

# Excess Water Usage

## Committee Proposal to Discourage/Assess

- Mary Moore
  - Peter Veverka
  - Pandy Bratt
  - Mark Stanley
  - Brad Shurter
  - Dave Schmitt
  - Harold Corn
  - Max Otero
  - Sondra Cantrell
  - John Fredlund, chair
- 

# Problem Statement

Some members are using excessive amounts of water, and SLPPOA has no deterrence mechanism.

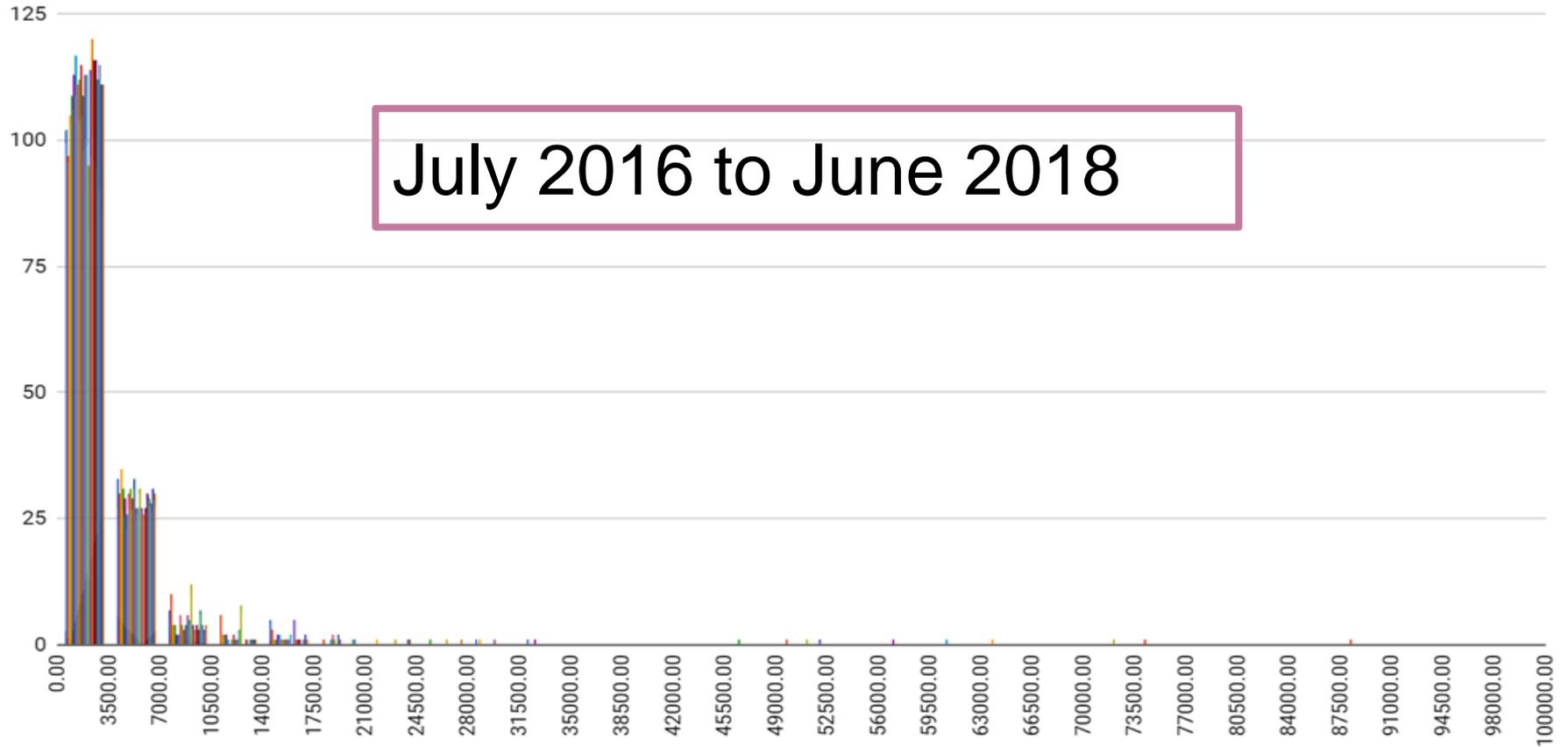


# Current Practice is Unfair and Unsustainable

- The greater majority of residents are paying for a small minority using many times more water than is reasonable.
- Excess use has been gradually increasing
- This trend must be reversed or we will exceed our water rights
- Groundwater level is decreasing, though we have not quantified how much



# Histogram



# Necessary Terms

**Base costs:** The costs of providing water that do not vary with the amount delivered, such as the costs of maintaining the distribution system

**Incremental Costs:** The costs of providing water that vary with the amount delivered, such as electricity



# Chair's Guideline

All elements of our proposal must have reasonable bases that we can stand firmly behind



# BASIS INFORMATION

- We currently spend \$40k - 45k/year on the water system. Residents currently pay about \$24/month (in the yearly dues) for water
- Electricity costs are about \$0.75/kgal
- Other incremental costs (e.g. pumps) bring that up to about \$1/kgal
- The *great majority* of users *already* limit their use to *very reasonable* quantities
- **So**, the *main* reason for stopping excess use is to remain within our water rights
- The second reason is fairness for users that do not use excessive water

# BASIS INFORMATION

- NM regulations allow 81,463 gal//yr, or 6,789 gal/mo for a household (19.27.5.14.C.1)
- SLPPOA gets about 19,322,964 gallons/yr water rights
- About 5 million gallons of what we pump leaks back into the ground
- About 5 million gallons go through user meters

# RATE TIERS

- The committee agreed to propose a tiered rate structure
- The committee reviewed rate structures from other water systems
  - Jemez Springs
  - Cañon
  - HOA near Cuba
  - Entranosa
- Our incremental costs to provide water do not support base rates as high as other systems

# RATE TIERS

- After a lot of discussion, the committee adopted two tiers:
    - Non-punitive, so that large users pay their share of incremental costs (plus billing charges)
    - Deterrent, so that excessive users are discouraged from using unsustainable amounts of water
- 

# RATE TIERS

## Non-punitive Tier

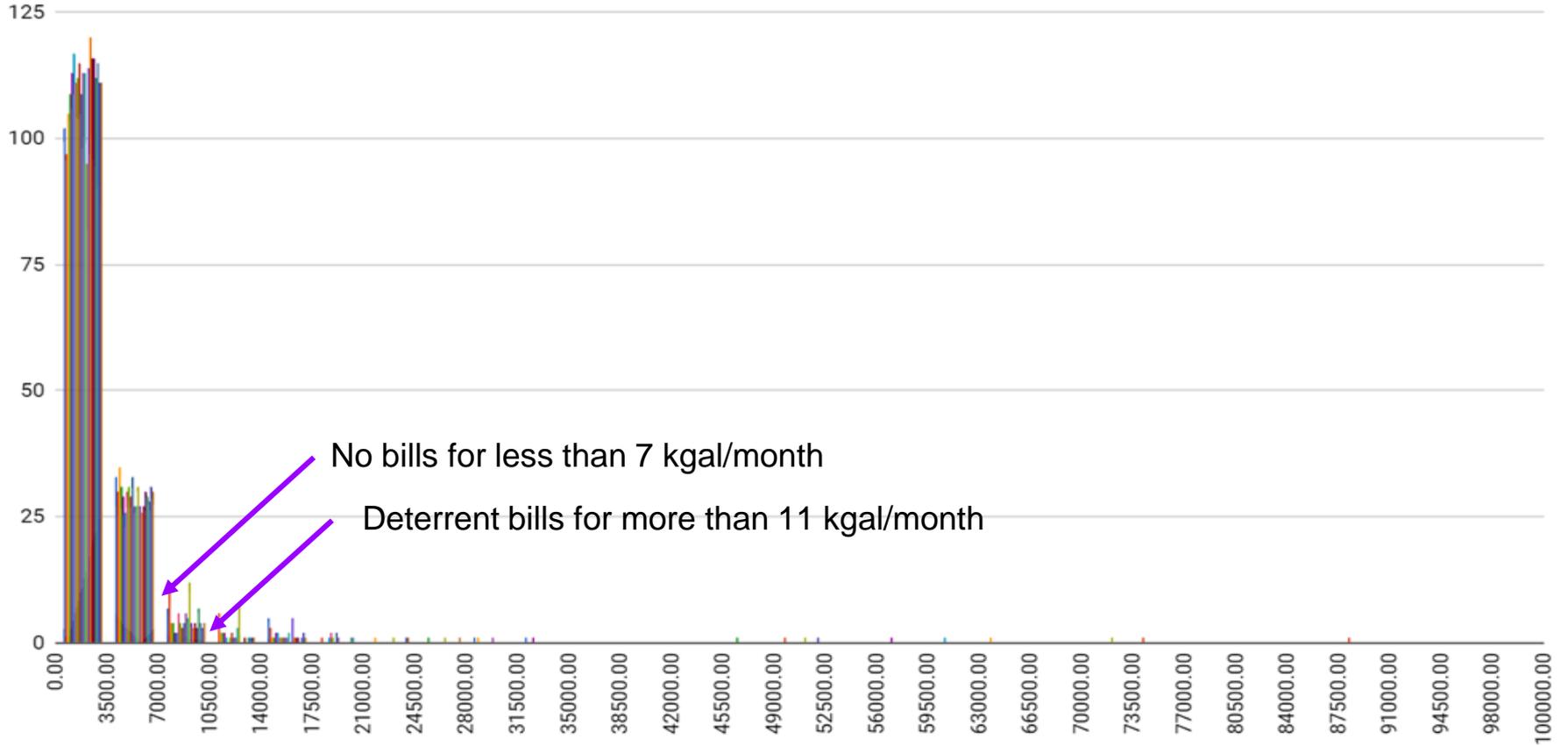
- With our *current* leak rate, we can support all users using about 7 kgal/month without exceeding our water rights
  - Per previous slide, NM considers about 7 kgal/month acceptable
  - So, the committee decided to start assessing for incremental use at this amount to persuade residents to use less
  - The rate is our computed incremental cost of providing water - \$1/kgal
- 

# RATE TIERS

## Deterrent Tier

- Assuming **zero** system leakage, residents' share of SLPPOA water rights is about 11 kgal/month
  - **Use over 11 kgal/month is *inarguably* usurping other residents' water rights**
  - The deterrent rate we arbitrarily picked is ten times our computed incremental cost of providing water - \$10/kgal
  - While arbitrary, this rate increase factor is reasonable yet highly punitive
- 

# Histogram



# BILLING

- Cost of billing is added to the assessment for both tiers
- Treasurer and management company both estimated about \$5 for the cost of billing
- The committee proposed \$5 for all monthly usage assessments
- A higher amount would be reasonable to cover volunteer efforts and further deter residents from exceeding 7 kgal/month

## Ancillary Information

# Leak Forgiveness policy

- Excess water use due to leaks can be forgiven
- Leak must be “unplanned”
  - Leak must be fixed promptly
- or -
- Supply to the leak must be turned off promptly
- Default time to fix leak = 1 month from discovery
- A leak that challenges the water system will result in water being turned off
- Policy and its implementation is at the discretion of the Board

## Ancillary Information

- Board can adjust rates, per proposed new bylaws, based on costs that vary with amount of water pumped (incremental costs), such as
  - Electricity costs
  - Pump replacement cost history
  - Chemicals
- Board will *still* adjust yearly dues, based on fixed costs, incremental costs, and other expenses besides the water system

## Ancillary Information

### Non-payment of Assessments

- Article X, Section 8 of the Bylaws provides strong remedies for nonpayment of assessments, including
  - Interest at 1.5%/month, minimum of \$5.00/month
  - Turning off water to the property
  - Withholding all other SLPPOA services
  - Foreclosure
  - Employing the service of a collection agency
  - Withholding any and all privileges of belonging to the Association.
- NM law causes any amount owed to SLPPOA to become a de facto lien against the property

## Ancillary Information

# Effect on annual dues

- The objective of these assessments is to deter excessive use of water
  - The objective of these assessments is *not* to raise more money
  - These assessments will shift some costs of providing water from reasonable users to excessive users
  - While dues will probably never go down, **these assessments for excessive use will result in annual dues being lower than they would be without these assessments**
- 

# No reasonable argument against

- The SLPPOA water system cannot sustain current excessive use
  - Groundwater level
  - Firefighting reserve
  - Wear & tear on pumps
  - Aging (& departing) volunteers
- It is unfair for reasonable users to pay for excessive users
- If the trend of more residents using excessive water is not stopped, we would exceed our water rights

# No reasonable argument against

- 7 kgal threshold is based on NM law and water available after leakage
- 11 kgal threshold is based on owner's share of water rights before leakage
- \$1 per thousand gallons is based on SLPPOA's incremental costs to provide water
- \$10/thousand gallons deterrent assessment is similar to, but less than, other NM water systems

