



Date: July 28, 2025

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 (Sec. 171-3.5) 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 2024 was 1.77096%. 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 \$34.02 to \$34.62.

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.)

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 \$16,000 in additional annual revenue for the Water Utility Fund.

Staff Recommendation:

Staff recommends approval of the allowable MCI water rate increase of 1.77096% across all categories and within all brackets.