

REQUEST FOR COUNCIL ACTION

SUBJECT: Update Water Rates

SUMMARY: Increase residential and commercial water rates to meet rising costs of operations, wholesale water costs, and new Public Works building: 8.55% (Dec.1, 2016) and 7.2% (July 1, 2017). Also, create a new "cost plus" Large User commercial water rate.

FISCAL AND/OR

ASSET IMPACT: About \$2.6M additional annual revenue to cover an equal increase in expenses. New revenues will also include about \$120,000 from one existing commercial customer with the new Large User Rate.

STAFF RECOMMENDATION:

Staff supports the City Manager's recommendation. Staff also recommends using a consultant in near future for a Cost of Service Analysis and comprehensive utility rate study (last done in 2006) to create long-term solution.

MOTION RECOMMENDED:

"I move to adopt new water rates with effective dates of December 1, 2016 (1st phase) and July 1, 2017 (second phase)."

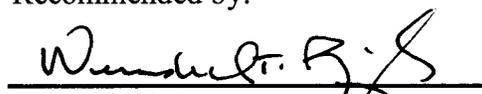
Roll Call vote required

Prepared by:



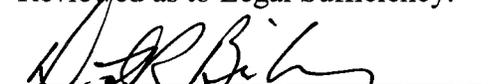
Stephen Glain
Mgt. Asst. to City Mgr.

Recommended by:



Wendell Rigby
Public Works Director

Reviewed as to Legal Sufficiency:



David Brickey
City Attorney

Recommended by:



Mark R. Palesh
City Manager

BACKGROUND DISCUSSION:

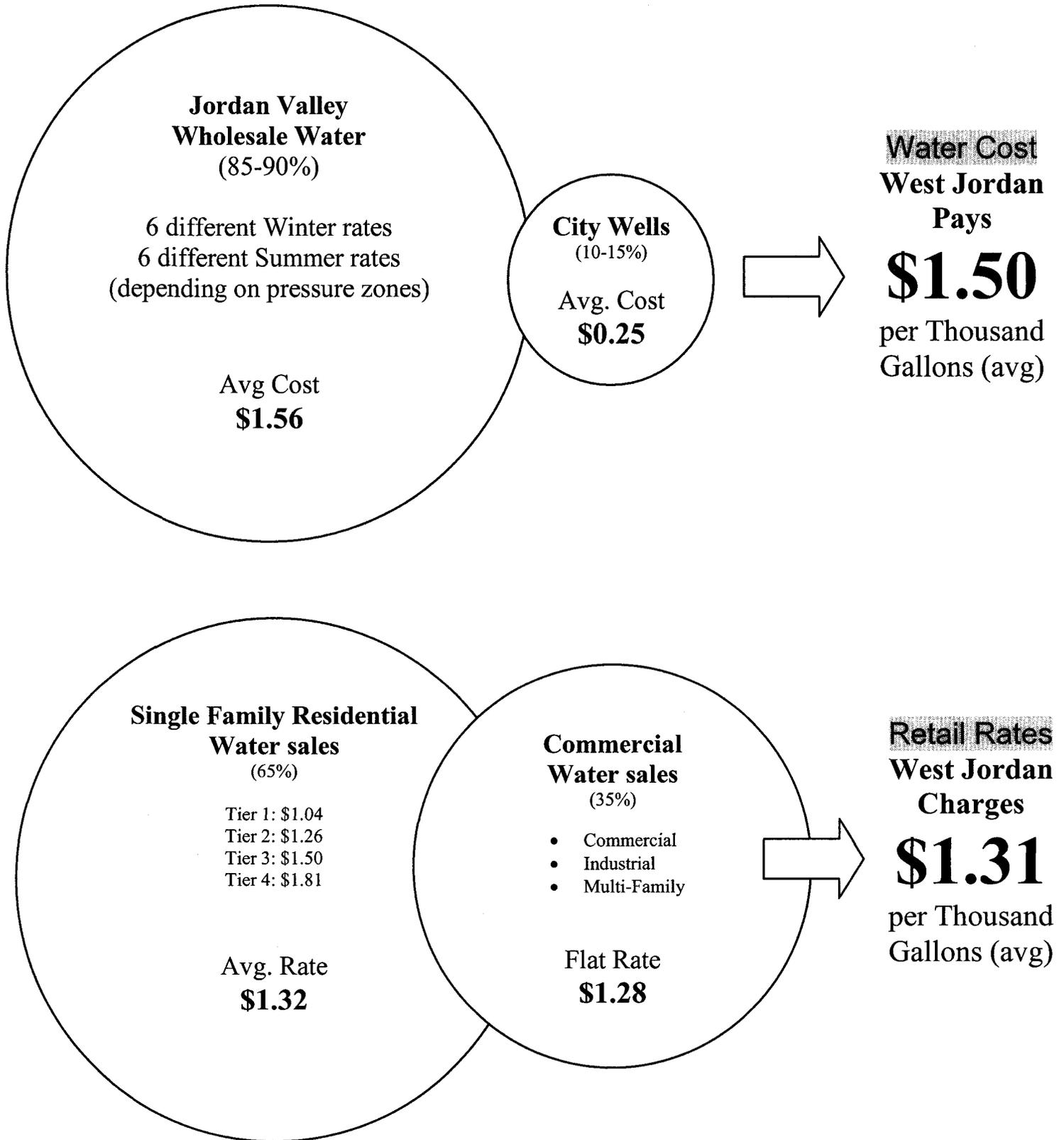
Since rates were last changed in 2013, expenses have increased in Personnel, Operations, Water Costs (Source of Supply), and Capital Projects. The cost of the proposed new Public Works building will also be shared by the Sewer fund.

The City Manager is recommending a two-phase rate increase for all residential and commercial rates, including fixed and volume charges:

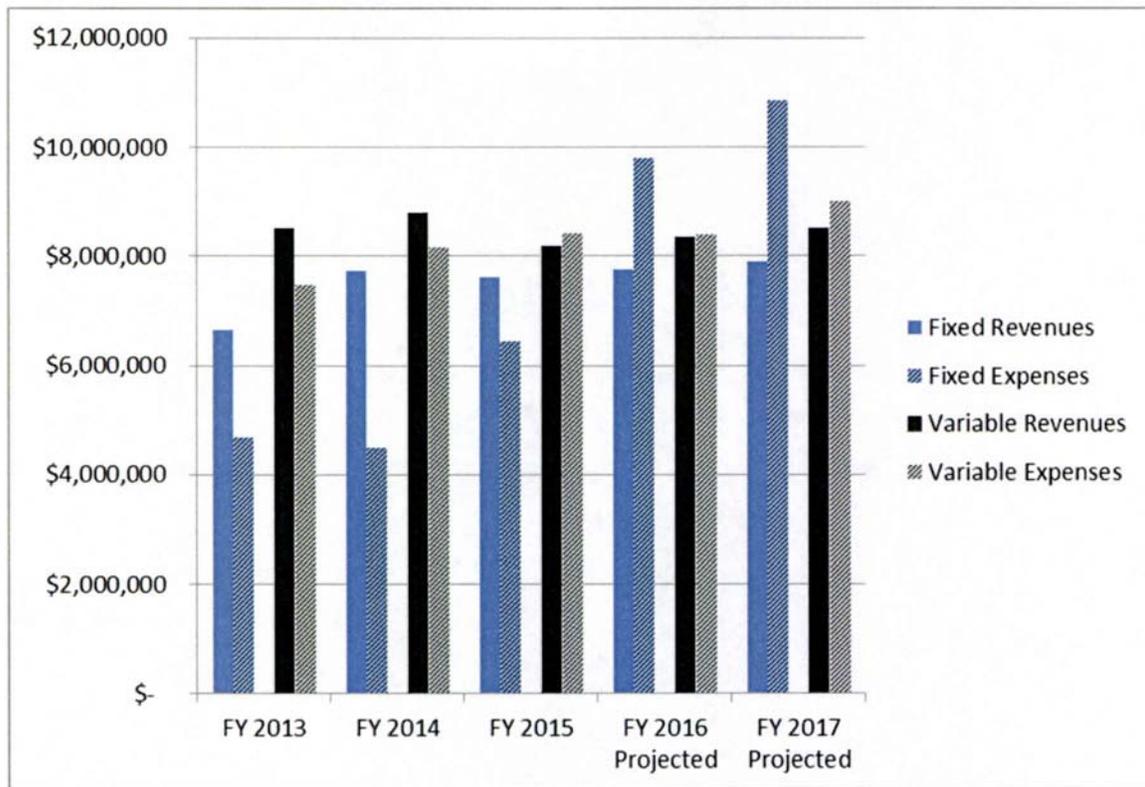
- First phase 8.55% (Dec.1, 2016)
- Second phase 7.2% (July 1, 2017)

Additional Information on following pages

Water Cost vs. Retail Rates



Expenses and Revenues: Fixed vs. Variable



Fixed Expenses = personnel, operations, supplies, materials, equipment, etc. (generally funded by Fixed Revenues aka “Monthly Availability Charges”)

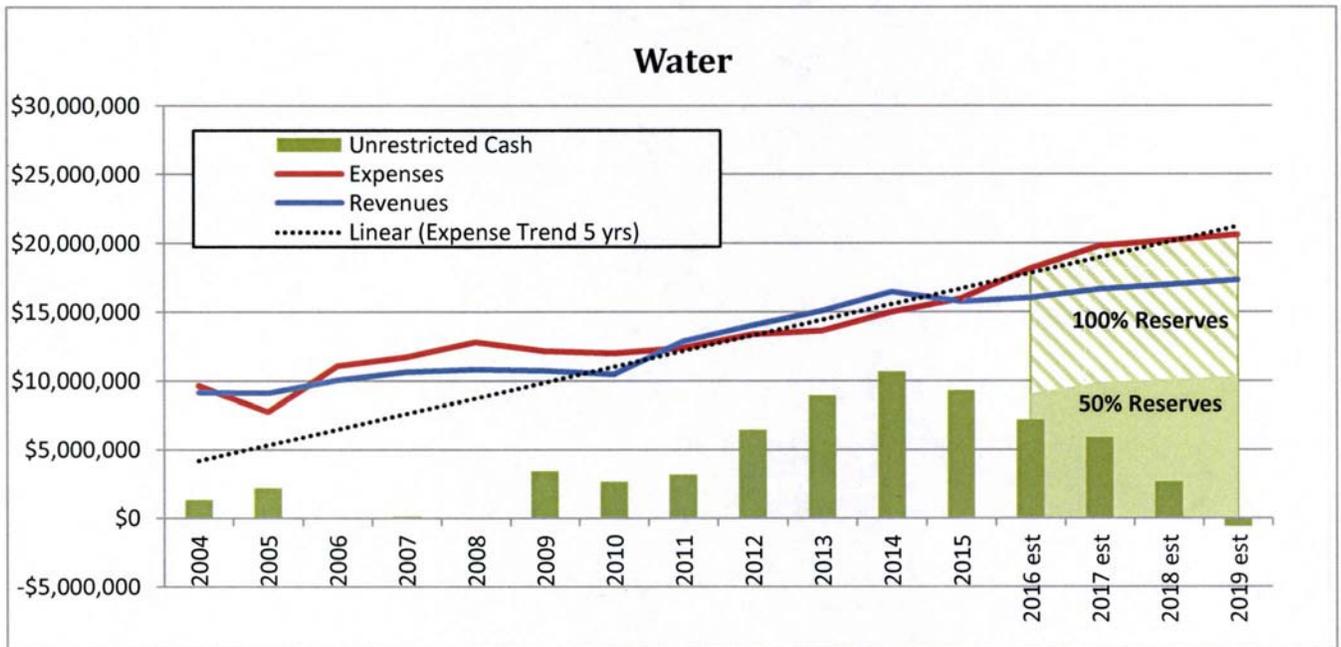
Variable Expenses = wholesale water purchases from Jordan Valley, well pumping costs (generally funded by Variable Revenues aka “Commodity Charges” per 1,000 gallons)

The City is losing a small amount of money on total water sales vs. total water purchases (variable costs) due to annual Jordan Valley wholesale cost increases. Another concern is potential shortfall for capital projects (fixed costs), which are generally funded by fixed monthly “Availability Charges”. The City attempts to match fixed revenues/expenses and variable revenues/expenses for these reasons:

- Fluctuations in water consumption (weather, drought, conservation, etc) generally pay for themselves. We simply buy more or less water according to demand, and pass on the cost to customers through “Commodity Rates” (cost per 1,000 gallons).
- Fixed revenues from “Availability Charges” are stable and support ongoing operations regardless of how much water is sold.

Water
No DPW
 No Rate Changes

	<u>Revenues</u>	<u>Expenses</u>	<u>Unrestricted Cash</u>	<u>Notes</u>
2004	9,197,325	9,669,218	1,359,114	
2005	9,142,241	7,768,005	2,211,781	
2006	10,078,410	11,099,294	0	
2007	10,659,352	11,716,676	131,431	
2008	10,827,252	12,815,046	29,294	
2009	10,733,630	12,148,785	3,444,470	
2010	10,474,173	11,997,291	2,689,415	
2011	12,885,254	12,396,458	3,191,041	
2012	14,071,562	13,402,848	6,473,764	
2013	15,117,355	13,627,975	8,983,667	
2014	16,480,954	14,992,904	10,706,991	
2015	15,777,748	15,971,428	9,346,934	
2016 est	16,050,838	18,188,817	7,208,955	Cap Projects, JWCD 5%/yr
2017 est	16,656,437	19,827,795	5,922,977	Cap Proj, AMI meters, JWCD 5%/yr
2018 est	16,989,566	20,227,795	2,684,748	Cap Proj, AMI meters, JWCD 5%/yr
2019 est	17,329,357	20,627,795	-613,690	Cap Proj, AMI meters, JWCD 5%/yr



Water

2 Phase Plan: including DPW bond

Rate increases: 8.55% (12/1/16) and 7.2% (7/1/17)

	<u>Revenues</u>	<u>Expenses</u>	<u>Unrestricted Cash</u>	<u>Notes</u>
2004	9,197,325	9,669,218	1,359,114	
2005	9,142,241	7,768,005	2,211,781	
2006	10,078,410	11,099,294	0	
2007	10,659,352	11,716,676	131,431	
2008	10,827,252	12,815,046	29,294	
2009	10,733,630	12,148,785	3,444,470	
2010	10,474,173	11,997,291	2,689,415	
2011	12,885,254	12,396,458	3,191,041	
2012	14,071,562	13,402,848	6,473,764	
2013	15,117,355	13,627,975	8,983,667	
2014	16,480,954	14,992,904	10,706,991	
2015	15,777,748	15,971,428	9,346,934	
2016 est	16,050,838	18,188,817	7,208,955	Cap Projects, JWCD 5%/yr
2017 est	17,487,177	19,827,795	6,753,717	Cap Proj, AMI meters, JWCD 5%/yr
2018 est	19,734,160	20,227,795	6,260,082	Cap Proj, AMI meters, JWCD 5%/yr
2019 est	20,128,843	20,851,782	5,537,144	Cap Proj, AMI meters, JWCD 5%/yr, DPW bond

