



Staff Report

September 5, 2023 Council Workshop Meeting

Presentation - Water and Sewer Utility Rate Analysis (2024-2028)

Presenter: Steve Wall, Public Works Director and Sergey Tarasov, FCS Group

Time Estimate: 45 minutes

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BACKGROUND: The City Council has traditionally completed comprehensive utility rate studies for the Water, Sewer, Stormwater and Solid Waste utilities and adopted new rates on five-year intervals. The last comprehensive review and rate adoption was completed in 2018 and set the rates for the 2019 through 2023 timeframe. The City Council approved a professional services agreement with the City's utility financial consultant, FCS Group, in December 2022 to complete a comprehensive utility rate analysis on the City's four separate utilities for the ensuing five-year period (2024-2028), or other such interval as directed by Council.

SUMMARY: Staff has worked with FCS Group to update the financial models for each of the four City utilities and will present initial findings and options for Council's consideration and discussion. The initial Water and Sewer analyses will be presented at the September 5th Workshop, and the initial Stormwater and Solid Waste/Sanitation analyses will be presented at the September 19th Workshop.

BENEFITS TO THE COMMUNITY: The City's four utilities provide basic, everyday services to the community and continue to meet all State and Federal requirements. Adequate funding of the utilities is necessary to continue providing services at the levels traditionally desired by the City Council and customers.

POTENTIAL CHALLENGES: The costs of services in all areas of the City continues to rise, including utility services. Additionally, to continue serving both existing and new customers, and allow for necessary repair and replacement of equipment, the City's Capital Improvement Program is relatively large and puts additional pressure on the utility rates.

BUDGET IMPACT: Staff and FSC Group will present and discuss potential options and impacts associated with potential rate increases for each utility. The complete budget impact for all four utilities will not be known until additional discussion with Council occurs.

RECOMMENDATION: This item is for Council's information only.