

## City report: Raise water rates or face huge deficit

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Editor

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Douglas' water service fund could be in deficit spending as early as 2011 and be \$2.4 million in the hole by mid-2013 unless water rates are increased substantially, according to an internal city report issued last week.

The city administration's analysis revealed a water operating fund faced with a negative \$622,000 reserve balance in fiscal year 2011, a \$1.5 million deficit in FY2012 and a \$2.4 million shortfall in FY2013 – even after making the cuts and changes the city council approved June 8 and covering more than \$600,000 in debt by shifting city general fund money to the water account.

Councilman Bob Chiapuzio, who has been critical of past water rate hikes, seemed resigned to a rate increase this year, but he and other council members questioned just how long they could delay any rate hikes.

“(We’re) putting \$360,000 into the water fund, and still going to have to raise water rates,” he said after reviewing the report during a work session. A quick calculation showed the average city resident would see a \$15 a month increase in water and sanitation under the latest proposal.

City Administrator Bobbe Fitzhugh also told the council that sanitation fees (trash collection) are not keeping pace, though increases in that area would be much less than with the water service to make it self-sustainable.

“Bottom line – water and sanitation are not currently collecting enough in revenue to cover the day-to-day operating costs of those departments,” she told the council members in the report.

The council did not act on a proposal to increase water and sanitation rates June 22 see chart), instead members discussed waiting until fall or beyond before acting on the rate increase proposal. Meanwhile, the council approved the fiscal year 2010 budget which contained current water, sewer, sanitation and landfill rates along with a plan to curb costs and defer maintenance.

“The goal is to minimize user fee increases in those funds by reducing overall costs, deferring major capital improvements and assuming general fund or other grant source funding for 50 percent of all (water main) replacement projects,” Fitzhugh wrote in another memo to the council.

A report from city Administrative Services Director Jan Lampert explained some charges would have to increase and others would decrease within each fund but that overall costs would have to be higher to balance the water and sanitation funds for the next five years.

While a proposed resolution to increase some rates and decrease others was presented to the council in its work session last week, the council members asked the city staff how long they could delay a decision. Some staff suggested that waiting until fall to raise rates was not uncommon for previous councils.

In the formal meeting later that night, Mayor Jim Schneider only referenced the proposal before moving to the next item.