

ORDINANCE NO. 2024-12

**AN ORDINANCE AMENDING THE CONTRACTED WATER RATES
BETWEEN THE CITY OF MOUNTAIN HOME WATER DEPARTMENT
AND WHOLESALE PURCHASERS, AS OUTLINED IN ORDINANCE NO. 599
SECTION 8 AS AMENDED BY ORDINANCE NO. 01-21, 03-12, 2005-42, 2006-28,
2007-24, 2008-21, 2009-13, 2010-22, 2011-10, 2012-6, 2013-7, 2014-11, 2016-13,
2019-28, 2020-32, 2021-21, 2022-25, 2023-31**

WHEREAS, it is determined by the City Council of Mountain Home, Arkansas that current or existing charges do not reflect the actual costs of service; and

WHEREAS, after reviewing the year ending 2023 audit, the City Council finds that an adjustment is necessary.

**NOW, THEREFORE, BE IT ORDAINED
BY THE CITY COUNCIL OF MOUNTAIN HOME, ARKANSAS:**

SECTION 1. Wholesale Charges

- A. Wholesale customers charge from the water plant is \$5.31 per 1,000 gallons.
- B. Wholesale customers charge from the 960-elevation system is \$5.83 per 1,000 gallons.
- C. Wholesale customers charge from the 1,080-elevation system is \$6.06 per 1,000 gallons.

SECTION 2. Wholesale Reservation

The City of Mountain Home does notwithstanding the provisions of this chapter, reserve the right and responsibility to determine wholesale water rates for water supplied for resale to and used by large consumers, including but not limited to governmental units, water associations and improvement districts. Such wholesale rates shall be set and established from time to time as necessary by agreement and contract with any such entity and by Ordinance of the City of Mountain Home, Arkansas. (Ord. 599 Sec. 8)

SECTION 3. Effective Date of Billing

This Ordinance shall be in effect for all water metered after August 15th, 2024.

SECTION 4. Emergency Clause

Efficient operation and maintenance of the municipal water system contributes not only to the safety and welfare of not only the residents of Mountain Home, Arkansas, but to its wholesale customers as well. Therefore, an emergency is declared to exist and this Ordinance shall be in full force and effect from and after its passage.

PASSED AND APPROVED THIS 18TH DAY OF JULY, 2024.



HILLREY ADAMS, MAYOR

ATTEST:



SCOTT LILES, CITY CLERK





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TRANSMITTAL

To: City of Mountain Home
752 North College Street
Mountain Home, Arkansas 72653

Date: June 7, 2024

Attn: Steve Hill, Public Works Director
Alma Clark, Director of Finance and Treasury

From: Kirby B. Rowland, PE 

RE: 2024 Mountain Home Wholesale Water Rate Study (2023 Audit)
Garver Project No. 0901-8250

Attached is the wholesale rate spreadsheet from the 2023 Audited figures:

Based on the attached computations, the wholesale rate adjustments would be as follows:

	<u>Previous Rates</u>			
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Charge per 1000 gallons for Wholesale Water from Plant	\$5.31	\$4.82	\$4.49	\$4.52
Charge per 1000 gallons for Wholesale Water from 960 System	\$5.83	\$5.30	\$5.01	\$5.06
Charge per 1000 gallons for Wholesale Water from 1080 System	\$6.06	\$5.51	\$5.24	\$5.30

Please note the following differences from the 2022 to the 2023 Audits:

- Total water sales decreased approximately (2.5)%.
- Wholesale water sales from the plant increased approximately 2.3%.
- Wholesale water sale from the 960 system increased approximately 60.0% but was a minimal amount.
- Wholesale water sales from the 1080 system increased approximately 3.4%.

Over the same period:

- O&M costs increased approximately 9.2%.
- Interest expense decreased approximately (50.0)%.
- Overall depreciation expense increased approximately 2.7%.

The Wholesale water rate increases were due to the increase costs in O&M and Depreciation coupled with the increased Wholesale water usage.

Please call if you have any questions.

Copy to File:

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WHOLESALE RATE COMPUTATIONS
CITY OF MOUNTAIN HOME WHOLESALE WATER RATES
June 7, 2024
2023 Audit Figures

2023 Water Sales (Total) =	928,432,812			
2023 Wholesale Water Sales =	277,132,970			
Percentage of Wholesale Usage	29.85%			
Wholesale Water Sales from Plant	128,167,990			
Percent of Wholesale Usage from Plant	13.80%			
Wholesale Water Sales from 960 System =	52,680			
Percentage of Wholesale Usage from 960 System	0.00%			
Wholesale Water Sales from 1080 System =	148,912,300			
Percentage of Wholesale Usage from 1080 System	16.04%			
O&M Costs =	\$ 3,714,849			
O&M /1000 gallons =	\$ 4.00			
OM&R Charge to Wholesale Water from Plant		\$ 512,672		
OM&R Charge to Wholesale Water from 960 System			\$ -	
OM&R Charge to Wholesale Water from 1080 System				\$ 595,649
2023 Depreciation & Interest				
Plant	\$ 757,664			
System	\$ 626,906			
Service Zone 960 @ 69%	\$ 432,565			
Service Zone 1080 @ 31%	\$ 194,341			
Interest	\$ 13,287			
Total Depreciation & Interest	\$ 1,397,857			
Depreciation & Interest: Plant	\$ 770,951			
Depreciation & Interest: Plant + 960 HGL Dist	\$ 1,203,516			
Dep + Int. Charge to Wholesale Water from Plant	0.83	\$ 106,391		
Dep + Int. Charge to Wholesale Water from 960 System	1.30		\$ -	
Dep + Int. Charge to Wholesale Water from 1080 System	1.51			\$ 224,216
Cost for Wholesale Water from Plant		\$ 619,063		
Cost for Wholesale Water from 960 System			\$ -	
Cost for Wholesale Water from 1080 System				\$ 819,865
Cost per 1000 gallons for Wholesale Water from Plant	\$ 4.83	\$ 4.83		
Cost per 1000 gallons for Wholesale Water from 960 System	\$ 5.30		\$ -	
Cost per 1000 gallons for Wholesale Water from 1080 System	\$ 5.51			\$ 5.51
Charge per 1000 gallons for Wholesale Water from Plant	\$ 5.31			
Charge per 1000 gallons for Wholesale Water from 960 System	\$ 5.83			
Charge per 1000 gallons for Wholesale Water from 1080 System	\$ 6.06			

Mountain Home Water and Wastewater Department
Summary Schedule of Depreciating Assets
Year ending December 31, 2023

Description	Depreciation Expense for 2023
<u>Water Department:</u>	
Equipment	38,797.52
Structures & Improvements	73,788.32
Mains/Lines	479,396.73
Subtotals	591,982.57
<u>Water Treatment Plant</u>	
Equipment	54,873.06
Structures & Improvements	497,616.51
Mains/Lines	0.00
Subtotals	552,489.57
<u>General Plant**:</u>	
Structures and Improvements	
Vehicles & Plant Equipment	
Subtotals	240,097.40
TOTALS	1,384,569.54

**The depreciation expense reported each year for all assets under the "general plant" category above is split 50/50 between the water and wastewater departments. For 2023, the expense for the water and wastewater departments was \$240,097.40 and \$240,097.40, respectively.

	626,277.89	
	518,194.25	
Percentage = 626,277.89/1,144,472.14 =	54.7219865 %	
Percentage = 518,194.25/1,144,472.14 =	45.2780135 %	
Subtotal General Plant 1 =	\$ 131,386.07	
Subtotal General Plant 2 =	\$ 108,711.33	
SUM	\$ 240,097.40	
Plant Depreciation =	\$ 757,663.96	
System Depreciation =	\$ 626,905.58	
SUM	\$ 1,384,569.54	
CHECK	\$ 1,384,569.54	OK

WHOLESALE RATES BY CONTRACT — FROM 2001 - PRESENT											
			FROM		FROM		FROM		FROM		FROM
	ORDINANCE	ORDINANCE	2001 TO	ORDINANCE	2003 TO	ORDINANCE	2005 TO	ORDINANCE	2006 TO	ORDINANCE	2007 TO
	NUMBER	NUMBER	2003	NUMBER	2005	NUMBER	2006	NUMBER	2007	NUMBER	2008
2001 - 2008	2001-21	2003-12	INCREASE	2005-42	INCREASE	2006-28	INCREASE	2007-24	INCREASE	2008-21	INCREASE
NORTHEAST WATER AUTHORITY	1.63	1.76	0.13	1.84	0.08	2.10	0.26	2.26	0.16	2.46	0.20
GASSVILLE OR COTTER WATER	1.82	1.95	0.13	2.06	0.11	2.33	0.27	2.49	0.16	2.70	0.21
LAKEVIEW MIDWAY	1.91	2.04	0.13	2.15	0.11	2.43	0.28	2.59	0.16	2.81	0.22
			FROM		FROM		FROM		FROM		FROM
	ORDINANCE	ORDINANCE	2008 TO	ORDINANCE	2009 TO	ORDINANCE	2010 TO	ORDINANCE	2011 TO	ORDINANCE	2012 TO
	NUMBER	NUMBER	2009	NUMBER	2010	NUMBER	2011	NUMBER	2012	NUMBER	2013
2009 - 2013	2009-13	2009-13	INCREASE	2010-22	INCREASE	2011-10	INCREASE	2012-6	INCREASE	2013-7	INCREASE
NORTHEAST WATER AUTHORITY		2.50	0.04	2.67	0.17	2.68	0.01	2.78	0.10	2.98	0.20
GASSVILLE OR COTTER WATER		2.76	0.06	2.97	0.21	2.98	0.01	3.12	0.14	3.34	0.22
LAKEVIEW MIDWAY		2.88	0.07	3.10	0.22	3.11	0.01	3.27	0.16	3.51	0.24
			FROM	NOT APPROVED	FROM		FROM	NOT APPROVED	FROM	NOT APPROVED	FROM
	ORDINANCE	ORDINANCE	2013 TO	ORDINANCE	2014 TO	ORDINANCE	2014 TO	ORDINANCE	2016 TO	ORDINANCE	2016 TO
	NUMBER	NUMBER	2014	NUMBER	2015	NUMBER	2016	NUMBER	2017	NUMBER	2018
2014 - 2018	2014-11	2014-11	INCREASE	2015-	DID NOT PASS	2016-13	INCREASE	2017 -	DID NOT PASS	2018 -	DID NOT PASS
				WOULD HAVE BEEN				WOULD HAVE BEEN		WOULD HAVE BEEN	
NORTHEAST WATER AUTHORITY		3.60	0.62	3.82	0.22	3.91	0.31	4.04	0.13	4.04	0.13
GASSVILLE OR COTTER WATER		4.05	0.71	4.30	0.25	4.42	0.37	4.58	0.16	4.58	0.16
LAKEVIEW MIDWAY		4.26	0.75	4.53	0.27	4.66	0.40	4.83	0.17	4.83	0.17
		NOT APPROVED	FROM		FROM		FROM		FROM		FROM
	ORDINANCE	ORDINANCE	2017 TO	ORDINANCE	2018 TO	ORDINANCE	2019 TO	ORDINANCE	2020 TO	ORDINANCE	2021 TO
	NUMBER	NUMBER	2018	NUMBER	2019	NUMBER	2020	NUMBER	2021	NUMBER	2022
2018 - 2022	2018 -	2018 -	DID NOT PASS	2019-28	INCREASE	2020-32	INCREASE	2021-21	INCREASE	2022-25	DECREASE
				WOULD HAVE BEEN							
NORTHEAST WATER AUTHORITY		4.33	0.42	4.08	0.17	4.48	0.40	4.52	0.04	4.49	-0.03
GASSVILLE OR COTTER WATER		4.87	0.45	4.59	0.17	5.01	0.52	5.06	0.05	5.01	-0.05
LAKEVIEW MIDWAY		5.10	0.44	4.82	0.16	5.25	0.43	5.30	0.05	5.24	-0.06
			FROM	PROPOSED	FROM						
	ORDINANCE	ORDINANCE	2022 TO	ORDINANCE	2023 TO						
	NUMBER	NUMBER	2023	NUMBER	2024						
2023 - 2027	2023 -11	2023 -11	INCREASE	2024 -	INCREASE						
NORTHEAST WATER AUTHORITY		4.82	0.33	5.31	0.49						
GASSVILLE OR COTTER WATER		5.30	0.29	5.83	0.53						
LAKEVIEW MIDWAY		5.51	0.27	6.06	0.55						