



Date: August 12, 2024
To: Mayor and Town Council
From: Sean O’Keefe, Town Manager
Re: Consideration and Approval: **Water Rate Increase**

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 2023 was 1.6802345%. 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 \$33.46 to \$34.02.

Total number of residential potable meters vs. residential irrigation meters are roughly a 75/25 split, with potable vs. irrigation usage by gallons roughly 45/55, with revenues generated at roughly 60/40. (The lower revenue-to-usage ratio of irrigation water is due to the lower cost of irrigation water at higher usage rates.)

Recommended Motions:

The Town Council has the following options:

1. The Town Council motions to approve a rate increase up to 1.6802345%
- 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 \$18,000 in additional annual revenue for the Utility Fund.

Staff Recommendation:

Staff recommends approval of the allowable MCI water rate increase of 1.6802345% across all categories and within all brackets.