



Executive Summary

City Council Workshop

AGENDA ITEM: Senior Sewer Discount and Sewer Billing Methodology
PREPARED BY: Jacob Schillander, City Administrator
RECOMMENDED ACTION: Senior Sewer Discount and Sewer Billing Methodology Discussion

Summary:

Over the past three years, City staff have conducted a comprehensive review of the City's utility billing practices to ensure all utility charges are consistent with adopted ordinances and fee schedules. This effort has resulted in the correction of several historical billing inconsistencies, improving the accuracy, fairness, and transparency of the City's enterprise funds.

As part of this review, staff identified two policy issues that warrant City Council discussion:

1. The continued application of a reduced sewer rate for certain senior citizens despite the absence of ordinance language authorizing the discount.
2. Whether the City's current sewer billing methodology remains the most equitable and efficient approach for residential customers.

Discussion Item 1: Senior Citizen Sewer Discount

Background

Prior to the 2023 ordinance adoption, the City Code contained language providing a reduced sewer rate for qualifying senior citizens: Senior citizens age 65 or older who qualified for the senior water rate and used 8,000 gallons of water or less per quarter would be charged a reduced sewer rate of \$30.77 per quarter.

The current ordinance continues to provide a senior water service charge exemption but no longer contains language authorizing the reduced sewer rate.

The current ordinance establishes sewer rates based on residential first-quarter water usage and contains no separate senior citizen sewer classification. Based upon staff's review, there appears to be no current ordinance authority for the reduced senior sewer rate. Additionally, staff has not identified any grandfathering provision or transition language that preserved the discount following the 2023 adoption.

However, utility billing records indicate that certain accounts continue to receive the historical reduced sewer rate.

Financial Impact

Rate Type	Quarterly Sewer Fixed Charge
Standard Residential	\$100.54
Senior Discount Rate	\$30.77
Difference	\$69.77

The current discount represents a reduction of \$69.77 per quarter or approximately \$279 annually per participating household. If all 25 accounts continue receiving the reduced rate, the annual revenue impact is approximately \$6,977.

Examples identified within the current billing cycle include 25 accounts in the system that continue receiving the reduced rate.

While this amount is relatively small in relation to the overall enterprise fund, correcting the issue would result in approximately a 227% increase in the sewer fixed charge for affected customers.

Policy Considerations

Staff requests Council direction regarding one of the following options:

- **Option 1 – Follow Current Ordinance**
Continue administering the ordinance as currently written and discontinue the remaining reduced-rate accounts following appropriate customer notification.
- **Option 2 – Restore the Discount**
Amend the ordinance to formally reinstate the senior sewer discount.

- **Option 3 – Grandfather Existing Participants**

Grandfather current participants while closing the program to new applicants.

Discussion Item 2: Residential Sewer Billing Methodology

Current System

The City's current residential sewer billing system is based upon first-quarter water consumption.

The historical reasoning is straightforward:

- Water used during winter months generally enters the sanitary sewer system.
- Summer water usage often includes lawn irrigation, car washing, garden watering, and other outdoor activities.
- Because outdoor water does not enter the sanitary sewer system, first-quarter water usage was intended to serve as a proxy for actual wastewater generation.

This methodology was common among communities before modern billing software and irrigation metering became commonplace.

Challenges

While the original rationale remains understandable, Staff has identified several limitations with the current methodology:

1. Sewer Charges Are Not Based on Actual Usage

Under the existing system, sewer charges are often disconnected from actual water consumption during the billing period.

Examples from the current billing cycle include:

Address	Water Usage
House 1 Budd Ave	32,296 gallons
House 2 Oak Circle	32,196 gallons
House 3 Clayton Dr	23,133 gallons
House 4 Joyce St	10,548 gallons
House 5 Manchester Dr	4,180 gallons

These accounts are billed using a historical sewer base rather than actual current-period consumption.

As a result:

- Some households pay less than the wastewater they actually generate.
- Some households pay more than they actually generate.
- Costs are shifted among customers rather than allocated based upon current use.

2. Administrative Complexity

The current ordinance requires staff to:

- Establish sewer bases for new residents.
- Obtain records from previous residences.
- Create occupancy-based estimates when records are unavailable.
- Track first-quarter calculations.
- Manage delinquent-account exceptions.
- Recalculate qualifying accounts when billing status changes.

This creates significant administrative complexity compared to a system based simply on actual metered consumption.

3. Customer Confusion

Customers frequently understand water bills that are based on actual meter readings.

Customers often struggle to understand:

- First-quarter sewer calculations.
- Historical sewer bases.
- Occupancy multipliers.
- Delinquency-related sewer calculation changes.

Actual usage billing provides a much simpler explanation:

Your sewer bill is based on the amount of water recorded on your meter.

4. Limited Water Conservation Data

The current system does not allow the City to distinguish between:

- Indoor water use
- Outdoor irrigation use

As a result, staff has limited ability to monitor outdoor water demand during drought conditions or implement targeted conservation measures.

Alternative: Actual Sewer Billing with Optional Irrigation Meters

Staff recommends Council consider transitioning to:

1. Standard Customer

- Sewer charges based on actual metered water consumption
 - Water billed on actual consumption.
 - Sewer billed on actual consumption.

2. Optional Irrigation Meter Program

Customers who irrigate lawns, fill pools, or use significant amounts of outdoor water may voluntarily install a dedicated irrigation meter.

Water recorded through the irrigation meter would:

- Pay water charges.
- Not pay sewer charges.

Typical uses include:

- Lawn irrigation
- Landscaping
- Garden watering
- Pool filling
- Exterior washing

This approach would provide a more direct measurement of wastewater generation while ensuring customers are not charged sewer fees for water that does not enter the sanitary sewer system.

Advantages of an Irrigation Meter Program

Transitioning to actual-use sewer billing could provide several advantages, including:

- **Fairness**

Customers would only avoid sewer charges on water that can be directly demonstrated to remain outside the sanitary sewer system.

- **Revenue Accuracy**

Sewer revenues would be more closely aligned with actual wastewater generation.

- **Administrative Simplicity**

Eliminates:

- First-quarter sewer base calculations.
- Occupancy estimates.
- Transfer calculations.
- Special adjustment procedures.

- **Drought Management**

Dedicated irrigation meters would allow the City to:

- Monitor outdoor water use.
- Identify excessive irrigation.
- Measure conservation efforts.
- Better enforce temporary watering restrictions.
- Improve long-term water planning and capacity management.

- **Improved Transparency**

Customers would better understand how their utility bills are calculated and would have greater confidence that charges reflect actual consumption.

Staff Recommendation

Staff recommends the Council discuss two related policy questions:

1. **Senior Sewer Discount**

Determine whether:

- The discount was intentionally removed in 2023 and should be eliminated;
- The discount should be restored through ordinance amendment; or
- Existing recipients should be grandfathered.

2. Sewer Billing Methodology

Direct staff to evaluate transitioning from first-quarter sewer calculations to:

- Actual water consumption for sewer billing; and
- An optional irrigation meter program for customers wishing to exclude outdoor water use from sewer charges.

Staff believes this approach would improve fairness, simplify administration, enhance transparency, provide better water-use data, and better align utility rates with actual system usage while supporting future drought-management efforts.

Based on a review of the current billing data, converting to actual-use sewer billing is expected to be substantially neutral citywide, with estimated impacts within approximately 1% to 4% of current revenues. The primary effect is not additional revenue generation, but rather a redistribution of costs so that sewer charges more closely reflect actual water consumption. Areas with larger lots and higher summer water use would generally see increased charges, while areas with lower overall consumption would generally see little change or slight decreases. An optional irrigation meter program would further improve equity by ensuring outdoor water use is not charged sewer fees.