

Martha's Vineyard Airport
Water/Wastewater Rates

FREQUENTLY ASKED QUESTIONS

June 2017

1) **What airport expenses are we recovering with our new water/wastewater rates?**

The rates were established to cover the direct and indirect cost of operating the water and wastewater plant. The Airport's accounting system breaks out these costs from our FY2017 Budget like this:

<i>Wages & Benefits</i>	<i>\$378,670.56</i>
<i>Utilities</i>	<i>\$118,676.80</i>
<i>Services</i>	<i>\$ 45,320.00</i>
<i>Supplies</i>	<i>\$ 21,617.00</i>
<i>Repairs</i>	<i>\$ 13,478.00</i>
<i>Insurance</i>	<i>\$ 15,330.00</i>
<i>Other</i>	<i>\$ 1,720.00</i>
<i>Capital Costs</i>	<i>\$ 35,300.00</i>
<i>TOTAL</i>	<i>\$630,112.36</i>

In FY2016 our total revenue from water/wastewater fees was \$186,938.00. This means that \$443,174.36 of water/wastewater costs were subsidized by aeronautical fees and rents.

2) **What is the total water and wastewater usage we're spreading this expense over?**

3,546,955 gallons of water used in FY2016

4,066,315 gallons of wastewater treated in FY2016

MVY Water/Wastewater Department serves 61 customers including Airport, County, and FAA facilities which pay their share of expenses.

The heaviest water user (the Terminal Building) uses 15.38% of total water usage

The heaviest wastewater user (the laundromat) uses 43.75% of total wastewater treated

3) **No one was complaining about rates before this increase. Why can't the cross-subsidization of water/wastewater rates continue?**

Because the airport property was given to Dukes County by the Federal Government and because we accept FAA Grant funding every year for airport infrastructure development, we are required to comply with FAA Grant Assurances. Grant Assurance #25 requires that all revenues generated by the airport will only be used to fund the capital and operating costs of the airport which are directly and substantially related to the actual air transportation of passengers or property. In guidance to airports FAA further specifies that rental or use of facilities for non-aeronautical use at less than market value

is prohibited. Put simply, this means that non-aeronautical tenants at the airport (such as those in the Airport Business Park) may not pay less than the fair market value or cost of the airport services they use. Stated another way, non-aeronautical tenants are not allowed by FAA regulations to be subsidized by aeronautical uses at the airport. The full costs of providing the water and wastewater services to non-aeronautical tenants at the airport must be borne by those tenants.

FAA's enforcement of this "revenue diversion" could be through withholding of grant funding, civil penalties, or both. In the last ten years we have received \$30 million of FAA grant funding. Dukes County cannot afford to operate the Airport without these grant funds.

4) **What kind of rate increase can I expect in the future?**

Poor management in the past resulted in the dramatic underfunding of the water and wastewater services at the airport. The new water and wastewater rates take into account the need for capital improvements to these facilities. The new rates include a "capital reserve fund". Some years our capital needs will exceed the funding available in this "capital reserve fund" and some years the funding will exceed the needs. The new rates have been set in such a way to spread the capital costs over a 20 year period. These should help to stem future rate increases.

We will continue to analyze the water and wastewater usage and fees on a regular basis to ensure that we don't develop such a significant funding shortfall again. So you can expect regular rate adjustments in the future rather than a long period of static rates followed by a dramatic increase.

5) **Will my rates ever go down?**

The Airport Wastewater Treatment Facility is currently operating at capacity. This means that we cannot add more users to the system without expanding the system. Obviously, an expansion will cost money. But by expanding the system we can also expand the Airport Business Park. Bringing in more users will reduce the unit cost which could mean a rate reduction. We have been approached by entities off the airport who are interested in tapping into our sewer system. As long as we cover the costs, there are no regulatory reasons not to do this and, again, it would give us the opportunity to reduce rates for all users. We will continue to look for ways to increase efficiency and reduce costs.

6) **I can't afford my current bill at the new rates. What should I do?**

The Martha's Vineyard Airport Commission understands that the necessary new rates may be a hardship for some. We're prepared to work out individual plans to help you adjust. If you need to make special payment arrangements please call Airport Business Manager Joan Shemit at (508) 693-7022 ext. 206.