



RCAC

**Town of Lake City:
Sewer System Rates
Sep 18, 2024**

What is RCAC?

- Rural Community Assistance Corporation
- Federally funded to help rural communities like Lake City...
- ...stay in compliance with the rules and regulations
- Make USDA & SRF borrowers better positioned financially to repay debts

Financing 2025 Lagoon Rehab

Total project cost: ~\$5.6M

Expected annual loan payments: ~\$227k

Current sewer budget (pre-SRF Loan): ~\$481k

Meaning new loan needs min. revenue increase of 47% to meet
loan payments

Why do a Rate Study?

- Stay solvent
- Strengthens your SRF funding application
- Sustainable revenue to keep system components replaced as needed
- Avoids larger rate increases in future

Consequences of not balancing the budget

1. Reduction in reserves
2. Inability to pay bills
3. Inability to maintain system=Violations
4. Receivership

Board Responsibilities

- Fiduciary responsibility to keep the system running...
- ...in the short run and the long run.
- Provided the money for staff to do their job.

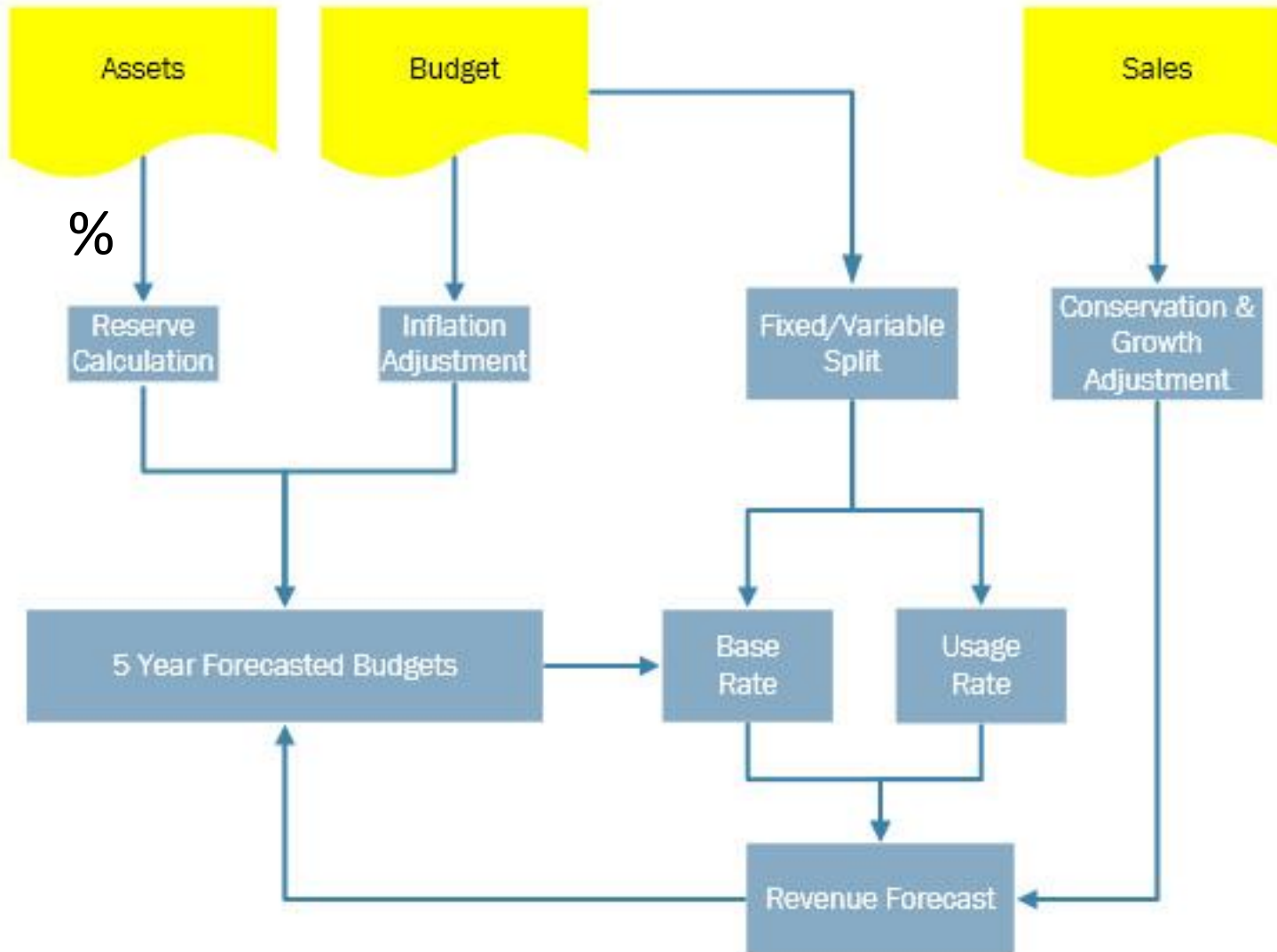
Tough decisions must be made



Guiding Principles of this Rate Study

- Sustainable
- Equitable
- Justifiable
- Community Goals

Rate Setting with Water Meters



Reserves

- Debt
- Operating
- Emergency
- Capital Replacement Reserves

Annual Capital Reserve Recommendation: \$86,500

Quantity	Asset	Year Acquired	Unit Cost (Historic, Current or Future)	Cost Type (H, C, F)	% Belonging to Sewer	Estimated Historic Cost (Sewer only)	Normal Estimated Life	Current Age	Estimated Current Cost	Planned Remaining Life	Estimated Remaining Life	Estimated Future Cost	Fund with Cash	Fund with Grant	Fund with Loan	Existing Reserves	Annual Reserve Required	
Replacement of Existing Capital Assets																		
	Wastewater Treatment Facilities				100%								0%	0%	100%	0	0	
	Buildings and Land				100%								0%	0%	100%	0	0	
	Vehicles & Equipment				100%								0%	0%	100%	0	0	
	Sewer Collection System				100%								0%	0%	100%	0	0	
	Subtotal Replacement of Existing Capital Assets					\$7,238,286			14,517,919			32,022,391	6%	48%	46%	371,807	72,061	
Quantity	Asset	Year to be Purchased	Unit Cost (Current or Future)	Cost Type (C, F)	% Belonging to Sewer		Normal Estimated Life	Years to save	Estimated Current Cost			Estimated Future Cost	Fund with Cash	Fund with Grant	Fund with Loan	Existing Reserves	Annual Reserve Required	
Reserves for Additional Capital Assets																		
1	2M collection project	2029	2,000,000	C	100%		60	5	2,000,000			2,318,548	2%	48%	50%	0	9,182	
1	Second 2M collection project	2034	2,000,000	c	100%		60	10	2,000,000			2,687,833	2%	48%	50%	0	5,256	
	Subtotal Reserves for Additional Capital Assets								4,000,000			5,006,381	2%	48%	50%		14,438	
													Enter Existing Reserves for Additional Capital Assets					↑
	Total Capital Reserves								18,517,919			37,028,771	5%	48%	47%	371,807	86,498	

Budget

- Adjustments for inflation
- Includes reserve requirements
- “Real” Costs

Budget Highlights

- Your general expenses are increasing to \$655k due to new loan, reserve contributions, and inflation.

EXPENSES AND SOURCES OF FUNDS	2022	2023	2024	% Belonging to Sewer	2025	2026	2027	2028	2029
Total Operation and Maintenance Expenses:	94,321	85,601	113,800		117,214	123,075	129,228	135,690	142,474
Total General and Administrative Expenses:	308,101	376,999	367,280		538,127	543,782	544,606	567,901	574,080
TOTAL EXPENSES	402,422	462,600	481,080		655,341	666,857	673,835	703,591	716,554

Now Lets Dive into the Details



Scenario 0: Do Nothing

Class	Base Rate (bimonthly)	Usage Rate (per 1k gal)
Residential In-Town	\$115 (\$57.50)	
Residential Out-of-Town	\$138 (\$69)	
Commerical In-Town	\$115 (\$57.50)	\$4.25 after 14k gal
Commerical Out-of-Town	\$138 (\$69)	\$4.25 after 14k gal
<i>Residential affordability rate: 1.20%</i>		

	Next year (2025)	In 5 years (2029)	5-Year Total Forecast
Cash flow	-\$138,123	-\$203,350	-\$837,045
Difference from Reserve Goal	-\$224,621	-\$283,524	-\$1,256,886

\$1.26M DEFICIT over the next 5 years

'Best practice' recommendations for all scenarios

1. Charge multi-unit buildings as if each unit were a single family residence
2. Allow commercial businesses to install irrigation meters to avoid paying usage charges on irrigation water
3. Do not allow RV parks to charge 'dump fees' for any RV to dump its holding tanks
4. Allow commercial or industrial users who disagree with their strength classification to install sampling locations and sample at their own cost to determine a new "strength classification" for their rates
5. Consider residential affordability rates above 1.5% or 1.64% for future funding applications

Scenario 1: ~30 – 49% Flat Increases with Existing Rate Structure

Scenario 1a: Fully Fund Reserves (49% increase)

Class	Base Rate (bimonthly)	Usage Rate (per 1k gal)
Residential In-Town	\$171 (\$85.50)	
Residential Out-of-Town	\$205 (\$102.50)	
Commerical In-Town	\$171 (\$85.50)	\$6.33 after 14k gal
Commerical Out-of-Town	\$205 (\$102.50)	\$6.33 after 14k gal
<i>3.0% Annual Increases to Base & Usage Rates</i>		
<i>Residential affordability rate: 1.78-2.01%</i>		

	Next year (2025)	In 5 years (2029)	5-Year Total Forecast
Cash flow	-\$17,905	\$886	-\$31,941
Difference from Reserve Goal	\$76,201	\$81,059	\$387,901

Reserves Fully Funded by Year 5

Scenario 1b: Pay the bills only (30% increase)

Class	Base Rate (bimonthly)	Usage Rate (per 1k gal)
Residential In-Town	\$150 (\$75)	
Residential Out-of-Town	\$180 (\$90)	
Commerical In-Town	\$150 (\$75)	\$5.54 after 14k gal
Commerical Out-of-Town	\$180 (\$90)	\$5.54 after 14k gal
<i>3.0% Annual Increases to Base & Usage Rates</i>		
<i>Residential affordability rate: 1.56-1.76%</i>		

	Next year (2025)	In 5 years (2029)	5-Year Total Forecast
Cash flow	-\$3,755	-\$370	\$3,789
Difference from Reserve Goal	-\$90,254	-\$80,544	-\$416,052

Reserves Not Funded : \$416k short

Industrial User Calcs

- Lake City has 4 users with industrial strength wastewater (RV parks and breweries)
- Plant monitoring data suggested that these users contributed ~2800 lb TKN and 21,000 lbs BOD in 2023 (30% of the plant's total influent BOD and TKN)
- These users are a major reason for the sizing of the upgraded treatment facility
- TKN is the primary limiting factor at your facility, and it costs you \$32 to treat 1 lb of TKN in the summer months when the RV parks are operating
- Given the 91 RV spaces across Lake City's RV parks, we estimate it costs you \$963 annually per RV space to treat this excessively high wastewater strength
- If we assume a 100% occupancy for 4 months per year, this would equate to \$8.03/night/RV space for these sewer costs.
- We suggest charging RV parks based on the number of RV spaces they have and dividing this up into equal bi-monthly bills throughout the year. Depending on the size of the park, this equates to bills between \$4200-\$5600 (\$2100-\$2800 monthly)

Scenario 2: Industrial User Charges with Lower Residential/Commerical Increases

Scenario 2a: Fully Fund Reserves (27% residential increase)

Class	Base Rate bimonthly (monthly)	Usage Rate (per 1k gal)
Residential In-Town	\$146 (\$73)	
Residential Out-of-Town	\$175 (\$87.50)	
Commerical In-Town	\$146 (\$73)	\$5.40 after 10k gal
Commerical Out-of-Town	\$175 (\$87.50)	\$5.40 after 10k gal
Industrial User – RV Park	\$4200-\$5600 (\$2100-\$2800)	
Industrial User – Brewery	\$346 base rate surcharge	
<i>3.0% Annual Increases to Base & Usage Rates</i>		
<i>Residential affordability rate: 1.52-1.71%</i>		

	Next year (2025)	In 5 years (2029)	5-Year Total Forecast
Cash flow	\$70,937	\$83,696	\$400,339
Difference from Reserve Goal	-\$15,562	\$3,523	-\$19,502

Reserves Fully Funded by Year 5

Scenario 2b: Pay the bills only (10% residential increase)

Class	Base Rate bimonthly (monthly)	Usage Rate (per 1k gal)
Residential In-Town	\$127 (\$63.50)	
Residential Out-of-Town	\$152 (\$76)	
Commerical In-Town	\$127 (\$63.50)	\$5.40 after 10k gal
Commerical Out-of-Town	\$152 (\$76)	\$5.40 after 10k gal
Industrial User – RV Park	\$4200-\$5600 (\$2100-\$2800)	
Industrial User – Brewery	\$346 base rate surcharge	
<i>3.0% Annual Increases to Base & Usage Rates</i>		
<i>Residential affordability rate: 1.32-1.49%</i>		

	Next year (2025)	In 5 years (2029)	5-Year Total Forecast
Cash flow	-\$1,518	\$2,412	\$16,115
Difference from Reserve Goal	-\$88,096	-\$77,761	-\$403,726

Reserves Not Funded : \$403k short

Scenario 3: Commerical and Industrial Charges based on Strength

Scenario 3a: Fully Fund Reserves (27% residential increase)

Scenario 2b: Pay the bills only (9% residential increase)

Class	Base Rate bimonthly (monthly)	Usage Rate (per 1k gal)
Residential In-Town	\$146 (\$73)	
Residential Out-of-Town	\$175 (\$87.50)	
Commerical Low-Strength	\$146 (\$73)	\$4.25 after 10k gal
Commerical Med-Strength	\$146 (\$73)	\$6.16 after 10k gal
Commerical High-Strength	\$146 (\$73)	\$12.93 after 10k g
Industrial User – RV Park	\$4200-\$5600 (\$2100-\$2800)	
Industrial User – Brewery	\$346 base rate surcharge	
<i>3.0% Annual Increases to Base & Usage Rates</i>		
<i>Residential affordability rate: 1.52-1.71%</i>		

Class	Base Rate bimonthly (monthly)	Usage Rate (per 1k gal)
Residential In-Town	\$125 (\$62.50)	
Residential Out-of-Town	\$150 (\$75)	
Commerical Low-Strength	\$125 (\$62.50)	\$4.25 after 10k gal
Commerical Med-Strength	\$125 (\$62.50)	\$6.16 after 10k gal
Commerical High-Strength	\$125 (\$62.50)	\$12.93 after 10k g
Industrial User – RV Park	\$4200-\$5600 (\$2100-\$2800)	
Industrial User – Brewery	\$346 base rate surcharge	
<i>3.0% Annual Increases to Base & Usage Rates</i>		
<i>Residential affordability rate: 1.30-1.47%</i>		

	Next year (2025)	In 5 years (2029)	5-Year Total Forecast
Cash flow	\$67,794	\$80,513	\$384,525
Difference from Reserve Goal	-\$18,705	\$339	-\$35,316

	Next year (2025)	In 5 years (2029)	5-Year Total Forecast
Cash flow	-\$3,548	\$218	\$5,765
Difference from Reserve Goal	-\$90,046	-\$79,956	-\$414,077



Reserves Fully Funded by Year 5

Reserves Not Funded : \$414k short

Classification of commercial users

Commercial Strength Categories

Low Strength

max 150 ppm BOD / 150 ppm SS

Car Wash

Church

Department Store

Laundromat

Professional Offices

Retail Stores

Schools/Universities¹

Theaters

Medium Strength

max 350 ppm BOD / 350 ppm SS

Bars (without dining)

Convalescent Homes

Hair Shops

Hospitals

Hotels (without dining)

Repair Shops

Service Stations

Markets (without garbage disposal)

High Strength

max 700 ppm BOD / 700 ppm SS

Auto Steam Cleaning

Bakeries

Commercial Laundries

Dairies

Hotels (with dining)

Laboratories

Markets (with garbage disposal)

Mortuaries

Restaurants

Questions ????????
