

Good Evening Lovettsville,

A few friends of mine and some Town Officials let me know about the concerns being voiced on Facebook about the water and sewer service in the Town. Many of the concerns raised dealt with the increase in the cost of providing water/sewer service, but some statements demonstrated that people didn't understand how utility service works in the Town or how we got to where we are. I would like to take a few minutes of your time to address the questions and concerns that have been brought up over the past few weeks.

Rates:

Let's first talk about the rates that were set for fiscal year 2017 (July 2016 to July 2017). I want to start by reprinting a section of the Mayor's Message that was in the May 13, 2016 Town newsletter (aka Friday Email):

"As I have told you over the past several of years, we will have to raise our water and sewer rates to meet the costs of our system and keep it solvent. We have increased the rates steadily over the past several years to get us where we need to be-where the Utility Fund pays for itself. This coming year will be the last year of those increases-a 12% increase in the rate to finally balance the utility budget. In the next fiscal year, we will no longer use our General Fund (which comes from taxes) to offset the costs of the Utility Fund! As you know, this has been a goal of ours for some time and we are finally there. After FY17, we expect to raise utility rates only 3% (FY18 and FY19) and expect to drop increases down to 1.3% from then on. This utility budget includes a significant increase in contribution to Debt Retirement Fund and 3RM Fund (which banks money for Repair, Renewal, Replacement and Maintenance so that there is no longer an annual budgetary concern for the well-being of the system).

Just to keep utility rates in perspective-this new rate will put us about the average for water/sewer costs in Loudoun County but still cheaper than Purcellville, Middleburg, Berryville, and the Loudoun County Community Utility Systems."

This statement sums up our position on the rates pretty cleanly, but I should remind everyone that this (part of local government) is a business. It should break even. For years, we had subsidized the cost of water and sewer with money from the General Fund and have worked to stop that practice. We have, with the help of a sewer and water rate study, planned a path forward to keep us solvent and are moving on that path. This path should raise your utility rates 12% this year-so yes, your bill should go up 12%. One question always asked is why we had to raise them now. There are a few different items at play here, but the main reason is that the Town keep the rates low for so many years, and we have been hit (as all jurisdictions in the Commonwealth) with additional regulations that have increased cost. Other larger systems can absorb that cost better with huge economies of scale (Leesburg, Loudoun Water), but customers in the smaller systems feel these new requirements more.

I know that our rates may seem high (especially if you moved here from a huge system), but we have to compare apples to apples. So, let's compare the rates with similar systems. The Sample Average Combined Quarterly Bill Comparison (2015 Study, page 26) shows the rates of systems around the County and includes Loudoun Water (which serves the eastern part of the County). The Town contracted with a consultant to provide us with a Water and Sewer Rate Study in 2013 and updated it in 2015. The original study produced a plan for rates for the next five years (the second one took us to FY2020) and they can be found here: 2013 Water and Sewer Rate Study and 2015 Water and Sewer Rate Study. As you can see in the 2013 study, without rate increases we would be coming close to system failure (2013 Study, pages 26 and 28). The 2015 plan stated that "The current water rate plan (3.0% adjustments each year) is no longer sustainable" and that "The current sewer rate plan (6.0% adjustments each year) is no longer sustainable in the short term" (2015 Study, page 34). We reacted to this professional advice and raised our rates accordingly to ensure the survival of our utility system.

As we said back in May, our system is at about the average in Loudoun County-we used to be much lower but that low rate didn't cover costs, and this is why we had to increase so much so fast. All of the utility systems that we compare ourselves to try to break even (no more and no less) so we should aim to

stay in the middle of the pack to ensure a fair rate that covers costs and funds a 3RM fund (Repair, Renew, Replace, Maintain fund). The 3RM fund is something that we never had before and provides for emergencies and regular repairs without increasing fees in the future. This is a standard in good budgeting, and we are happy to be able to fund the 3RM fund now so that the system will stay healthy and safe.

One of the ways that we have kept our costs down is taking the running of our system in-house. We used to use Loudoun Water as a contractor to provide our Water and Sewer service. Their costs continued to increase and their services shrunk, pushing us to look at hiring our own operators. This saved an estimated \$75,000 that first year (about \$96 per household)! The following is reprinted from the April 25, 2014 Mayor's Message:

"We all know that the cost of providing water and sewer service is a concern of all of the residents of town and we commissioned a study to examine our rates and to determine the best and fairest rate moving forward. We adopted their advice exactly to continue to keep our system solvent, but continue to look for ways to make our system better and more fiscally efficient. By far, the biggest cost of running this system is the contracting costs of using Loudoun Water (Loudoun County's water authority) who run our system. The cost of using Loudoun Water has continued to rise far above the inflation rate and the services that they provide has continued to shrink. In fact, in this upcoming year's proposed contract costs went up and needed services were reduced to the point that we would have to hire on an additional Town staff person to make up the difference-a cost that we just couldn't accept.

So, after months of hard work and planning, we can announce today that as on July 1 the Town will be taking over the full-time operation of our Sewer and Water system! Taking the operation over will provide for better service and more timely maintenance-all within our current budget (and without the need to hire on the additional person mentioned above). Better service and maintenance of water and sewer systems will make our utilities safer and more dependable. Even more importantly, running our own system will allow us to stabilize costs which should ultimately lead to savings down the road."

Our utility staff have worked hard to make our system better, and we are glad that we took the significant risk by taking this service over and reducing our costs.

One other important point to remind everyone of is that the funds that go into water and sewer (from usage rates, tap fees, etc.) stay in that fund. They do not (and our annual audit always demonstrates this) ever go to general fund use with exception of reimbursing the overhead from the General Fund (facilities and employee costs for supporting activities, such as Utility Billing, Customer Service, Engineering, and Executive Management).

Water Quality:

It was passed on to me that we had problems with water quality-mainly the white film that forms on some people's shower doors and such. This is because our water (well-water) is so "hard". Hard water has some bad properties but the softer the water the more corrosive it becomes. In fact, if the Town softened the water it could increase copper and lead readings in our mandated water quality testing. We are always good on these water quality tests, and hard water is helpful in maintaining those ratings.

One other concern is the high cavities that people have reported using our water. Our water is NOT fluoridated and never has been. The Town Council did look at this past year and did not recommend to provide fluoride due to cost. Not everyone wants fluoride in their water, but you can still get fluoride by prescription from your doctor if you are concerned. (My kids had fluoride prescriptions when they were little).

Water Quantity:

There are many people reporting that they are having concerns with the quantity of water used on their bills-but they are not reporting this concern to us it would seem. We have only had about twenty people (out of 780 accounts, which is about 2.5%) voice their concerns to us about a high usage shown on their water bill. We have offered to reread their meters and have done that on about six. Bad meter readings

isn't usually the culprit with high usage, but it is the best place to start in case we made a mistake when taking down the numbers. We may also change out the meter to ensure accuracy, but it has been found that older meters slow down over time (which actually reduces your recorded consumption) and rarely help reduce the quantity used.

Next, we recommend testing your toilets for leaking. Leaking toilets can move a lot of water and be very hard to detect. These kits [pictured] include two little blue tablets that are put in the tank and will show leakage. We have given out several kits, and one citizen who came back in and said that there really was a leak in their toilet and which was the cause of their water usage problems! We are now asking those that get a testing kit from us to report back their findings so that we can help identify trends (such as a certain type of builder's toilets are all failing at the same time).

If the reread doesn't show any change and the leak kits do not show any leakage we recommend speaking with us at the Town. We can send our Utility Supervisor, Stephen Gates, who can work with you to determine if there other leaks in the house. This can be done by monitoring the meter while you are home with nothing running. That way you can narrow down any unknown usage in your house. Stephen has come out to a lot of houses in the past few years to work out frozen meter or line problems. He went to a bunch during the deep freezes of last winter (including mine when my house was without water for nine days-we found that my meter was not frozen and that they freeze was underground on my side of the meter and therefore my responsibility). The utility team came up with innovative ideas to ensure that meters were thawed (using small Sterno heaters in the meter crocks for example). They can be an asset to you by helping diagnose why you are having high water usage.

Moving Forward:

Even though the complaints we have fielded this year about the quantity on their water bills represent less than 3% of our accounts, we would like to address their concerns and get that number down to 0! Therefore, tomorrow night I will propose a resolution for Town Council consideration, that due to the accelerating pace and magnitude of citizen complaints regarding the size of the bills and consumption figures will direct the Town Manager to investigate the presence of and reasons for the volume of complaints such that the reliability and integrity of system operations have be called into question. This report shall be delivered to the January 19, 2017 Town Council Meeting. It will further state that, pending receipt of the report, the Town Council deems it appropriate to waive assessment of penalties for late payment for the following water & sewer system bills: Cycle 2-Waiver of late fees up to January 31, 2017 (these bills would have been due on December 31, 2016), Cycle 1-crediting of late fees for the bills that were due on November 30, Cycle 3-crediting of late fees for the bills that were due on October 31. I encourage anyone who may have a leak to email, call or stop in. If you are using a tester kit, please report back so that we know your findings so that we can detail trends. Finally, always feel free to email me directly mayor@lovettsvilleva.gov, stop by the house or call me at 571-271-4251 if you are not getting any satisfaction in this process.

Thank you for your time,
-Bobby Zoldos, Mayor