

Proposed Utility Rate Increases – Fact Sheet and Reference Guide

What's happening?

At the December 13, City Council Meeting, Staff will propose utility rate increases beginning in 2024, for a three-year period. The item is expected to be considered for a vote on Dec. 20.

The proposed rate increases average out to 9.85% for water, wastewater and stormwater.

What will these increases enable us to do?

The increases are absolutely necessary to:

1. Sustain existing operations and maintenance activities amid increasing inflation we've seen in commodities and contracted services
2. Address the city's frequent water service disruptions
3. Ensure we can maintain safe drinking water, as well as meet regulatory requirements for stormwater and wastewater

By approving these rates, we will be able to improve our customer service experience, by proactively replacing old and failing lines, addressing localized flooding and sanitary back-ups, and more. Without these increases, city staff will only be able to react to issues as they come up.

What's causing this?

1. Inflation
2. Existing debt
3. Ever-changing regulatory requirements
4. Deferred maintenance

City Utilities are responsible for maintaining over \$3.6 billion in assets. Industry standards vary on established replacement cycles and can range anywhere from 40 – 100 years. At a very basic level, this means the utilities would need to be investing \$36 Million annually if everything was replaced on a 100-year cycle. We are behind on the funding required to maintain our goal of a 100-year replacement program- in fact, we are replacing some of our infrastructure at closer to a 150-year cycle. We have approximately \$70 million of water lines that are in need of repair/replacement.

What will the impact be?

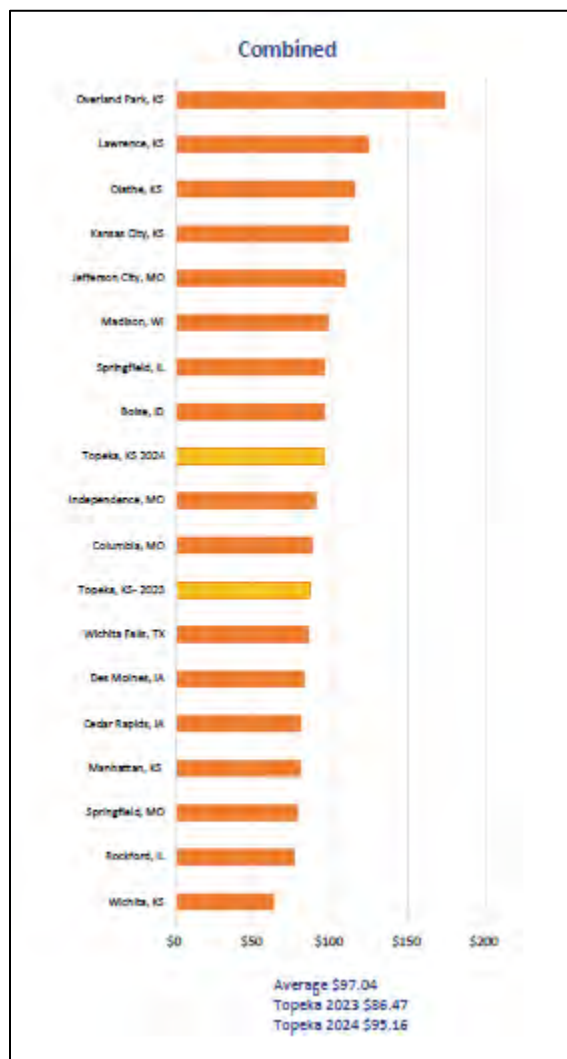
In 2023, the average City of Topeka family will pay \$93 for city utilities. The proposed rates, will increase that amount in 2024, by about \$9. Note: This rate is for customers inside the City limits. Customers outside the City limits have a higher rate that they pay.

Why are these proposed rate increases higher than what was stated in the ARPA discussions in early 2022?

The inflationary impact on chemicals, materials and competitive wages took effect after preliminary estimates were completed. At Governing Body request, Finance was asked to consider the impact of using ARPA dollars as a way to reduce Utility rates. After analysis, a recommendation was made to instead use ARPA money for General Obligation debt avoidance since the impact to property taxes was greater.

How do these rates compare to other cities?

Even with these proposed increases, our rates are lower for a typical household in comparison to surrounding cities, like Kansas City, KS, Lawrence, Olathe, and Overland Park.



What other funding sources are the City seeking as alternatives to these rate increases?

The Utilities Department continues to search out alternative funding sources, including available Federal funding, grants and loans which include all or partial loan forgiveness as part of the Federal Infrastructure Bill being administered by the State of Kansas. Currently the department is pursuing grants and/or loans with forgiveness for the replacement of Lead Service Lines as well as utilizing a cost-share program for improvements along Shunganunga Creek.

In 2022 the City narrowly missed being selected for an EPA funded grant to be used for the Lead Service Line project and intend to reapply in 2023. With the knowledge gained from the process this year and the advancement in the inventory process of Lead Service Lines, there is a likelihood that we will be successful in this application.

IF the utilities increase passes council - what are specific programs LMI folks can tap into? Will there be increase in funding from previous years to COT programs? If so detail.

The Utilities Department is seeking to make changes to the existing Water and Wastewater Utility Rate Refund Program. Our existing rate refund program provides credit for approved applicants that meet the following requirements: Must be a City of Topeka utility customer, have a household income for 2021 of less than \$34,450; AND meet the age, disability, or dependent child qualifications. This existing program offers up to \$75.00 credit for water utility and \$75.00 credit for wastewater utility (along with additional amounts for KS Gas and Evergy).

Our proposed expanded program would allow us to serve more residents who may own or rent their home, allow eligible applicants to receive a credit of \$160 annually and allow us to provide water efficiency kits to these applicants to help reduce their usage and save money on their monthly utilities.

Topeka is the only city out of Manhattan, Lawrence and Kansas City, KS that offer any type of courtesy adjustments. See attached spreadsheet with courtesy adjustment types and dollar amounts.

Other assistance programs include:

- Culvert Replacement Program
- 50/50 Wye Replacement Program
- Emergency Repair Program
- CRC Covid-19 Basic Need Assistance Program (program will end in 2022)

Information from past 5 years to current on number of utility shut offs per year. Looking to see if the amount of shut offs are increasing.

The number of customers that we have had on our shutoff list has been on a downward trend for the past five years, with the exception of 2020 when we suspended shutoffs as a result of Covid-19. To date in 2022, we have completed 9,629 shutoffs. Our numbers do not differentiate between those who are shutoff because they forgot to pay their bill versus those who were shutoff for inability to pay.

	<u>Shutoffs</u>
2017	11,347
2018	11,360
2019	9,932
2020	5,797
2021	9,261
2022	9,629