

## **Memorandum**

To: City Council

From: Water and Light Advisory Board (WLAB)

Date: 7/2/2025

Subject: Recommendations on FY26 Water Utility Rate Structure and Fee Adjustments

Dear Council Members,

The Water and Light Advisory Board (WLAB) has reviewed the proposed changes to the water utility rate structure and associated fees from the Water Cost of Service study. After careful consideration, we respectfully submit the following recommendations to ensure financial stability, equity in customer rates, and long-term infrastructure resilience.

### **Summary of Recommendations:**

- Approve Revenue Increase for FY26
- Adopt Year-Round Tiered Rate Structure
- Commit to Multi-Year Planning and Transparency
- Implement Full Increase in Miscellaneous and Equity Fees Immediately

### **Detailed Recommendations:**

#### **1. Approve Revenue Increase for FY26**

We strongly recommend Council approval of the proposed revenue increase for FY26. Without appropriate revenue adjustments, the utility risks delaying critical infrastructure investments, jeopardizing future bond ratings, and facing the need for larger increases later.

#### **2. Adopt Year-Round Tiered Rate Structure**

We support moving to a year-round tiered rate structure with updated tier percentages and pricing. The current system does not accurately reflect cost of service, particularly penalizing consistent users during summer months. The proposed structure, aligned with the latest rate study, is both equitable and protective of affordability for low-income households.

#### **3. Commit to Multi-Year Planning and Transparency**

Historically, Council has at times deviated from multi-year plans, leading to reactive, last-minute adjustments. We urge the Council to commit to following the water distribution system master plan and to publish a five-year rate increase schedule on the utility website as described in the cost-of-service study (e.g., 12% in FY26, 10% in FY27, 3% in FY28–FY30). This forward-looking approach will enhance public trust and reduce rate shock.

#### **4. Implement Full Increase in Miscellaneous and Equity Fees Immediately**

We recommend an immediate adjustment of miscellaneous fees and water system equity (impact) fees to reflect actual service costs. These fees have not been updated in over a decade. Delaying this adjustment continues to shift development-related costs onto existing customers. We also recommend these fees be evaluated more regularly moving forward to minimize costs from new additions for all customers.

Thank you for your attention to these recommendations. We appreciate your continued partnership in ensuring the water utility remains financially sound, equitable, and resilient.

Sincerely,

Water and Light Advisory Board (WLAB)