

Why the Town had a sewer rate study done by RCAC

- 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 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.**

Summary of Rural Community Assistance Corporation (RCAC) Sewer Rate Study

RCAC recommends a sewer rate structure that is based on the strength of waste being produced, the impact that it has on the WWTP, and the cost associated with processing stronger waste. The recommended rate structure in a simplified form is as follows.

1. Residential (Including charging the full base rate for each unit in a multi-unit residential building)
2. Commercial – Low Strength
3. Commercial – Medium Strength
4. Commercial – High Strength
5. Industrial Strength

RCAC Best Practice Recommendations

1. Charge multi-unit residential buildings as if each unit were a single-family residence. They recommend that each unit be charged 100% of the base rate.
2. Allow commercial businesses to install irrigation meters to avoid paying sewer usage charges on irrigation water.
3. Do not allow RV parks to charge “dump fees” for any RV to dump its holding tanks. (Manager's Note: I do not recommend banning RV parks from charging dump fees because there is not a dump station in lake city, and this can be a way for the RV parks to pay the increase in their sewer bills. We know that this has been happening for years now and even if we did ban the practice, it would be near impossible to enforce and there would be no alternative for RV visitors.)

4. Allow commercial or industrial users who disagree with their strength classification to install sampling locations and allow the town to randomly sample at the user's cost to determine a new "strength classification" for their sewer rates.
5. Consider residential affordability rates above 1.5% or 1.64% for future USDA and State Revolving Fund funding applications.
6. Recommends Annual Capital Reserve contributions of \$86,500 for just sewer assets and infrastructure.
7. Base bimonthly rate should cover the first 10,000 gallons of usage for commercial strength customers, and then an excess usage fee based on the strength of waste should be applied to every 1,000 gallons in excess of 10,000 gallons. I think they recommended reducing the allowance to even less than the 10,000 but agreed 10 was a step in the right direction. I do remember Kate saying 3K per month was kind of the least they see or recommend. This was taken directly from their presentation. I am going to leave it the way they said it.

RCAC Rate Study Findings:

1. Operation, maintenance, administrative, and general expenses of the WWTP and waste collection system are increasing from \$481,000 to \$655,000 due to debt service from \$3 million WWTP construction loans (Annual payment of \$187,401.40 for 20 years), reserve contributions for capital assets, and inflation. (Note: Total loan principal and interest payments from old and new loans = \$232,955.38 per year and the loan rate covenants require us to set aside an additional \$23,296 per year for a total of \$256,251.38 per year.

2. This means a minimum revenue increase of 47% to meet loan payments.

3. Industrial Strength Waste User Calculations

- 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 about \$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)

RCAC Final Recommended Rates/Town Staff Final Recommendation and Reasoning
(NOTE: The Town currently charges county users 20% more than town users and had discussed increasing the surcharge to 40% in 2025, but we are going to hold off on that for now due to the other increases.)

The rates and gallons are per month in the narrative below.

Town Residential:

RCAC: Base Rate \$66.00 per month/no excess usage fee for one single-family residence. 100% Base Rate \$66.00 is to be applied to each unit in a multi-unit residential building with a base allowance of 5,000 gallons per unit. (Example: Apartment complex with 4 units would be charged $4 \times \$66.00 = \264 per month, with $(4 \times 5,000)$ 20,000 gallons per month before excess usage is charged.)

(Staff Note: Built into the rate structure is an annual 3% increase in the residential base rate, however if we generate enough revenue in 2025 to adequately fund capital reserves and pay the loans, we will recommend that we do not apply the 3% increase to residential users in 2026. Residential rate of \$66.00 is a residential affordability rate of 1.38% assuming an MHI of \$57,548.)

Staff: 2025 Base Rate \$66.00 per month/no excess usage fee for one single family residence. 25% of base rate \$16.50 applied to each additional unit after the 1st unit, and 25% of 5,000 gallons allowed per unit after the first unit. (Example: Apartment complex with 4 units. 1st unit \$66.00 + 16.50×3 units = \$115.50 per month, gallons covered = 5,000 + $(3 \times 1,250)3750 = 8,750$ gallons per month before excess usage fee of \$4.25 is applied.

Staff Reasoning: What little affordable housing the Town has is in apartment rentals, so we do not recommend charging the full base rate to each individual unit after the first unit. We recommend charging 25% of the base rate in 2025, 35% of the base rate in 2026, and 45% of the base rate in 2027 with the intention not to raise the % anymore, if at all possible, in order to keep year-round rentals more affordable.

(Staff Note: Built into the rate structure is an annual 3% increase in the residential and town commercial – low strength base rate, however if we generate enough revenue to adequately fund capital reserves and pay the debt service in 2025, we will recommend that we do not apply the 3% increase to residential and commercial- low strength users in 2026.)

Town Commercial - Low Strength:

RCAC: Base Rate \$66.00 per month/Excess usage fee \$4.25 per 1000 gallons in excess of 5,000 gallons per month.

Staff: Base Rate \$66.00 per month/Excess usage fee \$4.25 per 1000 gallons in excess of 5,000 gallons per month.

Town Commercial - Medium Strength:

RCAC: Base Rate \$95.70 per month/Excess usage fee \$6.16 per 1000 gallons in excess of 5,000 gallons per month.

Staff: 2025 Base Rate of \$87.00 per month/excess usage fee of \$6.16 per 1000 gallons in excess of 5,000 gallons per month.

2026 Base Rate of \$89.61 per month/excess usage fee of \$6.16 per 1000 gallons in excess of 5,000 gallons per month.

2027 Base rate of \$92.30 per month/excess usage fee of \$6.16 per 1000 gallons in excess of 5,000 gallons per month.

Staff Reasoning: Given the significant increase in base rate, staff recommends phasing in the base rate increase. This will also allow staff to assess the impacts of the reduced base revenue and the increased excess usage fee. Also, we are being mindful that county medium strength users will be charged 20% more than the in-town rate.

Town Commercial - High Strength:

RCAC: Base Rate \$200.64 per month/Excess usage fee \$12.93 per 1000 gallons in excess of 5,000 gallons per month.

Staff:

2025 Base Rate of \$107.00 per month/Excess usage fee \$12.93 per 1000 gallons in excess of 5,000 gallons per month

2026 Base Rate of \$130 per month/Excess usage fee \$12.93 per 1000 gallons in excess of 5,000 gallons per month

2027 Base Rate of \$160.00 per month/Excess usage fee \$12.93 per 1000 gallons in excess of 5,000 gallons per month

Staff Reasoning: Given the significant increase in base rate, staff recommends phasing in the base rate increase. This will also allow staff to assess the impacts of the reduced base

revenue and the increased excess usage fee. Also, we are being mindful that county high strength users will be charged 20% more than the in-town rate.

Industrial – RV Parks:

RCAC: Base Rate (\$963 per rv spot per year/12 months) \$80.25 per RV spot per month + 1 Commercial – High Strength Base Rate of \$200.64 per month for each bathroom/shower/laundry/office/house building at the RV Park. No excess usage fee. (Example: RV park with 11 RV spots and 1 shower/laundry building would be charged $11 \times \$80.25 + \$200.64 = \$1,083.39$ per month.)

Staff Recommendation and Reasoning: The RCAC recommendation based on the industrial strength of RV waste, a major reason for the need to upsize the WWTP and take on additional debt, that would result in well over a 2000% increase in the monthly bill for the RV parks. Seeing that this is a significant increase to happen all at once, we are recommending that the increase to the base rate be spread out over the next 3 years in the following manner.

2025: \$563 per rv spot per year = $(\$563/12)$ \$41.92 per rv spot per month + 1 commercial high strength base rate \$107.00 per month for each bathroom/shower/laundry/office/house building at the RV Park. No excess usage fee (Example: RV park with 11 RV spots and 1 shower/laundry building would be charged $11 \times \$41.92 + \$107 = \$568.12$ per month.)

2026: \$763 per rv spot per year = $(\$763/12)$ \$63.58 per rv spot per month +1 commercial high strength base rate \$130 for each bathroom/shower/laundry/office/house building at the RV Park.

2027: \$963 per rv spot per year= $(963/12)$ \$80.25 per rv spot per month +1 commercial high strength base rate \$160 for each bathroom/shower/laundry/office/house building at the RV Park.

Industrial – Brewery:

RCAC: Commercial High Strength Base Rate \$200.64 + \$173 Surcharge per month = \$373.64 per month. Excess usage fee of \$12.93 per 1000 gallons in excess of 7,500 (did they have 7500 or 5000) gallons per month.

Staff:

2025: Commercial High Strength Base Rate \$107.00 + \$173 Surcharge per month = \$280 per month. Excess usage fee of \$12.93 per 1000 gallons in excess of 7,500 gallons per month.

2026: Commercial High Strength Base Rate \$130.00 + \$173 Surcharge per month = \$280 per month. Excess usage fee of \$12.93 per 1000 gallons in excess of 7,500 gallons per month.

2027: Commercial High Strength Base Rate \$160.00 + \$173 Surcharge per month = \$280 per month. Excess usage fee of \$12.93 per 1000 gallons in excess of 7,500 gallons per month.

County Residential:

RCAC: Base Rate \$79.20 per month/no excess usage fee for one single family residence. Base Rate of \$79.20 is to be applied to each unit in a multi-unit residential building. (Example: Apartment complex with 4 units would be charged $4 \times \$79.20 = \316.80 per month, gallons covered = $5,000 + (3 \times 1,250)3750 = 8,750$ gallons per month before excess usage fee of \$4.25 is applied)

Staff: Base Rate \$79.20 per month/no excess usage fee for one single family residence. 25% of base rate \$19.80 applied to each additional unit after the 1st unit, and 25% of 5,000 gallons allowed per unit after the first unit per month. (Example: Apartment complex with 4 units. 1st unit \$79.20 + 19.80×3 units = \$138.60 per month, gallons covered = $5,000 + (3 \times 1,250)3750 = 8,750$ gallons per month before excess usage fee of \$4.25 is applied.)

(Staff Note: Built into the rate structure is an annual 3% increase in the residential and commercial- low strength base rate, however if we generate enough revenue 2025 to adequately fund capital reserves and pay the loans, we will recommend that we do not apply the 3% increase to residential and commercial- low strength users in 2026.)

County Commercial - Low Strength:

RCAC: Base Rate \$79.20 per month/Excess usage fee \$4.25 per 1000 gallons in excess of 5,000 gallons per month.

Staff: Base Rate \$79.20 per month/Excess usage fee \$4.25 per 1000 gallons in excess of 5,000 gallons per month.

County Commercial - Medium Strength:

RCAC: Base Rate \$114.84 per month/Excess usage fee \$6.16 per 1000 gallons in excess of 5,000 gallons per month.

Staff: 2025: Base Rate \$104.40 per month/Excess usage fee \$6.16 per 1000 gallons in excess of 5,000 gallons per month.

2026: Base Rate \$107.53 per month/Excess usage fee \$6.16 per 1000 gallons in excess of 5,000 gallons per month.

2027: Base Rate \$110.76 per month/Excess usage fee \$6.16 per 1000 gallons in excess of 5,000 gallons per month.

County Commercial - High Strength:

RCAC: Base Rate \$240.77 per month/Excess usage fee \$12.93 per 1000 gallons in excess of 5,000 gallons per month.

Staff: 2025 Base Rate \$128.40 per month/Excess usage fee \$12.93 per 1000 gallons in excess of 5,000 gallons per month.

2026: Base Rate \$156.00 per month/Excess usage fee \$12.93 per 1000 gallons in excess of 5,000 gallons per month.

2027: Base Rate \$192.00 per month/Excess usage fee \$12.93 per 1000 gallons in excess of 5,000 gallons per month.