

# THE WATER-WORKS & SEWER BOARD

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To: All Sanitary Sewer Customers

Date: March 01, 2017

Re: Sanitary Sewer Rate Increase

After exploring numerous options, we concluded there is no viable alternative to increasing the monthly base rate and the volume rate charges to our sanitary sewer customers. The attached rate sheet indicates which rate codes will be impacted by the monthly base rate changes. All sanitary sewer customers will be impacted by the volume charge increase of .0337/100 gallons.

These rate increases are for sanitary sewer only and no rate changes will occur to water base rates or water volume rates at this time.

Why: Several years ago we were placed on notice by ADEM to take action to reduce future sanitary sewer overflows from our system. We identified a number of issues that were causing the overflows of sanitary sewer from our system. Some of these issues were: failing collection system pipes/manholes, transfer pump failures, pump station control electronics failure, collection system pipe blockages due to grease build up and main pumping station failure at the Wastewater Treatment Plant.

We prioritized the identified issues and began pursuing funding for corrections in 2014. Considering we did not qualify for State or Federal grants, we had to borrow \$2.0 million to do Sanitary Sewer Rehabilitation in early 2015. We replaced higher priority pump station pumps and controls in 2016 (\$1.5 million). We replaced two major collection system junctions that had failed manholes and piping in 2016 (\$280,000).

We were hoping to qualify for State and Federal grants for some of the other higher priority rehabilitation needs but to date none of our grant options have worked out. In late 2016, we could wait no longer for grants, so we began the pursuit of borrowing an additional \$8.0 million to complete the pump station pumps, fittings and control replacements, collection system pipes and manhole rehabilitation in the Edgewood and Cherry Street areas, and pump station replacement at the Wastewater Treatment Plant.

We qualified for advantageous Bond rates on the Municipal Bond market with an S&P rating of "A(stable)" and sold 20 year bonds at net interest cost of 3.3%. To qualify for the better Bond rating (which equates to lower interest costs) we had to offer assurance to Bond

purchasers of our willingness and ability to repay them as agreed. The annual payment to retire this new debt is approximate \$550,000.

We contracted with Jackson Thornton Accounting, Utility Rate Group to undertake a review of our current water and sanitary sewer rates and recommend future rates based on each specific rate class cost demand for each of the two separate utilities. This rate study indicated that overall our water customers are paying 115% of their share of the system costs and sanitary sewer customers are paying 65% of their share of the system costs. The study also revealed different sanitary sewer rate classes were not sharing the sanitary sewer system costs on an equal prorated basis. The rate study indicated we should increase sanitary sewer rates to amounts that would generate an additional \$875,000 each year to fully fund the cost of the system.

We knew our customers would not be able to pay what would amount to a 55% increase in sanitary sewer costs. We elected not to increase water rates and to only increase sanitary sewer rates enough to produce the required revenue to meet Bond Debt Service requirements. The projected required additional revenue amount is \$400,000 each year. We distributed \$100,000 of this increase across all sanitary sewer rate classes through a volume increase of .0337/100 gallons. We distributed the remaining \$300,000 across all sanitary sewer rate classes not currently paying their prorated share of the customer cost of the sanitary sewer system through base rate increases. Although these rate increases are significant, sanitary sewer customers are still paying less than their full share of the cost of the sanitary sewer system at 81%.

We know any increase in monthly living expense is difficult for our customers and neighbors, but we also recognize the need to continue to provide adequate services to our community. We have many underground pipes and manholes that are over 75 years old which are failing. The WWTP pump station structure is over 55 years old and some of the equipment is over 25 years old. We can no longer put the needed rehabilitation of this infrastructure off until some future point.

# EUFAULA WATER WORKS

## CUSTOMER BILLING RATE STRUCTURE

Board Approved 9/20/16

Board Approved 2/21/17

			Sewage Cap 4.00% (12,000gal) 10/1/2016 (10/30 billing)		Sewage Cap N/A (12,000gal) 03/01/17 (3/30 billing)	
<b>Water Service</b>						
<b>BASE RATE</b>						
<b>UTILITY TAX IS 4% ON WATER CHARGE</b>						
WA1	Resident	3/4" & 5/8" Meter	\$11.43	see below	N/C	see below
WA2	Resident	1" Meter	\$12.39	see below	N/C	see below
WA0	Resident	1.5" & 2" Meter	\$13.34	see below	N/C	see below
WA8	Commercial	3/4" & 5/8" Meter	\$12.39	N/A	N/C	N/A
WA9	Commercial	1" Meter	\$19.07	N/A	N/C	N/A
WA3	Commercial	1.5" Meter	\$38.12	N/A	N/C	N/A
WA4	Commercial	2" Meter	\$52.44	N/A	N/C	N/A
WA5	Commercial	3" Meter	\$104.84	N/A	N/C	N/A
WA6	Commercial	4" Meter	\$190.64	N/A	N/C	N/A
WA7	Commercial	6" Meter	\$381.28	N/A	N/C	N/A
WMU	Commercial	Multi-User	\$10.49	N/A	N/C	N/A
EH1	Use w/SH1	165 TENANT	\$1,731.59	\$0.00	N/C	\$0.00
EH2	Use w/SH2	110 TENANT	\$1,154.10	\$0.00	N/C	\$0.00
MM	Commercial	Master Meter	\$14.35	N/A	N/C	N/A
<b>Fire Service</b>						
SP3	.75"	Fire/Sprinker line	\$5.24	N/A	N/C	N/A
SP4	1"	Fire/Sprinker line	\$6.98	N/A	N/C	N/A
SP6	1.5"	Fire/Sprinker line	\$10.47	N/A	N/C	N/A
SP8	2"	Fire/Sprinker line	\$13.95	N/A	N/C	N/A
S10	3"	Fireline	\$17.46	N/A	N/C	N/A
S12	4"	Fireline	\$20.95	N/A	N/C	N/A
S14	5"	Fireline	\$24.44	N/A	N/C	N/A
S16	6"	Fireline	\$27.94	N/A	N/C	N/A
S20	8"	Fireline	\$34.91	N/A	N/C	N/A
S60	10"	Fireline	\$104.74	N/A	N/C	N/A
MFL	N/A	Metered Fireline - Usage Only	\$0.00		N/C	
<b>USAGE RATE PER 100 GALS - Water (each)</b>						
1st	2,000	Gallons	\$0.2392	\$0.00	N/C	\$0.00
2nd	98,000	Gallons	\$0.2598	\$0.00	N/C	\$0.00
3rd	Over 100,000 gal	Gallons	\$0.2279	\$0.00	N/C	\$0.00

<b>Sewer Service</b>						
<b>BASE RATE</b>						
<b>Non Taxable Service</b>						
SFR	Availability Fee	Sewer Flat Rate	\$12.39	N/A	\$13.86	N/A
SW1	Resident	5/8" & 3/4" water meter	\$11.43	\$42.19	\$17.47	\$52.28
SW2	Resident	1" water meter	\$12.39	\$43.15	\$18.94	\$53.75
SW3	Resident	1 1/2" & 2" water meter	\$13.34	\$44.10	\$20.39	\$55.20
SW4	Commercial	5/8" & 3/4" water meter	\$12.39	N/A	\$18.94	N/A
SW5	Commercial	1" water meter	\$19.07	N/A	\$29.15	N/A
SW6	Commercial	1 1/2" water meter	\$38.12	N/A	\$56.09	N/A
SW7	Commercial	2" water meter	\$52.44	N/A	\$80.17	N/A
SW8	Commercial	3" water meter	\$104.84	N/A	\$160.27	N/A
SW9	Commercial	4" water meter	\$190.64	N/A	\$190.64	N/A
SW0	Commercial	6" line	\$381.28	N/A	\$381.28	N/A
SH1	Use w/EH1	Tenant Factor of	\$1,700.95	N/A	\$2,208.19	N/A
SH2	Use w/EH2	Tenant Factor of	\$1,154.10	N/A	\$1,170.32	N/A
SMU	Sewer Multi-User	Tenant Factor set individually	\$10.49	N/A	\$10.49	N/A
SC3	Industrial	Carbo - Phase 3 - Proc. Wtr	\$7,748.00	N/A	\$7,748.00	N/A
<b>USAGE RATE PER 100 GALS - Sanitary Sewer (each)</b>						
1st	2,000	Gallons	\$0.2392	\$0.00	\$0.2729	\$0.00
2nd	98,000	Gallons	\$0.2598	\$0.00	\$0.2935	\$0.00
3rd	Over 100,000 gal	Gallons	\$0.2279	\$0.00	\$0.2616	\$0.00
<b>CARBO PROCESSED WATER</b>						
<b>USAGE RATE PER 100 GALS</b>						
Phase 3			\$0.2080	N/A	\$0.2080	N/A
<b>High Strength Sanitary Sewer Surcharge</b>						
TSS(over 320 MG/L) PER POUND			\$0.08		\$0.08	
BOD(over 270 MG/L) PER POUND			\$0.17		\$0.17	
			2,000	\$4.78	2,000	\$5.46
			10,000	\$25.98	10,000	\$29.35
Residential Volume			Sew Cap	\$30.76	Sew Cap	\$34.81