

Brentwood City Commission Agenda

Meeting Date: 06/13/2022

Ordinance 2022-08 - Amending the Municipal Code In Regard to Water and Sewer Rates and Fees

Submitted by: Kirk Bednar, Administration

Department: Administration

Information

Subject

Ordinance 2022-08 - Amending the Municipal Code In Regard to Water and Sewer Rates and Fees

Background

In 2020, the City Commission authorized an agreement with Willdan Financial Services to complete an update to the Water and Sewer Fund long range financial model and make recommendations regarding utility rate structures. Willdan completed a similar financial review of water and sewer rates in 2015. As a result of that 2015 update, in FY 2016 the Board approved a financial plan with recommendations for rate adjustments through FY 2021 and established financial policies related to minimum reserves and debt service coverage levels.

In completing its latest update of the financial model, Willdan factored in the historical operating results of the Water and Sewer Fund for both revenues and expenditures, the Water Services Department's proposed FY 2023-2028 capital improvements plan, and the Department's proposed FY 2022 operating budget trended out over the next five years. The results of this analysis and the subsequent proposed recommended rate adjustments are summarized below:

1. Sewer rates calculated on winter average water use require only minor adjustments of 2.5% annually in FYs 2023-2026. These relatively small adjustments are to account for increased City costs associated with operation and maintenance of the sewer collection system. The sewer treatment surcharge, currently \$1.07/1,000 gallons based on winter average, automatically adjusts in October of each year based upon the change in the cost index provided in the Metro Sewer Treatment contract. Therefore, no adjustment in this surcharge is required at this time.
2. Water rates are proposed to increase the same as sewer rates – 2.5% annually in FY's 2023-2026. As with sewer, these relatively small adjustments are to account for increased City costs associated with operation and maintenance of the water storage and distribution system, including raw water purchase costs. The water purchase surcharge, currently \$1.25/1,000 gallons used, is determined automatically based on increases from HVUD above the baseline wholesale purchase rate of \$2.55/1,000 gallons. Therefore, no adjustment in this surcharge is required at this time.

The three tables below show the impact of the proposed FY 2023 changes for the water and

sewer portion of a bill for varying usage levels and customer types. In looking at these tables, note that the annual average residential water bill usage is approximately 9,800 gallons per month, and the annual residential winter average based sewer bill is approximately 5,500 gallons per month. Water rates are the same for residential and commercial users while sewer rates are different, with base commercial sewer rates being 25% higher than residential in recognition of the greater impact from commercial users.

WATER (Residential and Commercial)			
Gallons	Current Rates	Proposed FY 2023 Rates	Monthly Increase
0	\$ 14.23	\$ 14.59	\$ 0.35
2,000	16.98	17.33	0.35
5,000	36.07	36.79	0.71
7,000	48.81	49.76	0.95
10,000	67.90	69.22	1.32
15,000	110.98	113.23	2.25
25,000	197.13	201.25	4.12
50,000	412.52	421.30	8.78
60,000	498.67	509.32	10.65
100,000	843.29	861.39	18.11
500,000	4,289.44	4,382.17	92.74

RESIDENTIAL SEWER			
Gallons	Current Rates	Proposed FY 23 Rates	Monthly Increase
0	\$ 16.22	\$ 16.63	\$ 0.41
2,000	18.36	18.77	0.41
5,500 *	42.02	42.92	0.90
7,000	52.16	53.27	1.11
10,000	72.44	73.97	1.53
15,000	110.29	112.62	2.33
25,000	185.99	189.92	3.93
* = Current average residential winter usage			

COMMERCIAL SEWER			
Gallons	Current Rates	Proposed FY 17 Rates	Monthly Increase
5,000	\$ 46.94	\$ 47.99	\$ 1.05
10,000	87.84	89.79	1.95
15,000	133.74	136.69	2.95
35,000	317.34	324.29	6.95
60,000	546.84	558.79	11.95
100,000	914.04	933.99	19.95
500,000	4,586.04	4685.99	99.95

If the attached ordinance and associated rate adjustment are approved on first reading, second reading of the ordinance would be scheduled for the June 13, 2022 meeting. If approved on final reading, implementation of the new rates would begin with the August billing cycle which would be reflective of July's water usage and the existing winter average amounts for sewer.

Staff Recommendation

Staff recommends approval of Ordinance 2022-08 on first reading.

Previous Commission Action

Ordinance 2022-08 was approved on first reading at the May 23, 2022 meeting.

Fiscal Impact

Amount :

Source of Funds:

Account Number:

Fiscal Impact:

The proposed rate increases are the result of an update to the Water and Sewer Fund financial model by Willdan and are intended to ensure the Fund meets or exceed all adopted financial policy requirements. The amount generated by the proposed rate increases will be dependent upon actual customer usage.

Attachments

Ordinance 2022-08

Attachment A - Proposed Sewer Rates

Attachment B - Proposed Water Rate Adjustments

Willdan Financial Model Presentation

Signed Ordinance
