



To: Mayor and City Council

From: Dylan Mulfinger

Subject: Utility Rate Discussion Number Four

Date: 05/10/2021

The Council has changed direction on the water and sewer rate increase and asked for another option from the City Administrator. Below I will walk through the history of the current process and provide different options along with existing options.

The water utility goal is to increase revenue by \$240,000. This amount of funding will pay for the loan for the 2021 water infrastructure project, will set the city up for another loan in 2025, and will start an annual capital improvement program with \$100,000 annually.

The sewer utility goal is to increase revenue by \$320,000. This amount of funding will pay for several projects, a potential large scale sewer project in the NE, and will start an annual capital improvement program with \$100,000 annually.

The original increases are shown below.

January 2021 Proposed Plans

Increases Across the Board

Increases	July 2021	July 2022	July 2023	July 2024	July 2025
Water	6	6	6	2	2
Sewer	6	5	5	2	2
Water Infrastructure	1	1	0	0	0
Sewer Infrastructure	1	1	0	0	0

March 2021 Proposed Plans

No Infrastructure

Increases	July 2021	July 2022	July 2023	July 2024	July 2025
Water	25	6	6	2	2
Sewer	9	5	5	2	2
Water Infrastructure					
Sewer Infrastructure					



Two Dollar Infrastructure

Increases	July 2021	July 2022	July 2023	July 2024	July 2025
Water	18	6	6	2	2
Sewer	9	5	5	2	2
Water Infrastructure	-4				
Sewer Infrastructure					

May 2021 Proposed Plan

Reducing Infrastructure While Raising Rates

Increases	July 2021	July 2022	July 2023	July 2024	July 2025
Water	12	12	12	2	2
Sewer	9	5	5	2	2
Water Infrastructure	-2	-2	-2		
Sewer Infrastructure	-2				



Information provided at the March Work Session

Water Sewer Projects

The City has worked with council to ensure that several projects will be completed, and that the city can move forward on several improvements in the water and sewer utility.

Water

- \$779,500 loan for Water Infrastructure Project
 - Already awarded \$600,000 in CDBG funds
- \$1,300,000 for an additional project/projects
 - The City would generate funding for a loan payment of this future cost
- \$100,000 annual revenue for capital improvement projects in water
- Revenue Needed \$240,000

Sewer

- \$1,000,000 Reed Bed Expansion
- \$300,000 Nutrient Reduction
- \$200,000 Clean Out Equalization Basin Replace Liner
- \$200,000 Sewer Main Replacement
- \$135,000 UV Disinfection
- \$100,000 annual revenue for capital improvement projects in sewer/wastewater
- \$70,000 staffing level
- Infiltration/Inflow (INI Study)
- Improvements to 4th and 5th NE
- Revenue Needed \$320,000

Council was determined to make sure that residential homes did not carry all the rate increase. Administration's proposed plan focuses on rates and does not place everything on the infrastructure fees. This plan provides large fees for customers that use more of the service.

Residential customers consume/pay more than commercial.

- Water Utility January 2021
 - 2473 residential customers were billed \$53,815.00
 - 214 commercial customers were billed \$21,562.54
- Sewer Utility January 2021
 - 2428 residential customers were billed \$89,394.82
 - 208 commercial customers were billed \$24,520.63

Infrastructure Fee

A City Council member had asked what it would take to bring the infrastructure fees back into rates and only go to a rate structure and not have set fees. The reason for this request was that a single home would pay the same fee as a home with several people or a business that uses large amounts of water. The reason behind this request is to try and focus the fees to the customer who uses and needs the service



the most. Moving the \$6.00 water infrastructure fee to rates would add a 19 percent increase to rates. This increase would have minimal effect on customers who do not use much water, but it would have a significant effect on high end users.

The infrastructure fee was started as a separate fee to show customers where the money would be spent. City code requires that anything collected under the infrastructure fee goes toward a city project. The City has used this fee on the water tower renovation and painting and will use this fee for line replacement.

Significant time was spent studying the rates to determine if moving the infrastructure fee should be placed on the minimum or be on the rates. The city has a minimum fee, then charges based on 100 units of water sold. Administration determined that if the current infrastructure fee was moved to the base rate, it would still act as a fee and not a rate and would have little to no effect except that it would no longer be a separate charge. Moving the infrastructure fee to the rate would have a significant effect on high end water users. Administration will make the changes to the infrastructure fee at the direction of City Council.

Past Rate Increases

Historically the city has raised rates the following years:

1975, 1977, 1983, 1993, 1998, 2000, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2010, 2015, 2016, 2017, 2018, 2019