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Mayor Peter Vogt
Village of Dansville
14 Clara Barton Street
Dansville, NY 14437

February 4, 2015

Dear Mayor Vogt,

I have reviewed Dansville's water and sewer expenses and revenue and have projected the rates needed to cover projected expenses. I have used the Village's tentative budget numbers for FY 2016 and have made projections on your revenue and expenses for FY 2015. I have also projected expenses thru FY 2019, using 3% inflation for most expenses and debt service estimates from your debt schedules. I have also allowed for some capital expense in the systems, which need much more than I have allowed. The attached charts show projections and the rates needed to meet them. I my recommendations are below:

1. The Village needs noticeable rate increases in both water and sewer rates. The water fund balance has been declining slightly since FY 2012, but it will drop significantly in the current fiscal year. My projections show a decline from of about \$164,000, from \$230,000 to about \$66,000 in FY 15. The sewer fund balance grew well for the past four years from a negative \$152,000 to a positive \$329,000. However, in the current fiscal year, significant new debt service has come on. I project that by the end of FY 15 the fund balance will decline by about \$134,000 for an end of year fund balance of about \$195,000. Projections through 2019, allowing for modest cash capital, show the need for about another \$230,000 in annual water revenue and about \$300,000 in annual sewer revenue. Given the rapidly declining fund balances and future deficits, it is important to increase rates as soon as possible.
2. Water rates are shown on an attached sheet, entitled "Water Rate Increase Calculations." The quarterly base charge should rise from \$72 to \$88 per quarter for Village customers and from \$88 to \$104 per quarter for out of Village customers. The commodity charge should increase from \$3.00 per 1,000 gallons to \$3.50 for Village customers and from \$3.50 to \$4.00 per 1,000 gallons for out of Village customers.
3. The sewer rates are shown on an attached sheet entitled "Sewer Rate Increase Calculations." The base charge should increase from \$65 to \$90 per quarter for Village customers and from \$80 to \$105 per quarter for out of Village customers. The

commodity charge should increase from \$3.00 per 1,000 gallons to \$3.50 for Village customers and from \$3.50 to \$4.00 per 1,000 gallons for out of Village customers.

4. Both rate charts show how to raise or lower the amount of revenue in \$20,000 increments.
5. A caution on numbers. The estimates in this report are based on preliminary expenditure estimates and revenue estimates. There is experience yet to be gained with the new sewer plant. Surprises often happen, especially with old systems. I had up to 2% variation in revenue estimates, depending on method used. A larger variation in volume can easily happen as customer use and habits change. Annual variation will occur, but overall, I think the numbers used are good. I have also projected a 1% drop in rate revenue each year due to expected drops in consumption. This drop is consistent with what is happening in developed other communities.
6. Water Capital Needs. Valves and old mains fail. You have many leaks. The village produced 214,526,000 gallons in 2014. The Village sold about 120,150,000 gallons thru meters and about 1,400,000 gallons as unmetered sales, for a total of 121,550,000 gallons. This means you sold only 57% of the water. A tight system sells about 85% of its water. Long term leaks get bigger and cause damage. The allowance for capital included will likely be needed for surprises and if not, it can help build the fund balance. In 2021, a water bond with current principal of \$330,000 will be paid off. That may allow the Village to begin some real maintenance of the system.
7. Sewer Capital Needs. The sewer system also has large capital needs. Infiltration and inflow has barely been addressed. This can also damage infrastructure. The amount of capital dollars allowed may cover surprises. If the capital is not needed, the Village can restore some fund balance. Significant debt does not drop out of the sewer budget for a very long time.
8. The WWTP project budget allows for some sewer equipment. I recommend buying that from this project budget. You are not likely to be in a position to get much needed equipment out of current funds for a long time.
9. I have used \$460,000 for the annual debt service for the plant project. This assumes a \$2,000,000 grant and spending about half of the contingency. I have not made an adjustment for the composting aid, as the Village does not know when and how it is coming. In the study I did in 2012, I had assumed that the Village would have been paying interest on the borrowing. If the Village had not gotten the interest free loan, rates would need to be far higher.
10. I checked the numbers I used in the 2012 study. There have been increases beyond what I estimated, some of it seeming to reflect policy decisions, such as general fund charges and some cost increases above the 2% increases I had used. The water revenue from the then recommendations would have been about \$75,000 higher than current

revenue. The sewer fund phase 1 rate would have been about adequate, given the interest free loan. The Village would not have needed to go to the phase 2 rate proposed.

I hope this report can be helpful to the Village in making needed water and sewer decisions.

Sincerely,

A handwritten signature in cursive script, reading "Paul Bringewatt". The signature is written in dark ink and is positioned above the printed name.

Paul Bringewatt

Water Rate Increase Calculations, January, 2015

Gallons Sold, Assume 2014 is Base year

July, 2013	29,573,433	Note 88.7 percent of base charges are in Village So assume 88.7% of gallons in Village and 11.3% out
Oct, 2013	34,619,758	
Jan, 2014	27,768,000	
April, 2014	28,195,000	88.7% 106,578,541 gal in Village
Total	120,156,191	11.3% 13,577,650 gal out Village

Need to raise \$230,000

Base Charge	Per qtr	Quarters			
2,376	\$	16.00	4	\$	152,064 Base charge increase in Village
303	\$	16.00	4	\$	19,392 Base charge increase out Village
				\$	171,456 Total Base charge increase
Gallons [thousand]					
106,578	\$	0.50		\$	53,289 Commodity Charge in Village
13,577	\$	0.50		\$	6,789 Commodity Charge out Village
				\$	60,078 Total Commodity Charge
				\$	231,534 Total Increase

Proposed Annual Metered Revenue

Base Charge	Per qtr	Quarters			
2,376	\$	88.00	4	\$	836,352 Base charge increase in Village
303	\$	104.00	4	\$	126,048 Base charge increase out Village
				\$	962,400 Total Base charge increase
Gallons [thousand]					
106,578	\$	3.50		\$	373,023 Commodity Charge in Village
13,577	\$	4.00		\$	54,308 Commodity Charge out Village
				\$	427,331 Total Commodity Charge
				\$	1,389,731 Total

Say need to raise or lower \$20,000

Base charges	Per Qtr	Qtrs	Revenue	
2,376	\$	1.90	4	18,058 Base charge in Village
303	\$	1.90	4	2,303 Base charge out of Village
			\$	20,360 Total Base Charge revenue

OR

Gal [Thousand]	Per 1,000 gal		
106,578	\$	0.17	\$18,118 Commodity charge in Village
13,577	\$	0.17	\$2,308 Commodity charge out of Village
			\$20,426 Total Commodity charge

Basis for FY 2016 Metered Water Revenue Before rate increase

\$	1,178,564	is 2014 rate revenue
\$	1,166,778	99% for 2015 rate revenue
\$	1,155,111	99% for 2016 rate revenue

Sewer Rate Increase Calculations

Total Gallons of water sold in FY 14 is 120,156,191, 88.7% or 106,578,541 gallons in Village.
Another 3.9% or 4,156,914 gallons sold out of Village.

Note: 88.7 of water base charges are in Village. 3.9% of water base charges are
are sewer base charges out of Village

Say need increase of \$300,000

Base Charge	Per qtr	Quarters		
2,326	\$ 25.00	4	\$ 232,600	base charge sewer in Villlage
94	\$ 25.00	4	\$ 9,400	base charge sewer out Villlage
			\$ 242,000	base charge revenue
Gallons [thousand]				
106,578	\$0.50		\$53,289	commodity charge in Village
4,156	\$0.50		\$2,078	commodity chargeout Villlage
			\$55,367	commodity charge revenue
			\$ 297,367	Increased revenue

Proposed Annual Metered Revenue

Base Charge	Per qtr	Quarters		
2,326	\$ 90.00	4	\$ 837,360	base charge sewer in Villlage
94	\$ 105.00	4	\$ 39,480	base charge sewer out Villlage
			\$ 876,840	base charge revenue
Gallons [thousand]				
106,578	\$3.50		\$373,023	commodity charge in Village
4,156	\$4.00		\$16,624	commodity chargeout Villlage
			\$389,647	commodity charge revenue
			\$ 1,266,487	Total

Say need increase or decrease of \$20,000

Base Charge	per qtr	Quarters		
2,326	\$ 2.07	4	\$ 19,259	base charge sewer in Villlage
94	\$ 2.07	4	\$ 778	base charge sewer out Villlage
			\$ 20,038	base charge revenue

OR

Gallons	Per 1,000 gal		
106,578	\$0.18	\$19,184	commodity charge in Village
4,156	\$0.18	\$748	commodity chargeout Villlage
		\$19,932	commodity charge revenue

Basis for FY 2016 Metered Sewer Revenue

\$ 971,402	FY 14 Sewer Revenue
\$ 961,688	99% for 2015 metered revenue
\$ 952,071	99% for FY 2016 metered revenue