

WATER AND SEWER USER RATE STUDY

Prepared for the:

CITY OF CREEDE

GMS, Inc.
Consulting Engineers

WATER AND SEWER USER RATE STUDY

FOR
CITY OF CREEDE

PROJECT NO. 2022-054.101

JANUARY 2025

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SECTION I

EXECUTIVE SUMMARY

The City of Creede (City) requested GMS, Inc. to complete a water and sewer user rate study. The purpose of the rate study is to determine what the appropriate water and sewer user rates would need to be in order for the City to cover planned operation expenditures for a five-year period.

The City is located in north-central Mineral County, approximately 64 miles northwest of Alamosa. Creede is located at the headwaters of the Rio Grande River Basin and the Willow Creek Subbasin. The City owns and maintains the water and sewer infrastructure within the City limits and currently provides water service to 348 customers and wastewater services to 346 customers.

GMS, Inc. evaluated the City's existing rate structures and how the rates would need to increase to cover the cost of rising operational expenses. The final recommended rate structure is a water base rate of \$50 per month and a sewer base rate of \$45 per month.

SECTION II INTRODUCTION

A. PURPOSE AND SCOPE

The purpose of this report is to evaluate the existing water and sewer rate structures and propose new water and sewer rate structures, as required, for the City of Creede. The new rate is to ensure that there are adequate revenues for the proper operation of the water and sewer systems. A component of the proper operation of the water and sewer systems is having adequate funds for operations and debt service. Currently, the City utilizes sales tax revenue to fund capital improvement projects. The capital improvements will continue to be funded by this sales tax revenue; thus, the user rate was not evaluated to cover this expense.

B. BACKGROUND

The City has provided water and wastewater services to the residents since before 1973. The City is responsible for generating sufficient revenues to pay all costs for the management of the water and wastewater systems to include operations, debt service and capital improvements.

The City contracted with GMS, Inc. for the purpose of evaluating the cost of water and wastewater services, considering both the existing and proposed expenditures by the City. The current rate structure is not sufficient to cover existing or proposed operations. The proposed increase will allow the City to generate enough revenue to meet the current cost of service while also meeting the projected cost of service for the next five years through 2029.

C. SERVICE AREA

The City of Creede is located in the mountains of southwest Colorado. It lies within the northcentral portion of Mineral County approximately 64 miles northwest of Alamosa and 25 miles southeast of Lake City. The community is located within Sections 25 and 36 of Township 42 North, Range 1 West of the New Mexico Principal Meridian and consists of

approximately 370 acres. Colorado Highway 149 loops through the southern end of the City and the Rio Grande River is located approximately 1.75 miles south of the City.

SECTION III
RATE STUDY

A. EXISTING RATE STRUCTURE

Prior to proposing a new rate, it is important to define the existing rate structure. The existing rate structure was set in 2022 and is shown in the following table.

TABLE 1
CITY OF CREEDE
2022 WATER AND SEWER RATE STRUCTURE

Within City Limits	Fee
Water Base Rate	\$46.06/month
Water Tap Fee	\$250
Water System Development Fee	\$2,750
Sewer Base Rate	\$20.00/month
Sewer Tap Fee	\$250
Sewer System Development Fee	\$2,750
Water meters, all labor, materials, and related expenses	At City's Cost
Outside City Limits	Fee
Water Tap Fee	\$375
Water System Development Fee	\$4,125
Sewer Tap Fee	\$375
Sewer System Development Fee	\$4,125
Water meters, all labor, materials, and related expenses	At City's Cost

The City assesses a \$250 tap fee for new water and sewer services within City limits and a \$375 tap fee for new water and sewer services outside of City limits. This study did not evaluate the tap fee structure. Prior to the rate adjustment in 2022, the monthly water base rate was \$22.08 per month and the sewer base rate was \$9.71 per month. The water and sewer base rate apply to both residential and commercial accounts; however, each customer's water and sewer bill varies based on their assigned Equivalent Residential Unit (EQR). The City's user fees are calculated by multiplying the assigned EQR by the base rate. The City

has limited water meters installed; thus EQR assignments are not based on water consumption. Instead, EQRs are determined by the type of building use and interior features. The EQR structure presents several residential and commercial classifications and additional EQRs can be added based on the number of rooms and bathrooms or features specific to specialized commercial spaces. Following is the valuation of EQRs utilized for water and sewer utilities:

TABLE 2
CITY OF CREEDE
EQUIVALENT RESIDENTIAL UNIT (EQR) SCHEDULE

Class of User	EQR
Single-Family Residential Units ¹⁾	
Single-family homes having not more than 3 bedrooms or baths; individually billed mobile homes; mobile homes on single lots; mobile homes established for permanent residences (per each)	1
Add for each additional bedroom/bath	0.2
Multi-Family Residential Units ²⁾	
Small sized unit - shall not have more than 1 bedroom and bathroom	0.5
Medium sized unit - shall not have more than 2 bedrooms or bathrooms	0.75
Large sized unit - shall not have more than 3 bedrooms and 2.5 bathrooms	0.9
Any larger single unit	1
Transient Residential Units ³⁾	
Manager's unit (per each)	0.8
Motels, hotels, and rooming houses without kitchen facilities - with not more than 2 bed spaces per room (per each rental room)	0.2
Motels, hotels, and rooming houses without kitchen facilities - with more than 2 bed spaces per room (per each room)	0.3
Motels with kitchen facilities - with not more than 2 bed spaces per room (per each rental room)	0.25
Motels with kitchen facilities - with more than 2 bed spaces per room (per each rental unit)	0.35
Dormitories (per each rental bed space)	0.1
Add for laundry facilities (or available hookup) in each building, % of total EQR served	20%
Mobile homes in park with laundry	0.70/space
Commercial Classification ⁴⁾	
Restaurants and bars (per 20 seats)	1
Banquet rooms (per 20 seats)	0.4
Drive-ins (per car stall)	0.2
Drive through take-out service window	0.5

Class of User	EQR
Offices and office buildings (per 1,000 s.f. of gross floor area) ⁵⁾	0.5
Retail sales area (per 1,000 s.f. of gross sales and display area) ⁵⁾	0.3
Laundromats (per washing machine) ⁵⁾	0.8
Service stations - first set of pumps ⁶⁾	1.2
Service stations - each additional set of pumps ⁶⁾	0.8
Service stations - add for each bay/rack where cars can be washed	1.4
Non-retail work areas such as garages, machine shops (per each 10 employees)	0.7
Church and School Classification	
Churches (per 100 seats) ⁷⁾	1
Schools, day care centers, public, and private day schools - without gym and without cafeteria (per 50 students) ⁸⁾	1.4
Schools, day care centers, public, and private day schools - without gym and with cafeteria or with gym and without cafeteria (per 50 students) ⁸⁾	1.75
Schools, day care centers, public, and private day schools - with gym and with cafeteria (per 50 students) ⁸⁾	2.1
Miscellaneous Classifications	
Private pools associated with single-family residential units (per 40,000 gallons of pool volume) ⁹⁾	0.4
Pools associated with multi-family and transient residential units (per 40,000 gallons of pool volume) ⁹⁾	0.8
Commercial and public pools - first 40,000 gallons of pool volume ⁹⁾	1.05
Commercial and public pools - each additional 40,000 gallon capacity ⁹⁾	0.75
Recreational Vehicle Waste Disposal Stations ¹⁰⁾	3 unless otherwise determined
Medical hospital (per bed) ¹¹⁾	0.35
Public Restrooms (per toilet or urinal)	0.15
Assisted living facilities (per occupied unit)	0.35

- 1) Subrental privileges of all kinds are not permitted under the single-family category.
- 2) Multi-Family Residential Units - Apartments, condominiums, townhouses, and similar facilities in the same complex; all units intended for long-term rental or ownership.
- 3) Hotels, motels, mobile home parks, dormitories, and similar facilities. Includes laundry facilities in mobile homes; swimming pools and laundry facilities (except those in mobile homes) are additive; room counts shall include rooms furnished to employees; each billing unit shall have a minimum of 1 manager's unit.
- 4) Restaurants, bars, loungers, banquet rooms, drive-ins, office buildings, retail sales buildings, multiple-use buildings, laundromats, service stations, shops, garages, and similar facilities.
- 5) No process water will be allowed to enter the sewer.
- 6) A set of pumps is defined as 1 fueling station regardless of the number of hoses. No process water will be allowed to enter the sewer.
- 7) Rectories, social areas with kitchen facilities, are additive.
- 8) Includes teachers, librarians, custodians, and administrative personnel associated with the school function; administrative, centers, warehouses, equipment (such as buses), repair and/or storage centers, swimming pools, and similar facilities are additive.
- 9) A permanent sign must be placed prominently at all pool filter installations stating that pools are not to be drained without permission from the manager, that pool drainage rates will be subject to the approval of the City, and that draining shall be limited to the hours between 11 p.m. and 6 a.m. the next day.
- 10) The operator of the disposal facility shall provide a means acceptable to the City of counting the number of times the disposal facilities are used. The City shall review and approve charges made to users of dumping facilities by facility owners; no system development fees will be assessed for camper dump facilities, and the City reserves the right to cease service to such facilities at any time.
- 11) Includes staff and administrative personnel associated with the hospital function.

The City does not monitor inactive accounts. If a building is connected to the system, it is being charged whether or not it is vacant. The City provides water and sewer services to a total of 348 water customers and 346 sewer customers. The following is a summary of current customer EQRs from the City.

TABLE 3
CITY OF CREEDE
EQR TABULATION

Customer EQR	Active Water Services	Water EQR	Active Sewer Services	Sewer EQR
0.7 EQR	14	9.8	14	9.8
0.85 EQR	14	11.9	14	11.9
1 EQR	248	248	246	246
1.25 EQRs	41	51.25	40	50
1.4 - 1.75 EQRs	8	12.45	8	12.45
2.0 - 2.8 EQRs	16	39.12	16	39.12
3.0 - 7.70 EQRs	7	37	7	37
Deep Creek 78 EQRs	SEWER ONLY		1	78
Total	348	409.52	346	484.27

The above table shows an estimated 409.52 water EQRs and 484.27 sewer EQRs served by the City of Creede.

B. EXISTING FINANCIALS

In order to evaluate user rates, the existing revenues and expenditures were analyzed. The City operates a combined Water and Sewer Fund. Water and sewer user rates should be set to ensure there is adequate revenue to cover the operating expenditures and meet the minimum coverage ratio for any loans. Sales tax, via the Capital Improvement Fund, funds the City's capital improvements and loan payments.

The City's audits and budgets were analyzed for the purpose of comparing operating revenues and operating expenditures. The City's audits present combined revenue and expenditures

for the Water and Sewer Fund and does not differentiate revenue and expenditures between water and sewer. The budgets itemize the revenues and expenditures to better illustrate which belongs to water or sewer. The values utilized in the analysis are based on the 2020 through 2023 audits and the 2024 budget, as well as data provided by the City. The following is a table showing the annual water and sewer revenue operations from 2020 through 2024.

TABLE 4
CITY OF CREEDE
WATER AND SEWER REVENUES

Year ¹⁾	Charges for Services ³⁾	Tap Fees ⁴⁾	Grant/Loan Revenue	Transfers From Capital Imp. Fund	Misc. ⁵⁾	Total Revenue
2020	\$348,187	\$103,438	\$0	\$64,942	\$10,857	\$527,424
2021	\$370,641	\$479,071	\$0	\$159,895	\$3,810	\$1,013,417
2022	\$382,113	\$545,703	\$0	\$348,974	\$3,841	\$1,280,631
2023	\$358,800	\$12,000	\$0	\$0	\$12,000	\$382,800
2024 ²⁾	\$430,800	\$12,000	\$330,000	\$470,000	\$12,000	\$1,254,800

1) From the annual Audits.

2) From the 2024 Budget.

3) Includes total operating revenues less miscellaneous revenue listed on the budgets.

4) Listed on the audit as capital contributions. The City budgets define capital contributions as tap fees.

5) Includes interest income and other revenue from audits. From budgets, includes miscellaneous and interest income.

A review of the City's budgets reveals that drainage revenue may also be included in the Water and Sewer Fund revenues. For this study, drainage revenue is not included in the analysis as drainage/storm fee is not in the scope of the project.

As can be seen in the above table, revenue has steadily increased each year except in 2023. The City's customer base has increased steadily over the period of review and this increase can be seen with the steady rise in the City's total operating revenue and the increase in tap fee revenue between 2020 and 2022. The City also manages a Capital Improvement Fund, financed by its sales tax revenue. This fund is used to support capital improvement projects as well as to provide matching funds for grants.

The analysis focused on the expenditures attributed to both the water and sewer functions. The expenditures of the water and sewer system are combined in audits; thus, the budgets were utilized to categorize expenses into water or sewer. The audits categorize related

expenditures as shown on the budget into a broader category. The audits also show depreciation as an expense, but typically, depreciation is not budgeted. It is crucial that the proposed water and sewer rate structure covers the cost of service for the corresponding functions. Some items were completely attributed to one function. Other expenses could not be readily divided between water and sewer. The City indicated the percentage allocations for each shared budget category. The following sections provide more detail regarding water and sewer expenses, as this is the first step in determining the cost of service.

1. Water Expenditures

The City's water expenditures fluctuate throughout the years. In reviewing the water system expenditures, the City's salaries and benefits, which account for the water system's largest expense, also fluctuate similarly to the total expenditures. The salaries and benefits were split as 60% attributable to the water activities, except overtime, which was split 50% between water and sewer. Other items were split 50%, including office supplies, tools and equipment, insurance, telephone, postage, IT, miscellaneous, and other expenses. The City's water debt principal and interest payment accounts for the second largest expense, followed closely by the utilities associated with the water system. The utilities were attributed 75% towards the water system. Other items in the expenditure categories were very clearly split between water and sewer; for instance, water testing, water supplies and meters, propane-water plant, electricity–water plant, and water miscellaneous are 100% attributable to the water system.

The water system carries one debt instrument from a water system improvement project completed in 2009. This project was funded with a loan through the Colorado Water Resources and Power Development Authority (CWR&PDA), Drinking Water Revolving Fund (DWRF), for \$1,250,000. It is a 30-year loan with an interest rate of 1.75% and bi-annual payments of \$27,156 due in May and November for an annual total of \$53,108, until paid in full. The final CWR&PDA payment will be due May 1, 2039.

Utilizing this financial data, the subcategories were combined into the following table to reflect the estimated expenditures attributed to the water system. A detailed breakdown of the expenditures as split is provided in Appendix A.

TABLE 5
CITY OF CREEDE
WATER SYSTEM EXPENDITURES

Year ¹⁾	Salaries & Benefits	Materials & Supplies	Admin	Testing Fees	Professional Services	Insurance	Operations, Repair, and Maintenance	Utilities	Misc.	Debt P&I	Total
2020	\$103,273	\$11,272	\$0	\$2,359	\$30,338	\$0	\$13,518	\$31,520	\$4,931	\$53,108	\$250,319
2021	\$95,269	\$12,104	\$0	\$2,198	\$8,742	\$0	\$8,276	\$34,950	\$13,061	\$53,109	\$227,709
2022	\$103,003	\$15,575	\$0	\$2,529	\$20,246	\$0	\$8,997	\$44,633	\$14,230	\$53,108	\$262,321
2023	\$84,562	\$10,750	\$1,450	\$2,000	\$15,000	\$3,750	\$16,000	\$36,500	\$4,000	\$53,108	\$227,120
2024 ²⁾	\$145,800	\$16,000	\$3,100	\$2,000	\$15,000	\$3,750	\$21,360	\$36,500	\$4,000	\$53,108	\$300,618

1) From the annual Audits.

2) From the 2024 Budget.

2. Sewer Expenditures

The City's sewer expenses were compiled using the same method as the water expenses. As mentioned in the water expenditures, the salaries and benefits were split as 40% attributable to the sewer activities, except overtime, which was split 50% between water and sewer. Other items were split 50%, including office supplies, tools and equipment, insurance, telephone, postage, IT, miscellaneous, and other expenses.

The utilities were attributed 25% towards the sewer system. Other items in the expenditure categories were very clearly split between water and sewer; for instance, electricity-sewer plant, sewer testing, sewer supplies, and sewer miscellaneous are 100% attributable to the sewer system. Professional services (80%), testing fees (89%), and treatment fees (60%) are primarily attributed to the sewer system. There is also debt principal and interest payment attributable to the sewer system only.

The City's sewer expenditures also fluctuate over the years. Looking at the sewer system expenditures more closely, the City's two largest expenses are salaries and benefits, and professional services. The City's debt, principal, and interest payments are the third biggest expense for the sewer system.

Currently, the Sewer Fund carries one debt instrument from a rehabilitation project for the existing collection system. This project was funded with a loan through the CWR&PDA, Water Pollution Control Revolving Fund for \$1,000,000. It is a 30-year loan with an interest rate of 1.5% and bi-annual payments of \$20,991 due in May and November for an annual total of \$41,981, until paid in full. The final CWR&PDA payment will be due May 1, 2052.

The following table presents the expenditures incurred within the Sewer Fund for the same period as that summarized for revenues. A detailed breakdown of the expenditures as split is provided in Appendix A.

TABLE 6
CITY OF CREEDE
SEWER SYSTEM EXPENDITURES

Year ¹⁾	Salaries & Benefits	Materials & Supplies	Admin.	Testing Fees	Professional Services	Insur.	Operations, Repair, and Maint.	Utilities	Misc.	Debt P&I	Total
2020	\$76,332	\$9,222	\$0	\$19,086	\$121,352	\$0	\$20,276	\$10,507	\$4,931	\$0	\$261,706
2021	\$70,417	\$9,904	\$0	\$17,787	\$34,968	\$0	\$12,414	\$11,650	\$13,061	\$0	\$170,201
2022	\$70,417	\$12,744	\$0	\$20,461	\$80,984	\$0	\$13,496	\$14,878	\$14,230	\$3,460	\$230,670
2023	\$76,133	\$10,750	\$1,450	\$15,000	\$60,000	\$3,750	\$24,000	\$12,000	\$4,000	\$41,982	\$249,065
2024 ²⁾	\$58,041	\$11,000	\$3,100	\$20,000	\$60,000	\$3,750	\$32,040	\$12,000	\$4,000	\$41,981	\$245,912

1) From the Annual Audits.

2) From the 2024 Budget.

Several observations and trends can be identified when comparing the prior revenue and expense tables. The operating revenues, made up of the charges for service, steadily increased each year except for in 2023. Based on the operating revenues and the total water and sewer operating expenditures, there is an annual deficit. The City relies on the General Fund to help support the Water and Sewer Fund, but they would like to phase out their reliance on the General Fund.

The revenue table also reflects the non-operating revenue, which is largely attributed to tap fees and transfers from the Capital Improvement Fund. The debt service is shown as an operating expense since the City incurs the expense annually. Non-operating expenditures are typically for large capital improvement projects or for non-recurring expenditures.

The Town also operates a Capital Improvement Fund. This account has grown over the four audit years, 2020 to 2023, to an amount over \$1,500,000. This fund is supported by the City's sales tax and is utilized to finance capital improvement projects and grant/loan matches.

SECTION IV EXPENDITURES

A. OPERATION, MAINTENANCE, AND REPAIR

When planning for current and future expenditures, assessing costs related to operations, maintenance, and repairs is essential. These can include regular monthly expenses, as well as annual costs and unplanned emergency expenditures. As stated, the City does not separate the expenditures between water and sewer in the annual audit. The annual budget separates a few expenditures specific to water or sewer. City staff went through each budget category and estimated the expenditure split between the water and sewer systems if the category was shared. Thus, the expenditures for both water and sewer are estimated, and the actual expenditures for each could vary.

Regarding the water system, the largest expenditures over the four years is for salaries and debt from capital improvement projects. These two categories represent approximately 63% of the expenditures attributed to the water system. Regarding the sewer system, the largest expenditures over the four years is for salaries and professional services. These two categories represent approximately 54% of the expenditures attributed to the sewer system. Due to ongoing wastewater collection system projects, the City has increased professional services expenses.

The operational, maintenance, and repairs account for 5% of the expenditures attributed to the water system and 8% of the expenditures attributed to the sewer system. There are no additional proposed changes to operations, repairs, and maintenance expenditures. The City undertook water system improvement projects less than 20 years ago; therefore, the water system is believed to be in good condition with minimal repairs required. Repair and maintenance costs almost doubled in 2023 largely due to the sewer system and continue to increase year over year, but this expense is split such that the sewer utility takes on slightly more of this expense. Since the City's water system is relatively new, only a small portion of this expense, 20%, is attributable to the Water Fund. The wastewater system recently completed the 3rd phase of improvements. The completion of this phase of the project and future projects will help to decrease the operations, maintenance, and repair expenses.

The utilities associated with the City's water system operations account for approximately 14% of the expenditures. The City is working to pursue a water meter project that will slightly offset the City's utility costs. It is likely that with the installation of new water meters, the City will see a significant decrease in water usage, which in turn will affect the City's water utilities due to less pumping from the wells and less treatment. Additionally, a potential hydroelectric project could reduce and possibly eliminate the City's utility expense; however, this change was not depicted in the projected expenses to maintain a conservative projection.

As mentioned above, the water and sewer systems carry one debt instrument each for capital improvement projects. The water debt is meant to be paid in full in 2039, and the final sewer debt payment will be in 2052. Both debts carry a minimum coverage ratio that requires the City's water and sewer operating revenues to be 120% and 110% of their operating expenses, respectively.

B. MANAGEMENT AND ADMINISTRATIVE

Salaries and benefits account for 43% of the expenditures attributed to the water system and 27% to the sewer system. Currently, the City relies on the General Fund to supplement maintenance and administrative personnel salaries. The City indicated the desire for the Water and Sewer Fund to carry the appropriate salaries and eliminate its reliance on the General Fund. City staff stated that only 25% of the Clerk and City Manager's time is attributed to activities associated with the water and sewer systems. Approximately 75% of the Deputy Clerk and all maintenance personnel's time is attributed to the water and sewer system activities. Increasing the salary and benefits costs attributed to the Water and Sewer Fund results in a 26% increase in the City's salary expense, which is then split 60% to water and 40% to sewer.

Additionally, the General Fund has covered most other administrative expenses such as office supplies and IT. Some of these expenses should be attributed to the Water and Sewer Fund. Supplies like paper, envelopes, and postage are required for billing, and there are some personnel who spend the majority of their time doing water and sewer tasks utilizing computers. Therefore, the IT expenses were increased to \$2,000, and the office supplies

were increased to \$5,000 for the 2025 proposed expenditures and were then split equally between water and sewer.

The remaining 18% of the water system expenditures are attributed to materials and supplies, administrative expenses, testing fees, professional services, insurance, and miscellaneous expenses. The remaining 38% of the wastewater system expenditures are attributed to materials and supplies, administrative expenses, testing fees, insurance, utilities, and miscellaneous expenses. Except for those abovementioned changes, expenses are expected to increase 4% annually.

SECTION V RATE ANALYSIS

A. TYPES OF WATER RATE STRUCTURES

Four main types of water and sewer rate structures are typically utilized. The best rate structure for a community varies from place to place and many factors are considered when establishing a rate structure. Many elements factor into the rate structure, including the availability of water resources, the types and classes of the users, and the community's economic status. The rate structure should be set, ensuring there is adequate revenue for current and future expenditures in the period of review. Often, rate structures account for future capital expenditures, especially for any anticipated debt payment; however, for the City the Capital Improvement Fund subsidizes capital improvements. Rate structures are often utilized to discourage wasteful use while also ensuring that it is fair across all user classes.

The most common rate structures are uniform rates, increasing block rates, and decreasing block rates. Uniform rates charge the same amount for every 1,000 gallons of water. Increasing block rate charges a higher price for larger usage and it could be various rates. Decreasing block rate structure is the opposite with a lower price per 1,000 gallons with increased usage. In Colorado, the rate structures are typically either uniform or increasing block rates. Decreasing block rate structures are not typical in areas where water supply is limited; thus, this structure is not common in Colorado.

The City of Creede currently utilizes a uniform rate structure for both water and sewer rates. The City has limited customer water meters. Therefore, the rate structure is based on a flat fee per EQR, as discussed in the previous section. It is suggested that there be no change in the user charge system at this time, as no other rate structure is possible without metering. It appears that there has been an appropriate management system to apply the appropriate EQR to each user, demonstrating a reasonable attempt at equity among all users; however, once water meters are installed throughout the City, an increasing block rate should be considered after sufficient water data has been collected and customers have corrected leaks.

B. USER CLASSIFICATIONS

In setting a user rate structure, the base rate is determined by the type of user classification. Typical user classifications include residential, commercial, and industrial users. An alternate way of defining user classifications is by setting a base rate by the tap size. This is more beneficial in communities with various tap sizes. Typically, the larger the tap size the larger the water and sewer use; thus, a larger incremental water and sewer base rate.

The City of Creede's service area consists of residential and commercial accounts. As stated above, the City utilizes EQRs to classify user accounts. Customers with larger EQRs are expected to have a higher water demand and sewer flow. This user classification and associated rate structure results in a larger incremental water and sewer rate for customers with larger EQRs by multiplying the calculated EQR by the base rate. It would not be equitable to charge for usage for the small number of customers with water meters. It is suggested that there is no change in the user classification system as the EQR table utilized by the City is the industry standard where water usage data is unavailable.

C. COMPARABLE COMMUNITIES RATE STRUCTURE

It is also helpful when setting water and sewer rates to understand what other communities of similar size and demographics charge for water and sewer service for general comparison only. Nearby communities with similar demographics (median household income and median home value are comparable) were reviewed. It is noted that the cost of service varies from community to community based on the cost of operations, and a direct comparison should not be used to set rates. Nearby communities are shown in the following table.

The City of Creede is nearly at the midpoint when comparing 8,000 gallons of usage. Most communities listed utilize an increasing block rate structure for water consumption except the City of Creede and the Town of Saguache.

TABLE 7
CITY OF CREEDE
COMPARABLE COMMUNITIES

Community Name	Population	Median Household Income	Water Base Rate	Consumption Rate (per 1,000 gallons)			Water bill with 8,000 gallon consumption	Sewer Base Rate
				Tier 1	Tier 2	Tier 3		
City of Del Norte	1,808	\$40,756	\$33.54/month ¹⁾	\$2.01 for using above 0 gal	-	-	\$49.62	\$43.85/month
Town of Lake City	465	\$57,548	\$40/month ²⁾	\$3.00 for using 14,000 - 17,999 gal	\$4.25 for using 18,000-23,999 gal	\$5.50 for using over 23,999 gal	\$40.00	\$40.00/month
Town of South Fork	458	\$70,804	\$45/month ³⁾	\$3.60 for using 1-5,000 gal	\$4.00 for using 5,001-15,000 gal	\$6.00 for using 15,001-25,000 gal	\$75.00	\$37.96/month
Town of Saguache	535	\$35,795	\$30.00/month	-	-	-	\$39.00	\$37.00/month
City of Creede	280	\$51,033	\$46.06/month	-	-	-	\$46.06 ⁴⁾	\$20.00/month

1) Base rate of \$27.54, plus \$6.00 water improvement fee.

2) Customers billed bi-monthly. Base rate includes up to 13,999 gal of water usage.

3) For standard 5/8-inch water meter

4) Representative of customers assigned 1 EQR, which is the most common classification for customers

D. ASSUMPTIONS FOR RATE CALCULATION

To calculate the revenue that would be generated with a new rate structure, assumptions are made, and these assumptions are determined by the information provided by the City.

According to the Colorado State Demographer, the population projections for the next five years for Mineral County will increase by an average of 0.3% per year through 2027, then decrease by an average of 0.1% per year through 2029. The State Demographer's office compiles population forecasts for both counties and regions but not for individual communities or unincorporated portions of individual counties. The population base within the City is influenced by factors other than county and regional growth rates. There are some undeveloped parcels within the City's service area. For this study, it is assumed that customer accounts will increase by two (2) customers each year for the period of the evaluation. These new customers are assumed to be classified with one (1) EQR. This equates to an EQR growth rate of approximately 0.4% annually.

As stated above, the City currently relies on the General Fund to supplement the salaries for maintenance and administrative personnel. Initially, it was assumed that the Water and Sewer Fund would carry the appropriate salaries and eliminate the City's reliance on the General Fund. However, it was determined that this approach is not practical in the short term; therefore, the General Fund will still be required to partially cover these salaries.

The projected 2025 expenditures were calculated by increasing the 2023 audited figures by 4.59%, resulting in total Water and Sewer Fund expenditures of approximately \$500,000. Following this, it is anticipated that expenditures will increase annually by 4%, which closely aligns with the Consumer Price Index (CPI). This may result in a modest increase in expenditures. According to the U.S. Bureau of Labor Statistics, the consumer price index for the Western United States in 2023 was 4.14%. The CPI was significantly impacted by COVID-19, increasing to 9.06% midway through 2022. Since July of 2022, the CPI has been decreasing, and the downward trend has continued through 2024 with an average CPI of 3.02%. Thus, the annual expenditures inflation by 4% is reasonable and conservative.

The loans with CWR&PDA require a coverage ratio, (operating revenues minus operating expenditures divided by the loan payment), of 110% of the annual debt service. Initially, it was assumed that the proposed water and sewer rates would need to be adequate to meet the loan coverage ratios; therefore, the rates were adjusted until the net operating income was 110% of the annual debt service. In speaking with the CWR&PDA, if an entity has year-over-year transfers into the fund which the loan is being serviced, the income is considered operational. Thus, the coverage ratio of 110% can be met with this transfer. In the initial iteration of the rate study, this transfer was excluded, as the objective was to evaluate rates under the assumption of independent fund operation. To meet this condition, significant rate increases would be necessary. Furthermore, it was concluded that the debt payments would be handled by the Capital Improvement Fund (CIF), given that the debt arises from infrastructure projects, and thus, the CIF is responsible for covering these costs.

E. BASE FEE AND USAGE RATE

Four new potential rate structures, two water rate structures and two sewer rate structures, were presented to the City Board of Directors in June 2024. One rate structure, for each water and sewer, was presented with a single rate increase that would cover projected expenditures for the next five years and the other rate structure with an annual increase that would cover projected expenditures each year. The following table presents the water and sewer rate structures that were presented. A detailed breakdown of these rate structures and the corresponding presentation is provided in Appendix B.

TABLE 8
CITY OF CREEDE
PROPOSED WATER & SEWER RATE COMPARISON

Type of Increase	Proposed Base Rate
Water	
1 Time Rate Increase	\$77.50/month/1 EQR
Annual Increase between 2.50% and 3.00%	\$69.50/month/1 EQR in 2025
Sewer	
1 Time Rate Increase	\$61.75/month/1 EQR
Annual Increase between 2.75% and 3.20%	\$55.00/month/1 EQR in 2025

The above rate structures were the proposed 2025 rates. The proposed rate structures continue to be uniform, as they have been in the past. The one (1) time rate increase would cover the projected expenditures for the next five years.

Under the water annual increase rate structure, the base rate would increase by 2.50% in 2026, 2.75% in 2027, 3.00% in 2028, and 2.75% in 2029 to achieve a loan coverage ratio of 110%. For the wastewater annual increase rate structure, the base rate would increase by 2.75% in 2026, 3.00% in 2027 and 2028, and 3.20% in 2029 to achieve a loan coverage ratio of 110%.

In presenting the water base rate of \$77.50 per month per EQR, the consultant analyzed ways to lower the rate increase impact by reducing expenditures. The options for this included the implementation of the hydropower project, continuation of the General Fund subsidy for salaries, and debt payments from the Capital Improvement Fund. As discussed earlier, the City will continue to subsidize salaries and debt payment will come from the CIF. The hydropower project will likely not be implemented in the review period; thus, it is not a realistic expenditure adjustment. The table below indicates the expenditure and the impact on the water base rate.

TABLE 9
CITY OF CREEDE
POTENTIAL WATER EXPENDITURE REDUCTION

	Rate	Difference	Annual Cost Reduction for 2025
Water Base rate with no expenditure adjustment	\$77.50	-	-
Adjust Expenditures by the following actions:			
Hydropower project eliminating utility cost	\$69.00	(\$8.50)	\$37,960
General Fund providing 30% subsidy for salaries	\$65.50	(\$12.00)	\$52,200
Debt payments from the Capital Improvement Fund (CIF)	\$67.00	(\$10.50)	\$53,108
Hydropower project eliminating utility cost and debt payment from CIF	\$58.50	(\$19.00)	\$91,068

A similar exercise was completed for the sewer expenditures.

TABLE 10
CITY OF CREEDE
POTENTIAL SEWER EXPENDITURE REDUCTION

	Rate	Difference	Annual Cost Reduction for 2025
Sewer Base rate with no expenditure adjustment	\$61.75	-	-
Adjust Expenditures by the following actions:			
Hydropower project eliminating utility cost	\$59.50	(\$2.25)	\$12,480
General Fund providing 30% subsidy for salaries	\$55.00	(\$6.75)	\$35,580
Debt payments from the Capital Improvement Fund (CIF)	\$54.75	(\$7.00)	\$41,981
Hydropower project eliminating utility cost and debt payment from CIF	\$52.25	(\$9.50)	\$54,461

SECTION VI

PROPOSED RATE STRUCTURE

During and after the Board Meeting, additional feedback was provided, which resulted in another water and sewer rate structure being recommended for implementation. The discussion introduced new lower base rates that increase annually to account for inflation. Most of the previously stated assumptions remain valid; the Board discussed utilizing the General Fund to cover employee salaries. At this juncture, the Board has opted to continue funding a portion of employee salaries through the General Fund. As the health of the fund increases, it is noted that this decision may be altered in the future. In September of 2024 the City of Creede Board of Directors approved the following rate structure:

TABLE 11
CITY OF CREEDE
PROPOSED WATER AND SEWER RATE STRUCTURES

Type	Proposed Base Rate
Water Base Rate	\$50/month/1 EQR
Sewer Base Rate	\$45/month/1 EQR

The City increased the water base rate from \$46.06 to \$50.00 per EQR per month and increased the sewer base rate from \$20 to \$45 per EQR month. This rate increase was made effective immediately. This will generate an additional \$21,336 annually in base fee revenue for water system operations and \$146,361 annually in base fee revenue for wastewater system operations. The City will also increase the base rate annually by 10% to account for inflation and gradually allocate more employee salaries with the Water and Sewer Funds. A detailed breakdown of the approved rate structures is provided in Appendix C.

The Environmental Protection Agency recommends that the sum of the average water and sewer bill not exceed 5% of the median household income (MHI). According to DOLA, the MHI for the City of Creede is \$49,375. Thus, 5% would be equivalent to an average water and sewer bill total of \$205.73 per month. Most of the City's water and sewer residential customers are assigned 1

EQR, making the proposed water bill for those customers \$50 and the sewer bill \$45 for a total of \$95.

A. 5-YEAR PROJECTION

The City of Creede has not implemented a rate increase since 2022. In many larger communities and a few small communities, rate increases are done annually. Increases are directed by rate studies or by the Consumer Price Index (CPI). Therefore, the proposed rate structure is suggested to increase by 10% annually over the next five years of projected expenditures. This is intended to ensure that user rates exceed inflation and to accommodate the salary costs associated with the Water and Sewer Fund.

TABLE 12
CITY OF CREEDE
5-YEAR PROJECTION OF PROPOSED RATE STRUCTURE

Type	2025	2026	2027	2028	2029
Water Base Rate	\$50	\$55	\$60.50	\$66.55	\$73.21
Sewer Base Rate	\$45	\$49.50	\$54.45	\$59.90	\$65.88

SECTION VII

CONCLUSION

Several rate structures were evaluated in this rate study and the Board of Directors determined that the best option is to increase the water and sewer base rates to ensure that the fund only needs transfers for very specific costs, i.e. debt and salaries. New rates are needed to ensure adequate revenue for the proper operation of the water and sewer systems and to ensure that revenues exceed expenditures.

In September of 2024, the Board adopted a revised rate structure that included increasing the water base rate from \$46.06 to \$50 per month and the sewer base rate from \$20 to \$45 per month. The base rates will increase annually by 10% through 2029 to exceed inflation and allocate more revenue toward properly funding employee salaries.

APPENDIX A – CREEDE EXPENDITURES BREAKDOWN

Expenditures

Expenditures											4% CPI
	Water	Sewer	2020 Actual	2020 Audit	2021 Actual	2021 Audit	2022 Audit	2023 Budget	2023 Audit	2024 Budget	Additional Notes
Salaries	60%	40%	\$ 128,406	\$ -	\$ 106,829	\$ -	\$ -	\$ 91,355		\$ 185,000	\$ 277,000
Overtime	50%	50%	\$ -	\$ -	\$ 3,561	\$ -	\$ -	\$ 10,000		\$ 15,000	
Taxes	60%	40%	\$ 9,532	\$ -	\$ 8,587	\$ -	\$ -	\$ 6,975		\$ 10,000	\$5000 total for this going
Benefits	60%	40%	\$ 28,344	\$ -	\$ 28,306	\$ -	\$ -	\$ 34,274		\$ 35,500	
Personnel Services	58%	43%	\$ -	\$ 179,605	\$ -	\$ 165,686	\$ 179,136	\$ -	\$ 202,800	\$ -	
Office Supplies	50%	50%	\$ 45	\$ -	\$ 452	\$ -	\$ -	\$ 1,500		\$ 1,500	
Sewer Supplies	0%	100%	\$ 10,791	\$ -	\$ 9,804	\$ -	\$ -	\$ 10,000		\$ 10,000	
Water Supplies and Meters	100%	0%	\$ -	\$ -	\$ 12,204	\$ -	\$ -	\$ 10,000		\$ 15,000	
Tools & Equipment	50%	50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ 500	
Materials and Supplies	55%	45%	\$ -	\$ 20,494	\$ -	\$ 22,008	\$ 28,319	\$ -	\$ 37,565	\$ -	
Sewer Testing	0%	100%	\$ 14,892	\$ -	\$ 15,263	\$ -	\$ -	\$ 15,000		\$ 20,000	
Water Testing	100%	0%	\$ 4,555	\$ -	\$ 1,877	\$ -	\$ -	\$ 2,000		\$ 2,000	
Testing Fees	11%	89%	\$ -	\$ 21,445	\$ -	\$ 19,985	\$ 22,990	\$ -	\$ 31,450	\$ -	
Professional Services	20%	80%	\$ 122,587	\$ 151,690	\$ 66,282	\$ 43,710	\$ 101,230	\$ 75,000	\$ 78,493	\$ 75,000	
Repair and Maintenance	40%	60%	\$ 64,942	\$ 33,794	\$ 20,649	\$ 20,690	\$ 22,493	\$ 40,000	\$ 50,438	\$ 50,000	
Electricity - Sewer Plant	0%	100%	\$ 8,994	\$ -	\$ 10,841	\$ -	\$ -	\$ 12,000		\$ 12,000	
Propane - Water Plant	100%	0%	\$ 269	\$ -	\$ 634	\$ -	\$ -	\$ 1,500		\$ 1,500	
Electricity - Water Plant	100%	0%	\$ 29,373	\$ -	\$ 30,465	\$ -	\$ -	\$ 35,000		\$ 35,000	
Utilities	75%	25%	\$ -	\$ 42,026	\$ -	\$ 46,600	\$ 59,510	\$ -	\$ 52,021	\$ -	
Insurance	50%	50%	\$ 1,505	\$ -	\$ 11,689	\$ -	\$ -	\$ 7,500	\$ 12,052	\$ 7,500	
Telephone	50%	50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 700		\$ 700	Cell phones only
Postage	50%	50%	\$ 683	\$ -	\$ 1,078	\$ -	\$ -	\$ 1,200		\$ 4,500	\$2000 going forward
IT	50%	50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	
Travel/Transportation	50%	50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000		\$ 1,000	\$3000 going forward
Sewer Miscellaneous	0%	100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000		\$ 3,000	
Water Miscellaneous	100%	0%	\$ 4,149	\$ -	\$ 2,315	\$ -	\$ -	\$ 3,000		\$ 3,000	
Miscellaneous/Contingency	50%	50%	\$ 3,393	\$ -	\$ -	\$ -	\$ -	\$ 2,000		\$ 2,000	
Other Expenses	50%	50%	\$ -	\$ 9,862	\$ -	\$ 26,122	\$ 28,459	\$ -	\$ 13,237	\$ -	
Depreciation Expense			\$ -	\$ 98,412	\$ -	\$ 98,593	\$ 111,756	\$ -		\$ -	
Annual State S&W Treatment Fees	40%	60%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ 3,400	
Acquisition of Capital Assets			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	
Loans Principal			\$ 37,482	\$ 37,975	\$ 38,643	\$ 38,643	\$ 41,532	\$ 35,000		\$ 100,000	
Loans Interest			\$ 15,626	\$ 15,133	\$ 14,466	\$ 14,466	\$ 15,036	\$ 15,000		\$ 40,000	
					\$ -	\$ -	\$ -	\$ -		\$ -	
	0%	100%			\$ -	\$ -	\$ -	\$ -		\$ -	

Depreciation \$ - \$ 98,412 \$ - \$ 98,593 \$ 111,756 \$ - \$ 633,100

\$ 485,568 \$ 708,848 \$ 383,943 \$ 595,096 \$ 722,217 \$ 413,004 \$ 478,056 \$ 1,266,200

Expenditures

Without Depreciation \$ 485,568 \$ 610,436 \$ 383,943 \$ 496,503 \$ 610,461 \$ 413,004 \$ 478,056 \$ 1,266,200

Operating Expenditures	\$ 485,568	\$ 610,436	\$ 383,943	\$ 496,503	\$ 610,461	\$ 413,004	\$ 1,266,200
Operating Revenue (not including Fund Balance or grants)	\$ 345,885	\$ 348,187	\$ 335,193	\$ 370,641	\$ 382,113	\$ 350,300	\$ 422,300
Revenue less Expenditures	\$ (139,683)	\$ (262,249)	\$ (48,751)	\$ (125,862)	\$ (228,348)	\$ (62,704)	\$ (843,900)

Fund Balance Beginning of Year	\$ 544,195		\$ 507,100	\$ 345,767			
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Anticipated Fund Balance based on Revenue and Expenditure difference			\$ 281,946	\$ 156,084	\$ (72,264)		
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Expenditures

Water

	Water	2020 Actual	2020 Audit	2021 Actual	2021 Audit	2022 Audit	2023 Budget	2023 Audit	2024 Budget
Salaries	60%	\$ 77,043	\$ -	\$ 64,097	\$ -	\$ -	\$ 54,813	\$ -	\$ 111,000
Overtime	50%	\$ -	\$ -	\$ 1,780	\$ -	\$ -	\$ 5,000	\$ -	\$ 7,500
Taxes	60%	\$ 5,719	\$ -	\$ 5,152	\$ -	\$ -	\$ 4,185	\$ -	\$ 6,000
Benefits	60%	\$ 17,006	\$ -	\$ 16,984	\$ -	\$ -	\$ 20,564	\$ -	\$ 21,300
Personnel Services	58%	\$ -	\$ 103,273	\$ -	\$ 95,269	\$ 103,003	\$ -	\$ 116,610	\$ -
Office Supplies	50%	\$ 22	\$ -	\$ 226	\$ -	\$ -	\$ 750	\$ -	\$ 750
Sewer Supplies	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water Supplies and Meters	100%	\$ -	\$ -	\$ 12,204	\$ -	\$ -	\$ 10,000	\$ -	\$ 15,000
Tools & Equipment	50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250
Materials and Supplies	55%	\$ -	\$ 11,272	\$ -	\$ 12,104	\$ 15,575	\$ -	\$ 20,661	\$ -
Sewer Testing	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water Testing	100%	\$ 4,555	\$ -	\$ 1,877	\$ -	\$ -	\$ 2,000	\$ -	\$ 2,000
Testing Fees	11%	\$ -	\$ 2,359	\$ -	\$ 2,198	\$ 2,529	\$ -	\$ 3,460	\$ -
Professional Services	20%	\$ 24,517	\$ 30,338	\$ 13,256	\$ 8,742	\$ 20,246	\$ 15,000	\$ 15,699	\$ 15,000
Repair and Maintenance	40%	\$ 25,977	\$ 13,518	\$ 8,259	\$ 8,276	\$ 8,997	\$ 16,000	\$ 20,175	\$ 20,000
Electricity - Sewer Plant	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Propane - Water Plant	100%	\$ 269	\$ -	\$ 634	\$ -	\$ -	\$ 1,500	\$ -	\$ 1,500
Electricity - Water Plant	100%	\$ 29,373	\$ -	\$ 30,465	\$ -	\$ -	\$ 35,000	\$ -	\$ 35,000
Utilities	75%	\$ -	\$ 31,520	\$ -	\$ 34,950	\$ 44,633	\$ -	\$ 39,016	\$ -
Insurance	50%	\$ 753	\$ -	\$ 5,844	\$ -	\$ -	\$ 3,750	\$ 6,026	\$ 3,750
Telephone	50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350	\$ -	\$ 350
Postage	50%	\$ 341	\$ -	\$ 539	\$ -	\$ -	\$ 600	\$ -	\$ 2,250
IT	50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Travel/Transportation	50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ -	\$ 500
Sewer Miscellaneous	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water Miscellaneous	100%	\$ 4,149	\$ -	\$ 2,315	\$ -	\$ -	\$ 3,000	\$ -	\$ 3,000
Miscellaneous/Contingency	50%	\$ 1,696	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ -	\$ 1,000
Other Expenses	50%	\$ -	\$ 4,931	\$ -	\$ 13,061	\$ 14,230	\$ -	\$ 6,619	\$ -
Depreciation Expense		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual State S&W Treatment Fees	40%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,360
Acquisition of Capital Assets		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loans Principal		\$ 37,482	\$ 37,975	\$ 38,643	\$ 38,643	\$ 39,322	\$ 40,013	\$ 40,013	\$ 40,716
Loans Interest		\$ 15,626	\$ 15,133	\$ 14,466	\$ 14,466	\$ 13,786	\$ 13,095	\$ 13,095	\$ 12,392
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -

\$ 244,530 \$ 250,318 \$ 216,742 \$ 227,710 \$ 262,321 \$ 227,120 \$ 281,372 \$ 300,618

Expenditures

Sewer

	Sewer	2020 Actual	2020 Audit	2021 Actual	2021 Audit	2022 Audit	2023 Budget	2023 Audit	2024 Budget	2025 Proposed
Salaries	40%	\$ 51,362.26	\$ -	\$ 42,731.53	\$ -	\$ -	\$ 36,542.07	\$ -	\$ 74,000.00	\$ 110,800.00
Overtime	50%	\$ -	\$ -	\$ 1,780.49	\$ -	\$ -	\$ 5,000.00	\$ -	\$ 7,500.00	\$ 7,800.00
Taxes	40%	\$ 3,812.70	\$ -	\$ 3,434.62	\$ -	\$ -	\$ 2,789.94	\$ -	\$ 4,000.00	\$ -
Benefits	40%	\$ 11,337.45	\$ -	\$ 11,322.51	\$ -	\$ -	\$ 13,709.41	\$ -	\$ 14,200.00	\$ -
Personnel Services	43%	\$ -	\$ 76,332.13	\$ -	\$ 70,416.55	\$ 76,132.80	\$ -	\$ 86,190.00	\$ -	\$ -
Office Supplies	50%	\$ 22.48	\$ -	\$ 225.88	\$ -	\$ -	\$ 750.00	\$ -	\$ 750.00	\$ 2,500.00
Sewer Supplies	100%	\$ 10,791.49	\$ -	\$ 9,803.62	\$ -	\$ -	\$ 10,000.00	\$ -	\$ 10,000.00	\$ 10,400.00
Water Supplies and Meters	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tools & Equipment	50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250.00	\$ 260.00
Materials and Supplies	45%	\$ -	\$ 9,222.30	\$ -	\$ 9,903.60	\$ 12,743.55	\$ -	\$ 16,904.25	\$ -	\$ -
Sewer Testing	100%	\$ 14,891.92	\$ -	\$ 15,263.05	\$ -	\$ -	\$ 15,000.00	\$ -	\$ 20,000.00	\$ 20,800.00
Water Testing	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	89%	\$ -	\$ 19,086.05	\$ -	\$ 17,786.65	\$ 20,461.10	\$ -	\$ 27,990.50	\$ -	\$ -
Professional Services	80%	\$ 98,069.72	\$ 121,352.00	\$ 53,025.47	\$ 34,968.00	\$ 80,984.00	\$ 60,000.00	\$ 62,794.40	\$ 60,000.00	\$ 62,400.00
Repair and Maintenance	60%	\$ 38,964.92	\$ 20,276.40	\$ 12,389.18	\$ 12,414.00	\$ 13,495.80	\$ 24,000.00	\$ 30,262.80	\$ 30,000.00	\$ 31,200.00
Electricity - Sewer Plant	100%	\$ 8,994.00	\$ -	\$ 10,841.00	\$ -	\$ -	\$ 12,000.00	\$ -	\$ 12,000.00	\$ 12,480.00
Propane - Water Plant	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Electricity - Water Plant	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utilities	25%	\$ -	\$ 10,506.50	\$ -	\$ 11,650.00	\$ 14,877.50	\$ -	\$ 13,005.25	\$ -	\$ -
Insurance	50%	\$ 752.50	\$ -	\$ 5,844.41	\$ -	\$ -	\$ 3,750.00	\$ 6,026.00	\$ 3,750.00	\$ 3,900.00
Telephone	50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350.00	\$ -	\$ 350.00	\$ 364.00
Postage	50%	\$ 341.45	\$ -	\$ 539.00	\$ -	\$ -	\$ 600.00	\$ -	\$ 2,250.00	\$ 2,340.00
IT	50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000.00
Travel/Transportation	50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500.00	\$ -	\$ 500.00	\$ 1,500.00
Sewer Miscellaneous	100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000.00	\$ -	\$ 3,000.00	\$ 3,120.00
Water Miscellaneous	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous/Contingency	50%	\$ 1,696.26	\$ -	\$ -	\$ -	\$ -	\$ 1,000.00	\$ -	\$ 1,000.00	\$ 1,040.00
Other Expenses	50%	\$ -	\$ 4,931.00	\$ -	\$ 13,061.00	\$ 14,229.50	\$ -	\$ 6,618.50	\$ -	\$ -
Depreciation Expense		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual State S&W Treatment Fees	60%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,040.00	\$ 2,121.60
Acquisition of Capital Assets		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loans Principal		\$ -	\$ -	\$ -	\$ -	\$ 2,210.00	\$ 27,116.00	\$ 27,524.00	\$ 27,524.00	\$ 27,939.00
Loans Interest		\$ -	\$ -	\$ -	\$ -	\$ 1,250.00	\$ 14,866.00	\$ 14,457.00	\$ 14,457.00	\$ 14,043.00
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

\$ 241,037 \$ 261,706 \$ 167,201 \$ 170,200 \$ 236,384 \$ 230,973 \$ 291,773 \$ 287,571 \$ 316,008

Water	2020 Actual	2020 Audit	2021 Actual	2021 Audit	2022 Audit	2023 Budget	2023 Audit	2024 Budget	2025 Proposed
Salaries & Benefits	\$ 99,769	\$ 103,273	\$ 88,013	\$ 95,269	\$ 103,003	\$ 84,562	\$ 116,610	\$ 145,800	\$ 174,000
Materials and Supplies	\$ 22	\$ 11,272	\$ 12,430	\$ 12,104	\$ 15,575	\$ 10,750	\$ 20,661	\$ 16,000	\$ 18,360
Admin	\$ 341	\$ -	\$ 539	\$ -	\$ -	\$ 1,450	\$ -	\$ 3,100	\$ 5,204
Testing Fees	\$ 4,555	\$ 2,359	\$ 1,877	\$ 2,198	\$ 2,529	\$ 2,000	\$ 3,460	\$ 2,000	\$ 2,080
Professional Services	\$ 24,517	\$ 30,338	\$ 13,256	\$ 8,742	\$ 20,246	\$ 15,000	\$ 15,699	\$ 15,000	\$ 15,600
Insurance	\$ 753	\$ -	\$ 5,844	\$ -	\$ -	\$ 3,750	\$ 6,026	\$ 3,750	\$ 3,900
Operations, Repair, and Maintenance	\$ 25,977	\$ 13,518	\$ 8,259	\$ 8,276	\$ 8,997	\$ 16,000	\$ 20,175	\$ 21,360	\$ 22,214
Utilities	\$ 29,642	\$ 31,520	\$ 31,099	\$ 34,950	\$ 44,633	\$ 36,500	\$ 39,016	\$ 36,500	\$ 37,960
Misc	\$ 5,845	\$ 4,931	\$ 2,315	\$ 13,061	\$ 14,230	\$ 4,000	\$ 6,619	\$ 4,000	\$ 4,160
Debt	\$ 53,108	\$ 53,108	\$ 53,108	\$ 53,109	\$ 53,108	\$ 53,108	\$ 53,108	\$ 53,108	\$ 53,108
Total	\$ 244,530	\$ 250,318	\$ 216,742	\$ 227,710	\$ 262,321	\$ 227,120	\$ 281,372	\$ 300,618	\$ 336,586

\$ 244,530	\$ 250,318	\$ 216,742	\$ 227,710	\$ 262,321	\$ 227,120	\$ 281,372	\$ 300,618	\$ 336,586
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -

Sewer	2020 Actual	2020 Audit	2021 Actual	2021 Audit	2022 Audit	2023 Budget	2023 Audit	2024 Budget	2025 Proposed
Salaries & Benefits	\$ 66,512	\$ 76,332	\$ 59,269	\$ 70,417	\$ 76,133	\$ 58,041	\$ 86,190	\$ 99,700	\$ 118,600
Materials and Supplies	\$ 10,814	\$ 9,222	\$ 10,030	\$ 9,904	\$ 12,744	\$ 10,750	\$ 16,904	\$ 11,000	\$ 13,160
Admin	\$ 341	\$ -	\$ 539	\$ -	\$ -	\$ 1,450	\$ -	\$ 3,100	\$ 5,204
Testing Fees	\$ 14,892	\$ 19,086	\$ 15,263	\$ 17,787	\$ 20,461	\$ 15,000	\$ 27,991	\$ 20,000	\$ 20,800
Professional Services	\$ 98,070	\$ 121,352	\$ 53,025	\$ 34,968	\$ 80,984	\$ 60,000	\$ 62,794	\$ 60,000	\$ 62,400
Insurance	\$ 753	\$ -	\$ 5,844	\$ -	\$ -	\$ 3,750	\$ 6,026	\$ 3,750	\$ 3,900
Operations, Repair, and Maintenance	\$ 38,965	\$ 20,276	\$ 12,389	\$ 12,414	\$ 13,496	\$ 24,000	\$ 30,263	\$ 32,040	\$ 33,322
Utilities	\$ 8,994	\$ 10,507	\$ 10,841	\$ 11,650	\$ 14,878	\$ 12,000	\$ 13,005	\$ 12,000	\$ 12,480
Misc	\$ 1,696	\$ 4,931	\$ -	\$ 13,061	\$ 14,230	\$ 4,000	\$ 6,619	\$ 4,000	\$ 4,160
Debt	\$ -	\$ -	\$ -	\$ -	\$ 3,460	\$ 41,982	\$ 41,981	\$ 41,981	\$ 41,982

\$ 241,037	\$ 261,706	\$ 167,201	\$ 170,200	\$ 236,384	\$ 230,973	\$ 291,773	\$ 287,571	\$ 316,008
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -

APPENDIX B – PROPOSED RATE STRUCTURE ITERATIONS

WATER AND SEWER USER RATE STUDY
PRESENTED TO THE COUNCIL ON
JUNE 4, 2024

PROJECT NO. 2022-054.101

OWNER:

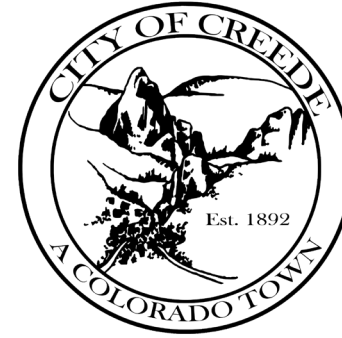
CITY OF CREEDE
PO BOX 457
CREEDE, COLORADO 81130

PREPARED BY:

GMS, INC.
CONSULTING ENGINEERS
611 NORTH WEBER, SUITE 300
COLORADO SPRINGS, COLORADO 80903

TELEPHONE: (719) 475-2935
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Water and Sewer Rate Study

prepared for the City of Creede

Rate Background

- Rates should be set to ensure that the water/sewer fund has adequate revenue to cover planned operational expenditures for the review period.
- Revenues must be adequate to meet the coverage ratio of 110% for the loans.
 - $(\text{Operating Revenues} - \text{Operating Expenditures}) / \text{Debt Service} = 110\%$

Rate Background

- The City of Creede requested GMS, Inc. to complete a rate study to review projected revenues and expenditures. Specifically, to review the water and sewer rate structures separately.
- Currently, water and sewer are in a combined fund and expenditures are tracked together.
- City employees assisted in splitting expenditures between water and sewer for the purpose of the analysis

Rate Increase

- Option to increase once per period of review; rate would be set to allow for coverage ratio to be met in 2029

OR

- Increase incrementally on an annual basis. The rate is set based on meeting the coverage ratio annually.

Assumptions

- Annual growth of 2 residential customer accounts
- Analyzed the water and sewer fund separately
- Review period is 5 years (2025-2029)
- Implement an annual rate increase to meet loan covenant for the next 5 years
- Expenditures projected to increase 4% annually

Current Status of Water/Sewer Fund

	2020	2021	2022	2023	2024
Charges for Service	\$348,187	\$370,641	\$382,113	\$370,300	\$442,300
Interest	\$541	\$830	\$481	\$500	\$500
Other Revenue	\$10,316	\$2,980	\$3,360		
Total Revenue	\$359,044	\$374,451	\$385,954	\$370,800	\$442,800
Operating Expenses	\$458,916	\$344,801	\$442,137	\$424,458	\$493,100
Debt Service	\$55,547	\$52,996	\$60,956	\$50,000	\$140,000
Total Operating Expenses	\$514,463	\$397,797	\$503,093	\$474,458	\$633,100
Coverage Ratio for Debt Service	-180%	56%	-92%	-107%	-36%
Delta between revenues and expenditures (without transfers)	\$(155,419)	\$(23,346)	\$(117,139)	\$(103,658)	\$(190,300)

Note: In 2021, there was \$151,690 in professional services and \$101,230 in 2022 which were largely attributed to capital improvement projects. Budgeted amount of \$75,000.

Existing Water Expenditures

Water	2020 Audit	2021 Audit	2022 Audit	2023 Budget	2024 Budget	2025 Proposed
Salaries & Benefits	\$103,273	\$95,269	\$103,003	\$84,562	\$145,800	\$174,000
Materials and Supplies	\$11,272	\$12,104	\$15,575	\$10,750	\$16,000	\$18,360
Admin	\$ -	\$ -	\$ -	\$1,450	\$3,100	\$5,204
Testing Fees	\$2,359	\$2,198	\$2,529	\$2,000	\$2,000	\$2,080
Professional Services	\$30,338	\$8,742	\$20,246	\$15,000	\$15,000	\$15,600
Insurance	\$ -	\$ -	\$ -	\$3,750	\$3,750	\$3,900
Operations, Repair, and Maintenance	\$13,518	\$8,276	\$8,997	\$16,000	\$21,360	\$22,214
Utilities	\$31,520	\$34,950	\$44,633	\$36,500	\$36,500	\$37,960
Misc.	\$4,931	\$13,061	\$14,230	\$4,000	\$4,000	\$4,160
Debt	\$53,108	\$53,109	\$53,108	\$53,108	\$53,108	\$53,108
Total	\$250,318	\$227,710	\$262,321	\$227,120	\$300,618	\$336,586

- 2025 reflects the true salary attributed to water fund (with no subsidy)
- Increase in expenditures from 2021 to 2024 by 30%. Largely attributed to salary not being subsidized by the general fund.

Proposed Water Expenditures

Expenditures	Projected				
	2025	2026	2027	2028	2029
Salaries & Benefits	\$174,000	\$180,960	\$188,198	\$195,726	\$203,555
Materials and Supplies	\$18,360	\$19,094	\$19,858	\$20,653	\$21,479
Admin	\$5,204	\$5,412	\$5,629	\$5,854	\$6,088
Testing Fees	\$2,080	\$2,163	\$2,250	\$2,340	\$2,433
Professional Services	\$15,600	\$16,224	\$16,873	\$17,548	\$18,250
Insurance	\$3,900	\$4,056	\$4,218	\$4,387	\$4,562
Operations, Repair, and Maintenance	\$22,214	\$23,103	\$24,027	\$24,988	\$25,988
Utilities	\$37,960	\$39,478	\$41,058	\$42,700	\$44,408
Misc.	\$4,160	\$4,326	\$4,499	\$4,679	\$4,867
Debt	\$53,108	\$53,108	\$53,108	\$53,108	\$53,108
Projected Operating Expenditures	\$336,586	\$347,926	\$359,718	\$371,983	\$384,738

Rate Increase- 1 time

Current Water Rate	\$46.06 per 1.00 EQR
Proposed Water Rate - 1 time adjustment for next 5 years	\$77.50 per 1.00 EQR

	2025	2026	2027	2028	2029
Projected Operating Expenditures (including debt payment)	\$336,586	\$347,926	\$359,718	\$371,983	\$384,738
Projected Operating Revenue	\$382,714	\$384,574	\$386,434	\$388,294	\$390,154
Delta between Expenditures and Revenue	\$46,127	\$36,648	\$26,715	\$16,311	\$5,416
Coverage Ratio	187%	169%	150%	131%	110%

Rate Increase- Annual Increase

Current Water Rate	\$46.06 per 1.00 EQR
--------------------	----------------------

	2025	2026	2027	2028	2029
Number of Residential Accounts	250	252	254	256	258
Annual Rate Increase %		2.50%	2.75%	3.00%	2.75%
Total Revenue	\$343,208	\$353,498	\$364,975	\$377,734	\$390,930
Delta between Expenditures and Revenues	\$6,621	\$5,572	\$5,257	\$5,752	\$5,243
Coverage Ratio	112%	110%	110%	111%	110%
Proposed Rate per EQR	\$69.50	\$71.24	\$73.20	\$75.39	\$77.47

Reduce the Impact?

- Need a decrease in expenditures

	Rate	Difference	Annual Cost Reduction for 2025
Rate with no Expenditure Adjustment	\$77.50		
Adjust Expenditures by following actions:			
Hydropower project eliminating Utility cost	\$69.00	\$(8.50)	\$37,960
General Fund providing 30% subsidy for salaries	\$65.50	\$(12.00)	\$52,200
Debt payments from the Capital Improvement Fund	\$67.00	\$(10.50)	\$53,108
Hydropower project eliminating Utility cost and Debt Payment from CIF	\$58.50	\$(19.00)	\$91,068

Comparable Communities – Water Rates

Community Name	Population	Median Household Income	Base Rate	Consumption Rate (per 1,000 gallons after base rate)	Water bill with 8,000 gallon consumption
Del Norte	1,808	\$40,756	\$33.54 base fee ¹⁾	\$2.01	\$49.62
Lake City	465	\$57,548	\$80.00 every 2 mos. for up to 13,999 gal.	\$3.00	\$43.00
South Fork	458	\$70,804	\$45.00 base rate ²⁾	\$3.60 ³⁾	\$75.00
Hooper	178	\$42,143	\$46.91 base rate for 1-inch meter	\$2.78 ⁴⁾	\$60.81
Saguache	535	\$35,795	\$39.00	N/A	\$39.00
Creede	280	\$51,033	\$46.06	N/A	\$46.06

1) Base rate of \$27.54, plus \$6.00 water improvement fee

2) Just the base rate, does not include any water

3) Up to 5,000; 5,001 gallons to 15,000 is \$4.00/gal.

4) 1,000 to 8,000 gallons

Sewer Expenditures- Existing

Sewer	2021 Audit	2022 Audit	2023 Budget	2024 Budget	2025 Proposed
Salaries & Benefits	\$70,417	\$76,133	\$58,041	\$99,700	\$118,600
Materials and Supplies	\$9,904	\$12,744	\$10,750	\$11,000	\$13,160
Admin	\$ -	\$ -	\$1,450	\$3,100	\$5,204
Testing Fees	\$17,787	\$20,461	\$15,000	\$20,000	\$20,800
Professional Services	\$34,968	\$80,984	\$60,000	\$60,000	\$62,400
Insurance	\$ -	\$ -	\$3,750	\$3,750	\$3,900
Operations, Repair, and Maintenance	\$12,414	\$13,496	\$24,000	\$32,040	\$33,322
Utilities	\$11,650	\$14,878	\$12,000	\$12,000	\$12,480
Misc	\$13,061	\$14,230	\$4,000	\$4,000	\$4,160
Debt	\$ -	\$3,460	\$41,982	\$41,981	\$41,982
Total Expenditures for Sewer	\$ 170,200	\$230,668	\$249,065	\$245,912	\$316,007

Sewer Expenditures- Projected

Expenditures	Projected				
	2025	2026	2027	2028	2029
Salaries & Benefits	\$118,600	\$123,344	\$128,278	\$133,409	\$138,745
Materials and Supplies	\$13,160	\$13,686	\$14,234	\$14,803	\$15,395
Admin	\$5,204	\$5,412	\$5,629	\$5,854	\$6,088
Testing Fees	\$20,800	\$21,632	\$22,497	\$23,397	\$24,333
Professional Services	\$62,400	\$64,896	\$67,492	\$70,192	\$72,999
Insurance	\$3,900	\$4,056	\$4,218	\$4,387	\$4,562
Operations, Repair, and Maintenance	\$33,322	\$34,654	\$36,041	\$37,482	\$38,982
Utiltiies	\$12,480	\$12,979	\$13,498	\$14,038	\$14,600
Misc	\$4,160	\$4,326	\$4,499	\$4,679	\$4,867
Debt	\$41,981	\$41,981	\$41,981	\$41,981	\$41,981
Total Projected Expenditures	\$316,007	\$326,968	\$338,367	\$350,223	\$362,552

Proposed Rates – Sewer- 1 time increase

Current Sewer Rate	\$20.00 per 1.00 EQR
Proposed Sewer Availability Fee	\$61.75 per 1.00 EQR

	2025	2026	2027	2028	2029
Projected Operating Expenditures	\$303,527	\$313,988	\$324,869	\$336,184	\$347,952
Projected Operating Revenue	\$346,872	\$348,126	\$349,380	\$350,634	\$351,888
Delta between Expenditures and Revenue	\$43,346	\$34,138	\$24,512	\$14,450	\$3,936
Coverage Ratio	203%	181%	158%	134%	109%

Sewer Rate Increase- Annual Increase

Current Sewer Rate

\$20.00 per 1.00 EQR

	2025	2026	2027	2028	2029
Number of Residential Accounts	248	250	252	254	256
Annual Rate Increase %		2.75%	3.00%	3.00%	3.20%
Total Revenue	\$320,938	\$331,120	\$342,451	\$354,163	\$366,981
Delta between Expenditures and Revenues	\$4,931	\$4,152	\$4,083	\$3,940	\$4,428
Coverage Ratio	112%	110%	110%	109%	111%
Sewer Rate per EQR	\$55.00	\$56.51	\$58.21	\$59.95	\$61.87

Reduce the Impact?

- Need a decrease in expenditures

	Rate	Difference	Annual Cost Reduction in 2025
Rate with no Expenditure Adjustment	\$61.75		
Adjust Expenditures by following actions			
Hydropower project eliminating Utility cost	\$59.50	\$ (2.25)	\$12,480
General Fund providing 30% subsidy for salaries	\$55.00	\$ (6.75)	\$35,580
Debt payments from the Capital Improvement Fund	\$54.75	\$ (7.00)	\$41,981
Hydropower project eliminating Utility cost and Debt Payment from CIF	\$52.25	\$ (9.50)	\$54,461

All values are based on a 1-time rate increase rather than an annual increase.

Comparable Communities – Sewer Rates

Community Name	Population	Median Household Income	Sewer Rate
Del Norte	1,808	\$40,756	\$43.85 flat rate
Lake City	465	\$57,548	\$80.00 every 2 mos. for up to 13,999 gal.
South Fork	458	\$70,804	\$37.96
Saguache	535	\$35,795	\$37.00
Creede	280	\$51,033	\$20.00

Questions?

City of Creede
Water Rate Study
1-Time Increase

Current water rate: \$46.06 base per 1.00 EQR

Water Rate	
Base Fee - 1.00 EQR	\$ 77.50
Inflation for Operating Expenditures	4% annual
Residential Growth factor	2 taps per year

						Projected				
	2020 Audit	2021 Audit	2022 Audit	2023 Budget	2024 Budget	2025	2026	2027	2028	2029
Expenditures										
Salaries & Benefits	\$ 103,273	\$ 95,269	\$ 103,003	\$ 84,562	\$ 145,800	\$ 174,000	\$ 180,960	\$ 188,198	\$ 195,726	\$ 203,555
Materials and Supplies	\$ 11,272	\$ 12,104	\$ 15,575	\$ 10,750	\$ 16,000	\$ 18,360	\$ 19,094	\$ 19,858	\$ 20,653	\$ 21,479
Admin	\$ -	\$ -	\$ -	\$ 1,450	\$ 3,100	\$ 5,204	\$ 5,412	\$ 5,629	\$ 5,854	\$ 6,088
Testing Fees	\$ 2,359	\$ 2,198	\$ 2,529	\$ 2,000	\$ 2,000	\$ 2,080	\$ 2,163	\$ 2,250	\$ 2,340	\$ 2,433
Professional Services	\$ 30,338	\$ 8,742	\$ 20,246	\$ 15,000	\$ 15,000	\$ 15,600	\$ 16,224	\$ 16,873	\$ 17,548	\$ 18,250
Insurance	\$ -	\$ -	\$ -	\$ 3,750	\$ 3,750	\$ 3,900	\$ 4,056	\$ 4,218	\$ 4,387	\$ 4,562
Operations, Repair, and Maintenance	\$ 13,518	\$ 8,276	\$ 8,997	\$ 16,000	\$ 21,360	\$ 22,214	\$ 23,103	\$ 24,027	\$ 24,988	\$ 25,988
Utilities	\$ 31,520	\$ 34,950	\$ 44,633	\$ 36,500	\$ 36,500	\$ 37,960	\$ 39,478	\$ 41,058	\$ 42,700	\$ 44,408
Misc	\$ 4,931	\$ 13,061	\$ 14,230	\$ 4,000	\$ 4,000	\$ 4,160	\$ 4,326	\$ 4,499	\$ 4,679	\$ 4,867
Debt	\$ 53,108	\$ 53,109	\$ 53,108	\$ 53,108	\$ 53,108	\$ 53,108	\$ 53,108	\$ 53,108	\$ 53,108	\$ 53,108
	\$ 216,742	\$ 227,710	\$ 262,321	\$ 227,120	\$ 300,618					
Projected Operating Expenditures	\$ 467,060	\$ 455,420	\$ 524,642	\$ 454,240	\$ 601,236	\$ 336,586	\$ 347,926	\$ 359,718	\$ 371,983	\$ 384,738

Total Needed Revenue \$ 336,586 \$ 347,926 \$ 359,718 \$ 371,983 \$ 384,738

Notes:

Current Base Rate - 1.00 EQR

\$ 46.06

Customer Increase to 1
EQR

250

252

254

256

258

Revenue	Customers	EQR Multiplier	Current Revenue for Category	Current Rate
---------	-----------	----------------	------------------------------	--------------

Base Rate:

Total Customers	348			
0.7 EQR	14	0.7	\$ 5,416.66	\$ 32.24
0.85 EQR	14	0.85	\$ 6,577	\$ 39.15
1 EQR	248	1	\$ 137,075	\$ 46.06
1.25 EQR	41	1.25	\$ 28,327	\$ 57.58
1.4 EQR	1	1.4	\$ 774	\$ 64.48
1.5 EQR	4	1.5	\$ 3,316	\$ 69.09
1.6 EQR	1	1.6	\$ 884	\$ 73.70
1.7 EQR	1	1.7	\$ 940	\$ 78.30
1.75 EQR	1	1.75	\$ 967	\$ 80.61
2 EQR	5	2	\$ 5,527	\$ 92.12
2.25 EQR	1	2.25	\$ 1,244	\$ 103.64
2.3 EQR	1	2.3	\$ 1,271	\$ 105.94
2.5 EQR	1	2.5	\$ 1,382	\$ 115.15
2.72 EQR	1	2.72	\$ 1,503	\$ 125.28
2.75 EQR	5	2.75	\$ 7,600	\$ 126.67
2.8 EQR	2	2.8	\$ 3,095	\$ 128.97
3 EQR	1	3	\$ 1,658	\$ 138.18
3.5 EQR	1	3.5	\$ 1,935	\$ 161.21
5 EQR	1	5	\$ 2,764	\$ 230.30
5.5 EQR	1	5.5	\$ 3,040	\$ 253.33
6 EQR	1	6	\$ 3,316	\$ 276.36
6.3 EQR	1	6.3	\$ 3,482	\$ 290.18
7.7 EQR	1	7.7	\$ 4,256	\$ 354.66

Total Revenue

\$ 226,350

Revenue Still Required if negative

Coverage Ratio for the Loan

Total EQRs

419.52

2025	2026	2027	2028	2029
------	------	------	------	------

\$ 9,114	\$ 9,114	\$ 9,114	\$ 9,114	\$ 9,114
\$ 11,067	\$ 11,067	\$ 11,067	\$ 11,067	\$ 11,067
\$ 232,500	\$ 234,360	\$ 236,220	\$ 238,080	\$ 239,940
\$ 47,663	\$ 47,663	\$ 47,663	\$ 47,663	\$ 47,663
\$ 1,302	\$ 1,302	\$ 1,302	\$ 1,302	\$ 1,302
\$ 5,580	\$ 5,580	\$ 5,580	\$ 5,580	\$ 5,580
\$ 1,488	\$ 1,488	\$ 1,488	\$ 1,488	\$ 1,488
\$ 1,581	\$ 1,581	\$ 1,581	\$ 1,581	\$ 1,581
\$ 1,628	\$ 1,628	\$ 1,628	\$ 1,628	\$ 1,628
\$ 9,300	\$ 9,300	\$ 9,300	\$ 9,300	\$ 9,300
\$ 2,093	\$ 2,093	\$ 2,093	\$ 2,093	\$ 2,093
\$ 2,139	\$ 2,139	\$ 2,139	\$ 2,139	\$ 2,139
\$ 2,325	\$ 2,325	\$ 2,325	\$ 2,325	\$ 2,325
\$ 2,530	\$ 2,530	\$ 2,530	\$ 2,530	\$ 2,530
\$ 12,788	\$ 12,788	\$ 12,788	\$ 12,788	\$ 12,788
\$ 5,208	\$ 5,208	\$ 5,208	\$ 5,208	\$ 5,208
\$ 2,790	\$ 2,790	\$ 2,790	\$ 2,790	\$ 2,790
\$ 3,255	\$ 3,255	\$ 3,255	\$ 3,255	\$ 3,255
\$ 4,650	\$ 4,650	\$ 4,650	\$ 4,650	\$ 4,650
\$ 5,115	\$ 5,115	\$ 5,115	\$ 5,115	\$ 5,115
\$ 5,580	\$ 5,580	\$ 5,580	\$ 5,580	\$ 5,580
\$ 5,859	\$ 5,859	\$ 5,859	\$ 5,859	\$ 5,859
\$ 7,161	\$ 7,161	\$ 7,161	\$ 7,161	\$ 7,161

\$ 382,714	\$ 384,574	\$ 386,434	\$ 388,294	\$ 390,154
\$ 46,127	\$ 36,648	\$ 26,715	\$ 16,311	\$ 5,416

187%

169%

150%

131%

110%

City of Creede
Water Rate Study
Annual Increase

Current water rate: \$46.06 base per 1.00 EQR

Water Rate	
Base Fee - 1 EQR	\$ 69.50
Inflation for Operating Expenditures	4% annual
Residential Growth factor	2 taps per year

	2020 Audit	2021 Audit	2022 Audit	2023 Budget	2024 Budget	Projected				
						2025	2026	2027	2028	2029
Expenditures										
Salaries & Benefits	\$ 103,273	\$ 95,269	\$ 103,003	\$ 84,562	\$ 145,800	\$ 174,000	\$ 180,960	\$ 188,198	\$ 195,726	\$ 203,555
Materials and Supplies	\$ 11,272	\$ 12,104	\$ 15,575	\$ 10,750	\$ 16,000	\$ 18,360	\$ 19,094	\$ 19,858	\$ 20,653	\$ 21,479
Admin	\$ -	\$ -	\$ -	\$ 1,450	\$ 3,100	\$ 5,204	\$ 5,412	\$ 5,629	\$ 5,854	\$ 6,088
Testing Fees	\$ 2,359	\$ 2,198	\$ 2,529	\$ 2,000	\$ 2,000	\$ 2,080	\$ 2,163	\$ 2,250	\$ 2,340	\$ 2,433
Professional Services	\$ 30,338	\$ 8,742	\$ 20,246	\$ 15,000	\$ 15,000	\$ 15,600	\$ 16,224	\$ 16,873	\$ 17,548	\$ 18,250
Insurance	\$ -	\$ -	\$ -	\$ 3,750	\$ 3,750	\$ 3,900	\$ 4,056	\$ 4,218	\$ 4,387	\$ 4,562
Operations, Repair, and Maintenance	\$ 13,518	\$ 8,276	\$ 8,997	\$ 16,000	\$ 21,360	\$ 22,214	\$ 23,103	\$ 24,027	\$ 24,988	\$ 25,988
Utilities	\$ 31,520	\$ 34,950	\$ 44,633	\$ 36,500	\$ 36,500	\$ 37,960	\$ 39,478	\$ 41,058	\$ 42,700	\$ 44,408
Misc	\$ 4,931	\$ 13,061	\$ 14,230	\$ 4,000	\$ 4,000	\$ 4,160	\$ 4,326	\$ 4,499	\$ 4,679	\$ 4,867
Debt	\$ 53,108	\$ 53,109	\$ 53,108	\$ 53,108	\$ 53,108	\$ 53,108	\$ 53,108	\$ 53,108	\$ 53,108	\$ 53,108
Projected Operating Expenditures	\$ 250,318	\$ 227,710	\$ 262,321	\$ 227,120	\$ 300,618	\$ 336,586	\$ 347,926	\$ 359,718	\$ 371,983	\$ 384,738
Total Needed Revenue						\$ 336,586	\$ 347,926	\$ 359,718	\$ 371,983	\$ 384,738

Notes:

Revenue	Customers	EQR Multiplier
Base Rate:		
Total Customers	348	
0.7 EQR	14	0.7
0.85 EQR	14	0.85
1 EQR	248	1
1.25 EQR	41	1.25
1.4 EQR	1	
6 EQR	1	6
6.3 EQR	1	6.3
7.7 EQR	1	7.7

Total Revenue

Revenue Still Required if negative

Coverage Ratio for the Loan

Annual Growth	0.61%	0.61%	0.61%	0.61%	0.61%
Number of Residential Accounts	250	252	254	256	258
Rate Increase %		2.50%	2.75%	3.00%	2.75%
Base Rate	\$ 69.50	\$ 71.24	\$ 73.20	\$ 75.39	\$ 77.47
	2025	2026	2027	2028	2029

\$ 8,173	\$ 8,378	\$ 8,608	\$ 8,866	\$ 9,110
\$ 9,925	\$ 10,173	\$ 10,452	\$ 10,766	\$ 11,062
\$ 208,500	\$ 215,422	\$ 223,103	\$ 231,606	\$ 239,834
\$ 42,743	\$ 43,811	\$ 45,016	\$ 46,366	\$ 47,641
\$ 1,168	\$ 1,197	\$ 1,230	\$ 1,267	\$ 1,301
\$ 5,004	\$ 5,129	\$ 5,270	\$ 5,428	\$ 5,578
\$ 5,254	\$ 5,386	\$ 5,534	\$ 5,700	\$ 5,856
\$ 6,422	\$ 6,582	\$ 6,763	\$ 6,966	\$ 7,158

\$ 343,208	\$ 353,498	\$ 364,975	\$ 377,734	\$ 389,981
\$ 6,621	\$ 5,572	\$ 5,257	\$ 5,752	\$ 5,243

112%	110%	110%	111%	110%
------	------	------	------	------

City of Creede
Sewer Rate Study
1 Time Increase

Current rate: \$20 per month per 1.00 EQR

Sewer Rate	
Sewer Availability Fee	\$ 61.75
Inflation for Operating Expenditures	4% annual
Residential Growth factor	2 taps per year

	2020 Audit	2021 Audit	2022 Audit	2023 Budget	2024 Budget	Projected				
						2025	2026	2027	2028	2029
Expenditures										
Salaries & Benefits	\$ 76,332	\$ 70,417	\$ 70,417	\$ 76,133	\$ 58,041	\$ 118,600	\$ 123,344	\$ 128,278	\$ 133,409	\$ 138,745
Materials and Supplies	\$ 9,222	\$ 9,904	\$ 12,744	\$ 10,750	\$ 11,000	\$ 13,160	\$ 13,686	\$ 14,234	\$ 14,803	\$ 15,395
Admin	\$ -	\$ -	\$ -	\$ 1,450	\$ 3,100	\$ 5,204	\$ 5,412	\$ 5,629	\$ 5,854	\$ 6,088
Testing Fees	\$ 19,086	\$ 17,787	\$ 20,461	\$ 15,000	\$ 20,000	\$ 20,800	\$ 21,632	\$ 22,497	\$ 23,397	\$ 24,333
Professional Services	\$ 121,352	\$ 34,968	\$ 80,984	\$ 60,000	\$ 60,000	\$ 62,400	\$ 64,896	\$ 67,492	\$ 70,192	\$ 72,999
Insurance	\$ -	\$ -	\$ -	\$ 3,750	\$ 3,750	\$ 3,900	\$ 4,056	\$ 4,218	\$ 4,387	\$ 4,562
Operations, Repair, and Maintenance	\$ 20,276	\$ 12,414	\$ 13,496	\$ 24,000	\$ 32,040	\$ 33,322	\$ 34,654	\$ 36,041	\$ 37,482	\$ 38,982
Utilities	\$ 10,507	\$ 11,650	\$ 14,878	\$ 12,000	\$ 12,000					
Misc	\$ 4,931	\$ 13,061	\$ 14,230	\$ 4,000	\$ 4,000	\$ 4,160	\$ 4,326	\$ 4,499	\$ 4,679	\$ 4,867
Debt	\$ -	\$ -	\$ 3,460	\$ 41,982	\$ 41,981	\$ 41,981	\$ 41,981	\$ 41,981	\$ 41,981	\$ 41,981
	\$ 261,706	\$ 170,200	\$ 230,668	\$ 249,065	\$ 245,912	\$ 303,527	\$ 313,988	\$ 324,869	\$ 336,184	\$ 347,952

Current Base Rate

\$ 20.00

Customer Increase
to 1 EQR

248

250

252

254

256

Revenue	Customers	EQR Multiplier	Current Rate
---------	-----------	----------------	--------------

Base Rate:

Total Customers	346		
0.7 EQR	14	0.7	\$ 2,352
0.85 EQR	14	0.85	\$ 2,856
1 EQR	246	1	\$ 59,040
1.25 EQR	40	1.25	\$ 12,000
7.7 EQR	1	7.7	\$ 1,848
Deep Creek	1	78.00	\$ 18,720

Total Revenue

Revenue Still Required if negative \$ 116,225

Coverage Ratio for the Loan

2025	2026	2027	2028	2029
------	------	------	------	------

\$ 7,262	\$ 7,262	\$ 7,262	\$ 7,262	\$ 7,262
\$ 8,818	\$ 8,818	\$ 8,818	\$ 8,818	\$ 8,818
\$ 183,768	\$ 185,250	\$ 186,732	\$ 188,214	\$ 189,696
\$ 37,050	\$ 37,050	\$ 37,050	\$ 37,050	\$ 37,050
\$ 5,706	\$ 5,706	\$ 5,706	\$ 5,706	\$ 5,706
\$ 57,798	\$ 57,798	\$ 57,798	\$ 57,798	\$ 57,798

\$ 360,326	\$ 361,808	\$ 363,290	\$ 364,772	\$ 366,254
\$ 56,799	\$ 47,820	\$ 38,421	\$ 28,588	\$ 18,302

235% 214% 192% 168% 144%

City of Creede
Sewer Rate Study
Annual Increase

Current rate: \$20 per month per 1.00 EQR

Sewer Rate	
Sewer Availability Fee	\$ 55.00
Inflation for Operating Expenditures	4% annual
Residential Growth factor	2 taps per year

Expenditures	2020 Audit	2021 Audit	2022 Audit	2023 Budget	2024 Budget	Projected				
						2025	2026	2027	2028	2029
Salaries & Benefits	\$ 76,332	\$ 70,417	\$ 70,417	\$ 76,133	\$ 58,041	\$ 118,600	\$ 123,344	\$ 128,278	\$ 133,409	\$ 138,745
Materials and Supplies	\$ 9,222	\$ 9,904	\$ 12,744	\$ 10,750	\$ 11,000	\$ 13,160	\$ 13,686	\$ 14,234	\$ 14,803	\$ 15,395
Admin	\$ -	\$ -	\$ -	\$ 1,450	\$ 3,100	\$ 5,204	\$ 5,412	\$ 5,629	\$ 5,854	\$ 6,088
Testing Fees	\$ 19,086	\$ 17,787	\$ 20,461	\$ 15,000	\$ 20,000	\$ 20,800	\$ 21,632	\$ 22,497	\$ 23,397	\$ 24,333
Professional Services	\$ 121,352	\$ 34,968	\$ 80,984	\$ 60,000	\$ 60,000	\$ 62,400	\$ 64,896	\$ 67,492	\$ 70,192	\$ 72,999
Insurance	\$ -	\$ -	\$ -	\$ 3,750	\$ 3,750	\$ 3,900	\$ 4,056	\$ 4,218	\$ 4,387	\$ 4,562
Operations, Repair, and Maintenance	\$ 20,276	\$ 12,414	\$ 13,496	\$ 24,000	\$ 32,040	\$ 33,322	\$ 34,654	\$ 36,041	\$ 37,482	\$ 38,982
Utilities	\$ 10,507	\$ 11,650	\$ 14,878	\$ 12,000	\$ 12,000	\$ 12,480	\$ 12,979	\$ 13,498	\$ 14,038	\$ 14,600
Misc	\$ 4,931	\$ 13,061	\$ 14,230	\$ 4,000	\$ 4,000	\$ 4,160	\$ 4,326	\$ 4,499	\$ 4,679	\$ 4,867
Debt	\$ -	\$ -	\$ 3,460	\$ 41,982	\$ 41,981	\$ 41,982	\$ 41,982	\$ 41,982	\$ 41,982	\$ 41,982
	\$ 261,706	\$ 170,200	\$ 230,668	\$ 249,065	\$ 245,912	\$ 316,008	\$ 326,969	\$ 338,368	\$ 350,224	\$ 362,553

Notes:

Current Base Rate \$ 20.00

Revenue	Customers	EQR Multiplier	Current Rate
Base Rate:			
Total Customers	346		
0.7 EQR	14	0.7	\$ 2,352
0.85 EQR	14	0.85	\$ 2,856
1 EQR	246	1	\$ 59,040
1.25 EQR	40	1.25	\$ 12,000
2.8 EQR	2	2.8	\$ 1,344
3 EQR	1	3	\$ 720
3.5 EQR	1	3.5	\$ 840
5 EQR	1	5	\$ 1,200
5.5 EQR	1	5.5	\$ 1,320
6 EQR	1	6	\$ 1,440
6.3 EQR	1	6.3	\$ 1,512
7.7 EQR	1	7.7	\$ 1,848
Deep Creek	1	78.00	\$ 18,720

Operating Transfer In

Total Revenue

Revenue Still Required if negative \$ 116,225

Coverage Ratio for the Loan

Customer increase
applied to 1 EQR

Annual Growth	0.61%	0.61%	0.61%	0.61%	0.61%
Number of Residential Accounts	248	250	252	254	256
Rate Increase %		2.75%	3.00%	3.00%	3.20%
Base Rate	\$ 55.00	\$ 56.51	\$ 58.21	\$ 59.95	\$ 61.87

Customer Increase to 1 EQR 248 250 252 254 256

2025	2026	2027	2028	2029
------	------	------	------	------

\$ 6,468	\$ 6,646	\$ 6,845	\$ 7,051	\$ 7,276
\$ 7,854	\$ 8,070	\$ 8,312	\$ 8,561	\$ 8,835
\$ 163,680	\$ 169,538	\$ 176,021	\$ 182,740	\$ 190,073
\$ 33,000	\$ 33,908	\$ 34,925	\$ 35,972	\$ 37,124
\$ 3,696	\$ 3,798	\$ 3,912	\$ 4,029	\$ 4,158
\$ 1,980	\$ 2,034	\$ 2,095	\$ 2,158	\$ 2,227
\$ 2,310	\$ 2,374	\$ 2,445	\$ 2,518	\$ 2,599
\$ 3,300	\$ 3,391	\$ 3,492	\$ 3,597	\$ 3,712
\$ 3,630	\$ 3,730	\$ 3,842	\$ 3,957	\$ 4,084
\$ 3,960	\$ 4,069	\$ 4,191	\$ 4,317	\$ 4,455
\$ 4,158	\$ 4,272	\$ 4,401	\$ 4,533	\$ 4,678
\$ 5,082	\$ 5,222	\$ 5,378	\$ 5,540	\$ 5,717
\$ 51,480	\$ 52,896	\$ 54,483	\$ 56,117	\$ 57,913

\$ 320,938	\$ 331,120	\$ 342,451	\$ 354,163	\$ 366,981
\$ 4,931	\$ 4,152	\$ 4,083	\$ 3,940	\$ 4,428

112% 110% 110% 109% 111%

WATER AND SEWER USER RATE STUDY
REVISED POWERPOINT DATED
JULY 23, 2024

PROJECT NO. 2022-054.101

OWNER:

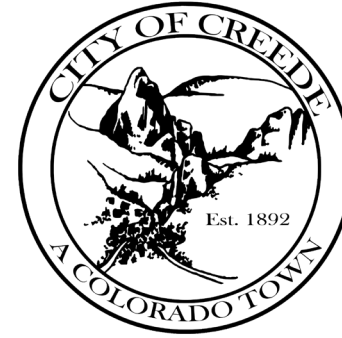
CITY OF CREEDE
PO BOX 457
CREEDE, COLORADO 81130

PREPARED BY:

GMS, INC.
CONSULTING ENGINEERS
611 NORTH WEBER, SUITE 300
COLORADO SPRINGS, COLORADO 80903

TELEPHONE: (719) 475-2935
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Water and Sewer Rate Study

prepared for the City of Creede

Rate Background

- Rates should be set to ensure that the water/sewer fund has adequate revenue to cover planned operational expenditures for the review period.
- Revenues must be adequate to meet the coverage ratio of 110% for the loans.
 - $(\text{Operating Revenues} - \text{Operating Expenditures}) / \text{Debt Service} = 110\%$

Rate Background

- The City of Creede requested GMS, Inc. to complete a rate study to review projected revenues and expenditures. Specifically, to review the water and sewer rate structures separately.
- Currently, water and sewer are in a combined fund and expenditures are tracked together.
- City employees assisted in splitting expenditures between water and sewer for the purpose of the analysis

Rate Increase

- Option to increase once per period of review; rate would be set to allow for coverage ratio to be met in 2029

OR

- Increase incrementally on an annual basis. The rate is set based on meeting the coverage ratio annually.

Assumptions

- Annual growth of 2 residential customer accounts
- Analyzed the water and sewer fund separately
- Review period is 5 years (2025-2029)
- Implement an annual rate increase to meet loan covenant for the next 5 years
- Expenditures projected to increase 4% annually

Current EQRs

- The City has an established Equivalent Residential Unit Schedule.
- Base EQRs set for residential, commercial, and other structures.
- Additional EQRs added based on specific features of each individual structure.

Customer EQR	Active Water Services	Active Sewer Services
0.7 EQR	14	14
0.85 EQR	14	14
1 EQR	248	246
1.25 EQRs	41	40
1.4 - 1.75 EQRs	8	8
2.0 - 2.8	16	16
3.0 - 7.70 EQRs	7	7
Deep Creek 78 EQRs	SEWER ONLY	1
Total EQRs	409.52	484.27

Current Status of Water/Sewer Fund

	2020	2021	2022	2023	2024
Charges for Service	\$348,187	\$370,641	\$382,113	\$370,300	\$442,300
Interest	\$541	\$830	\$481	\$500	\$500
Other Revenue	\$10,316	\$2,980	\$3,360		
Total Revenue	\$359,044	\$374,451	\$385,954	\$370,800	\$442,800
Operating Expenses	\$458,916	\$344,801	\$442,137	\$424,458	\$493,100
Debt Service	\$55,547	\$52,996	\$60,956	\$50,000	\$140,000
Total Operating Expenses	\$514,463	\$397,797	\$503,093	\$474,458	\$633,100
Coverage Ratio for Debt Service	-180%	56%	-92%	-107%	-36%
Delta between revenues and expenditures (without transfers)	\$(155,419)	\$(23,346)	\$(117,139)	\$(103,658)	\$(190,300)

Note: In 2021, there was \$151,690 in professional services and \$101,230 in 2022 which were largely attributed to capital improvement projects. Budgeted amount of \$75,000.

Existing Water Expenditures

Water	2020 Audit	2021 Audit	2022 Audit	2023 Budget	2024 Budget	2025 Proposed
Salaries & Benefits	\$103,273	\$95,269	\$103,003	\$84,562	\$145,800	\$174,000
Materials and Supplies	\$11,272	\$12,104	\$15,575	\$10,750	\$16,000	\$18,360
Admin	\$ -	\$ -	\$ -	\$1,450	\$3,100	\$5,204
Testing Fees	\$2,359	\$2,198	\$2,529	\$2,000	\$2,000	\$2,080
Professional Services	\$30,338	\$8,742	\$20,246	\$15,000	\$15,000	\$15,600
Insurance	\$ -	\$ -	\$ -	\$3,750	\$3,750	\$3,900
Operations, Repair, and Maintenance	\$13,518	\$8,276	\$8,997	\$16,000	\$21,360	\$22,214
Utilities	\$31,520	\$34,950	\$44,633	\$36,500	\$36,500	\$37,960
Misc.	\$4,931	\$13,061	\$14,230	\$4,000	\$4,000	\$4,160
Debt	\$53,108	\$53,109	\$53,108	\$53,108	\$53,108	\$53,108
Total	\$250,318	\$227,710	\$262,321	\$227,120	\$300,618	\$336,586

- 2025 reflects the true salary attributed to water fund (with no subsidy)
- Increase in expenditures from 2021 to 2024 by 30%. Largely attributed to salary not being subsidized by the general fund.

Proposed Water Expenditures

Expenditures	Projected				
	2025	2026	2027	2028	2029
Salaries & Benefits	\$174,000	\$180,960	\$188,198	\$195,726	\$203,555
Materials and Supplies	\$18,360	\$19,094	\$19,858	\$20,653	\$21,479
Admin	\$5,204	\$5,412	\$5,629	\$5,854	\$6,088
Testing Fees	\$2,080	\$2,163	\$2,250	\$2,340	\$2,433
Professional Services	\$15,600	\$16,224	\$16,873	\$17,548	\$18,250
Insurance	\$3,900	\$4,056	\$4,218	\$4,387	\$4,562
Operations, Repair, and Maintenance	\$22,214	\$23,103	\$24,027	\$24,988	\$25,988
Utilities	\$37,960	\$39,478	\$41,058	\$42,700	\$44,408
Misc.	\$4,160	\$4,326	\$4,499	\$4,679	\$4,867
Debt	\$53,108	\$53,108	\$53,108	\$53,108	\$53,108
Projected Operating Expenditures	\$336,586	\$347,926	\$359,718	\$371,983	\$384,738

Rate Increase- 1 time

Current Water Rate	\$46.06 per 1.00 EQR
Proposed Water Rate - 1 time adjustment for next 5 years	\$77.50 per 1.00 EQR

	2025	2026	2027	2028	2029
Projected Operating Expenditures (including debt payment)	\$336,586	\$347,926	\$359,718	\$371,983	\$384,738
Projected Operating Revenue	\$382,714	\$384,574	\$386,434	\$388,294	\$390,154
Delta between Expenditures and Revenue	\$46,127	\$36,648	\$26,715	\$16,311	\$5,416
Coverage Ratio	187%	169%	150%	131%	110%

Rate Increase- Annual Increase

Current Water Rate	\$46.06 per 1.00 EQR
--------------------	----------------------

	2025	2026	2027	2028	2029
Number of Residential Accounts	250	252	254	256	258
Annual Rate Increase %		2.50%	2.75%	3.00%	2.75%
Total Revenue	\$343,208	\$353,498	\$364,975	\$377,734	\$390,930
Delta between Expenditures and Revenues	\$6,621	\$5,572	\$5,257	\$5,752	\$5,243
Coverage Ratio	112%	110%	110%	111%	110%
Proposed Rate per EQR	\$69.50	\$71.24	\$73.20	\$75.39	\$77.47

Current Deficit Comparison

- Projected deficit in 2025 at current rate = \$ (152,861)
- Total EQRs projected for 2025 = 419.5
- This is only for 2025 as expenditures increase annually rate would need to increase.

Increase per EQR	Additional Revenue	Excess/(Deficit)
\$5	\$ 25,171	\$ (127,690)
\$10	\$ 50,342	\$ (102,519)
\$20	\$ 100,685	\$ (52,176)
\$30	\$ 151,027	\$ (1,834)
\$35	\$ 176,198	\$ 23,337
<ul style="list-style-type: none">• This does not account for coverage ratio.• This does not include any expenditure offsets.		

Reduce the Impact?

- Need a decrease in expenditures

	Rate	Difference	Annual Cost Reduction for 2025
Rate with no Expenditure Adjustment	\$77.50		
Adjust Expenditures by following actions:			
Hydropower project eliminating Utility cost	\$69.00	\$(8.50)	\$37,960
General Fund providing 30% subsidy for salaries	\$65.50	\$(12.00)	\$52,200
Debt payments from the Capital Improvement Fund	\$67.00	\$(10.50)	\$53,108
Hydropower project eliminating Utility cost and Debt Payment from CIF	\$58.50	\$(19.00)	\$91,068

Comparable Communities – Water Rates

Community Name	Population	Median Household Income	Base Rate	Consumption Rate (per 1,000 gallons after base rate)	Water bill with 8,000 gallon consumption
Del Norte	1,808	\$40,756	\$33.54 base fee ¹⁾	\$2.01	\$49.62
Lake City	465	\$57,548	\$80.00 every 2 mos. for up to 13,999 gal.	\$3.00	\$43.00
South Fork	458	\$70,804	\$45.00 base rate ²⁾	\$3.60 ³⁾	\$75.00
Saguache	535	\$35,795	\$39.00	N/A	\$39.00
Creede	280	\$51,033	\$46.06	N/A	\$46.06

1) Base rate of \$27.54, plus \$6.00 water improvement fee

2) Just the base rate, does not include any water

3) Up to 5,000; 5,001 gallons to 15,000 is \$4.00/gal.

Sewer Expenditures- Existing

Sewer	2021 Audit	2022 Audit	2023 Budget	2024 Budget	2025 Proposed
Salaries & Benefits	\$70,417	\$76,133	\$58,041	\$99,700	\$118,600
Materials and Supplies	\$9,904	\$12,744	\$10,750	\$11,000	\$13,160
Admin	\$ -	\$ -	\$1,450	\$3,100	\$5,204
Testing Fees	\$17,787	\$20,461	\$15,000	\$20,000	\$20,800
Professional Services	\$34,968	\$80,984	\$60,000	\$60,000	\$62,400
Insurance	\$ -	\$ -	\$3,750	\$3,750	\$3,900
Operations, Repair, and Maintenance	\$12,414	\$13,496	\$24,000	\$32,040	\$33,322
Utilities	\$11,650	\$14,878	\$12,000	\$12,000	\$12,480
Misc	\$13,061	\$14,230	\$4,000	\$4,000	\$4,160
Debt	\$ -	\$3,460	\$41,982	\$41,981	\$41,982
Total Expenditures for Sewer	\$ 170,200	\$230,668	\$249,065	\$245,912	\$316,007

Sewer Expenditures- Projected

Expenditures	Projected				
	2025	2026	2027	2028	2029
Salaries & Benefits	\$118,600	\$123,344	\$128,278	\$133,409	\$138,745
Materials and Supplies	\$13,160	\$13,686	\$14,234	\$14,803	\$15,395
Admin	\$5,204	\$5,412	\$5,629	\$5,854	\$6,088
Testing Fees	\$20,800	\$21,632	\$22,497	\$23,397	\$24,333
Professional Services	\$62,400	\$64,896	\$67,492	\$70,192	\$72,999
Insurance	\$3,900	\$4,056	\$4,218	\$4,387	\$4,562
Operations, Repair, and Maintenance	\$33,322	\$34,654	\$36,041	\$37,482	\$38,982
Utiltiies	\$12,480	\$12,979	\$13,498	\$14,038	\$14,600
Misc	\$4,160	\$4,326	\$4,499	\$4,679	\$4,867
Debt	\$41,981	\$41,981	\$41,981	\$41,981	\$41,981
Total Projected Expenditures	\$316,007	\$326,968	\$338,367	\$350,223	\$362,552

Proposed Rates – Sewer- 1 time increase

Current Sewer Rate	\$20.00 per 1.00 EQR
Proposed Sewer Availability Fee	\$61.75 per 1.00 EQR

	2025	2026	2027	2028	2029
Projected Operating Expenditures	\$303,527	\$313,988	\$324,869	\$336,184	\$347,952
Projected Operating Revenue	\$346,872	\$348,126	\$349,380	\$350,634	\$351,888
Delta between Expenditures and Revenue	\$43,346	\$34,138	\$24,512	\$14,450	\$3,936
Coverage Ratio	203%	181%	158%	134%	109%

Sewer Rate Increase- Annual Increase

Current Sewer Rate

\$20.00 per 1.00 EQR

	2025	2026	2027	2028	2029
Number of Residential Accounts	248	250	252	254	256
Annual Rate Increase %		2.75%	3.00%	3.00%	3.20%
Total Revenue	\$320,938	\$331,120	\$342,451	\$354,163	\$366,981
Delta between Expenditures and Revenues	\$4,931	\$4,152	\$4,083	\$3,940	\$4,428
Coverage Ratio	112%	110%	110%	109%	111%
Sewer Rate per EQR	\$55.00	\$56.51	\$58.21	\$59.95	\$61.87

Reduce the Impact?

- Need a decrease in expenditures

	Rate	Difference	Annual Cost Reduction in 2025
Rate with no Expenditure Adjustment	\$61.75		
Adjust Expenditures by following actions			
Hydropower project eliminating Utility cost	\$59.50	\$ (2.25)	\$12,480
General Fund providing 30% subsidy for salaries	\$55.00	\$ (6.75)	\$35,580
Debt payments from the Capital Improvement Fund	\$54.75	\$ (7.00)	\$41,981
Hydropower project eliminating Utility cost and Debt Payment from CIF	\$52.25	\$ (9.50)	\$54,461

All values are based on a 1-time rate increase rather than an annual increase.

Current Deficit Comparison

- Projected deficit in 2025 at current rate = \$ (144,841)
- Total EQRs projected for 2025 = 403
- This is only for 2025 as expenditures increase annually rate would need to increase.

Increase per EQR	Additional Revenue	Excess/(Deficit)
\$5	\$ 24,204	\$ (120,637)
\$10	\$ 48,408	\$ (96,433)
\$20	\$ 72,612	\$ (72,229)
\$30	\$ 96,816	\$ (48,025)
\$35	\$ 145,224	\$ 383
\$40	\$ 193,632	\$ 48,791
<ul style="list-style-type: none">• This does not account for coverage ratio.• This does not include any expenditure offsets.		

Comparable Communities – Sewer Rates

Community Name	Population	Median Household Income	Sewer Rate
Del Norte	1,808	\$40,756	\$43.85 flat rate
Lake City	465	\$57,548	\$80.00 every 2 mos. for up to 13,999 gal.
South Fork	458	\$70,804	\$37.96
Saguache	535	\$35,795	\$37.00
Creede	280	\$51,033	\$20.00

Questions?

APPENDIX C – NEW RATE STRUCTURE CALCULATIONS

City of Creede
Water Rate Study

Current water rate: \$46.06 base per 1.00 EQR

Water Rate	
Base Fee - 1 EQR	\$ 50.00
Inflation for Operating Expenditures	4% annual
Residential Growth factor	2 taps per year

Note: 2025 expenditures are an increase from 2023 audit numbers by 4.59%, for a total fund expenditures of approximately \$500,000

	2020 Audit	2021 Audit	2022 Audit	2023 Budget	2023 Audit	2024 Budget	Projected				
							2025	2026	2027	2028	2029
Expenditures											
Salaries & Benefits	\$ 103,273	\$ 95,269	\$ 103,003	\$ 84,562	\$ 116,610	\$ 145,800	\$ 121,962	\$ 126,841	\$ 131,915	\$ 137,191	\$ 142,679
Materials and Supplies	\$ 11,272	\$ 12,104	\$ 15,575	\$ 10,750	\$ 20,661	\$ 16,000	\$ 21,609	\$ 22,473	\$ 23,372	\$ 24,307	\$ 25,280
Admin	\$ -	\$ -	\$ -	\$ 1,450	\$ -	\$ 3,100	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	\$ 2,359	\$ 2,198	\$ 2,529	\$ 2,000	\$ 3,460	\$ 2,000	\$ 3,618	\$ 3,763	\$ 3,914	\$ 4,070	\$ 4,233
Professional Services	\$ 30,338	\$ 8,742	\$ 20,246	\$ 15,000	\$ 15,699	\$ 15,000	\$ 16,419	\$ 17,076	\$ 17,759	\$ 18,469	\$ 19,208
Insurance	\$ -	\$ -	\$ -	\$ 3,750	\$ 6,026	\$ 3,750	\$ 6,303	\$ 6,555	\$ 6,817	\$ 7,090	\$ 7,373
Operations, Repair, and Maintenance	\$ 13,518	\$ 8,276	\$ 8,997	\$ 16,000	\$ 20,175	\$ 21,360	\$ 21,101	\$ 21,945	\$ 22,823	\$ 23,736	\$ 24,685
Utilities	\$ 31,520	\$ 34,950	\$ 44,633	\$ 36,500	\$ 39,016	\$ 36,500	\$ 40,807	\$ 42,439	\$ 44,136	\$ 45,902	\$ 47,738
Misc	\$ 4,931	\$ 13,061	\$ 14,230	\$ 4,000	\$ 6,619	\$ 4,000	\$ 6,922	\$ 7,199	\$ 7,487	\$ 7,787	\$ 8,098
Debt	\$ 53,108	\$ 53,109	\$ 53,108	\$ 53,108	\$ 53,108	\$ 53,108					
Projected Operating Expenditures	\$ 250,318	\$ 227,710	\$ 262,321	\$ 227,120	\$ 281,372	\$ 300,618	\$ 238,742	\$ 248,291	\$ 258,223	\$ 268,552	\$ 279,294
Total Needed Revenue							\$ 238,742	\$ 248,291	\$ 258,223	\$ 268,552	\$ 279,294

Notes:

Revenue	Customers	EQR Multiplier
Base Rate:		
Total Customers	348	
0.7 EQR	14	0.7
0.85 EQR	14	0.85
1 EQR	248	1
1.25 EQR	41	1.25
1.4 EQR	1	
6 EQR	1	6
6.3 EQR	1	6.3
7.7 EQR	1	7.7

Total Revenue

Revenue Still Required if negative

Coverage Ratio for the Loan

Annual Growth	0.61%	0.61%	0.61%	0.61%	0.61%
Number of Residential Accounts	250	252	254	256	258
Rate Increase %	10.00%	10.00%	10.00%	10.00%	10.00%
Base Rate	\$ 50.00	\$ 55.00	\$ 60.50	\$ 66.55	\$ 73.21
	2025	2026	2027	2028	2029

\$ 5,880	\$ 6,468	\$ 7,115	\$ 7,826	\$ 8,609
\$ 7,140	\$ 7,854	\$ 8,639	\$ 9,503	\$ 10,454
\$ 150,000	\$ 166,320	\$ 184,404	\$ 204,442	\$ 226,643
\$ 30,750	\$ 33,825	\$ 37,208	\$ 40,928	\$ 45,021
\$ 840	\$ 924	\$ 1,016	\$ 1,118	\$ 1,230
\$ 3,600	\$ 3,960	\$ 4,356	\$ 4,792	\$ 5,271
\$ 3,780	\$ 4,158	\$ 4,574	\$ 5,031	\$ 5,534
\$ 4,620	\$ 5,082	\$ 5,590	\$ 6,149	\$ 6,764

\$ 246,912	\$ 272,923	\$ 301,668	\$ 333,431	\$ 368,532
\$ 8,170	\$ 24,632	\$ 43,445	\$ 64,880	\$ 89,238

15%	46%	82%	122%	168%
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City of Creede
Sewer Rate Study

Current rate: \$20 per month per 1.00 EQR

Sewer Rate	
Sewer Availability Fee	\$ 45.00
Inflation for Operating Expenditures	4% annual
Residential Growth factor	2 taps per year

Note: 2025 expenditures are an increase from 2023 audit numbers by 4.59%, for a total fund expenditures of approximately \$500,000

Expenditures	2020 Audit	2021 Audit	2022 Audit	2023 Budget	2023 Audit	2024 Budget	Projected				
							2025	2026	2027	2028	2029
Salaries & Benefits	\$ 76,332	\$ 70,417	\$ 76,133	\$ 58,041	\$ 86,190	\$ 99,700	\$ 90,069	\$ 93,671	\$ 97,418	\$ 101,315	\$ 105,367
Materials and Supplies	\$ 9,222	\$ 9,904	\$ 12,744	\$ 10,750	\$ 16,904	\$ 11,000	\$ 17,665	\$ 18,372	\$ 19,106	\$ 19,871	\$ 20,665
Admin	\$ -	\$ -	\$ -	\$ 1,450	\$ -	\$ 3,100	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	\$ 19,086	\$ 17,787	\$ 20,461	\$ 15,000	\$ 27,991	\$ 20,000	\$ 29,250	\$ 30,420	\$ 31,637	\$ 32,902	\$ 34,218
Professional Services	\$ 121,352	\$ 34,968	\$ 80,984	\$ 60,000	\$ 62,794	\$ 60,000	\$ 65,620	\$ 68,245	\$ 70,975	\$ 73,814	\$ 76,766
Insurance	\$ -	\$ -	\$ -	\$ 3,750	\$ 6,026	\$ 3,750	\$ 6,297	\$ 6,549	\$ 6,811	\$ 7,083	\$ 7,367
Operations, Repair, and Maintenance	\$ 20,276	\$ 12,414	\$ 13,496	\$ 24,000	\$ 30,263	\$ 32,040	\$ 31,625	\$ 32,890	\$ 34,205	\$ 35,573	\$ 36,996
Utilities	\$ 10,507	\$ 11,650	\$ 14,878	\$ 12,000	\$ 13,005	\$ 12,000	\$ 13,590	\$ 14,134	\$ 14,699	\$ 15,287	\$ 15,899
Misc	\$ 4,931	\$ 13,061	\$ 14,230	\$ 4,000	\$ 6,619	\$ 4,000	\$ 6,916	\$ 7,193	\$ 7,481	\$ 7,780	\$ 8,091
Debt	\$ -	\$ -	\$ 3,460	\$ 41,982	\$ 41,981	\$ 41,981					
	\$ 261,706	\$ 170,200	\$ 236,384	\$ 230,973	\$ 291,773	\$ 287,571	\$ 261,032	\$ 271,474	\$ 282,333	\$ 293,626	\$ 305,371

Notes:

Current Base Rate \$ 20.00

Revenue	Customers	EQR Multiplier	Current Rate
Base Rate:			
Total Customers	346		
0.7 EQR	14	0.7	\$ 2,352
0.85 EQR	14	0.85	\$ 2,856
1 EQR	246	1	\$ 59,040
1.25 EQR	40	1.25	\$ 12,000
2.8 EQR	2	2.8	\$ 1,344
3 EQR	1	3	\$ 720
3.5 EQR	1	3.5	\$ 840
5 EQR	1	5	\$ 1,200
5.5 EQR	1	5.5	\$ 1,320
6 EQR	1	6	\$ 1,440
6.3 EQR	1	6.3	\$ 1,512
7.7 EQR	1	7.7	\$ 1,848
Deep Creek	1	78.00	\$ 18,720

Operating Transfer In

Total Revenue

Revenue Still Required if negative \$ 116,225

Coverage Ratio for the Loan

Customer increase
applied to 1 EQR

Annual Growth	0.61%	0.61%	0.61%	0.61%	0.61%
Number of Residential Accounts	248	250	252	254	256
Rate Increase %		10.00%	10.00%	10.00%	10.00%
Base Rate	\$ 45.00	\$ 49.50	\$ 54.45	\$ 59.90	\$ 65.88

Customer Increase to
1 EQR

248	250	252	254	256
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2025	2026	2027	2028	2029
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\$ 5,292	\$ 5,821	\$ 6,403	\$ 7,044	\$ 7,748
\$ 6,426	\$ 7,069	\$ 7,775	\$ 8,553	\$ 9,408
\$ 133,920	\$ 148,500	\$ 164,657	\$ 182,560	\$ 202,397
\$ 27,000	\$ 29,700	\$ 32,670	\$ 35,937	\$ 39,531
\$ 3,024	\$ 3,326	\$ 3,659	\$ 4,025	\$ 4,427
\$ 1,620	\$ 1,782	\$ 1,960	\$ 2,156	\$ 2,372
\$ 1,890	\$ 2,079	\$ 2,287	\$ 2,516	\$ 2,767
\$ 2,700	\$ 2,970	\$ 3,267	\$ 3,594	\$ 3,953
\$ 2,970	\$ 3,267	\$ 3,594	\$ 3,953	\$ 4,348
\$ 3,240	\$ 3,564	\$ 3,920	\$ 4,312	\$ 4,744
\$ 3,402	\$ 3,742	\$ 4,116	\$ 4,528	\$ 4,981
\$ 4,158	\$ 4,574	\$ 5,031	\$ 5,534	\$ 6,088
\$ 42,120	\$ 46,332	\$ 50,965	\$ 56,062	\$ 61,668

\$ 262,586	\$ 290,032	\$ 320,342	\$ 353,814	\$ 390,777
\$ 1,553	\$ 18,559	\$ 38,010	\$ 60,188	\$ 85,406

4%	44%	91%	143%	203%
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