

Water Update

Banner Elk has historically had the lowest water rates in the High Country as well as having been awarded best tasting in the High Country. And for the past several years Banner Elk has received many monetary benefits from development. Unfortunately this “wind fall” has stopped and new stronger requirements from the State are now being enacted.

The Town of Banner Elk Utilities Department has been working to meet the State’s new requirements for “full-cost” pricing. Traditionally, water rates have been subsidized by property taxes and often these dollars and utility dollars had some overlap. These practices, as well as several other practices, which kept water rates low, are no longer acceptable by the State’s new requirements. These new requirements will shift approximately \$76,000 of debt payments to the utilities.

Banner Elk has also seen a substantial drop in its revenue stream mainly due to the lack of new development in the last two years. New development in previous years generated one-time impact fees of approximately \$200,000 per year. The vast majority of this money has been saved for capital projects, such as the sludge press, rehab of the disputed Grandfather Home sewer lateral and a water main loop. The current and past fiscal years saw very little impact fees, which have resulted in a 20% decrease in revenue. It should be noted that while revenue has dropped 20% since FY 06, expenses have been kept in check, only increasing 2%.

Banner Elk has been holding discussions at its regularly scheduled Council meetings on how best to deal with the new requirements and loss of revenue, while ensuring a solid future for our drinking water. The Town has passed a \$1.25 surcharge on each meter for Capital Improvement Projects. This would be a monthly fee that will be able to be lowered when development returns. This revenue stream will cost a resident \$15 per year and will generate approximately \$20,000 per year for the purpose of replacing aging equipment that produces our drinking water