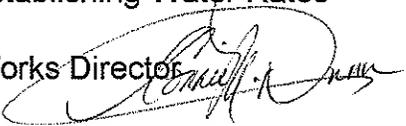


SULTAN CITY COUNCIL

AGENDA ITEM COVER SHEET

ITEM NO: C - 8
DATE: April 9, 2009
SUBJECT: Set Public Hearing – Establishing Water Rates
CONTACT PERSON: Connie Dunn, Public Works Director 

ISSUE:

The issue before the City Council is to set a Public Hearing for April 23, 2009 during the City Council Meeting to take public comment on establishing Water Rates for 2010 through 2014.

STAFF RECOMMENDATION:

City staff recommends the Council set a Public Hearing for April 23, 2009 during the regular Council Meeting to take comment on establishing water rates for residential and commercial properties within the Sultan Water Service Area.

SUMMARY:

The need to increase water rates is driven by three primary factors:

1. Current revenues do not support an ongoing capital improvement program. Rate increases are needed to fund the capital improvements to serve current customers.
2. The City financial plan suggests that operating and maintenance costs will increase an average of about 3.5 percent per year. Water rates represent about 82 percent of the water system's annual revenues. Non-rate revenues are relatively static and not expected to increase with increased costs (in fact, interest earnings will decline as reserves are used). Therefore, increased operating and maintenance costs of 3.5 percent per year will require rate increases of about 4.25 percent over a six year period.
3. It is not realistic to expect that water rate increases can be limited to the general rate of inflation. To meet both ongoing operating as well as capital improvement needs, rate increases ranging from 4 to 10 percent per year are required during the next five years.

BACKGROUND:

City staff have endeavored to keep the council and community informed and involved in the discussion during completion of a water rate study:

Council Approved contract with FCS, Inc. at the April 10, 2008 Council Meeting
Discussion on February 12, 2009 Council Meeting
Presentation at the March 21, 2009 Council Retreat
Presentation on April 9, 2009 Council Meeting

FISCAL IMPACT:

The City will need to increase water rates to address the financial situation and meet on going operating and capital program costs.

RECOMMENDED ACTION:

Set a Public Hearing for April 23, 2009 during the regular City of Sultan Council meeting to take comment on establishing water rates for residential and commercial properties within Sultan Water Service Area.

COUNCIL ACTION: