

From the Mayor

November 2, 2018

The city is about to embark on the largest public works improvement project in its history. We have hit the capacity that our sanitary sewer system was designed for in 2001. In fact, this past year we have been operating above capacity. IDEM required an expansion plan when we hit 90% capacity. Fortunately, our city staff and engineering consultants anticipated this early and have proactively been developing the project for the past two years. The project must start early next year to avoid risking any future capacity needs.

To finance this \$31 million dollar project in the most cost effective manner, the city administration and our financial consultants have worked hard to secure a low interest loan through the Indiana Finance Authority (IFA). Just last week, the IFA approved the financing terms for a State Revolving Fund (SRF) low interest loan. The SRF loan, as opposed to traditional bond financing, will save our ratepayers significantly over the life of the loan.

You might remember last year the IFA financed a \$10 million dollar SRF loan to repair our failing pipe collection system. At the time, they estimated a \$3.5 million dollar interest savings over the term of the loan. With this \$31 million dollar loan, we anticipate a significantly greater interest savings than last year's loan. There is no cheaper way to finance this must-do project!

The SRF loan will be funded with utility fee revenues generated from a rate increase. Our utility rate structure has always been based upon domestic (residential), non-domestic (non-residential), and wholesale users. The Towns of Winona Lake and Leesburg collect sewage flow in their communities and pump it to our facility to be treated. They are our two main wholesale users.

A rate study utilizing a Cost of Service Study (COSS) is used to determine future rate increases. We have not had a rate study since 2008 when the last COSS was performed. In the past ten years, the 2008 study has become less valid as a result of all of the facility changes that have occurred, the recent switch from a flat rate to metered flow for domestic residential customers, and the addition of new large wholesale customers.

A COSS utilizes actual, historical expense and revenue figures to project anticipated future needs including the funding of the project. An updated COSS was just finalized to propose rate increases for all customer classes (domestic, non-domestic, and wholesale).

Unmetered domestic (residential) users will pay a flat rate assuming four thousand gallons a month (the average local domestic use). Their sewage fee will increase to \$41.40. This represents a combined 2018 and 2019 total increase of 24% from the 2008 fixed rate (the last time rates were raised). The 24% total increase with is well below our original projection of a 39% total increase.

Even with the 24% increase, this is still well below the average domestic monthly sewer rate (\$45.00/month) of like-sized Hoosier communities. For reference, current Columbia City and Nappanee residential rates are around \$70.00/month.

Metered domestic (residential) users rate increases will vary based upon actual metered usage. If a dwelling uses more or less than the average 4000 gallon per month flow, their increase would be greater or lesser than the 24%.

The COSS has also calculated rate increases for non-domestic (commercial and industrial) and wholesale users. Increases will vary widely based upon actual use. Sample bills from the COSS vary from 14% to as high as 51% depending meter size.

Nobody likes to raise rates. A COSS is the most equitable means of calculating a rate increase and insuring a stable rate structure! There is also no more equitable means of billing than to charge for actual usage!

Most important, however, the City of Warsaw has and will continue to provide effective, modern sanitary sewer services that insure the health and safety of our community and environment well into the future