

From the Mayor...

November 3, 2017

In last month's column, we summarized the critical repairs and expansion to our wastewater treatment plant. Those repairs are slated to begin in early 2018 and will address over seventy-three thousand feet of failing sewer pipe (most of it built pre-1900).

The Indiana Finance Authority (IFA) has awarded the City of Warsaw a State Revolving Fund (SRF) loan which will be used to finance those repairs. This loan will include a favorable interest rate approximately .5% lower than what we could access in the open bond market. That alone will save our utility customers well over a million dollars in interest and reduce the rate increase necessary to fund the project.

Also, the improvements will extend the life of the repaired collection system pipes in excess of 50 years. As a result, the IFA will allow us to spread the loan for the pipe repairs beyond the conventional 20 years. That will also have a desirable impact on the rate increase.

We are very fortunate that our project was approved for the SRF loan. Other than some requisite preliminary engineering reports and a tedious application process, the only catch is that this favorable loan must close by the end of 2017. In order to do that, the council must pass a rate increase this month to provide revenue for the loan.

If we don't meet the deadline, we lose the guarantee of the SRF loan and its cost saving terms.

The council has worked very hard during the rate hearing process. They understand that, while not popular, this rate increase is necessary to support these critical repairs and improvements. We have said it over and over again but we truly have no choice. Our last rate increase was ten years ago.

A twenty percent, across the board increase is being sought for all residential, commercial, industrial, and extraterritorial utility customers in the first phase of the project.

Historically, our rate structure has always been the total of two components; base rate and flow rate. The base rate is designed to support the billing function, maintenance of the pipe collection system, and other fixed operational costs of the utility. Flow rate is the second component and covers the costs to treat metered or average sewage flow at the plant.

The proposed rate structure remains the same. All users will continue to pay a base rate and flow rate that have both been increased 20%

What has changed is that residential flow will now be metered (where possible). In the past, all residents were charged a flat rate because we had no means to measure the residential flow. All dwelling units paid for 4800 gallons per month regardless of actual use. Some smaller households used less and larger households used more but they all paid the same.

The council has determined that by utilizing water meter readings in residential households served by the water utility, it will be more equitable. The flow charge component of the bill will be based upon actual usage rather than a flat average of 4800 gallons per month. Those that use less will pay less, and those that use more will pay more. Most Hoosier communities meter their flow instead of charging a flat average amount.

The proposed rate increase is based upon our historical municipal rate structure. It is based upon the sound methodology of previous cost of service studies. The across the board increase is designed to affect all classes of users equally.

We are blessed with a modern, efficient wastewater utility that was designed to be expanded. The time is here. I am confident our council will pass a rate increase that is shared equally by all users and will be based upon actual usage. We are thankful to the Indiana Finance Authority and their recognition of the importance of our project.