



# CITY OF CANEY

100 W 4<sup>th</sup> Ave      P.O. Box 129 Caney, Kansas 67333

Phone: (620) 879-2772      [www.caneyks.com](http://www.caneyks.com)      Fax: (620) 879-9808

**City Administrator – Kelley Zellner**

**Mayor – Joshua Elliott**

**3/10/2023**

To the Citizens of Caney:

Comparing apples to coconuts is what happens when we compare utility rates with other cities as a great number of cities have not improved their failing infrastructure and those who do have to get used to higher utility rates. Improving infrastructure in water and sewer creates debt for every city who is willing to look to the future for its city. In the next few years, cities that have not improved their water and sewer will have to because of new changes in EPA regulations such as lead and copper restrictions, and water quality requirement. As far as sewer systems, cities have to work to eliminate as much infiltration water to their system as possible because the fact is that if ground water is getting in the sewer, the sewer is also leaking water out. Hopefully this summer, we will complete the south interceptor line which will complete the rehabilitation of the Caney Sewer Collection System. To finance the sewer improvements, previous administration saw fit to bond the sewer debt at a low interest rate so that the monies to finish the project are already bonded and ready to reimburse remaining expenses when submitted to USDA. Caney sewer improvements were mandatory repairs (EPA) and now we have to pay for those bonds.

As it stands, the debt right now is presently at an average yearly cost of \$520,000.00 which increased by an average \$320,000 in 2022 with the sewer improvements and the swimming pool coming onboard. Sales tax monies of \$161,000.00 are going to the “Debt Service” which consists of previous City debt, the swimming pool debt, water plant improvement debt, and sewer plant improvement debt and sewer collection system improvement debt. However, that still leaves some \$359,000.00 owed by the City annually to its “Debt Service”. Because of this looming utility debt the council must look at raising the utility rates of water and sewer to cover the utilities’ O&M along with the utility debt service. In 2022 the \$359,000 was taken from unencumbered cash (\$307,903) in the Sewer Fund and the remaining funds were taken from the unencumbered cash in the water fund. In 2021 the Sewer Fund over spent its budgeted O&M and Debt Service by \$6,730 which came out of the unencumbered cash of the sewer fund. 2020 was the last year sewer made more than its budgeted O&M and did not run in the red. 2021 was the last year the Water fund made money over its O&M.

It has been presented to the council to raise water and sewer rate April 1<sup>st</sup> to cover the utility debt service. Four dollars will be added to the base charge of the already existing water/sewer base charge and one dollar and fifteen cents will be added to the unit price of water in both water and sewer fees. This means that single unit users per month will pay a \$10 monthly increase to their water and sewer bill. Pooling all utility increases in the Debt Service Fund will still short fall the annual payment by some \$30,000 as we are hoping that HB 2302 will pass this year which would forgive up to 90% of Caney’s \$470,000 water debt (\$423,000 approx.) which would be added to the Debt Service Fund to cover any short falls of the debt payments for next several years which will be a huge blessing as it has been forecasted that as of January 1<sup>st</sup>, 2024 the grocery tax will be completely removed from the City sales tax collections along with that of the State sales tax which will create another short fall in the debt service revenues.

Respectfully,

Kelley R. Zellner, City Administrator