



City Council Agenda Item Report August 6th, 2013

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SUBJECT: DELIBERATION AND POSSIBLE ACTION REGARDING PROPOSED FISCAL YEAR 2013-2014 WATER AND WASTEWATER RATES.

1. BACKGROUND/HISTORY

For the last two fiscal years, Council has requested staff to perform minor rate studies on our water and sewer utility rates. Such rate studies allow rates to recoup and adjust costs associated with inflation, capital improvements, debt, and operations and maintenance. This Capital Improvement Program for FY 12-13 allotted for a full rate study which provides for a more thorough analysis into water and sewer usage. As Council recalls, a 2% water and 3% wastewater adjustment was approved for FY 12-13. However, due to future capital improvement projects on the horizon such as HCPUA and additional water supply along with the expansion of the wastewater treatment plant either at the existing plant or divert flows to the Sunfield wastewater treatment plant, along with the completion of city audits, the City was in a position to perform a more in-depth study to provide accurate rates.

2. FINDINGS/CURRENT ACTIVITY

FY 13-14 Recommendations:

Increase water rate by 4% and wastewater rates by 2%.

Potential Future Rate Increase				
Utility	FY15	FY16	FY17	FY18
Water	3.0%	2.0%	2.0%	2.0%
Wastewater	3.0%	3.0%	3.0%	3.0%

- Assumes that \$2.5 million (debt) is spent on conveyance to Sunfield WWTP in 2015 and an additional \$2.5 million (debt) is spent on Sunfield WWTP plant expansion in 2016. Retains a significant fund balance in FY18.

Alternative -

Potential Future Rate Increase				
Utility	FY15	FY16	FY17	FY18
Water	3.0%	2.0%	2.0%	2.0%
Wastewater	4.0%	5.0%	4.0%	4.0%

- Assumes that \$2.0 million (debt) is spent on WWTP expansion in 2015 and an additional \$10.0 million (\$9.0 million in debt and \$1.0 million in cash) is spent on WWTP plant expansion in 2016. Retains a 3-month operating reserve in FY18.

Grady Reed with HDR performed the rate study and will be presenting the rate scenarios for Council to consider.

3. FINANCIAL IMPACT

Proposed water and sewer rates for FY 13-14.

4. ACTION OPTIONS/RECOMMENDATION

Staff requests Council consider the proposed water and sewer rates for FY 13-14.

5. ENCLOSURES

- A. PowerPoint Presentation