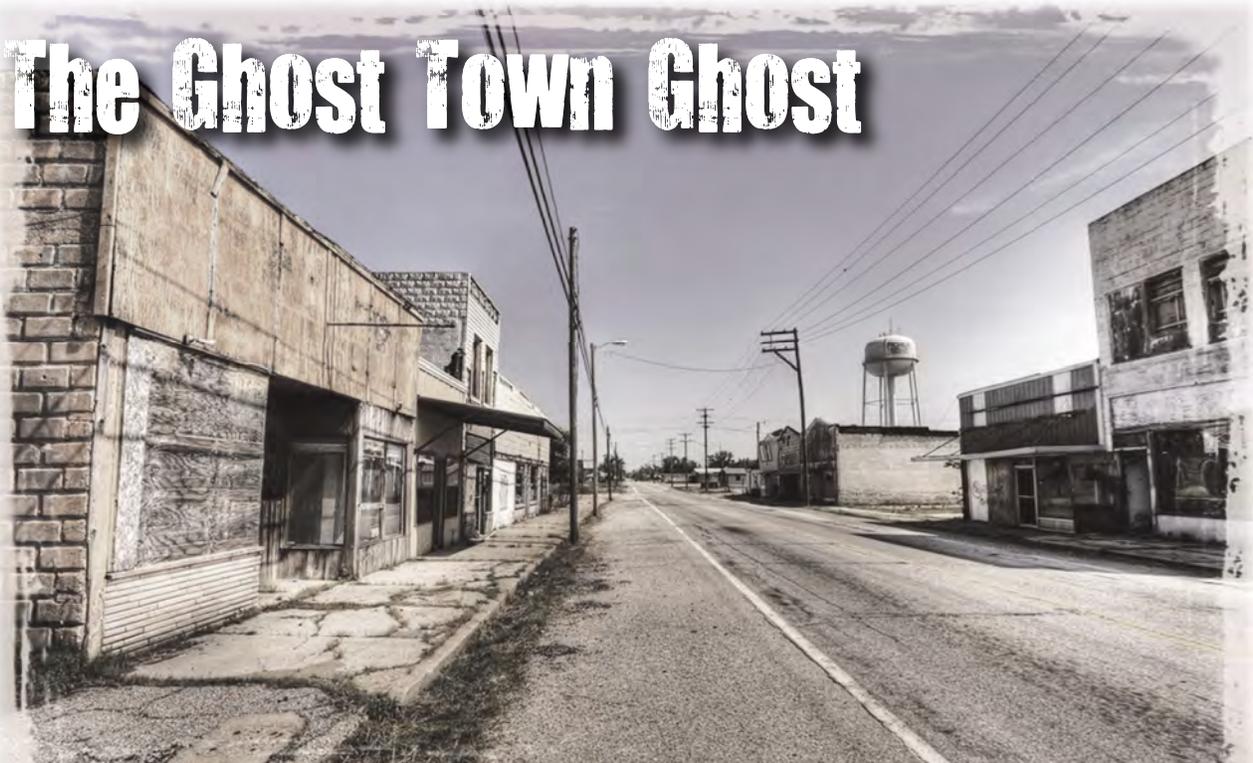


The Ghost Town Ghost



Author's Note: This is the first in a series of three articles concerning the topic of sustainability of public utilities. Management staff and board or council members should read these articles. Then, pass them on to others who may not have access to the articles.

You're climbing, climbing and then, BANG!, the engine stops. Time to revisit your traveling goal. The Old goal? To reach some distant destination to work or have fun.

The New goal? Find as flat and smooth a surface as you can, get close to stall speed and try to execute a "walk-away-from-it" crash.

Two important definitions:

- Natural places are... well... natural.
- Built places are formerly natural places that we changed to suit our needs. They are often called cities, towns, rural water or other types of utility districts. Let's lump them all together as "towns" because "ghost town" has a ring to it. "Ghost utility district" is... blah. Just remember, utilities are included in the "town" mix.

Ghost towns – and crashes – happen. Such crashes are in the works right now.

The ghost town fate is unavoidable for some places; engines sometimes quit. But, good maintenance can prevent many failures. Is your "town" headed for ghost town status? Can you walk away from that crash? Can you prevent it?

Fact of life: Every sustainable town must have a compelling reason to exist. Exhibit A: the gold mining town back in the mountains where the vein played out in 1801 – it's now a ghost town.

Most towns grow from the grass roots up. In those towns, people buy homes and build businesses hoping to make a return on their investment. A big reason to

officially form a town is to protect those investments. Towns do that. Supporting property values is also why most towns get into the utility business, so let's focus on utilities.

Fact of life: Utilities live or die by the rates their ratepayers pay.

Fact of life: Ratepayers do not want to pay higher rates. It's in our DNA. But, we can swallow our DNA pride when properly motivated. Consider the following:

Bob invests \$200,000 in a nice home. The water bill Bob might pay to support a failing water system (an oxymoron, but it's happening) might be \$360 per year, or \$30 per month. And, eventually, the water system... fails. So, now what? Can Bob drill a well and get water? If he can, what will it cost to drill it? What will it cost to operate and maintain it? And, is this a permanent and desirable solution for Bob?

Another option – the town sets rates that enable a sustainable water system. After doing 290+ rate analyses, I find it usually takes about 25 percent more in revenue to go from unsustainable to sustainable. Bob's rate then works out to \$450 per year, or \$37.50 per month. That is \$7.50 more, and that \$7.50 is an insurance premium to protect Bob's \$200,000 investment. Is that a good deal? Bob would probably say, "yes," if he knew the facts.

Without the facts, Bob will say, "NO! Thirty bucks is my limit. The water is good here. I've got a good job and a really nice house. And besides, government should do more with less."

Bob may be okay with a failing water system. Sustainable businesses are not. They want sustainable infrastructure before they invest in a new business location or they expand an existing business.

Businesses are the canary in the mineshaft. When they don't thrive, Bob can't thrive. Result: Bob loses his job. Bob sells his house at a loss, if he is lucky. Ghost town.

A sustainable town must have a compelling reason to exist...and... it must have the desire and wherewithal to continue to exist. Nature reclaims everything, unless we prevent it.

Existing takes work. That boils down to capital. There are the social and cultural kinds. You need those. There is also the hard assets kind – things like water and sewer systems. We're back on utilities.

Rates that are adequate (a must have) and rates that are fair (a nice to have) are the basis for sustainable utilities. Sure, it is self-serving for a utility rate analyst to say this. But, if your town is to compete well with others that have even stronger compelling reasons to exist, you need to give yourselves every possible advantage. Providing great utility service is such an advantage. But, without great rates, you can't do that.

If the ghost town ghost is chasing your town, you need to have an honest talk among yourselves. Ask: Is ghost town status inevitable here? If it is, think in terms of a "walk-

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away-from-it" crash as you plan your next steps. I will cover that in a future article.

If the ghost is behaving, figure out what you can do to make your town as competitive as possible. Having great rates will almost certainly be the easiest and cheapest way to accomplish a lot of that.

I leave you with this.

The Kansas Rural Water Association and my firm joined forces to initiate the Kansas RATES Program. Read about it here

<https://krwa.net/TECHNICAL-ASSISTANCE/Rate-Reviews>. Greg Duryea, with the Association, gives lots of good, down to earth, rate setting assistance and advice. I handle the complicated cases. If you don't know which kind of help you need, call Greg and he will help you sort it out.

The Association and I want your "town" (or your rural water district too) to be sustainable. But, if the ghost catches your community, know this. Provide easy access and a dog walking area, and being a "ghost town" could, itself, be a compelling reason to exist. People love to visit somebody else's ghost town.

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