



CITY OF META, MISSOURI

Water Rate Study

Liz Grove, MRWA Management Circuit Rider, May 2021

The city of Meta contacted Missouri Rural Water Association (MRWA) and requested a water rate study. MRWA Management Circuit Rider Liz Grove worked with City Clerk Deidra Buechter to gather the necessary information needed to perform the study. Information provided included but was not limited to: FY2020 Annual Audit Report, FY 2021 Actual Revenues & Expense Report, FY 2021 Budget Report, usage figures for the twelve-month period ending April 2021, and customer counts.

WATER RATES:

The city's water rates are not adequate to cover budgeted expenses. The city should raise rates to eliminate a deficit. The table below provides options for increasing the water rates.

CITY OF META WATER RATE OPTIONS - MAY 2021			
OPTION WITHOUT WATER TOWER FUND			
Annual Budgeted Expenditures in Rate Base:	\$36,700.00		
Total Customers	106		
Annual Gallons Sold	4,500,000		
RATE OPTIONS:			
	Current Rates	Option #1	Option #2
Minimum (1999 gallons)	\$15.73	\$19.00	\$17.50
Cost/1000 gals	\$6.55	\$7.00	\$7.75
Cost for 5000 gals.	\$35.38	\$40.00	\$40.75
Estimated Net Income	(\$3,879.64)	\$1,160.00	\$719.00

Option #1 has a higher minimum rate and a lower volume rate while Option #2 has a lower minimum and a higher volume rate. The board of aldermen will need to decide how to structure the rates in order to cover budgeted expenses.

The city has a Water Tower Fund that is used to pay for maintenance of the water storage tank. Currently, \$26,000 per year is being added to the fund and is being taken out of the General Fund revenues. Since this is an expense related to the water system, the water rates should support this expense. With the \$26,000 per year added to the water budget, water rates would need to increase significantly as this would increase the total water fund expenses by two-thirds. The table below shows the options for increasing water rates to an adequate level to fund the Water Tower Fund.

CITY OF META WATER RATE OPTIONS - MAY 2021			
OPTION WITH WATER TOWER FUND			
Annual Budgeted Expenditures in Rate Base:	\$62,700.00		
Total Customers	106		
Annual Gallons Sold	4,500,000		
RATE OPTIONS:			
	Current Rates	Option #1	Option #2
Minimum (1999 gallons)	\$15.73	\$33.00	\$37.00
Cost/1000 gals	\$6.55	\$11.00	\$8.50
Cost for 5000 gals.	\$35.38	\$66.00	\$62.50
Estimated Net Income	(\$29,879.64)	\$792.00	\$990.00

This would raise rates significantly, but the rates would properly cover all water system related expenses. Another option to ease the shock of such an increase is to increase rates gradually over time until rates are at a level to provide the funds for the Water Tower Fund. The money being used from the General Fund for this purpose can be freed up to pay for other General Revenue expenses.

Affordability: State and federal funding agencies evaluate the affordability of water rates for a system by comparing the existing cost for 5000 gallons of water to 2% of the median household income of the area. For Meta, the 2010 median household income was \$41,667. An affordable water bill would be 2% of this number, or \$69.45 per month for 5000 gallons of usage. The proposed rates for Meta are below the 2% threshold.