Summary of Water Utility Scope and Financial Findings

Introduction

This summary simplifies the scope and key financial findings from our water utility analysis (detailed in the November 11, 2025 memo). The review covered revenue/expenditure projections, population growth, inflation, capital plans (CIP), and debt obligations for FY 2026–2045.

The Boardman Water Utility goal is long-term **sustainability, focusing on funding for staffing, operations (e.g., repairs, electricity, insurance, parts, meter reading, billing, efficiency tech), management, and proactive asset replacement.**

Financial Findings

Without rate changes, revenues start at $1.16 million in FY 2026 and grow slowly to $1.40 million by FY 2045, based on population increases (5,749 in 2025 to 7,477 in 2045). Expenses rise faster due to inflation (2.3-2.8% yearly), staff additions, CIP needs (e.g., pipes, pumps), and maintenance, leading to deficits by FY 2028 and a negative fund balance of -$16 million by FY 2045.

Best Practices for Rate Adjustments Per AWWA and GFOA, adjust rates incrementally (e.g., 3-5% every 1-3 years) based on cost-of-service studies to match inflation/CIP needs and avoid large jumps. Review every 3-5 years for alignment.

Equity is key: Rates should reflect costs without subsidies. For example:

- Customers getting 7,000 gallons in the base charge seem equitable for billing, but low-users subsidize high-users (non-users pay for unused water). Best practice: Use volumetric rates for all water used for fairness and tiered rates if conservation is desired.
- Base rates tied to meter capacity ensure large users pay for infrastructure; adding a fixed billing charge per account covers admin costs equitably.

Pros and Cons of Rate Structure Elements

1. **Including 7,000 Gallons in Base Charge**
    - Pros: Simplifies billing; ensures minimum revenue.
    - Cons: Inequitable—low-users subsidize high-users (non-users pay for unused water); discourages conservation.
2. **Base Rate on Meter Capacity + Fixed Billing Charge per Account**
    - Pros: Equitable—infrastructure costs by capacity, admin costs per account; stable revenue.
    - Cons: More complex; may burden small users if not balanced.
3. **Charging Higher Rates to Encourage Conservation**
    - Pros: Reduces waste via tiers; supports sustainability.
    - Cons: Higher bills for large users; needs education.
4. **Charging Lower Rates for High-Volume Above Threshold (Above Production Cost)**
    - Pros: Attracts businesses; stabilizes revenue.
    - Cons: Subsidies from low-users; less conservation.
5. **Lower Summer Volumetric Rates for Irrigation**
    - Pros: Encourages green spaces; seasonal relief.
    - Cons: Strains supply; inequitable if not cost-based.

Council decides rates by weighing clear, comparable information about what each option will do—financially and for customers—then choosing the tradeoffs that best match priorities and sustainability.