



## CITY COUNCIL AGENDA ITEMS

**To:** Mayor Graham and City Council  
**From:** Dennis Sullivan, Director of Engineering & Public Works  
Walter Denton, City Administrator  
**Date:** May 7, 2007  
**Subject:** ORDINANCE – Water Consumption Rates Ordinance Change

**List of committees that have reviewed:** Public Works Committee

**Background:** The City has a declining rate structure (the more you use the less per gallon it costs) which runs counter to the current thinking that large users should pay their fair share for water as they place a greater demand on the system. Secondly, the declining rates run counter to the ever-growing culture nationally and internationally that speaks to the need to conserve water. Of the users of water within the O'Fallon Water System only 14% of the users on average use enough water to be truly affected by the proposed elimination of the top tier of our rate structure. The proposed ordinance change eliminates the top tier (all water usage above 248,000 gallons) of \$3.25 per 1,000 gallons and modifies the rate for all water used above 10,000 gallons per month from \$4.11 per 1,000 gallons to \$4.20 per \$1,000 gallons. The impact of the proposed change to a customer in O'Fallon using 200,000 gallons per month will be only a \$20 dollar increase in a current bill of nearly \$850. The impact of the proposed change to a customer in O'Fallon using 20,000 gallons per month will be a \$1.60 increase in a current bill of \$84.10. Similarly, proportional changes would be seen in the rates that apply to Fairview Heights and Out-of-Corporate Limit users. This change will net the system approximately \$100,000 of increased revenue per year, dependent upon water consumption. Currently water consumption sales are running at \$7,000,000, so this increase will net only a 1.5% increase in funds. It does, however, show a desire to modernize our rate structure and further promote wise water usage amongst the system's largest users.

**Legal Considerations, if any:** None.

**Budget Impact:** This is a relatively revenue neutral proposal as it nets the water system only an additional \$100,000 per year.

**Staff recommendation:** Staff recommends amendment of the existing ordinance.

**Note:** The strikethroughs on the attached ordinance show deletions while underlining notes new wording.