

## CITY REMINDS RESIDENTS OF WATER RATE CHANGES

With the summer watering season quickly approaching, the City of Chaska would like to take this opportunity to remind residents of the water rate changes made effective January 1, 2010. These changes were made both to help promote the conservation of water within the community and to ensure that current and future expenses are covered.

Over the summer of 2009 the City completed a Water Rate Analysis. This analysis was necessitated due to three primary reasons:

- The State of Minnesota, through the DNR required all municipalities by January 1, 2010 to have an inclining block water rate to encourage water conservation.
- With the dramatic decline in growth rate, there was a need to analyze the short-term needs the City had with its current debt applications in the Water Utility to make sure all the financial obligations were able to be met.
- With an aging water system, there was a need to analyze and understand our future operation and maintenance costs to make sure the rate structure was able to sustain the water system into the future.

Prior to the beginning of this year, the City of Chaska had placed a flat water rate of \$1.17 per thousand gallons of water. This meant that no matter how much water a resident used, they would always be charged the same rate per unit of water. With Chaska's water rate the lowest among surrounding cities and one of the lowest across the entire metro, no incentive was in place to promote the conservation of water. Also, this did not allow the City to plan for and save up for any future maintenance costs.

The need for this State mandate on creating an inclining block water rate is especially evident during the summer months. On an average winter day, the City of Chaska will pump approximately 2.5 million gallons of water into the system. On a peak summer day, that number will jump to over 8 million gallons per day. This difference is primarily due to businesses and residents irrigating their lawns. With so much water being used to supply irrigation systems, the State felt it necessary to mandate an inclining block water structure so that bigger users would pay more for the water they used, thus encouraging users to have an economic reason to think more carefully about the conservation of water.

The City also used the Water Rate Analysis to review our entire water system to determine if our rate structure was sufficient to maintain and operate a sustainable water system short-term and into the future. This became especially important, given our very low water rates and our aging water system. Looking at the surrounding communities, the average water rate charged to customers is \$3.92 per thousand gallons of water. The lowest rate is \$2.36 per thousand gallons. Chaska's rate was \$1.17 per thousand gallons of 2009. It was therefore important to study whether we were charging enough to accommodate our short-term and long-term usage.

After completion of the Water Rate Analysis last summer, the City of Chaska found that even if we were to increase our water rate by 5% annually over the next ten years, our water system would still be in a significant deficit, being approximately \$7million in the

hole over a ten-year period. The Water Rate Analysis found that if the City were to adequately meet its obligations, the rate for the average water user would have to go up to approximately \$2.01 per thousand gallons of water. At the same time, it was found that the City was not able to recoup its fixed costs for utility billing and meter replacement. While most cities in the metro area have a customer service rate with an average of \$7.94, the City of Chaska had not had any service charge on their bills for those fixed costs. The study found that if we were to adequately recoup our costs, we would need to charge \$2.27 per month.

Chaska therefore moved forward late last summer to approve water rate increases as of January 1, 2010 to help meet the needs highlighted in the study. While the City did determine that we needed to increase the base rate charge to \$2.01 per thousand gallons and add a customer service charge of \$2.27 per month, the City elected to implement 50% of the increase on January 1, 2010, and the other 50% on January 1, 2011. For the average user of 7,000 per month, this means their bill would increase by approximately \$4.00 per month in 2010 (from \$8.19 to \$12.23). In 2011, it would increase by a total of \$8.00 per month.

It should be noted that even when the rate increase is fully implemented in 2011, Chaska residents will still have the lowest water rate of any of the surrounding communities at \$2.32 per thousand gallons of water. The average usage and fixed service charge for surrounding cities is \$3.92 per thousand gallons. The next lowest rate after Chaska is \$2.36. While the City did need to increase water rates, we were able to do so in a manner that took care of our financial needs while still keeping our rates lower than any of the other surrounding communities.

Although this rate increase went into effect on January 1<sup>st</sup>, the City wanted to remind residents of the water rate change as most people will notice the increase more during the summer than during the winter. Again, this is due primarily to increased usage.

The City would like to remind residents and business owners to reflect on their water usage, especially during the summer, and consider cutting back on the amount of watering of your lawn, plants, and gardens during the summer. Not only will this save residents money, it will also help conserve a limited water resource into the future.

Questions about the water rate structure may be directed to the City at 952-448-9200.