

May 8, 2024

To: David Sorrell, Director of Utilities

From: Gregg Coffin, Water and Light Advisory Board Chair

Reference: Water Utility Recommendations

This memorandum is to confirm the water utility recommendations the board voted to approve at the May 8, 2024 meeting. This followed the presentation by City Finance on the financial condition of the utility and subsequent discussion on solutions to sustain the financial solvency of the utility. Recommendations below:

- 1) Proceed with increasing the water rates in FY25 as follows:
 - a. Increase base charge by 4%
 - b. Increase Residential Tier 1 rate by 4%
 - c. Increase Commercial Tier 1 rate by 4.5%
 - d. Increase Summer Tier 2 rate by 4.5%
 - e. Increase Airport rate by 4.5%
 - f. Increase Summer Tier rate by 10%
 - g. Increase Irrigation rate by 10%

- 2) Utility staff begin calculating and reporting water affordability metrics whenever water rate changes are considered. These shall include Hours at Minimum Wage (HM) and Affordability Ratio at 20th percent income (AR20).

- 3) Utility staff proceed with a cost of services (COS) study for the water utility in FY25. Study should complete in sufficient time to evaluate and implement rate adjustment for FY26 as necessary. Study shall include an updated CIP with recently deferred water projects.

- 4) City staff draft a proposed policy for a community irrigation management program for review by the WLAB. The objective is to help reduce capacity and hydraulic impacts of existing and future water system infrastructure from irrigation.