



	Approved	Denied
Date Action Taken:	Presented 6/8/09	
Other:		
Verified by:	K. Smith	

WASILLA CITY COUNCIL INFORMATIONAL MEMORANDUM

IM No. 09-08

TITLE: WATER AND SEWER UTILITY RATE ANALYSIS FOR PROPOSED RATE INCREASE.

Agenda of: June 8, 2009

Date: May 27, 2009

Originator: Public Works Director

Route to:	Department	Signature/Date
	Chief of Police	
	Recreational and Cultural Services Manager	
X	Director of Public Works	<i>[Signature]</i> 5/27/09
X	Director of Finance	<i>[Signature]</i> 5.27.09
X	Deputy Administrator	<i>[Signature]</i>
X	City Clerk	<i>[Signature]</i>

REVIEWED BY MAYOR VERNE E. RUPRIGHT: *[Signature]*

FISCAL IMPACT: yes \$ or no Funds Available yes no

Account name/number: NA
Attachments: None

SUMMARY STATEMENT: The last utility rate increases were in 2003 to cover debt service and in 1999 for operating costs. Since 1999, the utility's infrastructure has doubled and heating and electrical costs have increased significantly. Currently, the water and sewer utility have budget deficits of \$208,868 and \$126,318 respectively due to increases in energy costs and increased infrastructure being maintained. In addition, depreciation has never been captured in the utility rate which equals \$361,554 and \$351,789 for the water and sewer utility in FY08 respectively. Lastly, the water and sewer utility need to fund \$75,000 and \$85,000 respectively for ongoing capital costs annually.

The water utility will generate approximately \$705,000 in metered and non metered water sales in FY09. The rate needs to be increased to include losses, depreciation, and capital improvements in the amount of 645,422 annually to break even.

The sewer utility will generate approximately \$601,000 in metered and non-metered sales in FY09. The rate needs to be increased to include losses, depreciation, and capital improvements in the amount of 563,107 annually to break even.

To capture current losses, depreciation and capital costs, the utility rate for both water and sewer needs to double. The administration is proposing to double the utility rate over the next 5 years by one of the following two methods:

- 1) 50 percent increase in the first year then 7.5 percent per year in years 2-5.
- 2) 15 percent per year over 5 years.

The following table shows the current combined water and sewer rate (FY09) and with the projected rates through 2014. These rates are for a typical residence using a minimum 5,000 gallons per month.

FY09	FY10	FY11	FY12	FY13	FY14
	50%	7.5%	7.5%	7.5%	7.5%
\$48.50	\$72.75	\$78.21	\$84.07	\$90.38	\$97.16
	15%	15%	15%	15%	15%
\$48.50	\$55.78	\$64.14	\$73.76	\$84.83	\$97.55

NOTE: The current minimum combined rate in the Municipality of Anchorage is \$67.60

Method No. 1 captures operating losses and capital costs in the first year and then captures depreciation over the following 4 years, which is better for the utility.

Method No. 2 spreads the total rate increase over 5 years which is easier on the customer.

STAFF RECOMMENDATION: Provide the administration direction on a method of rate increase to be presented by ordinance in FY2010.