



## Utility Advisory Committee

### Utility Budget and Rates

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#### **Title**

Utility Budget and Rates

#### **Report**

##### **UAC Deliverable:**

Briefing only. Recommendations to City Council in September.

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

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##### **Previous Utility Rate Items Before the UAC:**

The Utility Advisory Committee reviews City Utility finances, capital investments, and rates annually. The evaluation begins with review of the Capital Facility Plan (CFP) and concludes with Utility rate and general facility charges (GFCs) recommendations in September or October. UAC recommendations are important to subsequent City Council decision-making.

The draft 2018-2023 CFP was shared with the UAC on May 4. The UAC will continue the CFP discussion in August within the context of overall utility finances and rates.

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

The City Utilities provide vital public health services for our community - safe drinking water, sanitary sewers, waste reduction and disposal, flood management, and environmental protection. Utility staff emphasizes effectiveness and efficiency in the delivery of these services.

The City Utilities are municipal enterprise funds. They are financially self-supporting without the input of general tax funds. Conversely, Utility revenue does not support tax-based City programs. However, the Utilities pay a fair share of various City overhead costs (e.g., building mortgage, legal and executive services). Annual savings remain in the Utilities and carry-over to the following year.

Utility rate increases over the past decade have been substantial. In 2017, the combined and weighted rate increase was 3.2 percent, broken down as follows:

- Drinking Water 5.7 percent
- Wastewater 4 percent
- Waste ReSources 0 percent

- Storm and Surface Water      6.3 percent
- LOTT      2 percent

The overall increase in a single family residential account was approximately \$6.83 - \$7.46 every two months. Typical single family utility bills are roughly \$250 every two months. Commercial and multifamily accounts are charged based on the amount of onsite impervious surface and level of onsite stormwater management.

Also in 2017, general facility charges (GFCs) were increased 3.5 percent or \$487. GFCs are a one-time charge collected from new development. The charges reflect the financial value of the existing Utility infrastructure and the benefits the system provides to new development. Each of the water-related Utilities collects a unique GFC.

GFCs are determined by a State-guided set of calculations that define the value of the existing and planned infrastructure and the distribution of costs among current and future users. Every few years, City staff hires independent financial consultants to evaluate the GFCs. A summary of rate and GFC increases from 2014 - 2017 is attached.

Once again, we are likely to propose substantial rate increases for 2018. Consistent with community expectations, the proposed rate increases ensure that Utility services continue reliably and without interruption. Fortunately, the City Utilities are in good shape. Local, state, and federal public and environmental health mandates are either met or being addressed.

LOTT Clean Water Alliance also charges monthly rates for operating the wastewater treatment facility as well as a capacity development charge (CDCs). The rates are collected by the City and passed on to LOTT. The LOTT CDC is similar to the City's GFC.

Waste Resources and Water Resources staff will provide the UAC with an overview of our budget dynamics:

- 2016 year-end finances
- 2017 status to date
- Emerging trends and concerns
- Potential magnitude of 2018 rates and GFCs

The June 1<sup>st</sup> discussion with the UAC will set the stage for more detailed discussion in August and ultimately recommendations to City Council in September or October.

**Financial Impact:**

None at this time. However, Utility rates are substantial and impact our community.

**Attachments:**

Summary of Bi-Monthly Utility Bills, GFCs and CDCs 2014 - 2017