

Water Rates

Policy and Brief History

OVERVIEW



CURRENT POLICY



2018 RATE STUDY

FISCAL AND BUDGETARY POLICY

- **A rate study will be conducted every 3 years to review rate methodology and ensure revenues will meet future needs. All enterprise rates will be based on standardized cost of service methodologies and conservation goals.**
 - Last rate study was in 2018
- **Working capital reserves should be 25% or ninety (90) days of operating expenses, net debt service and long-term water contract costs.**
- **Bond Coverage Ratio – 1.5x coverage of self-supported debt**

FISCAL AND BUDGETARY POLICY

- **Equity**
 - The City shall make every effort to maintain equity in its revenue system;
 - i.e., the City should seek to minimize or eliminate all forms of subsidization between entities, funds, services, utilities, and customer classes, and ensure an on-going return on investment for the City.



FISCAL AND BUDGETARY POLICY

Water Rates

- recognize at least 75% of the fixed cost of service, including debt payments and ROI costs, within the monthly base charge determined by meter size. Volumetric charge will recognize the balance of fixed costs not included in the base rate, plus all variable costs associated with procuring and treating water.

Wastewater Rates

- fixed for all residential customers based on the cost of providing services. Commercial customer rates are fixed and volumetric depending on size and specifications of each commercial customer.

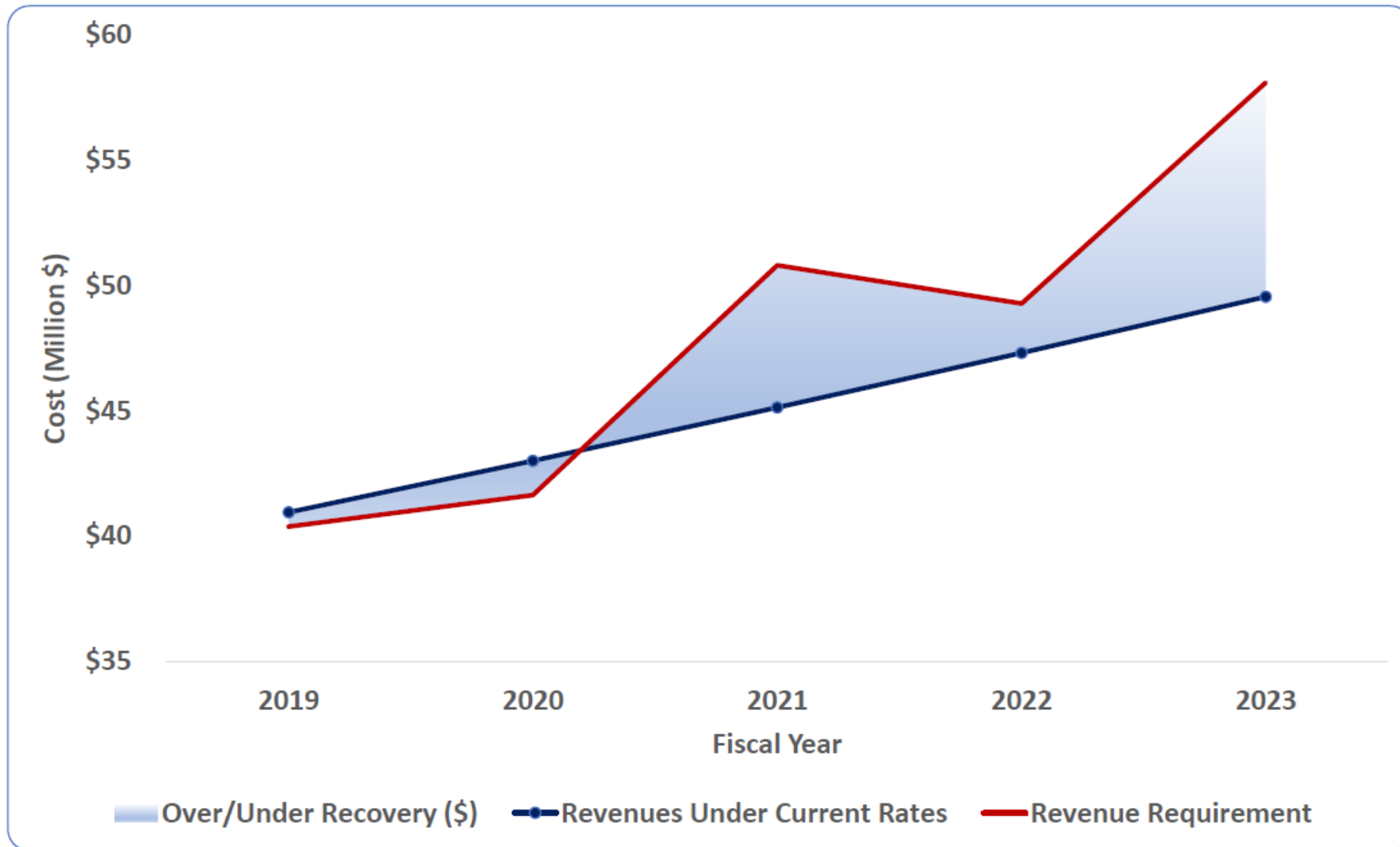
2018 WATER RATE STUDY

2018 RATE STUDY

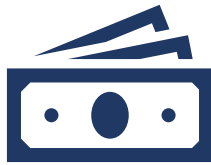
- **Key Issues Identified**

- Descending Financial Performance
 - Rates will not keep up with costs without adjustments
- Wholesale Supplier Cost Increases
- Rapid Growth, Capital Projects and New Debt Service
 - \$195M in Capital Project needs between FY 2019 and FY 2023

2018 COMBINED REVENUE PERFORMANCE – CURRENT RATES



2018 RECOMMENDATIONS



REVENUE SUFFICIENCY



MINIMIZE RATE SHOCK TO
CUSTOMERS BY PHASING IN RATES



POTENTIAL RATE DESIGN
ALTERNATIVES

2018 Implementations



No change in water rates to residential

Residential water rates have not changed since 2013



Increased some base rates for larger meters



Established rate tiers for non-residential



Increased wastewater rates

THANK YOU