



Agenda Commentary

Item Title/ Subject: Temporary Water Rate Increase - Resolution

Staff Source: City Manager, Steve Hewitt

Date: November 10, 2011

History/Background Information: Last month staff recommended a rate increase to cover growing costs, due to our Foss water consumption. Staff informed Council that the lake was being monitored daily and in the near future the City may need to suspend Clinton Lake operations. Staff continues to work with Garver Engineering regarding a supplemental water plan and reestablishing our water rights and water wells.

Last meeting staff reported that Clinton Lake is off-line (only 22,000,000 gallons of volume remaining). Until the alternative source is available or moisture replenishes the lake to operable levels, the City will be purchasing nearly 100% of its water from the Foss facility. Staff was hoping our 30-35% usage of Clinton could supply our community needs for a few months. However, the levels dropped very rapidly as the "bowl" of water reduced daily.

Subject Summary: The City has subsidized water since June. The rate increase approved in early October, covered the 35% scenario, which would protect an annual \$400,000+ net loss. The scenario changing to 100% creates a new annual loss of \$600,000+. The Public Works Authority cannot subsidize utilities at this level. Another temporary rate increase to cover the basic costs must be considered.

Staff contacted City of Arapaho regarding our agreement to supply them water. The rate (according to the agreement) can only be increased if the Clinton notifies Arapaho before April 1st and cannot take effect until July 1st. We have asked Arapaho to consider revisiting the agreement due to the current situation. City of Arapaho has a City Council meeting next Thursday and plans to discuss this issue.

Recommendation: Staff is recommending an across the board increase of \$1.07 per 1000 gallons of water consumed. (See Resolution and table attachments for price breakdown) This will cover the increased costs of purchasing 100% of Clinton water from the Foss facility. Anticipating the replenishing of Clinton Lake may take a year or longer, Staff is also asking for a \$1.00 increase on the first 2000 gallon base price (\$11.88 to \$12.88). This will help offset projects such as, lake improvements, water wells, and other non-budgeted and capital costs (relating to water).

This would be a temporary increase. When supplemental water supplies become available and are able to reduce our Foss consumption, staff will request a rate reduction. Staff is very aware how this can impact our community. Staff will continue to monitor this on a regular basis and continues to work on all alternative/supplemental water options.

I strongly recommend we continue to add to our water portfolio. We need a diverse way of supplying our community. Our long-term plan is critical for our future. This is a serious situation and staff will continue to do its due diligence. *Our goal is to offer quality sustainable affordable utilities for our community.*

Price/Cost: Cover the Foss Facility overages.

RESOLUTION NO. PW11-3

**RESOLUTION TEMPORARILY AMENDING
RESOLUTION NO. PW11-2 PERTAINING TO CITY OF
CLINTON WATER RIGHTS**

WHEREAS the City of Clinton is currently experiencing a severe drought.

WHEREAS the City of Clinton has been forced to alter our percentage of water consumption due to drought, to the extent that the City is now purchasing approximately 100% of our water from Foss Lake.

WHEREAS the City of Clinton recently amended the water rates water rates based on 65% of our water consumption coming from Foss Lake.

WHEREAS it is necessary for the City of Clinton to temporarily increase water rates again, to make up for the increased costs of purchasing water from Foss Lake.

NOW THEREFORE, be it resolved by the Mayor and Council of the City of Clinton, Oklahoma:

The rates charged for water shall be as follows:

INSIDE CITY LIMITS

	Consumption Range					
Base Rate	2,001-4,000	4,001-14,000	14,001-100,000	100,001-500,000	500,001-UP	Arapaho
\$12.88/ 2,000 gallons	\$4.03/ 1,000 gallons	\$4.07/ 1,000 gallons	\$4.64/ 1,000 gallons	\$4.28/ 1,000 gallons	\$4.08/ 1,000 gallons	\$3.84/ 1,000 gallons

REVIEW

These water rates are temporary, given our current drought situation, and shall be reviewed by the Public Works Authority each month, at the Authority’s second meeting of the month.

Passed and approved this ____ day of _____, 2011.

Allen Bryson, Chairman

ATTEST:

Lisa Anders, Secretary



Memorandum

To: Steve Hewitt, City Manager

From: Debra Blanchard, City Treasurer

A handwritten signature in cursive script that reads "Debra".

Date: 11-10-11

Re: Water Cost Analysis

I have prepared a water cost analysis based on FY 10-11 financial information and water consumption information. In this FY, the water produced by Clinton Lake was approximately 65% and purchased from Foss was 35%. The first attached sheet is the scenario of reversed production and purchase totals, with 65% being purchased from Foss and 35% produced by Clinton Lake. It was this analysis which prompted the temporary rate increase approved by Council in early October. Now with Clinton having to pull 100% from Foss Reservoir, I have prepared the analysis with the same data, as seen on the second attached sheet.

In the reversed 65/35% scenario, the City would be at a \$.60 loss per thousand gallons, or approximately -\$402,000 total net loss. Now will the scenario changed to all water being purchased from Foss Reservoir, the City would experience an additional \$1.04 loss per thousand gallons, or -\$698,000 total additional net loss.

I have rate change scenarios attached, with the current rate on Schedule C. This is the rate approved in early October. Schedules A, B, and D are varied from \$1.00 to \$1.07 increase per thousand. I have also included at the top of this page the increase of \$1.00 on the base rate.

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City of Clinton Cost of Water per 1000 Gallons	REVERSED WATER SCENERIO		
	FY10-11 CLINTON	FOSS	TOTALS
Water Production			
Clinton Lake Production	273,936,220		
Foss Purchased		<u>512,154,000</u>	
Total Production/Purchased			786,090,220
Total Consumption Billed			671,884,100
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FY10-11			
Costs			
Clinton Water Treatment Plant			
Operating Costs	\$510,394		
Cost per thousand to Produce	\$1.86		
Foss MCD			
Annual Assessment		\$765,335	
Excess Purchases		<u>\$667,371</u>	
Total Foss Costs		\$1,432,706	
Cost per thousand to Purchase		\$2.80	
Clinton PWA Admin Dept.			
Operating Costs	\$498,418		
Adjusted for Administrative Revenues (Penalties, Test Fees, Taps, Reconnects, etc.)	<u>(\$164,724)</u>		
Clinton PWA Admin Dept. Adjusted Operating Costs	\$333,694		
Clinton PWA Water Maintenance Dept.			
Operating Costs - Distribution System	\$312,266		
Total Clinton Costs	\$1,156,354		
Cost per thousand to Produce	\$2.26		
Total Clinton & Foss Costs (Treatment/Admin/Distribution)			\$2,589,060
divided by Produced/Purchased per 1000			786,090
Cost per thousand Produced/Purchased			<u>\$3.29</u>
Total Clinton & Foss Costs (Treatment/Admin/Distribution)			\$2,589,060
divided by Consumption Billed per 1000			671,884
Cost per thousand Billed			<u>\$3.85</u>
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Water Revenue			\$2,186,466
divided by Consumption Billed per 1000			671,884
Water Revenue per 1000			<u>\$3.25</u>
Net Profit(Loss) per 1000			(\$0.60)
Net Revenue(Loss)			<u>(\$402,594)</u>

City of Clinton Cost of Water per 1000 Gallons	REVERSED WATER SCENERIO FY10-11		
Water Production	CLINTON	FOSS	TOTALS
Clinton Lake Production	0		
Foss Purchased		<u>786,090,220</u>	
Total Production/Purchased			786,090,220
Total Consumption Billed			671,884,100
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FY10-11			
Costs			
Clinton Water Treatment Plant			
Operating Costs	\$510,394		
Cost per thousand to Produce	na		
Foss MCD			
Annual Assessment		\$765,335	
Excess Purchases		<u>\$1,365,908</u>	
Total Foss Costs		\$2,131,243	
Cost per thousand to Purchase		\$2.71	
Clinton PWA Admin Dept.			
Operating Costs	\$498,418		
Adjusted for Administrative Revenues (Penalties, Test Fees, Taps, Reconnects, etc.)	<u>(\$164,724)</u>		
Clinton PWA Admin Dept. Adjusted Operating Costs	\$333,694		
Clinton PWA Water Maintenance Dept.			
Operating Costs - Distribution System	\$312,266		
Total Clinton Costs	\$1,156,354		
Cost per thousand to Produce	na		
Total Clinton & Foss Costs (Treatment/Admin/Distribution)			\$3,287,597
divided by Produced/Purchased per 1000			<u>786,090</u>
Cost per thousand Produced/Purchased			\$4.18
Total Clinton & Foss Costs (Treatment/Admin/Distribution)			\$3,287,597
divided by Consumption Billed per 1000			<u>671,884</u>
Cost per thousand Billed			\$4.89
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Water Revenue			\$2,186,466
divided by Consumption Billed per 1000			<u>671,884</u>
Water Revenue per 1000			\$3.25
Net Profit(Loss) per 1000			(\$1.64)
Net Revenue(Loss)			(\$1,101,131)

Water Rate Increase Proposals

Base Price Increase

Approx. Number of Customers	4,282	Base Price is \$11.88
Base Price Increase	1.00	0-2000 gallons covered by base price
Increase per month	4,282.00	
Increase per year	<u>51,384.00</u>	New Base Price \$12.88

Volume Price Increase

	Consumption Range	Consumption Range	Consumption Range	Consumption Range	Consumption Range	Consumption Range
Schedule A \$1.00 over curr	2100-4000	4100-14000	14100-100000	100000-500000	500100-99999999	Arapaho
Est. Avg Consumption	34,271,300	175,384,500	139,123,100	99,788,000	184,140,500	27,476,000
Divide 1000	34,271.3	175,384.5	139,123.1	99,788.0	184,140.5	27,476.0
Increase Per 1000 Price	1.75	1.90	2.00	1.45	1.25	0
Total Consumption Category	59,974.78	333,230.55	278,246.20	144,692.60	230,175.63	0.00
New Price per 1000	3.96	4.00	4.57	4.21	4.01	3.84
Total Volume Price Increase A	1,046,319.75					

Volume Price Increase

	Consumption Range	Consumption Range	Consumption Range	Consumption Range	Consumption Range	Consumption Range
Schedule B \$1.04 over curr	2100-4000	4100-14000	14100-100000	100000-500000	500100-99999999	Arapaho
Est. Avg Consumption	34,271,300	175,384,500	139,123,100	99,788,000	184,140,500	27,476,000
Divide 1000	34,271.3	175,384.5	139,123.1	99,788.0	184,140.5	27,476.0
Increase Per 1000 Price	1.79	1.94	2.04	1.49	1.29	0
Total Consumption Category	61,345.63	340,245.93	283,811.12	148,684.12	237,541.25	0.00
New Price per 1000	4.00	4.04	4.61	4.25	4.05	3.84
Total Volume Price Increase B	1,071,628.05					

Volume Price Increase

	Consumption Range	Consumption Range	Consumption Range	Consumption Range	Consumption Range	Consumption Range
Schedule C Current	2100-4000	4100-14000	14100-100000	100000-500000	500100-99999999	Arapaho
Est. Avg Consumption	34,271,300	175,384,500	139,123,100	99,788,000	184,140,500	27,476,000
Divide 1000	34,271.3	175,384.5	139,123.1	99,788.0	184,140.5	27,476.0
Increase Per 1000 Price	0.75	0.90	1.00	0.45	0.25	0
Total Consumption Category	25,703.48	157,846.05	139,123.10	44,904.60	46,035.13	0.00
New Price per 1000	2.96	3.00	3.57	3.21	3.01	3.84
Total Volume Price Increase C	413,612.35					

Volume Price Increase

	Consumption Range	Consumption Range	Consumption Range	Consumption Range	Consumption Range	Consumption Range
* Schedule D \$1.07 over curr	2100-4000	4100-14000	14100-100000	100000-500000	500100-99999999	Arapaho
Est. Avg Consumption	34,271,300	175,384,500	139,123,100	99,788,000	184,140,500	27,476,000
Divide 1000	34,271.3	175,384.5	139,123.1	99,788.0	184,140.5	27,476.0
Increase Per 1000 Price	1.82	1.97	2.07	1.52	1.32	0
Total Consumption Category	62,373.77	345,507.47	287,984.82	151,677.76	243,065.46	0.00
New Price per 1000	4.03	4.07	4.64	4.28	4.08	3.84
Total Volume Price Increase D	<u>1,090,609.27</u>					

Revenue Increase Base + Volume

Schedule A	1,097,703.75
Schedule B	1,123,012.05
Schedule C	464,996.35
Schedule D	<u>1,141,993.27</u>