

Dear Clients, Colleagues, and Friends,

With June behind us, you are now halfway into your operating budget for 2006. I thought this might be a good time to mention something as you plan for next year.

I am concerned that utility budgets are being under funded these days, especially with respect to setting aside adequate funds for extraordinary repairs and improvements. While everyone strives to run their utility like a business, it has been my observation that, more and more, officials are reluctant to raise rates to cover the cost of service. Sometimes, operations that have so carefully set aside funds for maintenance or capital improvements are using those very funds to balance budgets just to meet ordinary expenses.

Of course, tapping reserves only puts off the inevitable, and often at a higher cost because of the effects of inflation. I keep hearing the phrase, "We can't afford a rate increase; we have a lot of people on fixed incomes." Let's be honest. Customers expect the necessary funds to be available to keep the infrastructure in good repair. They do not want, and certainly do not deserve, to have it fall into disrepair.

The next time you work on your budget, I encourage you to consult with your auditor and engineer and seek their advice on developing, funding, and implementing a plan to make improvements. Future generations will applaud you for your stewardship, and you'll have a facility that will run with fewer breakdowns and headaches because you will be able to keep it in good order.

Until next time,



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