

Action Item   X    
Information Only \_\_\_\_\_

## **BUSINESS ITEM 4**

Water and Sewer Rates and Impact Fee Study

### **Issue:**

The city is completing a five year graduated rate increase approved by City Council in 2012. To keep up with costs and to insure fiscal management of the Utility Department, the city conducted a workshop in January 2017 to review utility growth and operation needs and met with Raftelis Finance Consultants (RFC). RFC was hired to conduct the pricing objectives study and determine revenues vs. expenses costs.

### **Background:**

At a workshop on June 12, Tony Hairston, senior manager with RFC, presented a power point on overall revenue sufficiency, simplification of the rate structure, review of the tiered rates and review of water and sewer impact fee rates.

The study shows that to maintain positive revenue flows and keep up with replacement and growth needs, water rates should be increased an average of 4% per year and sewer rates should increase 8% per year for a five year period. They also recommend a hike in utility impact fees. These expenses include operating and maintenance expenses, debt service, renewal and replacement costs (new pipes, equipment), capital funding (extending services to new development, plant expansions to handle new growth) and maintaining reserves.

### **Rate Impact:**

Using my June utility bill as an example (not counting sanitation charges), my total bill was \$50.82 – water use/consumption, water base rate, sewer use/consumption and sewer base rate. With the proposed rate increase, my bill will increase to \$54.66, an increase of \$4.02. These rates are based on use of 4,627 gallons.

A customer currently using 3,000 gallons of consumption a month would see a bill of \$40.03, and with the increase, a bill of \$43.14, an increase of \$3.12. Again, this does not include sanitation rates, which is an additional \$11.25/month.

A customer currently using about 7,500 gallons of water a month (over the Tier 1 limit) would pay \$73.12. With the proposed increase, their bill would go up to \$78.75, an increase of \$5.63 per month.

Total figures for these three examples are attached.

The study also determined the need to increase utility impact fees, with water recommended to increase from \$641 to \$1,010 (an increase of \$369 per single family residence) and sewer to increase from \$2,010 to \$2,260 (increasing \$250 per SFR).

**Attachments:**

- Compared rates for different consumption users – 4600 gallons, 3000 gallons and 5200 gallons.

**Staff Recommendation:**

Since the workshop on June 12 and listening to Council comments, especially referring to the changes in utility billing and implementation of the Fathom program, I asked RFC to review the revenue and expense projections to see if some of the rate increases could be delayed to insure a smooth transition. I recognize that I did not consider the Fathom rollout and some of the rough patches associated with that program implementation. Further, I realize that the replacement of meters has resulted in some higher water bills for customers who had older, less reliable meter readings.

As a result, in talking with John Bostic, Brian Williams and Mr. Hairston, I recommend we implement the new rates as proposed but delay the implementation schedule to begin on January 1, 2018 rather than October 1, 2017. This will allow us to complete the Fathom transition and allow customers time to adapt to both the new system and new rates.

Since the study also determined the need to increase our utility impact fees, we will need to determine when to implement those changes.

State statutes requires a 90-day window between the public hearings approving the impact fee rate increase to their implementation. That timeframe would put us into November or December depending on public hearing dates.

Staff recommends to raise *all rates* effective on January 1, 2018 and requests Council direct the City Attorney to draft an ordinance for consideration at the next meeting.

CITY OF ZEPHYRHILLS

<u>CURRENT RATES</u>	IN CITY RATES	IN CITY CONSUMPTION	IN CITY AMOUNT
<u>WATER</u>			
4600 CONSUMPTION	\$1.93	4,600	\$8.88
WATER BASE RATE	\$4.43		\$4.43
<u>SEWER</u>			
Per every 1,000	\$4.70		\$21.62
SEWER BASE RATE	\$15.71		\$15.71
<u>TOTAL WATER &amp; SEWER</u>			<u>\$50.64</u>
GARBAGE	\$11.25		\$11.25
<u>TOTAL W/S &amp; GARBAGE</u>			<u>\$61.89</u>

PROPOSED RATES

<u>WATER</u>			
4600 CONSUMPTION	\$2.05	4,600	\$9.43
WATER BASE RATE	\$4.89		\$4.89
<u>SEWER</u>			
Per every 1,000	\$5.14		\$23.64
SEWER BASE RATE	\$16.68		\$16.68
<u>TOTAL WATER &amp; SEWER</u>			<u>\$54.64</u>
GARBAGE	\$11.25		\$11.25
<u>TOTAL W/S &amp; GARBAGE</u>			<u>\$65.89</u>

CITY OF ZEPHYRHILLS

<u>CURRENT RATES</u>	IN CITY RATES	IN CITY CONSUMPTION	IN CITY AMOUNT
<u>WATER</u>			
4600 CONSUMPTION	\$1.93	3,000	\$5.79
WATER BASE RATE	\$4.43		\$4.43
<u>SEWER</u>			
Per every 1,000	\$4.70		\$14.10
SEWER BASE RATE	\$15.71		\$15.71
<u>TOTAL WATER &amp; SEWER</u>			<u>\$40.03</u>
GARBAGE	\$11.25		\$11.25
<u>TOTAL W/S &amp; GARBAGE</u>			<u>\$51.28</u>
 <u>PROPOSED RATES</u>			
<u>WATER</u>			
4600 CONSUMPTION	\$2.05	3,000	\$6.15
WATER BASE RATE	\$4.89		\$4.89
<u>SEWER</u>			
Per every 1,000	\$5.14		\$15.42
SEWER BASE RATE	\$16.68		\$16.68
<u>TOTAL WATER &amp; SEWER</u>			<u>\$43.14</u>
GARBAGE	\$11.25		\$11.25
<u>TOTAL W/S &amp; GARBAGE</u>			<u>\$54.39</u>

**CITY OF ZEPHYRHILLS**

**CURRENT RATES**

		IN CITY RATES	IN CITY CONSUMPTION	IN CITY AMOUNT
<u>WATER</u>				
WATER USAGE	Block 1 (0 - 5,000 Gallons)	\$1.93	5,000	\$9.65
	Block 2 (5,001 - 10,000 Gallons)	\$3.23	2,500	\$8.08
	Block 3 (10,001 - 15,000 Gallons)	\$4.87	0	\$0.00
	Block 4 (15,001 - 20,000 Gallons)	\$7.30	0	\$0.00
	Block 5 (20,001 - Above)	\$10.23	0	\$0.00
TOTAL CONSUMPTION			7,500	\$17.73
WATER BASE RATE		\$4.43		\$4.43
<u>SEWER</u>				
Per every 1,000		\$4.70	7,500	\$35.25
SEWER BASE RATE		\$15.71		\$15.71
<b>TOTAL WATER &amp; SEWER</b>				<b>\$73.12</b>
GARBAGE		\$11.25		\$11.25
<b>TOTAL W/S &amp; GARBAGE</b>				<b>\$84.37</b>

**PROPOSED RATES**

<u>WATER</u>				
WATER USAGE	Block 1 (0 - 5,000 Gallons)	\$2.05	5,000	\$10.25
	Block 2 (5,001 - 10,000 Gallons)	\$3.35	2,500	\$8.38
	Block 3 (10,001 - 15,000 Gallons)	\$4.99	0	\$0.00
	Block 4 (15,001 - 20,000 Gallons)	\$7.42	0	\$0.00
	Block 5 (20,001 - Above)	\$10.35	0	\$0.00
TOTAL CONSUMPTION			7,500	\$18.63
WATER BASE RATE		\$4.89		\$4.89
<u>SEWER</u>				
Per every 1,000		\$5.14	7,500	\$38.55
SEWER BASE RATE		\$16.68		\$16.68
<b>TOTAL WATER &amp; SEWER</b>				<b>\$78.75</b>
GARBAGE		\$11.25		\$11.25
<b>TOTAL W/S &amp; GARBAGE</b>				<b>\$90.00</b>