



White City Water Improvement District

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GENERAL MANAGER'S REPORT July 2022

As discussed in previous newsletters, the White City Water Improvement District ("WCWID"), has made tremendous improvements and upgrades to the old White City Water system that the water users purchased in 1995 for less than seven million dollars. In the last 25 years, wells have been drilled, infrastructure constructed, and pipelines installed and replaced. We have done all of this using cost-based water rates AND NO PROPERTY TAXES. The value of the water system is now well over forty-five million dollars. Unfortunately, with the rising cost of materials, loss of revenue due to water conservation, and the passage of time, WCWID needs to raise water rates to allow it to continue providing the level of service the water users have come to expect. WCWID HAS NOT RAISED RESIDENTIAL WATER RATES SINCE 2007 - FIFTEEN YEARS AGO.

At the request of WCWID, a Citizen's Rate Committee, made up of several water user volunteers, have met over the last few months and discussed the situation. The committee has made the following recommendation. A PUBLIC HEARING before the WCWID Board of Trustees to discuss the water rate changes will be held on July 14, 2022 at 6:00 PM, Eastmont Middle School Auditorium, 10100 South 1300 East. Water rate increases will be effective, September 1, 2022.

June 14, 2022 ~ Citizen's Rate Committee Report by Chris Huntzinger, Chair

INTRODUCTION ~ It was about fifteen years ago that my wife and I purchased our first and current home in White City and began building our family. We moved here because we found 'our' home and we moved here because of the pristine water that this community offers (no chlorine and no fluoride). While it may seem nostalgic and even unnecessary to mention this personal anecdote, fifteen years happens to be the exact time frame since the last rate increase for White City Water Improvement District (WCWID).

RATE COMMITTEE ~ Citizens from around the water district were asked to review a proposed rate increase and offer recommendations to the Board of Trustees. The Committee values and understands the importance of our community's greatest asset – WCWID and its Water Rights. We have spoken with experts in finance, management, maintenance and staff and are most pleased with how efficiently this organization is not only operated but also maintained. The amount of institutional memory from the Water Board members to Office Staff and Maintenance ensures that the water is always safe and reliable.

INFLATION – RECENT AND LONG-TERM ~ Inflation has impacted every one of us - the recent dramatic surge is most concerning to say the least. When operating any business, especially in this environment, the expenses only go one way – up. For fifteen years WCWID has operated on a fixed budget. There is no tax levy on our properties in White City that could be increased (as is the case with all other water districts) – we have a pay as you go water system.

LAST YEAR, BECAUSE OF THE DROUGHT, everyone did a great job reducing their water usage, which is important, but the water company had a \$268,000 shortfall in revenue. The utility costs also experienced a dramatic uptick with electricity costing \$377,871 in 2021 to a projected \$422,224 in 2022. The average inflation rates have increased about 37% since 2007 but some material costs are up 200% with copper pipe and 8' ductile iron (water mains) to name a few. A water company uses a lot of iron and copper pipe, and, as you can see, this is not sustainable, a rate increase is necessary at this time.

S.B. 89 AMMENDMENTS TO CULINARY WATER PRICING STRUCTURE ` In 2022 the Utah Legislature passed amendments (§ 73-10-32.5) to the culinary water pricing structure that directs how water companies set rates (tiers) and bills customers based on usage. Using the term “shall” is non-negotiable and a water usage tier-system must be incorporated into our billing system that “provides for an increase in the rate charged for additional block units of water used.”

INFRASTRUCTURE – WATER MAINS AND TANKS – IDENTIFIED ISSUES ~ Some of the water mains are about 60+ years old – that is about 2/3 of the expected life of a water main - different soil compositions can shorten that depending on the PH (acidity). In 2014, WCWID committed to replacing around 1,000 feet per year (\$190,000 per year). In 2021, Sunrise Engineering advised at least 2,000 feet per year to keep up with the estimated 55 miles (yes, miles) of pipe in the water district (with inflation this will cost \$580,000 per year).

WCWID has a three-million-gallon tank and three other smaller tanks servicing the entire district. Following the earthquake in 2021 we could not find any divers to inspect the interior of these tanks because they contain ‘pristine’ water that has no chemical treatment - they will not enter them. All outside inspections were completed, and we did ok but did identify liabilities that need addressing: We need an additional two-million-gallon tank. It was noted in our discussions that there is only ONE water main connection to the residents, churches and schools in the upper zone east of 1300 East. More than one connection is needed in the event of another earthquake or simply a water main break due to age or failure. The new two-million-gallon tank would allow us to ‘move’ water over there, remove any silt at the bottom of the larger tank and inspect the structure in greater detail – this new tank will also give us a second connection to the east side. The Water Rates Committee strongly recommends that this improvement be made to the system at this time. The best way to go about this is through issued bonds that are paid back over many years so that those who will come after us can shoulder the cost of this needed improvement from which they will benefit. The (current) cost of this project is \$8 million dollars and the bond rates are excellent at this time.

RECOMMENDATION ~ A \$17 monthly increase to the monthly base rate is required to continue to meet the needs of residential customers, maintain the system and replace aging pipes, strengthen the overall system with the addition of a two-million-gallon tank which allows us to better maintain the three-million-gallon tank (and lengthening its life and service) and meet the increase in salaries and employee insurance/retirement. The monthly base rate would be \$60. This rate would still be more affordable than most of WCWID competitors.

IT’S BEEN FIFTEEN YEARS SINCE THE LAST RATE INCREASE and with the current budget we will burn through any savings we have set aside for emergencies in about 5 years (if not sooner). The Rate Committee spent a considerable amount of time recognizing our customers on a fixed income and those in financial dire straits and we understand this is a substantial increase. The rate structure must change due to the S.B. 89 amendments and bond rates are good right now to move ahead with the new water tank. The rate increase also qualifies us for the bond to add the new tank and connections. The rate committee proposes two options: 1) A base rate increase over three years (\$49, \$55, \$60) with usage tiers beginning at 0 – this means you pay the base rate then add the cost per tier depending on how much water you use. 2) A base rate increase over two years (\$53, \$60) with the first 5,000 gallons of water included in the base rate and then add the cost per tier depending on how much water you use - this option has an average of \$3.50 savings every month over the first option - is also in line with how we are currently billing (tier rates will replace the overage charge). The Rate Committee’s consensus is to present the second option to the public on July 14, 2022, at Eastmont Middle School. This has been a rewarding experience serving on this Rate Committee and please know we are happy to answer any questions you may have about this change. Thank you for understanding the situation and helping to keep WCWID delivering excellent pristine water for many years to come.