

A close-up, high-speed photograph of water splashing, creating a dynamic, curved shape that frames the text. The water is clear and shows fine details of bubbles and ripples. The background is a soft, out-of-focus grey.

# QUARTERLY WATER RATE STUDY

Manzanita City Council  
Work Session  
September 11, 2024

# OVERVIEW

- BACKGROUND
- GUIDING PRINCIPLES
- HISTORY AND BACKGROUND OF WATER RATE CHANGES
- METHODOLOGY AND APPROACH
- HOW WATER RATES ARE CALCULATED
- USER CHARACTERISTICS
- WATER RATE STRUCTURE CRITERIA
- COMPARABLE OPTIONS FOR QUARTERLY BILLING
- RECOMMENDATIONS

# BACKGROUND

- 
- Rates in 2008 were \$34.50 base rate for SFR with an allowance of 6 units
  - City did a rate study in 2015 and increased the rate to \$39.50 (less than was recommended by OAWU) decreased the allowance to 4 units and adopted meter multiplier for larger connections
  - Did not adjust water rates for inflation since 2008
  - City updated its Water Master Plan in 2021
  - Initiated water rate study in 2022

# BACKGROUND

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- April 12, 2023 Work Session
- May 10, 2023 Work Session
- June 14, 2023 Work Session
- July 5, 2023 Unanimously adopted by City Council
  - Reduced water allowance to 2000 gallons, monthly reading/billing, new rates and tier rate structure
- Implemented new rates / structure in October 2023
- June 2024, City Council voted to NOT adjust rates for inflation.



City of Manzanita

## COUNCIL RESOLUTION No. 23-19

### A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MANZANITA, OREGON, AMENDING WATER SERVICE RATE SCHEDULE

**WHEREAS**, the City of Manzanita operates a municipal water system including the pumping of subsurface water, storage, testing, and distribution of finished water and all functions related to operation and maintenance of a public water system as governed by Federal, State and local law; and

**WHEREAS**, the City desires to operate its water system as a self-supporting activity in accordance with the requirements of the City Charter and City Comprehensive Plan; and

**WHEREAS**, Section 17 of Ordinance 90-8 authorizes the City Council to adopt by resolution such water rates and services charges as the Council deems to be in the interest of operating and maintaining the City water system; and

**WHEREAS**, the current monthly water service rate schedule adopted by Resolution 14-12 does not generate enough revenue to keep the water system self-supporting; and

**WHEREAS**, a water rate study prepared by the Oregon Association of Water Utilities recommends adjusting the water service rate schedule;

**Now, Therefore, be it Resolved by the City Council of the City of Manzanita** that effective August 1, 2023, the monthly water service rate schedule contained in Resolution 14-12 is hereby rescinded, and the water service rate schedule attached hereto as Exhibit A is hereby adopted.

Introduced and adopted by the City Council on July 5, 2023

This resolution is effective on July 6, 2023

Handwritten signature of Deb Simmons in cursive script.

Deb Simmons, Mayor

ATTEST:

Handwritten signature of Leila Aman in cursive script.  
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Leila Aman, City Manager/ City Recorder

# BACKGROUND

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- Water utility is governed by the city charter and Ordinance 90-8
  - ENTERPRISE FUND – water utility funds are kept separate and used strictly for the purpose of operation and maintenance of the city's water supply system.

**OAR 150-294-0420**

Governmental Fund Definitions

Enterprise Funds — To account for operations:

(A) That are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges;

- New monthly rates were adopted by City Council in July 2023 and were put into effect in October of 2023.
- APRIL 3, 2024, city council adopted Ordinance 24-01 - A housekeeping amendment to Ordinance 90-8 to allow for monthly billing / meter reading
- APRIL 8, 2024, Randy Kugler submitted a prospective petition for a referendum to refer 24-01 to the voters– referendum was approved by the County Clerk in May and assigned a measure number

# BALLOT MEASURE 29-179

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## **BILLING CYCLE FOR WATER SERVICE**

- **CAPTION:**

- Adopts water service billing cycle change from quarterly to monthly.

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- **QUESTION:**

- Shall the City of Manzanita read water meters and bill for water service on a monthly basis rather than quarterly?

- **SUMMARY:**

- On April 3, 2024, the Manzanita City Council enacted Ordinance No. 24-01 which amended Ordinance No. 90-8 to allow for monthly readings of water meters and monthly billing for water service. If the referendum passes, the City would read water meters and bill for water service once per month instead of once per quarter. A “yes” vote is a vote to adopt the City Council’s decision to change the billing cycle for water service from quarterly to monthly. A “no” vote is a vote to revert to quarterly billing.

Staff initiated a quarterly rate study with OAWU to provide a factual basis for developing a quarterly rate

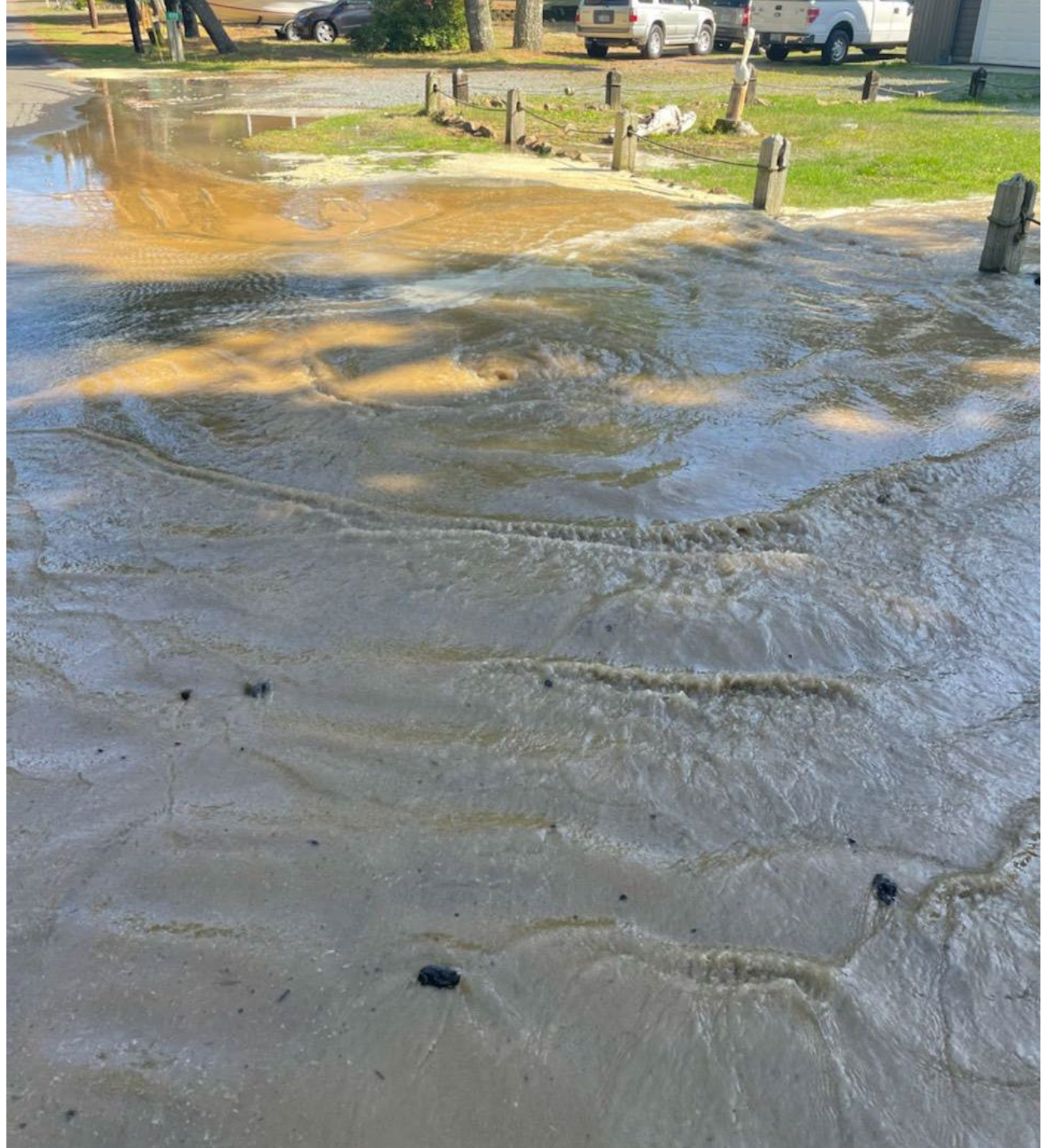
# Definitions

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- ALLOWANCE – amount of water received as part of the base rate charge.
  - BUDGET – single monetary line, costs for personnel, materials, debt service, contingency and Capital Improvement Projects.
  - BASE RATE – a monthly charge to all consumers to cover costs associated with fixed expenses.
  - CONSUMPTION – amount of water a user will consume over a given period.
  - CONSUMPTION RATE – a charge per unit of water over the allotted amount of water provided as an allowance.
  - COST TO DELIVER – the cost to deliver a single gallon, or unit of water to the tap of the customer.

# Guiding Principles

- The budget is designed to cover the cost of production based on actual usage, supports operations and maintenance of the system, and provides for an adequate reserve.
- Maintenance means ensuring we have a reliable, safe and resilient water system.
- Rates ensure that Single Family Residential (SFR) customers, who represent the largest proportion of customers, pay the lowest rates possible.
- There is an equitable system in place for customers who use more water, and that they pay more for that usage but at the most reasonable rate possible to support the system.
- Rates are designed to support water conservation.
- Water utility is self sustaining





# Quarterly Rate Study

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- Relies on the same methodology, data and guiding principles used for the monthly rate study
  - Uses the 2022-2023 budget as the basis (apples to apples)

# If only.....

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- Inflation for water and sewer maintenance since 2008 has been, on average 4.69%
- An equivalent purchase of \$34.50 (base rate for SFR in 2008) would be \$68.64 for 4 units of water
- Using the current monthly rate of \$47.56 (2 units) + (2 units x \$9.50) \$19 = \$66.46 for 4 units of water

Table 1 – Base and Consumption Rates for SFR Rate Payers - Inside city limits

Date:	Base Rate	Consumption Rate	Budget	Allowance	Cost to Deliver <sup>1</sup>
May 1, 2008,	\$34.50	\$1.50 – per unit *	\$0.68 M	6,000 gals.	\$8.13
June 1, 2015,	\$39.50	\$2.50 – per unit *	\$1.06 M	4,000 gals.	\$9.82
Oct 1, 2023,	\$47.56	\$9.50 – per unit **	\$1.68 M	2,000 gals.	\$20.84

<sup>1</sup> – cost to deliver 1,000 gallons of water to the tap.

\* - single tier.

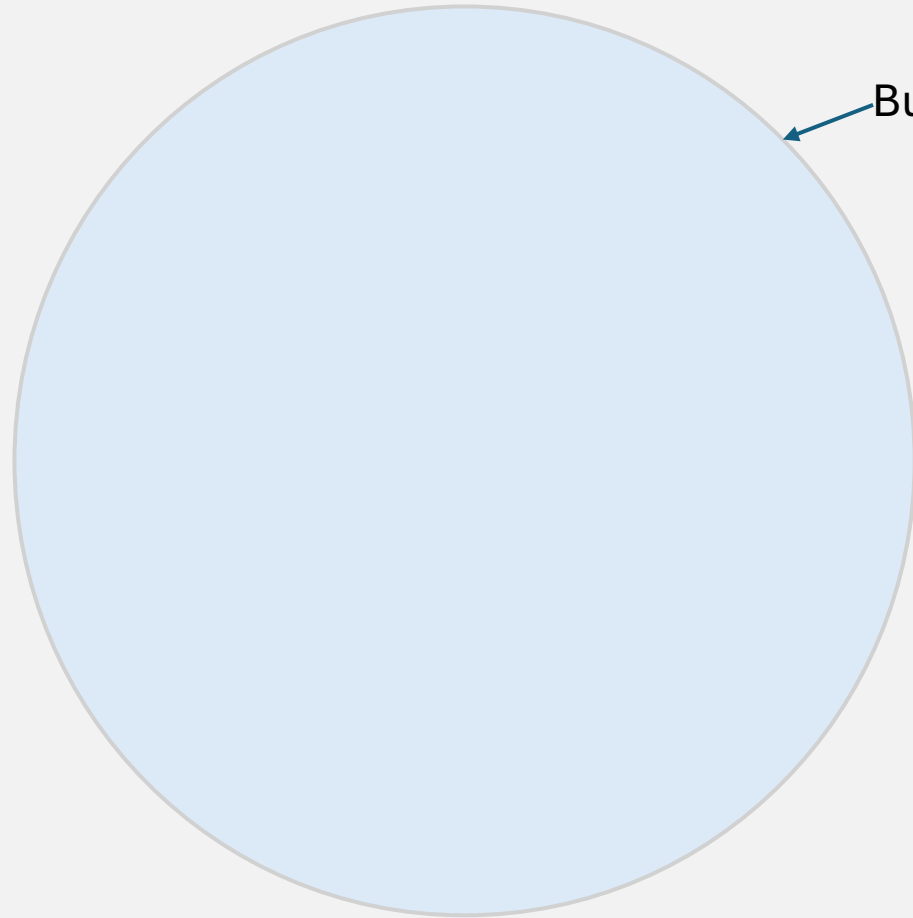
\*\* - multi-tier format, \$9.50 represents tier 1, \$11.00 – tier 2, and \$12.25 – tier 3.

# Change in allowance

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- Rates ensure that Single Family Residential (SFR) customers, who represent the largest proportion of customers (95% of all users) pay the lowest rates possible.
  - Allowance is the minimum amount of water based on historical usage it enables us to establish a reasonable production estimate which informs our budgeting
  - Allows the utility to charge people for what they use **and** provides the lowest base rate possible
  - Previous budgets did not account for the actual cost of production of 4 units of water per SFR rate payer
  - Using fact based data from our own community makes it easier, more predictable to budget for and its fair to the customer
  - Fiscally responsible (and fair) for the city to budget for what it expects customers to use

# How Rates are Calculated

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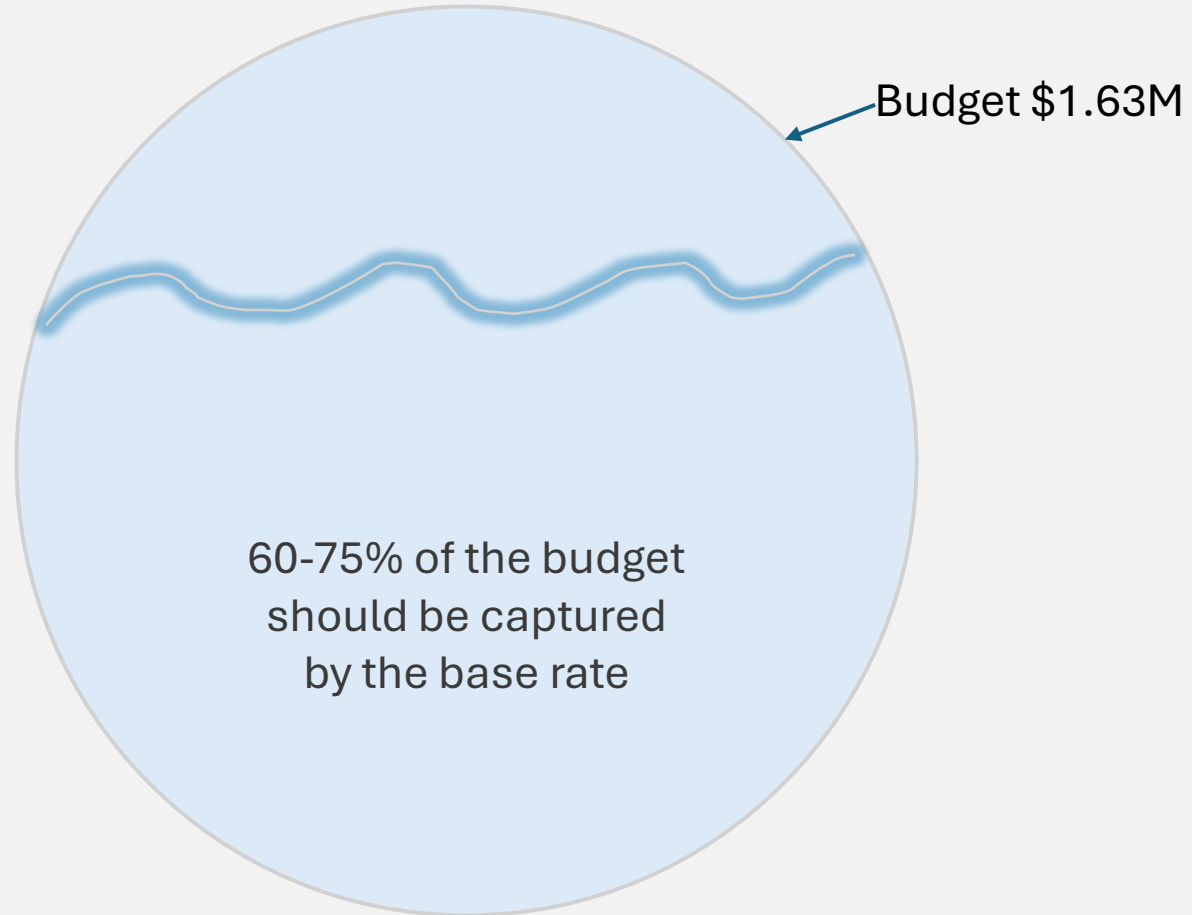
Budget \$1.68M

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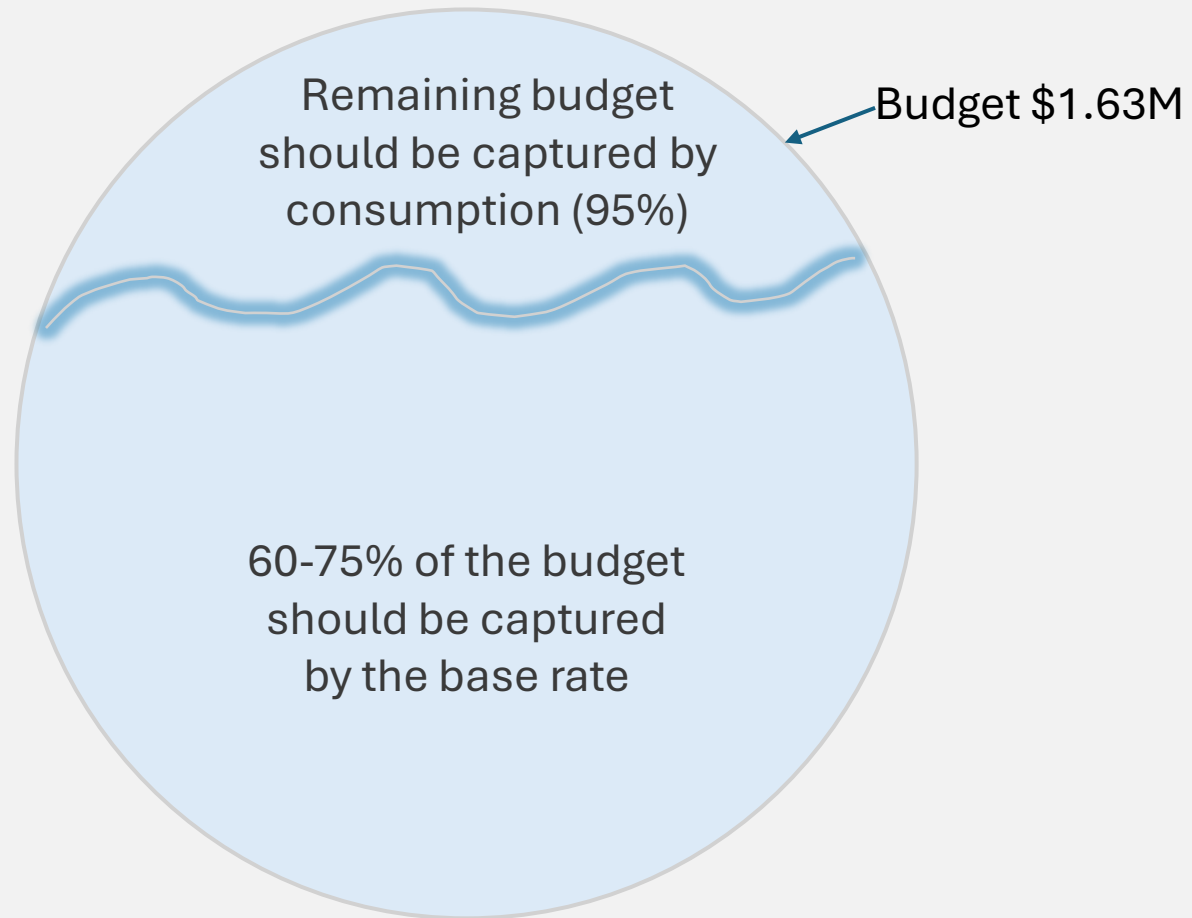
# How Rates are Calculated

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# How Rates are Calculated



# How allowances are determined

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- Historic data allows us to see patterns of usage within our own, unique community and design a rate that provides for the lowest possible cost for the majority of users which are SFR users
  - Average usage is 1,600 gallons per month for SFR
  - Average for all users is 5,700
  - Recent data pulled for October 2023-July 2024 support these findings
  - This information and the allowance allows us to best estimate production costs associated with operating our system

# Rate payers within the base rate (SFR Inside)

# 75%

Average of all rate payers between Oct-July are within the base rate and use 2000 gallons of water or less.

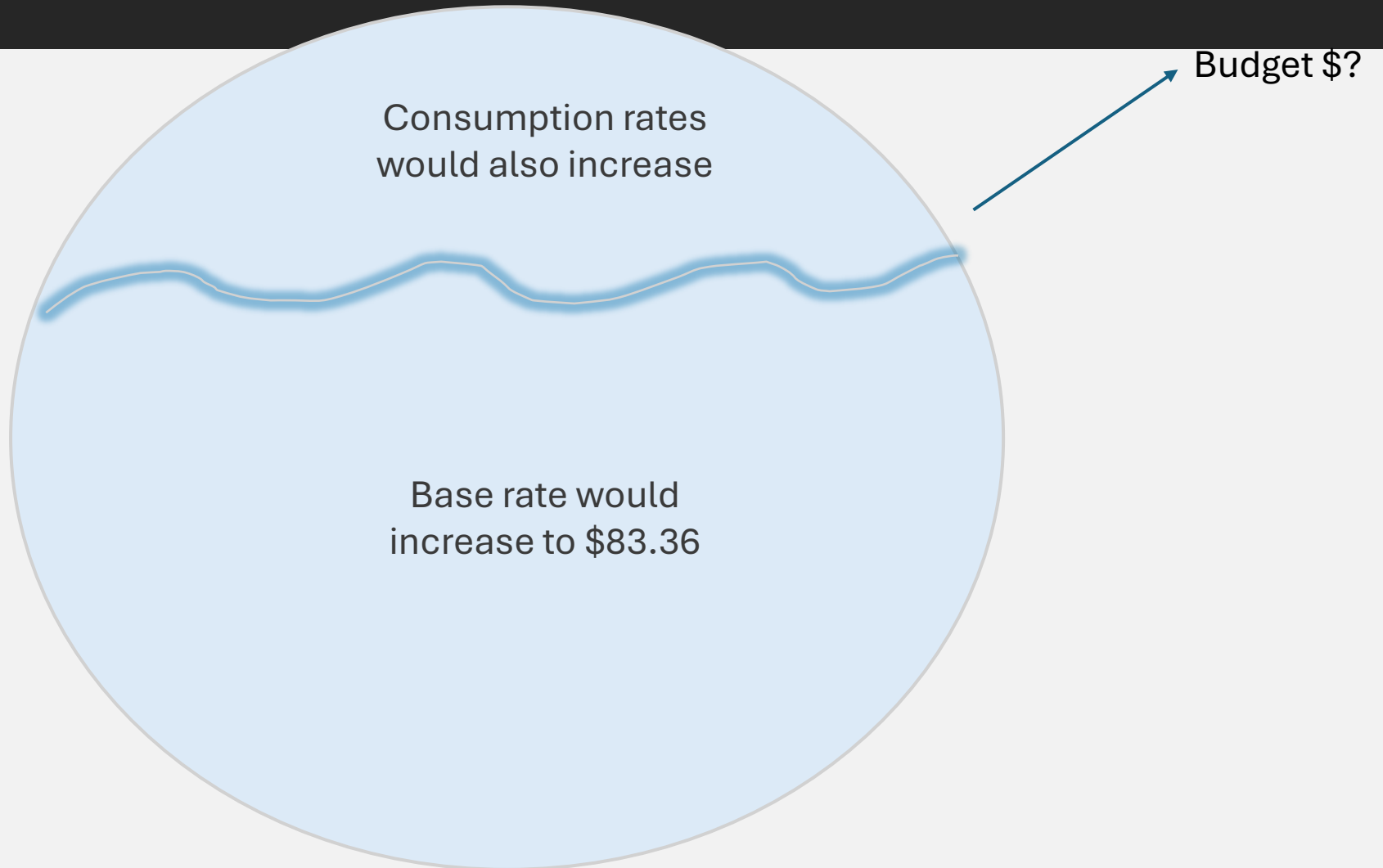
Month	Total Rate Payers	Rate Payers Within the Base Rate	Percentage of Total
OCT	1389	970	70%
NOV	1390	1063	76%
DEC	1390	1215	87%
JAN	1391	1151	83%
FEB	1389	1151	83%
MAR	1393	1185	85%
APR	1394	1065	76%
MAY	1398	1084	78%
JUN	1403	876	62%
JUL	1400	650	46%



# How tiers are determined

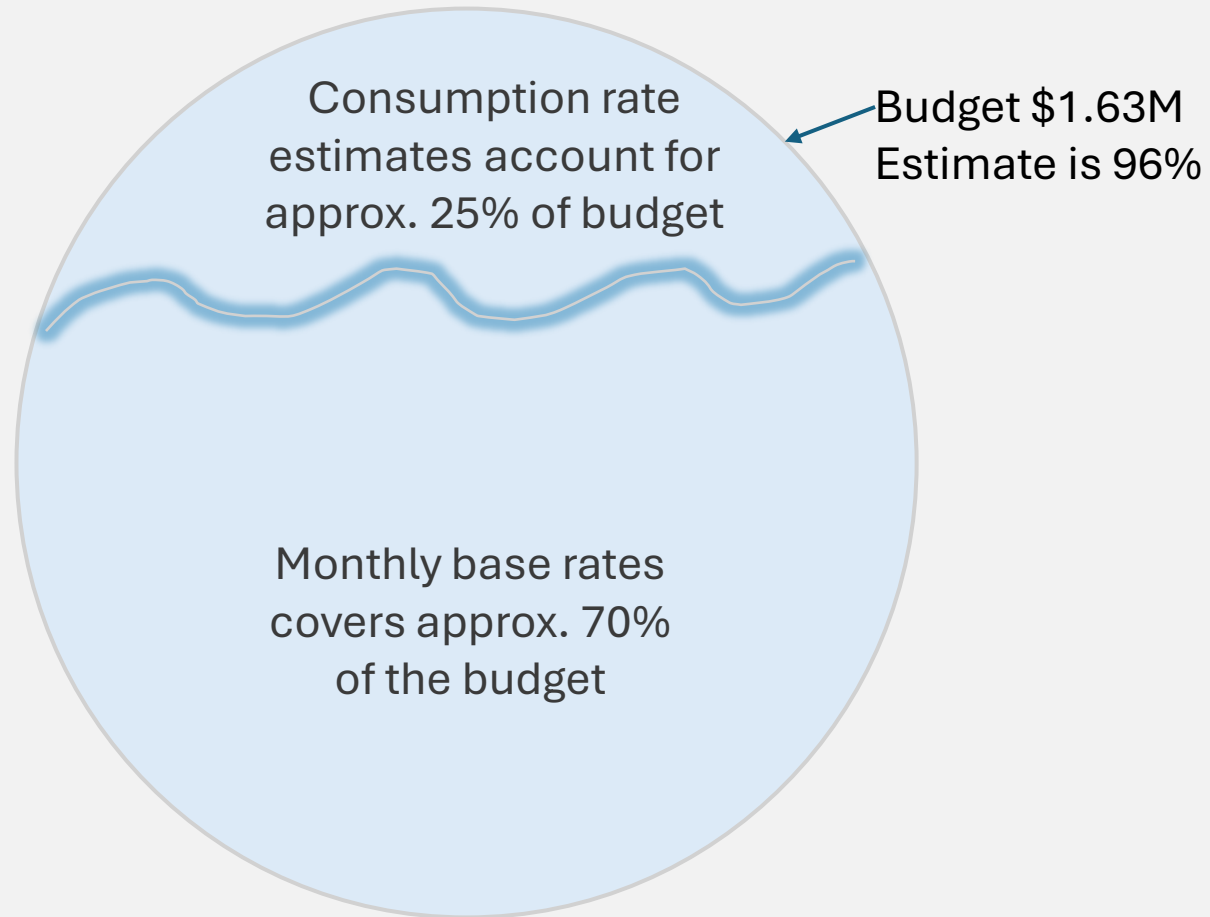
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- Average of all users was 5,700 gallons (5.7 units) this includes commercial.
  - Tier 1 rates begin at 5.1 units to account for the average and ensures again, lowest possible cost to all users
  - Tiers are structured so that the less water you use, the less you pay.

# What happens if we double the allowance?



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- To be fiscally responsible we would need to budget for that estimated use
  - Likely overcharge 75% of users who use less than 2 units per month

# Budgeting based on reality.....



# Quarterly Rate

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- Base rate assumes 2 units per month for a total of 6 units per quarter
  - Developed two options
    - Option 1 – simply triple the base rate and use existing consumption rates for tiers
    - Option 2 – adjust base rate and create new consumption rates for new tiers

# Option 1- Quarterly Match + Tier

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- 6 units
  - \$142.68 per quarter
  - Tier 1 – 6.1-15 = \$9.5 / unit
  - Tier 2 – 15.1-30 = \$11 / unit
  - Tier 3 – 30.1 + = \$12.25/ unit
  
  - Achieves 91% of budget

# Why don't we hit budget?

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- Simply tripling the base rate and using the same tier rates for a new structure does not hit the goal of 95% of budget.
  - The 22-23 rate study concluded the average monthly usage for all classifications of consumers was 5.7 units (5700 gallons), which was used to establish the first tier in the increased block allowance structure. **If the rate structure is changed to quarterly this eliminates the revenues generated from tier one (2.1-5 units.)** Under a quarterly rate structure, tier one now begins at 6.1 units. The result is **potential lost revenue that would have been generated from being able to capture consumption usage monthly at a lower cost.**

# Option 2 – Quarterly Base Rate Adjusted

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- 6 units
  - \$150 per quarter
  - Tier 1 – 6.1-15 = \$10.75/ unit
  - Tier 2 – 15.1-30 = \$11 / unit
  - Tier 3 – 30.1 + = \$12.25/ unit
  
  - Achieves 95% of budget

## Table 3 – Comparable Options for Quarterly Billing

<i>Table Comparable Options for Monthly vs Quarterly Billing</i>							
		BR	T1	T2	T3	3 Mo Ave	*
	Existing Allow	2	5	10	20		
Existing Rates		\$47.56	\$76.06	\$131.06	\$253.56	\$253.56	96%
	Qrtly Allow	6	15	30	60		
Quarterly Match + Tier		\$142.68	\$228.18	\$393.18	\$760.68	\$253.56	91%
Quarterly Base Rate		\$150.00	\$235.50	\$400.50	\$768.00	\$256.00	95%
Existing rates use the units in each tier to the highest # of units to figure the monthly charge							
Quarterly allowance uses the same current tiered rates (cost per unit) from the original rate study							
* - percentage of budget generated using average figures from 22-23 study and new base rates							



# Quarterly Rate Option Comparison

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- Option 1

- 6 units

- \$142.68 per quarter

- Tier 1 – 6.1-15 = \$9.5 / unit

- Tier 2 – 15.1-30 = \$11 / unit

- Tier 3 – 30.1 + = \$12.25/ unit

- Achieves 91% of budget

- Option 2

- 6 units

- \$150 per quarter

- Tier 1 – 6.1-15 = \$10.75/ unit

- Tier 2 – 15.1-30 = \$11 / unit

- Tier 3 – 30.1 + = \$12.25/ unit

- Achieves 95% of budget