

REQUEST FOR COUNCIL ACTION

SUBJECT: 2014 Utility Rates

SUMMARY: After multiple discussions, Council's general consensus is to leave rates unchanged in 2014 for most utilities, but consider increasing Stormwater utility rate by at least \$1.25 this year, with the understanding that Stormwater utility has a significant funding shortfall and additional annual rate increases will be needed in coming years. Some Storm rate options are shown below.

	Increase	Monthly Fee per Residence or per ¼ ac. commercial
Current Fee	--	\$4.02
Option 1	\$1.25	\$5.27
Option 2	\$2.00	\$6.02
Option 3	\$2.50	\$6.52

**FISCAL
IMPACT:**

Utility rate adjustments would increase revenues to the Stormwater enterprise fund and corresponding expenditures for operations and capital projects.

STAFF RECOMMENDATION:

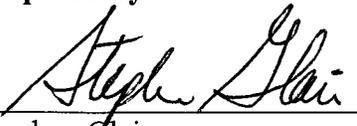
Staff recommends Council consideration of the attached rate options and direction to staff regarding utility rates for FY 2014/2015.

MOTION RECOMMENDED:

"I move to revise Stormwater utility rates (Option 1, 2, or 3) to be effective July 1, 2014."

Roll Call vote required

Prepared by:


Stephen Glain
Mgt. Asst. to City Mgr.

Recommended by:


Rick Davis
City Manager

BACKGROUND DISCUSSION:

City staff presented its annual Utility Rate Study to Council on February 26, and revised Stormwater fee options on April 23. Several Council members also attended a Utility Rate Workshop on May 15. The general consensus of these meetings was to leave most utility rates unchanged for fiscal year 2014-15, but consider a small rate increase for Stormwater this year with the understanding that Stormwater utility has a significant funding shortfall and additional annual rate increases will be needed in coming years.

The Stormwater utility currently performs limited inspection and cleaning services. Maintenance work could be greatly improved with additional staff and a closed-circuit TV truck to identify problem areas in the Storm pipe system.

Capital projects are currently being funded at 17% of the needed level to keep on schedule with the Storm strategic plan. Funding for capital replacement (end of lifecycle pipe replacement) is being funded at 24% of target based on engineering lifecycle replacement calculations.

The current Stormwater fee is \$4.02 per month residential and \$4.02 per ¼ acre commercial. Staff recommends an increase to the monthly rate of at least \$1.25 for fiscal year 2014-15, and additional increases each year thereafter in order to fund capital projects, staffing, and equipment that have been postponed for several years. The additional funding will help prevent flooding in several problem areas and will allow the City to meet State and Federal Stormwater guidelines.