

Legislation Text

File #: 3026, **Version:** 1

CC MEETING: December 6, 2016

DATE: November 28, 2016

TO: Leonard Martin, City Manager

FROM: Bob Scott, Assistant City Manager

Discuss **Proposed Water And Wastewater Rate Increase.**

BACKGROUND:

The City's utility fund has the financial goal of generating sufficient revenue to pay all expenses and to maintain cash reserve balances equal or greater than the City's adopted financial policy of 90 days of expenditures. Due to the seasonality of significant water sales occurring in the final (July-September) quarter of fiscal year, the City will often wait until after adoption of the budget to determine the amount of rate increase required. During fiscal year 2017 budget deliberations, city council was informed of the projected need for a 3.5% rate increase effective January 1, 2017.

Since that time, the City has closed the books for fiscal year 2016 and actual results were approximately \$900,000 better than the mid-year projections prepared as part of the fiscal year 2017 budget process. However, an unbudgeted need of \$1.7 million for an emergency generator for the Don Cline Pump Station has been identified.

Due to timing of Council meetings, the fiscal year 2017 rate increase effective date will need to be pushed back to February 1, 2017. Based on updated projections, including the \$1.7 million additional capital need, the needed utility rate increase effective February 1, 2017 is 4.74%. Additionally, it is currently projected at another 8.14% increase will be needed February 1, 2018. To smooth the impact of these increases, staff recommends the increase effective February 1, 2017 be increased to 5%. This would reduce the projected increase needed February 1, 2018 to 7.52%.

FINANCIAL IMPLICATIONS:

A rate increase is needed to maintain adequate fund balance reserves and to pay projected expenses. The annual cost of service study has been updated to reflect recent rate changes of benchmark cities and Carrollton's proposed rate increase.

STAFF RECOMMENDATION/ACTION DESIRED:

Provide guidance to staff on proposed rate increases.