

Adjusting Water & Wastewater Rate Structures

April 2021

Item #201022



Goals

- Simplify rate structures
- Consistency with other utilities
- Promote water conservation
- Financial sustainability

Water Rate Adjustments

Summary of Water Adjustments

- Adjust third-tier usage cutoff to >12 kgal
- Adjust City of Alachua wholesale rate up to \$2.67/kgal
- Adjust second-tier rate to match general service rate (cost of service) – from \$3.77 to \$3.87

Adjust Third Tier to >12 kgal

Residential Tiered Water Rates

Current (FY2021)			Proposed (FY2022)		
Rate/kgal	Tier	% of Revenue	Rate/kgal	Tier	% of Revenue
\$2.47	0-4	58%	\$2.47	0-4	57%
\$3.77	5-16	29%	\$3.87	5-12	25%
\$6.04	>16	13%	\$6.04	>12	18%

- Improved financial stability
- Promotes water conservation
- Supports long-term water supply
- Potential increase in wells

Water Rate Adjustments

- **City of Alachua Water Rate**

Adjust City of Alachua water rate to City of Alachua commercial/second-tier residential water rate = \$2.67

- Significant step toward cost of service
- City of Alachua current rate = \$1.62
- Minor revenue impact, but more equitable for all customers

- **Second-Tier Residential Water Rate**

Adjust second-tier residential water rate to be equivalent to general service water rate

- Adjustment to cost of service
- Increase rate from \$3.77/kgal to \$3.87/kgal
- Consistent with City Commission direction of water conservation rates

Wastewater & Reclaimed Water Rate Adjustments

Summary of Wastewater Adjustments

- Adjust commercial wastewater from 95% of water usage to 100% of water usage
- Remove winter maximum from calculation for wastewater and replace with actual water use with 12 kgal cap
- Increase RCW by \$0.235/kgal (50% of potable water)
 - Proposed RCW rate = \$1.235/kgal

Commercial Wastewater

- **Eliminate 95% multiplier on commercial sewer accounts**
 - Improved financial stability
 - Consistent practice at most utilities
 - More representative of actual use

Replacing Winter Max with 12kgal Cap

Remove winter maximum calculation to determine wastewater charge. Replace with actual water usage up to 12 kgal

- Wastewater charge determined by actual water usage
- Wastewater charge will not exceed 12 kgal
- Consistent with other utilities
- Simplifies billing
- Promotes water conservation

Reclaimed Water Rate

Increase RCW rate \$0.235/kgal (RCW rate = \$1.235/kgal)

- RCW rate will equal 50% of potable water rate
- Promotes reclaimed water conservation
- Promotes long-term water supply

Summary: Recommended Adjustments

- Adjust water third-tier cutoff to >12kgal
- Adjust City of Alachua wholesale water rate to \$2.67/kgal
- Adjust second-tier water rate to \$3.87/kgal
- Adjust commercial wastewater to 100% of water usage
- Replace winter maximum with water use with 12kgal cap
- Increase reclaimed water rate to \$1.235/kgal

Recommendation

The City Commission:

- 1) Direct the City Attorney to draft required ordinance language to implement the recommended rate structure modifications
- 2) Direct the Clerk to advertise later this year along with other rate modifications for an anticipated Oct. 1, 2021 implementation date