TO: HONORABLE CITY COUNCIL

ATTENTION: FINANCE COMMITTEE

FROM: CITY MANAGER

DEPARTMENT: UTILITIES

DATE: MAY 9, 2006

CMR: 217:06

SUBJECT: UTILITIES ADVISORY COMMISSION RECOMMENDATION TO APPROVE A RESOLUTION ADOPTING A WASTEWATER RATE INCREASE

RECOMMENDATION
Staff and the Utilities Advisory Commission (UAC) recommend that the City Council adopt the attached resolution to increase wastewater revenue by approximately $650,000 or 5%, to be effective July 1, 2006.

DISCUSSION
In the FY 2005-06 budget process, staff originally proposed a 17% wastewater collection rate increase. This increase was necessary because of rising treatment costs, increased CIP expenditures, and reduced revenue due to declining water consumption (upon which wastewater collection rates are based). The Utilities Advisory Commission (UAC), in dissent, recommended a 12% rate increase for FY 2005-06 and a 5% for FY 2006-07.

For FY 2005-06, the City Council approved a 12% Wastewater Collection rate increase, with an adopted-in-concept additional 5% increase to follow in FY 2006-07. Similar financial and environmental conditions have continued through FY 2005-06. Evaluation of the Wastewater Utility’s financial condition indicates that the additional 5% rate increase is still necessary to increase the Rate Stabilization Reserve (RSR) balance to an adequate level.

BOARD/COMMISSION REVIEW AND RECOMMENDATIONS
The UAC reviewed this recommendation and approved it unanimously at the May 3, 2006 meeting.

RESOURCE IMPACT
Approval of this proposed rate increase will increase the Wastewater Fund revenues by approximately $650,000 for FY 2006-07. This 5% revenue increase will result in a projected end-of-year balance for FY 2006-07 of $5.0 million in the Wastewater Rate Stabilization Reserve (above the minimum guideline level of $4.4 million).
PREPARED BY: Lucie Hirmina, Utilities, Rates Manager
Tom Auzenne, Assistant Director, Customer Support Services

DEPARTMENT HEAD: CARL YEATS
Director of Administrative Services

CITY MANAGER APPROVAL: EMILY HARRISON
Assistant City Manager

ATTACHMENTS
A: Resolution
B. Wastewater Rate Schedules S-1, and S-2
C: Minutes of the UAC meeting of May 3, 2006