



To: Mayor & Council

From: Keith Lee

Re: Water Rates

Date: August 25, 2014

The city operates a water system that serves approximately 14,300 citizens. The operating costs for the system are funded by user fees. The base fees were last adjusted in 2013 and usage fees were last adjusted in 2008. The FY 2013 revenues for the water fund were \$3,218,000.

While the City's water fund pro forma (attachment 1) indicates sufficient revenues to cover operating costs of the water system and debt service of the water plant, other items also impact the sustainability of the fund, which include:

- Annual Maintenance Capital of \$500,000 for the distribution system;
- Salary and Benefit cost increases (3% in FY 2015, 2017, 2019); and
- Expected inflationary increases for utilities, fuel and other supplies (1.5% annual inflation).

To fund these items as well as expenses identified through the Priority Based Budgeting, an increase in water fees has being identified beginning January 1, 2015. To sustain the fund, annual fee increases would be as follows:

	Zero	3,000	5,000	7,000	10,000	15,000
	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons
2015	\$4.86	\$16.85	\$24.84	\$40.82	\$64.80	\$124.74
2016	\$4.93	\$17.10	\$25.21	\$41.44	\$65.77	\$126.61
2017	\$5.01	\$17.36	\$25.59	\$42.06	\$66.76	\$128.51
2018	\$5.08	\$17.62	\$25.97	\$42.69	\$67.76	\$130.44
2019	\$5.16	\$17.88	\$26.36	\$43.33	\$68.78	\$132.39

In 2015, the average user will see an increase of \$1.84 per month and less than 40 cents per month for years 2 through 5 (attachment 2). As you consider this information, I would propose for the increases to begin in January of 2015 and increase annually in January for five years based on the defined structure of the resolution. Your consideration of this item is appreciated and please do not hesitate to contact me with questions you may have.