

Utility Rates Discussion  
Committee of the Whole 9/12/22

9/12/2022



1

## Presentation Roadmap

- Legislation Discussion
  - Ordinance 22-58 Utility Operations Fund Balance Transfer
  - Ordinance 22-60 ARPA Appropriation
  - Ordinance 22-61 Utility Rates
- Rate Model Scenarios
- Closeout

9/12/2022



2

# Legislation Discussion



## Ordinance 22-58: Utility Operations Fund Transfer

| Utility Operations Fund (200) |              |                |              |              |              |
|-------------------------------|--------------|----------------|--------------|--------------|--------------|
|                               | FY18         | FY19           | FY20         | FY21         | FY22         |
| Beginning Fund Balance        | \$ 3,291,818 | \$ 3,325,819   | \$ 673,608   | \$ 1,030,917 | \$ 979,016   |
| Ending Fund Balance           | \$ 3,325,819 | \$ 673,608     | \$ 1,030,917 | \$ 979,016   | \$ 1,205,126 |
| Net Change                    | \$ 34,001    | \$ (2,652,211) | \$ 357,309   | \$ (51,901)  | \$ 226,110   |

| Water CARMA Fund (256-0378) |              |              |              |                                 |              |
|-----------------------------|--------------|--------------|--------------|---------------------------------|--------------|
|                             | FY18         | FY19         | FY20         | FY21                            | FY22         |
| Beginning Fund Balance      | \$ 2,593,246 | \$ 2,650,270 | \$ 2,615,008 | \$ 2,555,103                    | \$ 2,391,139 |
| Ending Fund Balance         | \$ 2,650,270 | \$ 2,615,008 | \$ 2,555,103 | \$ 2,391,139                    | \$ 2,044,196 |
| Net Change                  | \$ 57,024    | \$ (35,262)  | \$ (59,905)  | \$ (163,964)                    | \$ (346,943) |
|                             |              |              |              |                                 | \$ (12,143)  |
|                             |              |              |              | Encumbered                      | \$ 359,155   |
|                             |              |              |              | Pending Encumbrance (ORD 22-xx) | \$ 270,000   |
|                             |              |              |              | Pending Transfer (ORD 22-xx)    | \$ 52,000    |
|                             |              |              |              | Estimated Balance Available     | \$ 1,454,899 |
|                             |              |              |              | FY23 Budgeted CARMA Transfer    | \$ 106,804   |

| Sewer CARMA Fund (256-0379) |              |              |              |                                 |              |
|-----------------------------|--------------|--------------|--------------|---------------------------------|--------------|
|                             | FY18         | FY19         | FY20         | FY21                            | FY22         |
| Beginning Fund Balance      | \$ 2,153,985 | \$ 1,979,619 | \$ 2,065,381 | \$ 1,929,114                    | \$ 1,792,300 |
| Ending Fund Balance         | \$ 1,979,619 | \$ 2,065,381 | \$ 1,929,114 | \$ 1,792,300                    | \$ 1,357,240 |
| Net Change                  | \$ (174,366) | \$ 85,762    | \$ (136,267) | \$ (136,814)                    | \$ (435,060) |
|                             |              |              |              |                                 | \$ (1,160)   |
|                             |              |              |              | Encumbered                      | \$ 907,689   |
|                             |              |              |              | Pending Encumbrance (ORD 22-xx) | \$ 208,000   |
|                             |              |              |              | Pending Transfer (ORD 22-xx)    | \$ 156,000   |
|                             |              |              |              | Estimated Balance Available     | \$ 396,392   |
|                             |              |              |              | FY23 Budgeted CARMA Transfer    | \$ 234,166   |

- The purpose of the Utility Operations Fund is to fund operational expenses associated with the Water and Sewer Utilities. As fiscal years end, there is either a residual operating surplus or deficit. The accumulation of these surpluses/deficits over previous years has lead towards the current fund balance of \$1,205,126.

Ordinance 22-58 serves to begin the replenishment of the Utility CARMA funds, as both the Water and Sewer CARMA funds have been heavily depleted (without restoration) over the last couple years.

The methodology behind determining the amount to transfer is as follows:

- (1) Establish available balance \$1,205,126
- (2) Reduce for WWTP Clarifiers (\$370,263)
- (3) Reduce for 50% Utility Rate Buyback (\$417,432)
- (4) Reduce for 25% Operating Reserve (\$208,716)

Total Allowable Transfer to CARMA \$208,716

This amount was rounded to \$208,000 to allow for easier splits between the Water and Sewer CARMA funds. This amount was then split 25% to Water CARMA (\$52,000) and 75% to Sewer CARMA (\$156,000).

This ordinance is written to be in alignment with the passage of Scenario 2 in the proposed Utility Rate Model, which is formalized in Ordinance 22-61 establishing those rates.



## Ordinance 22-60: Appropriating ARPA Funds

PW Director Jan Keiser reviewed the list of FY23 projects identified in the City's Water and Sewer Financial Plan for eligibility. Below is a summary of that work:

### Water Capital Improvement Projects:

- WTP Filter Media Train (1 each/year) \$100,000 - Eligible
- RWP-1 Balance Motor/Shaft \$50,000 - Eligible
- Hydrant Replacement (10/year) \$100,000 - Not Eligible
- Fleet Replacement \$50,000 - Not Eligible
- WTP Sludge Drying Bed \$100,000 - Eligible
- Replace Water Meters \$50,000 - Eligible

### Sewer Capital Improvement Projects:

- Replace UV System \$430,000 - Eligible
- WWTP MCC Spare Parts \$30,000 - Eligible
- Replace Cracked Incinerator \$75,000 - Eligible
- Beluga Lift Station \$20,000 - Eligible
- Lagoon Liner \$25,000 - Eligible
- Replace Lift Station Access Hatch \$50,000 - Eligible
- Sludge Drying Beds \$25,000 - Eligible
- Fleet Replacement \$50,000 - Not Eligible

- Second tranche of American Rescue Plan Act (ARPA) funds totaling \$716,685.16 has been received

- Eligible use of ARPA funds is to make "necessary investments in water, sewer, or broadband infrastructure"
  - Projects have to meet the Federal Clean Water and Drinking Water program requirements

- Projects selected for funding through ORD 22-58 was based on best usage of ARPA funding that allowed for full funding of projects

9/12/2022



5

## Ordinance 22-61: Establishing Utility Rates

- City staff recommends the selection of Scenario 2, which allows for (1) full appropriation of ARPA funding to cover eligible utility infrastructure projects, (2) 50% rate buyback (\$417,432-split 50/50 between water and sewer rates), (3) 25% funding of utility operating reserve (\$208,000), and (4) 25% transfer to Utility CARMA (\$208,716 total - 25% of this to Water CARMA (\$52,000) and 75% of this to Sewer CARMA (\$156,000)).
  - This scenario has the least financial impact on the rate payers while still funding urgent projects, beginning the rebuild of Utility CARMA, starting the creation of the Utility Operating Reserve and buying down the rate.
- City staff also recommends that these rates go into effect the first full billing period in November 2022.
- Ordinance 22-61 has been written to match the parameters of Scenario 2. If Council decides to go a different direction, this ordinance would need to be updated accordingly. Modifications to the aforementioned ordinances could also require an update to the rate ordinance as proposed.

9/12/2022



6

# Utility Rate Scenarios

9/12/2022



7

## Utility Rate Scenario 1 - Inclusion of ARPA Funding; No Usage of Utility Operations Fund Balance

|   |              |
|---|--------------|
| <b>WATER Rate Model</b>                                 |              |
| Revenues  |              |
| FY23 Operating Revenue Required - Water                 | \$ 2,013,045 |
| CARMA Transfer Requirement                              | 450,000      |
| Deduct ARPA   | (250,000)    |
| Deduct Portion Collected Through Service Fee            | \$0          |
| Hydrant Rents (10% of Total)                            | (91,734)     |
| Surplus Water Sales (Bulk) surcharge only               | (87,790)     |
| Revenue Required for Commodity Rate Calculation         | \$ 2,053,516 |
| Water Consumption (Gallons)                             |              |
| Total Estimated Water Sales                             | 131,000,000  |
| Water Rates:  |              |
| Commodity Rate (per gal)                                | \$ 0.0157    |
| Bulk Rate (per gal)                                     | \$ 0.0197    |
| Monthly Fee   | \$ -         |
| Cooperative Additional Information:                     |              |
| FY22 Gross Means Water Sales (Gallons)                  | 130,071,800  |
| <b>SEWER Rate Model</b>                                 |              |
| Revenues  |              |
| FY23 Operating Revenue Required - Sewer                 | \$ 1,754,802 |
| CARMA Transfer Requirement                              | 705,000      |
| Deduct ARPA   | (440,480)    |
| Lift Station Costs                                      | (225,231)    |
| Pumping Fee   | (10,245)     |
| Dumping Station Fees                                    | (5,985)      |
| Multi-Units and K-city (\$5/unit/mo.)                   | (16,500)     |
| Revenue Required for Commodity Rate Calculation         | \$ 1,875,838 |
| Sewer Usage (Gallons)                                   |              |
| Projected Billable Volume                               | 77,000,000   |
| Projected Billable Volume - Lift Zone Only              | 20,000,000   |
| Total Projected Billable Volume                         | 97,000,000   |
| Sewer Rate  |              |
| Non-Lift Station Rate                                   | \$ 0.0173    |
| Lift Station Rate                                       | \$ 0.0285    |
| Lift Station Additional Information:                    |              |
| FY 22 Actually Billed Stations (Lift Station Zone Only) | 10,561,000   |

### Rate Model Modifications:

- Removes the flat monthly service fee (due to FY23 waiver of Admin Fees); all other original inputs kept the same

### Scenario 1 includes:

- American Rescue Plan Act (ARPA) funds totaling \$716,675.16
  - This amount was split between water and sewer eligible projects; can be modified in ORD 22-60 (rates are subject to change)

9/12/2022



8

## Utility Rate Scenario 2 - Inclusion of ARPA Funding; Draw on Utility Operations Fund Balance (50% Rate Buyback, 25% Establish Utility Operating Reserve, 25% CARMA Transfer)

|  |              |
|--|--------------|
| <b>WATER Rate Model</b>                                |              |
| Revenues   |              |
| FY23 Operating Revenue Required - Water                | \$ 2,013,989 |
| CARMA Transfer Requirement                             | 450,000      |
| Deduct Operating Fund Balance                          | (208,716)    |
| Deduct ARPA  | (500,000)    |
| Deduct Portion Collected Through Service Fee           | 0            |
| Hydrant Rate (10% of Total)                            | (81,754)     |
| Surplus Water Sales (Bulk) surcharge only              | (27,700)     |
| Revenue Required for Commodity Rate Calculation        | \$ 1,844,800 |
| <b>Water Consumption (Gallons)</b>                     |              |
| Total Estimated Water Sales                            | 131,000,000  |
| <b>Water Rates:</b>                                    |              |
| Commodity Rate (per gal)                               | \$ 0.0141    |
| Bulk Rate (per gal)                                    | \$ 0.0181    |
| Monthly Fee  | \$ -         |
| <b>Consumption Additional Information:</b>             |              |
| FY22 Gross Water Sales (Gallons)                       | 130,871,800  |
| <b>SEWER Rate Model</b>                                |              |
| Revenues   |              |
| FY23 Operating Revenue Required - Sewer                | \$ 1,754,662 |
| CARMA Transfer Requirement                             | 705,000      |
| Deduct Operating Fund Balance                          | (208,716)    |
| Deduct ARPA  | (450,000)    |
| Lift Station Costs                                     | (225,211)    |
| Pumping Fee  | (10,244)     |
| Dumping Station Fees                                   | (5,000)      |
| Multi-Units and In-city (Bifurcated)                   | (76,020)     |
| Revenue Required for Commodity Rate Calculation        | \$ 1,408,820 |
| <b>Sewer Usage (Gallons)</b>                           |              |
| Projected Billing Volume                               | 77,500,000   |
| Projected Billing Volume - Lift Zone Only              | 20,000,000   |
| Total Projected Billing Volume                         | 97,500,000   |
| <b>Sewer Rate:</b>                                     |              |
| Non-Lift Station Rate                                  | \$ 0.0151    |
| Lift Station Rate                                      | \$ 0.0284    |
| <b>Lift Station Additional Information:</b>            |              |
| FY 22 Actually Billed Gallons (Lift Station Zone Only) | 19,581,500   |

### Rate Model Modifications:

- Removes the flat monthly service fee (due to FY23 waiver of Admin Fees); all other original inputs kept the same

### Scenario 2 includes:

- American Rescue Plan Act (ARPA) funds totaling \$716,675.16
  - This amount was split between water and sewer eligible projects; can be modified in ORD 22-60 (rates are subject to change)
- 50% rate buyback
  - (\$407,432 split 50/50 between water and sewer rates)
- 25% funding of operating reserve (\$208,716)
- 25% transfer to Utility CARMA
  - \$208,000 total – 25% to Water CARMA (\$52,000) and 75% to Sewer CARMA (\$156,000)

9/12/2022



9

## Utility Rate Scenario 3 - Inclusion of ARPA Funding; Draw on Utility Operations Fund Balance (25% Rate Buyback, 25% Establish Utility Operating Reserve, 50% CARMA Transfer)

|  |              |
|--|--------------|
| <b>WATER Rate Model</b>                                |              |
| Revenues   |              |
| FY23 Operating Revenue Required - Water                | \$ 2,013,989 |
| CARMA Transfer Requirement                             | 450,000      |
| Deduct Operating Fund Balance                          | (104,358)    |
| Deduct ARPA  | (500,000)    |
| Deduct Portion Collected Through Service Fee           | 0            |
| Hydrant Rate (10% of Total)                            | (81,754)     |
| Surplus Water Sales (Bulk) surcharge only              | (27,700)     |
| Revenue Required for Commodity Rate Calculation        | \$ 1,940,155 |
| <b>Water Consumption (Gallons)</b>                     |              |
| Total Estimated Water Sales                            | 131,000,000  |
| <b>Water Rates:</b>                                    |              |
| Commodity Rate (per gal)                               | \$ 0.0148    |
| Bulk Rate (per gal)                                    | \$ 0.0189    |
| Monthly Fee  | \$ -         |
| <b>Consumption Additional Information:</b>             |              |
| FY22 Gross Water Sales (Gallons)                       | 130,871,800  |
| <b>SEWER Rate Model</b>                                |              |
| Revenues   |              |
| FY23 Operating Revenue Required - Sewer                | \$ 1,754,662 |
| CARMA Transfer Requirement                             | 705,000      |
| Deduct Operating Fund Balance                          | (104,358)    |
| Deduct ARPA  | (450,000)    |
| Lift Station Costs                                     | (225,211)    |
| Pumping Fee  | (10,244)     |
| Dumping Station Fees                                   | (5,000)      |
| Multi-Units and In-city (Bifurcated)                   | (76,020)     |
| Revenue Required for Commodity Rate Calculation        | \$ 1,291,718 |
| <b>Sewer Usage (Gallons)</b>                           |              |
| Projected Billing Volume                               | 77,500,000   |
| Projected Billing Volume - Lift Zone Only              | 20,000,000   |
| Total Projected Billing Volume                         | 97,500,000   |
| <b>Sewer Rate:</b>                                     |              |
| Non-Lift Station Rate                                  | \$ 0.0162    |
| Lift Station Rate                                      | \$ 0.0275    |
| <b>Lift Station Additional Information:</b>            |              |
| FY 22 Actually Billed Gallons (Lift Station Zone Only) | 19,581,500   |

### Rate Model Modifications:

- Removes the flat monthly service fee (due to FY23 waiver of Admin Fees); all other original inputs kept the same

### Scenario 3 includes:

- American Rescue Plan Act (ARPA) funds totaling \$716,675.16
  - This amount was split between water and sewer eligible projects; can be modified in ORD 22-60 (rates are subject to change)
- 25% rate buyback
  - (\$208,716 split 50/50 between water and sewer rates)
- 25% funding of operating reserve (\$208,716)
- 50% transfer to Utility CARMA
  - \$417,000 total – 25% to Water CARMA (\$104,250) and 75% to Sewer CARMA (\$312,750)

9/12/2022



10

# Utility Rate Scenario Comparison

|                   | Average Volume   |                  |                  |                  | High Volume      |                  |                  |                  | Lift-Station (Year-Round)   |                 |                  |                  |
|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------------------|-----------------|------------------|------------------|
|                   | City Hall        |                  |                  |                  | Library          |                  |                  |                  | Port & Harbor - Maintenance |                 |                  |                  |
|                   | Existing         | Scenario 1       | Scenario 2       | Scenario 3       | Existing         | Scenario 1       | Scenario 2       | Scenario 3       | Existing                    | Scenario 1      | Scenario 2       | Scenario 3       |
| Consumption       | 3800             | 3800             | 3800             | 3800             | 6600             | 6600             | 6600             | 6600             | 1800                        | 1800            | 1800             | 1800             |
| Water Rate        | 0.0107           | 0.0157           | 0.0141           | 0.0149           | 0.0107           | 0.0157           | 0.0141           | 0.0149           | 0.0107                      | 0.0157          | 0.0141           | 0.0149           |
| Sewer Rate        | 0.0143           | 0.0173           | 0.0151           | 0.0162           | 0.0143           | 0.0173           | 0.0151           | 0.0162           | 0.0243                      | 0.0285          | 0.0264           | 0.0275           |
| <b>Charges:</b>   |                  |                  |                  |                  |                  |                  |                  |                  |                             |                 |                  |                  |
| Water             | 40.66            | 59.66            | 53.58            | 56.62            | 70.62            | 103.62           | 93.06            | 98.34            | 19.26                       | 28.26           | 25.38            | 26.82            |
| Sewer             | 54.34            | 65.74            | 57.38            | 61.56            | 94.38            | 114.18           | 99.66            | 106.92           | 43.74                       | 51.3            | 47.52            | 49.5             |
| Service           | 14               | 0                | 0                | 0                | 14               | 0                | 0                | 0                | 14                          | 0               | 0                | 0                |
| <b>Total Bill</b> | <b>\$ 109.00</b> | <b>\$ 125.40</b> | <b>\$ 110.96</b> | <b>\$ 118.18</b> | <b>\$ 179.00</b> | <b>\$ 217.80</b> | <b>\$ 192.72</b> | <b>\$ 205.26</b> | <b>\$ 77.00</b>             | <b>\$ 79.56</b> | <b>\$ 72.90</b>  | <b>\$ 76.32</b>  |
| <b>Impact</b>     |                  | <b>\$ 16.40</b>  | <b>\$ 1.96</b>   | <b>\$ 9.18</b>   |                  | <b>\$ 38.80</b>  | <b>\$ 13.72</b>  | <b>\$ 26.26</b>  |                             | <b>\$ 2.56</b>  | <b>\$ (4.10)</b> | <b>\$ (0.68)</b> |

Scenario 1: Utilize ARPA to cover eligible projects; increased Sewer project (UV system) to maximize funding  
 Scenario 2: Split utility operations fund balance (50% to rate buyback; 25% to operating reserve; 25% to CARMA) plus Scenario 1  
 Scenario 3: Split utility operating fund balance (25% to rate buyback; 25% to operating reserve; 50% to CARMA) plus Scenario 1

9/12/2022



11

## Closeout

### Staff Recommendation

- Introduce Ordinance 22-58 to transfer funds from Utility Operations
- Introduce Ordinance 22-60 to appropriate ARPA funds
- Introduce Ordinance 22-61 to establish utility rates for FY23
  - This ordinance is written to match rates proposed in Utility Rate Model Scenario 2
- Schedule of Events:
  - Pass Ordinances 22-58 and 22-60
  - Once those pass, establish utility rates per Ordinance 22-61
  - Set new rates to go into effect the first full billing period in November 2022
 

To achieve this and to allow for adequate public notice (send out notice with bills in September), City Council would need to pass ORD 22-61 by September 26, 2022. If the rates are postponed past this meeting, the rates wouldn't be able to go into effect until December.
- Any questions?

9/12/2022



12