

Recommended Utility Rate Adjustments

The City has invested a substantial amount of time and effort in developing these rate recommendations. It is recommended that the Council consider adopting a rate ordinance that covers a three year period. This provides predictability to ratepayers and to the utility.

An attempt was made to have the utility rate policies be consistent among utilities. For example, the city's utility tax is charged on water and sewer but not on storm. Also, the income-qualified senior/disabled rate discount of 25% applies to water and sewer but not storm.

The following rate adjustments are described for residential customers however equivalent changes are also recommended for non-residential or commercial customers.

Storm – Residences currently pay a flat rate of \$12.50 per month. The existing rates have been in effect since January 2009. The recommended Storm rate would increase by \$2.10 per month for residential customers in 2017 to fund the capital improvements and utility tax. 2018-19 would require another \$0.50 in each year for inflation. An additional \$1.65 per month increase will be necessary when the Ecology NPDES grants are eliminated (currently assumed to end in 2018). The recommended residential storm rates for the three years is shown in the table.

Recommended Storm Rates	Existing	2017	2018*	2019
Residential Monthly Storm Rate	\$12.50	\$14.60	\$16.75	\$17.25
<i>Monthly Rate Adjustment</i>		<i>\$2.10</i>	<i>\$2.15</i>	<i>\$0.50</i>
NEW Senior/Disabled Low-Income		\$10.95	\$12.55	\$12.95

*Assumes Ecology NPDES Grant is no longer available.

A new senior/disabled low-income discount is recommended to be consistent with the water and sewer utilities.

Commercial storm rates include a fixed portion and a variable portion based on the square footage of impervious surface for each non single family property. These rates should increase by the same proportion as the residential rates.

A more common method of charging for commercial storm drainage is to define an equivalent service unit and set the rate per ESU. Single family customers would be equal to 1 ESU and non-residential properties would be calculated by dividing the impervious surface area by the defined square feet per ESU. For example, if the average impervious surface on a single family parcel = 3,000 square feet, then 1 ESU = 3000 sq ft impervious surface. A commercial property with 15,000 square feet of impervious = 5 ESU (15,000 / 3,000), thus their rate would be 5 x \$14.60. This method would require some calculations and reconfiguring in the billing system.

Water – Residences currently pay a base rate of \$22.00 per month for up to 700 cubic feet of water, and pay more if additional water is used. These rates have been in effect since January 2008. It is recommended that the base rate be lowered by removing water from the base and have customers pay for the water they use. This will give more control to the customers and reflect the value of water. After removing the water, the rates will need to be further adjusted to pay for the capital improvements and required new disinfection system.

The 2017 monthly base rate is recommended to be reduced to \$17.00 and all water be charged by tier: 0-500 cubic feet @ \$0.010 per cubic foot, 501-2,000 cf @ \$0.015 per cubic foot and 2,001+ cf @ \$0.025 per cubic foot. The 2018-19 base rates are recommended to increase \$0.75 in each year and the water

usage rates adjusted proportionately. Care will need to be taken to work within the limitations of the billing system and number of decimal places for the usage rate.

Water Rate Outlook	2016	2017	2018	2019
Existing Base Rate	\$22.00			
Volume 0-700 cf	in base			
Volume 701-2,000 cf	\$0.010			
Volume 2,001+ cf	\$0.016			
<u>Recommended Residential Rates</u>				
Base Rate - Monthly		\$17.00	\$17.75	\$18.50
Water Usage: 0-500 cf	per cubic foot	\$0.0100	\$0.0104	\$0.0109
Water Usage: 501-2,000 cf	per cubic foot	\$0.0150	\$0.0157	\$0.0163
Water Usage: 2,001+ cf	per cubic foot	\$0.0250	\$0.0261	\$0.0272

The fixed portion of the water bill will be lower for all customers (from \$22.00 to \$17.00). The change in overall water bill will depend on the amount of water that a customer uses from one billing period to the next.

The senior/disabled low-income rate discount is recommended to continue at 25%. The commercial rates and outside city rates should be adjusted in proportion to the residential rates.

Currently multi-family customers fall under the commercial classification. They are charged a base rate per unit that includes the usage allowance for each unit. Because the multifamily units are more similar to residential, it is recommended that they use the residential water usage tiers (smaller tiers at a lower price). The impact on individual customers will vary depending on the total water usage per period. Some will pay less and others will pay more.

Sewer – Residences currently pay a flat rate of \$57.00 per month for sewer service. This rate has been in effect since 2009. The monthly rate is recommended to increase \$12.80 to \$69.80 to pay additional costs for sewage treatment, debt payments that begin in 2017 (Backyard Sewer Mains) and planned capital improvements. Annual increases from the City of Tacoma are assumed to increase more rapidly (6% per year) than Fircrest sewer costs (3% per year). It is recommended that the sewer rate be split between City sewer and sewage treatment. This will allow the annual treatment increases from the City of Tacoma to be passed through to the customers.

The recommended monthly residential rates are shown below:

Sewer Rate Outlook	2016	2017	2018	2019
Treatment Rate per month	\$28.50	\$30.20	\$32.00	\$33.90
City Sewer Rate per month	\$28.50	\$39.60	\$40.60	\$41.70
Estimated Sewer Rate per month	\$57.00	\$69.80	\$72.60	\$75.60
<i>Estimated Increases per month</i>		<i>\$12.80</i>	<i>\$2.80</i>	<i>\$3.00</i>

The senior/disabled low-income rate discount is recommended to continue at 25%. The commercial rates and outside city rates should be adjusted in proportion to the residential rates.

Recommended Minimum Monthly Utility Rates for Full Funding

The recommended minimum monthly utility rate that fully funds each of the utility programs as described earlier would increase \$9.90 from \$91.50 to \$101.40, plus customers would pay for all water usage.

