

SHETEK AREA WATER & SEWER COMMISSION

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[countymn.com/shetek-area-water-sewer-district-information/](http://murray-countymn.com/shetek-area-water-sewer-district-information/)

SHETEK AREA WATER & SEWER DISTRICT NEWSLETTER

November 20, 2019

Why are the utility rates increasing again?

The utility rates are proposed to increase to cover the cost of providing public sewer connection and wastewater treatment services to your homes and cabins. Unfortunately, there were a number of years following the installation of the system when utility rates were not increased causing a shortfall in the money available to the District to cover the operation and maintenance (O&M) costs, as well as the debt service for the loans and bonds.

When the sewer system was built, the goal was to keep the initial costs and utility rates as low as possible. To do that, 60% of the entire cost of the system was paid via assessments on our properties; the other 40% would be covered via utility rates and new sewer connections, thus spreading the O&M and debt service costs over a larger number of users. Unfortunately, with a downturn in our economy, the assumed growth was far less than expected.

Therefore, just as with our personal expenses, O&M costs continue to rise due to inflation. However, our utility rates were not increased to account for the added O&M costs, and now some of the grinders, pumps, lift stations, and other critical system components are beginning to fail or wear out and need to be replaced.

After a consultant reviewed the financial status of the District, it became apparent that another rate increase, along with minimum future 3% annual future rate increases, was needed. This was a difficult decision for us, as the SAWS Board to make, but a necessary one.

Why the Special 2-year Debt Service Surcharge Amount?

Due to insufficient revenues to cover the Debt Service Amounts, the SAWS District was forced to borrow funds from the County for a total of \$175,000. The Murray County Board of Commissioners has agreed to allow SAWS to repay this amount over the next two years, which equates to \$10 per month or a total of \$240 per user. If revenues exceed expenses such that there is a surplus of funds, the added dollars will be put towards the deficit so that the extra \$10 per month surcharge can be discontinued sooner than the two years.

When do the new rates go into effect?

The new increased rates are proposed to go into effect on January 1, 2020; the first time you will notice an increase will be on your January 2020 bill.

Who do I contact if I have questions?

Please contact any of the SAWS Board Members listed on this page of the newsletter.

How much was initially borrowed and what is the balance of all Debt Service (Loans and Bonds)?

SEWER Existing Annual Debt Service Information Lake Shetek Area Water and Sewer District				
Pmt	PFA CWRP 2006 \$10,568,836		2013 Crossover Murray County \$2,590,000	Total Existing
Date				Debt Service
2019	\$592,682		\$278,377	\$871,059
2020	\$592,960		\$279,277	\$872,237
2021	\$592,334		\$274,577	\$866,911
2022	\$592,658		\$274,877	\$867,535
2023	\$592,921		\$275,077	\$867,998
2024	\$592,124		\$275,177	\$867,301
2025	\$592,276		\$275,177	\$867,453
2026	\$136,728		\$275,077	\$411,805
2027	\$0		\$274,487	\$274,487
2028	\$0		\$153,525	\$153,525
Principal Balance				
8/20/2019	\$	3,560,360	\$	2,135,000
End Date		8/20/2026		2/1/2028

What will my sewer utility rates look like in the future?

The SAWS Board has been working diligently to develop alternatives which minimize future rate increases. Our rate monitoring effort will also include an annual review of O&M costs and Debt Service needs and evaluation of our sewer rates. This will enable us to make rate adjustments as necessary and position the District to meet our annual operating and debt requirements. In the meantime, it was deemed necessary to adopt an automatic 3% annual utility rate increase until all existing loans and bonds associated with the sewer system are paid in full, which is expected to be in 2028. At that time, the SAWS Board will re-evaluate the O&M costs and determine the responsible course of action to keep the District solvent.

The following table identifies the pump type and the rate that will be implemented January 1, 2020, and the potential rates inclusive of the 3% adjustment that will be implemented annually on January 1st. Note that for FY2020 and FY2021, \$10 will be added to each pump type.

YEAR	FY 2017	FY 2018-201	FY 2020			FY 2021			FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
	Utility	Utility	Utility	Special-2yr	Total	Utility	Special-2yr	Total	Utility	Utility	Utility	Utility	Utility
Pump Type													
Residential	45.00	56.00	65.00	10.00	75.00	67.00	10.00	77.00	69.00	71.00	73.00	75.00	77.00
Commercial													
Single - Low	50.00	63.00	81.00	10.00	91.00	83.00	10.00	93.00	85.00	88.00	91.00	94.00	97.00
Single - High	100.00	125.00	146.00	10.00	156.00	150.00	10.00	160.00	155.00	160.00	165.00	170.00	175.00
Double - Low	150.00	186.00	227.00	10.00	237.00	234.00	10.00	244.00	241.00	248.00	255.00	263.00	271.00
Double - High	200.00	250.00	291.00	10.00	301.00	300.00	10.00	310.00	309.00	318.00	328.00	338.00	348.00

The challenges facing the SAWS District are numerous and complex, but by working together we can deal with them and continue moving forward.