

Keeping Up With Rising Costs

by Randy Hellbusch, Circuit Rider

Are you paying the same for your cell phone as you did five years ago? What about cable or satellite TV? I could go on and on with necessities such as groceries, clothing, etc. I won't even mention gasoline! Yet, when I visit many systems I find that they haven't had an increase in water or sewer rates in 5 years or more.

Inflation is something that we face in all aspects of our life. The water and wastewater industry is no different. In fact, in most cases the cost of properly running a water/wastewater system has had a much greater increase than the rate of inflation over the past few years. The cost of providing our citizens with clean safe water that meets all EPA regulations is an ongoing challenge. Not only are the costs of regulations increasing, so is the cost of repairs and maintenance. Have you had any major well work done recently? What about tower painting or repair? Compare those costs to the last time it was done and I will guarantee you it isn't the same as it was several years ago.

Unfortunately, it isn't until after major repairs or maintenance items have been completed that most systems decide it is time to look at rates. By then, it usually requires a major increase and then the public outcry ensues. At many Council/Board meetings I hear someone in the audience question why someone didn't see this coming and prepare for it over time? The majority of customers understand that costs go up and will accept a small increase year to year.

Decision makers do not like to address the issue of rate increases and this is understandable. But unfortunately it is inevitable that rates are going to have to increase at some time. The decision that needs to be made is whether to be pro-active and have the money to do the necessary upkeep of the system or wait until there is a major repair and try to start generating the revenue at that time.

What several systems are starting to implement is an automatic increase at certain times. This is a good way to at least keep up with the rising costs of running a system under normal circumstances. It is a good tool for a system that is not anticipating any major capital expenditures or added debt in the near future. It guarantees increased revenue over the next 3-5 years or so. Yet, decision makers don't have to revisit the rate issue on an annual basis. It also doesn't mean that the rate can't be revisited if an unexpected expense arises. I have attached an example of an ordinance that shows a small annual increase. If NeRWA can assist you with this or any other aspect of your water or wastewater system, please give us a call.