

Hutchinson Irrigation District #16

2024 Rate Analysis
Presentation to Public
3/27/2025



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Purpose

Provide information to the public regarding rate modifications that take effect in 2025.



"Our mission is to provide our patrons with safe, great tasting water and to be stewards of the trade."



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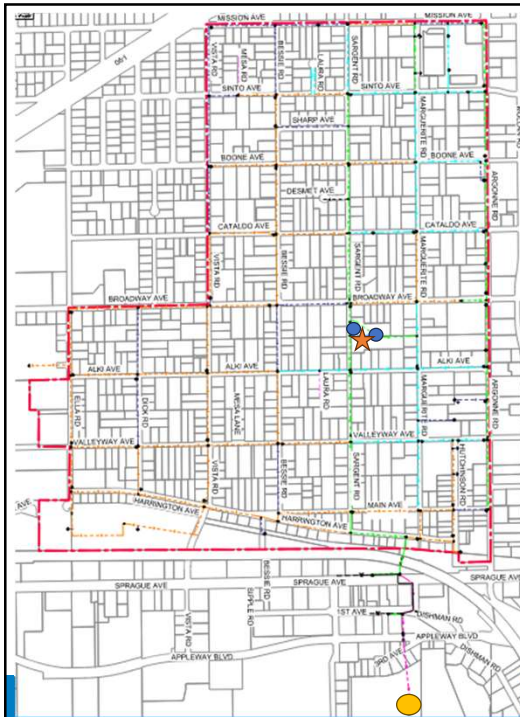
Agenda

- District Overview
- Objectives of 2024 Rate Study
- Water Rates
- Question and Answer



1.2 MG Storage Tank

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Overview of District

- 882 Service Connections
- Source: 2 Groundwater Wells
- Storage: 1.2-Million-Gallon Tank
- Distribution: 12 Miles, 4" to 16"
 - 0.75 Miles of Steel
 - 8.21 Miles of Ductile Iron or PVC
 - 0.50 Miles of Cast Iron
 - 2.32 Miles of Asbestos Cement

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Overview of District

- Average Component Age: 1 to 114 years, average of 35 years
- Cost to Construct New Today: \$30 million
- Accumulated Depreciation: \$19 million
- Estimated System Value Today: \$9.5 million
 - Depreciating at Approximately \$600,000 Per Year



Well 2

Existing Rate Structure-2024

- Base Rate: \$34.00 per month per Equivalent Residential Unit (ERU)
- Irrigation Charge: \$110.00 per acre per year
- Excess Charge: \$1.10 per 1,000 gallons
- Meter Replacement Charge: \$30.36 per year (depending on size)
- Water Allowed:
 - 18,000 gallons per month (domestic)
 - 216,000 gallons per year
 - 57,000 gallons per acre per irrigation month (in addition to 18,000 gallons above)
 - Additional 285,000 gallons during irrigation months

Objectives of 2024 Rate Study

- Immediate:
 - Evaluate Expenses vs. Revenue
 - Simplify Rate Structure
 - Increase Funding for CIP Priorities
 - Promote Fairness in Rate Structure
- Future:
 - Develop a long-term funding strategy for anticipated, large capital improvements while minimizing dramatic rate increases.



District Expenses

- Operation & Maintenance
 - Fixed Expenses – Administration, Labor, Insurance
 - Variable Expenses – Power, Operating Fees, Short Lived Assets
- Capital Improvements
 - Improvements that increase system reliability and/or increase capacity as may be required by growth.
 - Depreciation Funding (Replace parts of the system as they wear out and upgrade parts of the system to meet changing standards)
- Debt Service
 - Hutchinson Irrigation District is Debt-Free



Repair Coupler on Cast Iron



REVIEW OF FINANCIALS-EXPENSES

Expense	January-December 2021	January-December 2022	January-December 2023	January-December 2024
Office Expense	\$23,689	\$18,139	\$29,276	\$36,265
Power	\$58,160	\$61,208	\$59,059	\$62,147
Generator	\$0	\$1,566	\$2,163	\$3,571
Legal	\$0	\$80	\$145	\$1,122
Auto Expense	\$3,280	\$4,714	\$4,655	\$3,555
Retirement	\$25	\$3,982	\$684	\$0
Capital Improv	\$60,344	\$89,319	\$35,478	\$139,702
Health Care	\$56,755	\$69,679	\$69,693	\$89,420
Insurance	\$18,283	\$23,069	\$24,945	\$25,881
Bond	\$200	\$200	\$0	\$100
Telephone	\$4,270	\$6,004	\$4,536	\$5,031
Engineering	\$200	\$1,480	\$100	\$12,741
State Auditor	\$0	\$0	\$4,461	\$0
Excise Tax	\$13,995	\$25,178	\$24,219	\$25,516
Employ Sec	\$0	\$0	\$0	\$0
Reservoir	\$0	\$0	\$0	\$0
Payroll	\$106,744	\$118,665	\$139,162	\$147,896
Petty cash	\$2,698	\$2,694	\$2,758	\$7,690
Taxes	\$3,524	\$3,264	\$3,023	\$4,212
Sewer	\$0	\$0	\$0	\$0
Yard Maint	\$0	\$0	\$15,494	\$0
Computer	\$0	\$0	\$0	\$0
Pumps/Motors	\$0	\$0	\$0	\$0
Backflow	\$0	\$5,127	\$0	\$0
L&I	\$0	\$0	\$0	\$0
Building Mainainance	\$0	\$0	\$0	\$0
Total	\$352,167	\$434,369	\$419,851	\$564,849

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CAPITAL IMPROVEMENTS

Project	Description	Unit	Preliminary Budget
Broadway Ave. from Argonne to Ella Rd.	AC pipe except for 1/2 block west of Argonne.	4000	\$1,600,000
Bessie Rd.	All AC pipe	1820	\$728,000
Valleyway Ave	AC pipe from Dick Rd. to Sargent Rd.	2000	\$800,000
Vista Rd	AC pipe from Broadway Ave to 111 N. Vista Rd.	2300	\$920,000
Water Master Plan	Update	1	\$30,000-\$45,000
GIS	Conversion of Mapping and Online Set Up	1	\$10,000-\$25,000
Meters	Replacement On-Going with New Read System	882	\$300,000-\$400,000
Tank	Inspection and Lining and/or Coating	1	\$5,000-\$250,000
Total			\$4.39-\$4.77 Million

~\$450,000/year for
10 years

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District Revenue Sources

- **Monthly Rates: Pay for Fixed and Variable Expenses**
- **Connection Fees: Pay for New Customers to Buy In to System Capacity and Contribute to 10 Year CIP**
- **Construction Revenue: Pay for physical improvements installed by District related to new service.**
- **Other Sources of Revenue**
 - Insurance Proceeds
 - Reserves
 - Grants
 - Loans



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REVENUE

Meter Cycle	October 1, 2020- September 30, 2021	October 1, 2021- September 30, 2022	October 1, 2022- September 30, 2023	October 1, 2023 to September 30, 2024
Gallons Sold*	178,994,769	134,579,974	149,293,091	147,813,991
Revenue				
	2022	2023	2024	2025
Assessment*	\$309,982	\$451,758	\$463,717	\$454,564
Deposits	\$96,412	\$71,373	\$121,206	Incomplete
Total Revenue	\$406,394	\$523,132	\$584,923	
Expense	January 2022- December 2022	January 2023- December 2023	January 2024- December 2024	2025

*The Gallons Sold and Assessments relate to the Expenses for the year prior but assessment revenue is recorded in the following year's books.

**Gallons Sold and Assessments are on an October 1 to September 30 (ish) timeline, while expenses are recorded on a calendar year timeline.



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Reserve Policy

- Fund Reserves for Operations, Emergency and Capital Projects
 - Operating Reserve: 3 Months of the Operating Budget--\$105,000-\$175,000
 - Emergency Reserve: Replacement of Critical Asset--\$350,000
 - Capital Projects: Annual Contingency 10%
 - Debt Reserve Fund = \$0



GOAL: \$470,000-\$550,000 Per Year

Also: Use reserves to stabilize rate increases from year to year as the Capital Expenditures vary.



Well 1-Pumps 1-3

Proposed Rate Modifications

Rate Modifications

- Why are modifications necessary?
- Over the Last 3 Years:
 - Net revenue has averaged about \$30k per year and the reserve supports current operation and emergency needs.
- However:
 - Areas of the distribution system are depreciated and leaking.
 - The District has significant loss...indicating inaccurate metering (lost revenue) and/or leaking mains
 - Current rate structure is overly complex
 - Current revenue and reserve will not support priority capital improvements
 - Annual expenses will continue to rise with inflation



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Modified Rate Structure

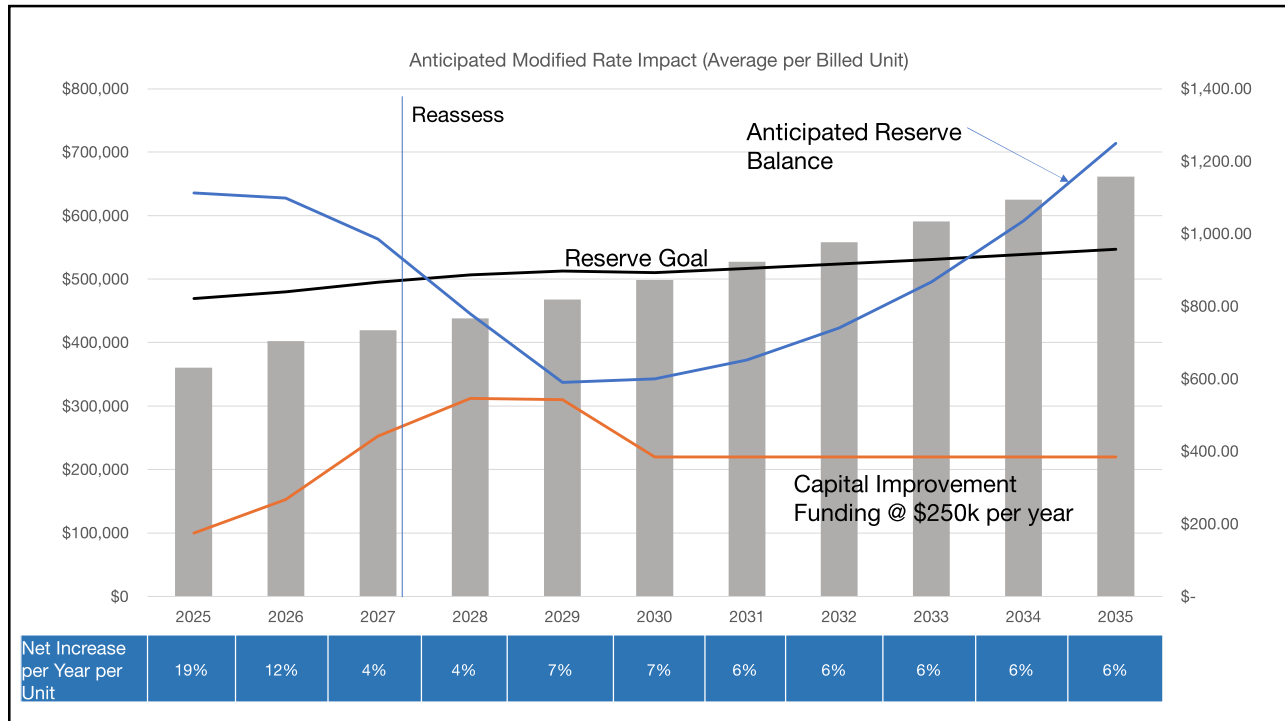
	2025	2026	2027	2028
Monthly Base Rate*	\$34.00	\$35.67	\$37.20	\$38.91
Gallon Charge (per 1,000 gallons)	\$1.10	\$1.10	\$1.10	\$1.10
Meter Replacement Charge (3/4" or smaller) (per month)	\$2.53	\$2.53	\$2.53	\$2.53
Capital Improvement Charge (per month)	--	\$6.00	\$7.00	\$8.00

*No longer includes an annual volume allotment

The District will closely monitor expenditures and revenues and consider adjustments as appropriate to support revenue and reserve goals.



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Monthly Increase Predictions

- Average annual residential household water consumption: 176,000 gallons
- Average single-family assessment under 2024 rate structure: \$494
- Under the new rate structure, the anticipated average in 2025 will increase approximately 28% to \$632 as follows:

Monthly Base Rate: \$34 X 12 months = \$408 per year
 + Gallon Charge: \$1.10/1,000 gallons X 176,000 gallons = \$194 per year
 + Meter Replacement Charge: \$30.36

$$\$408 + \$194 + \$30.36 = \$632.36$$

- Annual increases of 4-12% anticipated in subsequent years
- Final bill may fluctuate based on actual water use

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Affordability

- DWSRF:
 - Disadvantaged community: Where water rates are more than 1.5% of median household income of the service area.
- EPA:
 - Potable water is “..affordable if it costs less than 2.5% of *small community* MHI..”
 - “...a combined annual water and wastewater bill of less than 4.5% of MHI to be affordable..”
- Spokane County MHI in 2023 estimated at \$73,583
 - 1.5% MHI equates to \$1,104 per year for water service
 - 2.5% MHI equates to \$1,840 per year for water service
- Hutchinson Irrigation District Average Single-Family Residence:
 - \$632 per year (0.85%)

Questions