

## Public Water Supply District (PWS) #1 of Gasconade County Rate Update (January 2022)

Greetings to our PVL friends, neighbors, and customers! The PWS is in the design phase of the EPA / DNR mandated wastewater treatment project, which is being performed by Cochran Engineering. We have formal approval of our grant and loan funds and now we are moving forward with a restructure of our rates. Before going into details on the funding and rates, we'd like to provide some background.

We were previously under the authority of the Public Service Commission and were very limited in our ability to adjust rates. Water and sewer rates had been very low for a long time, but the downside of low rates is that we could only afford to fix failures as they occurred. As a public entity, we can deploy a more systematic maintenance approach, which is needed for our infrastructure that is nearly 60 years old. This change also made us eligible for grants and loans. We began the transition from a private entity (The Peaceful Valley Service Company) to a public entity, (Public Water Supply District #1 of Gasconade County) after the 2016 election approval. That transition is complete.

In recent years we have done the following (and more) to determine the size and capacity necessary for the new treatment plant:

- Located, mapped, and tagged nearly 100% of our sewer system.
- Smoke tested, camera inspected, and visually inspected all known "high trouble" areas.
- Raised 9 manholes near the shore that were susceptible to flooding.
- Rehabbed our 5 worst manholes at the shoreline to reduce lake and rain water infiltration.
- Repaired a number of other locations with line breaks and separations.
- We regularly gather data on water level, water usage, rainfall, and lagoon flow to identify issues.
- We have done much of this work ourselves with employees, board members, and volunteers.

While the work items listed above were necessary in general, they were driven by a violation from the EPA, which cited our lagoon system as being out of compliance with federal standards. The violation means that Peaceful Valley needs to eliminate the current single cell lagoon system and replace it with a wastewater treatment plant that meets federal EPA standards. The only way to be able to afford all the work that had to be done was to raise our rates. The most recent increase for homeowners was in early 2016. The following year in early 2017, water availability customers had a rate increase. Those increases allowed us to meet the demands of operating the water and sewer systems while also providing for the upfront tasks needed to prepare for the new treatment plant.

High-level milestones for completion of our wastewater system are as follows:

- Early 2022 - Cochran Engineering begins detail design plans
- Late 2022 / Early 2023 – Design plans completed / approved and construction bids are sought
- Late 2023 – Construction is complete (The Missouri Department of Natural Resources, who is providing program oversight for the EPA, has set a completion deadline at the end of 2023)

Through the efforts of our board and staff (in particular our chief operator, Don Burrows) we've been able to secure two grants (which we do not have to pay back) and a long-term, low-interest loan. This required significant coordination with various federal and state agencies, filing forms, financial surveys, etc. The total cost of the new treatment plant is estimated at **\$2.7M**. The funding is broken out as follows:

- **\$750,000 from the federal Community Development Block Grant (CDBG)**
- **\$1,030,000 grant from the US Dept of Agriculture (USDA)**
- **\$920,000 loan from the USDA – 1.375% for 35 years**

Now for the good news / bad news. The good news is that we have two large grants that will pay for 2/3 of the cost and a low-interest, long-term loan for the remainder of the cost. If we had not gotten our grants and would have to pay current interest rates for our loan for 30 (vs 35) years, our rates would need to increase 3 to 4 times more than the planned increase of \$64 per quarter. The bad news is that we have to increase our rates. All of us on the PWSD board are like you in that we don't want any increase. We pay it, too. But the reality is that we cannot service our debt and also continue normal operations without an increase. While the grants and loan are a huge help, neither are available to us until construction begins. Construction is expected to start in the 1<sup>st</sup> or 2<sup>nd</sup> quarter of 2023. All costs prior to that must be provided by the PWSD. The upfront costs will eventually be reimbursed, but a temporary funding shortfall may require a short term loan. The PWSD will address that need if it arises. The new rates are scheduled to go into effect with the April 1, 2022 billing.

The current rates and planned increase (for water and sewer combined) are as follows:

**Homeowners – Current ~ \$226 / quarter. Planned increase is ~ \$64 / quarter.**

**Water Availability customers - Current \$15 / quarter. Planned increase is \$5 / quarter.**

The cost for each homeowner just to service the loan is projected to be **about \$46 per quarter**. There are several significant cost items besides the loan that need to be supported. They include engineering design costs for the new treatment plant at nearly \$160,000. We are also required to add a new booster pump for Skyline Drive to resolve low pressure issues. We estimate that cost to be \$125,000. We are pursuing another grant to defray some of that cost, but we don't know if any further grant funds will be available. In 2021, we spent approximately \$50,000 for water-related repairs and we feel that our aging system may require the same amount or more in 2022. The remainder of the increase is to account for higher operating costs as well as an eventual labor increase to maintain the new treatment plant when complete. We're hopeful this increase will sustain us for a number of years, barring any significant unforeseen expenditures.

**A meeting will be held on Monday, February 21, at 5:00 pm to review and discuss the planned rate changes. All Peaceful Valley property owners are welcome to attend to provide comments / ask questions.**

Thanks for your continued support as we move toward completion of the wastewater treatment plant.

Your Public Water Supply District #1 of Gasconade County Board Members (unpaid volunteers):

President – Mike Garlock

Vice President – Bob Kayser

Board Members – Randy Fuller, Ray Oldfather, Jim Verhulst

Operations – Don Burrows

Clerk – Laura Buck

Note: The board holds meetings at 5:00 p.m. on the 3<sup>rd</sup> Monday of each month. All PVL property owners are welcome to attend.