

Water and Sewer Rate Update *continued from front page*

consumption. A common misconception about allowance is it's somehow free or included in the base rate. The revenue to cover allowance water comes from a higher consumptive rate; making up the difference from higher consumption customers.

Customers using above 4,000 gallons per month were subsidizing customers using less than 4,000 gallons. Customers in the 2,000-4,000 gallon range were paying for consumption, but the consumptive charge did not fully cover the true cost to produce the water used.

There are several reasons why a water utility may have a consumption allowance, most of which don't apply to our small, homogenous water system. The water allowance did serve an important purpose at one time by ensuring enough revenue. The key to setting our water and sewer rates is having accurate data about consumption and meter multipliers to plug into our rate calculators. The City didn't have the capacity to collect, analyze and have confidence in those numbers at the time. With the change to new billing software, and maintaining accurate monthly data we can now feel confident in setting rates which will generate the revenue necessary to cover the budget.

One of the negative consequences of the water allowance is as we recovered from the flood and recession we began to generate excess revenue through the consumptive rate. This came at the expense of our large meter customers, businesses and families. This is the opposite of the aforementioned philosophy. Instead of budgeting for reserves, and distributing across all ratepayers, certain types of customers were contributing more than their fair share. With the City moving toward better budgeting, and focusing on being fair to all customers, it was time to say goodbye to water allowance. If you happen to be one of the few who sees a slight increase in your overall bill, or the consumption portion thereof, it was likely that one of your neighbors was covering your share of the water budget recovered through the consumptive rate.

Better Budgets

A key change to the City's water and sewer budgets are self-regulating line items, such as contingency and operating reserves. For example, the City maintains a 15% contingency for both water and sewer. If we aren't required to expend those funds, and see added revenue from growth as we have had over the

last few years, any excess funds reduce the required revenue used to calculate next year's rate. This year's rates reflect a \$30,000 credit from the water and sewer contingency funds. If circumstances warranted expending contingency funds, or saw reduction in revenue, the difference to replenish the contingency fund would be equally distributed in next year's rates. The City is also adding to reserve funds through the budgeting process year to year as an objective planned goal. This budget driven approach promotes rate stability, fairness and transparency.

Rate Changes for 2018-2019

While there is a small increase in both water and sewer base rates, a majority of customers will see a decrease in their monthly utility bill. Most of this decrease is due to an adjustment in the sewer loan payment. The following table shows old and new rates, as well as change, for a 3/4" meter.

	Water			Sewer		
	Base	Loan	Consumption	Base	Loan	Consumption
Old Rate	\$ 29.30	\$ 9.50	\$3.00/1000	\$ 23.95	\$ 55.27	\$2.31/1000
New Rate	\$ 30.70	\$ 9.50	\$1.80/1000	\$ 26.65	\$ 44.75	\$2.45/1000
Change	\$1.40	\$ -	\$1.20/1000	\$ 2.70	\$ 10.52	\$0.14/1000

The average 3/4" meter customer averages 4,600 gallons/month consumption over the course of a year. The previous utility bill, including the \$2.00 parks fee, was \$138.45; with the new rates, the average utility bill will be \$133.15.

The Future Looks Good

Just like the cost of all the products and services we purchase, our base rates will most likely never decrease. However, with the increase in new homes in Vernonia, we will have more customers to share the base portion of the budget, which leads to base rate stability.

Where we can achieve lower rates is by paying off loans. With a restructuring of our sewer loans as part of the new sewer lagoon upgrade, the City was able to make a significant decrease in the sewer loan payment this year. And it keeps getting better! In the next 18 months the City will be paying off one of our sewer loans, which will result in another significant decrease in the sewer loan rate. Of course with future expansion and time the City will undoubtedly need to borrow money for future projects. But as I mentioned, we are funding reserves through the budget, which will allow us to borrow less money when that time comes. By saving a little now, we

stand to save a lot in the future.

Learn More and Get Involved

The City has Utility Rate Information sheets available at City Hall with more information about rates and rate structures for those who are interested. The City is also seeking to fill open positions on the Public Works Committee. This is a great opportunity for anyone interested in learning about, and helping guide the City's efforts in providing the water, sewer, storm drains and streets our rate and taxpayers expect and deserve. City staff and the Public Works Committee are currently working on several projects and issues related to streets and storm drainage. It's a great time to get involved!

Myself, Financial Director Angie Handegard, and City Administrator Josette Mitchell have worked hard to provide the citizens of Vernonia with a more fair, lower overall average utility bill this year, but that's our job, and

we're glad to do it. The members of the Public Works Committee and City Council were equally involved as volunteers and your elected officials - in particular, Public Works Committee member Dale Webb and City Councilor Bruce McNair. Dale and Bruce have been instrumental in helping develop and implement a utility rate philosophy, which will serve the community well for years to come.



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