

AGENDA ITEM COVER PAGE
APRIL 18th, 2022

10. UNFINISHED BUSINESS

REQUESTED/PRESENTED BY: C/T Clark

B. 2022 Utility Rates – Billing Structure Preliminary Approval

LEGISLATIVE HISTORY

<i>Date</i>	<i>Action/Notes</i>
2016 – 2022	Several meetings, workshops, rate studies, etc.
3/21/2022	Requested rate proposal revisions

SUMMARY/PURPOSE:

Please refer to the attachments.

CONSIDERATIONS/IMPLICATIONS:

RECOMMENDED ACTION:

Motion to preliminary approve the proposed utility rates and billing structure with sewer rate option [A or B], pending completion of all other items outlined in the attachment.

ATTACHMENTS:

A. Proposed Utility Rate Packet

B.

REPORTED BY: Sarah Clark, Clerk-Treasurer

SUMMARY

Enclosed are the proposed water and sewer rates that Laurel and I drafted together after the last meeting (Water Y1 and Sewer A). I have also provided a summary of our current utility rates, customer user totals, average usage, and a few rate comparisons, as well of the “next steps” should this move forward. If you have any questions, please email me so I can prepare a written response for the upcoming meeting.

ALL PROPOSED RATES:

- ➔ Produce a balanced budget that meets the required revenue of \$602,500 for water and \$617,800 for sewer.
- ➔ Generate at least 65% of the budgeted revenues from the base rates to help ensure operational security.
- ➔ Do not include utility tax, which is an additional 6% on top of the base and usage rate.

NEXT STEPS

1. **No Action** – *postpone* effective date for rate changes to January 2023, pending further revisions and review leaving existing utility rates in place until that time.
2. **Preliminary Approval** – *preliminary* approval of the proposed rates and billing structures, pending completion and approval of all other items outlined below. (* = regular meeting)
 - * **4/18/22** – Preliminary Rate Approval
 - 4/28/22** – Publish public notice & directly contact users negatively impacted by change
 - * **5/09/22** – Utility Rate Hearing
 - * **5/23/22** – 1st Reading of Ordinance
 - * **6/06/22** – Final Reading of Ordinance
 - 6/07/22** – Include rate change notice on new billing
 - 6/21/22** – Prepare billing system, website, etc.
 - 7/05/22** – New rates in effect

CURRENT UTILITY RATES

CURRENT WATER RATES		
Monthly Minimum Charge		
Up to 350 cubic feet/month		
<u>Meter</u>	<u>In-Town</u>	<u>Out-of-Town</u>
5/8 inch	\$38.76	\$56.87
3/4 inch	\$45.85	\$70.97
1 inch	\$61.45	\$88.96
1.5 inch	\$81.68	\$117.52
2 inch	\$104.41	\$149.61
3 inch	\$138.57	\$196.45
4 inch	\$181.49	\$258.38
>4 inch	Contract Required	
Excess Usage*	\$2.65	\$3.55
<i>*Per 100 cubic feet or part thereof for all usage in excess of 350 cubic feet per month.</i>		

CURRENT SEWER RATES	
Per ECU	
(Equivalent Customer Unit)	
<u>In-Town</u>	<u>Out-of-Town</u>
\$106.48	\$123.78

****See ECU Table below***

SEWER USER CLASSES	ECU
(1) Single-family residence	1.0
(2) Multiple-family residence, duplex, apartment, trailer court	1.0 + 0.7 per each additional unit
(3) Hotel, motel	1.0 + 0.4 per rental unit, max 5.0
(4) Recreational vehicle parks	1.0 + 0.4 per rental unit (pad)
(5) Schools: (a) Elementary (b) High school	1.0 per 25 students 1.0 per 15 students
(6) Other public facilities:	
(a) Town Park	1.0
(b) Elochoman Marina Main Account	5.0
(c) Swimming pool	3.0
(d) Courthouse	6.0
(e) P.U.D.	2.0
(f) Town Hall	2.0
(7) Commercial:	
(a) Small shop, store, or business	1.0
(b) Supermarkets, grocery stores	2.0
(c) Restaurant (with inside seating)	2.0
(d) Drive-in (no inside seating)	2.0
(e) Tavern	2.0
(f) Coin laundry	0.7 per washing machine, max 5.0
(g) Professional office	1.0
(h) Nursing home	2.0 + 0.4 per bed, max 5.0
(8) Churches, service organizations, meeting halls	1.0

WATER RATES

The Town has a total of 701 water users, 600 residential and 101 commercial, 313 users in-town and 388 out-of-town.

RATE STRUCTURE

I am recommending that we continue to use our existing water rate structure which consists of the method of increasing base rates based on meter size. I believe this has merit as larger meters have greater flow capacity and can put more strain on the water system which is summarized in a chart below. This table shows the gallons per minute (gpm) for each meter size, as well as the flow increase percentages and average percentage of rate increase between meter sizes (per nine comparison cities) compared to the Town's.

Meter Size (IN)	Flow Rate (GPM)	Meter Size Increase	Flow % Increase	Rate Inc. Avg.	Town Rate Inc.
5/8 & 3/4	20	5/8" to 3/4"	0%	31%	15%
1	50	3/4" to 1"	60%	30%	25%
1 1/2	100	1" to 1.5"	50%	44%	25%
2	160	1.5" to 2"	38%	26%	22%
3	500	2" to 3"	68%	60%	25%
4	1,000	3" to 4"	50%	40%	24%

WATER RATES

As a result of having one rate for all water users regardless of town-limits location, rates must increase approximately 21% for in-town users to compensate for the decrease for out-of-town users; therefore, a 5-year adjustment plan is being proposed in order to ease the financial impact on in-town users. By year five, the Town will have one rate model for all users, regardless of where they live. Note that these percentages may fluctuate due to unknown factors like inflation or an increase in users.

- **Year 1:** 5.00% increase to in-town rates and 4.25% decrease to out-of-town rates
In-town excess rate remains unchanged to lessen the impact to those users.
- **Year 2:** 5.00% increase to in-town rates and 3.50% decrease to out-of-town rates
- **Year 3:** 5.00% increase to in-town rate and 4.00% decrease to out-of-town rates
- **Year 4:** 5.00% increase to in-town rate and 4.00% decrease to out-of-town rates
- **Year 5:** 1.00% increase to in-town rates and 1.74% decrease to out-of-town rates

Meter Size	Y1		Y2		Y3		Y4		Y5
	In	Out	In	Out	In	Out	In	Out	In & Out
5/8 inch	\$40.70	\$54.45	\$42.73	\$52.55	\$44.87	\$50.45	\$47.11	\$48.43	\$47.58
3/4 inch	\$48.14	\$67.95	\$50.55	\$65.58	\$53.08	\$62.95	\$55.73	\$60.43	\$56.29
1 inch	\$64.52	\$85.18	\$67.75	\$82.20	\$71.14	\$78.91	\$74.69	\$75.75	\$75.44
1.5 inch	\$85.76	\$112.53	\$90.05	\$108.59	\$94.55	\$104.24	\$99.28	\$100.07	\$100.28
2 inch	\$109.63	\$143.25	\$115.11	\$138.24	\$120.87	\$132.71	\$126.91	\$127.40	\$128.18
3 inch	\$145.50	\$188.10	\$152.77	\$181.52	\$160.41	\$174.26	\$168.43	\$167.29	\$170.12
4 inch	\$190.56	\$247.40	\$200.09	\$238.74	\$210.10	\$229.19	\$220.60	\$220.02	\$222.81
*Excess Usage	\$2.65	\$3.40	\$2.78	\$3.28	\$2.92	\$3.15	\$3.07	\$3.02	\$3.10

**Excess usage rate is billed per 100 CF or part thereof per month, in excess of 350 cubic feet/month.*

SEWER RATES

The Town has a total of 410 sewer users, 331 residential and 79 commercial; 304 users in-town and 106 out-of-town.

RATE STRUCTURE

In order to protect customers against paying additional sewer charges for warm weather activities such as watering lawns, washing cars, landscaping, gardening, and filling pools, we will continue to use the winter average for sewer rate water consumption.

- ➔ A winter-average usage will be calculated for each customer on an annual basis to determine the **fixed rate** to apply to each individual customer **for the following year**. Winter-averages will be adjusted annually based on actual usage from the prior year's winter quarter and changes will be reflected on the first billing statement in January.
- ➔ The calculation period will be for the months of December of the prior year through February of the current year. (eg. Sewer bills for January 1, 2022 - December 31, 2022, will be calculated based on the winter-average of actual water usage during the usage months of December 2020, January 2021, and February 2021.)
- ➔ An account with a zero read in any of the calculation period months *can* be billed for the median average of the user class, per month until actual usage is established.

USAGE CF/MO	USERS
0 - 150	123
151 - 350	95
351 - 600	103
601 - 700	17
701 - 1400	44
1401 - 2100	14
2101 - 2800	4
2801 - 3500	2
3501 +	3
Median usage:	315
Average usage:	500
Max usage:	20,594

SEWER RATES

The following rates apply to all users regardless of whether they are in/out of town limits, or commercial/residential:

RATE OPTION A		<i>Usage up to 600 CF per month is included in the base rate. Usage in excess of 600 is charged per 1 CF.</i>
Base Rate	\$82.00	
Usage Rate	\$0.235	
Usage Factor	>601 CF	

MONTHLY BILLING EXAMPLES – OPT A				
Winter Average	Usage >600 CF	Base Rate	Usage Charge	Total Mo. Bill
0 - 600	0	\$80.97	\$0.00	\$80.97
700	100	\$80.97	\$23.50	\$104.47
1400	800	\$80.97	\$188.00	\$268.97
2100	1500	\$80.97	\$352.50	\$433.47
2800	2200	\$80.97	\$517.00	\$597.97
3500	2900	\$80.97	\$681.50	\$762.47

- 326 (or 80%) of our customers would pay only the monthly minimum, i.e. Base Rate (274 res/52 com)
- Based on the usage factor, only 84 (or 20%) of our users would pay for any excess usage (27 com/57 res)
- 41 (or 10%) of our users will have a higher monthly bill (8 com/33 res) between \$5 and \$2,700 per month. 15 users between \$5-\$50, 18 between \$51-\$250, and 8 >\$251 more per month.
- The maximum monthly bill is \$600.65 for a residential user with 2,807 CF of usage and \$4,780.59 for commercial with 20,594 CF of usage.

Below is a summary and comparison of the rate proposal provided at the March 21st meeting:

- 364 (or 89%) of our customers would pay only the monthly minimum, i.e. Base Rate (331 residential/33 commercial)
- 19 (or 5%) of our users will have a higher monthly bill (2/residential/17 commercial) between \$5 and \$1,765 per month. 5 users between \$5-\$50, 11 between \$51-\$250, and 3 >\$251 more per month.
- The maximum monthly bill is \$99 for all residential users regardless of usage and \$3,843.70 for commercial with 20,594 CF of usage.

RATE OPTION B		
	Residential	Commercial
Base Rate	\$99.00	\$75.00
Usage Rate	N/A	\$0.183
Usage Factor	N/A	>0 CF
<i>The usage rate is charged per 1 CF for all commercial users. Flat rate for residential.</i>		

SEWER RATE COMPARISONS

Below is a comparison of combined (water & sewer) monthly bills with current rates, and proposed rates with Water Y1/Sewer A and Water Y1/Sewer B. The accounts with median, average, and maximum usage were used for comparison. Also provided on the right is a summary comparison of sewer rate options A and B.

Usage		Current W/S Bill	Y1 Water + Sewer A	Y1 Water + Sewer B
Median	320	\$194.85	\$150.05	\$167.05
Average	510	\$177.04	\$154.50	\$171.50
Average	403	R \$153.19	\$130.65	\$147.65
Max	2,807	R \$251.65	\$723.08	\$221.44
Average	947	NR \$243.81	\$255.61	\$351.29
Max	20,594	NR \$3,727.18	\$6,358.27	\$5,421.38

PROPOSED RATE OPTION COMPARISON	A	B
Residential Base Rates	\$82.00	\$99.00
Commercial Base Rates	\$82.00	\$75.00
Residential Usage Rate	\$0.235	\$0.000
Commercial Usage Rate	\$0.235	\$0.183
Usage Factor (Per 1 CF)	> 600	> 0
Customer Benefit	89%	95%
Residential Benefit	88%	99%
Commercial Benefit	90%	78%
Max Bill Residential	\$600.65	\$99.00
Max Bill Commercial	\$4,780.59	\$3,843.70
Min Bill Residential	\$82.00	\$99.00
Min Bill Commercial	\$82.00	\$75.00
Increased Mo. Bill	41	19

Below is a summary of the accounts that will suffer a bill increase of more than \$5.00 due to either rate option. The amount listed represents only the increase in the bill, not the total.

SEWER A							
#	R/NR	Usage	Bill Inc.	#	R/NR	Usage	Bill Inc.
1	NR	20,594	\$2,631.09	22	R	1,053	\$83.91
2	NR	8,597	\$1,434.12	23	R	1,003	\$72.16
3	R	2,807	\$471.43	24	R	959	\$61.82
4	R	2,790	\$465.17	25	R	922	\$53.13
5	R	2,584	\$443.70	26	R	920	\$52.66
6	R	2,151	\$341.94	27	R	999	\$47.15
7	NR	1,797	\$258.75	28	R	882	\$43.73
8	R	1,897	\$255.92	29	R	970	\$41.85
9	R	1,659	\$226.32	30	R	868	\$40.44
10	R	1,769	\$226.14	31	NR	1,300	\$37.62
11	R	1,557	\$202.35	32	R	820	\$29.16
12	R	1,551	\$175.67	33	R	786	\$21.17
13	R	1,439	\$174.62	34	R	785	\$20.93
14	R	1,692	\$159.54	35	NR	737	\$11.80
15	R	1,341	\$151.59	36	R	847	\$10.83
16	NR	1,290	\$139.61	37	R	207	\$9.40
17	R	1,254	\$131.15	38	R	292	\$9.40
18	R	1,207	\$120.10	39	R	730	\$8.01
19	R	1,177	\$113.05	40	R	831	\$7.37
20	NR	1,876	\$96.30	41	R	828	\$7.27
21	NR	1,734	\$94.87				

SEWER B			
#	R/NR	Usage	Bill Inc.
1	NR	20,594	\$1,694.20
2	NR	8,597	\$1,121.07
3	NR	1,797	\$299.31
4	NR	1,290	\$206.53
5	NR	1,734	\$138.70
6	NR	1,876	\$132.75
7	NR	737	\$107.48
8	NR	1,300	\$104.02
9	NR	519	\$67.58
10	NR	1,135	\$66.54
11	NR	1,091	\$64.77
12	NR	1,449	\$54.60
13	NR	593	\$54.45
14	NR	605	\$54.08
15	NR	428	\$49.92
16	NR	420	\$48.45
17	R	207	\$26.40
18	R	292	\$26.40
19	NR	150	\$19.21