By Elmer Ronnebaum, General Manager

Many Water and Wastewater Rates Will Not be Affordable Without Federal Financing Programs

This 0.5 MG water storage tank was constructed next to Strong City's original ground storage tank on a hill east of the city. Under construction in late 2015, this is the only tank that supplies water storage and pressure to the three entities of Public Wholesale District No. 26 – Strong City, Cottonwood Falls and Chase RWD 1.

Kansas Public Radio recently aired a story about the funding for the new water treatment plant at Strong City and the creation of Public Wholesale District No. 26. The project received a total of $2.7 million in federal grants. The feature aired on March 30 and was entitled, "Rural Trump Voters Embrace the Sacrifices That Come with Support".

Frank Morris, the editor, interviewed several people in Strong City about the water projects that were completed several years ago. City Clerk Shari DeWitt explained how the water treatment plant had been installed in the old school building some forty years ago. The opinion of city leaders and workers was that the plant needed to be upgraded or replaced. DeWitt was quoted, “Water's very important and a lot of people don't realize it until they don't have it.”

Even though the water system projects received $2.7 million in federal grants, Morris found some people in Strong City who stated they would have rather seen the money spent on the nation's security, i.e., border control.

The President's proposed budget has been met with much skepticism by members of Congress. Many voters seem to be unaware that the budget suggests the total elimination of the USDA Rural Development Water and Wastewater Loan and Grant programs as well as the Community Development Block Grant program. These are the very programs that provided Strong City, Cottonwood Falls and Chase RWD 1, members of PWWSD 26, the $2.7 million in grants.

So it seemed appropriate to attempt to calculate the rates that the citizens of these water systems would need to pay had there been no federal grants for the project. Delbert Zerr and I worked on that and with a few simple amortization tables, the results are printed in the sidebar.

KRWA has asked members of Congress from Kansas to consider the need to retain the USDA and CDBG programs. Many water and wastewater systems are being required to make improvements because of EPA or state regulations. Even with the benefit of USDA and CDBG funding, many of those projects result in rate structures that are extremely costly. Without the benefit of USDA and CDBG, those projects will become completely unaffordable.

Impact on Water Rates for the City of Strong City, Kansas as a member of Public Wholesale Water Supply District No. 26 without the benefit of grants through USDA Rural Development and the Kansas Department of Commerce

Grants Received:	
PWWSD 26: $2,774,000-USDA Rural Development	CDBG: $1,000,000
Strong City: $738,000-USDA Rural Development	CDBG: $500,000
Chase Co RWD 1: $610,750-USDA Rural Development	CDBG: $0
Loans through USDA Rural Development	
PWWSD 26: $2,614,000	
Strong City: $ 650,770	
Chase Co RWD 1: $ 782,000	

Breakdown of costs: Total project cost: $11,269,520
Wholesale District share of cost: $6,388,000
Strong City share of cost: $1,888,770
Chase County RWD 1 share of cost: $1,392,750
Cottonwood Falls share of cost: $1,600,000 (Private Funding)

Without USDA Rural Development and CDBG funding, Strong City would have had to finance $1,888,770. Assuming a 20-year financing at 3.15%, the monthly debt service would be $10,617. For 250 customers, this would require a monthly charge of $42.50 for no water compared to the current rate of $17.40. Water use charge is $7.57 per 1,000 gallons. The monthly cost to customers is currently $55.25 for 5,000 gallons.

The city's water supplier, PWWSD #26, received grants and loans totaling $6,388,000. Amortization of $6,388,000 for 20 years at 3.15% would require a monthly payment of $35,909. The current amount borrowed from USDA is $2,614,000 which for a 40-year payout will require a monthly payment of $8,985. Based on these numbers, the wholesale cost for water for Strong City would need to increase about four (4) times from the current rate of $5.29 per 1,000 gallons to approximately or $21.16 per 1,000 gallons.

With no grant funding assistance and based on a 20-year loan at 3.15% for both the wholesale district and the city, Strong City would have to impose an additional charge above the $21.16 per thousand, estimated to be near $25 per thousand. Assuming $25 per thousand, the customer charge then would be $125.00 plus $42.50 for debt retirement for a total of monthly charge of $157.50 for 5,000 gallons.

The average daily water use at Strong City is about 48,000 gallons. At the current rate of $5.29 per thousand gallons, the cost is $253.92 per day on average or $92,680 per year. Total cost over the 40-year term is $3,707,232. With no funding assistance, the city would need to pay the wholesale district at least $21.16 per thousand making the cost $1,015 per day, or $370,475 per year. The total cost over the 20-year amortization period would be $7,409,500.

Average daily water use at Cottonwood Falls is about 86,000 gallons. The current cost to the city at $5.29 per thousand is approximately $454.94 per day on average or $166,053 per year, or $6,642,124 over the 40-year term. The cost with no funding assistance at $21.16 per thousand would be $1,819.76 per day, or $664.212 per year. Total cost over the 20 year term would be $13,284,248.

Average daily water use at Chase RWD 1 is about 31,000 gallons. The current cost to the district is about $164 per day on average or $59,856 per year, or $2,394,254 over the 40-year term. The cost with no funding assistance at $21.16 per thousand would be $655.96 per day, or $239.425 per year. Total cost over the 20-year term would be about $4,788,508.

Conclusion

Without USDA and CDBG funding, the financial feasibility of this project would not have been possible.

Elmer Ronnebaum is KRWA General Manager; he has been employed by KRWA since 1983. He served seven years on the KRWA board of directors prior to that. He also helped develop a large RWD and served for fourteen years on a water district board of directors.