



Council Agenda Correspondence

DATE: June 15, 2021

TO: Mayor and Council

FROM: Aaron Floyd, Utilities Director
Jennifer Thompson, Utilities Business Manager

VIA: Derek Johnson, City Manager

SUBJECT: Item 7.a – WATER AND SEWER RATE HEARING

Attached are comments and correspondence enclosed with Proposition 218 water and sewer rate protests. The table on the first page contains comments written on Proposition 218 protest ballots. The following pages are correspondence received separate from protest ballots.

Staff wishes to clarify some of the concerns raised in the attached correspondence:

Fixed vs. Volumetric Costs

In 2018, the City conducted a comprehensive water and sewer rate study. The primary goal of that study was to ensure that the water and sewer rate structure is compliant with the Proposition 218 proportionality requirement: the amount of a fee or charge imposed upon a parcel or person as an incident of property ownership shall not exceed the proportional costs of the service attributable to that parcel. The current rate structure was specifically developed to focus on the proportional cost of service to each customer class and the proportionality between the fixed and volumetric costs of service for each customer class. Fixed rates are approximately 25% of water and sewer rate revenue and volumetric rates are approximately 75% of water and sewer rate revenue. Rate increases are equally applied to both fixed and volumetric costs to maintain the proportionality between the two types of rates.

Development Contribution to Water and Sewer through Impact Fees

The comprehensive rate study also assumed that a portion of existing and future water and sewer system improvements will be funded by new development through water and wastewater development impact fees. Water and wastewater development impact fees collected from new development offset rate increases because additional revenue from development means that less revenue is needed from current rate payers. The improved ability to project development impact fees, as discussed in the Council Agenda Report, is one of the primary reasons that the current rate increase is less than originally projected.

Sewer Caps (Average Winter Water Use)

The City's sewer charges are tied to water usage, but residential property sewer charges are capped at the average of that property's average winter water use. Water usage is tracked from December through February when irrigation systems should be off. The average usage during those months becomes the maximum number of units that customer will pay each month for sewer for the next year. The sewer cap should be close to the amount that a property discharges into the sewer system because it does not include irrigation use.

Customers are notified each year prior to the winter average period beginning so that they are prepared to turn their irrigation water off or down.

Affordability and Customer Assistance Program

The Utilities department is aware that the water and sewer bill is a large expense for some households. Proposition 218 requires that water and sewer rates not exceed the reasonable cost to provide the service and that each customer only be charged what it costs to provide their individual service. In short, one customer cannot subsidize another. As such, it is difficult to legally offer customers discounted rates or fee waivers.

That being said, the City Council did adopt a revised, non-rate funded Customer Assistance Program (CAP) on June 1. The purpose of the revised CAP is to allow more customers to qualify for a 15% discount on their water and sewer bill. This program is funded through late fees collected from customers who do not pay their bills on time. It is important to note that all types of customers across the City are subject to the same, already established, late fees. This includes large corporate customers, other businesses, and all types of residential customers. All eligible customers are welcome to apply online now at slocity.org/ub.