

**The Minutes of
Honeyville City Council
June 3, 2026, Special Meeting**

Mayor Bruce Nelson called the meeting to order at 7:00 p.m.

He advised the public that this meeting was a "Special Meeting" because the regular scheduled meeting would have been on June 10th, but the council was not sure if they would have a quorum, so they moved the meeting up by one week.

Present were Mayor Bruce Nelson, Councilmembers Ryan Adams, Codey Illum, Kami Anderson, Trevor Gardner and Dusty Bingham.

Approximately 14 members of the public were present.

Employees present were:

- Brittany Chlarson, Clerk/Recorder
- Wendy Lindauer, Deputy Clerk
- Megan Hansen, Treasurer
- Troy McNeely, Public Works Director
- Kenny Funk, Zoning Administrator

Dusty Bingham offered the invocation and led the group in the Pledge of Allegiance.

Conflict of Interest: Mayor Nelson stated that he owns land that could potentially become a flag lot one day.

Public Comment Period: No comment was made.

Public Hearing – Resolution 2026-03 – Budget Adjustment for Fiscal Year 2025-2026:

A. Open Public Hearing: 7:03 p.m.

CODEY ILLUM motioned to Open the Public Hearing for Resolution 2026-03 – Budget Adjustment for Fiscal Year 2025-2026 at 7:03 p.m. DUSTY BINGHAM seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham For.

Megan H, the Treasurer, reported that **Blair P** made adjustments as necessary to the Budget to reflect accurate expenditure.

B. Close Public Hearing: 7:04 p.m.

CODEY ILLUM motioned to Close the Public Hearing for Resolution 2026-03 – Budget Adjustment for Fiscal Year 2025-2026 at 7:04 p.m. TREVOR GARDNER seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham For.

C. Action Item: Resolution 2026-03 – Budget Adjustment for Fiscal Year 2025-2026

TREVOR GARDNER motioned to Approve Resolution 2026-03 – Budget Adjustment for Fiscal Year 2025-2026 as presented. DUSTY BINGHAM seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham For.

Public Hearing – Resolution 2026-04– Adopt Budget for Fiscal Year 2026-2027:

A. Open Public Hearing: 7:05 p.m.

TREVOR GARDNER motioned to Open the Public Hearing for Resolution 2026-04 – Adopt Budget for Fiscal Year 2026-2027 at 7:05 p.m. KAMI ANDERSON seconded that motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham For.

Megan H stated that Blair P also prepared this budget based off of the council's meeting. She said that he does like to stay conservative with his numbers and asked the council if they had any issues with the numbers presented. No issues were brought up.

Mayor Nelson reported the following projects that the council would like to work on this year. They are as follows: Walking Path around the Park, Install Sprinkling System on property just South of City Hall, Fix Spring 8, Upgrade Council Chambers and Add Curbing around Walking Path at the East Park.

B. Close Public Hearing: 7:07 p.m.

TREVOR GARDNER motioned to Close the Public Hearing for Resolution 2026-04 – Adopt Budget for Fiscal Year 2026-2027 at 7:07 p.m. KAMI ANDERSON seconded that motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham For.

C. Action Item: Resolution 2026-04 – Adopt Budget for Fiscal Year 2026-2027

CODEY ILLUM motioned to Approve Resolution 2026-04 – Adopt Budget for Fiscal Year 2026-2027 as presented. DUSTY BINGHAM seconded that motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham For.

Public Hearing – Resolution 2026-05 – Adopt Updated Water Rates

A. Open Public Hearing: 7:09 p.m.

DUSTY BINGHAM motioned to Open the Public Hearing for Resolution 2026-05 – Adopt Updated Water Rates at 7:09 p.m. CODEY ILLUM seconded that motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham For.

Mayor Nelson stated that the resolution presented would raise the base rate by 25% as well as raise the overage rate by 25%. The rates would automatically increase again in 3 years (January 2030) by 12.5%. He further stated that the last time the water rates were adjusted was in 2017. He said that if you look at inflation since 2017 the base rate should go from \$40 to \$53, however the number presented was \$50 to keep the numbers simple.

Dave Hougaard read from a document he had emailed to the council (this document will be attached to the minutes as Exhibit A). He felt that overage charges should remain low and the main water system should be able to be maintained by the main water rates.

B. Close Public Hearing: 7:15 p.m.

TREVOR GARDNER motioned to Close the Public Hearing for Resolution 2026-05 – Adopt Updated Water Rates at 7:15 p.m. DUSTY BINGHAM seconded that motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham for.

Mayor Nelson stated that he felt that Dave Hougaard's comments regarding overage charges may be true for a big store like Costco when they are trying to move product versus having something they are trying to conserve. He stated the city is not trying to sell a product. He further stated that other communities within Utah charge more per gallon if you have an overage. Currently Honeyville is charging \$1.60 per thousand gallons and only \$1.00 per thousand gallons for overages. He felt that both rates should be raised by 25%.

Kami A questioned raising the rate every three years.

Trevor G felt that the presented resolution does not match the previous discussion by the council. He also stated that he is ok with the idea of going away from field taps but felt there needed to be some language that stated how much those taps would cost and what the allowed amount of usage would be.

He also felt that there needed to be more of a gradual increase.

Brittany C shared the table of the previous rates discussed and stated that the base rates were the same rates that were previously discussed. However, there were some changes to the other items presented.

Mayor Nelson stated that he suggested an automatic increase in 3 years along with the increase to the overage charge.

Trevor G asked what the city has to pay for the water.

Mayor Nelson stated that the city has to have funds to maintain the system.

Codey I felt that everyone agreed that the base rate needs to be increased and suggested coming to an agreement on the base rate for now and then discussing overages at a later date.

Trevor G suggested moving all field taps to the same rate as a ¾" hook up. **Troy M** the public works director, stated that not all field taps are the same tap size. They could also be 1 or 2" taps. **Trevor G** amended his suggestion to state that all existing field taps would now be billed according to the size of the installed tap. He then suggested that the ¾" hookup base rate change from \$40 to \$45 and then raise the base rate by \$5.00 again in two years. He suggested raising the other base rates at the same percentage and making no changes to the overage rate.

Dusty B asked the Mayor if there was a reason the council needed to increase the rates at a faster rate. **Mayor Nelson** stated that the city has to be able to upgrade the system when needed, but the biggest project is that the city needs to put in a new reservoir within 6 years. The city is unable to get funds for projects like this because the city's tax & water rates are too low, the citizens' income is too high, and the city has no debt. To get funding the city would need a tiered rate which includes the overage rate being greater than the base rate. **Trevor G** has a hard time with anyone outside of the community providing input on the water system.

Jacob Jaques stated that he has fixed waterlines nearly his entire life and that his supplier costs increased by 20% this spring. He feels that the city is so far behind that something needs to be done.

Codey I stated that he would like to do a jump now and then stay consistent with inflation each year. He said Honeyville has some of the lowest rates and that the system needs funds to be maintained.

C. Action Item: Resolution 2026-05 – Adopt Updated Water Rates

TREVOR GARDNER motioned to Approve Resolution 2026-05 – Adopt Updated Water Rates with amendments made to the presented Resolution. Those amendments are as follows: There will no longer be Field Taps. Field Taps will be billed according to their tap size. Rates will increase as follows: ¾" Base Rate Increase from \$40 to \$45 effective August 1, 2026 all other base rates will increase at the same percentage rounding to a whole number. The ¾" Base Rate will increase \$5.00 automatically August 1, 2028 (\$45 - \$50), and another \$5.00 increase on August 1, 2030 (\$50 - \$55). All other Base Rates will increase at the same time at the same percentage rate. Overage will remain at the current rate of \$1.00 per 1,000 gallons

over allotted gallons. CODEY ILLUM seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham for.

Public Hearing – Resolution 2026-06 – Add Cemetery ½ Plot Fee, Flood Plain Fee & Road Vacation Application Fee to Current Fee Schedule:

A. Open Public Hearing: 7:37 p.m.

TREVOR GARDNER motioned to Open the Public Hearing for Resolution 2026-06 – Add Cemetery ½ Plot Fee, Flood Plain Fee & Road Vacation Application Fee to Current Fee Schedule at 7:37 p.m. DUSTY BINGHAM seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham for.

Mayor Nelson stated that during the cemetery audit the city found that there are some plots that are not full plots and they would like to offer those plots that are currently ½ plots at a discounted rate.

Brittany C clarified that the city is not making new half plots but simply allowing the city to sell plots that are already half plots. Troy M said that years ago they used to sell full and half plots. The cemetery was laid out to have a specific section for half plots so it would remain unified, however it did not happen that way.

Mayor Nelson stated that the city has not had a floodplain permit fee because it was not a common request. However, recently it has become more common and there are fees incurred by the city to process those. The fee proposed was \$100 + any additional fees charged to the city.

Mayor Nelson stated that previously the city learned that vacating a road takes a lot of work and insures costs. This looks to be something that will be requested more often moving forward so a fee needs to be put in place. Brittany reviewed other communities and found that their fee was \$500 so that is why the \$500 is being presented.

Trevor G raised the question about vacating a road that is a part of the streets and roads master plan. Mayor Nelson stated that he didn't feel the city should vacate a road that is a part of the Master Plan.

B. Close Public Hearing: 7:45 p.m.

RYAN ADAMS motioned to Close the Public Hearing for Resolution 2026-06 – Add Cemetery ½ Plot Fee, Flood Plain Fee & Road Vacation Application Fee to Current Fee Schedule at 7:45 p.m. DUSTY BINGHAM seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham for.

C. Action Item: Resolution 2026-06 – Add Cemetery ½ Plot Fee & Flood Plain Fee to Currently Fee Schedule:

Codey I felt that the \$350 half plot rate is too low.

TREVOR GARDNER motioned to Approve Resolution 2026-06 – Add Cemetery ½ Plot Fee, Flood Plain Fee & Road Vacation Application Fee to Current Fee Schedule as presented. DUSTY BINGHAM seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham for.

Zoning Administrator/DRC/Planning Commission Report – Kenny Funk & Jacob Jaques

- **Zoning Admin/DRC Report: Kenny Funk**
 - **Building Permits Issued:**
 - Storage Shed – Calls Fort Subdivision
 - Swimming Pool – Calls Fort Subdivision
 - A Building Permit Application for a home next to Camelotte Inn has been submitted but it is at least another month out before there is a resolution.
 - **Internal ADU Questions:** Requesting information on what needs to be done to rent their space.
- **Planning Commission Report: Jacob Jaques**
 - **Public Hearings:** Several Public Hearings were held and the recommendations will be presented to the council later in the meeting.
 - **Ordinances Under Review:** The Commission is working on the Shooting Ordinance, Short Term Rental Ordinance and the Fencing Ordinance along with a Fence Permit.

Trevor G reminded the council that they tabled the Tolman CUP application. **Mayor Nelson** stated that it is being worked and will be presented to the council at a later date.

City Administration – Mayor Bruce Nelson

Discussion Items:

- A. **4th of July:** Because lunch is free this year, they will need a lot of help cooking. Kami could also use help with the park activities.
- B. **Online Payment Options:** Megan had found a company the city had hoped to go with for online payments, however once she reviewed the information from the references, she did not feel comfortable moving forward with that company and is looking into other options.

C. Reconcile Bank Statement – Kami Anderson

Action Items:

A. Crystal Springs Site Plan:

Kenny F stated that the DRC and Planning Commission have reviewed the Site Plan, and the Commission recommends approval under the condition that they update the items that are missing from their drawings that are required according to the city's checklist. These are small things such as dumpster location etc.

RYAN ADAMS motioned to Approve the Crystal Springs Site Plan with the Planning Commissions recommendations. KAMI ANDERSON seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham for.

B. Thomas Jenkins Boundary Adjustment:

Kenny F stated that Thomas would like to buy a half-acre from his neighbor. However, when the Savanna Heights subdivision was created there was a one-foot protection strip left there because the neighbor did not want to be a part of the subdivision. Thomas has purchased that protection strip and would like to deed it back to the city.

RYAN ADAMS motioned to Approve the Thomas Jenkins Boundary Adjustment. CODEY ILLUM seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham for.

C. Approve Recitals for Ordinance 2026-02 Impact Fees Passed on 01/14/26:

It was brought to the city's attention that when the council approved the Impact Fees in January, they failed to also adopt those fees by ordinance. Therefore, the council needs to approve the enacting ordinance.

TREVOR GARDNER motioned to Approve the Recitals for Ordinance 2026-02. DUSTY BINGHAM seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham for.

D. Creating Ordinance 2026-02 – Title 3 Chapter 5 – Short Term Rentals

The Planning Commission did not feel ready to present this Ordinance yet, so it was removed from the agenda.

E. Text Amendments for Ordinance 2026-03 – 7-1-6: Sidewalk Regulations:

Jacob J stated that the Planning Commission removed some verbiage and added a section regarding consequences for infractions.

Trevor G asked who was responsible for the sidewalks in front of undeveloped land. **Laurie H** said that the state says that the property owner that abuts the sidewalk is responsible for the maintenance of that sidewalk. **Codey I** asked if farm ground falls under that category. **Trevor G** felt that once a home is built or the ground is developed then the owner should be responsible, but he feels that it is a burden for those with farm ground to maintain. He further stated that it is the city's responsibility to develop in a responsible way and if they want to put a sidewalk in an undeveloped area then they are on the hook to maintain it. **Laurie H** suggested that if the council does not like what was presented then they should amend the Ordinance to fit what they feel is best. **Dave H** suggested changing the title from "sidewalk" to "walking path" in front of undeveloped land. This would then move those sections away from the sidewalk requirements.

TREVOR GARDER motioned to table the presented Ordinance. Trevor will present suggestions next month. DUSTY BINGHAM seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham for.

F. Text Amendment for Ordinance 2026-04 – 10-21-11: Creating Billboard Regulations:

Jacob J stated that they created billboard regulations that align with UDOT standards along with 90% of neighbors' approval and not within a certain distance of a residential zone.

CODEY ILLUM motioned to Approve the Text Amendment to Ordinance 2026-04 – 10-21-11: Creating Billboard Regulations as presented. KAMI ANDERSON seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham for.

G. Text Amendments for Ordinance 2026-05 – Title 10 Chapter 22: Supplementary Development Standards:

Kenny F stated that this is part of the Title 10 Committee clean up. One of the major changes is regarding junk vehicles. It will allow for more junk vehicles as long as they are indoors. Trailers and RVs are not allowed to store junk. There were also changes to the Easement & Fences and Walls section. **Kenny** further explained that they will be repealing Flag Lots from this section along with removing ADU information and moving those to more appropriate sections of the code. There was also information added to this ordinance regarding Shipping Containers.

RYAN ADAMS motioned to Approve Text Amendments to Ordinance 2026-05 – Title 10 Chapter 22: Supplementary Development Standards as presented. CODEY ILLUM seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham for.

H. Text Amendments for Ordinance 2026-06 – 10-35-3: General Regulations for Detached ADU's and Internal ADU's:

Kenny F stated that when the city created the ADU ordinance it was broken up into different sections. This cleaned that up and put it all in one section of the code.

CODEY ILLUM motioned to Approve the Text Amendments to Ordinance 2026-06 – 10-35-3: General Regulations for Detached ADU's and Internal ADU's as presented. RYAN ADAMS seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham for.

I. Ordinance 2026-07 – Repealing 10-22-11 and Adopting 11-4-11 Flag Lot Subdivision:

Kenny F stated this allows them to repeal the old Flag Lot Ordinance from Title 10 and to create a new ordinance. The new Flag Lot Ordinance is a more restrictive and better defined and also provides diagrams to help explain the requirements. It also states that they are only allowed on the East side of Highway 38.

TREVOR GARDNER motioned to Approve Ordinance 2026-07 – Repealing 10-22-11 and Adopting 11-4-11 Flag Lot Subdivision as presented. KAMI ANDERSON seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham for.

J. Flag Lot Subdivision Checklists & Application:

The Flag Lot Subdivision Checklists & Application was presented and no concerns were raised.

TREVOR GARDNER motioned to Approve the Flag Lot Subdivision Checklists & Application as presented. CODEY ILLUM seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham for.

K. Fire District Contract:

Mayor Nelson reported that Fire District Contract expires next month. The Fire District wants to extend the current contract for another 3 years. The council did not feel comfortable with that.

There was further discussion about what the other communities are providing for the Fire District along with the additional amenities that Honeyville's building offers vs the other Fire District Buildings. At Honeyville they have an ADA bathroom with a decontamination shower along with a separate room for training.

TREVOR GARDNER motioned to deny the request to extend the current Fire District Contract for another 3 years. DUSTY BINGHAM seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham for.

L. Ditch Contract:

Mayor Nelson presented a contract that was submitted to him regarding the ditch on Calls Fort Road.

There is a ditch on Calls Fort Road that has not been maintained. For the past couple of years, the city has been dumping dirt there to help get the muskrat issue under control because it is causing damage to the road. The city did not fill any sections that had been maintained. Some of the landowners on that road were not happy with this.

In the contract they stated that they wanted the city to put the ditch back to historical use. Which the Mayor disagreed with. During a meeting with the landowners the city agreed to pay for 50% of a survey and the landowners would cover the other 50%. After which they were supposed to meet again to come up with a path forward.

Instead of doing this they stated that initially they wanted the city to pay \$6,000 on materials. They are now saying they need \$8,000 for the materials to fix the ditch and they would do the manual labor.

Mayor Nelson stated that the ditch on that road is a safety hazard.

It was expressed by the council that it appears they want the city to pay for everything and they could have had this resolved if they just would have went to work. It was suggested that the city could always take this issue to the Ombudsman's office and have them make a ruling. It's a free resource and is legally binding.

It was further stated that if there was truly a need for that water the issue would already be resolved. There were also concerns raised about the other parties not keeping up their end of the agreement and coming back to the city for more.

The council stated that the presented contract did not align with what they had previously discussed and agreed to.

TREVOR GARDNER motioned to approve that the contract be updated to state the city will provide for expenses up to \$5,000 to move the ditch. If that number is rejected by the landowners, the city will then take the issue to the Ombudsman's office for a ruling. CODEY ILLUM seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham for.

M. Vacate Road West of City Park:

Mayor Nelson reported that this is not an action item for tonight, but he wanted to make the council aware that the landowners had reached out and requested that the city vacate the road west of the City Park to them.

In 1893 Honeyville was not a Town, but simply a Town Site. During that time, they drew up where they would like roads to be. Now the landowners are saying they would like the ground to be vacated back to them and since it was designated prior to Honeyville becoming a town. There is case law that shows that other cities have been required to vacate the land back to the landowner. However, there is a process that needs to be followed. The Mayor informed the landowners that they would need to go through the correct process and submit a Petition to Vacate Application.

There were concerns raised about city access along with where the waterline runs.

N. City Council Regular Meeting Minutes: 05/13/26:

CODEY ILLUM motioned to Approve the City Council Regular Meeting Minutes of 05/13/26 as presented. RYAN ADAMS seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham for.

O. Check & Deposit Details – May 2026:

CODEY ILLUM motioned to Approve the Check & Deposit Details from May 2026 as presented. RYAN ADAMS seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham for.

Public Health & Safety/Mosquito Abatement – Councilmember Codey Illum

A. City Owned House: Codey is waiting on bid numbers before he presents the options.

Parks & Cemeteries/Youth City Council/General Community Events – Councilmember Trevor Gardner

A. Cemeteries: Trevor reported that the cemeteries looked good for Memorial Day and expressed thanks to the crew that maintains them.

General Community Events/Youth City Council/Planning Commission – Kami Anderson

Nothing to report at this time.

Water Systems & Drainage – Councilmember Ryan Adams

Nothing to report at this time.

Streets & Roads/Buildings & Equipment/City Communications - Councilmember Dusty Bingham

- A. Frontage Rd. N. 3600 W. Road Widening Project: Troy met with C&B and they will be starting Tuesday June 9th.
- B. Chip Seal: It was requested that the lanes in the cemetery get chipped sealed this year if possible.
- C. Mini-Ex: Trevor reported that the mini-ex is becoming more of a need in the cemetery.

FOLLOW- UP ACTIONS FROM JUNE 3RD:

- Trevor: Bring verbiage for Sidewalk Ordinance Amendments.
- Bruce: Let Fire District know about the decision made regarding the contract.
- Bruce: Look at pricing for building rentals.

CODEY ILLUM motioned to Adjourn the Meeting at 8:56 p.m. KAMI ANDERSON seconded the motion. MOTION CARRIED with Ryan Adams for, Codey Illum for, Kami Anderson for, Trevor Gardner for and Dusty Bingham for.

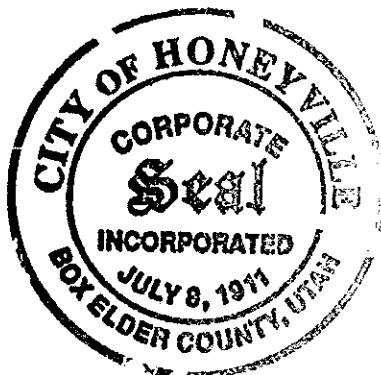
Meeting Adjourned at 8:56 p.m.

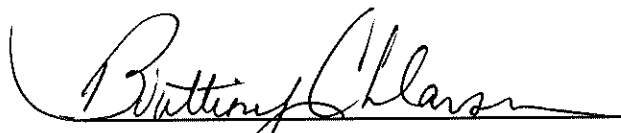
The foregoing minutes were taken and typed by Brittney Chlarson.

I certify these minutes to be true and accurate to the best of my knowledge.

ATTEST:

DATE APPROVED: 7/8/20




Brittney Chlarson – Clerk/Recorder

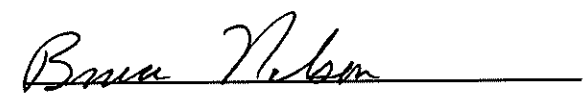

Bruce Nelson – Mayor

EXHIBIT A

Economic Reasons Municipal Water Overage Charges Should Remain Low

Municipal water systems are fundamentally different from most consumer goods because the majority of their costs are fixed rather than variable. Water utilities must build and maintain wells, treatment plants, reservoirs, pumps, transmission lines, storage tanks, meters, billing systems, and emergency infrastructure regardless of whether customers use slightly more or slightly less water in a given month. As a result, the actual marginal cost of delivering an additional gallon of water is often relatively low compared to the fixed costs already incurred to maintain the system. The American Water Works Association (AWWA) and numerous water rate studies emphasize that utility rates should be based on the actual cost of service and should distinguish between fixed and variable costs.

From an economic perspective, overage charges that substantially exceed the utility's marginal cost can create inefficiencies and inequities. When excess-use rates become punitive rather than cost-based, customers may be charged amounts that bear little relationship to the actual cost imposed on the system. Economists generally recommend that volumetric water charges be tied to marginal cost, while long-term infrastructure costs are recovered through fixed service charges or base rates. This approach promotes transparency and aligns prices more closely with actual utility expenses.

Low overage charges are also justified when a utility has available treatment and distribution capacity. Once infrastructure has been constructed and financed, the additional cost of supplying incremental water volumes is often limited to treatment chemicals, pumping energy, and a modest increase in maintenance expenses. In systems with adequate supply and storage capacity, extremely high overage rates may not reflect actual economic costs.

Excessive overage charges can also create affordability concerns. Water is an essential service required for drinking, sanitation, food preparation, hygiene, livestock care, and household health. Major water industry organizations and public policy researchers recognize that affordability should remain an important consideration in rate design. Cost recovery is necessary, but rates should avoid imposing disproportionate burdens on households, families, and small businesses.

Conservation pricing should generally be targeted to periods of actual scarcity rather than used as a permanent mechanism to generate revenue. When water supplies are stable and infrastructure capacity is adequate, overage rates that significantly exceed marginal cost may function more as a penalty than as an economically justified conservation tool.

For these reasons, many economists and utility finance experts recommend that municipal water systems recover most fixed infrastructure costs through fixed charges while keeping volumetric and overage charges closely aligned with the actual cost of

delivering additional water. Such an approach promotes fairness, economic efficiency, transparency, affordability, and long-term financial stability for both utilities and customers.

Sources:

- [American Water Works Association \(AWWA\) Rates & Finance Resources](#) ([American Water Works Association](#))
- [EPA – Understanding Your Water Bill](#) ([US EPA](#))
- Resources for the Future, “Efficiency, Equity, and Cost-Recovery Trade-Offs in Municipal Water Pricing” ([Resources for the Future](#))
- Jan Beecher, “Sustainable Water Pricing” ([Wellington Colorado](#))
- National Bureau of Economic Research, “The Value of Scarce Water” ([NBER](#))
- NBS Government Finance Group, discussions of fixed versus variable water utility costs ([NBS -](#))