

**AGENDA ITEM COVER PAGE**  
**MAY 16<sup>th</sup>, 2022**



**9. UNFINISHED BUSINESS**

REQUESTED/PRESENTED BY: Mayor Olson

**A. Public Hearing – Proposed Utility Rates**

<b>LEGISLATIVE HISTORY</b>	
<b><i>Date</i></b>	<b><i>Action/Notes</i></b>
2016 – 2022	Several meetings, workshops, rate studies, etc.
3/21/2022	Requested rate proposal revisions
5/05/2022	Public Hearing

**SUMMARY/PURPOSE:**

In response to public comment and council discussion, and after meeting with Councilmembers Waller and Hendrickson, I have prepared a revised sewer rates proposal that addresses most of the noted issues and/or concerns.

With these changes, sewer rates have been adjusted as follows:

<b>5/05/2022 Proposal –</b>	<b>5/16/2022 Proposal –</b>
<b>Base Rate: \$82.00</b>	<b>Base Rate: \$89.00</b>
<b>Usage Rate: \$0.235</b>	<b>Usage Rate: \$0.230</b>

**CONSIDERATIONS/IMPLICATIONS:**

In order to avoid further delays in sending out your packets, I will be sending out a separate report detailing all changes and recommendations.

No new written public comments have been received.

**RECOMMENDED ACTION:**

***Motion to advise*** the Town Attorney to draft an ordinance implementing the utility rates as described

<b>ATTACHMENTS:</b>	
<b>A.</b>	<b>B.</b>

REPORTED BY: Sarah Clark, Clerk-Treasurer

**TO:** Mayor & Town Council  
**FROM:** Sarah Clark, Clerk-Treasurer  
**RE:** **UTILITY RATE PROPOSAL 2022-05-16**

➔ Identifies additions to my original memo

In response to public comment and council discussion, and after meeting with Councilmembers Waller and Hendrickson, I have prepared a revised sewer rates proposal that includes the following changes and/or proposals:

1. Winter-averages are now based on 2022 usage instead of 2021 which is beneficial for many reasons, including reducing the number of "new account" that were only being assessed the base rate as we now have actual usage data for 70% of them.
2. For new accounts with usage in 2022 but not in the winter quarter, winter-averages are calculated by averaging any months with usage data.
3. New accounts without any usage in 2022 will only be billed the base rate until usage is established; however, if rates were not implemented until January, as they typically are, this number would be reduced since I would have access to more actual usage data and be able to calculate an average with an alternative non-summer usage period. This is the method I recommend moving forward.
4. Any potential and/or confirmed water leaks have been adjusted by using an alternate usage month to calculate the winter average; however, if a leak goes unreported for more than three months, there is no obvious way for the town to detect and/or adjust usage data without the customer specifically requesting us to review it.
  - ➔ Usage adjustments are only considered for sewer rate calculations and do not get applied to their account as a water credit unless a customer has submitted a form pursuant to our CMCs. *To determine whether a leak existed during the 3-month billing period (Jan-Mar 2022), the following method was used:*
    - Customers who submitted a water leak adjustment form will have their usage adjusted accordingly.
    - Accounts with usage in the top 10% of each month were checked by comparing the usage figures to the same months in 2021 to see if a high usage trend existed; if it did not, the high usage month was removed from the winter-average calculation and the following usage month (April) was considered.
    - In cases where a potential leak existed for over two months, the same method above was applied, adding May usage.
    - If a leak existed over a period of three months or longer, no adjustment was made.
    - If a customer questions their usage and asks for a review, I would use the above methods to determine if I missed any potential leak during my initial review.
5. CM Waller requested that I review the school's accounts because usage data shows that their winter quarter appears to be their highest usage period. As a result, I recommend using the annual average of the prior year's usage for both the middle and high school accounts to produce a more accurate "winter-average" than the winter quarter.
6. In response to RV Park concerns, we are proposing an alternative billing method for all multi-residential accounts (apartments, duplexes, etc.) with the option to also include accounts that have both multi-residential and commercial business units. I am aware of 16 multi-residential accounts, and of 4 commercial accounts that include multiple residential units. The multi-residential method would apply the base fee and the 600cf usage factor to each unit. The same method would be used for commercial accounts with multiple residential units; however, only one base fee would be charged for all business units, and the 600cf usage factor would apply only to each residential units. I believe this method is more plausible than billing these accounts the same way as a single-family home and it also increases the amount of revenues received from base rates rather than usage, resulting in more stable budget, especially if any of these accounts were to change hands during the year. This method would generate 84% of our revenues from base rates, while the former generated only 65%. It is my recommendation that commercial accounts being billed under this method should have at least two residential (or rental) units to qualify as "multi-residential".

While there are still 40 accounts that will experience rate increases of more than \$25 per month, the above changes have made this proposal better than the previous one for both the town and our customers.

These revisions also did not address the Port's dock usage, which I agree should not be considered as part of their sewer rate since the water does not impact the sewer system. I will investigate this account in order to find a temporary solution until they install a separate meter.

- ➔ We must also expect that rates will increase in the following year if enough of our customers reduce their usage during the winter quarter successfully. *For instance*, let's say we have 15 accounts that use between 1-100 cf over the 600 cf threshold; if each of those accounts reduced their usage below the 600 cf threshold, the base rate would remain the same, but the usage rate would increase resulting in roughly \$17.05 more per month for someone who used 693 cf per month.
- ➔ I recommend waiting to implement new rates until January 2023 for the following reasons:
  1. To be consistent with our existing schedule to implement new rates.
  2. The number of new accounts only being charged the base rate would be reduced since I would have access to more actual usage data and be able to calculate an average with an alternative non-summer usage period.
  3. To provide our customers with updated rate information and to give our 40 users expecting a rate increase more time to prepare.
  4. To not rush the process