

Mayor Lee Root, members of the Town Council, and town staff have determined that there are important improvements needed for the water and sewer systems. The system's condition, proposed improvements, and possible rate impacts are summarized below. The purpose of this newsletter is to provide an explanation of the water and sewer rates and to discuss a proposed rate increase to the water and sewer rates, in anticipation of needed repair and rehabilitation of the water and sewer systems.

Condition of Water and Sewer Systems

The water system consists of about 327 service connections, two groundwater wells, two reservoirs (600,000-gallon combined capacity), booster pumps for the upper zone, and approximately 31,000 feet of water mains through the town. There are leaky mains and some lead joints in the distribution system, no backup power for the wells or booster pumps, the lower reservoir needs physical rehabilitation, the system control telemetry needs improvements to reduce water waste, and there are many leaks in the service connections to individual homes and businesses. Tackling all possible water system improvements at once could cost approximately \$6.6 million.

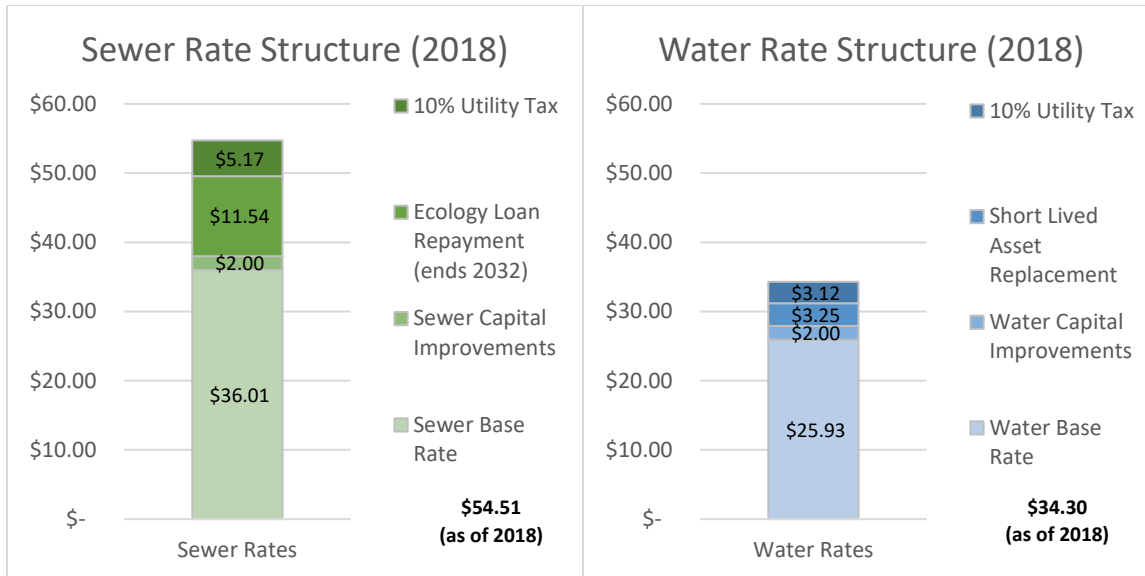
The sewer system consists of 299 service connections, two lift stations (at the park and at the treatment lagoons), two cell treatment lagoons (approximately 3.5 million gallons storage), and approximately 30,000 feet of sewer main through the town. While the treatment lagoons were upgraded in 2011, historical flow data has demonstrated significant surface and groundwater infiltration into the 60+ year old sewer collection system, which shortens the lifespan of the treatment lagoons and results in lack of proper treatment of the wastewater. Inadequate treatment of the wastewater prior to discharge to surface water opens the possibility of lawsuits from organizations that monitor municipal discharge. The next priority is to address the leaks, plugs, root balls, broken pipe, leaky and deteriorating manholes and other problems in the sewer collection system, totaling approximately \$6.9 million of work.

Explanation of Rates

The water and sewer rates are a sum of several components:

- Base rate – Covers expenses for maintaining system, minor system repairs and upkeep, laboratory testing, equipment maintenance, staff wages and benefits, etc. Per Resolution #16-10, the base rate is scheduled for a 6% increase per year to repair an older system and to generate funds to handle projects in the future.
- Utility Tax – Generates funds for utility repair and upkeep, 10% of other rate elements combined.
- Capital Improvements – Generates funds to repair/replace critical components of the system.
- Short Lived Asset Replacement (Water only) – Funds used to address water system components needing replacement.
- Loan Repayment – Payments for loans related to system improvements and upgrades. The current Ecology Loan Repayment for sewer is for the 2011/2012 improvements to the wastewater lagoons and treatment facility.

The current rate structures for water and sewer are illustrated in the graphs below:



For Rosalia, “hardship funding” may become available when the water or sewer rates exceed \$60-\$65 per month per utility because of a proposed improvement project. The terms and availability of grant and loan money depends on the funding agency.

Current Funding Opportunities for Improvements

The Town of Rosalia has received grant money from the Department of Commerce Community Development Block Program (CDBG) for water and sewer improvements along Fairview, 9th, and 1st Streets. The \$734,665 grant money is for design and construction and does not result in a rate increase.

The Town of Rosalia has been offered grant and loan money from the Department of Ecology State Revolving Fund and Centennial Clean Water Fund for sewer collection system replacement throughout the Town. Repair and replacement work has been prioritized into three categories and the most critical areas will be pursued to reduce inflow and infiltration into the collection system, to protect the Town’s investment at the wastewater storage and treatment facility. The \$3,238,221 grant and \$3,656,353 loan money (20-year loan at 1.8% interest rate) offered by the Department of Ecology could result in a sewer rate increase of \$62 for loan repayment.

The Town of Rosalia has been offered loan money from the Public Works Board for design of water system improvements, including reservoir rehabilitation, backup power improvements, and waterline replacement between the reservoir and booster pump station. The \$71,300 loan money (5-year loan at 0.84% interest rate) would result in a one-time water rate increase of \$3.73 for loan repayment.

Additional funding sources may be pursued to address the replacement and maintenance needs of the water and sewer systems. Specifically, to offset the potential impacts of the Ecology funding to sewer rates (up to \$62 sewer rate increase), the Mayor and Town Council are seeking Legislative Appropriation Funds through Representative Mary Dye. Your involvement in writing personal letters to her office about the impact of the rate increases will be critical to the Town’s success in receiving additional funding.

Proposed Rate Adjustment

The Mayor and Town Council would like to take advantage of current funding offers and pursue additional means for funding these system improvements, while finding a balance of rate impacts to individual users. While it may not be feasible to address all improvements at one time without additional grant funding sources, the Mayor and Town Council would like to propose a \$12 rate increase for water and \$13 rate increase for sewer (total of \$25 increase) to begin addressing the most critical issues for the water and sewer systems. These rate increases would go into effect February 2019. The \$12 water rate increase would be used for loan repayment and short-term system improvements (backup power for wells and booster pumps). The \$13 sewer rate increase would be used for loan repayment for sewer collection system improvements funded through the Department of Ecology.

The Mayor and Town Council are also considering modifying Resolution #16-10 concerning the 6% annual base rate increase, implemented in 2016. An annual base rate increase is needed to keep up with the annual expenses associated with operating the water and sewer system. A percentage change each year will help the Town keep up with rising costs due to inflation (historically in the 2%-3% range, actual rates vary). Given the proposed \$25 one-time rate increase, the Mayor and Town Council are proposing replacing the 6% base rate increase with a 3% base rate increase, to keep up with rising costs of inflation while reducing future impacts on top of the proposed one-time rate increase.

The proposed rate structure with the February 2019 rate increases and base rate change is shown in the graphs below:

