



CITY OF LA CROSSE UTILITIES

WATER ~ SEWER ~ STORM

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MEMORANDUM

To: Board of Public Works
From: Tina Erickson – Utilities Finance & Compliance Manager
Date: 11/10/2025
Subject: Approval of 2026 Operating Budgets: Water, Sewer and Stormwater

Budget Approval Request

Utility staff requests that the Board of Public Works approve the 2026 budgets for the Water, Sanitary Sewer, and Stormwater Utilities as presented. These budgets reflect the continued financial stewardship necessary to maintain reliable utility operations, fund essential infrastructure replacements, and meet service expectations while addressing revenue challenges from declining consumption and rising operational costs.

Financial Summary and Key Trends

1. Revenue and Consumption Trends

Both the Water Utility and Sanitary Sewer Utility continue to experience a decline in billable consumption, approximately 17% since 2021. The reduction is primarily due to decreased water usage from industrial customers, which has had a significant effect on utility revenues. While the number of customers remains steady, lower consumption directly reduces variable revenue tied to usage.

2. Operating Costs

All three utilities are facing rising operational costs, including increases in materials, energy, chemicals, and contract services. These pressures are further compounded by supply chain challenges and regulatory compliance requirements. Maintaining service quality, reliability, and safety continues to be a top priority.

3. Capital Investment

- Water and Sanitary Sewer Utilities: Major capital projects are planned in 2026 through 2030 to replace aging infrastructure; including water mains, sewer lines, and related facilities. These investments are necessary to sustain long-term system integrity, prevent service interruptions, and minimize costly emergency repairs.
- Stormwater Utility: The focus of 2026 to 2030 capital projects is on increasing system capacity and reducing flood risks, with projects designed to improve drainage, protect property, and enhance community resilience.

4. Utility Funding and City Contributions

All three utilities are fully self-funded through user rates and receive no taxpayer (general fund) support. The Water Utility provides a Payment in Lieu of Taxes (PILOT) to the City each year to reflect the value of services and property use. In addition, all three utilities reimburse the City for administrative, engineering, accounting, and other departmental services provided. A chart summarizing these costs and payments is included below.

PAYMENT IN LIEU OF TAXES				
	2024	2025 BUDGET	2025 PROJECTED	2026 BUDGET
WATER UTILITY TAX PAYMENT	\$900,886	\$1,055,000	\$1,055,000	\$1,100,000
CITY SERVICES, OFFICE RENT & AIRPORT RENT				
WATER UTILITY	\$194,718	\$268,801	\$268,801	\$306,382
SEWER UTILITY	\$243,960	\$336,082	\$336,082	\$408,682
STORMWATER UTILITY	\$77,587	\$134,028	\$134,028	\$154,204
TOTAL PAYMENTS TO CITY OF LA CROSSE	\$1,408,151	\$1,793,911	\$1,793,911	\$1,969,268

5. Additional Staffing Needs

The Sanitary Sewer Utility has requested 2 new positions that are needed due to the recent operational demands created by the Wastewater Treatment Plant Upgrades. The additional salaries and benefits expenses will be offset by the reduction in overtime and reduced need for contracted services.

Conclusion

The proposed 2026 budgets continue the Utility's commitment to maintaining high-quality, sustainable utility services. Investments in system renewal, capacity, and efficiency are critical to protecting public health, supporting economic stability, and ensuring long-term resiliency.

The Utility Performance Indicators document provides additional insight into the essential daily functions performed by utility staff; critical work that often goes unseen but supports every resident and business in the community. These functions and services ensure safe and reliable drinking water, protect public health through wastewater collection and treatment, reduce stormwater and flood impacts on the community, and provide customer service and financial business services to the community.

WATER UTILITY				
	2024	2025 BUDGET	2025 PROJECTED	2026 BUDGET
OPERATING REVENUES	\$15,475,333	\$16,793,076	\$16,948,076	\$15,876,500
OPERATING EXPENSES	\$11,615,666	\$15,471,897	\$16,122,408	\$17,172,965
CAPITAL OUTLAY & DEBT	\$3,444,453	\$14,572,989	\$5,718,275	\$22,324,619

SANITARY SEWER UTILITY				
	2024	2025 BUDGET	2025 PROJECTED	2026 BUDGET
OPERATING REVENUES	\$15,475,333	\$16,793,076	\$16,948,076	\$15,876,500
OPERATING EXPENSES	\$11,615,666	\$15,471,897	\$16,122,408	\$17,172,965
CAPITAL OUTLAY & DEBT	\$11,528,853	\$19,737,540	\$12,482,868	\$10,468,175

STORMWATER UTILITY				
	2024	2025 BUDGET	2025 PROJECTED	2026 BUDGET
OPERATING REVENUES	\$2,393,270	\$3,728,439	\$3,070,000	\$6,559,450
OPERATING EXPENSES	\$2,291,484	\$3,484,738	\$3,157,399	\$3,601,452
CAPITAL OUTLAY & DEBT	\$4,344,648	\$1,860,500	\$1,904,008	\$1,797,500