

..Title

An Ordinance to Amend Section 2:63 of Chapter 29 (Water Rates) of Title II of the Code of the City of Ann Arbor

..Memorandum

Your approval is requested to amend Section 2:63 of Chapter 29 of Title II of the Code of the City of Ann Arbor to increase water rates for current operating and future system needs. The amended rates have a proposed effective date of January 1, 2021.

On June 1, 2020 the Council tabled the water rate increase ordinance for further review of the rate structure and subsequently passed resolution, R-20-192, which delayed water rate increases and authorized that the incremental revenue lost to the Water Systems as a result of the delay be recovered in the January 1, 2021 increase. At the time staff informed Council that this would require a higher increase when revisited. Subsequent to the postponement, a vote was held October 19, 2020 which maintained the current rate structure. While the pandemic has impacted revenue, it has also caused delays to capital expenditures which have made it financially viable to propose the rate increases that represent a 7% increase effective January 1, 2021. Staff evaluated the impact that water rates have on customers budget during these difficult times and minimized the increase to the extent possible. While the City must remain vigilant in infrastructure investment, the proposed plan in conjunction with the continued rate increases will responsibly fund the water systems financial needs.

Based on current financial projections, that include revenue/usage declines in the non-residential customer class, and increases in the residential customer class, staff projects that revenue will be \$1.2 Mil. less than budgeted for the current fiscal year ending June 30, 2021. However, the proposed increase will generate approximately \$1.47 Mil. more than metered service revenue received in FY20. The water system must remain vigilant in planning for the investment in our infrastructure and adhering to additional drinking water regulation.

For the average customer, the rate increases represent an estimated \$4.61 increase from current rates in their quarterly bill from January 1, 2021 to June 30, 2021 (a total estimated increase of \$9.22 for the 6-month period).. For the purposes of this comparison, the bill is calculated as a residential customer with a 5/8" meter, using 18 CCF per quarter. The early payment discount (10%) is not included in this calculation.

..Staff

Prepared by: Marti Praschan, Public Services Chief of Staff
Reviewed by: Craig Hupy, Public Services Area Administrator
Approved by: Tom Crawford, City Administrator

..Body

(See Attached Ordinance)