



# City of Columbia

701 East Broadway, Columbia, Missouri 65201

Department Source: City Utilities - Water and Light

To: City Council

From: City Manager & Staff

Council Meeting Date: December 17, 2018

Re: Setting a Public Hearing for Amending Chapter 27 of the City Code as it relates to water rates

## Executive Summary

Staff has prepared for Council consideration a resolution setting a public hearing on January 22, 2019 for the consideration of an ordinance amending Chapter 27 of the City Code as it relates to rates charged by the water utility.

## Discussion

Part of Chapter 27 of the City Code governs the charges paid by customers of the water utility. A four percent increase in revenue from water fees is proposed. This increase is necessary to address an increase in operation and maintenance expenses, maintain cash reserve levels, ensure adequate debt coverage and cover debt payments for the current water bond that will be sold during the spring of 2019.

The consultant for the Comprehensive Water Cost of Service Study began in February of 2018. The first meeting with the Water & Light Advisory Board on this subject was on April 13 followed by a meeting with City Council on April 23. Based on the feedback provided at these meetings, the consultant has proposed significant changes to the water rate structure. The consultant has attended additional meetings with the Water & Light Advisory Board on May 11 and July 11, and presented at a Council meeting on May 21 to discuss draft reports. Prior to the water bond election on August 7, the FY2019 budget proposed a 1% water utility operating rate increase to be implemented using the consultants' proposed 3rd tier water rate.

At the August 13 City Council work session, Council expressed concerns with the implementation of the proposed changes to the water rate structure. With the passage of the water bond, revenue increases to cover the additional debt service also need to be considered. In the FY2019 budget process Council approved the withdrawal of B182-18 Amending Chapter 27 of the City Code as it relates to water rates and plan for Utility Staff and the Water & Light Advisory Board to coordinate a community outreach on the proposed water rate changes.

This work has been completed and at this time Staff is recommending to a rate structure similar to the consultants' Individualized Block Rate Design proposal with the exception that the FY2019 water rates proposed by the consultant would be replaced with phased in water rates to allow for a 2 year transition from current water rates to the water rates proposed by the consultant for FY2020.



# City of Columbia

701 East Broadway, Columbia, Missouri 65201

Staff is recommending this phased-in or transition approach for the following reasons:

- The impact on customer costs are more gradual and can be better planned for
- Will allow an increased time for water conservation programs to be developed and communicated to the community
- Provide a better opportunity for customers to understand and implement water conservation programs
- Allow for the utility to assess the financial and physical impacts resulting from the proposed rate and rate structure changes.

Included with this memo is:

- A question and answer information sheet addressing the customer feedback received from the Water Rates community outreach effort
- A summary from the water rates survey
- An updated water rates and structure timeline
- Staff recommended water rate information
- Water & Light Advisory Board December 5, 2018 Minutes - Draft
- Consultant report and addendum

If establishment of an average winter consumption (AWC) for residential water rates is needed, staff will work to coordinate with existing winter quarter average structures.

Below are proposed section changes with a brief discussion of the proposed change. The proposed revenue increase will come from a change to the current water rate structure for summer water usage. An individualized block rate structure is being proposed for residential customers. This design would establish a winter quarter average for residential water rates and apply the 70% and 170% tier cut offs. The winter quarter average for residential customers would be assigned a minimum AWC of 4 Ccf per month. This will show that the City values water conservation and would recover more costs from the customers who place the highest demands on the system.

Total revenue increase from this additional water rate increase is estimated at \$930,000.

Sec. 27-122 (a) (1) – Water rates inside city limits – residential/commercial multiple-family facilities: the summer water usage rate will now be broken out between the non-summer rates and summer rates, which will consist of three tiers. A non-summer water usage rate of \$2.79 will increase to \$2.86. A summer water usage rate will have three tiers. The first tier will be 0% to 70% of AWC with a usage rate of \$2.86. The second tier will be 71% to 170% of AWC with a usage rate of \$4.01. The third tier will be above 170% of AWC with a usage rate of \$6.02.

Sec. 27-122 (a)(2) – Minimum charge per month based on meter size will be increased to the following:

5/8 inch and ¾ inch from \$9.75 to \$10.00  
1 inch from \$14.04 to \$14.38



# City of Columbia

701 East Broadway, Columbia, Missouri 65201

- 1 ½ inch from \$28.25 to \$28.96
- 2 inch from \$42.00 to \$43.05
- 3 inch from \$147.00 to \$150.68
- 4 inch from \$325.00 to \$333.13
- 6 inch from \$700.00 to \$717.50

Sec. 27-122 (a) (3) – Fire flow charge per month based on meter size for portion of system capacity necessary for providing public fire protection will increase by the following:

- 5/8 inch and ¾ inch from \$1.55 to \$1.59
- 1 inch from \$1.64 to \$1.69
- 1 ½ inch from \$2.38 to \$2.44
- 2 inch from \$2.56 to \$2.63
- 3 inch from \$6.15 to \$6.31
- 4 inch from \$9.51 to \$9.75
- 6 inch from \$19.03 to \$19.51

Sec. 27-122 (b) - A new section is added under Sec. 27-122 for water service metered separately for lawn irrigation. Non-summer water usage at a rate of \$2.86 and summer water usage at a rate of \$6.02.

Sec. 27-122 (b) – Summer water usage: is moved to a separate section (a)(1) and wording is revised to reflect the tier changes. “All water consumption, occurring during summer as defined in section 27-16, for the billing period will be charged at the summer rate listed in subsection (a)(1)”.

Sec. 27-122 (b)(1) – Exceptions: is moved to a separate section (a)(1) and wording is revised to state, “for commercial multiple-family facilities, and multiple commercial facilities, served through a single meter the summer rates will be assessed on water consumption occurring during summer as defined in section 27-16 which exceeds seventy (70) percent and one-hundred seventy (170) percent of the customer's average monthly winter water use during the immediate preceding billing periods of January, February and March”. The last sentence related to lawn irrigation will be moved to a new section under 27-122 (b).

Sec. 27-122.1(a)(1) – Commercial: the summer water usage rate will now be broken out between the non-summer rates and summer rates, which will consist of three tiers. A non-summer water usage rate of \$2.63 will increase to \$2.70. A summer water usage rate will have three tiers. The first tier will be 0%-70% of AWC with a usage rate of \$2.70. The second tier will be 71% to 170% of AWC with a usage rate of \$4.01. The third tier will be above 170% of AWC with a usage rate of \$6.02

Sec. 27-122.1(a)(2) – Minimum charge per month based on meter size will be increased to the following:

- 5/8 inch and ¾ inch from \$9.75 to \$10.00



# City of Columbia

701 East Broadway, Columbia, Missouri 65201

1 inch from \$14.04 to \$14.38  
1 ½ inch from \$28.25 to \$28.96  
2 inch from \$42.00 to \$43.05  
3 inch from \$147.00 to \$150.68  
4 inch from \$325.00 to \$333.13  
6 inch from \$700.00 to \$717.50

Sec. 27-122.1(a)(3) - – Fire flow charge per month based on meter size for portion of system capacity necessary for providing public fire protection will increase by the following:

5/8 inch and ¾ inch from \$1.55 to \$1.59  
1 inch from \$1.64 to \$1.69  
1 ½ inch from \$2.38 to \$2.44  
2 inch from \$2.56 to \$2.63  
3 inch from \$6.15 to \$6.31  
4 inch from \$9.51 to \$9.75  
6 inch from \$19.03 to \$19.51

Sec. 27-122.1(b) - A new section is added under Sec. 27-122.1(b) for water service metered separately for lawn irrigation. A non-summer water usage rate of \$2.70 and a summer water usage rate of \$6.02.

Sec. 27-122.1 (b) – Summer water usage: is moved to a separate section 27-122.1(a)(1) and wording is revised to reflect the tier changes. “All water consumption, occurring during summer is defined in section 27-16, during the immediate preceding billing periods of January, February and March will be charged at the summer rate listed in subsection (a)(1).

Sec. 27-122.1 (b)(1) - Exceptions: this section is deleted and moved to a new section for lawn irrigation.

Sec. 27-122.2(a)(1) – Large commercial: the summer water usage rate will now be broken out between the non-summer rates and summer rates, which will consist of three tiers. A non-summer water usage rate of \$2.45 will increase to \$2.70. A summer water usage rate will have three tiers. The first tier will be 0%-70% of AWC with a usage rate of \$2.70. The second tier will be 71% to 170% of AWC with a usage rate of \$4.01. The third tier will be above 170% of AWC with a usage rate of \$6.02

Sec. 27-122.2(a)(2) - Minimum charge per month based on meter size will be increased to the following:

1 inch from \$14.04 to \$14.38  
1 ½ inch from \$28.25 to \$28.96  
2 inch from \$42.00 to \$43.05  
3 inch from \$147.00 to \$150.68  
4 inch from \$325.00 to \$333.13



# City of Columbia

701 East Broadway, Columbia, Missouri 65201

6 inch from \$700.00 to \$717.50

8 inch from \$1,200.00 to \$1,230.00

Sec. 27-122.2(a)(3) - Fire flow charge per month based on meter size for portion of system capacity necessary for providing public fire protection will increase by the following:

1 inch from \$1.64 to \$1.69

1 ½ inch from \$2.38 to \$2.44

2 inch from \$2.56 to \$2.63

3 inch from \$6.15 to \$6.31

4 inch from \$9.51 to \$9.75

6 inch from \$19.03 to \$19.51

Sec. 27-122.2(b) – Summer water usage: wording is revised to reflect the tier changes. “All water consumption, occurring during summer as defined in section 27-16, during the immediate preceding billing periods of January, February and March will be charged at the summer rate listed in subsection (a)(1).”

Sec. 27-123 (b) – Water rates outside city limits: A new section is added under Sec. 27-122 for water service metered separately for lawn irrigation. Non-summer water usage rate of \$3.81 and a summer water usage rate of \$8.00.

Sec. 27-123 (b) – Summer water usage: is moved to a separate Sec. 27-122 and wording is revised to reflect the tier changes. “All water consumption, occurring during summer as defined in section 27-16, for the billing period will be charged at the summer rate listed in subsection (a)(1)”.

Sec. 27-123 (b)(1) - Exceptions: is moved to a separate Sec. 27-122 and wording is revised to state, “for commercial multiple-family facilities, and multiple commercial facilities, served through a single meter the summer rates will be assessed on water consumption occurring during summer as defined in section 27-16 which exceeds seventy (70) percent and one-hundred seventy (170) percent of the customer's average monthly winter water use during the immediate preceding billing periods of January, February and March”. The last sentence related to lawn irrigation will be moved to a new section under 27-123.

Sec. 27-123.1(a) – Commercial outside city limits: this section is deleted and moved to Section 27-123.

Sec. 27-123.1(b) – Commercial outside city limits: A new section is added under Sec. 27-122.1 for water service metered separately for lawn irrigation. A non-summer water usage rate of \$3.60 and a summer water usage rate of \$8.00.

Sec. 27-123.1(b)(1) - Exceptions: this section is deleted and moved to a new section for lawn irrigation.



Sec. 27-123.2 (a) – Large Commercial outside city limits: this section is deleted and moved to Section 27-123.

Sec. 27-123.2 (b) – Large Commercial outside city limits: A new section is added under Sec. 27-122.1 for water service metered separately for lawn irrigation. A non-summer water usage rate of \$3.60 and a summer water usage rate of \$8.00.

Sec. 27-123.2 (b)(1) - - Exceptions: this section is deleted and moved to a new section for lawn irrigation.

Sec. 27-123.3 (a)(1) – Columbia Regional Airport: Rates per one hundred (100) cubic feet (1 ccf), Columbia Regional Airport: All water, beginning with first one hundred (100) cubic feet (1 ccf) will increase from \$4.114 to \$4.217

Sec. 27-124 (b) – Water rates, within former boundaries of dissolved Public Water Supply Districts No. 1 and No. 2 outside city limits- Residential/commercial multiple-family facilities: A new section is added under Sec. 27-124 for water meter service metered separately for lawn irrigation. Non-summer water usage rate of \$3.31 and a summer water usage rate of \$6.96

Sec. 27-124(b)(1) - Exceptions: this section is deleted and moved to a new section for lawn irrigation.

Sec. 27-124.1 (a) – Commercial customers outside city limits within the former boundaries of dissolved Public Water Supply District No. 1 and No. 2: this section is deleted and moved to Section 27-124.

Sec. 27-124.1 (b) – Water rates, within former boundaries of dissolved Public Water Supply Districts No. 1 and No. 2 outside city limits- Commercial: A new section is added under Sec. 27-124 for water service metered separately for lawn irrigation. A non-summer water usage rate of \$3.13 and a summer water usage rate of \$6.96.

Sec. 27-124.2 (a) - Large Commercial customers outside city limits within the former boundaries of dissolved Public Water Supply District No. 1 and No. 2: this section is deleted and moved to Section 27-124.

Sec. 27-124.2 (b) – Large Commercial customers outside city limits within the former boundaries of dissolved Public Water Supply District No. 1 and No. 2: A new section is added under Sec. 27-124 for water service metered separately for lawn irrigation. A non-summer water usage rate of \$3.13 and a summer water usage rate of \$6.96.

## Fiscal Impact

Short-Term Impact: Increase revenue by 4% by adding an individualized block rate structure for residential customers that will apply the 70% and 170% tier cut off and assign a minimum AWC of 4 Ccf per month.



# City of Columbia

701 East Broadway, Columbia, Missouri 65201

Long-Term Impact: Increase revenue by 4% by adding an individualized block rate structure for residential customers that will apply the 70% and 170% tier cut off and assign a minimum AWC of 4 Ccf per month.

## Strategic & Comprehensive Plan Impact

### Strategic Plan Impacts:

Primary Impact: Not Applicable, Secondary Impact: Secondary, Tertiary Impact: Tertiary

### Comprehensive Plan Impacts:

Primary Impact: Not Applicable, Secondary Impact: Secondary, Tertiary Impact: Tertiary

## Legislative History

Date	Action
N/A	N/A

## Suggested Council Action

Approve a resolution setting a public hearing on January 22, 2019 for the consideration of an ordinance amending Chapter 27 of the City Code as it relates to rates charged by the water utility