

"We're not in this business to make money, we're in this business to provide services." – Town Director of Environmental Services Steve Burke on the role of town government

Town water rates

Town ponders implications of water-sewer rate study

'A perfect storm' of economic and governmental factors leading to rate hikes

By Roger Bianchini
Warren County Report

The Front Royal Town Council got some news it didn't especially want to hear during a Sept. 8 work session presentation by the consultants hired to perform a water and sewer rate study and future needs assessment.

For a council that has enthusiastically picked up the baton of no tax increases for nine years, nor water rate adjustments for nearly as long, the news it will have to hike water rates 40 percent and sewer rates 200 percent in the near future was near coma inducing.

After listening to Burton & Associates President Michael E. Burton and town staff describe "a perfect storm" of economic variables that have led to this point, Councilman Tom Sayre said of the sewer hike in particular, "I'm not comfortable with this."

Sayre called the projected threefold sewer rate hike "a whole different ballgame." Commenting that he knew families with 10 to 14 children, Sayre worried over the potential impact of a 200 per-

cent sewer rate hike on households requiring 12 to 16 baths or showers per day.

We thought we heard someone humming the old Beatles tune "Lady Madonna" as Councilman Tom Conkey responded to Sayre's "discomfort" by observing, "If we don't do this, where are we going to come up with the money? We have a responsibility to balance our budget, to pay our bills."

Council discussed a phasing in of the rate hikes over a period of years to ease the blow on its customers. Burton said with the initial rate hikes scheduled to take effect Jan. 1, 2010, his company would have a detailed accounting of coming revenue needs to cover the town's expenditures on its water-sewer utility by mid to late October. Utilizing an old abacus we found lying around, we calculated the projected rate hikes having about a 50 percent impact on total town water and sewer bills (see subhead section Relative impacts below).

The Perfect Storm

And what is the "perfect storm"

that has brought a fiscally conservative town government to the point of a soaring utility rate increase?

In part it is that very fiscal conservatism that has led town officials over several administrations to avoid factoring in annual consumer price index increases that have averaged around 2.6 percent. However, the town has also been hit with a variety of governmental regulatory directives and general economic trends that are essentially beyond its control. Most prominent among those are the collapse of the housing market and general national and regional economic downturn, and the federally mandated Chesapeake Bay Restoration Act of 2000.

Town Finance Director Kim Gilkey-Breeden explained the town had been utilizing water and sewer tap fees, to help prop up its utility budget, a fine strategy when a lot of building is occurring that needs access to town central utilities, but not so good when the building market collapses and that revenue dries up. As an example, Gilkey-Breeden told council that even in 2008,



Vice Mayor Bret Hrbek, left head in hand, doesn't appear to like what he is hearing from the town's utility rate study consultant. Others listening from left are Council Clerk Jennifer Berry, Carson Lauder, and Tom Conkey, back to camera.

after the housing market had already taken a mighty hit, there at been 110 building taps into the town's water and sewer system. In 2009 there have been only 26. – "That is a huge decrease," she told council.

Standard ¾-inch line tap fees for residential and non-restaurant commercial hook ups are \$5,000. Larger connections are

based upon the size of the lines, Gilkey-Breeden later told us. For water lines those rates range from \$8,091 for a 1-inch line, to \$467,409 for a 12-inch line. For sewer lines the rates run from \$10,113 for a 1-inch line, to \$587,261 for a 12-inch line. The full range of rates is available at the town planning and zoning department.

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Town water rates

"So, did we drop the ball on water; I don't know ... But remember, the seven of us that make the decision, we live in town. I don't necessarily want to see my water bill go up like that either. But the fact is, we've got a mandate to upgrade; and we have to upgrade ..." – Vice Mayor Bret Hrbek



Burton & Associates President Michael E. Burton, standing, had some troubling news for the town regarding rate hike projections to cover coming utility expenditures.

The economy has also hit the town hard in another way – an increasing number of utility customer defaults on back bills. When those customers pack up and leave the area, the town is left holding those bad debts.

As for the federal initiative to restore the watersheds in five states

that feed into the Chesapeake Bay, the town has long known that it was facing what was forecast about five or six years ago to be a \$30 to \$35 million expense to upgrade its wastewater treatment facility. That expense is currently estimated at \$40 million and the town, along with other low tax

and utility fee municipalities in the commonwealth, are running up against federal deadlines on making those Bay Act upgrades or face sanctions and the loss of any existing federal program funding.

"We're in the lowest 25 percent on [water-sewer rates] and all the municipalities in the lower 25 percent haven't built their new wastewater treatment plants yet," Graham said.

"Unfortunately this is a perfect storm," Graham told council, referencing the Hollywood film account of a New England fishing boat and its crew that disappeared in the Atlantic as several hurricane force storms converged at one point and time. "Generally municipalities factor in small rate increases – we didn't do that ... unfortunately we've ridden this pony a long time. If we'd passed on two percent increases every year this would be easier."

"The perfect storm analogy really is true," Burton commented of the combined impact of lost tap fees as growth and the economy tanked, a lack of incremen-

tal increases over the years, a rising bad debt from defaulting customers, and the approaching deadline on wastewater treatment upgrades.

Vice Mayor Bret Hrbek commented that had the incremental increases been made over the years, the final impact on citizens would have been the same in the end anyway, albeit not in one fell swoop.

However, Burton said it appears the projected rate increases will not have to come in one fell swoop. At this point the consultant believes it will be possible to phase them in over several years, which council asked the media to stress so people won't be anticipating the full hikes this coming Jan. 1.

Gilkey-Breeden added that the preliminary rate estimates were based on current numbers, which she called a "worse case scenario." Should the economy and building market begin to rebound, the eventual rate increases may not have to be as high as now anticipated.

"Maybe if someone comes in

and wants to build 1,000 or 2,000 new houses and the tap fees come back – that will be the answer," Graham commented.

"That a nice spin but," the generally perceived no or slow growth Sayre countered of such a solution.

"I'm not going to argue whether growth is good or bad," Graham replied, "but the realities are here and they've caught up with us."

The blame game

"I'd love to be able to point the finger at Washington D.C.," Hrbek commented of cost increases due to the federally mandated wastewater plant toxin and chemical removal upgrades. "Can we factor in the mandated costs and put that on the bill?" Hrbek suggested of a move similar to the one the town made on its trash collection bills citing the county's trash truck tipping fees as the source for a recent rate hike.

We later asked Hrbek if he believed the federal mandate to clean up state watersheds impacting what has been described

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"Maybe if someone comes in and wants to build 1,000 or 2,000 new houses and the tap fees come back – that will be the answer." – "That a nice spin but ..." – Town Manager Michael Graham & Councilman Tom Sayre exchange on water-sewer tap fee revenues as alternative to rate hikes

Town water rates

as a dying Chesapeake Bay was a frivolous directive?

"I do not know if the Chesapeake Bay Act is necessary – that's beyond my skill set or my knowledge base. It's there and passed by levels of government far higher than the Town of Front Royal and we have to deal with it. My point in the work session was, let's break it out, because we all have our own responsibilities on what we have to do. So let's take ownership of that and the user should know that, that's what the impact is from. We have no control; we have to do what we are told.

"There are a lot of economic factors being pushed into. So the idea basically is not that we need to upgrade our wastewater treatment plant because we have growth or we are almost at capacity. We would have to do this no matter what, but we wouldn't necessarily have to do all these extra costly upgrades if it weren't for the deadline or the federal law."

Both Hrbek and Mayor Eugene Tewalt told us they didn't want to second guess past council decisions on not passing incremental rate increases.

"You can always go back and think what an old council should have done ... but this past year this council kept the budget to a minimum due to the economy and didn't raise taxes because of the economy's impact on the town's citizens," Tewalt told us.

"The facts at the time were different. I don't know how they made their decisions," Hrbek said of past councils. "They could have said we didn't want to raise taxes or any fees. But over the previous two years this never really was brought up as a recommendation by staff either, not to blame any staff person. It hasn't been on the front and center of our radar screen either. We also just built a new water plant and that was

a big cost. And that was the first step in this whole thing."

Hrbek also pointed out that with its participation in the AMP-Ohio electrical energy group, and the potential of additional revenues and power from the proposed solar power project here, the town appears to be in a pretty good position to keep electrical rates down. – "The electric side looks pretty good. If we had not made some strategic decisions that we made with AMP-Ohio, your electric bill could be going like the what the folks outside of town are going to be seeing over the next couple years," he said. "I realize it doesn't put more money in your wallet, but it doesn't take as much money out as it could have if we hadn't made some decisions.

"So, did we drop the ball on water; I don't know. What we did do was be very forward looking on the electric side. So I'm not thrilled about this. But remember, the seven of us that make the decision, we live in town. I don't necessarily want to see my water bill go up like that either. But the fact is, we've got a mandate to upgrade; and we have to upgrade because we're near capacity," Hrbek concluded.

Relative impacts

The day after the meeting, Conkey tried to put the potential sewer hike into perspective. "After last night's work session, everyone left town hall saying 'Oh my, the sewer rates are going to triple!!' But we need to put that into perspective. For my six room, seven with our quarters, Bed and Breakfast my water bill was \$127.79 and the sewer bill was \$7.45 last month. We don't like having to raise rates, but the town will be spending something on the order of \$40 million to comply with the Chesapeake Clean Water Act, so \$20 doesn't really seem unfair," Conkey said of the potential threefold, or 200 percent, sewer rate hike. "We are, of course, going to do everything possible to minimize the rate increase, but people really need to understand the actual impact of this rate adjustment."

So if we are "figuring" right, Conkey's Killahevin B&B's total monthly water-sewer bill of \$135, factoring in a 200 percent sewer increase and 40 percent water

increase would see an increase of \$66, or a 49 percent increase of the total water-sewer bill.

What responsibilities?

As town revenues and expenditures were discussed at one point during the Sept. 8 work session discussion, Town Director of Environmental Services Steve Burke commented, "We're not in this business to make money, we're in this business to provide services."

Now included in the provision of one of those services is the federal mandate to remove additional "chemical contaminants to levels that result in no toxic or bio-accumulative impact on the living resources of the Chesapeake Bay ecosystem or on human health."

While ultimately designed to rehabilitate what some call a dying Chesapeake Bay and its fishing and recreational industries, the Act accomplishes the same for the regional rivers that feed into the Bay, including our own Shenandoah. Despite some council grumbling about the mandated federal aspect of the wastewater plant improvements related to the Chesapeake Bay Act, Conkey believes the money is well spent.

"I remember when signs were posted along the Potomac River telling people that if they got in the water, they needed to get a tetanus shot. The river has been cleaned up to the point where people can use it and even fish from it now. We need to continue to clean up the watershed so that the rivers and the Chesapeake Bay are clean enough for people to enjoy them and harvest fish and shellfish from. These are vitally important natural resources and we have a responsibility to our children and grandchildren to stop polluting these bodies. If people continue to pollute the land, soon there won't be any clean water or land. What will we do then?"

Conkey pointed to a basic philosophical disagreement with the vice mayor over the role of government as it applies to mandates like the Chesapeake Bay Act.

"I have a lot of respect for Bret, but I don't agree with him on the role of the government. He thinks that everyone should be able to do what they want and that everything will work out. I think Royal Phoenix is a pretty good

argument against that view. Another example is he thinks that individuals should fully support the Library. I think their doors would close tomorrow if they relied exclusively on individual contributors for their operating funds."

Tune in this fall to see how

council discussion proceeds through Burton & Associates presentation of its detailed findings, and how council's dueling philosophical perspectives clash or accommodate each other as the future meets the present right here in River City.

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"We have a procedure for a reason; we have to be careful not set a precedent." – Vice Mayor Bret Hrbek on absence of written offer of boundary adjustment accompanying county request for central water and sewer to new public safety building

Town-county

Town central water and sewer to public safety building? *Council approval likely despite procedural, water capacity concerns*

By Roger Bianchini
Warren County Report

While there seemed to be no substantive opposition to a county request for town central water and sewer to the new county public safety building slated to be built on county land across the street from Skyline High School, things did get a little chippy over some procedural issues.

During discussion at a Sept. 8 work session, Vice Mayor Bret Hrbek indicated he had no prob-

lem extending town water and sewer to the \$10 to \$14 million building designed to house the Warren County Sheriff's Office's administrative offices, as well as a joint town-county 911 communications center. However, Hrbek expressed concern that a procedural requirement, a written offer to allow a town boundary adjustment on the impacted property, wasn't adhered to in the county's request for water and sewer.

"We have a procedure for a reason; we have to be careful not set

a precedent," Hrbek commented of the absence of such a written offer giving the town the option of placing the impacted property inside the town limits. While calling approval of the request "a no brainer," Councilman Tom Conkey agreed that bypassing procedures designed to protect the town's interest on future requests for central water and sewer outside its boundaries might not be advisable.

However, with no apparent interest in such a boundary ad-



Some positive news, Mayor Tewalt awarded a Pride in Performance Award to Larry Williams of the Horticulture section of the Town Public Works Department. - Even visiting Winchester officials have commented recently on how nice the town is looking, way to go, Larry and gang.

justment expressed by council, a compromise was suggested. Councilman Shae Parker observed that eliminating undue municipal red tape was advisable where possible.

Town Attorney Tom Robinett said that unless there was a council desire make such a boundary adjustment, council could legally protect itself on future applications by including an acknowledgment that it was waiving the written boundary adjustment offer in a subsequent motion to approve the central utility extension.

Council, including Hrbek and Conkey, appeared satisfied with that legal assurance.

Earlier in the discussion, Hrbek asked if the town might want to consider a joint law enforcement headquarters for its police department in the same building as the sheriff's office. Mayor Eugene Tewalt reminded the vice mayor that possibility had been previously discussed and rejected at an earlier work session. Town Manager Michael Graham added that both Sheriff Daniel McEathron and FRPD Chief Richard Furr had come out against a full joint facility, though their was support from both sides for combining the 911 communications center to both local law enforcement agencies.

Adequate pressure?

Prior to resolution of that concern, Parker asked staff if there was adequate capacity in the existing town system to accommodate the request and whether mandating a booster pumping system at the county's expense would be necessary to assure adequate water service to the building. Town Director of Environmental Services Steve Burke said he did not believe that would be necessary unless the county planned on including an irrigation system for the surrounding grounds.

A booster pump was included in the Skyline High water extension from the town. Both town and county officials have stated in the past that booster was installed to assure adequate pressure for any potential county firefighting activities over the sprawling high school facility.

Burke has found himself enmeshed with at least one local developer in a dispute over whether the town water system is providing adequate water pressure to the town's southside, most recently involving two new duplex townhouses in the Criser Road-Parkview Avenue area (see related story, previous page).

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