

RACINE WASTEWATER COMMISSION
RATE STABILIZATION FUND POLICY
AMENDMENT NO.2

WHEREAS, the Racine Wastewater Utility (Utility), serving as Sewer Service Provider (SSP) under direction of the Racine Wastewater Commission (Commission), prepares wastewater sanitary sewer service rates to all Sewer Service Recipient (SSR) Parties on an annual basis, as established through the Racine Area Intergovernmental Sanitary Sewer Service, Revenue Sharing, Cooperation and Settlement Agreement, dated April 25, 2002 (Sewer Agreement);

WHEREAS, Sewer Agreement, Section VI.6.1 Payment for Sewer Service by SSR Parties, provides that the Commission shall serve as the designated management authority under the Clean Water Fund Loan Program (CWFL) to finance Unplanned Upgraded Sewer Service Facilities or Unplanned Expanded Sewer Service Facilities;

WHEREAS, a CWFL Financial Assistance Agreement (FAA) requires the SSP to maintain a bond coverage debt service ratio (Net Revenue/Total Debt Service) of at least 1.10 (or 1.25 for revenue bonds) for the entire 20-year duration of the loan;

WHEREAS, Sewer Agreement, Section VI.6.4.f. Reconciliation of Budget (“True-Up”), provides that any differences between actual revenues, expenses and amounts budgeted at the end of each year to be reconciled, system-wide, into the following year budget;

WHEREAS, sewer service rates, based on cost per gallon volumes, are greatly impacted annually by wide fluctuations alternating between wet weather high flow revenues and dry weather low flow revenues;

WHEREAS, the True-Up requires that wet weather revenues be returned to the SSR parties through rate reduction and dry weather revenue be enhanced through rate increase, which causes the Utility Net Revenue to fluctuate up and down and has created difficulty in consistently meeting the 1.10 debt service ratio that would jeopardize Utility borrowing capacity;

WHEREAS, the Commission approved the Rate Stabilization Fund (RSF) Policy on September 26, 2017, for the purpose of diverting wet weather excess revenues into a deferred revenue fund, which would be used to supplement dry weather revenues to improve Utility borrowing capacity and provide better balance in sewer service rate fluctuations;

WHEREAS, the RSF Policy in 2017 was established with the following balance terms:

- Annual Revenue Fund Transfer Maximum: \$400,000
- Maximum Fund Balance: \$1,200,000
- Minimum Fund Balance: \$600,000

WHEREAS, the Commission approved RSF Policy Amendment No.1 on September 15, 2020 to revise the following balance terms:

- **Maximum Fund Balance: \$1,600,000**

WHEREAS, recent weather patterns have shown to provide more pronounced and extreme fluctuating wet weather peak flows and extended dry weather low flows to the point where the RSF balance terms are too restrictive resulting in the need for complete deferred revenue fund usage and continued sewer service rate fluctuations;

NOW, THEREFORE, in consideration of the mutual agreements herein contained, and the receipt and adequacy of which are hereby acknowledged, the Racine Wastewater Commission does hereby on January 15, 2025 authorize to amend the Rate Stabilization Fund Policy balance terms as follows:

- **Annual Revenue Fund Transfer Maximum: Unrestricted**
- **Fund Balance Target: \$2,500,000**
- **Minimum Fund Balance: Unrestricted**
- **Maximum Fund Balance: Unrestricted**

The Rate Stabilization Fund Target Balance shall be updated by CPI and reviewed by the Wastewater Commission annually.

AUTHORIZED REPRESENTATIVE SIGNATURE

ATTESTED SIGNATURE

RACINE WASTEWATER COMMISSION

RACINE WASTEWATER UTILITY

Signed: _____

Signed: _____

Commission President

Wastewater Utility Director