

Agenda Item: 7.

MEMORANDUM

TO: Board of Directors

FROM: Zach Nelson, Project Manager

SUBJECT: Review and recommendation for an increase in the Thurston County Rural Water Rate Schedule

DATE: June 27, 2014

Over the last decade the Thurston County Rural Water System has experienced declining water use. From 2000 to 2003, the three average annual water sales for the system was 29,261,000 gallons. From 2010 to 2013 the three year average annual water sales was 18,634,000, which represents a 36.32% decline in the amount of water used.

In 1986 a bill for 5,000 gallons was \$35.00. Currently, the same amount of water costs \$50.30. The \$20.30 increase represents a 43.7% increase over the last 28 years. According to the Dept of Labor Statistics, total inflation has risen 116% since 1986. If TCRW rates had matched the rate of inflation, a bill for 5,000 gallons would be \$75.71 today.

The Village of Rosalie is currently in the process of applying for funding to connect to TCRW. Based on historical usage, the Village will purchase approx. 450,000 gallons of water from TCRW a month. Under the current rate structure, adding Rosalie as a wholesale customer will increase revenue by \$12,700 annually, however after subtracting additional water purchased from Pender costs and increased operational costs, net income from Rosalie will be only \$3,335.

The combined effects of declining water use and increased maintenance due to aging infrastructure has put a financial strain on the system and depleted cash reserves. The proposed solution is to raise rates so that revenues match expenses. Draft budget expenses for FY 2015 total \$138,325. In order to balance revenues with expenses, sales must increase.

The table below shows columns of the current rates compared to the proposed rates. Since customers are using less water, it is necessary to make most of the adjustment in the base charge. The Nebraska Rural Water Association recommends setting the base charge equal to fixed expenses, which represents a majority budgeted expenses.

	2013 Current Rates	2014 Proposed Rates
Base Charge (No usage)	\$ 26.55	\$ 35.00
0 to 20,000 gallons	\$ 4.75	\$ 5.50
All over 20,000 gallons	\$ 2.15	\$ 2.50

Staff recommends that the subcommittee recommend to the Board, that the General Manager be authorized to set a new increased rate schedule for the Thurston County Rural Water System.