

INTEROFFICE MEMORANDUM

DATE: 12/14/18

TO: Mayor and Council

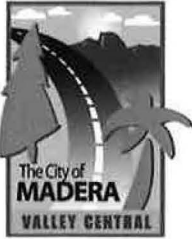
FROM: Sonia Alvarez, City Clerk

SUBJECT: Late Distribution – Agenda 12/19/18, Item C-6
Water Rate Adjustment Report

Attached is Report to the City Council for the 12/19/18 agenda, item C-6, Water Rate Adjustment report. The report was not ready for distribution upon finalizing of the agenda packet and is now being presented as a late distribution.

Thank you.

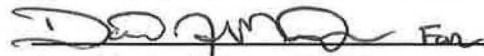
C: City Manager
Community Development Director
Director of Financial Services
City Attorney



REPORT TO CITY COUNCIL

Approved by:


Tim Przybyla, Director of Finance


Arnoldo Rodriguez, City Manager

Council Meeting of: December 19, 2018

Agenda Number: C-6

SUBJECT:

Consideration of a resolution approving adjustments to the water utility rate to reduce the currently set increase.

RECOMMENDATION:

Staff recommends that the City Council adopt the Resolution approving adjustments to the water utility rate schedule to reduce the currently set increase in non-water conservation rates to 6 percent rather than the set 10 percent increase that was identified in the previously adopted rate schedule. The recommended adjustments would also reduce the water conservation charges included in the water rates by 50 percent. If approved, all adjustments will become effective January 26, 2019.

DISCUSSION:

At the October 23rd Special Meeting, the City Council (Council) received a presentation from staff regarding water conservation revenues and expenditures and an update to the City's Water Enterprise revenue requirements and financial plan from Raftelis Financial Consultants. The Council discussed the Raftelis update and the City's actual and planned uses of water conservation dollars in depth. Based on the discussions that took place at that Special Meeting, Council directed staff to bring back a staff report and resolution that would provide for the approval of the following actions to be taken:

1. Postpone the scheduled 10 percent July 1, 2018 rate increase until January 1, 2019;
2. Reduce the currently set increase in non-water conservation rates to 6 percent rather than the set 10 percent increase that was included in the previously adopted rate schedule;

3. Reduce the water conservation portion of the rates by 50 percent effective January 1, 2019 and remaining in effect until a new rate study is considered in conformance with Prop 218; and
4. Implement the final rate adjustment scheduled for Fiscal Year 19/20, effective January 1, 2020, less the ongoing 50 percent reduction in water conservation charges.

As noted above, the initial timeline for the proposed rate adjustments identified a January 1, 2019 effective date. To provide an opportunity for additional public notice and to avoid the need for a meeting on the evening before Thanksgiving, this agenda item was postponed until this evening. The modified rates would now become effective on January 26, if adopted. Having the effective date of January 26, 2019 will allow the City's billing system to correctly record usage based on the current setup of the meter reading schedule. At the Special Meeting on October 23rd, the City's consultant suggested that adjusting the rates during the winter months would help minimize the effect that water customers might otherwise experience when their rate increases take place during the hot summer months (when effective July 1st). The Council and staff appeared to concur with their analysis. Given that February and March are generally low water-usage months, staff felt that delaying the rate change to January 26 would not have a materially negative impact on the Water Fund. Additionally, the implementation of the new rates on January 26 would allow customers to adjust their water consumption before the arrival of the warmer summer months.

Because the water conservation revenues have been outpacing water conservation expenses, sufficient funds have built up to allow for a 50 percent reduction in that component of the water rates and still maintain an acceptable level of water conservation efforts over the next four fiscal years. Reducing the currently set increase in non-water conservation rates to 6 percent rather than the set 10 percent increase of the previously approved rates, along with a 50 percent reduction in the water conservation component of the water rates would result in the following savings or increases to metered single family resident (SFR) water customers, with various levels of water consumption, ranging from 22 hundred cubic feet (CCF) to 300 CCF:

IMPACT OF PROPOSED RATE CHANGES ON SINGLE FAMILY RESIDENTIAL CUSTOMERS								
Hundred Cubic Feet (CCF) of Water	Customer (Savings) or Increase at Monthly CCF Consumption of:							
	22	33	63	100	131	240	300	
CURRENT WATER CONSERVATION CHARGE								
Tier 2 Water Conservation Charge	4.68	8.97	8.97	8.97	8.97	8.97	8.97	
Tier 3 Water Conservation Charge	-	-	32.10	71.69	104.86	221.49	285.69	
	4.68	8.97	41.07	80.66	113.83	230.46	294.66	
WATER CONSERVATION CHARGE AFTER REDUCTION OF 50%								
Tier 2 Water Conservation Charge	2.34	4.49	4.49	4.49	4.49	4.49	4.49	
Tier 3 Water Conservation Charge	-	-	16.05	35.85	52.43	110.75	142.85	
	2.34	4.49	20.54	40.33	56.92	115.23	147.33	
Savings Generated by Reduction of 50%	\$ 2.34	\$ 4.49	\$ 20.54	\$ 40.33	\$ 56.92	\$ 115.23	\$ 147.33	
Current Rates (including \$20.74 Fixed Charge)	64.04	88.79	199.49	336.02	450.41	852.62	1,074.02	
Rates Increased by 6% (including \$21.99 Fixed Charge)	68.39	91.79	212.09	356.76	477.97	904.16	1,138.76	
Rates with Reduction in Conservation of 50%	66.05	87.31	191.56	316.43	421.06	788.93	991.43	
Water Conservation Savings %	3.4%	4.9%	9.7%	11.3%	11.9%	12.7%	12.9%	
Total \$ (Savings)/Increase over Current Rates	\$ 2.01	\$ (1.49)	\$ (7.93)	\$ (19.59)	\$ (29.36)	\$ (63.69)	\$ (82.59)	
Total % (Savings)/Increase over Current Rates	3.1%	-1.7%	-4.0%	-5.8%	-6.5%	-7.5%	-7.7%	

As illustrated in the table above, the proposed rate adjustments have differing effects based on how much water a customer consumes. The reduction in water conservation charges, coinciding with the reduction of the currently set increase in non-water conservation rates to 6 percent rather than the set 10 percent increase on January 26, 2019 will result in a net reduction for residential customers when they have significant water usage in Tiers 2 and 3. A moderate net increase will be experienced by customers who use mostly Tier 1. Of course, all customers will pay lower water bills after the recommended adjustments are made in comparison with the previously adopted rate schedule, as Council has directed staff to increase the non-water conservation rates by 6 percent rather than the scheduled 10 percent increase that would have taken place at the beginning of the current fiscal year. A full listing of the water rates for the various types of customers and the size of their meters has been prepared by Raftelis and is included in the proposed resolution as Attachment A.

As an example, the average single-family home in the City in July 2018 used 22 CCF of water. Under the current rates, the customer paid \$43.30 for water consumption. Based on the rate as previously set, the customer would have paid \$48.40. Finally, based on the revised rates as recommended in this report, the customer would pay \$44.00. Had the customer reached Tier 3 charges, they would have realized a savings under the proposed rate.

	Current Rate	As Previously Set	Proposed
Tier 1	\$16.30	\$18.40	\$17.60
Tier 2	\$27.00	\$30.00	\$26.40
Total	\$43.30	\$48.40	\$44.00

FISCAL IMPACT:

The proposed postponement of the Prop 218-approved water rate increase until January 26, 2019, the implementation of a reduction of the currently set increase in non-water conservation rates to 6 percent rather than the set 10 percent increase, and the 50 percent reduction to the water conservation portion of the water rates will result in approximately \$1 million in savings to customers and will result in less revenue in Fiscal Year 2018/2019 than would have been collected if the approved water rate had become effective on July 1, 2018. However, no rate increase was included when calculating projected revenues in the 2018/2019 Budget. The reduction of the water conservation component of the water rates is estimated to reduce those revenues by approximately \$438,000 for Fiscal Year 2019/2020 and would be incorporated into that fiscal year's budget. This is not expected to limit the City's ability to maintain its core conservation programs, such as water patrol and existing rebate offerings, but it will limit the City's ability to engage in new projects and programs. These changes impact the Water Fund and do not impact the City's General Fund.

CONSISTENCY WITH THE VISION MADERA 2025 PLAN:

Although approval of this item is not specifically addressed in the Vision or Action Plans, the requested action, resulting in financial gain to the City, will assist in achieving the Vision Statement of a Well-Planned City.

RESOLUTION NO: _____

Resolution of the City Council of the City of Madera Approving Adjustments to the Water Utility Rate to Reduce the Currently Set Increase from Resolution 15-156

WHEREAS, the City of Madera previously adopted Resolution 15-156 establishing rates for water furnished by the City for the period between July 2015 and July 2020; and

WHEREAS, the City of Madera desired to establish water rates which were based on the actual and projected costs of providing services between July 2015 and July 2020; and

WHEREAS, Resolution 15-156 established water rates which were intended to become effective on July 1st of each fiscal year during the period between July 2015 and July 2020; and

WHEREAS, the City deferred the implementation of the adjustment scheduled for July 1, 2018 that would have increased the water rates by approximately 10 percent; and

WHEREAS, the City Council (Council) considered a revised water rate analysis on October 23, 2018 prepared by Raftelis Financial Consultants, a firm with expertise in the analysis of municipal water and sewer utility costs who completed the original analysis for the 2015 to 2020 period; and

WHEREAS, after considering the revised water rate analysis on October 23, 2018, the Council desires to reduce the currently set increase in non-water conservation rates to 6 percent rather than the set 10 percent increase, and, the Council desires that this adjustment be effective on January 26, 2019; and

WHEREAS, the Council desires to reduce the amount of water conservation funding by 50 percent within the adopted rates, and also desires that this adjustment become effective beginning on January 26, 2019 and remain in effect until a new water rate study is prepared and considered in conformance with the requirements of Prop 218; and

WHEREAS, the City is not required to complete the Prop 218 process in this instance because rates will not rise above the amount approved in the City of Madera Utility Rate Study Report which was presented to Council in May 2015 and adopted on July 15, 2015; and

WHEREAS, the Council finds that the proposed rates shall be made effective January 26, 2019.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF MADERA HEREBY finds, orders and resolves as follows:

1. The above recitals are true and correct.
2. The monthly rates to be charged for the use of water furnished by the City,

enumerated in Attachment A to this Resolution, are hereby adopted and shall be made effective beginning January 26, 2019.

3. The rates established by this resolution will supersede any and all prior rates in conflict herewith.
4. This resolution is effective immediately upon adoption.

* * * * *

Resolution Attachment A
City of Madera Water Rates Effective January 26, 2019

Residential Tiered Rates¹	Allotment	FYE 2019 1/26/19 – 6/25/19	FYE 2020 6/26/19 – 1/25/20	Effective on 1/26/20
Tier 1	0-10	\$1.76	\$1.76	\$1.93
Tier 2	11-33	\$2.20	\$2.20	\$2.40
Tier 3	>33	\$3.37	\$3.37	\$3.68

Multi-Residential Tiered Rates¹	Allotment²	FYE 2019 1/26/19 – 6/25/19	FYE 2020 6/26/19 – 1/25/20	Effective on 1/26/20
Tier 1	10	\$1.85	\$1.85	\$2.03
Tier 2	>10	\$2.64	\$2.64	\$2.88

Non-Residential Rates¹	FYE 2019 1/26/19 – 6/25/19	FYE 2020 6/26/19 – 1/25/20	Effective on 1/26/20
Uniform Rate	\$2.20	\$2.20	\$2.41

Total Monthly Fixed Cost by Meter Size³	FYE 2019 1/26/19 – 6/25/19	FYE 2020 6/26/19 – 1/25/20	Effective on 1/26/20
5/8"	\$15.79	\$15.79	\$16.88
3/4"	\$17.86	\$17.86	\$19.09
1"	\$21.99	\$21.99	\$23.51
1 1/2"	\$32.32	\$32.32	\$34.56
2"	\$44.73	\$44.73	\$47.82
3"	\$84.00	\$84.00	\$89.81
4"	\$141.88	\$141.88	\$151.69
6"	\$280.36	\$280.36	\$299.76
8"	\$507.73	\$507.73	\$542.86

¹ Rate per CCF of water usage. CCF is one hundred cubic feet (748.05 gallons)

² Each unit of a Multi-Residential account is allotted 10 CCF in Tier 1. Ex: Tier 1 allotment for a 5-unit apartment would be 50 CCF, Tier 2 would be >50 CCF.

³ Monthly charges per account/meter.

Resolution Attachment A Continued
City of Madera Water Rates Effective January 26, 2019

Flat Rate Water Charges	Units	FYE 2019	FYE 2020	
		1/26/19 – 6/25/19	6/26/19 - 1/25/20	Effective on 1/26/20
CAR DLR	WATER SERVICE/BLDG/1000	\$11.76	\$11.76	\$12.57
CAR SERV	WATER SERVICE/BAYS	\$7.84	\$7.84	\$8.39
DEPT/RET	WATER SERVICE/BLDG/1000	\$11.76	\$11.76	\$12.57
GAMES	WATER SERVICE/BLDG/1000	\$27.30	\$27.30	\$29.18
GRANNY	PRIMARY WITH SECONDARY UNIT	\$62.79	\$62.79	\$67.12
GROC/MOR	WATER SERVICE/BLDG/1000	\$11.76	\$11.76	\$12.57
HOSP RM	PER BED WATER USE	\$9.80	\$9.80	\$10.48
HOSP/CON	WATER SERVICE/BEDS	\$9.80	\$9.80	\$10.48
HOTEL/W	WATER SERVICE/ROOMS	\$11.76	\$11.76	\$12.57
HOTEL/WO	WATER SERVICE/ROOMS	\$9.80	\$9.80	\$10.48
LIB/CHUR	WATER SERVICE/SEAT	\$0.43	\$0.43	\$0.46
LT MFG	WATER SERVICE/BLDG/1000	\$6.30	\$6.30	\$6.73
MFR/MULT	MFR MULTI ACCT PER PARCEL	\$26.51	\$26.51	\$28.33
MFR/SING	MFR SINGLE ACCT PER PARCEL	\$27.92	\$27.92	\$29.85
OPN AIR	WATER SERVICE/SEAT	\$0.27	\$0.27	\$0.28
PROF BLD	WATER SERVICE/BLDG/1000	\$23.39	\$23.39	\$25.00
REST IN	WATER SERVICE/SEAT	\$2.43	\$2.43	\$2.60
REST OUT	WATER SERVICE/BLDG/1000	\$23.39	\$23.39	\$25.00
SCHOOLS	WATER SERVICE/STUDENTS	\$1.87	\$1.87	\$2.00
SFR	MINIMUM WATER RATE	\$43.75	\$43.75	\$46.76
STRP/MAL	WATER SERVICE/BLDG/1000	\$19.47	\$19.47	\$20.82
WRHSE	WATER SERVICE/BLDG/1000	\$1.66	\$1.66	\$1.77