

City puts 3% water rate hike on hold

Written by Kristyn Halbig Ziehm
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Port aldermen agree to table proposed increase after voicing concern about impact on homeowners, businesses

Port Washington aldermen on Tuesday tabled action on a proposed 3% water rate hike for next year, saying the tough economic times may require the city to hold off on the planned increase.

“I think it sends a good message to businesses and homeowners — we want to help,” Ald. Dan Becker said. “I think we should hold the line right now.”

Ald. Paul Neumyer said he is worried about the effect of the increase on senior citizens and those living on fixed incomes, noting he had received several calls from worried residents about the issue.

“If we end up raising taxes as well as raising the water rate, a lot of people are going to be really upset,” he said, suggesting the city delay action on the rate increase until the 2011 budget is better defined. “A lot of people are on the margin.”

The 2011 city budget, which is being reviewed by officials, tentatively calls for a 1.6% increase in the tax levy and a 1.3% increase in the tax rate, or 8 cents per \$1,000 assessed valuation, City Administrator Mark Grams said.

The proposed increase in the rate would have cost residents an estimated \$1 a month and brought in about \$75,000 in additional revenue next year.

That increase would allow the utility to build up its reserve fund and save for future projects, officials said. That would help the city avoid borrowing for future water projects, eliminating interest charges that are passed onto customers.

“I think we have to do what’s responsible,” Ald. Tom Hudson, chairman of the Finance and License Committee, said. “You have to look at the reality and bite the bullet.”

Because the proposed increase is not in the fixed rate paid by consumers but in the volume rate, residents can reduce the impact of the rate hike by conserving water, Ald. Burt Babcock noted.

Ald. Jim Vollmar said this creates a Catch 22 situation because the more people conserve, the less revenue the utility receives and the greater the need for a rate increase.

But Becker expressed concern about the impact of the rate increase on businesses.

“It’s a competitive world out there,” he said. “Is it worth increasing your rates if you’re going to lose these major businesses? We’ve got to consider that.”

Mayor Scott Huebner said that when the city last increased its rates, Kleen Test Products, the

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utility's second largest water user, moved part of its operations to Milwaukee, where water and sewer rates are less expensive, and decided against moving ahead with expansion plans in Port Washington.

"That last increase hit them hard," Huebner said.

Water Supt. Dave Ewig said that Kleen Test used \$79,400 worth of water in 2009 and this year is expected to use \$59,900 in water.

Ald. Dave Larson suggested that if the city held the line on water rates, it could use this fact as a way to try and attract business to the community

"What a great story it would be if we held the line," he said.

The proposed rate increase is the first since 2008, when rates went up 10.5%, Ewig said.

Hudson noted that at that time, officials agreed to seek more frequent but smaller rate increases to avoid "real sticker shock."

Ald. Mike Ehrlich said he had received several calls from constituents saying they did not want to see those large increases.

By adopting the smaller rate increase, the city can avoid preparing a costly rate case for the Public Service Commission, officials said. This year, the state allows water utilities to increase rates by as much as 3% without such a rate case and hearing.

There are two main reasons for the proposed increases, officials said. Although revenue is decreasing, costs continue to climb. The utility's customers are also using less water, and the number of major industrial users is declining.

"We're constantly looking for ways to save money," Ewig said. But, he added, over the last 25 years the amount of water main in the city has increased from 38 miles to 59 miles while the number of employees has remained the same.

But Huebner noted that the city has turned its back on some ways to increase revenues. For example, he said, several years ago officials opted not to sell unused land on Jackson Street owned by the water department and instead turned it into a park. And when the city could have reduced the department staff by one person, it failed to do so.

"At some point, we have to stop raising our rates," he said. "We can't afford to keep having parks. We can't afford to keep hiring people."

While some aldermen suggested delaying the increase, others said it would only be postponing the inevitable. In the future, they said, the city's budget is likely to be even tighter as the state reduces shared revenue payments to municipalities as it attempts to deal with its own revenue problems.

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Vollmar suggested the city look at other ways to bring in revenue, such as special assessing residents for road repairs and water main repairs done in front of their residences. Currently, developers pay the initial cost of installing utilities and roads and the city picks up the cost of repairs.

“We have to think outside the box,” he said.

Aldermen questioned whether the city could approve a smaller rate hike for next year or if it could reduce or eliminate the increase for industry. Ewig said he would research the questions before the Common Council’s Oct. 19 meeting.