

Hiawatha Gets Good Rates

H iawatha is a lovely town in the northeast corner of Kansas. Hiawatha had a big user rate problem brewing. But they solved it, laying down a clear path that you can follow, too.

When it comes to preparing to adjust user rates, Hiawatha is fast, real fast. As a result, Hiawatha is on target to get its user charge system approved by USDA Rural Development (RD) for a sewer system upgrade the agency will fund. The city can then finalize its bid documents and stay on track to start construction in the spring of 2013.

Now, the back story

In recent years Hiawatha's wastewater collection and treatment system has slipped out of compliance from time to time. Following a string of events, procedures and communications with the Kansas Department of Health and Environment (KDHE) determined that Hiawatha must upgrade the system.

Hiawatha went through the process of acquiring grants and loans to pay for this project. One of the final steps in that process was to prove to RD that Hiawatha's sewer rates will be adequate to repay their loan. Rate analysis does this nicely.

Over on the water side, in recent years Hiawatha has been troubled by nitrates showing up above limits in its wells. The city has tried several measures to solve this problem, including taking some wells off line and blending. It looks like the final solution will be expensive. Rate analysis quantifies revenue and rate needs for different alternatives nicely, too.

The city responds

The city council had assumed city administrator Lynne Ladner would handle the task of calculating new water and sewer rates. Ms. Ladner is quite capable in many disciplines. That includes deciding when it makes better sense to get outside help to handle a complex situation with serious pitfalls to negotiate. Analysis also needed to be finished within one month, a tall order.

Ms. Ladner contacted the Kansas Rural Water Association, a smart move. They determined that the best course would be to get rate analyses done by a specialist. As a member of the Association, Hiawatha qualified for the 25 percent fee discount through the Kansas RATES Program, a nice perk of membership.



Hiawatha Council Member Steffen Shamburg, City Administrator Lynne Ladner, Carl Brown and Mayor Crosby Gernon discuss the rate analysis at city hall on January 15.

All rate setting problems are solvable. It just takes the right tools.

The analysis work started on December 3, 2012 and concluded on December 19. This fast turn-around was due to the excellent work of Ms. Ladner and her staff. The analyses determined the following:

- Sewer rates need to be increased markedly but they only need slight restructuring.
- The city has been subsidizing the sewer system by making most of its debt payments. The recommended rates will enable the system to make its own payments, saving city funds for other uses.
- Water rates overall do not need to increase. However, rates need serious restructuring to make them fair.

The rate analyses spell out and quantify all of the changes that are needed right now. And they project what will be needed over the next five to ten years, too. The analyses will serve as financial maps that Hiawatha can use to set a course into the future.

The Kansas Rural Water Association was instrumental in this upbeat outlook for Hiawatha. Among the many things it does, the Association provides basic in-house rate setting assistance, and at no charge. In situations where specialized rate analysis is needed, like this one, they roll out the Kansas RATES Program.

All rate setting problems are solvable. It just takes the right tools. The Association has the right tools. Perhaps your city or district should contact the Association about your rate setting needs, too. To learn more see www.krwa.net/ratereviews/.