



July 5, 2022 - PROPOSED SANITARY SEWER RATE INCREASE

After months of placing articles in the Lawrence Lift and social media postings, speaking at Utility Services Board Meetings, I am happy to communicate what we are proposing with respect to the sanitary sewer rate increase. Our financial consultant prepared a rate study with three alternatives. Each alternative calls for phasing in over 4 years and contains debt-service funding to support a \$20-million bond issue. This bond issue will address requirements under our new EPA order and projects not performed under the first EPA order. Each alternative includes a provision for two low-volume user tiers, similar to the low-volume tiers in the water rates.

The Utility Services Board at its June 28 meeting approved a resolution recommending Alternative 3 to the City of Lawrence Common Council for adoption. The only difference between the Alternatives was the amount of funding for Replacements and Improvements (R&I funding). Alternative 3 starts at \$800K in internal capital funding that increases incrementally to \$2M by phase 4. In addition, Alternative 3 more evenly distributed the proposed increase across the first two years with the next two phases being significantly smaller. All 3 Alternatives followed the same pattern of larger percentage increase in the first two phases with smaller increases in the final two years.

	Phase I - 2022	Phase II - 2023	Phase III - 2024	Phase IV - 2025
Alt I	\$13.16 R&I \$2M	\$8.94 R&I \$2.33M	\$3.44 R&I \$2.66M	\$3.91 R&I \$3M
Alt II	\$13.16 R&I \$2M	\$7.82 R&I \$2M	\$2.32 R&I \$2M	\$2.41 R&I \$2M
Alt III	\$8.60 R&I \$800K	\$9.33 R&I \$1.2M	\$3.83 R&I \$1.6M	\$3.91 R&I \$3M

Rate Increase Purpose:

- Meet existing daily operation expenses
- Meet rising treatment costs from CEG
- Respond to the EPA Administrative Order on Consent by providing funding to issue \$20 million in bonds to complete EPA-related projects
- Provide internal capital for annual improvements

The EPA issued the new Administrative Order on Consent due to our failing to address Sanitary Sewer Overflows (SSOs). The penalties for failure to comply with the intent of the Order would be very costly. Simply put, we have a sanitary sewer system that is old and under-funded. There is still roughly \$32-million-worth of projects recommended in the study performed as part of the first EPA order that we did not perform due to inadequate funding.

Next Steps:

- Common Council will introduce a rate increase proposal
- Common Council will hold a public meeting
- Vote will be held on the proposal

In 2017, we focused on the water increase because the water utility was teetering on bankruptcy. Since that time, we have invested upwards of \$30M in water system improvements:

1. Replaced the Richardt and Fort Harrison water treatment plants,
2. Updated and renovated the Indian Lake water treatment plant,
3. Total rehabilitation of our Oaklandon water tower (52nd Street tower will be completed this fall),
4. Completed numerous well field improvements including the installation of emergency generators so we can continue to produce water in a power outage situation,
5. Replaced roughly 6,500 water meters,
6. Replaced roughly 32,000 linear feet of water mains.

We now need to be able to do the same thing with our sanitary sewer system. Unfortunately, the COVID-19 pandemic delayed our sanitary sewer rate study and rate increase proposal because I determined that it was not the right circumstances to propose a rate increase. This has put further financial strain on the sewer utility. Now is the time for us to take the next step to ensure the sewer utility can provide safe, reliable, and high-quality water and sanitary sewer services to our community.

It is my hope that there will be broad support from the community for the proposed increase. Our water and sanitary utility infrastructure supports not only the health and safety of our community, but also plays an important role in the economic life and success of the community. This increase will lay the foundation for improvements that will benefit the community for the long run.

Our community is worth it. Not only for us here now, but for those who will be here in the future.

PLEASE NOTE: To view the complete sewer rate study from our financial consultant, the Sewage Treatment contract with CEG and the 2021 EPA Order on Consent, please click [*here*](#).

Please do not hesitate to contact me at ssalsbery@cityoflawrence.org with any questions or concerns regarding your water and sanitary sewer services.

Thank you,

Scott Salsbery, Supt.