

## REQUEST FOR COUNCIL ACTION

**SUBJECT:** Update Sewer Rates

**SUMMARY:** Increase residential and commercial Sewer rates to meet rising costs of operations, capital projects, and new Public Works building: 10.6% (Dec.1, 2016) and 7.5% (July 1, 2017).

**FISCAL AND/OR**

**ASSET IMPACT:** About \$1.5M additional annual revenue to cover an equal increase in expenses

**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 City Manager's recommended sewer rate increase with effective dates of December 1, 2016 (1<sup>st</sup> phase) and July 1, 2017 (second phase)."

Roll Call vote required

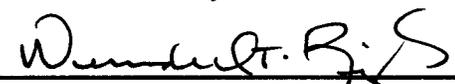
Prepared by:



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Stephen Glain  
Mgt. Asst. to City Mgr.

Recommended by:



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Wendell Rigby  
Public Works Director

Reviewed as to Legal Sufficiency:



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David Brickey  
City Attorney

Recommended by:



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Mark R. Palesh  
City Manager

## **BACKGROUND DISCUSSION:**

Wastewater (sewer) expenses have increased for operations and capital projects since the last rate change in 2013. The largest increase is due to upcoming capital equipment upgrades at South Valley Water Reclamation Facility (SVWRF). These include Phosphorus and Nitrogen removal equipment mandated by EPA (West Jordan's share is about \$4M in 2018) and grit removal equipment (West Jordan's share will be about \$2M in 2019). These expenses are built into the 5-year expense trend line to calculate the rate increase. 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 10.6% (Dec.1, 2016)
- Second phase 7.5% (July 1, 2017)

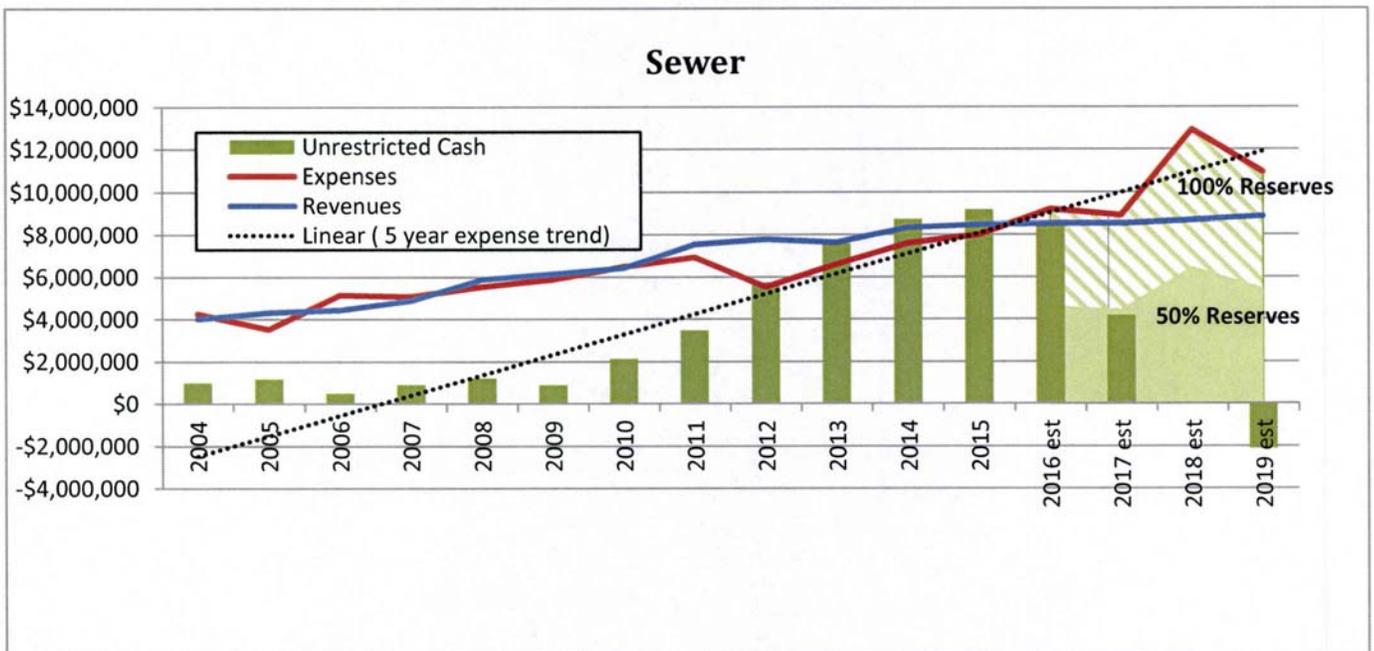
## Sewer No DPW No Rate Changes

	<u>Revenues</u>	<u>Expenses</u>	<u>Unrestricted Cash</u>	<u>Notes</u>
2004	4,011,437	4,255,135	1,006,092	
2005	4,326,221	3,522,665	1,198,617	
2006	4,439,627	5,148,746	523,477	
2007	4,875,646	5,066,410	929,145	
2008	5,880,083	5,535,752	1,229,709	
2009	6,139,043	5,879,833	906,460	
2010	6,427,663	6,480,880	2,136,999	
2011	7,548,753	6,935,784	3,483,484	
2012	7,790,530	5,513,029	5,751,365	
2013	7,642,599	6,597,816	7,592,849	
2014	8,350,251	7,606,052	8,741,593	
2015	8,485,034	7,997,176	9,191,279	
2016 est	8,517,672	9,199,689	8,509,262	
2017 est	8,517,672	8,928,815	4,189,049	3,000,000 subsidize impact fees*
2018 est	8,688,025	12,928,815	-51,740	4,000,000 SVWRF costs**
2019 est	8,861,786	10,928,815	-2,118,769	2,000,000 SVWRF costs**

**Notes:**

\* \$3M subsidy: Impact Fees have been insufficient to fund the "growth" portion of many capital projects for several years. The Unrestricted Cash Balance could temporarily subsidize these costs to avoid further delay of construction, to be repaid by impact fees in the future.

\*\* SVWRF costs: South Valley Water Reclamation Facility has recently informed the City that equipment upgrades are required by new EPA regulations to remove Phosphorus and Nitrogen from the waste stream (approx. \$4M). Also, new grit removal equipment is needed (approx. \$2M).



## Sewer

### 2 Phase Plan: including DPW bond

Rate increases: 10.6% (12/1/16) and 7.5% (7/1/17)

	<u>Revenues</u>	<u>Expenses</u>	<u>Unrestricted Cash</u>	<u>Notes</u>
2004	4,011,437	4,255,135	1,006,092	
2005	4,326,221	3,522,665	1,198,617	
2006	4,439,627	5,148,746	523,477	
2007	4,875,646	5,066,410	929,145	
2008	5,880,083	5,535,752	1,229,709	
2009	6,139,043	5,879,833	906,460	
2010	6,427,663	6,480,880	2,136,999	
2011	7,548,753	6,935,784	3,483,484	
2012	7,790,530	5,513,029	5,751,365	
2013	7,642,599	6,597,816	7,592,849	
2014	8,350,251	7,606,052	8,741,593	
2015	8,485,034	7,997,176	9,191,279	
2016 est	8,517,672	9,199,689	8,509,262	
2017 est	9,044,348	8,928,815	4,715,726	3,000,000 subsidize impact fees*
2018 est	10,321,540	12,928,815	2,108,450	4,000,000 SVWRF costs**
2019 est	10,527,970	11,189,779	1,446,642	2,000,000 SVWRF costs**, DPW bond

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