



October 8, 2025 | City of Truth or Consequences, NM

WATER & WASTEWATER COST OF SERVICE & RATE DESIGN STUDY

Presented by:

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AGENDA

1

- Purpose

2

- Revenue Requirement

3

- Test-Year & Capital Funding

4

- Water Rates

5

- Wastewater Rates

6

- Revenue Recovery from Proposed Rates

7

- Bill Comparisons

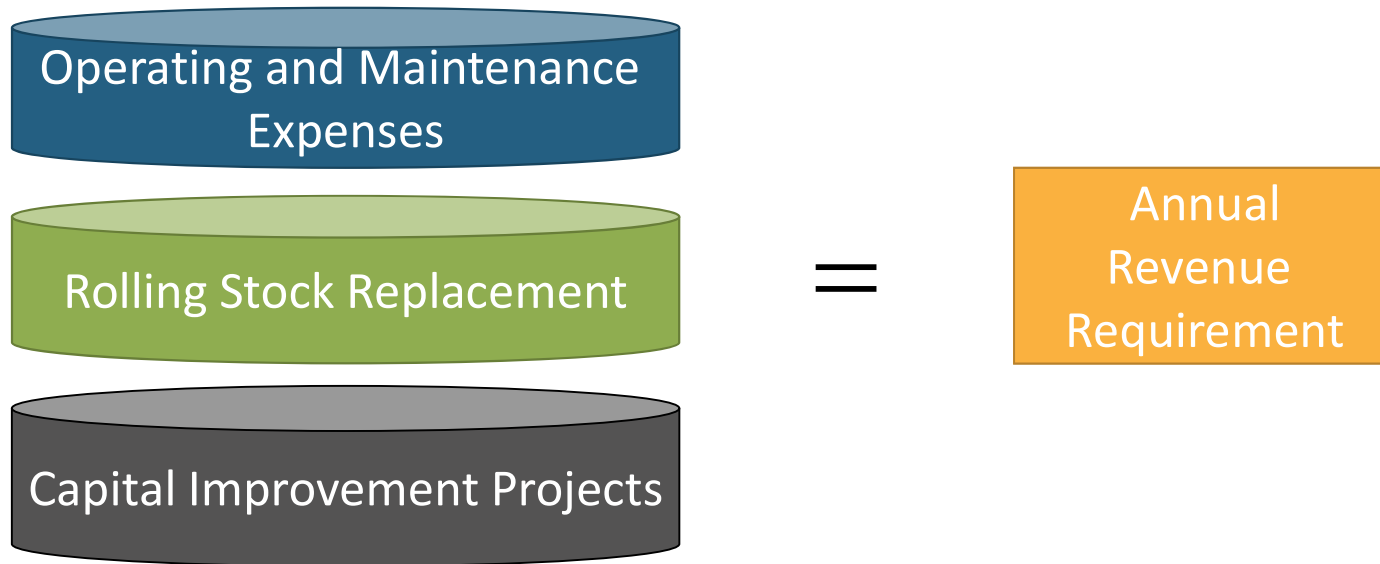
PURPOSE

PURPOSE OF ANALYSIS

- Develop a four-year forecast of the operating and capital costs.
- Determine revenue sufficiency under the current rates.
- Develop rates that ensure the financial integrity of the Utility.

REVENUE REQUIREMENT

WHAT IS THE REVENUE REQUIREMENT



TEST YEAR & CAPITAL FUNDING

TEST YEAR - WATER

Description	FY 2026 Budget	Adjustments		Test Year - Water
Water Expenses	\$1,953,442	\$(372,650)	¹	\$1,580,792
Existing Debt - Water	-	372,650		372,650
Pay As You Go	-	50,000		50,000
Total Expenditures	\$1,953,442	\$50,000		\$2,003,442
Revenues	\$1,884,600	\$(1,700,000)	²	\$184,600
Water Net Revenue Requirement	\$68,842	\$1,750,000		\$1,818,842

Notes:

1. Existing Debt broken out from transfer to general fund
2. Service revenue to be calculated in revenue reconciliation

TEST YEAR - WASTEWATER

Description	FY 2026 Budget	Adjustments		Test Year - Wastewater
Wastewater Expenses	1,500,247	(78,239)	¹	1,422,008
Existing Debt - Wastewater	-	78,239		78,239
Pay As You Go	-	50,000		50,000
Total Expenditures	\$1,500,247	\$50,000		\$1,550,247
Revenues	\$1,404,000	\$(1,300,000)	²	\$104,000
Wastewater Net Revenue Requirement	\$96,247	\$1,350,000		\$1,446,247

Notes:

1. Existing Debt broken out from transfer to general fund
2. Service revenue to be calculated in revenue reconciliation

WATER RATES

CURRENT RATES - WATER

Minimum Bill

Customer Class	Rate ¹
Residential	\$19.48
Commercial	\$19.48
Industrial	\$109.56
WMBG Residential	\$19.48
WMBG Commercial	\$19.48
City Water	\$19.48
City - Landscaping	-
Effluent Water	\$26.52

Volumetric Rates

Tier	Rate ²
Residential & Commercial	
Tier 1 – 2,001-7,000	\$3.41
Tier 2 – 7,001-15,000	\$3.86
Tier 3 – 15,001-29,000	\$4.34
Tier 4 – 29,001-50,000	\$4.87
Tier 5 – 50,000+	\$5.30
City - Landscaping	\$0.74
Effluent Water	\$1.43

1. Minimum bill includes 2,000 gallons

2. Rate per 1,000 gallons

WASTEWATER RATES

CURRENT WASTEWATER RATES

Base Rate Structure

Customer Class	Rate
Commercial	\$14.46
SW Residential Averaged	\$14.46
SW WMBG Commercial	\$23.98
SW WMBG – Residential Average	\$23.98
SW Residential Bathhouse	\$16.30
SW Bathhouse Commercial	\$50.09

Volumetric Rate Structure

Customer Class	Rate ¹
Commercial	\$5.08
SW Residential Averaged	\$5.08
SW WMBG Commercial	\$5.08
SW WMBG – Residential Average	\$5.08
SW Residential Bathhouse	\$-
SW Bathhouse Commercial	\$-

1. Rate per 1,000 gallons

REVENUE RECOVERY FROM PROPOSED RATES

PROPOSED RATE SCENARIOS - WATER

Under Current

- “Status Quo”
- Annual CPI adjustment (3%) at the beginning of the fiscal year (July 1)

Scenario 1

Beginning in FY 2027 through FY 2029 (Effective July 1 each year),

- 3% Residential and City, 5% Commercial and Industrial
- Phase-in of meter equivalent rates
- Phase-out of 2,000 gallons included in minimum bill
- 1.25x multiplier on outside customer rates
- Standardize all minimum bills

Scenario 2

Beginning in FY 2027 through FY 2029 (Effective July 1 each year),

- 6% Residential and City, 8% Commercial and Industrial
- Phase-in of meter equivalent rates
- Phase-out of 2,000 gallons included in minimum bill
- 1.25x multiplier on outside customer rates
- Standardize all minimum bills

METER EQUIVALENTS

Meter Size	Meter Equivalent
3/4"	1
1"	2.5
1.5"	5
2"	8
3"	16
4"	25

WATER REVENUE RECOVERY – UNDER CURRENT

	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	\$ 1,639,003	\$ 1,688,173	\$ 1,738,818	\$ 1,790,983
Revenue Requirement	\$ 1,818,842	\$ 1,976,799	\$ 2,036,180	\$ 2,097,862
Over/(Under)	\$ (179,839)	\$ (288,626)	\$ (297,362)	\$ (306,879)
Cumulative Over/(Under)	\$ (179,839)	\$ (468,465)	\$ (765,827)	\$ (1,072,706)

WATER REVENUE RECOVERY – SCENARIO 1

	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	\$ 1,639,003	\$ 1,818,023	\$ 2,008,400	\$ 2,085,827
Revenue Requirement	\$ 1,818,842	\$ 1,976,799	\$ 2,036,180	\$ 2,097,862
Over/(Under)	\$ (179,839)	\$ (158,775)	\$ (27,781)	\$ (12,035)
Cumulative Over/(Under)	\$ (179,839)	\$ (338,615)	\$ (366,395)	\$ (378,431)

WATER REVENUE RECOVERY – SCENARIO 2

	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	\$ 1,639,003	\$ 1,870,809	\$ 2,126,190	\$ 2,271,410
Revenue Requirement	\$ 1,818,842	\$ 1,976,799	\$ 2,036,180	\$ 2,097,862
Over/(Under)	\$ (179,839)	\$ (105,989)	\$ 90,009	\$ 173,548
Cumulative Over/(Under)	\$ (179,839)	\$ (285,829)	\$ (195,819)	\$ (22,271)

PROPOSED RATE SCENARIOS - WASTEWATER

Under Current

- “Status Quo”
- Annual 5% Rate Increase
- Increase takes effect January 1 of each year

Scenario 1

Beginning in FY 2027 through FY 2029,

- 15% increase on minimum bill and volumetric rates
- Increases take effect at the beginning of the fiscal year (July 1)

Scenario 2

Beginning in FY 2027 through FY 2029,

- 25% increase on minimum bill and volumetric rates
- Increases take effect at the beginning of the fiscal year (July 1)

WASTEWATER REVENUE RECOVERY – UNDER CURRENT

	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	\$ 1,133,031	\$ 1,189,682	\$ 1,249,167	\$ 1,311,625
Revenue Requirement	\$ 1,446,247	\$ 1,526,548	\$ 1,579,517	\$ 1,951,250
Over/(Under)	\$ (313,216)	\$ (336,865)	\$ (330,350)	\$ (639,625)
Cumulative Over/(Under)	\$ (313,216)	\$ (650,082)	\$ (980,432)	\$ (1,620,056)

WASTEWATER REVENUE RECOVERY – SCENARIO 1

	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	\$ 1,133,031	\$ 1,334,766	\$ 1,534,981	\$ 1,765,228
Revenue Requirement	\$ 1,446,247	\$ 1,526,548	\$ 1,579,517	\$ 1,951,250
Over/(Under)	\$ (313,216)	\$ (191,782)	\$ (44,536)	\$ (186,022)
Cumulative Over/(Under)	\$ (313,216)	\$ (504,998)	\$ (549,534)	\$ (735,557)

WASTEWATER REVENUE RECOVERY – SCENARIO 2

	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	\$ 1,133,031	\$ 1,450,832	\$ 1,813,540	\$ 2,266,925
Revenue Requirement	\$ 1,446,247	\$ 1,526,548	\$ 1,579,517	\$ 1,951,250
Over/(Under)	\$ (313,216)	\$ (75,716)	\$ 234,024	\$ 315,676
Cumulative Over/(Under)	\$ (313,216)	\$ (388,932)	\$ (154,908)	\$ 160,768

BILL COMPARISON

SAMPLE BILL (WATER)

		FY 2026	FY 2027	FY 2028	FY 2029
Residential 3/4"					
Volume (gallons)	6,000				
<u>Under Current</u>					
Minimum Bill		\$ 19.48	\$ 20.06	\$ 20.66	\$ 21.28
Volumetric Charge		\$ 13.64	\$ 14.05	\$ 14.47	\$ 14.90
Total Monthly Bill		\$ 33.11	\$ 34.11	\$ 35.13	\$ 36.19
% Change in Monthly Bill			3.0%	3.0%	3.0%
<u>Scenario 1</u>					
Minimum Bill		\$ 19.48	\$ 20.06	\$ 20.66	\$ 21.28
Volumetric Charge		\$ 13.64	\$ 17.56	\$ 21.70	\$ 22.35
Total Monthly Bill		\$ 33.11	\$ 37.62	\$ 42.37	\$ 43.64
% Change in Monthly Bill¹			13.6%	12.6%	3.0%
<u>Scenario 2</u>					
Minimum Bill		\$ 19.48	\$ 20.65	\$ 21.88	\$ 23.20
Volumetric Charge		\$ 13.64	\$ 18.07	\$ 22.98	\$ 24.36
Total Monthly Bill		\$ 33.11	\$ 38.72	\$ 44.87	\$ 47.56
% Change in Monthly Bill¹			16.9%	15.9%	6.0%

1. % Changes in FY 2027 and FY 2028 are higher than annual percent increases due to phasing out of gallons included in minimum bill.

SAMPLE BILL (WASTEWATER)

		FY 2026	FY 2027	FY 2028	FY 2029
Residential 3/4"					
Volume (gallons)	6,000				
<u>Under Current</u>					
Minimum Bill		\$ 14.46	\$ 15.18	\$ 15.94	\$ 16.74
Volumetric Charge		\$ 30.49	\$ 32.02	\$ 33.62	\$ 35.30
Total Monthly Bill		\$ 44.95	\$ 47.20	\$ 49.56	\$ 52.04
% Change in Monthly Bill			5.0%	5.0%	5.0%
<u>Scenario 1</u>					
Minimum Bill		\$ 14.46	\$ 16.63	\$ 19.12	\$ 21.99
Volumetric Charge		\$ 30.49	\$ 35.07	\$ 40.33	\$ 46.37
Total Monthly Bill		\$ 44.95	\$ 51.69	\$ 59.45	\$ 68.36
% Change in Monthly Bill			15.0%	15.0%	15.0%
<u>Scenario 2</u>					
Minimum Bill		\$ 14.46	\$ 18.07	\$ 22.59	\$ 28.24
Volumetric Charge		\$ 30.49	\$ 38.12	\$ 47.64	\$ 59.55
Total Monthly Bill		\$ 44.95	\$ 56.19	\$ 70.24	\$ 87.79
% Change in Monthly Bill			25.0%	25.0%	25.0%

FURTHER RECOMMENDATIONS

- Identify Unknown Meter Sizes
- Consider Consolidating Tiers
 - 3-4 tiers and bigger block increases. We typically recommend 20-30% (1.2-1.3 block differential)





DISCUSSION

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