

The University of Kansas

Office of the Provost

December 8, 2004

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**CITY MANAGERS OFFICE
LAWRENCE, KS**

Mike Wildgen, City Manager
6 East 6th Street
Lawrence, Kansas 66044

Dear Mike:

The University of Kansas continues to study the proposed water and wastewater rate increases currently being considered by the City Commission. We have previously expressed our concerns to the City prior to the September and November meetings of the Commission. It is our hope that the information we are providing will be helpful as the Commission continues to consider the potential impact of these rate increases.

To assist the Commission in better understanding the University's concerns, here is a brief summary of the University's current water and wastewater consumption. In the fiscal year ending 2004, the University consumed 148 million gallons of water, at a cost of approximately \$268,000, through a 12 inch meter on the main campus and a 10 inch meter on west campus. Wastewater use for this same period was 96 million gallons at a cost of \$292,000. In addition, the University spends \$100,000 per year to maintain the campus-wide water distribution system consisting of four pump systems and over 13 miles of water piping.

We understand there are currently two alternative rate proposals for increasing water costs over a five-year period. Assuming the water consumption at the University remains consistent over five years, the final year increase would cost the University an additional \$55,000 or 20% over the current rates. The cumulative cost over the five-year period would be \$149,000 for the Modified Declining Block option and \$169,000 for the Uniform Volume Charge option. The impact of this cost was calculated based on the proposed industrial class rates. This takes into consideration the University's unique rate classification that more closely reflects the industrial class rather than the commercial class.

There is, however, only one proposed rate for increasing wastewater costs. In September 2004, this increase was presented to the University as an approximate 27% increase with no mention of additional increases for the following years. When the proposal was again made in November 2004, it included proposed rate increases for five years. In the final year of the November proposal, the rate increase would exceed 83% of existing costs or an additional \$243,000. The cumulative costs over the five-year period would be on the order of \$789,000. The total effect of increased rates for water and wastewater over five

years would be in the range of \$938,000 to \$958,000, depending on the water option implemented.

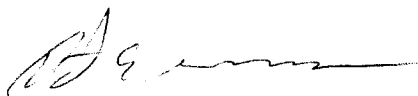
We ask the Commission to consider the effect the newly adopted Water and Wastewater System Development Charges will have on the University. For example, a new ten-inch water meter costs the University \$187,000 for water, and \$210,000 for wastewater, a total of \$397,000. In 2009, the cost will be \$216,000 for water and \$507,000 for wastewater, for a total cost of \$723,000. Although these are one-time outlays, these costs along with increased water and wastewater rates will have a significant financial impact on the University. These increases, in addition to the State legislature's failure to fund building operations since the year 2000, will become an added drain on the University's academic budget and programs.

We request that the City Commission consider this information and that previously provided in determining water and wastewater rates that would apply to the University. We specifically ask that the Commission take into consideration the University's volume of consumption and unique responsibility of ownership as a permitted Water Supply System Operator of a significant water distribution system. We believe this will place the University more in line with other wholesale customers who operate their own water distribution systems and receive water from the City water treatment facilities.

To summarize, we ask the City Commission to consider in determining future rate increases the on-going water conservation efforts of the University. We also ask that consideration be given to our full-scale cooperation with the City in reducing water consumption during peak demand periods to help meet broader demands of the City, the effect of implementing the newly adopted Water and Wastewater System Development Charges, and the unique responsibility the University bears to operate and maintain its own water and wastewater system. Thus, we believe a fair solution would be to assess the University at a rate recognizing its responsibility for ownership, operation and maintenance that is consistent with other wholesale water service providers.

We do appreciate the opportunity to be part of the discussions of the City's future water and wastewater rates.

Sincerely,

A handwritten signature in dark ink, appearing to read 'D. Shulenburg', with a long horizontal flourish extending to the right.

David Shulenburg
Provost and Executive Vice Chancellor for the Lawrence Campus

cc: Jim Long, Vice Provost for Facilities Planning & Management
Doug Riat, Director of Facilities Operations