

Council Memo

Department Source: City Utilities - Water and Light

To: City Council

From: City Manager & Staff

Council Meeting Date: July 20, 2026

Re: Amending Chapter 27 of the City Code as it relates to water utility rates

Impacted Ward: Citywide

Executive Summary

Staff has prepared for Council consideration 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 \$3.4 million revenue increase was recommended for the water utility to take effect October 1, 2026. This overall proposed 10% increase in revenue is necessary to address an increase in operation and maintenance expenses, maintain cash reserve levels, and ensure adequate debt coverage for the entire Water and Electric fund.

A water cost of service study was performed by Stantec Consulting Services, Inc in 2024. The final Water Utility Rate Study report is attached. The cost of service study reviewed the following items.

1. Revenue sufficiency
 - a. Maintain policies and targets
 - b. Fund system investment needs
 - c. Achieve sustainable funding of operations
2. Defensible Allocation Methods
 - a. Utilize industry accepted approaches
 - b. Maintain inter and intra class proportionality
 - c. Define correct and appropriate units of service
3. Simple & Sustainable Rates
 - a. Collect revenue proportional to services provided
 - b. Balance affordability and financial objectives
 - c. Accomplish revenue stability

As a part of Stantec's water cost of service study, a 12% revenue increase was approved for FY 2026; the existing non-summer and summer tiered system usage was eliminated; a revised year-round tiered system usage was implemented; and the fire flow charges were combined with the monthly base charges to simplify the rate structure. These FY 2026 changes included revisions in Chapter 27 to the one-time fee, the system equity charge, the tap fee, the meter box and appurtenances fees, the meter fee, the water usage rates, and the minimum monthly charges. The water rate structure was implemented to recover costs from

the users that are placing peak demands on the system and based on the study, the initial water revenue changes slightly reduced the user costs for both the hours worked at minimum wage monthly users and the water bill at 20th percentile of income users.

The water cost of service study recommends a 10% revenue increase for FY 2027 which has been presented to the Water & Light Advisory Board. The board recommended moving forward with the FY 2027 revenue increases in order for the water utility to best operate and maintain our system.

The service initiation fee, the system equity charge, the tap fee, the meter box and appurtenances fees, and the meter fee will remain the same. The minimum monthly base charge and water usage rates are proposed to be increased by 10% as follows.

Chapter 27 proposed changes:

Water Rates:

Sec. 27-122(a) (1) - Water rates inside city limits – residential/commercial multiple-family facilities:

Rates per one hundred (100) cubic feet (1 ccf), inside city limits:

Water usage for residential customers, except commercial multiple-family facilities and multiple commercial facilities served through a single meter:

Usage of zero (0) to one-hundred (100) percent of winter average consumption ~~\$2.30~~
\$2.53

Usage of over one-hundred (100) to two hundred (200) percent of winter average consumption ~~\$6.33~~ \$6.96

Usage exceeding two hundred (200) percent of winter average consumption ~~\$10.20~~
\$11.22

Water usage for commercial multiple-family facilities and multiple commercial facilities served through a single meter:

Usage of zero (0) to one-hundred (100) percent of winter average consumption ~~\$2.30~~
\$2.53

Usage of over one-hundred (100) to two hundred (200) percent of winter average consumption ~~\$6.33~~ \$6.96



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Usage exceeding two hundred (200) percent of winter average consumption ~~\$10.20~~
\$11.22

Sec. 27-122 (a)(2) – Minimum charge per month, charged in addition to the volume charge in subsection (a)(1) based on meter size:

5/8 inch and ¾ inch ~~\$14.32~~ \$15.75

1 inch ~~\$27.46~~ \$30.21

1 ½ inch ~~\$51.39~~ \$56.53

2 inch ~~\$106.27~~ \$116.90

3 inch ~~\$194.17~~ \$213.59

4 inch ~~\$363.79~~ \$400.17

6 inch ~~\$642.05~~ \$706.26

Sec. 27-122 (b) –For water service metered separately for lawn irrigation:

Rates per one hundred (100) cubic feet (1 ccf):

Water usage ~~\$10.20~~ \$11.22

Sec. 27-122.1(a)(1) – Commercial:

Rates per one hundred (100) cubic feet (1 ccf), inside city limits:

Water usage:

Usage of zero (0) to one-hundred (100) percent of winter average consumption ~~\$2.30~~
\$2.53

Usage of over one-hundred (100) to two hundred (200) percent of winter average consumption ~~\$6.33~~ \$6.96

Usage exceeding two hundred (200) percent of winter average consumption ~~\$10.20~~
\$11.22

Sec. 27-122.1(a)(2) – Minimum charge per month, charged in addition to the volume charge in subsection (a)(1), based on meter size:

5/8 inch and ¾ inch ~~\$14.32~~ \$15.75

1 inch ~~\$27.46~~ \$30.21

1 ½ inch ~~\$51.39~~ \$56.53

2 inch ~~\$106.27~~ \$116.90

3 inch ~~\$194.17~~ \$213.59



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4 inch ~~\$363.79~~ \$400.17

6 inch ~~\$642.05~~ \$706.26

Sec. 27-122.1 (b) –For water service metered separately for lawn irrigation:

Rates per one hundred (100) cubic feet (1 ccf):

Water usage ~~\$10.20~~ \$11.22

Sec. 27-122.2(a)(1) – Large commercial:

Rates per one hundred (100) cubic feet (1 ccf), inside city limits:

Water usage:

Usage of zero (0) to one-hundred (100) percent of winter average consumption ~~\$2.30~~
\$2.53

Usage of over one-hundred (100) to two hundred (200) percent of winter average
consumption ~~\$6.33~~ \$6.96

Usage exceeding two hundred (200) percent of winter average consumption ~~\$10.20~~
\$11.22

Sec. 27-122.2(a)(2) - Minimum charge per month, charged in addition to volume charge in
subsection (a)(1), based on meter size:

1 inch ~~\$27.46~~ \$30.21

1 ½ inch ~~\$51.39~~ \$56.53

2 inch ~~\$106.27~~ \$116.90

3 inch ~~\$194.17~~ \$213.59

4 inch ~~\$363.79~~ \$400.17

6 inch ~~\$642.05~~ \$706.26

8 inch ~~\$788.73~~ \$867.60

Fiscal Impact

Short-Term Impact: Estimated \$3.4 million in additional revenues by increasing water rate fees in FY 2027 to be used for maintenance, operations, and capital improvements, maintain cash reserve levels, and ensure adequate debt coverage.

Long-Term Impact: The 2025 Cost of Service study recommended, a 3% revenue increase, approximately \$1.3 million, in FY2028 and years following to keep up with the rising cost of

inflation for maintenance, operations, and capital improvements; as well as to maintain the required cash reserve levels and ensure adequate debt coverage.

Strategic & Comprehensive Plan Impact

Strategic Plan Impacts:

Primary Impact: Reliable and Sustainable Infrastructure, Secondary Impact: Organizational Excellence, Tertiary Impact: Not Applicable

Comprehensive Plan Impacts:

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

Legislative History

Date	Action
8/18/2025	B170-25 : Amending Chapter 27 of the City Code as it relates to water services and rates
9/16/2024	B222-24 : Amending Ordinance No. 025735 to correct a scrivener's error as it relates to the large commercial tier one summer water usage rate
8/19/2024	B168-24 : Amending Chapter of the City Code as it relates to water rates
9/19/2022	B217-22 : Amending Chapter 27 of the City Code as it relates to water utility rates
9/7/2021	B244-21 : Staff recommended this item be withdrawn
8/02/2021	B244-21 : Proposed amendments to Chapter 27 of the City Codes as it relates to water utility rates
7/06/2021	B197-21 : Amending Chapter 27 of the City Code as it relates to the discontinuance of service for City utilities due to temperature conditions; making gender-neutral grammatical edits
01/22/2019	PH1-19 : Proposed amendments to Chapter 27 of the City Codes as it relates to water rate
12/17/2018	R199-18 : Setting a public hearing: proposed amendments to Chapter 27 of the City Code as it relates to water rates
09/04/2018	R133-18 : Declaring the results of the special election held on August 7, 2018
05/21/2018	B93-18 : Calling a special election on Tuesday, August 7, 2018 relating to the issuance of Water and Electric System Revenue Bonds

Suggested Council Action

Approval of the ordinance.