

The Borough has been able to operate its Water Utility without a water rate increase since 2013. Over the past 8 years, the Borough has been able to manage increases in salary and other operating expenditures and authorize approximately \$4 million of capital ordinances and the related debt for equipment and improvements to the water system – the bulk of which occurred in the past 2 years.

The Mayor and Council anticipated that an increase in the water rates would be necessary in 2021. To minimize future costs and the water rate increase, the Borough took advantage of the opportunity to refinance \$1,200,000 of its outstanding 2011 Water Utility Bonds with interest rates ranging from 3.0%-5.0% in 2021 and issued \$1,250,000 Refunding bonds with interest rates ranging from .293%-2.44% without extending the final maturity of the original bonds. The refunding resulted in cash savings of \$248,480 over 16 years – average savings of \$15,500 per year. At the same time, the Borough issued \$3,540,000 Water Utility Bonds at a premium of \$629,766 with stated interest rates ranging from 3.05-5.0% to permanently finance its \$4,117,540 of Bond Anticipation Notes outstanding as of December 31, 2020. After factoring in the premium, which reduced the principal amount of the bonds to be repaid, the net interest cost of the bonds was 1.77%. As a result of both bond issues, the Borough saved \$878,246 in future debt service costs.

The Borough had a water rate study prepared which demonstrates that the 2021 water rate increase is expected to sustain the Water Utility operations for the next five years. The Borough intends to utilize annual capital appropriations to finance equipment and capital improvements and curtail the issuance of debt, and the Mayor and Council will continue to review the Water Utility's annual operations and determine if smaller increases in the water rates are necessary on an ongoing basis.

While the Mayor and Council would prefer to not have to raise the water rates, it is not feasible to do so when costs continue to rise, and improvements are necessary. The 2021 water rate increase, including the cost of some major capital improvements and related debt, averages from 2-4% on an annual basis over the 8-year period during which there was no water rate increase.