

## *HVLCSD Water/Wastewater and Recycled Water Rates FAQ's*

### **Why raise rates during a pandemic?**

The COVID-19 pandemic has imposed massive health and economic burdens on our community and communities around the world, and no sector of society is going untouched, including the vitally important water/wastewater sector. We are facing major losses in revenue and significant costs for maintaining water/wastewater services as a direct result of COVID-19. While it may not be feasible to change pricing policies in response to the immediate impacts of the pandemic, the changes happening now are needed to address the longer-term economic impacts and build resilience to future crises.

### **Why Is the District so far behind?**

Ever since the District was formed it has strived to improve the quality of water/ wastewater services to the community. Initial actions taken by the District include: 1) Taking out several bonds that service a relatively smaller customer base, which provided for 30 million dollars to build state of the art facilities 2) Removing outdated facilities at heavy cost, while still ensuring the District was able to maintain a safe and reliable system. These were great accomplishment by past boards and staff. Today, however, there are still greater things still to accomplish. We must do our best to repair/replace 7 miles of old sewer lines, 31 miles of old asbestos concrete water mainline, 3200 water connections and 350 out-of-date hydrants/air vacs to name only a few. As we march into the future, the depreciated system keeps pushing back. The system that the District put in is starting to show signs of age.

### **How Much of the increase will be used for employee pay and benefits? – Will this increase be used to fund raises for employees?**

Salaries and benefits are only 46% of the District's total expenses, which is actually less than years past. It is the District's goal to be at or below the industry median. The driving force behind this new rate structure is the crucial improvements of our capital assets.

### **How much of the increase will be used for capital projects?**

8% will be going into the (CIP) Capital Improvement Plan. This will be the first year that an increase has been applied towards capital improvements in many years.

### **Why is the District not issuing a bond to spread the cost out? – why not issue a bond to pay for the capital projects?**

- Critical infrastructure can be financed. But this has not occurred yet. We can only base our rate study projections on known financials. Staff will certainly be researching the possibility of bonds in the future.
- It may also be important to note that bonds will still result in a cost to the homeowners. Typically bond payments are collected via your tax bill.
- Ratepayers within the Sewer District are currently paying a Sewer Bond on their tax bill. (see your County tax bill for more information)
- In the latter portion of our five-year rate structure, we have committed to building up our reserve funds, which will help the District to become eligible for favorable bond ratings and interest.

### **Why does water cost more in hidden valley than in Middletown?**

The District cannot project the capital needs of another District or their infrastructure. What we do know is the Districts topography of elevation and the energy it takes to lift the water to these different zones of elevations and the greater need of our own infrastructure of capital improvement. (We are also unaware of the quality of water needed to treat)

### **Why is the rate so high – can't the District postpone some project's until after the pandemic?**

The last 18 months of rate studies saw project costs as high as \$19M in water improvements. This final rate study represents a significant postponement of projects (now only \$3.7M) that we hope will prevent only the most urgent of repair/replacement needs.

This is a good example of why we cannot postpone the rates any further. Project costs will only get higher over time. The compounding effect of higher costs could become unmanageable. This 5-year rate structure will help prevent much needed improvements from becoming prohibitively expensive.

The alternative to improvement projects is catastrophic failure. We do not want ratepayers to incur the exorbitant costs of recovery.

**Why can't the district get FEMA Government funding to pay for project?**

FEMA is always changing their scope in what can and cannot be reimbursed. In the past, we have benefited from public assistance for disaster recovery. As it stands only disaster related projects may qualify at this time. The needs of our depreciating system are our responsibilities

We continue to pursue hazard mitigation opportunities but cannot base a 5-year budget forecast on an unknown result.

**How much reimbursement already?**

\$2.4 Million in reimbursement and growing. The District continues to apply.

**If the District receives funding from FEMA, will the rate increase be reduced/cancelled?**

The District cannot base its revenue from projected FEMA related disaster relief. We hope we are not subjected to another disaster. Directors along with staff are always looking closely to budget requirements, with the goal and mission to produce and maintain a safe high-quality supply of drinking water at an affordable cost to the public. This is our commitment and our goal. Taking a small project and subsidizing it with Mitigation funding can expand a project from 2-4 times its original size/scope.

**Where can I find the Rate Study?**

The Approved and Adopted Rate Study can be found [here](#).

Still have questions? [Send us an email](#). Call the Office @ (707)987-9201.