



# County of Los Alamos

## Council Meeting Staff Report

August 8, 2017

<b>Agenda No.:</b>	A.
<b>Indexes (Council Goals):</b>	2018 Council Goal – Quality Governance – Operational Excellence – Maintain Quality Essential Services and Supporting Infrastructure Including Updated Enterprise Software and Permitting
<b>Presenters:</b>	Bob Westervelt
<b>Legislative File:</b>	CO0489-17b

### Title

Incorporated County of Los Alamos Code Ordinance No. 02-276; An Ordinance Amending Chapter 40, Article III, Sections 40-201 and 40-202 of the Code of the Incorporated County of Los Alamos Pertaining to the Sewage Service Rate Schedule and Determination of Charges

### Recommended Action

**I move that Council adopt Incorporated County of Los Alamos Code Ordinance No. 02-276; An Ordinance Amending Chapter 40, Article III, Sections 40-201 and 40-202 of the Code of the Incorporated County of Los Alamos Pertaining to the Sewage Service Rate Schedule and Determination of Charges; I further move that, upon passage, the Ordinance be published in summary form.**

### Utilities Manager Recommendation

The Utilities Manager recommends that Council adopt the ordinance as presented.

### Board, Commission or Committee Recommendation

The Board of Public Utilities recommends that Council adopt the ordinance as presented.

### Body

The ten-year forecast for the sewer utility presented with the FY2018 budget includes a series of incremental rate increases to generate revenues needed for current operations and to build cash reserves necessary for future infrastructure replacements, most notably the needed replacement for the White Rock waste water treatment facility. We have considered several alternatives as to timing of that plant replacement. Each has different long term cash impacts, and each is presented in this discussion.

Four scenarios are presented. The main differences are when the White Rock plant is designed and constructed, and whether the existing debt on the Los Alamos treatment plant is refinanced. The details of the four scenarios are shown on Attachment A2. While the timing and magnitude of future rate increases varies by scenario, as will be discussed, three of the four scenarios presented show the budgeted 8% increase in FY2018 is necessary. The fourth scenario shows only a 5% increase in 2018, but continuing increases farther into the future. It should be noted that for the commercial rate class the projected rate increases are offset by an equivalent decrease in the surcharge added to consumption based billings, so sewer charges for the commercial rate class in aggregate will remain essentially flat for the first several years of whichever scenario one considers.

Attachments B1, B2, and B3 show the projected monthly bill under each scenario, and includes a comparison to median household income, which remains fairly static or even shows a decreasing trend toward the end of the ten-year period represented.

Finally, Attachment C shows a comparison of Los Alamos' projected residential sewer bill at various consumption quantities with those of nearby communities. Note, the comparison targets

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communities of similar size or topography. We did not chart Taos ski valley as it is such an outlier that it would have distorted the scale of the rest of the comparison, but the remaining communities in the table are shown graphically and indicate that with the increase we are still comparable to the most similar cities for which we could obtain data.

### **Alternatives**

Several alternative financial scenarios are included in this staff report and will be discussed. As noted above, in all the scenarios discussed a series of rate increases are going to be needed to fund necessary operations and replacement of facilities through sewer rates. An alternative would be to fund replacement of the White Rock Treatment plant entirely with General Fund reserves or other moneys, in which case only, existing rates would be sufficient to fund ongoing operations.

### **Fiscal and Staff Impact/Planned Item**

The budgeted 8% increase is expected to generate \$318,459 additional revenue annually.

### **Attachments**

- A - Proposed Ordinance and Scenarios Considered
  - 1. Proposed Ordinance
  - 2. Description of four scenarios considered
- B - Ten year projected monthly sewer bill for residential customers
  - 1. Scenario "Plan 10"
  - 2. Scenario "Plan 20"
  - 3. Scenario "Plan 30"
- C - FY2018 Comparison to similar neighboring communities
- D - Public Hearing Notice