



Meeting Date May 21, 2012

CITY COUNCIL AGENDA ITEM SUMMARY
City Of Newport, Oregon

Issue/Agenda Title: Public Hearing on a Consideration of an adjustment to utility rates and implementation of a Storm Drainage Utility Fee

Prepared By: Tim Gross, PW Dir/CE Dept Head Approval: _____ City Manager Approval: _____

Issue Before the Council:

Consideration of an adjustment to Utility rates and implementation of a Storm Drainage Utility Fee to comply with a 5 year rate adjustment scenario for the purpose of generating sufficient revenue to implement a systematic program of improvements and replacement of the water, wastewater and storm water systems.

Staff Recommendation:

Consider proposed rate adjustments. No action is requested at this meeting, but resolutions authorizing rate adjustments will be forwarded for action at the June 4th, 2012 City Council meeting based upon Council and public input received at this meeting.

Proposed Motion:

None.

Key Facts and Information Summary:

The recommendations forwarded as part of this presentation stem from discussions with City Council and the public over the past year, and most recently discussions during the April 2nd, April 16th, and May 7th Council Meetings. The proposed rate adjustments are summarized on page 2 of the attached presentation and represent a 5 year rate adjustment scenario with the purpose of raising revenue to accomplish an average of \$1.5 M per year of capital improvements in both the water and wastewater funds. The necessity for these improvements has been studied and discussed at length and is available for public review on the City's webpage located at:

[http://www.thecityofnewport.net/dept/fin/documents/Rate adjustment presentation 5-7-12.pdf](http://www.thecityofnewport.net/dept/fin/documents/Rate_adjustment_presentation_5-7-12.pdf)

No dedicated source of funding exists for the operations and improvements to the City's storm water system. Therefore a storm water drainage fee of \$6.80 per utility account is proposed. The history and details of the Storm Water Drainage Utility Fee is summarized in a separate action item memorandum at this meeting titled, *Amendment to Newport Municipal Code 5.20, Stormwater Drainage Utility*.

At the previous Council meeting, Council requested that Staff conduct an analysis to try and adjust rates to reflect a higher rate change burden on higher volume users for two reasons:

- 1.) To better allocate the cost of operating and maintaining a utility system by creating rates that would correlate to the demand placed upon the system; and
- 2.) To encourage conservation by increasing the cost per gallon as use increases.

During the course of the ensuing review of the City’s current utility billing system, it was discovered that it is not possible to identify what portion of utility rate revenue is associated with any particular meter size or group of users at a level that would allow this type of analysis to occur. The current system has hundreds of unique account codes making accurate analysis of users virtually impossible. Instead, Staff has attempted to simplify and standardize the utility billing rate structure. As the City moves to implement a new utility billing system this coming fiscal year, the simplified utility billing rate structure will allow the conversion to be simpler, smoother, and will allow the new system to be searchable for use and revenue summaries based upon meter size.

Proposed Water Rate Adjustments (Please refer to p. 3 and 4 of the attached presentation)

The proposed water rate adjustment is a 15% increase for both the water base rate and the usage charge per 1,000 GAL for all utility accounts with the following exceptions:

The City of Newport purchased a portion of the Seal Rock water system in 2007. This area has been identified in previous rate discussions as the Seal Rock area. Users within the Seal Rock area have a significantly different, and higher, rate structure than the rest of the users within the Newport service area. The Seal Rock area generates only an infinitesimally small amount of our water user revenue. There is an outstanding loan for the purchase of the Seal Rock area service rights. However the existing revenue generated from this area does nothing to contribute to the payback of this loan. **Therefore it is recommended to change the water rates for utility accounts within the Seal Rock area to conform to the rates for the remainder of the Newport service area.**

This change will have two impacts:

- 1.) Most of the base rates will go down with the exception of the 5/8”x3/4” out-of-city base rate. This base rate will go up to conform to the out-of-city base rate for the rest of the service area. This results in an 18% change in base rate for this user group.
- 2.) The usage rate will be adjusted to conform to the rest of the service area. This results in a usage rate increase of 12.8% for in-city users and 1.6% for out-of-city users per 1,000 gallons of water used in excess of the amount allowed within the base rate.

Water User Revenue			
	FY10	FY11	FY12 (to date)
City	1,816,018	1,969,600	1,790,242
Seal Rock	57,509	55,771	44,492
Total	1,873,527	2,025,371	1,834,734
Seal Rock as Pct of Total	3.1%	2.8%	2.4%

Currently the Seal Rock area users are allowed only 1,000 gallons as part of the base rate. The usage included in the base rate for the rest of the users within the Newport service area varies depending upon meter size as summarized in the following table:

Existing Water Rates- FY2012					
Meter Size	Usage included with base rate (GAL)	Base Rate	Cost per 1,000 GAL in excess of included amount	Effective Cost per 1000 GAL at min. usage	Cost for 41,000 GAL
5/8" x 3/4"	1000	\$14.30	\$2.60	\$14.30	\$118.30
1 inch	3000	\$19.65	\$2.60	\$6.55	\$118.45
1 1/4" x 1 1/2"	6000	\$28.90	\$2.60	\$4.82	\$119.90
2 inch	14000	\$49.50	\$2.60	\$3.54	\$119.70
3 inch	23000	\$73.95	\$2.60	\$3.22	\$120.75
4 inch and over	41000	\$122.90	\$2.60	\$3.00	\$122.90

The largest users with 4" meters and above have 41,000 gallons built into the base rate with an effective cost per 1,000 gallons of \$3.00. In contrast, a single-family home with a typical 5/8"x3/4" meter has only 1,000 gallons built into the base rate with an effective cost per 1,000 gallons of \$14.30. Smaller users only see a reduced effective rate per 1,000 gallons as they use more water, while larger users have no incentive to use less than 41,000 gallons per cycle. **To encourage conservation and to simplify the billing rate structure, it is recommended to change the water usage included within the water base rate to be 1,000 gallons for all utility accounts.** The impact to users with a 4" or larger meter who usually use the full usage allowance built into the base rate (41,000 gallons or more) would see an increase in their water costs of \$104 per billing cycle as a result of this change. Single-family home with a typical 5/8"x3/4" meter would see no impact from this change.

Proposed Wastewater Rate Adjustments (Please refer to p. 7 of the attached presentation)

The proposed wastewater rate adjustment is a 20% increase for both the wastewater base rate and the usage charge per 1,000 GAL for all utility accounts.

Proposed Infrastructure Fee Adjustments (Please refer to p. 8 of the attached presentation)

The proposed Infrastructure Fee rate adjustment is a 5% increase for all utility accounts.

Proposed Stormwater Drainage Fee Implementation (Please refer to p. 8 of the attached presentation)

The proposed Stormwater Drainage Utility Fee is \$6.80 for all utility accounts.

Pages 9 and 10 of the attached presentation compare the current utility bills and a proposed utility bill format. The proposed format incorporates information requested by Council in previous meetings, incorporates the proposed rates discussed above, and includes a billing breakdown showing where the revenue collected by the utility bill goes. In addition, this bill shows the proposed rate increase impact to a single-family home with a typical 5/8"x3/4" meter.

Other Alternatives Considered:

1. Do nothing
2. 5% increase for all fees and rates
3. 3 year staged increase to achieve \$1.5M/year in revenue for capital construction in both water and sewer, 5% increase in Infrastructure Fee and implementation of a \$6.80 Stormwater drainage Fee.

4. 10 year staged increase to achieve \$1.5M/year in revenue for capital construction in both water and sewer, 5% increase in Infrastructure Fee and implementation of a \$6.80 Stormwater drainage Fee.

City Council Goals:

Not Applicable

Attachment List:

- Utility Rate Presentation

Fiscal Notes:

Not applicable

City Council Meeting, May 21, 2012

City of Newport, OR

Proposed Utility Rate Adjustment

TIMOTHY GROSS, DIRECTOR OF PUBLIC WORKS/CITY ENGINEER
CITY OF NEWPORT



5 Year Scenario

Period	Example Monthly Bills*				Total Projected Utility Billing	Annual Rate Revenue Increases				
	Infrastructure Fee	Water	Sewer	Storm Water Fee		Water	Wastewater	Stormwater and Infrastructure Fee	Cost per gallon Water	Cost per gallon Wastewater
Current	\$5.65	\$24.70	\$37.35	\$0.00	\$67.70				\$0.004	\$0.006
FY2013	\$5.93	\$28.41	\$44.82	\$6.80	\$85.96	15%	20%	5%	\$0.005	\$0.007
FY2014	\$6.23	\$32.67	\$51.54	\$7.14	\$97.58	15%	15%	5%	\$0.005	\$0.009
FY2015	\$6.54	\$35.93	\$59.27	\$7.50	\$109.24	10%	15%	5%	\$0.006	\$0.010
FY2016	\$6.87	\$39.53	\$65.20	\$7.87	\$119.47	10%	10%	5%	\$0.007	\$0.011
FY2017	\$7.21	\$42.69	\$71.72	\$8.27	\$129.89	8%	10%	5%	\$0.007	\$0.012
FY2018	\$7.57	\$44.82	\$75.31	\$8.68	\$136.38	5%	5%	5%	\$0.007	\$0.013
FY2019	\$7.95	\$47.06	\$79.07	\$9.11	\$143.20	5%	5%	5%	\$0.008	\$0.013
FY2020	\$8.35	\$49.42	\$83.03	\$9.57	\$150.36	5%	5%	5%	\$0.008	\$0.014
FY2021	\$8.77	\$51.89	\$87.18	\$10.05	\$157.88	5%	5%	5%	\$0.009	\$0.015
FY2022	\$9.20	\$54.48	\$91.54	\$10.55	\$165.77	5%	5%	5%	\$0.009	\$0.015

* Residential Monthly Bill Example: 3/4" meter at 5000 GAL

5 Year Rate Adjustment Scenario FY 2013 Proposed Water Rates – 15%

City of Newport

Existing Water Rates- FY2012			
Meter Size	Usage included with base rate (GAL)	Base Rate	Cost per 1,000 GAL in excess of included amount
5/8" x 3/4"	1,000	\$14.30	\$2.60
1 inch	3,000	\$19.65	
1 1/4" x 1 1/2"	6,000	\$28.90	
2 inch	14,000	\$49.50	
3 inch	23,000	\$73.95	
4 inch and over	41,000	\$122.90	

Proposed Water Rates- FY 2013			
Meter Size	Usage included with base rate (GAL)	Base Rate	Cost per 1,000 GAL in excess of included amount
5/8" x 3/4"	1,000	\$16.45	\$2.99
1 inch	1,000	\$22.60	
1 1/4" x 1 1/2"	1,000	\$33.24	
2 inch	1,000	\$56.93	
3 inch	1,000	\$85.04	
4 inch and over	1,000	\$141.34	

Outside City of Newport

Existing Water Rates- FY2012			
Meter Size	Usage included with base rate (GAL)	Base Rate	Cost per 1,000 GAL in excess of included amount
5/8" x 3/4"	1,000	\$27.30	\$4.95
1 inch	3,000	\$37.15	
1 1/4" x 1 1/2"	6,000	\$51.70	
2 inch	14,000	\$91.10	
3 inch	23,000	\$135.55	
4 inch and over	41,000	\$222.75	

Proposed Water Rates- FY 2013			
Meter Size	Usage included with base rate (GAL)	Base Rate	Cost per 1,000 GAL in excess of included amount
5/8" x 3/4"	1,000	\$31.40	\$5.69
1 inch	1,000	\$42.72	
1 1/4" x 1 1/2"	1,000	\$59.46	
2 inch	1,000	\$104.77	
3 inch	1,000	\$155.88	
4 inch and over	1,000	\$256.16	

5 Year Rate Adjustment Scenario FY 2013 Proposed Water Rates – 15%

Seal Rock Area w/in City of Newport

Existing Water Rates- FY2012			
Meter Size	Usage included with base rate (GAL)	Base Rate	Cost per 1,000 GAL in excess of included amount
RESIDENTIAL			\$2.65
5/8" x 3/4"	1,000	\$25.75	
COMMERCIAL			
5/8" x 3/4"	1,000	\$45.20	
1 inch	1,000	\$86.50	
1 1/4" x 1 1/2"	1,000	\$111.30	
2 inch	1,000	\$173.15	
3 inch	1,000	\$294.80	
4 inch and over	1,000	\$356.75	

Proposed Water Rates- FY 2013			
Meter Size	Usage included with base rate (GAL)	Base Rate	Cost per 1,000 GAL in excess of included amount
5/8" x 3/4"	1,000	\$16.45	\$2.99
1 inch	1,000	\$22.60	
1 1/4" x 1 1/2"	1,000	\$33.24	
2 inch	1,000	\$56.93	
3 inch	1,000	\$85.04	
4 inch and over	1,000	\$141.34	

Seal Rock Area outside City of Newport

Existing Water Rates- FY2012			
Meter Size	Usage included with base rate (GAL)	Base Rate	Cost per 1,000 GAL in excess of included amount
RESIDENTIAL			\$5.60
5/8" x 3/4"	1,000	\$25.75	
COMMERCIAL			
5/8" x 3/4"	1,000	\$45.20	
1 inch	1,000	\$86.50	
1 1/4" x 1 1/2"	1,000	\$111.30	
2 inch	1,000	\$173.15	
3 inch	1,000	\$294.80	
4 inch and over	1,000	\$356.75	

Proposed Water Rates- FY 2013			
Meter Size	Usage included with minimum charge	Minimum Charge	Cost per 1,000 GAL in excess of included amount
5/8" x 3/4"	1,000	\$31.40	\$5.69
1 inch	1,000	\$42.72	
1 1/4" x 1 1/2"	1,000	\$59.46	
2 inch	1,000	\$104.77	
3 inch	1,000	\$155.88	
4 inch and over	1,000	\$256.16	

5 Year Rate Adjustment Scenario
 FY 2013
 Effective Cost Per 1,000 GAL at Minimum Usage

Existing Water Rates- FY2012					
Meter Size	Usage included with base rate (GAL)	Base Rate	Cost per 1,000 GAL in excess of included amount	Effective Cost per 1000 GAL at min. useage	Cost for 41,000 GAL
5/8" x 3/4"	1,000	\$14.30	\$2.60	\$14.30	\$118.30
1 inch	3,000	\$19.65	\$2.60	\$6.55	\$118.45
1 1/4" x 1 1/2"	6,000	\$28.90	\$2.60	\$4.82	\$119.90
2 inch	14,000	\$49.50	\$2.60	\$3.54	\$119.70
3 inch	23,000	\$73.95	\$2.60	\$3.22	\$120.75
4 inch and over	41,000	\$122.90	\$2.60	\$3.00	\$122.90

5 Year Rate Adjustment Scenario
 FY 2013
 Seal Rock Area Revenue

Water User Revenue			
	FY10	FY11	FY12 (to date)
City	\$1,816,018	\$1,969,600	\$1,790,242
Seal Rock	\$57,509	\$55,771	\$44,492
Total	\$1,873,527	\$2,025,371	\$1,834,734
Seal Rock as Pct of Total	3.07%	2.75%	2.42%

5 Year Rate Adjustment Scenario
 FY 2013
 Proposed Wastewater Rates – 20%

Wastewater Rates				
	Existing - FY 2012		Proposed - FY 2013	
	Base Rate	Cost per 1,000 GAL water used	Base Rate	Cost per 1,000 GAL water used
Single-Family Residences and Duplexes	\$15.35	\$4.40	\$18.42	\$5.28
Multi-Family Residences and Commercial Properties	\$15.35	\$5.05	\$18.42	\$6.06

5 Year Rate Adjustment Scenario
 FY 2013
 Proposed Infrastructure Fee – 5%
 and
 Implementation of a Stormwater Drainage Fee - \$6.80/ utility bill

Infrastructure Fee		
Water Meter Size	Existing - FY 2012 Monthly Fee	Proposed - FY 2013 Monthly Fee
¾"	\$5.65	\$5.93
1"	\$11.35	\$11.92
1 ½"	\$22.75	\$23.89
2"	\$39.75	\$41.74
3"	\$102.20	\$107.31
4"	\$158.95	\$166.90
5 & 6"	\$363.40	\$381.57

City of Newport
 169 S.W. Coast Hwy
 NEWPORT OR 97365
 Phone: (541) 574-0611
 Fax: (541) 574-3355

Cycle 2 Utilities Invoice



Account #: 270 013081 114
 Service Address: 111 SE BENTON ST

Billing Date: 26-Mar-2012 Bill From: 01-Mar-2012
 Invoice #: 0000065156 Bill To: 31-Mar-2012

Due Date : 16-Apr-12



Make Check Payable to
 City of Newport

Enter Amount Enclosed



Account Balance \$ 67.70

Amount Due \$ 67.70

Please detach and return top portion with payment. Retain bottom portion for your records.

Account #: 270 013081 114
 Service Address: 111 SE BENTON ST

Billing Date: 26-Mar-2012 Bill From: 01-Mar-2012
 Invoice #: 0000065156 Bill To: 31-Mar-2012

Account Details From: 26-Mar-2012

Code	Description	Date	Units	Amount
Last Payment Made on 12-Mar-2012				-74.70
IFI IF10	INFRASTRUCTURE FEE 3/4" METER	03/26/12	1.00	5.65
WA R110	Water Single Family Res. Inside 3/4	03/26/12	1.00	24.70
82579339	03/06/12 Current Reading: 119.00 02/10/12 Prev. Reading: 114.00		Consumption: 5.00 Thousands of G	
SE SR11	Sewer Single Family Res. Inside	03/26/12	1.00	22.00
SE SER1	BASE RATE RESIDENTIAL INSIDE CITY	03/26/12	1.00	15.35
Charges Due				67.70

IMPORTANT NOTES

----- CONTACT INFORMATION -----
 IF YOU QUESTION THIS BILL BALANCE PLEASE CALL KATHY AT 541-574-0617.
 FOR ALL OTHER ACCOUNT INQUIRIES CALL KAY AT 541-574-0611.
 FOR EMERGENCY AFTER HOUR WATER PROBLEMS CALL 541-265-4231.

Account Balance \$ 67.70

Amount Due \$ 67.70

Due Date : 16-Apr-12

Account #: 270 013081 114

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GROSS, TIM & JANA
 111 SE BENTON ST
 NEWPORT OR 97365

CURRENT – FY 2012

Typical Single Family Home Water Bill (3/4" meter):

2 adults, 2 children (ages 11 & 9), 1 dog, 1 cat.

- Infrastructure Fee: \$5.65
- Standard Water Charge including 1st 1000 gallons of water: \$14.30
- Water cost per each additional 1000 gallons: \$2.60/gallon x 4000 gallons = \$10.40
- Standard Sewer Charge: \$15.35
- Sewer cost per 1000 gallons of water used: \$4.40 x 5000 gallons = \$22.00
- Total Utility Bill = \$67.70
- User cost per 1000 gallons water = \$4.94
- User cost per 1000 gallons sewer = \$7.47

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Cycle 2 Utilities Invoice



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Make Check Payable to
 City of Newport

Enter Amount Enclosed



Account Balance \$ 67.70

Amount Due \$ 67.70

GROSS, TIM & JANA
 111 SE BENTON ST
 NEWPORT OR 97365

Please detach and return top portion with payment. Retain bottom portion for your records.

Account #: 270 013081 114
 Service Address: 111 SE BENTON ST

Billing Date: 26-Mar-2012 Bill From: 01-Mar-2012
 Invoice #: 0000065156 Bill To: 31-Mar-2012

Account Details From: 26-Mar-2012

Description	Date	Units	Amount
<i>Last Payment Made on 12-March 2012</i>			-\$74.70
Infrastructure Fee - 3/4" Meter	3/26/2012	1	\$5.93
Water Base Fee - 3/4" Meter (Includes 1,000 GAL)	3/26/2012	1	\$16.45
Water Usage - 3/4" Meter	3/26/2012	4	\$11.96
<i>3/6/12 Current Read: 119.00 2/10/12 Previous Read: 114.00 Consumption: 5,000 GAL</i>			
Wastewater Base Fee	3/26/2012	1	\$18.42
Wastewater Usage	3/26/2012	5	\$26.40
Stormwater Drainage Utility Fee	3/26/2012	1	\$6.80
Charges Due:			\$85.96

IMPORTANT NOTES

For the purpose of calculating usage, 1 unit = 1,000 GAL

	Materials and Services	Capital Construction & Replacement	Contingency for Future/Emergency
Infrastructure Fee		5.93	
Water	\$7.72	\$11.66	\$9.02
Wastewater	\$19.19	\$12.74	\$12.89
Stormwater	\$5.34	\$1.46	
Total:	\$32.26	\$25.86	\$21.91

Account Balance: \$85.96

Amount Due: \$85.96

Account #: 270 013081 114
 City of Newport
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PROPOSED – FY 2013

Typical Single Family Home Water Bill (3/4" meter):

2 adults, 2 children (ages 11 & 9), 1 dog, 1 cat.

- Infrastructure Fee: **\$5.93**
- Standard Water Charge including 1st 1000 gallons of water: **\$16.45**
- Water cost per each additional 1000 gallons: \$2.99/gallon x 4000 gallons = **\$11.96**
- Standard Sewer Charge: **\$18.42**
- Sewer cost per 1000 gallons of water used: \$5.28 x 5000 gallons = **\$26.40**
- Stormwater Drainage Fee: **\$6.80**
- Total Utility Bill = **\$85.96**
- User cost per 1000 gallons water = **\$5.68**
- User cost per 1000 gallons sewer = **\$8.96**

PROPOSED UTILITY BILLING INFORMATION – FY 2013

Description	Date	Units	Amount
Last Payment Made on 12-March 2012			-\$74.70
Infrastructure Fee – ¾" Meter	3/26/2012	1	\$5.93
Water Base Fee – ¾" Meter (includes 1,000 GAL)	3/26/2012	1	\$16.45
Water Usage – ¾" Meter	3/26/2012	4	\$11.96
<small>3/6/12 Current Read: 119.00</small>	<small>2/10/12 Previous Read: 114.00</small>	<small>Consumption: 5,000 GAL</small>	
Wastewater Base Fee	3/26/2012	1	\$18.42
Wastewater Usage	3/26/2012	5	\$26.40
Stormwater Drainage Utility Fee	3/26/2012	1	\$6.80
Charges Due:			\$85.96

IMPORTANT NOTES

For the purpose of calculating usage, 1 unit = 1,000 GAL

Utility Bill Utilization - FY2013			
	<i>Materials and Services</i>	<i>Capital Construction & Replacement</i>	<i>Contingency for Future/Emergency</i>
<i>Infrastructure Fee</i>		5.93	
<i>Water</i>	\$7.72	\$11.66	\$9.02
<i>Wastewater</i>	\$19.19	\$12.74	\$12.89
<i>Stormwater</i>	\$5.34	\$1.46	
Total:	\$32.26	\$25.86	\$21.91

Account Balance: \$85.96

Amount Due: \$85.96