
Meeting Date: November 25, 2024

Subject: Utility Rates

Attachments: Rate Ordinances, FCS Group Presentation

Presented by: Adam Vaughn, Finance Director

Approved for Agenda by: Dan Ford, City Manager

Discussion:

In August of 2024 FCS Group gave the City Council a Utility Rate Study presentation in which it was recommended to increase utility rates. These recommendations ranged from as low as 2.75% in the City's Solid Waste fund and as high as 25% in the City's Wastewater fund. The primary driver of these recommended rate increases is needed capital improvements and operating cost increases.

Costs for the Utility Funds are particularly constrained by debt obligations and the need to pay the General Fund a 29% utility tax. Keep in mind that the utility tax makes up 35% of the City's General Fund and is the single largest source of revenue for the general fund which is currently budgeted to have a \$1.4 million deficit. Any adjustment to the utility tax rate in the utility funds would have to have a corresponding adjustment to services in the General Fund.

The City was fortunate enough to receive an \$8.75 million award from the Public Works Trust Fund for the Wastewater Treatment Plant project. Of this award, \$2 million is grant funding and the rest is a low interest loan. If the City took out this full loan, we would be adding about \$330,000 a year for the next 20 years in debt service payments. This would require a 9.34% rate increase alone to cover those costs. That percentage does not include any other increases that the fund would be required to fund. Staff does not plan to take out the full loan amount, we are working on a funding plan that does not overburden our rate payers and that utilizes our lobbying efforts to pay for loan costs.

City staff recognizes the burden that cost increases have on our customers. It is our long-term goal to lower that burden for our citizens. At the present time, we are not able to lower rates unless we significantly reduce General Fund services. As such, we are asking for a one-year increase so that we can continue to look at ways to lower costs for the future.

Fiscal Impact:

Revenue Increases:

- Water: \$84,391
- Wastewater: \$106,049
- Solid Waste: \$39,982
- General Fund \$66,822

Recommendation: Approve Ordinances 2024-14, 2024-15, and 2024-16 approving a 3% rate increase for each Utility Fund.

Alternatives: Do not approve Ordinances 2024-14, 2024-15, and 2024-16