




CITY MANAGER'S REPORT AGENDA ITEM REQUEST

UTILITIES DEPARTMENT

DATE: May 14, 2018

TO: Ed Lavallee, ICMA-CM, MPA, City Manager

FROM: Javier Vargas, Utilities Director 

COUNCIL DATE: May 22, 2018

SUBJECT: Utility Rate Study Presentation

Background:

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 Working Group.

The Utility Rate Study Stakeholders Work Group, our rate consultant and utilities staff met on the subject a total of five times in 2018 (02/15/18, 03/15/18, 04/10/18, 04/25/18, and 05/10/18) to discuss current water, sewer and reclaimed water rate structure, customer categories, related fees, cost-of-service, capital needs, new initiatives and a financial plan for the next five years. After extensive discussions, the Stakeholders Work Group arrived at a recommendation to bring forward to City Council for consideration and approval.

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

	Fiscal Year				
	FY-2019	FY-2020	FY-20121	FY-2022	FY-2023
Rate / Fee Adjustment	Monthly Billing Charge increase of \$2.00 *	2.5%	2.5%	2.5%	2.5%

* = Cross-Connection Control Program Funding

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.

In summary, we believe the recommended 5-year financial plan provides a fair and equitable distribution of costs, is consistent with industry practices, and encourages water conservation.

Requested Action:

Following the presentation of study results and recommendations by Utilities staff and the Rate Consultant, request Council approval of the requested 5-year financial plan and to schedule the 1st reading on August 28, 2018 and 2nd reading on September 11, 2018.

City Attorney Review:

N/A

Risk Management Review:

N/A

Funds Availability (account number):

N/A