



**Date:** August 28, 2023  
**To:** Mayor and Town Council  
**From:** Sean O'Keefe, Town Manager  
**Re:** Consideration and Approval: **Water Rates FY24**

**Objective:**

To establish rates for water services to Town residents in the upcoming fiscal year.

**Summary:**

As the Town approaches the beginning of its fiscal year, it is established by code that the Town may increase the water rate by a percentage not to exceed the Municipal Cost Index (MCI) of the preceding calendar year. The increase percentage of the MCI for calendar year 2022 was 6.694924%. Council needs to determine whether there will be an increase to water customers based on this inflationary change. As an example, if this rate were to be implemented, the base rate for monthly residential potable usage of 5,000 gallons or less would change from \$31.36 to \$33.46.

In considering possible proposals to mitigate increased costs, specifically for residents of new developments, a staff review of water costs and usage was undertaken. With 867 residential potable meters, and 290 residential irrigation meters as of last month (a 75/25 split), potable vs. irrigation utilization by gallons was 44% and 56% respectively, with revenues generated at 61% and 39% respectively. (The lower revenue-to-usage ratio of irrigation water is due to the lower cost of irrigation water at higher usage rates.)

In looking at the actual averages from last month, the average bill and usage for the 867 residential potable meters was \$38.20/5,409 gallons (base: \$31.35/5,000 gallons). The average bill and usage for the 290 residential irrigation meters was \$74.50/20,876 gallons (base: \$31.35/5,000 gallons). Having a second (irrigation) meter is a cost savings for those who use the average amount (or higher) of irrigation water, especially those who use more than 26,000 gallons a month for irrigation.

**Recommended Motions:**

*The Town Council has the following options:*

1. The Town Council motions to approve a rate increase up to 6.694924%
- OR
3. Motion to Deny

**Fiscal Impact:**

There is an overall cost to the Town for water service, which needs to be covered by the rates set by Town Council. A rate increase by the allowable MCI rate percentage is estimated to generate approximately \$56,000 in

additional revenue for the Utility Fund, and the elimination of the monthly \$10.00 Water Improvement Fee for residential irrigation meters would reduce revenue by an estimated \$34,800.

**Staff Recommendation:**

Staff recommends approval of the allowable MCI water rate increase of 6.694924% across all four categories and within all brackets. If a reduction in costs to residents is pursued, staff primarily recommends the elimination of the monthly \$10.00 Water Improvement fee for secondary (irrigation) meters at all residences.