



# Agenda Cover Memorandum

Meeting Date: February 5, 2013  
Item Title: Water Fixed Charge Rates

Action Requested:

- Approval
- For discussion
- Feedback requested
- For your information

Staff Contact: Finance Manager Kent Oliven

Phone Number: (847) 318-5216

Email Address: koliven@parkridge.us

Background:

At the January 29, 2013 Budget Workshop, a discussion was had with staff and the Council about the FY14 utility billing rates. There appeared to be consensus with staff recommendations with regards to the Park Ridge water rate, the City of Chicago water rate, the sewer rate, and the sewer fixed charges.

With regards to the water fixed charge rates, staff recommended a plan based upon a constant dollar model in which all meters would see the same increase. Alderman Mazucca proposed an alternate plan based upon the same weighted average capacity model that the Council had adopted for FY13. Additionally, a discussion was had about whether the City should install remote read capacity to its meters.

It was decided that the water fixed charge rates would be decided at the next Budget Workshop on February 5. For that Budget Workshop, Finance Chairman Knight requested that the Finance Department create a table comparing the current FY13 rates with three FY14 models: (1) constant dollar, (2) weighted average capacity, and (3) last year's rate study's plan for not purchasing remote read meter technology. The table directly following this memo meets that request. Chairman Knight further requested that Alderman Mazucca's emails, including his spreadsheet, be distributed. Those appear behind the comparison spreadsheet.

Based upon the Council's discussion and feedback, the Council's consensus new rates decided in the February 5 Budget Workshop will be presented as an ordinance at the February 11, 2013 Committee of the Whole (COW) for action. That ordinance will then have two readings: the first at the February 18 City Council meeting, and the second (final) at the March 4 City Council meeting. Such a timetable would allow the new utility billing rates to be communicated prior to implementation on May 1, 2013, with articles in the Spokesman and information on the web site, allowing residents and businesses to understand the new rate structure. Additionally, reduction of confusion about the new rates reduces Finance Department labor resources dedicated to explain those rates.

Recommendation:

Provide direction to staff to send a utility billing rate structure for FY14, in ordinance form, to the February 11, 2013 COW.

Budget Implications:

## Agenda Cover Memorandum (Cont.)

---

Does Action Require an Expenditure of Funds:  Yes  No

If Yes, Total Cost:

If Yes, is this a Budgeted Item:

Yes  No  Requires Budget Transfer

If Budgeted, Budget Code (Fund, Dept, Object)

Attachments:

- Fixed Water Charge Model Comparison Table
- Emails on FY14 Water Fixed Charge Recommendations from Alderman Mazucca
- Spreadsheet Accompanying Alderman Mazucca's Emails

February 5, 2013 FY14 Budget Workshop:

**FY14 Fixed Water Rate Model Comparison Table**

Model		<u>Current Rates</u> Weighted Avg. Capacity	<u>Staff Recommended Rates</u> Constant Dollar Model		<u>FY13's Model Extended To FY14</u> Weighted Average Capacity		<u>Without Remote Read Meters</u> Rate Study's Scenario 1C	
Year Covered		FY13	FY14		FY14		FY14	
Valve Size	# of Valves	Per Bill Fixed Water Rate	Per Bill Fixed Water Rate	Annual Increase (Decrease) from FY13	Per Bill Fixed Water Rate	Annual Increase (Decrease) from FY13	Per Bill Fixed Water Rate	Annual Increase (Decrease) from FY13
5/8"	9612	\$8.94	\$9.31	\$2.22	\$9.11	\$1.02	\$16.83	\$47.34
3/4"	644	\$8.94	\$9.31	\$2.22	\$9.11	\$1.02	\$16.83	\$47.34
1.0"	919	\$21.64	\$22.01	\$2.22	\$22.09	\$2.70	\$16.83	(\$28.86)
1.5"	1085	\$43.27	\$43.64	\$2.22	\$44.18	\$5.46	\$16.83	(\$158.64)
2.0"	218	\$69.23	\$69.60	\$2.22	\$70.69	\$8.76	\$26.93	(\$253.80)
3.0"	88	\$194.72	\$195.09	\$2.22	\$198.81	\$24.54	\$76.00	(\$712.32)
4.0"	70	\$432.72	\$433.09	\$2.22	\$441.80	\$54.48	\$168.00	(\$1,588.32)
6.0"	11	\$865.43	\$865.80	\$2.22	\$883.60	\$109.02	\$337.00	(\$3,170.58)
Projected Annual Fixed Water Rate Revenue		\$1,383,368	\$1,411,445		\$1,411,317		\$1,406,169	
Park Ridge Water Rate Per 1000 Gal.		\$2.85	\$3.05		\$3.05		\$2.93	
Allows For Remote Read Meter Bonding		Yes	Yes		Yes		No	

**From:** M Mazzuca [<mailto:parkridgeward6@gmail.com>]  
**Sent:** Tuesday, January 29, 2013 12:27 AM  
**To:** Joe Sweeney; Rich DiPietro; Jim Smith; Sal Raspanti; Dan Knight; Marty Maloney  
**Cc:** Hamilton, Shawn; Henneman, City Clerk Betty; Schmidt, Mayor Dave  
**Subject:** Fwd: Regarding the FY13/14 Water Fixed Charge Recommendations

DO NOT REPLY ALL

Aldermen,

After reading the "FY 14 Water & Sewer Rates" memo, I wanted to provide some additional information/comments for our discussion tomorrow night.

First off, I think we should ask Finance staff (i.e. not Public Works staff) to study whether the previously-proposed \$3+ million remote water meter reading program is really a cost-justified investment for taxpayers. As the primary benefits of such a program (more accurate water billing with a less-costly labor component) can be achieved a number of different ways, I think it is important to figure out what meter reading options are truly efficient for taxpayers from a cost perspective.

Secondly, I would like to address the concern that there is "no model to fall back upon" with respect to the allocation of fixed charges for water that the Council adopted earlier this year. Please see the correspondence below and the attached spreadsheet for a generic model that allocates the estimated \$1,412,953 in FY13/14 overhead costs (calculated from the "FY 14 Water & Sewer Rates" memo) among the City's water customers by meter size. As I have done in previous models on this topic, the allocations in the attached spreadsheet are revenue-neutral adjustments to staff's recommendation.

Lastly, I would like to ask staff to consider whether we can identify which (if any) of the 971 residential customers with 1.5" meters actually need this sort of heavy-duty water service to support fire sprinklers in their single-family homes. As I believe it is much more common in other communities to see 1" water service for modestly-sized single-family homes that require fire sprinklers, I am concerned that City staff may have advised residents in the past to install a somewhat larger service than was actually necessary, as there was no extra cost to the customer at that time for taking the extra capacity. Though this group represents at most 8% of the City's water customers, I do not think those residents should have to pay extra fixed charges beyond the 1" meter rate if it was the product of some not-so-efficient advice from City staff.

Please let me know if you have any questions...

Thanks,  
Marc

----- Forwarded message -----

**From:** M Mazzuca <[parkridgeward6@gmail.com](mailto:parkridgeward6@gmail.com)>  
**Date:** Mon, Jan 28, 2013 at 3:22 AM  
**Subject:** Regarding the FY13/14 Water Fixed Charge Recommendations

To: "Hamilton, Shawn" <[shamilto@parkridge.us](mailto:shamilto@parkridge.us)>, "Oliven, Kent" <[koliven@parkridge.us](mailto:koliven@parkridge.us)>  
Cc: Knightdanielj <[knightdanielj@yahoo.com](mailto:knightdanielj@yahoo.com)>

Shawn/Kent,

As I think the discussion on water/sewer rates pre-dated both of you, you may want to take a look at the memo that helped convince the Council to go in a different direction than the original Baxter & Woodman study, if you haven't already:

<http://www.parkridge.us/assets/1/Events/FBRatesFinalReading.pdf>

The two "flaws" in the Baxter & Woodman study I tried to address by amendment were:

- 1) Allocating capacity based on maximum gpm in a group instead of weighted-average gpm
- 2) Creating an oversize small-customer group that was uncommon among municipalities

Regarding a model to determine the appropriate allocation of overhead costs through fixed charges in a manner consistent with what the Council eventually approved, I basically modified a spreadsheet I received from the former Finance Director in order to figure it out. An updated version of that spreadsheet is attached with the correct counts of meters from your FY13/14 budget support material, and what I calculated out as the overhead costs being allocated through your new recommended rates.

In the spreadsheet, I have also included a scenario for discussion to address a concern I will raise during the workshop - specifically, whether we can identify if there are any homeowners who were incorrectly advised by previous City staff that they needed 1.5" service for their (now required) residential sprinkler systems when 1" service would have been sufficient.

Please let me know if you have any questions...

Thanks,  
Marc

**City of Park Ridge**

Water Meter Analysis for FY13/14 Budget Discussion  
 Allocation of Projected Fixed Costs in 29-Jan-2013 Staff Memo

**Projected Customer Water Meters Serving Park Ridge System**

Diameter of Water Meter	Meters by Customer Type								TOTAL
	Commercial	Hospital	Multipurpose Commercial	Multifamily Residential	Nursing	Park District	Residential	School	
<unknown>	0	0	0	2	0	1	23	1	27
5/8" Meter	199	0	4	107	1	1	9,300	0	9,612
3/4" Meter	31	2	0	28	0	2	581	0	644
1" Meter	48	0	0	39	0	5	826	1	919
1.5" Meter	47	1	9	54	0	3	971	0	1,085
2" Meter	76	7	4	31	0	9	79	12	218
3" Meter	16	3	1	31	0	16	16	5	88
4" Meter	16	4	0	13	3	16	14	4	70
6" Meter	0	2	0	0	0	0	0	9	11
8" Meter	0	0	0	0	0	0	0	0	0
<b>TOTAL METERS</b>	<b>433</b>	<b>19</b>	<b>18</b>	<b>305</b>	<b>4</b>	<b>53</b>	<b>11,810</b>	<b>32</b>	<b>12,674</b>

**Total Overhead Costs Allocated Using 29-Jan-2013 Recommended Fixed Water Charges**

Diameter of Water Meter	Total Meters	Bi-Monthly Fixed Charge	Bi-Monthly Revenue	Annual Revenue
<unknown>	27	\$9.31	\$251	\$1,508
5/8" Meter	9,612	\$9.31	\$89,488	\$536,926
3/4" Meter	644	\$9.31	\$5,996	\$35,974
1" Meter	919	\$22.01	\$20,227	\$121,363
1.5" Meter	1,085	\$43.64	\$47,349	\$284,096
2" Meter	218	\$69.60	\$15,173	\$91,037
3" Meter	88	\$195.09	\$17,168	\$103,008
4" Meter	70	\$433.09	\$30,316	\$181,898
6" Meter	11	\$865.80	\$9,524	\$57,143
8" Meter	0	\$0.00	\$0	\$0
	<b>12,674</b>		<b>\$235,492</b>	<b>\$1,412,953</b>

**Allocation of Overhead Costs Based on Current FY12/13 Rate Methodology**

Total Annual Overhead Costs	\$1,412,953
Equivalent Meters	25,842
<b>Bi-Monthly Overhead Cost per Equivalent Meter</b>	<b>\$9.11</b>

Diameter of Water Meter	Max Flow (gpm)	Group WA Max Flow	WA Max Flow Proportion	Total Meters	Equivalent Meters	Bi-Monthly Fixed Charge	Bi-Monthly Revenue	Annual Revenue
<unknown>	20	20.63	1.00	27	27	\$9.11	\$246	\$1,476
5/8" Meter	20	20.63	1.00	9,612	9,612	\$9.11	\$87,591	\$525,546
3/4" Meter	30	20.63	1.00	644	644	\$9.11	\$5,869	\$35,211
1" Meter	50	50	2.42	919	2,228	\$22.09	\$20,301	\$121,804
1.5" Meter	100	100	4.85	1,085	5,260	\$44.18	\$47,935	\$287,611
2" Meter	160	160	7.76	218	1,691	\$70.69	\$15,410	\$92,460
3" Meter	450	450	21.82	88	1,920	\$198.81	\$17,495	\$104,971
4" Meter	1000	1000	48.48	70	3,394	\$441.80	\$30,926	\$185,556
6" Meter	2000	2000	96.96	11	1,067	\$883.60	\$9,720	\$58,317
8" Meter	4000	4000	193.93	0	0	\$1,767.20	\$0	\$0
				<b>12,674</b>	<b>25,842</b>		<b>\$235,492</b>	<b>\$1,412,953</b>

**Allocation of Overhead Costs Based on Current FY12/13 Rate Methodology with a 1.5" Residential Sprinkler Curve-Out**

Total Annual Overhead Costs	\$1,412,953
Equivalent Meters	23,488
<b>Bi-Monthly Overhead Cost per Equivalent Meter</b>	<b>\$10.03</b>

Diameter of Water Meter	Max Flow (gpm)	Group WA Max Flow	WA Max Flow Proportion	Total Meters	Equivalent Meters	Bi-Monthly Fixed Charge	Bi-Monthly Revenue	Annual Revenue
<unknown>	20	20.63	1.00	27	27	\$10.03	\$271	\$1,624
5/8" Meter	20	20.63	1.00	9,612	9,612	\$10.03	\$96,369	\$578,211
3/4" Meter	30	20.63	1.00	644	644	\$10.03	\$6,457	\$38,740
1" Meter	50	50.00	2.42	919	2,228	\$24.30	\$22,335	\$134,010
1.5" Meter (Residential)	100	50.00	2.42	971	2,354	\$24.30	\$23,599	\$141,593
1.5" Meter (Non-Residential)	100	100	4.85	114	553	\$48.61	\$5,541	\$33,247
2" Meter	160	160	7.76	218	1,691	\$77.77	\$16,954	\$101,725
3" Meter	450	450	21.82	88	1,920	\$218.73	\$19,248	\$115,491
4" Meter	1000	1000	48.48	70	3,394	\$486.07	\$34,025	\$204,150
6" Meter	2000	2000	96.96	11	1,067	\$972.14	\$10,694	\$64,161
8" Meter	4000	4000	193.93	0	0	\$1,944.29	\$0	\$0
				<b>12,674</b>	<b>23,488</b>		<b>\$235,492</b>	<b>\$1,412,953</b>