



Mayor, Gary K Hodnett

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Town Council 2023

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Public Information Statement RE: Water Rates

Why is Hurt's town water rate so high? Numerous residents have asked this question. A few have become upset and lashed out at our employees on the phone and/or in person while at Town Hall to pay bills. To help everyone understand the water rate situation, we believe it appropriate to offer some important information and historical perspective.

First off, everyone is asked to bear in mind that town employees neither set nor modify any town rates – water or otherwise. Staff members are responsible for operational tasks such as billing, collections, data tracking, maintenance, and recordkeeping. Our current employees consistently execute those duties courteously and professionally, and they have the full support of the council, mayor, and a great majority of the community.

All utility and tax rates, fees, etc. are set by the Town Council each fiscal year, usually in the April-June time frame, when we develop the budget for the upcoming July-June fiscal cycle. After approval by Council, they are published on the town website as a single PDF document – our Master List of Rates & Fees – and maintained there for public access.

Everyone at Town Hall is here for the citizens – to provide services, process payments, respond to inquiries, and more. When someone has a complaint or concern, we will receive it and make every effort to resolve the issue. However, there are right ways to go about communicating such matters. Verbal assaults, profanity, employment threats, etc. are NOT acceptable options. For the security of both citizens and staff, we have policies in place regarding such conduct. Please know that this behavior has no place in our offices. Depending on the situation, it can be considered criminal activity and/or result in suspension of one's right to be on the premises.

Secondly, let's consider history. Around 40 years ago (early 1980's) Hurt decided to install a public water system. Though controversial, the town followed due process with public hearings and/or other forums for residents to provide input. The decision was approved by the voters of

that time period, even if not by a wide margin. The project was completed, with the town incurring considerable debt for its cost. Hurt contracted with Altavista to purchase treated water from them for resale and distribution to Hurt customers – a longstanding arrangement that continues to this day.

Everyone was expected to sign up for water and the town passed an ordinance requiring all residents to connect to the municipal system. Only a few exceptions were issued for properties where a residence was situated too far from a main line, making a connection impractical. Sometime later a public wastewater system was added, though it was limited to Main Street areas such as Staunton Plaza, Family Dollar, FCA, etc.

The next chapter in our water system “saga” was the closing of Klopman Mills. The town was supposedly offered property which included the water plant behind the former factory. They apparently considered trying to purchase the property but found it not feasible at the time. Later, the property was purchased by Hurt Partners, LLC, a North Carolina group, and renamed the Southern Virginia Multimodal Park (SVMP). In 2018, Pittsylvania County, Danville City, and Town of Hurt joined forces to form the Staunton River Regional Industrial Facility Authority (SR-RIFA), a regional intergovernmental partnership created specifically to function as a “vehicle” to carry out the lengthy and complicated process of economic development at SVMP.

The more recent stage of our saga was the Virginia Department of Health (VDH) getting involved when disinfection byproducts (HAA5’s Haloacetic Acids and THM’s Trihalomethanes) began running too high in our water testing. VDH sent letters to the town in previous years instructing us to get these readings back into the acceptable range. Then, they stepped in and issued a mandatory consent order requiring Hurt to comply. This required the town to hire an engineering firm to develop a plan for removal of these substances. This plan required work inside the Altavista Water Treatment Plant, adding a vault on the property surrounding the plant, and tying into the water line entering the Town of Hurt’s Pump Station. It also involved work inside our pump station – new pumps, electronics, and clearwell work. It also includes an aeration system in our water tank on Cemetery Road, as well as boring under the railroad and Main Street to add a loop system on the west side of Main Street. Total cost is around \$2,000,000. We worked with VDH to allow us to split this project into two phases. Phase I is the work around the Altavista Water Treatment Plant and has been completed at a cost of \$240,000. By splitting the project, the state allowed us to rework our grant for Phase II. Originally, the grant required the town to pay 75% and the state would pay 25%. By taking advantage of the opportunity to re-negotiate the terms, Hurt’s share is now 25% and the state’s 75%. That change saved our town over \$1,000,000 in would-be debt service, which is a huge saving to us. (*Just imagine how much the cost to finance an additional \$1,000,000 would be in relation to our water cost*). However, we will still have to take on an additional \$500,000 in debt for our portion of Phase II over the next 2 years.

Over and above the consent order, our water system is 40+ years old and is prone to frequent repairs, many of which are expensive. Seldom do 3 weeks go by without at least some repair work being required. We are in a constant state of repair in one form or fashion.

In addition to all of the above, we also face yearly increases in the base price we pay Altavista for the water. This is often on the scale of 10%, and that is only for the price of water itself, not the ever-increasing costs of maintenance and repairs.

We have been asked why not ignore the consent order. We have asked this question, and the answer is court and forced compliance. The notices were not substantially acted upon from 2015 to 2018, so at this point, we do not have a choice. If we do not comply with VDH requirements, they will come in and take over our system, do the work entirely on their terms, and we will pay the bill in full. Translation – much higher rates than those we currently have or anticipate.

There is more... we also have to plan for replacement of fire hydrants that are near the end of their life expectancies. A plan is being developed for them to be refurbished or replaced (in stages, not all at once) as their life expectancies expire in the future.

The new water meters were paid for with Federal CARES Act and ARPA money, which saved us over \$200,000 in would-have-been rate increases if we used the Town's money. We consider this a wise use of that money. As our old meters were past their acceptable life expectancy and issues with the older meters were constant.

When it comes to budgeting and planning for water expenses, we must remind everyone that the water and wastewater systems operate exclusively through our Enterprise Fund, which must be entirely self-sustaining and not mixed with or subsidized by the General Fund which is sustained by tax money. In other words, water and wastewater bill money go to the Enterprise Fund to pay for those services, and must cover them entirely, while tax money goes into the General Fund for essentially everything else. They cannot be comingled. This is standard accounting procedure for municipalities everywhere, and we cannot just make an exception.

As part of the state grant support package, they asked us to bring in professionals to evaluate our water system and rates to make sure our town can support the debt service. We are using Davenport Engineering services for this study, and they will be telling us what our future rates should be. We fully expect them to recommend a minimum water rate necessary to cover all the requirements.

Obviously, this situation has evolved over the years (including a lack of capital improvement plans and funding reserves since the system was built) and now we are all having to pay for it. **Thus, we have little choice regarding our water rates, contrary to the rhetoric one might hear.**

The coming solar farm and our acquisition of Staunton Plaza earlier this year are vital parts of our longer-term plan, as over time, these properties will inject long-awaited revenue into our General Fund over the upcoming years. That money cannot be used to offset water rates, but our plan is for it to help minimize additional tax rate increases down the road. Hopefully, that will enable us to maintain and improve General Fund services while keeping taxes from having to go up nearly as much as they otherwise would. In other words, your water rates will continue to rise. However, your tax increases will be minimized due to the Solar Farm coming online and Staunton Plaza development. Thus, as a total you should realize some combined relief verses not having the economic development that has been set in place in the past (3) years.

Please call or email us with any questions; your understanding is appreciated.

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