

AGENDA ITEM COVER PAGE
MARCH 21st, 2022

8. UNFINISHED BUSINESS

REQUESTED/PRESENTED BY: C/T Clark

C. 2022 Utility Rates – Billing Structure Preliminary Approval

LEGISLATIVE HISTORY

<i>Date</i>	<i>Action/Notes</i>
2016 – 2022	Several meetings, workshops, rate studies, etc.

SUMMARY/PURPOSE:

Please refer to the attachments.

CONSIDERATIONS/IMPLICATIONS:

RECOMMENDED ACTION:

Motion to preliminary approve the proposed utility rate structure.

ATTACHMENTS:

A. Staff Report on Proposed Rate Structure

B.

REPORTED BY: Sarah Clark, Clerk-Treasurer

2022 SEWER RATE STRUCTURE

Preliminary Approval

SUMMARY

The Council’s overall goal of the rate study was to find a way to make sewer rates more equitable, promote development, and eliminate billing differences between in-town and out-of-town users. It was preferred that sewer rates be based on water usage, but it was also stated that ECU models could be acceptable if justified.

In all my attempts to create a “one-rate” sewer billing structure, regardless of the users being residential, commercial, or located in or out of town limits, it was not possible to do without negatively impacting our in-town residential users. The single-rate models primarily benefited commercial users. On average, only a total of 62% of our customers would see any benefiting from this rate change, which consisted of 87% of our commercial users and 56% of our residential users.

“Benefit” – is used as the % of sewer users whose rates did not increase from what they are now.

PROPOSED RATE STRUCTURE

In order to generate enough revenue and make sewer rate more equitable for all users, I have proposed a rate model that will establish a single base rate for all residential users in and out of town limits, and a commercial rate with a much lower base but with a usage factor.

- ➔ The minimum monthly bill for all users would be \$99.00.
- ➔ While usage is not a factor for residential, commercial users would be billed for usage in excess of 150 CF per month. The Town currently has 79 commercial users, of those 46% have a winter-average of 150 CF or less which applies the \$99 base rate and the other 42% would still see a reduction in their monthly bill, for a total of 87% of our commercial users benefiting from this rate model.
- ➔ The Town currently has 331 residential users, of those 100% would benefit from this rate structure and see a sewer rate reduction of no less than \$7.48 per month.

The rate structure would be as follows:

PROPOSED RATES		Balanced Budget	Monthly Bills	
R In	NR In	TRUE	Minimum	Average
<u>Rates</u>	<u>Rates</u>	Base Revenue %	Residential:	
\$99.00	\$75.00	76%	\$99.00	\$99.00
\$0.000	\$0.160	Customer Benefit	Non-Residential:	
<u>R Out</u>	<u>NR Out</u>	95%	\$99.00	\$193.53
<u>Rates</u>	<u>Rates</u>	NR Benefit		
\$99.00	\$75.00	78%		
\$0.000	\$0.160	R Benefit		
		99%		

Only 17 commercial users will see an increase to their monthly bill somewhere between \$13.82 and \$1,290.57 per month based on their winter-average water usage.

WINTER AVERAGING

Water consumption used in the winter quarter as the bases for billing sewer charges throughout the year to ensure that customers will not pay additional sewer charges for warm weather purposes such as watering lawns, washing cars, landscaping, gardening, or filling pools.

RATE CALCULATIONS

- A winter-average usage will be calculated for each customer on an annual basis to determine the fixed rate to apply to the customer for the following year. Annual winter-averages will be adjusted annually and be reflected on the first billing statement in January
- The **calculation period** is the months of **December (prior year)** through **February (current year)**. *E.g.* 2022 billing for January 1-December 31st will be calculated based on the winter-average of water usage during the usage months of December 2020, January 2021, and February 2021. This is the January 5, 2021 through March 5, 2021 billing.
- An account with a **zero read** in any of the calculation period months will be billed for the median average of usage of all commercial users, per month until actual usage is established.
- The **winter average usage minimum will include 150 CF** for all commercial users at the usage rate and consider as part of their minimum base fee. Usage in excess of 150 CF will be billed the usage rate for each additional CF.