

Olivehurst Public Utility District

Agenda Item Staff Report



Meeting Date: Jan 20, 2022

Item description/summary:

Rate Inflation Adjustment

The 2018 approved water and sewer rate study recommended water rate increases to build replacement reserves but hold sewer rates at the January 2017 level. However, the Board also approved rate inflation pass-through rate adjustments for water rate adjustments starting January 1, 2022 and sewer rates starting January 1, 2020. The inflation adjustment is capped at 4.0% for any annual period; however, a multi-year adjustment is permissible if one or more prior-year adjustments had been deferred.

Over the last 12 months, the CPI-U increased 6.5 percent (see attached). Energy prices jumped 31.6 percent, largely the result of an increase in the price of gasoline. An inflationary adjustment of both water and sewer rates is needed to cover the rising costs of providing water and sewer services.

Fiscal Analysis:

Current rates are \$19.50/1.95 for ¾' accounts, \$32.50/\$1.95 for 1" accounts and \$40.00 for sewer. Based on December 10, 2021 data the maximum water rate increase would be 4% effective as April 1, 2022. (¾" accounts \$20/\$2.00 – 1' accounts \$33.50/2.00). Maximum sewer rate increase of 6.5% (2020 1.5%, 2021 4%) brings the monthly user charge to \$42.50.

Calculations are rounded down - 50 cent increments

Sample Motion/Staff Recommendation:

Consider inflationary rate adjustments for both water and sewer rates.

Prepared by:

Karin Helvey, Financial Manager

January.....	0.5	2.5	0.5	3.1	0.2	2.7	0.3	2.9	0.2	1.4
February.....	0.6	3.0	0.5	3.1	0.2	2.4	0.4	3.1	0.5	1.6
March.....	0.3	3.1	0.4	3.2	0.4	2.4	-0.2	2.5	0.7	2.4
April.....	0.3	2.9	0.4	3.2	0.8	2.9	-0.4	1.3	1.0	3.9
May.....	0.2	2.6	0.5	3.5	0.5	2.9	0.1	0.8	0.8	4.7
June.....	0.0	2.5	0.2	3.6	0.0	2.7	0.4	1.2	0.9	5.1
July.....	0.1	2.5	0.1	3.6	0.0	2.7	0.5	1.7	0.6	5.2
August.....	0.2	2.7	0.2	3.6	0.1	2.6	0.3	1.9	0.2	5.0
September.....	0.5	2.9	0.3	3.4	0.3	2.6	0.0	1.6	0.2	5.3
October.....	0.3	2.9	0.4	3.5	0.5	2.8	0.2	1.2	0.8	6.0
November.....	0.0	3.1	-0.2	3.3	-0.1	2.8	0.0	1.4		
December.....	0.1	3.1	-0.2	3.1	-0.2	2.8	-0.1	1.5		

The November 2021 Consumer Price Index for the West Region is scheduled to be released on December 10, 2021.

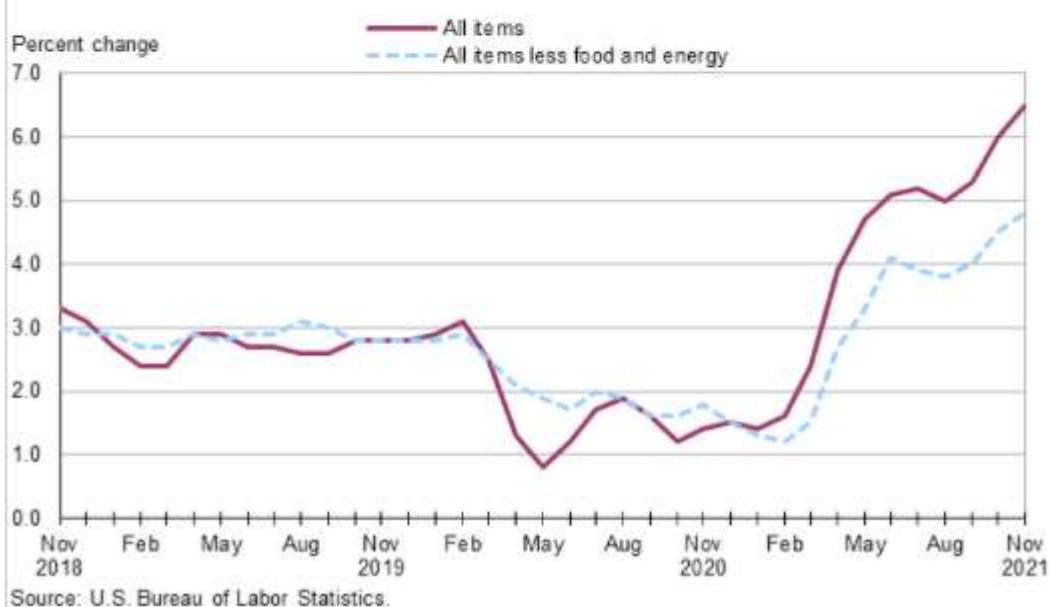
Consumer Price Index, West Region — November 2021

Area prices were up 0.5 percent over the past month, up 6.5 percent from a year ago

Prices in the West Region, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), increased 0.5 percent in November, the U.S. Bureau of Labor Statistics reported today. (See [table A](#).) The November increase was influenced by higher prices for shelter, new and used motor vehicles, and gasoline. (Data in this report are not seasonally adjusted. Accordingly, month-to-month changes may reflect seasonal influences.)

Over the last 12 months, the CPI-U increased 6.5 percent. (See [chart 1](#) and [table A](#).) Food prices advanced 6.5 percent. Energy prices jumped 31.6 percent, largely the result of an increase in the price of gasoline. The index for all items less food and energy increased 4.8 percent over the year. (See [table 1](#).)

Chart 1. Over-the-year percent change in CPI-U, West region, November 2018–November 2021



[View Chart Data](#)