

# Water and Sewer Rate Study

Huerfano County  
for  
Gardner Public Improvement District



# Rate Background

- Rates should be set to ensure that the utility has adequate revenue to cover planned expenditures which include operational and capital improvement for the period of review.

# Background

- Huerfano County requested GMS, Inc. to complete a rate study to review projected revenues and expenditures. Specifically, to review the water and sewer rate structures separately.
- Currently, water and sewer are in the combined fund and expenditures are tracked together.
- County Employees assisted in splitting expenditures between water and sewer for the purpose of the analysis

# Assumptions

- No growth or decline in customer accounts
- Review period is 5 years (2022-2026)
- Two separate analyses
  - One water rate adjustment for the review period
  - Annual water rate adjustment for the review period
  - Sewer only one rate adjustment for review period
- O&M expenditures increase 3% annually
- Base Usage to remain at 3,000 gallons per month
- Sewer user charge remains as a flat rate

# Existing Water Rate

- \$32 base rate
- \$1 per account Plant Investment Fee
- Usage rate
  - 3,001 to 6,000 gallons- \$2.50 per 1,000 gallons
  - 6,001 to 10,000 gallons- \$3.70 per 1,000 gallons
  - Above 10,000 gallons- \$6.00 per 1,000 gallons
- Bulk water rate \$0.04 per gallon for County Resident Rate
- Bulk water rate \$0.08 per gallon for Non County Resident Rate

# Water Rate Study

- Overage is directly correlated to rainfall
- 20 years of rainfall analyzed, 2018 represented the median. Overage in 2018 was utilized for projecting annual overage.
- School is charged same as remaining customers
- The Bulk Water Usage utilized was the annual average between 2016-2019. Approximately 804,000 gallons.
- Reviewed expenditures and revenues; currently the water operations have an annual deficit and the sewer has some surplus.

# New Charge Categories

- Inactive Monthly Fee – equivalent to debt service to provide infrastructure and water availability
- Bulk Water Annual Maintenance Fee for In-District
- Bulk Water Annual Maintenance Fee for Out-of-District

# Capital Improvement Plan- Water

- A portion of the rate should account for capital improvements for period of review.
- Capital Improvement Plan includes the following:
  - Purchase of 5 shares of Augmentation Water, secured through a loan through CWCB.
  - \$51,100 per ac-ft, 5 ac-ft would be \$255,500 loan, \$10,898 annual loan payment for 30 years
  - \$2,083 annual admin fee per share, \$10,415 annual fee
  - Water System Improvements- valves, telemetry, and hydrants. Assume all grant except for \$100,000. County will contribute \$100,000 from ARPA so there will no debt assumed for this work.



# Existing Water Revenue vs. Expenditures

Expenditures	2018 Actual	2019 Actual	2020 Estimated	2021 Budget
Salaries	\$ 22,721	\$ 22,991	\$ 23,708	\$ 24,428
Operating and Administrative	\$ 5,369	\$ 4,660	\$ 12,373	\$ 7,398
Bulk Water	\$ 7,594	\$ 912	\$ 5,698	\$ 2,430
Augmentation Water <sup>1)</sup>	\$ 19,674	\$ 19,674	\$ 19,674	\$ 19,674
Contract Services	\$ 6,014	\$ 6,160	\$ 3,254	\$ 9,637
Insurance	\$ -	\$ -	\$ 849	\$ -
Repair and Maintenance	\$ 1,055	\$ 8,342	\$ 3,340	\$ 5,000
Supplies	\$ 3,451	\$ 1,003	\$ 1,161	\$ 1,400
Utilities	\$ 2,355	\$ 2,448	\$ 2,568	\$ 2,568
Miscellaneous	\$ 95	\$ 326	\$ 501	\$ 370
Debt	\$ -	\$ -	\$ -	\$ -
Operating Expenditures	\$ 68,326	\$ 66,516	\$ 73,126	\$ 72,904

- Estimated annual revenue is approximately \$68,700; thus, the fund is operating in a deficit annually.

# Proposed Water Expenditures

Expenditures	2022	2023	2024	2025
Salaries	\$ 25,161	\$ 25,915	\$ 26,693	\$ 27,494
Operating and Administrative	\$ 12,744	\$ 13,127	\$ 13,520	\$ 13,926
Bulk Water	\$ 5,869	\$ 6,045	\$ 6,226	\$ 6,413
Augmentation Water <sup>1)</sup>	\$ 19,674	\$ 10,415	\$ 10,415	\$ 10,415
Contract Services	\$ 3,352	\$ 3,452	\$ 3,556	\$ 3,663
Insurance	\$ 874	\$ 901	\$ 928	\$ 956
Repair and Maintenance	\$ 3,440	\$ 3,543	\$ 3,649	\$ 3,759
Supplies	\$ 1,196	\$ 1,232	\$ 1,269	\$ 1,307
Utilities	\$ 2,645	\$ 2,724	\$ 2,806	\$ 2,890
Miscellaneous	\$ 516	\$ 532	\$ 548	\$ 564
Debt (for purchase of Aug Water only)		\$ 10,898	\$ 10,898	\$ 10,898
Projected Expenditures	\$ 75,470	\$ 78,784	\$ 80,508	\$ 82,284

# Proposed Rate Change

One rate change for 5 year period of review, Aug Water Purchase Only

Category	Current Rate	Proposed Rate	% Increase	Approximate Additional Revenue Generated
Base Fee	\$ 32.00	\$ 36.00	13%	\$ 3,024
Plant Investment Fee	\$ 1.00	\$ 1.00	0%	\$ 0
Gallons for Base Usage	3,000	3,000	0%	
3,001 to 6,000 gallons	\$ 2.50	\$ 2.75	10%	\$ 172
6,001 to 10,000 gallons	\$ 3.70	\$ 4.10	11%	\$ 278
Above 10,000 gallons	\$ 6.00	\$ 6.60	10%	\$ 676
Bulk Water Charge (per gallon)	\$ 0.04	\$ 0.05	25%	\$ 8,039
Inactive Fee (monthly charge)	\$ 0	\$ 13.00	New Charge	\$ 1,092
Bulk Water Annual Maintenance Fee				
In District	\$ 0	\$ 10.00	New Charge	\$ 1,370
Out of District	\$ 0	\$ 20.00	New Charge	\$ 1,000
				\$ 15,651

# Proposed Rate Change

Change rate annually, Augmentation Water only

Category	2022	2023	2024	2025	2026
Number of Accounts	63	63	63	63	63
Base Rate	\$ 32.50	\$ 33.00	\$ 33.00	\$ 34.00	\$ 34.00
Plant Investment Fee	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Bulk Water Charge (per gallon)	\$0.045	\$0.045	\$0.05	\$0.05	\$0.05
Inactive Fee	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00
Annual Bulk Access Fee					
In District	\$ 5.00	\$ 5.00	\$ 7.50	\$ 7.50	\$ 10.00
Out of District	\$ 10.00	\$ 10.00	\$ 15.00	\$ 15.00	\$ 20.00
Gallons for Base Usage					
0 to 3,000 gallons	\$ -	\$ -	\$ -	\$ -	\$ -
3,001 to 6,000 gallons	\$ 2.60	\$ 2.70	\$ 2.80	\$ 2.90	\$ 3.00
6,001 to 10,000 gallons	\$ 3.80	\$ 3.90	\$ 4.00	\$ 4.10	\$ 4.20
Above 10,000 gallons	\$ 6.20	\$ 6.40	\$ 6.60	\$ 6.80	\$ 7.00

# Proposed Rate Change

Projected annual surplus with one rate increase, includes purchase of 5 shares of Aug Water

	2022	2023	2024	2025	2026
Projected Revenues	\$ 84,319	\$ 84,319	\$ 84,319	\$ 84,319	\$ 84,319
Projected Expenditures	\$ 75,470	\$ 78,784	\$ 80,508	\$ 82,284	\$ 84,113
Annual Surplus	\$ 8,849	\$ 5,535	\$ 3,811	\$ 2,035	\$ 206

\$20,437  
Projected  
Surplus for  
Review period

Projected annual surplus with annual rate increase, includes purchase of 5 shares of Aug Water

	2022	2023	2024	2025	2026
Projected Revenues	\$ 78,500	\$ 79,331	\$ 84,395	\$ 85,604	\$ 86,649
Projected Expenditures	\$ 75,470	\$ 78,784	\$ 80,508	\$ 82,284	\$ 84,113
Annual Surplus	\$ 3,030	\$ 547	\$ 3,888	\$ 3,321	\$ 2,537

\$13,322-  
Projected  
Surplus for  
Review period

# Regional Water Rates

Community	Water Base Rate	Water Usage Fee cost per 1,000 gallons	Bulk Water Fee per gallon	Water Bill for 4,000 gallons <sup>1)</sup>
Round Mountain Water and Sanitation District				
<i>0 to 5,000 gallons</i>	\$28.40	\$3.10	\$0.02	\$ 40.80
<i>5,000 to 10,000 gallons</i>	\$28.40	\$3.50	\$0.02	
City of Walsenburg <sup>2)</sup>	\$35.27	\$3.63	\$0.022	\$ 49.79
Town of La Veta	\$31.18	\$3.00		\$ 43.18
Town of Rye	\$61.00	\$3.02		\$ 73.08
Colorado City Metropolitan District				
<i>0 to 5,000 gallons</i>	\$27.37	\$4.38	\$0.02	\$ 44.89
<i>5,000 to 15,000 gallons</i>	\$27.37	\$5.70		
Gardner				
<i>3,001 to 6,000 gallons</i>	\$32.00	\$2.50	\$0.04	\$ 34.50
<i>6,001 to 10,000 gallons</i>	\$32.00	\$3.70	\$0.04	
Gardner				
<i>3,001 to 6,000 gallons</i>	\$38.00	\$2.75	\$0.052	\$ 40.75
<i>6,001 to 10,000 gallons</i>	\$38.00	\$4.10	\$0.052	

1) The average water use for GPID residents is approximately 4,000 gallons per month.

2) City of Walsenburg has a water system debt service of \$19.86 per month and repair and replacement of \$15.41 per month. For sewer service, the sewer debt service is \$22.41 per month and repair and replacement of \$9.90 per month.

3) The GPID new rate is based on the rate to include augmentation water purchase as well as completing the Capital Improvement Project and only 1 rate increase over a 5 year period

# Existing Sewer Rate

- \$25 per month for sewer availability
- \$3 per month for Plant Investment Fee
- Gardner School Charge \$50 per month
- According to assumed expenditure split, sewer fee is sufficient if there are no increases in expenditures.

# Existing Sewer Revenue vs Expenditures

Expenditures	2018 Actual	2019 Actual	2020 Estimated	2021 Budget
Salaries	\$ 2,525	\$ 2,555	\$ 2,634	\$ 2,714
Operating and Administrative	\$ 1,996	\$ 1,738	\$ 3,452	\$ 2,178
Contract Services	\$ 1,607	\$ 1,638	\$ 901	\$ 3,637
Insurance	\$ -	\$ -	\$ 849	\$ -
Repair and Maintenance	\$ 1,055	\$ 8,342	\$ 3,340	\$ 5,000
Supplies	\$ -	\$ -	\$ -	\$ -
Utilities	\$ 7,411	\$ 7,891	\$ 8,142	\$ 8,142
Miscellaneous	\$ 35	\$ 326	\$ 905	\$ 850
	\$ 14,627	\$ 22,488	\$ 20,223	\$ 22,520

- Estimated annual revenue is approximately \$23,500 thus the fund has a minimal surplus on an annual basis but is not sufficient to cover typical annual expenditure increases to account for inflation.



# Sewer Rate Study

- Impact of upcoming capital project is not included in rate study since the loan amount is not finalized and will be dependent on grant funding.
- Presently, according to the assumed expenditure split, the existing rate is sufficient for current expenditures. However, it is not sufficient to cover the 3% annual increase on expenditures.
- Suggest to raise rates to \$28 per month and \$56 a month for the school. Keep \$3 per month Plant Investment Fee.
- School water usage is approximate twice the average water use; thus, a base rate of twice is reasonable.
- This is 12% increase, generates \$3,272 surplus the first year and diminishes annually to \$361 in year five.

# Regional Sewer User Rates

Community	Sewer Base Rate
Round Mountain Water and Sanitation District	\$ 33.50
City of Walsenburg	\$ 32.31
Town of La Veta	\$ 49.82
Town of Rye	\$ 29.64 plus \$0.005 winter monthly usage
Colorado City Metropolitan District	\$ 13.36 plus \$0.00682 winter monthly usage
GPID <sup>1)</sup>	\$ 28.00
GPID <sup>2)</sup>	\$ 31.00

- 1) This includes the user charge fee and the plant investment fee.
- 2) Proposed new user charge fee and the plant investment fee.

# Questions?