

City of Josephine

City Council Consideration & Action

2022 Utility Rate Update

September 2022 | Subject to Change



Agenda

- Background on Rates
- Scenario Review
- Scenario 1B Overview & Comparison
- Summary & Action



The background of the slide is a photograph of industrial machinery, likely a water treatment or pumping system, featuring large pipes, valves, and electric motors. The entire image is covered with a semi-transparent blue overlay. The text 'BACKGROUND ON RATES' is centered in white, bold, uppercase letters.

BACKGROUND ON RATES

21st Century Water & Wastewater Rate Facts

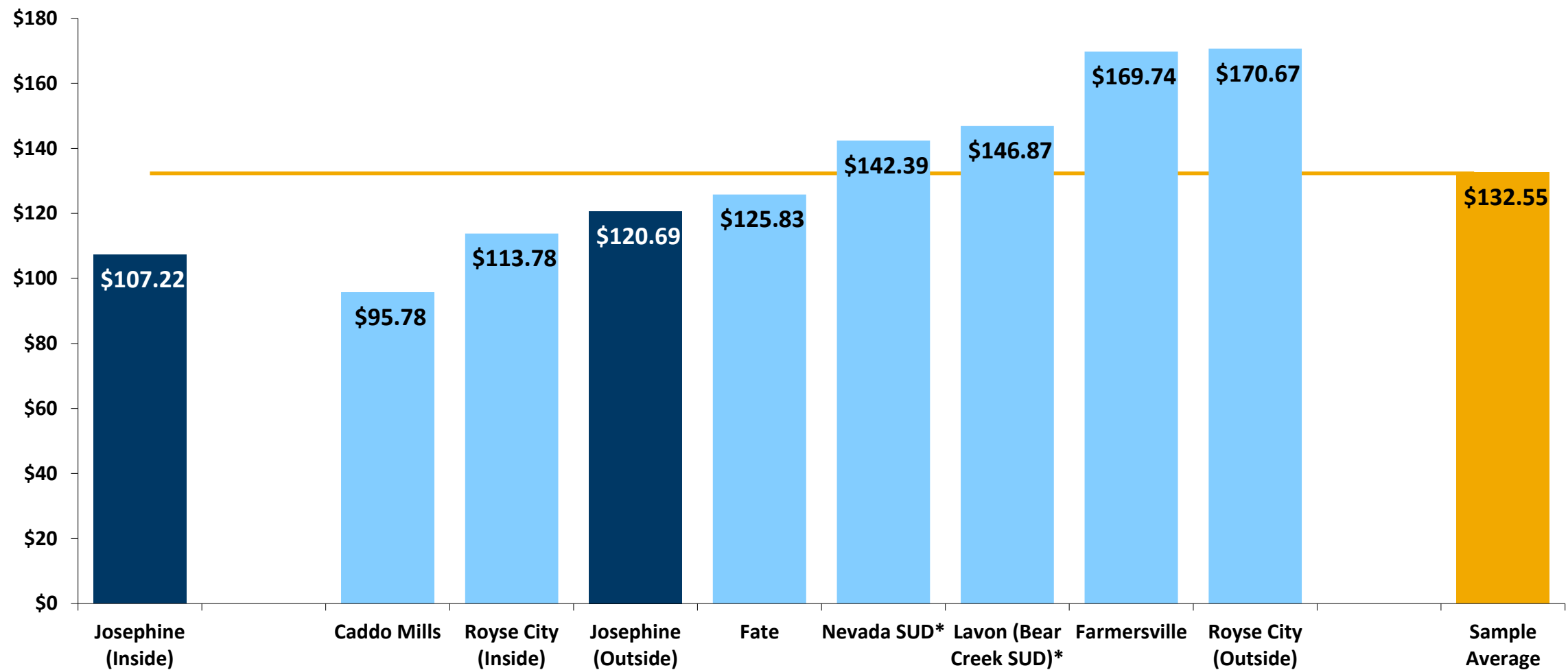
- Average utility has been increasing rates **5-6% per year**, a trend that is expected to continue
- AWWA forecasts that water and wastewater **rates across the U.S. will triple** in the next 15 years
- 30-40% of utilities charge rates that **do not cover their costs**
- Rate adjustments are primarily due to reasons **beyond a utility's direct control** – inflation, wholesale water costs, necessary Capital Improvement Plans, etc.

Josephine Water & Wastewater Rate Background

- Water and wastewater utilities are rapidly changing due to the growth both within and outside of the City limits
- Water and wastewater rates are currently covering the costs of operating the system, but substantial expansion of the system and inflation is pressuring the existing rate structure

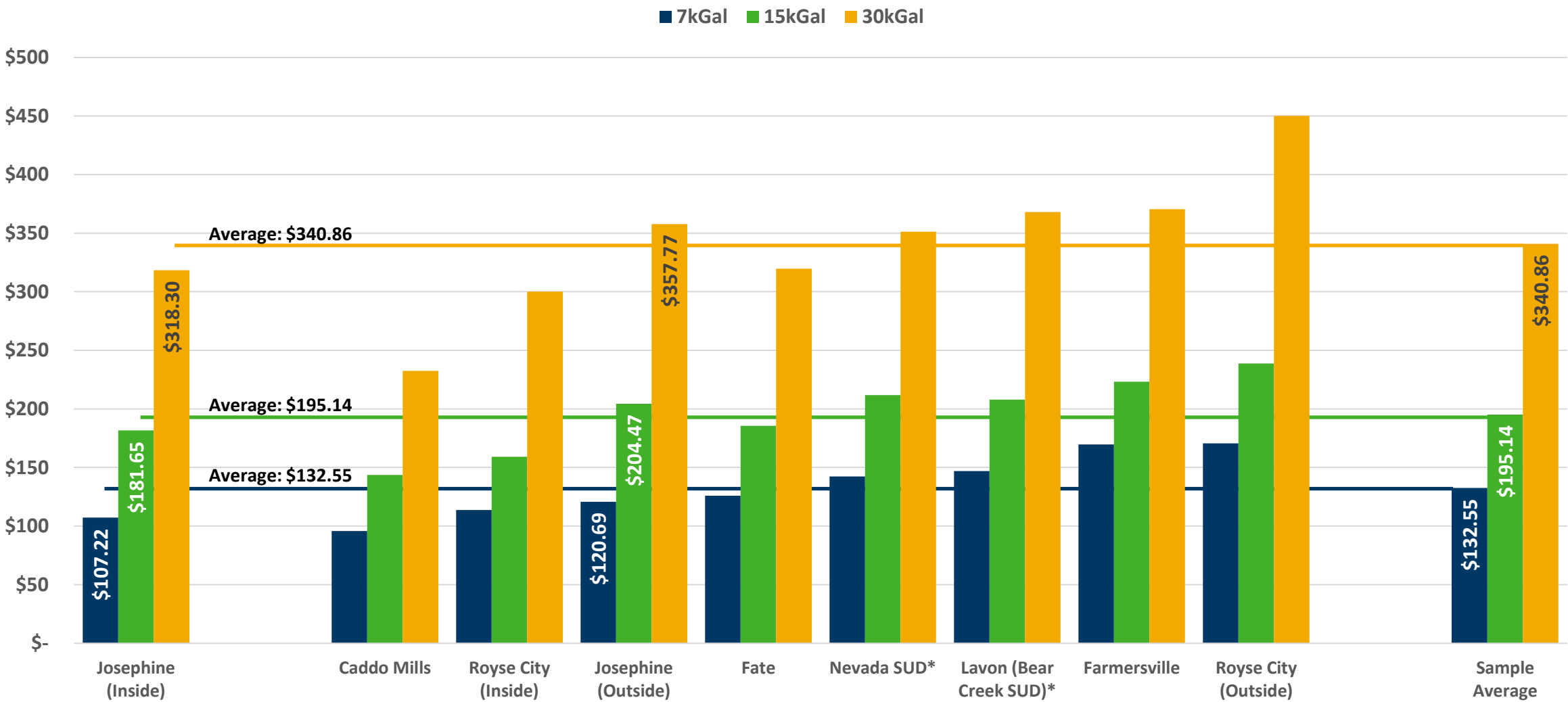


Current Monthly Residential Charges | 7k Gallons W & WW



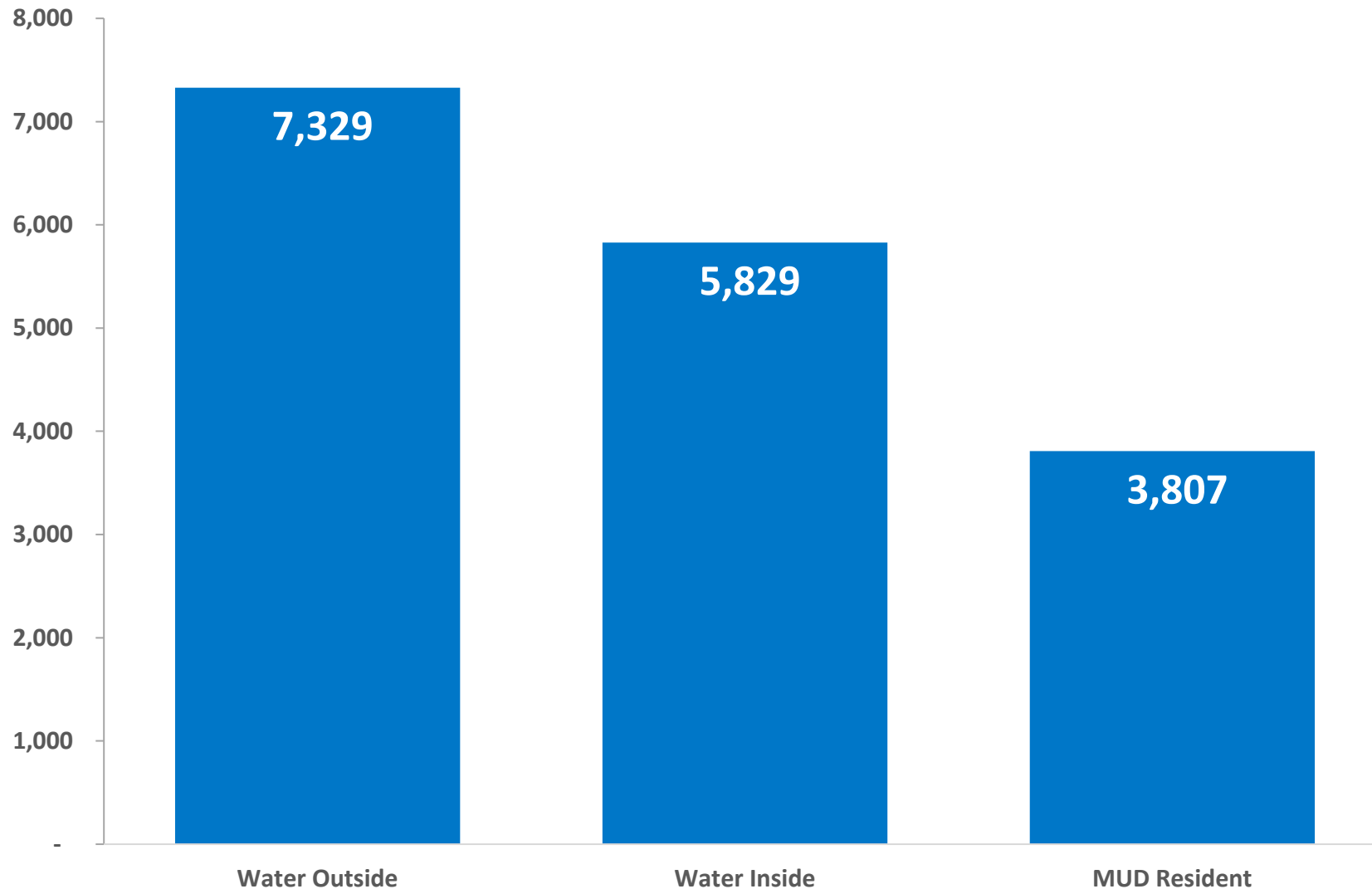
Rates as of May 2022 | *Nevada and Lavon offer no or limited wastewater service, sample average WW fees are assumed.

Current Monthly Residential Charges | Various Usage



Rates as of August 2022 | *Nevada and Lavon offer no or limited wastewater service, sample average WW fees are assumed.

Test Year 2022 | Average Monthly Consumption | Residential



Despite using more total water, MUD Customers use $\pm 35\%$ less water per account.

This may be due to the City's practice of having builder connections throughout the build process.

This pattern of use is forecast to remain constant in the model.

The background of the slide is a photograph of industrial machinery, likely a pump or compressor system, with various pipes, valves, and a large motor. The entire image is covered with a semi-transparent blue overlay. The text 'SCENARIO REVIEW' is centered in white, bold, sans-serif font.

SCENARIO REVIEW

Overview of Scenarios

- **Scenario 1:** Cash-Funded CIP
- **Scenario 1B:** Cash-Funded CIP with intermediate volume rate tier
- **Scenario 2:** Cash & Debt-Funded CIP



Scenario 1B | Additional Intermediate Volume Rate Tier

Scenario 1 | Residential Rate Plan (in-city)

	Start	End	Current Rate/kGal	FY23 Recommended Rate
Tier 1	0	3,000	\$0 (Included in Base)	\$0
Tier 2	3,001	10,000	\$6.95	\$7.16
Tier 3	10,001	Above	\$9.11	\$9.38

Scenario 1B | Residential Rate Plan (in-city)

	Start	End	Current Rate/kGal	FY23 Recommended Rate
Tier 1	0	3,000	\$0 (Included in Base)	\$0
Tier 2	3,001	10,000	\$6.95	\$7.16
Tier 3	10,001	20,000	\$9.11	\$9.11
Tier 4	20,001	Above	\$9.11*	\$9.38

Scenario 1B provides an additional tier for usage between 10,000 gallons and 20,000 gallons.

We recommend maintaining the existing Tier 3 rate (\$9.11) until FY27 when there is a 15% differential between Tiers 2 & 3.

We recommend increasing the new Tier 4 rate at the annual % increase using \$9.11 as the base until FY27 at which point Tier 4 shifts to a 15% differential between Tiers 3 & 4.

Volume Tier Notes

- As in your current rate plan, all volume rate tiers are “segmented” that is a customer using 25kGal is charged:

Scenario 1			
Tier	Usage	Rate	Charge
Tier 1 Use	3kGal @	\$0	\$0.00
Tier 2 Use	7kGal @	\$7.16	\$50.12
Tier 3 Use	15kGal @	\$9.38	\$140.70
Total	25kGal		\$190.82
Average Cost/kGal = \$7.63			

Scenario 1B			
Tier	Usage	Rate	Charge
Tier 1 Use	3kGal @	\$0	\$0.00
Tier 2 Use	7kGal @	\$7.16	\$50.12
Tier 3 Use	10kGal @	\$9.11	\$91.10
Tier 4 Use	5kGal @	\$9.38	\$46.90
Total	25kGal		\$188.12
Average Cost/kGal = \$7.52			

Proposed Rate Plan | SCENARIO 1

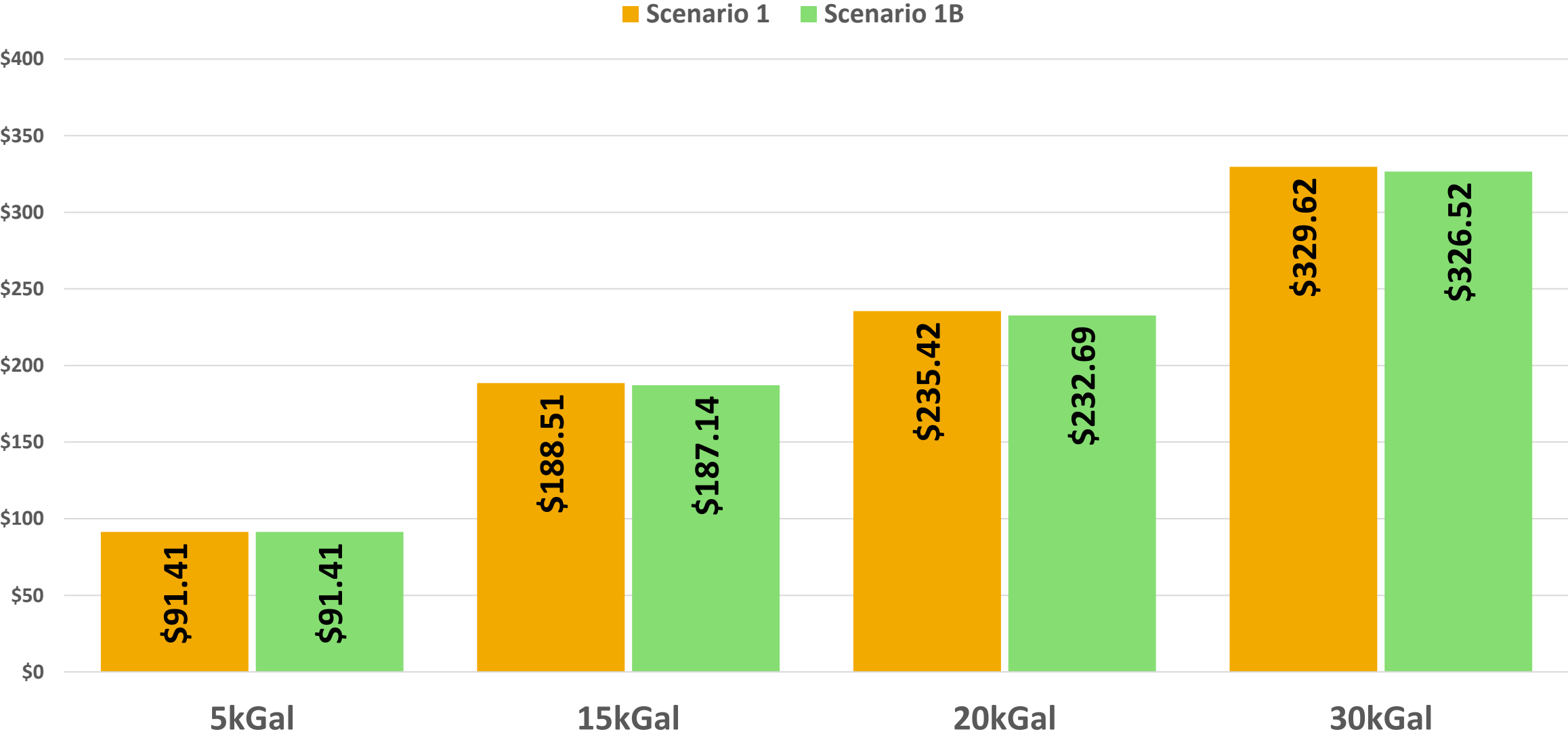
					Effective				
Current				Oct-22	Oct-23	Oct-24	Oct-25	Oct-26	
Water Rates - Residential									
Monthly Minimum Charge									
5/8" to 3/4"		\$	40.66	\$ 41.88	\$ 43.14	\$ 44.43	\$ 45.76	\$ 47.14	
1"			65.14	67.09	69.11	71.18	73.32	75.52	
Volume Rate Per 1,000 Gal									
-	3,000		-	-	-	-	-	-	
3,001	10,000		6.95	7.16	7.37	7.59	7.82	8.06	
10,001	Above		9.11	9.38	9.66	9.95	10.25	10.56	
Wastewater Rates - Residential									
Monthly Minimum Charge		\$	23.34	\$ 24.74	\$ 26.22	\$ 27.80	\$ 29.47	\$ 31.23	
Volume Rate/1,000 Gal									
-	1,000	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	
1,001	5,000		2.47	2.62	2.78	2.94	3.12	3.31	
5,001	9,899		2.77	2.94	3.11	3.30	3.50	3.71	
9,900	Above		-	-	-	-	-	-	

Proposed Rate Plan | SCENARIO 1B

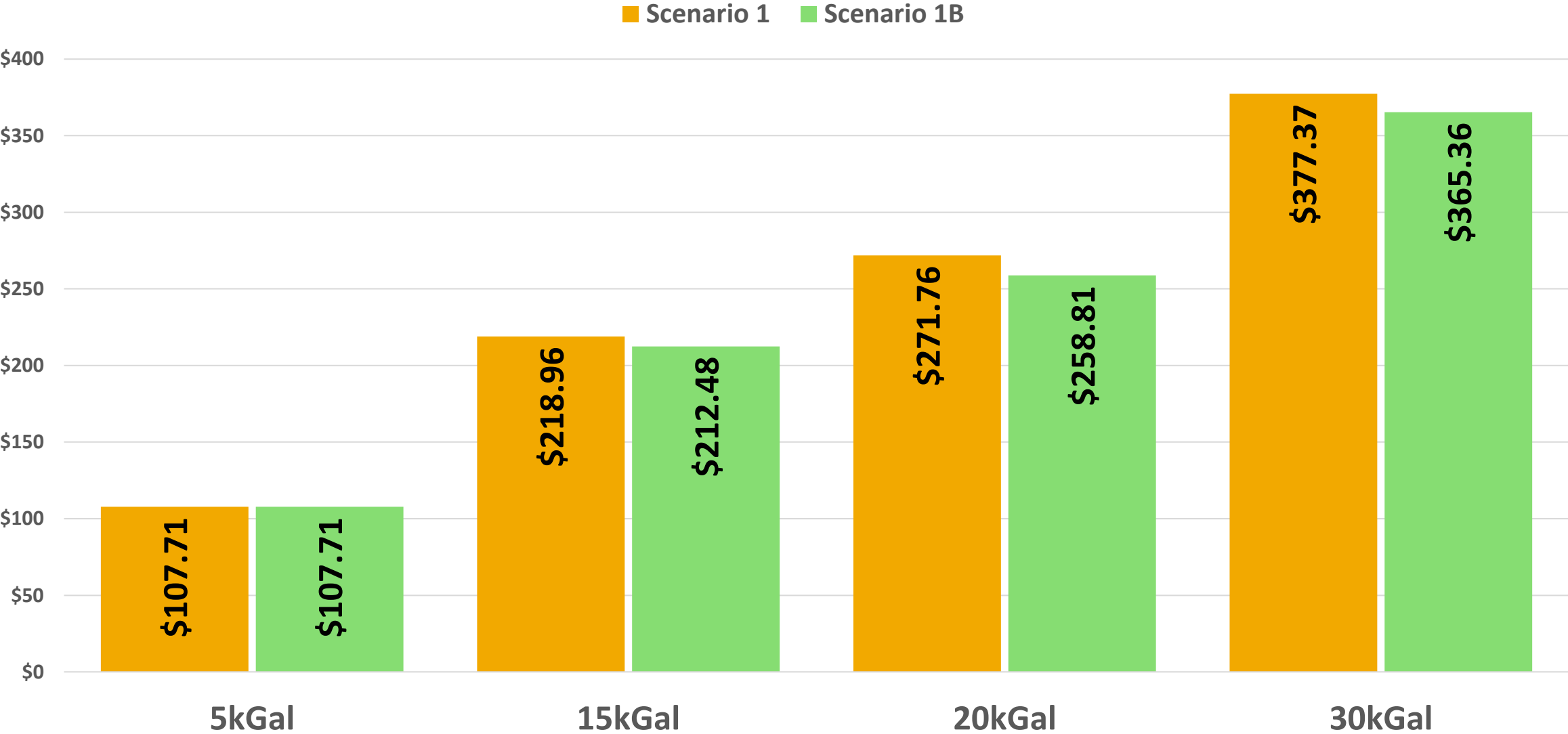
			Effective				
Current			Oct-22	Oct-23	Oct-24	Oct-25	Oct-26
Water Rates - Residential							
Monthly Minimum Charge							
5/8" to 3/4"		\$ 40.66	\$ 41.88	\$ 43.14	\$ 44.43	\$ 45.76	\$ 47.14
1"		65.14	67.09	69.11	71.18	73.32	75.52
Volume Rate Per 1,000 Gal							
- 3,000		-	-	-	-	-	-
3,001 10,000		6.95	7.16	7.37	7.59	7.82	8.06
10,001 20,000		9.11	9.11	9.11	9.11	9.11	9.27
20,001 Above		9.11	9.38	9.66	9.95	10.25	10.66
Wastewater Rates - Residential							
Monthly Minimum Charge		\$ 23.34	\$ 24.74	\$ 26.22	\$ 27.80	\$ 29.47	\$ 31.23
Volume Rate/1,000 Gal							
- 1,000		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,001 5,000		2.47	2.62	2.78	2.94	3.12	3.31
5,001 9,899		2.77	2.94	3.11	3.30	3.50	3.71
9,900 Above		-	-	-	-	-	-

15%
15%

Monthly Bill Comparison | FY2023 Water & Sewer Combined



Monthly Bill Comparison | FY2027 Water & Sewer Combined



Notes on Rate Proposals

- Both Scenarios 1 and 1B **cash fund** all CIP expenditures
- Scenario 1B phases adds **one additional volume rate tier and phases into** a 15% tier differential
- Maximum wastewater charge will still be capped at 9,900 gallons, but cap will be structured as **gallons rather than dollars**
- Rate adjustments assumed to be effective **October 1** of each year
- Rate plan recommends settings rates for the next five years with **automatic changes** in October of each year
- Rate changes will be directed by one action, while retaining Council's ability to review and **adjust annually as necessary**
- Model is dependent on a variety of material assumptions. **Any changes in these material assumptions** may impact results significantly.

Given rapidly changing growth and economic conditions, we recommend the rate plan, CIP, and fund balances be closely monitored annually and formally reviewed every 2-3 years.

The background of the slide is a photograph of industrial machinery, likely a pump or compressor system, with various pipes, valves, and a large electric motor. The entire image is covered with a semi-transparent blue overlay. The word "SUMMARY" is centered in white, bold, sans-serif capital letters.

SUMMARY

How Does Rate Plan Benefit Ratepayers & City?

- Both Scenarios enable the utility to fully cash-fund all water and wastewater costs over the next decade
- Will provide for the Utility Fund to operate self-sufficient with no need for General Fund subsidies
- Will enable City to invest \$47.2 million over the next decade to maintain and improve the system
- Enables the City to continually provide safe drinking water and effectively treat wastewater



The background of the slide is a photograph of industrial machinery, possibly a water treatment or manufacturing plant, featuring large pipes, valves, and a motor. The entire image is covered with a semi-transparent blue overlay. Centered on this background is the text "QUESTIONS & DISCUSSION" in a bold, white, sans-serif font.

QUESTIONS & DISCUSSION