



MEMORANDUM

TO: Mayor and Council
FROM: Howard S. Lazarus, City Administrator
DATE: April 4, 2018
SUBJECT: Water/Sewer Rate Information

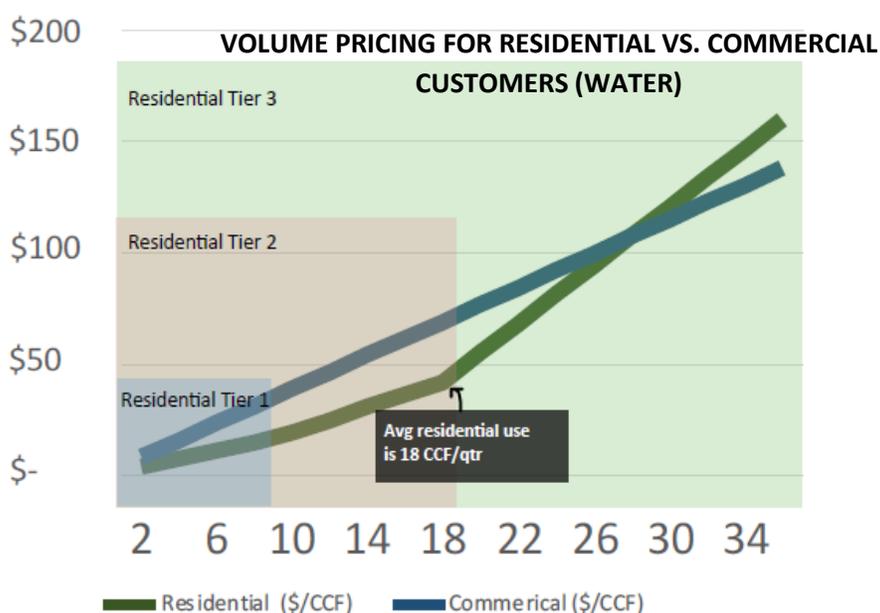
I am providing the attached memorandum from staff in response to Council's request for information that the Council Members can use to better explain and respond to constituent questions on the proposed restructuring of water and sewer rates. The recommended revisions stem from the recently completed cost of service study and are reflective of best practices and legal requirements.

As always, please do not hesitate to contact Mr. Craig Hupy or me directly should you have any questions or require additional information.

cc: C Hupy
M Praschan
S Higgins

Cost of Service Study

- The City completed a Cost of Service study using the best available information to determine what customers should be paying for the water and sewer services they use.
- The costs to maintain and invest in our water and sewer systems must be recovered based on how customers use the systems.
- It is standard for utilities to conduct these types of studies, which the City last conducted in 2003.
- Stantec Consulting, who led the study, is a national expert on rate setting and based all proposals on legal and industry standard methodology.
- A cross-section of the community participated via surveys, focus groups and a public advisory committee.
- Millions of data points were used to propose the tiered rate sizing and prices for residential customers, which accurately accounts for the known ways in which those customers use water.
- The data analysis identified a new customer class, multi-family. Pricing for the Multi-family class is based on the adjusted costs to serve that particular class.
- Some costs do not vary based on usage, such as billing costs. However, some costs do vary based on how a class uses water. Rates presented propose that the classes who drives these costs pay their fair share.
- Affordability is one issue, among many, examined as part of the study. It was not the reason that the study was originally undertaken.
- Industry standards do not exist for essential use of water in commercial properties; however, standards do exist for essential use of water in residential properties. As such, these standards were used to establish the residential inclining block structure and tier sizing; as well as, a flat rate structure for commercial and multi-family customers.
- When considering the new rate structure, pricing for each tier vs. typical consumption was taken into account. Until a customer exceeds 28 CCFs they are paying less than a commercial customer for water used, which reflects the cost to serve.
- The graphic below demonstrates the volume pricing for residential vs. commercial customers for water. Ninety-five percent (95%) of residents use less than 36 CCFs per quarter.



- The full presentation and explanation of the study's findings can be viewed at: <https://youtu.be/aLtxZgk7loM>