

TO: Mr. Eric Campbell, City Manager
FROM: Mike Collins, Public Utilities
DATE: May 29, 2018
RE: Water and Sewer Rates FY2019

Summary:

I have prepared a recommended schedule for water and sewer rates to become effective July 1, 2018.

Background:

The City of Harrisonburg has completed its budget process for FY2019; given the HPU forecasted water and sewer sales volumes for FY2019, water and sewer rate increases are required to meet budget revenue requirements.

Key Issues:

- 1) Water sales must generate \$8,466,660 in the FY2019; included in the funding requirement was a second step of debt payment for the forthcoming Shenandoah Raw Waterline Project. HPU has conducted a Cost of Service Study (COSS) pursuant to AWWA endorsed methodology in which the analysis from the study sets forth recommendations as to how much each customer class should pay based upon causality in cost of water delivery. Due to immediate impact to City customers with larger monthly consumption, the proposed rate structure was altered to temper meeting this goal, but with intentions for further refinement of the COSS and with considerations to fully meet COSS recommendations in the future.
- 2) Sewer sales must generate \$10,813,940 in FY2019; included in the funding requirement was a \$0.09 uniform sewer increase to initiate a \$0.45 per 1000 gallons increase (\$157,000/yr.) over five years such to establish rates that will sustain debt payment of \$750,000/yr. beginning Fy2023 for the forthcoming HRRSA interceptor upgrade. A COSS for the sewer enterprise fund is not yet available.

Environmental Impact:

- 1) Proposed water rate increases are supportive of the Shenandoah Raw Water Project. This project has significant cause and delivery from and to the environmental stewardship agenda with respect to water withdrawals from the City's three surface water intakes.
- 2) Proposed sewer rate increases are supportive of the HRRSA Interceptor Level of Service (HILOS) project. This project shall target a ten years level of service that specifically eliminate overflows to this frequency.

Fiscal Impact:

Customer Impacts for combined water & sewer:

- \$0.84 (3.3%) per month for the minimum City user with a 5/8" meter (\$25.12 to \$25.96).
- \$1.40 (3.2%) per month for the typical City residential user of 5,000 gallons (\$43.40 to \$44.80).
- \$325 (3.9%) per month for benchmark industrial 1,000,000 gallons user (\$8,340 to \$8,665).
- \$6,105 (4.2%) per month for our largest City water user 18,000,000 gallons user (\$146,721 to \$152,826).
- \$1.17 (3.1%) per month for the minimum Rural user with a 5/8" meter (\$38.32 to \$39.49)
- \$1.96 (2.9%) per month for the typical Rural residential user of 5,000 gallons (\$66.70 to \$68.65)
- \$5,222 (7.0%) per month for rural largest user: water customer only (\$74,753 to \$79,975)
- See graph as Harrisonburg's cost for 5,000 and 1,000,000 gallons usage per month remains very favorable statewide

Prior Actions:

- City Council supported the Harrisonburg "Raw Water Supply Management Plan" and its Shenandoah Raw Water supply component as presented and recommended on September 29, 2017.
- City Council approved the FY2018 water rate increases as a first step funding activity.

Alternatives:

Alternative rate schedules and cost distributions can be evaluated.

Community Engagement:

Open for discussion at City Council

Recommendation:

Approval of recommended rate schedule but with opportunity for City Council to consider alternatives

Attachments:

- 1) Power point presentation

Review:

The initiating Department Director will place in Legistar, in sequence of transmittal, the names of each department that must initial their review in order for this item to be placed on the City Council agenda. The completion of review only addresses the readiness of the issue for Council consideration. This does not address the recommendation for approval or denial of the issue.