

## City of Kimberly Water and Sewer Funds

Community: Kimberly, ID

Population: 2,614

Number of Accounts: 1,100

Annual Revenues: \$443,450 Water

\$316,536 Sewer

**Sustainable Financing Issue:** *Sustainable financing of the water and sewer utilities in the face of a "citizen revolt".*

### Background

The Carey Act of 1901 is credited with commencing the development of more than a million acres of arid land which eventually became the "Magic Valley" of south-central Idaho. Kimberly grew like most farming communities. The first and major community organization was the Kimberly Farmer Association, formed on June 7, 1905. By 1906 the main street consisted of stores, a meat market, a saloon and a bank with two-story false fronts and board sidewalks. The houses were mainly constructed of tar paper with dirt roofs. People came to town only when absolutely necessary for supplies and to deliver crops and livestock to the railroad. Farmers grew grain, alfalfa, clover, sugar beets, potatoes and fruit.

As private individuals bought and sold the rich irrigated farmland, the town continued to develop. Early population statistics show Kimberly's population to be approximately 400 in 1920 and 963 in 1940. Census figures show the population dropped from 1347 in 1950 to 1298 in 1960, which was typical of farm communities during that period of time. The population increased to 1557 in 1970, 2307 in 1980, 2367 in 1990. The City of Kimberly is still primarily supported by an agriculture economy. Kimberly is changing to a bedroom community to the City of Twin Falls – the major economic engine of the area.

For a number of years the City has maintained user fees at a monthly level of \$21.50 for unlimited use of water, and \$19.25 for sewer service. Treatment of transmitted wastewater is contracted to the City of Twin Falls. These user rates have remained at these levels because the elected officials have ignored system reinvestment, failed to expend at budgeted levels, and not funded depreciation of assets. Drawdowns of established reserve funds have also allowed the systems to barely survive.

### Proposed Rate Increases and Citizen Revolt

City officials prepared budgets for the water and sewer funds for the 2009 fiscal year that included user fee increases for both water and wastewater services. Using the **EFC's Utility Budgeting Workbook**, City Administrator Polly Hulsey calculated that water fees would need to increase to \$48.08 to meet budgeted expenditures – including a minimal amount of new funding for system reinvestment. On the sewer side, rates were calculated to increase from \$19.25 to \$44.18 per month. These rates represented the first attempt at full-cost pricing in over a decade.

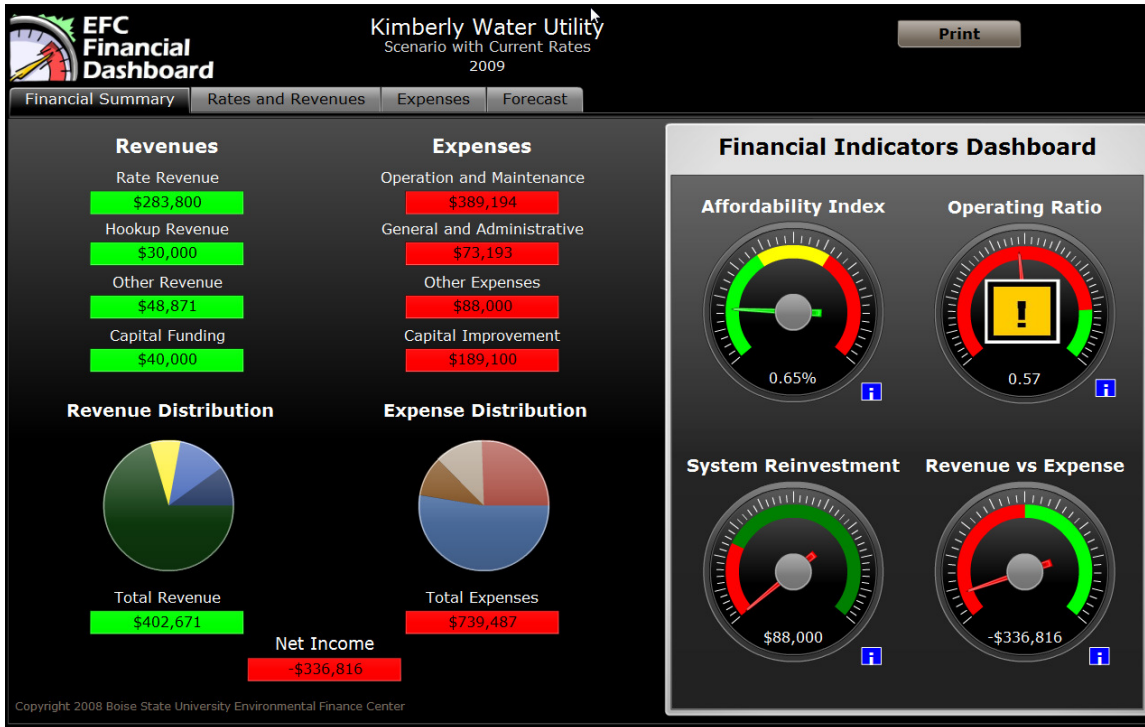
To prepare for the expected backlash from the community, city officials held a budget workshop on August 25. At this open meeting, EFC Director Bill Jarocki presented the proposed budgets and explained the arguments for full-cost pricing of utility services. Jarocki also presented information about EPA's **Four Pillars of Sustainable Infrastructure** and the need to reinvest in the public's investment.

On Tuesday, August 26, Jarocki presented this same information at the public hearing for Kimberly's budget. An angry assembly of citizens crammed the Council chambers with another crowd outside of the meeting room shouting from the parking lot. After considering limited testimony, Mayor David Overacre suspended the meeting for the following night where it was relocated to the Kimberly High School gymnasium  
[http://www.magicvalley.com/articles/2008/08/27/news/local\\_state/143140.txt](http://www.magicvalley.com/articles/2008/08/27/news/local_state/143140.txt) .

The next evening, nearly 400 people attended and resumed consideration of the 2009 proposed city budget. Their focus was again on the more than 100% increases in each of the user fees. Only one person offered support to the current city leaders for trying to finance the water and sewer systems in a more sustainable manner. This citizens correctly placed blame with the previous mayor, council and city clerk for lacking the foresight to increase rates over time to support these essential services. The majority of comments focused on affordability, insensitivity to seniors and others with fixed incomes, and the transparency of the information regarding the need. Others criticized the process  
[http://www.magicvalley.com/articles/2008/08/28/news/local\\_state/143194.txt](http://www.magicvalley.com/articles/2008/08/28/news/local_state/143194.txt) .

### **Application and Demonstration of the EFC Financial Dashboard**

Following the citizen testimony, Bill Jarocki used the **EFC Financial Dashboard** to show the citizens the key financial indicators relative to the current user fees for the water and sewer systems against the proposed budgeted expenditures. Both **Dashboards** clearly showed citizens the weakness of key financial indicators and underscored the failure of past administrations to properly finance these systems. The water fund dashboard is shown here. The Affordability Index is good only because the rates have been kept low. The **Operating Ratio, System Reinvestment** and **Net Income** indicators were all negative, with the projected deficit shown at a loss of over \$336,000. The **Dashboard** stimulated nearly an hour of discussion of proposed rates, past practices, the benefits and costs of sustainable infrastructure, and how future user charges could be design economically and equitably.



## Outcome

At the end of the evening on August 27 the City Council adopted a compromise level of funding for the water, sewer and solid waste collection systems. For the next fiscal year the City of Kimberly will be collecting \$75 per month per customer for these three services. In the meantime, Mayor Overacre will be soliciting nominations for a new Citizen's Advisory Committee. This was a recommendation of the EFC Director Bill Jarocki. Once formed, the CAC will work with the city administration to fully examine the operations and financing of the water and sewer systems. The committee will offer recommendations to the Mayor and Council well in advance of the next budget process. It is expected that the Environmental Finance Center will work with the committee and city staff to implement the EFC Financial Dashboard, the EPA's CUPSS model and other tools to generate empirical information for further consideration.