



# MANZANITA WATER RATE STUDY: SYSTEM, STUDY AND ANALYSIS

## Background:

The City of Manzanita initiated a water rate study to provide the City Council with factual data to determine a new rate structure for residents. This study was prompted by the 2021 Water Master Plan, which highlighted the need for rate adjustments to ensure the water system's financial self-sufficiency to ensure the longevity of a safe and resilient water system. This is required by the City Charter and Comprehensive Plan. The study evaluated current rates, the history of water system funding, and determined the appropriate system for setting rates to maintain long-term sustainability.

In July 2023, the City Council unanimously approved new water rates, effective October 2023, to address the system's needs. In April 2024, the council passed Ordinance 24-01, transitioning water billing from quarterly to monthly.

In April, a citizen referendum was submitted to reverse the change from monthly back to quarterly billing. While this referendum would not affect the total annual water bill per household, it will reverse the change made by the City Council through Ordinance 24-01.



## Overview of the Manzanita Water System:

The Manzanita water system operates as a business under the umbrella of the City government, It is governed by the City Charter and Ordinance 90-8 and serves residents within the City and its urban growth area. Money collected from water bills is held in an Enterprise Fund which means it is exclusively used for system operations, maintenance, debt repayment, and necessary improvements. **The 2021 Water Master Plan identified that current rates had not kept up with inflation and that existing water allotment and billing structures no longer fit usage patterns or incentivized conservation.** It was determined that the City would move ahead with a water rate study to establish a factual basis for updated rates and allotments.

## Guiding Principles:

- Rates are designed to cover production costs based on actual usage, support operations and maintenance of the system, and provide an adequate reserve.
- Rates ensure that Single Family Residential (SFR) customers, who represent the largest group of customers, pay the lowest rates possible.
- An equitable rate system ensures that higher water usage is billed at a reasonable rate to support the system while encouraging conservation.
- The rate structure is specifically designed to support water conservation.

## Definitions in Water Rate Study:

**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.

## Rate Structure and Financial Considerations:

The current rate structure is tailored to promote conservation and ensure affordability for Single Family Residential customers. Rates cover production costs, maintain system operations, and build necessary reserves. On average, SFR customers use 1,600 gallons of water per month, with 75% of ratepayers using 2,000 gallons or less.

- Budget for Water System \$1.63 M
- Monthly base rates cover 70% of budget
- Consumption Rates 25% of budget

## How Allowances Are Determined:

Allowance rates are based on historic usage data specific to our community, enabling us to create a rate structure that minimizes costs for most users, particularly Single Family Residential (SFR) customers who make up the largest group.

- Average Monthly Usage: SFR customers use an average of 1,600 gallons per month.
- Overall Average: Across all user groups, the average monthly usage is 5,700 gallons.
- Recent Data: Usage data from October 2023 to July 2024 confirms these patterns, supporting our rate design decisions.

## Why Did Water Rates Change?

Rates had not been updated since 2015, causing the City to fall behind on funding necessary maintenance and improvements. The new rates are designed to:

- Cover rising costs due to inflation and system needs.
- Promote water conservation by charging more for higher usage.
- Ensure the water system has the funds needed to remain reliable.

## Impact of Rate Changes:

The new rates help cover increasing costs of operations and needed improvements to the system. Water production and sales have decreased, indicating better system efficiency and reduced waste.

## Looking Ahead:

Planned projects will focus on reducing water loss and keeping the water system running smoothly, as well as ensuring rates are fair and cover the costs necessary for maintaining a sustainable and reliable water service.

**Have Questions?** For more information, visit the City of Manzanita website or contact us.

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