



## Legislation Text

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**File #:** 18-340, **Version:** 1

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*Report Prepared by: Leah Brown, Water Conservation Specialist, Public Works*

**SUBJECT:** Report on Water Rate Study by Stantec Consulting Services, Inc.

### REPORT IN BRIEF

Presentation of the Water Rate Study results and recommended changes to water service charges, water connection charges, and related services.

### RECOMMENDATION

**City Council** - Provide direction to staff on options and recommendations presented by Stantec Consulting Services, Inc., for preparation of the draft report.

### ALTERNATIVES

1. Provide direction to staff on preparation of the final written report; or,
2. Refer to staff for reconsideration of specific items; or,
3. Continue to a future meeting.

### AUTHORITY

City of Merced Charter, Section 200.

### CITY COUNCIL PRIORITIES

As provided for in the 2018-2019 Adopted Budget.

### DISCUSSION

Stantec Consulting Services, Inc., (Stantec) was awarded a professional services agreement in December 2017 to prepare a comprehensive water rate study. The City's water utility is accounted for as a self-supporting enterprise fund. Revenue is derived primarily from water service charges and must be adequate to fund the City's operating and capital programs. The City last revised its water service charges in 2012 and has built in no increases through the year 2017.

The rate setting process requires the analysis of revenue requirements and cost to provide service while meeting the policy and revenue requirements of the City. Factors taken into consideration to develop the financial forecast include a 1% growth rate, cost inflation over the 5 year projection period, historical water consumption, existing and projected rates, and capital spending.

Stantec has completed the initial phase of the water rate study with the assistance of staff and input from members of the City Council's Utility Rate Review Ad Hoc Committee, Matt Serratto, Josh Pedrozo, and Jill McLeod. Stantec will present to Council the study results, along with

recommendations for updates to the water service charges, connection charges, and related services (attachment 1).

For rate design elements, Stantec examined the balance of fixed revenue (base charge) versus variable revenue (volumetric charge), water allocation to customers (options of 30 HCF, 20 HCF, and 10 HCF), as well as standardizing meter equivalency utilizing the American Water Works Association (AWWA) schedule. Additionally, Stantec has proposed new aspects to the rates that other communities have incorporated, including a drought surcharge to be implemented during times of declared drought, as well as an outside customer charge for customers residing outside of City boundaries.

Staff is seeking Council direction on the options and recommendations presented in order to prepare the draft report.

### **IMPACT ON CITY RESOURCES**

No appropriation of funds is needed.

### **ATTACHMENTS**

1. Water Rate Study Presentation