



Town of Lake City

P.O. Box 544
230 North Bluff Street
Lake City, Colorado 81235
970 • 944-2333

NOTICE OF INCREASE IN WATER AND SEWER BASE RATE FEE

The EPA and the Colorado Dept of Health and Environment (CDPHE) are requiring the WWTP expansion and upgrades because we have reached and even exceeded at times the treatment capacity of the plant during the peak summer season and likely will not be able to consistently meet the more stringent ammonia limits to go into place in 2025. The upgrades are not optional and required for us to be able to continue the operation of the WWTP.

The Town has secured a funding package for the project that is expected to cost over \$4.5 million dollars that includes \$2.25 million in grants and debt forgiveness and \$2.12 million in a 20-year 2% loan from the Colorado Water Resources and Power Development Authority (CWRPDA). The Town is continuing to look for financial assistance for the project but we are already incurring debt service on the loan in the amount of \$131,162 per year. In addition, one of the terms of the loan is that town build a reserve fund in the amount of one payment in the first 10 years. This results in the need to generate at least \$144,278 for debt service.

The CWRPDA operates like a bank and they want to be sure we have sufficient revenue to repay the loan. They notified the Town that the current rate structure looked to be inadequate that the Town needed to develop a rate structure that they felt would allow the Town to make its payments.

Frequently Asked Questions:

Why are water and sewer base rate fees being increased?

1. To be able to pay for the additional annual debt service of \$131,162 (20 yrs) from the \$2,116,500 WPCRF Loan that we received from the Colorado Water Resources and Power Development Authority to help pay for the required expansion and upgrades to the WWTP. The total WWTP renovations project is estimated to cost over \$4.5 million.
2. To stay compliant with the 110% Rate Covenant of the \$2,116,500 WPCRF Loan. Which requires that the W&S fund generate enough revenue to pay for the annual payment of \$131,162 + 10%. This means that we need to have a minimum \$13,116 surplus in W&S operating revenue annually that goes into a reserve fund. The calculations used by the CWRPDA to determine the minimum rate increases required to receive the loan included the annual sale of water and sewer taps. This year we only sold one sewer tap and there are a limited number of lots that can be developed. The Town does not expect to be able to meet the rate covenant with the additional sale of taps.

3. To cover the additional costs incurred by inflation. Almost every service and product that the Town pays for has gone up significantly over the past couple of years. It is common practice in most communities to raise water and sewer rates annually to cover inflationary costs.
4. To cover the costs of the third Public Works employee that was hired this year to help cover the increasing need for additional manpower related to the Wastewater Treatment Plant expansion, operation and maintenance, and an increase in testing and sampling requirements.

Out of Town rates

The 20% increase in Out-of-Town base rates for water and sewer services in 2024 and an additional 20% increase in Out-of-Town base rates in 2025 is due to the aging water and sewer infrastructure from the 1960's that exists outside of town boundaries which will need to be replaced sometime in the near future and will require additional funding and capacity for debt service. The Town also has limited control of the water and sewer system uses in the County which means there is greater risk to how the system is being used/abused. This is a common practice for municipal water and sewer systems that serve customers outside of their town boundaries.

2024 Rate Study

The Town is planning on having a professional water and sewer rate study performed hopefully next spring to help to determine water and sewer base rates and additional EQR (Equivalent Residential Unit) surcharge rates for commercial businesses that are using more water and producing much stronger waste during the summer than a single-family residence. With the rate study the Town will be able to more equitably distribute the increased fixed costs of the construction, operation, and maintenance of the new wastewater plant based on the volume and strength of the waste that is being produced and discharged into our collection system.

2024 Water and Sewer Rates

2024 Water Rates:

In-Town Rate: ~~\$85~~, \$90 (\$45.00 per month)

Out-of-Town: ~~\$85~~, \$108 (\$54.00 per month)

2024 Sewer Rates:

In-Town Rate: ~~\$103~~, \$115 (\$57.50 per month)

Out-of-Town: ~~\$103~~, \$138 (\$69.00 per month)

Notice Regarding 2023 July/August and September/October Sewer Charges

In July 2023 the bi-monthly sewer base rate was increased from \$85 to \$103 which is an additional \$9 per month. A message of this increase was sent out with the June 30th Bills which said that the sewer rate was increasing by \$9 per month (\$18 per bi-monthly billing cycle) starting July 1st, 2023. Due to a utility billing software calculation error only \$9 per bi-monthly billing cycle was applied to the July/August and September/October bills instead of the \$18 per bi-monthly billing cycle that should have been charged. This means that a total of \$18 was not billed to our sewer customers for the period

between July and October. That \$18 has been back billed to all sewer customers and is included in the December 31st, 2023, bill that came with this notice. If you are a customer who did not have sewer service during the entirety of that period, please call the Town Hall office at 970-944-2333 or email townclerk@townoflakecity.co and we will make the appropriate billing adjustments for your account. Please feel free to contact Town Hall if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Roberts", written over a horizontal line. The signature is stylized and cursive.

Dave Roberts

Mayor