



## City Council Agenda Item

**City Council Meeting Date:** May 16, 2017

**TO:** Patrick Wiemiller, City Manager

**FROM:** Melinda Wall, Financial Services Manager  
m\_wall@ci.lompoc.ca.us

**SUBJECT:** Affirmation of Approved Utility Service Charges for Fiscal Year 2017-2018

---

### **Recommendation:**

Staff recommends the City Council receive the staff report concerning the current year water, wastewater and solid waste user service charges and affirm:

- 1) Water service charge rates and fees effective July 1, 2017, established by Resolution No. 5859(13) (that new fee includes the 15% increase on volumetric charges not implemented last year and the 15% increase proposed for this year, which when compounded is a 26% increase overall for Fiscal Year (FY) 2017-2018);
- 2) Wastewater service charge rates and fees effective July 1, 2017, established by Resolution No. 5858(13); and
- 3) Solid Waste service charge rates and fees effective July 1, 2017, established by Resolution No. 5920(14).

### **Background:**

On August 6, 2013, the then City Council approved five annual service charge rate adjustments for the City of Lompoc's (City) Water and Wastewater Utilities. On June 3, 2014, the then City Council approved five annual service charge rate and fee adjustments for the City's Solid Waste Utility's collection and landfill activities. All three rate reviews and hearings were conducted in accordance with Proposition 218, enacted by voters in 1996 related to property-based services.

At the April 10, 2017, Utility Commission meeting, a report was presented by staff on the financial status of the City's major utilities as of December 31, 2016 (first six months of the fiscal year). The Utility Commission was presented the information provided in this staff report at the May 8, 2017, Utility Commission meeting along with the January 2017 Financial Report. The Graphs for Water, Wastewater and Solid Waste for January have been attached for your information. The Commission continued its discussion of that information to a special meeting to be held on May 15, 2017, which is after this report was

prepared. Staff will orally provide to the Council any recommendations the Commission may provide.

The goals set at the time of the five-year rate adoption for Water were:

- Compliance with contractual debt service covenants by the end of the first year;
- Elimination of annual net operating losses in the first or second year;
- Replenish operating reserves with a goal for reserve balances to equal three months or 90 days of operating expenses by the end of the fourth or fifth year of the rate setting authority; and
- Establish funding opportunities for necessary capital replacement projects by the end of the five-year rate setting authority.

The goals set at the time of the five-year rate adoption for Wastewater were:

- Compliance with contractual debt service covenants by the end of the first year;
- Elimination of annual net operating losses in the first or second year;
- Replenish operating reserves with a goal for reserve balances to equal three months or 90 days of operating expenses by the end of the fourth or fifth year of the rate setting authority; and
- Establish funding opportunities for necessary capital replacement projects by the end of 10 years.

The goals set at the time of the five-year rate schedule for Solid Waste were:

- Collect and provide funding for the Landfill Gas Collection and Control System (LGCCS) required by the State of California – now under construction;
- Repay the City's operational loan approved in 2010 by June 30, 2017 – this has been completed;
- Replenish operating reserves with a goal for reserve balances to equal three months or 90 days of operating expenses by the end of the rate setting authority (June 30, 2019);
- Collect and provide funding to meet operating cost obligations;
- Collect and provide funding for capital outlay obligations beyond those required for the LGCCS; and
- Collect and provide funding for the required Closure/Post-Closure Reserve to ensure funding for maintenance of the City's landfill when it is ultimately closed.

### **Discussion:**

#### **Water and Wastewater Utilities**

The Water and Wastewater Utilities rate studies were conducted at the same time due to the common tie of bonds issued on their behalf in 1992, 1998, 2005 and 2007. The review of the two Utilities for consideration of their individual July 1, 2014, rate adjustments follows:

The City is contractually obligated under bond documents from the 1998, 2005 and 2007 Revenue Bond issues to set rates and charges each year to produce certain minimum net and gross revenue amounts for the two Utilities, based on the Water and Wastewater Utilities as a combined entity. Due to the contractual obligations, meeting all covenants of the bond issues was the primary item taken into consideration when designing the City's rate structure adopted on August 6, 2013. Meeting bond covenants was also the fundamental obligation considered for the recommended charges effective in the first year of the five-year recommended rate structure. The bond covenants obligations were the underlying reason the first year recommended adjustments were greater than the following adjustments. It is also prudent for each fund, individually, to meet those annual rate covenant tests as well, since the rating agencies and bond insurers also evaluate the credit worthiness of each utility on a stand-alone basis. However, Proposition 218 prohibits either Utility from subsidizing the other as rates cannot be set above the amount required for cost of service for any individual class.

The three annual rate covenant requirements applicable under the 1998, 2005 and 2007 Revenue Bonds are:

- 1) Net revenue (operating and certain non-operating revenues less operating expenses) in each fiscal year must be at least 1.0 times the annual debt service (both principal and interest) due in that fiscal year for each of the two Utilities;
- 2) Net revenues supplemented by any transfers from the "rate stabilization fund" must be at least 1.25 times debt service for the two Utilities combined; and
- 3) Gross revenues must be at least 1.0 times all obligations of the two Utilities (individually) for the fiscal year.

The State Revolving Fund (SRF) loan, funded in 2007 by the State Water Resources Control Board, relating solely to the Wastewater Utility, requires similar covenants. One additional requirement of the SRF is the creation of a payment reserve equal to the annual SRF payment over the first 10 years of the 20-year loan. That amount is approximately \$4,580,000 with approximately \$1,833,000 to be set aside as of June 30, 2013, and \$3,664,000 by June 30, 2018. That payment reserve is in addition to any other reserves for operations, repairs and replacements or other reserves established for the benefit of the Wastewater Utility. Additional considerations for operating costs, deferred capital improvements, and repair and replacement costs for the City's infrastructure were also evaluated for the rate studies.

### Solid Waste Utility

While the City's Solid Waste Utility does not have any external bond debt, it does owe a working capital loan to the City's Insurance and Benefit Internal Service Fund. In addition, the City has secured a low interest loan from CalRecycle to assist with the financing of the LGCCS required by the State. The CalRecycle loan will be disbursed on a reimbursement basis during the course of construction of the LGCCS once the City has

funded the difference between the construction project cost and the loan amount of \$1,000,000. On September 6, 2012, when the conceptual plan for the LGCCS was first submitted to the California Air Resources Board (CARB), the project cost was estimated to be approximately \$1,233,000. However, the significant delays caused by CARB, and subsequently by the Santa Barbara County Air Resources Control Board in approving the project, are likely to result in a project cost significantly greater than \$1,400,000, the amount budgeted for the project as part of the Biennial Budget FYs (Budget) 2015-2017. The CalRecycle loan will be amortized over 10 years, with payments due annually once construction is completed. Both the working capital loan and the CalRecycle construction loan were incorporated into the rate design process for the service charge rates and fees approved for July 2014 through July 2018.

As with the Water and Wastewater Utilities, the rate setting model targeted a three-month (25% or 90-day) operating reserve target for Solid Waste to be achieved by the end of the five-year rate setting authority (June 30, 2019). While Solid Waste is currently on target to achieve that goal, based on annual operating appropriations, the unknown nature of the ultimate cost of the LGCCS may impact the Utility's ability to achieve the target by June 30, 2019.

The Solid Waste Utility has collected revenues to provide for operational costs during the first year of the rate setting authority; one of the goals set at the time the rate schedules were approved. Cost increases for the second year of the rate setting authority matched the proposed second year service charge rate increase. The projected cost increase requested for the third year will be 3.6%.

Interest earnings had previously sustained the City's Closure/Post Closure Reserve Fund required for the ultimate closure of the City's landfill and maintenance of the closed landfill. However, continued low yields on the City's investment portfolio, while slightly increasing, have not kept pace with inflation. The result is the City is required to contribute from service charges collected from customers to the reserve fund on an annual basis during the period of the rate setting authority to maintain the reserve balance at the required levels each year. The reserve requirement grows annually based on a formula provided by CalRecycle based on tons received at the landfill and an annual inflation factor.

### **Fiscal Impact:**

#### **Water and Wastewater Utilities**

The goals for the adjustment of service charges for the Water and Wastewater Utilities are:

- 1) To comply with bond covenants and contractual loan terms:
  - For both Water and Wastewater Utilities, the bond covenants have been met in the first complete year of implementation (June 30, 2014) based on the 15% rate adjustment for Water and the 21% rate adjustment for

Wastewater. For Water, actual service charge revenue growth was 13.56% in FY 2013-2014 and 8.75% in FY 2014-2015. For Wastewater, actual service charge revenue growth was 10.76% in FY 2013-2014 and 15.60% in FY 2014-2015.

- The net revenue to debt service ratio in FY 2014-2015 for Water was 2.58:1.
- The net revenue to debt service ratio (not including the SRF loan) for the Wastewater Utility was 4.58:1.
- The combined net revenue to debt service ratio was 3.67:1.

2) To replenish operating reserves to a level equal to a 90-day reserve:

- A positive net income for both Utilities will be obtained in the second year of the rate implementation at the approved rates.
  - Net income (excluding debt principal repayment and capital outlay expenditures but including depreciation expense) on June 30, 2015 was:
    - For Water \$1,545,464 (compared to \$612,456 on June 30, 2014),
    - For Wastewater \$503,499 (compared to a net loss of \$602,939 on June 30, 2014).
- Negative operating cash balances will be eliminated and a 90-day operating reserve will be obtained during the fourth year for Water and during the fifth year for Wastewater.
  - Operating cash balances on June 30, 2015 (excluding restricted cash held for commitments) were:
    - For Water \$1,521,084 (compared to net loss of \$101,534 on June 30, 2014).
    - For Wastewater net loss of \$2,903,327 (compared to net loss of \$3,256,283 on June 30, 2014).

3) To establish a reserve fund to be used to repair and replace infrastructure of each Utility:

- A sufficient amount of funds will be available during the fifth year of the rate adjustments for each Utility to establish repair and replacement reserve funds.

Solid Waste Utility (Collection and Landfill)

The goals for the adjustment of charges for the Solid Waste Collection and Landfill are:

- 1) To have available funds for operational needs and capital costs:
  - The operating cash balance on June 30, 2015, for Solid Waste (less \$400,000 estimated City contribution for the LGCCS project) was \$1,957,986, in comparison to the June 30, 2014, balance of \$1,282,820.

- 2) To provide funding to meet the City Council’s reserve policy of 90 days (25%) of operating expenses by June 30, 2019:
  - The operating cash balance of \$1,957,986 is 115% of the target of \$1,706,042 for FY 2015-2016. The anticipated target at June 30, 2019, is \$1,955,000 to achieve a 25% or 90-day operating reserve balance.
  
- 3) To fund the City’s share of the LGCCS:
  - The City received approval for a \$1,000,000 loan from CalRecycle on November 15, 2013. All costs of the project above \$1,000,000 are the responsibility of the City from available unrestricted funds. The current estimate of the City’s share is \$400,000 although the exact amount will not be known until the construction is completed.

The three Utilities are enterprise funds and are required to be self-supporting, based on Governmental Generally Accepted Accounting Principles (Governmental GAAP). A component of self-sufficiency is having adequate reserves for capital replacements and repairs. While the Utilities are businesslike in their operations, as components of the City governmental structure, the City’s General Fund can support enterprise activities. Such support could include funding for low-income or senior subsidies. As Proposition 218 governs each of the three Utilities discussed, one of the provisions of Proposition 218 is that no class of customer can be subsidized by another class from service charges paid by the customers. Cities with programs to support a component of the customer base are required to use funds other than those derived from customer service charges.

Water Utility

The following provides a more comprehensive review of the City’s Water Utility.

The approved Water Utility rate adjustments are scheduled over a five-year period and are a uniform 15% increase per year effective July 1 of each year starting 2014 until 2017. The approved and actual adjustments under the current approved rate structure are presented in Table 1:

**Table 1**

<b>Water Rates</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Recommended</b>	19%	18%	17%	15%	0%
<b>Approved</b>	15%	15%	15%	15%	15%
<b>Affirmed</b>	15%	15%	7.5%	Meter chrg 15% & prior YR (Volumetric 26%)	-

Water Utility revenue generated by the rate structure is anticipated to achieve the goals outlined in the 2013 rate study which are:

- Ensure compliance with bond covenants in the first year of implementation. Table 2 identifies the results of activities for FY 2015-2016 and projections for FY 2016-

2017 along with projections for FY 2017-2018 with and without the approved rate increase effective July 1, 2017.

**Table 2**

<b>Ensure compliance with Bond Covenants</b>						
<b>Water</b>	<b>Actual 2015 FY</b>	<b>Actual 2016 FY</b>	<b>Projected 2017 FY</b>	<b>Projected Adopted Rate 15% + PY 2018 FY</b>	<b>Projected with No Rate Adjustment 2018 FY</b>	<b>Projected Adopted Rate 7.5% 2018 FY</b>
Revenues	\$ 10,938,885	\$ 11,317,086	\$ 12,463,637	\$ 14,718,487	\$ 12,463,637	\$ 13,398,410
Operating Expenses:						
Personnel Costs	\$ 3,033,810	\$ 2,808,714	\$ 3,030,114	\$ 3,259,279	\$ 3,259,279	\$ 3,259,279
Operations	4,870,393	5,046,607	5,818,716	5,848,982	5,848,982	5,848,982
Subtotal	\$ 7,904,203	\$ 7,855,321	\$ 8,848,830	\$ 9,108,261	\$ 9,108,261	\$ 9,108,261
Amount Available:	\$ 3,034,682	\$ 3,461,765	\$ 3,614,807	\$ 5,610,226	\$ 3,355,376	\$ 4,290,149
Debt Service	\$ 1,229,213	\$ 1,225,165	\$ 1,225,165	\$ 1,222,760	\$ 1,222,760	\$ 1,222,760
Debt Ratio requirement						
1.25:	2.47	2.83	2.95	4.59	2.74	3.51
Information gather from the City's Financial Statement						
Goal: Achieved in Year 1						
(No depreciation or capital outlay is included in this calculation)						

- Provide a positive net income by the second year of implementation. Table 3 shows Water Utility net income for FY 2016, projected net income for FY 2017 and net income levels for FY 2018 with and without the approved rate increases.

**Table 3**

<b>Generate positive net income in the second year</b>					
<b>City Financial Statement Water</b>	<b>Actual 2016 FY</b>	<b>Projected 2017</b>	<b>Projected with Rate 15% + PY 2018 FY</b>	<b>Projected With No Rate Adjustment 2018 FY</b>	<b>Projected with 7.5% Rate 2018 FY</b>
Operating revenues	\$11,317,086	\$ 12,450,523	\$ 14,705,867	\$ 12,450,523	\$ 13,385,313
Operating expenditures	9,335,275	10,374,043	10,658,613	10,658,613	10,658,613
Operating income (loss)	1,981,811	2,076,480	4,047,254	1,791,910	2,726,700
Nonoperating rev. & exp.	(474,074)	(616,790)	(520,467)	(520,467)	(520,467)
Net income (loss)	\$ 1,507,737	\$ 1,459,690	\$ 3,526,787	\$ 1,271,443	\$ 2,206,233

- Eliminate the Water Utility operating reserve deficit during the fourth year of implementation.

Provide a 90 day operating reserve by the fifth year of implementation; Table 4 below shows the operating cash in terms of days of reserves on hand.

**Table 4**

Generate positive net income in the second year						
City Financial Statement	Actual	Projected	Projected with 15% + PY Rate	Projected With No Rate Adjustment	Projected with 7.5% Rate	Projected with 15% Rate
Water	2016 FY	2017	2018 FY	2018 FY	2018 FY	2018 FY
Operating revt	\$ 11,317,086	\$ 12,450,523	\$ -	\$ 12,450,523	\$ 13,398,410	\$ 14,320,086
Operating exp	9,335,275	10,374,043	9,178,659	9,178,659	9,178,659	9,178,659
Operating in	1,981,811	2,076,480	(9,178,659)	3,271,864	4,219,751	5,141,427
Nonoperating	(474,074)	(616,790)	(520,467)	(520,467)	(520,467)	(520,467)
Net income (lo	\$ 1,507,737	\$ 1,459,690	\$ (9,699,126)	\$ 2,751,397	\$ 3,699,284	\$ 4,620,960

Wastewater Utility

The following provides a more comprehensive review of the City's Wastewater Utility.

The City's Wastewater Utility service is provided by a regional plant (Plant) that services Lompoc, Vandenberg Air Force Base (VAFB) and Vandenberg Village Community Services District (VVCS D). The City has entered into separate contracts with both VAFB and VVCS D. The contract terms provide each entity pay the full cost of their share of operational costs and capital/debt service costs based upon contractual terms. The contracts also provide for each entity to hold cash reserves with the City.

The approved Wastewater Utility rate adjustments are scheduled over a five-year period and are a uniform 10.5% per year effective July 1 of each year from 2014 to 2017. The initial adjustment of 21%, under the current approved rate structure, occurred in August 2013. Table 5 shows the Wastewater recommended, approved and affirmed rates.

**Table 5**

Wastewater Rates	2013	2014	2015	2016	2017
<b>Recommended</b>	21%	17%	11%	11%	11%
<b>Approved</b>	21%	10.5%	10.5%	10.5%	10.5%
<b>Affirmed</b>	21%	10.5%	10.5%	10.5%	-



The proposed Wastewater Utility revenues generated by the rate structure are anticipated to achieve certain goals outlined in the 2013 rate study, but some of the goals may not be achieved by the end of the rate setting authority on June 30, 2018.

- The planned rate adjustment goals are to ensure compliance with bond covenants in the first year of implementation as shown in Table 6 below:

**Table 6**

<b>Ensure compliance with Bond Covenants</b>					
<b>Wastewater</b>	<b>Actual 2015 FY</b>	<b>Actual 2016 FY</b>	<b>Projected 2017 FY</b>	<b>Projected Adopted Rate 10.5% 2018 FY</b>	<b>With No Rate Adjustment 2018 FY</b>
Revenues	\$ 12,357,864	\$ 14,975,556	\$ 14,422,081	\$ 15,792,189	\$ 14,422,081
Operating Expenses:					
Personnel					
Costs	\$ 2,352,728	\$ 2,442,540	\$ 2,688,152	\$ 2,844,689	\$ 2,844,689
Operations	3,800,213	4,682,456	5,192,209	4,935,210	4,935,210
Subtotal	\$ 6,152,941	\$ 7,124,996	\$ 7,880,361	\$ 7,779,899	\$ 7,779,899
Amount Available:	\$ 6,204,923	\$ 7,850,560	\$ 6,541,720	\$ 8,012,290	\$ 6,642,182
Debt Service for Bonds	\$ 1,483,483	\$ 1,482,550	\$ 1,494,743	\$ 1,495,100	\$ 1,495,100
Debt Ratio req. 1.25:	4.00	5.30	4.38	5.36	4.44
Available Balance	4,721,440	6,368,010	5,046,977	6,517,190	5,147,082
SRF Debt req: 1.00	\$4,580,079	\$4,580,291	\$4,580,291	\$4,580,291	4,580,291
Available Bal. after SRF	\$141,361	\$1,787,719	\$466,686	\$1,936,899	566,791
(No capital outlay or depreciation is included in this calculation)					

- Provide a positive net income.

While the projected results for the Wastewater Utility generate a positive net income by June 30, 2016 and in 2017 there will be a lower net income shown in Table 7 below.

**Table 7**

<b>Generate positive net income</b>				
City Financial Statement	Actual	Projected	Projected	With No Rate
Wastewater	2016 FY	2017 FY	Adopted Rate Adj. 2018 FY	Adjustment 2018 FY
Operating revenues	\$ 14,975,556	\$ 14,422,081	\$ 15,792,189	\$ 14,422,081
Operating expenditures	10,988,632	12,426,283	12,325,821	12,325,821
Operating income (loss)	3,986,924	1,995,798	3,466,368	2,096,260
Nonoperating rev. & exp.	(2,027,335)	(1,929,142)	(1,751,679)	(1,751,679)
Net income (loss)	\$ 1,959,589	\$ 66,656	\$ 1,714,689	\$ 344,581
Goal: Fiscal Year 2018-19				

- Reduce the Wastewater Utility operating reserve deficit by the fifth year of implementation of the rate structure.

While the days of cash on hand is dropping through FY 2015-2016, the rate of the drop is slowing which is resulting from the narrowing of the net loss from FY 2014-2015 to FY 2016-2017. Days of cash on hand will not begin to improve until the Wastewater Utility has a positive net income and related positive cash flow.

**Table 8**

<b>Build up Operation Reserve to 90-days of O&amp;M expenses</b>					
Wastewater	Actual	Actual	Projected	Projected	With No
	2015 FY	2016 FY	2017 FY	Rate Adj.	Rate
				2018 FY	Adjustment
					2018 FY
Estimated 90 Day Reserve Requirement (25%):	\$ 3,171,265	\$ 3,171,265	\$ 3,106,571	\$ 3,081,455	\$ 3,081,455
Operating Cash Balance	\$ (5,946,699)	\$ (3,661,624)	\$ (1,665,826)	\$ 1,800,542	\$ 430,434
Needed to meet 90 day reserve:	(9,117,964)	(6,832,889)	(4,772,397)	(1,280,913)	(2,651,021)
Days of reserves available:	(169)	(169)	(138)	(37)	(77)

Further rate adjustments may have to be made in the sixth year to:

- Provide a 25% (3-month or 90-day) operating reserve;
- Allow for full funding of the SRF’s payment reserve by September 1, 2019, equal to \$4,580,079;
- Allow funding for the Utility’s capital repair and replacement program.

Any rate adjustments beyond July 1, 2017, would require a rate study similar to the one conducted between 2011 and 2013 and the rate setting process would need to follow the Proposition 218 requirements. To have adequate time to conduct the study and related hearings, it is likely a rate study would need to be initiated during the Budget 2017-2019.

Solid Waste Utility and Landfill

Table 9 is a summarization of the rate status for Solid Waste.

**Table 9**

<b>Solid Waste</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Recommended</b>	3.6%	3.6%	3.6%	3.6%	3.6%
<b>Approved</b>	3.6%	3.6%	3.6%	3.6%	3.6%
<b>Affirmed</b>	3.6%	3.6%	3.6%	-	-

Table 10 illustrates projections for the Solid Waste Utility’s financial status based on the rate model used to set the rates and actual financial results for FY 2016 and projected results for FY 2017, projection FY 2018 is based on the Budget 2018-2019:

**Table 10**

<b>Solid Waste</b>	<b>Actual 2015 FY</b>	<b>Actual 2016 FY</b>	<b>Projected 2017 FY</b>	<b>Projected 3.6% Adopted Rate 2018 FY</b>	<b>With No Rate Adjustment 2018 FY</b>
Revenues	\$ 7,867,897	\$ 8,247,578	\$ 8,479,846	\$ 9,832,764	\$ 9,491,085
Operating Expenses:					
Personnel Costs	\$ 2,333,766	\$ 2,532,265	\$ 2,921,924	\$ 2,950,528	\$ 2,950,528
Operations	\$ 4,121,026	\$ 5,729,259	\$ 5,179,566	\$ 5,539,934	\$ 5,539,934
Debt Service	213,002	199,139	209,317	209,139	209,139
Subtotal	\$ 6,667,794	\$ 8,460,663	\$ 8,310,807	\$ 8,699,601	\$ 8,699,601
Amount Available:	\$ 1,200,103	\$ (213,085)	\$ 169,039	\$ 1,133,163	\$ 791,484
Capital Outlay	\$ 52,203	\$ 52,203	\$ 1,637,016	\$ 938,921	\$ 938,921
Amount applied towards operating cash balance	1,147,900	(265,288)	(1,467,977)	194,242	(147,437)
Operating Cash Balance	\$2,712,017	\$2,446,729	978,752	1,172,994	831,315
(1) Revenues do not reflect anticipated loan or use of reserves.					
(2) Expenditures do not reflect capital financed by the Calrecycle loan.					

Solid Waste Utility's goal is to build operational reserves to meet the target of a 25% (90-day) reserve as illustrated by Table 11.

**Table 11**

<b>Build up Operation Reserve to 90-days of O&amp;M expenses</b>					
Solid Waste	Actual 2015	Actual 2016 FY	Projected 2017 FY	Projected Adopted 2018 FY	With No Rate 2018 FY
Estimated 90 Day Reserve Req. (25%):	\$ 1,628,101	\$ 2,024,938	\$ 2,499,993	\$2,174,900	\$2,174,900
Op. Cash Bal. Yr End	\$ 2,712,017	\$ 2,935,163	\$ 1,488,138	\$2,621,301	\$2,304,641
Needed to meet 90 days Days of reserves available:	\$ 1,083,916	\$ 910,225	\$(1,011,855)	\$ 446,401	\$ 129,741
	150	130	54	108	95

**Conclusion:**

Affirmation of the adopted rate increase of 15% for Water, plus the deferred amount on the volumetric rate from last year, 10.5% for Wastewater, and 3.6% for Solid Waste collections and landfill fees will provide the three utilities with financial resources to achieve the goals set out at the time the rates were initially adopted. The affirmation would allow the rates to go into effect July 1, 2017. Those adjustments will continue to improve the health of the funds and meet the goals required by bond covenants and for self-sufficiency.

Respectfully submitted,

---

Melinda Wall, Financial Services Manager

**APPROVED FOR SUBMITTAL TO THE CITY MANAGER:**

---

Brad Wilkie, Management Services Director

**APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:**

---

Patrick Wiemiller, City Manager

Attachments: [January 31, 2017 Financial Reporting Graphs for Water, Wastewater, and Solid Waste Funds](#)