



To: Town Council
From: Jen Coates, Town Manager; Chase Jones, Public Works; Joanne Fagan, Town Engineer
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RE: Water Rate Adjustment for non-residential users

As requested at the May 23, 2019 Town Council workshop, we projected budget impacts on a water rate adjustment for non-residential users in 2019 that provides for a fee of \$10.50 per 1000 gallons for all usage over the base allotment of 4,000 gallons. This is a quick summary of these estimates.

Year to date in 2019, water users are using about what they used last year, which if this usage continues, and with the proposed reduction in overage use water rates for non-residential users, estimated year-end revenues would be over, or slightly over, the 2019 budgeted revenues for water user fees. Budgeted water user fees in 2019 are \$514,379. We considered several potential water usage scenarios, which could impact revenues in 2019.

Scenario 1 projects no water use reduction by all users from the prior year (2018). With a reduction in the water rate for water use over the base allotment for non-residential users from June through December 2019, this scenario would bring in more revenue than budgeted in 2019. The 2019 budget assumed a 50% reduction in overage water use for all users based on the rate increase and also anticipating a non-drought year. 2018 saw record water usage during the drought and during the time period the mandatory water restrictions were in place.

Scenario 2 anticipates a 50% decrease in overage water usage by all users, except non-residential users. Non-residential users are modeled to have no usage reduction in this scenario. With a reduction in the water rate for water use over the base allotment for non-residential users from June through December 2019, this scenario would bring in more revenue than is budgeted in 2019.

Scenario 3 anticipates a 50% reduction in overage water usage from last year, for all users. With a reduction in the water rate for water use over the base allotment for non-residential users from June through December 2019, this scenario would result in revenues slightly over budgeted funds for water service fees. This scenario seems unlikely based on water usage to date January through April. It is possible that residential users may use significantly less than last year if the weather pattern continues to deliver rain, although that is a guess.

In summary, absent any unforeseen events or a significant reduction in water use, there should not be a significant negative impact to the 2019 budgeted water fee revenues after reducing the non-residential rate to \$10.50 per 1000 gallons for all usage over the base allotment from June through December 2019, if water usage remains similar to last year for the remainder of the 2019. This



suggests that there is a limited number of non-residential users who could benefit from the proposed rate reduction for water usage over 10,000 gallons per month. Year to date, it appears that water users are using about the same water as last year, and we are not seeing the anticipated reduced water usage we had planned and budgeted for in 2019. Given the water usage to date and assuming this trend continues throughout the year, it looks like the non-residential rate reduction for water usage over 10,000 gallons per month should work with the 2019 budgeted water fee revenues. Only water data for Jan-May 2019 is available for this analysis and these projections, and does not include the busy and potentially dry summer season.