TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER
DEPARTMENT: UTILITIES

ATTENTION: FINANCE COMMITTEE

DATE: MAY 19, 2005

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

RECOMMENDATION
The Utilities Advisory Commission (UAC) and staff recommend that the City Council adopt the attached resolution to increase the wastewater base revenue of FY 05-06 by approximately $1.47 million or 12 percent, to be effective July 1, 2005.

DISCUSSION
For both FY 03-04 and 04-05, the Wastewater Rate Stabilization Reserve (WWRSR) has ended the fiscal year below the minimum reserve guideline approved by the Council. The budget and rates for FY 05-07 includes increased treatment costs, needed capital improvement projects, and a projected flat revenue stream. Continuing to fund expenses from the WWRSR will continue to erode its balance.

BOARD/COMMISSION REVIEW AND RECOMMENDATIONS
The UAC reviewed the staff recommendation of a 17 percent increase at its May 4, 2005 meeting. Due to the uncertainty of financial risk facing the wastewater collection system, the UAC felt that the Reserve level balance was sufficient to provide adequate cash flow in the event of an emergency facing the system. The UAC recommended a 12 percent average system rate increase for FY 05-06, and a 5 percent increase in FY 06-07 (4-0, Dahlen absent). Staff supports this revised recommendation, and will draft new risk management and reserve guidelines for the distribution systems for all commodities.

RESOURCE IMPACT
Approval of this proposed rate increase will raise the Water Fund sales revenues by approximately $1.47 million for FY 05-06.

ATTACHMENTS
A: Resolution

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B. Wastewater Rate Schedules S-1, and S-2
C. Minutes of the UAC meeting of May 4, 2005

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DEPARTMENT HEAD: JOHN ULRICH
Director of Utilities

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Assistant City Manager