



HISTORIC
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ITEM #12
BOMA
10/26/2010

MEMORANDUM

October 20, 2010

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator
Russell Truell, Assistant City Administrator for Finance & Administration
Mark Hilty, Water Management Director

SUBJECT: Consideration Of Ordinance 2010-75, An Ordinance To Amend Title 18, Section 18-129 And Section 18-210 To Establish New Water And Sewer User Rates; Establishing A Public Hearing For November 9, 2010.

Purpose

The purpose of this memorandum is to present information to the Board of Mayor and Aldermen (BOMA) in order to establish water and sewer rates to be effective January 1, 2011. The draft Ordinance for consideration by the BOMA will be written based on guidance and input received during the Special BOMA Work Session scheduled for October 21, 2010 at 5:30 PM.

Background

The cost of service analyses (pro-forma), initially presented at the September 28, 2010 BOMA Work Session, was performed to evaluate revenue stability and sufficiency, fairness and equity, implementation, system recovery, and defensibility.

The analyses indicated that based on the 12-months ending June 2011, the City is projected to under-recover by approximately \$954,000 in water revenues compared to projected operations and maintenance, debt service, and rate funded capital. As discussed at the meeting held on September 28th, in taking a measured 5 Year Approach, 4% annual rate increases (approximately \$308,000 this year) is expected to achieve revenue sufficiency for the water system. For wastewater, based on the 12-months ending June 2011, the City is projected to under-recover by approximately \$3,052,000. In taking a measured 5 Year Approach, 7% annual rate increases (approximately \$664,000 this year) is expected to achieve revenue sufficiency for the wastewater system. The under-recovery is primarily related to rate funded capital which is necessary to maintain, replace, and rehabilitate system infrastructure.

Much of the information necessary to make an informed decision regarding water and sewer rates is to be discussed at a special BOMA Work Session scheduled for October 21, 2010 at 5:30 PM. The purpose of that meeting is to collaborate with and receive guidance from the Board of Mayor and Aldermen (BOMA) to finalize rate design to be implemented January 1, 2011.

Options

There are numerous options available for specific rate design. Several options are being presented to the BOMA at the October 21, 2010 Work Session as a means of stimulating discussion. Staff is seeking guidance from the BOMA to craft recommended rates to be presented at the October 26, 2010 BOMA Work Session and Meeting.

Recommendation

It is anticipated that final recommendation for rate design will be established during the Special BOMA work session scheduled for October 21, 2010 at 5:30 PM.