

Proposed Water, Sewer and Stormwater Rate Increases for 2009

Proposed Water Rate Increase for 2009

The Utilities Department is proposing a 7% increase in user rates to meet the following needs:

- Reduce the current \$1.8 million shortfall between expenses and revenues;
- Replace water infrastructure on a timely basis;
- Higher costs in the personnel, power and heat, and supply areas.

The projected Operations and Maintenance budget for 2009 is \$19,090,000. This is 1.9% higher than the 2008 budget. Recognizing that the national and local economy is in difficulty, the 2009 budget has been designed with many line items frozen at 2008 levels. Only salaries, known price increases from outside vendors, and the areas affected by high energy rates have been increased.

The calculation for rates is based on expenses less non-rate revenues (interest, fees, etc.) equals amount needed from rate revenues. The simplified version of this calculation is shown below.

	2009
Total Expenses	\$19,090,000
Non-Rate Revenue	\$384,000
Amount needed from Rate Revenue	\$18,706,000
Revenue from 2008 rates	\$16,526,000
2009 Shortfall	(\$2,180,000)
2009 Rate Increase	13.2%
2009 Cash Requirement	\$0

Rate increase needed to fully fund 2009 expenses

Non-rate revenue (interest, fees) will total \$384,000, so \$18,706,000 is needed from user rates to cover all costs. Under the 2008 rate structure (and assuming 5.3 billion gallons of water will be sold) only \$16,526,000 in revenue will be realized. The shortfall is \$2,181,000.

A rate increase of 13.2% would be needed to make up the entire shortfall at one time. Since a portion of this increase is to close a \$1.8 million gap between current expenses and revenues, Staff is recommending that the gap be closed over a period of years. The proposal is for a 7% increase in 2009. It is expected that additional water rate increases of 7% will be needed in 2010 and 2011 as well.

The proposed rate increase would add about \$2 per month to the average single-family water bill.

Proposed Sewer Rate Increase for 2009

The Utilities Department is proposing a 10.5% increase in wastewater user rates to meet the following needs:

- Eliminate the current \$1million shortfall between expenses and revenues;
- Replace the wastewater infrastructure on a timely basis;
- Higher costs in the personnel, power and heat, and supply areas;

The projected Operations and Maintenance budget for 2009 is \$9,955,000. This is 2% less than the 2008 budget. Recognizing that the national and local economy is in difficulty, the 2009 budget has been designed with many line items frozen at 2008 levels. Only salaries, known price changes from outside vendors, and the areas affected by high energy rates have been increased.

	2009
Total Expenses	\$9,955,000
Non-Rate Revenue	\$482,000
Amount needed from Rate Revenue	\$9,473,000
Revenue from 2008 rates	\$8,451,000
2009 Shortfall	(\$1,022,000)
2009 Rate Increase	12.1%
2009 Cash Requirement	\$0

Rate increase needed to fully fund 2009 expenses



Non-rate revenue (interest, fees) will total \$485,000 so \$9,473,000 is needed from user rates to cover all costs. Under the 2008 rate structure, only \$8,451,000 will be realized. The shortfall is \$1,022,000.

A rate increase of 12.1% would be needed to make up the entire shortfall at one time. Since a portion of this increase is to close a gap between current expenses and revenues, Staff is recommending that the gap be closed over a period of years. The proposal is for a 10.5% increase in 2009. It is expected that additional wastewater rate increases of 10.5% will be needed in 2010 and 2011 as well.

In recent years, the annual payment to the Metro Wastewater District has fluctuated quite a bit. In 2008, the payment was \$5.6 million. In 2009, it will be \$5.0 million. In 2010, it is expected to be \$5.6 million. These swings make it difficult to determine appropriate wastewater rates. It is known that the Metro District will be required to spend \$1 billion over the next decade to improve the wastewater treatment system so our costs in this area are only going to rise.

The proposed rate increase would add \$1.72 per month to the average single-family customer's sewer bill.

Proposed Stormwater Rate Increase for 2009

The Utilities Department is proposing a 2% increase in Stormwater user rates. This rate increase is being requested to boost the replacement budget for the utility.

The projected Stormwater Fund budget for 2009 is \$3,751,000. This is 15% less than the 2008 budget, primarily due to changes in the Capital Improvement Project schedules.

COST CENTERS	% of Total	2008	2009	Change
Permit, Services, Maint.	23%	\$1,004,000	\$1,016,000	1%
Debt Payments	21%	\$934,000	\$932,000	0%
Capital Improvement Projects	56%	\$2,457,000	\$1,803,000	-27%
Total	100%	\$4,395,000	\$3,751,000	-15%

Recognizing that the national and local economy is in difficulty, the 2009 budget for the Permit, City Services and Maintenance section has been designed with many line items frozen at 2008 levels. Only salaries and the areas affected by higher energy rates have been increased. Overall there is a slight increase in this part of the budget.

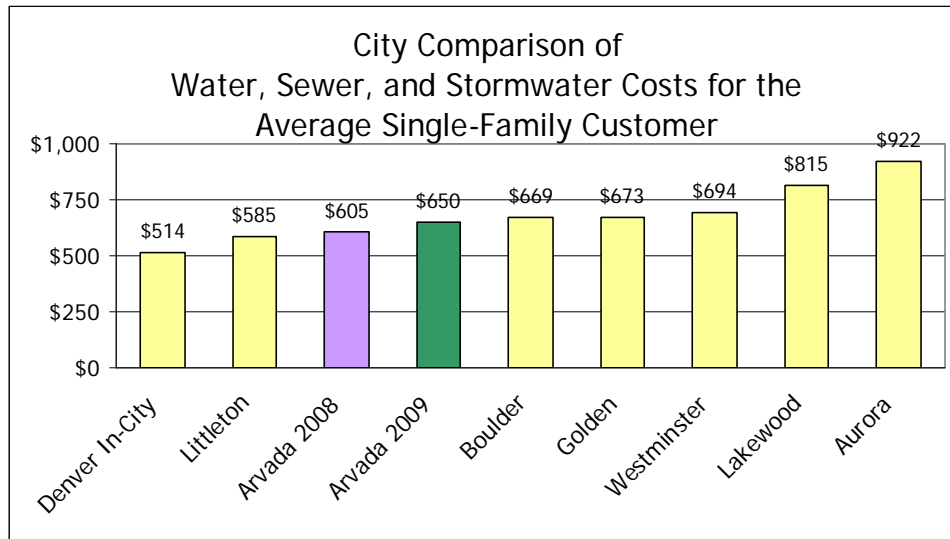
Debt was issued in 2005; the payments are fixed and will vary slightly over the 20-year repayment period.

The capital improvement projects budget is being affected by many factors including scheduling and coordination with other agencies. During the next five years, the proposed capital improvements budget will spend \$15 million on projects.

Replacement: Included in the Capital Improvements budget is funding for replacement of existing pipelines and other stormwater related infrastructure. In the 1960's and 1970's corrugated metal pipe was used when in a number of drainage projects. The metal pipes have not held up very well and many of these pipelines are crumbling. Staff is requesting a 2% rate increase to boost spending on replacement projects.

The proposed rate increase would add \$0.09 per month to the average single-family customers stormwater bill.

Cost Comparison



The above chart compares the costs for water, sewer, and stormwater with similar services offered by our neighboring cities.

Additional Information:

- On October 13th a presentation on the proposed rates will be made to the City Council during a study session meeting. This session will be televised on Channel 8.
- On November 17th there will be a public hearing before City Council about the proposed rates. This session will be televised on Channel 8.