

Utility Rates Explained

Water and sewer utilities in Lake Lure must operate as a self-supporting enterprise, akin to a municipal business.

This means that enough revenues have to be collected from customers sufficient to cover the costs of the enterprise.

Losses in the water and sewer utilities should not be subsidized from other town revenues, (like property taxes), nor should profits be used in other town functions.

In Lake Lure, the systems are aging. They cover a lot of area and service a relatively small number of customers that must share the burden of the costs.

Comparable private water and sewer systems, like Utilities Inc. in Rumbling Bald Resort, charge higher rates than the town because they have similar costs and they must break even.

Without rate increases, there will be insufficient revenue to cover costs and the water/sewer enterprise will continue losing money.

The costs associated with the water and sewer utilities include four components:

- Operating expenses: labor, electricity, fuel, supplies and chemicals
- Debt payments on borrowing
- Capital projects for refurbishing or replacing some of the infrastructure (in 2014)
- A contribution to capital reserves for future infrastructure needs, (planned or emergency)

To cover continued revenue shortfalls, the town has drawn on the reserves that were there, thus leaving the current reserves quite low. Therefore, to increase the revenues requires either new customers or increased rates.

The town's strategy is as follows:

Town Council approved a ten percent increase for the 2014-2015 budget. This rate increase does not provide all of the revenue needed for the water/sewer enterprise. The rates are being increased for all types of water utility services.

However, council will incrementally increase the rates over the next few years rather than applying a large increase all at once. In the last ten years, there have been three rate increases for water and three rate increases for sewer, but these increases have not always occurred in the same years.

Council adopted the ten percent increase across the board from the previous rate structure, as well as adopting a flat rate sewer structure. The majority of sewer customers are not on town water, so they have a flat fee for sewer treatment. Others pay for sewer services according to the amount of water they use. It is therefore, simpler and fairer for all to go to a flat rate across the board.

The ten percent increases in future years is expected until the water system is self-supporting.