

MINUTES OF A MEETING OF THE WATER UTILITY COMMISSION OF THE CITY OF CUDAHY, WISCONSIN HELD AT CITY HALL CONFERENCE ROOM A, 5050 SOUTH LAKE DRIVE ON THURSDAY APRIL 22, 2010

The meeting was called to order at 4:00 P.M. by Chairman Kober with the following members in attendance: Mr. Heidenreich, Mr. Kramer and Mr. Miller. Superintendent Miller and Director of Public Works Lange also present. Mr. Marsh was absent and excused.

APPROVE MINUTES OF THE APRIL 22, 2010 MEETING

Moved by Mr. Kramer, second by Mr. Miller to approve the minutes of the April 22, 2010 meeting.

All voting in favor.

REVIEW AND DISCUSSION OF 2009 FINANCIAL AUDIT

Superintendent Miller reviewed the 2009 utility audit and included the following points:

- Net income for the year was \$44,662
- There was a change in cash assets of -\$344,852 for the year
- After a rate increase effective March 1, 2009 the total revenue increased 6.1%
- Operating expenses decreased by 1.1%
- Total gallons sold decreased by 24%

Superintendent Miller expressed concern about the decrease in water sales, it seems to be driven by a combination of conservation and economic conditions. He explained that if utility sales drop by 10% there is not a corresponding drop in expenses. The utility's fixed costs do not change, we still have the same number of customer accounts and meters to maintain and whether the treatment plant is operating at 50% of capacity or 100% of capacity we still have just 1 operator working.

The Superintendent also explained that long term financing of water main replacements is a major concern. It does not make economic sense to borrow for main replacement, the utility budget would soon be consumed by debt service, the utility must generate enough revenue from annual operations to fund the main replacement program.

Moved by Mr. Miller, second by Mr. Heidenreich to accept the 2009 Financial Audit.

All voting in favor.

DISCUSSION OF AREA WATER RATES AND TRENDS

Superintendent Miller distributed several news articles that discussed area water utilities and the struggles they are having with declining revenues. The Superintendent stated that the problems Cudahy is facing with declining water sales and a need to replace aging infrastructure is not unique to Cudahy, this is a national problem. A general trend towards conservation which includes low flow fixtures and appliance has resulted in a decline in water usage. At the same time much of the infrastructure installed during the post WWII building boom is now starting to fail.

Utility staff will be working with the City's financial planners to develop a long term rate structure plan to recommend to the Water Commission. This study was approved at the April Commission meeting.

ADJOURNMENT

There being no further business, it was moved by Mr. Heidenreich, second by Mr. Kramer to adjourn.

All voting in favor (4:39 PM)

John Heidenreich, Secretary

Attest: Henry Kober