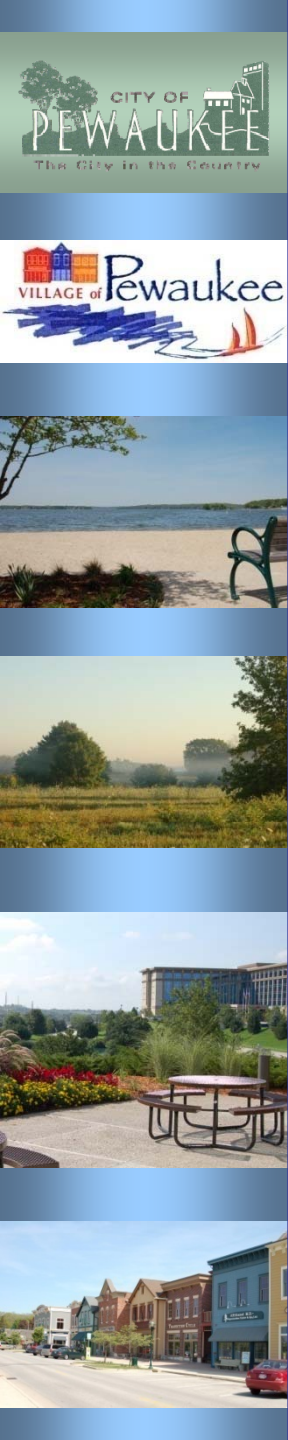


Utility Consolidation Studies

Presented to:

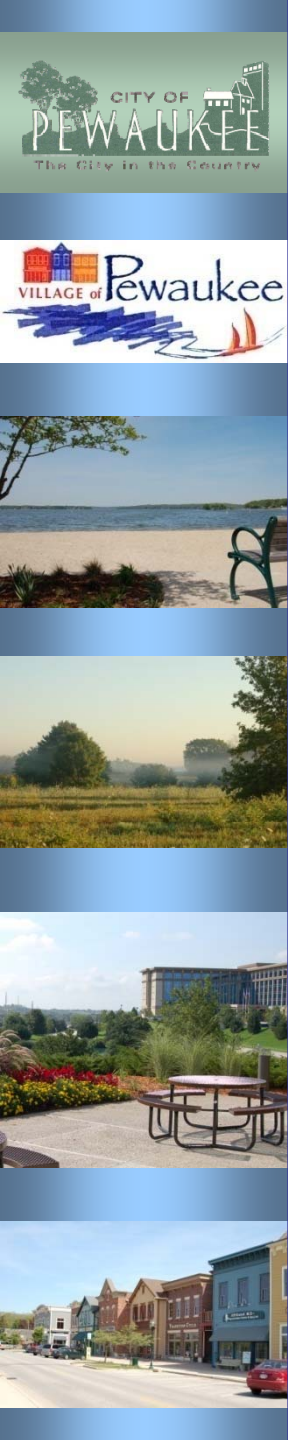
The City and Village of Pewaukee
Merger Advisory Committee

August 19, 2009



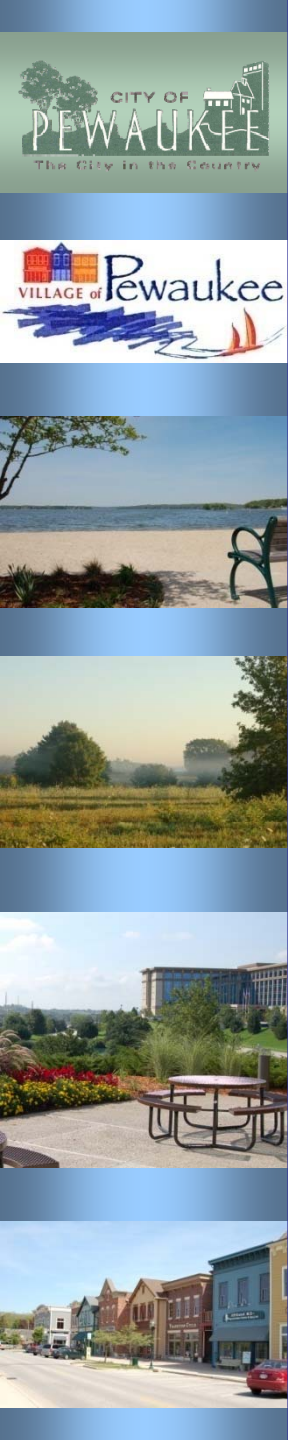
Previous Work

- 2002 Consolidation Study
- 2006 Memorandum of Understanding
- 2008 Interim Report
- Formation of a Merger Advisory Committee
- Tax Rate Feasibility Analysis



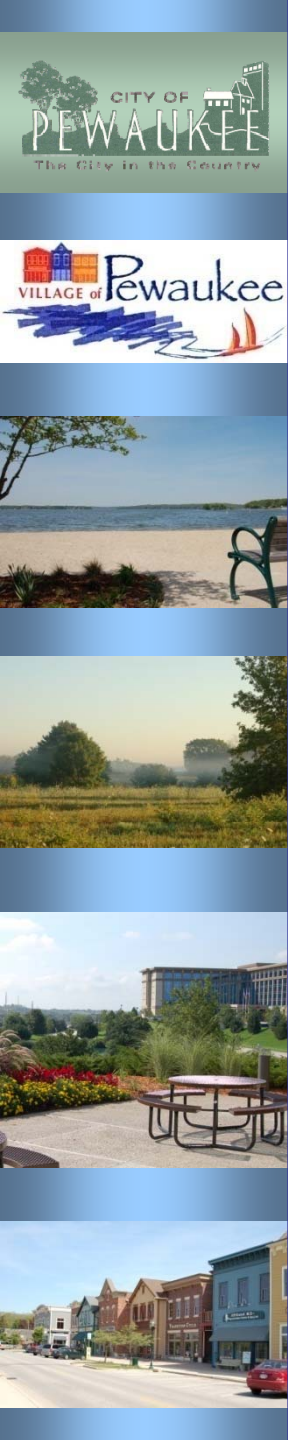
2008 Interim Report

- Southeastern Wisconsin Regional Planning Commission (SEWRPC) facilitated working sessions with the Mayor, Village President, City and Village Administrators
- Developed a proposed Merged Budget (General Fund only) based on the 2008 City and Village budgets
- Findings:
 - Reduction of about \$1.1 million in the general tax levy would result from consolidation
 - Village property owners would financially benefit more than City property owners unless a means could be found to lower the tax rate for City area property owners within a consolidated municipality



Formation of the Merger Advisory Committee

- SEWRPC Representative— Nonvoting Chair
- City Members—Mayor, Alderperson, 2 Citizen Members, City Administrator (nonvoting)
- Village Members—Village President, Village Trustee, 2 Citizen Members, Village Administrator (nonvoting)

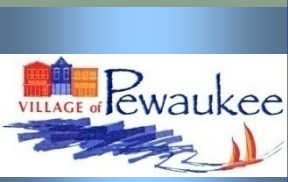
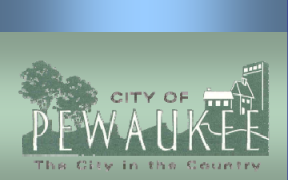


Tax Rate Feasibility Study

▶ Goals

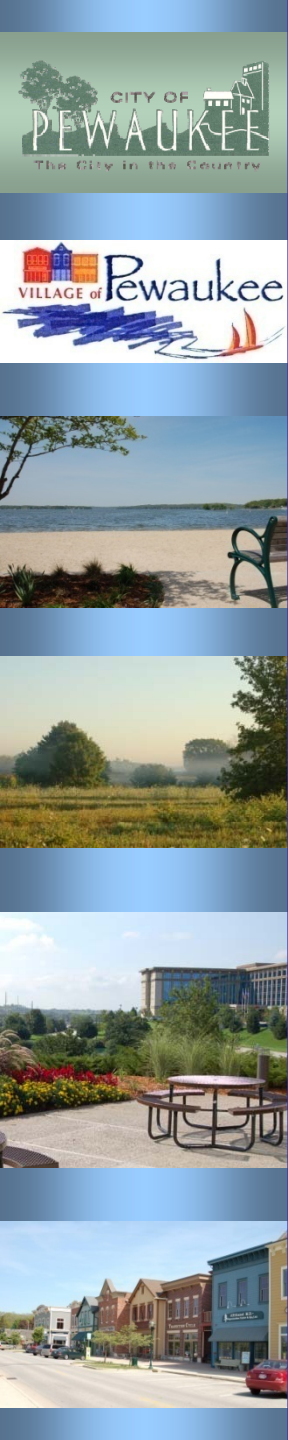
- Develop an approach to keep the property tax rate for City-area property owners at or lower than it's current level, rather than increasing due to consolidation
- Improve the distribution of the benefits of consolidation

▶ Based on Merged General Fund Budget



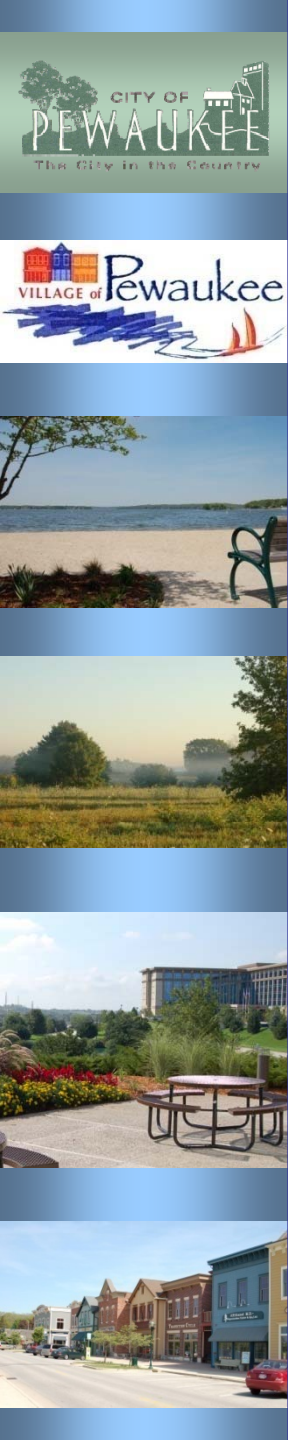
Four Potential Alternatives

1. Use of Village utility reserves to offset the tax levy
2. Creation of a street utility district for the Village area
3. Issue debt to create a tax rate reduction fund; finance with a Village area sewer utility district
4. Seek legislation to allow the creation of a consolidation tax district



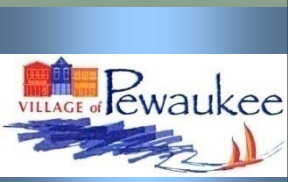
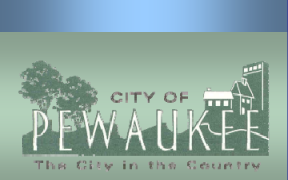
Recommendations

- 1. Seek legislation to allow the creation of a special taxing district for consolidation**
- 2. Conduct a study of future utility capital projects for City and Village utilities to determine: i) future cost avoidance; ii) the amount of Village utility reserves that could be used**
3. Prepare a plan for a street utility district
4. If legislation is unsuccessful, use the street utility district and Village sewer/water utility reserves



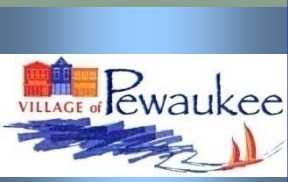
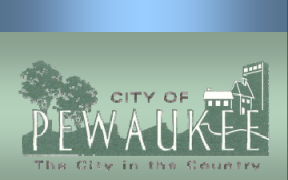
Current Studies

- ▶ Water Utility Consolidation Study
- ▶ Sanitary Sewer Utility Consolidation Study
- ▶ Utility Consolidation Financial Analysis



Water Utility Study

- ▶ Evaluated water system facilities needed to serve City and Village customers through 2035
 - Facilities needed to serve increases in demand
 - Major facilities—transmission mains, wells, storage, backup power



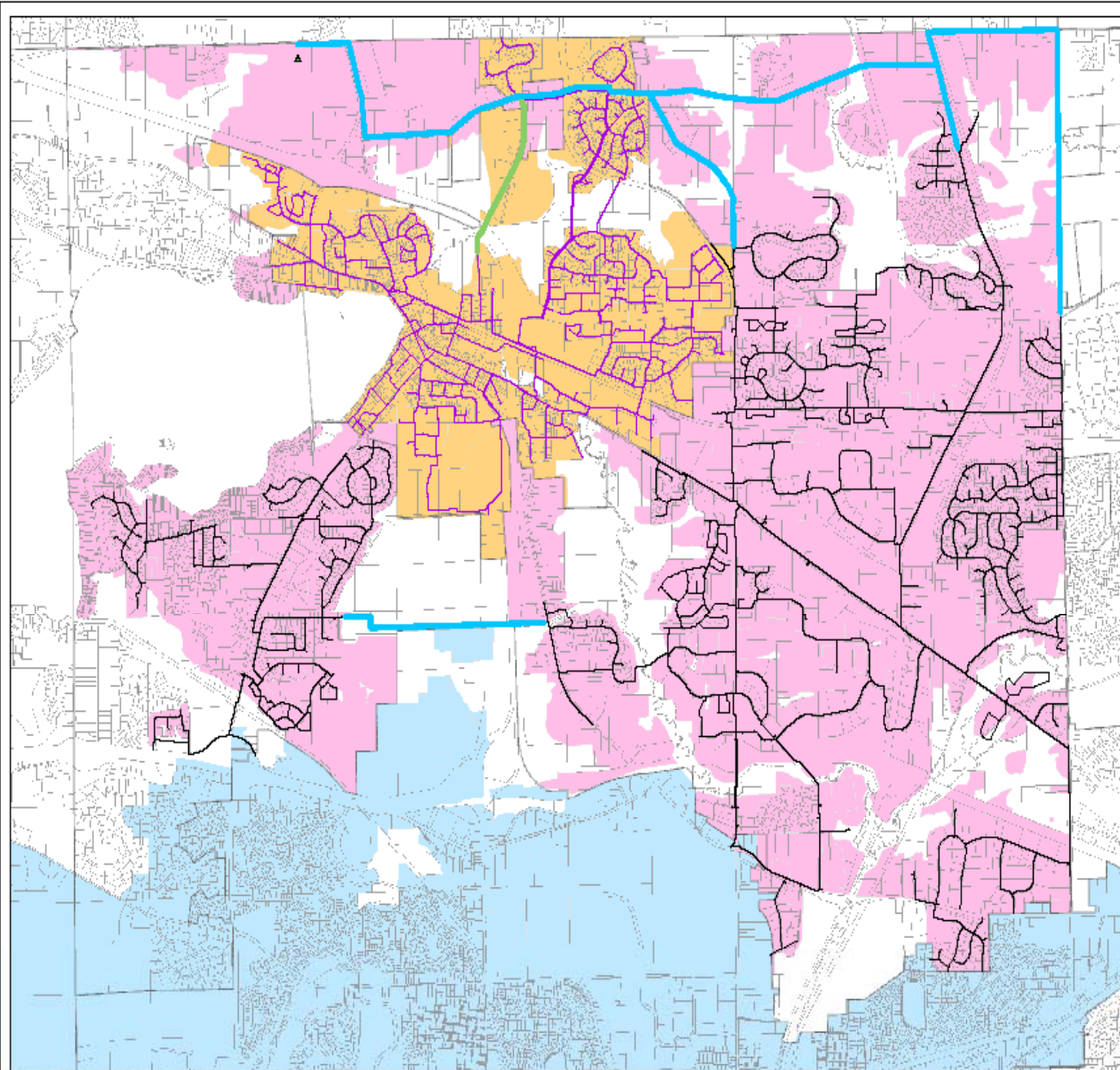
Water Utility Study

▶ Two Scenarios

1. Continuation of 2 separate utilities
 - With and without interconnection of the City's East and West side systems
2. Consolidation into one interconnected water utility

City and Village of Pewaukee Water Utility Consolidation Study

Map 3 Recommended Facilities for Separate Systems



Legend

CITY WATER MAINS

- 6 INCH
- 8 INCH
- 10 INCH
- 12 INCH
- 16 INCH

VILLAGE WATER MAINS

- 6 INCH
- 8 INCH
- 10 INCH
- 12 INCH
- 16 INCH

PROJECTED 2035 WATER SERVICE AREAS

- VILLAGE OF PEWAUKEE WATER UTILITY
- CITY OF PEWAUKEE WATER AND SEWER UTILITY
- CITY OF WAUKESHA WATER UTILITY

FUTURE WATER MAIN

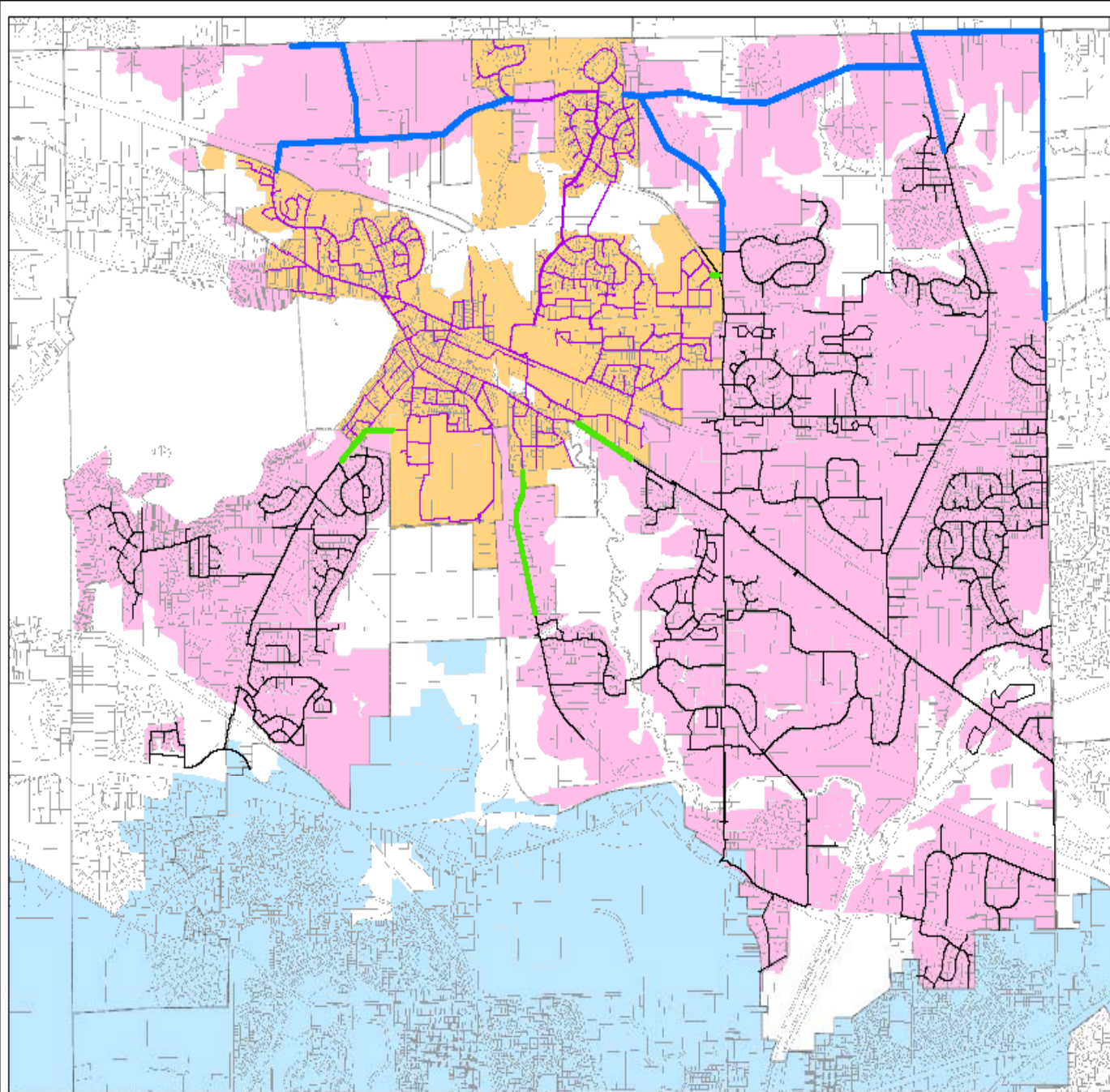
- 12" CITY MAIN
- 12" VILLAGE MAIN

- ▲ FUTURE ELEVATED TANK



City and Village of Pewaukee Water Utility Consolidation Study

Map 4 Recommended Facilities for Consolidated System



Legend

CITY WATER MAINS

- 6 INCH
- 8 INCH
- 10 INCH
- 12 INCH
- 16 INCH

VILLAGE WATER MAINS

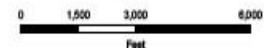
- 6 INCH
- 8 INCH
- 10 INCH
- 12 INCH
- 16 INCH

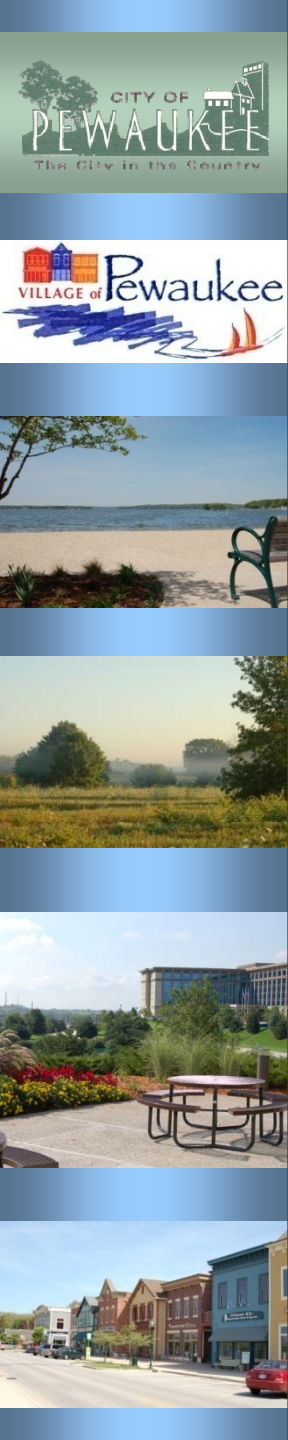
PROJECTED 2035 WATER SERVICE AREAS

- VILLAGE OF PEWAUKEE WATER UTILITY
- CITY OF PEWAUKEE WATER AND SEWER UTILITY
- CITY OF WAUKESHA WATER UTILITY

FUTURE WATER MAIN

- 12" MAINS RECOMMENDED TO INITIALLY INTERCONNECT CITY AND VILLAGE SYSTEMS
- RECOMMENDED 12" MAINS

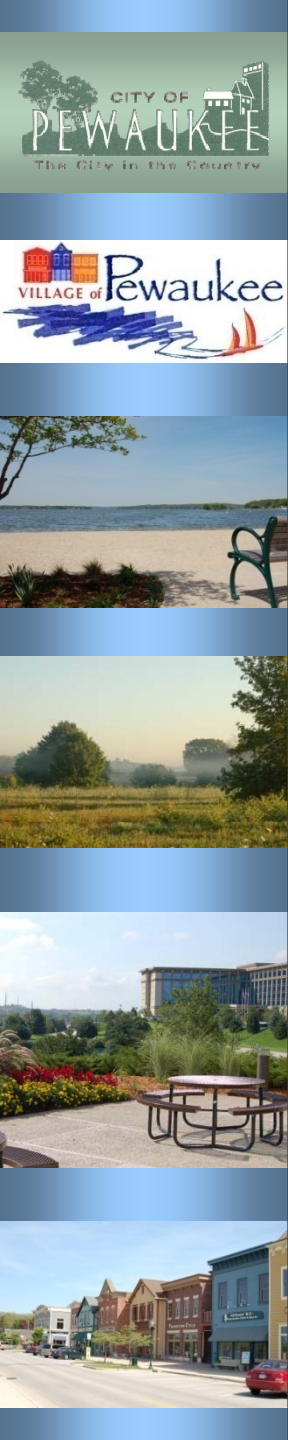




Water Capacity Analysis

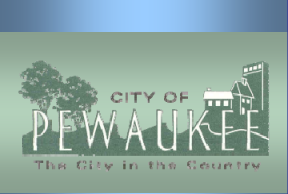
(Capacity to meet 2035 demands with existing facilities, assuming largest facility out of service)

| Scenario | Well Capacity | Storage for Peak Hour Use | Storage for Fire Flow | Emergency Supply |
|-------------|---------------|---------------------------|-----------------------|------------------|
| Scenario 1B | | | | |
| Village | Deficient | Excess | Excess | Excess |
| City | Deficient | Deficient | Deficient | Excess |
| Scenario 2 | | | | |
| Combined | Deficient | Excess | Excess | Excess |



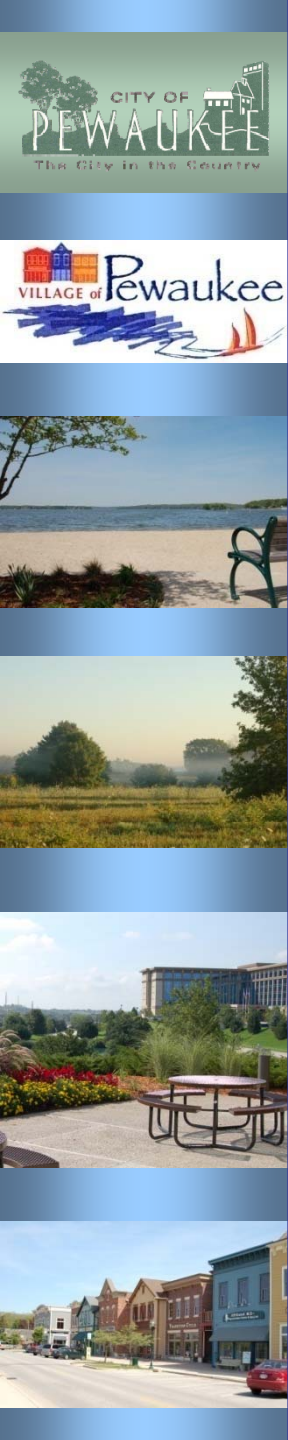
Water Utility Capital Costs

| Facility | Separate Utilities | Single Utility |
|------------------------------------|---------------------|--------------------|
| Village Well 5 Radium Removal | \$810,000 | |
| Still River Well & Reservoir | \$1,552,500 | \$1,552,500 |
| Deer Haven Well 2 | \$405,000 | \$405,000 |
| East Side Well 3 Upgrade | \$148,500 | |
| NW Area Elevated Tank | \$1,012,000 | |
| West Area Well with Radium Removal | \$2,295,000 | |
| Transmission Mains | \$3,685,000 | \$1,502,000 |
| Repaint City Hall Elevated Tank | \$405,000 | |
| Demolish City Hall Elevated Tank | | \$135,000 |
| Total | \$10,314,000 | \$3,594,500 |
| Savings | | \$6,719,500 |



Reasons for the Cost Savings

- Less costly transmission mains
- Need to meet fire flow requirements for one system, rather than two
- Need for fewer redundant facilities
- More efficient use of storage



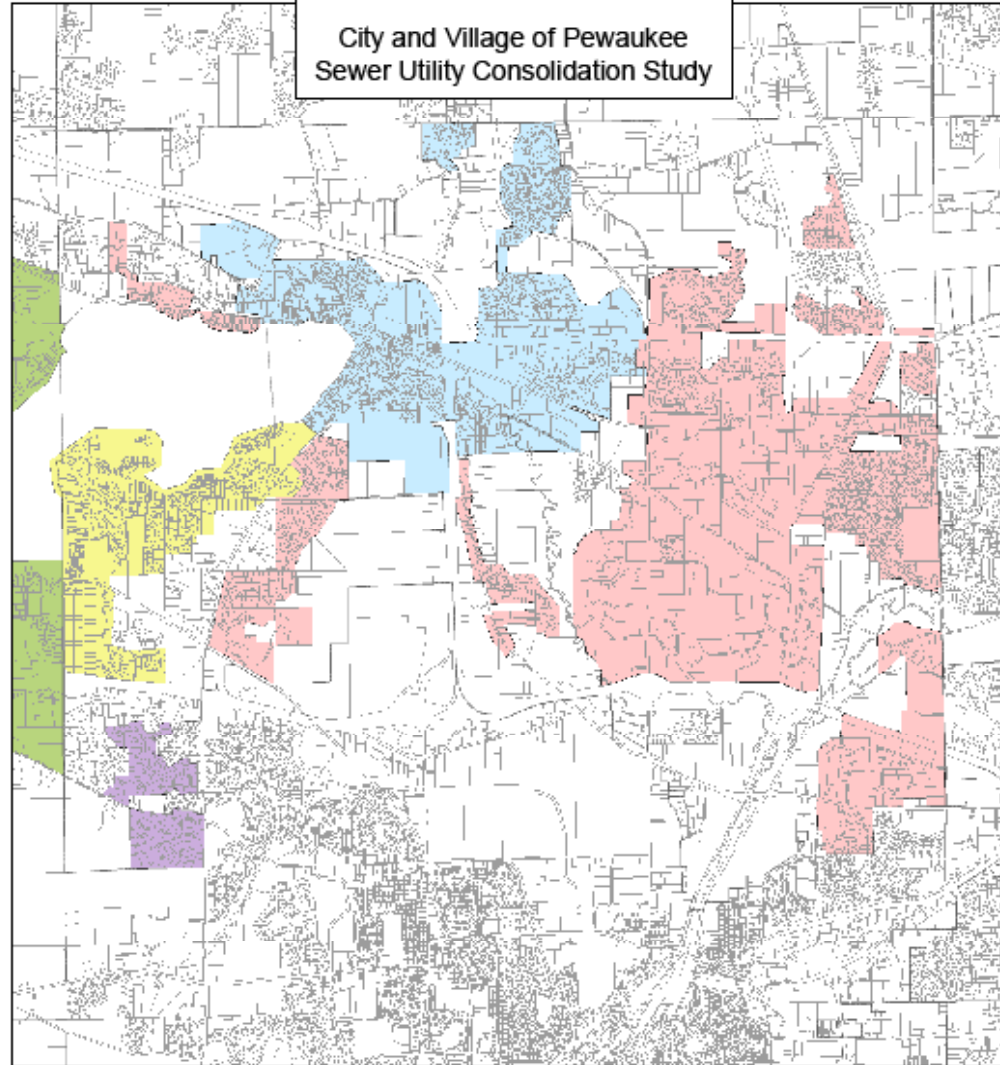
Sanitary Sewer Study

- Reviewed
 - Inter-municipal agreements and sewer service areas
 - Previous sewer studies
 - Treatment and conveyance capacities
 - Capital improvement plans
- Broad overview of potential benefits of / obstacles to consolidation








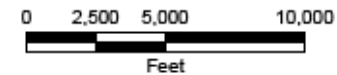
MAP 2 Existing Sanitary Sewer Systems

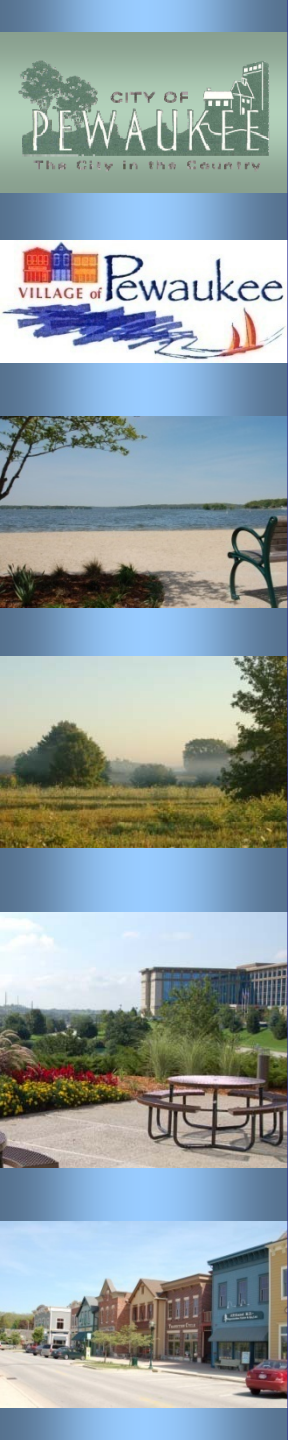
City and Village of Pewaukee
Sewer Utility Consolidation Study



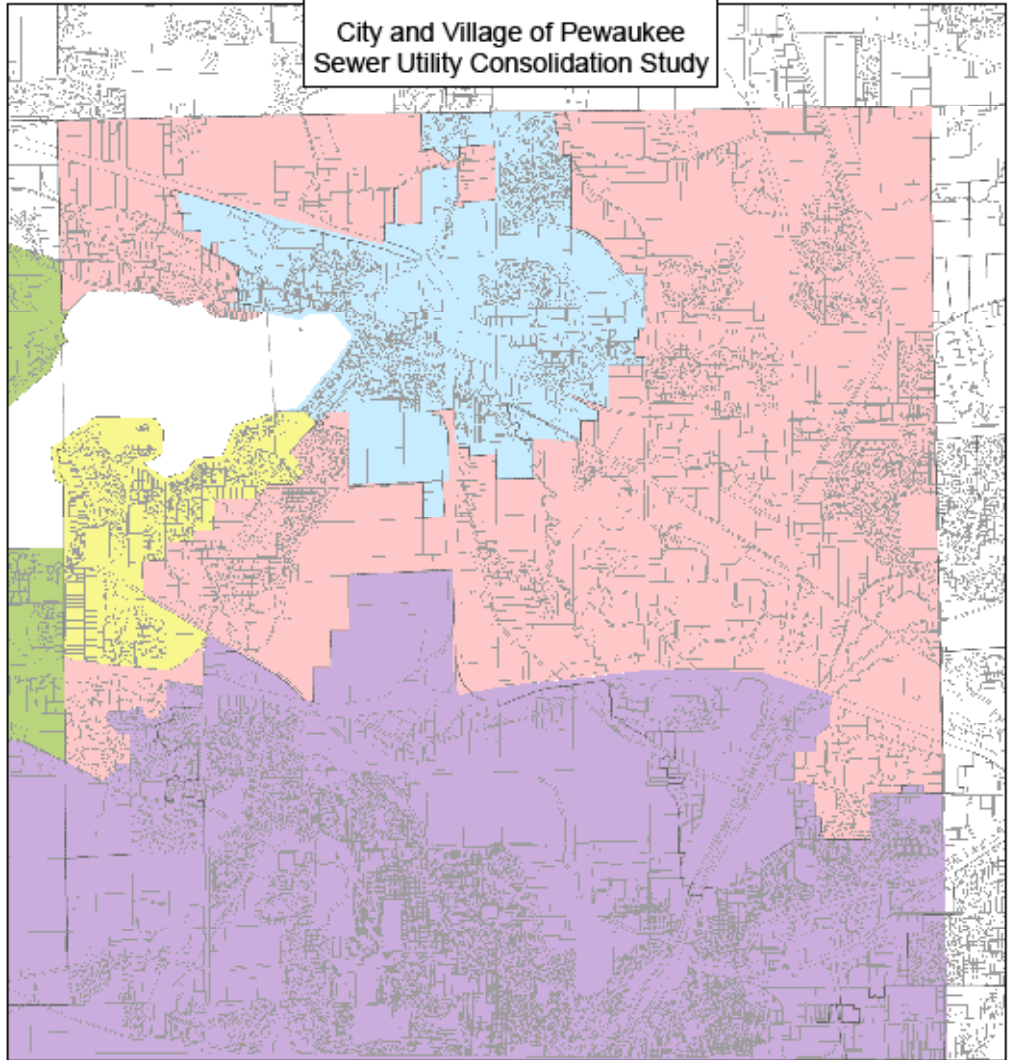
Legend

- | | |
|-------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
|  Village of Pewaukee Sanitary Sewer System |  City of Pewaukee Sanitary Sewer System |
|  Lake Pewaukee Sanitary Sewer System |  City of Pewaukee Area Served by the City of Waukesha |
|  Pump Station 11 Service Area | |



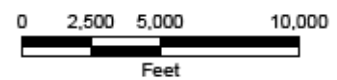


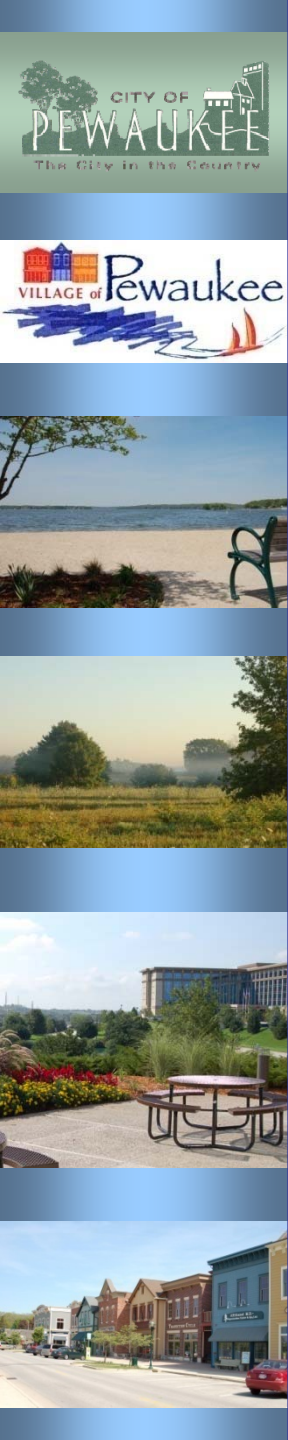
MAP 1
Existing Sewer Service Areas
City and Village of Pewaukee
Sewer Utility Consolidation Study



Legend

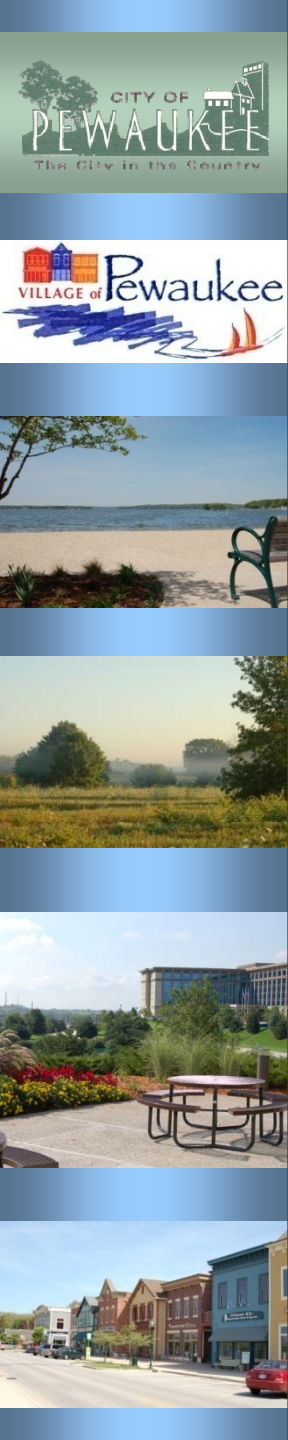
- | | |
|-------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
|  Village of Pewaukee Sanitary Sewer Service Area |  Pump Station 11 Service Area |
|  Lake Pewaukee Sanitary Sewer Service Area |  City of Pewaukee Sanitary Sewer Service Area |
| |  City of Waukesha Refined Sanitary Sewer Service Area |





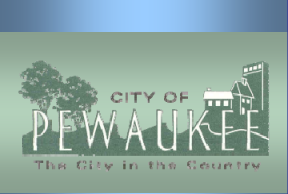
Sewer Service Agreements

- ▶ Lake Pewaukee Sanitary District
- ▶ Village of Pewaukee
- ▶ City of Brookfield
- ▶ City of Waukesha



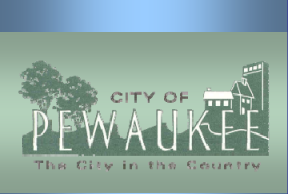
Sewer Utility Capital Costs – 5-Year Plan

| | Costs |
|---------------------------------------------|-------------|
| City | |
| Pump station rehabilitations | \$900,000 |
| Fox River Water Pollution Control Center | \$1,386,000 |
| Sewer Main Replacements and I/I Remediation | \$160,000 |
| | |
| Village | |
| Pump station rehabilitations | \$200,000 |
| Fox River Water Pollution Control Center | \$1,149,000 |
| Sewer Main Replacements | \$940,000 |
| | |
| Savings in Above Costs due to Consolidation | NA |



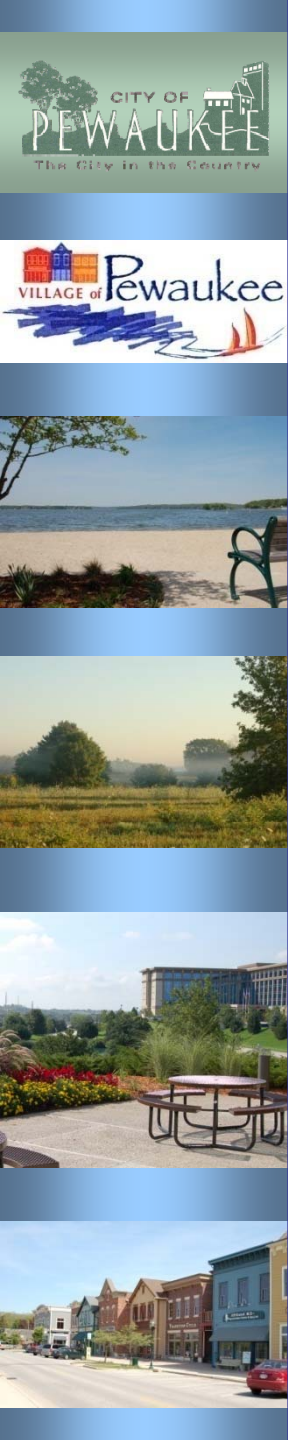
Potential Future Benefits from Consolidation

- Reduce costs to negotiate and administer inter-municipal agreements
- Avoidance of metering stations for future interconnections
- Wider range of options for service to new areas



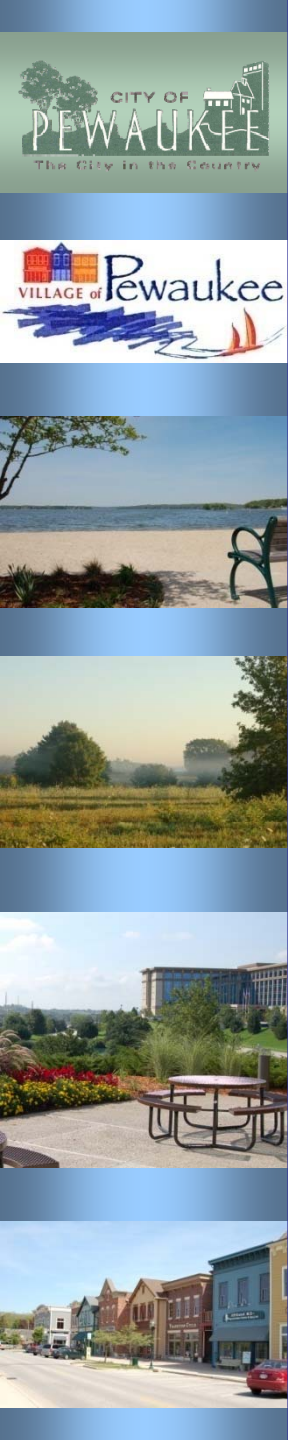
Potential Future Benefits from Consolidation

- Lower risk to City of significant capital costs to independently serve new areas
 - Ex. : Northwest quadrant
- Flexibility in using reserved treatment capacity in the Fox River Water Pollution Control Center



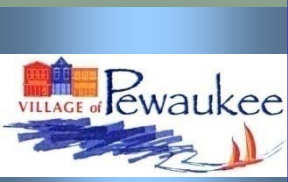
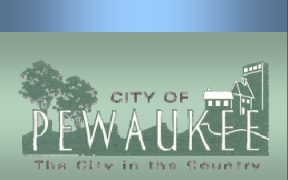
Utility Consolidation Financial Analysis

- Estimate the impacts of utility consolidation on future user charge rates
- Determine if utility reserves could be used to fund a consolidation payment
- Estimate the impacts on future user charges of withdrawing reserves



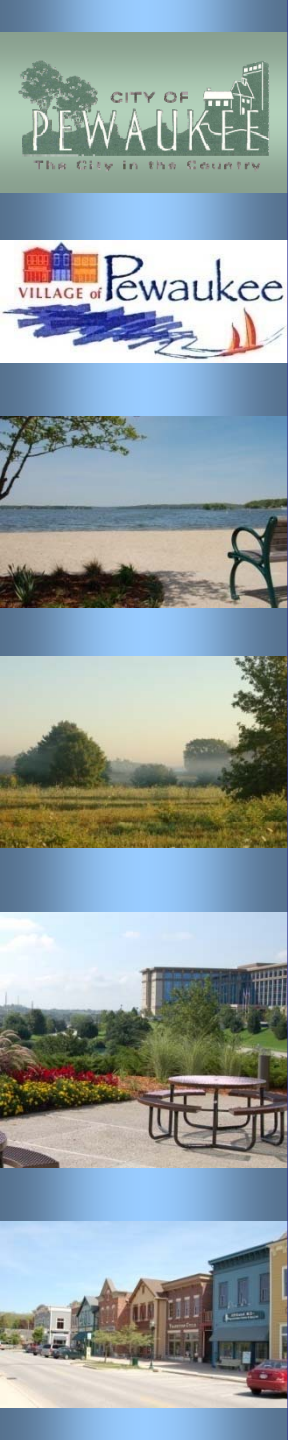
Utility Consolidation Financial Analysis

- Scenario 1 – Continuation of separate utilities
- Scenario 2—Municipal and utility consolidation with a consolidation tax district. No use of utility reserves.
- Scenario 3—Municipal and utility consolidation. Use of \$4.75 million of utility reserves instead of consolidation tax district.



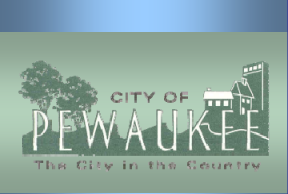
Utility Consolidation Financial Analysis

- ▶ 15-year time frame (2010 – 2025)
- ▶ Preliminary look at potential O&M savings
- ▶ Capital costs
 - Costs identified in water and sewer studies
 - Also included preliminary budget for future replacement costs



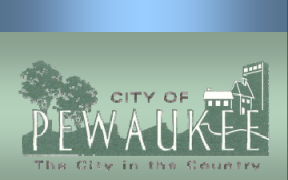
Major Assumptions

- ▶ Public fire protection would be charged directly to water customers
- ▶ Same hookup/RCA fees as the City and Village currently charge
- ▶ Both municipalities will use developer contributions and/or special assessments to fund sewer and water main extensions
- ▶ If no utility reserves are withdrawn, reserve balances will be maintained at about the current level



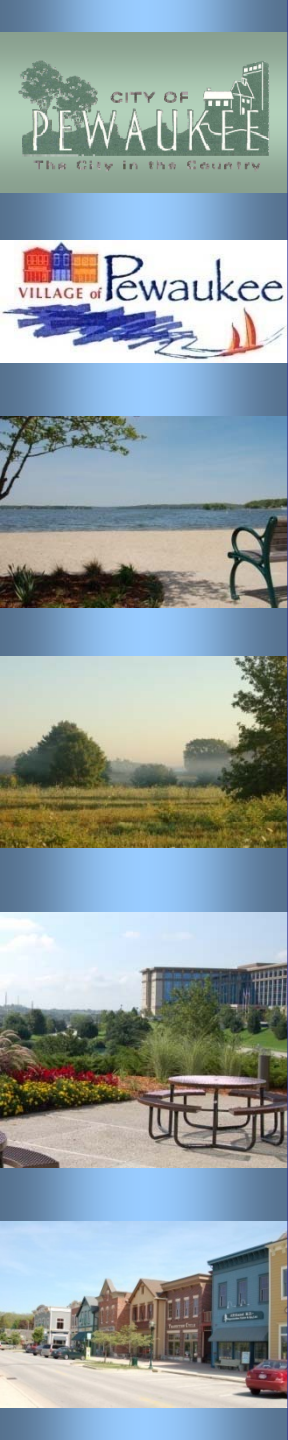
Findings - City

| City | 2009 Charge / REC | 2025 Charge / REC | % Increase |
|------------|-------------------|-------------------|------------|
| Scenario 1 | | | |
| Sewer | \$416 | \$455 | 9% |
| Water | <u>\$407</u> | <u>\$742</u> | <u>82%</u> |
| Total | \$823 | \$1,196 | 45% |
| Scenario 2 | | | |
| Sewer | \$419 | \$431 | 3% |
| Water | <u>\$407</u> | <u>\$621</u> | <u>53%</u> |
| Total | \$826 | \$1,053 | 27% |
| Scenario 3 | | | |
| Sewer | \$419 | \$458 | 9% |
| Water | <u>\$407</u> | <u>\$621</u> | <u>53%</u> |
| Total | \$826 | \$1,079 | 31% |



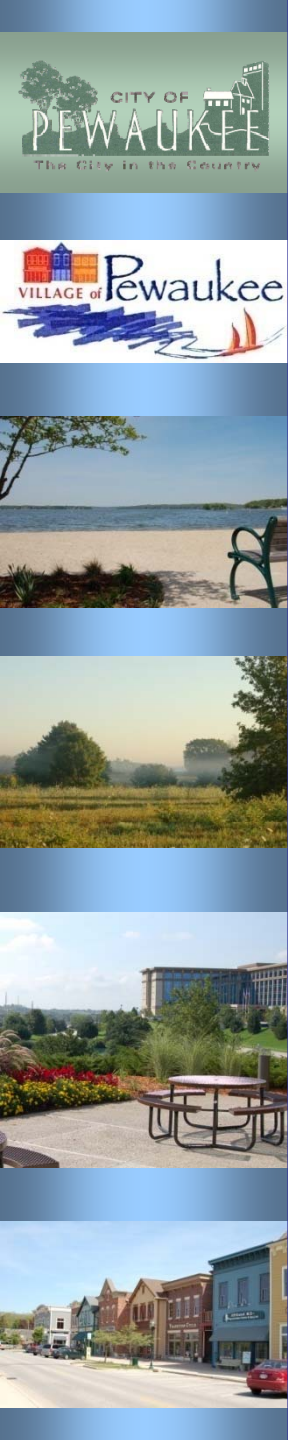
Findings - Village

| Village | 2009 Charge / REC | 2025 Charge / REC | % Increase |
|------------|-------------------|-------------------|------------|
| Scenario 1 | | | |
| Sewer | \$346 | \$429 | 24% |
| Water | <u>\$354</u> | <u>\$503</u> | <u>42%</u> |
| Total | \$699 | \$932 | 33% |
| Scenario 2 | | | |
| Sewer | \$346 | \$356 | 3% |
| Water | <u>\$339</u> | <u>\$519</u> | <u>53%</u> |
| Total | \$685 | \$874 | 27% |
| Scenario 3 | | | |
| Sewer | \$346 | \$378 | 9% |
| Water | <u>\$339</u> | <u>\$518</u> | <u>53%</u> |
| Total | \$685 | \$896 | 31% |



Conclusions

- ▶ Significant capital cost savings of \$6.7 million from water utility consolidation
- ▶ Potential future capital cost avoidance for the City from consolidation of the sewer utilities
- ▶ Future utility rate savings for both the Village and City from consolidation
 - Larger savings for the City than for the Village



Conclusions

- ▶ Previous study found that there were two options to either lower the City tax rate or in any case keep it from increasing as a result of consolidation
 - Legislation to allow a consolidation tax district
 - Use of utility reserves to make a consolidation payment
- ▶ Approx. \$4.75 million could be withdrawn from utility reserves if legislation to create a consolidation tax district is not successful