

# Water and Wastewater Rates

April 23, 2024

# Water and Wastewater: Enterprise Funds

- A type of government fund that should 'stand alone' as an independent enterprise
- Has its own revenue sources (rates)
- Has dedicated expenditures (water and wastewater)
- Should never go into deficit or need to borrow from other funds

# What's the Problem?

1. Much of our systems are at or beyond their useful life.
2. We are not financially able to improve them.

# Bottom Line

- Option 1: What we should do
  - Rate increase in Year 1 for typical single family home: 46%
  - 1% above average of comparative cities
  
- Option 2: What we could live with
  - Rate increase in Year 1 for typical single family home: 33%
  - 8% below average of comparative cities

# Why Increase Rates This Much?

## It's a Matter of Risk

### 1. Quality of System

- Risk of being without water or sewer service
  - We've had minor disruptions
  - We had a sewer spill in 2023
  - Risk of more frequent and/or more severe problems
  - No matter what we do, some risk remains

### 2. Financial Stability

- Need to cover operating costs
- Water fund can't issue debt to replace at-risk well
- Wastewater fund will be 'upside down' by \$1.1M

# How Did We Get Here?

## Primary Factors

- **Water Fund**

- Used Fund Balance to Keep Rates Low
- Expenses Higher than Projected (inflation and pandemic)
- New Debt (water meters and wells)
- Reduced Capital Expenses

- **Wastewater Fund**

- Used Fund Balance to Keep Rates Low
- Actual revenues Much lower than Projected Revenues
- New Debt (sewer pump station)
- Reduced Capital Expenses

# We Know This Hurts

- New Tiered Structure Helps Those Who Use Less
- Maintains Financial Stability
- Cannot Use Rates to Subsidize Some Residents

# But Not As Much As Projected Last Fall

- New Allocation of Overhead Costs Shifts \$700,000 to General Fund
- Reduces Need for Higher Rates
- Do Not Believe Appropriate to 'Re-pay' Enterprise Funds
  - Understand Concerns
  - Waiving interest is an option



# Syserco Project: High Interest to Some

- Borrowed \$5M for Energy Projects
  - \$2.2M for Smart Meters
  - \$2.8M for Wells, Pump Station, other City Buildings
- Debt Service: \$375K/year
  - Water Fund: \$169K/year
  - Sewer Fund: \$120K/year
  - General Fund: \$86K/year
- May be a Contributing Factor, but Not the Core Issue

# What About the Future?

- Adding Master Plans to Better Understand System
- Review Revenues and Expenses Annually (at least)

# First Rule of Holes

When You're In One, Stop Digging

Water: Have minimal reserves and can't issue debt

Wastewater: "In the Hole" by over \$1M