



2024 Water, Sewer, and Solid Waste Rate Study Update



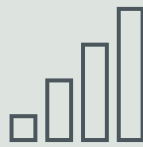
FCS GROUP
August 2024
Council Meeting



Agenda



**Rate
Background**



**Rate
Scenarios**



**Rate
Comparison**



**Next
Steps**



Introduction to Utility Ratemaking

- **Utility rates are set to recover the cost of providing service**

- **Utilities incur two primary types of costs**

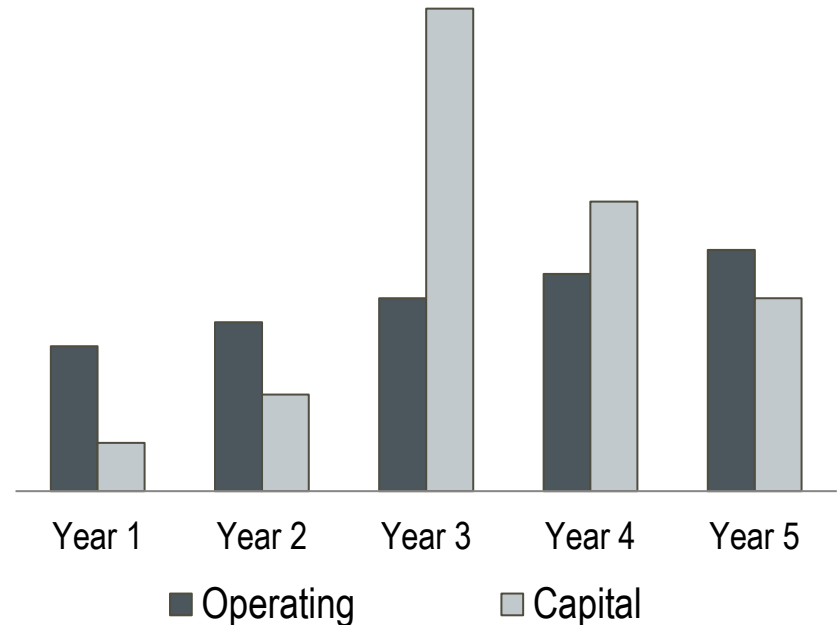
- **Operating costs (regular / ongoing)**

- » Employee salaries and benefits
- » Power / utilities
- » Monthly bill processing
- » Taxes

- **Capital costs**

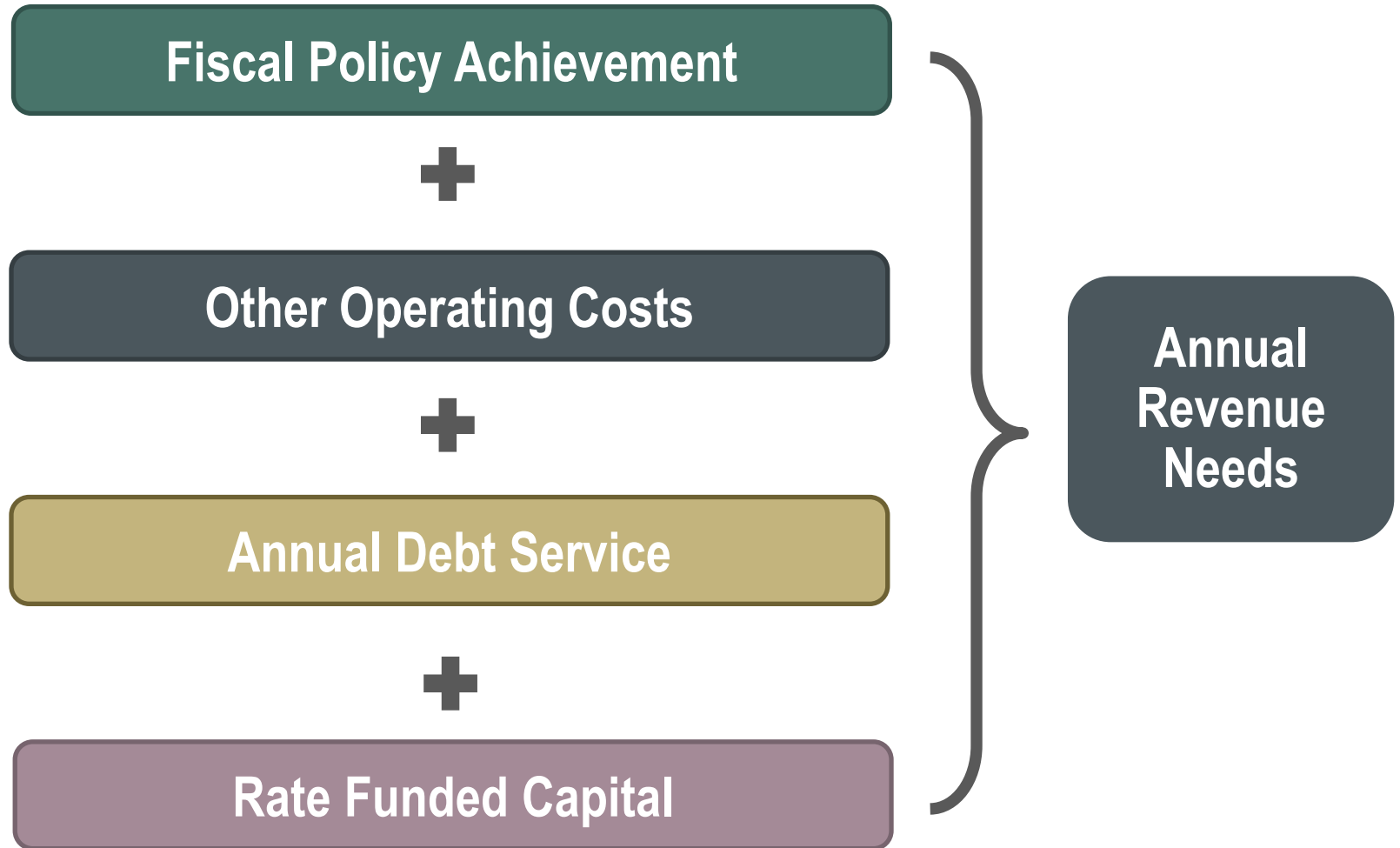
- » Infrastructure replacement
- » Facility expansions and upgrades

EXAMPLE





How Much Revenue is Needed?





Fiscal Policies & Reserve Targets

Policy	Purpose	Proposed Target
Operating Reserve	Working capital to meet daily operating and maintenance expenditures <i>(based on days of operating expenses from the 2024 budget)</i>	Water: 90 days ~ \$517,000 Sewer: 45-60 days ~ \$317,000-\$422,000 Solid Waste: 45 days ~ \$130,000
Capital Reserve	Emergency repairs, unanticipated capital, and project cost overruns <i>(water is based on a percentage of fixed assets at original cost, sewer is based on an estimated emergency replacement cost)</i>	Water: 1% ~ \$195,000 Sewer: \$200,000 Solid Waste: N/A
Operating + Capital		Water: \$712,000 Sewer: \$516,000-\$622,000 Solid Waste: \$130,000



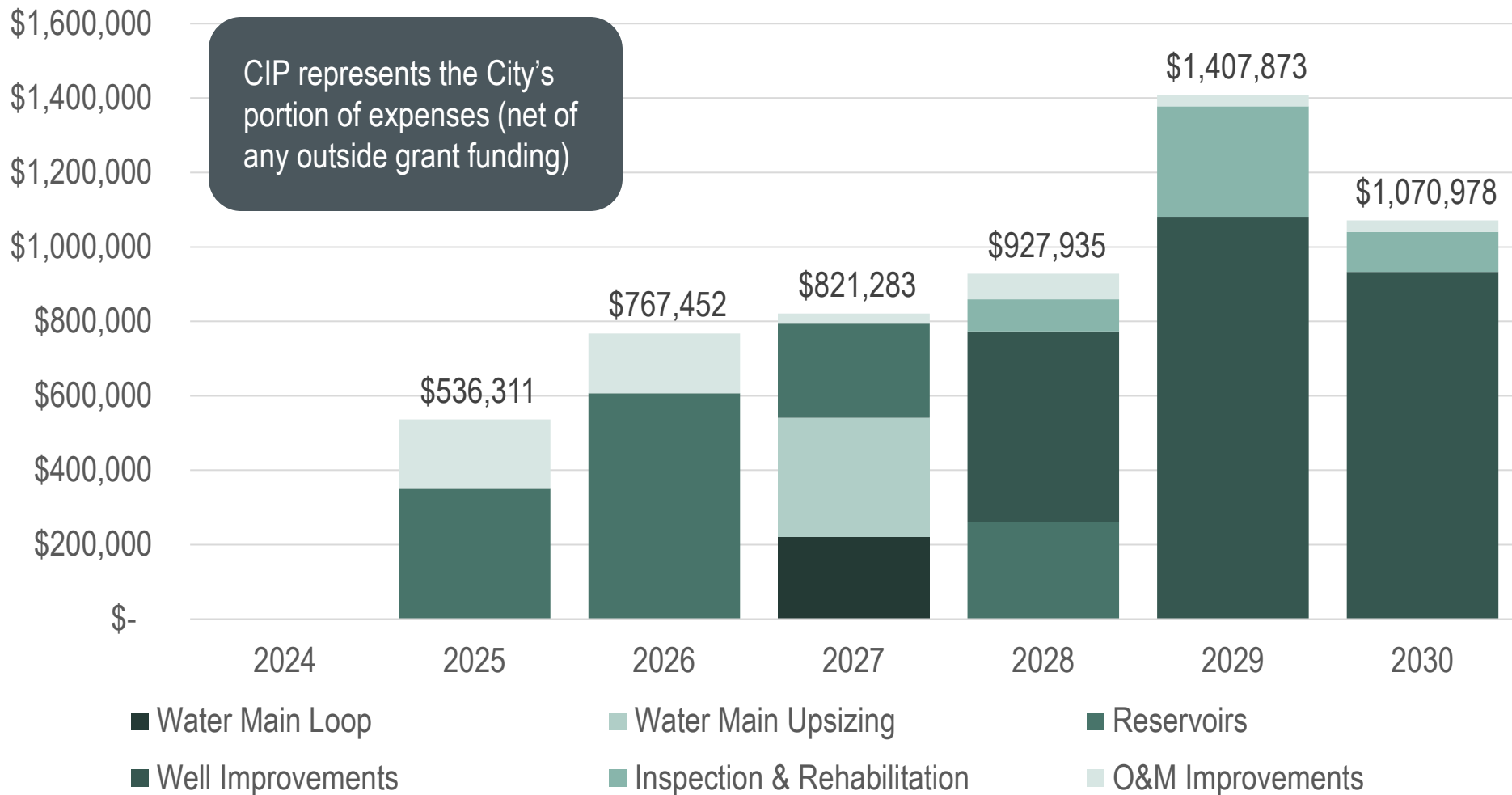
Water Revenue Requirement



Water Capital Program (in escalated \$)

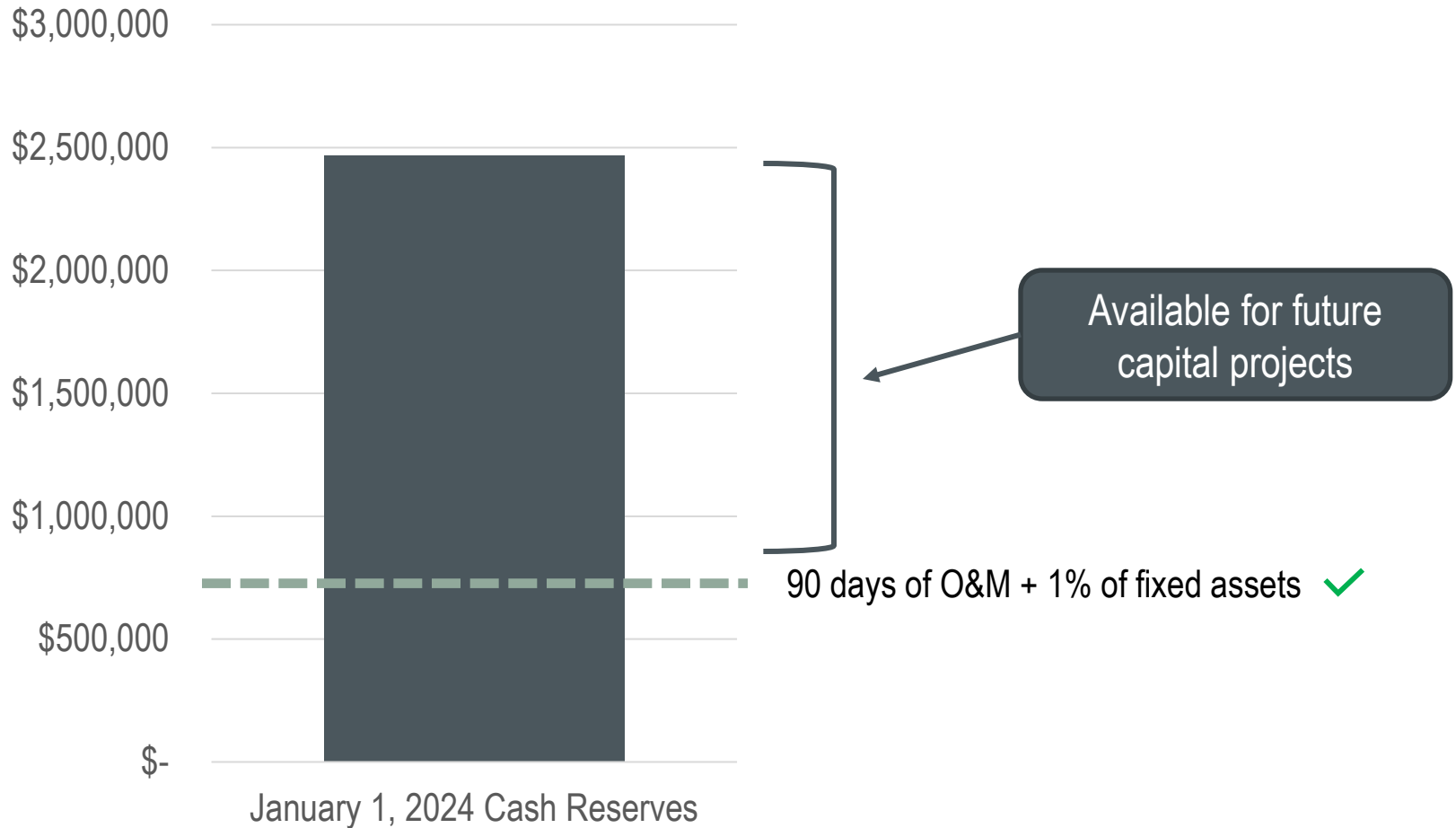
Annual 2025-2030 CIP: \$5.5 M total (average \$800,000 per year)

CIP represents the City's portion of expenses (net of any outside grant funding)



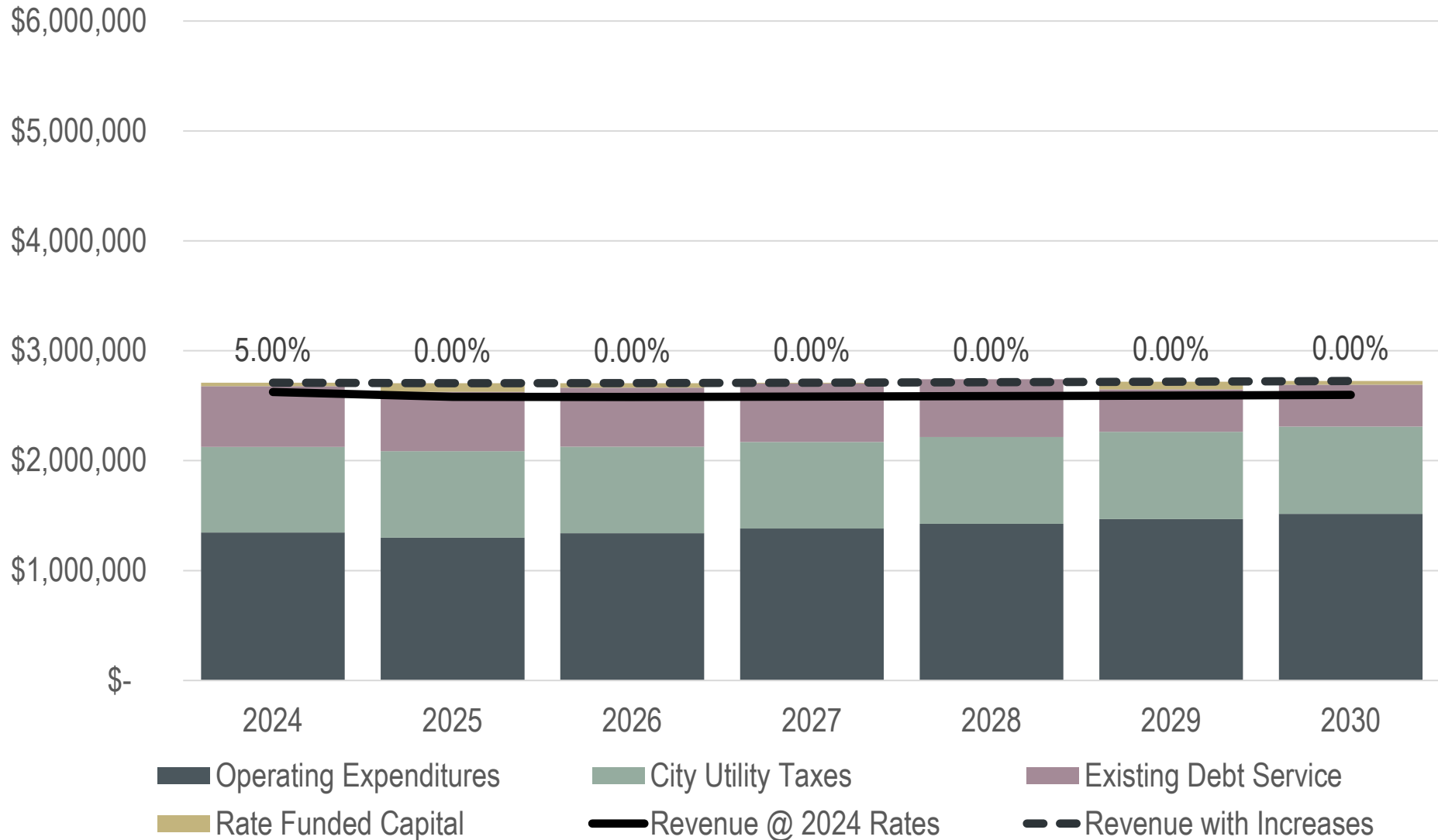


Water Capital Funding from Reserves



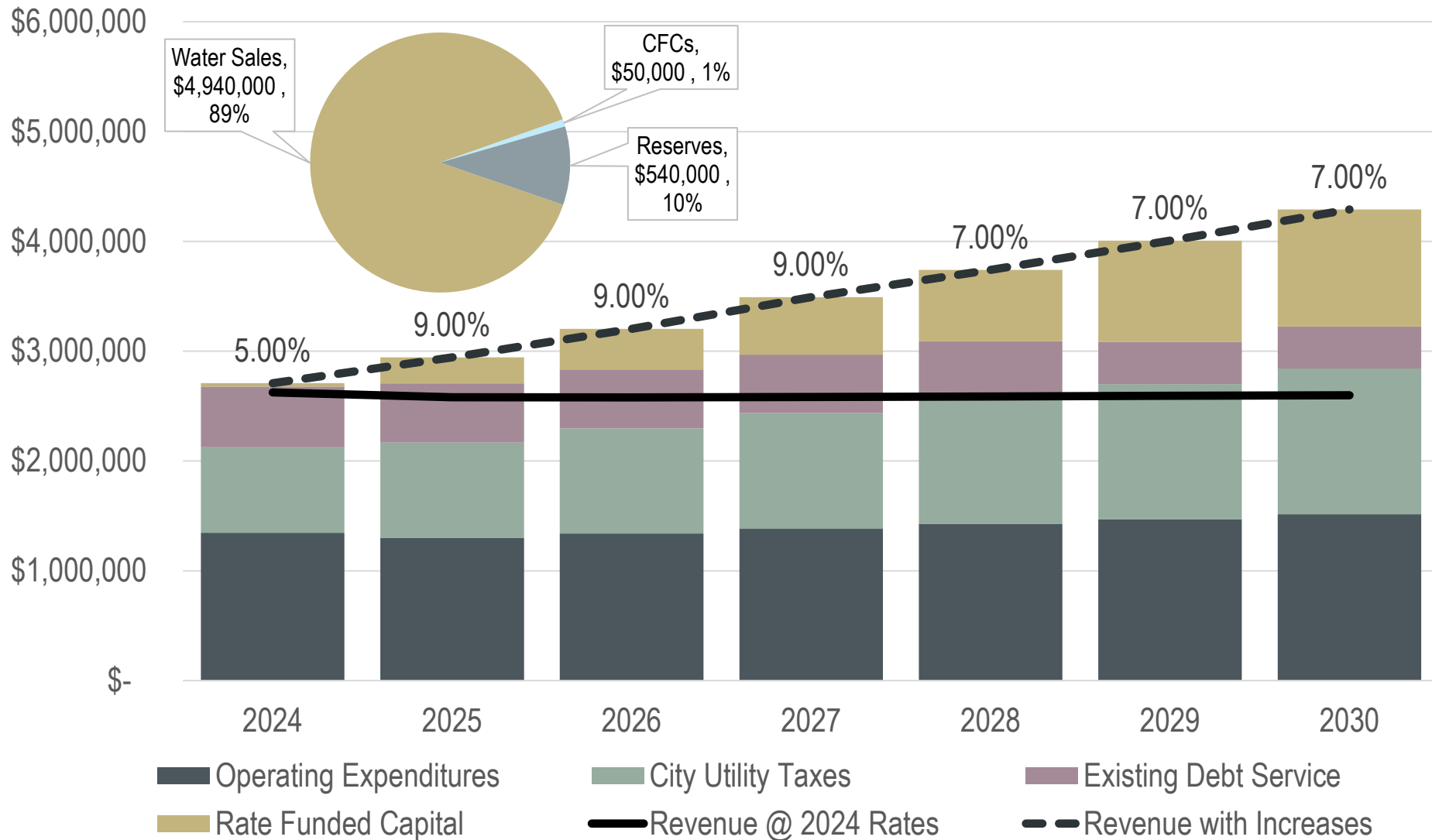


Water Utility: Current Operating Forecast



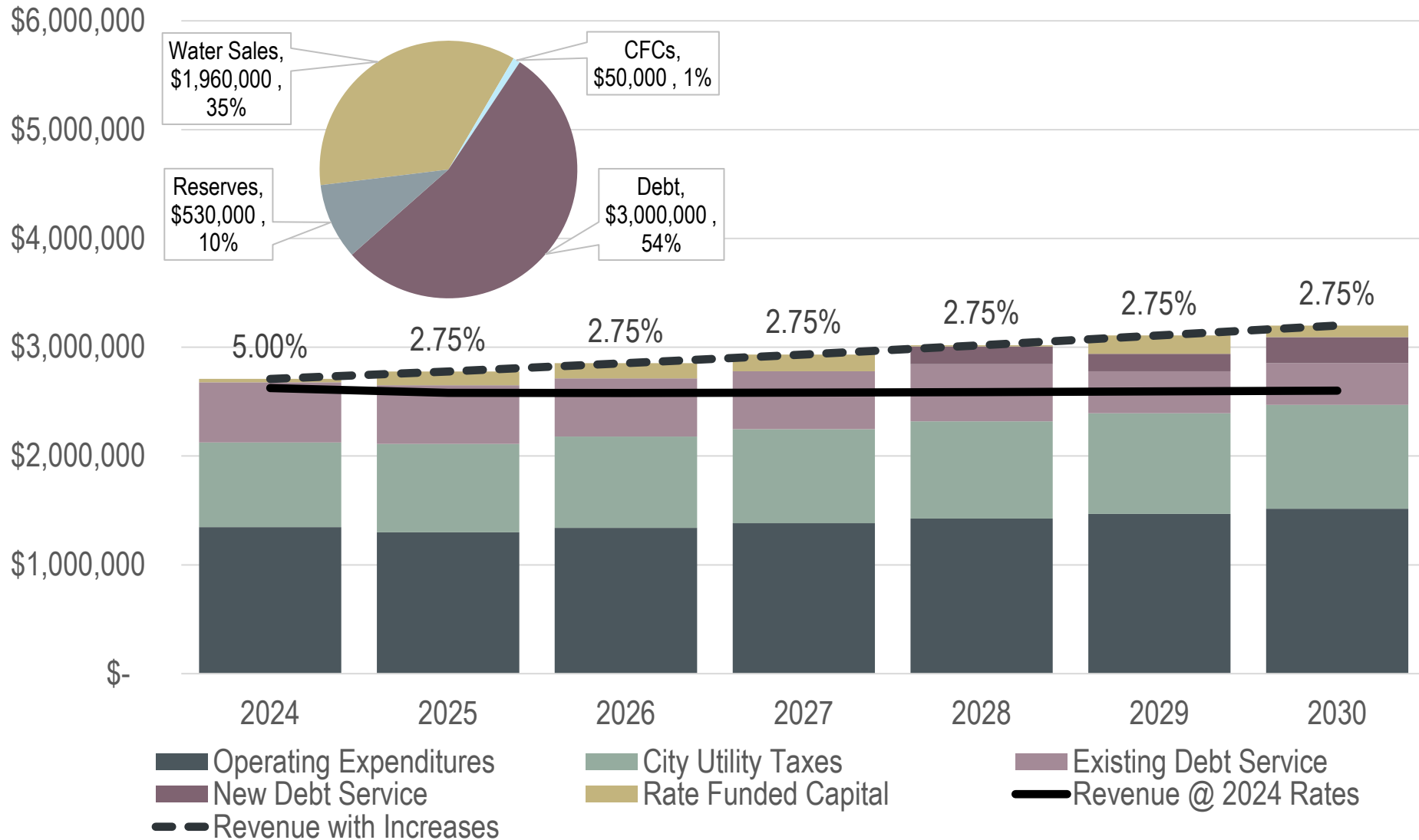


Water Scenario 1: Cash Funded CIP





Water Scenario 2: Cash & Debt Funded CIP





Water Scenario Overview

Scenario 1: Cash Funded CIP

	2024*	2025	2026	2027	2028	2029	2030
Rate Increase	5.00%	9.00%	9.00%	9.00%	7.00%	7.00%	7.00%
Bill: 3/4" meter with 14 ccf of usage	\$65.12	\$70.98	\$77.37	\$84.33	\$90.24	\$96.55	\$103.31

Scenario 2: Cash & Debt Funded CIP

	2024*	2025	2026	2027	2028	2029	2030
Rate Increase	5.00%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Debt Proceeds					\$2.0 M		\$1.0 M
Bill: 3/4" meter with 14 ccf of usage	\$65.12	\$66.91	\$68.75	\$70.64	\$72.59	\$74.58	\$76.63

City Utility Tax: Cash Funded Rate Increases with 20% Water City Utility Tax Option**

	2024*	2025	2026	2027	2028	2029	2030
Rate Increase	5.00%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%
Bill: 3/4" meter with 14 ccf of usage	\$65.12	\$67.89	\$70.77	\$73.78	\$76.92	\$80.19	\$83.59

* Eight (8) months of 5% rate increase (partial year implementation)

** Current Water City Utility tax is 29%

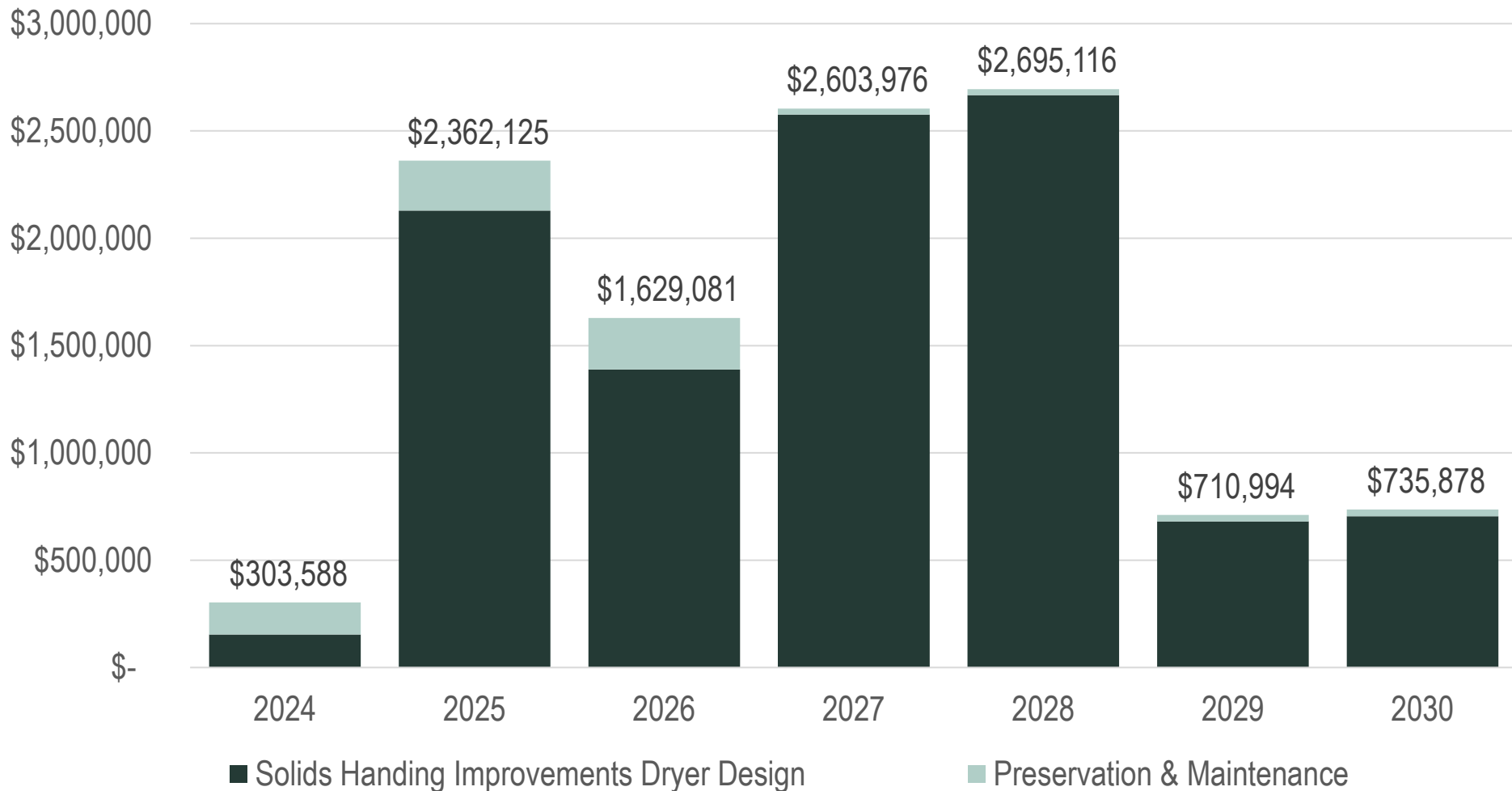


Sewer Revenue Requirement



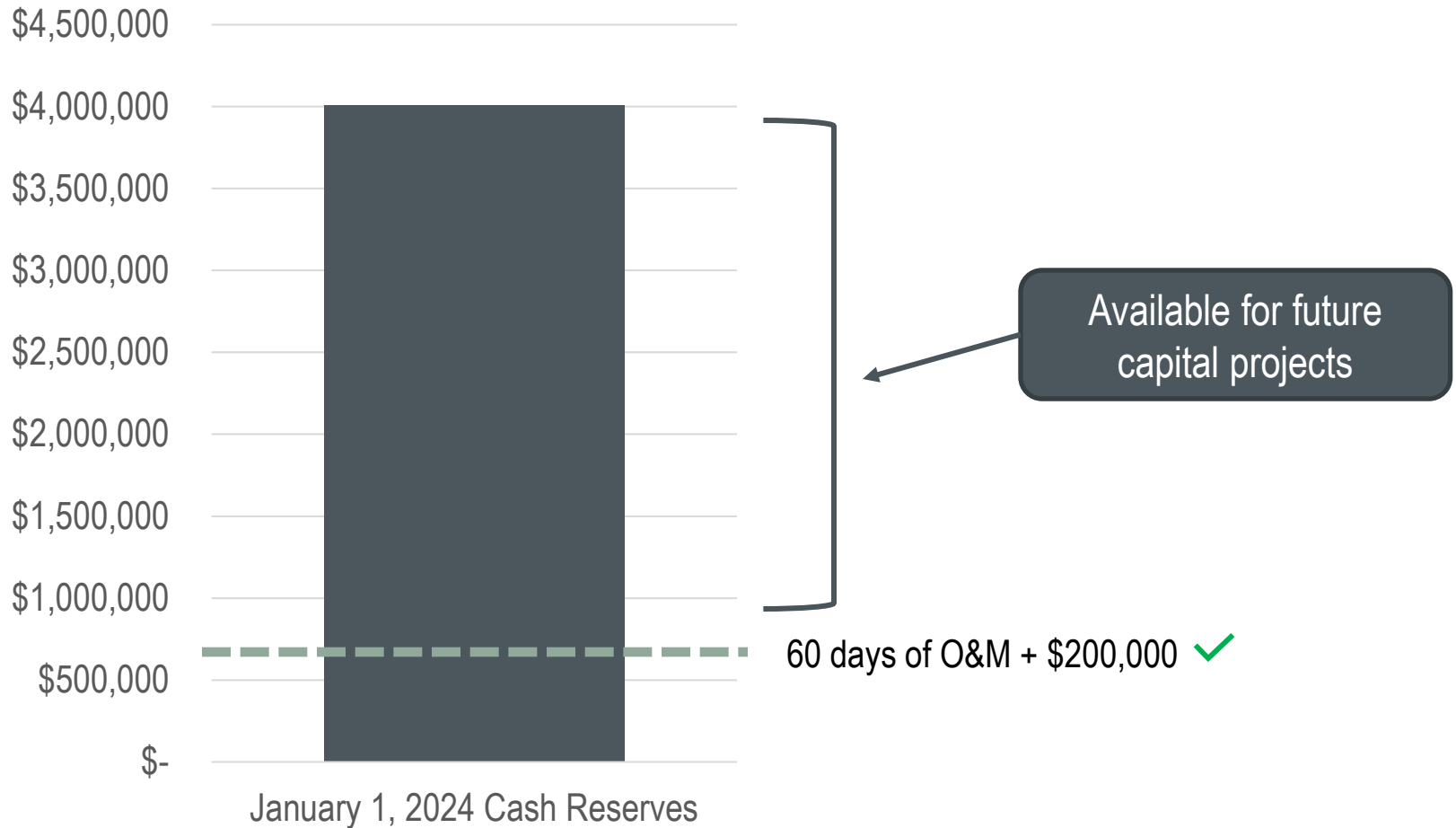
Sewer Capital Program (in escalated \$)

Annual 2025-2030 CIP: \$11.0 M total (average \$1.6 M per year)



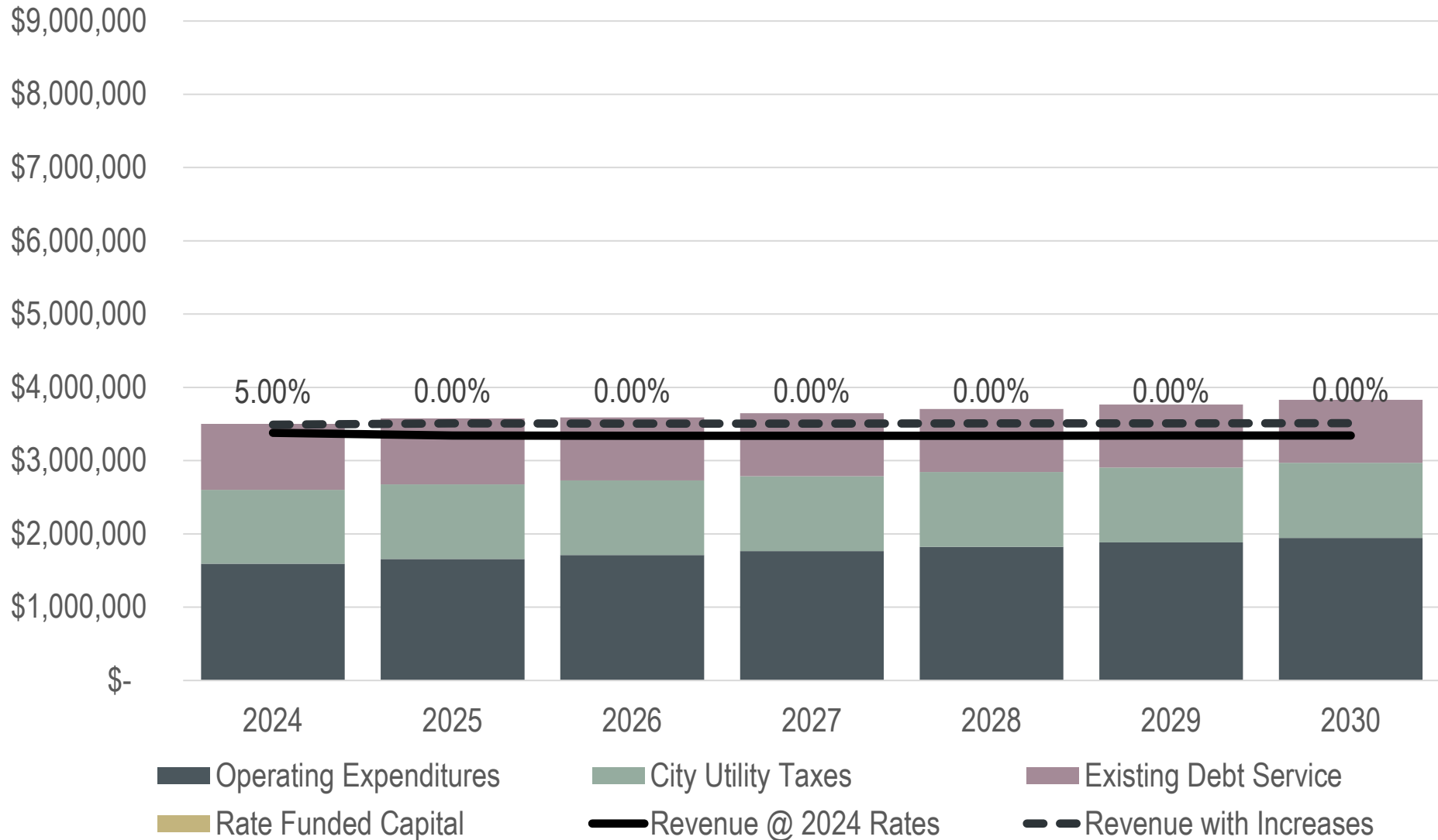


Sewer Capital Funding from Reserves



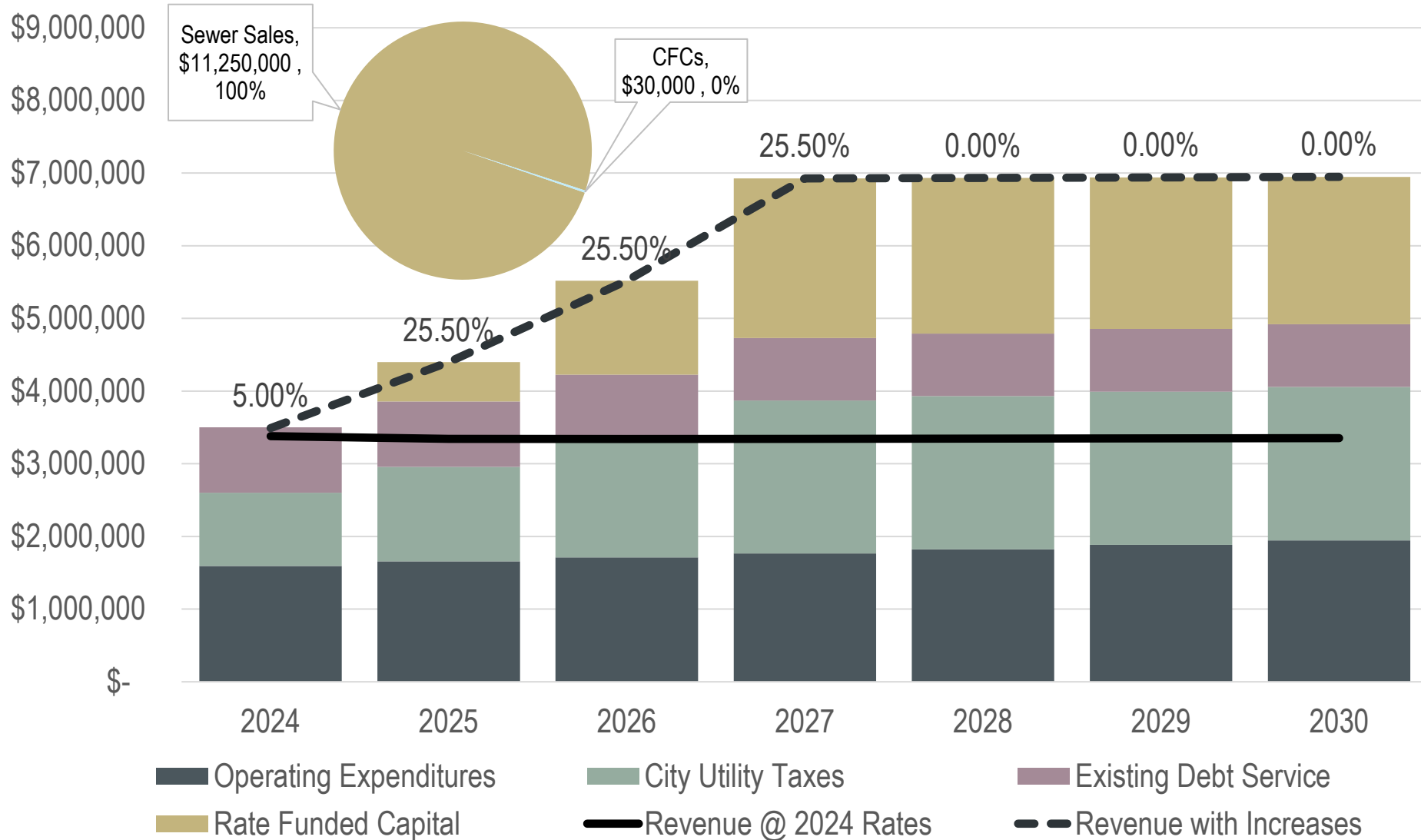


Sewer Utility: Current Operating Forecast



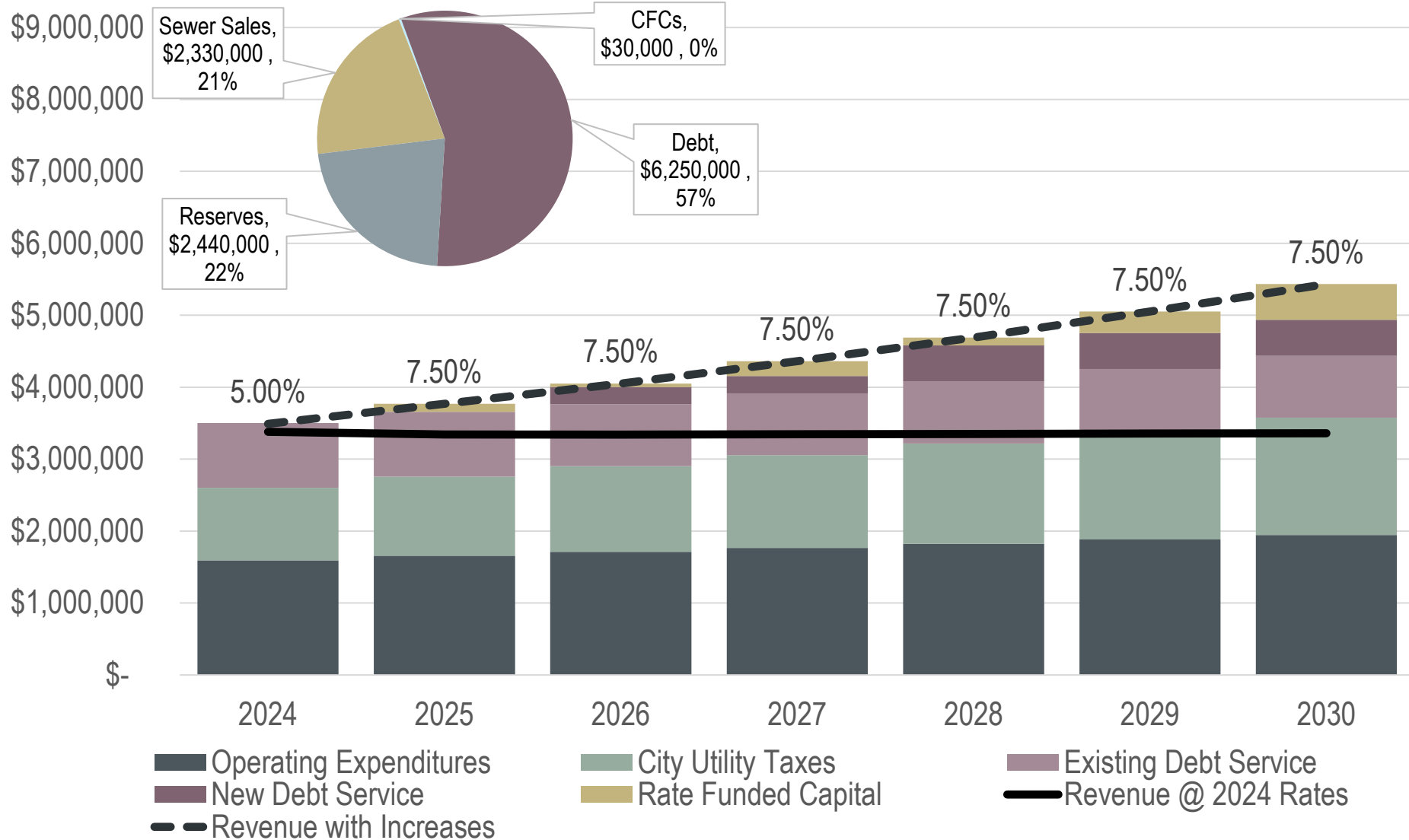


Sewer Scenario 1: Cash Funded CIP





Sewer Scenario 2: Cash & Debt Funded CIP





Sewer Scenario Overview

Scenario 1: Cash Funded CIP

	2024*	2025	2026	2027	2028	2029	2030
Rate Increase	5.00%	25.50%	25.50%	25.50%	0.00%	0.00%	0.00%
Bill: Residential Customer	\$104.49	\$131.13	\$164.57	\$206.53	\$206.53	\$206.53	\$206.53

Scenario 2: Cash & Debt Funded CIP

	2024*	2025	2026	2027	2028	2029	2030
Rate Increase	5.00%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Debt Proceeds			\$3.0 M		\$3.25 M		
Bill: Residential Customer	\$104.49	\$112.32	\$120.75	\$129.80	\$139.54	\$150.00	\$161.25

City Utility Tax: Cash Funded Rate Increases with 20% Sewer City Utility Tax Option**

	2024*	2025	2026	2027	2028	2029	2030
Rate Increase	5.00%	18.50%	18.50%	18.50%	0.00%	0.00%	0.00%
Bill: Residential Customer	\$104.49	\$124.08	\$147.03	\$174.23	\$174.23	\$174.23	\$174.23

* Eight (8) months of 5% rate increase (partial year implementation)

** Current Sewer City Utility tax is 29%

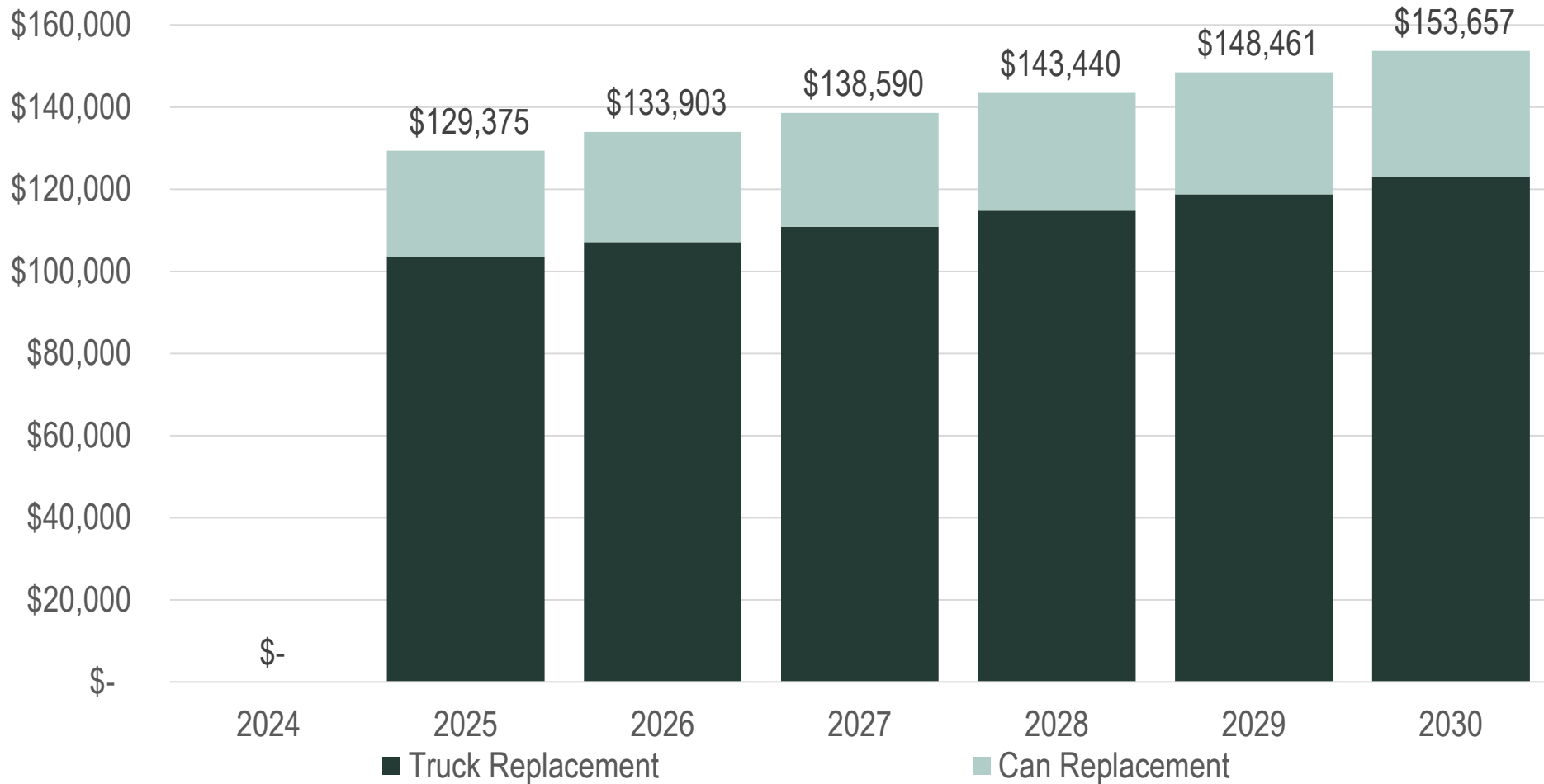


Solid Waste Revenue Requirement



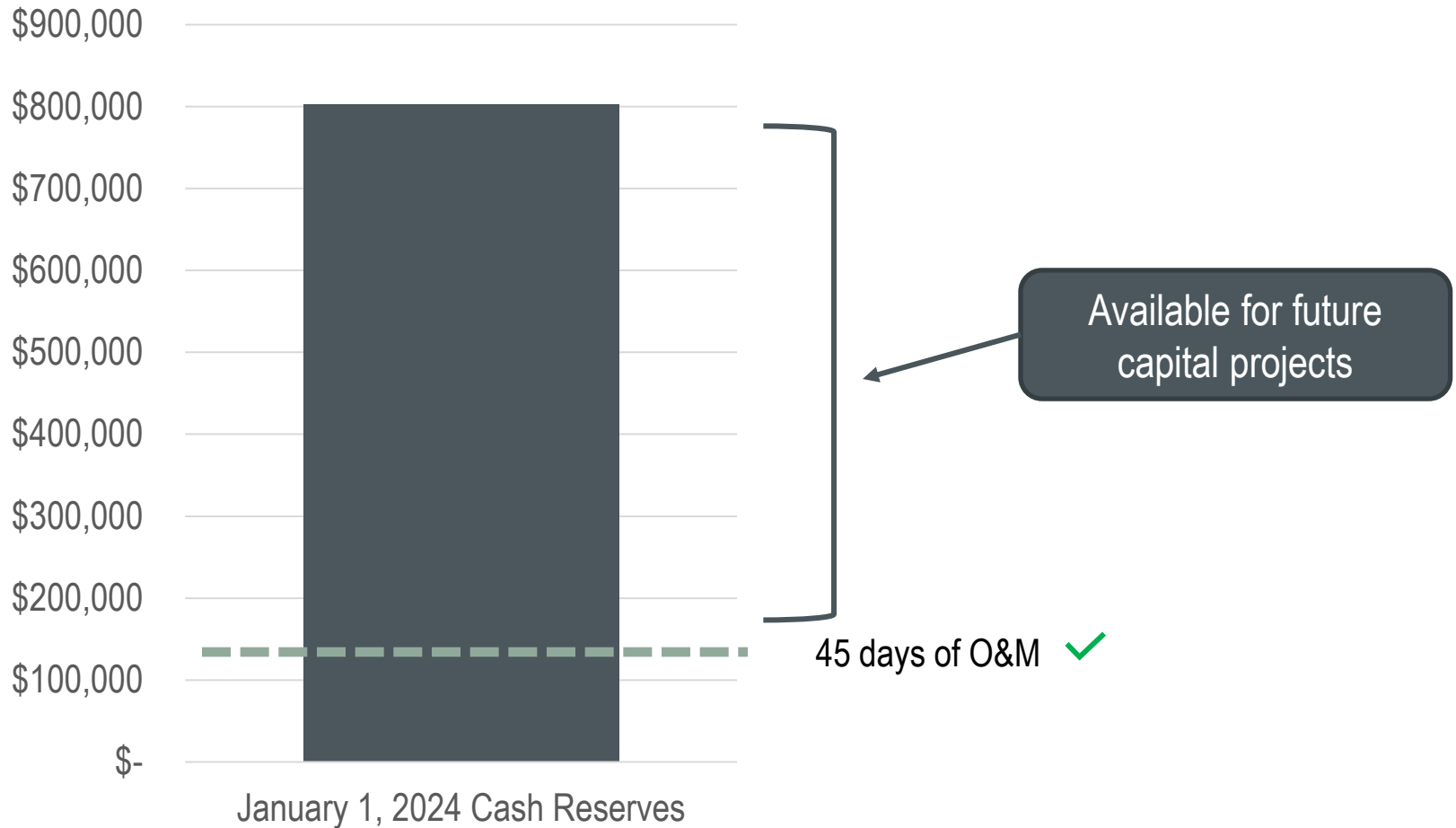
Solid Waste Capital Program (in escalated \$)

Annual 2025-2030 CIP: \$847,000 total (\$121,000 per year)



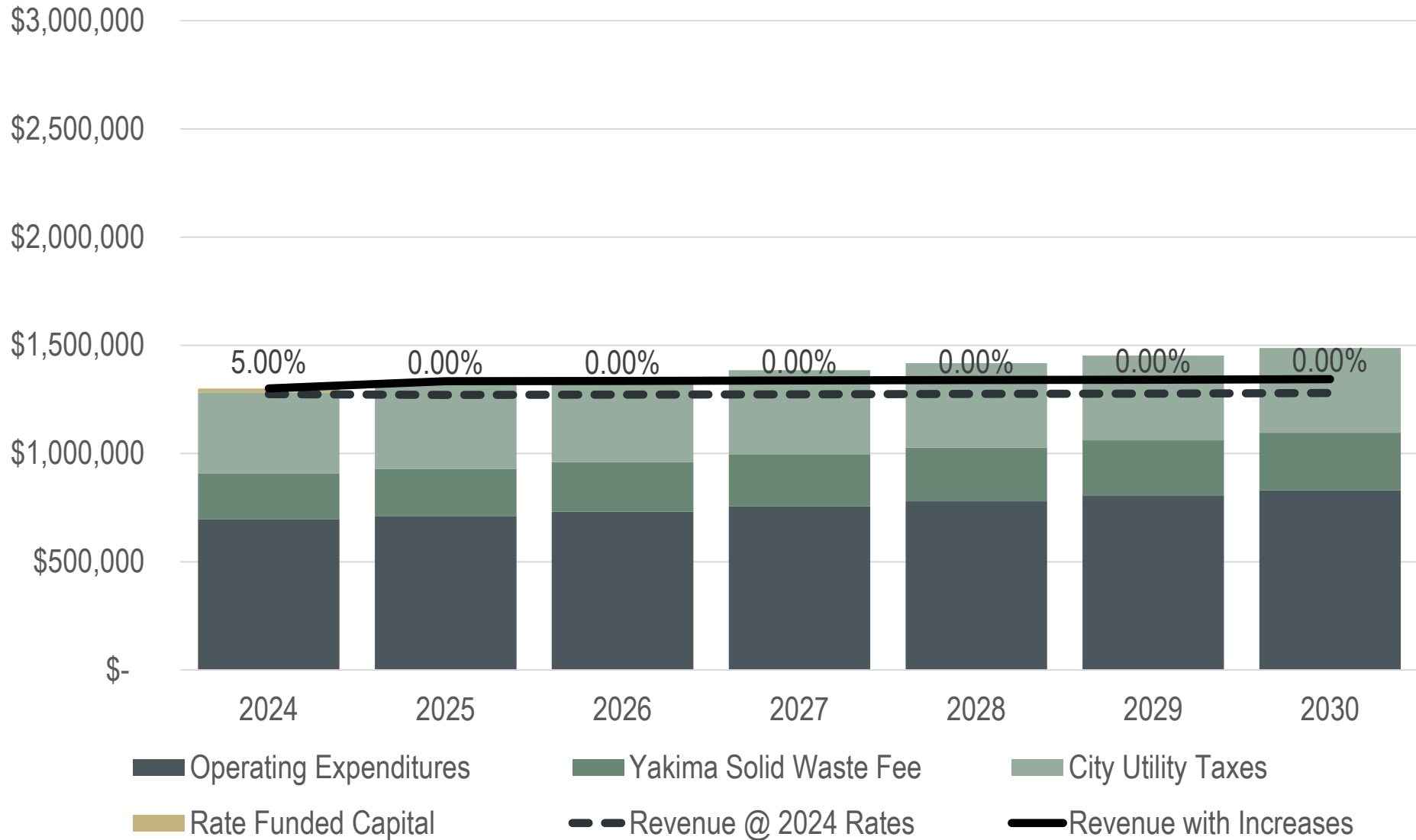


Solid Waste Capital Funding from Reserves



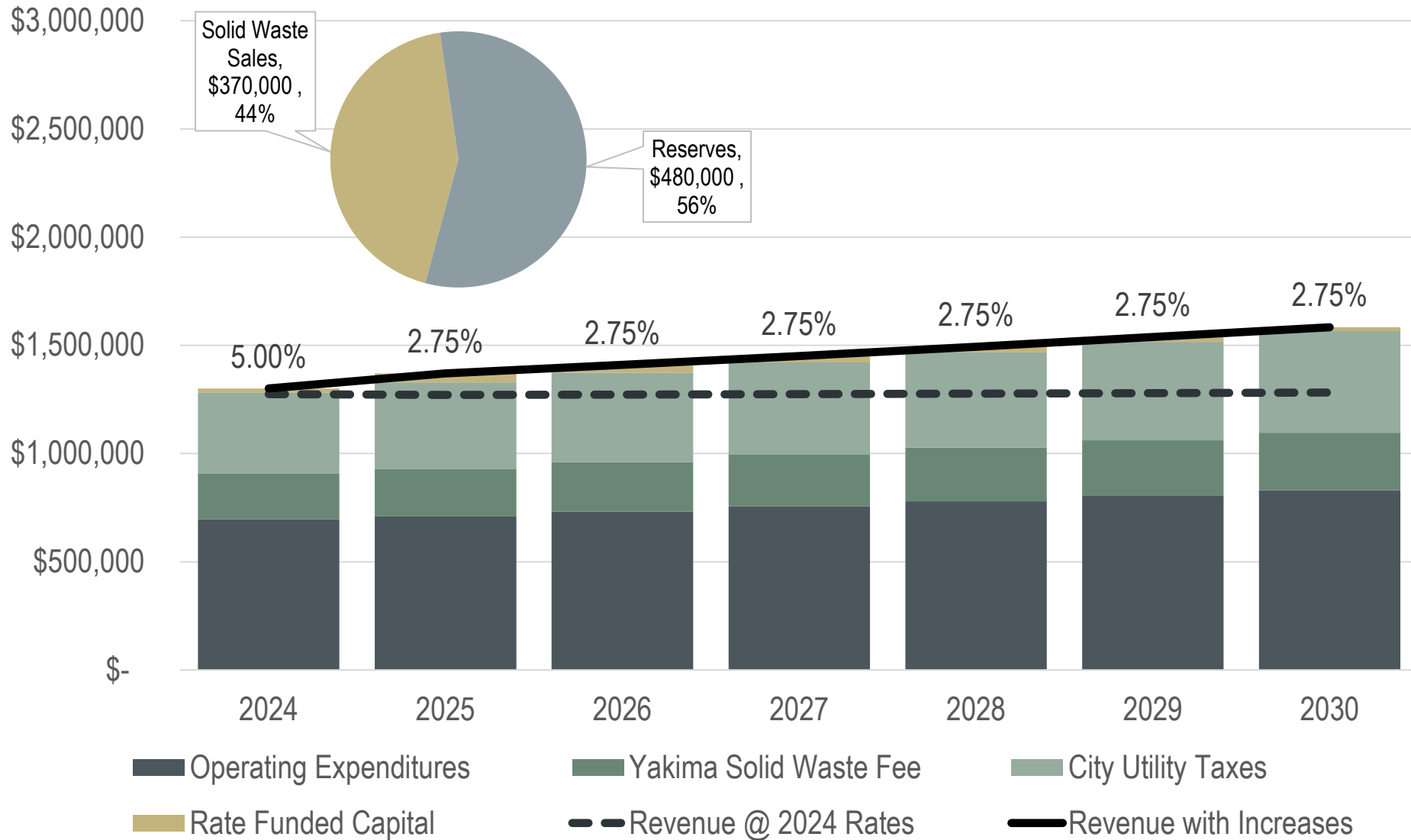


Solid Waste Utility: Current Operating Forecast





Solid Waste Scenario 1: Cash Funded CIP





Solid Waste Scenario Overview

Scenario 1: Cash Funded CIP

	2024*	2025	2026	2027	2028	2029	2030
Rate Increase	5.00%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Bill: 90-gallon can	\$26.87	\$27.61	\$28.37	\$29.15	\$29.95	\$30.77	\$31.62

City Utility Tax: Cash Funded Rate Increases with 20% Solid Waste City Utility Tax Option**

	2024*	2025	2026	2027	2028	2029	2030
Rate Increase	5.00%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Bill: 90-gallon can	\$26.87	\$27.00	\$27.14	\$27.27	\$27.41	\$27.55	\$27.69

* Eight (8) months of 5% rate increase (partial year implementation)

** Current Solid Waste City Utility tax is 29%

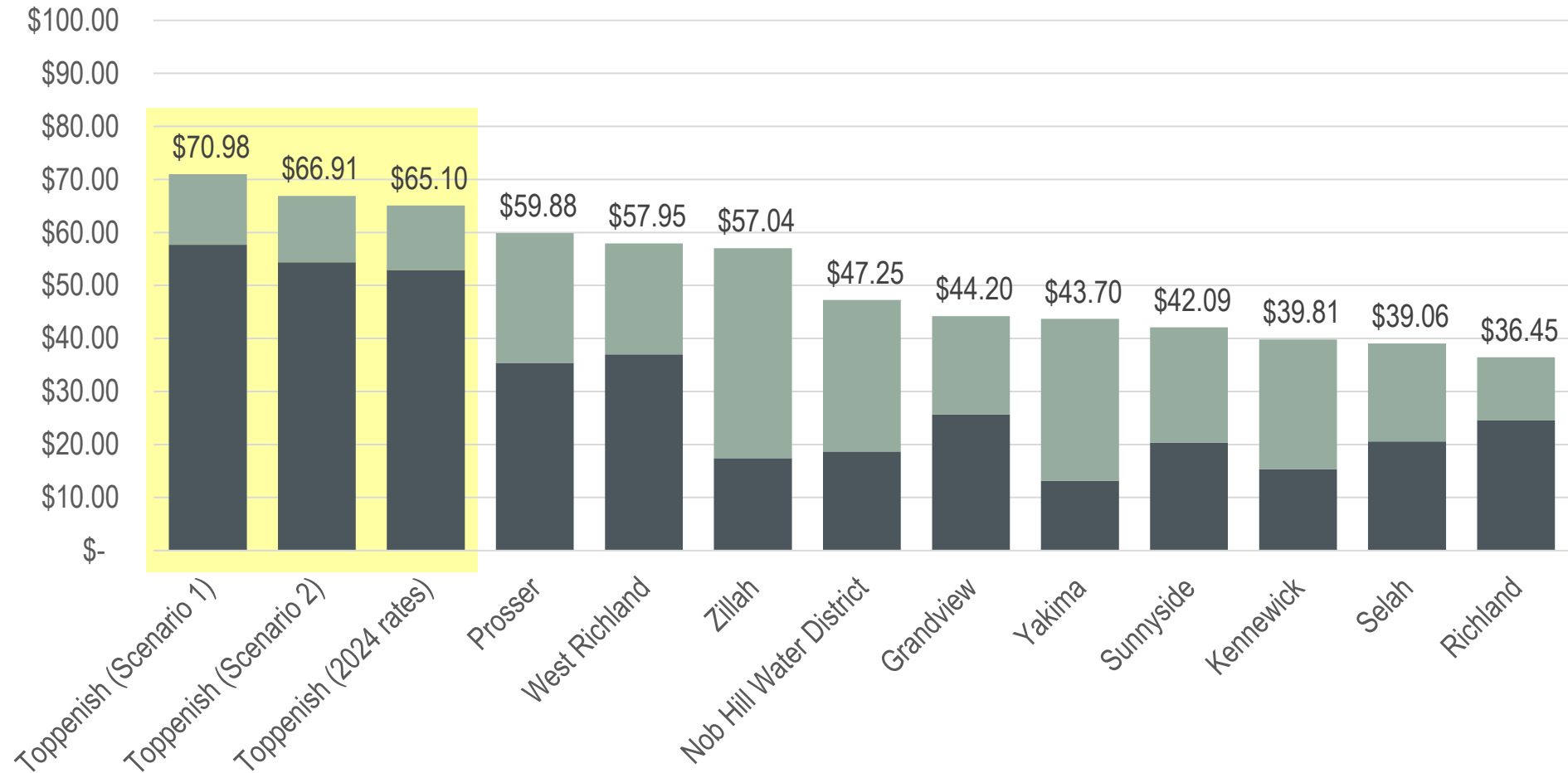


Jurisdictional Survey & Next Steps



Water Monthly Bill Comparison

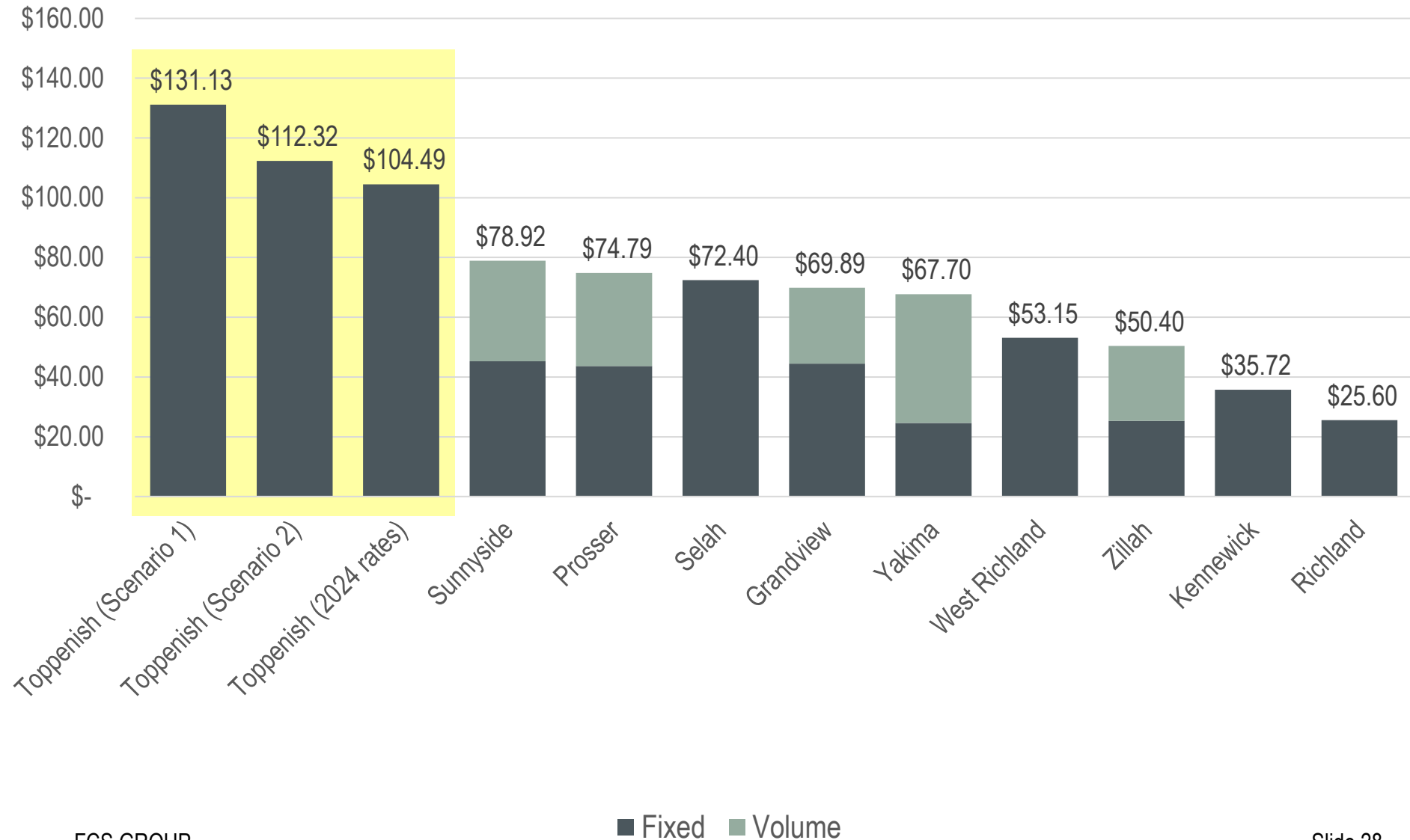
Single Family (3/4" Meter & 14 ccf of usage)





Sewer Monthly Bill Comparison

Single Family (Residential customer, 12 ccf of flow)





Solid Waste Monthly Bill Comparison

Single Family (90-gal can or equivalent)





Next Steps

- **Additional scenario considerations?**
- **Discussion on utility tax adjustments for each utility**
- **Scenario options – debt vs. no debt**

- **Additional items for us to come back with at the council meeting?**

Thank you!

Questions?

www.fcsgroup.com

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