



Frequently Asked Questions (FAQs) Regarding the Water Rate Proposal

April 3, 2017

1. How much is this increase?

A typical residential water bill is divided into a monthly service charge, volume charge and then sales tax. Most residential meters are 5/8 inch. The monthly service charge for a 5/8 inch meter will increase \$6.57 in Phase I and \$0.76 in Phase II. The monthly volume charge per 1,000 gallons will increase \$3.25 in Phase I and \$0.38 in Phase II. Sales tax, which the utility is required by law to charge and pass through to the State, is 7% of total water charges.

2. When was the last water rate increase?

It has been over 15 years since legislation has been approved to increase water rates. The City of Lawrence Common Council adopted Ordinance No. 15, 2001 on December 3, 2001, which established new rates and charges for the water utility. This rate increase was phased in over a three year period. The Common Council adopted Ordinance No. 15, 2008 on July 23, 2008, which **reduced** the rates and charges for the water utility.

3. When will this increase become effective?

If approved as presented to the Common Council, the Phase I increase would become effective most likely in June of 2017. The Phase II increase would become effective on January 1, 2019

4. Will my bill double?

No. Your utility bill has three components; the water portion, the sanitary sewer portion and the trash portion. **The sanitary sewer and trash portions will NOT be affected by this increase.** Sewer charges are based on water usage, not water rates. Sewer rate charges are different rates from water rate charges and are not changed with this water rate proposal.

5. Will my sewer charges increase as well?

No. Your utility bill has three components; the water portion, the sanitary sewer portion and the trash portion. **The sanitary sewer and trash portions will NOT be affected by this increase.** Sewer charges are based on water usage, not water rates. Sewer rate charges are different rates from water rate charges and are not changed with this water rate proposal.

6. What is the bottom line impact to me as an average consumer of water?

Below is a sample utility bill from a residential customer utilizing 4,028 gallons of water in one month (average customer). While the Phase I increase on the water portion of the bill is



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approximately 87%, the overall increase on the total bill is 31.8%. The Phase II increase is much smaller, increasing the total bill by \$2.45, or 2.8%.

City of Lawrence Utilities - Average Residential Utility Bill 5/8 inch Meter

Monthly Usage (gallons)	4,028	4,028	4,028		
<u>Charge Code</u>	<u>Current Bill</u>	Phase I Increase (from Current Bill)		Phase II Increase (from Phase I Bill)	
		<u>Phase I Bill</u>	<u>Current Bill</u>	<u>Phase II Bill</u>	<u>Phase I Bill</u>
Water Base Fee	7.53	14.10	6.57	14.86	0.76
Water Volume	14.98	28.08	13.10	29.61	1.53
<u>Water Sales Tax</u>	<u>1.58</u>	<u>2.95</u>	<u>1.38</u>	<u>3.11</u>	<u>0.16</u>
Water Total	\$24.09	\$45.13	\$21.04	\$47.58	\$2.45
Sewer Base Fee	26.60	26.60	0.00	26.60	0.00
Sewer Volume	0.00	0.00	0.00	0.00	0.00
<u>Sewer Tracking</u>	<u>0.40</u>	<u>0.40</u>	<u>0.00</u>	<u>0.40</u>	<u>0.00</u>
Sewer Total	\$27.00	\$27.00	\$0.00	\$27.00	\$0.00
Trash Fees	15.00	15.00	0.00	15.00	0.00
Total Lawrence Utilities Bill	\$66.09	\$87.13	\$21.04	\$89.58	\$2.45
Percentage Increase (Total Bill)			31.8%		2.8%

7. What will this money be used for?

The Water utility was downgraded to below investment grade status by Standard and Poor's Rating Service in November of 2015. This "junk" rating (BB+) is primarily due to the poor financial condition of the water utility. As a result, a majority of the rate increase is needed to restore the utility's financial soundness. This additional revenue is needed in order to make up for years of falling behind with regard to routine operational and maintenance costs that rise annually. It also will fund required debt reserves and establish required emergency cash reserves; provide for annual replacement and improvements for things such as building repairs, meter replacement, vehicle and heavy equipment replacements, fire hydrant and water main valve replacements and many other items. There are also periodic maintenance items like routine water storage tank inspections, meter testing and the like that have not been done adequately in the past.



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The rate increase will also provide funds to pay back the \$1.5 million loan from the sewer utility, which is having a negative financial impact on the sewer utility with regard to our ability to proceed with needed projects for that part of our utility operations.

There is a misperception that the rate increase is driven mainly by the proposed capital improvements projects that are contained in the Preliminary Engineering Report, which can be found on the utility page of the City's website in the Water and Sewer Information section. The debt service payments required to perform these projects is only about 15% of the total rate increase.

With this increase, the water utility currently has an opportunity to borrow money through the State Revolving Loan Program at very favorable interest rates (less than 2.5%), but must act before June 30.

8. Why so much of an increase now, why not phase it in over several years?

The water utility is in a dire financial position and has major capital projects needs to ensure adequate water supplies and uninterrupted service. The utility must borrow to fund these capital projects, which cannot occur without this increase. With this increase, the water utility currently has an opportunity to borrow money through the State Revolving Loan Program at very favorable interest rates (less than 2.5%), but must act before June 30.

9. What happens if there is no increase?

The consequences will be severe and will result in a sale of the utility.

10. How will business, industrial and commercial customers be affected by these rate increases based on their historic usage?

Unless specific accounts are desired to be researched as to the impact of the proposed rate increase, we can only respond that the commercial class of customers will see the same percentage rate increase as a residential customer.