

NOTICE OF INCREASE IN WATER & SEWER BASE RATE FEES & SIGNIFICANT CHANGES TO THE SEWER RATE STRUCTURE

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 that took effect in 2024. The upgrades are not optional and required for us to be able to continue the operation of the WWTP. The project that was expected to cost \$4.5 million in 2023 is now expected to cost \$5.6 million due at least in part to the amount of construction work that is currently available and the remote location of Lake City. Due to the increased cost the Town applied for and received a \$375,000 DOLA EIAF supplemental grant and a \$900,000 CWRPDA WPCRF supplemental loan.

The Town has secured a funding package for the project that is expected to now cost over \$5.6 million dollars that includes \$2.625 million in total grants and debt forgiveness and an original loan of \$2.12 million and a supplemental loan of \$900,000 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 \$187,401 per year. In addition, one of the terms of the loan is that the 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 \$206,141 from sewer revenue for debt service.

Here is a summary of the funding package:

Energy Impact Assistance Grants		\$ 1,125,000
CO Water Resource & Power Development Authority (CWRPDA) grant		\$ 1,500,000
CWRPDA Loan - 2% 20 year		\$ 2,116,500
CWRPDA ' 24 loan - 2% 20 year		\$ 900,000
Total Construction Revenue		\$ 5,641,500

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 and that the Town needed to develop a rate structure that they felt would allow the Town to make its payments.

The Town had a professional sewer rate study performed by the Rural Community Assistance Corporation (RCAC) this year. RCAC presented their preliminary report and recommendations to the Board of Trustees at a workshop on September 18th, 2024. That RCAC Sewer Rate Study slide presentation can be found online at www.townoflakecityco.gov/notices.html, along with a Recommended Rate Structure narrative that explains the final rate recommendations of RCAC and Town staff, and the newly adopted sewer rate structure itself. In the rate narrative can be found staff's recommendations for phased rate increases over the next three years for medium and high commercial customers and industrial customers.

More information regarding the new sewer rate structure that goes into effect on January 1st, 2025 can be found at: www.townoflakecityco.gov/notices.html

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 \$187,401 (20 yrs) from the \$3,016,500 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 \$5.6 million.

2. To stay compliant with the 110% Rate Covenant of the \$3,016,500 WPCRF Loan. Which requires that the W&S fund generate enough revenue to pay for the annual payment of \$187,401 + 10%. This means that we need to have a minimum \$18,740 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 and so needs to meet the rate covenant with the sewer rate structure.
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. This is the main reason for the increase in water base rates.
4. To cover the some of the costs of the third Public Works employee that was hired last 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.

Why did the Town get a sewer rate study done?

1. To determine a sewer rate structure that is sustainable, equitable, and justifiable.
2. To determine how to pay for the additional debt service incurred by the construction of the WWTP.
3. To determine how much revenue needs to be generated to properly and effectively fund capital reserves for sewer infrastructure.
4. To eventually separate the water and sewer fund into two separate funds once we get a water rate study done in 2025 and have the asset inventory completed for the water and sewer systems.
5. To meet USDA and SRF funding requirements so that we are more competitive when applying for grants and loans for future projects like the rehabilitation of the sewer system in Wade's addition.
6. To determine rate classes that are based on the strength of waste produced, the cost to treat stronger waste, and the impact it has on the wastewater treatment plant.

2024 Sewer Rate Study: The Town had a professional sewer rate study performed this year by the Rural Community Assistance Corporation to help to determine sewer base rates and additional EQR (Equivalent Residential Unit) surcharge rates for commercial businesses that are producing much stronger waste during the summer than a single-family residence. With the rate study and the new rate structure recommended by RCAC, the Town has more equitably distributed 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. RCAC has said that the full final rate study report will be delivered to the Town before the end of January. Once received Town Hall staff will post it on the Town website at www.townoflakecityco.gov/notices.html.

2025 Water Rate Study: The Town is going to have RCAC perform a water rate study in 2025 for similar purposes as the sewer rate study, including but not limited to, bringing the water rate structure up to industry standards and practices and to ensure that capital reserves are being adequately funded.

2025 Sewer Rate Structure can be found on the last page of this notice. Strike through amounts are the 2024 rates. In January of 2025 Town staff will be working on classifying all sewer customers.

Sincerely,

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	2025 Sewer Service Rates	Within Town Limits	Outside Town Limits
Town Residential	Bi-monthly sewer service rate for a single family residence	-\$115 (\$57.50 per month) /\$132.0 (\$66.00 per month)	\$138 (\$69 per month) /\$158.40 (\$79.20 per month)
Multi-Unit Residential (Including Apartment and Cabin Complexes)	Metered sewer service base rate for the 1st unit (every two months for the first 13,999 /9,999 gallons of metered water use per bi-monthly period, plus 2500 gallons for each additional unit),plus	\$132.0 (\$66.00 per month)	\$158.40 (\$79.20 per month)
	25% of metered sewer service base rate per additional unit, plus	+ \$33.00 (\$16.50 per month) per additional unit	+ \$39.60 (\$19.80 per month) per additional unit
	per 1,000 gallons of water used over 13,999 /9,999 gallons + 2500 gallons for each additional unit (for Multi-Unit Residential Customers)	\$4.25	\$4.25
Commercial - Low Strength	Metered sewer service base rate (every two months for the first 13,999 /9,999 gallons of metered water use per bi-monthly period), plus	-\$115 (\$57.50 per month) /\$132.0 (\$66.00 per month)	\$138 (\$69 per month) /\$158.40 (\$79.20 per month)
	per 1,000 gallons of water used over 13,999 /9,999 gallons (for Commercial - Low Strength Customers)	\$4.25	\$4.25
Commercial - Medium Strength	Metered sewer service base rate (every two months for the first 13,999 /9,999 gallons of metered water use per bi-monthly period), plus	-\$115 (\$57.50 per month) /\$174.0 (\$87.00 per month)	\$138 (\$69 per month) /\$208.80 (\$104.40 per month)
	per 1,000 gallons of water used over 13,999 /9,999 gallons (for Commerical - Medium Strength Customers)	\$4.25 /\$6.16	\$4.25 /\$6.16
Commercial - High Strength	Metered sewer service base rate (every two months for the first 13,999 /9,999 gallons of metered water use per bi-monthly period), plus	-\$115 (\$57.50 per month) /\$214.00 (\$107.00 per month)	\$138 (\$69 per month) /\$256.80 (\$128.40 per month)
	per 1,000 gallons of water used over 13,999 /9,999 gallons (for Commerical - High Strength Customers)	\$4.25 /\$12.93	\$4.25 /\$12.93
Industrial - Brewery	Metered sewer service rate (every two months for the first 13,999 /14,999 gallons of metered water use per bi-monthly period), plus	-\$115 (\$57.50 per month) /\$214.0 (\$107.00 per month)	
	Industrial - Brewery Surcharge, plus	Surcharge: \$346 (\$173 per month)	
	per 1,000 gallons of water used over 13,999 /14,999 gallons (for Industrial - Brewery Customers)	\$4.25 /\$12.93	
Industrial - RV Parks	Industrial - RV Surcharge per RV Sewer Hookup, plus	-\$115 (\$57.50 per month) /\$83.84 (\$41.92 per	
	+1 Commercial-High Strength Base Rate per laundry/bathroom/shower/office building with sewer service	\$214.00 (\$107 per month)	