

RE: PROPOSED WATER RATE STRUCTURE

Background:

For your consideration is an ordinance adopting a new water rate structure establishing periodic increases to the City of Nixa's water rates through the year 2030. The City of Nixa performs a water rate study on a revolving 5-year basis to determine what rate increases, if any, are necessary to fund anticipated increases in annual expenses for operations and capital outlays over the coming years.

Last year the city hired Olsson Engineering to perform an update to the 2017 water masterplan. The updated master plan serves as a planning guide to aid the city in preparing for water system improvements over the next 20 years to accommodate both existing and anticipated future customers. The master plan included a hydraulic model, incorporating the newly purchased RDE and Tuscany Hills systems to evaluate improvements that benefit current water customers and integrate the newly acquired systems into the existing Nixa water utility.

Utilizing the updated Master Plan prepared by Olsson Engineering, Shaffer & Hines prepared a water rate study to establish incremental increases to the water rates necessary to fund future anticipated annual operations and capital projects proposed in the master plan for the foreseeable future. Because everything changes so quickly, predicting revenue needs past seven years is pure guesswork. A rate study focused on the next seven years provides a level of confidence that the proposed rates will support needed revenues for operations and capital outlays.

Analysis:

It is recommended that the city increase the base water rate by \$1.50 in 2024 for residential, commercial and industrial users. The base rate would then be increased by \$1.50 in 2025, \$0.50 in 2026, \$0.50 in 2027, \$0.50 in 2028, \$0.50 in 2029 and \$0.50 in 2030. There would be no adjustment to the existing per 1,000-gallon usage rate. Users outside of the city would continue to pay 1.5 times the rates paid by users inside the City.

To establish the proposed rate structure, Shaffer & Hines looked at several factors to anticipate needed revenues to fund operations and maintain a healthy reserve balance. For each year through 2030, the study looked at anticipated sales revenue, routine operations and maintenance, employment costs, capital improvements & equipment, and bond repayments.

The city has always strived to maintain a healthy reserve balance, keeping a balance as close to \$15 million dollars as possible. To accomplish this, rates are structured to

cover operational and capital costs while maintaining a reserve balance around the \$15 million mark. Included in the packet are two excel spreadsheets, one showing anticipated revenues and the effects on the reserve balance if we do not increase rates and leave them as they are today. The second spread sheet indicates anticipated revenues with adoption of the proposed rate structure.

As you will see, absent a rate increase the reserve balance suffers a significant reduction. Keeping a healthy reserve balance is necessary to ensure that the city can respond to any unforeseen issues with the water system without having to burden water customers with sudden and significant rate increases. As you can see on the second spreadsheet, with the proposed rate increase the city is able to maintain a reserve balance very close to the \$15 million mark. The large reduction shown in 2026 and 2027 is due to a large capital outlay for a new water tower proposed on Ashley Dr. Once completed revenues recover to a much better balance.

Recommendation:

Staff supports the proposed rate structure as submitted by Shaffer & Hines establishing incremental increases to the water base rate through 2030.

MEMO PREPARED BY:

Travis Cossey | Asst. Director Nixa Utilities & Public Works

417-725-2353

1 AN ORDINANCE OF THE COUNCIL OF THE CITY OF NIXA AMENDING CHAPTER
2 22, ARTICLE II, DIVISION 2, SECTION 22-46 FOR THE PURPOSE OF AMENDING
3 THE CITY’S WATER RATES THROUGH 2030.
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6 WHEREAS the City typically performs a water rate study on a revolving 5-year
7 basis to determine what rate adjustments may be needed to fund anticipated increases
8 for the operation of the City water system; and
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10 WHEREAS the City has engaged the engineering firm Shaffer & Hines to prepare
11 a water rate study; and
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13 WHEREAS based on this study, it is staff’s recommendation to increase the base
14 rate for water service; and
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16 WHEREAS the City Council desires to modify the City Code as set forth herein.
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18 NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF
19 NIXA, AS FOLLOWS, THAT:
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21 SECTION 1: Chapter 22, Article II, Division 2, Section 22-46 of the Nixa City Code
22 is hereby amended by repealing said section in its entirety and adopting in lieu thereof a
23 new Section 22-46, said section shall read as follows:
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25 (Note: Language to be added is indicated by being underlined. Language to be removed
26 is indicated by being ~~stricken~~.)
27

28 Sec. 22-46. Water charges.
29

30 (a) *Base rates for the provision of water service.* A base rate for the provision of water
31 service ~~first 3,000 gallons of water service provided to individual water users~~ shall be
32 charged by the city. The monthly base rates shall be as follows:
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34 (1) For the provision of water service to residential dwelling units using a 5/8 by 3/4-
35 inch meter, the following base rate ~~a base rate of \$15.00~~ shall be charged:-
36

37 a. Beginning April 1, 2024, a base rate of \$16.50 shall be charged for the first
38 3,000 gallons of water service provided.
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40 b. Beginning April 1, 2025, a base rate of \$18.00 shall be charged for the first
41 3,000 gallons of water service provided.
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43 c. Beginning April 1, 2026, a base rate of \$18.50 shall be charged for the first
44 3,000 gallons of water service provided.
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46 d. Beginning April 1, 2027, a base rate of \$19.00 shall be charged for the first
47 3,000 gallons of water service provided.

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49 e. Beginning April 1, 2028, a base rate of \$19.50 shall be charged for the first
50 3,000 gallons of water service provided.

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52 f. Beginning April 1, 2029, a base rate of \$20.00 shall be charged for the first
53 3,000 gallons of water service provided.

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55 g. Beginning April 1, 2030, a base rate of \$20.50 shall be charged for the first
56 3,000 gallons of water service provided.

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58 (2) For the provision of water service using a one-inch meter, the following base rate
59 a base rate of \$55.00 shall be charged:-

60
61 a. Beginning April 1, 2024, a base rate of \$56.50 shall be charged.

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63 b. Beginning April 1, 2025, a base rate of \$58.00 shall be charged.

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65 c. Beginning April 1, 2026, a base rate of \$58.50 shall be charged.

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67 d. Beginning April 1, 2027, a base rate of \$59.00 shall be charged.

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69 e. Beginning April 1, 2028, a base rate of \$59.50 shall be charged.

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71 f. Beginning April 1, 2029, a base rate of \$60.00 shall be charged.

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73 g. Beginning April 1, 2030, a base rate of \$60.50 shall be charged.

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75 (3) For the provision of water service using a two-inch meter, the following base rate
76 a base rate of \$140.00 shall be charged:-

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78 a. Beginning April 1, 2024, a base rate of \$141.50 shall be charged.

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80 b. Beginning April 1, 2025, a base rate of \$143.00 shall be charged.

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82 c. Beginning April 1, 2026, a base rate of \$143.50 shall be charged.

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84 d. Beginning April 1, 2027, a base rate of \$144.00 shall be charged.

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86 e. Beginning April 1, 2028, a base rate of \$144.50 shall be charged.

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88 f. Beginning April 1, 2029, a base rate of \$145.00 shall be charged.

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90 g. Beginning April 1, 2030, a base rate of \$145.50 shall be charged.

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- 92 (4) For the provision of water service using a four-inch meter, the following base rate
93 a base rate of \$285.50 shall be charged:-
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95 a. Beginning April 1, 2024, a base rate of \$287.00 shall be charged.
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97 b. Beginning April 1, 2025, a base rate of \$288.50 shall be charged.
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99 c. Beginning April 1, 2026, a base rate of \$289.00 shall be charged.
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101 d. Beginning April 1, 2027, a base rate of \$289.50 shall be charged.
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103 e. Beginning April 1, 2028, a base rate of \$290.00 shall be charged.
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105 f. Beginning April 1, 2029, a base rate of \$290.50 shall be charged.
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107 g. Beginning April 1, 2030, a base rate of \$291.00 shall be charged.
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109 (b) Additional rates ~~Rates for the provision of water service above 3,000 gallons.~~ In
110 addition to the base rates established herein, ~~an additional~~ monthly rates ~~rate of \$2.85~~
111 shall be charged as set forth herein for every 1,000 gallons of water service provided
112 ~~above the first 3,000 gallons provided.~~
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114 (1) For the provision of water service to residential dwelling units using a 5/8 by 3/4-
115 inch meter an additional rate of \$2.85 shall be charged for every 1,000 gallons of
116 water provided above the first 3,000 gallons provided in addition to the applicable
117 base rate.
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119 (2) For the provision of water service to non-residential dwelling units using a 3/4-inch
120 meter, one-inch meter, two-inch meter, or four-inch meter the following additional
121 rates shall be charged in addition to the applicable base rate:
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123 a. An additional rate of \$2.35 shall be charged for every 1,000 gallons of water
124 provided for the first 100,000 gallons provided.
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126 b. An additional rate of \$1.70 shall be charged for every 1,000 gallons of water
127 provided over the first 100,000 gallons provided.
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129 c. An additional rate of \$1.40 shall be charged for every 1,000 gallons of water
130 provided over the first 500,000 gallons provided.
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132 (c) The rate for bulk water service shall be \$5.00 ~~for~~ per every 1,000 gallons of water
133 provided.
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135 (d) The rates established in this section, except for the rate for bulk water service, shall
136 be increased by a rate of one and one-half times when the user's service address is
137 wholly or partly outside the city limits.

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(e) A water service user who has applied for water service to a service address shall be liable for all charges for water service furnished to such address until such time as said user notifies the city, in writing, to discontinue the service.

SECTION 2: The City Attorney, when codifying the provisions of this Ordinance, is authorized to provide for different section numbers, subsection numbers, and different internal citation references than those provided herein when such section numbers, subsection numbers, or internal citation references are in error or are contrary to the intent of this Ordinance.

SECTION 3: Savings Clause. Nothing in this Ordinance shall be construed to affect any suit or proceeding now pending in any court or any rights acquired, or liability incurred nor any cause or causes of action occurred or existing, under any act or ordinance repealed hereby.

SECTION 4: Severability Clause. If any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid, such decision shall not affect the validity of the remaining portions of this Ordinance. The Council hereby declares that it would have adopted the Ordinance and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses, or phrases be declared invalid.

SECTION 5: This Ordinance shall be in full force and on April 1, 2024, subject to the provisions of section 3.11(g) of the City Charter.

ADOPTED BY THE COUNCIL THIS 19th DAY OF February, 2024.

ATTEST:

PRESIDING OFFICER

CITY CLERK

APPROVED BY THE MAYOR THIS _____ DAY OF _____, 2024.

ATTEST:

MAYOR

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY