



MEMORANDUM

Council Agenda
Item No. XI. Q
4/26/2022

The City of OKLAHOMA CITY

TO: Mayor and City Council

FROM: Craig Freeman, City Manager

Ordinance on final hearing relating to Sewers and Sewage Disposal, Solid Wastes, Utilities, and the General Schedule of Fees, amending Chapters 47, 49, 55, and 60 of the Oklahoma City Municipal Code, 2020, by amending Chapter 47 Sewer and Sewage Disposal, Article VIII, Division 2, Section 47-501 Generally, by amending Chapter 49 Solid Wastes of the Oklahoma City Municipal Code, 2020, Article II, Division 1 Section 49-28 Rates and charges established, by amending Chapter 55 of the Oklahoma City Municipal Code, 2020, Article II, Division 4, Section 55-62 Usage charges inside and outside city, Section 55-63 Water usage charge(s), and by amending Chapter 60 the General Schedule of Fees of the Oklahoma City Municipal Code, 2020, Title 47 Sewers and Sewage Disposal, Article VIII, Section 60-47-29 Sanitary sewer user charges and Treated wastewater user, Section 60-47-30 Additional surcharge for industrial users with assessable concentrations, Section 60-47-31 Monthly sanitary sewer customer service charge, Title 49 Solid wastes Article II Section 60-49-6 Refuse rates and charges, Title 55 Utilities Article II Section 60-55-15 Monthly housekeeping unit charges, Section 60-55-16 Water user and water service charges, Section 60-55-18 Monthly water customer service charge(s), and Section 60-55-26 Fire service charges – monthly (for each connection), and providing for an effective date.

Background:

The Oklahoma City Water Utilities Trust (OCWUT) has a long-standing history of incrementally adjusting fees and charges annually to keep up with the cost to provide utility services and to fund its capital improvement plan (CIP). The approved water, wastewater, and solid waste management five-year CIP is \$1.7 billion (2022-2026), which includes the construction of a second Atoka pipeline, that will allow The City of Oklahoma City (City) to transport all of its water allocation from southeast Oklahoma to meet the needs of central Oklahoma through 2060 and other projects that will significantly improve the resiliency and reliability of our utility systems.

OCWUT engaged a cost-of-service consultant, Raftelis Financial Consultants, Inc., to examine water, wastewater, and solid waste management utility system costs and formulate equitable adjustments to fees and charges over the next five years. Industry standard rate-making methods were used to allocate utility costs to customer classes. These allocated class-based costs are then recovered from individual customers through base and volumetric charges. This approach ensures that each customer class pays its fair share of costs without subsidies between user classes.

The study focused on balancing the dichotomy of affordability and sustainability which provides low bill impacts to low volume users while also recovering sufficient revenue to sustain utility operations and improvements. As an example of achieving this balance, a low-volume residential user (2,000 gallons of water and wastewater) will see an average annual adjustment of \$1.78 or 2.6 percent to the monthly water, wastewater, and solid waste bill over the five-year period. A typical residential customer (7,000 gallons of water and 5,000 gallons wastewater) will see an average annual adjustment of \$4.26 or 4.0 percent to the monthly water, wastewater, and solid waste bill over the five-year period. A seasonal irrigation residential customer (20,000 gallons of water and 6,000 gallons wastewater) will see an average annual adjustment of \$12.25 or 6.6 percent to the monthly water, wastewater, and solid waste bill over the five-year period.

The residential customer class has a four-tier inclining volumetric rate structure for which recommendations include to adjust the fourth-tier threshold from 30,000 gallons down to 25,000 gallons. This provides affordability and equity by appropriately recovering costs from high outdoor water usage customers that place a higher demand on the system, compared to low-to-average volume users that typically fall within the first two tiers, and typically represents indoor water usage. Approximately 88 percent of the water bills fall within the first two tiers. Furthermore, the revised fourth tier threshold provides water conservation pricing signals for high volume customers to encourage efficient use of our limited water resources. Individual customers will experience varied bill impacts depending on how responsive they are to water pricing signals.

Based on the cost-of-service study findings, a new customer class for multi-family customers, quadplexes and above, is recommended to adequately recover costs, provide rate equity and affordability. Multi-family customers are currently included in the non-residential customer class, which also includes restaurants, shopping centers, offices, hospitals, etc. On a water and wastewater combined bill basis, multi-family customers can experience savings under the new customer class and pass on savings to tenants.

The meter multiplier used for water and wastewater base charges are recommended to be realigned for all customer classes to eliminate under-recovery by larger meter sizes and over-recovery by smaller meter sizes. Base charges recover customer-related costs such as meter reading, billing and collection, customer service, fire protection, and debt service.

For wholesale customers, the cost-of-service consultant recommended the continuation of two rate options: Service Availability (year-round) and Take-or-Pay (seasonal/peak). Wholesale customers with year-round usage benefit from the service availability rate plan. Service availability allows customers to establish a reservation amount (at least 90 percent of their maximum historic monthly usage), which is a monthly fixed charge. All but one wholesale customer utilizes the Service Availability rate plan. This encourages customers to base load on our system and meet their peak requirements from their system, if available. The average annual adjustment to the monthly bill for Service Availability customers is five percent over the five-year period. Water sales for outside-city use allows the City to spread its large capital and operating costs further, lessening the financial burden on inside-city customers.

Solid Waste Management provides trash, recycling, and bulky services to residential customers and some commercial customers. The cost-of-service recommendations include an average annual adjustment of \$0.75 or three percent to the monthly bill for solid waste services. The recommended adjustments provide funding for operations, maintenance, and reserves to maintain our current level of service for our growing customer base.

Utility rate adjustments typically are effective January 1 of each year. Due to timing delays in finalizing recommendations, customers experienced six months of savings on their utility bills. Rate adjustments are recommended to go in effect June 1, 2022, and each January 1st thereafter through 2026.

Revenue:

OCWUT- Water Revenue Fund
(360-3000)

OCWUT-Wastewater Revenue Fund
(360-3500)

OCWUT-Solid Waste Revenue Fund
(360-3375)

Review:

Utilities Department

Recommendation: Ordinance be adopted.