




Water Rates

DETERMINING THE REAL COST OF POTABLE WATER



“ Rates adopted in 2007 began producing sufficient revenue coverage to begin to develop an amount in the Water Capital Fund to be used on projects identified in the 2002 Water Comprehensive Plan. ”

~STAFF MEMO TO CITY COUNCIL FEBRUARY 2012

Moving Forward.

Goals

- ▶ Fully fund 6 year CIP projects and actually complete them
- ▶ Cover Operations and Maintenance Costs
- ▶ Increase funding reliability
- ▶ Build Reserve Funding

Rate Study

- ▶ Financial feasibility of 6 year CIP Projects
- ▶ Participation fees in relationship to the CIP projects
- ▶ Project costs of Operation and Maintenance
- ▶ Investigate the impact of adding a senior/low income discount
- ▶ Encourage conservation
- ▶ Look at rates that other municipal water suppliers

Capital Improvement Project Schedule & Costs

Project	Total Const. Cost	2012	2013	2014	2015	2016	2017
1 st Street	\$180,000	\$180,000					
1 st Street	\$175,000	\$175,000					
Decker	\$240,000		\$252,000				
Park Ave	\$132,000			\$145,530			
2 nd Street	\$140,000			\$154,350			
Sandy Pt.	\$560,000				\$648,270		
Northview	\$150,000					\$182,325	
Cons.	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Plan	\$100,000						\$127,628
Annual Expenditures		\$356,500	\$253,500	\$301,380	\$649,770	\$183,825	\$129,128

Total CIP Cost with inflation = \$1,874,103

Participation Fees

A one-time charge to new connections.

Year	Cost per ERU	
Pre-2007	\$4,700	
2007-2012	\$11,675	Fee was increased to finance CIP projects and create reserve for emergencies and not impact current users. This approach relied heavily on development to build reserve.
2012-present	\$7,415*	<u>\$704,457 (CIP % allocated to Growth)</u> 95 ERU (estimated new connections)

* Fee is based on projects to be done, not existing system values.

OPERATIONS



Refers to the direct access to the system by the user

- The activities of the operators to fulfill regulatory requirements.
 - Water Quality Testing, Tracking & Reporting
 - Aquifer Measurements & Monitoring
 - Meter Reading - Production and Consumption
 - Working relationships with DOH, Boards and Customers
- Power to Operate Pumps
- Fuel & Chemicals
- Permits, Agreements, Contracts, Taxes

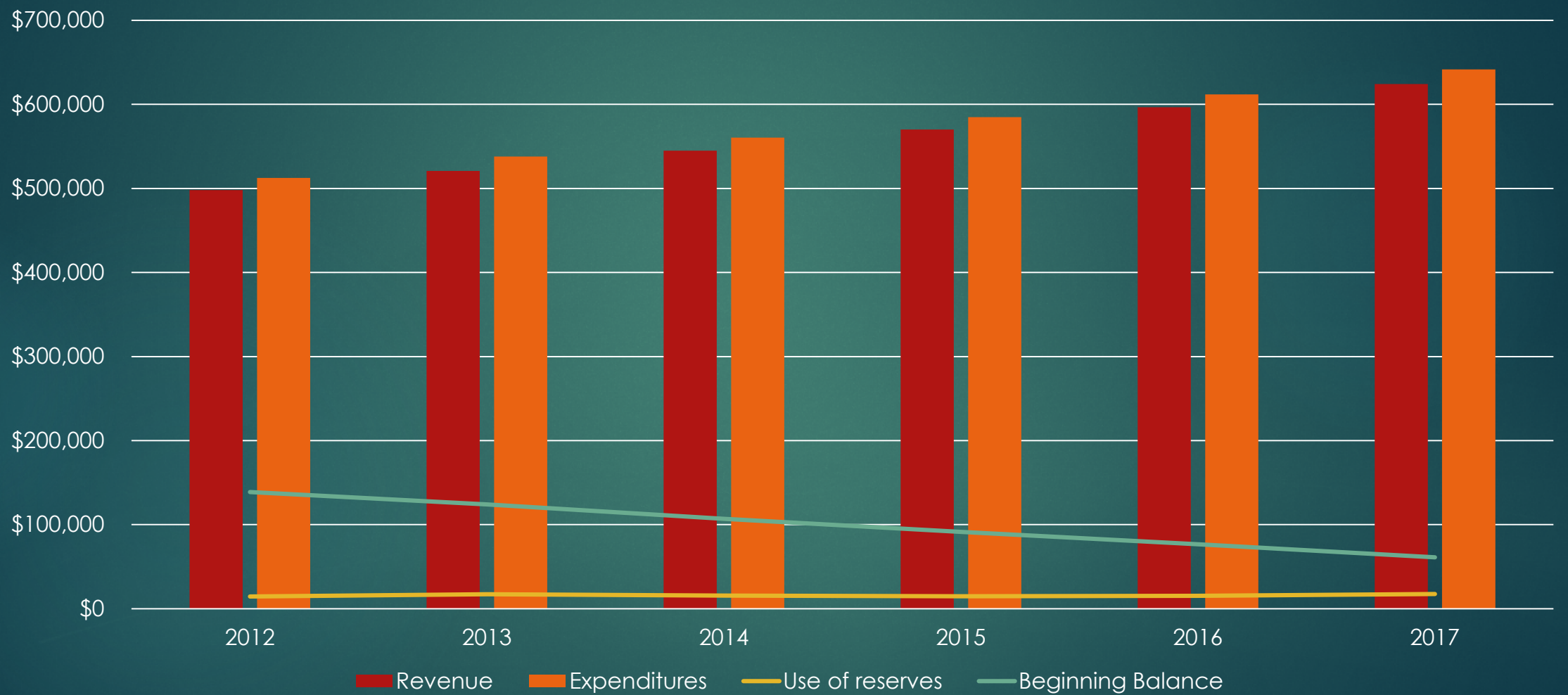
Maintenance

Technical activities necessary to keep a system working.

- Preventative
 - Greasing, painting, tightening nuts and bolts
 - Valve Exercising, System Flushing & rehab.
- Responsive
 - Spare Parts, Repair Bands, Tools
 - Contractors



WATER FUND PROJECTIONS



Usage Structures.

These do not encourage conservation

Declining block

The charge per unit of water decreases with higher use.

Flat Fee

Fixed fee charged regardless of water use.



Uniform Block Rate

Same charge per unit of water use.

- More effective than Flat Fee or Declining Block and should only be considered if the above mentioned are in use.

Usage Structures.

These encourage conservation!

Inclining Block Rate

Charge per unit of water increases with higher use.

Seasonal Rates

Charge per unit increases during peak usage season; Generally targets outdoor summer use.



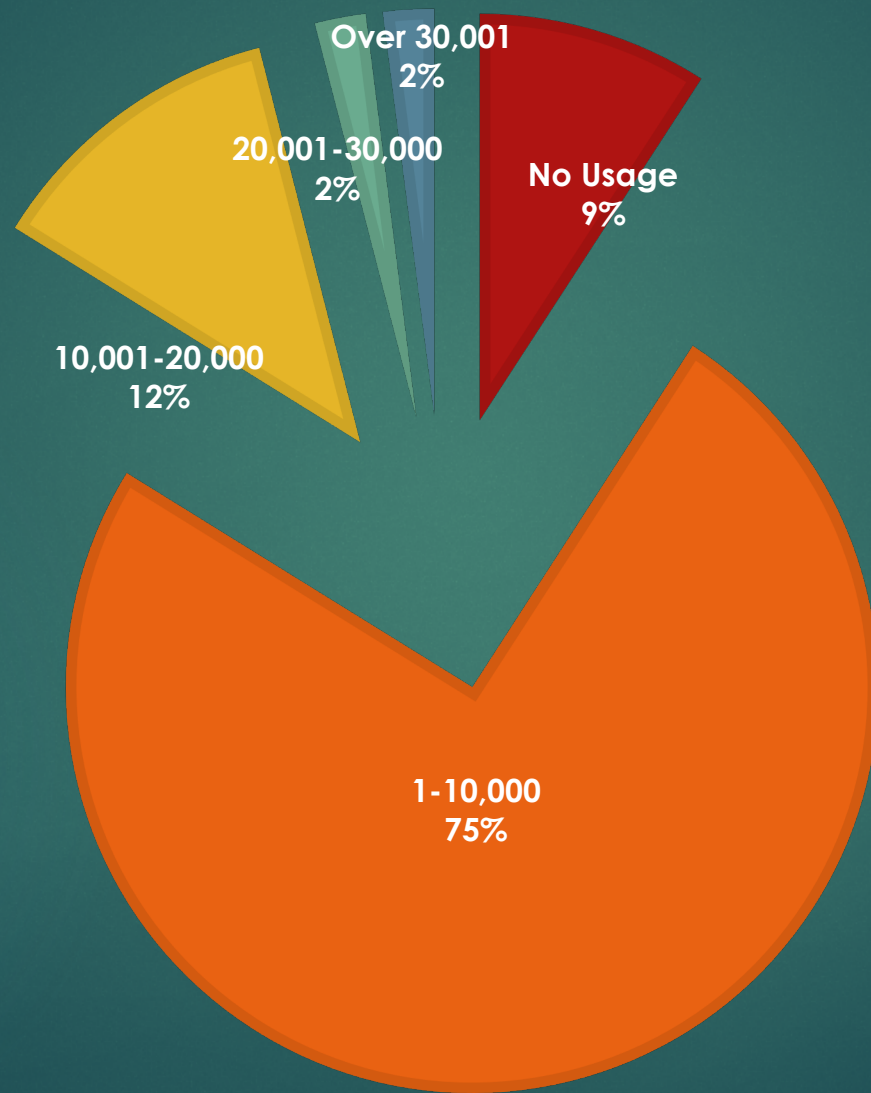
Langley 2010 Water Rate Structure

- ▶ Uniform Block Structure

Base fee	\$24.25
Usage	\$0.41/ 100 gallons

- ▶ Average Residential Water Bill per month \$36.49 with 3,000 gallons use
- ▶ High volume of our revenue relied on customer usage.
- ▶ New Connection Participation fee was high to reduce burden on the current user.
 - ▶ Development slowed as a result of economic down turn

2011 BI-MONTHLY BILLED GALLONS



2012 Base Fee Analysis

Operations Only

20% of Operations Cost was attributed to Maintenance related tasks.

- ▶ Operations only portion
 - ▶ \$257,909 per year

$\$257,909 / 954 \text{ ERU} / 12 \text{ months}$
= \$22.53 per month

CIP only

- ▶ Identified Capital Needs Cost
 - ▶ \$194,941 per year
- ▶ Equivalent Residential Units
 - ▶ 954 Customers

$\$194,941 / 954 \text{ ERU} / 12 \text{ months}$
= \$17.03 per month

Options Proposed to Council

Low Base Increase Cost of Use

Base = \$13.05

0-10,000 gallons

= \$1.00/100

10,001-30,000 gallons

= \$1.25/100

Over 30,001

= \$1.75/100

Average Monthly Bill

= \$48.05 per month

Increase Base Covers Operation & CIP

Base = \$39.56 include
10,000 gallons

10,001-30,000 gallons

= \$0.50/100

Over 30,001

= \$1.25/100

Average Monthly Bill

= \$ 39.56 per month

Increase Base Less Inclusion Increase Cost of Use

Base = \$.56 include
3,750 gallons

3,750-10,000 gallon

= \$0.75/100

10,001-30,000 gallons

= \$1.30/100

Over 30,001

= \$1.80/100

Average Monthly Bill

= \$ 41.25 per month

RESULTS

PROPOSED	2012	2013	2014	2015	2016	2017
BASE	\$30.00	\$31.80	\$33.70	\$35.73	\$37.87	\$40.15
3750-10,000	.75	.80	.84	.89	.95	1.00
10,001-30,000	1.30	1.38	1.46	1.55	1.64	1.74
Over 30,001	1.80	1.91	2.02	2.14	2.27	2.41

ADOPTED	2012	2013	2014	2015	2016	2017
BASE	\$30.00 -include 3750	\$41.93 - include 7,000	\$40.44	\$41.25	\$42.08	\$42.92
3750-10,000	.75					
7,001-30,000		.53	.55	.56	.57	.58
10,001-30,000	1.30					
Over 30,001	1.80	1.33	1.33	1.38	1.39	1.42



CITY OF LANGLEY COMPLETED 6 OF THE 8 IDENTIFIED CIP PROJECTS AND 2 UNPLANNED MAINS BASED ON DISCOVERED CONDITION, FUND SENIOR/LOW INCOME DISCOUNT, COVERED O&M COSTS, AND ALSO SAVED FOR A RAINY DAY!