



MEMORANDUM TO VENICE CITY COUNCIL

THROUGH CHARTER OFFICER: Edward Lavallee, City Manager **E-SIGN:**
FROM: Javier A. Vargas, MPA, Utilities Director
DEPARTMENT: Utilities
DATE: August 8, 2023 **MEETING DATE:** August 22, 2023

SUBJECT / TOPIC: Utility Rate Study Presentation

BACKGROUND INFORMATION:

Establishing an adequate financial plan is an important component in a well-managed and operated water and sewer utility. A well-designed financial plan provides sufficient funding to allow communities to build, operate, maintain, and reinvest in their utility systems. Properly and adequately funded utility systems also allow for the economic development and sustainability of the local community.

Over the last several years, the Utilities Department has developed its financial plan and its rate structure to build financial stability and to meet current and future financial needs. This work included significant input and recommendations from City residents through the participation of The Utility Rate Study Stakeholders Work Group.

The Utility Rate Study Stakeholders Work Group, our rate consultant and utilities staff met on the subject twice in 2023 (05/15/23 and 06/19/23) to discuss current water, sewer and reclaimed water rate structures, customer categories, related fees, cost-of-service, capital needs, plant capacity fees, new initiatives, and a financial plan for the next five years. Through this process, we identified the financial management plan and associated plan of annual water, sewer, and reclaimed water rate revenue increases presented in Table I. The higher water rate increases are based on higher capital spending for water projects, specifically the Water Treatment Plant Relocation. The additional revenue from the water rate increase will be set aside to fund this project until FY 2033 when the Utility borrows, after which time the additional revenue will be used for debt service.

The proposed 5-year financial plan includes the following adjustments:

TABLE I - Fiscal Year – Rate Adjustment					
	FY-2024	FY-2025	FY-2026	FY-2027	FY-2028
Water	5.25% *	5.25% *	5.25% *	5.25% *	5.25% *
Sewer	3.0%	3.0%	3.0%	3.0%	3.0%
Reclaimed	3.0%	3.0%	3.0%	3.0%	3.0%

(*) 2.25% revenue from the water rate increase will be set aside to fund the Water Treatment Plant Relocation project.

These moderate adjustments to water, sewer and reclaimed water rates are required in order to provide adequate revenue for the Utilities Department to fund its operating, capital, debt service obligations, and reserve requirements for the next five years.

SUPPORTS STRATEGIC PLAN: Goal Three: Ensure a Fiscally Sound City

COUNCIL ACTION REQUESTED: Presentation with Action Requested

Following the presentation of study results and recommendations by Utilities staff, the Utilities Rate Study Stakeholders Work Group and the Rate Consultant, we respectfully request Council approval of the 5-year financial plan and approval of the 1st reading on August 22, 2023 and 2nd reading on September 12, 2023.

Cc: James Clinch, PE, Assistant City Manager
Linda Senne, Finance Director