

City of Carlton

Sewer Rate Methodology Update

March 20, 2018

City Council Work Session



AGENDA

- Background & Study Objectives
- Revenue Adequacy
- Rate Equity
- Implementation Considerations
- Policy Questions

Background – Rate Increases

- Last significant increase (11%) in 2012 for debt service (\$130K)
- Inflationary increases only (1.6% average per year) between FY2013 and FY2017
- FY2018 additional 2% rate increase from (re-allocated from planned water increase)

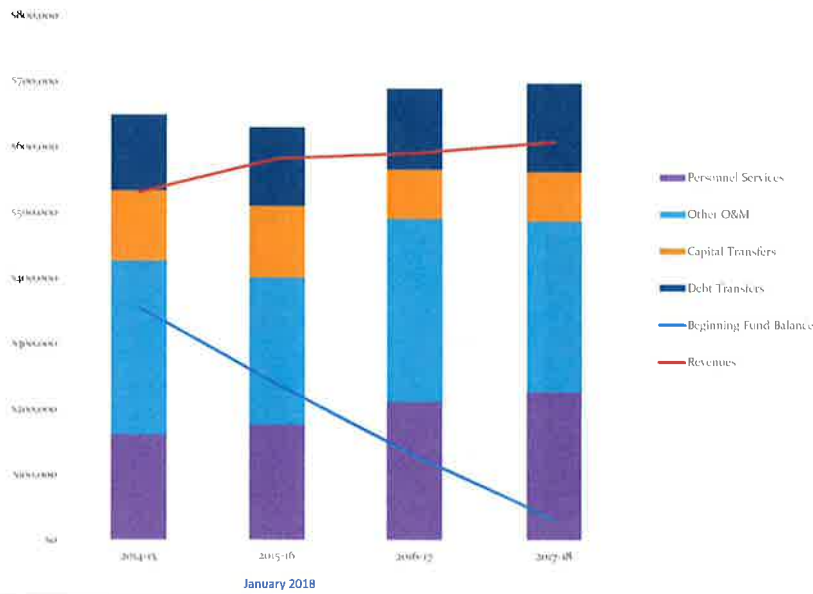
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Current Study Objectives

- Revenue Adequacy/Sufficiency
 - Evaluate adequacy of current rates to meet ongoing operational needs
 - Evaluate future rates in context of Wastewater Facilities Plan update
- Equity
 - Modify current rate structure to enhance fairness among existing customers
 - Update system development charges following completion of Facilities Plan (equity between existing and future customers)

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Evaluating Revenue Sufficiency



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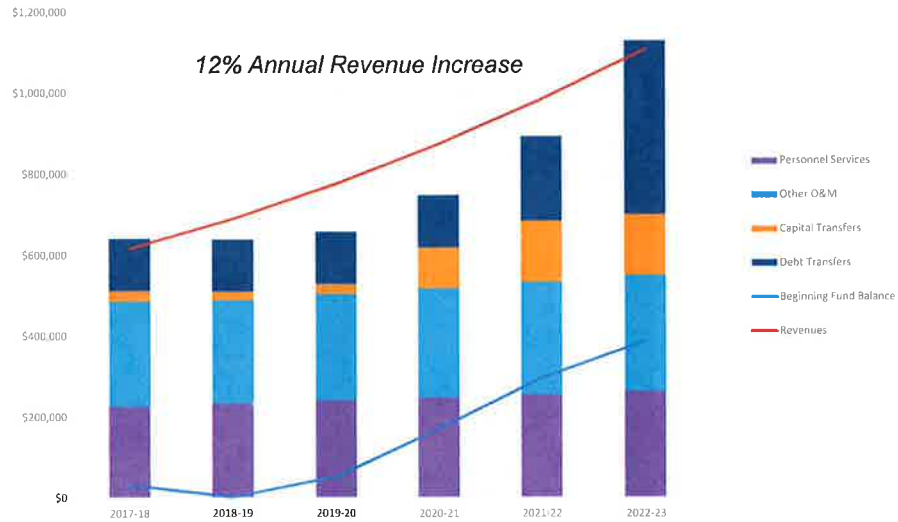
Preliminary Capital Improvement Plan*

Requirements	Capital	Annual Req	
	\$m	\$	%
WWTP Phase 1 Loan	\$4.38	\$300,000	49%
Collection system Imp	\$0.95	\$110,000	18%
Capital Transfers	\$0.15	\$50,000	8%
Approx. Current Rate Revenue	\$600,000		

*Projected through FY2022 with inflation added

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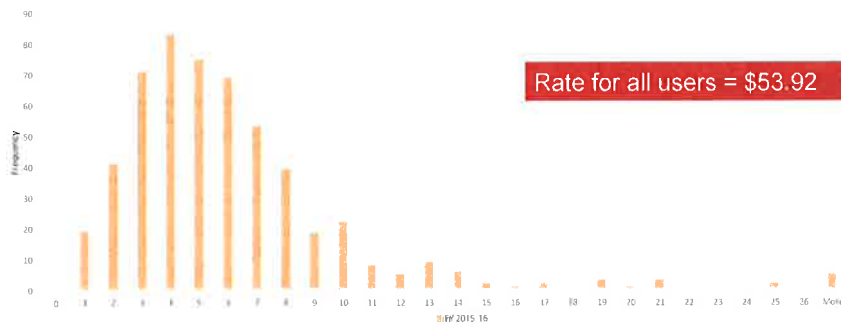
Projected Revenue & Requirements



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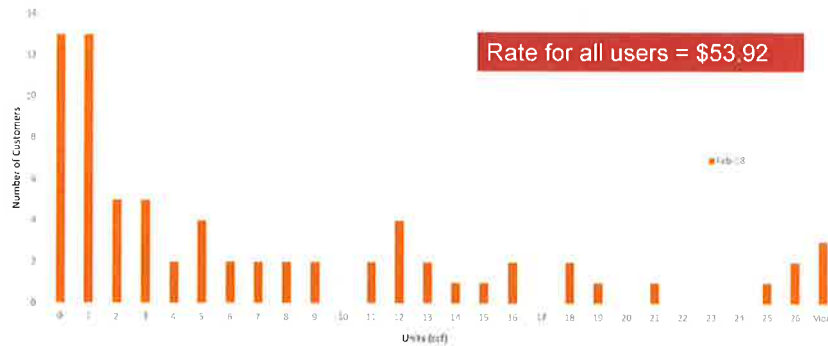
Evaluating Rate Equity

Residential average winter month water use

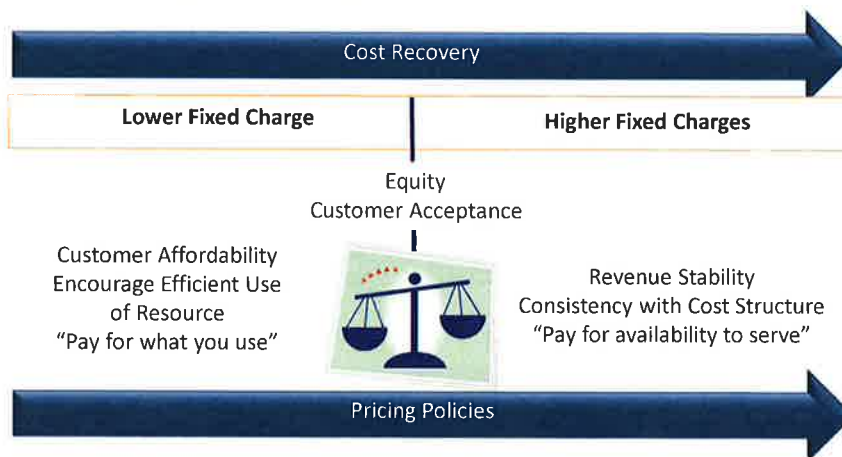


Evaluating Rate Equity

Business account use (February)



Balancing Pricing Objectives



Rate Structure Comparison

Current Model (100% Fixed Revenue)



Revised Model* (62% Fixed Revenue)



*Consistent with water rate structure

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Summary of Current and Revised Rates (Revenue-Neutral)

- Base charge applied per unit for multi-unit accounts
- Volume charge applied uniformly to all customer classes

Component	Current Structure	Revised Structure
Base Charge	\$53.92	\$34.20
Volume Charge (\$/ccf)	na	\$3.90

Ccf = hundred cubic feet of water use

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Summary of Current and Revised Bills (Revenue Neutral)

Consumption (Ccf)	Current Monthly Bill	Revised Monthly Bill	Dollar Difference	Percent Difference
0	\$53.92	\$34.20	(\$19.72)	-36.57%
1	\$53.92	\$38.10	(\$15.82)	-29.34%
2	\$53.92	\$42.00	(\$11.92)	-22.11%
3	\$53.92	\$45.90	(\$8.02)	-14.87%
4	\$53.92	\$49.80	(\$4.12)	-7.64%
5	\$53.92	\$53.70	(\$0.22)	-0.41%
6	\$53.92	\$57.60	\$3.68	6.82%
7	\$53.92	\$61.50	\$7.58	14.06%
8	\$53.92	\$65.40	\$11.48	21.29%
9	\$53.92	\$69.30	\$15.38	28.52%
10	\$53.92	\$73.20	\$19.28	35.76%
11	\$53.92	\$77.10	\$23.18	42.99%
12	\$53.92	\$81.00	\$27.08	50.22%
13	\$53.92	\$84.90	\$30.98	57.46%
14	\$53.92	\$88.80	\$34.88	64.69%
15	\$53.92	\$92.70	\$38.78	71.92%

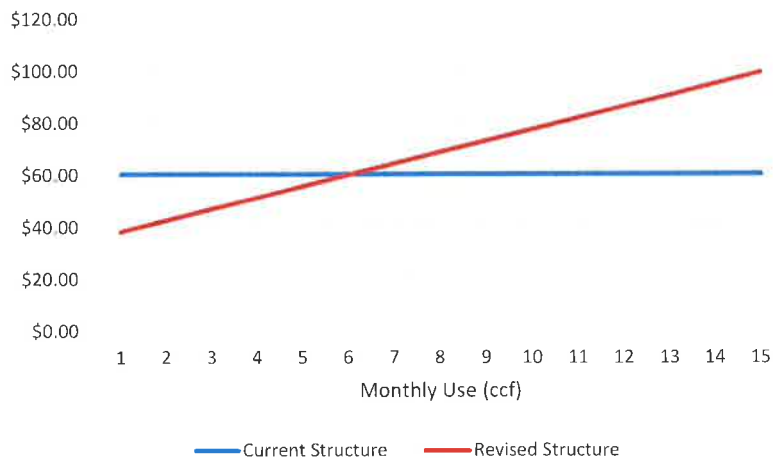
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Summary of Current Bills and Revised w/12% Increase

Consumption (Ccf)	Current Monthly Bill	Revised Monthly Bill	Dollar Difference	Percent Difference
0	\$53.92	\$38.30	(\$15.62)	-28.96%
1	\$53.92	\$42.67	(\$11.25)	-20.86%
2	\$53.92	\$47.04	(\$6.88)	-12.76%
3	\$53.92	\$51.41	(\$2.51)	-4.66%
4	\$53.92	\$55.78	\$1.86	3.44%
5	\$53.92	\$60.14	\$6.22	11.54%
6	\$53.92	\$64.51	\$10.59	19.64%
7	\$53.92	\$68.88	\$14.96	27.74%
8	\$53.92	\$73.25	\$19.33	35.85%
9	\$53.92	\$77.62	\$23.70	43.95%
10	\$53.92	\$81.98	\$28.06	52.05%
11	\$53.92	\$86.35	\$32.43	60.15%
12	\$53.92	\$90.72	\$36.80	68.25%
13	\$53.92	\$95.09	\$41.17	76.35%
14	\$53.92	\$99.46	\$45.54	84.45%
15	\$53.92	\$103.82	\$49.90	92.55%
25	\$53.92	\$147.50	\$93.58	173.56%
35	\$53.92	\$191.18	\$137.26	254.57%
45	\$53.92	\$234.86	\$180.94	335.58%

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Bill Comparison (FY2019 w/12% Increase)



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Rate and Bill Comparison (FY2018)

City/Customer	Units	Base	Usage (\$/unit)	Monthly Bill
Carlton - Revised				
Residential	6	\$34.20	\$3.90	\$57.60
Commercial (Retail)	7	\$34.20	\$3.90	\$61.50
Commercial (Winery)	20	\$34.20	\$3.90	\$112.20
McMinnville				
Residential	6	\$20.00	\$5.49	\$52.94
Commercial (Retail)	7	\$20.00	\$6.78	\$67.46
Commercial (Winery)	20	\$20.00	\$10.29	\$225.80
Newberg				
Residential	6	\$22.57	\$8.86	\$75.73
Commercial (Retail)	7	\$22.57	\$8.86	\$84.59
Commercial (Winery)	20	\$22.57	\$17.78	\$378.17
Dundee*				
Residential	6	\$66.46	\$8.70	\$70.81
Commercial (Retail)	7	\$66.46	\$8.70	\$79.51
Commercial (Winery)	20	\$113.34	\$17.22	\$363.03

*Base rates include 5.5 units/month

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Implementation Issues

- Determination of sewer “use”
 - Residential winter average use (December through February); a new winter average is determined each year
 - Policies needed for customers without winter use records (e.g., system average)
 - Nonresidential based on actual monthly
 - May have some customers install water only meter for irrigation or process water
- Monitoring of water use data needed for accurate revenue forecasting (both water & wastewater)
 - Overall reduction in use likely, as well as sewer use appeals

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Implementation Issues

- Need for public education prior to and following implementation
 - Basis for charge
- Billing system modification and reporting
 - Allow reporting of ‘billed sewer volumes’ separate from water volumes
 - Additional information needed to establish differential volume rates by customer class (i.e, business type)
- Monitoring of water use data needed for accurate revenue forecasting (both water & wastewater)

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Summary

- Rate increases based on inflation alone have not kept up with actual operating cost increases
 - No capacity for needed capital investment
- Preliminary Wastewater Facility Plan CIP includes over \$4.5 million in next 5 years
 - Debt service on Treatment –related improvements likely to be about \$300,000 per year (50% rate increase)
 - Additional cash funding of collection system improvements at least \$100-\$200,000 per year
- Rate restructuring provides opportunity to allocate impacts to customers more costly to serve

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Summary of Policy Questions

- Magnitude of FY 2019 rate increase (overall)
 - Front load to minimize decreases vs. mitigating initial impact on large volume users
- Phasing of future increases to fund CIP
 - Multi-year resolution vs. annual review
- Modifications to rate structure
 - Portion of revenue from fixed vs. volume charges (preliminary based on 62%)
 - Uniform volume vs. differential rates by class
- Income-based discounts

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Questions & Discussion

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