

Updated Jan 28, 2022

### Q&A for Town of Speedway Water and Wastewater Rate Increase Proposal

The Town of Speedway introduced to Town Council during its public meeting on January 10, 2022 a proposed ordinance to raise water and wastewater rates. If approved, the rate increase would allow the Town to make needed capital improvements to our aging Speedway Water Works and Speedway Wastewater Treatment Plant.

The proposed 37 percent rate increase amounts to an additional \$14.30 per month for residential users who use less than 4,000 gallons of water or less monthly. If approved, the rate increase would take effect June 1, and the first bill with the increase due in August.

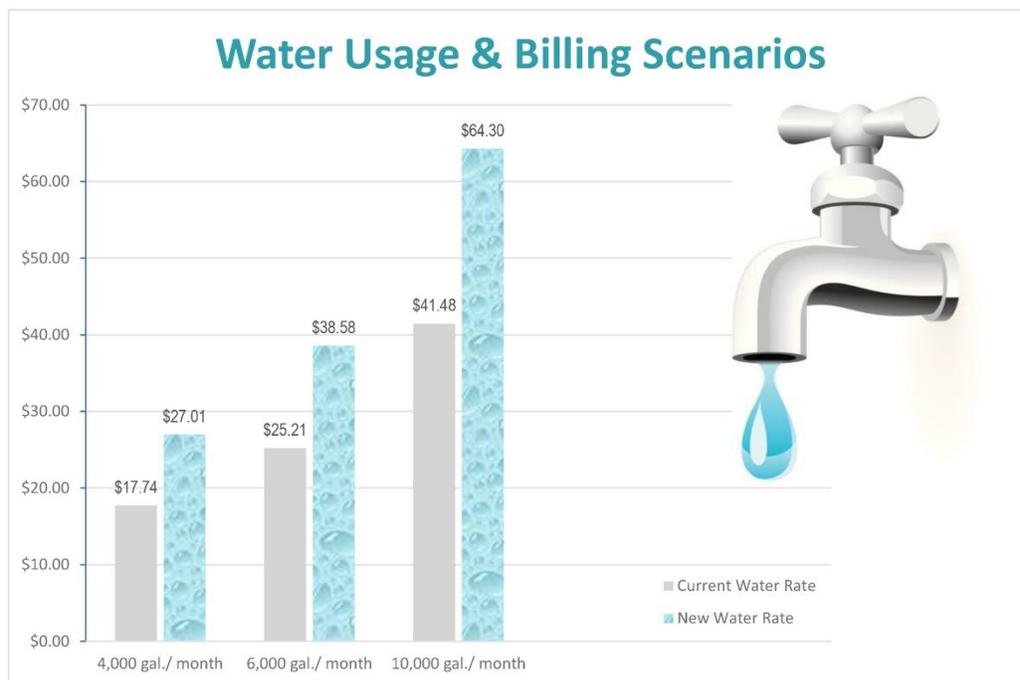
### Frequently Asked Questions:

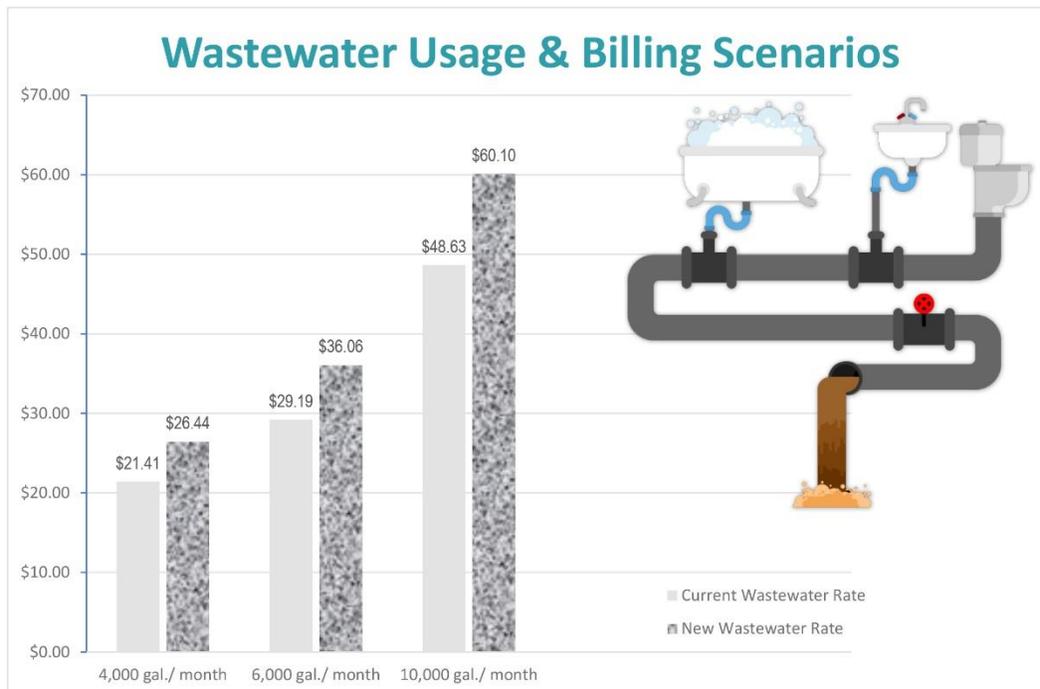
*What is happening?*

The Speedway Town Council during its public meeting January 10, 2022, introduced an ordinance to raise water and wastewater rates. If approved, the rate increase would allow the Town to make needed capital improvements to our aging water and wastewater plants, while remaining current with the costs of operating Speedway Water Works and the Speedway Wastewater Treatment Plant.

*How much is the rate increase?*

The proposed 37 percent rate increase amounts to an additional \$14.30 per month for residential users who use less than 4,000 gallons of water monthly. We have prepared a chart that includes potential costs for residents and businesses who consume for than 4,000 gallons or more each month. The Town is utilizing a portion of its American Rescue Plan (ARP) allocation to offset the rate increase.





If approved, the rate increase would take effect June 1, 2022. The first bill with the increase would be due in August.

The Town has not raised rates since 2011. This proposed rate increase competitively positions the Town's water and wastewater rates with other area communities, such as Shelbyville and Lawrence.

*Why is the Town proposing a rate increase?*

Clean and safe water is essential, and the Town is responsible for providing safe drinking water and effective wastewater treatment processes to the community. We must protect our water supply sources, regularly reinvest to replace and renew aging infrastructure, and support enhanced treatment operation.

A rate increase also is necessary to make needed capital improvements and remain current with the costs of operating the water plant and sewage treatment processing facility. Speedway Water Works and Speedway Wastewater Treatment Plant are aging and obsolete. Operating costs keep rising, and we haven't increased rates since 2011.

We need to make capital improvements so we can stay in compliance with new federal and state regulations. Making these improvements will ensure we maintain local control of our utilities.

*My water seems fine. Why do we need a rate increase now?*

Our facilities are aging, operating with original equipment, and some of this equipment is obsolete. We have to update our facilities to continue operating. Speedway Water Works was built in 1965. The Speedway Wastewater Treatment Plant was built in 1954. It's old enough to collect Social Security and to be on Medicare!

Additionally, the costs of operating the water plant and wastewater processing plant have increased. Rates have not increased since 2011, and the Town has not called on citizens to absorb those increased costs

*How did the Town decide what improvements it will make to the water and wastewater plants?*

The Town has put careful thought and planning into determining what capital improvements are needed and how to pay for them. In 2019, the Town began thoroughly evaluating the various needs related to water issues. We engaged Wessler Engineering to design the proposed capital improvement plan, and Baker-Tilly, LLC to review the Town's financial situation and identify various rate increase scenarios that would fund the capital plan.

As a result, we have created capital improvement and asset management plans for the water and wastewater utilities. These plans helped us prioritize what we need to fix now.

- Updating outdated equipment.
- Creating more efficient treatment processes.
- Securing our capital assets, such as:
  - Protecting the raw water intake structure located near Eagle Creek. Placing fencing and a covered structure will prevent access to the intake and minimize any potential damage or outside contamination.
  - Constructing a metal storage garage at the water plant to store equipment that currently sits out in the elements. Being outside has caused major wear and tear to equipment, and also slows down the response of employees to water main breaks as they have to clear snow and ice from equipment, warm up vehicles, and the like, before leaving to respond.
- Protecting environment and natural resources.
- Maintaining local control of our utilities.

*What are the specific improvements the town will make to the water and wastewater plants?*

The rate increase will allow us to reinvest in our utilities. Here's what we plan to do at Speedway Water Works, which was built in 1965:

- Update existing well system
- Add new wells
- Make dam improvements
- Implement chemical treatment changes
- Improve operational processes
- Update building facilities
- Replace water mains, valves, meters

And here's what we plan to do at the Speedway Wastewater Treatment Plant, which was built in 1954:

- Replace boilers, pumps, meters
- Improve lift station electrical and safety measures
- Build a new lift station at Chapel Hill
- Upgrade the life system

*Why are state and federal regulations causing a rate increase?*

From time to time, state and federal agencies require municipalities to update various processes, and typically do not provide funding for these improvements. These state and federal mandates result in the periodic need to evaluate user fees and rates to ensure communities like Speedway have the funds needed to make those improvements. An example of the mandates we need to meet are permit standards.

Our facilities are aging and some of the equipment is obsolete. We have to update our facilities to continue operating. If we don't act now, our aging water and wastewater utilities will cost the community. We could be fined for non-compliance, and state or federal agencies could put moratoriums on new development. We also could lose local control of our utilities.

*What is the process to approve a rate increase?*

The ordinance already has been introduced to the Town Council for consideration. The Council also will hold a "second reading" on the ordinance on February 28, which is the public hearing. The public is welcome to attend and participate and provide input.

If approved by the Council, the rate increase will be effective June 1, 2022. The bills for June consumption will be received in July and will reflect the June 1 increase. This bill will be due August 10.

1-12-2022

*Has the Town applied for any Federal and State matching funds or grants?*

In March 2021, the Town received over \$2 million dollars in funding from the American Rescue Plan Act. One of the eligible uses for this funding includes water and sewer infrastructure investment. It is the Town's plan to spend these dollars on such water and wastewater capital improvements. The Town has also applied for other grants, including most recently a grant from the State for water improvements. This grant was denied, one of the reasons citing that Speedway's rates are extremely low compared to other communities that are also applying for these funds.

The water and wastewater project work identified in the Capital Improvement Plan is not currently taking place. Once a rate is approved by the Town Council, the Town will begin systematic work on the projects, designing and permitting the various improvements, and then obtain competitive bids. The Request for Proposal step will not occur until next year or later. The water and wastewater proposed rate increases are based upon estimates that have been put

together by our engineer. These estimates educate us on the expected costs for the various priority projects identified in the Capital Improvement Plan.

1-27-2022

*What steps has the Town taken to help manage the debt?*

As of 2020 we had about \$20.9 million of sewer utility bonds outstanding with 13 years of life left on the bonds. The outstanding debt required that we hold \$2.1 million of cash in a debt service reserve account. This is sometimes required by bondholders as a credit enhancement to assure bondholders that if there's a revenue shortfall at the utility, funds will be available to continue making debt payments through a period of difficulty (shortfall).

As rates were low in 2020, we looked for ways to refinance the debt, and were able to work with the Indiana Finance Authority (IFA) to get consent to refinance the loans early. As part of the agreement on the new debt, we negotiated to fulfill the debt service reserve requirement with a letter of credit, rather than hold so much cash in an account earning little to no interest. This allowed us to release the \$2.1 million of debt service reserve funds. The refinancing also lowered our debt payment costs, saving the utility \$1.189 million in interest costs over the next 13 years. Both benefits of the refinancing directly contribute to reducing the rate increase that would have otherwise been required to fund needed improvements.