



MEMORANDUM

To: Santaquin City Mayor & Council
From: Benjamin A. Reeves, Santaquin City Manager
Date: June 15, 2021
Subject: Consolidated Fee Schedule & Water Rate Study Changes

In 2010, the Santaquin City Council implemented a policy to increase its utility rates following the Federal Consumer Price Index (CPI-U). This policy was implemented to cover the ever-increasing costs of operations with small incremental annual increases rather than larger more impactful increases every five years or so years.

Each June, Santaquin City reviews the CPI-U table for the preceding calendar year, and increases its rates accordingly, which are then applied at the beginning of the new fiscal year starting in July. (In calendar year 2020, the CPI-U increase was 1.2%). However, this year, we have two additional considerations incorporated into the proposed fee schedule changes. Those include the results of the Culinary and Irrigation Utility Rate Study which was completed as a component of the Culinary and Irrigation Master Plans and Capital Facility Plans updates completed earlier this year, as well as the 2019 Santaquin City Water Policy established to prepare our community for the arrival of water from the Central Utah Project (CUP).

In short, the study outlines two recommended changes. First, it provides a utility rate plan with proposed increases that are more directly related to the cost of water system operations, etc. (as opposed to the use of a standard federal index unrelated to water). Second, it recommends the creation of additional rate tiers for high volume users of the culinary system, and the first-time establishment of a tiered rate structure for our pressurized irrigation system (see rate study on our city website under capital facility plans.)

The establishment of such a tiered rate structure is not only a best practice for water conservation efforts, but it may also be mandated by the state of Utah in the near future due to water shortages experienced throughout the state. As such, city staff supports both recommended changes outlined in the study in lieu of the federal index methodology previously used.

In addition to the aforementioned, and pursuant to the 2019 council directive, the proposed consolidated fee schedule also adds a \$1/month increase to the irrigation base rate in FY2021-22 and anticipates a \$1/month increase in FY2022-23 to increase the funding reserves needed to support the contractual obligations Santaquin City has to accept CUP water. Furthermore, there is also an increase to the "Money-in-Lieu" of water dedication fee for new developments from \$4,750 to \$5,000 with a 3% annual cost escalation planned thereafter.

We hope this provides you sufficient context and understanding related to the proposed utility rate increases for the FY2021-22 budget. Please let me know if you have any questions or concerns regarding these proposed increases.

Thank you!

PROPOSED CULINARY WATER RATE SCHEDULE

	2021	2022	2023	2024	2025	2026	2027	2028
Base Rate		3.5%						
	\$22.47	\$23.26	\$24.07	\$24.91	\$25.78	\$26.69	\$27.62	\$28.59
CW-Residential		2%						
First 4,000 gallons	\$0.58	\$0.59	\$0.60	\$0.62	\$0.63	\$0.64	\$0.65	\$0.67
4,001-8,000 gallons	\$0.88	\$0.90	\$0.92	\$0.93	\$0.95	\$0.97	\$0.99	\$1.01
8,001-12,000 gallons	\$1.16	\$1.19	\$1.21	\$1.24	\$1.26	\$1.29	\$1.31	\$1.34
12,001-50,000 gallons	\$2.15	\$2.19	\$2.24	\$2.28	\$2.33	\$2.37	\$2.42	\$2.47
50,001-100,000 gallons rate increase		10%	10%	5%	5%	3%	3%	3%
50,001-100,000 gallons	\$2.15	\$2.37	\$2.60	\$2.73	\$2.87	\$2.95	\$3.04	\$3.13
100,000+ gallons rate increase		20%	20%	10%	10%	5%	5%	3%
100,000+ gallons	\$2.15	\$2.58	\$3.10	\$3.41	\$3.75	\$3.93	\$4.13	\$4.25
CW-Commercial, Industrial, Institutional		2%						
First 4,000 gallons	\$0.58	\$0.59	\$0.60	\$0.62	\$0.63	\$0.64	\$0.65	\$0.67
4,001-8,000 gallons	\$0.88	\$0.90	\$0.92	\$0.93	\$0.95	\$0.97	\$0.99	\$1.01
8,001-12,000 gallons	\$1.16	\$1.19	\$1.21	\$1.24	\$1.26	\$1.29	\$1.31	\$1.34
12,001-50,000 gallons	\$2.15	\$2.19	\$2.24	\$2.28	\$2.33	\$2.37	\$2.42	\$2.47
50,001-100,000 gallons & 100,000+ gallons rate increase		3%						
50,001-100,000 gallons	\$2.15	\$2.21	\$2.28	\$2.35	\$2.42	\$2.49	\$2.57	\$2.64
100,000+ gallons	\$2.15	\$2.21	\$2.28	\$2.35	\$2.42	\$2.49	\$2.57	\$2.64

PROPOSED PI RATE SCHEDULE

RATE SCHEDULE	2021	2022	2023	2024	2025	2026	Annual Increase Through 2026	2027	2028	Annual Increase After 2026
BASE RATES										
1"	\$16.37	\$16.98	\$17.62	\$18.28	\$18.97	\$19.68	3.75%	\$20.42	\$21.18	3.75%
1.5" and Larger	\$23.40	\$24.28	\$25.19	\$26.13	\$27.11	\$28.13	3.75%	\$29.18	\$30.28	3.75%
PI-Residential										
First 25,000 gallons	\$0.74	\$0.76	\$0.79	\$0.81	\$0.83	\$0.86	3%	\$0.88	\$0.91	3%
25,001-45,000 gallons	\$0.74	\$0.78	\$0.82	\$0.86	\$0.90	\$0.94	5%	\$0.99	\$1.04	5%
45,001-65,000 gallons	\$0.74	\$0.80	\$0.86	\$0.92	\$0.99	\$1.06	8%	\$1.12	\$1.17	5%
65,001-100,000 gallons	\$0.74	\$0.85	\$0.98	\$1.13	\$1.29	\$1.49	15%	\$1.64	\$1.80	10%
100,000+ gallons	\$0.74	\$0.89	\$1.07	\$1.28	\$1.53	\$1.84	20%	\$2.12	\$2.44	15%
PI-Commercial										
First 25,000 gallons	\$0.74	\$0.76	\$0.79	\$0.81	\$0.83	\$0.86	3%	\$0.88	\$0.91	3%
25,001-45,000 gallons	\$0.74	\$0.78	\$0.82	\$0.86	\$0.90	\$0.94	5%	\$0.99	\$1.04	5%
45,001-65,000 gallons	\$0.74	\$0.80	\$0.86	\$0.92	\$0.99	\$1.06	8%	\$1.12	\$1.17	5%
65,001-100,000 gallons	\$0.74	\$0.85	\$0.98	\$1.13	\$1.29	\$1.49	15%	\$1.64	\$1.80	10%
100,000+ gallons	\$0.74	\$0.89	\$1.07	\$1.28	\$1.53	\$1.84	20%	\$2.12	\$2.44	15%