



MEMORANDUM

To: Mayor and City Council

From: Jerry Young, Business Analyst

Via: Kim Tiehen, Director of Strategic Financial Engagement

Date: December 12, 2023

Reference: Request for Council to Consider approval of an Ordinance amending Chapter 3 of the City's Code of Ordinances.

2040: Sustainable Government

Introduction:

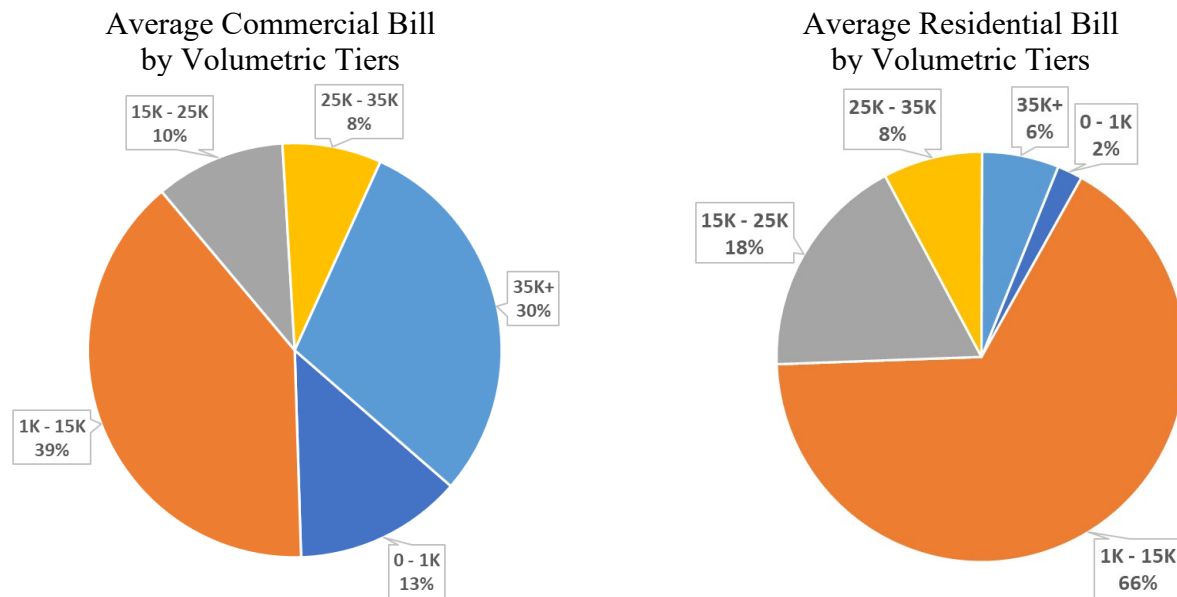
Tonight, staff is seeking approval of an Ordinance amending Chapter 3 of the City's Code of Ordinances with rates established by New Gen. City staff engaged with NewGen Strategies and Solutions, LLC (NewGen) to perform a water sewer rate study. The results of the study were presented to Council on November 14th, 2023, by Matthew Garrett – Managing Partner, Water Practice.

Background:

During the Water Sewer budget workshop in July 2023, Council was advised that City staff would be reviewing water sewer rates, and any recommendations would be brought forward to Council for discussion and consideration in the November/December timeframe.

The City engaged with NewGen to perform a rate study. A study has not been performed since 2020 and tiered water rates and winter-averaging were implemented after that study. New Gen has provided a recommended rate structure that should enable the Water Sewer Fund to meet the revenue requirements outlined by the charter.

The pie charts below present the number of bills that fall into each rate tier. The purpose of the pie charts is to illustrate how both residential and commercial customers are distributed across the tiers on average. The pie chart shows 68% of residential customers use 15,000 gallons or less water and would fall into the first tier, 18% fall into the second tier, and the remaining 14% fall into the highest tier. For commercial, 62% fall into the first commercial tier with the remaining 38% falling into the highest tier.



Average commercial domestic water usage is 65,000 gallons. Based on the proposed rate structure, an average commercial domestic bill falls into the highest tier, 25,000+, which results in an increase of \$55 a month. Average commercial irrigation usage is 72,000 gallons. Based on the proposed rate structure, an average commercial irrigation bill falls into the highest tier, 25,000+, which results in an increase of \$162 a month.

Average residential water usage is 14,000 gallons. Based on the proposed rate structure, an average residential bill falls into the tier of 1,000-15,000 gallons which will result in an increase of \$4.61 a month. During the summer months, average residential water usage is 20,000 gallons. The increase in volume pushes customers into the 15,000-25,000 tier, resulting in an average increase of \$5.19 a month.

Benefit to the Community:

The proposed rates support the operations of the City's water sewer system, provide for the maintenance and improvements of the water sewer infrastructure, and ensure the fund can repay principal and interest on outstanding bonds.

Legal Review:

City Attorney has reviewed the amended ordinance.

Fiscal Impact:

If passed, the rates will provide the revenue stream necessary to support the operations of the City's water sewer system, provide for the maintenance and improvements of the water sewer infrastructure, and ensure the fund can repay principal and interest on outstanding bonds.

Recommendation:

City staff recommends approval of the Ordinance amending Chapter 3 of the City's Code of Ordinances.