

Water System Infrastructure and Rate Plan Update

Your water association has a responsibility to deliver safe, reliable drinking water to every customer — not just today, but long into the future. To fulfill this responsibility, the association regularly evaluates the condition of the water system and plans for its maintenance and improvement.

Like many small, rural water systems, much of our infrastructure was built decades ago. Components such as pipes, valves, pumps, and related equipment all have a finite service life. Many parts of our system are now approaching or exceeding that life expectancy.

Over the past several years, the association has taken important steps to fully understand the condition of the system. This included completing a comprehensive inventory of all infrastructure and developing a detailed capital replacement plan. This plan identified which components need to be replaced, when they should be replaced, and the estimated cost.

The findings showed that fully replacing major portions of the system within a short timeframe would be extremely expensive. Funding the full replacement plan immediately would require customer water base rates to increase to approximately three times their current level and increase the water usage rates substantially.

The association also explored outside funding options, including grants, loans to help offset these costs. At this time, sufficient construction funding and loan options have not been secured to support full implementation of the replacement plan.

In addition, the association completed a professional rate study with the Rural Community Assistance Corporation (RCAC). The RCAC rate study evaluated the financial condition of the water system and recommended rate adjustments designed to maintain safe operations, fund ongoing maintenance, and support gradual infrastructure improvement while keeping rates as reasonable as possible.

Based on this information, the Board carefully evaluated the available options. One option was to dramatically increase rates immediately to fund rapid replacement of infrastructure. The other option was to follow the RCAC rate study recommendations and take a more gradual approach focused on maintaining, repairing, and improving the system in a prioritized, step-by-step manner.

After careful consideration, the Board chose the gradual approach. The approved rate increases affect all service sizes on the system and are shown in the table below. The increase aligns with the recommendation by RCAC and increases the base rate for most customers by \$40.50 to \$42.61 per month effective March 2026. Most residential customers fall within the 5/8" size meter with a few in the 3/4" size meter. Larger institutional and commercial customers comprise the larger sizes.

<u>Meter Size</u>	<u>New Base Rate</u>
5/8"	\$140.50
3/4"	\$142.61
1"	\$144.07
1 1/2"	\$147.70
2"	\$152.32

This approach allows the association to:

- Keep water rates more affordable and manageable for customers
- Continue delivering safe and reliable drinking water
- Address the most critical infrastructure needs first
- Improve the system steadily over time
- Extend the service life of existing infrastructure where safe and appropriate
- Position the district to pursue grants and funding opportunities as they become available

This decision does not ignore the system's needs. Rather, it reflects a commitment to managing those needs responsibly while balancing safety, reliability, and affordability.

The association will continue to actively maintain the system, make necessary improvements, and plan for the future. The goal is to avoid emergency failures whenever possible and replace infrastructure strategically and responsibly.

The association also remains committed to pursuing outside funding opportunities to help reduce the financial burden on customers.

Customers can be assured that:

- Your water remains safe
- Your system is being maintained
- Your Board is actively managing the future of your water system

The Board understands that any rate increase is difficult. These decisions are made carefully and thoughtfully, with the long-term sustainability of the system and the community in mind. Modest, responsible rate increases now help ensure continued safe operation and help avoid much larger increases in the future.

The Carrolls Water Association Board remains committed to transparency and to serving this community responsibly.