

## **DISCUSSION ITEM**

October 1, 2012

Subject: Water and Sewer Rate Consideration

Department: Finance

Note: Costs of operating the wastewater collection and treatment plant system, as well as the water treatment and distribution systems are escalating every year even though inflation has moderated considerably from earlier years. Requirements for testing and treatment of both systems are becoming more extensive as well with unfunded Federal mandates causing costs to increase with future requirement and the cost of those unknown, though we know they'll be increasing.

The City's wastewater treatment license is scheduled for renewal in 2014. One major issue with that renewal is the Marmaton River Total Maximum Daily Load (TMDL). We have been warned that requirements will be more stringent. Costs of these required improvements to secure license renewal, while unknown, will certainly be higher than current costs. We have been notified that the amount of the costs and the availability of technology to address requirements are not an acceptable excuse for non-compliance.

The SRF bonds issued in 2007 carried requirements for various reserves including depreciation and replacement, principal and interest, and operating reserves. Typically these are taken out of loan proceeds and established easily. In Nevada's case, this was not done and these required reserves do not exist. The bond documents indicate that when the reserves are not in place, the entity must take steps to begin funding those reserves.

Finally, water and sewer rates have not been adjusted since summer of 2009. Increases over the last 30 years reflect very few adjustments with the first of recent adjustments actually adjusting downward. In order to keep pace with rising costs and to begin to catch up on deferred maintenance and unfunded reserves, rates need to be adjusted.

A presentation will be made by the City Treasurer with additional information and he will be available to answer any questions on this regard.

## **COST OF WASTEWATER TREATMENT (per 1000 gallons)**

### **CITY OF NEVADA, MO /ALLIANCE**

	<u>Collection</u>	<u>WWTP</u>
Salaries (City Employees)	\$ 114,190	\$ -
Benefits	53,000	-
Matl & Suppl	265,183	250,000
Contractual (Alliance Contract)	327,000	315,000
Insurance	17,060	12,350
Capital Expenditure	250,000	250,000
Debt Service - SRF Bonds	-	985,000
Capital Impr Sales Tax		(745,000)
Deposit to Req'd Depr & Repl Resv		92,206
\$461,030		
Deposit to Req'd Reserve		71,200
\$356,000		
Deposit to Req'd P & I Resv		152,000
\$1,520,000		
Debt Service -Equip Leases	<u>50,000</u>	<u>50,000</u>
<b>TOTAL</b>	<b>\$1,076,433</b>	<b>\$ 1,432,756</b>
Gallons Treated (X 1000)	651,840	651,840
WWTP per 1000		\$ 2.198
Collection per 1000	\$ 1.651	
<b>TOTAL SEWER PER 1000</b>		<b>\$ 3.849</b>
Total Cost		\$ 2,509,189
Total Revenue - Current Rates		\$ 1,045,239
<b>Excess (shortfall)</b>		<b>\$ (1,463,950)</b>