

City of Exeter

Frequently Asked Questions

Proposed 2020 Water and Sewer Rate Increases

- 1. What does Exeter's water and sewer systems include?** The water system consists of eight wells with chlorination treatment, a 100,000 gallon elevated storage tank, 47 miles of pipelines, 995 water valves, 325 fire hydrants and 3,750 water service lines and meters, all with an estimated replacement value of \$65,000,000. The sanitary sewer system includes 36 miles of 4" to 36" pipeline, 8 lift stations and a Wastewater Treatment Plant with disposal facilities, all with an estimated replacement value of about \$60,000,000.
- 2. How do water and sewer funds work?** Water and sewer funds are known as "enterprise" or "business" funds. The rates for each of these funds is set and collected to cover the costs of providing each of the services, including day to day operations and repairs, meeting regulatory requirements, maintenance, capital improvements and replacements. The revenue from each of these funds can only be used for the costs of the associated system.
- 3. How is the current revenue from each fund spent?** Currently, all of the revenue collected for each fund is spent on the day to day operating costs of each system such as electricity, materials, reactive only maintenance and repairs for the facilities, equipment and vehicles, contract operational and professional services, costs to meet regulatory requirements such as testing, office expenses, insurance, debt payments on past improvement loans and employees that provide operational and reactive maintenance and repair activities. The revenues currently fall short of covering the day to day costs of each of these systems and this is not sustainable for the future.
- 4. What has the City done to keep water and sewer rates as low as possible?** The City crew size has been cut by about half in recent years with several activities contracted out to private companies. San Joaquin Valley Air Board grants have been obtained to purchase electric vehicles and equipment. Rate increases in the past have been limited in an attempt to keep up with rising costs of the day to day operations only and all maintenance and capital expenses have been limited to immediate needs. Due to a currently favorable bond market, the City is in the process of potentially refinancing the water fund debt to lower debt payments. City staff continue to look for potential ways to cut costs in any way possible.
- 5. How big is the City Public Works Crew and what do they do?** The public works crew consists of 6 members which primarily addresses day to day operations and reactive maintenance and repairs to the water and sewer systems. They also provide reactive maintenance and repairs to the over 50 miles of roadways and the 11 parks in the community.
- 6. How would the additional funding from the rate increase be used?** Current revenues are falling short of covering day to day operations, do not cover any regularly scheduled maintenance and do not set funding aside for future improvements or replacements. This additional funding would cover remaining day to day operations and allow for regularly scheduled maintenance to occur and provide accounts for future improvements and replacement as required. The proposed rate increase is structured to ramp up over 5 years with the first couple of years increase making up for current deficits and the remaining years

providing for a ramp up of maintenance, improvements and replacements. With the public works crew size and limited equipment, the majority of the regularly scheduled maintenance, improvements and replacements would be contracted out with private contractors. The regularly scheduled maintenance would allow for squeezing every drop of life out of system components before needing replacement, providing more cost-effective systems in the long term.

7. **How were the proposed rates determined?** An inventory of every component of the systems and every piece of equipment and vehicle used for the systems was developed along with the replacement cost, useful life and annual maintenance cost of each. From this information the annual revenue needed to fund the day to day operations, regularly scheduled maintenance, improvements and required replacements was determined. An independent rate and revenue consultant reviewed the costs developed by the City Engineer and City Staff and determined the rates required to provide reliable City systems.
8. **Is this only an issue in Exeter?** No. In recent years many communities in the area have evaluated their water and/or sewer systems and have found through similar analysis that rate increases were necessary. Porterville and Tulare have implemented significant rate increases in recent years to adequately fund their systems. Typically, cities have found that rates for sewer and water systems need to be in the \$40 to \$60 range per month for each to cover the costs. In fact, aging infrastructure with increasing costs has been an issue across the country with an average monthly cost for water and sewer service of about \$104. A recent article on MSN addressed this and can be found at <http://a.msn.com/00/en-us/AAGpri2?ocid=se>
9. **What happens if the water and sewer rates increase is not implemented?** All day to day operations, maintenance, repair and replacements will be limited to immediate needs and available funding. This would result in increasing vulnerability and decreasing reliability of the systems as the infrastructure continues to age. Frequency and length of inoperable systems will continue to increase, creating disruption of personal and commercial activities throughout the community. This will also lead to increased regulatory non-compliance and increased scrutiny from the State in the future.
10. **Why have rates not been increased gradually in the past?** Most agencies have made an effort to keep rates down for their rate payers in the past. However, the aging infrastructure is catching up with most jurisdictions and they are being forced to raise rates to reduce system vulnerabilities and increase the reliability of their systems so they will be sustainable going into the future. This is also Exeter's current situation.
11. **Where can I get more information?** Staff reports and presentations that were taken to the Exeter City Council are available online at <https://cityofexeter.com/proposition-218-notification/>