

INFORMATION REGARDING THE
DEIKE ESTATES SPECIAL IMPROVEMENT DISTRICT
WATER AND WASTEWATER RATE STRUCTURES

MAY 23, 2023

The rate structure covers *both water and sewer* service. The rate structure was developed to account for all costs associated with District operations. The new rate structure moves toward ensuring all customers are contributing to utility costs in the current timeframe and costs are not accumulating to be recovered through longer-term reimbursement agreements.

In developing the current rate structure, we reviewed the existing ongoing costs to the District and the cost of needed improvements to the system. We determined the prior rate structure was not sufficient to cover even the normal operating costs of the District, and there was nothing being collected for needed capital improvements or reserves for operational emergencies.

In the past, Sapp Bros. has covered many large expenses on behalf of the District, including \$2-\$20,000+ invoices. In particular, since the Notice of Violation regarding the wastewater system in June 2020, Sapp Bros. covered the costs of the engineering studies and getting the District operational again. These studies were required by the Wyoming DEQ. These costs totaled over \$149,000 in 2020-2022. In 2022, the Board of Directors approved a reimbursement agreement to account for past expenses paid by Sapp Bros. on behalf of the District. It is on the accounting and District Manager's task list to document that expense information in detail prior to beginning reimbursement payments.

The District is small which means expenses are naturally higher to the few owners than, for example, municipal service which shares costs between 1,000's of customers. To provide sufficient income to cover regular operations and maintenance (O&M) expenses in addition to capital improvements, and to build a capital reserve and satisfy the reimbursement agreement, the rates set in the 2022/23 Budget are expected to remain in place, and even increase slightly with average inflation, from now on.

Below is the billing calculation based on the budget and rates set in July 2022. Each Connector's water/sewer bill has the following components:

Use Rate: \$13.82 per 1,000 gallons water used to cover O&M expenses of the *water and wastewater systems*. This fee covers expense categories such as electricity, septic tank pumping, water treatment and system maintenance, engineering, and Sanitary Survey and NOV compliance. The water volume used for each customer is based on historical meter read information. When new water meters are installed this year, actual water use will be monitored for 2-3 months to estimate total annual use for the District. For the 2023/24 Budget, the Use

Rate will be adjusted to be sure that Annual Use * Use Rate = Value sufficient to cover normal O&M expenses plus a contingency amount for unanticipated events.

Flat O&M Fee: This flat fee is calculated by looking at the water and wastewater operations and maintenance fees that are incurred no matter how much water any customer uses. For example, administration and accounting fees, monthly potable water testing, periodic potable water testing (larger panels every 3-5 years), quarterly wastewater monitor well testing, and periodic water tank inspections. These are required expenses for the water and wastewater, no matter the volume used, so the fees are shared by all connectors.

Capital Rate (fee based on use): \$6.95 per 1,000 gallons to use toward water and wastewater capital improvements. This is based on the concept that if a customer uses more water, they cause proportionately more wear and tear on the system. The rate for the 2022 budget was set based on completing an average of \$78,000 capital improvements per year. Total capital costs were split between rate-based fees and flat fees.

Some years will require more water or wastewater project dollars, some years will require less. The rate is set to balance the funds versus needs over time with a steady rate, so large rate increases are not required in any particular year. However, it is generally advised that capital fees increase every year with average inflation, so that a modest, steady, rate increase is anticipated in future years.

Flat Capital Fee: This flat fee is calculated by budgeting for capital improvements that must be completed on the system. These costs are shared by all connectors no matter how much water they use or wastewater flow they contribute.

While it is best practice for every water and wastewater utility billing structure, it must be noted that this District has previously *never* collected Capital Fees for current year's projects or Capital Reserve Fees for future capital improvements. Both the water and wastewater systems are in need of large capital improvements and the District must begin collecting this fee component to complete work required now and in future years.

Using this rate structure and the average last working meter reads on accounting records as water use for each connector, each connector’s monthly fee is listed here.

		Use Rate	Capital Rate	O&M Fee	Capital Fee	Monthly Invoice
						TOTAL Due
	1000 gallons	13.82/1000	6.95/1000 gallon			
SAPP BROS.	325	\$4,491.50	\$ 2,258.75	\$ 266.00	\$ 400.00	\$ 7,416.25
MOTEL	28	\$ 386.96	\$ 194.60	\$ 266.00	\$ 400.00	\$ 1,247.56
SAPP REPAIR	0	\$ -	\$ -	\$ 266.00	\$ 400.00	\$ 666.00
T-JOES	10	\$ 138.20	\$ 69.50	\$ 266.00	\$ 400.00	\$ 873.70
RV PARK	5	\$ 69.10	\$ 34.75	\$ 266.00	\$ 400.00	\$ 769.85
CRAIG OCEANAK	37	\$ 511.34	\$ 257.15	\$ 266.00	\$ 400.00	\$ 1,434.49
MHC KW	28	\$ 386.96	\$ 194.60	\$ 266.00	\$ 400.00	\$ 1,247.56
ELITE	13	\$ 179.66	\$ 90.35	\$ 266.00	\$ 400.00	\$ 936.01
Total Monthly Fee Revenue						\$ 14,591.42

New meters will be installed for each Connector this year. The estimated cost of parts and labor will be billed separately to each Connector, in addition to the regular monthly billing. AWWS visited the site in April, and we are working with them to finalize the meter order. The estimate meter costs in the table below are based on quotes from the meter supplier and AWWS obtained in November. Updated quotes have been requested.

	Estimated Meter Cost (parts & labor)	
SAPP BROS.	\$ 2,150.00	
MOTEL	\$ 2,250.00	
SAPP REPAIR	\$ 5,530.00	hand excavation
T-JOES	\$ 2,150.00	plus plumbing bar connection
RV PARK	\$ 2,150.00	
CRAIG OCEANAK	\$ 5,000.00	reset meter pit
MHC KW	\$ 5,820.00	move meter pit
ELITE	\$ 5,000.00	hand excavation

The District’s 2022/23 Capital Expense Budget includes funds to provide two new well meters, meter reading software, and setup of the meter software and data system. Expenses in the District’s budget are paid for by the water/sewer fees that are charged to all Connectors, as described above.

(2) well meters, parts and labor	\$5,000
Software	\$1,720
Setup	<u>\$3,615</u>
Total	\$10,335