



BOARD OF PUBLIC WORKS

CITY OF HANNIBAL

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ELECTRIC, WATER AND SEWER DEPARTMENTS

3 INDUSTRIAL LOOP DRIVE • PO BOX 1589 • HANNIBAL, MISSOURI 63401-1589

July 3, 2013

BOARD OF PUBLIC WORKS DETAILS USE OF BOND FUNDS

On Tuesday, August 6th voters in Hannibal will have a chance to express their views on how we should deal with the Unfunded Mandates being imposed on us by the EPA. Just as a recap, remember that as part of Local Government, the Hannibal Board of Public Works is mandated to make the improvements that we have detailed previously. Refusing to do so will get us invited into federal court where a judge will surely force us into a compliance program which will be more expensive than if we had done the work willingly.

In today's political climate there is virtually no chance to have the laws changed. All that is left then, is to do the work and choosing how we pay for the changes. As I said before, we have three choices.

- We can dramatically and immediately raise rates to get the cash we need this year. Our estimate is 35% immediately for both water and sewer followed by a series of much smaller adjustments to account for inflation over the next six years.
- We can borrow money from a local bank using a plan that looks like a rent-to-own deal. It is the most expensive due to the high interest rates involved.
- We can borrow the money through a bond sale which requires a majority approval in a city-wide election. This is the cheapest and fairest long range solution offering the lowest possible rates due to the lower interest rates.

The bond sale option would also require raising rates. Our estimate today is that annual rate increases would be in the range of that required to keep up with inflation or 3-4%, possibly less. Our costs of operation will go up to cover interest payments, labor inflation, and rising cost of chemicals.

Another caveat is that we will be forced by the EPA to spend more money on system maintenance which will not be funded with borrowed money. For example, reducing inleakage into the sewer collection system is mandated, but the nature of the work looks more like an annual maintenance. We cannot simply write a specification, and pay a contractor to fix the problem once and for all. To do so would be more than we could ever afford. Instead, the EPA/DNR is willing to accept a slow but steady improvement over the next 15 years as we do smaller targeted projects financed by normal revenue from rates. An example would be to install a fiberglass liner in several hundred feet of sewer main to prevent leakage into the pipe from cracks or abandoned services.

Almost half of the money we are asking to borrow will be spent on projects not mandated by the EPA but still very necessary. For instance, part of the Wastewater Treatment Plant is essentially worn out after 30 years of continuous operation. Our ability to take individual pieces of equipment out of service for overhaul or maintenance is very limited. Most equipment runs 24/7/365 and has done so for the last 30 years. The environment is corrosive and demanding of machinery. Maintenance costs are escalating rapidly as equipment nears the end of its useful life. Last year we replaced the process air compressors using \$300,000 in cash reserves and rate revenues. Much more needs to be done. We depend on this



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equipment to operate properly to maintain compliance with our MoDNR permit. If the equipment fails we fall out of compliance almost overnight. When we fall out of compliance we get fined. When we get fined, nobody wins.

Tell us what you think. For more information and to see copies of previous guest columns please go to our website www.hannibalbpw.org or follow us on Facebook. Post your comments or send a letter to the editor of this paper. Finally, watch your mailbox for the brochure detailing all the projects we plan to accomplish if the bond sale is approved.

Sincerely,

Robert W. Stevenson, P.E.
General Manager

“The mission of the Hannibal Board of Public Works is to provide safe, reliable utility products with excellent customer service at reasonable prices.”