of the Council and Utility Commission of the City of New Richmond on Monday, June 24, 2019 at 4:30 p.m. in the Council Chambers of the Civic Center, 156 East First Street, New Richmond, WI 54017.

AGENDA:

- 1. Call to Order**
- 2. Clerk's Roll Call**
- 3. Pledge of Allegiance**
- 4. Adoption of Agenda**
- 5. Water and Sewer Rate Presentation**
- 6. Communications and Miscellaneous**
- 7. Adjournment**

Fred Horne, Mayor

**cc: The New Richmond News
Northwest Communications
City Website**



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MEMORANDUM

TO: Mayor and City Council

FROM: Rae Ann Ailts, Finance Director
Joel Enders, Management Analyst

DATE: June 13, 2019

SUBJECT: Water and Sewer Rate Study Discussion

BACKGROUND

Note: The intent of this agenda item is to review proposed rate design changes, why these changes are necessary, public outreach and communication efforts to date, and next steps. No action is being requested at this time.

Water rates were last changed in 2014, while sewer rates were last changed in 2012. Since then, population growth has increased overall demand while state and federal environmental regulations, aging infrastructure, and normal market inflation have increased current and future costs. Five-year capital improvement projections anticipate several large scale projects that are necessary to maintain current service levels or are required to meet changing state/federal environmental standards. For example, the wastewater treatment plant requires upgrades and replacement of core infrastructure in 2020-2021 to meet changing state regulations, increase capacity, and replace equipment that has reached the end of its useful life.

Recognizing these challenges, in May 2018 the Utility Commission authorized the issuance of an RFP seeking a firm that specialized in utility rate studies to independently examine water and sewer operations. In August 2018, Trilogy Consulting LLC was selected to perform a comprehensive water and sewer rate analysis and provide rate design recommendations. At the March 2019 Commission meeting, Trilogy presented preliminary findings and analysis. Over the following 60 days, the Utility Commission, Trilogy, and City staff evaluated and discussed rate design options based on cash flow impact, reserves, debt covenants, current and future

capital needs, and financial sustainability. ***Detailed rate information and comparison materials can be found at <https://www.nrutilities.com/water-sewer-rate-study>.***

Rates, residential bill impacts, and comparisons with regional and peer communities will also be reviewed at the work session. When reviewing the proposed rates, note that they are designed to (a) sustainably fund operations and capital needs and (b) fairly distribute the cost of service among users (residential, commercial, industrial, etc.). As such, volume charges may be adjusted down in one customer class and increased in another to create better alignment between user type and the true cost of service. Likewise, proposed fixed charge increases are designed not only to recover fixed system costs that occur regardless of the amount of water used/sewage discharged, but also to distribute those costs fairly across customer classes.

Following NRU's commitment to the New Richmond Way and "telling the story," staff initiated a public engagement program focused on explaining to customers why new rates are proposed and how they will be affected, including:

- Letters mailed to all impacted customers
- Two open houses (6/5/19 and 6/19/19)
- Individual meetings with businesses most impacted by the proposed change
- Informational and educational materials posted to City/Utility websites and promoted via social media

The anticipated timeline for the remainder of the rate process:

- Utility Commission consideration – July 10, 2019 at 8:00 AM
- City Council consideration – August 12 2019 at 7:00 PM
- If approved, water rate design will be submitted to PSC for review and approval (~6 months)
- Sewer rates are proposed to take effect in 4th quarter 2019
- Water rates are proposed to take effect in 1st quarter 2020

RECOMMENDATIONS

Discussion item only – no action is requested.