

ITEM NO.: I-10
PUBLIC HEARING: ADOPT PROPOSED
RESOLUTION NO. 06-12-2018-01, SETTING
FIVE (5) ANNUAL CITY OF CORNING WATER
RATE INCREASES OF 3.5% PER YEAR
BEGINNING AUGUST 1, 2018 AND THEN ON
JULY 1, 2019 THROUGH JULY 1, 2022
June 12, 2018

TO: HONORABLE MAYOR AND COUNCIL MEMBERS
FROM: KRISTINA MILLER; CITY MANAGER



SUMMARY:

The City Council at its meeting on April 10, 2018 set June 12, 2018 as the Public Hearing on a series of five (5) proposed water rate increases of 3.5% annually with the first increase effective August 1, 2018 followed annually starting on July 1, 2019 through July 1, 2022.

Setting the rates annually for five year periods establishes a clear commitment to the existing water system improvement bond holders financing the City's debt service on past system improvements.

Attached is a table illustrating the 3.5% increases proposed in Resolution No.06-12-2018-01.

Basic Monthly Charge;	Current	3.5%	3.5%	3.5%	3.5%	3.5%
(Basic monthly charge includes the first 4,000 gallons of usage)	Water Rates	Increase August 1, 2018	Increase July 1, 2019	Increase July 1, 2020	Increase July 1, 2021	Increase July 1, 2022
5/8" & 3/4" Service Size	\$16.69	\$17.27	\$17.88	\$18.50	\$19.15	\$19.82
1" Service Size	\$31.31	\$32.41	\$33.54	\$34.71	\$35.93	\$37.19
1 1/2" Service Size	\$51.34	\$53.14	\$55.00	\$56.92	\$58.91	\$60.98
2" Service Size	\$82.11	\$84.98	\$87.96	\$91.04	\$94.22	\$97.52
3" Service Size	\$120.62	\$124.84	\$129.21	\$133.73	\$138.41	\$143.26
6" Service Size	\$236.12	\$244.38	\$252.94	\$261.79	\$270.95	\$280.44
(Per 1,000 gallons per month after the base of 4,000 gallons.)	\$1.32	\$1.37	\$1.41	\$1.25	\$1.28	\$1.32

BACKGROUND:

On December 8, 2009, City Council approved Resolution 12-08-2009-02 implementing five (5) separate 3% rate increases to the water rates to be implemented annually on the 1st of April in 2010, 2011, 2012, 2013 and 2014. The purpose of these rate increases was to mitigate the cost of maintenance and service resulting from inflation. Periodic rate increases are essential to adequately maintain the City's water system, to offset costs associated with State mandated testing, and to pay down the bonded indebtedness.

Following review of the Water Enterprise Fund, Staff now seeks Council approval to implement a 3.5% annual step increase for the next five (5) years. Should the Council not approve the rate increases as proposed, the City will not be in compliance with its rate covenant, as part of the 2017 refunding of the City's water and sewer debt.

FINANCIAL:

Attached to this report is the organization chart for the Water Funds followed by the spreadsheet titled "Water Enterprise System" which are familiar pages found in the City Budget Book. The Chart shows the sources of revenues for the Water System operation, repair and expansion and the purpose of the expenditures. The spreadsheet provides audited history of income and expense for the Water Enterprise Fund 630.

The attached spreadsheet confirms that the system has begun to deplete its Operating Reserve used for emergencies. The set aside for ongoing replacements/repairs has also been depleted as a result of the refinance of existing water and sewer debt as well as other maintenance expenses. This has been substantiated by the most recent 2016/2017 audit. There have been no rate increases since April 1, 2014; however inflation and maintenance costs have risen contributing to the depletion in Water Enterprise Reserve Funds.

Budgeted expenditures are projected by Staff at 4% growth per year. Actual expenditures have varied depending on the level of maintenance provided, or unanticipated well repairs. This has caused a fluctuation in Annual Net Income, with FY 2016/17 net income being less than \$7,000.

The City has been able to avoid a rate increase for the past three years. The proposed 3.5% rate increase for the next five (5) years (see attached Exhibit "A") is necessary to maintain compliance with the terms of the debt service refinancing as well as insure the financial stability of the City's Water Enterprise Fund.

PUBLIC NOTICE REQUIREMENTS MET:

Proposition 218 requires that the City mail Notices of a proposed rate increase to property owners at least 45 days prior to a public hearing on the proposed rates; Notices were sent out on April 20, 2018.

RECOMMENDATION:

MAYOR AND COUNCIL ADOPT RESOLUTION 06-12-2018-01, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORNING SETTING WATER RATES EFFECTIVE AUGUST 1, 2018, JULY 1, 2019, JULY 1, 2020, JULY 1, 2021 AND JULY 1, 2022.

RESOLUTION NO.: 06-12-2018-01
A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF CORNING, SETTING WATER RATES
EFFECTIVE AUGUST 1, 2018, JULY 1, 2019, JULY 1, 2020, JULY 1, 2021,
AND JULY 1, 2022

WHEREAS, the City Council has met and discussed the need for a Water Rate Increase, with public discussion and planning at a Public Hearing on June 12, 2018; and

WHEREAS, the City Council established the setting of Water Rates by Resolution, through the adoption of Ordinance No. 554, pertaining to Chapter 13.08, Water Service Regulations.

NOW, THEREFORE, BE IT RESOLVED that the City Council does hereby set the Water Rate Increases listed below to become effective starting August 1, 2018, and then to increase by 3.5% annually on July 1, 2019, July 1, 2020, July 1, 2021, and July 1, 2022.

Basic Monthly Charge; (Basic monthly charge ncludes the first 4,000 gallons of usage)	Current Water Rates	3.5% Increase August 1, 2018	3.5% Increase July 1, 2019	3.5% Increase July 1, 2020	3.5% Increase July 1, 2021	3.5% Increase July 1, 2022
5/8" & 3/4" Service Size	\$16.69	\$17.27	\$17.88	\$18.50	\$19.15	\$19.82
1" Service Size	\$31.31	\$32.41	\$33.54	\$34.71	\$35.93	\$37.19
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(Per 1,000 gallons per month after the base of 4,000 gallons.)	\$1.32	\$1.37	\$1.41	\$1.25	\$1.28	\$1.32

The foregoing Resolution was adopted at a regular meeting of the City Council of the City of Corning held on June 12, 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

Douglas Hatley Jr., Mayor

ATTEST:

Lisa M. Linnet, City Clerk