



Orem Sewer Base Rate

Background

Sewer Base Rate. Orem City presently charges users of the city sewer system a monthly “sewer base rate” for service. This charge is uniform for both residential, commercial, and industrial users.

Sewer Production Rate. The users are also charged a “production rate” based on the flows they contribute to the system. The production rate is based on the *average monthly water consumption* from November through March. This average monthly winter water consumption is the estimated amount of wastewater that would end up in and be treated at the Orem Water Reclamation Facility.



City of Orem - Service Bill

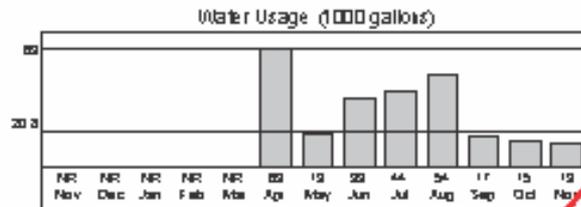
56 North State, Orem, Utah 84057 (801) 229-7275
Office Hours: Mon - Thu 7:30 - 5:30, Fri 8:00 - 5:00
billpay.orem.org or Pay by phone: (801) 229-7222

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SERVICE INFORMATION
Service Period: 10/30/2014 to 11/30/2014

NAME
ADDRESS

Previous Read	Current Read	Consumption
9675	9688	13



This is the Sewer Base Rate. This value is fixed each month. For this bill, this charge represents one (1) sewer base rate or \$9.32.

This is the Production Rate. This value is derived from the average monthly winter water consumed from November through March and varies from year to year. For this bill, this charge represents 9,000 gallons/month and is calculated as follows:

$$\$1.42/1,000 \text{ gal} \times 9,000 \text{ gallons} = \$12.78.$$

ACCOUNT INFORMATION	
Previous Balance:	75.07
Payments Received:	-75.07
Credits:	
Balance Due Now:	\$0.00
Current Charges Due: 12/29/2014	73.84
Total Amount Due:	
Due Date:	
CURRENT CHARGES	
	13.94
Water Usage \$0.58/1,000 gal	7.54
Sewer Base Rate	9.32
Sewer charge \$1.42/1,000 gal	12.78
City Franchise Tax	2.91
Garbage charge (1)	10.50
Recycling (1)	3.05
Green Waste Fee (1)	5.55
Storm Sewer	5.00
Street Lighting	3.25
CURRENT TOTAL	73.84

Problem

1. Presently, *Orem City charges the same base rate to each account holder.* It does not charge multi-family housing such as apartments and condominiums or commercial properties with multiple units an individual base rate for each unit. The present sewer base rate is \$9.32 per month *per account holder.*
2. Following cost-of-service principles, the current Orem sewer base rate includes fixed costs associated with operating the system (i.e. costs that do not vary with wastewater production). While a few of these fixed costs can be equitably distributed on a per customer basis (e.g. billing costs), the majority of these *fixed costs are associated with maintaining the infrastructure* and manpower necessary to provide capacity in the system for potential flows.

Problem (cont.)

3. As such, distribution of these costs should be based on the *potential* for wastewater flow from each account holder and larger customers should pay a larger share of the base rate than smaller customers. As it is currently structured, the Orem base rate structure results in individual homeowners subsidizing larger customers such as commercial properties and multi-unit developments.

Solution

- Each residential living unit found in a single-family dwelling, multi-family, dwelling, apartment complex, condominium complex, etc. will be charged a sewer base rate. In other words, a 12-plex would now be billed for 12 sewer base rates and not 1 sewer base rate.
- Commercial and industrial units will be charged a sewer base rate based using their water meter size and the industry standard American Water Works Association (AWWA) equivalent meter information.
- Mixed-use developments will be charged accordingly by combining these two methods and on a case-by-case basis.

Benefit

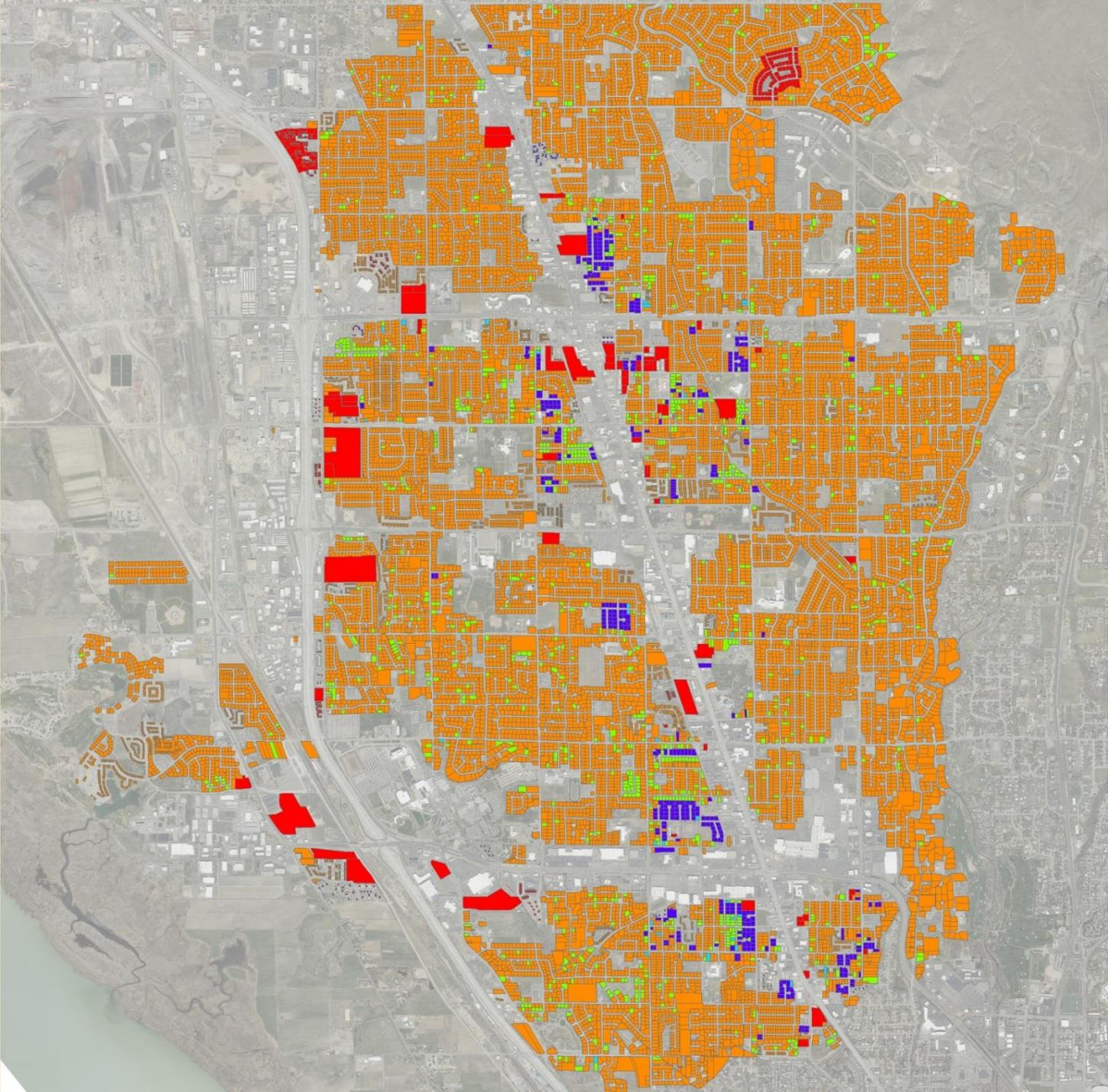
As the City begins the process of developing a capital improvement program for the City's sewer system and the required funding for that program, this change will help develop additional funding. This was conservatively estimated to be \$500,000 annually but this has since been *calculated to be \$1,100,000*. This will help offset needed rate increases and address the issue of fairness.

Implementation Plan - updated

- December 2014 – Presented concept to City Council.
- February 2015 – Hired a GIS graduate to identify all non-residential and residential units within the City.
- Auguts 2015 – Completed study.
- September 2015 – Presented study findings to PWAC.
- October 2015 – Present study findings to City Council.
- November 10, 2015 – Formally adopt new billing policy.
- January 1, 2016 – Implement new billing policy.

Study Results

- **21,847** Utility Billing Database entries checked in office and in field.
- **20,141** Residential
- **1,706** Non-Residential
- **27,472** Total Residential Units, which means that **7,331** Residential Units are not billed for a sewer base rate.



Study Results

- Projected residential annual increase: **\$800,000**
- Projected non-residential annual increase: **\$300,000**
- Projected total annual increase: **\$1,100,000**
- The base rate is established to distribute costs associated with maintaining the infrastructure necessary for potential flows. The production rate or commodity charge is established to normalize actual usage.

Existing Fees and Charges

Sewer Rates

Monthly, All Uses:

Base Rate ¹	\$9.32/connection
Volume Charge	\$1.42 /1,000 gallons

¹Effective July 1 of each year, the monthly charge shall be based on the average winter water usage for the preceding months of November through April.

Proposed Fees and Charges

Monthly Sewer Rates

Residential Base Rate ¹	\$9.32/Living Unit
Non-Residential Base Rate ²	\$9.32 × AWWA Multiplier
Mixed-Use Base Rate ³	\$9.32/Living Unit + Non-Residential Component
Volume Charge ⁴	\$1.42/1,000 Gallons

¹ Each residential utility account will be assessed a sewer base rate according to the number of living units associated with the account. For example, a single-family dwelling will be billed for 1 sewer base rate, a duplex (including single-family dwellings with an accessory apartment) will be billed for 2 sewer base rates, a 4-plex will be billed for 4 sewer base rates, a 12-plex will be billed for 12 sewer base rates, etc.

² All non-residential utility account holders will be billed using a water meter size multiplier in accordance with American Water Works Association (AWWA) guidelines as shown in the following table.

Meter Size	¾"	1"	1½"	2"	3"	4"	6"	8"	10"
AWWA Multiplier	1.00	1.67	3.33	5.33	10.00	20.00	41.67	53.33	96.67

³ Mixed-use utility accounts will be assessed using a combination of the residential and non-residential base rates.

⁴ Effective July 1 of each year, the monthly charge shall be based on the average winter water usage for the preceding winter months.

How will this affect future Sewer Master Plan rates?

Staff recommends to eliminate the \$0.21/1,000 gallon increase in Year 1. This would result in a \$1.68/month reduction of the monthly bill for an average home in Orem.

Utility Bill Sample Language

“Attention Utility Account Holders

On **January 1, 2016**, the City of Orem will assess all residential utility accounts a sewer base rate according to the number of living units associated with the account. For example, a duplex will be billed for 2 sewer base rates, a 4-plex will be billed for 4 sewer base rates, a 12-plex will be billed for 12 sewer base rates, etc. Single family dwellings will continue to be billed one (1) sewer base rate. All non-residential utility account holders will be billed using a water meter size multiplier in accordance with American Water Works Association (AWWA) guidelines. Please visit www.orem.org for more specific information, examples, and frequently asked questions and answers.”

Frequently Asked Questions

Q: What is the proposed sewer base rate policy change beginning **January 1, 2016?**

A: Presently, utility account holders pay one sewer base rate regardless of the number of actual living units connected to the public sewer system. In effect, an account holder of a single-family dwelling may be paying the same amount as an account holder of multiple living units. Beginning **January 1, 2016**, all residential utility account holders will be charged a sewer base for each living unit.

Q: How will this affect me if I own a single-family dwelling?

A: An account holder for a single-family dwelling will not be affected by this policy change. The current sewer base rate of \$9.32 will continue to be charged to your account each month. In the event the sewer base rate changes, you will be billed for that rate.

Q: Why is this change needed?

A: The simple answer is fairness to all users. Paying for the privilege of or ability to discharge to the public sewer system should be charged among all account holders in a fair and equitable manner. This is a necessary step towards that end.

Frequently Asked Questions

Q: How is sewer charged each month?

A: There are two sewer charges each month: a Sewer Base Rate and a Sewer Production Rate.

Q: What is the Sewer Base Rate?

A: The sewer base rate is the monthly charge for the availability of being connected to a public sewer system. The amount is fixed each month, whether the facilities are utilized or not. The privilege of having the ability to discharge to the public sewer system is the basis for a fixed monthly base rate. Revenues collected from the fee are generally used to maintain and replace the sewer collection system. Presently, the sewer base rate is \$9.32 per month.

Q: What is the Sewer Production Rate?

A: Sometimes referred to as the commodity charge, the sewer production rate is associated with conveying and treating discharges to the public sewer system. Each winter, the sewer production for each account holder is measured by using the winter water consumption associated with that account. The amount charged depends on the volume of discharge. Therefore, those who produce more will pay more. Revenues collected from this fee are generally used to operate, maintain, and replace the Orem Water Reclamation Facility. Presently, the rate is \$1.42/1,000 gallons.

Frequently Asked Questions

Q: How will this affect me if I own a 4-plex?

A: An account holder for a 4-plex will be billed 4 times the base rate. The current sewer base rate of \$9.32 per living unit will result in a \$37.28 monthly charge. In the event the sewer base rate changes, you will be billed for 4 times that rate.

Q: How will my mixed-use sewer base rate charge be affected by this?

A: Accounts that are associated with mixed uses of residential and non-residential will be evaluated on a case-by-case basis. However, each residential living unit will be assessed one sewer base rate and the non-residential portion of the mixed-use development will be assessed according to the minimum required meter size for that development.

Q: How will this affect me if I own a 12-plex?

A: An account holder for a 12-plex will be billed 12 times the base rate. The current sewer base rate of \$9.32 per living unit will result in a \$111.84 monthly charge. In the event the sewer base rate changes, you will be billed for 12 times that rate.

Frequently Asked Questions

Q: How will this affect me if I have an account with 100 units?

A: An account holder with 100 units will be billed 100 times the base rate. The current sewer base rate of \$9.32 per living unit will result in a \$932.00 monthly charge. In the event the sewer base rate changes, you will be billed for 100 times that rate.

Q: How will my business sewer base rate charge be affected by this?

A: Because non-residential account holders do not have living units, your business will be charged according to American Water Works Association (AWWA) guidelines. Accordingly, a multiplier associated with your meter size will be applied to the sewer base rate according to this schedule.

Meter Size	¾"	1"	1½"	2"	3"	4"	6"	8"	10"
AWWA Multiplier	1.00	1.67	3.33	5.33	10.00	20.00	41.67	53.33	96.67

Frequently Asked Questions

Q: How do other cities apply sewer base rates?

A: Every city is different but Orem surveyed American Fork, Lindon, Ogden, Pleasant Grove, and Provo. Only Provo currently bills similar to Orem but is very interested in changing their billing structure to what Orem is proposing. (In FY 2016, Provo increased to its rate from \$5.88 to \$7.31).

Budget Highlight from Provo City FY2016 Wastewater Fund

- FY 2016 included a utility rate increase of 24.4% or an average of \$5.78 per month for a residential customer.

Frequently Asked Questions

City	Sewer Base Rate	Assessment Method	Examples		
			Single Family Home	Multi-family Residential 4-plex	Business
Orem (Currently)	\$9.32	Per Account	\$9.32	\$9.32	\$9.32
Orem (Proposed)	\$9.32 (Pending Capital Facility Plan and Financial Plan)	Per Dwelling Unit or Non-residential meter size	\$9.32	\$37.28 (4 x \$9.32)	\$31.03 ($\$9.32 \times$ AWWA multiplier 3.33 for 1-½" water meter)
American Fork	\$35.55	Per "unit"	\$35.55	\$142.20 (4 x \$35.55)	\$35.55 each business.
Lindon	\$16.97	Per "unit" for residential AND non-residential	\$16.97	\$67.88 (4 x \$16.97)	\$16.97 each business.
Ogden	\$28.58	Meter Size (both residential and non-residential)	\$28.58	\$47.30 1" meter	\$66.02
Pleasant Grove	\$24.14	Per "unit" for residential AND non-residential	\$24.14	\$96.56 (4 x \$24.14)	\$24.14 each business.
Provo	\$7.31	Per Account	\$7.31	\$7.31	\$7.31



Questions?

Frequently Asked Questions

Q: How do other cities apply sewer base rates?

A: Every city is different but Orem surveyed American Fork, Lindon, Ogden, Pleasant Grove, and Provo. Only Provo currently bills similar to Orem but is very interested in changing their billing structure to what Orem is proposing. (Update: Provo increased to \$7.31 from \$5.88)

Budget Highlight from Provo City FY21016 Wastewater Fund

- FY 2016 included a utility rate increase of 24.4% or an average of \$5.78 per month for a residential customer.

City	Sewer Base Rate	Assessment Method	Examples		
			Single Family Home	Multi-family Residential 4-plex	Business
Orem	\$9.32	Per Account	A single family home pays \$9.32 per month for a sewer base rate.	A 4-plex that has one account pays \$9.32 per month for sewer base rate.	A buisness or business complex with a 1-1/2" meter pays \$9.32 per month for a sewer base rate TOTAL , regardless of number of businesses or meter size.
Orem (Proposed)	\$9.32 (Pending Capital Facility Plan and Financial Plan)	Per Dwelling Unit or Non-residential meter size	A single family home pays \$9.32 per month for a sewer base rate.	A 4-plex that has one account pays \$37.28 (4 x \$9.32) per month for sewer base rate.	A buisness or business complex with a 1-1/2" meter pays \$31.03 (\$9.32 x AWWA multiplier 3.33) per month for a sewer base rate.
American Fork	\$35.55	Per "unit"	A single family home pays \$35.55 per month for a sewer base rate.	A 4-plex that has one account pays \$142.20 (4 x \$35.55) per month for sewer base rate.	A buisness or business complex with a 1-1/2" meter pays \$35.55 per month for a sewer base rate for each business .
Lindon	\$16.97	Per "unit" for residential AND non-residential	A single family home pays \$16.97 per month for a sewer base rate.	A 4-plex that has one account pays \$67.88 (4 x \$16.97) per month for sewer base rate.	A buisness or business complex with a 1-1/2" meter pays \$16.97 per month for a sewer base rate for each business .
Ogden	\$28.58	Meter Size (both residential and non-residential)	A single family home pays \$28.58 per month for a sewer base rate.	A 4-plex that has one account with a 1" meter pays \$47.30 (according to fee schedule) per month for sewer base rate.	A buisness or business complex with a 1-1/2" meter pays \$66.02 (according to fee schedule) per month for a sewer base rate .
Pleasant Grove	\$24.14	Per "unit" for residential AND non-residential	A single family home pays \$24.14 per month for a sewer base rate.	A 4-plex that has one account pays \$96.56 (4 x \$24.14) per month for sewer base rate.	A buisness or business complex with a 1-1/2" meter pays \$24.14 per month for a sewer base rate for each business .
Provo	\$5.88	Per Account	A single family home pays \$5.88 per month for a sewer base rate.	A 4-plex that has one account pays \$5.88 per month for sewer base rate.	A buisness or business complex with a 1-1/2" meter pays \$5.88 per month for a sewer base rate TOTAL , regardless of number of businesses or meter size.