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June 2, 2010

Susan Hass  
City of Blue Rapids  
4 Public Square  
Blue Rapids, KS 66411

Dear Susan:

This letter is in response to your request that KRWA conduct a review of water rates for the city of Blue Rapids. You mentioned the city intend to obtain a loan of \$161,000 for the improvements to the water system. At present, the interest rate from the State Revolving Loan Fund is 3.5 percent. A twenty-year loan would therefore have annual payments of approximately \$11,328.

In 2009 the city water fund had excess revenue of \$7,984 over expenditures. When the city begins paying on the loan an average of \$1.98 of additional monthly revenue will need required from each customer. There are different ways to accomplish this in your water rate. I have listed three options below.

1. Eliminate the free water with the monthly minimum. This would potentially generate an additional \$13,737 in revenue. Calculation: 477 customers x 2,000 gallons equals 11,448,000. Multiply 11,448 times \$1.20 (present rate) equals \$13,737.
2. Increase the monthly minimum by \$2. This increase would add \$11,448 to revenues, based on 477 customers.
3. Increase the charge for water by \$0.50 per thousand after the minimum (2,000 gallons). If water sales remain close to 2009, potentially the city would increase revenue by \$11,774. Calculation: Total water sales equals 34,997,000 gallons, minus the free water with the minimum (11,448,000) equals 23,549,000 gallons. Multiply 23,549 times \$0.50 per thousand equals \$11,774.

Although each of these options could potentially generate the needed revenue for the annual payment there is no guarantee the city will sell the same amount of water. Also the city may lose customers, which would have a negative impact.

Hopefully this review will be of value when the city considers a rate increase. Please call if I can be of further assistance.

Sincerely,

Greg Duryea  
Technical Assistant

c: John Nowak, Mayor