



TO: Mayor and Council

FROM: Tom Crawford, City Administrator

CC: Craig Hupy, Public Services Area Administrator

SUBJECT: Ordinance to Amend Section 2:63 of Chapter 29

DATE: December 15, 2020

In response to the concerns raised by Council member Ramlawi and Council member Hayner at first reading of Ordinance to Amend Section 2:63 Chapter 29 on December 7, 2020, the following information is offered.

The question was raised whether lower non-residential use was a reason driving rate increases? A decline in non-residential use is not driving the requested rate increases. The water financial plan implemented during the cost of service study is revisited annually and shows that the steady revenue requirement increases are necessary to keep up with the level of system investment needed. The financial planning tool that rate increases are based on is a long-term mechanism to balance out revenue and expenditures for the water system. The financial plan was built to be resilient to changes in usage patterns and weather variations.

The City continues to plan with the best available data to maintain a resilient financial position to continue the reinvestment in our infrastructure and to avoid rate shock to our customers. By taking a long-term perspective and asking Council to support the planned rate increases, the City is in the best position to meet all its financial obligations.

Is there an alternative strategy to following the recommended rate increases? Yes. Rates could increase in tandem with the volatility of the capital investment needs. However, these rate changes could be dramatic at the time of implementation. The

current rate philosophy assumes that customers find it preferable to budget for steadier increases.

Prior decisions by Council to not increase rates as the structure was reviewed have already deviated from the plan for steady increases for our customers. The table below exhibits the recent history of rate increases and the FY 21 proposed increase for your reference. Please note, that FY 19 had no increase and FY 21 is proposing a reduced increase request due to a 6-month delay in consideration. The staff recommended ordinance amendment is an effort to regain the long-term course for a sustained and well-maintained water infrastructure.

	FY17	FY18		FY19	FY20	FY21
Actual Rate Increase	5.5%	6.75%		0.0%	6.0%	3.5%
2018 COS Planned Rate Increase				6%	6%	6%
Metered Service Revenue	\$24.5 Mil	\$24.0 Mil		\$24.3 Mil	\$23.9 Mil	