

# Jackson Town Council Workshop

October 19, 2020

3:00 PM

Town Council Chambers

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## **I. ZOOM LINK FOR PUBLIC PARTICIPATION**

- A. FOR THE PUBLIC TO JOIN THE WEBINAR:  
DIAL 1.669.900.6833 WEBINAR ID: **861 3284 0200** OR  
LINK TO JOIN WEBINAR: <https://us02web.zoom.us/j/86132840200?pwd=aVpoa2tkSzJdFdiWkZSTnV2WWlOUT09>

## **II. CALL TO ORDER AND ROLL CALL**

## **III. WORKSHOP ITEMS**

- A. Updates to Water and Sewer System Rates (Johnny Ziem)
- B. Budget Update (Larry Pardee)

## **IV. PROPOSED ITEMS FOR FUTURE WORKSHOPS**

- A. 11/16 Budget Update (Larry Pardee)
- B. 11/16 Review Proposed Ordinance Changes related to Utility Rates (Johnny Ziem)
- C. 11/16 Human Services Follow Up Discussion (Larry Pardee/Susan Scarlata)
- D. 11/16 North Cache Streetscape Update (Floren Poliseo)
- E. 12/21 Budget Update (Larry Pardee)
- F. 1/19 Title 5 Update (Lea Colasuonno)
- G. 2/16 Title 1 Update (Lea Colasuonno)

## **V. ADJOURN**

*Please note that at any point during the meeting, the Mayor and Council may change the order of items listed on this agenda. In order to ensure that you are present at the time your item of interest is discussed, please join the meeting at the beginning to hear any changes to the schedule or agenda.*

# STAFF REPORT



|                               |                                         |                        |             |
|-------------------------------|-----------------------------------------|------------------------|-------------|
| <b>Meeting Date:</b>          | October 19, 2020                        | <b>Meeting Title:</b>  | Workshop    |
| <b>Submitting Department:</b> | Public Works                            | <b>Presenter:</b>      | Johnny Ziem |
| <b>Agenda Item:</b>           | Proposed Water and Sewer Rate Structure | <b>Public Comment:</b> | Yes         |

## Purpose & Policy Considerations.

The purpose of this item is to provide Council with the Draft *Citizen Review Committee Recommendation Report* for establishing future water and sewer rates for all customer classes and seek Council direction on:

1. To review and select alternative structures for one-time sewer and water capacity fees
2. To review and select alternative structures for both sewer and water rates
3. To determine a commencement date when an updated ordinance governing rates will take effect
4. Other as directed by Council

## Requested Action.

For Council to provide direction and feedback on the proposed future water and sewer rates/and to direct staff to draft an updated ordinance for presentation at a future workshop.

## Recommendations.

Staff recommends Council provide direction on the proposed sewer/water rate and capacity alternative structures, direction on a commencement date when the new rates shall take effect, and to direct staff to present a draft ordinance at a future workshop. Final staff recommendations are listed below each alternative rate structure.

## Background.

### Workshop Meeting Recap

Council initially discussed the Rate and Capacity Study at the April 20<sup>th</sup>, 2020 Council Workshop, where staff presented information ([Rate Presentation](#)) focused on the preliminary financial model for the utility rate study and potential issuance of future debt service for a water capital project (Zone 3 Tank) and a timeline for all past utility rate updates. At the July 20, 2020 Council Workshop, staff presented the draft release of the Water and Sewer Capacity Study ([Capacity Presentation](#)) that built upon the initial financial model discussion by summarizing and articulating the current and future capacities for service delivery on the Town's water and sewer infrastructure, which also included an executive summary of the Systems Evaluation Report. For this workshop, Council will be presented the recommendation and draft recommendation report from the Citizen Review Committee and our consultants: Raftelis and Nelson Engineering.

In the same spirit as previous workshops, staff will provide a video presentation link that articulates additional background information on the proposed alternative rate and capacity fees for both the water and sewer utilities. *At the time of this staff report, the video presentation was not fully complete, so staff will email the link to the Council prior to the workshop.*

### Stakeholder Perspective

Stakeholder involvement and consultation has been a critical element to the 2020 Water and Sewer Rate Study and the Town believes strongly that our community should have a voice in the decisions that affect them. Therefore, as part of the rate study process, the Town of Jackson formed a volunteer Water and Wastewater Rates Citizen Review Committee (CRC) made up of a diverse group of stakeholders that represent water/sewer customers and stakeholders. The CRC worked together during the rate study to provide their input, guidance, and community perspective. The CRC's purpose was to review and examine current utility rates, with the ultimate goal of recommending a future utility rate structure that meets the study objectives that have been defined by the Town and stated in the CRC charter. Attached to this staff report is the [CRC "Draft" Recommendations Report](#) that supports key recommendations from the CRC concerning future utility rate structure options.

On June 30<sup>th</sup>, 2020, Town Staff hosted two community workshops on the topic of water and sewer rates. Both sessions had been promoted on the Town's website, through local media outlets, and were streamed live on the Town's website to facilitate participation by any individual who was not comfortable participating in person. (Note: Staff did experience some technical issues that impaired some people from commenting during the first meeting, but that was resolved for second meeting.) Further, Raftelis also designed a short online survey to gauge sentiment from the following stakeholder groups: in-town residential customers, out-of-town customers, and business/commercial customers. Attached to this staff report is the Stakeholder Feedback Summary that supports key findings from the workshop and the online survey.

## **Analysis.**

The below sections constitute three areas of input requested from Council: Capacity Fees, Volume Rates, and a Commencement Date. In each section, different alternatives are presented for further Council discussion and ultimately, Council selection. Additionally, the alternative that is supported by both staff and the CRC is referenced after each alternative section.

### **1. Capacity Fees**

Capacity Fees are one-time fees assessed to new and/or increased development to recover the cost of the facilities necessary to serve that development. They are commonly used by local governments across the country, including the Town of Jackson, to ensure that new development and redevelopment fund their proportional share of capacity fees necessary to serve them. To summarize guidance provided from the CRC, Capacity Fees should:

- A. Adequately recover costs that new development places on the utility systems
- B. Account for redevelopment of properties where square footage (and thus impact) increases while meter size remains the same.
- C. Not disincentivize the development of affordable housing.

### **Water Capacity Fees**

- **Alternative 1:**
  - This alternative maintains size-based (depending on the size of the meter) fees for all customers and adjusts the fees to the new maximum supportable rate of \$2,793. The smallest meter (3/4 inch) sold by the Town would then start at \$2,793 and each additional meter size becomes more expensive as they increase in size. This approach is currently employed by the Town and this alternative brings the fees to current.
- **Alternative 2:**
  - This alternative establishes a separate assessment schedule for residential, including multi-family customer classes.
  - This alternative includes a fee based on the number of bedrooms and provides an incremental fee increase for each additional bedroom. Further, this alternative also provides an additional fee representing the cost per square foot of landscaped area as required by the Land Development Regulations.
  - This alternative also establishes a fee for Irrigation-Only Customers which is assessed per 1,000 square feet of landscaped area.
  - All other non-residential customer types will be assessed a fee based on meter size (see Alt. 1)

Staff and CRC recommend Alternative #2 for Water Capacity Fees.

### **Sewer Capacity Fees**

- **Alternative 1:**
  - This alternative maintains the existing assessment categories for all customer types (as defined in our municipal code) and applies an updated unit cost of \$16.24 per gallon per day of assumed usage. This approach is currently employed by the Town and this alternative brings the fees to current.

- **Alternative 2:**

- o This alternative mirrors the Water Capacity Alternative #2.
- o This alternative establishes a separate assessment schedule for residential, including multi-family customer classes.
- o This alternative includes a fee based on the number of bedrooms and provides an incremental fee increase for each additional bedroom.
- o All other non-residential sewer customer types will be assessed a fee based on alternative 1.

Staff and CRC recommend Alternative #2 for Sewer Capacity Fees.

## **2. Cost of Service (Volume Rates)**

Volume rates for both water and sewer are composed of a (1) base rate and (2) a charge for volume (per 1,000 gallons). The anomaly in this structure is 3 Creeks, which also has Capital Replacement Charge added to their base rate. Raftelis completed a cost of service analysis for a 2022 test-year which establishes the amount of revenue needed to cover expenditures. This analysis identified the cost to provide service to various customer classifications (e.g., single family, multi-family, commercial, etc.) for the Town's water and sewer utilities. To summarize guidance provided from the CRC, volume rates should:

- A. Minimize Customer Impacts: avoid inordinately large increases or decreases in customer bills during a single year.
- B. Rate Stability: minimize the need for dramatic rate changes over the planning period.
- C. Revenue Stability: generate stable and predictable revenues year to year.
- D. Affordability: provided mechanisms so that economically disadvantaged customers may continue to receive water and wastewater services.
- E. Cost of Service Based Allocations: recover revenue from each customer class equitably in proportion to the service demanded.
- F. Conservation/Demand Management: promote the efficient use of water.

## **Water Rates**

- **Alternative 1:**

- o This alternative is currently how the Town assesses its current water rates.
- o This alternative provides for a base charge that increases by meter size without a minimum use of 2,000 gallons.
- o This alternative provides for a system-wide volume rate (per 1,000 gallons) for all customer types.

- **Alternative 2:**

- o This alternative provides for a base charge that increases by meter size with a minimum use of 2,000 gallons.
- o This alternative provides a conservation "pricing signal" and creates a uniform seasonal volume rate (per 1,000 gallons) for all customer types. The seasonal volume includes a winter rate and a higher summer rate for all water users.

- **Alternative 3:**

- o This alternative provides for a base charge that increases by meter size with a minimum use of 2,000 gallons.
- o This alternative provides a more robust conservation "pricing signal" and creates a tiered fixed block volume rate (per 1,000 gallons) for the residential customer class only.
- o This alternative provides for a uniform volume rate (per 1,000 gallons) for all other customer classes

Staff and CRC recommend Alternative #3 for Water Rates.

### Sewer Rates

- Alternative 1:
  - o This alternative is currently how the Town assesses its current sewer rates.
  - o This alternative provides a base charge increasing by meter size without a minimum use of 2,000 gallons.
  - o This alternative provides a system-wide volume rate (per 1,000 gallons).
  - o Under this alternative, surcharges for excess-strength customers were updated and an increase of 9% for septage hauler rates is proposed.
- Alternative 2:
  - o This alternative provides for a base charge increasing by meter size with a minimum use of 2,000 gallons.
  - o This alternative provides for a system-wide volume rate per 1,000 gallons.
  - o Under this alternative, surcharges for excess-strength customers were updated and an increase of 9% for septage hauler rates is proposed.

Staff and CRC recommend Alternative #2 for Sewer Rates.

### **3. Commencement Date for New Rate Structure**

Once Council decides on the alternative structures for both capacity and volume utility rates, a commencement date will need to be discussed and decided upon. The commencement date is the date at which the new rates for both capacity and volume rates will take effect. Typically, adjusted rates have commenced on January 1 of a calendar year. Staff has discussed aligning this date to better reflect the start of any fiscal year. Though the CRC did not formally request a commencement date, an informal discussion was held around the current economic state triggered by COVID. In putting a commence date in context, it is good to understand how capacity fees are generated and why. As stated earlier, capacity fees are designed to recover costs new development and redevelopment place on the water and sewer systems. With new construction and development within the Town being above average, recovering the cost new development places on the Town's utility systems becomes imperative in ensuring new development and redevelopment fund their proportional share of capacity fees necessary to serve them. Staff is recommending a commencement date of July 1, 2021, to align with the start of our fiscal year.

### **Alternatives (Optional).**

### **Comprehensive Plan & Priority Alignment.**

- Section 8: Quality Community Service Provision

### **Fiscal Impact.**

Fiscal impact for any municipality that undergoes a comprehensive water and sewer rate study will impact all users of the utility system. For new development and redevelopment, there will be a fiscal impact of increased fees for connecting to the Town's water and sewer systems. There will also be fiscal impacts to the volume rates which will include an update to the base rate charges and volume (per 1,000 gallon) fees associated with usage. Depending on the which alternative pricing structure the Council chooses, additional fiscal impacts would be realized for each alternative policy: winter vs. summer volume rates, fixed block tiered rate, etc. As calculated in the rate design, fiscal impacts to all users of the Town's system is directly reflective of the cost of service required for each customer class and level of service provided by the Town.

### **Staff Impact.**

Staff has worked closely with both our consultants (Nelson Engineering and Raftelis) and the Citizen Review Committee since November of 2019. Staff impacts include:

- Numerous on-site meetings to evaluate current system designs and needs for both water and sewer utilities

- 10-year Capital Improvement Project evaluation, determination, and review
- Data acquisition for meter use/type, customer class history, usage, and anomalies
- 7 Citizen Review Committee meetings, including a tour of all water and sewer asset types
- Stakeholder outreach meetings and survey data collection

**Attachments or Links.**

- CRC “Draft” Recommendations Report
- Stakeholder Feedback Summary

**Suggested Motion.** *Council always has the option to adopt, approve with conditions, continue, or deny items.*

1. I move to approve Alternative #2 for updating the Town of Jackson Water and Sewer Capacity Fees.
2. I move to approve Alternative #3 for updating the Town of Jackson Water Volume Rates.
3. I move to approve Alternative #2 for updating the Town of Jackson Sewer Volume Rates.
4. I move to approve a commencement date for the Town of Jackson new rate structure beginning July 1, 2021, and direct staff to bring back a draft ordinance update at a future workshop meeting.



## **Citizen Review Committee Recommendation Report - DRAFT**

Town of Jackson Water and Wastewater Rate Study

October 2020

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### **Executive Summary**

The Town of Jackson (Town) formally convened the Citizen Review Committee (CRC or the Committee) on January 21, 2020. The mission of the CRC is to ***assemble diverse perspectives that represent our community to evaluate and advise on the Town's water and wastewater rates and rate structures.***

The CRC has three overarching purposes:

1. Provide views that are representative of respective stakeholder groups
2. Provide input on rate structure options and associated customer impacts
3. Formulate a recommendation to the Town Council

### **CRC Composition**

The CRC represents the constituency of the Town's customers and stakeholders including in-town and out-of-town residents, the business community and commercial users, environmental interests, and affordability advocates. CRC members include:

**Michelle Anderson**

Jackson Hole Airport

**Mark Barron**

High Country Linen Service

**Ray Elser**

Citizen

**Guy Evans**

Jackson Golf and Tennis

**Jeff Golightly**

Snow King

**Jessica Jaubert**

JH Working

**Pat Lowham**

Lowham Associates

**Fernando Ramos**

White Buffalo Club

**John Wasson**

Wilson Sewer Board

**Bill Wotkins**

Flat Creek Water Improvement District

## CRC Summary of Recommendations to Town of Jackson Town Council

During its final meeting on September 29, 2020, the CRC used a consensus-driven approach to arrive at the recommendations summarized below:

### Capacity Fees



**For water capacity fees,** the CRC endorses an approach presented as Alternative Two, which:

- Updates fees to recover true costs development places on the system
- Maintains the Town's current methodology for calculating capacity fees for various non-residential customers by meter size
- Treats residential differently from other customer types
  - Fees based on number of bedrooms plus a fee per 1,000 square feet of landscaped area
- Adds ability for customers to obtain a tap for irrigation-only
  - Fee is per 1,000 square feet



**For wastewater capacity fees,** the CRC also endorses an approach presented as Alternative Two, which:

- Updates fees to recover true costs development places on the system
- Maintains the Town's current methodology for calculating capacity fees for common use types, adds new categories for common development types, water use assumptions updated to current standards
- Treats residential differently from other customer types
  - Fees based on number of bedrooms

## **Rate Structures**



**For water rates**, the CRC was split in the first vote between what was presented as Alternatives Two and Three. While many said they could ultimately support either alternative, the CRC's desire to have its recommendations to Town Council align with that of Town Staff makes Alternative Three the preferred choice. In summary, it:

- Updates rates and fees to improve overall equity by reducing current subsidies being paid by some customer classes
- Recovers the Town's increased costs of providing water service
- Includes a monthly base charge that increases by meter size
- First 2,000 gallons per month (Tier 1) exempt from volumetric charges and included in base charge
- Encourages conservation by making residential water use in greater volumes – Tiers 2-4 – more and more expensive
- Establishes an irrigation-only customer class



**For wastewater rates**, the CRC endorsed what was presented as Alternative Two, which:

- Updates rates and fees to fully capture the Town's cost of providing wastewater service in-town, to 3 Creek, etc.
- Includes a monthly base charge that increases by meter size
- First 2,000 gallons per month exempt from volumetric charges
- Adds in-town volumetric rate per thousand gallons above 2,000

## Report Background

### Rate Studies – Purpose and Need

Rate studies are conducted as an industry best practice to ensure that a utility's financial health is maintained, and that the Town is setting a course toward meeting future financial obligations. The industry standard is to perform comprehensive rate studies every three to five years.

These studies:

- Perform a financial analysis on the utility's cash flow
- Analyze any outstanding debt
- Incorporate current and future capital improvement and maintenance needs
- Identify the cost of providing service for each customer type and group
- Recommend updates to how utilities charge for service and what utilities charge for service

Late last year, the Town hired Raftelis, an independent financial consultant specializing in water and wastewater rate and fee studies for communities and utilities across the country. Raftelis was charged with evaluating the Town's current rates and fees and designing a rate structure that:

- **Generates sufficient revenues** through rates and fees to fully and sustainably fund the annual requirements to support the Town's water and wastewater utility systems providing expected service levels.
- **Equitably recovers the cost of services**, which balances multiple objectives, in proportion to the impact of the service demands of a customer class and/or group of customers that may be practically administered by the Town.
- **Maintains affordable access** to essential water and sewer services while meeting other Town utility rate pricing objectives.

### Objectives

The CRC and Raftelis were charged with achieving multiple objectives when assembling this recommendation to Town Council:

1. The resultant rates recommended by the study must be lawful.
2. The level of service to the mandated service area (i.e., those within Town limits) must remain high, while simultaneously fully recovering costs.
3. Competing needs, including state of good repair investments, climate resiliency, maintaining or enhancing the Town's level of service, promoting efficient resource use, and reinforcing potential future conservation programming, all must be balanced.

4. There must be equity among all customer classes, including those that exist both outside and inside the Town's limits, based on reasonably determined respective characteristics of service.
5. The recommended rate result must ensure rate stability and ease of interpretation for the customers and ease of applicability for the Town.
6. The recommended rates must provide revenue stability and predictability for the Town.
7. Dynamism in the rate structure to ensure responsiveness to changing supply and demand patterns.
8. The recommended rates must be affordable, which will be determined utilizing economic and demographic data (e.g., household income, housing cost burden, local employment trends) and US EPA affordability information for guidance.
9. There must be a reasonable correlation between the cost of service and a parcel's draw from the water system and its respective usage characteristics.
10. There must be a reasonable correlation between the cost of service and a parcel's contribution to the sewer system and its respective usage characteristics.
11. There must be a reasonable correlation between the cost of services and a parcel's "share" of the assets and O&M required to provide those services.
12. There must be compatibility with the Town's billing system and ease of implementation from a billing and customer service perspective.

### CRC Activity

The CRC met regularly in 2020 to discuss and consider items noted in Table 1, often using technology to overcome challenges associated with restrictions in place to fight the COVID-19 pandemic.

Andrew Rheem and Hannah Palmer-Dwore with Raftelis served as technical consultants and Matt Wittern with Raftelis served as meeting facilitator. At times, Raftelis met one-on-one with CRC members who joined the process late to ensure informed recommendations.

| Table 1 – CRC Meetings and Agenda |               |                                                                                                                                                                                                           |
|-----------------------------------|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Meeting                           | Date          | Agenda                                                                                                                                                                                                    |
| 1                                 | Jan. 21, 2020 | <ul style="list-style-type: none"> <li>• Review/approval of CRC Charter</li> <li>• Purpose/goals of CRC</li> <li>• Town Water/Sewer System Overview, History</li> <li>• Current Rate Structure</li> </ul> |
| 2                                 | Feb. 11, 2020 | <ul style="list-style-type: none"> <li>• System Tour</li> </ul>                                                                                                                                           |
| 3                                 | March 3, 2020 | <ul style="list-style-type: none"> <li>• Financial Planning Overview</li> <li>• Capacity Fee Overview</li> <li>• Cost of Service Overview</li> </ul>                                                      |

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|   |                |                                                                                                                                                                                                                                                        |
|---|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                | <ul style="list-style-type: none"> <li>• Current Water and Wastewater Rates</li> <li>• Pricing Objectives</li> <li>• Water Rate Structures</li> </ul>                                                                                                  |
| 4 | April 7, 2020  | <ul style="list-style-type: none"> <li>• Results from Pricing Objectives Exercise</li> <li>• System Capacity Study Update (Nelson Engineering)</li> <li>• Financial Planning Overview</li> <li>• Projection Assumptions and Financial Plans</li> </ul> |
| 5 | May 19, 2020   | <ul style="list-style-type: none"> <li>• Capacity Fee Overview &amp; Analysis</li> <li>• Equivalent Residential Units &amp; Survey of Peer Towns' Methodologies</li> </ul>                                                                             |
| 6 | June 29, 2020  | <ul style="list-style-type: none"> <li>• Water Cost of Service and Rates</li> <li>• Wastewater Cost of Service and Rates</li> <li>• Customer Bill Impacts</li> </ul>                                                                                   |
| 7 | Sept. 29, 2020 | <ul style="list-style-type: none"> <li>• Capacity Fees – Alternatives Presentation, Discussion and Consensus</li> <li>• Water and Wastewater Rates - Alternatives Presentation, Discussion and Consensus</li> </ul>                                    |

## Brief History and Situation Analysis

### History

We're lucky to live in an area with caring neighbors and a unique culture nestled in a valley with stunning vistas of our natural environment. While often overlooked, infrastructure buried beneath our feet and hidden behind our walls is critical to our continued existence – our water and wastewater systems.

Recent history of the Town of Jackson's water and wastewater treatment services are tied back to 1970, when the town's wastewater treatment facility was constructed. When put into operation, it began replacing a series of independent privately-owned septic systems.

The first rates were implemented in 1972, and adjusted eight years later. Tiered rates were adopted in 1989, and a fixed base rate adopted in 1992.

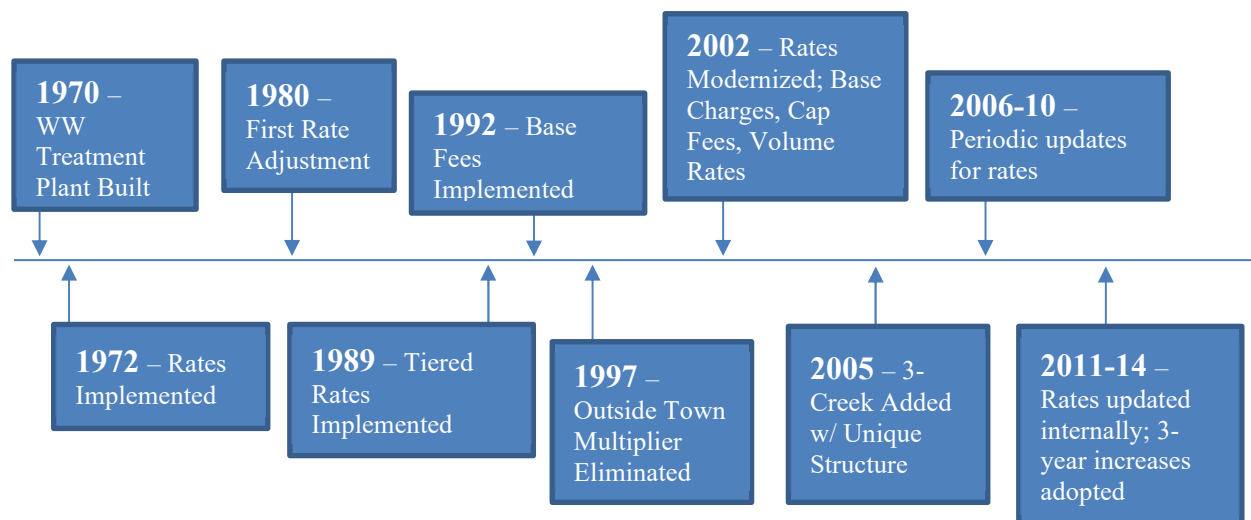
As growth continued outside town limits, Town Council adopted an out-of-town multiplier in 1997 to attempt to account for higher costs to serve these customers.

In 2002, a comprehensive rate study was performed, and the Town adopted modern concepts including capacity fees to ensure that existing customers were not asked to subsidize growth.

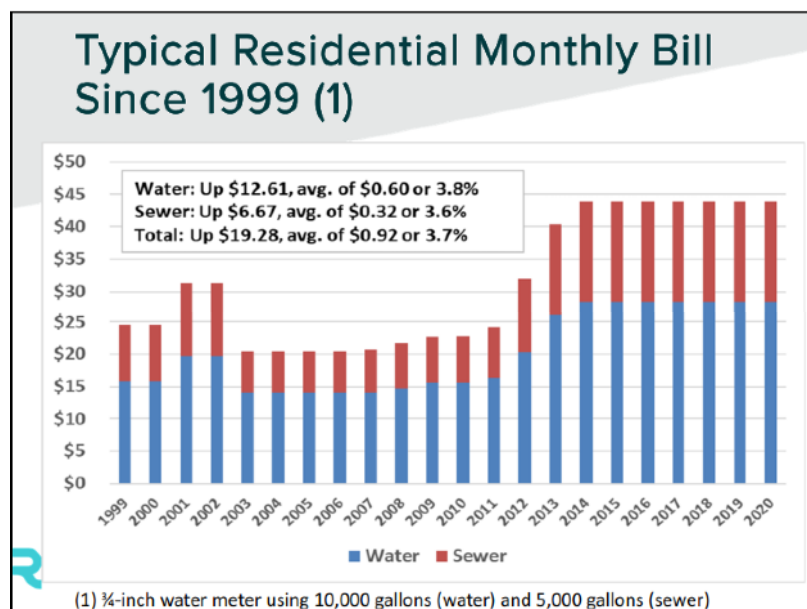
Since that time, rates have been updated periodically, but as is shown in Figure 2, water rates have remained unchanged since 2014.

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**Figure 1: Short History of Water/WW Rates**



**Figure 2: Short History Typical Monthly Bill Prices**



### Current System

The Town of Jackson's water system includes miles of pipe that delivers water from three tanks fed by eight groundwater wells. The wastewater treatment facility – built in 1970 – enables the Town to collect, treat and release 5 million gallons per day.

### Maintenance and Investment

Through the end of the decade on the water side, the Town plans to make more than \$22 million in necessary system upgrades to keep high quality, reliable water flowing to homes and

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businesses. Among other projects, these improvements include adding another well and storage tank to the system and upgrading/replacing pipes and valves along Gregory Lane and North Millward.

Similarly, the Town's wastewater system requires maintenance and investment to keep functioning properly; protecting the environment most of us live here to experience. During the next 10-years, the Town plans to invest more than \$11 million in upgrades at the treatment plant and improvements to the collection system.

These investments have been endorsed by Town Council and enjoy broad community support. In a concurrent process with the CRC, Town Staff engaged the community and found that all stakeholders ranked the following statement as *a top priority* for the Town as it relates to this rate study:

***"It is critical we continue investments in our infrastructure to keep our system maintained and healthy."***

### Current Rate Structure

*Treated/Drinking Water:* The Town of Jackson's treated/drinking water rate structure is comprised of two parts – a base charge, which is constant each month and varies based on the size of the water meter serving the customer.

Part two is a volumetric rate, where customers are charged a flat rate for every 1,000 gallons used.

*Wastewater:* As with the treated/drinking water side, wastewater customers are charged a flat-rate base charge each month, again based on the size of their water meter. Depending on the customer class, customers are charged separate volumetric rates for their wastewater treatment. Customers who discharge water that is more difficult to treat are charged more than customers who discharge water that is easier for the treatment plant to treat.

Figure 3 provides greater detail on water and wastewater rate structures.

**Figure 3: Current Rate Structures**

| Jackson's Current Rate Structures |                      |                      |                                                                                                     |        |
|-----------------------------------|----------------------|----------------------|-----------------------------------------------------------------------------------------------------|--------|
| Base Charge                       |                      |                      | Water Volume Rate                                                                                   |        |
| Meter Size<br>Inches              | Water<br>\$ per bill | Sewer<br>\$ per bill | Treated, \$ per 1,000<br>gallons                                                                    | \$2.12 |
| ¾-inch                            | \$7.22               | \$7.05               | <b>Wastewater Volume Rates<br/>\$ per 1,000 gallons</b>                                             |        |
| 1-inch                            | 9.93                 | 9.80                 |                                                                                                     |        |
| 1 ½-inch                          | 17.41                | 17.11                | Class 1 – 0 to 250 mg / l                                                                           | \$2.27 |
| 2-inch                            | 25.31                | 25.20                | Class 2 – 251 to 550 mg / l                                                                         | 2.58   |
| 3-inch                            | 57.54                | 52.76                | Class 3 – 551 to 850 mg / l                                                                         | 3.30   |
| 4-inch                            | 86.26                | 81.24                | Class 4 – 851 to 1,150 mg / l                                                                       | 3.98   |
| 6-inch                            | 159.34               | 153.23               | Class 5 – 1,151 to 1,450 mg / l                                                                     | 4.68   |
| Hydrant                           | 125.16               | N/A                  | Class 6 – 1,451 to 1,750 mg / l                                                                     | 5.53   |
|                                   |                      |                      | Class 7 – Over 1,750 mg / l                                                                         | Actual |
|                                   |                      |                      | [1] SFR based on January through March average water use or actual monthly use, whichever is lower. |        |
|                                   |                      |                      | [2] All others based on actual monthly water use.                                                   |        |

It is important to note that – as seen in Figure 2 above – water and wastewater rates and fees remain unchanged since 2014. This long period without adjustment has witnessed costs rise due to things like normal inflation, and current rates do not account for necessary capital improvements and critical maintenance.

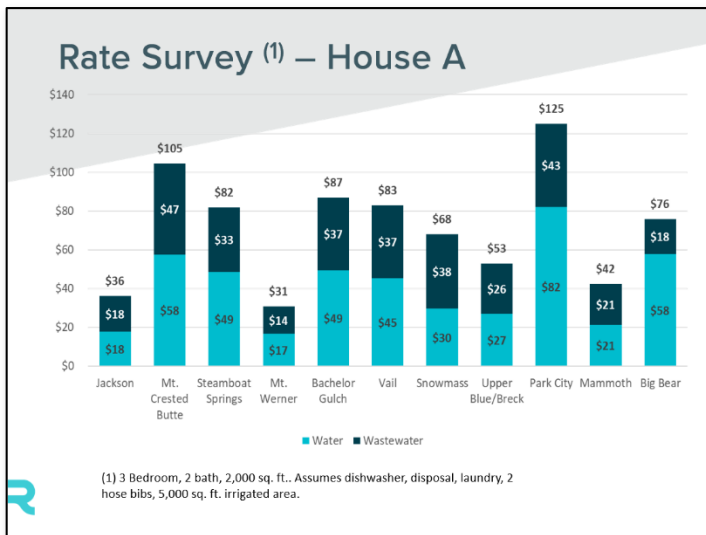
The bottom line is current rates and fees do not cover the cost of providing services and maintaining a robust, reliable system.

### Rates in Peer Communities

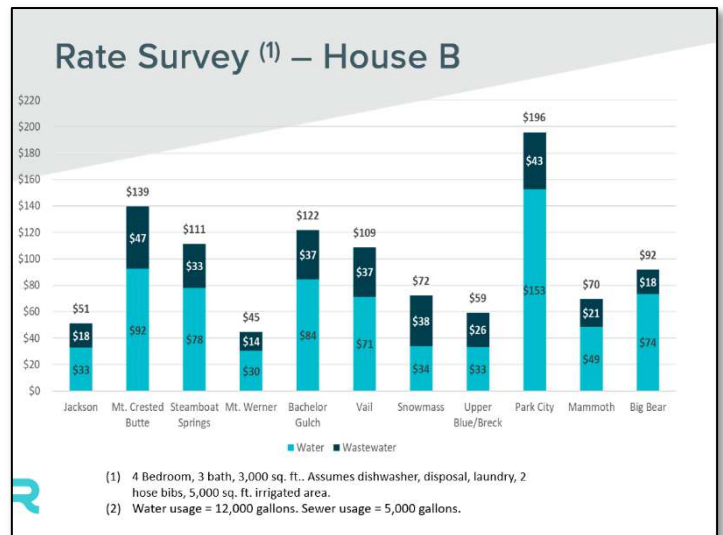
Town Staff directed Raftelis to perform research and analysis to provide the CRC with a sense of what water and wastewater customers pay in communities with similar economic drivers, along with a review of similarly sized communities across Wyoming. For an apples-to-apples comparison, the review assumed typical hypothetical homes served by the Town of Jackson water and wastewater system.

As shown in the figures below, the review found that the Town of Jackson is very competitive among its peer group across the country, and the Town's rates – unchanged since 2014 – are certainly among the lowest in the state.

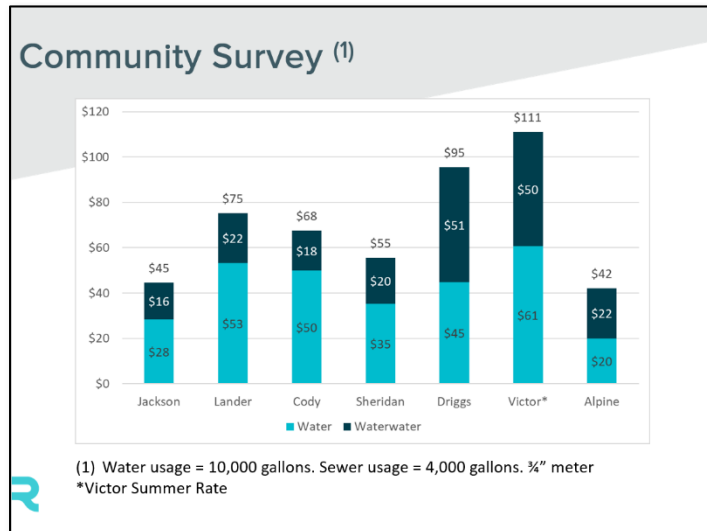
**Figure 4: Rates Comparison, House A**



**Figure 5: Rates Comparison, House B**



**Figure 5: Rates Comparison, Jackson Neighbors**



### CRC Feedback

- CRC members disagreed on whether Jackson's utility rates and capacity fees were a bargain, based on information provided from other towns with similar economies
- CRC observed that the Town of Jackson is fortunate to have access to abundant sources of groundwater via its complement of wells, and relatively simple Wyoming water laws contribute to low costs.

### Cost of Service

#### Definition

A Cost of Service analysis evaluates the costs that each customer class places on the system, which enables rates to be designed that recover those costs equitably. An analogy that may be helpful follows:

A group of friends goes out for brunch. Frank orders a slice of toast and ice water. Jennifer orders granola, yogurt and a carafe of orange juice. Jose orders an omelet, French toast, three slices of bacon and two mimosas. Splitting the check equally three ways is one way to approach paying the costs incurred, but is not equitable to Frank, whose cost of service is lower than Jennifer, and far lower than Jose's. When the server arrives with separate checks, she has performed the cost of service analysis and fairly allocated costs.

Just as in the brunch example, different customers of Jackson Water and Wastewater services are more or less costly to serve based on the requirements and needs they place on the system.

## Findings

The results of the cost of service study are shown below in Figures 6 and 7.

**Figure 6: Water Cost of Service**



| Customer Class  | 2022 Test-Year Cost of Service | 2022 Revenue at Existing Rates | Indicated Revenue Increase |
|-----------------|--------------------------------|--------------------------------|----------------------------|
| Residential     | \$1,139,321                    | 857,331                        | 33%                        |
| Commercial      | 769,582                        | 952,272                        | (19%)                      |
| Multi-Family    | 217,724                        | 231,142                        | (6%)                       |
| Schools         | 24,458                         | 11,187                         | 119%                       |
| Irrigation-Only | 257,043                        | 158,129                        | 63%                        |
| <b>Subtotal</b> | <b>2,408,217</b>               | <b>2,210,062</b>               | <b>9%</b>                  |
| 3 Creek (1)     | <u>326,992</u>                 | <u>311,842</u>                 | 5%                         |
| <b>Total</b>    | <b>\$2,735,209</b>             | <b>\$2,521,062</b>             | <b>8%</b>                  |

(1) Excludes capital replacement surcharge

**Figure 7: Wastewater Cost of Service**



| Customer Class  | 2022 Test-Year Cost of Service (1) | 2022 Revenue at Existing Rates (1) | Indicated Revenue Increase |
|-----------------|------------------------------------|------------------------------------|----------------------------|
| Residential     | \$565,663                          | \$516,995                          | 9%                         |
| Commercial      | 1,222,126                          | 1,074,271                          | 14%                        |
| Multi-Family    | 155,377                            | 145,592                            | 7%                         |
| Schools         | <u>21,920</u>                      | <u>21,760</u>                      | 1%                         |
| <b>Subtotal</b> | <b>1,965,085</b>                   | <b>1,758,618</b>                   | <b>12%</b>                 |
| Outside Town    | 407,912                            | 412,848                            | (1%)                       |
| 3 Creek (2)     | <u>101,999</u>                     | <u>96,560</u>                      | 5%                         |
| <b>Total</b>    | <b>2,473,015</b>                   | <b>2,268,644</b>                   | <b>9%</b>                  |

(1) Excludes Septic Hauler rate proposed to increase 9%.  
(2) Excludes capital replacement surcharge.

## CRC Input and Guidance

- It is important to the CRC that part-time residents pay their fair share.

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## Pricing Objectives

During the second meeting the CRC participated in a discussion and ranking exercise to determine pricing objectives important in the consideration of rate design alternatives. Table 2 displays the objectives ranked after final votes were tabulated. Rows shaded in light blue set the path for rate structure design.

| Table 2 – Ranked Pricing Objectives |                                                   |                                                                                                                                                                                                                        |       |
|-------------------------------------|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Priority Rank                       | Pricing Objective                                 | Description                                                                                                                                                                                                            | Score |
| 1                                   | <b>Minimization of Customer Impacts</b>           | Rates should be designed and implemented to avoid inordinately large increases or decreases in customer bills during a single year.                                                                                    | 91    |
| 2                                   | <b>Rate Stability</b>                             | Rate structures should minimize the need for dramatic rate increases and decreases over the planning period.                                                                                                           | 89    |
| 3                                   | <b>Revenue Stability</b>                          | Rates should generate stable and predictable revenues from year to year.                                                                                                                                               | 89    |
| 4                                   | <b>Affordability</b>                              | Rates or other targeted programs should be designed such that there are mechanisms in place that allow for economically disadvantaged customers to continue receiving water and wastewater service.                    | 83    |
| 5                                   | <b>Cost of Service Based Allocations</b>          | Rates should ensure that each customer class (i.e., residential, commercial, industrial, etc.) is contributing equitably towards revenue requirements based upon the cost of providing service to each of the classes. | 80    |
| 6                                   | <b>Conservation / Demand Management</b>           | Rates should promote the efficient consumption of water.                                                                                                                                                               | 60    |
| 7                                   | <b>Equitable Contributions from New Customers</b> | Rates and development fees should be balanced such that the costs of servicing new customers are covered proportionately with development fees.                                                                        | 58    |
| 8                                   | <b>Defensibility</b>                              | Rates should be designed according to standard industry practices and in accordance with applicable laws such that rate disputes are avoided.                                                                          | 58    |
| 9                                   | <b>Ease of Understanding</b>                      | Rates should be easy for customers to understand.                                                                                                                                                                      | 51    |
| 10                                  | <b>Simple to Update</b>                           | Rate structure(s) should be able to be efficiently and effectively maintained and updated by utility staff in future years with readily available data and information.                                                | 46    |

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|    |                               |                                                                                                                                                   |    |
|----|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|----|
| 11 | <b>Ease of Implementation</b> | Rates should be able to be implemented using existing staff and the existing billing and collection infrastructure with only minor modifications. | 42 |
| 12 | <b>Economic Development</b>   | Rates should be structured in such a way to promote economic development in the utility's service area.                                           | 33 |

Ranking of pricing objectives was a key component in evaluating alternative rate structures. The most important objectives selected by the CRC served as criteria for assessing the relevance and effectiveness of the alternative rate structures. It should be noted that the other pricing objectives were also considered in the CRC's evaluation — they were not ignored.

## Capacity Fees

### Definition

Capacity fees are one-time fees assessed to new and/or increased development to recover the cost of the facilities necessary to serve that development. They are commonly used by local governments across the country – including the Town of Jackson – to ensure that new and redevelopment fund their proportional share of capacity facilities necessary to serve them. In other words, capacity fees make sure that development “pays its own way,” and current customers or the Town are not asked to subsidize growth, development, or redevelopment.

By law, capacity fees have restrictions on what eligible expenditures they may be used for – for example, they cannot be used to fund the Town's General Fund. They also must have a rational basis – meaning they cannot be assessed without careful study that is defensible if challenged in court. To this end, consultants calculate what is the “Maximum Supportable Fee,” fees that recover the full cost of the burden new development places on the existing system, and no more. Governing bodies, like Jackson Town Council, may adopt capacity fees at the level of the Maximum Supportable Fee or any level lower than that.

### Analysis and Findings

Raftelis calculated maximum supportable water capacity fees per ¾-inch water meter, representing most residential units. Table 1 summarizes the maximum supportable water capacity fee of \$2,793 per ERU. As Capacity Fees have not been updated in many years, the current water capacity fee – at \$690 for new ¾-inch connections – does not reflect the impact new users place on the water system.

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## Current Approach

*Water:* The Town of Jackson currently assesses water system capacity fees by meter size. Larger meter sizes – starting at 2-inch – incur charges for fire line connections. See Figure 7 for a detailed summary.

*Wastewater:* The Town's assessment of capacity fees for wastewater treatment are more complex; tied to the major use expected from the facility and the associated relative difficulty in treating wastewater from that use. Also, assessment units differ – some are per unit, others assessed on a square footage basis, while others still assessed per site, machine, dental chair, employee, pump, bay, student – it can get complicated. Figures 8 and 9 below provide detail.

**Figure 8: Current Water Capacity Fees**

| Jackson's Current Water Capacity Fees |                               |                                   |
|---------------------------------------|-------------------------------|-----------------------------------|
| Meter Size<br>Inches                  | Water<br>\$ per<br>Connection | Fire Line<br>\$ per<br>Connection |
| ¾-inch                                | \$690                         | N/A                               |
| 1-inch                                | 1,227                         | N/A                               |
| 1 ¼-inch                              | 1,918                         | N/A                               |
| 1 ½-inch                              | 2,761                         | N/A                               |
| 2-inch                                | 4,909                         | 1,000                             |
| 2 ½-inch                              | 7,670                         | N/A                               |
| 3-inch                                | 11,044                        | N/A                               |
| 4-inch                                | 19,633                        | 2,100                             |
| 6-inch                                | 44,176                        | 2,400                             |
| 8-inch                                | 78,533                        | 3,100                             |

| Jackson's Current Sewer Capacity Fees (Cont.) |                  |                            |
|-----------------------------------------------|------------------|----------------------------|
| Description                                   | Assessment Unit  | Sewer<br>\$ per Connection |
| Mobile Home Park                              | Per Site         | \$2,174                    |
| Laundry (Self-Service)                        | Per Machine      | 1,486                      |
| Laundry (Commercial)                          | Per Machine      | 5,435                      |
| Dental Offices                                | Per Dental Chair | 614                        |
| Offices                                       | Per Employee     | 147                        |
| Retail Stores                                 | Per 100 sq. ft.  | 24                         |
| Service Stations                              | Per Pump         | 1,088                      |
| Car Washes                                    | Per Bay          | 4,927                      |
| Day Care                                      | Per Student      | 49                         |
| Public Spas                                   | Per 1,000 gals   | 652                        |
| Schools (with Gym)                            | Per Student      | 98                         |

**Figure 9: Current Wastewater Capacity Fees**

| Description              | Assessment Unit | Sewer \$ per Connection |
|--------------------------|-----------------|-------------------------|
| Residential 2BR +        | Per Unit        | \$2,172                 |
| 1BR Apt. w/ Laundry      | Per Unit        | 1,088                   |
| 1BR Apt. w/o Laundry     | Per Unit        | 869                     |
| Bars and Taverns         | Per 15. sq. ft. | 297                     |
| Restaurant               | Per 15 sq. ft.  | 399                     |
| Motel / Hotel            | Per Room        | 985                     |
| Bed and Breakfast        | Per Room        | 1,116                   |
| Churches w/o Food        | Per Seat        | 24                      |
| Churches w/ Food         | Per Seat        | 36                      |
| RV Parks                 | Per Site        | 493                     |
| Camp Parks / Campgrounds | Per Site        | 369                     |

| Description            | Assessment Unit  | Sewer \$ per Connection |
|------------------------|------------------|-------------------------|
| Mobile Home Park       | Per Site         | \$2,174                 |
| Laundry (Self-Service) | Per Machine      | 1,486                   |
| Laundry (Commercial)   | Per Machine      | 5,435                   |
| Dental Offices         | Per Dental Chair | 614                     |
| Offices                | Per Employee     | 147                     |
| Retail Stores          | Per 100 sq. ft.  | 24                      |
| Service Stations       | Per Pump         | 1,088                   |
| Car Washes             | Per Bay          | 4,927                   |
| Day Care               | Per Student      | 49                      |
| Public Spas            | Per 1,000 gals   | 652                     |
| Schools (with Gym)     | Per Student      | 98                      |

#### CRC Input and Guidance

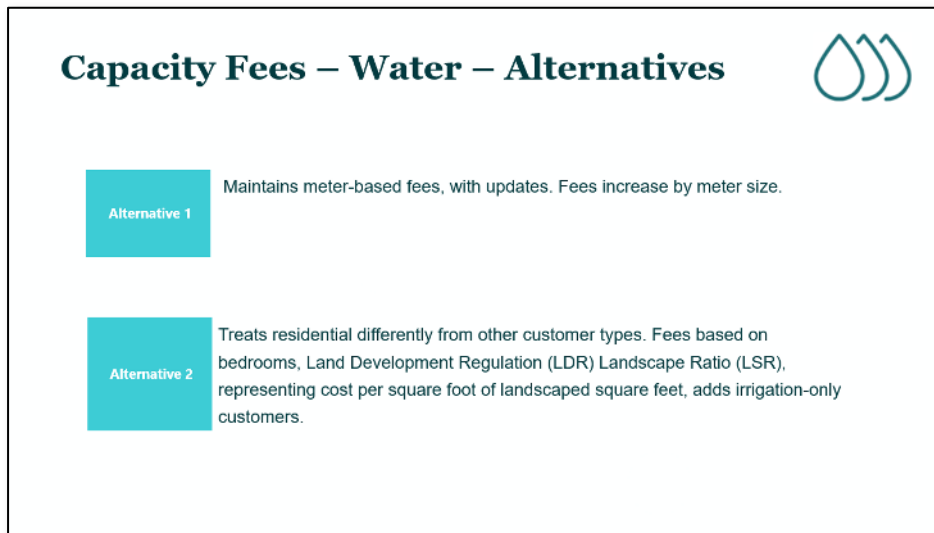
- Regarding capacity fees, there is a growing concern that older homes that are being demolished and replaced with larger ones are not paying their fair share, especially if they maintain the existing ¾" meter as capacity fees are assessed to redeveloped properties only if the meter size is increased.
- Preliminary capacity fees, as proposed in the April 7 CRC meeting, seem very low.
- It seems better/easier to assess capacity fees by square footage; larger dwellings should pay more than smaller ones
- CRC generally opposed moving towards ERUs
- CRC asked for sensitivity on capacity fees to ensure they don't unnecessarily burden or disincentivize construction of affordable housing, while also ensuring that sufficient funds are collected to cover actual costs.
- Interest was expressed in ensuring fees related to impacts from larger homes were sufficient to cover the costs those structures place on the system – new development or redevelopment

## Capacity Fee Alternatives Evaluated

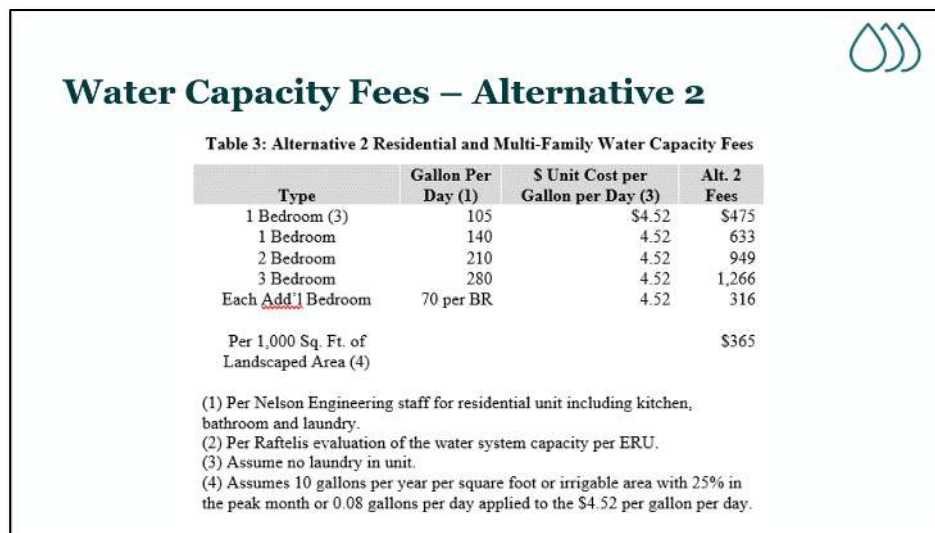


Based on preferences and priorities expressed by the CRC, and with input from Town Staff related to known challenges and constraints, Raftelis developed and presented two alternatives the CRC considered for **water capacity fees**. Alternatives and anticipated impacts are shown in Figures 10-14.

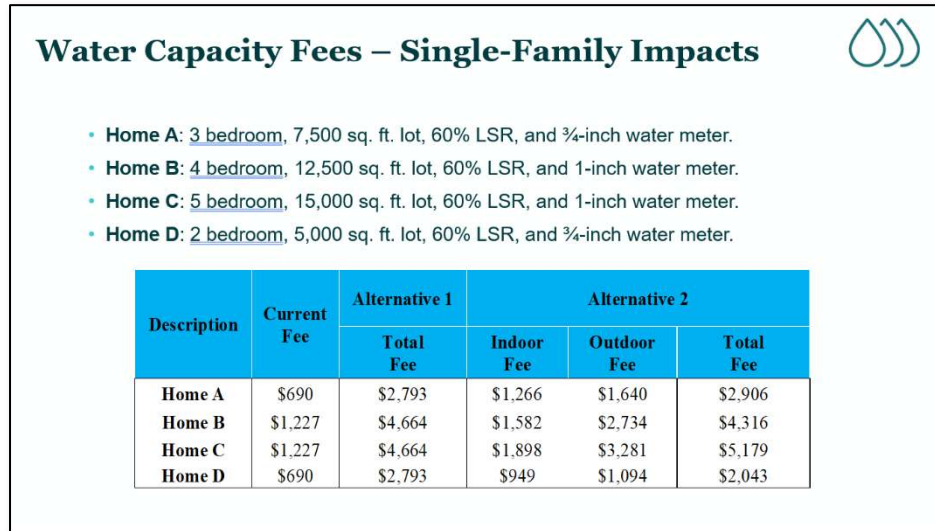
**Figure 10: Water Capacity Fees Alternatives**



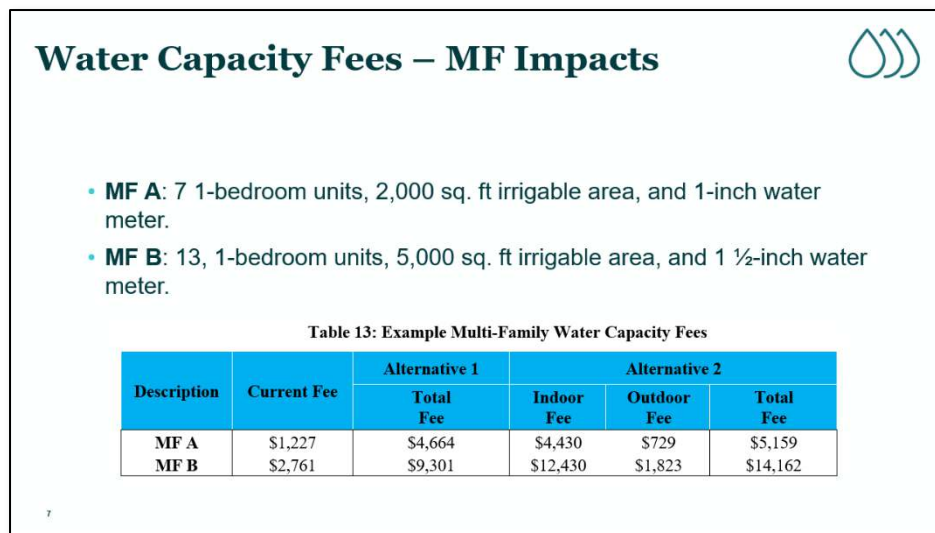
**Figure 11: Water Capacity Fees Alternative 2**



**Figure 12: Water Capacity Fees – SF Impacts**



**Figure 13: Water Capacity Fees – MF Impacts**



**Figure 14: Water Capacity Fees – Irrigation Only**

## Water Capacity Fees – Irrigation Only



- **Irrigation only:** 20,000 sq. ft irrigable area and 1 1/2-inch water meter.

**Table 21: Sample Irrigation-Only Water Capacity Fees**

| Description     | Current Fee | Alternative 1 | Alternative 2 |
|-----------------|-------------|---------------|---------------|
| Irrigation-Only | \$2,761     | \$9,301       | \$7,290       |

### CRC Recommendation to Town Council

- Adopt Water Capacity Fee Alternative Two

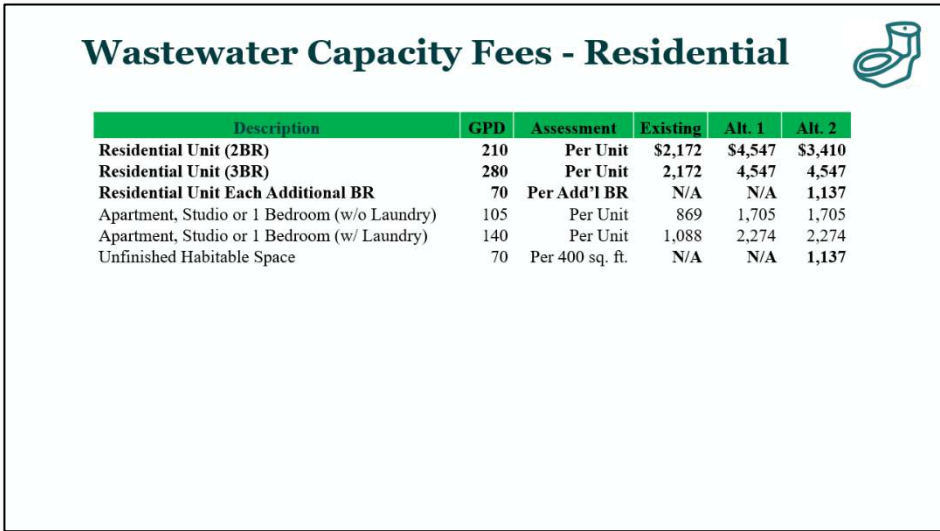


Based on preferences and priorities expressed by the CRC, and with input from Town Staff related to known challenges and constraints, Raftelis developed and presented two alternatives the CRC considered for **wastewater capacity fees**. Alternatives and anticipated impacts are shown in Figures 15-20.

**Figure 15: Wastewater Capacity Fees Alternatives**



**Figure 16: Wastewater Capacity Fees Impacts - Residential**



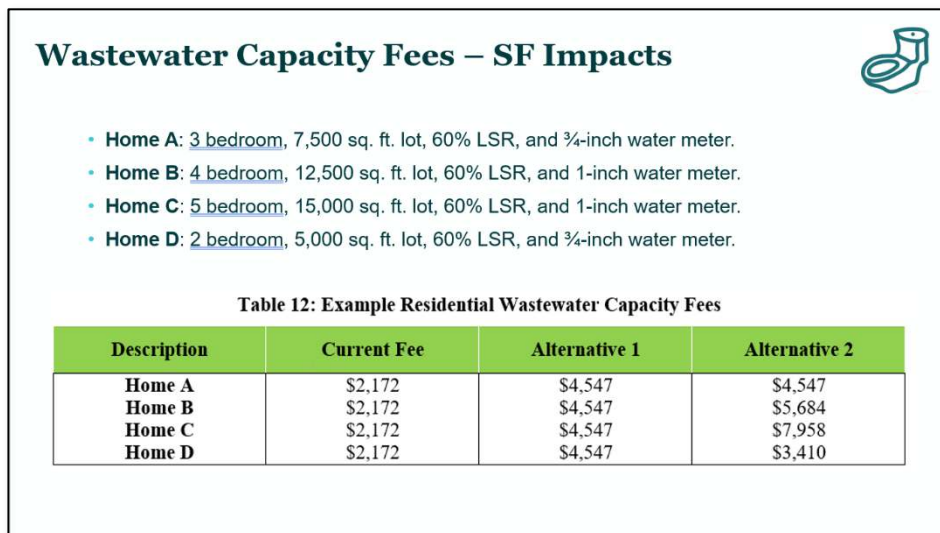
**Figure 17: Wastewater Capacity Fees Impacts - Other**

| <b>Wastewater Capacity Fees – All Others</b>  |       |                 |          |        |        |
|----------------------------------------------------------------------------------------------------------------------------------|-------|-----------------|----------|--------|--------|
| Description                                                                                                                      | GPD   | Assessment      | Existing | Alt. 1 | Alt. 2 |
| Bars, Tavern and Lounge (no food)                                                                                                | 20    | Per 15 sq. ft.  | 297      | 325    | 325    |
| Restaurants                                                                                                                      | 64    | Per 15 sq. ft.  | 399      | 1,039  | 1,039  |
| Motels and Hotels                                                                                                                | 140   | Per Room        | 985      | 2,274  | 2,274  |
| Bed and Breakfast                                                                                                                | 140   | Per Room        | 1,116    | 2,274  | 2,274  |
| Assembly (no food)                                                                                                               | 3     | Per Seat        | 24       | 49     | 49     |
| Assembly (w/ food)                                                                                                               | 5     | Per Seat        | 36       | 81     | 81     |
| RV Parks (w ind. Sewer hookups)                                                                                                  | 100   | Per Site        | 493      | 1,624  | 1,624  |
| Camps, Parks, Campgrounds (w/ comfort station)                                                                                   | 75    | Per Site        | 369      | 1,218  | 1,218  |
| Mobile Home Park                                                                                                                 | 210   | Per Site        | 2,174    | 3,410  | 3,410  |
| Laundry (self service)                                                                                                           | 450   | Per Machine     | 1,486    | 7,308  | 7,308  |
| Laundry (commercial 100#pp capacity)                                                                                             | 1,000 | Min./Machine    | 5,435    | 16,240 | 16,240 |
|                                                                                                                                  |       | Per Gal. Ann.   |          |        |        |
| Breweries (per annual production 1 barrel is 31 gals.                                                                            | 20    | Capacity        | ICB      | 325    | 325    |
| Fitness (Gyms, Dance Studios, Yoga, Karate)                                                                                      | 50    | Per 100 sq. ft. | N/A      | 812    | 812    |

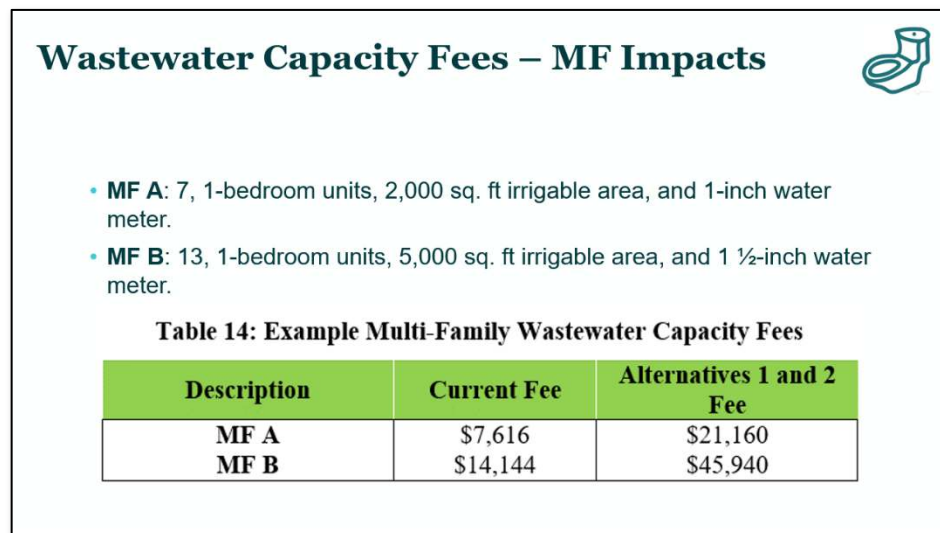
**Figure 18: Wastewater Capacity Fees Impacts - Other, Cont.**

| <b>Wastewater Capacity Fees – All Others</b>  |       |                   |          |        |        |
|----------------------------------------------------------------------------------------------------------------------------------|-------|-------------------|----------|--------|--------|
| Description                                                                                                                      | GPD   | Assessment        | Existing | Alt. 1 | Alt. 2 |
| Medical Offices and Dentists                                                                                                     | 250   | Per Practitioner  | 614      | 4,060  | 4,060  |
| Veterinary Offices (not including boarding)                                                                                      | 250   | Per Practitioner  | N/A      | 4,060  | 4,060  |
| Animal Boarding                                                                                                                  | 20    | Per Cage          | N/A      | 325    | 325    |
| Offices                                                                                                                          | 15    | Per Employee      | 147      | 244    | 244    |
| Retail Stores                                                                                                                    | 5     | Per 1,000 sq. ft. | 24       | 81     | 81     |
| Unfinished Commercial Space                                                                                                      | 5     | Per 1,000 sq. ft. | N/A      | 81     | 81     |
| Public Access Restrooms                                                                                                          | 325   | Per Fixture       |          | 5,278  | 5,278  |
| Service Stations                                                                                                                 | 220   | Per Pump          | 1,088    | 3,573  | 3,573  |
| Car Washes                                                                                                                       | 1,000 | Per Bay           | 4,927    | 16,240 | 16,240 |
| Public Spas (Per kgal capacity)                                                                                                  | 132   | Per kgal capacity | 652      | 2,144  | 2,144  |
| Schools (w/ Cafeteria, Gym, and Showers)                                                                                         | 20    | Per Student       | 98       | 325    | 325    |
| Schools (w/ Cafeteria, No Gym)                                                                                                   | 15    | Per Student       |          | 244    | 244    |
| Schools (without Cafeteria and Gym)                                                                                              | 10    | Per Student       |          | 162    | 162    |
| Day Care                                                                                                                         | 20    | Per Student       | 49       | 244    | 244    |
|                                                                                                                                  |       | Avg. Max GPD x    |          |        |        |
| Others Not Listed Wastewater Service                                                                                             |       | \$16.24           |          |        |        |

**Figure 19: Wastewater Capacity Fees – Single Family Impacts**



**Figure 20: Wastewater Capacity Fees – MF Impacts**



CRC Recommendation to Town Council

- Adopt Wastewater Capacity Fee Alternative Two

## Water and Wastewater Rate Structures

### Definition

Water and Wastewater Rate Structures set the manner in which customers are charged for each service. There are a variety of ways they may be structured that are in accordance with industry best standards and are as varied as the communities in which they are established.

### Current Approach

As more thoroughly described on Page 7 and in Figure 3, the Town of Jackson currently uses a base charge (by meter size) plus non-tiered volumetric fee structure for water. Wastewater service is similar, with a base charge (by meter size) plus non-tiered volumetric for treated water. Users from classes that discharge water that is more difficult to treat pay more per thousand gallons than those who discharge water that is easier to treat.

### CRC Input and Guidance

- CRC recommended exploring an approach that could help affordability during the shoulder seasons – for example, charging more during times when business revenues are higher. Or, maybe offering a 12-month average to increase predictability or at least reduce wild swings in bills.
- Affordability for lower-income residents is a concern; we should explore a base rate that includes a certain volume of water that covers very basic human needs.
- Opposition to the Town subsidizing rates was voiced – more important to ensure revenues cover the needs of a healthy system with a high level of service.
- CRC is hopeful that its recommendation will align with staff's preferences when they make a recommendation to Council.
- Average bill for a vacant property of \$14 – like a summer home that isn't used but for a month per year is too low. They should be charged more.
- Given uncertainty regarding the economy due to COVID-19, our recommendation should be careful about rate increases that are too high.
- Projected bill increases of 7-8% (as shown in the April 7 meeting) seem too high – hard to stomach a doubling of bills over the next decade, if these five-year projections are extrapolated. This will not be good for low income folks or seniors.

## Water Rate Alternatives Evaluated



Based on preferences and priorities expressed by the CRC, and with input from Town Staff related to known challenges and constraints, Raftelis developed and presented two alternatives the CRC considered for **water rates**. Alternatives and anticipated impacts are shown in Figures 21-24.

**Figure 21: Water Rate Alternatives**



### Water Rate Alternatives

- **Alternative 1:**
  - Base charge increasing by meter size **without** minimum use of 2,000 gallons
  - System-wide volume rate per 1,000 gallons
- **Alternative 2:**
  - Base charge increasing by meter size **with** minimum use of 2,000 gallons
  - System-wide uniform seasonal volume rate per 1,000 gallons
- **Alternative 3:**
  - Base charge increasing by meter size **with** minimum use of 2,000 gallons
  - Residential tiered fixed block volume rate per 1,000 gallons
  - Uniform volume rate per 1,000 gallons for other users

**Figure 22: Water Base Charges**



### Water Base Charges by Meter Size

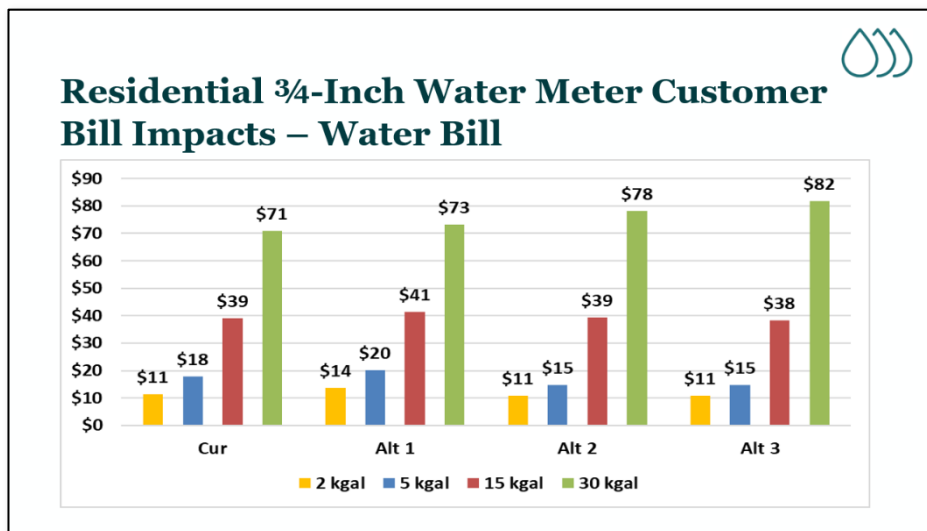
| Meter Size                      | Existing | Proposed FY 2022 |          |          |
|---------------------------------|----------|------------------|----------|----------|
|                                 | FY 2021  | ALT. 1           | ALT. 2   | ALT. 3   |
| Minimum Volume All Sizes (gal.) | 0        | 0                | 2,000    | 2,000    |
| ¾-inch Meter                    | \$ 7.22  | \$ 9.60          | \$ 11.00 | \$ 11.00 |
| 1-inch Meter                    | 9.93     | 14.86            | 16.37    | 16.39    |
| 1½-inch Meter                   | 17.41    | 26.86            | 28.61    | 28.69    |
| 2-inch Meter                    | 18.98    | 41.70            | 43.75    | 43.89    |
| 3-inch Meter                    | 54.54    | 83.73            | 86.64    | 86.96    |
| 4-inch Meter                    | 86.26    | 129.24           | 133.07   | 133.59   |
| 6-inch Meter                    | 159.34   | 254.20           | 260.58   | 261.64   |

**Figure 23: Water Volume Rates – Alt 3**

| <b>Water Volume Rates – Alternative 3</b> |                |          |          |
|-------------------------------------------|----------------|----------|----------|
| Customer Class                            |                | Existing | Proposed |
|                                           | Tier           | FY 2021  | ALT 3    |
| Minimum Volume All Sizes (gallons)        |                | 0        | 2,000    |
| Residential – Tier 1                      | 0 – 2,000      | \$2.12   | \$ 0.00  |
| Residential – Tier 2                      | 2,001 – 6,000  | 2.12     | 1.24     |
| Residential – Tier 3                      | 6,001 – 25,000 | 2.12     | 2.48     |
| Residential – Tier 4                      | Over 25,000    | 2.12     | 3.72     |
| Town – First 2,000 Gallon Minimum         | 0 – 2,000      | \$2.12   | \$0.00   |
| Town – Over 2,000 Gallon Minimum          | Over 2,000     | 2.12     | 2.12     |
| Irr. Only – First 2,000 Gallon Minimum    | 0 – 2,000      | \$2.12   | \$0.00   |
| Irr. Only – Over 2,000 Gallon Minimum     | Over 2,000     | 2.12     | 2.48     |

### Monthly Bill Impact Analysis

**Figure 24: Residential Monthly Bill Impacts**



### CRC Recommendation to Town Council

- Adopt Water Rate Alternative Three



Based on preferences and priorities expressed by the CRC, and with input from Town Staff related to known challenges and constraints, Raftelis developed and presented two alternatives the CRC considered for **wastewater rates**. Alternatives and anticipated impacts are shown in Figures 25-27.

**Figure 25: Wastewater Rate Alternatives**

### Wastewater Rate Alternatives



- **Alternative 1:**
  - Base charge increasing by meter size **without** minimum use of 2,000 gallons
  - System-wide volume rate per 1,000 gallons
  - Updated surcharges for excess-strength customers
  - Septage hauler rate increase of 9% proposed
- **Alternative 2:**
  - Base charge increasing by meter size **with** minimum use of 2,000 gallons
  - System-wide volume rate per 1,000 gallons
  - Updated surcharges for excess-strength customers
  - Septage hauler rate increase of 9% proposed

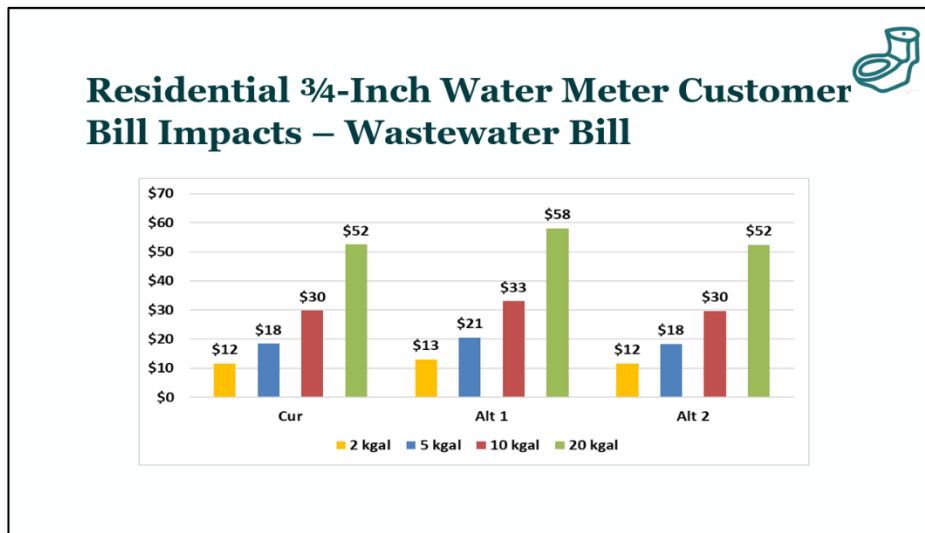
**Figure 26: Wastewater Volume Rates**

### Wastewater Volume Rates



| Customer Class                       | Existing | Proposed | Proposed |
|--------------------------------------|----------|----------|----------|
|                                      | FY 2021  | ALT. 1   | ALT. 2   |
| Minimum Volume All Sizes (gallons)   | 0        | 0        | 2,000    |
| <b>Volume Rate per kgal</b>          |          |          |          |
| Town - First 2,000 Gallon Minimum    | \$2.27   | \$2.50   | \$0.00   |
| Town - Use Above Minimum             | 2.27     | 2.50     | 2.27     |
| 3 Creek – First 2,000 Gallon Minimum | \$1.88   | \$2.50   | \$0.00   |
| 3 Creek – Use Above Minimum          | 1.88     | 2.50     | 3.25     |

**Figure 27: Wastewater Volume Rates**



CRC Recommendation to Town Council

- Adopt Wastewater Rate Alternative Two

# MEMO

**To:** Johnny Ziem, Assistant Public Works Director, Town of Jackson  
Susan Scarlata, Ph.D., Community Engagement Specialist, Town of Jackson  
**From:** Matt Wittern, Senior Consultant  
**Date:** September 22, 2020  
**Re:** Town of Jackson Water Rate Study – Stakeholder Feedback Summary

---

## Overview:

Stakeholder involvement and consultation has been critical element of Raftelis' 2020 study of Water and Wastewater Fees for the Town of Jackson. In addition to a Citizen's Review Committee (CRC) that has met regularly and provided input and feedback to the study team from a variety of business, industry, customer and affordability advocates, Town Staff directed Raftelis to cast a wider net to collect and incorporate broader customer input.

To that end, Raftelis designed a short online survey instrument to gauge sentiment from the following stakeholder groups:

- In-town residential customers
- Out-of-town residential customers
- Business customers

The information gathered and summarized in this memorandum was considered by Raftelis when assembling rate structures to accommodate and address the unique challenges faced by the Town. We are confident that these rate structures we plan to propose to the CRC at our next meeting on September 29<sup>th</sup> will align closely with the preferences expressed by all stakeholders who have participated in the process.

## Soliciting Feedback:

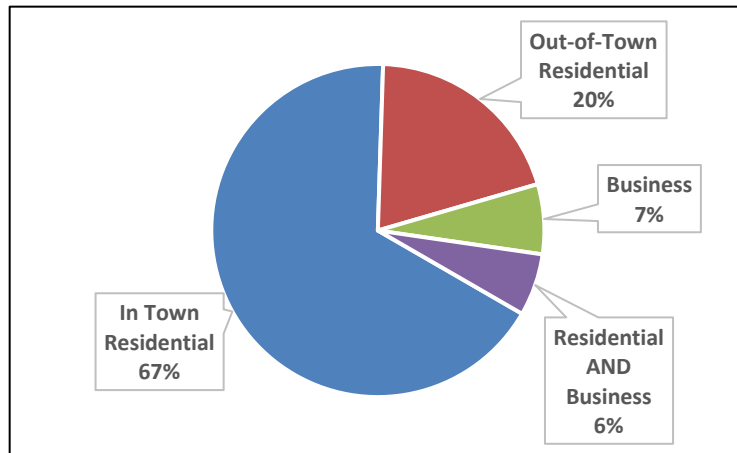
On June 30<sup>th</sup>, Town Staff hosted two community workshops on the topic of water and wastewater rates. Both sessions had been promoted on the City's website and through local media outlets. Both sessions were streamed live on the Town's website to facilitate participation by any individual who was not comfortable participating in person. Public comment – written and via an online survey – was collected at these workshops and has been incorporated into this memorandum.

A video recording of one workshop was published to the Town's website, along with a link to detailed materials and the online survey link. Town Staff continued to promote the availability of the recorded

workshop and encouraged community participation in the online survey through a variety of channels in the community.

The results of this hard work promoting this survey speak for themselves – it received a total of 265 responses, which, for a community the size of Jackson, is remarkable.

### Respondent Breakdown:



### Key Findings:

#### Consensus

Broad community agreement was found on two key foundational issues:

**Finding #1: All stakeholders agreed that the top priority or second place priority should be funding infrastructure investments<sup>1</sup>.**

| Ranking Statement: <i>"It is critical that we continue investments in our infrastructure to keep our system maintained and healthy.."</i> |                                                 |
|-------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| Stakeholder Group                                                                                                                         | Priority Rank – Lower number is higher priority |
| In-Town Residential                                                                                                                       | 1                                               |
| Out-of-Town Residential                                                                                                                   | 1                                               |
| Business                                                                                                                                  | 2                                               |
| Residential AND Business                                                                                                                  | 1                                               |

<sup>1</sup> While CRC feedback has generally supported infrastructure investment and ensuring impact fees cover costs that new development places on the system, they have not been asked to rank issues and concepts related to Findings 1 and 2.

**Finding #2: When it comes to the topic of development impact fees – which are paid by developers or homebuilders to “buy-in” to the system – all stakeholders ranked highly the concept that new growth and development should not be subsidized by current system users.**

| <b><u>Ranking Statement:</u> “New growth and development should pay its own way.”</b> |                                                        |
|---------------------------------------------------------------------------------------|--------------------------------------------------------|
| <b>Stakeholder Group</b>                                                              | <b>Priority Rank – Lower number is higher priority</b> |
| In-Town Residential                                                                   | 2                                                      |
| Out-of-Town Residential                                                               | 3                                                      |
| Business                                                                              | 1                                                      |
| Residential AND Business                                                              | 2                                                      |

### **Using Rate Design to Accomplish Policy Objectives**

Across the country, the manner in which water and wastewater rates are calculated varies significantly based on a multitude of factors. Each utility and community are unique, have their own varied costs and cultures that value certain things over others. In some places, where water is plentiful, utilities often charge customers a uniform volumetric rate flat rate without regard for how much water is used. In other places, such as in the West where water is scarcer, conservation is often a higher priority. In this circumstance, customers are charged using a tiered volume rate; charging incrementally more for the higher volume of water used. The list and ways to achieve certain policy objectives is long.

Early in the rate study process for the Town of Jackson, Raftelis polled members of the CRC and Town Staff to get a sense of which objectives were most important to the community. These options were also posed to those who participated in the workshops and survey participants. Here is what we learned:

**Finding #3: Most respondent groups ranked conservation as the top priority when it comes to rate design; Business and CRC dissented.**

| <b><u>Ranking Statement:</u> “Everyone should aid conservation efforts by paying more on their bills during times we use more water.”</b> |                                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| <b>Stakeholder Group</b>                                                                                                                  | <b>Priority Rank – Lower number is higher priority</b> |
| In-Town Residential                                                                                                                       | 3                                                      |
| Out-of-Town Residential                                                                                                                   | 2                                                      |
| Business                                                                                                                                  | 8                                                      |
| Residential AND Business                                                                                                                  | 3                                                      |
| CRC                                                                                                                                       | 6                                                      |

**Finding #4: Respondent groups generally agreed that water and wastewater bills should be steady and predictable; this was the CRC's top priority.**

| <b><u>Ranking Statement:</u> “Rates should be designed and implemented to avoid inordinately large increases or decreases in customer bills during a single year.”</b> |                                                        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| <b>Stakeholder Group</b>                                                                                                                                               | <b>Priority Rank – Lower number is higher priority</b> |
| In-Town Residential                                                                                                                                                    | 5                                                      |
| Out-of-Town Residential                                                                                                                                                | 4                                                      |
| Business                                                                                                                                                               | 5                                                      |
| Residential AND Business                                                                                                                                               | 4                                                      |
| CRC                                                                                                                                                                    | 1                                                      |

**Finding #5: The next two pricing objectives were tied among survey respondents; that rates should be affordable, especially for those on the lower end of the income scale, and that revenues should be stable and predictable to facilitate accurate planning by the Town.**

| <b><u>Ranking Statement:</u> “Rates should be designed such that there are mechanisms in place that allow for economically disadvantaged customers to continue receiving service.”</b> |                                                        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| <b>Stakeholder Group</b>                                                                                                                                                               | <b>Priority Rank – Lower number is higher priority</b> |
| In-Town Residential                                                                                                                                                                    | 6                                                      |
| Out-of-Town Residential                                                                                                                                                                | 5                                                      |
| Business                                                                                                                                                                               | 3                                                      |
| Residential AND Business                                                                                                                                                               | 7                                                      |
| CRC                                                                                                                                                                                    | 4                                                      |

| <b><u>Ranking Statement:</u> “Rate should generate stable and predictable revenues from year to year.”</b> |                                                        |
|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| <b>Stakeholder Group</b>                                                                                   | <b>Priority Rank – Lower number is higher priority</b> |
| In-Town Residential                                                                                        | 4                                                      |
| Out-of-Town Residential                                                                                    | 7                                                      |
| Business                                                                                                   | 4                                                      |
| Residential AND Business                                                                                   | 6                                                      |
| CRC                                                                                                        | 3                                                      |

**Finding #6: Survey respondents seem more willing to accept more significant rate increases (or decreases) over the planning period, where the CRC listed avoidance of dramatic increases or decrease as their second-highest priority.**

| <b><u>Ranking Statement:</u> “Rate structures should minimize the need for dramatic rate increases and decreases over the planning period.”</b> |                                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| <b>Stakeholder Group</b>                                                                                                                        | <b>Priority Rank – Lower number is higher priority</b> |
| In-Town Residential                                                                                                                             | 7                                                      |
| Out-of-Town Residential                                                                                                                         | 6                                                      |
| Business                                                                                                                                        | 7                                                      |
| Residential AND Business                                                                                                                        | 5                                                      |
| CRC                                                                                                                                             | 2                                                      |

**Finding #7: The lowest priority among survey respondents was to ensure all classes are paying their own way based on the costs associated with serving them; the CRC listed equitable distribution of costs in the lower half of its priorities, as well.**

| <b>Ranking Statement: “Rates should ensure that each customer class is contributing equitably towards revenue requirements based upon the cost of providing service to each of the classes.”</b> |                                                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| <b>Stakeholder Group</b>                                                                                                                                                                         | <b>Priority Rank – Lower number is higher priority</b> |
| In-Town Residential                                                                                                                                                                              | 8                                                      |
| Out-of-Town Residential                                                                                                                                                                          | 8                                                      |
| Business                                                                                                                                                                                         | 6                                                      |
| Residential AND Business                                                                                                                                                                         | 8                                                      |
| CRC                                                                                                                                                                                              | 5                                                      |

### **Qualitative Findings:**

Survey respondents were asked to provide written feedback in addition to the information they provided in the ranking exercise. Some key themes emerged:

**In-town residential customers** were motivated to participate for a variety of reasons. Many responded because they were asked to, and they care about their water system. Many participated to have a voice in the bills that they pay, and so the Town can “make an informed decision about future water rates.” Some were concerned about the “escalating cost of living in Jackson as an essential worker.” Many expressed their desire to encourage water conservation, and some stated their opinion that water rates are too high, while others thought they are too low.

### **Comments Snapshot:**

- Local rates are affordable and reasonable
- I’ve been being overcharged for water for 15 years
- They (rates) seem low
- Make us pay true costs
- We need to be mindful of conservation and misuse, especially with all the growth.
- Areas outside of town should pay more, and we should make sure capacity is there before new developments can tap in
- There should be a conservation incentive – the more you use, the more you should pay
- I can afford water – let’s make sure we make it affordable for everyone
- It is reasonable to have increases in rates if costs continue to rise
- Higher rates must be justified by engineering and financial studies
- Consider charging businesses more than residential, nonessential water use billed higher than essential

- We should meter and bill irrigation separately (and at a higher rate than basic consumer need)
- Rates should cover maintenance of adequate reserve accounts for asset replacement and maintenance
- The Town should adjust rates regularly – every three years or so – rather than putting it off and having to raise substantially
- Residential rates should be much lower than commercial / industrial
- A small home should not pay as much as those giant new homes
- Spending is out of hand; I'm retired and it is getting tough to stay in my long time home
- Set rates to generate adequate revenue to protect and restore our valley's water quality
- We should have tiered rates, hotels should pay a higher peak usage rate

**Out-of-Town customers** stated a variety of reasons for participating, including a desire to participate as part of their civic duty, an interest in fair rates, and broad concern about being overcharged compared to in-town customers.

**Comments Snapshot:**

- Water is very expensive – I see a huge increase in summer with irrigation
- Growth should be supported by new permits (impact or tap fees); inflation should be countered by cost increases. Everything else should be supported by approved actions like elections, but not through rate increases
- I'd like to see a structure that helps less economically advantaged people pay their water bills
- Tiered water rates are a fair way to charge
- I've been told not everyone pays the same rates, and that doesn't seem fair
- 3 Creek customers are unfairly charged a ridiculously high base while other users are not
- We should encourage conservation
- It should be more equitable – in-town vs. county
- It can appear to be politically expedient to make non-voters or part-time residents bare more of the burden, but the focus should be on fair water rates.
- I am told that the Classical Academy pays significantly less than their neighbors. This is a religious oriented school and to give them breaks seems to me to be in violation of separation of church and state.

**Business customers** responded to the survey because “water and sewer rate are very important to my business.” Another responded that as “a high-volume user, it is quite a bit of money.” Another suggested that “the town should stop wasting money on unnecessary stuff and pay attention to that which is necessary – like water.”

**Comments Snapshot:**

- Rates seem fair now, any increases should be communicated with detailed rationale
- Everyone should pay proportionately, even if some are financially able to pay more
- Those not living here year-round should still be paying year-round in some form or fashion
- I appreciate the good job the department does keeping everything going

Customers who identified as being both Business and Residential had consistent rationales for participating including seeing it as their civic duty, an interest in long-term stability of rates, and to oppose “outrageous rate increases.”

**Comments Snapshot:**

- Rates should increase exponentially for wasteful use
- Water is too cheap – people don’t think about it or how to conserve it
- Let’s make sure our delivery system is sufficient to meet our needs; we do not have a shortage in the Snake River Basin
- It is a resource – education and planning are the most important things to manage
- Rates are fair, new users should pay to be added to the system
- Treat free market and affordable housing developments the same

# STAFF REPORT



|                               |                                 |                        |                            |
|-------------------------------|---------------------------------|------------------------|----------------------------|
| <b>Meeting Date:</b>          | October 19 <sup>th</sup> , 2020 | <b>Meeting Title:</b>  | Workshop                   |
| <b>Submitting Department:</b> | Administration                  | <b>Presenter:</b>      | Larry Pardee, Town Manager |
| <b>Agenda Item:</b>           | Budget Update #2                | <b>Public Comment:</b> | No                         |

## PURPOSE & POLICY CONSIDERATIONS:

The purpose of this item is to update Council on the year-to-date overview of FY21 budget revenues and expenditures.

In addition, staff will introduce a few areas in the FY22 Priority Driven Budget Process (PDB) needing time for discussion. The 3 areas are: 1) prioritization metrics, 2) 39-Program worksheets: (mission statements, level of service, performance metrics, desired outcomes to be achieved) and 3) establishment of Public Peer Review Committee.

## REQUESTED ACTION:

None at this time.

## RECOMMENDATION:

None at this time.

## BACKGROUND:

For Fiscal Year 2021, the Town projected a 50% reduction in sales tax and a 50% reduction in lodging tax since COVID-19 began in late March. The below table shows actual reductions for current year when compared to prior year:

|        | <u>Sales Tax</u> | <u>Lodging Tax</u> |
|--------|------------------|--------------------|
| April  | -15%             | -74%               |
| May    | -20%             | -64%               |
| June   | -28%             | -47%               |
| July   | -16%             | - 4%               |
| August | - 2%             | - 5%               |

The tax collections to date for FY21 are \$2.7M ahead of our reduced budget. As a result, the General Fund recurring expenditures are still exceeding recurring revenues by \$2.1M to fund FY2021. The \$2.1M deficit is currently funded by reserves in the approved budget.

## ANALYSIS:

Last month Council requested we begin setting up discussions relating to the Fiscal Year 2022 budget process. In future budget check ins, we will begin to lay the groundwork for our Priority Driven Budget process for Fiscal Year 2022. Specifically:

- Review of Prioritization Matrix – What scoring system should be used by Council to begin the Priority Driven Budget process.

- Review of 39-Program worksheets: (mission statements, level of service, performance metrics, desired outcomes to be achieved)
- Creation of a Public Peer Review Committee potentially comprised of nonprofit, business, human services and other community leaders to provide perspective and input on budgeting and prioritization, including how to invest General Penny monies if approved by the voters in November. Staff recommends we wait and first finish prioritization and program worksheet reviews prior to organizing a new committee to help assist Council and staff.

At the workshop staff will ask for Council's initial thoughts and ideas on these three areas including what one area should be prioritized to be looked at first.

### **ALTERNATIVES (Optional):**

#### **COMPREHENSIVE PLAN & PRIORITY ALIGNMENT:**

##### Common Value #3 - Quality of Life, Section 8. Quality Community Service Provision

- Principle 5.4 – Use a balanced set of tools to meet our housing goal.
  - o Policy 5.4.e: Establish a reliable funding source for workforce housing provision.
- Principle 7.1 Meet future transportation demand through the use of alternative modes.
  - o Policy 7.1.g: Establish a permanent funding source for an alternative transportation system
- *Principle 8.1*- Maintain current, coordinated service delivery
  - o Policy 8.1.e: Budget for service delivery
- *Principle 8.2* - Coordinate the provision of infrastructure and facilities needed for service delivery
  - o Policy 8.1.S.1: Use budgeting to affirm desired service levels from government service providers that address all policies of Principle 8.1.

#### **FISCAL IMPACT:**

None at this time.

#### **STAFF IMPACT:**

Town Manager and Directors spend about 20 hours per month reviewing budget and revenue figures. Individual departments spend time as well and those hours are not included in this estimate.

#### **ATTACHMENTS OR LINKS:**

Please see the attachments to the Town Managers report regarding sales and lodging tax for October.

#### **SUGGESTED MOTION:**

*(Council always has the option to adopt, approve with conditions, continue, or deny items.)*

None requested