



Agenda Commentary

Item Title/ Subject: Water Rate Temporary Adjustment

Staff Source: City Manager, Steve Hewitt

Date: October 4, 2011

History/Background Information: The City has been forced to reverse our percentage of water consumption due to the severe drought. In a typical year we purchase 35% of our water from Foss. The drought has reversed that and we now are forced to take 65% of our water from Foss Treatment Facility.

Our current rates are based on 65% of our water produced from Clinton Lake. We have made some small adjustments with our high residential users. We were hoping some type of relief from the drought would occur. However, with this severe situation the City cannot continue to subsidize water for users, the drought looks to continue.

I requested staff (Arnold Adams and Debra Blanchard) to review our cost operations breakdown. At our current operations we will lose approximately \$400,000.

Subject Summary: To avoid continued Public Works losses, staff is asking the Council to consider a temporary rate increase across the board. I have looked at multiple adjustments. I have provided you with four different options. We reviewed flat fees increase, 25% increase, and some scaled options. Staff is sensitive to any increase. We do not want to put undue pressure on any family or business. However, we must look at a temporary increase until the drought is over and Clinton Lake is replenished.

After reviewing the rates and options, staff is recommending the scales system. Please review the rate proposal options. I am recommending Schedule C option. This option provides a maximum increase of \$1.50 increase to small households that are on a limited income (under 4000 gals). An average family uses under 14,000 gals per month and it would increase .90 cents per 1000 gals. Our heavy residential users would see a \$1 increase per 1000 and then we drop off to protect our heavy industrial users that cannot make adjustments. (We don't want to be sensitive to our local job creators and economy) We must protect our City funding during this drought, making minimal increases to all users.

Price/Cost: Offset Foss water cost increase.

Recommendation: We recommend Schedule C as a temporary increase. If approved, we will bring back a resolution for approval. (Please review attachments and memos)



Memorandum

To: Steve Hewitt, City Manager
From: Debra Blanchard, City Treasurer
Date: 9-29-11
Re: Water Cost Analysis

I have prepared a water cost analysis based on FY 10-11 financial information and water consumption information. In this FY, the water produced by Clinton Lake was approximately 65% and purchased from Foss was 35%. The first attached sheet reflects the City's cost of water produced and purchased as it actually happened in FY 10-11. The second sheet is a scenario of reversed production and purchase totals, with 65% being purchased from Foss.

As you can see, in FY 10-11 the City's cost to produce at the plant was \$1.00 per thousand. With all administrative and distribution cost involved, the price became \$2.26 per thousand. When analyzing the combined water and related costs from both Clinton Lake and Foss in relation to the consumption billed for the year, the total cost per thousand billed is \$2.94. The water revenue billed in relation to the consumption billed comes to \$3.25 per thousand, a net profit of \$.31 per thousand, or approximately \$209,000 net revenue for the year.

In the reversed scenario, the City's cost to produce at the plant would be \$1.86 per thousand. Our Severn Trent contract would only vary slightly for chemicals so therefore I did not estimate a change in the Clinton Lake Treatment Plant Operating Costs. The Foss price purchased would be \$2.80 per thousand, but the overage dollar amount would be approximately \$667,000 for the year. When analyzing the combined water and related costs in relation to the consumption billed for the year, the total cost per thousand billed would be \$3.85. That compared to our revenue billed at \$3.25 per thousand, would be a loss per thousand gallons of -.60, or approximately -\$402,000 total net loss.

I am attaching last year's utility billing summary also for documentation. I have rate change scenarios available in an easy to use spreadsheet form, based on volume of use. This spreadsheet allows you to plug in various rates for review and calculations.

Water Rate Increase Proposals

Base Price Increase

Approx. Number of Customers	4,282	Base Price is \$11.88
Base Price Increase	0.00	0-2000 gallons covered by base price
Increase per month	0.00	
Increase per year	0.00	

Volume Price Increase

	Consumption Range	Consumption Range	Consumption Range	Consumption Range	Consumption Range	Consumption Range
Schedule A	2100-4000	4100-14000	14100-100000	100000-500000	500100-99999999	Arapaho
Est. Avg Consumption	34,271,300	175,384,500	139,123,100	99,788,000	184,140,500	27,476,000
Divide 1000	34,271.3	175,384.5	139,123.1	99,788.0	184,140.5	27,476.0
Increase Per 1000 Price	0.65	0.65	0.65	0.65	0.65	0
Total Consumption Category	22,276.35	113,999.93	90,430.02	64,862.20	119,691.33	0.00
New Price per 1000	2.86	2.75	3.22	3.41	3.41	3.84
Total Volume Price Increase A	411,259.81					

Volume Price Increase

	Consumption Range	Consumption Range	Consumption Range	Consumption Range	Consumption Range	Consumption Range
Schedule B	2100-4000	4100-14000	14100-100000	100000-500000	500100-99999999	Arapaho
Est. Avg Consumption	34,271,300	175,384,500	139,123,100	99,788,000	184,140,500	27,476,000
Divide 1000	34,271.3	175,384.5	139,123.1	99,788.0	184,140.5	27,476.0
Increase Per 1000 Price	0.70	0.85	0.70	0.60	0.45	0
Total Consumption Category	23,989.91	149,076.83	97,386.17	59,872.80	82,863.23	0.00
New Price per 1000	2.91	2.95	3.27	3.36	3.21	3.84
Total Volume Price Increase B	413,188.93					

Volume Price Increase

	Consumption Range	Consumption Range	Consumption Range	Consumption Range	Consumption Range	Consumption Range
* Schedule C	2100-4000	4100-14000	14100-100000	100000-500000	500100-99999999	Arapaho
Est. Avg Consumption	34,271,300	175,384,500	139,123,100	99,788,000	184,140,500	27,476,000
Divide 1000	34,271.3	175,384.5	139,123.1	99,788.0	184,140.5	27,476.0
Increase Per 1000 Price	0.75	0.90	1.00	0.45	0.25	0
Total Consumption Category	25,703.48	157,846.05	139,123.10	44,904.60	46,035.13	0.00
New Price per 1000	2.96	3.00	3.57	3.21	3.01	3.84
Total Volume Price Increase C	413,612.35					

Volume Price Increase

	Consumption Range	Consumption Range	Consumption Range	Consumption Range	Consumption Range	Consumption Range
Schedule D (25% across board increase)	2100-4000	4100-14000	14100-100000	100000-500000	500100-99999999	Arapaho
Est. Avg Consumption	34,271,300	175,384,500	139,123,100	99,788,000	184,140,500	27,476,000
Divide 1000	34,271.3	175,384.5	139,123.1	99,788.0	184,140.5	27,476.0
Increase Per 1000 Price	0.55	0.55	0.64	0.69	0.69	0
Total Consumption Category	18,849.22	96,461.48	89,038.78	68,853.72	127,056.95	0.00
New Price per 1000	2.76	2.65	3.21	3.45	3.45	3.84
Total Volume Price Increase D	400,260.14					

City of Clinton
Cost of Water per 1000 Gallons

	FY10-11 CLINTON	FOSS	TOTALS
Water Production			
Clinton Lake Production	512,154,000		
Foss Purchased		<u>273,936,220</u>	
Total Production/Purchased			786,090,220
Total Consumption Billed			671,884,100

FY10-11

Costs

Clinton Water Treatment Plant

Operating Costs	\$510,394
Cost per thousand to Produce	\$1.00

Foss MCD

Annual Assessment	\$765,335
Excess Purchases	<u>\$55,544</u>
Total Foss Costs	\$820,879
Cost per thousand to Purchase	\$3.00

Clinton PWA Admin Dept.

Operating Costs	\$498,418
Adjusted for Administrative Revenues (Penalties, Test Fees, Taps, Reconnects, etc.)	<u>(\$164,724)</u>
Clinton PWA Admin Dept. Adjusted Operating Costs	\$333,694

Clinton PWA Water Maintenance Dept.

Operating Costs - Distribution System	\$312,266
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Total Clinton Costs

	\$1,156,354
Cost per thousand to Produce	\$2.26

Total Clinton & Foss Costs (Treatment/Admin/Distribution)

divided by Produced/Purchased per 1000	\$1,977,233
Cost per thousand Produced/Purchased	<u>786,090</u>
	\$2.52

Total Clinton & Foss Costs (Treatment/Admin/Distribution)

divided by Consumption Billed per 1000	\$1,977,233
Cost per thousand Billed	<u>671,884</u>
	\$2.94

Water Revenue

divided by Consumption Billed per 1000	\$2,186,466
Water Revenue per 1000	<u>671,884</u>
	\$3.25

Net Profit per 1000

Net Revenue	\$0.31
	\$209,233

City of Clinton
Cost of Water per 1000 Gallons

REVERSED WATER SCENERIO

	FY10-11		
Water Production	CLINTON	FOSS	TOTALS
Clinton Lake Production	273,936,220		
Foss Purchased		<u>512,154,000</u>	
Total Production/Purchased			786,090,220
Total Consumption Billed			671,884,100

FY10-11

Costs

Clinton Water Treatment Plant

Operating Costs	\$510,394
Cost per thousand to Produce	\$1.86

Foss MCD

Annual Assessment	\$765,335
Excess Purchases	<u>\$667,371</u>
Total Foss Costs	<u>\$1,432,706</u>
Cost per thousand to Purchase	\$2.80

Clinton PWA Admin Dept.

Operating Costs	\$498,418
Adjusted for Administrative Revenues (Penalties, Test Fees, Taps, Reconnects, etc.)	<u>(\$164,724)</u>
Clinton PWA Admin Dept. Adjusted Operating Costs	\$333,694

Clinton PWA Water Maintenance Dept.

Operating Costs - Distribution System	\$312,266
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Total Clinton Costs

	\$1,156,354
Cost per thousand to Produce	\$2.26

Total Clinton & Foss Costs (Treatment/Admin/Distribution)

divided by Produced/Purchased per 1000	\$2,589,060
Cost per thousand Produced/Purchased	<u>786,090</u>
	\$3.29

Total Clinton & Foss Costs (Treatment/Admin/Distribution)

divided by Consumption Billed per 1000	\$2,589,060
Cost per thousand Billed	<u>671,884</u>
	\$3.85

Water Revenue

divided by Consumption Billed per 1000	\$2,186,466
Water Revenue per 1000	<u>671,884</u>
	\$3.25

Net Profit(Loss) per 1000

(\$0.60)

Net Revenue(Loss)

(\$402,594)

CITY OF CLINTON UTILITY BILLING HISTORY

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	TOTAL
Clinton Lake Production (Daily Pit Reading)	51,740,000	63,590,000	56,440,000	57,600,000	18,540,000	24,303,000	29,711,000	31,182,000	37,995,000	39,436,000	43,813,000	57,804,000	512,154,000
Foss Purchased (Daily Meter Reading)*	22,823,020	23,813,600	22,644,900	6,832,000	30,804,500	24,959,400	24,443,900	21,683,200	22,780,700	21,761,000	22,326,800	29,063,200	273,936,220
Total Produced/Purchased	74,563,020	87,403,600	79,084,900	64,432,000	49,344,500	49,262,400	54,154,900	52,865,200	60,775,700	61,197,000	66,139,800	86,867,200	786,090,220
Daily Average Produced/Purch.	2,405,259	2,819,471	2,636,163	2,078,452	1,644,817	1,589,110	1,746,932	1,888,043	1,960,508	2,039,900	2,133,542	2,885,573	
Consumption Billed	68,998,300	73,067,600	63,755,000	53,772,700	44,472,400	42,234,600	43,391,100	48,484,100	44,259,700	50,049,900	65,554,600	73,844,100	671,884,100
Daily Average Billed	2,225,752	2,357,019	2,125,167	1,734,603	1,482,413	1,362,406	1,399,713	1,731,575	1,427,732	1,668,330	2,114,665	2,461,470	
Unbilled Consumption/Holds, etc.	2,700	11,000	2,500	360,000	29,200	57,100	0			5,700	7,600	26,600	502,400
Unbilled Consumption/City Facilities	546,700	328,500	243,700	159,100	138,700	112,700	104,600	1,081,500	1,042,900	1,221,000	2,289,800	3,434,200	10,703,400
Unaccountable	5,015,320	13,996,500	15,083,700	10,140,200	4,704,200	6,858,000	10,659,200	3,299,600	15,473,100	9,920,400	(1,712,200)	9,562,300	103,000,320
Water Revenue	\$214,250.18	\$227,553.53	\$205,387.20	\$178,770.13	\$156,842.43	\$150,771.44	\$153,032.80	\$162,715.29	\$159,361.54	\$165,643.36	\$203,409.96	\$220,362.06	\$2,198,099.92
Water Surcharge (.15/cust.)	\$652.48	\$653.60	\$649.28	\$646.40	\$648.16	\$652.32	\$653.60	\$652.32	\$657.60	\$656.16	\$659.68	\$660.00	\$7,841.60
Wastewater Revenue	\$92,951.25	\$90,639.85	\$84,992.40	\$75,625.76	\$66,519.52	\$65,332.70	\$70,185.76	\$77,108.02	\$68,394.20	\$77,815.94	\$88,311.94	\$94,943.50	\$952,820.84
Wastewater Surcharge (\$6.00/cust.)	\$26,137.88	\$26,147.98	\$25,980.42	\$25,992.21	\$26,048.55	\$26,047.12	\$26,186.55	\$26,160.24	\$26,272.22	\$26,314.80	\$26,340.15	\$26,272.69	\$313,900.81
Solid Waste Revenue	\$87,205.60	\$87,472.46	\$87,514.11	\$87,925.51	\$87,699.82	\$87,369.08	\$87,864.75	\$87,658.53	\$88,073.78	\$88,384.65	\$88,587.28	\$88,571.70	\$1,054,327.27
Solid Waste Surcharge (.50/cust.)	\$2,046.03	\$2,048.07	\$2,037.89	\$2,038.37	\$2,040.85	\$2,040.75	\$2,053.52	\$2,053.87	\$2,063.60	\$2,067.22	\$2,069.84	\$2,064.78	\$24,624.79
One Time Charges (Transfer Fees)	\$275.00	\$575.00	\$200.00	\$125.00	\$225.00	\$250.00	\$350.00	\$200.00	\$400.00	\$175.00	\$200.00	\$325.00	\$3,300.00
City Wide Notification Fee	\$832.70	\$823.80	\$813.40	\$807.60	\$807.60	\$810.20	\$809.40	\$808.40	\$812.40	\$811.60	\$813.20	\$811.00	\$9,761.30
Ambulance Fee	\$18,693.00	\$18,739.50	\$18,598.50	\$18,535.50	\$18,571.50	\$18,679.50	\$18,733.50	\$18,733.50	\$18,859.50	\$18,855.00	\$18,918.00	\$18,922.50	\$224,839.50
Total Billing	\$443,044.12	\$454,653.79	\$426,173.20	\$390,466.48	\$359,403.43	\$351,953.11	\$359,869.88	\$376,090.17	\$364,894.84	\$380,723.73	\$429,310.05	\$452,933.23	\$4,789,516.03
Amount of Foss Purch. Over Allotment	1,123,784	2,840,464	2,285,864	288,781	0	0	1,419,682	4,526,473	992,064	1,750,123	0	6,683,123	21,910,358
Price per 1000 Gallons	2.50	2.50	2.50	2.50	2.50	2.50	2.55	2.55	2.55	2.55	2.55	2.55	
Total Overage Paid to Foss	\$2,809.46	\$7,101.16	\$5,714.66	\$721.95	\$0.00	\$0.00	\$3,620.19	\$11,542.51	\$2,529.76	\$4,462.81	\$0.00	\$17,041.96	\$55,544.47

Beginning September 1, 2003 the Foss Allotment increased to 686,137 per day, 4,802,959 per week, or 250,440,005 annually. Foss reads their meters and reports to us against our allotment on a weekly basis.

Current calendar year 2011 annual assessment to the City for operation and maintenance of the Treatment Plant is \$726,275.89

Current calendar year annual assessment to the City for the operation of the dam and reservoir is \$39,060