

City of Waverly
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Dear Waverly Resident:

Water Conservation Rates to be Effective January 2023

Waverly's water rates have remained unchanged since January 1, 2009 – 14 years. However, due to a Minnesota DNR requirement to initiate "Water Conservation Rates" a change will be coming as of January 2023. This will affect WATER rates only and, unless you use more than 6,000 gallons per month, you will see little change in your bill. Wastewater rates (sewer) will NOT change.

Beginning with the billing cycle in January (the bill you will get in mid-February) Waverly's water rates will be "tiered." You will pay so much for the first 3,000 gallons used each month, a slightly higher rate for the next 5,000 gallons and then a higher rate still for anything above 8,000 gallons per month. The structure is designed so that the city will collect approximately THE SAME total amount of money for water use as under the old rate system. It will NOT provide new or more dollars for the city's water fund. Again, you will NOT pay more unless you use over 6,000 gallons of water per month.

The new tiers (compared with the existing rate) are as follows:

<u>Use per month</u>	<u>New Rate</u>	<u>Old Rate</u>
BASE RATE	\$12.00	\$12.00
0-3000 gallons	\$8.75/1000 gallons	\$10.00 /1000 gallons
3,001 – 8,000 gallons	\$10.94/1000 gals	\$10.00 / 1000 gallons
Over 8,000 gallons	\$13.68 / 1000 gallons	\$10.00 / 1000 gallons
Irrigation meter		
All usage/1000 gallons	\$13.68 / 1000 gallons	\$10.00 / 1000 gallons

Why is this change being made? Minnesota Statutes 103G.291 requires municipal water suppliers serving more than 1,000 residents on one system to adopt "demand reduction measures" that includes either a water conservation rate system, or a uniform rate structure coupled with a mandatory conservation program that achieves demand reduction. These measures must be in place before a water supplier can either a) dig a new well or b) request an increase in water appropriations permit volume (and yes, we do have to have – and pay for - a state permit for all the water used). Due to the rapid housing growth in Waverly, as well as the new hook ups made during installation of city water

around the Lake, Waverly now exceeds the threshold number and must now comply with the requirements. The Council opted for tiered water rates over a mandatory conservation program to provide our residents with maximum flexibility.

So, what will I now pay for WATER? Here are some examples. All examples INCLUDE the \$12 base rate charge which will not change. You will NOT pay more for water unless you use over 6,000 gallons per month.

USE PER MONTH	Old Charge	New Charge	Difference
3000 gallons	\$42.00	\$38.25	- \$3.75
5,000 gallons	\$62.00	\$60.13	-\$1.87
6,000 gallons	\$72.00	\$71.07	-\$0.93
10,000 gallons	\$112.00	\$120.31	+\$8.31

We are going to take this occasion to address a few questions about Waverly's water that we are always asked. More detailed information about water and sewer rates and billing procedures are addressed in the FAQ section of our web site (www.waverlymn.org) which we encourage you to consult.

WHY ARE WAVERLY'S RATES SO HIGH?

It is expensive to operate and maintain a water system to the high standards not only required by the State, but by you, our residents. We must pay for two costs: First for the DIRECT Operating costs which are the costs associated with the operation and maintenance of the system and delivery of water directly to your home, and second, for the interest and principal payments on the long-term debt the City has incurred to pay for the system. In 2022 our operating costs for our water system (including depreciation) were approximately \$252,000 and our debt and interest charges were \$395,000 for a total of \$647,000. Our 2022 revenues approximated \$590,000. By law, utility rates for both water and sewer must be set to cover ALL the operating costs of the utility system because operating costs cannot be funded with property taxes. Clearly our fees do cover operating costs. However, your fees also cover most of the interest and debt expenses which otherwise would be covered with an increase in property taxes.

You have asked why rates cannot come down since there are so many new homes in Waverly. Our debt and interest payments have doubled in the last five years due to new debt taken on to fund the new water system around the Lake. Income from new homes (as well as income from homes around the Lake that now have water) helped mitigate these new payments and made it possible to meet debt without raising rates.

Fortunately, due to our excellent credit rating and timing of debt our interest rates are extremely low.

IS THERE ANOTHER WAY TO COVER THESE EXPENSES?

First by law, the operating costs must be covered by utility fees. Debt and interest payments are another matter. These can be covered by using property tax revenue and/or special assessments to the properties affected by improvements. A small portion of the debt and interest is covered by property tax. But, if the total debt and interest payments were to be met using property tax revenues

alone, we would be looking at as high as a 33% increase in taxes collected. The Council has purposely chosen to meet the interest and debt payments for the system primarily through utility rates, and not with an increase in property taxes. Rather the Council has chosen to keep property tax increases to a minimum, allowing the property tax RATE to decrease significantly.

There is one more way to cover interest and debt costs and that is to put a special assessment on the property owners that directly benefit from system improvements. This is a route taken by many cities, but NOT BY WAVERLY. Waverly DOES NOT ASSESS INDIVIDUAL PROPERTY OWNERS for improvements/repairs to any of our utility systems or our roads. All rate payers share in the costs, both current and long term. As a result, our rates may be higher, but you do NOT have a special assessment on your taxes for this work.

WHAT IS THE LONG-TERM OUTLOOK?

At present our water fund is in sound fiscal condition. Unlike 10 years ago, there is a small surplus in the fund and a recent analysis shows that we should not have to increase overall rates for several years. But the future is unknown and there is always the possibility of new, and more stringent, water quality standards that will require construction of a water treatment plant. Any surplus in the fund will help mitigate rate increases that would be necessary to meet the costs of a new plant or to meet costs to comply with other (unforeseen) state requirements.

WHAT IF I HAVE QUESTIONS.

If you have questions about your bill, PLEASE **CALL THE OFFICE**. There may be a reason that your bill is too high (or even too low!). If you have **ANY** reason to ask a question, PLEASE **CALL THE OFFICE RIGHT AWAY**. **Meters can and do malfunction from time to time and we depend on you to watch for unexpected variances and let us know. Staff review the bills each month and our billing program is set to identify any anomalies, but, as the city has over 1,000 bills, sometimes issues do remain unidentified. PLEASE, Do not let it go for months, Time means that problems become more difficult to find and address and/or utility bills become high and unmanageable. The sooner you call the more likely a problem can be found and fixed before it becomes a bigger problem.**

Please consult the FAQs on our website where you can find, among other things, how your meter is read; how bills are calculated; what second meters cost; why Waverly does not have its own wastewater treatment plant and the answers to a number of other oft ask questions.

Finally, You can always call or email any of the council members with your questions. Our email and contact information is on the City web site.