



CITY OF WHEATLAND

CITY COUNCIL MEETING STAFF REPORT

January 8, 2019

SUBJECT: Water and Sewer Rates

PREPARED BY: Jim Goodwin, City Manager

Recommendation

Review additional water and sewer rate information, then direct staff to prepare a Notice of Intent to Adjust Water and Sewer Rates (Notice) advising residents of the rate adjustment and the right to protest the proposed action and to set a Public Hearing for consideration of the rate adjustment on March 26, 2019. Final review of the Notice would occur on January 22, 2018.

Background/Discussion

On December 11, 2018, Council directed staff to prepare a Notice of Intent to Adjust Water and Sewer Rates based on the outcome of the rate study conducted by Clearsource Financial.

Previously the City Council approved an agreement with Clearsource Financial for review of both water and sewer rates and recommendations for adjustment of those rates. An Ad-hoc committee including Mayor Joe Henderson and Vice-Mayor Rick West subsequently was appointed to work with the consultants.

Ad-hoc Committee meetings were held in November 2017, January 2018, October 2018 and November 2018. The primary objective of these discussions was to develop a rate proposal that meets current legal standards and operational needs while being sensitive to impacts on the rate-payer.

The broad conclusions reached through these discussions include:

1. Rates must be structured to cover costs, including operational cost, debt service and maintenance of a prudent reserve. The current rate structure does not accomplish this;
2. The current rate structure does not meet best practices standards;
3. The timeline covered by a rate action should be shortened due to the potential of new homes being built during the rate cycle.

During this process the Ad-hoc Committee members challenged staff to bring forward a proposal that minimizes impact on the rate-payers. Staff presented information to the Ad-hoc Committee members demonstrating that rate adjustments are necessary. At the December 11, 2018 City Council meeting, Council endorsed the recommendations of the Ad-Hoc Committee and directed staff to move forward with the rate adjustment. Terry Madsen with Clearsource Financial was in attendance.

The proposal endorsed by the City Council on December 11, 2018 is as follows:

Water

Adopt a rate proposal with adjustments in April 2019, October 2019, October 2020 and October 2021. At the end of the cycle, rates would adjust annually according to the Engineering News Record (ENR) index until a future rate action is approved by the City Council.

Sewer

Adopt a rate proposal with a set adjustment in April 2019, followed by annual adjustments according to the ENR index until a future rate action is approved by the City Council.

In follow-up discussion with Clearsource Consulting, staff was advised we could not proceed with an open-ended indexed rate at the end of the pre-determined adjustments. In addition, during the meeting on December 11, a question was asked regarding the possibility of including a larger water allowance in the proposed water rate structure.

Given the need to make a change to the Council-endorsed rate action, staff thought it prudent to also provide the information regarding the impact of increasing the water allowance to 12 units.

Terry Madsen from Clearsource Financial will again be present to review with Council the current proposal, adjusted to reflect a defined term. He will also provide information regarding an alternative proposal of a rate that includes a 12-unit water allowance.

Once Council has reviewed all the information, staff is seeking final direction on the preferred action. Based on your decision, a formal Notice of Intention to adjust water and sewer rates will be prepared for the January 22 meeting. The public hearing will still be set for March 26, 2019.

Alternatives

Council may choose not to direct staff to prepare and mail a Notice of Intent to Adjust Water and Sewer Rates.

Fiscal Impact

Rate adjustments are necessary to achieve break-even in operations, debt service and prudent reserve.