

Waiting on water

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Reporter

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The Douglas City Council sifted through three possible options to solve the upcoming water deficit, but put off making a decision until at least its Jan. 11 meeting during the Dec. 14 work session.

John Gallagher, Red Oak Consulting's principal consultant, presented the council with three options to alleviate future budget shortfalls.

One option allows the council to sit tight and not change a thing – for at least four years, when a hasty 36 percent increase would be necessary over the course of two years.

The other two options would force the council to do what they've been holding out on doing for over a year now: raise water rates.

As an unofficial fourth option, the council was presented an idea of reconstructing the current rates system.

"As you make rate adjustments, you may want to place more of the burden on the volume charge and much less of the burden on the demand and service charges," Gallagher said. "That will help mitigate the impact on the user who uses much less water."

Water customers currently have two monthly fees – a \$17.40 demand charge and \$7.50 service charge – that do not vary with usage. The commodity (volume) charge is currently \$1.50 per 1,000 gallons used.

Gallagher addressed the council during a 45-minute work session before the regular council meeting. Gallagher started the presentation with an analysis of the city's current water fund situation.

"What we discovered is that you have a good amount of reserves on hand," Gallagher said. "But we also found that on an annual basis, you are outspending your revenues by about a half million (dollars) each year."

Gallagher explained that because of the overspending, the water fund will be out of money by fiscal year 2012-13. If no rate adjustments are made during the five year period, however, reserves are projected to ultimately drop below zero and revenues would continuously miss requirements. Gallagher presented this as the first option, but strongly cautioned against it.

"What this is telling us, is that at the end of that five-year period, your revenues need to be about 37 percent higher than they are now," Gallagher said.

The second option would allow the city to soften the blow to its residents by increasing the rates by 6.5 percent annually for at least five years, starting mid-way through the current fiscal year.

The third option called for an eight percent annual increase that wouldn't be effective until the following fiscal year.

"Looking at those two (options), it doesn't look like that much of a difference," Mayor Marilyn Werner said. "But it would make a difference to the constituents and their water bills."

Interim City Administrator Forrest Neuerburg stressed the importance of maintaining a strong reserve fund, noting that the city has several projects in the near future that depend on those monies.

"I know it's important to keep us ahead of the game, like we are right now. We need to keep that momentum going," Councilman Bob Chiapuzio said. "I just don't know how long we can keep it going and let people still pay their bills."

Chiapuzio said that using the already-in-place one-cent sales tax to pay off some of the incurred debt from past water projects should still be considered as an option.

"Part of the reason rates are so high is because of the costs from the water treatment plant and those two loans," he said. "How far can we keep on raising rates especially for the people that don't use that much water?"

With the Dec. 28 City Council meeting cancelled due to the holidays, the next meeting will be Jan. 11 at 7 p.m.

