



Green Bay Metropolitan Sewerage District (GBMSD) “PASS THROUGH” CHARGES: LOCAL ANNUAL ADJUSTMENT POLICY

INTRODUCTION/BACKGROUND:

The Village of Hobart, along with most Brown County cities and villages, is a municipal customer of the Green Bay Metropolitan Sewerage District (GBMSD). Through a series of sewer interceptors, Village sewage flows to, and is treated by, GBMSD facilities. Further, the GBMSD establishes rates for its various customers including their municipal customers. The GBMSD charges quarterly for treatment based on volume of flow (per 1,000 g), and the Village pays for the sewer treatment charges from its sanitary sewer utility through the fixed and volume charges established therefore. The Village of Hobart has no control over treatment charges that are “passed through” by GBMSD to its customers; they are established by an independent GBMSD governing board on an annual basis.

PURPOSE:

The purpose of this policy is to ensure that the Hobart Sanitary Sewer Utility has established rates that keep pace with GBMSD pass through charges. The GBMSD treatment charges are by and large the most significant portion of operating costs for the Village utility. The Village’s auditors and financial consultants have strongly encouraged the establishment of this policy to ensure financial solvency of the Village sewer utility.

APPLICABILITY:

The rate changes established by the annual calculation and implementation of this policy shall apply to all classes of customers comprising the Village sewer utility. Adjustment methods proscribed by this policy only apply to volume rates per 1,000 gallons, not to quarterly “fixed” charges associated with meter size.

POLICY GOALS:

The goals of this policy include, but are not limited to:

- 1) Ensuring adequate coverage of GBMSD pass through charges with established local utility volume charges;
- 2) Avoiding volatility of local utility charges by looking at smaller, annual adjustments each calendar year;
- 3) Avoiding the need to subsidize the Village sewer utility with other revenue sources, including the general property tax levy;
- 4) Providing adequate cash reserves for future planned utility improvements/extensions and/or unexpected capital outlays associated with infrastructure aging and failure;
- 5) Providing a transparent, public process by which Hobart sewer utility customers are informed of proposed volume rate changes, although such a process is not legally required.

METHOD OF CALCULATION:

In February of each calendar year, the Village shall examine the preceding calendar year's GBMSD volume billings charged to the Village sewer utility. That financial information, coupled with the GBMSD established rate increase for the current calendar year will be run through the following financial proforma:

YEAR: 2015

<u>GBMSD LOCAL ANNUAL ADJUSTMENT CALCULATION</u>										
GBMSD Percentage Rate Increase							9.9%	Line 3		
GBMSD Calendar Year Billings to Hobart :										
Account 003-00-62000-080 - 12/31/2014 Actual							\$326,877	Line 6		
Hobart Calendar Year Sewer Volume Billings:										
Residential		56,919,607								
Commercial		3,430,394								
Public Authority		49,116								
Multi-Family		9,460,100								
		<u>69,859,217</u>		/ 1,000		=		<u>69,859</u>		
Airport Calendar Year Sewer Volume Billings										
1st Quarter		3,530,100								
2nd Quarter		12,658,300								
4th Quarter		4,706,600								
		<u>20,895,000</u>		/ 1,000		=		<u>20,895</u>		
TOTAL CALENDAR YEAR SEWER VOLUME BILLINGS/1000							90,754			
<u>Annual Sewer Rate Adjustment Calculation</u>										
Estimated Additional Sewer Revenue To Cover GBMSD Increased Costs							\$32,361			
Formula: Multiply GBMSD % (Line 3) Times Billings(Line 6)										
Additional Revenue Collection Rate per \$1,000 gallons										
Formula: Additional Revenue (line 6) Divided by Total Volume (Line 22)							\$0.36	Line 22		
Current Volume rate:		\$4.75								
Additional Revenue Rate (Line 30)		0.36								
Adjusted Sewer Rate							<u>\$5.11</u>			

SEWER UTILITY FUND BALANCE AND CASH ACCUMULATION

The Village has established a Sewer Utility Fund Balance Policy that prioritizes how accumulating cash in the Sewer Utility Fund should be allocated. The Village Board may utilize accumulating cash to offset, delay or forego implementation of the Local Annual Adjustment in any one year provided that all established utility cash thresholds are met. The Sewer Utility Fund Balance Policy also establishes criteria for Comprehensive Utility Rate Reviews.

APPROVAL PROCESS FOR RATE ESTABLISHMENT:

Once the financial proforma yields the required local utility volume rate increase, Village staff shall present such findings to the Public Works and Utilities Advisory Committee for initial review and recommendation to the Village Board. The Village Board will review the Committee's recommendation and, prior to any action, will establish a public hearing to be legally noticed (Class I) in the paper of record. The notice will include, at a minimum, the following information:

- 1) Proposed GBMSD % rate increase passed on to its municipal customers and its effective date;
- 2) The required Village utility volume % rate increase needed to accommodate the GBMSD increases;
- 3) The quarterly and annual financial impact, expressed as a dollar amount, for the average residential sewer utility customer;
- 4) The date (quarter/year) the new local utility rates will go into effect.

After hearing the public, the Village Board shall consider a Resolution re: Village sewer utility rates; new rates shall only be established by Resolution.

POLICY HISTORY

Approved: October 21, 2014

Amended (other than updated financial figures):