MEMORANDUM

To: Members of the Columbia City Council
From: Water & Light Advisory Board
Date: July 21, 2026
Subject: Recommendation Regarding FY2027 Water Rate Increase

Dear Council Members:

At its July 7, 2026, meeting, the Water & Light Advisory Board reviewed staff's recommendation regarding water utility rates for Fiscal Year 2027. Following discussion, the Board voted in favor of recommending that the City Council implement a 10% increase in water rates for FY2027.

The Board recognizes the importance of balancing affordability with the need to maintain a financially sustainable water utility. In reaching its recommendation, the Board considered the significant investments being made to maintain and improve the City's water infrastructure. The Board also notes the recommended 10% rate increase is consistent with the findings and recommendations of the water cost of service study completed by Stantec, which evaluated the utility's revenue requirements and rate structure to support the long-term financial stability of the water system.

Additional details regarding the staff's recommendation considered by the Board can be found in under the July 7, 2026, Agenda: https://www.como.gov/boards/water-and-light-advisory-board/.

The Board respectfully submits this recommendation for the Council's consideration.

Respectfully submitted,

Jennifer Coleman, Chair of the Board
Philip Fracica
David Switzer
Thomas Jensen
Emily Piontek

MEMORANDUM

TO: Erin Keys, Director City of Columbia Utilities

FROM: Dawn Jennings, Assistant Director – Rates and Fiscal Planning

DATE: June 29, 2026

SUBJECT: Proposed Rate Adjustments for FY 2027

Water

A Cost of Service and Rate Study was completed by Stantec Consulting Services, Inc., on July 8, 2025. A $3.4 million revenue increase was recommended for the water utility to take effect on 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. Staff is recommending City Council approve a 10% revenue increase for FY 2027 as recommended by Stantec.

Electric

As previously discussed, the electric fund needs a minimum of 6% revenue increase in order to provide adequate funding to meet the necessary expenditure for operations, capital projects, and debt service obligations for FY2027. To address the funding needs, staff prepared and evaluated various scenarios including a 6% increase on all electric rates and fees; a 6% increase, holding base rates constant; as well as scenarios which excluded an increase to the residential Tier I rate. Staff also analyzed the effects on each of the customer types to include a 5% and 10% increase to the PCA cap. Electric utilities staff then met with the City Manager and Finance Director to discuss the various scenarios and all agreed that a proposal for rate increase of 6%, holding base rates constant, and a PCA cap of 20% should be presented for consideration by City Council and this Board. The impact of the necessary ongoing revenue increase, coupled with the Board's previous recommendation of a PCA cap increase to 25%, could cause financial hardship both to the residential and commercial customers. For example, one specific industrial customer would realize an increase of 15.38%, which is excess of an additional $40,000 monthly, if both a 6% rate increase and a 25% PCA cap were implemented simultaneously. The percentage was similar on the residential customer at 14.39%.

Attached for your review is a summary of the current rates, proposed new rates, and the difference between the two. The proposed rate increase would generate approximately $8.6 million in additional revenue and would take effect on October 1, 2026. The additional revenue from the PCA cap increase to 20%, with a 6% rate increase, is estimated to generate approximately $6.1 million toward the prior FY true up figure of $10.8 million. This would raise the cash reserve balance back to the required funding level within two fiscal years.

Staff requests the WLAB to provide their recommendation to include as an attachment to the City Council bill for the consideration of electric and water rate increases.