

Council Meeting Staff Report

June 21, 2017

Agenda No.:	7.B
Indexes (Council Goals):	BCC - N/A
Presenters:	Bob Westervelt
Legislative File:	9559-17

Title

Preliminary Discussion on Non-potable Water Rate Ordinance

Recommended Action

N/A - Discussion item only

Staff Recommendation

N/A - Discussion item only

Body

The FY2018 budget includes an increase in non-potable rates from \$1.15 per 1,000 gallons delivered to \$2.50 per 1,000 gallons delivered. The attached ordinance is required to effect implementation of that budget.

Attachment B is a summary of the non-potable water budget for fiscal year 2018. As has been discussed previously, the non-potable function was previously simply absorbed by the water production sub fund. We now have accounting in place to track non-potable costs separately. As shown, on a purely cost based basis, the rate proposed still does not completely cover the anticipated costs for FY18. Explanation is as follows.

In fiscal year 2015 the Department began an aggressive program to refurbish and upgrade the non-potable system to maximize utilization of this important resource, as every gallon of surface or reuse water we utilize is a gallon we do not need to pump out of the aquifer. This fits with the Department's stated mission to operate in an environmentally sustainable fashion. These upgrades and system improvements continue through FY2018, but by year end we anticipate we will be able to budget continuing operations and maintenance at a level that can be sustained by the rate proposed. Thus, we are not proposing to increase the rate for "full cost recovery" of the FY18 budget, but rather to establish a rate that is anticipated to sustain the function for the next several years without adjustment.

There is also some value to the water production system in terms of reduced pumping at the well-head, reduced treatment and storage costs, and, as stated, reduced consumption from the aquifer. While these benefits are hard to quantify economically, leaving the non-potable as a sub fund and supplemented by water production makes sense.

Alternatives

If not approved, we will continue to bill for non-potable consumption at the current rate. Decisions would have to be made about curtailment of maintenance and operations of the non-potable system and/or continued or increased subsidization of the function by the potable water production sub-fund.

Fiscal and Staff Impact

The budgeted increase is expected to generate \$116,640 additional revenue annually. There is no staff impact.

Attachments

A - Draft Rate Ordinance

