



**TOWN OF PALMER LAKE
BOARD OF TRUSTEES - AGENDA MEMO**

DATE: October 13, 2022	ITEM NO.	SUBJECT:
Presented by: Town Administrator /Clerk		Direction – Water Rate Recovery

Background

As previously informed to the Board in the enclosed memo, it is anticipated that the rates, as collected to date, will not cover the forecasted payments for the water enterprise fund loans. Please note the following facts.

History:

In 2016, base rate = 38.85; water loan = 11.51; usage rates start at **.39/100 gal**. Total minimum bill = **54.25**

In Jul 2018 (on time), water loan was increased to **17.76** to cover new (second) loan. Total minimum bill = **60.50**

- In April 2019, Resolution 4-2019 increased minimum monthly charge to **62.41** and increased usage rates
- In May 2019, Resolution 11-2019 increased tap fees to \$20,000 and up

In Jul 2019 (on time), base rate = 40.76 (minimum monthly bill = **62.41**), usage rates start at **.74/100 gal**

In Feb 2020 (on time), base rate/cap imp was increased 3% but usage rates were *not* increased
Base rate = 41.98 (minimum monthly bill = **63.94**), usage rates start at **.74/100 gal**

In Apr 2021, base rate/cap imp rates were increased 3% (two months late) and usage rates and tap fees were increased 3% (fourteen months late)
Base rate = 43.24 (min monthly bill = **65.32**), usage rates start at **.76/100 gal**

In Feb 2022 (on time), base rate/cap imp and usage rates were increased 3%
Base rate = 44.54 (min monthly bill = **66.75**), usage rates start at **.79/100 gal**

Where and how long were fee increase(s) missed?

1. Larger tap sizes were historically charged the same rates as ¾” taps until March 2021. Per code, larger tap sizes should have been charged at a higher rate. It appears they were not until March 2021. There were a total of 15 “larger” taps.
2. The usage rate and tap fee increases that happened in April 2021 was 14 months late.
3. Due to #2, the usage rate and tap fee increase effective in April 2021 was 3% less than what was intended per the Resolution 4-2019 (timely original 3% + additional 3%).
4. Similarly, due to #3, the usage rate and tap fee increase effective in February 2022 was 3% less than what was intended per Resolution 4-2019 (timely original 3% + additional 3%).



5. The base rate/cap imp and usage rate increase in April 2021 was 2 months late.

Note: this was intentional due to the billing provider change in March and not wanting to create confusion that the rate increase was due to changing providers.

Conclusions to Consider:

1. Accounts with “larger” taps have grossly underpaid for decades.
2. Adjust current rates to the intended level - consequence of April 2021 usage rate increase being 14 months late; therefore, the proposed 2023 “catch up” usage rate increase should be approximately **7%** to be at the intended rate at this time.
3. The lost revenue due to the April 2021 increase being 2 months late is relatively inconsequential.
4. Should rates be analyzed for a recommendation to restructure to meet the obligation for loans?
5. Should the loan payment portion of the billing have a rate increase applied?

Note: The Capital Improvement portion of the billing is 10% of the base rate, thus increasing with the base rate.

Note: The next water fund rate increase will be effective in January for the February billing.

Staff requests that the Board consider direction to plan an increase for 2023 to make up the intended rate level and initiate conducting a rate analysis to recommend possible amendment to the rate structure for the water enterprise fund.