

Mayor and Council Communication

DATE: 09/10/19

M&C FILE NUMBER: M&C 19-0124

LOG NAME: 60RETAIL WATER AND WASTEWATER RATES 2020

SUBJECT

Adopt Ordinance Revising Retail Water and Wastewater Rates and Charges and Amending Sections 35-56(a)(b), (c) and (d), Article III - Charges, of Chapter 35 - Water and Sewers of the City Code, Effective January 1, 2020 (ALL COUNCIL DISTRICTS)

RECOMMENDATION:

It is recommended that the City Council adopt the attached ordinance revising retail water and wastewater rates and charges and amending Sections 35-56(a)(b), (c) and (d), Article III - Charges, of Chapter 35 - Water and Sewers of the City Code, effective January 1, 2020.

DISCUSSION:

Each year the Water Department staff conducts cost of service studies to establish annual operating revenue requirements for retail water and wastewater services. As part of the cost of service studies, staff prepares the budget for the ensuing fiscal year and determines the cost responsibility and revenue requirements to recover the costs of providing service to each of the six water and three wastewater customer classes. Staff also reviews volume usage by class and makes adjustments based on both recent and long-term trends. This process provides cost of service rates.

The resulting revenue requirements and recommended rates are shared with the Water and Wastewater Retail Rate Structure Stakeholder Group which provides input concerning the City's fair and equitable cost allocation among the retail classes. The Stakeholder Group is made up of representatives of the Residential, Commercial, Industrial, Super User and Irrigation classes. Staff conducted four meetings with the Stakeholder Group to receive input and feedback on topics including fixed versus variable revenue recovery for the wastewater system, integration of the Super User class into the Industrial class, and full cost of service revenue recovery for all retail classes.

The 2020 cost of service studies identified a need for an increase in retail revenue requirements of 1.98 percent for the water system and 2.93 percent for the wastewater system. The FY2020 increase is driven primarily by the Water Department's capital improvement plan, which requires increases to both debt service and pay-go cash financing. Other major increases include implementation of the new City Council-approved pension reform plan and the Utility Street Cut policy.

For water service, staff does not recommend any changes to the water monthly service charges. The recommended water volume rates include changes to the structure of two of the customer classes – Super User and Irrigation. A review of water usage trends since 2006 shows that the Super User class behaves very similarly to the Industrial class. The planned integration of the Super User class back into the Industrial class has been phased in over a five-year period and the class is being eliminated by this ordinance adoption. Likewise, the first and second tiers of the Irrigation Class are being merged after review of the usage trends of that class after untying it from the upper tiers of the Residential customer class in 2017.

For sewer service, staff again recommends increases in the monthly service charges to cost of service as part of the multi-year revenue recovery stability plan to increase cost recovery from fixed service charges. Staff recommends adjusting all volume rate charges to the cost of service for all customer classes, which results in an increase for the Residential class and the TSS strength charge for the Monitored class, and a decrease for the Non-Monitored and Monitored classes, as well as the BOD strength charge.

RETAIL WATER RATES

Meter Size	Current	Proposed
5/8" x 3/4"	\$12.10	\$12.10
3/4" x 3/4"	\$12.35	\$12.35
1"	\$25.55	\$25.55
1 1/2"	\$48.00	\$48.00
2"	\$75.00	\$75.00
3"	\$198.40	\$198.40
4"	\$339.80	\$339.80
6"	\$721.45	\$721.45
8"	\$1,260.20	\$1,260.20
10"	\$1,888.75	\$1,888.75

Water Volume Rates:

Customer	Per 100 Cubic Feet	Current	Proposed
Residential	First 600CF	\$2.12	\$2.19
	600 to 1,800 CF	\$2.97	\$3.07
	1,800 to 3,000 CF	\$3.79	\$3.92
	Over 3,000 CF	\$4.56	\$4.73
Commercial	All Usage	\$2.54	\$2.69
Industrial	All Usage	\$2.50	\$2.61
Super User	All Usage	\$2.48	N/A
Irrigation	0 to 5,000 CF	\$2.99	\$3.01
	5,000 to 10,000 CF	\$3.40	\$3.01
	Over 10,000 CF	\$4.25	\$3.90
Gas Wells	All Usage	\$5.85	\$5.85

RETAIL WASTEWATER RATES

Meter Size	Current	Proposed
5/8" x 3/4"	\$6.50	\$6.85
3/4" x 3/4"	\$6.80	\$7.15
1"	\$10.80	\$12.60
1 1/2"	\$18.75	\$22.25
2"	\$28.30	\$33.75
3"	\$72.15	\$86.65
4"	\$122.35	\$147.20
6"	\$257.80	\$310.60
8"	\$449.00	\$541.30
10"	\$672.15	\$810.40
12"	\$840.19	\$1,013.00

Residential	Current	Proposed
Volume Charge (per 100 Cubic Feet)	\$3.94	\$4.17
Non-Monitored	Current	Proposed
Volume Charge (per 100 Cubic Feet)	\$4.14	\$4.06
Monitored Group	Current	Proposed
Volume Charge (per 100 Cubic Feet)	\$2.57	\$2.36
BOD Charge (per Pound)	\$0.2750	\$0.2738
TSS Charge (per Pound)	\$0.1816	\$0.1841
TDS Charge (per Pound) for Gas Well Drillers	\$0.0420	\$0.0420

A Form 1295 is not required for this contract because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that the Water Department is responsible for the collection and deposit of funds due to the City.

Submitted for City Manager's Office by: Dana Burghdoff 8018

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Additional Information Contact:

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