

Council Meeting Staff Report

August 16, 2017

Agenda No.:	5.A
Indexes (Council Goals):	BCC - N/A
Presenters:	Bob Westervelt
Legislative File:	CO0508-17

Title

Approval of Incorporated County of Los Alamos Code Ordinance No. 02-277; An Ordinance Amending Chapter 40, Article III, Section 40-173 of the Code of the Incorporated County of Los Alamos Pertaining to Nonpotable Water Rates

Recommended Action

This item was tabled at the Board meeting on 7-19-17. The first action necessary is to remove the item from the table for further consideration, accomplished by the following motion:

" I move that item number 5.A from the July 19th, 2017 agenda be removed from the table for further consideration."

After consideration of this item, the following action is recommended:

"I move that the Board of Public Utilities approve Incorporated County of Los Alamos Code Ordinance No. 02-277; An Ordinance Amending Chapter 40, Article III, Section 40-173 of the Code of the Incorporated County of Los Alamos Pertaining to Nonpotable Water Rates, and forward to Council for adoption."

Staff Recommendation

Staff recommends the motion be passed as presented.

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.

At the July meeting, County Manager Harry Burgess raised some questions about the presentation and the rate calculation. To allow time to fully explore these concerns with Mr. Burgess the item was tabled at the July 2017 meeting. Rather than working from the original budget, we have reworked the rate calculation to accurately reflect the currently anticipated costs. That worksheet is attached herewith as attachment C. Department Manager Tim Glasco has met with Mr. Burgess to review the calculation, and we believe received Mr. Burgess' agreement with the calculation and endorsement of the rate proposed.

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 - Incorporated County of Los Alamos Code Ordinance 02-277
- B - Non-Potable system FY2018 Budget Summary
- C - Non Potable Rate Calculation Worksheet
- D - Notice of Public Hearing