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To: Honorable Mayor and Alders

From: ^{SK} Scott J. Kluver, Administrator

Re: 2026 Water and Sewer Utility Budgets

Date: October 23, 2025

Enclosed you will find the respective proposed 2026 budgets for the Water and Sewer Utilities.

Water Utility:

The revenues indicated in the budget are based on the last four quarters of billing. As you will note, revenues are down in the commercial and public authority categories, but there was still a modest gain in the residential categories. This corresponds with the amount of water that was pumped which is down about 2 million gallons for the same period last year. There are some facilities that we are aware of that have implemented water conserving measures due to the relatively high rates. We believe this to be the reason for the majority of the usage shift. Water consumption can also be an indicator of economic activity in some cases.

Based on the budget that has been prepared, it appears that the water utility is bringing in adequate revenue to meet the anticipated expenses. Nonetheless, I recommend, on an annual basis, that the City apply for a simple rate case with the Public Service Commission each year. Typically, after the annual report is completed each year (by March 31), the City can enter the information off that report to see if the City is eligible. As there was an inflationary increase that was approved in 2025, the City must wait at least one year before applying again (October of 2026). If the City is eligible, a new rate will be calculated and there is a much simpler and less expensive approval process. These increases are usually inflationary, and are not as large and disruptive as large rate cases usually are.

The capital expenses for water only include \$6,000 for a line locator. This is shown in the transfer out to the capital fund.

In reviewing the debt for the water utility, there is a light at the end of the tunnel. There are still high debt payments in 2026 and 2027, then in 2028 there will be a dip in payments, and it significantly drops off after that. This will be an opportunity to hold the line on future water increases, pay back the general fund what the Water Utility owes it, and plan for any needed capital project for the water system without any rate increases. If managed well, this opportunity could stave off future increases for several years.

Below is an explanation of the various line items in the water budget. I did not do an explanation for sewer as it is substantially similar.

Revenues:

Revenues from MDSE & Jobbing – This line is revenue received from other communities using City equipment.

Sales Residential – Revenue from meters classified as residential – reflects revenue from the past four quarters.

Sales Commercial – Revenue from meters classified as commercial – reflects revenue from the past four quarters.

Sales Industrial – Revenue from meters classified as industrial – reflects revenue from the past four quarters.

Private Fire Protection – Revenue from facilities required to have a sprinkler system. Charge is based on the size of the connection.

Public Fire Protection – Revenue from the Fire Protection Fee. Reflects revenue from the past four quarters. This revenue is for the appropriate sizing of the mains and hydrants to fight fires throughout the City. It does not go to the Fire Department.

Other Sales Public Authority – Revenue from meters classified as public authority (government, schools, public entities) – reflects revenue from the past four quarters.

Metered Sales Multi-fam – Revenue from meters classified as multi-family which is residential complexes with three or more units served by a single meter. It reflects revenue received from the past four quarters.

Forfeited Discounts – Late fees on utilities bills.

Other Water Revenues – Includes payments from cell-tower lease, water used at RV dump stations, turn-on fees, connection charges.

Expenses:

Depreciation – This account is where the accountant/auditor will place the calculated depreciation expense. The amount in this line is not what I anticipate for depreciation, but rather the principle due on loans. Principle payments on loans are not considered an “expense” in the accounting world; nonetheless, they are large amounts that need to be paid! So, I budget on a cash basis and use this spot to account for this actual cash out whereas depreciation is not an actual cash out.

Property Taxes – This is the amount that is calculated by the accountant/auditor for payment to the general fund. The concept here is what the Water Utility would pay in property tax if it were a taxable entity. Sewer is not allowed to make a similar payment.

Social Security Taxes – For whatever reason, the Public Service Commission (PSC) always wants FICA separated out as a separate line item.

PSC Taxes – The amount that needs to be paid to the PSC.

Interest on Long-Term Debt – This is the interest on the loans the water utility has, which is considered an expense in the accounting world.

Operations– Includes wages for all of the labor except overtime and administrative wages. This is an allocation of 62 percent (Sewer is 38 percent) of labor costs allocated to utilities. I have consolidated several of these line items for my own sanity. The proportional amount of employee benefits (except for FICA) is also in this category.

Chemicals – For water it is chlorine, and for sewer it is ferric chloride for the removal of phosphorus.

Accounting/Collecting – Includes wages for administration/billing. This is an allocation of 62 percent (Sewer is 38 percent) of labor costs allocated to utilities. Other accounts retain their operating/contracted expenses for now. Audit costs are included in this area.

Insurance – Total insurance costs to the utilities are also allocated 62/38 percent Water/Sewer

Sewer Utility:

For 2026, it is anticipated that the Sewer Utility will meet its operational expenses and have funds for some requested capital improvements. No rate increases are requested for next year. The current rates are \$60.05/quarter for meter (residential) and

\$7.30/1000 gallons used. The rate for residents outside of the City served by sewer is \$8.73/1000 gallons used.

There are two items for capital projects that were included in the transfer to the capital fund, and that is a new camera, which is vital to determine issues or blockages with mains, and money to do main repairs when necessary. Both of these items were included in the capital budget previously discussed. We have explored the possibility of a solar panel system at the treatment plant as that is the largest user of electricity for the City. At this time, we have not received information back to determine if such a system would be able to pay for itself in a reasonable amount of time with electric cost savings.

As for Sewer debt, looking into the future, those payments will remain steady through 2033 assuming no additional projects are taken on. It is unlikely that we can go that long without improvements to Sewer infrastructure, so building a fund balance and being conservative with operational expenses will be critical to minimize any future rate increases here.

With the proposed budget, there is an anticipated cash balance of \$71,773 anticipated at the end of 2026. This will be helpful for building a fund balance to help pay for future capital needs.

Please let me know if you have any questions related to these budgets. In summary, the Sewer Utility is holding its own, and the Water Utility is getting back to better fiscal health with more fiscal improvements on the horizon. I believe we need to stay steady, and to plan into the future keeping in mind that rates need to be kept under control.

Water Craft #2

CITY OF PARK FALLS

Budget Worksheet

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Period 00/26 (01/01/2026) - 14/26 (12/31/2026)

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Account Number	Account Title	2024 Pri Year Actual	2025 Cur Year Budget	12/25 Cur YTD Actual	2026 Projected Budget	NOTES
02-46415-000	REVENUES FROM MDSE. & JOBBING	1,120	500	0	0	
02-46461-000	METERED SALES - RESIDENTIAL	484,902	483,113	354,211	486,664	
02-46462-000	METERED SALES - COMMERCIAL	174,055	185,781	119,376	166,745	
02-46463-000	METERED SALES - INDUSTRIAL	15,399	14,666	13,043	17,288	
02-46464-000	PRIVATE FIRE PROTECTION (462)	17,446	17,397	12,285	16,572	
02-46465-000	PUBLIC FIRE PROTECTION (463)	374,933	376,102	276,094	369,612	
02-46466-000	OTHER SALES TO PUB. AUTH (464)	45,285	53,380	31,383	40,797	
02-46467-000	METERED SALES - MULTI-FAM RES.	75,569	71,796	51,890	73,806	
02-46470-000	FORFEITED DISCOUNTS	0	2,000	0	2,000	
02-46471-000	MISCELLANEOUS SERVICE REVENUES	8	0	0	0	
02-46474-000	OTHER WATER REVENUES	5,259	8,000	4,164	1,000	
Total PUBLIC CHARGES FOR SERVICE:		1,193,977	1,212,735	862,445	1,174,484	
02-48110-000	INTEREST INCOME (419)	33,538	5,000	0	0	
Total MISCELLANEOUS REVENUE:		33,538	5,000	0	0	
02-49602-000	CONTRIBUTIONS IN AID OF CONTRU	1,829,289	0	0	0	
Total MISCELLANEOUS REVENUE:		1,829,289	0	0	0	
02-57403-340	OPERATING EXPENSE	390,070	476,673	0	487,917	
Total DEPRECIATION:		390,070	476,673	0	487,917	
02-57408-340	OPERATING EXPENSE	112,092	109,055	0	109,055	
Total PROPERTY TAXES:		112,092	109,055	0	109,055	
02-57409-340	OPERATING EXPENSES	12,073	11,725	9,574	12,109	
Total SOCIAL SECURITY TAXES:		12,073	11,725	9,574	12,109	
02-57410-340	OPERATING EXPENSES	1,142	3,254	0	3,254	
Total PSC TAXES:		1,142	3,254	0	3,254	
02-57427-340	OP EXP - INT ON LONG TERM DEBT	63,141	52,695	13,702	41,763	
Total INTEREST ON LONG TERM DEBT:		63,141	52,695	13,702	41,763	
02-57600-110	SALARIES	8,090	108,889	11,161	121,436	
02-57600-111	SALARIES - OVERTIME	0	0	164	0	
02-57600-150	EMPLOYER CONTRIBUTIONS	922	45,734	22,650	48,969	
02-57600-220	UTILITIES	13,460	18,000	23,174	37,000	
02-57600-290	CONTRACTED SERVICES	11,630	0	12,498	10,000	
02-57600-340	OPERATING EXPENSES (602)	17,095	8,200	13,382	22,000	

Account Number	Account Title	2024 Pri Year Actual	2025 Cur Year Budget	12/25 Cur YTD Actual	2026 Projected Budget	NOTES
Total OPERATIONS:		51,198	180,823	83,028	239,405	
02-57620-110	SALARIES	20,753	0	13,862	0	
02-57620-111	SALARIES - OVERTIME	0	0	122	0	
02-57620-150	EMPLOYER CONTRIBUTIONS	1,368	0	969	0	
02-57620-220	UTILITIES	31,825	42,000	26,680	35,000	
02-57620-340	OPERATING EXPENSES	17,511	8,000	90	1,000	
Total PUMPING:		71,458	50,000	41,722	36,000	
02-57625-110	SALARIES	18,794	0	15,714	0	
02-57625-111	SALARIES - OVERTIME	2,654	0	2,661	0	
02-57625-150	EMPLOYER CONTRIBUTIONS	1,483	0	1,266	0	
02-57625-290	OTHER CONTRACTED SERVICES	3,113	8,000	11,305	5,000	
02-57625-340	OPERATING SUPPLIES	10,228	10,000	593	1,500	
Total MAINTENANCE OF PUMPING PLANT:		36,271	18,000	31,538	6,500	
02-57630-110	SALARIES	20,013	0	13,294	0	
02-57630-150	EMPLOYER CONTRIBUTIONS	1,317	0	917	0	
02-57630-220	UTILITIES	9,436	14,000	8,403	12,000	
02-57630-340	OPERATING EXPENSES	9,250	8,000	877	1,500	
Total WATER TREATMENT:		40,016	22,000	23,490	13,500	
02-57631-340	OPERATING EXPENSES	0	26,000	9,435	15,000	
Total CHEMICALS:		0	26,000	9,435	15,000	
02-57635-110	SALARIES	27,285	0	13,519	0	
02-57635-111	SALARIES - OVERTIME	983	0	1,219	0	
02-57635-150	EMPLOYER CONTRIBUTIONS	1,888	0	1,008	0	
02-57635-340	OPERATING EXPENSES	2,609	1,000	499	1,000	
Total MAINTENANCE OF WATER TREATMENT:		32,765	1,000	16,246	1,000	
02-57640-110	SALARIES	971	0	32	0	
02-57640-150	EMPLOYER CONTRIBUTIONS	0	0	2	0	
Total TRANSMISSION & DISTRIBUTION:		971	0	34	0	
02-57650-290	OTHER CONTRACTED SERVICES	47,350	5,000	6,700	6,700	
Total MAINTENANCE OF DIST RESERVOIR:		47,350	5,000	6,700	6,700	
02-57651-110	SALARIES	15,078	0	3,980	0	

Account Number	Account Title	2024 Pri Year Actual	2025 Cur Year Budget	12/25 Cur YTD Actual	2026 Projected Budget	NOTES
02-57651-111	SALARIES - OVERTIME	1,552	4,000	2,986	4,000	
02-57651-150	EMPLOYER CONTRIBUTIONS	1,152	500	482	500	
02-57651-290	OTHER CONTRACTED SERVICES	0	2,000	198	2,000	
02-57651-340	OPERATING EXPENSES	6,374	5,000	8,339	7,500	
Total MAINTENANCE OF MAINS:		24,155	11,500	15,984	14,000	
02-57652-110	SALARIES	5,038	0	7,708	0	
02-57652-111	SALARIES - OVERTIME	380	0	1,768	0	
02-57652-150	EMPLOYER CONTRIBUTIONS	374	0	656	0	
02-57652-290	OTHER CONTRACTED SERVICES	3,849	4,900	5,654	8,000	
02-57652-340	OPERATING EXPENSES	5,841	4,800	2,875	5,000	
Total MAINTENANCE OF SERVICES:		15,482	9,700	18,662	13,000	
02-57653-110	SALARIES	10,559	0	12,157	0	
02-57653-150	EMPLOYER CONTRIBUTIONS	730	0	846	0	
02-57653-290	OTHER CONTRACTED SERVICES	14,550	1,000	3,965	6,000	
02-57653-340	OPERATING EXPENSES	23,551	1,500	1,344	2,500	
Total MAINTENANCE OF METERS:		49,390	2,500	18,312	8,500	
02-57654-110	SALARIES	5,212	0	2,690	0	
02-57654-111	SALARIES - OVERTIME	363	0	0	0	
02-57654-150	EMPLOYER CONTRIBUTIONS	387	0	165	0	
02-57654-340	OPERATING EXPENSES	644	3,000	194	4,000	
Total MAINTENANCE OF HYDRANTS:		6,606	3,000	3,050	4,000	
02-57655-290	OTHER CONTRACTED SERVICES	0	450	0	0	
02-57655-340	OPERATING EXPENSES	0	800	0	0	
Total MAINTENANCE OF OTHER PLANT:		0	1,250	0	0	
02-57852-210	PROFESSIONAL SERVICES	37,630	8,000	3,924	8,000	
02-57852-290	OTHER CONTRACTED SERVICES	57	1,500	271	1,500	
02-57852-340	OPERATING EXPENSES	0	0	0	0	
Total OUTSIDE SERVICES EMPLOYED:		37,687	9,500	4,195	9,500	
02-57901-110	SALARIES	562	0	757	0	
02-57901-150	EMPLOYER CONTRIBUTIONS	39	0	53	0	
02-57901-340	OPERATING EXPENSES	10	800	0	800	
Total METER READING:		611	800	809	800	
02-57902-110	SALARIES	23,275	41,886	27,505	41,149	

Account Number	Account Title	2024 Pri Year Actual	2025 Cur Year Budget	12/25 Cur YTD Actual	2026 Projected Budget	NOTES
02-57902-111	SALARIES - OVERTIME	55	0	0	0	
02-57902-150	EMPLOYER CONTRIBUTIONS	1,612	11,687	1,854	16,162	
02-57902-220	ACCTG & COLLECTING - UTILITIES	2,449	7,500	1,839	5,000	
02-57902-290	CONTRACTED SERVICES	6,430	5,400	11,981	7,900	
02-57902-340	OPERATING EXPENSES	1,331	1,500	1,442	1,500	
Total ACCOUNTING & COLLECTING:		35,151	67,973	44,621	71,711	
02-57920-110	SALARIES	8,443	0	0	0	
02-57920-150	EMPLOYER CONTRIBUTIONS	584	0	0	0	
02-57920-340	OPERATING EXPENSES	218	700	0	700	
Total ADMINISTRATION & GENERAL:		9,245	700	0	700	
02-57924-510	INSURANCE	4,607	7,050	1,036	7,050	
Total INSURANCE:		4,607	7,050	1,036	7,050	
02-57926-150	EMPLOYER CONTRIBUTIONS	15,876	0	1,452	0	
Total EMPLOYEE BENEFITS:		15,876	0	1,452	0	
02-57928-340	OPERATING EXPENSES	0	2,000	96	0	
Total REGULATORY COMMISSION EXPENSE:		0	2,000	96	0	
02-57933-340	OPERATING EXPENSES	6,237	10,500	0	0	
Total TRANSPORTATION EXPENSE:		6,237	10,500	0	0	
02-58205-000	INTEREST PAID ON ADVANCE - BT	-4,278	0	0	0	
Total :		-4,278	0	0	0	
02-59240-340	TRANSFER TO CAPITAL PROJECTS	0	0	0	6,000	
Total TRANSFERS OUT:		0	0	0	6,000	
WATER FUND Revenue Total:		3,052,526	1,217,735	862,445	1,174,484	
WATER FUND Expenditure Total:		1,063,593	1,082,698	343,686	1,107,464	
Total WATER FUND:		1,988,933	135,037	518,759	67,020	

Sewer Draft # 2

CITY OF PARK FALLS

Budget Worksheet

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Period 00/26 (01/01/2026) - 14/26 (12/31/2026)

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Account Number	Account Title	2024 Pri Year Actual	2025 Cur Year Budget	12/25 Cur YTD Actual	2026 Projected Budget	NOTES
03-46461-000	SEWER SERVICE - RESIDENTIAL	462,203	460,787	340,180	465,012	
03-46462-000	SEWER SERVICE - COMMERCIAL	143,296	152,149	97,988	137,135	
03-46463-000	SEWER SERVICE - INDUSTRIAL	12,267	12,413	9,402	12,668	
03-46466-000	SEWER SERVICE-PUBLIC (464)	30,224	32,342	26,232	28,465	
03-46467-000	SEWER SERVICE - MULTI-FAM RES.	56,769	55,281	39,962	56,690	
03-46470-000	FORFEITED DISCOUNTS	0	1,710	0	2,000	
03-46474-000	OTHER SEWER REVENUES	20,131	20,000	21,084	20,000	
Total PUBLIC CHARGES FOR SERVICE:		724,890	734,682	534,849	721,970	
03-48110-000	INTEREST INCOME	1,967	3,800	0	1,000	
03-48900-000	OTHER MISCELLANEOUS REVENUES	0	0	0	0	
Total MISCELLANEOUS REVENUE:		1,967	3,800	0	1,000	
03-49601-000	CONTRIBUTED CAPITAL ASSETS	1,197,277	0	0	0	
03-49700-000	INT ON ADVANCE TO OTHER FND	8,461	0	0	0	
Total MISCELLANEOUS REVENUE:		1,205,738	0	0	0	
03-57403-340	DEPRECIATION EXPENSE (403)	239,977	145,562	4,235	147,834	
Total DEPRECIATION:		239,977	145,562	4,235	147,834	
03-57427-340	INT. ON LONG TERM DEBT (427)	36,185	33,362	34,781	31,070	
Total INTEREST EXPENSE:		36,185	33,362	34,781	31,070	
03-57820-110	SALARIES	20,401	66,738	21,223	74,429	
03-57820-150	EMPLOYER CONTRIBUTIONS	1,099	33,225	16,183	39,919	
03-57820-220	UTILITIES	21,505	10,500	7,720	12,000	
03-57820-290	CONTRACTED SERVICES	8,475	10,000	11,649	18,000	
03-57820-340	OPERATING EXPENSES	23,592	30,000	23,242	40,000	
Total OPERATIONS:		75,072	150,463	80,017	184,348	
03-57821-220	UTILITIES	68,937	65,000	52,087	70,000	
Total UTILITIES:		68,937	65,000	52,087	70,000	
03-57826-340	OPERATING EXPENSES	67,346	70,000	57,544	60,000	
Total CHEMICALS:		67,346	70,000	57,544	60,000	
03-57827-340	OPERATING EXPENSES	0	1,000	0	0	

Account Number	Account Title	2024 Pri Year Actual	2025 Cur Year Budget	12/25 Cur YTD Actual	2026 Projected Budget	NOTES
Total OTHER OPERATING EXPENSES:		0	1,000	0	0	
03-57828-340	OPERATING EXPENSES	2,079	6,000	0	0	
Total TRANSPORTATION EXPENSE:		2,079	6,000	0	0	
03-57831-110	SALARIES	6,191	0	4,931	0	
03-57831-111	SALARIES - OVERTIME	692	4,000	1,722	4,000	
03-57831-150	EMPLOYER CONTRIBUTIONS	476	400	461	560	
03-57831-290	OTHER CONTRACTED SERVICES	11,114	10,000	15,550	7,000	
03-57831-340	OPERATING EXPENSES	9,474	20,000	3,827	10,000	
Total SANITARY SEWER MAINTENANCE:		27,946	34,400	26,491	21,560	
03-57832-110	SALARIES	17,249	0	12,781	0	
03-57832-111	SALARIES - OVERTIME	21	0	0	0	
03-57832-150	EMPLOYER CONTRIBUTIONS	1,194	0	889	0	
03-57832-290	OTHER CONTRACTED SERVICES	10,847	10,000	9,594	14,000	
03-57832-340	OPERATING EXPENSES	221	15,000	33,660	15,000	
Total LIFT STATION MAINTENANCE:		29,532	25,000	56,923	29,000	
03-57833-110	SALARIES	13,816	0	13,555	0	
03-57833-150	EMPLOYER CONTRIBUTIONS	955	0	943	0	
03-57833-290	OTHER CONTRACTED SERVICES	383	3,000	0	1,000	
03-57833-340	OPERATING SUPPLIES	186	9,000	410	500	
Total DISPOSAL PLANT MAINTENANCE:		15,341	12,000	14,907	1,500	
03-57834-110	SALARIES	20,355	0	13,696	0	
03-57834-150	EMPLOYER CONTRIBUTIONS	1,407	0	949	0	
03-57834-290	OTHER CONTRACTED SERVICES	8,525	4,000	13,358	12,000	
Total MAINTENANCE OF GENERAL PLANT:		30,286	4,000	28,004	12,000	
03-57840-110	SALARIES	22,990	0	0	0	
03-57840-111	SALARIES - OVERTIME	55	0	0	0	
03-57840-150	EMPLOYER CONTRIBUTIONS	1,592	0	0	0	
03-57840-220	BILL COLLECTG & ACCTG - UTIL	1,177	7,000	1,627	7,000	
03-57840-290	CONTRACTED SERVICES	6,310	10,000	6,437	1,000	
03-57840-340	OPERATING EXPENSES	2,289	1,300	1,378	1,300	
Total BILL COLLECTING & ACCOUNTING:		34,412	18,300	9,442	9,300	
03-57842-110	SALARIES	105	0	0	0	
03-57842-150	EMPLOYER CONTRIBUTIONS	7	0	0	0	

Account Number	Account Title	2024 Pri Year Actual	2025 Cur Year Budget	12/25 Cur YTD Actual	2026 Projected Budget	NOTES
Total METER READING:		112	0	0	0	
03-57850-110	SALARIES	8,592	25,672	14,274	25,221	
03-57850-150	EMPLOYER CONTRIBUTIONS	594	9,155	964	11,864	
03-57850-290	OTHER CONTRACTED SERVICES	0	0	44,499	0	
03-57850-340	OPERATING EXPENSES	124	1,000	8,090	1,000	
Total ADMINISTRATION & GENERAL:		9,310	35,827	67,827	38,085	
03-57852-210	PROFESSIONAL SERVICES	0	10,000	0	10,000	
03-57852-290	OTHER CONTRACTED SERVICES	69,059	15,000	1,728	5,000	
Total OUTSIDE SERVICES EMPLOYED:		69,059	25,000	1,728	15,000	
03-57853-510	INSURANCE	4,607	4,500	613	4,500	
Total INSURANCE:		4,607	4,500	613	4,500	
03-57926-150	EMPLOYER CONTRIBUTIONS	20,148	0	7,088	0	
Total EMPLOYEE BENEFITS:		20,148	0	7,088	0	
03-59240-340	TRANSFER TO CAPITAL PROJECTS	0	0	0	27,000	
Total TRANSFERS OUT:		0	0	0	27,000	
SEWER FUND Revenue Total:		1,932,595	738,482	534,849	722,970	
SEWER FUND Expenditure Total:		730,348	630,414	441,686	651,197	
Total SEWER FUND:		1,202,247	108,068	93,163	71,773	

