

Water and Sewer Rate Increase Discussion

We are presently working with a consultant to develop updated Water and Sewer System Master Plans. With the master plans complete, the consultant will then use them to develop Capital Facilities Plans and also do a Water and Sewer Rate Structure Analysis as well as Water and Sewer Impact Fee Analysis.

Water Fund

The Water Fund is significantly depleted at the present time and current revenues are not sufficient to rebuild the water fund balance while at the same time providing adequate funding for capital improvements. While we would normally wait until the master plan work and rate analysis are complete before moving ahead with a rate adjustment, our needs are such that we are recommending a 15% water rate increase now with the possibility of additional rate increases to follow next year based on the outcome of the above described studies.

This increase would be applied to the summer demand charge and would increase it from \$0.48 / hcf to \$ 0.60 / hcf (hcf = hundred cubic feet or 748 gallons). The average residential customer would see an increase of \$27.84 annually resulting in a \$4.64/month increase during the summer months (May-Oct) and no increase Nov-April. Obviously, larger users would see a greater increase and smaller users would see less increase. Attached is a graph which compares Provo with other Utah County cities with regard to average annual water cost both before and after the proposed rate increase.

Sewer Fund

The sewer fund is in better shape than the water fund, but we know that we are facing significant capital improvement costs associated with collection system upgrades and expansion. These upgrades will be detailed in the master plan and capital facilities plan described above. It is our recommendation that we wait until the consultant has completed the updated Sewer Master Plan, the Sewer Capital Facilities Plan, the Sewer Impact Fee Analysis, and the Sewer Rate Structure Analysis before discussing the potential need for a sewer rate increase.