

January 2010 Water Rate Increase City of Woodland Park, Colorado

The Woodland Park City Council approved a 13.7% increase in water usage rates in December after extensive budget discussions during City Council meetings and a budget workshop. This increase takes effect with January 2010 billings. Other rates included in the City utility bill (water capital fee, sewer, sewer capital fee and drainage fee) are not affected by this increase.

This water rate increase will increase the average use (4000 gallons/month) residential customer's City utility bill by \$3.05/month, for a 6.0% increase in the overall utility bill. The average use commercial customer (17,000 gallons/month) will see a \$13.27/month, or an 8.3% increase.

A decline in water revenues created the need for this rate increase. This decline is mainly the result of low water tap sales since mid 2006. The decrease in water tap sales is the result of the poor economy and the resulting slump in housing starts. Low tap sales are projected to continue in 2010. In 2009, our relatively wet summer also resulted in lower revenues from water sales to our customers.

During the budget process, numerous reductions were made to many expense line items in the 2010 water fund operating budget to help offset the lower revenues. However, increases in other items beyond the City's control, especially Colorado Springs Utilities Homestake Pipeline conveyance fees, negated much of this savings. The price the City of Woodland Park pays Colorado Springs Utilities to convey Woodland Park's imported water is tied to Colorado Springs' water usage rates. These rates rose 44 percent in 2009.

During this period of reduced water revenues, the City continues to have annual water debt payments from past water system improvements and projects. Decisions were made in the past to incur debt for these projects in order to both meet the water needs of our existing customers and to provide water for a moderate amount of city growth. This existing water debt continues through 2015.

When debt is incurred for projects which provide capacity for new growth as well as benefit to existing customers, the City plans for tap fees from new growth to pay new growth's fair share of the costs. This works well when capacity for moderate growth is constructed and moderate growth actually occurs. The current economy has not supported even moderate growth for the last several years and reserves have been used to supplement reduced tap revenues. Now additional revenue is needed to make all payments and still keep reserves at a responsible level.

The Woodland Park City Council was reluctant to raise water rates at this time, but believed it was the responsible and necessary reaction to the current situation. The City Council will consider reversing this rate increase once the economy recovers, tap revenues return to normal, and the water fund reserve is adequate.