

Water rate hike delayed again

Written by By Holly J. Wagner Sun Correspondent
Friday, 23 December 2022 02:24



Reprieve for consumers could spell trouble for the future

Gallup residents may cheer when they learn water rates won't go up in January as planned, but some city leaders are worried that delaying the hike further will hobble the city's ability to keep up with system maintenance, much less improvements.

A motion to raise rates by 15% Jan. 1, 2023, with a 1% decrease in subsequent years starting next July 1, died for lack of a second at the city council meeting Dec. 13. It was the third water rate proposal the Finance Department has made since April.

Early in the review, it became clear the city has been charging residential customers less for water than it costs to deliver it.

Water rate hike delayed again

Written by By Holly J. Wagner Sun Correspondent
Friday, 23 December 2022 02:24

The abandoned plan came after months of wrangling to bring the rate hike down from the originally proposed 22.5% this year and again next year, as the Council tried to reduce the pain for customers while still balancing the books. Another proposal for 15% annual increases failed in November, and the Council asked for the plan presented this week. Meanwhile, inflation has wreaked havoc on cost projections.

“We have been at this for such a long time that the budget we were working with was significantly different,” Finance Director Patty Holland said.

Unable to reach a consensus on how much to raise rates and who should bear the burden, the City Council punted the decision yet again.

Councilors have objected that the increase increments are too high, especially for lower income residents. The most recent plan would have shifted more of the burden to business customers.

“Tonight our option is we either pass this ordinance or not,” Holland warned. “If we do not do this tonight, I don’t anticipate bringing back any further proposals for fiscal year ‘23 changes, because we are already starting to budget for the next fiscal year. We would redo everything to plan and shoot for a July 1 increase.

“That would kick the can down the road, which we have been doing since the pandemic started, which is part of why we keep stretching and pushing and saying we need these increases, we need the funding,” she continued. “We’ve tried to demonstrate for you all the needs, all the uses and the whys. Costs going up is not favorable. We don’t have another source of revenue other than grants we are going after.”

The failure to enact new rates will delay seeking a \$6.5 million bond to fund a bare-bones list of water system repairs and improvements. Lenders and rating agencies need to see income and cash projections the city can’t make without a multi-year rate structure in place. Even if the latest rate hike proposal had passed, the city would not have been in a position to issue another bond before 2028.

Water rate hike delayed again

Written by By Holly J. Wagner Sun Correspondent
Friday, 23 December 2022 02:24

This year's review has been part of a larger financial strategy calibrated to support delivering water now and as the Navajo-Gallup Water Supply Project builds out over the rest of the decade. That will necessitate maintaining the system the city has, including drilling new wells to meet demand until the NGWSP is completed.

All of those projects cost money and, while much of it is grant-funded, most of the grants require a matching percentage from recipients. The match for the next grant the city anticipates receiving would be \$1.2 million, Holland said.

Often the city has to borrow or bond for major projects, and the cost of those transactions is higher if the city can't show a stable rate of income and 180 days of cash on hand for contingencies.

Mayor Louie Bonaguidi urged his colleagues to take action. "Where do we go from here?" he asked. "I was ready to vote six months ago. We tabled it and now we are at this point here and we're stuck with something basically none of us agree on. What do we do?"

In the end, they did nothing. District 4 Councilor Fran Palochak's motion to approve the updated plan went down to defeat when no second was offered, leaving the existing rate structure in place.

By Holly J. Wagner
Sun Correspondent