

To: Yachats City Council
From: Bob Bennett, Chair Public Works Commission
Subject: Status Report On Recommendations For Utility Rate Changes

The Commission met on Tuesday, October 6th with the primary agenda item of reviewing the Utility Rate Changes with emphasis on fostering communication and explanation of the proposed structure. Please note that **No Recommended Rate Values** were selected at this meeting. The focus was on the proposed model and how the model would meeting the stated Objectives presented and approved by the City Council during the Council Meeting on September 10th.

Included in this Status Report is a description of the **Proposed Utility Rate Methodology** including references to the approved **Objectives**. For each Objective there is a at least one reference to sections within this report where data extracted from the model attempts to demonstrate support for the objective.

Please note that Objective #6 – “*Provide for annual adjustment of rates based on a localized inflation value*” has no defined method for derivation and does not have any relevance for the current modeling effort as it refers to future years. This definition must be developed to insure open communication with Utility Customers.

Other items pending definition are “billing for consumers outside of City Limits”, other items as “Late Charges” and other “Penalty Charges”. Since many are based on percentages it is possible they could be continued as is but they should be reviewed.

CC: Public Works Commission, Walt Weyand, Larry Nixon, Doug Johnson, Joel Evans, Don Goth
Nancy Batchelder, Rick McClung, Dave Buckwald

October 7, 2015

Yachats Public Works and Streets Commission

Recommendations for Utility Rate Changes

The Yachats Public Works and Streets Commission was given an assignment by the City Council to examine the current Water and Wastewater billing rates and methodology which matches the expectation of the approved budget for FY 15-16. The FY 15-16 budget approved an increase in revenue for both the Water Fund (Fund 60) and the Sewer Fund (Fund 70) of \$25,000 each based on increased billing. This document describes the Objectives for changes in the approach to Utility Rate computations, the Proposed Utility Rate Methodology, and the Proposed Utility Rates.

Proposed Objectives for Utility Rates In Order of Importance

Approved by The City Council on September 10th.

1. Raise additional revenue to meet requirements of Approved Budget for FY15-16 which requires \$25,000 for Water Services and \$25,000 for Sewer Services beginning January 2016. There after the required annual amounts is \$50,000 for each service.
2. Adopt a utility rate structure which encourages water conservation.
3. The utility rate structure should insure a balanced and equitable rate structure between smaller users and larger users.
4. .Insure that Base Rates do more to recover costs required for full service support even if little or no service is used
5. Provide for rate based funding to help offset cost of Capital Improvement Projects
6. Provide for annual adjustment of rates based on a localized inflation value.
7. Annual review to insure that the rates are sufficient to cover the operational requirements and provide reserves for future infrastructure needs.

Proposed Utility Rate Methodology

Pending Approval by The City Council

- Stop using the YEU approach as it is a manual adjustment and is not compatible with the Proposed Objectives.
- Increase the Base Rate for both Water and Sewer to better cover the overhead costs of providing basic services regardless of the amount of water used. Offset the impact of raising the base rates by including some number of billing units in the base rate. Meets the following objectives:
 - Number 1 – Increase revenue. (See *Rates Section* and *Revenue Increase Summary Below*)
 - Number 2 – Encourage water conservation. (See *Conservation Summary Below*)
 - Number 4 – Recover costs to cover full service. (See *Budget Breakdown Summary Below*)
 - Number 3 – Improve balance between small and large users. (See *Profile Summary Below*)
- Use a tiered water usage rate structure which applies a surcharge on the amount of water used for at least one different level of usage. Meets the following objectives:
 - Number 1 – Increase revenue. (See *Rates Section* and *Revenue Increase Summary Below*)
 - Number 2 – Encourage water conservation (See *Conservation Summary Below*)
 - Number 3 – Improve balance between small and large users. (See *Profile Summary Below*)
- Include Capital Improvement Projects costs as part of the rate structure as long as it does not increase the projects rates beyond the current proposed revenue requirements described in the first objective. Meets the following objectives:
 - Number 1 – Increase revenue. (See *Rates Section* and *Revenue Increase Summary Below*)
 - Number – 5 Funding for Capital Improvements. (*Revenue Increase Summary Below*)

Rate Section

			Capital Improvement Project Adjustment	
Use for Water Base	\$35.00	Includes 1st 2 units at current rate	Basic Water Base	\$1.00
Use for Water Var	\$4.00		Basic Water Var	\$1.00
Use for Sewer Base	\$35.00	Includes 1st 2 units at current rate	Basic Sewer Base	\$1.00
Use for Sewer Var	\$4.25		Basic Sewer Var	\$1.00
Unit Offset	200	1st 2 units at no charge		
New YEU	500000	Remove YEU		
New YEU Var	1000	Does Not Apply		
Upper Rate 1	\$1.25	Added for units used above First Offset Rate		
First Offset Rate	400	Apply above rate increase over 4 units		
Upper Rate 2	\$1.50	Added for units used above Second Offset Rate		
Second Offset Rate	70000	Apply above rate increase over 700 units		

	For May 2015	For June 2015	For July 2015	For August 2015	Annual Projected
Water	\$ 3,063	\$ 4,912	\$ 4,547	\$ 6,141	\$ 52,720
Wastewater	\$ 3,832	\$ 5,182	\$ 4,773	\$ 6,117	\$ 56,225
Total	\$ 6,895	\$ 10,095	\$ 9,319	\$ 12,258	\$ 108,945
Cross Check	\$ 6,895	\$ 10,095	\$ 9,319	\$ 12,258	

7.70%

8.50%

9.30%

9.90%

Revenue Increase Summary

	May	June	July	Aug	Total	Annual Projection
Water Utilities Only	\$ 502	\$ 389	\$ (12)	\$ 218	\$ 1,097	\$ 3,099
Sewer Utilities Only	\$ 1,270	\$ 659	\$ 214	\$ 194	\$ 2,338	\$ 6,603
CIP - Water	\$ 2,561	\$ 4,523	\$ 4,559	\$ 5,923	\$ 17,566	\$ 49,621
CIP - Sewer	\$ 2,561	\$ 4,523	\$ 4,559	\$ 5,923	\$ 17,566	\$ 49,621
Total	\$ 6,895	\$ 10,095	\$ 9,319	\$ 12,258	\$ 38,567	\$ 108,945
Cross Check	\$ 6,895	\$ 10,095	\$ 9,319	\$ 12,258		
Percentage based on 12 month totals	7.7%	8.5%	9.3%	9.9%		

Profile Summary

	May	June	July	August
Total Utility Bill - Current	\$74,546.20	\$95,824.10	\$96,931.90	\$111,621.75
Top 50 Accounts				
Total of Top 50 Accounts - Current	\$13,914.55	\$27,881.05	\$27,624.60	\$37,846.90
Percent of Total Utilities for Top 50 Accounts - Current	18.7%	29.1%	28.5%	33.9%
Actual Water Consumed	115,641	243,731	239,180	327,965
Percent of Actual Water Consumed	42.2%	49.6%	47.6%	51.2%
Total Utility Bill - Proposed	\$16,986.83	\$33,319.58	\$32,736.90	\$44,056.35
Percent of Total Utility Billed - Proposed	20.9%	31.5%	30.8%	35.6%
Top 100 Accounts				
Total of Top 100 Accounts - Current	\$15,496.55	\$35,138.70	\$34,737.75	\$46,006.40
Percent of Total Utilities for Top 100 Accounts - Current	20.8%	36.7%	35.8%	41.2%
Actual Water Consumed	148,051	293,847	287,597	388,667
Percent of Actual Water Consumed	54.0%	59.8%	57.2%	60.7%
Total Utility Bill - Proposed	\$23,317.83	\$41,906.05	\$41,106.63	\$53,995.60
Percent of Total Utility Billed - Proposed	28.6%	39.6%	38.7%	43.6%
Top 200 Accounts				
Total of Top 200 Accounts - Current	\$29,705.20	\$46,919.55	\$46,567.05	\$59,105.60
Percent of Total Utilities for Top 200 Accounts - Current	39.8%	49.0%	48.0%	53.0%
Actual Water Consumed	195,576	361,878	356,193	472,211
Percent of Actual Water Consumed	71.3%	73.7%	70.8%	73.7%
Total Utility Bill - Proposed	\$33,772.80	\$54,977.33	\$54,250.58	\$69,044.40
Percent of Total Utility Billed - Proposed	41.5%	51.9%	51.1%	55.7%
Total Billed Accounts	837	833	833	840
Accounts With No Usage	243	162	116	129
Accounts Using 1 Unit	151	106	124	88
Accounts Using 2 Units	116	119	94	101
Percent of Accounts Using 2 Units or Less	60.9%	46.5%	40.1%	37.9%
Total Water Billed in Cu Ft	274,302	491,278	502,753	640,538

October 7, 2015

Conservation Section

Number of Accounts Saving Money With New Rate Structure

May	188
June	201
July	215
August	195

Note: The new rate structure allows those accounts which use more than 150 cubic feet and less than 350 cubic feet to pay less than with the current rate structure.

Budget Breakdown Summary

Water Expense Category

	FY 13-14		FY 14-15		FY 15-16	
	Amount	Percent	Total	Estimated Distributed Costs	Total	Estimated Distributed Costs
Treatment	124,171.78	20.96%		118,689		110,494
Distribution	60,926.25	10.28%		58,236		54,215
Storage	169,004.55	28.53%		161,542		150,388
Supply	21,071.89	3.56%		20,141		18,751
Cross Connect	6,569.53	1.11%		6,279		5,846
Testing	24,715.57	4.17%		23,624		21,993
Admin	185,958.82	31.39%		177,748		165,475
Total	592,418.40		566,260		527,161	

Note: No Capital Projects are included in the above expenses since they were charged directly to project accounts.

Estimated Water Expenses By Month

	May-2015	Jun-2015	Jul-2015	Aug-2015
Percent of Total Budget by Month	7.70%	8.50%	9.30%	9.90%
Estimated Costs By Month				
Treatment	9,139	10,089	10,276	10,939
Distribution	4,484	4,950	5,042	5,367
Storage	12,439	13,731	13,986	14,888
Supply	1,551	1,712	1,744	1,856
Cross Connect	484	534	544	579
Testing	1,819	2,008	2,045	2,177
Admin	13,687	15,109	15,389	16,382
Total	43,602	48,132	49,026	52,189
Total Base Rate Raised For Water Only	30,132	29,988	29,988	30,168
% of Expenses	69.11%	62.30%	61.17%	57.81%