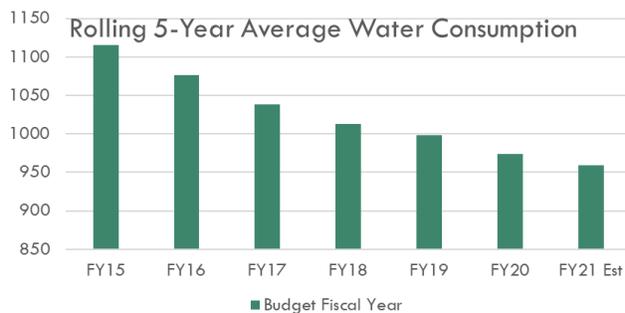


## Water Rate Changes effective May 1, 2020

On February 18, the City Council granted final approval of an Ordinance setting forth the rates for water service effective May 1, 2020. The City's Water and Sanitary Sewer Fund is designated as an enterprise fund, thereby receiving no subsidy or property tax revenue to operate. Therefore, the user fees established for water and sanitary sewer services must be sufficient to pay all operating, capital and debt service costs associated with the utility. The long term financial forecast for the Water and Sanitary Sewer Fund provides for an annual increase in revenue of 2.5% to support inflationary cost increases, largely driven by personnel costs.

The City's water rate methodology is to set rates based on a rolling five year average of water consumption and uses a blended rate structure with both fixed and variable fees. Approximately 90% of the utility costs are fixed and will not vary based on water consumption, but only 20% of the water fund revenue is fixed. Summer weather conditions dramatically impact the City's annual water revenue and budget variances as much as \$1 million can occur in any given year, requiring the City to maintain sufficient reserves to provide rate stability year to year. For the FY20 fiscal year recently completed, water fund revenue is projected to fall \$650,000 short of budget projections.



Another challenge with rate setting for water consumption is an overall nationwide trend of reduced consumption. Consumers are more mindful of the need for water conservation. Plumbing fixtures such as toilets and showers are increasingly intended to reduce water consumption.

This general downward trend in consumption forces rates higher to generate the revenue required to operate the utility.

The City Council Finance Committee reviewed water consumption, water rate methodology and options for water rate adjustments at its November 12 budget workshop and again on January 21. The FY21 rates approved by the City Council reflect a desire to mitigate the impact of water rate adjustments on low volume users.

Annual revenue for the increased fees is projected to total \$174,875 overall, achieving a 2.5% increase in projected revenue for FY2021.

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Estimated impacts on varying classes of customers are as follows (actual results will vary based on consumption):

Usage Category	# of Accts	Annual Impact (\$)	Annual Impact (%)
Impact – Low Usage Residential	1496	\$27	6.1%
Impact – Med Usage Residential	4550	\$61	4.1%
Impact – High Usage Residential	460	\$223	4.8%
Impact – High Usage Commercial	317	\$972	3.1%
Impact – Average Usage Commercial		\$294	3.9%

The approved water rates will be reflected on utility bills generated on or after May 1, 2020. Due to the COVID 19 pandemic, the City has temporarily suspended penalties on utility bill payments received after their due date. Questions regarding your utility bill may be sent to Sara Hartnett at [hartnets@cityoflakeforest.com](mailto:hartnets@cityoflakeforest.com). Questions via email are encouraged while City employees work from home.