

Water rate hike still in limbo, inching closer

Written by By Holly J. Wagner Sun Correspondent
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A planned increase in Gallup water rates still looms, but how big the bump will be when it is expected to take effect Jan. 1, 2023, is still an open question.

Gallup City Council must weigh the hardship of a rate hike on some consumers against financing needed repairs and upgrades throughout the city's antiquated water system.

"Currently residential customers are not covering the cost of operations with what we are charging for water," Finance Director Patty Holland said. "They're paying \$4.06 for what costs us \$4.47 to deliver."

How much revenue the water department brings in has a direct effect on how much it can borrow and at what interest rates.

Back in April, the Finance Department asked to raise customer rates 22.5% each this year and next, for a total of 50% higher rates by the end of next year. Some council members balked at the stiff hike and sent staff back to the drawing board. In August, staff returned with proposals outlining the impact of raising rates 10% or 15% per year instead.

After further study, Holland offered the city council two new options in a presentation Oct. 11; one would add up to the 22.5% hike originally sought, and the other 15.5%. Both get to those figures partly by restructuring rates.

"We historically have only tracked the water rate and always done it as a general increase.

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Everything goes up 5% or 4%, whatever the approved rates were,” Holland said. “We’re going to break this out going forward. The water charge is your consumption charge, which is called the Commodity Charge. That one will be set up and try to track it to where it supports the operational costs of the department, just getting the water to consumers.”

A separate Meter Charge, based on meter size, would be designed to fund capital needs and the debt service going forward. Older homes tend to have five/eight-inch meters, while newer homes often have one-inch meters. Commercial and industrial meters can run as large as eight inches.

For low-use residential customers with a five/eight-inch meter, the charge would increase by \$5.88 per month under Option One, or \$4.69 per month under Option Two. For a one-inch meter, the hike would be about \$8.75.

The new structure would also include an industrial rate designed to attract businesses to the city. That rate would be about 70% of the lowest charge for the commercial rate.

Councilors have mixed feelings about the choices.

“I’m just concerned that the first option is still bringing us to 22% which brought up the outcry,” Councilor Sarah Piano, Dist. 3, said.

But Councilor Fran Palochak, Dist. 4, offered this counterpoint: “For many, many years [previous councils] were afraid to do this because they were worried that they would not be reelected. We have to make a decision at some point,” she said.

Which option the council chooses will determine how fast the city can make upgrades and improvements.

“The water system definitely needs more attention than it’s been given,” Holland said. “We

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recognized coming into the pandemic that we needed to do a bit of a rate jump to try and get caught up and stay up with all the needs we had, but we held off because of everything that was going on, the uncertainties and the problems that occurred. We went two full years without taking the time to address this to get the rates increased. It is a little bit more drastic than would be ideal.”

Council members didn’t express their preferences at the presentation, but will pass them along to Holland in the coming days. She expects to bring a proposal to the council for a public hearing and possible approval Nov. 8.

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