



## City Council

### Briefing on Volume-Based Wastewater Utility Rates

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#### **Title**

Briefing on Volume-Based Wastewater Utility Rates

#### **Recommended Action**

##### **Committee Recommendation:**

The **Utility Advisory Committee** (UAC) reviewed and supports the recommendations (see Attachment 1).

On July 8, 2015, the Council **Finance Committee** voted unanimously to forward the staff proposal to the full City Council for further consideration.

##### **City Manager Recommendation:**

Receive briefing. Provide initial guidance to staff to implement volume-based Wastewater Utility rates and incorporate the rates into the 2016 budget process.

#### **Report**

##### **Issue:**

Whether to create volume-based rates for the City Wastewater Utility as recommended by the Utility Advisory Committee.

##### **Staff Contact:**

Diane Utter, Water Resources Engineer, 360.753.8562

##### **Presenter(s):**

Diane Utter, Water Resources Engineer  
Andy Haub, Water Resources Director

##### **Background and Analysis:**

The 2013 Council-adopted Wastewater Management Plan includes goals for rates and fees that support financial equity and affordability, minimizing rate increases, and maintaining consistent levels of service. The Plan supports evaluating the feasibility of volume-based wastewater utility rates for residential customers. Residential customers currently pay a flat wastewater rate regardless of how much drinking water they use and how much wastewater they generate.

The UAC initiated a discussion about volume-based residential wastewater rates as part of the 2013 Wastewater Management Plan. In May 2013, April and October 2014, and June 2015, City staff presented the UAC with options for both two- and three-tiered residential wastewater rates. The proposed rate structure would provide rate discounts for customers that produce low volumes of wastewater and to some extent further incentivize water conservation. Since wastewater is not metered, drinking water is used to estimate how much wastewater is generated. Most drinking water is converted into wastewater through household use. The UAC discussion recognized that in order to maintain the Utility's total revenues, reducing rates for some customers would necessitate increasing rates for others.

UAC supports the concept of volume-based residential wastewater rates and asked staff to complete a financial analysis of a three-tiered rate structure. The proposed rate structure would apply to single-family (and duplex) residential customers only. City Utility Billing confirms that proposed rate changes could be implemented without causing an excessive workload.

- **Standard Rate:** The majority of customers (approximately 70% of single-family residential customers) would be in the top tier and pay a flat rate per month.
- **Discount Rates:** Customers billed for less than 350 cubic feet (cf) of drinking water per month (700 cf for a 2-month cycle) would qualify for a volume-based discount. The lowest discounted rate (Tier 1) would be for customers consuming 250 cf or less of drinking water per month (500 cf for a 2-month cycle). Approximately 18% of customers are expected to qualify for the maximum discount. Tier 2 rates would progressively increase to the standard rate (Tier 3) with increasing water use. About 12% of customers are expected to qualify for the Tier 2 partial discount.

See Attachment 2 that shows sample wastewater rates/discounts based on the proposed structure.

Staff set the proposed volumetric rate thresholds and volume-based rates by analyzing the last five years of drinking water consumption data. The analysis verifies that wastewater utility revenue, under the new rate structure, will be equivalent to revenue collected under the existing rate structure.

On July 8, 2015, the Finance Committee votes unanimously to forward this proposal to the full City Council.

**Neighborhood/Community Interests (if known):**

Wastewater rates are a key element of overall City Utility charges. The new rate structure better reflects the amount of wastewater generated. It will continue to encourage water conservation.

**Options:**

1. Implement volume-based Wastewater Utility rates as proposed by staff and incorporate the rates into the 2016 budget process.  
This option allows about 30% of single-family customers to see a discount on their wastewater bill starting January 2016.
2. Ask staff to investigate additional options for volume-based wastewater rates and return to Council for additional consideration.

This option could better respond to community needs as identified by Council.

3. Decline to pursue volume-based rates at this time.

This option would keep the rate structure as it is currently.

**Financial Impact:**

Staff anticipates that wastewater utility revenues will not be adversely affected by the proposed rate changes. Wastewater utility customers not affected by the discount will experience approximately a 5% rate increase to implement the new rate structure. This translates to about \$1.05 per equivalent residential unit per month. The number of customers in each rate group will vary with actual drinking water consumption. A 0.5% cushion was included in the revenue analysis to account for additional revenue volatility and potential incentivized water conservation.

**Attachment(s):**

Attachment 1 - UAC Letter

Attachment 2 - Sample Rate Table