

**Minutes**  
**Water Rate Study Workshop**  
**December 6, 2022**

The Village of Capitan Board of Trustees met in a Water Rate Study Workshop on Tuesday, December 6, 2022 at the Village Hall in Capitan, New Mexico at 6:00 PM.

The meeting began at 6:14 PM.

**Attendees:** Mayor Lowrance – present, Trustee Kearns – present, Trustee Shearer – present, Trustee Fraley – present, Trustee Hair – present. Al Cavazos – Village Clerk, Donna Weekley – Administrative Assistant and Steve Osborn – Water Department Supervisor were also present. A list of others in attendance is attached.

**Discussion:**

Karl Pennock said over time the rates have drifted away from what is listed in the ordinance. The current rate structure has different codes and those codes have become skewed either due to user error or computer error. Trustee Shearer asked if there was someone that could come in and provide technical help with the billing software. Consumer Price Index (CPI) adjustments are included in the ordinances but have been put on hold. Trustee Shearer said she does not think the CPI adjustments have to be done and the Council chose not to implement them in recent years.

The current rate structure was discussed and then Mr. Pennock recommended a 3-tier structure taking into account meter size. There would be a standard (residential) rate, a commercial rate and an extra-territorial rate. Usage rates within the residential and commercial tiers would be the same. He also recommended dropping the 6000 gallons included in the base rate to 2000 gallons. He thinks that people using only 2,000 gallons a month should not be paying a base rate that includes 5,000 gallons. There is a concern that 2,000 gallons is too low. There is also a concern of the burden being placed on people by a rate increase.

A question was asked about the extra-territorial rate being 1.5x. It was explained that extra-territorial water provides the benefit of water and increases property value.

The Village needs to plan for agricultural and industrial growth. Higher demands are going to be made and Mr. Pennock said the demand will be covered by the meter size. The rationale for having different base rates according to meter size is based on a larger meter having the capacity to provide more water.

Simpler is better and enough revenue has to be generated to operate the water system. One recommendation is to have three tiers and then charge for normal use and high use. It could be the base rate according to meter size plus usage charges at [2,001-5,999] [6,000-19,999] and [20,000 and above]. Trustee Fraley asked if it would be too simplistic to have a 2,000 gallon base and then under 10,000 gallons and over 10,000 gallons for usage charges. Mr. Pennock said it might be too simplistic and that he likes 2,000, 6,000, and 20,000 usage rates. He said the rates send a signal to help control water usage. The State encourages the levels for conservation. There was also a question about rates for

usage over 20,000 gallons and how that would affect the schools. Trustee Shearer asked if there could be an institutional government rate for the schools or maybe a waiver. Several places could be included in the government rate. Trustee Hair asked about labeling the rate as something else. Trustee Fraley asked if the other commercial user rates could be brought up to what the school has been paying.

It will be difficult to get funding for projects when the Village does not have enough money to maintain the water system. Changes are needed. The question is how to structure these changes. Trustee Hair and Trustee Shearer said the Village must promote growth or the water rates will have to continue to increase. Allison Provine asked about the subdivision the Village would not give water. Trustee Kearns said that would be the way to go but there would have to be an investment with someone putting in curbs, streets, and lights. Trustee Shearer pointed out a subdivision in Carrizozo was given water and it is "still just standing there." If the Village would allow more than one residence per meter, there could be an increase in rental properties. Ruidoso does not have enough housing and Capitan could help provide affordable housing. This would help Capitan grow and help with the Water Department revenue. Mayor Lowrance said maybe they could work with Lodger's Tax and promote Capitan. He pointed out many people are working from home now and they hate the city. Trustee Kearns said that is a twenty year or ten year improvement and right now the Board is dealing with next year.

Based on the percent increases recommended by Mr. Pennock, Trustee Kearns shared the increases on a \$74.47 base that includes water and sewer would increase to \$86.25 for the first year. The rate would be \$89 the second year. The third year would be \$98 and the fourth year would be \$100.65. He said it could be burdensome but also that if nothing is done, the Village loses out on funding.

A question was asked about unmetered service. Steve Osborn explained it is illegal to meter fire lines so those are unmetered.

Trustee Kearns thinks the Village needs to take a look at agricultural use.

Trustee Fraley pointed out the Village needs an increase of 6% to catch up with 3% a year CPI. He is wondering if a 10% increase with the three tiers would get the Water Department in the black. According to US Statistics, the inflation rate this year is 9.1%. Going up 10% is close to staying with the inflation rate this year.


The Water Department does have \$300,000 in unrestricted funds so it is not necessary to aggressively fund the Capital Fund. A buffer is needed in case project costs continue to increase.

A small community that is not growing is going to have rate increases. The Trustees are going to have to explain to the people why the increases must happen and education needs to be made available on how to conserve water but also have green grass. Trustee Shearer talked about the importance of green space as a fire barrier.

Greg Tregembo said he knows it is a tough decision and it can hurt the pocket book but he needs water.

They are looking at scheduling another workshop.

The meeting adjourned at 7:54 pm.

  
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Ron Lowrance, Mayor, Village of Capitán

**Attest:**

  
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Al Cavazos, Village Clerk

