

Virtual Open House

Water and Sewer Rates
January 26, 2021



Overview

- * Purpose of Open House
- * Background
- * Rate Structure Review
- * Bill Impacts (Rate Structure Changes)
- * Rate Adjustments
- * Schedule of Rate Structure Implementation and Rate Adjustments
- * Questions

Purpose of Open House

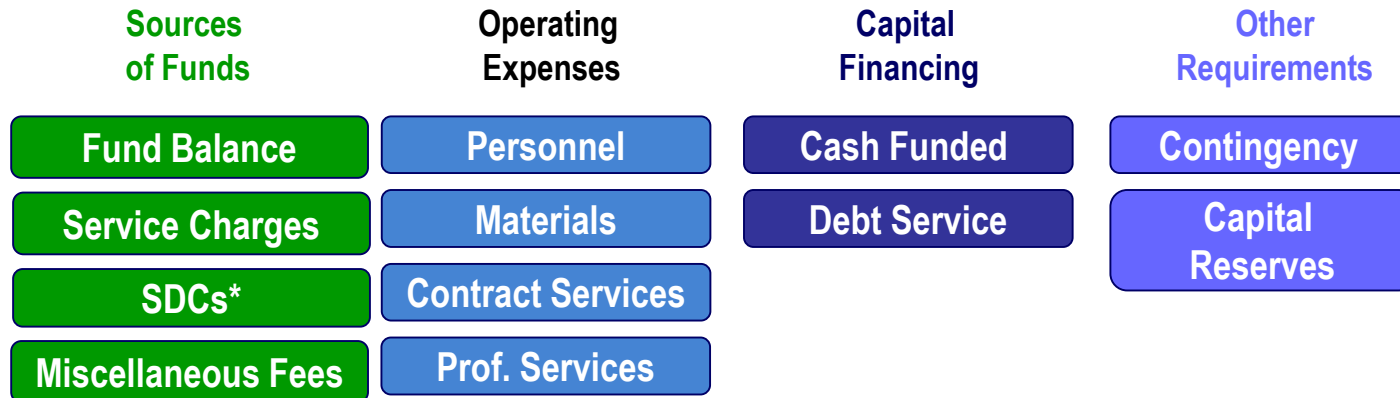
- * Explain proposed changes
- * Answer questions
- * Rate Structure – **how** you are charged
- * Rate Adjustment – change to the **amount** you are charged

Background

- * The last time rates were reviewed was in 2014. At that time, sewer rate increases were adopted, but not fully implemented in subsequent years.
- * May, 2018 – contracted with Galardi Consulting for a study of water and sewer rates, and System Development Charges (SDCs)
- * Presentations at Public Meetings
 - * 6/25/19 – Council Work Session
 - * 7/30/19 – Council Work Session
 - * 5/26/20 – Council Work Session
 - * 11/10/20 – Council Meeting
- * Also discussed at additional Council Meetings in 2019 and 2020
- * December, 2020 – flyer mailed with utility bills

Background – Funds and Expenses

* Water and Sewer Utilities Structure



*SDCs = System Development Charges

Rate Structures

Why Change Rate Structures?

1. To address inequities in how **sewer** service is charged
 - * Current flat rate structure means customer pays same rate regardless of actual usage
 - * New structure includes a base service charge and a volume charge
 - * Volume charge is based on average winter month water usage
 - * Accounts for different strength of waste for commercial and industrial customers
2. Modernize **water** rate structure
 - * Eliminate declining block structure for water, go to uniform volume rate

Current Water Rates

- * Base Charges (right)
 - * Invariant based on volume of water used
 - * Vary with meter size and class
- * Volume Charges (bottom)
 - * Differ by class
 - * Declining block structure

Meter Size	\$/Month	
	Res	C&I
¾"	\$12.41	\$16.25
1"	\$16.37	\$23.73
1.5"	\$24.56	\$54.09
2"	\$36.88	\$86.58
3"		\$173.33
4"		\$270.78
6"		\$541.39

Class	\$/ccf*		Block 1
	Block 1	Block 2	Cut-off (ccf)
Residential	\$2.55	\$2.20	6
Commercial/ Industrial	\$2.55	\$2.00	Varies (34 - 60)

*1 ccf = 100 cf = 748 gal

Revised Water Rate Structure*

- * Uniform Volume Rates
 - * Lower rate for industrial based on lower peak demand
- * Fixed Charge by Meter Size and Class

	Revised		
	Residential	Commercial	Industrial
Water Rates			
Meter Charge (\$/month)			
3/4"	\$16.27	\$21.15	\$35.52
1"	\$21.47	\$30.89	\$51.87
1.5"	\$32.21	\$70.41	\$118.22
2"	\$48.36	\$112.70	\$189.24
3"	\$0.00	\$225.63	\$378.85
4"	\$0.00	\$352.49	\$591.84
6"	\$0.00	\$704.75	\$1,183.32
Volume Charge (\$/ccf)			
Block 1	\$2.00	\$2.00	\$1.90
Block 2	\$2.00	\$2.00	\$1.90

*Reflects rate structure change only; no overall revenue increase

**All numbers are per month, double for bi-monthly bill amount

Current Sewer Rates

- * Residential
 - * Flat rate - invariant with volume of water used
- * Commercial & Industrial
 - * Minimum charge applies to majority of customers
 - * Larger customers (15) charged based on prior-established volumes
- * Industrial Unit Charges
 - * Based on City of Albany rates
 - * Applied to 2 customer only currently

Base Rates	Monthly Charge
Residential	\$52.83
Com/ Ind. Minimum	\$74.85
Com/Ind. Volume Based	Varies

Industrial Units	\$/unit
Flow (\$/CCF)	\$3.68
BOD (\$/lb)	\$0.95
TSS (\$/lb)	\$1.27

Revised Sewer Rate Structure*

- * Combined base and volume rate structure
 - * Residential volume based on average winter month
 - * Commercial & industrial based on actual water use or monitored sewer flow
- * Above domestic strength users
 - * Commercial based on class average
 - * Industrial based on specific unit charges and sampling data

Customer Class	Revised Rates	
	Fixed	Volume
Commercial - High	\$49.59	\$8.58
Commercial - Regular	\$49.59	\$4.64
Industrial - High	\$49.59	\$9.60
Industrial - Regular	\$49.59	\$8.41
Residential	\$39.03	\$2.70

*Reflects rate structure change only, with 7.5% increase adopted January 2020; no overall revenue increase

Summary of Bill Impacts – Rate Structure Change

* Residential Bills

- * Volume-based sewer structure increases bills for larger volume users; off-set some by decrease in water volume rates
- * Bill decreases for small volume users

* Industrial Bills

- * Decrease slightly for the class as a whole
- * Some increases due higher fixed charges and industrial treatment rates

* Commercial Bills

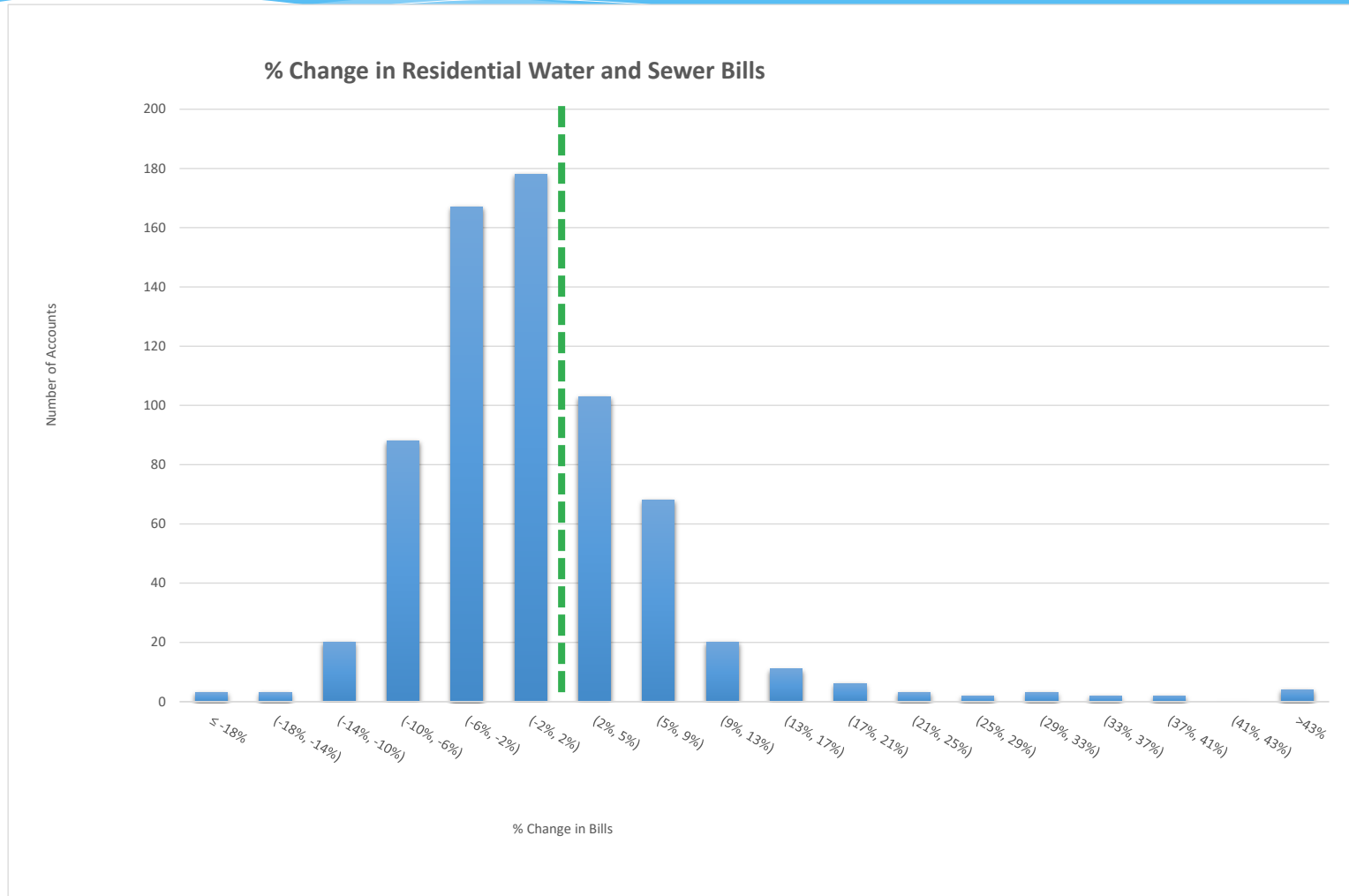
- * Generally increase due to volume based sewer billing
- * Larger increases for higher strength customers

Combined Residential Bill Impacts

	Water	Sewer	Total	Difference	
Small User Winter (4 ccf); Summer (4 ccf)					
Current	\$22.61	\$52.83	\$75.44		
Revised Structure	\$24.27	\$49.83	\$74.10	(\$1.33)	-1.8%
Average Winter (5 ccf) and Summer (20 ccf)					
Current	\$58.51	\$52.83	\$111.34		
Revised Structure	\$56.27	\$52.53	\$108.80	(\$2.53)	-2.3%
Moderately High User: Winter (10 ccf); Summer (30 ccf)					
Current	\$80.51	\$52.83	\$133.34		
Revised Structure	\$76.27	\$66.03	\$142.30	\$8.97	7%
High User: Winter (15 ccf); Summer (40 ccf)					
Current	\$102.51	\$52.83	\$155.34		
Revised Structure	\$96.27	\$79.53	\$175.80	\$20.46	13%

Total water/sewer utility bill for a residential home with average water use will decrease by \$2.53 per month

Combined Residential Bill Impacts



Rate Comparison

TOTAL WATER AND SEWER UTILITY BILL

2019-20 Average Monthly Utility Bills in Oregon Cities Single-Family Residential Customers - Total Water and Sewer Bill

Population 2018 PSU	City / District	800 cu ft	
		\$ / mo	Rank
9,225	Sweet Home	\$156.01	1
16,920	Lebanon	\$151.29	2
4,715	Philomath	\$126.80	3
53,145	Albany	\$117.17	4
3,366	Jefferson	\$108.60	5
2,615*	Millersburg - Proposed	\$92.90	6
2,615*	Millersburg - Current	\$84.94	7
165,265	Salem	\$75.51	8
59,280	Corvallis	\$72.40	9
	Average	\$109.51	

*2019 PSU population

Rates are calculated on 3/4-inch meters for residential accounts only; all units calculated in cubic feet

800 cubic feet is the comparison used by the League of Oregon Cities

Note: Assumes no future rate adjustments in comparative cities.

Residential Rate Estimator

Residential Rate Estimator			
Water		Sewer	
Current Rate Structure			
Enter your current WINTER bill amount Enter information in one box only If box turns red, use other box		Current sewer rates are fixed for all residential customers	
If your current bill amount is under \$55.42, enter here ==>	\$50.00	Current bi-monthly sewer bill	\$105.65
If your current bill amount is over \$55.42, enter here ==>	\$0.00		
Enter your current SUMMER bill amount Enter information in one box only If box turns red, use other box			
If your current bill amount is under \$55.42, enter here ==>	\$0.00		
If your current bill amount is over \$55.42, enter here ==>	\$100.00		
Impact of Proposed Rate Structure Changes			
New bi-monthly water bill winter	\$52.29	New bi-monthly sewer bill	\$104.72
	\$0.00	(requires winter water bill amount)	\$0.00
New bi-monthly water bill summer	\$0.00		
	\$97.07		
Total calculated bi-monthly bill winter (water and sewer)	\$157.01	Change from current total water and sewer bill	\$1.36
Total calculated bi-monthly bill summer (water and sewer)	\$201.79	Change from current total water and sewer bill	(\$3.86)
<ul style="list-style-type: none"> • If you do not enter both WINTER and SUMMER water bill amounts, your bill estimates will not be accurate. • Rate estimator calculation is based on current bills, actual bills will be based on measured usage. • Current billing for water is a split rate, with the first 6 units at \$2.55 per unit and additional units at \$2.20. Usage of 6 units of water results in a bill of \$55.42. Usage above this amount requires a different calculation. • 1 ccf = 100 cf = 748 gallons = 1 unit 			

Rate Adjustments

Why are Rate Adjustments Necessary?

Regular rate adjustments are needed in any utility to:

- * Cover the costs of running the utility
- * Meet federal guidelines
- * Improve infrastructure
- * Perform regular maintenance
- * Fix what's broken
- * Respond to inflation

This will keep revenues in line with expenditures and reduce the likelihood of needing large increases in the future.

Why are Rate Adjustments Necessary?

Water

- * Last water rate increase in 2012 to address a financial deficit
- * Was intended to be first phase to eliminate declining block rate structure
- * Regular increases needed to keep up with inflation and continue to meet operating and capital costs

Sewer

- * No increases from 2011 - 2014 and 2016 - 2019
- * 10% increase in 2015 (was intended to be first of 3 rate increases)
- * Last sewer rate increase was January 2020 (first of 5 recommended 7.5% increases)
- * Following this, regular smaller increases will be needed to keep up with inflation and continue to meet operating and capital costs

<p>Millersburg began operating a wastewater collection system to serve the City in 1987; a flat rate was charged to each residential customer. This rate was adjusted multiple times between 1987 and 2000, with the highest % increase during this period of 40.7% in 1989 and an increase of 33.8% in 1999.</p> <p>In 2001, the City began a series of 7.2% increases, which lasted until 2010. These increases were necessary to help pay for expansion of the wastewater treatment plant and construction of Talking Water Gardens. Following 2010, the increases were suspended.</p> <p>In 2014, the City realized that, due to having no increases for the past five years, a deficit was growing in sewer fund. At that time it was determined that a rate of approximately 30% was necessary. To address this shortfall, council decided to implement a 10% increase for each of the next two years (2015 and 2016), and re-evaluate the financial situation in 2017.</p> <p>Although two 10% increases were planned, the increase in 2016 did not take place and the rates were not re-visited in 2017. In 2018, the City began a study of water and sewer rates. The study recommended a series of five 7.5% rate increases, followed by ongoing inflationary increases to return the utility to financial stability and keep it there.</p> <p>In January of 2020, Council approved the first of the proposed 7.5% increases. Rate structure changes and additional rate adjustments are currently under consideration.</p>								
Year	Quarter	Residential	Commercial	%	Quarter	Commercial/Industrial	Rate	
2020	1st	147.50	49.17	98.33	7.5%	208.91	69.64	139.27
2019	1st	147.50	49.17	98.33	0.0%	208.91	69.64	139.27
2018	1st	147.50	49.17	98.33	0.0%	208.91	69.64	139.27
2017	1st	147.50	49.17	98.33	0.0%	208.91	69.64	139.27
2016	1st	147.50	49.17	98.33	10.0%	208.91	69.64	139.27
2015	1st	134.09	44.70	89.39	0.0%	189.92	63.31	126.61
2014	1st	134.09	44.70	89.39	0.0%	189.92	63.31	126.61
2013	1st	134.09	44.70	89.39	0.0%	189.92	63.31	126.61
2012	1st	134.09	44.70	89.39	0.0%	189.92	63.31	126.61
2011	1st	134.09	44.70	89.39	0.0%	189.92	63.31	126.61
2010	1st	125.98	41.69	83.99	7.2%	177.66	59.05	118.11
2009	1st	116.68	38.89	77.79	7.2%	165.26	55.09	110.17
2008	1st	108.81	36.28	73.56	7.2%	154.56	51.39	102.77
2007	1st	101.53	33.84	67.69	7.2%	143.81	47.94	95.87
2006	1st	94.72	31.57	63.14	7.2%	134.15	44.72	89.43
2005	1st	88.35	29.45	58.90	7.2%	125.14	41.71	83.43
2004	1st	82.42	27.47	54.95	7.2%	116.79	38.91	77.82
2003	1st	76.88	25.63	51.26	7.2%	108.89	36.30	72.40
2002	1st	71.72	23.91	47.81	7.2%	101.58	33.86	67.72
2001	1st	66.90	22.30	44.60	0.0%	94.76	31.59	63.17
1999	1st	65.90	22.30	44.60	33.8%	100.35	33.45	66.90
1998	1st	50.00	16.67	33.33	11.1%	75.00	25.00	50.00
1997	1st	45.00	15.00	30.00	0.0%	70.47	23.49	46.98
1996	1st	45.00	15.00	30.00	0.0%	67.76	22.59	45.17
1995	1st	45.00	15.00	30.00	0.0%			
1994	1st	45.00	15.00	30.00	-9.8%			
1993	1st	41.00	13.67	27.33	0.0%			
1992	1st	41.00	13.67	27.33	0.0%			
1991	1st	41.00	13.67	27.33	0.0%			
1990	1st	41.00	13.67	27.33	7.9%			
1989	1st	38.00	12.67	25.33	40.7%			
1988	1st	27.00	9.00	18.00	0.0%			
1987	1st	27.00	9.00	18.00	0.0%			

Sewer Rates History

Schedule of Rate Structure Implementation and Rate Adjustments

February 9, 2021 – public hearing (at regular City Council meeting)

March 9, 2021 – adopt new rate plan (at regular City Council Meeting)

April 1, 2021 - rate structure changes effective

Early June, 2021 - first customer bill under new structure

Proposed Rate Increase Schedule		
<u>Date</u>	<u>Water</u>	<u>Sewer</u>
February 1, 2022	3.0%	7.5%
February 1, 2023	3.0%	7.5%
February 1, 2024	3.0%	7.5%
February 1, 2025	3.0%	7.5%
February 1, 2026	3.0%	3.0%

How can you impact your bill?

Water usage

- * Winter water usage impacts both your water and sewer bills
- * Seasonal water usage impacts your summer water bills

System costs - Wastewater

- * “Flushables”
- * FOG

<https://www.cityofmillersburg.org/publicworks/page/wastewater>

Questions